

PLAINTIFF'S
EXHIBIT

CEL-471

AGREEMENT

dated as of August 28, 1969

BETWEEN

UNION PACIFIC PETROLEUM CORPORATION
(a Utah corporation)

AND

CELANESE CORPORATION
(a Delaware corporation)

**Providing for the acquisition by Union Pacific Petroleum Corporation
of all of the issued and outstanding capital stock of Champlin
Petroleum Company and Pontiac Refining Corp.**

AGREEMENT dated as of the 28th day of August, 1969, between Celanese Corporation, a Delaware corporation (hereinafter called "Seller") and Union Pacific Petroleum Corporation, a Utah corporation (hereinafter called "Buyer").

WITNESSETH :

WHEREAS, the Seller owns all of the issued and outstanding shares of capital stock of Champlin Petroleum Company, a Delaware corporation (hereinafter called "Champlin") and Pontiac Refining Corp., a Texas corporation (hereinafter called "Pontiac") (Champlin and Pontiac being hereinafter collectively called the "Companies"); and

WHEREAS, the Buyer desires to purchase from the Seller, and the Seller desires to sell to the Buyer, upon the terms and conditions herein set forth, all of the Stock (as hereinafter defined) of the Companies.

NOW, THEREFORE, the Seller and the Buyer, in consideration of the mutual covenants, agreements and provisions set forth in this Agreement, hereby agree as follows:

1. **Sale and Purchase of Stock.** On the terms and subject to the conditions set forth in this Agreement, the Seller shall sell, assign, transfer, and deliver to the Buyer, at the Closing hereunder on the Closing Date (as defined in Section 5 hereof), and the Buyer shall purchase and acquire from the Seller at such Closing, all of the Stock of the Companies.

2. **Seller's Representations and Warranties.** The Seller hereby represents and warrants as follows:

2.1. *Organization and Corporate Authority.* (a) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all necessary power and authority, corporate and otherwise, to execute and deliver this Agreement and to perform its obligations hereunder. The Seller is not subject to any restriction contained in any charter, by-law, mortgage, lien, lease, agreement, instrument, order, statute, regulation, judgment or decree, or any other restriction of any kind or character, which would prevent the consummation of the transactions contemplated in this Agreement. The execution and delivery and performance of this Agreement and the sale and purchase contemplated herein have been duly authorized by the Seller by all requisite corporate action and the Seller has delivered to Buyer true and complete copies of the resolutions adopted by its Board of Directors reflecting the grant of authority to execute, deliver and perform this Agreement, such copies having been certified by Seller's Secretary.

(b) Champlin and Pontiac are each duly organized and validly existing corporations in good standing under the laws of their respective states of incorporation and each has full power and authority, corporate and otherwise, to own or lease its properties and conduct its business as now being conducted, and is qualified to do business in each jurisdiction where the character of the properties owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

2.2. *Subsidiaries.* The Companies have no subsidiaries other than the subsidiaries named below (hereinafter called "Subsidiaries"), each of which is wholly owned by Champlin:

<u>Subsidiary</u>	<u>State of Incorporation</u>
Cycler Oil Company	Missouri
Harbor Service Stations, Inc.	Oklahoma
Midland Gasoline Corporation	Texas
Star Oil Company, Inc.	North Dakota

Each Subsidiary is duly organized, validly existing and in good standing under the laws of its state of incorporation and each corporation has full power and authority, corporate and otherwise, to own or lease its properties and conduct its business as now being conducted, and is qualified to do business in

each jurisdiction where the character of the properties owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

2.3. *Capitalization.* (a) Champlin has an authorized capital stock of 50,000 shares of common stock, of a par value of \$100 per share, of which 44,847 shares are validly issued and outstanding, fully paid and non-assessable. Pontiac has an authorized capital stock of 140 shares of Class A common stock, of a par value of \$10 per share, and 60 shares of Class B common stock, of a par value of \$10 per share of which, 140 Class A and 60 Class B shares are validly issued and outstanding, fully paid and non-assessable (all of the issued and outstanding capital stock of Champlin and Pontiac being herein collectively called the "Stock").

(b) There are no outstanding subscriptions or other agreements, options, warrants or similar rights obligating either of the Companies or any Subsidiary to issue any additional shares of its capital stock of any class or classes.

2.4. *Ownership of Shares.* The Seller has valid title to all the Stock, and Champlin has valid title to all of the issued and outstanding capital stock of each of the Subsidiaries, free and clear of any and all claims, liens or encumbrances.

2.5. *Financial Statements.* The Seller has delivered to the Buyer copies of the following financial statements (attached hereto as Exhibit I) prepared, and certified to (except in the case of the Balance Sheets dated as of June 30, 1969) by independent certified public accountants, all of which have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods indicated and, except as described in footnote 2 to the Interim Balance Sheet (as hereinafter defined), consistent with the principles followed in each respective preceding period:

(a) *Balance Sheets.* Balance sheet of Pontiac, Consolidated Balance Sheet of Champlin and Subsidiaries, and Combined Balance Sheet of the Companies and Subsidiaries as of June 30, 1969, which present true and complete statements, as of said date, of the financial position of Pontiac and of Champlin and Subsidiaries and of the Companies and Subsidiaries respectively; and

(b) *Statements of Income and Retained Income.* Statements of Income and Retained Income of Pontiac for the seven months ending December 31, 1967 and for the calendar year 1968 and Consolidated Income and Retained Income of Champlin and Subsidiaries for the calendar years 1964 through 1968, which present fairly for the periods covered thereby, the results of operations of Pontiac and of Champlin and Subsidiaries, respectively.

2.6. *Absence of Undisclosed Liabilities.* Except as and to the extent reflected or reserved against in the Balance Sheets, dated as of June 30, 1969, referred to in Section 2.5(a) (hereinafter collectively called the Interim Balance Sheets), the Companies and Subsidiaries, (i) had no liabilities or obligations secured or unsecured (whether accrued, absolute, contingent or otherwise) including, without limitation, any tax liabilities (see Section 2.7), any liabilities as guarantor or otherwise (see Section 2.18), any liabilities in respect of litigation (see Section 2.19), in respect of or measured by income for any period prior to the close of business on June 30, 1969, or arising out of transactions entered into, or any state of facts existing, prior thereto; and (ii) had not, as of June 30, 1969, received payment for any oil, gas or other hydrocarbons sold from their properties which had not been actually delivered by said date (other than those products of Pontiac which were treated on the books of Pontiac as having been sold to Gulf Oil Company although not having been physically removed from the Pontiac premises) and were, as of June 30, 1969, under no obligation in respect of any production or transaction which occurred prior to the close of business on said date to make any payment as a working interest owner or otherwise, in respect of production costs or in the nature of a royalty, overriding royalty, carve-out or other production payment, net profit or other similar interest under any joint operating or unit agreement or other agreement, whether or not covering the properties of the Companies and the Subsidiaries, except for obligations to make such payments as, when taken in the aggregate, were not substantial in amount and did not materially adversely affect their financial position.

2.7. *Tax Liabilities.* Except as and to the extent reflected or reserved against in the Interim Balance Sheets, the Companies and Subsidiaries, as of June 30, 1969, had no liability (whether accrued, absolute, contingent or otherwise) to the Seller or to any taxing authority for the payment of any United States or Canadian, federal, state, provincial, county or local tax (whether or not disputed or theretofore assessed and whether or not in respect of or measured by income or revenues or real or personal property or sales or use) in respect of the period ended on June 30, 1969 and for all years prior thereto, or arising out of transactions entered into, or any state of facts existing on or prior to June 30, 1969; and the provisions made for taxes in the Interim Balance Sheets are sufficient for the payment of any and all such taxes. The United States Federal income tax returns of Champlin and Subsidiaries have been filed on a consolidated basis with those of the Seller for the calendar tax years of 1965 through and including 1968, and the United States Federal income tax returns of Pontiac have been filed on a consolidated basis with those of the Seller for the taxable year September through December, 1967 and the calendar year 1968. None of the aforesaid consolidated United States Federal income tax returns of the Seller have been audited by the Federal Internal Revenue Service. The Federal income tax returns of Champlin and Subsidiaries through and including the calendar year 1964 and the Federal income tax returns of Pontiac through and including the taxable year ending August 31, 1967 have been audited by the Federal Internal Revenue Service and all deficiencies proposed as a result of such audits have been paid and settled.

2.8. *Accounts Receivable.* The Accounts Receivable, Notes Receivable and Advances reflected on the Interim Balance Sheets either have been collected or paid or are good and collectible in the book amounts thereof, less the amount of the allowance for doubtful accounts as therein reflected.

2.9. *Product Inventory.* The inventory shown on the Interim Balance Sheets consists of products of a quality and quantity usable or salable in the normal course of business; the value of all products of below standard quality had then been written down to realizable market value or adequate reserves provided therefor; and the values at which such inventory is carried reflect the normal inventory valuation policy of the Companies and Subsidiaries.

2.10. *Materials and Supplies.* The materials and supplies shown on the Interim Balance Sheets consist of items of a quality and quantity usable in the normal course of business and are reasonably suitable and fit for the purposes for which they were purchased.

2.11. *Prepaid Expenses.* The prepaid expenses shown on the Interim Balance Sheets reflect payment of expenses necessary and proper in connection with the normal course of business.

2.12. *Real Property; Hydrocarbon Reserves; Leaseholds.* The Companies and the Subsidiaries have valid title in fee, or a valid leasehold interest, in the case of leasehold property, in all real properties on which are situated the refineries, natural gas processing plants, products pipeline terminals and office buildings described in Exhibit II hereto and to all buildings, improvements and fixtures thereon and are in lawful possession of all other real property used in the conduct of their respective businesses and of all buildings, improvements and fixtures thereon, all of which title and possessory interests are free and clear of any and all claims, liens and encumbrances, except (i) as otherwise reflected in the Interim Balance Sheets, (ii) the lien of current taxes not yet due and payable, (iii) covenants, restrictions, reservations, easements and agreements contained in instruments of record affecting the properties, and zoning laws, ordinances, rules and regulations, if any, none of which materially adversely affects the use of the properties for the purposes for which they are now employed, and (iv) such other claims, liens or encumbrances, if any, as are not in respect of the particular property substantial in character, amount or extent, and do not materially detract from the value or interfere with the present or future use of, the property subject thereto or affected thereby, or otherwise materially impair business operations. Neither the Seller nor the Companies nor any Subsidiary has received notice of violation of any applicable zoning regulation, ordinance or other law, order, regulation or requirement relating to its operations or its owned or leased properties which would materially adversely affect the use of such properties for the purposes for which they are now employed and which has not been cured or otherwise satisfied and, so far as known to the Seller or the Companies or the Subsidiaries, there are no such violations and all

plants and other buildings conform with all applicable ordinances, codes and regulations. All of the hydrocarbon reserves shown on Exhibit III hereto are net proven recoverable reserves and the Companies and the Subsidiaries have the right to recover all such reserves free and clear of any and all claims, liens and encumbrances, and there are no laws, ordinances, restrictions or rights of others (except for Federal and state proration regulations which may from time to time be in force and effect) which prevent the recovery of such reserves. All natural gas liquids from process acreage which are included in the hydrocarbon reserves shown on Exhibit III hereto are based on gas processing agreements all of which are currently in full force and effect and valid and enforceable to their respective expiration dates. Neither the Seller nor the Companies has any knowledge of facts with respect to the foreseeable cancellation or non-renewal of any such gas processing agreement which involves any substantial amount of such natural gas liquids. All leases pursuant to which the Companies or any Subsidiary leases from others any real property or interest therein, are valid and enforceable to their respective lease expiration dates and said leases are not in default and are held free and clear of any and all claims, liens and encumbrances except as aforesaid.

2.13. *Refineries and Processing Plants.* Champlin owns and operates a crude oil refinery located at Enid, Oklahoma, and owns, alone or jointly with other interest owners, and operates, directly or through a subsidiary corporation, natural gas processing plants located at or near Enid, Oklahoma; Oklahoma City, Oklahoma; Carthage, Texas; Bishop, Texas; and Conroe, Texas. Pontiac owns and operates a crude oil refinery located at Corpus Christi, Texas. All of said refineries and natural gas processing plants are in good operating condition and there is no significant deferred maintenance with respect thereto.

2.14. *Personal and Intangible Property.* The Companies and the Subsidiaries own all of their personal and intangible property, including their machinery, rolling stock, motor vehicles and securities, free and clear of any and all claims, liens and encumbrances.

2.15. *Easements and Rights-of-Way.* The interests of the Companies and the Subsidiaries in their rights-of-way, easements, grants, profits-a-prendre, permits, consents and licenses, granted or issued by others than governmental political subdivisions or regulatory authorities for the construction, maintenance and operation of gathering lines, pipelines, distribution mains, service mains, meter stations, distribution stations, servicecenters and other facilities have been perfected to the extent permitted by law and are valid and enforceable.

2.16. *Pension Liability.* The Companies and the Subsidiaries had, as of June 30, 1969, and in respect of all service in employment prior thereto, (i) unfunded past service liability computed in accordance with generally accepted actuarial standards in respect of all pension or other retirement benefit plans or any other liability under any post-retirement group life insurance plan of not in excess of \$4,000,000 and (ii) funded vested benefits of \$12,200,000 in respect of all such pension or other retirement benefit plans.

2.17. *Accounts Payable.* The accounts payable shown on the Interim Balance Sheets represent indebtedness of the Companies and Subsidiaries incurred in connection with the acquisition of materials and supplies and the performance of services all in the ordinary course of business.

2.18. *No Liabilities as Guarantor or Otherwise.* Except as and to the extent reflected or reserved against in the Interim Balance Sheets, neither of the Companies nor any Subsidiary is directly or indirectly liable upon or with respect to (by discount, repurchase agreement or otherwise), or obligated in any other way to provide funds in respect of or to guarantee or assume, any debt, dividend or other obligation of any person, corporation, association, partnership or other entity, except endorsements made in the ordinary course of business in connection with the deposit of items for collection.

2.19. *Litigation.* There are no lawsuits, proceedings or governmental investigations pending, or threatened, against or relating to either of the Companies or any Subsidiary or the properties or business of any such company which will result in liability on the part of the Companies and any Subsidiaries in an aggregate amount in excess of the aggregate amount reflected or reserved against in the Interim Balance

Sheets. Neither of the Companies nor any Subsidiary is a party to or subject to the provisions of any order, writ, injunction or decree of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which would materially adversely affect their financial position or materially impair their operations.

2.20. *Labor Matters.* There are no strikes or work stoppages in effect or threatened against the Companies or any Subsidiary, nor have any such strikes or work stoppages been enjoined by any current order, writ, injunction or decree of any court or federal, state, municipal or other governmental agency or instrumentality.

2.21. *Patents and Trademarks.* All patents, patent applications therefor, tradenames, copyrights, copyright registrations and application therefor, presently owned, in whole or in part, by either of the Companies or any of the Subsidiaries are valid and in good standing.

2.22. *Enforceability and Compliance with Terms of Material Contracts.* The material contracts and agreements referred to in Section 2.24(b) hereof are valid and enforceable to their respective expiration dates and the Companies and the Subsidiaries are not in default under the terms of any such material contract or agreement.

2.23. *Minute Books.* The minute books of each of the Companies and of the Subsidiaries contain the minutes of all meetings of the Directors and stockholders of each such company.

2.24. *Material Data.* The Seller has delivered to the Buyer the following documents each of which is true and complete:

(a) The Charter and By-Laws of each of the Companies and the Subsidiaries;

(b) A list and summary description of every material contract or agreement to which either of the Companies or any Subsidiary is a party or has succeeded to a party by assumption or assignment or in which any such company has a beneficial interest. Without limiting the meaning of the term "material", any contract or agreement shall, for the purposes of this Section, be deemed material (i) if not made in the ordinary course of business, or (ii) if the business of either of the Companies or any Subsidiary is substantially dependent upon it, as in the case of continuing contracts to sell the major part of production, or licenses to use processes, patents or formulas upon which business depends to a material degree, or (iii) if constituting a management contract or bonus or profit-sharing plan, contract or arrangement, or (iv) if any Director or officer of the Seller, either of the Companies, or any Subsidiary or any associate of any such Director or officer is directly or indirectly a party thereto, or (v) if it is a mortgage, deed of trust, pledge, loan, credit, or other borrowing agreement or other obligation for or relating to borrowed money, or (vi) is, in respect of the amount of such contract or agreement, or its importance to the business of the Companies and the Subsidiaries, material and the terms and conditions are of a nature of which the Buyer reasonably should be informed. [As used in clause (iv) hereinabove with respect to any such Director or officer, "associate" shall mean any member of his family, or any corporation, (other than a corporation whose securities are publicly traded) partnership, trust or other entity in which he has an interest or is a Director, officer, partner or trustee.]

(c) A list reflecting the names and current annual salary rates or other fee arrangements of all directors, officers, employees and consultants or agents of the Companies and each Subsidiary whose current annual salary rate or fee from the Companies and each Subsidiary is Twenty-Five Thousand Dollars (\$25,000) or more, together with a summary of the bonuses, additional compensation and other like benefits, if any, paid or payable to such persons for the calendar year 1969;

(d) A statement summarizing (i) with respect to each pension undertaking for the employees of the Companies and for the employees of each Subsidiary, both salaried and non-salaried, including any formal or informal plan, the actuarial assumptions employed with respect to determining the past and normal service costs of each undertaking, the extent to which such undertaking is funded and the nature of each such funding arrangement, if any, and (ii) any other undertaking with respect to such employees pursuant to any retirement life insurance, bonus, profit-sharing, retirement or

other employee benefit, arrangement or plan; and a copy of each actuarial report prepared by or for the Companies and Subsidiaries or any one of them and used or proposed to be used in determining past and normal service costs for each such undertaking.

(e) A list of every lease with the United States covering Federal lands leased by either of the Companies or any Subsidiary under the Federal Mineral Leasing Act, reflecting, by the categories of minerals set forth in said Act, the States in which such leases are held and the total acreage in each.

(f) A list and summary description of (i) the crude oil charge capacity of the refineries of the Companies located at Enid, Oklahoma and Corpus Christi, Texas, and (ii) the principal refining units and processes in use at such refineries and a detailed description of the types and quantity of each type of refined products so produced during the year 1968 and the six-month period ending June 30, 1969.

2.25. *Absence of Certain Changes or Events.* Since June 30, 1969, there has not been:

(a) *Financial Condition.* Any material adverse change in the financial position, or results of operations or employment of key personnel of either of the Companies or any Subsidiary; or, other than changes in the ordinary course of business not materially adverse, any damage, destruction, loss or seizure, whether as the result of an act of the Seller or from causes beyond its reasonable control, including but not limited to acts of God, acts of government such as embarkation, priorities and allocations, war and war conditions, riot or civil commotion, sabotage, flood or explosion, whether or not covered by insurance, or any taking of property by condemnation or eminent domain.

(b) *Capital Stock, Options, Dividends.* Any change in the authorized or issued capital stock of the Companies or of any Subsidiary, any acceptance of any subscription or any other agreement or any grant of any option warrant or similar right, in respect of the issuance of any additional shares of capital stock of the Companies or any Subsidiary or any sale or change in ownership of any shares of the capital stock of the Companies or any Subsidiary, or any declaration, setting aside or payment of any dividend or making of any other distribution or payment in respect of the capital stock of the Companies or any Subsidiary, except for dividends declared and/or paid which, when added to dividends declared and/or paid prior to June 30, 1969, do not exceed in the aggregate \$15,350,000 in dividends declared and/or paid for the calendar year 1969.

(c) *Mortgage or Pledge of Assets; Incurring of Indebtedness.* Any mortgage or pledge of any of the properties or assets of either of the Companies or any Subsidiary other than in the ordinary course of business and not substantial in amount or such as may be required to comply with indentures or other agreements in force on the date of this Agreement, or any borrowing or other incurring of indebtedness by any such company other than in the ordinary course of business and maturing not more than one year from the date of the borrowing or incurring of the indebtedness; and

(d) *Employee Benefit Plans and Certain Salaries.* Any bonus, stock option, profit sharing, pension, retirement, or other similar arrangement or plan instituted by either of the Companies or any Subsidiary, or any change in any of such companies' bonus and pension plans as in effect on June 30, 1969 or any increase in the compensation payable or to become payable to any officer, employee or agent whose total compensation from the Companies and each Subsidiary was then at an annual rate of more than Twenty-Five Thousand Dollars (\$25,000), or any bonus, percentage of compensation, or other like benefit accrued to, or for the credit of, any officer, employee or agent of any such company, or any bonus, pension, retirement or similar payment or arrangement made or agreed to by any of such companies other than pursuant to any bonus or pension plan as in effect on June 30, 1969.

3. *Buyer's Representations and Warranties.* The Buyer hereby represents and warrants as follows:

3.1. *Organization and Good Standing.* The Buyer is a wholly-owned subsidiary of Union Pacific Railroad Company and is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah. The Buyer is not subject to any restriction contained in any charter, by-law, mortgage, lien, lease, agreement, instrument, order, statute, regulation, judgement or decree, or any other

restriction of any kind or character which would prevent the consummation of the transactions contemplated in this Agreement. The Buyer has all necessary power and authority, corporate and otherwise, to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery and performance of this Agreement and the purchase contemplated herein, have been duly authorized by all requisite corporate action, and the Buyer has delivered to the Seller true and complete copies of the resolutions of its Board of Directors reflecting the grant of authority to execute, deliver and perform this Agreement, such copies having been certified by the Buyer's Secretary.

3.2. Acquisition of Stock for Investment. The Buyer proposes to acquire the Stock of the Companies for investment and not with a view to, or for sale in connection with, the distribution thereof.

4. Conduct of Business Pending the Closing. Pending the Closing hereunder, except as otherwise consented to by Buyer in writing, Seller covenants, warrants and agrees that:

4.1. Business In Ordinary Course. Each of the Companies and the Subsidiaries shall refrain from (i) engaging in transactions other than in the ordinary course of business; (ii) entering into any agreement for the sale of any material part of their properties or assets including but not limited to the sale of any materially significant production payment; (iii) drilling any new wells or deepening or recompleting or making any substantial workover of any existing well involving any expenditure or abandoning any significant producing well or leasehold equipment currently used thereon, except to the extent any such action is provided for under the 1969 Exploration and Development Program of the Companies, a copy of which has heretofore been delivered by the Seller to the Buyer; (iv) waiving, compromising or settling any substantial right or claim pertaining to such properties or assets having substantial value.

4.2. Certificate of Incorporation and By-Laws. No change shall be made in the Certificate of Incorporation or By-Laws of any of the Companies or Subsidiaries.

4.3. Capital Stock, Options, Dividends. No change in the capital stock of the Companies or any Subsidiaries or option grant or change in ownership or dividend or other distribution, all as hereinabove specified in Section 2.25(b), shall have been made or occurred, except that in respect of dividends, the Seller shall be entitled to receive Fifteen Million Three Hundred Fifty Thousand Dollars (\$15,350,000) in aggregate dividends from the Companies during the calendar year 1969.

4.4. Mortgage or Pledge of Assets; Incurring of Indebtedness. No mortgage or pledge or borrowing or other incurring of indebtedness all as hereinbefore specified in Section 2.25(c) shall be made.

4.5. Employee Benefit Plans and Certain Salaries. No employee benefit arrangement or plan, all as hereinbefore specified in Section 2.25(d), shall be instituted or changed or compensation increased or accrued or agreed to. There shall be no increase in the compensation payable or to become payable to any officer, employee or agent of the Companies or Subsidiaries whose compensation from the Companies and each Subsidiary on June 30, 1969 was at an annual rate of more than Twenty-Five Thousand Dollars (\$25,000).

4.6. Preservation of Business Organization and Goodwill. The Companies and Subsidiaries shall use their best efforts to preserve their business organizations intact, to keep available to the Buyer the services of their present officers and employees; to maintain and keep their properties in good condition and working order, to preserve all geological and geophysical exploratory data, to preserve in full force and effect all of their oil, gas and mineral leases and any agreement entitling them to explore for and/or produce oil, gas or other hydrocarbons (except such leases as are deliberately released in the ordinary course of business), and perform all covenants and conditions imposed upon the Companies or Subsidiaries thereunder; operate any of the properties of the Companies and Subsidiaries in a good workmanlike manner; to perform all obligations under all contracts relating to or affecting their properties including but not limited to all material contracts or agreements referred to in Section 2.24(b) hereof; and to preserve for the Buyer the goodwill of the suppliers and customers of the Companies and Subsidiaries and others having business relations with them.

4.7. *Compliance With Law.* The Companies and Subsidiaries shall duly comply with all laws applicable to them and to the conduct of their businesses; and conduct their businesses in such a manner that at the Closing Date the representations and warranties contained in this Agreement shall be true to the extent that such representations and warranties shall have been made again on and as of such date as contemplated by Section 6.1 of the Agreement.

4.8. *Insurance.* The Companies and the Subsidiaries will maintain insurance in effect upon all their properties and with respect to the conduct of their business in such amounts and of such kinds as are in effect on the date of this Agreement, provided that the coverage may be increased from time to time by the Companies and the Subsidiaries in their discretion.

5. *Closing and Closing Date.* The consummation of the sale and purchase of the Stock of the Companies (which consummation is herein called the "Closing"), shall take place in San Juan, Puerto Rico, or such other place as may be mutually agreed upon by Buyer and Seller, commencing at 11 o'clock a.m., New York time, on January 5, 1970 or on such other date as may be mutually agreed by Buyer and Seller (the "Closing Date"), but shall be effective as of January 1, 1970.

5.1. *Sale and Delivery.* At the Closing, the Seller, contemporaneously with performance by the Buyer of its obligations to be performed at such Closing, shall deliver to the Buyer the following:

(i) Stock certificates representing all of the Stock of the Companies accompanied by stock powers endorsed in blank representing and warranting that the Stock is being sold, assigned, transferred and delivered to the Buyer free and clear of any and all claims, liens or encumbrances, with signatures on such stock powers guaranteed by a New York bank or trust company, or member firm of a national securities exchange, with all required (if any) federal, state and local documentary transfer stamps affixed.

(ii) Such further certificates, documents and other instruments as shall be reasonably required by the Buyer to evidence compliance by the Seller with each of the conditions precedent to the Buyer's obligations at the Closing, as contained in Section 6 hereof.

At the Closing, the Buyer contemporaneously with performance by the Seller of its obligations to be performed at such Closing, shall deliver to the Seller, in addition to the documents and instruments to be delivered by the Buyer pursuant to Section 5.2 hereof, such other certificates, documents and instruments as shall be reasonably required by the Seller to evidence compliance by Buyer with each of the conditions precedent to Seller's obligations at the Closing contained in Section 7 hereof.

5.2. *Purchase Price and Payment.* At the Closing, the Buyer, contemporaneously with the performance by the Seller of its obligations to be performed at such Closing, shall pay to the Seller that portion of the purchase price for the Stock, being the sum of Two Hundred Forty Million Dollars (\$240,000,000) (hereinafter called the "Purchase Price"), as follows:

(a) At the Closing, the Buyer shall deliver to the Seller a certified or bank cashier's check drawn on a New York City branch of The Chase Manhattan Bank payable in Federal Funds to the order of the Seller in the amount of One Hundred Twenty Million Dollars (\$120,000,000); and

(b) Following the Closing, the Buyer shall complete payment of the Purchase Price by making three equal instalment payments (by certified or bank cashier's check drawn on a New York City bank payable in Federal Funds) of Forty Million Dollars (\$40,000,000) each respectively on January 2, 1971, January 2, 1972 and January 2, 1973. Such instalment payments shall bear interest on the unpaid balance thereof from January 1, 1970 to the date of payment at the rate of nine percent (9%) per annum, payable upon the several payment dates hereinabove provided and shall not be subject to pre-payment, except that after January 2, 1971 the instalments due on January 2, 1972 and January 2, 1973 may be prepaid with interest by the Buyer at any time without penalty upon 30 days written notice to the Seller, such interest to be calculated to the date of pre-payment on the basis of a 360-day year of twelve 30-day months.

5.3. *Further Assurances.* At any time and from time to time, at or after the Closing, upon the request of the Seller or the Buyer, the Seller and Buyer agree to do, execute, acknowledge and deliver or shall cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, and assurances as may be required to consummate the transactions provided for in this Agreement.

6. **Conditions Precedent To Buyer's Obligations.** All obligations of Buyer under this Agreement are subject to the fulfillment, prior to or at the Closing hereunder, subject to the provisions of Section 19 hereof, of each of the following conditions:

6.1. *Seller's Representations True at Closing; Performance by Seller.* The representations and warranties of the Seller set forth in Section 2 of this Agreement shall be deemed to have been made again at and as of the Closing Date (including but not limited to a reiteration of the representations and warranties with respect to the absence, as of the Closing Date, of certain changes or events as set forth in Section 2.25) and, except as contemplated by Section 4 hereof, shall then be accurate in all material respects; the Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing hereunder; and Buyer shall have been furnished with a certificate of appropriate officers of the Seller, dated the Closing Date, certifying to the best of their knowledge, in such detail as Buyer may request, to the fulfillment of the foregoing conditions.

6.2. *Examination and Report of Peat, Marwick, Mitchell & Co.* Buyer shall have received from Peat, Marwick, Mitchell & Co., independent certified public accountants, at Champlin's expense, an opinion based upon their reading of the latest available unaudited interim financial statements of the Companies and Subsidiaries since June 30, 1969, consultations with and inquiries of officers of the Seller and Companies and Subsidiaries responsible for financial and accounting matters as to transactions and events relating to the Companies and Subsidiaries since June 30, 1969, and a reading of the minutes of meetings of the Directors and stockholders of the Companies and Subsidiaries since June 30, 1969, (which procedures do not constitute an examination made in accordance with generally accepted auditing standards), that there is nothing which has come to their attention which gives them or has given them reason to believe that (a) the Interim Balance Sheets were not prepared in accordance with generally accepted accounting principles applied on a basis consistent with the preceding periods and (b) during the period from June 30, 1969, to November 30, 1969 there has been any material change in the capital stock or long-term debt of the Companies and Subsidiaries or any material adverse change in the financial position of the Companies and Subsidiaries taken as a whole as compared with the financial position reflected in the Interim Balance Sheets, or in the results of operations as compared with the corresponding period of the preceding year.

6.3. *No Reduction in Net Worth.* On the Closing Date, the net worth of the Companies and Subsidiaries shall not be less than the net worth of the Companies and Subsidiaries at the close of business on June 30, 1969, as reflected in the Interim Balance Sheets, i.e., One Hundred Sixty Eight Million Six Hundred Thirty Four Thousand Dollars (\$168,634,000).

6.4. *Opinion of Seller's Counsel.* Buyer shall have been furnished with an opinion, dated the Closing Date, of counsel for the Seller and the Companies, to the effect that:

(a) *Organization and Good Standing.* The Seller and the Companies and the Subsidiaries are corporations duly organized, validly existing and in good standing under the laws of the states of their incorporation and the Companies and the Subsidiaries are each duly qualified to do business in each jurisdiction in which the character of the properties owned or leased by each of them or the nature of the business transacted by each of them, respectively, makes such qualification necessary.

(b) *Corporate Authority Relative to this Agreement.* The execution, delivery and performance of this Agreement by Seller has been duly authorized and approved by all requisite corporate action

of the Seller, no action by stockholders is required, and this Agreement has been duly executed and delivered by the Seller and constitutes a valid and binding obligation of Seller enforceable in accordance with its terms.

(c) *Capitalisation.* The authorized, issued and outstanding capital stock of the Companies is as stated in Section 2.3, above, and the shares of capital stock of the Companies to be delivered to Buyer pursuant to Section 5.1 above constitute all the issued and outstanding stock of the Companies and are validly issued, fully paid and non-assessable.

(d) *Title to Stock.* Upon the delivery of the stock certificates and stock powers as contemplated by Section 5.1(i), Buyer will be vested with valid title to the Stock of the Companies free and clear of any and all claims, liens or encumbrances.

(e) *Compliance by Seller with All Other Requirements.* The consummation of the purchase and sale contemplated by this Agreement will not violate or conflict with any provision of Seller's certificate of incorporation or by-laws, or any provision of or result in the acceleration of any obligation under any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which Seller or the Companies or Subsidiaries are parties or by which they are bound and will not violate any federal, state or local law or any other restriction of any other kind or character to which they are subject; all actions or proceedings required by law or this Agreement to be taken by Seller at or prior to the Closing hereunder in connection with this Agreement and the transactions provided for herein have been duly and validly taken; and no approval, consent or authorization of any governmental authority of the United States or Canada or of any state or province, governmental subdivision, agency or instrumentality thereof, or other person, not obtained, is necessary to the making or consummation of this Agreement or the continued operation and use of the businesses, assets, and properties of the Companies or the Subsidiaries in the ordinary course thereafter.

(f) *Litigation.* To their knowledge, except as and to the extent reserved against in the Interim Balance Sheets, there is no litigation, proceeding or governmental investigation pending or threatened against or relating to either of the Companies or any Subsidiary, or the properties or business of any such Company which is materially adverse to the businesses of the respective companies or any legal impediment to the continued operation of such businesses and properties in the ordinary course following the consummation of the sale and purchase contemplated by this Agreement, and the aggregate amount of liability that may result therefrom will not, in their opinion, be material in relation to the assets and businesses of the Companies and Subsidiaries.

6.5. *Title Opinions or Evidences of Title.* Buyer shall have been furnished by Seller, at Seller's expense, with (i) legal opinions or other evidences, in form and substance satisfactory to it, to the effect that with respect to the properties on which are situated the refineries, natural gas processing plants, products pipeline terminals and office buildings described in Exhibit II hereto the Companies and Subsidiaries at the time of the Closing hereunder, had valid title in fee to all of the real property described in said Exhibit II as fee property, free and clear of any and all claims, liens and encumbrances except as otherwise stated in Section 2.12 hereto, and (ii) certificates executed by the respective lessors of all real property described in said Exhibit II as leasehold property to the effect that such leases are in full force and effect until their respective expiration dates and that there are no outstanding notices of default thereunder.

6.6. *Opinion of Buyer's Counsel.* Buyer shall have received an opinion, dated the Closing Date, of its counsel, to the effect that:

(a) *Corporate Authority Relative to this Agreement.* The execution, delivery and performance of this Agreement have been duly authorized and approved by all requisite corporate action of the Seller and the Buyer, and this Agreement has been duly executed and delivered by such parties and constitutes a valid and binding obligation enforceable in accordance with its terms.

(b) *Compliance With All Other Requirements.* All actions or proceedings required by law or this Agreement to be taken by the Seller at or prior to the Closing hereunder in connection with this Agreement and the transactions provided for herein have been duly and validly taken, and no approval, consent or authorization of any governmental authority of the United States or Canada or of any state or province, governmental subdivision, agency or instrumentality thereof, or other person, not obtained, is necessary to the making or consummation of this Agreement or the continued operations and use of the business, units, and properties of the Companies, or the Subsidiaries in the ordinary course thereafter.

6.7. *Litigation Affecting Closing.* At the Closing Date no litigation, proceeding, or governmental investigation, shall be pending or threatened, against or relating to the Seller or the Buyer, or either of the Companies or any Subsidiary, in which it is sought to restrain or prohibit or to obtain damages or right of appraisal or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby, including, without limitation, any action or claim alleging or claiming violation of the antitrust laws.

6.8. *Report as to Condition of Refineries and Processing Plants.* Buyer shall have received a report, satisfactory to it, from an independent engineering firm to the effect that the Companies' refineries located at Enid, Oklahoma and at Corpus Christi, Texas and the natural gas processing plants operated by the Companies, three of which are in Texas and two in Oklahoma, are in good operating condition and that there is no significant deferred maintenance in respect thereof.

6.9. *Resignation of Officers and Directors of the Companies and the Subsidiaries.* Buyer shall have received copies, certified by the appropriate secretary of each of the Companies and the Subsidiaries, of the resignations, effective as of the Closing Date, of such officers and directors of the Companies and the Subsidiaries as shall be designated prior to the Closing Date by Buyer.

7. **Conditions Precedent to Seller's Obligations Hereunder.** All obligations of the Seller under this Agreement are subject to the fulfillment, prior to or at the Closing hereunder, subject to the provisions of Section 19 hereof, of each of the following conditions:

7.1. *Buyer's Representations True at Closing; Performance by Buyer.* The representations and warranties of the Buyer set forth in Section 3 of this Agreement shall be deemed to have been made again at and as of the Closing Date and shall then be accurate in all material respects; Buyer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing hereunder; and the Seller shall have been furnished with a certificate of appropriate officers of Buyer, dated the Closing Date, certifying to the best of their knowledge, in such detail as the Seller may request, to the fulfillment of the foregoing conditions.

7.2. *Opinion of Buyers Counsel.* Seller shall have been furnished with an opinion, dated the Closing Date, of Buyer's counsel, to the effect that:

(a) *Organization and Good Standing.* Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah;

(b) *Corporate Authority Relative to this Agreement.* The execution, delivery and performance of this Agreement by Buyer has been duly authorized and approved by all requisite corporate action of the Buyer, and this Agreement has been duly executed and delivered by the Buyer and constitutes the valid and binding obligation of Buyer enforceable in accordance with its terms;

(c) *Compliance by Buyer with All Other Requirements.* The consummation of the purchase and sale contemplated by this Agreement will not violate or conflict with any provision of Buyer's certificate of incorporation or by-laws; or any provision of or result in the acceleration of any obligation under any mortgage, lease, agreement, instrument, order, arbitration award, judgment or decree to which Buyer is a party or by which it is bound and will not violate any federal, state or local law or any other restriction of any other kind or character to which it is subject; all actions

or proceedings required by law or this Agreement to be taken by Buyer at or prior to the Closing hereunder in connection with this Agreement and the transactions provided for herein have been duly and validly taken; and no approval, consent or authorization of any governmental authority of the United States or of any state, governmental subdivision, agency or instrumentality thereof, or other person, not obtained, is necessary to the making or consummation of this Agreement.

7.3. *Litigation Affecting Closing Date.* At the Closing Date no litigation, proceeding or governmental investigation of the type referred to in Section 6.7 shall be pending or threatened.

7.4. *Guaranty.* Buyer shall deliver to Seller the Guaranty of Union Pacific Corporation in the form annexed as Exhibit IV duly executed by an officer of Union Pacific Corporation, together with true and complete copies of the resolutions adopted by the Board of Directors of Union Pacific Corporation reflecting the grant of authority to execute, deliver and perform said Guaranty, such copies having been certified by its Secretary, and an opinion of counsel for Union Pacific Corporation to the effect that the execution, delivery and performance of said Guaranty has been duly authorized and approved by all requisite corporate action of Union Pacific Corporation and that said Guaranty constitutes the valid and binding obligation of Union Pacific Corporation, enforceable in accordance with its terms.

8. *Parties' Right to Remedy Unfulfilled Conditions Precedent.* In the event either party should determine at any time prior to the Closing that it intends to decline to proceed with the Closing because of unfulfilled conditions precedent under Section 6 or 7, it shall so notify the other party in writing immediately upon making such determination, to the end that such other party shall have the right to take such steps, at its expense, as may be necessary for the purpose of fulfilling the said condition precedent on or prior to the Closing Date.

9. *Access To and Information Concerning Properties, Records, Etc.* The Seller shall give to Buyer, its counsel, accountants, engineers and other representatives, full access throughout the period prior to the Closing Date hereunder, to all of the Companies' and Subsidiaries' properties, books, contracts, commitments and records, including all tax records of, and Federal, state and local tax returns filed by or on behalf of the Companies and the Subsidiaries, and the Seller shall furnish Buyer during such period with all such information concerning the Companies and the Subsidiaries and their affairs as Buyer may reasonably request.

10. *Cooperation by Buyer.* Following the Closing, Buyer shall give and shall cause Champlin and Pontiac to give Seller full cooperation in response to any request made by Seller, its auditors or other representatives, for any assistance whatsoever in connection with any matter which relates, or arises out of, Seller's ownership of the Stock at any time prior to the Closing, or the operations of Champlin and Pontiac during the period of such ownership. Such assistance shall include, without limitation, the furnishing of full and complete financial and accounting records and all other records and documents which, in the judgment of Seller, are needed by it for financial, accounting or other business purposes.

11. *Nature and Survival of Seller's Representations, Entirety of Agreement.* The Seller and Buyer agree that neither party has made any representation, warranty or covenant not set forth herein or in the certificates or other instruments deliverable pursuant hereto, and that this Agreement constitutes the entire agreement between the parties and supersedes any and all other agreements, oral or written, in respect of the subject matter of this Agreement. Seller and Buyer agree that this Agreement has been dated as of August 28, 1969, to give recognition to the fact that it specifically replaces and supersedes the earlier agreement with respect to the subject matter of this Agreement, dated such date, between Seller and Union Pacific Railroad Company. Seller and Buyer also agree that this Agreement be executed on October 27, 1969, and that all of the provisions of this Agreement, including the representations and warranties of the parties, shall speak as of such execution date to give recognition to the fact that Buyer was not incorporated until October 21, 1969. The representations and warranties by the Seller contained in Sections 2.1 through 2.5, 2.6 (to the extent that it does not relate to tax liabilities), and 2.8 through 2.25 hereof, shall survive the Closing until January 2, 1972, notwithstanding any investigation at any time made by or on behalf of the Buyer or the acceptance by the Buyer of any

report or expert opinion contemplated in this Agreement or otherwise. The representations and warranties of the Seller contained in Subsections 2.6 and 2.7 hereof relating to tax liabilities shall survive the Closing, notwithstanding any investigation or the like as aforesaid, until such time as the United States Federal Income Tax Returns of the Seller for the tax years 1965 through 1969, consolidating the Companies and the Subsidiaries (except in the case of Pontiac which has been consolidated with the Seller only in the years 1967 through 1969), have been audited by the Internal Revenue Service and closed by operation of law or otherwise, and all deficiencies with respect thereto have been paid or finally settled. The Seller shall have no liability with respect to any breach of (i) any of the following representations and warranties which, when taken collectively involve damages suffered by Buyer in an amount less than \$250,000, (but the Seller shall have liability to the extent of the full amount thereof with respect to any such damages in excess of \$250,000): that is Section 2.5(a) as to the Interim Balance Sheets, Sections 2.6 through 2.11 inclusive, Section 2.17 and Sections 2.18 and 2.19 to the extent related to Section 2.6 or (ii) any of the following representations and warranties which, when taken severally, involve damages suffered by Buyer in an amount less than \$100,000, (but the Seller shall have liability to the extent of the full amount thereof with respect to any such damages in excess of \$100,000): that is Sections 2.1 through 2.5 inclusive (except for Section 2.5(a) as to the Interim Balance Sheets), Sections 2.12 through 2.16 inclusive, 2.20 through 2.25 inclusive and Sections 2.18 and 2.19 to the extent they do not relate to Section 2.6; provided, however, that the Seller shall have no liability under this Section 11 in respect of any single matter or claim giving rise to a breach which involves damages suffered by Buyer in an amount not in excess of \$50,000 and any such matter shall not be recognized in the computation of damages under this Section 11. Except as aforesaid, the Seller agrees that after the Closing it will indemnify, protect and hold the Buyer harmless against any and all liability, claims, costs, demands, charges and expenses, including counsel fees, in any manner imposed or accruing against the Buyer arising out of any representation or warranty made by the Seller in Section 2 of this Agreement or in any certificate or other instrument delivered by or on behalf of the Seller pursuant to or in connection with this Agreement, including but not limited to any breach of representation or warranty with respect to taxes made under Section 2.7 of this Agreement. The representations and warranties of Buyer, other than those set forth in Section 3.2, shall expire with, and be terminated and extinguished by, the Closing under this Agreement on the Closing Date and the only remedy which shall accrue to the Seller on account of any breach of any representation, or warranty, relating to the Buyer set forth herein shall be the right of Seller to refuse to proceed with the Closing provided for in this Agreement, and there shall be no liability for such breach on the part of Buyer to the Seller. The representations and warranties of Buyer set forth in Section 3.2 of this Agreement shall survive the Closing until January 2, 1972.

12. Procedure for Payment of United States Federal Income Taxes.

12.1. *Calendar Year 1969.* The Federal income tax payable with respect to the net income of Champlin and Subsidiaries and with respect to the net income of Pontiac for the calendar year 1969 will be paid by Seller which files a consolidated Federal income tax return. After the close of the calendar year 1969, Seller shall determine the amount of Federal income tax which Champlin and Subsidiaries and which Pontiac would have paid for the calendar year 1969 if Champlin and Subsidiaries had filed a separate consolidated Federal income tax return and if Pontiac had filed a separate Federal income tax return, such determination to be made without allowance for any surtax exemption or investment credit with respect to used property. Seller shall send to Champlin a statement of the amount of Federal income tax so determined for Champlin and Subsidiaries, and Seller shall send to Pontiac a statement of the amount of Federal income tax so determined for Pontiac. Buyer agrees to cause Champlin to pay to Seller in Federal Funds upon receipt of such statement the amount of Federal income tax so determined less any estimated Federal income taxes previously paid by Champlin and Subsidiaries for the year 1969 and to cause Pontiac to pay to Seller in Federal Funds, upon receipt of such statement, the amount of Federal income tax so determined less any estimated Federal income taxes previously paid by Pontiac for the year 1969. These provisions shall apply in the same manner to any excess of estimated tax payment over 1969 Federal income tax liability of the Companies and the Subsidiaries.

12.2. *Audit Increases.* If, upon audit of Seller's consolidated Federal income tax return for any of the taxable years 1965 through 1969, inclusive, Seller shall receive from the Internal Revenue Service a Revenue Agent Report and if such Report

(i) increases the taxable income of, or adversely affects items determined on a consolidated basis reasonably attributable to, Champlin and Subsidiaries and/or Pontiac for any such taxable year over the amount of such taxable income or consolidated items as disclosed in Seller's consolidated Federal income tax return (hereinafter called the "Consolidated Return") as filed for such year; or

(ii) decreases the investment tax credit and/or other tax credits (hereinafter called the "Tax Credits") of Champlin and Subsidiaries and/or Pontiac for any such taxable year below the amount of Tax Credits claimed in Seller's Consolidated Return as filed for such year;

then Seller shall notify Champlin and/or Pontiac, as the case may be, of such fact within thirty (30) days of Seller's receipt of such Revenue Agent Report. When and to the extent that the increase(s) in taxable income or decrease(s) in Tax Credits, if any, as described above, are finally determined ("Finally Determined" being a term defined in Section 12.7), Seller shall so notify Champlin and/or Pontiac, as the case may be. Upon receipt of such notice, Champlin and/or Pontiac, as the case may be, shall pay to Seller in Federal Funds an amount equal to the Federal Income Tax Deficiency (as determined under Section 12.3) for such taxable year together with interest thereon at the rate of six percent (6%) per annum computed from the 15th day of the third month following the close of the taxable year in question.

12.3. *Federal Income Tax Deficiency.* The Federal Income Tax Deficiency for any taxable year shall be equal to the sum of

(i) the amount determined by multiplying

(a) the Finally Determined increase(s) in taxable income (as described in Section 12.2) for such taxable year; by

(b) such year's applicable Federal income tax rate (as defined in Section 12.6); and

(ii) the Finally Determined decrease(s) in Tax Credits for such taxable year.

12.4. *Audit Decreases.* If, upon audit of Seller's Consolidated Return for any of the taxable years 1965 through 1969, inclusive, Seller shall receive from the Internal Revenue Service a Revenue Agent report, and if such Report

(i) decreases the taxable income of or favorably affects items determined on a consolidated basis reasonably attributable to, Champlin and Subsidiaries and/or Pontiac for any such taxable year below the amount of such taxable income or consolidated items as disclosed in Seller's consolidated return as filed for such year; or

(ii) increases the Tax Credits of Champlin and Subsidiaries and/or Pontiac for any such taxable year over the amount of Tax Credits claimed in Seller's Consolidated Return as filed for such year;

then Seller shall notify Champlin and/or Pontiac, as the case may be, of such fact within thirty (30) days of Seller's receipt of such Revenue Agent Report. When and to the extent that the decrease(s) in taxable income or increase(s) in Tax Credits, if any, as described above, are Finally Determined, Seller shall pay in Federal Funds to Champlin and/or Pontiac, as the case may be, an amount equal to the Federal Income Tax Overpayment (as determined under Section 12.5) for such taxable year, together with interest thereon at the rate of six percent (6%) per annum computed from the 15th day of the third month following the close of the taxable year in question.

12.5. *Federal Income Tax Overpayment.* The Federal Income Tax Overpayment for any taxable year 1965 through 1969 inclusive shall be equal to the sum of

(i) the amount determined by multiplying

(a) the Finally Determined decrease(s) in taxable income for such payable year; by

(b) such year applicable Federal Income Tax Rate (as defined in Section 12.6); and

(ii) the Finally Determined increase(s) in Tax Credits for such taxable year.

12.6. *Applicable Federal Income Tax Rate.* The applicable Federal Income Tax Rate for the taxable years 1965 through 1969 shall be:

<u>Taxable Year</u>	<u>Applicable Federal Income Tax Rate with Respect to Items of Income or Deduction Subject to Ordinary Income Tax Rates</u>	<u>Applicable Federal Income Tax Rate with Respect to Items of Income or Deduction Subject to Capital Gains Tax Rates</u>
1965	48%	25%
1966	48%	25%
1967	48%	25%
1968	52.8%	27.5%
1969	52.8%	27.5%

In the event, however, that the U.S. Internal Revenue Code is amended so as to increase the statutory capital gains tax rate for 1969 above 25%, then the rate to be applied with respect to items of income or deduction subject to such increased rate shall be such increased rate appropriately adjusted to reflect the tax surcharge rate.

12.7. *Finally Determined.* The terms "Finally Determined" and "Final Determination" shall mean determined pursuant to any one or more of the following:

(i) a decision by the Tax Court or a judgement, decree, or other order by a court of competent jurisdiction which has become final or if the time for appeal to the Tax Court or any court of competent jurisdiction has expired;

(ii) a closing agreement made between the Seller and the Commissioner of Internal Revenue pursuant to Section 7221 of the Internal Revenue Code; or

(iii) a final settlement of a suit, claim or other proceeding in a court or tribunal of competent jurisdiction;

(iv) the expiration of the statute of limitations pertaining to the time within which a claim for refund of federal income tax may be filed; or

(v) the execution by Seller and the acceptance by the Commissioner of Internal Revenue of U.S. Treasury Department, Form 870-AD, Offer of Waiver on Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment.

12.8. *Retention and Access to Records.* Buyer agrees to cause Champlin and the Champlin Subsidiaries and Pontiac to retain all of their accounting books and records for each of the years 1965 through 1969 until such time as the Federal income tax liability of Seller for each such year is Finally Determined; to give Seller or its representatives full access to and the right to copy and make extracts from all such books and records; to provide the assistance of such Champlin and Pontiac personnel as may be necessary in examining and verifying such books and records; and to have Champlin and Pontiac personnel prepare the necessary workpapers as are prescribed by Seller for use in the preparation of its 1969 Consolidated Return and such other papers and reports as may be required with respect to Champlin, the Champlin Subsidiaries and Pontiac in the course of the audits of Seller's Consolidated Returns for the years 1965 through 1969.

12.9. *Breach of Tax Warranty.* Within 120 days following Final Determinations with respect to Seller's consolidated Federal income tax liability for all years 1965 through 1969, Seller and Buyer shall agree upon the aggregate amount, if any, by which the Accrued Federal Income Tax accounts (as that term is used in the Interim Balance Sheets) of the Companies and Subsidiaries as of December 31, 1969, have been decreased as a result of such Final Determinations with respect to investment credit and other "permanent differences", as that term is defined in Accounting Principles Board Opinion 11, dated December 1967 and consistently applied with respect to the Companies and Subsidiaries. To the extent that such amount exceeds the sum of (i) \$433,333.33 plus (ii) the amount of any increase in future tax benefits to either of the Companies or any Subsidiary as a result of any such "permanent difference", it shall, for purposes of Section 11 hereof, be considered a single matter or claim with respect to Seller's repre-

sentations and warranties, contained in section 2 hereof, with respect to the Federal income tax liabilities of the Companies and Subsidiaries. For purposes of the preceding sentence, tax benefits shall be determined as if the Companies and Subsidiaries had continued their respective corporate existences and operations and had taxable incomes at least equal to their taxable incomes for 1969.

12.10. Buyer Participation in Tax Audit. If Seller shall be notified by the Internal Revenue Service of an audit of the books and records of Champlin and Subsidiaries and/or of Pontiac for the taxable years 1965 through 1969 inclusive, Seller shall immediately notify Buyer in writing and shall permit Buyer to participate in such audit proceedings at Buyer's expense. Seller shall not agree to or compromise, settle or consent to any judgment, claim, set-off, assessment or deficiency or adjustment which would have the effect of increasing or decreasing the taxable income or income tax payable for Champlin and Subsidiaries or Pontiac unless either Buyer consents in writing in advance thereof or, if Buyer is unwilling to give such consent, Seller furnishes Buyer in advance thereof a written opinion of independent counsel of recognized competence in Federal income tax matters to the effect, that taking into consideration all items disputed by the Internal Revenue Service with respect to the taxable year in question, and viewing such items as a whole, such agreement, compromise settlement or consent constitutes a reasonable settlement of the disputes with respect to the taxable year in question.

13. Brokerage. The Seller represents and warrants to the Buyer that all negotiations relative to this Agreement have been carried on by it directly with the Buyer, without the intervention of any person, firm or corporation, other than Boyden Industrial Services, Inc., which has acted for the Seller under a Letter Agreement dated August 7, 1969, a copy of which has been heretofore delivered to the Buyer, and under which Boyden Industrial Services, Inc. and Loeb, Rhoades, Inc. will be entitled to compensation from the Seller upon consummation of the transactions contemplated by this Agreement. The Seller does hereby undertake to indemnify the Buyer and hold it harmless against and in respect of any such claim for brokerage, finder's fees or other commissions or expenses relative to this Agreement, or to the purchase and sale contemplated hereby, including but not limited to the compensation payable to Boyden Industrial Services, Inc. and Loeb, Rhoades, as aforesaid. The Buyer represents and warrants to the Seller that all negotiations relative to this Agreement have been carried on by it directly with the Seller, without the intervention of any person, firm or corporation other than Boyden Industrial Services, Inc., as aforesaid, and does hereby undertake to indemnify the Seller and hold it harmless against and in respect of any such claim for brokerage, finders' fees or other commissions or expenses relative to this Agreement based upon any alleged agreement with Buyer.

14. Best Efforts To Obtain Satisfaction of Conditions. The Seller agrees to use its best efforts to obtain the satisfaction of the conditions specified in Section 6 hereof, and Buyer agrees to use its best efforts to obtain the satisfaction of the conditions specified in Section 7 hereof.

15. Change in Name of Champlin Pipe Line Company. Seller owns all of the issued and outstanding stock of Champlin Pipe Line Company, a Texas corporation, which is not being purchased by Buyer. Within six months after the Closing, Seller will cause the corporate name of Champlin Pipe Line Company to be changed to a name which neither includes, nor is substantially similar to, the name "Champlin."

16. Celanese Marks. Effective as of the Closing, Buyer will cause Champlin and Subsidiaries and Pontiac to discontinue all use whatsoever of the logo  and any and all trademarks, trade names or house marks owned, first used or originated by Seller and any of its affiliated companies (the "marks"), provided, however, that Champlin and Pontiac shall have the right to sell the inventory to which such marks have been applied by them prior to the Closing, and to use such marks during a limited period which may be necessary for the complete phasing out of all such marks, which shall in no event exceed one year from the Closing.

17. Public Announcements. Prior to the Closing Date, except as otherwise required by law, no press release or public announcement in respect of the transactions contemplated by this Agreement will be made by either the Seller or the Buyer unless agreed upon in advance by both.

18. **Expenses.** Except as expressly provided herein, and whether or not the transactions contemplated by this Agreement are consummated, each party hereto shall pay its own expenses incident to this Agreement or to its preparation for the consummation of said transactions.

19. **Waiver.** Each party may, at its option, waive in writing any and all of the conditions herein contained to which its obligations hereunder are subject.

20. **Amendments.** Seller and the Buyer, by mutual consent of their respective Board of Directors, or officers authorized by such Boards, may amend or modify this Agreement, in such manner as may be agreed upon, by a written instrument executed by Seller and Buyer.

21. **Section and Paragraph Headings.** The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

22. **Notices.** All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed first class, postage prepaid:

(a) *To The Seller.* If to the Seller, to Celanese Corporation, 522 Fifth Avenue, New York, N. Y., Attention, James Scott Hill, Esq., or such other address as may be designated by the Seller.

(b) *To The Buyer.* If to the Buyer, to Union Pacific Petroleum Corporation, 120 Broadway, New York, N. Y., or such other address as may be designated by the Buyer.

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

24. **Parties In Interest.** This Agreement shall inure to the benefit of and be binding upon the parties named herein as the Seller and Buyer and their respective successors. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies under or by reason of this Agreement.

25. **New York Law To Govern.** This Agreement shall be construed and enforced in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Agreement as of the date first above written.

CELANESE CORPORATION

Attest:

By /s/ John W. Brooks
President

/s/ J. Scott Hill
Secretary

[SEAL]

UNION PACIFIC PETROLEUM CORPORATION

Attest:

By /s/ Frank E. Barnett
Chairman of the Board
and Chief Executive Officer

/s/ C. W. Rossworn
Secretary

[SEAL]

EXHIBIT I

**CHAMPLIN PETROLEUM COMPANY (CONSOLIDATED) AND
PONTIAC REFINING CORP.**

COMBINED BALANCE SHEET

June 30, 1969

(M \$)

	<u>Champlin</u>	<u>Pontiac</u>	<u>Combined</u>
Cash and Short Term Securities.....	\$ 11,014	\$ 1,931	\$ 12,945
Receivables (Note 2).....	18,276	9,645	27,921
Crude and Products Inventory (Note 3) (Note 8).....	8,413	3,494	11,907
Materials and Supplies.....	1,231	1,216	2,447
Prepaid Expenses	363	413	776
Total Current Assets.....	<u>\$ 39,297</u>	<u>\$ 16,699</u>	<u>\$ 55,996</u>
Investments, Advances, Etc. (Note 4).....	<u>\$ 1,571</u>	<u>\$ —</u>	<u>\$ 1,571</u>
Property and Equipment (Note 5) (Note 9).....	\$302,157	\$ 27,642	\$329,799
Reserve for Depreciation, Depletion and Amortization.....	(168,134)	(21,672)	(189,806)
Net Property and Equipment.....	<u>\$134,023</u>	<u>\$ 5,970</u>	<u>\$139,993</u>
Other Assets	<u>\$ 434</u>	<u>\$ —</u>	<u>\$ 434</u>
Total Assets	<u><u>\$175,325</u></u>	<u><u>\$ 22,669</u></u>	<u><u>\$197,994</u></u>
Accounts Payable	\$ 10,407	\$ 7,628	\$ 18,035
Accrued Liabilities	5,062	724	5,786
Accrued Federal Income Tax (Note 2) (Note 6) (Note 10)	268	953	1,221
Total Current Liabilities.....	<u>\$ 15,737</u>	<u>\$ 9,305</u>	<u>\$ 25,042</u>
Deferred Investment Credit (Note 6) (Note 10).....	<u>\$ 1,783</u>	<u>\$ 224</u>	<u>\$ 2,007</u>
Deferred Federal Taxes (Note 2) (Note 6) (Note 10).....	<u>\$ 1,646</u>	<u>\$ 215</u>	<u>\$ 1,861</u>
Deferred Gas Price Increase.....	<u>\$ 450</u>	<u>\$ —</u>	<u>\$ 450</u>
Stockholders' Equity:			
Capital Stock	\$ 4,485	\$ 2	\$ 4,487
Capital Contributed	124,227	—	124,227
Retained Earnings (Note 4).....	26,997	12,923	39,920
Total Equity	<u>\$155,709</u>	<u>\$ 12,925</u>	<u>\$168,634</u>
Total Liabilities and Stockholders' Equity.....	<u><u>\$175,325</u></u>	<u><u>\$ 22,669</u></u>	<u><u>\$197,994</u></u>

The accompanying principles and notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)
June 30, 1969

(1) **PRINCIPLES OF CONSOLIDATION:**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Harbor Service Stations, Inc., Midland Gasoline Corporation, Star Oil Company, and Cycler Oil Company. All material intercompany accounts and transactions have been eliminated.

(2) **RECEIVABLES:**

Accounts Receivable and Accrued Federal Taxes have been credited in the approximate amount of Two and One Half Million Dollars (\$2,500,000) and Deferred Federal Taxes has been charged by a like amount in order to eliminate the reflection of a certain claim for refund for Federal income taxes which claim was reflected in such balance sheet accounts at December 31, 1968.

(3) **INVENTORIES:**

Inventories of crude oil and refined products are stated at average cost, which is less than market and does not include depreciation, depletion and amortization of property, plant and equipment.

(4) **ADVANCES AND RETAINED EARNINGS:**

Advances and Retained Earnings have been reduced by \$7 million and treated as a dividend. Although declaration has not been made the amount was advanced to Celanese prior to June 30, 1969.

Included under the caption Investments, Advances, etc. are non-current notes receivables of \$1,558,000.

(5) **PROPERTY, PLANT AND EQUIPMENT:**

Allowances for depreciation, depletion and amortization of producing oil properties and depreciation of producing gas properties are provided on a modified straight-line method over asset lives ranging from 1 to 15 years. Allowances for depletion and amortization of producing gas properties are provided on the unit-of-production method determined by reference to periodic estimates of the gas reserves of the respective properties. The remaining major classes of property, plant, and equipment are depreciated on a modified straight-line method.

(6) **INCOME TAXES:**

Significant variations in the relationship between the provision for Federal income taxes and income before taxes arise principally because of the deductions for tax purposes of intangible development costs and the excess of allowable depletion over cost depletion. Tax allocation accounting has been applied to all other material timing differences.

The policy of the Company is to take the investment tax credit into income as a reduction in the provision for income taxes over the estimate useful lives of the related assets.

The Company will join with its parent in the filing of a consolidated Federal income tax return for 1969. The policy of the Company is to accrue its share of the income tax payable and to make periodic remittances to Celanese Corporation.

(7) **PENSION AND RETIREMENT PLANS:**

The Company has a pension plan and a retirement plan covering substantially all of its employees over 29½ years of age. Amortization of prior service costs is provided over periods ranging from 10 to 15 years. The Company's policy is to fund costs accrued. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits.

PONTIAC REFINING CORP.

(a wholly-owned subsidiary of Celanese Corporation)

(8) **INVENTORIES:**

Inventories of refined products and supplies at June 30, 1969 are stated at the lower of cost (average) or market. Inventories of crude oil at June 30, 1969 are stated at the lower of cost (first-in, first-out) or market.

(9) **PROPERTY, PLANT AND EQUIPMENT:**

Allowances for depreciation on property, plant and equipment are provided on the straight-line method over an estimated useful life of 10 years, except for transportation equipment, which has an estimated useful life of 4 years.

(10) **INCOME TAXES:**

The Company will join with its parent in the filing of a consolidated Federal income tax return for 1969. The policy of the Company is to accrue its share of the income tax payable and to make periodic remittances to Celanese Corporation.

The policy of the Company is to take the investment tax credit into income as a reduction in the provision for income taxes over the estimated useful lives of the related assets.

Deferred Federal Taxes arise principally from accelerated depreciation used for tax purposes, partially offset by provision for refinery turnarounds taken for financial purposes.

(11) **SALES AND CRUDE OIL SUPPLY CONTRACTS:**

Substantially all of the Company's production of refined products is sold to one customer under the terms of a contract expiring in 1972. Quantities of refined products to be delivered to that customer reduces substantially in the last year of the contract. The Company purchases its supply of crude products under the terms of various contracts expiring in 1972 and 1977.

(12) **RETIREMENT PLAN:**

The Company has retirement plans covering substantially all employees. Amortization of prior service costs is provided over periods ranging from 10 to 15 years. The Company's policy is to fund costs accrued. Based on actuarial determinations the plans are fully funded with respect to all vested benefits.

PONTIAC REFINING CORP.
(a wholly-owned subsidiary of Celanese Corporation)

Accountants' Report

Financial Statements - December 31, 1968

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1400 ONE MAIN PLACE

DALLAS, TEXAS 75250

The Board of Directors
Champlin Petroleum Company:

We have examined the consolidated balance sheet of Champlin Petroleum Company and subsidiaries, a wholly-owned subsidiary of Celanese Corporation, as of December 31, 1968 and the related statement of income and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained income present fairly the financial position of Champlin Petroleum Company and subsidiaries at December 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

January 24, 1969

PONTIAC REFINING CORP.
(a wholly-owned subsidiary of Celanese Corporation)

Statement of Income and Retained Income

Year ended December 31, 1968
with figures for seven months ended December 31, 1967

	1968	Seven months ended December 31, 1967
	(Thousands of dollars except per share amounts)	
Sales	\$ <u>88,644</u>	<u>47,936</u>
Operating costs:		
Costs excluding items listed below	81,473	44,275
Selling and administrative	451	227
Depreciation	455	295
Total operating costs	<u>82,379</u>	<u>44,797</u>
Operating income	6,265	3,139
Other income	<u>106</u>	<u>11</u>
Operating and other income	6,371	3,150
Provision for income taxes (note 3)	<u>3,268</u>	<u>1,581</u>
Net income	3,103	1,569
Retained income at beginning of year	<u>11,817</u>	<u>11,248</u>
	14,920	12,817
Cash dividend	<u>2,679</u>	<u>1,000</u>
Retained income at end of year	\$ <u><u>12,241</u></u>	<u><u>11,817</u></u>
Net income per common share	\$ <u><u>15,515</u></u>	<u><u>7,845</u></u>

See accompanying notes to financial statements.

PONTIAC REFINING CORP.
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Financial Statements

December 31, 1968

(1) Inventories

Inventories of refined products (\$2,242,000) and supplies (\$1,240,000) at December 31, 1968 are stated at the lower of cost (average) or market. Inventories of crude oil (\$1,268,000) at December 31, 1968 are stated at the lower of cost (first-in, first-out) or market.

(2) Property, plant and equipment

Allowances for depreciation of property, plant and equipment are provided on the straight-line method over an estimated useful life of 10 years, except for transportation equipment which has an estimated useful life of 4 years. The major classes of property, plant and equipment are as follows:

	<u>Assets, at cost</u>	
	<u>1968</u>	<u>1967</u>
	(Thousands of dollars)	
Plant, lines and dock facilities	\$ 26,198	25,762
Land and rights-of-way	716	716
Transportation equipment	124	120
Other	396	311
	<u>\$ 27,434</u>	<u>26,909</u>

(3) Income taxes

The Company will join with its parent in the filing of a consolidated Federal income tax return for 1968. The policy of the Company is to accrue its share of the income taxes payable and to make periodic remittances to Celanese Corporation.

The policy of the Company is to take the investment tax credit into income as a reduction in the provision for income taxes over the estimated useful lives of the related assets.

Deferred Federal income taxes arise from accelerated depreciation used for tax purposes, partially offset by provision for refinery turnarounds taken for financial purposes. The provision for income taxes is as follows:

PONTIAC REFINING CORP.
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Financial Statements, Continued

(3) Income taxes, cont.

	<u>1968</u>	Seven months ended December 31, <u>1967</u>
	(Thousands of dollars)	
Current	\$ 3,360	1,446
Deferred	<u>(92)</u>	<u>135</u>
	<u>\$ 3,268</u>	<u>1,581</u>

(4) Sales and crude supply contracts

Substantially all the Company's production of refined products is sold to one customer under the terms of a contract expiring in 1972. Quantities of refined products to be delivered to that customer reduce substantially in the last year of the contract. The Company purchases its supply of crude products under the terms of various contracts expiring in 1972 and 1977.

(5) Retirement plans

The Company has retirement plans covering substantially all employees. Charges to operations under the plans amounted to \$243,000 for 1968 and \$99,000 for the seven-month period ended December 31, 1967, including amortization of prior service costs over periods ranging from 10 to 15 years. The Company's policy is to fund costs accrued. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits.

PONTIAC REFINING CORP.

Accountants' Report

Financial Statements - December 31, 1967

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1400 ONE MAIN PLACE

DALLAS, TEXAS 75250

The Board of Directors
Pontiac Refining Corp.:

We have examined the balance sheet of Pontiac Refining Corp., a wholly-owned subsidiary of Celanese Corporation since June 1, 1967, as of December 31, 1967 and the related statement of income and retained income for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained income present fairly the financial position of Pontiac Refining Corp. at December 31, 1967 and the results of its operations for the seven months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period, after giving retroactive effect to the accounting changes and adjustments discussed in note 4 to the financial statements.

Peat, Marwick, Mitchell & Co.

January 25, 1968

PONTIAC REFINING CORP.

Statement of Income and Retained Income

Seven months ended December 31, 1967

(Thousands of dollars
except for per share amount)

Sales	\$ <u>47,936</u>
Operating costs:	
Costs excluding items listed below	44,275
Selling and administrative	227
Depreciation	<u>295</u>
Total operating costs	<u>44,797</u>
Operating income	3,139
Other income	<u>11</u>
Operating and other income	<u>3,150</u>
Provision for income taxes (note 3)	<u>1,581</u>
Net income	<u>1,569</u>
Retained income at beginning of year:	
As previously reported	9,731
Adjustments (note 4)	<u>1,517</u>
As restated	<u>11,248</u>
Cash dividend	<u>12,817</u>
	<u>1,000</u>
Retained income at end of year	\$ <u><u>11,817</u></u>
Net income per common share	\$ <u><u>7,845</u></u>

See accompanying notes to financial statements.

PONTIAC REFINING CORP.

Notes to Financial Statements

December 31, 1967

(1) Inventories

Inventories of refined products (\$2,604,000) and supplies (\$1,313,000) at December 31, 1967 are stated at the lower of cost (average) or market. Inventories of crude oil (\$1,219,000) at December 31, 1967 are stated at the lower of cost (first-in, first-out) or market.

(2) Property, plant and equipment

Allowances for depreciation of property, plant and equipment are provided on the straight-line method over an estimated useful life of 10 years, except for transportation equipment which has an estimated useful life of 4 years. The major classes of property, plant and equipment are as follows:

	<u>Assets, at cost</u> (Thousands of dollars)
Plant, lines and dock facilities	\$ 25,762
Land and rights-of-way	716
Transportation equipment	120
Other	<u>311</u>
	<u>\$ 26,909</u>

(3) Income taxes

The Company will join with its parent in the filing of a consolidated Federal income tax return for 1967. The policy of the Company is to accrue its share of the income taxes payable and to make periodic remittances to Celanese Corporation.

The policy of the Company is to take the investment tax credit into income as a reduction in the provision for income taxes over the estimated useful lives of the related assets.

Deferred Federal income taxes at December 31, 1967 represent the cumulative amount of taxes which have been deferred as a result of using accelerated depreciation for tax purposes and straight-line depreciation for financial statement purposes. The provision for income taxes is comprised of taxes currently payable, \$1,446,000, and deferred taxes, \$135,000.

PONTIAC REFINING CORP.

Notes to Financial Statements, Continued(4) Accounting changes and prior years adjustments

Previously reported retained income at May 31, 1967 has been restated as follows:

	Increase (decrease) in May 31, 1967 balance (Thousands of dollars)
Changes in accounting methods:	
Valuation of inventories	\$ (220)
Reserve for refinery turnarounds	(150)
Deferred investment tax credit	(211)
	<u>(581)</u>
Adjustments to earnings of prior periods:	
Elimination of capital surplus representing excess book value over cost of acquired subsidiary (fully amortized)	1,376
Elimination of excess liability for sales price adjustment	755
Sundry adjustments of accruals	(33)
	<u>2,098</u>
Net adjustments to May 31, 1967 balance	<u>\$ 1,517</u>

(5) Sales and crude supply contracts

Substantially all the Company's production of refined products is sold to one customer under the terms of a contract expiring in 1972. Quantities of refined products to be delivered to that customer reduce substantially in the last year of the contract. The Company purchases its supply of crude products under the terms of various contracts expiring in 1972 and 1977.

(6) Retirement plans

The Company has retirement plans covering substantially all employees. Charges to operations for the plans amounted to \$99,000 for the seven-month period ended December 31, 1967, including amortization of prior service costs over periods ranging from 10 to 15 years. The Company's policy is to fund costs accrued. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits.

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Accountants' Report

Consolidated Financial Statements - December 31, 1968

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1400 ONE MAIN PLACE

DALLAS, TEXAS 75250

The Board of Directors
Pontiac Refining Corp.:

We have examined the balance sheet of Pontiac Refining Corp., a wholly-owned subsidiary of Celanese Corporation, as of December 31, 1968 and the related statement of income and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained income present fairly the financial position of Pontiac Refining Corp. at December 31, 1968 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat, Marwick, Mitchell & Co.

January 24, 1969

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Statement of Consolidated Income and Retained Income

Year ended December 31, 1968
with comparative figures for 1967

	<u>1968</u>	<u>1967</u>
	(Thousands of dollars except per share amounts)	
Sales	\$ <u>101,308</u>	<u>99,859</u>
Operating costs:		
Costs excluding items listed below	57,383	52,828
Selling and administrative	12,493	12,081
Depreciation, depletion and amortization (note 3)	13,999	12,385
Dry holes and surrendered leases	<u>5,015</u>	<u>3,532</u>
Total operating costs	<u>88,890</u>	<u>80,826</u>
Operating income	12,418	19,033
Interest and other income	<u>1,026</u>	<u>779</u>
Operating and other income	13,444	19,812
Provision for income taxes (note 4)	<u>3,125</u>	<u>5,300</u>
Net income	10,319	14,512
Retained income at beginning of year	<u>27,985</u>	<u>19,954</u>
	38,304	34,466
Cash dividend	<u>6,700</u>	<u>6,481</u>
Retained income at end of year	\$ <u>31,604</u>	<u>27,985</u>
Net income per common share	\$ <u>230.09</u>	<u>323.59</u>

See accompanying notes to consolidated financial statements.

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Consolidated Financial Statements

December 31, 1968

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Harbor Service Stations, Inc., Midland Gasoline Corporation, Star Oil Company, Cycler Oil Company and Empire Oil Company (purchased in 1968). All material intercompany accounts and transactions have been eliminated.

(2) Inventories

Inventories of crude oil and refined products are stated at average cost, which is less than market and does not include depreciation, depletion and amortization of property, plant and equipment. As of December 31, 1968 and 1967, the inventories were classified as follows:

	<u>1968</u>	<u>1967</u>
	(Thousands of dollars)	
Crude oil and refined products	\$ 7,300	7,214
Materials and supplies, at average cost	<u>1,687</u>	<u>2,020</u>
	<u>\$ 8,987</u>	<u>9,234</u>

(3) Property, plant and equipment

Allowances for depreciation, depletion and amortization of producing oil properties and depreciation of producing gas properties are provided on a modified straight-line method over asset lives ranging from 1 to 15 years. Allowances for depletion and amortization of producing gas properties are provided on the unit-of-production method determined by reference to periodic estimates of the gas reserves of the respective properties. Producing oil and gas properties aggregated \$153,821,000 in 1968 and \$150,512,000 in 1967. The remaining major classes of property, plant and equipment are depreciated on a modified straight-line method as follows:

	<u>Assets, at cost</u>		
	<u>1968</u>	<u>1967</u>	<u>Years</u>
	(Thousands of dollars)		
Refinery	\$ 24,799	23,783	10
Gas plants	33,003	32,416	15
Marketing facilities	46,805	41,345	5-20
Pipelines	<u>15,740</u>	<u>15,311</u>	<u>10</u>

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Consolidated Financial Statements, Continued

(3) Property, plant and equipment, cont.

Nonproducing leasehold and royalty costs aggregated \$12,657,000 in 1968 and \$9,560,000 in 1967.

(4) Income taxes

Significant variations in the relationship between the provision for Federal income taxes and income before taxes arise principally because of the deductions for tax purposes of intangible development costs and the excess of allowable depletion over cost depletion. Tax allocation accounting has been applied to all other timing differences.

The policy of the Company is to take the investment tax credit into income as a reduction in the provision for income taxes over the estimated useful lives of the related assets.

The Company will join with its parent in the filing of a consolidated Federal income tax return for 1968. The policy of the Company is to accrue its share of the income taxes payable and to make periodic remittances to Celanese Corporation. The provision for income taxes is as follows:

	<u>1968</u>	<u>1967</u>
	(Thousands of dollars)	
Current	\$ 3,923	5,261
Deferred	(798)	39
	<u>\$ 3,125</u>	<u>5,300</u>

(5) Pension and retirement plans

The Company has a pension plan and a retirement plan covering substantially all of its employees over 29-1/2 years of age. Charges to operations for both plans aggregated \$1,263,000 in 1968 and \$1,150,000 in 1967, including amortization of prior service costs over periods ranging from 10 to 15 years. The Company's policy is to fund costs accrued. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits.

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Accountants' Report

Consolidated Financial Statements - December 31, 1967

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1400 ONE MAIN PLACE

DALLAS, TEXAS 75250

The Board of Directors
Champlin Petroleum Company:

We have examined the consolidated balance sheet of Champlin Petroleum Company and subsidiaries, a wholly-owned subsidiary of Celanese Corporation, as of December 31, 1967 and the related statement of income and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained income present fairly the financial position of Champlin Petroleum Company and subsidiaries at December 31, 1967 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

January 30, 1968

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Statement of Consolidated Income and Retained Income

Year ended December 31, 1967
with comparative figures for 1966

	<u>1967</u>	<u>1966</u>
	(Thousands of dollars except per share amounts)	
Sales	\$ <u>99,859</u>	<u>92,807</u>
Operating costs:		
Costs excluding items listed below	52,828	46,386
Selling and administrative	12,081	11,350
Depreciation, depletion and amortization (note 3)	12,385	11,690
Dry holes and surrendered leases	<u>3,532</u>	<u>3,876</u>
Total operating costs	<u>80,826</u>	<u>73,302</u>
Operating income	19,033	19,505
Interest and other income	<u>779</u>	<u>556</u>
Operating and other income	19,812	20,061
Provision for income taxes (note 4)	<u>5,300</u>	<u>5,600</u>
Net income	14,512	14,461
Retained income at beginning of year	19,954	11,466
	34,466	25,927
Cash dividend	<u>6,481</u>	<u>5,973</u>
Retained income at end of year	\$ <u>27,985</u>	<u>19,954</u>
Net income per common share	\$ <u>323.59</u>	<u>322.45</u>

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Consolidated Financial Statements

December 31, 1967

(1) Principles of consolidation

The 1967 consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Harbor Service Stations, Inc., Midland Gasoline Corporation, Star Oil Company and Cycler Oil Company. These insignificant subsidiaries were not consolidated prior to 1967. All material intercompany accounts and transactions have been eliminated.

(2) Inventories

Inventories of crude oil and refined products are stated at average cost, which is less than market and does not include depreciation, depletion and amortization of property, plant and equipment. As of December 31, 1967 and 1966, the inventories were classified as follows:

	<u>1967</u>	<u>1966</u>
	(Thousands of dollars)	
Crude oil and refined products	\$ 7,214	6,832
Materials and supplies, at average cost	<u>2,020</u>	<u>2,002</u>
	<u>\$ 9,234</u>	<u>8,834</u>

(3) Property, plant and equipment

Allowances for depreciation, depletion and amortization of producing oil properties and depreciation of producing gas properties are provided on a modified straight-line method over asset lives ranging from 1 to 15 years. Allowances for depletion and amortization of producing gas properties are provided on the unit-of-production method determined by reference to periodic estimates of the gas reserves of the respective properties. Producing oil and gas properties aggregated \$150,512,000 in 1967 and \$147,242,000 in 1966. The remaining major classes of property, plant and equipment are depreciated on a modified straight-line method as follows:

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Consolidated Financial Statements, Continued

(3) Property, plant and equipment, cont.

	<u>Assets, at cost</u>		<u>Years</u>
	<u>1967</u>	<u>1966</u>	
	(Thousands of dollars)		
Refinery	\$ 23,783	23,374	10
Gas plants	32,416	31,247	15
Marketing facilities	41,345	36,187	5-20
Pipelines	<u>15,311</u>	<u>14,791</u>	<u>10</u>

Nonproducing leasehold and royalty costs aggregated \$9,560,000 in 1967 and \$8,209,000 in 1966.

(4) Income taxes

Significant variations in the relationship between the provision for Federal income taxes and income before taxes arise primarily because of the deductions for tax purposes of intangible development costs and the excess of allowable depletion over cost depletion. Tax allocation accounting has been applied to all other timing differences.

The policy of the Company is to take the investment tax credit into income as a reduction in the provision for income taxes over the estimated useful lives of the related assets.

The Company will join with its parent in the filing of a consolidated Federal income tax return for 1967. The policy of the Company is to accrue its share of the income taxes payable and to make periodic remittances to Celanese Corporation. The provision for income taxes is as follows:

	<u>1967</u>	<u>1966</u>
	(Thousands of dollars)	
Current	\$ 5,261	5,506
Deferred	<u>39</u>	<u>94</u>
	<u>\$ 5,300</u>	<u>5,600</u>

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Consolidated Financial Statements, Continued

(5) Pension and retirement plans

The Company has a pension plan and a retirement plan covering substantially all of its employees over 29-1/2 years of age. Charges to operations for both plans aggregated \$1,150,000 in 1967 and \$980,000 in 1966, including amortization of prior service costs over periods ranging from 10 to 15 years. The Company's policy is to fund costs accrued. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits.

CHAMPLIN PETROLEUM COMPANY
(a wholly-owned subsidiary of Celanese Corporation)

Accountants' Report

Financial Statements - December 31, 1966

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1400 ONE MAIN PLACE

DALLAS, TEXAS 75250

The Board of Directors
Champlin Petroleum Company:

We have examined the balance sheet of Champlin Petroleum Company, a wholly-owned subsidiary of Celanese Corporation, as of December 31, 1966 and the related statement of income and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained income present fairly the financial position of Champlin Petroleum Company at December 31, 1966 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

January 31, 1967

CHAMPLIN PETROLEUM COMPANY
(a wholly-owned subsidiary of Celanese Corporation)

Statement of Income and Retained Income

Year ended December 31, 1966
with comparative figures for 1965

	<u>1966</u>	<u>1965</u>
	(Thousands of dollars)	
Sales	\$ <u>92,807</u>	<u>83,410</u>
Operating costs:		
Costs excluding items listed below	46,386	44,055
Selling and administrative	11,350	11,093
Depreciation, depletion and amortization (note 3)	11,690	9,775
Dry holes and surrendered leases	<u>3,876</u>	<u>3,874</u>
Total operating costs	<u>73,302</u>	<u>68,797</u>
Operating income	19,505	14,613
Interest and other income	<u>556</u>	<u>328</u>
Operating and other income	20,061	14,941
Provision for income taxes (note 3)	<u>5,600</u>	<u>2,600</u>
Net income	14,461	12,341
Retained income at beginning of year	<u>11,466</u>	<u>1,975</u>
Cash dividend	25,927	14,316
	<u>5,973</u>	<u>2,850</u>
Retained income at end of year	\$ <u><u>19,954</u></u>	<u><u>11,466</u></u>

See accompanying notes to financial statements.

CHAMPLIN PETROLEUM COMPANY
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Financial Statements

December 31, 1966

(1) Inventories

Inventories of crude oil and refined products are stated at average cost, which is less than market and does not include depreciation, depletion and amortization of property, plant and equipment. As of December 31, 1966 and 1965, the inventories were classified as follows:

	<u>1966</u>	<u>1965</u>
	(Thousands of dollars)	
Crude oil and refined products	\$ 6,832	7,117
Materials and supplies, at average cost	<u>2,002</u>	<u>1,681</u>
	<u>\$ 8,834</u>	<u>8,798</u>

(2) Investments and noncurrent receivables

Investments and noncurrent receivables include \$821,000 as of December 31, 1966 (\$501,000 for 1965) that relates to four wholly-owned unconsolidated subsidiary companies. Such subsidiaries, in the aggregate, do not constitute a significant subsidiary. On the basis of financial statements not covered by the accompanying accountants' report, the aggregate equities underlying these investments are approximately \$22,000 less than the total amount at which the investments are carried.

(3) Federal income taxes

The Company has adopted the guideline lives established by Internal Revenue Service and has adopted the declining-balance method of computing tax depreciation on additions to certain facilities made after January 1, 1954. The resulting reduction in income taxes is set aside as "deferred Federal income taxes" to offset the increase in taxes that is expected to occur when tax depreciation is less than it would be if the tax depreciation methods had not been adopted.

Investment tax credits are deferred and taken into income over the lives of the assets to which they relate.

The Company will join its parent in the filing of a consolidated Federal income tax return for 1966.

CHAMPLIN PETROLEUM COMPANY
(a wholly-owned subsidiary of Celanese Corporation)

Notes to Financial Statements, Continued

a) Retirement and pension plans

The Company has a contributory retirement plan and a noncontributory pension plan for the benefit of its employees. The cost of the plans to the Company for the year ended December 31, 1966, amounted to approximately \$980,000 including payments of \$126,000 to reduce the unfunded past service costs of the plans. If the Company continues to make such payments, the retirement plan will be funded in approximately 18 years and the pension plan in approximately 27 years. On the basis of the most recent actuarial determinations, the unfunded past service costs of the plans were estimated to be \$2,635,000.

CHAMPLIN PETROLEUM COMPANY

Accountants' Report

Financial Statements - December 31, 1965

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1400 ONE MAIN PLACE

DALLAS, TEXAS 75250

The Board of Directors
Champlin Petroleum Company:

We have examined the balance sheet of Champlin Petroleum Company, a subsidiary of Celanese Corporation of America, as of December 31, 1965 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for 1964, included for comparative purposes, were examined by other certified public accountants.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of Champlin Petroleum Company at December 31, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

January 28, 1966

CHAMPLIN PETROLEUM COMPANY

Statement of Earnings

Year ended December 31, 1965
with comparative figures for 1964

	<u>1965</u>	<u>1964</u>
Net sales	\$ <u>83,410,282</u>	<u>78,126,178</u>
Costs and expenses:		
Cost of products sold and operating expenses, exclusive of items below	44,055,558	44,739,888
Selling, general and administrative expenses	11,092,645	10,159,082
Depreciation, depletion and amortization (note 4)	9,775,581	9,058,434
Dry holes and surrendered leases	3,873,712	3,524,777
Interest expense	-	1,141,887
	<u>68,797,496</u>	<u>68,624,068</u>
Operating income	<u>14,612,786</u>	<u>9,502,110</u>
Other income:		
Interest income	130,294	118,102
Gain on sale of investments	-	961,485
Other, net	197,596	24,090
	<u>327,890</u>	<u>1,103,677</u>
Earnings before income taxes	<u>14,940,676</u>	<u>10,605,787</u>
Income taxes (note 4):		
Current	2,459,000	-
Deferred	116,000	65,000
State	25,000	35,000
	<u>2,600,000</u>	<u>100,000</u>
Net earnings	\$ <u>12,340,676</u>	<u>10,505,787</u>

See accompanying notes to financial statements.

CHAMPLIN PETROLEUM COMPANY

Statement of Retained Earnings

Year ended December 31, 1965
with comparative figures for 1964

	<u>1965</u>	<u>1964</u>
Amount at beginning of year (note 1)	\$ 1,975,334	68,241,911
Net earnings for the year (note 1)	<u>12,340,676</u>	<u>10,505,787</u>
	<u>14,316,010</u>	<u>78,747,698</u>
Less:		
Dividends paid by Champlin Oil & Refining Co., predecessor of Champlin Petroleum Company (note 1):		
Convertible preference stock	-	225,000
Common stock	-	3,822,625
Amount transferred to capital surplus in connection with the organization of Champlin Petroleum Company (note 1)	-	72,724,739
Dividend paid to parent company	<u>2,850,000</u>	<u>-</u>
	<u>2,850,000</u>	<u>76,772,364</u>
Amount at end of year	\$ <u>11,466,010</u>	<u>1,975,334</u>

See accompanying notes to financial statements.

CHAMPLIN PETROLEUM COMPANY

Notes to Financial Statements

December 31, 1965

(1) General

The Company was organized on September 29, 1964 and shortly thereafter issued 44,847 shares of its \$100 par value common stock for \$4,484,700 in cash to Champlin Oil & Refining Co. Effective October 29, 1964 the Company acquired by donation from Champlin Oil & Refining Co. substantially all the assets, assumed certain liabilities and succeeded to the business of that company. The assets and liabilities were recorded in accounts of the Company at the amounts carried in the accounts of Champlin Oil & Refining Co. Capital surplus was credited with the excess of assets over liabilities.

On October 29, 1964 Champlin Oil & Refining Co. was merged into Celanese Corporation of America and Champlin Petroleum Company became a wholly-owned operating subsidiary of Celanese.

For comparative purposes the accompanying financial statements set forth figures for 1964. The statement of income for that year includes the operations of Champlin Oil & Refining Co. to October 29, 1964 and the operations of its successor, Champlin Petroleum Company, for the remainder of the year.

(2) Inventories of crude oil and refined products

The inventories of crude oil and refined products are stated at average cost which is less than market. The valuation of these inventories does not include depreciation, depletion and amortization of property, plant and equipment.

(3) Investments in unconsolidated subsidiaries

The investments in and advances to unconsolidated subsidiaries relate to three wholly-owned subsidiary companies. On the basis of financial statements not covered by the accompanying accountants' report, the aggregate equities underlying these investments are approximately \$102,000 less than the total amount at which the investments are carried.

(4) Federal income taxes

The Company will join with its parent company in the filing of a consolidated Federal income tax return for 1965.

CHAMPLIN PETROLEUM COMPANY

Notes to Financial Statements, Continued(4) Federal income taxes, cont.

The Company follows a general policy of providing for depreciation over the estimated useful life of depreciable assets on a straight-line basis. For Federal income tax purposes the Company uses the declining balance method of computing tax depreciation of certain facilities. This policy results in tax depreciation which is generally higher than depreciation used for financial statement purposes. Amounts equal to the tax reductions resulting from the use of this liberalized depreciation method are charged to income and concurrently set aside to offset the increase in taxes that is expected to occur when deductions claimed are less than they would be if the tax depreciation method had not been adopted.

Deferral accounting has been adopted for the investment tax credit. Under this accounting, the credits are not taken into income in the year in which they are claimed but are deferred and taken into income over the lives of the assets to which they relate.

(5) Retirement and pension plans

The Company has a contributory retirement plan and a noncontributory pension plan for the benefit of its employees. On the basis of the most recent actuarial determinations, the unfunded past service costs of the plans were estimated to be approximately \$2,845,000. The cost of the plans to the Company for the year ended December 31, 1965 amounted to approximately \$1,068,000.

ARTHUR ANDERSEN & Co.

FIRST NATIONAL BUILDING
FORT WORTH, TEXAS 76102

to the Board of Directors and Stockholder,
Champlin Petroleum Company:

We have examined the balance sheets of Champlin Petroleum Company (a Delaware corporation, successor to Champlin Oil & Refining Co.) as of December 31, 1964 and 1963, and the related statements of income, earned surplus and capital surplus for the years then ended and the supplementary statements (Exhibits 1, 2, 3 and 4) for the year ended December 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income, earned surplus and capital surplus present fairly the financial position of Champlin Petroleum Company as of December 31, 1964, and its predecessor, Champlin Oil & Refining Co., as of December 31, 1963, and the results of their operations for the years then ended, and the supplementary statements present fairly the information set forth therein, all in conformity with generally accepted accounting principles applied, after giving retroactive effect to the changes in accounting for deferred Federal income taxes and petroleum products inventories as explained in Note 2, on a basis consistent with that of the preceding year.

Fort Worth, Texas,
January 29, 1965.

Arthur Andersen & Co.

CHAMPLIN PETROLEUM COMPANY

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1964 AND 1963 (NOTE 1)

	<u>1964</u>	<u>1963</u>
NET SALES (Note 4)	\$75,381,314	\$78,121,347
	-----	-----
OPERATING CHARGES:		
Cost of products sold and other operating charges, exclusive of items below	\$42,920,507	\$43,512,702
Selling, general and administrative expenses	7,776,599	7,461,871
Depreciation, depletion and amortization	9,058,434	9,242,422
Dry hole expense	2,159,074	2,168,900
Provision for surrendered leases	1,365,703	1,300,000
Interest and debt expense amortization	1,141,887	1,333,278
Provision for employees' thrift and pension plans	1,457,000	1,466,000
	-----	-----
Total operating charges	\$65,879,204	\$66,485,173
	-----	-----
Operating income	\$ 9,502,110	\$11,636,174
	-----	-----
OTHER INCOME AND (EXPENSE)--Net:		
Gain on sale of investments	\$ 961,485	\$ -
Dividends and interest	118,102	138,881
Other, net	24,090	114,180
	-----	-----
Total other income	\$ 1,103,677	\$ 253,061
	-----	-----
Net income before provision for Federal income taxes	\$10,605,787	\$11,889,235
	-----	-----
PROVISION FOR FEDERAL INCOME TAXES	100,000	1,465,000
	-----	-----
Net income for the year (Note 2)	\$10,505,787	\$10,424,235
	=====	=====

The accompanying notes are an integral part of these statements.

CHAMPLIN PETROLEUM COMPANY

STATEMENTS OF EARNED SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 1964 AND 1963 (NOTE 1)

	<u>1964</u>	<u>1963</u>
BALANCE, December 31, 1962, as previously reported		\$66,053,612
LESS- Retroactive changes applicable to prior years (Note 2)-		-----
Provision for deferred Federal income taxes		\$ 1,750,000
Elimination of depreciation, depletion and amortization costs in petroleum products inventories		1,114,185

		\$ 2,864,185

BALANCE, beginning of year, as restated	\$68,241,911	\$63,189,427
ADD- Net income for the year (Note 2)	10,505,787	10,424,235
	-----	-----
	\$78,747,698	\$73,613,662
	-----	-----
DEDUCT-		
Cash dividends declared on-		
Convertible preference stock (\$2.25 per share in 1964 and \$3 per share in 1963)	\$ 225,000	\$ 300,000
Common stock (\$.90 per share in 1964 and \$1.20 per share in 1963)	3,822,625	5,071,751
Amount transferred to capital surplus in connection with organization of Champlin Petroleum Company (Note 1)	72,724,739	-
	-----	-----
	\$76,772,364	\$ 5,371,751
	-----	-----
BALANCE, end of year	\$ 1,975,334	\$68,241,911
	=====	=====

The accompanying notes are an integral part of these statements.

CHAMPLIN PETROLEUM COMPANY

STATEMENTS OF CAPITAL SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 1964 AND 1963 (NOTE 1)

	<u>1964</u>	<u>1963</u>
BALANCE, beginning of year	\$ 16,191,063	\$15,763,808
ADD- Cash premium on sale of 43,181 shares in 1964 and 21,238 shares in 1963 of common stock to employees under stock option agreement (Note 5)	986,482	427,255
	-----	-----
	\$ 17,177,545	\$16,191,063
DEDUCT- Amount transferred to Champlin Petroleum Company in connection with the organization of that Company (Note 1)	17,177,545	-
	-----	-----
	\$ -	\$16,191,063
ADD- Excess of assets received over liabilities assumed in connection with the organization of Champlin Petroleum Company (Note 1)	124,227,391	-
	-----	-----
BALANCE, end of year	\$124,227,391	\$16,191,063
	=====	=====

The accompanying notes are an integral part of these statements.

CHAMPLIN PETROLEUM COMPANY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1964 AND 1963

(1) ORGANIZATION OF THE COMPANY:

The Company was organized on September 29, 1964. Shortly thereafter, it issued 44,847 shares of its \$100 par value common stock to Champlin Oil & Refining Co. for \$4,484,700 in cash. Effective October 29, 1964 (as of October 31, 1964, for accounting purposes), the Company acquired by donation from Champlin Oil & Refining Co. substantially all of the assets, assumed all current liabilities and succeeded to the business of that company. The assets and liabilities have been recorded in the accounts of the new Company at the amounts carried in the accounts of Champlin Oil & Refining Co. Capital surplus has been credited with the excess of assets over liabilities.

On October 29, 1964, Champlin Oil & Refining Co. was merged into Celanese Corporation of America and Champlin Petroleum Company became a wholly-owned operating subsidiary of Celanese. The long-term notes of Champlin Oil & Refining Co. were assumed by Celanese in connection with the merger.

The accompanying statements of income, earned surplus and capital surplus for 1964 include (1) the operations of Champlin Petroleum Company for the two months ended December 31, 1964, and (2) the operations of its predecessor, Champlin Oil & Refining Co., for the ten months ended October 29, 1964. The financial statements for 1963 reflect the financial position and results of operations of Champlin Oil & Refining Co. for the year.

(2) CHANGES IN ACCOUNTING POLICY:

The Company changed its accounting policy in 1964 to (1) provide for deferred Federal income taxes arising from differences between depreciation recorded for financial accounting and Federal income tax purposes and (2) eliminate depreciation, depletion and amortization costs in the valuation of petroleum products inventories.

The accompanying balance sheets at December 31, 1964 and 1963, and related statements of income, earned surplus and capital surplus give retroactive effect to these policy changes.

Such changes had the effect of increasing net income by \$22,794 in 1964 and decreasing net income by \$141,034 in 1963, reducing petroleum products inventories by \$946,099 and \$990,219, and establishing a reserve for deferred Federal income taxes of \$2,080,000 and \$2,015,000 in 1964 and 1963 respectively. Earned surplus at December 31, 1962, has been restated to show the decrease in prior years' net income of \$2,864,185.

(3) INVESTMENTS, ADVANCES, ETC.:

Included under this caption are noncurrent notes receivable of \$1,597,000 and investments in and advances of \$501,000 to three wholly-owned unconsolidated subsidiaries. Based on financial statements not covered by the accompanying auditors' opinion, the aggregate equities underlying these investments are approximately \$124,000 less than the total amount at which the investments are carried.

(4) NET SALES:

Net sales for the years ended December 31, 1964 and 1963, were as follows:

	<u>1964</u>	<u>1963</u>
Refinery products	\$50,998,595	\$54,044,301
Crude oil and field distillate	17,652,651	16,550,765
Gas plant products	6,883,027	7,022,776
Dry gas	12,973,417	12,376,647
	<u>\$88,507,690</u>	<u>\$89,994,489</u>
Less- Company produced crude to stills	13,126,376	11,873,142
Net sales	<u>\$75,381,314</u>	<u>\$78,121,347</u>

(5) STOCK OPTION PLAN:

Under a stock option plan, options covering 43,181 shares were outstanding and exercisable at December 31, 1963. All of the options were exercised prior to the merger referred to in Note 1.

**SCHEDULE OF PRINCIPAL REAL ESTATE HOLDINGS
OF CHAMPLIN PETROLEUM COMPANY AND
PONTIAC REFINING CORP.**

REFINERIES:

Enid, Oklahoma	Fee
Corpus Christi, Texas	Fee

NATURAL GAS PROCESSING PLANTS:

Bishop, Texas	Fee (subject to reverter upon abandonment of plant)
(Gulf Plains Plant)	
Carthage, Texas	Fee
Conroe, Texas	Leasehold
(Midland Gasoline Corp. Plant)	
Enid, Oklahoma	Leasehold
Oklahoma City, Oklahoma	Fee
(Witcher Plant)	

PRODUCTS PIPELINE TERMINALS:

Oklahoma City, Oklahoma	Fee
Enid, Oklahoma	Fee
Hutchinson, Kansas	Fee
Superior, Nebraska	Fee
Columbus, Nebraska	Fee
Rock Rapids, Iowa	Fee

OFFICE BUILDINGS:

Fort Worth, Texas	Fee
Enid, Oklahoma	Fee
Oklahoma City, Oklahoma	Fee

EXHIBIT III**TABLE OF HYDROCARBON RESERVES**

June 30, 1969

<u>Type</u>	<u>Units</u>
Crude oil and condensate.....	46,800,000 bbls.
Natural gas liquids.....	28,400,000 bbls.
Champlin owned royalty.....	600,000 bbls.
Total Liquids	75,800,000 bbls.
Natural gas	1,000,000,000 MCF

The above quantities of hydrocarbon reserves were computed by Champlin's engineering department, in accordance with generally accepted petroleum engineering standards, as of January 1, 1968, and are empirically estimated to be within a 10% tolerance of such computations as of June 30, 1969.

The reserves tabulated above represent Champlin's net proven recoverable reserves; i.e., not including royalties, overriding royalties, oil payments, working interests, or other interests owned by or payable to third parties. The reserves of natural gas liquids include both company owned reserves and reserves which will be earned as a processing fee by Champlin for processing gas owned by others in Champlin's natural gas processing plants. Approximately 60% of such natural gas liquid reserves are from company owned acreage and approximately 40% are from process acreage.

EXHIBIT IV

GUARANTY

Union Pacific Corporation, a Utah corporation, hereby absolutely and unconditionally guarantees the payments when due of the instalment portion of the purchase price payable by Union Pacific Petroleum Corporation to Celanese Corporation under and subject to the terms and conditions of Section 5.2(b) of the Agreement dated as of August 28, 1969 between the parties as such payment obligations may be renewed, extended or modified by the said parties. Union Pacific Corporation waives notice and agrees to any extension in the time of payment and further agrees that Celanese Corporation shall have due remedy under this guaranty without being obliged to resort first to any other remedy or remedies to enforce payment of the said installment obligations hereby guaranteed and that it may pursue all and any other of its remedies at one or different times.

IN WITNESS WHEREOF, Union Pacific Corporation has caused this guaranty to be signed by its President and its corporate seal to be hereunto affixed and attested to by its Secretary as of

UNION PACIFIC CORPORATION

[CORPORATE SEAL]

By

Attest:

.....