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
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Statement of Consolidated Income and Retained Income

Year ended December 31, 1967
with comparative figures for 1966

	1967	1966
	(Thousands of dollars except per share amounts)	
Sales	$ 99,859	92,807
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	3,532	3,876
Total operating costs	80,826	73,302
Operating income	19,033	19,505
Interest and other income	779	556
Operating and other income	19,812	20,061
Provision for income taxes (note 4)	5,300	5,600
Net income	14,512	14,461
Retained income at beginning of year	19,954	11,466
	34,466	25,927
Cash dividend	6,481	5,973
Retained income at end of year	$ 27,985	19,954
Net income per common share	$ 323.59	322.45

See accompanying notes to consolidated financial statements.

CHAMPLIN PETROLEUM COMPANY AND SUBSIDIARIES
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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:

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

(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:

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Notes to Consolidated Financial Statements, Continued

(3) Property, plant and equipment, cont.

	Assets, at cost 1967	Assets, at cost 1966	Years
	(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	15,311	14,791	10

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:

	1967	1966
	(Thousands of dollars)	
Current	$ 5,261	5,506
Deferred	39	94
	$ 5,300	5,600

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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.