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13 OF 1975

No. of 1975

In the Privy Council

ON APPEAL
FROM THE COURT OF APPEAL
OF NEW ZEALAND

BETWEEN

EUROPA OIL (N.Z.) LIMITED

Appellant

AND

THE COMMISSIONER OF INLAND REVENUE

Respondent

Record of Proceedings

VOLUME 11

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IN THE PRIVY COUNCIL

ON APPEAL FROM THE COURT OF APPEAL
OF NEW ZEALAND

BETWEEN EUROPA OIL (N.Z.) LIMITED

Appellant

A N D THE COMMISSIONER OF INLAND REVENUE

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VOLUME 11

OBJECTOR'S EXHIBITS

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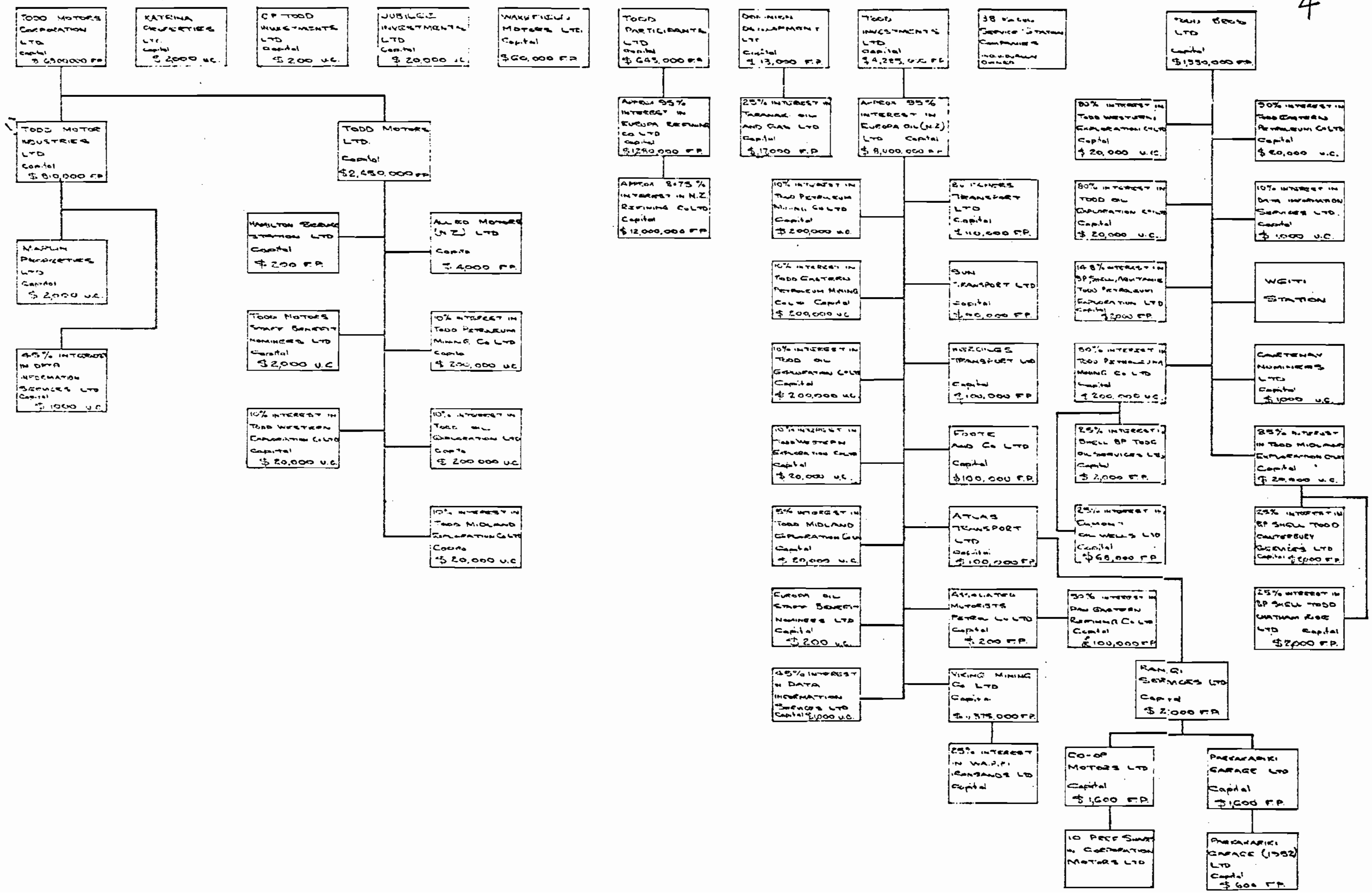
THE TODD FAMILY (CONSISTING OF 65 PERSONS) HOLD THE BENEFICIAL INTERESTS IN VARYING PROPORTIONS IN SHARES IN THE TODD COMPANIES LISTED BELOW.



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This folio contains cost estimate and economic comparison for the building of a refinery outside United States, charging crude oil of the Persian Gulf Type. The tests on the crude oil on which these figures are based are attached in this report as pages 17, 18, and 19. Six different refining schemes have been considered, as follows:

SCHEME NO. 1 - 5,000 B/CD Refinery, Making 60 Octane Unleaded Gasoline, as shown on the yield diagram, page 11.

This refinery consists of a topping unit, with a small vacuum stripper for making the desired amount of asphalt, plus an integral thermal cracking unit which will charge the remaining reduced crude and gas oil and straight run naphtha. The amount of naphtha charged to the cracking section is adjusted to produce a finished gasoline of 60 octane clear, which increases to 74.2 with the addition of 3 ccs. per gallon of Tetraethyl Lead.

The refinery, in addition to this equipment, includes facilities for acid treating and rerunning the cracked distillate, for sweetening the total gasoline made, and for treating the kerosene and furnace oil distillates plus auxiliary equipment required such as tankage, boiler house, water cooling tower, etc.

The estimated cost of this refinery is shown on cost estimate, page 2, amounting to $3,993,000.

The economic estimate, page 1, shows that this refinery will pay for itself in 8.42 years without depreciation, and give a profit per barrel of crude charged to the refinery of $.069 including depreciation, corresponding to a profit in percent of total investment of 3.15%.

SCHEME NO. 2 - 5,000 B/CD Refinery, Making 68 Octane Unleaded Gasoline, as shown on the yield diagram, page 12.

This refinery is similar to the refinery with Scheme No. 1, with the exception that the thermal naphtha cracking section has been enlarged to charge a larger percentage of straight run naphtha in order to meet the octane requirement of 68 octane number ASTM unleaded. This octane number increases to 78.5 with the addition of 3 ccs. per gallon of Tetraethyl Lead.

The estimated cost of this refinery is shown on cost estimate, page 3, amounting to $4,207,775.

The economic estimate, page 1, shows that this refinery will pay for itself in 8.29 years without depreciation, and give a profit per barrel of crude charged to the refinery of $.072 including depreciation, corresponding to a profit in percent of total investment of 3.13%.

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SCHEME NO. 3 - 15,000 B/CD Refinery, Making 60 Octane Unleaded Gasoline, as indicated on the yield diagram, page 13.

This refinery is of the same type as the refinery under Scheme No. 1, charging 15,000 B/CD crude instead of 5,000 B/CD.

The 60 octane number of the unleaded gasoline increases to 74 with the addition of 3 ccs. per gallon of Tetraethyl Lead.

The estimated cost of this refinery is shown on cost estimate, page 4, amounting to $8,764,938.

The economic estimate, page 1, shows that this refinery will pay for itself in 5.10 years without depreciation, and give a profit per barrel of crude charged to the refinery of $.174 with depreciation, corresponding to a profit in percent of total investment of 10.86%.

SCHEME NO. 4 - 15,000 B/CD Refinery, Making 68 Octane Unleaded Gasoline, as shown on the yield diagram, page 14.

This refinery is similar to the refinery with Scheme No. 3, with the exception that all the straight run gasoline (except the butanes and pentanes) is charged to the thermal naphtha cracking section in order to increase the octane number of the run-of-plant gasoline to 68.

The 68 octane number of the unleaded gasoline increases to 78.6 with the addition of 3 ccs. per gallon of Tetraethyl Lead.

The estimated cost of this refinery is shown on cost estimate, page 5, amounting to $9,112,813.

The economic estimate, page 1, shows that this refinery will pay for itself in 5.03 years without depreciation, and give a profit per barrel of crude charged to the refinery of $.182 with depreciation, corresponding to a profit in percent of total investment of 10.92%.

SCHEME NO. 5 - 15,000 B/CD Refinery, Making 70 Octane Unleaded Gasoline, as shown on the yield diagram, page 15.

When all the gasoline is desired with an octane number above 68 we have reached the octane number limit which can be produced by thermal cracking, and must resort to catalytic cracking of gas oil instead of thermal cracking and naphtha polyforming instead of naphtha reforming, in order to produce a run-of-plant gasoline with octane numbers above 68.

This scheme includes an atmospheric-vacuum topping unit and a delayed coking unit for preparing a charging stock of light enough boiling range to the thermofor catalytic cracking unit from the heavy gas oil from the topping unit. In addition to this stock, the thermofor unit charges the light gas oil from the topping section. There is also included a naphtha polyforming unit for converting part of the straight run naphtha to higher octane gasoline, plus facilities for acid treating and rerunning the cracked distillate, sweetening the total gasoline produced and treating the kerosene and furnace oil distillates.

SCHEME NO. 5 - (Continued)

The 70 octane number of the unleaded gasoline increases to 82 with the addition of 3 ccs. per gallon of Tetraethyl Lead.

The estimated cost of this refinery is shown on cost estimate, page 6, amounting to $18,002,743.

The economic estimate, page 1, shows that this refinery will pay for itself in 7.79 years without depreciation, and give a profit per barrel of crude charged to the refinery of $.068 with depreciation, corresponding to a profit in percent of total investment of 2.08%.

SCHEME NO. 6 - 15,000 B/CD Refinery, Making 75.8 Octane Unleaded Gasoline, as shown on the yield diagram, page 16.

This refinery is similar to the refinery with Scheme No. 5, only differing in the amount of straight run naphtha polyformed, in order to increase the octane number to a maximum of 75.8 ASTM. Total gasoline produced can be leaded with the addition of 3 ccs. Tetraethyl Lead to 84.8 octane number.

The estimated cost of this refinery is shown on cost estimate, page 7, amounting to $18,536,447.

The economic estimate, page 1, shows that this refinery will pay for itself in 6.10 years without depreciation, and give a profit per barrel of crude charged to the refinery of $.189 with depreciation, corresponding to a profit in percent of total investment of 5.57%.

Refinery Gas

The gas produced from topping the crude and from the cracking operations has in all cases been assigned the same value as the equivalent amount of Bunker C fuel oil on a B.t.u. basis. If this gas is sold to a municipality to serve as gas for domestic purposes it should be treated and deriched, as the B.t.u. value is approximately 1,500 B.t.u.'s per cubic foot, while a gas for domestic purposes should have a B.t.u. value of approximately 600 B.t.u.'s per cubic foot.

However, on account of lack of information on price which may be obtained for the refinery gas if sold for domestic purposes, there is not included in the estimate equipment for treating and deriching the gas. This equipment can be added later if an investigation proves it economical to sell the gas for domestic use.

The amount of gas made from the different refining schemes is listed below, in cubic feet per day.

Fuel Gas Produced

(HEATING VALUE: 1,500 B.T.U. PER CU.FT.)

SCHEME NO. 1	1,267,000	CU.FT. PER CAL. DAY
2	1,758,000	" " " "
3	4,046,000	" " " "
4	5,575,000	" " " "
5	7,067,000	" " " "
6	7,746,000	" " " "

The economic estimate of the six refining schemes is attached (page 1) and has been based on the following assumptions.

Value of Charge and Products

The cost of crude is figured at $1.00 per barrel f.o.b. Persian Gulf port, plus two-thirds of $5.00 (or $3.33) per long ton shipping charge to refinery.

The value of products is equal to Platt's Mexican Gulf Coast cargo prices of November 21, 1944, plus two-thirds of $5.00 (or $3.33) per long ton for shipping charge to the refinery.

The tabulation below shows the prices f.o.b. refinery per barrel of crude and products figured as stated above. As there was no quotation for 75.8 unleaded gasoline, the value of this gasoline f.o.b. refinery has been figured by extrapolating the values of 60, 68, and 70 octane unleaded gasoline prices.

	°API	#/Bbl.	Barrel per Long Ton	Shipping Cost per Bbl.	Gulf Coast Cargo Price 11-21-44	Values F.O.B. Refinery
Crude	32.0	302.7	7.400	$.450	$1.000	$1.450
Gasoline (60 Oct. Unleaded)	60.0	258.3	8.682	.384	2.100	2.484
Gasoline (68 " ")	60.0	258.3	8.682	.384	2.310	2.694
Gasoline (70 " ")	60.0	258.3	8.682	.384	2.415	2.799
Gasoline (75.8 " ")	60.0	258.3	8.682	.384	2.793	3.177
Kerosene	42.0	265.2	7.854	.424	1.732	2.156
Furnace Oil	36.0	295.4	7.583	.440	1.575	2.015
Fuel Oil (Bunker C)	10.0	349.8	6.861	.486	.970	1.456
Asphalt	2.0	371.1	6.467	.516	1.978	2.494

Operating Costs

The direct operating costs consisting of labor and superintendence, electric power, chemicals, laboratory expenses, air, lube oil, maintenance, etc. were figured as outlined below.

Labor and Superintendence

The labor rates were taken as 50% of the prevailing labor rates for refineries located at the Gulf of Mexico. The superintendence and clerical labor was taken as 17% of the operating labor.

Electric Power

Electric power was billed out at $.005 per KW.

Chemicals

Cost of chemicals was based on present-day United States cost.

Laboratory Expenses, Etc.

The laboratory expenses, air, lube oil, and miscellaneous items were based on United States cost for these items, with allowance for lower labor rates.

Maintenance

The maintenance expenses were taken as equal to 75% of United States maintenance costs for similar equipment, corresponding to the lower labor rates for proposed refinery.

Steam

Cost of making steam has been split up into its component parts, and is found partly in the chemicals and partly in the refinery fuel cost.

Refinery Fuel

Refinery fuel has not been included in the value of the products made, neither has it been billed out as an operating expense, as these two costs are the same and cancel out.

Depreciation

Depreciation rates for the various types of equipment are shown on the various cost estimates, and are equivalent to rates prevailing in the United States.

Royalties

The royalties for thermal cracking of gas oil and thermal cracking of naphtha are not included, as these costs depend on the patent situation of the proposed refinery and affiliated companies.

The royalties for the thermofor catalytic cracking of gas oils and polyforming of naphtha, have been included in the cost estimate on the paid-up basis at prevailing rates.

Cost Estimate

The cost estimates are based on existing cost of construction in United States, with 25% added to take care of additional cost for building the refinery outside United States.

Included in the cost estimate is 15% for engineering, superintendence and incidentals, and 6% for contractor's overhead and profit.

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ESTIMATES FOR 5,000 B/CD AND 15,000 B/CD
PERSIAN GULF TYPE CRUDE REFINERIES

INDEX

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ECONOMIC ESTIMATE FOR 5,000 B/CD AND 15,000 B/CD PERSIAN GULF TYPE CRUDE REFINERIES

	Scheme #1		Scheme #2		Scheme #3		Scheme #4		Scheme #5		Scheme #6	
	5,000 B/CD Topping, Vis Breaking, Naphtha, and Gas Oil Cracking,- Making 60 Octane Unleaded Gasoline		5,000 B/CD Same as Scheme #1 Except Making 68 Octane Unleaded Gasoline		15,000 B/CD Topping, Vis Breaking, Naphtha, and Gas Oil Cracking,- Making 60 Octane Unleaded Gasoline		15,000 B/CD Same as Scheme #3 Except Making 68 Octane Unleaded Gasoline		15,000 B/CD Atmos.-Vac. Topping Delayed Coking, Naphtha Polyf. with C3 - Excess C4, T.C.C. Cracking,- Making 70 Octane Unleaded Gasoline		15,000 B/CD Same as Scheme #5 Except Making Maximum Octane Unleaded Gasoline	
	B/CD	%	B/CD	%	B/CD	%	B/CD	%	B/CD	%	B/CD	%
Charge: Persian Gulf Type Crude	5,000	100.0	5,000	100.0	15,000	100.0	15,000	100.0	15,000	100.0	15,000	100.0
Sale Products: Gasoline	2,400	48.0	4,140	43.0	7,524	50.2	6,735	44.9	8,217	54.8	7,710	51.4
Kerosene	250	5.0	250	5.0	550	3.7	550	3.7	550	3.7	550	3.7
Furnace Oil	150	3.0	150	3.0	300	2.0	300	2.0	300	2.0	300	2.0
Asphalt	350	7.0	350	7.0	350	2.3	350	2.3	350	2.3	350	2.3
Fuel Oil (Bunker C)	987	19.7	1,059	21.2	3,769	25.1	3,960	25.4	1,959	13.0	2,159	14.4
Fuel Gas	304	6.1	422	8.3	971	6.5	1,338	8.9	1,696	11.3	1,859	12.4
Coke	-	-	-	-	-	-	-	-	95	.6	95	.6
Total Sale Products	4,441	88.8	4,379	87.5	13,464	89.8	13,233	88.2	13,167	87.7	13,022	86.8
Refinery Fuels: Acid Sludge (1 Bbl. Acid Sludge Equivalent to .25 Bbl. Bunker "C")	40	.8	54	1.1	125	.8	150	1.2	167	1.1	136	1.3
Bunker C	446	8.9	489	9.8	1,202	8.0	1,369	9.1	1,432	9.6	1,535	10.2
Total Refinery Fuel (Bunker "C" Equivalent)	480	9.6	535	10.7	1,308	8.7	1,513	10.1	1,574	10.5	1,701	11.3
Refinery Losses	73	1.5	76	1.6	209	1.4	279	1.5	234	1.6	247	1.7

Value of Saleable Products:	$/B	$/CD	$/B	$/CD	$/B	$/CD	$/B	$/CD	$/B	$/CD	$/B	$/CD
Gasoline	2.454	5,902	2.694	5,787	2.494	18,690	2.694	18,144	2.719	22,999	3.177	24,494
Kerosene	[illegible]	[illegible]	2.156	[illegible]	2.155	1,185	2.150	1,185	2.156	1,186	2.156	1,185
Furnace Oil	2.015	302	2.015	302	2.015	604	2.015	604	2.015	604	2.015	604
Asphalt	2.494	873	2.494	873	2.494	873	2.494	873	2.494	873	2.494	873
Fuel Oil	1.455	1,437	1.456	1,542	1.455	5,488	1.456	5,756	1.456	2,852	1.456	3,142
Fuel Gas	1.456	443	1.456	614	1.456	1,414	1.456	1,948	1.456	2,469	1.455	2,707
Coke	-	-	-	-	-	-	-	-	1.456	138	1.456	138
Value of Total Saleable Products		9,556		[illegible]		28,255		28,521		31,121		33,144

Operating Expenses:	Scheme #1 $/CD	Scheme #2 $/CD	Scheme #3 $/CD	Scheme #4 $/CD	Scheme #5 $/CD	Scheme #6 $/CD
Labor - Superintendence & Clerical (17% of Labor Oper.)	42	42	57	57	94	94
Labor - Operating	250	250	335	335	555	555
Electric Power	24	24	59	59	[illegible]	85
Chemicals	182	182	533	533	868	868
Laboratory, Air, Oil, Etc.	150	150	200	200	240	240
Maintenance (75% of Tabulated Values)	130	139	294	310	674	697
Total Direct Expense (Excluding Refinery Fuel)	778	787	1,478	1,494	2,516	2,539
Indirect Operating Expenses (95% of Labor - Operating)	237	237	318	318	527	527
Cost of Crude at $1.45 per Bbl.	7,250	7,250	21,750	21,750	21,750	21,750
Total Expenses	8,265	8,274	23,546	23,562	24,793	24,816
Value of Products Less Crude and Operating Expenses	1,291	1,393	4,709	4,959	6,328	9,328
Estimated Investment:						
Physical Plant	3,993,000	4,207,775	8,764,938	9,112,812	16,950,313	17,504,563
Royalties & Chemicals	---	---	---	---	1,912,430	1,031,884
Total Estimated Investment	3,993,000	4,207,775	8,764,938	9,112,813	18,862,743	18,536,447
Pay Off - Years	8.42	8.79	5.10	5.03	7.73	6.10
Depreciation	946	1,022	2,102	2,232	5,301	5,500
Net Profit After Depreciation	345	361	2,607	2,727	1,027	2,828
Profit - % of Total Investment	3.15	3.13	10.66	10.92	2.08	5.57
Profit - $ per Bbl. Crude Charge	.069	.072	.174	.182	.068	.189

[illegible]

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5,000 B. [illegible]

MAKING 80 OCTANE UNLEADED GASOLINE

SCHEME NO. 1

ESTIMATED INVESTMENT, DEPRECIATION, AND MAINTENANCE

	SIZE	INITIAL COST	DEPRECIATION		MAINTENANCE	
	B/CD	$	RATE %	$/YEAR	RATE %	$/YEAR
Combination Topping, Vis Breaking & Cracking Unit	5,000	750,000	15.0	112,500	3.0	22,500
Rerun Still	1,672	75,000	12.0	9,000	2.0	1,500
Acid Treating Unit	1,724	75,000	7.5	5,625	3.0	2,250
Agitator	1 - 2500 B.	70,000	7.5	5,250	3.0	2,100
Gasoline Sweetening	2,413	35,000	7.0	2,450	7.0	2,450
Electric Power Facilities		25,000	8.0	2,000	1.5	375
Transfer Pump House		50,000	6.0	3,000	2.0	1,000
Running & Storage Tanks	650,000 B.	400,000	5.0	20,000	0.5	2,000
Yard Piping		250,000	5.0	12,500	1.0	2,500
Wharf Facilities		100,000	6.0	6,000	1.5	1,500
Loading Pumps, Piping		25,000	6.0	1,500	2.0	500
Cooling Water Tower & Pumps	32° Rise, 6000 GPM	80,000	5.0	4,000	1.0	800
Cooling Water & Return Piping		25,000	5.0	1,250	1.0	250
Evaporators		40,000	8.0	3,200	2.5	1,000
Boiler House		150,000	8.0	12,000	2.5	3,750
Roads in Refinery		10,000	6.0	600	2.0	200
Sewers and Separators		75,000	5.0	3,750	1.0	750
Fire Protection		30,000	6.0	1,800	0.5	150
Office & Equipment		30,000	5.0	1,500	0.5	150
Laboratory		30,000	5.0	1,500	0.5	150
Storehouse - Mechanical		20,000	5.0	1,000	1.0	200
Storehouse - Chemical		5,000	5.0	250	1.0	50
Mechanical Shops		75,000	5.0	3,750	1.0	750
Telephone System		5,000	5.0	250	2.0	100
Locker Room & Facilities		20,000	5.0	1,000	0.5	100
Drinking Water Supply		15,000	5.0	750	1.0	150
Toilets		5,000	5.0	250	1.0	50
Garage		5,000	5.0	250	0.5	25
Fence		15,000	5.0	750	0.5	75
Preparing Site		50,000	5.0	2,500	-	-
Construction Equipment		100,000	8.0	8,000	3.0	3,000
Sub-Total		2,640,000		228,175		50,375
Engineering, Superint, & Incid, (15%)		396,000		34,226		-
Contractors Overhead & Profit (6%)		158,400		13,691		
Total Construction Cost in U.S.A.		3,194,400		276,092		50,375
Allowance for Foreign Construction (25%)		798,600		69,023		12,594
Grand Total		3,993,000		345,115		62,969
$ Per Calendar Day				946		173

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5,000 B/CD PERSIAN GULF TYPE CRUDE REFINERY MAKING 68 OCTANE UNLEADED GASOLINE

SCHEME NO. 2

ESTIMATED INVESTMENT, DEPRECIATION, AND MAINTENANCE

	SIZE	INITIAL COST	DEPRECIATION		MAINTENANCE	
	B/CD	$	RATE %	$/YEAR	RATE %	$/YEAR
Combination Topping, Vis Breaking & Cracking Unit	5,000	850,000	15.0	127,500	3.0	25,500
Rerun Still	2,267	90,000	12.0	10,800	2.0	1,800
Acid Treating Unit	2,337	90,000	7.5	6,750	3.0	2,700
Agitator	1 - 2500 B.	70,000	7.5	5,250	3.0	2,100
Gasoline Sweetening	2,159	35,000	7.0	2,450	7.0	2,450
Electric Power Facilities		25,000	8.0	2,000	1.5	375
Transfer Pump House		50,000	6.0	3,000	2.0	1,000
Rerunning & Storage Tanks	650,000 B.	400,000	5.0	20,000	0.5	2,000
Yard Piping		250,000	5.0	12,500	1.0	2,500
Wharf Facilities		100,000	6.0	6,000	1.5	1,500
Loading Pumps, Piping		25,000	6.0	1,500	2.0	500
Cooling Water Tower & Pumps	32°F. Rise, 7,000 GPM	90,000	5.0	4,500	1.0	900
Cooling Water & Return Piping		27,000	5.0	1,350	1.0	270
Evaporators		40,000	8.0	3,200	2.5	1,000
Boiler House		150,000	8.0	12,000	2.5	3,750
Roads in Refinery		10,000	6.0	600	2.0	200
Sewers and Separators		75,000	5.0	3,750	1.0	750
Fire Protection		30,000	8.0	1,800	0.5	150
Office & Equipment		30,000	5.0	1,500	0.5	150
Laboratory		30,000	5.0	1,500	0.5	150
Storehouse - Mechanical		20,000	5.0	1,000	1.0	200
Storehouse - Chemical		5,000	5.0	250	1.0	50
Mechanical Shops		75,000	5.0	3,750	1.0	750
Telephone System		5,000	5.0	250	2.0	100
Locker Room & Facilities		20,000	5.0	1,000	0.5	100
Drinking Water Supply		15,000	5.0	750	1.0	150
Toilets		5,000	5.0	250	1.0	50
Garage		5,000	5.0	250	0.5	25
Fence		15,000	5.0	750	0.5	75
Preparing Site		50,000	5.0	2,500	-	-
Construction Equipment		100,000	8.0	8,000	3.0	3,000
Sub-Total		2,782,000		246,700		54,245
Engineering, Superint. & Incid. (15%)		417,300		37,005		-
Contractors Overhead & Profit (6%)		166,920		14,802		-
Total Construction Cost in U.S.A.		3,366,220		298,507		54,245
Allowance for Foreign Construction (25%)		841,555		74,627		13,561
Grand Total		4,207,775		373,134		67,806
$ Per Calendar Day				1,022		186

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15,000 B/D [illegible] MAKING 60 OCTANE UNLEADED GASOLINE

SCHEME NO. 3

ESTIMATED INVESTMENT, DEPRECIATION, AND MAINTENANCE

	SIZE	INITIAL COST	DEPRECIATION		MAINTENANCE	
	B/CD	$	RATE %	$/YEAR	RATE %	$/YEAR
Combination Topping, Vis. Breaking & Cracking Unit	15,000	1,500,000	15.0	225,000	3.0	45,000
Rerun Still	5,267	400,000	12.0	48,000	2.0	8,000
Acid Treating Unit	5,430	400,000	7.5	30,000	3.0	12,000
Agitators	2 x 2,500	140,000	7.5	10,500	3.0	4,200
Gasoline Sweetening	7,562	95,000	7.0	6,650	7.0	6,650
Electric Power Facilities		75,000	8.0	6,000	1.5	1,125
Transfer Pump House		100,000	6.0	6,000	2.0	2,000
Running and Storage Tanks	1,460,000 B.	850,000	5.0	42,500	0.5	4,250
Yard Piping		400,000	5.0	20,000	1.0	4,000
Wharf Facilities		200,000	6.0	12,000	1.5	3,000
Loading Pumps, Piping		50,000	6.0	3,000	2.0	1,000
Cooling Water Tower & Pumps, 18,000 GPM		195,000	5.0	9,750	1.0	1,950
Cooling Water & Return Piping		40,000	5.0	2,000	1.0	400
Evaporators		75,000	8.0	6,000	2.5	1,875
Boiler House		300,000	8.0	24,000	2.5	7,500
Roads in Refinery		30,000	6.0	1,800	2.0	600
Sewers and Separators		100,000	5.0	5,000	1.0	1,000
Fire Protection		75,000	6.0	4,500	0.5	375
Office and Equipment		75,000	5.0	3,750	0.5	375
Laboratory		75,000	5.0	3,750	0.5	375
Storehouse - Mechanical		40,000	5.0	2,000	1.0	400
Storehouse - Chemical		10,000	5.0	500	1.0	100
Mechanical Shops		150,000	5.0	7,500	1.0	1,500
Telephone System		10,000	5.0	500	2.0	200
Locker Room & Facilities		40,000	5.0	2,000	0.5	200
Drinking Water Supply		30,000	5.0	1,500	1.0	300
Toilets		15,000	5.0	750	1.0	150
Garage		5,000	5.0	250	0.5	25
Fence		20,000	5.0	1,000	0.5	100
Preparing Site		100,000	5.0	5,000	-	-
Construction Equipment		200,000	8.0	16,000	3.0	6,000
Sub-Total		5,795,000		507,200		114,650
Engineering, Superint., Incidentals (15%)		869,250		76,080		-
Contractors Overhead and Profit (6%)		347,700		30,432		-
Total Construction Cost in U.S.A.		7,011,950		613,712		114,650
Allowance for Foreign Construction (25%)		1,752,988		153,428		28,662
Grand Total		8,764,938		767,140		143,312
$ Per Calendar Day				2,102		393

JCP:N
1-?-45

B 11

11012

15,000 B/CD PERSIAN GULF TYPE CRUDE REFINERY
MAKING 68 OCTANE UNLEADED GASOLINE

SCHEME NO. 4

ESTIMATED INVESTMENT, DEPRECIATION, AND MAINTENANCE

	SIZE B/CD	INITIAL COST $	DEPRECIATION RATE %	DEPRECIATION $/YEAR	MAINTENANCE RATE %	MAINTENANCE $/YEAR
Combination Topping, Vis Breaking & Cracking Unit	15,000	1,700,000	15.0	255,000	3.0	51,000
Rerun Still	7,136	400,000	12.0	48,000	2.0	8,000
Acid Treating Unit	7,357	400,000	7.5	30,000	3.0	12,000
Agitators	2 x 2500 B.	140,000	7.5	10,500	3.0	4,200
Gasoline Sweetening	6,769	95,000	7.0	6,650	7.0	6,650
Electric Power Facilities		75,000	8.0	6,000	1.5	1,125
Transfer Pump House		100,000	6.0	6,000	2.0	2,000
Running & Storage Tanks	1,460,000 B.	850,000	5.0	42,500	0.5	4,250
Yard Piping		400,000	5.0	20,000	1.0	4,000
Wharf Facilities		200,000	6.0	12,000	1.5	3,000
Loading Pumps, Piping		50,000	6.0	3,000	2.0	1,000
Cooling Water Tower & Pump, 21,000 GPM		220,000	5.0	11,000	1.0	2,200
Cooling Water & Return Piping		45,000	5.0	2,250	1.0	450
Evaporators		75,000	8.0	6,000	2.5	1,875
Boiler House		300,000	8.0	24,000	2.5	7,500
Roads in Refinery		30,000	6.0	1,800	2.0	600
Sewers and Separators		100,000	5.0	5,000	1.0	1,000
Fire Protection		75,000	6.0	4,500	0.5	375
Office and Equipment		75,000	5.0	3,750	0.5	375
Laboratory		75,000	5.0	3,750	0.5	375
Storehouse - Mechanical		40,000	5.0	2,000	1.0	400
Storehouse - Chemical		10,000	5.0	500	1.0	100
Mechanical Shops		150,000	5.0	7,500	1.0	1,500
Telephone System		10,000	5.0	500	2.0	200
Locker Room and Facilities		40,000	5.0	2,000	0.5	200
Drinking Water Supply		30,000	5.0	1,500	1.0	300
Toilets		15,000	5.0	750	1.0	150
Garage		5,000	5.0	250	0.5	25
Fence		20,000	5.0	1,000	0.5	100
Preparing Site		100,000	5.0	5,000	-	-
Construction Equipment		200,000	8.0	16,000	3.0	6,000
Sub-Total		6,025,000		538,700		120,950
Engineering, Superint. & Incidentals (15%)		903,750		80,805		-
Contractors Overhead & Profit (6%)		361,500		31,522		-
Total Construction Cost in U.S.A.		7,290,250		651,027		120,950
Allowance for Foreign Construction (25%)		1,822,563		162,757		30,237
Grand Total		9,112,813		814,784		151,187
$ Per Calendar Day				2,232		414

B12

15,000 [illegible] REFINERY
MAKING 70 OCTANE UNLEADED GASOLINE

SCHEME NO. 5

11013

ESTIMATED INVESTMENT, DEPRECIATION, AND MAINTENANCE

	SIZE	INITIAL COST	DEPRECIATION		MAINTENANCE	
	B/CD	$	RATE %	$/YEAR	RATE %	$/YEAR
ATMOSPHERIC-VACUUM TOPPING	15,000	900,000	12.0	108,000	2.0	18,000
NAPHTHA POLYFORM	12,500 CIRC.	1,500,000	15.0	225,000	3.0	45,000
TCC WITH GAS PLANT & DELAYED COKING	10,000 } 1,900 }	3,250,000	15.0	487,500	3.5	113,750
RERUN STILL	7,038	400,000	12.0	48,000	2.0	8,000
ACID TREATING	7,256	400,000	7.5	30,000	3.0	12,000
AGITATORS	2 X 2500 CAP.	140,000	7.5	10,500	3.0	4,200
GASOLINE SWEETENING	8,256	95,000	7.0	6,650	7.0	6,650
ELECTRIC POWER FACILITIES		100,000	8.0	8,000	1.5	1,500
TRANSFER PUMP HOUSE		130,000	6.0	7,800	2.0	2,600
RUNNING & STORAGE TANKS	1,769,000 B.	1,050,000	5.0	52,500	0.5	5,250
YARD PIPING		700,000	5.0	35,000	1.0	7,000
WHARF FACILITIES		200,000	6.0	12,000	1.5	3,000
LOADING PUMPS, PIPING		50,000	6.0	3,000	2.0	1,000
COOLING WATER TOWER & PUMPS (25,000 GPM)		250,000	5.0	12,500	1.0	2,500
COOLING WATER PIPING		50,000	5.0	2,500	1.0	500
EVAPORATORS		100,000	8.0	8,000	2.5	2,500
BOILER HOUSE		450,000	8.0	36,000	2.5	11,250
RAILROAD TRACKS		50,000	6.0	3,000	2.0	1,000
ROADS IN REFINERY		30,000	6.0	1,800	2.0	600
SEWERS AND SEPARATORS		175,000	5.0	8,750	1.0	1,750
FIRE PROTECTION		180,000	6.0	10,800	0.5	900
OFFICE AND EQUIPMENT		100,000	5.0	5,000	0.5	500
LABORATORY		100,000	5.0	5,000	0.5	500
STOREHOUSE - MECHANICAL		40,000	5.0	2,000	1.0	400
STOREHOUSE - CHEMICAL		10,000	5.0	500	1.0	100
MECHANICAL SHOPS		200,000	5.0	10,000	1.0	2,000
TELEPHONE SYSTEM		10,000	5.0	500	2.0	200
LOCKER ROOM AND FACILITIES		40,000	5.0	2,000	0.5	200
DRINKING WATER SUPPLY		30,000	5.0	1,500	1.0	300
TOILETS		15,000	5.0	750	1.0	150
GARAGE		5,000	5.0	250	0.5	25
FENCE		25,000	5.0	1,250	0.5	125
PREPARING SITE		150,000	5.0	7,500	-	-
CONSTRUCTION EQUIPMENT		300,000	8.0	24,000	3.0	9,000
SUB-TOTAL		11,225,000		1,177,550		262,450
ENGINEERING, SUPERINT. & INCIDENTALS (15%)		1,683,750		176,633		-
CONTRACTORS OVERHEAD AND PROFIT (6%)		673,500		70,653		-
CATALYST AND CHEMICALS		50,000		7,500		-
TOTAL CONSTRUCTION COST IN U.S.A.		13,632,250		1,432,336		262,450
ALLOWANCE FOR FOREIGN CONSTRUCTION (25%)		3,408,063		358,084		65,613
GRAND TOTAL, EXCLUDING ROYALTY		17,040,313		1,790,420		328,063
ROYALTIES: THERMOFOR CAT. UNIT - $864,125; POLYFORM UNIT - 98,305		962,430		144,365		-
TOTAL COST		18,002,743		1,934,785		328,063
$ PER CALENDAR DAY				5,301		

B 13

11014

Making [illegible] Octane [illegible] Gasoline

SCHEME NO. 6

ESTIMATED INVESTMENT, DEPRECIATION, AND MAINTENANCE

	SIZE	INITIAL COST	DEPRECIATION		MAINTENANCE	
	B/CD	$	RATE %	$/YEAR	RATE %	$/YEAR
Atmospheric-Vacuum Topping	15,000	900,000	12.0	108,000	2.0	18,000
Naphtha Polyform	16,000 circ.	1,750,000	15.0	262,500	3.0	52,500
TCC with Gas Plant and Delayed Coking	10,000 } 1,900 }	3,250,000	15.0	487,500	3.5	113,750
Rerun Still	8,257	450,000	12.0	54,000	2.0	9,000
Acid Treating	8,513	430,000	7.5	32,250	3.0	12,900
Agitators	2 x 2500 cap.	140,000	7.5	10,500	3.0	4,200
Gasoline Sweetening	7,749	90,000	7.0	6,300	7.0	6,300
Electric Power Facilities		100,000	8.0	8,000	1.5	1,500
Transfer Pump House		130,000	6.0	7,800	2.0	2,600
Running and Storage Tanks	1,769,000 B.	1,050,000	5.0	52,500	0.5	5,250
Yard Piping		700,000	5.0	35,000	1.0	7,000
Wharf Facilities		200,000	6.0	12,000	1.5	3,000
Loading Pumps, Piping		50,000	6.0	3,000	2.0	1,000
Cooling Water Tower & Pumps	(27,000 GPM)	260,000	5.0	13,000	1.0	2,600
Cooling Water Piping		55,000	5.0	2,750	1.0	550
Evaporators		100,000	8.0	8,000	2.5	2,500
Boiler House		450,000	8.0	36,000	2.5	11,250
Railroad Tracks		50,000	6.0	3,000	2.0	1,000
Roads in Refinery		30,000	6.0	1,800	2.0	600
Sewers and Separators		175,000	5.0	8,750	1.0	1,750
Fire Protection		180,000	6.0	10,800	0.5	900
Office and Equipment		100,000	5.0	5,000	0.5	500
Laboratory		100,000	5.0	5,000	0.5	500
Storehouse - Mechanical		40,000	5.0	2,000	1.0	400
Storehouse - Chemical		10,000	5.0	500	1.0	100
Mechanical Shops		200,000	5.0	10,000	1.0	2,000
Telephone System		10,000	5.0	500	2.0	200
Locker Room and Facilities		40,000	5.0	2,000	0.5	200
Drinking Water Supply		30,000	5.0	1,500	1.0	300
Toilets		15,000	5.0	750	1.0	150
Garage		5,000	5.0	250	0.5	25
Fence		25,000	5.0	1,250	0.5	125
Preparing Site		150,000	5.0	7,500	-	-
Construction Equipment		300,000	8.0	24,000	3.0	9,000
Sub-Total		11,565,000		1,223,700		271,650
Engineering, Supervision, & Incidentals (15%)		1,734,750		183,555		-
Contractors Overhead and Profit (6%)		693,900		73,422		-
Catalyst & Chemicals		50,000		7,500		-
Total Construction Cost in U.S.A.		14,043,650		1,488,177		271,650
Allowance for Foreign Construction (25%)		3,510,913		372,044		67,913
Grand Total, Excluding Royalty		17,554,563		1,860,221		339,563
Royalties: Thermofor Cat. Unit - $864,125 Polyform Unit 117,759		981,884		147,283		-
Total Cost		18,536,447		2,007,504		339,563
$ Per Calendar Day				5,500		930

B14

PROCESS DEPARTMENT - JOB NO. 645-B

UTILITY REQUIREMENTS

Scheme No.	1	2	3	4	5	6
Steam - #/Hr	23,400	25,000	64,000	66,500	86,000	88,500
Boiler Feed Makeup - #/Hr	18,000	19,000	51,700	54,700	57,000	58,500
Electric Power - KW	200	200	490	490	706	706
Cooling Tower Water - GPM	5,800	6,500	15,700	19,000	24,560	26,800
Fresh Water - GPM	100	120	160	170	160	190
Plant Fuel - B/CD	480	535	1,308	1,513	1,674	1,701

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11016

ESTIMATE FOR 5,000 & 15,000 B/CD PERSIAN GULF TYPE CRUDE REFINERY

SUMMARY OF OCTANE RATINGS

SCHEME NO. 1
CHARGING 5,000 B/D CRUDE, MAKING 60 OCTANE GASOLINE

	Clear			• 3 cc. T.E.L.		
	Vol. %	Oct. No.	Product	Vol. %	Oct. No.	Product
Charge to Acid Treating						
Polyform Distillate	17.7	70.0	1,239	17.7	80.0	1,416
Cracked Dist.-Gas Oil Crack.	82.3	66.5	5,473	82.3	74.5	6,131
	100.0	67.1	6,712	100.0	75.5	7,547
Charge to Sweetening Unit						
Rerun Distillate	60.6	67.1	4,066	60.6	75.5	4,575
Straight Run Gasoline	39.4	49.0	1,931	39.4	72.2	2,845
	100.0	60.0	5,997	100.0	74.2	7,420

SCHEME NO. 2
CHARGING 5,000 B/D CRUDE, MAKING 68 OCT. GASOLINE

	Vol. %	Oct. No.	Product	Vol. %	Oct. No.	Product
Charge to Acid Treating						
Polyform Distillate	39.3	71.0	2,790	39.3	80.6	3,168
Cracked Dist.-Gas Oil Crack.	60.7	66.5	4,037	60.7	74.5	4,522
	100.0	68.3	6,827	100.0	76.9	7,690
Charge to Sweetening Unit						
Rerun Distillate	91.9	68.3	6,277	91.9	76.9	7,067
C_4, C_5 Cut	8.1	75.0	607	8.1	97.0	786
	100.0	68.8	6,884	100.0	78.5	7,853

SCHEME NO. 3
CHARGING 15,000 B/D CRUDE, MAKING 60 OCT. GASOLINE

	Vol. %	Oct. No.	Product	Vol. %	Oct. No.	Product
Charge to Acid Treating						
Polyform Distillate	18.8	70.0	1,316	18.8	80.0	1,504
Cracked Dist.-Gas Oil Crack.	81.2	66.5	5,400	81.2	74.5	6,049
	100.0	67.2	6,716	100.0	75.5	7,553
Charge to Sweetening Unit						
Rerun Distillate	60.9	67.2	4,092	60.9	75.5	4,598
Straight Run Gasoline	39.1	48.3	1,889	39.1	71.6	2,800
	100.0	59.8	5,981	100.0	74.0	7,398

SCHEME NO. 4
CHARGING 15,000 B/D CRUDE, MAKING 68 OCT. GASOLINE

	Vol. %	Oct. No.	Product	Vol. %	Oct. No.	Product
Charge to Acid Treating						
Polyform Distillate	40.1	71.0	2,847	40.1	80.7	3,236
Cracked Dist.-Gas Oil Crack.	59.9	66.5	3,983	59.9	74.5	4,463
	100.0	68.3	6,830	100.0	77.0	7,699
Charge to Sweetening Unit						
Rerun Distillate	92.2	68.3	6,297	92.2	77.0	7,099
C_4, C_5 Cut	7.8	75.0	585	7.8	97.0	757
	100.0	68.8	6,882	100.0	78.6	7,856

SCHEME NO. 5
CHARGING 15,000 B/D CRUDE, MAKING 70 OCT. GASOLINE

	Vol. %	Oct. No.	Product	Vol. %	Oct. No.	Product
Charge to Acid Treating						
Polyform Distillate	44.2	74.0	3,271	44.2	83.0	3,669
T.C.C. Gasoline	53.7	78.0	4,189	53.7	85.0	4,564
Coke Still Distillate	2.1	60.0	126	2.1	69.0	145
	100.0	75.9	7,586	100.0	83.8	8,378
Charge to Sweetening Unit						
Rerun Distillate	74.6	75.9	5,662	74.6	83.8	6,251
Straight Run Gasoline	25.4	54.0	1,372	25.4	77.0	1,956
	100.0	70.3	7,034	100.0	82.0	8,207

SCHEME NO. 6
CHARGING 15,000 B/D CRUDE, MAKING MAXIMUM OCT. GASOLINE (75.8 OCT.)

	Vol. %	Oct. No.	Product	Vol. %	Oct. No.	Product
Charge to Acid Treating						
Polyform Distillate	54.2	74.0	4,011	54.2	83.0	4,499
T.C.C. Gasoline	45.8	78.0	3,572	45.8	85.0	3,893
	100.0	75.8	7,583	100.0	83.9	8,392
Charge to Sweetening Unit						
Rerun Distillate	93.2	75.8	7,065	93.2	83.9	7,819
C_4, C_5 Cut	6.8	75.0	510	6.8	97.0	660
	100.0	75.8	7,575	100.0	84.8	8,479

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B16

11017

PROCESS DEPARTMENT - JOB NO. 645-B

ESTIMATE FOR 5,000 & 15,000 B/CD
PERSIAN GULF TYPE CRUDE REFINERY

Fuel Oil Blending			Viscosity Saybolt, Furol at 122°F.	
	Composition		Components	Product
Scheme #1 -	Rerun Bottoms	14%	38*	
	Reduced P.S. Tar	86	700	
		100%		200
Scheme #2 -	Rerun Bottoms	17.6%	38*	
	Reduced P.S. Tar	82.4	700	
		100.0%		160
Scheme #3 -	Rerun Bottoms	12.7%	38*	
	Reduced P.S. Tar	87.3	700	
		100.0%		220
Scheme #4 -	Rerun Bottoms	16.1%	38*	
	Reduced P.S. Tar	83.9	700	
		100.0%		160
Scheme #5 -	Rerun Bottoms	24.9%	38*	
	Reduced P.S. Tar	19.1	30	
	Asphalt	56.0	500,000	
		100.0%		250
Scheme #6 -	Rerun Bottoms	26.9	38*	
	Reduced P.S. Tar	21.7	30	
	Asphalt	51.4	500,000	
		100.0%		160

* Saybolt Universal Seconds at 122° F.

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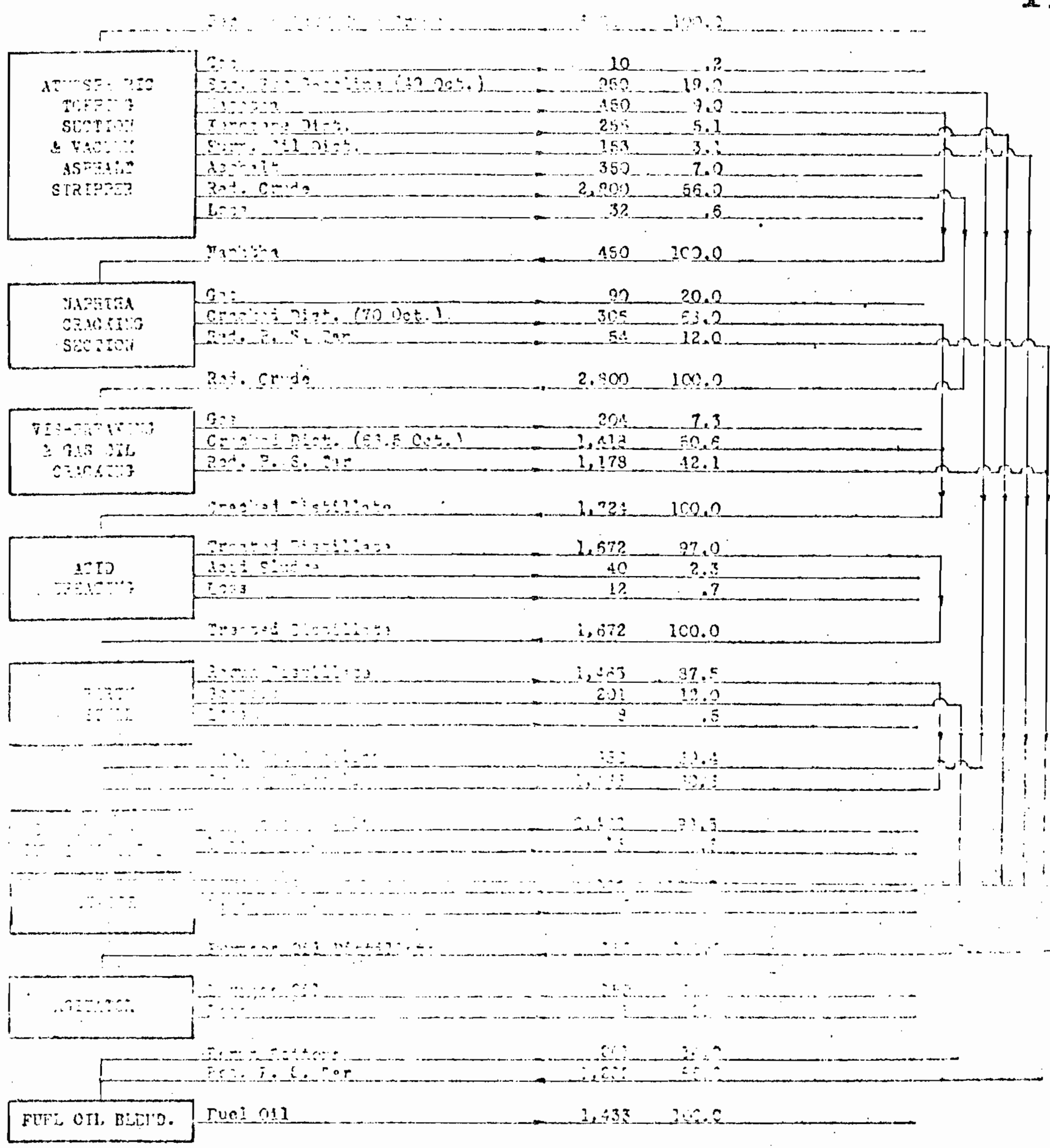


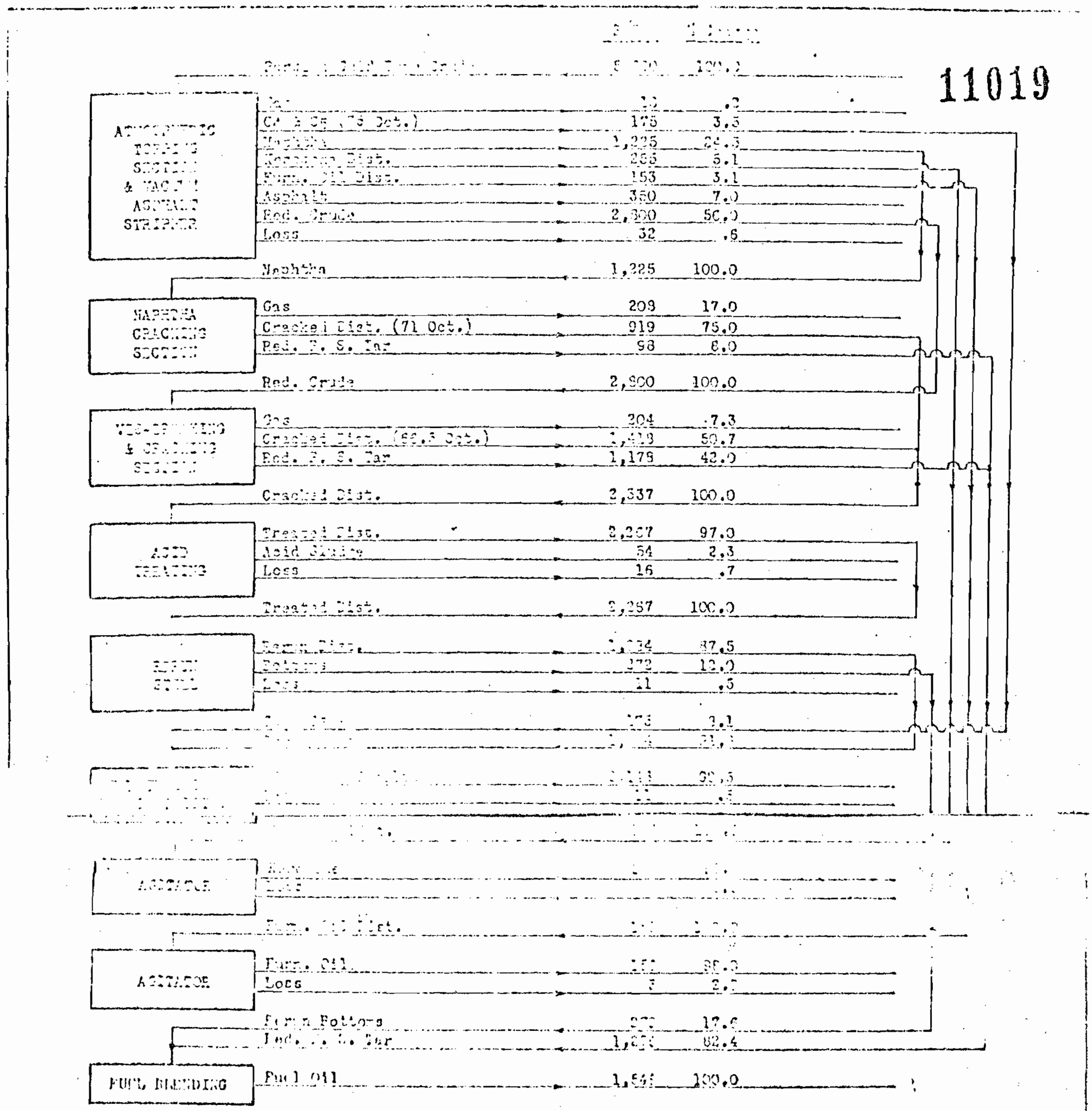
SUMMARY OF FINISHED YIELDS

		B/CD.	% Charge
Charge:	Persian Gulf Type Crude	5,000	100.0
Sales Products:	Fuel Gas	304	6.1
	Gasoline (60 Oct. Clear)	2,400	48.0
	Kerosene	250	5.0
	Furnace Oil	150	3.0
	Asphalt	350	7.0
	Fuel Oil	987	19.7
Total Sales Products		4,441	88.8
Refinery Fuel:	Acid Sludge (88% Fuel Oil Value	40	.8
	Fuel Oil	446	8.9
Total Refinery Fuel		486	9.6
Loss		73	1.5

YIELD DIAGRAM, RUNNING 5,000 B/CD PERSIAN GULF TYPE CRUDE
MAKING 60 OCTANE UNLEADED GASOLINE

EXHIBIT NO. 1

11019



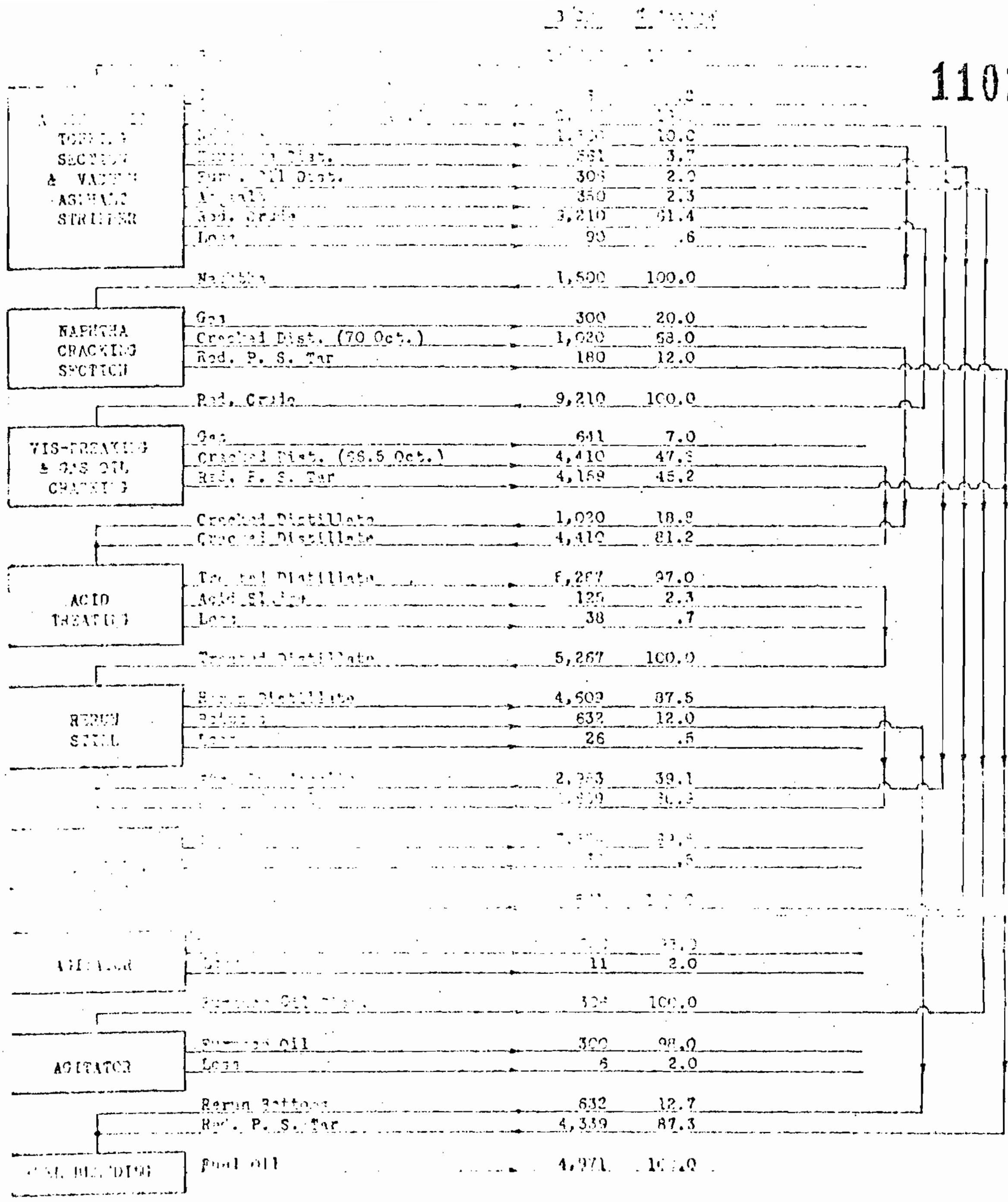
SUMMARY OF FINISHED YIELDS

CHARGE:	Persian Gulf Type Crude	5,000	100.0
SALES PRODUCTS:	Gas	420	8.3
	Gasoline (68 Octane)	2,148	43.0
	Kerosene	250	5.0
	Furnace Oil	150	3.0
	Asphalt	350	7.0
	Fuel Oil	1,059	21.2
Total Sales Products		4,379	87.5
Refinery Fuel:	Acid Sludge (85% Fuel Value)	54	1.1
	Fuel Oil	489	9.8
Total Refinery Fuel		535	10.7
	Loss	78	1.6

YIELD DIAGRAM - RUNNING 5,000 B/CD PERSIAN GULF TYPE CRUDE
MAKING 68 OCTANE UNLEADED GASOLINE

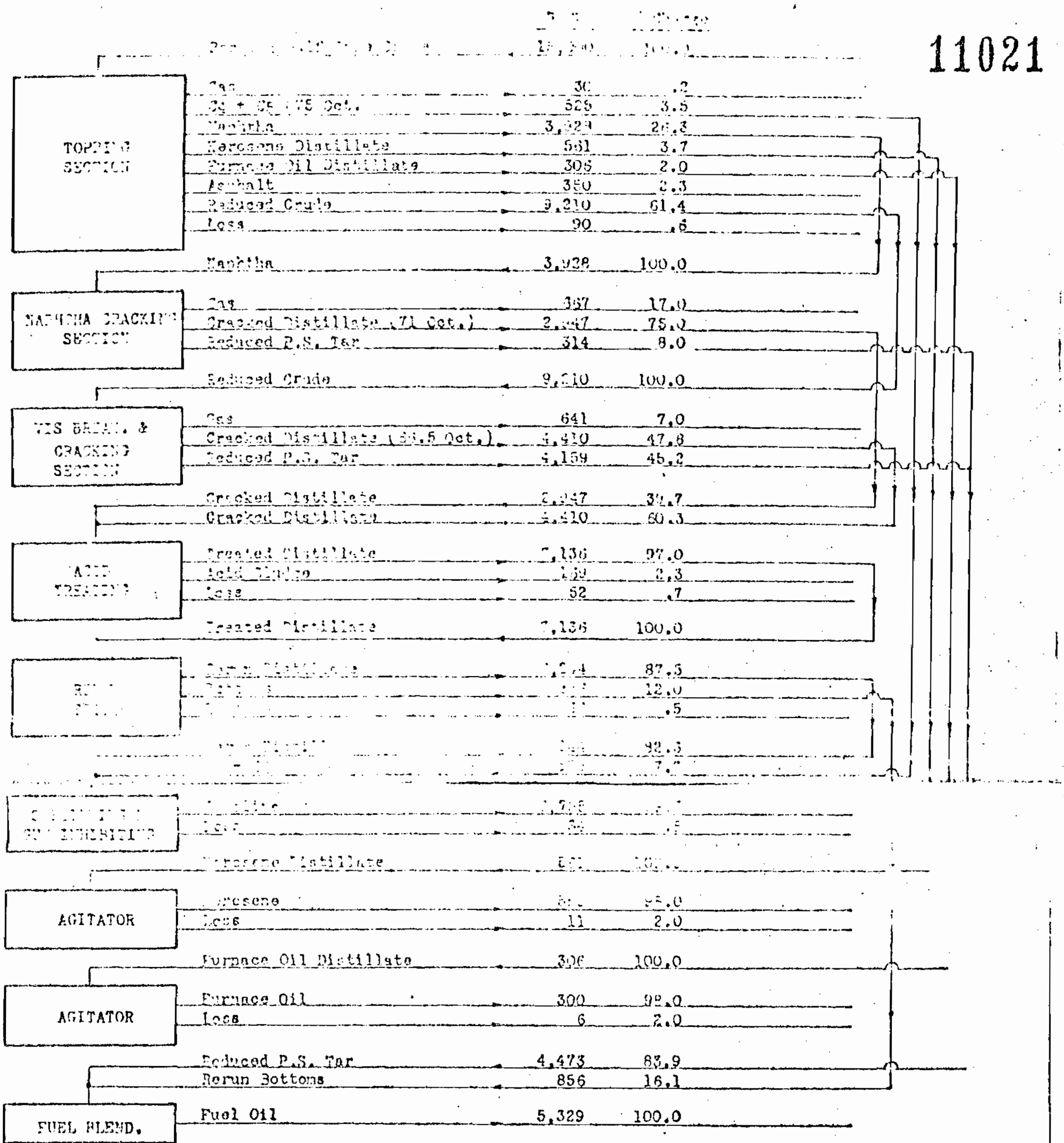
SCHEME NO. 2

11020



SUMMARY OF REFINERY YIELDS

		B/CD	% Charge
Charge: Persian Gulf Type Crude		15,000	100.0
Sales Products:	Gas	971	6.5
	70 Oct. Gasoline	7,524	50.2
	Kerosene	550	3.7
	Furnace Oil	300	2.0
	Asphalt	350	2.3
	Fuel Oil	3,769	25.1
Total Sales Products		[illegible]	89.9
Refinery Fuel:	Acid Sludge (35% of fuel oil value)	125	.8
	Fuel Oil	1,202	8.0
Total Refinery Fuel		1,327	8.7
Loss		209	1.4

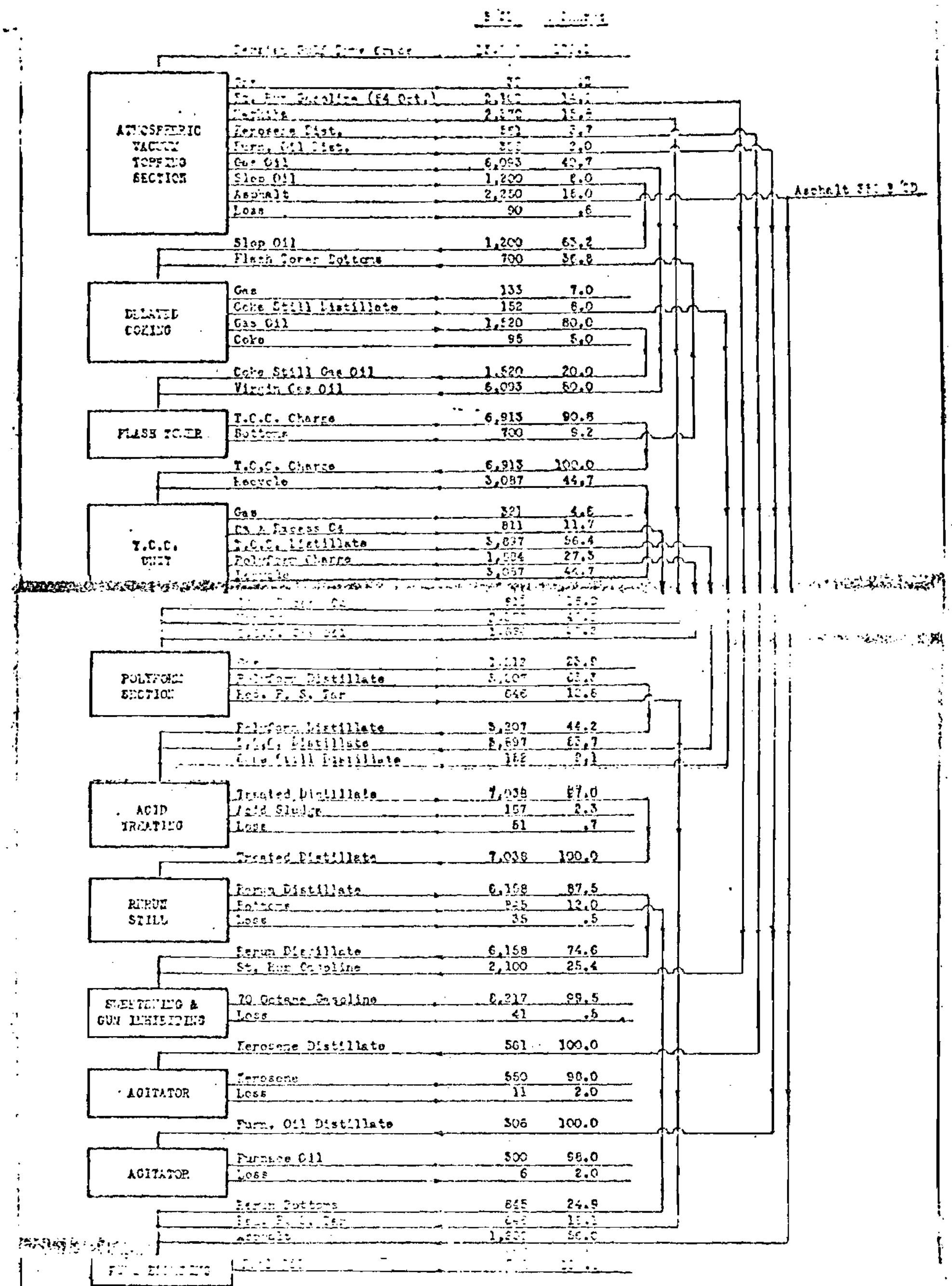


SUMMARY OF FINISHED YIELDS

CHARGE:	Persian Gulf Type Crude	15,000 B/CD	100.0%
SALES PRODUCTS:	Gas	1,338	8.9
	68 Octane Gasoline	6,735	44.9
	Kerosene	550	3.7
	Furnace Oil	300	22.0
	Asphalt	350	2.3
	Fuel Oil	1,960	26.4
Total Sales Products		13,233	88.2
	Refinery Fuel:		
	Acid Sludge (85% Fuel Oil Value)	169	1.2
	Fuel Oil	1,369	9.1
	Total Refinery Fuel	1,513	10.1
	Loss	229	1.6

YIELD DIAGRAM - RUNNING 15,000 B/CD PERSIAN GULF TYPE CRUDE
MAKING 68 OCTANE FINISHED GASOLINE

SCHEME NO. 4



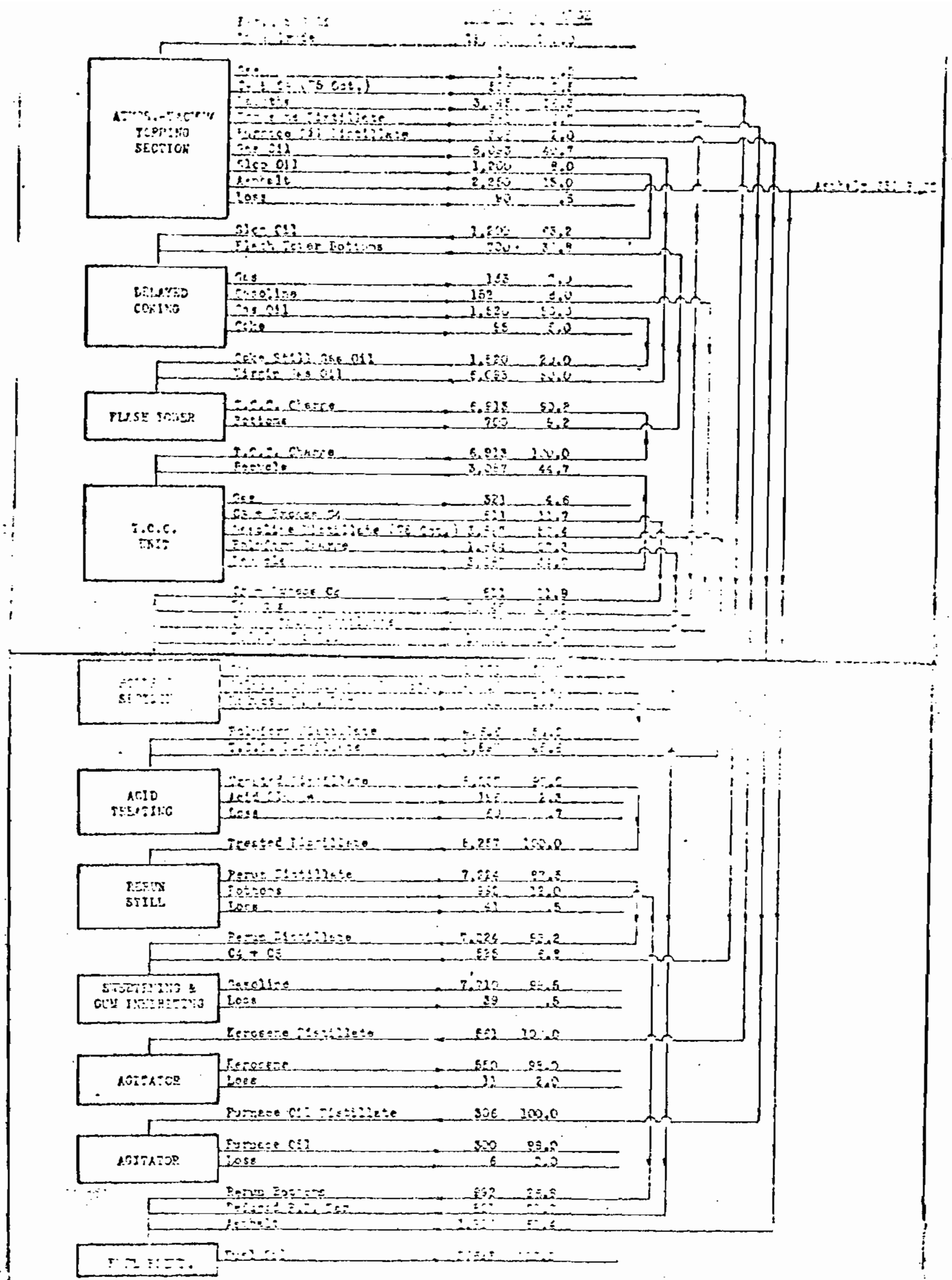
SUMMARY OF FINISHED YIELDS

CHARGE:	Persian Gulf Type Crude	15,000	100.0
SALES PRODUCTS:	Gas	1,696	11.3
	70 Octane Gasoline	8,217	54.5
	Kerosene	550	3.7
	Furnace Oil	300	2.0
	Asphalt	350	2.3
	Fuel Oil	3,3[illegible]	22.6
	Coke	95	.5
Total Sales Products		1[illegible]	87.7
REFINERY FUEL:	Acid Sludge (85% Fuel Oil Value)	167	1.1
	Fuel Oil	1,432	9.5
Total Refinery Fuel		1,574	10.5
	Loss	234	1.6

YIELD DIAGRAM - RUNNING 15,000 B/CD PERSIAN GULF TYPE CRUDE MAKING 70 OCTANE UNLEADED GASOLINE

SCHEME NO. 6

11022

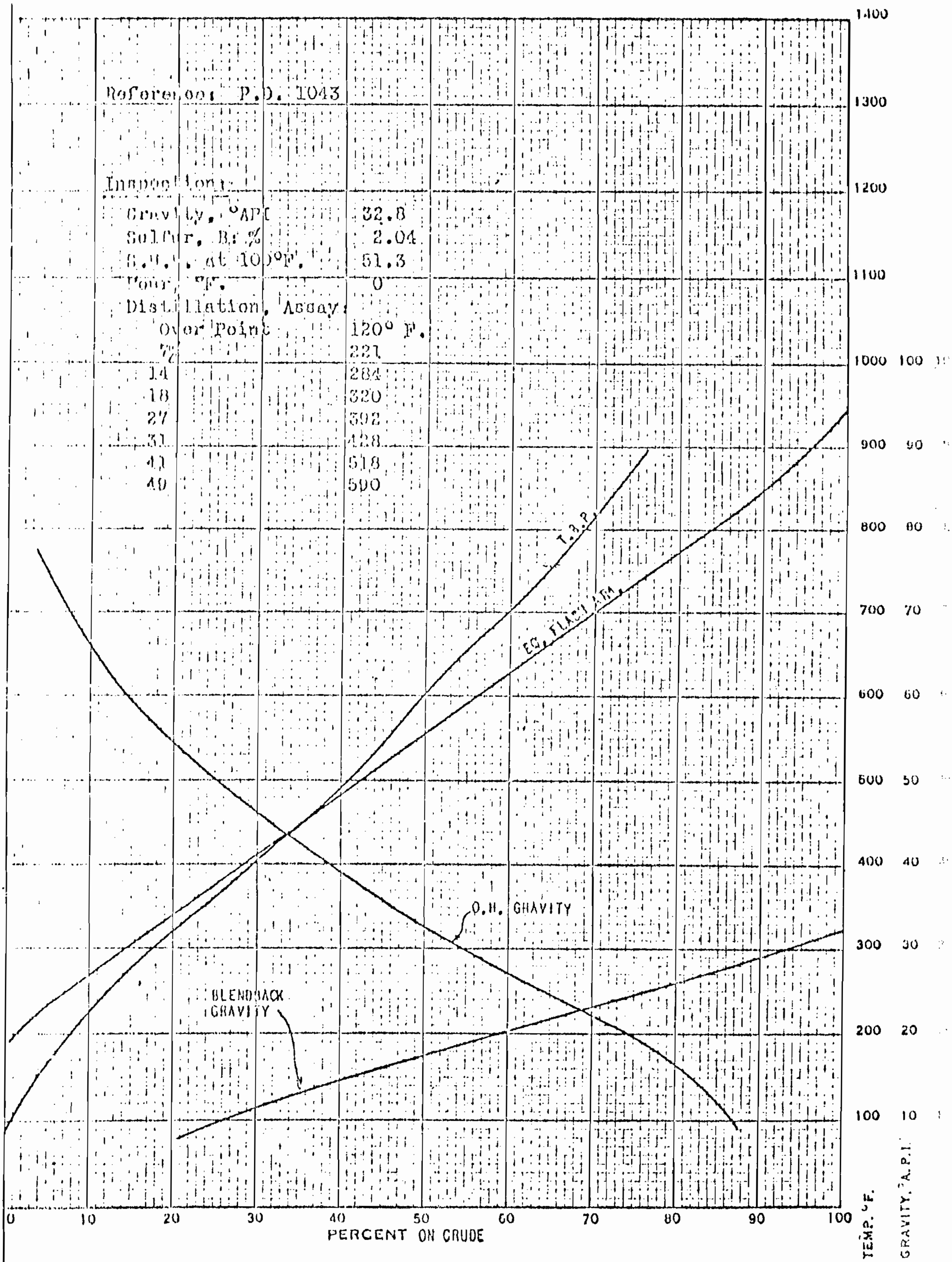


Sales Products: Gas	[illegible]	[illegible]
76 Octane Gasoline	[illegible]	[illegible]
Kerosene	[illegible]	[illegible]
Furnace Oil	[illegible]	[illegible]
Asphalt	[illegible]	[illegible]
Fuel Oil	3,[illegible]	24.6
Coke	55	.5
Total Sales Products	13,002	85.5
Refinery Fuel:		
Acid Sludge (85% Fuel Oil Value)	196	1.3
Fuel Oil	1,505	10.2
Total Refinery Fuel	1,701	11.5
Loss	247	1.7

YIELD DIAGRAM - REFINING 15,000 B/D PERSIAN GULF TYPE CRUDE MAKING MAXIMUM OCTANE GASOLINE

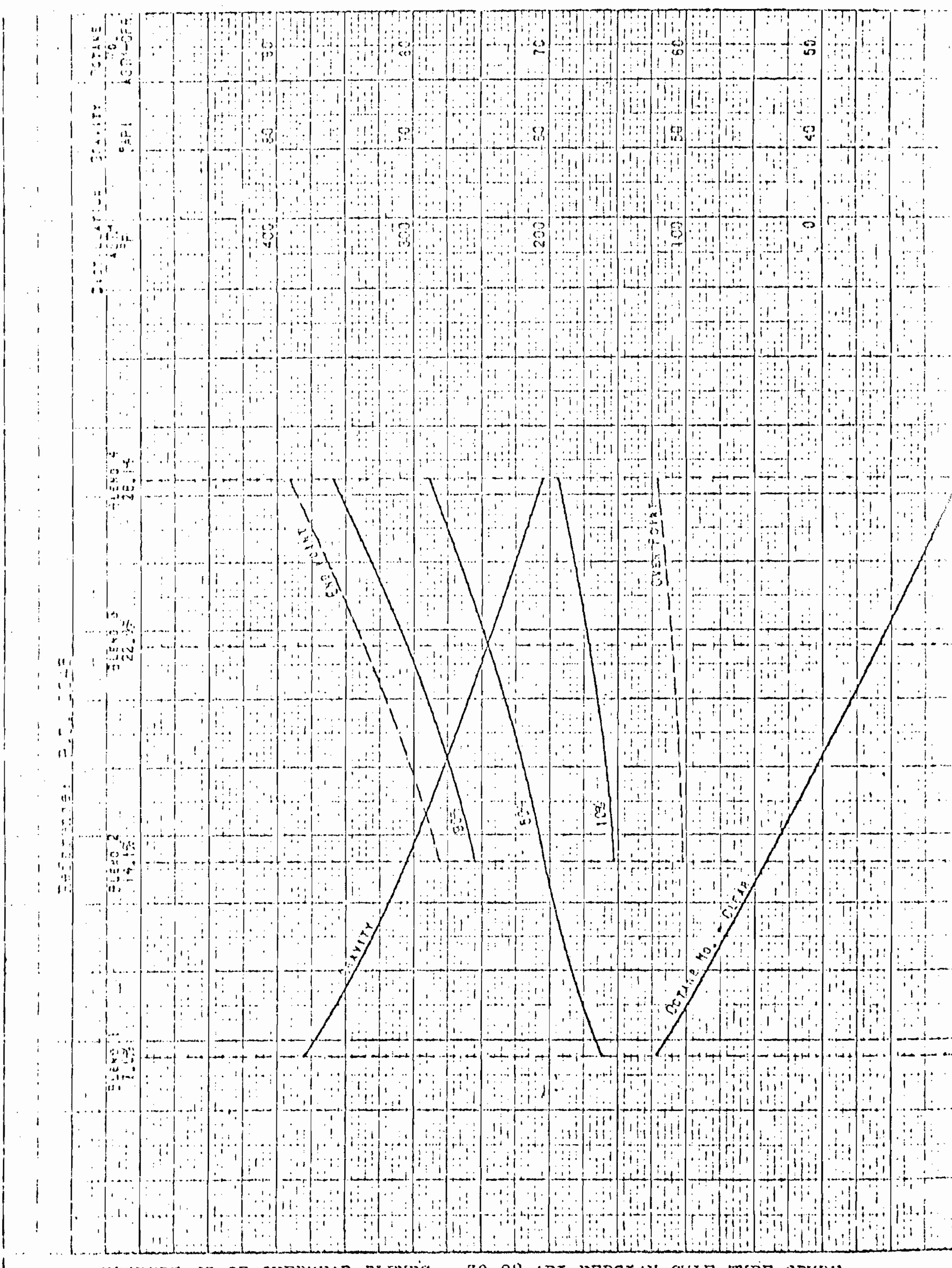
SCHEME NO. 6

11023



T.B.P. AND EQUIL. FLASH CURVES - GRAVITIES OF OVERHEAD FRACTIONS AND BOTTOMS - 32.8° API PERSIAN GULF TYPE CR

B 24



PROPERTIES OF OVERHEAD BLENDS - 32.8° API PERSIAN GULF TYPE CRUDE

B 2-5

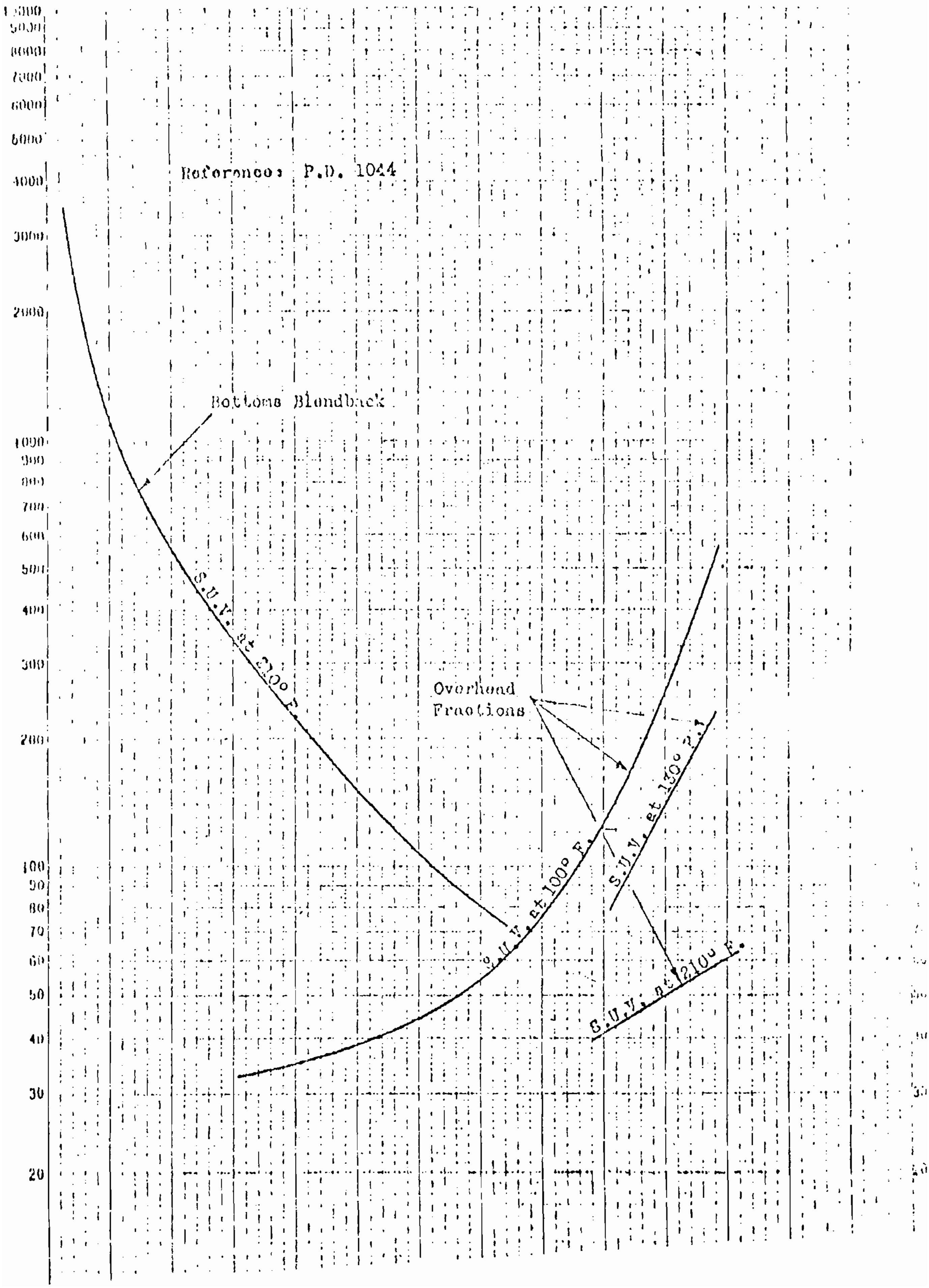

Reference: P.D. 1044
Bottoms Blendback
S.U.V. at 210° F.
Overhead Fractions
S.U.V. at 100° F.
S.U.V. at 130° F.
S.U.V. at 210° F.
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
900
800
700
600
500
400
300
200
100
90
80
70
60
50
40
30
20

EXHIBIT C

Refinery Report Produced
by Bechtel-McCone Inc.

This Exhibit is reproduced in Vol. 4, pp. 4057 - 4067.

"D"

SHELL COMPANY OF NEW ZEALAND LTD

(Copy to Participants Only)
CONFIDENTIAL

The Hon. P. H. Holloway,
Minister of Industries and Commerce,
WELLINGTON

18 May 1959

Dear Mr Holloway,

Following your letter of 10 December 1958, my reply of 12 December 1958, and in the light of Dr Sutch's letter to me of 8 April 1959, there have been a number of conversations with ministers and departmental officers on the subject of establishing an oil refinery in New Zealand.

2. As has been elaborated during the discussions, the establishment of a refinery in New Zealand raises certain special problems.

(i) The total market for main products (i.e. motor gasoline, gas oil, diesel fuel, fuel oil and bitumen) in New Zealand was of the order of 1,538,000 tons in 1958, and is estimated to increase to 1,880,000 in 1964. In terms of modern refineries, this volume is relatively small, and it would be uneconomic to consider establishing any more than one refinery to meet the country's requirements.

(ii) Slightly under 50% of the product demand in New Zealand is for motor gasoline. This is a pattern which is not encountered in any country outside the United States of America, and it poses refinery problems which do not admit of a simple or cheap solution.

(iii) New Zealand is at the end of the oil supply line and any products from the refinery surplus to local requirements have to be back-hauled to some entrepot such as Singapore, and this back-haul detracts from the economics of the refinery operation.

(iv) With relatively high wage rates involved in construction and with the cost of imported materials inflated by the long freight haul it is estimated that the overall cost of a

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New Zealand refinery will be more than 50% greater than the cost of a similar plant in Europe.

3. However, as agreed in my letter of 12 December 1958, these problems and the alternative solutions have been examined. The following scheme is submitted as being the most suitable to meet New Zealand requirements:

(i) The refinery will be established initially with distillation and platforming capacity capable of meeting the country's estimated requirements of main products in 1964. The design proposed is one which has the maximum flexibility for future development. The plant would run initially on enriched crude, but the design is such that in the event of any source of supply being for any reason denied New Zealand, the refinery could operate on natural crudes, although the problem of disposing of up to 700,000 tons of heavy products surplus to local requirements could then arise. The design also provides maximum flexibility for handling any indigenous crude oil should it be discovered. Whether the refinery operated on imported natural crude or enriched crude would make no material difference to the foreign exchange saving for New Zealand.

(ii) A preliminary estimate of the capital cost of such a scheme is £17.2 million sterling excluding working capital of £2.6 million sterling. The preliminary nature of this estimate must be stressed since it has not been possible as yet to select the site for the refinery. The estimated division of capital expenditure between New Zealand currency and non New Zealand currency during construction is given in the following table:

	All figures in £ sterling		
	New Zealand Expenditure	Non New Zealand Expenditure	Total
1st year	200,000	300,000	500,000
2nd year	800,000	4,200,000	5,000,000
3rd year	4,000,000	6,000,000	10,000,000
4th year	1,550,000	150,000	1,700,000
	6,550,000	10,650,000	17,200,000

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(iii) While the Shell Group is prepared to provide the total capital required for this enterprise it is agreed that in accordance with the principles enunciated in the fourth and fifth paragraphs of Dr Sutch's letter of 8 April 1959 New Zealand private investors will be given the right to participate up to 40% in the equity and a similar percentage in the debenture capital. As there are so many imponderables in the capital cost and profitability of this venture, it is agreed that to protect the New Zealand investor private participation will take the form initially of debentures with the option to the holders thereof to convert part of their holding into equity capital at defined times during a period of three years from the refinery coming on stream. The conversion will be such that, assuming New Zealand private participation in the venture is fully subscribed and the option to convert is exercised in full, New Zealand private investors would own 40% of the equity capital. In the event that for any, at present, unforeseen reason, the percentage of capital stated above is not forthcoming from New Zealand private investors the Shell Group will take up the shortfall. However, as and when the time is propitious the Shell Group will consider favourably issuing on the New Zealand market at appropriate terms any shortfall which it has taken up. On the considerations outlined above, the capital structure of the refining company, after maximum conversion of debentures to equity capital, would be:-

		£ sterling	£ New Zealand
(a)	Share Capital		
	Shell	3,560,000	3,600,000
	N.Z. Private Interests	2,380,000	2,400,000
		5,940,000	6,000,000
(b)	Sterling Loans	6,760,000	6,830,000
(c)	New Zealand Debentures	4,500,000	4,540,000
		17,200,000	17,370,000

This excludes working capital estimated at £2,600,000 sterling which would be financed by credit from the suppliers.

Repayment of the sterling loans would be in equal instalments over ten years from the time the refinery commenced operation, with interest at the rate ruling at the time of the loan, currently 5 1/2%. It will be the policy of the Shell Group to have the majority of the directors of the refining company, New Zealand nationals. It is also agreed that in accordance with normal New Zealand practice a trustee will be appointed for the New Zealand debenture holders.

(iv) Our preliminary estimate of the profitability of this venture based on the capital structure outlined above and on current world prices for refined products and feedstocks shows a net income of £594,000 sterling per annum which, together with the loan interest, would give a return in the first year of refinery operation of 6.2% on the total investment, including working capital, of £19.8 million sterling, a return which is relatively low for this type of venture. Here again it is necessary to stress the preliminary nature of these figures and in view of the slender margin we would request the New Zealand Government to consider favourably any request by the Company for a duty retention of not more than 1d./gallon of gasoline in the event that the refinery does not produce an economic return on the capital invested. This possibility was envisaged in paragraph 11 of your letter of 10 December. The profitability as calculated above is based on current world prices for crude oil, feedstocks and refined products and an estimate of freights based on A.F.R.A. This is the normal basis of pricing crude oil and petroleum products in the international oil market and it is assumed that the new refinery will be permitted to value its feedstocks and products accordingly.

(v) We have estimated that the establishment of a refinery on the above lines, again based on present prices, should show a minimum annual net exchange saving over 10 years to New Zealand of £3,200,000 sterling, or if duty retention of 1d./gallon is granted, the net exchange savings would be £2,800,000 sterling per annum.

(vi) On the basis outlined above the construction of the refinery will involve little if any charge on New Zealand's foreign exchange reserves and therefore meets the wishes expressed by Dr Sutch in his letter of 8 April. During the construction stage we request that, subject to compliance with import control regulations, the Shell Group be given freedom to use any or all of the following methods to provide sterling finance:-

(a) by importing under a non-remittance licence into New Zealand plant, material, machinery, equipment and supplies required for the refinery,

(b) by meeting the cost of technical and other services from abroad,

(c) by remitting, if necessary, sterling to New Zealand for conversion into New Zealand pounds,

(d) by transferring New Zealand pounds, for which remittance rights are held, from the Shell Company of New Zealand Ltd to the Refining Company.

In the event of the Shell Group or the Refining Company requiring foreign currencies (other than sterling) to purchase goods or services abroad, either by the issue of import licences for goods, or allocation of overseas funds by the Reserve Bank for services, these currencies will be provided.

(vii) Once the refinery comes into commercial operation, it is understood that the Refining Company will be granted import licences or allocation of overseas funds as the case may be for:-

(a) import of crude oil and other refinery feedstocks,

(b) purchase abroad of materials, catalysts, technical and operating stores for the refinery subject to the aims set out in the third paragraph of Dr Sutch's letter of 8 April 1959,

(c) payment of contractors' charges, royalties, licence fees, insurance premia and the cost of obtaining technical and other services subject to the approval of the Secretary for Industries and Commerce, and it is agreed that this

"D"

approval will not be arbitrarily or unreasonably withheld,

(d) chartering of tankers employed on coastal distribution,

(e) payment of the interest on, and repayment of the principal of, sterling loans,

(f) remittance of dividends to Shell in accordance with arrangements to be made from time to time with the Reserve Bank of New Zealand,

(g) remittance of Shell's share of any proceeds arising from the sale or other disposal of all or part of the refinery or the liquidation of the Refining Company, on conditions to be agreed with the New Zealand Government.

The estimated amount of foreign exchange involved in these arrangements has been fully taken into account in calculating the exchange savings of £3,200,000 sterling quoted in paragraph 3(v) above.

(viii) We appreciate the statement in paragraph 9 of your letter of 10 December 1958, concerning the Government's consideration of any request for the remission of customs duties. The Government is also requested to licence the refinery as a bonded warehouse.

(ix) As envisaged in your letter of 10 December 1958, Government assistance through the appropriate authorities will be necessary in respect of road access, rail access, harbour development and improvement, housing and electricity. The precise extent of such necessary assistance can only be defined when the site is chosen.

(x) It may prove desirable both practically and economically to base a coastwise distribution programme on ocean-going tankers employed for a limited period on the coast. This may involve a dispensation under, or modification of the Shipping and Seamen Act 1952 to permit manning and rates of pay in keeping with the vessels registry and accepted ocean tanker practice.

(ix) In the event of a refinery site being chosen which is beyond the limits of any established Harbour Authority, the Government is requested to give favourable consideration to the

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Refining Company setting up its own Harbour Authority in accordance with the provisions of the Harbours Act 1950 and Amendments, should it so desire.

(xii) In accordance with the third paragraph of Dr Sutch's letter of 10 December 1958, it is the intention to make the maximum use possible of locally produced materials subject to over-riding consideration of efficiency, quality and price.

4. As stated in the third paragraph of your letter of 10 December 1958, the New Zealand market for refined petroleum products can only at the present stage justify a single refinery, and we would therefore expect that the Government would not authorise an additional refinery in New Zealand for a reasonable period. In view of this the Shell Group fully appreciates the need to enter into agreements with other marketers for the supply of products. If this refinery proposal proves acceptable to the New Zealand Government the Shell Group would commence immediate negotiations with the companies concerned with a view to reaching the mutually satisfactory arrangements envisaged in your letter of 10 December 1958. We agree that the conclusion of such arrangements is a sine qua non of the refinery project. On the assumption that agreement can be reached with the other marketers we appreciate the statement in your letter of 10 December 1958, concerning the protection envisaged for products produced by the refining company.

5. The Government is requested to give sympathetic consideration to associated matters which have been mentioned in connection with the main refinery scheme, among which are the questions of flexibility in internal distribution, amendments to the marketing price and differential structure and any other matters calculated to effect economies in the marketing of petroleum products.

Yours faithfully,
for THE SHELL COMPANY OF NEW ZEALAND LTD

SGD. J. B. PRICE
Managing Director

"D"

OFFICE OF THE MINISTER OF INDUSTRIES AND COMMERCE

Mr J. B. Price, 18 May 1959
Managing Director,
The Shell Company of New Zealand Ltd,
WELLINGTON

Dear Mr Price,

I thank you for your letter of 18 May in which you set out in detail your company's proposals for the early establishment of an oil refinery in New Zealand.

I have discussed the matter with the Prime Minister who brought the proposition before the Cabinet and the Government agrees that a company, to be formed by the Shell Group, should erect and operate a refinery with the capital construction as set out in your letter. I note that you estimate that the refinery would be in full production in 1964 and that it would be initially of the distiller/platformer type, processing imports of enriched crude oil or feed-stocks but capable of handling straight crude imports or any New Zealand produced crude of reasonable specifications. Production would be of motor gasoline, gas oil, diesel fuel, fuel oil, and bitumen approximating 90% of New Zealand petroleum imports.

There are several points raised in your letter, particularly regarding possible future development, on which I will comment later but in the meantime I would stress that the Government regards as essential to this proposal that proper provision be made for the maintenance of reasonable marketing arrangements with the other oil companies to preserve their marketing and supply rights.

The location of the refinery is of concern to the Government and it is expected that the company will make a thorough search into possible locations in the South Island and the southern half of the North Island before finally deciding on a site.

Will you please inform me, as soon as possible, as to the agreements made between yourselves and the other oil companies.

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In the further development of the project, the Treasury and the Department of Industries and Commerce will continue to assist you in all liaison work.

Yours faithfully,

SGD. P. N. Holloway

Minister of Industries and Commerce

"D"

EUROPA OIL (N.Z.) LTD

Rt Hon. Walter Nash,
Prime Minister,
House of Parliament,
WELLINGTON

25 May 1959

Dear Mr Nash,

We refer to the announcement made by you regarding the proposed erection of an oil refinery in New Zealand by the Shell Group. As we had no knowledge whatsoever of the proposal until the afternoon of the day of the public announcement - 20th May, and as up to this moment we are not in possession of the details of the arrangement apparently made between the Government and the Shell Group, nor of the details of the proposed operations of the refinery, we are not yet in a position to express any view thereon or to make any representation to the Government.

We have been given to understand by the Shell Company that all these details will be made available to us in the immediate future and that its project is in any case subject to the concurrence of the Oil Companies operating in New Zealand. We are now awaiting the data referred to, but feel, particularly in view of the tenor of some of the publications in the Press, that we should advise you that we had not been consulted previously. Accordingly, we reserve the right to make representations to the Government when we are in possession of the full details, and we therefore wish you to know that our silence in the meantime is not to be taken as concurrence to the proposals put forward.

We are sending a copy of this letter to the Hon. P. Holloway, Minister of Industries and Commerce.

Yours faithfully,
EUROPA OIL (N.Z.) LTD

B. Todd
Managing Director

"D"

PRIME MINISTER

Dear Mr Todd, 2 June 1959

This note is sent to acknowledge the letter which you addressed to me under date of 25 May last regarding the proposed erection of an oil refinery in New Zealand by the Shell group.

I have noted that the Shell Company have advised you that all the details that you require will be made available to you in the immediate future and that this project is in any case subject to the concurrence of the oil companies operating in New Zealand.

Thank you for advising me that you have sent a copy of your letter to the Hon. P. N. Holloway, Minister of Industries and Commerce.

With kind personal regards,

I am,

Yours sincerely,

"W. Nash"

Mr Brian Todd,
Managing Director,
Europa Oil (N.Z.) Ltd,
P.O. Box 591,
WELLINGTON

"D"

<u>J. B. PRICE</u> <u>THE SHELL COMPANY OF NEW ZEALAND LTD</u>

<u>Confidential</u>

19 June 1959

Dear Bryan,

Further to our various discussions concerning the proposal for the establishment of a refinery in New Zealand, I am attaching a resume of the negotiations and of the arrangements we have entered into with the Government.

It is a paper confidential to yourself in the meantime, at any rate, and I hope it may form the basis of an agreement mutually satisfactory to both of us.

Yours sincerely,

"John Price"

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CONFIDENTIAL

NEW ZEALAND REFINERY

Towards the end of 1958 talks were initiated with the New Zealand Government who stated that they wished to see the early establishment of a refinery in New Zealand to supply the bulk of the products required by the New Zealand market. The Government considered that the decision on the type of refinery to be erected should be governed by the need to promote maximum annual savings of overseas exchange consistent both with the economic operation of the refinery in the long term and the best association of the refinery with New Zealand's developing industries. The Government's expressed view was that one oil company should be responsible for the construction and operation of the refinery and it was agreed that negotiations should be kept secret until we had completed our investigations into the feasibility of a refinery to meet New Zealand's special product pattern for which we were given a time limit of 5 months expiring mid-May. Both Shell and the Government agreed at the outset in May that satisfactory arrangements with other marketers were a sine qua non of any proposal which would be submitted by Shell.

2. During the negotiations the Shell representatives requested that Shell should be left to negotiate with the other marketers on all questions relating to throughput rights. In respect of ownership, the Government wished to have substantial New Zealand participation and, in respect of the erection and operation of the refinery, they wished the responsibility to be clearly placed on one company.

3. Within this context the arrangement made with the New Zealand Government, again specifically predicated on satisfactory agreements being made with the other marketers, was as follows:-

(a) A refinery would be established initially with distillation and platforming capacity capable of meeting the country's estimated requirements of main products in 1964 as follows:

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	E. Tons
Megas	1,025,000
Automotive Gas Oil	243,000
Industrial Diesel Fuel	90,000
Inland Fuel Oil	171,000
Bitumen	50,000
Marine Gas Oil	16,000
Marine Diesel Fuel	78,000
Marine Fuel Oil	207,000
Surplus residue for export	40,000
	1,920,000

(b) The design proposed is one which has the maximum flexibility for future development. It would be the intention to run the plant initially on enriched crude oil, with the product outturn set out in (a) above, but the design is such that in the event of any source of supply being for any reason denied New Zealand, the refinery could operate on natural crudes although the problem of disposing of up to 700,000 tons of heavy products surplus to local requirements could then arise. The design also provides maximum flexibility for handling any indigenous crude oil should it be discovered.

(c) A preliminary estimate of the capital cost of such a scheme is £17.2m. sterling excluding working capital of £2.6m. sterling. The preliminary nature of this estimate must be stressed since it has not been possible as yet to select the site for the refinery. The estimated division of capital expenditure between New Zealand currency and non New Zealand currency during construction is given in the following table:

All figures in £ sterling

	New Zealand Expenditure	Non New Zealand Expenditure	Total
1st year	200,000	300,000	500,000
2nd year	800,000	4,200,000	5,000,000
3rd year	4,000,000	6,000,000	10,000,000
4th year	1,550,000	150,000	1,700,000
	6,550,000	10,650,000	17,200,000

"D"

(d) While Shell was prepared to provide the total capital required for this enterprise, it was eventually agreed after hard bargaining with the Government that New Zealand private investors will be given the right to participate up to 40% in the equity and a similar percentage in the debenture capital. As there are so many imponderables in the capital cost and profitability of the venture, it was agreed that New Zealand private participation will take the form initially of debentures with the option to the holders thereof to convert part of their holding in the equity capital at defined times during a period of three years from the refinery coming on stream. The conversion will be such, that assuming New Zealand private participation in the venture is fully subscribed and the option to convert is also exercised in full, New Zealand private investors will own 40% of the equity capital. On the considerations outlined above, the capital structure of the refining company, after maximum conversion of debentures to equity capital, will be:

		£ Sterling	£ New Zealand
(i)	Share Capital		
	Shell	3,560,000	3,600,000
	N.Z. Private Interests	2,380,000	2,400,000
		5,940,000	6,000,000
(ii)	Sterling Loans	6,760,000	6,830,000
(iii)	New Zealand Debentures	4,500,000	4,540,000
		17,200,000	17,370,000

This excludes working capital estimated at £2,600,000 sterling which would be financed by credit from the suppliers. Repayment of the sterling loans would be in equal installments over 10 years from the time the refinery commenced operation, with interest at the rate ruling at the time of the loan, currently 5 1/2%. On the request of the New Zealand Government it was also agreed that the majority of the directors of the refining company will be New Zealand nationals and, in accordance with normal New Zealand practice, a trustee will be appointed for the New Zealand debenture holders.

(e) A preliminary estimate of the profitability of this venture based on the capital structure outlined above and on current world prices for refined products and feedstocks shows a net income of £594,000 sterling per annum which, together with the loan interest, would give a return in the first year of refinery operation of 6.2% on the total investment which is relatively low for this type of venture. Here again it is necessary to stress the preliminary nature of these figures, and in view of the slender margin the New Zealand Government was requested to consider favourably any request by the Company for a duty retention of not more than 1d./gallon of gasoline in the event that the refinery does not produce an economic return on the capital invested. The profitability as calculated above is based on current world prices for crude oil, feedstocks and refined products and an estimate of freights based on A.F.R.A. This is the normal basis of pricing crude oil and petroleum products in the international oil market and the Government agreed that the new refinery will be permitted to value its feedstocks and products accordingly.

(f) Shell estimate that the establishment of a refinery on the above lines, again based on present prices, should show a minimum annual net exchange saving over 10 years to New Zealand of £3,200,000 sterling, or if duty retention of 1d./gallon is granted, the net exchange savings would be £2,800,000 sterling per annum.

(g) During the construction stage it was agreed that, subject to compliance with import control regulations, Shell will be given freedom to use any or all of the following methods to provide

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sterling finance:-

(i) by importing under non-remittance licences into New Zealand plant, material, machinery, equipment and supplies required for the refinery;

(ii) by meeting the cost of technical and other services from abroad;

(iii) by remitting, if necessary, sterling to New Zealand for conversion into New Zealand pounds;

(iv) by transferring New Zealand pounds, for which remittance rights are held, from The Shell Company of New Zealand Limited to the Refining Company.

In the event of Shell or the Refining Company requiring foreign currencies (other than sterling) to purchase goods or services abroad, either by the issue of import licences for goods, or allocation of overseas funds by the Reserve Bank for services, those currencies will be provided.

(h) Once the refinery comes into commercial operation, it was agreed that the Refining Company will be granted import licences or allocation of overseas funds as the case may be for:-

(i) import of crude oil and other refinery feedstocks;

(ii) purchase abroad of materials, catalysts, technical and operating stores for the refinery subject to the maximum use of local materials competitive both in quality and cost;

(iii) payment of contractors' charges, royalties, licence fees, insurance premia and the cost of obtaining technical and other services subject to the approval of the Secretary for Industries and Commerce, and it is agreed that this approval will not be arbitrarily or unreasonably withheld;

(iv) chartering of tankers employed on coastal distribution;

(v) payment of the interest on, and repayment of the principal of, sterling loans;

(vi) remittance of dividends to Shell in accordance with arrangements to be made from time to time with the Reserve Bank of New Zealand;

(vii) remittance of Shell's share of any proceeds arising from the sale or other disposal of all or part of the refinery or the liquidation of the Refining Company, on conditions to be agreed with the New Zealand Government.

(i) The Government will give consideration to any request for the remission of import duties on equipment for the refinery. The Government will also agree to licence the refinery as a bonded warehouse.

(j) Government assistance through the appropriate authorities will be favourably considered in respect of road access, rail access, harbour development and improvement, housing and electricity. The precise extent of such necessary assistance can only be defined when the site is chosen.

(k) It may prove desirable both practically and economically to base a coastwise distribution programme on ocean going tankers employed for a limited period on the coast. This may involve seeking a dispensation under or modification of the Shipping and Seamen Act 1952 to permit manning and rates of pay in keeping with the vessels registry and accepted ocean tanker practice.

(l) In the event of a refinery site being chosen which is beyond the limits of any established Harbour Authority, the Government will give favourable consideration to the Refining Company setting up its own Harbour Authority in accordance with the provisions of the Harbours Act 1950 and Amendments, should it so desire.

(m) It will be the intention to make the maximum use possible of locally produced materials subject to overriding considerations of efficiency, quality and price.

4. The Government recognised:-

(a) that at the present stage of development the New Zealand market

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for refined petroleum products would only justify a single refinery.

(b) The refining company would accordingly need to be granted protection against imports of refined products, and while import licensing continued the Government would not wish to permit the entry of goods that could be economically produced in New Zealand. In any period when import control on oil products was not in operation, the Government would favourably consider steps to protect the industry's products against competition considered to be against the national interest.

"D"

EUROPA OIL (N.Z.) LTD

Rt Hon. Walter Nash,
Prime Minister,
House of Parliament,
WELLINGTON

9 September 1959

Dear Mr Nash,

Mr John Price, Managing Director of Shell Oil (New Zealand) Limited, has very kindly given me a copy of your letter to him dated 3 September 1959.

Mr Price has also recently given me a copy of his letter of 21 July addressed to the Honourable P. N. Holloway, Minister of Industries and Commerce, which outlined the negotiations taking place between the Companies for all parties to participate in the ownership of the proposed refinery in proportions related to their individual market holdings, and we are pleased to know that that phase of the negotiations has been approved by the Government.

When the original proposals were announced on 20 May, Shell made it clear that the proposal for a New Zealand refinery was dependent upon reaching mutually acceptable arrangements with the other marketers. For our part we emphasised then, and have consistently done so since, that apart from the question of shareholding participation, a prime condition of my Company's acceptance would be our right to process in the refinery such crude oil or enriched crude which may be available to us, without any restriction imposed upon us by the design of the refinery to process feed stocks of a unique or special character which might be available by purchase only from our competitors.

If the refinery is to operate on imported feed stock, it is a pre-requisite to agreement that unless mutually satisfactory crude exchange agreements can be freely negotiated between the parties, the design of the refinery shall be such as to permit the processing of conventional crudes and/or enriched crudes, such as those of general availability from the Middle East area.

"D"

We feel it is important that this should be known to the Government as a very material condition which has yet to be negotiated between the parties before final conclusions can be reached.

I am sending a copy of this letter to the Honourable P. N. Holloway and to Mr J. B. Price.

With many thanks,

Yours sincerely,

Bryan Todd

"D"

PRIME MINISTER

Dear Mr Todd, 14 September 1959

Just a short note to say that I have read the representations made in your letter of 9 September and have noted the conditions you are proposing to discuss with the other oil marketers in connection with the arrangements for the establishment of an Oil Refinery in New Zealand.

I hope that following these representations the Government may be advised of an agreed course that it is proposed to follow.

With kind personal regards,

I am,

Yours sincerely,

" W. Nash "

Mr Bryan Todd,
Todd Building,
110 Courtenay Place,
WELLINGTON C.3

"D"

17 September 1959

Rt Hon. Walter Nash, C.H.,
Prime Minister,
House of Parliament,
WELLINGTON

Dear Mr Nash,

Thank you for your letter dated 14 September.

I will arrange with pleasure to keep you and your Government advised on the course of our negotiations with others in connection with the proposed N.Z. Oil Refinery.

With kind regards,

I am,

Yours sincerely,

Bryan Todd

c.c. Hon. P. N. Holloway

DATED 5th March, 1962.

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THE BRITISH PETROLEUM COMPANY LIMITED,
CALIFORNIA TEXAS OIL CORPORATION,
EUROPA OIL (NEW ZEALAND) LIMITED, THE
SHELL PETROLEUM COMPANY LIMITED and
MOBIL PETROLEUM COMPANY INC.

NEW ZEALAND REFINERY

PARTICIPANTS AGREEMENT

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AN AGREEMENT made the 5th day of March between THE BRITISH PETROLEUM COMPANY LIMITED a company organised and existing under the laws of England (hereinafter called "BP"), CALIFORNIA TEXAS OIL CORPORATION a company organised and existing under the laws of the State of Delaware, United States of America (hereinafter called "Caltex"), EUROPA OIL (NEW ZEALAND) LIMITED a company organised and existing under the laws of New Zealand (hereinafter called "Europa"), THE SHELL PETROLEUM COMPANY LIMITED a company organised and existing under the laws of England (hereinafter called "Shell") and MOBIL PETROLEUM COMPANY INC. a company organised and existing under the laws of the State of Delaware, United States of America (hereinafter called "Mobilpet"):

WHEREAS:

(1) By exchange of letters both dated 18th May 1959 between the Minister of Industries and Commerce, New Zealand Government and the Managing Director of The Shell Company of New Zealand Limited, the New Zealand Government approved a project for the construction and operation of an oil refinery in New Zealand to manufacture certain petroleum products;

(2) The said letters dated 18th May 1959 were modified by a letter dated 3rd September 1959 from the Prime Minister of New Zealand to the Managing Director of The Shell Company of New Zealand Limited; and further letters on the project were written by the Secretary of the Department of Industries and Commerce to the said Managing Director, dated 8th October 1959, by the Minister of Industries and Commerce to the said Managing Director, dated 16th October 1959, and by the Representative of the Committee of the proposed New Zealand Oil Refinery Company to the Minister of Industries and Commerce, dated 21st December 1959;

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(3) In accordance with the foregoing BP, Caltex, Europa, Shell and Mobilpet have agreed to participate in the formation of a company which will construct, own and operate an oil refinery in New Zealand in accordance with the ensuing provisions of this Agreement and, for that purpose, a company (hereinafter called "the refinery company") has been formed with the name "The New Zealand Refining Company Limited";

NOW THEREFORE IT IS HEREBY AGREED as follows:

ARTICLE I

Definitions

In this Agreement, except where the context otherwise requires, the following expressions have the meanings hereby respectively assigned to them:

"accounting period"	as shown by Clause 9.01(a);
"adjusted net refiner's margin"	as shown by Clause 9.04;
"affiliate"	as shown by the Schedule to this Agreement;
"apportioned quantity of residue"	as shown by Clause 9.05(a);
"capacity entitlement"	as shown by Clause 8.01(2);
"export residue"	as shown by Clause 9.02(2);
"fixed costs"	as shown by Clauses 9.01(b) and 10.05(i);
"marginal export quantity"	as shown by Clause 9.05(c);
"market"	as shown by Clause 7.01;
"market feedstock"	as shown by Clause 9.02(4)(a);
"net quantity of market feedstock"	as shown by Clause 9.05(d);
"net refiner's margin"	as shown by Clause 9.03;
"participant"	means any company which is from time to time a party to this Agreement;
"person"	includes a body corporate or unincorporate;
"processing percentage"	as shown by Clauses 7.03 and 7.04;

"refinery" means the refinery constructed in accordance with the provisions of this Agreement and includes all additions and other alterations thereto except such as are made in compliance with a requisition from one or more (but not all) of the participants under the provisions of Article X;

"residue" as shown by Clause 9.02(2);

"shareholding percentage" means, in relation to any participant at any time, such percentage of the aggregate of all the shareholdings in the refinery company of the participants and their affiliates at that time as is represented by the aggregate of the shareholdings in the refinery company of the participant in question and its affiliates at that time excluding in the computation any shareholdings obtained by exercising conversion rights in respect of debentures taken up under Clause 5.05; and

"variable costs" as shown by Clauses 9.01(c) and 10.05(ii).

ARTICLE II

Objects of Refinery Company

2.01 The objects of the refinery company shall be limited to the construction, ownership and operation of the refinery to process feedstocks as herein set forth and to the delivery of the resultant products from the refinery to ocean terminal installations in New Zealand.

2.02 Notwithstanding anything express or implied in Clause 17.01(a) such objects shall not, without the consent of all participants, be expanded or otherwise altered nor shall they be extended by investment in third party undertakings nor by any other means.

ARTICLE III

The Refinery

3.01 For design purposes it is agreed that the refinery to be constructed initially shall have a capacity of approximately 2,500,000 long tons per annum and shall be designed to process suitable Middle East and

E4 Far East crude oils and naphthas to meet the following estimated requirements in New Zealand for the following main products:-

Motor Gasolines	1,150,000	long tons
Gas Oils	300,000	" "
Diesel Oils	190,000	" "
Fuel Oils	450,000	" "
Bitumen	85,000	" "
	2,175,000	" "

and the installations shall include:-

Crude Oil Distillation Unit

Catalytic Reforming Unit

Gas Oil Hydrodesulphurization Unit

Gasoline Treating Unit

Bitumen Manufacturing Facilities

Necessary Offsites and Social Amenities.

The refinery as so constructed initially is referred to as "the original refinery" hereinafter in this Article and in Articles IV and V.

3.02 The participants anticipate that the original refinery will be provided with additional facilities at a suitable date to permit the processing of such whole crudes as may be readily available to participants and as may be suitable for meeting the market requirements of New Zealand and, to that end, the Crude Oil Distillation Unit shall also be initially designed to process 3,000,000 long tons per annum of unstabilized medium gravity Middle East crude oil.

ARTICLE IV

Estimated Cost of Project

4.01 Shell estimates that the cost of constructing the original refinery (excluding the cost of land but including the cost of all ancillaries and housing for key personnel) and the finance required to provide working capital will amount in total to approximately £18,000,000.

4.02 Prior to the conclusion of the prime contract for the constru of the original refinery, Shell shall make a revised estimate of -

(a) the cost of constructing the original refinery (excluding the cost of land but including the cost of all ancillaries and housing for key personnel and all other items of capital expenditures which may reasonably be expected to be incurred in connection with the construction of the original refinery); and

(b) the finance required to provide working capital;

and, if the total of such revised estimate together with the cost of the land exceeds £20,000,000, the participants shall review the position before committing the refinery company to proceed.

ARTICLE V

Shareholding and Finance

5.01 The authorised share capital of the refinery company shall be £NZ 6,000,000, of which shares to the value of £NZ 4,114,286 shall be issued to the participants at par. The participants shall subscribe for such shares in the following proportions:-

BP	22%
Caltex	12.5%
Europa	12.5%
Shell	25%
Mobilpet	28%

5.02 The balance of the funds required by the refinery company to acquire a site, to construct and bring the original refinery into commercial operation and to provide working capital shall be raised by borrowing.

5.03 Subject as hereinafter provided in this Clause 5.03, of the total amount of funds to be raised by borrowing, £NZ 5,713,713 shall be raised by an issue of partially convertible debentures which shall be offered to New Zealand investors. Such debentures shall be issued on whatever terms shall be decided by the refinery company provided that the conversion rights of the holders thereof shall be exercisable at specific times during a period of three years from the date on which the original refinery comes on stream and shall be such that, if all the holders exercise their rights in full, they will be entitled to shares in the refinery company to the aggregate nominal value of £NZ 1,885,714 and the balance will continue to be held as debentures. To the extent that the total of the revised estimate prepared by Shell under Clause 4.02 and the cost of land is greater or less than £18,000,000, then the amount of £NZ 5,713,713 shall be proportionately adjusted as the case may require.

Notwithstanding any such adjustment, the conversion rights of the debenture holders will remain such that if the holders exercise their rights in full they will be entitled to shares to the aggregate nominal value of £NZ 1,885,714.

5.04 To the extent that the total of the issued share capital of the refinery company and funds raised under the provisions of Clause 5.03 is insufficient to acquire a site, to construct and bring the original refinery into commercial operation and to provide working capital, the balance, except as met by short term borrowing, shall be provided, as and when requested by the refinery company, by loans arranged by the participants in the respective proportions set out in Clause 5.01.

5.05 If the Board of Directors of the refinery company shall decide that the debenture issue shall not be underwritten, the participants shall procure that unsubscribed debentures shall be taken up by them in the respective proportions set out in Clause 5.01: Provided that Europa shall not be obliged to take up unsubscribed debentures in any amount in excess of debentures having a nominal value of £NZ 100,000. If pursuant to the foregoing Europa does not take up unsubscribed debentures to the full extent of its proportion set out in Clause 5.01 the remaining unsubscribed debentures shall be taken up by BP, Caltex, Shell and Mobilpet in the ratio which the percentages set out opposite their names in Clause 5.01 bear to each other.

5.06 In respect of debentures taken up by participants under Clause 5.05, the participants shall, unless otherwise agreed after a review of the circumstances existing at the time, procure that the conversion rights attached to such debentures are exercised in full before the conversion time limit expires.

5.07 The participants shall offer to investors in New Zealand the debentures taken up by them under Clause 5.05 and the shares obtained by exercising the debenture conversion rights. Such offers shall be made simultaneously and in proportion to participants' respective holdings of such debentures and shares at such times and on such terms and conditions as the participants shall agree.

5.08 The principal amount of loans arranged by participants under Clause 5.04 shall be treated as debts due by the refinery company in the currency in which such loans are provided and the full amount of currency provided by each lender shall be repaid in the same currency in annual instalments over a period of 10 years from the date on which the refinery comes on stream.

Whether or not loans arranged by the participants are provided in one lump sum or in more than one sum over a period, all loans made in the same currency shall bear the same rate of interest which, in the case of each loan, shall run from the date on which the money is made available to the refinery company. The rate of interest to be taken shall, in the case of all sterling loans, be the current market rate in London, England, and, in the case of all New Zealand currency loans, shall be the current market rate in Wellington, New Zealand, for long term loans to first class businesses applicable in the case of sterling loans on the day on which the first sterling loan is made available to the refinery company and in the case of New Zealand currency loans on the date on which the first New Zealand currency loan is made available to the refinery company.

5.09 The total finance to be provided by each participant in accordance with the foregoing provisions shall be provided by each participant except Europa in sterling to the extent that any currency other than New Zealand currency is required to finance the construction of the original refinery or to provide working capital and any balance shall be provided either in sterling or in New Zealand currency, at the option of the participant concerned. Any participant required to pay in sterling for shares in the refinery company under the foregoing provisions of this Clause may at his option make the whole or any part of such payment in an equivalent amount of U.S. dollars and pay any balance remaining in sterling.

5.10 Europa shall have the right to make available the total finance to be provided by it in accordance with the foregoing provisions of this Article either wholly in New Zealand currency or wholly in sterling or partly in New Zealand currency and the balance in sterling.

5.11 The refinery company shall use its best endeavours to obtain the approval of the New Zealand Government to the payment of interest on, and repayment of the principal of, sterling loans, in sterling.

5.12 The refinery company shall use its best endeavours to obtain the agreement of the New Zealand Government to the remittance abroad of:-

(a) dividends in respect of all shares in the refinery company held by participants and their affiliates except dividends in respect of such shares as are obtained by exercising conversion rights attaching to any debentures taken up under the provisions of Clause 5.05; and

(b) share capital (other than share capital obtained by exercising conversion rights attaching to any debentures, taken up under the provisions of Clause 5.05) whether arising out of the liquidation of the refinery company, a reduction of its share capital or otherwise,

in the same currency as that participant's original subscription to share capital.

5.13 In respect of debentures taken up by the participants under Clause 5.05 and shares obtained by exercising the conversion rights attaching thereto, the refinery company shall use its best endeavours to obtain the agreement of the New Zealand Government to the remittance abroad in sterling or U.S. dollars of:-

(a) debenture interest and repayment of principal;

(b) dividends;

(c) the proceeds of sales of debentures; and

(d) share capital whether arising out of the liquidation of the refinery company, a reduction of its share capital or otherwise;

to the extent that the subscription for such debentures has been made in New Zealand currency which was either derived from the proceeds of remittances of sterling or U.S. dollars respectively or had convertible rights to sterling or U.S. dollars respectively.

5.14 (1) Subject to the provisions of paragraph (2) of this Clause 5.14, the participants undertake to secure that, except with the consent of all the participants, the refinery company shall not increase its capital by any method requiring subscription for shares in the refinery company nor issue debentures or other securities of any nature which carry rights to vote in a general meeting of the refinery company or which are convertible to shares or securities which carry such rights to vote.

(2) If additional capital is required by the refinery company in order to enable it to comply with all New Zealand laws and regulations applicable to the refinery or to the operation of the refinery or in order to enable the refinery to process feedstock for participants in accordance with the provisions of this Agreement then to the extent that the refinery company is not able to provide such capital out of retained earnings or by

raising loans on reasonable terms and conditions, such capital shall be provided by an increase in the share capital of the refinery company and in respect of such increase in share capital of the refinery company the provisions of paragraph (1) of this Clause 5.14 shall not apply.

5.15 The participants undertake to secure that, if the refinery company increases its share capital by making a further issue of shares, each participant shall be offered such percentage of the total issue of new shares as is equal to the percentage of the total issued share capital of the refinery company represented by the participant's existing shareholding at the time of the offer. If any participant does not wish to take up the whole of the new shares to which it is entitled, the rights to the shares which it does not wish to take up shall be promptly offered to the other participants (without charge for such rights) in accordance with the procedure which participants are required to follow when offering shares under Clause 15.02 except that the period of 30 days therein mentioned shall be reduced to 10 days. The right to take up shares which are not taken up by the other participants may thereafter be disposed of to persons other than participants.

5.16 Except as provided in this Article V and in Article XV, no participant and no affiliate of a participant may acquire or hold shares in the refinery company.

ARTICLE VI

Mode of Operation

The refinery shall operate on a processing basis and the property in the feedstock supplied and the products manufactured therefrom will throughout the operation remain with the respective participants concerned.

ARTICLE VII

Establishment of Processing Percentage

7.01 For the purposes of this Agreement, the expression "market" means, in relation to any participant, the requirements of that participant and

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its affiliates for products of the type manufactured in the refinery for supply for ultimate use or consumption in New Zealand or for supply for ultimate consumption in vessels or aeroplanes operating locally in New Zealand or outward-bound from New Zealand but excluding products to be supplied by the participant in question or its affiliates to any other participant or its affiliates.

7.02 Each participant shall have a processing percentage which shall be determined in accordance with the following provisions of this Article VII.

7.03 Subject to Clause 7.04, the processing percentage for each participant shall be such percentage as is equal to the shareholding percentage of that participant.

7.04 If any participant (hereinafter in this Article VII called "the requisitioning participant") so requires, each participant's processing percentage shall from time to time be adjusted throughout any period in which the prescribed conditions apply so that the processing percentage of each individual participant is equal to that percentage of the combined markets of the participants at the time represented by the market of the individual participant in question at that time. At the end of such period the respective processing percentages of the participants shall again be determined in accordance with the provisions of Clause 7.03.

The prescribed conditions are:-

(a) the refinery is unable to meet the product requirements of all the participants for supply to their combined markets;

(b) the requisitioning participant is unable, for reasons which are not within its control, to obtain the products which it requires to meet its market by having an addition made to the refinery pursuant to Article X;

(c) imports of deficit products are not permitted by the New Zealand Government or, if permitted, such imported products are at a competitive disadvantage compared with products manufactured in the refinery;

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(d) the requisitioning participant is tendering feedstock which is reasonable, having regard to that participant's market requirements and the processing operations of the other participants;

(e) the requisitioning participant shows that the processing percentages of the participants as determined in accordance with the provisions of Clause 7.03 place the requisitioning participant at a relative disadvantage.

ARTICLE VIII

Use of the Refinery

8.01 (1) Notwithstanding any limitations which may be implied in any other Clause of this Agreement, but subject always to such limitations as are imposed by the design and capabilities of the refinery and subject as hereinafter provided, each participant shall have the right to the use of the refinery, up to but not exceeding such share of the capacity of the refinery as is equal to that participant's capacity entitlement as hereinafter established, to have processed therein by the refinery company either separately or in admixture with the feedstocks of other participants in accordance with best refinery practice (so long as the latter involves no restrictions on the capacity rights of such other participants) such feedstock as that participant or its affiliates may elect to furnish, and to obtain therefrom such yield of products as is required by that participant or its affiliates.

(2) In order to establish each participant's minimum capacity entitlement, in terms of the total quantity of feedstock which that participant is entitled to have processed in any period, the processing percentage of the participant shall be applied to the maximum number of barrels of feedstock of the same type as the feedstock furnished by that participant or

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its affiliates which can safely and reasonably be processed in the refinery during that period to produce the yield pattern of products required by that participant or its affiliates. If the feedstock tendered by a participant is such that it has to be run in admixture with other feedstocks, the minimum capacity entitlement of that participant shall be calculated on the basis of the refinery capacity utilised by the tendered feedstock as if it were a feedstock capable of being independently processed except that, if in any period a participant tenders two or more feedstocks which the refinery is able to run wholly or partly in admixture in accordance with good refinery practice, that participant's minimum capacity entitlement shall be increased in accordance with any resultant increase in refinery capacity.

To the extent that refinery capacity can be increased by running the feedstocks of two or more participants in admixture in accordance with good refinery practice, the capacity entitlement of all participants shall be increased pro rata to their processing percentages.

(3) Each participant shall have the obligation to offtake at a reasonable rate the products resulting from the processing of feedstock supplied by it or by its affiliates and in accordance with such arrangements as may be made for the coastwise distribution of products from the refinery.

8.02 (1) If in any period the capacity entitlement of any participant is not required in full for the processing of feedstock into products to meet that participant's market, the excess capacity entitlement not so required shall be made available to the other participants if, and to the extent that, they require additional capacity entitlement for the processing of feedstock into products to meet their markets. If the excess capacity entitlement is not sufficient to meet the needs of all the participants who require it for that purpose, then each of those participants shall be entitled to a share of the excess equal to its processing percentage of the excess or equal to its actual requirement whichever is the lesser.

Any balance of excess capacity entitlement then remaining shall be similarly shared among those participants who still require it and this method of allocation shall be repeated until all excess capacity entitlement has been allocated among those participants requiring it for the processing of feedstock into products to meet their markets. In the case where two or more participants have excess capacity entitlement, part but not all of which is required by the other participants for the processing of feedstock into products to meet their markets, the part of such excess capacity entitlement which is so required by other participants shall be made available to them by the participants who do not require it in the ratio of the latters' respective processing percentages.

(2) For the purposes of this Clause, in determining the capacity entitlement required by a participant for the processing of feedstock into products to meet its market, that participant shall be entitled to have account taken of the total quantity of any feedstock which it proposes to furnish for processing if any part of the yield from each unit of such quantity of feedstock is to be supplied to meet its market.

(3) In order to minimise use of the individual refinery units at less than 100% of their respective capacities, any participant may during any operating period use any part of the refinery to the extent that such part would not be required by the participants in the exercise of their full capacity entitlements and so long as such use does not involve greater quantities of feedstock being tendered by that participant. In case more than one participant requires the use of any such part, the availability in question will be apportioned among such participants in proportion to their processing percentages.

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Changes in usage of individual parts of the refinery as aforesaid shall not be deemed to be within the meaning of excess capacity entitlement as specified in Clause 8.02(1).

8.03 If the markets of the participants have been met to the fullest extent possible having regard to the rights of the participants under this Agreement and the limitations imposed by the capabilities of the refinery and the composition of the feedstocks furnished for processing, then any participant who has excess capacity entitlement shall have the right to use it for export processing. Any participant who does not require the use of excess capacity entitlement for export processing shall make it available to other participants who do require it for that purpose and in allocating excess capacity entitlement among such participants the same principles as are set out in Clause 8.02(1) shall be applied. "Export processing" means the processing of feedstock in the refinery only where the total yield from such feedstock is exported from New Zealand.

8.04 No participant shall, in seeking to exercise its rights under the foregoing provisions of this Article VIII, be entitled to require any restriction of the rights which any other participant has under the said provisions or to require the operation of the refinery in a manner which will result in undue deterioration of the refinery. Each participant shall in this context have due regard to the concept that without carrying any specific obligation, it is the expectation of all the participants that ordinarily the participants' markets for the products referred to in Clause 3.01 will be met from products manufactured in the refinery within the limits of its capabilities. If the refinery is unable to meet the requirements of all the participants in accordance with the foregoing, there shall then be developed such refinery programme, on lines which are considered practicable, as will most nearly meet such requirements and be within the framework of the other provisions of this Article VIII.

8.05 The refinery shall be operated efficiently and in accordance with good refinery practice.

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8.06 Each participant shall be free to arrange on an ad hoc basis exchanges, purchases or sales of products as it may wish as a result of any imbalances that might occur between the product yield of feedstocks processed in the refinery for it and its market in any period. Any participant which has available a quantity of any product surplus to its own market shall, before exporting such surplus quantity, offer it to the other participants who shall be entitled to acquire such surplus quantity (or any part thereof) to the extent that it can be utilised to meet the markets of such other participants. The terms upon which products may be exchanged, purchased and sold under the provisions of this Clause 8.06 shall be for development from time to time in the light of relevant circumstances but shall always be fair and equitable:

Provided that the foregoing provisions of this Clause 8.06 shall not apply to products derived from export processing under Clause 8.03.

ARTICLE IX

Remuneration of the Refinery Company

9.01 In respect of each accounting period of the refinery company each participant shall pay a fee to the refinery company for the processing of feedstock into products for that participant or its affiliates. The amount of the fee payable by each participant shall be equal to the sum arrived at in accordance with the formula Cf plus Cv plus or minus PLe. For the purposes of this formula -

(1) Cf is the sum arrived at by applying to the total fixed costs of the refinery for the accounting period in question the processing percentage of the participant in question, subject to such adjustment as may be necessary under the provisions of Clauses 9.09 and 9.10.

(2) Cv is the aggregate of the variable costs of the refinery for the accounting period in question properly attributable to the processing of each feedstock furnished, and the total yield of products obtained,

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by the participant in question or its affiliates, due regard being had, in assessing such costs, to the quality of the feedstock in question and the nature and extent of the processing necessary to produce therefrom the total yield of products obtained.

(3) PLe is the amount of the profit element to be added to, or the amount of the loss element to be deducted from, the sum of Cf and Cv, as the case shall require, and shall be determined for each participant in accordance with the provisions of Clauses 9.02 to 9.08 inclusive of this Article IX.

For the purposes of this Agreement -

(a) an accounting period of the refinery company shall be such period as the participants shall agree or, failing agreement, shall be the refinery company's financial year;

(b) the expression "fixed costs" means, in relation to the refinery, those costs of the refinery company normally considered to be fixed costs in accordance with generally accepted accounting principles, including, without limitation, depreciation and loan interest and all other costs in connection with the operation and maintenance of the refinery which do not fluctuate significantly with throughput, but excluding taxes on income, manufacture or throughput; and

(c) the expression "variable costs" means, in relation to the refinery, all costs of the refinery company in connection with the operation and maintenance of the refinery other than fixed costs and other than taxes on income, manufacture or throughput.

9.02 In order to determine the amount of PLe for the purposes of paragraph (3) of Clause 9.01, there shall first be determined the "gross refiner's margin" which shall be equal to the sum arrived at in accordance with the formula Vp plus Vr plus Dp minus Vf. For the purposes of this formula -

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(1) Vp is the duty-free landed value of the total quantity of products manufactured in the refinery for the markets of the participants and their affiliates during the accounting period in question. Such value shall be determined on the basis of posted prices prevailing from time to time during the accounting period in question at the relevant regular world supply source which is competitive in relation to New Zealand for each product with the addition of ocean freight from such world supply source to main ocean installations in New Zealand (2½ ports of discharge for white oil and 2 ports of discharge for black oil) assessed at rates on the same level as those at which the bulk of tanker vessels are then operating (which level at the date hereof is accepted as being rates based on the Average Freight Rate Assessment) and with the addition of marine insurance at London market rates, a reasonable allowance for ocean loss and appropriate landing charges.

(2) Vr is the value of a quantity of "residue" ("residue" for the purpose of this Agreement being deemed to be residual fuel oil, whether normally considered merchantable or not, having either (a) a Redwood I viscosity of not less than 950 seconds at 100°F., or (b) not more than 5% distilling at 350°C. by method SIL 10.06B, or (c) such other definition as may be unanimously agreed from time to time) equal to -

(a) the quantity remaining after deducting the quantity of fuel oil manufactured in the refinery for the combined markets of the participants during the accounting period in question from the total obtained by multiplying the aggregate of the quantities of gas oil and diesel oil manufactured in the refinery for the combined markets of the participants during that period by 1.5; or

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(b) the quantity of residue manufactured in the refinery during that period and exported from New Zealand;

whichever is the lesser. Such lesser quantity is hereinafter called "the export residue" and the value thereof shall be determined on the basis of the published posted price at Singapore of a fuel oil with a viscosity comparable to the viscosity of the export residue or a viscosity of 950 seconds (Redwood I at 100^{o}F.) whichever viscosity is the higher, reduced by the aggregate of the ocean freight from New Zealand to Singapore assessed on the same basis as is provided in paragraph (1) of this Clause 9.02, marine insurance at London market rates, export taxes and wharfage charges which would be payable if the residue were exported from New Zealand to Singapore:

Provided that if the value determined as aforesaid is greater than the value of the said quantity determined on the basis of the Persian Gulf posted price for an equivalent grade of fuel oil with the addition of ocean freight from Persian Gulf to Singapore assessed on the same basis as aforesaid, marine insurance at London market rates, a reasonable allowance for ocean loss and landing charges (calculated as if shipment had actually been made from Persian Gulf), then the lower value so determined shall be used for the purposes of this paragraph (2). If there is no such posted price as is required for the purposes of this paragraph (2), then the procedure set out in Clause 9.08 shall be applied.

(3) Dp is the amount of duty protection (if any) represented by the amount by which the total import duty which would have been payable if the quantity of the products referred to in paragraph (1) of this Clause 9.02 had been imported during the accounting period in question exceeds the total excise taxes paid or payable in respect of such quantity of such products.

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(4) Vf is the total value of a quantity of feedstock determined as follows:-

(a) there shall first be determined the total quantity of "market feedstock" processed into products in the refinery for all the participants and their affiliates during the accounting period in question and, for all the purposes of this Agreement, feedstock processed in the refinery for a participant and any of its affiliates shall be treated as that participant's market feedstock if any part of the yield of products derived from each unit of the quantity processed is supplied to meet the market of that participant;

(b) there shall then be determined the quantity of products which has been derived from the processing of the market feedstocks of all participants during the accounting period in question and which has been exported from New Zealand;

(c) if the quantity determined under sub-paragraph (b) of this Clause 9.02(4) exceeds the quantity of the export residue for the accounting period in question, the quantity representing the amount of the difference shall be increased by 3 per cent and the resulting quantity expressed in the same unit of measurement as the quantity of market feedstock determined under sub-paragraph (a) of this Clause 9.02(4), shall be deducted from such quantity of market feedstock;

(d) the resulting quantity shall then be valued on the basis of published posted prices prevailing from time to time at the appropriate world supply source for the feedstock in question with the addition of ocean freight from the appropriate supply source to the refinery assessed on the same basis as is provided in paragraph (1) of this Clause 9.02, marine insurance at London market rates, a reasonable allowance for ocean loss, landing charges and import duties (if any) payable in respect of such feedstock;

(e) the amount so arrived at shall be the amount of Vf for the purposes of the formula set out in this Clause 9.02.

9.03 There shall next be determined the "net refiner's margin" which shall be the difference between the gross refiner's margin for the accounting period in question as determined in accordance with the provisions of Clause 9.02 and the sum of the following:-

(a) the total fixed costs of the refinery for the accounting period in question;

(b) the variable costs of the refinery which are properly attributable to the processing during that period of the aggregate of the quantities of market feedstocks processed for all participants and their affiliates; and

(c) an appropriate amount to take account of the incidence of coastwise distribution of products manufactured in the refinery during that period for the markets of the participants.

9.04 The net refiner's margin ascertained for the accounting period in question in accordance with the provisions of Clause 9.03 shall then be adjusted and the adjusted amount shall be referred to as "the adjusted net refiner's margin". Such adjustment shall be made in the following manner:-

(a) there shall first be determined the amount by which -

(i) the value of the export residue determined for the accounting period in question in accordance with paragraph (2) of Clause 9.02;

is less than

(ii) the amount which would have been obtained if such export residue had been valued as if it were the cheapest grade of fuel oil manufactured

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in the refinery for the market in New Zealand determined in accordance with paragraph (1) of Clause 9.02, with the addition of duty protection ascertained on a similar basis to that set out in paragraph (3) of Clause 9.02;

(b) if the net refiner's margin determined under Clause 9.03 represents a profit to the refinery company the amount thereof shall be added to the amount determined under sub-paragraph (a) of this Clause 9.04. If the net refiner's margin represents a loss to the refinery company the amount determined under sub-paragraph (a) of this Clause 9.04 shall be set off against it so as to reduce the amount of the loss or convert it to a profit as the case may be;

(c) the resultant amount shall be the adjusted net refiner's margin.

9.05 The adjusted net refiner's margin for the accounting period in question arrived at in accordance with the provisions of Clause 9.04, shall then be apportioned among the participants in the following manner -

(a) there shall first be determined for each participant an "apportioned quantity of residue" which for each participant shall be such quantity as bears the same proportion to the export residue for that period as the quantity of export residue exported by the participant in question and its affiliates during that period bears to the aggregate of the quantities of export residue exported by all participants and their affiliates during that period;

(b) there shall then be determined for each participant the quantity of products which has been derived from the processing of that participant's market feedstock during that period and which has been exported from New Zealand;

(c) if in the case of any participant the quantity ascertained in accordance with sub-paragraph (b) of this Clause 9.05 for the accounting period in question is greater than that participant's apportioned quantity of residue for that period, the amount of the difference shall be increased by 3 per cent and the resulting quantity shall be hereinafter called the "marginal export quantity";

(d) the aggregate of the quantities of market feedstock processed for each participant and its affiliates during the accounting period in question shall be reduced by the quantity (expressed in the same unit of measurement) representing that participant's marginal export quantity for that period and the resulting quantity shall be hereinafter called the "net quantity of market feedstock";

(e) there shall then be apportioned to each participant a share of the adjusted net refiner's margin for the accounting period in question which shall bear the same proportion to the adjusted net refiner's margin as that participant's net quantity of market feedstock for that period bears to the aggregate of all the participants' net quantities of market feedstock for that period.

9.06 Each participant's share of the adjusted net refiner's margin for the accounting period in question shall then be adjusted in the following manner:-

(a) there shall first be determined for each participant the amount by which the value of that participant's apportioned quantity of residue for the accounting period in question as determined on the basis set out in Clause 9.04(a)(ii) exceeds the value of such quantity as determined on the basis set out in paragraph (2) of Clause 9.02;

E 911 (b) the amount so determined for each participant shall, if the adjusted net refiner's margin for the accounting period in question represents a profit to the refinery company, be deducted from each participant's share thereof so as to reduce the profit element or convert it to a loss element as the case may be or, if the adjusted net refiner's margin represents a loss, be added to that participant's share thereof;

(c) there shall then be determined the amount obtained by applying a rate of 2/6d. per ton to the quantity by which -

(i) the aggregate of all the quantities of feedstock processed for the participant in question and its affiliates during the accounting period in question exceeds

(ii) that participant's net quantity of market feedstock for that period,

and such amount for each participant shall be added to the amount derived in sub-paragraph (b) of this Clause 9.06 if the latter amount represents a profit element or if a loss element, set off against that amount to reduce the loss element or convert it to a profit element as the case may be;

(d) the resulting amount for each participant shall be the amount of the profit element to be added to, or the amount of the loss element to be deducted from, the sum of Cf and Cv for the purposes of the formula set out in Clause 9.01.

9.07 The rate of 2/6d. per ton referred to in Clause 9.06(c) shall be reviewed from time to time and adjusted if need be in the light of all the relevant circumstances at the time.

9.08 If at any time there is no published posted price at the relevant supply source for any feedstock processed or product manufactured in the refinery, then for the purposes of this Article IX, the value of such feedstock or product, shall be assessed by reference to [illegible] posted price of the nearest comparable type of feedstock or the nearest comparable type and grade of product, as the case may require, plus or minus such differential as may be reasonable having regard to the location of the supply source, the differences in their properties and all other relevant factors.

9.09 If any participant is allotted excess capacity entitlement pursuant to Article VIII, that participant's share of the fixed costs payable under Clause 9.01(1) shall be increased by the proportion of the fixed costs of the refinery which is referable to the excess capacity entitlement allotted to the participant in question and the share of the fixed costs payable under Clause 9.01(1) by the participant giving up such excess capacity entitlement shall be correspondingly decreased.

9.10 If and when any change in processing percentages takes place, the fixed costs for the accounting period in which the change occurs shall be so prorated over the period that no participant shall bear more than its fair share in relation to its average processing percentage for the whole period.

ARTICLE X

Additions to the Refinery

10.01 If any participant desires an addition to the refinery (hereinafter called "the addition") all the participants shall consider the means by which the addition shall be carried out, having regard for all the shareholders. If all participants do not agree thereon then the following provisions of this Article X shall apply.

10.02 The participant or participants desiring the addition shall have the right to require the addition and shall have the obligation to make available the necessary finance and, if practicable, the ownership of the addition shall remain with the participant or participants who finance it.

10.03 If it is impracticable for the ownership of the addition to remain with the participant or participants requiring it, then that participant or those participants shall make available the necessary finance by means of a loan to the refinery company and in that case the

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ownership of the addition shall remain with the refinery company. Unless otherwise agreed, the rate of interest payable on any such loan shall be determined in the manner provided by Clause 5.08. The loan shall be repaid and interest shall be paid out of depreciation and interest received by the refinery company under Clause 10.05(a). In the event of the sale of the addition, the lender or lenders shall accept in full settlement of any claim for unpaid interest or for repayment of principal:-

(a) any balance of depreciation and interest received by the refinery company under Clause 10.05(a) which has not been used to repay the loan or pay interest on the loan; and

(b) the net proceeds of sale.

10.04 The refinery company shall be responsible for the construction of, and shall operate, the addition.

10.05 In respect of the addition, the refinery company shall receive from the participant or participants who have required it, remuneration comprised of:-

(a) the fixed costs of the addition;

(b) the variable costs attributable to the use of the addition; and

(c) a reasonable service fee.

If pursuant to Clause 10.02, the ownership of the addition remains with the participant or participants requiring it, then in the assessment of the fixed costs referred to in Clause 10.05(a), there shall be no provision for payment of interest on the capital investment involved in the addition or for depreciation.

For the purposes of this Agreement:-

(i) the expression "fixed costs" means, in relation to the addition, those costs of the refinery company normally considered to be fixed costs in accordance with generally accepted accounting principles, including, without limitation, depreciation and loan interest and all other costs in connection with the operation and maintenance of the addition which do not fluctuate significantly with throughput, but excluding taxes on income, manufacture or throughput, and

(ii) the expression "variable costs" means, in relation to the addition, all costs of the refinery company in connection with the operation and maintenance of the addition other than fixed costs and other than taxes on income, manufacture or throughput.

10.06 Subject to the provisions of Clause 10.07, the participant or participants who have required and financed the addition shall have the benefits of the sole right to use the addition.

10.07 If the refinery together with the addition is able to process a greater quantity of any feedstock than the refinery would have been able to process without the addition, then -

(a) the provisions of Clause 7.04 shall cease to have effect after the addition is first put into commercial operation;

(b) to the extent that the addition permits the processing of a greater quantity of any feedstock, the right to the use of the addition to that extent shall be made available to any participant who requires it, on the same basis as applies with respect to the refinery under Clauses 8.02 and 8.03;

(c) if pursuant to sub-paragraph (b) of this Clause 10.07 a participant obtains the right to use the addition, such participant shall be liable for payment to the refinery company of such share of the fixed costs of, and the variable costs of operating, the addition and such share of the service fee as is appropriate, in the case of the fixed costs, to the extent of the right so obtained and, in the case of the variable costs and the service fee, to the actual use made of the addition;

(d) in the event that the addition is owned by one or more of the participants, then any participant who uses the addition but does not share in the ownership of it shall, in addition to the payment to be made to the refinery company under sub-paragraph (c) of this Clause 10.07, pay to the participant or participants who own it an amount equal to the sum of -

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(i) such share of the depreciation on the addition as is appropriate to the extent to which the participant in question is given the right to use it; and

(ii) a share, appropriate to the extent to which the participant in question is given the right to use the addition, of interest on the book value of the capital investment involved in the addition calculated, in the case of any sterling element in the investment, at the current market rate in London, England and, in the case of any New Zealand currency element in the investment, at the current market rate in Wellington, New Zealand for long term loans to first class businesses on the day the right to use the addition is first made available to the participant in question;

(e) in the event that a participant uses the addition and thereby leaves idle capacity in the refinery which would have been available to that participant under the provisions of Clauses 8.01 and 8.02 and if the result of leaving such capacity idle is financially adverse to the refinery company or to any other participant, then the participants will review the position and make such adjustment as is fair and equitable under the circumstances.

ARTICLE XI

Processing Agreements

11.01 Promptly after the execution of this Agreement, the participants shall cause to be prepared and executed separate processing agreements between each of the participants and the refinery company. The terms and

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conditions of such agreements (and of any subsequent agreements taking their place) shall be alike in all material respects and shall give effect to the relevant provisions of this Agreement including, without limitation, the provisions of Articles VI, VII, VIII, IX and X.

11.02 In particular, each processing agreement shall provide that the participant who is a party to it or the affiliates of that participant shall tender for processing each year a reasonable minimum quantity of feedstock. Such quantity shall be the quantity estimated to be required by the participant in question to be processed in 1964, with a tolerance of minus 10 per cent:

Provided that no participant shall be obliged to have a greater quantity of feedstock processed than is sufficient to produce the products required by the participant in question to meet its market.

11.03 Each processing agreement shall also provide that the commencement date of the agreement shall be the date on which the refinery comes on stream and that the agreement will continue in force thereafter indefinitely subject to the right of either party to the agreement to terminate it at any time after the expiry of 10 years from the commencement date by giving not less than 3 years' prior notice in writing to the other party provided, however, that the refinery company shall not terminate the agreement with any one participant unless the refinery company at the same time terminates the agreements with all participants.

11.04 Neither the provisions of any processing agreement, nor those of any subsequent agreement taking the place of a processing agreement, giving effect to the provisions of Articles VI, VII, VIII, IX and X or of Clause 11.03 of this Agreement shall be amended without the consent of all the participants. Any other provision may be amended by agreement between the participant in question and the refinery company if not less than 7 Directors of the refinery company have approved the amendment in which case a similar amendment shall be offered by the refinery company to all other participants.

ARTICLE XII

Construction and Operating Service Agreements

12.01 The refinery company will enter into construction and operating service agreements with an affiliate of Shell on terms acceptable to all participants whereby the affiliate of Shell will supervise the design and construction of the refinery and arrange for the provision of such staff, advice and assistance as may be required by the refinery company for the efficient operation of the refinery.

12.02 Shell undertakes that Shell's affiliate, in carrying out its duties under the service agreements, will use its best endeavours to avoid giving any impression that the refinery is being constructed or operated otherwise than by or on behalf of the refinery company.

ARTICLE XIII

Directors

13.01 The number of the Directors of the refinery company shall be not more than 11 nor less than 8, the majority of whom shall be of New Zealand nationality.

13.02 The participants undertake to secure that of the Directors on the Board of Directors at any time, two shall be persons nominated by BP, one nominated by Caltex, one nominated by Europa, two nominated by Shell and two nominated by Mobilpet.

13.03 The participants undertake that, as soon as is reasonably practicable after the time when debentures of the refinery company are issued or at such earlier time as the participants shall agree, they will use their best endeavours to secure that there shall be on the Board of Directors three Directors of New Zealand nationality and residence who are independent of any oil company and who in the judgment of all the participants are persons who are qualified to serve the best interests of the refinery company.

13.04 The Chairman of the Board of Directors of the refinery company shall be nominated by the participants in rotation but, unless the participants shall otherwise agree, no Director shall serve as Chairman of the Board for more than 12 consecutive months.

ARTICLE XIV

Management and Staff

14.01 There shall be no Managing Director of the refinery company unless all participants so agree. If all participants agree that there shall be a Managing Director the appointment shall be made in accordance with the provisions of Clause 17.02(d).

14.02 The General Manager of the refinery company shall be the chief executive of the refinery company and shall, so long as the refinery company has an operating service agreement with Shell, be appointed from nominations made by Shell.

Such appointment shall be made in accordance with the provisions of Clause 17.02(d).

14.03 The staff of the refinery company shall be exclusively responsible to the refinery company and the participants shall not seek to exercise or claim direct control over such staff.

ARTICLE XV

Transfer or Sale of Shares

15.01 Any or all of the shares in the refinery company to which a participant is entitled hereunder may be held by any of its affiliates. References in this Agreement to the shares or shareholding of a participant shall be construed as if they included a reference to the shares or shareholding of affiliates of that participant and each participant shall secure that such of its affiliates as hold shares in the refinery company shall be bound by the provisions of this Agreement as fully and effectually as the participant in question would have been if it held in its own name all the shares in the refinery company to which it is entitled hereunder. Each participant shall ensure that, save as is otherwise expressly provided herein, no shares to which that participant is entitled hereunder shall be held otherwise than by that participant or by affiliates of that participant.

15.02 In the event that a participant wishes to transfer any or all of its shares in the refinery company otherwise than pursuant to Clauses 5.07 or 15.01, such shares shall first be offered to the other participants in the ratio of their respective shareholding percentages at the time of the offer. If any participant does not wish to take up all the shares so offered to it, the shares which that participant does not wish to take up shall then be similarly offered to the remaining participants in the ratio of their respective shareholding percentages and at the same price and upon such other terms as were stipulated in the original offer, and, if need be, further offers shall be made on the same basis until all the shares to be disposed of shall have been taken up by the other participants or until it is ascertained that there is a share or shares which none of the participants wishes to take up. Any offer of shares made under the provisions of this Clause 15.02 shall be deemed to have been rejected if it is not accepted within 30 days from the date on which the offer was made.

15.03 Any shares offered by a participant which are not taken up under Clause 15.02, may be sold to purchasers other than participants or their affiliates subject to the provisions of Clause 15.04:

Provided that no such sale shall be made on terms more favourable to the purchaser or at a price lower than the price at which the shares were offered to the other participants without first reoffering them to the other participants on the same basis:

And Provided further that no such sale shall be made more than six (6) months after the last offer to the other participants without first re-offering the shares to the other participants.

15.04 In the case of a transfer of shares made pursuant to Clause 15.03, the following conditions shall apply:-

(a) the participant whose shares are to be transferred shall procure that the transferee shall become a party to and be bound by all the provisions of this and all other applicable agreements and, where a transfer of only part of a shareholding

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is involved, all those rights and obligations of the participant in question which vary in proportion according to the number of shares held by that participant in relation to the aggregate of the shares held by all participants shall be appropriately pro-rated as between the participant in question and the transferee; and

(b) the participant whose shares are to be transferred shall, if so required by the other participants, indemnify the refinery company and the other participants against all losses, damages, costs and expenses which they may suffer or incur and which are attributable to any failure of the transferee, occurring within a period of five years after transfer of the shares, to perform and observe the obligations and conditions of the agreements referred to in Clause 15.04(a).

ARTICLE XVI

Review of Shareholdings

The participants shall from time to time review their position in the refinery company to see whether any substantial difference has developed between any participant's shareholding percentage and the percentage of the total refinery capacity which is then being used by the participant in question on a sustained basis. If any such difference has developed, the participants shall consider whether any adjustment in their financial position in the refinery company would be appropriate and equitable.

ARTICLE XVII

Special Corporate Arrangements

17.01 The following matters shall always require the authority of a special resolution of the refinery company:-

(a) alteration to the Memorandum of Association or the Articles of Association or the name of the refinery company;

(b) reduction of the share capital of the refinery company;

(c) any transaction or proposal involving the sale of the undertaking of the refinery company or the liquidation of the refinery company or its merger, consolidation or amalgamation with or into any other company.

17.02 A resolution of the Directors of the refinery company in respect of any of the following matters shall not be duly passed unless at least seven Directors shall have voted in favour. For this purpose the matters in question are:-

(a) a mortgage, sale, encumbrance or other disposal of one or more capital assets of the refinery company having an aggregate original book value in excess of £200,000;

(b) any declaration or recommendation of a dividend or other distribution of the profits of the refinery company or the capitalisation of reserves of the refinery company;

(c) the contracting of loans by the refinery company which are repayable more than one year from the date on which the loan is made;

(d) the appointment of a Managing Director or General Manager of the refinery company.

ARTICLE XVIII

Performance by Affiliates

Any obligation of a participant hereunder may be performed in whole or in part by any affiliate of such participant and likewise any right available to a participant hereunder may be exercised in whole or in part by any affiliate of such participant:

Provided that the participant concerned shall always remain liable hereunder for due and proper performance of all provisions of this Agreement.

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ARTICLE XIX

Exceptions

No party to this Agreement shall be responsible for any failure to fulfil any term of this Agreement to the extent that fulfilment has been delayed, hindered, interfered with or prevented by any circumstances whatsoever which are not within the control of such party or any affiliate of such party.

ARTICLE XX

Arbitration

In the event of any dispute or difference between the parties hereto, or any of them, touching or concerning this Agreement or any matter arising thereout, the party or parties concerned may, by notice to the other party or parties concerned, require such dispute or difference to be referred to the arbitration of a single arbitrator to be agreed upon by the parties to the dispute or difference. Any such reference shall be a submission to arbitration in accordance with the Arbitration Act, 1950, or any statutory variation, modification or re-enactment thereof for the time being in force.

ARTICLE XXI

Notices

Every notice to be given to any party hereto shall be given in writing to such party at its address set out below. Any party may, by giving notice to the other parties, from time to time substitute an address elsewhere as its address for the time being. Every notice to be sent to an address in the country of posting shall be given by registered first-class mail and shall be deemed to have been given at the time when it would in the ordinary course of first-class mail be delivered to the addressee. Every notice to be sent to an address outside the country of posting shall be given by registered first-class air mail and shall be deemed to have been given at the time when it would in the ordinary course of first-class air mail be delivered to the addressee.

BP, Britannic House, Finsbury Circus, London, E.C.2.

Caltex, 380 Madison Avenue, New York 17, New York.

Europa, Box 591, Wellington, New Zealand.

Shell, St. Helen's Court, Great St. Helen's, London, E.C.3.

Mobilpet, 1000 Westchester Avenue, White Plains, New York.

ARTICLE XXII

Applicable Law

This Agreement shall be construed and take effect in accordance with the law of England.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed the day and year first above-mentioned.

THE SCHEDULE

"affiliate" means -

(1) in relation to BP, any company which is for the time being directly or indirectly controlled by BP;

(2) in relation to Caltex,

(a) Standard Oil Company of California;

(b) Texaco Inc.; and

(c) any company (other than Caltex) which is for the time being directly or indirectly controlled by Standard Oil Company of California and Texaco Inc. or by either of them;

(3) in relation to Europa,

(a) Todd Participants Limited;

(b) Todd Investments Limited; and

(c) any company (other than Europa) which is for the time being directly or indirectly controlled by Todd Participants Limited and Todd Investments Limited or by either of them;

(4) in relation to Shell,

(a) N.V. Koninklijke Nederlandsche Petroleum Maatschappij;

(b) The "Shell" Transport and Trading Company, Limited; and

(c) any company (other than Shell) which is for the time being directly or indirectly controlled by N.V. Koninklijke Nederlandsche Petroleum Maatschappij and The "Shell" Transport and Trading Company, Limited or by either of them; and

(5) in relation to Mobilpet, any company which for the time being directly or indirectly controls or is controlled by Mobilpet.

For the purposes of the foregoing a company is directly controlled by another company or companies holding shares carrying the majority of votes at a general meeting of the first-mentioned company; and a particular company is indirectly controlled by a company or companies (hereinafter in this paragraph called the "parent company or companies") if a series of companies can be specified, beginning with the parent

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company or companies and ending with the particular company, so related that each company of the series, except the parent company or companies, is directly controlled by one or more of the companies earlier in the series.

The COMMON SEAL of THE BRITISH PETROLEUM COMPANY LIMITED was hereunto affixed in the presence of:-

(Sgd.) M.A.L. BANKS Director

L.S.

(Sgd.) T. MacDONALD Secretary

CALIFORNIA TEXAS OIL CORPORATION

By: (Sgd.) G.R. FERGUSON

Vice-President

L.S.

Attest: (Sgd.) F.K. SHANNING

Assistant Secretary

The COMMON SEAL of EUROPA OIL (NEW ZEALAND) LIMITED was hereunto affixed in the presence of:-)

(Sgd.) BRYAN TODD Director

(Sgd.) G.A. LAU Director

L.S.

(Sgd.) N.K. SMITH Secretary

The COMMON SEAL of THE SHELL PETROLEUM COMPANY LIMITED was hereunto affixed in the presence of:-)

L.S.

(Sgd.) D.H. BARRAN Director

(Sgd.) A.C. MIDDLETON Secretary

MOBIL PETROLEUM COMPANY INC.

L.S.

By: (Sgd.) C.B. MARSHALL

President

Attest: (Sgd.) ELINOR L. MARTIN

Assistant Secretary

THE [illegible] LIMITED

St. Helen's Court, Great St. Helen's, London, E.C.3.

E140

The British Petroleum Company Limited,
Britannic House,
Finsbury Circus,
London, E.C.2.

California Texas Oil Corporation,
380 Madison Avenue,
New York 17,
New York.

Europa Oil (New Zealand) Limited,
Box 591,
Wellington,
New Zealand.

Mobil Petroleum Company Inc.,
1000 Westchester Avenue,
White Plains,
New York.

Dear Sirs,

New Zealand Refinery

This will record the further agreement of the participants with respect to the following matters supplementary to certain of the provisions of the Participants Agreement which we have entered into with you in connection with the above-mentioned refinery:-

Convertible Debentures

This has reference to Article V of the above-mentioned Agreement and in particular to those provisions dealing with an issue of partially convertible debentures.

Since the said Agreement was drafted, legislation has been passed in New Zealand which may result in an issue of partially convertible debentures being comparatively unattractive to the refinery company. The participants' representative in New Zealand has sought clarification of this matter from the New Zealand Government and has advised them that, if such will be the result, the refinery company reserves the right to raise capital in New Zealand in an alternative manner. The participants, therefore, agree to reconsider the position, before taking a final decision, with a view to making such alterations to the said provisions of Article V as may be appropriate in the circumstances. It is further agreed that in accordance with the undertaking with the Government, no alteration will be made which would either deprive the New Zealand public of the opportunity to share in the equity capital of the refinery company or alter the proportion of the equity capital of the refinery company to be held by the New Zealand public as contemplated in Article V.

E4.1

Coastwise Distribution of Products

In connection with the obligation of each participant to offtake products pursuant to Clause 8.01(3) of the above-mentioned Agreement, it is participants' desire to record that, without prejudice to that obligation, it is their intention to make arrangements satisfactory to all participants for coastwise distribution of products from the refinery.

If you agree with the foregoing, will you each please sign the form of agreement appropriate to your company at the foot of this letter and of the four duplicates. When all five letters have been signed by all the participants, we will retain one ourselves and deliver a fully signed duplicate to each of you whereupon this letter and the four duplicates so signed shall each constitute evidence of this further agreement between the participants in no way dependent on the execution of any other document.

Yours faithfully,

For: THE SHELL PETROLEUM COMPANY LIMITED

(Sgd.) D.H. BARRAN

Director

Agreed:
THE BRITISH PETROLEUM COMPANY LIMITED

By (Sgd.) M.A.L. BANKS

Director

Agreed:
CALIFORNIA TEXAS OIL CORPORATION

By (Sgd.) G.R. FERGUSON

Vice-President

Agreed:
EUROPA OIL (NEW ZEALAND) LIMITED

By (Sgd.) BRYAN TODD

Director

Agreed:
MOBIL PETROLEUM COMPANY INC.

By (Sgd.) C.B. MARSHALL

President

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OFFICE OF THE MINISTER OF INDUSTRIES AND COMMERCE

Mr D. H. Tudhope, 4 September 1969
Managing Director,
The New Zealand Refining Company Limited,
P.O. Box 44,
WHANGAREI

Dear Mr Tudhope,

I have your letter of 20 August 1969 regarding the Refining Company's petroleum refining fee and confirm advice given you by officials that I have now fixed the fee for the Company's financial year ended 30 June 1969 at 44¢ per barrel of crudes and feedstocks processed.

This decision might require to be perfected by a specific authorisation from the Price Tribunal which is legally responsible for the prices of some of the petroleum products subject to price control and not fixed by myself under the Motor Spirits (Regulation of Prices) Act. This aspect is, however, a machinery one only and presents no difficulty.

As you have already been informed I am not favourably disposed to fixing the fee at 44¢ for more than the 1968/69 year. Nevertheless, I sympathise with your company's concern to be assured of a reasonably stable as well as fair level of remuneration. It is in fact my intention when reviewing the fee to have regard as far as possible to the need for stability as well as to the performance of the refinery. It might be possible, and I hope it will, when matters affecting the refinery's development are more clear than they are at present, to fix the fee for two or even three years ahead. Whether it will be at 44¢ or at some other figure will, I think you will agree, require to be the subject of further negotiation at the time.

I understand that some at least of the oil companies would like to make the point, which I am pleased to do, that the fixing of the refinery fee currently at the level of 44¢ per barrel is not to be taken as necessarily retroactively determining the basis of every

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refund to or over-recovery from any particular user company. As with other matters of domestic concern to the user companies and the refining company, I would hope that this matter could be left to them to take care of.

I note your reservations about disallowances by officials when calculating shareholders' funds employed in the refining business and I am told that these have to some extent already been discussed with officials. Regardless of any area of disagreement which might remain, I must say that whatever is finally determined here would not be of sufficient magnitude to cause me to alter my decision to fix the fee for the 1968/69 year at 44¢ per barrel.

I trust that the level of the refining fee for the 1968/69 year can now be regarded as settled.

Yours sincerely,

J. R. Marshall
Minister of Industries and Commerce

"G"

BP TRADING LIMITED

4th September 1969

Shell International Petroleum Company Ltd,
Shell Centre,
LONDON,
S.E.1

Dear Sirs,

NEW ZEALAND REFINERY PROCESSING AGREEMENTS AND FEES

The New Zealand Government have now decreed that the processing fee payable shall be on the basis of 44 cents per barrel (for the financial year 1968/1969) and that future fees will also be limited. In these circumstances it is evident that the gross refiners margin concept is no longer a valid formula for determining the level of refinery processing fees. It is therefore an urgent necessity to set up a new fee structure which will be applicable not only to the present refinery but to an expanded one, irrespective of the type of expansion to be adopted. We consider that these matters should be urgently reviewed by a Working Committee of all Participants and we set out the following proposals for consideration.

1. The concept of a fee per barrel processed will be adhered to only to obtain the total amount of money payable to the Refinery Company and will exclude any payments on account of coastal contribution. This fee will therefore cover fixed and variable costs and the profit element. The profit element will be arrived at by deducting the fixed and variable costs from the total amount payable.

2. As regards the division of the total income receivable by the Refinery Company into the separate processing fees for each Manufacturing Company, we make the following proposal:

   (a) The fixed and variable costs will be arrived at for each company in accordance with the present system of costing modified, if necessary, by such alternative suggestions as the Working Committee may agree.

   (b) The profit element will be divided amongst the Participants in the manner described in Attachment 1 hereto, which was first suggested in our letter of 6th June 1968 and to which we received a reply from yourselves on 2nd August 1968.

The remuneration of the Refinery Company by means of a fixed fee per barrel will not permit the continuance of a Subsidy for export residue or any other product and this will therefore cease to be payable.

The above proposals should be applied for the whole of the 1968/1969 financial year and the new fees payable by all Participants should be recalculated on this basis. Although it is not yet certain what actual fee per barrel will be achievable in 1969/1970 and beyond, the same principles can be applied, if we take the level of profit as 12 1/2% on shareholders capital after tax.

We hope you will agree with the proposals we have put forward and, as the situation calls for decisions to be taken without delay, we should be glad if you would not make arrangements to convene the Working Committee as soon as possible.

Yours faithfully,
for BP TRADING LIMITED

J.D.K. SCRIMGEOUR
Assistant Manager (Commercial),
Commercial Division,
Refineries Department

c.c. Caltex Services Limited, London
Mobil Petroleum Co. Inc., New York
Europa Oil (New Zealand) Ltd., Wellington

"G"

ATTACHMENT 1

NEW ZEALAND REFINERY
PROPOSAL FOR ALLOCATION OF THE PROFIT ELEMENT

(1) This arrangement comes into effect for the year 1968/69 onwards.

(2) The calculation is made on a quarterly basis.

(3) The aggregate profit element (APE) is determined as follows:

(a) A processing fee per barrel of feedstock will have been agreed in advance between NZRC and the users.

(b) The refinery receives this fee on the actual throughout.

(c) Of the aggregate fees thus due an amount equal to fixed plus variable costs is contributed by the users on the present basis, i.e. fixed costs on a systems costing basis and variable costs in accordance with actual usage.

(d) The balance remaining due from users is the APE.

(4) The initial capital cost of each manufacturing system is multiplied by its utilisation factor to give that system's chargeable element (SCE).

The Manufacturing Systems are (a) CDU/Hydrotreater, (b) Platformer, (c) Visbreaker, (d) Vacuum Distillation, (e) Cat. Cracker, (f) Hydrodesulphuriser, (g) Bitumen.

Utilisation Factor means the proportion which a system's actual throughput bears to the maximum possible throughout for that system which would result from running the same feedstock mix to the same averaged yield pattern for the entire duration of the operating period (i.e. assuming nil down time).

(5) The sum of the SCE's is the aggregate chargeable element (ACE).

(6) Each system is allotted a system profit element (SPE) such that it bears the same proportion to APE as that system's SCE does to ACE.

$(SPE = APE \times \frac{SCE}{ACE})$

(7) Each user bears a share of a system's SPE equal to his share

"G"

(on a time basis) of the usage of that system.

An example of the application of steps four to seven is attached.

EXAMPLE

APE = $NZ 2,000,000

SCE AND ACE

System	Initial Capital Cost ($NZm)	Utilisation Factor (%)	SCE
1	4	90	3.6
2	5	40	2.0
3	2	95	1.9
4	2	75	1.5
Total	13	(-)	9.0*

* = ACE

SPE for System 1 = $\frac{3.6}{9.0}$ x $NZ2,000,000,000 = $NZ 800,000

USERS' SHARES OF SYSTEM 1's SPE

User	Usage**	SPE Share ($NZ,000)
A	20	160
B	30	240
C	30	240
D	10	80
E	10	80
Total	100	800

** On a time basis expressed as a percentage of total time usage.

6th June 1968

"G"

cc: Mr A. H. Barratt
cc: Mr C. F. Ormerod
cc: Mr I. R. Simons
cc: Mr A. G. Hunter
cc: Mr A. A. Eddy
cc: Dr Osborn, BP Trading

Operations Department,
179 Wakefield Street,
WELLINGTON. TEL. 59899

8 September 1970

Dear Sirs,

ALLOCATION OF PROFIT ELEMENT OF NZRC PROCESSING FEE

As stated in Item C of the Minutes of the Participants Discussions of 1st July, 1970 it was agreed that any proposals for the amendment of the method of allocation of the Profit Element after 31st December, 1970, should be negotiated in New Zealand. Further to this BP Trading Ltd have stated in their letter RC 15/NZ266 of 7th August, 1970, to SIPC and copied to other participants that BP have accepted the profit element allocation on Volume Input only until the end of 1970.

As Users are aware, BP has consistently maintained that allocation of the Profit/Loss Element of the Processing Fee on the basis of volume input is inequitable.

This matter was taken up by BP Trading with SIPC and correspondence dated 6th June, 1968, and 2nd August 1968, ensued. No other Company responded. The matter was also discussed at the December 1969 working committee meetings. While we recognise that there are many ways of looking at this problem we are still of the opinion that the Profit Element should reflect the benefit that any User is obtaining from the Refinery in its function of upgrading feedstock. Since it is the processing units which perform this function, then it follows that the use which companies make of the manufacturing systems should be used in the allocation of the Profit Element.

Furthermore we feel that this method of allocation of PLE is equitable in that it resembles much more closely than the current

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method, the proportion in which the PLE cost is recovered from the market. This is hardly surprising since posted prices (which are used comparatively in the determination of market recoveries) are considered realistic and must be affected in the long term as much by costs of production as market pressures.

Therefore we propose that users give consideration to adopting the attached proposal for the allocation of the Profit Element from 1st January 1971 onwards.

We look forward to receiving your comments shortly.

Yours faithfully,
BP (NEW ZEALAND) LIMITED

R. J. Bevan,
Supply Superintendent

RJB/4

"G"

ATTACHMENT 1

BP PROPOSAL FOR ALLOCATION OF THE PROFIT ELEMENT

This proposal was first introduced by BP in a letter to Shell, copied to all Participants, dated 6 June 1968 and again proposed in a letter to Shell dated 4 September 1969. To reiterate this proposal:

1. The calculation is made on a quarterly basis.
2. The aggregate profit element (APE) is determined as follows:
   a. A processing fee per barrel of feedstock will have been agreed in advance between NZRC and the Users, as fixed by Government.
   b. The refinery receives this fee on actual throughput.
   c. Of the aggregate fees thus due, an amount equal to fixed plus variable costs is contributed by the Users on the present basis, i.e., fixed costs on a systems costing basis and variable costs in accordance with actual usage.
   d. The balance remaining due from Users is the APE.
3. The initial capital cost of each manufacturing system is multiplied by its utilisation factor to give that system's chargeable element (SCE).

   The Manufacturing Systems are:
   a. CDU/Hydrotreater,
   b. Platformer,
   c. Vacuum Distillation

   Upon expansion of the refinery the new manufacturing systems would be included with the above systems.

   Utilisation Factor means the proportion which a system's actual throughput bears to the maximum possible throughput for that system which would result from running the same feedstock mix to the same averaged yield pattern for the entire duration of the operating period (i.e. assuming nil downtime).
4. The sum of the SCE's is the aggregate chargeable element (ACE).
5. Each system is allocated a system profit element (SPE) such that

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it bears the same proportion to APE as that systems SCE does to ACE

$$\left(SPE = APE \times \frac{SCE}{ACE}\right)$$

6. Each user bears a share of a systems SPE equal to his share (on a time basis) of the usage of that system.

An example is attached.

EXAMPLE

APE = $NZ 2,000,000

SCE AND ACE

System	Initial Capital Cost ($NZm)	Utilisation Factor (%)	SCE
1	4	90	3.6
2	5	40	2.0
3	2	95	1.9
4	2	75	1.5
Total	13	(-)	9.0*

* = ACE

$$\text{SPE for System 1} = \frac{3.6}{9.0} \times \$NZ\ 2{,}000{,}000 = \$NZ\ 800{,}000$$

USERS' SHARES OF SYSTEM 1's SPE

User	Usage**	SPE Share ($NZ,000)
A	20	160
B	30	240
C	30	240
D	10	80
E	10	80
Total	100	800

** On a time basis expressed as a percentage of total time usage

"G"

BP NEW ZEALAND LIMITED 28 January 1971

New Zealand Refining Co. Ltd,
P.O. Box 44,
WHANGAREI

Dear Sirs,

REFINERY REMUNERATION

We refer to your letter of 9 November 1970 requesting formal approval for 1970 of those Articles and Schedules which you considered would safeguard your remuneration in 1970.

Of these Articles and Schedules we are prepared to agree to Articles XIX and XX and the fourth and fifth Schedules, as attached. You will note that we have deleted reference to catalysts in Clause 1(a) of the fifth Schedule as we await your advice on this matter which was discussed at our meeting on 21 December 1970.

Our approval is only for 1970 and we would reiterate that we do not agree to the apportionment of the fee beyond 1970 on the basis of the above referred to Articles and Schedules. Our views have already been expressed in our letter of 8 September 1970 and recently at the meeting of 21 December 1970.

We believe that our approval of the attached Articles and Schedules should be sufficient to satisfy your auditors requirements regarding your 1970 remuneration.

As we have stated previously we prefer to review the whole agreement once all revisions are completed and thus we are not at present prepared to sign the other Articles and Schedules listed in your letter of 9 November 1970 pending such review.

Yours faithfully,
BP NEW ZEALAND LIMITED

J. C. Fair
Managing Director

Encl:

"G"

MOBIL OIL NEW ZEALAND LIMITED

14 January 1971

B.P. (New Zealand Limited, Attn: Mr Bevan
Caltex Oil (N.Z.) Limited, Attn: Mr Yaager
Europa Oil (N.Z.) Limited, Attn: Mr Brow
Shell Oil New Zealand Limited, Attn: Mr Oldenburg
New Zealand Refining Co. Ltd, Attn: Mr Page

Dear Sirs,

N.Z.R.C. Processing Agreement

We enclose herewith notes of the meeting held in the Mobil Offices on December 21, 1970, at which the principal subject was the allocation of processing fees for 1971.

Please advise if these notes do not adequately represent the views of your Company on the matters discussed.

Yours faithfully,

John Alee

for R. P. Warham
Supply Manager

Attach:

"G"

NOTES OF MEETING HELD IN MOBIL OFFICES

ON DECEMBER 21, 1970

Present:	Messrs	Bevan) MacKay)	B.P.
		Yaeger	Caltex
		Brow) Marshall)	Europa
		Slee	Mobil
		Oldenburg	Shell
		Page	N.Z.R.C.

The purpose of the meeting was to discuss those aspects of the processing agreement set out in N.Z.R.C. letter 00.02.05 of October 27, 1970.

Article 19.07

After considerable discussion, the position emerged that:

Europa and Caltex saw no reason, for 1971, to depart from the processing fee allocation agreed for 1970.

B.P. restated the position set out in their letter RJB/4 of September 8, 1970, that allocation of the profit/loss element of the fee on the basis of volume input is inequitable and was not acceptable beyond 1970.

Mobil and Shell confirmed their willingness to discuss modifications to Article 19.07. However, inasmuch as unanimous agreement on any amendment was clearly not possible, they would accept continuation through 1971 of the 1970 agreement.

B.P. thereupon advised that they would pay fees in 1971 on the 1970 basis, but under protest.

The N.Z.R.C. representative expressed his company's concern as to the reaction of non oil company directors of N.Z.R.C., and of the public shareholders, to the failure to reach agreement on this matter.

Schedules IV & V (Fixed and Variable Costs)

Shell sought the views of users on their proposals on the classification of catalyst and utilities costs, as set out in their letter of

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October 19, 1970.

After discussion, it was agreed that the view of N.Z.R.C. on these proposals would assist users in deciding their position. N.Z.R.C. undertook to forward comments on these points.

Article I

It was agreed that the commencement date of the agreement should be inserted when concurrence to the total agreement was reached. No user expressed a desire to change the length of notice required for termination, but it was suggested that participants might have views on this matter.

Article II

Clause 2.01 - It was agreed that "contract" should be replaced by "period of agreement".

Clause 2.03(b)(i) - The amendment proposed by S.I.P.C. was agreed.

Article VI

Some users expressed the view that this article was applicable only to the refinery start up period, as such might be omitted entirely. The contrary view was that at any given time the refinery company requires, for steady operation, a certain minimum stock of feedstocks and intermediates. It was agreed that the effect of this article should be reconsidered by all.

Article XVI

The necessity or otherwise of adjustment to a user's processing fee in the event of product loss (Clause 16.07 and 16.08) was questioned. Europa, having instigated the general form of the amendment, agreed to reconsider this aspect and advise.

Article XVII

The proposed amendment to Clause 17.02 was agreed.

Eighth Schedule Part 2(i)

The proposed amendment was agreed.

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BP (New Zealand) Ltd,
Caltex Oil (N.Z.) Ltd,
Europa Refining Co. Ltd,
Mobil Oil New Zealand Ltd,
Shell Oil New Zealand Ltd,
WELLINGTON

27th October 1970

Dear Sirs,

REVISIONS TO PROCESSING AGREEMENT

During the discussions on the above subject which took place in the Mobil office on October 7th it was agreed that in view of BP's submission for revision of clause 19.07 after the year 1970 a further meeting should take place on November 10th, at which the complete basis for fee payment in 1971 would be discussed. Mobil, having kindly agreed to host this meeting, we would like to formally propose that it be held in the Mobil office at 9.30 on Tuesday 10th November. On the same occasion, if there is time, we would like to obtain agreement on the changes suggested by S.I.P.Co. for

Article 1
Clause 2.03(b)(i)
Article VI
Article 2VI
Clause 17.02
Eighth Schedule 2(i) - now Sixth Schedule 2(i)

Since we are still working on proposed revisions to Schedule III and to articles VII, VIII and XIII, we are not yet in a position to suggest a date for discussions on them. We shall send you copies of our proposals as soon as possible. In the meantime, if you wish to review any of the remaining articles would you please advise us.

We trust that you will find the above arrangements agreeable, and look forward to your confirmation of the meeting on 10th November.

Yours faithfully,
for: THE NEW ZEALAND REFINING COMPANY LIMITED

"G"

MEMORANDUM

To: P. & S. Dept
Copy: Operations

From:
Finance Manager

Memo. No.:

Date:
18 May 1971

Subject: NOTE FOR FILE 00.02.05 PROCESSING AGREEMENT

The minutes of the meeting held in Wellington on 3 - 4 May do not record the discussion which took place on the second day with regard to the BP proposal seeking an amendment to the method of allocating the profit element of the processing fee paid to N.Z.R.C.

In this connection BP re-stated their position, which was that the profit element should be allocated as from 1 January 1971 on the basis outlined in their letter to Users dated 8 September 1970. This matter was not resolved at the Participants' meeting in London recently, when it was agreed that BP should progress their proposal in New Zealand. (*)

At the Wellington meeting Europa said that they would not agree to any change in the allocation of the profit element, and in this they were supported by Caltex. Shell and Mobil are still prepared to consider the proposal with the modifications suggested by Mobil in their letter dated 17 September 1970.

In the general discussion which followed, N.Z.R.C. suggested as an additional alternative for study, that the profit element be allocated taking into account the value of products produced rather than the present straight quantity basis.

At a subsequent discussion between the General Manager, Secretary and Mr Fair, the latter expressed an interest in the value of products basis and asked N.Z.R.C. to prepare a paper for submission to Users as an alternative to the original BP proposal. Mr Fair indicated that if this was also turned down by Users, it was probably that BP would accept the existing basis of allocating the profit element.

P. C. PAGE

(*) Participants' Meeting of 30th March 1971.

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THE NEW ZEALAND REFINING COMPANY LIMITED 19 May 1971

B.P. New Zealand Limited
Caltex Oil (N.Z.) Limited
Europa Oil (N.Z.) Limited
Mobil Oil New Zealand Limited
Shell Oil New Zealand Limited
WELLINGTON

Dear Sirs,

PROCESSING AGREEMENT: ALLOCATION OF PROFIT ELEMENT

At the meeting held in Wellington on 3 and 4 May to consider and agree the remaining Articles of the Draft Processing Agreement, the BP proposal to change the existing method of allocating the profit element was also raised. Little progress was made towards resolving this matter but in the general discussion N.Z.R.C. suggested that a different and more acceptable result might be achieved by allocating the profit element on the value of products produced rather than the straight volume basis.

To illustrate the position, we have now recalculated the 1970 processing fee using the BP method modified as suggested by Mobil and also on a value of products basis. A schedule summarising the results of these calculations is attached. The allocation of fixed and variable and per barrel rate therefore reflect the change in the method of allocating the profit element.

In the absence of better information on which to value products, we have used the import parity applicable on the first day of each quarter based on the posted prices of products at Bandar Mah Shahr and G.P. A.F.R.A. freight. We realise that release prices might be preferable but for the purposes of the exercise there would probably not be a great deal of variation in the resulting percentage allocation.

If Users require additional information or details of our calculations we would be pleased to supply them. We leave it to Users to progress the proposal as they see fit, but would mention that an undertaking has been given to the Board of Directors that the

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matter will be finally resolved prior to the next meeting which is to be held on 18 June.

Yours faithfully,
for: THE NEW ZEALAND REFINING COMPANY LIMITED

P. C. PAGE

Copy: Mr J. C. Fair,
B.P. New Zealand Limited,
WELLINGTON

THE NEW ZEALAND REFINING COMPANY LIMITED

Summary of Methods of Apportioning Processing Fees

	TOTAL	BP	CALTEX	EUROPA	MOBIL	SHELL
... Entitlement Bbls	23,632,913	4,083,551	2,770,708	2,793,139	7,122,071	6,863,444
... ENTITLEMENT METHOD						
1/70	2,550,502	388,120	355,153	322,785	750,895	733,549
2/70	2,637,587	422,491	354,104	324,932	777,501	758,559
3/70	2,556,201	400,024	303,865	331,255	761,198	759,859
4/70 Excl Irreg F.Costs	2,652,618	444,988	327,276	343,702	766,128	770,424
	10,396,908	1,655,623	1,340,498	1,322,674	3,055,722	3,022,391
Per Bbl cents		40.54	48.38	47.35	42.90	44.04
...TION OF PRODUCTS METHOD						
1/70	2,550,502	369,742	359,537	328,899	749,638	742,686
2/70	2,637,587	411,434	360,599	331,171	770,792	763,591
3/70	2,556,201	386,768	309,692	337,179	756,263	766,299
4/70 Excl Irreg F.Costs	2,652,618	431,957	330,732	348,405	764,408	777,116
	10,396,908	1,599,901	1,360,560	1,345,654	3,041,101	3,049,692
Per Bbl cents		39.18	49.11	48.18	42.70	44.43
...IL METHOD						
1/70	2,550,502	374,460	350,910	328,950	748,153	748,029
2/70	2,637,587	398,735	387,589	338,539	761,056	751,668
3/70	2,556,201	380,905	323,969	340,196	740,482	770,649
4/70 Excl Irreg F.Costs	2,652,618	427,385	343,912	353,566	746,270	781,485
	10,396,[illegible]	1,581,485	1,406,380	1,361,251	2,995,961	3,051,831
Per Bbl cents		38.73	50.76	48.74	42.07	44.47

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"G"

THE NEW ZEALAND REFINING COMPANY LIMITED 6 July 1971

BP New Zealand Ltd,
P.O. Box 892,
WELLINGTON

Dear Sirs,

PROCESSING AGREEMENT - ALLOCATION OF PROFIT ELEMENT

Following the meeting held in Wellington on 3 and 4 May, we wrote to all Users on 19 May suggesting that an acceptable solution to the question of allocating the profit element might be achieved by using a value of products basis rather than the straight volume basis.

We have now received replies from Caltex, Europa, Mobil and Shell (which were copied to you) from which it is clear that no change from the existing basis of allocating the profit element is acceptable to these Users at the present time. We regret that our efforts did not achieve a solution more acceptable to you.

In view of the circumstances we now have no alternative other than to ask you to accept a continuation of the existing methods of apportioning and charging processing fees for 1971. It would therefore be appreciated if you would acknowledge your acceptance in writing at an early date.

Yours faithfully,
for: THE NEW ZEALAND REFINING COMPANY LIMITED

P. C. PAGE

Copy: Barr, Burgess & Stewart,
P.O. Box 115,
WHANGAREI

"G"

BP NEW ZEALAND LIMITED

14 July 1971

The New Zealand Refining Company Limited,
P.O. Box 44,
WHANGAREI

Attention: Mr P. C. Page

Dear Sirs,

PROCESSING AGREEMENT - ALLOCATION OF PROFIT ELEMENT

We refer to your letter of 6 July on the above subject, and would advise you that we are prepared to accept a continuation of the existing methods of apportioning and charging processing fees for the year 1971.

We would like to take this opportunity to thank you for your efforts to obtain agreement to a more acceptable method for apportionment of the profit element.

We for our part will continue to endeavour to reach agreement to the acceptance for future years of a method which ensures an equitable allocation of the profit element amongst Companies.

Yours faithfully,
for BP NEW ZEALAND LIMITED

T. J. Brennan
Supply Superintendent

c.c. Barr, Burgess & Stewart,
P.O. Box 115,
Whangarei

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Bitumen and Oil Refineries (Australia) Limited

(A Company to be incorporated under the New South Wales Companies Act, 1936.)

NOMINAL CAPITAL: £2,000,000
in 2,000,000 Shares of £1 each.

PROSPECTUS

OF AN ISSUE OF

750,000 Ordinary Shares of £1 each

Payable 5/- per share on application and allotment and the balance in calls as required.

It is anticipated that the balance of Capital will be required during the twelve months subsequent to Incorporation.

11 2.

FOREWORD

Many industries new to Australia, but well and profitably established in other countries, will be founded here in years to come, and give opportunity to Australian investors and work to Australian people.

No industry more closely affects the welfare and advancement of a nation than the petroleum industry, with its products in essential and daily use by the people.

Year by year the petroleum industry has advanced in this country, from the first importation of benzine in tins, to the use of tankers and bulk storage terminals.

The building of an oil and bitumen refinery in Australia, with the help and financial participation of one of America's major oil companies, follows years of careful investigation and planning.

The bitumen refinery in Australia will meet a pressing and permanent national need, and should substantially aid the future progress of Australia by by providing lower-cost bitumen for highway construction and other uses.

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BITUMEN and OIL REFINERIES (Australia) Limited

A COMPANY INTENDED TO BE INCORPORATED UNDER
THE COMPANIES ACT, 1936, OF NEW SOUTH WALES.

DIRECTORS:

David Alexander Craig (Chairman), Governing Director of John Alexander Trust & Investment Pty. Ltd.
24 Bond Street, Sydney.

Sir John Butters, M.Inst. C.E., M.I.E.E., M.I.E. Aust., M.Am. Soc. C.E.
Chartered Engineer,
16 Cleveland Street, Wahroonga.

Hon. Thomas George Murray, M.L.C., Investor .... 60 Hunter Street, Sydney.

Cecil James Brogan, Secretary, Caltex Ltd., 62 Margaret Street, Sydney.

Elton Reginald Griffin, F.C.A. (Aust.), Chartered Accountant (Aust.),
115 Pitt Street, Sydney.

John William Higgins, Director, Caltex Ltd. .. 62 Margaret Street, Sydney.

William Edward Field, General Manager and Director, Caltex Ltd.,
62 Margaret Street, Sydney.

Of the above Directors, the following have been nominated by California Texas Oil Company Limited:—

C. J. Brogan
J. W. Higgins
W. E. Field

BANKERS:

National Bank of Australasia Ltd.,
342 George Street, Sydney.

AUDITORS:

John V. Ratcliffe, Chartered Accountant (Aust.),
53 Martin Place, Sydney.

Chas. V. Witt and Uther, Chartered Accountants (Aust.),
24 Bond Street, Sydney.

CONSULTING ENGINEERS:

California Texas Oil Company Limited, of Bahama Islands.

SOLICITORS.

Messrs. Minter, Simpson and Co.,
31 Hunter Street, Sydney.

11

SECRETARY:

A. J. Willcock, Chartered Accountant (Aust.),
115 Pitt Street, Sydney.

BROKERS:

CHARLES H. SMITH & COMPANY,
27 Hunter Street, Sydney.
Members of the Sydney Stock Exchange.

With whom are associated for the purposes of this issue—

Wallace H. Smith & Co., and Ian Potter & Co.,
361 Collins Street, Melbourne   360 Collins Street, Melbourne
Members of the Stock Exchange of Melbourne.

Henry Monteith & Co. .... 63 Eagle Street, Brisbane.
Members of the Brisbane Stock Exchange.

Gurner & McArthur .... Grenfell Street, Adelaide.
Members of the Adelaide Stock Exchange.

Geo. H. Newton .... 105 St. George's Terrace, Perth.
Member of the Perth Stock Exchange.

H. W. Bayley & Co. .... Elizabeth Street, Hobart.
Members of the Hobart Stock Exchange.

REGISTERED OFFICE:

115 Pitt Street, Sydney.

NOTE.—Each of the persons named as Directors has signified in writing his consent to act as Director of and to take up his qualification shares, if any, in the Company; the other persons, firms and companies mentioned have respectively expressed their willingness to act in the several capacities indicated in each case.

(This Prospectus is dated the Nineteenth day of February, 1946.)

11130

A copy of this Prospectus has been filed with the Registrar-General of the State of New South Wales. Copies duly certified have been filed with the Registrar-General of the State of Victoria, with the Registrar of Companies of the State of South Australia, and with the Registrar of Companies of the State of Queensland, as required by the Companies Acts of the several States referred to. These officers take no responsibility as to its contents.

Bitumen and Oil Refineries (Australia) Limited

(A Company intended to be incorporated under the Companies Act, 1936, of the State of New South Wales.)

The Memorandum and Articles of Association have been compiled with a view to complying with the requirements of the Sydney Stock Exchange, and application will be made for an official listing of the shares in the Company on all Stock Exchanges in the capital cities of Australia as soon as practicable after allotment.

NOMINAL CAPITAL - - £2,000,000

Divided into

2,000,000 Ordinary Shares of £1 each £2,000,000

OFFERED FOR PUBLIC SUBSCRIPTION:

750,000 Ordinary Shares of £1 each £750,000

The whole of this issue has been underwritten.

(The Subscription Lists will open on the Twenty-fifth day of February, 1946, and close on the Twenty-eighth day of February, 1946, or prior thereto as the proposed Directors may determine.)

APPLICATION BY
CALIFORNIA TEXAS OIL COY. LIMITED:

500,000 Ordinary Shares of £1 each £500,000

will be applied for by California Texas Oil Coy. Ltd. pursuant to the contract hereinafter mentioned.

(Note.—No brokerage or underwriting commission is being paid on these shares.)

TO BE HELD IN RESERVE:

750,000 Ordinary Shares of £1 each £750,000

2,000,000 £2,000,000

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SYNOPSIS.

It is proposed to build an Oil Refinery in Australia of the most modern type, for the refining of crude oils, to produce bitumen, petrol and various classes of oils.

Refinery output should represent approximately 50,000 tons of bitumen and resultant quantities of by-products, valued in all at £743,000.

CALIFORNIA TEXAS OIL COMPANY LIMITED will—

(a) Subscribe for 500,000 £1 Ordinary Shares carrying (with the exception of the right to nominate certain Directors) the same rights and privileges as those which are offered to the Australian shareholder;

(b) Design the Refinery and provide the services (but at the Company's expense) of refinery experts to supervise the erection;

(c) Enter into an Agreement for 25 years to supply crude oil;

(d) Supply the requisite information to the Company concerning their technical processes, formulae and technical information, and lend necessary technicians and instruct Australian personnel to initiate technical and building operations as soon as practicable.

NOTE.—California Texas Oil Company Limited is owned by the Bahrein Petroleum Company. The Bahrein Petroleum Company is owned jointly by The Texas Oil Company and the Standard Oil Company of California.

SALE OF THE COMPANY'S PRODUCTS.

Caltex Limited will enter into a contract to purchase the by-product production of the Refinery, such as petrol and distillate, subject to mutually satisfactory terms and conditions being consummated. The bitumen will be marketed by Caltex Limited and through other recognised trade channels already established in Australia; consequently it is not expected that the Company will be faced with any merchandising problem.

SECURITY OF THE INDUSTRY.

A twenty-five year Agreement with California Texas Oil Company Limited for the supply of oil on the terms of the Oil Agreement hereinafter set out.

Production of essential commodities in wide and permanent demand.

A Sales Agreement with Caltex Limited will be entered into to effectuate the arrangements referred to above.

All technical assistance required for the first three years will be provided by California Texas Oil Company Limited.

Payment for crude oil will be made in sterling.

Control will be vested in the Australian shareholders, who will have voting control and will have as their representatives four of the seven Board Directors.

ESTIMATED PROFIT.

The Directors do not feel justified in making any detailed estimate of operating costs at this juncture, as until the effect of conversion from war to peace conditions is fully reflected in such items as the cost of crude oil, freight and insurance, any such estimate might be misleading, as selling prices of the Company's products would naturally be based upon cost.

It has been thought wiser to consider the potential results on the basis of pre-war selling prices, and it is believed that on this basis a satisfactory profit will be made so as to yield shareholders a fair return upon their investment.

REFINERY.

A number of suitable sites have been inspected, but a final decision will not be made pending confirmation by the Company's Consulting Engineers.

It is estimated that the maximum cost of the plant, complete, including storage tanks, refinery and buildings, site, etc., will be £700,000. This figure has been arrived at by California Texas Oil Company Limited after careful analysis of costs in the United States and taking into consideration all Australian conditions and circumstances. The proposed plant will have a capacity of 50,000 tons of bitumen per annum, together with resultant quantities of by-products. It is intended to manufacture the soft, medium and hard grades of asphalt required for road construction and for many other uses for which bitumen is required in Australia.

It is estimated that the plant will be erected and working within twelve months from the date of receiving the necessary steel and other constructional materials.

N.S.

THE POTENTIAL MARKET FOR
BITUMEN PRODUCTS IN AUSTRALIA.

1. A large and growing market exists for bitumen in excess of the plant capacity, and bitumen manufactured abroad and imported at substantial cost has been used in the past.

2. This is the first bitumen refinery in Australia and is to be constructed in the logical centre of consumption.

3. Consumption of bitumen in Australia has shown a steady growth over the last twenty-five years and there is every reason to believe the consumption of bitumen, so essential to the development of Australia, will continue to increase.

4. The savings to be made by manufacturing in Australia consist of the following:—

(a) Imported bitumen has to be packed in steel containers and requires expensive handling, payment of high freight rates when shipped in packages, and substantial landing and handling expenses; whereas, the oil for the refinery will be shipped in bulk tankers at materially lower freight rates and negligible expenses for handling.

(b) Substantial quantities of bulk bitumen requiring no packages or drums will be sold in Australia in the same manner as bulk bitumen has been sold and handled in the U.S.A. and other world markets for many years. The savings that can be made by supplying bitumen in bulk are very obvious, as it can be delivered in bulk trucks, pumped from delivery equipment to receiving and storage equipment; whereas, imported bitumen is packaged in costly containers, usually steel drums, which must be handled at a considerable expense for labour and, in addition, each package must be opened and handled individually. Such bitumen as is sold to customers who do not wish to take advantage of bulk delivery may be supplied in drums made from Australian steel.

Hogbin, Poole (Printers) Pty. Ltd.,
331 Kent St., Sydney.

EXHIBIT I.

11134

1

Bitumen and Oil Refineries (Australia) Limited

REPORT AND BALANCE SHEET
FOR THE PERIOD ENDED 30th JUNE, 1947

Registered Office:
115 PITT STREET, SYDNEY
Refinery:
BUNNERONG ROAD, MATRAVILLE

1947

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Bitumen and Oil Refineries (Australia) Limited

Authorised Capital:		£2,000,000
Issued	"	£1,250,000
Paid-up	"	£929,142

Directors:

DAVID A. CRAIG
(*Chairman*)

The Hon. T. G. MURRAY
(*Deputy Chairman*)

E. R. GRIFFIN
(*Managing Director*)

SIR JOHN BUTTERS — J. W. HIGGINS

J. C. WILLIAMS — A. J. HERRON

Bankers:

THE NATIONAL BANK OF AUSTRALASIA LIMITED

Solicitors:

Messrs. MINTER, SIMPSON and CO.

Messrs. MURPHY and MOLONEY.

Auditors:

Messrs. CHARLES V. WITT and UTHER, Chartered Accountants (Aust.).

JOHN V. RATCLIFFE, Esq., Chartered Accountant (Aust.).

Secretary:

A. J. WILLCOCK

Registered Office:

115 PITT STREET, SYDNEY

1947

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Bitumen and Oil Refineries (Australia) Limited

NOTICE IS HEREBY GIVEN that the FIRST ORDINARY GENERAL MEETING of the Shareholders of BITUMEN and OIL REFINERIES (AUSTRALIA) LIMITED will be held at the Assembly Room of the Sydney Chamber of Commerce, 36 Grosvenor Street, Sydney, at 12 noon on Tuesday, the 30th day of September, 1947.

BUSINESS:

To receive and adopt the Directors' Report, Balance Sheet and Accounts for the period 4th March, 1946, to 30th June, 1947.

To elect one Director. The Hon. T. G. Murray retires, and being eligible, offers himself for re-election.

To elect Auditors, and to fix their remuneration. Messrs. Charles V. Witt and Uther and J. V. Ratcliffe, Esq., retire and, being eligible, offer themselves for re-election.

To transact any other business which may be brought forward in accordance with the Articles of Association.

By Order of the Board,

A. J. WILLCOCK,
Secretary.

Sydney, 16th September, 1947.

Bitumen and Oil Refineries (Australia) Limited

Report of the Directors for the period ended 30th June, 1947

Your Directors have much pleasure in submitting to you their First Annual Report.

Accounts:

Accompanying this Report is a copy of the Company's Balance Sheet as at the 30th June, 1947, together with supporting Accounts showing the expenditure which has taken place since the Incorporation of the Company.

During the period under review there has been no trading, the whole of the Company's activities being directed towards the completion of the Refinery and the planning of the Operating Organisation.

Under these circumstances the accounts do not call for any comment as they merely reflect outgoings on construction and administration. No depreciation has been written off plant, equipment, or motor vehicles.

Construction:

The building of the Refinery is being pushed on with all possible speed, but it will be appreciated that many difficulties exist today which would not be met in normal times, particularly in regard to obtaining materials and the general shortage of skilled labour.

However, in spite of these problems, your Board is pleased to be able to inform you that one hundred per cent. of all materials and equipment ordered from the United Kingdom has arrived, and completion of shipments from the United States of America is expected shortly.

Equipment ordered in Australia has, from various causes, been delayed in delivery.

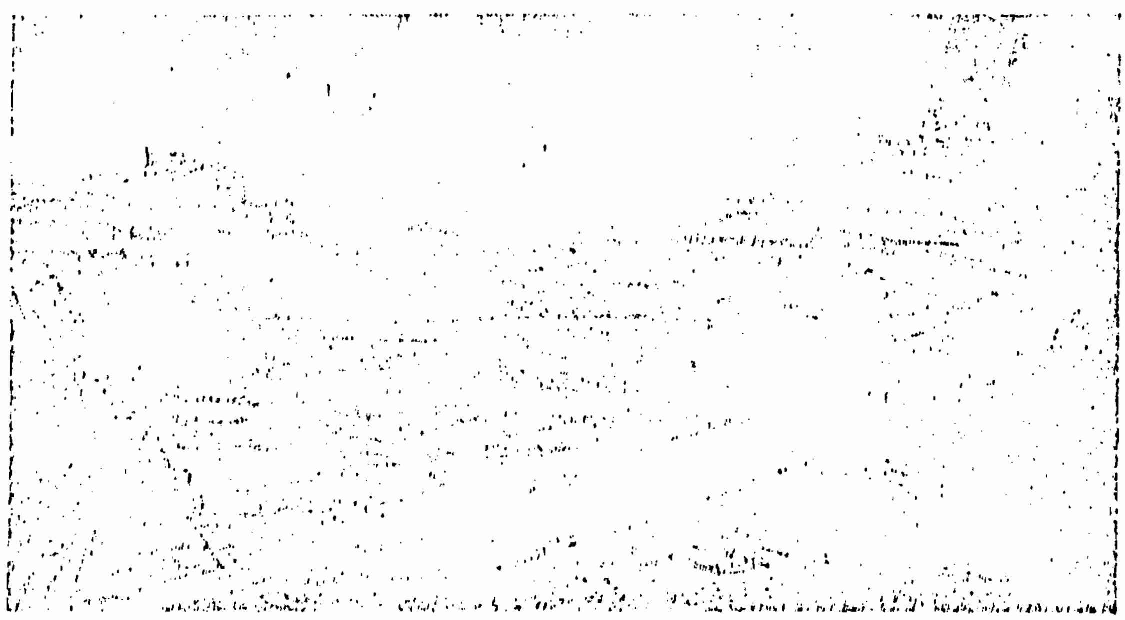
Notwithstanding delays and shortage of labour, good progress has been made in construction, and the photographs printed herein give some indication of the amount of work which has been done during the past twelve months.

In addition to the work which can be seen in the photographs, the Company has almost completed its crude oil line of about one and a half miles in length to connect with moorings in Botany Bay; the railway connection linking the Company's property with the New South Wales Government Railway system is also well forward.

It is difficult at this stage to set any definite date when production will commence, but indications are that it will be about May or June, 1948.

Sydney County Council:

The Company has entered into a satisfactory Agreement with the Sydney County Council covering a right of way for the railway connection, and the right to draw salt water from the Council's channel. In addition, the Council will provide a locomotive for the hauling of the Company's rail trucks and tank waggons. The Company has agreed to sell to the Council fuel oil for use in its boilers at Bunnerong.



Organisation:

The Board recently decided that the time had arrived when it was necessary to establish an Organisation to take care of the planning and preparatory work, which is necessary prior to operations, and, as the first step, appointed Mr. E. R. Griffin as Managing Director of the Company.

Towards the end of 1946 Mr. Griffin spent some time in the New York Office of California Texas Oil Company Limited for the purpose of conferring with the Executives of that Company on matters of importance to our Company, and to discuss in detail all phases of our future operations.

Marketing:

An Agreement has been reached with Caltex Oil (Australia) Pty. Ltd. whereby that Company will purchase from Bitumen and Oil Refineries (Australia) Limited all the petrol produced at the Refinery, on terms which are most favourable to us.

With regard to the merchandising of bitumen it is proposed to do this through the Company's own organisation, which will operate in all States in Australia.

The preliminary and planning work in connection with this is well advanced and the Organisation will be fully established by the time the Company is in operation. In this regard the Directors have appointed Mr. M. W. Padman to be General Sales Manager. Mr. Padman was previously General Manager of California Asphalt Pty.

Ltd., and during 1946 was in America studying the latest developments in the uses of bitumen for both road and industrial purposes.

Information obtained from market surveys indicates that the demand for bitumen will keep the Refinery fully occupied.

Finance:

Notwithstanding substantial increases in the cost of materials, plant, equipment and the rises in wage rates, it is believed that the final cost of the Refinery will not be

very much in excess of estimates and, consequently, there will be ample working Capital available after meeting all construction expenses.

California Texas Oil Company Limited:

The Directors have previously acknowledged the assistance so freely given by the California Texas Oil Company Limited on all matters, technical or otherwise.

The California Texas Oil Company Limited holds 500,000 One Pound Shares in our Company and, by Agreement, will provide our crude oil requirements for twenty-five years, payment for which will be made in sterling.

The increasing shortage in oil supplies throughout the world lends emphasis to the great value which we attach to this Agreement.

Chairman:

The Directors have learned with regret of the intention of the Chairman, Mr. David A. Craig, to shortly retire from the Board by reason of ill health. The Directors desire to record their appreciation of the valuable work done by Mr. Craig since the inception of the Company.

On behalf of the Board,

T. G. MURRAY,

Deputy-Chairman.

BALANCE SHEET AS AT 30TH JUNE, 1947

	£	£
apital—		
00 Ordinary Shares of £1 each	2,000,000	
Capital—		
0 Ordinary Shares of £1 each called to 15/- per share ..	562,500	
ss Calls Unpaid	8,358	
	554,142	
0,000 Ordinary Shares of £1 each have been issued to California Texas Oil Company Limited, in respect of which a credit in favour of this Company of 15/- per share, has been set up in the books of that Company, in terms of the Formation Agreement, which provides that for all calls on these 500,000 Shares the California Texas Oil Company Limited shall raise a credit in favour of this Company, such credit to be applied against purchases of oil from the said Company	375,000	929,142
in Advance		50
abilities—		
y Creditors and Accrued Charges		65,578
e Company is committed for Capital Expenditure on e Refinery in respect of orders placed at 30th June, 47, in an amount estimated by the Managing Director £294,000		
		994,770

Fixed Assets (at Cost)—			
Refinery in Course of Construction (Leasehold Property). Plant, Equipment and Construction Expenditure to 30th June, 1947		457,211	
Motor Vehicles		19,62	
Office Machines, Equipment and Furniture		2,046	
			478
Current Assets—			
California Texas Oil Company Limited— (To be applied against purchases of Oil, in accordance with the terms of the Formation Agreement)		375,000	
Sundry Debtors and Prepayments		5,106	
Cash at Bank and in Hand		65,050	
			445
Intangible Assets—			
Preliminary Expenses—			
Brokerage and Underwriting	28,125		
Formation Charges	25,212		
		53,337	
Establishment Account—			
Administrative Expenses from date of Incorporation to 30th June, 1947		17,403	
			7
			994

On behalf of the Board.

T. G. MURRAY }
E. R. GRIFFIN } Directors.

AUDITORS' REPORT TO THE MEMBERS PURSUANT TO SECTION 115 NEW SOUTH WALES COMPANIES ACT 1936:

We have audited the books of account and vouchers of Bitumen and Oil Refineries (Australia) Limited from the date of incorporation of the Company to the 30th June, 1947, and, having obtained all the information and explanations required by us, we hereby CERTIFY that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at the date thereof, according to the best of our information, the explanations given to us, and as shown by the books of the Company. WE FURTHER CERTIFY that, in our opinion, the Register of Members and other records which the Company is required to keep by the Companies Act, 1936, or by its Articles, have been properly kept.

CHARLES V. WITT and UTHER
J. V. RATCLIFFE
Chartered Accountants (Australia)
Joint Auditors.

SYDNEY, 1st September, 1947.

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Bitumen and Oil Refineries (Australia) Limited

ESTABLISHMENT ACCOUNT

ADMINISTRATIVE EXPENSES FROM DATE OF INCORPORATION TO 30th JUNE, 1947

es. Audit Fees and Legal Expenses	£6,020	Balance carried down	£1
s	3,313		
Sundry Expenses (Less Interest Received, £614)	6,652		
stages and Office Expenses	1,418		
	£17,403		
ht down	£17,403		

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11142

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Bitumen and Oil Refineries (Australia) Limited

REPORT AND BALANCE SHEET

FOR THE YEAR ENDED 30th JUNE, 1948

Registered Office:

115 PITT STREET, SYDNEY

Refinery:

BUNNERONG ROAD, MATRAVILLE

1948

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Bitumen and Oil Refineries (Australia) Limited

Authorised Capital - - - £2,000,000

Issued and Paid-up Capital - £1,250,000

Directors:

The Hon. T. G. MURRAY, M.L.C.
(Chairman)

E. R. GRIFFIN
(Managing Director)

SIR JOHN BUTTERS — J. W. HIGGINS

A. B. GURNEY — F. A. FINN — A. J. HERRON

Bankers:

THE NATIONAL BANK OF AUSTRALASIA LIMITED

Solicitors:

Messrs. MINTER, SIMPSON and CO.
Messrs. MURPHY and MOLONEY.

Auditors:

Messrs. CHARLES V. WITT and UTHER, Chartered Accountants (Aust.).
JOHN V. RATCLIFFE, Esq., Chartered Accountant (Aust.).

Secretary:

A. J. WILLCOCK

Registered Office:

115 PITT STREET, SYDNEY

1948

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Bitumen and Oil Refineries (Australia) Limited

NOTICE IS HEREBY GIVEN that the SECOND ORDINARY GENERAL MEETING of the Shareholders of BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED will be held in the Conference Room of the Commonwealth Institute of Accountants, 5 Bligh Street, Sydney, at 12 noon on Tuesday, the 30th day of November, 1948.

BUSINESS:

To receive and adopt the Directors' Report, Balance Sheet and Accounts for the year ended 30th June, 1948.

To elect two Directors. Sir John Butters and Mr. F. A. Finn retire and, being eligible, offer themselves for re-election.

To elect Auditors and fix their remuneration. Messrs. Charles V. Witt and Uther and J. V. Ratcliffe, Esq., retire and, being eligible, offer themselves for re-election.

To transact any other business which may be brought forward in accordance with the Articles of Association.

By Order of the Board,

A. J. WILLCOCK,
Secretary.

Sydney, 15th November, 1948.

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Bitumen and Oil Refineries (Australia) Limited

Report of the Directors for the Year ended 30th June, 1948

Your Directors have pleasure in presenting their Second Annual Report:—

Accounts:

The Balance Sheet as at the 30th June, 1948, and the Accounts for the year ended on that date, provide information concerning Construction and Administration Expenditure, no trading taking place during that period.

Expenditure for the year on the refinery, ancillary buildings, and equipment amounted to £557,270, and this completed all plant items of any consequence.

Increases in cost of wages and materials which took place during the time of construction resulted in total cost being in excess of estimates to the extent of twenty-one per cent., after taking into account additional work not originally contemplated.

The California Texas Oil Company Limited subscribed for 500,000 One Pound shares in the capital of Bitumen and Oil Refineries (Australia) Limited, to be paid for by the supply of crude oil. Prior to 30th June, 1948, crude to the value of £68,817 had been received, leaving a balance due of £431,183, as shown on the Balance Sheet.

Construction of Refinery:

Despite mounting difficulties in the supply of labour and materials, the Refinery was sufficiently complete by the 30th June, 1948, to be handed over by the Engineering Department to the Operating Division.

The First Annual Report forecast that the plant would be in operation by May or June of this year, but the difficulties referred to, together with unseasonable heavy rains last summer, resulted in delays and lost time.

Operations:

The first charge of crude oil was run on the 22nd July, 1948, and by the 3rd August, 1948, the manufacture of all grades of bitumen, petrol, and other products had commenced.

Only minor adjustments to the plant have been necessary, and it has been kept in continuous operation since starting up.

Twenty-one of our employees having received training in the U.S.A. in plants of The Texas Oil Company, a nucleus of operating personnel was available; in addition, The California Texas Oil Company Limited arranged for five employees of the Bahrein Petroleum Company to be lent to us to aid in starting up the plant and assist our own operators.

It is pleasing to report that the plant has shown a productive capacity in excess of its rated output, and will have no difficulty in meeting any demands upon it.

The discharge of tankers in Botany Bay by means of a pipeline connected to the Company's storage tanks has been most successful, and to date three shipments of crude oil have been received.

Apart from the production of bitumen for roadmaking, many other grades are being made for industrial purposes, such as manufacture of roofing, paints, batteries, tyres, insulation, and floor tiling. Previously, industrial bitumen was procured from America, and consequently the Company is making a very real contribution to the saving of dollar expenditure.

Marketing:

The first delivery of bitumen was made on the 3rd August, 1948, and since then sales have increased at a most satisfactory rate.

In addition to orders from most Australian States, business has been effected with New Zealand and Tahiti, and enquiries have also come from the East.

The volume of local Sydney business, for delivery of bitumen hot and in bulk, has grown so rapidly that the road tanker fleet, originally considered adequate, has been further expanded.

Under an agreement with Caltex Oil (Australia) Pty. Limited that Company takes the whole output of petrol, and tests have shown that our product compares more than favourably with any imported gasoline.

California Texas Oil Company Limited:

The Board desires to place on record full appreciation of the assistance so freely given by the California Texas Oil Company Limited on all matters referred to it during the year.

General:

Acknowledgment is made to the management, staff and employees for the efficient manner in which the Company has been brought into operation.

On behalf of the Board.

T. G. MURRAY,

Chairman.

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Bitumen and Oil Re[illegible]

BALANCE SHEET

	£	£
Nominal Capital—		
2,000,000 Ordinary Shares of £1 each	2,000,000	
Subscribed Capital—		
1,250,000 Ordinary Shares of £1 each, fully paid ..		1,250,000
Current Liabilities—		
Sundry Creditors and Accrued Charges	79,175	
The National Bank of Australasia Limited—Overdraft	388,932	468,107
		£1,718,107

[illegible] REPORT TO THE [illegible]

[illegible] obtained all the information and explanations required [illegible] the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at the date thereof, according to the best of our [illegible] the explanations given to us, and as shown by the [illegible]

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ries (Australia) Limited

AT 30TH JUNE, 1948

		£	
Fixed Assets (at Cost)—			
Refinery in Course of Construction (Leasehold Property):			
Plant, Equipment, and Construction Expenditure to 30th June, 1948		999,286	
Railroad		15,195	
Motor Vehicles		31,011	
Office Machines, Equipment and Furniture		5,325	
			1,050,817
Current Assets—			
Crude Oil (at Cost, including Freight)		132,980	
California Texas Oil Company Limited (to be applied against purchases of oil in accordance with the terms of the Formation Agreement)		431,183	
Sundry Debtors and Prepayments		7,134	
Sundry Deposits		2,141	
Cash on Hand		110	
			573,548
Intangible Assets—			
Preliminary Expenses:			
Brokerage and Underwriting	£28,125		
Formation Charges	25,212		
		53,337	
Sales Organisation Establishment Cost:			
Deferred against future trading		4,936	
Establishment Account:			
Administrative Expenses:			
From date of Incorporation to 30th June, 1947	£17,403		
For the twelve months ended 30th June, 1948	18,066	35,469	93,742
			£1,718,107

For and on behalf of the Board,

T. G. MURRAY }
J. H. BUTTERS } Directors.

[illegible]

[illegible]

Bitumen and Oil Refineries (Australia) Limited

ESTABLISHMENT ACCOUNT

ADMINISTRATIVE EXPENSES FOR THE TWELVE MONTHS ENDED 30th JUNE, 1948

	£		
'elling and Motor Running Expenses	2,845	Balance carried down	18,0
'est	4,327		
'etarial Fees, Audit Fees, and Legal Expenses	3,327		
ries	3,300		
ctors' Fees	2,500		
ting, Stationery, Telephone, and Sundry Expenses	1,767		
	£18,066		£18,0
nce brought down	£18,066		

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5/20/57

EXHIBIT J

MEMORANDUM OF AGREEMENT by and between BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED, (hereinafter sometimes referred to as BORAL), a company duly organized and existing under the laws of Australia, with an office at 115 Pitt Street, Sydney, New South Wales, Australia, and QUEENSLAND oil REFINERIES PTY., LIMITED, a company duly organized and existing under the laws of Australia, and having its registered office at Brisbane, in the State of Queensland, Australia, parties of the first part, (hereinafter sometimes referred to as SELLERS), and CALTEX OIL (AUSTRALIA) PTY. LIMITED, a company duly organized and existing under the laws of Australia, with an office at 62 Margaret Street, Sydney, New South Wales, Australia, party of the second part, (hereinafter referred to as PURCHASER).

WHEREAS, said PURCHASER wishes to supersede and replace the agreements heretofore made with BORAL and the agreements heretofore made with QUEENSLAND REFINERIES PTY., LIMITED, and substitute in their place and stead this new agreement, and,

WHEREAS, said BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED, is the owner of a refinery in the State of New South Wales (hereinafter called BORAL REFINERY), and QUEENSLAND oil REFINERIES PTY., LIMITED, is also the owner of a refinery in the State of Queensland, (hereinafter called QUEENSLAND REFINERY) and,

WHEREAS, SELLERS are ready, willing and able to jointly and severally agree to sell to PURCHASER the petroleum products more specifically described hereinafter to be offtaken from either BORAL REFINERY and/or QUEENSLAND REFINERY under the terms and conditions hereinafter set forth in this agreement, and,

WHEREAS, PURCHASER is ready, willing and able to purchase said petroleum products from BORAL and accept delivery thereof from BORAL REFINERY and/or QUEENSLAND REFINERY, under the terms and conditions hereinafter set forth in this agreement,

NOW, THEREFORE, in consideration of the premises and of the payments which have already been made upon said original agreements and of the further mutual covenants and agreements herein contained, and other good and valuable consideration, it is hereby agreed by and between the aforesaid parties hereto as follows:

ARTICLE I

Prior Agreements Superseded

This agreement supersedes and replaces the agreements and any and all amendments thereto and/or extensions thereof, heretofore made by and between each of the parties of the first part and the party of the second part bearing respective dates as listed hereunder, which previous agreements are hereby canceled by mutual consent of the parties hereto.

1. By and between QUEENSLAND REFINERIES PTY., LIMITED and CALTEX OIL (AUSTRALIA) PTY. LIMITED, made the 16th day of March, 1956, for Automotive Distillate or Gas Oil and Diesel Fuel, and Furnace Fuel.

2. By and between QUEENSLAND REFINERIES PTY., LIMITED and CALTEX OIL (AUSTRALIA) PTY. LIMITED, made the 16th day of March, 1956, for Gasoline, Automotive Distillate or Gas Oil and Diesel Fuel and Furnace Fuel.

3. By and between BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED, and AUSTRALIAN OIL REFINING LIMITED, made

the 6th day of June, 1955, and assigned by AUSTRALIAN OIL REFINING LIMITED to CALTEX OIL (AUSTRALIA) PTY. LIMITED by assignment dated April 10, 1956, for Automotive Distillate and Diesel Fuel Oils.

4. By and between BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED, and CALTEX OIL (AUSTRALIA) PTY. LIMITED, made the 2nd day of March, 1948, for Gasoline.

ARTICLE II

Quantities

A. Types and quantities (hereinafter called "the basic contract quantities"), of the products which are the subject of this agreement are respectively as follows:

Product	Basic Contract Quantities
Gasolines (Premium and/or Regular)	1,725,000 bbls./yr.
Automotive Distillate and/or Gas Oil and/or Diesel Fuel at PURCHASER's option	1958 - 656,000 bbls./yr. 1959 - 701,000 " 1960 - 735,800 " 1961 and on - 790,600 bbls./yr
Furnace Fuel	250,000 bbls./yr.

B. SELLERS shall provide PURCHASER monthly with estimates for at least six (6) months in advance of the contemplated monthly production of the above products at BORAL REFINERY and at QUEENSLAND REFINERY, and keep PURCHASER currently advised of any appreciable changes in such estimates.

ARTICLE XII

Options

A. SELLERS hereby grant to PURCHASER a first option to purchase any or all gasolines produced at BORAL REFINERY and/or QUEENSLAND REFINERY in excess of 1,725,000 barrels per year on the same terms and conditions as set forth in this agreement.

B. SELLERS hereby also grant to PURCHASER a first option to purchase all or any additional quantities of the products (other than gasolines which are covered by Paragraph A above) which are the subject of this agreement, which may be produced at QUEENSLAND REFINERY and BORAL REFINERY from a throughput of crude oil and/or enriched crude oil in excess of 6,800,000 barrels per year, on the same terms and conditions as set forth in this agreement.

C. Should any products other than those which are the subject of this agreement be manufactured at BORAL REFINERY and/or QUEENSLAND REFINERY (exclusive of asphalt and LPG), SELLERS agree PURCHASER shall have first option to purchase any or all of such products on a basis equal to that offered any other person, firm or corporation.

D. In exercising the options granted above in Paragraphs A and/or B and/or C of this Article XII, it is agreed by and between the parties hereto SELLERS shall give PURCHASER not less than three (3) months' notice in writing of the availability of such products, the kind and quantities thereof; and if PURCHASER exercises its options hereunder, it will do so by giving SELLERS notice in writing within thirty (30) days after receipt of such notice from SELLERS.

E. As used in this agreement "contract year" means a calendar year.

ARTICLE IV

Delivery

A. PURCHASER shall advise SELLERS of the types and quantities of products and the place of their delivery provided, however, such deliveries of products under this agreement shall be made in the following manner and at the following points in such quantities and types as PURCHASER shall designate:

1. Into road tank wagons and/or rail tank cars at BORAL REFINERY and/or QUEENSLAND REFINERY; and/or

2. Into storage tanks at the Banks Meadow Terminal of Australian Oil Refining Limited and/or the storage tanks of H. C. Sleigh's Terminal at Botany, New South Wales; and/or

3. Into the storage tanks at Caltex' Terminal in Brisbane; and/or

4. Into such tankships at BORAL REFINERY mooring at Sydney, Australia, as are designated by PURCHASER, provided SELLERS have adequate facilities for such delivery.

B. In designating the place of deliveries in accordance with Paragraph A of this Article IV, PURCHASER agrees it shall not require SELLERS to deliver at Brisbane more than the following maximum quantities of the respective products listed below:

Automotive Distillate and/or Gas Oil and Diesel Fuel	185,000 bbls. per year
Furnace Fuel	68,000 bbls. per year

C. When deliveries are made pursuant to this agreement, it is agreed SELLERS shall clean the inside of all rail tank cars which require only ordinary cleaning, except cars which have contained lubricating oil. Should any car or cars contain an excessive amount of rust, SELLERS shall notify PURCHASER of this condition, and if requested by PURCHASER shall clean such car or cars at PURCHASER's expense. SELLERS shall provide PURCHASER without cost or expense the normal amenities required by any law or by any award or awards of the Arbitration Court in favor of PURCHASER's employees who in the course of their employment have occasion to work at BORAL REFINERY and/or QUEENSLAND REFINERY. SELLERS hereby grant to such of PURCHASER's employees whose duties involve their entering upon SELLER's premises to carry out their necessary tasks the right to enter upon the said premises at all times for the purpose of carrying out such tasks.

D. All quantities transferred by pipeline will be calculated on the average of the dips of the tanks of the SELLERS and the receiving tanks of the consignees and be corrected to 60°F. All quantities transferred to Terminals or filled into rail tank cars, or road tank wagons, will be calculated in accordance with the calibration tables provided by the consignees and corrected to 60°F. All tank wagon loadings for direct delivery to consumers will be calculated at volume without temperature correction in accordance with the calibration tables furnished by PURCHASER.

E. PURCHASER shall provide SELLERS at reasonable intervals with estimates for at least three (3) months in advance of the contemplated quantity of oil to be required and the approximate delivery dates.

F. SELLERS shall maintain two (2) weeks' average stock of the products at the premises of SELLERS so that continuity of supply shall be maintained by SELLERS.

G. There shall be no filling charge to PURCHASER for deliveries into rail tank cars or tank wagons at QUEENSLAND REFINERY and/or BORAL REFINERY nor any charge for deliveries made by pipeline to any of the delivery points set forth in Paragraph A of Article IV of this agreement.

ARTICLE V

Price

A. The price to be paid by PURCHASER to SELLERS for the respective types of products which are the subject of this agreement (in Australian currency per gallon or ton converted from U. S. measure and currency at the ruling exchange rate as calculated hereinafter) shall be the sum of components more particularly defined in the following Subparagraphs 1 through 7, inclusive, computed as, and when, deliveries are made:

1. (a) Gasolines - A price per American gallon corresponding to "the low" of current prices for the octane grades of the motor gasolines manufactured and supplied under this agreement and as published under the heading "Gulf Coast Cargoes, Domestic & Export, All Ports" in Platt's OILGRAM Price Service.

(b) Automotive Distillate and/or Gas Oil - A price per ton corresponding to "the low" of current prices for the 53/57 Diesel Index for the type of the products manufactured and as published under the heading "Gulf Coast Cargoes, Domestic & Export, All Ports" as published in Platt's OILGRAM Price Service.

(c) Diesel Fuel - A price corresponding to 90% of "the low" as currently published for No. 2 Fuel plus 10% of "the low" as currently published for Bunker "C" Fuel, as published under the heading "Gulf Coast Cargoes, Domestic & Export, All Ports" in Platt's OILGRAM Price Service.

(d) Furnace Fuel - A price corresponding to "the low" as currently published for Bunker "C" Fuel, under the heading "Gulf Coast Cargoes, Domestic & Export, All Ports" in Platt's OILGRAM Price Service.

2. (a) A marine freight charge to be computed as follows:

(i) On the BASIC CONTRACT QUANTITIES, excepting therefrom the following quantities of the respective products (hereinafter sometimes referred to as QUEENSLAND OFFTAKE QUANTITIES):

Gasolines (Premium and/or Regular)	450,000 bbls./yr.
Automotive Distillate and/or Gas Oil and/or Diesel Fuel at PURCHASER's option	350,000 bbls./yr.
Furnace Fuel	250,000 bbls./yr.

said charge shall be the marine freight per ton actually paid by SELLERS on the last cargo of crude oil or enriched crude oil delivered at the shore tankage of BORAL REFINERY at Botany Bay, Sydney, Australia, by Overseas Tankship (U.K.) Limited.

(ii) On the QUEENSLAND OFFTAKE QUANTITIES the Overseas Tankship (U.K.) Limited freight rate from Persian Gulf to Brisbane in effect on the first day of the calendar month in which deliveries are made.

(b) In no event, however, shall said marine freight charges referred to in sub-clause (a) of this Paragraph A.2. of Article V exceed the Overseas Tankship (U.K.) Limited freight rate SELLERS are obligated to pay Overseas Tankship (U.K.) Limited pursuant to the transportation agreement by and between said parties as said transportation agreement and/or any extension or amendment thereof and/or any subsequent transportation agreement by and between said parties may provide.

(c) All such freight charges shall be converted to an amount in Australian currency per ton in accordance with sub-clause 5 of this Paragraph A of Article V.

3. The Marine Insurance premium per ton at the rate of insurance actually paid by BORAL on the cargo of crude oil or enriched crude oil specified in sub-clause 2 (a) (i) of Paragraph A of this Article V above and converted to a figure in Australian currency per ton as specified in sub-clause 5 of this Paragraph A of Article V.

4. On products produced at QUEENSLAND REFINERY and actually delivered to PURCHASER at Brisbane a sum equivalent to inward port charges including wharfage charges at the same rates as would have been payable by PURCHASER on the same kinds and quantities of products if PURCHASER had imported said products.

5. All components of the total purchase price shall be converted into Australian currency at the rate of exchange between U. S. dollars and Australian pounds or Pounds Sterling and Australian pounds, as the case may be, prevailing on the day on which the applicable Platt's OILGRAM Price Service is published. Such exchange rate shall be the cross rate determined by using the Commonwealth Bank of Australia's closing selling rates on such day for telegraphic transfers London/New York and Sydney/London as published in London and Sydney, respectively. In the event these rates are not published on such date, then the rates to be used shall be those last published prior to that date.

6. On all Gasoline purchases:

(a) the current duty per Imperial gallon in force at time of delivery from bond of the gasoline in question and applicable to motor gasoline at that time being imported as a finished motor gasoline into the Commonwealth of Australia. No excise taxes levied by any Australian authority on gasoline produced by SELLERS are to be included.

(b) In the event at any time during the period of this agreement the Australian Customs Department should impose any primage tax or other tax or duty on the crude oil imported by SELLERS for the purpose of manufacturing "the products" which are the subject of this agreement, then, in such event, it is agreed that SELLERS and PURCHASER will mutually agree on the basis on which such primage or other tax or duty levied on and paid by SELLERS" shall be applied under this price clause.

(c) PURCHASER agrees to pay to SELLERS one-half (1/2) the amount of primage tax, if any, that PURCHASER would have paid if it had imported gasoline of similar quality to that covered by this agreement.

7. On all Automotive Distillate and/or Gas Oil and/or Diesel Fuel purchases in excess of 350,000 barrels per contract year PURCHASER shall be granted by SELLERS a discount of £1 per ton which shall be payable in Australian currency.

B. Having computed the above applicable components of the price in accordance with the above-mentioned provisions of this clause, the price shall be the sum of these components converted to a gallonage basis, or if a tonnage basis, at the specific gravity determined for each delivery; and this price shall be payable in Australian currency per gallon or per ton within fourteen (14) days of delivery being made in accordance with the provisions hereof.

C. SELLERS agree to pay to PURCHASER a charge on the respective total quantities hereinabove described as the QUEENSLAND OFFTAKE QUANTITIES less such respective quantities of said products as are delivered to PURCHASER at Brisbane from products manufactured at the QUEENSLAND REFINERY. Such charge shall be a charge equivalent to the marine freight (on a converted ton basis) currently charged BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED by Overseas Tankship (U.K.) Limited for transporting by tank ship synthetic crude from Botany Bay to Brisbane. Payment of this charge shall be prorated quarterly on the total QUEENSLAND OFFTAKE QUANTITIES less such quantities as actually delivered to PURCHASER by SELLERS at Brisbane from products manufactured at QUEENSLAND REFINERY for that quarter.

D. As used in Paragraph A of this Article V:

1. "the low" means the low of the prices published applicable to the specific type and grade of the products under the headings referred to when more than one price is so published. If only one price is published for the specific type and grade of the products, then that price so published shall be deemed "the low".

2. "currently published" in relation to prices means the applicable price published on the 15th day of the month immediately preceding the month in which delivery is to be taken by PURCHASER, or if not published on such day, then the applicable price published prior to such day. "Prior to such day" as used in this definition of "currently

published" means a day or a few days prior to the said day only and is not intended to conflict with the other provisions hereof.

3. "published" means published in Platt's OILGRAM Price Service in U. S. currency and measure converted to equivalent Australian currency and Imperial measure at the appropriate conversion factors.

4. Should any such heading or headings be changed or superseded by other heading or headings, then that heading or headings which most accurately reports those current export prices stated in this Article V to be the criteria of prices payable under this Memorandum of Agreement shall apply.

5. When and if such publication shall cease or be suspended or amend the form of any of the quotations in this clause defined, then for the purpose of ascertaining the price for any part of the products sold and delivered hereunder there shall be substituted therefor such other publication or publications as shall be mutually agreed upon by the parties hereto, PROVIDED HOWEVER that the obligation of PURCHASER to buy and receive the products and the obligation of SELLERS to sell and deliver the products shall continue during the period between the time of such change and the time that the parties hereto shall agree upon a mutually satisfactory substitute publication and during such period the publication to be used hereunder shall be tentatively that publication which in the opinion of SELLERS most nearly approximates the discontinued, suspended or amended publication, but if the

parties hereto shall subsequently agree upon a mutually satisfactory publication different from such tentative publication, the adjustment of the difference, if any, between such prices during such period shall be made at the time that the parties hereto shall agree upon a mutually satisfactory substitute publication, and PROVIDED FURTHER that in event the parties hereto shall fail to agree upon a substitute publication the said publication to be adopted shall be determined by arbitration in accordance with Article XII hereof.

ARTICLE VI

Term of Agreement

The term of this agreement shall be from January 1, 1958, until December 31, 1975.

PURCHASER reserves the right at its option to terminate and cancel this agreement in the event the crude oil or enriched crude oil imported by SELLERS to manufacture the products which are the subject of this agreement are not purchased from Caltex (U.K.) Limited or one of its affiliated companies or its nominee.

ARTICLE VII

Waiver

PURCHASER's rights to require such performance by SELLERS of any and/or all obligations imposed on SELLERS hereby shall not in any way be affected by any previous waiver fore-bearance or course of dealing.

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ARTICLE VIII

Payment

Payment shall be made by PURCHASER to SELLERS at Matraville, New South Wales, Australia, the office of BORAL, fourteen (14) days after delivery of the products which are the subject of this agreement.

ARTICLE IX

Voluntary Shutdown Notice

In the event of any shutdown of operations at BORAL REFINERY and/or QUEENSLAND REFINERY which has been contemplated and effected by SELLERS of its own volition and which is likely to affect the production of any of the products covered by this agreement for a period in excess of two (2) weeks, SELLERS shall give to PURCHASER at least two (2) months' notice of such contemplated shutdown.

ARTICLE X

Benzol and/or Alcohol Blending

If SELLERS are compelled by law to purchase locally-produced benzol and/or alcohol for blending with gasoline, then PURCHASER agrees to pay the costs of such benzol or alcohol, such cost to be calculated on the basis of the price of the benzol and/or alcohol delivered into SELLERS' tanks at the said Refinery, but PURCHASER shall not be called upon to pay any cost of blending; and further, SELLERS agree to only

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introduce the minimum amount of benzol and/or alcohol into the gasoline that they are compelled by law to use unless otherwise requested by PURCHASER.

In the event of PURCHASER desiring any quantity of benzol and/or alcohol to be blended with SELLERS' gasoline other than the quantity required by law to be purchased by SELLERS, if any, then SELLERS agree to carry out such blending provided PURCHASER delivers to SELLERS at the said Refinery at PURCHASER's expense the quantity of benzol and/or alcohol to make the necessary blend and SELLERS agree to do the blending free of any expense to PURCHASER.

SELLERS undertake to keep accurate records of the quantities of such benzol or alcohol actually blended with the gasoline delivered to PURCHASER, and SELLERS agree that it will deduct such quantities from the total volume of each delivery of gasoline blended with such benzol or alcohol in order to determine the net amount of gasoline for which PURCHASER is obligated to pay in accordance with the provisions of Article V.

SELLERS also agree that any gasoline used for purposes of blending with such benzol and alcohol will be in accordance with the specification as set out in the Schedule "A" hereto, and no deviation from this specification will be made because of the effect on the specification of such blending except with the written consent of PURCHASER.

ARTICLE XI

Specifications

It is agreed by and between PURCHASER and SELLERS that the products which are the subject of this agreement shall conform to the specifications set forth in Schedule "A" annexed hereto and made a part hereof.

PURCHASER has the right to take samples at any time of the products supplied to it under this agreement and to analyze such samples to ensure that the quality of the products being supplied is in accord with the respective specifications more particularly set forth in the Schedule "A" hereto.

ARTICLE XXII
Arbitration

If any dispute or difference as to the conditions of this agreement or the construction thereof or the rights or liabilities of either party arises, the same shall be referred to arbitration in accordance with the provisions of the Arbitration Act 1902 or any statutory modifications thereof.

ARTICLE XXIII
Force Majeure

Neither SELLERS nor PURCHASER shall be liable for delays or defaults in performance under this agreement due to "Force Majeure" or circumstances now or hereafter existing beyond their control and without their fault or negligence, including, but not restricted to, acts of God or the public enemy, perils of navigation, floods, fire, hostilities, war (declared or undeclared), executive or administrative orders or acts of either general or particular application of any de jure or de facto Government or of any officer or agent purporting to act under the authority of any such Government, or requests of any such officer or agent purporting to so act, illegality arising from applicable domestic or foreign laws or regulations, blockade, labor disturbances, strikes, riots, insurrections, civil commotion, quarantine restrictions, epidemics, frosts, storms, earthquakes, accidents, breakdown or injury to or expropriation, confiscation or requisitioning of raw materials or of producing, manufacturing, selling or delivery facilities, exhaustion or unavailability of supplies for any reason, partial or total interruption, loss or shortage of transportation facilities, failure of carriers to transport or furnish transportation facilities, or imposition of restrictions or onerous regulations by any de jure or de facto Government or Governmental agency. It is further agreed and understood by and between the parties hereto that this agreement shall be merely suspended and not terminated while either SELLERS and/or PURCHASER are unable to perform their respective obligations in accordance with the provisions set forth herein if due to "Force Majeure" or circumstances now or hereafter existing beyond their control and without their fault or negligence.

ARTICLE XIV

Applicable Laws

This agreement shall be deemed to be made in the State of New South Wales and be interpreted in accordance with the laws in force in that State.

ARTICLE XV

Price Controls

Should at any time the prices of the products arrived at in accordance with the provision of Article V hereof be affected by any determination of any State or Federal Price Authority, then the parties hereto will confer to arrive at a mutually satisfactory price for the products so affected, provided, however, in the event the parties fail to mutually agree upon a new price for the product so affected, then and in that event the prices set forth in Article V hereof shall remain in full force and effect.

ARTICLE XVI

Government Purchases

The Government of the State of Queensland having agreed with SELLERS that such Government in making Governmental purchases will extend to SELLERS such preference to local production over interstate and overseas production as is given from time to time to other industries and manufacturers operating in the State of Queensland and having also agreed that PURCHASER shall have the benefit of such agreement covering the products so sold by PURCHASER, SELLERS agree to do all things possible to secure from such Government a continuance of such preferential treatment during the terms of this agreement and any renewal thereof.

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ARTICLE XVII

Notices

Notices given pursuant to this agreement by PURCHASER to SELLERS shall be sent to SELLERS c/o BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED, at 115 Pitt Street, Sydney, New South Wales, Australia.

Notices given by SELLERS to PURCHASER pursuant to this agreement shall be sent to PURCHASER at the following address: CALTEX OIL (AUSTRALIA) PTY. LTD., 62 Margaret Street, Sydney, New South Wales, Australia.

ATTEST: BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED

THE COMMON SEAL OF BITUMEN AND OIL REFINERIES (AUSTRALIA) LIMITED WAS HEREUNTO AFFIXED BY ORDER OF THE BOARD IN THE PRESENCE OF:

BY ______ Director.

______ Director.

______ Secretary.

ATTEST: QUEENSLAND REFINERIES PTY., LIMITED

THE COMMON SEAL OF QUEENSLAND OIL REFINERIES PTY. LIMITED WAS HEREUNTO AFFIXED BY ORDER OF THE BOARD IN THE PRESENCE OF:

BY ______ Director.

______ Director.

______ Secretary.

ATTEST: CALTEX OIL (AUSTRALIA) PTY. LIMITED

THE COMMON SEAL OF CALTEX OIL (AUSTRALIA) PTY. LIMITED WAS HEREUNTO AFFIXED BY ORDER OF THE BOARD IN THE PRESENCE OF:

BY C. G. Conaway
Director

R. V. Sl...
Assistant Secretary.

SCHEDULE A

The products which are the subject of this Agreement shall conform to the specifications set forth herein, but shall not be inferior to the average of similar respective products currently being marketed in Australia by major competitors.

MOTOR GASOLINES

Property	Guarantee Regular	Guarantee Premium	Method
Color	Standard Orange	Standard Red	-
Distillation, °F.			ASTM D86
10% Evap.	149 Max.	140 Max.	
50% Evap.	257 Max.	239 Max.	
90% Evap.	356 Max.	356 Max.	
Doctor Test	Negative	Negative	IP 30
Existent Gum, mg/100 ml.	4 Max.	4 Max.	ASTM D381
Induction Period, Minutes	480 Min.	480 Min.	ASTM D525
*Octane Number, Research Method	79 Min.	90 Min.	ASTM D908
Sulfur, %	0.10 Max.	0.10 Max.	ASTM D90
*TEL, ccs/U.S. Gal.	1.5 Max.	2.0 Max.	ASTM D526
Vapor Pressure, lbs. Reid	8.5 Max.	8.5 Max.	ASTM D323

*Subject to revision when necessary to maintain competitive position.

AUTOMOTIVE DISTILLATE (GAS OIL)

Property	Guarantee	Method
Cetane Index.	53 Min.	ASTM D975 Appendix II
Cloud, °F.	/30 Max.	ASTM D97
Color	2 Max.	ASTM D155
Composition	100% Straight Run Distillate	-
Distillation, °F.		ASTM D158
90% Recov.	675 Max.	
End Point	725 Max.	
Flash, P.M., °F.	150 Min.	ASTM D93
Pour, °F.	/20 Max.	ASTM D97
Sulfur, %	0.40 Max.	ASTM D129
Viscosity, SSU @ 100°F.	33-45	ASTM D88
Water by Distillation, %	0.05 Max.	ASTM D95

Thirty City
Ex Parte

SCHEDULE "A" - (Page 2)

INDUSTRIAL DIESEL OIL (DIESEL FUEL)

Property	Guarantee	Method
Appearance	Black	-
Ash, %	0.01 Max.	ASTM D482
Carbon Residue, Ramsbottom (whole sample)	0.55 Max.	ASTM D524
Cetane Index	48 Min.	ASTM D975 Appendix II
Flash, P.M., °F.	150 Min.	ASTM D93
Pour, °F.	/30 Max.	ASTM D97
Sulfur, %	1.6 Max.	ASTM D129
Viscosity, SSU @ 100°F.	42-50	ASTM D88
Water by Distillation, %	0.10 Max.	ASTM D95

FUEL OIL (FURNACE FUEL)

Ash, %	0.10 Max.	ASTM D482
Flash, P.M., °F.	150 Min.	ASTM D93
Fluidity	Fluid @ 32°F.	P & O
Gravity, °API	13.0 Min.	ASTM D287
Sulfur, %	3.5 Max.	ASTM D129
Thermal Value, BTU/lb. (Gross)	18,500 Min.	ASTM D240
Viscosity, SSF @ 122°F.	60 Max.	ASTM D88
Water and Sediment (by Centrifuge)	0.50 Max.	ASTM D96

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EXHIBIT K.

EXHIBIT K

REFINING PROFITS IN [illegible]

Note (1)

For years 31.12.64 to 31.12.70 -
The refining profits shown do not include the small amounts arising in each year on the purchase and sale of Crude Oil as such. The refining profits shown are Pan Eastern's profits arising from the purchase of Crude Oil, the processing thereof for a fee, and the sale of the resultant products.

Note (2)

For periods 31.12.71 and 31.3.72 no profits arose from the purchase and sale of Crude Oil as such.

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STATEMENT OF PAN EASTERN REFINING PROFITS

under the 1964 Processing Contract

Year ended	Kuwait Crude Bbls processed	Refining Profit $US	Profit as US cents per Bbl of Crude processed
31.12.64	4,617,675	1,293,417	28.010
31.12.65	8,400,206	2,333,839	27.783
31.12.66	9,528,956	2,174,393	22.819
31.12.67	13,508,918	2,608,864	19.312
31.12.68	14,808,932	3,459,422	23.347
31.12.69	16,828,363	3,930,077	23.354
31.12.70	20,743,961	4,430,312	21.357
31.12.71	22,511,326	2,469,450	10.970
31.3.72	7,476,876	703,522	9.409
	118,425,213	23,401,296	

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EXHIBIT L.

NINTH DRAFT
(22/2/61)

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NEW ZEALAND REFINERY PARTICIPANTS AGREEMENT

AN AGREEMENT made the day of 196 between THE BRITISH PETROLEUM COMPANY LIMITED a company organised and existing under the laws of England (hereinafter called "BP"), CALIFORNIA TEXAS OIL CORPORATION a company organised and existing under the laws of the State of Delaware, United States of America (hereinafter called "Caltex"), EUROPA OIL (NEW ZEALAND) LIMITED a company organised and existing under the laws of New Zealand (hereinafter called "Europa"), THE SHELL PETROLEUM COMPANY LIMITED a company organised and existing under the laws of England (hereinafter called "Shell") and STANDARD-VACUUM OIL COMPANY a company organised and existing under the laws of the State of Delaware, United States of America (hereinafter called "Stanvac"):

WHEREAS:

(1) By exchange of letters both dated 18th May 1959 between the Minister of Industries and Commerce, New Zealand Government and the Managing Director of The Shell Company of New Zealand Limited, the New Zealand Government approved a project for the construction and operation of an oil refinery in New Zealand to manufacture certain petroleum products;

(2) The said letters dated 18th May 1959 were modified by a letter dated 3rd September 1959 from the Prime Minister of New Zealand to the Managing Director of

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The Shell Company of New Zealand Limited; and further letters on the project were written by the Secretary of the Department of Industries and Commerce to the said Managing Director, dated 8th October 1959, by the Minister of Industries and Commerce to the said Managing Director, dated 16th October 1959, and by the Representative of the Committee of the proposed New Zealand Oil Refinery Company to the Minister of Industries and Commerce, dated 21st December 1959;

(3) In accordance with the foregoing BP, Caltex, Europa, Shell and Stanvac have agreed to participate in the formation of a company which will construct, own and operate an oil refinery in New Zealand in accordance with the ensuing provisions of this Agreement [and, for that purpose, a company (hereinafter called "the refinery company") has been formed with the name "The New Zealand Refining Company Limited";] additional to 8th draft

NOW THEREFORE IT IS HEREBY AGREED as follows:

ARTICLE I

Definitions

In this Agreement, except where the context otherwise requires, the following expressions have the meanings hereby respectively assigned to them:

"accounting period"	as shown by Clause 9.01(a);
"adjusted net refiner's margin"	as shown by Clause 9.04;

"affiliate"	as shown by the Schedule to this Agreement;
"apportioned quantity of residue"	as shown by Clause 9.05(a);
"capacity entitlement"	as shown by Clause 8.01(2);
"export residue"	as shown by Clause 9.02(2);
"fixed costs"	as shown by Clauses 9.01(b) and 10.05(1);
"marginal export quantity"	as shown by Clause 9.05(c);
"market"	as shown by Clause 7.01;
"market feedstock"	as shown by Clause 9.02(4)(a);
"net quantity of market feedstock"	as shown by Clause 9.05(d);
"net refiner's margin"	as shown by Clause 9.03;
"participant"	means any company which is from time to time a party to this Agreement;
"person"	includes a body corporate or unincorporate;
"processing percentage"	as shown by Clauses 7.03 and 7.04;
"refinery"	means the refinery constructed in accordance with the provisions of this Agreement and includes all additions and other alterations thereto except such as are made in compliance with a requisition from one or more (but not all) of the participants under the provisions of Article X;
"residue"	as shown by Clause 9.02(2);

Definitions of "addition" "refinery company") deleted (approved in 8th draft) "shareholding percentage" means, in relation to any participant at any time, such percentage of the aggregate of all the shareholdings in the refinery company of the participants and their affiliates at that time as is represented by the aggregate of the shareholdings in the refinery company of the participant in question and its affiliates at that time/ excluding in the computation any shareholdings obtained by exercising conversion rights in respect of debentures taken up under Clause 5.05;/ and

addition to draft

"variable costs" as shown by Clauses 9.01(c) and 10.05(ii).

ARTICLE II

Objects of Refinery Company

2.01 The objects of the refinery company shall be limited to the construction, ownership and operation of the refinery to process feedstocks as herein set forth and to the delivery of the resultant products from the refinery to ocean terminal installations in New Zealand.

addition to draft

2.02 Notwithstanding anything express or implied in Clause 17.01(a) such objects shall not, without the consent of all participants, be expanded or otherwise altered nor shall they be extended by investment in third party undertakings nor by any other means.

ARTICLE III

The Refinery

addition to draft

3.01 For design purposes it is agreed that the refinery to be constructed initially shall have a capacity of approximately 2,500,000 long tons per annum and shall be designed to process c5

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suitable Middle East and Far East crude oils and naphthas to meet the following estimated requirements in New Zealand for the following main products:-

Motor Gasolines	1,150,000	long tons
Gas Oils	300,000	" "
Diesel Oils	190,000	" "
Fuel Oils	450,000	" "
Bitumen	60,000	" "
	2,150,000	" "

and the installations shall include:-

Crude Oil Distillation Unit

Catalytic Reforming Unit

Gas Oil Hydrodesulphurization Unit

Gasoline Treating Unit

Bitumen Manufacturing Facilities

Necessary Offsites and Social Amenities

The refinery as so constructed initially is referred to as "the original refinery" hereinafter in this Article and in Articles IV and V.

3.02 The participants anticipate that the original refinery will be provided with additional facilities at a suitable date to permit the processing of such whole crudes as may be readily available to participants and as may be suitable for meeting the market requirements of New Zealand and, to that end, the Crude Oil Distillation Unit shall also be initially designed to process 3,000,000 long tons per annum of unstabilized medium gravity Middle East crude oil.

ARTICLE IV

Estimated Cost of Project

4.01 Shell estimates that the cost of constructing the original refinery (excluding the cost of land but including the cost of all ancillaries and housing for key personnel) and the finance required to provide working capital will amount in total to approximately £18,000,000.

4.02 Prior to the conclusion of the prime contract for the construction of the original refinery, Shell shall make a revised estimate of

(a) the cost of constructing the original refinery (excluding the cost of land but including the cost of all ancillaries and housing for key personnel and all other items of capital expenditures which may reasonably be expected to be incurred in connection with the construction of the original refinery); and

(b) the finance required to provide working capital;

and, if the total of such revised estimate together with the cost of the land exceeds £20,000,000, the participants shall review the position before committing the refinery company to proceed.

ARTICLE V

Shareholding and Finance

5.01 The authorised share capital of the refinery company shall be £NZ 6,000,000, of which shares to the value of

£NZ 4,114,286 shall be issued to the participants at par. The participants shall subscribe for such shares in the following proportions:-

BP	22%
Caltex	12.5%
Europa	12.5%
Shell	25%
Stanvac	28%

5.02 The balance of the funds required by the refinery company to acquire a site, to construct and bring the original refinery into commercial operation and to provide working capital shall be raised by borrowing.

5.03 Subject as hereinafter provided in this Clause 5.03, of the total amount of funds to be raised by borrowing, £NZ 5,713,713 shall be raised by an issue of partially convertible debentures which shall be offered to New Zealand investors. Such debentures shall be issued on whatever terms shall be decided by the refinery company provided that the conversion rights of the holders thereof shall be exercisable at specified times during a period of three years from the date on which the original refinery comes on stream and shall be such that, if all the holders exercise their rights in full, they will be entitled to shares in the refinery company to the aggregate nominal value of £NZ 1,885,714 and the balance will continue to be held as debentures. To the extent that the total of the revised estimate prepared by Shell under Clause 4.02 and the cost of land is greater or less than £18,000,000, then the amount of £NZ 5,713,713 shall be proportionately adjusted as the case may require.

Notwithstanding any such adjustment, the conversion rights of the debenture holders will remain such that if the holders exercise their rights in full they will be entitled to shares to the aggregate nominal value of £NZ 1,885,714.

5.04 To the extent that the total of the issued share capital of the refinery company and funds raised under the provisions of Clause 5.03 is insufficient to acquire a site, to construct and bring the original refinery into commercial operation and to provide working capital, the balance, except as met by short term borrowing, shall be provided, as and when requested by the refinery company, by loans arranged by the participants in the respective proportions set out in Clause 5.01.

5.05 If the Board of Directors of the refinery company shall decide that the debenture issue shall not be underwritten, the participants shall procure that unsubscribed debentures shall be taken up by them in the respective proportions set out in Clause 5.01: provided that Europa shall not be obliged to take up unsubscribed debentures in any amount in excess of debentures having a nominal value of £NZ 100,000. If pursuant to the foregoing Europa does not take up unsubscribed debentures to the full extent of its proportion set out in Clause 5.01 the remaining unsubscribed debentures shall be taken up by BP, Caltex, Shell and Stanvac in the ratio which the percentages set out opposite their names in Clause 5.01 bear to each other.

5.06 In respect of debentures taken up by participants under Clause 5.05, the participants shall, unless otherwise agreed after a review of the circumstances existing at the time, procure that the conversion rights attached to such debentures are exercised in full before the conversion time limit expires.

5.07 The participants shall offer to investors in New Zealand the debentures taken up by them under Clause 5.05 and the shares obtained by exercising the debenture conversion rights. Such offers shall be made simultaneously and in proportion to participants' respective holdings of such debentures and shares at such times and on such terms and conditions as the participants shall agree.

5.08 The principal amount of loans arranged by participants under Clause 5.04 shall be treated as debts due by the refinery company in the currency in which such loans are provided and the full amount of currency provided by each lender shall be repaid in the same currency in annual instalments over a period of 10 years from the date on which the refinery comes on stream.

Whether or not loans arranged by the participants are provided in one lump sum or in more than one sum over a period, all loans made in the same currency shall bear the same rate of interest which, in the case of each loan, shall run from the date on which the money is made available to the refinery company. The rate of interest to be taken shall, in the

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case of all sterling loans, be the current market rate in London, England, and, in the case of all New Zealand currency loans, shall be the current market rate in Wellington, New Zealand, for long term loans to first class businesses applicable in the case of sterling loans on the day on which the first sterling loan is made available to the refinery company and in the case of New Zealand currency loans on the date on which the first New Zealand currency loan is made available to the refinery company.

5.09 The total finance to be provided by each participant in accordance with the foregoing provisions shall be provided by each participant except Europa in sterling to the extent that any currency other than New Zealand currency is required to finance the construction of the original refinery or to provide working capital and any balance shall be provided either in sterling or in New Zealand currency, at the option of the participant concerned. Any participant required to pay in sterling for shares in the refinery company under the foregoing provisions of this Clause may at his option make the whole or any part of such payment in an equivalent amount of U.S. dollars and pay any balance remaining in sterling.

5.10 Europa shall have the right to make available the total finance to be provided by it in accordance with the foregoing provisions of this Article either wholly in New Zealand currency or wholly in sterling or partly in New Zealand currency and the balance in sterling.

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5.11 The refinery company shall use its best endeavours to obtain the approval of the New Zealand Government to the payment of interest on, and repayment of the principal of, sterling loans, in sterling.

5.12 The refinery company shall use its best endeavours to obtain the agreement of the New Zealand Government to the remittance abroad of:-

(a) dividends in respect of all shares in the refinery company held by participants and their affiliates except dividends in respect of such shares as are obtained by exercising conversion rights attaching to any debentures taken up under the provisions of Clause 5.05; and

(b) share capital (other than share capital obtained by exercising conversion rights attaching to any debentures taken up under the provisions of Clause 5.05) whether arising out of the liquidation of the refinery company, a reduction of its share capital or otherwise,

in the same currency as that participant's original subscription to share capital.

5.13 In respect of debentures taken up by the participants under Clause 5.05 and shares obtained by exercising the conversion rights attaching thereto, the refinery company shall use its best endeavours to obtain the agreement of the New Zealand Government to the remittance abroad in sterling or U.S. dollars of:-

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(a) debenture interest and repayment of principal;

(b) dividends;

(c) the proceeds of sales of debentures; and

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(d) share capital whether arising out of the liquidation of the refinery company, a reduction of its share capital or otherwise;

to the extent that the subscription for such debentures has been made in New Zealand currency which was either derived from the proceeds of remittances of sterling or U.S. dollars respectively or had convertible rights to sterling or U. S. dollars respectively.

5.14 (1) Subject to the provisions of paragraph (2) of this Clause 5.14, the participants undertake to secure that, except with the consent of all the participants, the refinery company shall not increase its capital by any method requiring subscription for shares in the refinery company/ nor issue debentures or other securities of any nature which carry rights to vote in a general meeting of the refinery company or which are convertible to shares or securities which carry such rights to vote.

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(2) If additional capital is required by the refinery company in order to enable it to comply with all New Zealand laws and regulations applicable to the refinery or to the operation of the refinery or in order to enable the refinery to process feedstock for

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participants in accordance with the provisions of this Agreement then to the extent that the refinery company is not able to provide such capital out of retained earnings or by raising loans on reasonable terms and conditions, such capital shall be provided by an increase in the share capital of the refinery company and in respect of such increase in share capital of the refinery company the provisions of paragraph (1) of this Clause 5.14 shall not apply.

5.15 The participants undertake to secure that, if the refinery company increases its share capital by making a further issue of shares, each participant shall be offered such percentage of the total issue of new shares as is equal to the percentage of the total issued share capital of the refinery company represented by the participant's existing shareholding at the time of the offer. If any participant does not wish to take up the whole of the new shares to which it is entitled, the rights to the shares which it does not wish to take up shall be promptly offered to the other participants (without charge for such rights) in accordance with the procedure which participants are required to follow when offering shares under Clause 15.02 except that the period of 30 days therein mentioned shall be reduced to 10 days. The right to take up shares which are not taken up by the other participants may thereafter be disposed of to

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persons other than participants.

5.16 Except as provided in this Article V and in Article XV, no participant and no affiliate of a participant may acquire or hold shares in the refinery company.

ARTICLE VI

Mode of Operation

The refinery shall operate on a processing basis and the property in the feedstock supplied and the products manufactured therefrom will throughout the operation remain with the respective participants concerned.

ARTICLE VII

Establishment of Processing Percentage

7.01 For the purposes of this Agreement, the expression "market" means, in relation to any participant, the requirements of that participant and its affiliates for products of the type manufactured in the refinery for supply for ultimate use or consumption in New Zealand or for supply for ultimate consumption in vessels or aeroplanes operating locally in New Zealand or outward-bound from New Zealand but excluding products to be supplied by the participant in question or its affiliates to any other participant or its affiliates.

7.02 Each participant shall have a processing percentage which shall be determined in accordance with the following provisions of this Article VII.

7.03 Subject to Clause 7.04, the processing percentage for each participant shall be such percentage as is equal to the shareholding percentage of that participant.

7.04 If any participant (hereinafter in this Article VII called "the requisitioning participant") so requires, each participant's processing percentage shall from time to time be adjusted throughout any period in which the prescribed conditions apply so that the processing percentage of each individual participant is equal to that percentage of the combined markets of the participants at the time represented by the market of the individual participant in question at that time. At the end of such period the respective processing percentages of the participants shall again be determined in accordance with the provisions of Clause 7.03.

The prescribed conditions are:-

(a) The refinery is unable to meet the product requirements of all the participants for supply to their combined markets;

(b) The requisitioning participant is unable, for reasons which are not within its control, to obtain the products which it requires to meet its market by having an addition made to the refinery pursuant to Article X;

(c) Imports of deficit products are not permitted by the New Zealand Government or, if permitted, such imported products are at a competitive disadvantage compared with products manufactured in the refinery;

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(d) The requisitioning participant is tendering feedstock which is reasonable, having regard to that participant's market requirements and the processing operations of the other participants;

(e) The requisitioning participant shows that the processing percentages of the participants as determined in accordance with the provisions of Clause 7.03 place the requisitioning participant at a relative disadvantage.

ARTICLE VIII

Use of the Refinery

8.01 (1) Notwithstanding any limitations which may be implied in any other clause of this Agreement, but subject always to such limitations as are imposed by the design and capabilities of the refinery and subject as hereinafter provided, each participant shall have the right to the use of the refinery, up to but not exceeding such share of the capacity of the refinery as is equal to that participant's capacity entitlement as hereinafter established, to have processed therein by the refinery company such feedstock as that participant or its affiliates may elect to furnish and to obtain therefrom such yield of products as is required by that participant or its affiliates.

(2) In order to establish each participant's capacity entitlement, in terms of the total quantity of feedstock which that participant is entitled to have processed in any period, the processing percentage of the participant shall be applied to the maximum number of barrels of feedstock of the same type as the feedstock furnished by that participant or its affiliates which can safely and reasonably be processed in the refinery during that period to produce the yield pattern of products required by that participant or its affiliates.

(3) Each participant shall have the obligation to offtake at a reasonable rate the products resulting from the processing of feedstock supplied by it or by its affiliates and in accordance with such arrangements as may be made for the coastwise distribution of products from the refinery.

8.02 (1) If in any period the capacity entitlement of any participant is not required in full for the processing of feedstock into products to meet that participant's market, the excess capacity entitlement not so required shall be made available to the other participants if, and to the extent that, they require additional capacity entitlement for the processing of feedstock into products to meet their markets. If the excess capacity entitlement is not sufficient to meet the needs of all the participants who require it for that purpose, then each of those participants shall be entitled to a share of the excess equal to its processing percentage of the excess or equal to its actual requirement whichever is the lesser. Any balance of excess capacity entitlement then remaining shall be similarly shared among those participants who still require it and this method of allocation shall be repeated until all excess capacity entitlement has been allocated among those participants requiring it for the processing of feedstock into products to meet their markets. In the case where two or more participants have excess capacity entitlement, part but not all of which is required by the other participants for the processing of feedstock into products to meet their markets, the part of such excess capacity entitlement which is so required by other participants shall be made available to them by the participants who do not require it in the ratio of the latters' respective processing percentages.

(2) For the purposes of this Clause, in determining the capacity entitlement required by a participant for the processing of feedstock into products to meet its market, that participant shall be entitled to have account taken of the total quantity of any feedstock which it proposes to furnish for processing

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if any part of the yield from each unit of such quantity of feedstock is to be supplied to meet its market.

8.03 If the markets of the participants have been met to the fullest extent possible having regard to the rights of the participants under this Agreement and the limitations imposed by the capabilities of the refinery and the composition of the feedstocks furnished for processing, then any participant who has excess capacity entitlement shall have the right to use it for export processing. Any participant who does not require the use of excess capacity entitlement for export processing shall make it available to other participants who do require it for that purpose and in allocating excess capacity entitlement among such participants the same principles as are set out in Clause 8.02(1) shall be applied. "Export processing" means the processing of feedstock in the refinery only where the total yield from such feedstock is exported from New Zealand.

8.04 No participant shall, in seeking to exercise its rights under the foregoing provisions of this Article VIII, be entitled to require any restriction of the rights which any other participant has under the said provisions or to require the operation of the refinery in a manner which will result in undue deterioration of the refinery. Each participant shall in this context have due regard to the concept that without carrying any specific obligation, it is the expectation of all the participants that ordinarily the participants' markets for the products referred to in Clause 3.01 will be met from products manufactured in the refinery within the limits of its capabilities. If the refinery is unable to meet the requirements of all the participants in accordance with the foregoing, there shall then be developed such refinery programme, on lines which are considered practicable, as will most nearly meet such requirements and be within the framework of the other provisions of this Article VIII.

8.05 The refinery shall be operated efficiently and in accordance with good refinery practice.

8.06 Each participant shall be free to arrange on an ad hoc basis such exchanges, purchases or sales of products as it may wish as a result of any imbalances that might occur between the product yield of feedstocks processed in the refinery for it and its market in any period. Any participant which has available a quantity of any product surplus to its own market shall, before exporting such surplus quantity, offer it to the other participants who shall be entitled to acquire such surplus quantity (or any part thereof) to the extent that it can be utilised to meet the markets of such other participants. The terms upon which products may be exchanged, purchased and sold under the provisions of this Clause 8.06 shall be for development from time to time in the light of relevant circumstances but shall always be fair and equitable.

Provided that the foregoing provisions of this Clause 8.06 shall not apply to products derived from export processing under Clause 8.03.

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ARTICLE IX

Remuneration of the Refinery Company

9.01 In respect of each accounting period of the refinery company each participant shall pay a fee to the refinery company for the processing of feedstock into products for that participant or its affiliates. The amount of the fee payable by each participant shall be equal to the sum arrived at in accordance with the formula Cf plus Cv plus or minus PLe. For the purposes of this formula -

(1) Cf is the sum arrived at by applying to the total fixed costs of the refinery for the accounting period in question the processing percentage of the participant in question, subject to such adjustment as may be necessary under the provisions of Clauses 9.09 and 9.10.

(2) Cv is the aggregate of the variable costs of the refinery for the accounting period in question properly attributable to the processing of each feedstock furnished, and the total yield of products obtained, by the participant in question or its affiliates, due regard being had, in assessing such costs, to the quality of the feedstock in question and the nature and extent of the processing necessary to produce therefrom the total yield of products obtained.

(3) PLe is the amount of the profit element to be added to, or the amount of the loss element to be deducted

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from, the sum of Cf and Cv, as the case shall require, and shall be determined for each participant in accordance with the provisions of Clauses 9.02 to 9.08 inclusive of this Article IX.

For the purposes of this Agreement -

(a) an accounting period of the refinery company shall be such period as the participants shall agree or, failing agreement, shall be the refinery company's financial year;

(b) the expression "fixed costs" means, in relation to the refinery, those costs of the refinery company normally considered to be fixed costs in accordance with generally accepted accounting principles, including, without limitation, depreciation and loan interest and all other costs in connection with the operation and maintenance of the refinery which do not fluctuate significantly with throughput, but excluding taxes on income, manufacture or throughput; and

(c) the expression "variable costs" means, in relation to the refinery, all costs of the refinery company in connection with the operation and maintenance of the refinery other than fixed costs and other than taxes on income, manufacture or throughput.

9.02 In order to determine the amount of PLe for the purposes of paragraph (3) of Clause 9.01, there shall first be determined the "gross refiner's margin" which shall be equal to the sum arrived at in accordance with the formula Vp plus Vr plus Dp minus Vf. For the purposes of this formula -

(1) Vp is the duty-free landed value of the total quantity of products manufactured in the refinery for the markets of the participants and their affiliates during the accounting period in question. Such value shall be determined on the basis of posted prices prevailing from time to time during the accounting period in question at the relevant regular world supply source which is competitive in relation to New Zealand for each product with the addition of ocean freight from such world supply source to main ocean installations in New Zealand (2-1/2 ports of discharge for white oil and 2 ports of discharge for black oil) assessed at rates on the same level as those at which the bulk of tanker vessels are then operating (which level at the date hereof is accepted as being rates based on the Average Freight Rate Assessment) and with the addition of marine insurance at London market rates, a reasonable allowance for ocean loss and appropriate landing charges.

(2) Vr is the value of a quantity of "residue" ("residue" for the purpose of this Agreement being deemed to be residual fuel oil, whether normally considered merchantable or not, having either (a) a Redwood I viscosity of not less than 950 seconds at 100° F., or

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(b) not more than 5% distilling at 350° C. by method SIL 10.06B) equal to -

(a) the quantity remaining after deducting the quantity of fuel oil manufactured in the refinery for the combined markets of the participants during the accounting period in question from the total obtained by multiplying the aggregate of the quantities of gas oil and diesel oil manufactured in the refinery for the combined markets of the participants during that period by 1.5; or

(b) the quantity of residue manufactured in the refinery during that period and exported from New Zealand;

whichever is the lesser. Such lesser quantity is hereinafter called "the export residue" and the value thereof shall be determined on the basis of the published posted price for C grade fuel oil at Singapore (or in accordance with Clause 9.08 as may be appropriate) reduced by the aggregate of the ocean freight from New Zealand to Singapore assessed on the same basis as is provided in paragraph (1) of this Clause 9.02, marine insurance at London market rates, export taxes and wharfage charges which would be payable if the residue were exported from New Zealand to

namely of 950 seconds (Redwood at 100°) whichever is the higher

Singapore: Provided that if the value determined as aforesaid is greater than the value of the said quantity determined on the basis of the Persian Gulf posted price of "C" grade fuel with the addition of ocean freight from Persian Gulf to Singapore assessed on the same basis as aforesaid, marine insurance at London market rates, a reasonable allowance for ocean loss and landing charges (calculated as if shipment had actually been made from Persian Gulf) then the lower value so determined shall be used for the purposes of this paragraph (2) of this Clause 9.02.

(3) Dp is the amount of duty protection (if any) represented by the amount by which the total import duty which would have been payable if the quantity of the products referred to in paragraph (1) of this Clause 9.02 had been imported during the accounting period in question exceeds the total excise taxes paid or payable in respect of such quantity of such products.

(4) Vf is the total value of a quantity of feedstock determined as follows:-

(a) there shall first be determined the total quantity of "market feedstock" processed into products in the refinery for all the participants and their affiliates during the accounting period in question and, for all the purposes of this Agreement, feedstock processed in the refinery for a

[Where] there is no such posted price as is required for the purpose of this para (2) the procedure set out in Clause 9.08 shall be applied.

participant and any of its affiliates shall be treated as that participant's market feedstock if any part of the yield of products derived from each unit of the quantity processed is supplied to meet the market of that participant;

(b) there shall then be determined the quantity of products which has been derived from the processing of the market feedstocks of all participants during the accounting period in question and which has been exported from New Zealand;

(c) if the quantity determined under sub-paragraph (b) of this Clause 9.02(4) exceeds the quantity of the export residue for the accounting period in question, the quantity representing the amount of the difference shall be increased by 3 per cent and the resulting quantity expressed in the same unit of measurement as the quantity of market feedstock determined under sub-paragraph (a) of this Clause 9.02(4), shall be deducted from such quantity of market feedstock;

(d) the resulting quantity shall then be valued on the basis of published posted prices

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prevailing from time to time at the appropriate world supply source for the feedstock in question with the addition of ocean freight from the appropriate supply source to the refinery assessed on the same basis as is provided in paragraph (1) of this Clause 9.02, marine insurance at London market rates, a reasonable allowance for ocean loss, landing charges and import duties (if any) payable in respect of such feedstock;

(e) the amount so arrived at shall be the amount of Vf for the purposes of the formula set out in this Clause 9.02.

9.03 There shall next be determined the "net refiner's margin" which shall be the difference between the gross refiner's margin for the accounting period in question as determined in accordance with the provisions of Clause 9.02 and the sum of the following:-

(a) the total fixed costs of the refinery for the accounting period in question;

(b) the variable costs of the refinery which are properly attributable to the processing during that period of the aggregate of the quantities of market feedstocks processed for all participants and their affiliates; and

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9.04 The net refiner's margin ascertained for the accounting period in question in accordance with the provisions of Clause 9.03 shall then be adjusted and the adjusted amount shall be referred to as "the adjusted net refiner's margin". Such adjustment shall be made in the following manner:-

(a) there shall first be determined the amount by which -

(i) the value of the export residue determined for the accounting period in question in accordance with paragraph (2) of Clause 9.02;

is less than

(ii) the amount which would have been obtained if such export residue had been valued as if it were the cheapest grade of fuel oil manufactured in the refinery for the market in New Zealand determined in accordance with paragraph (1) of Clause 9.02, with the addition of duty protection ascertained on a similar basis to that set out in paragraph (3) of Clause 9.02;

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(b) if the net refiner's margin determined under Clause 9.03 represents a profit to the refinery company the amount thereof shall be added to the amount determined under sub-paragraph (a) of this Clause 9.04. If the net refiner's margin represents a loss to the refinery

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company the amount determined under sub-paragraph (a) of this Clause 9.04 shall be set off against it so as to reduce the amount of the loss or convert it to a profit as the case may be;

(c) the resultant amount shall be the adjusted net refiner's margin.

9.05 The adjusted net refiner's margin for the accounting period in question arrived at in accordance with the provisions of Clause 9.04, shall then be apportioned among the participants in the following manner -

(a) there shall first be determined for each participant an "apportioned quantity of residue" which for each participant shall be such quantity as bears the same proportion to the export residue for that period as the quantity of export residue exported by the participant in question and its affiliates during that period bears to the aggregate of the quantities of export residue exported by all participants and their affiliates during that period;

(b) there shall then be determined for each participant the quantity of products which has been derived from the processing of that participant's market feedstock during that period and which has been exported from New Zealand;

(c) if in the case of any participant the quantity ascertained in accordance with sub-paragraph (b) of this

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Clause 9.05 for the accounting period in question is greater than that participant's apportioned quantity of residue for that period, the amount of the difference shall be increased by 3 per cent and the resulting quantity shall be hereinafter called the "marginal export quantity";

(d) the aggregate of the quantities of market feedstock processed for each participant and its affiliates during the accounting period in question shall be reduced by the quantity (expressed in the same unit of measurement) representing that participant's marginal export quantity for that period and the resulting quantity shall be hereinafter called the "net quantity of market feedstock";

(e) there shall then be apportioned to each participant a share of the adjusted net refiner's margin for the accounting period in question which shall bear the same proportion to the adjusted net refiner's margin as that participant's net quantity of market feedstock for that period bears to the aggregate of all the participants' net quantities of market feedstock for that period.

9.06 Each participant's share of the adjusted net refiner's margin for the accounting period in question shall then be adjusted in the following manner:-

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(a) there shall first be determined for each participant the amount by which the value of that participant's apportioned quantity of residue for the accounting period in question as determined on the basis set out in Clause 9.04(a)(ii) exceeds the value of such quantity as determined on the basis set out in paragraph (2) of Clause 9.02;

(b) the amount so determined for each participant shall be deducted from that participant's share of the adjusted net refiner's margin for the accounting period in question and to the resulting amount there shall be added an amount obtained by applying a rate of 2/6 per ton to the quantity by which -

(i) the aggregate of all the quantities of feedstock processed for the participant in question and its affiliates during the accounting period in question exceeds

(ii) that participant's net quantity of market feedstock for that period;

(c) if the adjusted net refiner's margin for the accounting period in question represents a profit to the refinery company then each participant's share thereof shall be added to the amount determined for the participant in question under sub-paragraph (b) of this Clause 9.06. If the adjusted net refiner's margin for the accounting period in question represents a loss to the refinery company then the amount determined under sub-paragraph (b) of this Clause 9.06 for any participant shall be set off against that participant's share of the adjusted net refiner's margin so as to reduce the amount of the loss element or convert it to a profit element as the case may be;

(d) the resulting amount for each participant shall be the amount of the profit element to be added to, or the amount of the loss element to be deducted from, the sum of Cf and Cv for the purposes of the formula set out in Clause 9.01.

9.07 The rate of 2/6 per ton referred to in Clause 9.06(b) shall be reviewed from time to time and adjusted if need be in the light of all the relevant circumstances at the time.

9.08 If at any time there is no published posted price at the relevant supply source for any feedstock processed or product manufactured in the refinery, then for the purposes of this Article IX, the value of such feedstock or product, shall be assessed by reference to the published posted price of the nearest comparable type of feedstock or the nearest comparable type and grade of product, as the case may require, plus or minus such differential as may be reasonable having regard to the location of the supply source, the differences in their properties and all other relevant factors.

9.09 If any participant is allotted excess capacity entitlement pursuant to Article VIII, that participant's share

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of the fixed costs payable under Clause 9.01(1) shall be increased by the proportion of the fixed costs of the refinery which is referable to the excess capacity entitlement allotted to the participant in question and the share of the fixed costs payable under Clause 9.01(1) by the participant giving up such excess capacity entitlement shall be correspondingly decreased.

9.10 If and when any change in processing percentages takes place, the fixed costs for the accounting period in which the change occurs shall be so prorated over the period that no participant shall bear more than its fair share in relation to its average processing percentage for the whole period.

ARTICLE X

Additions to the Refinery

10.01 If any participant desires an addition to the refinery (hereinafter called "the addition") all the participants shall consider the means by which the addition shall be carried out, having regard for all the shareholders. If all participants do not agree thereon then the following provisions of this Article X shall apply.

10.02 The participant or participants desiring the addition shall have the right to require the addition and shall have the obligation to make available the necessary finance and, if practicable, the ownership of the addition shall remain with the participant or participants who finance it.

10.03 If it is impracticable for the ownership of the addition to remain with the participant or participants requiring it, then that participant or those participants shall make available the necessary finance by means of a loan to the refinery company and in that case the ownership of the addition shall remain with the refinery company. Unless otherwise agreed, the rate of interest payable on any such loan shall be determined in the manner provided by Clause 5.08. The loan shall be repaid and interest shall be paid out of depreciation and interest received by the refinery company under Clause 10.05 (a). In the event of the sale of the addition, the lender or lenders shall accept in full settlement of any claim for unpaid interest or for repayment of principal:-

(a) any balance of depreciation and interest received by the refinery company under Clause 10.05 (a) which has not been used to repay the loan or pay interest on the loan; and

(b) the net proceeds of sale.

10.04 The refinery company shall be responsible for the construction of, and shall operate, the addition.

10.05 In respect of the addition, the refinery company shall receive from the participant or participants who have required it, remuneration comprised of:-

(a) the fixed costs of the addition;

(b) the variable costs attributable to the use of the addition; and

(c) a reasonable service fee.

If pursuant to Clause 10.02, the ownership of the addition remains with the participant or participants requiring it, then in the assessment of the fixed costs referred to in Clause 10.05 (a), there shall be no provision for payment of interest on the capital investment involved in the addition or for depreciation.

For the purposes of this Agreement -

(i)	The expression "fixed costs"	means, in relation to the addition, those costs of the refinery company normally considered to be fixed costs in accordance with generally accepted accounting principles, including, without limitation, depreciation and loan interest and all other costs in connection with the operation and maintenance of the addition which do not fluctuate significantly with throughput, but excluding taxes on income, manufacture or throughput, and
(ii)	The expression "variable costs"	means, in relation to the addition, all costs of the refinery company in connection with the operation and maintenance of the addition other than fixed costs and other than taxes on income, manufacture or throughput.

10.06 Subject to the provisions of Clause 10.07, the participant or participants who have required and financed the addition shall have the benefits of the sole right to use the addition.

10.07 If the refinery together with the addition is able to process a greater quantity of any feedstock than the refinery would have been able to process without the addition, then -

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(a) the provisions of Clause 7.04 shall cease to have effect after the addition is first put into commercial operation;

(b) to the extent that the addition permits the processing of a greater quantity of any feedstock, the right to the use of the addition to that extent shall be made available to any participant who requires it, on the same basis as a[illegible]ies with respect to the refinery under Clauses 8[illegible] and 8.03;

(c) if pursuant to sub-para[illegible]ph (b) of this Clause 10.07 a participant obtains t[illegible] right to use the addition, such participant shall [illegible] liable for payment to the refinery company of such share of the fixed costs of, and the variable costs of operating, the addition and such share of the service fee as is appropriate, in the case of the fixed costs, to the extent of the right so obtained and, in the case of the variable costs and the service fee, to the actual use made of the addition;

(d) in the event that the addition is owned by one or more of the participants, then any participant who uses the addition but does not share in the ownership of it shall, in addition to the payment to be made to the refinery company under sub-paragraph (c) of this Clause 10.07, pay to the participant or participants who own it an amount equal to the sum of -

(i) such share of the depreciation on the addition as is appropriate to the extent to which the participant in question is given the right to use it; and

(ii) a share, appropriate to the extent to which the participant in question is given the right to use the addition, of interest on the book value of the capital investment involved in the addition calculated, in the case of any sterling element in the investment, at the current market rate in London, England and, in the case of any New Zealand currency element in the investment, at the current market rate in Wellington, New Zealand for long term loans to first class businesses on the day the right to use the addition is first made available to the participant in question.

(e) in the event that a participant uses the addition & thereby denies other capacity in the refinery which would have been available to that participant under the provisions of Clauses 8 or 9(c) & if the result of denying such capacity will be financially adverse to the Refining Company or to any other participant than the participants will review the position & make such adjustment as is fair & equitable in the circumstances.

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ARTICLE XI

Processing Agreements

11.01 Promptly after the execution of this Agreement, the participants shall cause to be prepared and executed separate processing agreements between each of the participants and the refinery company. The terms and conditions of such agreements (and of any subsequent agreements taking their place) shall be alike in all material respects and shall give effect to the relevant provisions of this Agreement including, without limitation, the provisions of Articles VI, VII, VIII, IX and X.

11.02 In particular, each processing agreement shall provide that the participant who is a party to it or the affiliates of that participant shall tender for processing each year a reasonable minimum quantity of feedstock. Such quantity shall be the quantity estimated to be required by the participant in question to be processed in 1964, with a tolerance of minus 10 per cent: Provided that no participant shall be obliged to have a greater quantity of feedstock processed than is sufficient to produce the products required by the participant in question to meet its market.

11.03 Each processing agreement shall also provide that the commencement date of the agreement shall be the date on which the refinery comes on stream and that the agreement will continue in force thereafter indefinitely subject to the right of either party to the agreement to terminate it at any time after the expiry of 10 years from the commencement date by giving not less than 3 years' prior notice in writing to the other party provided, however, that the refinery company shall not terminate the agreement with any one participant unless the refinery company at the same time terminates the agreements with all participants.

11.04 Neither the provisions of any processing agreement, nor those of any subsequent agreement taking the place of a processing agreement, giving effect to the provisions of Articles VI, VII, VIII, IX and X or of Clause 11.03 of this Agreement shall be amended without the consent of all the participants. Any other provision may be amended by agreement between the participant in question and the refinery company if not less than 7 Directors of the refinery company have approved the amendment, in which case a similar amendment shall be offered by the refinery company to all other participants.

ARTICLE XII

Construction and Operating Service Agreements

12.01 The refinery company will enter into construction and operating service agreements with an affiliate of Shell on terms acceptable to all participants whereby the affiliate of Shell will supervise the design and construction of the refinery and arrange for the provision of such staff, advice and assistance as may be required by the refinery company for the efficient operation of the refinery.

12.02 Shell undertakes that Shell's affiliate, in carrying out its duties under the service agreements, will use its best endeavours to avoid giving any impression that the refinery is being constructed or operated otherwise than by or on behalf of the refinery company.

ARTICLE XIII

Directors

13.01 The number of the Directors of the refinery company shall be not more than 11 nor less than 8, the majority of whom shall be of New Zealand nationality.

13.02 The participants undertake to secure that of the Directors on the Board of Directors at any time, two shall be persons nominated by BP, one nominated by Caltex, one nominated by Europa, two nominated by Shell and two nominated by Stanvac.

13.03 The participants undertake that, as soon as is reasonably practicable after the time when debentures of the refinery company are issued or at such earlier time as the participants shall agree, they will use their best endeavours to secure that there shall be on the Board of Directors three Directors of New Zealand nationality and residence who are independent of any oil company and who in the judgment of all the participants are persons who are qualified to serve the best interests of the refinery company.

13.04 The Chairman of the Board of Directors of the refinery company shall be nominated by the participants in rotation but, unless the participants shall otherwise agree, no Director shall serve as Chairman of the Board for more than 12 consecutive months.

ARTICLE XIV

Management and Staff

14.01 There shall be no Managing Director of the refinery company unless all participants so agree. If all participants agree that there shall be a Managing Director the appointment shall be made in accordance with the provisions of Clause 17.02 (d).

14.02 The General Manager of the refinery company shall be the chief executive of the refinery company and shall, so long as the refinery company has an operating service agreement with Shell, be appointed from nominations made by Shell.

Such appointment shall be made in accordance with the provisions of Clause 17.02 (d).

14.03 The staff of the refinery company shall be exclusively responsible to the refinery company and the participants shall not seek to exercise or claim direct control over such staff.

ARTICLE XV

Transfer or Sale of Shares

15.01 Any or all of the shares in the refinery company to which a participant is entitled hereunder may be held by any of its affiliates. References in this Agreement to the shares or shareholding of a participant shall be construed as if they included a reference to the shares or shareholding of affiliates of that participant and each participant shall secure that such of its affiliates as hold shares in the refinery company shall be bound by the provisions of this Agreement as fully and effectually as the participant in question would have been if it held in its own name all the shares in the refinery company to which it is entitled hereunder. Each participant shall ensure that, save as is otherwise expressly provided herein, no shares to which that participant is entitled hereunder shall be held otherwise than by that participant or by affiliates of that participant.

15.02 In the event that a participant wishes to transfer any or all of its shares in the refinery company otherwise than pursuant to Clauses 5.07 or 15.01, such shares shall first be offered to the other participants in the ratio of their respective shareholding percentages at the time of the offer. If any participant does not wish to take up all the shares so offered to it, the shares which that participant does not wish to take up shall then be similarly offered to the remaining participants in the ratio of their respective shareholding percentages and at the same price and upon such other terms as were stipulated in the original offer, and, if need be, further offers shall be made on the same basis until all the shares to be disposed of shall have been taken up by the other participants or until it is ascertained that there is a share or shares which none of the participants wishes to take up. Any offer of shares made under the provisions of this Clause 15.02 shall be deemed to have been rejected if it is not accepted within 30 days from the date on which the offer was made.

15.03 Any shares offered by a participant which are not taken up under Clause 15.02, may be sold to purchasers other than participants or their affiliates subject to the provisions of Clause 15.03: Provided that no such sales shall be made on terms more favorable to the purchaser or at a price lower than the price at which the shares were offered to the other participants without first reoffering them to the other participants on the same basis: And Provided further that no such sale shall be made more than six (6) months after the last offer to the other participants without first reoffering the shares to the other participants.

15.04 In the case of a transfer of shares made pursuant to Clause 15.03, the following conditions shall apply:-

(a) the participant whose shares are to be transferred shall procure that the transferee shall become a party to and be bound by all the provisions of this and all other applicable agreements and, where a transfer of only part of a shareholding is involved, all those rights and obligations of the participant in question which vary in proportion according to the number of shares held by that participant in relation to the aggregate of the shares held by all participants shall be appropriately prorated as between the participant in question and the transferee; and

(b) the participant whose shares are to be transferred shall, if so required by the other participants, indemnify the refinery company and the other participants against all losses, damages, costs and expenses which they may suffer or incur and which are attributable to any failure of the transferee, occurring within a period of five years after transfer of the shares, to perform and observe the obligations and conditions of the agreements referred to in Clause 15.04 (a).

ARTICLE XVI

Review of Shareholdings

The participants shall from time to time review their position in the refinery company to see whether any substantial difference has developed between any participant's shareholding percentage and the percentage of the total refinery capacity which is then being used by the participant in question on a sustained basis. If any such difference has developed, the participants shall consider whether any adjustment in their financial position in the refinery company would be appropriate and equitable.

ARTICLE XVII

Special Corporate Arrangements

17.01 The following matters shall always require the authority of a special resolution of the refinery company:-

(a) alteration to the Memorandum of Association or the Articles of Association or the name of the refinery company;

(b) reduction of the share capital of the refinery company;

(c) any transaction or proposal involving the sale of the undertaking of the refinery company or the liquidation of the refinery company or its merger, consolidation or amalgamation with or into any other company.

17.02 A resolution of the Directors of the refinery company in respect of any of the following matters shall not be duly passed unless at least seven Directors shall have voted in favour. For this purpose the matters in question are:-

(a) a mortgage, sale, encumbrance or other disposal of one or more capital assets of the refinery company having an aggregate original book value in excess of £200,000;

(b) any declaration or recommendation of a dividend or other distribution of the profits of the refinery company or the capitalisation of reserves of the refinery company;

(c) the contracting of loans by the refinery company which are repayable more than one year from the date on which the loan is made;

(d) the appointment of a Managing Director or General Manager of the refinery company.

ARTICLE XVIII

Performance by Affiliates

Any obligation of a participant hereunder may be performed in whole or in part by any affiliate of such participant and likewise any right available to a participant hereunder may be exercised in whole or in part by any affiliate of such participant: Provided that the participant concerned shall always remain liable hereunder for due and proper performance of all provisions of this Agreement.

ARTICLE XIX

Exceptions

No party to this Agreement shall be responsible for any failure to fulfil any term of this Agreement to the extent that fulfilment has been delayed, hindered, interfered with or prevented by any circumstances whatsoever which are not within the control of such party or any affiliate of such party.

ARTICLE XX

Arbitration

In the event of any dispute or difference between the parties hereto, or any of them, touching or concerning this Agreement or any matter arising thereout, the party or parties concerned may, by notice to the other party or parties concerned, require such dispute or difference to be referred to the arbitration of a single arbitrator to be agreed upon by the parties to the dispute or difference. Any such reference shall be a submission to arbitration in accordance with the Arbitration

Act, 1950, or any statutory variation, modification or re-enactment thereof for the time being in force.

ARTICLE XXI

Notices

Every notice to be given to any party hereto shall be given in writing to such party at its address set out below. Any party may, by giving notice to the other parties, from time to time substitute an address elsewhere as its address for the time being. Every notice to be sent to an address in the country of posting shall be given by registered first-class mail and shall be deemed to have been given at the time when it would in the ordinary course of first class mail be delivered to the addressee. Every notice to be sent to an address outside the country of posting shall be given by registered first class air mail and shall be deemed to have been given at the time when it would in the ordinary course of first class air mail be delivered to the addressee.

BP	[Address]
Caltex	[Address]
Europa	[Address]
Shell	[Address]
Stanvac	[Address]

ARTICLE XXII

Applicable Law

This Agreement shall be construed and take effect in accordance with the law of England.

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The Schedule

"affiliate" means -

(1) in relation to BP, any company which is for the time being directly or indirectly controlled by BP;

(2) in relation to Caltex,

Q Are entirely unrelated

(a) Standard Oil Company of California;

(b) Texaco Inc.; and

(c) any company (other than Caltex) which is for the time being directly or indirectly controlled by Standard Oil Company of California and Texaco Inc. or by either of them;

(3) in relation to Europa,

are they entirely separate corporate entities

(a) Todd Participants Limited;

(b) Todd Investments Limited; and

(c) any company (other than Europa) which is for the time being directly or indirectly controlled by Todd Participants Limited and Todd Investments Limited or by either of them;

(4) in relation to Shell,

Royal Dutch Shell Co.

(a) N.V. Koninklijke Nederlandsche Petroleum Maatschappij;

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(b) The "Shell" Transport and Trading Company, Limited; and

(c) any company (other than Shell) which is for the time being directly or indirectly controlled by N.V. Koninklijke Nederlandsche Petroleum Maatschappij and The "Shell" Transport and Trading Company, Limited or by either of them; and

(5) in relation to [illegible] (Mobil pet)

~~(a) Standard Oil Company;~~

~~(b) Socony Mobil Oil Company, Inc.; and~~

(c) any company ~~(other than Stanvac)~~ which is for the time being directly or indirectly [illegible] controlled by ~~Standard Oil Company and Socony Mobil Oil Company, Inc. or by either of them.~~

For the purposes of the foregoing a company is directly controlled by another company or companies holding shares carrying the majority of votes at a general meeting of the first-mentioned company; and a particular company is indirectly controlled by a company or companies (hereinafter in this paragraph called the "parent company or companies") if a series of companies can be specified, beginning with the parent company or companies and ending with the particular company, so related that each company of the series, except the parent company or companies, is directly controlled by one or more of the companies earlier in the series.

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EUROPA OIL (N.Z.) LTD 26 February 1963

CIRCULAR TO SHAREHOLDERS

Following the formation last year of Europa Refining Company Limited with a capital of £100,000, the Directors of your Company have given further consideration to the financial problems involved in the participation of the Europa Group in the New Zealand Refining Company Limited. Europa Refining Company Limited's participation in the New Zealand Refining Company Limited represents 514,285 shares of £1 each of which 10/- has been paid, the balance payable in June 1963. This total of £514,285 is the finance required by Europa Refining Company Limited for this shareholding and further capital may be required from time to time in respect of its operations.

Reference has been made before as to the effect Retention Tax has on your Company, being the only Oil Company operating in New Zealand which is subject to that tax. By the end of this year the Company's liabilities for Retention Tax will have reached substantial proportions. On the other hand, in anticipation of the funds required for the investment in the Refinery and other operations and for investments which may be required in connection with the company's various activities, your Directors could not see their way to make the substantial cash distributions required to avoid the payment of Retention Tax. As under the provisions of the Land and Income Tax Act no refund of Retention Tax is made unless the amount which was subject to that tax has been distributed within a limited period, consideration has been given to some form of distribution to avoid the ultimate payment of double tax, once in the form of Retention Tax by the Company, and later again in the form of Dividend Tax by the shareholders.

Your Directors have arrived at the conclusion that the moneys required for the participation of Europa Refining Company Limited in the Refinery should be funded by a substantial increase in the share capital of Europa Refining Company Limited, Europa Oil (N.Z.) Limited subscribing for the shares in the first place but distributing them to its ordinary shareholders by way of dividend. Accordingly, subject to the approval of the shareholders of Europa Refining Company Limited the share capital of that Company is to be increased from £100,000 to £640,000 by the creation of 540,000 ordinary shares of £1 each. These 540,000 shares will be subscribed for by Europa Oil (N.Z.) Limited, 10/- per share payable forthwith, the balance of 10/- on the 31st May 1963. Following the subscription of the 540,000 shares in Europa Refining Company Limited, Europa Oil (N.Z.) Limited will make to its ordinary shareholders a distribution of £540,000 of which £270,000 will be effected by the transfer to its shareholders of 540,000 shares in Europa Refining Company Limited (paid to 10/-) and £270,000 being paid into a special Trust Account to be opened by Europa Refining Company Limited to be applied towards payment of the call on the 31st May 1963. This will mean that after the 31st May 1963, for each six ordinary shares held in Europa Oil (N.Z.) Limited shareholders will also hold one fully paid share of £1 in Europa Refining Company Limited (in addition to any shares they hold already in that company).

As on the one hand the aforesaid distribution will attract tax in the hands of ordinary shareholders of Europa Oil (N.Z.) Limited (or where the shareholders are companies in the hands of their shareholders when the amount is passed on), and as on the other hand the Retention Tax which has been paid or would otherwise be payable by Europa Oil (N.Z.) Limited will become free, it is recommended that an additional amount be distributed in cash to ordinary shareholders in Europa Oil (N.Z.) Limited to cover their tax liability for the total distribution. Accordingly, for each ordinary share held in Europa Oil (N.Z.) Limited, shareholders will receive a cash distribution of 2/- to cover their tax liabilities.

A meeting of shareholders of Europa Refining Company Limited has been convened for the 21st March 1963, to put the foregoing proposals into effect as far as the capital structure of that Company is concerned. Enclosed is a Notice of an Extraordinary General Meeting

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of Europa Oil (N.Z.) Limited to be held on the 21st March 1963, when shareholders will be asked to sanction the distributions referred to above.

BRYAN TODD

Chairman of Directors

"M"

M. F. Hobbs, Esq.,
C/- P.O. Box 1522,
CHRISTCHURCH

20 July 1962

Dear Sir,

As you will have been made aware from newspaper reports and from references made at General Meetings of Europa Oil (N.Z.) Limited, an oil refining company known as The New Zealand Refining Company Limited has been established in New Zealand in which the majority of the shares will be held by Oil Companies operating in New Zealand or associated companies of theirs.

Europa Oil (N.Z.) Limited or such associate company as it may nominate, is entitled to subscribe for 514,286 ordinary shares of £1:0:0 each (or their equivalent in other denominations) of the £6,000,000 proposed share capital of The New Zealand Refining Company Limited. It is anticipated that all or most of this capital will be called up by the end of 1963.

For various reasons it is in the interests of shareholders of Europa that the interest in The New Zealand Refining Company Limited be held by an associate company. For this purpose a private company "Europa Refining Company Limited" has been formed with an initial capital of £10,000:0:0. It is proposed to increase the capital of this company to £100,000:0:0, the total of which is offered at par to the ordinary shareholders of Europa Oil (N.Z.) Limited, (in case of company shareholders, an approved associate company of such shareholder may be nominated for this purpose), in proportion to their respective shareholdings (to the nearest £50).

The Articles of Association of Europa Refining Company Limited follow in general the Articles of Europa Oil (N.Z.) Limited as far as applicable. The former may be inspected at the office of the Company's Solicitors, Morison, Taylor & Company, 154-156 Featherston Street, Wellington, at any time during normal office hours.

The present Directors of Europa Refining Company Limited are Mr Bryan J. Todd and Dr G. A. Lau but as and when a representative

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number of shareholders of Europa Oil (N.Z.) Limited subscribe for the shares the other members of the present Board of Europa Oil (N.Z.) Limited will be invited to join the Board of the new Company.

It is also intended that the Company will supply refinery feed stock, arrange the processing of the same and deliver the refined products to Europa Oil (N.Z.) Limited ex the refinery.

In addition to the initial capital requirement to subscribe for the shares in The New Zealand Refining Company Limited further moneys may be required by Europa Refining Company Limited to finance the other operations which are contemplated. It is estimated that its total capital requirements may be in excess of £750,000:0:0. However, as indicated above it is intended that the proposed initial share capital will be limited to £100,000:0:0 and that in the meantime the necessary capital requirements be made by advances from within the Group.

Based on your holding of 6,401 ordinary shares in Europa Oil (N.Z.) Limited you will be entitled to 200 shares of £1:0:0 each in Europa Refining Company Limited for which payment is to be made in full upon application.

Please sign the attached application form if you wish to subscribe for shares in the New Company. If you so desire you may apply for a lesser number of shares than you are entitled to. Any shares not applied for by the 9th August 1962, - the date the capital is to be increased - will be offered pro rata to such of the other shareholders as indicated on the attached form that they are prepared to subscribe for further shares.

As Europa Refining Company Limited is a private company all shares have to be subscribed for simultaneously with the capital increase. It is therefore necessary to appoint a person or persons to sign the Memorandum of Subscription on behalf of any shareholder who wishes to take up shares. For this reason the attached form includes an authority for the writer and/or Dr G. A. Lau to sign the Memorandum of Subscription on behalf of shareholders. The number of shares to

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be inserted by you in this authority should be the total nu shares applied for plus the further number of shares (if an you indicate in the first form you would wish to subscribe shares remain at the disposal of Directors. In this conne additional number (if any) would be small.

As indicated, the capital increase can only be offered shares are subscribed for. Therefore, when the capital in takes place on the 9th August 1962, only those can obtain th of shares as have forwarded their application in time to rea office before that day.

Yours faithfully,

Bryan Todd

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SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED

S.W.G. Lehman, Esq.,
Mobil Petroleum Co. Inc.,
150 East 42nd Street,
New York 17,
N.Y., U.S.A.

15 February 1963

RF/12 (SPT/41)

(Attn: Mr W. A. Arnold)

Dear Sir,

NEW ZEALAND REFINERY
VALUES OF FEEDSTOCKS

We have been giving some thought to the problem of the value to be placed on feedstocks tendered by the participants to the New Zealand Refinery for processing for which there is no published posted price - Article 9.08 of the Participants Agreement is relevant.

Although we have not yet been given any indication by participants of the type of feedstock they intend putting into the Whangarei Refinery we assume that in view of the geographical position of New Zealand and its large motor gasoline requirement, all participants will either be tendering enriched crudes, or a crude oil and a naphtha.

In this event, whilst the value of the crude itself for Refinery remuneration purposes will be easily determined by reference to appropriate postings this will probably not be the case with the enrichment. You will appreciate that if this is over-valued it would have an adverse effect on the profit margin of the refinery and the directors would probably scrutinise the values placed on such enrichment very closely. Values placed must, therefore, in our view be fully justified and we must be prepared to support them with detailed calculations.

With the above in view we have consulted BP who agree with our thoughts on this question and have given their valuation of Kuwait Naphtha; their supporting calculations are attached.

It is probable that we will tender Seria Naphtha as part of our feedstock and we have valued this and attach our calculations. Both we and BP agree with each other's valuations.

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We suggest that you and other participants consider this question and advise us of your proposed enrichment feedstock, if any, and its valuation. We believe that these valuations should first be accepted by all participants as reasonable and that they should then write individually to the Refining Company advising them accordingly.

We await with interest your comments on the foregoing.

Yours truly

For SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED

c.c. British Pet. Co. Ltd
Mr R. W. Parker, Caltex
Europa Oil (N.Z.) Ltd
Mr C. H. Ronaldson

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[illegible]
[illegible] SCHEME
([illegible] ABADAN [illegible] PRICES [illegible] 1.8.62)

1) Yield from 2,220,000 tons Kuwait Crude

	000's TONS	S.G.		f.o.b. ABADAN	£'000's	£/TON OF TH/PUT
89 (R) MS	459	0.730	(9.04)	£11.17.0.	5,438	
00 53/DT	182	0.840	(8.14)	£ 9. 5.3.	1,686	
M.DO	70	0.850	($3.00)	£ 7.19.7.	559	
200" Fuel	250	0.923	($2.21)	£ 5. 9.6.	1,369	
1000" Fuel	1,092	0.936	($1.65)	£ 4. 0.8.	4,404	
Bitumen	60	1.000	($1.65)	£ 3.15.6.	226	
	2,113					
Fuel & Loss	107					
	2,220	SG. 0.869			13,682	£6. 3. 3. $2.34¢ bbl.

ADDITIONAL YIELD FROM 792,000 TONS KUWAIT DISTILLATE

89 (R) MS	691	£11.17.0.	8,107	
Gas Oil	- 5	£ 9. 5.3.	- 46	
1000 Fuel	38	£ 4. 0.8.	153	
Fuel & Loss	68 9.5%			
	792		8,294	£10.9. 6. $3.25¢ bbl.
			Difference	$ .91¢ bbl.

2) Additional operating costs when running enriched crude which applied to 792,000 tons of Kuwait Distillate - £1,025,000 - £1.5.11. per ton

@ SG. 0.710 - $0.40¢/bbl.

Operating costs when running Kuwait Crude only 29¢/bbl.

Difference 11¢/bbl.

3) Posted price of Kuwait Crude per/bbl $1.59

Add: Difference in GPW Kuwait Crude v Kuwait Dist. (1 above) .91

2.50

Deduct: Difference in operating costs (2 above) 0.11

$2.39

@ S.G. 0.710 this equals £7.14.1. p.l.t.

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COMPARISON OF YIELD VALUES OF KUWAIT CRUDE
AND SERIA NAPHTHA BASED ON NEW ZEALAND REFINERY SCHEME
(TAKING ABADAN POSTED PRICES EFFECTIVE 17.8.62)

1) Yield from 2,220,000 tons Kuwait Crude

	000's Tons	SG.	f.o.b. ABADAN		£'000's	£/TON OF TH/PUT
89 (R) MS	459	0.730	(9.0¢)	£11.17.0.	5,438	
GO 53/DI	182	0.840	(8.1¢)	£ 9. 5.3.	1,686	
P.10.	70	0.860	($3.00)	£ 7.19.7.	559	
200" Fuel	250	0.923	($2.21)	£ 5. 9.6.	1,369	
1000" Fuel	1,092	0.936	($1.65)	£ 4. 0.8.	4,404	
Bitumen	60	1.000	($1.65)	£ 3.15.6.	226	
	2,113					
Fuel & Loss	107					
	2,220	SG 0.869			13,682	£6.3.3. $2.34¢ bbl.

ADDITIONAL YIELD FROM 714,000 TONS SERIA NAPHTHA

89 (R) MS	691	£11. 5.10.	7,801	
1000 Fuel	- 17	£ 4. 0. 8.	- 69	
Fuel & Loss	40	-	-	
	714		7,732	= £10.16. 7. $3.58 per bbl
			Difference	$1.24 per bbl

5 8%

2) Additional operating costs when running enclosed crude which applied to 714,000 tons of Seria Naphtha - approx £ 750,000 @ SG. 0755 = £1. 1. 3 per ton = $0.35 per bbl.

[illegible]

Operating costs when running Kuwait Crude only 29¢/bbl.

Difference 6¢/bbl.

3) Posted price of Kuwait Crude per/bbl $1.59

Add: Difference in OPV Kuwait Crude v Seria Naphtha (1 above) 1.24

2.83

Deduct: Difference in operating costs (2 above) 0.06

$2.77

@ S.G. 0.755 this equals £S. 8.2. p.l.t.

SPA/33 1.11.62 PH/JRB

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EXHIBIT O

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Schedule of Letter Amendments to Pricing Provisions of 1964
Feedstock Supply Contract

Date of letter amendment		New Price		Case Reference
16.3.65	Gas	48/52 D.I. Gas Oil Posted Price		3132
	Naphtha	less $0.29 bbl)		3131
	(Kuwait Crude Oil	less $0.16 bbl)		3130
	(Iranian Heavy Crude Oil	less $0.16 bbl)	effective 1.4.64	
	(Iranian Light Crude Oil	less $0.20 bbl)		
30.6.66	(Kuwait Crude Oil	less $0.18 bbl)	effective 2.5.66	3133
	(Iranian Light Crude Oil	less $0.25 bbl)		
31.10.70	(Kuwait Crude Oil	less 15%	effective 23.10.70	CS20
	(Iranian Light and (Heavy Crude Oil	less 15%	" "	
	Naphtha	less $0.41 bbl	" "	CS21
20.9.71	Kuwait and Iranian Crude	Split 60% 40% of difference OPEC cost and posted price increases	Commencing 14.11.70	CS25
20.9.71	Naphtha	less $0.49 less $0.475 less $0.601 Less $0.703	from 14.11.70 from 1.1.71 from 15.2.71 from 1.6.71	CS26
18.4.72	Naphtha Kuwait and Iranian Crude Oil	less 0.7505 Taking account of new OPEC increases	from 20.1.72	Not exhibited but Crown has copy.

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Schedule of Letter Amendments to Pricing Provisions of 1964
Feedstock Supply Contract

Date of letter amendment		New Price	
16.3.65	Gas Oil	48/52 D.I. Gas Oil Posted Price	
	Naphtha	less $0.29 bbl)	
	(Kuwait Crude Oil	less $0.16 bbl)	
	(Iranian Heavy Crude Oil	less $0.16 bbl)	effective 1.4.64
	(Iranian Light Crude Oil	less $0.20 bbl)	
30.6.66	(Kuwait Crude Oil	less $0.18 bbl)	effective 2.5.66
	(Iranian Light Crude Oil	less $0.25 bbl)	
31.10.70	(Kuwait Crude Oil	less 15%	effective 23.10.70
	(Iranian Light and (Heavy Crude Oil	less 15%	" "
	Naphtha	less $0.41 bbl	" "
20.9.71	Kuwait and Iranian Crude	Split 60% 40% of difference OPEC cost and posted price increases	Commencing 14.11.70
20.9.71	Naphtha	less $0.49	from 14.11.70
		less $0.475	from 1.1.71
		less $0.601	from 15.2.71
		less $0.703	from 1.6.71
18.4.72	Naphtha	less 0.7505	from 20.1.72
	Kuwait and Iranian Crude Oil	Taking account of new OPEC increases	

P

EXHIBIT P.

PRODUCT/NAPHTHA EXCHANGES OCTOBER 1967 - MARCH 1971

	BP OCT '67 - MARCH '68	SHELL - MARCH '68	BP 31.3.69 - 30.9.69	SHELL JULY '69 - DECEMBER '70	SHELL 1.1.71 - 31.3.71	TOTAL
...THA: QUANTITY IN ... BBLS	180,000	110,014	497,324	1,982,689	385,645	3,155,672
...UE OF NAPHTHA (1)	$529,247 (2)	$197,341	$1,126,291	$4,280,708	$824,184	$6.957,771
...DUCTS:						
...REMIUM	123,060	30,524	59,715	479,600	87,200	780,099
...EGULAR	33,560	31,425	114,092	269,700	62,930	511,707
...GO			76,556	309,600	77,400	463,556
... KEROSENE			57,570	80,800		138,370
...AL QUANTITY IN U.S. BBLS	156,620	61,949	307,933	1,139,700	227,530	1,893,732
...UE OF PRODUCTS (3)	$661,886	$242,448	$1,216,319	$5,557,114	$990,030	$8,667,797
...INGS IN COST	$132,639	$45,107	$90,028	$1,276,406	$165,846	$1,710,026

) Naphtha valued at Gulfex invoice price for f.o.b. and alternate freight rate
) Includes fee for simulated processing of N.Z.R.C.
) Products valued at posted price for f.o.b. and Spot freights

11233

Q

Q.

EXHIBIT Q.

11234

B. TODD THESIS

Europa right of supply of Feedstock from Gulf in such quantity as is required to utilise Europa's capacity in the N.Z.R.C. or to satisfy its market requirement of finished products if the total of the former and the latter exceeds the former.

(i.e. Total of Europa's available refinery capacity and product market demand)

N.B.

Long discussion Loughney, Rees, Binstead. McGarvey had said earlier that Rees said we had absolute right to exchanges. Rees argued on "charging" to refinery Europa refining capacity but avoided

a. Europa market requirements

b. conflict with "upon receipt right to exchange 9.01".

Finally recorded my view as above - as on Gulf's slowness to find (oil) in Australia, etc.

"R"

Mr R. H. Carmichael,
Europa Oil Ltd,
P.O. Box 591,
Wellington, New Zealand

June 11, 1969

Dear Bob,

Yesterday I had a talk with Mr McGarvey at which Mr Nimick attended.

Gulf are still having some difficulty in reconciling Europa's requirements of naphtha to its market position, and I would be happy to see this matter finally and completely resolved. I have advised Mr McGarvey that Europa is not "Trading" (that is not selling) naphtha to other companies in New Zealand. Europa's purchases of naphtha from Gulf relate strictly to Europa's market requirements which are satisfied in the main by Europa's availability of refinery capacity which is not governed by our equity shareholding in the refining company but by the availability of refining capacity which is from time to time used by us and which normally substantially exceeds our equity position. I have also explained that the New Zealand refinery is operating at saturation and that short fall imports are being made by other companies principally from Australian refinery sources in which I understand there has been and is currently surplus capacity available for satisfying New Zealand requirements.

Europa's market position is being currently satisfied in the main by this larger than equity capacity in the refinery plus certain exchanges with other companies of naphtha for products, principally motor gasoline, lighting kerosene and some low sulfur gas oil.

It would appear that Gulf's statistical information could tend to be misleading and I am inclined to doubt the accuracy of the information upon which Gulf have developed a view that Europa's requirements of naphtha cannot be reconciled with Europa's product market requirements. I am aware that you have taken pains to provide information to round out Gulf's knowledge but it is quite impossible for me to attempt to reconcile the differences which appear to exist in Gulf's records as against the information which you have supplied and I have therefore recommended to Mr McGarvey that the simplest way in my view to finally resolve any doubts which may still exist in the mind of Gulf would be for Gulf to send an officer to New Zealand to check the matter out with you on the spot. I have told Mr McGarvey that all our relevant records would be available for inspection and I have no doubt that after the records are thoroughly inspected the questions which appear to be still unresolved in the mind of Gulf will be finally put to rest.

May I add as a personal note that I have expressed the wish to Mr McGarvey himself, who is much interested in fishing, should come to New Zealand and combine the above mentioned function with something which I think he would enjoy more and that is a few days trout fishing on some of our streams and lakes. I hope that he will be able to accept this invitation.

Yours sincerely,

Bryan Todd

BT;el

cc: Parkman H. Clancy
J. N. McGarvey

Attachment to "Chart to illustrate the flow of Petroleum under the 1964 Gulf contracts".

1. The Legend appearing on the chart identifies a colour with the different Companies concerned as follows :

Gulf Companies	-	Red
Pan Eastern	-	Green
Europa Refining	-	Blue
Europa Oil	-	Yellow
Others	-	Brown

2. The circles indicate a passing of ownership of petroleum - squares indicate possession but not ownership.

3. The first column on the left of the charts depicts the movement of petroleum in accordance with the terms and conditions of the Gulf/Pan Eastern Processing Contract dated 10 March 1964 (page 3134).

(a) The first circle depicts Gulf Exploration Company selling crude oil to Pan Eastern as provided at clause 3.01 which reads in part -

"During each quarter, or for such other period as Paneast may from time to time agree with Gulf during the term of this Contract, Gulf shall sell or cause to be sold to Paneast and Paneast shall purchase from Gulf."

(b) The next circle depicts Pan Eastern having acquired the crude oil in accordance with clause 3.01 and passing such crude to a Gulf owned or Gulf procured refinery as provided at caluse 3.02 which reads :

"During each quarter, or for such other period as Paneast may from time to time agree with Gulf the term of this Contract, Gulf shall deliver or cause to be delivered, to refineries made available hereunder such part of the quantities of crude oil purchased by Paneast under this Contract as would be equivalent to the quantity of crude oil required to produce the quantities of feed stocks (other than crude oil) and finished products which Gulfex is obligated to supply from time to time to Europa under the shall be processed for Paneast's account into feed stocks and finished products. All risk and peril for the crude oil during delivery to the refinery and during processing shall be borne by Gulf or the supplier and refiner designated by Gulf."

(c) The next square depicts the Gulf owned or procured refinery (without ownership of the petroleum) passing back to Pan East the production resulting from processing (as per clause 3.02).

(d) The next circle depicts Pan Eastern selling the production (and crude oil not processed) to Gulf Exploration for equivalent quantities from time to time sold by Gulf Exploration to Europa Refining and the balance of product to Propet Company Limited, a Gulf arranged purchaser, as provided at clause 5.01 and 5.02 of the Contract which reads :

"Disposition of Crude Oil and Petroleum Products

5.01 Paneast agrees to sell and deliver and Gulf agrees to purchase or arrange for the purchase by others in cargo lots of the crude oils purchased hereunder by Paneast and not refined, the other feed stocks and the finished products which have been refined for Paneast from crude oil purchased by Paneast. The purchase of the crude oils, feed stocks and finished products referred to above shall be made in quantities equivalent to the quantities of such crude oils, feed stocks and finished products from time to time sold by Gulfex to Europa under the Feed Stock Supply Contract and at the same prices received by Gulfex unddr said contract. All deliveries of crude oil not processed shall be made at the loading port at which Paneast has received the crude oil and all deliveries of the feed stocks and finished products shall be made at the refinery loading ports at which such products have been processed for Paneast.

5.02 Paneast will have available from the processing of crude oil hereunder additional petroleum products to those to be purchased under the provisions of Clause 5.01 hereof. Gulf agrees to purchase, or arrange for the purchase of, such additional petroleum products so as to return to Paneast for the such additional petroleum products an amount of money equal to the difference between the prices to be received by Paneast for the crude oil, feed stocks and finished products sold under the provisions of Clause 5.01 and the cost to Paneast of the crude oil and the feed stocks and finished products processed therefrom as determined under Clause 4."

4. The second (Middle) column of the chart depicts the movement of petroleum in accordance with the Gulf Exploration/Europa Refining Feedstock Supply Contract dated 10 March 1964 (page 3112).

(a) The first circle on the left depicts Gulf Exploration selling to Europa Refining crude oil and other feed stocks as provided in clause 3.01 of the Feed Stock Supply Contract which reads in part -

"<u>Quantities and Qualities of Feed Stocks</u>

During the term of this contract Gulfex shall sell and deliver to Europa f.o.b. loading ports designated by Gulfex, and Europa shall purchase and take delivery at such loading ports, of all of Europa's New Zealand feed stock requirements".

(b) The first circle on the right depicts Propet providing marine transportation to Europa

Refining as provided at Clause 2.01 of the Contract of Affreightment (page 3149) which reads in part -

"Transportation to be Performed

During the term of this Contract Europa agrees to ship and Propet agrees to transport, or cause to be transported, in bulk for Europa's account the quantities of feed stocks, other refinery charge stocks and finished products purchased which Gulfex is obligated to supply to Europa under the Feed Stock Supply Contract."

(c) The second circle depicts Europa Refining delivering crude oil and feedstocks to New Zealand Refining Company Limited at Whangarei, New Zealand for refining in terms of the agreements between the two companies from time to time.

(d) The square depicts New Zealand Refining receiving crude and feed stocks from Europa Refining, some of which are for processing and some of which is transferred at Europa Refining's request by N.Z.R.C. to other New Zealand companies under Exchange Agreements.

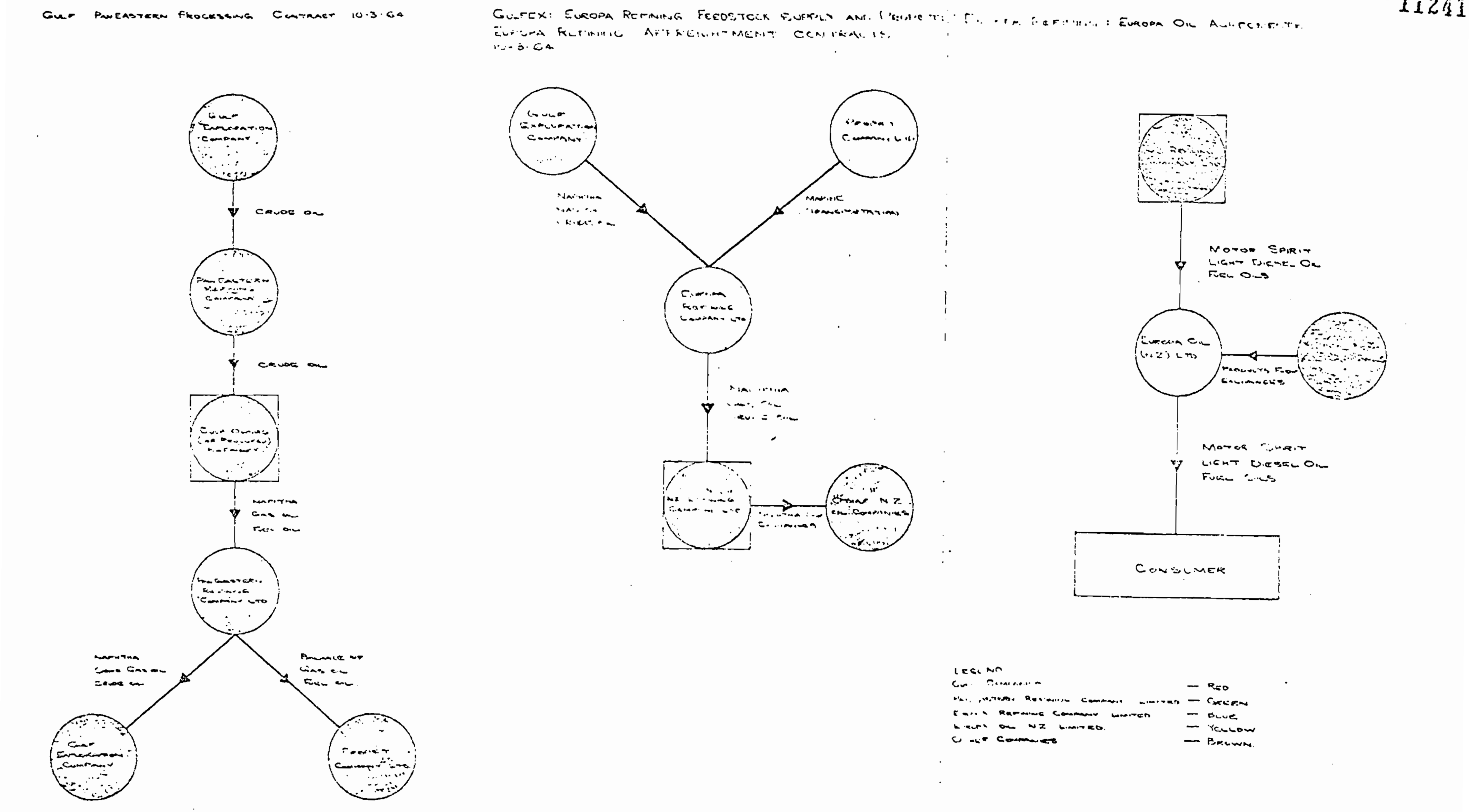
5. The third (right hand) column of the chart depicts the movement of petroleum under the Europa Refining/Europa Oil agreements (Exhibit C.S.15).

(a) The first square depicts the New Zealand Refinery delivering finished products (refined from crude and feedstocks delivered by Europa Refining) into Europa Oil in terms of B.J. Todd note - Exhibit C.S.15.

(b) The second circle depicts Europa Oil receiving such finished products and also products from other companies under Exchange Agreements and in due course selling to the consumer.

CHART TO ILLUSTRATE THE FLOW OF PETROLEUM S.
RELATIVE TO THE 1964 GULF CONTRACTS

11241



Attachment to "Chart to Illustrate the payments of money relative to the 1964 Gulf Contracts etc."

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1. The Legend appearing on the chart identifies a colour with the different companies concerned as follows :

Gulf Companies	-	Red
Pan Eastern	-	Green
Europa Refining	-	Blue
Europa Oil	-	Yellow
Others	-	Brown

2. The chart is in three separate columns each column dealing with the following three companies :

Column 1 Pan Eastern Refining Company Limited.

" 2 Europa Refining Company Limited

" 3 Europa Oil (N.Z.) Limited

In each column the large circle in the middle depicts the company concerned and is segmented to show payments and receipts. Payments are depicted by Red Arrows to a smaller circle depicting the payee; receipts are depicted by Green Arrows from smaller circles depicting the payer.

3. The first column shows a large green circle in the middle depicting Pan Eastern.

(a) The top segment depicts payment by Pan East to Gulf Exploration for purchases of crude oil as provided at clause 3.01 of the Processing Contract (page 3134) at prices determined by clauses 4.01 and 4.02 of the Contract which reads in part as follows :

"<u>Crude Oil Price and Processing Charges</u>

4.01 The price per barrel, f.o.b. port of loading, to be paid by Paneast to Gulf or to the supplier from time to time designated by Gulf for the crude oils purchased hereunder but not manufactured into petroleum products under this Contract shall be:

(a) for Kuwait crude oil, the average of the per barrel posted prices of Gulf Kuwait Company, BP Trading Limited, Esso International Inc. and Mobil International Oil Company or their successors (or such of them as post a price) for Kuwait crude oil, f.o.b. Kuwait, of an API gravity equivalent to the average gravity of the Kuwait crude oil loaded aboard the tanker less an amount equivalent to 15% of the average of said postings;

4.02 The amount per barrel, f.o.b. refinery loading port, (including the cost of the crude oil, the processing thereof and all other outgoings) to be paid by Paneast to Gulf, or to the supplier and refiner from time to time designated by Gulf, for each barrel of naphtha, gas oil and wide cut distillate processed for Paneast hereunder shall be:

(a) for naphtha, irrespective of gravity or the refinery loading port, a base price of $1.46 per barrel with said base price escalating cent for cent with any increase or decrease in the average of the posted prices of the companies specified in sub-paragraph (a) of Clause 4.01 hereof for Kuwait crude oil of $31.0^0 - 31.9^0$ API gravity above or below $1.59 per barrel;

4.02

(b) for gas oil, irrespective of gravity or the refinery loading port, a base price of $2.00 per barrel with the said base price escalating cent for cent with any increase or decrease in the average of the posted prices of the companies specified in sub-paragraph (a) of Clause 4.01 hereof for Kuwait crude oil of $31.0^0 - 31.9^0$ API gravity above or below $1.59 per barrel;

(b) The next segment to the right depicts payment by Pan Eastern to Gulf Exploration of the processing fee of 20¢ per barrel crude processed.

(c) The bottom segment of the large circle depicts income from the sale by Pan Eastern of all of the naphtha, some gas oil and a small quantity of unprocessed crude oil to Gulfex and the sale of the balance of gas oil and all of the heavy fuel to Propet as provided at clauses 5.01 and 5.02 of the Processing Contract.

(d) The remaining segment of the large circle depicts Pan East's profit from the foregoing transactions being paid to the shareholders 50% Propet and 50% Associated Motorists Petrol Co. Limited.

4. The next (middle) column shows a large Blue circle in the middle depicting Europa Refining.

(a) The first segment depicts Europa Refining paying to Gulfex for the f.o.b. value of crude and feed stocks as provided at clause 3.01 of the Gulfex/Europa Refining Feedstock Supply Contract (page 3112) at prices determined by Clause 7 of the Contract (and as amended) and on the terms set out in Clause 8 of the Contract.

(b) The next segment to the right depicts payment by Europa Refining to Propet for marine transportation as provided by Propet in accordance with Clause 2.01 at the rates provided in Clauses 4 and 5 and on the terms set out in Clause 8 of the Contract of Affreightment 10 March 1964 Propet/Europa Refining (page 3149).

(c) The next segment to the right depicts payment to New Zealand Refining Company Limited of its refining fee and cost of N.Z. coastal distribution. These payments were made on behalf of Europa

Refining by Europa Oil as advances to N.Z.R.C. Limited as provided by B.J. Todd's note - (Exhibit C.S.15).

(d) The segment at the bottom depicts sale of petroleum to Europa Oil (N.Z.) Limited under the agreements between Europa Refining and Europa Oil.

(e) The next three segments to the right depict -

(i) the receipt of alternate freight credit as provided in the Ancillary Agreement between Gulf Oil Corporation and Europa Refining (page 3176)

(ii) the receipt of sundry income, e.g., interest earnings by Europa Refining.

(iii) the receipt of dividends from N.Z.R.C. Limited arising from Europa Refining's holding of 514,286 shares in that Company

and the payment out of those amounts to Europa Refining shareholders.

5. The third (right-hand) column shows a large yellow circle depicting Europa Oil.

(a) The first segment depicts payment by way of advance to or on behalf of Europa Refining in terms of B.J. Todd's note - Exhibit C.S.15.

(b) The next segment to the right depicts Europa Oil Marketing costs.

(c) The next segment to the right depicts income from Europa Oil's sales to its customers.

(d) The segment at the bottom depicts receipt by Europa Oil of sundry income; e.g., interest, rentals, dividends.

(e) The next segment but one depicts receipt by Europa Oil of dividends from its subsidiary Associated Motorists Petrol Company Limited. (A.M.P. Co. Limited income consisted of dividends from Pan Eastern plus interest earnings and commissions).

(f) The remaining segment depicts payment by Europa Oil of dividends from the profits engendered by all the transactions just outlined.

This Chart shows also for each of the Companies in summarised form just how each company earned its profit -

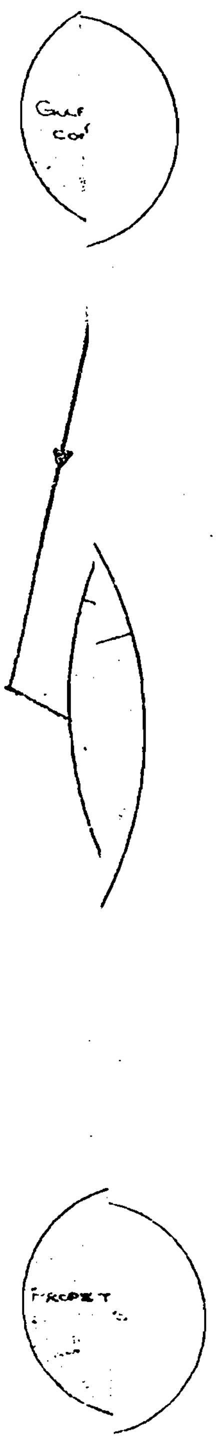
Pan Eastern: By buying crude and having most of it refined for a fee and selling the production from refining and the unprocessed crude.

Europa Refining: made profits on its affreightment contract, from interest and from N.Z.R.C. Limited dividends.

Europa Oil: made profits from marketing petroleum products in New Zealand - from sundry income and from dividend from Associated Motorists.

11247

PAN E.



LEGEND

PAN E.STE
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PAYMENTS
RECEIPTS

"U"

Rt Hon. J. R. Marshall,
Minister of Industries and Commerce,
Parliament House,
WELLINGTON

December 12, 1966

Dear Mr Marshall,

Petroleum Prices

Your letter of the 7th December has been discussed with the other representatives of the marketing companies, all of whom are more than disturbed to learn of the Government's attitude towards the oil industry, and particularly of its assertions that, since the refinery commenced production, New Zealand has been charged excessively for feedstocks, products and freights, and that in respect of the operation of the refinery the production of export residual fuel has unjustifiably caused substantial additional costs.

The allegations made against us are completely denied and can be fully answered; but this will take some time, particularly in view of the fact that the very general, but nevertheless positive statements made in your letter, are unsupported by any calculations or detailed information.

Furthermore, and although you only briefly refer to the situation regarding the action being taken by the Commissioner of Inland Revenue, we cannot agree with the inference that the two subjects can be divorced - in fact the issues in several important respects appear to be common.

Since litigation affecting all companies is pending on the tax matter and one company is already directly involved in respect of the post-refinery period, we must point out that there are legal considerations which you, as a lawyer, will appreciate may preclude at this stage, discussion on certain major points.

Because of this position and of the wide and far-reaching implications of what appear to be your intentions, the industry finds itself quite unable to prepare itself for discussions within a fortnight from the date of your letter - in fact we feel sure that on

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"U"

reflection and after taking into account the length of time the Government itself has found necessary to devote to the matter, you will agree that to confine us to a period of somewhat less than two weeks would be unreasonable.

It is therefore suggested that the proposed meeting be deferred until a convenient date in the earlier part of the year.

Yours sincerely,

J. B. PRICE

"U"

OFFICE OF THE MINISTER OF INDUSTRIES AND COMMERCE

Mr J. B. Price,
P.O. Box 2091,
WELLINGTON

7 December 1966

Dear Mr Price,

PETROLEUM PRICES

As you are aware the Government has been studying the prices at which petroleum and petroleum products are imported and supplied to the New Zealand market by the oil marketing companies. This study has involved also continuing investigations by departmental officials assisted by overseas consultants.

Sufficient progress has now been made to enable Government to set out the bases which it considers ought to be applied in the pricing of petroleum products.

Since the coming on stream of the Marsden Point refinery New Zealand has paid considerably more in exchange and in domestic product prices than would have been the case had it had the benefit of competitive arm's-length world prices for refinery feedstocks, imported refined products and freights thereon. No reason can be seen why New Zealand should not have that benefit.

It is also evident to Government that in the years prior to the Marsden Point refinery coming on stream petroleum products were imported at prices in excess of what an arm's-length purchaser could reasonably have expected to pay. I am aware that the Commissioner of Inland Revenue and the oil companies are currently involved with this issue and consequently I do not propose to deal with this earlier period in this letter.

As from the time the Marsden Point refinery commenced operations, the companies concerned with its operation have paid substantially more than arm's-length world prices for feedstocks. Although discounts have generally been received by the companies off posted prices for crude oil, they have not been on a scale sufficient to

"U"

bring them into line with arm's-length world prices. Naphtha and middle distillates have also been imported at prices substantially in excess of arm's-length world prices. Excess remittances under this heading are calculated at an average of $1.9 million per annum.

The importation of unbalanced feedstocks, requiring the re-export of substantial quantities of residual fuel oil, has been another factor unjustifiably causing substantial additional costs, involving an average of $1.6 million annually in exchange.

The prices paid for imported refined products have exceeded competitive world prices and the excess over and above such prices is estimated at $0.8 million annually.

Excess freight charges have also been incurred through the use of tankers considerably smaller than warranted by the port and storage facilities available at Marsden Point, and through freight rates being charged in excess of competitive rates. On these two counts the sum involved averages $1.0 million annually.

It will be seen that excess prices and freights have, on the information available to Government, involved an average total of about $5 million annually.

Under the Motor Spirits (Regulation of Prices) Act 1933 the Governor-General, on my recommendation, may fix the prices of gasolines. These ought to be fixed retrospectively to the coming on stream of the Marsden Point refinery. Furthermore, under the agreement between the local and overseas oil companies and the Government relating to the establishment of the New Zealand refinery, a basis is provided for the calculation of prices of all refinery products, whether or not they are subject to price control.

Since my last letter to you as the representative of the New Zealand oil marketing companies, two other matters have developed, one being the proposed extension of the Marsden Point refinery and the other the proposed pipeline from the refinery to Auckland City. Both matters, on which the Government is as desirous as are the oil companies

"U"

to make progress, are related to any agreement reached on the pricing issue, or, failing agreement, to any decision on that issue which I may make.

Ministers would like to discuss the subject with representatives of the companies as soon as possible and hope that this can be done within a fortnight of this date.

Yours faithfully,

J. R. Marshall
Minister of Industries and Commerce

V.

EXHIBIT NO.......V.........11253

EXHIBIT V.

Table of Europa Refining's imports of Crude Oil and other Feedstocks during period 1.4.66 to 31.3.71 showing value at Supply and Affreightment Contract prices for f.o.b.'s and freights and value at N.Z. Government Benchmarks for f.o.b.'s and freights.

Quantities Imported

Kuwait Crude Oil	:	2,309,557	U. S. Barrels
Naphtha	:	14,015,020	U. S. Barrels
Raw Gas Oil	:	3,052,056	U. S. Barrels

Value at Supply Contract prices for f.o.b.'s and freights

$NZ 49,716,157

Value at N.Z. Government Benchmarks for f.o.b.'s and freights

$NZ 49,940,091

"W"

Dear Sir,

Thank you for the opportunity to meet with you and your colleagues and to discuss the various pricing issues facing the Government and the industry. At our meeting on May 4, we agreed to submit an explanation of why, in our opinion, the benchmark price for naphtha for the period 14 November 1970 through 31 December 1971 should reflect the increases in costs due to increases in OPEC Government take. We also undertook to explain why we believe that heavy naphtha is a separate and distinct product from light naphtha and that the differential in quality should be reflected by an appropriate differential in price.

The Package Concept

The package concept has an important bearing on the naphtha price issue for the period 14 November 1970 through 31 December 1971. During the April 1970 negotiations both the Government and the industry favoured a package settlement in accordance with precedent previously established. In this connection the Government-announced that no prices would be finally settled until all price and freight elements were resolved. Accordingly, the naphtha components of the package (F.O.B. and freight) were agreed only after the industry had made substantial concessions on F.O.B. prices and freights for crudes, naphtha and middle distillate, with the result that the total cost of the package C & F New Zealand was extremely favourable for New Zealand. The package concept was confirmed by the Government in Mr Shelton's letter of 28 October 1970 to Mr Leslie, dealing with the two year settlement.

As an inherent part of the package the industry had earlier made a special concession by agreeing to assume for invoicing purposes that 75% of the naphtha would be shipped in large range vessels (LR-1 and LR-2) as part cargoes with crude, despite the fact that such naphtha as is sold in the third party market independently of crude sales is transported primarily as full cargoes in GP vessels. Larger vessels cannot be used for full cargoes of naphtha on a regular basis due to limitations of naphtha storage capacity at Persian Gulf ports. In 1970, at the request of the Government, Mobil set the pattern for the Industry by making the further concession in the package that for invoicing purposes it would be assumed that crude shipments would be made 65% in LR-2 vessels and 35% in LR-1 vessels, and that the naphtha freight formula would be revised downward to reflect this reduction in the crude freight formula. Thus under the package the freight component of the cost of naphtha to New Zealand was calculated as follows:

Vessel Size	% 1969	% 1970 forward
LR-2	37.5	48.75
LR-1	37.5	26.25
MR	15.0	15.0
GP	10.0	10.0
	100.0	100.0

Experience in New Zealand has shown that the Industry as a whole cannot in fact physically move either crude or naphtha on so favourable a basis. Low freight for naphtha is only possible when it is transported with associated shipments of crude, and Mobil would not have agreed to the special New Zealand naphtha freight formula except as part of the overall package.

Under these circumstances it is not reasonable to attempt to remove the F.O.B. component of the naphtha price from the package by treating it as somehow immune from the higher costs resulting from increased OPEC Government take while recognising those same higher costs for gasoline made from naphtha and for the crudes from which the naphtha is made. If, however, the F.O.B. component is to be extracted from the package and measured against what the Government claims to be market prices (discussed below), then the naphtha freight component must also be extracted from the package and actual world market freight rates submitted for the low formula freight rates agreed to in the package. Such rates would have been primarily at GP AFRA, with the result that the cost of shipping naphtha to New Zealand would have increased by an average of 26¢ per barrel over the shipping costs computed under the naphtha freight formula. This amounts to more than $2 million for the total industry for the period 14 November 1970 - 31 December 1971.

The following table compares for 1971 the C & F cost of naphtha to New Zealand computed under package F.O.B. prices (increased for OPEC Government take) and package freight rates with the C & F cost of naphtha computed at Government claimed F.O.B. "Market" prices and at market freight rates:

	Original Benchmark plus market freight	Package Formula plus OPEC
F.O.B. Price	$1.82	$1.82
OPEC increases	-	.44*
Freight	1.06	.82
Total C & F Cost:	$2.88	$3.08

*	.08	(14 November 1970)
	.29	(15 February 1971)
	.07	(1 June 1971)
	.44	

This illustration does not include any premium either for the differential between the light naphtha referred to in the trade press and the quality naphtha supplied by Mobil to the refinery, or for security of supply versus spot sales. Mobil would not have sold to any buyer as a single product the large volume of superior quality naphtha of the type required by New Zealand at the F.O.B. price now claimed by the Government unless adequate provision had been made for freight, quality differential and escalation.

The Quality Problem

"Naphtha" is a generic term for a wide range of unfinished light petroleum fractions. The term includes light, high volatility naphthas and heavy, low volatility naphthas. Naphthas are classified as light or heavy in a number of different ways, the most important being by measurement of the temperature at which 50% of the naphtha will boil off when distilled at atmospheric pressures. 50% temperatures, also referred to as midpoints, range from 60°C to 130°C. Light naphtha is broadly defined as those fractions with midpoint temperatures in the 60°C - 100°C range and heavy naphtha as those fractions with midpoint temperatures in the 100°C - 130°C range.

Generally speaking, imported naphtha with a midpoint in the 105°C - 110°C range is the most suitable for processing in the New Zealand refinery. This is because heavier naphthas yield a higher ratio of premium grade gasoline to regular grade gasoline than do lighter naphthas.

Because of its location New Zealand is not a feasible export point for petroleum products. Accordingly, operation of the refinery is controlled by the amount of regular gasoline which can be absorbed by the New Zealand market. New Zealand's requirements of regular gasoline can be met by processing either light or heavy naphtha in conjunction with whole crude. When light naphtha is used, however, the market demand for regular gasoline is met before much premium gasoline can be produced. Use of heavy naphtha produces a much larger amount of premium gasoline before the demand for regular gasoline is met.

The foregoing is important because the refinery cannot produce enough premium gasoline to satisfy New Zealand's requirements and the shortfall must be met by imports. The foreign exchange cost to New Zealand of importing light naphtha plus comparatively large amounts of premium gasoline greatly exceeds the cost of importing heavy naphtha and minimizing imports of premium gasoline. The attached schedule illustrates that during the twelve months commencing 1 July 1970 the increase in foreign exchange cost of substituting naphtha with a 100°C midpoint for the 107°C average naphtha actually run in the refinery would have exceeded $4.7 million.

Mobil has three grades of naphtha available at Ras Tanura in the Persian Gulf, namely A-305, A-310 and A-320. The A-305 is the light petrochemical type which is not suitable for the production of motor gasoline. The A-310 naphtha, normally used for the production of motor gasoline, is not always suitable for New Zealand because the specification permits the supply of a product having a midpoint as low as 79°C (the midpoint specification ranges from 79°C to 132°C), whereas the New Zealand refinery operates best on naphtha having a minimum midpoint of 107°C. Whenever Mobil's A-310 naphtha fails to meet the New Zealand midpoint requirement, however, we add a sufficient volume of the heavier A-320 blend material to obtain the required quality. In view of this minimum midpoint requirement, the naphtha Mobil supplies to New Zealand should be considered as superior in quality to the normal A-310 grade.

Our information indicates that most sales of naphtha to third parties in the Persian Gulf consist either of light petrochemical type naphtha or of limited volumes, usually spot or short term sales, of normal A-310 type naphtha which is not required to meet the minimum 107°C specification which Mobil supplies to the New Zealand refinery. Thus the naphtha prices reported in the trade press are not indicative of the value of the naphtha supplied by Mobil, first because of the quality differential, and second because of the differential between spot sales in smaller volumes and long term, large volume sales which ensure security of supply.

The attached statement compares the results of importing A-310 naphtha meeting the midpoint requirements of 107°C with A-310 quality having a midpoint, permitted by its specifications, of only 100°C. We estimate that substitution of the 100°C midpoint material for the minimum 107°C midpoint naphtha Mobil supplies to New Zealand would increase foreign exchange costs more than $4 million per year. Stated otherwise, importing 107°C naphtha at a price of $2.43 per barrel would cost no more in foreign exchange than importing 100°C naphtha at a price of $1.82.

"W"

We estimate the spot market for light petrochemical naphtha (70°C midpoint) to be in line with the naphtha price of $1.82 tabled by the Government for 1972. If in order to obtain this price level for naphtha the substitution of light naphtha for the average quality of naphtha presently supplied is preferred, we are prepared to develop this possibility. We emphasize, however, that such a substitution would substantially reduce utilisation of the refinery, particularly the reformer, and lead to higher foreign exchange costs due to increased imports of premium gasoline which cannot be produced from light naphtha in the quantities required by the New Zealand market.

Conclusion

We have demonstrated that the quality differential between the light naphtha discussed in the trade press and the heavy naphtha supplied by Mobil would justify a price differential of $.61 per barrel, with no increase in New Zealand's foreign exchange cost and with no premium for security of supply. We have also demonstrated that the OPEC increases applicable to naphtha amount to $.44 per barrel over the cost as of 13 November 1970.

In view of the foregoing, Mobil respectfully requests that the Government recognise that naphtha, like all other products in the package deal, must bear its share of increased costs actually incurred. Specifically, and in a spirit of compromise, we ask that the benchmark price for heavy naphtha be increased by $0.294 per barrel (.7¢ per gallon) for the period 14 February - 31 December 1971. This compromise would limit the adjustment to the actual increase in the posted price of this product. After applying this adjustment the package freight formula will still cause the C & F cost of naphtha to New Zealand to be below C & F world market prices for this product.

W6.

11260

NEW ZEALAND - TOTAL INDUSTRY

NZRC - COMPARISON OF PROCESSING LIGHT NAPHTHA SPIKE VERSUS HEAVIER TYPE NAPHTHA SUPPLIED 7/70-6/71

	Processing Current Quality Naphtha		Proc. Lt. Type Naphtha	
1. Feedstocks Processed @ NZRC				
Naphtha, M Bbls, 50% Pt °C	7300	@ 107 °C @ US$2.62 C & F per Bbl	4750	@ 100 °C @ US$2.62 C & F per Bbl
Crude and Other, M Bbl	16100		16100	
Total Input	23400		20850	
2. Gasoline Produced @ NZRC				
Premium Gaso, M Bbl	7800	76.5%	5600	70.0%
Regular Gaso., M Bbl	2400	23.5%	2400	30.0%
Total Mogas Produced	10200	100%	8000	100%
3. Est. Premium Gaso. Imports. MB	2000	@ US$5.43 C & F per barrel	4200	@ US$5.43 C & F per barrel
4. Est. Refinery Utilization				
Crude Unit, %	100		89	
Reformer, %	100		78	
5. Increased Foreign Exchange Costs, $	-		$4,700,000	

W1.

EXHIBIT W 1.

Bowen State Building
Bowen Street
Wellington New Zealand
Postal Address: Private Bag
Telephone 48 640
Cables: Tradbord Wellington

Department of Trade and Industry

11261

Reference

30 January 1973

RECEIVED
'73
HEAD OFFICE
ANSD.

Mr Bryan Todd,
Europa House,
P.O. Box 591,
WELLINGTON.

Dear Mr Todd,

Thank you for your letters of 24 and 25 January about the naphtha price in 1970 and 1971.

I must point out that in our view this matter is now closed. Your argument is based on OPEC costs whereas on this issue officials have consistently argued that it was the market price which was the important consideration.

You will recall that officials opposed any increase in naphtha prices until the latter part of 1972. This was because it was not until about half way through that year that there seemed to us to be any upward movement in the world price of naphtha. For this reason officials cannot see any merit in going back to review the prices in 1970 and 1971.

However in response to your request I am putting the matter before the Minister for his consideration. Either he or I will write to you when he has looked into the matter.

Yours sincerely,

(J.W.H. Clark)
Assistant Secretary

EXHIBIT X

NEW ZEALAND REFINING COMPA[illegible] LIMITED
FEEDSTOCK AND PRODUCTS POSITION
PERIOD 1 JANUARY - 31 MARCH 1967
AMENDED

X

CONSOLIDATED

(all quantities U.S. Barrels)

	Opening Stock Entitlement	Adjustments	Receipts	Production		Deemed Intake	Coastwise Shipments	Other Deliveries	Fuel and Loss	Closing Stock Entitlement		Prog Perc
Kuwait Crude	1134211		1885419		3019630	1920006				1099624	3019630	
Agha Jari Crude	445222		806484		1251706	824057				427649	1251706	
Qatar Crude	13989		612081		626070	635984				(9914)	626070	
Seria Crude	(128130)		244947		116817	297590				(180773)	116817	
M.E. Naphtha	216418	227870	1361110		1805398	1841409				(36011)	1805398	
F.E. Naphtha	(577012)	(227870)	218311		(586571)	–				(586571)	(586571)	
Middle Distillate	(100824)		115123		14299	62532				(48233)	14299	
										665,771		
Intermediate Variation	316194				316194	(41923)				358117	316194	
Premium Gasoline	23457			1641028	1664485		~~1542548~~ 1543[illegible]	[illegible]		120837	1664485	
Regular Gasoline	29117		[illegible]	846295	875412		823829			51583	875412	
A.G.O.	16957			937052	954009		832521			121488	954009	
M.D.O.	24673			54039	78712		75216			3496	78712	
L.F.O.	3945			220891	224836		119501	1124		104211	224836	
H.F.O.	13051			458087	471138		436078	554		34506	471138	
L.B.F.	–			12747	12747		12747			–	12747	
H.B.F.	–			121551	121551		121551			–	121551	
Power Station Fuel	–			203930	203930			203930		–	203930	
Bitumen	25069			183951	209020		175738	4411		28871	209020	
Residue	162040			408650	570690		365213			205477	570690	
Manufacturing Gases				269690	269690				269690		269690	
Liquid Fuel			[illegible]	43565	43565				43565		43565	
Losses				138179	138179				138179		138179	
Total	1618377	–	5243475	5539655	12401507	5539655	4506042	210019	451434	1694357	12401507	

11262

SUMMARY OF INDIVIDUAL COMPANIES DEEMED INTAKE AND CLOSING STOCK ENTITLEMENT

POSITION PERIOD 1 JANUARY 1967 TO 31 MARCH 1967

DEEMED INTAKE

U.S. BARRELS

	BP (N.Z.) LTD	CALTEX	EUROPA	MOBIL	SHELL	TOTAL
KUWAIT CRUDE	681,438	153,444	129,181	305,489	650,454	1,920,006
AGHA JARI CRUDE	144,526	413,371		266,160		824,057
QATAR CRUDE				635,984		635,984
SERIA CRUDE					297,590	297,590
M.E. NAPHTHA	221,150	271,534	455,229	540,934	352,562	1,841,409
F.E. NAPHTHA						-
MIDDLE DISTILLATE	33,905			22,518	6,109	62,532

CLOSING STOCK ENTITLEMENT

	BP (N.Z.) LTD	CALTEX	EUROPA	MOBIL	SHELL	TOTAL
KUWAIT CRUDE	(327,479)	339,891	2,362	127,565	957,285	1,099,624
AGHA JARI CRUDE	102,677	(27,424)	(27,713)	118,026	262,083	427,649
QATAR CRUDE				(9,914)		(9,914)
SERIA CRUDE					(180,773)	(180,773)
M.E. NAPHTHA	(203,076)	(94,787)	(177,841)	(145,342)	585,035	(36,011)
F.E. NAPHTHA					(586,571)	(586,571)
MIDDLE DISTILLATE	(38,632)		5,026	(15,253)	626	(48,233)
						665,771

11263

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EXHIBIT Z.

PHYSICAL STOCK MOVEMENTS FEEDSTOCKS

PERIOD 1 JANUARY - 31 MARCH 1967

AMENDED

(all quantities U.S. Barr

	Kuwait Crude	A.J. Crude	Qatar Crude	Seria Crude		M.E. Naphtha	F.E. Naphtha	Midd. Distil		T
pening Stock	404463	80132	38565			198644	274779	7291		1003874
djustments						227870	(227870)			
eceipts	1885419	806484	612081	244947		1361110	218511	115123		52434
	2289832	886616	650646	244947		1787624	265220	122414		6247349
ntakes	1851634	885619	624044	240990		1730602	144029	104660		5581578
losing Stock	438248	997	26602	3957		57022	121191	17754		66577
	2289832	886616	650646	244947		1787624	265220	122414		624734

ATHELVISCOUNT ALLOCATION OF BUNKERS

Total	B.P.	Caltex	Europa	Mobil	Shell
Users Share	17.0%	14.5%	14.5%	29.0%	25.0%
13391	2277	1942	1942	3883	3347

CLOSING STOCK INTERMEDIATE PRODUCTS

	SLOPS	PLAT FEED	PREM COMP	L.G.O.	H.G.O.	FLASH DIST	REG COMP	LIGHT TOPS	TOTAL
	14553	30606	112111	45681	23764	23485	78174	29743	358117
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4272	[illegible]

11264

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BB 1

EXHIBIT BB

11265

SUMMARY OF PAN EASTERN GENERAL LEDGERS 1968

Title	A/c No.	$US DR	CR
Morgan Grenfell & Co Ltd - regular a/c	1011	19,428.77	-
Morgan Grenfell & Co Ltd - time deposit	1011	356,715.91	-
Propet Co Ltd	1151/2	1,806,483.01	-
Vouchers Payable - Pittsburgh	4111/4010	-	-
Gulf Exploration Co	4216	-	-
Dividends Payable	4110	-	-
Capital Stock issued	4830	-	280,000.00
Earned Surplus	4861	-	1,902,627.69
Deduction from Surplus Dividends ..	4865/4955	-	-
Gross operating revenue Crude for Resale: Gulfex	5000	-	-
[illegible]ss operating revenue Crude for Resale: Gulfex/Propet	5000	-	-
Gross operating revenue Distillate: Gulfex	5000	-	-
Gross operating revenue Gas Oil: Gulfex	5000	-	-
Gross operating revenue Gas & H.F.O.: Propet	5000	-	-
Purchases and Purchase costs: Process [illegible]es: Gulfex	6000	-	-
Purchases and Purchase costs: Crude for Processing: Gulfex	6000	-	-
Purchases and Purchase costs: Crude for resale: Gulfex	6000	-	-
Administrative and General expenses ..	8400	-	-
Other income	9100	-	-
		2,182,627.69	2,182,627.69

SUMMARY OF ITEMS MAKING UP EARNED SURPLUS $1,902,627.69

Purchases & Purchase Costs:-		Sales:-	
Crude for processing: A/c 6000	20,014,271.60	Sales of Distillate: Gulfex A/c 5000	4,760,967.58
[illegible]e for resale A/c 6000	552,328.31	Sales of Gas Oil: Gulfex A/c 5000	1,552,570.11
Processing fees A/c 6000	2,961,786.40	Sales of Crude: Gulfex A/c 5000	576,235.98
Processing profit for 1968 year	3,481,330.00	Sales of Gas Oil H.F.O.: Propet A/c 1151/2	20,119,942.64
	$27,009,716.31		$27,009,716.31
Admin/Gen Expenses A/c 8400	1,791.83	Processing Profit	3,481,330.00
Total Profit	3,499,087.50	Other income A/c 9100	19,549.33
	$ 3,500,879.33		$ 3,500,879.33
Dividends paid 1968 A/c 4865	4,344,041.00	Total Profit	3,499,087.50
Balance C/f	1,902,627.69	Balance from 1967 A/c 4861	2,747,581.19
	$ 6,246,668.69		$ 6,246,668.69

SHEET NO. 1 BB, ACCOUNT NO. 101

TERMS NAME MORGAN ..ENFELL & CO., LTD.

RATING ADDRESS REGULAR ACCOUNT

CREDIT LIMIT

DATE 1966		ITEMS	FOL.	DEBITS	CREDITS	DR. OR CR.	BALANCE
Aug	31	Balance Forward					18901.65
Sept	30	Vo No. 9-1		840000.00			
	30	Vo No. 9-1			840000.00		
	30	Vo No. 9-4			840000.00		
	30	Vo No. 9-4		840000.00			
	30	Vo No. 9-4		837615.00			
	30	Vo No. 9-4			837615.00		18901.65
Nov	30	Vo No. 11-2			1.04		18900.61
Dec	31	To Balance			18900.61		-0-
1967							
Jan	1	Balance Forward					18900.61
	31	Vo No. 01-0003		466.33			19366.94
Mar	31	Vo No. 03-0006		629212.50			
	31	Vo No. 03-0006			629212.50		19366.94
June	30	Vo No. 06-0002			440.07		18926.87
July	31	Vo No. 07-0001		394.01			19320.88
Dec	31	Vo No. 12-0007			.61		19320.27
	31	To Balance			19320.27		--
1968							
Jan	1	Balance Forward					19320.27
	31	Vo No. 01-0003		342.25			
	31	Vo No. 01-0003			45.32		19617.20
Mar	31	Vo No. 03-0003		2711758.78			
	31	Vo No. 03-0003			2711411.94		
	31	CM No. 03-0006		.67			19887.71
Apr	30	Vo No. 04-0003			173.01		19714.70
June	30	Vo No. 06-0007		.63			19715.33
Aug	31	Vo No. 08-0003		1293.74			21009.67
Sept	30	Vo No. 09-0004			6.20		21002.87
Oct	31	Vo No. 10-0003			1583.60		19419.27
Dec	31	Vo No. 12-0004		837423.50			
	31	Vo No. 12-0004			837423.50		~~19419.27~~
	31	Vo No. 12-0007		9.50			19428.77
	31	To Balance			19428.77		--
1969							
Jan	1	Balance Forward					19428.77
	~~31~~	~~Vo No. 01-0003~~		~~1289.10~~			~~20717.87~~

BB2

11266

SHEET NO. —

ACCOUNT NO. 1

TERMS

NAME MORGAN GRENFELL & CO., LTD.

RATING

ADDRESS TIME DEPOSIT ACCOUNT

CREDIT LIMIT

DATE '66	ITEMS	FOL.	DEBITS	CREDITS	DR OR CR	BALANCE
Aug 31	Balance Forward					392 293.15
Dec 31	To Balance			392 293.15		
1967						
Jan 1	Balance Forward					392 293.15
31	V. No. 01-0003		13 350.84			405 643.99
Apr 30	V. No. 04-0002		7 127.64			412 771.63
Oct 31	V. No. 10-0003		12 677.70			425 449.33
Dec 31	V. No. 12-0007			1 792.53		423 656.80
31	To Balance			423 656.80		—
1968						
Jan 1	Balance Forward					423 656.80
Mar 31	V. No. 03-0003		1 335 336.73			
31	V. No. 03-0003			1 419 436.73		339 536.80
Jun 30	V. No. 06-0003		11 001.76			350 538.56
June 30	V. No. 06-0002			39.88		350 498.68
July 31	V. No. 07-0003		6 247.16			356 745.84
Aug 31	V. No. 08-0004			29.93		356 715.91
Dec 31	To Balance			356 715.91		—
1969						
Jan 1	Balance Forward					356 715.91
31	V. No. 01-0003		12 989.10			
Mar 31	V. No. 03-0006		16.78			369 721.79
July 31	V. No. 07-0003		12 480.50			382 202.29
Aug 31	V. No. 08-0004			47.84		382 154.45
Dec 31	To Balance			382 154.45		0
1970						
Jan 1	Balance Forward					382 154.45
31	V. No. 01-0003		15 344.48			397 498.93
Mar 31	V. No. 030003			108 383.00		289 115.93
31	V. No. 03-0007		42.84			289 158.77
Dec 31	To Balance			289 158.77		—
1971						
Jan 1	Balance Forward					289 158.77
31	V. No. 01-0001		10 907.64			300 066.41

883

11267

ACCOUNT NO. 1152 SHEET NO. 2

NAME PROPET COMPANY LIMITED

ADDRESS

TERMS

RATING:

CREDIT LIMIT

DATE 1967	ITEMS	FOL.	DEBITS	CREDITS	DR. OR CR.	BALANCE
Jan. 1	Balance Forward					2514,604.12
31	Vo. No. 01-0001		1906,716.17			
31	Vo. No. 01-0002			1544,609.53		2946,710.76
Mar. 31	Vo. No. 03-0002			1292,302.06		
31	Vo. No. 03-0003			1292,302.05		362,106.65
Apr. 30	Vo. No. 04-0001		2452,192.73			
30	Vo. No. 04-0002			2131,311.87		682,917.51
May 31	Vo. No. 05-0001		2622,151.44			
31	Vo. No. 05-0002			2,149,770.62		1,155,298.33
July 31	Vo. No. 07-0001		2,765,497.89			
31	Vo. No. 07-0002			2302,281.89		1,618,514.33
Aug. 31	Vo. No. 08-0001		1,511,263.22			
31	Vo. No. 08-0002			1,141,841.58		1,987,935.97
Sept. 30	Vo. No. 09-0001		2,149,155.11			
30	Vo. No. 09-0002			2,471,956.61		2,351,135.17
Oct. 31	Vo. No. 10-0001		2,409,491.78			
31	Vo. No. 10-0002			2,092,799.98		2,675,533.97
Nov. 30	Vo. No. 11-0001		2,473,233.35			
30	Vo. No. 11-0002			2007,414.77		3,141,353.05
Dec. 31	Vo. No. 12-0001		1,122,533.18			
31	Vo. No. 12-0003			837,423.50		
31	Vo. No. 12-0004			837,423.50		
31	Vo. No. 12-0005			782,556.22		1,806,483.01
31	To Balance			$\boxed{1806483.01}$		
1968						
Jan. 1	Balance Forward					1,806483.01
31	Vo. No. 01-0001		1,857734.33			
31	Vo. No. 01-0002			1,499955.23		
Feb. 29	Vo. No. 02-0001		2435922.24			
29	Vo. No. 02-0002			1,972742.76		
Mar. 31	Vo. No. 03-0001		1,446096.75			
31	Vo. No. 03-0002			1,087895.95		
31	Vo. No. 03-0003			775,736.00		
31	Vo. No. 03-0004			776736.00		1,434,170.39
Apr. 30	Vo. No. 04-0001		2520653.47			
30	Vo. No. 04-0002			2210095.57		1.744728.79
[illegible]	Vo. No. 06-0001		2254,760.03			

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11268

SHEET NO. 1 ACCOUNT NO. 4830

TERMS NAME CAPITAL STOCK ISSUED

RATING ADDRESS

CREDIT LIMIT

DATE		ITEMS	FOL.	DEBITS	CREDITS	DR OR CR	BALANCE
1966							
Aug	31	Balance Forward					280000 00
Dec	31	To Balance		280000 00			---
1967							
Jan	1	Balance Forward					280000 00
Dec	31	To Balance		280000 00			0
1968							
Jan	1	Balance Forward					280000 00
Dec	31	To Balance		280000 00			-0-
1969							
Jan	1	Balance Forward					280000 00
Dec	31	To Balance		280000 00			0
1970							
Jan	1	Balance Forward					280000 00
Dec	31	To Balance		280000 00			0
1971							
Jan	1	Balance Forward					280000 00

11269

138s

ACCOUNT NO. 486.

TERMS

NAME EARNED SURPLUS

RATING

ADDRESS

CREDIT LIMIT

DATE	ITEMS	FOL.	DEBITS	CREDITS	DR. CR.	BALANCE
'66						
Aug. 31	Balance Forward					249754.72
Dec. 31	V. N. 12-5		1675230.00			
31	V. N. 12-5			2775479.59		1350004.31
31	To Balance		1350004.31			---
1967						
Jan. 1	Balance Forward					1350004.31
Dec. 31	V. N. 12-0001		165817.3			
31	V. N. 12-0009			2672583.61		
31	V. N. 12-0009		1252425.00			2747581.19
31	To Balance		2747581.19			---
1968						
Jan. 1	Balance Forward					2747581.19
Dec. 31	V. N. 12-0008		844953.50			1902627.69
31	To Balance		1902627.69			-0-
1969						
Jan. 1	Balance Forward					1902627.69
Dec. 31	V. N. 12-0006			274106.75		
31	To Balance		2176734.44			0
1970						
Jan. 1	Balance Forward					2176734.44
Dec. 31	V. N. 12-0005		586007.76			1590726.68
31	To Balance		1590726.68			0
1971						
Jan. 1	Balance Forward					1590726.68

886

11270

SHEET NO. 1 ACCOUNT NO.

TERMS NAME PURCHASES AND PURCHASE COSTS

RATING ADDRESS 6001-001-110 - CRUDE FBR PROCESSING - GULFEX

CREDIT LIMIT

DATE 1966	ITEMS	FOL.	DEBITS	CREDITS	DR. OR CR.	BALANCE
Aug 31	Balance Forward					11,038 573 58
Nov 30	Vo No. 11-1		2643346 14			13,681 919 72
Dec 31	Vo No. 12-5			401767 16		13,280 152 56
31	Vo No. 12-6			13280152 56		---
1967						
Jan 31	Vo No. 01-0001		1,935 137 17			1,935 137 17
Feb 28	Vo No. 02-0001		2851 639 32			4,786 776 49
Mar 31	Vo No. 03-0001		2721 531 77			7,508 308 26
May 31	Vo No. 05-0001		1,508 383 47			9,016 691 73
July 31	Vo No. 07-0001		2,698 277 86			11,714 969 59
Aug 31	Vo No. 08-0001		1,827 228 00			13,542 197 59
Oct 31	Vo No. 10-0001		2,557 232 62			16,099 430 21
Nov 30	Vo No. 11-0001		2,157 872 48			18,257 302 69
Dec 31	Vo No. 12-0009			18,257 302 69		---
1968						
Jan 31	Vo No. 01-0001		1925 195 53			1,925 195 53
Apr 30	Vo No. 04-0001		2350 216 60			4275 412 13
May 31	Vo No. 05-0001		2619 494 87			6894 907 00
July 31	Vo No. 07-0001		2770 093 87			9665 000 87
Aug 31	Vo No. 08-0001		1,605 522 53			11,270 523 40
Sep 30	Vo No. 09-0001		2,732 335 66			14002 859 06
Oct 31	Vo No. 10-0001		2,309 055 32			16,311 914 38
Nov 30	Vo No. 11-0001		2,487 350 61			18,799 264 99
Dec 31	Vo No. 12-0001		1,215 006 61			20,014 271 60
31	Vo No. 12-0008			20014 271 60		---
1969						
Jan 31	Vo. No. 01-0001		1,878 906 66			
Feb 29	Vo. No. 02-0001		2,452 203 50			
Mar 31	Vo. No. 03-0001		1,505 773 73			5,836 883 89
Apr 30	Vo No. 04-0001		2425 610 31			8,262 564 20
June 30	Vo No. 06-0001		2270 943 02			10,533 507 22
July 31	Vo No. 07-0001		2337 816 59			12,871 323 81
Aug 31	Vo No. 08-0001		2418 095 69			15,289 419 50
Sep 30	Vo No. 09-0001		2164 967 75			17454 387 35
Nov 30	Vo No. 11-0004		2602 281 57			20056 674 92
Dec 31	Vo No. 12-0001		2686 857 68			22743 532 60
31	Vo No. 12-0006			22743532 60		

887

11271

SHEET NO. 1 ACCOUNT NO. 6

TERMS NAME PURCHASES AND PURCHASE COSTS

RATING ADDRESS 6001-000-110 - CRUDE FOR RESALE - GULFEX

CREDIT LIMIT

DATE 1967	ITEMS	FOL.	DEBITS	CREDITS	DR OR CR	BALANCE
Jan 31	Vo. No. 01-0001		135 517.08			135 517.08
Feb 28	Vo. No. 02-0002		194 734.81			330 251.89
Mar 31	Vo. No. 03-0001		97 708.04			
31	Vo. No. 03-0004			165 125.95		262 833.98
May 31	Vo. No. 05-0001		188 708.59			451 542.57
July 31	Vo. No. 07-0001		46 253.74			497 796.31
Aug 31	Vo. No. 08-0001		211 813.84			709 610.15
Oct 31	Vo. No. 10-0001		21 911.87			731 522.02
Dec 31	Vo. No. 12-0009			731 522.02		--
1968						
Jan 31	Vo. No. 01-0001		60 483.68			60 483.68
Apr 30	Vo. No. 04-0001		106 129.24			166 612.92
May 31	Vo. No. 05-0001		24 417.55			191 030.47
Aug 31	Vo. No. 08-0004		39 701.66			230 732.13
Sep 30	Vo. No. 09-0001		99 450.13			330 182.26
Oct 31	Vo. No. 10-0001		110 122.92			440 305.18
Nov 30	Vo. No. 11-0001		9 534.83			449 840.01
Dec 31	Vo. No. 12-0001		102 488.30			552 328.31
31	Vo. No. 12-0008			552 328.31		-0-
1969						
Jan 31	Vo. No. 01-0001		64 693.60			
Feb 29	Vo. No. 02-0001		21 796.99			
Mar 31	Vo. No. 03-0001		130 188.64			216 679.23
Apr 30	Vo. No. 04-0001		137 490.80			354 170.03
Nov 30	Vo. No. 11-0003		108 687.63			462 857.66
Dec 31	Vo. No. 12-0001		113 123.25			575 980.91
31	Vo. No. 12-0006			575 980.91		0
1970						
Feb 28	Vo. No. 02-0001		23 961.07			23 961.07
June 30	Vo. No. 06-0001		352 944.23			376 905.30
Aug 31	Vo. No. 08-0001		105 365.64			482 270.94
Sept 30	Vo. No. 09-0001		203 779.17			686 050.11
Dec 31	Vo. No. 12-0002		186 032.70			872 082.81
31	Vo. No. 12-0005			872 082.81		0

888

11272

SHEET NO. 1 ACCT. NO. 00

TERMS NAME PURCHASES AND PURCHASE COSTS

RATING ADDRESS 6741-000-110 - PROCESSING FEES - GULFEX

CREDIT LIMIT

DATE 1966		ITEMS	FOL.	DEBITS	CREDITS	DR OR CR	BALANCE
Aug	31	Balance Forward					1,520,287.60
Nov	30	Vo. No. 11-1		385,503.80			1,905,791.40
Dec	31	Vo. No. 12-6			1,905,791.40		-0-
1967							
Jan	31	Vo. No. 01-0001		286,368.80			286,368.80
Feb	28	Vo. No. 02-0001		421,996.20			708,365.00
Mar	31	Vo. No. 03-0001		402,742.40			1,111,107.40
May	31	Vo. No. 05-0001		223,216.20			1,334,323.60
July	31	Vo. No. 07-0001		399,301.20			1,733,624.80
Aug	31	Vo. No. 08-0001		270,400.00			2,004,024.80
Oct	31	Vo. No. 10-0001		378,428.80			2,382,453.60
Nov	30	Vo. No. 11-0001		319,330.00			2,701,783.60
Dec	31	Vo. No. 12-0009			2,701,783.60		-0-
1968							
Jan	31	Vo. No. 01-0001		284,897.60			284,897.60
Apr	30	Vo. No. 04-0001		347,793.80			632,691.40
May	31	Vo. No. 05-0001		387,642.60			1020,334.00
July	31	Vo. No. 07-0001		409,928.80			1430,262.80
Aug	31	Vo. No. 08-0001		237,591.20			1,667,854.00
Sep	30	Vo. No. 09-0001		404,341.20			2,072,195.20
Oct	31	Vo. No. 10-0001		341,702.60			2,413,897.80
Nov	30	Vo. No. 11-0001		368,087.40			2,781,985.20
Dec	31	Vo. No. 12-0001		179,801.20			2,961,786.40
	31	Vo. No. 12-0008			$\boxed{2961786.40}$		
1969							
Jan	31	Vo. No. 01-0001		279,047.60			
Feb	29	Vo. No. 02-0001		362,886.20			
Mar	31	Vo. No. 03-0001		222,830.00			863,763.80
Apr	30	Vo. No. 04-0001		358,961.20			1222,725.00
June	30	Vo. No. 06-0001		336,062.60			1558,787.60
July	31	Vo. No. 07-0001		345,958.80			1904,746.40
Aug	31	Vo. No. 08-0001		357,838.80			2262,585.20
Sep	31	Vo. No. 09-0001		320,380.00			2582,965.20
Nov	30	Vo. No. 11-0004		385,096.20			2968,061.40
Dec	31	Vo. No. 12-0001		397,611.20			3365,672.60
	31	Vo. No. 12-0066			3365,672.60		0

1389

11273

SHEET NO. 1 ACCOUNT NO. 8

TERMS NAME ADMINISTRATIVE AND GENERAL EXPENSE

RATING ADDRESS
CREDIT LIMIT

DATE	ITEMS	FOL.	DEBITS	CREDITS	DR. OR CR.	BALANCE
1967						
June 30	V. No. 06-0001		440.07			440.07
Dec 31	V. No. 12-0007			1.81		438.26
31	V. No. 12-0009			438.26		-0-
1968						
Jan 31	V. No. 01-0003		45.32			45.32
Mar 31	V. No. 03-0006		.03			45.35
Aug 31	V. No. 08-0005		173.01			218.36
June 30	V. No. 06-0002			.63		217.73
Oct 31	V. No. 10-0001		1583.60			1801.33
Dec 31	V. No. 12-0007			9.50		1791.83
31	V. No. 12-0008			1791.83		-0-
1969						
Nov 30	V. No. 11-0003		1507.74			1507.74
Dec 31	V. No. 12-0005		98.90			1606.64
31	V. No. 12-0004			.27		1606.37
31	V. No. 12-0006			1606.37		0
1970						
Oct 31	V. No. 10-0003		1712.36			1712.36
Dec 31	V. No. 12-0001		99.30			1811.66
31	V. No. 12-0006			1811.66		0
1971						
Jan 31	V. No. 01-0001		1.20			1.20

BB10

11274

ACCOUNT NO. 4865 4955

TERMS

NAME DEDUCTIC FROM SURPLUS - DIVIDENDS

RATING

ADDRESS

CREDIT LIMIT

DATE 1966		ITEMS	FOL.	DEBITS	CREDITS	DR. OR CR.	BALANCE
Sept	30	V. No. 9-2		1675230 00			1675230 00
Dec	31	V. No. 12-5			1675230 00		--
1967							
Mar	31	V. No. 03-0004		1258425 00			1258425 00
Dec	31	V. No. 12-0009			1258425 00		--
1968							
Mar	31	V. No. 03-0001		2669194 00			2669194 00
Dec	31	V. No. 12-0004		1674847 00			4344041 00
	31	V. No. 12-0001			$\boxed{4344041\ 00}$		--
1969.							
Mar	31	Vo No. 03-0005.		1551472 00			1551472 00
Nov	30	V. No. 11-0001		2154212 00			3705684 00
Dec	31	V. No 12-0006			3705684 00		0
1970							
Mar	31	Vo No 03-0001		2165188 00			[illegible]188 00
Oct	31	Vo No 10-0001		2878509 00			[illegible]97 00
Dec	31	Vo No 12 0005			5043697 0-		0

BB11

11275

ACCOUNT NO. 5890

TERMS | NAME GROSS O ATING REVENUE

RATING | ADDRESS 5001-286-160 - DISTILLATE - GULFEX

CREDIT LIMIT

DATE 1966		ITEMS	FOL.	DEBITS	CREDITS	DR OR CR	BALANCE
Aug	31	Balance Forward					2432238 02
Nov	30	Vo. No. 11-1			622974 06		3055212 08
Dec	31	Vo. No. 12-5		3055212 08			--
1967							
Jan	31	Vo. No. 01-0001			462771 90		462771 90
Feb	28	Vo. No. 02-0001			681945 94		1144717 84
Mar	31	Vo. No. 03-0001			637944 12		
	31	Vo. No. 03 0002		13503 88			1769158 08
May	31	Vo. No. 05-0001			353574 54		2122732 62
July	31	Vo. No. 07-0001			632493 18		2755225 80
Aug	31	Vo. No. 08-0001			428313 60		3183539 40
Oct	31	Vo. No. 10-0001			599431 14		3782970 54
Nov	30	Vo. No. 11-0001			505818 72		4288789 26
Dec	31	Vo. No. 12-0009		4288789 26			--
1968							
Jan	31	Vo. No. 01 0001			455836 00		455836 00
Apr	30	Vo. No. 04-0001			562034 70		1017870 70
May	30	Vo. No. 05-0001			626430 28		1644300 98
July	30	Vo. No. 07-0001			649327 14		2293628 12
Aug	31	Vo. No. 08-0001			376344 54		2669972 66
Sept	30	Vo. No. 09-0001			653415 46		3323388 12
Oct	31	Vo. No. 10-0001			552191 24		3875579 36
Nov	30	Vo. No. 11-0001			594829 40		4470408 76
Dec	31	Vo. No. 12-0001			290558 82		4760967 58
	31	Vo. No. 12-0008		4760967 58			--
1969							
Jan	31	Vo. No. 01-0001			444876 00		
Feb	29	Vo. No. 02-0001			586424 18		
Mar	31	Vo. No. 03-0001			360093 28		1391393 46
Apr	30	Vo. No. 04-0001			568594 62		1959988 08
June	30	Vo. No. 06-0001			543077 00		2503065 08
July	30	Vo. No. 07-0001			553534 00		3056599 08
Aug	31	Vo. No. 08-0001			566816 58		3623415 66
Sept	30	Vo. No. 09-0001			507481 92		4130897 58
Nov	30	Vo. No. 11-0004			616154 00		4747051 58
Dec	31	Vo. No. 12-0001			642539 78		5389591 36
	31	Vo. No. 12-0606		5389591 36			0

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11276

ACCOUNT NO 5000

TERMS

NAME GROSS OPERATING I NUS

RATING

CREDIT LIMIT

ADDRESS 5001-286-190 - GASBIL - GULFEX

DATE	ITEMS	FOL.	DEBITS	CREDITS	DR OR CR	BALANCE
Aug 31	Balance Forward					813327 48
Dec 31	Vo No 12-5		813327 48			-0-
1967						
Jan 31	Vo No 01-0001			110115 94		110115 94
July 31	Vo No 07-0001			99382 92		209498 86
Oct 31	Vo No 10-0001			96317 13		305815 99
Nov 30	Vo No 11-0001			261867 07		567683 06
Dec 31	Vo No 12-0009		567683 06			--
1968						
Jan 31	Vo No 01-0001			207029 55		207029 55
May 31	Vo No 05-0001			229879 65		436909 20
July 31	Vo No 07-0001			228413 64		665322 84
Aug 31	Vo No 08-0001			317927 61		983250 45
Nov 30	Vo No 11-0001			252781 62		1236032 07
Dec 31	Vo No 12-0001			316538 04		1552570 11
31	Vo No 12-0001		1552570 11			-0-
1969						
Jan 31	Vo. No. 01-0001			209322 75		
Feb 29	Vo. No. 02-0001			254979 27		
Mar 31	Vo. No. 03-0001			274979 26		739281 27
June 30	Vo No 06-0001			215511 41		954792 68
July 31	Vo No 07-0001			290956 81		1245749 49
Aug 31	Vo No 08-0001			291581 26		1537330 75
Sept 30	Vo No 09-0001			416012 06		1953342 81
Dec 31	Vo No 12-0006		1953342 81			0
1970						
Jan 31	Vo No 01-0001			314257 48		314257 48
Mar 31	Vo No 03-0004			500239 53		814497 01
June 30	Vo No 06-0001			209560 55		1024057 56
July 31	Vo No 07-0001			329503 73		1353561 29
Aug 31	Vo No 08-0001			212246 24		1565807 53
Sept 30	Vo No 09-0001					
Oct 31	Vo No 10-0004			214410 67		1780218 20
Dec 31	Vo No 12-0005		1780218 20			0
1971						
Jan 31	Vo No 01-0012			117688 79		117688 79

11277

SHEET NO. 1 ACCOUNT NO. 5000

TERMS NAME GROSS OPERATING REVENUE

RATING ADDRESS 5001-286-110 - CRUDE FOR RESALE - GULFEX

CREDIT LIMIT

DATE 1966	ITEMS	FOL.	DEBITS	CREDITS	DR. OR CR.	BALANCE
Aug 31	Balance Forward					404838 72
Nov 30	Vo No 11-1			20264 53		425103 25
Dec 31	Vo N. 12-3		425103 25	419157 75		
31	Vo N. 12-5		419157 75			-0-
1967						
Jan 31	Vo N. 01-0001			70803 59		70803 59
Feb 28	Vo No 02-0001			101743 07		172546 66
Mar 31	Vo N. 03-0001			101937 36		274484 02
May 31	Vo No 05-0001			196876 89		471360 91
July 31	Vo N. 07-0001			48255 84		519616 75
Aug 31	Vo N. 08-0001			220982 25		740599 00
Oct 31	Vo N. 10-0001			22860 33		763459 33
Dec 31	Vo N. 12-0007		763459 33			-0-
1968						
Jan 31	Vo N. 01-0001			63101 73		63101 73
Apr 30	Vo No 04-0001			110723 07		173824 80
May 31	Vo N. 05-0001			25474 47		199299 27
Aug 31	Vo N. 08-0001			41420 16		240719 43
Sept 30	Vo N. 09-0001			103754 85		344474 28
Oct 31	Vo N. 10-0001			114889 62		459363 90
Nov 30	Vo N. 11-0001			9947 55		469311 45
Dec 31	Vo No 12-0001			106924 53		576235 98
31	Vo N. 12-0008		576235 98			-0-
1969						
Jan 31	Vo No. 01-0001			67493 88		
Feb 29	Vo No. 02-0001			22740 48		
Mar 31	Vo No. 03-0001			135823 89		226058 25
Apr 30	Vo N. 04-0001			143442 12		369500 37
Nov 30	Vo No 11-0004			113392 20		482892 57
Dec 31	Vo N. 12-0001			118019 82		600912 39
31	Vo No 12-0006		600912 39			0
1970						
Feb 28	Vo N. 02-0001			25037 87		25037 87
June 30	Vo No 06-0001			368221 50		393259 37
Aug 31	Vo No 08-0001			109926 42		503185 79
Sept 30	Vo N. 09-0001			212599 80		715785 59
Dec 31	Vo N. 12-0002			186032 70		901818 29

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ACCOUNT NO. 5000

TERMS

NAME GROSS OPERATING REVENUE

RATING
CREDIT LIMIT

ADDRESS 5001-297-190 - MISC. PRODUCTS (GASOIL & HEAVY FUELS) - PROPETCO

Date		Items	Fol.	Debits	Credits	Dr. or Cr.	Balance
1966							
Aug	31	Balance Forward					10,359 657 42
Nov.	30	Vo No 11-1			2712 983 03		13,072 640 15
Dec	31	Vo No 12-5			17 390 59		13,090 030 74
	31	Vo No 12-6		13,090 030 74			—
1967							
Jan	31	Vo No 01-0001			1.905 204 53		1.905 204 53
Feb	28	Vo No 02-0001			2.969 798 22		4.875 002 75
Mar	31	Vo No 03-0001			2.825 641 13		
	31	Vo No 03-0002		9 128 32			
	31	Vo No 03-0002			69 052 93		7.760 568 49
May	31	Vo No 05-0001			1571 909 35		9.332 477 84
July	31	Vo No 07-0001			2.753 073 54		12,085 551 38
Aug	31	Vo No 08-0001			1.903 455 61		13,989 006 99
Oct	31	Vo No 10-0001			2.607 224 59		16,596 231 58
Nov	30	Vo No 11-0001			2.115 245 38		18.711 476 96
Dec	31	Vo No 12-0009		18.711 476 96			—
1968							
Jan	31	Vo No 01-0001			1906 716 17		1.906 716 17
Apr	30	Vo No 04-0001			2452 192 73		4358 908 90
May	31	Vo No 05-0001			2622 151 44		6981 060 34
July	31	Vo No 07-0001			2765 497 89		9746 558 23
Aug	31	Vo No 08-0001			1.518 263 22		11.264 821 45
Sep	30	Vo No 09-0001			2849 855 88		14.114 677 33
Oct	31	Vo No 10-0001			2.409 498 78		16.524 176 11
Nov	30	Vo No 11-0001			2.473 233 35		18,997 409 46
Dec	31	Vo No 12-0001			1,122 533 18		20,119 942 64
	31	Vo No 12-0008		20,119 942 64			—
1969							
Jan	31	Vo. No 01-0001			1,857 734 33		
Feb	29	Vo. No. 02-0001			2,135 922 24		
Mar	31	Vo. No. 03-0001			1,446 096 75		5.739 753 32
Apr	30	Vo No 04-0001			2520 653 97		8,260 407 29
June	30	Vo No 06-0001			2254 760 03		10515 167 32
July	31	Vo No 07-0001			2280 262 56		12795 429 88
Aug	31	Vo No 08-0001			2357 633 01		15153 062 89
Sep	30	Vo No 09-0001			2031 542 15		17184 605 04
Nov	30	Vo No 11-0004			2708 657 50		19893 262 54

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TERMS NAME OTHER INC

RATING ADDRESS 9129 - OTHER INCOME

CREDIT LIMIT

DATE 1966	ITEMS	FOL	DEBITS	CREDITS	DR OR CR	BALANCE
Aug 31	Balance Forward					19258 54
Nov 30	Vo No. 11-2		1 04			19257 50
Dec 31	Vo No. 12-6		19257 50			---
1967						
Jan 31	Vo No 01-0003			466 33		466 33
31	Vo No 01-0003			13350 84		13817 17
Apr 30	Vo No 04-0002			7127 64		20944 81
July 31	Vo No 07-0003			394 01		21338 82
Oct 31	Vo No 10-0003			12677 70		34016 52
Dec 31	Vo No 12-0007		1794 95			32221 57
31	Vo No 12-0009		32221 57			---
1968						
Jan 31	Vo No 01 0003			342 25		342 25
Mar 31	Vo No 03 0003			739 73		
31	Vo No 03-0006			70		1082 68
Apr 30	Vo No 04-0003			11001 76		12084 44
June 30	Vo No 06-0002		39 88			12044 56
July 31	Vo No 07-0005			6247 16		18291 72
Aug 31	Vo No 08-0003			1293 74		19585 46
Sep 30	Vo No 09-0004		36 13			19549 33
Dec 31	Vo No 12-0008		19549 33			---
1969						
Jan 31	Vo. No. 01-0003			466 61		
31	Vo. No. 01-0003			12989 10		
Mar 31	Vo No. 03-0006			17 29		13473 00
July 31	Vo No 07-0003			12480 50		
31	Vo No 07-0003			474 98		26438 48
Sep 30	Vo No 09-0003		49 70			26388 78
Dec 31	Vo No 12 0006		26388 78			0
1970						
Jan 31	Vo No 01-0005			15344 48		
31	Vo No 01-0005			515 91		15860 39
Mar 31	Vo No 03-0007			44 28		15904 67
July 31	Vo No 07-0003			13349 81		29254 48
Sept 30	Vo No 09-0004		65 64			29188 84
Dec 31	Vo No 12-0005		29188 84			0

3846

11280

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EXHIBIT CC

PAN EASTERN REFINING COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1968

	Dollars	Sterling
ASSETS:		
Cash in bank, of which L 129,155 ($356,716) represent time deposits	376,144	136,100
Accounts Receivable:		
Propet Company, Limited	1,806,483	756,750
Total Assets	2,182,627	892,850
SHAREHOLDERS EQUITY:		
Capital stock, 100,000 shares L 1 par value authorized and issued	280,000	100,000
Retained earnings	1,902,627	792,850
Total Shareholders Equity	2,182,627	892,850

CC 2.

PAN EASTERN REFINING COMPANY, LIMITED

STATEMENT OF RETAINED EARNINGS

DECEMBER 31, 1968

	Dollars	Sterling
Balance at December 31, 1967	2,747,581	1,028,528
Net Income for 1968	3,499,087	1,464,322
Dividends paid during 1968	(4,344,041)	(1,700,000)
Balance at December 31, 1968	1,902,627	792,850

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PAN EASTERN REFINING COMPANY, LIMITED

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1968

	Quantity in U.S. Barrels	
REVENUES		
Sales of Crude Oil	408,678	$ 576,236
Sales of Naphtha	2,369,429	4,760,967
Sales of Gasoil	568,707	1,552,570
Sales of Additional Refined Products - Gas Oil and Heavy Fuels	11,722,707	20,119,942
Total Revenues		27,009,715
DEDUCTIONS		
Purchases of Crude for Resale	408,678	552,329
Purchases of Crude for Processing	14,808,932	20,014,271
Processing Fees		2,961,786
Total Deductions		23,528,386
Net Income from Operations		3,481,329
Administrative Expense		1,791
Net Interest Income on Bank Deposits		19,549
Net Income		$ 3,499,087
Sterling Equivalent		£ 1,464,322*

*Converted to sterling at the average rate of exchange of the London Branch of the Chase Manhattan Bank's 11:00 a.m. daily buying and selling rates for telegraphic transfer of U.S. dollars on the quarterly settlement dates.

EXHIBIT DD

DD DD

VOUCHER NO. 01- 001

PREPARED BY [illegible]

DATE JANUARY 1968

APPROVED BY W. W. B.

PAN-EASTERN REFINING COMPANY, LIMITED

11284

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCTS TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROTET COMPANY, LTD.

DISTRIBUTION CO. CODE	ACCT	SUB	FUNC	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
[illegible]	5001	226	110	[illegible]	([illegible] 07 09)	(68,161 [illegible])
	5001	226	160	[illegible]	([illegible] 04)	(4,455,426 [illegible])
	5001	226	190	[illegible]	([illegible] 03)	(207,629 [illegible])
	4182	216	000	[illegible]	[illegible] 07 04	725,767 [illegible]
	5001	217	190	Gas Oil & Heavy Fuel Sales	(774 [illegible] 07 05)	(1,906,716 [illegible])
	[illegible]	217	000	[illegible]	[illegible]	1,906,716 [illegible]
	[illegible]	000	110	Crude [illegible] Purchase	[illegible]	60,415 [illegible]
	6001	001	110	Crude Processing	[illegible] 164 16 01	1,125,155 [illegible]
	6111	000	110	Processing Fee	[illegible] 07 06 05	224,277 [illegible]
	4182	216	000	[illegible]	([illegible] 10 05)	(2,270,576 [illegible])

JOURNAL VOUCHER

11285

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: JANUARY 31, 1968

REGISTERED IN: JANUARY 1968

		DOLLARS	STERLING @ $2.40/£
Kuwait Crude Oil			
	44,753 Net Barrels @ $1.41/Bbl.	$ 63,101.73	£ 26,292. 7. 9
Kuwait Distillate			
	[illegible]7,918 Net Barrels @ $2.00/Bbl.	455,836.00	189,931.13. 4
Kuwait Gas Oil			
	75,835 Net Barrels @ $2.73/Bbl.	207,029.55	86,262. 6. 3
	TOTAL	$ 725,967.28	£ 302,486. 7. 4

11286

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: JANUARY 31, 1968

REGISTERED IN: JANUARY 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
1,182,325 Net Barrels	$ 1,906,716.17	£ 794,465.1.5

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY — DATE: JANUARY 31, 1968

Registered in: JANUARY 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	44,753	$ 1.3515	$ 60,483.68	£ 25,201.10. 3
Kuwait Crude	1,424,488	1.3515	1,925,195.53	802,164.16. 1
Processing Fee		.20	284,897.60	118,707. 6. 8
TOTAL	1,469,241	-	$ 2,270,576.81	£ 946,073.13. 5

VOUCHER NO. 01-0002

DATE JANUARY 1968

PREPARED BY [signature]

APPROVED BY W.W.S.

PAN-EASTERN REFINING COMPANY, LIMITED

11288

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULF EXPLORATION COMPANY BALANCE AT JANUARY 31, 1968 TO PROPET COMPANY, LTD.

DISTRIBUTION: CO. CODE	ACCT	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
[illegible]AN	4062	2[illegible]6	000		643 5[illegible]7 06 01	1 544 609
	1152	297	000		(643 5[illegible]7 06 01)	(1 544 609)

JOURNAL VOUCHER

GULF 6226

VOICE

11289

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: JANUARY 31, 1968

REGISTERED IN: JANUARY 1963

CREDIT MEMORANDUM

To CREDIT your account $ 1,544,609.53

£ 643,587.6.1

This amount represents the application of the adjusted balance as of January 31, 1968 of the payable to Gulf Exploration Company on Pan Eastern records against the receivable from Propet Company, Limited on Pan Eastern records.

VOUCHER NO. 01-0003

DATE JANUARY 1968

PREPARED BY [illegible]

APPROVED BY WW [illegible]

PAN-EASTERN REFINING COMPANY, LIMITED

11290

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ENTRIES PREPARED FROM THE PITTSBURGH CASH BOOK AS PER THE ATTACHED.

DISTRIBUTION			DESCRIPTION	STERLING AMOUNT			DOLLAR AMOUNT
[illegible]	[illegible] ID.	FUNC.					
1021	010	001		142	12	01	342 [illegible]
4012	010			16	17	08	45 [illegible]
9400	000	000		16	17	08	45 [illegible]
1021	010	001		(16	17	08)	(45 [illegible]
4010	010	001		(16	17	08)	(45 [illegible]
[illegible]	100	000		(142	12	01)	(342 [illegible]

...RNAL VOUCHER

... 0226

PAN EASTERN REFINING CO. LTD.

MORGAN GRENFELL & CO., LTD. REGULAR ACCOUNT

The entries shown below have been prepared from the Pittsburgh Office Cash Book for the month of JANUARY 1968.

ACCOUNT NO.	STERLING DEBIT	STERLING CREDIT	U.S. DOLLARS DEBIT	U.S. DOLLARS CREDIT
1011-010-001	188.18.1	[illegible]	542.25	45.32
1111-010-001	16.11.8	16.11.3	45.37	[illegible]
8400	16.11.8		45.37	
		188.18.1		542.25
Bank Balance at beginning of month as shown in Pittsburgh Cash Book				
Net change for month				
Bank Balance at end of month as shown in Pittsburgh Cash Book				

K REMITTANCE ADVICE
440.M

NO.________________ DATE January 15, 1968

11292-001

RECEIVING COMPANY: ( ) GULF OIL CORPORATION - 160
(X) Far Eastern Refining Co.

DEPOSITORY: ( ) MELLON BANK
(X) Morgan Grenfell and Co. Ltd. Regular Accou...

DEPARTMENT: ________________

ANALYSIS CODE: ________________

MAKER	AMOUNT
Morgan Grenfell & Company	£ 142.12.1

DISTRIBUTION ACCT.	SUB.	FUNC.	S.S. NUMBER	DESCRIPTION	AMOUNT
9129				Interest Income	£(142.12.1)
					£ 142.12.1

W. W. GRAHAM

DRD

11293

Walter Wilds

Pittsburgh

Mr. F. C. Anderson

January 15, 1968

Attached is statement dated January 1, 1968 from Morgan Grenfell & Co., Ltd., London of Pan Eastern Refining Company's Regular Deposit Account.

You will note that this account was credited December 29, 1967 with £142-12-1 representing an interest credit on account balances for the second half of 1967.

Although the statement is dated January 1, 1968, the credit was not entered in our cash book until January 15, 1968, the date the statement was received in Pittsburgh.

Please arrange for issuance of a cash receipt voucher for £142-12-1 received and return the attached statement to this office after it has served your purpose.

DD/ac
Attachment
cc: Mr. W. W. Graham
Mr. J. V. Gilmour

NTERNAL CORRESPONDENCE
IULF.973

A-CB

FCA	JYG		JFT
MYC			RCV
CJC			CRW
RLD			DRW
	CL	ES	RJZ
		ES	

RECEIVED JAN 22 68 COMPTROLLER Pittsburgh

ROM R. E. Flocken

Mr. F. C. Anderson

AT

IN REPLY REFER TO 1129

DATE January 19, 196

SUBJECT

On January 2, 1968, we wrote to Morgan Grenfell & Co., Ltd., London, requesting that bank to charge the Regular Deposit Account of Pan-Eastern Refining Company, Limited in a sufficient sterling amount to pay $45.12 to Emery Air Freight Corporation for their invoice addressed to Gulf Oil Corporation covering shipment under EAF Air Waybill No. PIT-3652 dated December 21, 1967.

Attached is copy of advice from Morgan Grenfell & Co., Ltd., indicating that Pan-Eastern Refining Company's Regular Deposit Account was charged on January 10, 1968 with £18-17-8 to make this payment.

R. E. Flocken

Attachment

DD/sa

Mr. W. W. Graham

11295

MORGAN GRENFELL & CO. LIMITED

TELEPHONE: 01-588 4545
TELEGRAMS: MORGANFELL, LONDON, E.C.2
TELEX: GENERAL 22882
FOREIGN EXCHANGE 21459

23, GREAT WINCHESTER STREET,
LONDON, E.C.2.
G.P.O. BOX No. 56

10th January, 1968

The Gulf Companies,
Treasury Department,
Gulf Building,
Pittsburgh,
Pa. 15230
U.S.A.

For the attention of Mr. R.E.Flocken

Dear Sirs,

We thank you for your letter of 2nd January and confirm that the payment has been made as requested, the cost being as follows :

U.S.\$45.12 @ exchange 2.40½ =		£18.15.2.
	plus ex. comm.	2.6.
		£18.17.8d

Yours faithfully,
For MORGAN GRENFELL & CO. LIMITED

P. Wing

Our ref: 25.a

DK9

11296

January 2, 1967

Morgan Grenfell & Co. Limited
23, Great Winchester Street
London, E.C. 2, England

Gentlemen:

Please charge the regular sterling account of Pan-Eastern Refining Company and pay U.S. $45.12 by air mail advice to Emery Air Freight Corporation, P.O. Box 7, Scranton, Pennsylvania, U.S.A., for invoice addressed to Gulf Oil Corporation covering shipment under EAF Air Waybill No. EAF-3652 dated December 21, 1967. This shipment was made by Gulf Oil Corporation on behalf of Pan-Eastern Refining Company.

Two copies of the invoice are attached--one for you to send to the payee with the remittance and the other for your files. Also attached for your files is a copy of the air waybill.

Please advise us when the payment has been made.

Yours very truly,

GULF OIL CORPORATION

ORIGINAL SIGNED BY
R. E. FLOCKEN

R. E. Flocken

Attachments

REF/sa

cc: Mr. W. W. Graham

11297

VOUCHER NO. 03-0001

DATE MARCH 1968

PREPARED BY [illegible]

APPROVED BY [illegible]

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD DIVIDEND DECLARATION.

DISTRIBUTION ACCT	SUB	FUNC	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
[illegible]				1,[illegible]	[illegible]
[illegible]	[illegible]			([illegible])	(1,[illegible])
4110	[illegible]			([illegible])	(1,[illegible])

JOURNAL VOUCHER

GULF 6228

P.S. and 110

11298

C

GULF OIL PGH

MAR 12 CO PDS.T AE2CO

ZC A LOA104 AH5940

URDX HL VIDH 027

NASSAUBAHAMAS VIA TROPICAL 27 12 1151AM

LT

GULFOIL PITTSBURGHPENNSYLVANIA

CONNOLLY RE PAN EASTERN DIVIDEND OF ONE MILLION POUNDS STERLING SHAREHOLDERS OF RECORD FIFTEENTH MARCH DECLARED AT MEETING OF DIRECTORS HELD TODAY

LEGALAW

C

GULF OIL PGH

NOTED

MAR 13 1968

R. R. CONNOLLY

Send copies to

Carleton H. Cleary

Walter C. Ade

R. C. Anderson

VOUCHER NO. 03-0002

DATE MARCH 1968

PREPARED BY [signature]

APPROVED BY [signature]

PAN-EASTERN REFINING COMPANY, LIMITED

11299

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ATTACHED CREDIT MEMORANDUM IN PARTIAL SETTLEMENT OF DIVIDEND DUE PROPET COMPANY, LIMITED,

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO. CODE	ACCT.	SUB.	FUNC.			
[illegible]N	[illegible]	[illegible]			[illegible] 11	1 [illegible] [illegible] 06
	[illegible]	[illegible]			([illegible] 11)	(1 [illegible] [illegible] 06

JOURNAL VOUCHER

6226

VO. E.

11300

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: MARCH 31, 1968

REGISTERED IN: MARCH 1968

CREDIT MEMORANDUM

To CREDIT your account with a portion of the 10.0.0 per share declared on March to stockholders of record

£ 484,919.17.11

$ 1,292,302.06

Balance of dividend amounting to £15,080.2.1 is being paid in cash by Pan Eastern Company

VOUCHER NO. 03-0003

DATE MARCH 1968

PREPARED BY [illegible signature]

APPROVED BY [illegible signature]

AN PAN-EASTERN REFINING COMPANY, LIMITED

11301

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CASH RECEIPTS AND DISBURSEMENTS AS PER RECAP OF THE PITTSBURGH CASH BOOK FOR MARCH 1968.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO. CODE	ACCT	SUB.	FUNC			
	1021	010	001		1 075 [illegible] 03	2,711,758 7[illegible]
	1021	010	001		(1 075 [illegible] 02)	(2,711 [illegible])
	1152	297	000		(414 [illegible] 17 [illegible])	(1,292 [illegible])
	1118	050	000		720 [illegible]	1,344,577 00
	[illegible]	279	000		15 [illegible]	42,294 [illegible]
	1021	010	00✓		500 [illegible] 05	1,335,336 7[illegible]
	1021	010	00✓		([illegible] 05)	(1,119 [illegible])
	9124	000	000		([illegible])	(759 [illegible])

JOURNAL VOUCHER

GULF 6220

PAN [illegible] CO. LTD.

[illegible]

The entries shown below have been prepared from the Pittsburgh Office Cash Book for the month of [illegible].

ACCOUNT NO.	[illegible] DEBIT	[illegible] CREDIT	U.S. DOLLARS DEBIT	U.S. DOLLARS CREDIT
[illegible]	[illegible]	[illegible]	2,111,757.78 ~~[illegible]~~	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	
[illegible]	[illegible]		[illegible]	
[illegible]	[illegible]	530,308.45	[illegible]	[illegible]
Bank Balance at beginning of month as shown in Pittsburgh Cash Book	[illegible]		5,417,971.73	5,419,071.7
Net change for month	[illegible]			
Bank Balance at end of month as shown in Pittsburgh Cash Book	7,132.11			

[illegible]

Fixed Deposit Account

The entries shown below have been prepared from the Pittsburgh Office Cash Book for the month of March 1966.

ACCOUNT NO.	STERLING DEBIT	STERLING CREDIT	U.S. DOLLARS DEBIT	U.S. DOLLARS CREDIT
1021-010-008	[illegible]	590,368.45	1,235,356.73	1,477,486.73 + [illegible]
1029-000-000	590,368.45	500,000.00	1,415,286.73	1,400,000.00
9129		368.45		[illegible].73
Bank Balance at beginning of month as shown in Pittsburgh Cash Book				
Net change for month			2,750,623.46	2,750,623.46
Bank Balance at end of month as shown in Pittsburgh Cash Book				

11304

CASH REMITTANCE ADVICE
GULF 440-M

No. ______ DATE March 25, 1968

RECEIVING COMPANY: ( ) GULF OIL CORPORATION - 160
(X) Pan Eastern Refining Co.

DEPOSITORY: ( ) MELLON BANK -00
(X) Morgan & Grenfell & (FIXED DEPOSIT ACCT.

DEPARTMENT: ______

ANALYSIS CODE: ______

MAKER	AMOUNT
Morgan & Grenfell Co.	£ 308.4.5

DISTRIBUTION CO.	ACCT.	SUB.	FUNC.	S.S. NUMBER	DESCRIPTION	AMOUNT
	[illegible]				Internal Income	£(308.4.5)
	[illegible]					£ 308.4.5

W. W. Graham
W. W. GRAHAM

DKV

11305

Walter Wilde

Pittsburgh

Mr. F. C. Anderson

March 28, 1968

On March 22, 1968 we requested Morgan Grenfell & Co., Limited, to charge the Far Eastern Refining Company Regular Deposit Account and place £500,000 in the Fixed Deposit Account on a day-to-day basis. London Treasury confirmed the transfer was made and placed on call at the rate of 7-1/2%.

Also on March 22, 1968 we requested Morgan Grenfell to terminate the call loan for value March 25, 1968 and transfer the £500,000 to Commercial Bank of Australia Ltd. for credit account of Associated Motorists Petroleum Company.

Attached is copy of letter advising of an interest accrual in the amount of £308-4-5 on the above transaction. Please arrange for issuance of a cash receipt voucher dated March 25 for the interest received.

DD/aa
cc: Mr. W. W. Graham

ORIGINAL SIGNED BY
H. L. FLOCKEN

11306

MARCH 22, 19[illegible]

MORGAN GRENFELL & CO., LTD.
TELEX 22302 LONDON (ENGLAND)

COPY TO [illegible] LONDON [illegible] (ENGLAND)

REFERENCE CALL LOAN WE PLACED WITH YOU MARCH [illegible] IN AMOUNT POUNDS FIVEHUNDRED THOUSAND. PLEASE TERMINATE SAID LOAN VALUE MONDAY MARCH [illegible] AND CREDIT PRINCIPAL PLUS ACCRUED INTEREST TO PAN EASTERN REFINING COMPANY LTD. REGULAR DEPOSIT ACCOUNT WITH YOU. AFTER THIS HAS BEEN DONE PLEASE CHARGE THE PAN EASTERN REFINING COMPANY, LIMITED REGULAR DEPOSIT ACCOUNT IN THE TOTAL AMOUNT OF POUNDS FIVEHUNDRED FIFTEEN THOUSAND EIGHTY SHILLINGS TWO PENCE TWO AND MAKE THE FOLLOWING PAYMENTS FOR VALUE MARCH [illegible]:

AAA POUNDS FIFTEEN THOUSAND EIGHTY SHILLINGS TWO PENCE TWO TO FIRST NATIONAL CITY BANK OF NEW YORK, LONDON FOR CREDIT ACCOUNT NO. 005-67-7 OF [illegible] COMPANY LIMITED BY ORDER OF PAN EASTERN REFINING COMPANY LIMITED.

BBB POUNDS FIVEHUNDRED THOUSAND TO COMMERCIAL BANK OF AUSTRALIA LIMITED, 12 OLD JEWRY, LONDON E.C. 2, FOR CREDIT ACCOUNT ASSOCIATED MERCHANTS [illegible] COMPANY LIMITED FOR VALUE MARCH [illegible] STOP PLEASE OBTAIN RECEIPT FROM COMMERCIAL BANK ON BEHALF OF BENEFICIARY AND FORWARD TO US IN THE COURSE STOP.

[illegible] - PAN EASTERN REFINING CO., LTD.

DD/sa

11307

MARCH 15, 19[illegible]

RUSH RUSH RUSH RUSH RUSH

PT-103 [illegible] FOR YOUR [illegible] TAX REQUIREMENTS WAS [illegible] THROUGH [illegible] BANK TO [illegible] FOR VALUE TODAY. ALSO WE REMITTED POUNDS [illegible] THOUSAND [illegible] SHILLINGS [illegible] [illegible] AND [illegible] THOUSAND [illegible] TO [illegible] CROMWELL FOR VALUE TODAY TO PROVIDE PAYMENT FOR [illegible] DIVIDEND. AS OF THIS MOMENT HOWEVER WE HAVE NOT ISSUED PAYMENT INSTRUCTIONS TO [illegible] CROMWELL AS WE ARE AWAITING FURTHER INFORMATION FROM PARTIES INVOLVED. INCIDENTALLY, WHEN DIVIDEND IS PAID [illegible] SHILLINGS TWO PENCE ONE WILL BE FOR [illegible] ACCOUNT AT [illegible], LONDON.

[illegible]

[illegible]

File 1

File 2

Walter Wilde

Pittsburgh

Mr. F. G. Anderson

March 14, 1963
Value - March 15, 1963

11308

Pan Eastern Refining Company, Ltd. Dividend

Attached are copies of correspondence regarding payment of a dividend of £500,000-0-0 by Pan Eastern Refining Company Ltd.

£349,267-0-0 of the above amount was acquired from Gulf Kuwait Company sterling account at Morgan Guaranty Trust Company. In order to pay Gulf Kuwait Company for this sterling, please issue a Gulf Exploration Company voucher with check drawn on Mellon Bank payable to the order of Gulf Kuwait Company in amount of $336,459.54, with description reading:

> "For purchase of £349,267-0-0 at
> $2.3949 equivalent to £1-0-0------------------$336,459.54."

The rate of exchange used is that at which we purchased similar sterling from Brown Brothers Harriman and Company today.

Attachments
DD/aa

11309

Walter Wilde

Pittsburgh

Mr. F. C. Anderson

March 14, 1960
Value - March 15, 1960

Attached are copies of correspondence regarding payment of a dividend of £500,000 by Far Eastern Holding Company Limited.

To provide Far Eastern with a portion of the funds for this payment, Gulf Exploration Company has purchased £135,6[illegible]-17-11 from Brown Brothers Harriman and Company for payment to Far Eastern Holding Company Limited by order of Propet Company Limited for value in London March 15th.

Please issue a Gulf Exploration Company voucher with check drawn on Mellon Bank payable to the order of Mellon Bank in the amount of $3[illegible],877.67, with description reading:

> "For transfer by wire in immediately available funds on March 15, 1960, to Bankers Trust Company for credit account of Brown Brothers Harriman and Company with telephone advice to Mr. William Roach, Foreign Exchange Department----------------$3[illegible],877.67."

The above amount includes cable charges of $2.55. We would like this check for handling on March 15, 1960.

Attachments
DB/ca

file 1 (2) --
file 2

11310

MARCH 14, 19[illegible]

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
NEW YORK CITY

ATTENTION: MR. R. L. VAN LOTEN, FOREIGN EXCHANGE DEPARTMENT

UPON RECEIPT OF POUNDS THREEHUNDRED FORTY[illegible] THOUSAND [illegible]HUNDRED [illegible] ON MARCH FIFTEENTH PLEASE CHARGE THE GULF KUWAIT COMPANY ACCOUNT AND TRANSFER POUNDS THREEHUNDRED [illegible] THOUSAND [illegible]HUNDRED SEVENTY[illegible] TO MORGAN GRENFELL AND COMPANY, LIMITED, LONDON FOR CREDIT [illegible] EASTERN REFINING COMPANY LIMITED REGULAR [illegible] ACCOUNT FOR VALUE MARCH FIFTEENTH IN ORDER OF KUWAIT COMPANY, LIMITED.

[illegible] - GULF EXPLORATION COMPANY

DD/sa

cc: Mr. F. C. Anderson
Mr. F. H. Clancy
Mr. R. C. Connolly
Mr. J. V. Gilmour
Mr. W. W. Graham
Mr. F. W. Standefer
Mr. D. W. Wright

MARCH 14, 1953 11311

BROWN BROTHERS HARRIMAN AND COMPANY
59 WALL STREET
NEW YORK CITY

ATTENTION: MR. WILLIAM BEACH, FOREIGN EXCHANGE DEPARTMENT

GULF EXPLORATION COMPANY CONFIRMS PURCHASE FROM YOU TODAY OF POUNDS ONEHUNDRED TWENTYFIVE THOUSAND SIXHUNDRED FIFTYTWO SHILLINGS SEVENTEEN PENCE ELEVEN FOR WHICH WE WILL REMIT DOLLARS THREEHUNDRED FIFTYFOUR THOUSAND EIGHTHUNDRED SEVENTYFIVE CENTS TWELVE PLUS $2.55 TO COVER CABLE COSTS TO YOUR ACCOUNT AT BANKERS TRUST COMPANY, NEW YORK CITY, FOR VALUE IN IMMEDIATELY AVAILABLE FUNDS MARCH FIFTEENTH. PLEASE PAY THESE POUNDS ONEHUNDRED TWENTYFIVE THOUSAND SIXHUNDRED FIFTYTWO SHILLINGS SEVENTEEN PENCE ELEVEN BY ORDER OF FRONTIER COMPANY LIMITED TO MORGAN GRENFELL AND COMPANY, LIMITED, LONDON, FOR CREDIT ACCOUNT FAR EASTERN HOLDINGS COMPANY LIMITED FOR VALUE IN LONDON MARCH FIFTEENTH.

WILDS - GULF EXPLORATION COMPANY

DD/aa

cc: Mr. F. C. Anderson
Mr. P. H. Cleney
Mr. R. C. Connolly
Mr. J. V. Gilmour
Mr. W. W. Graham
Mr. F. W. Standefor
Mr. D. W. Wright

11312

MARCH 7, 1958

MORGAN GRENFELL & CO.
TELEX 22582 LONDON (ENGLAND)

PLEASE TRANSFER POUNDS THIRTYTHOUSAND FROM PAN EASTERN REFINING CO., LTD. FIXED DEPOSIT ACCOUNT TO PAN EASTERN REFINING CO., LTD. REGULAR DEPOSIT ACCOUNT FOR VALUE MARCH FIFTEENTH. MAIL CONFIRMATION FOLLOWS.

[illegible] - PAN EASTERN REFINING CO., LTD.

REF/sa

file 1

file 2

VOUCHER NO. 03-0004

DATE MARCH 1968

PREPARED BY [illegible]

APPROVED BY [illegible]

IN PAN-EASTERN REFINING COMPANY, LIMITED

11313

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULFEX AND GULFIRAN BALANCES AS AT MARCH 31, 1968 TO PROPET COMPANY, LIMITED.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT					DOLLAR AMOUNT			
CO. CODE	ACCT.	SUB.	FUNC.										
PAN	[illegible]	[illegible]	000			146	[illegible]	09	03			-0-	
	4692	293	000				591	10	01			-0-	
	[illegible]	297	000			141	[illegible]	19	04			-0-	

JOURNAL VOUCHER

ULF 6226

VOICE.

11314

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: MARCH 31, 1968

REGISTERED IN: MARCH 1968

CREDIT MEMORANDUM

To CREDIT your account $ -0-

£ 141,239.19.4

This amount represents the application of the adjusted balance as of March 31, 1968 of the payable to Gulf Exploration Company and Gulf Iran Company on Pan Eastern records against the receivable from Propet Company, Limited on Pan Eastern records.

11315

VOUCHER NO. 03-0005

DATE MARCH 1968

PREPARED BY [illegible]

APPROVED BY W. W. [illegible]

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD 1ST QUARTER 1968 RATE ADJUSTMENT ON TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY LIMITED. <u>STERLING ONLY.</u>

DISTRIBUTION CO. CODE	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
C	5001	276	110	✓	16 19 05	-0-
	5001	216	160	✓	122 11 05	-0-
	5001	256	190	✓	25 12 06	-0-
	1082	216	000	✓	(115 00 07)	-0-
	5001	277	170	✓	512 15 03	-0-
	1152	277	000	✓	(512 15 03)	-0-
	6001	000	110	✓	(16 05 01)	-0-
	6001	001	110	✓	(517 14 07)	-0-
	6741	000	110	✓	(76 12 04)	-0-
C	1082	216	000		610 12 03	-0-

JOURNAL VOUCHER

LF 6275

PAN EASTERN REFINING COMPANY LIMITED

PITTSBURGH, PENNSYLVANIA

GULF EXPLORATION COMPANY DATE: MARCH 31, 1968

REGISTERED IN: MARCH 1968

REVISED BILLING - 1 ST QUARTER 1968

	DOLLARS	STERLING @ $2.40155/£
Total Pan Eastern Sales of Kuwait Crude, Distillate and Gas Oil		
348,506 Net Barrels	$ 725,967.28	£ 302,291. 2. 9

ORIGINAL BILLINGS - 1ST QUARTER 1968

		STERLING @ $2.40/£
Total Pan Eastern Sales of Kuwait Crude, Distillate and Gas Oil		
348,506	$ 725,967.28	£ 302,486. 7. 4
Total Adjustment @ 1st Quarter 1968	-0-	£ (195. 4. 7)

11317

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: MARCH 31, 1968

REGISTERED IN: MARCH 1968

REVISED BILLING - 1ST QUARTER 1968

	DOLLARS	STERLING @ $2.40155/£
Total Pan Eastern Sales of Kuwait Crude, Gas Oil and Heavy Fuels		
1,182,325 Net Barrels	$ 1,906,716.17	£ 794,952. 6. 2

ORIGINAL BILLINGS - 1ST QUARTER 1968

		STERLING @ $2.40/£
Total Pan Eastern Sales of Kuwait Crude, Gas Oil and Heavy Fuels		
1,182,325 Net Barrels	$ 1,906,716.17	£ 794,465. 1. 5
Total Adjustment - 1st Quarter 1968	-0-	£ (512.15. 2

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

11318

PAN EASTERN REFINING COMPANY

DATE: MARCH 31, 1968

REGISTERED IN: MARCH 1968

REVISED BILLING - 1ST QUARTER 1968

	DOLLARS	STERLING @ $2.40155/£
Total Purchases of Kuwait Crude Oil and Purchase Costs - Processing Fee		
1,469,241 Net Barrels	$ 2,270,576.81	£ 945,463. 1. 2

ORIGINAL BILLINGS - 1ST QUARTER 1968

		STERLING @ $2.40/£
Total Purchases of Kuwait Crude Oil and Purchases Costs - Processing Fee		
1,469,241 Net Barrels	$ 2,270,576.81	£ 946,073.13. 5
Total Adjustment-1st Quarter 1968	-0-	£ (610.12. 3)

VOUCHER NO. 03-0006

DATE MARCH 1968

PREPARED BY [illegible]

APPROVED BY W. W. 9[illegible]

11319

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ADJUSTING ENTRIES FOR FIRST QUARTER 1968
BASED ON THE ADJUSTED RATE OF $2.40155.

DOLLARS ONLY

DISTRIBUTION	ACCT.	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
N	1031	010	004		-	67
	2400	000	000		-	03
	9129	000	000		-	(70)

URNAL VOUCHER

F 0225

Pan Eastern Refining Company Ltd
First Quarter 1961 Adjustment
Adjustes # 2.40155

	Account 1621 Morgan Grenfell - Rec £	Account 1621 Morgan Grenfell - Rec $	Account 1621 Morgan Grenfell - Time £	Account 1621 Morgan Grenfell - Time $	Account 2400 Admin. Expense £	Account 2400 Admin. Expense $	Account 9129 Interest Income £	Account 9129 Interest Income $
003	142.12.1	342.25					(142.12.1)	(342.25)
	(12.17.8)	(45.32)			12.17.8	45.32		
003	301.4.5	733.73					(301.4.5)	(733.73)
	431.12.10	1030.66			12.17.8	45.32	(450.[illegible])	(1081.98)
40155	431.12.10	1037.33			12.1[illegible]	45.35	([illegible])	(1082.[illegible])
	--	67			[illegible]	03	--	7[illegible]

11320

11321

VOUCHER NO. 04-0001

DATE APRIL 1968

PREPARED BY [illegible signature]

APPROVED BY W. W. H.

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCTS TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, LTD.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO. CODE	ACCT.	SUB.	FUNC.			
PAN	5001	286	110	✓	(46 134 12 03)	(110 723 07)
	5001	286	160	✓	(234 181 02 06)	(562 034 70)
	4082	286	000	✓	280 315 14 09	672 757 77
	5001	297	190	✓	(1 021 746 19 05)	(2 452 192 73)
	1152	297	000	✓	1 021 746 19 05	2 452 192 73
	6001	000	110	✓	44 220 10 04	106 129 24
	6001	001	110	✓	979 256 11 04	2 350 216 60
	6741	000	110	✓	144 914 01 08	347 793 80
	4082	286	000	✓	(1 168 391 10 04)	(2 864 139 64)

JOURNAL VOUCHER

LF 6226

INVOICE

11322

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: APRIL 30, 1968

REGISTERED IN: APRIL 1968

	DOLLARS	STERLING @ $2.40/£
Kuwait Crude Oil		
78,527 Net Barrels @ $1.41/Bbl.	$ 110,723.07	£ 46,134.12.3
Kuwait Distillate		
278,235 Net Barrels @ $2.02/Bbl.	562,034.70	234,181.2.6
TOTAL	$ 672,757.77	£ 280,315.14.9

INVOICE

11323

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROFIT COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: APRIL 30, 1968

REGISTERED IN: APRIL 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
1,443,344 Net Barrels	$ 2,452,192.73	£ 1,021,746.19.5

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY

DATE: APRIL 30, 1968

Registered in: APRIL 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	78,527	$ 1.3515	$ 106,129.24	£ 44,220.10.4
Kuwait Crude	1,738,969	1.3515	2,350,216.60	979,256.18.4
Processing Fee		.20	347,793.80	144,914.1.8
TOTAL	1,817,496	-	$ 2,804,139.64	£1,168,391.10.4

VOUCHER NO. 04-0002

DATE APRIL 1968

PREPARED BY [signature]

APPROVED BY W.W.B.

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

11325

EXPLANATION: TO RECORD THE CLOSING OF GULF EXPLORATION COMPANY BALANCE AT APRIL 30, 1968 TO PROPET COMPANY, LTD.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT				DOLLAR AMOUNT			
CO. CODE	ACCT.	SUB.	FUNC.									
1	4052	296	000	✓	888	075	15	07	2	131	381	87
	1152	297	000	✓	(888	075	15	07)	(2	131	381	87

JOURNAL VOUCHER

LF 6226

VOICE

11326

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED DATE: APRIL 30, 1968

REGISTERED IN: APRIL 1968

CREDIT MEMORANDUM

To CREDIT your account $ 2,131,381.87

£ 888,075.15.7

This amount represents the application of the adjusted balance as of April 30, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

VOUCHER NO. 04-0003

DATE APRIL 1968

PREPARED BY [illegible]

APPROVED BY W. W. G.

PAN-EASTERN REFINING COMPANY, LIMITED

11327

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CASH RECEIPTS AND DISBURSEMENTS AS PER RECAP OF THE PITTSBURGH CASH BOOK FOR ARRIL 1968.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO. CODE	ACCT.	SUB.	FUNC.			
N	2400	000	000	✓	72 01 09	173 01
	1021	010	001	✓ ✓	(72 01 09)	(173 01
	9129	000	000	✓	(4584 01 04)	(11 001 76
	1021	010	00✓	✓	4584 01 04	✓ 11 001 76

JOURNAL VOUCHER

GULF 6226

11328

PAN EASTERN REFINING CO. LTD.

Regular Account

The entries shown below have been prepared from the Pittsburgh Office Cash Book for the month of APR 1968.

ACCOUNT NO.	STERLING DEBIT	STERLING CREDIT	U.S. DOLLARS DEBIT	U.S. DOLLARS CREDIT
8400-000-000	£ 72.1.9	£	173.01	
1021-010-001		72.1.9		173.01
Bank Balance at beginning of month as shown in Pittsburgh Cash Book	£ 7,136.8.11			
Net change for month	(72.1.9)			
Bank Balance at end of month as shown in Pittsburgh Cash Book	£ 7,066.7.2			

INTERNAL CORRESPONDENCE
GULF 873-

WWG

PRD

COMPTROLLER

IN REPLY REFER TO 11329

FROM R. E. Flocken AT Pittsburgh

TO Mr. F. C. Anderson AT

DATE April 2, 1968

SUBJECT

On March 8, 1968, we wrote to Morgan Grenfell & Co., Ltd., London, requesting that bank to charge the Regular Deposit Account of Pan-Eastern Refining Company, Limited in a sufficient sterling amount to pay B$176.36 to Carson, Lawson & Levine for professional services rendered.

Attached is copy of advice from Morgan Grenfell & Co., Ltd., indicating that Pan-Eastern Refining Company's Regular Deposit Account was charged on March 27, 1968 with £72-1-9 to make this payment.

R. E. Flocken

Attachment
DD/sa
cc: Mr. W. W. Graham

MORGAN GRENFELL & CO. LIMITED

TELEPHONE [illegible]
TELEGRAMS MORGANFELL LONDON E.C.2
TELEX GENERAL [illegible]
FOREIGN EXCHANGE [illegible]

23, GREAT WINCHESTER STREET,
LONDON, E.C.2.
G P O BOX No 56

The Gulf Corporation [illegible]
Gulf Building
Pittsburgh [illegible]

[illegible] March 1968

[illegible]

Dear Sirs,

[illegible] of 22nd March, and as [illegible] [illegible] account at [illegible] of [illegible] as follows:-

[illegible]

Yours faithfully,
[illegible] & Co., Limited

Our ref [illegible]
[illegible]

11331

ACB

March 8, 1968

Morgan Grenfell & Co., Ltd.
23 Great Winchester Street
London E.C. 2, England

Gentlemen:

Please charge the Regular Deposit Account of Pan-Eastern Refining Company Limited in a sufficient sterling amount to pay B$176.36 to Carson, Lawson & Levine, P.O. Box 711, Nassau, Bahamas.

This payment represents settlement of Carson, Lawson & Levine's statement covering an amount due them for professional services rendered on behalf of Pan-Eastern Refining Company Limited with reference to the annual meeting of the Company. We desire that this firm receive the full amount of B$176.36; therefore, any additional bank charges are to be for our account.

Please forward the relative debit advice to us in due course.

Yours very truly,

PAN-EASTERN REFINING COMPANY, LTD.

ORIGINAL SIGNED BY
R. E. FLECKEN

R. E. Flecken

DD/ca
cc: Mr. F. C. Anderson
Mr. W. W. Graham
Mr. J. V. Gilmour
Mr. R. W. Dorius
Mr. W. C. Viglia

ACB
DKD

11332

April 8, 1968

Morgan Grenfell and Company, Ltd.
23, Great Winchester Street
London, E.C. 2, England

Gentlemen:

We confirm the instructions of our London Office regarding the maturity April 6, 1968, of the Pan Eastern Refining Company, Limited, Fixed Deposit Account. This account was renewed in the total amount of £126,552-8-9 representing principal plus accrued interest.

It is our understanding that the new Fixed Deposit Account will mature July 6, 1968, and earn interest at the rate of 8-1/4% per annum.

While we presently expect that the £126,552-8-9 will remain for the full three months, we understand, as in the past, that all or part of this amount would be available to us upon call.

Yours very truly,

R. E. Flocken

HB/sa
cc: Mr. W. W. Graham

11333

PAN EASTERN REFINING CO. LTD.

Fixed Account

The entries shown below have been prepared from the Pittsburgh Office Cash Book for the month of APR 1968.

ACCOUNT NO.	STERLING DEBIT	STERLING CREDIT	U.S. DOLLARS DEBIT	U.S. DOLLARS CREDIT
	£	£	$	$
9129-000-000		4,584.1.4		11,001.76
1021-010-007	4,584.1.4		11,001.76	
Bank Balance at beginning of month as shown in Pittsburgh Cash Book	£ 121,968.7.5			
Net change for month	4,584.1.4			
Bank Balance at end of month as shown in Pittsburgh Cash Book	126,552.8.9			

11334

CASH REMITTANCE ADVICE

GI F 4/O-M

No. ______________________ DATE April 6, 1968

RECEIVING COMPANY: ( ) GULF OIL CORPORATION - 160
(X) Pan Eastern Refining Co.

DEPOSITORY: ( ) MELLON BANK -001
(X) Morgan Grenfell & Co.
(FIXED DEPOSIT ACCT.

DEPARTMENT: ______________________ ANALYSIS CODE: ______________________

MAKER	AMOUNT
Morgan Grenfell & Co.	£ 4,584.1.4

DISTRIBUTION CO.	ACCT.	SUB.	FUNC.	S.S. NUMBER	DESCRIPTION	AMOUNT
	9129				Interest Income	£(4,584.1.4)
	1011					£ 4,584.1.4

W W Graham
W. W. GRAHAM

DKD

11335

Walter Wilde

Pittsburgh

Mr. F. C. Anderson

April 8, 1968

The Pan Eastern Refining Company, Limited, Time Deposit Account with Morgan Grenfell and Company, Ltd., London, matured April 6, 1968, in the principal amount of £121,968-7-5 and was renewed in that amount plus the accrued interest to mature July 6, 1968.

The interest earned on this account for the six months ending April 6, 1968, is £4,584-1-4 which will make the renewed account in total amount of £126,552-8-9.

A copy of correspondence with our London Treasury Department is attached. Please arrange for issuance of a cash receipt voucher dated April 6, 1968, for the interest received.

ORIGINAL SIGNED BY
R. E. FLOCKEN

Attachment
cc: Mr. W. W. Graham
HD/ea

11336

VOUCHER NO. 05-0001

DATE MAY 1968

PREPARED BY [illegible]

APPROVED BY W. W. B.

PAN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCTS TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, LTD.

DISTRIBUTION CO. CODE	ACCT.	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	5001	226	110	✓	(10 614 07 03)	(25 474 [illegible])
	5001	226	160	✓	(201 012 13 04)	(526 430 [illegible])
	5001	226	190	✓	(75 153 09 09)	(229 879 6[illegible])
	4082	226	000	✓	207 410 03 04	881 784 4[illegible]
	5001	297	110		(1 092 563 02 00)	(2 622 151 4[illegible])
	1152	297	000	✓	1 092 563 02 00	2 622 151 4[illegible]
	6001	000	110		10 173 11 07	24 417 9[illegible]
	6001	001	110		1 091 456 03 11	2 619 494 8[illegible]
	6741	000	110		161 517 15 00	387 642 60
	4083	226	000	✓	(1 263 147 [illegible] 06)	(3 031 555 0[illegible])

JOURNAL VOUCHER

GULF 0226

VOICE

11337

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: MAY 31, 1968

REGISTERED IN: MAY 1968

	DOLLARS	STERLING @ $2.40/£
Kuwait Crude Oil		
18,067 Net Barrels @ $1.41/Bbl.	$ 25,474.47	£ 10,614.7.3
Kuwait Distillate		
310,114 Net Barrels @ $2.02/Bbl.	626,430.28	261,012.12.4
Kuwait Gasoil		
84,205 Net Barrels @ $2.73/Bbl.	229,879.65	95,783. 3.9
TOTAL	$ 881,784.40	£ 367,410. 3.4

INVOICE

11338

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROLEX COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: MAY 31, 1968

REGISTERED IN: MAY 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
1,608,717 Net Barrels	$ 2,622,151.44	£ 1,092,563.2.0

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY

DATE: MAY 31, 1968

Registered in: MAY 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	18,067	$ 1.3515	$ 24,417.55	£ 10,173.19. 7
Kuwait Crude	1,938,213	1.3515	2,619,494.87	1,091,456. 3.11
Processing Fee		.20	387,642.60	161,517.15. 0
TOTAL	1,956,280	-	$ 3,031,555.02	£ 1,263,147.18. 6

11340

VOUCHER NO. 05-0002

DATE MAY 1968

PREPARED BY [illegible signature]

APPROVED BY W. W. B.

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULFEX BALANCE AT MAY 31, 1968
TO PROPET COMPANY, LTD.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO CODE	ACCT.	SUB.	FUNC.			
PAN	[illegible]	[illegible]	000	✓	896 862 11 00	2 149 770 6[illegible]
	1152	297	000	✓	(896 862 11 00)	(2 149 770 6[illegible])

JOURNAL VOUCHER
F 6226

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED DATE: MAY 31, 1968

REGISTERED IN: MAY 1968

CREDIT MEMORANDUM

To CREDIT your account $ 2,149,770.62

£ 896,362.11.0

This amount represents the application of the adjusted balance as of May 31, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

11342

VOUCHER NO. 06-0001

DATE JUNE 1968

PREPARED BY

APPROVED BY

PAN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD 2ND QUARTER 1968 RATE ADJUSTMENTS ON TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY LIMITED. STERLING ONLY.

DISTRIBUTION CO. CODE	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	5001	286	110		(206 07 03)	-0-
	5001	286	160		(1 801 12 02)	-0-
	5001	286	190		(348 09 07)	-0-
	4082	286	000		2356 11 00	-0-
	5001	297	190		(7692 05 02)	-0-
	1152	297	000		7692 05 02	-0-
	6001	000	110		197 18 00	-0-
	6001	001	110		7533 12 10	-0-
	6741	000	110		1114 17 08	-0-
	4082	286	000		(8846 08 02)	

JOURNAL VOUCHER
GULF 6226

11343

PAN EASTERN REFINING COMPANY LIMITED

PITTSBURGH, PENNSYLVANIA

GULF EXPLORATION COMPANY | DATE: JUNE 30, 1968

REGISTERED IN: JUNE 1968

REVISED BILLING - 2ND QUARTER 1968

	DOLLARS	STERLING @ $2.3913/£
Total Pan Eastern Sales of Kuwait Crude, Distillate, and Gas Oil		
769,148 Net Barrels	$ 1,554,542.17	£ 650,082. 9.1

ORIGINAL BILLINGS - 2ND QUARTER 1968

		STERLING @ $2.40/£
Total Pan Eastern Sales of Kuwait Crude, Distillate, and Gas Oil		
769,148 Net Barrels	$ 1,554,542.17	£ 647,725.18.1
Total Adjustment - 2nd Quarter 1968	-0-	£ 2,356.11.0

Crude 206. 9. 3
Dist. 1801. 12. a
Gas Oil 348. 9. 7
2,356 .11. 0

OICE

11344

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROBE COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: JUNE 30, 1968

REGISTERED IN: JUNE 1968

REVISED BILLING - 2ND QUARTER 1968

	DOLLARS	STERLING @ $2.3913/£
Total Pan Eastern Sales of Kuwait Crude, Gas Oil, and Heavy Fuels		
3,052,061 Net Barrels	$ 5,074,344.17	£ 2,122,002.6.7

ORIGINAL BILLINGS - 2ND QUARTER 1968

		STERLING @ $2.40/£
Total Pan Eastern Sales of Kuwait Crude, Gas Oil, and Heavy Fuels		
3,052,061 Net Barrels	$ 5,074,344.17	£ 2,114,310.1.5
Total Adjustment - 2nd Quarter 1968	-0-	£ 7,692.5.2

11345

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY

DATE: JUNE 30, 1968

REGISTERED IN: JUNE 1968

REVISED BILLING - 2ND QUARTER 1968

	DOLLARS	STERLING @ $2.3913/£
Total Purchases of Kuwait Crude Oil and Purchase Costs - Processing Fee		
3,773,776 Net Barrels	$ 5,835,694.66	£ 2,440,385.16.10

ORIGINAL BILLINGS - 2ND QUARTER 1968

		STERLING @ $2.40/£
Total Purchases of Kuwait Crude Oil and Purchase Costs - Processing Fee		
3,773,776 Net Barrels	$ 5,835,694.66	£ 2,431,539. 8.10
Total Adjustment - 2nd Quarter 1968	-0-	£ 8,846. 8.

Crude resale	197.18.0
Crude - Process	7,533.12.10
Process fee	1,114.17.2
	8,846.8.0

11346

VOUCHER NO. 06-0002

DATE JUNE 1968

PREPARED BY [illegible]

APPROVED BY W.W.[illegible]

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ADJUSTING ENTRIES FOR SECOND QUARTER 1968
BASED ON THE ADJUSTED RATE OF $2.3913

DOLLARS ONLY

DISTRIBUTION CO. CODE	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
AN	1021	010	001	✓	-0-	63
	1021	010	007	✓	-0-	(39 88
	8400	000	000		-0-	(63
	9129	000	000		-0-	39 88
						40 51

JOURNAL VOUCHER

PAN EASTERN REFINING COMPANY

SECOND QUARTER 1968 ADJUSTMENTS

ADJUSTED @2.5913

	ACCOUNT 1021 MORGAN GREEN - REG G	$		MORGAN GREEN - TIME ACCOUNT 1021 G	$
T/O 04-003	(7219)	(17301)			
				4584.14	1100.76
@ 2.40	(7219)	(17301)		4584.14	1100.76
@ 2.5913	(7219)	(17238)		4584.14	1296.22
	---	63		---	(59.22)

11347

VOUCHER NO. 07-0001

DATE JULY 1968

PREPARED BY ~~~

APPROVED BY ~~~ 11348

N PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCT TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, LTD.

CO. CODE	DISTRIBUTION ACCT.	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
1	5001	286	160		(270 552 19 06)	(649 327 14)
	5001	286	190		(95 112 01 00)	(228 413 64)
	4082	286	000		365 725 06 06	877 740 78
	5001	297	190		(1 152 290 15 09)	(2 765 497 89)
	1152	297	000		1 152 290 15 09	2 765 497 89
	6001	001	110		1 154 205 15 07	2 770 093 87
	6741	000	110		170 803 13 04	409 928 80
	4082	286	000		(1 325 009 08 11)	(3 180 022 67)

URNAL VOUCHER

6226

11349

NVOICE

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: JULY 31, 1968

REGISTERED IN: JULY 1968

	DOLLARS	STERLING @ $2.40/£
Kuwait Distillate		
327,943 Net Barrels @ $1.98/Bbl.	$ 649,327.14	£ 270,552.19.6
Kuwait Gas Oil		
83,668 Net Barrels @ $2.73/Bbl.	228,413.64	95,172. 7.0
TOTAL	$ 877,740.78	£ 365,725. 6.6

INVOICE

11350

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

FROBEE COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: JULY 31, 1968

REGISTERED IN: " JULY 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
1,700,845 Net Barrels	$ 2,765,497.89	£ 1,152,290.15.9

11351

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY

DATE: JULY 31, 1968

Registered in: JULY 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	2,049,644	$ 1.3515	$ 2,770,093.87	£ 1,154,205.15. 7
Processing Fee		.20	409,928.80	170,803.13. 4
TOTAL	2,049,644	-	$ 3,180,022.67	£ 1,325,009. 8.11

VOUCHER NO. 07-0002

DATE JULY 1968

PREPARED BY [signature]

APPROVED BY W W G

11352

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULFEX BALANCE AT JULY 31, 1968
TO PROPET COMPANY, LTD.

DISTRIBUTION CO. CODE	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	1082	286	000		965 773 19 05	2 302 281 89
	1152	297	000		(965 773 19 05)	(2 302 281 89)

OURNAL VOUCHER

ULF 6226

VOICE

11353

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED DATE: JULY 31, 1968

REGISTERED IN: JULY 1968

<u>CREDIT MEMORANDUM</u>

To CREDIT your account $ 2,302,281.89

£ 965,773.19.5

This amount represents the application of the adjusted balance as of July 31, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

VOUCHER NO. 07-0003

DATE JULY 1968

PREPARED BY [illegible]

APPROVED BY W. W. G.

AN PAN-EASTERN REFINING COMPANY, LIMITED

11354

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ENTRIES PREPARED FROM THE PITTSBURGH CASH BOOK AS PER THE ATTACHED.

DISTRIBUTION CO. CODE	ACCT.	SUB.	FUNC	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	1021	010	002	✓	2662 19 08	6247 16
	1127	000	000		(2662 19 08)	(6247 16)

JOURNAL VOUCHER

JLF 0228

PAN EASTERN REFINING COMPANY

MORGAN GRENFELL & COMPANY - TIME DEPOSIT

The entries shown below have been prepared from the Pittsburgh Office Cash Book for the month of JULY 1968.

ACCOUNT NO.	STERLING DEBIT	STERLING CREDIT	U.S. DOLLARS DEBIT	U.S. DOLLARS CREDIT
1021 - 010 - 000	2,602 19 3		6,247.16	
[illegible]		2,602 19 3		6,247.16
Bank Balance at beginning of month as shown in Pittsburgh Cash Book				
Net change for month				
Bank Balance at end of month as shown in Pittsburgh Cash Book				

11356

CASH REMITTANCE ADVICE

GULF 440-M

No. ______________________ DATE July 6, 1968

RECEIVING COMPANY: ( ) GULF OIL CORPORATION - 160

(X) Pan Eastern Refining Co.

DEPOSITORY: ( ) MELLON BANK -001

(X) Morgan Grenfell & Company, Ltd.

DEPARTMENT: ______________________

ANALYSIS CODE: ______________________

MAKER	AMOUNT
Morgan Grenfell & Co.	£ 2,602.19.8

DISTRIBUTION CO.	ACCT.	SUB.	FUNC.	S.S. NUMBER	DESCRIPTION	AMOUNT
	9129				Internal Income	£(2,602.19.8)
	1011					£ 2,602.19.8

W. W. Graham

W. W. GRAHAM

11357
DRD

R. E. Flocken

Pittsburgh

Mr. Fred Doering

July 5, 1968

The Near Eastern Refining Company, Ltd., Time Deposit Account with Morgan Grenfell & Company, Ltd., London, matured July 6, 1968, in the principal amount of £126,552-8-9 and was renewed in that amount plus the accrued interest to mature July 6, 1968.

The interest earned on this account for the three months ending July 6, 1968, is £2,602-19-8 which will make the renewed account in total amount of £129,155-8-5.

A copy of correspondence with our London Treasury Department is attached. Please arrange for issuance of a cash receipt voucher dated July 6, 1968, for the interest received.

Attachment
HD/an
cc: Mr. W. W. Graham

ORIGINAL SIGNED BY
R. E. FLOCKEN

11358
DKO

July 5, 1968

Morgan Grenfell & Company, Ltd.
23, Great Winchester Street
London E.C. 2, England

Gentlemen:

We confirm the instructions of our London Office regarding the maturity July 6, 1968, of the Pan Eastern Refining Company, Ltd. Fixed Deposit Account. This account was renewed in the total amount of £129,155-8-5 representing principal plus accrued interest.

It is our understanding that the new Fixed Deposit Account will mature January 6, 1969, and earn interest at the rate of 8-5/16% per annum.

While we presently expect that the £129,155-8-5 will remain for the full six months, we understand, as in the past, that all or part of this amount would be available to us upon call.

Yours very truly,

PAN EASTERN REFINING CO., LTD.

ORIGINAL SIGNED BY
R. E. FLOCKEN

R. E. Flocken

HB/ea
cc: Mr. W. W. Graham

11359

VOUCHER NO. 08-0001

DATE AUGUST 1968

PREPARED BY [illegible signature]

APPROVED BY W.W.H.

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCT TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, INC.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO CODE	ACCT.	SUB.	FUNC.			
PAN	5001	286	160		(156 810 04 06)	(376 344 5
	5001	286	190		(132 469 16 09)	(317 427 6
	4082	286	000		289 280 01 03	694 272 15
	5001	297	190		(632 607 13 06)	(1 518 263 2
	1152	297	000		632 607 13 06	1 518 263 2
	6001	001	110		668 967 14 05	1 605 522 5
	6741	000	110		98 996 06 08	237 591 2
	4082	286	000		(767 964 01 01)	(1 843 113 7

OURNAL VOUCHER

ULF 5220

INVOICE

11360

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY　　　　DATE: AUGUST 31, 1968

REGISTERED IN: AUGUST 1968

	DOLLARS	STERLING @ $2.40/£
Kuwait Distillate		
190,073 Net Barrels @ $1.98/Bbl.	$ 376,344.54	£ 156,810.4 .6
Kuwait Gas Oil		
116,457 Net Barrels @ $2.73/Bbl.	317,927.61	132,469.16.9
TOTAL	$ 694,272.15	£ 289,280. 1.3

VOICE

11361

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

[illegible] COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: AUGUST 31, 1968

REGISTERED IN: AUGUST 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
986,003 Net Barrels	$ 1,518,263.22	£ 632,609.13.6

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY

DATE: AUGUST 31, 1968

Registered in: AUGUST 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	1,187,956	$ 1.3515	$ 1,605,522.53	£ 668,967.14. 5
Processing Fee		.20	237,591.20	98,996. 6. 8
TOTAL	1,187,956	-	$ 1,843,113.73	£ 767,964. 1. 1

11363

VOUCHER NO. 08-0002

DATE AUGUST 1968

PREPARED BY [signature]

APPROVED BY WWS

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULF EXPLORATION COMPANY BALANCE AT AUGUST 31, 1968 TO PROPET COMPANY LTD.

DISTRIBUTION CO.	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
1	1082	286	000	✓	478,683 19 10	1,148,841 58
	1152	277	000	✓	(478,683 19 10)	(1,148,841 58)

JOURNAL VOUCHER

LF 6226

/O|C:E

11364

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED

DATE: AUGUST 31, 1968

REGISTERED IN: AUGUST 1968

CREDIT MEMORANDUM

To CREDIT your account $ 1,148,841.58

£ 478,683.19.10

This amount represents the application of the adjusted balance as of August 31, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

11365

VOUCHER NO. 08-0003

DATE AUGUST 1968

PREPARED BY [illegible]

APPROVED BY W.W.S.

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ENTRIES PREPARED FROM THE PITTSBURGH CASH BOOK AS PER THE ATTACHED.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO. CODE	ACCT	SUB.	FUNC.			
PAN	1021	010	001	✓	539 01 02 ✓	1,293 72
	9129	000	000	✓	(539 01 02) ✓	(1,293 72

JOURNAL VOUCHER

ULF 6226

11366

PAN EASTERN REFINING COMPANY

MORGAN GRENFELL & CO. LTD. - REGULAR ACCOUNT

The entries shown below have been prepared from the Pittsburgh Office Cash Book for the month of AUGUST 1968.

ACCOUNT NO.	STERLING		U.S. DOLLARS	
	DEBIT	CREDIT	DEBIT	CREDIT
1021-010-001	539. 1. 2		1,293.74	
9129-000-000		539. 1. 2		1,293.74
Bank Balance at beginning of month as shown in Pittsburgh Cash Book				
Net change for month				
Bank Balance at end of month as shown in Pittsburgh Cash Book				

JUL 1968

IN ACCOUNT WITH

MORGAN GRENFELL & CO. LIMITED,
23, GREAT WINCHESTER STREET,
LONDON, E.C.2.

F.

N EASTERN REFINING COMPANY LIMITED (NASSAU)

POSIT ACCOUNT AT CALL

11367

SHEET No. 60/6

	PARTICULARS	DEBIT	CREDIT	BALANCE
JUN68				7,066.07.[illegible]
JUN68			539.01.2	7,605.08.4

11368

VOUCHER NO. 08-0004

DATE AUGUST 1968

PREPARED BY [illegible signature]

APPROVED BY [illegible signature]

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD SALE AND PURCHASE OF KUWAIT CRUDE
DURING AUGUST 1968.

O. CE	DISTRIBUTION ACCT.	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT				DOLLAR AMOUNT		
IN	7001	216	110		(17	311	09	11)	(41	420	16
	1182	216	102		17	311	09	11	41	420	16
	6001	[illegible]	110		15	622	02	01	39	701	66
	1182	216	000		(16	622	00	01)	(39	701	66

OURNAL VOUCHER
ULF 6226

INVOICE

11369

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: AUGUST 31, 1968

REGISTERED IN: AUGUST 1968

	DOLLARS	STERLING @ $2.38[illegible]
Kuwait Crude		
29,376 Net Barrels @ $1.41/Bbl.	$ 41,420.16	£ 17,341. [illegible]

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

11370

PAN EASTERN REFINING COMPANY

DATE: AUGUST 31, 1968

REGISTERED IN: AUGUST 1968

	DOLLARS	STERLING @ $2.3885/£
Kuwait Crude		
29,376 Net Barrels @ $1.3515/Bbl.	$ 39,701.66	£ 16,622. 0. 1

11371

VOUCHER NO. 09-0001

DATE SEPTEMBER 1968

PREPARED BY DKS

APPROVED BY W.W.D.

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCT TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, LTD.

CO. CODE	DISTRIBUTION ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN.	5001	296	110		(43 231 08 09)	(103 754 85
	5001	296	160		(272 256 08 10)	(653 415 46
	4082	296	000		315 497 12 07	757 170 31
	5001	297	190		(1 187 439 19 00)	(2 849 855 88
	1152	297	000		1 187 439 19 00	2 849 855 88
	6001	000	110		41 437 11 01	99 450 13
	6001	001	110		1 138 475 03 10	2 732 335 66
	4082	296	000		(1 348 388 04 11)	(3 236 126 99
	6741	000	110		168 475 10 00	404 341 20

JOURNAL VOUCHER

GLF 6226

11372

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY DATE: SEPTEMBER 30, 1968

REGISTERED IN: SEPTEMBER 1968

	DOLLARS		STERLING @ $2.40/£
Kuwait Crude			
73,585 Net Barrels @ $1.41/Bbl.	$ 103,754.85	£	43,231. 3. 9
Kuwait Distillate			
323,473 Net Barrels @ $2.02/Bbl.	653,415.46		272,256. 8.10
TOTAL	$ 757,170.31	£	315,487.12. 7

'OICE

11373

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROFIT COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: SEPTEMBER 30, 1968

REGISTERED IN: SEPTEMBER 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
1,678,015 Net Barrels	$ 2,849,855.88	£ 1,187,439.19.0

11374

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY DATE: SEPTEMBER 30, 1968

Registered in: SEPTEMBER 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	73,585	$ 1.3515	$ 99,450.13	£ 41,437.11. 1
Kuwait Crude	2,021,706	1.3515	2,732,335.66	1,138,473. 3.10
Processing Fee		.20	404,341.20	168,475.10. 0
TOTAL	2,095,291	-	$ 3,236,126.99	£ 1,348,386. 4.11

11375

VOUCHER NO. 09-0002

DATE SEPTEMBER 1968

PREPARED BY [illegible]

APPROVED BY W.W.B.

PAN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULF EXPLORATION COMPANY BALANCE AT SEPTEMBER 30, 1968 TO PROPET COMPANY, LTD.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO. CODE	ACCT.	SUB	FUNC			
PAN	4002	226	000		1031 998 12 06	2 478 956
	1152	297	000		(1031 998 12 06)	(2 478 956)
						2 478 956

JOURNAL VOUCHER
GULF 6225

'OICE

11376

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED

DATE: SEPTEMBER 30, 1968

REGISTERED IN: SEPTEMBER 1968

CREDIT MEMORANDUM

To CREDIT your account

$ 2,478,956.68

£ 1,031,898.12.6

This amount represents the application of the adjusted balance as of September 30, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

VOUCHER NO. 09-0003

PREPARED BY [illegible]

DATE SEPTEMBER 1968

APPROVED BY W. W. S.

PAN-EASTERN REFINING COMPANY, LIMITED

11377

PITTSBURGH OFFICE

EXPLANATION: TO RECORD 3RD QUARTER 1968 RATE ADJUSTMENTS ON TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY LIMITED. STERLING ONLY.

DISTRIBUTION CO. CODE	ACCT.	SUB	FUNC	DESCRIPTION	STERLING AMOUNT			DOLLAR AMOUNT
	5001	286	110		(208	05	00)	-0-
	5001	286	160		(3 368	09	07)	-0-
	5001	286	190		(1 096	00	09)	-0-
	4082	286	000		4 872	13	04	-0-
	5001	297	190		(14 311	00	09)	-0-
	1152	297	000		14 311	00	09	-0-
	6001	000	110		199	10	03	-0-
	6001	008	110		14 237	11	00	-0-
	6711	000	110		2 110	03	07	-0-
	4082	226	000		(16 969	04	10)	-0-

JOURNAL VOUCHER

GLF 6226

VOI 6

11378

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROFIT COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: SEPTEMBER 30, 1968

REGISTERED IN: SEPTEMBER 1968

REVISED BILLING - 3RD QUARTER 1968

	DOLLARS	STERLING @ $2.3885/£
Total Pan Eastern Sales of Gas Oil and Heavy Fuels		
4,364,863 Net Barrels	$ 7,133,616.99	£ 2,986,651. 9. 0

ORIGINAL BILLINGS - 3RD QUARTER 1968

		STERLING @ $2.40/£
Total Pan Eastern Sales of Gas Oil and Heavy Fuels		
4,364,863 Net Barrels	$ 7,133,616.99	£ 2,972,340. 8. 3
Total Adjustment - 3rd Quarter 1968	-0-	£ 14,311. 0. 9

11379

PAN EASTERN REFINING COMPANY LIMITED

PITTSBURGH, PENNSYLVANIA

GULF EXPLORATION COMPANY

DATE: SEPTEMBER 30, 1968

REGISTERED IN: SEPTEMBER 1968

REVISED BILLING - 3RD QUARTER 1968

	DOLLARS	STERLING @ $2.3885/£
Total Pan Eastern Sales of Kuwait Crude, Distillate, and Gas Oil		
1,115,199 Net Barrels	$ 2,329,183.24	£ 975,165.13. 8

ORIGINAL BILLINGS - 3RD QUARTER 1968

		STERLING @ $2.40/£
Total Pan Eastern Sales of Kuwait Crude, Distillate, and Gas Oil		
1,115,199 Net Barrels	$ 2,329,183.24	£ 970,493. 0. 4
Total Adjustment - 3rd Quarter 1968	-0-	£ 4,672.13. 4

MEMO:	Crude	£ 208. 3. 0
	Distillate	3,368. 9. 7
	Gas Oil	1,096. 0. 9
		£ 4,672.13. 4

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

11380

PAN EASTERN REFINING COMPANY

DATE: SEPTEMBER 30, 1968

REGISTERED IN: SEPTEMBER 1968

REVISED BILLING - 3RD QUARTER 1968

	DOLLARS	STERLING @ $2.3885/£
Total Purchases of Kuwait Crude Oil and Purchase Costs - Processing Fee		
5,332,891 Net Barrels	$ 8,259,263.39	£ 3,457,928.19. 9

ORIGINAL BILLINGS - 3RD QUARTER 1968

		STERLING @ $2.40/£
Total Purchases of Kuwait Crude Oil and Purchase Costs - Processing Fee		
5,332,891 Net Barrels	$ 8,259,263.39	£ 3,441,359.14.11
Total Adjustment - 3rd Quarter 1968	-0-	£ 16,569. 4.10

MEMO:		
	Crude Resale	£ 199.10. 3
	Crude Processing	14,259.11. 0
	Process Fee	2,110. 3. 7
		£ 16,569. 4.10

11381

VOUCHER NO. 09-0004

PREPARED BY [illegible]

DATE SEPTEMBER 1968

APPROVED BY WWB

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ADJUSTING ENTRIES FOR THIRD QUARTER 1968
BASED ON THE ADJUSTED RATE OF $2.3885

DOLLARS ONLY

DISTRIBUTION CODE	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
iii	1021	010	001		-0-	(6 20
	1021	010	002		-0-	(29 93
	9129	000	000		-0-	36 13
						36 13

JOURNAL VOUCHER
LP 5226

PAN EASTERN REFINING COMPANY
THIRD QUARTER 19[illegible] ADJUSTMENTS
ADJUSTED RATE $2.3775 per 1 £

	ACCOUNT 1021 MORGAN GRENFELL - REC £	$	MORGAN GRENFELL - TIME ACCOUNT 1021 £	$	ACCOUNT 8400 ADMIN EXPENSE £	$	ACCOUNT 9129 INTEREST INCOME £	$
			2602.18.6	624716			(2602.18.6)	(624716)
	559.1.2	129374					(559.1.2)	(129374)
=.	559.1.2	129374	2602.18.6	624716			(3142.0.10)	(754090)
ES	559.1.2	1287.54	2602.18.7	621723			(3142.0.10)	(750477)
ENT	-0-	(620)	-0-	(2993)			-0-	3613

11382

VOUCHER NO. 10-0001

DATE OCTOBER 1968

PREPARED BY [illegible signature]

APPROVED BY W. W. M.

PAN PAN-EASTERN REFINING COMPANY, LIMITED

11383

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCT TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, LTD.

DISTRIBUTION CO. CODE	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	5001	226	110	✓	(47 870 13 06)	(114 889
	5001	226	160		(230 079 13 08)	(552 191
	4022	226	000	✓	277 750 07 02	667 020
	5001	297	110	✓	(1 003 957 16 06)	(2 409 498 7
	1152	297	000	✓	1 003 957 16 06	2 409 498 7
	6001	000	110	✓	45 884 11 00	110 122
	6001	001	110	✓	982 106 07 08	2 357 055
	6741	000	110	✓	142 376 01 08	341 702 6
	4022	226	000	✓	(1 150 307 00 04)	(2 760 720

JOURNAL VOUCHER

GULF 0220

OICE

11384

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: OCTOBER 31, 1968

REGISTERED IN: OCTOBER 1968

	DOLLARS	STERLING @ \$2.40/£
Kuwait Crude		
81,482 Net Barrels @ \$1.41/Bbl.	\$ 114,889.62	£ 47,870.13.6
Kuwait Distillate		
273,362 Net Barrels @ \$2.02/Bbl.	552,191.24	230,079.13.8
TOTAL	\$ 667,080.86	£277,950. 7.2

OICE

11385

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROFIT COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: OCTOBER 31, 1968

REGISTERED IN: OCTOBER 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
1,418,066 Net Barrels	$ 2,409,498.78	£ 1,003,957.16.6

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY

DATE: OCTOBER 31, 1968

Registered in: OCTOBER 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	81,482	$ 1.3515	$ 110,122.92	£ 45,884.11.0
Kuwait Crude	1,708,513	1.3515	2,309,055.32	962,106. 7.8
Processing Fee	______	.20	341,702.60	142,376. 1.8
TOTAL	1,789,995	-	$ 2,760,880.84	£ 1,150,367. 0.4

VOUCHER NO. 10-0002

DATE OCTOBER 1968

PREPARED BY [illegible signature]

APPROVED BY W. W. [illegible]

AN PAN-EASTERN REFINING COMPANY, LIMITED

11387

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULF EXPLORATION COMPANY BALANCE AT OCTOBER 31, 1968 TO PROPET COMPANY, LTD.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT				DOLLAR AMOUNT		
CO. CODE	ACCT.	SUB.	FUNC.								
AN	4082	286	000	✓	884	313	04	08	2092	799	98
	1152	297	000	✓	(884	313	04	08)	(2092	799	98

JOURNAL VOUCHER

GULF 6226

VOI.

11388

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED

DATE: OCTOBER 31, 1968

REGISTERED IN: OCTOBER 1968

CREDIT MEMORANDUM

To CREDIT your account $ 2,092,799.98

£ 884,313.4.8

This amount represents the application of the adjusted balance as of October 31, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

VOUCHER NO. 10-0003

DATE OCTOBER 1968

PREPARED BY [illegible]

APPROVED BY W. W. H.

AN PAN-EASTERN REFINING COMPANY, LIMITED

11389

PITTSBURGH OFFICE

EXPLANATION: TO RECORD ENTRIES PREPARED FROM THE PITTSBURGH CASH BOOK AS PER THE ATTACHED.

DISTRIBUTION CO. CODE	ACCT	SUB	FUNC	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	8400	000	000		659 16 08	1583 6
	1021	010	001		(659 16 08)	(1583 6

JOURNAL VOUCHER

GULF 1/726

LP 873

DRD

11390

FROM	R. E. Flocken	AT Pittsburgh	IN REPLY REFER TO	
TO	Mr. Fred Deering	AT	DATE	October 18, 1968
SUBJECT				

On October 8, 1968, we wrote to Morgan Grenfell & Co., Ltd., London requesting that bank to charge the Regular Deposit Account of Pan-Eastern Refining Company, Limited in a sufficient sterling amount to pay B$1,615.14 to Carson, Lawson & Levine for professional services rendered.

Attached is copy of advice from Morgan Grenfell & Co., Ltd., indicating that Pan-Eastern Refining Company's Regular Deposit Account was charged on October 14, 1968 with £659-16-8 to make this payment.

R. E. Flocken

Attachment
DD/ea
cc: Mr. W. W. Graham

COMPTROLLER'S DEPARTMENT
OCT 1968

MORGAN GRENFELL & CO. LIMITED

23, GREAT WINCHESTER STREET,
LONDON, E.C.2

14th October, 1968.

Pan Eastern Refining Co. Ltd.
Gulf Building
Pittsburgh, P.A. 15230
U.S.A.

Attention Mr. R.E. Flocken

Dear Sirs,

We thank you for your letter of 8th October requesting the payment of Bahamian $1,615.14 to the Royal Bank of Canada, Nassau, for the credit of the Special Account of the Propet Company Limited. The Bahamian currency restrictions, mentioned in our letter of 18th March, remain unchanged and as before we are making the payment in sterling to the debit of your Deposit Account at Call as follows:

Bahamian $1,615.14 @ ex. 2.449 =	£659. 10. 2.
plus charges	6. 6.
	£659. 16. 8.

You will understand that we again cannot guarantee that this payment will be made or at what rate the sterling will be converted into the local currency.

Yours faithfully,
For MORGAN GRENFELL & CO. LIMITED

Our ref: 25.o.
Airmail

DRD

11392

October 8, 1968

Morgan Grenfell & Co., Ltd.
23 Great Winchester Street
London E.C. 2, England

Dear Sirs:

Please charge the Regular Deposit Account of Far Eastern Refining Company Limited in a sufficient sterling amount to pay Bahamian $1,615.14 to Royal Bank of Canada, Nassau, The Bahamas, British West Indies, for credit to the Propet Company Limited - Special Account.

This payment represents settlement of expenses paid by Propet Company Limited for Far Eastern's share of legal fees to Carson, Lawson & Levine for the year 1968. We desire that Propet receive the full amount of Bahamian $1,615.14; therefore, any additional bank charges are to be for our account.

Please forward the relative debit advice to us in due course and advise Mr. W. C. Viglia, P.O. Box 1096, Nassau, when this payment is made.

Yours very truly,

FAR EASTERN REFINING COMPANY, LTD.

ORIGINAL SIGNED BY
R. E. FLOCKEN

R. E. Flocken

FD/sa
cc: Mr. Fred Deering
Mr. W. W. Graham
Mr. W. C. Viglia

COMPTROLLER DEPARTMENT
OCT 15 1968

FD	[illegible]	[illegible]	ES
WA	[illegible]	[illegible]	HCV
[illegible]	[illegible]	DCH	RJZ
CJC	LWJ	GEH	
NLD	OLH	MWR	

ROM	W. C. Viglia	AT	Nassau	IN REPLY REFER TO	11393
O	Mr. Walter Wilds	AT	Pittsburgh	DATE	October 1, 1968
UBJECT	Legal Fees - Carson, Lawson & Levine - Nassau				

Attached please find Propet Company, Limited invoice No. 409 issued to Pan-Eastern Refining Company, Limited covering their share of legal fees for the year 1968 amounting to Bahamian $1,515.14. These fees were paid to Carson, Lawson & Levine by Propet Company, Limited.

We would appreciate receiving a check in October payable to Propet Company, Limited - Special Account for deposit in the Royal Bank of Canada, Nassau. This will eliminate the receivable/payable from Propet and Pan-Eastern records.

Please contact us if you have any questions.

W. C. Viglia

W. C. Viglia

WCV/hb

cc: Mr. Fred Deering
bcc: Mr. W. W. Graham w/copy of invoice

PROPET COMPANY, LIMITED

NASSAU

BAHAMA ISLANDS

11394

INVOICE No 469

DATE October 1, 1968

TO PAN-EASTERN REFINING COMPANY, LTD.

Pan-Eastern's share of legal fees paid to Carson, Lawson & Levine for the year 1968.	B$1,546.50
Postage, Cables, Overseas calls	58.98
Filing resolution and photostating	9.66
	B$1,615.14

The above expenses paid by Propet Company Limited, Nassau - Check No. 22423. Please make check payable to Propet Company, Ltd. - Special Account and send to W. C. Viglia, P. O. Box 1098, Nassau for handling.

VOUCHER NO 11-0001

DATE NOVEMBER 1968

PREPARED BY [illegible signature]

APPROVED BY W. W. [illegible]

PAN-EASTERN REFINING COMPANY, LIMITED

11395

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCT TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, LTD.

DISTRIBUTION CO. CODE	ACCT	SUB	FUNC	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	5001	226	116		(4,441 16 05)	(9,777 55)
	5001	226	160		(247,8[illegible] 11 08)	(594,729 40)
	5001	216	170		(105,2[illegible] 1[illegible] 06)	(252,721 62)
	4072	226	000		357,316 01 05	857,558 51
	5001	227	150		(1,03[illegible] 17 11)	(2,478,280 35)
	1152	227	000		1,03[illegible] 17 11	2,478,280 35
	6001	000	110		3,972 16 11	9,534 63
	6001	001	110		1,036,972 01 07	2,487,256 61
	6741	000	110		15[illegible] 15 06	362,617 40
	4072	226	000		(1,193,738 13 0[illegible])	(2,864,972 74)

JOURNAL VOUCHER

GULF #226

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: NOVEMBER 30, 1968

REGISTERED IN: NOVEMBER 1968

		DOLLARS	STERLING @ \$2.40/£
Kuwait Crude			
7,055	Net Barrels @ \$1.41/Bbl.	\$ 9,947.55	£ 4,144.16.3
Kuwait Distillate			
294,470	Net Barrels @ \$2.02/Bbl.	594,829.40	247,845.11.8
Kuwait Gasoil			
92,594	Net Barrels @ \$2.73/Bbl.	252,781.62	105,325.13.6
	TOTAL	\$ 857,558.57	£ 357,316. 1.5

11397

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROFIT COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: NOVEMBER 30, 1968

REGISTERED IN: NOVEMBER 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
1,527,563 Net Barrels	$ 2,473,233.35	£ 1,030,513.17.11

11398

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY

DATE: NOVEMBER 30, 1968

Registered in: NOVEMBER 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	7,055	$ 1.3515	$ 9,534.83	£ 3,972.16.11
Kuwait Crude	1,840,437	1.3515	2,487,350.61	[illegible] 1,036,936.-1.-9
Processing Fee		.20	368,087.40	153,369.15. 0
TOTAL	1,847,492	-	$ 2,864,972.84	£ 1,193,738.13.-8 [illegible] [illegible]

VOUCHER NO. 11-0002

DATE NOVEMBER 1968

PREPARED BY. [illegible signature]

APPROVED BY. W.W.G.

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

11399

EXPLANATION: TO RECORD THE CLOSING OF GULF EXPLORATION COMPANY BALANCE AT NOVEMBER 30, 1968 TO PROPET COMPANY, LTD.

DISTRIBUTION ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
4022	216	000		836 422 12 03	2007 414 27
1152	297	000		(836 422 12 03)	(2007 414 27

AL VOUCHER

11400

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED

DATE: NOVEMBER 30, 1968

REGISTERED IN: NOVEMBER 1968

CREDIT MEMORANDUM

To CREDIT your account $ 2,007,414.27

£ 836,422.12.3

This amount represents the application of the adjusted balance as of November 30, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

VOUCHER NO. 12-0001

DATE DECEMBER 1968

PREPARED BY [illegible]

APPROVED BY W. W. M.

11401

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD CRUDE AND PRODUCT TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY, LTD.

DISTRIBUTION CO. CODE	ACCT	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	4082	286	000		297 508 18 03	714 021 39
	5001	286	110		(44 551 17 09)	(106 924 53)
	5001	286	160		(121 066 03 06)	(290 558 8[illegible])
	5001	286	190		(131 890 17 00)	(316 538 04)
	1152	297	000		467 722 03 02	1 122 533 18
	5001	297	190		(467 722 03 02)	(1 122 533 18)
	6001	000	110		42 703 09 02	102 488 30
	6001	001	110		506 252 15 01	1 215 006 61
	6741	000	110		74 917 03 04	179 801 20
	4082	286	000		(623 873 07 07)	(1 497 296 11)

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6720

11402

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

GULF EXPLORATION COMPANY

DATE: DECEMBER 31, 1968

REGISTERED IN: DECEMBER 1968

	DOLLARS	STERLING @ $2.40/£
Kuwait Crude		
75,833 Net Barrels @ $1.41/Bbl.	$ 106,924.53	£ 44,551.17. 9
Kuwait Distillate		
143,841 Net Barrels @ $2.02/Bbl.	290,558.82	121,066. 3. 6
Kuwait Gasoil		
115,948 Net Barrels @ $2.73/Bbl.	316,538.04	131,890.17. 0
TOTAL	$ 714,021.39	£ 297,508.18. 3

CICE

11403

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPHET COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: DECEMBER 31, 1968

REGISTERED IN: DECEMBER 1968

	DOLLARS	STERLING @ $2.40/£
Pan Eastern Sales of Gas Oil & Heavy Fuels		
746,175 Net Barrels	$ 1,122,533.18	£ 467,722.3.2

11404

GULF EXPLORATION COMPANY
PITTSBURGH, PENNSYLVANIA

PAN EASTERN REFINING COMPANY — DATE: DECEMBER 31, 1968

Registered in: DECEMBER 1968

	BARRELS	PRICE	DOLLARS	STERLING @ $2.40/£
Kuwait Crude	75,833	$ 1.3515	$ 102,488.30	£ 42,703. 9. 2
Kuwait Crude	899,006	1.3515	1,215,006.61	506,252.15. 1
Processing Fee		.20	179,801.20	74,917. 3. 4
TOTAL	974,839	-	$ 1,497,296.11	£ 623,873. 7. 7

VOUCHER NO. 12-0002

DATE DECEMBER 1968

PREPARED BY DTKS

APPROVED BY W. W. M.

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

11405

EXPLANATION: TO RECORD DECLARATION OF DIVIDEND.

DISTRIBUTION CO.	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	4955			✓	700 000 00 00	✓ 1 674 247 00
	4110	650		✓	(350 000 00 00)	✓(137 423 50
	4110	277		✓	(350 000 00 00)	✓(137 423 50

JOURNAL VOUCHER

VOUCHER NO. 12-0003

DATE DECEMBER 1968

PREPARED BY [illegible]

APPROVED BY W. W. G.

11406

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD SETTLEMENT OF DIVIDEND WITH PROPET COMPANY.

CO. CODE	ACCT.	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT				DOLLAR AMOUNT		
PAN	4116	297			350	000	00	00	837	423	50
	1152	297			(350	000	00	00)	(837	423	50

JOURNAL VOUCHER

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11407

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROFIT COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: DECEMBER 31, 1968

REGISTERED IN: DECEMBER 1968

CREDIT MEMORANDUM

To CREDIT your account with a portion of the 7.0.0 per share declared on March to stockholders of record

£ 350,000.0.0

$ 837,423.50

11408

VOUCHER NO. 12-0004

DATE DECEMBER 1968

PREPARED BY DKD

APPROVED BY W. W. M.

AN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD RECAP OF PITTSBURGH CASH BOOK.

DISTRIBUTION CO. CODE	ACCT	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT				DOLLAR AMOUNT		
PAN	1021	010	001		250	000	00	00	837	423	50
	1152	297	000		(250	000	00	00)	(837	423	50
	4110	050	000		250	000	00	00	837	423	50
	1021	010	001		(250	000	00	00)	(837	423	50

JOURNAL VOUCHER

F 5226

DECEMBER 6, 1960

BROWN BROTHERS HARRIMAN AND COMPANY
NEW YORK CITY
TELEX NO. 12-5627

GULF EXPLORATION COMPANY CONFIRMS THE PURCHASE OF POUNDS THREEHUNDRED FIFTYTHOUSAND FOR WHICH YOU WILL RECEIVE DOLLARS EIGHTHUNDRED THIRTYFOUR THOUSAND FIFTEEN CENTS NONE PLUS DOLLARS TWO CENTS FIFTYFIVE FOR CABLE CHARGES IN IMMEDIATELY AVAILABLE FUNDS IN YOUR ACCOUNT AT FARMERS TRUST COMPANY DECEMBER NINTH STOP PLEASE PAY POUNDS THREEHUNDRED FIFTYTHOUSAND BY ORDER OF PROPET COMPANY LIMITED TO MORGAN GRENFELL AND COMPANY, LIMITED, LONDON, FOR CREDIT ACCOUNT FAR EASTERN REFINING COMPANY LIMITED FOR VALUE IN LONDON, DECEMBER NINTH.

FLOCKEN - GULF EXPLORATION COMPANY

AMG:edc

cc: Mr. Fred Doering
Mr. P. H. Clancy
Mr. R. G. Connolly
Mr. J. V. Gilmour
Mr. W. H. Graham
Mr. F. W. Standefer
Mr. J. E. Frenzel
Mr. D. E. Sutter
Mr. R. Rees

11410 DK

COMPTROLLER DEPARTMENT
DEC 9 1966

FD ___	RMF ___	LJL ___	ES ___
WRA ___	JLF ___	CL ___	HCV ___
DFC ___	EFF ___	BCM ___	RJZ ___
CJC ___	WWG ✓	CEN ___	___
NLD ___	OLH ___	MWR ___	___

DECEMBER 6, 1966

MORGANWELL LONDON (ENGLAND)

TELEX NO. 22802

YOU WILL RECEIVE THROUGH MIDLAND BANK, LONDON, FOR VALUE DECEMBER NINTH FOR CREDIT ACCOUNT PAN EASTERN REFINING COMPANY BY ORDER OF PROFET COMPANY LIMITED POUNDS THREEHUNDRED FIFTYTHOUSAND STOP UPON RECEIPT OF THESE POUNDS PLEASE CHARGE PAN EASTERN REFINING COMPANY ACCOUNT AND PAY POUNDS THREEHUNDRED FIFTYTHOUSAND TO COMMERCIAL BANK OF AUSTRALIA LIMITED, 12 OLD JEWRY, LONDON E.C.2, FOR CREDIT ACCOUNT ASSOCIATED MOTORISTS PETROL COMPANY LIMITED FOR VALUE DECEMBER NINTH STOP PLEASE OBTAIN RECEIPT FROM COMMERCIAL BANK ON BEHALF OF BENEFICIARY AND FORWARD TO US IN DUE COURSE.

FLOCKEN - PAN EASTERN REFINING COMPANY LIMITED

AWG:ode

cc: Mr. Fred Deering ✓
Mr. P. R. Clancy
Mr. R. G. Connolly
Mr. J. V. Gilmour
Mr. W. W. Graham
Mr. F. W. Steudeler
Mr. J. R. Kernal
Mr. D. E. Sutter
Mr. R. Reed

11411

VOUCHER NO. 12-0005

DATE DECEMBER 1968

PREPARED BY [signature]

APPROVED BY W. W. H.

PAN PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: TO RECORD THE CLOSING OF GULF EXPLORATION COMPANY BALANCE AT DECEMBER 31, 1968 TO PROPET COMPANY, LTD.

CO. CODE	ACCT	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	4216	226	000		325,605 15 10	782,556
	1152	297	000		(325,605 15 10)	(782,556

JOURNAL VOUCHER
GULF 6220

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11412

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

PROPET COMPANY, LIMITED

DATE: DECEMBER 31, 1968

REGISTERED IN: DECEMBER 1968

CREDIT MEMORANDUM

To CREDIT your account $ 782,556.22

£ 325,605.15.10

This amount represents the application of the adjusted balance as of December 31, 1968 of the receivable from Pan Eastern on Gulf Exploration Company records against the payable to Propet Company, Limited on Gulf Exploration Company.

VOUCHER NO. 12-0006

DATE DECEMBER 1968

PREPARED BY [illegible]

APPROVED BY W. W. M.

AN PAN-EASTERN REFINING COMPANY, LIMITED

11413

PITTSBURGH OFFICE

EXPLANATION: TO RECORD 4TH QUARTER 1968 RATE ADJUSTMENTS ON TRANSACTIONS WITH GULF EXPLORATION COMPANY AND PROPET COMPANY LIMITED. STERLING ONLY.

DISTRIBUTION CO. CODE	ACCT.	SUB	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	4082	286	000	✓	5630 08 08	-0-
	5001	286	110	✓	(982 18 00)	-0-
	5001	286	160	✓	(3615 12 10)	-0-
	5001	286	190	✓	(1431 17 10)	-0-
	1152	297	000	✓	15103 15 07	-0-
	5001	297	190	✓	(15103 15 07)	-0-
	6001	000	110	✓	958 14 04	-0-
	6001	001	110	✓	15119 04 11	-0-
	6741	000	110	✓	2237 08 01	-0-
	4082	286	000	✓	(17915 07 04)	-0-

JOURNAL VOUCHER

GULF 6228

PAN EASTERN REFINING COMPANY LIMITED

PITTSBURGH, PENNSYLVANIA

GULF EXPLORATION COMPANY

DATE: DECEMBER 31, 1968

REGISTERED IN: DECEMBER 1968

REVISED BILLING - 4TH QUARTER 1968

		DOLLARS	STERLING @ $2.3856/£
Total Pan Eastern Sales of Kuwait Crude, Distillate, and Gas Oil			
1,084,585	Net Barrels	$ 2,238,660.82	£ 938,405.15. 6

ORIGINAL BILLINGS - 4TH QUARTER 1968

			STERLING @ $2.40/£
Total Pan Eastern Sales of Kuwait Crude, Distillate, and Gas Oil			
1,084,585		$ 2,238,660.82	£ 932,775. 6. 10
Total Adjustment - 4th Quarter 1968		-0-	£ 5,630. 8. 8

MEMO:		
	Crude Resale	£ 582.18. 0
	Distillate	3,615,12.10
	Gas Oil	1,431.17.10
		£ 5,630. 8. 8

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH, PENNSYLVANIA 15230

[illegible] COMPANY, LIMITED
PITTSBURGH, PENNSYLVANIA

DATE: DECEMBER 31, 1968

REGISTERED IN: DECEMBER 1968

REVISED BILLING - 4TH QUARTER 1968

	DOLLARS	STERLING @ $2.3856/£
Total Pan Eastern Sales of Gas Oil and Heavy Fuels		
3,691,804 Net Barrels	$ 6,005,265.31	£ 2,517,297.13. 4

ORIGINAL BILLINGS - 4TH QUARTER 1968

		STERLING @ $2.40/£
Total Pan Eastern Sales of Gas Oil and Heavy Fuels		
3,691,804 Net Barrels	$ 6,005,265.31	£ 2,502,193.17. 7
Total Adjustment - 4th Quarter 1968	-0-	£ 15,103.15. 9

GULF EXPLORATION COMPANY

PITTSBURGH, PENNSYLVANIA

11416

PAN EASTERN REFINING COMPANY

DATE: DECEMBER 31, 1968

REGISTERED IN: DECEMBER 1968

REVISED BILLING - 4TH QUARTER 1968

	DOLLARS	STERLING @ $2.3856/£
Total Purchases of Kuwait Crude Oil and Purchase Costs - Processing Fee		
4,612,326 Net Barrels	$ 7,123,142.29	£ 2,985,884.10. 7

ORIGINAL BILLINGS - 4TH QUARTER 1968

		STERLING @ $2.40/£
Total Purchases of Kuwait Crude Oil and Purchase Costs - Processing Fee		
4,612,326 Net Barrels	$ 7,123,142.29	£ 2,967,970. 3. 3
Total Adjustment - 4th Quarter 1968	-0-	£ 17,915. 7. 4

MEMO:

Crude Resale	£ 558.14. 4
Crude Processing	15,119. 4.11
Process Fee	2,237. 8. 1
	£ 17,915. 7. 4

VOUCHER NO. 12-0007

DATE December 1968

PREPARED BY [signature]

APPROVED BY W. W. ?.

11417

PAN-EASTERN REFINING COMPANY, LIMITED

PITTSBURGH OFFICE

EXPLANATION: To record adjusting entries for Fourth Quarter 1968 based on the adjusted rate of $2.3969 (Dollars Only)

Co.	ACCT.	SUB.	FUNC.	DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
PAN	1021	010	001		-0-	9.50
"	8400	000	000		-0-	(9.50

JOURNAL VOUCHER
GULF 6226

PAN EASTERN REFINING COMPANY
FOURTH QUARTER 1968 ADJUSTMENTS
ADJUSTED RATE $2.3856 PER £1

	ACCT. 1021		ACCT. 1021		8400		9129	
	MORGAN GRENFELL C.A		MORGAN GRENFELL T.D		ADMIN. EXP.		INT. INCOME	
	$	£			$	£		
-000.3	(1583.60)	(659.16.8)			1583.60	659.16.8		
@ 2.40	(1583.60)	(659.16.8)			1583.60	659.16.8		
@ 2.3852	(1574.10)	(659.16.8)			1574.10	659.16.8		
STMENT	(9.50)	-0-			$ 9.50	-0-		

11418

VOUCHER NO. 12-0008

DATE DECEMBER 1968

PREPARED BY [illegible]

APPROVED BY W. W. 91.

PAN-EASTERN REFINING COMPANY, LIMITED

11419

PITTSBURGH OFFICE

EXPLANATION: TO CLOSE PROFIT AND LOSS ACCOUNTS AND CASH DIVIDENDS ACCOUNT INOT EARNED SURPLUS.

DISTRIBUTION				DESCRIPTION	STERLING AMOUNT	DOLLAR AMOUNT
CO. CODE	ACCT.	SUB.	FUNC			
PAN	5001	276	110		241 161 19 03	576 235 98
	5001	286	160		1 992 399 12 07	4 760 967 58
	5001	286	190		649 724 18 11	1 552 570 11
	5001	297	190		8 417 704 15 01	20 119 942 64
	6001	000	110		(231 156 06 01)	(552 328 31
	6001	001	110		(8 375 614 10 10)	(20 014 271 60
	6741	000	110		(1 239 463 09 10)	(2 961 726 40
	8400	000	000		(750 16 01)	(1 791 33
	9129	000	000		8 176 18 08	19 549 33
	4935	000	000		(1 700 000 00 00)	(4 344 041 00
	4861	000	000		235 676 18 0V	844 953 50

JOURNAL VOUCHER

F 6226

E.E.

EXHIBIT EE

GULF OIL CORPORATION
(On behalf of Gulf Exploration Company)
STATEMENT OF REFINING FOR ACCOUNT OF
PAN-EASTERN REFINING COMPANY LIMITED
FOR THE YEAR 1964

Crude Oil Processed 4,617,675 Bbls. @ $1.3515	$ 6,240,788
Processing Charge 4,617,675 Bbls. @ $.20	923,535
	$ 7,164,323

YIELD %	PRODUCT	QUANTITY (BBLS.)	UNIT COST	TOTAL COST
16	Naphtha	738,828	$ 1.46	$ 1,078,689
27	Gas Oil	1,246,772	2.00	2,493,544
56	Heavy Fuels	2,585,898	1.389	3,592,090
1	Refinery Fuel & Losses	46,177		-
100		4,617,675		$ 7,164,323

"PF"

DEPARTMENT OF INDUSTRIES AND COMMERCE

Mr B. J. Todd,
Managing Director,
Europa Oil (N.Z.) Ltd,
P.O. Box 591,
WELLINGTON

20 December 1968

Dear Mr Todd,

PETROLEUM AND PETROLEUM PRODUCTS PRICE SETTLEMENT FOR 1968

In response to recent requests from the Oil Companies for a final statement of the pricing settlement arising from the 1968 round of talks I am setting out in this letter the conclusion reached as it affects your company. To use the expression of one of the spokesmen of the industry this should enable your company to 'rule off its books' for 1968.

Following the laid-down procedure revised bench mark prices for feedstocks and petroleum products were negotiated with the industry and these have been confirmed by the Minister of Industries and Commerce. They therefore apply for the current year 1968.

The companies made it clear that because of possible implications for international trade in petroleum feedstocks and products they could not accept the bench mark prices on a specific product by product basis. However they signified their agreement to offer adjustments which would have equivalent effect to the bench marks for 1968, and in doing this some of the companies qualified their offers with the reservation that they be regarded as conditional upon the acceptance of what those companies would view as an acceptable profit level. While the reservations of individual companies are noted, the industry and individual company settlements for 1968 are in terms of the Minister's decision to proceed on the basis of the 1968 bench mark prices.

It is of course common ground that the routes by which the companies achieve the level of such bench mark prices will vary in terms of the individual settlements negotiated with each of the

"FF"

companies.

In the case of your company, because of the existing contracts with suppliers you were unable to give any indication of the means by which the bench mark prices would be achieved. Once these details have been supplied by you and conveyed to the Minister I would expect that he would give confirmation early in the New Year.

In the course of a recent meeting with the industry, industry spokesmen pressed the desirability of reaching finality on the price arrangements as they affect each company for 1968 before the close of the year. As a gesture of appreciation of the companies' acceptance of the offer on behalf of the Minister to leave out of 1968 reckoning further exchange credits for 1968 which should arise from the introduction of the 4th tier of AFRA during the last two months of the year, I confirm now that whatever exchange saving is found finally to result from these adjustments will be ignored for 1968, on the understanding that it will be brought into account during the 1969 pricing talks.

There were two other considerations on which the industry is as anxious as the Government and the department to reach mutual finality. However,neither of these necessarily requires to be disposed of before the end of the year. The first is clarification of the product pool balances as at the end of the year. The intention as disclosed already to the marketers and subject to any subsequent discussion with them is to offset against the considerable debit balance in the motor spirits pool the not inconsiderable credit balance in the gas oil pool. Even after this is done there would appear likely to remain a debit balance in the motor spirits pool. We shall evaluate this with the industry early in the New Year.

Another outstanding matter was the fixing of the New Zealand refining company's refining fee for the year ended 30 June 1968. Regardless of whether this has any inevitable implications for marketers' prices it is of obvious interest to them. I would say

"FF"

only on this point that if on completion of our study of the refining company's accounts the profit recovery for the June year proves to be no higher than the figure of 12 1/2% tax paid on the shareholders' funds effectively employed in the actual refining operation I will recommend to the Minister that he confirm the fee as actually charged for that year. If the profit achievement is in excess of this figure it will be necessary for the department to discuss with the refining company and marketers, and possibly even retailers, the treatment of the excess. In any case in compliance with the request of the industry made to the Minister some time ago we shall as from 1 July 1968 proceed, subject to the Minister's agreement, to lay down a specific refiners' margin probably on a per barrel of imput basis.

A further matter although not of direct concern to marketers but of undoubted interest to them is the retailers' margin, and I wish to confirm that the Minister and the department will be reviewing this next year.

Yours faithfully,

(J. P. Lewin)
Assistant Secretary of Industries
and Commerce

FF3

11424

AGREEMENT WITH

EUROPA OIL (N.Z.) LTD

The effect of the adjustments to be made by the company to open invoice prices to meet the 1968 feedstock prices acceptable to Government is as follows:

	000 bbls	US$
Kuwait	341,147 at 5 US cents/bbl	
Mid Distillate	590,208	17,060

The means by which your company reaches the benchmark prices has still to be indicated to Government

	OPEN INVOICE PRICES	B/marks
Kuwait	US$1.29 bbl	1.24
Agha Jari	US$1.39 bbl	1.34
Middle Distillate	Posted less 20 cents bbl	✓
Naphtha ME	4.5 US cents/Am. gallon 1/1/68-10/5/68	✓
	4.8 " " " 11/5/68-31/12/68	✓

LK. [illegible]

114253 G,

EXHIBIT GG.

MEMORANDUM FOR TAX FILE 20th November, 1968

Copies: Mr. B.J. Todd
Dr. G.A. Lau
Mr. R.H. Carmichael
Mr. J.G. Hutchison

Re: Europa Refining Devaluation Exchange Gains

Mr. B.D. Kennerley, accompanied by Mr. P.H.J. Nota, called to see me. Mr. Kennerley said that our letter of 14th November in reply to Mr. Nota's letter of 1st November did not really give the Department enough information for them to determine whether we were correct in treating the exchange gains as capital.

Kennerley said he understood Europa Refining imported feed-stocks and sold to Europa Oil at cost. Other than that, Europa Refining held shares in the New Zealand Refinery, so as an investment company how exactly did it get its overseas funds - what he meant was what exactly were the monies which generated the interest earnings?

I said "Firstly Europa Refining is not just an investment company, it imports feedstocks and it sells to Europa Oil - because Europa Refining was unsuccessful in obtaining a whole-sale licence under the Motor Spirits Distribution Act it cannot completely process feedstocks through the Refinery and sell the products as such to Europa Oil"- Kennerley interrupted and said "I didn't really mean that - just looking at the accounts it appears at first glance to simply hold shares in the Refinery and nothing else, so at first glance it appears to be simply an investment company, but the main point is what were the funds which generated the interest?".

I said the funds concerned were remittances held in London for payment to Gulf Exploration Company for the crude oil and feedstocks which Europa Refining had imported.

Kennerley asked "When do you make these remittances - I suppose you actually pay Gulf in accordance with contract provisions".

I said "We remit these monies as soon as we have invoices to support our remittance through the banking system. This would be shortly after loading and we do pay Gulf in accordance with the contract provisions". Kennerley asked "That is about three months then?" I replied "120 days from loading". Kennerley said "Right, that is fine. I understand now. We had to know whether these funds derived from trading activities or not, because this will determine whether the exchange gains are assessable - now what was the deposit which you show as being with Chrysler?" I said "As you will know, the interest earnings of Europa Refining qualify for use under the non-remittance scheme" Europa Refining, in respect of certain of its interest earnings, had applied to the Reserve Bank and received Certificates of Eligibility and had then obtained non remittance licences from Customs to import motor vehicles. The funds with Chrysler were deposited against such imports. Kennerley said "Europa Refining must have very wide powers. Can it import motor vehicles". I said "Yes, it has power to do that". Kennerley then said "O.K. I think I have got the picture now. It may be that these deposits with Chrysler constitute trading activities - anyhow we will think about it and write to you". Kennerley then asked Nota if he had any questions. Nota asked "You have substantial funds shown in the Balance Sheet as cash at bank. Was this all held at London banks?" I replied "No, not all of it but the majority of it". Kennerley "I see the Balance Sheet shows creditors of \$1.7 million and cash at bank a little over \$2 million. I suppose the \$1.7 million creditors was Gulf and the cash in London was mainly funds to pay what was owed to Gulf". I said "Yes, that is correct". Kennerley thanked me for the information and then said "Do any of the other companies have similar exchange gains?" I said "Yes". Kennerley then said "Well, perhaps we will not write to you about this until we get all of the other companies' returns". I said "Well, what applies to Europa Refining will presumably apply to all companies. I think it would be helpful if you have anything to write you write it now. I think you will find however that you have treated the exchange gains correctly". Kennerley said "Yes, that is probably right, perhaps we should write straight away".

Later on Kennerley rang me and said "Just one further point about our conversation this morning. Did Europa have any capital monies on which it made exchange gains?" I said "I am not sure what you are getting at, can you explain?" Kennerley said "Well, these substantial monies that were held in London at balance date for payment of Gulf accounts. Would you not have made exchange gains on those sums?" I said "We could of course have re-valued those monies at the date of devaluation but of course we would then have had to show a correspondingly larger New Zealand equivalent money required to pay Gulf. The two would cancel out and there seems little point in doing that." Kennerley then said "Well of course I suppose since there was no change in U.S. dollars and sterling it does not matter" I then said to Kennerley "Well, of course there was, the £ sterling was the first to devalue but we had covered ourselves with forward exchange contracts" Kennerley said "I think I understand the position now but if we write to you I might have to ask you to put in writing what we have just discussed. However, I think I have got it"

N.K. Smith

In general conversation following the above report Kennerley asked me if I had noticed the reports in the paper concerning the Harvey Cooper group of service stations. I said yes I had read them with interest, but offered no further comment. Kennerley then said "I know that you will probably not agree with this, but you know Dr. Frankel's views (did you know he was in Wellington at present?) that the whole of the service station industry ought to be de-licensed and I must say I agree with this" I said to Kennerley "There is much more in this question of de-licensing than would appear from a casual glance and although you may form the view initially that licensing now serves no useful purpose, I think that if you examined the whole matter carefully you would find that licensing does in fact serve a very useful purpose."

(Note: This comment from Kennerley is rather interesting in view of Dr. Frankel's particular query to Mr. B.J. Todd on the question of licensing made at our luncheon on 21st November. It is not clear from what Kennerley said as to whether he is simply reporting what Dr. Frankel may have said on previous visits or whether Kennerley has been present on some occasion where Dr. Frankel has expressed this view on his present visit.)

HH1 EXHIBIT HH Ex. HH. 11427

MEMORANDUM FOR TAX FILE 23rd January, 1969

Copies to: Mr. P.T.Mahon
Mr. B.J. Todd
Mr. R.H. Carmichael
Dr. G.A. Lau
Mr. J.G. Hutchison

Mr. R.T. Phillips called at 9 a.m. Mr. Phillips produced the Department's copy of Europa Refining accounts for the year ended 31.3.66 and said "Mr. Mahon has explained to the Crown Law Office that the property in the crude oil passes to Europa Oil in the Refinery but they are a bit puzzled from the accounts because no purchases and sales of crude oil are shown. I think you explained this to Mr. Kennerley and Mr. Nota - what I would like to do is to sight the entries in the books and see what occurs".

I said "Well, I have the books ready for you and as you can see they are very simple, a hand-written ledger and journal - there are also bank statements etc. if you want them. I can see that anyone would be puzzled from the accounts. From hindsight we should of course have shown the purchases and sales of feedstocks but since the entries cancel^{led} out they never showed up in the published accounts." I then asked Phillips "You know the history of Europa Refining?"

Phillips said that Mr. Kennerley and Mr. Tyler had told him that it failed to get a licence to wholesale motor spirit.

I said "Yes, that is right. Europa Refining intended to import crude and feedstocks, process them through the Refinery and sell the resultant products to Europa Oil. Since it did not obtain a wholesale licence under the Motor Spirits Distribution Act, it cannot do this, so Europa Oil must come into the picture before products are produced in the Refinery."

Phillips said "Is there an agreement between the two companies - I suppose not as they are more or less sister companies?"

I said "No, there is no formal agreement. I myself thought there should be one at one stage because of the matter of insurance - you know, which company should claim in the event of loss - but that matter is simply resolved by having the policy in the names of both companies as Insured" (Phillips noted this down)

Phillips then said "Well, you know I think it would be enough if I followed through the books say one or two sample shipments. Could we do that?"

I said "Yes, here is the ledger. It records purchases shipment by shipment so that should be very simple. What period do you want?" Phillips said "Well, I have the 1966 accounts, say a shipment in 1966." Phillips picked on the Denmark Getty shipment No. 9 and I then called for the Chief Accountant's tanker file on this shipment. From the purchases ledger Phillips noted down the F.O.B. costs for light distillate and middle distillate and the freight costs for light distillate and middle distillate, the insurance cost, the H.I.R. cost and the supervision fee of £10. (This fee is paid to Williams at the Refinery) Phillips then noted down the transfer to Europa Oil current account of the total landed value of the shipment. Phillips noted both dates and amounts.

From the tanker file I then at his request showed Phillips the F.O.B. and freight invoices and he noted the date of the invoices, the date shipment loaded and amounts. He then asked "I see the freight invoice is from Gulf, not Propet" and I told him the invoice was actually from Gulf Oil Marine Agency headed Account Propet Company Ltd.

Phillips then said "Well, I have all the detail on this shipment now. The question of payment?" I showed Phillips Europa Refining's letter dated 11.3.66 to the C.B.A. Wellington requesting them to ask their London office to make payment on the 14th March to Propet's London bank account. Phillips noted the date of the letter, the date payment was to be made and checked the amount paid against Propet invoice and then said "The money was already in London". I said "Yes" Phillips said "Oh, you pay this in sterling" I said "Yes, freight is paid in sterling and F.O.B.s in U.S. dollars as per the contract"

Phillips then said "What about the F.O.B. payment?" I showed him Europa Refining letter dated 28.2.66 to the C.B.A. Wellington remitting £N.Z.37,453 to London and asking that utilising the balance from Europa Refining's ~~banked~~ fixed deposit which matured on the 26th February they instruct their London office to purchase the remaining U.S. dollars under our forward exchange contract and then to remit $U.S.922,268.84 to the credit of Gulf Exploration Company at the Mellon National Bank and Trust Company, Pittsburgh. Phillips noted that this remittance paid for the full amount of the Denmark Getty shipment 9 F.O.B. and part of the F.O.B. of the Cephalonia shipment 10.

I explained to Phillips that payment had been made a few days early in this case to coincide with our forward exchange contract maturity dates and that if we failed to uplift the U.S. dollars on the forward exchange maturity date we incurred a penalty. Normally payment for tanker F.O.B.s has been and was made on due date 120 days after loading. Phillips noted all this down.

Phillips then said "Well, now all we have left is the payment by Europa Oil" I showed Phillips the cash account in Europa Refining's ledger. From this Phillips noted down that Europa Oil paid Europa Refining for the F.O.B. of the Denmark Getty on January 5, 1966 and Europa Refining remitted the money to London on the same day - that Europa Oil paid Europa Refining the freight cost for the Denmark Getty on March 7, 1966 and Europa Refining remitted this amount to London that day. Phillips also saw recorded in this account payment of the insurance premium by Europa Oil to Europa Refining on December 13, 1966 but took no note. Phillips then said "Well, I see all that - is this the normal pattern for all the shipments?" I said "Yes, this is broadly so but in this case Europa Refining made payment for the F.O.B. to Gulfex a few days early because of the forward exchange commitments and at that time because the New Zealand cash position may not have been too healthy Europa Oil did not pay Europa Refining on or about loading date, which is the normal practice. Currently Europa Oil is making advances to Europa Refining on or about loading date." Phillips noted this and then said "Well, look, I have got the picture now, it is really very simple. I just wanted to see these things recorded in the accounts. I don't think I need to go any further or look at any others"

Phillips then checked off a hand written note he had with him and said "What happens with products?"

I said "You will know that the 1964 Contract provides for the supply of products to Europa Refining but the Contract contains provision for further negotiation. I think Mr. White may have asked Mr. Mahon about this but I understand Mr. Mahon has informed Mr. White there have been no negotiations on products."

Phillips said "I don't know anything about that"

I said "The short answer to your question is that we are getting all our product requirements through the New Zealand Refinery, that is other than Lub. Oils etc. which the Refinery does not make"

Phillips asked what about Lighting Kerosene?

I replied that we (Europa Refining) have not imported any Lighting Kerosene from Gulf, our usage is not very great. We have obtained our requirements from other Coys in N.L.

x Phillips said "Well, there were no shipments of products to Europa Refining?"

I said "There were, I think, two shipments, one L.D.O. and one Motor Spirit during 1967 after the 1956 Contracts were terminated - but nothing since - we paid posted prices and spot freights" (Phillips did not note this down) Phillips then said "Well, thank you very much for your assistance. I am sure that is all I need - Oh, what about the Europa Refining workings?"

I said "You mean Pan Eastern?"

Phillips said "Yes, sorry. There were one or two items I could not follow in the accounts which you sent over. Brian Kennerley is having a look at them now. Can he bring the 1963 accounts back to you this afternoon and pick up another year?"

I said "Yes, that will be quite O.K."

Phillips then said "Well, there appear to be one or two adjustments carried over from each year. Can we have the 1964 accounts?"

I said "Yes, I will have them ready when Mr. Kennerley calls"

Phillips thanked me once again and left.

N.K. Smith

x Phillips said Oh yes you get it from BP. you have that agreement.
I said that agreement is now terminated.

TELEPHONE. 01-734 0781 EXHIBIT 11 TELEGRAMS: PETEC, LONDON, W1

PETROLEUM ECONOMICS LIMITED

11430

1, ARGYLL STREET, LONDON, W1V 2DS

Directors: PAUL H. FRANKEL WALTER L. NEWTON TEO WHITE CLIVE DALTON

WLN/bb

4th January, 1972

RECEIVED
10 JAN 1972
HEAD OFFICE
ANS'D.

Mr. Bryan Todd,
Suite Fifteen,
Challenge House,
105-109 The Terrace,
P.O.Box 591,
Wellington,
New Zealand.

Dear Bryan,

Re: Naphtha Pricing

Thank you for your letter of 15th December, 1971.

Let me begin by saying that I was somewhat taken aback that you should have reported without any prior reference to me to the Minister on what was clearly understood to be an off the record private conversation. However, what has been done cannot be undone and I am therefore bound to comment on your letter - again, as you have done, with a copy to the Minister and Mr. Datson.

Regarding the question as to whether the prices for 1969 - 1971 were fixed or subject to escalation, I have to date no evidence that the latter was the case. My understanding is that, whereas Mobil proposed such a clause, it was not accepted by Government and without written evidence that there was in fact an agreement with regard to escalation or force majeure which was accepted by both the industry and Government I cannot do otherwise than to advise Government to treat the 1971 post-Teheran position on the basis of the market situation. I cannot and never did accept your argument that what applies to crude oil must ipso facto also apply to other feedstocks. In fact naphtha is just one of the several products derived from crude oil and it is a well established fact that each product has its own process of price formation. Changes in the price of crude oil (up or down) rarely express themselves equally in the prices of the several products - "across the board" as it were.

I have held the view, and am still of that opinion, that so far as 1971 is concerned there was and is a case for an increase in crude oil prices. There is evidence that in the

cont.....

Mr. Bryan Todd. 4th January, 1972

case of other fixed price contracts crude oil prices were raised by the amount of the increase in government take. Admittedly the evidence with regard to naphtha and other products is thin, partly because the market is a much smaller one. The available evidence from market reports is, however, that whereas some products such as fuel oil, at least initially, absorbed the full increase in tax paid costs and more, the price in the market for naphtha actually weakened.

I am not concerned here with spot prices. I have never suggested that the lowest spot price, which at one time reached 3.5¢ per U.S. gallon, should find application in a feedstock supply deal for the New Zealand refinery, but then the benchmark price which we are talking about is not 3.5¢ but 4.3¢ per U.S. gallon, which I still believe until the autumn of 1971 was a fair price for a long-term supply contract out of the Persian Gulf.

As I told you during our meeting, there is now a hardening of naphtha prices at the Persian Gulf (although more recently Caltex have seen fit to reduce the posted price for naphtha by 0.3¢ per U.S. gallon) and if this position is sustained I would advise Government of this so that this could be taken into account in arriving at the 1972 price for naphtha feedstock. Never in our conversation did I suggest that I was prepared to amend my recommendation to Government regarding 1971.

You suggested that I should produce evidence of a long-term contract for naphtha having been repeated at the prices agreed under the New Zealand settlement for 1969 - 1971 in the post-Teheran period. I admit that I cannot produce such a contract as these are not generally published. I would, however, point out that so far neither you nor Mobil or any of the other companies concerned have been able to provide any factual evidence that my contention that the cost increases were not passed on in the case of naphtha is incorrect.

During your meeting here you emphasised the special quality of New Zealand naphtha. I told you that the evidence so far was that there was a difference of 0.2¢ per U.S. gallon between light and heavy naphtha being made by some companies at the Persian Gulf. I also told you that I would endeavour to make enquiries as to the position at the end of 1971 so that the matter could be reviewed in the negotiations for 1972 and could, if appropriate, be taken into account. I am in the course of making such enquiries and it is my intention to

cont......

11432

Mr. Bryan Todd. 4th January, 1972

advise Government of the result of these in due course. The question of quality differential between light and heavy naphtha was, to my knowledge, never raised in negotiating the naphtha price for 1969 - 1971 and I do not believe that this can be raised retroactively now. As I said above, 1972 is a new situation which will have to be looked into.

At no time in our discussions did I make a statement that "a reasonable resolution would be to increase the naphtha bench mark of $1.82 per barrel by .7 cents per US gallon (29.4 US cents per barrel) for the period in dispute". I think this must be a misunderstanding on your part. What I did say was that I felt at the time we met in September/October that a price today might be 4½¢ per U.S. gallon, which is 7¢ per barrel above the present benchmark price.

I trust you will understand that, as an advisor to Government, I have to make my position clear for the record since you have given your understanding of our discussions. This does not mean to say that I do not sympathise with the predicament of Europa, which company is differently placed from the other companies insofar as Europa was unable to recoup the lack of increase in light products prices by a correspondingly greater increase in the price of fuel oil (this position has changed somewhat towards the end of 1971). It is still my opinion, as I mentioned to you during your visit, that you should look for help to your suppliers who have undoubtedly benefited from the higher price of the fuel oil which they have produced alongside with the naphtha supplied to you.

With best personal regards from Paul Frankel and myself and all good wishes for 1972.

Yours sincerely,

W. L. Newton

c.c. The Hon. N. L. Shelton
Mr. G. H. Datson

EXHIBIT KK

SOLICITOR-GENERAL

P.O. Box 5012
Telephone 71 765

Law Society Building
26 Waring Taylor Street
WELLINGTON C.1.

11499

13 November, 1972.

14 NOV 1972

Messrs. Morison, Taylor & Co.,
Solicitors,
P.O.Box 83,
WELLINGTON.

Dear Sirs,

EUROPA v. COMMISSIONER OF INLAND REVENUE.

I refer to Mr Richardson's discussion with Dr Barton.

The Objector's contentions are, of course, that the Commissioner was wrong in disallowing as a deduction the amounts in dispute, and that s.108 has no application. The Objector has emphasised that it was Europa Refining, rather than the Objector, which entered into the 1964 contracts.

If the Court upholds these contentions, it is likely that the Commissioner will have to give further consideration to assessing Europa Refining for the same amounts.

I therefore think it desirable at this early stage of the present case to advise you of the possibility of Europa Refining being assessed should the Commissioner fail against Europa.

Yours faithfully,

Savage

Solicitor-General