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802.2(a)

October 1, 1999

BY TELECOPY TO (202) 326-2624

Micheal Verne
Federal Trade Commission
Premerger Notification Office
Bureau of Competition, Room 303
6th and Pennsylvania Avenue
Washington, D.C. 20580

Re: Proposed Transaction

Dear Mr. Verne:

The purposes of this letter are to confirm our recent telephone conversation regarding the position of your office with respect to an acquisition of certain non-revenue producing assets and to provide you with a description of a transaction contemplated by our client, as well as our conclusions have concerning the requirements of filing an HSR notification and report form.

I would like to call you to discuss our conclusions. Should you have any questions concerning this matter or desire any additional information, my direct telephone number is [redacted]

Thank you for your assistance.

Sincerely,

[redacted]

[redacted]

Enclosure

[redacted]

[redacted]

TRANSACTION DESCRIPTION

Corporation X, Corporation Y and Corporation Z, or their ultimate parent entities, each have annual net sales and total assets in excess of $100 million. Corporation X and Y are engaged in oil and gas exploration and production, SIC Code 1311. Corporation Z is engaged in, among other things, natural gas transmission, SIC Code 4922.

Corporation X and Corporation Y have entered into an agreement to construct a pipeline and related facilities from their subsea production facilities offshore Louisiana to the inlet meter of the production platform offshore Louisiana of another corporation (the "Gathering Line Facilities"). Corporation X and Corporation Y will own the Gathering Line Facilities in undivided interests, with Corporation X owning an undivided 63% interest and Corporation Y owning the remaining 37% interest.

Corporation X and Corporation Y have entered into an agreement with Corporation Z to sell to Corporation Z, subject to certain conditions, the Gathering Line Facilities for an aggregate purchase price of $24 million, with the portion of the purchase price allocable to Corporation X being $15.12 million. As part of the transaction, Corporation X and Corporation Y will enter into an agreement with Corporation Z to ship their production from their subsea production on the Gathering Line Facilities, and Corporation Y will enter into an agreement with Corporation Z to operate the Gathering Line Facilities.

A condition to the purchase is that the Gathering Line Facilities be operational, and as part of the testing process production of Corporation X and Corporation Y will be shipped on the Gathering Line Facilities. Although the production utilized in the testing will presumably be sold

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after leaving the Gathering Line Facilities, no revenues will be derived from the Gathering Line Facilities until Corporation Z acquires the Gathering Line Facilities and charges Corporation X and Corporation Y for shipment of their production.

QUESTION

Will the acquisition by Corporation Z of the Gathering Line Facilities be a reportable transaction under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Act"), and the regulations promulgated under the Act?

OUR UNDERSTANDING

Corporation Z is engaged in the business of natural gas transmission, and the acquisition of the assets comprising the Gathering Line Facilities is in the "ordinary course of business" of Corporation Z within the meaning of 16 C.F.R. §802.1. The Gathering Line Facilities are not an "operating unit" within the meaning of 16 C.F.R. §802.1(a) because they will not operate as a business undertaking by Corporation X and Corporation Y prior to the acquisition by Corporation Z in that the Gathering Line Facilities will not separately produce revenues prior to the acquisition. In addition, Corporation X and Corporation Y will construct the Gathering Line Facilities for sale as evidenced by the agreement to sell them to Corporation Z prior to their construction.

Based on the foregoing, it is our understanding that the acquisition of the Gathering Line Facilities would not be reportable under the exemptions contained in 16 C.F.R. §§802.1(b) and §02.2(a).

NO

AGREE THAT THIS TRANSACTION IS EXEMPT AS THE 2- PURCHASE OF A NEW FACILITY.

[redacted]

N.O. CONCURS.

B Michael Verne
10/5/99

DISAGREE THAT THIS IS NOT AN OPERATING UNIT BECAUSE IT HAS NOT BEEN OPERATED.