

SCOMM

117:6



Official Business

ALASKA STATE LEGISLATURE

Joint Special Committee on Mergers

State Capitol
Juneau, AK 99801

Chairman: Senator Rick Halford
Vice Chair: Rep. Joe Green
Senator Drue Pearce
Senator Johnny Ellis
Rep. Brian Porter
Rep. Beth Kerttula
Rep. Jim Whitaker

AGENDA

Thursday, February 24, 2000

1:00 - 3:00 pm

Butrovich Room 205

Update by Committee Consultants

William MacLeod, Collier, Shannon, Rill & Scott

Update by the Administration

Jack Griffin, Assistant Attorney General

Collier, Shannon, Rill & Scott, PLLC

**Attorneys-at-Law
8050 K Street, N.W.
Suite 400**

(202) 342-8811

Washington, D.C. 20007

MEMORANDUM

Tel.: (202) 342-8400

Fax: (202) 342-8451

February 24, 2000

**TO: JOINT SPECIAL COMMITTEE ON MERGERS OF THE ALASKA
STATE LEGISLATURE**

FROM: WILLIAM C. MACLEOD, ESQ.

**RE: BP AMOCO/ARCO MERGER - PRELIMINARY INJUNCTION STATUS
REPORT**

The Federal Trade Commission ("FTC") filed its motion for a preliminary injunction to enjoin BP Amoco from merging with ARCO in the U.S. District Court for the Northern District of California, San Francisco Division. The case was assigned to Judge Susan Illston.

RECENT DEVELOPMENTS

- Earlier this month the parties participated in a scheduling conference in which they submitted their witness lists and set a schedule for submission of pleadings and a hearing on the motion for preliminary injunction. Judge Illston also entered an order for a protective order. A few parties (primarily journalists) reportedly threatened to file motions challenging the protective order, but, none have done so as of this date.
- On Tuesday, February 23, 2000, Judge Illston granted the Alaska Attorney General's motion to intervene in the proceedings. As an intervener, the Alaska Attorney General will have the ability to call witnesses, introduce evidence and cross-examine FTC witnesses. Judge Illston also ruled that she would consolidate the complaints of Washington, California and Oregon with the FTC's case. The parties have indicated in their pleadings and in court that intervention will not delay or prolong the preliminary injunction hearing.
- The parties have been negotiating a discovery schedule but have not settled on particular terms and dates. The parties have exchanged witness lists. The FTC has submitted some plaintiff's exhibits to BP Amoco. Since the outcome of the February 23, hearing was only recently determined, the FTC has not received or attempted to obtain any documents from Alaska.
- The discovery time frame for this matter is going to be extremely compressed and fast paced as the parties will need to complete discovery within about a six week period. Since the FTC has already received substantial documentation from BP Amoco and ARCO pursuant to the Second Request, discovery is likely to focus on depositions and discovery of documents of third parties

February 24, 2000

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(i.e. customers). The last two weeks before the hearing is usually reserved for depositions of experts.

UPCOMING KEY DATES

DATE	PROCEEDING
February 24	Telephone conference with parties and Judge Illston to discuss various discovery issues, including: whether parties can depose more than 10 witnesses (since BP Amoco listed more than 10 potential witnesses on their witness list); and, finalizing specific dates for document delivery.
February 25	Exchange of experts documents including economists' reports.
Week of February 28	Depositions scheduled to begin.
March 1	BP Amoco and ARCO opposition to motion for a preliminary injunction due. Alaska Attorney General might also file a separate opposition.
March 6	FTC rebuttal to BP Amoco and ARCO opposition to motion for a preliminary injunction due.
March 20 - 31	Hearing on motion for a preliminary injunction. Each side will have 3 ½ days to present their case. This time limit includes introducing evidence and witnesses as well as cross-examination of opposing witnesses and an opportunity for rebuttal questions. During the week of March 20, the court will be in session Monday through Thursday. During the week of March 27, the court will be in session on Tuesday through Thursday.

Please note that the above schedule is tentative and it is not uncommon for events such as these to be postponed due to any number of factors. We will of course update you as further developments arise.



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Bureau of Competition

Phillip L. Broyles
Assistant Director

Direct Dial
202-326-2803

February 11, 2000

Frank Cicero Jr., Esquire
Kirkland & Ellis
200 East Randolph
Chicago, IL 60601

RE: *FTC v. BP Amoco/ARCO*

Dear Frank,

Please find enclosed plaintiff's witness list for the above referenced matter. I do not have an address or telephone number for Wally Hickie, but I will forward that information when I get it.

1. W. Scott Lovejoy
Paramount Petroleum
14700 Downey Avenue
Paramount, CA 90723
562 531-2060
2. Ken Fidyck
C/o Lynda Irvine, Esq
Equiva Services LLC
910 Louisiana
Houston, TX 77002
713 241 9586
3. Suzanne Hahn
C/o Lynda Irvine, Esq
Equiva Services LLC
910 Louisiana
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713 241 9586

Frank Clesro Jr.

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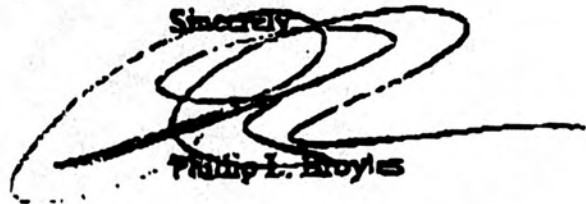
4. Greg Nady
Shell E&P Co.
C/o Charles Condry, Esq.
Shell Oil Company
910 Louisiana Street
Room 4814
Houston, TX 77002
(713) 241-1150
5. Drue Pearce
716 West 4th Avenue
Suite 500
Anchorage, AK 99501
6. Walter Hickie
7. R. Preston MacAfee
Department of Economics
University of Texas at Austin
Austin, TX 78712
8. Stenason Parks
Greene & Associates, Inc.
Consulting Engineers
1130 One Energy Square
4925 Greenville Avenue
Dallas, Texas 75206
(214) 691-3500
9. S. Craig Pittong
Assistant Professor of Finance
Olin School of Business
Washington University
St. Louis, MO
314-935-5924
10. Robert J. Aicher
BP Amoco
11. David Campbell
BP Amoco

Frank Cicero Jr.

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If you have any questions, please feel free to call.

Sincerely,

A handwritten signature in dark ink, consisting of several loops and a long horizontal stroke extending to the right.

Philip L. Boyles

cc: Matthew Hearnsey

STATE OF ALASKA

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

TONY KNOWLES, GOVERNOR

P.O. BOX 110300
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 465-2075

February 18, 2000

FEB 18 2000

The Honorable Rick Halford
Alaska State Senate
State Capitol, Room 121
Juneau, AK 99811

Dear Senator Halford:

This is in response to your letter of February 14 concerning the BP Amoco – Arco merger.

You requested clarification of the Administration's position on the fiscal effects of BP Amoco's proposed acquisition of ARCO. A fiscal note will be provided under separate cover early next week by Wilson Condon, Commissioner of Revenue.

You also requested copies of the reports prepared by consultants hired by the Department of Law to assist in its antitrust investigation. You indicated that you are particularly interested in the economic model discussed by Dr. Warren-Bolton at the Special Committee's January 19 meeting.

We will provide you with Dr. Warren-Bolton's entire work product that has been provided to the FTC to date. This work product includes all of the data and variables used by Dr. Warren-Bolton to reach the conclusions he expressed at the January 19 committee meeting. We will provide this information to you no later than the end of next week.

Unfortunately, we are not in a position to waive any of the privileges that apply to information developed by Dr. Warren-Bolton, or other consultants hired to assist in the State's antitrust investigation, that we have not yet disclosed to the FTC. As you know, we are currently preparing for litigation and we cannot release information at a time or in a manner that might prejudice the State's chances of success. Nevertheless, once additional disclosures have been made to adverse parties in the litigation, or the litigation has reached its conclusion, we will

The Honorable Rick Halford

February 18, 2000
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revisit the question of whether it is appropriate to waive the privileges that otherwise apply to this information.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bruce M. Botelho", with a stylized flourish at the end.

Bruce M. Botelho
Attorney General

BMB:kh

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

TONY KNOWLES, GOVERNOR

FEB 24 2000

P.O. BOX 110300
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
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HAND DELIVERED

February 24, 2000

The Honorable Rick Halford
Alaska State Senate
State Capitol, Room 121
Juneau, AK 99811

Dear Senator Halford:

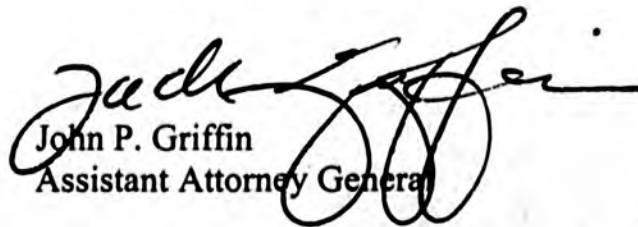
Attached to this letter is the "fiscal note on the merger," which was prepared by the Department of Revenue in accordance with the request of the Joint Special Committee on Mergers. Enclosed with this letter is a CD rom containing the data from our expert, Rick Warren-Bolton, that the Attorney General agreed to provide you in his letter of February 18, 2000. Most of the data is in SAS ("Statistical Analysis System") format, which I understand is the software used by most economists doing significant data analysis.

Please call me if you have questions.

Sincerely,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By:


John P. Griffin
Assistant Attorney General

JPG:kh

Attachment: Fiscal Note

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. _____

Revision Date/Time (Note if correction) _____	Dept. Affected <u>Revenue/Natural Resources</u>
Title <u>BP Amoco/ARCO Acquisition</u>	BRU <u>N/A</u>
	Component <u>N/A</u>
Sponsor <u>N/A</u>	
Requester <u>N/A</u>	Component No. <u>N/A</u>

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	\$0-80,000	\$0-80,000	\$0-80,000	\$0-80,000
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

We currently believe that the proposed BP/ARCO transaction will most likely not affect the State's projected revenue over the next five years. However, there is a small chance the proposed transaction could lead to a substantial increase in North Slope investment in the near term and a consequent increase in State revenue.

The "detailed analysis" of the revenue effect that the Administration anticipates will occur as a result of the BP Amoco/ARCO merger, which the Joint Special Committee on Mergers requests in Senator Halford's February 14 letter to Attorney General Botelho, is contained in the January 13 report of Dan

Prepared by: <u>Dan D. Dickinson, Director</u>	Phone <u>269-1033</u>
Division <u>Oil and Gas Audit Division</u>	Date/Time <u>2/24/00, 11:46 AM</u>
Approved by <u>Commissioner</u> <u>Wilson L. Condon, Commissioner</u>	Date <u>02/24/2000</u>
Agency <u>Department of Revenue</u>	

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ANALYSIS CONTINUATION

Dickinson, Director of the Oil and Gas Audit Division. That analysis was based on the assumption that there would be no additional production attributable to the merger. Mr. Dickinson's analysis identified "production" as the driving force behind any major effect of the merger on State revenues.

According to BP, their merger with ARCO would create synergies and efficiencies on the North Slope that would result in significant reductions in the cost of North Slope oil production operations. BP announced that it would use these cost savings to increase its planned investment in North Slope development. BP claimed this additional investment would, within two year's time, increase North Slope oil production 150,000 barrels a day above the level forecast by the Department of Revenue's Fall Revenue Forecast. If the average wellhead value of ANS over the first five years of increased production is \$10 per barrel and the State's combined royalty and tax share is approximately 20 percent, the additional State revenue attributable to the merger over those five years would be approximately \$400 million.

Under the Charter, BP and ARCO were required to make substantial divestitures of interests in producing fields, exploration acreage, and infrastructure to secure the benefits of robust competition in future North Slope lease sales and development. Nevertheless, the Charter was also crafted to permit the North Slope producers to capture most of the important synergies and efficiencies contemplated by the merger. Thus, we believe that if the Charter were implemented, the operators on the North Slope would be able to achieve most of the synergies and efficiencies BP originally anticipated. If these cost savings resulted in increased investment of the magnitude suggested by BP, it would be reasonable to anticipate receiving a maximum of \$400 million in additional state revenue over the five year period after increased production commences.

Given the concerns raised by the Federal Trade Commission about the proposed merger and the resulting litigation, the likelihood of the increased investment level on the North Slope has been significantly reduced. As a consequence, it is possible the proposed merger transaction will neither increase nor decrease the revenue we have forecast. This fiscal note, therefore, reflects a range of possible outcomes attributable to the merger.