

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4900 HRES ELF OIL & GAS MISC.

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- (i) research and development expenditures will not exceed \$97 million, a reduction of \$28 million from the 1986 level. Of this amount, \$24 million will be spent in corporate sponsored projects;
- (j) the Sohio Oil retail efficiency program will improve station throughput by 2%; West Coast marine costs will be decreased by 12%, to 95 cents per barrel;
- (k) exploration and production will add reserves of 40 million barrels of oil equivalent and resources by 65 million barrels of oil equivalent;
- (l) the Utah Copper Division modernization project will be 90% completed by the end of 1987; and
- (m) Standard Oil Chemicals will prove the low-cost technology for production of maleic anhydride and butanediol.

In March 1987, BP received a copy of the Company's Financial Report for March 1987 (the "March Report") which constitutes the Company's most recent update of the Operating Plan. The March Report was not received in time for it to be considered in connection with BP's internal valuations of the Company or Goldman Sachs' analysis. The Company also prepared a Financial Report for February 1987 which did not amend the projections contained in the Operating Plan in any material respect. The March Report contained the following projections for 1987:

<b>March Report</b>	
(Dollars in millions, except per share amount)	
Operating Income .....	\$ 1,680
Net Income .....	876
Earnings per Share Before Special Items .....	3.73
Capital Expenditures.....	1,637
Total Funds Generated .....	949
Borrowed and Invested Capital—Year-End .....	13,457
Liquid Resources—Year-End .....	1,422
Return on Average Capital Employed.....	7.3%
Adjusted Debt to Debt Plus Equity Ratio* .....	25.8%

\*Excludes liquid resources except minimum requirement of \$100 million.

The March Report reflects a revised crude oil price forecast along with other known events and forecasted changes of a material nature. It assumes that the ANS Gulf Coast price will average \$15.95 per barrel in 1987, \$1.05 higher than the Operating Plan. As a result, however, spot refining and marketing margins were forecasted for the year to be down 18% from those projected in the Operating Plan. Assuming an average ANS Gulf Coast price of \$17.20 per barrel for the year (approximately the ANS Gulf Coast price at the time the March Report was prepared) net income and funds flow were forecasted at \$1,004 million and \$1,077 million, respectively.

The projections and targets noted above were prepared by the Company, and are included herein for the general information of the Company's shareholders. Because the estimates and assumptions underlying the above projections are inherently subject to significant economic and competitive uncertainties beyond the Company's control, there can be no assurance that the projected results can be realized, or that actual results will not be higher or lower than those projected. In particular, the projections are extremely sensitive to the actual price of crude oil. As noted in the Operating Plan, a change of \$1 per barrel in the average price of oil during a year will change annual net income of the Company by between \$125 million and \$150 million. In addition, such projections and targets were not prepared with a view to public disclosure or compliance with

published guidelines of the SEC regarding projections, and are included in this Offer to Purchase only because the projections and targets were available to BP and the Purchaser prior to the time they made the decision to commence the Offer. BP and the Purchaser do not assume any responsibility for the accuracy of such projections and targets.

*Certain Relationships with BP.* Except as set forth herein and in Schedule I hereto, (i) neither the Purchaser nor any person controlling the Purchaser, nor any pension, profit sharing or similar plan of the Purchaser, nor, to the best knowledge of the Purchaser, any of the persons listed in Schedule I hereto or any associate or majority-owned subsidiary of any of the foregoing, (x) beneficially owns or has a right to acquire any Shares of the Company or (y) effected any transactions in the Shares during the past 60 days, (ii) there are no contracts, arrangements, understandings or relationships (whether or not legally enforceable) between the Purchaser, any person controlling the Purchaser, or, to the best knowledge of the Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and any other person, on the other hand, with respect to securities of the Company, (iii) since January 1, 1984, there have been no transactions which would be required to be disclosed under the rules of the SEC between the Purchaser, any person controlling the Purchaser, any subsidiary of the Purchaser or, to the best knowledge of the Purchaser, any of the persons listed on Schedule I hereto, on the one hand, and the Company or any of its executive officers, directors, or subsidiaries, on the other hand, (iv) since January 1, 1984, there have been no contacts, negotiations or transactions between the Purchaser, any person controlling the Purchaser, any subsidiary of the Purchaser or, to the best knowledge of the Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and the Company or any of its subsidiaries, on the other hand, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets, except that in 1985, the Company discussed with BP a possible acquisition on an unsolicited basis of an unaffiliated corporation, pursuant to which the Company and the unaffiliated corporation would merge and BP would acquire additional securities of the surviving corporation, which transaction BP determined not to pursue and (v) since January 1, 1985, there have been no contacts or negotiations concerning the matters referred to in (iv) above (x) between any affiliates of the Company or (y) between the Company or any of its affiliates and any other person unaffiliated with the Company who would have a direct interest in such matters.

The NPRI Preferred Stock which BPI owns in a subsidiary of the Company entitles BPI to preferential dividends equal to 75% of the net profits from oil and gas production from Prudhoe Bay leases multiplied by a fraction, of which the numerator is the number of net barrels per day of crude oil production from the Company's Prudhoe Bay leases between 600,000 net barrels per day and 1,050,000 net barrels per day, and the denominator is the total number of net barrels per day of crude oil production from such leases. Dividends paid on the NPRI Preferred Stock amounted to \$44 million in 1986, \$108 million in 1985 and \$36 million in 1984. No dividends were paid on such stock during the two-year period ended September 30, 1984 because the Company's Prudhoe Bay production was below 600,000 net barrels per day. Also, no dividends are paid on such stock in respect of most of the approximately 13,500 net barrels per day being overlifted during the two-year period which commenced September 1, 1985 as a result of a 1985 arbitration decision.

The BP Group: (1) receives payments from the Company (\$197 million in 1986, \$309 million in 1985 and \$260 million in 1984) and makes payments to the Company (\$34 million in 1986, \$33 million in 1985 and \$24 million in 1984) for pipeline transportation through TAPS in accordance with tariffs filed by the Company and a subsidiary of BP with the Federal Energy Regulatory Commission (a refund of \$69 million was paid by a subsidiary of BP in 1985 related to an agreement with the State of Alaska to have the tariff rate, both past and future, be governed by the same tariff methodology as that agreed to by all the other TAPS owners in 1985); (2) sells to the Company (\$44 million in 1986, \$84 million in 1985 and \$67 million in 1984) and purchases from the Company (\$124 million in 1986, \$187 million in 1985 and \$116 million in 1984) petroleum and chemicals in the

ordinary course of business at prevailing competitive prices; (3) is a party to an agreement which provides that, whenever TAPS operates at less than mechanical capacity, the crude oil produced by the Company or a subsidiary of BP from the North Slope will be shipped through the interests of their pipeline subsidiaries in TAPS in the approximate proportions that such ownership interests in TAPS bear to one another, so long as the pipeline subsidiary requesting such throughput protection maintains a competitive tariff rate; (4) contracts with the Company for services related to marine operation and exploration and production; and (5) is a party with the Company in a number of other transactions and arrangements in the ordinary course of business.

*Available Information.* The Company is subject to the information and reporting requirements of the Exchange Act and in accordance therewith is obligated to file reports and other information with the SEC relating to its business, financial statements and other matters. Certain information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be disclosed in proxy statements distributed to the Company's shareholders and filed with the SEC. Such reports, proxy statements and other information may be inspected at the SEC's offices at 450 5th Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and should be available for inspection at the following regional offices of the Commission: Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604 and Jacob K. Javits Federal Building, 26 Federal Plaza, New York, New York 10278. Copies may be obtained, by mail, upon payment of the SEC's customary charges by writing to its principal office at 450 5th Street, N.W., Judiciary Plaza, Washington, D.C. 20549.

#### THE BP GROUP AND THE PURCHASER

BP was incorporated in 1909. Although the United Kingdom Government has since 1914 had a substantial shareholding interest (presently approximately 31.6%) BP has always been managed and operated as a private business enterprise. On March 18, 1987, the United Kingdom Government announced its intention to dispose of its interest in BP over the next twelve months, subject to market conditions.

The BP Group is the largest industrial concern in the United Kingdom, the second largest in Europe and the fifth largest in the non-communist world, on the basis of 1985 sales proceeds. It is engaged in all phases of the petroleum industry, including exploration, production, transportation, processing and marketing of crude oil, petroleum products and natural gas. The BP Group has pioneered the discovery and development of oil in several important oil producing areas, including Alaska and the North Sea, and is currently exploring in some thirty countries. It also has substantial investments in minerals and coal and investments in a range of other interests. Its activities, excluding the Company, are organized into eleven businesses: oil and gas exploration and production; oil supply, refining and marketing; chemicals; minerals; gas processing and marketing; coal; nutrition; detergents; ventures; computer and communications systems; and shipping. Overall control is exercised by a corporate head office. BP's principal executive offices are located at Britannic House, Moor Lane, London EC2Y 9BU.

*Historical Summarized Financial Information of the BP Group.* The following information concerning BP and its subsidiaries for the four years ended December 31, 1985 has been derived from the audited financial statements of the BP Group included within BP's annual reports on Form 20-F for the relevant years which have been filed with the SEC, as restated to conform with the accounting policies and presentation adopted in BP's 1985 Annual Report. Information for the year ended December 31, 1986 has been derived from the financial statements of the BP Group included within BP's report on Form 6-K for the month of March, 1987 which has been filed with the SEC. The

summary below is qualified by reference to such documents and all the financial information and related notes contained therein.

	Years ended December 31,				
	1982	1983	1984	1985	1986
	(In millions)				
Turnover .....	£29,314	£32,381	£37,933	£40,986	£27,171
Profit before taxation .....	2,305	2,597	3,455	3,613	958
Profit before extraordinary items .....	716	866	1,402	1,598	817
Profit for the year applicable to ordinary shares	711	1,030	1,103	688	498
Profit for the year applicable to ordinary shares as adjusted to accord with U.S. generally accepted accounting principles (1) .....	488	888	1,159	663	422
Funds generated from operations .....	3,657	4,587	5,734	6,070	4,461
Total assets .....	26,264	27,174	34,214	30,221	28,375
Capital expenditure including acquisitions .....	3,760	3,301	3,815	4,398	3,787

(1) The adjustments comprise (a) supplementary pension costs being charged over periods not exceeding 40 years rather than being charged against income when paid and the inclusion of an annual charge to meet unfunded pension obligations (£3 million charged against income in 1986); (b) certain leases being capitalized, with depreciation and interest charged accordingly, rather than lease rentals being expensed as incurred (£9 million credit to income in 1986); (c) deferred taxation being provided on a full deferral basis rather than only where timing differences are expected to reverse in the foreseeable future (£126 million charged against income in 1986); and (d) the effect on minority interests of these adjustments (£44 million credit to income in 1986).

BPI owns 98.6% of the common stock of the Purchaser and the remainder is owned by other wholly-owned subsidiaries of BP. The Purchaser was incorporated in Delaware in 1974 and adopted its present name in 1978. Through its subsidiary companies, the Purchaser is engaged in all phases of the petroleum industry other than refining and has interests in all other BP Group businesses except for detergents and shipping. Through wholly-owned subsidiaries, the Purchaser owns an undivided interest of approximately 16.7% in TAPS and an approximate 29% interest in the Kuparuk oilfield in Alaska. For the year ended December 31, 1986, the Purchaser's consolidated sales and net income amounted to approximately \$4.2 billion and \$76 million, respectively. Total assets and shareholders' equity at December 31, 1986 amounted to approximately \$4.2 billion and \$1.4 billion, respectively. All of the foregoing numbers are computed in accordance with U.K. generally accepted accounting principles. The principal executive offices of the Purchaser are located at 620 Fifth Avenue, New York, New York 10020, telephone (212) 887-9300.

## THE TENDER OFFER

1. *Terms of the Offer.* Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and pay for all Shares which are validly tendered at or prior to the Expiration Date and not properly withdrawn in accordance with Section 4 of this Offer to Purchase. The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on Tuesday, April 28, 1987, unless and until the Purchaser shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended, shall expire. For a description of the Purchaser's rights to extend the period of time during which the Offer is open and to terminate or amend the Offer, see Section 7.

*The Offer is not conditioned upon any minimum number of Shares being tendered.*

The Offer to Purchase and related Letter of Transmittal are being mailed to record holders of Shares and are being furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the Company's shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

**2. Acceptance for Payment and Payment for Shares.** Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended (see Sections 1 and 7 herein), the terms and conditions of any such extension), the Purchaser will accept for payment, and thereby purchase, all Shares validly tendered prior to the Expiration Date and not withdrawn as permitted by Section 4 as promptly as practicable after the Expiration Date. In addition, the Purchaser expressly reserves the right, in its sole discretion, to delay the acceptance for payment of or payment for Shares in order to comply, in whole or in part, with any applicable law. See Section 7. In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such Shares, or timely confirmation of book-entry transfer of such Shares into the Depository's account at The Depository Trust Company, the Midwest Securities Trust Company, the Pacific Securities Depository Trust Company or the Philadelphia Depository Trust Company (collectively, the "Book-Entry Transfer Facilities") pursuant to the procedures set forth in Section 3 for book-entry transfer and the Letter of Transmittal (or facsimile copy thereof), properly completed and duly executed, and any other documents required by the Letter of Transmittal.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment and purchased tendered Shares if, as and when the Purchaser gives oral or written notice to the Depository, as agent for the tendering shareholders, of the Purchaser's acceptance of such Shares for payment pursuant to the Offer. Payment for Shares purchased pursuant to the Offer will be made through the Depository which will act as agent for the tendering shareholders for the purpose of receiving payments from the Purchaser and transmitting such consideration to tendering shareholders. Under no circumstances will interest be paid by the Purchaser by reason of any delay in making such payment.

If any tendered Shares are not accepted for payment and paid for pursuant to the terms and conditions of the Offer for any reason (see Section 8), or if certificates are submitted for more Shares than are tendered, certificates for such unpurchased or untendered Shares will be returned, without expense to the tendering shareholder, or, in the case of Shares tendered by book-entry transfer with a Book-Entry Transfer Facility, such Shares will be credited to an account maintained with such Book-Entry Transfer Facility, as promptly as practicable following the expiration or termination of the Offer.

The Purchaser reserves the right to assign to one or more affiliates the right to purchase any of the tendered Shares pursuant to the Offer, but any such assignment will not relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment and paid for pursuant to the Offer.

**3. Procedure for Tendering Shares.** In order for a holder of Shares to tender validly any of his Shares pursuant to the Offer, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees and any other required documents, must be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase and either certificates representing such Shares must be delivered to the Depository, along with the Letter of Transmittal or a facsimile copy thereof properly completed and duly executed, or such Shares must be tendered pursuant to the procedure for book-entry transfer set forth below (and a confirmation of receipt of such tender must be received by the Depository), in each case prior to the Expiration Date, or the guaranteed delivery procedure set forth below must be complied with. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Depository.

The Depository will establish accounts with respect to the Shares at the Book-Entry Transfer Facilities for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in any of the Book-Entry Transfer Facilities' systems may make book-entry delivery of such Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depository's account, in accordance with such Book-Entry Transfer Facility's procedure for such transfer. However, although delivery of Shares may be effected through book-entry transfer at a Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees and any other required documents, must, in any case, be received by the Depository at one of its addresses set forth on the back cover page of this Offer to Purchase prior to the Expiration Date, or the guaranteed delivery procedure described below must be complied with.

Signatures on all Letters of Transmittal must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. (the "NASD"), or a commercial bank or trust company having an office or correspondent in the United States (an "Eligible Institution"), unless the Shares tendered thereby are tendered (i) by a registered holder of Shares who has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If the certificates are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made or certificates for unpurchased Shares are to be issued to a person other than the registered holder, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed as aforesaid. See Instruction 5 of the Letter of Transmittal. **THE METHOD OF DELIVERY OF CERTIFICATES FOR SHARES AND ALL OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND RISK OF THE TENDERING SHAREHOLDER. IF SENT BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED.**

Under the backup withholding rules, unless an exception applies under the applicable law and regulations, the Depository will be required to withhold 20% of the gross proceeds otherwise payable to a shareholder or other payee pursuant to the Offer unless the shareholder or other payee provides his tax identification number (employer identification number or social security number) and certifies that such number is correct and that he is not subject to backup withholding as a result of failure to report all interest or dividends. Therefore, unless such an exception exists and is proved in a manner satisfactory to the Depository, each shareholder and, if applicable, each other payee should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal, so as to provide the information and certification necessary to avoid backup withholding.

If a shareholder desires to tender Shares pursuant to the Offer and such shareholder's certificates are not immediately available or time will not permit all required documents to reach the Depository prior to the Expiration Date, or if the procedure for book-entry transfer cannot be completed on a timely basis, such Shares may nevertheless be tendered if all of the following conditions are met:

- (i) such tender is made by or through an Eligible Institution;
- (ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser herewith is received by the Depository as provided below prior to the Expiration Date; and
- (iii) the certificates for all tendered Shares, in proper form for transfer and delivery, or confirmation of a book-entry transfer of such Shares into the Depository's account at a Book-Entry Transfer Facility, in each case together with the Letter of Transmittal or facsimile copy thereof, properly completed and duly executed, with any required signature guarantees and any other required documents, are received by the Depository within eight NYSE trading days after the date of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the Depository and must include a signature guarantee by an Eligible Institution in the form set forth in such Notice.

In all cases, payment for Shares tendered and purchased pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such Shares or confirmation of a book-entry transfer of such Shares into the Depository's account at a Book-Entry Transfer Facility, the Letter of Transmittal or facsimile copy thereof, properly completed and duly executed, and any other required documents.

The tender of Shares pursuant to any of the procedures described above will constitute an agreement between the tendering shareholder and the Purchaser upon the terms and subject to the conditions of the Offer.

By executing the Letter of Transmittal, a tendering shareholder irrevocably appoints, with respect to the Shares purchased by the Purchaser, designees of the Purchaser as his proxies, with full power of substitution, in the manner set forth in the Letter of Transmittal, to vote and exercise all of the shareholder's rights with respect to the Shares tendered by such shareholder pursuant to such Letter of Transmittal and accepted for payment by the Purchaser and with respect to any and all other Shares or other securities issued or issuable in respect of such Shares on or after March 25, 1987. Such appointment is effective when, and only to the extent that, the Purchaser deposits the Offer consideration for such Shares with the Depository.

Upon the effectiveness of such appointment, all prior proxies given by such shareholder with respect to such Shares (and any such other Shares or other securities) will be, without further action, revoked and no subsequent proxies may be given by such shareholder (and, if given, will not be deemed effective). The designees of the Purchaser will, with respect to the Shares for which the appointment is effective, be empowered to exercise all voting and other rights of such shareholder as they, in their sole discretion, may deem proper at any annual, special or adjourned meeting of the Company's shareholders, by written consent in lieu of any such meeting or otherwise.

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. The Purchaser reserves the absolute right to reject any or all tenders of any particular Shares determined by it not to be in proper form or the acceptance for payment or payment of which may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive any of the conditions of the Offer, and the Purchaser reserves the right to waive any defect or irregularity in the tender of any particular Shares. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived. Neither BP, the Purchaser, the Dealer Managers, the Depository, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in tenders or incur liability for failure to give any such notification.

**4. Withdrawal Rights.** Tenders of Shares made pursuant to the Offer are irrevocable, except that Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date, and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after May 30, 1987.

For a withdrawal to be effective, a written, telegraphic, telex or facsimile notice of withdrawal must be timely received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase. Any notice of withdrawal must specify the name of the tendering shareholder, the number of Shares to be withdrawn and the names in which the certificate(s) evidencing such Shares are registered, if different from that of the tendering shareholder. If certificate(s) evidencing such Shares have been delivered to the Depository, then, prior to the release of such certificate(s), the serial numbers shown on such certificate(s) must be submitted and the signature(s) on the notice

of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of any Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at a Book-Entry Transfer Facility to be credited with the withdrawn Shares.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. None of the Purchaser, BP, the Dealer Managers, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification. Any Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer; however, tendered Shares withdrawn pursuant to the withdrawal rights described above may be re-tendered by following the procedures described in Section 3, at any subsequent time prior to the expiration of the Offer.

If the Purchaser extends the Offer, is delayed in its purchase of Shares or is unable to purchase such Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under this Offer, the Depositary may, nevertheless, on behalf of the Purchaser, retain such tendered Shares and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as set forth in this Section 4.

5. *Source and Amount of Funds.* The total amount required by the Purchaser to purchase all of the outstanding Shares, other than Shares owned by BPI, pursuant to the Offer and to pay the related fees and expenses is estimated to be approximately \$7.5 billion. The Purchaser will obtain approximately one-third of such amount from the BP Group's existing internal resources, which funds will be on-lent to the Purchaser by other members of the BP Group on arm's length terms. The balance will be obtained partly from borrowings by BPI under a four year credit facility to be entered into with a number of commercial banks, which borrowings would then be on-lent to the Purchaser on arm's length terms, and partly from the issuance by the Purchaser of commercial paper in the United States, backed by the Purchaser's own ability to borrow directly under the credit facility. Total borrowings under the credit facility may not exceed \$5 billion. Borrowings by BPI under the credit facility may be made for periods of one, three or six months at an interest rate per annum equal to LIBOR plus 0.125% for the applicable period (or such other rate or rates as may be offered by the banks under a bidding system provided in the credit facility). Borrowings by the Purchaser under the credit facility may be made for periods of up to 10 days at Morgan Guaranty Trust Company of New York's prime rate as in effect from time to time. BPI will be obligated to pay a facility fee of 0.125% per annum of the aggregate commitments under the credit facility, regardless of the amounts outstanding thereunder from time to time. All amounts owing under the credit facility and the Purchaser's commercial paper program will be guaranteed by BP. Morgan Guaranty Trust Company of New York will be designated Agent for the banks under the credit facility. It is intended that these borrowings will be repaid or replaced from funds generated by the BP Group and by means of restructuring or refinancing of existing facilities, including the credit facility.

6. *Certain Legal Matters.* Pursuant to requirements of The Stock Exchange in London, the Offer must be approved by a resolution passed on a show of hands by a majority of the shareholders present and voting or, if a poll is called for, by a majority of the votes cast, at a meeting of BP's shareholders (the "Shareholder Approval"). Such meeting will be convened for April 22, 1987 and the Offer is conditioned upon receipt of the Shareholder Approval. BP has received in a form acceptable to it the consent of H.M. Treasury of the United Kingdom pursuant to Section 482, Income and Corporation Taxes Act 1970, to the issuance of certain debt by the Purchaser and the exchange of the Shares and the Special Stock held by BPI for shares of common stock of the Purchaser and clearance from The Inland Revenue of the United Kingdom that the transfer of the Shares and the Special Stock held by BPI to the Purchaser in exchange for shares of common stock of the Purchaser will not result in a tax on chargeable gains under the provisions of Section 87, Capital Gains Tax Act, 1979.

Except as set forth in this Section, the Purchaser is not aware of any license or other regulatory permit which appears to be material to the business of the Company and which might be adversely affected by the Purchaser's acquisition of the Shares pursuant to the Offer, or of any approval or clearance by or reference to any domestic or foreign governmental or administrative agency that would be required prior to the acquisition of the Shares by the Purchaser pursuant to the Offer. The Company and its subsidiaries conduct operations in several foreign countries. Should any such approval or other action be required, it is the Purchaser's present intention that such approval or action would be sought or taken. The Purchaser is unable to predict whether it may determine that it is required to delay the purchase of Shares pursuant to the Offer pending such approval or other action. There can be no assurance that any such approval or action, if needed, would be obtained or, if obtained, that it will be obtained without substantial conditions or that adverse consequences might not result to the Company's business or that certain parts of the Company's business might not have to be disposed of in the event that such approvals were not obtained or such other actions were not taken, any of which could cause the Purchaser to elect to terminate the Offer pursuant to Section 7. The Purchaser's obligation under the Offer to accept for payment and pay for Shares is subject to certain conditions. See Section 8.

**State Takeover Laws.** A number of states have adopted takeover laws which purport, to varying degrees, to be applicable to attempts to acquire securities of corporations which are incorporated in such states or which have substantial assets, security holders, principal executive offices or principal places of business therein. To the extent that certain provisions of these state takeover laws purport to apply to the Offer, the Purchaser believes that such laws conflict with federal law and constitute an unreasonable burden on interstate commerce. In this regard, it should be noted that the Supreme Court of the United States in *Edgar v. MITE Corporation* held that the Illinois Business Takeover Act was unconstitutional.

The Purchaser has not complied with any state takeover laws and the Company has agreed not to seek application of any such laws to the Offer without first giving the Purchaser at least 48 hours' notice. The Purchaser has commenced litigation in federal district courts in Louisiana, Nebraska, Ohio and South Carolina seeking declaratory judgments that certain provisions of certain takeover statutes in such states are unconstitutional as applied to the Offer and injunctions against their enforcement in connection with the Offer. In three of these actions (Nebraska, Louisiana and South Carolina), there have been entered orders of the court under agreement by the parties, pursuant to which no action will be taken by the relevant state officials to seek enforcement of such laws, except on at least 48 hours', or in the case of Louisiana 72 hours', notice to the Purchaser. In the fourth action (Ohio), the relevant state official has been enjoined by court order from taking any such enforcement steps prior to April 13, 1987; in that action, the Purchaser intends to seek a further order preventing any such enforcement action subsequent to April 13, 1987. Should any government official or third party seek to apply any state takeover law to the Offer, the Purchaser and BP will take such action as then appears desirable and currently anticipate that they will contest the validity of such law in appropriate court proceedings. The Purchaser notes that the Ohio Control Share Acquisition Act, which requires shareholder approval of certain "control share acquisitions", does not apply to the Offer as BP and its subsidiaries already own Shares and Share-equivalents entitling them to a majority of the voting power of the Company.

If it is asserted that any state takeover laws apply to the Offer and it is not determined by an appropriate court that such laws do not apply or are invalid as applied to the Offer, the Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, the Purchaser might be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in consummating the Offer. In such case, the Purchaser may not be obligated to accept for payment any Shares tendered. See Section 8.

**7. Extension of the Offer; Termination; Amendment.** The Purchaser expressly reserves the right, in its sole discretion, at any time, or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depository and by

making a public announcement thereof, such announcement in the case of an extension to be issued no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date. There can be no assurance that the Purchaser will exercise its right to extend the Offer. If the Purchaser shall decide, in its sole discretion, to increase or decrease the price offered in the Offer to holders of Shares and, at the time that notice of such increase or decrease is first published, sent or given to holders of Shares in the manner specified below, the Offer is scheduled to expire at any time earlier than the tenth business day from the date that such notice is first so published, sent or given, the Offer will be extended until the expiration of such ten business day period. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 A.M. through 12:00 Midnight, New York City time.

The Purchaser also reserves the right to postpone acceptance for payment of or, regardless of whether such Shares were theretofore accepted for payment, payment for any Shares to be purchased by it pursuant to the Offer and to amend the Offer or to terminate the Offer and not accept for payment any Shares not theretofore accepted for payment, or paid for, upon the occurrence of any of the conditions specified in Section 8 herein, by giving oral or written notice of such postponement, amendment or termination to the Depository and by making a public announcement thereof.

Without limiting the manner in which the Purchaser may choose to make any public announcement of the termination or any extension or amendment of the Offer, except as may otherwise be required by the SEC's rules, the Purchaser will have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by making a release to the Dow Jones News Service or, in the case of an announcement of an extension of the Offer, by issuing a notice of such extension by press release or other public announcement, which notice shall be issued no later than 9:00 A.M., New York City time, on the next business day after the previously-scheduled Expiration Date of the Offer.

**B. Certain Conditions of the Offer.** Notwithstanding any other provisions of the Offer, the Purchaser shall not be required to accept for payment or pay for any Shares, may postpone the acceptance for payment of and payment for Shares tendered and to be purchased by it, and may terminate or amend the Offer as provided in Section 7 herein if the Shareholder Approval is not obtained or if, on or after March 25, 1987 and prior to the time of payment for any such Shares (whether or not any Shares have theretofore been accepted for payment or paid for pursuant to the Offer), any of the following events shall occur:

(a) there shall be threatened, instituted or pending any action or proceeding before any domestic or foreign court or governmental agency or other regulatory or administrative agency or commission, (i) challenging the acquisition by the Purchaser of the Shares, seeking to restrain or prohibit the making or consummation of the Offer or a Merger, seeking to obtain any material damages or otherwise directly or indirectly relating to the transactions contemplated by the Offer or a Merger, (ii) seeking to prohibit or restrict the Purchaser's (or any of its affiliates') ownership or operation of any material portion of its or the Company's business or assets, or to compel the Purchaser (or any of its affiliates) to dispose of or hold separate all or any material portion of its or the Company's business or assets as a result of the Offer or a Merger, (iii) seeking to make the purchase of, or payment for, some or all of the Shares or a Merger illegal, (iv) resulting in a delay in the ability of the Purchaser to accept for payment or pay for some or all of the Shares or to effect a Merger, (v) imposing material limitations on the ability of the Purchaser effectively to acquire or hold or to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the shareholders of the Company or (vi) which, in the sole judgment of the Purchaser, otherwise is reasonably likely to materially adversely affect the Company or any of its subsidiaries or affiliates or the value of the Shares; or

(b) any statute, rule, regulation, order or injunction shall be sought, proposed, enacted, promulgated, entered, or deemed applicable to the Offer, or any other action shall have been taken, proposed or threatened, by any government or governmental authority (or any political subdivision thereof) or by any court, domestic or foreign, which, in the sole judgment of the Purchaser, is likely, directly or indirectly, to result in any of the consequences referred to in subsection (a) (i) through (a) (vi) of this Section 8; or

(c) any change (or any condition, event or development involving a prospective change) shall have occurred or be threatened in the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, results of operations or prospects of the Company or any of its subsidiaries which, in the sole judgment of the Purchaser, is or may be materially adverse to the Company and its subsidiaries, taken as a whole, or the Purchaser shall become aware of any fact (including, but not limited to, any such change, condition, event or development) which, in the sole judgment of the Purchaser, has or may have materially adverse significance with respect to the Company and its subsidiaries, taken as a whole, or the value of the Shares; or

(d) there shall have occurred (i) any general suspension of, or limitation on prices for, trading in securities on the NYSE or The Stock Exchange in London, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or the United Kingdom, (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or the United Kingdom, (iv) any limitation by any governmental authority or any other event which, in the sole judgment of the Purchaser, might affect the extension of credit by banks or other lending institutions in the United States or the United Kingdom, (v) a material change in United States or United Kingdom currency exchange rates or a suspension of or limitation on the markets therefor or (vi) in the case of any of the foregoing existing at the time of the Offer, any material acceleration or worsening thereof; or

(e) the Company shall have (i) conducted its business or those of its subsidiaries other than in the ordinary course or made any material changes in the operations of the Company or its subsidiaries; (ii) amended or otherwise changed the articles of incorporation or code of regulations (or similar constituent documents) of the Company or any of its subsidiaries; (iii) issued or sold, or authorized for issuance or sale, additional shares of any class of capital stock, or securities convertible into such shares of capital stock or rights or warrants with respect to shares of capital stock, except pursuant to the Company's existing employee stock option plans; (iv) declared, set aside, made or paid any dividend or other distribution with respect to its capital stock, other than regular quarterly cash dividends at a rate not in excess of \$0.70 per Share; (v) altered or proposed to alter any material term of any outstanding security; (vi) redeemed, purchased or otherwise acquired, directly or indirectly, any of its capital stock; (vii) entered into any other agreement or arrangement with any other party or with the officers or other members of its management that in the sole discretion of the Purchaser could adversely affect the value of the Shares; or (viii) shall have reached an agreement or understanding with BP and the Purchaser that the Offer be terminated or amended, or the Purchaser and BP shall have entered into a definitive agreement to acquire the Company;

which in the sole judgment of the Purchaser with respect to each and every matter referred to above and regardless of the circumstances (including any action or inaction by the Purchaser or BP) giving rise to any such condition, makes it inadvisable to proceed with the Offer or with such acceptance for payment or payment.

The foregoing conditions are for the sole benefit of the Purchaser and may be asserted by the Purchaser regardless of the circumstances giving rise to any such conditions (including any action or inaction by the Purchaser or BP) or may be waived by the Purchaser in whole or in part at any time and from time to time in its sole discretion. The failure by the Purchaser at any time to exercise

any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed a continuing right which may be asserted at any time and from time to time.

9. *Dividends and Distributions.* If, on or after March 25, 1987, the Company should split, combine or otherwise change the Shares or its capitalization, or disclose that it has taken any such action, then the Purchaser, in its discretion, may make such adjustments in the Offer consideration and other terms of the Offer as it deems appropriate to reflect such split, combination or other change.

If, on or after March 25, 1987, the Company should declare or pay any cash or stock dividend, stock split or other distribution on, or issue any rights with respect to, the Shares, payable or distributable to shareholders of record on a date occurring on or after March 25, 1987 and prior to the transfer to the name of the Purchaser or its nominees or transferees on the Company's stock transfer records of the Shares purchased pursuant to the Offer, then (i) the Offer consideration payable by the Purchaser pursuant to the Offer shall be reduced by the amount of any such cash dividend or distribution and (ii) the whole of any non-cash dividend, distribution or right (including additional Shares or rights as aforesaid) received by a tendering shareholder shall be required to be promptly remitted and transferred by the tendering shareholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance or appropriate assurance thereof, the Purchaser shall be, subject to applicable law, entitled to all rights and privileges as owners of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by the Purchaser in its discretion.

10. *Fees and Expenses.* Goldman Sachs are acting as Dealer Managers in connection with the Offer and have provided certain financial advisory services to BP and the Purchaser in connection therewith. See "SPECIAL FACTORS—The Financial Advisors" for information with respect to Goldman Sachs' fees for such services.

The Purchaser has retained D.F. King & Co., Inc. to act as the Information Agent in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telex, telegraph and personal interviews and may request brokers, dealers and other nominee shareholders to forward the Offer materials to beneficial owners of Shares. The Information Agent will receive reasonable and customary compensation for such services, plus reimbursement of out-of-pocket expenses.

The Purchaser has retained The Chase Manhattan Bank, N.A. to act as the Depositary, and will pay the Depositary reasonable and customary compensation for its services in connection with the Offer, plus reimbursement of out-of-pocket expenses, and will indemnify the Depositary against certain liabilities and expenses in connection therewith, including liabilities under the federal securities laws.

The estimated costs and fees in connection with the Offer are as follows:

Bank Commitment and Other Fees .....	\$ 7,250,000
SEC Filing Fee .....	1,468,233
Financial Advisory and Dealer Managers' Fees.....	8,600,000
Accounting Fees .....	35,000
Legal Fees .....	3,500,000
Printing and Mailing.....	750,000
Depositary's Fees .....	450,000
Information Agent's Fees.....	200,000
Miscellaneous .....	246,767
Total .....	<u>\$22,500,000</u>

The Purchaser will not pay any fees or commissions to any broker or dealer or any other person for soliciting tenders of Shares pursuant to the Offer. The Purchaser will, upon request, reimburse brokers, dealers, commercial banks and trust companies for customary handling and mailing expenses incurred in forwarding the Offer to their customers. The Company has not paid and will not be responsible for paying any of the above expenses.

11. *Miscellaneous.* The Offer is not being made to nor will tenders be accepted from or on behalf of holders of Shares in any jurisdiction in which the Offer or the acceptance thereof would not be in compliance with the laws of any such jurisdiction. However, the Purchaser may in its sole discretion take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to holders of Shares in such jurisdiction.

In those jurisdictions where securities laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by Goldman Sachs.

No person has been authorized to give any information or make any representation on behalf of the Purchaser not contained in this Offer to Purchase and, if given or made, such information or representation must not be relied upon as having been authorized.

The Purchaser has filed with the SEC a Rule 13e-3 Transaction Statement on Schedule 13E-3 and a Tender Offer Statement on Schedule 14D-1, together with exhibits in each case, pursuant to Rule 13e-3 and Regulation 14D, respectively, of the General Rules and Regulations under the Exchange Act, which require the furnishing of certain additional information with regard to the Offer. Such statements and any amendments thereto, including exhibits, may be examined and copies may be obtained at the same places and in the same manner as set forth in "THE COMPANY— Available Information", except that such information is not available at the regional offices of the SEC.

BP North America Inc.

April 1, 1987

**SCHEDULE I**

**DIRECTORS AND EXECUTIVE OFFICERS  
OF THE BRITISH PETROLEUM COMPANY  
p.l.c. AND CERTAIN RELATED COMPANIES**

Set forth below are the name, business address, citizenship, present principal occupation or employment and other material occupations, positions, offices or other employments held during the last five years of each director and executive officer of BP or the Purchaser.

<u>Name and Business Address</u>	<u>Citizenship</u>	<u>Present Principal Occupation or Employment and Other Material Occupations, Offices or Employments Held During the Last Five Years</u>
Sir Peter Walters* .....	Great Britain	Chairman of BP since 1981. Director of National Westminster Bank PLC in London, England since 1981; director on various civic and cultural boards.
P. G. Cazalet* .....	Great Britain	Deputy Chairman of BP since 1986. Managing Director of BP since 1981. Director of: The Peninsular & Oriental Steam Navigation Co. (shipping) in London, England since 1980; the De La Rue Company p.l.c. (printing) in London, England since 1983; Kuwait Oil Company Ltd. (oil) in London, England from 1978 to 1982; Iranian Oil Participants Ltd. (oil) in London, England from 1978 to 1982.
B.R.R. Butler* .....	Great Britain	Managing Director of BP since 1986. Chief Executive of BP Exploration Company Ltd., 1981-1986.
P. J. Gillam* .....	Great Britain	Managing Director of BP since 1981. Director of the Consolidated Petroleum Co. (oil) in London, England from 1981 to 1982.
R. Malpas* .....	Great Britain	Managing Director of BP since 1983. Director of the BOC Group plc (gas manufacturer) in London, England since 1981; President of Halcon SD Group Inc. (chemicals) in New York, New York from 1979 to 1983.
D.A.G. Simon* .....	Great Britain	Managing Director of BP since 1986. Chief Executive of BP Oil International Ltd. from 1982 to 1986. Director of The Plessey Company plc (telecommunications; electronics; semi conductors) in Ilford, England since 1986.

\* Business address is The British Petroleum Company plc., Brittanica House, Moor Lane, London EC2Y 9BU.

<u>Name and Business Address</u>	<u>Citizenship</u>	<u>Present Principal Occupation or Employment and Other Material Occupations, Offices or Employments Held During the Last Five Years</u>
<p>Sir Lindsay Alexander..... Lloyds Bank p.l.c. 71 Lombard Street London EC 3P 3BS</p>	<p>Great Britain</p>	<p>Deputy Chairman of Lloyds Bank p.l.c. in London, England since 1985. Chairman and Director of Lloyds Bank International Limited since prior to 1981. Director of: BP since 1975; Hawker Siddeley Group plc (aircraft) in London, England since 1981; Wellington Underwriting Agencies (Insurance) in London, England since 1988; Overseas Containers Holdings Ltd. (shipping business) in London, England from 1976 to 1982; Jepsens Drilling Ltd. (oil drilling) in London, England from prior to 1981 to 1986; Ocean Transport &amp; Trading plc (shipping) in Liverpool, England from 1959 to 1986. Director or officer of various civic and cultural boards.</p>
<p>Lord Barber ..... Standard Chartered PLC 38 Bishopsgate London EC2N 4QE</p>	<p>Great Britain</p>	<p>Chairman of Standard Chartered PLC (a commercial bank) in London, England since 1974. Director of: BP since 1979; Bridon plc (rope manufacturer) in Doncaster, England from prior to 1981 to 1983; and Midland and International Bank P.L.C. (banking) in London from prior to 1981 to 1983.</p>
<p>The Honorable Sir John Baring ..... Barings plc 8 Bishopsgate London EC2N 4AE</p>	<p>Great Britain</p>	<p>Chairman of Barings plc (merchant bankers) in London, England since 1985 and Director of Barings plc since prior to 1981. Director of: BP since 1982; Iterate Investments Ltd. (investment company) in London since 1976; Abbotstone Dealing Ltd. (share dealing) in London, England since 1970; Bank of England in London, England since 1983; Houmout Farms Ltd. (farming) in London, England since 1983; Royal Insurance Co. Ltd. in London, England from 1964 to 1982; Dunlop Holdings Ltd. (rubber and tires) in London, England from 1981 to 1984; G.B.S. (Galleries) Ltd. (art dealers) in London, England from 1968 to 1985; Outwich Investment Trust Ltd. (trust company) in London, England from 1965 to 1986; Stratton Investment Co. Ltd. (investment company) in London from 1966 to February 1987.</p>

<u>Name and Business Address</u>	<u>Citizenship</u>	<u>Present Principal Occupation or Employment and Other Material Occupations, Offices or Employments Held During the Last Five Years</u>
Sir Campbell Fraser ..... Scottish Television p.l.c. 7 Adelaide Street London WC2N 4LZ	Great Britain	Chairman of Scottish Television p.l.c. (television company) in London, England since 1975. Director of: BP since 1978; BAT Industries p.l.c. (tobacco and financial services) in London, England since 1980; Bridgewater Paper Co. Ltd. (paper manufacturer) in London, England since 1984; Tandem Computers Ltd. (computers) in London, England since 1985; Green Park Health Care p.l.c. (nursing homes) in Haywards Heath since 1985; Dunlop Holdings Ltd. (rubber company) in London, England from 1969 to 1983.
Sir James Menter.....	Great Britain	Retired. Director of: BP since 1976; TI Group p.l.c. (tube manufacturers) in Birmingham, England from 1981 to 1986; Steetlay p.l.c. (minerals) in Work-sop, England from 1981 to 1985.
Sir Alastair Pilkington ..... Pilkington Brothers P.L.C. Prescott Road St. Helens Merseyside WA10 3TT	Great Britain	President of Pilkington Brothers P.L.C. (glass manufacturers) in Merseyside, England since 1985. Director of: BP since 1976; Pilkington Brothers p.l.c. from 1955 to 1985.
P. Sheehy..... BAT Industries p.l.c. Windsor House 50 Victoria Street London SW1H 0NL	Great Britain	Chairman of BAT Industries p.l.c. (to-bacco and financial services) since 1982. Director of BP since 1984.
Ian G. S. Hartigan* .....	Great Britain	Director and President of the Purchaser since June, 1986. Director, The Standard Oil Company, Cleveland, Ohio and BP Canada, Inc., Calgary, Alberta since June, 1986. From April, 1984 to June, 1986, Managing Director, BP Shipping Limited, London. Prior to April, 1984, Executive Vice President of Stolt Nielsen, Inc.
Stephen O. Jaeger* .....	United States	Director and Senior Vice President, Finance and Accounts of the Purchaser since July, 1985. From June, 1984 to July, 1985, BP International in London in planning and financial positions. From February, 1981 to July, 1985, Vice President of the Purchaser.
Edward T. Libbey* .....	Great Britain	Director and Senior Vice President, Business Support of the Purchaser since July, 1986. From March, 1986 to July, 1986, Vice President, Corporate Planning of the Purchaser. From February, 1984 to March 1986, Production Manager, BP's Rotterdam Refinery. From March, 1981 to February, 1984, BP's Trade and Supply Department, London.

\* Business address is BP North America Inc., 620 Fifth Avenue, New York, New York 10020.

<u>Name and Business Address</u>	<u>Citizenship</u>	<u>Present Principal Occupation or Employment and Other Material Occupations, Offices or Employments Held During the Last Five Years</u>
Peter A. Aslet* .....	Great Britain	Vice President, Investor Relations of the Purchaser since December, 1985. Manager of U.S. Investor Relations, Imperial Chemical Industries Inc. (chemicals) in New York, from August 1983 to December 1985. Vice President and Manager of Imperial Chemicals Industries U.S. from June 1978 to August 1983.
Kelth S. Cheveralls* .....	Great Britain	Vice President, Money Market Operations of the Purchaser since October, 1985. Vice President and chief dealer of Hill Samuel International Banking Corporation (finance) in New York from October, 1983 to October, 1985. Foreign exchange dealer of certain banks of Switzerland in London from June, 1982 to October, 1983.
Paul Chinn* .....	Great Britain	Vice President, Information Systems of the Purchaser since July, 1986. From May, 1980 to July, 1986, BP Petroleum Development, Dyce, Scotland, computer services manager.
Thomas W. Everitt* .....	United States	Vice President, Administration of the Purchaser since August, 1986. From August, 1985 to August, 1986, BP Exploration, London, Personnel officer. From November, 1981 to August 1985, BP North America Petroleum, Houston, Personnel Manager.
Richard C.H. Genocilo* .....	Great Britain	Vice President, Government and Public Affairs of the Purchaser since March, 1984. From January, 1980 to March, 1984, BP, London, Government and Public Affairs, Assistant Manager, Europe.
George H. Hagle* .....	United States	Vice President and General Counsel of the Purchaser since January, 1981.
Glyn D. Harris* .....	Great Britain	Vice President, Corporate Finance of the Purchaser since October, 1985. From August, 1983 to October, 1985, BP, London, finance coordination and management. From July, 1981 to August, 1983, BP Canada, Calgary, Manager, Finance and Accounts.
Peter C. Mostyn* .....	Great Britain	Vice President, Nutrition of the Purchaser since January, 1984. From April, 1978 to January, 1984, BP Nutrition, London, specialist.
S. Mark Seymour* .....	United States	Vice President, Taxation of the Purchaser since August, 1984. Senior tax counsel of Union Pacific Corp. (transportation) in New York since 1980.
John C. Gore* .....	United States	Vice President, Government Affairs of the Purchaser since March, 1986. Director, Federal Government Affairs of the Purchaser from January, 1980 to March, 1986.

\* Business address is BP North America Inc., 620 Fifth Avenue, New York, New York 10020.

Sir Peter Walters and Mr. B.R.R. Butler presently own 1,000 Shares and 150 Shares, respectively, and they presently intend to tender such Shares pursuant to the Offer.

**Section 1701.85 of the Ohio General Corporation Law**

**1701.85 RELIEF FOR DISSENTING SHAREHOLDERS; QUALIFICATION; PROCEDURES—**  
(A) (1) A shareholder of a domestic corporation is entitled to relief as a dissenting shareholder in respect of the proposals in sections 1701.74, and 1701.76, and 1701.84 of the Revised Code, only in compliance with this section.

(2) If the proposal must be submitted to the shareholders of the corporation involved, the dissenting shareholder shall be a record holder of the shares of the corporation as to which he seeks relief as of the date fixed for the determination of shareholders entitled to notice of a meeting of the shareholders at which the proposal is to be submitted, and such shares shall not have been voted in favor of the proposal. Not later than ten days after the date on which the vote on such proposal was taken at the meeting of the shareholders, the shareholder shall deliver to the corporation a written demand for payment to him of the fair cash value of the shares as to which he seeks relief, stating his address, the number and class of such shares, and the amount claimed by him as the fair cash value of the shares.

(3) The dissenting shareholder entitled to relief under division (c) of section 1701.84 of the Revised Code in the case of a merger pursuant to section 1701.80 of the Revised Code and a dissenting shareholder entitled to relief under division (e) of section 1701.84 of the Revised Code in the case of a merger pursuant to section 1701.801 of the Revised Code shall be a record holder of the shares of the corporation as to which he seeks relief as of the date on which the agreement of merger was adopted by the directors of that corporation. Within twenty days after he has been sent the notice provided in section 1701.80 or 1701.801 of the Revised Code, the shareholder shall deliver to the corporation a written demand for payment with the same information as that provided for in division (A) (2) of this section.

(4) In the case of a merger or consolidation, a demand served on the constituent corporation involved constitutes service on the surviving or the new corporation, whether served before, on, or after the effective date of the merger or consolidation.

(5) If the corporation sends to the dissenting shareholder, at the address specified in his demand, a request for the certificates representing the shares as to which he seeks relief, he, within fifteen days from the date of the sending of such requests, shall deliver to the corporation the certificates requested, in order that the corporation may forthwith endorse on them a legend to the effect that demand for the fair cash value of such shares has been made. The corporation promptly shall return such endorsed certificates to the shareholder. Failure on the part of the shareholder to deliver such certificates terminates his rights as a dissenting shareholder, at the option of the corporation, exercised by written notice sent to him within twenty days after the lapse of the fifteen-day period, unless a court for good cause shown otherwise directs. If shares represented by a certificate on which such legend has been endorsed are transferred, each new certificate issued for them shall bear a similar legend, together with the name of the original dissenting holder of such shares. Upon receiving a demand for payment from a dissenting shareholder who is the record holder of uncertificated securities, the corporation shall make an appropriate notation of the demand for payment in its shareholder records. If uncertificated shares for which payment has been demanded are to be transferred, any new certificate issued for the shares shall bear the legend required for certificated securities as provided in this paragraph. A transferee of the shares so endorsed, or of uncertificated securities where such notation has been made, acquires only such rights in the corporation as the original dissenting holder of such shares had immediately after the service of a demand for payment of the fair cash value of the shares. Such request by the corporation is not an admission by the corporation that the shareholder is entitled to relief under this section.

(B) Unless the corporation and the dissenting shareholder shall have come to an agreement on the fair cash value per share of the shares, as to which he seeks relief the shareholder or the corporation, which in case of a merger or consolidation may be the surviving or the new corporation, within three months after the service of the demand by the shareholder, may file a complaint in the court of common pleas of the county in which the principal office of the corporation which issued such shares is located, or was located at the time when the proposal was adopted by the shareholders of the corporation, or, if the proposal was not required to be submitted to the shareholder, was approved by the directors. Other dissenting shareholders, within the period of three months may join as plaintiffs, or may be joined as defendants in any such proceeding, and any two or more such proceedings may be consolidated. The complaint shall contain a brief statement of the facts, including the vote and the facts entitling the dissenting shareholder to the relief demanded. No answer to such complaint is required. Upon the filing of the complaint the court, on motion of the petitioner, shall enter an order fixing a date for a hearing on the complaint, and requiring that a copy of the complaint and a notice of the filing and of the date for hearing be given to the respondent or defendant in the manner in which summons is required to be served or substituted service is required to be made in other cases. On the day fixed for the hearing on the complaint or any adjournment thereof, the court shall determine from the complaint and from such evidence as is submitted by either party whether the shareholder is entitled to be paid the fair cash value of any shares and, if so, the number and class of such shares. If the court finds that the shareholder is so entitled, the court may appoint one or more persons as appraisers to receive evidence and to recommend a decision on the amount of the fair cash value. The appraisers have such power and authority specified in the order of their appointment. The court thereupon shall make a finding as to the fair cash value of a share, and shall render judgment against the corporation for the payment of it, with interest at such rate and from such date as the court considers equitable. The costs of the proceeding, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable. The proceeding is a special proceeding, and final orders in it may be vacated, modified, or reversed on appeal pursuant to the Rules of Appellate Procedure and, to the extent not in conflict with those rules, Chapter 2505. of the Revised Code. If, during the pendency of any proceeding instituted under this section, a suit or proceeding is or has been instituted to enjoin or otherwise to prevent the carrying out of the action as to which the shareholder has dissented, the proceeding instituted under this section shall be stayed until the final determination of the other suit or proceeding. Unless any provision in division (D) of this section is applicable, the fair cash value of the shares as agreed upon by the parties or as fixed under this section shall be paid within thirty days after the date of final determination of such value under this division the effective date of the amendment to the articles, or the consummation of the other action involved, whichever occurs last. Upon the occurrence of the last such event, payment shall be made immediately to a holder of uncertificated securities entitled to such payment. In the case of holders of shares represented by certificates, payment shall be made only upon and simultaneously with the surrender to the corporation of the certificates representing the shares for which such payment is made.

(C) If the proposal was required to be submitted to the shareholders of the corporation, fair cash value as to those shareholders shall be determined as of the day prior to that on which the vote by the shareholders was taken, and, in the case of a merger pursuant to section 1701.80 or 1701.801 of the Revised Code, fair cash value as to shareholders of a constituent subsidiary corporation shall be determined as of the day before the adoption of the agreement of merger by the directors of the particular subsidiary corporation. The fair cash value of a share for the purposes of this section, is the amount that a willing seller, under no compulsion to sell, would be willing to accept, and that a willing buyer, under no compulsion to purchase, would be willing to pay, but in no event shall the fair cash value exceed the amount specified in the demand of the particular shareholder. In computing such fair cash value, any appreciation or depreciation in market value resulting from the proposal submitted to the directors or to the shareholders shall be excluded.

(D) The right and obligation of a dissenting shareholder to receive such fair cash value and to sell such shares as to which he seeks relief, and the right and obligation of the corporation to purchase such shares and to pay fair cash value of them terminates if:

(1) Such shareholder has not complied with this section, unless the corporation by its directors waives such failure;

(2) The corporation abandons, or is finally enjoined or prevented from carrying out, or the shareholders rescind their adoption, of the action involved;

(3) The shareholder withdraws his demand, with the consent of the corporation by its directors;

(4) The corporation and the dissenting shareholder shall not have come to an agreement as to the fair cash value per share, and neither the shareholder nor the corporation shall have filed or joined in a complaint under division (B) of this section within the period provided.

(E) From the time of giving the demand, until either the termination of the rights and obligations arising from it or the purchase of the shares by the corporation, all other rights accruing from such shares, including voting and dividend or distribution rights, are suspended. If during the suspension, any dividend or distribution is paid in money upon shares of such class, or any dividend, distribution, or interest is paid in money upon any securities issued in extinguishment of or in substitution for such shares, an amount equal to the dividend, distribution, or interest which, except for the suspension, would have been payable upon such shares or securities, shall be paid to the holder of record as a credit upon the fair cash value of the shares. If the right to receive fair cash value is terminated otherwise than by the purchase of the shares by the corporation, all rights of the holder shall be restored and all distributions which, except for the suspension, would have been made shall be made to the holder of record of the shares at the time of termination.

Facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each shareholder or his broker, dealer, commercial bank, trust company or other nominee to the Depository at one of its addresses set forth below:

*The Depository*

**THE CHASE MANHATTAN BANK, N.A.**

*By Hand:*  
14th Floor  
67 Broad Street  
New York, New York

*By Mail:*  
P.O. Box 396  
Bowling Green Station  
New York, New York 10274

*By Overnight Courier:*  
c/o Mellon Securities Transfer  
Services  
Fort Lee Executive Park  
1 Executive Drive  
Fort Lee, N.J. 07024  
Att: Reorganization Department  
Fifth Floor

*By Facsimile:*  
(201) 592-4475  
or  
(212) 558-6896

*By TWX:*  
7109904992

Any questions or requests for assistance or additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent or the Dealer Managers at their respective telephone numbers and locations listed below. Shareholders may also contact their local broker, dealer, commercial bank or trust company for assistance concerning the Offer.

*The Information Agent*

**D.F. KING & CO., INC.**

One North LaSalle Street  
Chicago, Illinois 60602  
(312) 236-5881 (Collect)

60 Broad Street  
New York, NY 10004  
(212) 269-5550 (Collect)

9841 Airport Boulevard  
Los Angeles, CA 90045  
(213) 215-3860 (Collect)

Call Toll-Free 1-800-223-3604 Except in New York Call Toll-Free 1-800-522-5001.

*The Dealer Managers*

**Goldman, Sachs & Co.**

85 Broad Street  
New York, New York 10004

Call Toll-Free 1-800-323-5678  
Except in New York  
Call Collect (212) 902-1000.

**EXHIBIT (a)(2)**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, APRIL 28, 1987, UNLESS EXTENDED.**

**LETTER OF TRANSMITTAL**

**To Tender Shares of Common Stock of**

**The Standard Oil Company**

**at**

**\$70 Net Per Share**

**Pursuant to the Offer to Purchase Dated April 1, 1987**

**by**

**BP North America Inc.**

**an indirect wholly-owned subsidiary of**

**The British Petroleum Company p.l.c.**

*To the Depositary:*

**THE CHASE MANHATTAN BANK, N.A.**

*For Information Call:*

(201) 592-4432

(201) 592-4430

*By Hand:*  
14th Floor  
67 Broad Street  
New York, New York

*By Mail:*  
P.O. Box 396  
Bowling Green Station  
New York, New York 10274

*By Overnight Courier:*  
c/o Mellon Securities Transfer  
Services  
Fort Lee Executive Park  
1 Executive Drive  
Fort Lee, N.J. 07024  
Attn: Reorganization Department  
Fifth Floor

*By Facsimile:*  
(201) 592-4475  
or  
(212) 558-6896

*By TWX:*  
7109904992

**Delivery of this instrument to an address other than as set forth above or transmission of instructions via a facsimile or telex number other than the one listed above will not constitute a valid delivery.**

This Letter of Transmittal is to be completed by shareholders either if certificates are to be forwarded herewith or if delivery is to be made by book-entry transfer to the account maintained by the Depositary at The Depositary Trust Company, the Midwest Securities Trust Company, the Pacific Securities Depository Trust Company or the Philadelphia Depository Trust Company (collectively, the "Book-Entry Transfer Facilities") pursuant to the procedures set forth under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase. Shareholders whose certificates are not immediately available or who cannot cause their certificates, or confirmation of the book-entry transfer of their Shares into the Depositary's account at a Book-Entry Transfer Facility ("Book-Entry Confirmation"), and all other documents required hereby to be received by the Depositary prior to the Expiration Date must tender their Shares according to the guaranteed delivery procedure set forth under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase. See Instruction 2. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

**CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH A BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution \_\_\_\_\_

Check box of Book-Entry Transfer Facility:

- The Depository Trust Company
- Midwest Securities Trust Company
- Pacific Securities Depository Trust Company
- Philadelphia Depository Trust Company

Account Number \_\_\_\_\_

Transaction Code Number \_\_\_\_\_

**CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Owner(s) \_\_\_\_\_

Date of Execution of Notice of Guaranteed Delivery \_\_\_\_\_

Name of Institution which Guaranteed Delivery \_\_\_\_\_

DESCRIPTION OF SHARES TENDERED			
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Certificate(s) Tendered (Attach additional list if necessary)		
	Certificate Number(s) *	Total Number of Shares Represented by Certificate(s) *	Number of Shares Tendered **
	Total Shares		

\* Need not be completed by shareholders tendering by book-entry transfer.  
 \*\* Unless otherwise indicated, it will be assumed that all Shares described above are being tendered. See Instruction 4.

**NOTE: SIGNATURES MUST BE PROVIDED BELOW.**

**PLEASE READ CAREFULLY THE ACCOMPANYING INSTRUCTIONS.**

**Gentlemen:**

The undersigned hereby tenders to BP North America Inc., a Delaware corporation (the "Purchaser") and an indirect wholly-owned subsidiary of The British Petroleum Company p.l.c., a company organized under the laws of England, the above described shares of Common Stock, without par value ("Shares"), of The Standard Oil Company, an Ohio corporation (the "Company"), pursuant to the Purchaser's offer to purchase any and all outstanding Shares at a price of \$70 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated April 1, 1987 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which together constitute the "Offer").

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith in accordance with the terms and subject to the conditions of the Offer, the undersigned hereby sells, assigns, and transfers to, or upon the order of, the Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after March 25, 1987) and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and any such other Shares or securities) with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Shares (and any such other Shares or securities), or transfer ownership of such Shares on the account books maintained by a Book-Entry Transfer Facility, together in either such case with all accompanying evidences of transfer and authenticity, to or upon the order of the Purchaser upon receipt by the Depositary, as the undersigned's agent, of the purchase price (adjusted, if appropriate, as provided in the Offer to Purchase), (b) present such Shares (and any such other Shares or securities) for transfer on the books of the Company and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any such other Shares or securities), all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints K. J. M. Walder and P. B. P. Bevan, and each of them, and any other designees of the Purchaser, the attorneys and proxies of the undersigned, each with full power of substitution, to vote in such manner as each such attorney and proxy or his substitute shall in his sole discretion deem proper, and otherwise exercise all of the undersigned's rights (including pursuant to written consent) with respect to, all the Shares tendered hereby which have been accepted for payment by the Purchaser prior to the time of such vote or exercise of rights (and any and all other Shares or securities issued or issuable in respect thereof on or after March 25, 1987). This proxy is irrevocable and is granted in consideration of, and is effective upon, the deposit by the Purchaser with the Depositary of the purchase price for such Shares in accordance with the terms of the Offer. Effectiveness of this proxy shall automatically revoke all prior proxies granted by the undersigned at any time with respect to such Shares (and any such other Shares or securities) and no subsequent proxies will be given by the undersigned (and, if given, will be deemed not to be effective) with respect thereto.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after March 25, 1987) and that, when the same are accepted for payment by the Purchaser, the Purchaser will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claim. The undersigned, upon request, will execute and deliver any additional documents deemed by the Depository or the Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby (and any such other Shares or securities).

All authority herein conferred or agreed to be conferred in this Letter of Transmittal shall not be affected by, and shall survive, the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer.

Unless otherwise indicated herein under "Special Payment Instructions", please issue the check for the purchase price and/or any certificates for Shares not tendered or not accepted for payment in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates for Shares not tendered or not accepted for payment (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature. In the event that both the Special Payment Instructions and the Special Delivery Instructions are completed, please issue the check for the purchase price and/or any certificates for Shares not tendered or not accepted for payment in the name of the person or persons so indicated and deliver said check and/or return such certificates to the address so indicated. Shareholders delivering Shares by book-entry transfer may request that any Shares not accepted for payment be returned by crediting the account maintained at a Book-Entry Transfer Facility as such shareholder may designate by making an appropriate entry under "Special Payment Instructions". The undersigned recognizes that the Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Shares from the name of the registered holder thereof if the Purchaser does not accept for payment any of the Shares so tendered.

**SPECIAL PAYMENT INSTRUCTIONS**

(See Instructions 1, 5, 6 and 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be issued in the name of someone other than the undersigned, or if Shares delivered by book-entry which are not purchased are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than that designated above.

Issue  check  certificates to:

Name \_\_\_\_\_  
(Please Print)

Address \_\_\_\_\_  
\_\_\_\_\_  
(Include Zip Code)

(See Substitute Form W-9 on reverse side)

\_\_\_\_\_  
(Tax Identification or Social Security Number)

Credit Shares delivered by book-entry transfer and not purchased to the Book-Entry Transfer Facility account set forth below:

Check appropriate box:

- The Depository Trust Company
- Midwest Securities Trust Company
- Pacific Securities Depository Trust Company
- Philadelphia Depository Trust Company

\_\_\_\_\_  
(Account Number)

**SPECIAL DELIVERY INSTRUCTIONS**

(See Instructions 1 and 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Mail:  check  certificates to:

Name \_\_\_\_\_  
(Please Print)

Address \_\_\_\_\_  
\_\_\_\_\_  
(Include Zip Code)

(See Substitute Form W-9 on reverse side)

\_\_\_\_\_  
(Tax Identification or Social Security Number)

**SIGN HERE**  
**(Please Complete Substitute Form W-9 on Reverse Side)**

\_\_\_\_\_  
\_\_\_\_\_  
**(Signature(s) of Owner(s))**

Dated \_\_\_\_\_, 1987

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, agents, officers of corporations or others acting in a fiduciary or representative capacity, please provide the capacity in which such person is acting. See Instruction 5.)

Name(s) \_\_\_\_\_

\_\_\_\_\_  
**(Please Print)**

Capacity (full title) \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_  
**(Includes Zip Code)**

Area Code and Telephone Number \_\_\_\_\_

Tax Identification or Social Security No. \_\_\_\_\_

**(Complete Substitute Form W-9 on reverse)**

**Guarantee of Signature(s)**  
**(If Required—See Instructions 1 and 5)**

Name of Firm \_\_\_\_\_

Authorized \_\_\_\_\_

Signature \_\_\_\_\_

Dated \_\_\_\_\_, 1987

## INSTRUCTIONS

### Forming Part of the Terms and Conditions of the Offer

1. *Guarantee of Signatures.* No signature guarantee on this Letter of Transmittal is required if (i) this Letter of Transmittal is signed by the registered holder of the Shares (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) tendered herewith, unless such holder has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the reverse hereof or (ii) such Shares are tendered for the account of a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States (an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. *Delivery of Letter of Transmittal and Certificates.* This Letter of Transmittal is to be completed by shareholders either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase. Certificates for all physically tendered Shares, or any Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by this Letter of Transmittal, must be received by the Depository at one of its addresses set forth herein prior to the Expiration Date (as defined under "THE TENDER OFFER—Terms of the Offer" in the Offer to Purchase). Shareholders whose certificates are not immediately available or who cannot deliver their certificates and all other required documents to the Depository prior to the Expiration Date may tender their Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase. Pursuant to such procedure, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser, must be received by the Depository prior to the Expiration Date and (iii) the certificates for all physically tendered Shares or Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by this Letter of Transmittal, must be received by the Depository within eight New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase.

The method of delivery of this Letter of Transmittal, the certificates for Shares and all other required documents, including delivery through a Book-Entry Transfer Facility, is at the option and risk of the tendering shareholder and the delivery will be deemed made only when actually received by the Depository. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Shares for payment.

3. *Inadequate Space.* If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate signed schedule attached hereto.

4. *Partial Tenders.* (Not applicable to shareholders who tender by book-entry transfer). If fewer than all the Shares evidenced by any certificate submitted are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered". In such case, new certificate(s) for the remainder of the Shares that were evidenced by your old certificate(s) will be sent to you, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Shares represented by certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

5. *Signatures on Letter of Transmittal, Stock Powers and Endorsements.* If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any certificates or stock powers are signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of such person's authority so to act must be submitted.

When this Letter of Transmittal is signed by the registered owner(s) of the Shares listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment or certificates for Shares not tendered or purchased are to be issued to a person other than the registered owner(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered owner(s) of the Shares listed, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates. Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

**6. Stock Transfer Taxes.** Except as set forth in this Instruction 6, the Purchaser will pay or cause to be paid any stock transfer taxes with respect to the transfer and sale of purchased Shares to it or its order pursuant to the Offer. If payment of the purchase price is to be made to, or if certificates for Shares not tendered or not purchased are to be issued in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder or such person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

**Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificates listed in this Letter of Transmittal.**

**7. Special Payment and Delivery Instructions.** If a check and/or certificates for Shares not tendered or not purchased are to be issued in the name of a person other than the signer of this Letter of Transmittal or if a check is to be sent and/or such certificates are to be returned to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Shareholders tendering Shares by book-entry transfer may request that the Shares not purchased be credited to the account maintained at a Book-Entry Transfer Facility as such shareholder may designate hereon. If no such instructions are given, such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility through which the tender was made.

**8. Requests for Assistance or Additional Copies.** Requests for assistance may be directed to or additional copies of the Offer to Purchase and this Letter of Transmittal may be obtained from the Information Agent or the Dealer Managers at their respective addresses set forth below or from your broker, dealer, commercial bank or trust company.

**9. Substitute Form W-9.** The tendering shareholder is required to provide the Depository with a correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 which is provided under "Important Tax Information" below. Failure to provide the information on the Substitute Form W-9 may subject the tendering shareholder to 20% federal income tax withholding on the payment of the purchase price. The box in Part 3 of the Substitute Form W-9 may be checked if the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future. If the box in Part 3 is checked and the Depository is not provided with a TIN within 60 days, the Depository will withhold 20% on all payments of the purchase price thereafter until a TIN is provided to the Depository.

**Important: This Letter of Transmittal (or a facsimile 'hereof'), together with certificates or confirmation of book-entry transfer and all other required documents, or the Notice of Guaranteed Delivery, must be received by the Depository prior to the Expiration Date.**

**(DO NOT WRITE IN SPACE BELOW)**

Shares Surrendered	Shares Tendered	Shares Accepted	Check No.	Amount of Check	Certificate No.	Block No.

Delivery Prepared By \_\_\_\_\_ Checked By \_\_\_\_\_ Date \_\_\_\_\_

**IMPORTANT TAX INFORMATION**

Under federal income tax law, a shareholder whose tendered Shares are accepted for payment is required to provide the Depository with such shareholder's correct TIN on Substitute Form W-9 below. If such shareholder is an individual, the TIN is his social security number. If the Depository is not provided with the correct TIN, the shareholder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such shareholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding.

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that shareholder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. The form for such statement may be obtained from the Depository. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depository is required to withhold 20% of any payments made to the shareholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained.

**Purpose of Substitute Form W-9**

To prevent backup withholding on payments that are made to a shareholder with respect to Shares purchased pursuant to the Offer, the shareholder is required to notify the Depository of his correct TIN by completing the form below certifying that the TIN provided on the Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN).

**What Number to Give the Depository**

The shareholder is required to give the Depository the social security number or employer identification number of the record owner of the Shares. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidelines on which number to report.

<b>SUBSTITUTE</b> <b>Form W-9</b>  Department of the Treasury Internal Revenue Service  <b>Payer's Request for Taxpayer          Identification Number (TIN)</b>	<b>Part 1—PLEASE PROVIDE YOUR NAME, ADDRESS AND TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW</b>	_____ <b>Name</b>  _____ <b>Address</b>  _____ <b>Social Security or          Employer identification number</b>
	<b>Part 2—Check the box if you are NOT subject to backup withholding under the provisions of section 3406(a)(1)(C) of the Internal Revenue Code because (1) you have not been notified that you are subject to backup withholding as a result of failure to report all interest or dividends or (2) the Internal Revenue Service has notified you that you are no longer subject to backup withholding</b> <input type="checkbox"/>	<b>Part 3</b> Awaiting TIN <input type="checkbox"/>
<b>CERTIFICATION—UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT, AND COMPLETE.</b> SIGNATURE..... DATE.....		

**NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 20% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.**

*The Information Agent*

**D.F. KING & CO., INC.**

One North LaSalle Street  
 Chicago, Illinois 60602  
 (312) 236-5881 (Collect)

60 Broad Street  
 New York, NY 10004  
 (212) 269-5550 (Collect)

9841 Airport Boulevard  
 Los Angeles, CA 90045  
 (213) 215-3860 (Collect)

Call Toll-Free 1-800-223-3604 Except in New York Call Toll-Free 1-800-522-5001.

*The Dealer Managers*

**Goldman, Sachs & Co.**

85 Broad Street  
 New York, New York 10004

Call Toll-Free 1-800-323-5678  
 Except in New York  
 Call Collect (212) 902-1000.

THE PRECEDING PAGES WERE TREATED AS  
A UNIT IN THE ORIGINAL FILE.

***BECHTEL***  
***Information Services***

15740 Shady Grove Road  
Gaithersburg, Maryland 20877-1454

EXHIBITS  
FOLLOW

EXHIBIT (a)(3)

**Offer To Purchase For Cash  
Any and All of the Outstanding Shares of Common Stock  
of**

**The Standard Oil Company**

at

**\$70 Net Per Share**

by

**BP North America Inc.**

an indirect wholly-owned subsidiary of

**The British Petroleum Company p.l.c.**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,  
NEW YORK CITY TIME, ON TUESDAY, APRIL 28, 1987, UNLESS EXTENDED.**

**THE OFFER IS NOT CONDITIONED UPON  
ANY MINIMUM NUMBER OF SHARES BEING TENDERED.**

April 1, 1987

To Brokers, Dealers, Commercial Banks,  
Trust Companies and Other Nominees:

We have been appointed by BP North America Inc., a Delaware corporation (the "Purchaser") and an indirect wholly-owned subsidiary of The British Petroleum Company p.l.c., a company organized under the laws of England, to act as Dealer Managers in connection with its offer to purchase any and all of the outstanding shares of Common Stock, without par value ("Shares"), of The Standard Oil Company, an Ohio corporation (the "Company"), at a price of \$70 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which together constitute the "Offer") enclosed herewith.

Enclosed are copies of each of the following documents:

1. Offer to Purchase dated April 1, 1987.
2. Letter of Transmittal to tender Shares for your use and for the information of your clients. Facsimile copies of the Letter of Transmittal may be used to tender Shares.
3. Notice of Guaranteed Delivery.

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4. Letter to your clients for whose account you hold Shares registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer.

5. Guidelines of the Internal Revenue Service for certification of Taxpayer Identification Number on Substitute Form W-9.

6. Return envelope addressed to The Chase Manhattan Bank, N.A., the Depository.

The Purchaser will not pay any fees or commissions to any broker or dealer or other person for soliciting tenders of Shares pursuant to the Offer. You will be reimbursed for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Purchaser will pay or cause to be paid any transfer taxes payable on the transfer of Shares to it, except as otherwise provided in instruction 6 of the enclosed Letter of Transmittal.

**Your prompt action is requested. We urge you to contact your clients as promptly as possible. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Tuesday, April 28, 1987, unless extended.**

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal and any other required documents should be sent to the Depository and certificates representing the tendered Shares should be delivered, or such Shares should be tendered by book-entry transfer, all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their certificates or other required documents prior to the expiration of the Offer, a tender may be effected by following the guaranteed delivery procedures specified under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to Goldman, Sachs & Co. or to D.F. King & Co., Inc. at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase.

Additional copies of the above documents may be obtained from D.F. King & Co., Inc., the Information Agent, at (212) 269-5550.

Very truly yours,

**Goldman, Sachs & Co.**

**NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE PURCHASER, ANY AFFILIATE OF THE PURCHASER, THE INFORMATION AGENT, THE DEPOSITARY OR THE DEALER MANAGERS, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE OFFER TO PURCHASE OR THE LETTER OF TRANSMITTAL.**

**EXHIBIT (a)(4)**

**Offer To Purchase For Cash  
Any and All of the Outstanding Shares of Common Stock  
of**

**The Standard Oil Company**

at

**\$70 Net Per Share**

by

**BP North America Inc.**

an indirect wholly-owned subsidiary of

**The British Petroleum Company p.l.c.**

To Our Clients:

Enclosed for your consideration is an Offer to Purchase any and all of the outstanding shares of Common Stock, without par value ("Shares"), of The Standard Oil Company, an Ohio corporation, at a price of \$70 per Share, net to the seller in cash, by BP North America Inc., a Delaware corporation (the "Purchaser") and an indirect wholly-owned subsidiary of The British Petroleum Company p.l.c., a company organized under the laws of England, together with a specimen Letter of Transmittal. This material is being forwarded to you as the beneficial owner of Shares carried by us in your account but not registered in your name. A tender of such Shares may only be made by us as the holder of record and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.

Accordingly, we request instructions as to whether you wish to tender any or all such Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which together constitute the "Offer").

Your attention is invited to the following:

1. The tender price is \$70 per Share, net to you in cash, upon the terms and subject to the conditions set forth in the Offer.
2. The Offer is being made for any and all Shares, and is not conditioned upon any minimum number of Shares being tendered.
3. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Tuesday, April 28, 1987, unless extended.
4. Any stock transfer taxes or brokerage commissions applicable to a sale of the Shares pursuant to the Offer will be paid by or on behalf of the Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the Instruction form set forth below. If you authorize tender of your Shares, all such Shares will be tendered unless otherwise specified below. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer.

The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of any such jurisdiction.

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**Instructions with Respect to the Offer  
to Purchase Shares of Common Stock of  
The Standard Oil Company**

The undersigned acknowledge(s) receipt of your letter enclosing the Offer to Purchase shares of Common Stock, without par value ("Shares"), of The Standard Oil Company by BP North America Inc., an indirect wholly-owned subsidiary of The British Petroleum Company p.l.c., and the related specimen Letter of Transmittal.

This will instruct you to tender the number of Shares indicated below held by you for the account of the undersigned, under the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal.

**Number of Shares to be tendered**

**Shares\***

\*I (we) understand that if I (we) sign this instruction form without indicating a lesser number of Shares in the space above, all Shares held by you for my (our) account will be tendered.

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**Signature(s)**

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**(Please print name(s) and address(es) here)**

Dated: \_\_\_\_\_, 1987

EXHIBIT (a)(5)

*This announcement is neither an offer to purchase nor a solicitation of an offer to buy Shares. The Offer is made solely by the Offer to Purchase dated April 1, 1987 and the related Letter of Transmittal, and is not being made for nor will tenders be accepted from or on behalf of holders of Shares residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities laws of such jurisdiction. In those jurisdictions whose securities laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by Goldman, Sachs & Co.*

Notice of Offer to Purchase for Cash  
Any and All Outstanding Shares of Common Stock  
of  
**The Standard Oil Company**  
at  
**\$70 Net Per Share**  
by  
**BP North America Inc.**  
an indirect wholly-owned subsidiary of  
**The British Petroleum Company p.l.c.**

BP North America Inc. a Delaware corporation (the "Purchaser") and an indirect wholly-owned subsidiary of The British Petroleum Company p.l.c. a company organized under the laws of England, is offering to purchase any and all outstanding shares of Common Stock, without par value ("Shares") of The Standard Oil Company, an Ohio corporation (the "Company"), at \$70 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated April 1, 1987 (the "Offer to Purchase") and the related Letter of Transmittal (which together constitute the "Offer").

The Offer is not conditioned upon any minimum number of Shares being tendered.

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE  
AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON  
TUESDAY, APRIL 28, 1987, UNLESS EXTENDED.**

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment and purchased tendered Shares if, as and when the Purchaser gives oral or written notice to the Depository as agent for tendering shareholders, of the Purchaser's acceptance of such Shares for payment pursuant to the Offer. In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such Shares or confirmation of a book-entry transfer of such Shares into the Depository's account at a Book-Entry Transfer Facility (as defined in the Offer to Purchase), the Letter of Transmittal or facsimile copy thereof, properly completed and duly executed, and any other required documents. The Purchaser expressly reserves the right, at any time or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depository and by making a public announcement thereof.

Tenders of Shares made pursuant to the Offer will be irrevocable, except that Shares tendered pursuant to the Offer may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Tuesday, April 28, 1987 (or, if the Purchaser shall have extended the period of time for which the Offer is open, the latest time and date at which the Offer as so extended, shall expire), and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after May 30, 1987. For a withdrawal to be effective, a written, telegraphic, telex or facsimile notice of withdrawal must be timely received by the Depository at one of its addresses set forth on the back cover of the Offer to Purchase and must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name in which the certificates evidencing such Shares are registered, if different from that of the person having tendered such Shares. If certificates evidencing such Shares have been delivered to the Depository, then, prior to the release of such certificates, the serial numbers shown on such certificates must be submitted and the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase), unless such Shares have been tendered for the account of any Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at a Book-Entry Transfer Facility to be credited with the withdrawn Shares.

The information required to be disclosed by Rule 14d-6(e)(1)(vii) of the General Rules and Regulations under the Securities Exchange Act of 1934 is contained in the Offer to Purchase and is incorporated herein by reference.

A request is being made to the Company for the use of its stockholder list and security position listings for the purpose of disseminating the Offer to shareholders. Upon compliance by the Company with such request, the Offer to Purchase, the related Letter of Transmittal and other tender offer materials will be mailed to record holders of Shares and will be furnished to brokers, banks and similar persons whose names appear or whose names appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal, which are being mailed to shareholders, contain important information which should be read before any decision is made with respect to the Offer.

Requests for copies of the Offer to Purchase, the Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Managers as set forth below and copies will be furnished promptly, at the Purchaser's expense.

*The Information Agent*

**D.F. KING & CO., INC.**

One North LaSalle Street Chicago, Illinois 60602 (312) 236-5881 (Collect)	60 Broad Street New York, NY 10004 (212) 269-5550 (Collect)	9641 Airport Boulevard Los Angeles, CA 90045 (213) 215-3860 (Collect)
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Call Toll Free 1-800-223-3604 Except in New York Call Toll Free 1-800-522-5001

*The Dealer Managers*

**Goldman, Sachs & Co.**

85 Broad Street  
New York, New York 10004  
Call Toll Free 1-800-323-5678 Except in New York Call Collect (212) 902-1000

**EXHIBIT (a)(6)**

**NOTICE OF GUARANTEED DELIVERY OF  
SHARES OF COMMON STOCK OF  
THE STANDARD OIL COMPANY**

As set forth under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase described below, this form or one substantially equivalent hereto must be used to accept the Offer (as defined below) if certificates for Shares are not immediately available or time will not permit all required documents to reach the Depository prior to the Expiration Date (as defined under "THE TENDER OFFER—Terms of the Offer" in the Offer to Purchase) of the Offer. Such form may be delivered by hand or sent by telex, facsimile transmission or mail to the Depository.

*The Depository*

**THE CHASE MANHATTAN BANK, N.A.**

*By Hand:*  
14th Floor  
67 Broad Street  
New York, New York

*By Mail:*  
P.O. Box 396  
Bowling Green Station  
New York, New York 10274

*By Overnight Courier:*  
c/o Mellon Securities Transfer  
Services  
Fort Lee Executive Park  
1 Executive Drive  
Fort Lee, N.J. 07024  
Att: Reorganization Department  
Fifth Floor

*By Facsimile:*  
(201) 592-4475  
or  
(212) 558-6896  
  
*By TWX:*  
7109904992

**DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN  
AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.**

Gentlemen:

The undersigned hereby tenders to BP North America Inc., a Delaware corporation, upon the terms and subject to the conditions set forth in its Offer to Purchase dated April 1, 1987 and the related Letter of Transmittal (which together constitute the "Offer"), receipt of which is hereby acknowledged, \_\_\_\_\_ shares of Common Stock, without par value, of The Standard Oil Company, an Ohio corporation, pursuant to the guaranteed delivery procedure set forth under "THE TENDER OFFER—Procedure for Tendering Shares" in the Offer to Purchase.

Certificate Nos. (if available):

Name(s) of Record Holder(s):

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Area Code and Telephone Number:

Address(es):

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Zip Code

Dated: \_\_\_\_\_, 1987

\_\_\_\_\_  
\_\_\_\_\_

Signature(s)

**IF SHARES WILL BE TENDERED BY BOOK-ENTRY TRANSFER:**

Account No. .... at (check one):

- The Depository Trust Company
- Midwest Securities Trust Company
- Pacific Securities Depository Trust Company
- Philadelphia Depository Trust Company

**NOTE: DO NOT SEND STOCK CERTIFICATES WITH THIS FORM.  
STOCK CERTIFICATES SHOULD BE SENT WITH  
YOUR LETTER OF TRANSMITTAL.**

**GUARANTEE**

**(Not to be used for signature guarantee)**

The undersigned, a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States, (a) represents that the above-named person(s) "own(s)" Shares tendered hereby within the meaning of Rule 10b-4 under the Securities Exchange Act of 1934, (b) represents that such tender of Shares complies with Rule 10b-4 and (c) guarantees delivery to the Depository of certificates for Shares tendered hereby, in proper form for transfer, or delivery of Shares pursuant to the procedure for book-entry transfer into the Depository's account at The Depository Trust Company, the Midwest Securities Trust Company, the Pacific Securities Depository Trust Company or the Philadelphia Depository Trust Company, in either case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents, all within eight (8) New York Stock Exchange trading days after the date hereof.

\_\_\_\_\_  
(Firm)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Area Code and Telephone No.)

Dated: \_\_\_\_\_, 1987

EXHIBIT (a)(7)

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9**

**Guidelines for Determining the Proper Identification Number to Give the Payer.**— Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

<b>For this type of account:</b>	<b>Give the SOCIAL SECURITY number of—</b>	<b>For this type of account:</b>	<b>Give the EMPLOYER IDENTIFICATION number of—</b>
1. An individual's account	The individual	8. Sole proprietorship account	The Owner <sup>4</sup>
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals <sup>1</sup>	9. A valid trust, estate, or pension trust	Legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.) <sup>5</sup>
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person <sup>1</sup>	10. Corporate account	The Corporation
4. Custodian account of a minor. (Uniform Gift to Minors Act)	The minor <sup>2</sup>	11. Religious, charitable, or educational organization account	The organization
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor <sup>1</sup>	12. Partnership account held in the name of the business	The partnership
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person <sup>3</sup>	13. Association, club, or other tax-exempt organization	The organization
7. a The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee <sup>1</sup>	14. A broker or registered nominee	The broker or nominee
b So-called trust account that is not a legal or valid trust under State law	The actual owner <sup>1</sup>	15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

<sup>1</sup> List first and circle the name of the person whose number you furnish.

<sup>2</sup> Circle the minor's name and furnish the minor's social security number.

<sup>3</sup> Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

<sup>4</sup> Show the name of the owner.

<sup>5</sup> List first and circle the name of the legal trust, estate, or pension trust.

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9**

**PAGE 2**

**Obtaining a Number**

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

**Payees Exempt from Backup Withholding**

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency, or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. **Note:** You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt interest dividends under section 852).

- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations
- Payments made to a nominee.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. **FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER, IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.**

Certain payments other than interest, dividends, and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

**Privacy Act Notice.**—Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Beginning January 1, 1984, payers must generally withhold 20% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

**Penalties**

**(1) Penalty for Failure to Furnish Taxpayer Identification Number.**—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**(2) Failure to Report Certain Dividend and Interest Payments.**—If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 5% on any portion of an under-payment attributable to that failure unless there is clear and convincing evidence to the contrary.

**(3) Civil Penalty for False Information With Respect to Withholding.**—If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

**(4) Criminal Penalty for Falsifying Information.**—Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**FOR ADDITIONAL INFORMATION CONTACT YOUR TAX  
CONSULTANT OR THE INTERNAL REVENUE SERVICE**

**EXHIBIT (a)(8)**

Adams & Rinehart, Inc.  
708 Third Avenue  
New York, New York 10017  
212 557 0100

# News

FOR IMMEDIATE RELEASE

For: British Petroleum Company p.l.c.

Contact: Jonathan Rinehart  
or David Duffy  
(212) 557-0100

**BP TO TENDER FOR MINORITY SHARES  
OF THE STANDARD OIL COMPANY**

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NEW YORK, March 26, 1987 — The British Petroleum Company p.l.c. announced today that its wholly owned subsidiary, BP North America Inc., intends to make a tender offer for any and all of the outstanding shares of common stock of The Standard Oil Company at US\$70.00 per share in cash. The BP group already owns approximately 55 percent of the common stock. BP said it is intending to commence the offer no later than Wednesday, April 1, 1987.

Approval of BP's shareholders will be required, and will be included among the detailed conditions to the offer which will be set out in full in the Offer to Purchase. The offer will not, however, be conditioned upon any minimum number of shares being tendered.

Following completion of the offer, BP intends to effect a merger of a wholly owned subsidiary into Standard Oil whereby any remaining public shareholders will receive US\$70.00 per share.

BP said that Standard will remain headquartered in Cleveland, Ohio, which will also become the corporate headquarters of BP's US operations. There are no current plans to replace the company's management personnel and BP expects that few redundancies will arise in Standard's operating subsidiaries or corporate headquarters as a result of the transaction.

- more -

BP said the US\$70.00 per share offer price was based on its own valuations of Standard as well as those of its financial advisors, Goldman, Sachs & Co. The valuations included reviews of both public and non-public information about Standard; discounted cash flow analyses of Standard's reserves, including its probable reserves, and analysis of undeveloped acreage; discounted cash flow analyses and market valuations for Standard's non-exploration and production assets; and analyses of Standard's current and historic stock prices and comparisons with those of similar companies. BP said that both it and Goldman Sachs concluded that Standard's shares have been more than fully valued by the market in recent weeks.

BP Chairman Sir Peter Walters said: "BP's investment in Standard represents its largest single asset, and full ownership of Standard would enable decisions on our investments and operations to be made without limitations that may arise out of the existence of a minority interest. We also believe the acquisition of the minority shares of Standard represents the optimum use of BP's own financial resources.

"BP feels confident in making the acquisition decision now because it considers that oil prices are likely to remain within price ranges sufficient to justify making the investment. In addition, as a result of the management changes made in 1986 and the subsequent operations of Standard, BP feels confident that Standard can operate successfully, even in a lower oil price environment. Furthermore, the strength of BP's financial position facilitates the financing of the offer."

Sir Peter also said that BP wants to consolidate its presence in the US, focusing its activities in each business segment, especially oil and gas exploration and production.

The total cash payable under the offer, if accepted in full, will be some US\$7.4 billion. Approximately one third of the total offer consideration will be met from the BP group's own cash resources. The balance will be met by new borrowings, partly from a number of commercial banks under a four-year committed revolving credit facility and partly under a new US Dollar commercial paper programme backed up by the revolving credit facility. BP is in the course of arranging these facilities.

Standard Oil is an integrated US petroleum company with interests in coal, metals mining, chemicals and other industrial businesses. The Cleveland-based company is a major producer of oil on the Alaskan North Slope.

Net assets of Standard Oil at December 31, 1986, as shown by its balance sheet as at that date and prepared in accordance with US generally accepted accounting principles, were US\$7,020 million. In the year to December 31, 1986, Standard Oil reported a loss before tax and extraordinary item of US\$608 million, after deduction of unusual items of US\$1,079 million.

The tender offer and withdrawal rights will expire 20 business days from commencement, unless extended. Goldman, Sachs & Co. will act as dealer managers for the tender offer.

# # # #

4563d/032687

EXHIBIT (a)(9)



## NEWS

FOR IMMEDIATE RELEASE

Contact: Jonathan Rinehart  
or David Duffy  
Adams & Rinehart, Inc.  
(212) 557-0100

### BP COMMENCES CASH TENDER OFFER FOR ANY AND ALL STANDARD OIL SHARES AT \$70.00 PER SHARE

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LONDON, April 1, 1987 — The British Petroleum Company p.l.c. announced that its wholly owned subsidiary, BP North America Inc. (BPNA), has commenced today its previously announced tender offer for any and all outstanding shares of common stock of The Standard Oil Company at US\$70 per share in cash. The BP group already owns approximately 55 percent of Standard Oil's common stock.

Approval of BP's shareholders will be required and will be sought at a special meeting of shareholders scheduled for April 22, 1987. The offer is not conditioned upon any minimum number of shares being tendered.

The offer and withdrawal rights will expire at 12:00 midnight, New York City time, on Tuesday, April 28, 1987, unless extended.

Following completion of the offer, BPNA intends to effect a merger of a wholly owned subsidiary into Standard Oil whereby any remaining public shareholders will receive US\$70 per share.

Goldman, Sachs & Co. are acting as dealer managers for the tender offer. The information agent is D.F. King & Co., Inc. BPNA said that definitive offering materials are being filed with the Securities and Exchange Commission today and will be mailed to Standard Oil shareholders promptly.

# # # #

[4714d]

EXHIBIT (b)

BP INTERNATIONAL LIMITED )  
Britannic House )  
Moor Lane )  
London, England EC2Y9BU )

and )

BP NORTH AMERICA, INC. )  
650 Fifth Avenue )  
New York, New York )

and )

ROBERT B. HORTON )  
200 Standard Oil Bldg. )  
& Public Square )  
Cleveland, Ohio 44114 )

and )

E. JOHN P. BROKNE )  
200 Standard Oil Bldg. )  
& Public Square )  
Cleveland, Ohio 44114 )

and )

J. COLIN WEBSTER )  
200 Standard Oil Bldg. )  
& Public Square )  
Cleveland, Ohio 44114 )

and )

BASIL R. R. BUTLER )  
200 Standard Oil Bldg. )  
& Public Square )  
Cleveland, Ohio 44114 )

and )

IAN G. S. HARTIGAN )  
200 Standard Oil Bldg. )  
& Public Square )  
Cleveland, Ohio 44114 )

and )

KENNETH R. KEEP )  
200 Standard Oil Bldg. )  
& Public Square )  
Cleveland, Ohio 44114 )

and )  
 )  
 FRANK E. MOSIER )  
 200 Standard Oil Bldg. )  
 & Public Square )  
 Cleveland, Ohio 44114 )  
 )  
 and )  
 )  
 RICHARD A. BRAY )  
 200 Standard Oil Bldg. )  
 & Public Square )  
 Cleveland, Ohio 44114 )  
 )  
 Defendants. )

Now come the plaintiffs, and for their Complaint against defendants, states the following upon information and belief, except as to paragraph 1 which is alleged upon knowledge:

1. Plaintiffs John and Marjorie Moore, Louis H. Goldman and David Grobow are each the owner of the common stock of defendant The Standard Oil Company ("Standard Oil") and have held said common stock since prior to the announcement of the proposed tender-offer/freez-out transaction described herein.
2. Defendant Standard Oil is an Ohio corporation with its principal place of business in Cleveland, Ohio. Standard Oil is engaged in all phases of the petroleum business, primarily in the United States, including the exploration for and production of crude oil and natural gas and the transportation, refining and marketing of crude oil and petroleum products. In addition (as a result of Standard Oil's purchase, in 1981, of Kennecott Corp.), Standard Oil is a major producer and marketer of copper, gold, silver and coal, and a leading supplier of refractories, copper,

brass, mill products and process systems and equipment. Standard Oil also manufactures and markets certain chemical products and products produced from ilmenite (an ore used to produce products for the pigment industry).

3. Standard Oil's oil and gas reserves and production facilities are located primarily in Alaska, Texas, Oklahoma, Louisiana and the Gulf of Mexico; its principal coal reserves and mines are located in Illinois, Indiana, Kentucky, Pennsylvania and West Virginia; and its ilmenite mine and processing facilities are located in Quebec, Canada. Standard Oil also has interests in oil shale and tar sands properties located in Colorado and Utah.

4. Standard Oil's most important assets are its petroleum reserves and exploration properties, which are located chiefly in Alaska and the Gulf Coast region, and its petroleum refining and marketing facilities. Standard Oil produces approximately one fifth of this country's oil output. As of the end of Standard Oil's most recent fiscal year, December 31, 1986, Standard Oil had reserves in approximately the following amounts: petroleum liquids, 2.41 billion barrels; and natural gas, 7.30 trillion cubic feet. Standard Oil also had reserves of 7.06 billion tons of coal; 100 million troy ounces of silver; 10.4 million troy ounces of gold; and 7.3 million tons of copper. These reserves have generated strong cash flow. For example, on or about January 22, 1987 defendants announced that Standard Oil would continue its quarterly dividend of \$.70 per share, and retire debt early, citing strong cash flow from operations.

5. Standard Oil has the equivalent of approximately 239 million shares of common stock outstanding. Standard Oil's common stock is traded on the New York and Midwest Stock Exchanges and, as of February 28, 1986, was held by approximately 55,760 shareholders of record. Approximately 130,160,000 shares of Standard Oil's common stock, or 55% of all such shares, are owned by defendant The British Petroleum Company p.l.c., through its wholly owned subsidiary, defendant BP International Limited.

6. Defendant the British Petroleum Company p.l.c. is a corporation organized under the laws of England. The British Petroleum Company and its subsidiaries (including its subsidiaries, defendants BP North America, Inc. and BP International Limited, collectively referred to hereinafter as "BP"), is the largest industrial concern in the United Kingdom, the second largest in Europe, and the fifth largest in the non-communist world. For the year ended December 31, 1985, (the most recent year for which BP has published audited financial results), BP had revenues of more than 59 billion dollars and profits of more than 2.3 billion dollars. In 1970, BP acquired 1,000 shares of Special Stock of Standard Oil, each such share equivalent to 125,840 shares of Standard Oil's common stock. BP also owns 4,320,000 shares of Standard Oil's common stock. As a result of BP's ownership of a majority of Standard Oil's voting shares (as well as BP's other relationships with Standard Oil), BP controls Standard Oil.

7. Defendant Robert B. Horton ("Horton") is Chairman of the Board and Chief Executive Officer of Standard Oil. In February, 1986, BP ousted Standard Oil's former Chairman and Chief Executive Officer, Alton W. Whitehouse, and installed Horton in those positions. Prior to February, 1986, Horton was a Managing Director of BP, in charge of BP's corporate finance and planning and its operations in the Western Hemisphere.

8. Defendant E. John P. Browne ("Browne") is Executive Vice President, Chief Financial Officer and a director of Standard Oil. In February, 1986, BP installed Browne in the position of Standard Oil's Executive Vice President and Chief Financial Officer; in April, 1986 BP placed him on Standard Oil's Board. Prior to February, 1986, Browne was Group Treasurer of BP and Chief Executive of BP Finance International.

9. Defendant J. Colin Webster ("Webster") is Executive Vice President and a director of Standard Oil. In 1985, BP placed him on Standard Oil's Board; in February, 1986, BP installed Webster as Executive Vice President of Standard Oil. Prior to February, 1986, Webster was President of BP North America. In July, 1986, Barron's reported with regard to defendants Horton, Browne and Webster: "All three have formally left BP, but few people doubt that Standard Oil is being seen as their proving ground. Turn Standard Oil around, and plum jobs await them back at Britannic House [BP's headquarters] should they wish to return."

10. Defendant Basil R.R. Butler ("Butler") is a Managing Director of BP and Chairman of BP Exploration Company Limited and

of BP Gas International Limited. BP placed Butler on the Board of Standard Oil in April, 1986.

11. Defendant Ian G.S. Hartigan ("Hartigan") is President of BP North America, a position he has held since April, 1986. Prior to then, he was Managing Director of BP Shipping. Also in April, 1986, BP installed Hartigan on the Board of Standard Oil.

12. Defendant Kenneth R. Keep ("Keep") is Technical Director of BP Exploration. BP installed him on the Board of Standard Oil in April 1986.

13. Defendant Frank E. Mosier ("Mosier") is President and Chief Operating Officer of Standard Oil. In February, 1986, BP ousted the former President and Chief Operating Officer of Standard Oil, John R. Miller, and installed Mosier in those positions. Mosier is a director of Standard Oil (since 1980). Mosier joined Standard Oil in 1953.

14. Defendant Richard A. Bray ("Bray") is Executive Vice President of Standard Oil and a director (since January, 1985). He joined Standard Oil in 1982. Prior to then, he was Managing Director of an oil exploration company in the United Kingdom.

15. The individual defendants constitute a majority of Standard Oil's directors. By reason of defendants' stock ownership and/or their positions with Standard Oil, defendants occupy a fiduciary relationship with the plaintiff and other public stockholders of Standard Oil and owe the plaintiff and the other members of the Class the highest obligations of good faith and fair dealing.

Class Action Allegations

16. Plaintiffs bring this action on their own behalf and as a class action, pursuant to Rule 23 of the Ohio Rules of Civil Procedure, on behalf of all common stockholders of Standard Oil (except the defendants herein and the members of the immediate families of the individual defendants), and their successors in interest, who are or will be threatened with the deprivation of their equity interest in Standard Oil by reason of the proposed elimination of the public stockholders of Standard Oil through the transactions hereinafter described.

17. This action is properly maintainable as a class action for the following reasons:

(a) The class of stockholders for whose benefit this action is brought is so numerous that joinder of all class members is impracticable. As of October 31, 1986, there were approximately 109 million common shares of Standard Oil outstanding (other than those owned by BP), owned by approximately 56,000 shareholders of record. Members of the class are scattered throughout the United States.

(b) There are questions of law and fact which are common to members of the class and which predominate over any questions affecting any individual members. The common questions include, inter alia, the following:

(1) whether the defendants have engaged in a plan and scheme to defraud the members of the class;

(ii) whether the defendants have engaged in a plan and scheme to unlawfully "freeze-out" the public stockholders of Standard Oil;

(iii) whether the proposed tender offer/freeze-out is so grossly unfair to the public stockholders of Standard Oil as to constitute a fraud upon them;

(iv) whether defendants have failed to disclose potential and expected positive future financial benefits to Standard Oil in order to depress the market price for Standard Oil to enable defendants to take Standard Oil private at a fraudulently low and unfair price;

(v) whether defendants have breached their fiduciary and the other common law duties owed by them to plaintiff and the members of the class; and

(vi) whether defendants are pursuing a course of business designated to eliminate the public shareholders of Standard Oil in violation of the laws of the State of Ohio.

(c) The claims of the plaintiffs are typical of the claims of the members of the class, and plaintiffs will fairly and adequately protect the interests of the class. Plaintiffs have retained attorneys who are thoroughly experienced in shareholder litigation.

(d) A class action is superior to other available methods for the fair and efficient adjudication of the claims which are asserted, and no unusual difficulties are likely to be encountered in the management of this class action. The likeli-

hood of the individual class members prosecuting separate claims is remote.

Cause of Action Against All Defendants

18. By virtue of the acts and conduct alleged herein, the defendants have carried out a preconceived plan and scheme to eliminate the public common stockholders of Standard Oil and wrongfully to permit defendants to appropriate the benefit of the ownership of Standard Oil, including its potential and continuing growth and profitability, while at the same time the public common stockholders of Standard Oil would be wrongfully deprived of their investment in Standard Oil and all of its present and continuing profitability and growth and would receive in return for their investment grossly inadequate consideration.

19. The sole and primary objective of that plan and scheme is to permit defendants to acquire the equity ownership of Standard Oil for a fraudulently low and unfair price. The plan and scheme constitutes an improper and unlawful attempt by defendants to freeze-out the public stockholders of Standard Oil.

20. In furtherance of this plan and scheme, on or about February 24, 1986, BP announced that it had peremptorily ousted Standard Oil's former Chairman of the Board and Chief Executive Officer and former President and Chief Operating Officer, and had installed its own handpicked officers, the individual defendants, as the management of Standard Oil. At the same time, BP "packed" the Board of Directors of Standard Oil so that, for the

first time, a majority of the Standard Oil Board consisted of executives appointed by BP. By those acts, BP made clear that it intended to operate Standard Oil for its own benefit, and that anyone who challenged BP's domination and control of Standard Oil would be instantly dismissed.

21. Pursuant to the plan and scheme of the defendants, on or about March 26, 1986, defendant BP announced a proposal to acquire the approximately 45% of Standard Oil's common stock that was not already owned by it. Under said plan, the common stockholders of Standard Oil would receive only Seventy Dollars (\$70.00) per share.

22. Defendants' plan and scheme is an attempt to force out the public common stockholders of Standard Oil at a price which is far less than the common stock is worth, for the sole purpose of enriching the defendants. The Seventy Dollars (\$70.00) per share price proposed to be paid to the public stockholders is so grossly inadequate and unfair as to constitute a fraud upon the shareholders of Standard Oil. The intrinsic value of the stock of Standard Oil is materially in excess of Seventy Dollars (\$70.00) per share, giving due consideration to its assets, its growth and profitability, the underlying strength of its business, its earnings and earnings power, present and projected. The proposed price of Seventy Dollars (\$70.00) per share is a fraudulent and unfair effort by the defendants to take advantage of current market conditions with respect to Standard Oil and deprive plaintiffs and the members of the public of the benefits

which defendants expect to obtain from the projected growth of Standard Oil's earnings.

23. The proposed tender offer/freeze-out price of Seventy Dollars (\$70.00) per share is not the result of arm's-length negotiations and was not based upon any independent appraisal of the current value of Standard Oil's shares, assets, or business, but was fixed arbitrarily by the defendants themselves as part of their plan to obtain ownership of Standard Oil's assets and businesses at the lowest possible price and to obtain for themselves benefits disproportionate with those to be received by the public shareholders, which facts were not disclosed.

24. In proposing the freeze-out of Standard Oil's minority shareholders, defendants are seeking to appropriate for their own benefit, to the detriment of Standard Oil's public shareholders, Standard Oil's extraordinary potential for profitability and growth. For example:

(a) Defendants have timed the tender offer/freeze out to take advantage of the imminent surge in oil prices and recovery in the oil industry. Accordingly, securities analysts have estimated mean earnings per share for standard oil of \$3.63 per share in 1987 and \$4.79 in 1988, compared to a loss of \$1.32 per share in 1986 and earnings of only \$1.31 per share in 1985.

(b) Standard Oil has taken action in 1986 "to reposition the company so that it will perform well in an environment of low and volatile or due oil prices, based on the assumption that prices will average \$15 per barrel Mreal terms

for the next few years." 1986 Standard Oil Annual Report. In fact, the price for crude oil on the spot market is already substantially in excess of \$15 per barrel, closing on the New York Mercantile Exchange on March 25, 1987 at a price of \$18.71 per barrel. Based on Standard Oil's current production levels, that increase in oil prices will increase Standard Oil's revenues and income by a material amount.

(c) Only last year, Standard Oil's former Chief Executive Officer (who defendants ousted) represented to Standard Oil's shareholders:

Sohio Goal is Long-Term Value

\* \* \*

Standard Oil's ability to create a competitive advantage is made easier by these factors:

Financial stability is provided by cash flow generated by our large domestic hydrocarbon base.

\*\*\*

Investment Emphasis Shifts

We have come a long way toward creating a strong, integrated energy company that is well positioned for the future.

When Prudhoe Bay (Alaska reserves) was brought on stream, Standard Oil's business was small and narrow. Since then, we have made substantial investments in oil and gas exploration, coal reserves, metals mining, chemicals and most recently, petroleum refining and marketing.

Our major positioning investments are behind us,...the major role of our investments now ill be...on translating our non-income pro-

ducing assets -- such as idle coal reserves and undeveloped exploration acreage -- into income producing assets.

\*\*\*

We have witnessed large oil companies being acquired by other large companies, at prices well in excess of the previously prevailing stock market valuation....

These actions imply that the acquiring companies, while paying a premium over the stock market valuations, believe they are acquiring reserves and other assets cheaper and with less risk than they could by exploration and direct investment.

\*\*\*

#### Reserves Increased

In 1984, we announced three production development projects in Alaska -- the endicott field, the Lisburne pool of the Prudhoe Bay field, and the Prudhoe Bay Miscible Gas Project.

In total, those three projects added 310 million barrels to our proved reserves. As a result [Standard Oil's] reserves at year-end 1984 exceeded those at year-end 1983 and 1982 as well (emphasis added and in the original).

(d) Then, shortly before his dismissal, he similarly represented to Standard Oil's shareholders:

In Alaska, our major oil and gas production projects are ahead of schedule and under budget. Also, the production plateau of the Prudhoe Bay field was extended into 1988 by continued development efforts.

We accelerated our evaluation of the substantial portfolio of exploration acreage acquired since 1981, particularly in Lower 48 States prospects.

In the Gulf of Mexico, we made significant discoveries on East Breaks Block 165 and Ewing Bank Block 826, and we have

commenced construction of a production platform for the East Breaks discovery.

On the international front, where there is the opportunity to be exposed to sizable investment opportunities at higher rates of return, we acquired a three-million-acre concession offshore Qatar and entered into a Canadian exploration joint venture.

In refining and marketing, the newly acquired Gulf Oil Corporation properties contributed importantly to that business's improved income (emphasis added).

(e) Worldwide economic and political conditions at the present time have resulted in the recognition of the value of oil and gas reserves in the United States, coupled with industry recognition that long term oil and gas prices will substantially increase. For example, BP's Chairman, Sir Peter Walters was quoted in July 1986 as stating that, "The lower the oil price goes now, the more likely it is to bounce back in the 1990's." Also, in July, 1986, Sir Peter Walters admitted that BP was "always looking at it [the publicly held portion of Standard Oil." He conceded then: "Although it may be cheaper to make the bid now, cheap is not cheap if it is not in the right shape. Better to pay higher prices for more valuable objects when you're sure of the value" (emphasis added).

(f) During 1986, Standard Oil recently announced that it was disposing, modernizing and writing off certain assets, including portions of Kennecott's mining and metals business it acquired in 1981. Since their acquisition by Standard Oil, those operations have consistently been unprofitable. Disposition and

modernization of these assets and associated tax benefits will not only provide defendants with substantial funds to pay for the freeze-out of Standard Oil's public shareholders, but also will very materially increase Standard Oil's cash flow and profitability. Standard Oil stated that it expected this program to provide more than \$500 million of net cash inflows and provide additional income in future years. BP has conceded that, although "[t]he immediate result [of these changes] is very large write-offs in copper and coal mining, oil and gas exploration and stiff redundancy payments [, i]n the long run, of course, Standard Oil will be operating from a stronger base (emphasis added)."

(g) The proposed tender offer/freeze-out of Seventy Dollars (\$70.00) for each share of Standard Oil stock translates into a total value of approximately \$7.4 billion assigned by BP to all of Standard Oil's reserves, undeveloped acreage, refining and marketing operations and other businesses, less Standard Oil's debt. Based upon evaluations of oil and gas reserves by recognized appraisers and geologists and prices paid and offered in other recent acquisitions and mergers in the oil industry, the true value of Standard Oil's net assets is substantially in excess of the Seventy Dollars (\$70.00) tender offer/freeze-out price.

(h) The price of Seventy Dollars (\$70.00) per share represents a discount from the true net asset value of Standard Oil far exceeding the discount in comparable transactions, in-

cluding the acquisition price offered by Texaco, Inc. for the Getty Oil Company, and the damages recently awarded to Pennzoil, Inc., for the loss of Getty's oil reserves.

(i) Standard Oil recently purchased from Gulf Oil Corp. a refinery in Louisiana with a capacity of 200,000 barrels per day, for a price of approximately \$583 million (including \$268 million of inventories), at a time when refining and marketing margins were recovering dramatically, so that, for the year ended December 31, 1985, Standard Oil's refining and marketing earnings increased more than 100%, to \$424 million. In July, 1986, Barron's reported that Standard Oil's "downstream operations are among the most profitable of any oil major, and [Sir Peter] Walters describes the recent \$613 million purchase of Gulf Oil's refining and marketing operations in the Southeast as 'a super buy'."

(j) Standard Oil recently eliminated approximately 1,300 staff positions, which will enable Standard Oil to enjoy dramatic future cost savings.

(k) In preparation for this unlawful and grossly unfair tender offer/freeze out, management of Standard Oil, which are controlled by B.P., implemented a plan to effectuate early retirement of \$1.3 billion of debt associated with nine separate debt issues through early redemption, tender offers and purchase in the open market. The early retirement of certain of the high-coupon debt will produce a substantial pre-tax interest savings to Standard Oil.

25. Although defendants are now sure that Standard Oil, its assets and its business, are extremely valuable, they are attempting to violate their own admonition to pay "higher prices" for that business and those assets.

26. Prior to announcing the proposed freeze-out, defendants did not (i) undertake an adequate evaluation of Standard Oil's worth as potential merger or acquisition candidate or take adequate steps to enhance Standard Oil's value or attractiveness as a merger or acquisition candidate; (ii) effectively attempt to dispose of Standard Oil's assets; (iii) act so that the interests of the public security holders were protected.

27. The marketplace has already determined that the Seventy Dollars (\$70.00) per share is unfair. Within several hours of the announcement of the tender offer/freeze out on March 26, Standard oil stock was trading at Seventy-Two Dollars (\$72.00) on the New York Stock Exchange. Additionally, BP stock has also risen \$2.6125 within hours of the announcement, as the marketplace has recognized the synergistic value of the combination of the companies.

28. The tender offer/freeze-out serves no legitimate business purpose of Standard Oil, and is an attempt by the defendants to aggrandize their own interests and finances at the expense and to the detriment of the public stockholders of Standard Oil. The proposed freeze-out will deny class members their right to share proportionately in the true value of Standard Oil's valuable assets, profitable businesses, and future growth in profits,

earnings, and profitable businesses, while usurping the same for the benefit of the defendants at a fraudulently unfair and inadequate price. Because defendants control the business and corporate affairs of Standard Oil (and because they are in possession of corporate information concerning Standard Oil's assets, businesses, and future financial prospects), the knowledge and economic power between defendants and the common stockholders of Standard Oil is unequal which makes it grossly and inherently unfair for the defendants to obtain ownership of Standard Oil's assets from the public security holders at the unfair and inadequate price which defendants (and those acting in concert with them) have set.

29. Moreover, defendants have timed the announcement of the proposed tender offer/freeze-out transaction to take unfair advantage of foreign currency fluctuations and adjustments, which, at present, provide defendants with an unfair, short-term advantage.

30. In addition, Standard Oil's business is especially valuable to BP because, (a) Standard Oil's large domestic reserves provide BP with the assurance of a steady flow of petroleum products necessary to supply BP's huge refining capacity; and (b) pursuant to BP's accounting policies, BP can reduce Standard Oil's deferred taxation charge to a restricted liability basis and increases the value of Standard Oil's inventory to an amount calculated using a first-in, first-out method.

31. As a result of the foregoing, defendants herein have willfully participated in the perpetuation of a fraud upon the members of the class and have engaged in, knowingly and substantially assisted in, and aided and abetted each other in a breach of their fiduciary duty to the class.

32. The plaintiffs and the other class members are imminently threatened by the acts and transactions complained of herein, which if effectuated, would cause irreparable injury to them.

33. The plaintiffs and members of the class have no adequate remedy at law.

WHEREFORE, the plaintiffs demand judgment, as follows:

- A. Enjoining, preliminarily and permanently, the consummation of the proposed transaction and freeze-out of the class members and their equity interest in Standard Oil;
- B. In the event that the proposed acquisition of Standard Oil is consummated, rescinding it and setting it aside;
- C. Requiring that the defendants account to the plaintiffs and other class members for all damages, including rescissory damages, and injuries sustained by the class as a result of the acts and transactions complained of herein;
- D. Awarding to plaintiffs the costs and disbursements of this action, including a reasonable allowance for the fees and expenses of their attorneys, experts and accountants; and

TOTAL P.23

E. Granting such other and further relief as may be just and proper in the premises.

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EXHIBIT (b)

# Statement of Income

The Standard Oil Company

Millions of Dollars. Except Per-Share Amounts—Year Ended December 31	1986	1985	1984
<b>Revenues</b>			
Sales and operating revenue	\$ 9,219	\$13,002	\$11,692
Excise taxes	803	816	559
	10,022	13,818	12,251
<b>Costs and Expenses</b>			
Costs of products sold and operating expenses	4,903	6,156	5,406
Taxes other than income taxes	1,368	1,817	1,579
Depreciation, depletion and amortization	1,158	927	796
Oil and gas exploration expenses, including amortization of unproved properties	926	1,101	704
Selling, general and administrative expenses	954	943	728
Unusual items (Note B)	1,079	1,699	90
	10,388	12,643	9,303
<b>Income (Loss) Before Interest, Income Taxes and Extraordinary Item</b>	(360)	1,175	2,948
Interest expense	(335)	(396)	(374)
Interest income	93	97	132
<b>Income (Loss) Before Income Taxes and Extraordinary Item</b>	(608)	876	2,706
Income taxes (Note G)	297	(568)	(1,218)
<b>Income (Loss) Before Extraordinary Item</b>	(311)	308	1,488
Extraordinary item—loss on extinguishment of debt, net of income taxes (Note F)	(34)	—	—
<b>Net Income (Loss)</b>	\$ (345)	\$ 308	\$ 1,488
<b>Per Share of Common Stock</b>			
Income (loss) before extraordinary item	\$ (1.32)	\$ 1.31	\$ 6.14
Extraordinary item	\$ (.15)	—	—
Net income (loss)	\$ (1.47)	\$ 1.31	\$ 6.14
Cash dividends	\$ 2.80	\$ 2.80	\$ 2.65
<b>Average Number of Common and Equivalent Shares Outstanding (millions)</b>	235	235	242

# Statement of Retained Earnings

Balance at beginning of year	\$ 7,628	\$ 7,977	\$ 7,128
Net income (loss)	(345)	308	1,488
Cash dividends			
Common	(305)	(305)	(306)
Special	(352)	(352)	(333)
Balance at end of year	\$ 6,626	\$ 7,628	\$ 7,977

The Notes to Financial Statements are an integral part of these statements.

## Balance Sheet

Millions of Dollars—December 31	1986	1985
<b>Assets</b>		
<b>Current Assets</b>		
Cash, including time deposits of \$6 and \$37	\$ 138	\$ 120
Marketable securities at cost, which approximates market	275	235
Accounts receivable, less allowances of \$20 and \$17	861	1,611
Refundable Federal income taxes	771	—
Inventories (current cost—\$1,429 and \$2,247)	1,200	1,437
Net investment in operations to be divested	127	—
Prepaid expenses and deferred charges	83	92
	3,455	3,495
<b>Property, Plant and Equipment</b>		
<b>Petroleum</b>		
Exploration and production (successful efforts accounting method)	13,733	13,502
Refining and marketing	2,130	1,998
Coal	501	962
Metals mining	1,396	2,114
Chemicals	468	461
QIT	279	219
Other businesses	290	420
Corporate and other	454	460
	19,251	20,136
Less accumulated depreciation, depletion and amortization	7,434	7,001
	11,817	13,135
<b>Other Noncurrent Assets</b>		
Investments in unconsolidated affiliates	218	291
Receivables	333	390
Prepaid expenses and deferred charges	132	197
	683	878
	\$15,955	\$17,508

Millions of Dollars—December 31	1986	1985
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Notes payable	\$ 318	\$ 72
Current maturities of long-term obligations	101	328
Accounts payable	974	1,568
Accrued income and other taxes	365	413
Accrued interest	134	113
Other	554	733
	2,446	3,227
<b>Long-Term Obligations and Accruals</b>		
Long-term debt	2,951	2,962
Capital lease obligations	325	343
Accruals and reserves	1,152	1,300
	4,428	4,605
<b>Deferred Income Taxes</b>	2,061	1,658
<b>Shareholders' Equity</b>		
Capital stock		
Common—\$1.25 stated value, 300 million shares authorized, shares issued—122,498,893 and 122,337,553	154	154
Special—stated value, 1,000 shares authorized and issued	25	25
	179	179
Additional paid-in capital	822	818
Retained earnings	6,626	7,628
Common stock in treasury, at cost—13,626,248 shares and 13,623,050 shares	(607)	(607)
	7,020	8,018
	\$15,955	\$17,508

The Notes to Financial Statements are an integral part of these statements.

# Statement of Changes in Financial Position

The Standard Oil Company

Millions of Dollars - Year Ended December 31	1986	1985	1984
<b>Cash Was Provided From (Used For)</b>			
<b>Operations</b>			
Income (loss) before extraordinary item	\$ (311)	\$ 308	\$1,488
Noncash charges			
Depreciation, depletion and amortization	1,158	927	796
Amortization and impairment of unproved oil and gas properties	558	459	266
Dry hole costs expended in prior year	89	131	21
Deferred income taxes	389	119	447
Unusual items	647	1,550	90
Other—net	44	77	(89)
Working capital provided from operations	2,574	3,571	3,019
(Increase) decrease in operating working capital (Note R)	(770)	(97)	164
Cash provided from operations	1,804	3,474	3,183
<b>Dividends</b>	(657)	(657)	(639)
<b>Investment Activities</b>			
Capital expenditures	(1,618)	(2,144)	(2,329)
Less dry hole costs expended in current year	104	202	116
	(1,514)	(1,942)	(2,213)
Acquisition of certain Gulf refining and marketing operations, including inventories of \$273	—	(613)	—
Net book value of property, plant and equipment sold	289	105	67
Sale of long-term marketable securities	8	462	6
Change in investment working capital	100	(7)	(26)
Other	(49)	(43)	5
Cash used for investments	(1,166)	(2,038)	(2,161)
<b>Financing Activities</b>			
Issuance of long-term debt	1,189	408	—
Reduction of long-term debt	(1,200)	(668)	(259)
Extraordinary item—loss on extinguishment of debt	(34)	—	—
Purchase of common stock for treasury	—	(32)	(561)
Changes in financing working capital			
Sale of accounts receivable to finance subsidiary	(32)	(411)	376
Increase (decrease) in short-term notes payable	246	(265)	312
(Decrease) increase in current maturities of long-term obligations	(227)	203	(3)
Other	135	4	(2)
Cash provided from (used for) financing	77	(761)	(137)
<b>Increase in Cash and Short-Term Marketable Securities</b>	<b>\$ 58</b>	<b>\$ 13</b>	<b>\$ 246</b>

The Notes to Financial Statements are an integral part of these statements.

# Notes to Financial Statements

## Note A: Major Accounting and Financial Reporting Policies

**Reclassification:** The December 31, 1985, Balance Sheet reflects the reclassification of certain reserves, which were established for losses on disposition, shutdown and modification of operations, from long-term obligations to net property, plant and equipment. Certain other amounts in previously issued financial statements have been reclassified to conform to 1986 presentations.

**Consolidation:** Majority-owned joint-venture financing and mining companies and the Company's 33.34% undivided interest in the trans-Alaska pipeline are consolidated on a pro rata basis. The Company's investment in Standard Oil Finance Company, a wholly-owned finance subsidiary, and operations which it has decided to divest are accounted for using the equity method. The Company fully consolidates in its financial statements the accounts of all other significant subsidiaries in which it owns more than 50% of the voting stock.

**Inventories:** Inventories are stated at cost, but not in excess of net realizable value. The cost of inventories is determined primarily on the last-in, first-out method, except for foreign product inventories and materials and supplies for which cost is determined using the first-in, first-out or average cost method.

## Exploration and Development

**Petroleum:** The successful efforts method of accounting is followed for costs incurred in oil and gas exploration and development operations.

Property acquisition costs for unproved oil and gas properties are initially capitalized. The acquisition costs for individually significant unproved properties are assessed at least annually on a property-by-property basis, and any impairment in value is recognized currently. The acquisition costs of all other unproved properties that are not individually significant ("pooled properties") are aggregated, and the portion of such properties estimated to be non-productive based on past experience are amortized over their weighted average expected holding period. Revisions of estimates that affect pooled properties are generally accounted for prospectively using revised amortization rates. However, current period income may be charged if a material, unusual event results in a significant change in expected exploration activities. Costs of properties surrendered are charged against the applicable valuation allowance.

Exploratory drilling costs are initially capitalized. If and when exploratory wells are determined to be nonproductive, the related costs are charged to expense. Other exploration

costs, including geological, geophysical and carrying costs, are charged to expense as incurred.

- When a property is determined to contain proved reserves, property acquisition costs and related exploratory drilling costs of successful wells are transferred to proved properties.

Development costs of proved properties, including producing wells and related facilities and any development dry holes, are capitalized.

**Coal and Metals Mining:** Exploration and development expenditures are generally charged to expense as incurred until a decision is made to develop a mineral reserve.

Expenditures to bring new properties into production and major expenditures of a nonrecurring nature are deferred and amortized ratably over the production benefited.

Expenditures for continuing development required to maintain production are charged to expense as incurred.

## Property, Plant and Equipment

**Depreciation, Depletion and Amortization Costs:** Depreciation of the trans-Alaska pipeline is computed by the unit-of-throughput method based on estimated applicable proved crude oil reserves. Depletion and depreciation of proved oil and gas properties and depletion of mine development costs, mineral lands and leaseholds are computed for each oil and/or gas reservoir or mine using the unit-of-production method based on applicable reserves. Other property, plant and equipment is depreciated principally by the straight-line method over estimated useful lives which are revised periodically based on experience.

## Dismantlement, Restoration and Reclamation Costs:

The estimated future costs of dismantling, restoring, and reclaiming certain major properties and facilities, less estimated residual values, are accrued during operations.

**Capitalized Interest:** Interest costs incurred in connection with significant expenditures for the construction or acquisition of property, plant and equipment are capitalized.

**Property Dispositions:** Upon disposition of property, plant and equipment, the asset cost and related accumulated depreciation are eliminated from the respective accounts. Any gain or loss is included in current operations, except those related to dispositions of pipeline property and partial dispositions of oil and gas properties which are normally recorded as adjustments to the accumulated depreciation account.

**Impairment:** Except for impairment of unproved oil and gas properties discussed above, reductions in the utility of major units of property, plant and equipment, which the Company intends to hold and operate, caused by obsolescence due to technological, economic or other

changes are generally recognized over the remaining productive lives of the assets. However, if it is determined that the book value of property, plant and equipment exceeds future estimated cash flows (undiscounted) over the remaining productive life of the asset, such excess is charged to expense in the period of determination. Property, plant and equipment held for divestment is written down to estimated net realizable value to the extent it is less than net book value.

**Warrants and Indexed Debt Instruments:** Proceeds from the issuance of warrants and the contingent payment portion of indexed debt instruments are deferred and recorded as long-term liabilities. Subsequently, the deferred liability is valued at the higher of premium received or market (the difference between the applicable commodity or other market value and the exercise price of the warrant or indexed debt instrument) until the warrant or indexed instrument is either exercised or expires.

**Earnings Per Share:** Earnings per share of common stock is based on the weighted average number of common shares outstanding and shares to which the special stock is equivalent.

#### **Note B: Unusual Items**

During 1986 the Company recorded special charges of \$1.08 billion pretax (\$588 million after tax) which are classified as unusual items in the Statement of Income. These unusual items provided for the following by business segment:

- \$283 million in exploration and production, of which \$200 million was to write down the Eugene Island and Mississippi Canyon high-cost, short-lived oil and gas producing properties, because estimated future cash flows were no longer expected to recover current book values. Additionally, the charges included \$65 million that represented the excess of the Company's settlement with the Internal Revenue Service of the windfall profit tax valuation of Alaskan crude oil for the period 1980-1983 over amounts previously provided. The balance of the charges related to staff reduction and restructuring.
- \$300 million in coal, of which \$271 million was related to the disposal of nonoperating properties. Other charges related to a variety of issues.
- \$353 million in metals mining, of which \$334 million provided for disposal of the Ray and Chino copper mines, which did not fit the Company's long-term business plans. Other charges related to a variety of issues.

- \$140 million in other businesses, \$124 million of which related to the disposal of assets that did not fit the Company's long-term business plans. The balance of the charges related to a variety of issues.

- \$3 million in corporate and other.

The 1985 unusual items charges of \$1.70 billion pretax (\$1.07 billion after tax) provided for the following by business segment:

- \$284 million in exploration and production. This included \$140 million related to various regulatory issues associated with Alaskan operations and \$144 million for staff reductions and restructuring, including the cost of closing offices in San Francisco and Denver and relocating personnel.

- \$17 million in refining and marketing for staff restructuring.

- \$526 million in coal related to the disposal of certain undeveloped coal properties; the partial write-down of equipment and mine development costs at certain high-cost operating mines to the extent that estimated cash flows subsequent to 1985 would not recover then existing book values; a write-down of the value of certain coal reserves because of current and foreseeable economic conditions; and a variety of other issues.

- \$686 million in metals mining related to certain assets made excess or obsolete by the Bingham Canyon modernization; a provision for shutdown costs subsequent to 1985 which are being incurred during the period Bingham Canyon operations are suspended; a write-down of the value of certain copper reserves because of current and foreseeable economic conditions; the disposal of the uranium operations; and a reassessment of other aspects of the metals mining business.

- \$14 million in chemicals related to staff restructuring and a variety of other issues.

- \$8 million in QIT related to the anticipated disposal of a division.

- \$54 million in other businesses, primarily related to costs for various facilities consolidation and modification of operations.

- \$80 million in corporate and other, of which \$54 million related to the write-down of the value of shale oil properties due to current and foreseeable economic conditions, with the balance related to staff reduction and restructuring costs.

The 1984 exploration and production unusual item of \$90 million pretax (\$50 million after tax) was provided to cover various regulatory issues associated with Alaskan operations.

In addition to these unusual items, the exploration and production business recorded pretax charges of \$410 million and \$165 million in 1986 and 1985, respectively, for the impairment of leases held in the oil and gas prospect inventory, over and above normal lease amortization expense. These charges were included in exploration expenses in the Statement of Income and resulted from technical reassessment and lower expected future oil prices.

**Note C: Major Acquisitions and Divestitures**

On February 1, 1985, the Company acquired from Gulf Oil Corporation (Gulf) its 200,000 barrel-per-day refinery in Belle Chasse, Louisiana, and most of its Southeastern United States petroleum marketing operations, including certain inventories, for \$583 million. Following Federal Trade Commission approval, the Company acquired on July 1, 1985, Gulf's Lake Charles, Louisiana, coke calciner and related inventories for \$30 million.

The Gulf operations have been included in the Company's financial statements since acquisition dates. Pro forma effects, assuming the acquisition had taken place on January 1, 1984, are not presented as they would not materially change reported consolidated results of operations.

During 1986 the Company completed major asset disposals, primarily in the metals mining, coal and other businesses segments. Proceeds from asset sales totalled \$387 million in 1986.

**Metals Mining:** The Ray and Chino copper mines were sold for approximately \$160 million, excluding finished goods inventories to be sold in 1987. The Ray Mines Division was sold to Asarco Incorporated. The Company's two-thirds interest in Chino Mines Company was sold to Phelps Dodge Corporation at the close of business on December 31, 1986. The agreements provide that the Company may receive additional amounts based on future

increases in copper prices. The Company sold its interest in the Crixas (Brazil) gold property for \$30 million. Certain other nonoperating properties, including the Baltimore copper refinery and rod mill and the Ozark lead mine and concentrator, were also sold.

**Coal:** The Company relinquished 615 million tons of reserves in West Virginia, Pennsylvania and Illinois. This reserve reduction included the permanent closure of the Kitt coal mine, the sale of company-owned undeveloped reserves, and the termination of a lease on certain undeveloped coal reserves. This lease required the payment of minimum coal royalties over the next fifteen years.

**Other Businesses:** Certain electro minerals operations were sold to a group of private investors. The Pangborn business, targeted for divestiture in a previous year, was also sold. In addition, the Company announced its intention to sell other industrial products businesses including Dorr-Oliver and Pfaudler.

Except for the Crixas sale, the financial effects of the above divestitures were included in the 1985 and 1986 charges for unusual items. The Company also sold sundry assets and real estate for \$18 million in 1986.

In 1985 and 1984 proceeds from asset disposals totalled \$222 million, the largest of which was the sale of the retail agricultural chemicals business in 1985. Included in the 1985 disposals were 362 million tons of undeveloped coal reserves.

**Note D: Business Segment Information**

Millions of Dollars	1986		1985		1984	
	Operating Income (Loss) Before Interest, Income Taxes and Extraordinary Items	Charges for Unusual Items Included in Operating Income	Operating Income (Loss) Before Interest, Income Taxes and Extraordinary Items	Charges for Unusual Items Included in Operating Income	Operating Income (Loss) Before Interest, Income Taxes and Extraordinary Items	Charges for Unusual Items Included in Operating Income
<b>Petroleum</b>						
Exploration and production	\$ 13	\$ 283	\$2,442	\$ 284	\$2,954	\$ 90
Refining and marketing	436	-	351	47	200	-
	449	283	2,793	331	3,154	90
<b>Coal</b>	(255)	300	(518)	526	61	-
<b>Metals mining</b>	(342)	353	(851)	686	(160)	-
<b>Chemicals</b>	57	-	39	14	45	-
<b>Oil</b>	110	-	90	8	41	-
<b>Other businesses</b>	(151)	140	(98)	54	(33)	-
<b>Corporate and other</b>						
Research and development/ventures	(76)	-	(93)	-	(63)	-
Central functions	(77)	-	(79)	-	(74)	-
Other	(81)	7	(99)	80	(23)	-
<b>Total corporate and other</b>	(234)	7	(270)	80	(160)	-
	\$ (366)	\$ 1,079	\$ 1,175	\$ 1,699	\$ 2,948	\$ 90

Millions of Dollars	1986	1985	1984
<b>Revenues</b>			
Petroleum	\$ 7,959	\$11,425	\$ 9,480
Coal	465	437	465
Metals mining	178	270	482
Chemicals	475	551	643
QIT	337	303	257
Other businesses	708	857	909
Corporate and other	(28)	23	15
Intersegment eliminations	(72)	(48)	-
	\$10,022	\$13,818	\$12,251
<b>Assets</b>			
Petroleum			
Exploration and production	\$ 9,677	\$ 9,608	\$ 9,366
Refining and marketing	2,469	2,919	2,079
	11,146	12,557	11,445
Coal	376	679	1,131
Metals mining	1,299	1,729	2,317
Chemicals	347	402	495
QIT	458	365	318
Other businesses	390	736	715
Corporate and other	1,949	1,040	1,066
	\$15,955	\$17,508	\$17,487
<b>Capital expenditures</b>			
Petroleum			
Exploration and production	\$ 1,121	\$ 1,335	\$ 1,633
Refining and marketing	185	489	247
	1,306	2,024	1,880
Coal	53	74	51
Metals mining	101	98	176
Chemicals	10	13	23
QIT	68	80	19
Other businesses	42	81	58
Corporate and other	38	114	122
	\$ 1,618	\$ 2,484	\$ 2,329
<b>Depreciation, depletion and amortization expense</b>			
Petroleum			
Exploration and production	\$ 904	\$ 671	\$ 548
Refining and marketing	110	98	65
	1,014	769	613
Coal	44	45	42
Metals mining	15	32	50
Chemicals	23	22	38
QIT	14	12	11
Other businesses	23	21	23
Corporate and other	25	23	19
	\$ 1,156	\$ 927	\$ 796

Exploration and production includes the trans-Alaska pipeline and tankers used to transport Alaskan crude oil. Metals mining includes the mining and production of copper, gold, silver and molybdenum. QIT consists of the mining and production of low-manganese iron and titanium dioxide slag. Other businesses includes the fabricating and manufacturing of metal products, process equipment and engineered materials.

Net operating results and net assets for the Company's business operations that were identified for divestment have been included in corporate and other since the decision to divest was made in mid-1986.

Petroleum revenues include certain sales of crude oil, sales of natural gas and refined products, and revenues from the transportation of crude oil and refined products. Only sales of company-owned crude oil production that is surplus to refinery supply requirements are reported as revenues. Other sales of crude oil and the net effect of crude oil and refined products exchange transactions are included in costs of products sold.

Business segment assets are those used directly in the operations of each segment and consist primarily of net property, plant and equipment, inventories and accounts receivable. Corporate and other assets consist primarily of cash and marketable securities, investments in certain unconsolidated affiliates, net property, plant and equipment related to corporate headquarters and corporate research facilities and, in 1986, refundable Federal income taxes and net assets of businesses intended to be divested.

Capital expenditures for refining and marketing include \$340 million for the acquisition of certain Gulf Oil Corporation properties in 1985 and \$84 million for the acquisition of Truckstops Corporation of America in 1984.

#### Note E: Major Credit Arrangements and Shelf Registration Statements

Effective December 1, 1986, the Company entered into agreements with 45 domestic and foreign banks for committed lines of credit totalling \$2 billion and uncommitted lines of credit totalling \$3.5 billion.

The committed lines of credit, which extend for a period of seven years, require the Company to pay commitment fees on the unused portion of the lines of credit. Borrowings will be at prevailing money market rates.

No borrowings were outstanding at December 31, 1986, under the committed lines; however, a portion was committed by management as back-up for outstanding commercial paper borrowings of the Company and its finance subsidiary (\$398 million outstanding at December 31, 1986). Additionally, these lines of credit are available to finance the \$239 million of variable rate demand revenue bonds (Note F) and for other corporate purposes.

The uncommitted lines are promises by banks to make reasonable endeavors to lend the Company money, should it be needed. These lines will be reviewed periodically. No borrowings were outstanding at December 31, 1986, under these lines.

At December 31, 1986, the Company had on file shelf registration statements with the Securities and Exchange Commission enabling the issuance of up to \$344 million in debt securities.

### Note F: Long-Term Debt—Excluding Current Maturities

Millions of Dollars—December 31	1986	1985
13 <sup>3</sup> / <sub>4</sub> % notes due 1992	\$ 128	\$ 150
10 <sup>3</sup> / <sub>4</sub> % debentures due 1994-2017	—	150
10 <sup>3</sup> / <sub>4</sub> % notes due 1988-1998	11	673
10 <sup>1</sup> / <sub>2</sub> % notes due 1989	150	150
10% notes due 1992	95	11
9 <sup>3</sup> / <sub>4</sub> % notes due 1988-1998	—	179
9 <sup>3</sup> / <sub>4</sub> % debentures due 1988-1999	34	144
8 <sup>3</sup> / <sub>4</sub> % debentures due 1988-2001	227	235
8 <sup>1</sup> / <sub>2</sub> % debentures due 1988-2000	101	101
8 <sup>1</sup> / <sub>2</sub> % debentures due 1988-2007	244	250
8% notes due 1993	150	—
8% notes due 1998	90	—
7 <sup>7</sup> / <sub>8</sub> % debentures due 1988-2091	120	120
7 <sup>1</sup> / <sub>2</sub> % notes due 1991	150	—
7 <sup>1</sup> / <sub>2</sub> % Swiss franc foreign interest payment bonds (issued 1986)	100	—
7% notes due 1991	150	—
6 <sup>1</sup> / <sub>2</sub> % - 7 <sup>1</sup> / <sub>2</sub> % pollution control revenue bonds due 1993-2007	120	120
6.3% debentures due 2001	300	—
6.05% marine terminal revenue bonds due 1998-2007	161	161
6% marine terminal revenue bonds due 1998-2007	180	180
3 <sup>1</sup> / <sub>4</sub> % Swiss franc bonds due 1993	93	—
Oil indexed notes due 1990 and 1992	75	—
Variable rate demand marine terminal revenue refunding bonds due 2025	94	94
Floating rate monthly demand revenue bonds due 2012	12	124
Variable rate demand revenue bonds due 2009-2020	145	145
Other(1)	213	178
	3,141	3,165
Unamortized debt discount	(190)	(91)
Funds held in trust(2)	—	(112)
	\$2,951	\$2,962

(1) Includes \$4 million (40,537 shares) and \$4 million (42,548 shares) of Series A redeemable preferred stock outstanding at December 31, 1986 and 1985, respectively.

(2) Represents funds held in trust for the redemption at par in early 1986 of \$112 million of floating rate monthly demand revenue bonds.

During 1986 the Company used proceeds from the sale of assets to repay the \$150 million 10<sup>3</sup>/<sub>4</sub>% debentures. The Company also repaid \$612 million of the 10<sup>3</sup>/<sub>4</sub>% notes, \$167 million of the 9<sup>3</sup>/<sub>4</sub>% notes and other debt before scheduled maturity. Some of this debt was repaid at prices reflecting a premium to the par amount. The loss from these debt extinguishments, which totalled \$34 million after tax, has been classified as an extraordinary item on the Statement of Income.

The Company has an option every ten years to redeem all but not part of the then outstanding Swiss franc 200 million 7<sup>1</sup>/<sub>2</sub>% foreign interest payment bonds at a redemption price equal to 100% of the Swiss franc par value. Every ten years the bondholders will also be entitled to redeem their holdings. The redemption value available to the bondholder will be 100% of the Swiss franc par value unless the exchange rate of U.S. dollars to Swiss francs is less than 1 to 2.01, in which case bondholders would receive the Swiss franc equivalent of \$99.5 million. The interest rate for the first ten years will be 7<sup>1</sup>/<sub>2</sub>% per annum payable in U.S. dollars. If the bonds are not redeemed, the interest rate will be adjusted every ten years to equal the yield of current 10-year U.S. Treasury obligations

minus 1<sup>1</sup>/<sub>2</sub>%. The Company also entered into an interest rate swap agreement which effectively converts the fixed rate for this debt issue to a floating U.S. dollar interest rate.

The oil indexed notes, issued in \$1,000 denominations, are comprised of 37,500 notes due in 1990 and 37,500 notes due in 1992. Interest on the notes will be paid only upon maturity or redemption based on the spot price of West Texas Intermediate (WTI) crude oil. Notes can be redeemed at the end of each month for one year preceding the date of maturity. An average price will be calculated semimonthly commencing on January 1, 1990, for the 1990 notes and on April 1, 1991, for the 1992 notes based on the spot prices of WTI over approximately 20 trading days. The excess of that indexed price above \$25 per barrel, up to a maximum indexed price of \$40 per barrel, will be multiplied by 170 barrels for each 1990 note and 200 barrels for each 1992 note to determine the interest on the notes. The amount allocated to the contingent interest rights is included in accruals and reserves on the Balance Sheet.

The Swiss franc 150 million bonds with an annual coupon of 3<sup>1</sup>/<sub>8</sub>% will mature on November 6, 1993, and will not be redeemable prior to maturity. Concurrent with the issuance of these notes, the Company entered into a cross-currency interest rate swap which effectively eliminates the Company's exposure to currency exchange rate fluctuations and converts the 3<sup>1</sup>/<sub>8</sub>% Swiss franc fixed interest rate to a floating U.S. dollar interest rate. Each Swiss franc 5,000 bond includes one detachable gold warrant representing 3.3 ounces of gold exercisable at the holder's option monthly beginning November 6, 1987, and expiring November 6, 1991. Upon exercise the holder may purchase gold at the exercise price of \$565.20 per troy ounce or receive in U.S. dollars the excess, if any, of the spot price of gold over the exercise price. The amount allocated to the gold warrants is included in accruals and reserves on the Balance Sheet.

Demand revenue bonds bear interest at rates that reflect prevailing market interest rates for short-term tax-exempt securities. The bonds may be converted to a fixed rate under specified conditions.

The Company intends to finance the \$239 million of variable rate demand revenue bonds on a long-term basis and has lines of credit which enable it to borrow for a period in excess of one year (Note E).

The Company uses interest rate swap agreements as a debt management tool. In addition to the agreements noted above, during 1986 the Company entered into interest rate swap agreements which effectively provide for fixed rate refinancing of certain debt that is not currently callable.

Scheduled maturities of long-term debt (in millions) for the five years from December 31, 1986, are: 1987-\$83; 1988-\$98; 1989-\$206; 1990-\$109; 1991-\$364.

In 1987 the Company issued debt securities in the Japanese market which included \$50 million of U.S. dollar denominated 7<sup>7</sup>/<sub>8</sub>% notes due in 1997 and 8 billion yen (approximately \$48 million net proceeds) of 7<sup>7</sup>/<sub>8</sub>% dual currency notes due in 1994. In 1987 the Company also issued Swiss franc 108 million (approximately \$68 million net proceeds) of 4<sup>7</sup>/<sub>8</sub>% bonds at par due in 2000.

### Note G: Taxes

Millions of Dollars— Year Ended December 31	1986	1985	1984
<b>Income (loss) before income taxes and extraordinary items</b>			
Domestic	\$ (729)	\$ 805	\$ 2,672
Foreign	121	71	44
	\$ (608)	\$ 876	\$ 2,706
<b>Income taxes</b>			
Federal			
Current	\$ (738)	\$ 331	\$ 681
Deferred	365	110	441
Foreign			
Current	15	24	15
Deferred	24	9	6
State	37	94	74
	\$ (297)	\$ 568	\$ 1,218
Tax effect of extraordinary loss on extinguishment of debt	\$ (33)	—	—
<b>Taxes other than income taxes</b>			
Excise	\$ 803	\$ 816	\$ 559
Production and severance	284	671	630
Windfall profit	—	18	87
Real estate and personal property	195	194	183
Payroll	60	79	86
Other	26	39	34
	\$ 1,368	\$ 1,817	\$ 1,579

Investment tax credits are recognized using the flow through method and include credits on qualified progress expenditures.

Deferred taxes reflect the differences in timing of recognition of certain revenues and expenses for financial and tax reporting. Deferred income taxes were provided for the following items:

Millions of Dollars— Year Ended December 31	1986	1985	1984
Depreciation	\$370	\$372	\$350
Intangible drilling costs	24	91	90
Lease amortization and other exploration expenses	71	24	(66)
Unusual items—loss provisions deductible in different periods for financial and tax reporting	(112)	(428)	(40)
Dismantlement, restoration and reclamation	(53)	(24)	(30)
Inventories	65	—	—
Pensions	40	4	4
Other	(16)	80	139
Deferred income taxes	\$389	\$119	\$147

The following summarizes the difference between the Company's effective income tax rate and the statutory Federal income tax rate:

Millions of Dollars— Year Ended December 31	1986		1985		1984	
Income (loss) before income taxes and extraordinary items	\$ (608)	(100.0)%	\$ 876	100.0%	\$ 2,706	100.0%
Statutory Federal income tax	\$ (280)	(46.0)%	\$ 403	46.0%	\$ 1,245	46.0%
Effect of:						
State income taxes	20	3.3	51	5.8	40	1.5
Investment tax credit	(47)	(7.7)	(63)	(7.2)	(71)	(2.6)
Unusual items*	5	.8	150	17.1	—	—
Other	5	.8	27	3.1	4	.1
Income tax expense and effective rate	\$ (297)	(48.8)%	\$ 568	64.9%	\$ 1,218	45.0%

\*Primarily differences in book and tax bases of assets and liabilities as a result of the application of purchase accounting principles in business acquisitions.

### Note H: Redetermination

The unit operating agreement under which the Prudhoe Bay oil field is operated required a final redetermination of participating interests, based upon improved technical knowledge of the reservoir as a result of field operations.

In 1982 the Company, the Atlantic Richfield Company and Exxon Corporation (the three major interest owners holding a total of almost 94% in the Prudhoe Bay oil field) reached an agreement regarding final redetermination of participating interests in the Prudhoe Bay field.

Under the agreement, which was not binding on the other participants in the field, the Company's participating interest in the oil reservoir decreased from 53.0% to 50.4%. At the current maximum allowable production rate of 1,500,000 gross barrels per day, this resulted in the Company's interest decreasing to 661,700 net barrels per day from 695,200 net barrels per day. Furthermore, to adjust its

share of cumulative total production since the inception of commercial production, the Company underlifted about 76,000 net barrels per day for a two-year period which ended September 30, 1984. The Company recovered approximately \$400 million of excess contributions to field development expenditures and operating costs by bearing a reduced share of ongoing costs.

As a result of arbitration proceedings concluded in 1985 among the owners of the field, the Company's participating interest in the oil reservoir increased to 50.7%. At the current maximum allowable production rate, this resulted in the Company's interest increasing to 665,200 net barrels per day. Also, to adjust its share of cumulative total production since the inception of commercial production, the Company began an overlift of about 13,500 net barrels per day for a two-year period commencing September 1, 1985. The arbitration award is subject to judicial review by two courts.

**Note 1: Defined Benefit Retirement Plans**

The Company and certain subsidiaries have defined benefit retirement plans covering substantially all domestic employees except certain union employees covered by multiemployer pension plans (Note J). Certain foreign subsidiaries sponsor pension plans with benefit and vesting provisions which vary among different countries, often supplementing local social law arrangements.

The Company's defined benefit plans are of two general types—fixed benefit and final pay. Fixed benefit plans, which are often negotiated with unions, pay specified benefits based on the number of years of employee service. Final pay or career average plans (salary plans) pay benefits that are computed based on an employee's career average or final average salary. The Company makes annual contributions to the defined benefit plans which at least equal the amounts required by law. Contribution amounts are determined by independent actuaries using an actuarial cost method that has an objective of providing an adequate fund to meet pension obligations as they mature over the long-term future. As of December 31, 1986, the assets of the plans were held in U.S. and foreign equity securities, fixed income securities, cash and real estate.

The Company adopted Statement of Financial Accounting Standards No. 87 (FASB 87), "Employers' Accounting for Pensions," for the purpose of determining net pension cost effective January 1, 1986. In contrast to prior years where net pension cost was determined using primarily the entry age normal actuarial method, the FASB requires that the projected unit credit method be used. The Statement also sets forth specific rules for determining net pension cost,

the effect of which was to reduce net pension cost in 1986 by approximately \$52 million (\$28 million after tax, or \$.12 per share).

Net pension cost for defined benefit retirement plans was \$11 million, \$148 million and \$60 million in 1986, 1985 and 1984, respectively. In addition to the effects of the adoption, the decrease in 1986 net pension cost was due primarily to the absence of both the enhanced retirement benefits incurred because of the 1985 staff reorganization and the 1985 actuarial losses related to the complete shutdown of the Bingham Canyon mine.

The following table summarizes the components of net pension cost for 1986:

Millions of Dollars	1986
Service cost-benefits earned during period	\$ 27
Interest accrued on benefits earned in prior years	97
Actual return on plan assets	(142)
Net amortization and deferral*	29
<b>Net pension cost</b>	<b>\$ 11</b>

\*FASB 87 requires the disclosure of the actual return on plan assets although the estimated return on plan assets is used to determine pension expense for the period. The difference between the actual return and the estimated return is included in net amortization and deferral.

The following table presents the funded status of the plans and amounts recognized in the Company's Balance Sheet. The projected benefit obligation is based on discount rates of 9% and 10% at December 31, 1986 and December 31, 1985, respectively. The expected long-term rate of return on plan assets was 10% in 1986.

Millions of Dollars—December 31	Plans Whose Assets Exceed Accumulated Benefits		Plans Whose Accumulated Benefits Exceed Assets	
	1986	1985	1986	1985
Projected benefits based on employment service to date and present pay levels				
Vested	\$480	\$443	\$447	\$361
Nonvested	45	41	33	26
Accumulated benefit obligation	525	484	480	387
Projected benefits related to projected salary increases*	121	92	8	5
Projected benefit obligation	646	576	488	392
Plan assets at fair value	768	702	345	300
Plan assets (in excess of) less than projected benefit obligation	(122)	(126)	143	92
Unrecognized net loss	(64)	—	(60)	—
Unrecognized net assets at January 1, 1986, net of amortization	233	211	40	53
<b>Net accrued pension liability</b>	<b>\$ 47</b>	<b>\$115</b>	<b>\$123</b>	<b>\$115</b>

\*Based on projected long-term compensation growth of 6% per annum.

**Note J: Multiemployer Pension Plans and Other Postemployment Benefits**

Company subsidiaries under contract with the United Mine Workers of America participate in multiemployer pension plans which provide defined benefits to union employees. Contributions, which are based on coal production and hours worked, were \$21 million, \$20 million and \$22 million in 1986, 1985 and 1984, respectively.

The Company is liable under federal law and various state statutes for the payment of benefits to disabled workers and their dependents resulting from occurrences of coal workers' pneumoconiosis disease (black lung). Provisions for estimated benefit costs are accrued based on production and aggregated \$77 million at December 31, 1986.

The Company and certain domestic and foreign subsidiaries provide certain health care and life insurance benefits for retired employees who meet eligibility requirements. Those benefits are provided through self-insurance arrangements for which annual expense is based on the amount of actual claims incurred and through insurance arrangements for which annual expense is based on the amount of premiums paid. The annual expense attributable to retired employees is not material to the results of operations.

**Note K: Transactions with The British Petroleum Company p.l.c. and Subsidiaries (BP)**

BP owns 1,000 shares of special stock which is equivalent to 125,840,000 shares of common stock of the Company. The special stock, together with 4,320,000 shares of common stock owned by BP, results in a total BP ownership of approximately 55% of the voting rights of shares of common stock outstanding and common stock equivalents at December 31, 1986.

In April 1986 the Board of Directors of the Company established a Special Committee composed of all the non-management directors, other than those employed by BP. The Committee has the responsibility to monitor compliance with the Company's policy statement concerning the relationship with BP and to advise the Board as to whether the Company is in compliance with that policy. The Committee also has responsibility to review significant commercial transactions, joint programs, joint ventures and other working relationships between the Company and BP.

The Company's Prudhoe Bay reserves are subject to a BP net profits royalty interest (NPRI) equal to 75% of the net profits from oil and gas production from Prudhoe Bay leases multiplied by a fraction, of which the numerator is the number of net barrels per day of crude oil production from the Company's Prudhoe Bay leases between 600,000 net barrels per day and 1,050,000 net barrels per day, and the denominator is the total number of net barrels per day of crude oil production from such leases. Included in costs of products sold and operating expenses are charges of \$44 million in 1986, \$108 million in 1985 and \$36 million in 1984 for the NPRI which are payable as dividends on a subsidiary's preferred stock, which preferred stock is owned by BP. There was no NPRI expense during the two-year redetermination underlift period ended September 30,

1984, since the Company's Prudhoe Bay production was below 600,000 net barrels per day. Also, there is no NPRI on most of the barrels being overlifted as a result of the 1985 arbitration decision (Note H).

The Company (or subsidiaries): (1) makes payments to BP (\$197 million in 1986, \$309 million in 1985 and \$260 million in 1984) and receives payments from BP (\$34 million in 1986, \$33 million in 1985 and \$24 million in 1984) for pipeline transportation of Alaskan crude oil at rates governed by the Federal Energy Regulatory Commission. In addition, a refund of \$69 million was received from BP in 1985 related to the TAPS Agreement (Note L); (2) purchases from BP (\$44 million in 1986, \$84 million in 1985 and \$67 million in 1984) and sells to BP (\$124 million in 1986, \$187 million in 1985 and \$116 million in 1984) petroleum and chemicals in the ordinary course of business at prevailing competitive prices; (3) is a party to an agreement which provides that, whenever the Trans Alaska Pipeline System (TAPS) operates at less than design capacity, the crude oil produced by Standard Oil or BP from the North Slope will be shipped through the interests of their pipeline subsidiaries in TAPS in the approximate proportions that such ownership interests in TAPS bear to one another, so long as the pipeline subsidiary requesting such throughput protection maintains a competitive tariff rate; (4) contracts with BP for services related to marine operation and exploration and production; (5) is a party with BP in a number of other transactions and arrangements in the ordinary course of business.

**Note L: Litigation, Other Proceedings and Contingencies**

The Company's pipeline subsidiary and the other owners of the Trans Alaska Pipeline System (TAPS) have reached agreement with the State of Alaska as to the methodology for determining their interstate TAPS tariff rates, both for the past and in the future. The methodology has been approved by the Federal Energy Regulatory Commission, but the approval has been appealed to Federal court. The net effect of the agreement on the Company's earnings through 1986 was not material and has been recognized in the financial statements.

The Company is engaged in judicial and administrative proceedings in which the State of Alaska is challenging the valuation of crude oil reported by the Company since 1977 for royalty and 1978 for tax purposes. The Company believes it has complied with applicable tax legislation and provisions for royalty contained in its Prudhoe Bay leases, and is disputing the State's claims. While the amounts claimed and subject to claim are substantial, the Company believes the ultimate resolution of these disputes will not have a material impact on its financial position.

The Company also is engaged in various litigation and other proceedings with private parties and governmental authorities and has a number of unresolved claims pending. While the amounts claimed in the aggregate are substantial and the ultimate liability in respect of such litigation, proceedings and claims cannot be determined at this time, the Company is of the opinion that the aggregate amount of any such liabilities will not have a material impact on its financial position.

**Note M: Stock Plans**

The 1967 and 1977 Standard Oil Stock Option Plans for Key Employees authorized issuance of common stock to executives and other key employees. Under the 1977 plan, options granted prior to 1982 included stock appreciation rights. Authorization to grant options under both the 1967 and 1977 plans has been terminated.

The 1963 Standard Oil Stock Plan authorizes issuance of 5,000,000 shares of common stock for incentive and nonqualified stock options, restricted stock awards and performance awards to executives and other key employees. The options may be awarded with or without surrender rights. Grants made as incentive stock options did not include surrender rights. Performance awards are payable at the discretion of the Board of Directors subject to the accomplishment of specific performance objectives over a period of three years. No more than 500,000 of the total number of available shares may be used for restricted stock awards and performance awards.

The 1980 Kennecott Employees' Stock Plan (assumed in 1981) provides for the granting of options to Kennecott executives and other key employees to purchase shares of Standard Oil common stock, stock appreciation rights and restricted Standard Oil common stock.

Options generally become exercisable in approximately equal annual installments over a three- or five-year period beginning one year from date of grant, and expire after ten years. The option price will not be less than the market price on the date of grant. At December 31, 1986, Company employees held options to purchase 3,150,714 common shares at an average price of \$46.25 per share. These options expire on various dates ranging from 1987 to 1996.

Limitations on restricted stock are in effect for at least three years from the date of grant and then lapse in installments or in full. At December 31, 1986, 11,225 shares were outstanding as restricted stock awards.

Stock option transactions during 1986, 1985 and 1984 are summarized as follows:

	1986		1985		1984	
	Shares	Option Prices	Shares	Option Prices	Shares	Option Prices
Outstanding—January 1	2,952,244	\$15.63-52.00	2,976,517	\$15.63-52.00	2,685,745	\$13.29-52.00
Granted	716,800	-46.94-	757,800	-47.56-	715,700	-45.75-
Exercised	(175,928)	15.63-52.00	(322,462)	15.63-52.00	(276,911)	13.29-47.50
Cancelled(1)	(342,402)	15.63-52.00	(459,611)	15.63-52.00	(148,017)	13.29-52.00
Outstanding—December 31	3,150,714	15.63-52.00	2,952,244	15.63-52.00	2,976,517	15.63-52.00
Exercisable—December 31(2)	1,915,336		1,673,204		1,403,302	
Available for grant—December 31	2,655,056		3,179,261		3,647,550	

(1) Includes options surrendered in connection with the exercise of 63,399, 86,660 and 20,356 stock appreciation and surrender rights in 1986, 1985 and 1984, respectively.

(2) Subject to sequential exercise requirements.

**Note N: Inventories**

As a result of the Company's extensive use of the last-in, first-out (LIFO) method, inventories are reported in the balance sheet at less than current cost. Inventories valued under the LIFO method were approximately 83% and 81% of total inventories (exclusive of materials and supplies) at December 31, 1986 and 1985, respectively.

The following is information about the current cost of inventories (determined primarily using the first-in, first-out method):

Millions of Dollars—December 31	1986	1985
<b>Inventories at current cost</b>		
Crude oil and petroleum products	\$ 813	\$1,407
Metals and coal	122	156
Chemicals	31	46
Oil	84	66
Other businesses	81	167
Materials and supplies	298	405
	1,429	2,247
Excess of current cost over reported balance sheet amounts	(229)	(810)
Reported balance sheet amounts	\$1,200	\$1,437

**Note O: Standard Oil Finance Company**

Under the terms of an agreement, Standard Oil Finance Company (Finance), a wholly-owned unconsolidated subsidiary, utilizes commercial paper borrowings to purchase accounts receivable from the Company at a discount which provides earnings (before fixed charges and income taxes) of at least 1.25 times Finance's fixed charges. Summarized financial information of Finance is as follows:

Millions of Dollars	1986	1985	1984
Purchased accounts receivable outstanding at December 31	\$156	\$188	\$399
Commercial paper borrowings outstanding at December 31	105	15	429
Interest expense on commercial paper borrowings	3	22	23
Income before income taxes	1	9	11
Net income	2	5	6

**Note P: Lease Commitments and Rentals**

The Company has lease commitments for tankers, refinery facilities, mining equipment, service stations, offices and other equipment.

Millions of Dollars - December 31	1986	1985
<b>Capital leases included in property, plant and equipment</b>		
Tankers	\$376	\$376
Refinery facilities	40	40
Other	16	19
	432	435
Less accumulated amortization	193	172
	\$239	\$263

	Capital Leases	Operating Leases
<b>Future minimum annual rentals</b>		
1987	\$ 47	\$201
1988	44	106
1989	42	93
1990	40	90
1991	41	47
Thereafter	392	116
<b>Total minimum lease payments</b>	<b>613</b>	<b>\$633</b>
Less amounts representing interest	270	
<b>Present value of net minimum lease payments</b>	<b>\$343</b>	
Current	\$ 18	
Long-term	325	
	\$343	

	1986	1985	1984
<b>Rental expense under operating leases</b>			
Minimum rentals	\$360	\$375	\$306
Sublease rentals	(24)	(33)	(12)
	\$336	\$342	\$294

The higher level of rental expense in 1986 and 1985 compared with 1984 is primarily due to increased tanker requirements caused by the end of Prudhoe Bay under lifting on September 30, 1984.

**Note Q: Accruals and Reserves**

Millions of Dollars - December 31	1986	1985
Accrued dismantlement, restoration and reclamation costs	\$ 372	\$ 140
Reserve for employee benefits	239	318
Reserve for shutdown and modification of operations	123	226
Reserve for regulatory issues and other	218	316
	\$1,152	\$1,300

**Note R: Statement of Changes in Financial Position**

The Statement of Changes in Financial Position presents the Company's principal sources and uses of cash related to four primary activities: operations, dividends, investment activities and financing activities. Similarly, cash inflows and outflows related to changes in working capital (other than cash and short-term marketable securities) are segregated among those activities as follows:

Millions of Dollars	1986	1985	1984
<b>Operating working capital</b>			
Accounts receivable	\$ 57	\$(247)	\$(52)
Refundable Federal income taxes	(771)	-	-
Inventories	47	64	(17)
Prepaid expenses and deferred charges	9	(15)	(5)
Accounts payable	(558)	93	122
Accrued income and other taxes	(48)	(34)	151
Accrued interest	21	4	(11)
Other current liabilities	(41)	38	(24)
	(770)	(97)	164
<b>Investment working capital</b>	<b>100</b>	<b>(280)*</b>	<b>(26)</b>
<b>Financing working capital</b>	<b>(13)</b>	<b>(473)</b>	<b>685</b>
<b>Cash (outflow) inflow due to change in working capital</b>	<b>\$(683)</b>	<b>\$(850)</b>	<b>\$823</b>

\*Includes \$273 million of inventories from the acquisition of certain Gulf Oil Corporation refining and marketing properties in 1985.

Investment working capital consists primarily of accounts payable related to expenditures for capital assets and related materials and supplies inventories, working capital associated with acquisitions and divestitures, and joint-venture receivables and payables. Financing working capital includes all short-term notes payable, current maturities of long-term debt, and the effect on working capital from the sale of accounts receivable to the Company's unconsolidated finance subsidiary.

**Note S: Supplemental Statement of Income Information**

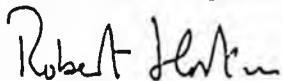
Millions of Dollars - Year Ended December 31	1986	1985	1984
<b>Interest expense</b>			
Notes payable and other*	\$ 50	\$ 69	\$ 70
Long-term obligations	356	356	364
	406	425	434
Capitalized interest	(71)	(29)	(60)
<b>Total interest expense</b>	<b>\$335</b>	<b>\$396</b>	<b>\$374</b>
Research and development expense	\$125	\$158	\$148
Maintenance and repairs expense	\$426	\$461	\$532

\*Includes the net results of Standard Oil Finance Company.

## Company Report on Financial Statements

The Company is responsible for the information included in its consolidated financial statements, and it believes those statements have been prepared in accordance with generally accepted accounting principles. A system of internal accounting controls has been developed and maintained which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements. In establishing and maintaining internal controls, the Company exercises judgment in determining that the costs of such controls do not exceed the benefits to be derived.

The Board of Directors of the Company is responsible for assuring that the Company fulfills its responsibilities in the preparation of the consolidated financial statements. The Board, on the recommendation of the Audit Committee and subject to shareholder ratification, selects and engages the independent auditors. The Audit Committee, comprised exclusively of nonmanagement members of the Board, meets with representatives of the Company, internal auditors and independent auditors to review the scope of and any recommendations for improvements in the Company's internal accounting controls. The Audit Committee reports its conclusions and recommendations to the Board of Directors. The independent auditors issue a report, upon completion of their audit, as to whether the consolidated financial statements present fairly the financial position, operating results and changes in financial position in accordance with generally accepted accounting principles.



Robert B. Horton  
Chairman of the Board  
and Chief Executive Officer



E. John P. Browne  
Executive Vice President  
and Chief Financial Officer

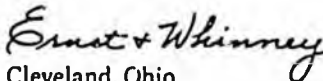
February 17, 1987

## Report of Ernst & Whinney, Independent Auditors

Shareholders and Board of Directors  
The Standard Oil Company

We have examined the consolidated balance sheet of The Standard Oil Company and subsidiaries as of December 31, 1986 and 1985, and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Standard Oil Company and subsidiaries at December 31, 1986 and 1985, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.



Cleveland, Ohio  
February 17, 1987