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November 18, 1996

Mr. Joel Klein  
Acting Assistant Attorney General  
Antitrust Division  
Department of Justice  
10th and Constitution Avenue, N.W.  
Washington, D.C. 20530

Re: Request for Business Review Letter Concerning Petroleum E&P Research  
Cooperative

Dear Mr. Klein:

This letter is submitted to you pursuant to the Business Review Procedures set forth in 28 C.F.R. § 50.6.

The Texas Engineering Experiment Station ("TEES") (a component of The Texas A&M University System) and several major petroleum companies or their affiliates (Amoco Production Company, ARCO Exploration and Production Technology (a unit of Atlantic Richfield Company), Exxon Production Research Company, Mobil Technology Company, Shell E&P Technology Company, and Texaco Group Inc.) have entered into an agreement to form The Petroleum E&P Research Cooperative ("the Cooperative"). These petroleum companies (and any other eligible companies that later join the Cooperative) are referred to as "Members." The Members and TEES are referred to collectively as "Participants." A copy of the agreement governing the formation, membership, and activities of the Cooperative ("the Agreement") is attached to this letter as Attachment B, and a summary of the principal terms of the Agreement is attached to this letter as Attachment A. Article XX.S of the Agreement (at p. 42) contemplates the submission of a request for a Business Review Letter prior to commencement of work under the Agreement and provides that no project may be commenced before the Department responds to the request.

TEES intends to establish a division to be called the Global Petroleum Research Institute (GPRI) to recommend and develop an annual research plan, coordinate the research of the Cooperative and furnish a full-time support staff.

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The Cooperative will operate under the auspices of GPRI as a nonprofit joint research and development venture for the purpose of developing new technology in the field of petroleum exploration and production. Members of the Cooperative will agree on and fund specific research projects. Nine initial projects have been tentatively identified for planning purposes; these tentative projects are described in the Initial Budget/Projects Guideline (Exhibit "A" to the Agreement). The Members anticipate that GPRI will take steps on behalf of the Cooperative to comply with the National Cooperative Research and Production Act with respect to the specific projects that the Members agree for the Cooperative to undertake.

Membership in the Cooperative will be open to other petroleum companies according to the terms of the Agreement. The initial budget of the Cooperative will be approximately \$4 million.

The Cooperative was formed for the purpose of making possible exploration and production activities beyond the current limits imposed by technology, lowering development costs, reducing project cycle time, and affording greater flexibility in hardware. The Cooperative plans to reduce the learning curve for drilling enhancements and drilling techniques and technology, to provide an integrated water management strategy, to research the prevention of certain solids deposition, to develop the next generation of drilling and workover fluids, to create tools to image fluids, and to perform basic experimental research regarding reservoir characterization.

The Cooperative will develop technology designed to lower costs, increase production, improve the safety and decrease the environmental impact of petroleum exploration and production operations. Petroleum exploration and production are occurring in ever more technically challenging environments. In these areas petroleum companies face enormous technical challenges and financial and timing risk. The Cooperative will perform research intended to mitigate the costs and risks of petroleum exploration and development in such areas. The work of the Cooperative is intended to enhance domestic energy production by prolonging reserve life in declining fields and facilitating access to new deepwater Gulf of Mexico reserves. The Cooperative's projects are also intended to enhance exploration for and development of reserves in areas of the world that will lessen dependence on Middle Eastern oil. Participation in the Cooperative will not lessen competition among the Members, and the results of the Cooperative's work will enable the Members to compete more efficiently around the world. Each Member of the Cooperative will be free to continue its own research efforts, alone or with others, in the field of petroleum exploration and production. It is contemplated that a majority of Members will make contributions to the Cooperative that do not, in the aggregate over any three-year period for a given participant, exceed ten percent of each Member's total research and development budget for that period.

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The goal of the Cooperative is to accelerate technology development and foster rapid commercialization of these developments. The Agreement accomplishes this in three ways: (1) each Member of the Cooperative is free to sublicense, in accordance with the terms of the Agreement, technology developed by the Cooperative to petroleum service companies and any other nonmembers; (2) Contractors that make in-kind contributions to a given research project, e.g., petroleum service companies, may be given preferential licenses to project technology for the purpose of accelerating commercialization of the technology; and (3) GRPI has the right to grant royalty-bearing licenses to third parties on reasonable terms.

In summary, the Cooperative is designed to stimulate innovation regarding petroleum exploration and production, to foster experimental and applied research that might otherwise not take place, and to foster dissemination of the results of its work throughout the petroleum exploration and production industry.

This information is submitted for the Department of Justice's review and guidance as to its present enforcement intentions. This request for a Business Review Letter is submitted on behalf of the Cooperative. Each of the initial Participants in the Cooperative joins in this request. Please do not hesitate to contact the undersigned if you need further information or wish to schedule a meeting to discuss this request further.

Sincerely,



Rufus W. Oliver III  
Counsel for The Petroleum E&P Research  
Cooperative

RWO:449

Enclosure

cc: Mr. Roy Collins  
Legal Counsel  
Texas Engineering Experiment Station  
Texas A&M University

Mr. Robert Sloat  
General Patent Attorney  
Amoco Corporation

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