

**ANALYSIS TO AID PUBLIC COMMENT ON  
THE PROVISIONALLY ACCEPTED CONSENT ORDER**

The Federal Trade Commission ("Commission") has accepted for public comment from Phillips Petroleum Co. ("Phillips") and Enron Corp. ("Enron") an agreement containing consent order. This agreement has been placed on the public record for sixty (60) days for reception of comments from interested persons.

Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement or make final the agreement's order.

The Commission's investigation of this matter concerns Phillips' proposed acquisition, through its wholly-owned subsidiary, GPM Gas Services Corp., of certain pipeline gathering systems owned by Enron's subsidiaries, Northern Natural Gas Co. and Transwestern Pipeline Co. Phillips and Enron are engaged in gas gathering -- the transportation of natural gas, for their own or for others' use, from a wellhead or producing area to a gas transmission pipeline or a gas processing plant. The Commission's investigation of this matter found potential anticompetitive problems in the Texas Panhandle counties of Hansford, Lipscomb, and Ochiltree and the immediately adjoining area in Beaver County, Oklahoma (hereafter referred to as the Panhandle counties).

For certain gas and oil producers in the Panhandle counties, the respondents are the only, or two of very few, choices available for producers who require gas gathering services. The Commission was concerned that the proposed merger would eliminate competition between the respondents in providing gas gathering services. The Commission was also concerned that the proposed merger would lead to anticompetitive increases in gathering rates to these producers, and an overall reduction in gas drilling and production.

The Agreement Containing Consent Order would, if finally issued by the Commission, settle charges alleged in the Commission's Complaint that Phillips' acquisition of Enron's gas gathering systems substantially lessened

competition in the gathering of natural gas in the Panhandle counties. The nature of such competition to be preserved is the actual and potential competition to provide gas gathering services to producers and other customers of the parties. The Commission's Complaint further alleges that Phillips' merger agreement with Enron violates Section 5 of the Federal Trade Commission Act and that the merger, if consummated, would violate Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act.

The order accepted for public comment contains provisions that would require that Enron not sell approximately 830 miles of pipe and related gas gathering assets within the Panhandle counties to Phillips. The gas gathering assets to be excluded from the transaction are listed in Schedule A of the proposed Consent Order. For a period of ten (10) years from the date that the order becomes final, the order would require prior Commission notification before (a) Phillips could acquire from any one person during any 18 month period more than five miles of gas gathering pipelines located within the Panhandle counties, or (b) Enron could sell the Schedule A assets to Phillips or Maxus Energy Corporation, another large gas gatherer in the Panhandle counties.

A separate agreement between the Commission and Phillips and Enron preserves the status quo pending final action by the Commission to accept or reject the proposed consent order. Phillips and Enron agreed to take no steps to consummate the proposed acquisition until the Commission accepts or rejects the proposed order.

The purpose of this analysis is to invite public comment concerning the consent order. This analysis is not intended to constitute an official interpretation of the agreement and order or to modify their terms in any way.