

**ExxonMobil Comments
Proposed Rule on Valuation of Crude Oil**

January 31, 2000

ATTACHMENT C

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA BARBARA**

UNION OIL COMPANY OF CALIFORNIA,
 Plaintiff,
 vs.
 PIONEER OIL AND GAS, PIONEER WESTERN, INCORPORATED, and DOES 1 through 100, inclusive,
 Defendants.

PIONEER OIL AND GAS and PIONEER WESTERN, INCORPORATED,
 Cross-Complainants,
 vs.
 UNION OIL COMPANY OF CALIFORNIA, and DOES 1 through 100, inclusive,
 Cross-Defendants.

Case No. SM92229
Judge Rodney S. Melville
SPECIAL VERDICT

FILED
SANTA BARBARA
SUPERIOR COURT

JAN 17 1997

GARY M. BLAIR
Executive Officer
By *Lorna Frey*
LORNA FREY-Deputy Clerk

F	<u>For</u>
K	_____
V	_____
CC	_____
CA	_____
AC	_____
J	_____
SR	_____
AP	_____
DOC	<u>4</u>
ST	_____
—	_____

We, the jury in the above-entitled action, find the following special verdict on the questions submitted to us concerning the claims made by UNION OIL COMPANY OF CALIFORNIA (referred to as "UNOCAL" in this special verdict) and by PIONEER OIL AND GAS and PIONEER WESTERN, INCORPORATED (collectively referred to as "PIONEER" in this special verdict):

Question No. 1: Is PIONEER liable to UNOCAL for breach of contract?
Yes X No _____

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Question No. 2: Is PIONEER liable to UNOCAL for an account stated?

Yes _____ No X

Question No. 3: Is PIONEER liable to UNOCAL for an open account?

Yes X No _____

Question No. 4: Is PIONEER liable to UNOCAL for goods supplied and services rendered?

Yes X No _____

If you answered "Yes" to Question No. 1, Question No. 2, Question No. 3, or Question No. 4 (or to any combination of those questions), then answer Question No. 5. If you answer "No" to Question No. 1, Question No. 2, Question No. 3, and Question No. 4, skip to Question No. 6.

Yes X No _____

Question No. 5: What is the total amount of damages (if any) owed by PIONEER to UNOCAL for the claims made by UNOCAL?

Total damages: \$ 563,158.28

Question No. 6: Is UNOCAL liable to PIONEER for breach of contract?

Yes X No _____

Question No. 7: Is UNOCAL liable to PIONEER for breach of the covenant of good faith and fair dealing?

Yes X No _____

Question No. 8: Is UNOCAL liable to PIONEER for breach of fiduciary duty?

Yes X No

If you answered "Yes" to Question No. 6, Question No. 7, or Question No. 8 (or to any combination of those questions), then answer Question No. 9. If you answered "No" to Question No. 6, Question No. 7, and Question No. 8, please sign and return this special verdict form.

Yes X No

Question No. 9: What is the total amount of damages (if any) owed by UNOCAL to PIONEER for the claims made by PIONEER?

Total damages: \$ 0

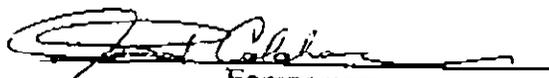
If you answered "Yes" to Question No. 8, please answer Question No. 10. If you answered "No" to Question No. 8, please sign and return this special verdict form.

Question No. 10: Is UNOCAL guilty of fraud or malice by clear and convincing evidence?

Yes No X

Please sign and return this special verdict form.

Dated: January 11, 1997


Foreperson

DAVIS & HOGGREN LLP
LOS ANGELES
MAY 14 2007
NOTED

CONDENSED TRANSCRIPT

Union Oil vs. Pioneer Oil

PETER ASHTON

10/2/96

Reported by: Margaret Marks, CSR# 7549
Our File#: 45261

EXHIBIT 6

EXHIBIT 10

Peter Ashton - 10/2/96 - Union vs. Pioneer

1 coming up with the amount that is based on my
 2 analysis that again is captured in here in these
 3 documents which I have brought today whereby I go
 4 through a calculation of the true market value of
 5 Santa Maria Valley crude oil.

6 Q. So that I understand "true market value"
 7 as you use it in this opinion, is "true market
 8 value" as you earlier defined it, is that correct?

9 A. Yes, that's correct.

10 Q. And that is, to restate, the value or
 11 price that a willing buyer, as you defined it,
 12 would pay to a willing seller in a reasonably
 13 competitive marketplace as you defined it is that
 14 right?

15 A. Yes. That's correct.

16 Q. Is there a "reasonably competitive
 17 marketplace" as you defined it in the purchase and
 18 sale of crude oil anywhere in the western United
 19 States?

20 A. Certainly the purchase and sale of ANS
 21 crude on the West Coast is reasonably competitive,
 22 yes.

23 Q. Is it correct that I understood you to
 24 say earlier that the California crude oil
 25 marketplace is not really competitive, as you

82

1 defined it?

2 A. I think I already answered that
 3 question.

4 Q. And that was your answer, I was just
 5 trying to recall your answer.

6 A. That's correct.

7 Q. All right. Now, in addition to the
 8 incorporation by reference of the bases for your
 9 first two opinions, this third opinion actually
 10 comes to some numbers, and you did reference there
 11 was some calculation. Perhaps you could tell me
 12 where in the documents those calculations are?

13 A. Sure. Maybe I should just run through
 14 generally how the calculation is done, then where
 15 in the documents that is performed.

16 Q. That would be helpful.

17 A. In making the calculation of the market
 18 value for Santa Maria Valley crude oil, I start
 19 with the monthly reported spot price for Alaska
 20 North Slope crude landed in California, as
 21 published in Platt's and Telerate, because the
 22 quality of ANS crude oil is different from Santa
 23 Maria Valley crude oil, I then make two
 24 adjustments for quality: I make an adjustment for
 25 sulfur, then I make a second sort of quality

83

1 adjustment, and then I make an adjustment for
 2 transportation, setting the cost of ANS versus
 3 Santa Maria Valley crude oil to the Santa Maria
 4 Valley refinery.

5 Having deducted those quality and
 6 location costs, I come up with a market value for
 7 Santa Maria Valley crude oil now that is the result
 8 of -- that are plotted graphically.

9 I should step back and say that the
 10 other quality adjustment as I have currently
 11 performed it is done two different ways. One is to
 12 apply the gravity price differential inherent in
 13 ~~our prices~~ ^{our prices} to adjust ANS crude oil from
 14 approximately 26.5 degrees API gravity to 15
 15 degrees API gravity, which is Santa Maria Valley
 16 gravity. The second adjustment in a separate
 17 calculation basically takes a refined product
 18 netback value adjustment looking at the difference
 19 in the distillation values for ANS crude versus
 20 Santa Maria Valley crude oil and applies that ^{as} a
 21 quality differential.

22 I have summarized those two calculations
 23 on a monthly basis and an annual summary of the
 24 difference between the market value and the posted
 25 prices on PIO 07314 and PIO 07315; those are

84

1 graphic representations. And the actual
 2 calculations of the market values are shown on
 3 tables included in here somewhere, at PIO 07333
 4 through PIO 07338. And there is a summary table on
 5 those two documents which compares the market value
 6 just to, I believe, Unocal's posted price.

7 Q. In doing your computation of market
 8 value according to the formula that you have just
 9 outlined, did you come to a range of market value
 10 over any given time frame, or did you come to a
 11 particular individual number for each month?

12 A. There are two separate numbers depending
 13 on the particular quality adjustment one employs.

14 Q. Was that what you were explaining as the
 15 two different quality -- or quality adjustments,
 16 one done on gravity price differential and one done
 17 on refined product netback?

18 A. Yes.

19 Q. Are there buyers of crude oil who
 20 compute the price they will pay based on the
 21 formula that you have just outlined?

22 A. There are certain analyses performed
 23 that underlie a decision as to whether to buy or
 24 not based on that formula, that methodology, yes.

25 Q. Who does those?

85