

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

BUREAU OF
EXPORT
ADMINISTRATION

FOR IMMEDIATE RELEASE
February 20, 2002
www.bxa.doc.gov

CONTACT: Catherine Willis
Eugene Cottilli
(202) 482-2721

**KOCH PETROLEUM GROUP AND SUBSIDIARY
SETTLE ANTIBOYCOTT ALLEGATIONS**

The Commerce Department's Bureau of Export Administration (BXA) announced today that two affiliated crude oil trading companies – Koch Petroleum Group, L.P., a Wichita, Kansas limited partnership, and Koch Refining International Pte. Ltd., Koch Petroleum Group's wholly-owned subsidiary in Singapore – have agreed to pay a total of \$37,000 to settle allegations that the companies committed 37 violations of the antiboycott provisions of the Export Administration Regulations. The companies voluntarily disclosed the transactions that led to the allegations and cooperated fully with the subsequent investigation.

The antiboycott regulations prohibit U.S. persons, including foreign subsidiaries of U.S. companies, from complying with certain aspects of unsanctioned foreign boycotts. In addition, the antiboycott regulations require that U.S. persons report their receipt of certain boycott requests to BXA's Office of Antiboycott Compliance.

BXA alleged that, between 1996 and 1999, the companies failed to report within the time period prescribed by the regulations their receipt of boycott requests in 37 transactions. The boycott requests involved prohibitions on the sale of crude oil to Israel that Koch Petroleum Group and its affiliate purchased from Brunei, Gabon, Indonesia, Nigeria, Oman, and the United Arab Emirates. The antiboycott regulations permit compliance with such requests, but all U.S. persons must file a report upon their receipt of such requests.

Koch Petroleum Group, L.P. agreed to pay a \$16,000 civil penalty to settle 16 alleged violations. Koch Refining International Pte. Ltd. agreed to pay a \$21,000 civil penalty to settle 21 alleged violations.

Assistant Secretary of Commerce for Export Enforcement Michael J. Garcia commended the efforts of Senior Compliance Officer Shirley Rockenbaugh, who conducted the investigation for the Office of Antiboycott Compliance.

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I, the Assistant Secretary for Export Enforcement, having approved the terms of the Settlement Agreement:

IT IS ORDERED THAT,

FIRST, a civil penalty of \$16,000 is assessed against Koch Petroleum;

SECOND, Koch Petroleum shall pay to the Department the sum of \$16,000, within thirty days of the date of this Order, as specified in the attached instructions;

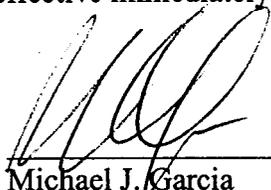
THIRD, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C.A. §§ 3701-3720E (1983 and Supp. 2001)), the civil penalty owed under this Order accrues interest as more **fully** described in the attached Notice, and, if payment is not made by the due date specified herein, Koch Petroleum may be assessed, in addition to interest, a penalty charge and an administrative charge, as more **fully** described in the attached Notice;

FOURTH, as authorized by Section 1 l(d) of the Act, the timely payment of the sum of \$16,000 is hereby made a condition to the granting, restoration or continuing validity of any export license, permission, or privilege granted, or to be granted, to Koch Petroleum.

Accordingly, if Koch Petroleum should fail to pay the sum of \$16,000 in the manner prescribed by this Order, I will enter an Order under the authority of Section 1 l(d) of the Act denying all of Koch Petroleum's export privileges for a period of one year from the date of entry of this Order; and

FIFTH, the Proposed Charging Letter, the Settlement Agreement and this Order shall be made available to the public, and a copy of this Order shall be served on Koch Petroleum.

This Order is effective immediately.



Michael J. Garcia
Assistant Secretary for Export Enforcement
Bureau of Export Administration

Entered this 20th day of February, 2002

Attachments

INSTRUCTIONS FOR PAYMENT OF SETTLEMENT AMOUNT

1. The check should be made payable to:

U.S. DEPARTMENT OF COMMERCE

2. The check should be mailed to:

U.S. Department of Commerce
Bureau of Export Administration
Room 6881 - Attn: Ms. Sharon Gardner
14th Street & Constitution Ave., N.W.
Washington D.C. 20230

NOTICE

The Order to which this Notice is attached describes the reasons for the assessment of the civil monetary penalty. It also specifies the amount owed and the date by which payment of the civil penalty is due and payable.

Under the Debt Collection Act of 1982, as amended (31 U.S.C.A. §§ 3701-3702E (1983 and Supp. 2001)), and the Federal Claims Collection Standards (65 Fed. Reg. 70390-70406, November 22, 2000, to be codified at 31 C.F.R. Parts 900-904), interest accrues on any and all civil monetary penalties owed and unpaid under the Order, **from** the date of the Order until paid in full. The rate of interest assessed respondent is the rate of the current value of funds to the U.S. Treasury on the date that the Order was entered. However, interest is waived on any portion paid within 30 days of the date **of the** Order. See 31 U.S.C.A. § 3717 and 31 C.F.R. § 901.9.

The civil monetary penalty will be delinquent if not paid by the due date specified in the Order. If the penalty becomes delinquent, interest will continue to accrue on the balance remaining due and unpaid, and respondent will also be assessed both an **administrative** charge to cover the cost of processing and handling the delinquent claim and a penalty charge of six percent per year. However, although the penalty charge will be computed **from** the date that the civil penalty becomes delinquent, it will be assessed only on sums due and unpaid for over 90 days after that date. See 31 U.S.C.A. § 3717 and 31 C.F.R. § 901.9.

The foregoing constitutes the initial written notice and demand to respondent in accordance with Section 901.2(b) of the Federal Claims Collection Standards (31 C.F.R. § 901.2(b)).

UNITED STATES OF AMERICA

DEPARTMENT OF COMMERCE

In the Matter of)
)
Koch Petroleum Group, L.P.)
_____)

Case No. 01-02

SETTLEMENT AGREEMENT

This agreement is made by and between Koch Petroleum Group, L.P. (“Koch Petroleum”), a domestic concern registered in Delaware as a limited partnership, and the Office of Antiboycott Compliance, Bureau of Export Administration, United States Department of Commerce (“Department”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2001)) (the “Regulations”), issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & 2001)) (the “Act”).’

WHEREAS, the Department has notified Koch Petroleum of its intention to initiate an administrative proceeding against Koch Petroleum pursuant to Section **11(c)** of the Act by issuing the Proposed Charging Letter, dated October 11, 2001, a copy of which is attached hereto and incorporated herein by this reference;

¹ The Act expired on August **20, 2001**. Executive Order 13222 of August **17, 2001** (**66 Fed. Reg.** 44025 (August **22, 2001**)) continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (**1991 & 2001**)).

WHEREAS, Koch Petroleum has reviewed the Proposed Charging Letter and is aware of the allegations against it and the **administrative** sanctions which could be imposed against it if the allegations are found to be true; Koch Petroleum fully understands the terms of this Settlement Agreement, and enters into this Settlement Agreement voluntarily and with full knowledge of its rights; and Koch Petroleum states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Koch Petroleum neither admits nor denies the truth of the allegations, but wishes to settle and dispose of the allegations made in the Proposed Charging Letter by entering into this Settlement Agreement;

WHEREAS, Koch Petroleum voluntarily disclosed to the Department the transactions which are the subject of this Settlement Agreement, and has cooperated with the Office of Antiboycott Compliance in the investigation of this matter; and

WHEREAS, Koch Petroleum agrees to be bound by the appropriate Order (“Order”) when entered.

NOW, THEREFORE, Koch Petroleum and the Department agree as follows:

1. Under the Act and the Regulations, the Department has jurisdiction over Koch Petroleum with respect to the matters alleged in the Proposed Charging Letter.

2. In complete settlement of all matters set forth in the Proposed Charging Letter, Koch Petroleum will pay to the Department the amount of \$16,000 within 30 days of the date of the Order, when entered.

3. As authorized by Section 11 (d) of the Act, timely payment of the amount agreed to in paragraph 2 is hereby made a condition of the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Koch Petroleum.

4. Subject to the approval of this Settlement Agreement pursuant to paragraph 9 hereof, Koch Petroleum hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violation of this Settlement Agreement or the Order, when entered) including, without limitation, any right to:
 - a. an administrative hearing regarding the allegations in the Proposed Charging Letter;
 - b. request a refund of the funds paid by Koch Petroleum pursuant to this Settlement Agreement and the appropriate Order, when entered; or
 - c. seek judicial review or otherwise contest the validity of this Settlement Agreement or the appropriate Order, when entered.

5. The Department, upon entry of the appropriate Order, will not initiate any administrative or judicial proceeding, or make a referral to the Department of Justice or any other agency

of the United States Government for possible enforcement action, against Koch Petroleum or any of its **officers**, directors, employees or related companies, with respect to any violation of Section 8 of the Act or Part 760 of the Regulations arising out of the transactions set forth in the Proposed Charging Letter or any other transaction that was disclosed to or reviewed by the Department in the course of its investigation.

6. Koch Petroleum understands that the Department will disclose publicly the Proposed Charging Letter, this Settlement Agreement, and the Order, when entered.

7. This Settlement Agreement is for settlement purposes only, and does not constitute a finding or determination by the Department or an admission by Koch Petroleum that Koch Petroleum has violated the Regulations or an admission of the truth of any allegation contained in the Proposed Charging Letter or referred to in this Settlement Agreement. Therefore, if this Settlement Agreement is not accepted and the appropriate Order not entered by the Assistant Secretary for Export Enforcement, the Department may not use this Settlement Agreement against Koch Petroleum in any administrative or judicial proceeding.

8. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this

Settlement Agreement or the appropriate Order, when entered. This Settlement Agreement shall not bind, constrain or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances herein addressed.

9. This Settlement Agreement will become binding on the Department only when approved by the Assistant Secretary for Export Enforcement by entering the appropriate Order.

KOCH PETROLEUM GROUP, L.P.



Mr. Steven H. Carter, Esq.
Senior Counsel for Koch Petroleum Group, L.P.
4111 E. 37th St. N.
Wichita, KS 67220

DATE: 12/12/01

U.S. DEPARTMENT OF COMMERCE



Dexter M. Price
Director
Office of Antiboycott Compliance
Bureau of Export Administration

DATE: 1/23/02



PROPOSED CHARGING LETTER

October 11, 2001

Koch Petroleum Group, L.P.
4111 East 37th Street North
Wichita, Kansas 67220

RE: Koch Petroleum Group, L.P., Case No. 01-02

Gentlemen\Ladies:

We have reason to believe and charge that you, Koch Petroleum Group, L.P., have committed sixteen (16) violations of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2001)) (the "Regulations"),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. §§ 2401-2420 (1991 and Supp. 2001)) (the "Act")? We charge that, in violation of Section 760.5 of the Regulations, on sixteen (16) occasions you failed to report, within the required time period, your receipt of a request to engage in a restrictive trade practice or boycott.

We allege that:

1. You are a domestic concern registered in Delaware as a limited partnership and, as such, you are a United States person as defined in Section **760.1(b)** of the Regulations.

¹ The violations occurred after April **24, 1996** through 1999. The Regulations governing the violations at issue are found in the 1996 through 1999 versions of the Code of Federal Regulations. The March **25, 1996** Federal Register notice restructured **and reorganized** (but did not republish) the Regulations, designating them as an interim rule at 15 C.F.R. Parts 730-774, effective April **24, 1996**.

² From August **21, 1994** through November **12, 2000**, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the most recent of which was August **3, 2000** (3 C.F.R. , **2000** Comp. 397 (**2001**), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. Sections **1701 - 1706 (1991 & Supp. 2001)**) (IEEPA). On November **12, 2000**, the Act was reauthorized and remained in effect through August **20, 2001**. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, **2001 (66 Fed. Reg. 44025 (August 22, 2001))**, has continued the Regulations in effect under IEEPA.



2. During the period May 1996 through July 1999, you, directly and through your **office** in England, engaged in activities involving the sale and transfer of crude oil from Gabon, Nigeria and Oman. Those activities were in the foreign commerce of the United States, as defined in Section 760.1 (d) of the Regulations.
3. In connection with the activities referred to in paragraph 2 above, you received requests (which are described in Table A, attached hereto and incorporated by this reference) to take actions which have the effect of furthering or supporting a restrictive trade practice or unsanctioned foreign boycott. Section 760.5(b) of the Regulations requires United States persons to report in a timely manner to the Department their receipts of such requests.
4. You failed to report, within the required time period, your receipts of the requests described in Table A. By failing to report the requests as directed by Section **760.5(b)** of the Regulations, you are in violation of Section 760.5. Therefore, we charge you with sixteen (16) violations of Section 760.5 of the Regulations.

Accordingly, administrative proceedings are instituted against you pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative **sanctions**.³

If you fail to answer the allegations contained in this letter within thirty (30) days after service as provided in Section 766.6, such failure will be treated as a default under Section 766.7.

You are entitled to a hearing on the record as provided in Section 766.6 of the Regulations. If you wish to have a hearing on the record, you must file a written demand for it with your answer. You are entitled to be represented by counsel and, under Section 766.18 of the Regulations, to seek a settlement agreement.

As provided in Section 766.3 of the Regulations, I am referring this matter to the Administrative Law Judge. Pursuant to an Interagency Agreement between the Bureau of Export Administration and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services,

³ Administrative sanctions may include any or all of the following:
a. A civil penalty of \$11,000 per violation (**see** Section **764.3(a)(1)** of the Regulations);
b. Denial of export privileges (see Section 764.3(a)(2) of the Regulations); and/or
c. Exclusion **from** practice (see Section 764.3(a)(3) of the Regulations).

to the extent that such services are required under the Regulations. Therefore, in accordance with the instructions in Section 766.5(a) of the Regulations, your answer should be filed with:

Attention: **Administrative** Law Judge
U.S. Coast Guard ALJ Docketing Center
40 South Gay Street
Baltimore, Maryland 21202-4022

Also, in accordance with the instruction in Section 766.5(b) of the Regulations, a copy of your answer should also be served on the Bureau of Export Administration at the following address:

Office of the Chief Counsel for Export Administration
Room H-3839
U.S. Department of Commerce
14th Street and Constitution Avenue, N. W.
Washington, D.C. 20230

The Office of the Chief Counsel can be contacted by telephone at (202) 482-5311.

Sincerely,

Dexter M. Price
Director
Office of Antiboycott Compliance

TABLE A
**ALLEGED VIOLATIONS OF SECTION 760.5,
LATE REPORTS OF RECEIPTS OF BOYCOTT REQUESTS**

Koch Petroleum Group, L.P., Case No. 01-02

ITEM NO.	DATE REC'D (on or about)	KOCH INDUSTRIES, INC. DOCUMENT REFERENCE NUMBER	BOYCOTTING COUNTRY	KEY TO BOYCOTT REQUEST (see Key, below)
1.	05/03/96	PA961535	Nigeria	A
2.	05/24/96	PA961772	Nigeria	A
3.	07/09/96	PA962352	Nigeria	A
4.	07/12/96	PA962345	Nigeria	A
5.	11/26/96	PA964235	Oman	A
6.	12/02/96	PA964339	Nigeria	A
7.	04/14/97	PA971389	Nigeria	A
8.	06/24/97	PA972949	Nigeria	A
9.	07/16/97	PA973297	Gabon	A
10.	02/24/98	PA980871	Nigeria	A
11.	05/21/98	PA982576	Nigeria	A
12.	06/29/98	PA983397	Gabon	A
13.	12/08/98	38555	Nigeria	A
14.	06/25/99	88126	Nigeria	A
15.	06/25/99	88154	Nigeria	A
16.	06/28/99	88516	Nigeria	A

KEY TO BOYCOTT REQUEST

A = "DESTINATION RESTRICTIONS AND CERTIFICATION

...It is a condition of the agreement that the oil purchased may not, in any event, be sold supplied or delivered, directly or **indirectly**, to any port or ports in . . . the State of Israel . . ."

* There were several, minor typographical variations of this request among the transaction documents. Because none of the differences are material to the nature of the boycott request, nor to the application of Section 760 to the request, **only** one, generic version of the wording is used in this table.

I, the Assistant Secretary for Export Enforcement, having approved the terms of the Settlement Agreement:

IT IS ORDERED THAT,

FIRST, a civil penalty of \$2 1,000 is assessed against Koch Refining;

SECOND, Koch Refining shall pay to the Department the sum of \$2 1,000, within thirty days of the date of this Order, as specified in the attached instructions;

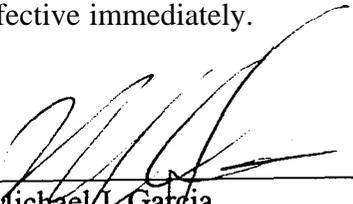
THIRD, pursuant to the Debt Collection Act of 1982, as amended (3 1 U.S.C.A. §§ 3701-3720E (1983 and Supp. 2001)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Koch Refining may be assessed, in addition to interest, a penalty charge and an administrative charge, as more fully described in the attached Notice;

FOURTH, as authorized by Section 1 l(d) of the Act, the timely payment of the sum of \$21,000 is hereby made a condition to the granting, restoration or continuing validity of any export license, permission, or privilege granted, or to be granted, to Koch Refining. Accordingly,

if Koch Refining should fail to pay the sum of \$21,000 in the manner prescribed by this Order, I will enter an Order under the authority of **Section 11(d)** of the Act denying all of Koch Refining's export privileges for a period of one year from the date of entry of this Order; and

FIFTH, the Proposed Charging Letter, the Settlement Agreement and this Order shall be made available to the public, and a copy of this Order shall be served on Koch Refining.

This Order is effective immediately.



Michael J. Garcia
Assistant Secretary for Export Enforcement
Bureau of Export Administration

Entered this 26th day of February, 2002

Attachments

INSTRUCTIONS FOR PAYMENT OF SETTLEMENT AMOUNT

1. The check should be made payable to:

U.S. DEPARTMENT OF COMMERCE

2. The check should be mailed to:

U.S. Department of Commerce
Bureau of Export Administration
Room 6881 - Attn: Ms. Sharon Gardner
14th Street & Constitution Ave., N. W.
Washington D.C. 20230

NOTICE

The Order to which this Notice is attached describes the reasons for the assessment of the civil monetary penalty. It also specifies the amount owed and the date by which payment of the civil penalty is due and payable.

Under the Debt Collection Act of 1982, as amended (31 U.S.C.A. §§ 3701-3702E (1983 and Supp. 2001)), and the Federal Claims Collection Standards (65 Fed. Reg. 70390-70406, November 22, 2000, to be codified at 31 C.F.R. Parts 900-904), interest accrues on any and all civil monetary penalties owed and unpaid under the Order, from the date of the Order until paid in full. The rate of interest assessed respondent is the rate of the current value of funds to the U.S. Treasury on the date that the Order was entered. However, interest is waived on any portion paid within 30 days of the date of the Order. See 31 U.S.C.A. § 3717 and 31 C.F.R. § 901.9.

The civil monetary penalty will be delinquent if not paid by the due date specified in the Order. If the penalty becomes delinquent, interest will continue to accrue on the balance remaining due and unpaid, and respondent will also be assessed both an administrative charge to cover the cost of processing and handling the delinquent claim and a penalty charge of six percent per year. However, although the penalty charge will be computed from the date that the civil penalty becomes delinquent, it will be assessed only on sums due and unpaid for over 90 days after that date. See 31 U.S.C.A. § 3717 and 31 C.F.R. § 901.9.

The foregoing constitutes the initial written notice and demand to respondent in accordance with Section 901.2(b) of the Federal Claims Collection Standards (31 C.F.R. § 901.2(b)).

UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE

In the Matter of)
)
Koch Refining International Pte. Ltd.) Case No. 01-02-A
_____)

SETTLEMENT AGREEMENT

This agreement is made by and **between** Koch Refining International Pte. Ltd. (“Koch Refining”), a wholly owned foreign subsidiary of a domestic concern, and the **Office** of Antiboycott Compliance, Bureau of Export Administration, United States Department of Commerce (“Department”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2001)) (the “Regulations”), issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 2001)) (the “Act”).’

WHEREAS, the Department has notified Koch Refining of its intention to initiate an administrative proceeding against Koch Refining pursuant to Section **11(c)** of the Act by issuing the Proposed Charging Letter, dated October 11,200 1, a copy of which is attached hereto and incorporated herein by this reference;

¹ The Act expired on August **20, 2001**. Executive Order 13222 of August **17, 2001** (66 Fed. Reg. 44025 (August **22, 2001**)) continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A.. §§ 1701-1706 (1991 & Supp. 2001)).

WHEREAS, Koch Refining has reviewed the Proposed Charging Letter and is aware of the allegations against it and the **administrative** sanctions which could be imposed against it if the allegations are found to be true; Koch Refining fully understands the terms of this Settlement Agreement, and enters into this Settlement Agreement voluntarily and with full knowledge of its rights; and Koch Refining states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Koch Refining neither admits nor denies the truth of the allegations, but wishes to settle and dispose of the allegations made in the Proposed Charging Letter by entering into this Settlement Agreement;

WHEREAS, Koch Refining voluntarily disclosed to the Department the transactions which are the subject of this Settlement Agreement, and has cooperated with the **Office** of Antiboycott Compliance in the investigation of this matter; and

WHEREAS, Koch Refining agrees to be bound by the appropriate Order (“Order”) when entered.

NOW. THEREFORE, Koch Refining and the Department agree as follows:

1. Under the Act and the Regulations, the Department has jurisdiction over Koch Refining with respect to the matters alleged in the Proposed Charging Letter.

2. In complete settlement of all matters set forth in the Proposed Charging Letter, Koch Refining will pay to the Department the amount of \$2 1,000 within 30 days of the date of the Order, when entered.

3. As authorized by Section 11 (d) of the Act, timely payment of the amount agreed to in paragraph 2 is hereby made a condition of the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Koch Refining.

4. Subject to the approval of this Settlement Agreement pursuant to paragraph 9 hereof, Koch Refining hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violation of this Settlement Agreement or the Order, when entered) including, without limitation, any right to:
 - a. an administrative hearing regarding the allegations in the Proposed Charging Letter;
 - b. request a refund of the funds paid by Koch Refining pursuant to this Settlement Agreement and the appropriate Order, when entered; or
 - c. seek judicial review or otherwise contest the validity of this Settlement Agreement or the appropriate Order, when entered.

5. The Department, upon entry of the appropriate Order, will not initiate any administrative or judicial proceeding, or make a referral to the Department of Justice or any other agency

of the United States Government for possible enforcement action, against Koch Refining or any of its **officers**, directors, employees or related companies, with respect to any violation of Section 8 of the Act or Part 760 of the Regulations arising out of the transactions set forth in the Proposed Charging Letter or any other transaction that was disclosed to or reviewed by the Department in the course of its investigation.

6. Koch Refining understands that the Department will disclose publicly the Proposed Charging Letter, this Settlement Agreement, and the Order, when entered.

7. This Settlement Agreement is for settlement purposes only, and does not constitute a finding or determination by the Department or an admission by Koch Refining that Koch Refining has violated the Regulations or an admission of the truth of any allegation contained in the Proposed Charging Letter or referred to in this Settlement Agreement. Therefore, if this Settlement Agreement is not accepted and the appropriate Order not entered by the Assistant Secretary for Export Enforcement, the Department may not use this Settlement Agreement against Koch Refining in any administrative or judicial proceeding.

8. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this

Settlement Agreement or the appropriate Order, when entered. This Settlement Agreement shall not bind, constrain or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances herein addressed.

9. This Settlement Agreement will become binding on the Department only when approved by the Assistant Secretary for Export Enforcement by entering the appropriate Order.

KOCH REFINING INTERNATIONAL PTE. LTD.



Mr. Steven H. Carter, Esq.
Senior Counsel for Koch -Refining International Pte. Ltd.
4111 E. 37th St. N.
Wichita., KS 67220

DATE: 12/12/01

U.S. DEPARTMENT OF COMMERCE



Dextera Price
Director
Office of Antiboycott Compliance
Bureau of Export Administration

DATE: 1/23/02



PROPOSED CHARGING LETTER

October 11, 2001

Koch Refining International Pte. Ltd.
260 Orchard Road
11-01/09 The Heeren
Singapore 238855

RE: Koch Refining International Pte. Ltd., Case No. 01-02A

Gentlemen/Ladies:

We have reason to believe and charge that you, Koch Refining International Pte. Ltd., have committed twenty-one (21) violations of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2001)) ("the Regulations"), issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. §§ 2401-2420 (1991 and Supp. 2001)) (the "Act").² We charge that, in violation of Section 760.5 of the Regulations, on twenty-one (21) occasions you failed to report, within the required time period, your receipt of a request to engage in a restrictive trade practice or boycott.

¹ The violations occurred between April 24, 1996 and February 2000. The Regulations governing the violations at issue are found in the 1996 through 2000 versions of the Code of Federal Regulations. The March 25, 1996 Federal Register notice restructured and reorganized (but did not republish) the Regulations, designating them as an interim rule at 15 C.F.R. Parts 730-774, effective April 24, 1996.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the most recent of which was August 3, 2000 (3 C.F.R. , 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. Sections 1701 - 1706 (1991 & Supp. 2001)) (IEEPA). On November 12, 2000, the Act was reauthorized and remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (66 Fed. Reg. 44025 (August 22, 2001)), has continued the Regulations in effect under IEEPA.



We allege that:

1. Koch Petroleum Group, L.P. is a domestic concern resident in the State of Kansas, and as such is a United States person as defined in Section 760.1 (b) of the Regulations.
2. You, Koch Refining International Pte. Ltd., a company located in Singapore, are a wholly owned subsidiary of Koch Petroleum Group, L.P. and, as such, you are a controlled in fact subsidiary of a domestic concern, as defined in Section 760.1 (c) of the Regulations, and as such you are a United States person as defined in Section 760.1 (b) of the Regulations.
3. During the period April 1996 through February 2000, you engaged in activities involving the sale and transfer of crude oil from Brunei, Indonesia, Oman and the United Arab Emirates. Those activities were in the foreign commerce of the United States, as defined in Section 760.1 (d) of the Regulations.
4. In connection with the activities referred to in paragraph 2 above, you received requests (which are described in Table A, attached hereto and incorporated by this reference) to take actions which have the effect of furthering or supporting a restrictive trade practice or unsanctioned foreign boycott. Section 760.5(b) of the Regulations requires United States persons to report in a timely manner to the Department their receipts of such requests.
5. You failed to report, within the required time period, your receipts of the requests described in Table A. By failing to report the requests as directed by Section 760.5(b) of the Regulations, you are in violation of Section 760.5. Therefore, we charge you with twenty-one (21) violations of Section 760.5 of the Regulations.

Accordingly, administrative proceedings are instituted against you pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative **sanctions**.³

If you fail to answer the allegations contained in this letter within thirty (30) days after service as provided in Section 766.6, such failure will be treated as a default under Section 766.7.

³ Administrative sanctions may include any or all of the following:

- a. A civil penalty of \$11,000 per violation (**see** Section 764.3(a)(1) of the Regulations);
- b. Denial of export privileges (**see** Section 764.3(a)(2) of the Regulations); and/or
- c. Exclusion from practice (**see** Section 764.3(a)(3) of the Regulations).

You are entitled to a hearing on the record as provided in Section 766.6 of the Regulations. If you wish to have a hearing on the record, you must file a written demand for it with your answer. You are entitled to be represented by counsel and, under Section 766.18 of the Regulations, to seek a settlement agreement.

As provided in Section 766.3 of the Regulations, I am referring this matter to the Administrative Law Judge. Pursuant to an Interagency Agreement between the Bureau of Export Administration and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations. Therefore, in accordance with the instructions in Section 766.5(a) of the Regulations, your answer should be filed with:

Attention: Administrative Law Judge
U.S. Coast Guard ALJ Docketing Center
40 South Gay Street
Baltimore, Maryland 21202-4022

Also, in accordance with the instruction in Section 766.5(b) of the Regulations, a copy of your answer should also be served on the Bureau of Export Administration at the following address:

Office of the Chief Counsel for Export Administration
Room H-3839
U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

The Office of the Chief Counsel can be contacted by telephone at (202) 482-5311.

Sincerely,

Dexter M. Price
Director
Office of Antiboycott Compliance

TABLE A

**ALLEGED VIOLATIONS OF SECTION 760.5,
LATE REPORTS OF RECEIPTS OF BOYCOTT REQUESTS**

Koch Refining International Pte. Ltd., Case No. 0 1-02A

ITEM NO.	DATE RECEIVED (on or about)	DOCUMENT REFERENCE NUMBER	BOYCOTTING COUNTRY	KEY TO BOYCOTT REQUEST ^{1/}
1.	04/25/96	PA961251	Indonesia	A
2.	02/21/97	PA970820	Oman	B
3.	10/08/97	SA974734	Oman	B
4.	10/28/97	PA974987	Oman	B
5.	12/29/97	PA975602	Oman	B
6.	12/29/97	PA976032	Oman	B
7.	03/04/98	PA980967 & PA980970	Brunei	C
8.	03/04/98	PA980983	Oman	B
9.	03/12/98	PA981079	Brunei	C
10.	05/28/98	PA982686	Brunei	C
11.	07/24/98	PA983897	Oman	B
12.	08/26/98	PA984517	U.A.E.	D
13.	11/09/98	PA986105	Oman	B
14.	01/21/99	46624	Brunei	C
15.	02/09/99	50425	Brunei	C
16.	06/24/99	88017-88022	Brunei	C
17.	07/15/99	97446	Oman	B

^{1/} Key to Boycott Request on page 2.

TABLE A - Continued

**ALLEGED VIOLATIONS OF SECTION 760.5,
LATE REPORTS OF RECEIPTS OF BOYCOTT REQUESTS**

Koch Refining International Pte.. Ltd., Case No. Q 1-02A

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ITEM NO.	DATE RECEIVED (on or about)	DOCUMENT REFERENCE NUMBER	BOYCOTTING COUNTRY	KEY TO BOYCOTT REQUEST
18.	08/18/99	115261	Oman	B
19.	11/18/99	1 7 3 0 6 4	Brunei	C
20.	11/18/99	173065 & 192619	Brunei	C
21.	12/22/99	192056-192059	Oman	B

KEY TO BOYCOTT REQUEST:

A = "DESTINATION
FREE EXCEPT . . . USUAL BOYCOTT COUNTRIES."

B* = "DESTINATION RESTRICTIONS AND CERTIFICATION
. . .It is a condition of the agreement that the oil purchased may not, in any event, be sold supplied or delivered, directly or indirectly, to any port or ports in . . . the State of Israel . . ."

C = "ULTIMATE DESTINATION
...
10.2 In any event the oil may not be sold, supplied or delivered, directly to any ports or ports in the State of Israel . . ."

D = "DESTINATION
.FREE EXCEPT FOR THOSE COUNTRIES AND AREAS BOYCOTTED BY HOST
GOVERNMENT . . ."

* There were several, minor typographical variations of this particular request among the transaction documents. Because none of the differences are material to the nature of the boycott request, nor to the application of Section 760 reporting requirements to the request, only one version of the wording is used in this table.