



CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Flint Hill Resources, L.P.
formerly known as Koch Petroleum Group, L.P.
4111 E 37th Street
Wichita, KS 67220

DRAFT

Attn: *David L. Robertson*
President

Dear Mr. Robertson:

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) has reason to believe that Flint Hill Resources, L.P., formerly known as Koch Petroleum Group, L.P., (“Koch”) violated the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979 (the “Act”),² on 40 occasions. Specifically, BIS charges that Koch committed the following violations:

Charges 1-20 (15 C.F.R. §764.2(a) - Exporting Crude Petroleum to Canada Without the Required Licenses)

As described in greater detail in Schedule A, which is attached hereto and incorporated herein by reference, on 20 occasions, beginning in or about July 1997 and continuing through March 1999, Koch engaged in conduct prohibited by the Regulations by exporting or causing the export of crude petroleum from the United States to Canada without the required BIS export licenses. Crude petroleum is an item

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2002). The violations charged occurred from 1997 through 1999. The Regulations governing the violations at issue are found in the 1997 through 1999 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1997-1999)). The 1997 - 1999 Regulations are substantially the same as the 2002 Regulations which govern the procedural aspects of this case.

² 50 U.S.C. app. 2401- 2420 (2000). 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 last 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. §§ 1701 - 1707 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222, which has been extended by a Presidential Notice of August 14, 2002 (67 *Fed. Reg.* 159 (August 16, 2002)), has continued the Regulations in effect under IEEPA. The Act and Regulations are available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.



subject to export control classification number (“ECCN”) 1C98 1 and pursuant to Section 754.2 of the Regulations, crude petroleum may not be exported from the United States to Canada without a BIS license. Wherefore, Koch committed 20 violations of Section 764.2(a) of the Regulations.

Charges 21-40 (15 C.F.R. §764.2(a) - Failing to File Shipper’s Export Declarations as Required by the Regulations)

As described in charges 1- 20 above and in Schedule A, which is enclosed herewith and incorporated herein by reference, on 20 occasions beginning in or about July 1997 and continuing through April 1999, Koch refrained from engaging in conduct required by the Regulations by failing to file Shipper’s Export Declarations for exports of crude petroleum from the United States to Canada as required by Section 758.1 of the Regulations. Wherefore., Koch committed 20 violations of Section 764.2(a) of the Regulations.

Accordingly, Koch is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$11,000 per violation;³

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Koch fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7). If Koch defaults, the Administrative Law Judge may find the charges alleged in this letter are true **without** hearing or further notice to Koch. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each charge in this letter.

Koch is **further** notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. (Regulations, Section 766.6). Koch is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should Koch have a proposal to settle this case, Koch or its representative should transmit the offer through the attorney representing BIS named below.

³ The maximum civil penalty for violations committed between October 23, 1996 and November 1, 2000 is \$11,000. See 15 C.F.R. §6.4(a)(2) (2001).

Koch Petroleum Group, L.P.
Charging Letter
Page 3

The US. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Koch's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of Koch's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Melissa B. Mannino
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N. W.
Washington, D.C. 20230

Melissa B. Mannino is the attorney representing BIS in this case; any communications that you may wish to have concerning this matter should occur through her. She may be contacted by telephone at (202) 482-5301.

Sincerely,

Mark D. Menefee
Director
Office of Export Enforcement

Enclosure

**FLINT HILL RESOURCES, LP, FORMERLY KNOWN AS KOCH PETROLEUM GROUP, ZP
SCHEDULE OF VIOLATIONS FOR EXPORTS TO CANADA**

NO.	DATE OF EXPORT	TOTAL AMOUNT OF CRUDE PETROLEUM EXPORTED IN BARRELS	TOTAL VALUE OF EXPORT (\$)	SED FILED
1	July-97	777,697	15,591,939.39	No
2	August-97	244,041	4,846,495.60	No
3	October-97	16,204	273,755.13	No
4	November-97	6,399	107,877.14	No
5	December-97	13,412	226,109.46	No
6	January-98	15,148	255,295.18	No
7	February-98	14,995	252,315.66	No
8	March-98	1,174	18,326.82	No
9	April-98	40,371	685,920.63	No
10	May-98	72,847	1,100,646.80	No
11	June-98	77,776	1,165,214.10	No
12	July-98	87,886	1,250,258.70	No
13	August-98	39,799	470,933.80	No
14	September-98	28,380	313,086.32	No
15	October-98	30,540	336,091.25	No
16	November-98	326,221	4,724,870.70	No
17	December-98	375,522	5,183,566.80	No
18	January-99	26,140	287,055.78	No
19	February-99	22,172	243,456.68	No
20	March-99	15,182	166,767.81	No

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Flint Hill Resources, L.P.)
formerly known as Koch Petroleum Group, L.P.)
4111 E 37th Street)
Wichita, KS 67720,)
)
Respondent.)
)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Flint Hill Resources, L.P., formerly known as Koch Petroleum Group, L.P., (“Koch”) and the Bureau of Industry and Security, United States Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2002)) (“Regulations”),’ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”).*

¹ The violations charged occurred **from** 1997 through 1999. The Regulations governing the violations at issue are found in the 1997 through 1999 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1997-1999)). The 1997 - 1999 Regulations are substantially the same as the 2002 Regulations which govern the procedural aspects of this case.

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 last 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. §§ 1701- 1707 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it 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 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 14, 2002 (67 Fed. Reg. 53721 (August 16, 2002)), has continued the Regulations in effect under IEEPA.

WHEREAS, BIS has notified Koch of its intention to initiate an administrative proceeding against Koch, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Koch that alleged that Koch committed 40 violations of the Regulations, specifically:

1. *20 Violations of 15 C.F.R. §764.2(a) - Exporting Crude Petroleum to Canada Without the Required Licenses:* Beginning in or about July 1997 and continuing through March 1999, Koch engaged in conduct prohibited by the Regulations by exporting or causing the export of crude petroleum from the United States to Canada without the required BIS export licenses. Crude petroleum is an item subject to export control classification number 1 C98 1 and pursuant to Section 754.2 of the Regulations, crude petroleum may not be exported from the United States to Canada without a BIS license.
2. *20 Violations of 15 C.F.R. §764.2(a) - Failing to File Shipper's Export Declarations as Required by the Regulations:* Beginning in or about July 1997 and continuing through April 1999, Koch refrained from engaging in conduct required by the Regulations by failing to file Shipper's Export Declarations for exports of crude petroleum from the United States to Canada as required by Section 758.1 of the Regulations.

WHEREAS, Koch has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Koch fully understands the terms of this Agreement and the Order of the Assistant Secretary of Commerce for Export Enforcement that will implement this Agreement (“Order”);

WHEREAS, Koch enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Koch states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Koch neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Koch wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Koch agrees to be bound by the Order, when entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Koch, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against Koch in complete settlement of the violations of the Regulations set forth in the proposed charging letter:

- a. Koch shall be assessed a civil penalty in the amount of \$200,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order.
- b. The timely payment of the civil penalty agreed to in paragraph 2.a. 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. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Koch's export privileges for a period of one year from the date of imposition of the penalty.

3. Koch agrees that, subject to the approval of this Agreement pursuant to paragraph 8 hereof, it hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this 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 any civil penalty paid pursuant to this Agreement and the Order, when entered; and (c) seek judicial review or other-wise contest the validity of this Agreement or the Order, when entered.

4. Upon entry of the Order, BIS will not initiate any further administrative proceeding against Koch in connection with any violation of the Act or the Regulations arising out the transactions identified in the proposed charging letter.

5. Koch understands that BIS will make the proposed charging letter, this Agreement, and the Order, when entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

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

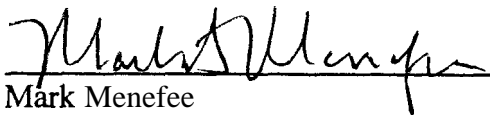
entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only when the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

FLINT HILL RESOURCES, L.P.
formerly known as Koch Petroleum Group, L.P.



Mark Menefee

Director

Office of Export Enforcement



David L. Robertson

President

Date:

5/2/03

Date:

4/22/03

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Flint Hill Resources, L.P.)
formerly known as Koch Petroleum Group, L.P.)
4111 E 37th Street)
Wichita, KS 67720,)
)
Respondent.)
_____)

ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) notified Flint Hill Resources, L.P., formerly known as Koch Petroleum Group, L.P., (“Koch”) of its intention to initiate an administrative proceeding against Koch pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2002)) (“Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),* based on the proposed charging letter issued to Koch that alleged that Koch violated the Regulations on 40 occasions. Specifically, the charges are:

¹ The violations charged occurred from 1997 through 1999. The Regulations governing the violations at issue are found in the 1997 through 1999 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1997-1999)). The 1997 - 1999 Regulations are substantially the same as the 2002 Regulations which govern the procedural aspects of this case.

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 last 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. §§ 1701-1707 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it 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 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 14, 2002 (67 *Fed. Reg.* 5372 1 (August 16, 2002)), has continued the Regulations in effect under IEEPA.

1. *20 Violations of 15 C.F. R. §764.2(a) - Exporting Crude Petroleum to Canada Without the Required Licenses:* Beginning in or about July 1997 and continuing through March 1999, Koch engaged in conduct prohibited by the Regulations by exporting or causing the export of crude petroleum from the United States to Canada without the required BIS export licenses. Crude petroleum is an item subject to export control classification number I C98 1 and pursuant to Section 754.2 of the Regulations, crude petroleum may not be exported from the United States to Canada without a BIS license.
2. *20 Violations of 15 C. F. R. §764.2(a) - Failing to File Shipper's Export Declarations as Required by the Regulations:* Beginning in or about July 1997 and continuing through April 1999, Koch refrained from engaging in conduct required by the Regulations by failing to file Shipper's Export Declarations for exports of crude petroleum from the United States to Canada as required by Section 758.1 of the Regulations.

BIS and Koch having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$200,000 is assessed against Koch, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§3701-3720E (2000)), 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 will be assessed,

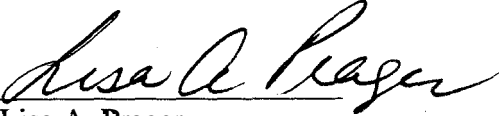
in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Koch. Accordingly, if Koch should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Koch's export privileges for a period of one year from the date of entry of this Order.

FOURTH, BIS will not take any additional administrative action against Koch for the possible violations of the Regulations contained in Koch's August 7, 2001 voluntary self-disclosure to BIS.

FIFTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.


Lisa A. Prager
Acting Assistant Secretary of Commerce
for Export Enforcement

Entered this 30 day of June 3 .