

AUTO-CA

AZ-AUTO



May 18, 2001

Mr. J.J. Mulva
Member, Board of Directors
Phillips Petroleum Corporation
c/o Phillips Petroleum Corporation
800 Plaza Office Building
Bartlesville, OK 74004

Re: Tosco Marketing Strategy

Dear Mr. Mulva:

The Automotive Trade Organizations of California (AuTO-CA), Arizona Automotive Trade Organization (AZ-Auto), The Automotive Trade Organization of Washington (AuTO-WA) and The California Service Station and Automotive Repair Association (CSSARA) combined represent over 2,000 independent gasoline stations in the western United States. Most of our members sell gasoline under the brands of 76, Chevron, ARCO, Shell, Mobil and other flags of the major oil companies.

We write to you concerning the recent marketing strategy implemented by the CEO of Tosco Corporation, Mr. Thomas O'Malley. In March, Mr. O'Malley started raising wholesale gasoline prices to its franchise dealers with the ultimate goal of tying the price to the spot market price. While this has reaped record revenues for the company itself in the short term, we feel that this strategy is ill-conceived and detrimental to the long – term viability of the Union 76 brand name and its retail marketing efforts.

The Union 76 brand enjoys one of the highest, if not the highest, rankings of brand name recognition on the West Coast -- a name synonymous with quality and dedication to customer service and automotive care. Since March, however, the name of Union 76 is used in the same sentence with terms such as "Price – gouger," "greedy," and "monopoly."

Independent franchise dealers have, in the past, been proud to display the "76 Orange Ball" but lately are very concerned that the company's good name, customer loyalty and its overall value are being eroded in an effort to gain short-term profits prior to its merger with Phillips Petroleum. The value of independent franchises has seen serious devaluation during the

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past months due to system-wide deteriorating volumes and the associated reduction in rebates, resulting in reduced revenues for dealers. While, in the short-run, Tosco increases income, the value of its entire retail marketing system is taking a proverbial "bath," awash in declining income, volumes and market share, not to mention the possible investigation by government officials for alleged price-fixing.

It's not just the marketers who are suffering from recent actions of Tosco management. One can only assume that the purchase price negotiated with Tosco management assumed the 76 brand values would remain at the lofty acceptance level amongst consumers and marketers right up to the point wherein Phillips took the reins. If so, the attention of the Board of Directors of Phillips needs to focus on the serious devaluation of this asset that is clearly underway.

We understand that Phillips Petroleum has limited action it can take during the pending merger with Tosco, however, you, as the group ultimately responsible for the merger's success, must understand that the actions taken by Tosco management may have serious consequences on the long-term viability of Phillips Petroleum on the West Coast.

Without independent franchisee dealers, the "Union 76" brand name is little more than a shell. "Quality," "service" and "customer satisfaction" are the words that dealers live by. Don't let Tosco management destroy all that the "Union 76" brand stands for.

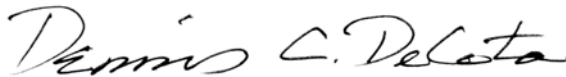
Respectfully submitted,



Debra Margraf, Executive Director
Arizona Automotive Trade Organization



Tim Hamilton, Executive Director
Automotive United Trades Organization of WA



Dennis C. Decota, Executive Director
CA Service Station & Auto Repair Association



Will L. Woods, CAE, Executive Director
Automotive Trade Organizations of CA

Cc: U.S. Senator Barbara Boxer
U.S. Senator Dianne Feinstein
CA Attorney General Bill Lockyer