CONFIDENTIAL MEMORANDUM

Information Contained herein is Subject to Amendment.
A Registration Statement Relating to these Securities has been Filed and declared Effective with the SEC on January 3, 1994.

TO ALL OFFICERS, DEPARTMENT HEADS, REGISTERED REPRESENTATIVES, (RR-Sales, RR-Non Sales). FOR INTERNAL USE ONLY. This information may not be copied, distributed or shown to clients.

TESORO PETROLEUM CORPORATION

Offer to Exchange 13% Exchange Notes due December 1, 2000 for up to $54,500,000 of the Aggregate Principal Amount of its Existing 12-3/4% Subordinated Debentures due March 15, 2001

1993 Annual Meeting of Stockholders at Which a Vote Will Be Taken to Reclassify 1,319,563 Shares of $2.16 Cumulative Convertible Preferred Stock into 6,465,859 Shares of Common Stock and to Approve Amendments to the Certificate of Incorporation of the Company

THIS EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FEBRUARY 8, 1994, UNLESS EXTENDED. THE RECLASSIFICATION WILL BE VOTED ON AT THE ANNUAL MEETING TO BE HELD ON FEBRUARY 9, 1994.

The Recapitalization includes: 1) the Exchange Offer, 2) the Reclassification, 3) the Consent Solicitation, 4) the Charter Amendments and 5) the agreements to be entered into pursuant to the Amended MetLife Memorandum.

THE EXCHANGE OFFER

For Each:	The Holder Will Receive:
$1,000 principal amount of 12-3/4% Subordinated Debentures (the "Subordinated Debentures") (up to $54.5 million aggregate principal amount) of Tesoro Petroleum Corporation (the "Company").	$1,000 principal amount of 13% Exchange Notes of the Company.

THE RECLASSIFICATION

1.0 Share of $2.16 Cumulative Convertible Preferred Stock (the "$2.16 Preferred Stock"), including all accrued and unpaid dividends.	4.9 Shares of Common Stock.

The Company will also issue 0.1 share of Common Stock for each share of $2.16 Preferred Stock on behalf of the holders of the $2.16 Preferred Stock to pay certain legal fees and expenses in connection with the settlement of certain litigation. See "Croyden Associates' Litigation."

THE CONSENT SOLICITATION

The Company is soliciting the consent of holders of Subordinated Debentures to certain indenture amendments (the "Indenture Amendments") which will (i) make the Exchange Notes senior in right of payment to the Subordinated Debentures and (ii) modify the restriction that currently prohibits the Company from declaring or paying dividends on its Common Stock, making any distributions to its stockholders or purchasing or redeeming its capital stock. The existing restriction does not prohibit any aspect of the Recapitalization.

THE CHARTER AMENDMENTS

At the Annual Meeting of Shareholders, holders of the $2.20 Preferred Stock and the $2.16 Preferred Stock, each voting as a separate class, and holders of the Common Stock, the $2.20 Preferred Stock and the $2.16 Preferred Stock, voting as a single class, will vote on: Proposal No. 1, which will

(i) reclassify the $2.16 Preferred Stock into Common Stock, (ii) amend the Company's charter to eliminate the staggered terms of directors, and (iii) amend the Company's charter to place a restriction on amendments to the Amended MetLife Memorandum or the Company's MetLife Option (as described below) that are adverse to the Company, and Proposal No. 2, which is a charter amendment to eliminate, in the event the Company's MetLife Option terminates without being exercised in full, the existing requirement that certain transactions by the Company with a beneficial holder of 10% or more of the Company's outstanding shares of capital stock be approved by the holders of at least 80% of the Company's outstanding shares of capital stock.

METLIFE SECURITY INSURANCE COMPANY OF LOUISIANA ("METLIFE")

The sole holder of the $2.20 Preferred Stock is MetLife. MetLife, which holds 2,875,000 shares of $2.20 Preferred Stock and 2,184,085 shares of Common Stock, which together constitute approximately 28% of the outstanding shares of capital stock entitled to vote at the Annual Meeting, has indicated to the Company that it intends to vote all of its shares in favor of Proposal No. 1 and Proposal No. 2. MetLife's willingness to vote in favor of Proposal No. 1 is subject to certain conditions. See "Conditions."

Pursuant to the Amended MetLife Memorandum, MetLife will agree to waive all mandatory redemption requirements, to consider all accrued and unpaid dividends on the $2.20 Preferred Stock to have been paid (aggregating approximately $20.0 million at November 30, 1993), to allow the Company to pay future dividends on the $2.20 Preferred Stock in Common Stock in lieu of cash and to waive or refrain from the exercise of other rights under the $2.20 Preferred Stock.

The Amended MetLife Memorandum also provides that, upon effectiveness of the Reclassification, MetLife will grant the Company a three-year option (the "Company's MetLife Option"), subject to earlier termination if certain minimum exercise requirements are not satisfied, to acquire all shares of $2.20 Preferred Stock and Common Stock then held by MetLife at an initial option price of $51.5 million. The option price will be increased on the first day of each quarter, beginning January 1, 1994, by 3% per quarter for two years and by 3.5% per quarter thereafter.

MetLife's agreements in the Amended MetLife Memorandum are made in consideration of, among other things, the issuance by the Company to MetLife of 1,900,075 shares of Common Stock.

CONDITIONS

The Exchange Offer is conditioned upon, among other things, the tender and acceptance of at least $22.5 million principal amount of outstanding Subordinated Debentures.

The Charter Amendments (including the Reclassification) are conditioned as follows: Proposal No. 1 is conditioned upon: 1) a majority approval of the outstanding Common Stock, $2.16 Preferred Stock and the $2.20 Preferred Stock, voting as a single class, and 2) two-thirds approval of the outstanding $2.16 Preferred Stock, voting as a separate class. Proposal No. 2 requires an 80% approval of the outstanding Common Stock, $2.16 Preferred Stock and the $2.20 Preferred Stock, voting as a single class. Proposal No. 2 is conditioned upon the approval of Proposal No. 1.

All of the provisions of the Amended MetLife Memorandum described above are conditioned on the Reclassification.

The Exchange Offer and Charter Amendments are not conditioned upon one another. However, MetLife has conditioned its vote in favor of Proposal No. 1 upon, among other things, 1) the effectiveness of Proposal No. 2, 2) consummation of the Exchange Offer and 3) MetLife's satisfaction with the membership of the Board of Directors upon effectiveness of the Reclassification.

FAIRNESS OPINION

Jefferies & Company, Inc. has opined and, as a condition to the Reclassification, will confirm their opinion immediately prior to the consummation of the Reclassification, to the effect that the Reclassification is fair from a financial point of view to the holders of $2.16 Preferred Stock and to the holders of Common Stock.

CROYDEN ASSOCIATES' LITIGATION

In October 1993, Croyden Associates, a holder of shares of $2.16 Preferred Stock, filed a class action lawsuit in Delaware Chancery Court on behalf of itself and all other holders of the $2.16 Preferred Stock, alleging that the Company and its directors breached their fiduciary duties to the holders of the $2.16 Preferred Stock. Croyden Associates has agreed in principle to recommend that the court approve a settlement of the class action lawsuit under the terms set forth in the final Proxy Statement -Prospectus as filed with the Securities and Exchange Commission on January 3, 1994. In connection with the above settlement, the Company has agreed to pay up to $500,000 cash and to issue 0.1 share of Common Stock for each share of $2.16 Preferred Stock to be available to pay fees and expenses that the court may award to the attorneys who represented the holders of the $2.16 Preferred Stock.

THE COMPANY

The Company conducts refining operations in Alaska and sells refined products to a wide variety of customers in Alaska, in the area west of the Rocky Mountains and in certain Far Eastern markets. During 1992, the Company concentrated its domestic exploration and production activities in the Wilcox Trend of South Texas, resulting in net proved natural gas reserves of 102 billion cubic feet at September 30, 1993. The Company's international exploration and production activities are concentrated in Bolivia. The Company sells products providing bioremediation of hydrocarbon contamination in the environment. The Company also sells lubricants, fuels and specialty petroleum products, primarily to onshore and offshore drilling contractors in Texas and Louisiana.

BACKGROUND AND PURPOSE

The Company's operations over the past several years have not generated cash sufficient to meet all of the Company's obligations. These results have primarily been caused by (i) deterioration of gross margins on sales of its refined products, particularly residual fuel oil, which has approximated 40% of the total output of the refinery during the past three fiscal years, (ii) reduced revenues and operating profits from the Company's foreign exploration and production operations, and (iii) lower margins on sales of products from the Company's oil field supply and distribution segment.

As a result, the Company has been unable to pay dividends on the existing preferred stock and has relied, in part, on cash from the sale of assets to meet its other cash requirements. The Company continues to be subject to significant financial requirements, including debt service requirements, the existing preferred stock dividend and redemption requirements (including a potentially exercisable right of MetLife to put all of the $2.20 Preferred Stock to the Company and mandatory annual partial redemptions of the $2.20 Preferred Stock), the need to replace the Company's interim credit arrangements, and significant capital expenditure requirements. See "Certain Considerations."

In response to the factors described above, the Board of Directors made changes in senior management of the Company, and management has implemented a new operational strategy, has reduced general and administrative expenses, and has settled a lawsuit brought by the State of Alaska, the Company's principal supplier of crude oil feedstocks. The Company now has a market-driven operational strategy, which is intended to enable the Company to match its refined product yield more closely to the product demand, reduce working capital requirements and reduce the volume of residual fuel oil produced. The new operational strategy has been implemented only recently, and there can be no assurance that it will prove successful. General and administrative expenses have been reduced by approximately 27% for the nine months ended September 30, 1993 compared to the nine months ended September 30, 1992. In January 1993, the Company settled its contractual dispute with the State of Alaska concerning the price paid by the Company to the State in the past for Alaska North Slope royalty crude oil.

The Recapitalization is intended to improve the financial condition of the Company and allow the Company to execute its new operational strategy. The Recapitalization will satisfy the sinking fund requirements of the Subordinated Debentures for at least two years and possibly four, eliminate the existing preferred stock dividend arrearages and MetLife's put option, replace the mandatory annual redemption requirements of the $2.20 Preferred Stock with a deferred repurchase requirement, permit the Company at its option to make dividend payments on and required repurchases of the $2.20 Preferred Stock in shares of Common Stock rather than cash and allow the Company the option, subject to certain conditions, to repurchase the entire equity interest in the Company currently held by MetLife.

Corporate Finance Contacts			For documents and procedural information:
San Francisco		New York	Information Agent
Thomas Reinhart	(415) 955-1604	Andrew Safran (214) 698-3659	Georgeson & Co.
Richard Maisto	(415) 955-1698		(212) 440-9800
Frank Brown	(415) 955-1665		
Matthew Carbone	(415) 955-1593		

CERTAIN CONSIDERATIONS

Debt Service Requirements. The Subordinated Debentures require sinking fund payments each March 15 sufficient to retire $11.25 million principal amount of Subordinated Debentures per year through 2000. Under its settlement agreement with the State of Alaska, the Company is obligated to make variable monthly payments for at least nine years plus a payment of $60 million in 2002, subject to deferral. Under a consent order with the U.S. Department of Energy, the Company is obligated to make payments aggregating $13.2 million, plus interest at the rate of 6% per annum, during the next nine years. Earnings were inadequate to cover combined fixed charges and preferred stock dividend requirements by $49.1 million and $4.1 million during fiscal 1992 and the nine months ended September 30, 1993, respectively.

Existing Preferred Stock Requirements. The $2.20 Preferred Stock provides that, if accumulated dividend arrearages equal or exceed 12 full quarterly dividends, MetLife has the option to require the Company to redeem all of the outstanding $2.20 Preferred Stock (an aggregate of $57.5 million), plus accrued and unpaid dividends. At November 30, 1993, accrued and unpaid dividends on the $2.20 Preferred Stock aggregated approximately $20.0 million ($6.97

per share). Dividend arrearages on the $2.20 Preferred Stock exceeded 12 full quarterly dividends on November 15, 1993; however, Met Life has agreed, subject to certain conditions, that it will not exercise the $2.20 Preferred Stock put option before March 10, 1994. In addition, the $2.20 Preferred Stock provides for annual mandatory redemptions, beginning February 15, 1994, of 6-2/3% of the number of shares of $2.20 Preferred Stock outstanding on February 15, 1994, at a redemption price of $20 per share plus accrued and unpaid dividends. Met Life has also agreed, subject to certain conditions, to defer the initial mandatory redemption from February 14, 1994 to March 10, 1994.

Working Capital Requirements. On October 29, 1993, in order to avoid a $700,000 facility fee, the Company elected to terminate its secured letter of credit facility with a group of banks. Letters of credit are issued to obtain crude oil feedstocks for the Company's refinery and for other operating and corporate needs. In connection with the termination, the Company negotiated certain interim credit arrangements and is in the process of discussions with several financial institutions with regard to providing a long-term credit facility to finance the Company's working capital requirements. Based on these discussions, the Company believes it will be able to enter into a long-term credit facility on terms more favorable than the Company's terminated letter of credit facility upon successful completion of the proposed Recapitalization. If the Company is unsuccessful in completing the Recapitalization, and is thereafter unable to arrange a long-term credit facility, or is otherwise unable to arrange such a facility, the Company may be required to reduce its refinery throughput to reduce working capital requirements. The Company is unable to predict if it would be able to operate the refinery at an economically viable rate under such circumstances.

Tennessee Gas Litigation. All of the Company's operating profit during 1992, and approximately 87% of its operating profit during the nine months ended September 30, 1993, were attributable to its oil and gas operations. The Company is currently receiving in excess of $7.50 per Mcf for a portion of its United States gas production (approximately 26% for the nine months ended September 30, 1993) pursuant to a gas purchase contract with Tennessee Gas Pipeline Company ("Tennessee Gas") that expires in 1999. Tennessee Gas has sued the Company challenging the validity and interpretation of the gas purchase contract. The trial court judgment in favor of the Company was reversed in part and remanded to the trial court. An adverse judgment in this case could have a material adverse effect on the Company.

Effect on the Company. As a result of the Recapitalization, on a pro forma basis at September 30, 1993, assuming consummation of the Reclassification and assuming a maximum acceptance of the Exchange Offer ($54.5 million), total long-term debt and redeemable preferred stock would decrease from $257 million to approximately $186 million, current liabilities (excluding the current portion of long-term debt and the current amounts due on the $2.20 Preferred Stock) would decrease from approximately $77 million to approximately $68 million and Common Stock and Other Stockholders' Equity would increase from $44 million to $120 million. Under the same pro forma assumptions, book value per share of Common Stock would increase from $.80 to $2.78 and the number of shares of Common Stock outstanding would increase from 14,069,799 to 22,567,689. Under the same assumptions, on a pro forma basis for the year ending December 31, 1992, interest expense would decrease from $21.1 million to $20.4 million and preferred stock dividends would decrease from $9.2 million to $6.3 million.

MetLife Option. Pursuant to the terms of the Company's MetLife Option, upon completion of the Recapitalization, the Company will initially be entitled to purchase from MetLife 2,875,000 shares of $2.20 Preferred Stock, having a liquidation preference of $57.5 million, and 4,084,160 shares of Common Stock, having a pro forma net book value of approximately $11.4 million at September 30, 1993, in consideration for cash in the amount of $51.5 million.

Seniority of Exchange Notes. If the required consents to the Indenture Amendments are obtained, the Exchange Notes will be senior debt of the Company, pari passu with all other senior indebtedness and senior to all subordinated indebtedness of the Company, including the Subordinated Debentures and the State of Alaska debt. If requisite consents to the Indenture Amendments are not obtained, the Exchange Notes will be pari passu with the other senior indebtedness of the Company and with the Subordinated Debentures and senior in right of payment to the State of Alaska debt and all other subordinated indebtedness of the Company.

Sinking Fund Requirements. The Company's mandatory sinking fund requirements under the Subordinated Debentures will be met to the extent Subordinated Debentures are tendered and accepted in the Exchange Offer. Assuming that the minimum tender condition is met, the Company will have no mandatory sinking fund requirements until at least 1996. The resulting increase in the average life of the remaining Subordinated Debentures could adversely affect their market price.

Effect of the Indenture Amendments. If the requisite consents to the Indenture Amendments are obtained, the Indenture Amendments will make the Exchange Notes senior in right of payment to the Subordinated Debentures and modify the restriction in the indenture governing the Subordinated Debentures which currently prohibits the Company from declaring and paying dividends on its Common Stock, making any distributions to its stockholders, or purchasing or redeeming its capital stock. The valid tender of Subordinated Debentures by a Debentureholder pursuant to the Exchange Offer will include the consent of such Debentureholder to the Indenture Amendments with respect to such tendered Subordinated Debentures.

Issuance of Additional Shares of Common Stock. If the Reclassification is completed 8,497,890 additional shares of Common Stock will be issued to holders of existing preferred stock and the attorneys representing the holders of $2.16 Preferred Stock in the Croyden Associates' litigation, an increase of approximately 60% over the 14,069,236 shares of Common Stock outstanding at December 15, 1993. Accordingly, approval of the Reclassification will result in substantial dilution to holders of Common Stock.

Use of Common Stock for Dividends or Purchases. Pursuant to the Amended MetLife Memorandum, after the Reclassification, dividends on the $2.20 Preferred Stock and purchases of the $2.20 Preferred Stock pursuant to the Company's obligation to make offers to purchase may, at the election of the Company, be made in cash or, subject to certain conditions, shares of Common Stock or any combination thereof.

Voting Concentration. As of December 15, 1993, MetLife owned Common Stock and $2.20 Preferred Stock constituting approximately 28% of the outstanding capital stock of the Company entitled to vote. Upon completion of the Reclassification, MetLife will own 4,084,160 shares of Common Stock and 2,875,000 shares of $2.20 Preferred Stock, constituting approximately 27% of the outstanding shares of capital stock of the Company entitled to vote. If the Company pays dividends on the $2.20 Preferred Stock in Common Stock or repurchases shares of $2.20 Preferred Stock with Common Stock pursuant to its obligation to make offers to purchase, MetLife's percentage holdings of Common Stock could increase. In addition, upon effectiveness of the Reclassification the Board of Directors will be expanded from 13 to 16 members and three persons recommended by MetLife will be elected to fill the vacancies.

Tax Considerations. See "Federal Income Tax Consequences."

SUMMARY OF TERMS OF SECURITIES

	Exchange Notes	Subordinated Debentures	$2.16 Preferred Stock
Coupon/Dividend:	13%	12-3/4%	$2.16 per share
Payment Date:	June 1, December 1	March 15, September 15	March 15, June 15, September 15, and December 15
Liquidation Preference:	Not applicable	Not applicable	$25 per share
Maturity Date:	December 1, 2000	March 15, 2001	--
Mandatory Redemption or Offers to Purchase:	None before maturity	$11.25 million per year on March 15, 1994 through March 15, 2000.	None
Conversion Rights:	None	None	Convertible at the option of the holder into 1.7241 shares of Common Stock for each share of $2.16 Preferred Stock, subject to adjustment.
Optional Redemption:	At the option of the Company, at 100% of principal amount plus accrued interest, except that no optional redemption may be made unless an equal principal amount of, or all the outstanding Subordinated Debentures are concurrently redeemed.	At the option of the Company, at 100% of principal amount plus accrued interest.	At the option of the Company, on a pro rata basis, at $25 per share, plus accrued and unpaid dividends.
Ranking:	If the requisite consents to the Indenture Amendments are obtained, the Exchange Notes will be pari passu with all other senior indebtedness, and senior to all subordinated indebtedness of the Company, including the Subordinated Debentures and the State of Alaska debt. If the requisite consents to the Indenture Amendments are not obtained, the Exchange Notes will be pari passu with the	Subordinated indebtedness ranking junior to all Senior Indebtedness (as defined), including indebtedness under the Company's letter of credit facilities.	Senior to Common Stock and pari passu with $2.20 Preferred Stock, both as to dividends and upon liquidation.

	other senior indebtedness of the Company and with the Subordinated Debentures, and senior in right of payment to the State of Alaska debt and all other subordinated indebtedness of the Company.		
Voting Rights:	None	None	One vote per share, voting together with the holders of shares of Common Stock and $2.20 Preferred Stock. If dividends are in arrears by at least six full quarterly dividend payments, the holders of $2.16 Preferred Stock, voting together as a single class with the holders of $2.20 Preferred Stock, have the right to elect two additional directors. As of December 15, 1993, the Company had omitted dividends on the $2.16 Preferred Stock for a total of 12 1/2 quarters.
Limitation on Dividends:	Prohibition on the payment of dividends or distributions on, or purchasing or acquiring, equity securities of the Company (except stock dividends) unless, giving effect to such transaction (1) no event of default shall occur and (2) the aggregate amount expended for such purposes subsequent to September 30, 1993 is less than the sum of (a) 50% of the aggregate consolidated income of the Company earned subsequent to September 30, 1993 or 100% if such aggregate consolidated net income for such period is negative and (b) the net proceeds from the sale after September 30, 1993 of certain equity securities of the Company and indebtedness which has been converted into certain equity securities of the Company; provided, however, that the Company may make redemptions and repurchases of Common Stock and preferred stock in an aggregate amount not to exceed $30,465,000 (approximately equal to the accrued and unpaid dividends that will exist on the existing preferred stock at January 31, 1994) and from the proceeds of contemporaneous sales of certain capital stock	Prohibition on the payment of cash dividends on the Common Stock or making distributions on or purchasing or acquiring capital stock in an amount in excess of the sum of (1) consolidated net income of the Company subsequent to September 30, 1982; (2) net proceeds from the sale of its capital stock subsequent to September 30, 1982; (3) net proceeds from the sale of its indebtedness subsequent to September 30, 1982 which is subsequently converted into capital stock; (4) dividends or distributions subsequent to September 30, 1982, or sale proceeds, in respect of its interest in Trinidad-Tesoro Petroleum Company Limited; and (5) $30,000,000, subject to certain limitations; provided, however, that regular cash dividends on the $2.20 Preferred Stock and the $2.16 Preferred Stock may be paid. The limitation on dividends will be modified to parallel the limitation of dividends included in the indenture governing the Exchange Notes upon receipt of the requisite consents to the Indenture Amendments.	

	and may make dividend payments on preferred stock.		
Other Significant Restrictive Covenants:	Limitations on Transactions with Affiliates	None	None

SELECTED SUMMARY HISTORICAL AND PRO FORMA DATA

The following summary sets forth selected summary financial data of the Company on a historical basis and as adjusted to give effect to the Recapitalization, assuming (i) the Exchange Offer is consummated at the maximum tender level, so that $54.5 million in principal amount of Subordinated Debentures is exchanged for $54.5 million in principal amount of Exchange Notes; a total of 6,597,815 shares of Common Stock is issued upon the Reclassification of the $2.16 Preferred Stock, including all accrued and unpaid dividends, and in payment of certain litigation settlement fees and expenses; and the holder of the $2.20 Preferred Stock waives the mandatory redemption requirements thereof, considers accrued and unpaid dividends to have been paid and is issued 1,900,075 shares of Common Stock (the Recapitalization), (ii) only the debt exchange occurs (the Exchange Offer Only) and (iii) only the waivers and considerations indicated above relating to the $2.20 Preferred Stock, the equity exchange relating to the $2.16 Preferred Stock and the issuance of Common Stock on behalf of the holders of $2.16 Preferred Stock to pay certain legal fees and expenses in connection with the settlement of certain litigation occurs (the Reclassification Only). In addition, the following tables set forth certain summary historical operating data of the Company.

	Historical			Pro Forma as of or for the 9 Months Ended September 30, 1993		
	Years Ended		9 Months Ended			
	Sept. 30, 1991	Dec. 31, 1992	Sept. 30, 1993	Recapitalization	Exchange Offer Only	Reclassification Only (a)
Statement of Operations Data:	(Dollars in Thousands, Except Per Share Amounts)					
Revenues (b)	$1,091,016	$954,372	$627,848	$627,848	$627,848	$627,848
Expenses:						
Cost of Sales	1,015,859	926,082	581,536	581,536	581,536	581,536
General and Administrative	17,003	25,849	10,946	10,946	10,946	10,946
Depreciation, Depletion and Amortization	15,005	16,552	15,350	15,350	15,350	15,350
Interest Expense	18,804	21,115	12,801	12,784	12,784	12,801
Other	5,312	4,636	4,441	4,441	4,441	4,441
Total Costs and Expenses	1,071,983	994,234	625,074	625,057	625,057	625,074
Earnings (Loss) before Income Taxes and the Cumulative Effect of Accounting Changes	19,033	(39,862)	2,774	2,791	2,791	2,774
Income Tax Provision	15,094	5,383	2,435	2,435	2,435	2,435
Earnings (Loss) Before the Cumulative Effect of Accounting Changes	3,939	(45,245)	339	356	356	339
Cumulative Effect of Accounting Changes	---	(20,630)	---	---	---	---
Net Earnings (Loss)	3,939	(65,875)	339	356	356	339
Preferred Stock Dividend Requirements	9,207	9,207	6,906	4,744	6,906	4,744
Net Loss Applicable to Common Stock	$ (5,268)	$(75,082)	$(6,567)	$ (4,388)	$ (6,550)	$ (4,405)
Loss Per Primary and Fully Diluted* Share Before the Cumulative Effect of Accounting Changes	$ (.37)	$ (3.87)	$ (.47)	$ (.19)	$ (.47)	$ (.19)
EBITDA (c)	$ 53,037	$ (2,000)	$31,071	$ 31,071	$ 31,071	$ 31,071
Ratio of Earnings to Fixed Charges	1.79x	(d)	1.15x	1.15x	1.15x	1.15x
* Anti-dilutive						
Other Selected Financial Data:						
Working Capital	$ 95,448	$122,583	$70,173	$108,663	$ 77,423	$ 97,413
Capital Expenditures . . .	$ 24,484	$ 15,446	$26,286	$ 26,286	$ 26,286	$ 26,286
Balance Sheet Data, at end of period:						
Current Assets	$ 247,192	$228,377	$185,557	$181,269	$181,269	$ 181,557
Net Property, Plant						

and Equipment	207,501	198,482	209,273	209,273	209,273	209,273
Other Assets	42,133	19,863	19,821	20,564	20,564	19,821
Total Assets	$ 496,826	$446,722	$414,651	$411,106	$411,106	$ 410,651
Current Liabilities (e) .	$ 93,966	$ 79,507	$ 76,541	$ 67,821	$ 76,253	$ 68,109
Long-Term Debt and Other Liabilities:						
Exchange Notes	---	---	---	54,500	54,500	---
Subordinated Debentures	105,138	107,510	97,656	48,716	48,716	97,656
Other (f)	102,925	137,345	119,818	119,818	119,818	119,818
Total Long-Term Debt and Other Liabilities	208,063	244,855	217,474	223,034	223,034	217,474
$2.20 Preferred Stock . .	57,424	71,695	76,461	---	76,461	---
Common Stock and Other Stockholders' Equity:						
$2.16 Preferred Stock	1,320	1,320	1,320	---	1,320	---
$2.20 Preferred Stock .	---	---	---	57,500	---	57,500
Common Stock	2,345	2,345	2,345	3,762	2,345	3,762
Additional Paid-in-Capital	86,664	86,992	86,987	111,683	86,987	111,683
Retained Earnings (Deficit)	47,209	(39,647)	(46,214)	(52,431)	(55,031)	(47,614)
Deferred Compensation .	(165)	(345)	(263)	(263)	(263)	(263)
Total Common Stock and Other Stockholders' Equity .	137,373	50,665	44,175	120,251	35,358	125,068
Total Liabilities and Stockholders' Equity	$ 496,826	$446,722	$414,651	$411,106	$411,106	$ 410,651

(a) The Reclassification is effectively conditioned upon the consummation of the Exchange Offer and cannot occur unless MetLife waives a related condition.
(b) The Company is currently receiving in excess of $7.50 per Mcf for a portion of its United States gas production (approximately 26% for the nine months ended September 30, 1993) pursuant to a gas purchase contract with Tennessee Gas. This contract is currently the subject of litigation with Tennessee Gas. See "Certain Considerations."
(c) EBITDA is equal to earnings (loss) before the cumulative effect of accounting changes, interest expense, income taxes and depreciation, depletion and amortization.
(d) Earnings were inadequate to cover fixed charges by $39.9 million for the year ended December 31, 1992.
(e) Excludes current portion of long-term debt and other obligations and the current amounts of $2.20 Preferred Stock, as such amounts are included in the respective line items on this table.
(f) Includes State of Alaska, Department of Energy and other liabilities.

SELECTED HISTORICAL OPERATING DATA

	Year Ended September 30,				Year Ended December 31,	Nine Months Ended September 30,	
	1988	1989	1990	1991	1992	1992	1993
Refining and Marketing:							
Refinery Capacity (average daily barrels)	72,000	72,000	72,000	72,000	72,000	72,000	72,000
Refinery Throughput (average daily barrels)	71,784	65,045	67,904	68,192	61,425	62,574	50,503
Total Product Sales Excluding Residual Fuel Oil Sales (average daily barrels)	66,735	59,413	65,417	61,426	63,509	64,892	53,551
Residual Fuel Oil Sales (average daily barrels)	35,536	27,502	28,332	28,729	23,931	22,929	16,290
Oil Field Supply and Distribution:							
Product Sales (average daily barrels)	5,943	6,455	7,846	10,470	8,476	8,517	7,114
Natural Gas - United States:							
Net Production (average daily Mcf)	12,421	292	727	7,435	13,960	12,618	32,313
Average Sales Prices (dollars per Mcf)(a)	$1.89	$1.66	$1.40	$1.88	$3.68	$2.38	$3.45
Natural Gas - Bolivia:							
Net Production (average daily Mcf)	---	---	12,668	19,322	19,421	19,502	19,183
Average Sales Prices (dollars per Mcf)	$---	$---	$2.74	$3.06	$1.67	$1.82	$1.20
Crude Oil - Indonesia (sold effective May 1, 1992):							
Net Production (average daily barrels)	2,562	1,994	2,565	3,315	2,714	2,714	---
Net Sales Price (dollars per barrel)	$17.65	$15.89	$17.95	$24.39	$18.20	$18.20	$---
Proved Reserves at End of Period:							
Natural Gas (millions of cubic feet):							
Unites States	208	568	11,118	33,141	73,753	*	101,598
Bolivia	---	---	85,040	115,229	107,008	*	(b)
Crude Oil (thousands of barrels):							
United States	4	---	4	5	---	*	*
Bolivia	---	---	2,058	2,828	2,263	*	(b)
Indonesia	---	3,815	11,226	4,504	---	---	---
Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves (millions of dollars):							
United States(a)	$.3	$.5	$6.5	$30.4	$87.1	*	*
Bolivia	$---	$---	$37.0	$54.3	$23.6	*	*
Indonesia	$---	$6.3	$58.9	$4.4	$---	$---	$---

(a) The Company is currently receiving in excess of $7.50 per Mcf for a portion of its United States gas production (approximately 26% for the nine months ended September 30, 1993) pursuant to a gas purchase contract with Tennessee Gas. This contract is currently the subject of litigation with Tennessee Gas. See "Certain Considerations."

(b) At April 30, 1993, proved reserves in Bolivia were approximately 103,293 million cubic feet of natural gas and 2,291 thousand barrels of crude oil.

 * Data not available.

FEDERAL INCOME TAX CONSEQUENCES

The Company intends to take the position that the Reclassification will not result in an ownership change for purposes of Section 382 of the Internal Revenue Code; however, no assurance can be given that the Internal Revenue Service or the courts will agree with the position of the Company. In addition, the Reclassification, in combination with other ownership changes within three years thereof (such as the use of shares of Common Stock to pay dividends on or repurchase shares of $2.20 Preferred Stock), may result in such an ownership change. Such a change would significantly limit the Company's ability to use its net operating loss carryforwards.

The federal income tax treatment of the exchange of Subordinated Debentures for Exchange Notes depends on whether the Subordinated Debentures and Exchange Notes are "securities" for federal income tax purposes; however, in all cases gain may be recognized upon the exchange. Even if the Subordinated Debentures and Exchange Notes are securities for such purposes, the Company estimates that such gain may be as much as approximately $96 per $1,000 face amount of Subordinated Debentures (assuming the exchange occurs on January 31, 1994 and that the issue price of an Exchange Note on that date equals its face amount; the amount of gain is subject to change depending on the fair market value of a Subordinated Debenture at, and the accrual of original issue discount on a Subordinated Debenture until, the consummation of the Exchange Offer). Tax counsel is of the opinion that adoption of the Indenture Amendments will not be treated as a taxable exchange by a non-tendering holder of Subordinated Debentures; however, the issue is not free from doubt. The Company estimates that the holder of a share of $2.16 Preferred Stock will have a taxable dividend as a result of the Reclassification equal to the lesser of (i) the excess of the fair market value of the 5.0 shares of Common Stock received over $25 and (ii) the dividend arrearages on such share of $2.16 Preferred Stock, in each case as determined immediately after the Reclassification. Under certain circumstances, a holder of $2.16 Preferred Stock may also recognize gain in connection with the payment by the Company of the fees and expenses of the attorneys for the holders of $2.16 Preferred Stock in the Croyden Associates' litigation. See "Croyden Associates' Litigation."