

List of Exhibits

- A Certified English Translation of Action Filed by Metallgesellschaft Aktiengesellschaft against Dr. Heinz Schimmelbusch and Dr. Meinhard Forster, Frankfurt am Main, District Court – Panel for Commercial Matters, February 3, 1995. Translation filed in defense to suit brought by Schimmelbusch in New York. Pages 40, 125, 129, 142, 159.
- B *Business Week*: “The Meltdown at Metallgesellschaft” by Gail E. Schares, Jan. 24, 1994.
- C Castle Energy Corp. 10-K 1989, pages 50-52, Balance Sheet and Statement of Operations.
- D Castle Energy Corp. 10-K 1989, pages 5-6.
- E Castle Energy Corp. 10-K 1989, page 14
- F Castle Energy Corp. 10-K 1990, page 8
- G Castle Energy Corp. 10-K 1989, page 8
- H Castle Energy Corp. 10-K 1995, pages 12-13
- I Castle Energy Corp. 10-K 1994, page 35
- J Calculation of Castle’s Gain From MG. Related Documents: Castle Energy Corp. 10-K 1994, Statement of Operations, page 37; Castle Energy Corp. 10-K 1991, Statement of Operations, page 41
- K Castle Energy Corp. 10-K 1995, Balance Sheet and Cash Flow Statement, pages 47-49
- L Castle Energy Corp. 10-K 1994, pages 28-29
- M Castle Energy Corp. 10-K 1989, page 25, public stock prices
- N Castle Energy Corp. 10-K 1995, page 24, public stock prices

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XI. Part claim

Although the total damage suffered by the plaintiff exceeds DM 2,700,000,000.- (comparison: The plaintiff's equity as of 30 September 1992 stood at DM 2.2 billion), for reasons of economy of litigation and cost minimization, the plaintiff only claims a small part of compensation for this damage, namely by way of part action, only those amounts which according to its assessment correspond to the current financial power of the defendants. This does not constitute a waiver of further claims. The plaintiff reserves the right to enforce further claims at court over and above the present part action.

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As we know, it was quite different in reality. In October 1993, US\$ 116.8 million alone had to be paid in variation margins to NYMEX/IPE and margins to swap partners. In November, the amount was US\$ 267.10 million (see lists above in Part Two, A.III.3.).

Only when the supervisory board chairman, Dr. Schmitz called the defendant Dr. Schimmelbusch on 2 December 1993 (alerted not by the executive board of the plaintiff as one could think, but by a newspaper reporter!) and asked him if he had something to tell him, the latter admitted that there were problems.

B. The Castle Involvement

The complex of supply and hedging transactions presented under A. above, was, as demonstrated, alone sufficient to bring the plaintiff's company to the verge of ruin. However, the financial situation was additionally burdened by the Castle involvement.

Starting in 1989, MG Corp. acquired an interest in Castle Energy Corporation ("**Castle**"); in parallel, Castle acquired a refinery, Indian Refinery. Later on Castle acquired a stake in another refinery, Powerine Refinery. The involvements in both the Indian Refinery and the Powerine Refinery were enormous failures from the economic aspect. As a result, also MG Corp.'s entire interest in Castle proved to be a bad failure. The value of the contributions and loans granted by MG Corp. and its subsidiaries was consumed by losses on the part of Castle. There was no possibility of an economically viable financial restructuring.

Instead of drawing the only reasonable conclusion and liquidating the commitment, the plaintiff's American subsidiaries started subsidizing Castle massively in order to cover up the difficulties which were coming up there. The subsidies consisted specifically in MG R&M's concluding processing agreements and/or offtake agreements with the Castle refineries at prices different from market prices, which unilaterally favoured Castle and caused substantial damage to the US American subsidiaries of the plaintiff. Although the defendants knew that the agreements were not in conformance with the market and to the detriment of the plaintiff's Group, they did not intervene.

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In fact, Castle acquired Indian Refinery in August 1989, in connection with a compulsory execution proceeding, at a price of about US\$ 5 million. In the event of denial:

Evidence: Testimony by Bob Bernstein, as named above.

Castle, in turn, was enabled to make this acquisition because MG Corp. acquired further Castle shares, namely 150,000 shares at a price of US\$ 600,000 and 800,000 shares at an aggregate price of US \$ 4.4 million. The total contribution by MG Corp. at the time was therefore US\$ 5 million, i.e. exactly the amount which Castle needed for acquiring Indian Refinery. This acquisition of Castle shares was approved at extraordinary meetings of the executive committee of the board of directors of MG Corp. on 24 July 1989 and 29 September 1989, which were both chaired by the defendant Dr. Schimmelbusch. In the event of denial:

Evidence: 1. Presentation of the minutes of the meetings at the hearing
2. Presentation of the stock purchase agreement of 30 September 1989, relating to 800,000 shares at the hearing

Castle was able to acquire Indian Refinery with the consideration for the shares.

What is noteworthy and unusual is that MG Corp. had waived the exercise of the voting rights of the Castle shares for the next three years in favour of Joseph L. Castle, the major shareholder of Castle. In the event of denial:

Evidence: 1. Presentation of Castle's report for the fiscal year ended 30 September 1990 to the Securities and Exchange Commission ("Form 10-K for 1990"), there on p. 72
2. Testimony by Robert Bernstein, as named above

At an executive board meeting of the plaintiff on 10 October 1989, the defendant Dr. Forster reported on the disposal of the option to Castle and the acquisition of the Castle shares. It was not reported that the voting rights for the 800,000 shares had been assigned. At the executive board meeting, the executive board member Dr. Heinrich Götz

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It is likewise worthy of mention that as an express quid pro quo for the guarantee-like offtake commitment of MG R&M for Caroline Condensate, Castle issued a total of 600,000 shares to employees of MG R&M and MG Corp. (Hodapp, Kremer, Rinaldi and Benson). In the event of denial:

Evidence: Presentation of agreement dated 1 November 1992 at the hearing

It is also interesting to note that in a direct time-congruent relationship with the conclusion of the Indian Offtake Agreement which was advantageous for IRLP, Hodapp bought Castle shares, namely 25,000 shares on 26 February 1992 and 50,000 shares on 10 April 1992. In the event of denial:

Evidence: Presentation at the hearing of an overview of Hodapp's stock portfolio as of November 1993

Apparently, he thought that the price of the Castle shares would rise as a result of the Indian Offtake Agreement which was too favourable for Castle. This conflict of interests on the part of Hodapp was enhanced by the fact that due to the agreement with Castle dated 1 June 1992 he received a total of 135,000 so-called stock appreciation rights ("SARs"). Each SAR embodied Hoddap's right to ask, at a date of exercising Castle's SARs to be determined by him that amount by which the value of the Castle share on the day of exercise would surpass a contractually defined basis price (US\$ 3). In the event of denial:

Evidence: Presentation of the agreement dated 1 June 1992 between Castle and Hodapp at the hearing

This agreement meant that each US dollar by which the Castle share would rise due to the agreements favourable to Castle, would be of personal advantage for Mr Hodapp in the amount of US\$ 135,000. Incidentally, on the same day as Mr Hodapp, also Mr Benson and other employees received SARs. In the event of denial:

Evidence: Presentation of the agreement between Castle and Benson and others dated 1 June 1992 at the hearing

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Overall the Castle Settlement (in addition to the losses specified in section 1) caused cost with an effect on the result in the amount of US\$ 423.1 million.

Evidence: Testimony by Karlheinz Hornung, head of accounting at the plaintiff on the basis of the plaintiff's documents and to be summoned through the latter.

3. Damage caused by the Castle involvement

If one adds to these US\$ 423.1 million as direct costs of the Castle settlement the losses incurred at MG R&M on the basis of the offtake agreements in the 1992/93 and 1993/94 fiscal years in the amount of US\$ 262.5 million (see section 1), a minimum loss of US\$ 685.6 million in total can be derived from the Castle involvement. At an exchange rate of US\$/DM of 1:1.6, this results in a loss of about **DM 1.1 billion**.

XIII. The responsibility for the misdirected developments of the Castle involvement

The defendants are personally responsible for the involvement in Castle and the damage caused by it for the plaintiff.

The misdirected developments began in the year 1989 when MG Corp. at first purchased an option for the acquisition of the Indian Refinery and then proceeded to transfer it to Castle - in return for a participation in Castle - while committing itself to further obligations. In addition to this, the Powerine Refinery was financed since 1987 and, as of 1993 - via Castle - also a participation in this refinery was acquired. It remains open to dispute whether or not these were initially misdirected decisions which lie within a reasonable range of entrepreneurial risk. However, this was no longer the case when in the month of February 1992 the Indian offtake agreement was concluded (see above B.VII.1).

EXHIBIT B

Business Week
January 24, 1994

HEADLINE: THE MELTDOWN AT METALLGESELLSCHAFT ...

BYLINE: Gail E. Schares in Bonn

Why Heinz Schimmelbusch's bold strategy didn't add up

BODY:

The bulletproof Mercedes sedan pulled up onto the sidewalk within inches of the front door of a Frankfurt restaurant. Heinz Schimmelbusch, chief executive of Metallgesellschaft, jumped out and strode to his favorite table. Over prawns by candlelight, he spoke ardently of his vision to create a technology powerhouse out of a loss-making metals company. We have an unprecedented environmental lead," he said. We have the biggest technology bank in the world."

In those heady days in 1990, Schimmelbusch captivated the imagination of Germany. Volatile and charismatic, he had just recently been named CEO of the Frankfurt-based Metallgesellschaft. A confidant of Chancellor Helmut Kohl, he was widely believed to be building a model for German corporations as he changed the troubled metals-mining and trading company into an international conglomerate. We are the most foolproof company in all of Germany," he said then.

Schimmelbusch's bold gamble has now failed (table). In December, he was fired as Metallgesellschaft suffered losses for the year of \$ 1.1 billion -- including \$ 470 million from oil-futures trading -- on sales of \$ 16 billion. With creditors haggling over a \$ 1.9 billion bailout on Jan. 12, Germany's 14th largest industrial group teetered on the brink of becoming that country's largest post-World War II bankruptcy.

WEAKNESS. Metallgesellschaft's collapse highlights a devastating weakness in German corporate governance. Like many German blue chips, the company boasted a supervisory board made up of the pinnacle of the country's banking and industrial Establishment. Shareholder-rights groups have long said that the clubby ties among corporate leaders result in lax oversight. Now, they have some dramatic proof. The supervisory board and the banks failed to oversee management," explains Ekkehard Wenger, a professor at the University of Würzburg.

Before his fall, Austrian-born Schimmelbusch, 49, was considered a pioneer in Germany's drive to embrace new technologies and rebuild its competitiveness. As CEO, he steered billions of dollars into green technologies." To accelerate the move away from dependence on metals and mining, he embarked on a relentless acquisition drive. He spent more than \$ 2 billion on companies he planned to infuse with new materials technology, including Sweden's Dynamit Nobel.

Schimmelbusch, who declined to speak to BUSINESS WEEK for this article, aimed to speed the creation of a global conglomerate by melding Anglo-American financial engineering with German industrial knowhow. He floated hot spin-offs on the Frankfurt stock market and bought and sold assets feverishly. His made-over Metallgesellschaft included 258 companies scattered from Latin America to Kazakhstan and businesses from auto parts to radiators. And though critics

CASTLE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>SEPTEMBER 30,</u>	
	<u>1989</u>	<u>1988</u>
Current assets:		
Cash and cash equivalents	\$ 6,877,112	\$ 692,234
Short term investments, at cost which approximates market		100,000
Restricted cash	110,325	293,473
Receivables:		
Sale of investment	257,144	
Oil and gas sales	566,553	506,749
Due from affiliated partnerships	50,137	51,627
Administrative fees	278,231	261,065
Windfall profit tax refund	54,000	
Joint interests	104,794	113,795
Prepaid expenses	68,574	62,205
Other	<u>125,115</u>	<u>193,525</u>
Total current assets	8,491,985	2,274,673
Property, plant and equipment, net:		
Refining plant	17,570,298	
Oil and gas properties (full cost method of accounting)	7,307,361	7,710,472
Gas gathering systems	415,116	374,745
Furniture, automobiles and equipment	141,800	174,183
Investments	512,531	675,000
Preoperating costs-refinery	74,198	
Other assets	<u>238,686</u>	<u>118,198</u>
Total assets	<u>\$34,751,975</u>	<u>\$11,327,271</u>

The accompanying notes are an integral part of these financial statements

CASTLE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>SEPTEMBER 30,</u>	
	<u>1989</u>	<u>1988</u>
Current liabilities:		
Current portion of purchase price for minority interest	\$ 500,000	
Note payable to bank	1,550,000	
Current portion of subordinated debentures	135,000	
Accounts payable	922,069	\$ 399,145
Accrued expenses	355,905	401,195
Accrued environmental compliance costs-refinery	2,742,494	
Income taxes payable	35,302	101,217
Deferred income taxes	29,490	10,085
Drilling advances	1,123,713	54,513
Deposits held in escrow	<u>110,325</u>	<u>293,473</u>
Total current liabilities	7,504,298	1,259,628
Deferred income taxes	107,529	77,689
Notes payable to affiliated partnerships	34,515	42,630
Note payable - refinery	2,700,000	
Subordinated debentures	2,752,925	2,817,425
Other long-term liabilities	516,173	110,237
Contingent note payable refinery	<u>1,000,000</u>	
Total liabilities	<u>14,615,440</u>	<u>4,307,609</u>
Commitments and contingencies		
Minority interest, net of current portion	<u>4,000,000</u>	
Stockholders' equity:		
Series B participating preferred stock; par value-\$1.00; 5,000,000 shares authorized; no shares issued		
Common stock; par value - \$.50; 10,000,000 shares authorized; 5,129,049 shares issued and outstanding in 1989; 3,398,549 shares issued and outstanding in 1988	2,564,517	1,699,267
Additional paid-in capital	10,813,919	3,601,608
Retained earnings	<u>2,947,368</u>	<u>1,908,056</u>
Treasury stock - at cost (94,752 shares)	16,325,804	7,208,931
	<u>(189,269)</u>	<u>(189,269)</u>
	<u>16,136,535</u>	<u>7,019,662</u>
Total liabilities and stockholders' equity	<u>\$34,751,975</u>	<u>\$11,327,271</u>

The accompanying notes are an integral part of these financial statements

CASTLE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED SEPTEMBER 30,		
	1989	1988	1987
Revenues:			
Oil and gas sales	\$4,637,469	\$3,366,383	\$2,062,728
Recurring administrative fees	1,944,135	2,495,776	1,963,208
Well operations	249,827	180,305	59,542
Trading gain (Loss)-marketable securities		90,218	(194,284)
Interest Income	99,691	76,351	62,869
Other	360,578	382,006	721,172
	7,291,700	6,591,039	4,675,235
Expenses:			
Oil and gas production	1,758,885	1,295,508	750,451
General and administrative	2,277,174	2,283,135	1,793,179
Depreciation, depletion and amortization	1,577,801	1,023,408	767,065
Interest	432,281	456,950	374,206
	6,046,141	5,059,001	3,684,901
Income before provision for (recovery of) income taxes and extraordinary item	1,245,559	1,532,038	990,334
Provision for (recovery of) income taxes:			
State	(2,046)	(53,318)	132,002
Federal	2,139	23,265	28,545
	93	(30,053)	160,547
Income before extraordinary item	1,245,466	1,562,091	829,787
Extraordinary item, net of \$497,220 tax effect	\$1,245,466	\$1,562,091	\$1,672,319
Net Income	\$1,245,466	\$1,562,091	\$2,502,106
Net Income per share:-			
Weighted average number of common and common equivalent shares outstanding	3,671,287	3,133,472	2,864,455
Net Income per share:			
Income before extraordinary item	\$.34	\$.50	\$.29
Extraordinary item	\$.34	\$.50	\$.58
	\$.34	\$.50	\$.87

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The accompanying notes are an integral part of these financial statements.

oil and gas properties are located in Oklahoma. It also was the General Partner of two oil and gas partnerships and the operator of approximately 160 oil and gas wells in Oklahoma and New Mexico. In addition, PRC owns non-operating interests in an additional 114 oil and gas properties. PRC also has an administrative office in Tulsa, Oklahoma. The total cost of the PRC acquisition, including a \$125,000 finder's fee and \$25,000 in legal costs was \$3,650,000. The cost was allocated as follows: oil and gas properties - \$2,810,692; working capital - \$801,761; and furniture and fixtures - \$37,547. As of December 31, 1989 one of the oil and gas partnerships managed by PRC had been liquidated.

In September of 1988 the Company acquired certain oil and gas assets of American Petroleum Passive Income Fund (American) for \$425,000. The acquisition was effective August 2, 1988 for legal purposes and September 15, 1988, the closing date, for accounting purposes. The total purchase price, including \$16,000 in finder's fees and \$15,000 in legal costs was \$456,000. The purchase price was allocated as follows: oil and gas properties - \$425,780; accounts receivable - \$20,220; trucks and equipment - \$10,000. The oil and gas properties of American consist of 28 producing gas wells and approximately 3,000 undeveloped acres.

In May of 1989, a wholly owned subsidiary of the Company, Pennsylvania Castle Energy Corporation ("PACEC"), was elected substitute Managing General Partner for five oil and gas partnerships formerly managed by Thomson McKinnon Energy Management, Inc. In conjunction with its substitution as Managing General Partner, PACEC purchased the General Partner interests formerly owned by Thomson McKinnon Energy Management, Inc. for \$34,382.

Effective August 14, 1989, Castle Refining Company, a newly formed wholly owned subsidiary of the Company, acquired one-hundred percent (100%) of the common stock of Capserco Inc. from Capitol Federal Bank for Savings ("Capitol"). Since Capserco Inc.'s sole asset was ownership of one-hundred percent of Indian Refining Company ("Indian") and Indian's sole asset, in turn, was the Lawrenceville Refinery in Lawrenceville, Illinois, Castle Refining Company effectively acquired the refinery by its purchase of Capserco. The refinery was previously owned by Texaco but has been idle since March of 1985.

The total acquisition cost for Capserco Inc. (\$5,869,211), included \$5,000,000 cash, \$103,586 of legal, consulting and other direct acquisition costs and \$765,625 for the value of the Company's stock issued to Metallgesellschaft Corp., ("MG") an unrelated party which provided assistance to the Company in the acquisition, having obtained its interest

in the refinery under a previous agreement. The total acquisition cost was allocated as follows: refinery plant - \$17,340,784; note payable to Capitol by Indian - \$2,700,000; value of minority interest held by Capitol by Castle Refining Company - \$4,500,000; contingent note payable to previous owner of the refinery - \$1,000,000; accrued environmental compliance costs - \$2,750,000 and other accrued liabilities assumed as a result of the acquisition \$521,573. Castle is in the process of meeting necessary environmental requirements and obtaining funding to commence refurbishment (see Refining Environmental Regulations).

In October of 1989 the Company agreed to fund the operating expenses of GAMXX Energy Inc. ("GAMXX") through at least February of 1990. GAMXX is a minority owned refining company currently involved in a reorganization proceeding under Chapter 11 of the United State Bankruptcy Code in the United States Bankruptcy Court in the Eastern District of Pennsylvania. The Company has agreed to fund up to \$662,000 of administrative costs to GAMXX while it seeks to assist the Company in formulating a plan of reorganization. The Bankruptcy Judge has determined that the administrative costs paid for GAMXX by the Company constitute super priority claims in the bankruptcy and accordingly have priority over all other bankruptcy claims except those of secured creditors.

On January 3, 1990 the Company acquired a note receivable of Lloyds Bank PLC owed to Lloyds by GAMXX. The note is in excess of twenty-four million dollars (\$24,000,000) and represents secured claims against GAMXX. The note is secured by a first mortgage interest in the refinery assets of GAMXX and is the only secured debt of GAMXX. The purchase price for the Lloyds note was \$2,750,000 and consisted of \$500,000 cash and a note for \$2,250,000 due February 16, 1990. In addition, the Company guaranteed a \$500,000 petroleum purchase note due to Lloyds from GAMXX. This note is also due on February 16, 1990. GAMXX intends to affirm the note as part of any Plan of Reorganization of GAMXX. The Company is currently assisting GAMXX with the formulation of a Plan of Reorganization.

At December 31, 1989, data concerning the oil and gas partnerships managed by the Company were as follows:

EXHIBIT E

companies of a similar size engaged in similar operations, but losses can occur from uninsured risks or in amounts in excess of existing insurance coverage.

The business of exploring for oil and gas is highly speculative. The risks involved are substantial. For each well that succeeds in producing oil and gas in profitable quantities, a number of dry holes may be drilled. Completion of a producing well is no assurance that the Company will make a profit on its investment therein, or even recoup its costs.

REFINING

General

Effective August 14, 1989, the Company acquired the Lawrenceville Refinery. The Company is currently conducting inspections, environmental testing, and engineering studies with the intention of restarting the refinery in the fourth quarter of fiscal 1990. It is estimated that approximately \$90,000,000 will be needed to complete the required testing and engineering, rehabilitate and upgrade the refinery, provide for contingencies, and provide sufficient working capital to restart the refinery. The Company is currently negotiating \$60,000,000 in first mortgage debt with a financial institution and preparing to raise \$30,000,000 in equity capital to finance these expenditures. Depending upon the condition of the market and the funds available to it through debt financing and the private placement or additional offering of its own stock, the Company may itself provide a substantial portion or all of the equity capital that is required. The Company expects to own not less than 51% of the refinery after the second stage financing is completed. In addition, the Company anticipates obtaining a letter of credit facility (approximately \$65,000,000) in order to acquire its initial feedstock (inventory). Metallgesellschaft Corp., which currently owns twenty-two percent (22%) of the Company, has agreed to either obtain or itself provide such a letter of credit facility at commercial rates once the equity financing is completed.

Although the Company believes that all of the required financing is committed or available, there can be no assurance that a) additional funds will not be required to restart the refinery b) that the \$60,000,000 bank debt, \$30,000,000 equity capital and letter of credit facility will finally be obtained or c) that the Company will be able to finance or raise the funds it intends to invest in the refinery's second stage equity on its own account. Furthermore, although the Company believes that the refinery could be sold for more than its investment based upon the appraisal of the refinery in its

The revolving loan and letter of credit default, in turn, triggered a default in the senior first mortgage facility of IRLP by operation of cross default provisions in the two loan agreements. As a result of these events, the Company and IRLP consummated the following transactions in January and February of 1991:

- a. IRLP obtained a waiver of default from BOA and subsequently terminated that facility by paying off the revolving loans outstanding.
- b. IRLP obtained a waiver from Sanwa. In exchange for the waiver and amendments to the financial covenants associated with that facility, IRLP paid additional debt issuance costs of \$1,350,000 and agreed to additional loan covenants. In February 1991, IRLP defaulted on its amended working capital covenant with Sanwa. The management of IRLP is currently trying to restructure or delete the amended working capital requirement. Nevertheless, this default effectively placed the loan on a demand basis.
- c. The Company obtained \$32,000,000 of additional financing from MG and concurrently loaned, as subordinated debt, \$31,000,000 to IRLP. The \$32,000,000 of additional financing to the Company is secured by a second mortgage on the refining plant, which has been assigned to MG. As a result of the additional \$31,000,000 investment in IRLP, the Company's aggregate net cash investment in IRLP at March 15, 1991 was as follows:

Class A Units	\$	92,500
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Class B Units		30,000,000
Subordinated		31,000,000
Proceeds from sale of the refinery to IRLP in excess of book basis		(100,155)
		<u>\$60,992,345</u>

- d. Effective February 1, 1991, the Company sold all of its feedstock and refined product inventories to MG Refining and Marketing Corp. ("MGR&M"), a wholly-owned subsidiary of MG, and agreed to process crude for MG. Under the terms of the Processing Agreement, IRLP earns fixed fees for each barrel of crude processed but does not realize related refining sales revenues or incur related crude oil and feedstock costs. The proceeds of the sale of inventories to MGR&M were used to retire the revolving loan while the \$31,000,000 loan from CEC was used to fund start-up losses and refurbishment cost overruns. The details relating to each of the above transactions are described in Note 21 to the September 30, 1990 financial statements, which are included in Item 8 of this Form 10-K.

EXHIBIT G

Castle Energy Management Corporation	Subsidiary	Management of oil/gas limited partnerships	100%
Minden Energy Corporation	Subsidiary	Holding company	100%
Castle Refining Company	Subsidiary	Holding Company	100%
Capserco, Inc.	Subsidiary	Holding Company	100%
Indian Refining Company	Subsidiary	Refiner	100%

Through September 30, 1989 the Company derived its gross revenues from two primary sources: oil and gas sales from partnership interests that the Company holds as Managing General Partner and/or Limited Partner and direct working interests and administrative fees for the management of oil and gas limited partnerships. During the last three fiscal years, the percentage of total revenues contributed by oil and gas sales and administrative fees were as follows:

	<u>FISCAL YEAR ENDED SEPTEMBER 30.</u>		
	<u>1989</u>	<u>1988</u>	<u>1987</u>
Oil and gas sales	63.6%	51.1%	44.1%
Administrative fees	26.7%	37.9%	42.0%

In addition to the revenues above, the Company also derives revenue from the drilling and operating of oil and gas wells. The revenues derived from operating wells have not been significant. The drilling revenues are offset against drilling costs and the resultant drilling profits are then offset against oil and gas properties, not recorded as income, under generally accepted accounting principles.

As a result of the acquisition of the Lawrenceville Refinery on August 14, 1989, the Company expects that it will derive 90%-95% of its gross revenue from the sale of refined products once the refinery has been restored and is operating close to its expected capacity. This will represent a significant change in the derivation of gross revenues for the Company. The Company expects to restart the refinery in the last quarter of fiscal 1990. It is anticipated, however, that the refinery will not reach capacity production for several months after it is restarted.

Fiscal Year Ended September 30,

	1993		1994		1995	
	Productive	Dry	Productive	Dry	Productive	Dry
Developmental:						
Gross.....	8	--	--	--	--	--
Net.....	0.48	--	--	--	--	--

Sale of Partnership Administration Business

Until June 1993, the Company was in the business of oil and gas partnership administration. As a result of depressed oil and gas prices and tax legislation during the last nine years, the number of oil and gas partnerships in existence and the number of oil and gas partnerships being formed have decreased. These developments significantly limited the number of opportunities for the Company to obtain new sources of administrative revenue. Therefore, the Company discontinued its business of administration of oil and gas partnerships effective as of June 1993 and sold the business to a former officer of the Company who in November 1994 rejoined the Company as an officer.

REFINING

The Company, through its subsidiaries, owned and operated the Indian Refinery and the Powerine Refinery. The Refineries had combined refining (distillation) capacity of 135,500 (B/D).

Indian Refinery

Overview

The Company's subsidiary, IRLP, purchased the Indian Refinery in August 1989 and after an extensive refurbishment program, reopened it in November 1990. IRLP operated the Indian Refinery from November 1990 through September 1995. In September 1995, IRLP ceased operations and retired the refining assets of the Indian Refinery.

The Indian Refinery is located on 834 acres of land in Lawrenceville, Illinois with a capacity of 86,000 B/D. The Refinery also has a terminalling facility located in Mt. Vernon, Indiana.

On December 12, 1995, the Company and certain of its subsidiaries closed a Purchase and Sale Agreement with American Western whereby the Company sold substantially all of the operating assets, including land, of the Indian Refinery to American Western for \$3 million cash and a \$5 million note due upon the earlier of American Western's completion of its second stage financing or October 31, 1996. Concurrently, the Company sold certain precious metal catalyst to American Western for a \$1.8 million note due February 11, 1996. The note repayment date was later extended to March 22, 1996. Further, as part of the sale, American Western assumed all environmental liabilities related to the Indian Refinery, all pension liabilities of IRLP, certain litigation between IRLP and Shell Canada (see Item 3), and a transportation commitment with Mobil Corp. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Powerine

Overview

The Company acquired the Powerine Refinery from MG in October 1993 by acquiring the stock of Powerine.

The Powerine Refinery is located on 88 acres in Santa Fe Springs, California and has a capacity of 49,500 B/D. In addition, Powerine owned a terminal in Phoenix, Arizona and leased a terminal in Long Beach, California.

The Powerine Refinery was shut down in early July 1995 after several attempts to sell the Powerine Refinery failed. On September 29, 1995, Powerine sold the Powerine Refinery to Kenyen for \$3 million cash and a note in the principal amount of \$19.76 million, which is due in three installments on April

EXHIBIT I

Due to the existing pricing structure under the Offtake Agreements, IRLP and Powerine are not currently subject to the same degree of refining margin risk that most other refiners face. If refining margins are high for the industry (relative to historic averages), the price received by IRLP and Powerine for their refined products may be less than those obtainable in the market. Conversely, if refining margins are low for the industry, the price received by IRLP and Powerine for their refined products is likely to be higher than those obtainable in the market. Refining margins for the industry were depressed during most of the fiscal year ended September 30, 1994. As a result, the prices received by Powerine and IRLP for their refined product output under the Offtake Agreements were significantly higher than the prices that would have been obtainable selling refined products in the market. Accordingly, the Company's management believes that the refining segment would have incurred a loss for fiscal 1994 absent the Offtake Agreements. Any failure of MGRM to honor the Offtake Agreements could have a material adverse effect on the Company. The Offtake Arrangements will terminate on February 1, 1995. If the Company has not disposed of the Refineries by that date, the Company will be responsible for marketing its own products and will be subject to margin risk.

EXHIBIT J
PAGE 1 OF 3

Percentage of Castle's Revenues from Related Party (millions)

	1991 ¹	1992 ²	1993 ²	1994 ²	Cumulative
Refining Revenues - Related Party	75.5	344.8	532	861.4	1813.7
Total Revenues	125.6	349.9	598.8	1010.3	2084.6
% of Revenues from Related Party	60.1%	98.5%	88.8%	85.3%	87.0%

Castle's Related Party Gain (millions)

	1991 ¹	1992 ²	1993 ²	1994 ²	Cumulative
Refining Revenues - Related Party	75.5	344.8	532.0	861.4	1813.7
Refining Expenses - Related Party	66.9	313.0	430.4	627.0	1437.3
Related Party Gain	8.6	31.8	101.6	234.4	376.4

Castle's Total Related Party Gain (millions)

Related Party Gain	376.4
Gain From MG Settlement ³	396.2
Total Related Party Gain	772.6

1: Figures Taken From Exhibit J, Page 3 (Castle Energy Corp. Statement of Operations 1991)

2: Figures Taken from Exhibit J, Page 2 (Castle Energy Corp. Statement of Operations 1994)

3: Figure Taken from Exhibit K, Page 3

CASTLE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
("000's" Omitted Except Per Share Amounts)

	Years Ended September 30,		
	1994	1993	1992
Revenues:			
Refining:			
Crude oil sales	\$ 71,062		
Refined product - related party	849,492	\$ 525,690	\$ 327,488
Refined product	8,061		
Other revenues - related party	11,899	6,320	17,282
	<u>940,514</u>	<u>532,010</u>	<u>344,770</u>
Natural gas production and transmission:			
Gas sales	61,228	56,641	
Transportation	31	33	
	<u>61,259</u>	<u>56,674</u>	
Exploration and production:			
Oil and gas sales	8,069	9,268	4,160
Administrative fees		423	697
Well operations	483	433	308
	<u>8,552</u>	<u>10,124</u>	<u>5,165</u>
	<u>1,010,325</u>	<u>598,810</u>	<u>349,935</u>
Expenses:			
Refining:			
Cost of materials sold - crude oil sales	69,112		
Cost of materials sold - refined products - related party	618,324	430,399	281,430
Cost of materials sold - refined products	8,786		
Operating costs	132,281	54,747	32,815
Share of processing agreement loss - related party			31,611
Selling, general and administrative costs	23,758	6,515	3,966
Depreciation and amortization	30,322	9,994	9,683
	<u>882,583</u>	<u>501,655</u>	<u>379,505</u>
Natural gas production and transmission:			
Gas purchases	37,029	34,441	
Operating costs	1,973	961	
General and administrative	354	913	
Depreciation and amortization	11,360	9,495	
	<u>50,616</u>	<u>45,810</u>	
Exploration and production:			
Oil and gas production	3,845	2,655	1,793
General and administrative	213	1,529	1,191
Depreciation, depletion and amortization	2,092	2,696	1,453
	<u>6,150</u>	<u>6,880</u>	<u>4,437</u>
Corporate general and administrative	5,499	2,191	1,706
	<u>944,848</u>	<u>556,336</u>	<u>385,648</u>
Operating profit (loss)	65,477	42,274	(35,713)
Other income (expenses):			
Interest income	1,292	739	1,235
Other income	1,161	1,451	91
Interest expense	(28,487)	(21,111)	(13,640)
Write-off			(4,161)
	<u>(26,034)</u>	<u>(18,971)</u>	<u>(16,475)</u>
Income (loss) before provision for (recovery of) income taxes	39,443	23,353	(52,188)
Provision for (recovery of) income taxes:			
State	3,648	(4,614)	81
Federal	(3,122)	(31,356)	
	<u>526</u>	<u>(35,970)</u>	<u>81</u>
Net income (loss) before cumulative effect of a change in accounting principle	38,917	59,323	(52,269)
Cumulative effect of change in accounting principle - adoption of FAS 109		8,514	
Net income (loss)	<u>\$ 38,917</u>	<u>\$ 67,837</u>	<u>\$ (52,269)</u>
Net income (loss) per share:			
Net income (loss) before cumulative effect of change in accounting principle - primary	\$ 3.48	\$ 8.12	\$ (8.22)
- fully diluted	\$ 3.43	\$ 7.84	
Cumulative effect of change in accounting principle - adoption of FAS 109 - primary		\$ 1.16	
- fully diluted		\$ 1.12	
Net income (loss) per share - primary	<u>\$ 3.48</u>	<u>\$ 9.28</u>	<u>\$ (8.22)</u>
Net income per share - fully diluted	<u>\$ 3.43</u>	<u>\$ 8.96</u>	
Weighted average number of common and common equivalent shares outstanding - primary	<u>11,209</u>	<u>7,316</u>	<u>6,365</u>
- fully diluted	<u>11,397</u>	<u>7,381</u>	

The accompanying notes are an integral part of these financial statements

EXHIBIT J
PAGE 3 OF 3

CASTLE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>YEAR ENDED SEPTEMBER 30,</u>		
	<u>1991</u>	<u>1990</u>	<u>1989</u>
Revenues:			
Refining:			
Bulk sale of crude oil and re- fined products-related party	\$ 44,527,046		
Sales of refined products	42,376,145		
Processing fees-related party	<u>31,023,654</u>		
	<u>117,926,845</u>		
Exploration and production:			
Oil and gas sales	6,058,859	\$5,633,616	\$4,637,469
Recurring administrative fees	1,369,591	1,830,920	1,944,135
Well operations	<u>280,705</u>	<u>249,431</u>	<u>249,827</u>
	<u>7,709,155</u>	<u>7,713,967</u>	<u>6,831,431</u>
	<u>125,636,000</u>	<u>7,713,967</u>	<u>6,831,431</u>
Expenses:			
Refining:			
Cost of sales-bulk sale-related party	45,900,840		
Cost of goods sold- refined products	64,169,660		
Operating costs	38,571,199		
Yield loss-related party	21,000,000		
Share of processing agreement loss	7,527,783		
Depreciation and amortization	15,376,471		
Selling, general and administra- tive costs	<u>2,566,450</u>		
	<u>195,112,403</u>		
Exploration and production:			
Oil and gas production	2,329,786	2,001,457	1,758,885
Depreciation, depletion and amortization	1,498,969	1,608,773	1,577,801
General and administrative	<u>2,897,721</u>	<u>2,728,778</u>	<u>2,277,174</u>
	<u>6,726,476</u>	<u>6,339,008</u>	<u>5,613,860</u>
	<u>201,838,879</u>	<u>6,339,008</u>	<u>5,613,860</u>
Operating income (loss)	<u>(76,202,879)</u>	<u>1,374,959</u>	<u>1,217,571</u>
Other income (expense):			
Interest income	751,160	775,821	99,691
Other income	412,758	648,808	360,578
Interest expense	(11,097,956)		(432,281)
Write-offs	<u>(12,971,806)</u>		
	<u>(22,905,844)</u>	<u>1,424,629</u>	<u>27,988</u>
Income (loss) before provision for (recovery of) income taxes	<u>(99,108,723)</u>	<u>2,799,588</u>	<u>1,245,559</u>
Minority share of loss	<u>7,500</u>		
Provision for (recovery of) income taxes			
State	(17,110)	159,397	(2,046)
Federal		<u>65,014</u>	<u>2,139</u>
	<u>(17,110)</u>	<u>224,411</u>	<u>93</u>
Net income (loss)	<u>(\$ 99,084,113)</u>	<u>\$2,575,177</u>	<u>\$1,245,466</u>
Net income (loss) per share:			
Weighted average number of common and common equivalent shares outstanding	<u>9,343,702</u>	<u>7,169,963</u>	<u>3,671,287</u>
Net income (loss) per share	<u>(\$ 10.60)</u>	<u>\$.36</u>	<u>\$.34</u>

The accompanying notes are an integral part of these financial statements

CASTLE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
("000's" Omitted Except Share Amounts)

	September 30,	
	1995	1994
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 5,341	\$ 18,118
Restricted cash.....	4,959	12,525
Temporary investments.....		4,436
Accounts receivable.....	5,641	22,413
Accounts receivable - related party.....		19,941
Inventories.....		83,711
Prepaid expenses and other current assets.....	153	7,341
Deferred income taxes.....	4,623	68,088
Estimated realizable value of discontinued net refining assets.....	10,803	
	-----	-----
Total current assets.....	31,520	236,573
Property, plant and equipment, net:		
Refining.....		295,950
Natural gas transmission.....	22,720	24,535
Furniture, fixtures and equipment.....	276	3,245
Oil and gas properties, net.....	17,410	16,146
Gas contracts, net.....	34,515	43,889
Goodwill, net.....		5,413
Other assets, net.....	463	20,740
Note receivable.....	10,000	
	-----	-----
Total assets.....	\$116,904	\$646,491
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt.....	\$ 12,080	\$84,297
Current portion of long-term debt - related party.....	250	9,974
Accounts payable.....	4,715	53,999
Accrued expenses.....	3,284	27,169
Due to related parties.....		17,663
Deferred revenue.....		62,333
Income taxes payable.....		136
Other liabilities.....	3,323	3,771
Net refining liabilities retained.....	20,342	
	-----	-----
Total current liabilities.....	43,994	259,342
Long-term debt.....	23,616	51,361
Long-term debt - related parties.....		248,491
Other long-term liabilities.....	83	34,191
Deferred income taxes.....	7,574	15,186
	-----	-----
Total liabilities.....	75,267	608,571
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Series B participating preferred stock; par value - \$1.00; 10,000,000 shares		

EXHIBIT K
PAGE 2 OF 3

CASTLE ENERGY CORP

Filing Date: 09/30/95

authorized; no shares issued		
Common stock; par value - \$0.50; 25,000,000 shares authorized; 6,693,646 and 7,627,646 shares issued and outstanding in 1995 and 1994, respectively....	3,347	3,814
Additional paid-in capital.....	66,316	75,754
Accumulated deficit.....	(28,026)	(41,648)
	-----	-----
	41,637	37,920
	-----	-----
Total liabilities and stockholders' equity	\$116,904	\$646,491
	=====	=====

The accompanying notes are an integral part of these financial statements

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CASTLE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
("000's" Omitted)

	Year Ended September 30,		
	1995	1994	1993
Cash flows from operating activities:			
Net income	\$ 14,897	\$ 38,917	\$ 67,837
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, depletion and amortization.....	19,238	43,774	22,185
Amortization of deferred debt issue costs.....	2,732	8,885	2,054
Cumulative effect of a change in accounting principle - adoption of FAS 109.....			(8,514)
Deferred income taxes.....	55,799	(2,900)	(38,976)
Gain on MG Settlement.....	(396,166)		
Provision for impairment loss.....	323,078		
Changes in assets and liabilities:			
(Increase) decrease in restricted cash.....	4,750	1,185	(9,153)
(Increase) decrease in temporary investments.....	4,436	2,811	(65)
(Increase) in accounts receivable.....	27,685	(6,178)	(19,512)
(Increase) decrease in inventory.....	57,401	(18,787)	(7,942)
(Increase) decrease in prepaid expenses and other current assets....	6,366	(4,762)	(454)
(Increase) decrease in other assets.....	(1,793)	(1,523)	(970)
Increase (decrease) in accounts payable.....	(29,660)	23,448	24,126
Increase (decrease) in accrued expenses.....	(29,936)	1,958	8,573
Increase in other current liabilities.....	283	41	3,071
Increase (decrease) in other long-term liabilities.....	(630)	927	906
(Decrease) in due to related parties.....	(9,014)	(9,046)	(17,014)
Increase (decrease) in deferred revenues.....	(12,124)	(65,807)	121,046
Total adjustments.....	22,445	(25,974)	79,361
Net cash flow provided by (used in) operating activities.....	37,342	12,943	147,198
Cash flows from investment activities:			
Decrease in deposit made on account of acquisition.....			6,250
Proceeds from sale of furniture, fixtures and equipment.....	4,723	75	265
Investment in refining operations.....	(35,355)	(63,819)	(34,394)
Investment in oil and gas properties.....	(4,022)	(956)	(13,592)
Investment in pipelines.....	(47)	(21)	(27,909)
Purchase of furniture, fixtures and equipment.....	(288)	(1,670)	(1,265)
Purchase of gas contracts.....			(63,049)
Purchase of minority interest.....			(117)
Business acquisition, net of cash acquired.....		(8,230)	
Net cash used in investing activities.....	(34,989)	(74,621)	(133,811)

(continued on next page)

The accompanying notes are an integral part of these financial statements

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company is primarily engaged in petroleum refining in the United States, with additional operations in natural gas marketing and oil and gas exploration and production. Until August 1989, the Company was involved in only one segment of the petroleum industry -- oil and gas production, including the administration of related oil and gas partnerships. At that time, the Company began shifting its primary focus and made a material investment in the refining segment of the petroleum industry by acquiring the Indian Refinery.

The Indian Refinery was acquired in August 1989. From April 1990 until November 1990, IRLP performed refurbishment work and in November 1990 commenced refining operations. All expenditures related to the Indian Refinery were capitalized until operations commenced, so refining activities did not affect consolidated operations until the fiscal year ended September 30, 1991. Since commencing refining operations, IRLP has processed and sold refined products to third parties, has processed refined products for MGRM under a Processing Agreement with MGRM (the "Indian Processing Agreement") and has processed and sold all of its refined products to MGRM under the Indian Offtake Agreement.

During the period from October 1, 1991 through January 31, 1992, IRLP processed crude oil for MGRM pursuant to the Indian Processing Agreement. Under that arrangement, IRLP earned a fixed fee per barrel of crude processed, was entitled to receive as an additional processing fee 100% of any profits earned by MGRM on sales of the processed product and related activities and was required to indemnify MGRM for 100% of any losses incurred by MGRM on such sales and related activities.

On February 1, 1992, IRLP commenced processing and selling refined products exclusively to MGRM under the Indian Offtake Agreement. Under the Indian Offtake Agreement, IRLP currently sells all of its refined product output to MGRM at a price related to near month West Texas Intermediate crude prices.

On December 3, 1992, the Company acquired from ARCO the Lone Star Contract, a 77-mile intrastate gas pipeline located in Rusk County, Texas, majority working interests in 100 producing oil and gas wells and several gas purchase contracts for an aggregate purchase price of approximately \$103.7 million including liabilities assumed and transaction costs.

In June 1993, the Company sold its business of administration of oil and gas partnerships.

As of October 1, 1993, the Company acquired Powerine, which owns a 49,500 B/D refinery in Santa Fe Springs, California. The results of operations of Powerine are included in the refining segment for the year-to-date period ending September 30, 1994. During the year ended September 30, 1994, Powerine operated under the Powerine Offtake Agreement and sold substantially all of its refined products at a \$10.20 increment to near month Alaskan North Slope crude prices.

As a result of the foregoing, retrospective period by period comparisons of all three segments in which the Company operates (refining, natural gas marketing and exploration and production) may not be meaningful.

On August 31, 1994, the Company entered into two agreements with MG and certain of its affiliates, comprising the MG Settlement, pursuant to which the parties thereto agreed to amend or terminate a number of contractual relationships among them. In the first step of the MG Settlement, which closed on September 9, 1994, MG transferred 3.6 million shares of the Company's Common Stock to the Company in exchange for approximately \$39.8 million of participations the Company held in debt obligations of the Company and its affiliates to MGTFC.

In the second step of the MG Settlement, which closed on October 14, 1994, MG (a) cancelled certain debt obligations owed to MGTFC by the Company and its affiliates, and assumed IRLP's obligations to repay \$73.041 million under its senior facility with Société Générale (the "Senior Facility"), together totaling approximately \$322 million, (b) transferred back to the Company the remaining 969,000 shares of Common Stock held by MG and a \$5.5 million debenture convertible into 500,000 shares of the Company's Common Stock, (c) issued the Company a \$10 million note payable in 3 years, (d) terminated all of its interests in the Company's natural gas operations and (e) agreed to supply all crude oil necessary for the Company to meet its delivery obligations under a forward sale contract with a third party entered into in September 1993. In exchange for the foregoing, IRLP and Powerine (i) amended the Offtake Agreements to terminate on February 1, 1995, (ii) amended their working capital facilities to terminate on March 31, 1995, and (iii) transferred to MG certain of the Company's participations in debt obligations of the Company and its affiliates to MGTFC. In connection with the MG Settlement, IRLP and MGNG also entered into a four-year natural gas swap agreement.

The completion of the transactions contemplated by the MG Settlement has, among others, three consequences for the Company. First, on February 1, 1995, the Offtake Agreements will terminate and the Company will have to market its own products and, therefore, will be subject to market risks. Second, effective March 31, 1995, the working capital facilities provided by MGTFC will terminate and the Company will need to arrange other financing for its Refinery operations. Third, for Federal and state income tax purposes, the Company recognized income of approximately \$390 million, on which, after giving effect to applicable net operating loss and other tax carryovers and other items of expense and deduction, Federal and state income taxes of approximately \$91 million will be owing.

The Company began to explore its options for dealing with these consequences before and during the negotiation of the MG Settlement. The Company's considered a number of alternatives, ranging from continuing its Refinery operations on substantially the same basis as prior to the MG Settlement, but obtaining new working capital financing and a new customer base, to selling or closing the Refineries. The Company believed, however, that it would need to raise substantial new equity for the payment of its income taxes, in addition to raising the working capital financing for the Refineries, if it decided to continue the Refinery operations. Further, continuing the Refinery operations would require the Company to add significant marketing personnel, expertise and expense. On the other hand, closing the Refineries would result in substantial shut-down costs, including severance obligations to employees and potential environmental clean-up costs, although it would allow the Company to write-off the costs of its Refineries to substantially reduce its taxes. The Company believes that the working capital of the Refineries would be adequate to provide for such severance obligations and environmental costs. Based upon these factors, the Company early on determined to focus its efforts on seeking to sell the Refinery operations.

On December 5, 1994, the Company entered into the SIPAC Agreement pursuant to which it agreed to sell certain assets, including the assets of IRLP and the capital stock of Powerine, to SIPAC, a newly formed corporation organized by William S. Sudhaus, President and Chief Operating Officer of the Company.

Pursuant to the terms of the SIPAC Agreement, the Company will receive \$38.75 million principal amount of ten-year, 10%, promissory notes of SIPAC, convertible into approximately 41% of SIPAC's common stock, and a cash payment equal to the adjusted working capital of the Refineries as of January 31, 1995. If the adjusted working capital had been determined as of September 30, 1994, the cash payment by SIPAC would have been approximately \$39.3 million and the net increase in cash would have been approximately \$24 million (\$39.3 million less \$15.3 million of cash included in the assets sold). In addition, if the capital expenditures of the Refineries during the period from October 1, 1994 through the date of the closing exceed \$32 million, the Company will receive an amount equal to such excess in cash, and if such capital expenditures are less than \$32 million, the Company will be required to pay an amount equal to such deficiency to SIPAC in cash. Upon consummation of this sale, which is subject to receipt of the approval of the Company's stockholders and certain other conditions, the Company will no longer be directly engaged in petroleum refining.

In the discussion that follows, period-to-period comparisons will be limited to the Company's revenues and expenses that lend themselves to period-to-period comparison. Discussion of operations that are not comparable will be limited to an analysis of actual results and the factors contributing to such results.

EXHIBIT M

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDERS MATTERS

(a) Principal Market

The Registrant's common stock is traded nationally over-the-counter under the NASDAQ symbol "CECX".

(b) Stock Price and Dividend Information

The table below presents the high and low closing bid prices as reported by NASDAQ for each of the quarters during the fiscal years ended September 30, 1989, 1988, and 1987. The quotations represent prices in the over-the-counter market between dealers in securities, do not include retail markup, markdown, or commission and may not necessarily represent actual transactions. The data presented give retroactive effect to the one-for-ten reverse split of the Company's common stock which was effective July 1, 1987.

	<u>1989</u>		<u>1988</u>		<u>1987</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First Quarter (December 31)	\$3.00	\$2.50	\$4.13	\$1.50	\$4.38	\$1.88
Second Quarter (March 31)	\$4.75	\$2.88	\$4.38	\$2.75	\$4.38	\$3.13
Third Quarter (June 30)	\$4.88	\$3.75	\$4.00	\$3.38	\$3.75	\$2.50
Fourth Quarter (September 30)	\$9.25	\$4.13	\$3.50	\$2.75	\$4.75	\$3.75

No cash or stock dividends were paid through September 30, 1987. On December 18, 1987, the Board of Directors declared a dividend of \$.05 per share of common stock payable to all holders of record as of December 31, 1987. On January 15, 1988, the Registrant paid the dividend. On December 15, 1988 the Board of Directors declared a dividend of \$.06 per share of common stock payable to all holders of record as of December 31, 1988. The dividend was paid on January 15, 1989. On December 12, 1989, the Board of Directors declared a dividend of \$.06 per share of common stock payable to all holders of record as of December 29, 1989. The dividends will be paid in January of 1990. The Company has not yet adopted any policy as to the payment of dividends.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Principal Market

The Company's Common Stock is quoted on the Nasdaq National Market ("NNM") under the trading symbol "CECX".

Stock Price and Dividend Information

Stock Price:

The table below presents the high and low sales prices of the Company's Common Stock as reported by the NNM for each of the quarters during the two fiscal years ended September 30, 1995.

	1994		1995	
	High	Low	High	Low
First Quarter (December 31).....	\$25.00	\$11.00	\$16.00	\$11.25
Second Quarter (March 31).....	14.50	7.25	14.25	8.00
Third Quarter (June 30).....	15.00	9.75	10.75	7.00
Fourth Quarter (September 30).....	19.00	11.50	11.00	8.00

The final sale of the Company's Common Stock as reported by the NNM on February 29, 1996 was \$7.875.

Dividends:

The Company has not adopted a formal dividend policy and has not declared a dividend since 1989. The loan agreements in place with subsidiaries of the Company restrict the subsidiaries from distributing cash to the Company until the debt obligations are satisfied. Accordingly, the subsidiaries' profits are generally not available for dividends.

Approximate Number of Holders of Common Stock

As of February 29, 1996, the Company's Common Stock was held by approximately 2,000 stockholders.