

STATE

Phillips Petroleum's growth creates jitters in hometown

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BARTLESVILLE, Okla.

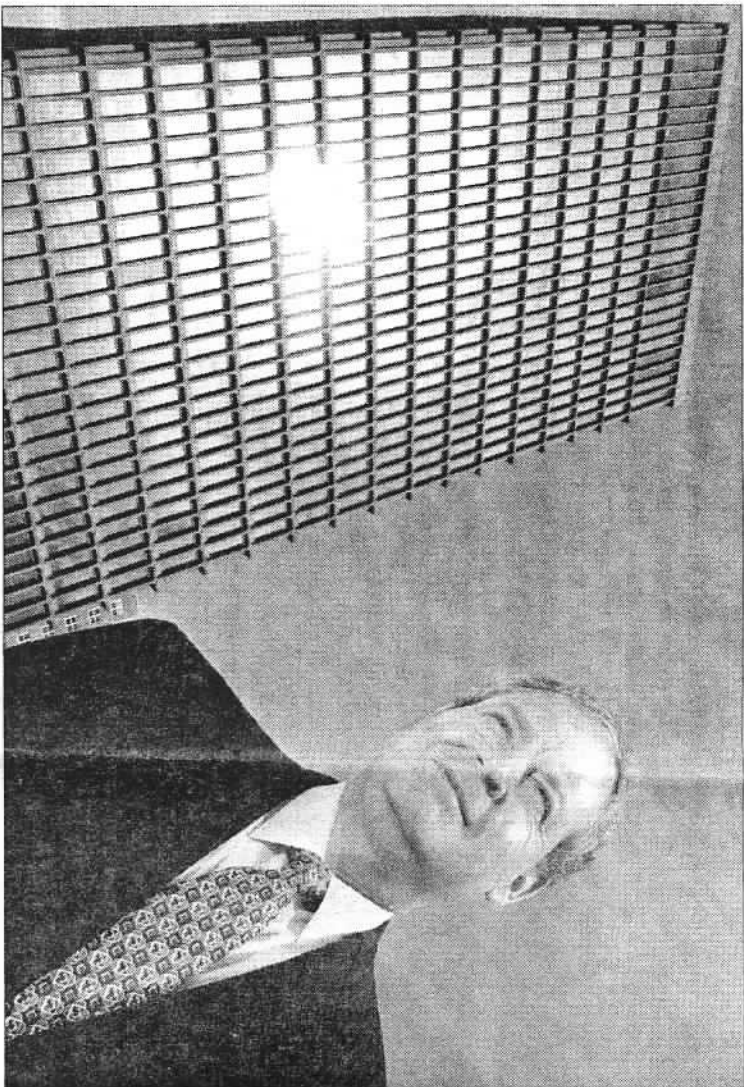
(AP) — Donna Copeland well knows that the future of her furniture store depends on Phillips Petroleum Co., the Fortune 100 company whose headquarters is across the street.

Phillips is the economic hub of this prairie town of 35,000, despite having cut its local work force from 9,000 to 2,400 over the past 15 years.

"The heartbeat of Phillips is directly related to our heartbeat," said Copeland, whose store has reduced its job count from 20 to four over the same period.

The oil company is hardly ailing. Last year it almost doubled its crude oil production and a deal earlier this year will make it the nation's second-largest refining company and among the top gasoline retailers. Analysts estimate some \$7 billion in profits this year. But its shrinking local presence while expansion continues elsewhere raises an old question: How long will Phillips stick around?

Jim Mulva, the company's chairman and chief executive, says Phillips, founded in Bartlesville in 1917, plans to stay where it is.



Jim Mulva, the head of Phillips Petroleum Company, stands outside the Phillips building in Bartlesville, Okla., Thursday, May 24.

Phillips is the economic hub of Bartlesville. (AP Photo/John Clanton)

"You could expect no real change in where we're headquartered despite the fact that we're becoming a bigger company internationally," he said.

But more local job cuts are likely. Phillips has nearly 600 workers in its refining, marketing and transportation division in Bartlesville, but that

operation will be based in Tempe, Ariz., after Phillips finalizes its \$7 billion acquisition of Greenwich, Conn.-based refining giant Tosco Corp. later this year.

Phillips' strategy is to create what management touts as the "new Phillips" — a company able to compete globally with top-tier oil players like

ExxonMobil Corp., Royal Dutch Shell Group and BP PLC.

Once the Tosco deal is finalized, Phillips' employment will triple to 38,500. Sales are expected to more than double

to \$45 billion within a two-year period. The company is developing bountiful oil and natural gas deposits in Alaska, the

North Sea, Kazakhstan, Venezuela and offshore China and Australia.

"They're doing very well in Bartlesville, and I don't think where they have their corporate headquarters is a big deal," said Steve Enger, oil analyst for Petre Parkman & Co. in Denver.

Frank Phillips, a barber from Iowa, and his brother L.E. moved to Bartlesville, 40 miles north of Tulsa, in the early 1900s after oil was discovered nearby. The company they started 12 years later quickly grew into the town's largest employer and foremost philanthropist.

Bartlesville is unabashedly proud of its star corporate citizen, whose campus dominates a downtown of museums and small shops.

"The bigger and stronger they are, the bigger and stronger we're going to be," said Jim Fram, president of the Bartlesville Development Corp. Phillips is still more than twice the size of the city's No. 2 employer, the Jane Phillips Medical Center, named after Frank's wife.

With Phillips' help, Bartlesville has lured new companies to ease its dependence on the oil company. The local job base has grown to 21,000, up about 15 percent

since the 1980s. In the past year, the city added about 700 new jobs at 79 companies to more than offset a loss of 439 at Phillips.

Despite its local job cuts, Phillips' civic imprint remains conspicuous. Company employees live in spacious mansions just south of downtown or in big brick homes on the rolling prairies outside the city. There is also a growing, influential retirement community that includes 3,000 former Phillips employees.

The oil company and its workers support the arts — Bartlesville has a ballet and symphony, and hosts a Mozart festival each June. The Price Tower Arts Center, designed by Frank Lloyd Wright, hosts touring art exhibits from around the world.

Despite the deep roots, company announcements still give locals the jitters. "Whenever Phillips takes any kind of action, things freeze for a little while to see how things come out," said Carol Wofford, executive director of the arts center. Jim Coppage, a California native who runs a downtown computer store across from Phillips, said people still worry about the company leaving. "Most people get unnerved because everybody fears change" he said.