

April, 2003

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The APInion

TEACHER OF THE YEAR RECOGNITION AWARDS

Speaker: Barbara Turner

Each year API-Delta Chapter honors public school teachers from the parishes served by the Delta Chapter. This community-focused program has resulted in more than \$108,000 awarded to local classroom teachers over the past 17 years. This year API is honored to have Barbara Turner speak at API's general meeting to recognize the honorees and their invited guests. Barbara Turner is the retired Superintendent of Schools of the Jefferson Parish Public School System. She currently serves as the President of Ursuline Academy of New Orleans, the oldest private girls' school in the United States, and Mrs. Turner is the first lay president of the Academy in its 275 year history.

In addition to her past work in the public school system and her current service at Ursuline Academy, Mrs. Turner currently serves on a number of boards and community agencies, including the Board of Directors for the Jefferson Council of Abused Children, the Board of Directors of the YWCA, the Community Board of Advisors of the University of New Orleans, the Board of Advisors for the State of Louisiana Center for Women and Government, the Steering Committee for Jefferson Parish President's Prayer Breakfast, the Center for Non-Profit Resources, as

Founding Member of the Women's Leadership Initiative, on the Advisory Board of the House of Ruth, on the Advisory Board of Dress for Success, and as a member of the New Orleans Regional Leadership Institute, Class of 2003. She has also provided community service as Governor Buddy Roemer's nominee for Single Board ("Super Board") for Higher Education, on Governor's Appointment to the Board of Trustees for State Colleges and Universities, 1989-96, as Chairman of the Board of Trustees for State Colleges and Universities, 1991-94, on Governor's Appointment to the Special Task Force on Higher Education, on the Board of Directors of the Southeast Louisiana Girl Scout Council, and on the Steering Committee of the Superbowl Prayer Breakfast.

In fact, while serving as Superintendent of Schools for Jefferson Parish in 1992, Mrs. Turner successfully led the campaign to pass a sales tax for the benefit of schools. Defying conventional wisdom that claimed schools could pass nothing, Mrs. Turner led the schools to triumph over Sheriff Harry Lee's



API General Meeting
**Tuesday,
April 29, 2003**

**Holiday Inn Superdome,
330 Loyola Avenue**

**11:00 Networking
11:30 Luncheon**

**TEACHER OF
THE YEAR
RECOGNITION**

Barbara Turner

*RSVP to:
Richard Tucker, 1st Vice Chairman, at
858-7872 or tuckquin@bellsouth.net.*

*\$25.00 in advance
\$30.00 at door*

popular "campaign for prison", securing allocation of the sales tax for the schools. And, Mrs. Turner now leads the successful Capital Campaign at Ursuline Academy, the first such campaign in the history of the school.

Mrs. Turner grew up and attended school in Lake Charles, Louisiana. Having graduated cum laude from

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CHAIRMAN'S MESSAGE

A Call to Arms

As I write, victory appears imminent in Iraq. Truly, such a feat could not be possible without the sacrifice of our men and women in uniform. Not everyone has the ability to fight and die for his or her country. However, one thing our nation has learned over the years is that the American troops need our support.

Most of us are intimately familiar with the "graying" of the oil and gas industry, but one arena that has not received much attention is the professional societies. As the Chairman of API, I interact with most of the oil and gas societies in the GNO area, and a problem that has largely gone unmentioned is their slow demise. Let me cite just one—the Society of Professional Evaluation Engineers (SPEE), which is presently not functioning. Others are also experiencing difficulties whether it is an aging membership, lack of membership, or worse, lack of leadership.

Therefore, I am issuing a call to arms. Organizations like API, AADE, COPAS, D&D, ISA, NACE, NOGS, PLANO, SAME, SIPES, SPE, SPEE, SWE, SPWLA, and SGS need your help. Let me offer just a couple of suggestions on how you can support these societies.

First, join! Everyone one of us should belong to at least one of the technical societies I have mentioned. I know many who belong to two or three, and I commend you. Plus, everyone should belong to API. Perhaps you have an associate who does not belong to API. There is a membership application in the back of this newsletter. Make a copy for them to fill out.

Second, go to the luncheons and other functions. Nothing is more frustrating to a Program Chair of one of these societies, than a disappointing turnout. If you are a leader in your company, bring your whole group. For your next luncheon, call and reserve a table for ten. Nothing is more exciting to a Program Chair than a company that reserves two or three tables for an event.

Third, volunteer for a committee. You may not have much spare time, but every extra hand lightens the load. You may not be an expert, but no one is. Each of these societies is a grass roots effort consisting of people willing to roll up their sleeves and get their hands dirty. Call up your society president or chair and tell them you want to help. They will fall out of their chair; I guarantee it!

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API DELTA CHAPTER

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API Board Meeting

At its Washington meeting, the API Board, under the leadership of API Chairman David J. O'Reilly of Chevron Texaco, committed additional resources to advocate national energy strategy legislation in Congress. The Board also endorsed API's continuing assessment of public opinion on the Iraq situation and its broad communications plan to deal with inquiries from the media, Congress, state houses, and other interested parties. Two speakers addressed the Board at dinner: Representative Joe Barton (R-TX), Chairman of the House Energy and Commerce Subcommittee on Energy and Air Quality, talked about the energy bill and related matters, and Judith Kipper, an expert on the Middle East, addressed the Iraq situation. At the meeting, Secretary of Commerce Don Evans discussed the President's economic program and asked Board members to communicate to their stakeholders the importance of the program to long-term economic growth. The Board also heard presentations on the latest Wirthlin opinion research; the American Gas Association's plans for communicating the importance of access to the 64 million gas purchasers through billing inserts; Downstream Committee activities; climate change developments; and the pipeline performance tracking system. The Board will next meet on 10/20 as part of the API Annual Meeting under a new format intended to encourage increased participation by industry supporters. Contact: Red Cavaney, President, 202-682-8100 or rcavaney@api.org.

House Ways and Means Approves Energy Tax Legislation

On 4/3, the House Ways and Means Committee approved an energy tax bill (H.R. 1531) that includes oil and natural gas tax provisions worth about \$8.6 billion over 10 years.

Following extensive consultation between API and Ways and Means Committee staff, a number of industry priority tax items were included: two-year amortization of geological and geophysical and delay rental costs, a marginal oil and gas well production credit, and seven-year depreciation for natural gas gathering lines. The legislation also includes a modified section 29 tax credit for both old and new wells. The tax title is expected to be combined with the energy legislation from the House Energy and Commerce Committee prior to House floor debate. Contacts: Michael Platner, Federal Relations, 202-682-8418 or platnrm@api.org or Mark Kibbe, Taxation, 202-682-8460 or kibbem@api.org.

President's Message, continued from page 2

Finally, be prepared to advance to the front line. All of the societies are in desperate need of leadership—API included. Without people out in front leading the way, the advance crumbles.

To our men and women in uniform, I wholeheartedly salute you and your families for the ultimate sacrifice you are making to preserve freedom. To those who give their time and talents to the oil and gas societies in New Orleans, I also salute you. There are many challenges ahead, but together, with everybody helping, we will succeed!

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Oil exec decries ethics erosion

He blames scandals for weak economy

Alden “Doc” Laborde doesn’t believe business ethics have changed in the 60 years he has led the oil and gas industry. And neither have his convictions.

The offshore pioneer told the Delta chapter of the American Petroleum Institute on Tuesday that nothing has happened “to change the conviction I had coming in that integrity is the basic foundation of any successful business.”

When he took his first job as a roustabout on an oil rig after World War II, Laborde said he was shocked to learn of the shady business practices that prevailed.

“Extravagant entertainment, exorbitant gifts and worse were almost the rule,” he said. “It was not unusual to have to (pay off) a manager or tool pusher to hire a rig or boat or to sell mud or supplies.”

Two of the companies he built — Ocean Drilling and Exploration company and Tidewater Inc. — went on to become Fortune 500 companies, and both took the high road when it came to business ethics.

He said recent business scandals, referring to the Enron accounting debacle, have damaged the economy and hurt employees, investors, vendors and others.

“Had these folks not ignored these principles, they and we would all be so much better off today,” he said. “And if not corrected and turned around, our whole economic structure is threatened.”

Laborde also made reference to the scandals that have rocked Louisiana government over the years and of late.

“We have reason here in our state and time to examine ourselves and to ask whether and to what extent our sleazy political climate has contributed to making Louisiana among the leaders in illiteracy, unemployment, low credit rating and near the top in crime,” he said.

Laborde and Tracy Krohn, president and chief executive of W & T Offshore, were honored by the API and other energy groups at a meritorious service luncheon at the Fairmont Hotel for their leadership in energy and their community work.

Laborde built the first mobile submersible rig — the Mr. Charlie — in 1953 and the first semisubmersible, or floating, rig — the Ocean Driller — in 1969, setting a standard for the industry.

He purchased and led Gulf Island Fabrication after he retired from Ocean Drilling and Exploration and founded All Aboard Development Corp., an oil and gas production company.

Mary Judice can be reached at mjudice@timespicayune.com or (504) 826-3496.

*Mary Judice,
Personal finance writer
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API Briefs Media on Industry Security

On 4/3, API president Red Cavaney and Security Team leader Kendra Martin held a press roundtable for Washington news media focused on industry security. They described API’s work to help ensure security at industry facilities and addressed a variety of security-related issues.

The event was well-attended and included correspondents with the Associated Press, Reuters, Dow Jones, the New Orleans Times-Picayune, Oil & Gas Journal, and Oil Daily.

Contact: Jim Craig, Communications, 202-682-8120 or craigj@api.org.

Barbara Turner, continued from page 1

McNeese State University with a Bachelor of Arts Degree in French, she went on to achieve her Master of Arts Degree in Education, magna cum laude. And she has now completed all of her coursework toward a Ph.D. in Special Education at the University of New Orleans.

While leading a full and rewarding professional career and serving her community, Mrs. Turner is also happily married with three children and five grandchildren. She has served as Lector and Eucharistic Minister in her church and attends mass daily.

API-Delta Chapter looks forward to Mrs. Turner’s address to the API members, the teacher honorees, their principals, and the Superintendents of Schools for Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, and St. Tammany Parishes.

Legal Update: Restoration of Property

On February 25, 2003, the Louisiana Supreme Court ruled that Shell Oil Company must pay \$33 million in restoration damages to landowners for land valued at only \$108,000; the award arose out of Shell's operation of a surface lease covering 320 acres of land in Calcasieu Parish. See *Corbello, et al v. Iowa Production, et al.*, 2002-C-0826 (La. 2/25/03).

The landowners originally filed the lawsuit in 1992 against Shell Oil Company to recover damages in trespass for operations after expiration of a surface lease to Shell and, also, seeking awards for unauthorized disposal of saltwater on the property, for the poor condition of the leased premises, and for punitive damages and attorney's fees. After a trial on the merits in 2000, the jury awarded damages in the amounts of \$927,000 for Shell's failure to vacate the leased premises after the surface lease expired; \$16,679,100 for Shell's illegal disposal of saltwater on the leased premises; and \$33 million to restore the leased premises to its 1961 condition. Pursuant to post-trial motions, the trial court awarded the plaintiffs with \$689,510 in attorney's fees and reduced the jury's award for failure to vacate the leased premises from \$927,000 to \$32,500, having previously dismissed the landowner's claim for punitive damages.

The Third Circuit Court of Appeal affirmed the jury's awards of \$33 million to restore the leased premises and \$16,679,100 for Shell's illegal disposal of saltwater on the property; increased the trial court's award of attorney's fees to \$4 million; reinstated the jury's trespass award of \$927,000; and reversed the trial court's dismissal of the plaintiff's claim for exemplary (punitive) damages and remanded for further proceedings on the issue.

Restoration of Leased Premises

Shell went to the Louisiana Supreme Court arguing that the legal principles in tort and specific performance cases that limit property damages to the market value of the property should also apply in cases of damages for breach of contract. Shell maintained that the amount of damages for breach of the contractual obligation to restore the property must be rationally or reasonably related to the market value of the property—here \$108,000. And Shell argued that the amount of damages recoverable under a breach of contract claim must be controlled by the parties' mutually-agreed-upon expectations. Shell, therefore concluded that an award of damages 300 times greater than the value of the property was beyond expectations and simply unreasonable.

The Court disagreed with Shell's position and instead, held that a damage award for breach of a contractual obligation to restore property need not be tethered to the market value of the property. The measure of damages in breach of contract cases is governed by the four corners of the contract. Here the Court found that the contract did not limit Shell's restoration liability to the market value of the property. In fact, the Court noted that if Shell had desired such a limitation, it could have bargained for one in the lease.

The court found that Shell was a sophisticated company with vast experience in negotiating oil and gas contracts and that Shell bound itself to "reasonably restore plaintiffs' property as near as possible to its current condition." Accordingly, the Court declined to accept the rule of law proposed by Shell. To do so, the Court explained, would give license to oil companies to perform operations in any manner, with indifference as to the aftermath of

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their operations because of the assurance that they would not be responsible for the full cost of restoration. Therefore, the Louisiana Supreme Court concluded that the court of appeal did not err in affirming the \$33 million award in restoration damages for land valued at only \$108,000.

Shell further argued that the court of appeal erred in allowing \$28 million, of the \$33 million awarded, to be recovered for a wholly speculative injury to the Chicot Aquifer (which is the public drinking water supply for the City of Lake Charles). Generally, courts require that injuries and resultant damages be more than mere speculation. However, Shell's own environmental expert had admitted in his deposition that the extensive groundwater contamination might reach the Chicot Aquifer and other drinking water supplies. Simply stated, the Court found the evidence did not support Shell's "speculative injury" argument.

Next, Shell argued that the court of appeal erred in affirming the \$33 million award for reasonable restoration to private plaintiffs for what was an alleged public injury, even though the private plaintiffs have no legal duty to use the award to restore the property. In essence, Shell maintained that if the private plaintiff landowners in this case failed to use the award to remediate the public injury, then the result would be enriched plaintiffs and a public injury left unremedied. The Court held that though the contamination of the groundwater was both a private and public injury, that fact did not prevent the plaintiffs in this case from collecting all damages for cleanup of the groundwater. The Court relied on the fact that the legislature has not made any such declaration addressing private recovery for public injury, and the Court lacked authority to do so.

Additionally, the Court addressed conflicting policy concerns over whether the public injury would actually be remedied. The Court seemed to emphasize Shell's continued negligent operations on the plaintiffs' property for over 70 years without any cleanup effort, even when such cleanup was recommended by its own experts. Therefore, the Court concluded, it was not likely that Shell would clean up the property until forced to do so by a state agency. Accordingly, the Court held that the plaintiffs were entitled to collect the entire \$33 million restoration damage award, including the \$28 million allocated for groundwater cleanup.

Calculation of Damages:

Shell also argued that the \$16.7 million damage award for unauthorized disposal of saltwater should be reversed because the lower courts erroneously calculated the award using an investment/inflation factor, in lieu of legal interest set annually by the legislature, to bring the past actual damages to present value as of the trial. Prejudgment interest, which accrues on the damages suffered by the victorious party, is meant to fully compensate for the use of funds to which he is entitled but does not enjoy because the defendant has maintained control over the funds during the pendency of the action. The Court found that the proper method of calculating the present value of the damages in this case was through the use of prejudgment interest rather than an investment/inflation factor. Accordingly, the Court reversed and remanded the \$16.7 million award to determine the quantum of damages for unauthorized disposal of saltwater, using the legal rate of prejudgment interest.

Trespass

The jury had awarded plaintiffs \$927,000 in damages for Shell's trespass on the premises for a period of 22 months after expiration of the lease agreement, but the trial court reduced the award to \$32,500. The issue is whether Shell was in good or bad faith, the latter entitling the plaintiffs to Shell's profits while it remained on the property. The court of appeal concluded that Shell was a good faith possessor for the time that it occupied the lease after its expiration but during negotiations with the plaintiffs regarding the lease, but that Shell did become a bad faith possessor at some point in time. Consequently, the Court remanded the trespass claim to determine the measure of damages during the time of Shell's bad faith possession.

Exemplary Damages

The Court found that the plaintiffs were not entitled to exemplary damages under former article 2315.3—authorizing such damages for toxic torts—because the tort damages are not applicable to these breach of contract claims.

Attorney's Fees

The Court, considering the circumstances and the additional work done by the plaintiffs' attorneys on the appellate levels, held that the \$4 million was a reasonable attorney's fee award.

Stephen B. Panus and John Weathington III are attorneys at the law firm of Schully, Roberts, Slattery, Jaubert & Marino, PLC.

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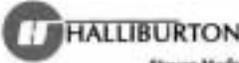
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2003 Calendar of Events

April	May	June	July	August
Wed. Apr 16 Board Meeting, Holiday Inn	Wed. May 21 Board Meeting, Holiday Inn	Wed. Jun 18 Board Meeting, Holiday Inn	Wed. Jul 16 Board Meeting, Holiday Inn	Wed. Aug 20 Board Meeting, Holiday Inn
11am	11am	11am	11am	11am
Membership Committee	Committee Meeting - TBD	Committee Meeting - TBD	Committee Meeting - TBD	Committee Meeting - TBD
Tue. Apr 29	TBD	TBD		TBD
Teacher Award Luncheon, Holiday Inn	Teacher Award Presentations at area school board meetings. BOARD MEMBERS NEEDED!!!	Teacher Award Presentations at area school board meetings. BOARD MEMBERS NEEDED!!!		Technical Luncheon, Fairmont
Tue. Apr 1				
Gulf Coast Energy Marketplace, Marriot Canal St				
Sat. Apr. 5				
Super Science Saturday 11-3 @ Louisiana Children's Museum				



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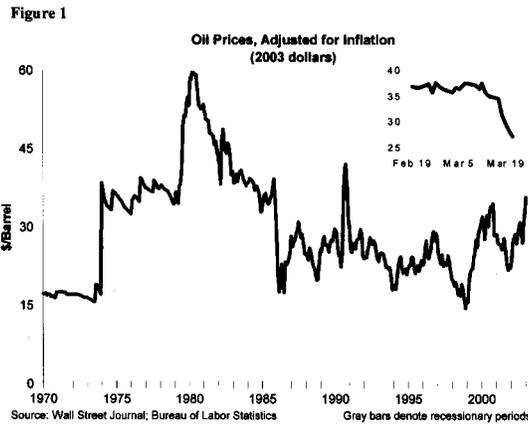
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SOME FACTS ABOUT OIL PRICES

No one can dispute that the high oil prices of recent months have been bad news for consumers and the economy. Particularly hard hit have been industries that rely on oil such as airlines, transportation companies, and chemical manufacturers, as well as consumers who purchase gasoline and heating oil. While these industries and consumers have suffered from high prices, it is important to put the current oil market into some context.

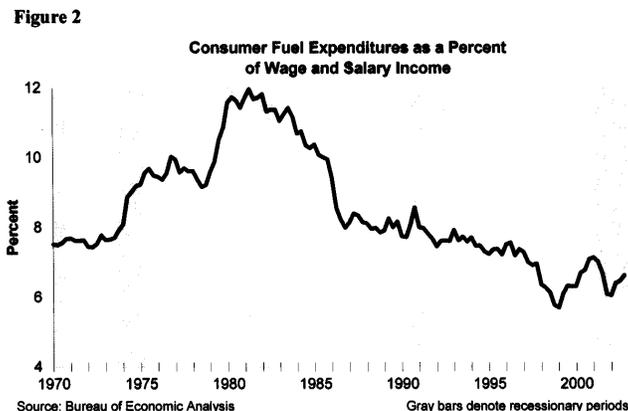
Historical Context. Oil prices reached a peak of nearly \$40 a barrel at the beginning of March, and since the beginning of the Iraqi conflict prices have slid to under \$30 a barrel. Adjusting for inflation shows that recent prices are well below the levels of the 1970s and early 1980s. Measured in today's dollars, prices topped out above \$60 a barrel during that period and remained above \$45 for most of the period.



Oil Price Spikes and Recessions. Oil price spikes have typically been followed by recessions. Of the last nine recessions, oil price increases have preceded or accompanied eight.

However, it is an exaggeration to say that increases in oil prices alone caused these recessions. Other negative macroeconomic events often accompanied these oil price increases—restrictive monetary policy, sudden geopolitical conflict, or other supply-side factors such as a world-wide grain shortage in 1973-74.

Oil's Role in the Economy. Another factor mitigating the impact of oil price increases is that energy makes up a smaller proportion of gross domestic product today than in earlier decades. One manifestation of our economy's decreased dependence on energy is shown in Figure 2, which shows that the past 20 years expenditures on fuel have made up a shrinking proportion of our incomes. The U.S. Economy has become much more fuel-efficient in the past 30 years, and can produce many more goods and services on a unit of energy than before. The increase in fuel efficiency has left our economy less susceptible to energy shocks.



Other Factors Affecting Oil Prices. The recent increase in oil prices is due to more than just the uncertainty surrounding the Iraq situation. The Venezuela strike and an unusually cold winter across the northern hemisphere have also impacted the market. Venezuela's output fell by nearly three million barrels a day to less than one half million barrels a day, a drop greater than the current daily Iraqi production. As of mid-March its output had recovered to 1.8 million barrels a day. Some regional problems have contributed to the spike in gasoline prices, such as in California where the phase-out of the additive MTBE has caused production and distribution problems.

War Premium. The common perception is that there is a "war premium" of about two to five dollars per barrel. That is, expectations of higher prices in the future due to the impending conflict have resulted in prices increasing today. The recent decline in oil prices is largely due to the reduction in the oil premium, as the markets become more certain that oil shipments from the Middle East will not be disrupted.

Production and Consumption. Total daily oil production and consumption broken down by major region of the world are shown in Figure 3.

Figure 3



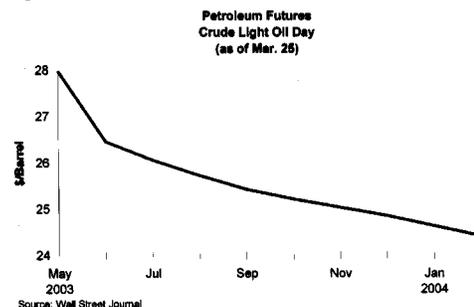
Source: Energy Information Administration

Strategic Petroleum Reserve. Our strategic oil reserve is 600 million barrels, and can be tapped should Middle East oil shipments be delayed for a period of time.

Future Oil Production. Long-run projections forecast expanding oil production world-wide. For instance, total non-OPEC output is forecast to increase by 1.4 million barrels per day, according to the Energy Information Administration, half of which will come from Russia alone. A stable Iraq could increase output within the next few years to its pre-Gulf-War production of over five million barrels a day, tripling current production.

Outlook: A large part of what will determine oil prices in the near future will be the reaction of Saudi Arabia to any major Iraqi oil disruption.

Figure 4



A useful site to get timely information on oil prices and on energy-related matters in general is the home page of the Energy Information Administration, which is at www.eia.doe.gov.

Excerpts from Joint Economic Committee Chairman Robert F. Bennett's Economic Update, March 26, 2003.



DELTA CHAPTER

GOLF TOURNAMENT

FRIDAY, OCTOBER 10, 2003 - BAYOU OAKS GOLF COURSE

FORMAT - 4 MAN SCRAMBLE. BLIND BOGEY SCORING. LOW GROSS

\$440.00 PER TEAM - includes Cart & Green Fees. Hats

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NOTE: NO RESERVATIONS WILL BE MADE UNTIL PAYMENT IN FULL IS RECEIVED
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Tea Time Preference: 7:00 a.m. - 1:00 p.m.
 You will be notified if your preferred time cannot be accommodated.
 All Tea Times will be confirmed to Sponsor in writing.

TOTAL SUBMITTED	\$ 440.00
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REGISTRATION & INFORMATION

Leo O. Kerner & Bernadette Alaniz
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Teacher of the Year Recognition Luncheon

Tuesday, April 29
Holiday Inn Superdome, 330 Loyola Avenue

API-Delta Chapter annually recognizes teachers in the public schools in the parishes served by the Delta Chapter. This community focused program, which has been on-going for the past seventeen years, has resulted in over \$108,000 being awarded directly to classroom teachers in the public schools of Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, and St. Tammany parishes.

This year the recognition program to honor teachers will occur at an April 29, 2003 luncheon meeting to be held at the Holiday Inn Superdome, 330 Loyola Avenue, New Orleans, at 11:30 a.m. In addition to the honorees, invited guests will include their principals and the Superintendent of Schools in each of the six parishes. In addition to honoring outstanding teachers, the API-Delta Chapter will present the Louisiana Children's Museum with a check for \$2000, which represents the proceeds of the mulligans from the API-Delta Chapter October 2002 Golf Tournament Fundraising event.



Additional recognition of selected teachers will occur at the six parish school board meetings in May and June, when API-Delta Chapter member volunteers will present checks to three veteran teachers and one new teacher in each parish (\$1300 in each of the six parishes) for their untiring efforts on behalf of the children in their classrooms. The funds generated through the annual API-Delta Chapter Golf Tournament provide the \$7800 awarded to the teachers. This annual event provides an opportunity to highlight API-Delta Chapter and showcase the contributions of the petroleum industry to the community. Members of API-Delta chapter are encouraged to attend the luncheon meeting on April 29th to show their support for our fine educators as well as market the industry to those educators who are in a position to influence the promotion of the petroleum industry for career opportunities.



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