

SPY SAID TO WORK FOR ASHLAND OIL

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C.I.A. Agent Held Employed as a Corporate Official in Europe for 5 Years

\$99,000 PAYMENT SEEN

Part of Money Held Mixed With Funds Used to Make Illegal Political Gifts
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WASHINGTON, July 9—Ashland Oil, Inc., permitted a spy from the Central Intelligence Agency to operate in Western Europe for some five years as an official of the company, authoritative sources said today.

The C.I.A. paid Ashland the nation's largest independent oil company, almost \$99,000 from 1968 to 1973 to reimburse the company for that part of the man's time and expenses involved in carrying out assignments for the agency, these sources said.

Part of the money, \$30,000, was paid in a lump cash sum to settle the C.I.A.'s financial dealings with Ashland after the operative returned to the United States and ceased to spy for the C.I.A., they said.

This money, one source said, was intermingled with funds Ashland used to make illegal political contributions and as a result came to the attention of Federal investigators in 1973.

The C.I.A. agent, these sources said, was not originally infiltrated into Ashland's corporate structure. He was an employee, they said, of a concern Ashland bought in 1967.

'Patriotic Thing to Do'

Shortly after the purchase the C.I.A. approached Ashland officials and told them that one of the executives of the company was a secret operative for the C.I.A.. The C.I.A. asked Ashland to continue the relationship and the oil company agreed.

"They [at Ashland] thought it was the patriotic thing to do," one source said. The C.I.A. agent was paid a full salary by Ashland and all the documentation, Internal Revenue Service filings and other detail showed only that he was an employee of Ashland.

The agent, these sources said, operated in Western Europe both on behalf of Ashland and for the C.I.A. During this period the C.I.A. made a series of payments to Ashland, part of it in cash and part by check, to reimburse the company for the time and expenses the agent spent on C.I.A. missions.

After almost five years of undercover work the agent decided to leave the C.I.A. and move into private life entirely, the sources said.

Money Intermingled

The C.I.A. paid Ashland a "final settlement" of some \$30,000 to close out the costs of the secret operation. The agent remained in the employ of Ashland and now lives in the New York area, these sources said.

Ashland officials placed part of this cash in a safe at their headquarters and it was intermingled with money the corporation had used for illegal

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political contributions and bribes of foreign officials.

After Watergate, Ashland came under investigation by the Special Prosecutor's Office and the I.R.S. Under the pressure of the I.R.S. investigation the company disclosed to the Federal agents that part of the slush money had come from the C.I.A.

The I.R.S., in turn, reported this to the office of the Special Prosecutor, then headed by Leon Jaworski. Later Ashland pleaded guilty to charges that the corporation had made illegal political contributions.

It thus fell among several companies that came under investigation of the Securities and Exchange commission.

Connection Disclosed

Ashland ordered an internal audit completed by Coppers & Lybrand, as part of a settlement with the S.E.C., and in its report to the S.E.C., disclosed the connection with the C.I.A.

A spokesman for Ashland

would only say that "the company's arrangement with the C.I.A. was terminated a number of years ago, and no arrangement now exists. Under an agreement with the C.I.A., Ashland cannot comment further." He specifically declined to confirm or deny what authoritative sources had said about the insertion of the spy in Ashland's ranks.

The Senate Select Committee on Intelligence has launched a sweeping investigation of C.I.A. covert operations that includes the agency's use of private companies as "covers" for espionage.

Sources within the committee and veteran intelligence officials have raised the question of whether such arrangements have compromised the regulatory agencies, misled the I.R.S. and given the C.I.A. unusual opportunities to learn about the internal affairs of companies in which it has placed operatives.

Spokesman for the S.E.C.

said that the agency was still reviewing the report of Ashland's internal investigation filed yesterday. It was a supporting document in the report that brought the C.I.A. funds paid to the oil company to public attention.

Involved in the S.E.C. review of the document is the issue of whether the commission should press the company to disclose the names of the recipients of political contributions and payments here and abroad. The company's report lists the names in a separate schedule that was given to Ashland's officers but not to the S.E.C.

The S.E.C. is also considering in its review whether to ask Ashland to make public its relationship with the C.I.A. As part of that decision, the commission will weigh whether the company's payments from the C.I.A. can be categorized as "material" information that should be disclosed to Ashland's shareholders.