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NIXON APPOINTEE NAMED IN A SUIT

Oilman Accused of Cheating
on Drilling in Argentina

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DALLAS, Dec. 17 (AP) — William P. Clements Jr., chosen by President Nixon to be No. 2 man at the Pentagon, is a defendant in a civil suit charging a conspiracy to hide millions of dollars in alleged profits from an Argentine oil deal.

The dispute includes an income tax fight and allegations that funds from a company headed by Mr. Clements were used for bribery. Repeated efforts to reach Mr. Clements for comment on the dispute were unsuccessful.

The President's nomination of the 55-year-old Dallas oilman to be Deputy Secretary of Defense was announced last Tuesday.

Basically, the complicated and virtually unnoticed civil suit involves charges by an Argentine businessman that Mr. Clements, several business associates and the Southeastern Drilling Company of Dallas cheated him on commissions for his helping in obtaining one of the largest oil-drilling contracts in history.

Alleged Bribery

One of the sensitive aspects of the suit is an allegation that high officials of the Argentine Government were bribed in 1958 and 1959 in connection with the contract.

A jury rejected the contention that Southeastern funds were used for bribery. However, a Federal appeals judge later said that there was evidence to support the contention.

The four-year contract to drill 1,000 wells helped propel Southeastern, which Mr. Clements founded in 1947, from a relatively small wildcat outfit to a worldwide operation that last year grossed \$130-million.

Mr. Clements and members of his family invested \$310 in the Argentine operation, court records show. The contract was so successful that within five years this investment was worth at least \$4.2-million to them.

Records Destroyed

Another key aspect of the case is that Southeastern, now known as Sedco, Inc., has acknowledged that it destroyed many of its records of the Argentine operation in 1964,

shortly after the drilling was completed and that the subsidiaries handling the operation were dissolved.

The accounting firm of Haskins & Sells has audited the Dallas records of the Argentine operation, but it says that it cannot vouch for accuracy without the Argentine records.

Whether Southeastern may have violated the Argentine commercial code by destroying records may be an issue when the conspiracy and fraud phase of the six-year-old case comes to trial this spring. The case has already been through one trial and two appeals.

Mr. Clements, who lives in Dallas, is chairman of the board of Sedco and owns more than \$100-million in its stock. The day that his nomination was announced, Mr. Clements said in a statement he had no plans to sell his stock but would discuss it with members of the Senate Armed Services Committee, which must review his nomination.

In this year's campaign, Mr. Clements was a co-chairman of the Texas Committee to Re-elect the President.

Background of Suit

Here is the background of the civil suit, according to court records:

In 1958, Mr. Clements agreed to pay a 20 per cent commission on net profits to two men—Charles F. O'Neill, a Washington lawyer, and William N. Dillin, a Corpus Christi, Tex., oil operator—if they could obtain for Southeastern a contract to drill oil wells in Argentina.

Mr. Dillin and Mr. O'Neill told Mr. Clements that they would split 50-50 with Antonio A. Diaz, a wealthy and influential Argentine businessman. Mr. O'Neill and Mr. Dillin were the American middlemen. Mr. Diaz's task was to open doors for Southeastern into high Argentine government councils and to help mount a publicity campaign that would soften nationalists' opposition to foreign oil companies.

The contract with the Argentine Government was awarded to Southeastern in February, 1959, although, according to testimony in a tax court action against Mr. Dillin, its bid was not the lowest of six submitted.

The initial payments out of net profits were due Oct. 1, 1963, after Southeastern had completed its drilling. Testimony and court records show that by then Mr. Dillin and Mr. O'Neill had left the United States to avoid paying taxes. Although they and Mr. Diaz eventually got paid more than \$2-million, they all expected more.

The three made repeated requests to Southeastern for full records of the Argentine deal. By this time, the Government of Arturo Frondizi had been ousted, partly over the issue of foreign oil contracts.

Mr. Diaz sued Southeastern, Mr. Clements and three other Southeastern shareholders or executives in December, 1966, charging them with conspiracy and fraud. He said that the Argentine deal actually netted more than \$25-million in profits instead of the \$18-million reported.