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**U.S. Expands
Inquiry Into
Texas Funds**

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A federal grand jury is expanding an inquiry into election campaign financing to gather evidence about \$700,000 in mostly cash contributions to President Nixon's re-election drive, including unspecified amounts purportedly given personally by executives of three corporations that jointly won a multi-billion-dollar contract to develop natural gas in the Soviet Union.

The grand jury is investigating how such personal contributions were solicited, whether any may have violated a prohibition in the criminal code on gifts of corporate funds, and whether a *quid pro quo* in the form of expected favors from the Nixon administration—may have existed.

The grand jury, meeting in Houston, initially investigated a \$100,000 chunk of the total sum that was "laundered" in Mexico and eventually wound up in the

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Florida bank account of one of the convicted Watergate burglars.

Last Tuesday, however, the Justice Department and the office of Watergate special prosecutor Archibald Cox re-convened the grand jury to launch a much wider probe of contributions made to the Nixon re-election drive last year shortly before disclosure of such gifts would have been required under a new law.

The broadened investigation, it was learned, reaches:

- The role of the three corporations and their executives in the Soviet-American gas deal, which was under negotiation for more than a year.

- A substantial cash contribution — not part of the \$600,000 — made to the Nixon re-election campaign in the names of executives of at least two of the three companies.

The three companies, all based in Houston, are Brown & Root, Inc., an oil and engineering construction firm; Texas Eastern Transmission Co., a gas pipeline firm, and Tenneco, Inc., a giant conglomerate with gas production, gas pipeline, oil and shipping ventures.

A preliminary agreement with the three companies for development of Soviet gas to be delivered to the American East Coast was announced Friday.

The Soviet Union made the announcement in Moscow. There was no joint American-Soviet announcement as in the case of the Russian-American wheat deal that later became highly controversial.

Also in Moscow, the Soviets and officials of El Paso Natural Gas Co. and Occidental Petroleum Corp. announced at a news conference on June 8 that they had signed a letter of intent to carry out a \$10 billion project to bring natural gas from Siberia to the West Coast of the United States.

Part of the \$10 billion must come from federal financing. The Federal Power Commission would have to approve the much higher prices consumers would pay for Soviet gas.

The FPC, in an action on May 30 affecting Tenneco, approved a 73 per cent increase in the wellhead price of natural gas in Southern Louisiana. The new price will yield a 48 per cent return on equity to one Tenneco subsidiary that will be selling gas to another Tenneco subsidiary, agency economists have said.

In another development, The Washington Post has learned details of the separate sizable cash contribution.

Like the \$600,000 which came from a number of Texas contributors, this separate cash gift, from officials of Texas Eastern and Brown & Root, was delivered by messenger to the Finance Committee to Re-elect the President. The time of delivery was shortly before April 7, 1972, the effective date of the election financial disclosure law.

It was learned that Maurice H. Stans, chairman of the Finance Committee to Re-elect the President, recently made an unusual telephone request of a company



MAURICE STANS
... quid pro quo?

executive involved in the gift from Texas Eastern and Brown & Root officials.

Several months ago, Stans placed a long distance telephone call to George Kirby, president of Texas Eastern. Stans asked for the names of six company officials that he could match against the money contributed a year earlier.

The phone call indicated that the cash had been delivered without specific identification of the individuals who had contributed it.

Texas Eastern executives complied with Stans' request, The Washington Post was told.

Corporate officers are as free as anyone else to make gifts of personal funds, although, as noted, the law forbids political contributions from corporate funds.

At the time of the Stans request, his committee was litigating and occasionally seeking to settle a lawsuit that seeks disclosure of all still-secret contributions made to the Nixon re-election campaign before April 7, 1972. The suit, filed by Common Cause, a citizens' lobby, is still pending in U.S. District Court.

The contribution about which Stans inquired was identified as coming from officials who have interests in both Texas Eastern and Brown & Root, a Texas source said.

George Brown, board chairman of Brown & Root, also is the founder, a board member, and the largest stockholder in Texas Eastern.

The Washington Post drew no response to requests repeated over a long period for information about campaign contributions from George R. Brown, Texas Eastern President Kirby and Board Chairman Baxter Goodrich, and Tenneco Board Chairman N. W. Freeman.

Officials of all three companies also have been unavailable for comment since last November, when The Washington Post first reported efforts of the Texas consortium to win approval of the proposed Soviet-American gas transaction.

General Accounting Office records of contributions to the Nixon campaign after April 7, 1972, do not show any sizable gifts from any officials of the three companies.

GAO records also do not reveal any substantial gifts to the Nixon campaign from officials of the rival consortium that has won approval for development and delivery of gas to the West Coast.

Officials of companies in this second consortium also declined last fall to discuss either the gas deal or campaign contributions.

Both consortiums were pressing hard within the Nixon administration to win approval of the gas project prior to the 1972 presidential election.

When an initial story last November described the proposed plans of the two groups, both consortiums issued press releases the next day stating that they expected to complete a Soviet-U.S. deal within 60 days.

The Texas consortium was represented in its efforts by former Treasury Secretary John B. Connally and his Houston law firm, and by New York lawyer Herbert Brownell, Attorney General

in the Eisenhower administration.

Until his brief return to the Nixon administration, Connally served on the boards of both Texas Eastern and Brown & Root. He also represented Occidental in its efforts to negotiate a gas venture between the United States and Algeria.

The Soviet Union pushed hard for approval of the giant project in which the U.S. government and private companies would develop Soviet gas for import to this country.

The chief executive officers of all six companies seeking the Soviet-U.S. project were among the businessmen who met with Leonid I. Brezhnev, General Secretary of the Communist Party of the Soviet Union, during his recent Washington visit.

Despite the efforts of the American companies and the Soviet Union, the gas venture has encountered opposition in the government.

Some officials are concerned that the United States should not become dependent on the Soviet Union as a major supplier of energy, while others oppose the multi-billion-dollar financing in which the government would have to participate.

Another objection has been to the cost of the fuel, which would be about eight times current levels for domestic gas. The high cost of prospective imported gas is used by the White House and the FPC as a justification for raising the price of domestic gas.

The proposed agreement would involve the expenditure of as much as \$10 billion in pipelines to carry the gas from Siberia to two Soviet ports, plants to liquify the gas in these ports, and tankers to transport the gas out of the Soviet Union.

The Texas consortium was the only bidder for the half of the proposed development that would bring gas to the East Coast. It and the consortium headed by Occidental's Hammer each was competing for the development and delivery of gas to the West Coast.

The companies and some American officials originally were optimistic about the gas deals. The optimism is reflected in the agreements signed by the Soviet and American governments and the companies. However, difficult decisions lie ahead as to financing and, eventually, pricing.

In Houston, the grand jury is digging into election contributions made by executives of numerous Texas-based corporations. A major concern is whether gifts were made with an understanding that government favors would be forthcoming.

The investigation also is focusing on trips Maurice Stans made around the country in 1972 to solicit large campaign contribu-

tions. Some of his appeals were made in meetings in a period between the expiration of the final reporting period of a 1925 election law on Feb. 29 and the inception of the current law on April 7.

Texas Eastern and Brown & Root officials attended one meeting with Stans in Houston.

Officials of U.S. Steel and other corporations have said in interviews that Stans' requests for money often were accompanied by discussions of the corporations' governmental problems, including government regulations on pollution control.

Corporation executives, including some from American Motors Corp., have said that they turned down Stans' request that their company executives contribute a specific large amount of money.

Stans told The National Journal last year that he was urging big corporate donors to contribute at least 1 per cent of their gross income.

"That's a low price to pay every four years to ensure that the executive branch is in the right hands," the former Commerce Secretary said.

The federal grand jury had a single major subject when it began its investigation last May 10: a \$100,000 contribution to the Nixon re-election campaign that, within weeks after it was made in 1972, would become an urgent concern of President Nixon, as well of his two principal aides, John D. Ehrlichman and H. R. Haldeman; the director of the CIA, Richard M. Helms, and the acting director of the FBI, L. Patrick Gray III.

The money, raised in Texas or a wider area of the Southwest, came to the Finance Committee to Re-elect the President from the chairman of its Texas affiliate, Robert H. Allen, president of the Gulf Resources & Chemical Co. in Houston.

The grand jury wanted to know whether the \$100,000 was an illegal corporate contribution. Allen claims the gift was from his personal funds.

On April 3, 1972 — four days before the effective date of the election financing disclosure law — Allen transferred the \$100,000 from Houston to Mexico City, where it was deposited in the bank account of an inactive subsidiary of Gulf Resources.

Next, a Mexico City lawyer, Manuel Ogarrío, withdrew the money—\$89,000 in the form of four bank drafts and, apparently, \$11,000 in \$100 bills, according to investigators for the House Banking and Currency Committee and federal agencies.

On April 5, a courier carried the checks and cash to Houston. There, he delivered the \$100,000 to the executive suite of the Pennzoil

Co., a petroleum producer, refiner and marketer. As a natural gas producer it is regulated by the Federal Power Commission. Pennzoil also operates United Gas Pipeline Co.

Pennzoil President William C. Liedtke Jr., a fundraiser for the Nixon re-election drive, was sounded out by President Nixon before he appointed a member of the FPC, Rush Moody Jr., Sen. Frank E. Moss (D-Utah) has said.

The company's vice president for public affairs, Roy J. Winchester, also was involved in fund-raising for Mr. Nixon.

Later, on April 5, a Pennzoil plane flew Winchester to Washington with a suitcase containing \$700,000. This sum was comprised of \$600,000 in currency, securities and a few checks, and the \$100,000 in "laundered" Mexican money.

The same night, Winchester turned over the money to the finance committee. It formally recorded receipt the next day, the eve of the effective date of the disclosure law.

Finance Committee Chairman Stans and former Treasurer Hugh W. Sloan Jr. have testified before the Senate Select Watergate Committee that the four checks for \$89,000 were given to then committee counsel G. Gordon Liddy, a convicted Watergate conspirator.

The checks ended up in the Miami bank account of Bernard L. Barker, who with four accomplices broke into the Watergate headquarters of the Democratic National Committee on June 17, 1972.

The FBI promptly began an investigation. This set off tremors in the White House. President Nixon, according to documents released by a Senate appropriations sub-

committee, feared that the investigation might "expose" . . . an unrelated covert operation of the CIA. . . .

However, the CIA's Richard Helms, on June 22, assured acting FBI director Gray that the investigation would not impair or compromise CIA activities in Mexico.

The White House, for reasons never made clear, was unpersuaded. "The President was especially concerned about agency [CIA] activities in Mexico which might be disclosed," Ehrlichman swore to the subcommittee.

White House chief of staff Haldeman set up a meeting with Helms on the matter for the next day, June 23. Helms said he told Haldeman and Ehrlichman there was no reason for such concern. Moreover, he told the subcommittee, he informed Haldeman and Ehrlichman that he had given the same assurances to Gray.

Also on June 23, Bernard Barker went to a routine

bond hearing. There, Watergate prosecutor Earl J. Silbert publicly disclosed that Barker had cashed the \$89,000 in checks, which were payable to Manuel Ogarrio, the Mexico City lawyer.

Ehrlichman and Halde- man disregarded Helms' assurances. They ordered the CIA chief's deputy, Gen. Vernon Walters, to tell Gray immediate that, "Further inquiries into the Mexican aspects of this matter might jeopardize some of the CIA covert activities in that area."

Walters investigated further but found no basis for such an assertion. Meanwhile, White House counsel John W. Dean III pressed him to implicate the CIA in the Watergate case. Meanwhile, also, the FBI delayed interviewing Ogarrio for leads on whether the \$100,000 contribution was corporate or personal.

The FBI finally interviewed Ogarrio on July 10. This was four days after the CIA refused for the last

time to participate in any scheme to shut off the Mexican phase of the FBI investigation. It was also more than two weeks after FBI agents found Ogarrio listed as the payee on the checks.

The agents, when they finally interviewed Ogarrio, learned of the links between the checks and Gulf Resources.

No scrap of evidence suggesting that disclosure of the origins of the money could affect national security has been made public, if such evidence exists at all.

Last January, the Justice Department told Rep. Wright Patman (D-Tex.), chairman of the House Banking Committee, that it was making a criminal investigation of the \$100,000 contribution. Two weeks later, Gulf Resources President Allen requested and got a refund of the contribution, which, he said, he made personally. The federal grand jury began its investigation five months after that.
