Gulf to Change Directors If Warranted by Inquiry

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PITTSBURGH, April 22—Bob R. Dorsey, chairman of the Gulf Oil Company, said today that a special shareholders meeting would be called for election of new directors if a review committee investigating secret political contributions by the company found information from which the board or the Securities and Exchange Commission reaches the conclusion that new election of directors should be held."

Otherwise, Mr. Dorsey declined "on the advice of counsel" to discuss at today's annual meeting S. E. C. charges that Gulf had hidden a $10-million fund it used 14 years for illegal political contributions.

As a result of the S.E.C. charges on March 11, Gulf entered into a consent judgment with the Government agency and appointed a special committee headed by John J. McCloy, a New York lawyer, to investigate the charges. The committee report is due within 120 days of March 11.

Earnings Decline

Mr. Dorsey also reported at the meeting at the Carnegie Music Hall here that in the first quarter of 1975 Gulf's profits fell 32.8 per cent to $195 million, or $1 a share, from $290 million, or $1.49 a share, in the 1974 period.

Total revenues for the company declined 11 rer cent to $4-billion from $4.5-billion a year ago.

Although Mr. Dorsey declined to say anything substantive about the S.E.C. charges, he did comment, "I think there is a feeling that possibly board of directors and the officers have not been properly contrite or not properly concerned about tiis matter. I can only say to you that I don't know any matter in my 30-odd years with this company that has caused this company more concern and more grief and more sorrow." He added, "I think there's a great deal about it that is misunderstood, but I can only say to you that it is a grievous affair and we do take it very seriously and are very, very concerned about it."

Vice President Resigned

In answer to a questilon, Mr. Dorsey said that Claude C. Wild Jr. who had been a Gulf vice president in Washington and was directly connected with the fund under investigation, no longer had anything to do with the company. Mr. Wild resigned at the time of the S.E.C. charges. Gulf had hired him as a consultant last August because of tax legislation being considered by Congress.

Gulf's independent auditors, Price Waterhouse & Co., volunteered a reply to a question by a shareholder, Howard Spector, on the S.E.C. matter. David W. Christopher, a partner in Price Waterhouse's Pittsburgh office, said that no member of the accounting firm had any knowledge of the political contributions until the S.E.C. published the charges.

Mr. Dorsey said that all the important indicators of its oil business were pointing downward. He said that United States production had fallen sharply as the member nations of the Organization of Petroleum Exporting Countries cut back on volume to maintain their "arbitrarily imposed prices."

Gulf's worldwide crude oil availability fell 24 per cent to 2.2 million barrels a day from 2.9 million a day a year earlier, he said, and refinery runs were down 15 per cent and product sales off 6 per cent.

Mr. Dorsey noted that in the United States petroleum profits of $71-million in the recent quarter compared with earnings of $114 million a year ago.

He said that costs mandated

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by Federal regulations totaled $72 million, comprising $58 million for the Federal Energy Administration's location and entitlement program and $14 million from the $1-a-barrel tariff imposed on imports. The company was able to recover most of these charges, however, through increased product prices, he said, but profit margins are continuing to erode.

The Gulf chairman commented, "There was no recovery, of course, for the oss of percentage depetion, which increased our United States tax provision by approximatey $25-million during the quarter."

His reference was to the elimination of the 22½ per cent oil depletion allowance as part of this year's tax-reform bill, a move he said would cost the industry $2-billion and Gulf $88-million this year alone.

"We had hoped that the vindictive mood in Congress would dissipate as oil became more plentiful, as profits passed their peak and as Congress recognized the tremondous need for future capital investments in energy supplies," he said. "Unfortunately, that has not been the case."

He said that Gulf had spend $1.1-billion in the last two years searching for and developing domestic oil and gas supplies.

Exploration to Drop

"We will no longer be able to maintain this pace," Mr. Dorsey said.

Gulf's foreign petroleum earnings fell to $101-million from $152-million in the first quarter of last year. The executives said with less oil at the company's disposal, Gulf was forced to curb sharply sales to other companies.

He added that higher taxes and royalty rates in the cost of purchasing crude oil under participation agreements with foreign producing countries resulted in significantly lower margins on the oil that Gulf did sell and refine.

Mr. Dorsey said that he saw "little on the horizon which leads me to look for much improvement. As much as I would like to present you with a more promising picture for the future, the facts simply don't warrant it."

The recent nomination of Sister Jane Scully, president of Carlow College in Pittsburgh, as the first woman director of Gulf was criticized by a stockholder, Mary M. Flynn. Mrs. Flynn said that Sister Jane knew nothing about the oil business. In addition Mrs. Flynn contended that Gulf had made donations to Carlow College in the past and that this might inhibit the nun's freedom of opinion. Nevertheless, Sister Jane was elected along with the rest of the management slate of directors.