

### Nixon Appointee Embroiled in Fraud, Tax Battles

DALLAS (AP) — William P. Clements Jr., President Nixon's choice to be No. 2 man at the Pentagon, is a central figure in a bitter legal battle that involves allegations of fraud and conspiracy, plus a dispute over income taxes.

Clements, several business associates and Southeastern Drilling Co. of Dallas, which Clements founded in 1947, are defendants in a civil suit brought by an Argentine businessman who says they cheated him out of full commissions due for his help in obtaining one of the largest oil drilling contracts in history.

Repeated efforts by the As-

sociated Press to reach Clements for comment were unsuccessful.

AFTER THE AP disclosed existence of the suit Sunday, Clements told The Dallas Morning News the case would have no effect on his nomination to be deputy secretary of defense, announced by the White House Tuesday.

The multi-millionaire Dallas oilman told the newspaper he was not a defendant in the suit, but refused further comment.

However, papers on file in U.S. District Court in Dallas clearly name him as a defendant.

The four-year contract to drill 1,000 wells in Argentina helped propel Southeastern, now known as Sedco Inc., from a relatively small wildcat outfit to a worldwide operation which last year grossed \$130 million.

THE CONTRACT was so successful that within five years it was worth \$4.2 million to Clements and members of his family. Their total personal investment was \$310, court records show. The exact evolution of their initial investment was not known.

Clements, 55, now is board chairman of Sedco and owns more than \$100 million of its stock.

The civil suit, filed in Dallas federal court in 1966 by Antonio A. Diaz of Buenos Aires, already has gone through one trial and two appeals virtually unnoticed. The first trial was devoted to determining what percentage of the deal Diaz actually owned.

The conspiracy and fraud part of the complicated case is due for trial in the spring. But the next legal step is a conference in Dallas among lawyers and the federal judge. It is scheduled for January, about the time Clements goes before the Senate Armed Services Committee for confirmation hearings.

A KEY aspect of the case is that Southeastern has acknowledged destroying many of its Argentine records in 1964 shortly after drilling was

completed and the subsidiaries handling it were dissolved.

Haskins & Sells, a local accounting firm employed by Sedco, has audited Dallas records of the Argentine contract, but says it cannot vouch for accuracy without the Argentine records.

Whether Southeastern may have violated Argentine law by destruction of the records may be an issue in the conspiracy and fraud phase of the suit.

Legal sources say that under the Argentine commercial code, a businessman is required to keep all records for 10 years after completion of a particular transaction.

SOME OF those arrayed against Clements in the case also say destruction of the records could make it impossible ever to determine true profit figures, although Sedco says its Dallas files are accurate and sufficient.

Diaz claims that the company made at least \$25 million instead of the \$18 million reported and that millions were improperly charged to expenses and deducted from profits.

ONE OF the more sensitive issues in the case is an allegation that high officials of the Argentine government were bribed in 1958 and 1959 in connection with the contract which was awarded to Southeastern even though, according to court records, its bid was not the lowest.

A jury rejected the contention that Southeastern funds were used for bribery. But a federal judge subsequently said there was evidence to support the contention.

DOCUMENTS and transcripts in various federal courts in Washington, New Orleans and Dallas and at the Securities and Exchange Commission contain repeated references to disputes between the Internal Revenue Service and Sedco and between the IRS and Clements and several associates in the Argentine deal.

At a pretrial conference in U. S. District Court at Dallas

Feb. 5, 1968, a lawyer opposing Clements made this unchallenged remark:

"If I understand correctly, the contention of the IRS at this time . . . was (that) the entire Southeastern of Panama and Southeastern Drilling Co. of Argentina, S.A., (both sister companies of Southeastern) was a sham setup and in effect amounted to United States source income and they will seek something like \$9 million from them."

No formal IRS claim for additional personal or corporate taxes could be found in Dallas federal courts or at the U.S. Tax Court in Washington.