

Dangerous Hoax On Oil Industry

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Washington

A potentially explosive but phony document purporting to show extreme technical problems in Saudi Arabian oil well operations was examined here yesterday by senators who met in closed session with top executives of Standard Oil Co. of California.

A company source said the document in question was devised by someone, possibly a foreign intelligence operative, who was intent on "destroying" U.S. relations with Saudi Arabia.

The Standard officials testified before an unusual, hastily arranged meeting of a Senate Foreign Relations subcommittee.

According to the company source, Standard executives felt it was "crucial" to prove that the document was a fraud because many governments and economies are planning to rely heavily on increased Saudi oil output over the next 20 years.

Severe production prob-

lems in the Saudi oil fields would be a disaster for them, the source said.

Investigators for the subcommittee on multinational corporations agreed the document was bogus after obtaining subpoenas and spending a week last month searching the company's San Francisco headquarters for any trace of the mysterious memo.

The forged document, a copy of which The Chronicle obtained yesterday from reliable sources, was typed on paper bearing the heading "Chevron Research Company" (Standard's research facility at Richmond, in Contra Costa county).

It states, in part:

"Severe technical problems have been encountered by Aramco (the Arabian-American Oil Co.) in the Saudi Arabian fields. When the import quotas were lifted (during spring of last year), production was increased from 6.5 million

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barrels/day to 9.0 million barrels/day to meet increasing U.S. demands.

"The reservoir pressures fluctuated so greatly that Corporate engineers now estimate production will be stabilized at no more than 7.5 million barrels/day, far below the 20 million barrels/day projection."

(ARAMCO is jointly owned by Standard Oil, Exxon, Mobil and Texaco.)

The listed "author" of the document is F.A. Stuart, vice president of Chevron Research. Stuart was among the six Standard executives who testified yesterday.

A company source said he has heatedly denied ever writing the memo. The names of a number of Standard officials were listed on the document as people who were supposed to have received copies of it. All of them have denied ever seeing the memo, the source said, and Senate investigators during their probe of Standard files last month were unable to find any evidence the memo was ever actually circulated.

One of the officials who was supposed to have received a copy, senior research chemist Carl Thut, was also among those who testified here yesterday.

Other company representatives who appeared at the session were Otto Miller, the recently retired board chairman; George Keller, Standard's current vice chairman and No. 2 executive officer; W. Jones McQuinn, vice president; and W. W. Messick, a member of the executive office staff.

According to a company source, the prospect of negligence in the operation of Saudi oil fields might touch off resentment among Saudi citizens toward the oil companies and even King Faisal, who has worked closely with the companies.

Over the years, the Arabian-American Oil Co. (Aramco) has developed a good reputation for the high-level expertise of its technical operations, according to many oil authorities.

The Standard officials were also anxious, the company source said, to dispel any notion that they recommended a Saudi oil price increase — a charge which, if unanswered, would be tantamount to admitting the company "sabotaged the U.S. economy."

"The charges were so serious . . . they had to open up the files (to Senate investigators) to show it (the memo) was . . . fake . . . meanwhile risking the exposure of a lot of other confidential documents," the source said.

The source said some Standard executives have speculated that an agent for the Soviet secret police, the KGB, is responsible for the forgery and may be highly placed in the company hierarchy.

This theory was advanced, the source said, because the

faked memo appeared calculated to drive a wedge between the U.S. and Saudi Arabia and undermine world confidence and reliance on Saudi oil fields, currently the most productive anywhere.

The bogus material was originally sent to nationally syndicated columnist Jack Anderson by a source he declines to name, other than noting it was a "very high-level, reliable source."

Anderson said he referred to the material, without citing Standard by name, in a column last January. He said he passed along a copy of the document to the Senate subcommittee.

Anderson insisted the material was bona fide and said it was leaked to him by "somebody with a conscience."

Giscard Passes

Paris

French President Valery Giscard d'Estaing will not attend NATO meeting which President Nixon will go to next week in Brussels.

Reuters