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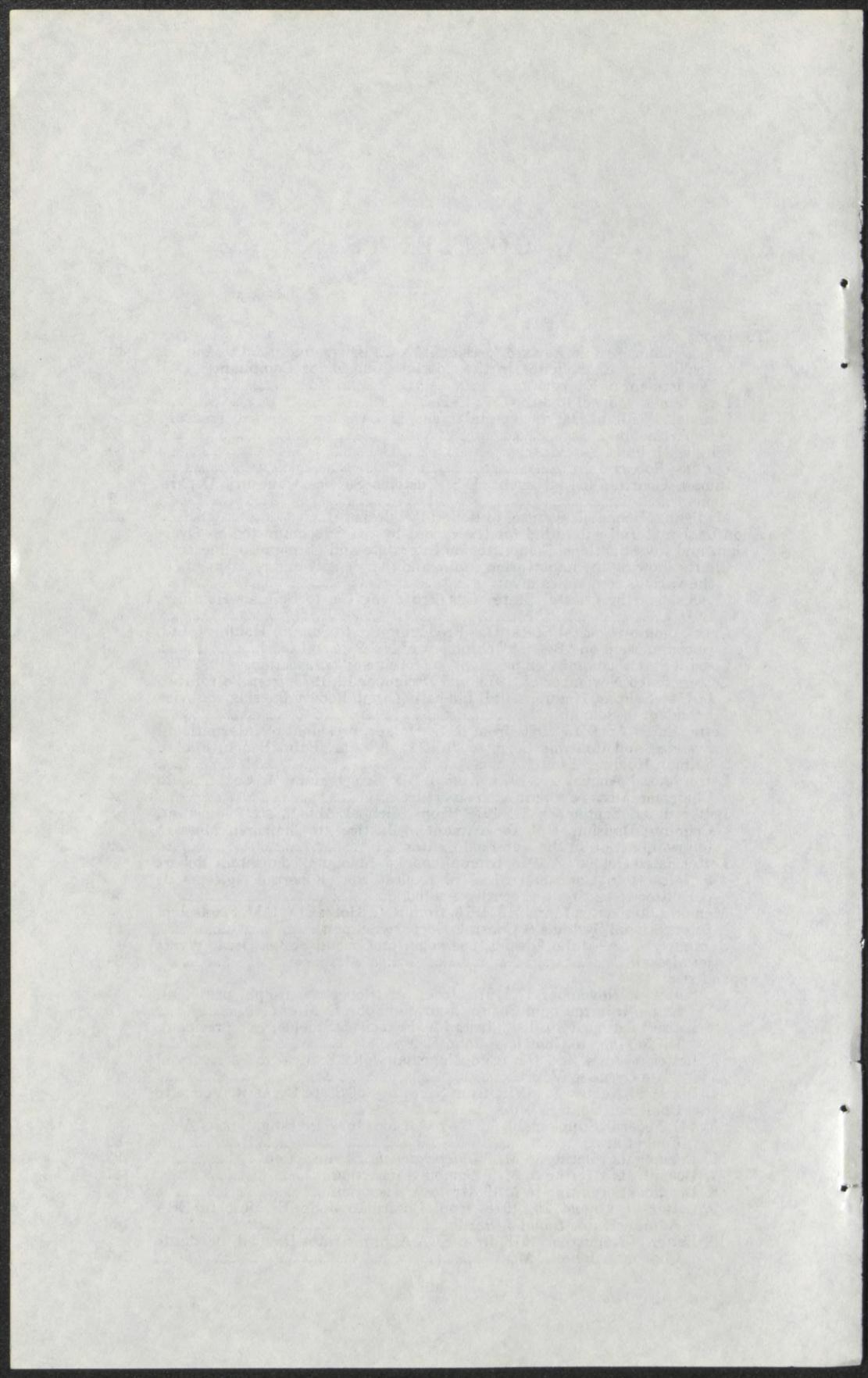
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## OIL IMPORTS—FOREIGN COMMISSION PAYMENTS

TUESDAY, OCTOBER 3, 1978

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m., in room 2322, Rayburn House Office Building, Hon. John E. Moss, chairman; Hon. Albert Gore, Jr., presiding.

Mr. GORE. The subcommittee will come to order.

In the spring of 1975, this subcommittee held hearings<sup>1</sup> concerning Federal Energy Administration enforcement policies regarding alleged overcharges of several million dollars to the Jacksonville Electric Authority by Ven-Fuel, Inc., a Florida fuel oil supplier.

While the 1975 hearings form the basis for today's hearing, the testimony we will receive this morning is directed toward a new area. We will examine petroleum import transactions into the United States during the OPEC oil embargo involving unusually large commission payments to a foreign broker which contributed to substantial increases in the price paid by U.S. customers.

The subcommittee's jurisdiction and responsibility in this area is clear. Under rule X of the rules of the House of Representatives, jurisdiction over energy matters, including petroleum and interstate and foreign commerce generally, is the responsibility of the Committee on Interstate and Foreign Commerce.

During 1973 and 1974, Coastal States Gas Corp. of Houston, Tex., purchased numerous tanker cargoes of No. 6 fuel oil from Ven-Fuel and its sister company, Fuelco, Ltd., the Bermuda corporation, which were ultimately sold to fuel oil distributors or power companies on the east and west coasts of United States. The president of both Fuelco and Ven-Fuel was Mr. Julio Iglesias, a U.S. citizen, of Palm Beach, Fla.

On these and other transactions during this period, Coastal States paid commissions totaling over \$8.5 million to Selman Holdings, Ltd., a company incorporated in Bermuda. Mr. Iglesias was a principal shareholder of Selman.

The hearing will focus on several transactions where the actual movement of the petroleum went directly from the source, Venezuela or Mexico, to the United States. However, the paper and money trail shows that title passed through several companies, including

<sup>1</sup> Hearings entitled, "FEA Enforcement Policies," April 9, 11; May 6, 7, and 8, 1975, Serial No. 94-21.

Ven-Fuel and/or Fuelco, with extraordinarily large commissions being paid to Selman by Coastal States.

These international oil transactions are also the subject of inquiry by several Federal agencies with whom this subcommittee has worked closely during the course of its investigation. The subcommittee wishes to publicly commend U.S. Attorney John L. Briggs of the Middle District of Florida at Jacksonville for his diligence and persistence in pursuing these matters despite opposition from many quarters. Mr. Briggs has rendered a distinct public service.

Our witnesses today will include special agents of the U.S. Customs Service; a New York petroleum broker; Mr. Iglesias and his son, who was an officer of Selman; and an official from the Department of Energy who will discuss the applicability of pricing regulations to these transactions.

We will hear first from customs agents Harvey Hatchett and Charles Inman, both of whom testified at our 1975 hearings. Agents Hatchett and Inman were part of a Federal task force which conducted a lengthy investigation regarding fuel oil imported at Jacksonville, Fla., during 1973 and 1974. In order to protect the integrity of the grand jury process, these agents cannot comment on matters which came before that body. The record should reflect that they have utilized materials obtained by the subcommittee in preparation for this hearing.

Mr. Hatchett and Mr. Inman, would you please come forward and would you stand and be sworn?

Do you solemnly swear that the testimony you are about to give this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HATCHETT. I do.

Mr. INMAN. I do.

Mr. GORE. Please identify yourselves to the hearing clerk for purposes of the record.

**TESTIMONY OF WILLIAM HARVEY HATCHETT AND CHARLES ERNEST INMAN, SPECIAL AGENTS, U.S. CUSTOMS SERVICE, TREASURY DEPARTMENT**

Mr. HATCHETT. I am William Harvey Hatchett, special agent, U.S. Customs Service.

Mr. INMAN. I am Charles Ernest Inman, special agent, U.S. Customs Service.

Mr. GORE. Mr. Frandsen.

Mr. FRANDSEN. Thank you, Mr. Chairman.

Would you each tell the subcommittee how long you have been with the U.S. Customs Service and indicate whether you have been employed by any other government agencies?

Mr. HATCHETT. Yes. I have been employed by the U.S. Customs Service for approximately 18 months. Prior to that, I was employed by the Federal Energy Administration for 3 years. Prior to that, I was employed by the Office of Naval Intelligence for 10 years.

Mr. INMAN. I have been with the U.S. Customs Service for a little over 7 years now and before that I was a special agent of the Office of Naval Intelligence.

Mr. FRANDSEN. The hearing this morning will focus on several import transactions which involve the payment of very large commission payments to a Bermuda company named Selman Holdings, Ltd.

To assist the subcommittee in understanding the rather complex nature of these transactions, charts have been prepared to graphically show the importation chain, and also the identity and relationship of the various companies involved.

Mr. Chairman, at this time I would like to insert the charts into the record, and I would point out the existence of a summary sheet at the end of the package.

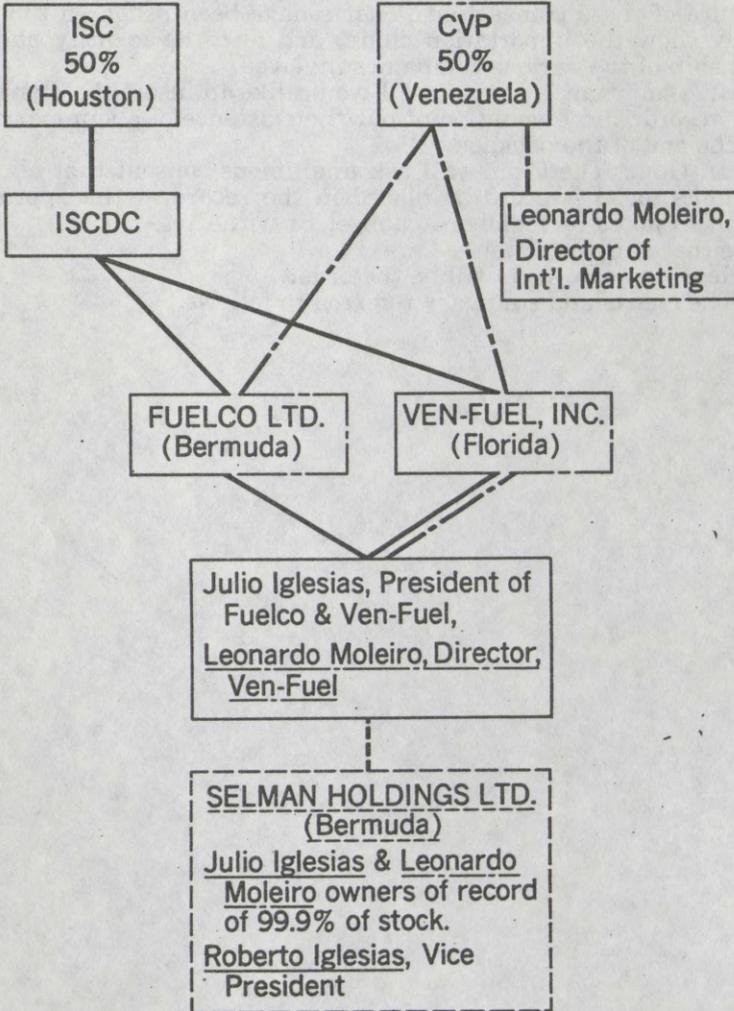
Mr. GORE. The Chair will ask unanimous consent that all of the exhibits for the record be placed in the record at the appropriate point as noted by members, counsel, or witnesses.

Is there any objection?

Hearing none, such will be the order.

[The charts and summary referred to follows:]

# 1973-1974



# M/T "INDEPENDENCIA I"

Sailed: December 24, 1973

186,231 Bbl. - No. 6 Fuel Oil (2.2%)

## PAPER AND MONEY TRAIL:

CVP (Venezuela)  
(Moleiro, Dir. of Int'l Mktg)  
(\$13.71/Bbl)  
\$2,552,949

FUELCO  
(Bermuda)  
(Iglesias, Pres.)  
Profit: \$126,147  
(\$ .68/Bbl)

\$14.39/Bbl

VEN-FUEL (U.S.)  
(Iglesias, Pres.,  
Moleiro, Dir.)  
Profit: \$9,312  
(\$ .05/Bbl)

\$14.44/Bbl

\$2,688,408

Venezuela

New York City

## ACTUAL MOVEMENT OF OIL:

COASTAL STATES (U.S.)  
Profit: \$80,301  
(\$ .43/Bbl)

(\$19.00/Bbl)  
\$3,549,124

NEPCO (U.S.)

NEW YORK UTILITIES

PVM (U.S.)  
Commission:  
\$35,491  
(\$ .19/Bbl)

SELMAN (Bermuda)  
(Iglesias and Moleiro  
record shareholders of  
99.9% of stock)  
Commission:  
(1) \$465,578 (\$2.50/Bbl)  
Paid: 4/9/74  
(2) \$186,231 (\$1.00/Bbl)  
Paid: 5/14/74

FUELCO  
(Bermuda)  
(Iglesias, Pres.)  
Commission:  
\$93,115  
(\$ .50/Bbl)

# M/T "DAMON"

Sailed: December 24, 1973

109,407 Bbl. - No. 6 Fuel Oil (2.9%)

## PAPER AND MONEY TRAIL:

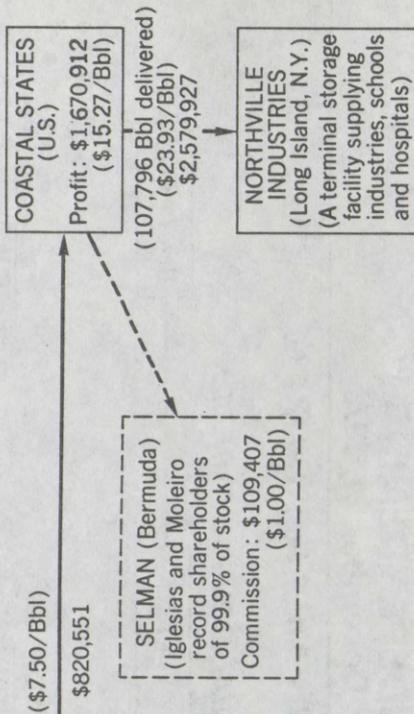
CVP (Venezuela)  
(Moleiro, Dir. of  
Int'l Mktg)  
(\$7.00/Bbl)  
\$765,848

FUELCO (Bermuda)  
(Iglesias, Pres.)  
Profit: \$54,703  
(\$ .50/Bbl)

## ACTUAL MOVEMENT OF OIL:

Tampico,  
Mexico

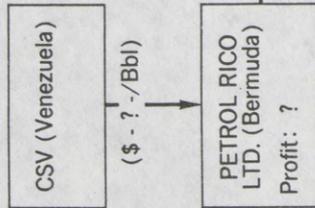
New York City



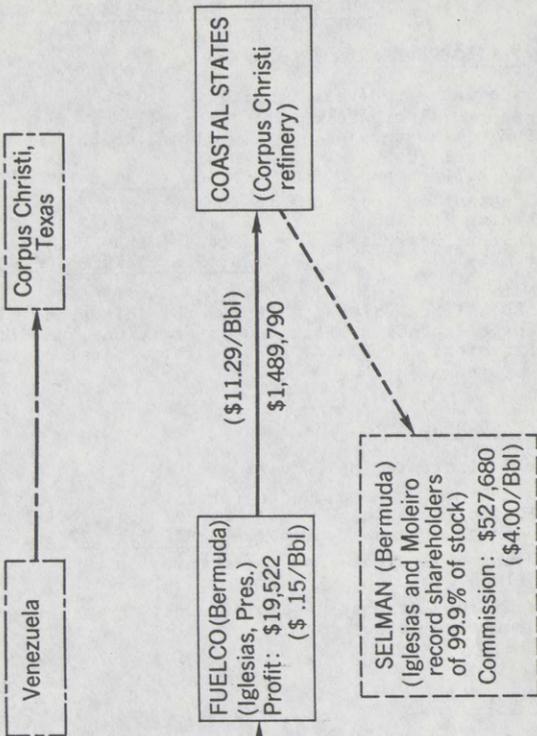
**M/T "ATROTOS"**  
**Sailed: December 30, 1973**

**131,920 Bbl - Tia Juana Heavy/Bachaquero Crude**

**PAPER AND MONEY TRAIL:**



**ACTUAL MOVEMENT OF CRUDE:**



SUMMARY OF PROFIT/COMMISSIONS(1) M/T "INDEPENDENCIA I"

Price increase (Ven. to NYC):		\$985,440	(\$5.29/Bbl)
Amount of increase due to (profit):			
Fuelco (Bermuda)	\$126,147	(\$.68/Bbl)	
Ven-Fuel (U.S.)	9,312	(.05/Bbl)	
*Coastal States (U.S.)	<u>69,566</u>	(.37/Bbl)	\$205,025 (\$1.10/Bbl)
Amount of increase due to (commissions):			
Fuelco (Bermuda)	\$ 93,115	(\$ .50/Bbl)	
Selman (Bermuda)	651,809	( 3.50/Bbl)	
PVM (NYC)	<u>35,491</u>	( .19/Bbl)	\$780,415 (\$4.19/Bbl)

## \*Note:

186,231 bbl shipped; 186,796 bbl delivered (+565 bbl due to cargo expansion) resulted in additional profit to Coastal States of \$10,735 (.06/Bbl), for a total profit of \$80,301 (.43/Bbl)

(2) M/T "DAMON"

Price increase (Mex. to NYC):		\$1,382,103	(\$17.20/Bbl)
Amount of increase due to (profit):			
Fuelco (Bermuda)	\$ 54,703	(\$ .50/Bbl)	
Coastal States (U.S.)	<u>1,670,912</u>	( 15.27/Bbl)	\$1,725,615 (\$15.77/Bbl)
Amount of increase due to (commission):			
Selman (Bermuda)	\$ 109,407	(\$ 1.00/Bbl)	
Amount of increase due to (freight, demurrage, etc.):		\$ 47,081	(\$ .43/Bbl)

(3) M/T "ATROTOS"

Fuelco's profit:		\$ 19,522	(\$ .15/Bbl)
Selman's commission:		\$ 527,680	(\$ 4.00/Bbl)
Coastal States outlay:			
Purchase:	\$1,489,790	(\$11.29/Bbl)	
Commission:	<u>527,680</u>	( 4.00/Bbl)	\$2,017,470 (\$15.29/Bbl)

Mr. FRANDSEN. Mr. Hatchett, before asking you to explain the charted transactions beginning with the *Independencia* shipment, could you tell us the approximate dates of the OPEC embargo?

Mr. HATCHETT. From October 1973 until March 1974.

Mr. FRANDSEN. Could you also indicate what No. 6 fuel oil is used for?

Mr. HATCHETT. Yes, sir; it is used for industrial heating applications and to generate electricity by utilities.

Mr. FRANDSEN. Is No. 6 fuel oil also called bunker C and residual fuel oil?

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Mr. Hatchett, would you please explain the first chart beginning with the *Independencia*?

Mr. HATCHETT. Yes; as you will notice, we have two charts here, first of which is an organizational chart showing the interrelationship between several companies. The second chart reflects an oil transaction of 186,000 barrels of No. 6 residual fuel oil which traveled from Venezuela to the New York City area in December 1973, which was approximately 2 months into the Arab embargo.

The oil was delivered to the tanker by Corporacion Venezolana del Petroleo which we will refer to from here on as CVP which was the state-owned oil company of Venezuela at that time.

Mr. Moleiro was director of international marketing of CVP.

You will note CVP over here on this chart is shown to be half owner of two companies, one Ven-Fuel, Inc., a Delaware corporation which operated in Coral Gables, Fla.; the other is Fuelco, Ltd., which was incorporated in Hamilton, Bermuda, and also operated in Coral Gables Fla., at this time. The president of both companies was Julio Iglesias.

Mr. Moleiro, who was a director of Ven-Fuel, Inc., was also director of international marketing of CVP at this point in time.

The oil, as I said, actually traveled from Venezuela to the New York City area.

The paper and money trail went from CVP to Fuelco to Ven-Fuel, and then to Coastal States, which is a company operating in Houston, Tex. The oil was sold by CVP to Fuelco for \$13.71 per barrel. Fuelco in turn sells it to Ven-Fuel for \$14.39 a barrel or 68 cents a barrel profit for Fuelco. Then Ven-Fuel in turn sells it to Coastal States for \$14.44 per barrel or a nickel per barrel profit to Ven-Fuel. Coastal States in turn sells the oil to Nepco, a New York company, who in turn sells oil to various utilities in the New York area.

In connection with this sale, Coastal States pays a commission to PVM, which is a broker operating in New York City, of 19 cents per barrel. Coastal also pays on this transaction a couple of other interesting commission payments. The records reflect the payment to Fuelco of 50 cents per barrel and 2 payments to Selman Holdings, Ltd., which is a Bermuda company incorporated in Hamilton, Bermuda on November 14, 1972. Mr. Julio Iglesias, who is president of Ven-Fuel, Inc., president of Fuelco, Inc., and Mr. Moleiro, director of Ven-Fuel, Inc. and director of international marketing of CVP, are record shareholders of 99.9 percent of the Selman stock. The Coastal States' commission to Selman was in excess of \$650,000 and paid in two separate commission payments: one on

April 9, 1974, for \$465,578 or \$2.50 per barrel, and another on May 14, 1974, for \$186,231 or \$1 per barrel.

Mr. FRANDSEN. Mr. Hatchett, so what we have on paper is that Mr. Iglesias, as president of Fuelco, ostensibly sells it to Ven-Fuel, a U.S. company of which he is also the president, and then sells it to Coastal States, which pays Selman, a Bermuda company in which Mr. Iglesias is a principal shareholder, over \$650,000 in two commission payments?

Mr. HATCHETT. That is correct.

Mr. FRANDSEN. Did Selman maintain any corporate offices in Bermuda?

Mr. HATCHETT. No, sir.

Mr. FRANDSEN. Now the chart shows that Mr. Iglesias with Mr. Moleiro are record shareholders of 99.9 percent of the stock in Selman.

Is that the same Mr. Moleiro who is a director of Ven-Fuel and was the director of international marketing of CVP, the source of the fuel oil?

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Since Mr. Iglesias was the president of Ven-Fuel and Fuelco, the companies that owned title to the fuel oil, what service was performed by Selman, of which he and Moleiro were owners of record, to justify the commission payments which were collected by Selman?

Mr. HATCHETT. That is a very good question. We know of no reason, no services performed by Selman, which justify such commission.

Mr. FRANDSEN. Why couldn't Mr. Iglesias have just sold it directly to Coastal States on behalf of Ven-Fuel, which would have then allowed Ven-Fuel to make a larger profit on the transaction?

Mr. HATCHETT. That is exactly the question that we would like the answer to.

Mr. FRANDSEN. It appears that Mr. Iglesias was wearing three hats in this transaction, the hat of Fuelco as its president, the hat of Ven-Fuel as its president, and the hat of Selman of which he was the principal shareholder.

Mr. HATCHETT. Yes, sir, it would appear he was.

Mr. FRANDSEN. Were Mr. Iglesias's employers at International Systems and Controls, Ven-Fuel's parent company, aware of his ownership interest in and activities on behalf of Selman?

Mr. HATCHETT. No, sir, we have indications they did not learn of his interest in Selman until some time in 1975.

Mr. FRANDSEN. Mr. Chairman, at this time I would like to introduce into the record two documents, the first being a March 18, 1976, memorandum from Mr. R. G. Hofker to Mr. H. M. Frietsch of International Systems and Controls Corp., and the second document being an April 15, 1976, letter from Mr. Hofker, the president of ISC, to Mr. Iglesias.

Mr. GORE. Under the previous order, they will be admitted for the record.

[The documents referred to follow:]

Intra-Office Correspondence

INTERNATIONAL SYSTEMS & CONTROLS CORP.

March 18, 1976

TO: H. M. Frietsch  
FROM: R. G. Hofker  
SUBJECT: Sellman

*OK dated 3-19-76  
see notes and  
pls. return  
RH*

Following our conversation this morning with Mr. McDade where the name Sellman was raised, I decided to call Mr. Butterfield in Bermuda.

You will recall that Mr. Chet Butterfield is a partner in the firm of Conyers, Dill & Pearman and was one of the founders and is a director of Fuelco. He was a founder and is a director in the sense that his law firm was used to establish Fuelco.

Rather than ask Mr. Butterfield if he knew of a company by the name of Sellman, I bypassed that point and asked him if he would be in a position to give me some information about Sellman. I told him that I had not yet checked with Julio but would be seeing him some time next week and wanted to get some groundrules understood as to the amount of information Mr. Butterfield might give me before getting into any specifics with Julio. All of my questions or comments were based on the possibility that Mr. Butterfield had established this company called Sellman. Mr. Butterfield told me that he could not discuss Sellman and that he would have to get prior permission from Julio. He then added that he would also have to get the permission of others, that is the shareholder or shareholders as well.

*How  
the  
hell do  
we find  
out about  
them?*

That does me establish that there is a company by the name of Sellman registered in Bermuda and that Mr. Iglesias is an owner or director or somehow associated with that company.

*We'll have to get to the end of this fact!*

*see other note.*

I told Mr. Butterfield that I was not certain that there would be any need for clarification or follow-up, but should there be any requirement on our part to have any disclosures or obtain any disclosures that I would be sure to first check with Julio and get his permission. I then told Mr. Butterfield that it was my recollection that under Bermudian law I might have someone review the shareholders' records by paying the appropriate fee. He said of course that was the rule and that there would be no problem with having someone determine the shareholder makeup of the company even without shareholder consent. I will have that attended to.

*In essence  
we're @  
dead end  
FIS won't  
talk because  
Conrad & Julio  
& VF are their  
clients.*

*Butterfield  
won't talk  
Julio & VF are  
his "clients."  
We'll have to  
get permission  
from Julio's  
the permission of  
others (who?).  
I think we'll  
never find.*

*better not be on file  
will show be  
forewarned.*

*Probably false hope*

I am in hopes that Mr. Butterfield does not relay my telephone call and questions to Mr. Iglesias prior to our next meeting with Mr. Iglesias. I felt, however, that it was important to make every effort to determine whatever there is to know about this company Sellman as quickly as possible and as part of our general investigation of Mr. Herlihy's February 27 question concerning the payment of monies by Mr. Iglesias through Pritchard to certain Venezuelans. Having reviewed Coastal's 8-K, the \$8 million figure jumped right out at me this morning, and I feel certain that there is somehow a tie between Mr. Herlihy's February 27 question to me and the disclosures contained in Coastal's 8-K. Incidentally, I feel relatively certain that the Coastal 8-K is false in one respect and that is that no officer or director knew of the arrangements that are described as totaling about \$8 million in questionable brokerage fees. It is highly unlikely that such payments were made without Mr. Wyatt's specific knowledge, approval and authority with similar knowledge of the company to which payments were made.

*where's  
F&T  
how at  
this  
time?  
Same  
Sargent!  
✓ agree.*

At the moment then, there is the beginnings of some form of trail involving Coastal and possibly Sellman. There is little more we can do without being able to confront Mr. Iglesias. We must be careful in how to approach Mr. Iglesias in the question so that he is not forewarned since if he is forewarned he will become extremely difficult to reach and will have had more time to think through his position than I would like him to have. Bear in mind that all of this is speculation at this point in time, that is, the connection between the various companies and individuals; but it is all we have to go on at the present time since we must believe that there is some basis to the original question raised by Mr. Herlihy on February 27.

RGH/brr

April 15, 1976

Mr. Julio C. Iglesias  
265 Tradewind Drive  
Palm Beach, Florida 33480

Dear Julio:

In the latter part of 1975 the Company became aware of Selman Holdings Limited and reports that you may have had an interest in that company. It is my recollection that we acquired the knowledge by connecting newspaper reports on your deposition given to the Jacksonville Electric Authority in the suit by Ven-Fuel against JEA. The subsequent reading of the deposition introduced the name Selman to us.

In September or October of 1975, when in the course of events this information was generally available to us, we had what we believed to be reliable information that the federal grand jury investigation had ended and that a "no bill" would soon be handed down. At the beginning of each month thereafter we were given opinions again on what we believed to be reliable information that the investigation would be closed. As of this date, April 15, 1976, some five and one-half months after the Justice Department decision was expected, we continue to have month-to-month assurances that some general decision will be rendered--the latest indication coming from the Justice Department in Washington via a letter issued by an associate deputy attorney general of the United States. On advice of counsel the inquiries into your possible relationship with Selman were delayed pending the conclusion of the grand jury proceedings which decision was "expected any day".

In essence, it was counsel's point of view, and we think a correct point of view, that any inquiries into Selman while the grand jury decision was pending would be a fruitless effort in that there might be a reluctance on the part of individuals to discuss the matter openly until such time as their personal criminal exposures disappeared with a "no bill". It was also the opinion of counsel, on the basis of information that then existed, that Selman and your possible interest in that company were not matters for us to be concerned about.

It has always been the Company's intention to pursue these matters with you at an appropriate time to determine whether or not there has been a conflict of interest of the type prohibited by the Company's Policy No. 2.7. I am attaching a copy of that policy for your ready availability. Circumstances now require that the Company pursue this matter despite the fact that there is still a point of view that the continuation of the grand jury investigation may inhibit a full determination as to the facts.

The records show that when you were first working on the Company's behalf you were engaged as a consultant and not as an employee. It was understood by the Company that you had other outside arrangements and that the Company would not necessarily have full call on your time or your interests. When subsequently you became employed by the Company as an employee you agreed to accept a salary which resulted in remuneration below that which you had received while engaged as a consultant. There was a loose understanding that you would be able to continue with certain outside interests after your becoming employed full-time by the Company since the length of your employment was very uncertain and since the outside activities were understood to have made up for the drop in remuneration that was achieved for the Company's benefit by your joining as an employee.

In hindsight, the situation was perhaps complicated by your election by the shareholders (not appointed by the Company) to a position of officer of two companies in which we have a fifty percent interest. The companies were not controlled affiliates and, therefore, some question does arise as to whether the policy prevents a conflict of interest between whatever outside holdings you may have and your position in the Company's non-controlled affiliates.

Despite the exceptional circumstances which surrounded your initial and continuing employment by the Company and despite the confusion that may be added by your having performed essentially for a noncontrolled affiliate to which the Policy No. 2.7 may strictly be construed as not applying, we believe that your involvement with Selman has violated the spirit of the Company's policy against conflicts of interest.

Rather than pursuing this matter through legal formalities which would be costly and timely and perhaps destructive to the relationship between you and the Company, we would prefer to find an amicable solution to the problems raised by information that you may be in a conflict of interest situation.

While we will not know the final position of the Company until the inquiries by special outside counsel have yielded sufficient information to make a determination, it is our view that mitigating circumstances would exist were you to turn over any monies that you may have received from Selman and that you discontinue any relationship with or activity in that company to the extent that its interests conflict with ours. We would, of course, be pleased to discuss this matter further directly with you or with your attorney if you prefer.

Please let me have your response as quickly as possible. Thank you.

Very truly yours,

R. G. Hofker  
President

RGH/brr

Mr. FRANDSEN. The first correspondence, the March 18, 1976 memorandum, clearly demonstrates that Mr. Iglesias' superiors were unaware of Selman Holdings until some time in late 1975 or early 1976. At one point it states that these are the beginnings of some form of trail involving Coastal and possibly Selman, and the author concludes that there is in fact a company by the name of Selman registered in Bermuda and that Mr. Iglesias is an owner or somehow associated with the company.

Further down on the page in handwritten notes, they are reviewing how they can find out more information about Selman. A statement is made that "I think we have been had."

The second letter, which is approximately 30 days later, points out that Mr. Iglesias' involvement with Selman has violated the spirit of the company's policy against conflicts of interest, and further states that in their view mitigating circumstances would exist if Mr. Iglesias would turn over any moneys he may have received from Selman.

Mr. Hatchett, what would be the advantages of incorporating Selman in Bermuda rather than in Delaware?

Mr. HATCHETT. There is an apparent tax advantage in that there is no income tax in Bermuda, and money being taken out of the country and hidden in Bermuda would tend to obviate a tax liability in the United States.

Mr. FRANDSEN. I also see from the *Independencia* chart that the profit of Ven-Fuel, the U.S. company, was a nickel a barrel, while Selman's profit made was approximately \$3.50 a barrel. I further note that Fuelco, the sister company of Ven-Fuel which was incorporated in Bermuda, made 68 cents a barrel.

Did Fuelco have an office in Bermuda at that time?

Mr. HATCHETT. No, sir.

Mr. FRANDSEN. Where were its operations conducted?

Mr. HATCHETT. Coral Gables, Fla., from the Ven-Fuel office.

Mr. FRANDSEN. Why would Fuelco and Ven-Fuel, being sister companies—why would one be set up in Bermuda and the other in the United States?

Mr. HATCHETT. Again for a tax advantage by minimizing the profits in the United States and maximizing the expense of both operations in the U.S. company, you are coming up with a minimum tax liability for the U.S. company and are transferring the profits into Bermuda where there is no income tax.

Mr. FRANDSEN. But did you say at the time of these transactions all of Fuelco's business was being conducted out of the Ven-Fuel offices in Florida?

Mr. HATCHETT. Yes, sir, by Ven-Fuel employees.

Mr. FRANDSEN. How do you know that was the situation?

Mr. HATCHETT. In September 1974 we executed a search warrant on the premises of Ven-Fuel, Inc., and as we entered the offices, a Ven-Fuel employee was typing a Fuelco invoice to Ven-Fuel, which we removed from the typewriter at that time.

Mr. GORE. If counsel will yield, this was in connection with another investigation?

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Were the Selman commission payments directly reflected in the final cost of the product sold by Coastal to New England Petroleum Co. in New York?

Mr. HATCHETT. Yes, sir. Of course, you see the price Nepco had to pay to Coastal of \$19 per barrel. Of that \$19 per barrel, commission payments were paid out at a rate of about \$4.19 per barrel.

Mr. FRANDSEN. Assuming for the moment that the Selman commissions were necessary, is there anything unusual about them?

Mr. HATCHETT. Yes, sir, the size of them.

Mr. FRANDSEN. Would you explain that, please?

Mr. HATCHETT. Yes, sir. According to the industry norm, the commission payments on residual fuel oil would be roughly a penny a barrel. These commissions, such as Selman's \$3.50 per barrel, are considerably more than the norm.

Mr. FRANDSEN. You mean approximately 300 times higher than the norm.

Mr. HATCHETT. 350 times.

Mr. FRANDSEN. Is there anything else unusual about the Selman commissions?

Mr. HATCHETT. Yes, sir. In the manner in which they are paid. First of all, Coastal States paid one commission in April of \$2.50 a barrel, then 1 month later they come back and give Selman another \$1 per barrel.

Mr. FRANDSEN. I also think I heard you say that the commissions paid on the *Independencia* transaction were four times as great as the profits earned by the title holding companies.

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Is that correct?

Mr. HATCHETT. That is correct.

Mr. FRANDSEN. Thank you, Mr. Hatchett.

Mr. Inman, would you please explain the next chart?

Mr. INMAN. The next transaction relates to a No. 6 fuel oil coming out of Tampico, Mexico during late December 1973 aboard the tanker *Damon*, as you can see from the chart, the physical movement of the oil is from Tampico, Mexico to New York City. A paper trail of this transaction, the business transaction, is reflected in this flow diagram.

Fuelco, Ltd., the Bermuda corporation, which we see on this chart, purchased the oil from CVP. And again to point out CVP had as its director of international marketing, Leonardo Moleiro, who is also a director of Ven-Fuel, Inc. and also a principal shareholder of Selman Holdings, Ltd.

Fuelco, Ltd. purchased the oil from CVP at \$7 per barrel and resold it to Coastal States, the U.S. corporation, at \$7.50 per barrel, retaining 50 cents per barrel profit in the Bermuda company. Coastal States then sold the cargo to Northville Industries of New York. Northville is a terminal storage facility or, I believe, in the industry called a tanker reseller, reselling the oil to other users of this particular product, primarily heavy industries, schools, hospitals, customers of that nature.

Coastal States resold the cargo at \$23.93 per barrel, some \$15.27 above its cost of the oil. On this particular cargo a commission of \$1 per barrel was paid to Selman Holdings, Ltd. of Bermuda.

Mr. FRANDSEN. Now the commission of \$1 a barrel paid to Selman Holdings was approximately 1,000 percent higher than what would have been the normal commission of 1 cent a barrel; is that correct?

Mr. INMAN. Yes, sir, that is correct.

Mr. FRANDSEN. You noted that Coastal States made a profit on this one transaction, this one tanker cargo, of \$15.27 a barrel. The Department of Energy's remedial order of September 6, 1978, issued to Coastal stated that the *Damon* shipment was covered by DOE pricing regulations.

If the Department of Energy is correct, and it should be pointed out that Coastal is contesting the remedial order, what is the magnitude of the overcharge involved since Coastal's profit was over \$15 a barrel? Can you give us a rough estimate?

Mr. INMAN. Yes, sir. In order to understand this, you would have to understand that the pricing regulations froze the profit margin each U.S. company enjoyed as of May 15, 1973, and that was the base date of establishing the profit margin beyond which the U.S. company could not sell its product. As of May 15, 1973 the sales price per barrel of this type product was in the neighborhood or no more than \$3 per barrel, and the profit on such a sale would be at the greatest, say, \$1, probably a lot less than that. Taking \$1 profit per barrel on May 15, 1973, and relating this to a profit of \$15.27 per barrel on this particular sale, the overcharge would appear to be in the neighborhood of \$14.

Mr. FRANDSEN. So on this one transaction, the overcharge involved is roughly \$1.4 million.

Mr. INMAN. Yes, sir. On this particular transaction, it would be approaching a \$1½ million.

Mr. FRANDSEN. Is Ven-Fuel involved in the shipment with the *Damon*?

Mr. INMAN. According to the flow diagram, Ven-Fuel is not, in this particular transaction. However, in the documents in the subcommittee's possession, it is interesting to note that Ven-Fuel actually billed Coastal States, or cut the invoice to Coastal States, but Coastal States made the payment to Fuelco.

Mr. FRANDSEN. So in the files there is an invoice or a purchase order from Ven-Fuel.

Mr. INMAN. Yes, sir. Ven-Fuel actually invoiced Coastal States on the sale of Fuelco, and Coastal States made the payment to Fuelco.

Mr. FRANDSEN. Now in contrasting the two shipments we have seen so far, the *Damon* and the *Independencia*, we see that on the *Independencia*, Coastal's profit appears to be 43 cents a barrel but it paid a \$3.50 commission. On this transaction, Coastal's profit is \$15.27 a barrel, but it paid \$1 a barrel as a commission.

Do the records show why there is that disparity between the two shipments?

Mr. INMAN. No, sir, there is nothing in the records that would indicate or give any rhyme or reason to the amount of payment on these commissions.

Mr. FRANDSEN. Could you please explain the next transaction, Mr. Inman?

Mr. INMAN. Our third transaction is different in that it involves a cargo of crude oil coming out of Venezuela in late 1973 aboard the tanker *Atrotos*, approximately 132,000 barrels of crude. The paper trail in this particular cargo at its inception is not in the possession of the subcommittee but we do know from shipping documents that the cargo was sold by another company in Venezuela, Compania Shell de Venezuela, represented and referred to as CSV. This particular cargo was sold to a company in Bermuda, Petrol Rico, Ltd., at an unknown price. Therefore, we don't know the profit made by Petrol Rico, Ltd.

However, documents in the possession of the subcommittee reflect the sale was made from Petrol Rico, Ltd. to Fuelco, Ltd., another Bermuda exempt corporation, at \$11.14 per barrel. Fuelco in turn sold the oil to Coastal States at \$11.29 per barrel, retaining 15 cents per barrel profit. We know the crude oil went into the Coastal States refinery at Corpus Christi. From there we do not know at what price the products derived from the crude oil were sold.

On this particular cargo, it is interesting to note that Selman Holdings, Ltd. of Bermuda received a commission of \$4 per barrel, or a little over a half million dollars on this one cargo of crude oil, and we do know, or logic would have it, that this price would be reflected in the products coming from that crude oil.

Mr. GORE. The product of the refinery, did it include gasoline?

Mr. INMAN. I don't know, specifically. I am certain it would include a certain amount of gasoline from the product.

Mr. FRANDSEN. So on this transaction we see a commission being paid which is 400 times higher than the industry norm; is that correct?

Mr. INMAN. That is correct, sir, \$4 per barrel as opposed to 1 cent per barrel at that point in time.

Mr. FRANDSEN. And we also see Mr. Iglesias making a profit of over a half million dollars for Selman, the exempt Bermuda company, whereas he only makes a profit of 15 cents a barrel or \$19,000 for Fuelco, a company of which he is president but we know is half owned by International Systems and Control of Houston, Tex.; is that correct?

Mr. INMAN. That is correct, sir.

Mr. FRANDSEN. Thank you, Mr. Inman.

Would you please return to the table? Please put the *Independencia* chart back up.

Gentlemen, during 1973 did Coastal pay commissions to Selman on comparable size tanker cargoes of No. 6 fuel oil that had also been purchased from Ven-Fuel?

Mr. HATCHETT. Yes, sir, they did.

Mr. FRANDSEN. Would you explain what the Coastal records show were the amount of those payments?

Mr. HATCHETT. Yes, sir. The Coastal records indicate that on approximately 15 cargoes sold by Ven-Fuel to Coastal in 1973 on which Selman received a commission, the total commission received was less than \$25,000 on all 15 cargoes.

Mr. FRANDSEN. Did that approximate 1 cent a barrel?

Mr. HATCHETT. One cent a barrel; yes, sir.

Mr. FRANDSEN. That is a rather dramatic contrast to the \$650,000 total paid in commissions to Selman on that one *Independencia* transaction. Did the commission checks for the *Independencia* go into the same bank account—

Mr. HATCHETT. No, sir.

Mr. FRANDSEN [continuing]. As the previous payments?

Mr. HATCHETT. No, sir, they did not. There were two bank accounts for Selman holdings in Bermuda in the same bank, in the Bank of N. T. Butterfield.

Mr. FRANDSEN. Is it true that beginning in January 1974 all subsequent checks went into a second bank account in the bank of N. T. Butterfield?

Mr. HATCHETT. Yes, sir, they did.

Mr. FRANDSEN. Did Ven-Fuel and Fuelco and Mr. Iglesias, their president, have a historic business relationship with Coastal States prior to the OPEC embargo?

Mr. HATCHETT. Yes, sir, they did. Their business relationship went back to the very formation of Ven-Fuel and Fuelco.

Mr. FRANDSEN. Do the records indicate whether Coastal had ever done business directly with CVP prior to the OPEC embargo?

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Were they doing business directly with CVP during the embargo?

Mr. HATCHETT. Yes, sir, the records reflect sales directly from CVP to Coastal States on which Selman was not the recipient of a commission.

Mr. FRANDSEN. So at the same time the oil was coming out of CVP and going through all those other companies Coastal was also dealing directly with CVP; is that correct?

Mr. HATCHETT. Yes, sir, that is correct.

Mr. FRANDSEN. What were the total commissions paid to Selman by Coastal?

Mr. HATCHETT. A little over \$8½ million.

Mr. FRANDSEN. Mr. Chairman, at this point I would like to introduce into the record a table summarizing the Coastal States commission payments on foreign oil transactions.

Mr. GORE. Under the previous orders it will be introduced.

[The table referred to follows:]

COASTAL STATES' COMMISSION PAYMENTS  
ON FOREIGN OIL TRANSACTIONS

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>Total</u>
*Selman Holdings Ltd.	\$ -	\$287,433	\$8,229,803	\$ -	\$8,517,236
*Peram Ltd.	-	-	1,279,035	-	1,279,035
Arab Emirates Trading Co.	113,515	575,469	343,216	10,978	1,043,178
*Ven-Fuel, Inc. (Fuelco Ltd)	5,935	51,850	272,161	166,832	496,778
PVM Oil Associates	-	3,996	244,348	114,166	362,510
Tradiber-Iberoil	-	93,851	51,757	124,839	270,447
Int'l. Oil Equipment Service	-	-	-	165,914	165,914
Interlink	-	70,437	50,355	30,946	151,738
(12 other companies)	<u>2,477</u>	<u>93,876</u>	<u>134,839</u>	<u>105,355</u>	<u>336,547</u>
	<u>TOTALS: \$121,927</u>	<u>\$1,176,912</u>	<u>\$10,605,514</u>	<u>\$719,030</u>	<u>\$12,623,383</u>

\* Companies with which Julio Iglesias was affiliated:

- (1) Selman Holdings Ltd - a principal shareholder
- (2) Peram Ltd - shareholder
- (3) Ven-Fuel, Inc. (Fuelco Ltd) - President

In 1974, these three companies received a total of \$9,780,999 of the \$10,605,514 paid by Coastal States in commissions, or 92%.

During 1972-1975, these three companies received a total of \$10,293,049 of the \$12,623,383 paid by Coastal States in commissions, or 82%.

Mr. FRANDSEN. Mr. Hatchett, this chart demonstrates that in 1974 roughly \$8.2 million in commissions were paid to Selman. In that same year did Coastal pay commissions to any other companies with which Mr. Iglesias was associated?

Mr. HATCHETT. Yes, sir, in the same year they also paid commissions to a company called Peram Ltd., which is a company incorporated in Grand Cayman, and also to Ven-Fuel-Fuelco, companies operating out of Coral Gables.

Mr. FRANDSEN. So in the year 1974 approximately 92 percent of all commissions paid by Coastal went to companies with which Mr. Iglesias was an officer or in which he had a financial interest.

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Where is this second company, Peram Ltd., incorporated?

Mr. HATCHETT. Grand Cayman, Cayman Islands.

Mr. FRANDSEN. Is that also a tax-exempt company?

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Where is its bank account?

Mr. HATCHETT. Peram had a bank account in the Bank of N. T. Butterfield in Bermuda. I believe they also did banking business with Barclay's Bank in Grand Cayman.

Mr. FRANDSEN. They also had a bank account in Bermuda, at the same bank that Selman had a bank account?

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Can you explain or describe the manner in which the commission checks were sent to Selman?

Mr. HATCHETT. Yes, sir, the majority of the checks were sent to Selman in care of Julio Iglesias, 265 Trade Winds Drive, Palm Beach, Fla., which was Mr. Iglesias' address in those days.

Mr. FRANDSEN. Mr. Chairman, at this point I would like to introduce into the record copies of a few of the checks that were paid by Coastal States to Selman Holdings.

Mr. GORE. Under the previous orders they will be included.

[The checks referred to follow:]

CHECK NO. 4737

COASTAL STATES GAS PRODUCING CO. BK-21 4/74  
 FIVE GREENWAY PLAZA EAST  
 HOUSTON, TEXAS 77046

DATE  
 MO DAY YR  
 4 9 74

PAY EXACTLY\*\*859,973\*\* DOLLARS AND 97 CENTS

DISBURSEMENT NO. 15735

\$859,973.97\*

TO THE ORDER OF Selmon Holding, Ltd.  
 Hamilton, Bermuda

COASTAL STATES GAS PRODUCING COMPANY  
 APR 28 1974

TO: CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST  
 COMPANY OF CHICAGO - CHICAGO, ILLINOIS

Countersignature - Required if over \$10,000.00

⑆07⑆0⑆0003⑆ ⑆2⑆28929⑆ ⑆0085997397⑆

CHECK NO. 4736

COASTAL STATES GAS PRODUCING CO. BK-21 4/74  
 FIVE GREENWAY PLAZA EAST  
 HOUSTON, TEXAS 77046

DATE  
 MO DAY YR  
 4 9 74

PAY EXACTLY\*\*64,069\*\* DOLLARS AND 50 CENTS

DISBURSEMENT NO. 15734

\$64,069.50\*\*

TO THE ORDER OF Selman Holdings Ltd. II  
 265 Trade Wind Center  
 Palm Beach, Florida

COASTAL STATES GAS PRODUCING COMPANY  
 APR 19 1974

TO: CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST  
 COMPANY OF CHICAGO - CHICAGO, ILLINOIS

Countersignature - Required if over \$10,000.00

⑆07⑆0⑆0003⑆ ⑆2⑆28929⑆

CHECK NO. **4735** COASTAL STATES GAS PRODUCING CO. BK-51 4/74  
 FIVE GREENWAY PLAZA EAST  
 HOUSTON, TEXAS 77046  
 20-7875  
 3-16

MD	DAY	YR
4	9	74

PAY EXACTLY \*\*\$61,952\*\* DOLLARS AND 25 CENTS  
 \$61,952.25\*\*

TO Selman Holdings Ltd. III  
 265 Trade Wind Center  
 Palm Beach Florida

COASTAL STATES GAS PRODUCING COMPANY  
*[Signature]*

APR 19 1974

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST  
 COMPANY OF CHICAGO - CHICAGO, ILLINOIS  
 Countersignature - Required if over \$10,000.00

DISBURSEMENT NO. 15733

⑆07⑆0⑆0003⑆ ⑆2⑆28929⑆

CHECK NO. **3881** COASTAL STATES GAS PRODUCING CO. BK-51 2/74  
 P.O. DRAWER 521  
 CORPUS CHRISTI, TEXAS - 78403  
 2-3 710 769 3322

MD	DAY	YR
01	25	74

PAY EXACTLY \*\*\$27,680\*\* DOLLARS AND 00 CENTS  
 \$27,680.00\*

TO Selman Holdings #2  
 % Julio Inglesias  
 265 Trade Wind Center  
 Palm Beach, Florida 33480

COASTAL STATES GAS PRODUCING COMPANY  
*[Signature]*

FEB 15 1974

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST  
 COMPANY OF CHICAGO - CHICAGO, ILLINOIS  
 Countersignature - Required if over \$10,000.00

DISBURSEMENT NO. 15438

⑆07⑆0⑆0003⑆ ⑆2⑆28929⑆ ⑆0052768000⑆

Mr. FRANDSEN. On April 9, 1974, Coastal sent three separate commission checks to Selman drawn on the same account at the Continental Illinois National Bank. The checks which have just been introduced into the record show that one was made payable to Selman Holding, Ltd., one was made payable to Selman Holdings Ltd. II, and the third to Selman Holdings Ltd. III. Is there more than one Selman, Inc., in Bermuda?

Mr. HATCHETT. We were unable to find more than one.

Mr. FRANDSEN. Is there any speculation as to the apparent distinction between the three Selmans on checks drawn on the same bank account the very same day, two of which were sent to Mr. Iglesias' residence in Palm Beach?

Mr. HATCHETT. Yes, sir, the possibility exists that by making the checks out to three separate companies, or making an indication of Selman Holding, Selman Holdings Ltd. II, and Selman Holdings Ltd. III, may have been a form of bookkeeping.

Mr. GORE. A form of bookkeeping for Selman?

Mr. HATCHETT. Yes, sir.

Mr. GORE. In case they wished to divide the money in Selman's accounts according to some internal organization?

Mr. HATCHETT. Exactly.

Mr. FRANDSEN. Now, the transactions we have seen this morning involve payments to Selman where Coastal was buying the product from Ven-Fuel or Fuelco. Are there any payments to Selman on shipments where Coastal owned the product and was selling it to Fuelco?

Mr. HATCHETT. Yes, sir. As a matter of fact, the largest payment ever made to Selman on any transaction was a payment on a cargo of No. 2 oil which was sold by Coastal to Fuelco, in which Selman received over \$1½ million at \$9.66 per barrel.

Mr. FRANDSEN. You mean Coastal owned the cargo and then paid a commission of \$9.66 a barrel, a commission which substantially exceeded Coastal's profit on the transaction?

Mr. HATCHETT. That is correct.

Mr. FRANDSEN. What was the name of that ship?

Mr. HATCHETT. That was the *Bessie K.*

[The check referred to follows:]

SELMAN HOLDING, LTD.  
HAMILTON, BERMUDA

DATE April 15, 1974  
INVOICE No. CO-113

TO:

COASTAL STATES MARKETING, INC.  
Five Greenway Plaza East  
Houston, Texas 77046 U.S.A.

COMMISSION

"BESSIE K" 158,514 Bbls #2 Gas Oil  
 @ \$9.66/Bbl = \$1,531,245.20

*Product Cost*

*original*

*H. E. [Signature]*  
*R. Moore*

CONSULTANTS AND BROKERS OF PETROLEUM PRODUCTS

CHECK NO <b>4752</b>			COASTAL STATES GAS PRODUCING CO. <i>BK-51</i> <i>4/24</i> FIVE GREENWAY PLAZA EAST HOUSTON, TEXAS 77046 <i>3-16</i>		
DATE MO DAY YR 4 22 74			DISBURSEMENT NO. 15784		
PAY EXACTLY **1,531,245** DOLLARS AND 20 CENTS			\$1,531,245.20**		
TO THE ORDER OF Selman Holding, Ltd. Hamilton, Bermuda		APR 26 1974		COASTAL STATES GAS PRODUCING COMPANY <i>[Signature]</i>	
TO: CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO - CHICAGO, ILLINOIS		D A I R		Countersignature - Required if over \$10,000.00	

⑆07⑆0⑆0003⑆ 72⑆⑆28929⑆ ⑆0⑆53⑆24520⑆

Mr. FRANDSEN. Were any of the payments from Coastal to Selman for shipments involving gasoline imported into the United States?

Mr. HATCHETT. Yes, sir. There were a couple of cargoes of gasoline imported into the United States which did not go through Ven-Fuel/Fuelco, the transactions being entered into between Mr. Moleiro of CVP and also part-owner of Selman, and Mr. Evans of Coastal States, the gasoline actually coming from CSV and not CVP. These were at the rate of 63 cents a barrel, considerably more than the industry norm.

Mr. FRANDSEN. You gentlemen were assigned as part of the special task force to assist the U.S. attorney in the Ven-Fuel investigation in Jacksonville, Fla.; is that correct?

Mr. INMAN. Yes.

Mr. FRANDSEN. Pursuant to a Federal court order the subcommittee obtained records from the U.S. attorney which had been subpoenaed from Coastal States during the Jacksonville investigation. These documents included the *Independencia* and *Damon* shipments. In your review of these documents, did you find any reference whatsoever to Selman, any invoices, any correspondence, to indicate that Selman had received a commission on these transactions?

Mr. INMAN. No, sir.

Mr. FRANDSEN. When was Selman incorporated?

Mr. HATCHETT. Selman was incorporated on November 14, 1972. Stock was not issued until February 22, 1973.

Mr. FRANDSEN. Did Mr. Moleiro, a Venezuelan citizen, provide an address on the Selman shareholders' register?

Mr. HATCHETT. Yes, sir, he did. The address he provided was 265 Trade Winds Drive, Palm Beach, Fla., which happens to be Mr. Iglesias' residence.

Mr. FRANDSEN. Happened to be Mr. Iglesias' residence at that time?

Mr. HATCHETT. Yes, sir.

Mr. FRANDSEN. Do the records ever show that Mr. Moleiro transferred his shares of Selman?

Mr. HATCHETT. Yes, sir, they do.

Mr. FRANDSEN. Would you explain that, please?

Mr. HATCHETT. Yes, sir, on May 16, 1975, Mr. Moleiro transferred his shares in Selman to a company called Pan-American Investments Ltd., which is a Grand Cayman company.

Mr. FRANDSEN. When was that company formed?

Mr. HATCHETT. May 15, 1975.

Mr. FRANDSEN. You mean the day before?

Mr. HATCHETT. That is correct.

Mr. FRANDSEN. When did the name of Selman first come to the attention of the Federal task force in Jacksonville, Fla.?

Mr. INMAN. May 7, 1975.

Mr. FRANDSEN. You mean approximately a week before that?

Mr. INMAN. That is correct.

Mr. FRANDSEN. Before Pan-American Investments was incorporated?

Mr. INMAN. Yes.

Mr. FRANDSEN. Is Mr. Moleiro connected in any way with Pan-American Investments Ltd.?

Mr. INMAN. Yes, sir. He is the president.

Mr. FRANDSEN. And that is a Grand Cayman corporation?

Mr. INMAN. Yes, sir.

Mr. FRANDSEN. What was Pan-American Investments' initial capitalization?

Mr. INMAN. \$720,000.

Mr. HATCHETT. U.S.?

Mr. INMAN. U.S. dollars.

Mr. FRANDSEN. During the time of these transactions and subsequent thereto, was Mr. Iglesias a frequent traveler on Coastal States aircraft?

Mr. HATCHETT. Yes, sir, he was.

Mr. FRANDSEN. Mr. Chairman, at this point I would like to introduce into the record a summary sheet of U.S. Government records, showing Mr. Iglesias' transportation on Coastal States aircraft.

Mr. GORE. Under the previous orders it will be included.

[The summary sheet referred to follow:]

Julio Iglesias - Passenger on  
Coastal States/Oscar Wyatt Jet Aircraft

During the period 1/73 to 7/76, U.S. Government records of private aircraft arrivals in the U.S. reflect that Julio Iglesias was a passenger on jet aircraft owned by Coastal States Gas Corp. and/or Oscar Wyatt on 29 of 91 flights. The identity of other passengers on these flights is not set forth in this exhibit, with the exception of Leonardo Moleiro and Oscar Wyatt. The following data pertains only to international travel and does not include domestic flights of Coastal States/Wyatt aircraft on which these individuals were passengers.

	Arrival in U.S.	From	Passengers	Departure from U.S.	Countries Visited
(1)	1/7/73 - West Palm Beach, Fla.	Bermuda	Julio Iglesias Oscar Wyatt & 3 others	1/6/73 - Teterboro, N.J.	Bermuda
(2)	2/1/74 - West Palm Beach, Fla.	Venezuela	Julio Iglesias Oscar Wyatt & 1 other	1/30/74 - Houston, Texas	Venezuela
(3)	2/5/74 - West Palm Beach, Fla.	Venezuela	Julio Iglesias	2/2/74 - West Palm Beach, Fla.	Venezuela
(4)	2/8/74 - Newark, N.J.	Bermuda	Julio Iglesias and 1 other	2/6/74 - West Palm Beach, Fla.	Bermuda
(5)	2/28/74 - Houston, Texas	Mexico City	Julio Iglesias Oscar Wyatt & 3 others	2/28/74 - Houston, Texas	Mexico
(6)	4/18/74 - West Palm Beach, Fla.	Venezuela	Julio Iglesias Oscar Wyatt & 3 others	4/17/74 - Miami, Fla.	Venezuela
(7)	5/1/74 - West Palm Beach, Fla.	Panama	Julio Iglesias and 2 others	4/29/74 - West Palm Beach, Fla.	Ecuador, Peru, Panama
(8)	6/6/74 - West Palm Beach, Fla.	Venezuela	Julio Iglesias and 3 others	6/5/74 - West Palm Beach, Fla.	Venezuela
(9)	7/24/74 - Boston, Mass.	Bermuda	Julio Iglesias	7/23/74 - West Palm Beach, Fla.	Bermuda
(10)	7/31/74 - Houston, Texas	Mexico City	Julio Iglesias and 2 others	7/30/74 - Houston, Texas	Mexico

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	Arrival in U.S.	From	Passengers	Departure from U.S.	Countries Visited
(11)	8/29/74 - West Palm Beach, Fla.	Venezuela	Julio Iglesias and 3 others	8/29/74 - West Palm Beach, Fla.	Venezuela
(12)	9/26/74 - Houston, Texas	Bermuda	Julio Iglesias and 1 other	9/25/74 - Teterboro, N.J.	Bermuda
(13)	10/25/74 - Teterboro, N.J.	Bermuda	Julio Iglesias and 2 others	10/24/74 - Teterboro, N.J.	Bermuda
(14)	11/13/74 - Miami, Fla.	Venezuela	Julio Iglesias and 2 others	11/12/74 - Miami, Fla.	Venezuela
(15)	11/21/74 - Houston, Texas	Mexico City	Julio Iglesias Oscar Wyatt & 2 others	11/21/74 - Houston, Texas	Mexico
(16)	12/9/74 - West Palm Beach, Fla.	Bermuda	Julio Iglesias Leonardo Moleiro and 3 others	12/8/74 - West Palm Beach, Fla.	Bermuda
(17)	12/16/74 - West Palm Beach, Fla.	Panama	Julio Iglesias and 2 others	12/9/74 - West Palm Beach, Fla.	Venezuela, Peru, Brazil, Paraguay Panama
(18)	2/21/75 - West Palm Beach, Fla.	Panama	Julio Iglesias and 3 others	2/19/75 - Houston, Texas	Peru, Panama
(19)	4/16/75 - West Palm Beach, Fla.	Venezuela	Julio Iglesias Oscar Wyatt & 2 others	4/12/75 - West Palm Beach, Fla.	Brazil, Venezuela
(20)	5/1/75 - West Palm Beach, Fla.	Bermuda	Julio Iglesias Leonardo Moleiro	4/30/75 - Jacksonville, Fla.	Bermuda
(21)	5/6/75 - Houston, Texas	Venezuela	Julio Iglesias and 4 others	5/4/75 - West Palm Beach, Fla.	Venezuela
(*)	5/16/75 - West Palm Beach, Fla.	Bermuda	Julio Iglesias Leonardo Moleiro and 4 others	(unknown)	Bermuda, Caicos, B.W.I.

NOTE: This arrival was on a Lear jet owned by a company in Florida, and was not on a Coastal States/Wyatt aircraft.

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	Arrival in U.S.	From	Passengers	Departure from U.S.	Countries Visited
(22)	10/8/75 - Miami, Fla.	Venezuela	Julio Iglesias Leonardo Moleiro Oscar Wyatt & 1 other	10/7/75 - Houston, Texas	Venezuela
(23)	11/28/75 - West Palm Beach, Fla.	Venezuela	Julio Iglesias and 3 others	11/21/75 - Houston, Texas	Peru, Ecuador, Venezuela
(24)	12/4/75 - Houston, Texas	Panama	Julio Iglesias and 2 others	12/2/75 - Houston, Texas	Peru, Panama
(25)	1/16/76 - West Palm Beach, Fla.	Neths. Antilles	Julio Iglesias and 1 other	1/14/76 - Houston, Texas	Netherlands Antilles
(26)	2/7/76 - West Palm Beach, Fla.	Neths. Antilles	Julio Iglesias Oscar Wyatt & 5 others	2/4/76 - Houston, Texas	Netherlands Antilles
(27)	2/27/76 - West Palm Beach, Fla.	Neths. Antilles	Julio Iglesias and 3 others	2/19/76 - Miami, Fla.	Netherlands Antilles
(28)	7/14/76 - West Palm Beach, Fla.	Venezuela	Julio Iglesias and 2 others	7/11/76 - West Palm Beach, Fla.	Venezuela
(29)	7/29/76 - Houston, Texas	Newfound- land	Julio Iglesias and 1 other	7/24/76 - Houston, Texas	Iran, France

Mr. FRANSEN. Gentlemen, in the course of your investigations have you seen any records which show that Mr. Iglesias' son Robert was a vice president of Selman?

Mr. HATCHETT. Yes, sir, we have. We have seen records which indicate he was vice president of Selman at the time of the transaction involving *Independencia* in 1973.

Mr. FRANSEN. Mr. Chairman, I would like to introduce into the record two documents which indicate that Mr. Robert Iglesias was a vice president of Selman and was transacting business on behalf of Selman in November and December of 1973.

Mr. GORE. Under the previous ruling it will be included.  
[The documents referred to follows:]



A subsidiary of Rico Petroleum Corporation

## Petrol Rico Ltd.

Incorporated in Bermuda with limited liability

November 15, 1973

Selman Holdings Limited  
Hamilton, Bermuda

*Re: memo*

Attention: Mr. Robert Iglesias, Vice-President

Dear Mr. Iglesias:

This letter will reduce to writing our verbal agreement wherein the condition due Selman on all loadings after the month of September will be increased to 5 cents per barrel.

If this is in accordance with your understanding, please execute in the space provided below.

Very truly yours,

PETROL RICO LTD.

*Bert V. Bock*

Bert V. Bock,  
President

SELMAN HOLDINGS LIMITED

By *[Signature]*

BVB:kmf

Petrol Rico Ltd.  
Directorate House  
P. O. No. 1027  
Hamilton, Bermuda

Petrol Rico Ltd.  
The Sivas Centre  
10 Warburton Street  
London W1J 8EJ England

Petrolera Riun Venezolana S.A.  
Apartado 6611  
Caracas, Venezuela

76 12 71  
Telex - 21231

Rico Petroleum Corporation  
Suite 620  
1710 St. James Place  
Houston, Texas 77027

713 426 39-0  
Telex - 76 2217

Rico Petroleum Corporation  
45 Rockefeller Plaza 26 - Room 910  
New York, New York 10020

212 566 4745  
Telex - 147128

*Send Jerry #7*



Petrol Rico Ltd.

December 12, 1973

Selman Holdings Ltd.  
Hamilton, Bermuda

*Alton*  
*D'Amico*

*28,695.68*

*S/B 29,799.36*

Re: Leona Commission - 1974 Contract

Gentlemen:

This letter will reduce to our writing Petrol Rico Ltd.'s agreement to pay Selman Holdings Ltd. a commission equal to 13.5 cents per barrel of all Leona crude delivered by C.V.P. to Petrol Rico Ltd. during the calendar year of 1974.

If this is in accordance with your understanding please so indicate in the space provided below.

Very truly yours,  
PETROL RICO LTD.

*12-11-73*  
Bert V. Bock,  
President

Agreed: Selman Holdings Ltd.

.....  
R. Iglesias,  
Vice-President

*Check - DORA Hill  
University Club  
Class Checks - Dora Only  
D&B - Dick Hill Esq*

BVB:krf

*[Faint typed text, possibly a routing slip or header information]*

*Grand Jury #8*

Mr. FRANDSEN. Mr. Hatchett, what is Mr. Robert Iglesias' current employment?

Mr. HATCHETT. He is employed by Coastal States in Houston, Tex.

Mr. FRANDSEN. When did he begin that employment?

Mr. HATCHETT. In approximately June 1974.

Mr. FRANDSEN. Thank you, gentlemen. I have no further questions.

Mr. GORE. Mr. Hatchett and Mr. Inman, let me make sure I understand the corporate structure here on that large chart.

CVP is a Venezuelan selling company; is that correct?

Mr. HATCHETT. CVP was the state-owned oil company of Venezuela at that point in time.

Mr. GORE. It is owned by Venezuela, or was at that time?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Mr. Moleiro is a citizen of Venezuela who was their director of marketing?

Mr. HATCHETT. Yes, sir.

Mr. GORE. ISC is a Texas conglomerate?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Together those two companies each own 50 percent of these middlemen Fuelco and Ven-Fuel?

Mr. HATCHETT. That is correct. ISC owned their 50 percent through ISC Development Corp., which is a first-tier subsidiary of ISC.

Mr. GORE. ISC puts Iglesias in both of these companies and CVP puts Moleiro in; is that right?

Mr. HATCHETT. That is correct. We neglected to mention that Mr. Iglesias happened to be a vice president of ISC at that time, too.

Mr. GORE. He was elected by the stockholders and not appointed by the company; is that correct?

Mr. HATCHETT. Yes, sir.

Mr. GORE. All right. Now Iglesias and Moleiro are controlling or they are the operating officers of Ven-Fuel and Fuelco. Go ahead.

Mr. HATCHETT. I am sorry, Mr. Iglesias was operating Ven-Fuel/Fuelco. Mr. Moleiro happened to be a director of Ven-Fuel. His operations were primarily with CVP.

Mr. GORE. So Mr. Iglesias, was the principal operating officer of both Ven-Fuel and Fuelco?

Mr. HATCHETT. Yes, sir.

Mr. GORE. All right. Now, he is technically supposedly answerable to ISC, the Texas parent company that owns 50 percent, right?

Mr. HATCHETT. Yes, sir.

Mr. GORE. All right. Now they buy oil from CVP, and sell it to Coastal States.

Mr. HATCHETT. Yes, sir.

Mr. GORE. When that happens, a commission is paid to a separate company that Iglesias and Moleiro as individuals set up on their own in Bermuda; correct?

Mr. HATCHETT. Yes, sir, Coastal States would be paying the commission.

Mr. GORE. And Coastal States is paying the commission?

Mr. HATCHETT. Yes, sir.

Mr. GORE. To that company, which is Selman?

Mr. Hatchett. Yes, sir.

Mr. GORE. And Mr. Iglesias and Mr. Moliero own virtually all the stock, 99.9 percent of the stock?

Mr. HATCHETT. That is correct.

Mr. GORE. What incentive does Coastal States have to pay these enormous commissions, 2,500 percent larger than the norm? What incentive does Coastal States have to pay those commissions to Selman?

Mr. HATCHETT. That is a very good question, Mr. Gore. I think that probably it would best be answered by the fact that there was no incentive not to pay it under the pricing regulations, in that these costs were passed on to the consumer.

Mr. GORE. They are passed on to the consumer?

Mr. HATCHETT. That is correct.

Mr. GORE. During this period of time, this was the embargo, you testified that before the embargo their commissions averaged 1 percent, which is the industry standard, or 1 cent per barrel, which is the industry standard. Then the embargo occurred. We have this crisis in the United States. There is a panic among the buyers, and all of a sudden the price burgeons in the mill while the oil is on the ocean. Now, is there any evidence linking Coastal States or the principals of Coastal States to Ven-Fuel—I mean to Selman? Coastal States paid these extraordinary commissions to Selman. You know, the question arises in my mind, is there any evidence showing that any of the principals of Coastal States were somehow also profiting from the payments to Selman?

Mr. HATCHETT. No, sir, that question certainly came to our minds, too, Mr. Gore, and we have been working on that. So far we have not found any direct connection.

Mr. GORE. In reviewing the evidence, Coastal States filed an 8-K form with the Securities and Exchange Commission in which they certified that none of the principals of Coastal States were aware of any commissions paid to Selman; is that correct?

Mr. HATCHETT. Not exactly, sir. I believe they indicated that they were not aware of any commissions paid to a representative of a foreign government. However, Mr. Moleiro was a government employee of the country of Venezuela.

Mr. GORE. I see, they were required to report any payments to foreign nationals in connection with the oil purchases.

Mr. HATCHETT. To representatives of foreign governments. It was not restricted to foreign nationals, but to those foreign nationals who were representatives of foreign governments.

Mr. GORE. And he was the director of international marketing for the Venezuelan Government company?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Now, at the same time they certified that at the time they did not know of any payments to a gentleman in the position of Mr. Moleiro, these flight records which you alluded to, which were introduced into the record, show that one of the principals of Coastal States—let me establish, is Mr. Oscar Wyatt, Jr., the president, or what is his position with Coastal States?

Mr. HATCHETT. Chairman of the board and chief executive officer.

Mr. GORE. Chairman of the board and chief executive officer. He is flying around on an airplane throughout this period with Mr. Iglesias and Mr. Moleiro on a regular basis.

Mr. HATCHETT. Yes, sir.

Mr. GORE. And they are flying to Bermuda and Venezuela, to Mexico, to all of the scenic sights that are illustrated in this story. That would lead me to believe that they are at least good friends and on a—

Mr. HATCHETT. Could I point out something, Mr. Gore?

Mr. GORE. Sure.

Mr. HATCHETT. What is even more interesting is the fact that there are flights on which Mr. Iglesias was a passenger and Mr. Wyatt was not.

Mr. GORE. On Mr. Wyatt's plane?

Mr. HATCHETT. Yes, sir.

Mr. GORE. In other words, Mr. Wyatt makes his plane—is it his plane or Coastal States' plane—it is Coastal States' plane—at his disposal?

Mr. HATCHETT. There were several aircraft involved, some of which were Mr. Wyatt's aircraft, some of which were Coastal States' aircraft, I believe.

Mr. GORE. But Mr. Wyatt made this plane or these planes available for Mr. Iglesias to fly to these different locations?

Mr. HATCHETT. Yes, sir, on international flights.

Mr. GORE. On international flights. Well, that is quite interesting. I will reserve future questions until later.

Mr. Lent.

Mr. LENT. Thank you, Mr. Chairman. I am trying to digest some of the facts that have come out during this hearing this morning. Mr. Moleiro—is that the correct pronunciation?

Mr. HATCHETT. Not being of Spanish descent—

Mr. LENT. All right. He was a director of the Venezuelan state-owned oil company at the same time he was receiving commissions down the line as a principal in some of these companies, Ven-Fuel and Selman; is that correct?

Mr. HATCHETT. Yes, principally Selman.

Mr. LENT. Do we have any knowledge whether the Government of Venezuela was aware of this or CVP, its wholly-owned subsidiary, was aware of Mr. Moleiro's activities?

Mr. HATCHETT. No, sir, no indication at all.

Mr. LENT. Does he still hold that position, director of international marketing, for the Venezuelan Government?

Mr. HATCHETT. No, sir, he does not.

Mr. LENT. Do you have any idea when he left that job?

Mr. HATCHETT. It was sometime after the election in Venezuela, which I believe occurred in late 1974. He would probably have been relieved of his duties sometime in 1975.

Mr. LENT. Now, if we could turn to the *Independencia* cargo chart, which was a transaction of December 24, 1973, that chart indicates a sale by Coastal States to Nepco in the United States, a U.S. company, at \$19 a barrel—

Mr. HATCHETT. Yes, sir.

Mr. LENT [continuing]. For the oil. Do you have any records which indicate the price at which Nepco then sold the oil to the New York utilities?

Mr. HATCHETT. Sir, I do not have those records right at my fingertips. However, I have seen records indicating that Nepco made a profit on that deal.

Mr. LENT. It would be understandable they would make a profit. The question that I would have is what was the markup at that point?

Mr. HATCHETT. As I recall, and this of course is based on my recollection, it seems to me that they made about 41 cents a barrel.

Mr. LENT. Do you have any reason to believe that Nepco was at all involved in or aware of the transactions which had preceded their acquisition of this oil?

Mr. HATCHETT. I have no idea at all, sir.

Mr. GORE. If the gentleman will yield, my information is that Nepco put it into storage with other shipments of oil, that some of the markup, whatever occurred, is also involved in the storage fee, and that it is a transaction of a somewhat different character.

Mr. LENT. Then if we could just look or talk about without looking at it the *Damon* chart, which indicates—perhaps we had better look at it—that Coastal States purchased the cargo of *Damon* at \$7.50 a barrel at about the same time it purchased the cargo of the *Independencia* at \$14.44 a barrel; with respect to the *Damon* cargo, Coastal States then paid \$1 commission to Selman, as opposed to a \$3.50 commission it had paid to Selman on the *Independencia* cargo, and then sold the cargo to Northville Industries for almost \$24 a barrel, making a profit for Coastal States of \$15.27 a barrel.

Looking at those two transactions or two cargoes, do you have any theories as to why Coastal States would arrange for itself a profit of \$15.27 on the *Damon* cargo while taking only, at least on paper, a 43-cent-a-barrel profit on the *Independencia* cargo?

Mr. HATCHETT. As far as theories go, this would only be my speculation, sir. It could be that they wanted a better cash position at that time.

Mr. LENT. You say at that time. They both sailed from, presumably, Venezuela. Oh, I see, one sailed from Venezuela on December 24, 1973, the *Independencia*, and the *Damon* sailed from Tampico, Mexico, but on the same day.

Mr. HATCHETT. Yes, sir.

Mr. LENT. So presumably they both arrived more or less the same time in New York.

Mr. HATCHETT. I do not have the actual arrival dates at my fingertips, but I believe that the *Independencia* arrived some short time before the *Damon*.

Mr. LENT. Now you are telling us or reminding us, we probably really should know but I admit I do not know, that the Federal Energy Administration had a rule at that time limiting commissions, but they did not have a rule limiting profits on the sale of oil?

Mr. HATCHETT. Not exactly; no, sir. The rule is actually limiting profits, and the profit was limited to that profit enjoyed by that company on May 15, 1973. The question of commissions has come

up over and over again. I do not know at this point what their stance is on commissions, but I believe that I have heard that the FEA has decided that commission payments such as these are not legitimate commission payments.

Mr. LENT. Well, the FEA at least on paper must have looked at a profit for Coastal States on the *Independencia* transaction of only 43 cents a barrel, whereas the *Damon* paper profit is revealed at \$15.27 a barrel, which is double the price of the oil at its point of origin.

Mr. HATCHETT. Yes, sir.

Mr. LENT. It is better than that.

Was a \$15.27 a barrel profit within the guidelines of the FEA?

Mr. HATCHETT. No, sir, it could not have been because the total value of a barrel of oil in May of 1973 of this particular sulfur content would not have exceeded \$3 a barrel delivered in the United States. So obviously a \$15 a barrel profit is completely out of the question.

Mr. LENT. Well, why do you think Nepco and Northville were willing to pay such high prices for the barrels of oil unless that was the going market price at the time?

Mr. HATCHETT. Mr. Lent, at that point in time there was a tremendous amount of panic in the country. In fact, there was such panic and fear that oil was going to run out and we were not going to get anymore that a certain utility actually went out and rented storage space to hoard oil at \$27 a barrel.

Mr. LENT. What utility company?

Mr. HATCHETT. It was a west coast utility company.

Mr. GORE. Would the gentleman yield?

During this period of time, isn't it correct, Mr. Hatchett, that our supplies of oil from the Middle East were cut off? We had to rely on a few countries for the oil that we used. There was panic buying by those who needed oil, and it was in response to that crisis that the Congress on November 27, 1973, passed the Emergency Petroleum Allocation Act to assure that people would not take advantage of the crisis and the panic buying in order to profiteer at the expense of the public, so that while Americans were suffering, while millions of people were put out of work, that a few people would not take advantage of that crisis by lining their pockets at the public expense? That is why these industries were willing to pay such exorbitant prices?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Thank you for yielding.

Mr. LENT. I have no further questions.

Mr. GORE. Let me explore this a little further.

During the embargo there was a kind of a vacuum, wasn't there? We had the sellers used to receiving a price of \$3 per barrel. All of a sudden, with the Middle-eastern supplies cut off, the buyers panicked and they were willing to pay extraordinarily high prices.

Now the challenge for a middleman, if that middleman was so inclined, was to come up with some scheme to fill that difference between \$3 a barrel and \$23 a barrel or \$20 a barrel or whatever.

In response to that situation the Congress passed a law to say you can't do that, that is illegal. Some people apparently used their

imagination to fill that void and draw money out of the oil prices while Americans were being laid off work, and so forth.

Now it was during this period that these shipments occurred?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Immediately before the embargo, these same companies had transactions similar to this where they paid 1 cent per barrel commission?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Then the embargo occurred and they started paying \$4 a barrel commission and they started taking exorbitant profits in other ways from the same kind of transactions?

Mr. HATCHETT. Yes, sir.

Mr. GORE. I notice that they shipped on December 24. That is certainly a nice Christmas present for those who were waiting in line for gasoline or in the unemployment line because their industries were shut off from fuel.

I would like to turn briefly to the *Independencia* chart. I see two different kinds of transactions. One is between Fuelco and Ven-Fuel. The other is between Ven-Fuel and Coastal States on which this commission was paid. Let's take each of those separately, if we could.

The transaction between Fuelco and Ven-Fuel first. The profits on that transaction were earmarked for Fuelco?

Mr. HATCHETT. Yes, sir.

Mr. GORE. The expenses of the transaction were charged off by Ven-Fuel.

Mr. HATCHETT. Yes, sir.

Mr. GORE. So that the Bermuda company does not have to pay American income tax on their portion of the profit and Ven-Fuel gets to deduct from their corporate expenses the cost of the transaction?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Is there anything illegal about that? I know you are not with the IRS, but—

Mr. HATCHETT. I am not sure about the legality of it. It has been explained to me that this is tax avoidance rather than tax evasion by doing it this way. However, it would have been legal under IRS rules as I understand it, had Fuelco actually had an office, actually had employees in Bermuda and had conducted a business transaction with Ven-Fuel. But doing it the way they were doing it, as I understand it, raises serious questions.

Mr. GORE. To say the least.

Mr. HATCHETT. And I don't believe that kind of a profit is going to be allowed on that kind of transaction.

Mr. GORE. So Fuelco did not have an office in Bermuda. What does it take to be a Bermuda corporation, just to file your charter?

Mr. HATCHETT. Yes, sir. For a modest fee one can incorporate in Bermuda, have a resident agent over there to keep the company charter in a file drawer. In fact, we have been told by a lawyer involved in this whole investigation that there is one law firm in Bermuda who happened to be the resident agent for Fuelco who happens to also be the resident agent for 3,500 American companies who are doing the same thing.

Mr. GORE. Is this Mr. Butterfield?

Mr. HATCHETT. No. It is the law firm of Conyers, Dill, and Pearman.

Mr. GORE. The same law firm?

Mr. HATCHETT. Yes.

Mr. GORE. Now Fuelco and Ven-Fuel operated out of the same room in Florida?

Mr. HATCHETT. Yes, sir.

Mr. GORE. Under that kind of arrangement what would prevent United States Steel or General Motors or whoever from setting up some phony Bermuda corporation on paper and running all their transactions through this paper corporation, taking all their profits tax free and charging the expenses off to the American company, if they could do it in New York or Detroit or wherever, just have it in a file drawer in Bermuda. It seems to me that that is just not a loophole. If it is not illegal, it certainly ought to be illegal.

Mr. HATCHETT. Yes.

Mr. GORE. Now that is one kind of transaction. The next transaction is of a completely different character. This involves the exorbitant commissions. That is my word and I will stand by unconscionable if you want to make it stronger. The total commission here is \$3.50, while Coastal States makes a 43 cent profit.

Mr. HATCHETT. Yes, sir.

Mr. GORE. I guess that is pretty clear. I don't quite understand the commission to Fuelco. I notice this is the only transaction in which Fuelco is also paid a commission on a transaction between Ven-Fuel and Coastal States.

Can you shed some light on that?

Mr. HATCHETT. No, sir. We only know of one other occasion, as I can recall off the top of my head, where this occurred and it did not involve Coastal States. I am not sure why the titleholder to the oil should get a commission subsequent to the sale of the oil.

Mr. GORE. Let me ask you about the theory of these commissions. As I understand it, the service they are supposed to be performing, the service that a broker of this kind usually performs, is that of something akin to a finder. They bring together the buyer and the seller. Isn't that correct?

Mr. HATCHETT. Yes, sir. As a matter of fact, I think that there is a broker who will be a witness following us.

Mr. GORE. We will explore that further, but I want to make this point if you think it is valid: If Selman is supposed to be a finder bringing together the seller and the buyer, it is a bit ludicrous for the same person to be finding himself. In other words, the same person is the finder who is the seller and he is getting a commission for finding himself to set up the transaction with Coastal States?

Mr. HATCHETT. Yes, sir, that does seem ludicrous to us.

Mr. GORE. It does to me. Then Coastal States says they didn't know anything about it or implies strongly they didn't know anything about any payments or anything Mr. Moleiro was connected with and yet they are flying around on a corporate aircraft together on a regular basis throughout this period.

Mr. Wunder?

Mr. WUNDER. Mr. Hatchett or Mr. Inman, with respect to these transactions, do you have any indication of date under which the

purchase was entered into between Coastal and the ultimate purchaser, be it Northville or Nepco or any of those?

Mr. HATCHETT. Mr. Wunder, I sure don't have that information right at hand.

Mr. WUNDER. Were the contracts entered into prior to the date of sailing?

Mr. HATCHETT. Based on my own recollection, I don't believe they were. Based on my own recollection, I believe that on that transaction the contract was entered into subsequent to the sailing of the vessel.

Mr. GORE. If counsel might yield, we have all these records which we will insert into the hearing record under the previous order.

Mr. WUNDER. Thank you. That is all I have.

Mr. GORE. One final question to both of you.

You have been investigators for a long time and I think the country is very fortunate to have people like you at work. Why can't we get some of these records from Bermuda?

Mr. INMAN. We have attempted to get records that would explain the ownership of these foreign exempt companies but the foreign governments have their own laws which prevent us from gaining access to these records.

Mr. GORE. So we are frustrated in efforts to further break down the payments to Selman which seem to be earmarked for some internal division, Selman I, Selman II, and Selman III.

Mr. INMAN. Yes, sir.

Mr. GORE. So that just speaking hypothetically, if this was a completely phony transaction, just designed to milk money out of the American public during this crisis, and they wanted to divide it up among themselves whether there were two of them or three of them, we can't get those records under current law?

Mr. INMAN. That is correct, sir. We have made extensive efforts to obtain this information. Especially bank records showing disbursements have been impossible to obtain.

Mr. GORE. Again, on behalf of the subcommittee, I would certainly like to thank both of you. The country does owe you gratitude. I feel a lot of confidence in the work that you are doing and I hope you will continue to perform it in the same manner.

Thank you very much. You are excused.

Mr. INMAN. Thank you, sir.

Mr. Hatchett. Thank you, sir.

Mr. GORE. The Chair now calls Mr. Arnold Bruggemann.

Mr. Bruggemann, do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BRUGGEMANN. Yes, sir.

Mr. GORE. Would you please identify yourself to the hearing clerk for purposes of the record?

**TESTIMONY OF ARNOLD EDWARD BRUGGEMANN, PRESIDENT,  
A. E. BRUGGEMANN & CO., INC.**

Mr. BRUGGEMANN. My name is Arnold Edward Bruggemann. I am a New York petroleum broker with offices on Fifth Avenue in the General Motors Building.

Mr. GORE. Thank you.

I would like to note that you are here today at the request of the subcommittee.

Mr. Frandsen?

Mr. FRANDSEN. Thank you, Mr. Chairman.

Before we proceed, I would like to introduce into the record a letter from Mr. Bruggemann to the subcommittee which was sent in response to a letter from Chairman Moss.

Mr. GORE. Under the previous order it will be included.

[The letter referred to follows:]

## A. E. BRUGGEMANN &amp; CO., INC.

*Petroleum Products*

767 FIFTH AVENUE

*General Motors Building*

NEW YORK, N. Y. 10022

TELEPHONE  
212 PLAZA 1-2577CABLE ADDRESS  
"PETBROK" NEW YORK  
TELEX Nos.  
ITT - 42 1828  
WU - 12 7492

August 29, 1978

Mr. John E. Moss, Chairman  
 Subcommittee on Oversight and Investigations  
 Committee on Interstate and Foreign Commerce  
 Rayburn House Office Building, Room 2323  
 Washington, D. C. 20515

Dear Mr. Moss:

We respectfully submit the following report to your committee in direct correlation to the format presented in your letter request of August 17, 1978.

1. Commission Structure:

- a) Crude Oil and Bunker "C" - 1¢ to 2¢ per barrel
- b) Refined Products - 1% of Invoice Value

The above fees are considered general rules of operation for commission brokers and were employed by this organization during the period in question. Since the inception of A. E. Bruggemann & Co., Inc. in 1951, this has always been the method used to determine the commission due us. This fee is, in most cases, determined by and paid for by the Seller. This method does not differ for a cargo of crude oil versus a cargo of refined product. On a more current note, 1977/1978, the commission structure has changed enormously and we find the average commission on crude oil and Bunker "C" to be at 1¢ per barrel, and on refined product one mil per gallon.

- 2. The average range of commissions applicable to those import cargoes for which A. E. Bruggemann & Co., Inc. actually earned a commission during the oil embargo (10/73-3/74) can be simply stated as follows:
  - a) Crude Oil Product - 1¢ to 1 1/2¢ per barrel
  - b) Refined Product - 1/2 of 1% on Invoice Value to 1% of Invoice Value

Several European cargoes (Rotterdam origin) rate of commission were calculated on the basis of Metric Tons. For example: 1 cargo of Regular Motor Gasoline, approximately 18,000 Metric Tons (10% more or less) was calculated at \$.80 per Metric Ton for division; the division being the commission paid by A. E. Bruggemann & Co., Inc. to a European correspondent.

3. For those cargoes wherein our commission was calculated in terms of "cents per barrel", we indicate below the highest five commissions (in cents per barrel) on crude oil, Bunker "C" (No. 6 Fuel Oil) and refined product import transactions during the following periods:

a) 1/1/73-9/30/73

	<u>Crude Product</u>	<u>Bunker "C"</u>	<u>Refined</u>
1.	\$.02 p/barrel	\$.02 p/barrel	0
2.	.02 p/barrel	.0150 p/barrel	0
3.	.0150 p/barrel	.01 p/barrel	0
4.	.01 p/barrel	.01 p/barrel	0
5.	.01 p/barrel	.01 p/barrel	0

b) 10/1/73-3/31/74

	<u>Crude Product</u>	<u>Bunker "C"</u>	<u>Refined</u>
1.	\$.0150 p/barrel	\$.05 p/barrel	0
2.	.0150 p/barrel	.02 p/barrel	0
3.	.0125 p/barrel	.01 p/barrel	0
4.	.01 p/barrel	.01 p/barrel	0
5.	.01 p/barrel	.01 p/barrel	0

c) 4/1/74-12/31/74

	<u>Crude Product</u>	<u>Bunker "C"</u>	<u>Refined</u>
1.	\$.0150 p/barrel	\$.05 p/barrel	0
2.	.01 p/barrel	.0250 p/barrel	0
3.	.01 p/barrel	.02 p/barrel	0
4.	.01 p/barrel	.0150 p/barrel	0
5.	.01 p/barrel	.01 p/barrel	0

4. For those cargoes wherein our commission was calculated in terms of "percent of the value of the cargo", we indicate below the highest five commissions (as a percentage figure) on both crude oil and refined product import transactions during the following periods:

a) 1/1/73-9/30/73

	<u>Refined Product</u>	<u>Crude Product</u>
1.	1% of Invoice Value	0
2.	1% of Invoice Value	0
3.	1/2 of 1% of Invoice Value	0
4.	1/2 of 1% of Invoice Value	0
5.	1 mil per gallon	0

b) 10/1/73-3/31/74

	<u>Refined Product</u>	<u>Crude Product</u>
1.	1% of Invoice Value	0
2.	1/2 of 1% of Invoice Value	0
3.	1/2 of 1% of Invoice Value	0
4.	1/2 of 1% of Invoice Value	0
5.	1/2 of 1% of Invoice Value	0

## 4. Continued

c) 4/1/74-12/31/74

	<u>Refined Product</u>	<u>Crude Product</u>
1. 1% of Invoice Value		0
2. 1% of Invoice Value		0
3. 1/2 of 1% of Invoice Value		0
4. \$.0015 per gallon		0
5. \$.0015 per gallon		0

5. The point in which A. E. Bruggemann & Co., Inc. normally prepares invoices for all transactions is upon completion of the specific transaction and how it relates to our services. Transactions based on "FOB" would be billed at completion of loading; "delivered" deals would be billed on completion of discharge. In both cases, our accounting only proceeds when actual figures are supplied to us by the independent inspector for each cargo or barge movement.

The normal period of time allowed for payment of our services is through our fiscal year end, October 31. The overall majority of commissions are paid upon presentation and, only in such instances where there may be a conflict in barrels or gallons reported, is there ever any undue delay in payment.

All monies received by this office in payment of services rendered are in the form of corporate (company) checks.

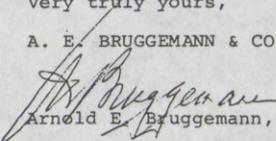
6. Any commissions earned by A. E. Bruggemann & Co., Inc. during the oil embargo period involving crude or refined products ex Venezuela or the Netherlands Antilles were quite similar in terms of size and manner of calculation to commissions earned, on other import transactions during the same period. This is quite clearly evidenced in Section 1,2,3 and 4 of this report.

Throughout the above paragraphs, we have endeavored to answer your questions in succinct a fashion as your questionnaire warrants. Should you have any questions regarding the information contained herein, or in other related matters, please feel free to contact me directly.

Good luck with your investigation proceedings.

Very truly yours,

A. E. BRUGGEMANN & CO., INC.

  
Arnold E. Bruggemann, President

AEB:rc

Mr. FRANDSEN. Mr. Bruggemann, how long have you been in the brokerage business?

Mr. BRUGGEMANN. Since June of 1951.

Mr. FRANDSEN. Were you involved in the oil business prior to that?

Mr. BRUGGEMANN. I joined Continental Oil Co. in 1931 and remained with Continental until I entered the service and then joined City Service after that.

Mr. FRANDSEN. In the history of your firm's operations over 27 years, have you brokered transactions involving major oil companies as well as independents?

Mr. BRUGGEMANN. Yes; we have.

Mr. FRANDSEN. Both foreign and domestic?

Mr. BRUGGEMANN. Both foreign and domestic.

Mr. FRANDSEN. Could you detail the services which a petroleum broker performs?

Mr. BRUGGEMANN. Basically, we find the buyer and the seller. It is over a period of years in the industry that you learn where to find sources of supply in times of shortage. By the same token, the buyers contact the brokers whom they more or less have faith in, they know where these folks can find products.

Mr. FRANDSEN. What other actions do you take once you have found a buyer for a seller?

Mr. BRUGGEMANN. Well, we police the whole transaction. We confirm it with what we call a broker's binder which details the product involved, the specifications, the quantity, the terms of payment, the price of the product, and then the outside inspection which is normally required for quantity and quality.

Then we nominate the vessel, the tanker, or the barge. We call the inspector; we appoint an inspector. We follow the transaction until it is either delivered or the tanker or barge is lifted f.o.b. Then we furnish, after the inspector normally sends us a copy of his inspection report, then we submit our invoice covering the commission to the seller.

Mr. FRANDSEN. So you perform a wide range of activities on any particular sale?

Mr. BRUGGEMANN. That is true, sir.

Mr. FRANDSEN. You monitor the payment between the buyer and the seller to make sure that all payments and all demurrage claims are taken care of?

Mr. BRUGGEMANN. Yes, we do.

Mr. FRANDSEN. What is the normal rule in the industry as to who pays the commission, the seller or the buyer?

Mr. BRUGGEMANN. Normally, the seller pays the commission.

Mr. FRANDSEN. And you actually have a contract with either the buyer and the seller or both of them which is reflected in your files?

Mr. BRUGGEMANN. This brokerage binder covers the entire transaction. The original two copies are mailed to the seller. The third and fourth copies are mailed to the buyer. The buyer acknowledges the terms of the deal by signing one copy and returning it to us. Likewise, the seller does the same, exactly the same procedure.

Mr. FRANDSEN. So, in the records of, say, company A and B for which you performed a brokerage service, we would expect to find

a sales binder from the Bruggemann companies, your invoice and other documents showing your involvement in the transaction?

Mr. BRUGGEMANN. Yes, sir, exactly.

Mr. FRANDSEN. Do you send out invoices to collect your commission fees?

Mr. BRUGGEMANN. Upon completion of the transaction.

Mr. FRANDSEN. You do that in all cases?

Mr. BRUGGEMANN. Yes, sir.

Mr. FRANDSEN. Your letter indicates that the industry commission rates for Bunker C or No. 6 fuel oil have been consistently 1 to 2 cents per barrel; is that correct?

Mr. BRUGGEMANN. That is true ever since we have been in business which was in 1951.

Mr. FRANDSEN. For 27 years?

Mr. BRUGGEMANN. That is right, sir.

Mr. FRANDSEN. Are those U.S. rates or do they apply worldwide?

Mr. BRUGGEMANN. Those are U.S. rates. We have been involved in international transactions. For example, in the European market they base it on the metric ton basis.

Mr. FRANDSEN. On international transactions the commission has always been 1 to 2 cents per barrel?

Mr. BRUGGEMANN. Yes, sir.

Mr. FRANDSEN. So that applies worldwide?

Mr. BRUGGEMANN. That is true.

Mr. FRANDSEN. Are commission rates affected by the sulfur content of the fuel?

Mr. BRUGGEMANN. No, sir.

Mr. FRANDSEN. Have you ever sent out two invoices for the same transaction?

Mr. BRUGGEMANN. No, sir.

Mr. FRANDSEN. Have you ever been paid twice, two separate commissions, for the same transaction?

Mr. BRUGGEMANN. No, sir.

Mr. FRANDSEN. In 27 years in the business have you ever heard of a broker getting a commission as high as \$1 a barrel or \$3.50 a barrel for No. 6 fuel oil?

Mr. BRUGGEMANN. No, sir. No, sir.

Mr. FRANDSEN. Is it a normal situation or have you ever heard of such a situation such as the *Independencia* where the commission brokers made four times the profit as the companies that actually hold title to the oil?

Mr. BRUGGEMANN. Not as long as we have been in business.

Mr. FRANDSEN. Are the titleholders supposed to make higher profits?

Mr. BRUGGEMANN. Yes, because of the risk involved, the credibility, that is the normal margin of profit. I mean for a principal but not for a broker.

Mr. FRANDSEN. So the titleholder is the person that has the risk and the broker is just performing the service?

Mr. BRUGGEMANN. Exactly.

Mr. FRANDSEN. And you have always seen situations where the brokerage fee is far, far smaller than the profit that the titleholder makes? You have either seen that or you would expect that would be the case?

Mr. BRUGGEMANN. That is true, sir.

Mr. FRANSEN. And there has never been a case where your company earned two commissions on a single sale from, say, company A to company B?

Mr. BRUGGEMANN. No, sir.

Mr. FRANSEN. I note that the fuel oil carried by the *Independencia* was sold by CVP for \$13.71 in December of 1973. Did your company have occasion to broker any fuel oil sold from Venezuela in December of 1973?

Mr. BRUGGEMANN. We did, but it is difficult, really—at this time I am not prepared to state what price the product was sold at.

Mr. FRANSEN. Do you have any idea what the price was coming out of Venezuela?

Mr. BRUGGEMANN. At that time we did sell a cargo ex Trinidad and the price for equivalent barrels of 2.8 sulfur was \$5.48 a barrel f.o.b.

Mr. FRANSEN. What is an expediting consultant? Is that any different than a broker?

Mr. BRUGGEMANN. I would not want to comment on that. It all depends on what is involved. Unless he does the same thing a broker does, polices or monitors a transaction and follows the same procedure that we do.

Mr. FRANSEN. So that is essentially different nomenclature for someone performing essentially the same service?

Mr. BRUGGEMANN. That is very possible.

Mr. FRANSEN. Have you ever heard of Selman Holdings, Ltd.?

Mr. BRUGGEMANN. No, sir.

Mr. FRANSEN. On the *Independencia* transaction, Selman received a commission from the buyer rather than the seller; Selman was paid commissions of \$3.50 as opposed to the industry standard of 1 to 2 cents; Selman sent two invoices and was paid twice at separate times, and Selman made a higher profit than all the titleholders combined.

What is your reaction to that?

Mr. BRUGGEMANN. It is most unusual.

Mr. FRANSEN. Those are far different from the operations of a normal broker as you have testified, aren't they?

Mr. BRUGGEMANN. That is true, sir.

Mr. FRANSEN. I have no further questions.

Mr. GORE. Mr. Lent?

Mr. LENT. Mr. Bruggemann, we want to thank you for your testimony. I just want to ask you: You have been around this oil business and I am sure you know more about it than any member of the committee, certainly more than I do. During that period 1974 when the price of oil had skyrocketed all over the world, were you aware of any other transactions such as you have had described here today by the previous witnesses?

Mr. BRUGGEMANN. Not to any great extent.

Mr. LENT. Weren't there a lot of fortunes made?

Mr. BRUGGEMANN. There were a lot of fortunes made, I agree. But as far as brokers are concerned, that is not our concern. We perform a service and get paid for it. Of course, the panic button had been pushed, and as the earlier testimony pointed out, people

were frantic to cover their requirements. There were some unusual situations.

Mr. LENT. So far as you are aware, were there any other New York brokers who were taking advantage of this situation on spot sales of oil?

Mr. BRUGGEMANN. Not that we know of, because there are several recognized brokers. I think the subcommittee has received letters from them just bearing out the normal rate of commission which we operate on.

Mr. LENT. And you know pretty much in the trade who are the well recognized commission agents?

Mr. BRUGGEMANN. That is right, sir.

Mr. LENT. And you have never heard of Selman?

Mr. BRUGGEMANN. No, sir.

Mr. LENT. Have you ever heard of Fuelco?

Mr. BRUGGEMANN. I have heard of Fuelco.

Mr. LENT. They are not commission agents, though?

Mr. BRUGGEMANN. Not in our recognized line.

Mr. LENT. I have no further questions.

Mr. GORE. Mr. Bruggemann, thank you very much for appearing. You have been most cooperative in helping us establish what was the normal practice among brokers regarding commission payments. Your reputation is impeccable in the business and we have benefitted from your expert testimony here today. You are excused with the thanks of the subcommittee.

Mr. BRUGGEMANN. Thank you very much, gentlemen.

Mr. GORE. Our next witness is Mr. Julio C. Iglesias.

Mr. DAY. Mr. Chairman, I am Mr. James Day.

Mr. GORE. You are out of order.

Mr. DAY. I am just announcing that Mr. Iglesias—

Mr. GORE. You are out of order.

Mr. Iglesias, will you please come forward? Would you stand and be sworn, please?

Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

#### TESTIMONY OF JULIO C. IGLESIAS, ACCOMPANIED BY JAMES DAY, COUNSEL

Mr. J. IGLESIAS. Yes, I do.

Mr. GORE. Please identify yourself to the hearing clerk for purposes of the record.

Mr. J. IGLESIAS. My name is Julio C. I-g-l-e-s-i-a-s.

Mr. GORE. Mr. Iglesias, I would like to direct a statement to you.

You were given a copy of the subcommittee rules prior to your appearance here today. You are then aware of your right to counsel. I note that you have counsel, Mr. Iglesias, Mr. James Day from here in Washington, D.C.; is that correct?

Mr. J. IGLESIAS. Yes.

Mr. GORE. I think you should also be aware under the rules of the House and the fifth amendment to the Constitution that you have a right to remain silent if you believe your answer may tend to incriminate you.

You should also understand that any testimony that you give here could be forwarded by the subcommittee to the appropriate authorities for determination as to prosecution or whatever action may be appropriate.

If you understand that fully, we will now proceed with questions from counsel, Mr. Frandsen.

Mr. DAY. Mr. Chairman, may I address you, please, as counsel?

Mr. GORE. No. You are out of order. In these hearings the role of an attorney is confined to advising his or her client on matters of constitutional right. Attorneys are not to address the subcommittee. We are here to have testimony from the witness.

Mr. DAY. All I wanted to do, Mr. Chairman—

Mr. GORE. You are out of order.

Mr. J. IGLESIAS. On the advice of my counsel, I respectfully decline to answer pursuant to the right granted to me under the fifth amendment of the U.S. Constitution.

Mr. GORE. Mr. Frandsen?

Mr. FRANDSEN. Mr. Iglesias, is it your intent to assert your constitutional fifth amendment rights to all questions involving the history, activities and operations of Selman Holdings, Ltd. and all questions involving the other companies with which you were associated from 1972 to 1975?

Mr. J. IGLESIAS. On the advice of my counsel, I respectfully decline to answer pursuant to the right granted to me under the fifth amendment of the U.S. Constitution.

Mr. GORE. Mr. Iglesias, the fifth amendment is one that we respect and honor in this subcommittee. You have raised a valid constitutional objection. According to the testimony that we have uncovered in the course of this investigation, you and individuals that you are associated with and have been associated with have in effect taken money from the American people during the oil crisis.

You have raised the fifth amendment objection. We honor it and at this point you will be excused from further testimony.

Mr. J. IGLESIAS. Thank you very much.

Mr. GORE. Our next witness is Mr. Robert J. Iglesias.

Mr. MADIGAN. Mr. Chairman—

Mr. GORE. I don't want to hear testimony from you. Mr. Robert J. Iglesias, is he present?

Mr. MADIGAN. He is not present in the room. I would like to invoke rule XI with regard to the TV cameras.

Mr. GORE. Rule XI relating to the presence of TV cameras is one which the Chair personally disagrees with and will endeavor to change, parenthetically, but it is the rule of the House at this time. All television cameras and still cameras must be covered during the appearance of this witness. We will reluctantly ask the cooperation of the news media.

Thank you very much.

The Chair now calls Mr. Robert J. Iglesias.

Mr. Iglesias, would you stand and be sworn, please?

Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

TESTIMONY OF ROBERT J. IGLESIAS, ACCOMPANIED BY  
MICHAEL J. MADIGAN, COUNSEL

Mr. R. IGLESIAS. I do.

Mr. GORE. Please identify yourself to the hearing clerk for purposes of the record.

Mr. R. IGLESIAS. My name is Robert Iglesias.

Mr. GORE. Thank you.

Mr. Frandsen?

Mr. MADIGAN. Mr. Chairman, I filed a——

Mr. GORE. Excuse me. Wait one moment, please.

I understand that the subcommittee received yesterday afternoon correspondence and a written motion from your attorney, Mr. Iglesias, requesting that you be permitted to testify in executive session under rule XI-2-K-5 of the House of Representatives.

Are you still in agreement with the position expressed by your counsel, Mr. Madigan?

Mr. R. IGLESIAS. Yes, I am.

Mr. GORE. To be clear for the record, is it your position that testimony that you might give concerning activities or operations of Selman Holding, Ltd. would, in the words of rule XI-2-K-5, tend to defame, degrade or incriminate you?

Mr. MADIGAN. May I confer with my client?

Mr. GORE. Certainly.

Mr. R. IGLESIAS. It is my position that it may tend to incriminate me.

Mr. GORE. In that case, the Chair will excuse you from testifying today. We will not go into executive session today. However, we may have an executive session at a later date and I would inform you that the subpoena issued to you remains valid until a determination is made as to the day of the executive session.

Without objection, the Chair moves to include a copy of your counsel's letter request into the record.

Hearing no objection, it is so ordered.

[The letter referred to follows:]

## AKIN, GUMP, HAUER &amp; FELD

ATTORNEYS AT LAW  
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PENNSYLVIA PLACE  
HOUSTON, TEXAS 77002  
(713) 287-0386

October 2, 1978

HAND DELIVERED

Hon. John E. Moss, Chairman  
Subcommittee on Oversight and  
Investigations of the Commit-  
tee on Interstate and Foreign  
Commerce

House of Representatives  
2323 Rayburn Building  
Washington, D.C. 20515

Dear Mr. Chairman:

I enclose, on behalf of Robert J. Iglesias, our Motion for an Executive Session and a Memorandum of Points and Authorities in support of our motion. Upon consideration of your subpoena of August 24, 1978 requiring his appearance before your Subcommittee on October 3, 1978 and your letter of September 5 setting forth certain subject matter, Mr. Iglesias has decided to assert his Fifth Amendment privilege to remain silent with regard to all inquiries into the subject matter referenced in your letter. Mr. Iglesias believes that pending investigations by other federal agencies into business activities relating to the subject matter of your September 5 letter make it necessary for him to exercise his privilege before your Subcommittee.

To minimize the public embarrassment and senseless defamiation of Mr. Iglesias that would be certain to occur if he were to claim his privilege before the full Subcommittee in public hearing, I urge the Subcommittee to grant the enclosed Motion for Executive Session. I believe that the Subcommittee's own rules, along with recent developments in the law governing the behavior of government lawyers and prosecutors before investigatory bodies, requires the granting of this motion. Those grounds are set forth in the Memorandum in Support of our Motion for Executive Session.

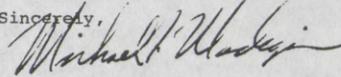
FILED  
OCT 3 1978  
FBI - HOUSTON

AKIN, GUMP, HAUER & FELD

Hon. John E. Moss, Chairman  
October 2, 1978  
Page Two

Mr. Iglesias believes that the assertion of his Fifth Amendment privilege in the public forum of a Subcommittee hearing will be conducive to the kind of mischief that Rule XI(2)(k)(5) of the Rules of the House of Representatives and Opinion 31 of the Legal Ethics Committee of the District of Columbia Bar, discussed in our supporting memorandum, were intended to prevent. Such an appearance would subject Mr. Iglesias to likely defamation and increase the possibilities of self-incrimination in current investigatory proceedings before other federal agencies. Accordingly, he moves the Subcommittee on Oversight and Investigations for an Executive Session pursuant to Rule XI(2)(k)(5) of the Rules of the House of Representatives.

Sincerely,



Michael J. Madigan  
Counsel for Robert J. Iglesias

MJM:cc  
Enclosure

Mr. GORE. Mr. Iglesias, you are excused until further notice from the subcommittee.

Mr. R. IGLESIAS. Thank you.

Mr. GORE. The next witness is Mr. Carl A. Corrallo, Office of Special Counsel, U.S. Department of Energy.

Mr. Corrallo, would you stand and be sworn, please?

Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CORRALLO. I do. Please identify yourself for the record.

**TESTIMONY OF CARL A. CORRALLO, SOLICITOR TO THE SPECIAL COUNSEL FOR COMPLIANCE, U.S. DEPARTMENT OF ENERGY**

Mr. CORRALLO. My name is Carl A. Corrallo. I am the Solicitor to the Special Counsel for Compliance with the Department of Energy here in Washington, D.C.

Mr. GORE. The subcommittee has received your three-page statement and under the previous order that will be inserted in the record at this point.

[Mr. Corrallo's prepared statement follows:]

**STATEMENT OF CARL A. CORRALLO, SOLICITOR TO THE SPECIAL COUNSEL FOR COMPLIANCE, U.S. DEPARTMENT OF ENERGY**

Mr. Chairman and Members of the Committee, I am Carl Corrallo, Solicitor to the Special Counsel for Compliance. I am appearing today in response to your letter request of September 22, 1978 to David J. Bardin, Administrator, Economic Regulatory Administration, for testimony concerning Department of Energy enforcement activities and the applicability of its regulations with regard to certain import transactions involving foreign commissions charged to Coastal States Gas Corporation.

The Office of Special Counsel was established on December 4, 1977 for the purpose of enforcing oil pricing and allocation regulations as they apply to 34 major refiners. In this regard, the Office of Special Counsel is mandated to conduct an accelerated audit, investigation and enforcement effort with respect to those refiners, with the primary mission to complete the audits of at least the largest 15 refiners within 2 years, that is, by December 1979, and initiate appropriate enforcement action. The Office of Special Counsel is now conducting intensified audits at the sites of 15 major refiners and has initiated enforcement actions involving \$1.4 billion in alleged violations of Department of Energy regulations.

While the intensified audits of the largest 15 refiners are underway, the Office of Special Counsel keeps a maintenance level audit presence at second-tier major refiners, such as Coastal States; of course, some particularly sensitive and significant enforcement actions can be undertaken at second-tier companies within the limitations of our resources. The second-tier major refiner companies are scheduled for intensified audit and enforcement activities in fiscal years 1979 and 1980.

Against this background, I would like to make a few remarks concerning pending actions involving Coastal States and the subject of this Committee's inquiry today. A Notice of Probable Violation was issued to Coastal States on September 9, 1976, with respect to certain commissions paid by Coastal States in 1973, 1974 and 1975 on foreign petroleum imports. Another Notice of Probable Violation was issued on January 5, 1977, with respect to certain exchange agreements involving the importation of foreign crude oil by Coastal States. In addition, the Office of Special Counsel recently issued a Proposed Remedial Order which challenged Coastal States' characterization of certain import sales by it as exempt from applicable Department of Energy regulations. Finally, the Office of Special Counsel is presently reviewing import transactions involving allegedly improper commissions paid to companies or persons by Coastal States, to determine whether willful violations of energy regulations may have occurred. This investigation has utilized information brought to our attention by your subcommittee. If such an investigation should produce credible evidence of willful violations of federal law or regulations, the

matter could be referred by the Department of Energy to the Department of Justice, with a recommendation for appropriate action.

The Federal energy regulations at Section 205.203 give the Department of Energy the authority to refer cases involving violations of its regulations to the Department of Justice for commencement of an action for civil penalties and/or for criminal prosecution. Since these investigations may result in such a referral and since the issues in the Notices of Probable Violation and Proposed Remedial Order have not reached final agency adjudication, and because we desire to avoid even the remote possibility of a future claim of improper intervention in the agency's decisional process, we believe that any public discussion of the details of the ongoing investigations by myself or other Department of Energy officials would be inadvisable.

I appreciate the invitation to appear before you today to discuss the activities of the Special Counsel's office in this area and will attempt to answer any questions you may have, insofar as it would be appropriate at this time.

Mr. Chairman, this concludes my statement for the record.

Mr. GORE. Before we proceed further, let me say at the outset that it is not this subcommittee's intent nor has it been its practice to improperly interfere in the adjudicative functions of those agencies subject to its jurisdiction. We are not interested in influencing the Special Counsel's decisions or deliberations as to the merits of pending enforcement actions.

However, this subcommittee has a clear-cut obligation to examine the operations of the Department of Energy to see whether it is operating efficiently and whether it is effectively enforcing the laws and regulations it administers. That is the legitimate function that we seek to discharge today.

The proposed remedial order which your statement refers to on page 3 was issued on September 6, 1978, and covers 33 Coastal States import transactions, including the *Independencia* and the *Damon*.

The proposed remedial order takes the position that these import transactions were covered by DOE pricing regulations. Does DOE know or have an estimate of the total potential overcharges involved?

Mr. CORRALLO. No, we don't, Mr. Chairman. The regulations that apply to a refiner like Coastal States are somewhat complicated and involve a judgment of not only what costs are proper to be passed through, but also what particular classes the purchasers of the product that was refined from the crude oil, or if it was a refined product that was purchased and rolled through the refinery, what particular classes those purchasers fell into.

That is at a stage of the art that we have not reached in the Special Counsel's office yet.

Mr. GORE. It has been 5 years almost. They don't seem to be all that complicated to me. Why don't you have an estimate of the total now?

Mr. CORRALLO. Well, let me explain how the regulations work and perhaps that can give you an appreciation.

Mr. GORE. I understand how the regulations work. You need the class of purchaser on the transactions, correct? That is the missing link; is that right?

Mr. CORRALLO. That is right. We need to group all of Coastal's purchasers of this product into classes to determine what the May 15 price is that applies to each one of them. Until you do that, although we may determine how much cost has been improperly

rolled through, we won't know precisely what purchasers and to what extent those costs were passed on.

Mr. GORE. Why don't you do that?

Mr. CORRALLO. We are in the process of doing that. As I pointed out in my statement, the Special Counsel's office is charged with the responsibility of auditing the 34 largest refiners and focusing on the period of 1973 to 1976. In the next 2-year period we have tiered the major refiners, taking the largest first. Coastal States is not in the top 18.

Mr. GORE. It is in the top 20; correct?

Mr. CORRALLO. It is No. 19.

Mr. GORE. Do you have the class of purchaser information?

Mr. CORRALLO. No, we do not.

Mr. GORE. Why is that, again? Because you have not asked for it yet?

Mr. CORRALLO. No.

Mr. GORE. You have asked for it?

Mr. CORRALLO. We had auditors on site under the old FEO-FEA position for some time.

Mr. GORE. Has Coastal given you the information or haven't they?

Mr. CORRALLO. I am not sure whether Coastal has specifically identified its class of purchaser structure.

Mr. GORE. Yes or no? Do you know? You are the Solicitor to the Special Counsel. You have a position of responsibility in these investigations. If it is criminal, then the statute of limitations is 5 years. Christmas Eve was the date of a lot of these transactions and 5 years is up Christmas Eve of this year.

Now I have asked you, do you have the specific information from the Coastal States about the class of purchaser or not?

Mr. CORRALLO. We do not.

Mr. GORE. Why not?

Mr. CORRALLO. For a number of reasons.

First of all, the audit at Coastal States up until the Special Counsel was initiated last year was not a complete audit. It was not a very good audit. Last summer the agency focused on the inadequacy of the audits.

Mr. GORE. In other words, you just messed up?

Mr. CORRALLO. That is right. I think the agency did not function properly in auditing the major refiners and that is why the Special Counsel's office is in existence today.

I might point out that the criminal statute of limitations we don't believe applies to the issue of whether refunds can be ordered at this period of time to American purchasers who have been overcharged.

Mr. GORE. But if there is a willful violation, it does apply?

Mr. CORRALLO. That is correct.

Mr. GORE. And it is going to be up for a lot of these cases very shortly?

Mr. CORRALLO. Well, on individual transactions it could be argued that the statute may bar action on that particular transaction, but in a criminal case the sanction is not concerned with refund of moneys but indeed invoking criminal penalties against the parties.

Depending on the circumstances, if one can show a pattern of conduct, I am not sure any single transaction is that significant in making that charge.

Mr. GORE. You have the investigation ongoing?

Mr. CORRALLO. That is correct.

Mr. GORE. There is one piece of information that you need in order to tie it down. You have asked Coastal States to give it to you and they have not given it to you. Are they stonewalling you?

Mr. CORRALLO. Let me clarify something. The fact that we don't have a class of purchaser determination on Coastal States stops us from ordering overcharges back to the consumers. It does not stop us from continuing an administrative action or investigation of whether or not the underlying costs were appropriate, whether the commissions paid should be passed through as product costs. Those matters are continuing now and they need not be delayed by the ultimate determination of what particular consumer gets what particular refund back.

Since we assess interest on overcharges from the time the overcharges occurred, it seems to me the public is protected somewhat over a lengthy period by recovering not only the overcharges but interest on those overcharges.

Mr. GORE. I will believe it when I see it, but I am interested in the estimate and trying to figure out exactly how much the American public was fleeced during this period by these transactions.

You have asked them for the information. They have not given it to you. Are they stonewalling you?

Mr. CORRALLO. We have an administrative subpoena that was issued to Coastal States and a group of major refiners last December. As of this past week, we had not received information pursuant to that subpoena, but we were involved in negotiations with Coastal States to obtain the information called for by the subpoena.

I would say that while we have not received the information, it is not my judgment at this time that Coastal States is absolutely stonewalling us on providing the information, but I think a conclusion has to be reached fairly quickly as to whether or not we need to proceed the enforcement of the subpoena by judicial means.

Mr. GORE. It is safe to assume they are not that interested in reaching that conclusion quickly?

Mr. CORRALLO. I think that is safe to say.

Mr. GORE. That ought to double your determination to get the order, wouldn't it?

Mr. CORRALLO. Yes.

Mr. GORE. Again, I hope to be convinced.

At this point I would like to introduce a letter from the Justice Department Special Prosecutor who assisted in the Jacksonville investigation in the spring and summer of 1975. Under the previous order this will be admitted to the record. It is from Michael Abbell.

[The letter referred to follows:]



Address Reply to the  
Division Indicated  
and Refer to Initials and Number

## UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

September 27, 1978

Honorable John E. Moss  
Chairman, Subcommittee on Oversight  
and Investigations of the Committee  
on Interstate and Foreign Commerce  
Congress of the United States  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

This is in reference to your letter of September 25, 1978, regarding referrals for further investigation and/or follow-up action made by the Department of Justice to the Federal Energy Administration as a result of the Jacksonville federal grand jury investigation in the Ven-Fuel matter.

Oral and written referrals were made by us, through the United States Attorney for the Middle District of Florida, to Douglas Robinson, Deputy General Counsel of FEA, and Carl Corrallo, an FEA attorney who worked with Mr. Robinson in connection with this investigation, with respect to the following matters:

- (1) Possible violations of FEA pricing regulations by Ven-Fuel in connection with its sales to the Jacksonville Electric Authority. According to our calculation, these overcharges amounted to \$2,844,185.
- (2) Possible violations of FEA pricing regulations by Ven-Fuel in connection with its sales to other purchasers. These non-JEA related potential overcharges amounted to between \$1,865,000 and \$2,058,000 depending on the interpretation of the applicable FEA pricing regulations.
- (3) Possible violations of FEA pricing regulations by a Coastal States Gas Corporation subsidiary in connection with eleven transactions in which the subsidiary made gross profits of over \$12,000,000 -- at least \$11,000,000 in excess of the gross profits which appeared to have been permissible under FEA pricing regulations.

(4) Possible violations by Howard Oil Company of New York and several of its officers of FEA pricing regulations in connection with one oil sale in which a Bermudian corporation owned by one of Howard's principal officers was created to siphon off approximately \$1,200,000. This referral, and a similar referral to IRS, ultimately led to the recovery of over \$5,000,000 in previously undeclared taxes from Howard's three principal officers, and the conviction of two of these officers for tax evasion and criminal violations of FEA regulations. It is my understanding that these officers are now serving five-month sentences on these convictions, and that a civil overcharge action has been filed on behalf of the Department of Energy.

(5) Possible violations by Selman Holding, Ltd. in connection with its receipt of a questionable payment with respect to a sale of oil by a Coastal States subsidiary to a New England utility. Information developed by the grand jury, subsequent to my principal connection with it, indicated far more extensive questionable payments to Selman by the Coastal States subsidiary and other companies.

In addition to the above referrals to FEA, referrals were made to the IRS in connection with Ven-Fuel, its former president (who is also the principal registered owner of Selman), Howard, and the principal officers of Howard. We also advised IRS that based on the extremely large profits made by the Coastal States subsidiary in connection with the transactions developed by the investigation, an in-depth audit of Coastal States for 1973 and 1974 appeared warranted.

The information developed by the investigation with respect to the apparent improper appropriation of a corporate opportunity by the former president of Ven-Fuel in connection with the Selman payments also was specifically referred to the SEC. Additionally, the SEC was kept apprised of other important developments in the course of the investigation.

All correspondence relating to referrals of FEA and other agencies should be in the investigation files in Jacksonville. To the best of my recollection, all the referrals, with the exception of the SEC-Selman referral, were made between July 15, 1975, and September 15, 1975.

My 113 page summary memorandum on the investigation contains the following language with respect to the formal referral of FEA pricing violations:

In wrapping up the grand jury investigation of Ven-Fuel/Fuelco, it is recommended that: ...

(3) We formally recommend that the FEA pursue civil price rollbacks against Ven-Fuel/Fuelco, CSM [Coastal States Marketing], Howard/South Pacific and Selman.

It should be noted that in addition to this recommendation, there are earlier references in this memorandum of prior referrals of some or all of these matters to Mr. Robinson by memorandum dated July 25, 1975. I am not

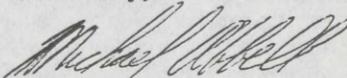
- 3 -

certain at this time that such a formal written referral was actually made, or whether we relied on the July 25, 1975, memorandum, and subsequent follow-up memorandums and telephone calls to Mr. Robinson, to satisfy this formal referral recommendation.

The Ven-Fuel investigation has led to the actual and potential recovery of between \$20,000,000 and \$30,000,000 in federal income taxes and FEA price rollbacks as a result of tax and FEA pricing violation by Ven-Fuel, and other companies and individuals, uncovered by the grand jury and the investigation team. These results clearly justify the strong backing given to this investigation by your Subcommittee.

I hope this information is satisfactory for purposes of your Subcommittee's inquiry. If you have any further questions, please do not hesitate to contact me.

Yours truly,



Michael Abbell  
Staff Assistant  
Criminal Division

Mr. GORE. Mr. Abbell notes that a Coastal subsidiary was responsible for overcharges of approximately \$11 million on 11 transactions and that the Justice Department formally recommended that FEA pursue civil price rollbacks against Coastal States Marketing and other companies. Three years have passed since the Justice Department recommended FEA act on this, your predecessor.

Now, wouldn't it be correct that the Department of Energy has been rather dilatory and inefficient in handling this recommendation?

Mr. CORRALLO. Well, as I said, Mr. Chairman, last summer in a task force that was appointed by Mr. O'Leary who was at that time the Federal Energy Administrator and is now the Deputy Secretary, I thought the agency quite candidly admitted that its major refiner enforcement program was in somewhat dire straits and indeed something dramatic had to be done to turn that program around.

The task force report issued by Mr. Sporkin of the Securities and Exchange Commission underscores exactly the criticism that you and many others have leveled at the major refiner program that was in effect at that time. There is nothing I can say about that. I think you are absolutely right.

Since the initiation of the Special Counsel's office with a mandate of 2 years to focus the enforcement activities of the major refiners in one special group, I think we have made substantial progress away from the kinds of problems we had a year ago.

But the job is not done yet. I don't mean to suggest that it has been done yet. It is still in the middle. I would say a year from now I think we will have the kind of evidence and results that will at least, if not satisfy you, at least indicate to you our good faith efforts in this direction.

These are very difficult regulations and very complicated, but we are moving I think surprisingly well considering the resistance that we have had.

Mr. GORE. Your candor is commendable, but the performance is not by the agency. A year from now may be too late for redressing some of these violations. It has been 3 years since the recommendation from the Department of Justice.

Do we have a good chance of tying this down before the statute runs out?

Mr. CORRALLO. Well, if you are talking about now the possibility of moving on a criminal front, suggesting that there is some conclusion to be reached by the Department as to whether or not these constitute willful violations or regulations, I am, of course, not prepared to discuss what our judgments or what our inclinations are in that matter.

I have a lawyer on my staff and an auditor from Washington who has been discussing the matter with people on the subcommittee's investigatory staff. We have been reviewing the documents and on the administrative fronts we have issued a remedial order that focuses on the 33 transactions about which we are in dispute with Coastal States as to whether they are exempted from controls or not.

In September of 1976 we had administrative action which focused on the commission issue. That is in place and we are reviewing those materials. So I think we have people.

Even though this is not one of the intensified audits that we are conducting—that is, not one of the top 15—we still have people actively working today and have been over the past month and a half with people from your committee.

Mr. GORE. I remember the transcripts of the hearings 3 years ago, and the energy officials were testifying before this subcommittee that they wanted to aggressively proceed with civil actions and everything was, past problems were behind us, and everything was proceeding vigorously and the refunds were going to be made to injured customers. And here 3 years later it is much the same story. I hope that it is turned around.

On page 2 of Mr. Abbell's letter, reference is made to "questionable payments to Selman" from Coastal States. It says that in 1975 the Department of Justice recommended to the energy officials that they further investigate Selman.

When did the Office of Special Counsel where you are located begin reviewing the transactions involving the payments to Selman in order to determine whether willful violations were involved?

Mr. CORRALLO. Well, the Special Counsel's office was activated on December 4, 1977. The matters that were particularly involved in these commissions were brought to our attention by Mr. Frandsen about 60 days ago, a couple of months ago, and that was the time that my office became actively involved in reviewing these matters.

Mr. GORE. When in 1977?

Mr. CORRALLO. December of 1977 was the activation.

Mr. GORE. The end of 1977 was when the Office of Special Counsel began reviewing these transactions?

Mr. CORRALLO. No; we were activated as an office in 1977. My attention was not focused on this until Mr. Frandsen contacted us and that was only about 2 months ago.

Mr. GORE. Here we have a recommendation from the Department of Justice 3 years ago. Your office just began looking at it 2 months ago. What happened in the intervening 3 years?

Mr. CORRALLO. I can't speak for the compliance program prior to December of 1977. The organization of the Special Counsel in which lawyers and auditors were integrated into one operational group to focus on the enforcement effort began in December of 1977.

To that extent we took the responsibility for the Coastal States audit, but because of simply the tactical judgment of having to do 18 major refiners first, we simply established a maintenance level of auditors at Coastal States who have been focusing on one or two issues, both of which were administrative matters concerning the payment of commissions and the proposed RO that focuses on whether the import exemption of the regulations apply.

We have had no special investigator criminal investigation under the Special Counsel's office until about 2 months ago when we first had contact with Mr. Frandsen.

Mr. GORE. And the investigation began after a contact from this subcommittee?

Mr. CORRALLO. That is correct.

Mr. GORE. When you picked up the investigation, surely you found some indication of what had been done during the intervening 2-1/2 years. Had anything been done regarding this recommendation from the Department of Justice that Energy proceed with it?

Mr. CORRALLO. I have not seen anything that indicated that special investigation, which is our term.

Mr. GORE. Any investigation at all?

Mr. CORRALLO. No; this was an investigation in terms of the payments of commissions pursuant to the notice of probable violation issued in 1976. This was a continuing focus of attention, but that is an administrative matter.

Mr. GORE. But that was, as a general matter, that was of commissions?

Mr. CORRALLO. As to the treatment of commissions.

Mr. GORE. Was there any investigation of these commissions to Selman after the recommendation from the Justice Department to Energy that they proceed?

Mr. CORRALLO. I have no personal knowledge of any such investigation.

Mr. GORE. You picked up the investigation after you found out about it from this subcommittee?

Mr. CORRALLO. That is correct.

Mr. GORE. And you found no indication that anything had been done about it?

Mr. CORRALLO. That is correct.

Mr. GORE. How many attorneys, auditors or other investigators are now assigned to this case?

Mr. CORRALLO. We have at Coastal States, in the field organization that is responsible for Coastal States, four auditors and one attorney. I have an additional attorney on my staff dedicated to this matter and we have an additional auditor.

Toward the end of the year or the beginning of next year as they become intensified we will move to a team of approximately 20 to 25 auditors.

Mr. GORE. Thank you. Mr. Lent.

Mr. LENT. Mr. Corrallo, you say that the special task force in your office, Special Counsel for Compliance, is focusing on 18 of the major U.S. refineries?

Mr. CORRALLO. To be absolutely accurate, the mandate from the Secretary is to complete the field audits for the period 1973 to 1976 of 15 of the top 18 refiners by December of 1979.

So we have tiered the 34 refiners that we have responsibility for into three groups and are intensifying one-third using all our resources to essentially tackle the audit of those one-third. As we complete those, those people are rolled forward.

Mr. LENT. In each third there are six refineries.

Mr. CORRALLO. No; we are doing about 13 or 14 in the first group.

Mr. LENT. My understanding from the earlier testimony was that you were working and focusing on 18 major refineries but that Coastal States was No. 19 and therefore outside of the original ambit of your inquiry.

Mr. CORRALLO. That is correct.

Mr. LENT. Now you are telling me that each third amounts to about 11 companies so you are investigating 33?

Mr. CORRALLO. I may not have articulated this as clearly as we would like. We have 34 refiners. Indeed we are going to attempt to complete the entire 34 within if not the 2-year period, a period shortly thereafter. We may have to roll over to an 8- or 9-month period before that.

But we are absolutely committed to completing 15 within the 2-year period. To achieve that result we have taken our 34 refiners and essentially divided them into thirds, taking the largest 11 or 12 first and intensifying, using all our audit manpower to do an intensified audit of them.

As elements of those audits are completed, that manpower is then released and moved over into the next group of refiners. So that we will have at any given time 13 or 14, but by using this rolling forward period we hope to complete as many as we can of the 34 in the 2 years, but are focusing on the 15 of the 18 during that period.

Because we have to consider geographical allocations of manpower, obviously if you are doing Gulf or Hess in New Jersey and those people become free, they cannot be lifted and moved to Standard Oil of California. So we have measured it into a sort of tactical and strategic consideration. Coastal States has not been the subject of an intensified audit. It has not received its manpower allocation.

Mr. LENT. Granted Coastal States does not fit into one of the top 15 or 18 refineries, it is No. 19. Is that correct?

Mr. CORRALLO. That is correct.

Mr. LENT. Now you have seen this whole case pretty well laid out for you. I wonder whether the demonstration that has been given to you this morning, how that fits in with some of the antics of other oil refineries in the United States, some of the other transactions you have inquired into? Isn't this a rather blatant example as compared to others that you have examined involving other refineries?

Mr. CORRALLO. It is difficult for me to comment on investigations of other refiners in matters that the Special Counsel—

Mr. LENT. I am not asking you to get into particulars. I am saying, isn't this a case that jumps out of the pile right at you, and hits you between the eyes, one that would be fairly easy to prosecute either on the criminal level or on the civil level for rebate?

Mr. CORRALLO. I can't really address that without focusing on what I think are two or three critical issues.

Mr. LENT. You heard Mr. Bruggemann say he had never heard of a commission of \$3.50 on a barrel. We have that laid out for you. We have \$1 a barrel commissions on another tanker cargo. It would seem to me that instead of—that you might be well advised to prosecute a couple of these cases where someone else has done all of the investigation and the dirty work for you before the 5-year statute runs out.

I am sitting here and I see these people, these Iglesias people who ripped off to a tremendous amount the people in my constituency who buy oil from Nepco. That is the New England Petroleum Co. That is perhaps the largest oil distributor in the New York metropolitan-Long Island area.

I know my own utility that serves my constituency, the Long Island Lighting Co., buys a major portion of its oil from Nepco, Northville Industries. Practically every oil distributor in Long Island buys its oil through Northville Industries.

Now as I understand it from the way Chairman Gore has laid this out, within a couple of months any hope that we might have of having a meaningful prosecution of the Iglesias father-son operation is going to go by the boards. I think that would be a tragedy if your agency, after seeing all of this evidence laid out here for you, rather clear, beautiful—you could take those cards right into the grand jury room and lay it out—

Mr. GORE. If the gentleman would yield.

Mr. LENT. Yes.

Mr. GORE. Bearing in mind the import of the Pillsbury decision, I want to emphasize to our witness that our purpose today is not to influence the Special Counsel's decisions or deliberations in any way as to the merits or relative merits of pending enforcement actions.

We are, however, intensely concerned as to whether or not the Department is operating efficiently and enforcing regulations effectively. That is our intent in our questioning here today and our questions must be taken in that light.

Mr. CORRALLO. I understand fully, Mr. Chairman. We, of course, have the responsibility of making an independent judgment on these matters and will do so. We appreciate the amount of work that has been done by your subcommittee already on this and indeed appreciate the opportunity to examine some of the documents and the information that you have uncovered and we are going to make a judgment on these matters independent of the considerations and other matters that may have come up during this committee.

We will exercise our judgment independently, I can assure you, but I do appreciate the committee in providing this information.

Mr. GORE. I thank the gentleman for yielding.

Mr. LENT. When this committee held hearings on enforcement of the then DOE back in 1975, you were a part of that hearing, were you not?

Mr. CORRALLO. I was an attorney. I was a staff attorney in the General Counsel's office.

Mr. LENT. It seems to me we were asking why the FEA was not pursuing criminal penalties against Ven-Fuel in the Jacksonville case; is that correct? We were pressing you at that time as to why you were not pursuing criminal actions?

Mr. CORRALLO. You mean the Federal Energy Administration?

Mr. LENT. Of which you were a member.

Mr. CORRALLO. As I recall, the committee was inquiring into the Ven-Fuel's transaction under the FEA.

Mr. LENT. As I recall it, the response of your colleagues at the FEA during that hearing was that you preferred to proceed on a civil line as opposed to criminal lines because the advantage being that under the civil law you could then obtain refunds that would be available to the consumers of the different utility companies that purchased that oil.

Mr. CORRALLO. My recollection is that was the position of the Department at the time.

Mr. LENT. Was that ever done?

Mr. CORRALLO. Well, Ven-Fuel, of course, is not one of the major refiners.

Mr. LENT. I am not asking you about that. I understand we laid out, back in 1975, a little dog and pony show, something like we had here this morning, where we laid the whole thing out for the FEA, and we asked what you were going to do about it.

Were you going to go criminal, were you going to go civil? And you assured us that you were going to go civil because you would be able to receive refunds, and you couldn't get that in the criminal case. All we would have would be the satisfaction of seeing the culprits wind up in jail, and there would be no opportunity to obtain a refund.

Now with respect to that case, I just would like to know if the other shoe ever dropped.

Mr. CORRALLO. There are two things that happened that I think impact on that. One, as I recall it, settlement was entered into between JEA and Ven-Fuel, and a \$1.6 million refund was made to the Jacksonville Electric Authority, I believe, and I don't know the date, but I believe 1 or 2 months ago, an administrative enforcement action was initiated against Ven-Fuel by the Department, the Office of Enforcement, which is our sister office having responsibility for essentially everybody else besides the 34 refiners, and that focuses on Ven-Fuel's transactions with companies JEA and I believe a host of other companies that they had sold product to. So I believe that process is still being pursued.

Mr. GORE. Would the gentleman yield?

Mr. LENT. And a part of it, say, for this amount of money, \$1.6 million.

One last question.

Have you ever put anyone in jail?

Mr. CORRALLO. Well, our statute doesn't provide jail time for criminal violations of our regulations. It only requires fines until December of 1975 when I think under certain circumstances—

Mr. LENT. Has anyone ever been found guilty of a criminal violation as a result of a prosecution by the FEA?

Mr. CORRALLO. As a matter of fact, about 2 months ago, in August, the Continental Oil Co. pleaded nolo contendere to two felony counts and two misdemeanor counts involving criminal violations of the regulations and violations of 18 U.S.C. 1001. And in conjunction with that, as representative of the Department, I signed a consent order with Continental Oil which called for a \$2 million refund and \$985,000 in civil penalties for that same conduct.

Mr. LENT. I have no further questions.

Mr. GORE. Thank you, Mr. Lent.

Was that the case where Continental turned themselves in?

Mr. CORRALLO. That is the case where Continental provided us with an internal investigation in which they determined that there had been some violation of the regulations, and they suspected there was a criminal violation; yes.

Mr. GORE. The notice of probable violation issued in the Ven-Fuel case, what was the date of that?

Mr. CORRALLO. I do not know.

Mr. GORE. Was it September 25, 1978?

Mr. CORRALLO. Could be; it wasn't issued by my office. It was issued by the other office.

Mr. GORE. Last week, September 14, I am sorry, 2 weeks ago. The spinoff cases from the Ven-Fuel case were not pursued?

Mr. CORRALLO. The spinoff case?

Mr. GORE. Well, the evidence uncovered by the Justice Department pointed in the direction of a number of other violations, one of which we have pursued in our investigation, and I wanted to make that connection when you were talking about the Department's performance in the Ven-Fuel case. The Justice Department notified you of the recommendation that you proceed with the number of other cases related to it, and those were the ones that you found nothing had been done on when you picked up the investigation recently.

Mr. WUNDER.

Mr. WUNDER. Thank you, Mr. Chairman.

Mr. Corrallo, when you were determining the priorities as to which refiners to look at, why is it that you chose to look at the top 18? Did you have some reason to believe that there was more potential there than for the others?

Mr. CORRALLO. Well, the recommendation of the Sporkin task force suggested that we focus on the top 18 refiners under one particular organization.

Mr. WUNDER. Because you would get greater coverage?

Mr. CORRALLO. Because they simply provide in volume, larger, more product into the United States market than do a large group of the other firms, and that it seemed to Mr. Sporkin's task force, of which there were members of the Federal Energy Administration on the task force, that it made sense to focus a larger effort on the groups that were supplying most of the product in the domestic market than had been done in the past. So the task force recommended 18 to begin with.

Now when the Secretary activated the Special Counsel's Office, he determined that it made more sense to give jurisdictional responsibility to a larger group, namely, 34. But in keeping with the task force recommendation, there was a priority assigned to focusing on the top 18 during the initial 2-year period of Special Counsel's Office.

Mr. WUNDER. Let me re-ask the question in another way.

You look at these transactions involving No. 19, and if you look at the other case that the subcommittee has looked at in depth, the Jacksonville case, neither of which involve the top 18, was there any evidence to suggest that looking at the top 18 may be more fruitful? Obviously there is some evidence that looking at, placing priority on others may be in fact more fruitful.

Mr. CORRALLO. Well, let me answer the question this way: In our focusing on the top 18, we have initiated administrative enforcement actions just since the Special Counsel's Office was created for \$1.4 billion, and that I think is somewhat symptomatic of the fact that the very large dollars are associated with the larger compa-

nies. That is not to say that we do not find rather egregious transactions in any particular firm without regard to their size. But in terms of the cost benefit associated with investing 500 or 600 people on an intense basis over 2 years, it was our judgment, the larger the company, the more likely that we would find more severe dollar impact on the consumers, and so far our experiences have borne that out.

Mr. WUNDER. What has been your experience, not the administrative actions that you have brought for the \$1.4 billion, but in terms of your ability then to recover that \$1.4 billion?

Mr. CORRALLO. We have actually brought in, in terms of either agreements, consent order, about \$70 million to date in the Special Counsel's Office. We are certainly a long way from getting the \$1.4 billion, but we have, I think, a substantial amount of money actually recovered by the Government in other refunds, some to very small retailers and wholesalers in the country to the rather major refunds to the United States Treasury precipitated by an agreement with Gulf Oil not too long ago for \$42 million. I think we have a satisfactory record of actual translating these enforcement actions into real dollars so far.

Mr. WUNDER. How much has been spent in order to collect that amount of money?

Mr. CORRALLO. We are in the black. We are bringing in more than it is costing us to operate.

Mr. WUNDER. By how much?

Mr. CORRALLO. I don't know. My recollection is that our budget is something like \$26 million or \$27 million, but I am not sure.

Mr. WUNDER. For a year, per annum?

Mr. CORRALLO. That is correct.

Mr. WUNDER. Then you have a multiplicity of years in which these issues have been looked at in one form or another.

Mr. CORRALLO. I don't follow. We are looking at 1973 through 1976 initially, and then in particular cases, rolling forward the 1976 violations into 1977 and 1978 where we can bring them up to date.

Mr. WUNDER. Let me ask this, Mr. Corrallo.

Is it not true that part of the problem that you are having here now is due to the fact that there was a demonstrable degree of haste in which the regulations under EPAA had to be promulgated?

Mr. CORRALLO. If you are referring to the fact that the Allocation Act imposed a 60-day time period, there is no doubt about it, that there were areas of the regulations that were precipitated by a rather critical situation that existed at the end of 1973-1974. However, I do not think—I have heard that before. I am not at all convinced that that necessarily implies some ambiguity or some difficulty in the application of the regulations across the board. There are some regulations that are troublesome, that we have had some trouble sort of sifting it. It was always a dynamic regulatory scheme, and by that I mean, a scheme that changed as the situation changed.

As the gas lines grew, things became more critical at the retail market. As they diminished, we needed to focus customers on other areas of the distribution chain. The regulations, we attempted to

mold those regulations to the need that the statute suggested existed and also the needs of the President's policy. So it was shifting all the time, I grant you that. But I do not think that that—the difficulty that we have in the Special Counsel's Office with bringing \$1.4 billion I think is the fact that it is \$1.4 billion. We have a number of actions outstanding against major refiners for very, very large amounts of money, and they are simply not going to pay those over with a smile without giving us a run for our money, and we are going to get it, and we anticipated it.

Mr. WUNDER. Thank you, Mr. Chairman.

Mr. GORE. Mr. Frandsen.

Mr. FRANDSEN. Mr. Corrallo, I just have one question. You raised my name several times in previous answers.

To make clear what the subcommittee staff did, it was to provide the Department of Energy access to its records pertaining to these transactions, some of which we have seen here this morning; is that correct?

Mr. CORRALLO. That is absolutely correct. I have simply had the opportunity to have one of my people have access to documents that would otherwise not be privileged or otherwise not be permitted to be given to us, and we have had someone review those, and I meant no more than that.

Mr. FRANDSEN. Thank you.

Mr. GORE. Mr. Corrallo, I want to thank you on behalf of the subcommittee for your appearance here today. I want to wish you and your associates the best of luck in proceeding in your investigation of all of these cases. This is a rather sordid period of history for the United States and I hope that the unanswered questions can be answered.

Thank you very much for appearing.

Mr. CORRALLO. Thank you, Mr. Chairman.

Mr. GORE. The hearing is adjourned.

[Whereupon, at 12:10 p.m., the hearing was adjourned.]

## APPENDIXES

1. Letter of November 17, 1978, from Mr. Robert N. Dolph, president, Exxon International Co., to Chairman John E. Moss.
2. Letter of August 30, 1978, from Mr. Francis J. Shields, vice president, Dietze, Inc., to Chairman John E. Moss.
3. Letter of June 19, 1978, from Chariman John E. Moss to Secretary of State Cyrus R. Vance.
4. Letter of August 14, 1978, from Secretary of State Cyrus R. Vance to Chairman John E. Moss.
5. 441 Federal Supplement (1977) re Grand Jury Investigation of Ven-Fuel et al.
6. Documents relating to M/T *Independencia I* transaction.
7. Documents relating to M/T *Damon* transaction.
8. Documents relating to M/T *Atrotos* transaction.
9. Letter of August 10, 1978, from Chairman John E. Moss to ERA Administrator David J. Bardin.
10. Letter of August 25, 1978, from ERA Administrator David J. Bardin to Chairman John E. Moss.

**EXXON** INTERNATIONAL COMPANY

1251 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10020

ROBERT N. DOLPH  
President

November 17, 1978

The Honorable John E. Moss, Chairman  
Subcommittee on Oversight and Investigations  
House of Representatives  
Washington, D.C. 20515

Dear Sir:

In your letter of October 20, 1978 to Mr. C. C. Garvin, Jr., you requested information concerning the commissions or fees paid to brokers by oil companies on imported cargoes during successive periods in the years 1973 and 1974.

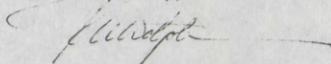
During those periods, the Exxon entity which imported crude oil and refined products into the United States was Exxon Company, U.S.A. (a division of Exxon Corporation). Practically all of such imports were petroleum produced and/or refined outside of the United States by companies in which Exxon had equity ownership. No commissions or fees were paid to brokers by either buyer or seller on such purchases and sales.

Commissions or fees are generally payable by the seller. In a few instances during the 1973-1974 period, relatively small volumes of imported petroleum were purchased by Exxon Company, U.S.A. from third party (non-affiliated) sources. Exxon Company, U.S.A., as purchaser, did not pay any commissions or fees to brokers.

In some cases, companies affiliated with Exxon (Creole Petroleum Corporation operating in Venezuela, for example) sold crude oil and refined products to non-affiliated companies who imported such petroleum into the U.S.A. During the periods in question, our records indicate that there was only one instance in which a commission was paid to a broker. This was at the rate of \$0.02 per barrel paid by the seller (Creole) on residual fuel oil imported into the United States during the latter half of 1974. Our records indicate that no commissions or fees were paid to brokers on sales of crude oil or motor gasoline imported into the United States. In the event that such commissions or fees had been paid, they would have met the standard of up to \$0.02 per barrel of crude and up to 1% of the f.o.b. sales price for clean products.

I hope this information will be of assistance to the Subcommittee. We also appreciate the cooperation of the Subcommittee Counsel, Mr. R. A. Frandsen, who was kind enough to extend for two weeks our time to respond.

Yours very truly,



CABLE ADDRESS: DIETZ INC. NEW YORK  
 TELETYPE: N.Y. 325592 RCA  
 N.Y. 420639 ITT  
 N.Y. 421049 ITT  
 N.Y. 82267 W. U. INT.

J. Y.  
 TELEPHONE:  
 (212) 767-1150  
 TWX: 710-581-3612  
 710-581-3613  
 W.U.-TELEX 12-8178

**DIETZ INC.**  
 30 ROCKEFELLER PLAZA  
 NEW YORK, N. Y. 10020

August 30, 1978

The Honorable John E. Moss  
 The United States House of Representatives  
 Chairman, Subcommittee on Oversight and Investigations  
 Rayburn House Office Building, Room 2323  
 Washington, D.C. 20515

Dear Mr. Moss:

In reply to your letter of August 17, 1978, we submit the following information to you numbered one through six concurrent with your letter.

1. The method used is basically controlled by competition with other brokers and what sellers are willing to pay. On clean products the industry practice was one-half to one percent of the invoiced value. On crude oils and fuel oils, the practice during the above period was one to two cents per barrel.
2. During the period October 1973 through March 1974 commissions earned by us were basically one-half to one percent on clean products and one cent per barrel on crude and fuel oils.
- 3a. During the period January 1, 1973 through September 30, 1973, our records indicate we made no transactions involving clean products in terms of cents per barrel. On dirty products (crude oil and fuel oil) the following applied. All commissions were based on one cent per barrel.
  - (1) three million barrels of No. 6 fuel oil and 250,000 barrels No. 4 fuel oil on a one-year contract basis. Commission: \$32,500.
  - (2) 400,000 barrels of No. 6 fuel oil. Commission: \$4,000.
  - (3) 300,000 barrels of fuel oil (two cargoes of 150,000 barrels each). Commission: \$3,000.
  - (4) one cargo of approximately 140,000 barrels No. 6 fuel oil. Commission: \$1,400.
  - (5) one cargo of approximately 140,000 barrels No. 6 fuel oil. Commission: \$1,400.

We sold no crude oil for import into the United States during this period.

3b. During the period October 1, 1973 through March 31, 1974, the following applied. All commissions were based on one cent per barrel.

(1) one cargo of 24,500 tons of No. 6 fuel oil. Commission: \$5,000.

We sold no crude oil for import into the United States during this period. We made no transactions of refined products with commissions in terms of cents per barrel.

3c. During the period April 1, 1974 through December 31, 1974, the following applied. All commissions were based on one cent per barrel.

(1) 20,000 tons of No. 6 fuel oil. Commission: \$4,200.

(2) 3,250,000 barrels of No. 6 and No. 4 fuel oil for a one-year period contract. Commission: \$32,500.

(3) 49,000 tons Nigerian crude oil. Commission: \$3,720.

4a. During the period January 1, 1973 through September 30, 1973, the following applied. All commissions were based on one percent of the cargo value. We made no transactions of refined products with commissions in terms of cents per barrel during this period.

(1) 310,000 barrels gasoil. Commission: \$16,000.

(2) 185,000 barrels gasoline. Commission: \$15,000.

(3) 190,000 barrels gasoline. Commission: \$21,000.

(4) 150,000 metric tons No. 2 heating oil on a one-year period contract. Commission: \$36,800.

(5) 225,000 barrels No. 2 heating oil. Commission: \$16,000.

4b. During the period October 1, 1973 through March 31, 1974 the following applied. All commissions were based on one percent of the cargo value.

(1) 175,000 barrels jet fuel. Commission: \$38,220.

(2) 30,000 tons gasoil. Commission: \$60,000.

(3) 19,000/23,000 tons gasoil. Commission: \$30,000.

(4) three cargoes of 150,000/200,000 barrels each No. 2 heating oil. Commission: \$65,000.

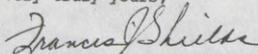
(5) 35,000/40,000 tons No. 2 heating oil. Commission: \$30,000.

Page 3

- 4c. During the period April 1, 1974 through December 31, 1974 the following applied. All commissions were based on one percent of the cargo value except Nos. 3 and 5 below. In these transactions the total commissions were \$37,274 and \$30,000 respectively but we were obligated to divide the commissions with our Houston correspondents who developed the buyers for the transactions.
- (1) 180,000/190,000 barrels gasoline. Commission: \$42,000.
  - (2) 150,000 barrels gasoline. Commission: \$17,000.
  - (3) 500,000 barrels gasoline. Commission: \$18,637.
  - (4) 25,000 tons gasoline. Commission: \$30,568.
  - (5) 33,000 tons No. 2 heating oil. Commission: \$15,000.
5. Normally we do not submit our commission invoice until one week to ten days after we know the buyer has paid the seller the amount due. Generally our commissions are paid by check and the seller pays the commission.
6. Commissions on crude or refined products from Venezuela or Netherlands Antilles were identical in terms of size, manner of calculation, etc. to commissions earned on other import transactions.

We trust the above answers the questions submitted by you. If you require further information, please do not hesitate to call upon us.

Very truly yours,



Francis J. Shields  
Vice President

FJS:bh

## NINETY-FIFTH CONGRESS

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 (EX OFFICIO)

CONGRESS OF THE UNITED STATES  
 HOUSE OF REPRESENTATIVES  
 SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
 OF THE  
 COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE  
 WASHINGTON, D.C. 20515

June 19, 1978

ROOM 2222  
 RAYBURN HOUSE OFFICE BUILDING  
 PHONE (202) 225-4441

JAMES L. HELLFRAN  
 OPERATIONS DIRECTOR  
 JOHN MAC ELROY ATKINSON  
 COUNSEL TO THE SUBCOMMITTEE

TASK FORCE DIRECTORS  
 LOWELL DODGE—OVERSIGHT  
 JOHN R. SULLOWAY—ENERGY  
 ELLIOTT A. BEAL—HEALTH

J. THOMAS GREENE  
 COUNSEL TO THE CHAIRMAN

BERNARD J. WUNDER  
 MINORITY COUNSEL

HAND DELIVERED

Honorable Cyrus R. Vance  
 The Secretary  
 Department of State  
 Washington, D. C. 20520

Dear Mr. Secretary:

The Subcommittee on Oversight and Investigations of the Committee on Interstate and Foreign Commerce is conducting an investigation concerning oil imports into the United States during 1973-74, pursuant to its jurisdiction regarding interstate and foreign commerce generally and petroleum in particular. The Subcommittee has the responsibility to review the effectiveness of those laws which relate to jurisdictional subject matters, the operation of the Federal agencies having responsibilities for the administration and execution thereof, and the necessity or desirability of enacting new or additional legislation.

In furtherance of its investigation, the Subcommittee has obtained documentary materials relating to numerous petroleum and petroleum product import transactions. Records for certain of these transactions disclose the fact that unusually large commission payments were made by Coastal States Gas Producing Company, Houston, Texas, to Selman Holdings Limited (Selman), a company incorporated in Hamilton, Bermuda, in 1972, under the Bermuda Exempted Companies Act.

Coastal States' commission payments were in the form of checks payable to Selman, but were sent to Mr. Julio C. Iglesias, an American and principal shareholder of Selman, at his Palm Beach, Florida, residence address, and thereafter were deposited in either of two Selman accounts at

Honorable Cyrus R. Vance  
Page Two

the Bank of N. T. Butterfield and Son Limited, Hamilton, Bermuda (account number 2010-24437-1 and special account number 2010-26867-2-8400). The Subcommittee has documented over \$8 million worth of Coastal's commission payments to Selman which were handled in this manner during 1973-74.

The necessity of Coastal States' commission payments to Selman is of interest to the Subcommittee, since no evidence has been found which would indicate that Selman's brokerage "services" were commensurate with the amount of commissions received and such practices may violate Department of Energy regulations. The Subcommittee is also most interested in ascertaining whether the Selman commission payments and subsequent disposition of these funds resulted in improper pecuniary benefits to officers or employees of publicly held U. S. corporations or involved misappropriated corporate opportunities from such firms in violation of U.S. statutes.

The information relating to Selman, which is necessary to the Subcommittee's investigation, is contained in the records of a foreign bank, and cannot be obtained through customary practices and procedures. Therefore, I request your assistance in obtaining, through appropriate Bermudian authorities, the following information concerning Selman's two accounts at the Bank of N. T. Butterfield and Son Limited in Hamilton, Bermuda:

- (1) the dates the two bank accounts were opened, and, if they are no longer active, the dates they were closed;
- (2) the identity (name and address) of all signatories, past and present, of the two bank accounts;
- (3) the identity (name and address) of all persons and/or companies, past and present, who receive the monthly statements of the two bank accounts; and
- (4) the dates and amounts of all withdrawals in excess of \$10,000 (by check, bank wire transfer, or otherwise) on the two bank accounts, together with the identity (name and address) of the recipients of these funds. If transferred to other bank accounts (Butterfield Bank or otherwise), please identify those accounts and signatories thereof.

Honorable Cyrus R. Vance  
Page Three

If available, it is requested that copies of signatory cards, checks, bank wire transfers or other documentation related to items (2) and (4) above be provided.

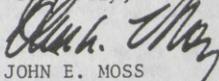
Furthermore, if Bermudian officials prefer, Subcommittee staff representatives are available to review the documents pertaining to items (1) through (4) above in the presence of Bermudian authorities as an alternative to transmittal of the requested information.

It is noted that the Bank of N. T. Butterfield and Son Limited of Hamilton, Bermuda, provides commercial banking services in transactions directly affecting United States foreign commerce. The Bank is represented in the United States through N. T. Butterfield and Son (Bermuda) Inc., a Delaware corporation with offices at One Rockefeller Plaza, New York, New York, and has as a principal U. S. correspondent bank the Manufacturers Hanover Trust Company of New York.

Enclosed for your information are copies of several Coastal States checks, payable to Selman, which were deposited in the accounts at the Butterfield Bank in Bermuda. In the event further information is required in connection with this request, please contact Subcommittee Counsel Richard A. Frandsen at 225-4441.

I certainly appreciate your cooperation and assistance in this matter.

Sincerely,



JOHN E. MOSS  
Chairman  
Subcommittee on  
Oversight and Investigations

JEM:rfj  
Enclosures



## DEPARTMENT OF STATE

1978 AUG 17 Washington, D.C. 20520

COMMITTEE ON  
OVERSIGHT & INVESTIGATIONS

August 14, 1978

Dear Mr. Chairman:

This is in further reply to your letter of June 19, which asked us to seek the cooperation of the Government of Bermuda in securing certain Bermuda bank records required for the Subcommittee's investigations.

The Bermuda Ministry of Finance has replied to our request, stating that it is against normal practice for Bermuda banks to release the type of information requested. The Ministry of Finance indicated that such information relating to bank-customer relations is considered to be highly confidential and banks are unable to release details of customers' accounts or related information without a court order issued in Bermuda.

In order to provide the Committee with as much information as possible, the Ministry has provided the enclosed publicly available documents. The Ministry also noted that a copy of Selman Holdings Limited's share register can be obtained on demand from the company's registered address -- the Bank of Bermuda Building, Hamilton 5-31, Bermuda.

We appreciate that the information provided does not satisfy the Committee's needs. It appears that Bermudian law prohibits the disclosure of the

The Honorable

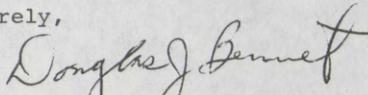
John E. Moss, Chairman,  
Subcommittee on Oversight  
and Investigations,

Committee on Interstate and Foreign Commerce,  
House of Representatives.

- 2 -

required bank information except under the order of a court in Bermuda, and that these legal restrictions cannot be waived. However, we are asking the Consulate in Hamilton to determine whether waivers are ever authorized or whether there may be any other avenues to pursue the information needed by the Committee.

Sincerely,

A handwritten signature in cursive script, reading "Douglas J. Bennet, Jr.", written in dark ink.

Douglas J. Bennet, Jr.  
Assistant Secretary for  
Congressional Relations

**CERTIFICATE OF INCORPORATION**  
IN RESPECT OF

**SELMAN HOLDINGS LIMITED**

WHEREAS

1. I, **Peter John Hardy** Registrar of Companies, have satisfied myself that the Memorandum of Association of

**SELMAN HOLDINGS LIMITED**

has been duly endorsed with a permit granted on the **20th** day of **October** 19 **72** by the Member of Executive Council responsible for Finance under the provisions of section 9 of the Companies (Incorporation by Registration) Act, 1970, and that the said Memorandum has been duly stamped in accordance with the provisions of the Stamp Duties Act, 1919;

2. The persons who subscribed their names to the said memorandum, did, on the **14th** day of **November** 19, **72**, (being a day within six months after the date of the grant of the said permit), duly file the said Memorandum with me, the said Registrar of Companies;

3. I, the said Registrar of Companies did, on the **14th** day of **November** 19 **72**, in accordance with the provisions of section 13 of the Companies (Incorporation by Registration) Act, 1970, register in the Register maintained by me under provisions of the said section, the said Memorandum, that is to say "

**SELMAN HOLDINGS LIMITED**

" and did specify in the entry in the said Register relating to the said Company that the status of the said Company was that of a ~~local~~ exempted company;

NOW THEREFORE I, the said Registrar of Companies, do hereby in accordance with the provisions of section 13 of the Companies (Incorporation by Registration) Act, 1970, issue this Certificate of Incorporation and do certify that on the **14th** day of **November** 19 **72**

**SELMAN HOLDINGS LIMITED**

was registered by me in the Register maintained by me under the provisions of the said section and that the status of the said Company is that of a ~~local~~ exempted company and I do further certify that the facsimile copy of the Memorandum of Association attached hereto is a true copy of the said Memorandum of Association of which it purports to be a copy.

Given under my hand this **14th** day of **November**, 19 **72**

*P Hardy*  
Registrar of Companies

## IN RE GRAND JURY INVESTIGATION OF VEN-FUEL

1299

Cite as 441 F.Supp. 1299 (1977)

defendant. The defendant has pleaded guilty. Nor does the testimony concern a collateral or preliminary matter such as determining the legality of the means by which evidence was obtained. On their face, therefore, neither subdivisions (c)(2) or (c)(3) apply. There can be little question nonetheless that the determination the court must make in this case is anything but collateral. The informant testimony offered by the government is, it concedes, central information that directly affects a substantial liberty interest of the defendant. At stake, is the difference between freedom and up to five years in prison. The sentencing decision before the court is thus properly analogized to the determinations affecting guilt or innocence dealt with in *Roviaro* and subdivision (c)(2) of proposed Rule 510. If the government is to rely on the informer, it must disclose his identity.

The issue is almost identical with that faced in a case such as *United States v. Duardi*, 384 F.Supp. 874, 881 (W.D.Mo.1974), where the Court had to decide whether the government had adduced sufficient evidence to support a judicial finding that defendants were dangerous special offenders subject to enhanced sentencing procedures. The Court in *Duardi* noted:

[T]he government's declared intention to offer the testimony of F.B.I. and Bureau of Narcotic Agents as to what faceless confidential informants told them about alleged contacts with particular defendants and the other "organized crime" evidentiary data above summarized, does not meet due process requirements. We believe it obvious that it would be impossible to test the truth of what the government agents may testify that informants may have told them; it is equally impossible to subject an unnamed informant to cross-examination.

*Cf. United States v. Neary*, 552 F.2d 1184 (7th Cir. 1977).

[22] In doubtful cases an *in camera* hearing may assist the court in determining whether information from an informer should be relied upon in sentencing. *Cf., e.g.*, proposed Rule 510(c)(2)(3) of Federal

Rules of Evidence; *Socialist Workers Party v. Attorney General*, 565 F.2d 19, 23 (2d Cir. 1977); *United States v. Rawlinson*, 487 F.2d 5 (9th Cir. 1973), *cert. denied*, 415 U.S. 984, 94 S.Ct. 1579, 39 L.Ed.2d 881 (1974); *United States v. Freund*, 525 F.2d 873, 877 (5th Cir.), *cert. denied*, 426 U.S. 923, 96 S.Ct. 2631, 49 L.Ed.2d 377 (1976). In this case such a hearing would serve no purpose except to increase the hazards to the informer by "unnecessary rummaging in government files." *Cf. Socialist Workers Party v. Attorney General*, 565 F.2d 19, 23.

## III. CONCLUSION

[23] In this sentencing hearing the court cannot rely upon the critical information of an undisclosed informant given by an F.B.I. agent who is not subject to meaningful cross-examination. This evidence, offered by the government, is excluded.

So ordered.

In re GRAND JURY INVESTIGATION  
OF VEN-FUEL et al.

No. Misc. 74-22-J.

United States District Court,  
M. D. Florida,  
Jacksonville Division.

Dec. 1, 1977.

Chairman of subcommittee of House of Representatives moved for an order authorizing disclosure of documents presented to a federal grand jury. The District Court, Charles R. Scott, J., held that: (1) that where the subcommittee sought the documentary information for the purpose of examining the documents themselves and not for any interest in the events that transpired during the grand jury proceedings, the subcommittee chairman was willing to

accept copies of the documents so that there would be no possibility that documentary information might be unavailable for use in the criminal trial and the need for secrecy concerning information presented during the grand jury proceedings had virtually disappeared because the grand jury had been discharged, release of the documentary information was not prohibited by the grand jury secrecy rule, and (2) the House Subcommittee had an independent right to obtain the documents sought under the speech and debate clause.

Motion granted.

#### 1. Grand Jury ⇐41

Grand jury secrecy rule codifies traditional policies underlying grand jury secrecy, but it also remains subject to exceptions that those policies recognize. Fed.Rules Crim.Proc. rule 6(e), 18 U.S.C.A.

#### 2. Grand Jury ⇐41

Traditional reasons for grand jury secrecy are to prevent potential defendants from fleeing, to guarantee grand jury's freedom in its deliberations, to prevent subornation or perjury or tampering with witnesses, to encourage free input and disclosure of information to grand jury, and to protect lives and reputations of innocent persons who are exonerated by grand jury investigations. Fed.Rules Crim.Proc. rule 6(e), 18 U.S.C.A.

#### 3. Grand Jury ⇐41

Grand jury secrecy rule was not intended to insulate from disclosure all information once it is presented to grand jury, but aim of rule is to prevent disclosure of way in which information was presented to grand jury, specific questions and inquiries of grand jury, deliberations and vote of grand jury, targets upon which grand jury's suspicion focuses, and specific details of what took place before grand jury. Fed. Rules Crim.Proc. rule 6(e), 18 U.S.C.A.

#### 4. Grand Jury ⇐41

When grand jury has returned indictment, accused has been apprehended, and grand jury's work has ended and it has

been discharged, veil of secrecy surrounding grand jury proceedings may safely be lifted where justice requires. Fed.Rules Crim. Proc. rule 6(e), 18 U.S.C.A.

#### 5. Grand Jury ⇐40

Simply because documentary information is presented to grand jury does not preclude it from all further examination, but, good independent basis for obtaining that information must be shown. Fed. Rules Crim.Proc. rule 6(e), 18 U.S.C.A.

#### 6. Grand Jury ⇐41

Where documentary information presented to grand jury was sought by subcommittee of House of Representatives for purpose of examining documents themselves and not for any interest in events that transpired during grand jury proceedings, subcommittee chairman indicated that he was willing to accept copies so that there would be no possibility that documentary information might be unavailable for use in criminal trial and need for secrecy concerning information presented to grand jury had disappeared with discharge of grand jury, grand jury secrecy rule did not bar disclosure of documentary information. Fed.Rules Crim.Proc. rule 6(e), 18 U.S.C.A.

#### 7. United States ⇐12

Speech or debate clause provides both absolute immunity from being questioned about legislative activities and inherent, implied power to conduct legislative activity. U.S.C.A.Const. art. 1, § 6, cl. 1.

#### 8. United States ⇐12

Scope of speech or debate clause is sweeping and awesome and, once threshold test for application of that clause is met, its authority and immunity is absolute. U.S.C.A.Const. art. 1, § 6, cl. 1.

#### 9. United States ⇐12

Threshold test which must be met in order for speech or debate clause to apply is whether member of Congress or his staff acting on his behalf are involved in conduct within legitimate legislative sphere of activity; by "legitimate legislative sphere" is meant conduct or activity which has legitimate legislative object or goal, and by "le-

## IN RE GRAND JURY INVESTIGATION OF VEN-FUEL

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itimate legislative object or goal" is meant subject matter or area about which legislation could be had. U.S.C.A.Const. art. 1, § 6, cl. 1.

See publication Words and Phrases for other judicial constructions and definitions.

## 10. United States ⇐23(2)

Congress has no general authority to conduct generalized, unspecified investigations into private matters about which legislation could never be proper, but apart from that limitation, authority of Congress under speech or debate clause to conduct investigations is absolute and members of Congress are totally immune from any challenge to legislative investigatory activity; and additionally, there is presumption that congressional activity has as its object legitimate goal toward possible legislation. U.S.C.A.Const. art. 1, § 6, cl. 1.

## 11. Constitutional Law ⇐70.3(1), 77

Neither motives behind legislative activity, nor final product resulting from legislative activity may be questioned by courts or executive branch. U.S.C.A.Const. art. 1, § 6, cl. 1.

## 12. Constitutional Law ⇐70.1(1)

Not even possible or actual infringement and violation of fundamental constitutional rights will permit any questioning or attempt to curtail congressional activity, so long as it is cloaked with presumption of legitimate legislative goal or object. U.S.C.A.Const. art. 1, § 6, cl. 1.

## 13. United States ⇐12

It is difficult to defeat presumption of legitimate legislative goal or object: if specific activities occurred during sessions of Congress in connection with business before it, or are integral part of legislative deliberating process, in which members of Congress participate concerning matters that constitute potential objects of legislation, they are presumed to be within scope of legitimate legislative sphere and are shielded by absolute and invulnerable authority of speech or debate clause. U.S.C.A.Const. art. 1, § 6, cl. 1.

## 14. Constitutional Law ⇐76

Unless Congress grants executive branch authority by statute, authority of executive branch is limited to express and implied powers of Article II of Constitution, insofar as those powers are not inconsistent with express and implied legislative authority of Congress in Article I. U.S.C.A.Const. art. 1, § 1 et seq., art. 2, § 1 et seq.

## 15. United States ⇐23(4)

Exclusive power, responsibility and purpose of Congress is legislation and that power to legislate contains inherent and implied power to obtain information needed in order to enact legislation; and power to obtain information necessary for legislating includes right to use compulsory process as means of acquiring needed information. U.S.C.A.Const. art. 1, § 6, cl. 1.

## 16. Grand Jury ⇐40

Subcommittee of House of Representatives had constitutionally independent legal right to obtain documents presented to federal grand jury in order to enact legislation, and subcommittee chairman, its members, or their staff and representatives would be permitted to examine all documents without segregation and identification of those upon which criminal indictment was based, in order to determine what specific documents they wished produced for their use. U.S.C.A.Const. art. 1, § 6, cl. 1.

## 17. Attorney General ⇐6

United States Attorney was officer of United States acting in his official capacity.

## 18. Grand Jury ⇐40

Chairman of House Subcommittee had standing to move for disclosure of grand jury documents desired and needed for exercise of House of Representatives' constitutional investigatory power. 28 U.S.C.A. § 1331.

## 19. United States ⇐23(8)

Failure to obey subpoena duces tecum issued by House of Representatives in furtherance of its legitimate activity would constitute contempt of that House of Congress.

20. United States  $\Leftarrow$  23(8)

Houses of Congress possess inherent authority to punish contempt of their orders by civil contempt proceedings in legislative forum.

21. Criminal Law  $\Leftarrow$  163

Conduct before Congress can constitute both criminal offense and civil contempt, punishable by civil contempt proceedings in legislature and criminal prosecution in courts, without any violation of double jeopardy clause. U.S.C.A.Const. Amend. 5.

Michael R. Lemov, Chief Counsel, Subcommittee on Oversight and Investigations, Committee on Interstate and Foreign Commerce, U. S. House of Representatives, Washington, D. C., for movant.

John L. Briggs, U. S. Atty., Jacksonville, Fla., Benjamin R. Civatelli, Deputy Atty. Gen., Crim. Div., Dept. of Justice, Washington, D. C., for respondents.

## OPINION AND ORDER

CHARLES R. SCOTT, District Judge.

The Honorable John E. Moss, Chairman, Subcommittee on Oversight and Investigations, of the House of Representatives' Committee on Interstate and Foreign Commerce, has moved the Court for an order authorizing disclosure of documents presented to a federal grand jury in Jacksonville, Florida. The documents were presented as part of the government's effort to show probable cause that a criminal offense had been committed, in order to obtain an indictment. An indictment was returned against Ven-Fuel, Inc. on January 14, 1977. (*United States v. Ven-Fuel, Inc.*, 77-15-Cr-J-Y) Chairman Moss specifically requests disclosure of documents other than those relating to the criminal case which might be used as evidence at the trial of that case.

This motion presents two questions: (1) whether the law concerning grand juries, particularly Fed.R.Crim.P. 6(e), forbids disclosure of the documents sought; and (2) whether the House Subcommittee and

Chairman Moss have an independent right to obtain the documents sought. For two compelling reasons, discussed as follows, the Court holds that disclosure of the documents is not prohibited by Rule 6(e), and that Chairman Moss and the House Subcommittee are entitled under federal law to the documents.

## I. Grand Jury Secrecy—Disclosure of Documents Presented

[1, 2] Fed.R.Crim.P. 6(e) provides for the secrecy of "matters occurring before the grand jury", unless a court authorizes disclosure for the purposes of a judicial proceeding, or at the request and showing by a defendant that he needs the information to justify dismissal of an indictment. Rule 6(e) codifies the traditional policies underlying grand jury secrecy; but it also remains subject to the exceptions that those policies recognize. See *In re Report & Recommendation of Grand Jury*, 370 F.Supp. 1219, 1229 (D.D.C.1974). The traditional reasons for grand jury secrecy are (1) to prevent potential defendants from fleeing; (2) to guarantee the grand jury's freedom in its deliberations; (3) to prevent subornation or perjury or tampering with witnesses; and (4) to encourage free input and disclosure of information to the grand jury; and (5) to protect the lives and reputations of innocent persons who are exonerated by the grand jury investigations. *Pittsburgh Plate Glass Co. v. United States*, 360 U.S. 395, 399-400, 79 S.Ct. 1237, 1240-1241, 3 L.Ed.2d 1323, 1326-27 (1959); *United States v. Proctor & Gamble Co.*, 856 U.S. 677, 681-82, 78 S.Ct. 983, 985-86, 2 L.Ed.2d 1077, 1081-82 (1958); *In re Report & Recommendation of Grand Jury*, 370 F.Supp. at 1229.

[3, 4] Rule 6(e), however, was not intended to insulate from disclosure all information once it is presented to a grand jury. *United States v. Saks & Co.*, 426 F.Supp. 812, 814 (S.D.N.Y.1976). The aim of the rule is to prevent disclosure of the way in which information was presented to the grand jury, the specific questions and inquiries of the grand jury, the deliberations

## IN RE GRAND JURY INVESTIGATION OF VEN-FUEL

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and vote of the grand jury, the targets upon which the grand jury's suspicion focuses; and specific details of what took place before the grand jury. *United States v. Interstate Dress Carriers, Inc.*, 280 F.2d 52, 54 (2d Cir. 1960); *United States v. Saks & Co.*, 426 F.Supp. at 815; *In re Senate Banking Committee Hearings*, 19 F.R.D. 410, 412-13 (N.D.Ill.1956). When a grand jury has returned an indictment, an accused apprehended, and the grand jury's work has ended and it has been discharged, "the veil of secrecy surrounding grand jury proceedings may safely be lifted where justice requires." *United States v. Alper*, 156 F.2d 222, 226 (2d Cir. 1945); *In re Report & Recommendation of Grand Jury*, 370 F.Supp. at 1229; *United States v. GMC*, 352 F.Supp. 1071, 1072 (E.D.Mich.1973).

Furthermore, it is doubtful whether mere documentary information was ever included within the scope of Rule 6(e) secrecy for grand juries. *State of Ill. v. Sarbaugh*, 552 F.2d 768, 772 n. 2 (7th Cir. 1977); *United States v. Weinstein*, 511 F.2d 622, 627 n. 5 (2d Cir. 1975). *United States v. Interstate Dress Carriers, Inc.*, 280 F.2d 52 (2d Cir. 1960), is a classic case concerning disclosure of documentary information previously presented to a federal grand jury. In that case, the Interstate Commerce Commission (ICC) subpoenaed documents which had been presented to a federal grand jury. The ICC was statutorily authorized to examine financial records of persons subject to its regulations. The district court held that ICC inspection of the documents did not constitute "disclosure of matters occurring before the grand jury" as safeguarded by Rule 6(e). The classic statement of that principle by the court was that

" . . . when testimony or data is sought for its own sake—for its intrinsic value in the furtherance of a lawful investigation—rather than to learn what to place before the grand jury, it is not a valid defense to disclosure that the same information was revealed to a grand jury or that the same documents had been, or were presently being, examined by a grand jury." *Id.* at 54.

A United States Senate Banking Committee requested to see documents which had been shown to a federal grand jury, and which were in the custody of the United States Attorney, in *In re Senate Banking Committee Hearings*, 19 F.R.D. 410 (N.D.Ill.1956). The committee filed a motion requesting that the United States Attorney be directed to permit inspection and to supply copies of the documents. Although the United States Attorney objected on the ground that the secrecy and confidentiality of the grand jury would be breached, the court rejected that argument. Instead, the court concluded that "when the fact or document is sought for itself, independently, rather than because it was stated before or displayed to the grand jury, there is no bar of secrecy." *Id.* at 412. The Senate Committee's motion for disclosure was granted. Similarly, in *Davis v. Romney*, 55 F.R.D. 337 (E.D.Pa.1972), the plaintiffs sought civil discovery by means of interrogatories of information contained in 23,000 file binders. The government refused to answer the interrogatories on the ground that the information presented in the binders had also been presented earlier as evidence to a special grand jury. The defendants expressly relied on Rule 6(e). The district court overruled the objection and ordered the defendants to answer the interrogatories stating, "the situation . . . is akin to *United States v. Interstate Dress Carriers, Inc.*"

[5] The preceding cases establish the authority that (1) simply because documentary information is presented to a grand jury does not preclude it from all further examination but that (2) a good, independent basis for obtaining that information needs to be shown. When, along with several indictments, the federal grand jury in the District of Columbia returned a sealed report with a two page letter to Judge Sirica, recommending that the report be transmitted to the House of Representatives' Committee on the Judiciary, the indicted defendants objected. *In re Report & Recommendation of Grand Jury*, 370 F.Supp. 1219 (D.D.C.1974). Judge Sirica found it to be

"... incredible that grand jury matters should lawfully be available to disbarment committees and police disciplinary investigations and yet be unavailable to the House of Representatives

Certainly Rule 6(e) cannot be said to mandate such a result." *Id.* at 1230.

Judge Sirica concluded that "delivery to the committee is imminently proper, and is indeed, obligatory."

[6] In the present case, the documentary information presented to the grand jury is sought by Chairman Moss and the subcommittee for the purpose of examining the documents themselves, and not for any interest in the events that transpired during the grand jury proceedings. Furthermore, Chairman Moss has indicated that he is willing to accept copies of the documents, so that there would be no possibility that documentary information might be unavailable for use in the criminal trial in this Court. That accommodation by Chairman Moss protects the secrecy of the grand jury and the rights of the defendant. *Cf. Capitol Indem. Corp. v. First Minn. Constr. Co.*, 405 F.Supp. 929, 931 (D.Mass.1975). Furthermore, the need for secrecy concerning information presented during grand jury proceedings has virtually disappeared. The grand jury that returned an indictment against Ven-Fuel, Inc., in January of 1977, was discharged April 14, 1977. Hence, the grand jury is no longer sitting and investigating the documentary information previously presented to it.

Although Chairman Moss and the Subcommittee have requested only those documents which do not relate to the indictment and pending criminal case, the Court believes that in order to fortify the inviolable secrecy of the grand jury's deliberation that resulted in the indictment, there should be no segregation and identification of the documentary information into two separate groups. Consequently, the Court will order that, without any distinguishing classification, all of the documentary information presented to the grand jury be made available for examination by the staff and repre-

sentatives of Chairman Moss. What Judge Sirica said about the sealed report returned by the grand jury with the recommendation that it be sent to the House Judiciary Committee, can be adapted and paraphrased about the documentary information sought by Chairman Moss and the Subcommittee. The documentary information

"... draws no accusatory conclusions. It deprives no one of an official forum in which to respond. It is not a substitute for indictments where indictments might properly issue. It contains no recommendations, advice or statements that infringe on the prerogatives of other branches of government. It renders no moral or social judgments. [It] is a simple and straight forward compilation of information gathered by the Grand Jury, and no more." *In re Report & Recommendation of Grand Jury*, 370 F.Supp. at 1226.

Finally, in addition to the Court's conclusion that the mere documentary information presented to the grand jury does not constitute matters occurring before the grand jury, the Court finds, as discussed next, that Chairman Moss and the Subcommittee have made an independent showing of their legal right to obtain the documentary information desired.

## II. Legislative Prerogative and Power to Investigate

[7, 8] Article I, Section 6, Clause 1 of the Constitution provides

"The Senators and Representatives shall receive a Compensation for their Services, to be ascertained by Law, and paid out of the Treasury of the United States. They shall in all Cases, except Treason, Felony and Breach of the Peace, be privileged from Arrest during their Attendance at the Session of their respective Houses, and in going to and returning from the same; and for any Speech Or debate in either House, they shall not be questioned in any other Place."

The Speech or Debate Clause provides both an absolute immunity from being questioned about legislative activities, and the

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inherent, implied power to conduct legislative activity. *Eastland v. United States Servicemen's Fund*, 421 U.S. 491, 95 S.Ct. 1813, 44 L.Ed.2d 324 (1975); *Gravel v. United States*, 408 U.S. 606, 92 S.Ct. 2614, 33 L.Ed.2d 583 (1972). The scope of the Speech or Debate Clause is sweeping and awesome. Once the threshold test for the application of that clause is met, its authority and immunity is absolute. *Eastland v. United States Servicemen's Fund*, 421 U.S. at 503, 95 S.Ct. at 1821, 44 L.Ed.2d at 336.

[9] The threshold test which must be met in order for the Speech or Debate Clause to apply is whether a member of Congress or his staff acting on his behalf are involved in conduct within a legitimate legislative sphere of activity. *Eastland v. United States Servicemen's Fund*, 421 U.S. at 503, 95 S.Ct. at 1821, 44 L.Ed.2d at 336; *Gravel v. United States*, 408 U.S. at 622, 92 S.Ct. at 2625, 33 L.Ed.2d at 600. By 'legitimate legislative sphere' is meant conduct or activity which has a legitimate legislative object or goal; by 'legitimate legislative object or goal' is meant a subject matter or area about which legislation could be had. *Eastland v. United States Servicemen's Fund*, 421 U.S. at 505-06, 95 S.Ct. at 1822, 44 L.Ed.2d at 338; *McGrain v. Daugherty*, 273 U.S. 135, 177, 47 S.Ct. 319, 329, 71 L.Ed. 580, 594 (1927); *United States v. AT&T*, 551 F.2d 384, 388 (D.C.Cir. 1976).

[10-13] The Congress has no general authority to conduct generalized, unspecified investigations into private matters about which legislation could never be proper. *Eastland v. United States Servicemen's Fund*, 421 U.S. at 504 n. 15, 95 S.Ct. at 1822, 44 L.Ed.2d at 337 n. 15; *McGrain v. Daugherty*, 273 U.S. at 171-74, 47 S.Ct. at 327-28, 71 L.Ed. at 591-93. Apart from the initial limitation against generalized and non-legislative investigations, however, the authority of Congress under the Speech or Debate Clause to conduct investigations is absolute, and members of Congress are totally immune from any challenge to legislative investigatory activity. Additionally, there is a presumption that congressional activity has as its object a legitimate goal toward

possible legislation. *McGrain v. Daugherty*, 273 U.S. at 178-79, 47 S.Ct. at 330, 71 L.Ed. at 594-95; *Ashland Oil, Inc. v. FTC*, 548 F.2d 977, 979 (D.C.Cir.1977). Neither the motives behind the legislative activity, nor the final product resulting from legislative activity may be questioned by the courts or the executive branch. *Eastland v. United States Servicemen's Fund*, 421 U.S. at 508-09, 95 S.Ct. at 1823, 44 L.Ed.2d at 339-40. Not even possible or actual infringement and violation of fundamental constitutional rights will permit any questioning or attempt to curtail congressional activity, so long as it is cloaked with the presumption of a legitimate legislative goal or object. *Id.* at 509-11, 95 S.Ct. at 1824-25, 44 L.Ed.2d at 340-41. To defeat that presumption is difficult: if the specific activities (1) occurred during sessions of Congress in connection with the business before it, or (2) are an integral part of legislative deliberating processes, in which members of Congress participate concerning matters that constitute potential objects of legislation, they are presumed to be within the scope of a legitimate legislative sphere, and are shielded by the absolute and invulnerable authority of the Speech or Debate Clause. *Eastland v. United States Servicemen's Fund*, 421 U.S. at 503-04, 95 S.Ct. at 1821, 44 L.Ed.2d at 336-37.

[14] The legislative and executive branches are the political branches of government inasmuch as the members of those branches are answerable to the citizens who elect them and whom they represent. The effect of the Speech or Debate Clause is to preclude the executive branch or the courts from calling into question or requiring an accounting by the members of Congress for their legislative activities. So long as members of Congress are acting within their legitimate sphere, they can be held to answer or called to account only by their ultimate tribunal of reckoning, the electorate that they represent. Hence, in a case like this, it is improper for a court to defer to the opinions of the executive branch when the exercise of legitimate congressional authority is involved. See *Unit-*

*ed States v. AT&T*, 551 F.2d at 392. Unless the Congress grants the executive branch authority by statute, the authority of the executive branch is limited to the express and implied powers of Article II of the Constitution, insofar as those powers are not inconsistent with the express and implied legislative authority of Congress in Article I. *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 637-38, 72 S.Ct. 863, 871, 96 L.Ed. 1153, 1200 (1952) (Jackson, J., concurring); *United States v. AT&T*, 551 F.2d at 392.

[15] The exclusive power, responsibility, and purpose of Congress is legislation. *McGrain v. Daugherty*, 273 U.S. at 160-61, 162-63, 47 S.Ct. at 324, 71 L.Ed. at 587-88. That power to legislate contains the inherent and implied power to obtain information needed in order to enact legislation. *Id.* at 161, 165, 175, 47 S.Ct. at 325-329, 71 L.Ed. at 587-589, 593. The power to obtain information necessary for legislating includes the right to use compulsory process as a means of acquiring the needed information. *Eastland v. United States Servicemen's Fund*, 421 U.S. at 504, 95 S.Ct. at 1821, 44 L.Ed.2d at 337; *McGrain v. Daugherty*, 273 U.S. at 165, 47 S.Ct. at 325-328, 174-76, 71 L.Ed. at 589, 593. "Congressional power to investigate and acquire information by subpoena is on a firm constitutional basis." *United States v. AT&T*, 551 F.2d at 393.

In *Eastland v. United States Servicemen's Fund*, 421 U.S. 491, 95 S.Ct. 1813, 44 L.Ed.2d 324 (1975), a Senate Subcommittee on internal security issued subpoenas duces tecum to a bank where the United States Service Fund (USSF) had an account. USSF and two of its members sued to enjoin service of the subpoenas duces tecum. USSF charged that the subpoenas constituted an unconstitutional abuse of the legislative power of inquiry that Congress possessed. The district court, when presented by the motion for a temporary restraining order, denied it. The court of appeals stayed the subpoenas pending an expedited consideration by the district court of USSF's preliminary injunction motion.

The district court then held an expedited hearing on the preliminary injunction motion as well as Chairman Eastland's motion to dismiss, and denied both. Once again the court of appeals stayed the subpoenas and ordered the district court to proceed to a hearing on the merits of the case. The district court denied USSF's request for a permanent injunction; and the court of appeals reversed. The United States Supreme Court, reversing the court of appeals and upholding the district court, held that "once it is determined that Members [of Congress] are acting within the legitimate legislative sphere the Speech or Debate Clause is an absolute bar to interference" by the courts or the executive branch. *Id.* at 503, 95 S.Ct. at 1821, 44 L.Ed.2d at 336. The Supreme Court declared that the case illustrated

"vividly the harm that judicial interference may cause. A legislative inquiry has been frustrated for nearly five years, during which the Members and their aides have been obliged to devote time to consultation with their counsel concerning the litigation, and have been distracted from the purpose of their inquiry. The Clause was written to prevent the need to be confronted by such 'questioning' and to forbid invocation of judicial power to challenge the wisdom of Congress' use of its investigative authority." *Id.* at 511, 95 S.Ct. at 1825, 44 L.Ed.2d at 341.

*United States v. AT&T*, 551 F.2d 384 (D.C. Cir. 1976), was a case involving "a portentous clash between the executive and legislative branches" of the government. In that case, Chairman Moss and the same sub-committee on oversight and investigations issued a subpoena duces tecum to the president of American Telephone & Telegraph Company (AT&T), to produce copies of all national security request letters sent by the Federal Bureau of Investigation. Those request letters had specified target telephone lines to be tapped, identified the lines by the telephone numbers and addresses, and requested the cooperation of AT&T in tapping communications and monitoring conversations by the F.B.I. The executive

branch, under direction from the White House, opposed the subpoena, and after a series of negotiations aimed at reaching a compromise solution, the Department of Justice sought and obtained a temporary restraining order from the district court. The temporary restraining order was tantamount to

" . . . an order quashing the Committee's subpoena, which is generally an impermissible frustration of the congressional power to investigate an area, conceded by all to be the situation here, in which 'legislation could be had' ". *Id.* at 388.

Although the district court recognized that the case involved a clash of the powers of the legislative and the executive branches, the court used a reasoning that consisted of analyzing the interests of the two branches, and balancing those interests against each other. In so doing, however, the district court actually deferred almost completely to the position and interests of the executive branch in reaching a decision. The court of appeals intimated that deference to executive determinations, "when the result of the deference would be to impede Congress in exercising its legislative powers," was constitutionally faulty. *Id.* at 392 and n. 12. However, in order to avoid a seemingly inevitable conflict among the branches of government, the court of appeals remanded the case without a decision, but with a suggested settlement approach for the legislative and executive branch representatives to follow. To date that settlement approach has not produced a resolution of the conflict.

The present case is also an involvement of the three branches of government, though without any direct conflict. There is a sense in which the powers and operations of the coequal, but interdependent, branches of the federal government are constitutionally established over theoretical fault lines. Disputes and confrontations between those branches always present the kinds of stress and tension that threaten to separate and divide those lines into chasms, ultimately collapsing our constitutionally created form of government. Hence, to

avert and minimize such tensions is always the proper and prudent course of action.

[16] There is no question that Chairman Moss and the Subcommittee have demonstrated their constitutionally independent legal right to the documents that they seek for their legitimate legislative activity. Consequently, the Court holds that they are entitled to disclosure of the documents they seek. Further, the Court will order that Chairman Moss, the members of the Subcommittee or their staff and representatives, be permitted to examine all of the documents, without segregation and identification of those upon which the criminal indictment was based, in order to determine what specific documents they wish produced for their use.

[17, 18] The Court finds that it has jurisdiction in this matter under the recent amendment to 28 U.S.C. § 1331, in that the United States Attorney is clearly an officer of the United States acting in his official capacity. Additionally, Chairman Moss has standing to move for disclosure of documents desired and needed for the exercise of the House of Representatives' constitutional investigatory power. *United States v. AT&T*, 551 F.2d at 391. Consequently, the Court will enforce this order authorizing disclosure to Chairman Moss, members of the Subcommittee, or their staff or representatives. However, once it has been determined precisely what documents are desired and needed for the Subcommittee to continue its legislative investigation, the Court will request that the Subcommittee issue its own subpoena duces tecum to the United States Attorney for the specific documents desired.

[19-21] There is no question that failure to obey a subpoena duces tecum issued by the House of Representatives in furtherance of its legitimate activity would constitute a contempt of that House of Congress. *McPhaul v. United States*, 364 U.S. 372, 81 S.Ct. 138, 5 L.Ed.2d 136 (1960). The Houses of Congress possess inherent authority to punish contempt of their orders by civil contempt proceedings in the legislative fo-

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rum: *Jurney v. MacCracken*, 294 U.S. 125, 151-52, 55 S.Ct. 375, 379, 79 L.Ed. 802, 808 (1935); *In re Chapman*, 166 U.S. 661, 671-72, 17 S.Ct. 677, 681, 41 L.Ed. 1154, 1159 (1897); *United States v. Fort*, 143 U.S.App. D.C. 255, 262, 443 F.2d 670, 677 (1971). Although Congress implemented its inherent authority by enacting 2 U.S.C. § 192, to provide a proceeding in a judicial forum with a penalty for criminal contempt of Congress, it did not impair or divest itself of its "essential and inherent power to punish for contempt" which "still remains in each House." *In re Chapman*, 166 U.S. at 672, 17 S.Ct. at 681, 41 L.Ed. at 1159. See also *Jurney v. MacCracken*, 294 U.S. at 151-52, 55 S.Ct. at 379, 79 L.Ed. at 808; *United States v. Fort*, 143 U.S.App.D.C. at 261-62, 443 F.2d at 676-77. Consequently, the same conduct before Congress can constitute both a criminal offense and civil contempt, punishable by civil contempt proceedings in the legislature and criminal prosecution in the courts, without any violation of the double jeopardy clause. *Jurney v. MacCracken*, 294 U.S. at 151-52, 55 S.Ct. at 379, 79 L.Ed. at 808; *In re Chapman*, 166 U.S. at 672, 17 S.Ct. at 681, 41 L.Ed. at 1159-60; *United States v. Fort*, 143 U.S.App.D.C. at 262, 443 F.2d at 677. The House of Representatives, therefore, retains its inherent power to enforce its own subpoena duces tecum against any resistance or reluctance to comply with it, by means of civil contempt proceedings and remedies within its own forum. Such a procedure might relieve the judiciary from any further involvement in this matter. That procedure might also avoid potential conflicts between the legislative and executive branches, and within the executive branch itself, that would result from a prosecution by the executive branch, of an executive branch official, for conduct in accordance with executive branch policy which the House of Representatives might deem contempt of its legislative prerogative and authority.



AMERICAN FEDERATION OF  
GOVERNMENT EMPLOYEES,  
AFL-CIO, et al., Plaintiffs,

v.  
DEPARTMENT OF the ARMY et  
al., Defendants.

Civ. A. No. 77-0062.

United States District Court,  
District of Columbia.

Dec. 5, 1977.

In action under the Freedom of Information Act for disclosure of Army Inspector General investigation report concerning alleged personnel management irregularities at United States army facility, the District Court, Gasch, J., held that: (1) fact that commander had "approved" the report did not render it disclosable in total under the Freedom of Information Act as a final opinion, and (2) testimony of witnesses was exempt from disclosure under the Freedom of Information Act exemption for intra-agency memoranda.

Judgment for defendant.

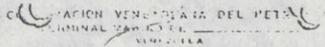
1. Records ← 14

Fact that commander approved Army Inspector General's report did not automatically transform that report into a final opinion so as to render it disclosable under the Freedom of Information Act since the report was prepared for the review of the commander who was the final decision making authority, thus, rendering the report entirely predecisional in nature. 5 U.S.C.A. § 552(a)(2)(A).

2. Records ← 14

Report of Army Inspector General was not disclosable under the Freedom of Information Act on theory that it was expressly incorporated or adopted in final opinion of the commander based on the commander's

M/T "INDEPENDENCIA I" TRANSACTION



MOD. 1961-10-114

**CERTIFICADO DE ORIGEN Y FACTURA CONSULAR COMBINADOS**  
(COMBINED CERTIFICATE OF ORIGIN AND CONSULAR INVOICE)

FACTURA No. 5		
COMPRADO POR <b>MILICO, LEITEB</b>		
A: <b>CORPORACION VENEZOLANA DEL PETROLEO</b>		
EMBARCADO EN EL B. " <b>IMPERATRIZ I</b> "		DE NACIONALIDAD <b>VENEZOLANA</b>
CANTIDAD A 40 °F (QUANTITY AT 40 °F)		PRECIO (PRICE)
156.251	BARRILES NETOS DE 42 GALONES (NET BARRELS OF 42 US GALLONS)	
7.221.702	GALONES U.S. NETOS (NET US GALLONS)	
27.892	TONELADAS LARGAS NETAS DE 2240 LBS. (NET LONG TONS OF 2240 LBS.)	
	PRECIO POR BARRIL NETO (PRICE PER NET BARREL)	
	FLETE POR TONELADAS LARGAS (FREIGHT PER LONG TONS)	
	SEGURO FPA POR 100 U.S. \$ (INSURANCE FPA PER 100 U.S. \$)	

EL ADJAO FIRMANTE, REPRESENTANTE DE LA CORPORACION VENEZOLANA DEL PETROLEO, CERTIFICA  
(THE UNDERSIGNED, REPRESENTATIVE OF CORPORATION VENEZOLANA DEL PETROLEO, CERTIFIES  
QUE EL LOTE COMPLETO DE **APIE CIL. 6** CARGADO EN EL  
HEREBY THAT THE ENTIRE LOT OF **APIE CIL. 6** LOADED ON THE  
B/T " **IMPERATRIZ I** " EN EL TERMINAL MARINO DE **EL PALITO** VENEZUELA, CON  
(AT THE MARINE TERMINAL OF **EL PALITO** VENEZUELA, ON THE  
FECHA **24** DE **AGOSTO** DE **1972** CONTIENE TODAS LAS ESPECIFICACIONES  
DATE OF **24** **AGOSTO** **1972** CONTAINS ALL SPECIFICATIONS  
REQUERIDAS, ES UN PRODUCTO DE VENEZUELA Y HA SIDO REFINADO EN LA REFINERIA DE **EL PALITO**  
REQUIRED, IS A PRODUCT OF VENEZUELA AND HAS BEEN REFINED IN THE REFINERY AT **EL PALITO**  
VENEZUELA LE CRUDO VENEZOLANO.  
VENEZUELA, FROM VENEZUELAN CRUDE OIL.

**CORPORACION VENEZOLANA DEL PETROLEO**

*[Signature]*  
**Superior del Terminal Marino**  
SUPERVISOR DEL TERMINAL MARINO  
(MARINE TERMINAL SUPERINTENDENT)

REPUBLICA DE VENEZUELA,  
REPUBLIC OF VENEZUELA,  
ESTADO: \_\_\_\_\_  
STATE OF: \_\_\_\_\_  
CIUDAD DE: \_\_\_\_\_  
CITY OF: \_\_\_\_\_  
CONULADO DE: \_\_\_\_\_  
CONSULATE OF: \_\_\_\_\_

FIRMADO Y DECLARADO ANTE MI EN ESTE DIA \_\_\_\_\_ DE \_\_\_\_\_ 19\_\_\_\_  
(SIGNED AND DECLARED BEFORE ME ON THIS DAY) \_\_\_\_\_ OF \_\_\_\_\_ 19\_\_\_\_



GRADE	DIAUGER		NO. OF TANKS	FACTORS	BARRELS		TEMPERATURE
	FT.	IN.			DELIVERED	RECEIVED	
	EL PALITO, VENEZUELA				M/T "INDEPENDENCIA 1"		DECEMBER 26, 1973
100X3							
OPEN	45-11	163,896	130	0.9725	159,389		
CLOSE	09-02	32,065	127	0.9736	31,218	128,171	
00X5							
OPEN	45-04 5/8	76,677	90	0.9851	75,535		
CLOSE	45-04 5/8	73,287	90	0.9851	72,195	3,340	
F.O.R.							
OPEN	(INDICATED)	BARRELS/60F P.	D. METER NO. 1	....	69,333,720		
CLOSE	(INDICATED)	BARRELS/60F P.	D. METER NO. 1	....	69,388,440	54,720	
						<hr/>	186,231
CONSIGNEE:		FUELCO, LIMITED.					
DESTINATION:		CORPUS CHRISTI, TEXAS, U.S.A.					

TEMPERATURE CORRECTION BASED ON ASTM D 1250-IP 200 TABLE NO. 7

"QUALITY"  
 SEE "CERTIFICATE OF ANALYSIS"

"QUANTITY"  
 POUNDS  
 GALLONS @ 60° F. 7,821,702  
 BARRELS @ 60° F. 186,231  
 LONG 27,992  
 METRIC 26,339,86

THE FOREGOING IS A COMPLETE STATEMENT OF INSPECTION OF FULL CARGO DESIGNATED AS FUEL OIL NO. 6. DELIVERED TO THE ABOVE VESSEL BY THE CORPORACION VENEZOLANA DEL PETROLEO AT EL PALITO, VENEZUELA.

E. W. SAYBOLT &amp; CO., S. A.

*E. W. Saybolt*  
 INSPECTION & ANALYSIS

# NAVIERA CONTINENTAL, C. A.

## PUERTO CABELLO

### MANIFIESTO GENERAL

Del cargamento que conduce el BUQUE TANQUERO " INDEPENDENCIA I "  
 de nacionalidad VENEZOLANA a mi mando y del  
 porte de 11.975 toneladas netas, con destino a CORPUS CHRISTI, TEXAS -  
UNITED STATES OF AMERICA embarcado por Corporación Venezolana del Pet  
 y a la consignación de FUELCO, LIMITED

Marcas No. Núm. Btos.:	CLASE Y CONTENIDO:	KILOGRAMOS:	M3.
S/M    S/N	UN LOTE DE FUEL OIL No 6 A GRANEL:	28.339.860.-	29.609.-
	TOTAL:.....	28.339.860.-	29.609.-

UN LOTE

Son 28.339.860 con peso bruto  
 total de VEINTIOCHO MILLONES TRESCIENTOS TREINTINUEVE MIL OCHOCIENTOS  
SESENTA KILOGRAMOS.-

Puerto Cabello; 24 de Diciembre de 1973.-

FUECIA U. S. S. T. A. por Capitán:

El Administrador de la Aduana de este Puerto,  
 certifica que los artículos a que se refiere el  
 presente manifiesto han sido despachados  
 legalmente.

En el Administrador El Director de Bienes

NAVIERA CONTINENTAL, C. A.

P/

*Nicolas Pericho*  
 Nicolas Pericho

COASTAL - 2093 (6/73)

**COASTAL STATES MARKETING,**  
*A wholly owned subsidiary of*  
 Coastal States Gas Producing Company

**PURCHASE ORDER**

**IMPORTANT:**  
 PLEASE SEND INVOICE TO  
 P.O. BOX 1501  
 CORPUS CHRISTI, TEXAS 78403  
 (512) 883-5211

FIVE GREENWAY PLAZA EAST  
 HOUSTON, TEXAS 77045  
 (713) 627-3700

TO: FUELCO, LTD.  
 Suite 440 Ponce deLeon Bldg.  
 2121 Ponce deLeon Blvd.  
 Coral Gables, Florida 33134

NO. P-312-794  
 DATE 12-27-73

WE AGREE TO PURCHASE THE FOLLOWING FROM YOU AS PER: Iglesias/Evans

TO BE SHIPPED TO: Coastal States Marketing, Inc.

SHIPPING PERIOD: Dec. 26, 1973

DESTINATION: TBN

SHIP VIA: Independencia

TERMS: Net Cash upon presentation of documents & commercial invoice  
 F.O.B. : El Palito

QUANTITY	DESCRIPTION	PRICE
180,000 Barrels	No. 6 Fuel-011 2.2% Max Sulfur 60°F Max Pour	\$13.75/Bbl Firm

CONDITIONS OF PURCHASE: As agreed

INSPECTION: Cost to be shared equally

THE PROVISIONS ON THE REVERSE HEREOF AND/OR ATTACHED HERETO CONSTITUTE A PART HEREOF.

AGREED TO AND ACCEPTED ON THIS THE \_\_\_ DAY OF \_\_\_\_\_, 19\_\_.

COASTAL STATES MARKETING, INC.  
 BUYER

SELLER

BY Jerry F. Evans, Vice President

Original - Coastal States    Copy I - Vendor    Copy II - Accounting    Copy III - Products Control    Copy IV - Insurance    Copy V - File

COASTAL - 2093 (6/73)

COASTAL STATES MARKETING, INC.

A wholly owned subsidiary of  
Coastal States Gas Producing Company

PURCHASE ORDER

IMPORTANT:  
PLEASE SEND INVOICE TO  
P.O. BOX 1501  
CORPUS CHRISTI, TEXAS 78403  
(512) 883-5211

FIVE GREENWAY PLAZA EAST  
HOUSTON, TEXAS 77046  
(713) 627-3700

TO: Fuelco Ltd.  
Suite 440 Ponce de Leon Building  
2121 Ponce de Leon Blvd.  
Coral Gables, Florida 33134

NO. P-312-794  
DATE 12-27-73

WE AGREE TO PURCHASE THE FOLLOWING FROM YOU AS PER:

TO BE SHIPPED TO: Coastal States Marketing Inc.

SHIPPING PERIOD: Dec. 26, 1973

DESTINATION: TBN

SHIP VIA: Independencia

TERMS: Net cash upon presentation  
of documents & commercial  
F.O.B.: El Palito invoice

QUANTITY	DESCRIPTION	PRICE
200,000 barrels	No. 6 Fuel Oil  Sulfur 2.2% max Pour 60°F max	\$13.00 Bbl Firm

CONDITIONS OF PURCHASE: As Agreed

INSPECTION: Cost to be shared equally

THE PROVISIONS ON THE REVERSE HEREOF AND/OR ATTACHED HERETO CONSTITUTE A PART HEREOF

AGREED TO AND ACCEPTED ON THIS THE \_\_\_\_\_ DAY OF \_\_\_\_\_ 19\_\_\_\_

COASTAL STATES MARKETING INC.  
BUYER

SELLER

BY *Jerry F. Evans*  
Jerry F. Evans

BY \_\_\_\_\_


**VEN-FUEL, INC.**  
 SUITE 440 PONCE DE LEON BUILDING  
 2121 PONCE DE LEON BOULEVARD - CORAL GABLES, FLORIDA 33134  
 PHONE: (305) 445-9468      TELEX: 51-2372

Invoice No.: 080

Date: December 27, 1973

Coastal States Marketing Co.  
 Five Greenway Plaza, East  
 Houston, Texas

\*\*\*\*\*

VESSEL: Independencia I  
 PRODUCT: No. 6 Fuel Oil, 2.2% Sulphur  
 QUANTITY: 186,231 barrels  
                   27,892 long Tons  
 SAILED: December 24, 1973  
 PRICE: \$13.75/barrels plus \$4.5795/ton  
                   (\$2.13 X 215 W.S.)  
 TERMS: Net upon receipt of telex invoice

*PL*  
*ck Bill*  
*hm*

\*\*\*\*\*

186,231 No. 6 Fuel Oil 2.2% Sulphur	
at \$13.75/barrel F.O.B.	\$2,560,676.20
27,892 long tons at \$4.5795/ton	<u>127,731.41</u>
	<u>\$2,688,407.61</u>

Please pay full amount of invoice (\$2,688,407.61) by Bank Wire Transfer to Ven-Fuel, Inc. Account No. 10-1776-4 at First City National Bank of Houston, Texas.

003 CGRHS FLA 12/27/73  
 TLX VENFUEL CGHL  
 003 CGRHS FLA 12/27/73  
 TWX 9108815937 COASTATES HO  
 ATTN JERRY EVANS

CONFIRMING AGREEMENT IGLESIAS/EVANS CARGO OF NO 6 FUEL OIL 2.2 PCT  
 SULPHUR ON VESSEL INDEPENDENCIA I, PRICE OF PRODUCT WILL BE \$13.75  
 PER BARREL F.O.B., FREIGHT AT 215 WORLD SCALE RATE. CARGO INSURANCE  
 WILL BE SECURED BY COASTAL STATES.

REGARDS  
 JOSE ARELLANO  
 FUELCO LTD  
 FC-1

## TELEX INVOICE

INVOICE NO: 080  
 INVOICE DATE: 12/27/73

SOLD TO: COASTAL STATES MARKETING CO  
 FIVE GREENWAY PLAZA EAST  
 HOUSTON TEXAS

VESSEL: INDEPENDENCIA I

PRODUCT: NO 6 FUEL OIL 2.2 PCT SULPHUR

QUANTITY: 186,231 BARRELS // 27,892 LONGTONS

SAILED: DECEMBER 24, 1973

PRICE: DLRS 13.75/BARREL PLUS \$4.5795/TON  
 (\$2.13 X 215 W.S.)

TERMS: NET UPON RECEIPT OF TELEX INVOICE

186,231 BARRELS	NO 6 FUEL OIL 2.2 PCT SULPHUR	
	AT \$13.75/BBL F.O.B.	\$2,560,676.20
27,892 LONG TONS	AT \$4.5795/TON	\$ 127,731.41
		<hr/>
		\$2,688,407.61

PLEASE PAY FULL AMOUNT OF INVOICE (\$2,688,407.61) BY BANK WIRE  
 TRANSFER TO VEN FUEL INC ACCOUNT AT FIRST CITY NATIONAL BANK OF  
 HOUSTON TEXAS/ACCOUNT NO: 10-1776-4

COASTAL OIL &amp; GAS PRODUCTIONS COMPANY AND SUBSIDIARIES

## CHECK REQUEST

For Accounting Dept. Use		
COMPANY _____	CO. NO. _____	DATE PREPARED <u>1-4-74</u>
BANK _____	BANK NO. _____	PAYMENT DATE <u>1-7-74</u>

ISSUE CHECK IN THE AMOUNT OF \$ 2,688,407.61

File →

PAYEE Van-Fuel Inc.ADDRESS Suite 440 Ponce De Leon Bldg,  
2121 Ponce De Leon Boulevard  
Coral Gables, Florida 33134DESCRIPTION FOR REMITTANCE ADVICE: Van-Fuel tele Invoice # 090 dated 12-27-73"Independencia I"Wire Funds to the Van-Fuel Inc. Account at First City  
National Bank of Houston, Texas Account No: 10-1776-K

USED FOR: (EXPENSE CENTER, LEASE, SYSTEM, AFE, ETC.) \_\_\_\_\_

PREPARED BY: J. C. [Signature]APPROVED BY: [Signature]

DISREGARD THE FOLLOWING UNLESS OFF-LINE PAYMENT IS REQUIRED WITHIN THREE WORKING DAYS FROM DATE RECEIVED IN ACCOUNTING DEPARTMENT.

REASON FOR URGENCY: \_\_\_\_\_

APPROVAL FOR OFF-LINE PAYMENT: \_\_\_\_\_

A MUCH GREATER DEGREE OF RESPONSIBILITY IS NECESSARILY ASSUMED BY THE EMPLOYEE APPROVING AN OFF-LINE PAYMENT.

COMPTON CHECK REQUEST

CHECK REQUEST

*Handwritten notes:*  
1-16  
1-16  
1-16  
1-16

for Accounting Dept. Use

COMPANY	CO. NO.	DATE PREPARED
BANK	BANK NO.	PAYMENT DATE

**FOR PAYMENTS ONLY**  
**DO NOT WRITE**

AMOUNT OF \$ 2,688,407.61

NEW-FUEL INC. VENDOR  
 Suite 440 Ponce De Leon Bldg.  
 2121 Ponce De Leon Boulevard  
 Coral Gables, Florida 33134

DESCRIPTION FOR REMITTANCE ADVICE: New-Fuel tele Invoice # 030 dated 12-27-72

"Independencia I" NEW VENDOR

Wire Funds to the New-Fuel Inc Account at First City National Bank of Houston, Texas Account # 10:12-1776-K

USED FOR: (EXPENSE CENTER, LEASE, SYSTEM, AFE, ETC.)

10-2012-8100\*-1-x

PREPARED BY: J. C. [Signature] APPROVED BY: [Signature]

DISREGARD THE FOLLOWING UNLESS OFF-LINE PAYMENT IS REQUIRED WITHIN THREE WORKING DAYS FROM DATE RECEIVED IN ACCOUNTING DEPARTMENT.

REASON FOR URGENCY: \_\_\_\_\_

APPROVAL FOR OFF-LINE PAYMENT: \_\_\_\_\_

A MUCH GREATER DEGREE OF RESPONSIBILITY IS NECESSARILY ASSUMED BY THE EMPLOYEE APPROVING AN OFF-LINE PAYMENT.

F-158-3 (Rev. 7-24-64)

C-4801

Origin	Product	Code	Date	Currency	CC #





A wholly owned subsidiary of  
Coastal States Gas Producing Company

SALES AGREEMENT

PURCHASER:

NEW ENGLAND PETROLEUM  
c/o PVM Oil Associates, Inc.  
161 East 42nd Street  
New York, New York 10017

Attn: Mr. Pat V. Mazzarulli

FIVE GREENWAY PLAZA EAST  
HOUSTON, TEXAS 77046  
(713) 627-3700

NO. S-401-215

DATE 1-11-74

WE ACKNOWLEDGE AGREEMENT TO SELL AND PURCHASE AS FOLLOWS: Mazzarulli/Evans.

TO BE SHIPPED TO: New England Petroleum

SHIPPING PERIOD: Approx. 1-4-74

DESTINATION New York Harbor

SHIP VIA: Independencia II

INVOICE TO: New England Petroleum

TERMS: Net Cash Upon Receipt of Invoice & Documents

ADDRESS:

F.O.B.: New York Harbor  
C.I.F.

QUANTITY	DESCRIPTION	PRICE
Approx. 180,000 Bbls	Bunker C Fuel Oil  Sulfur 2.0% Max. Pour Point F 30. Vis SSU @ 100°F. 300.	\$19.00 per Bbl on out-turn quantity
	FEDERAL TAX	PAID EXEMPT

CONDITIONS OF SALE: Seller's general terms and conditions to apply.

NOTE: 19.0¢/Bbl Commission to PVM - outturn bbls.

INSPECTION and port costs to be shared equally between Buyer & Seller.

THE PROVISIONS ON THE REVERSE HEREOF AND/OR ATTACHED HERETO CONSTITUTE A PART OF THIS AGREEMENT.

If there are any mistakes in this order notify us at once. All invoices and correspondence with reference to this purchase should bear our number.

It is expressly understood and agreed that this order is placed by Buyer and accepted by Seller subject to conditions shown above.

AGREED TO AND ACCEPTED ON THIS THE \_\_\_\_\_ DAY OF \_\_\_\_\_ 19\_\_.

COASTAL STATES MARKETING, INC.

BY \_\_\_\_\_

Jerry F. Evans, Vice President

BY \_\_\_\_\_

Original - Coastal States    Copy I - Customer    Copy II - Association    Copy III - Buyer's Counsel    Copy IV - Inspector    Copy V - File

COASTAL STATES MARKETING, INC.

PLEASE SEND REMITTANCE TO

P. O. BOX 91118, CHICAGO, ILL. 60690

P. O. BOX 1654, PHILADELPHIA, PA. 19105

P. O. BOX 643, HOUSTON, TEXAS 77001

S  
O  
L  
D  
T

New England Petroleum  
c/o PVH Oil Associates, Inc.  
161 East 42nd Street  
New York, New York 10017  
Attn: Mr. Pat V. Mazzarulli

01/31/74 1519

ACCOUNT NUMBER  
10-1111-331N-X-1519

INTEREST AT 10% PER ANNUM  
CHARGED ON ALL PAST DUE ACCOUNTS

SHIPPED TO (SAME AS 'SOLD TO' UNLESS SPECIFIED)

EX: Independencia

ORIGIN	SHIP DATE	YOUR ORDER NO.	SHIPPED VIA
New York Harbor	1/6/74	S-401-215	Coastal Tanker
DESCRIPTION	NET	UNIT PRICE	AMOUNT
Bunker C	106,796	19.00	\$ 3,549,124.00
<p>Handwritten calculations:</p> $\begin{array}{r} 176796 \\ 37359 \\ \hline 747184 \\ 747184 \\ \hline 1494372 \end{array}$			
TERMS	CASH DISCOUNT	DATE	INVOICE TOTAL
Net on Receipt of Invoice	\$ -	IF PAID BY -	\$ 3,549,124.00

COMPANY WARRANTS THAT THE GOODS COVERED HEREBY WERE PRODUCED UNDER THE TERMS AND CONDITIONS OF EMPLOYMENT WHICH COMPLY WITH THE REQUIREMENTS OF THE FEDERAL FAIR LABOR STANDARDS ACT OF 1939, AS AMENDED.

January 22, 1974

New England Petroleum  
c/o PVM Oil Associates, Inc.  
161 East 42nd Street  
New York, New York 10017

Attention: Mr. Pat V. Mazarulli

Dear Mr. Mazarulli:

We are enclosing for your execution the original and one copy of Sales Agreement Number S-401-215 Dated January 11, 1974.

If you are in agreement, please sign both copies and return same to this office. We will then execute the agreement and return a copy to you for your files.

Yours truly,

Jerry F. Evans

JFE:dh

Enclosures

SELMAN HOLDING, LTD. No. 2  
HAMILTON, BERMUDA

DATE January 4, 1974

INVOICE No. CO-248

To:  
COASTAL STATES MARKETING, INC.  
Five Greenway Plaza East  
Houston, Texas 77046  
U.S.A.

Commission

"INDEPENDENCIA I" Loaded 12/24/73

#6  
86,231 Bbls @ \$2.50/Bbl =

\$465,577.50

*[Handwritten signature]*  
*[Handwritten signature]*  
~~XXXXXXXXXX~~  
C 6239

CONSULTANTS AND BROKERS OF PETROLEUM PRODUCTS

SELMAN HOLDING, LTD. #2  
HAMILTON, BERMUDA

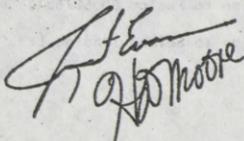
DATE April 26, 1974

INVOICE No. CO-2737

TO:  
COASTAL STATES MARKETING, INC.  
Five Greenway Plaza East  
Houston, Texas 77046  
U.S.A.

Commission due Selman on the "INDEPENDENCIA I"

Loaded 186,231 Bbls HSFO 12/24/73 @ \$1/Bbl = \$186,231.00



C 6253

CONSULTANTS AND BROKERS OF PETROLEUM PRODUCTS

DATE January 7, 1974

SUBJECT COASTAL PURCHASE #P-312-794/FUELCO

TO File DEPT

FROM Jerry F. Evans DEPT

In association with the subject purchase, Coastal has agreed to:

1. Charter from Ven-Fuel the "Independencia" at W.S. 215.
2. Commission to Fuelco \$0.50/Bbl.
3. Commission to Selmon Trading Ltd. \$2.50/Bbl.

Distribution:

D.S. Crocker  
W.O. Dromgoole  
T.L. Lancaster  
E.W. Schwartz

## DEPARTMENTAL CORRESPONDENCE

DATE March 28, 1974SUBJECT SELMAN LTD NO. 2 AND FUELCO LTD. COMMISSIONS DUETo File DEPT \_\_\_\_\_  
FROM Jerry F. Evans DEPT \_\_\_\_\_

CO-357  
1/7/74 ✓ 1) "E.M. Tsangaris" sale to Ven-Fuel, Inc. S-311-144  
Discharge volume, 282,667 bbls .3% #6 @ \$.28/bbl = \$79,146.76  
due Selman Ltd. No. 2.

CO-348  
1/4/74 ✓ 2) Fuelco purchase F-312-794 "Independencia I" loaded  
186,231 bbls HSFO 12/24/73. Commissions due Fuelco  
186,231 bbls @ \$.50/bbl = \$93,115.50  
Selman Ltd. No. 2 - 186,231 bbls @ \$2.50/bbl = \$465,577.50

CO-1015  
1/15 ✓ 3) Ven-Fuel purchase the "Damon" loaded 109,406.81 bbls  
X \$1/bbl = Commission due Selman Ltd. No. 2 of - \$109,406.81

CO-515  
2/3 ✓ 4) The "Abaciras" loaded 144,579 bbls .3% #6. Commissions  
due Selman Ltd. No. 2, 144,579 X 10¢/bbl = \$14,457.90

CO-110  
2/5 5) The "Nicholas" purchase 1% #6 oil, 127,590 bbls.  
Commissions due Selman Ltd. No. 2:  
63,795 bbls @ \$2/bbl = \$127,590.00  
63,795 bbls @ \$1/bbl = \$63,795.00  
\$191,385.00

CO-115  
4/15 6) The "Bessie K" sale, 158,514 bbls #2 gas oil.  
Commissions due Selman Ltd. No. 2 - 158,514 bbls  
X \$9.66/bbl = \$1,531,245.20

7) Fuelco sale of 86 octane Mogas (Bayou Refining  
Naphtha). Sale price to Fuelco delivered Tampico  
is \$0.525/gal. Commissions due Selman Ltd. No. 2  
are \$0.0225/gal. on the delivered volume from the  
"Amecea" and the R.A. Emerson."

CO-511  
5/14 8) "Nanna" and "Sword" sale to Fuelco 94 RON Mogas.  
Commissions due Selman Ltd. No. 2 on the "Nanna"  
is 20¢/bbl on the loaded volumes, and on the "Sword"  
is 10¢/bbl on the loaded volumes.

CO-1008  
5/24 ✓ 9) "Independencia I" - 186,231 @ \$1/bbl  
The "Leprechaun Spirit" and the "Nissos Kefalinia"  
94 RON Mogas sale to Fuelco. Commissions due Selman  
Ltd. No. 2 are 20¢/bbl on the loaded volumes.

CO-2512  
5/29 10) "St. Peter" sale to Fuelco HSFO. Commissions due  
Selman Ltd. No. 3 (Peru Ltd.) are 3¢/bbl on the dis-  
charge volumes at Peru.

CO-2527  
6/20/74 11) "San Pedro" naphtha .24/gal  
204,114  
CO-2540  
6/20/74 12) "Nanna" cat fuel 159,128  
21,827.60

JFE:glg

cc: J.E. Eklof

C 6203

Gjertrod Maerak May 1, 1974  
203,364 Bbls 94 RON Motor Gasoline at  
1.5¢/gallon = \$ 128,119.32

Galaxias May 12, 1974  
203,464 Bbls 94 RON Motor Gasoline at  
1.5¢/gallon = \$ 128,182.32

*Coastal*  
*98*

JCI		
JSG		
JWA	/	
AB		
File	<i>2 lifting</i>	
Discard		

WU ISCS  
\*  
VENFUEL CGBL

026734A361 1441EST

ZCZC 003 CGELS FLA 12/27/73  
TWX 9108815507 COSTATES HO  
ATTN JERRY EVANS  
BT

CONFIRMING AGREEMENT IGLESIAS/EVANS CARGO OF NO 6 FUEL OIL 2.2 PCT  
SULPHUR ON VESSEL INDEPENDENCI I , PRICE OF PRODUCT WILL BE \$13.75  
PER BARREL F.O.B. , FREIGHT AT 215 WORLD SCALE RATE. CARGO INSURANCE  
WILL BE SECURED BY COASTAL STATES.

REGARDS  
JOSE ARELLANO  
FUELCO LTD  
FC-1

## PVM OIL ASSOCIATES, INC.

161 E. 42nd St.

NEW YORK, N.Y. 10017  
February 5, 1974Mr. Gerry Evans  
Coastal States Marketing Co.  
5 Greenway Plaza East  
Houston, Texas 77046

INVOICE 4-173 Nepco/Coastal Bunker C CIF N.Y. - Our Ref. C/S 460

For commission on the cargo of Bunker C on board  
the vessel "Independência 2".quantity discharged: 186,796 bbls.  
priced at: \$19.00 per bbl.  
Cargo value: \$3,549,124.00Commission of 19 cents per bbl. based on discharged  
quantity payable to PVM Oil Associates, Inc.

\$35,491.24

367003 201

2/5/74

FTT World Communications Inc.

NY Phone Sovtel Reg. 737-2311/Telex. 7522/John-2550/Telex-7500

NY Phone Sovtel Reg. 737-2311/Telex. 7522/John-2550/Telex-7500

FVM OIL FIGHT

THIS IS FVM OIL ASSOCIATES INC. JANUARY 2 1974

TLX NO. H-2010

ATTENTION:- MR. GERRY EVANS

DEAR VARIOUS TELCONS TODAY WE ARE PLEASED TO CONFIRM THE FOLLOWING TRANSACTION:-

BUYER:- NEW ENGLAND PETROLEUM COMPANY (OR AFFILIATED CO.)  
 SELLER:- COASTAL STATES MARKETING COMPANY (OR AFFILIATED CO.)  
 TYPE OF CARGO :- BUNKER C FUEL OIL SULPHUR 2.0% MAX.  
 QUANTITY :- APPROXIMATELY 180,000 BPLS 10% M/L IN SELLERS OPTION.  
 DELIVERY :- ABT JANUARY 4TH 1974 IN ONE LOT ABOARD VSL "INDEPENDENCIA 2" IN NEW YORK.  
 PRICE :- US DLRS 19.00 PER BBL CIF BASIS NY ON OUT-TURN QUANTITY.  
 PAYMENT :- NET CASH IMMEDIATELY UPON RECEIPT INVOICE/DOCUMENTS.  
 INSPECTION :- BY INDEPENDENT INSPECTOR @ DISCH. PORT COSTS SHARED EQUALLY BETWEEN BUYER/SELLER.

DISCHARGE TIME:- 36 HOURS PLUS 6 HOURS NOR.  
 DEMURRAGE :- AT PREVAILING MARKET RATE FOR SIZE/TYPE VSL USED ON LOADING DATE.X

OTHER TERMS :- SELLERS GENERAL TERMS AND CONDITIONS TO APPLY.

QUALITY  
 SULPHUR 1.95 PERCENT  
 POUR POINT 30 DEG FAREN  
 VISC SEC @ 100 DEG F 300

ABOVE ARE ADVISED LOADED SPECS.

COMMISSION :- 19 CENTS PER BBL ON DISCHARGED FIGURES PAYABLE TO FVM OIL ASSOCIATES, INC.

THANK YOU FOR THE OPPORTUNITY IN ARRANGING THIS BUSINESS ON YOUR BEHALF.

REGARDS  
 PAT V. MAZZAFULLI  
 FVM OIL ASSOCIATES, INC.

COSTATS NO

FVM OIL FIGHT  
 .....



CORPORACION VENEZOLANA DEL PETROLEO

FACTURA COMERCIAL  
COMERCIAL INVOICE

N° 253/73

Merecibo, 31 de diciembre de 1973

Embarcado por: (Shipped By): CORPORACION VENEZOLANA DEL PETROLEO  
 Consignada a: (Consigned To): Fuelco Ltd.  
 Por Cuenta de: (For Account of): Fuelco Ltd. Código: 29535  
 En Puerto de: (To Port): Corpus Christi, Texas, U.S.A.

Embarcado en: (Shipped at): Terminal de El Palito  
 País Exportador: (Exporting Country): VENEZUELA  
 Nombre del Buque: (Name of Vessel): "Independencia I"  
 Nacionalidad: (Flag): Venezolana  
 Proprietarios o Agentes: (Owners or Agents):  
 Fecha de salida: (Departure Date): December 24, 1973

DESCRIPCION DE LA MERCANCIA (Shipment Description)		VALOR (Value)
	Galones Brutos (Gross Gallons)	
	Galones Netos (Net Gallons)	
186.231	Barriles (de 42 galones americanos) Brutos Barrels (of 42 U.S. Gallons) Gross	
	Barriles (de 42 galones americanos) Netos Barrels (of 42 U.S. Gallons) Net	
27.892	Toneladas largas (de 2240 libras) Brutas Long Tons (of 2240 Pounds) Gross	
	Toneladas largas (2240 libras) Netos Long Tons (of 2240 Pounds) Net	
	Metros Cúbicos Brutos (Gross Cubic Meters)	
	Metros Cúbicos Netos (Net Cubic Meters)	
	Kilos (2.20462 libras) Brutos Kilograms (2.20462 pounds to Kilo) Gross	
	Kilos (3.28462 libras) Netos Kilograms (3.28462 pounds to Kilo) Net	
Fuel Oil N° 6		
Viscosity: SSU at 122°F 1.695 Sec.		
Sulphur: % Wt. 1.98		
F.O.B. e U.S. \$ 13.00 por barril americano neto (por U.S. barril net) . . . . .		US \$ 2,421,003.0
Flete (Freight) a US \$ 4.7306 por tonelada larga (WS 217) . . . . .		131,945.9
Payment Terms: Cash on invoice delivery Please deposit payments in our account N° C-10972081 in the First National City Bank in New York, N.Y. U.S.A.		
<b>TOTAL \$</b>		<b>2,552,948.5</b>

Garantizamos que esta factura es autentica y que el valor arriba especificado de U.S. \$ 2,552,948.90, el precio neto de venta para exportación de mercancía de acuerdo con la cotización del mercado local y que la mercancía aquí especificada es de origen Venezolano.

We hereby guarantee that this invoice is authentic and that the value shown above, namely U.S. \$2,552,948.90 is the actual selling price for export of the goods based on local market quotation and that the merchandise mentioned herein is of Venezuelan origin.

POR: CORPORACION VENEZOLANA DEL PETROLEO

LHL/EGQ/eo

*J. C. Rivas*  
 GENERAL MANAGER  
 ADMINISTRATIVE MANAGER

## FUELCO, LIMITED

FIFTH FLOOR

BANK OF BERMUDA BUILDING

HAMILTON, BERMUDA

TELEPHONE 21-422 TELEEX 260-218

VEN-FUEL, INC.  
 2121 Ponce de Leon Blvd.  
 Coral Gables, Fla. 33134

We have charged your account as follows:

LIFTING:	No. 98
VESSEL:	Independencia I
SALES OF:	No. 6, 2.2%
BARRELS:	186,231
PRICE PER BARREL:	\$14.41588
AMOUNT THIS INVOICE:	<u>\$2,679,096.06</u>

Please pay this invoice by means of Bank Wire Transfer to the account of Fuelco, Ltd., at the Bank of N.T. Butterfield & Sons Hamilton, Bermuda. Account No: 2010-176153, Attn: Chas. Mann.

January 22, 1974

Mr. Jerry Evans  
Coastal States Marketing Co.  
Five Greenway Plaza, East  
Houston, Texas 77046

Dear Jerry:

Enclosed are documents and invoice related to cargo of  
No. 6 Fuel Oil, 2.2% Sulphur on vessel "Independencia I".

Yours truly,

VEN-FUEL, INC.

Jose M. Arellano

Enc.  
JMA:kd

bc: JMA Reading  
File - Lifting #98  
B.E. Wills

*Account 93*

JCI	
JSG	
JMA	/
AB	
File	<i>2/1/74</i>
Discard	

VENFUEL CGEL

WU ISCS 1-884267AE83 21/33/74  
 TWX COSTATES B HOU  
 ZCZC12345 HOUSTON TEXAS 2 JAN 1974  
 TLX 512372 VENFUEL CGEL  
 ATTN JOSE ARELLANO

BT  
 PER OUR CONVERSATION OF THIS MORNING AT 9:30 A.M., WE HV INSTRUCTED U  
 TO SEND THE "INDEPENDIA 1" TO DISCHARGE FOR THE ACCOUNT OF NEW ENGLAND  
 PETROLEUM COMPANY.

PLS ADV ETA NEW YORK.

JERRY EVANS  
 COASTAL STATES MKTG., INC.  
 HOUSTON

NNNN  
 0919 EST  
 \*  
 VENFUEL CGEL

WU ISCS  
 \*  
 VENFUEL CGEL

011952A360 1203EST

ZCZC 003 CGELS FLA 12/26/73  
 TWX 9100015507 COSTATES HO  
 ATTN JERRY EVANS  
 BT

REF/ NO 6 FUEL OIL 2.2 PCT SUL  
 ---

INDEPENDENCIA I SAILED EL PALITO 24/1100  
 DRAFT: FWD 35 AFT 37 FEET  
 BARRELS: 186,231  
 SHIP SAMPLE:

API GRAVITY	15.9
FLASH:	190
VISC/SSF/122 F	172.9
SULPHUR:	1.98
ASH:	0.06
WAT/DIST	0.4
SED/EXY	0.05
PCUR	PLUS 25

CARGO: CONSIGNED TO FUELCO LTD - DESTINED TO CORPUS CHRISTI.

REGARDS  
 ARELLANO  
 FUELCO LTD  
 FC-2  
 NNNN

ACCEPTED  
 00003  
 1-PC

*Original 98*

JCI	
JSC	
JMA	1
LD	
File	<i>Stephan</i>
Discrd	

*Original 96*

OCI	
FC	
FC	
FC	
File	<i>2/11/75</i>
Discard	<i>75</i>

*1006  
75*

1028 EST.  
VENFUEL CGBL

61123 SAYCOSA

ATT: ENI/MESSULAM  
 ATT: JOSE ARELLANO/ VEN-FUEL  
 INDEPENDENCIA-1 ARR EL PALITO 23/0640 DOCKED 23/0820  
 STD LOADING 23/1350 FIN 24/0630 A SAILED 24/1100  
 DRAFT: FWD: 35-00 AFT: 37-00 F/C SIX FUELOIL  
 EBLS 186231 LTONS 27892  
 SHIP SAMPLE RESULTS: API 15.9 FLASH 190 VIS/SSF/122F 172.9  
 SUL 1.98 ASH 0.06 WAT/DIST 0.4 SED/EXY 0.05 POUR PLUS 25  
 CONSIGNEE: FUELCO LTD.  
 DEST: CORPUS CHRISTI  
 SUPPLIER: CVP

VENFUEL CGRL

61120 SAYCOSA....5

Invoice No.: 080

Date: December 27, 1973

Coastal States Marketing Co.  
Five Greenway Plaza, East  
Houston, Texas

\*\*\*\*\*

VESSEL: Independencia I  
PRODUCT: No. 6 Fuel Oil, 2.2% Sulphur  
QUANTITY: 186,231 barrels  
27,892 long Tons  
SAILED: December 24, 1973  
PRICE: \$13.75/barrels plus \$4.5795/ton  
(\$2.13 X 215 W.S.)  
TERMS: Net upon receipt of telex invoice

\*\*\*\*\*

700395

186,231 No. 6 Fuel Oil 2.2% Sulphur	
at \$13.75/barrel F.O.B.	\$2,560,676.20
27,892 long tons at \$4.5795/ton	<u>127,731.41</u>
	<u>\$2,688,407.61</u>

J16264

Please pay full amount of invoice (\$2,688,407.61) by Bank  
Wire Transfer to Ven-Fuel, Inc. Account No. 10-1776-4 at  
First City National Bank of Houston, Texas.

bc: Invoice File  
B.E. Wills ✓  
Lifting #98



JCI		
File	2	1/2/73
Discard		

*Costates*  
*96.84.98*

WU ISCS  
 \*  
 VENFUEL CGBL  
 018634A356 1458EST

ZCZC 003 GGELS FLA 12/21/73  
 TWX 9108815507 COSTATES HO  
 ATTN JERRY EVANS  
 ET

*initial*  
*96*

AAA REF NO 6 FUEL OIL .5 PCT SUL ON VESSEL MISSES. NOMINATION FOR DEC 23-4. SHELL REGRETS TO INFORM THEY CAN MAKE CARGO AVAILABLE (200,000) EBLs ON DECEMBER 27 EX CARDON. THEY ARE DOING EVERYTHING POSSIBLE TO ADVANCE DATE.

ACCORDING TO NEWEAUEER VESSEL WILL PROBABLE ARRIVE ON 12/26.

EBB REF 150,000 BELS NO 6 FUEL OIL .5 PCT SUL . I HAVE NO REPLY YET.

*CS*  
*84*

CCC REF PAYMENT FOR TSANGARIS. CURACAO INSTRUCTED ASIATIC TO MAKE PAYMENT TO VEN FUEL . WE WILL TRANSFER AS SOON AS RECEIVED (PROBABLY MONDAY)

DDD REF PAYMENT ON FOUR CARGOES. .3 PCT. CVP IS SENDING TELEX INVOICE TO SHELL. SHELL PROMISED PROMPT PAYMENT.

*initial*  
*96*

EEE INDEPENDENCIA I WILL LOAD EL PALITO DEC 26-30. APPROX 150,000 BELS NO 6 FUEL OIL 2.2 PCT SULPHUR. PLS SEND DESTINATION AND DOCUMENTATION INSTRUCTIONS ASAP.

MERRY X MAS  
 JOSE ARELLANO  
 FUELCO LTD  
 FC-8  
 NNNN

ACCEPTED  
 00003  
 1-PC

SELMAN HOLDING, LTD. No. 2  
HAMILTON, BERMUDA

DATE January 4, 1974

INVOICE No. CO-248

To:  
COASTAL STATES MARKETING, INC.  
Five Greenway Plaza East  
Houston, Texas 77046  
U.S.A.

Commission

"INDEPENECIA I" Loaded 12/24/73

86,231 Bbls @ \$2.50/Bbl =

\$465,577.50

*[Handwritten signature]*  
*[Handwritten signature]*  
~~XXXXXXXXXX~~

---

CONSULTANTS AND BROKERS OF PETROLEUM PRODUCTS

SELMAN HOLDING, LTD. #2  
HAMILTON, BERMUDA

DATE April 26, 1974

INVOICE No. CO-2737

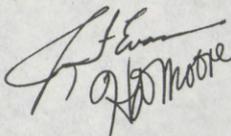
TO:  
COASTAL STATES MARKETING, INC.  
Five Greenway Plaza East  
Houston, Texas 77046  
U.S.A.

---

Commission due Selman on the "INDEPENDENCIA I"

Loaded 186,231 Bbls HSFO 12/24/73 @ \$1/Bbl =

\$186,231.00



---

CONSULTANTS AND BROKERS OF PETROLEUM PRODUCTS

M/T "DAMON" TRANSACTION

JCI	
JEG	
JHM	1
AD	
File	2 lifting
Discard	

*Coastal  
97*

WU 1SCS

\*  
VENFUEL CGEL

007966A351 1040EST

ZCZC 003 CGELS FLA 12/17/73  
TWX 9108815507 COSTATES HO  
ATTN JERRY EVANS/BUDDY NEUBAUER  
BT

RE: 3RD CARGO NO 6 FUEL OIL 3.5 PCT SUL

CARGO OF APPROX 120,000 BLS MUST BE LIFTED FROM TAMPICO  
DECEMBER 20/25. MAXIMUM DRAFT IS 32 FEET. PLS NOMINATE ASAP.

REGARDS  
JOSE ARELLANO

VENFUEL CGEL  
VF-2  
NNNN

ACCEPTED  
00003  
1-PC

VENFUEL CGBL

WU ISCS 1-013480A353 12/19/73  
 TWX COSTATES E HOU  
 ZCZC00003 HOUSTON TEX DEC 19  
 TLX 512372 VENFUEL CGBL  
 ATTN: JOSE ARELLANO

*Coastal  
97*

JCI	
JSC	
JHA	/
AE	
File	<i>2 Lifting</i>
Discard	

BT

WE ARE NOMINATING THE VESSEL "DAMON" TO LIFT APPROX. 120,000 BELS OF LUMBER AT TAMPICO ON OR ABOUT DEC. 20-21. PLEASE HAVE E. BOLT CO. HANDLE THE INSPECTION AT LOADING.

DOCUMENTATION SHOULD BE AS FOLLOWS:

- A. CONSIGNEE - COASTAL STATES MARKETING INC.
- B. DESTINATION - NEW YORK
- C. DISTRIBUTION -
  - 3 ORIGINAL BILL OF LADINGS PLUS 3 COPIES
  - 1 ORIGINAL CERTIFICATE OF ORIGIN PLUS 5 COPIES
  - 1 ORIGINAL QUALITY AND QUANTITY REPORT PLUS 5 COPIES
  - 1 ORIGINAL ULLAGE AND TIME REPORTS PLUS 5 COPIES
  - PLUS 6 COPIES OF ALL OTHER DOCUMENTS

SEND BY FASTEST MAIL TO:

COASTAL STATES MARKETING INC.  
 5 GREENWAY PLAZA EAST  
 HOUSTON, TEXAS 77046  
 ATTN: C. E. NEUBAUER

MANY THANKS,  
 C. E. NEUBAUER  
 COASTAL STATES MKT INC  
 HOUSTON, TEXAS

NNNN  
 1128 EST  
 \*  
 VENFUEL CGBL

EXXON INTERNATIONAL COMPANY  
A DIVISION OF EXXON CORPORATION  
SUPPLY AND TRANSPORTATION DEPARTMENT

DUPLICATE

CHARTER PARTY  
EXXONVOY  
1969



## TANKER VOYAGE CHARTER PARTY

## PREAMBLE

New York 18th December, 1973  
Place Date

IT IS THIS DAY AGREED between ARPA Shipping Corporation of Panama,  
Chartered-owner/owner (hereinafter called the "Owner") of the Greek  
SS/MS "DAMON" (hereinafter called the "Vessel")  
and Coastal States Marketing Incorporated (hereinafter called the "Charterer")  
that the transportation herein provided for will be performed subject to the terms and conditions of this Charter Party, which includes this Preamble and  
Part I and Part II. In the event of a conflict, the provisions of Part I will prevail over those contained in Part II.

## PART I

## A. Description and Position of Vessel:

Deadweight: 17670 tons (2240 lbs.)      Classed: + 100 A1 Lloyds  
Loaded draft of Vessel on assigned summer freeboard 30 ft. 8- $\frac{1}{2}$  in. in salt water.  
Capacity for cargo: 17000 tons (of 2240 lbs. each) 5  $\pm$  more or less, Vessel's option.  
Coated:  Yes       No  
Coiled:  Yes       No      Last two cargoes: Dirty Petroleum Products  
Now: en route from Tampico      Expected Ready: 20th December 1973

## B. Laydays:

Commencing: 20th December, 1973      Cancelling: 25th December, 1973

## C. Loading Port(s):

One safe berth, TAMPICO

Charterer's Option

## D. Discharging Port(s):

One/Two safe ports United States Atlantic Coast excluding Florida - if  
New York not north of George Washington Bridge.

Charterer's Option

## E. Cargo:

Crude and/or Dirty Petroleum Products. Maximum Two grades, maximum  
heating 135 degrees Fahrenheit.

Charterer's Option

## F. Freight Rate:

Worldscale 175. (One hundred and seventy five percent)

per ton (of 2240 lbs. net)

*Coastal  
97*

COASTAL STATES MARKETING, INC.

Five Greenway Plaza East  
Houston, Texas 77046

(713) 627-3700

December 18, 1973

Venzuel, Inc.  
Suite 440, Ponce de Leon Bldg.  
2121 Ponce de Leon Blvd.  
Coral Gables, Florida 33134

Gentlemen:

We are enclosing for your execution the original and one copy of Purchase Order Number P-312-788 dated December 19, 1973.

If you are in agreement, please sign both copies and return same to this office. We will then execute the agreement and return a copy to you for your files.

Very truly yours,

COASTAL STATES MARKETING, INC.

*J. F. Evans*  
J. F. Evans,  
Vice President

JFE:ld  
Enclosures

DEC 24 RECD

*Julio  
Castro Jorman.  
Sr. Asistente de Medicina  
Clubs (6.50) + 1.00 = \$7.50  
J. M. M.*

COASTAL - 2093 (6/73)

COASTAL STATES MARKETING, INC.  
 A wholly owned subsidiary of  
 Coastal States Gas Producing Company

PURCHASE ORDER

IMPORTANT:  
 PLEASE SEND INVOICE TO  
 P.O. BOX 1501  
 CORPUS CHRISTI, TEXAS 78403  
 (512) 883-5211

FIVE GREENWAY PLAZA EAST  
 HOUSTON, TEXAS 77046  
 (713) 627-3700

TO: **Venzuel, Inc.**  
 Suite 440, Ponce de Leon Bldg.  
 2121 Ponce de Leon Blvd.  
 Coral Gables, Florida 33134

NO. P-312-788

DATE Dec 19, 1973

WE AGREE TO PURCHASE THE FOLLOWING FROM YOU AS PER:

TO BE SHIPPED TO: Coastal States Marketing, Inc.

SHIPPING PERIOD: 12-73

DESTINATION: Same as above

SHIP VIA: Seller's vessel

TERMS: Net cash upon presentation of Invoice

F.O.B.: Corpus Christi, Texas

QUANTITY	DESCRIPTION	PRICE
<i>Coastal</i> 3rd Cargo 120,000 Bbls.	Tampico Bunker Fuel	Platts Posting Bunker C. Fuel Oil "Gulf Coast Cargoes" date of loading plus \$1.00/Bbl.

CONDITIONS OF PURCHASE:

INSPECTION: Cost to be shared equally.

THE PROVISIONS ON THE REVERSE HEREOF AND/OR ATTACHED HERETO CONSTITUTE A PART HEREOF.

AGREED TO AND ACCEPTED ON THIS THE \_\_\_\_\_ DAY OF \_\_\_\_\_ 19\_\_

BY *[Signature]*  
 SELLER

COASTAL STATES MARKETING, INC.  
 BUYER

BY *[Signature]* **701043**

Original - Coastal States    Copy I - Vendor    Copy II - Accounting    Copy III - Products Control    Copy IV - Insurance    Copy V - File

B00000  
0000+  
VENFUEL CGBL

WU ISCS 1-029910A354 12/20/73  
TWX COSTATES B HOU  
ZCZC00003 HOUSTON TEX DEC 20  
TLX 512372 VENTFUEL CGBL  
ATTN: JOSE ARELLANO

*Coastal*  
*52* *96* *97*

JCI	
JSC	
JHA	1
AD	
File	2 lifting
Discard	

BT  
THE FOLLOWING IS A RECAP OF OUR CURRENT NOMINATIONS:

*97*  
(1) "DAMON" LIFTING APPROX. 120,000 EBLS OF #6 FUEL OUT OF TAMPICO ON DEC. 21.

*52*  
(2) "NICOLAS" LIFTING APPROX. 140,000 EBLS OF 1/ SUL #6 FUEL FROM PUNTA CARDON ON DEC. 21-22.

DOCUMENTATION ON THE "NICOLAS" SHOULD BE THE SAME AS ON THE "DAMON" EXCEPT HAVE CHARLES MARTIN CO. HANDLE THE INSPECTION AT LOADING. CONSIGNEE IS COASTAL STATES MARKETING INC. AND DESTINATION IS NEW YORK.

*96*  
(3) "MESIS" LIFTING APPROX. 200,000 EBLS OF .5/ #6 FUEL AT PUNTA CARDON ON DEC. 23-25.

DOCUMENTATION ON THE "MESIS" SHOULD BE THE SAME AS ON THE "DAMON" EXCEPT HAVE CHARLES MARTIN CO. HANDLE THE INSPECTION AT LOADING AND THE DESTINATION SHOULD BE SHOWN AS LOS ANGELES.

REGARDS,  
C. E. NEUBAUER  
COASTAL STATES MKT INC  
HOUSTON, TEXAS

NNNN  
/ REPLACES CHAR(S) ON SENDERS KEYED UNAVAIL ON YOURS

1436 EST  
\*  
VENFUEL CGBL

CERTIFICATE OF ORIGIN

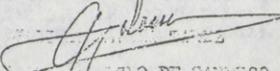
ATTACHING AND EXPLANATIONS

The undersigned, Andrés Sánchez Ruiz, acting in behalf of the Administrative Services Department N.Z., Customs and Marine Dept. of the SECRETARÍA DE ECONOMÍA declares that the merchandise described herein was produced in Mexico on the S/T "MAGNET" of Greek flag, built by the "MAGNET" shipyard in Greece on the 24th of December 1973, with all the necessary certificates issued by the Greek State's Authorities INC. "ANONIMO COMERCIO EXTERNO" S.A. DE CAPITAL FIJO ACQUIET INTERO INTERO, destination and origin of the said merchandise is the coast of the Republic of Mexico and is of the category "quality coming from oil production fields of source or Veracruz, Mexico".

MARKS & NUMBERS	DESCRIPTION OF MERCHANDISE	PARCELS AT BOARD	GROSS LONG TONS
N/A	N/A	ONE LOT OF FUEL OIL IN DIESEL	109,406.81
			15,796.00

I swear that oil was produced in Mexican soil and that all particulars shown in this document are true and correct.

México, D.F., December 24, 1973  
 SERVICIOS ADMINISTRATIVOS  
 ADMINISTRATIVE SERVICES DEPARTMENT N.Z.  
 CUSTOMS & MARINE DEPT.



LA CÁMARA NACIONAL DE COMERCIO DE MEXICO, S.A., CERTIFICA QUE LA DECLARACION ANTERIOR MENCIONADA ES VERDADERAMENTE DE ORIGEN MEXICANO.

México, D.F., México, Diciembre 24 de 1973

JUAN RAÚFO SÁNCHEZ  
 Director

File

I-2428

COSTATES HO

COSTATES HO

WU ISCS 1-027933A360 12/26/73  
 TLX VENFUEL CGBL  
 003 CGBLS FLA 12/26/73  
 TWX 9108815507 COSTATES HO  
 ATTN JERRY EVANS

REF/ NO 6 FUEL OIL 3.5 PCT SUL - LIFTING 97

DAMON SAILED TAMPICO MEXICO 12/24/73 4:45/PM

BARRELS:	109,406.81
LONG TONS:	16,798.73
API GRAVITY:	12.4
VISCOSITY:	271
FLASH POINT:	163 DEG F
SULPHUR:	3.00 PCT
CALORIFIC VALUE:	18396
POUR POINT:	30
VANADIUM:	100.00
NICKEL:	35.0
SODIUM:	6.0
WATER & SEDIMENT:	0.2 PCT
DRAFT:	31.01

*Tom Westwood*

*-1*

DESTINATION: NEW YORK.

REGARDS  
 JOSE ARELLANO  
 FUELCO LTD  
 FC-4

1553 EST

COSTATES HO

N01054

COPIES	
COPIES	
COPIES	
FILE	1
FILE	2
DISCARD	

---TELEX INVOICE---

INVOICE NO: 263  
INVOICE NDATE: 12/27/73

SOLD TO: COASTAL STATES MARKETING CO  
FIVE GREENWAY PLAZA EAST  
HOUSTON TEXAS

VESSEL: DAMON

PRODUCT: NO 6 FUEL OIL 3.5 PCT SULPHUR

BARRELS: 129,426.81

SAILED: DECEMBER 24, 1973

LONGTONS: 16,792.73

PRICE: PLATT'S LOW PLUS \$1.20/BBL EQUALS \$7.50/BBL  
F.O.B.

TERMS: NET UPON RECEIPT OF TELEX INVOICE

////////////////////////////////////  
 129,426.81 BARRELS NO 6 FUEL OIL 3.5 PCT SULPHUR  
 AT \$7.50/BARREL F.O.B. 5822,551.07

PLEASE PAY FULL AMOUNT OF THIS INVOICE (\$5822,551.07) BY MEANS OF  
 BANK WIRE TRANSFER TO THE FUELCO LTD ACCOUNT AT THE BANK OF N.T.  
 BUTTERFIELD AND SONS, HAMILTON BERMUDA/ ACCOUNT NO : 2012-176153

FUELCO LTD  
 FC-2  
 NNNN

ACCEPTED  
 22223  
 1-FC

J10300

77  
F-378

Invoice No.: 063

Date: December 27, 1973

Coastal States Marketing Co.  
Five Greenway Plaza East  
Houston, Texas

Attn: Mr. Jerry Evans

\*\*\*\*\*

VESSEL:	Damon
PRODUCT:	No. 6 Fuel Oil, 3.5% Sulphur
BARRELS:	109,406.81
SAILED:	December 24, 1973
LONG TONS:	16,798.73
PRICE:	Platt's Low Plus \$1.00/barrel equals \$7.50/barrel F.O.B.
TERMS:	Net upon receipt of telex invoice

\*\*\*\*\*

109,406.81 barrels No. 6 Fuel Oil, 3.5% Sulphur at	
\$7.50/barrel F.O.B.	<u>\$820,551.07</u>

Please pay full amount of this invoice (\$820,551.07) by means of Bank Wire Transfer to the Fuelco Limited account at the Bank of N.T. Butterfield and Sons, Hamilton, Bermuda; Account No. 2010-176153.

bc: Invoice File  
B.E. Wills  
Lifting #97✓

J18652



CORPORACION VENEZOLANA DEL PETROLEO

FACTURA COMERCIAL  
COMERCIAL INVOICE

N° 245/73

Maracaibo, 31 de diciembre, 1973

Embarcado por: (Shipped By): **Petróleos Mexicanos (Pemex) p/c de**  
 Consignada a: (Consigned To): **CORPORACION VENEZOLANA DEL PETROLEO**  
 Por Cuenta de: (For Account of): **Fuelco Ltd.**  
 En Puerto de: (To Port): **Fuelco Limited** Código: **29535**

Embarcado en: (Shipped at): **Tampico, México**  
 País Exportador: (Exporting Country): **MEXICO**  
 Nombre del Buque: (Name of Vessel): **S/S "Damón"**  
 Nacionalidad: (Flag):  
 Propietarios o Agentes: (Owners or Agents):  
 Fecha de salida: (Departure Date): **Diciembre 24, 1973**

DESCRIPCION DE LA MERCANCIA (Shipment Description)	VALOR (Value)
Galones Brutos (Gross Gallons)	
Galones Netos (Net Gallons)	
Barriles (de 42 galones americanos) Brutos Barrels (of 42 U.S. Gallons) Gross	
109.406.81 Barriles (de 42 galones americanos) Netos Barrels (of 42 U.S. Gallons) Net	
Tonelados largos (de 2240 libras) Brutos Long Tons (of 2240 Pounds) Gross	
Tonelados largos (2240 libras) Netos Long Tons (of 2240 Pounds) Net	
Metros Cúbicos Brutos (Gross Cubic Meters)	
Metros Cúbicos Netos (Net Cubic Meters)	
Kilos (2.20462 libras) Brutos Kilograms (2.20462 pounds to Kilo) Gross	
Kilos (3.28462 libras) Netos Kilograms (3.28462 pounds to Kilo) Net	
Fuel Oil N° 6	
F.O.B. a U.S. \$ 7.00 por barril americano neto (per U.S. barrel net) .....	US \$ 765,847.6
<u>Payment Terms:</u> Please deposit payment in our account N° 10972081 in the First National City Bank in New York, U.S.A.	
<b>J18677</b>	
TOTAL \$	765,847.6

Garantizamos que esta factura es autentica y que el valor arriba especificado de U.S. \$765,847.67 es el precio de venta para exportación de mercancía de acuerdo con la cotización del mercado local y que la mercancía aquí especificada es

We hereby guarantee that this invoice is authentic and that the value shown above, namely U.S. \$765,847.67 is the actual selling price for export of the goods based on local market quotation and that the merchandise mentioned herein is

POR: CORPORACION VENEZOLANA DEL PETROLEO

*P. Jaime Rivas Lara*  
 GERENTE ADMINISTRATIVO  
 ADMINISTRATIVE MANAGER

T

JCI	
JSG	
JMA	1
LB	
File	<i>E. Liff</i>
Discard	<i>1/7</i>

RCA1285/38+  
VENFUEL CGEL

21165 CEVEPE

FUELCO A/C VENFUEL  
CORAL GAELES

JANUARY 8, 1974

A CONTINUACION TELEX - FACTURA. FACTURA NORMAL SERA ENVIADA  
POR CORREO AEREO.

FACTURA NO.:	245/73
FECHA:	31-12-73
S/S:	'DAMIGN' TAMPIOC, MEXICO 24-12-73
PRODUCTO:	FUEL OIL 6
CARRILES:	109.426.81
Nº BRL:	7.00 F O E
TOTAL \$:	765.347.67

FAVOR DEPOSITAR PAGO EN NUESTRA CUENTA C-10972081 EN F N C B EN  
NEW YORK USA.

(FDO) E MARQUEZ  
GERENTE ADMITIVO  
CEVEPE

\*  
VENFUEL CGEL

21165 CEVEPE

*Coastal file*

JCI	
JSG	
JMA	/
AB	
File	<i>Lifting</i>
Discard	

WU ISCS  
 +  
 VENFUEL CGBL

007066A003 1020EST

ZCZC 003 CGBL5 FLA 1/3/74  
 TWX 9106815507 COSTATES HO  
 ATTN JERRY EVANS/T.WESTMORELAND/B. DUNCAN  
 BT

IN AN EFFORT NOT TO JEOPARDIZE THE EXISTING RELATION BETWEEN  
 VEN FUEL, COASTAL AND CVP WE WOULD LIKE TO BRING TO YOUR ATTENTION  
 THE FOLLOWING INVOICES FOR YOUR PROMPT HANDLING. OUR RECORDS INDICATE  
 THAT THE FOLLOWING AMOUNTS ARE STILL OUTSTANDING.

INVOICE #	VESSEL	PRODUCT	AMOUNT DUE	DATE
-----	-----	-----	-----	-----
073	KAREN MAERSK	#6 - 2.8 PCT	\$952,998.00	11/24/73
055	ARIES	#6 - 3.5 PCT	\$859,931.18	12/6
060	ARIES	#6 - 3.5 PCT	\$942,824.27	12/10
063	DAMON	#6 - 3.5 PCT	\$820,551.07	12/24
060	A..M..KEMP	#6 - 2.5 PCT	\$ 14,164.79	10/25

IN ADDITION TO THIS INVOICE 018 IN THE AMOUNT OF \$5,797.93 FOR  
 IRANIAN HEAVY CRUDE IS ALSO OUTSTANDING SINCE JULY 2, 1973. THE  
 AGREEMENT ON THESE LIFTINGS WAS FOR PROMPT PAYMENT. MOST OF THEM  
 ARE NOW MORE THAN 30 DAYS OVERDUE.

JULIO C IGLESIAS  
 PRESIDENT  
 FUELCO LTD  
 FC-3  
 NNNN

ACCEPTED  
 00003  
 1-PC

J110208

*F-7 86*

January 7, 1974

Coastal States Marketing, Inc.  
Five Greenway Plaza East  
Houston, Texas 77048

Attention: Mr. J. F. Evans

Dear Jerry,

Enclosed you will find documents related to cargo of  
Fuel Oil #6 3.5% Sulphur on vessel "Damon"

Yours Truly,

VEN-FUEL, INC.

J. M. Arellano

JMA:ab  
Encl.

Lifting 97

January 7, 1974

Corporacion Venezolana del Petroleo  
Apartado 14.057  
Caracas, Venezuela

Atencion: Dr. Clemente Messulam

Estimado Clemente,

Adjunto encontrara documentos del buque "Damon" que cargo Fuel Oil #6 de 3.5% Azufre de Mexico. Me imagino que estos documentos se debian haber mandado directamente a la CVP. Yo ya envie el original y tres copias a Coastal.

Muy Atentamente,

x

FUELCO LIMITED

J. M. Arellano

JMA:ab  
Encl.

Lifting 97

January 2, 1974

NORTHVILLE INDUSTRIES CORPORATION  
425 Broad Hollow Road  
Route 110  
Melville, New York 11746

Gentlemen:

We are enclosing for your execution the original and one copy of Sales Agreement Number S-312-201 dated December 31, 1973.

If you are in agreement, please sign both copies and return them to this office. We will then execute the agreement and return a copy to you for your files.

Very truly yours,

COASTAL STATES MARKETING, INC.

Jerry F. Evans  
Vice President

JFE:glg

Enclosures

COASTAL - 1563 (1/73)

## COASTAL STATES MARKETING, INC.

A wholly owned subsidiary of

Coastal States Gas Producing Company

## SALES AGREEMENT

## PURCHASER:

NORTHVILLE INDUSTRIES CORPORATION  
425 Broad Hollow Road  
Route 110  
Melville, New York 11746

FIVE GREENWAY PLAZA EAST  
HOUSTON, TEXAS 77046  
(713) 627-3700

NO. S-312-201DATE December 31, 1973

WE ACKNOWLEDGE AGREEMENT TO SELL AND PURCHASE AS FOLLOWS:

TO BE SHIPPED TO: Northville Terminal-N.Y.

SHIPPING PERIOD: Late Dec. '73-Early Jan. '74

DESTINATION New York Harbor

SHIP VIA: "Damon"

INVOICE TO: Same as Above

TERMS: Net cash upon presentation of Invoice

ADDRESS: Same as Above

F.O.B.: New York

QUANTITY	DESCRIPTION	PRICE
Approx. 130,000 Bbls	3.0% Max. Sulfur No. 6 Fuel Oil	\$23.9335/Bbl
	FEDERAL TAX	PAID EXEMPT

## CONDITIONS OF SALE:

INSPECTION Charles Martin or Saybolt-Cost to be shared equally

THE PROVISIONS ON THE REVERSE HEREOF AND/OR ATTACHED HERETO CONSTITUTE A PART OF THIS AGREEMENT.

If there are any mistakes in this order notify us at once. All invoices and correspondence with reference to this purchase should bear our number.

It is expressly understood and agreed that this order is placed by Buyer and accepted by Seller subject to conditions shown above.

AGREED TO AND ACCEPTED ON THIS THE 28 DAY OF December, 1973

COASTAL STATES MARKETING, INC.

NO1060

BY [Signature] BY [Signature]  
Original - Coastal States Copy I - Customer Copy II - Accounting Copy III - Products Control Copy IV - Insurance Copy V - File  
Jeffrey F. Evans, Vice President

RETURN A COPY OF THIS INVOICE WITH YOUR PAYMENT

INVOICE DATE 1/09/74	INVOICE NUMBER 1502
ACCOUNT NUMBER 10-1111-6347-X-1502	

COASTAL STATES MARKETING, INC.

PLEASE  
SEND  
REMITTANCE  
TO

P. O. BOX 91118, CHICAGO, ILL. 60690

P. O. BOX 1654, PHILADELPHIA, PA. 19105

P. O. BOX 643, HOUSTON, TEXAS 77001

INTEREST AT 10% PER ANNUM  
CHARGED ON ALL PAST DUE ACCOUNTS

S  
O  
L  
D  
T  
O

• Northville Industries Corp.  
• 425 Broad Hollow Road  
• Route 110  
• Melville, New York 11746

SHIPPED TO (SAVE AS 'SOLD TO' UNLESS SPECIFIED)

•  
• Ex: Deason

ORIGIN	SHIP DATE	YOUR ORDER NO.	SHIPPED VIA
New York Harbor	1/4/74	S-312-201	Coastal Tanker
DESCRIPTION	NET	UNIT PRICE	AMOUNT
Dunker C	107,195.60	23.9335	\$ 2,579,927.08
TERMS	CASH DISCOUNT	DATE	INVOICE TOTAL
Net Cash	\$ -0-	IF PAID BY	\$ 2,579,927.08

EMPLOYERS WARRANT THAT THE GOODS COVERED HEREBY WERE PRODUCED UNDER TERMS AND CONDITIONS OF EMPLOYMENT WHICH COMPLY WITH THE REQUIREMENTS OF THE FEDERAL FAIR LABOR STANDARDS ACT OF 1938, AS AMENDED.

N01055



SEC	
ST	
FILE	1
AD	
File	2: <i>Letters</i>
Discard	

*Original  
97*

RCA 16 1607 138911\*  
 VENFUEL CGEL  
 380213"  
 CPRS ESY MOM PLS  
 MOM MOM  
 RCANY OPR 463  
 380213" HAMILTON BERMUDA  
 OUR NUMBER 512372

\*  
 VENFUEL CGEL  
 MOMPLS

MOM PLS  
 THANKS  
 OK/ LINES FAIRLY CONGESTED MOMENT

CODAN PA213  
 RCA 02110 1616

VENFUEL CGEL  
 JANUARY 16, 1974

TO: FIELD                      ATTN: M BOORMAN/C MANN  
 CC: CODAN                     ATTN: F MUTCH

RE: FUNDS FOR LIFTING NO. 97

CONFIRMING CONVERSATION WILLS/BOORMAN CONTINENTAL ILLINOIS NATIONAL  
 BANK AND TRUST CO TRANSFERRED DOLLARS 820,551.07 REPEAT DOLLARS  
 820,551.07 FOR ACCOUNT OF FUELCO, LTD. PLEASE PLACE DOLLARS  
 820,000 REPEAT DOLLARS 820,000 ON FIXED DEPOSIT UNTIL WEDNESDAY  
 JANUARY 23 AT 9 3/16 PERCENT.

REGARDS  
 JULIO C IGLESIAS (U-129-E)  
 PRESIDENT  
 FUELCO LTD

FC-3

\*  
 CODAN PA213.....  
 0001.7

RCA 18 1714 149880+  
VENFUEL CGEL  
12"

OPRS BSY MOM PLS  
MOM MOM MOM MOM  
MOM MOM MOM  
MCANY OPR 456

HAMILTON BERMUDA 380211" OUR TELEX TXXXX 512372"

*Consolidated*  
*93 (97)*

JCC	
JC	
JY	
ID	
File	<i>12/11/74</i>
Discard	

VENFUEL CGEL  
PLS REPEAT YOUR OWN TEX NR?

512372"  
MCANY CPR 456  
MOM PLS  
FIELD BA211  
RCA 02512 1718

VENFUEL CGEL  
JANUARY 18, 1974

TO: FIELD BA                      ATTN: BOORMAN/MANN  
CC: CODAN BA                    ATTN: MUTCH

REF/ TRANSFER OF FUNDS - LIFTINGS 93 & 97

CONFIRMING CONVERSATION WILLS/BOORMAN PLS MAKE THE FOLLOWING  
TRANSFER TO FIRST NATIONAL CITY BANK OF NEW YORK FOR THE ACCOUNT  
OF CORPORACION VENEZOLANA DEL PETROLEO ACCOUNT NO: C-18972381

AA) LIFTING 93

FROM AMOUNT OF DLRS 978,882.20 MATURING TUESDAY JAN 22/74 PLS  
TRANSFER 856,442.03 REPEAT 856,442.03 AND REFER TO AS PAYMENT  
FOR INVOICE 236/73

EEB LIFTING 97

FROM AMOUNT OF DLRS 828,828.38 MATURING WEDNESDAY JAN 23/74 PLS  
TRANSFER DLRS 765,847.67 REPEAT 765,847.67 AND REFER TO AS PAYMENT  
OF INVOICE NO: 29535

REGARDS  
J C IGLESIAS  
PRESIDENT  
FUELCO LTD  
FC-18  
(U-131-E)

FIELD BA211

File  
"Damon"

0-1859

LABASH INC

COSTATES B HOU

LABASH, INC  
NEW YORK  
JANUARY 16, 1974

ATTN: ED BENSTOCK/DICK KUNDER

RE: "DAMON" C/P 12/18/73

OUR RECORDS INDICATE THAT THE VESSEL "DAMON" TOOK 1611 BBLs OUT OF THE CARGO FOR BUNKERS. AT \$20 PER BBL THAT EQUATES TO \$32,220.00. WE HAVE DEDUCTED THIS AMOUNT FROM THE FREIGHT INVOICE AND TODAY WILL WIRE \$36,861.78 TO THE ADDRESS AS SHOWN ON THE FREIGHT INVOICE.

C. E. NEUBAUER  
MANAGER-MARINE DEPT  
COASTAL STATES MKT INC  
HOUSTON, TEXAS

LABASH INC

COSTATES B HOU

## DEPARTMENTAL CORRESPONDENCE

DATE January 18, 1974

SUBJECT ATTACHED CHARTER PARTY

TO DISTRIBUTION DEPT

FROM C. E. Neubauer *CEN* DEPT

VESSEL NAME: M/S "DAMON" C/P DATE: 12/18/74

CARGO LOADED AT: Tampico, Mexico

CARGO DISCHARGED AT: New York

CARGO: #6 Fuel

CUSTOMER: Northville

QUANTITY: Approx. 107,000 bbls

ESTIMATED VALUE: \$1,480,000.00

F-318

*Group II*  
 (o) "Damon"

January 24, 1974

Mr. Jerry Evans  
Coastal States Marketing Co.  
Five Greenway Plaza East  
Houston, Texas 77046

Dear Jerry:

On January 7th I sent you the documents related to the cargo of No. 6 Fuel Oil 3.5% Sulphur on vessel "Damon" but neglected to include a copy of the invoice.

I am enclosing this invoice for your files.

Yours truly,

FUELCO, LIMITED

Jose M. Arellano

Enc.  
JMA:kd

bc: JMA Reading File  
Lifting #97



Northville Industries Corp.  
425 Broad Hollow Road  
Melville, New York 11746  
Route 110

Telephones:  
(212) 591-1400  
(516) 293-4700  
(516) 924-3600

Jerome S. Broder  
Vice-President

TWX 5102246443  
TLX 96 1415  
NORTHVILL MELV

January 29, 1974

Mr. Jerry F. Evans, Vice Pres.  
Coastal States Marketing, Inc.  
5 Greenway Plaza East  
Houston, Texas 77046

Dear Jerry:

In accordance with the instructions in  
your letter of January 2, 1974, we are enclosing  
two (2) signed copies of your Sales Agreement No.  
S-312-201 dated December 31, 1973.

Best regards,

N/01061

SÉLMAN HOLDING, LTD.  
HAMILTON, BERMUDADATE *January 15, 1974*INVOICE No. *CO-1215*TO:  
COASTAL STATES MARKETING, INC.  
Five Greenway Plaza East  
Houston, Texas 77046  
U.S.A.

Commission

"DAMON"

109,406.81 Bbls @ \$1/Bbl =

\$109,406.81



CONSULTANTS AND BROKERS OF PETROLEUM PRODUCTS

M/T "ATROTOS" TRANSACTION

ORIGINAL OF LADING  
 1969 August 1969

BILL OF LADING

THE SALES IS MADE  
 IN FULL PAYMENT OF THE  
 ACCOUNTS OF THE COMPANY SHELL DE  
 VENEZUELA, LIMITED, IS THE  
 EXPORTER.

9806

SHIPPED in apparent good order and condition by COMPANIA SHELL DE VENEZUELA, LTD. 1  
 under deck of the GREEK Motor vessel "A T R O T O S" whereto STAVRAGELOS GEORGIOS 2  
 of PTO. MIRALIDA, VENEZUELA 3  
 is Master now lying in or off the Port of WILMINGTON, DELAWARE 4  
 in the like order and condition at the Port of WILMINGTON, DELAWARE or so near thereto as she may safely get and there 5  
 discharge unto PETROL RICO, LTD. 6  
 Freight shall be deemed to be earned on commencement of loading and shall be payable vessel and/or cargo lost or not lost. 7

\*QUANTITY and GRADE AS FURNISHED BY SHIPPER

TONS TIA JUANA PESADO AND BACHAQUERO GRADE  
 (BLENDED)

T.J. PESADO (03115)	BACHAQUERO (03114)	
33,039.00	64,740.00	GROSS U.S. BARRELS AT 60°F
37,523.00	64,221.00	NETT U.S. BARRELS AT 60°F
10,602,711.00	18,851,532.00	GROSS METRIC TONS
10,602,115.00	9,970,952.00	NETT METRIC TONS
10,421.00	9,892.00	GROSS LONG TONS
10,421.00	9,812.00	NETT LONG TONS
2,057,658.00	2,719,080.00	GROSS U.S. GALLONS AT 60°F
2,057,556.00	2,697,222.00	NETT U.S. GALLONS AT 60°F
10,012,433.27	10,230,480.80	GROSS LITERS AT 15°C
10,750,062.07	10,290,001.32	NETT LITERS AT 15°C
11.80	13.10	A.P.I. GRAVITY AT 60°F
50	80	B.R. & W. CONTENT

\*Where in the case of Bulk Cargo it is impracticable to ascertain the intake quantity before this Bill of Lading is signed, the quantity should be stated as approximate. In the case of packed Cargo, the exact number of packages should be stated.

Clauses 1 to 10 inclusive on the reverse of this Bill of Lading are incorporated herein and form part of this Bill of Lading. 8

IN WITNESS whereof the Master of the said Vessel hath affirmed to Bills of Lading all of this tenor and date 9  
 one of which being accomplished the others to stand void. 10

Dated at FUERTO MIRALIDA, VENEZUELA the THIRTIETH (30th) day 11  
 of DECEMBER, 19 73 12

*[Handwritten Signature]*  
 Master 13  
 14

ENDORSEMENT  
 Deliver unto order of Fuelco, Ltd.  
 PETROL RICO, LTD.

by: *[Handwritten Signature]*

ENDORSEMENT  
 Deliver unto order of Coastal  
 States Crude Gathering Co.  
 By: *[Handwritten Signature]*  
 Jose M. Arellano, Fuelco, Ltd.



A subsidiary of Royal Petroleum Corporation

**Petrol Rico Ltd.**

INCORPORATED IN THE ISLANDS OF THE BERMUDA

January 7, 1974

Invoice No. 389-1

For Account of: Fuelco Ltd.  
 Shipped at: Puerto Miranda  
 Exporting Country: Venezuela  
 Name of Vessel: "Atrotos"  
 Nationality: Greek  
 Departure Date: December 30, 1973

TJB 1

132,779 Barrels (of 42 U.S. Gallons) Gross  
 131,920 Barrels (of 42 U.S. Gallons) Net  
 20,383 Long Tons (of 2,240 Pounds) Gross  
 20,252 Long Tons (of 2,240 Pounds) Net

Tia Juana Pesado and Bachaquero Crude Oils  
 API @ 60°F 13.1

Puerto Miranda @ \$10.50 per U.S. Barrel	Net	\$1,385,160.00
Freight at W.S. 200 as per agreement		85,058.40
Total CIF Corpus Christi, Texas		<u>\$1,470,218.40</u>

We hereby guarantee that this invoice is authentic and that the merchandise mentioned herein is of Venezuelan origin.

Payment Terms: Prompt five days from receipt of invoice and documents by wire transfer to The Bank of Bermuda, Ltd., Hamilton, Bermuda, Account No. 18-560-7

J11353

Petrol Rico Ltd.  
 Distribution Office  
 P. O. Box 100  
 Hamilton Bermuda

24 145  
 Telex: BR-282 106

Petrol Rico Ltd.  
 The Swiss Centre  
 10 Wardour Street  
 London W1 England

734 8524  
 Telex: 268304

Petroleros Rico Venezolano, Inc.  
 Apartado 6586  
 Caracas Venezuela

24 12 71  
 Telex: 21031

Royal Petroleum Corporation  
 Suite 400  
 1110 St. James Place  
 Houston, Texas 77027

113 626-2820  
 Telex: 76 2218

Royal Petroleum Corporation  
 41, Rue de la  
 Case Postale No. 1100  
 St. John's

212 595 4531  
 Telex: 14 121

F-1353



FUELCO, LIMITED  
FIFTH FLOOR  
BANK OF BERMUDA BUILDING  
HAMILTON, BERMUDA  
TELEPHONE 21-422 TELEX 280-218



*Handwritten notes:*  
Day  
Dunn  
C. I. F.  
NET  
1974

Invoice No.: 065  
Date: January 18, 1974

Coastal States Crude Gathering Co.  
Five Greenway Plaza, East  
Houston, Texas 77046

\*\*\*\*\*

PRODUCT:	Tia Juana Heavy/Bachaquero Crude Oil
VESSEL:	Atrotos
NATIONALITY:	Greek
DELIVERED:	Corpus Christi
EXPORT COUNTRY:	Venezuela
SAILED:	December 30, 1973
GROSS BARRELS:	132,779
NET BARRELS:	131,920
NET LONG TONS:	20,252
GROSS LONG TONS:	20,383
API GRAVITY:	600F, 13.1
PRICE:	\$10.60/barrel C.I.F. Corpus Christi plus freight at 215 World Scale.

Continued. . . . .

## FUELCO, LIMITED

FIFTH FLOOR  
 BANK OF BERMUDA BUILDING  
 HAMILTON, BERMUDA  
 TELEPHONE 21-422    TELEX 350-218

Invoice No. 065

Continued

\*\*\*\*\*

## Crude:

131,920 barrels Tia Juana/Bachaguero crude  
 blend at \$10.60/barrel C.I.F. Corpus Christi    \$1,398,352.00

## Freight:

20,252 Long Tons at \$2.10 x 215 World Scale    91,437.78

TOTAL AMOUNT OF INVOICE

\$1,489,789.78

We hereby guarantee merchandise mentioned is of Venezuelan  
 Origin.

Please make payment by Bank Wire Transfer (\$1,489,789.78) to  
 Bank of N.T. Butterfield and Sons, Ltd., for the account of  
 Fuelco, Ltd., Account No. 2010-176153, Attn.: Mr. Chas. Mann.

January 30, 1974

Mr. Sam Wilson  
Mr. Charles Horton  
Coastal States Crude Gathering Co.  
Five Greenway Plaza, East  
Houston, Texas 77046

Gentlemen:

Enclosed are documents and invoice related to cargo of Tia Juana Heavy/Bachaquero crude delivered on vessel Atrotos. Please proceed to make payment per instructions on invoice.

Please note Bill of Lading has been consigned to Fuelco, Ltd. and Fuelco has consigned to Coastal States Crude Gathering Co.

Yours truly,

FUELCO, LIMITED

Jose M. Arellano

Enc.

JMA:kd

bc: B.E. Wills ✓  
JMA Reading File  
Lifting #TJB-1

J11352

F-1353

*Inspectors*  
 of Petroleum, Inc.  
 Independent Licensed  
 Inspection  
 James J. Mullin, President

Corpus Christi, Texas January 16 thro.  
 February 7, 1974

EX- I/S "ATROTOS"

SHORE TANK	GAUGE	BARRELS AT TANK TEMP.	TANK TEMP. (°F.)	FACTOR	BARRELS (AT 60°F.)	DELIVERED BARRELS (AT 60°F.)
No. 1338 Opened	0' 11 1/4"	2,947.42				
Less Water	0' 1 1/2"	906.91				
(A.P.I. Gravity 21.3)		2,040.51		65	.9980	2,036.43
Closed	33' 6 3/8"	84,788.01				
Less Water	0' 1 1/2"	906.91				
(A.P.I. Gravity 16.3)		83,881.10	113	.9800	82,203.48	80,167.05
<u>First Pumping</u>						
No. 1337 Opened	0' 0 3/4"	862.83				
Less Water	0' 0 3/4"	862.83				
		0.00				
Closed	2' 0 7/8"	6,144.38				
Less Water	0' 0 3/4"	862.83				
(A.P.I. Gravity 14.3)		5,281.55	95	.9870	5,212.89	5,212.89
<u>Second Pumping</u>						
No. 1337 Opened	13' 3 1/8"	34,224.44				
Less Water	0' 0 3/4"	862.83				
(A.P.I. Gravity 30.8)		33,361.61	72	.9949	33,191.47	
Closed	27' 9 1/4"	70,652.48				
Less Water	0' 0 3/4"	862.83				
(A.P.I. Gravity 29.4)		69,789.65	72	.9950	69,440.70	36,249.23

CONDITION OF SHORE PIPELINES: WHEN COMMENCED Full

WHEN FINISHED Full

VOLUME CORRECTION BASED ON: ASTM D-1250, Table 6

THE FOREGOING IS A STATEMENT OF QUANTITY AND QUALITY  
 OF BACHEQUERO CRUDE AND TIAJUANA PESADO  
 OF CRUDE COMINGLED  
 DELIVERED Coastal States Crude Gathering Company  
 AT Corpus Christi, Texas  
 By EX- I/S "ATROTOS"

PAGE 1

By *[Signature]*

*W. J. Mullin* Inspectors  
 of Petroleum, Inc.  
 Independent Licensed  
 Inspection  
 James J. Mullin, President

Corpus Christi, Texas, February 2, 1951

EX- I/S "ATROTOS"

SHORE TANK	GAUGE	BARRELS AT TANK TEMP.	TANK TEMP. (°F.)	FACTOR	BARRELS (AT 60°F.)	DELIVERED BARRELS (AT 60°F.)
No. 1338	Opened	33' 4 1/2"				
Less Water		0' 1 1/2"				
(A.P.I. Gravity 16.3)		84,396.18 906.91 <u>83,489.27</u>		83 .9913	82,762.91	
	Closed	38' 8 1/8"				
Less Water		0' 1 1/2"				
(A.P.I. Gravity 16.3)		97,693.10 906.91 <u>96,786.19</u>		76 .9939	96,195.79	
						13,432.05 <u>135,052.05</u>
		Less B. S. & W.			-2.0%	2,701.24 <u>132,350.81</u>
<u>SHIP COMPOSITE</u>						
Gravity, A. P. I. @ 60°F.					16.3	
B. S. & W. (Centrifuge), %					2.0	
NOTE: The above results tested and accepted for Discharge by Consignee Laboratory						
PAGE 2						

CONDITION OF SHORE PIPELINES: WHEN COMMENCED Full WHEN FINISHED Full  
 VOLUME CORRECTION BASED ON: ASIM D-1250, Table 6

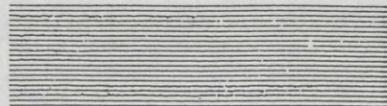
THE FOREGOING IS A CORRECT STATEMENT OF QUANTITY AND QUALITY OF	GROSS @ 60°F.	NET @ 60°F.	
BACHEQUERO CRUDE AND TIAJUANA PESADO CRUDE COMINGLED	135,062.05	132,360.81	BARRELS
DELIVERED Coastal States Crude Gathering	5,672,606.10	5,559,154.02	U S GALS
AT Corpus Christi, Texas Company	20,190.93	19,787.11	LONG TON
BY EX- I/S "ATROTOS"	20,514.96	20,104.66	Metric TON

BY *W. J. Mullin*

INTERNATIONAL BANKING CORPORATION  
 TRANSFER OF MONEY TO BE MADE BY CABLE, TELEY, OR TELEGRAPH

PRESENT TO:  
 BANK OF N. T. BUTTERFIELD & SON LTD.  
 MILTON  
 ERMUDA

60-40772



FOREIGN AMOUNT	RATE	DOLLAR AMOUNT
15- <del>2223</del> - 0571-2681-4		1,345,722.90
CABLE OR TELEGRAPH CHARGE		2.80
COMMISSION		

PLEASE ADVISE, PAY, OR CREDIT TO:  
 For credit account of Fuelco Ltd. account #2010176153, Attn: Charles Mann. Ref: For payment of Tijuana Bay Eschequero crude oil aboard tanker Protos. Pay less charges.

WE CHARGE YOUR ACCOUNT \$ 1,345,725.70  
 CHECK OR CASH RECEIVED  
 AS PER  PHONE  LETTER  WIRE  
 DATED 2/25/74 ACCOUNT NO. 72-28929

ORDER OF  
 Coastal States Gas Producing Co., Houston  
 PAID BY  
 Caiznos

Coastal States Gas Producing Co.  
 45 Greenway Plaza East  
 Houston, Texas 77046  
 Attn: Mr. Bob Lundberg

SEE REVERSE SIDE FOR TERMS AND CONDITIONS GOVERNING THIS TRANSFER

RECEIPT NON-NEGOTIABLE

VENFUEL CGBL  
FEBRUARY 26, 1974

TO: FIELD  
CC: CODAN

ATTN: BOORMAN/G. MANN ✓  
ATTN: F. MUTCH

*Julio*  
*TJB*

JCI	
JSG	
JMA	1
AD	
File	<i>J. Liffing</i>
Discard	

RE: TRANSFER OF FUNDS -- TJB-1

CONFIRMING CONVERSATION WILLS/BOORMAN FROM DOLLARS 1,345,722.00  
REPEAT DOLLARS 1,345,722.00 PLEASE TRANSFER DOLLARS 1,328,410.24  
REPEAT DOLLARS 1,328,410.24 TO THE BANK OF BERMUDA FOR THE  
ACCOUNT OF PETROL RICO, LTD. ACCOUNT NO. 18-560-7 REFER AS PAR-  
TIAL PAYMENT OF INVOICE NO. 389-1.

REGARDS  
JULIO C. IGLESIAS (U-149-E)  
PRESIDENT  
FUELCO, LTD.

FC-2

\*  
3211 FIELD BA..... ✓  
0003.5

RCA 26 1258 094853  
GA  
1

NINETY-FIFTH CONGRESS

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CONGRESS OF THE UNITED STATES  
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 SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
 OF THE  
 COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE  
 WASHINGTON, D.C. 20515

FORM 2222  
 RATION HOUSE OFFICE BUILDING  
 PHONE (202) 225-6441

JAMES L. MULLIGAN  
 OPERATIONS DIRECTOR  
 JOHN MC ELROY ATTERSON  
 COUNSEL TO THE SUBCOMMITTEE

TASK FORCE DIRECTORS  
 LOWELL FOSBERG—OVERSIGHT  
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J. THOMAS BRIDGE  
 COUNSEL TO THE CHAIRMAN

EDWARD J. WUNDER  
 SECURITY COUNSEL

August 10, 1978

HAND DELIVERED

Honorable David J. Bardin  
 Administrator  
 Economic Regulatory Administration  
 Washington, D. C. 20461

Dear Mr. Bardin:

In April and May, 1975, the Subcommittee on Oversight and Investigations held hearings on the enforcement policies of the Federal Energy Administration (FEA) with the focus on a particular enforcement action related to alleged overcharges of several million dollars involving the sale of fuel oil to the Jacksonville Electric Authority (JEA) by a firm named Ven-Fuel Inc. One issue addressed at the hearings was whether FEA was vigorously enforcing oil pricing regulations and related statutes.

Thus, I am deeply disturbed by the extreme lack of vigor which has characterized the Department of Energy's subsequent actions with regard to the Ven-Fuel case. In January, 1977, the U. S. Attorney for the Middle District of Florida notified Mr. David G. Wilson, Acting General Counsel of FEA, that administrative action by FEA to recover overcharges would not hinder his pending criminal prosecution involving customs violations. Subsequent thereto, FEA attorneys prepared a consent order which took the position that Ven-Fuel's deliveries of residual fuel oil to JEA resulted in total overcharges in excess of \$5,300,000. However, the consent order spent the better part of 1977 bouncing back and forth between FEA's Headquarters in Washington and the Atlanta Regional Office before it was finally presented to Ven-Fuel's attorney in late 1977.

Moreover, information provided to the Subcommittee staff reveals that Ven-Fuel rejected the consent order and the Atlanta Regional Office forwarded a proposed Notice of Probable Violation (NOPV) to the National Office for review on or about

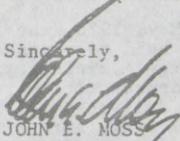
Honorable David J. Bardin  
Page Two

January 26, 1978. Almost seven months have passed since then and no formal action has been taken by the Economic Regulatory Administration's Office of Enforcement. It is further noted that the transactions resulting in the alleged overcharges occurred in 1973-1974.

This inordinate delay and lack of aggressive enforcement action by your office in a case which potentially involves a refund of over five million dollars to a public utility and its customers is inexcusable.

In order to further evaluate the operational efficiency of the Office of Enforcement, the Subcommittee requests a report as to the current status of the case and copies of all correspondence or memoranda which relate to the proposed NOPV in the Ven-Fuel case. Your response is requested no later than August 17, 1978.

Sincerely,



JOHN E. MOSS

Chairman  
Subcommittee on  
Oversight and Investigations

JEM:rfm



Department of Energy  
Washington, D.C. 20461

AUG 25 1978

Honorable John E. Moss  
Chairman, Subcommittee on  
Oversight and Investigations  
Committee on Interstate and  
Foreign Commerce  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your letter of August 10, 1978, in regard to the Ven-Fuel case.

I share your concern that enforcement of oil pricing regulations and related statutes proceed as vigorously as possible. Certain cases must be recognized as requiring a considerable amount of time and preparation in order to maximize the possibility of ultimate success in court, especially when limited legal and audit resources are available. If that time were not taken, the public might be denied relief it otherwise would receive and criminal prosecutions might be jeopardized.

Ven-Fuel is a case that has presented a number of time-consuming difficulties. For an extended period all records were with the Grand Jury. During that time, we had only limited use of the files. The Office of Enforcement was carefully insulated from the Grand Jury investigation. While we fully cooperated with the Grand Jury, even to the extent of providing full-time investigatory help to the ongoing criminal proceedings, we were specifically prevented from carrying on our own legal process during this time.

By January 1977, an indictment had been returned by the Grand Jury. We then made a request of the U.S. Attorney to continue with our investigation. In response, while keeping all of

- 2 -

the records with the Grand Jury, the U.S. Attorney did agree to make certain documents available for copying so we could proceed.

In pursuing our investigation, it quickly became clear that additional information was needed. More specific questions arose in regard to the Grand Jury process and to the appropriate use of Grand Jury documents in particular actions being considered by the Federal Energy Administration (FEA). Accordingly, on February 16, 1977, Regional Counsel for FEA again wrote to the U.S. Attorney asking for further clarification in regard to the use of Grand Jury data.

As a result of the resolution of such legal issues, the Office of Enforcement received clearance on March 13, 1977, to use copies of Grand Jury documents in our administrative case. We then attempted the most expeditious way of resolving the matter and getting overcharges refunded to consumers, that is, a Consent Order agreed upon by the company. This course was pursued until the refusal by Ven-Fuel to sign the Consent Order in October 1977.

Thereupon, the Department of Energy initiated a Notice of Probable Violation (NOPV). The NOPV was sent to the National Office of Enforcement for review in January 1978. The NOPV was referred to the Office of General Counsel for its concurrence on April 18, 1978. The document has undergone a number of technical changes to assure factual accuracy and legal sufficiency. We have checked with the Office of General Counsel and it has assured us that it will complete its review of the NOPV by September 5, 1978.

We are enclosing an index and all memoranda relating to the drafting of the proposed NOPV in the Ven-Fuel case. A review of these documents will indicate the nature of the issues involved and the efforts made to resolve them.

When reviewing the attached documents, please keep in mind that they are investigatory memoranda containing information relating to an NOPV. Accordingly, we are providing them in the expectation that they will be treated as proprietary documents and will not be released except pursuant to the established procedures of your Subcommittee.

- 3 -

If we can be of any further assistance in this matter, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "David C. Bardin".

David J. Bardin  
Administrator  
Economic Regulatory Administration

Enclosures

○

