

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger

SUBJECT: John King's Proposal for Oil Drilling in Gulf of Suez

Bob Haldeman has asked me to talk with John King--in lieu of you-- about King's proposal to sign a contract with the Israeli government to drill for oil in the El Murgan field in the Gulf of Suez. Before I do, I want to be sure that the facts of the case are fully understood so that my line is consistent with yours. As I understand the background, King discussed this proposal with you during the campaign, asking you to instruct State Department to stand aside.

The oil field in question--the Murgan field--is located in the Gulf of Suez on both sides of mid-Gulf. As you know, the Gulf of Suez runs wholly between two branches of sovereign UAR territory, the Sinai Peninsula and that part of the UAR on the African continent. In 1964, the UAR Government awarded this concession to a company owned half by Egyptian government companies and half by Pan American, an Egyptian-chartered subsidiary of Standard Oil of Indiana. Commercial production began in the spring of 1967, and about 200,000 barrels of oil a day are being pumped from this field today. The oil has always been piped to the African rather than to the Sinai side of the Gulf.

The Israelis in the 1967 war occupied the Sinai shore of the Gulf of Suez. In August 1968, Standard of Indiana reported that the Israelis had approached Standard, asserting their claim to all oil in the eastern half of the Gulf and forbidding Pan Am to do any more drilling there. State Department persuaded the Israelis to withdraw their approach to Standard, and then they began approaching independent companies--like King Resources-- with contracts to drill for Israel in the eastern half of the Gulf. State again urged the Israelis to stop.

State Department's position rests on these points:

1. Legal. Insofar as Israeli-sponsored drilling is proposed in the El Murgan concession, it would violate a legally granted concession where another American company--Standard of Indiana--has already invested \$100 million and is operating successfully.

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2. International law. Our lawyers hold that Israel has no legal authority to grant concessions anywhere in the Gulf. By right of occupation they can exploit captured oil on the Sinai shore. But the occupation stops at the cease-fire line along the shoreline.

3. Political. If the US Government acquiesces in this Israeli effort to push its borders beyond the cease-fire line into the Gulf-- especially when that move encroaches on the property of a major American company--the Egyptians will assume US support for Israel's continued occupation of the Sinai. Such support would be incongruous with our diplomatic effort to work out a Mid-East peace settlement including Israeli withdrawal from the Sinai.

4. Protection. Any company drilling for Israel would be subject to UAR air attack and would not have any recourse to law.

On foreign policy grounds, the case seems clear. The Israelis should have no trouble understanding why we would oppose their (a) violating the cease-fire lines and (b) encroaching on the established legal concession of an American company. While they could read into our position a more general inclination to work against them, State has openly explained the reasons for its position to avoid such misunderstanding, and Israel has not pressed its case on the merits.

I realize that domestic factors are involved, and that is why I seek your guidance. I am not the appropriate judge of the relative interests of John King and John Swearingen of Standard of Indiana, who I understand would also try to see you if he thought we were going to reverse the present position.

Recommendation: That I hear Mr. King out, explain in general terms the purpose of your current diplomatic effort and point out why such drilling would be inconsistent.

Approve \_\_\_\_\_ Other \_\_\_\_\_

cc: Mr. Haldeman