

OCCIDENTAL PETROLEUM CORPORATION

10889 WILSHIRE BOULEVARD • SUITE 1500

LOS ANGELES, CALIFORNIA 90024

(213) 879-1700 • (213) 477-0066

ARMAND HAMMER  
CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER

December 17, 1980.

The Rt. Hon. Mrs. Margaret Thatcher, M.P.  
Prime Minister and First Lord of the  
Treasury,  
10 Downing Street,  
London, SW1.

Dear Mrs. Prime Minister,

As you undoubtedly know, I was successful in acquiring one of  
Leonardo da Vinci's Codex (notebook).

I was motivated by the fact that the British Museum has another  
Leonardo Codex, although somewhat smaller in size, consisting of  
270 sheets - while the United States has none.

I thought you would like to know my plans for this notebook. I  
intend to restore it to its original folios, have each folio  
mounted between two layers of protective plexiglass, and framed  
for exhibition purposes.

I expect this will be done either at the laboratory at Windsor  
Castle, under the supervision of Mrs. Jane Roberts, Curator of  
the Queen's collection of Leonardo works, or in California  
under the supervision of the foremost Leonardo scholar, Professor  
Carlo Pedretti, who edited and published the Queen's extensive  
Leonardo collection.

I propose to offer it for a three-month show at the Royal Academy  
next year and thereafter every year until my death. After that  
the discretion to loan it will be with the Armand Hammer Foundation,  
but I will inform it of my wishes to show the exhibition in the  
United Kingdom at mutually convenient intervals.

Sir Hugh Casson has agreed that I should show it at the Royal  
Academy at the same time as I am exhibiting my Daumier collection  
of oil paintings, original drawings and bronze sculptures and  
prints beginning February 4, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, M.P.  
London, SW1.

December 18, 1980.

In the meantime I have been asked by President-Elect Reagan's Inaugural Art Committee ( of which I am a member), to show the notebook during the Inaugural festivities. Therefore, it will be a part of the Inaugural. I have arranged to have it shown at a reception on Saturday, January 17, on which day the ceremonies begin. The President-Elect, his cabinet members and all top officials in the new administration will view it.

After I have shown it at the Royal Academy and in Washington D.C. it is my intention to have it exhibited in various countries throughout the world.

I have bequeathed it to the Los Angeles County Museum of Art and, upon my death, it will rest there, along with my collection of paintings and my Daumier collection.

With warmest personal regards and wishes for a happy holiday season.

Sincerely yours,

*Armand Hammer*

Armand Hammer.

P.S. I enclose a copy of my letter of today's date to Norman St. John Stevas.

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ARMAND HAMMER  
CHAIRMAN AND  
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December 17, 1980

The Rt. Hon. Norman St. John Stevas,  
34 Montpelier Square,  
London, SW7.

Dear Mr. St. John Stevas,

After you so kindly called on me on Saturday December 13, prior to my leaving for Budapest, in regard to my plans for the Leonardo Codex, I discussed them with Sir John Foster as I advised you I would do.

Since then I have had a telephone call from the Chairman of President-Elect Regan's Inaugural Art Committee, Mrs. Pascal Reagan, asking if I would show the Codex at a reception on Saturday, January 17, which is the first day of the Inaugural ceremonies.

Please let me know when you would like a press conference, as you suggested at the time of your visit, announcing my intention to loan the Codex for three months to the Royal Academy every year until my death, starting at the time of the opening of my Daumier collection on February 4, 1981.

My general plans are contained in my letter to Mrs. Thatcher, a copy of which I enclose.

I respectfully ask that the export license requested by Christies be expedited, because if I get delivery of the Codex immediately it can be ready in folio form for the Inauguration.

Please be in touch with my representative Tim Halford who is fully authorized to act as my agent. His telephone numbers are: office - 828 5600 or residence - 948-5061.

He has been informed by Christies that the basic procedure is to submit an application and request that you convene a meeting of the Review Committee to approve the offer.

The Rt. Hon. Norman St. John Stevas  
December 17, 1980.

I would deeply appreciate your prompt action in this matter in view of the very short time remaining to get the folios framed.

With warmest regards and wishes for a happy holiday season.

Sincerely yours,

*Armand Hammer*

Armand Hammer.

cc. The Rt. Hon. Mrs. Margaret Thatcher.

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ARMAND HAMMER  
CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER

September 6, 1970

The Rt Hon Mrs M Thatcher MP  
Prime Minister & First Lord of the Treasury  
10 Downing Street  
London S W 1

*Dear Prime Minister*

Occidental's Canvey Island Refinery

I promised to write to you explaining the background and future plans concerning the Canvey Refinery where we have \$130M invested.

A conventional distillation refinery was under construction in 1973/74 when the future market outlook for petroleum products was radically altered by the first major OPEC price rise. Early in 1975 Occidental stopped work following new economic studies which showed the refinery was unlikely to prove profitable.

Today there is still a large surplus of crude oil distillation capacity in the UK and western Europe and we cannot foresee proceeding with the refinery as originally planned.

Since 1975 we have studied numerous alternate projects which might utilize the Canvey site. Only recently have we succeeded in identifying an approach which we feel is likely to satisfy the requirements of the planning and safety authorities as well as our own economic criteria. Detailed work is in hand and we expect to receive consultants' reports around the end of the year and thereafter to decide whether to proceed.

You can imagine my surprise at seeing the comments in the press by Sir Bernard Braine, with whom I met on my last visit to London. I enclose a copy of my letter to him which I hope clarifies the position.

As the decisions of the Venice summit are put into effect, coal will increasingly replace oil in the firing of power stations. At the same time heavier crudes will form an increasing proportion of oil production. It may even become feasible to produce the heavy crudes of the UKCS. These factors will cause more imbalance in the "shape of the barrel", giving a surplus of heavy oils, specially vacuum and cracked residues, relative to naphtha and the transportation fuels. The installation of a residue up-grading refinery will help restore the balance. We have in mind to process 60,000 barrels per day of residues.

As planning work proceeds my London staff will be contacting the Department of Energy to discuss a number of aspects of the project touching upon energy policy. I am very hopeful of being able to bring this project to fruition.

Sincerely yours

Armand Hammer

Dr Armand Hammer

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Dr. Hammer set.

SUBJECT

NOTE OF A CONVERSATION BETWEEN THE PRIME MINISTER AND DR. HAMMER  
AT 10 DOWNING STREET ON THURSDAY 5 FEBRUARY 1981 AT 1800 HOURS

Present: Prime Minister Dr. Hammer  
Chancellor of the Exchequer  
Secretary of State for Energy  
Mr. M.A. Pattison

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The Prime Minister met Dr. Hammer of the Occidental Oil Corporation last night. Your Secretary of State and the Chancellor of the Exchequer joined her for part of the discussion.

Occidental's investment proposals

Dr. Hammer said that the three projects which he had announced during the Prime Minister's September visit to Flotta were all proceeding on schedule. But he was disappointed by British delays on the Peterhead project. In respect of Canvey Island, he was confident that Occidental could work with the local people, and the company was establishing a good working relationship with Sir Bernard Braine.

Referring to Occidental's intention to order a semi-submersible rig, Dr. Hammer said that the price quoted by British Shipbuilders had now risen to \$160 million, which represented a 100% increase on the initial quotation six months ago. Finnish and Japanese bids were about 60% lower. Dr. Hammer said that he was prepared to allow as much as a 20% preference for British purchase but his shareholders and partners would not accept 60%. The Chairman of the British Steel Corporation was an old friend of his. Mr. MacGregor had told him that if Occidental were to announce its intention to place all its future steel orders for North Sea oil operations in the UK, it would have a tremendous positive effect on morale. Dr. Hammer said that he was willing to do this, but he would have to wait until the price differential for the semi-submersible rig had been narrowed to the point where he could deliver on such an undertaking. The Secretary of State for Energy said that he was desperately trying to get the Chairman of British Shipbuilders to operate competitively so that he could get contracts of this kind.

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BS were building a rig for BP at Scott Lithgow. He understood that the Cammell Laird yard was quoting about 20% above South Korean tenders for other contracts. The Prime Minister undertook to make inquiries.

Taxation

Dr. Hammer said that he was concerned about proposals for a change in the North Sea tax regime. He recognised that petroleum revenue tax had not been operating satisfactorily. In practice, only Occidental and BP were paying. Occidental were the second largest tax payer. In the last year, they had paid about £600 million and their liability for the current year would be similar. He recognised that the Chancellor was looking for ways of raising tax revenue from those companies who still avoided PRT because they could write off depreciation on major investment projects against liability. The Chancellor still seemed to be looking for additional revenue of £1 billion. But the other North Sea companies would eventually have to pay, and their liability would be increasing as the price of oil went higher. Dr. Hammer therefore argued that the Government should require further advance payment now, raising the required £1 billion, as an advance against future liability. It would also be open to the Chancellor to raise the rate of PRT above the present 87% figure, because the rising price of oil gave the oil companies a greater cash margin. Even if the percentage figure was raised, the companies could not legitimately complain because the tax was levied on profits. But the proposed new royalty came off the top of revenue and would certainly discourage new development. He entirely agreed that it was wrong that a company like EXXON should be paying nothing. Occidental brought its investments on line fast, and therefore paid PRT in the way in which the tax had been designed. He did not want to see others escape. By 1982 and 1983, many of the projects where investment had been offset against PRT liability would have come on stream, and PRT would also start to flow. The UK problem was therefore one of timing, and the principle of a second royalty unrelated to profit was scary to companies like his. He advised the Government to consider the issues further. Perhaps they could try his suggestions for advancing PRT, and raising the rate, for a year, and then judge whether a further tax was necessary.



The Chancellor said that Dr. Hammer had acknowledged that the Government was entitled to more North Sea revenue, and that the Government was looking for a further £1 billion contribution next year, whilst preserving future tax income. Their differences, therefore, were over the argument between a profit-based and a revenue-based source of income for the Government. He and his colleagues had been into these issues with great care, but had found their proposal to be the most feasible option. They had had to design a supplementary tax to provide both current and future revenue. In his judgement, Dr. Hammer's proposal was not so likely to raise £1 billion next year and offer rising revenue thereafter. But, in view of representations like Dr. Hammer's, Ministers might well decide to try the new arrangements for one year, and to review them in the course of that initial year.

The remainder of the conversation was dominated by Dr. Hammer's reflections on OPEC as the greatest threat to the world. He regarded it as particularly important to develop energy sources which would allow the West to deal with OPEC from a position of strength. Coal conversion and shale oil programmes were therefore crucial. Occidental had a 5,000 acre block in the US containing 1,200,000,000 barrels of oil. Their research showed that the extraction was simple when the shale was heated to 900<sup>o</sup>F. Occidental would go ahead, if necessary, even without Government help. He was confident that they could handle the conversion cheaply enough to deal with imports. Similarly, coal liquification would be possible at a cost of around \$35-50 a barrel. Sheikh Yamani was already predicting an OPEC price of \$50 a barrel this year.

*MAD*

6 February 1981