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Coll 6/48 'Oil: Concessions in Saudi Arabia. (Hasa)'

Holding Institution	British Library: India Office Records and Private Papers
Reference	IOR/L/PS/12/2115
Date(s)	8 Dec 1923-11 Jul 1945 (CE, Gregorian)
Written in	English in Latin
Extent and Format	1 file (574 folios)
Copyright for document	Unknown

About this record

This file relates to oil concessions in Saudi Arabia, particularly the Hasa [Al Hasa] concession between the Government of Saudi Arabia and the Standard Oil Company of California (SoCal). It includes discussion of the following:

- Oil negotiations in Saudi Arabia during March and April 1933, and the reported involvement of Major Frank Holmes in negotiations relating to the Kuwait (also spelled Koweit in the file) [Saudi-Kuwaiti] neutral zone.

- Details of an agreement for the oil concession relating to the Hasa region of Saudi Arabia, made between the Government of Saudi Arabia and SoCal (signed on 27 May 1933), and assigned by SoCal to its subsidiary, the California Arabian Standard Oil Company (Casoc).

- British concerns regarding a request made by Casoc via the United States Embassy for its aeroplane to be permitted to fly over Kuwait and Bahrain, as part of a survey of the region relating to its oil concession.

- Reports that Casoc may be interested in exhanging the southern half of its Hasa concession for land further west, and the effect that this might have on Britain's negotiations with Ibn Saud [‘Abd al-‘Azīz bin ‘Abd al-Raḥmān bin Fayṣal Āl Sa‘ūd].

- Reports of the discovery of oil in Hasa in 1935, and the discovery of commercial quantities of oil there in March 1938.

- Reports that Casoc is considering the possibility of laying a pipeline from Hasa to Bahrain.

- Casoc's oil rights in the Kuwait neutral zone.

- The progress of operations carried out in Hasa by Casoc, including the status of its wells at Dhahran.

- An account of a visit made by the Political Agent at Bahrain (Hugh Weightman) to Casoc's site at Dhahran as well as to other areas in the region, in May 1939.

- Details of a loan from Casoc to the Government of Saudi Arabia.

- Reports of Casoc having taken the decision to construct a refinery at Ras Tanura.

The file features the following principal correspondents: the Political Resident in the Persian Gulf; the Political Agent, Bahrain; the Political Agent, Kuwait; the Secretary of State for the Colonies; His Majesty's Chargé d'Affaires, Jedda; the His Majesty's Minister at Jedda; officials of the Foreign Office, the India Office, the War Office, the Air Ministry, and the Petroleum Department; representatives of Casoc.

In addition to correspondence the file includes the following:

- Copies of the oil agreement and a supplementary agreement between the Government of Saudi Arabia and the Standard Oil Company of California, dated 1933 and 1939 respectively.

- Extracts from Bahrain and Kuwait intelligence reports.

- The minutes of an interdepartmental meeting held at the Colonial Office on 26 April 1933, concerning British interests in oil in the Persian Gulf (notably Kuwait, Bahrain, Hasa in Saudi Arabia, and the Kuwaiti neutral zone).

- Draft and final copies of a War Office report entitled 'Brief Summary of the Oil Situation in the Middle East, November 1934'.

The date range of the volume is 1923-1945 but only a handful of items date from before 1933. These include copies of the Political Resident in the Persian Gulf's correspondence with the Secretary of State for the Colonies and the Foreign Secretary to the Government of India respectively, which date from 1923 to 1926 and concern the possibility of oil development both in Qatar and on the Trucial Coast.

The file includes three dividers which give a list of correspondence references contained in the file by year. These are placed at the back of the correspondence (folios 2-4).



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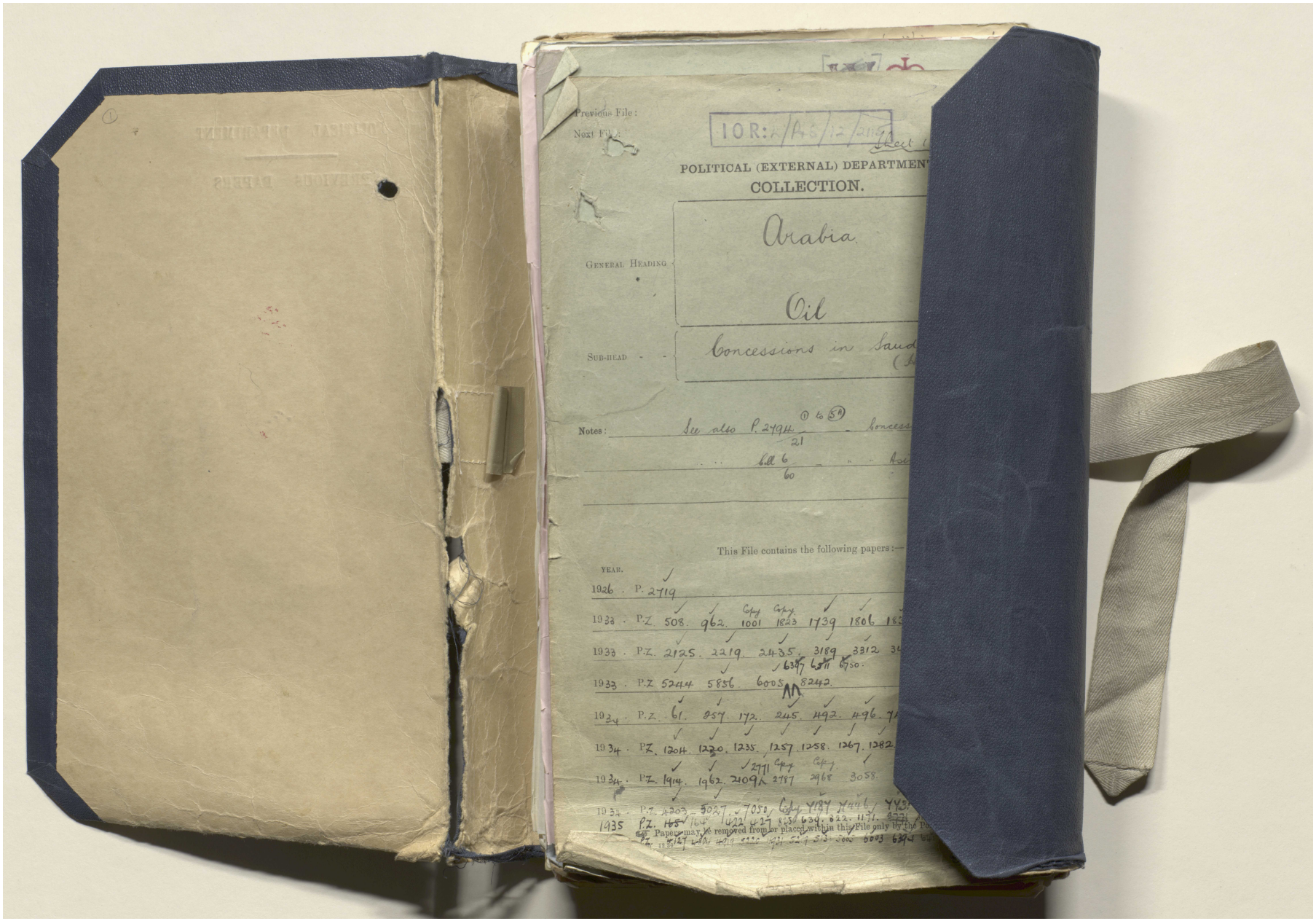

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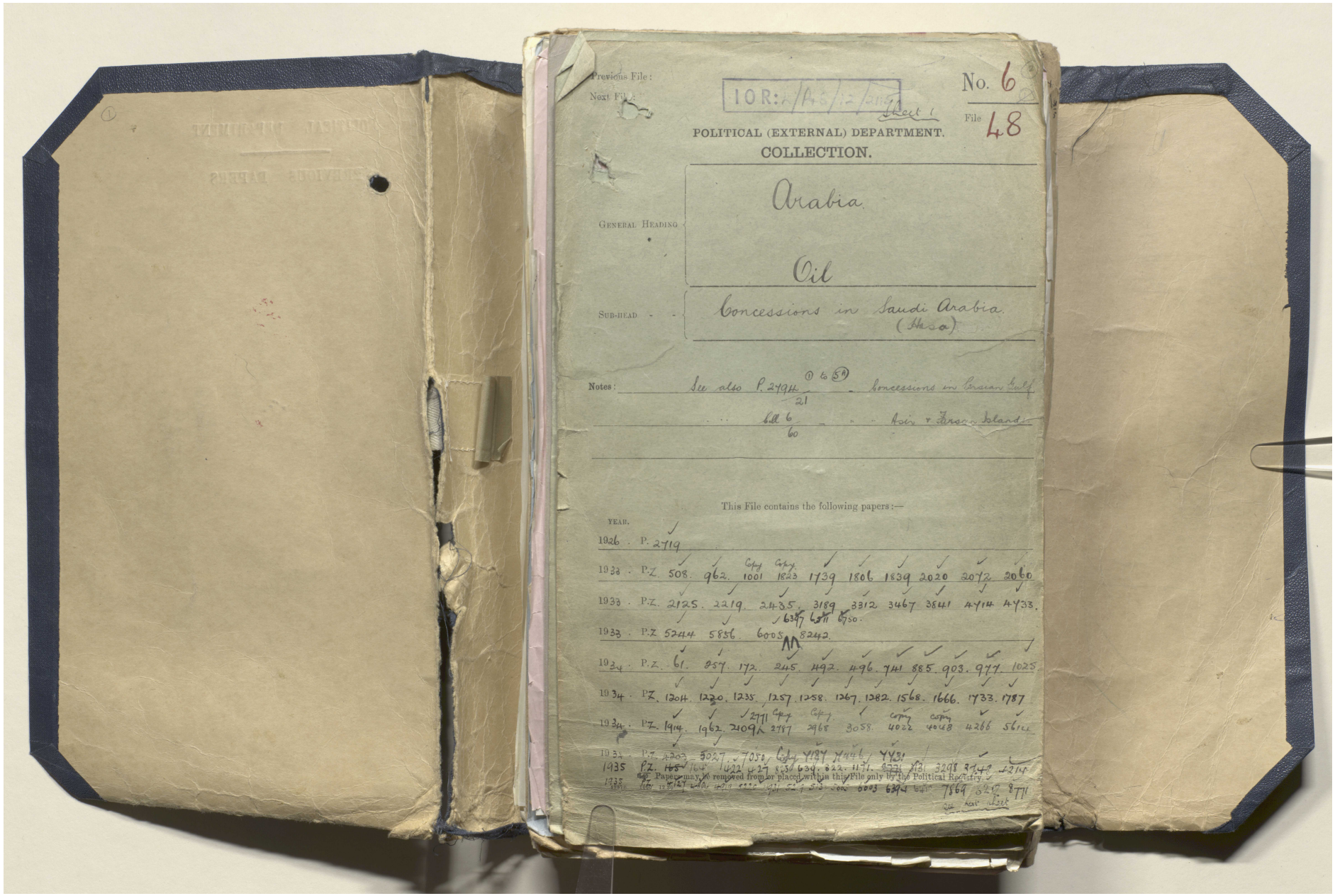

Previous File:
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IOR: L/PS/12/2115

Sheet 1

No. 6

File 48

POLITICAL (EXTERNAL) DEPARTMENT.
COLLECTION.

GENERAL HEADING: Arabia
Oil

SUB-HEAD: Concessions in Saudi Arabia (Hasa)

Notes: See also P. 2794/21 (1 to 5A) - Concessions in Persian Gulf
Coll 6/60 - " - Asir & Farsan Islands

This File contains the following papers:—

YEAR.

1926 . P. 2719

1933 . P.Z. 508. 962. Copy 1001 Copy 1823 1739 1806 1839 2020 2072 2060

1933 . P.Z. 2125. 2219. 2435. 3189 3312 3467 3841 4714 4733.

1933 . P.Z 5244 5856. 6005 6397 6511 6750. 8242.

1934 . P.Z. 61. 257. 172. 245. 492. 496. 741 885. 903. 977. 1025.

1934 . P.Z. 1204. 1220. 1235. 1257. 1258. 1267. 1282. 1568. 1666. 1733. 1787

1934 . P.Z. 1914. 1962. 2109 2771 Copy 2787 Copy 2968 3058. copy 4022 copy 4048 4266 5614

1934 . P.Z. 4203 5027. 7050. Copy 7187 7446. 7731

1935 P.Z. 165 164 422 427 825 639. 822. 1171. 2771 3131 3298 3748 4214

1935 P.Z. 4127 4606 4919 5220 5931 5219 5131 5005 6003 6394 6411 7869 8217 8771

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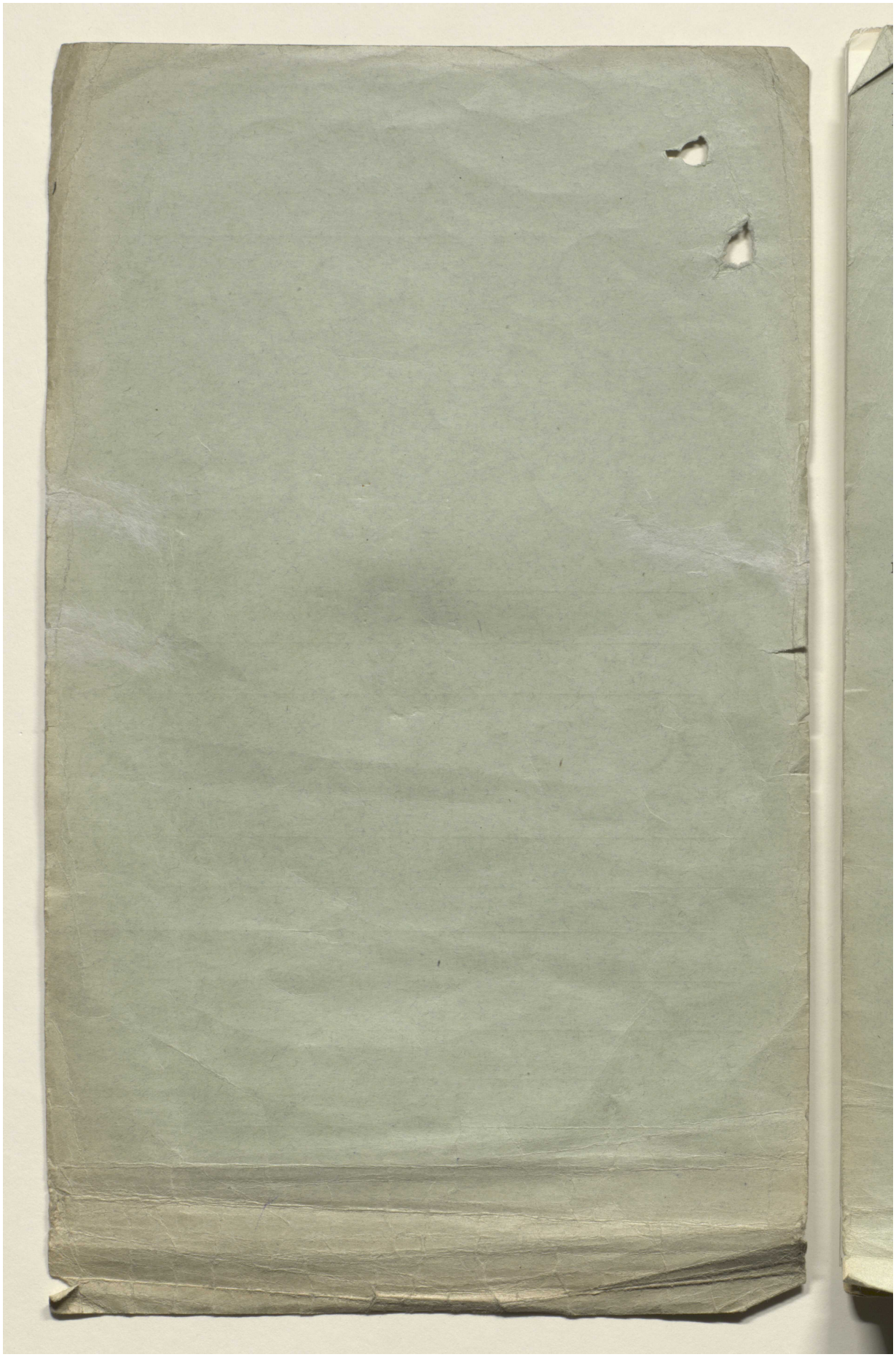

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Sheet 2.

No. 6

File 48

POLITICAL (EXTERNAL) DEPARTMENT.

COLLECTION.

GENERAL HEADING: Arabia

Oil

SUB-HEAD - - Concessions in Saudi Arabia (Hasa.)

Notes: P.2794/21 ① to ⑤A Concessions in the Persian Gulf.

Coll 6/60 Concessions in Asia + the Farsan Islands.

Coll. 6/86 :- Relations between Japan & S. Arabia

This File contains the following papers :—

YEAR.

1936 . P.Z. 2609 5362 7455

1937 . P.Z. 7879.

1938 . P.Z. 850. 1595. 1788. 2815. 3591 3753. 4216. 4221.

1938 . P.Z. 4532. 4716. 4720. 5646. 6294. 6378 Copy

1938 . P.Z 5568. 6569. 6656 7508.

1939 . P.Z. 2596. 2683. 3674. 3721. 3990. 4137.

1939. P.Z. 4617. 5391.

1940 . P.Z. 323. 745. 747. 1092. 1558. 2454 2706. 4618.

1940 P.Z. 5343.

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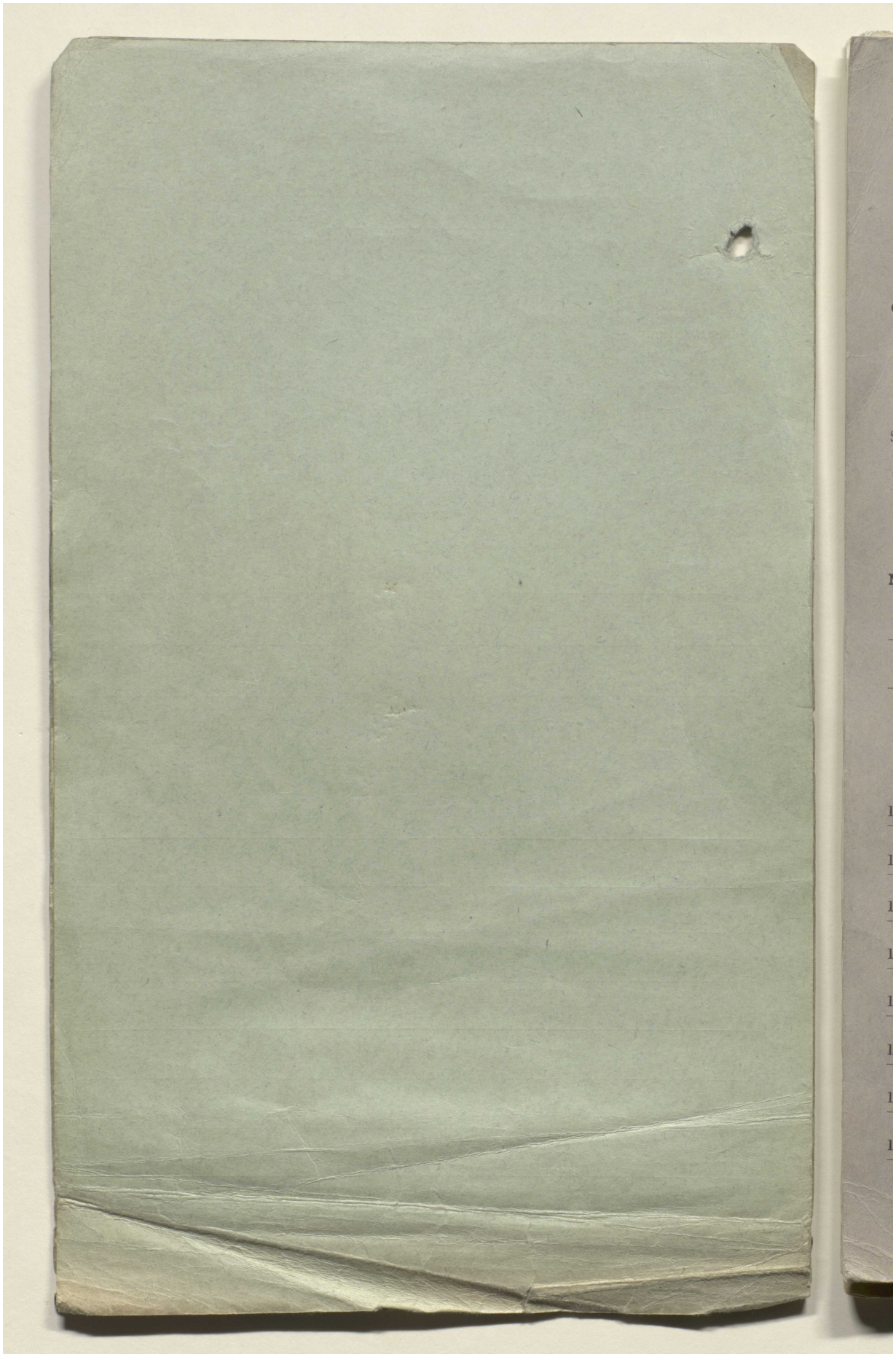

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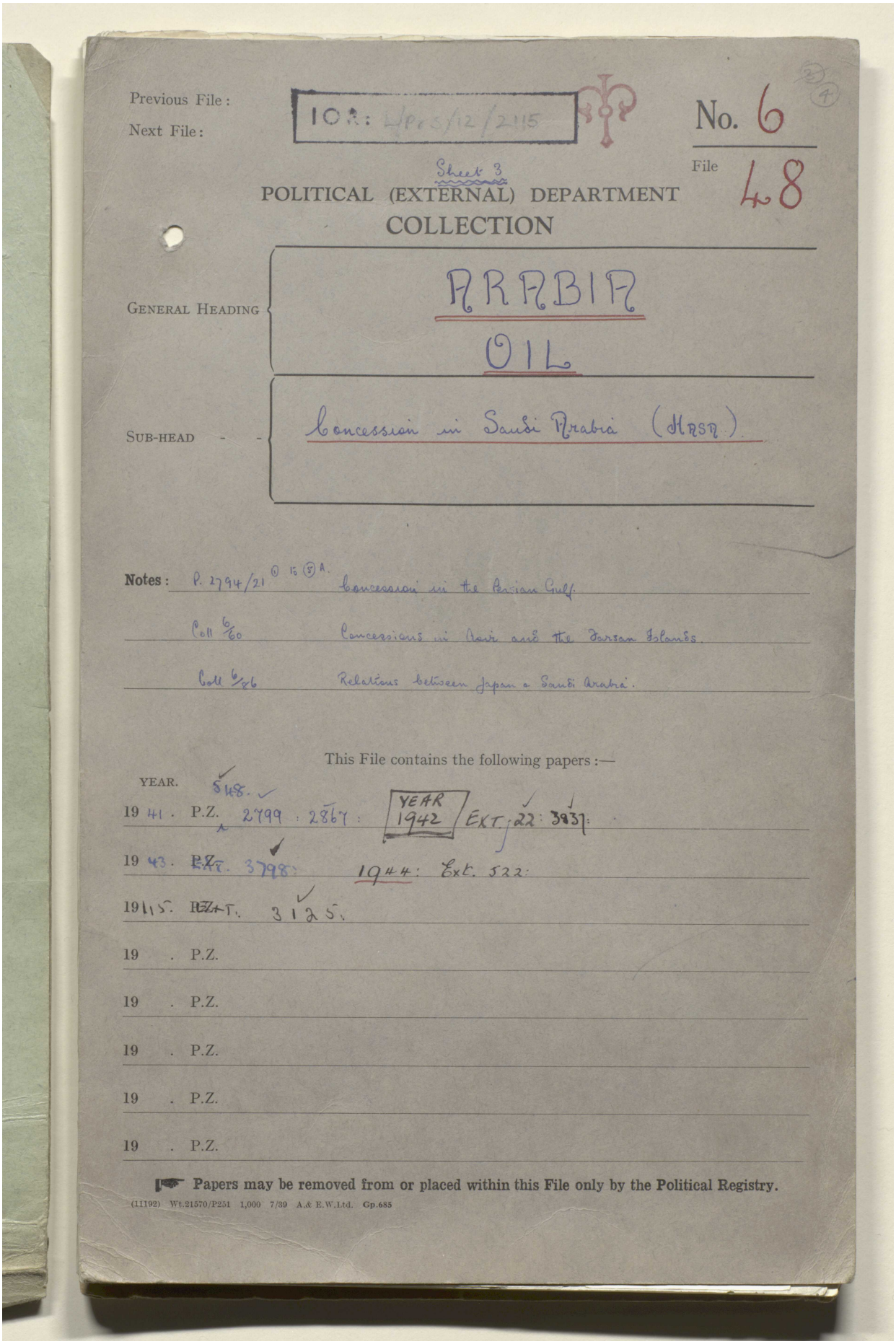

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IOR: L/P&S/12/2115

No. 6

Sheet 3

File 48

POLITICAL (EXTERNAL) DEPARTMENT
COLLECTION

GENERAL HEADING { ARABIA
OIL

SUB-HEAD { Concession in Saudi Arabia (Hasa)

Notes : P. 2794/21 ① 15 ⑤ A. Concession in the Persian Gulf.

Coll 6/60 Concessions in Oman and the Persian Islands.

Coll 6/86 Relations between Japan & Saudi Arabia.

This File contains the following papers :—

YEAR.		
19 41.	P.Z.	2799 : 2867 : YEAR 1942 EXT. 22 : 3937 :
19 43.	~~P.Z.~~ EXT.	3798 : 1944 : Ext. 522 :
19 45.	~~P.Z.~~ EXT.	3125.
19 .	P.Z.	
19 .	P.Z.	
19 .	P.Z.	
19 .	P.Z.	
19 .	P.Z.	

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(11192) Wt.21570/P251 1,000 7/39 A.& E.W.Ltd. Gp.685

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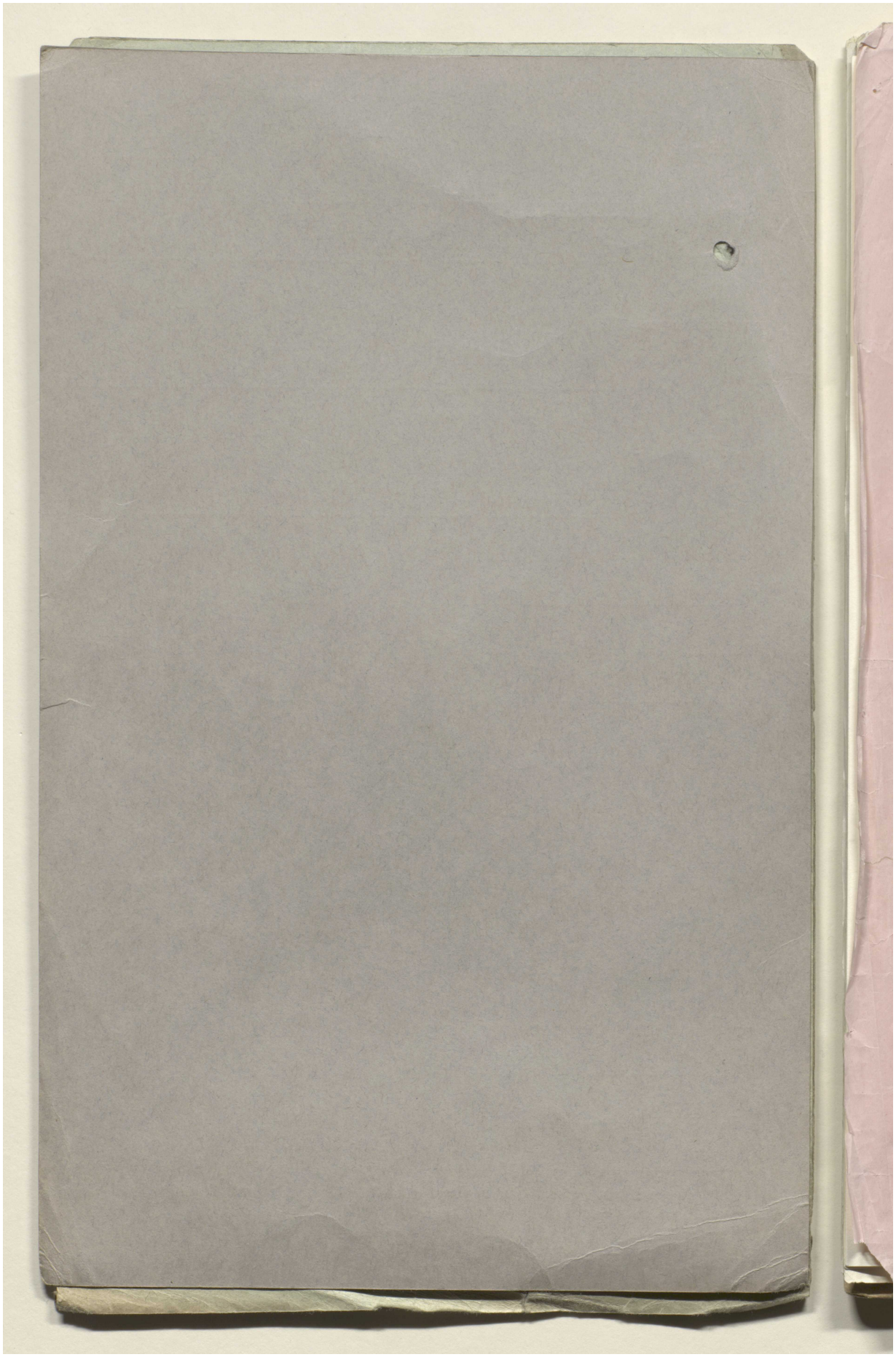

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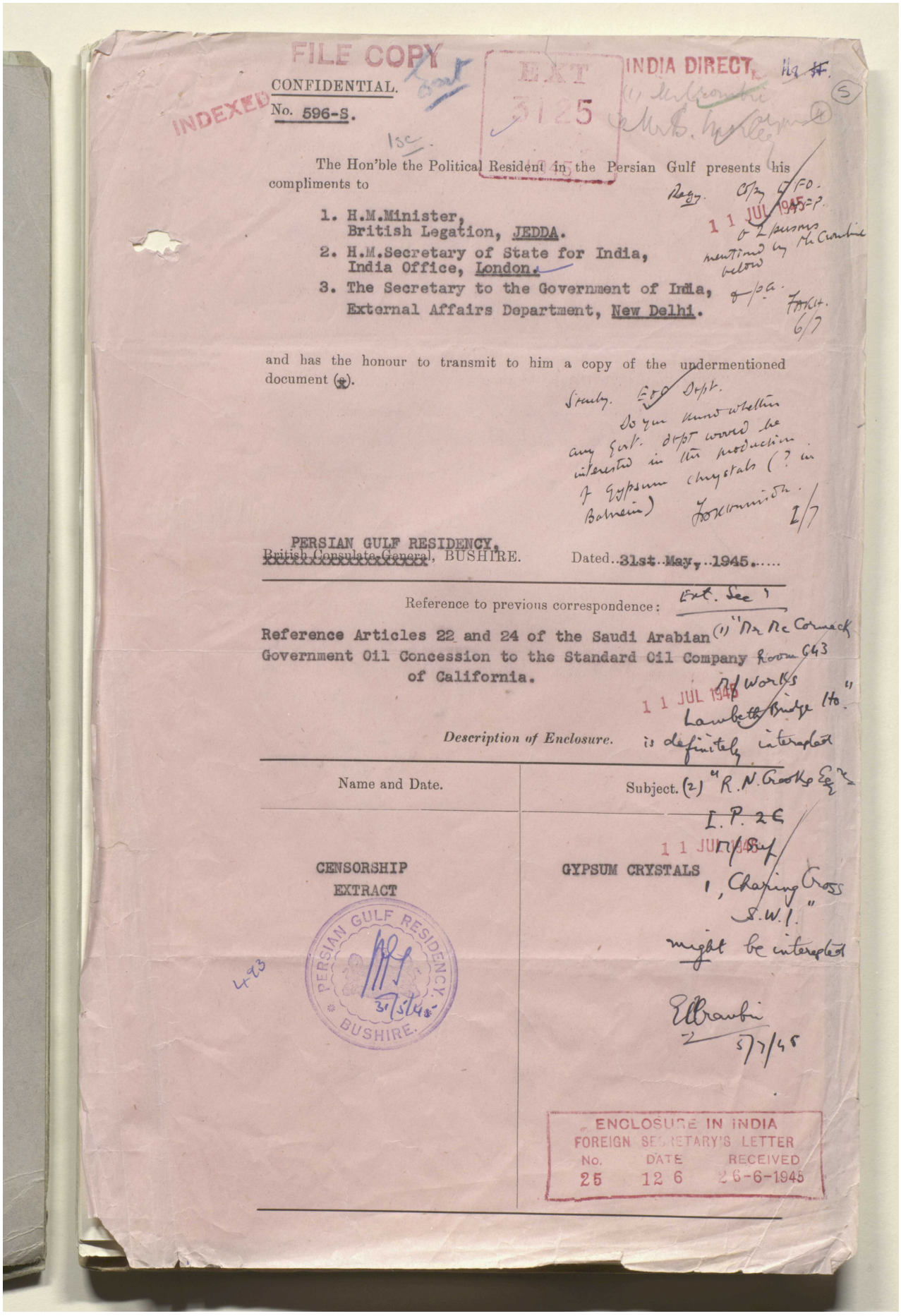

FILE COPY

INDEXED

EXT 3125

INDIA DIRECT

CONFIDENTIAL.

No. 596-S.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. H.M.Minister, British Legation, JEDDA.
2. H.M.Secretary of State for India, India Office, London.
3. The Secretary to the Government of India, External Affairs Department, New Delhi.

and has the honour to transmit to him a copy of the undermentioned document (*).

PERSIAN GULF RESIDENCY,
British Consulate-General, BUSHIRE. Dated..31st..May,..1945.....

Reference to previous correspondence:

Reference Articles 22 and 24 of the Saudi Arabian Government Oil Concession to the Standard Oil Company of California.

Description of Enclosure.

Name and Date.	Subject.
CENSORSHIP EXTRACT	GYPSUM CRYSTALS

PERSIAN GULF RESIDENCY BUSHIRE. 31/5/45

ENCLOSURE IN INDIA
FOREIGN SECRETARY'S LETTER
No. 25 DATE 12 6 RECEIVED 26-6-1945

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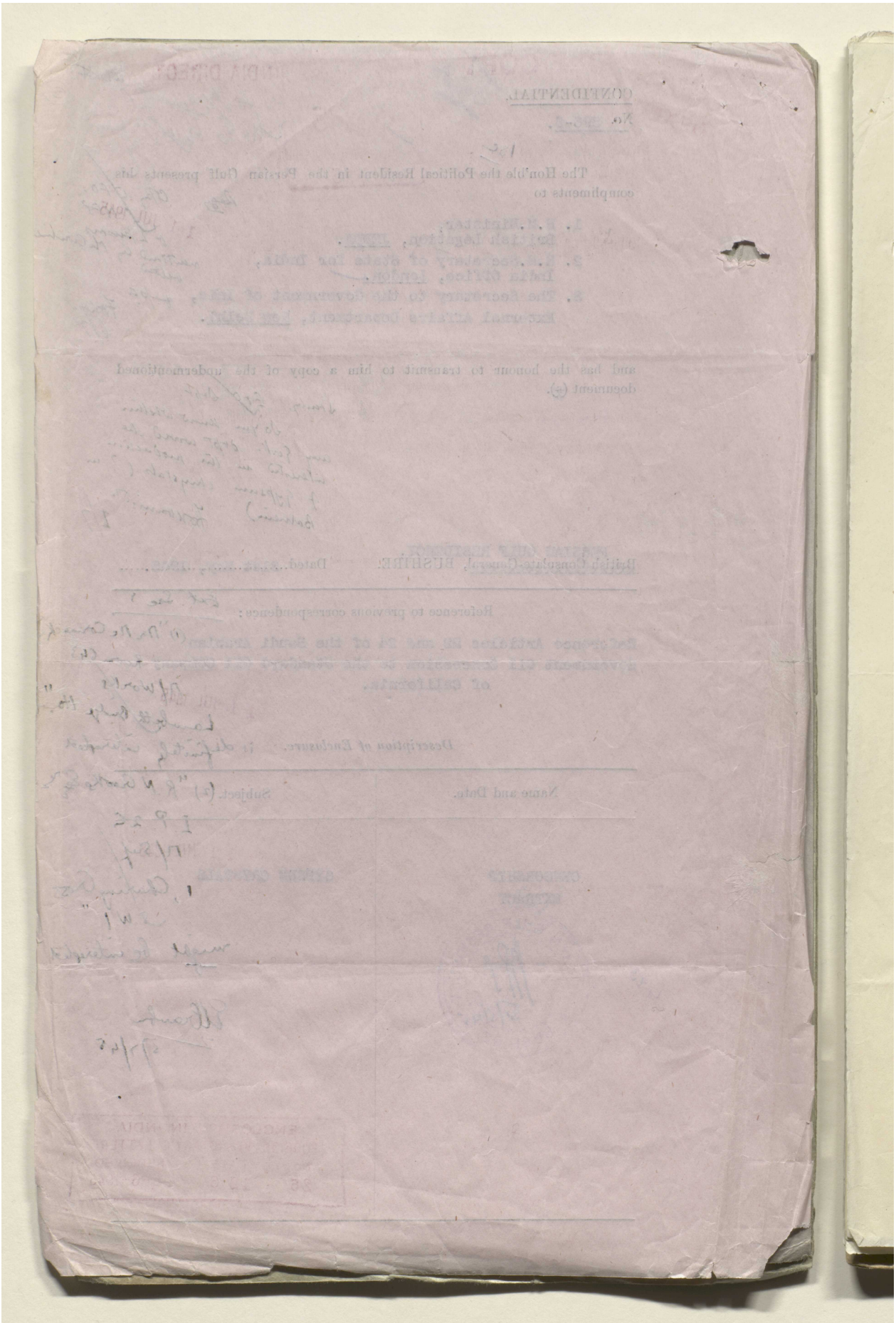

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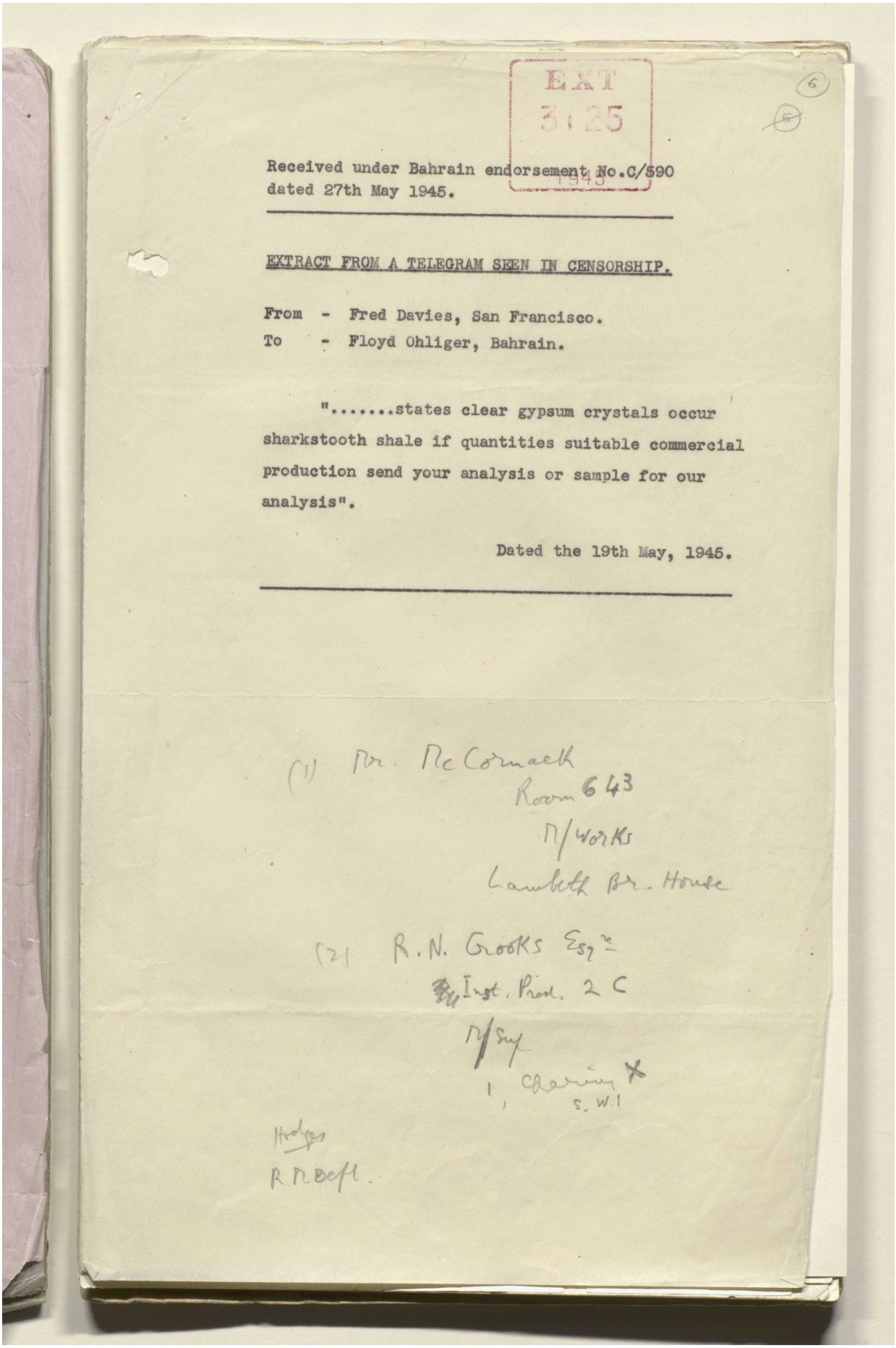

EXT
3125
1945

(6)

~~(5)~~

Received under Bahrain endorsement No.C/590
dated 27th May 1945.

EXTRACT FROM A TELEGRAM SEEN IN CENSORSHIP.

From - Fred Davies, San Francisco.
To - Floyd Ohliger, Bahrain.

".....states clear gypsum crystals occur sharkstooth shale if quantities suitable commercial production send your analysis or sample for our analysis".

Dated the 19th May, 1945.

---

(1) Mr. McCormack
Room 643
M/Works
Lambeth Br. House

(2) R.N. Crooks Esqre
Inst. Prod. 2 C
M/Sup
1, Charing X
S.W.1

Hodges
R.M. Dept.

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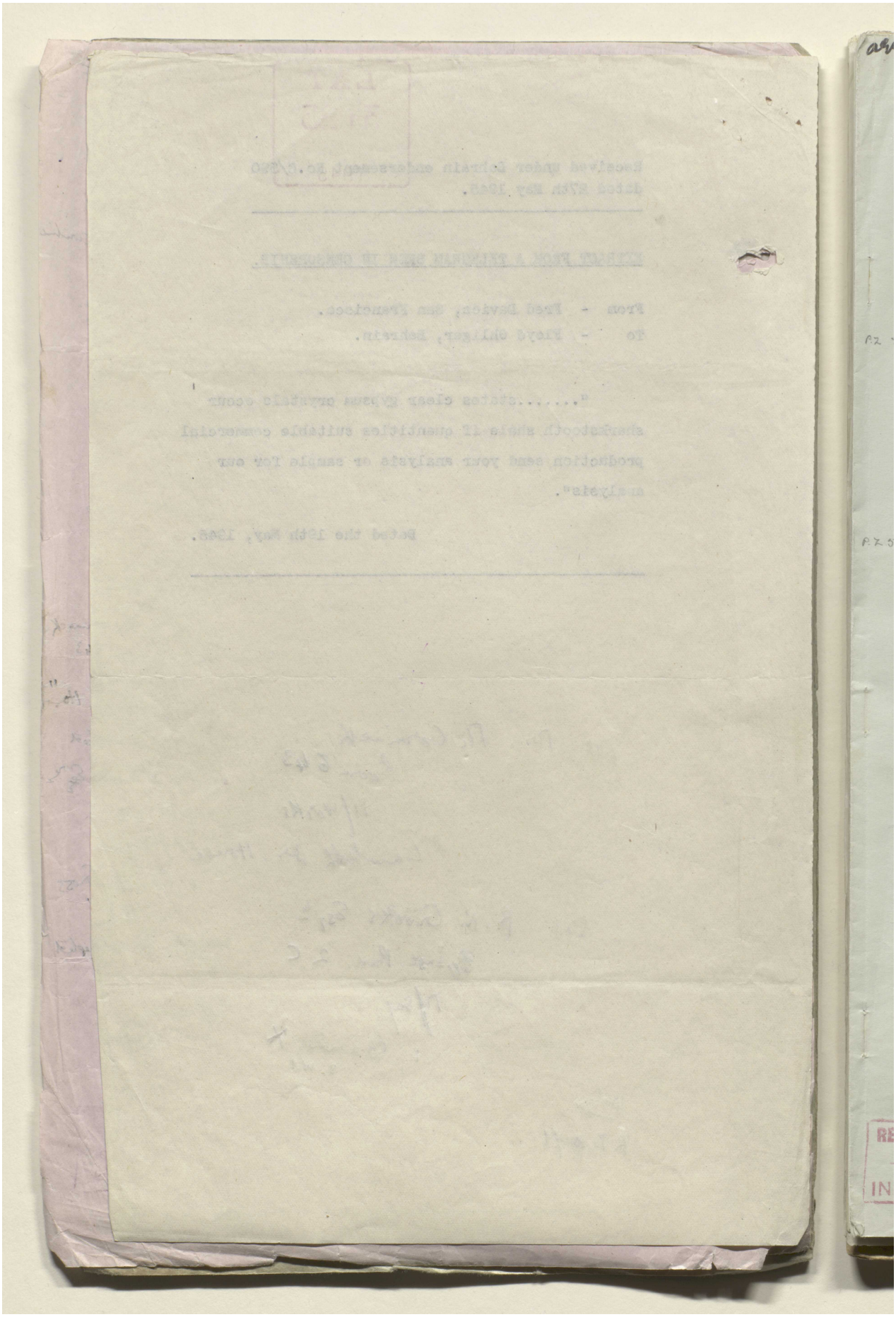

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India Office
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EXT 522
4 FEB 1944
With the Compliments of the Under Secretary of State for Foreign Affairs
1944

ARABIA. December 23, 1943.

CONFIDENTIAL. SECTION 1.

[E 8031/707/25] Copy No. 121

Mr. Jordan to Mr. Eden.—(Received 23rd December.)

(No. 96.)

Sir, *Jedda, 28th November*, 1943.

WITH reference to Foreign Office minute of the 22nd September, 1938, concerning the Oil Agreement between the Standard Oil Company of California and the Saudi Arabian Government, published in Part 43 of Foreign Office publication "Further Correspondence respecting Eastern Affairs, July–December 1938," I have the honour to transmit to you herewith copies of the complete agreements as supplied to me confidentially by the Saudi Arabian Government.

2. The first agreement signed on the 29th May, 1933, as published in your minute, contains numerous inaccuracies and omits one article. In order to avoid a lengthy listing of these inaccuracies I have thought it better to send you copies of the complete agreement and the letter exchanged between the Saudi Minister of Finance and the representative of the Standard Oil Company of California, which forms an integral part of the first agreement.

3. With reference to the supplementary agreement signed at Riyadh on the 31st May, 1939, a copy of which was forwarded to you under cover of Mr. A. C. Trott's despatch No. 123 of the 23rd July, 1939, and published on page 51 of Part 45 of Foreign Office publication "Further Correspondence respecting Eastern Affairs, July–December 1939," only one inaccuracy occurs, and that in paragraph 2 of Part 2 of the agreement, where after the word "bounded" in the first line the following should be inserted: "on the east, north, west and south by the following lines (*a*)."

I am sending a copy of this despatch and its enclosures to His Majesty's Minister of State at Cairo.

I have, &c.
S. R. JORDAN.

Enclosure.

THIS agreement made between his Excellency, Sheikh Abdulla Suleiman Al Hamdan, Minister of Finance of Saudi Arabia, acting on behalf of the Saudi Arab Government (hereinafter referred to as the "Government") of the one part, and L. N. Hamilton, acting on behalf of Standard Oil Company of California (hereinafter referred to as the "Company") of the other part.

It is hereby agreed between the Government and the Company in manner following:—

ARTICLE 1.

The Government hereby grants to the Company on the terms and conditions hereinafter mentioned, and with respect to the area defined below, the exclusive right, for a period of sixty years from the effective date hereof, to explore, prospect, drill for, extract, treat, manufacture, transport, deal with, carry away and export petroleum, asphalt, naphtha, natural greases, ozokerite and other hydrocarbons and the derivatives of all such products. It is understood, however, that such right does not include the exclusive right to sell crude or refined products within the area described below or within Saudi Arabia.

ARTICLE 2.

The area covered by the exclusive right referred to in article 1 hereof is all of Eastern Saudi Arabia, from its eastern boundary (including islands and territorial waters) westward to the westerly edge of the Dahana, and from the northern boundary to the southern boundary of Saudi Arabia, provided that from the northern end of the westerly edge of the Dahana the westerly boundary of the area in question shall continue in a straight line north 30° west to the

RECD. POL. DEPT.
INDIA OFFICE

Copies sent to P.O. M/Fuel & P. (Pet. Div) Admty. W.O. A.M. Trsy. C.I.D.

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northern boundary of Saudi Arabia, and from the southern end of the westerly edge of the Dahana such boundary shall continue in a straight line south 30° east to the southern boundary of Saudi Arabia.

For convenience this area may be referred to as the "exclusive area."

ARTICLE 3.

In addition to the grant of the exclusive area described in article 2 of this agreement, the Government also hereby grants to the company a preference right to acquire an oil concession covering the balance of eastern Saudi Arabia extending as far west of the westerly boundary of the exclusive area as the contact between the sedimentary and igneous formations. This preference right includes such rights as the Government may now have, or may hereafter acquire, in the so-called Neutral Zone bordering on the Persian Gulf to the south of Kuwait. The nature of this preference right is to be hereafter agreed upon. The term "oil concession" as used in this article means an exclusive concession covering the same products which are covered by the present agreement.

Furthermore, the Company's geologists shall have the right to examine the region covered by the preference right just referred to (excepting the Neutral Zone referred to above), in so far as such examination may be necessary or advisable for a better understanding of the geological character of the exclusive area.

ARTICLE 4.

Within the time agreed in article 18 of this agreement the Company shall make an initial loan to the Government of £30,000 gold, or its equivalent.

ARTICLE 5.

The Company shall pay the Government annually the sum of £5,000 gold, or its equivalent. For convenience this payment is termed an annual rental, and it is payable in advance. The first annual rental shall be paid within the time agreed in article 18 of this agreement; thereafter, so long as the contract is not terminated, the annual rental shall be due upon each anniversary of the effective date hereof and shall be payable within thirty days after such anniversary, provided that upon the commercial discovery of oil no further annual rental shall be due or payable.

ARTICLE 6.

If this contract has not been terminated within eighteen months from the effective date hereof, the Company shall make a second loan to the Government amounting to £20,000 gold, or its equivalent. The due date of such loan shall be eighteen months from the effective date hereof, but the Company shall have fifteen days from the due date within which to make the loan.

ARTICLE 7.

During the life of this agreement the Government shall be under no obligation to repay the initial loan of £30,000 gold (or its equivalent), or the second loan of £20,000 gold (or its equivalent). The Company shall have the right to recover the amount of these two loans by way of deductions from one-half of the royalties due the Government. If the amount of the two loans, in whole or in part, shall not have been so recovered by the Company upon the termination of this contract, the Government shall repay the unrecovered amount in four equal and consecutive annual instalments, the first instalment to be paid within one year from the date of the termination of this agreement. Furthermore, until such unrecovered amount has been repaid by the Government, the Company's preference right, referred to in article 3 hereof, shall continue in force.

ARTICLE 8.

Upon the effective date of this agreement the Company shall commence plans and preparations for geological work, so planning the work as to take advantage of the cooler season for more efficient work in the field, and of the hotter season for the necessary office work of compiling data and reports. In any event, the actual field work shall commence not later than the end of September 1933, and it shall be continued diligently until operations connected with drilling are commenced or until the contract is terminated.

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ARTICLE 9.

Within ninety days after the commencement of drilling, the Company shall relinquish to the Government such portions of the exclusive area as the Company at that time may decide not to explore further, or to use otherwise in connexion with this enterprise. Similarly, from time to time during the life of this contract, the Company shall relinquish to the Government such further portions of the exclusive area as the Company may then decide not to explore or prospect further, or to use otherwise in connexion with the enterprise. The portions so relinquished shall thereupon be released from the terms and conditions of this contract, excepting only that during the life of this contract the Company shall continue to enjoy the right to use the portions so relinquished for transportation and communication facilities, which, however, shall interfere as little as practicable with any other use to which the relinquished portions may be put.

ARTICLE 10.

The Company shall commence operations connected with drilling as soon as a suitable structure has been found, and in any event if the Company does not commence such operations within three years from the end of September 1933 (subject to the provisions of article 27 hereof), the Government may terminate this contract. Once commenced, these operations shall be continued diligently until oil in commercial quantities has been discovered, or until this agreement is terminated. If the Company should fail to declare so sooner, the date of discovery of oil in commercial quantities shall be the date upon which the Company has completed and tested a well or wells capable of producing, in accordance with first-class oilfield practice, at least 2,000 tons of oil per day for a period of thirty consecutive days.

Operations connected with drilling include the ordering and shipping of materials and equipment to Saudi Arabia, the construction of roads, camps, buildings, structures, communication facilities, &c., and the installation and operation of the machinery, equipment and facilities for drilling wells.

ARTICLE 11.

Upon the discovery of oil in commercial quantities, the Company shall advance to the Government the sum of £50,000 gold, or its equivalent, and one year later the further sum of £50,000 gold, or its equivalent. The due date of the first advance shall be the date of discovery of oil in commercial quantities, as provided in article 10 hereof, and the due date of the second advance shall be one year later. In each case the Company shall have sixty days following the due date within which to make the advance. Both of these advances are on account of royalties which may be due the Government and consequently the Company shall have the right to recover the amount of these advances by way of deductions from one-half of the royalties due the Government.

ARTICLE 12.

Since it has been agreed that the annual rental of £5,000 gold, or its equivalent, is payable to the date of the discovery of oil in commercial quantities, and since it has been agreed also that this annual rental is to be payable in advance, it may happen that the last annual rental paid prior to the date of discovery of oil in commercial quantities will cover a period beyond the date of such discovery. In case that this period should be equal to or greater than one-fifth of a year, the proportionate amount of the £5,000 pounds gold, or its equivalent, corresponding to such period shall be treated as an advance on account of royalties due the Government, and consequently it shall be recoverable by the Company by way of deductions from one-half of the royalties due the Government.

ARTICLE 13.

As soon as practicable (*i.e.*, allowing a reasonable time for ordering and shipping further materials and equipment to Saudi Arabia and commencing further work) after the date of discovery of oil in commercial quantities, the Company shall continue operations connected with drilling by using at least two strings of tools. These operations shall be continued diligently until the proven area has been drilled up in accordance with first-class oilfield practice, or until the contract is terminated.

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ARTICLE 14.

The Company shall pay the Government a royalty on all net crude oil produced and saved and run from field storage, after first deducting—

(1) Water and foreign substances; and
(2) Oil required for the customary operations of the Company's installations within Saudi Arabia; and
(3) The oil required for manufacturing the amounts of gasoline and kerosene to be provided free each year to the Government in accordance with article 19 hereof.

The rate of royalty per ton of such net crude oil shall be either—

(*a*) Four shillings gold, or its equivalent; or
(*b*) At the election of the Company at the time of making each royalty payment, 1 dollar, United States currency, plus the amount, if any, by which the average rate of exchange of 4 shillings gold, during the last half of the semester for which the royalty payment is due, may exceed 1 dollar and 10 cents, United States currency. Thus, for example, if such average rate should be 1 dollar and 14 cents, United States currency (that is to say, 5 dollars and 70 cents per gold pound), the royalty rate would be 1 dollar and 4 cents, United States currency, per ton of such net crude oil.

ARTICLE 15.

If the Company should produce, save and sell any natural gas, it will pay to the Government a royalty equal to one-eighth of the proceeds of the sale of such natural gas, it being understood, however, that the Company shall be under no obligation to produce, save, sell, or otherwise dispose of any natural gas. It is also understood that the Company is under no obligation to pay any royalty on such natural gas as it may use for the customary operations of its installations within Saudi Arabia.

ARTICLE 16.

The Government, through duly authorised representatives, may, during the usual hours of operations, inspect and examine the operations of the Company under this contract and may verify the amount of production. The Company shall measure in accordance with first-class oilfield practice the amount of oil produced and saved and run from field storage, and shall keep true and correct accounts thereof, and of any natural gas it may produce and save and sell, and duly authorised representatives of the Government shall also have access at all reasonable times to such accounts. The Company shall, within three months after the end of each semester, commencing with the date of commercial discovery of oil, deliver to the Government an abstract of such accounts for the semester, and a statement of the amount of royalties due the Government for the semester. These accounts and statements shall be treated as confidential by the Government, with the exception of such items therein as the Government may be required to publish for fiscal purposes.

The royalties due the Government at the end of each semester, commencing with the date of commercial discovery of oil, shall be paid within three months after the end of the semester. In case of any question as to the amount of royalties due for any semester, such portion of the amount as may be unquestioned shall be tendered the Government within the period hereinabove provided, and thereupon the question shall be settled by agreement between the parties, or, failing that, by arbitration as provided in this contract. Any further sum which may be payable to the Government as a result of this settlement shall be paid within sixty days after the date of such settlement.

ARTICLE 17.

It is agreed that all gold payments provided in this contract, whether pounds gold or shillings gold, are to be based on the gold pound standard according to its weight and fineness at the time the payments may be due. It is also agreed that wherever it is stipulated in this contract that the equivalent of any sum or amount in pounds gold or in shillings gold may be paid, such equivalent may be dollars in United States currency, or pounds sterling.

It is agreed, furthermore, that the equivalent of pounds gold or shillings gold, for any payment which may be made hereunder in dollars, United States

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currency, or in pounds sterling (with the exception of the first payment provided for in article 18 hereof), shall be based on the average of the rate of exchange as computed over a period of three months immediately preceding the due date of the payment.

ARTICLE 18.

All payments provided in this contract to be made to the Government may be made by tendering such payments directly to the Government, or by depositing the amount due to the credit of the Government in some bank which the Government designates in writing and which the Government may change from time to time by giving written notice to the Company long enough in advance so that the Company will have sufficient time to make future payments to the new bank. It is agreed that the Government will designate such bank in Saudi Arabia, or in the United States of America, or in England, or in Holland, but that no bank in Saudi Arabia will be so designated unless such bank has a correspondent in United States of America, England or Holland through which bank transfers of money to Saudi Arabia may be made. Once the Company has made the proper payment to the Government, or has deposited the proper sum in any such bank, or has paid the sum to such correspondent for transfer to a bank in Saudi Arabia, the Company shall be free of all further responsibility in connexion with the payment.

It is agreed, however, that the first payment of £35,000 gold, or its equivalent (comprising the initial loan and the first annual rental), shall be made, within fifteen days after the effective date of this agreement, to a correspondent, in New York or in London, of Netherlands Trading Society (Nederlandsche Handel-Maatschappij) at Jedda, Saudi Arabia, to be transmitted without delay; and at the expense of the Company, to said society and to be delivered to the Government upon obtaining a proper receipt from the Government for such payment. If this first payment is not made in gold, it will be made in pounds sterling at the current rate of exchange at the time the Company makes the payment to such correspondent.

ARTICLE 19.

As soon as practicable after the date of discovery of oil in commercial quantities, the Company shall select some point within Saudi Arabia for the erection of a plant for manufacturing sufficient gasoline and kerosene to meet the ordinary requirements of the Government, providing, of course, that the character of the crude oil found will permit of the manufacture of such products on a commercial basis by the use of ordinary refining methods, and provided, further, that the amount of oil developed is sufficient for the purpose. It is understood that the ordinary requirements of the Government shall not include resale inside or outside of the country. Upon the completion of the necessary preliminary arrangements, and as soon as the Company has obtained the Government's consent to the proposed location, the Company shall proceed with the erection of such plant. During each year following the date of completion of this plant the Company shall offer free to the Government in bulk, 200,000 American gallons of gasoline and 100,000 American gallons of kerosene, it being understood that the facilities provided by the Government for accepting these deliveries shall not impede or endanger the Company's operations.

ARTICLE 20.

The Company, at its own expense, will employ the necessary number of guards and guides to protect its representatives, its camps and installations. The Government promises to co-operate fully in supplying the best soldiers and men available for this responsibility, and in furnishing every reasonable protection, at rates not exceeding those customarily paid by the Government or others for similar services, it being understood that the expense for such services shall be paid by the Company through the Government.

ARTICLE 21.

In return for the obligations assumed by the Company under this contract, and for the payments required from the Company hereunder, the Company and enterprise shall be exempt from all direct and indirect taxes, imposts, charges, fees and duties (including, of course, import and export duties), it being understood that this privilege shall not extend to the sale of products within the

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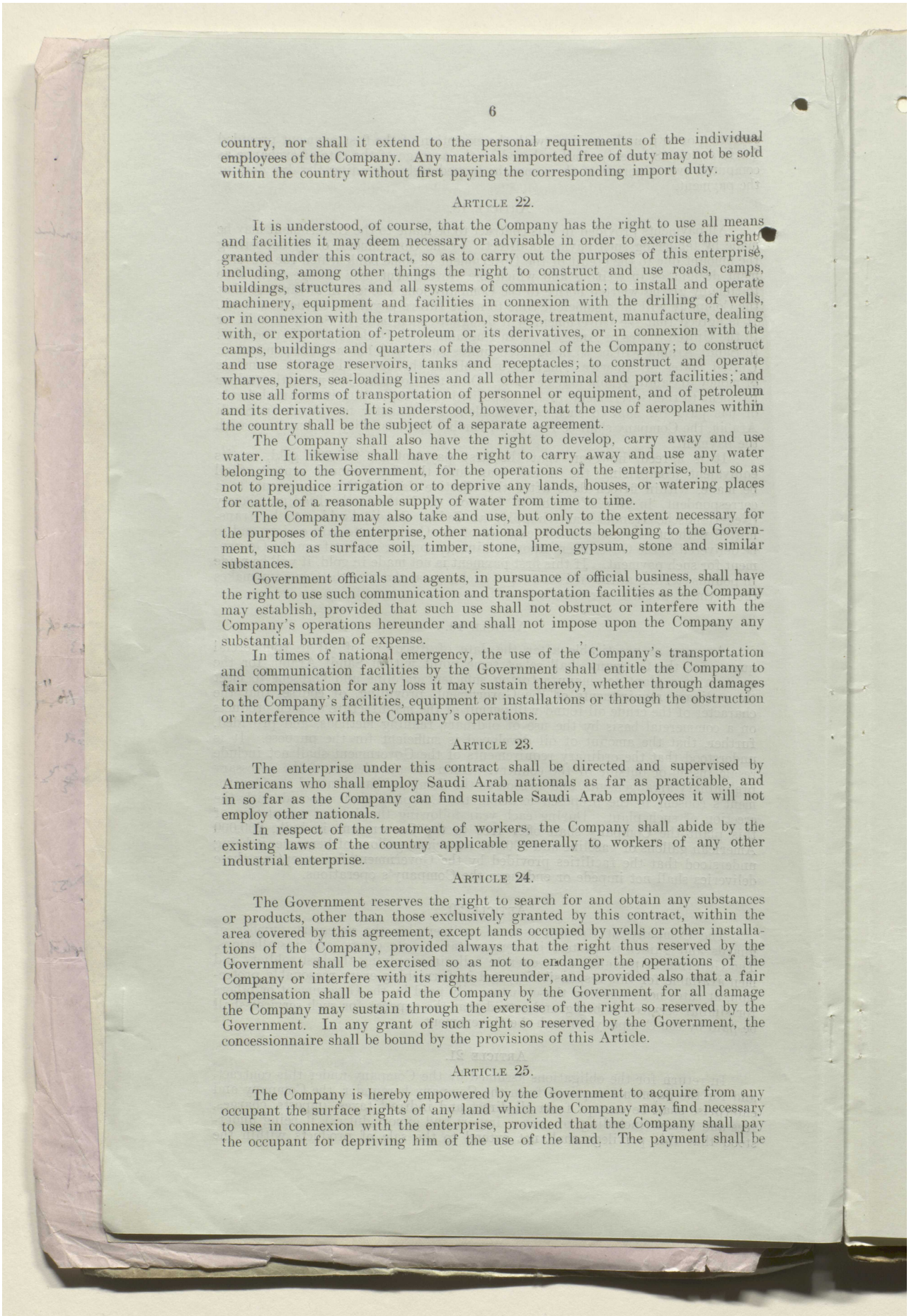

country, nor shall it extend to the personal requirements of the individual employees of the Company. Any materials imported free of duty may not be sold within the country without first paying the corresponding import duty.

ARTICLE 22.

It is understood, of course, that the Company has the right to use all means and facilities it may deem necessary or advisable in order to exercise the rights granted under this contract, so as to carry out the purposes of this enterprise, including, among other things the right to construct and use roads, camps, buildings, structures and all systems of communication; to install and operate machinery, equipment and facilities in connexion with the drilling of wells, or in connexion with the transportation, storage, treatment, manufacture, dealing with, or exportation of petroleum or its derivatives, or in connexion with the camps, buildings and quarters of the personnel of the Company; to construct and use storage reservoirs, tanks and receptacles; to construct and operate wharves, piers, sea-loading lines and all other terminal and port facilities; and to use all forms of transportation of personnel or equipment, and of petroleum and its derivatives. It is understood, however, that the use of aeroplanes within the country shall be the subject of a separate agreement.

The Company shall also have the right to develop, carry away and use water. It likewise shall have the right to carry away and use any water belonging to the Government, for the operations of the enterprise, but so as not to prejudice irrigation or to deprive any lands, houses, or watering places for cattle, of a reasonable supply of water from time to time.

The Company may also take and use, but only to the extent necessary for the purposes of the enterprise, other national products belonging to the Government, such as surface soil, timber, stone, lime, gypsum, stone and similar substances.

Government officials and agents, in pursuance of official business, shall have the right to use such communication and transportation facilities as the Company may establish, provided that such use shall not obstruct or interfere with the Company's operations hereunder and shall not impose upon the Company any substantial burden of expense.

In times of national emergency, the use of the Company's transportation and communication facilities by the Government shall entitle the Company to fair compensation for any loss it may sustain thereby, whether through damages to the Company's facilities, equipment or installations or through the obstruction or interference with the Company's operations.

ARTICLE 23.

The enterprise under this contract shall be directed and supervised by Americans who shall employ Saudi Arab nationals as far as practicable, and in so far as the Company can find suitable Saudi Arab employees it will not employ other nationals.

In respect of the treatment of workers, the Company shall abide by the existing laws of the country applicable generally to workers of any other industrial enterprise.

ARTICLE 24.

The Government reserves the right to search for and obtain any substances or products, other than those exclusively granted by this contract, within the area covered by this agreement, except lands occupied by wells or other installations of the Company, provided always that the right thus reserved by the Government shall be exercised so as not to endanger the operations of the Company or interfere with its rights hereunder, and provided also that a fair compensation shall be paid the Company by the Government for all damage the Company may sustain through the exercise of the right so reserved by the Government. In any grant of such right so reserved by the Government, the concessionnaire shall be bound by the provisions of this Article.

ARTICLE 25.

The Company is hereby empowered by the Government to acquire from any occupant the surface rights of any land which the Company may find necessary to use in connexion with the enterprise, provided that the Company shall pay the occupant for depriving him of the use of the land. The payment shall be

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a fair one with respect to the customary use made of the land by the occupant. The Government will lend every reasonable assistance to the Company in case of any difficulties with respect to acquiring the rights of a surface occupant.

The Company, of course, shall have no right to acquire or to occupy Holy Places.

ARTICLE 26.

The Company shall supply the Government with copies of all topographical maps and geological reports (as finally made and approved by the Company) relating to the exploration and exploitation of the area covered by this contract. The Company shall also furnish the Government, within four months after the end of each year, commencing with the date of commercial discovery of oil, a report of the operations under this contract during the year. These maps and reports shall be treated as confidential by the Government.

ARTICLE 27.

No failure or omission on the part of the Company to carry out or to perform any of the terms or conditions of this contract shall give the Government any claim against the Company, or be deemed a breach of this contract, in so far as such failure or omission may arise from *force majeure*. If through *force majeure* the fulfilment of any term or condition of this contract should be delayed, the period of the delay, together with such period as may be required for the restoration of any damage done during such delay, shall be added to the terms or periods fixed in this contract.

ARTICLE 28.

The Company may terminate this contract at any time by giving the Government thirty days' advance notice in writing, whether by letter or by telegraph, provided that the telegraphic notice is promptly confirmed by letter. Upon the termination of this contract through such notice, or through any other cause, the Government and the Company shall thereafter be free of all further obligations under this contract, except as follows :—

(1) The Company's immovable property, such as roads, water or oil wells with their casings, permanent buildings and structures, &c., shall become the property of the Government free of charge.

(2) The Company shall afford the Government an opportunity to purchase the movable property of the enterprise in Saudi Arabia at a fair price equal to the replacement value of such property at the time less depreciation. Any controversy about this fair price shall be settled by arbitration in the same manner as provided in article 31 of this contract. If the Government declines or fails, within two months following the date of the termination of this contract, to purchase such movable property, or if the Government fails to tender the purchase price within thirty days after it has been decided upon, by agreement or by arbitration, the Company shall then have six months within which to remove such property.

(3) If, in accordance with article 7 of this contract, there is any unrecovered amount still due the Company, the provisions of article 7 shall remain in force until the obligation therein mentioned has been satisfied.

ARTICLE 29.

In case of the breach by the Company of its obligation to make the second loan of £20,000 gold, or its equivalent, as provided in article 6 hereof, or of its obligation to commence operations connected with drilling as set forth in article 10 hereof, or of its obligation to make the two advances each of £50,000 gold, or the equivalent, under the terms and conditions provided in article 11 hereof, or of its obligation under article 30 hereof to pay the amount of any damages which may be assessed upon the Company, the Government's remedy shall be the right to give the Company notice at once of such breach, and thereupon, if the Company does not take immediate steps to comply with the obligation so breached, the Government may terminate this contract.

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ARTICLE 30.

Except as otherwise provided in article 29 hereof, the penalty for the breach by the Company of any of its obligations under this contract shall be damages which shall be payable to the Government under the following conditions :—

The Government shall at once notify the Company of any alleged breach on the part of the Company, setting forth the nature of such breach. Any controversy which may arise as to whether or not the Company has committed the alleged breach shall be settled by arbitration in the manner provided in this agreement. Once that the fact of the commission of the breach has been established, the failure of the Company to take immediate steps to remedy the breach shall subject the Company to the payment of damages to the Government, and, if such damages cannot be agreed upon, they shall be determined by arbitration in the manner provided in this contract. The amount of any damages which may be so determined shall be paid to the Government by the Company within sixty days after such determination.

ARTICLE 31.

If any doubt, difference or dispute shall arise between the Government and the Company concerning the interpretation or execution of this contract, or anything herein contained or in connexion herewith, or the rights and liabilities of the parties hereunder, it shall, failing any agreement to settle it in another way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration. Each party shall nominate its arbitrator within thirty days of being requested in writing by the other party to do so. In the event of the arbitrators failing to agree upon a referee, the Government and the Company shall, in agreement, appoint a referee, and, in the event of their failing to agree, they shall request the president of the Permanent Court of International Justice to appoint a referee. The decision of the arbitrators, or, in the case of a difference of opinion between them, the decision of the referee, shall be final. The place of arbitration shall be such as may be agreed upon by the parties, and in default of agreement shall be The Hague, Holland.

ARTICLE 32.

The Company may not, without the consent of the Government, assign its rights and obligations under this contract to anyone, but it is understood that the Company, upon notifying the Government, shall have the right to assign its rights and obligations hereunder to a corporation it may organise exclusively for the purposes of this enterprise. The Company shall also have the right to create such other corporations and organisations as it may consider necessary or advisable for the purposes of this enterprise. Any such corporation or organisation, upon being invested with any or all of the rights and obligations under this contract, and upon notification thereof to the Government, shall thereupon be subject to the terms and conditions of this agreement.

In the event that the shares of stock issued by any such corporation or organisation should be offered for sale to the general public, the inhabitants of Saudi Arabia shall be allowed a reasonable time to subscribe (upon similar terms and conditions offered to others) for at least 20 per cent. of such shares of stock so issued and offered for sale to the general public.

ARTICLE 33.

It is understood that the periods of time referred to in this agreement shall be reckoned on the basis of the solar calendar.

ARTICLE 34.

The effective date of this contract shall be the date of its publication in Saudi Arabia, following the ratification of this contract by the Company.

ARTICLE 35.

This contract has been drawn up in English and in Arabic. Inasmuch as most of the obligations hereunder are imposed upon the Company, and inasmuch as the interpretation of the English text, especially as regards technical obligations and requirements relating to the oil industry, has been fairly well established through long practice and experience in contracts such as the present

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It is hereby agreed between the Government and the Company in manner following :—

ARTICLE 1.

This agreement, known as the Supplemental Agreement, is supplemental firstly to the agreement (hereinafter referred to as the "Saudi Arab Concession") made between the Government of the one part and the Standard Oil Company of California of the other part and signed on the 29th day of May, 1933 (corresponding to the 4th day of Safar, 1352, A.H.) and secondly to the Letter of Agreement (hereinafter referred to as the "Second Principal Agreement") addressed by L. N. Hamilton, on behalf of the Standard Oil Company of California, to and accepted by his Excellency, Sheikh Abdulla Sulaiman Al Hamdan, on behalf of the Government, and bearing the same date as the Saudi Arab Concession.

ARTICLE 2.

The Saudi Arab Concession and the Second Principal Agreement have been duly transfered to and vested in the "Company" (party hereto) after notification to and with the consent of the Government, all in accordance with article 32 of the Saudi Arab Concession, and the Company has duly undertaken and fulfilled to date the duties and obligations of the "Company" thereunder.

ARTICLE 3.

On the 16th day of October, 1938 (corresponding to the 22nd day of Shaaban, 1357, A.H.) the Company declared, under article 10 of the Saudi Arab Concession, that oil had been discovered in commercial quantities, and all the obligations of the Company attendant upon such declaration have been duly fulfilled to date.

ARTICLE 4.

Both the Government and the Company are now desirous of adding to and otherwise extending the territory granted to the Company by the Saudi Arab Concessions, and of making such other modifications and alterations to the Saudi Arab Concession and to the Second Principal Agreement as hereinafter appear, and the Company has undertaken to make and the Government have consented to receive, the following payments to or for the benefit of the Government in manner hereinafter provided, namely :—

(*a*) The sum of £140,000 English gold, or its equivalent, which sum shall become due upon the effective date of this Agreement;

(*b*) The sum of £20,000 English gold, or its equivalent annually as rental. The first of such payments, being rental for the year next following the effective date of this agreement, shall become due upon the first anniversary of the effective date of this agreement, and subsequent payments shall become due upon each succeeding anniversary of the effective date of this agreement until the happening of any one of the following events, namely :—

(1) Discovery of oil in commercial quantities within the additional territories described and referred to in part Two and in part Three of the schedule to this agreement, and which additional territories are hereinafter called the "additional area." If the Company shall fail to declare so sooner, the date of discovery of oil in commercial quantities shall be the date of the completion and testing of a well or wells within the additional area capable of producing, in accordance with first-class oilfield practice, at least 2,000 tons of oil per day for a period of thirty consecutive days.

(2) The relinquishment by the Company of the whole of the additional area.

If either of the events mentioned in (1) and (2) above shall occur during the period intervening between any two anniversaries of the effective date of this agreement, the rental payable for the year in which such event occurs shall be only that proportion of the annual rental above mentioned as the number of days that have intervened between the preceding anniversary date and the date of the occurrence of the event mentioned above bears to a full year of 365 days.

(*c*) The sum of £100,000 English gold, or its equivalent, upon discovery of oil in commercial quantities within the additional areas aforesaid.

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Each of the foregoing payments shall be made within thirty days from the date upon which it becomes due and shall be made in accordance with and in the manner provided in articles 17 and 18 of the Saudi Arab Concession.

The foregoing payments are to be made by the Company in addition to any other payments by way of royalty or advance or otherwise already provided for by the Saudi Arab Concession and yet unpaid, and without prejudice to the right of the Company to recover advances already made under article 4, 6 and 11 and yet to be made under article 11 of the Saudi Arab Concession, and to recover overpaid rental under article 12 of the Saudi Arab Concession.

ARTICLE 5.

From the effective date of this agreement, the terms and provisions of the Saudi Arab Concession, as herein amended, shall include and extend to—

(*a*) All lands, islands, waters, territories and interests included in article 2 of the Saudi Arab Concession, the description of which is repeated from the Saudi Arab Concession in Part One of the schedule to this agreement, and

(*b*) All lands, territories and interests described and referred to in Part Two of the schedule to this agreement, and

(*c*) All right, title and interest of the Government, now or hereafter, in or to the two territories described in Part Three of the schedule of this agreement and known respectively as the "Saudi Arab-Kuwait Neutral Zone" and the "Saudi Arab-Iraq Neutral Zone," and all rights and interests of a maritime or of a territorial nature now or hereafter appertaining to such two zones or either one of them. And the Saudi Arab Concession shall be and is hereby modified to include all the lands, islands, waters, territories and interests of the Government described and referred to in the foregoing provisions of this article, and henceforth the Saudi Arab Concession as modified by the Second Principal Agreement and by this agreement shall be read accordingly. And, for convenience, all such lands, islands, waters, territories and interests may be referred to as the "Exclusive area."

ARTICLE 6.

The following special provisions shall be applicable and shall have force and effect as from the effective date of this agreement in regard to the Saudi-Arab-Kuwait Neutral Zone and the Saudi Arab-Iraq Neutral Zone :—

(*a*) Computation of royalty accruing to the Government on oil and natural gas obtained from the Saudi Arab-Kuwait Zone and from the Saudi Arab-Iraq Neutral Zone shall be governed by the royalty provisions of the Saudi Arab Concession; it being understood, however, that the royalty as provided therein shall be payable to the Government only on that proportion of the total oil and natural gas so obtained as is represented by the Government's interest in the said neutral zones, respectively.

(*b*) The Company shall be entitled to enter into such agreement or agreements as it deems necessary or desirable to enable the Company alone or with another or others or through the medium of another company or other companies formed by it (either alone or in conjunction with others), to prospect for and develop and remove the petroleum and other hydrocarbon substances of and from the Saudi Arab-Kuwait Neutral Zone and the Saudi Arab-Iraq Neutral Zone or either one of such zones; provided, however, that there shall be no violation of the provisions of article 32 of the Saudi Arab Concession. So far as the Company or any company or companies formed by it is concerned, any such agreement may contain the right of transport for all purposes of the enterprise by all manner of means of carriage over and along all ways within the Saudi Arab-Kuwait Neutral Zone and the Saudi Arab-Iraq Neutral Zone or either one of them and to and from any point or points within the said zones from and to any point or points within Saudi Arabia, And the right in respect of the Saudi-Arab-Kuwait Neutral Zone to use any ports or waterways free of all fees, dues, assessments and charges of any nature or kind whatsoever, in accordance with article 21 of the Saudi Arab Concession.

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(*c*) The Company may promote a company or companies of a nationality acceptable to the Government to explore and prospect for and exploit, remove and export petroleum and other hydrocarbon substances in and from both or in and from each or in and from either of the said two neutral zones.

ARTICLE 7.

The provisions of article 9 of the Saudi Arab Concession shall henceforth be replaced by the following provisions, namely :—

For a period of ten years from the effective date of this agreement, the Company shall be under no obligation to relinquish to the Government any portion of the exclusive area covered by the Saudi Arab Concession, as modified by this agreement. Upon the expiration of this ten-year period, and from time to time thereafter, the Company shall relinquish to the Government such portions of the exclusive area as the Company may decide not to explore further, or to use otherwise in connexion with the enterprise. The portion so relinquished shall thereupon be released from the terms and conditions of the Saudi Arab Concession, as modified by this agreement; provided, however, that the Company shall, nothwithstanding such relinquishment, continue to enjoy the right reserved by the Saudi Arab Concession to use the portions so relinquished for transportation and communication facilities, the Company interfering as little as practicable with any other use to which the Government may desire the relinquished portions to be put.

ARTICLE 8.

That portion of article 19 of the Saudi Arab Concession reading as follows : " during each year following the date of completion of this plant, the Company shall offer free to the Government, in bulk, 200,000 American gallons of gasoline and 100,000 American gallons of kerosene, it being understood that the facilities provided by the Government for accepting these deliveries shall not impede or endanger the Company's operations " shall be and the same is hereby amended to read as follows :—

During the year following the first anniversary of the effective date of this agreement, and during each year thereafter, up to and including the year ending on the anniversary of the effective date of this agreement next following the discovery of oil in commercial quantities within the territories described and referred to in Part Two and Part Three of the schedule to this agreement, the Company shall offer free to the Government, in bulk, 1,300,000 American gallons of gasoline and 100,000 American gallons of kerosene.

During the year commencing on the anniversary of the effective date of this agreement next following such discovery of oil in commercial quantities, and during each subsequent year of the Saudi Arab Concession as amended by this agreement, the Company shall offer free to the Government, in bulk, 2,300,000 American gallons of gasoline and 100,000 American gallons of kerosene.

It is understood that, following the completion of the said plant, the gasoline and kerosene offered to the Government in bulk as aforesaid shall be delivered to the Government at or in the immediate vicinity of the said plant. The facilities provided by the Government for accepting deliveries shall not impede or endanger the Company operations.

ARTICLE 9.

From the effective date of this agreement, all the rights and privileges conferred by article 22 of the Saudi Arab Concession may be exercised by the Company (*a*) anywhere in the "exclusive area" described in article 5 of this agreement; (*b*) anywhere in the area covered by the concession granted on the 9th day of July, 1936, to the Petroleum Concessions (Limited) (it being understood that the exercise of these rights by the Company in the area covered by the concession granted to the Petroleum Concessions (Limited) does not include the right to exploit oil therein, nor will it damage the property of the Petroleum Concessions (Limited) or impede its operations and interests, or interfere therewith. The Government shall be the sole judge to determine this); (*c*) anywhere in the Saudi

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Arab-Kuwait Neutral Zone and in the Saudi Arab-Iraq Neutral Zone, to the full extent that the Government is entitled to grant such rights and privileges with respect to said two neutral zones.

The rights and privileges conferred by article 22 of the Saudi Arab Concession may not be exercised by the Company in any other portion of Saudi Arabia, however, except with the express consent and approval of the Government; but it is understood, of course, that should the Company, in order to exercise the rights and privileges conferred by article 22 of the Saudi Arab Concession, require rights of way from the territories described and referred to in Part Two of the schedule to this agreement to the area covered by the concession granted to the Petroleum Concessions (Limited) on the 9th day of July, 1936, the Government will not withhold approval of such rights of way.

ARTICLE 10.

The Saudi Arab Concession, as amended by this agreement, shall, with respect to the territories described and referred to in Part Two and in Part Three of the schedule to this agreement, continue in full force and effect for a period of six years from the expiration of the sixty-year period provided in article 1 of the Saudi Arab Concession.

ARTICLE 11.

The provisions of article 3 of the Saudi Arab Concession and of paragraphs 1, 2 and 4 of the Second Principal Agreement, in so far only as said provisions relate to the Saudi Arab-Kuwait Neutral Zone, are superseded by the provisions of this agreement.

ARTICLE 12.

It is hereby declared that the preference right granted to the Company by article 3 of the Saudi Arab Concession and by the Second Principal Agreement, except as regards the "exclusive area" defined in article 5 of this agreement, shall remain in full force and effect during the term of sixty years from the effective date of this agreement.

ARTICLE 13

As modified by the foregoing provisions of this agreement, the Saudi Arab Concession and the Second Principal Agreement shall continue in full force and effect (excepting to the extent to which certain provisions of the Saudi Arab Concession and the Second Principal Agreement shall have already been complied with and are therefore of no further validity) to the intent that, as from the effective date of this agreement, all three documents shall be read together as and shall form one agreement.

ARTICLE 14.

This agreement has been drawn up in English and in Arabic, and the provisions of article 35 of the Saudi Arab Concession shall apply to this agreement.

ARTICLE 15.

The effective date of this agreement shall be the date of its publication in Saudi Arabia, following the ratification of this agreement by the Company and by the Government.

ARTICLE 16.

It is understood that this agreement, after being signed in Saudi Arabia, shall be subject to ratification by the Company at its offices in San Francisco, California and by the Government in Saudi Arabia before it shall become effective. After both texts of this agreement have been signed in triplicate in Saudi Arabia, two signed copies of each text shall be sent by registered mail to the Company in San Francisco, California, and within fifteen days after receipt in San Francisco the Company shall notify the Government in writing whether or not it ratifies this agreement. If the agreement is not ratified by the Company within fifteen days after receipt of the document in San Francisco, it shall be null and void and of no further force or effect.

Upon ratification of this agreement by the Company, one signed copy of each text, together with the necessary evidence as to ratification by the Company,

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shall be returned to the Government. Also, upon ratification of this agreement by the Company, the Government shall issue a Royal decree announcing their ratification hereof and officially publish that decree and this agreement.

Signed this 31st day of May, 1939 (corresponding to the 12th day of Rabi Thani, 1358, A.H.).

The Schedule above referred to.

PART ONE.

All of Eastern Saudi Arabia, from its eastern boundary (including islands and territorial waters) westward to the westerly edge of the Dahana, and from the northern boundary to the southern boundary of Saudi Arabia, provided that from the northern end of the westerly edge of the Dahana, the westerly boundary of the area in question shall continue in a straight line north 30° west to the northern boundary of Saudi Arabia, and from the southern end of the westerly edge of the Dahana such boundary shall continue in a straight line south 30° east to the southern boundary of Saudi Arabia.

PART TWO.

The following two areas in Saudi Arabia :—

(1) All that portion of Northern Saudi Arabia south of Iraq and south and east of Transjordania which is bounded on the east, south, and west by the following lines : (*a*) on the east, by a line commencing at the northern end of the westerly edge of the Dahana and running in a straight line north 30° west to the northern boundary of Saudi Arabia; (*b*) on the south, by a line commencing at the northern end of the westerly edge of the Dahana and running in a westerly direction along the northern edge of the Great Nefud (leaving the Great Nefud outside) to the north-west corner thereof, and thence in a straight line passing through Tebuk, to the eastern boundary of the area covered by the concession granted on the 9th day of July, 1936, to the Petroleum Concessions (Limited); and (*c*) on the west, by a line commencing at the point where the straight line mentioned above joins the eastern boundary of the area covered by the concession granted to the Petroleum Concessions (Limited), and thence running in a northerly direction, along the eastern boundary of the area covered by the concession granted to the Petroleum Concessions (Limited), until it reaches the present northern limits of the territory under the administration of Saudi Arabia, which adjoins the southern area end of Transjordania.

(2) All that southern portion of Saudi Arabia which is bounded on the east, north, west and south by the following lines : (*a*) on the east, by a line commencing at the southern end of the westerly edge of the Dahana and running in a straight line some 30° east to the southern boundary of Saudi Arabia; (*b*) on the north, by a line commencing at the southern end of the westerly edge of the Dahana and running in a westerly direction, 50 kilom. south of the most southerly branch of the Wadi Dawasir, to a point 50 kilom. south of the source of the Wadi Dawasir and thence continuing in a straight line to the north-east corner of the boundary line between Yemen and Saudi Arabia; (*c*) on the west, by a line commencing at the point where the straight line mentioned above joins the north-east corner of the boundary line between Yemen and Saudi Arabia, and thence running in a southerly direction, along the eastern boundary of the Kingdom of Yemen, until it reaches the southern boundary of Saudi Arabia; and (*d*) on the south, by a line running along the southern boundary of Saudi Arabia between the most southernly limits of the lines mentioned under (*a*) and (*c*) above.

PART THREE.

All the territory known as the Saudi Arab-Kuwait Neutral Zone, including islands and territorial waters if any which are or may become a part thereof, and all the territory known as the Saudi Arab-Iraq Neutral Zone.

On behalf of the Saudi Arab Government.

On behalf of the California
Arabian Standard Oil Company.

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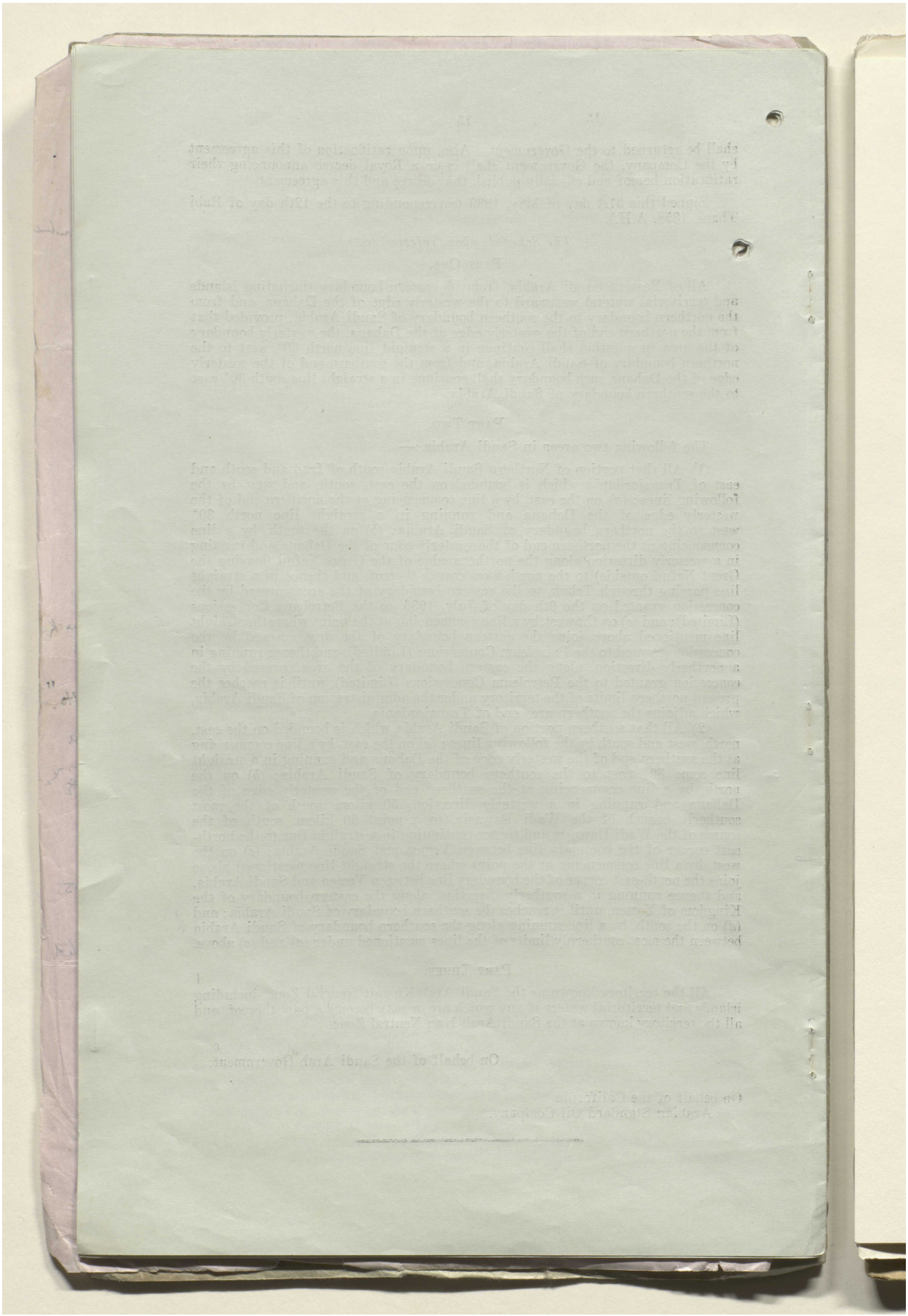

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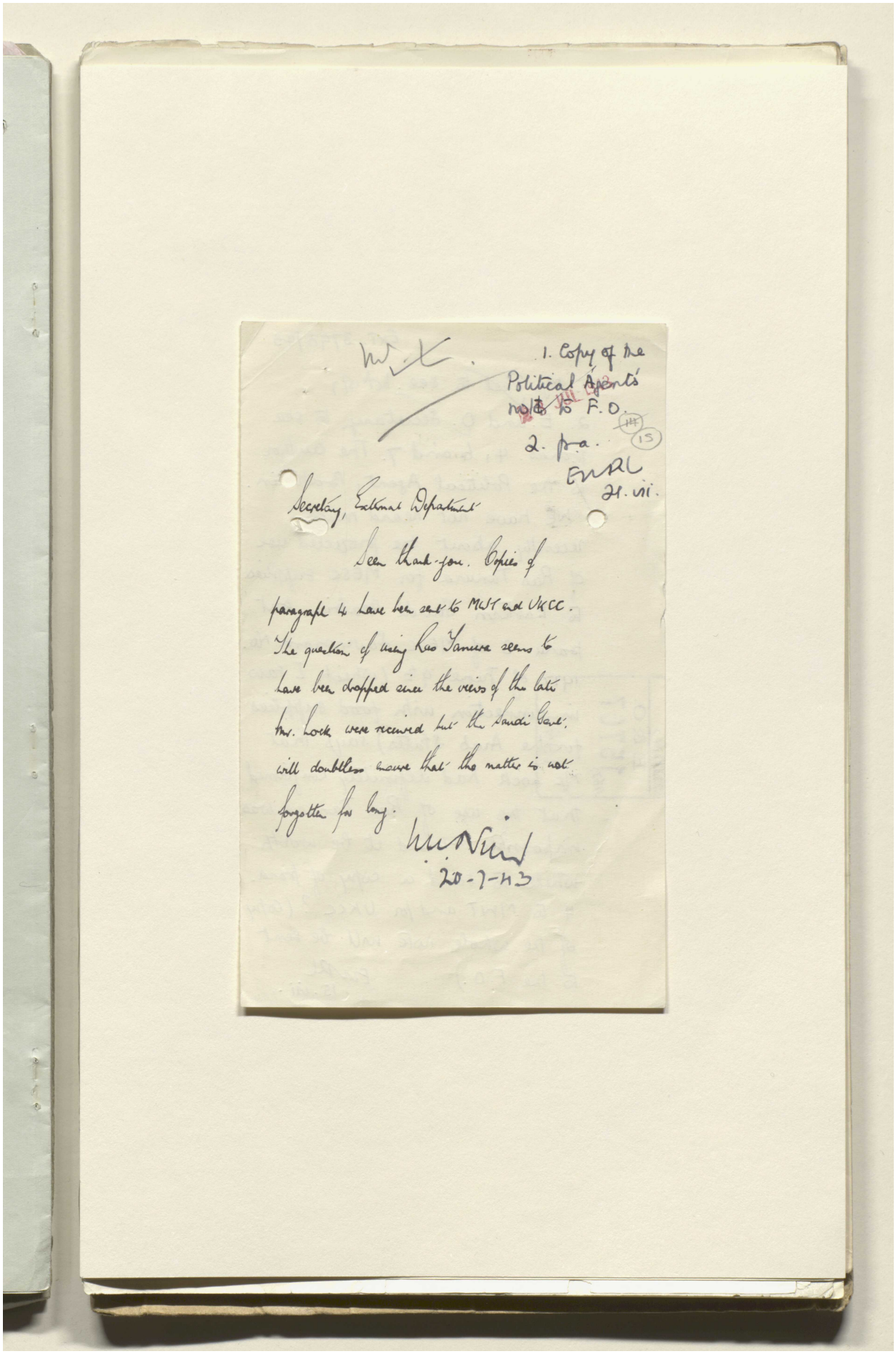

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W.L.

1. Copy of the Political Agent's note to F.O.
2. p.a.
EWRL
21.vii.

Secretary, External Department

Seen thank-you. Copies of paragraph 4 have been sent to MWT and UKCC. The question of using Ras Tanura seems to have been dropped since the views of the late Mr. Lock were received but the Saudi Govt. will doubtless ensure that the matter is not forgotten for long.

[signature]
20-7-43

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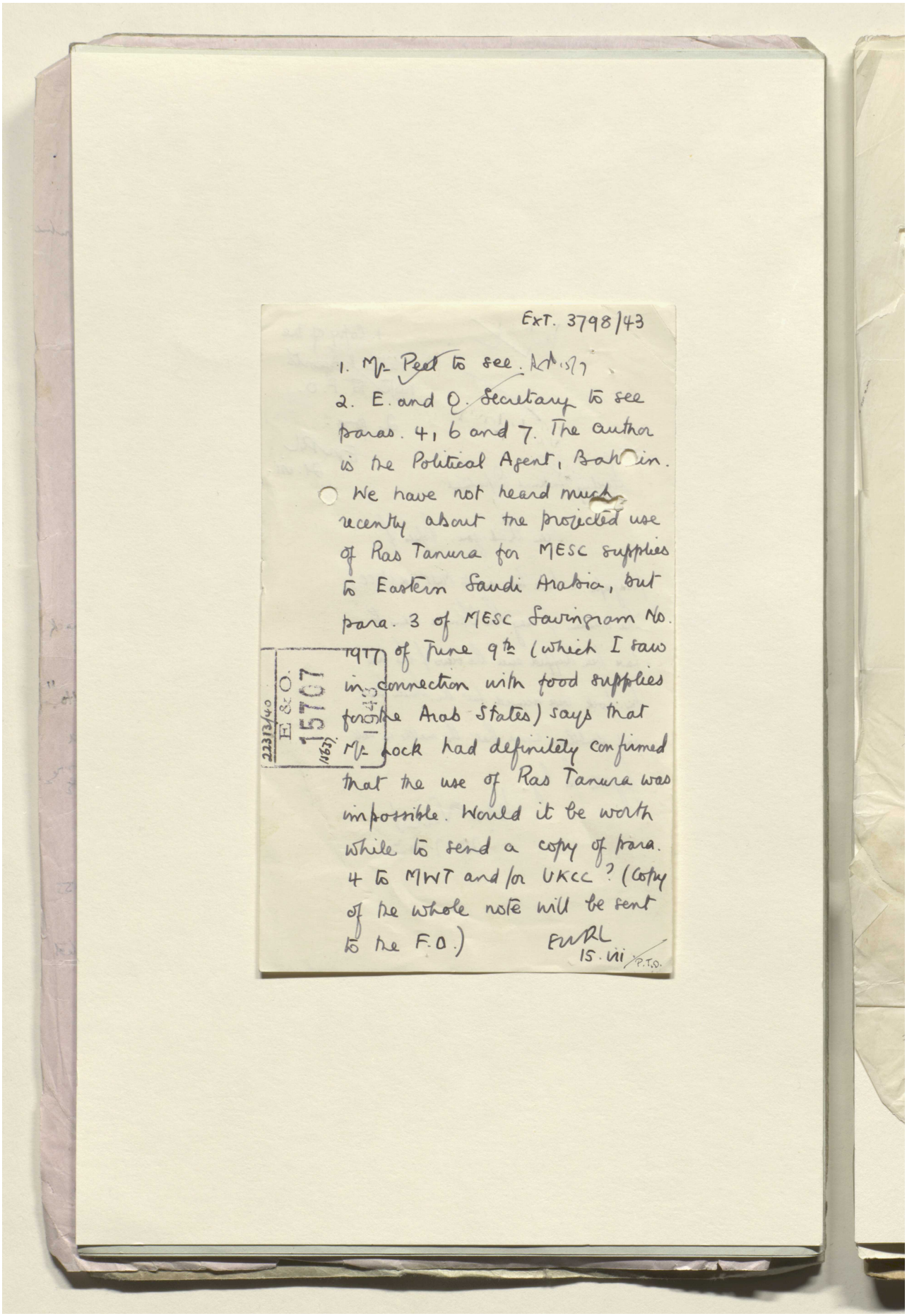

Ext. 3798/43

1. Mr Peel to see. [illegible]

2. E. and O. Secretary to see paras. 4, 6 and 7. The author is the Political Agent, Bahrain.

We have not heard much recently about the projected use of Ras Tanura for MESC supplies to Eastern Saudi Arabia, but para. 3 of MESC Savingram No. 1917 of June 9th (which I saw in connection with food supplies for the Arab States) says that Mr Lock had definitely confirmed that the use of Ras Tanura was impossible. Would it be worth while to send a copy of para. 4 to MWT and/or UKCC? (Copy of the whole note will be sent to the F.O.)

EWRL
15.vii

P.T.O.

22313/40
E & O.
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3798

(Received under Bahrain D.O.Letter No.C/369, dated 15.3.43).

22/42.

VISIT TO AL KHOBAR.

I left Bahrain in the CASOC launch at 1.45 p.m. on 9th March and arrived at Al Khobar four hours later. I was met at the pier by Mr. Ohliger (Resident Manager, CASOC), Shaikh Abdullah al Fadhl (Ibn Saud's Personal Representative with CASOC, who is also acting as Saudi Trade Agent in Bahrain) and Shaikh Mohammad bin Mathi, Amir of Al Khobar. Before motoring out with Mr. Ohliger to the CASOC Camp at Dhahran 8 miles away I spent half an hour taking coffee with the Amir of Al Khobar in his house. The house is a ramshackle building, dirty and ill-kept. It is approached by a narrow and unsavoury passage at the entrance to which a small guard of honour, composed of police dressed in quasi-military clothes, was drawn up in a ragged line.

2. On the morning of March 10th I motored with Mr.Ohliger to Ras Tanura, 60 miles away. We took the inland road which is, on the whole, in good condition. For much of the way the road runs beside the pipe-line connecting the Company's oil field at Dhahran with the refinery at Ras Tanura. Opposite Tarut Island the road crosses one of the landing grounds which the Oil Company prepared in the summer of 1942 for emergency use by R.A.F. aircraft travelling between Basrah or Kuwait and Bahrain.

3. The refinery at Ras Tanura is a small one with a maximum throughput of only 3000 to 3500 barrels per day. So small a unit is not economic and Mr. Ohliger told me, in response to my enquiries on this subject, that it had only been erected by the Company in order to comply with the conditions of their Concession. The refinery is not at present being operated though a stock of kerosene (brought over by barge from Bahrain) is kept in one of the storage tanks for supply to the Saudi Government when required. Near the refinery is a large collection of barasti huts - a labour camp which is at present unoccupied. The Company's installations at Ras Tanura are looked after by two American employees whose sole duty is to see that the plant and installations are kept in good repair.

4. The M.E.S.C. propose to use Ras Tanura as a port of entry for foodstuffs supplied by them to the Saudi Government for consumption in East Saudi Arabia. I was anxious to see, therefore, what facilities existed at Ras Tanura for the handling of imports. The sea approach is good. There is an anchorage off the eastern point of Ras Tanura, close to shore, suitable for freighters or tankers, and cargoes would have to be carried less than a mile by lighters to a sheltered jetty west of the point of Ras Tanura. This jetty, which is equipped with a crane, belongs to the Oil Company, but they would, it is understood, have no objection to its use by the Saudi Government. It seems to me that the main difficulty in using Ras Tanura now as a port of supply would be the lack of adequate storage. There is only one godown(an extension of a Turkish building now used as a customs house) approximately 90 ft. long by 60 ft. broad. This did not appear to be in good repair. Unless the Saudi Government are able to arrange immediate transportation for imports as they arrive - inland by lorries or to coastal towns by country craft - foodstuffs in excess of what can be accommodated in the single godown will have to be stacked in the open, with the danger - indeed the certainty of rapid deterioration.

5. From Ras Tanura I motored to Qatif where I was entertained to tea by Shaikh Mashari, Amir of Qatif and brother of the Amir of Al Khobar. For some miles before entering Qatif the road from the north runs through thick date gardens watered mainly from natural springs. The town of Qatif comprises a collection of the most dilapidated stone and mortar buildings that I have ever seen. There were, however, signs of activity in two directions. The road leading into Qatif from the north was being systematically widened even though this involved cutting down a number of date palms; and there was a lot of movement

REGD. POL. DEPT.
5 JUL 1943
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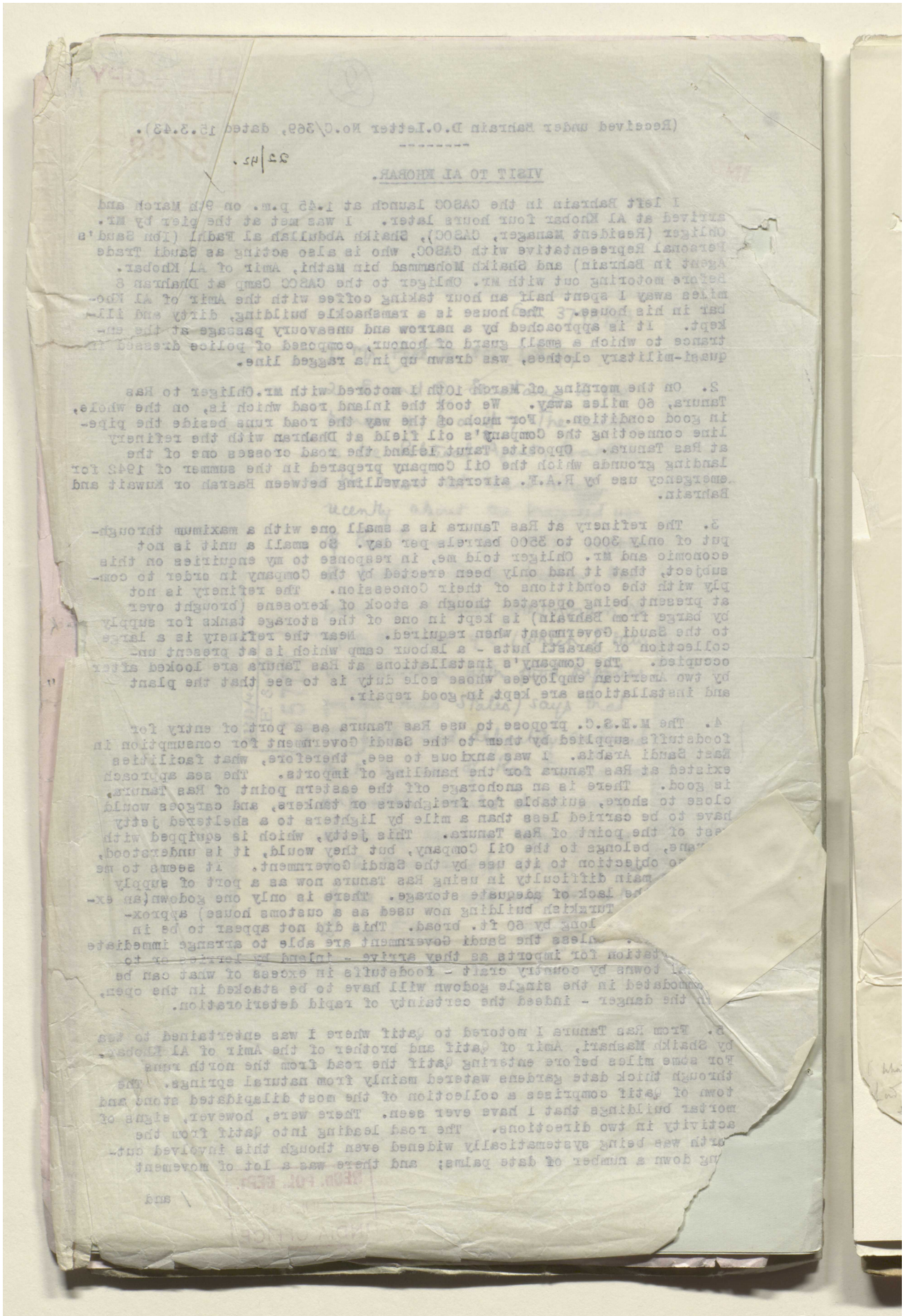

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and bustle at the port, where boats were being loaded with lucerne for Bahrain and 'salug' (dates boiled when immature) and 'dibs' (date juice) for India. (Iwas told that the embargo on the export of dates from Qatif did not apply to 'salug' and 'dibs').

6. The Amir of Al Khobar was present when his brother, the Amir of Qatif, entertained me to tea. In accordance with a suggestion which I had previously made to Mr. Ohliger the conversation was directed by him to the subject of food supplies. The Amirs of Al Khobar and Qatif, who are reported to have made large fortunes during the last six months by the part they have taken ~~during the last six months~~ in manipulating food prices, displayed no embarrassment in discussing the subject. They stated that they had recently been instructed by Ibn Saud to make a census of stocks of food and that there were, apart from Government stocks, 8000 bags of rice in Qatif and 15000 bags in Hofuf. They also stated that they had received orders the previous day that the selling price of rice and dates was to be controlled. Maximum selling prices were to be as follows:-

Calcutta Rice	Rs	39/- per bag
Karachi rice	Rs	33/- per bag
Dates	Rs	3/- per basket

If merchants claimed that their stocks of rice had cost more than the selling price now fixed the Saudi Government would, on production of the merchants' invoices, take over their stocks at the cost price and would place them on the market at the new controlled price.

7. In the course of conversation several references were made to the failure of this year's crop of wheat sown with Canadian wheat seed. It will be recalled that 3000 bags of Canadian wheat were lent to the Saudi Government by the Shaikh of Bahrain in October 1942 when, we were told, there was no grain in Eastern Saudi Arabia and the people were dying of starvation. Apparently the Canadian wheat intended for immediate consumption in Saudi Arabia was used as seed grain. The result has been unfortunate as the crop expected from it has been a complete failure.

8. From Qatif we returned to Dhahran via Dammam. Along the road south of Qatif very large areas of land are being developed. I saw enclosures, many acres in extent, which were said to belong to Najib Saleh (Ibn Saud's Minister of Mines and Public Works), Shaikh Abdullah al Fadhl and Saleh Islam (Shaikh Abdullah al Fadhl's assistant). New wells have been bored and 4500 new date palms were, I was informed, to be planted this season.

9. In the evening I attended a dinner given for me at his house in Dammam by Shaikh Abdullah al Fadhl. The house is a very handsome one, well-kept and clean, with electric light installed. The food provided was, of course, on a lavish scale, and far exceeded in quantity and variety anything that I have experienced in Bahrain.

10. On the morning of March 11th I was shown round the Oil Company's Camp and was duly impressed by the enterprise shown in its organisation. The well stocked commissary and the home-made poultry incubators in an air-conditioned house were of particular interest.

11. Later in the morning I attended a midday dinner given for me by the Amir of Al Khobar. The number of guests was small - not more than a dozen - but the food provided included six sheep roasted whole and more than 250 side dishes (including fried locusts). At this feast I was accompanied by Mr. Bertram Thomas and, at its conclusion, we were both presented by the Amir with swords of honour.

12. I said good-bye to the Amir of Al Khobar at his house and to

/ Shaikh

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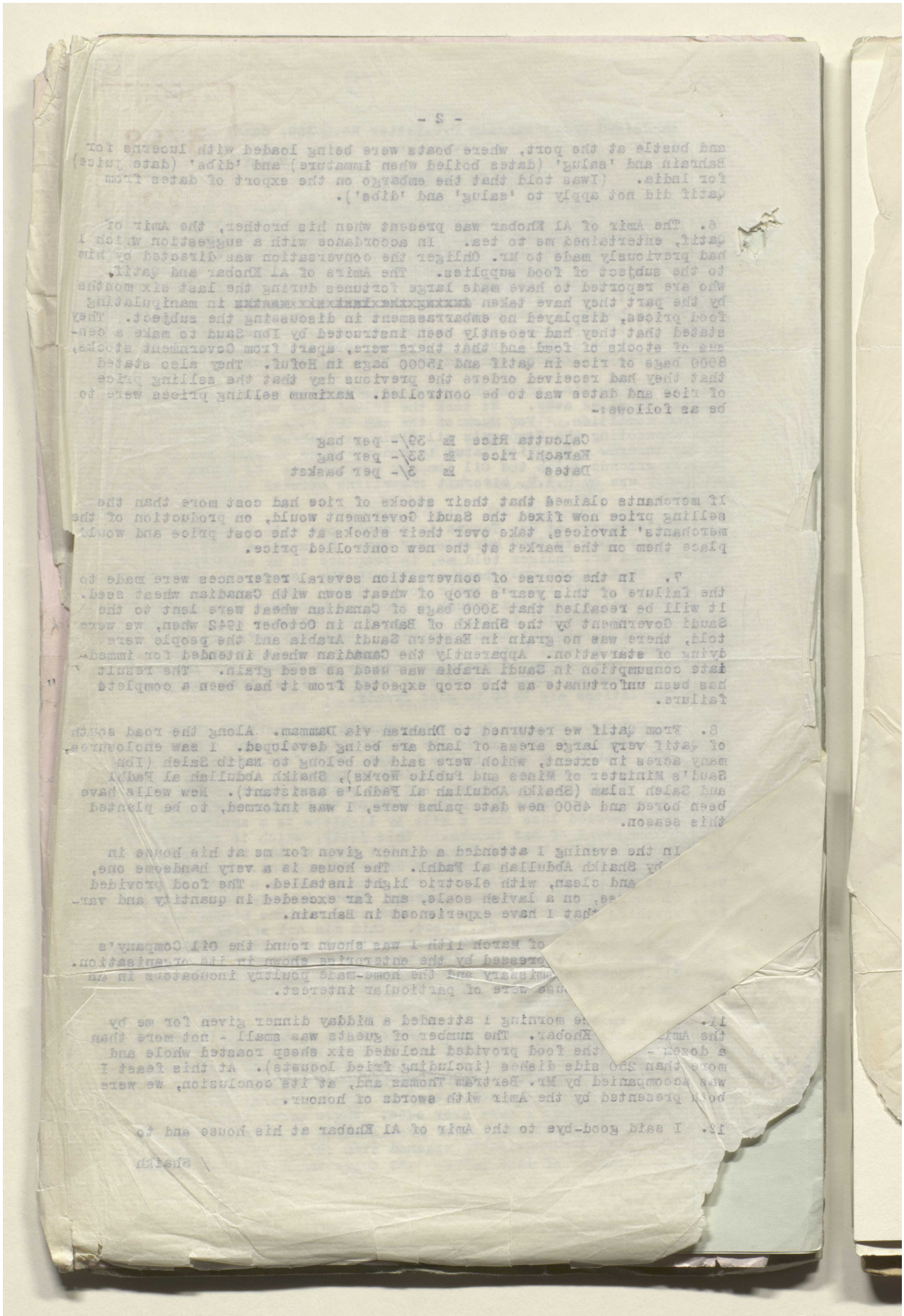

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Shaikh Abdullah al Fadhl and Mr. Ohliger at the jetty which left at 3 p.m. en route for Bahrain.

13. I was given a very friendly welcome by the Saudi authorities at Al Khobar, Qatif and Dammam, the majority of whom I was meeting for the first time. My visit to the mainland also enabled me to discuss on the spot with Mr. Ohliger a number of problems about personnel which had been troubling him.

CONFIDENTIAL.

No.260-S.

British Residency & Consulate-General,
Bushire,

Dated the 20th April 1943.

Copy forwarded, with compliments, to

His Majesty's Secretary of State for India,
The India Office, London.

The Secretary to the Government of India
in the External Affairs Department,
New Delhi.

His Majesty's Minister,
Jedda.

The Middle East Supply Centre,
General Headquarters, Middle East,
Cairo.

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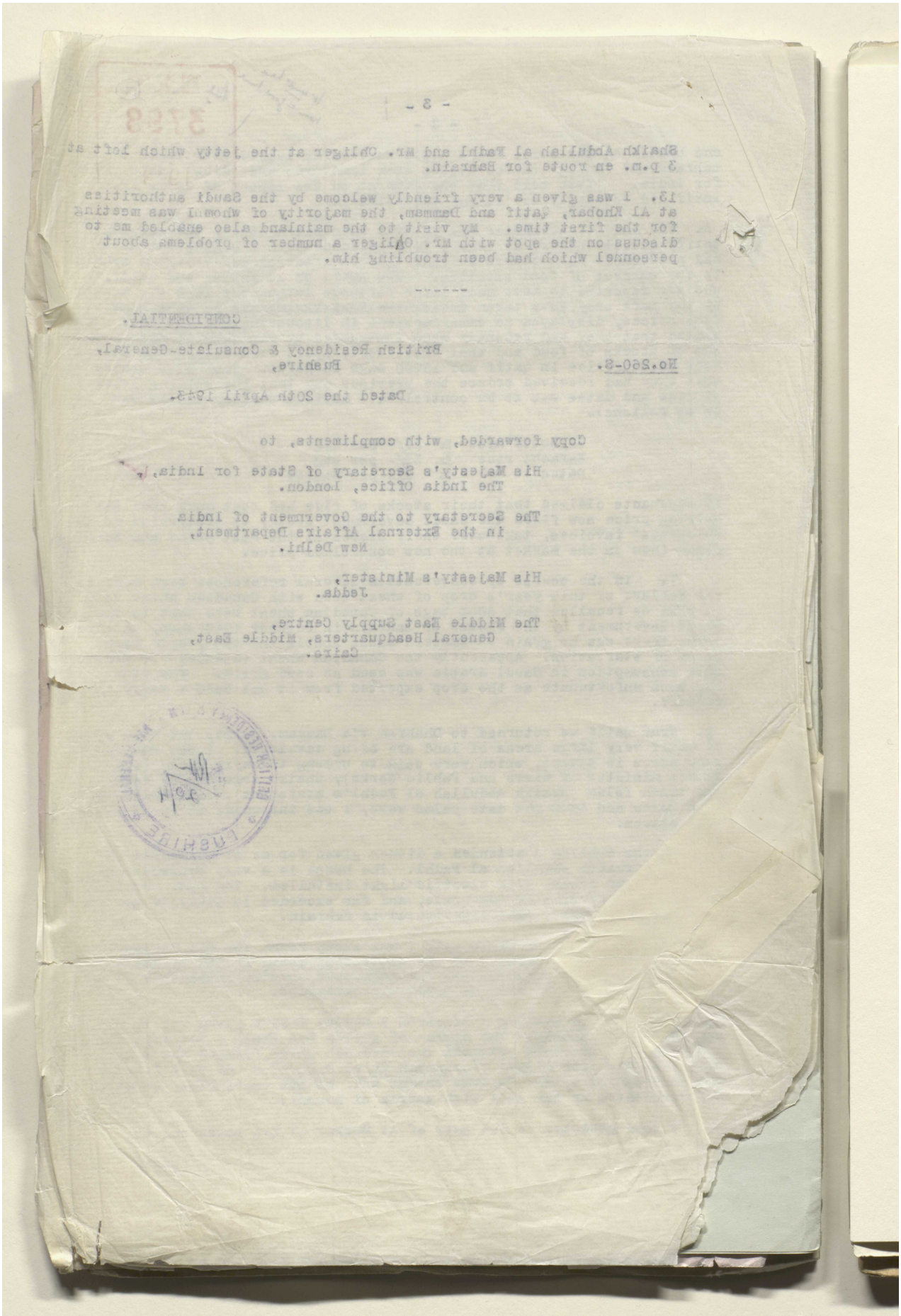

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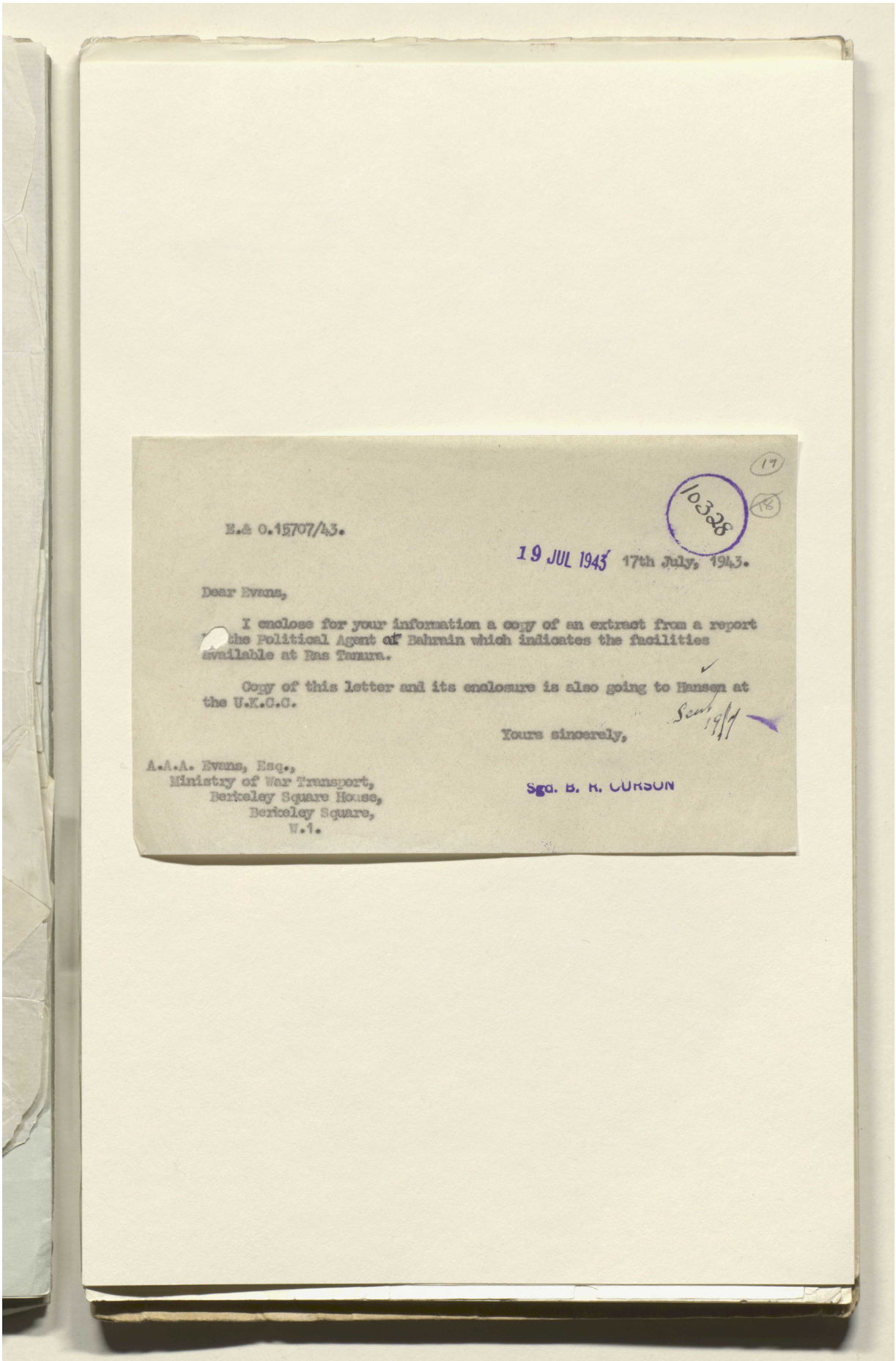

(19)

10328

(18)

E.A 0.15707/43.

19 JUL 1943

17th July, 1943.

Dear Evans,

I enclose for your information a copy of an extract from a report from the Political Agent at Bahrain which indicates the facilities available at Ras Tanura.

Copy of this letter and its enclosure is also going to Hansen at the U.K.C.C.

Yours sincerely,

Sgd. B. K. CORSON

A.A.A. Evans, Esq.,
Ministry of War Transport,
Berkeley Square House,
Berkeley Square,
W.1.

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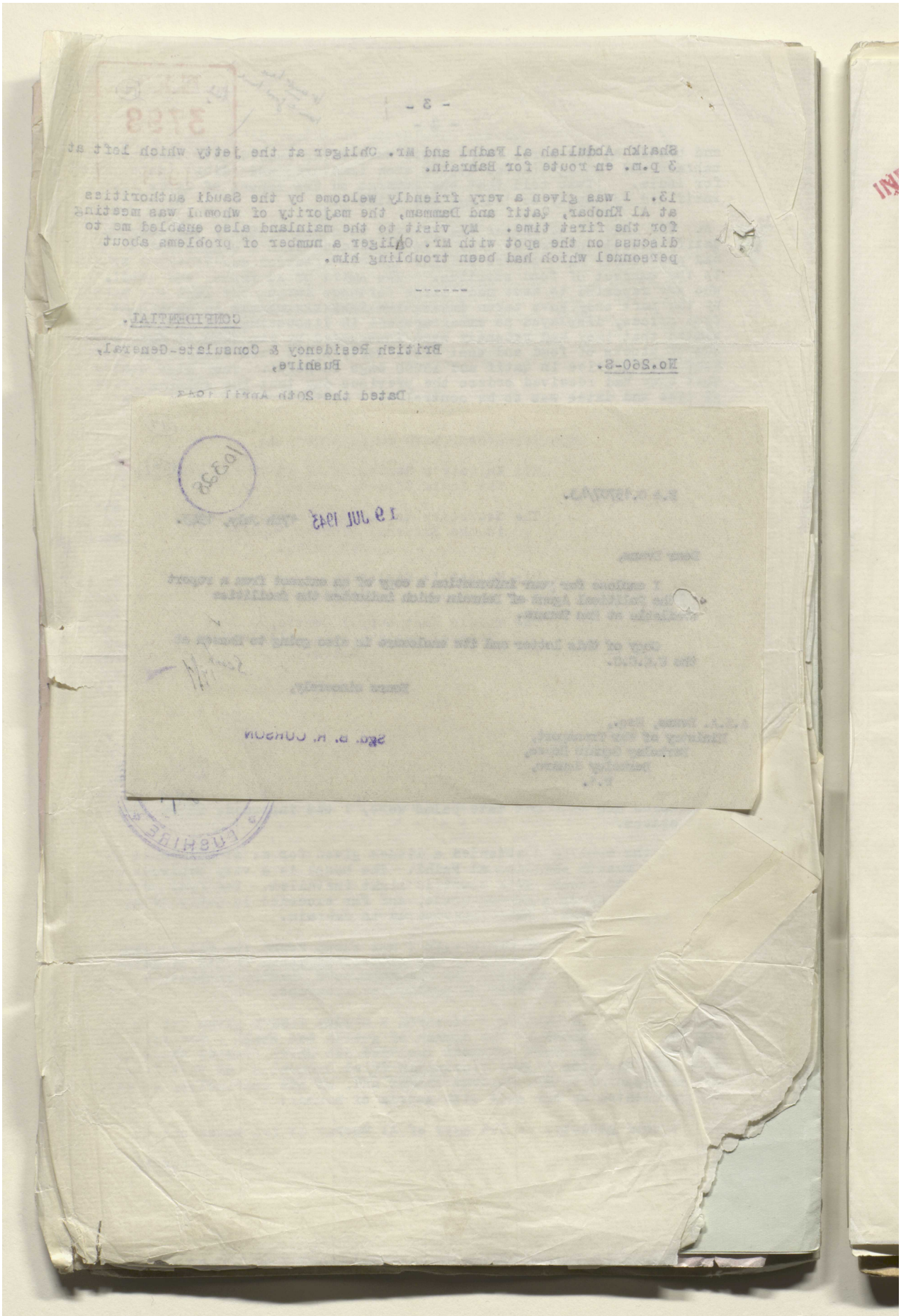

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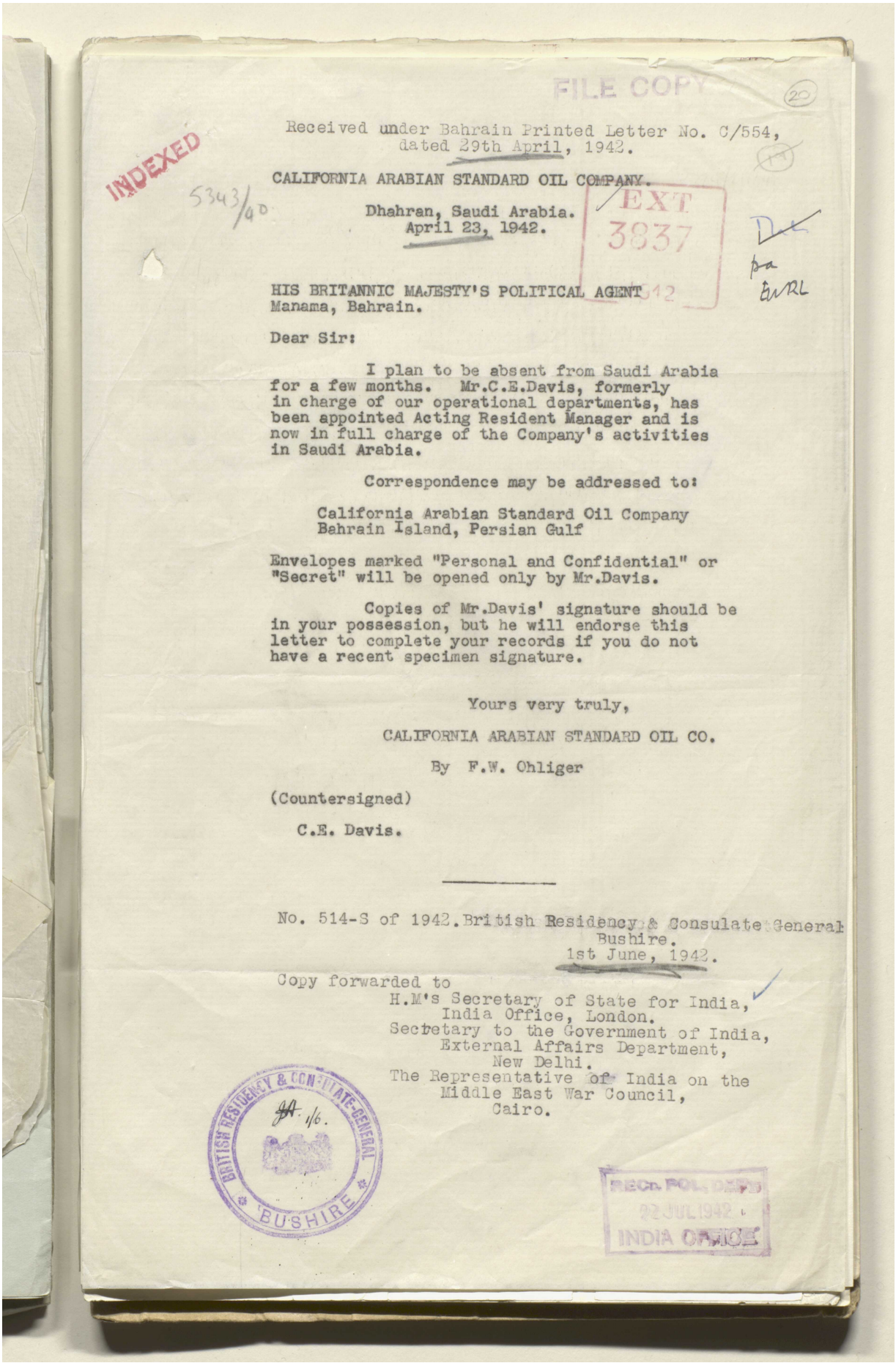

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5343/40

Received under Bahrain Printed Letter No. C/554,
dated 29th April, 1942.

CALIFORNIA ARABIAN STANDARD OIL COMPANY.

Dhahran, Saudi Arabia.
April 23, 1942.

EXT
3837

Dft
pa
EWRL

HIS BRITANNIC MAJESTY'S POLITICAL AGENT
Manama, Bahrain.

Dear Sir:

I plan to be absent from Saudi Arabia for a few months. Mr.C.E.Davis, formerly in charge of our operational departments, has been appointed Acting Resident Manager and is now in full charge of the Company's activities in Saudi Arabia.

Correspondence may be addressed to:

California Arabian Standard Oil Company
Bahrain Island, Persian Gulf

Envelopes marked "Personal and Confidential" or "Secret" will be opened only by Mr.Davis.

Copies of Mr.Davis' signature should be in your possession, but he will endorse this letter to complete your records if you do not have a recent specimen signature.

Yours very truly,

CALIFORNIA ARABIAN STANDARD OIL CO.

By F.W. Ohliger

(Countersigned)

C.E. Davis.

No. 514-S of 1942. British Residency & Consulate General
Bushire.
1st June, 1942.

Copy forwarded to
H.M's Secretary of State for India,
India Office, London.
Secretary to the Government of India,
External Affairs Department,
New Delhi.
The Representative of India on the
Middle East War Council,
Cairo.

BRITISH RESIDENCY & CONSULATE-GENERAL
BUSHIRE

1/6.

REGD. POL. DEPTT
22 JUL 1942
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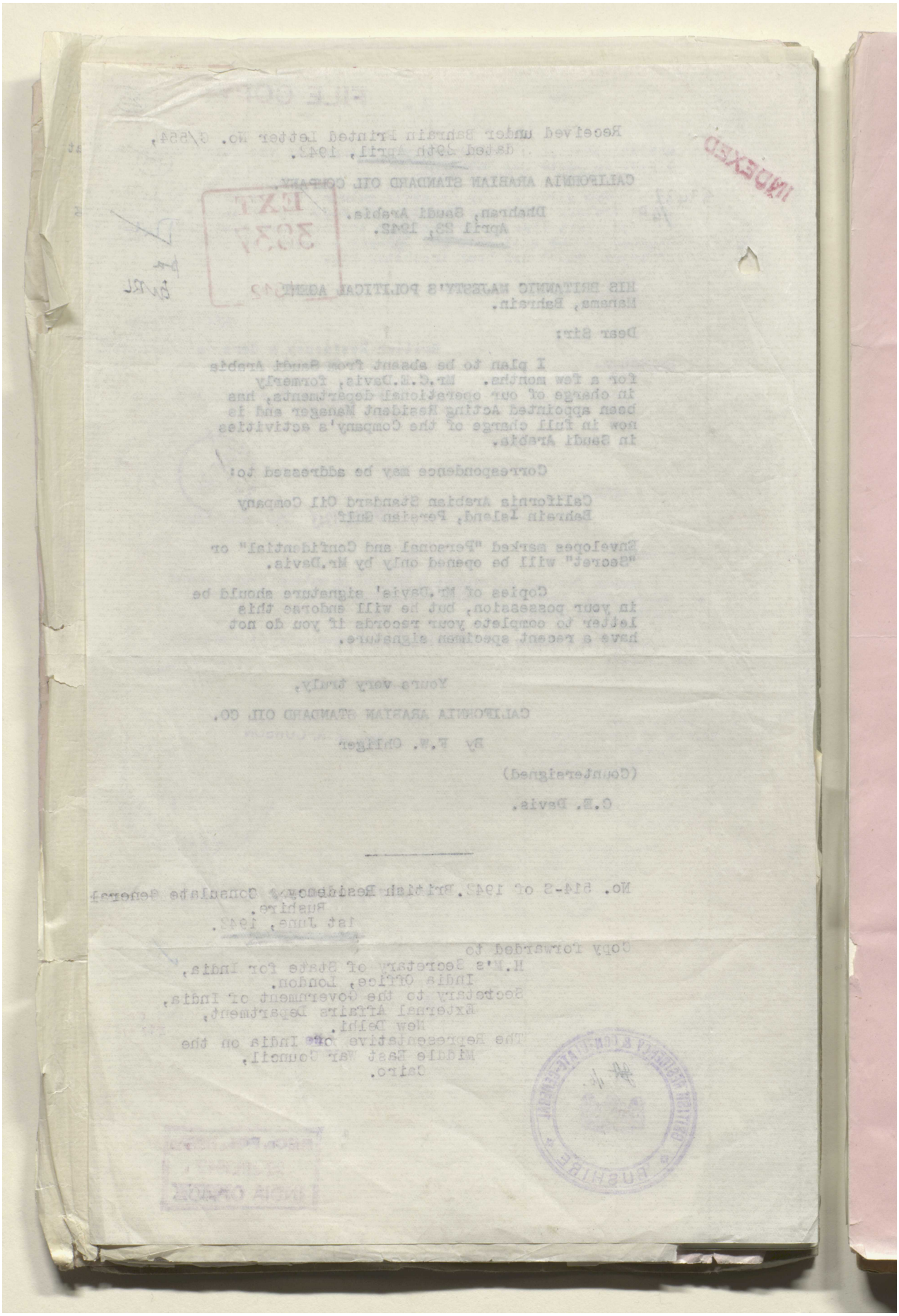

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M.L

INDEXED

No. C/571 of 1941.

(20) (21)

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. His Majesty's Minister, Jedda.
3. The Political Agent, Kuwait.
4. The Political Agent, Bahrain,

(3)

and has the honour to transmit to him a copy of the undermentioned document(s).

1. Mr. Peel to see. [illegible]
2. Copy to F.O. and Petroleum Dept.
3. p.a.
[illegible]
10.i.42.

14 JAN 1942

British Consulate-General, BUSHIRE. Dated 19th November 1941.
Camp, Bahrain.

Reference to previous correspondence:

BRITISH RESIDENCY & CONSULATE-GENERAL BUSHIRE

Description of Enclosure.

Name and Date.	Subject.
Letter No.C/570 of 19th November 1941 to the Secretary to the Government of India, External Affairs Department, New Delhi.	Visit of the Political Resident to the headquarters of the California Arabian Standard Oil Company at Dhahran and their refinery at Ras Tanura.

RECD. POL. DEPT. 1 JAN 1942 INDIA OFFICE

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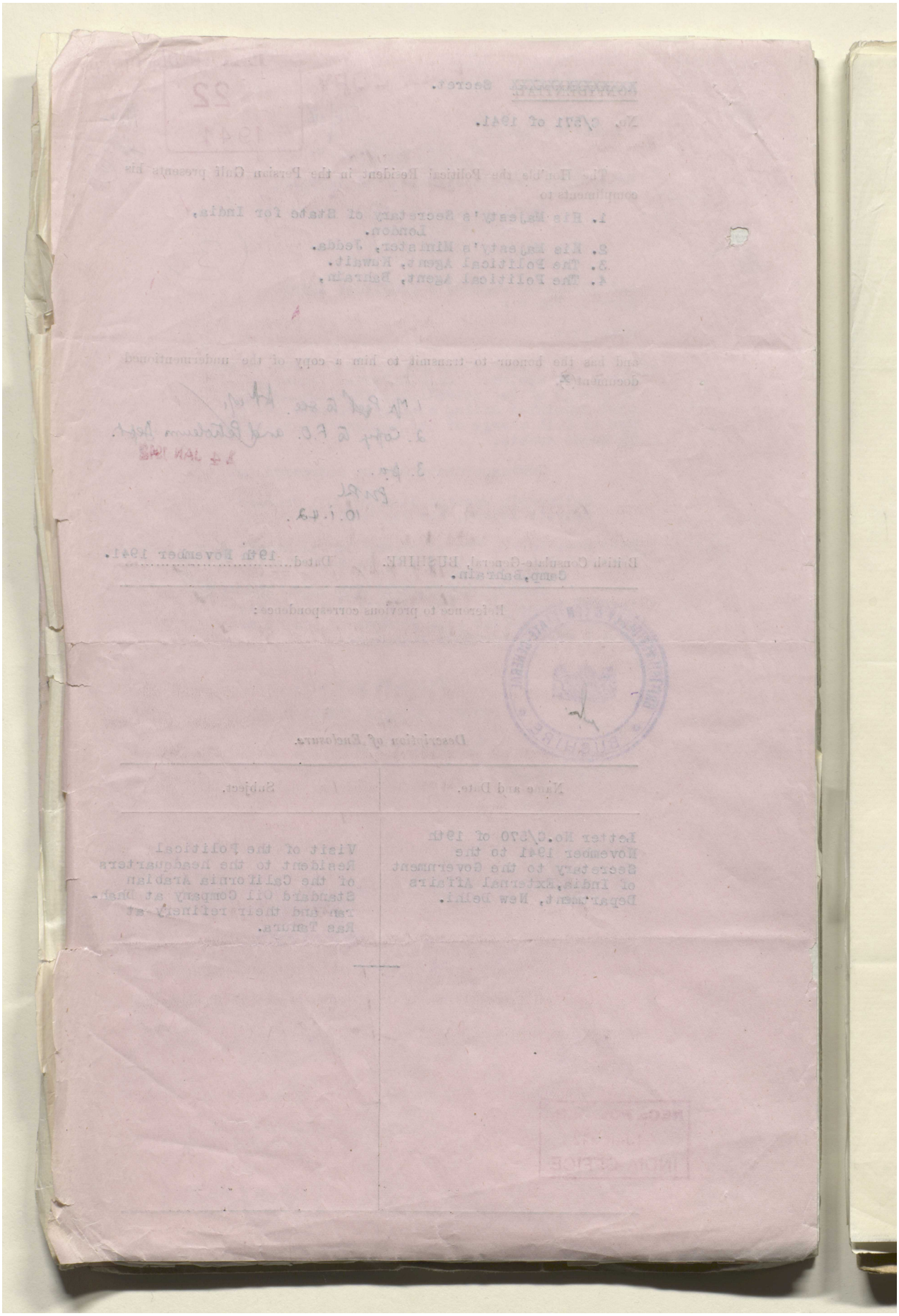

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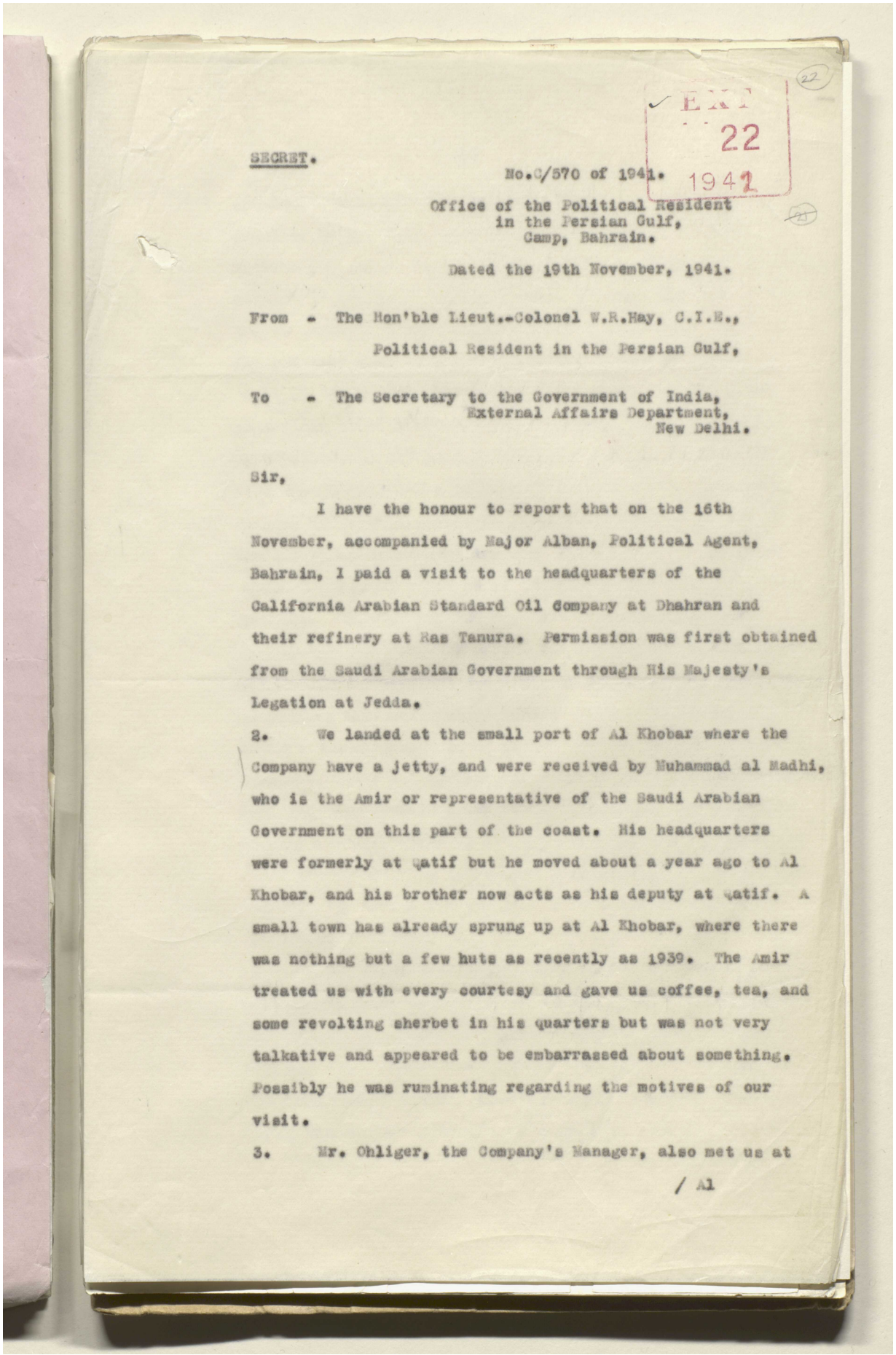

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22
1941

SECRET.

No.C/570 of 1941.

Office of the Political Resident
in the Persian Gulf,
Camp, Bahrain.

Dated the 19th November, 1941.

From - The Hon'ble Lieut.-Colonel W.R.Hay, C.I.E.,
Political Resident in the Persian Gulf,

To - The Secretary to the Government of India,
External Affairs Department,
New Delhi.

Sir,

I have the honour to report that on the 16th November, accompanied by Major Alban, Political Agent, Bahrain, I paid a visit to the headquarters of the California Arabian Standard Oil Company at Dhahran and their refinery at Ras Tanura. Permission was first obtained from the Saudi Arabian Government through His Majesty's Legation at Jedda.

2. We landed at the small port of Al Khobar where the Company have a jetty, and were received by Muhammad al Madhi, who is the Amir or representative of the Saudi Arabian Government on this part of the coast. His headquarters were formerly at Qatif but he moved about a year ago to Al Khobar, and his brother now acts as his deputy at Qatif. A small town has already sprung up at Al Khobar, where there was nothing but a few huts as recently as 1939. The Amir treated us with every courtesy and gave us coffee, tea, and some revolting sherbet in his quarters but was not very talkative and appeared to be embarrassed about something. Possibly he was ruminating regarding the motives of our visit.

3. Mr. Ohliger, the Company's Manager, also met us at

/ Al

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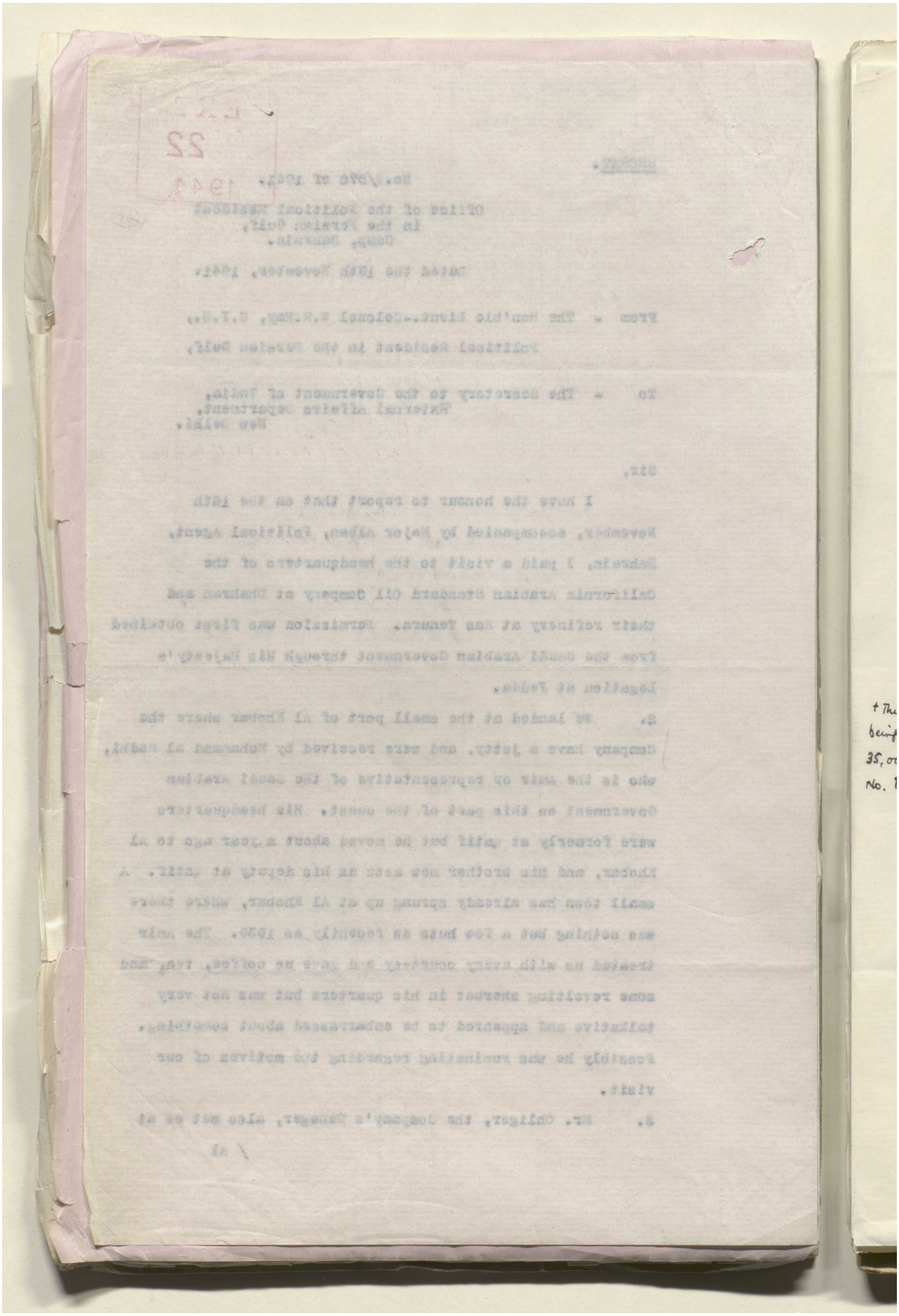

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Al Khobar, and, after we had partaken of the refreshments provided by the Amir, took us to the Company's camp at Dhahran and showed us the sights there. Dhahran is a smaller edition of Awali. At present there are only 100 Americans there. Provision was originally made in the camp for over 500 and more than that were expected. About 1500 local Arabs are employed. There is a fixed quota for the number of Indians to be employed by the Company within the limits of Saudi Arabia and special permission has to be obtained from the Saudi Arabian Government in each case. This even applies to private servants. Even within the quota the Saudi Arabian Government are very reluctant to grant permission. At present about 35 or 40 Indians are employed by the Company. About 14 Chinese are also employed as cooks.

4. With the outbreak of the War the Company closed down all further development and strictly limited their production. At present they are sending 7000† barrels of oil a day to Bahrain via Al Khobar to be refined by the Bahrain Petroleum Company. Their own refinery at Ras Tanura is capable of dealing with 3000 barrels a day but is not working to capacity, as only so much petrol is being refined there as is required for the Company's own use or for that of the Saudi Arabian Government. Petrol for the latter is mostly shipped from Ras Tanura to Safaniyah.

† This figure is now being increased to 35,000 (P.R.'s telm. No. P/8 d. 5.i.42).
GMRL

5. After lunch Mr. Uhliger drove us to Ras Tanura, a distance of about 50 miles. We followed the Company's road which runs for the greater part of the way along the pipeline and telephone wires at some distance from the coast. This road has presumably been described in detail by Brigadier Hughes who has recently traversed it, and possibly others.

/ The

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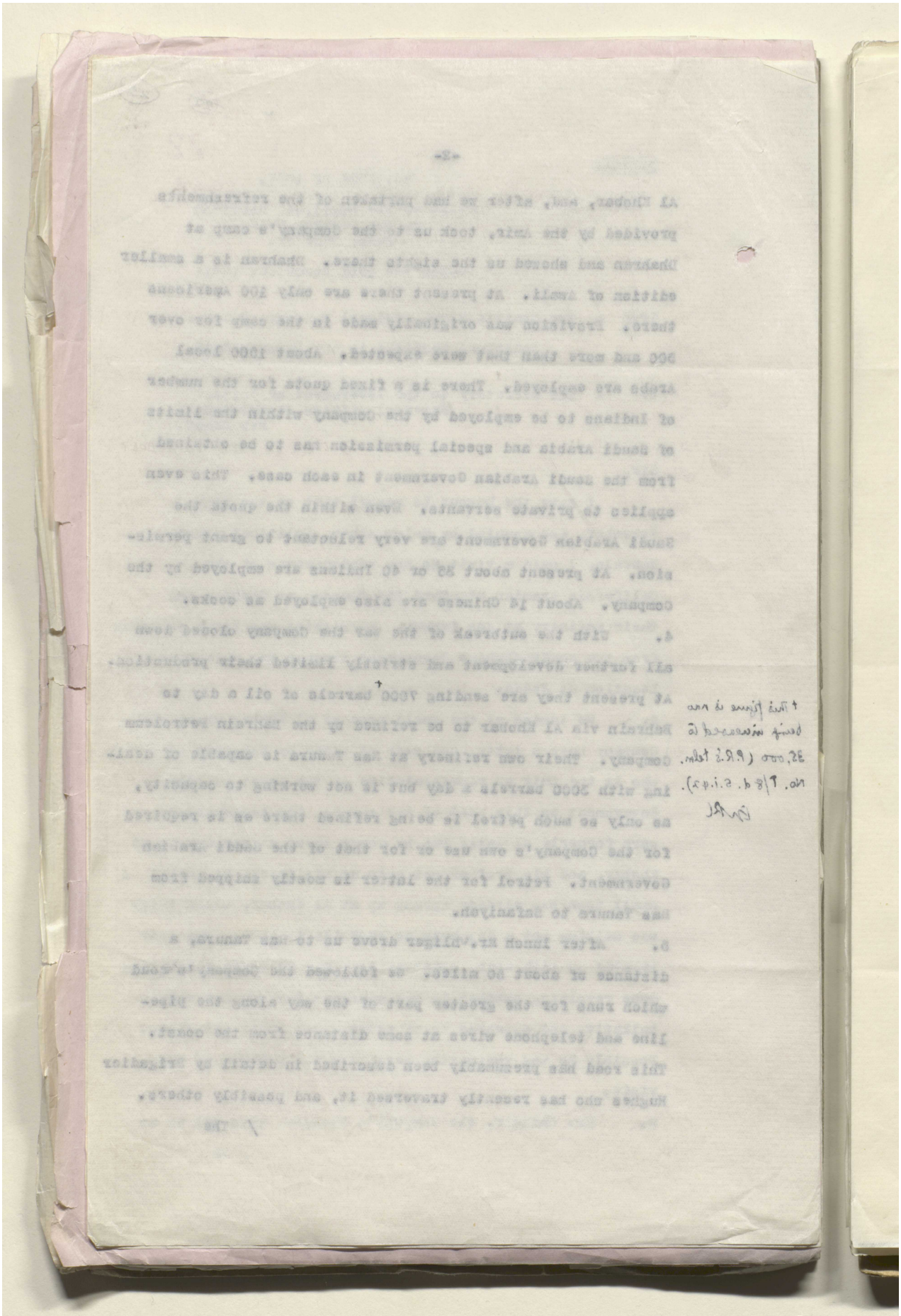

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The going is heavy in places, especially over the sand dunes just inland of Qatif and desert tyres are necessary.

6. At Ras Tanura, except for the Company's refinery and the buildings attached to it, there is little to be seen beyond the old Turkish Customs House and a building put up by Messrs. Gray Mackenzie & Co. but not yet occupied. There is a jetty in deep water but ocean-going craft cannot come alongside owing to a reef and have to lie at anchor a short way out on the north side of the peninsula. The Company are anxious that Ras Tanura should not be developed as a port for general trade with the interior owing to the limited space and the very narrow bottle-neck connecting it with the mainland; in other words they wish to keep the place for themselves. The development of Ras Tanura would not very seriously affect Bahrain which has comparatively little entrepôt trade with Saudi Arabia but would be likely to cause considerable loss to Kuwait. At present communications on the eastern side of Arabia are so bad that goods for places which are even so close to the coast as Hofuf are usually imported from the Red Sea ports.

7. On our return journey we took the coast road through Qatif and Dammam. In the vicinity of Qatif this road passes through miles of date gardens and is narrow and winding. The population of this oasis is said to be in the neighbourhood of 100,000. Qatif consists of an old walled town with a large square lying between it and the sea and a fair sized bazaar outside the wall to the south of it. The square is flanked to the south by extensive government buildings while on the side towards the sea is a Customs House and a pier leading to a small artificial basin. The population are mostly Shi'ah. Mr. Ohliger informed us that when he first visited the place he had to have a guard of at least six men and the population

/ scowled

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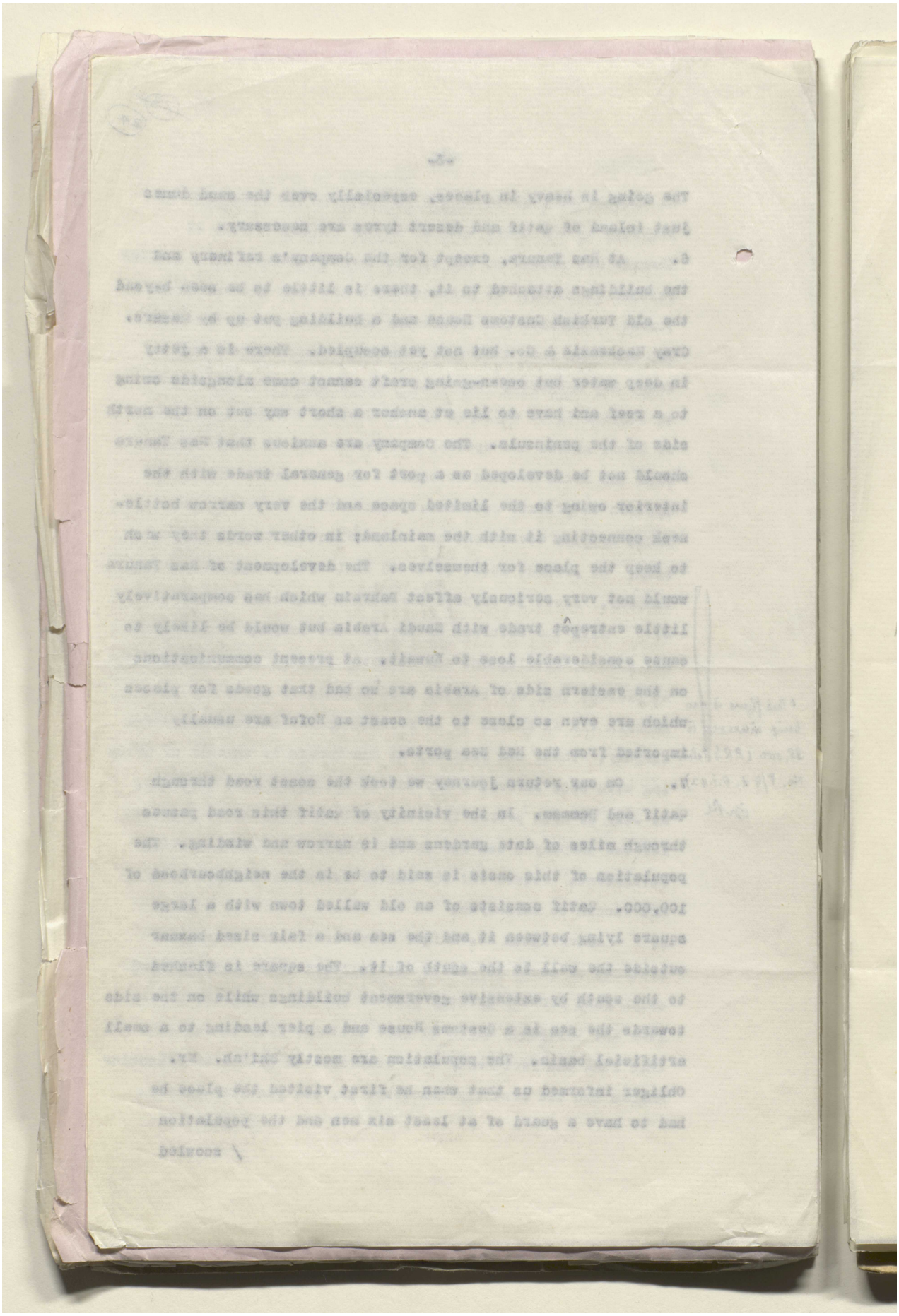

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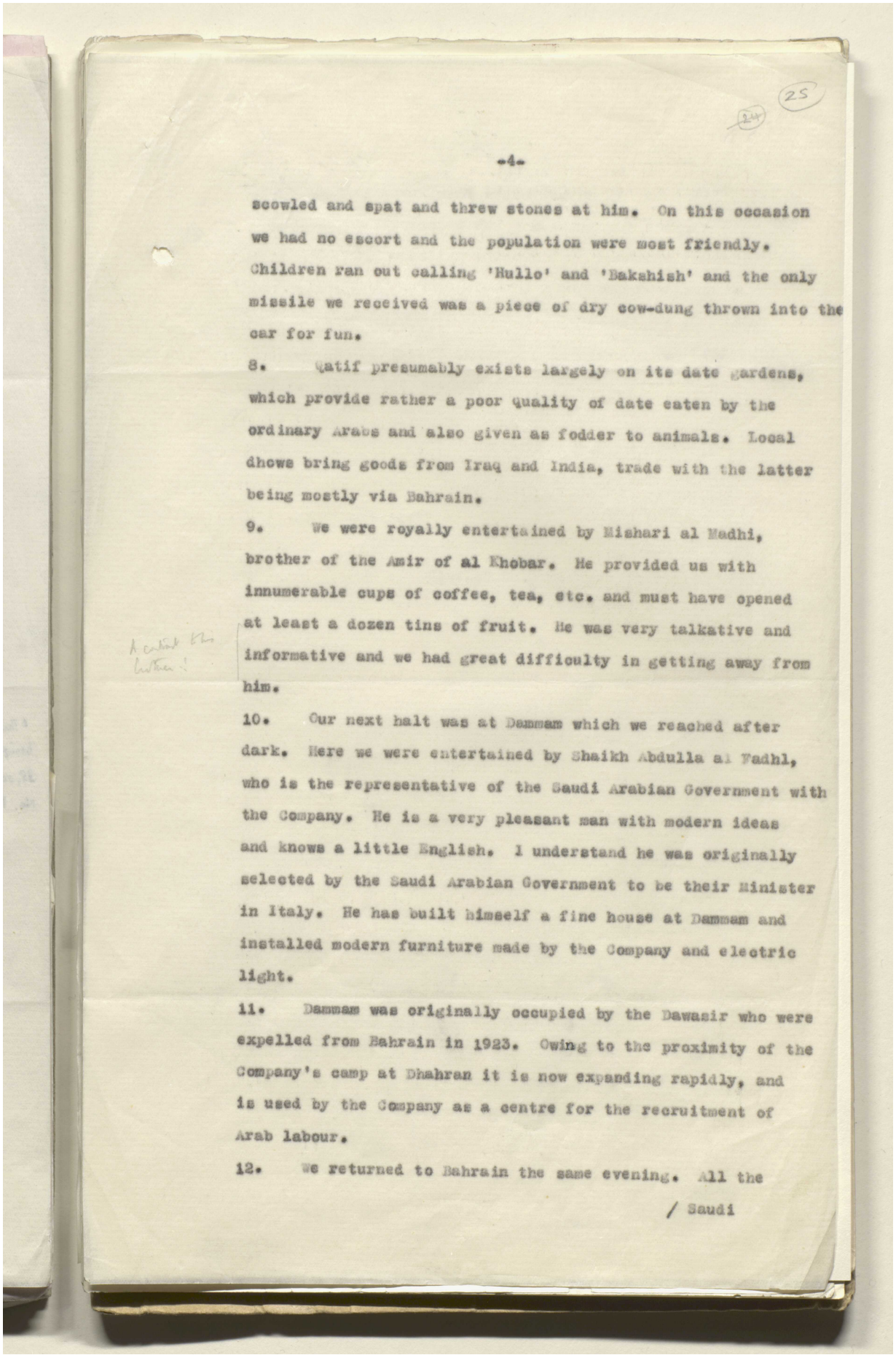

scowled and spat and threw stones at him. On this occasion we had no escort and the population were most friendly. Children ran out calling 'Hullo' and 'Bakshish' and the only missile we received was a piece of dry cow-dung thrown into the car for fun.

8. Qatif presumably exists largely on its date gardens, which provide rather a poor quality of date eaten by the ordinary Arabs and also given as fodder to animals. Local dhows bring goods from Iraq and India, trade with the latter being mostly via Bahrain.

9. We were royally entertained by Mishari al Madhi, brother of the Amir of al Khobar. He provided us with innumerable cups of coffee, tea, etc. and must have opened at least a dozen tins of fruit. He was very talkative and informative and we had great difficulty in getting away from him.

10. Our next halt was at Dammam which we reached after dark. Here we were entertained by Shaikh Abdulla al Fadhl, who is the representative of the Saudi Arabian Government with the Company. He is a very pleasant man with modern ideas and knows a little English. I understand he was originally selected by the Saudi Arabian Government to be their Minister in Italy. He has built himself a fine house at Dammam and installed modern furniture made by the Company and electric light.

11. Dammam was originally occupied by the Dawasir who were expelled from Bahrain in 1923. Owing to the proximity of the Company's camp at Dhahran it is now expanding rapidly, and is used by the Company as a centre for the recruitment of Arab labour.

12. We returned to Bahrain the same evening. All the

/ Saudi

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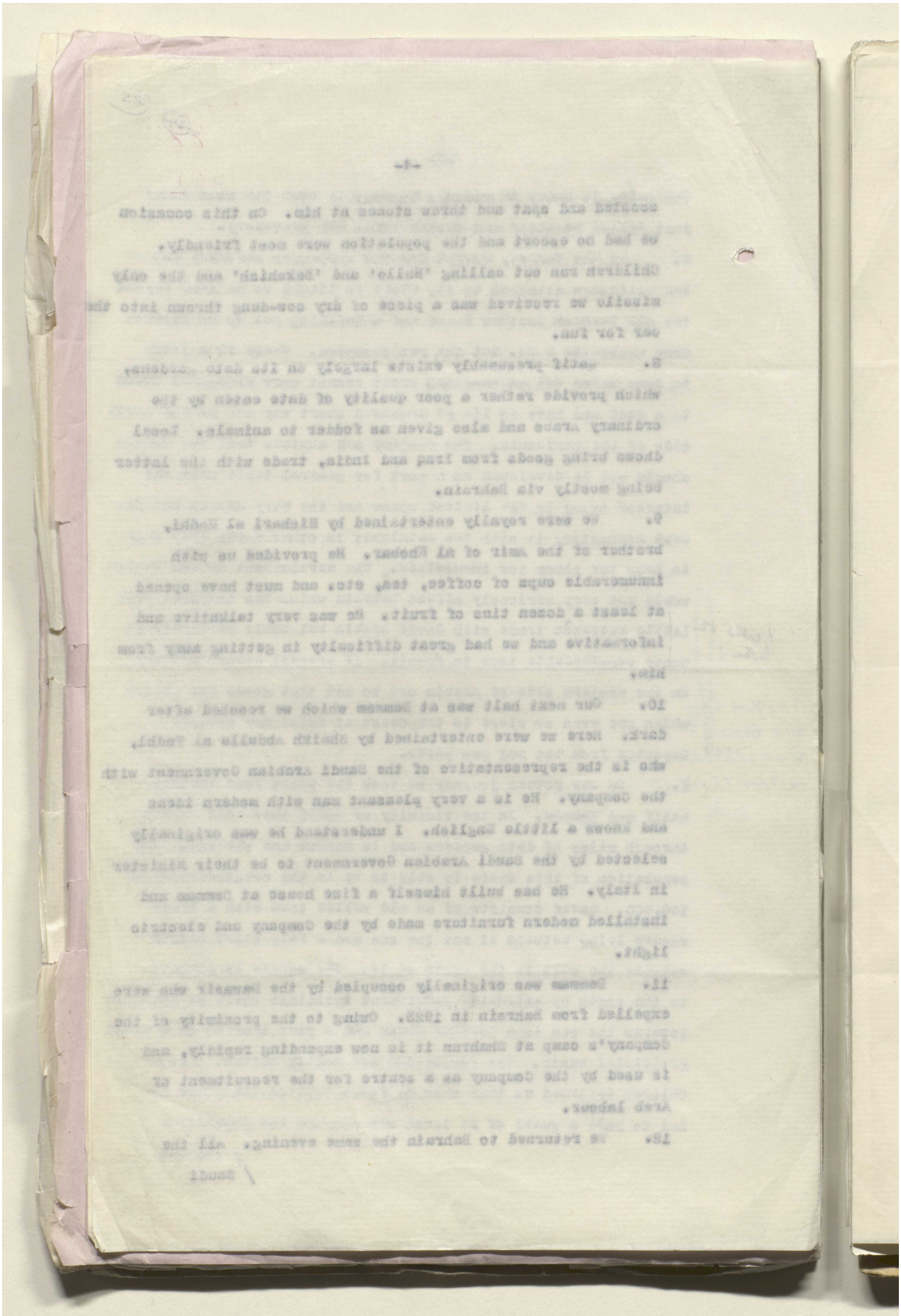

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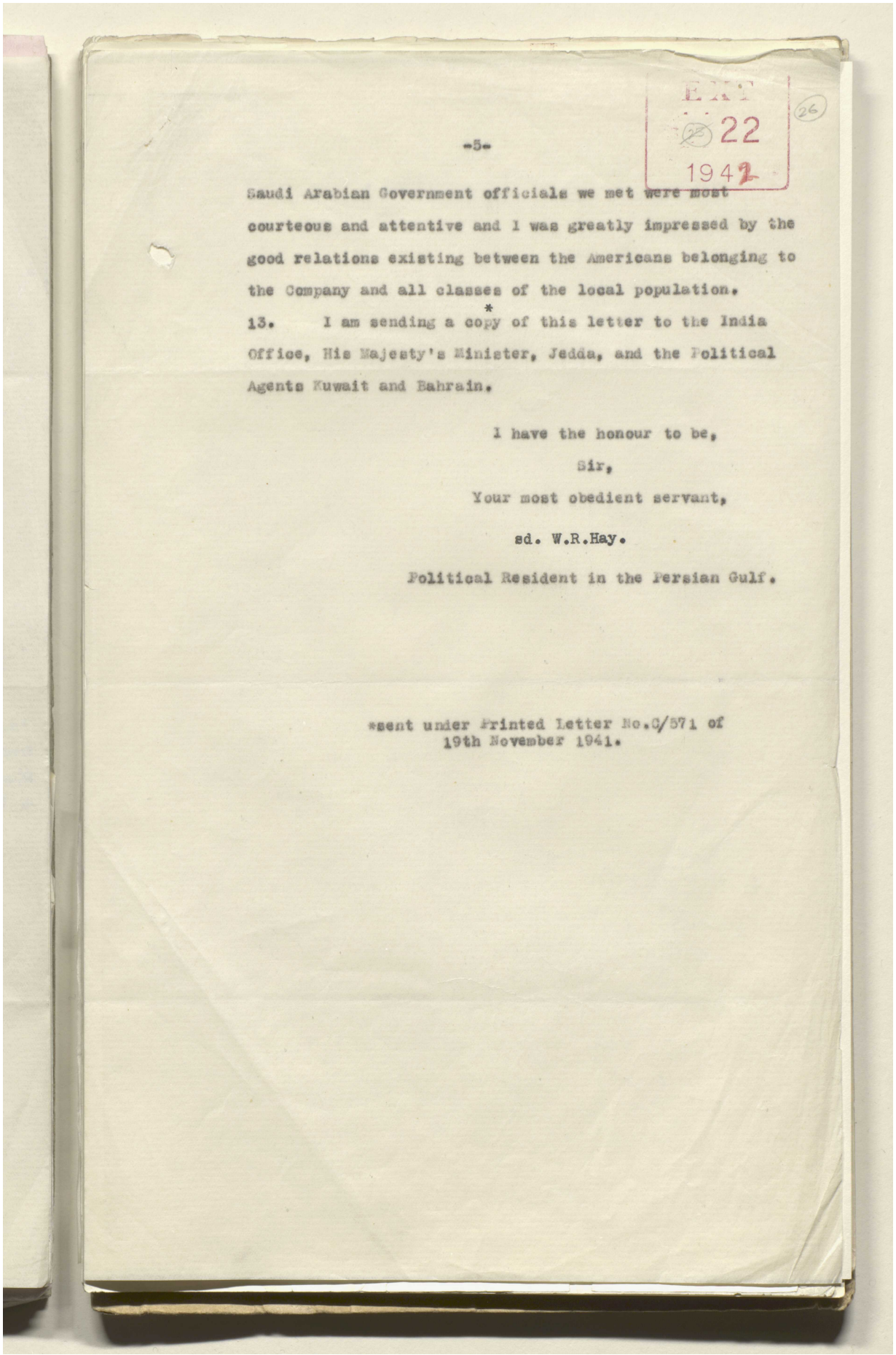

EXT
22
1942

(26)

Saudi Arabian Government officials we met were most courteous and attentive and I was greatly impressed by the good relations existing between the Americans belonging to the Company and all classes of the local population.

13. I am sending a copy of this letter to the India Office, His Majesty's Minister, Jedda, and the Political Agents Kuwait and Bahrain.

I have the honour to be,

Sir,

Your most obedient servant,

sd. W.R.Hay.

Political Resident in the Persian Gulf.

*sent under Printed Letter No.C/571 of 19th November 1941.

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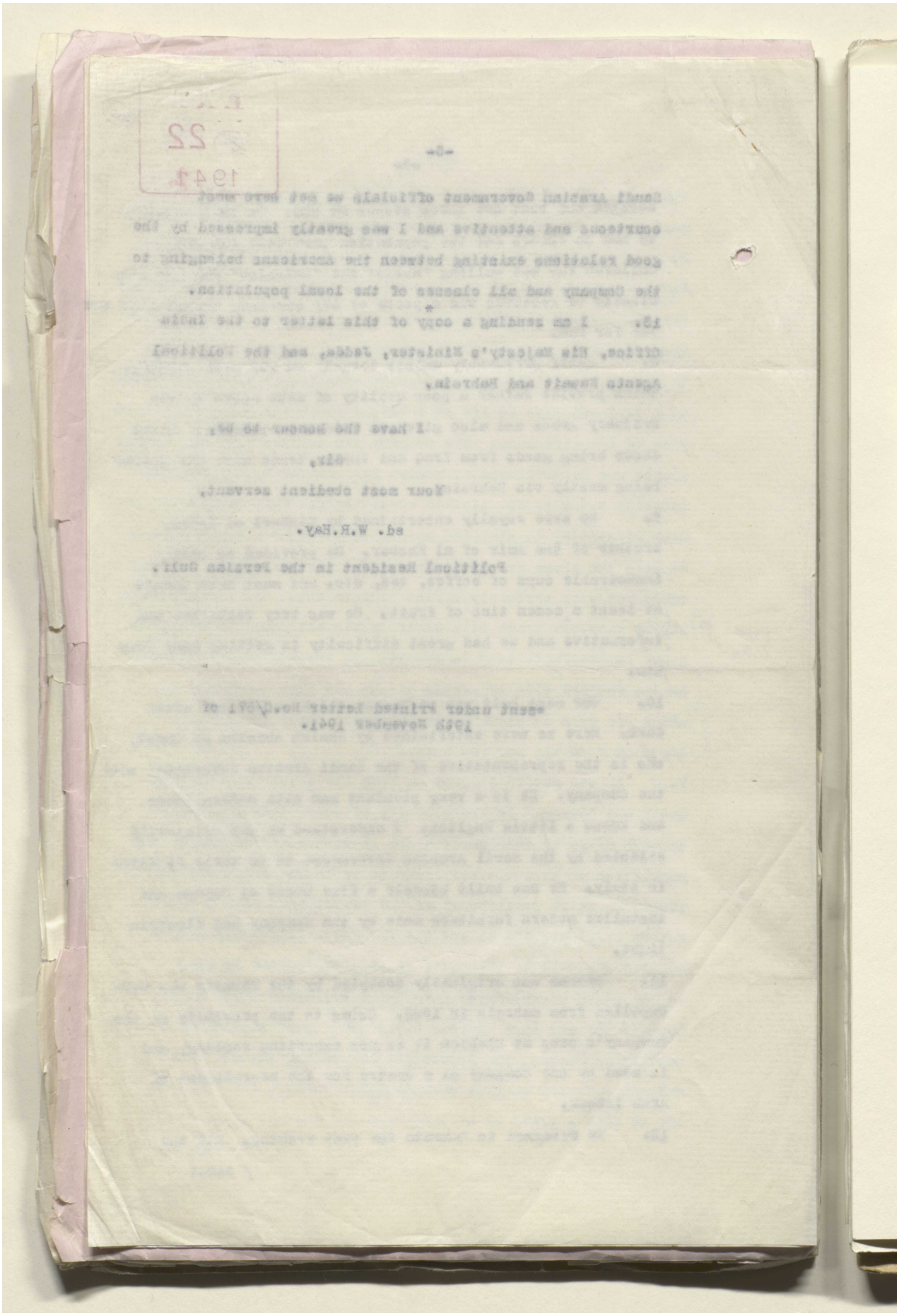

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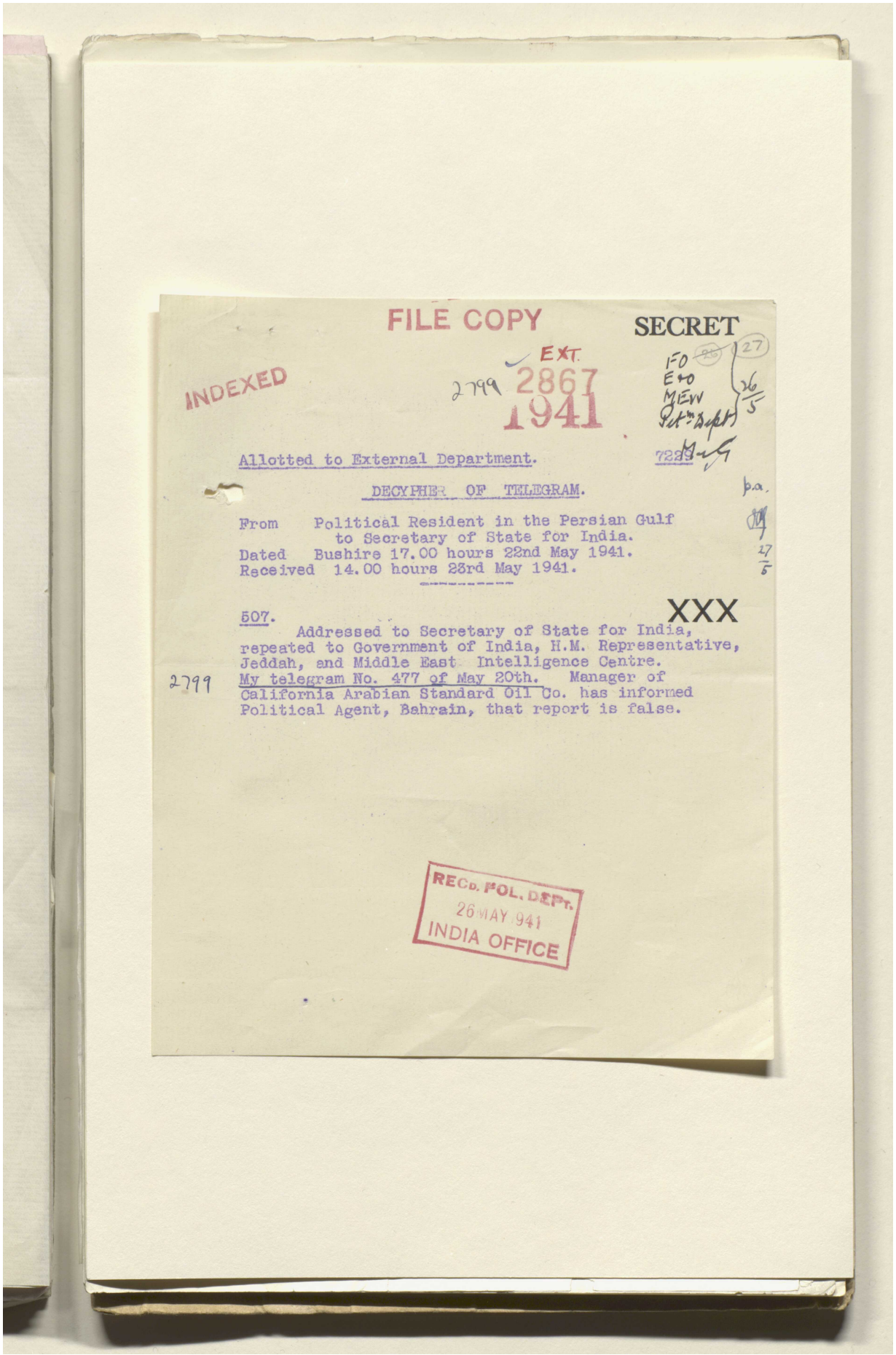

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E&O
MEW
Pet^m Dept

27
26/5

Allotted to External Department. 7229

DECYPHER OF TELEGRAM.

p.a.

From Political Resident in the Persian Gulf
to Secretary of State for India.
Dated Bushire 17.00 hours 22nd May 1941.
Received 14.00 hours 23rd May 1941.

27/5

XXX

507.
Addressed to Secretary of State for India, repeated to Government of India, H.M. Representative, Jeddah, and Middle East Intelligence Centre.
2799 My telegram No. 477 of May 20th. Manager of California Arabian Standard Oil Co. has informed Political Agent, Bahrain, that report is false.

RECD. POL. DEPT.
26 MAY 1941
INDIA OFFICE

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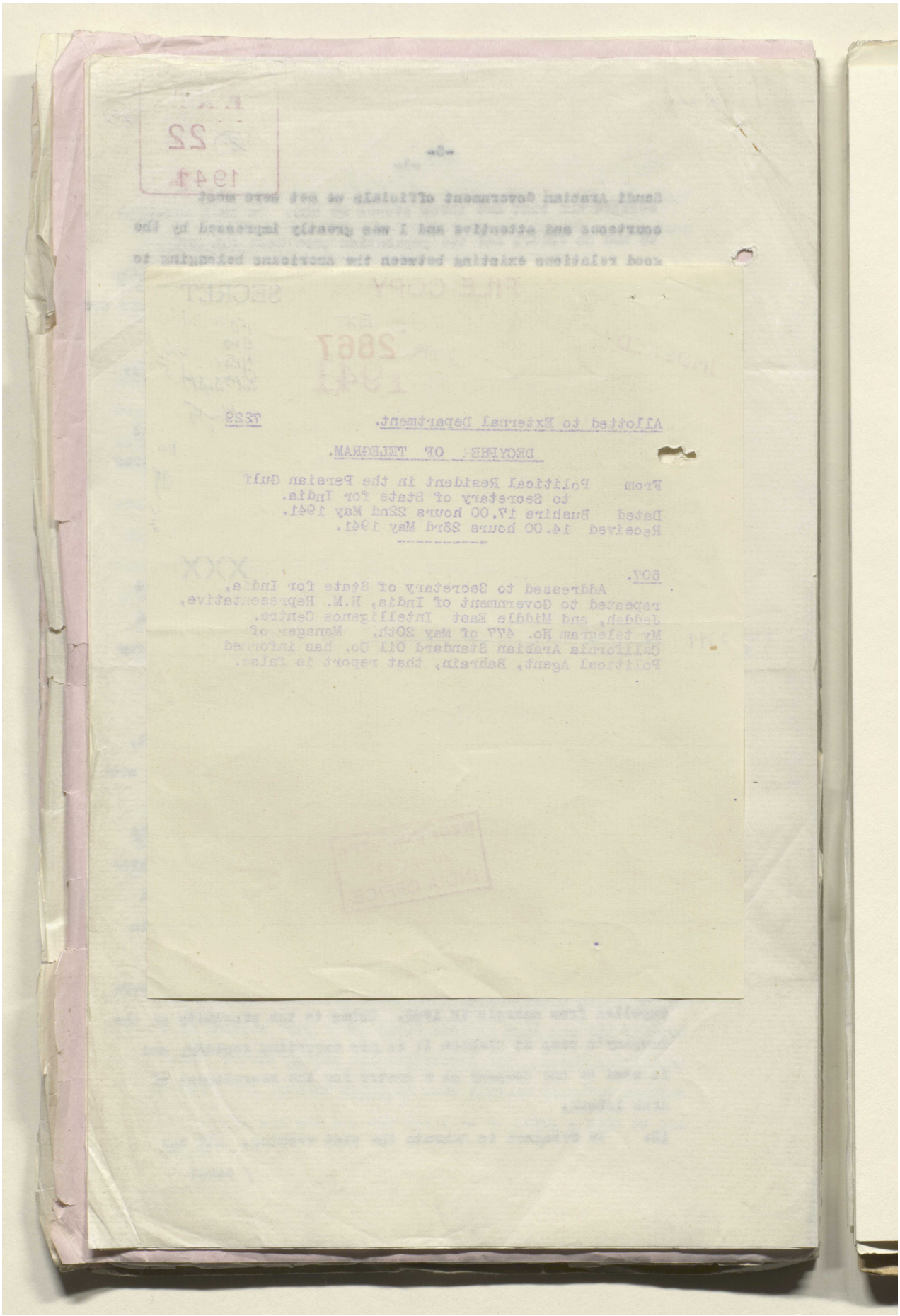

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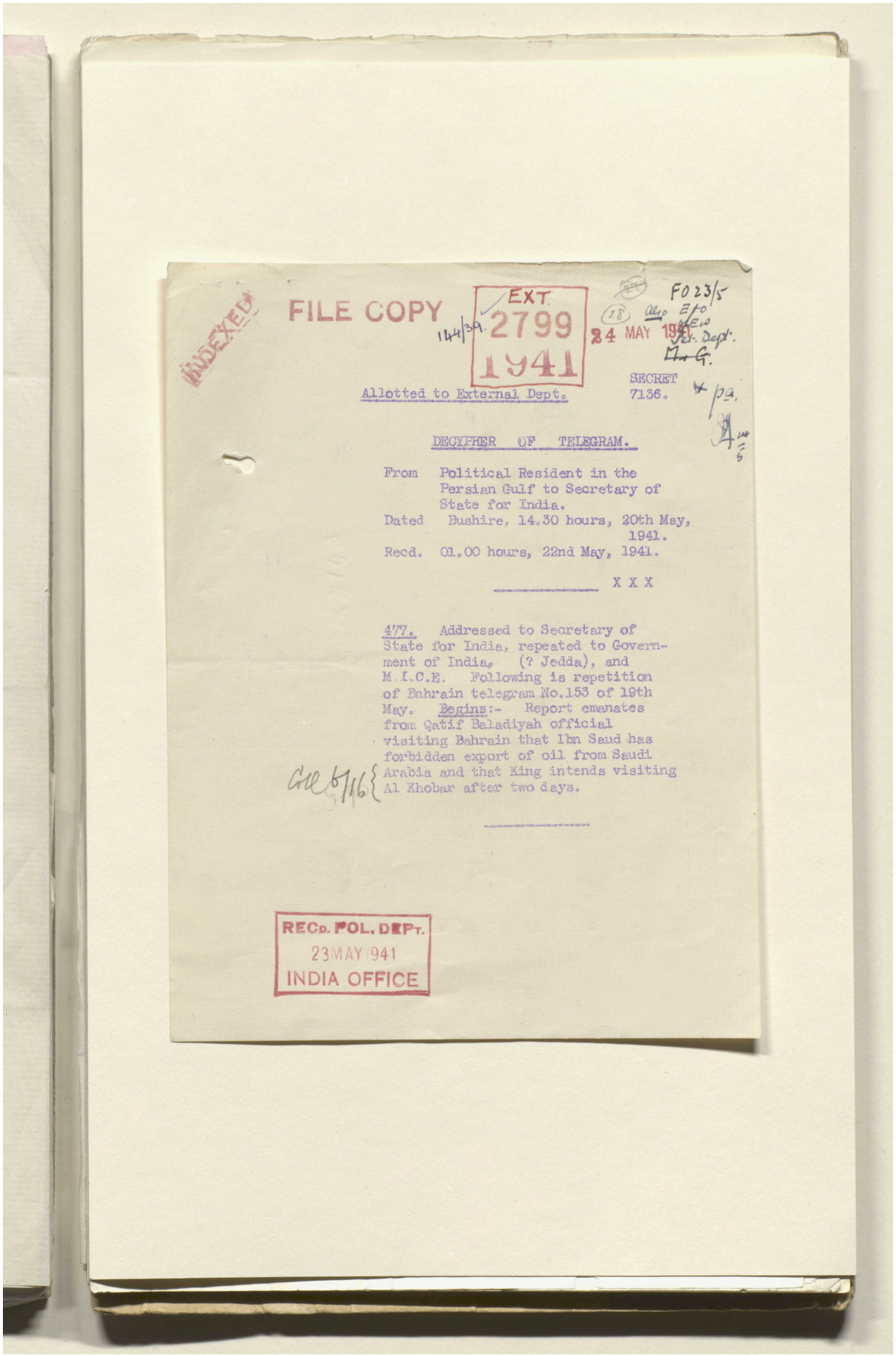

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EXT. 2799 1941
144/39.
24 MAY 1941
FO 23/5
(28)
Ex. Dept.

SECRET
7136.

Allotted to External Dept.

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India.
Dated Bushire, 14.30 hours, 20th May, 1941.
Recd. 01.00 hours, 22nd May, 1941.

X X X

477. Addressed to Secretary of State for India, repeated to Government of India, (? Jedda), and M.I.C.E. Following is repetition of Bahrain telegram No.153 of 19th May. Begins:- Report emanates from Qatif Baladiyah official visiting Bahrain that Ibn Saud has forbidden export of oil from Saudi Arabia and that King intends visiting Al Khobar after two days.

Coll 6/16

RECD. POL. DEPT.
23 MAY 1941
INDIA OFFICE

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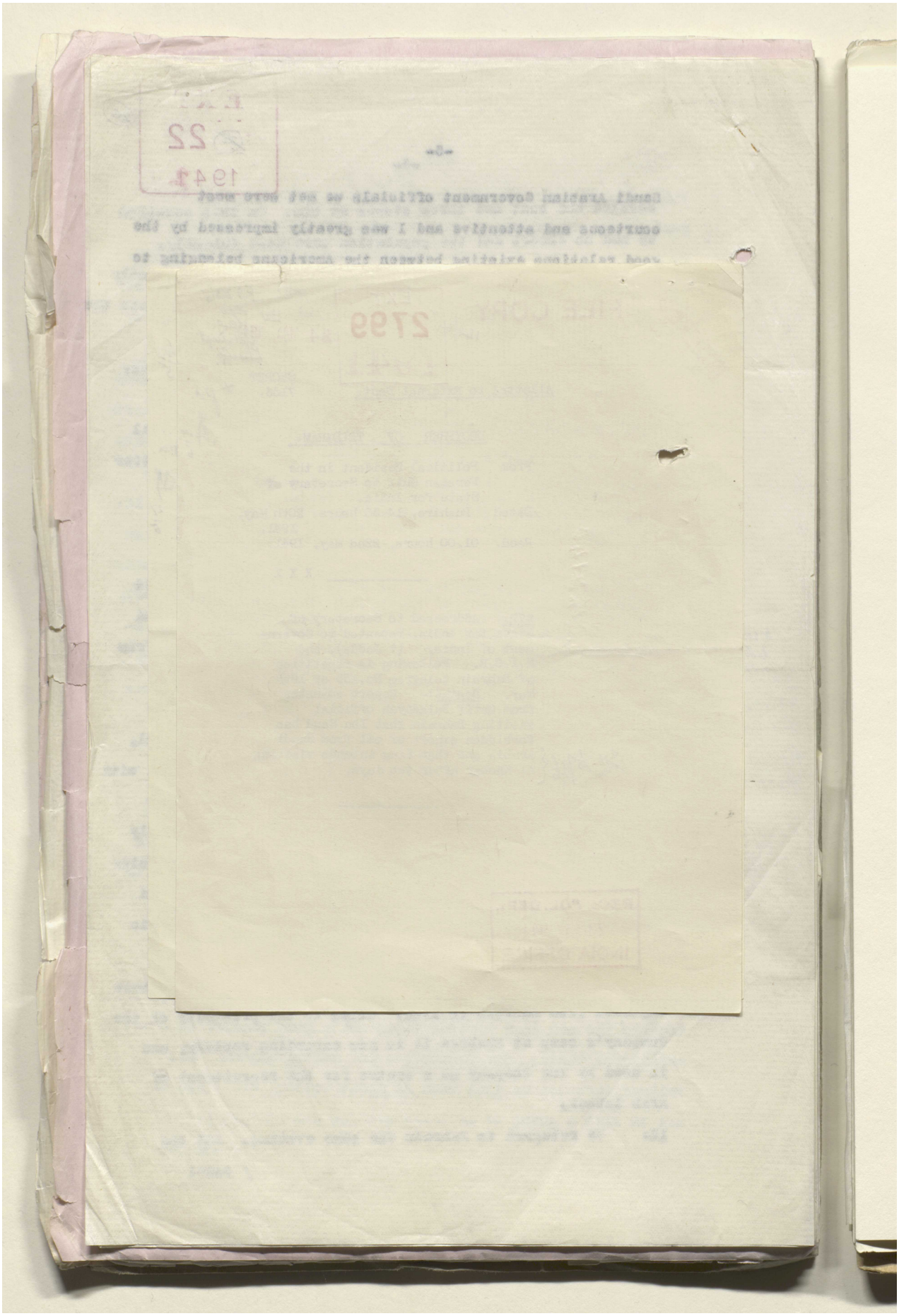

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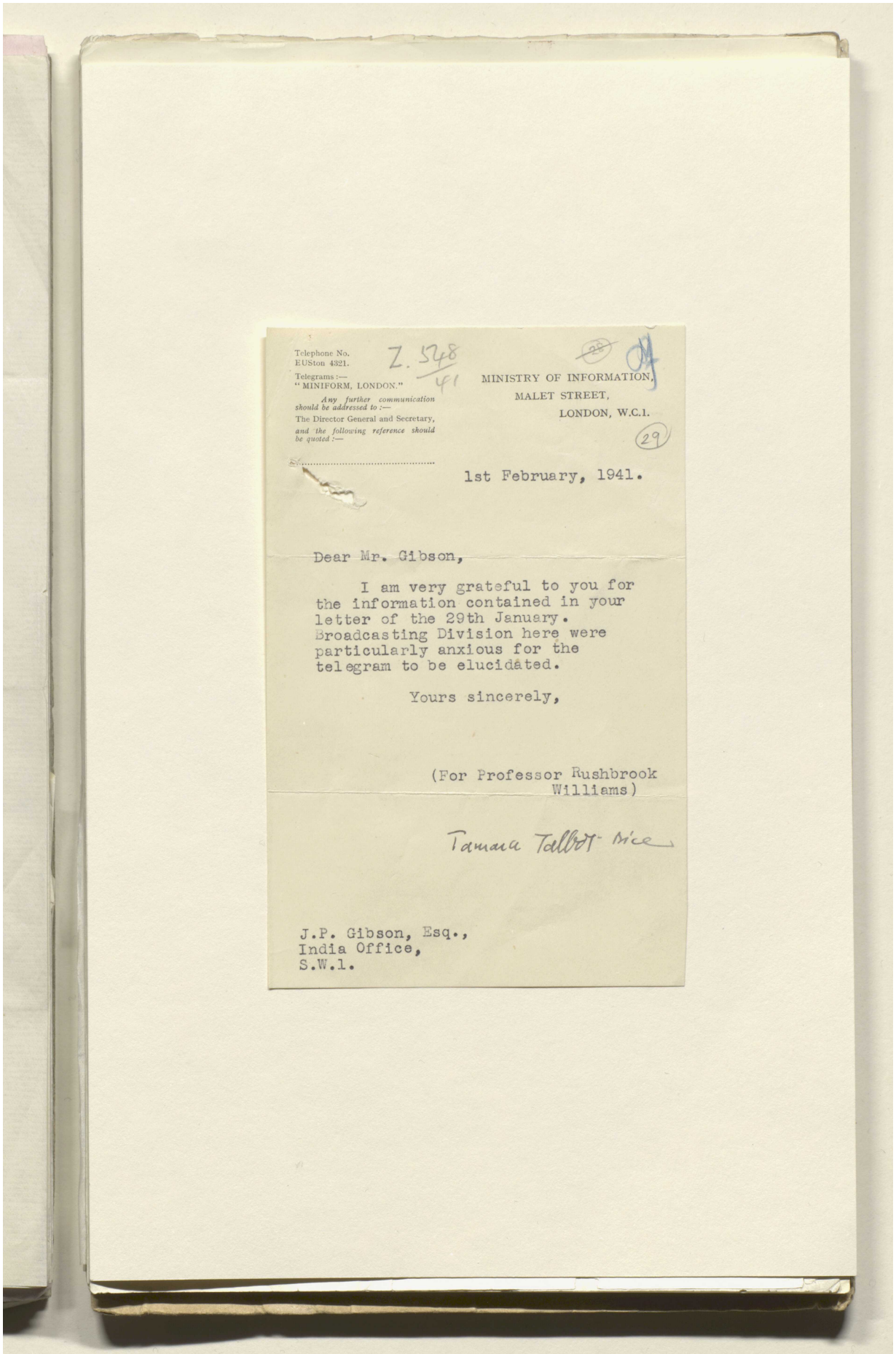

Telephone No.
EUSton 4321.
Telegrams:—
"MINIFORM, LONDON."
Any further communication should be addressed to:—
The Director General and Secretary,
and the following reference should be quoted:—

Z. 548
41

MINISTRY OF INFORMATION,
MALET STREET,
LONDON, W.C.1.

29

1st February, 1941.

Dear Mr. Gibson,

I am very grateful to you for the information contained in your letter of the 29th January. Broadcasting Division here were particularly anxious for the telegram to be elucidated.

Yours sincerely,

(For Professor Rushbrook Williams)

Tamara Talbot Rice

J.P. Gibson, Esq.,
India Office,
S.W.1.

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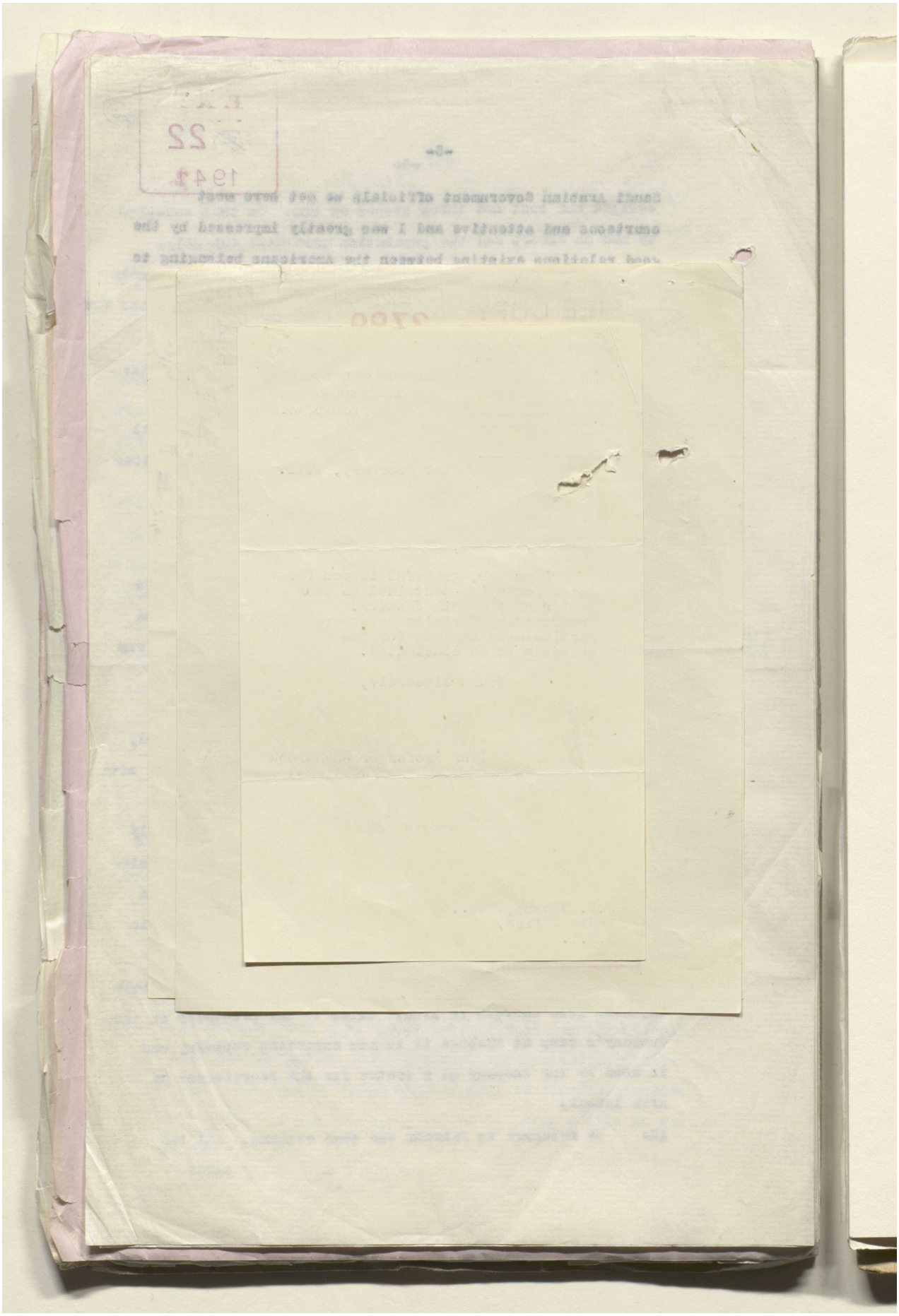

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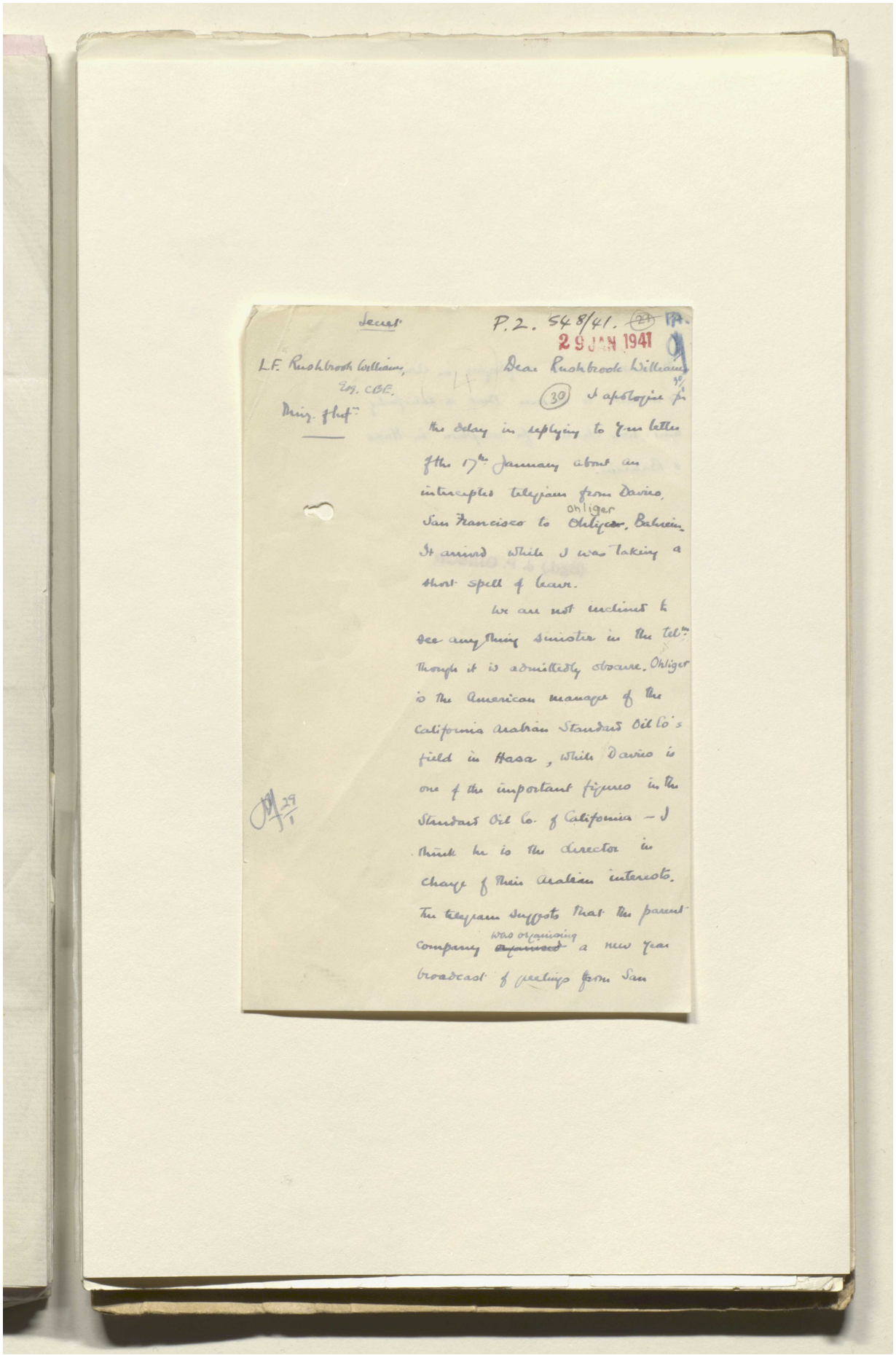

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Secret

P.2. 548/41. (27) 14.

29 JAN 1941

L.F. Rushbrook Williams,
Esq. CBE.
Mins. of Inf.

Dear Rushbrook Williams

(30) I apologise for the delay in replying to your letter of the 17th January about an intercepted telegram from Davies, San Francisco to Ohliger, Bahrein. It arrived while I was taking a short spell of leave.

We are not inclined to see anything sinister in the telm. though it is admittedly obscure. Ohliger is the American manager of the California Arabian Standard Oil Co's field in Hasa, while Davies is one of the important figures in the Standard Oil Co. of California — I think he is the director in charge of their Arabian interests. The telegram suggests that the parent company was organising a new year broadcast of greetings from San

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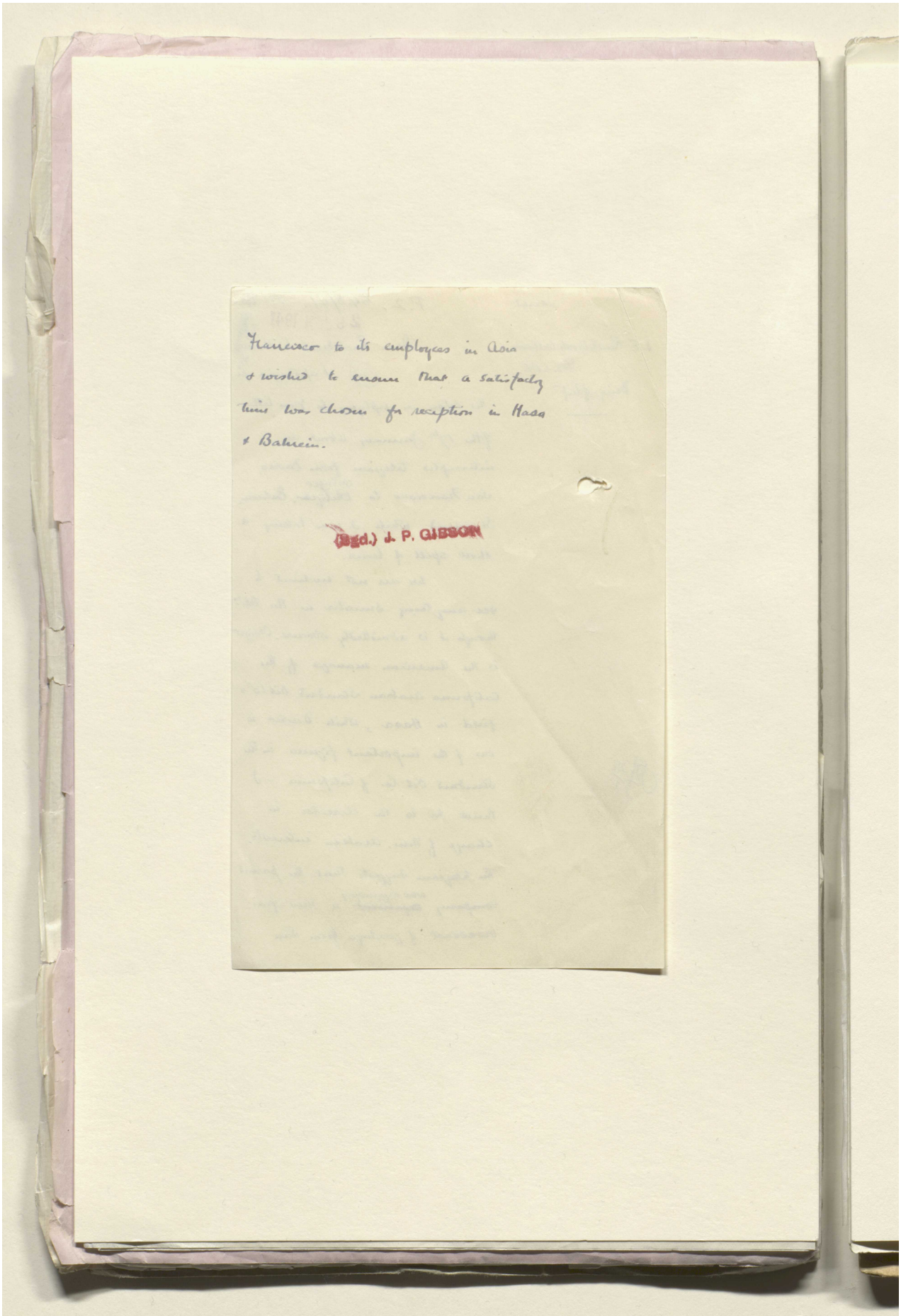

Francisco to its employees in Asia
& wished to ensure that a satisfactory
time was chosen for reception in Hasa
& Bahrein.

(Sgd.) J. P. GIBSON

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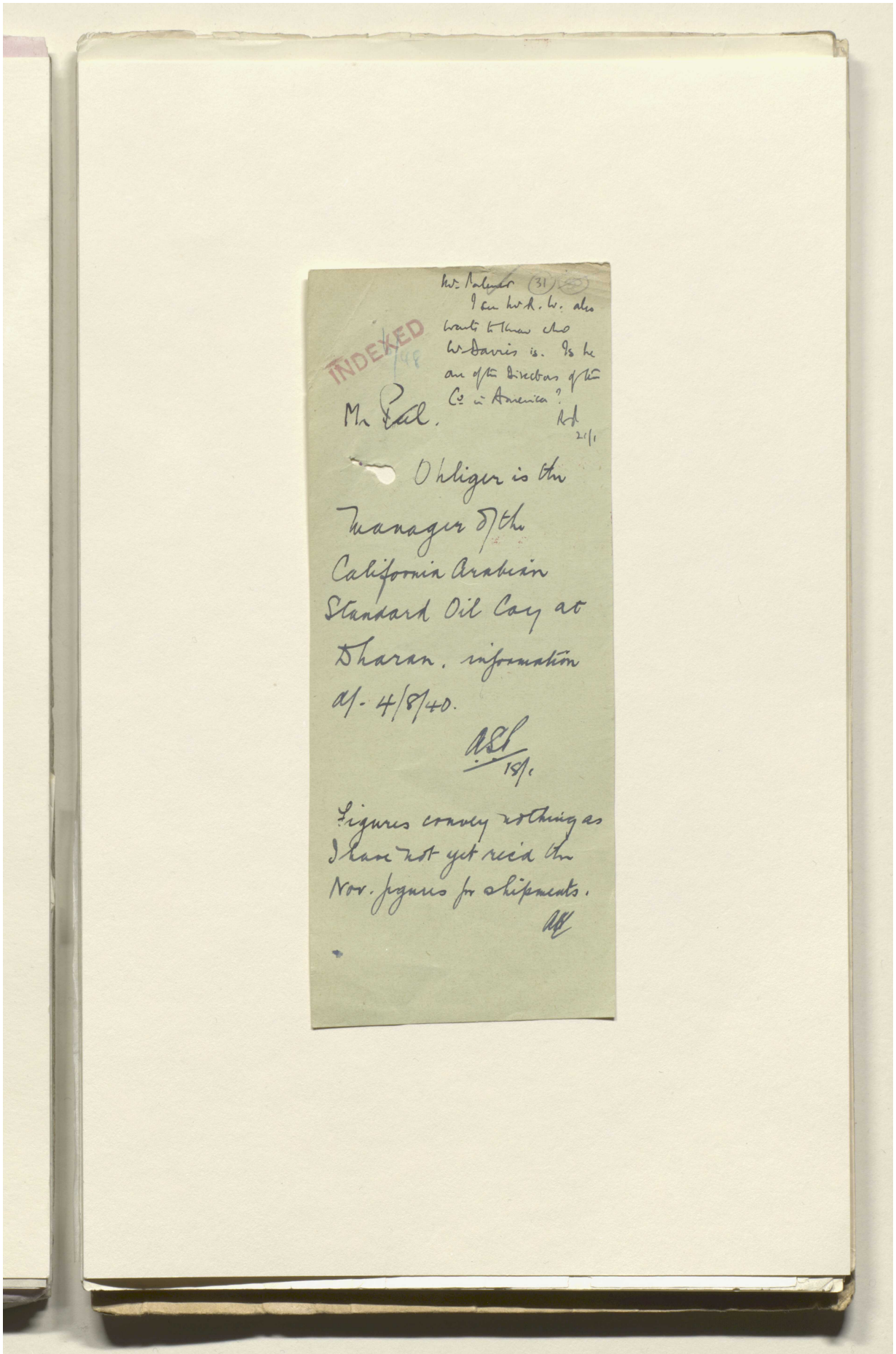

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Mr. Palmer (31)
I see Mr. R. W. also wants to know who Mr. Davies is. Is he one of the Directors of the Co. in America?
RD
21/1

INDEXED
/48

Mr. Pal.

Ohliger is the Manager of the California Arabian Standard Oil Coy at Dharan. information a/- 4/8/40.

ASL
18/1

Figures convey nothing as I have not yet rec'd the Nov. figures for shipments.

ASL

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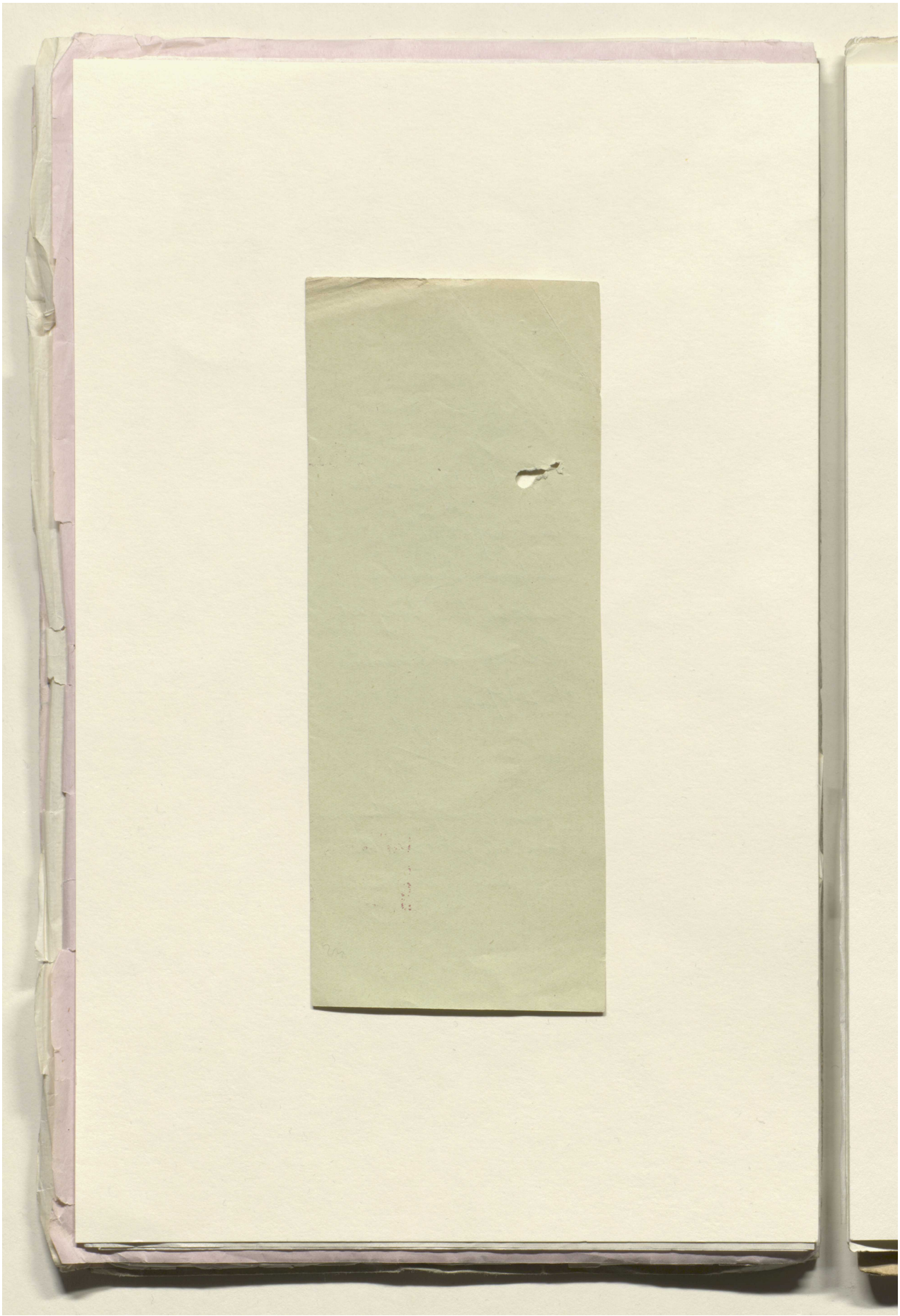

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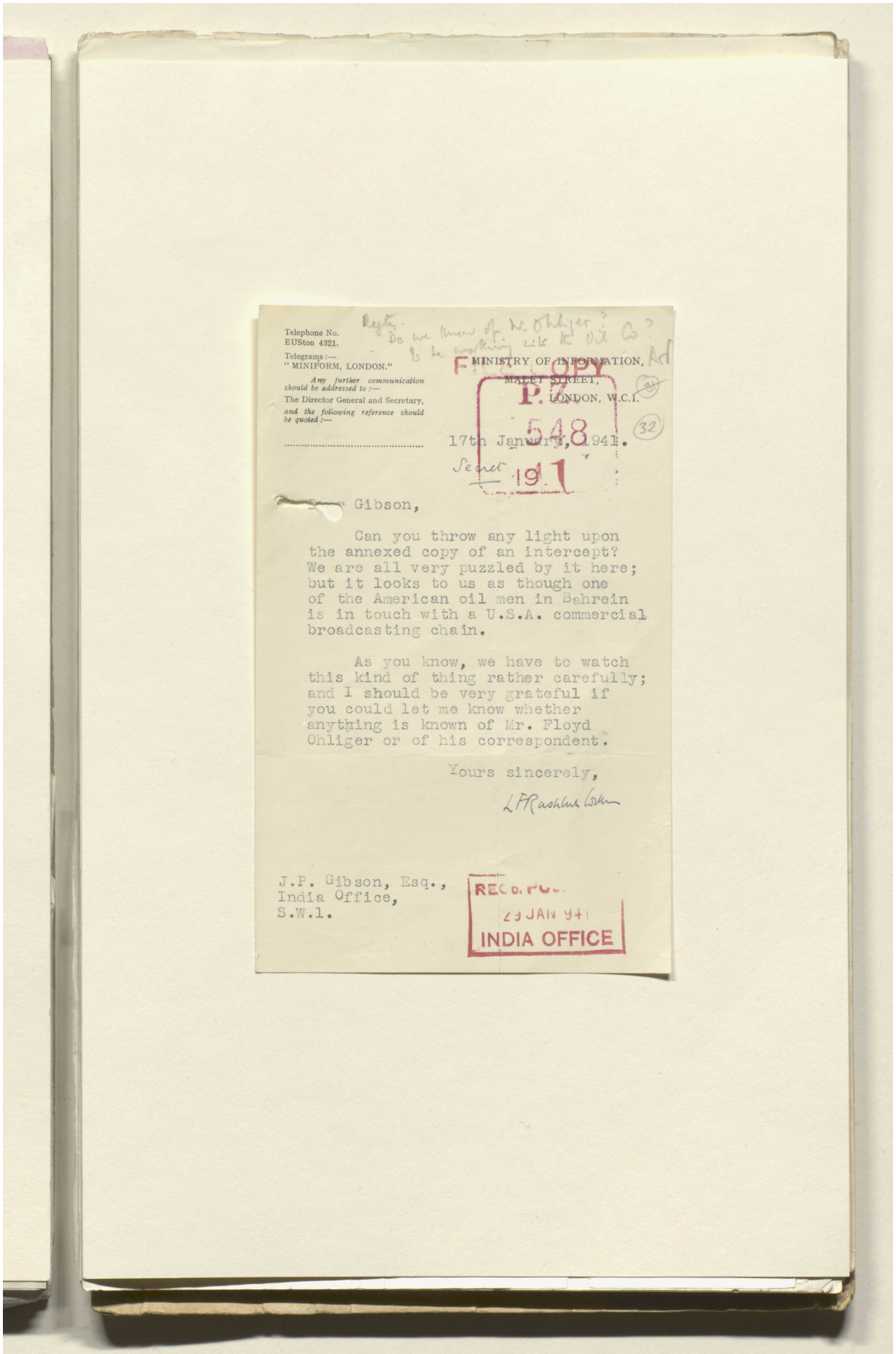

Telephone No.
EUSton 4321.

Telegrams :—
" MINIFORM, LONDON."

Any further communication should be addressed to :—
The Director General and Secretary,
and the following reference should be quoted :—

.....

Regts.
Do we know of Mr. Ohliger?
Is he working with the Oil Co?
Ad

MINISTRY OF INFORMATION,
MALET STREET,
LONDON, W.C.1.

FILE COPY
P.R.
548
19.1

(31)
(32)

17th January, 1941.

Secret

Dear Gibson,

Can you throw any light upon the annexed copy of an intercept? We are all very puzzled by it here; but it looks to us as though one of the American oil men in Bahrein is in touch with a U.S.A. commercial broadcasting chain.

As you know, we have to watch this kind of thing rather carefully; and I should be very grateful if you could let me know whether anything is known of Mr. Floyd Ohliger or of his correspondent.

Yours sincerely,

L F Rushbrook Williams

J.P. Gibson, Esq.,
India Office,
S.W.1.

REC'D. POL.
29 JAN 941
INDIA OFFICE

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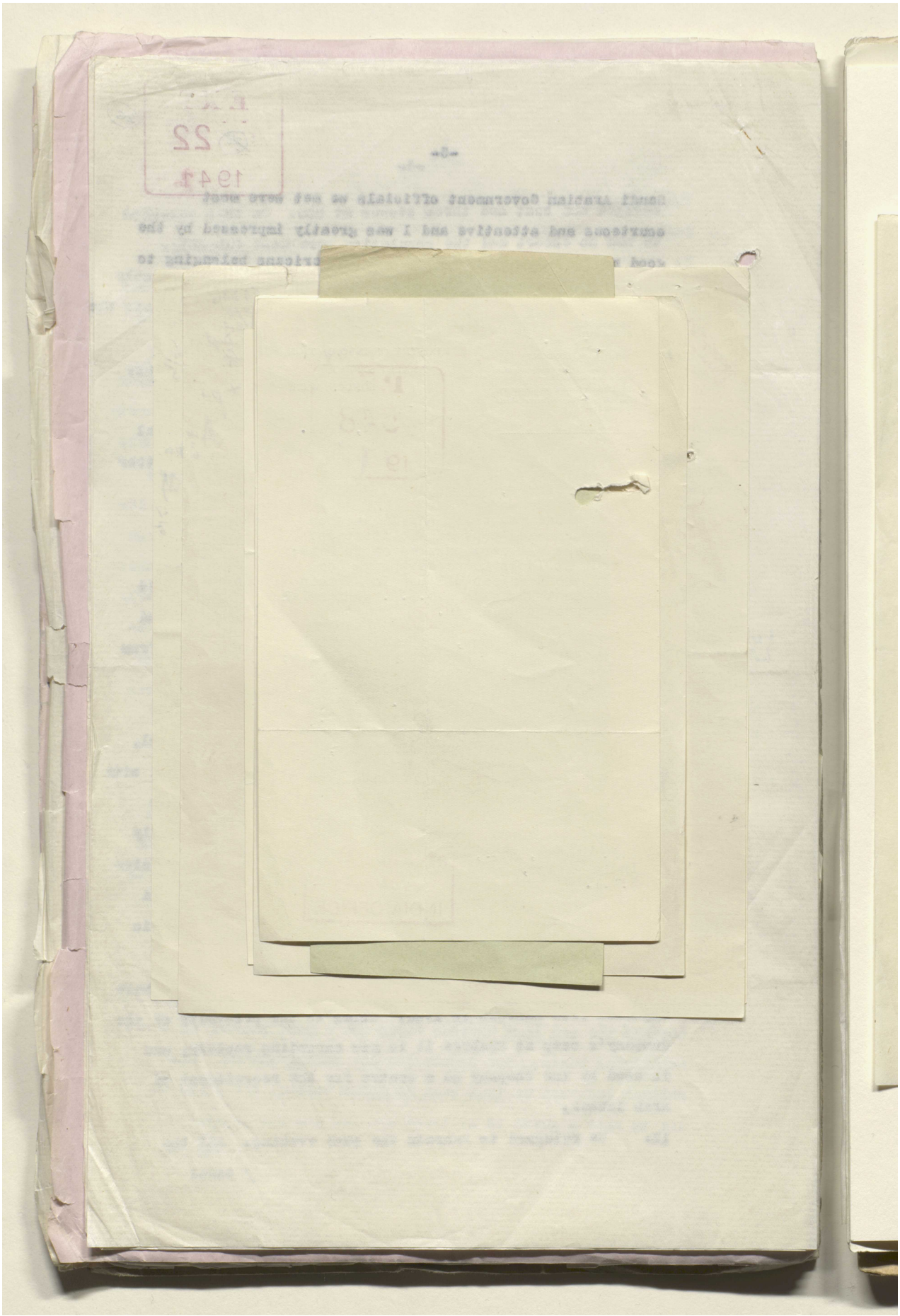

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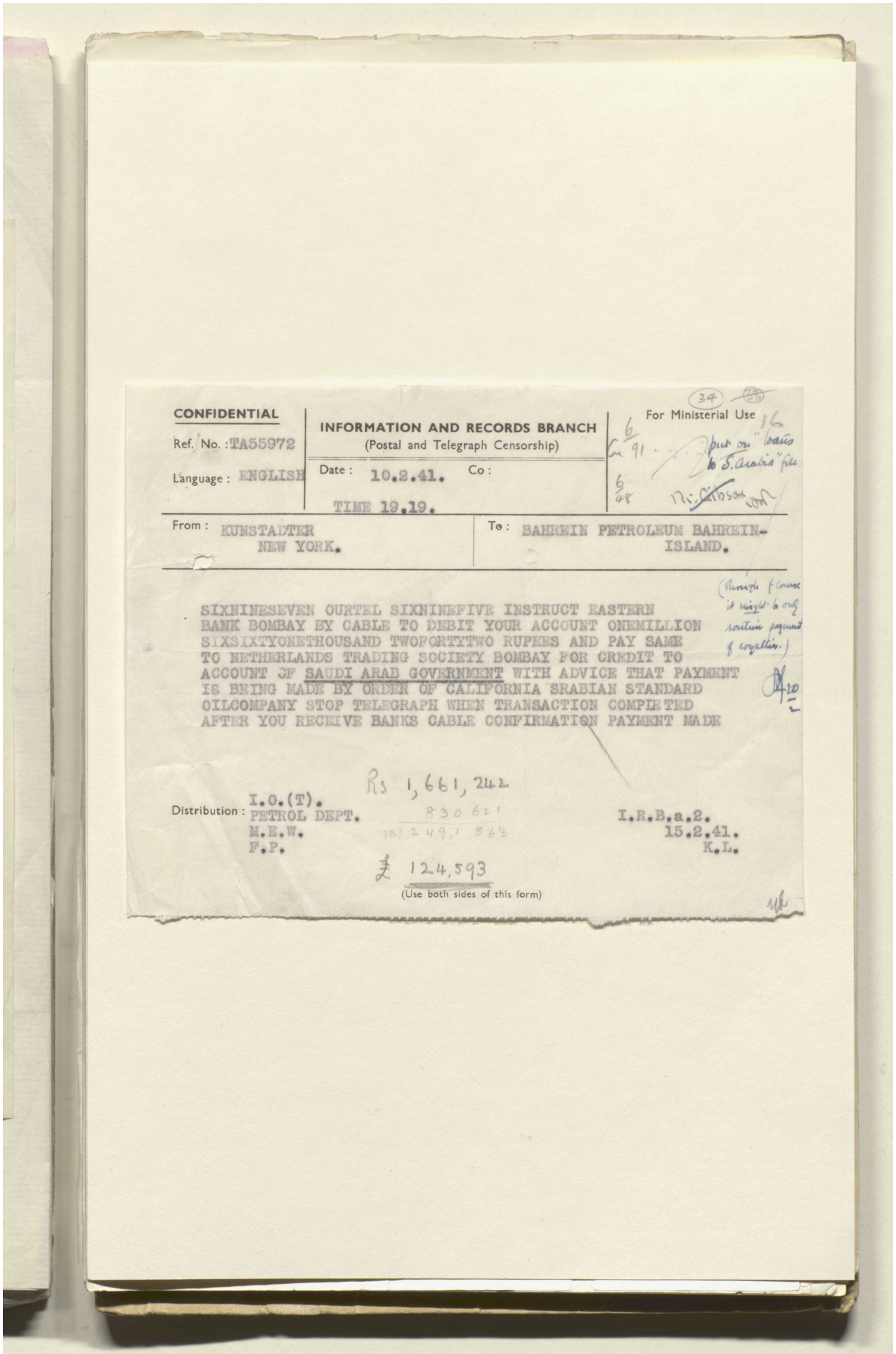

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TIME 19.19.

For Ministerial Use

34

From : KUNSTADTER
NEW YORK.

To : BAHREIN PETROLEUM BAHREIN-
ISLAND.

SIXNINESEVEN OURTEL SIXNINEFIVE INSTRUCT EASTERN BANK BOMBAY BY CABLE TO DEBIT YOUR ACCOUNT ONEMILLION SIXSIXTYONETHOUSAND TWOFORTYTWO RUPEES AND PAY SAME TO NETHERLANDS TRADING SOCIETY BOMBAY FOR CREDIT TO ACCOUNT OF SAUDI ARAB GOVERNMENT WITH ADVICE THAT PAYMENT IS BEING MADE BY ORDER OF CALIFORNIA SRABIAN STANDARD OILCOMPANY STOP TELEGRAPH WHEN TRANSACTION COMPLETED AFTER YOU RECEIVE BANKS CABLE CONFIRMATION PAYMENT MADE

Rs 1,661,242

£ 124,593

Distribution : I.O.(T).
PETROL DEPT.
M.E.W.
P.P.

I.R.B.a.2.
15.2.41.
K.L.

(Use both sides of this form)

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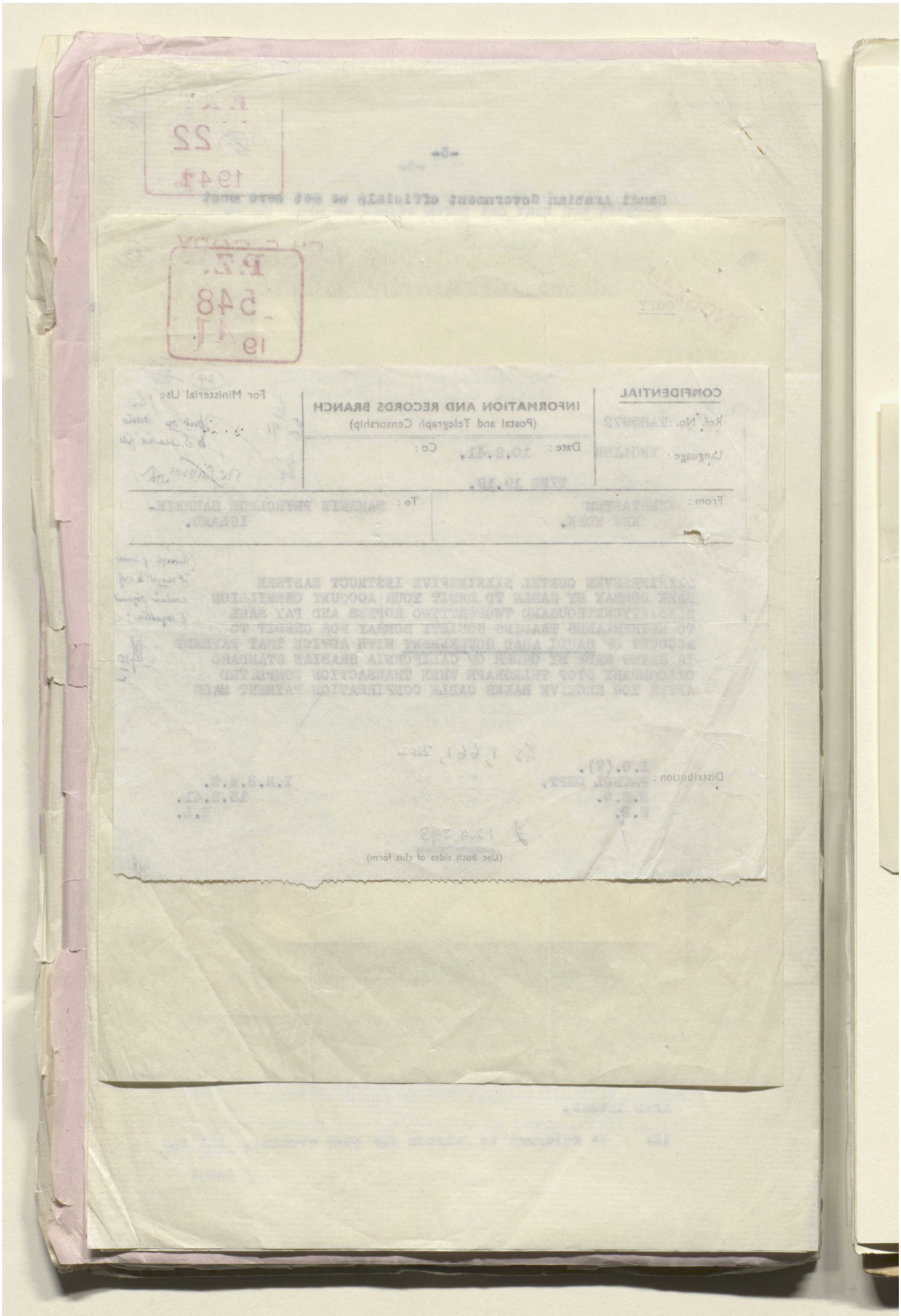

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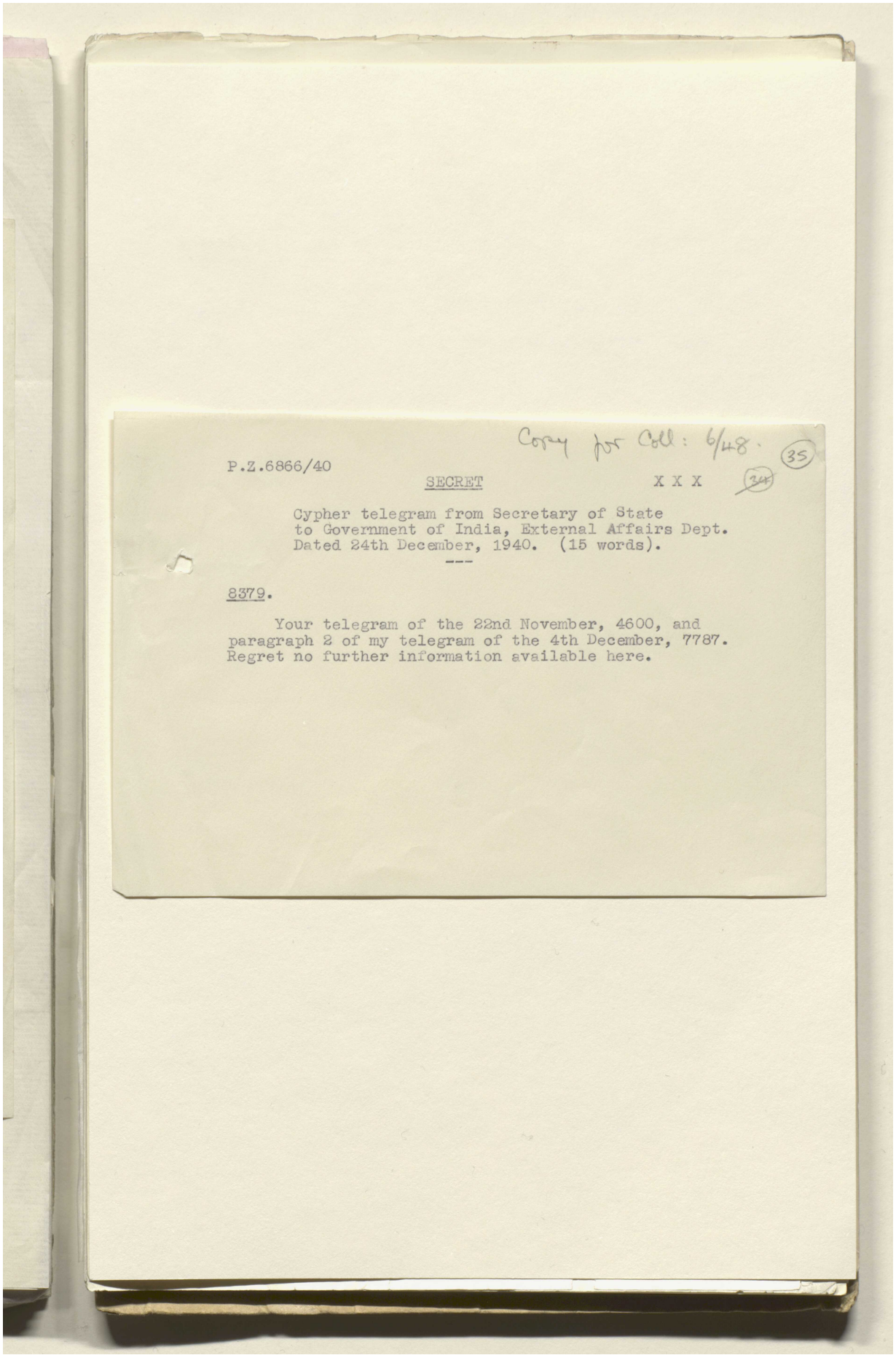

Copy for Coll: 6/48.

(35)

P.Z.6866/40

SECRET X X X

(34)

Cypher telegram from Secretary of State
to Government of India, External Affairs Dept.
Dated 24th December, 1940. (15 words).

8379.

Your telegram of the 22nd November, 4600, and paragraph 2 of my telegram of the 4th December, 7787. Regret no further information available here.

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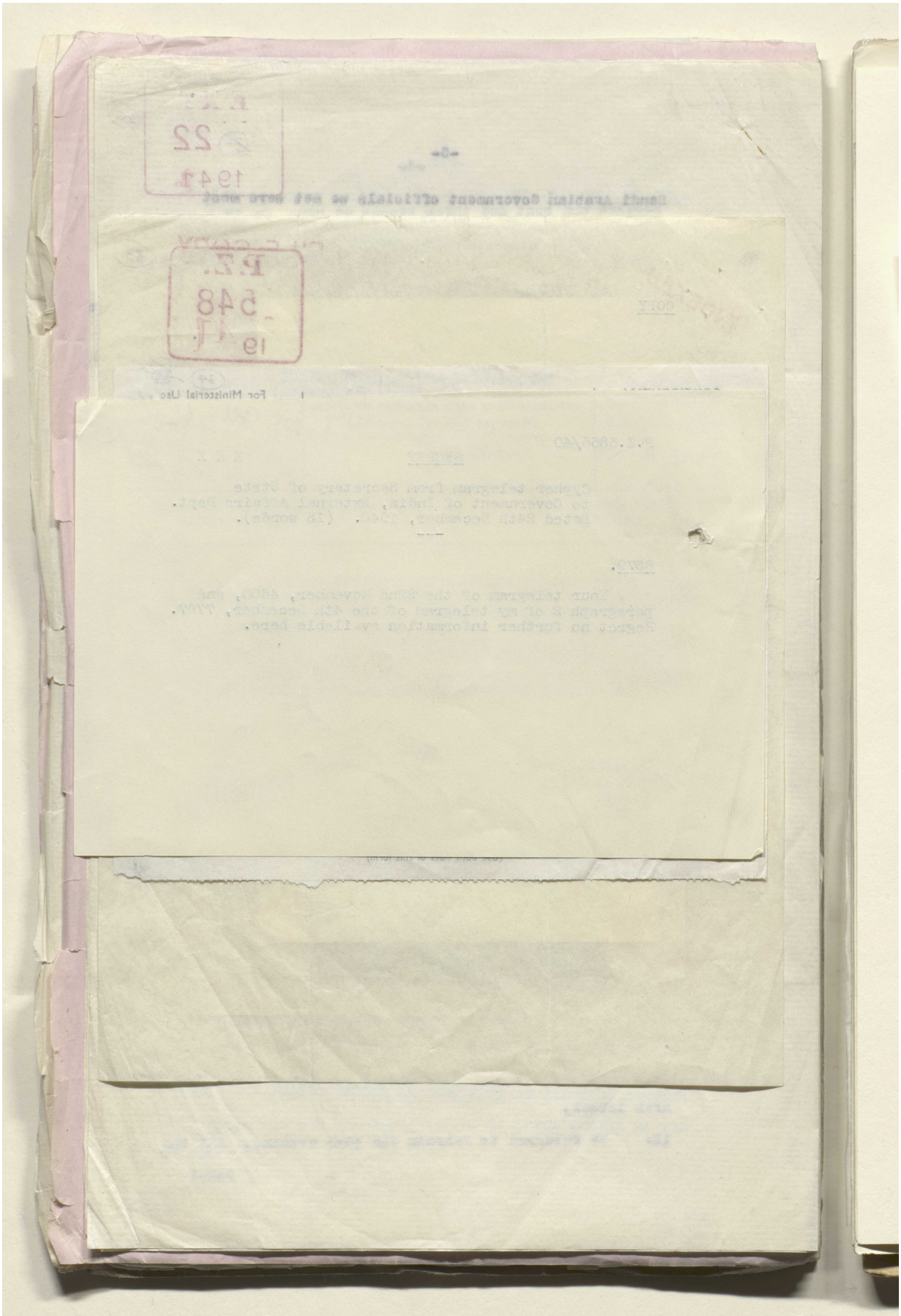

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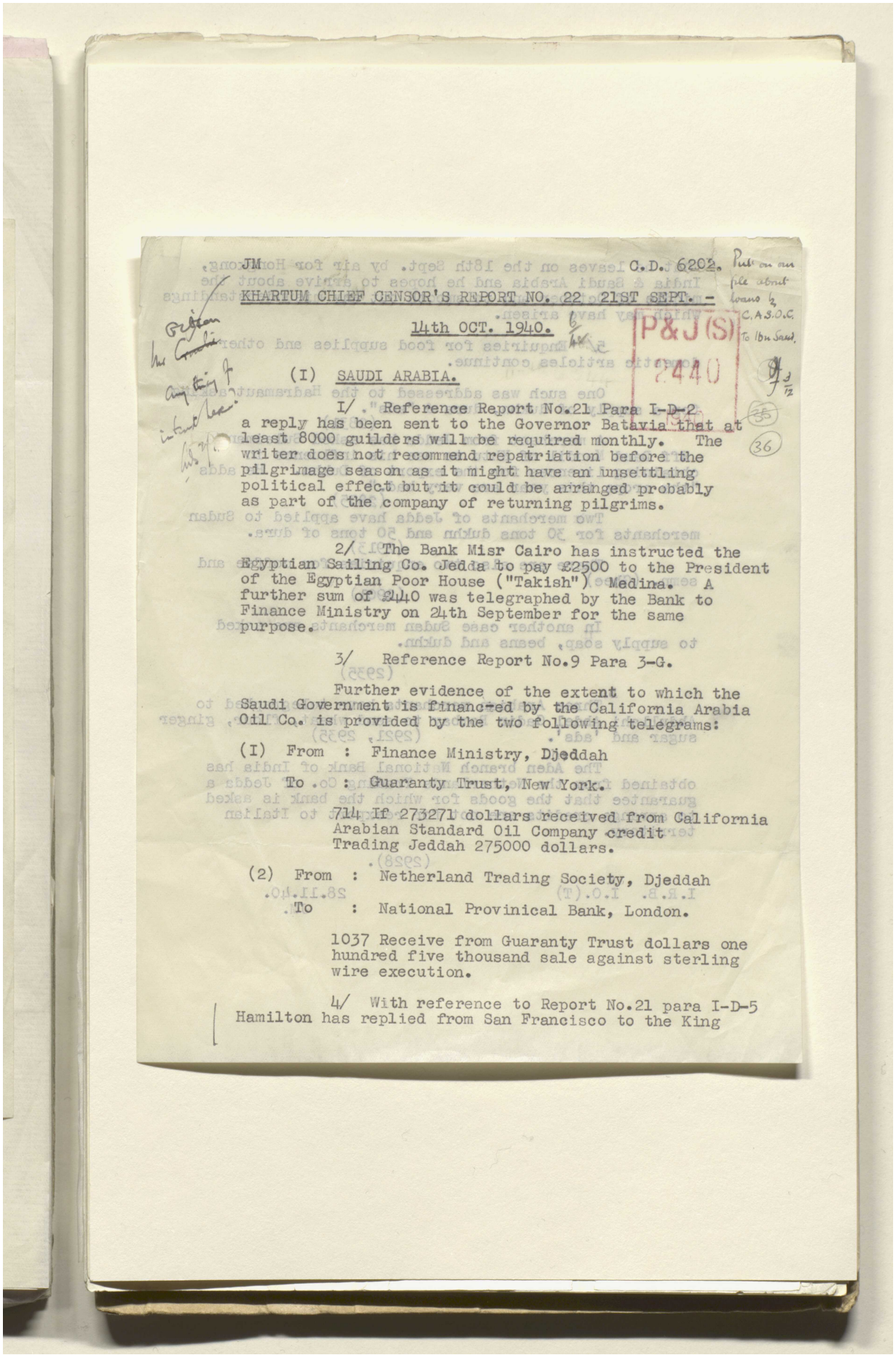

JM C.D. 6202.

KHARTUM CHIEF CENSOR'S REPORT NO. 22 21ST SEPT. -

14th OCT. 1940.

P&J (S) 7440

(I) SAUDI ARABIA.

I/. Reference Report No.21 Para I-D-2. a reply has been sent to the Governor Batavia that at least 8000 guilders will be required monthly. The writer does not recommend repatriation before the pilgrimage season as it might have an unsettling political effect but it could be arranged probably as part of the company of returning pilgrims.

2/ The Bank Misr Cairo has instructed the Egyptian Sailing Co. Jedda to pay £2500 to the President of the Egyptian Poor House ("Takish") Medina. A further sum of £440 was telegraphed by the Bank to Finance Ministry on 24th September for the same purpose.

3/ Reference Report No.9 Para 3-G.

Further evidence of the extent to which the Saudi Government is financed by the California Arabia Oil Co. is provided by the two following telegrams:

(I) From : Finance Ministry, Djeddah
To : Guaranty Trust, New York.

714 If 273271 dollars received from California Arabian Standard Oil Company credit Trading Jeddah 275000 dollars.

(2) From : Netherland Trading Society, Djeddah
To : National Provinical Bank, London.

1037 Receive from Guaranty Trust dollars one hundred five thousand sale against sterling wire execution.

4/ With reference to Report No.21 para I-D-5 Hamilton has replied from San Francisco to the King

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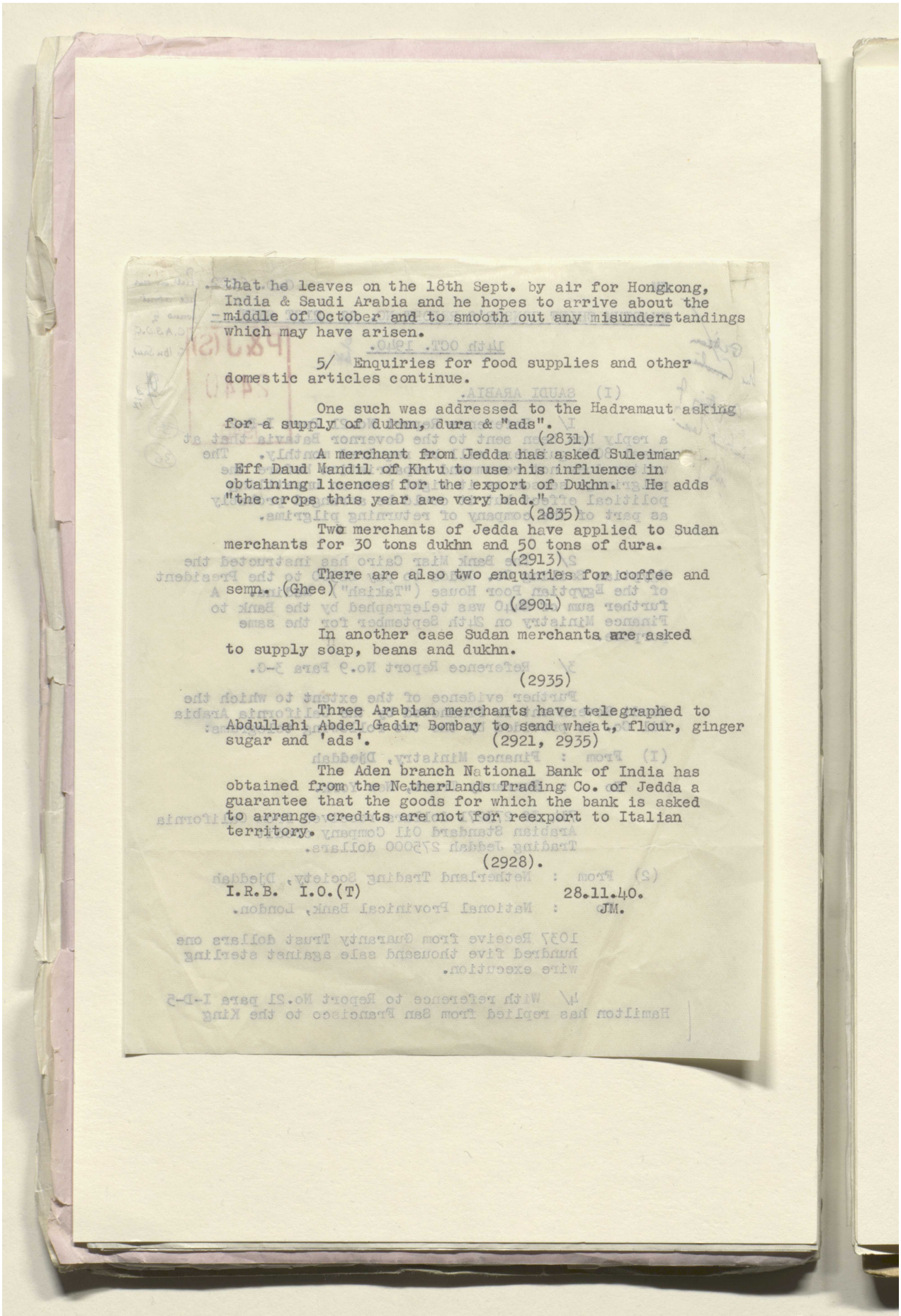

that he leaves on the 18th Sept. by air for Hongkong, India & Saudi Arabia and he hopes to arrive about the middle of October and to smooth out any misunderstandings which may have arisen.

5/ Enquiries for food supplies and other domestic articles continue.

One such was addressed to the Hadramaut asking for a supply of dukhn, dura & "ads".
(2831)

A merchant from Jedda has asked Suleiman Eff Daud Mandil of Khtu to use his influence in obtaining licences for the export of Dukhn. He adds "the crops this year are very bad."
(2835)

Two merchants of Jedda have applied to Sudan merchants for 30 tons dukhn and 50 tons of dura.
(2913)

There are also two enquiries for coffee and semn. (Ghee)
(2901)

In another case Sudan merchants are asked to supply soap, beans and dukhn.
(2935)

Three Arabian merchants have telegraphed to Abdullahi Abdel Gadir Bombay to send wheat, flour, ginger sugar and 'ads'. (2921, 2935)

The Aden branch National Bank of India has obtained from the Netherlands Trading Co. of Jedda a guarantee that the goods for which the bank is asked to arrange credits are not for reexport to Italian territory.
(2928).

I.R.B. I.O.(T) 28.11.40.
JM.

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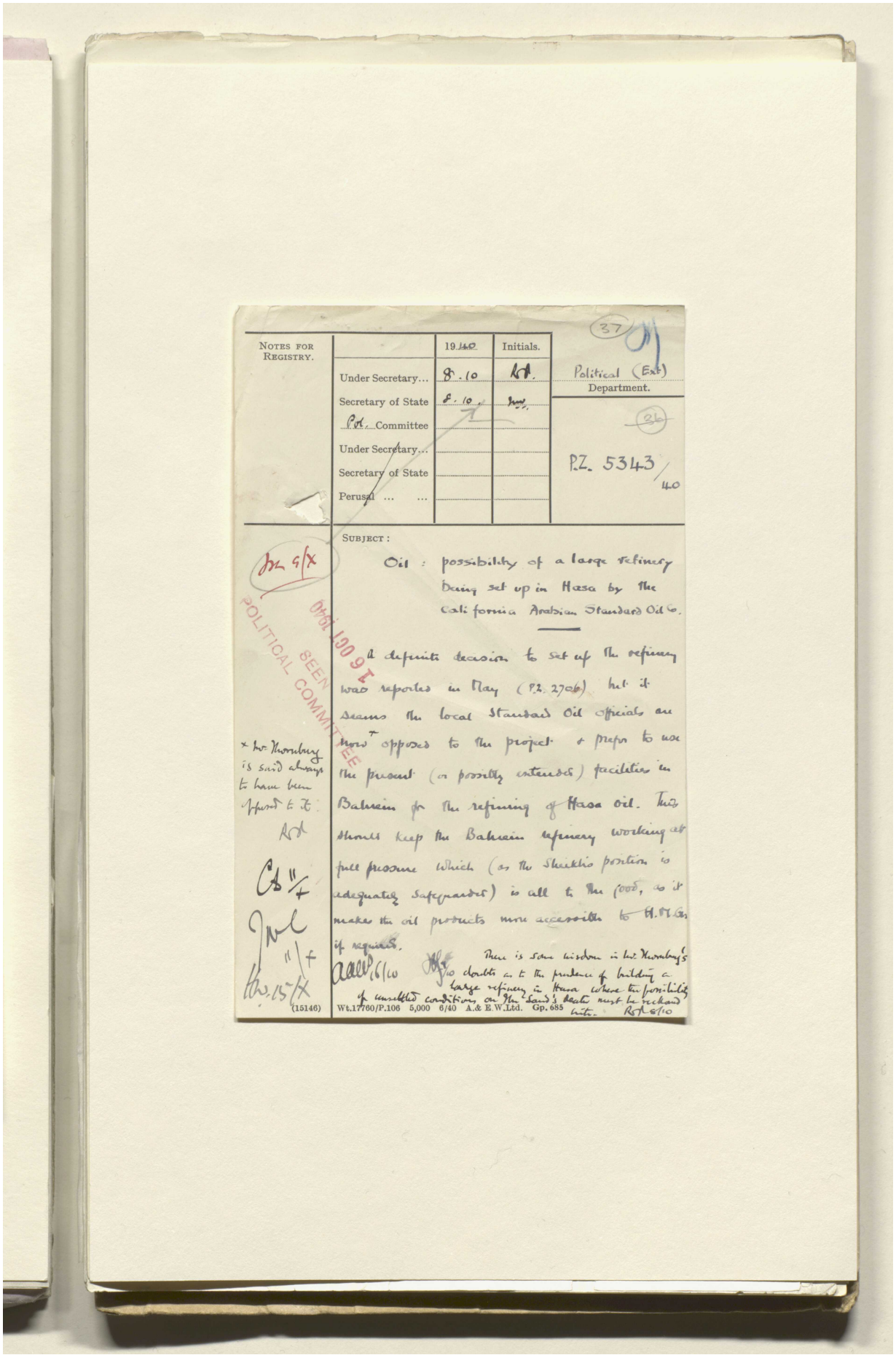


Notes for Registry.		1940	Initials.
	Under Secretary...	8.10	
	Secretary of State	8.10	
	Cot. Committee		
	Under Secretary...		
	Secretary of State		
	Perusal		

37

Political (Ext) Department.

P.Z. 5343/40

SUBJECT:

Oil : possibility of a large refinery being set up in Hasa by the California Arabian Standard Oil Co.

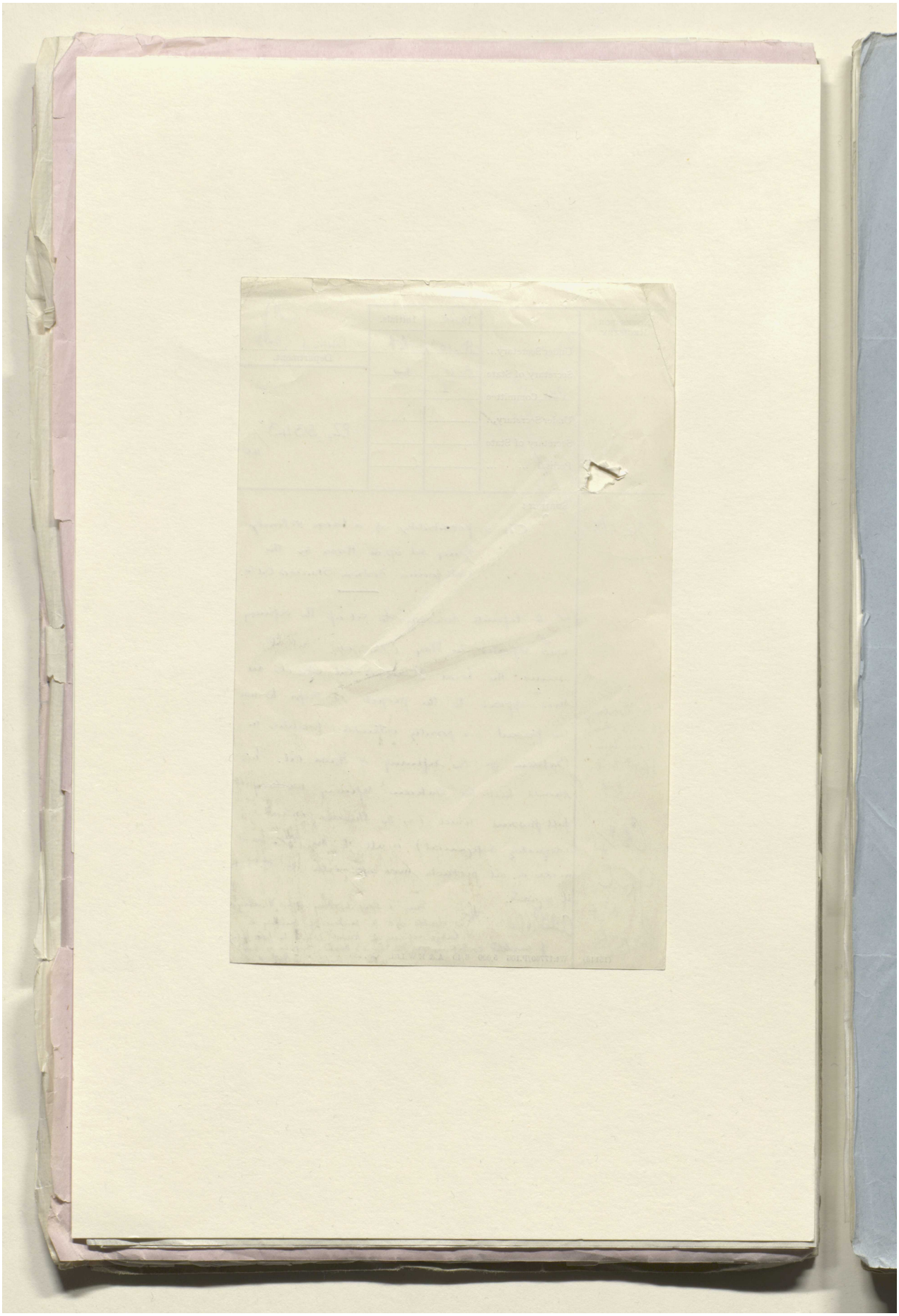
POLITICAL COMMITTEE SEEN 1940 OCT 9

A definite decision to set up the refinery was reported in May (P.Z. 2706) but it seems the local Standard Oil officials are now* opposed to the project & prefer to use the present (or possibly extended) facilities in Bahrein for the refining of Hasa oil. This should keep the Bahrein refinery working at full pressure which (as the Sheikh's position is inadequately safeguarded) is all to the good, as it makes the oil products more accessible to H.M.G. if required.

There is some wisdom in Mr Thornburg's doubts as to the prudence of building a large refinery in Hasa where the possibility of unsettled conditions on the Saud's death must be reckoned with.

* Mr Thornburg is said always to have been opposed to it.

(15146) Wt.17760/P.106 5,000 6/40 A.& E.W.Ltd. Gp. 685



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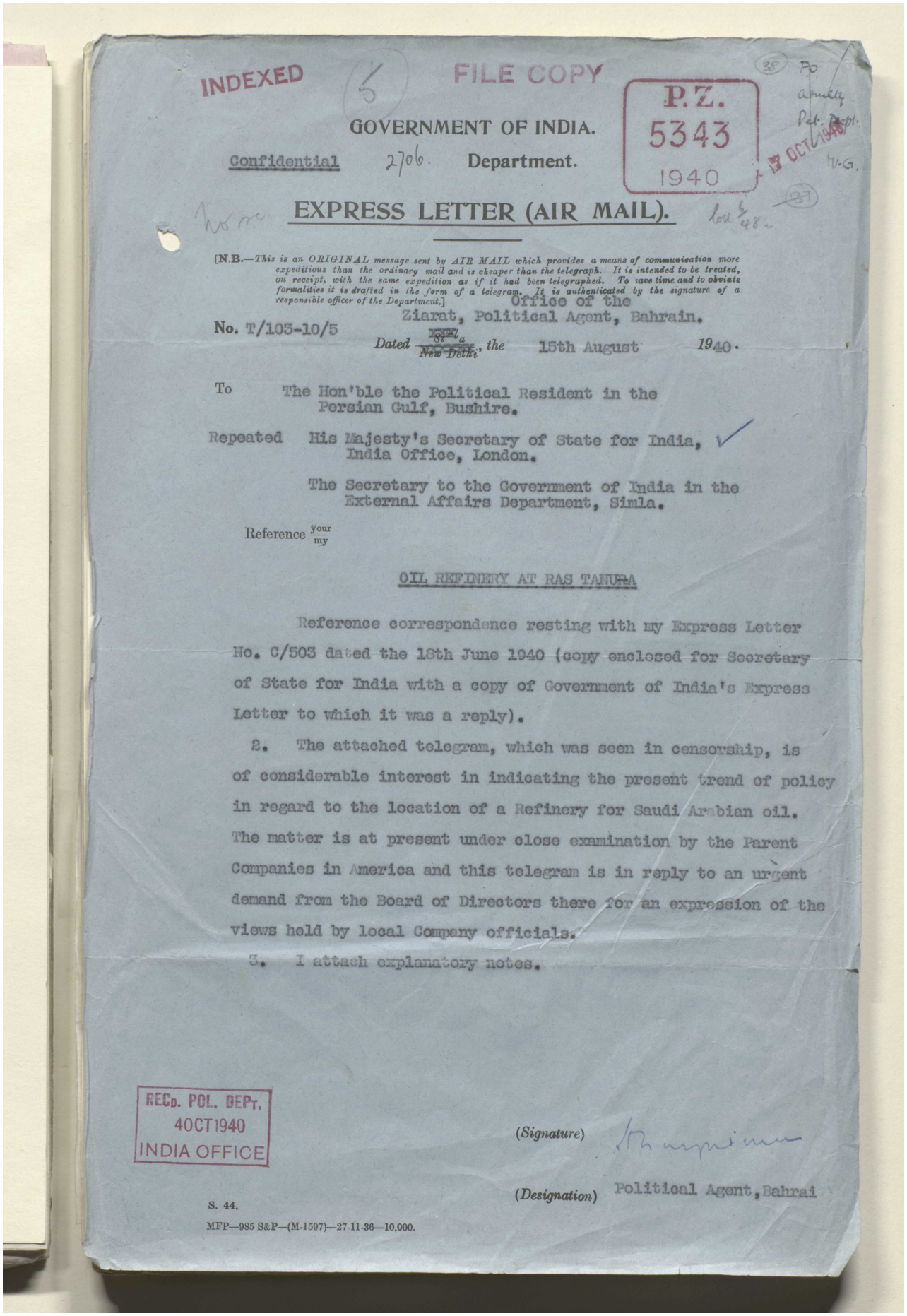

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FILE COPY

P.Z. 5343 1940

GOVERNMENT OF INDIA.

Confidential 2706. Department.

EXPRESS LETTER (AIR MAIL).

[N.B.—*This is an ORIGINAL message sent by AIR MAIL which provides a means of communication more expeditious than the ordinary mail and is cheaper than the telegraph. It is intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and to obviate formalities it is drafted in the form of a telegram. It is authenticated by the signature of a responsible officer of the Department.*]

Office of the Ziarat, Political Agent, Bahrain.

No. T/103-10/5 Dated ~~Simla~~ New Delhi, the 15th August 1940.

To The Hon'ble the Political Resident in the Persian Gulf, Bushire.

Repeated His Majesty's Secretary of State for India, India Office, London.

The Secretary to the Government of India in the External Affairs Department, Simla.

Reference ~~your~~ my

OIL REFINERY AT RAS TANURA

Reference correspondence resting with my Express Letter No. C/503 dated the 18th June 1940 (copy enclosed for Secretary of State for India with a copy of Government of India's Express Letter to which it was a reply).

2. The attached telegram, which was seen in censorship, is of considerable interest in indicating the present trend of policy in regard to the location of a Refinery for Saudi Arabian oil. The matter is at present under close examination by the Parent Companies in America and this telegram is in reply to an urgent demand from the Board of Directors there for an expression of the views held by local Company officials.

3. I attach explanatory notes.

REC'D. POL. DEPT. 4 OCT 1940 INDIA OFFICE

(*Signature*)

(*Designation*) Political Agent, Bahrai

S. 44.

MFP—985 S&P—(M-1597)—27.11.36—10,000.

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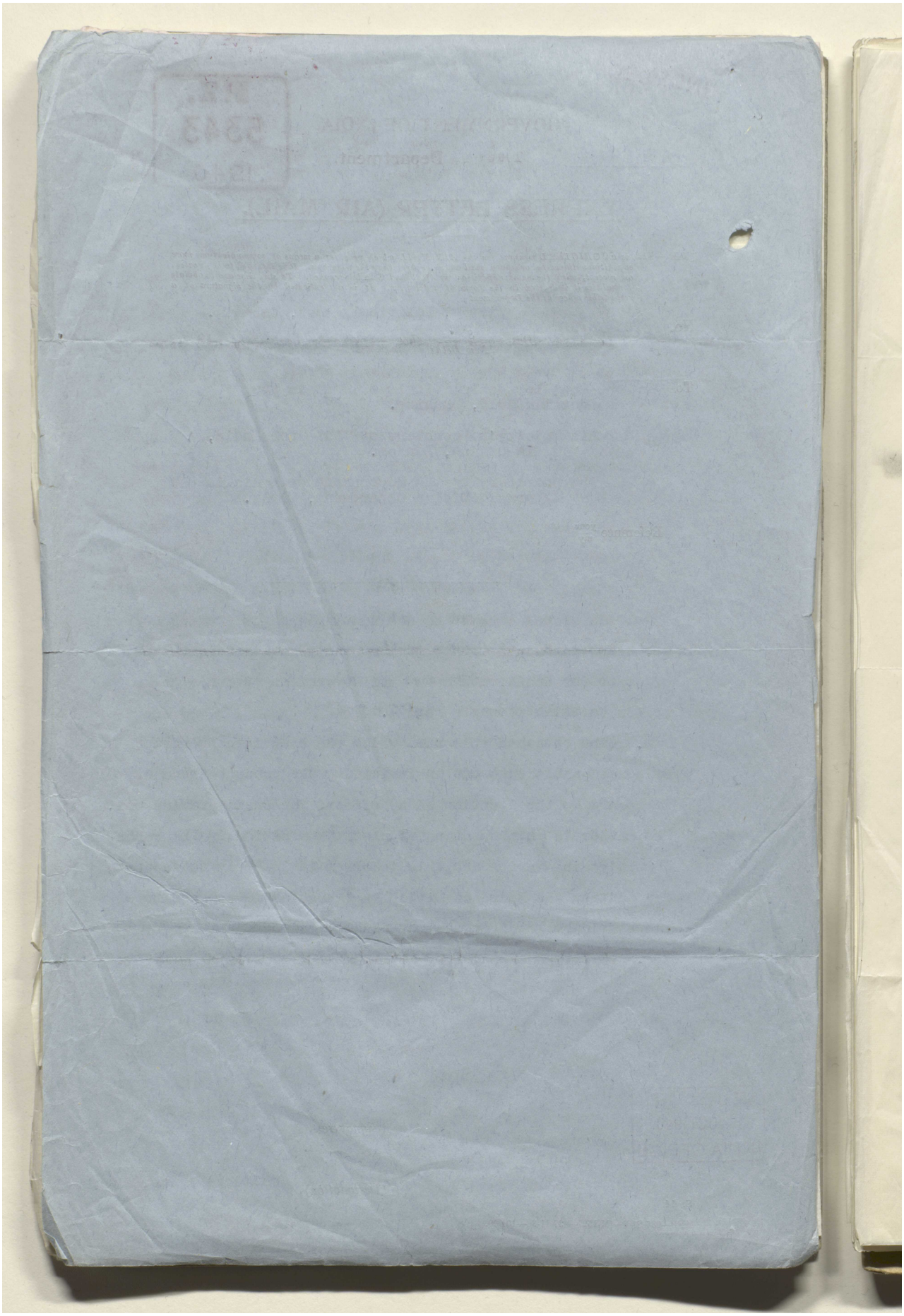

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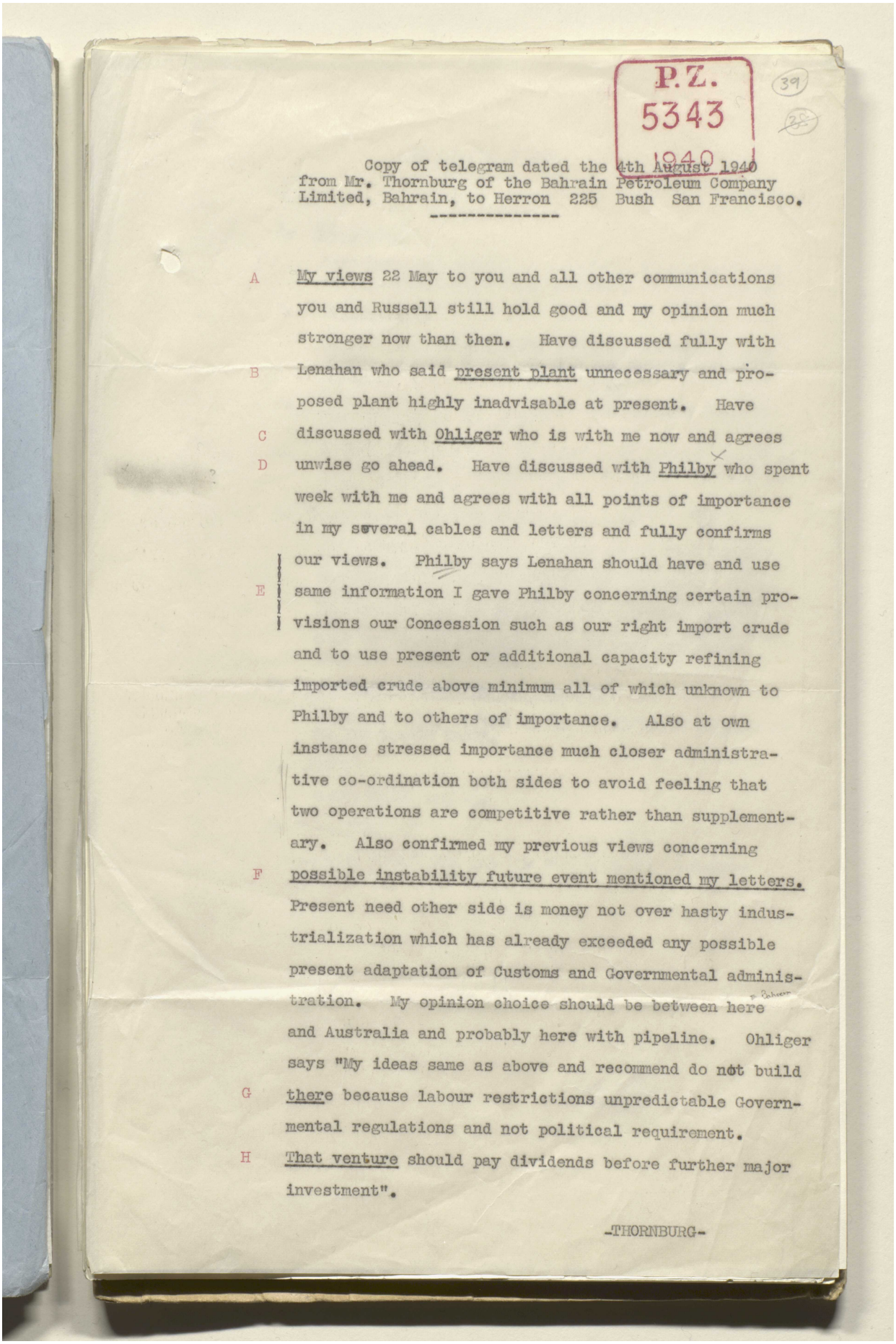

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5343
1940

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Copy of telegram dated the 4th August 1940 from Mr. Thornburg of the Bahrain Petroleum Company Limited, Bahrain, to Herron 225 Bush San Francisco.

A My views 22 May to you and all other communications you and Russell still hold good and my opinion much stronger now than then. Have discussed fully with
B Lenahan who said present plant unnecessary and proposed plant highly inadvisable at present. Have
C discussed with Ohliger who is with me now and agrees
D unwise go ahead. Have discussed with Philby who spent week with me and agrees with all points of importance in my several cables and letters and fully confirms our views. Philby says Lenahan should have and use
E same information I gave Philby concerning certain provisions our Concession such as our right import crude and to use present or additional capacity refining imported crude above minimum all of which unknown to Philby and to others of importance. Also at own instance stressed importance much closer administrative co-ordination both sides to avoid feeling that two operations are competitive rather than supplementary. Also confirmed my previous views concerning
F possible instability future event mentioned my letters. Present need other side is money not over hasty industrialization which has already exceeded any possible present adaptation of Customs and Governmental administration. My opinion choice should be between here and Australia and probably here with pipeline. Ohliger says "My ideas same as above and recommend do not build
G there because labour restrictions unpredictable Governmental regulations and not political requirement.
H That venture should pay dividends before further major investment".

-THORNBURG-

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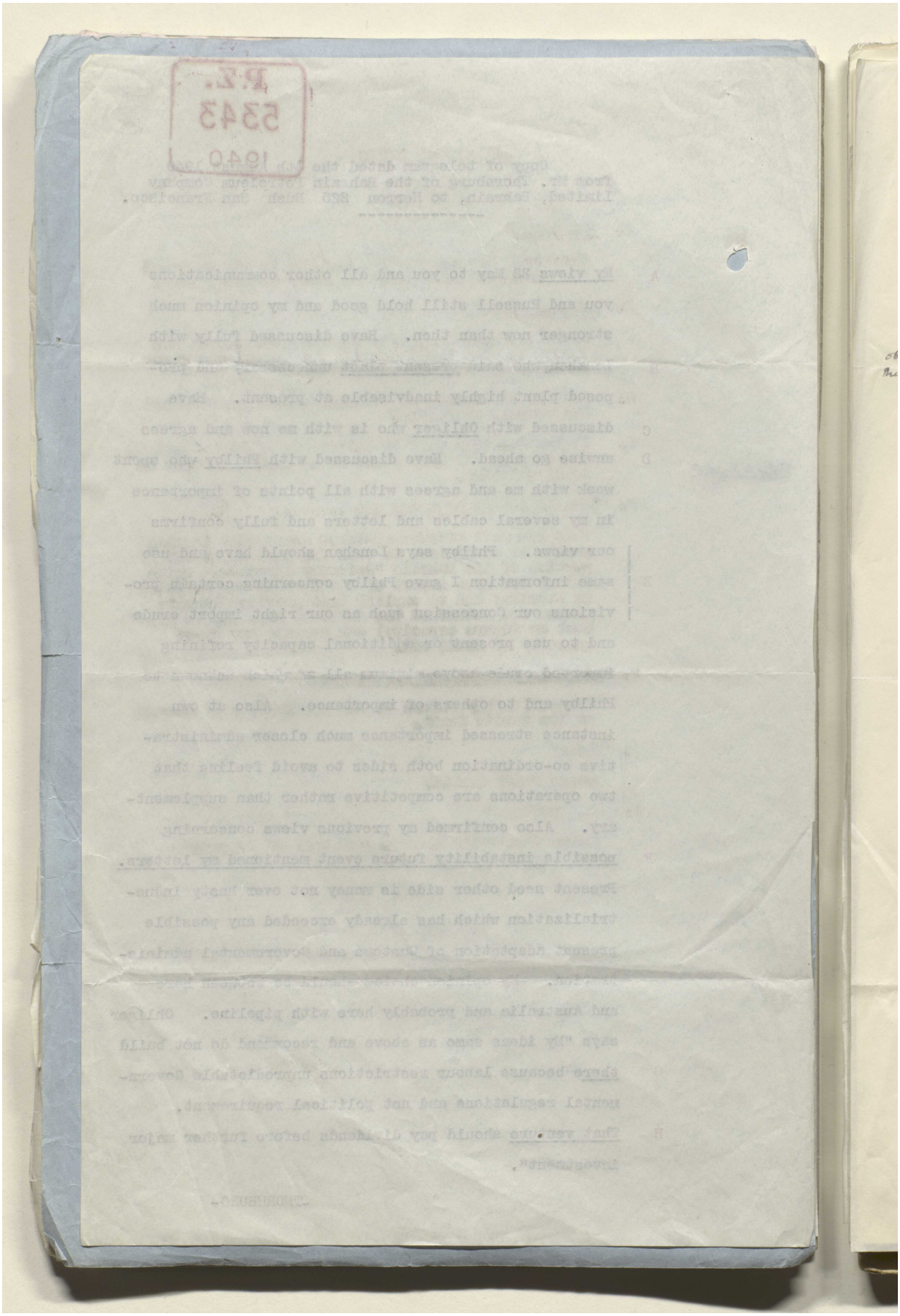

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1940

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EXPLANATORY NOTES

A. "My views"

Thornburg has always been hostile to the proposed establishment of a large Refinery at Ras Tanura.

B. "Present plant"

The Company were obliged to do so under the terms of their Concession.

means the small-capacity refinery erected at Ras Tanura to meet Saudi demands for petrol and kerosene.

C. Ohliger is Manager of California Arabian Standard Oil Company at Dharan.

D. Philby has been paid by California Arabian Standard Oil Company for many years as an expert adviser on Saudi politics.

E. "Lenahan should have and use ....."

This somewhat obscure sentence means that Lenahan should be authorised to tell Ibn Saud about that portion of the Bahrain "Refinery Agreement" which allows for free import of Saudi crude for refining in Bahrain; and to explain that provided Bahrain minima are satisfied the Refinery here (up to present or future capacity) can process any given quantity of Saudi oil.

F. "Possible instability ... letters"

Unquestionably refers to the possibility of anarchy on Ibn Saud's death.

G. "There"

means Saudi Arabia.

H. "That venture"

means California Arabian Standard Oil Company's whole operations in Arabia.

#######

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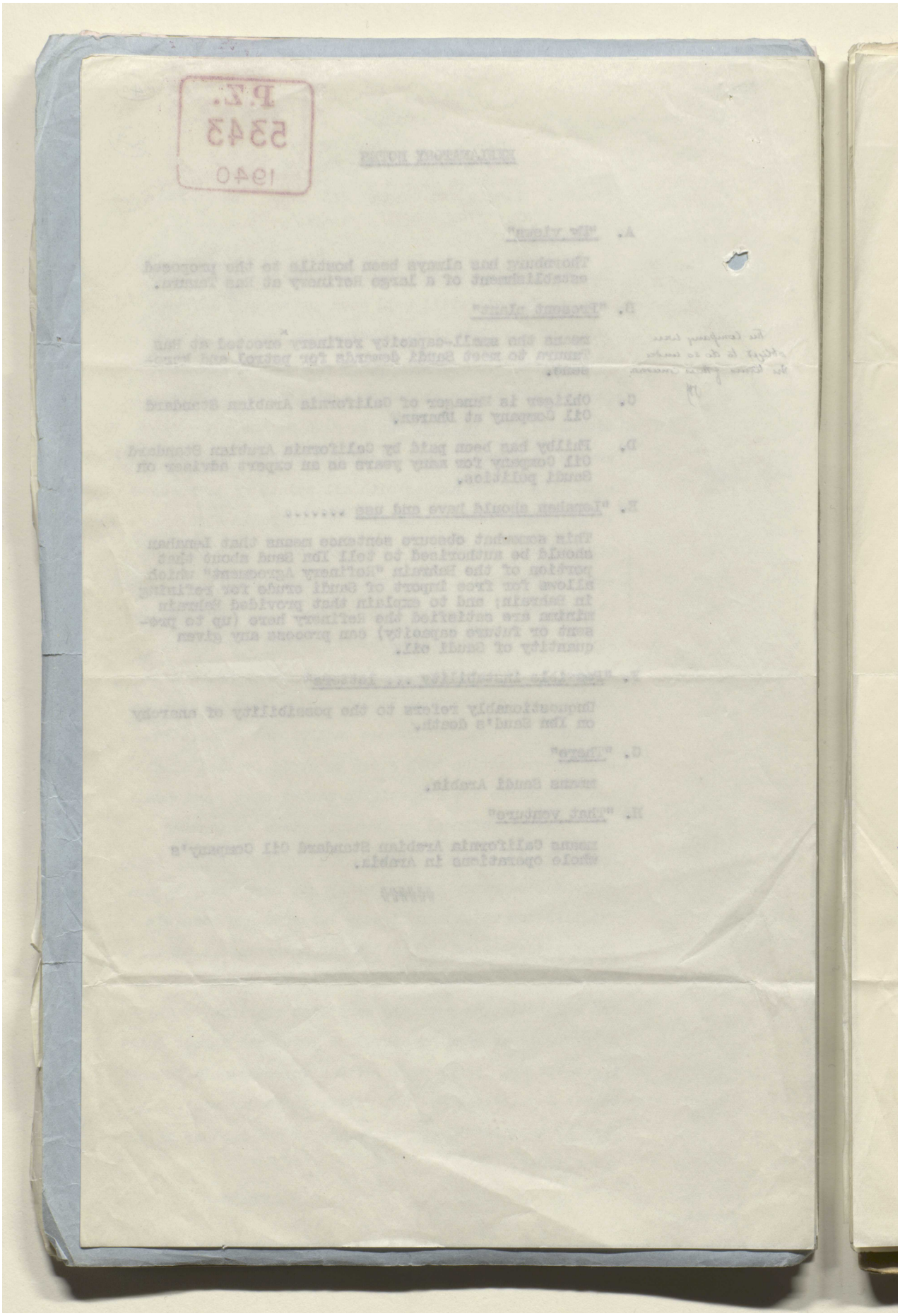

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1940

(41)

(40)

Copy of Express letter No. D.2575-N/40 dated the 5th June 1940 from Foreign, Simla, to the Political Agent, Bahrain, repeated to Britconsul, Bushire.

Oil Refinery at Ras Tanura

Reference your express letter No. C/382-10/5 dated 4th May 1940.

2706.

2. Government of India will be glad to be informed of the amount of petrol, kerosene, fuel oil and lubricating oil anticipated out of the daily throughput of 25,000 barrels mentioned in your express letter under reference.

Copy of Express letter No. C/503 dated the 18th June 1940 from the Political Agent, Bahrain, to the Secretary to the Government of India in the External Affairs Department, Simla, repeated to the Hon'blethe Political Resident in the Persian Gulf.

.....

Reference your Express letter No. D.2575-N/40 dated the 5th June 1940.

2. As noted in my Intelligence Summary No. 10 of 1940 the project for the construction of a large Refinery at Ras Tanura is being reconsidered, and the despatch of materials from America has been held up.

3. I have not yet been able to ascertain what alternative plans are likely to be examined, but I anticipate that for some time to come a daily average of 10,000 barrels of Saudi oil will continue to be barged to Bahrain for refining here (making the total Bahrain Refinery throughput approximately 30,000 barrels) and that the balance will be shipped as crude. The above is, of course, subject to adequate tanker tonnage being available.

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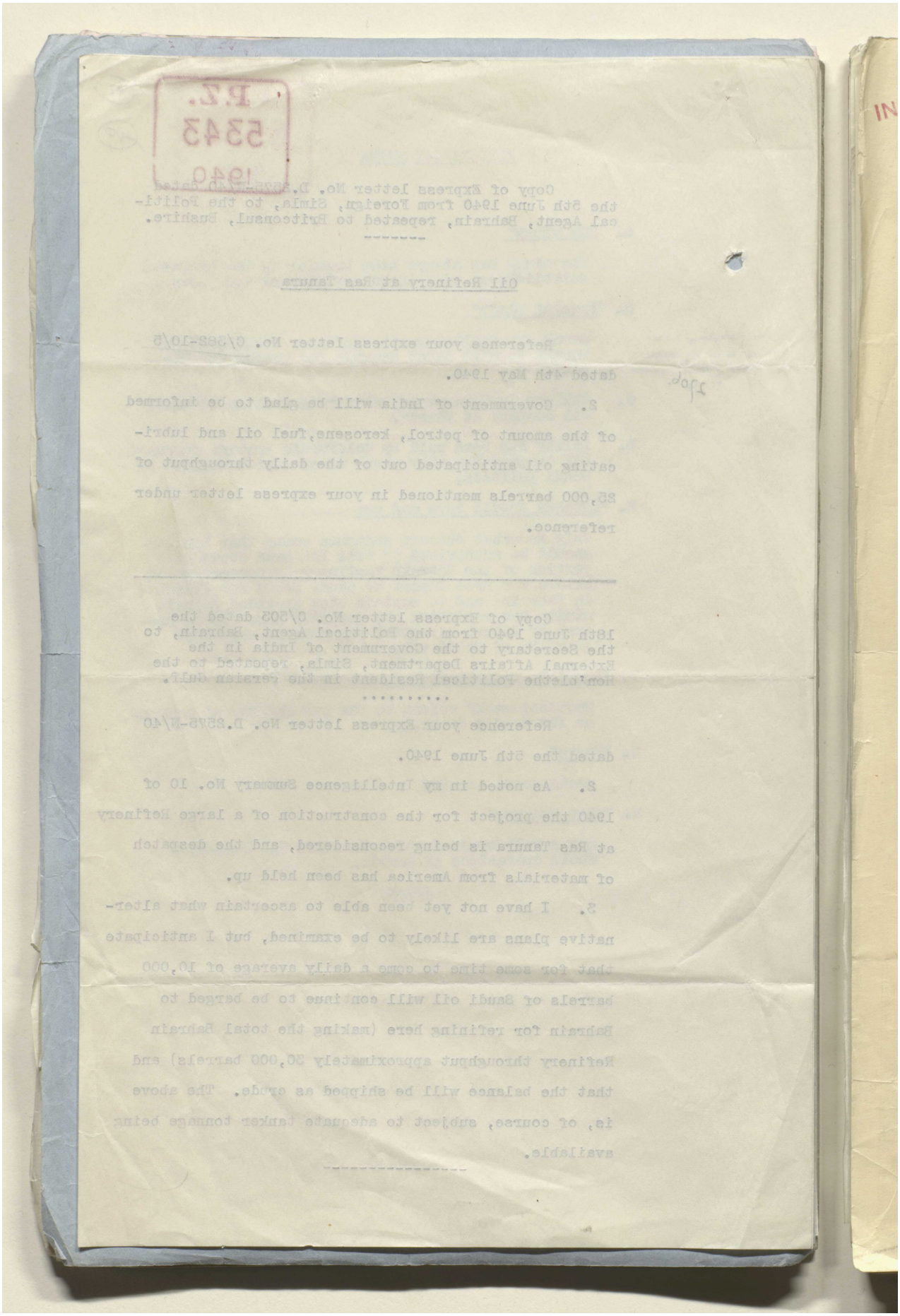

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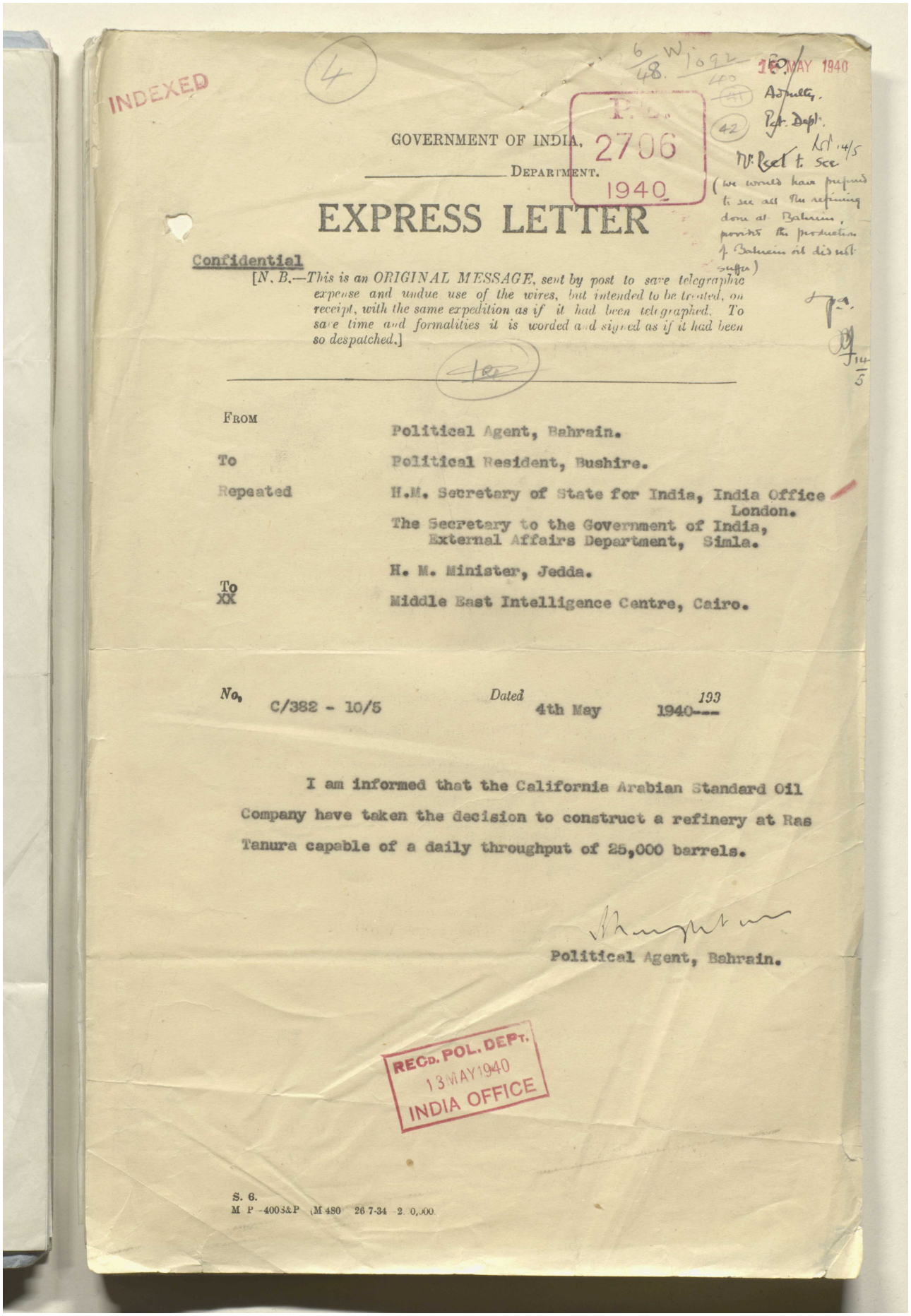

INDEXED

(4)

6/48. W 1092/40

16 MAY 1940

(41) Admlty.

(42) Pgt. Dept.

Mr. Reed to see

(we would have prefered to see all the refining done at Bahrein, provided the production of Bahrein oil did not suffer)

P.L. 2706 1940

GOVERNMENT OF INDIA,

_____ DEPARTMENT.

EXPRESS LETTER

Confidential

[*N. B.—This is an ORIGINAL MESSAGE, sent by post to save telegraphic expense and undue use of the wires, but intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and formalities it is worded and signed as if it had been so despatched.*]

FROM Political Agent, Bahrain.

To Political Resident, Bushire.

Repeated H.M. Secretary of State for India, India Office London.

The Secretary to the Government of India, External Affairs Department, Simla.

H. M. Minister, Jedda.

To XX Middle East Intelligence Centre, Cairo.

No. C/382 - 10/5 Dated 4th May 1940 193

I am informed that the California Arabian Standard Oil Company have taken the decision to construct a refinery at Ras Tanura capable of a daily throughput of 25,000 barrels.

Political Agent, Bahrain.

RECD. POL. DEPT. 13 MAY 1940 INDIA OFFICE

S. 6.
M P -4003&P (M 480 26-7-34 2 0,000

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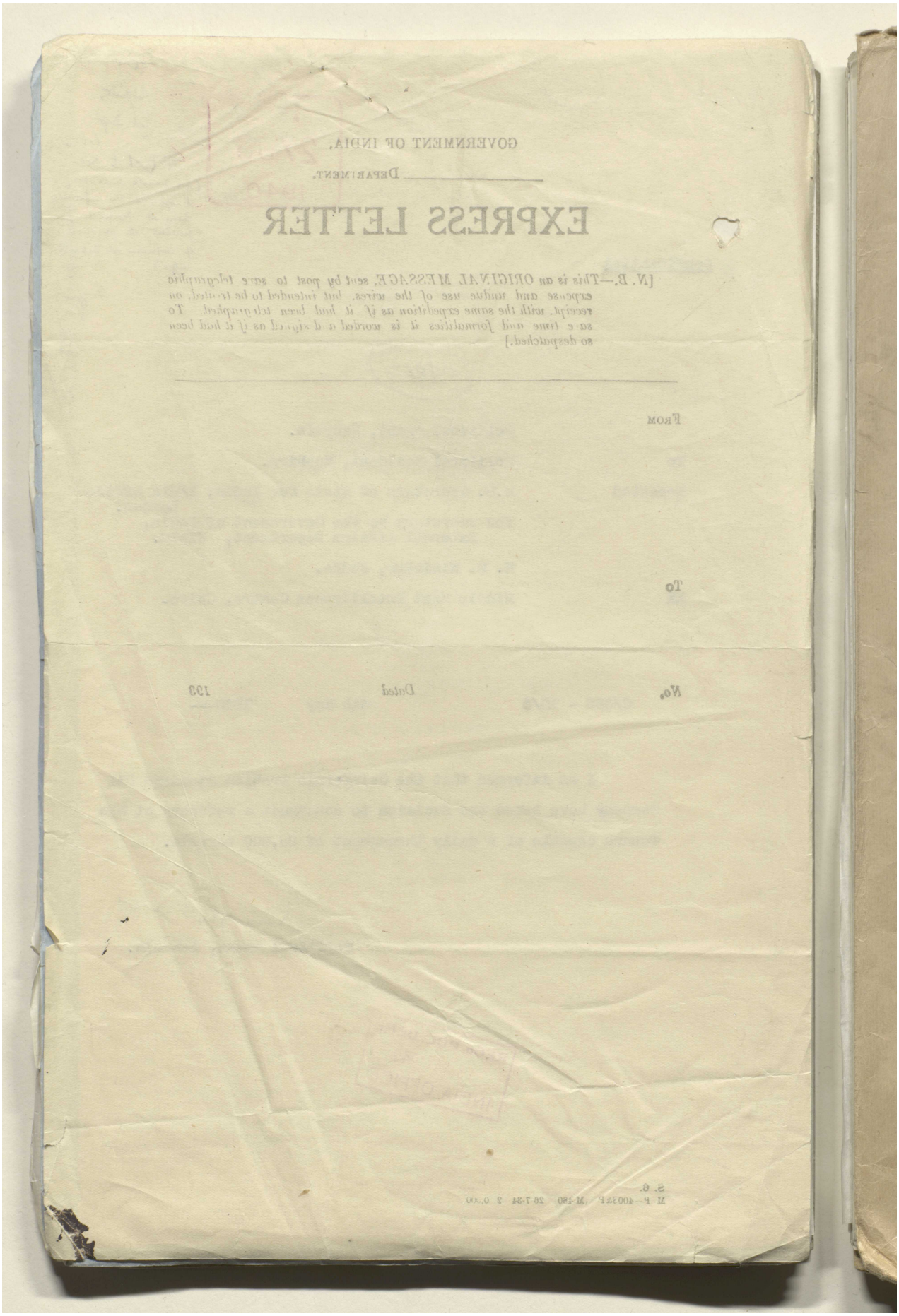

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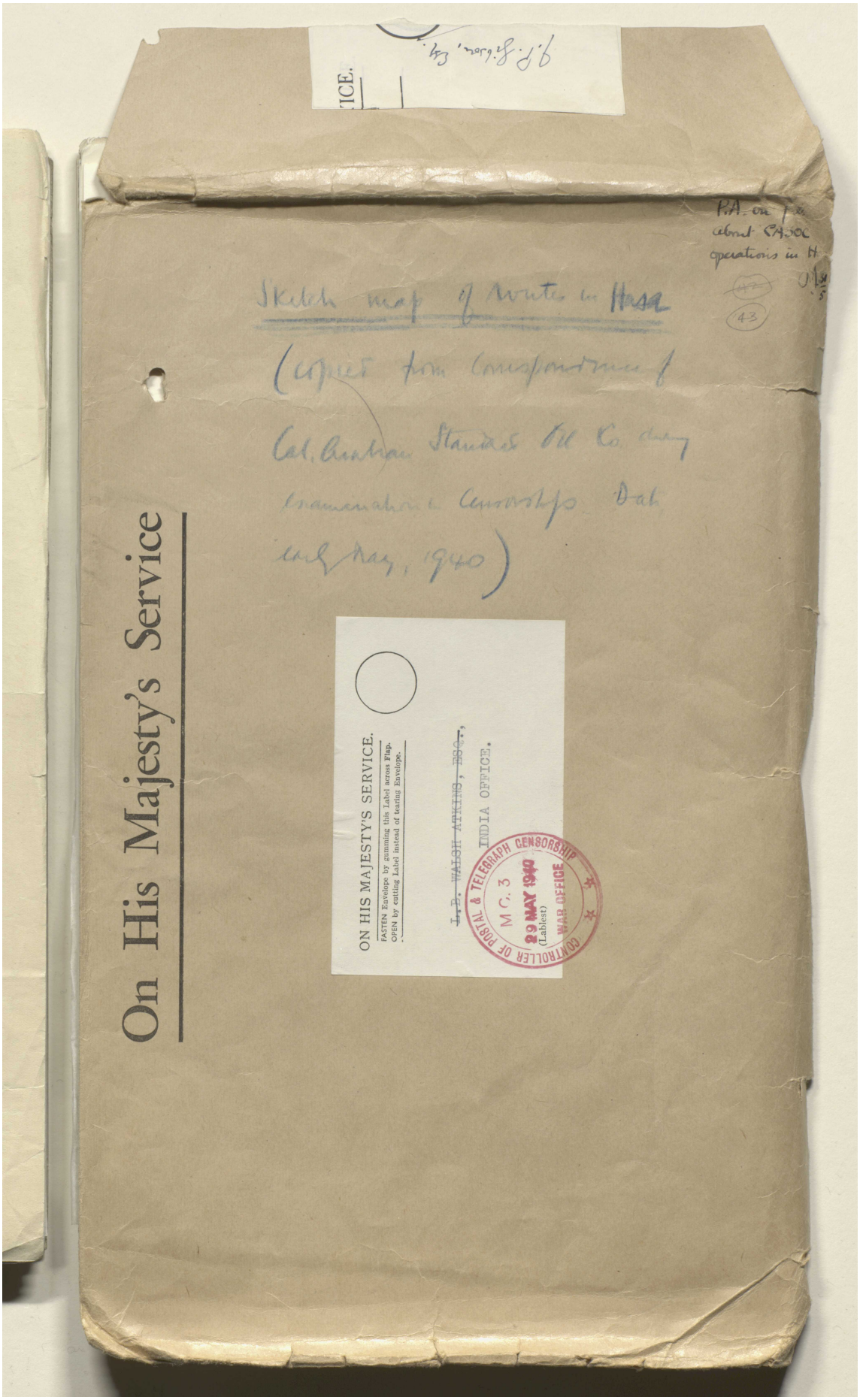

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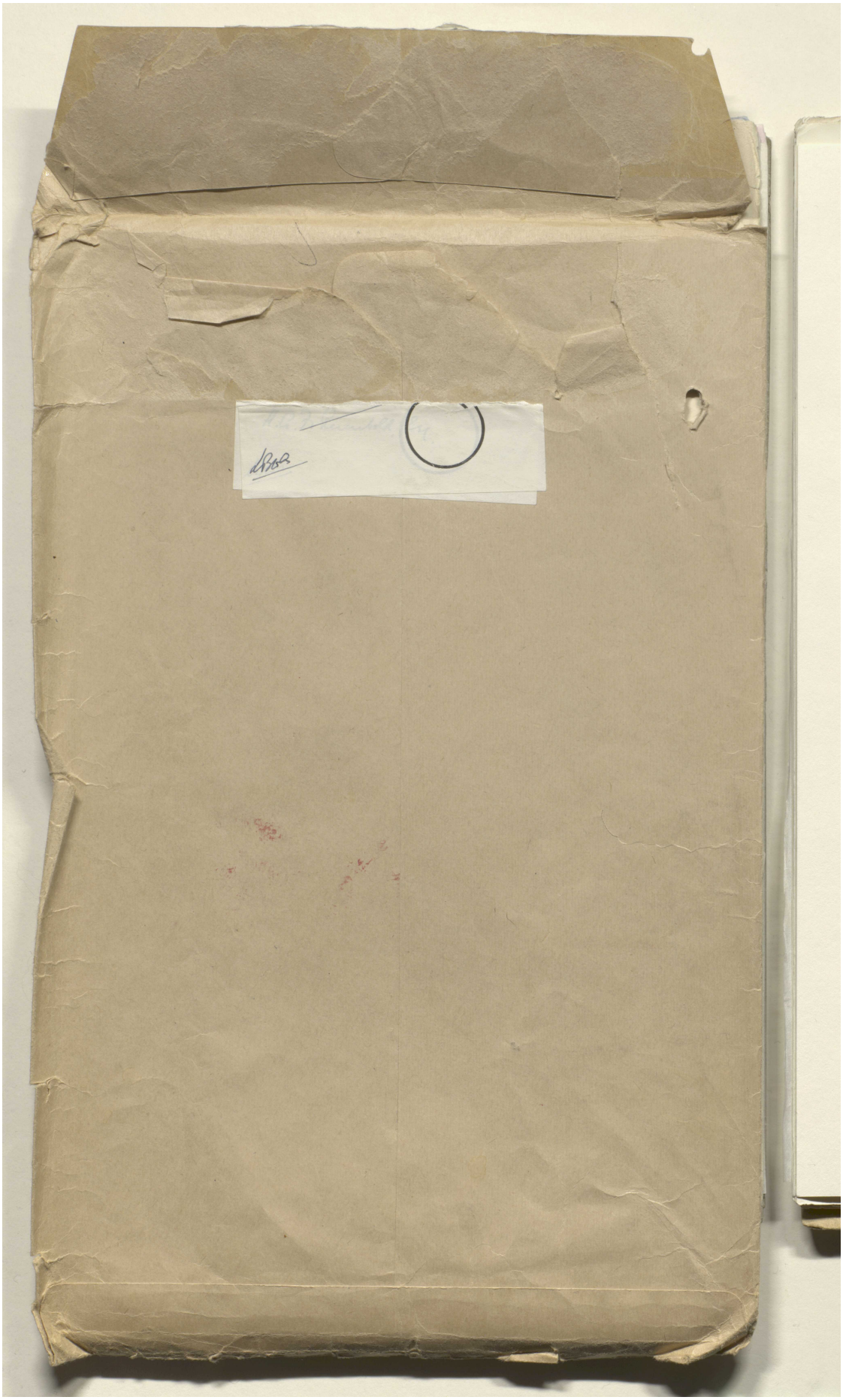

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'ROAD MAP PRESENT OPERATIONS PROVINCE OF HASA SAUDI ARABIA' [44r] (1/2)



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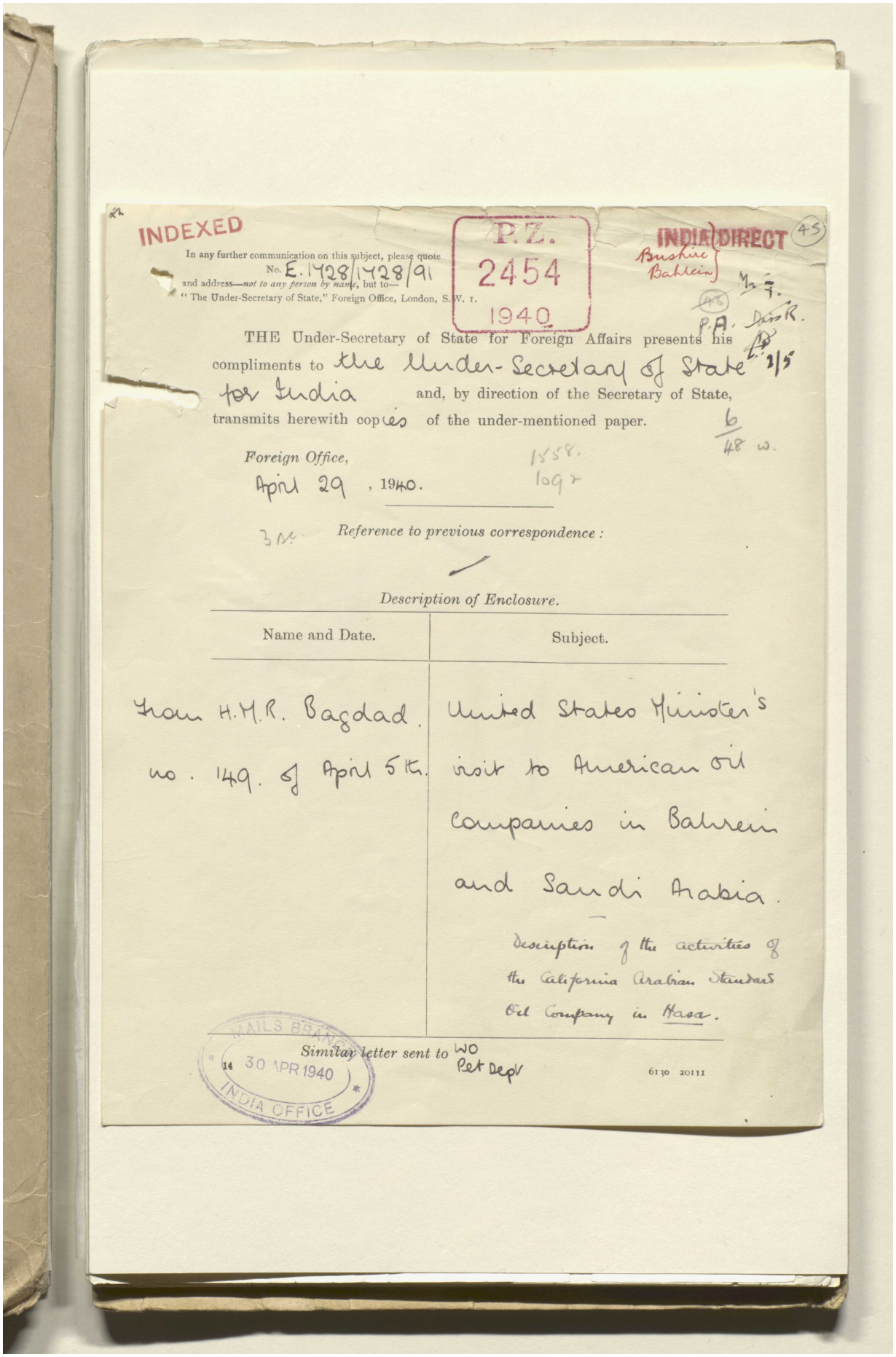

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In any further communication on this subject, please quote No. E. 1428/1428/91 and address—*not to any person by name*, but to— "The Under-Secretary of State," Foreign Office, London, S.W. 1.

P.Z. 2454 1940

INDIA DIRECT

Bushire Bahrein

45

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
April 29, 1940.

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
From H.M.R. Bagdad. no. 149. of April 5th.	United States Minister's visit to American oil companies in Bahrein and Saudi Arabia. Description of the activities of the California Arabian Standard Oil Company in Hasa.

MAILS BRANCH 30 APR 1940 INDIA OFFICE

Similar letter sent to WO Pet Dept

6130 20111

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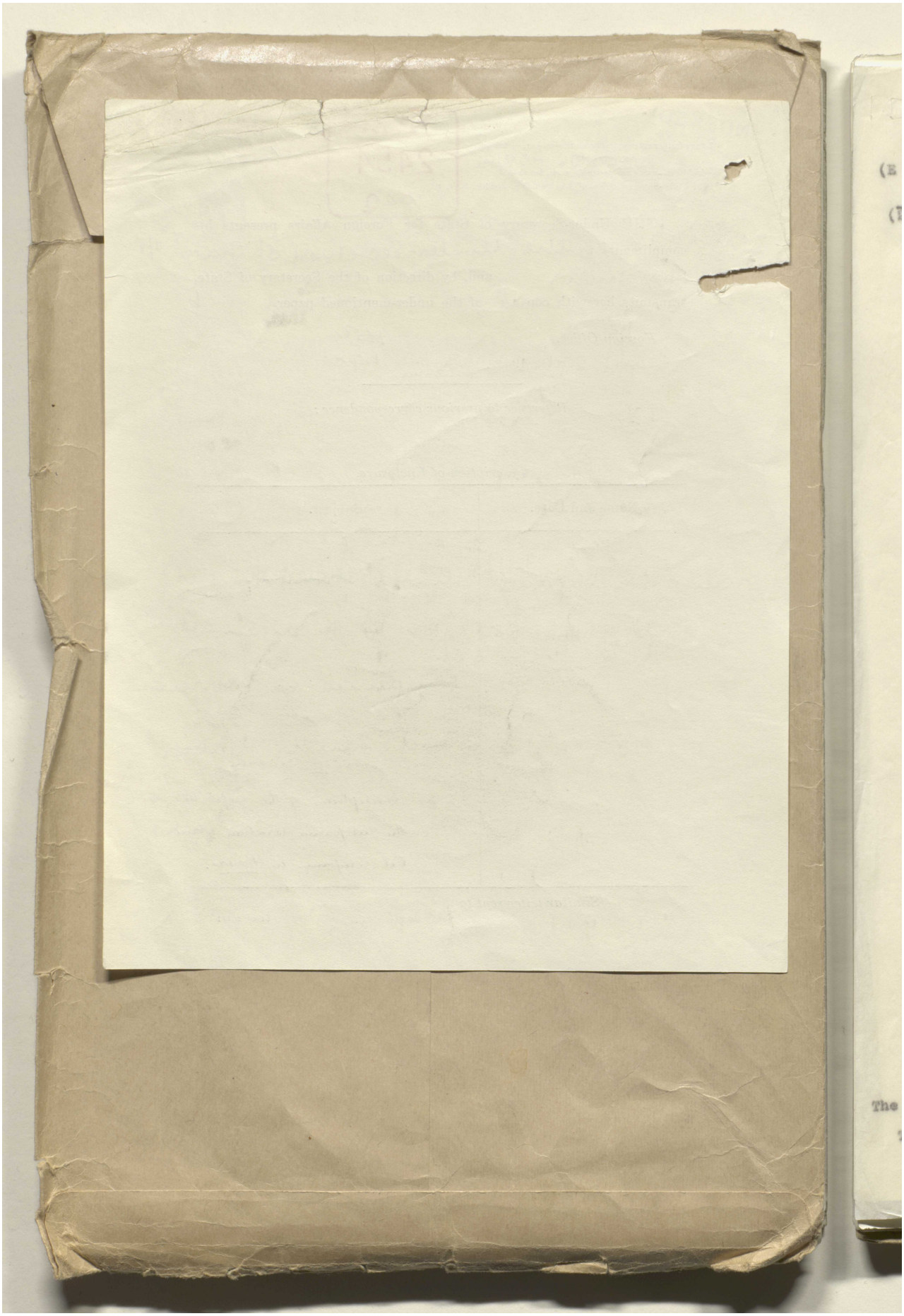

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P.Z.
2454
1940

(46)

COPY
(E 1728/1728/91)
No. 149.
(E95/13/40)

British Embassy,
Bagdad.
5th April, 1940.

My Lord,

With reference to my despatch No. 139 of March 31st reporting on my tour in the Persian Gulf, I have the honour to inform you that my American colleague Mr. Knabenshue has just paid a brief visit to the American Oil Companies in Bahrain and Saudi Arabia. He entirely confirms some of my impressions and has returned full of enthusiasm at the ease and rapidity with which his compatriots, by an up-to-date use of motor transport, portable wireless, and air-conditioning and by sinking wells for water, are now opening up the Arabian peninsula.

2. Tracks are cleared of scrub and other obstacles by a kind of snow plough and the difficulties caused by stretches of soft sand and dunes can be largely overcome by special low pressure oversize desert tyres. Five thousand miles of such track, much of it oiled, are already in use and the lorry engines have to be governed down to a speed of fifty miles an hour to prevent the over-driving by native drivers which the state of the track itself would allow. Mr. Knabenshue himself motored without difficulty from the main oil camp in the south at Dhahran to Koweit in about ten hours running time. He spent one night on the way at the northern oil camp at Abu Hadriya and the route would have been much shorter had it not been necessary to avoid the neutral zone between Hasa and Koweit which is at present forbidden to the oil companies. He told me that the new deep well struck at Abu/

The Right Honourable
The Viscount Halifax, K.G., G.C.S.I., G.C.I.E.,
etc., etc., etc.

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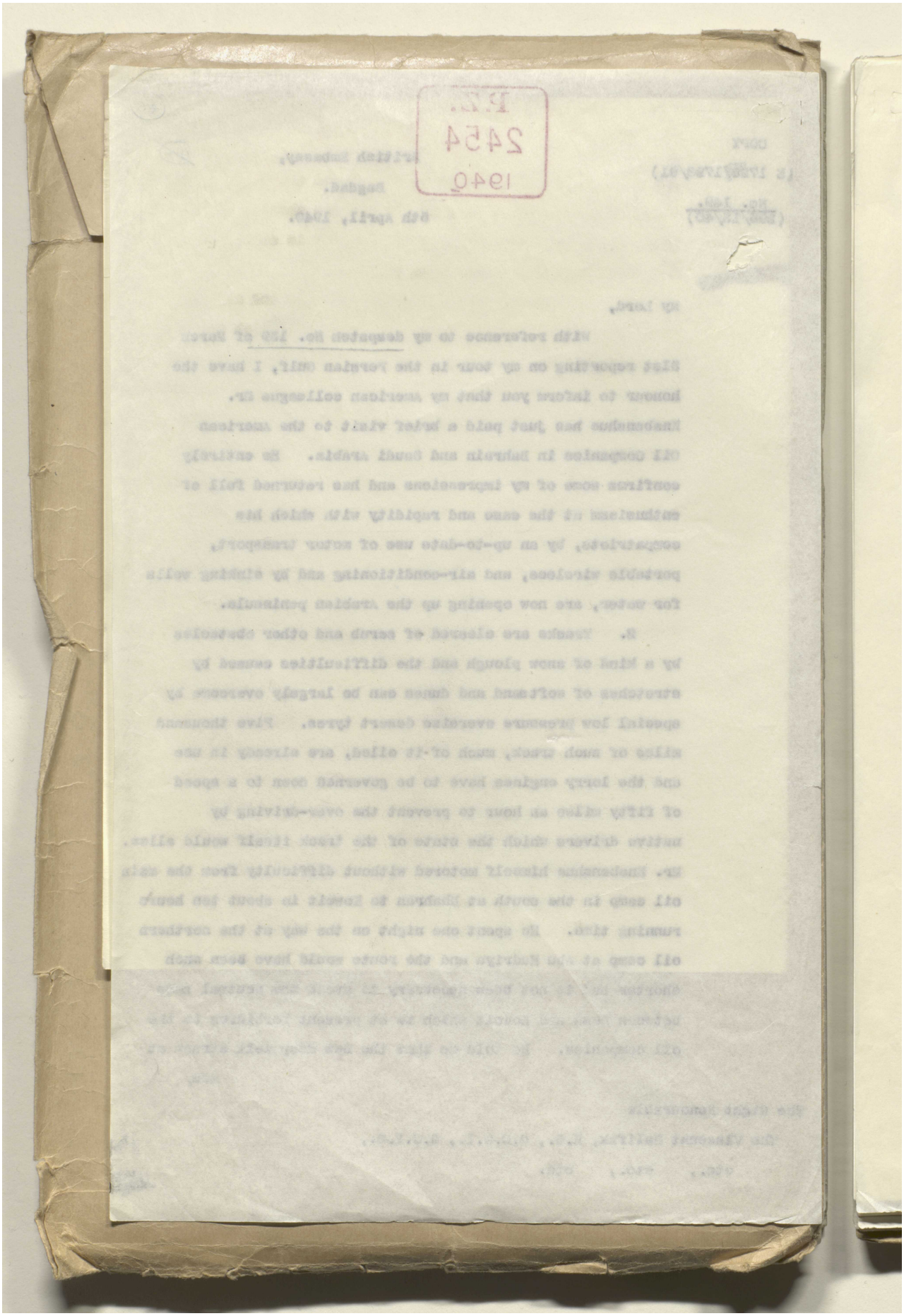

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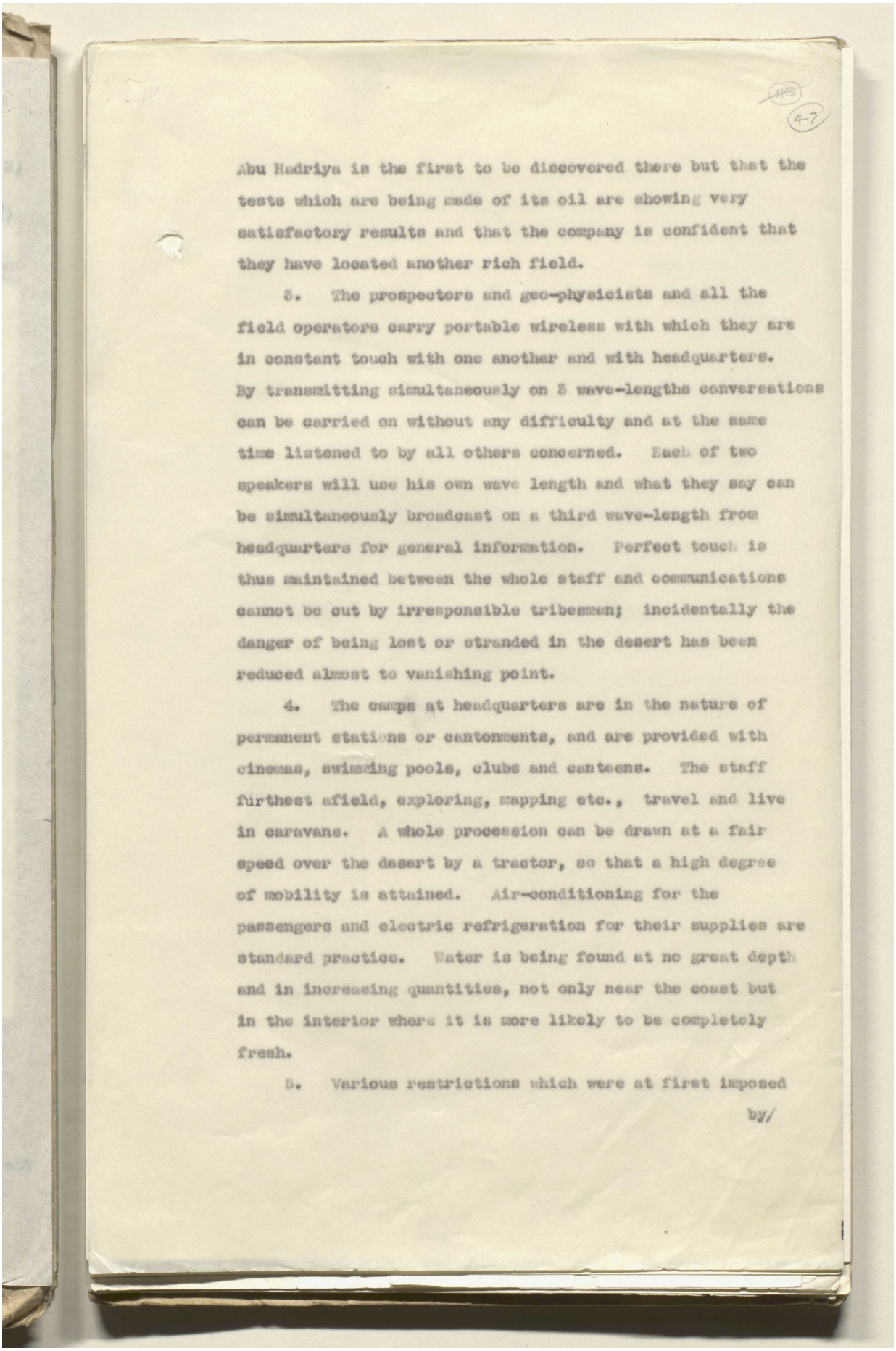

Abu Hadriya is the first to be discovered there but that the tests which are being made of its oil are showing very satisfactory results and that the company is confident that they have located another rich field.

5. The prospectors and geo-physicists and all the field operators carry portable wireless with which they are in constant touch with one another and with headquarters. By transmitting simultaneously on 3 wave-lengths conversations can be carried on without any difficulty and at the same time listened to by all others concerned. Each of two speakers will use his own wave length and what they say can be simultaneously broadcast on a third wave-length from headquarters for general information. Perfect touch is thus maintained between the whole staff and communications cannot be cut by irresponsible tribesmen; incidentally the danger of being lost or stranded in the desert has been reduced almost to vanishing point.

4. The camps at headquarters are in the nature of permanent stations or cantonments, and are provided with cinemas, swimming pools, clubs and canteens. The staff furthest afield, exploring, mapping etc., travel and live in caravans. A whole procession can be drawn at a fair speed over the desert by a tractor, so that a high degree of mobility is attained. Air-conditioning for the passengers and electric refrigeration for their supplies are standard practice. Water is being found at no great depth and in increasing quantities, not only near the coast but in the interior where it is more likely to be completely fresh.

5. Various restrictions which were at first imposed by/

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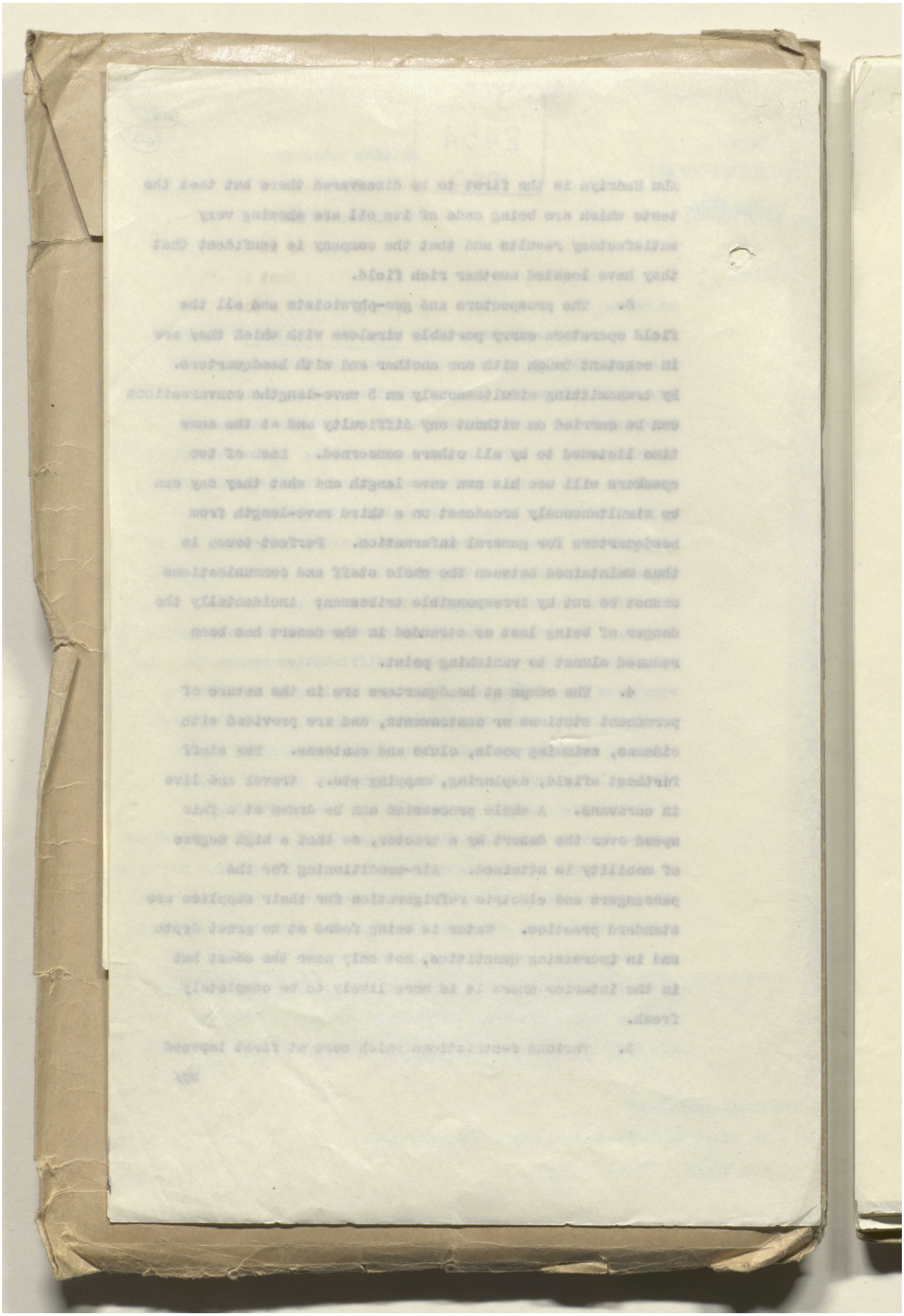

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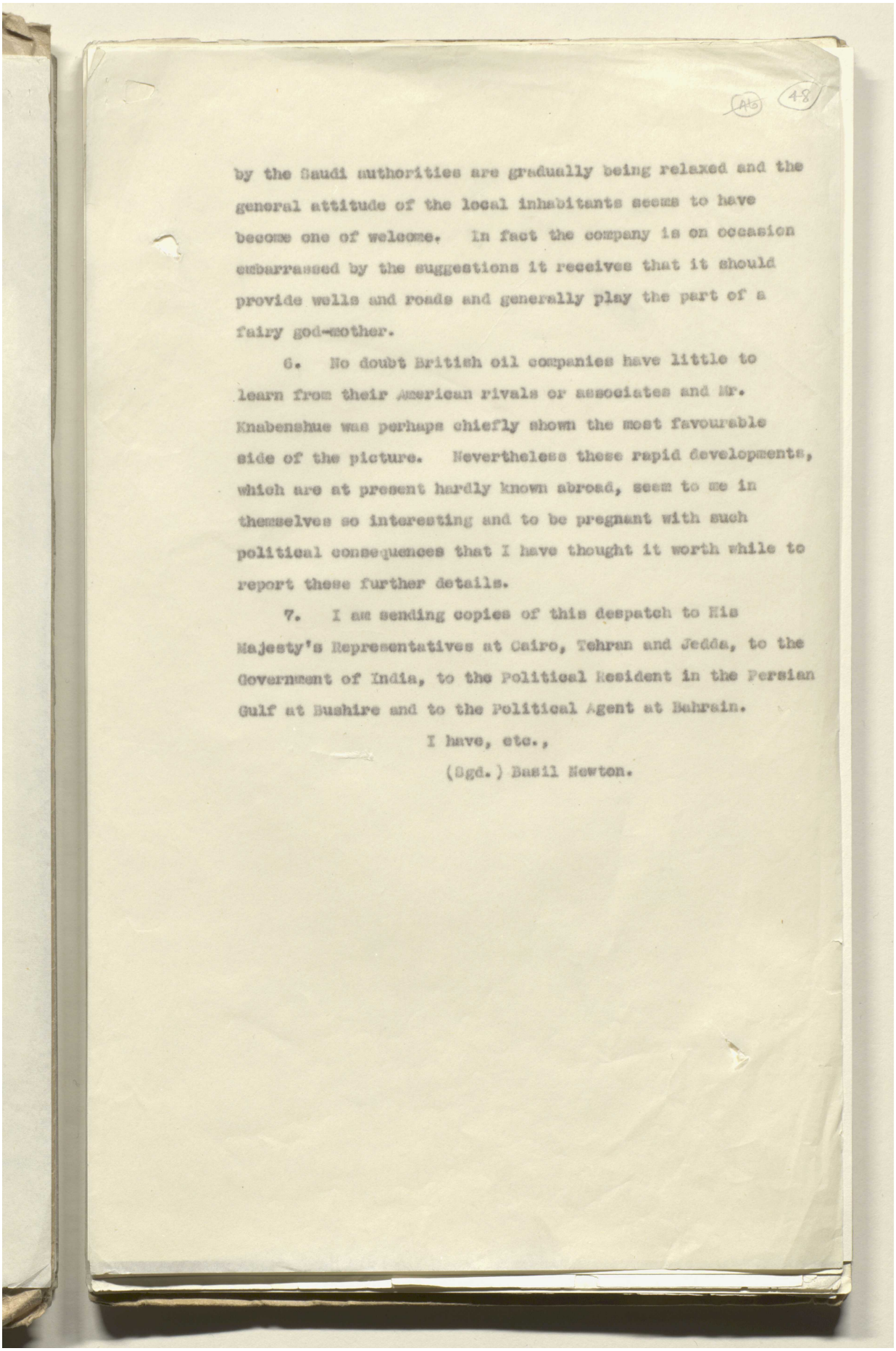

by the Saudi authorities are gradually being relaxed and the general attitude of the local inhabitants seems to have become one of welcome. In fact the company is on occasion embarrassed by the suggestions it receives that it should provide wells and roads and generally play the part of a fairy god-mother.

6. No doubt British oil companies have little to learn from their American rivals or associates and Mr. Knabenshue was perhaps chiefly shown the most favourable side of the picture. Nevertheless these rapid developments, which are at present hardly known abroad, seem to me in themselves so interesting and to be pregnant with such political consequences that I have thought it worth while to report these further details.

7. I am sending copies of this despatch to His Majesty's Representatives at Cairo, Tehran and Jedda, to the Government of India, to the Political Resident in the Persian Gulf at Bushire and to the Political Agent at Bahrain.

I have, etc.,

(Sgd.) Basil Newton.

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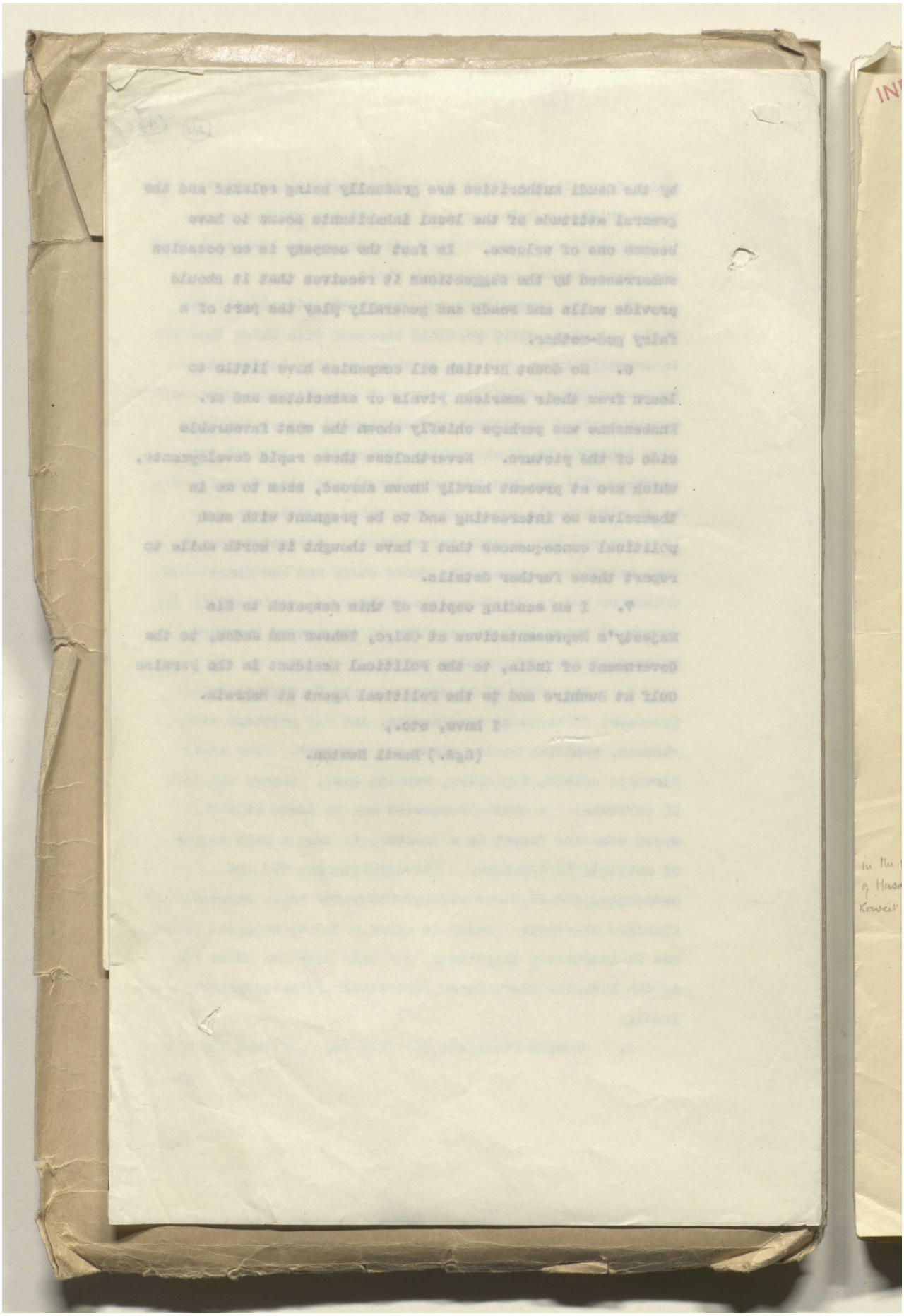

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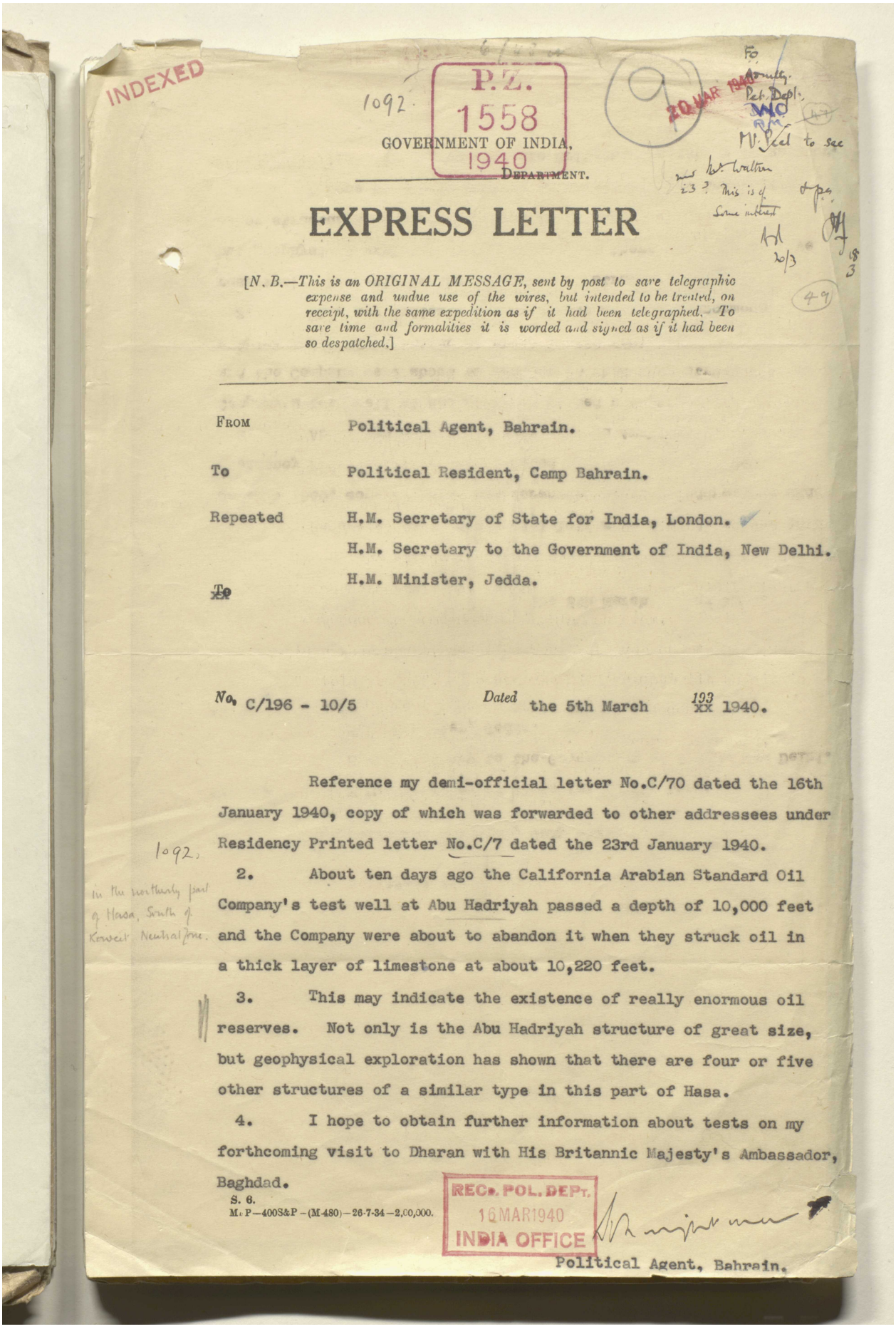

INDEXED

1092

P.Z. 1558 1940

GOVERNMENT OF INDIA.
DEPARTMENT.

20 MAR 1940

Fo Admty. Pet. Dept. WO Rm

MV Peel to see

Mr Walton 23? This is of some interest

Hl 20/3

18 3

49

EXPRESS LETTER

[N. B.—*This is an ORIGINAL MESSAGE, sent by post to save telegraphic expense and undue use of the wires, but intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and formalities it is worded and signed as if it had been so despatched.*]

FROM Political Agent, Bahrain.

To Political Resident, Camp Bahrain.

Repeated H.M. Secretary of State for India, London.
H.M. Secretary to the Government of India, New Delhi.
H.M. Minister, Jedda.

~~To~~

No. C/196 - 10/5 Dated the 5th March ~~19~~ 1940.

Reference my demi-official letter No.C/70 dated the 16th January 1940, copy of which was forwarded to other addressees under Residency Printed letter No.C/7 dated the 23rd January 1940.

1092.

In the northerly part of Hasa, South of Kuwait Neutral Zone.

2. About ten days ago the California Arabian Standard Oil Company's test well at Abu Hadriyah passed a depth of 10,000 feet and the Company were about to abandon it when they struck oil in a thick layer of limestone at about 10,220 feet.

3. This may indicate the existence of really enormous oil reserves. Not only is the Abu Hadriyah structure of great size, but geophysical exploration has shown that there are four or five other structures of a similar type in this part of Hasa.

4. I hope to obtain further information about tests on my forthcoming visit to Dharan with His Britannic Majesty's Ambassador, Baghdad.

S. 6.
M. P—400S&P—(M-480)—26-7-34—2,00,000.

REC. POL. DEPT. 16 MAR 1940 INDIA OFFICE

Political Agent, Bahrain.

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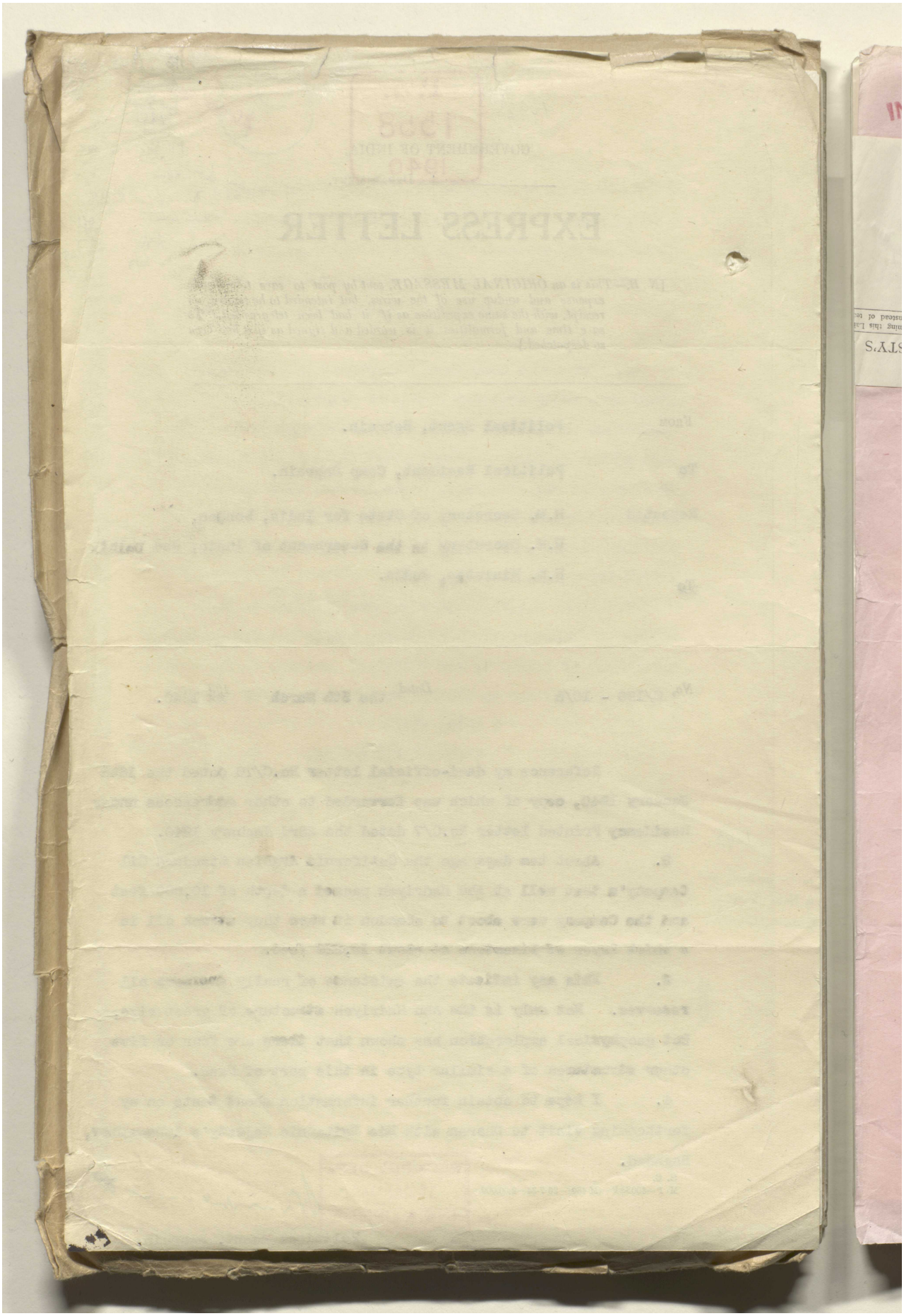

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No. C/7 of 1940.

28 FEB 1940

Fo. Airlty. Ref. Dept. Expl. Am.
N. Peel to see

P.Z. 1092 1940

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. R.T.Peel Esquire, CBE.,MC.,
The India Office, London.

2. O.K.Caroe Esquire, CIE.,ICS.,
Secretary to the Government of India,
External Affairs Department, New Delhi.

3. F.H.W.Stonehewer-Bird Esquire,CMG.,OBE.,
His Majesty's Minister, Jedda,

and has the honour to transmit to him a copy of the undermentioned documents.

(Label)
FASTEN Envelope by gumming this Label OPEN by cutting Label instead of tearing
ON HIS MAJESTY'S

British Consulate-General, BUSHIRE. Dated 23rd January 1940.
Camp, Kuwait.

BRITISH RESIDENCY & CONSULATE-GENERAL BUSHIRE

Reference to previous correspondence: 3674/39.

To 1. Residency letter No.533-S of 3rd June 1939.
To 2. & 3. Residency Printed letter No.534-S of 3rd June 1939.

Description of Enclosure.

Name and Date.	Subject.
Letter No.C/70-10/5 of the 16th January 1940 from the Political Agent, Bahrain.	California Arabian Standard Oil Company's operations in Hasa.

RECD. POL. DEPT. 22 FEB 1940 INDIA OFFICE

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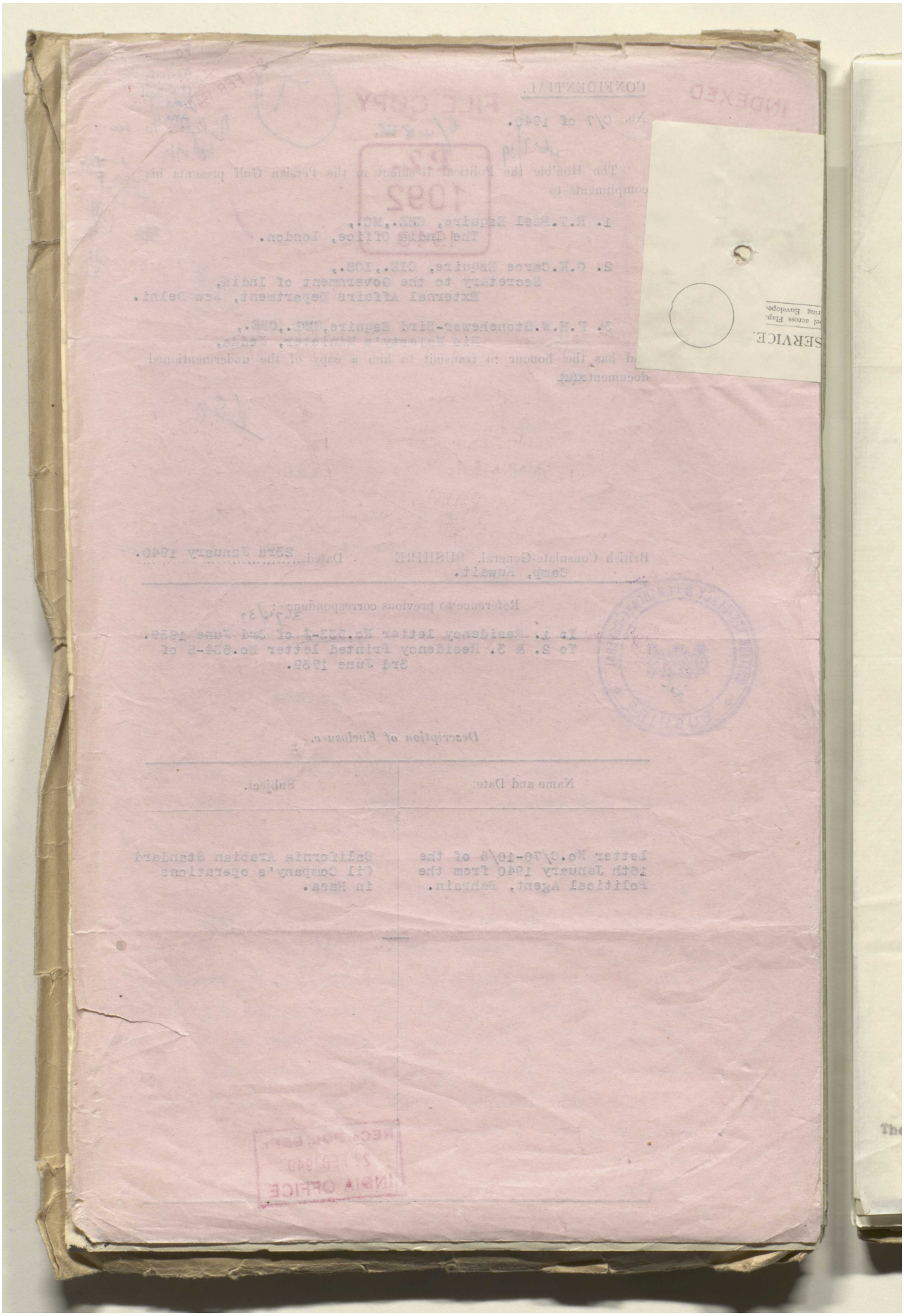

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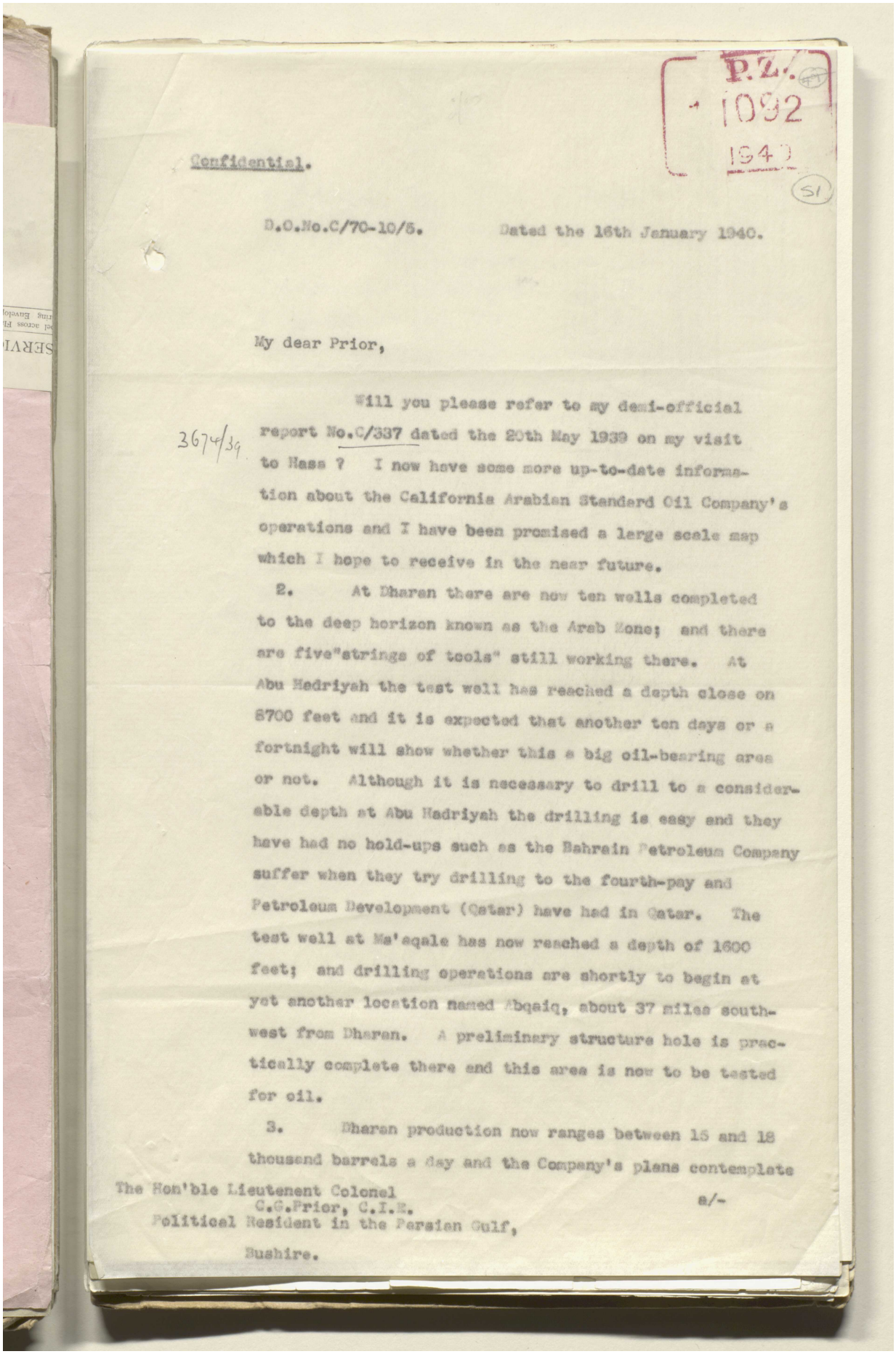

P.Z.
1092
1940

(51)

Confidential.

D.O.No.C/70-10/5. Dated the 16th January 1940.

My dear Prior,

3674/39

Will you please refer to my demi-official report No.C/337 dated the 20th May 1939 on my visit to Hasa ? I now have some more up-to-date information about the California Arabian Standard Oil Company's operations and I have been promised a large scale map which I hope to receive in the near future.

2. At Dharan there are now ten wells completed to the deep horizon known as the Arab Zone; and there are five"strings of tools" still working there. At Abu Hadriyah the test well has reached a depth close on 5700 feet and it is expected that another ten days or a fortnight will show whether this a big oil-bearing area or not. Although it is necessary to drill to a considerable depth at Abu Hadriyah the drilling is easy and they have had no hold-ups such as the Bahrain Petroleum Company suffer when they try drilling to the fourth-pay and Petroleum Development (Qatar) have had in Qatar. The test well at Ma'aqale has now reached a depth of 1600 feet; and drilling operations are shortly to begin at yet another location named Abqaiq, about 37 miles south-west from Dharan. A preliminary structure hole is practically complete there and this area is now to be tested for oil.

3. Dharan production now ranges between 15 and 18 thousand barrels a day and the Company's plans contemplate

The Hon'ble Lieutenent Colonel
C.G.Prior, C.I.E.
Political Resident in the Persian Gulf,
Bushire.

a/-

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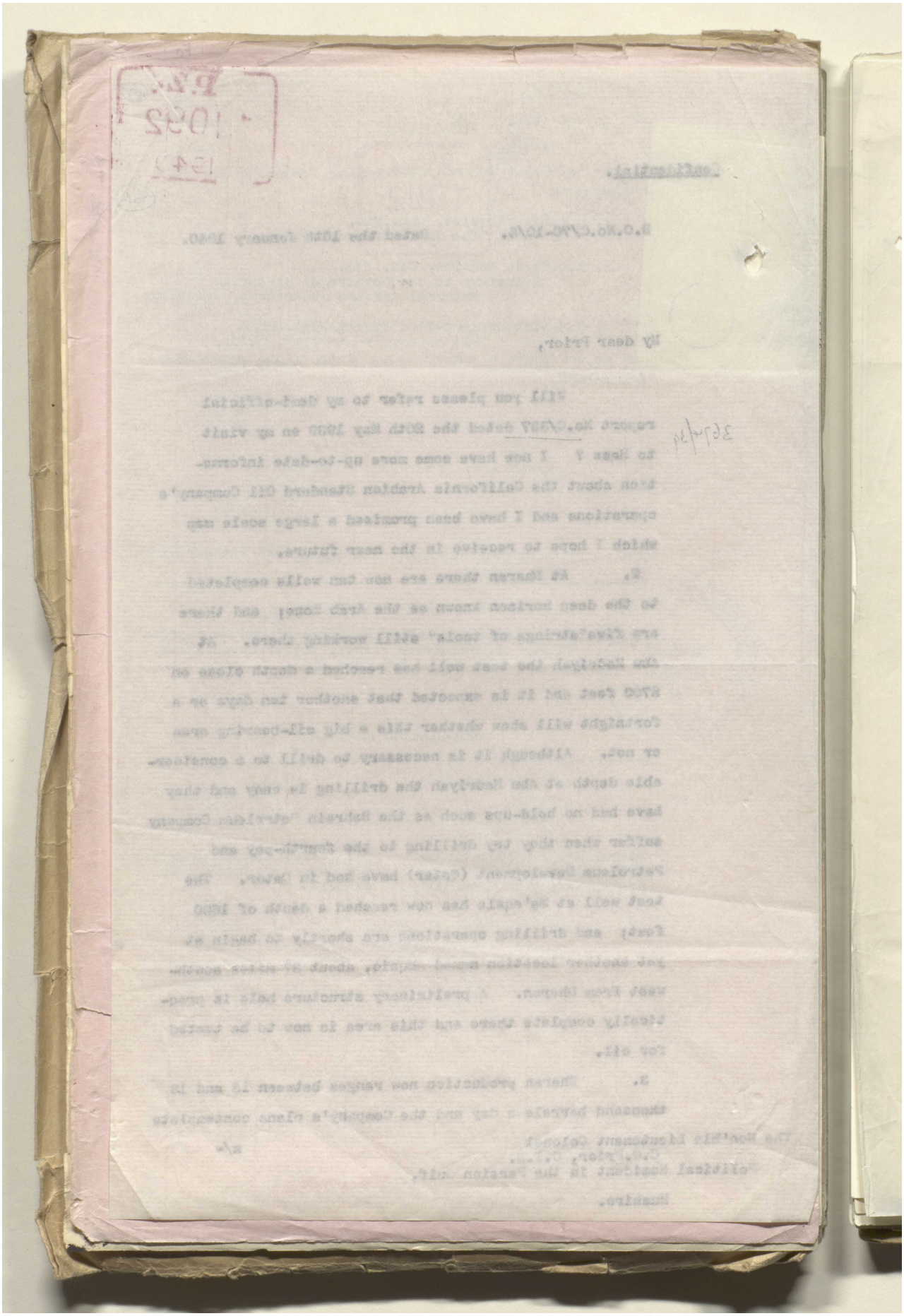

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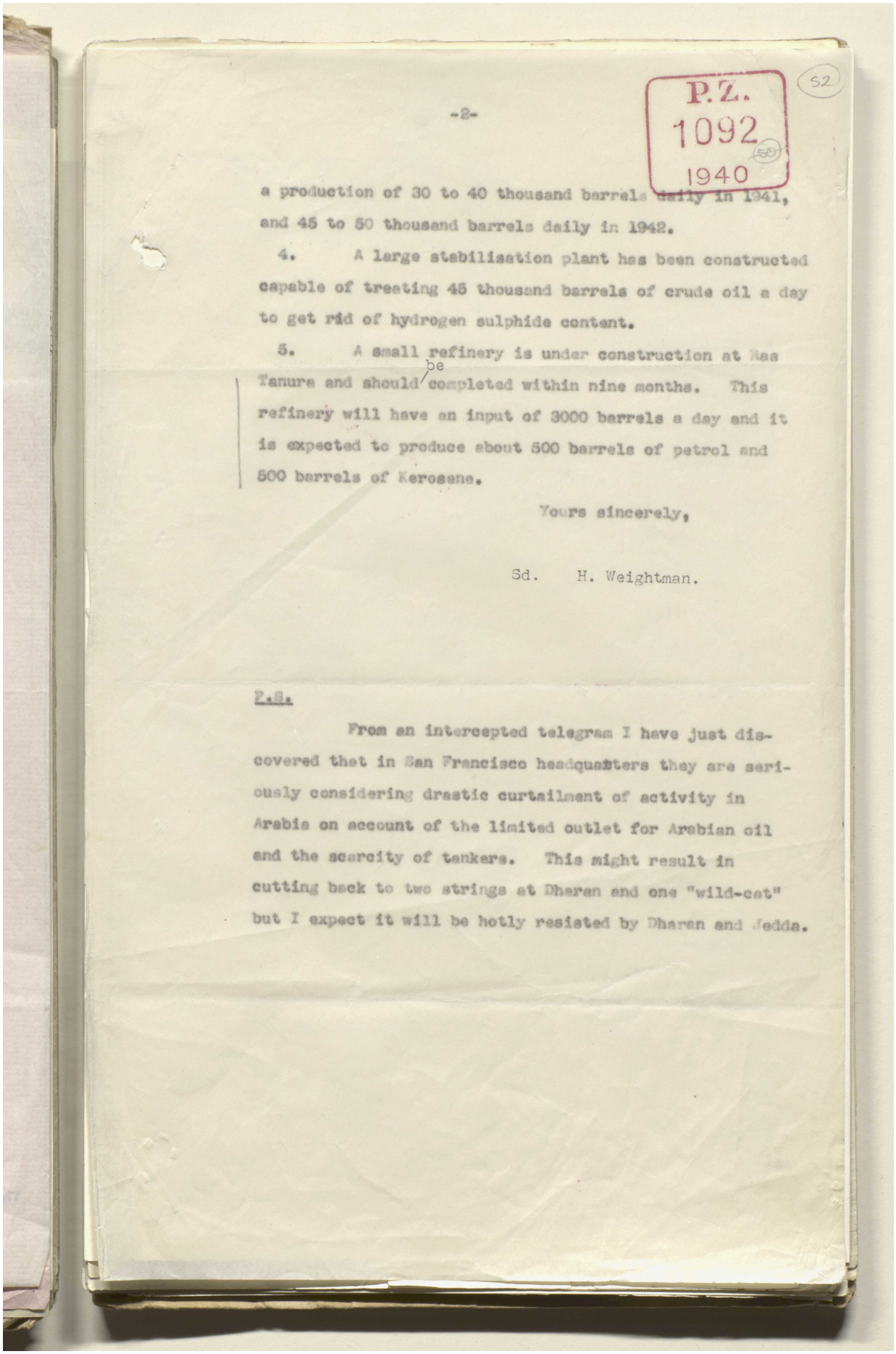

P.Z.
1092
1940

a production of 30 to 40 thousand barrels daily in 1941, and 45 to 50 thousand barrels daily in 1942.

4. A large stabilisation plant has been constructed capable of treating 45 thousand barrels of crude oil a day to get rid of hydrogen sulphide content.

5. A small refinery is under construction at Ras Tanura and should be completed within nine months. This refinery will have an input of 3000 barrels a day and it is expected to produce about 500 barrels of petrol and 500 barrels of Kerosene.

Yours sincerely,

Sd. H. Weightman.

P.S.

From an intercepted telegram I have just discovered that in San Francisco headquarters they are seriously considering drastic curtailment of activity in Arabia on account of the limited outlet for Arabian oil and the scarcity of tankers. This might result in cutting back to two strings at Dharan and one "wild-cat" but I expect it will be hotly resisted by Dharan and Jedda.

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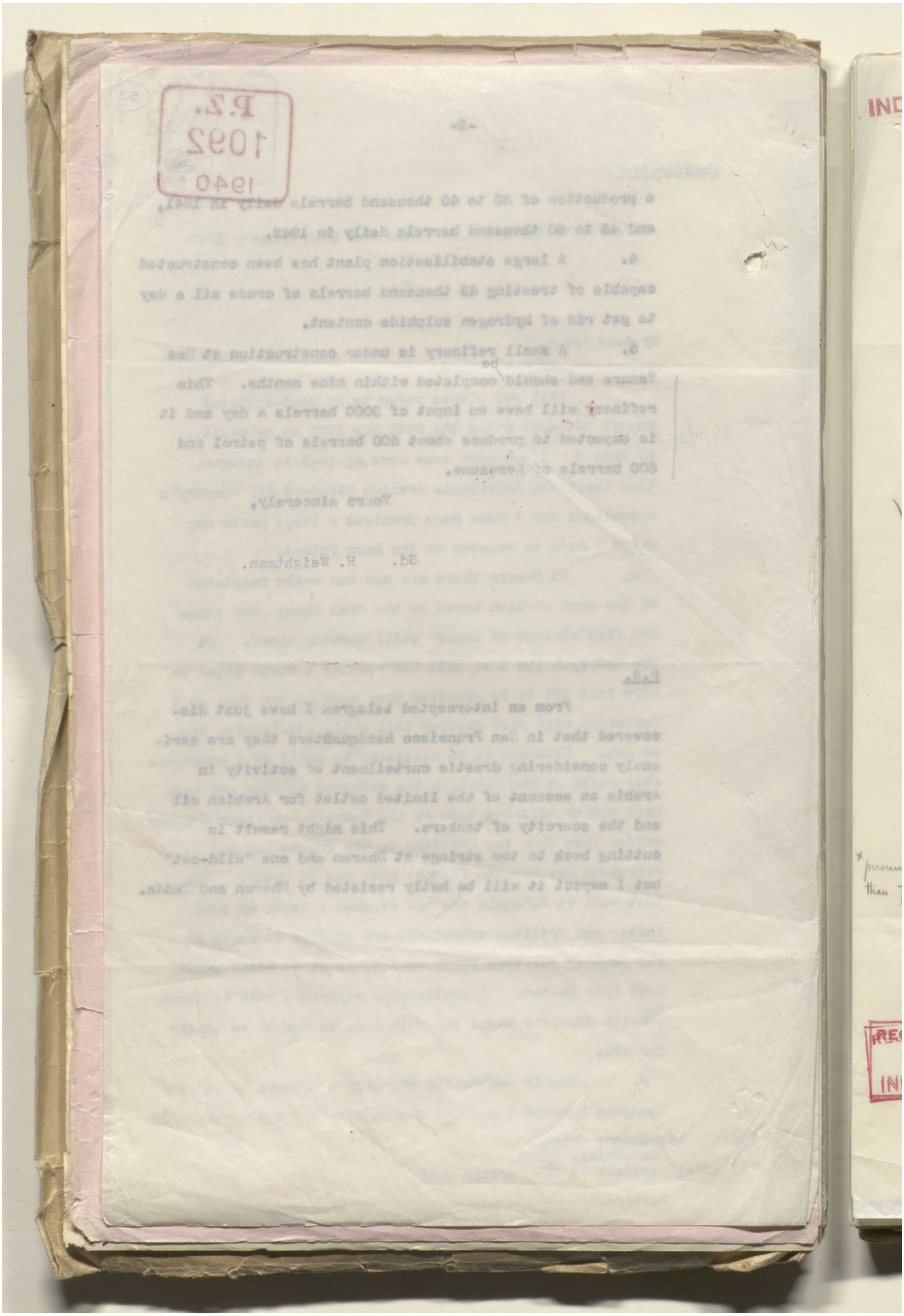

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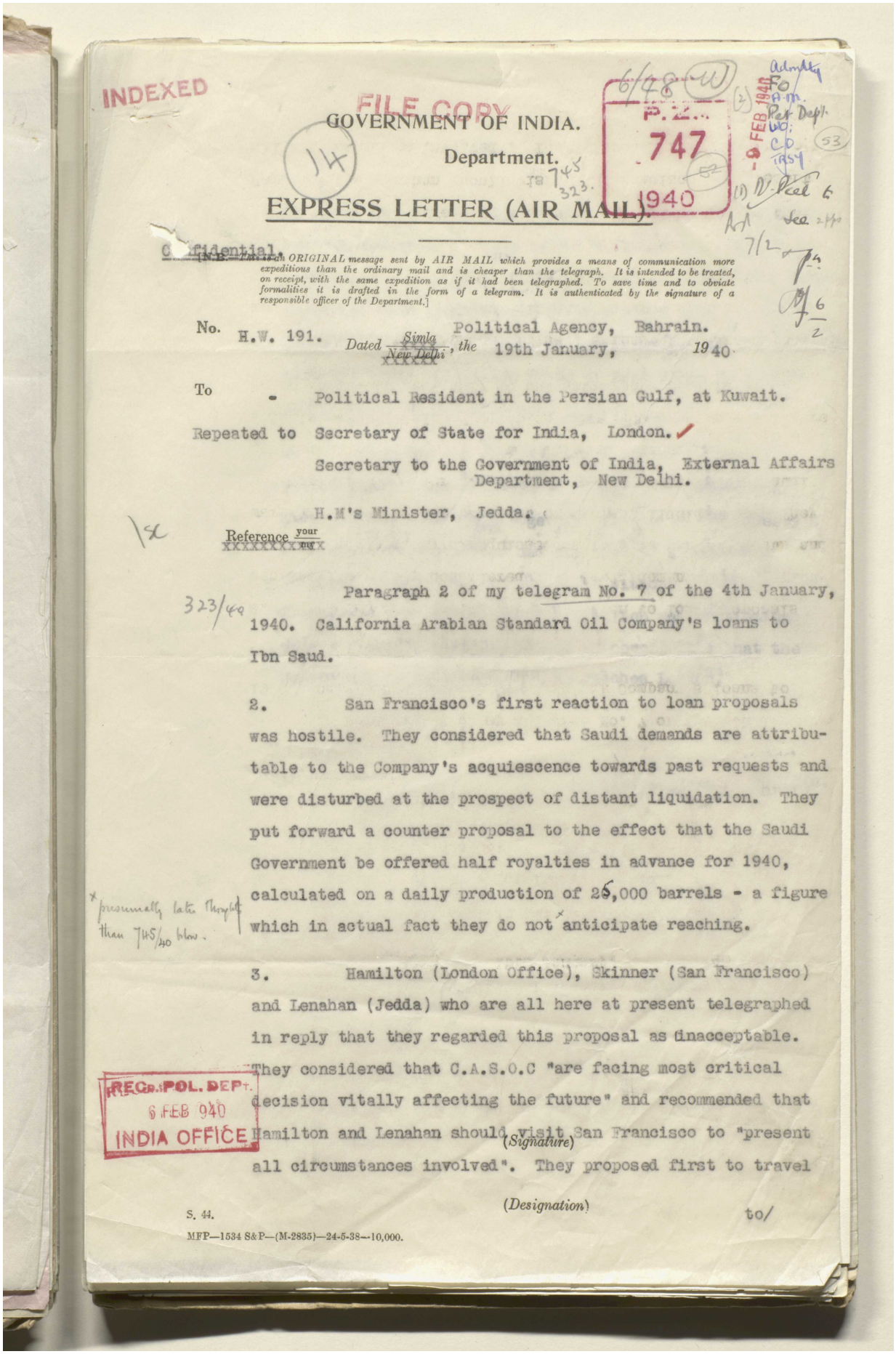

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GOVERNMENT OF INDIA.

Department.

P.Z. 747 1940

9 FEB 1940

EXPRESS LETTER (AIR MAIL).

Confidential.

[N.B. This is an ORIGINAL message sent by AIR MAIL which provides a means of communication more expeditious than the ordinary mail and is cheaper than the telegraph. It is intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and to obviate formalities it is drafted in the form of a telegram. It is authenticated by the signature of a responsible officer of the Department.]

No. H.W. 191. Dated ~~Simla~~ New Delhi, the 19th January, 1940. Political Agency, Bahrain.

To - Political Resident in the Persian Gulf, at Kuwait.

Repeated to Secretary of State for India, London.

Secretary to the Government of India, External Affairs Department, New Delhi.

H.M's Minister, Jedda.

Reference your telegram

Paragraph 2 of my telegram No. 7 of the 4th January, 1940. California Arabian Standard Oil Company's loans to Ibn Saud.

2. San Francisco's first reaction to loan proposals was hostile. They considered that Saudi demands are attributable to the Company's acquiescence towards past requests and were disturbed at the prospect of distant liquidation. They put forward a counter proposal to the effect that the Saudi Government be offered half royalties in advance for 1940, calculated on a daily production of 25,000 barrels - a figure which in actual fact they do not anticipate reaching.

3. Hamilton (London Office), Skinner (San Francisco) and Lenahan (Jedda) who are all here at present telegraphed in reply that they regarded this proposal as unacceptable. They considered that C.A.S.O.C "are facing most critical decision vitally affecting the future" and recommended that Hamilton and Lenahan should visit San Francisco to "present all circumstances involved". They proposed first to travel to/

REGD. POL. DEPT. 6 FEB 940 INDIA OFFICE

(Signature)

(Designation)

S. 44.

MFP—1534 S&P—(M-2835)—24-5-38—10,000.

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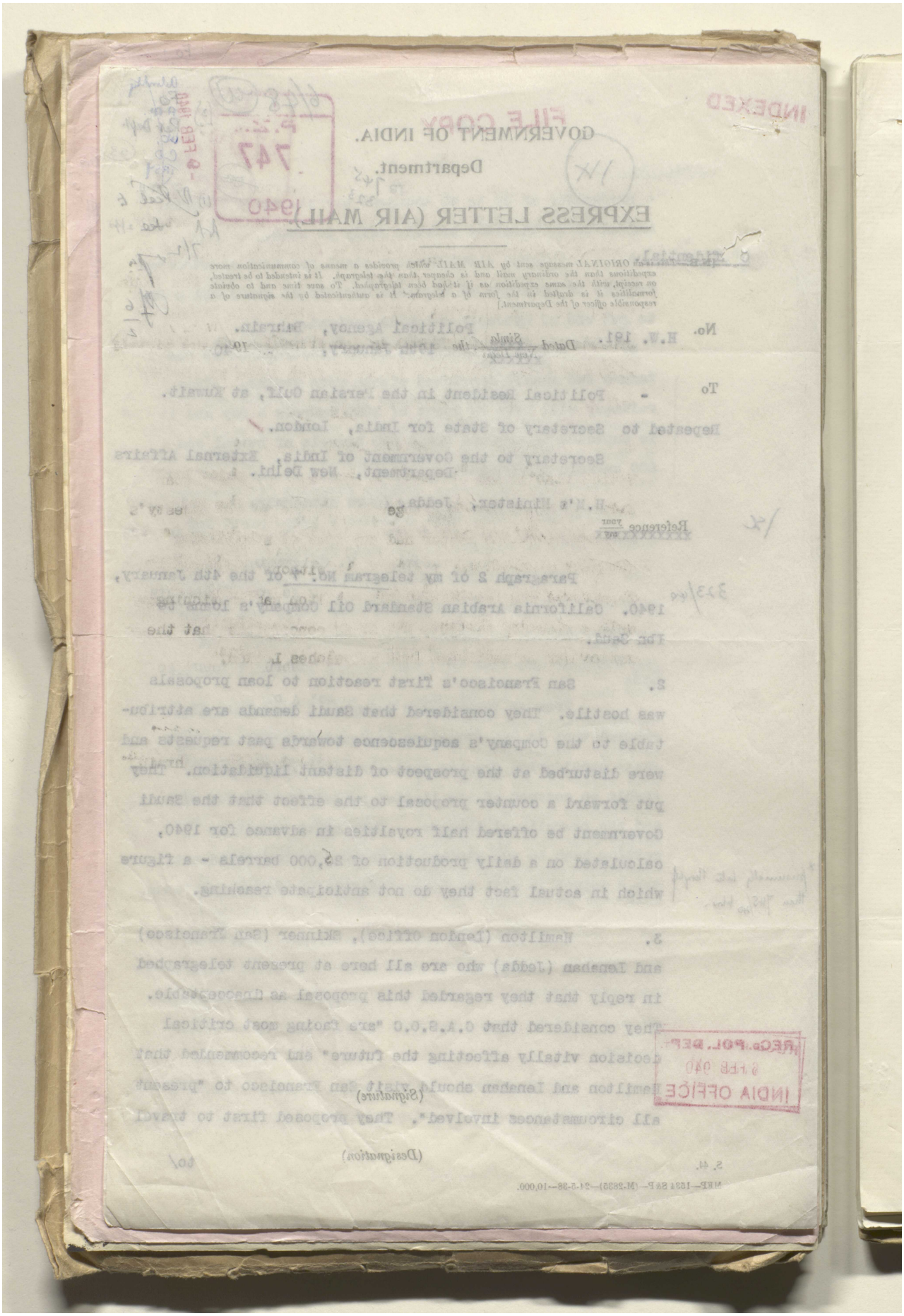

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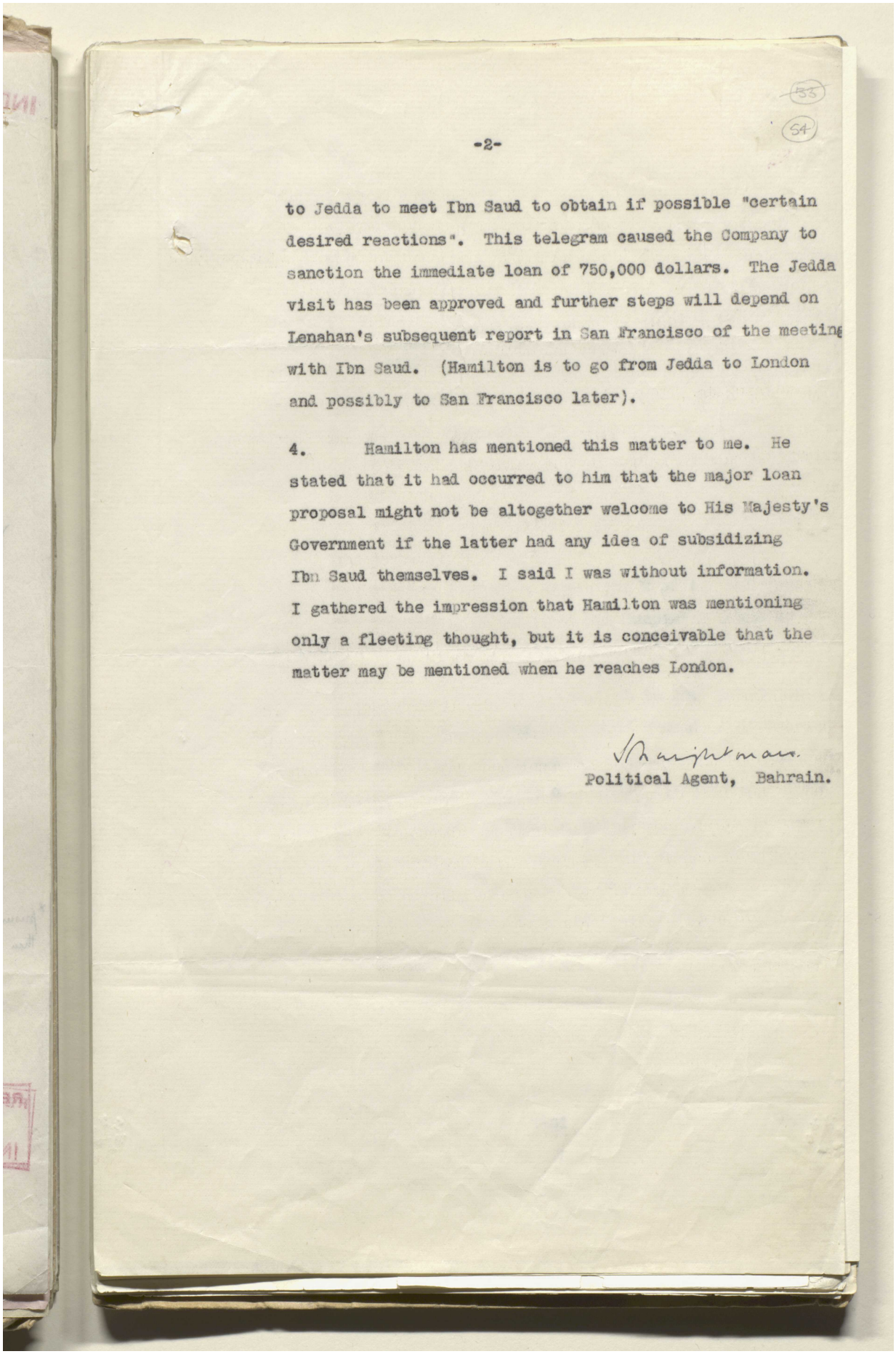

to Jedda to meet Ibn Saud to obtain if possible "certain desired reactions". This telegram caused the Company to sanction the immediate loan of 750,000 dollars. The Jedda visit has been approved and further steps will depend on Lenahan's subsequent report in San Francisco of the meeting with Ibn Saud. (Hamilton is to go from Jedda to London and possibly to San Francisco later).

4. Hamilton has mentioned this matter to me. He stated that it had occurred to him that the major loan proposal might not be altogether welcome to His Majesty's Government if the latter had any idea of subsidizing Ibn Saud themselves. I said I was without information. I gathered the impression that Hamilton was mentioning only a fleeting thought, but it is conceivable that the matter may be mentioned when he reaches London.

Political Agent, Bahrain.

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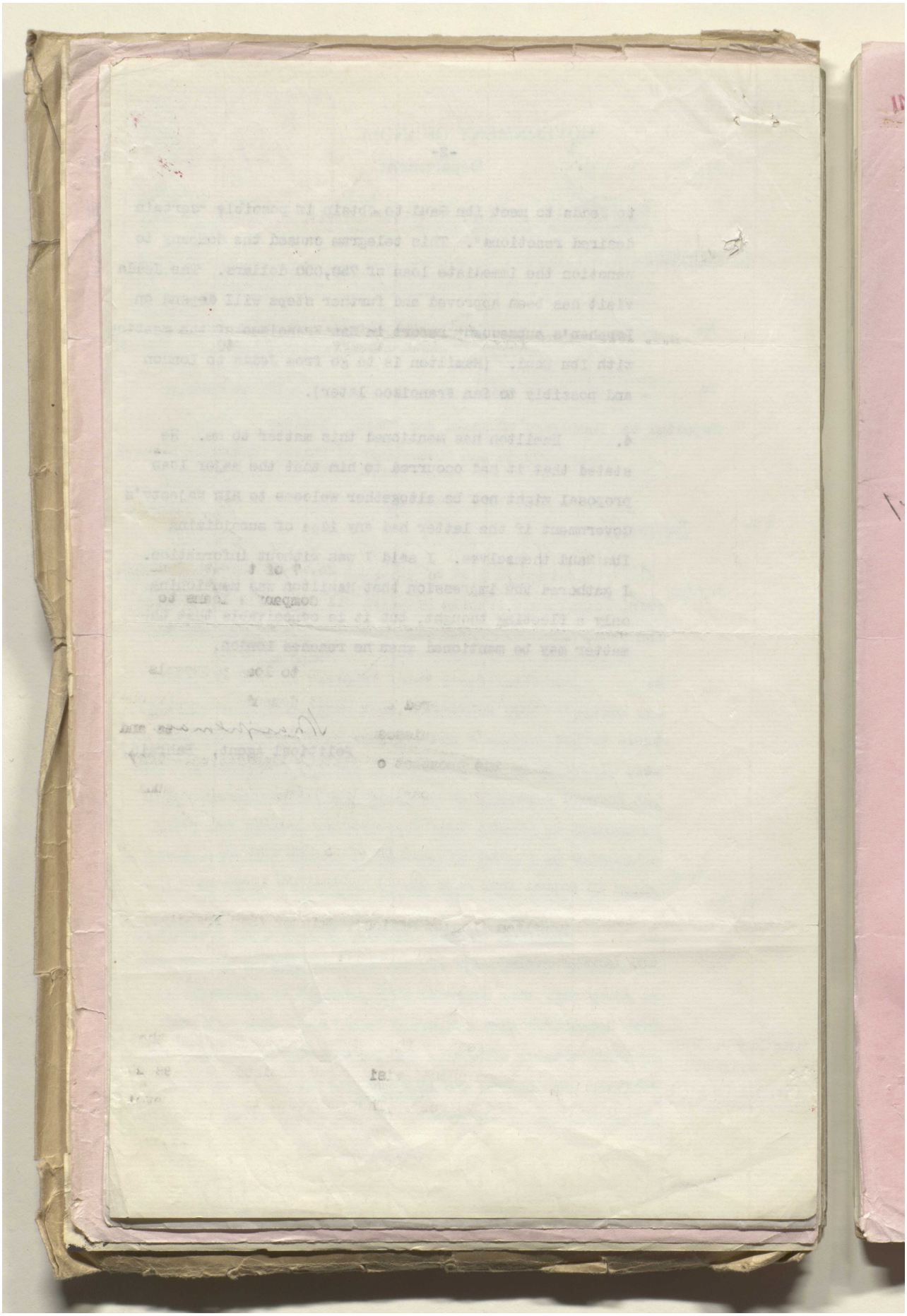

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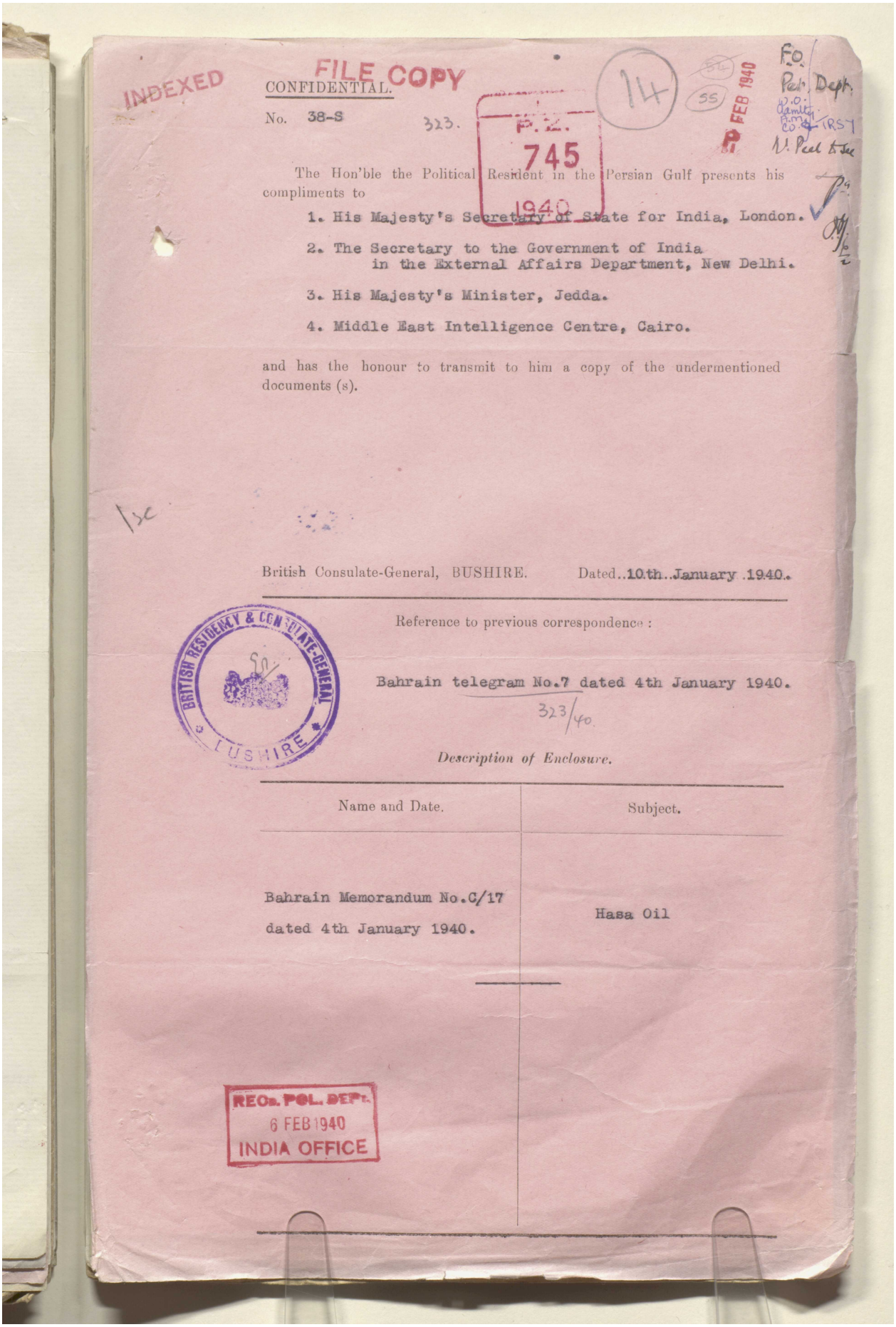

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No. 38-S 323.

P.Z. 745 1940

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P FEB 1940

F.O. Pol. Dept. W.O. Comlty. A.M. CO. IRSY

V. Peel to see

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Secretary to the Government of India in the External Affairs Department, New Delhi.
3. His Majesty's Minister, Jedda.
4. Middle East Intelligence Centre, Cairo.

and has the honour to transmit to him a copy of the undermentioned documents (s).

British Consulate-General, BUSHIRE. Dated 10th January 1940.

Reference to previous correspondence :

Bahrain telegram No.7 dated 4th January 1940.

323/40.

BRITISH RESIDENCY & CONSULATE-GENERAL BUSHIRE

Description of Enclosure.

Name and Date.	Subject.
Bahrain Memorandum No.C/17 dated 4th January 1940.	Hasa Oil

RECD. POL. DEPT. 6 FEB 1940 INDIA OFFICE

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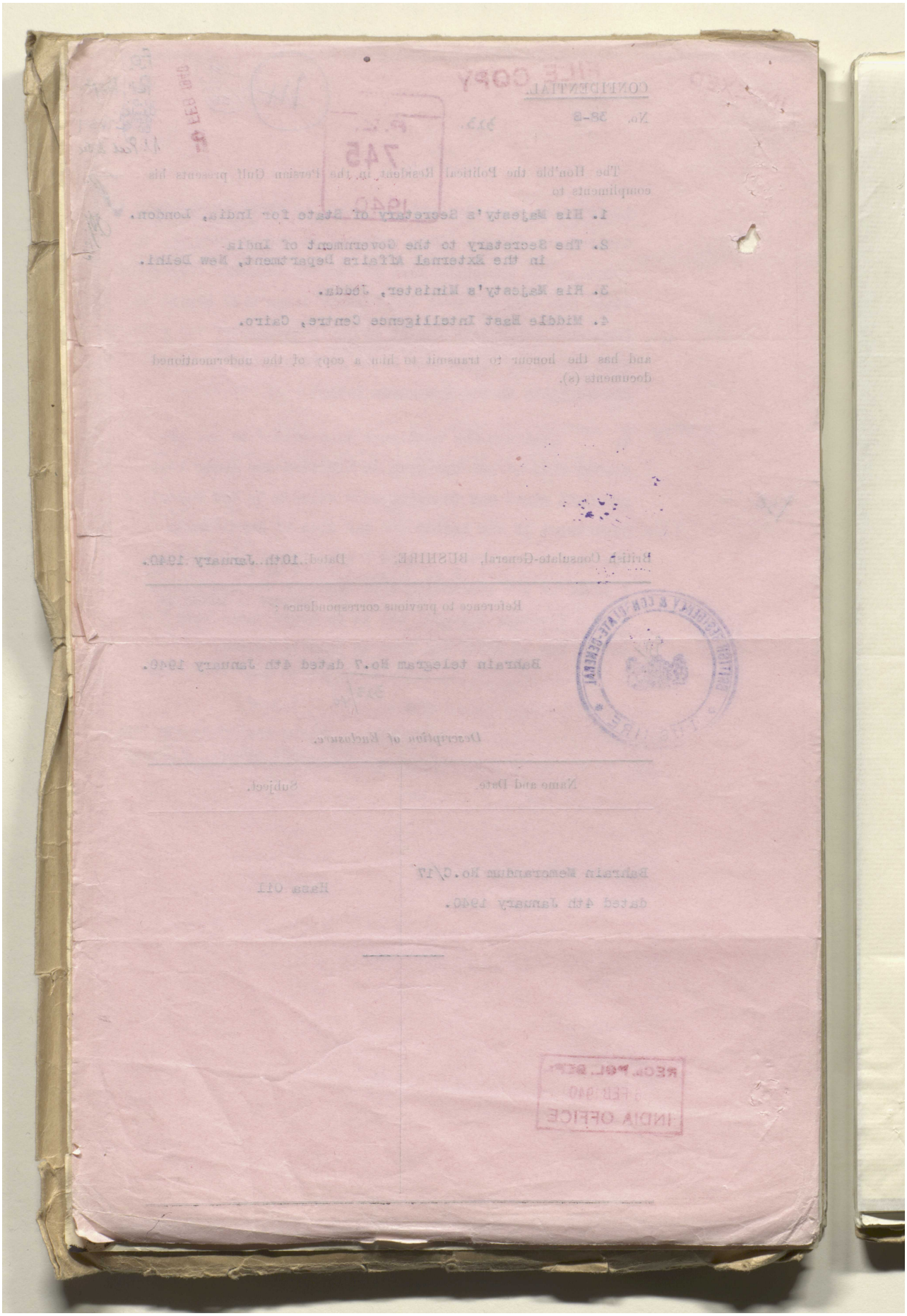

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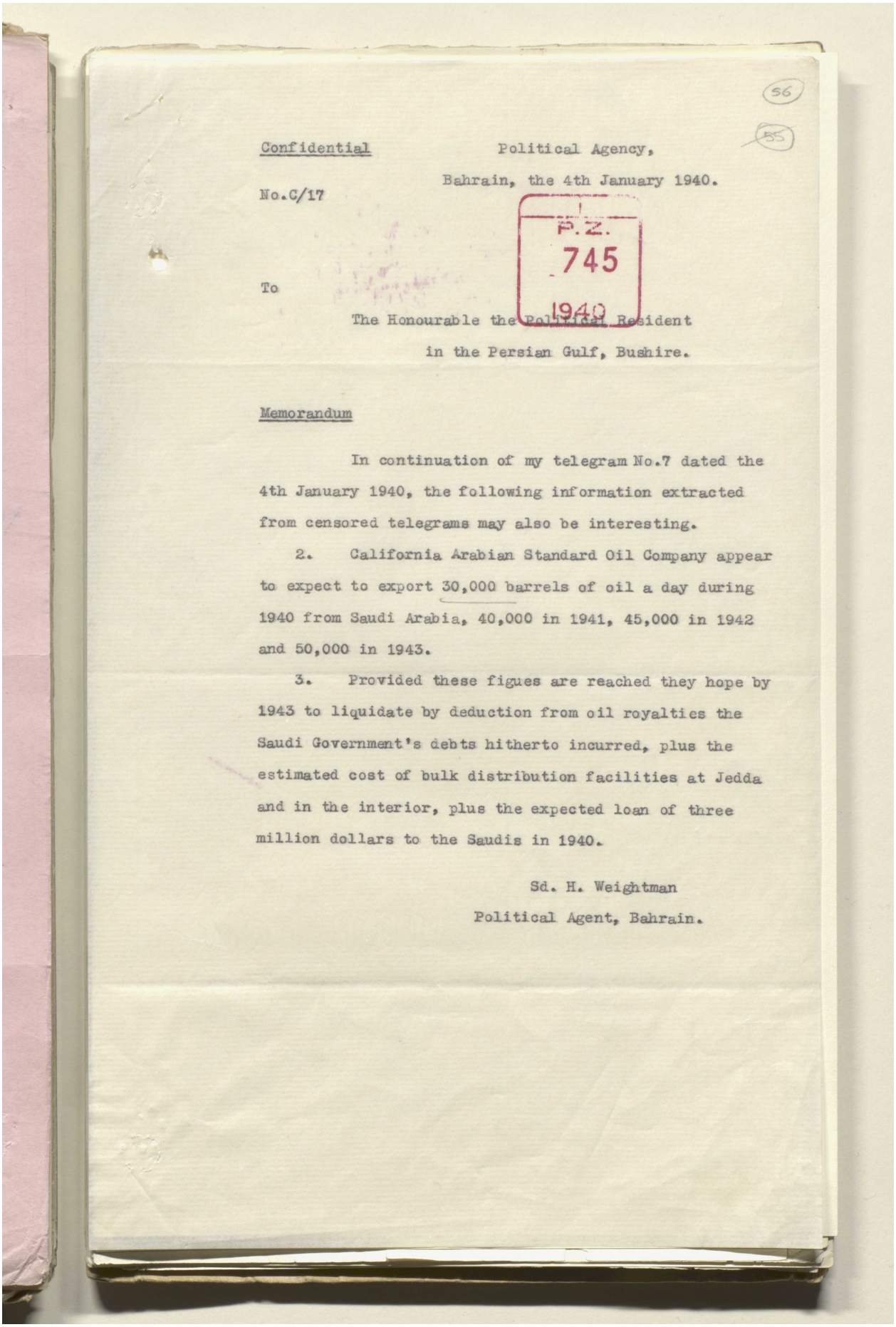

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Confidential

Political Agency,

Bahrain, the 4th January 1940.

No.C/17

P.Z.
745
1940

To

The Honourable the Political Resident
in the Persian Gulf, Bushire.

Memorandum

In continuation of my telegram No.7 dated the 4th January 1940, the following information extracted from censored telegrams may also be interesting.

2. California Arabian Standard Oil Company appear to expect to export 30,000 barrels of oil a day during 1940 from Saudi Arabia, 40,000 in 1941, 45,000 in 1942 and 50,000 in 1943.

3. Provided these figues are reached they hope by 1943 to liquidate by deduction from oil royalties the Saudi Government's debts hitherto incurred, plus the estimated cost of bulk distribution facilities at Jedda and in the interior, plus the expected loan of three million dollars to the Saudis in 1940.

Sd. H. Weightman
Political Agent, Bahrain.

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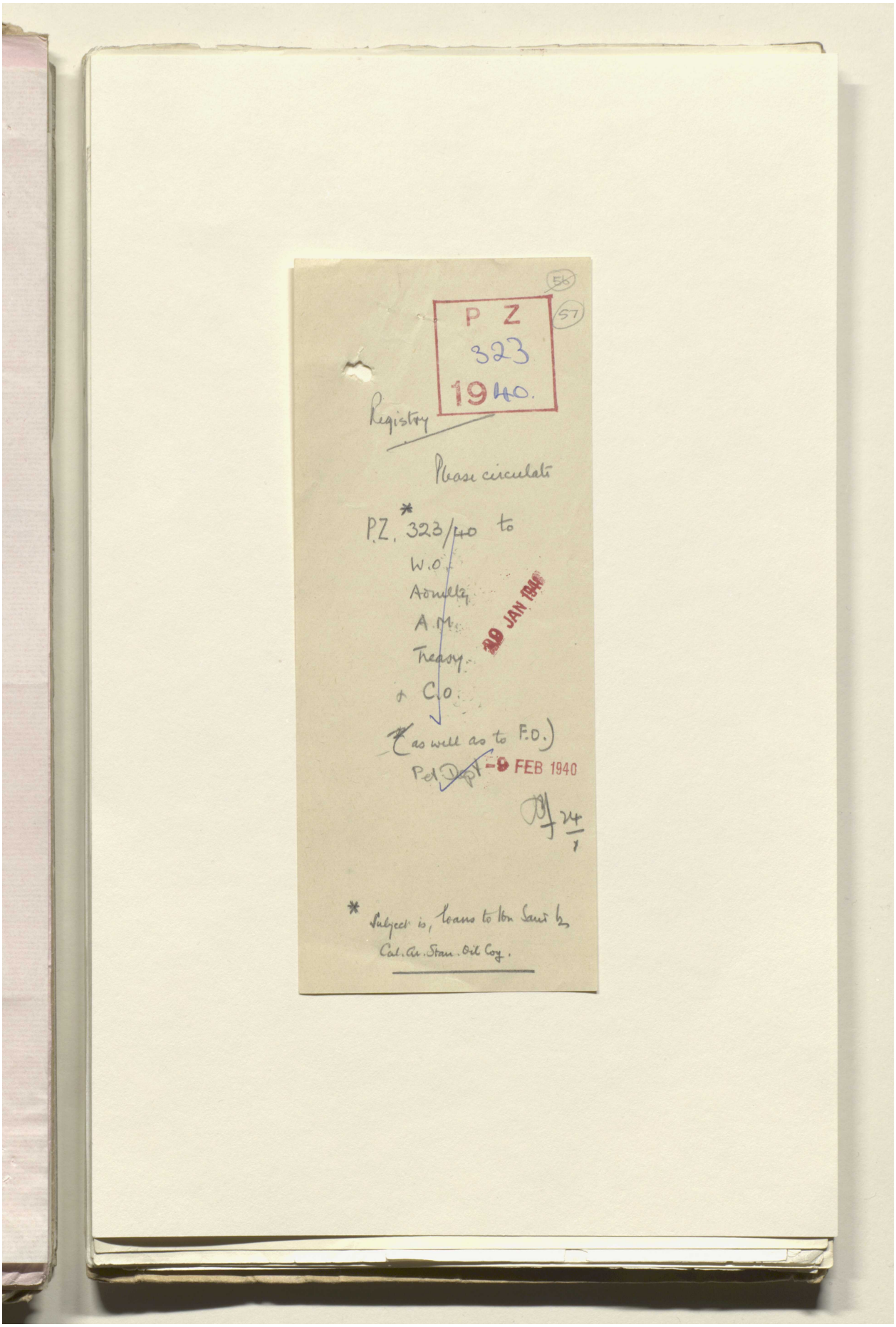

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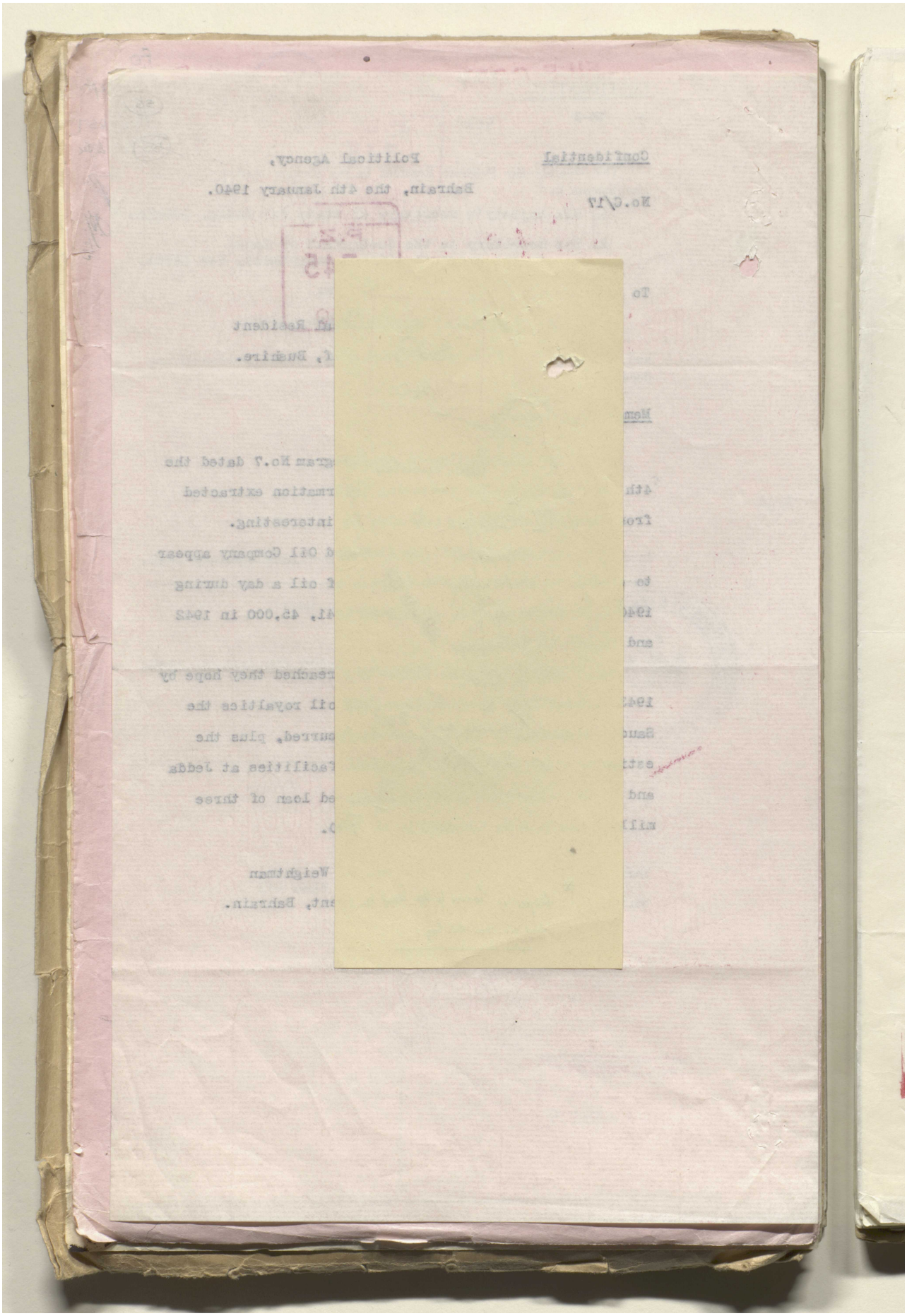

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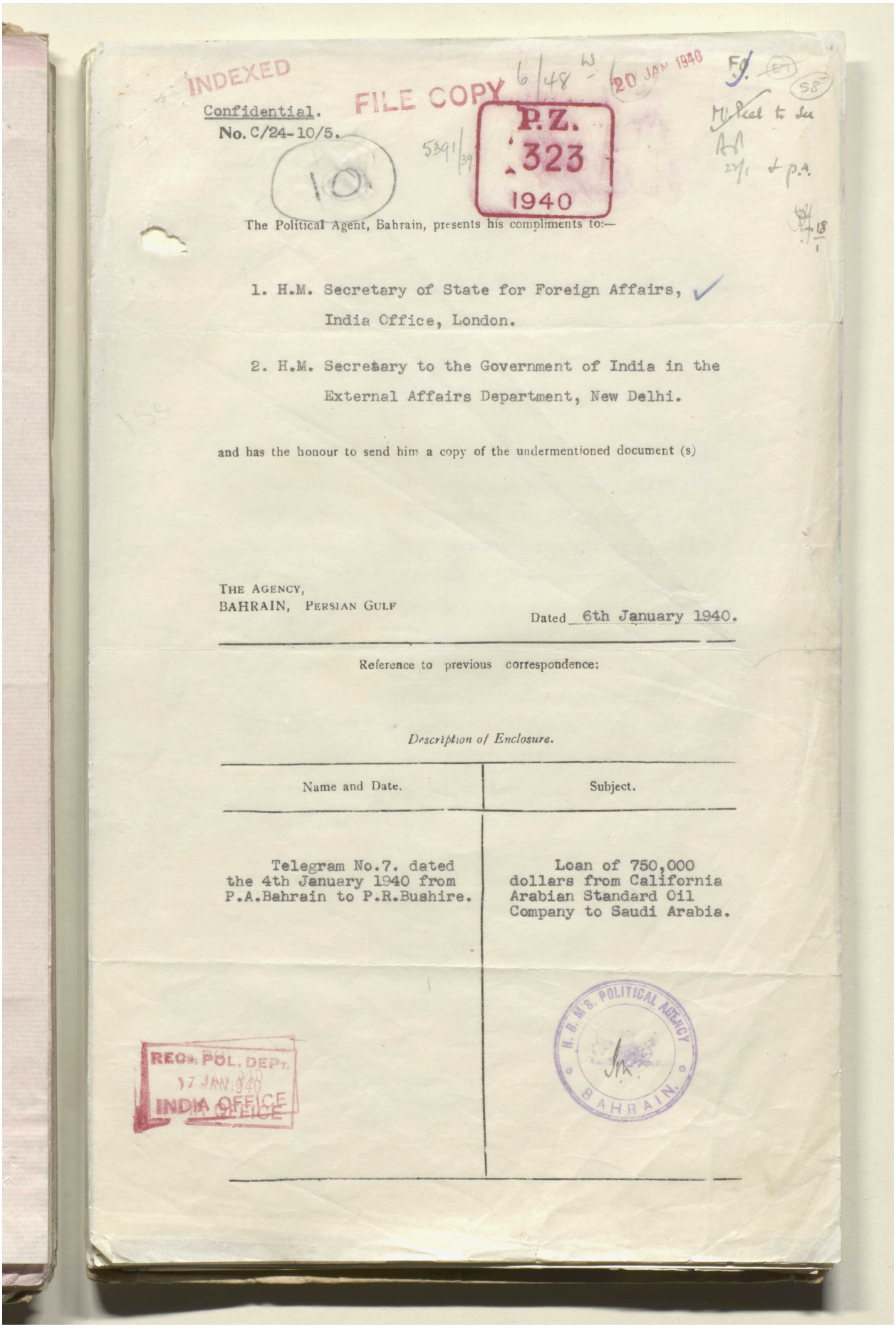

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6/48

20 JAN 1940

Confidential.
No. C/24-10/5.

5391/39

P.Z. 323 1940

The Political Agent, Bahrain, presents his compliments to:—

1. H.M. Secretary of State for Foreign Affairs, India Office, London.

2. H.M. Secretary to the Government of India in the External Affairs Department, New Delhi.

and has the honour to send him a copy of the undermentioned document (s)

THE AGENCY,
BAHRAIN, PERSIAN GULF

Dated 6th January 1940.

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
Telegram No.7. dated the 4th January 1940 from P.A.Bahrain to P.R.Bushire.	Loan of 750,000 dollars from California Arabian Standard Oil Company to Saudi Arabia.

REGD. POL. DEPT. 17 JAN 1940 INDIA OFFICE

H.B.M's. POLITICAL AGENCY BAHRAIN.

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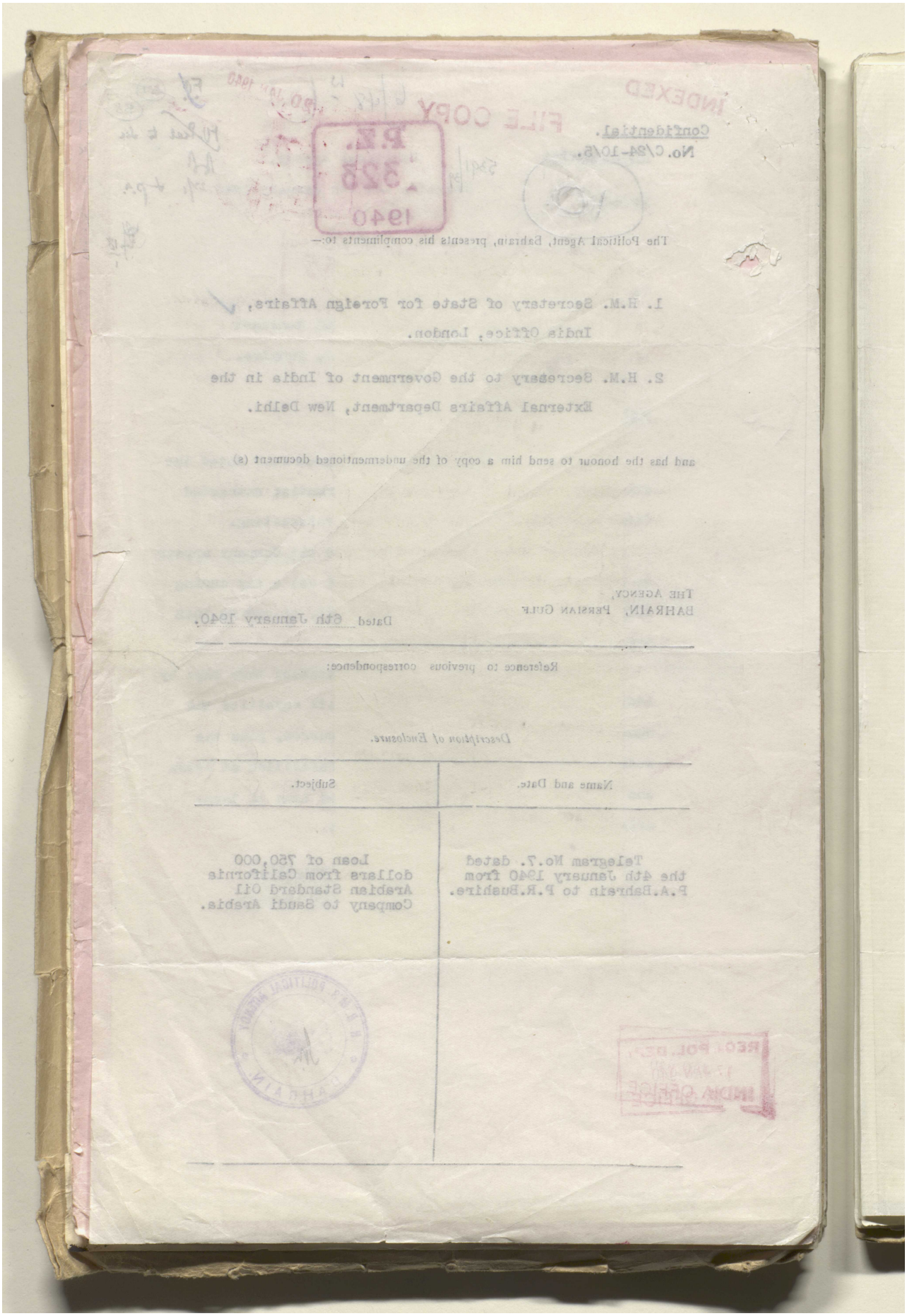

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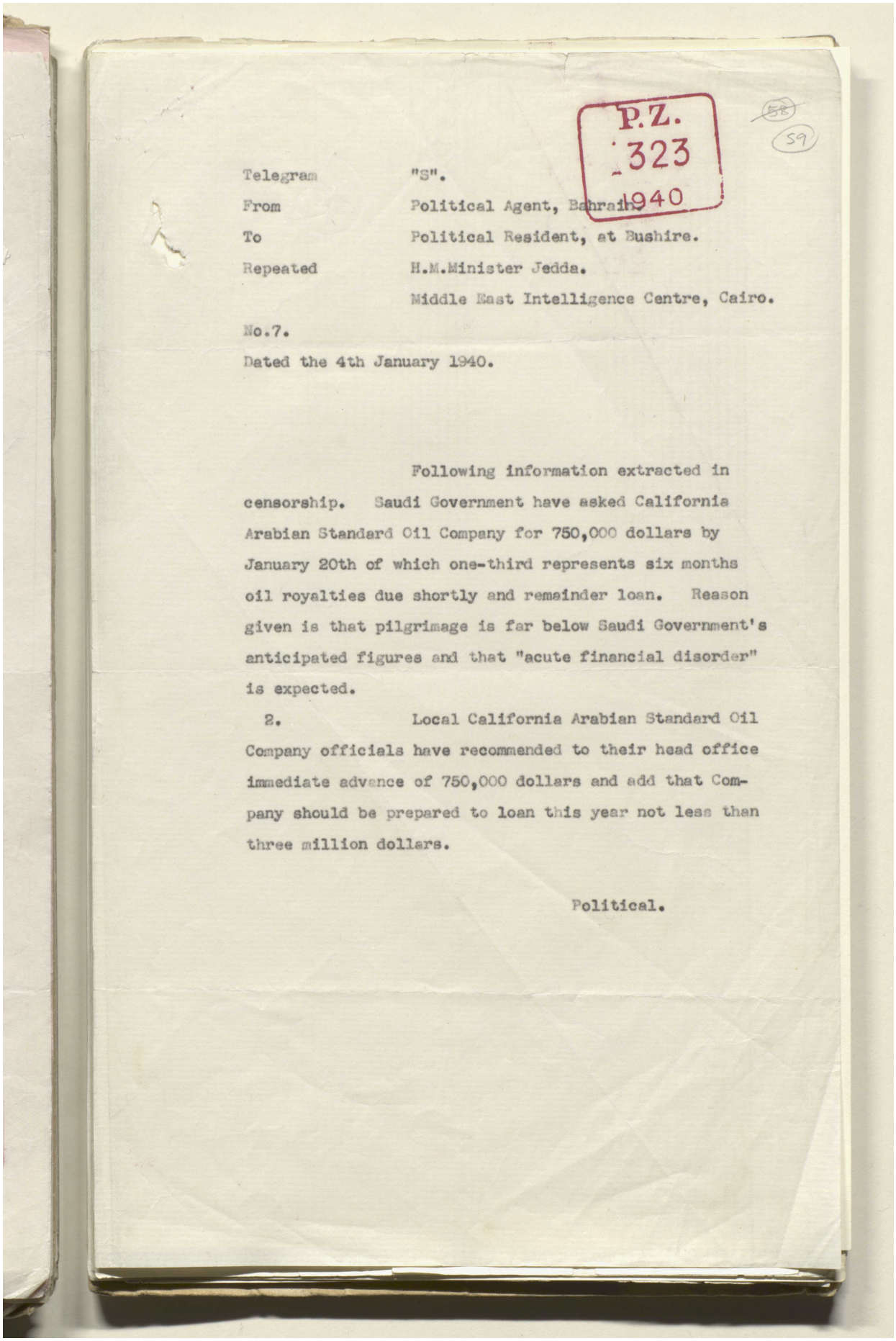

P.Z.
323
1940

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Telegram "S".
From Political Agent, Bahrain.
To Political Resident, at Bushire.
Repeated H.M.Minister Jedda.
Middle East Intelligence Centre, Cairo.

No.7.
Dated the 4th January 1940.

Following information extracted in censorship. Saudi Government have asked California Arabian Standard Oil Company for 750,000 dollars by January 20th of which one-third represents six months oil royalties due shortly and remainder loan. Reason given is that pilgrimage is far below Saudi Government's anticipated figures and that "acute financial disorder" is expected.

2. Local California Arabian Standard Oil Company officials have recommended to their head office immediate advance of 750,000 dollars and add that Company should be prepared to loan this year not less than three million dollars.

Political.

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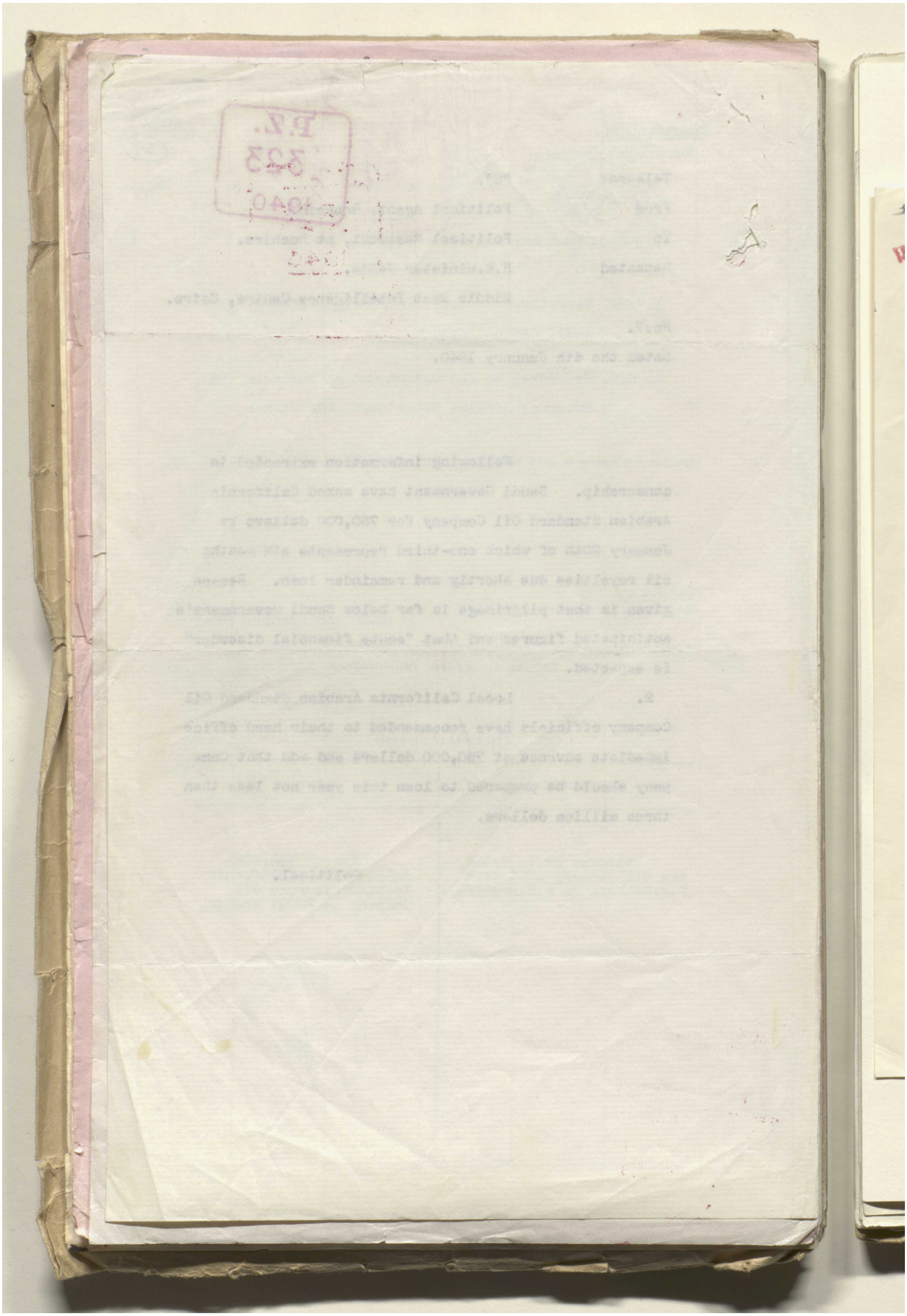

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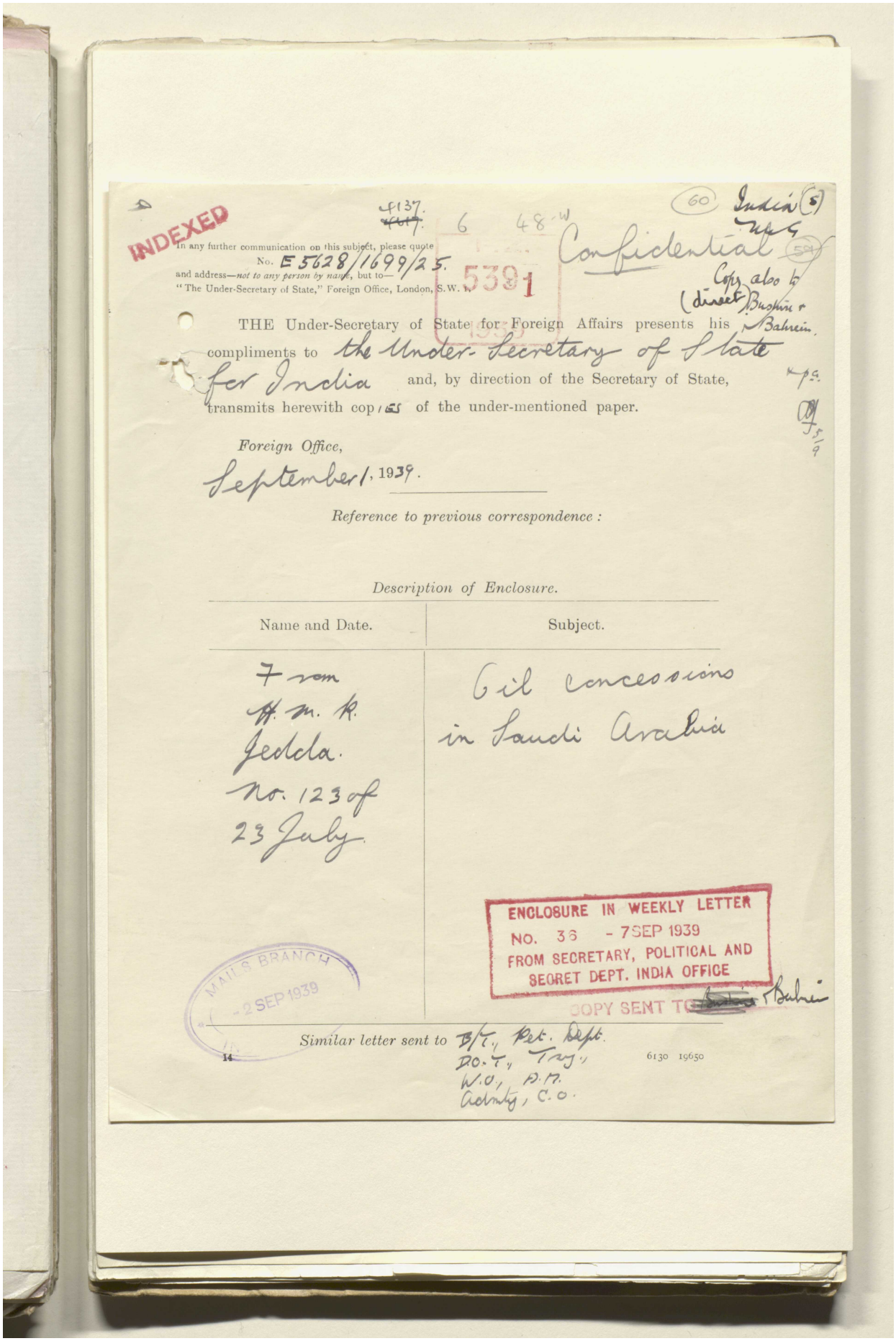

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In any further communication on this subject, please quote
No. E 5628/1699/25.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

5391

Confidential (59)

Copy also to (direct) Bushire & Bahrein.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
September 1, 1939.

Reference to previous correspondence :

Description of Enclosure.

Name and Date.	Subject.
From H. M. K. Jedda. No. 123 of 23 July.	Oil concessions in Saudi Arabia

ENCLOSURE IN WEEKLY LETTER
NO. 36 - 7 SEP 1939
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

MAILS BRANCH - 2 SEP 1939

COPY SENT TO ~~Bushire~~ Bahrein

Similar letter sent to B/T., Pet. Dept. D.O.T., Tsy., W.O., A.M. Admty, C.O.

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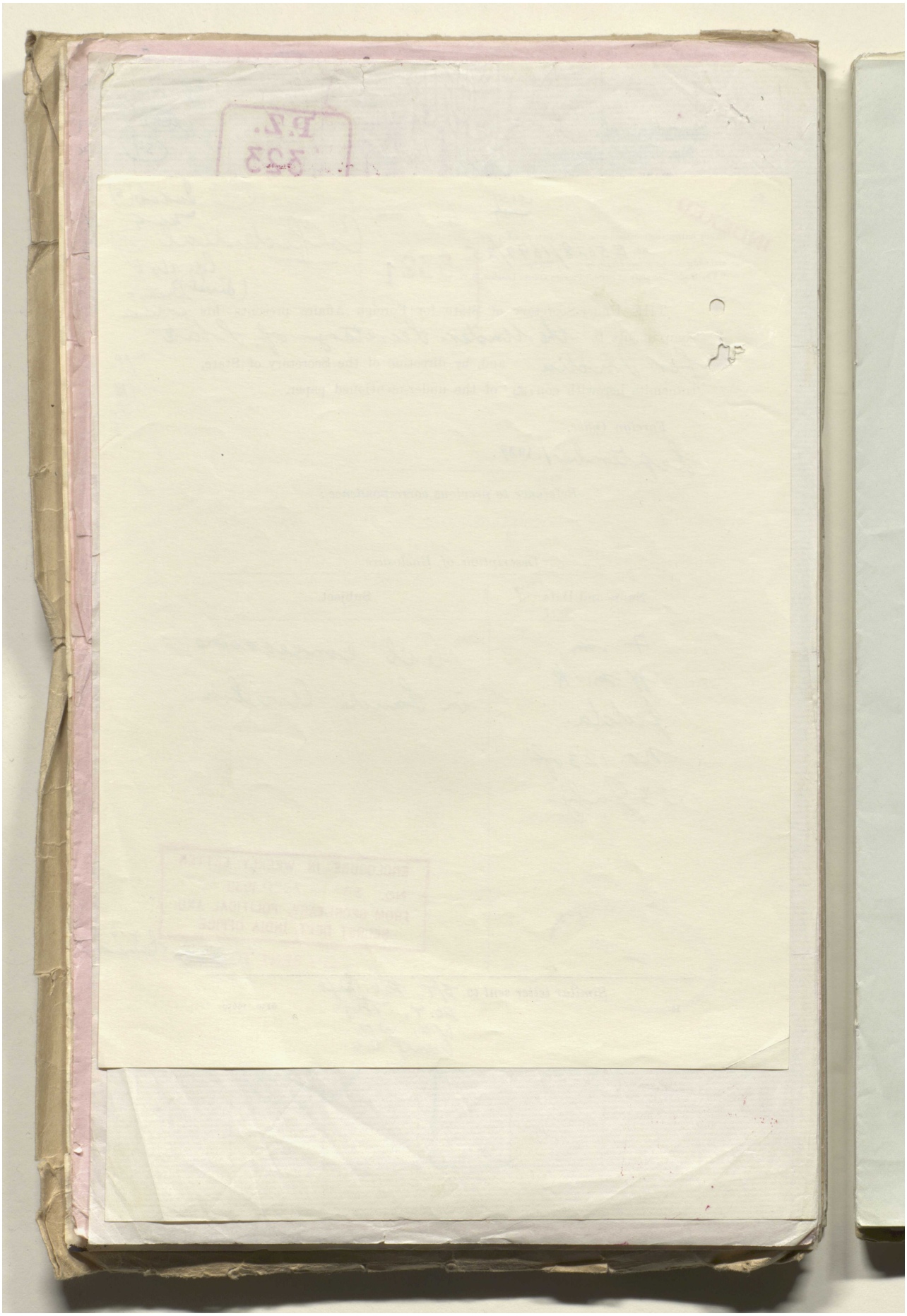

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5391
1939

EASTERN (ARABIA). August 10, 1939.

CONFIDENTIAL. SECTION 2.

[E 5628/1699/25] Copy No. 113

Mr. Trott to Viscount Halifax.—(Received August 10.)

(No. 123.)

My Lord, *Jedda, July 23, 1939.*

I HAVE the honour to transmit to you herewith a copy of the agreement which was signed at Riyadh on the 31st May last by representatives of the Saudi Arabian Government and of the California Arabian Standard Oil Company. The procedure of ratification by both parties will be understood from the terms of articles 15 and 16 of the agreement: the ratification of the Saudi Arabian Government was published in the Mecca paper *Umm-al-Qura* on the 7th July, 1939; the agreement itself was not published in the local press until the 21st July, which, under article 15, becomes the "effective date" on which the agreement enters into force. It is evident that the San Francisco office of the company must have forwarded its ratification, though no formal notice to that effect has yet appeared.

2. The text of the agreement will no doubt be studied by the competent departments of His Majesty's Government, and I propose to confine myself in this despatch to a few comments on some points, which, on a first reading, appear to me worthy of notice.

3. The references in this agreement to the previous one signed in 1933 accord perfectly with the text of the latter instrument, which was printed as an enclosure to Foreign Office Print (Confidential) No. 15474 of the 22nd September, 1938.(1) There is, however, no mention of any document dated the 27th May, 1933; the new agreement refers to the original 1933 agreement as "the Saudi Arab Concession," and says that it was signed on the 29th May, 1933, the same day as that on which Mr. L. N. Hamilton addressed to the Saudi Minister of Finance his letter containing four paragraphs and now called the "Second Principal Agreement."

4. The areas to which the new agreement, or rather the three agreements taken together, applies are set forth in the terminal schedule. Not only is the previous concessionary area in Eastern Arabia included, but a northern area, a southern area, and the two neutral zones are now allotted to the company for exploitation. I learn from Sheikh Yusuf Yasin that His Majesty turned over in his mind for a long time the question of the boundaries of the northern and southern areas: he is unwilling to have any oil prospecting in the centre of the country, and he knows that there is considerable doubt as to where its frontiers really are. The new areas cannot be traced on a map unless the position of such points as "the northern end of the westerly edge of the Dahana," the "southern end of the westerly edge of the Dahana," "the north-east corner of the boundary line between Yemen and Saudi Arabia," and of the northern edge of the Great Nefud are first determined. I have not yet been able to fix these places with any accuracy on any map.

5. No mention is made in the new agreement of the "contact line between the sedimentary and the igneous formations" which probably does not coincide with the eastern edge of the Red Sea Concession. But it is clear from article 12 that whatever preference rights the company possessed under the previous agreements over areas not yet assigned to them still persist.

6. The company has the right, under section (*c*) of article 6, to promote a company or companies of a nationality acceptable to the Government to exploit the oil in either of the neutral zones; it also possesses various rights of transport in and access to those zones.

7. Article 9 gives the company certain rights over the area assigned in 1936 to Petroleum Concessions (Limited) in the Red Sea area.

(1) See "Further Correspondence respecting Eastern Affairs," Part XLIII, No. 9.

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8. The consideration paid and to be paid for these extensions of the company's area of operations appears very liberal. £140,000 gold is payable at once; thereafter an annual rental of £20,000 is to be paid; and whenever oil in commercial quantities is discovered in the additional areas a further sum of £100,000 gold will be paid. From July 1940 onwards, until oil is discovered in the new areas, 1,300,000 gallons of gasoline and 100,000 gallons of kerosene will be presented to the Saudi Arabian Government, and after such a discovery is made the amount of gasoline will be increased by 1 million gallons. I have not heard what actual sum in cash has passed; it is clear from the last words of article 4 that the rental due under the 1933 agreements had been overpaid, and I should not be surprised to learn that advances have been made on account of the increased sums which will be payable in future.

9. I am sending copies of this despatch and the enclosure to His Majesty's Ambassador at Bagdad, and to the Hon. the Political Resident in the Persian Gulf at Bushire.

I have, &c.
A. C. TROTT.

Enclosure.

THIS agreement is made between his Excellency Sheikh Abdulla Sulaiman-al-Hamdan, Minister of Finance of Saudi Arabia, acting on behalf of the Saudi Arab Government (hereinafter referred to as the "Government") of the one part, and William J. Lenahan, acting on behalf of California Arabian Standard Oil Company (hereinafter referred to as the "Company") of the other part.

It is hereby agreed between the Government and the Company in manner following:—

ARTICLE 1.

This agreement, known as the Supplemental Agreement, is supplemental firstly to the agreement (hereinafter referred to as the "Saudi Arab Concession") made between the Government of the one part and the Standard Oil Company of California of the other part and signed on the 29th day of May, 1933 (corresponding to the 4th day of Safar, 1352, A.H.), and secondly to the Letter of Agreement (hereinafter referred to as the "Second Principal Agreement") addressed by L. N. Hamilton, on behalf of the Standard Oil Company of California, to and accepted by his Excellency Sheikh Abdulla Sulaiman-al-Hamdan, on behalf of the Government, and bearing the same date as the Saudi Arab Concession.

ARTICLE 2.

The Saudi Arab Concession and the Second Principal Agreement have been duly transferred to and vested in the "Company" (party hereto) after notification to and with the consent of the Government, all in accordance with article 32 of the Saudi Arab Concession, and the Company has duly undertaken and fulfilled to date the duties and obligations of the "Company" thereunder.

ARTICLE 3.

On the 16th day of October, 1938 (corresponding to the 22nd day of Shaaban, 1357, A.H.), the Company declared, under article 10 of the Saudi Arab Concession, that oil had been discovered in commercial quantities, and that all the obligations of the Company attendant upon such declaration have been duly fulfilled to date.

ARTICLE 4.

Both the Government and the Company are now desirous of adding to and otherwise extending the territory granted to the Company by the Saudi Arab Concession, and of making such other modifications and alterations to the Saudi Arab Concession and to the Second Principal Agreement as hereinafter appear, and the Company has undertaken to make, and the Government have consented

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to receive, the following payments to or for the benefit of the Government in manner hereinafter provided, namely :—

(*a*) The sum of £140,000 English, gold, or its equivalent, which sum shall become due upon the effective date of this agreement.

(*b*) The sum of £20,000 English, gold, or its equivalent, annually as rental. The first of such payments, being rental for the year following the effective date of this agreement, shall become due upon the first anniversary of the effective date of this agreement, and subsequent payments shall become due upon each succeeding anniversary of the effective date of this agreement until the happening of any one of the following events, namely :—

(1) Discovery of oil in commercial quantities within the additional territories described and referred to in Part 2 and in Part 3 of the schedule to this agreement, and which additional territories are hereinafter called the "additional area." If the Company shall fail to declare so sooner, the date of discovery of oil in commercial quantities shall be the date of the completion and testing of a well or wells within the additional area capable of producing, in accordance with first-class oilfield practice, at least 2,000 tons of oil per day for a period of thirty consecutive days.

(2) The relinquishment by the Company of the whole of the additional area.

If either of the events mentioned in (1) and (2) above shall occur during the period intervening between any two anniversaries of the effective date of the agreement, the rental payable for the year in which such event occurs shall be only that proportion of the annual rental above mentioned as the number of days that have intervened between the preceding anniversary date and the date of the occurrence of the event mentioned above bears to a full year of 365 days.

(*c*) The sum of £100,000 English, gold, or its equivalent, upon discovery of oil in commercial quantities within the additional areas aforesaid.

Each of the foregoing payments shall be made within thirty days from the date upon which it becomes due and shall be made in accordance with and in the manner provided in articles 17 and 18 of the Saudi Arab Concession.

The foregoing payments are to be made by the Company in addition to any other payments by way of royalty or advance or otherwise already provided for by the Saudi Arab Concession and yet unpaid, and without prejudice to the right of the Company to recover advances already made under articles 4, 6 and 11 and yet to be made under article 11 of the Saudi Arab Concession, and to recover overpaid rental under article 12 of the Saudi Arab Concession.

ARTICLE 5.

From the effective date of this agreement, the terms and provisions of the Saudi Arab Concession, as herein amended, shall include and extend to :—

(*a*) All lands, islands, waters, territories and interests included in article 2 of the Saudi Arab Concession, the description of which is repeated from the Saudi Arab Concession, Part 1 of the schedule to this agreement, and

(*b*) All lands, territories and interests described and referred to in Part 2 of the schedule to this agreement, and

(*c*) All right, title and interest of the Government now or hereafter, in or to the two territories described in Part 3 of the schedule to this agreement and known respectively as the "Saudi Arab–Koweit Neutral Zone" and the "Saudi Arab–Iraq Neutral Zone," and all rights and interests of a maritime or of a territorial nature now or hereafter appertaining to such two zones or either one of them.

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And the Saudi Arab Concession shall be and is hereby modified to include all the lands, islands, waters, territories and interests of the Government described and referred to in the foregoing provisions of this article, and henceforth the Saudi Arab Concession as modified by the Second Principal Agreement and by this agreement shall be read accordingly. And, for convenience, all such lands, islands, waters, territories and interests may be referred to as the "exclusive area."

ARTICLE 6.

The following special provisions shall be applicable and shall have force and effect as from the effective date of this agreement in regard to the Saudi Arab–Koweit Neutral Zone and the Saudi Arab–Iraq Neutral Zone :—

(*a*) Computation of royalty accruing to the Government on oil and natural gas obtained from the Saudi Arab–Koweit Neutral Zone and from the Saudi Arab–Iraq Neutral Zone shall be governed by the royalty provisions of the Saudi Arab Concession; it being understood, however, that the royalty as provided therein shall be payable to the Government only on that proportion of the total oil and natural gas so obtained as is represented by the Government's interest in the said Neutral Zones, respectively.

(*b*) The Company shall be entitled to enter into such agreement or agreements as it deems necessary or desirable to enable the Company alone or with another or others or through the medium of another company or other companies formed by it (either alone or in conjunction with others), to prospect for and develop and remove the petroleum and other hydrocarbon substances of and from the Saudi Arab–Koweit Neutral Zone and the Saudi Arab–Iraq Neutral Zone or either one of such zones; provided, however, that there shall be no violation of the provisions of article 32 of the Saudi Arab Concession. So far as the Company or any company or companies formed by it is concerned, any such agreement may contain the right of transport for all purposes of the enterprise by all manner of means of carriage over and along all ways within the Saudi Arab–Koweit Neutral Zone and the Saudi Arab–Iraq Neutral Zone or either one of them and to and from any point or points within the said zones from and to any point or points within Saudi Arabia. And the right in respect of the Saudi Arab–Koweit Neutral Zone to use any ports and waterways free of all fees, dues, assessments and charges of any nature or kind whatsoever, in accordance with article 21 of the Saudi Arab Concession.

(*c*) The Company may promote a company or companies of a nationality acceptable to the Government to explore and prospect for and exploit, remove and export petroleum and other hydrocarbon substances in and from both or in and from each or in and from either of the said two neutral zones.

ARTICLE 7.

The provisions of article 9 of the Saudi Arab Concession shall henceforth be replaced by the following provision, namely :—

For a period of ten years from the effective date of this agreement, the Company shall be under no obligation to relinquish to the Government any portion of the exclusive area covered by the Saudi Arab Concession, as modified by this agreement. Upon the expiration of this ten-year period, and from time to time thereafter, the Company shall relinquish to the Government such portions of the exclusive area as the Company may decide not to explore further, or to use otherwise in connexion with the enterprise. The portions so relinquished shall thereupon be released from the terms and conditions of the Saudi Arab Concession, as modified by this agreement; provided, however, that the Company shall, notwithstanding such relinquishment, continue to enjoy the right reserved by the Saudi Arab Concession to use the portions so relinquished for transportation and communication facilities, the Company interfering as little as practicable with any other use to which the Government may desire the relinquished portions to be put.

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ARTICLE 8.

That portion of article 19 of the Saudi Arab Concession reading as follows :—

"during each year following the date of the completion of this plant, the Company shall offer free to the Government, in bulk, 200,000 American gallons of gasoline and 100,000 American gallons of kerosene, it being understood that the facilities provided by the Government for accepting these deliveries shall not impede or endanger the Company's operations"

shall be and the same is hereby amended to read as follows :—

During the year following the first anniversary of the effective date of this agreement, and during each year thereafter, up to and including the year ending on the anniversary of the effective date of this agreement next following the discovery of oil in commercial quantities within the territories described and referred to in Part 2 and in Part 3 of the schedule to this agreement, the Company shall offer free to the Government, in bulk, 1,300,000 American gallons of gasoline and 100,000 American gallons of kerosene.

During the year commencing on the anniversary of the effective date of this agreement next following such discovery of oil in commercial quantities, and during each subsequent year of the Saudi Arab Concession as amended by this agreement, the Company shall offer free to the Government, in bulk, 2,300,000 American gallons of gasoline and 100,000 American gallons of kerosene.

It is understood that, following the completion of said plant, the gasoline and kerosene offered to the Government in bulk as aforesaid shall be delivered to the Government at or in the immediate vicinity of the said plant. The facilities provided by the Government for accepting deliveries shall not impede or endanger the Company's operations.

ARTICLE 9.

From the effective date of this agreement, all the rights and privileges conferred by article 22 of the Saudi Arab Concession may be exercised by the Company (*a*) anywhere in the "exclusive area" described in article 5 of this agreement; (*b*) anywhere in the area covered by the concession granted on the 9th day of July, 1936, to the Petroleum Concessions (Limited) (it being understood that the exercise of these rights by the Company in the area covered by the concession granted to the Petroleum Concessions (Limited) does not include the right to exploit oil therein, nor will it damage the property of the Petroleum Concessions (Limited) or impede its operations and interests, or interfere therewith. The Government shall be the sole judge to determine this); (*c*) anywhere in the Saudi Arab–Koweit Neutral Zone and in the Saudi Arab–Iraq Neutral Zone, to the full extent that the Government is entitled to grant such rights and privileges with respect to said two neutral zones.

The rights and privileges conferred by article 22 of the Saudi Arab Concession may not be exercised by the Company in any other portion of Saudi Arabia, however, except with the express consent and approval of the Government; but it is understood, of course, that, should the Company, in order to exercise the rights and privileges conferred by article 22 of the Saudi Arab Concession, require rights of way from the territories described and referred to in Part 2 of the schedule to this agreement to the area covered by the concession granted to the Petroleum Concessions (Limited) on the 9th day of July, 1936, the Government will not withhold approval of such rights of way.

ARTICLE 10.

The Saudi Arab Concession, as amended by this agreement, shall, with respect to the territories described and referred to in Part 2 and in Part 3 of the schedule to this agreement, continue in full force and effect for a period of six years from the expiration of the sixty-year period provided in article 1 of the Saudi Arab Concession.

ARTICLE 11.

The provisions of article 3 of the Saudi Arab Concession and of paragraphs 1, 2 and 4 of the Second Principal Agreement, in so far only as said provisions relate to the Saudi Arab–Koweit Neutral Zone, are superseded by the provisions of this agreement.

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ARTICLE 12.

It is hereby declared that the preference right granted to the Company by article 3 of the Saudi Arab Concession and by the Second Principal Agreement, except as regards the "exclusive area" defined in article 5 of this agreement, shall remain in full force and effect during the term of sixty years from the effective date of this agreement.

ARTICLE 13.

As modified by the foregoing provisions of this agreement, the Saudi Arab Concession and the Second Principal Agreement shall continue in full force and effect (excepting to the extent to which certain provisions of the Saudi Arab Concession and the Second Principal Agreement shall have already been complied with and are therefore of no further validity) to the intent that, as from the effective date of this agreement, all three documents shall be read together as and shall form one agreement.

ARTICLE 14.

This agreement has been drawn up in English and in Arabic and the provisions of article 35 of the Saudi Arab Concession shall apply to this agreement.

ARTICLE 15.

The effective date of this agreement shall be the date of its publication in Saudi Arabia, following the ratification of this agreement by the Company and by the Government.

ARTICLE 16.

It is understood that this agreement, after being signed in Saudi Arabia, shall be subject to ratification by the Company at its offices in San Francisco, California, and by the Government in Saudi Arabia before it shall become effective. After both texts of this agreement have been signed in triplicate in Saudi Arabia, two signed copies of each text shall be sent by registered mail to the Company in San Francisco, California, and within fifteen days after receipt in San Francisco, the Company shall notify the Government in writing whether or not it ratifies this agreement. If the agreement is not ratified by the Company within fifteen days after receipt of the document in San Francisco, it shall be null and void and of no further force or effect.

Upon ratification of this agreement by the Company, one signed copy of each text, together with the necessary evidence as to ratification by the Company, shall be returned to the Government. Also, upon ratification of this agreement by the Company, the Government shall issue a Royal decree announcing their ratification hereof, and officially publish that decree and this agreement.

Signed this 31st day of May, 1939 (corresponding to the 12th day of Rabi Thani, 1358, A.H.).

The Schedule above referred to.

PART 1.

All of Eastern Saudi Arabia, from its eastern boundary (including islands and territorial waters) westward to the westerly edge of the Dahana, and from the northern boundary to the southern boundary of Saudi Arabia, provided that from the northern end of the westerly edge of the Dahana the westerly boundary of the area in question shall continue in a straight line north 30 degrees west to the northern boundary of Saudi Arabia, and from the southern end of the westerly edge of the Dahana such boundary shall continue in a straight line south 30 degrees east to the southern boundary of Saudi Arabia.

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PART 2.

The following two areas in Saudi Arabia :—

(1) All that portion of Northern Saudi Arabia south of Iraq and south and east of Transjordania which is bounded on the east, south and west by the following lines : (*a*) on the *east*, by a line commencing at the northern end of the westerly edge of the Dahana and running in a straight line north 30 degrees west to the northern boundary of Saudi Arabia; (*b*) on the *south*, by a line commencing at the northern end of the westerly edge of the Dahana and running in a westerly direction along the northern edge of the Great Nefud (leaving the Great Nefud outside) to the north-west corner thereof, and thence in a straight line, passing through Tebuk, to the eastern boundary of the area covered by the concession granted on the 9th day of July, 1936, to the Petroleum Concessions (Limited); and (*c*) on the *west*, by a line commencing at the point where the straight line mentioned above joins the eastern boundary of the area covered by the concession granted to the Petroleum Concessions (Limited), and thence running in a northerly direction, along the eastern boundary of the area covered by the concession granted to the Petroleum Concessions (Limited), until it reaches the present northern limits of the territory under the administration of Saudi Arabia, which adjoins the southern end of Transjordania.

(2) All that southern portion of Saudi Arabia which is bounded on the *east* by a line commencing at the southern end of the westerly edge of the Dahana and running in a straight line south 30 degrees east to the southern boundary of Saudi Arabia; (*b*) on the *north*, by a line commencing at the southern end of the westerly edge of the Dahana and running in a westerly direction, 50 kilom. south of the most southerly branch of the Wadi Dawasir, to a point 50 kilom. south of the source of the Wadi Dawasir, and thence continuing in a straight line to the north-east corner of the boundary line between Yemen and Saudi Arabia; (*c*) on the *west*, by a line commencing at the point where the straight line mentioned above joins the north-east corner of the boundary line between Yemen and Saudi Arabia, and thence running in a southerly direction, along the eastern boundary of the Kingdom of Yemen, until it reaches the southern boundary of Saudi Arabia; and (*d*) on the *south*, by a line running along the southern boundary of Saudi Arabia between the most southerly limits of the lines mentioned under (*a*) and (*c*) above.

PART 3.

All the territory known as the Saudi Arab–Koweit Neutral Zone, including islands and territorial waters, if any, which are or may become a part thereof, and all the territory known as the Saudi Arab–Iraq Neutral Zone.

On behalf of the Saudi Arab Government :

On behalf of the California Arabian Standard Oil Company :

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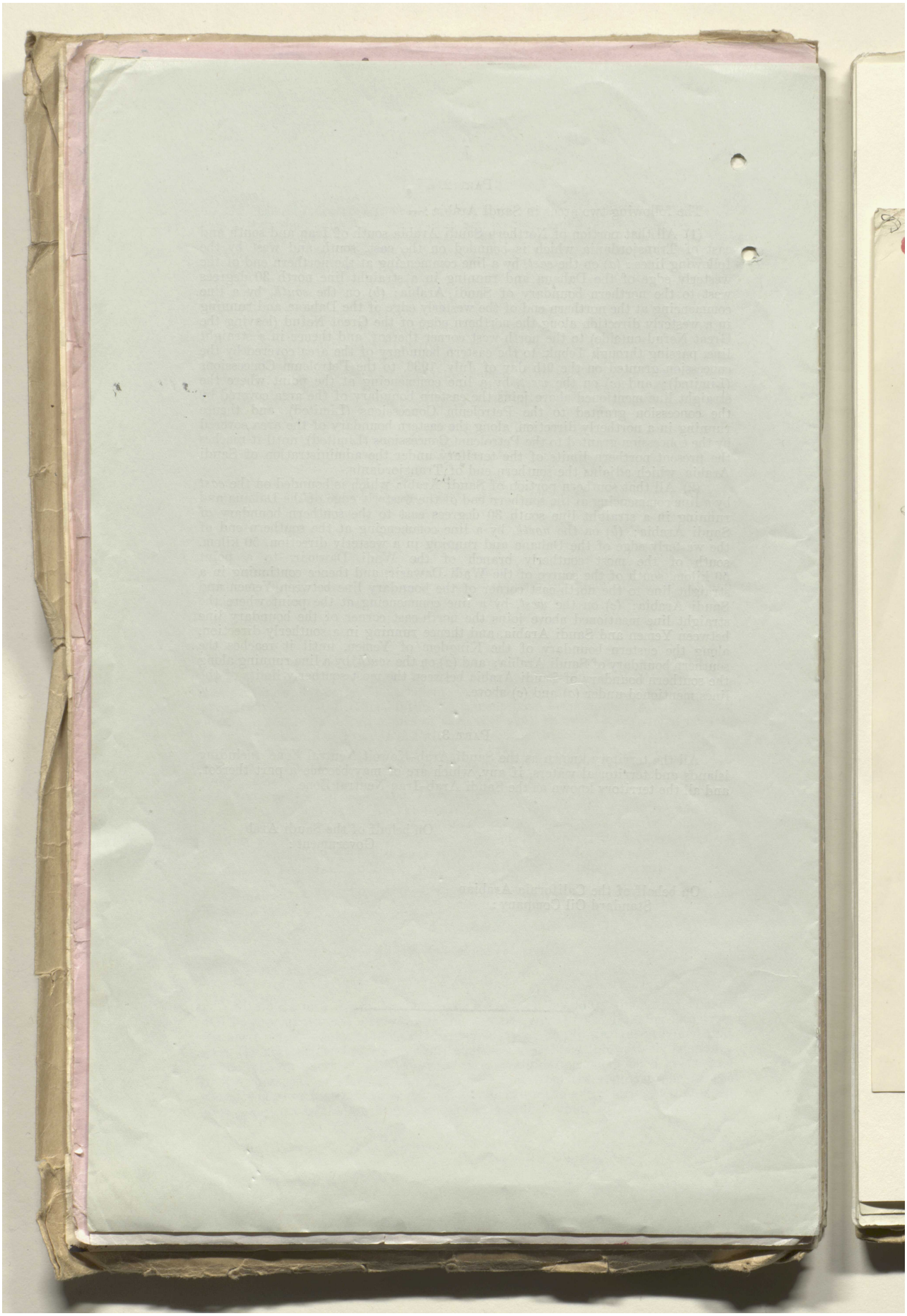

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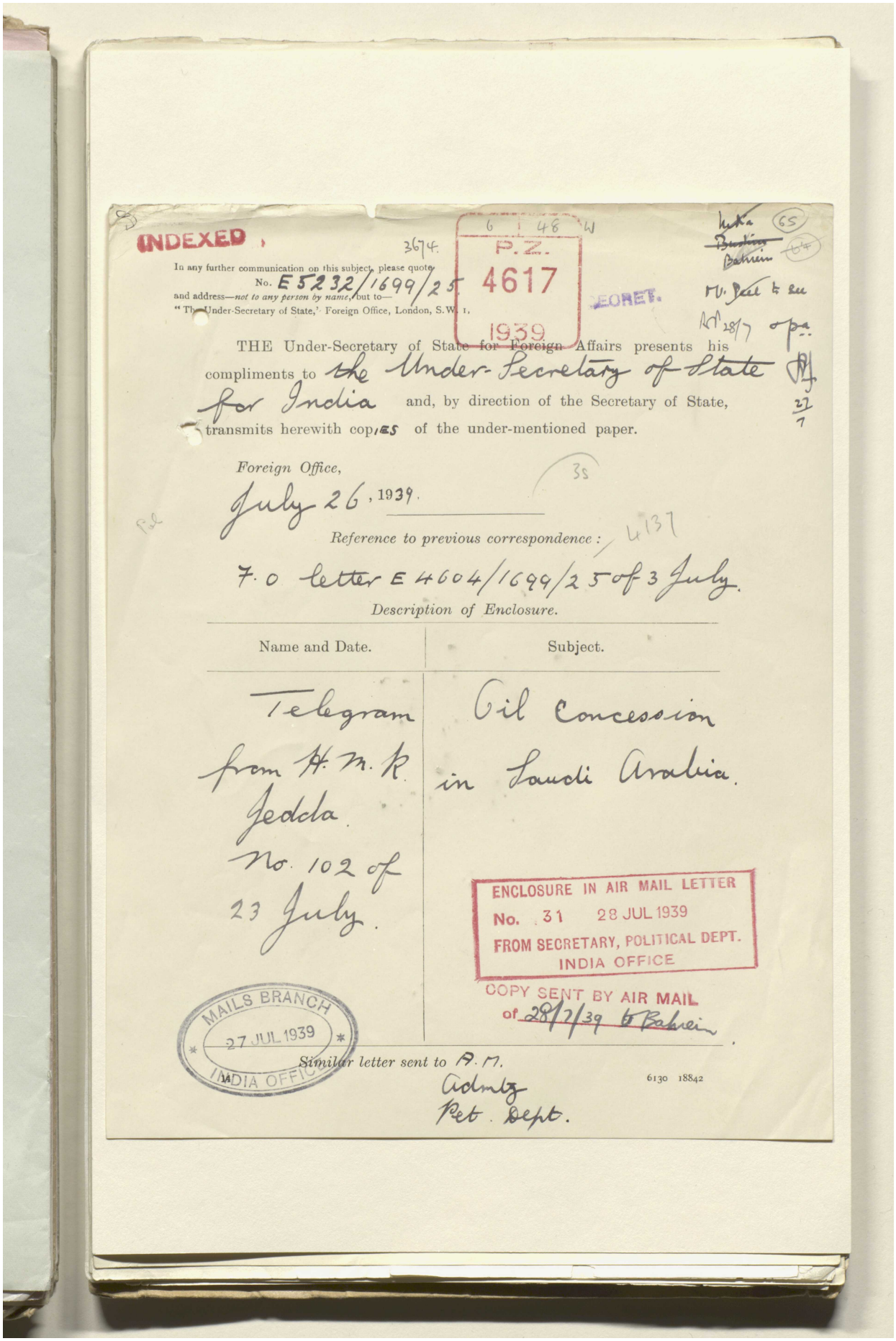

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P.Z. 4617 1939

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No. E 5232/1699/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

SECRET.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
July 26, 1939.

Reference to previous correspondence :
7.0 letter E 4604/1699/25 of 3 July.

Description of Enclosure.

Name and Date.	Subject.
Telegram from H.M.K. Jedda. No. 102 of 23 July.	Oil Concession in Saudi Arabia.

ENCLOSURE IN AIR MAIL LETTER
No. 31 28 JUL 1939
FROM SECRETARY, POLITICAL DEPT.
INDIA OFFICE

COPY SENT BY AIR MAIL
of 28/7/39 to Bahrein

MAILS BRANCH
27 JUL 1939
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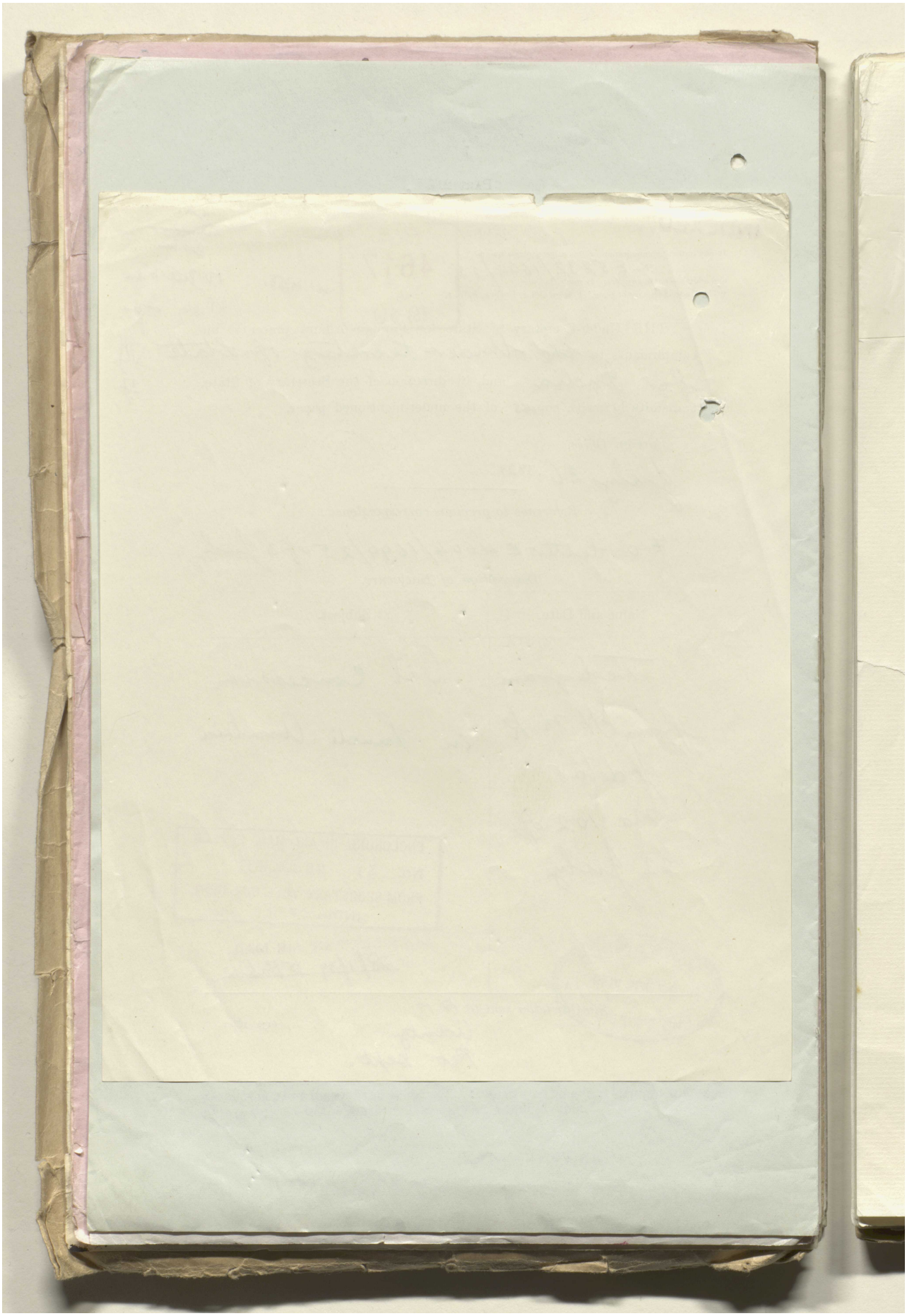

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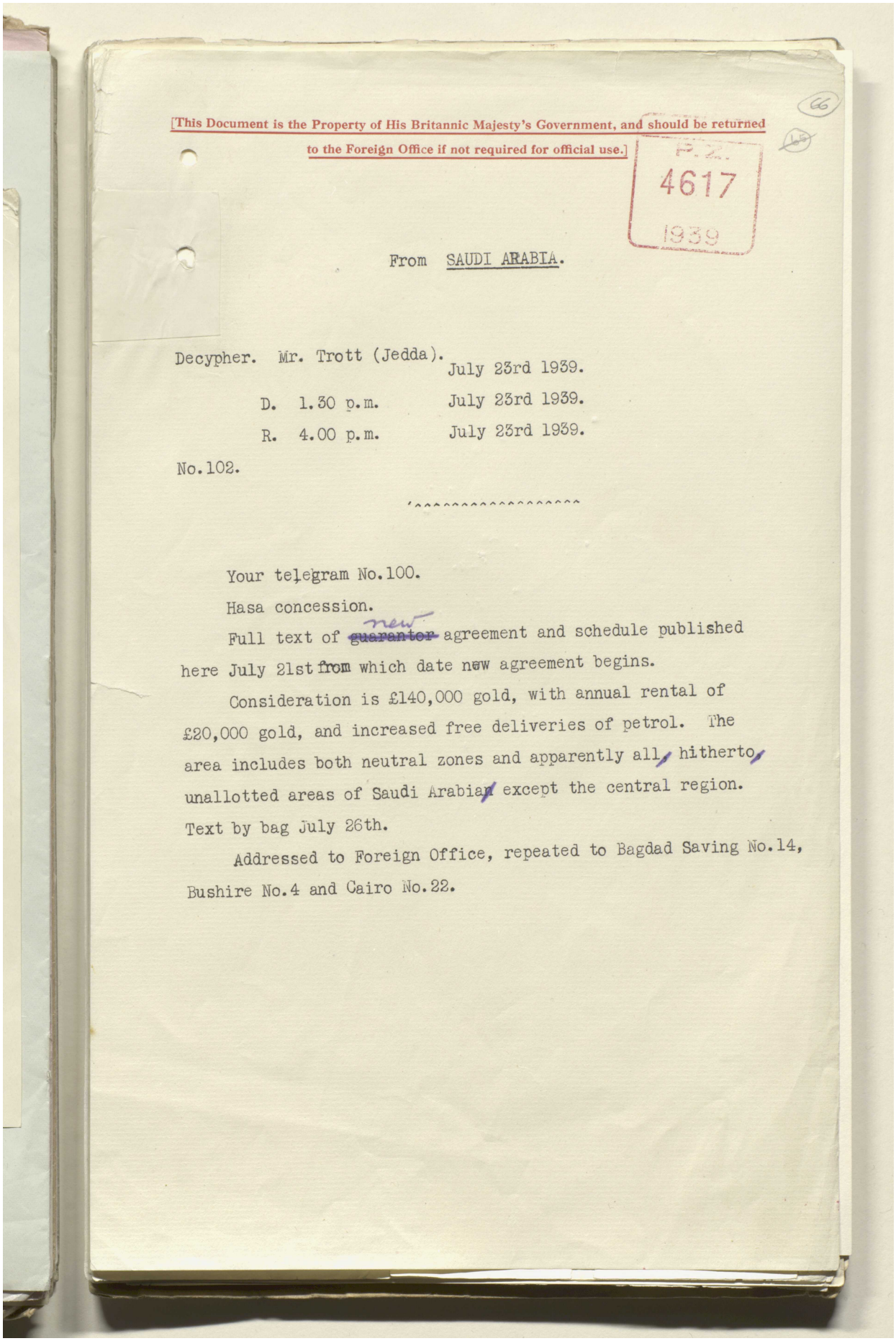

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P.Z. 4617 1939

66

From SAUDI ARABIA.

Decypher. Mr. Trott (Jedda). July 23rd 1939.

D. 1.30 p.m. July 23rd 1939.

R. 4.00 p.m. July 23rd 1939.

No.102.

'^^^^^^^^^^^^^^^^^^^

Your telegram No.100.

Hasa concession.

Full text of ~~guarantor~~ new agreement and schedule published here July 21st from which date new agreement begins.

Consideration is £140,000 gold, with annual rental of £20,000 gold, and increased free deliveries of petrol. The area includes both neutral zones and apparently all hitherto unallotted areas of Saudi Arabia except the central region.

Text by bag July 26th.

Addressed to Foreign Office, repeated to Bagdad Saving No.14, Bushire No.4 and Cairo No.22.

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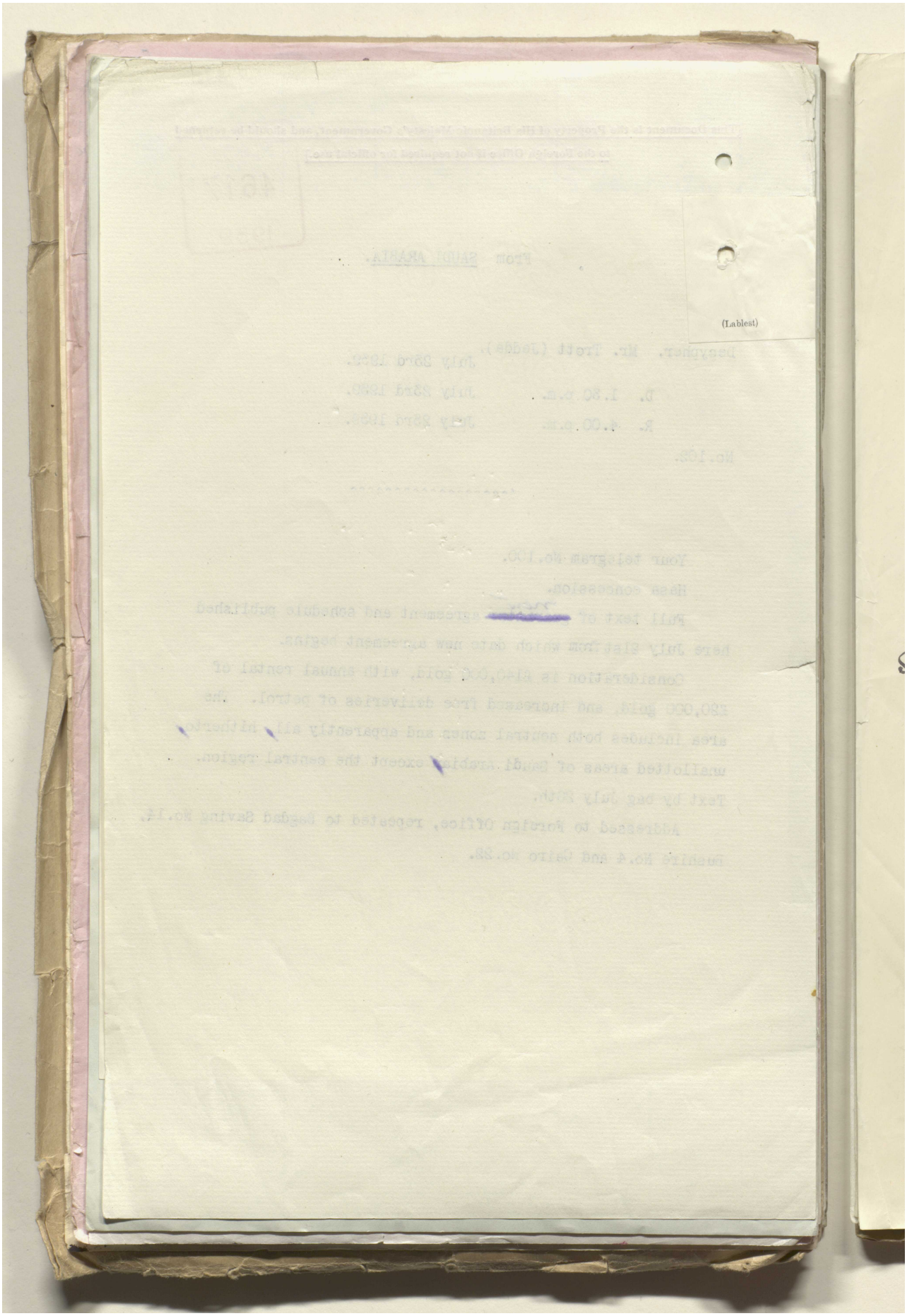

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Notes.

Minute Paper.

Register No.
P.Z. 4137/39

SECRET.
POLITICAL DEPARTMENT.

Dated
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			Saudi Arabia
Under Secretary	11.7	[illegible]	
Secretary of State ...	12.7.	[illegible]	
Committee	14.7.	[illegible]	Oil : The California Arabian Standard Oil Company obtain the remaining areas.
Under Secretary			
Secretary of State....			

Copy of to

FOR INFORMATION.

Sir F. Stewart

575
12/7

The information was first received here through Petroleum Concessions Ltd and was confirmed from the Legation at Jedda though it was stated (P.Z. 3990) that the agreement concluded with CASOC had not yet been ratified. Details are lacking so far. The Japanese (vide Submission on P.Z. 2683) are now out of the running ; perhaps their interest, as that of Petroleum Concessions Ltd., was used only for purposes of bargaining with CASOC, who apparently have had to pay at a higher rate than for their original concession.

P.C.L's report (P.Z. 3721) said the

SEEN
POLITICAL COMMITTEE
18 JUL 1939

6089 Wt 10760/P 42 1000 5.37 IOP

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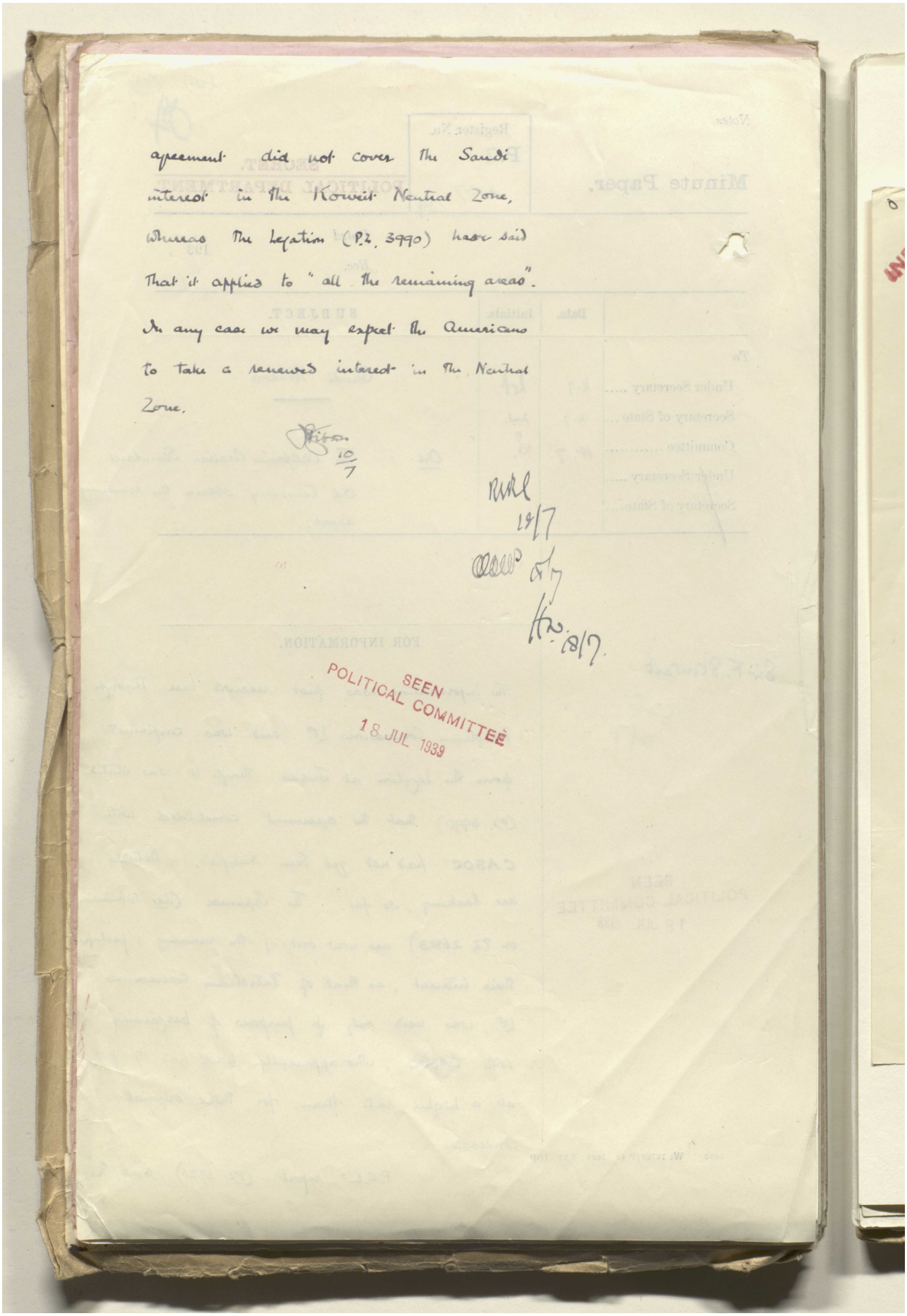

agreement did not cover the Saudi interest in the Kuwait Neutral Zone, whereas the Legation (P.Z. 3990) have said that it applies to "all the remaining areas". In any case we may expect the Americans to take a renewed interest in the Neutral Zone.

10/7

19/7

SEEN
POLITICAL COMMITTEE
18 JUL 1939

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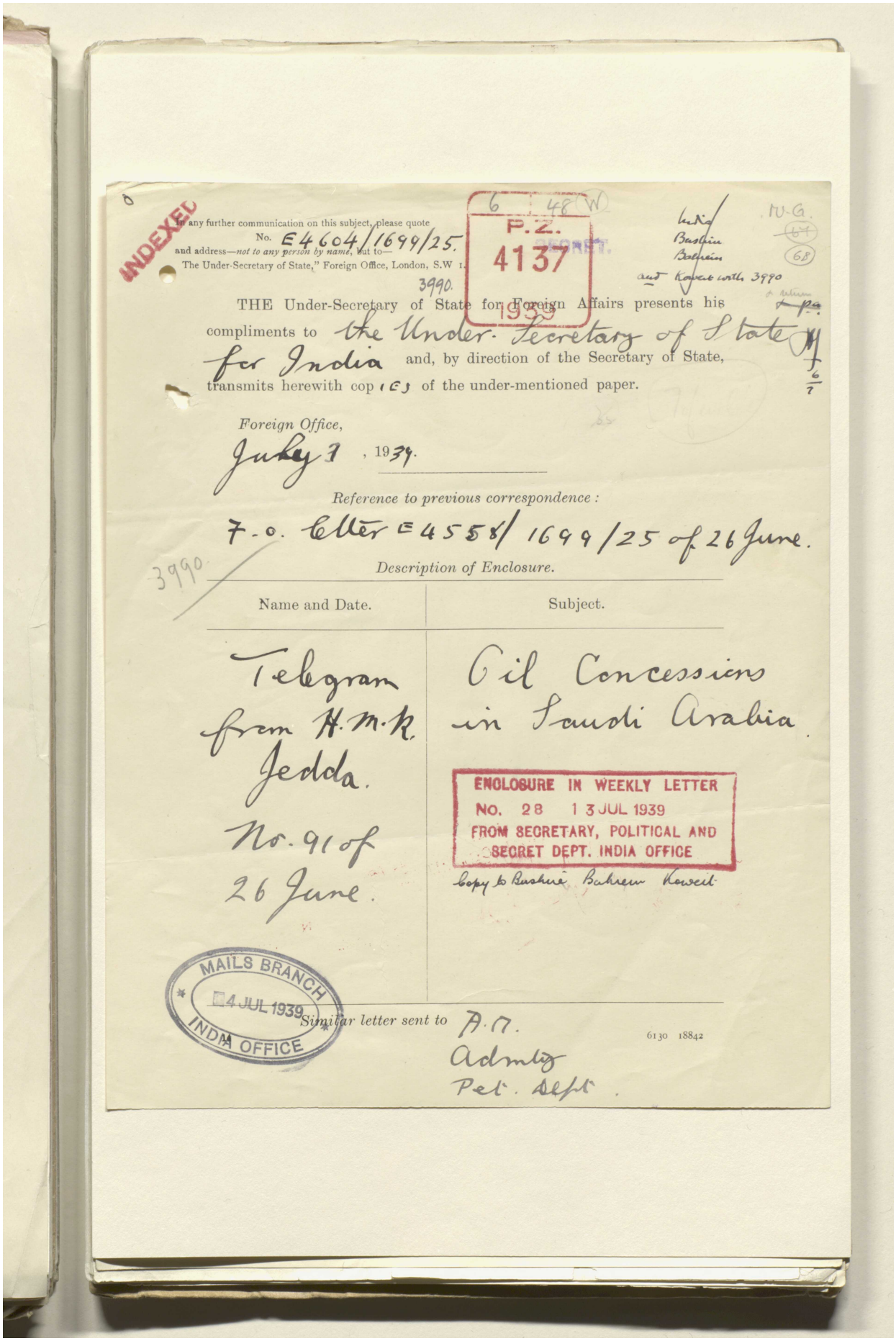

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In any further communication on this subject, please quote
No. E4604/1699/25.
and address—*not to any person by name*, but to—
The Under-Secretary of State," Foreign Office, London, S.W 1.

3990.

6 | 48 (W)

P.Z. 4137 1939

SECRET.

India
Bushire
Bahrein
and Koweit with 3990

M.G.
~~67~~
68

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
July 3, 1939.

Reference to previous correspondence :
F.O. Letter E4558/1699/25 of 26 June.

3990

Description of Enclosure.

Name and Date.	Subject.
Telegram from H.M.R. Jedda. No. 91 of 26 June.	Oil Concessions in Saudi Arabia.

ENCLOSURE IN WEEKLY LETTER
NO. 28 13 JUL 1939
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Copy to Bushire Bahrein Koweit

MAILS BRANCH
4 JUL 1939
INDIA OFFICE

Similar letter sent to A.M.
Admty
Pet. Dept.

6130 18842

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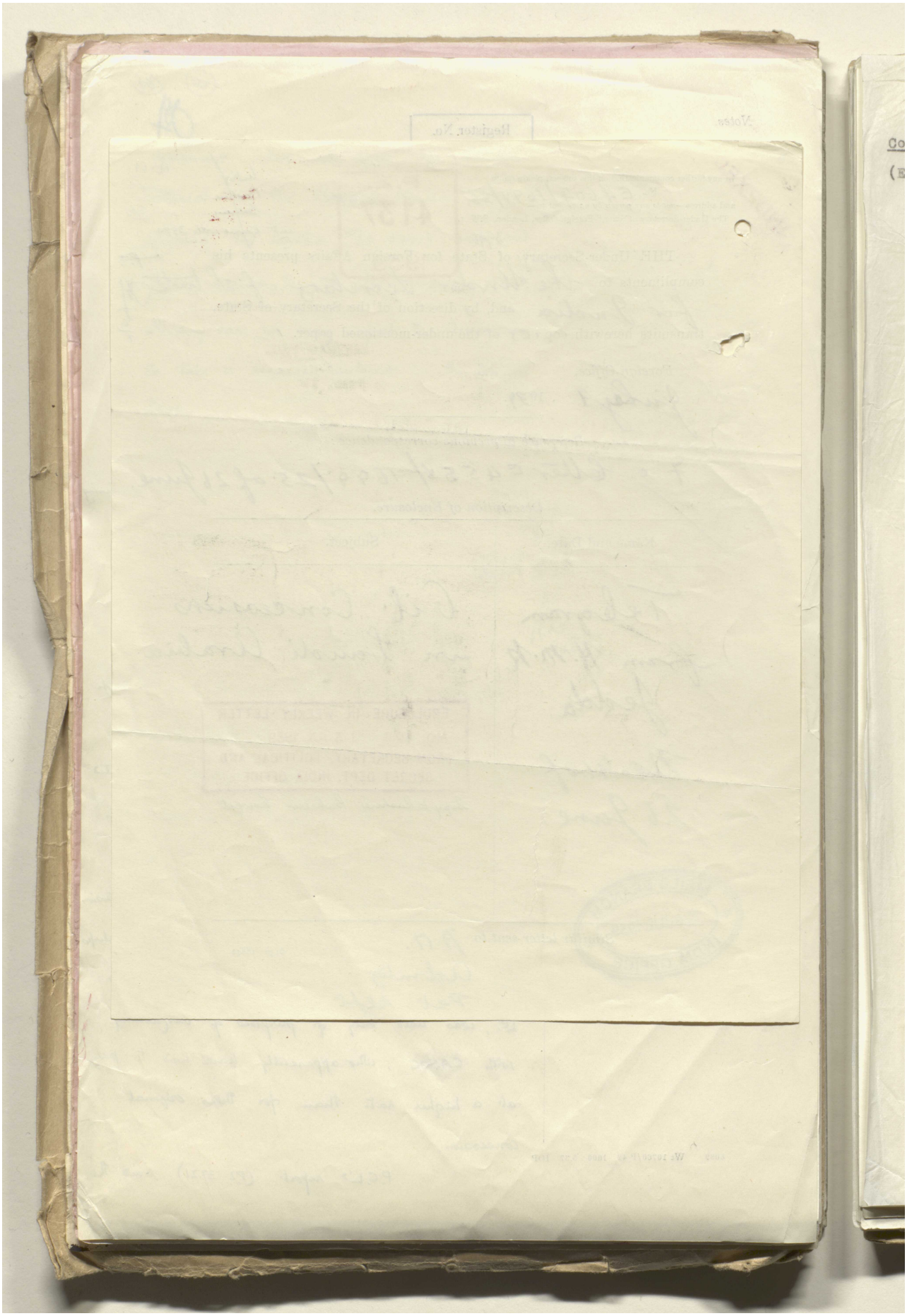

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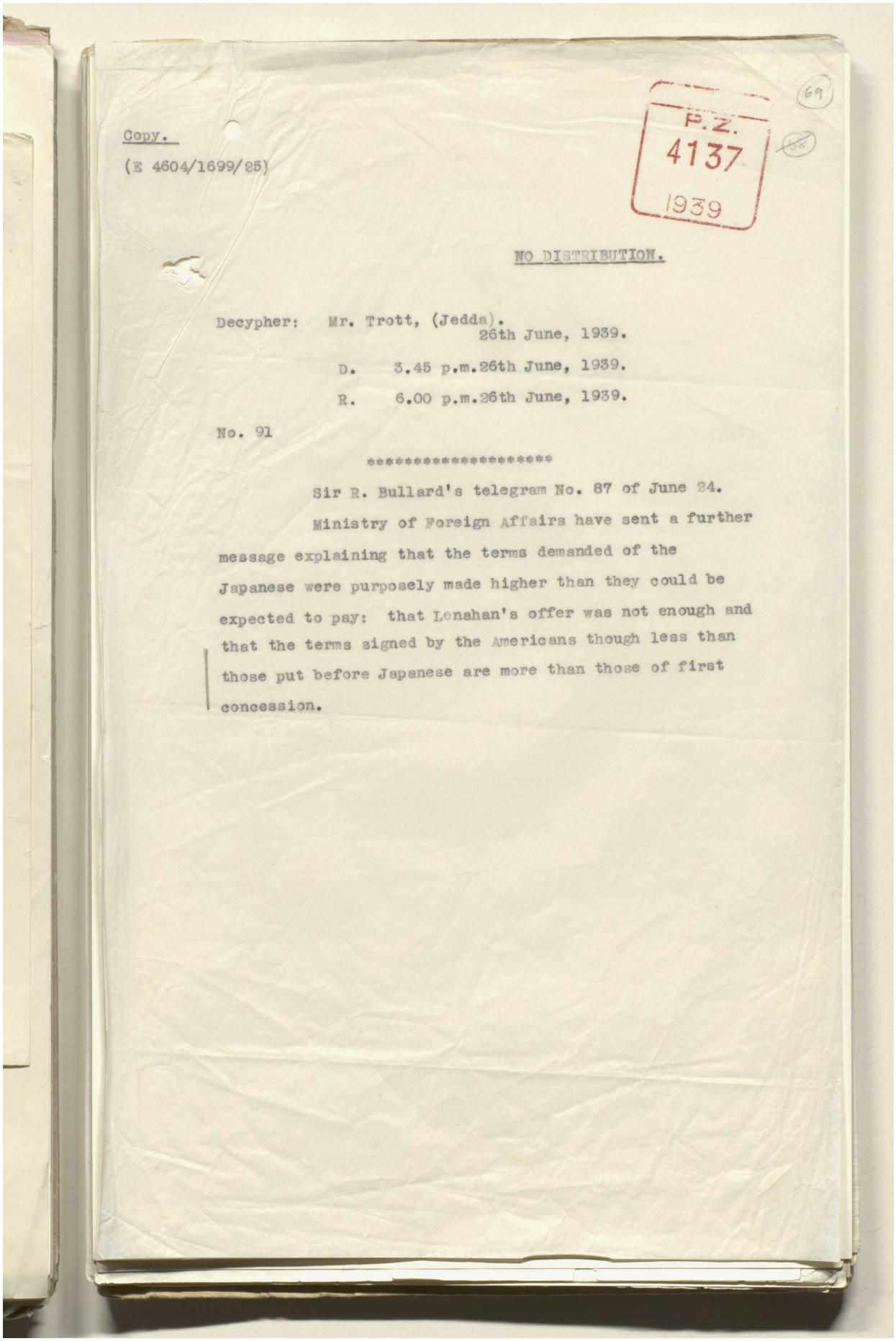

Copy.

(E 4604/1699/25)

P.Z. 4137 1939

69

NO DISTRIBUTION.

Decypher: Mr. Trott, (Jedda).
26th June, 1939.

D. 3.45 p.m.26th June, 1939.

R. 6.00 p.m.26th June, 1939.

No. 91

****

Sir R. Bullard's telegram No. 87 of June 24.

Ministry of Foreign Affairs have sent a further message explaining that the terms demanded of the Japanese were purposely made higher than they could be expected to pay: that Lenahan's offer was not enough and that the terms signed by the Americans though less than those put before Japanese are more than those of first concession.

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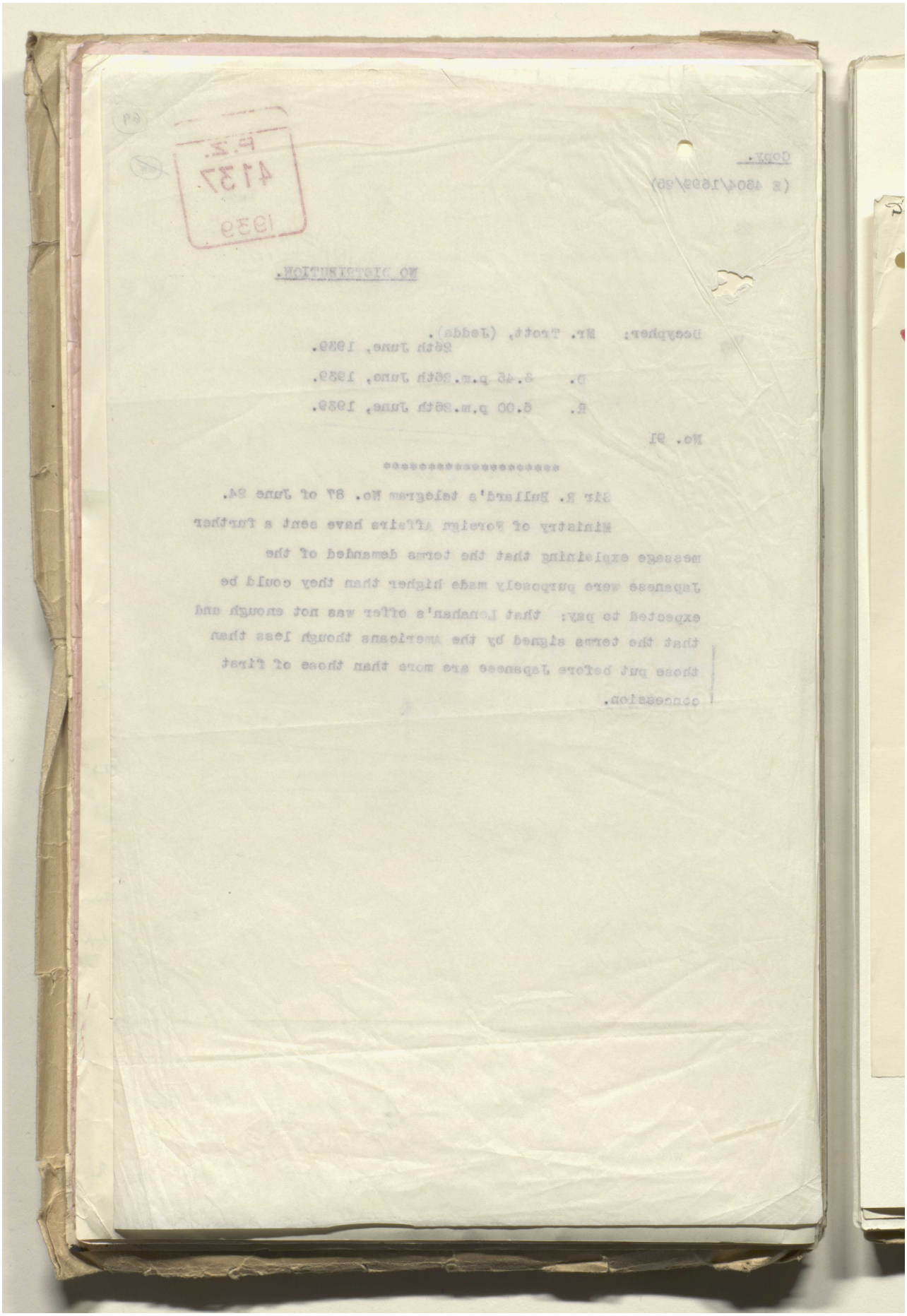

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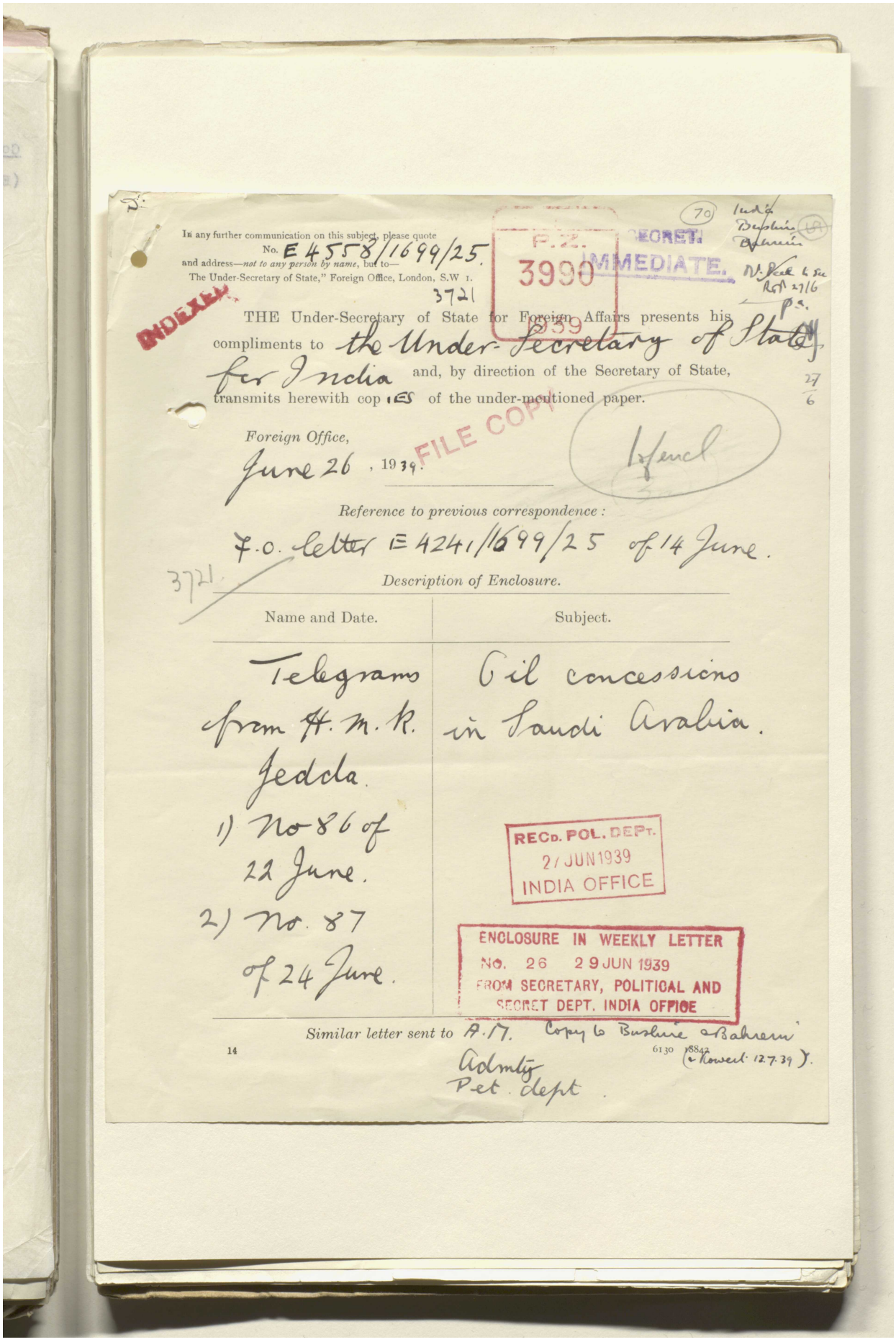
(70) India Bushire Bahrein



In any further communication on this subject, please quote
No. E 4558/1699/25.
and address—*not to any person by name*, but to—
The Under-Secretary of State," Foreign Office, London, S.W 1.

3721

P.Z. 3990 1939

SECRET. IMMEDIATE.

N. Seal to see Rept 27/6 P.S.

INDEXED

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

27/6

Foreign Office,
June 26, 1939.

FILE COPY

1 Encl

Reference to previous correspondence:

F.O. letter E 4241/1699/25 of 14 June.

3721

Description of Enclosure.

Name and Date.	Subject.
Telegrams from H.M.K. Jedda. 1) No 86 of 22 June. 2) No. 87 of 24 June.	Oil concessions in Saudi Arabia.

RECD. POL. DEPT. 27 JUN 1939 INDIA OFFICE

ENCLOSURE IN WEEKLY LETTER No. 26 29 JUN 1939 FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Similar letter sent to A.M. Copy to Bushire & Bahrein (& Kowerl 12.7.39).

Admty
Pet. dept.

14 6130 18842

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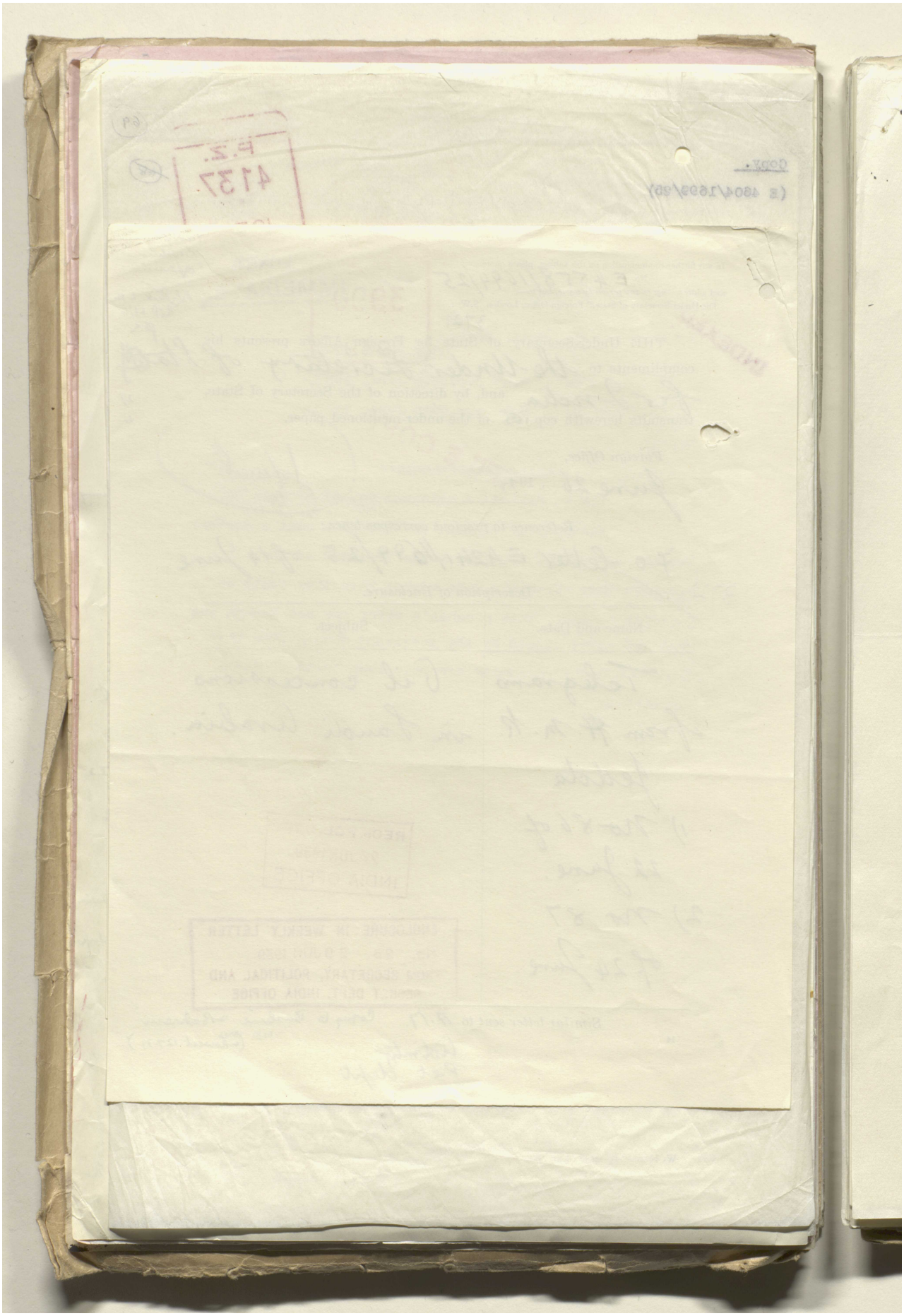

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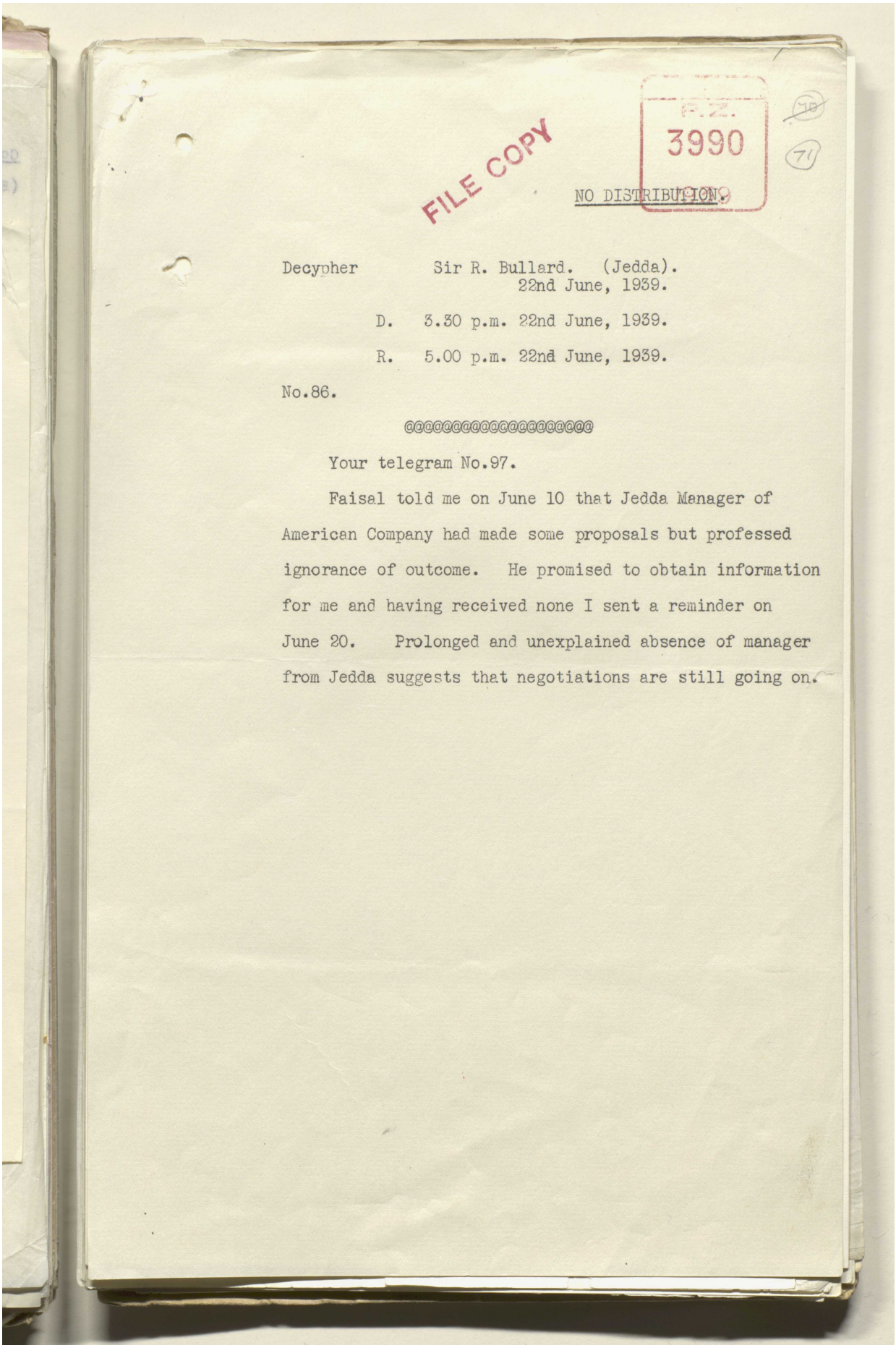

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P.Z. 3990

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Decypher Sir R. Bullard. (Jedda).
22nd June, 1939.

D. 3.30 p.m. 22nd June, 1939.

R. 5.00 p.m. 22nd June, 1939.

No.86.

@@@@@@@@@@@@@@@@@@@

Your telegram No.97.

Faisal told me on June 10 that Jedda Manager of American Company had made some proposals but professed ignorance of outcome. He promised to obtain information for me and having received none I sent a reminder on June 20. Prolonged and unexplained absence of manager from Jedda suggests that negotiations are still going on.

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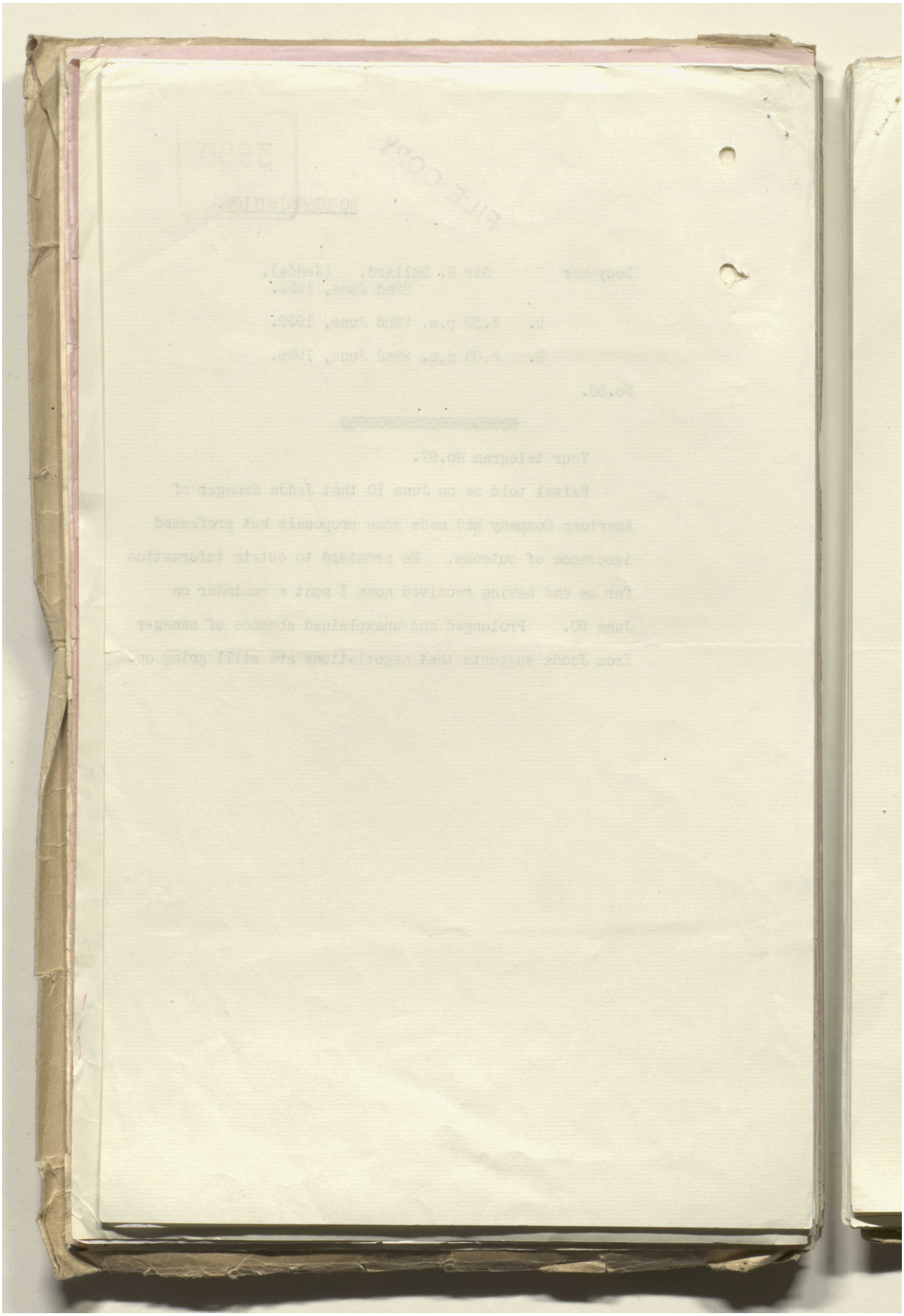

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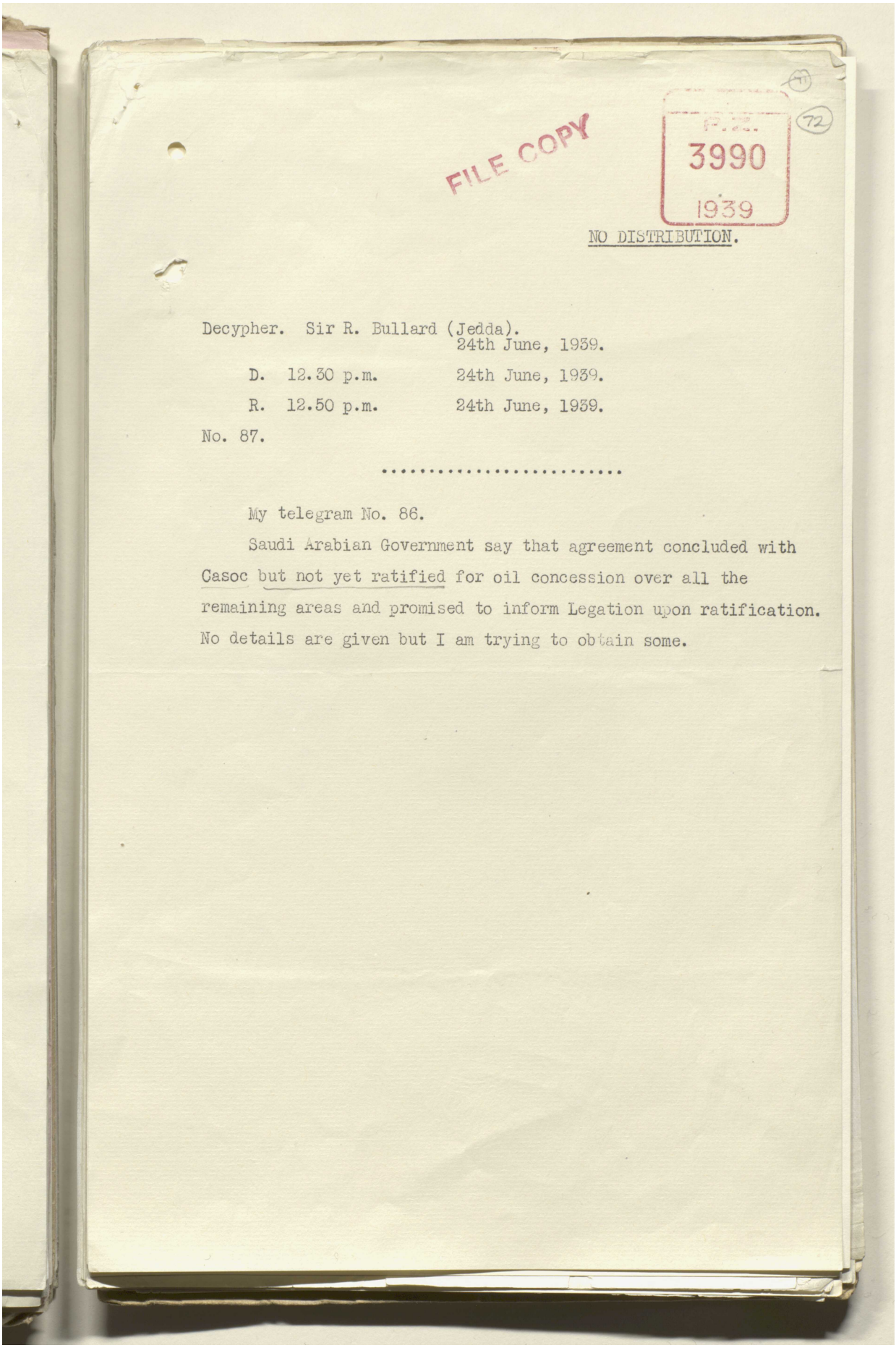

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Decypher. Sir R. Bullard (Jedda).
24th June, 1939.

D. 12.30 p.m. 24th June, 1939.

R. 12.50 p.m. 24th June, 1939.

No. 87.

.....

My telegram No. 86.

Saudi Arabian Government say that agreement concluded with Casoc but not yet ratified for oil concession over all the remaining areas and promised to inform Legation upon ratification. No details are given but I am trying to obtain some.

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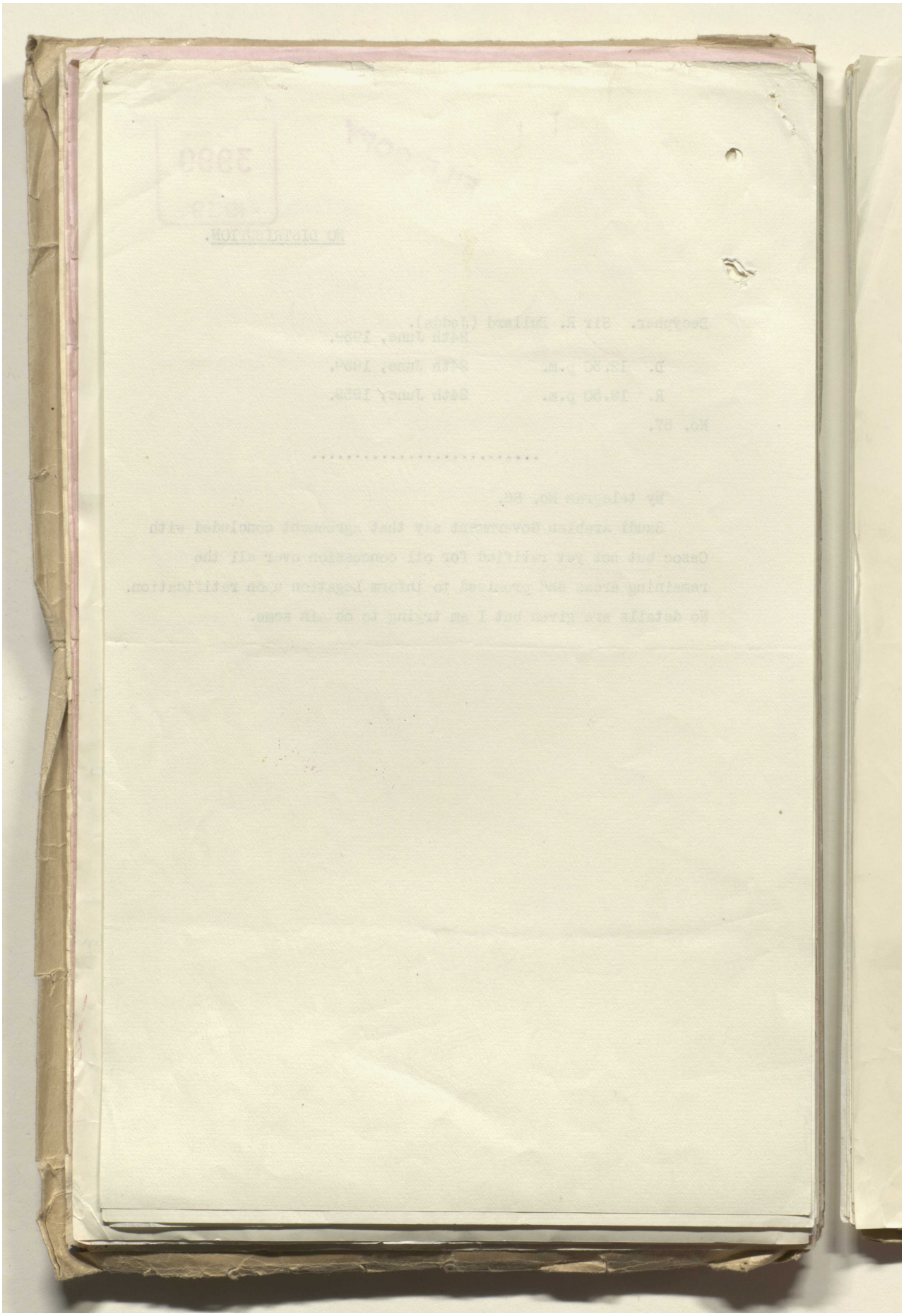

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(72) (73)

Notes.

Minute Paper.

Register No. P.Z. 3674/39

SECRET.
POLITICAL DEPARTMENT.

Dated 193 .
Rec.

	Date.	Initials.	SUBJECT.
To			Saudi Arabia
Under Secretary	21.6	[illegible]	
Secretary of State ...	22	[illegible]	
Committee			Report by Pol. Agent, Bahrein, on a brief tour of the Hasa oil-fields.
Under Secretary			
Secretary of State....			

L. 25.6.

Copy of to

Sir F. Stewart
S→S
23/6

FOR INFORMATION.

Mr. Weightman's report is of considerable interest. The Hasa oilfield is being developed by the California Arabian Standard Oil Co. who are pushing ahead at an almost feverish pace. Three main centres are mentioned in the report (see the map behind it), viz. Dharan, opposite Bahrein where there are six wells in production; Abu Hadriya, some 100 miles N.W., where a test well is being sunk and high hopes are held, and Ma'agala some 100 miles S.W. of Abu Hadriya, where the geologists are hopeful & a well is to be sunk in the next cold weather. There is no doubt that a very promising source of oil has

6089 Wt 10760/P 42 1000 5.37 IOP

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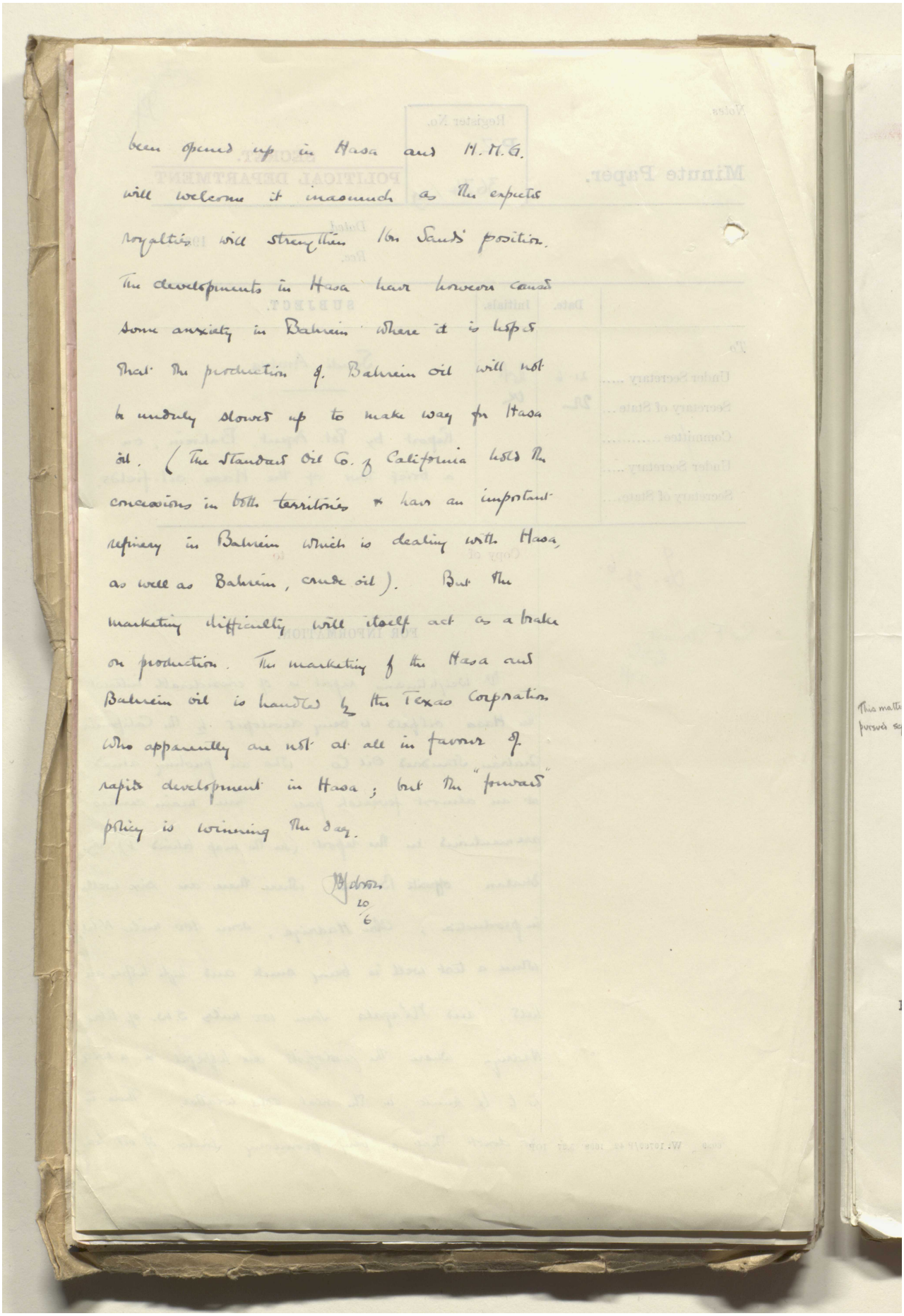

been opened up in Hasa and H.M.G. will welcome it inasmuch as the expected royalties will strengthen Ibn Saud's position. The developments in Hasa have however caused some anxiety in Bahrein where it is hoped that the production of Bahrein oil will not be unduly slowed up to make way for Hasa oil. (The Standard Oil Co. of California holds the concessions in both territories & has an important refinery in Bahrein which is dealing with Hasa as well as Bahrein, crude oil). But the marketing difficulty will itself act as a brake on production. The marketing of the Hasa and Bahrein oil is handled by the Texas Corporation who apparently are not at all in favour of rapid development in Hasa; but the "forward" policy is winning the day.

20/6

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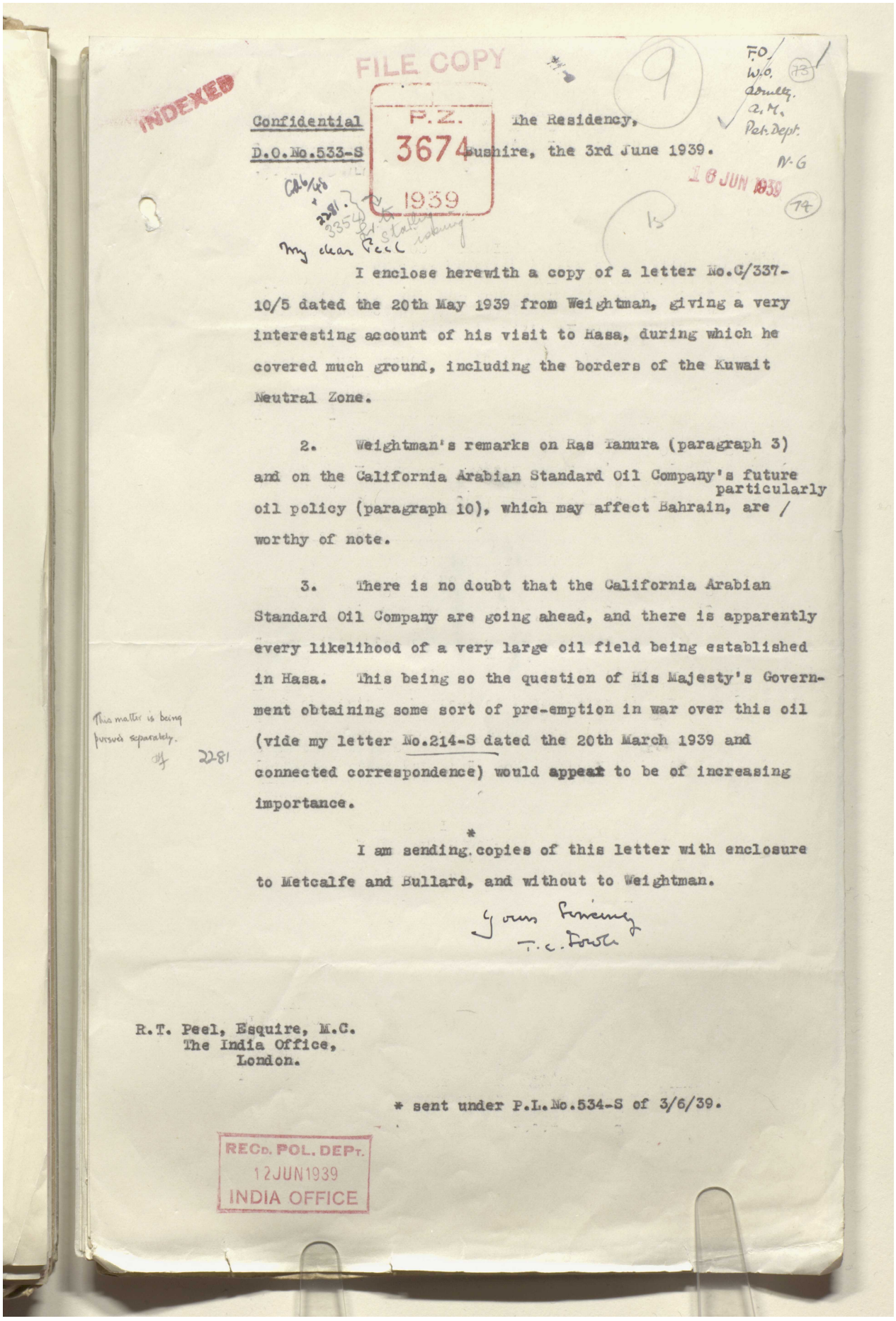

FILE COPY

INDEXED

P.Z. 3674 1939

F.O. W.O. Admlty. A.M. Pet. Dept.

Confidential
D.O.No.533-S

The Residency,
Bushire, the 3rd June 1939.

16 JUN 1939

My dear Peel

I enclose herewith a copy of a letter No.C/337-10/5 dated the 20th May 1939 from Weightman, giving a very interesting account of his visit to Hasa, during which he covered much ground, including the borders of the Kuwait Neutral Zone.

2. Weightman's remarks on Ras Tamura (paragraph 3) and on the California Arabian Standard Oil Company's future oil policy (paragraph 10), which may affect Bahrain, are particularly worthy of note.

3. There is no doubt that the California Arabian Standard Oil Company are going ahead, and there is apparently every likelihood of a very large oil field being established in Hasa. This being so the question of His Majesty's Government obtaining some sort of pre-emption in war over this oil (vide my letter No.214-S dated the 20th March 1939 and connected correspondence) would appear to be of increasing importance.

This matter is being pursued separately. 22-81

* I am sending copies of this letter with enclosure to Metcalfe and Bullard, and without to Weightman.

Yours sincerely
T.C. Fowle

R.T. Peel, Esquire, M.C.
The India Office,
London.

* sent under P.L.No.534-S of 3/6/39.

REC'D. POL. DEPT. 12 JUN 1939 INDIA OFFICE

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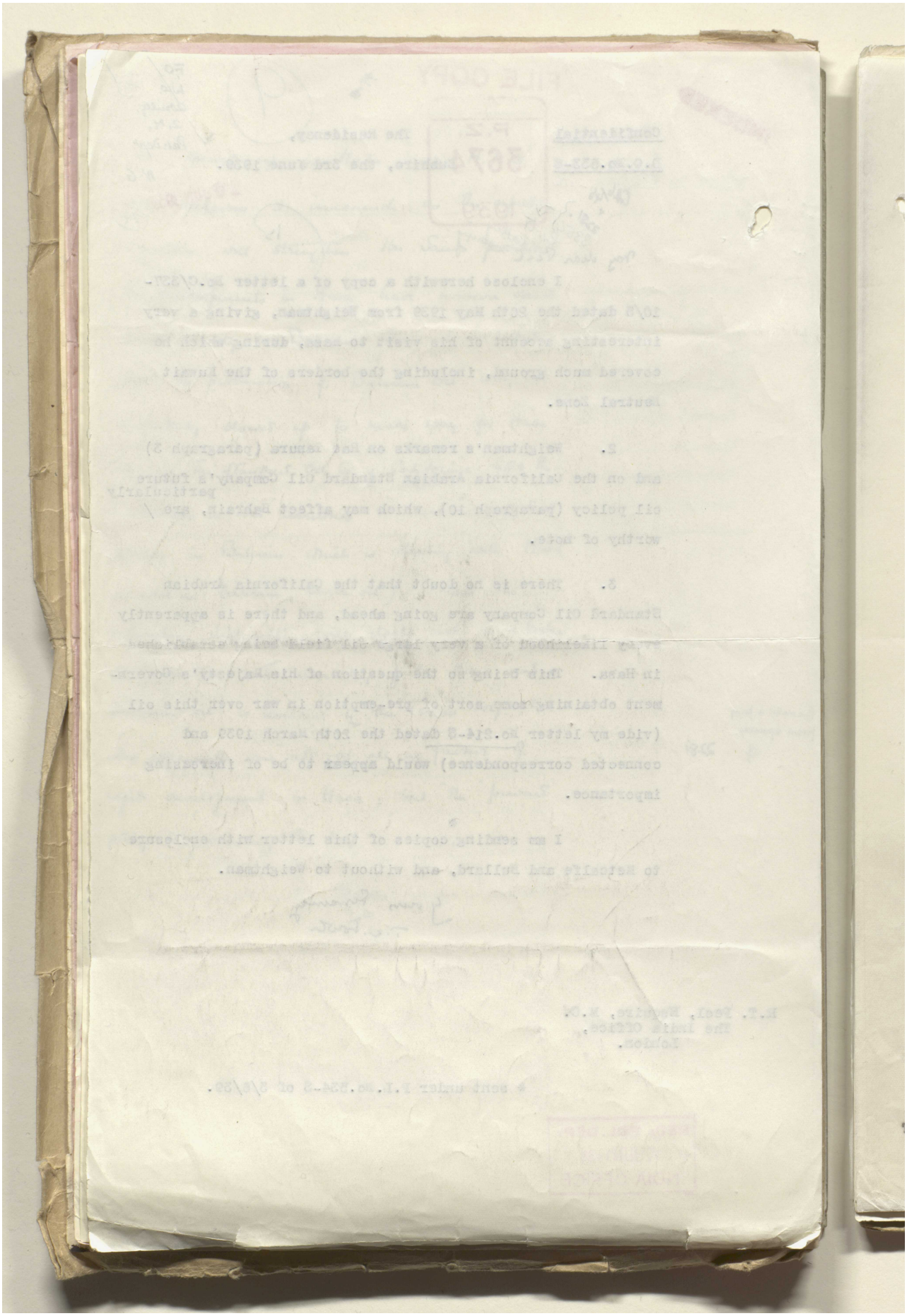

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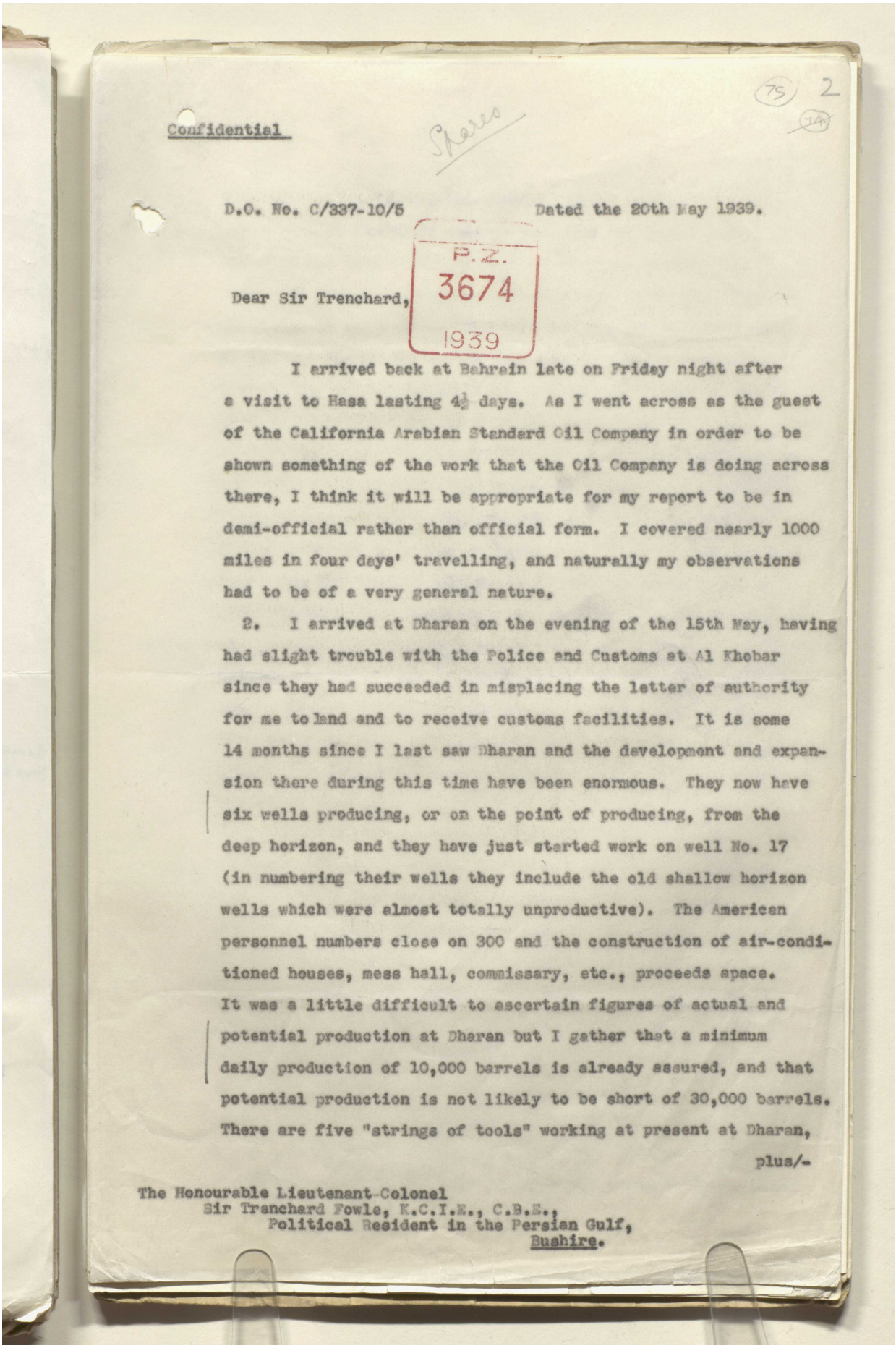

(75) 2

Confidential

Spares

D.O. No. C/337-10/5 Dated the 20th May 1939.

P.Z. 3674 1939

Dear Sir Trenchard,

I arrived back at Bahrain late on Friday night after a visit to Hasa lasting 4½ days. As I went across as the guest of the California Arabian Standard Oil Company in order to be shown something of the work that the Oil Company is doing across there, I think it will be appropriate for my report to be in demi-official rather than official form. I covered nearly 1000 miles in four days' travelling, and naturally my observations had to be of a very general nature.

2. I arrived at Dharan on the evening of the 15th May, having had slight trouble with the Police and Customs at Al Khobar since they had succeeded in misplacing the letter of authority for me to land and to receive customs facilities. It is some 14 months since I last saw Dharan and the development and expansion there during this time have been enormous. They now have six wells producing, or on the point of producing, from the deep horizon, and they have just started work on well No. 17 (in numbering their wells they include the old shallow horizon wells which were almost totally unproductive). The American personnel numbers close on 300 and the construction of air-conditioned houses, mess hall, commissary, etc., proceeds apace. It was a little difficult to ascertain figures of actual and potential production at Dharan but I gather that a minimum daily production of 10,000 barrels is already assured, and that potential production is not likely to be short of 30,000 barrels. There are five "strings of tools" working at present at Dharan,

plus/-

The Honourable Lieutenant-Colonel
Sir Trenchard Fowle, K.C.I.E., C.B.E.,
Political Resident in the Persian Gulf,
Bushire.

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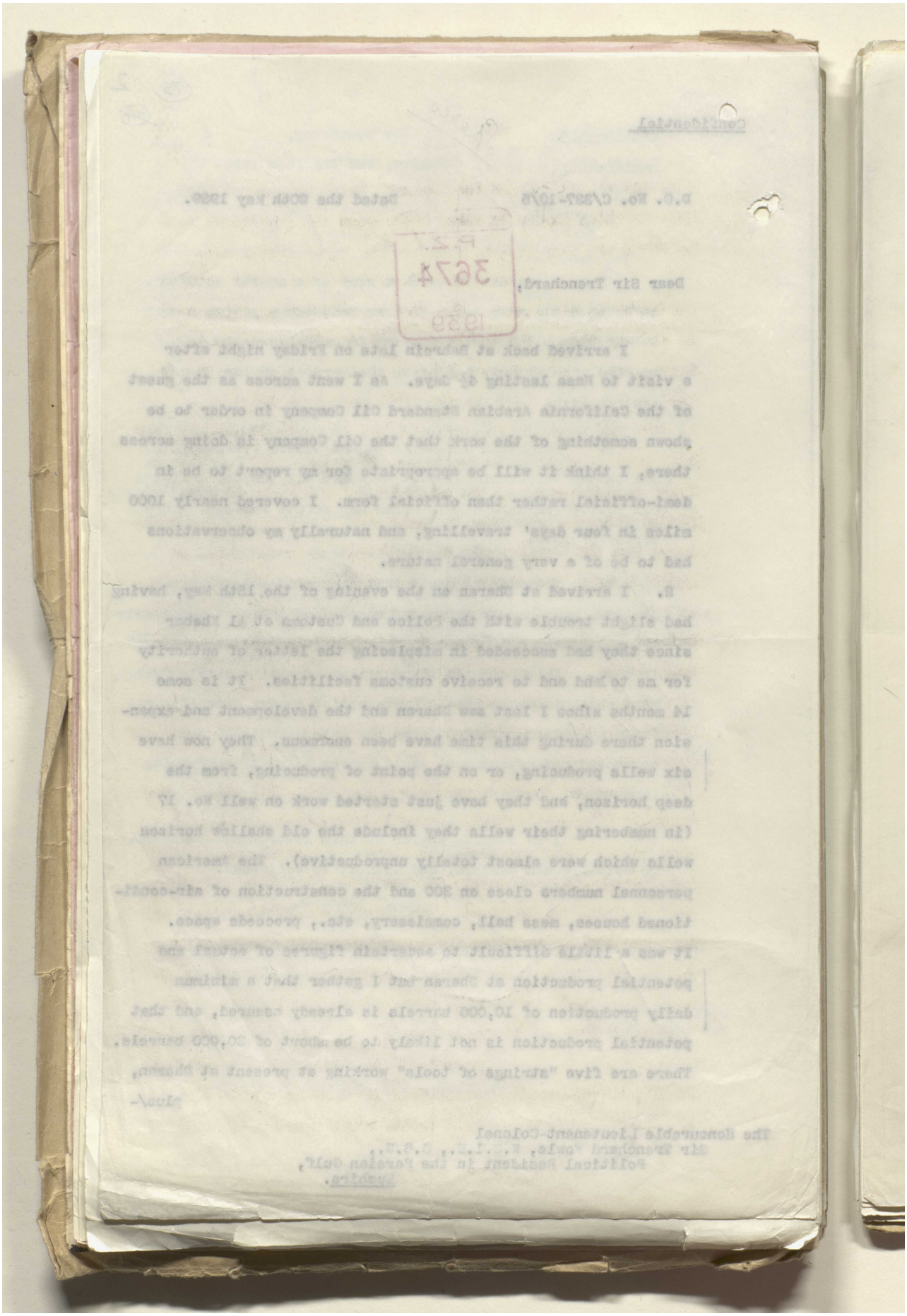

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plus one at Abu Hadriya (see below), and I understand that when drilling begins in other areas rigs and draw-works will be moved out from Dharan, work at that place easing off.

3. On Tuesday morning we set out from Dharan via Qatif and Safwa to Ras Tanura. The road follows the pipeline most of the way though the latter cuts across shallow water in Tanura Bay. At Ras Tanura I saw the storage tanks and the loading terminal, which is only 3000 feet from the shore. In fact Ras Tanura is an admirable oil port, though the Company hope that it will not be developed for general Saudi purposes. There is ample space on the headland for a large refinery, should it become necessary to build one, though there is little doubt that the Company will do their best to avoid this. I should imagine that their hope that Ras Tanura will not develop as a general port is likely to be fulfilled, since the country between Ras Tanura and Riyadh is extremely difficult for road construction. Presumably however cargoes for Qatif and Oqair (for the Hofuf area) will be brought into Ras Tanura and there loaded into barges and dhows. But the Riyadh area will probably depend on Kuwait.

4. From Ras Tanura we proceeded along the east side of the Sabakhat as Summ to Jubail. As we arrived there at mid-day most of the bazaar was shut, but it is a place of quite minor importance, providing mainly for the Bedu when they come into the "as sudah" to the west. From Jubail we continued more or less parallel to the Coast in a north-westerly direction to Abu Hadriya, which lies at the intersection of lines drawn due south from Jebel Manifa and due west from Jinna Island. Abu Hadriya is the area which was proved last year by the seismograph method and which the Company hope will develop into a huge oil field comparable with the A.I.O.C. fields. The first well is at present being drilled and casing has been set to a depth of

4800 /-

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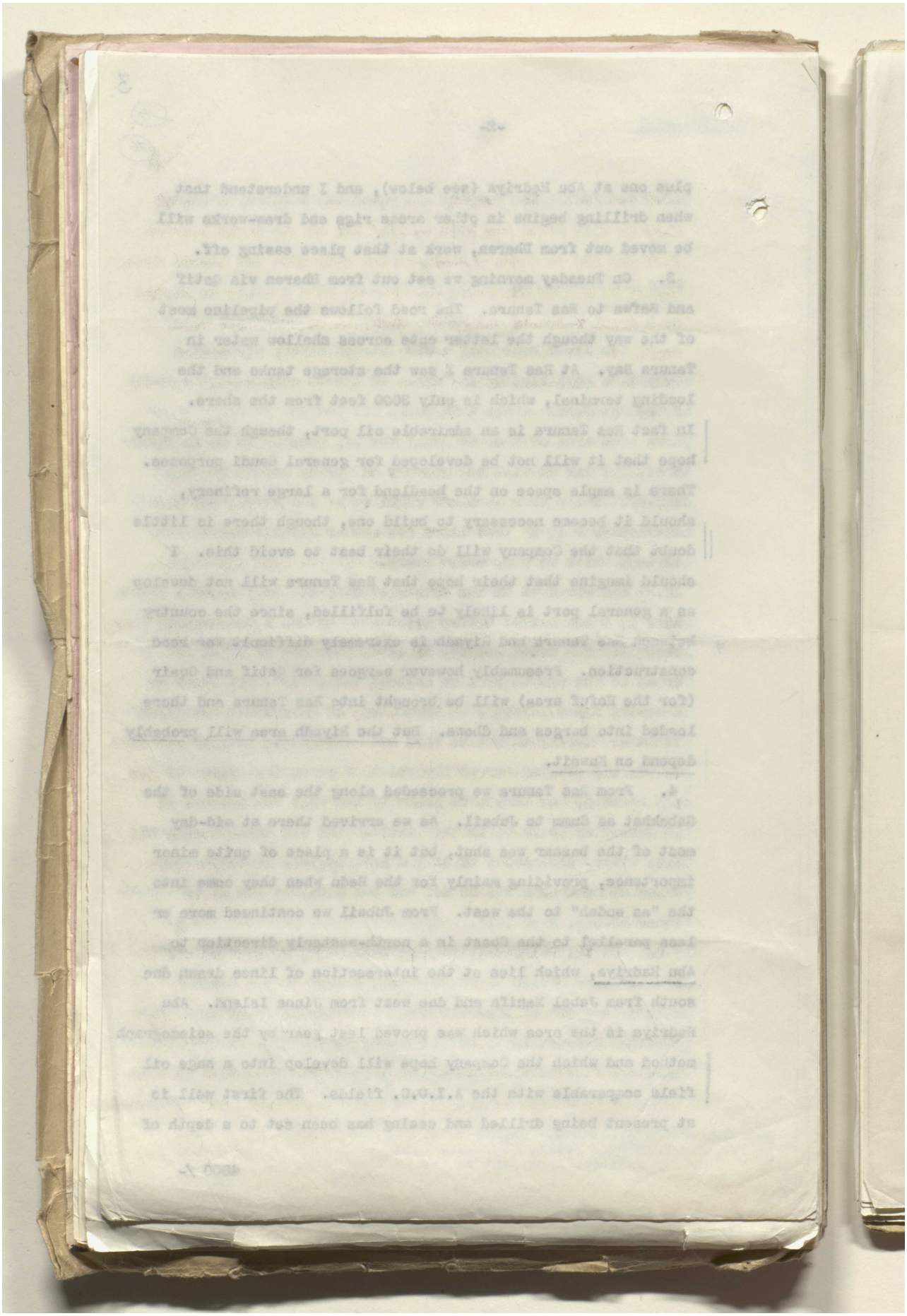

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4800 odd feet. The Company are prepared to drill to 10,000 feet in this area, and hope to find oil at any depth between 5000 and 10,000 feet. Materials for work here are landed from barges in Manifa Bay where the Company have a crane in charge of a local watchman and crew. There is an excellent water supply at Abu Hadriya and a very business-like air-cooled camp on a miniature scale, which of course will expand rapidly if oil is found in the test well.

5. We then went on to Jebel Manifa, from which we obtained a view of the surrounding country and could see Manifa Bay itself. There is deep water right up to the shore, but the difficulty here is that there are shoals further out to sea through which no deep water channel has yet been discovered. As it was now late in the afternoon we could only spend a short time at Jebel Manifa before driving on to No. 1 Seismograph Camp, which is at a point roughly 22 miles due west of Jebel Abu Rasain. (Incidentally I am quoting names which are shown on Hunter's Map of Arabia. I have a map of Hasa which was given to me by Thornburg, but it does not contain the details obtained during the present season's work. I hope in due course to get a revised map which may be ready in August.) We arrived at this Camp after dark, having covered some 240 miles during the day. There is a party of 16 men here engaged on seismograph work, and the Camp itself and the commissariat are alike admirable.

6. On the following morning, Wednesday, we started off by driving down to the Coast to obtain a view of the coast line between Ras al Misha'ab and Ras al Safaniyah. This is a particularly pleasant bay, but of no great interest. We then returned and watched the seismograph party for some time (I will not worry you with an account of their technique), and afterwards

proceeded /-

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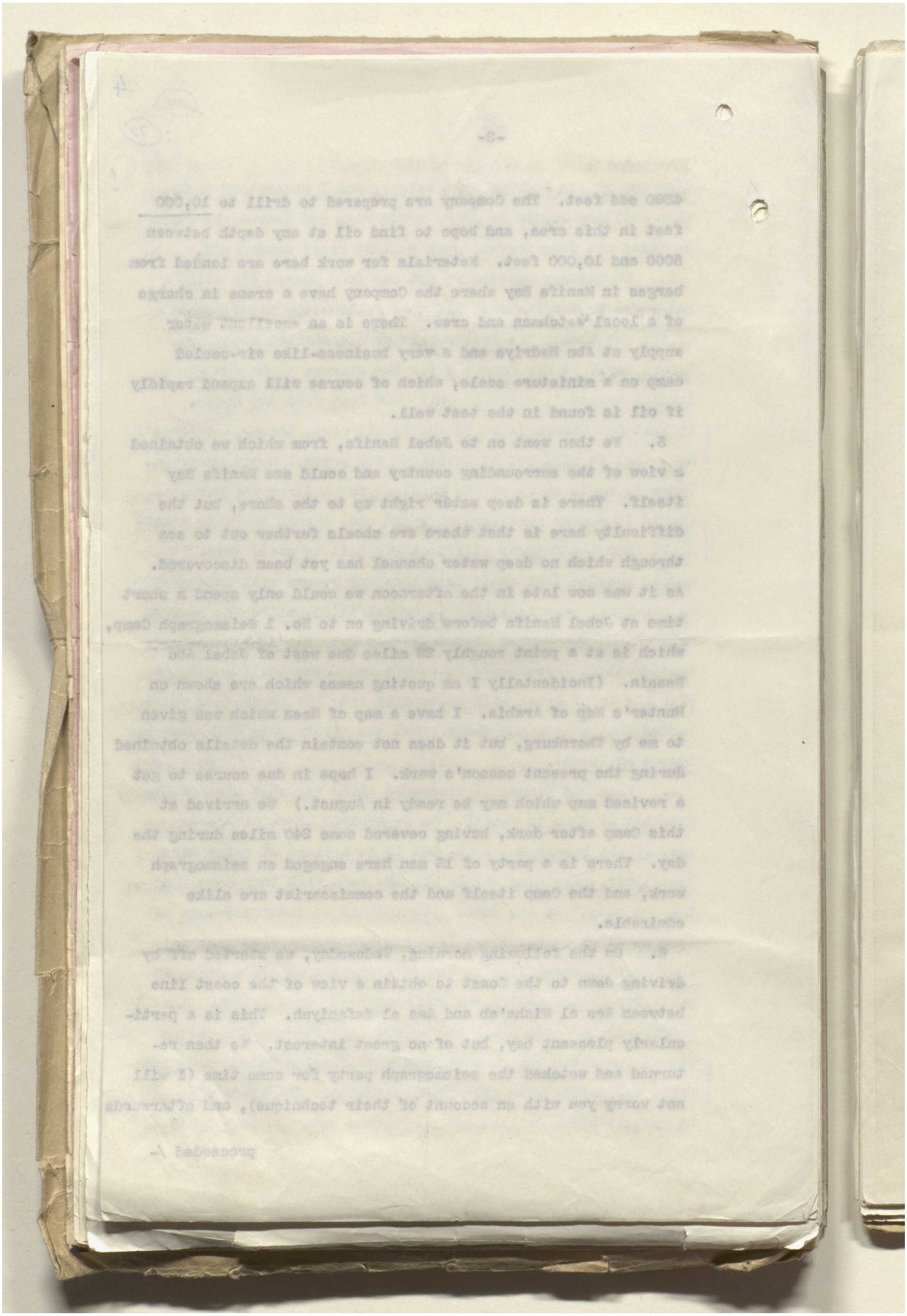

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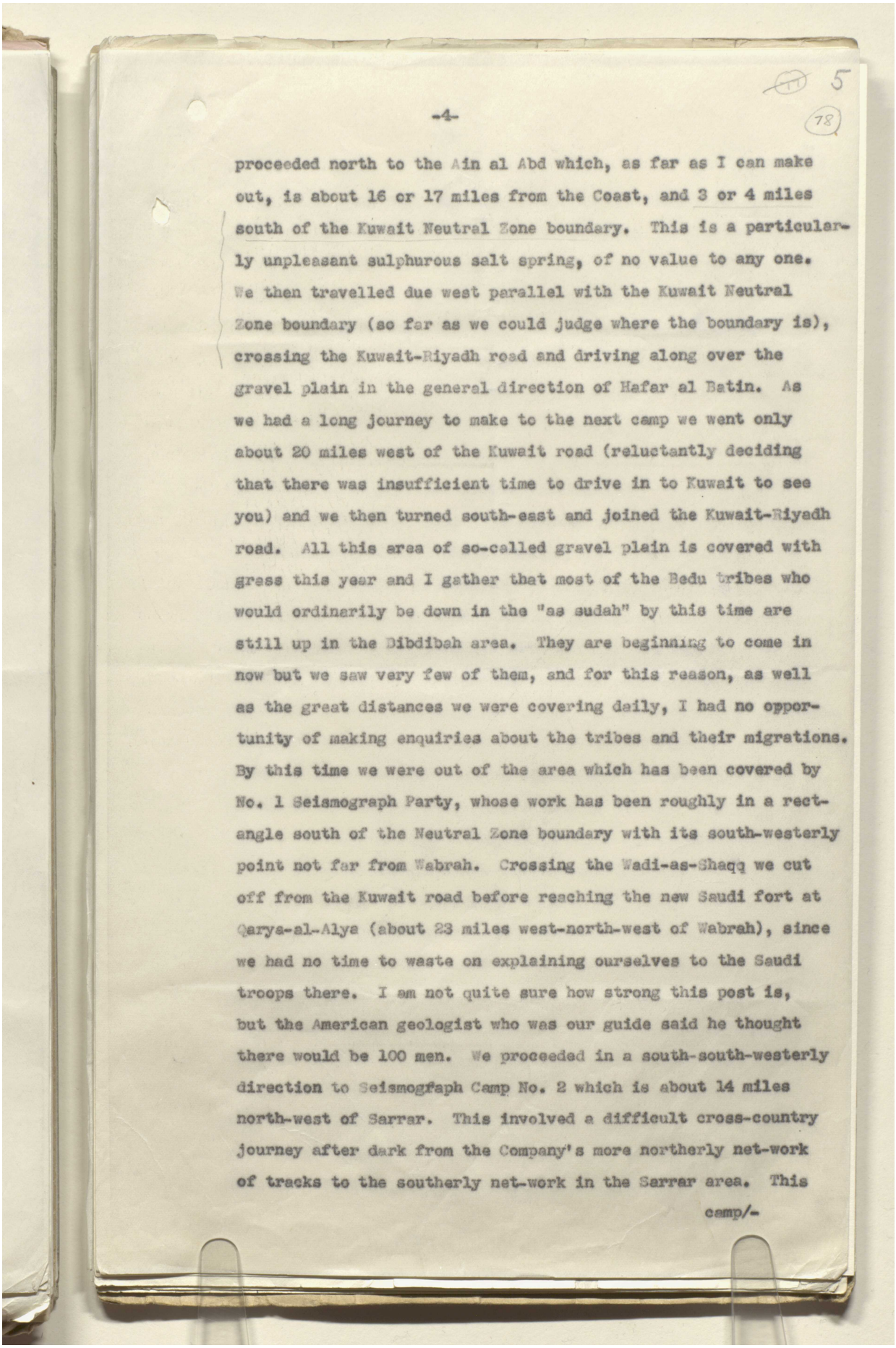

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proceeded north to the Ain al Abd which, as far as I can make out, is about 16 or 17 miles from the Coast, and 3 or 4 miles south of the Kuwait Neutral Zone boundary. This is a particularly unpleasant sulphurous salt spring, of no value to any one. We then travelled due west parallel with the Kuwait Neutral Zone boundary (so far as we could judge where the boundary is), crossing the Kuwait-Riyadh road and driving along over the gravel plain in the general direction of Hafar al Batin. As we had a long journey to make to the next camp we went only about 20 miles west of the Kuwait road (reluctantly deciding that there was insufficient time to drive in to Kuwait to see you) and we then turned south-east and joined the Kuwait-Riyadh road. All this area of so-called gravel plain is covered with grass this year and I gather that most of the Bedu tribes who would ordinarily be down in the "as sudah" by this time are still up in the Dibdibah area. They are beginning to come in now but we saw very few of them, and for this reason, as well as the great distances we were covering daily, I had no opportunity of making enquiries about the tribes and their migrations. By this time we were out of the area which has been covered by No. 1 Seismograph Party, whose work has been roughly in a rectangle south of the Neutral Zone boundary with its south-westerly point not far from Wabrah. Crossing the Wadi-as-Shaqq we cut off from the Kuwait road before reaching the new Saudi fort at Qarya-al-Alya (about 23 miles west-north-west of Wabrah), since we had no time to waste on explaining ourselves to the Saudi troops there. I am not quite sure how strong this post is, but the American geologist who was our guide said he thought there would be 100 men. We proceeded in a south-south-westerly direction to Seismogfaph Camp No. 2 which is about 14 miles north-west of Sarrar. This involved a difficult cross-country journey after dark from the Company's more northerly net-work of tracks to the southerly net-work in the Sarrar area. This

camp/-

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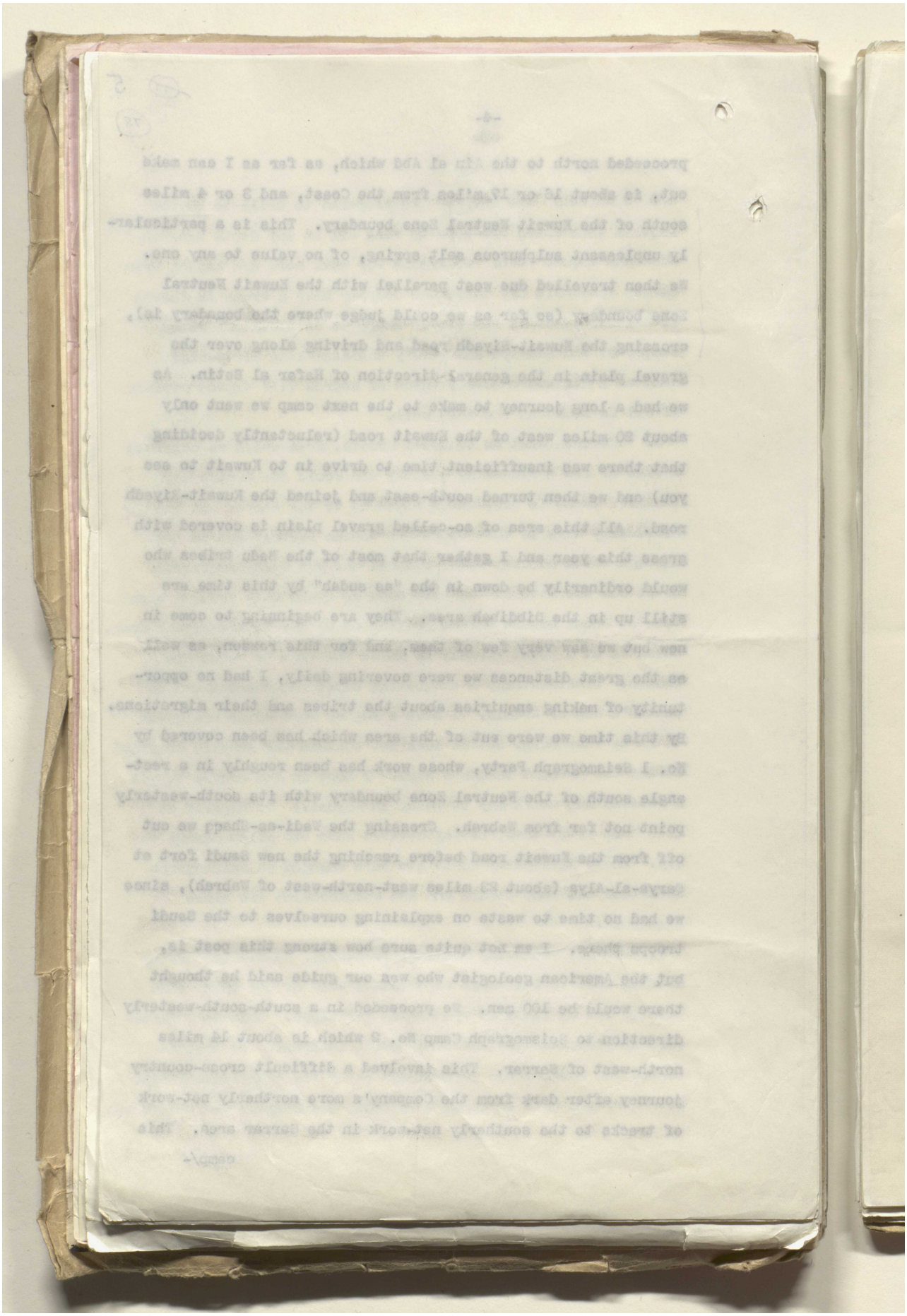

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(78)
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camp is on very much the same lines as the other, and is due to move southwards in a few days' time. We had covered roughly 260 miles of "road" and had to go back 45 miles after dinner in order to repair and bring in our second car !

7. The next day, Thursday, we struck west-south-west over gradually rising country to an area called Ma'aqala. This is on the edge of the Dahana (sand-dune country) about 50 miles west-south-west of Awainah. Awainah is the last point at which (so far) there is permanent water until the Rumah wells on the west side of the Dahana are reached. At Ma'aqala we found a geologists' camp of a somewhat more primitive nature. A driller has arrived there recently and is now drilling for water, a necessary preliminary to drilling for oil next autumn in an area which has caused the geologists some excitement. This Ma'aqala area is rather too hard for seismograph work but surface geology is considerably simpler than in the sand-covered areas and has been checked by the gravitymeter method. Ma'aqala is only 140 odd miles short of Riyadh and it will be an expensive business to construct and maintain roads to take heavy loads of machinery, etc., from Dharan or Jubail. There is another geological party working about 90 miles north-north-west of Ma'aqala in the As Safah direction, but we did not have time to visit them. Ma'aqala is several hundred feet above sea level and very hot and dry; the temperature in the afternoon we were there was 115 in the shade, and is likely to go a good deal higher.

8. On the next morning, Friday, we set out on our return journey to Dharan. As far as Awainah we were retracing our steps of the previous day, but from there on we followed a different track past Hinnat (Hanna) straight to Jubail, and thence southwards on the west side of the Sabakhat as Summ to Dharan. This distance was close on 250 miles and we used 25

gallons /-

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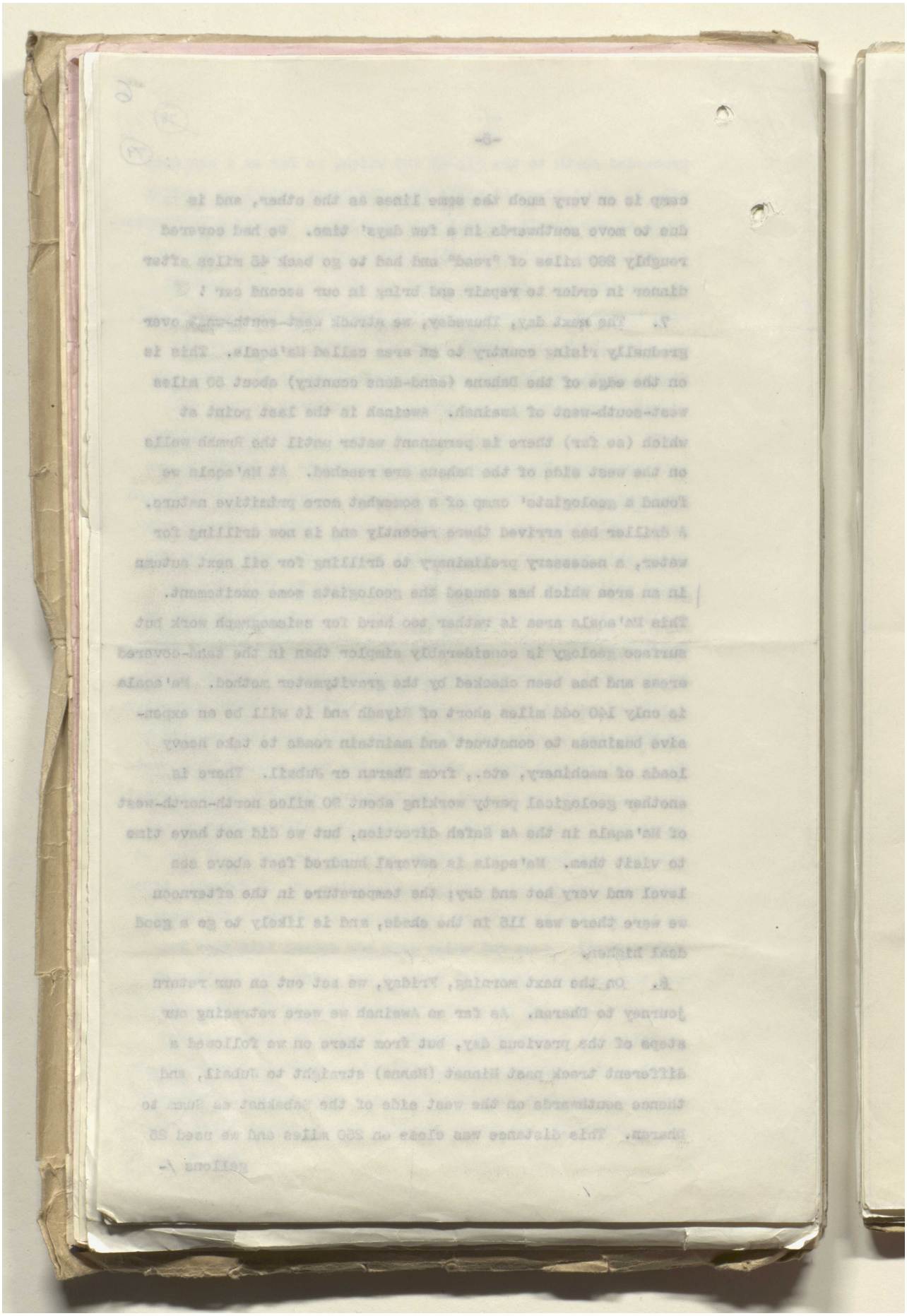

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gallons of water in the radiators of our two cars. Shortly before sighting Qatif we saw the abandoned derrick of a dry well drilled at a place called Al Alat (in the area named Sabakhat Salaliyat in Hunter's Map).

9. Briefly the position in regard to Hasa oil is that the Company have a prolific high-pressure field at Dharan which they are developing rapidly. This field may be good for 30 to 50 thousand barrels daily but will probably not be produced at anything like this figure owing to the difficulty of breaking further into the markets of the Eastern Hemisphere. They are drilling a test well in an extremely promising area at Abu Hadriya, which may conceivably be a structure of far greater capacity than Dharan. They are about to begin drilling next cold weather (assuming that they surmount the water difficulty) in the Ma'aqala area, which according to surface indications is extremely promising. Of their two seismograph parties No. 1 is covering a large area to the south of the Kuwait Neutral Zone which is promising enough but in which, as far as I can discover, no specific "highs" or domes have so far been located; the second seismograph party in the Sarrar area seems to have located a number of "highs", judging by a detailed geological map of which I caught a glimpse. Another geological party in the As-Safah area does not seem to have much to report yet. Meanwhile two gravitymeter parties are starting work now to the south and south-west of Dharan, though it may be months before they can send in a useful report.

10. I tried to find out something about the California Arabian Standard Oil Company's future policy, since it is a matter which has caused me much anxiety in recent months owing to its possible effect on Bahrain production. I suggested to Thornburg that the feverish activities at Dharan, the rather noisy boasting by Lenahan and others about Abu Hadriya, the intensive exploration by seismograph, gravitymeter and plain surface geology, the

ceremonial/-

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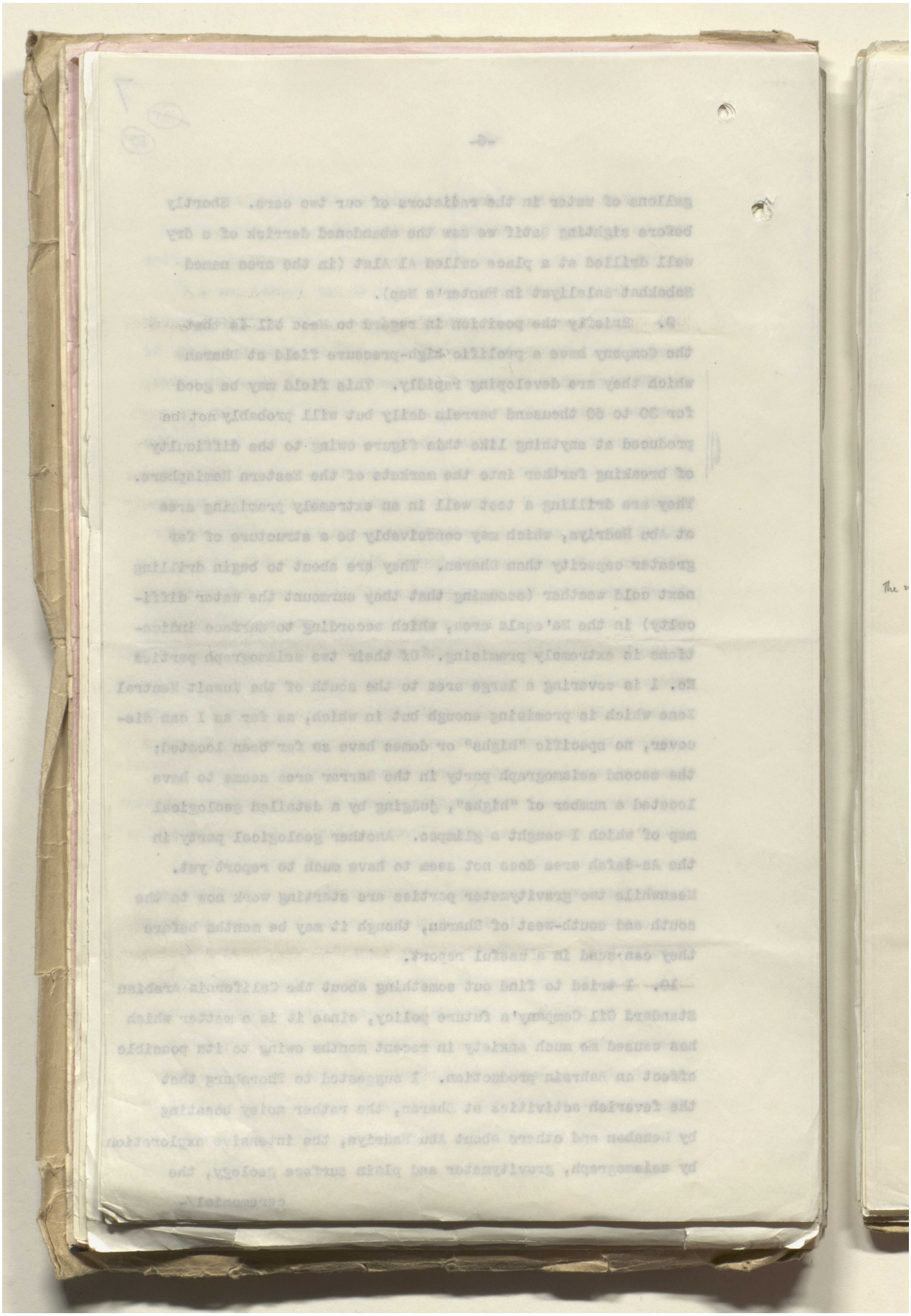

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ceremonial opening of Ras Tanura as an oil port and so on could only have the effect of whetting the appetite of Ibn Saud and his Ministers for ever-increasing royalties. The market for this oil must be in the Eastern Hemisphere and that market was already apportioned among the various Companies. Arabian oil could break in only to a limited extent and it seemed to me that they were deliberately committing themselves to a vast programme of uneconomic production since the prospect of inducing Ibn Saud, after all he has seen on his recent tour, to agree to restricted production must be remote in the extreme. Would it not have been better to develop the Dharan field slowly and to have gone about further exploration leisurely -- and silently ? I gathered that these views (more or less) are actually held by the Texas people and by some of the California people also. But there is a strong California group, headed by the President himself, which maintains that there must be rapid development for four reasons :-

The marketers

(a) that the concession calls for it;

(b) that the Company are required within a now brief period to select the areas which they wish to retain;

(c) that unless they exhibit great activity Ibn Saud may tear up the concession -- and they would have no prospect of redress;

(d) [put very amateurly] each Company's share in the oil market depends on its potential and not on its actual production. If C.A.S.O.C. can prove by actual test that they have a potential production of say 100000 barrels per day they can then claim possibly an additional 25,000 barrel share in the Eastern Hemisphere markets. (N.B. Bahrain obtained a totally disproportionate share merely by being included in the total California - Texas share.)

All/-

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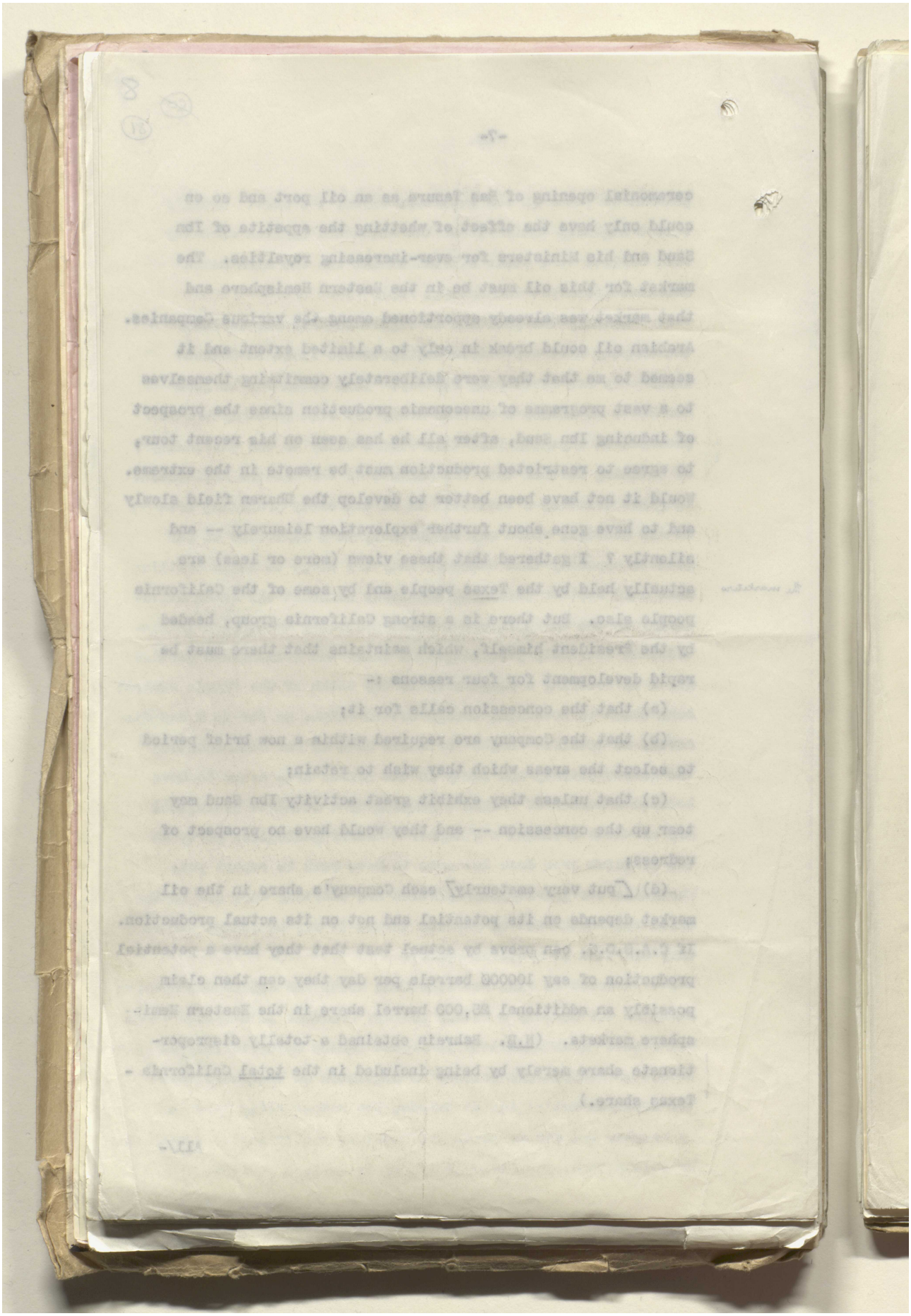

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All these arguments can be met and the fight between the opposing views goes on, but meanwhile the "big producers" have their way and soon it will be too late to change. I might add here that His Majesty's Government's decision to allow the Shaikh of Bahrein to grant the Unallotted Area to the Bahrain Petroleum Company arrived only just in time to enable the Company to repel a strong attack on Bahrain production by C.A.S.O.C. Ibn Saud having seen one tanker loaded at Ras Tanura said he would like to wait and see some more, and this could only have been done at the expense of Bahrain. As things have turned out, I am optimistic that Bahrain is fairly safe for 20,000 barrels a day, which is actually more than the minimum called for in the recent negotiations. How Arabian production (in excess of about 25,000 barrels a day) is to be absorbed I do not know.

11. The Company's geologists and surveyors have traversed an immense field covering the whole of Hasa, and some of them have been as far south as the Rub'al Khali and others up to Buraida and Hail. As you know, one of their parties has also been surveying the Saudi-Iraq frontier. There are at least a thousand kilometres of graded track in existence (some of it very much the worse for wear after the King's 350 motor vehicles have passed over it). Numerous water wells have been drilled in various parts of the country, some of them producing excellent water which an American or an European can drink without serious damage to his interior.

12. The country is amazingly green. Dharan itself marks more or less the northern extremity of the Jafurah (sandy desert with dunes). Northwards is the coastal belt of "as-sudah", a plain with a fairly thin cap of sand, interspersed with sabakhas or soft salty depressions with a thin, comparatively hard crust over marsh. In the north this merges gradually into a gravel plain as one goes westwards, while further south the country

rises/-

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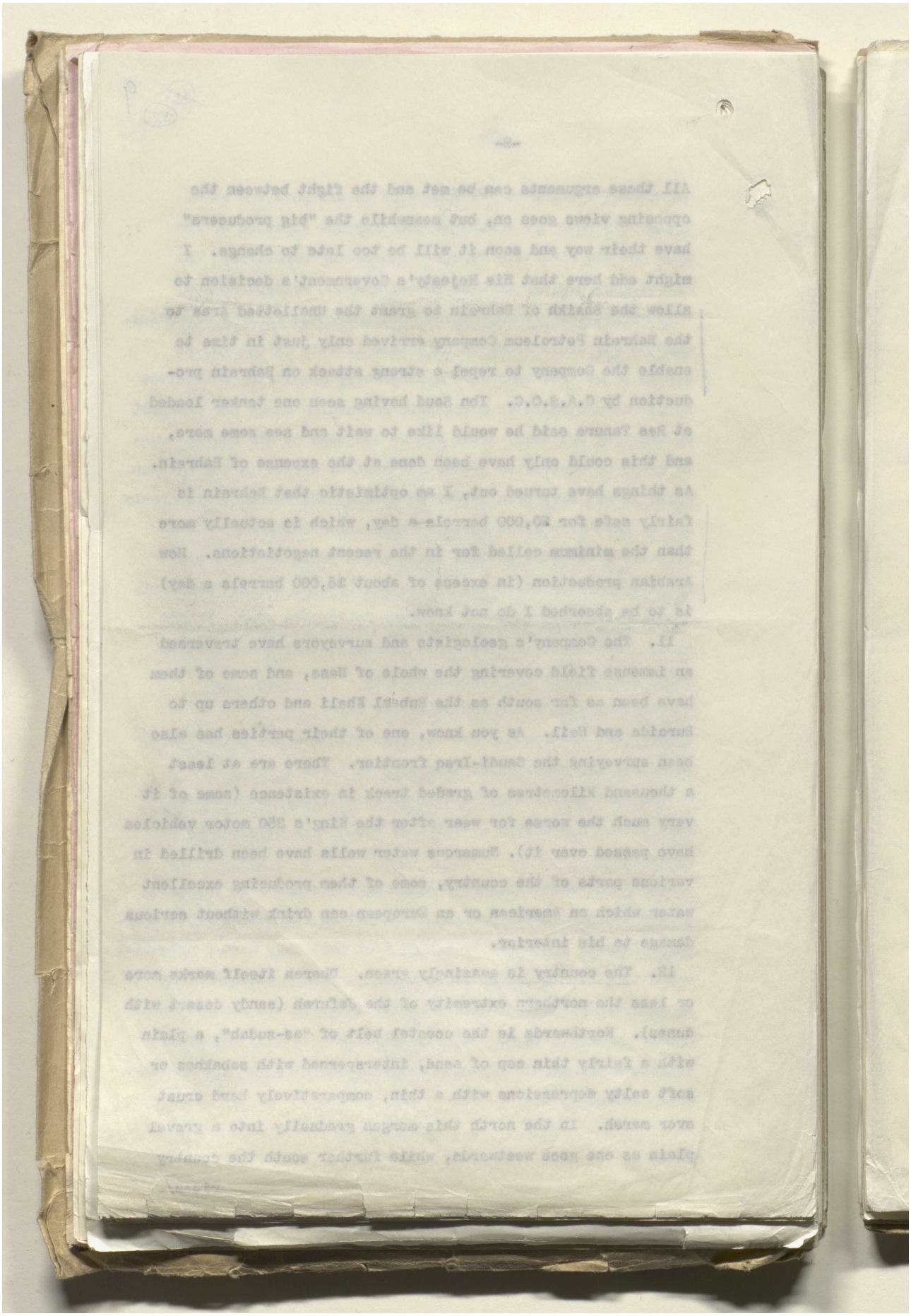

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rises gradually to a rocky plateau containing "rodhas" or fertile depressions in which fine grass and shrubs flourish after rain; while west again of both the gravel plains and the rocky plateau is the "dahana" or sand-dune country, on the far side of which lies Riyadh. The Company have found that it is not excessively difficult to make tracks across the "as-sudah" or sandy plain by means of a grader, though such tracks are quickly cut up if narrow motor-car tyres are used. Similarly they find that across most of the sabakhas they can make good tracks by first driving light cars fitted with desert tyres over them, gradually increasing the weight of the motor vehicles used, and finally using a grader. They are using now four-wheel-drive cars and station waggons and six-wheel-drive lorries (Autocars), all with wide low-pressure tyres; and there can be no doubt that if ever military operations were undertaken in this area multiple wheel-drive vehicles with broad low-pressure tyres would be essential.

13. As I have mentioned above I hope to obtain a revised map in a few months' time and if I do I will send it along for reproduction.

14. I did not go south to Hofuf, though I hope to do so on a future visit. The King's personal invitation to me to visit Riyadh next winter has been repeated and it might be possible to take advantage of this to make a more leisurely tour of Hasa.

Yours sincerely,

Sd/- H. Weightman.

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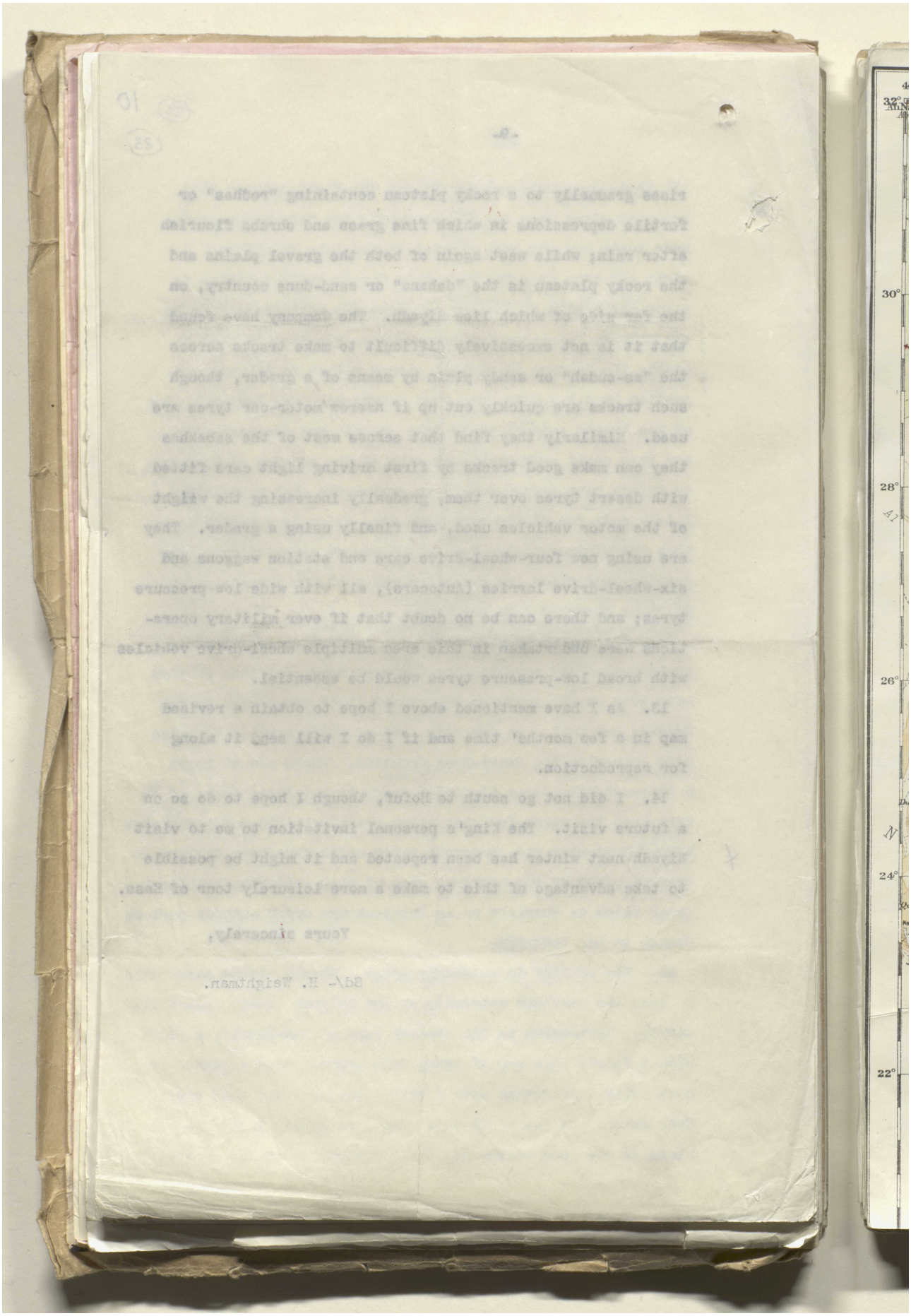

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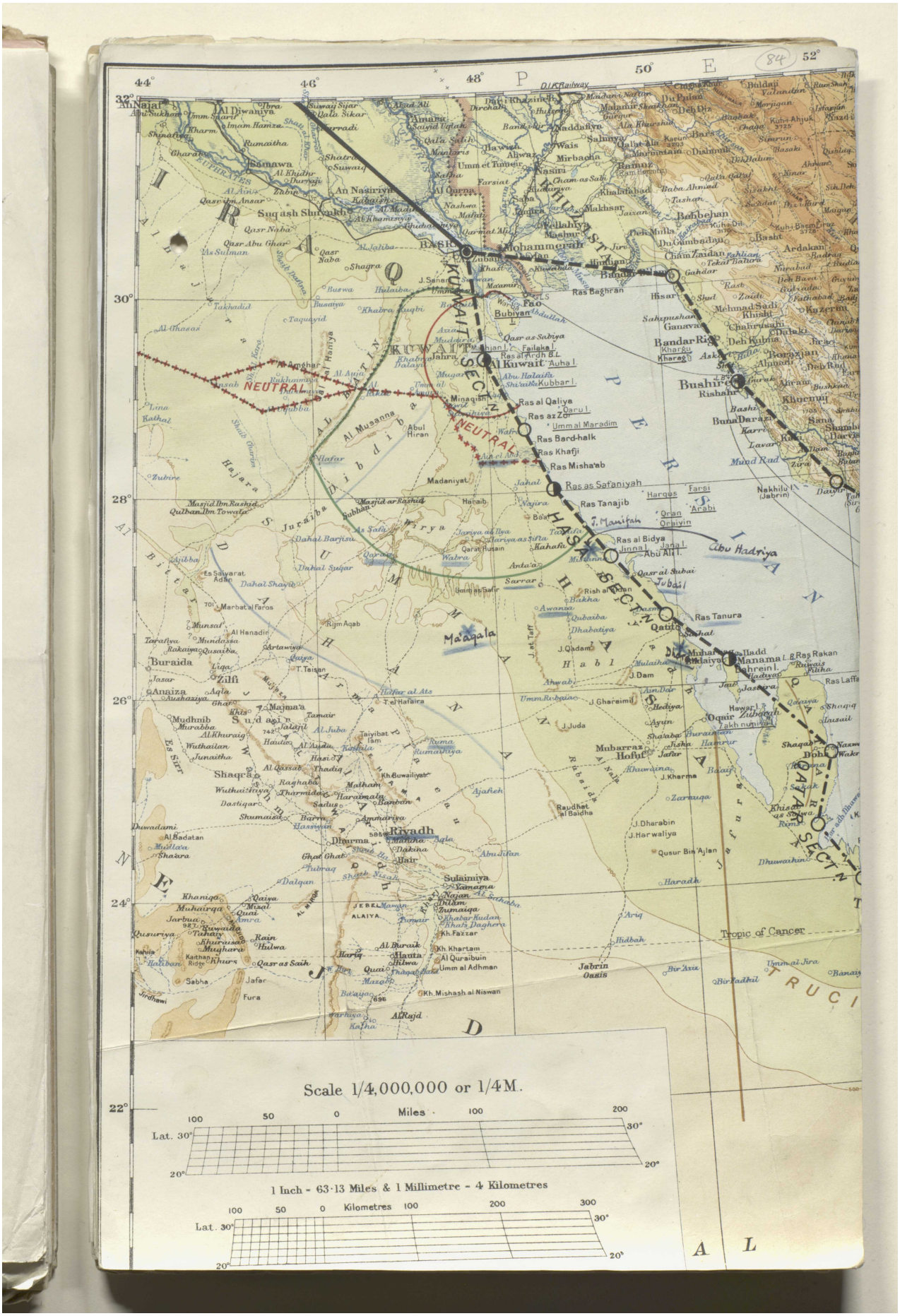
Map of Hasa, Saudi Arabia [84r] (1/2)


84
Scale 1/4,000,000 or 1/4M.
Miles
1 Inch - 63·13 Miles & 1 Millimetre - 4 Kilometres
Kilometres
Lat. 30°
Tropic of Cancer
NEUTRAL
NEUTRAL
KUWAIT SECTN.
HASA SECTN.
QATAR SECTN.
Riyadh
Dhurma
Sulaimiya
Jabrin Oasis
Al Kuwait
Mohammerah
Fao
Bubiyan
Ras al Qaliya
Ras Bard-halk
Ras Khafji
Ras Misha'ab
Ras as Safaniyah
Ras Tanajib
Ras al Bidya
Ras Tanura
Qatif
Dhahran
Manama
Bahrein I.
Bushire
Abu Hadriya
Abu Ali I.
Jubail
Dammam
Hofuf
Mubarraz
Ma'aqala
Buraida
Zilfi
Shaqra
Sudair
Majma'a
Anaiza
Unaiza
Hail
Jebel Aja
Jebel Salma
Al Nafud
Dahna
Ad Dibdiba
Jurayba
Hajara
Harya
Summan
Hammad
Tuwaiq
Jafura
Ghawar
Abu Sifan
Khaniqa
Muhairqa
Jarbua
Kusuriya
Kahfa
Sabha
Jafar
Fura
Jirdhawi
Al Rujd
Kh. Mishash al Niswan
Umm al Adhman
Al Quraibuin
Kh. Khartam
Kh. Fazzar
Kh. Buwailiyah
Kh. Dhaqrah
Kh. Daghera
Khabar Kudan
Zumaiqa
Najan
Yamama
Ajlan
Ariq
Idbah
Haradh
Qusur Bin Ajlan
Bir Axia
Bir Sadhil
Umm al Jira
Dhuwahin
Khisas
Dhuwadami
Al Badatan
Shaiara
Wadi Sirhan
Wadi Rimah
Wadi Hanifa
Wadi Dawasir
Wadi Nisah
Wadi Batin
Wadi Ar Rumah
Wadi Al Batin
Wadi Al Hamiya
Wadi Al Ajra
Wadi Al Ain
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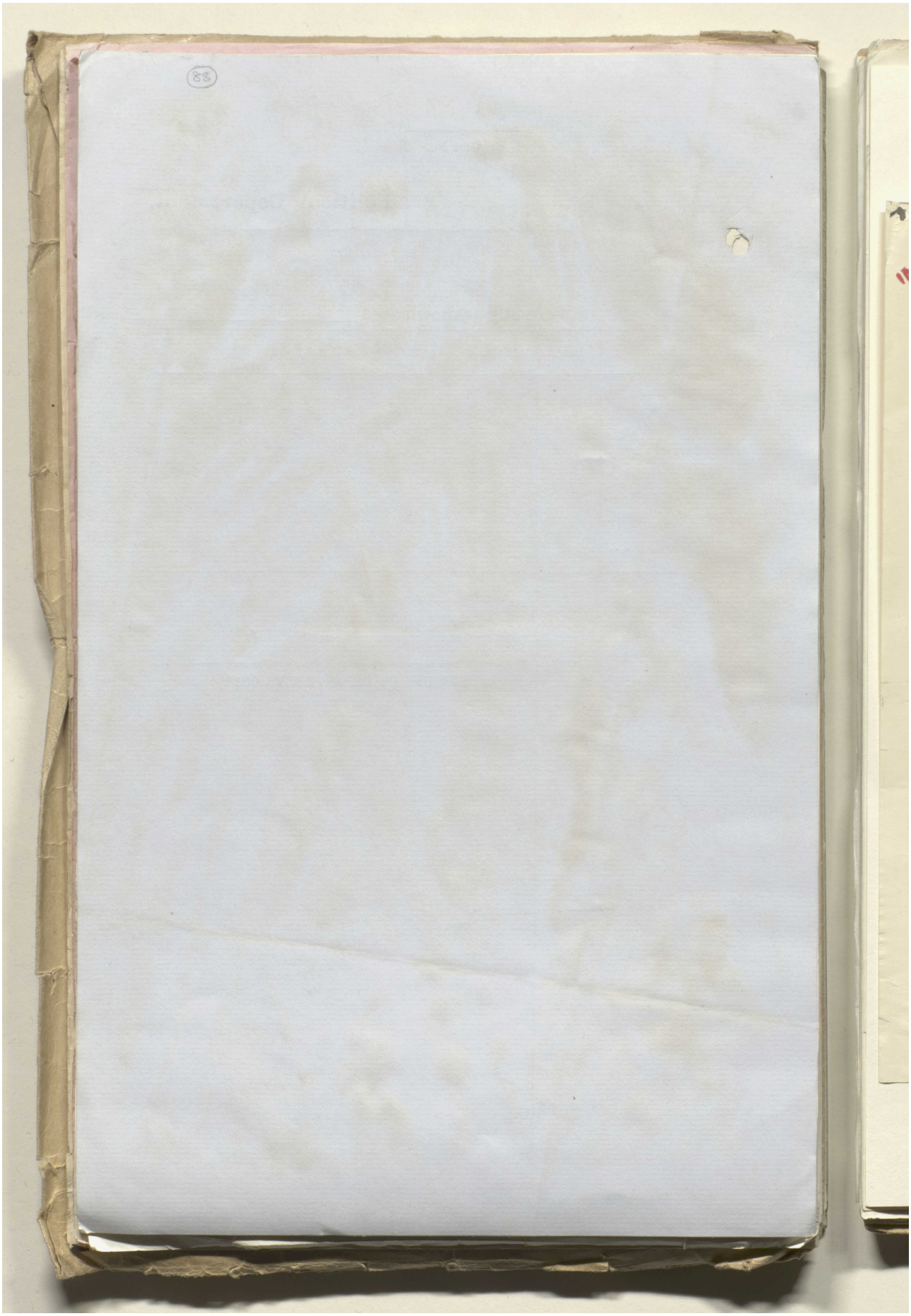

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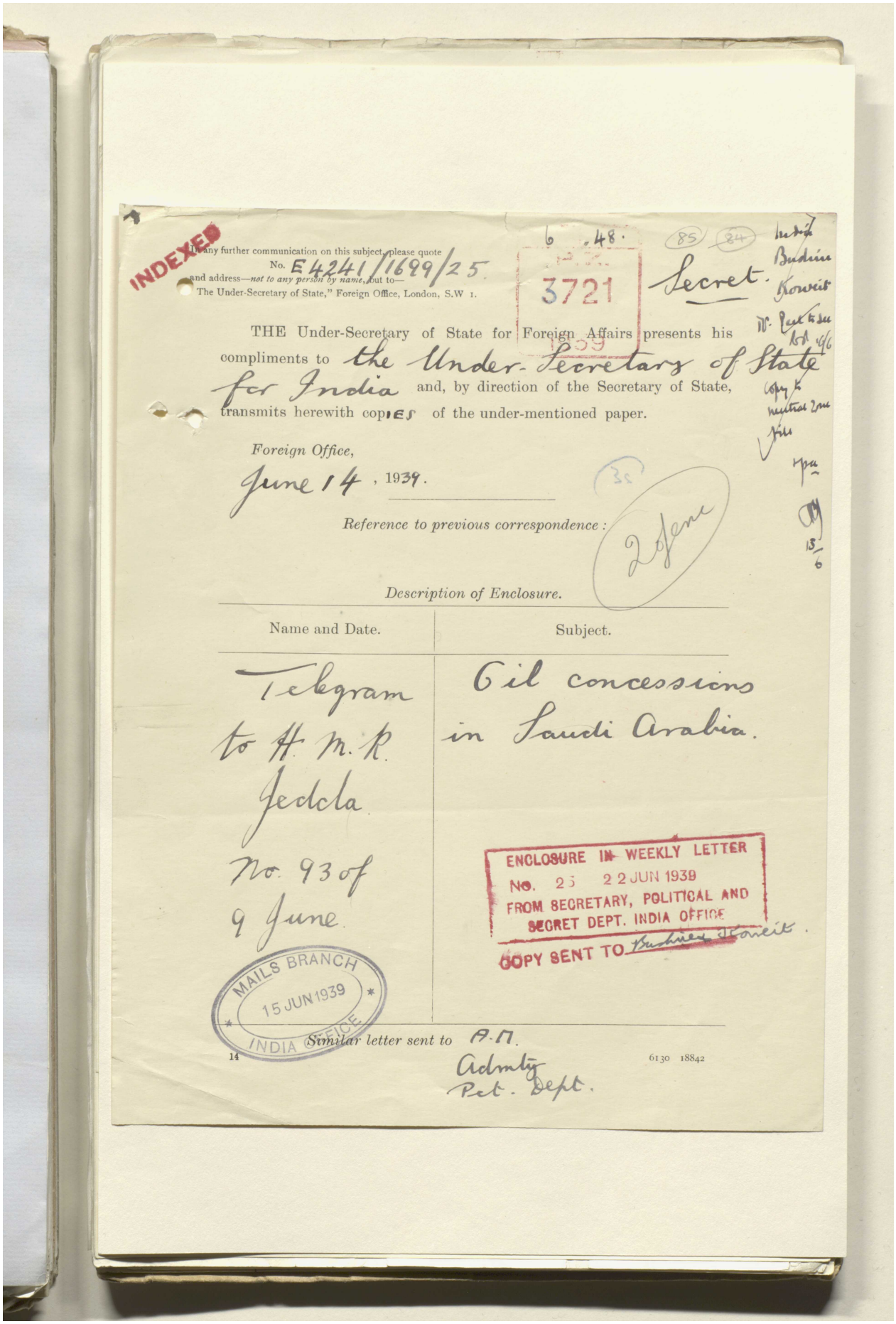

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and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W 1.

6 .48.
3721

Secret.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
June 14, 1939.

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
Telegram to H.M.K. Jedda No. 93 of 9 June.	Oil concessions in Saudi Arabia.

ENCLOSURE IN WEEKLY LETTER
No. 25 22 JUN 1939
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE
COPY SENT TO Bushire, Koweit.

MAILS BRANCH
15 JUN 1939
INDIA OFFICE

Similar letter sent to A.M. Admlty Pet. Dept.

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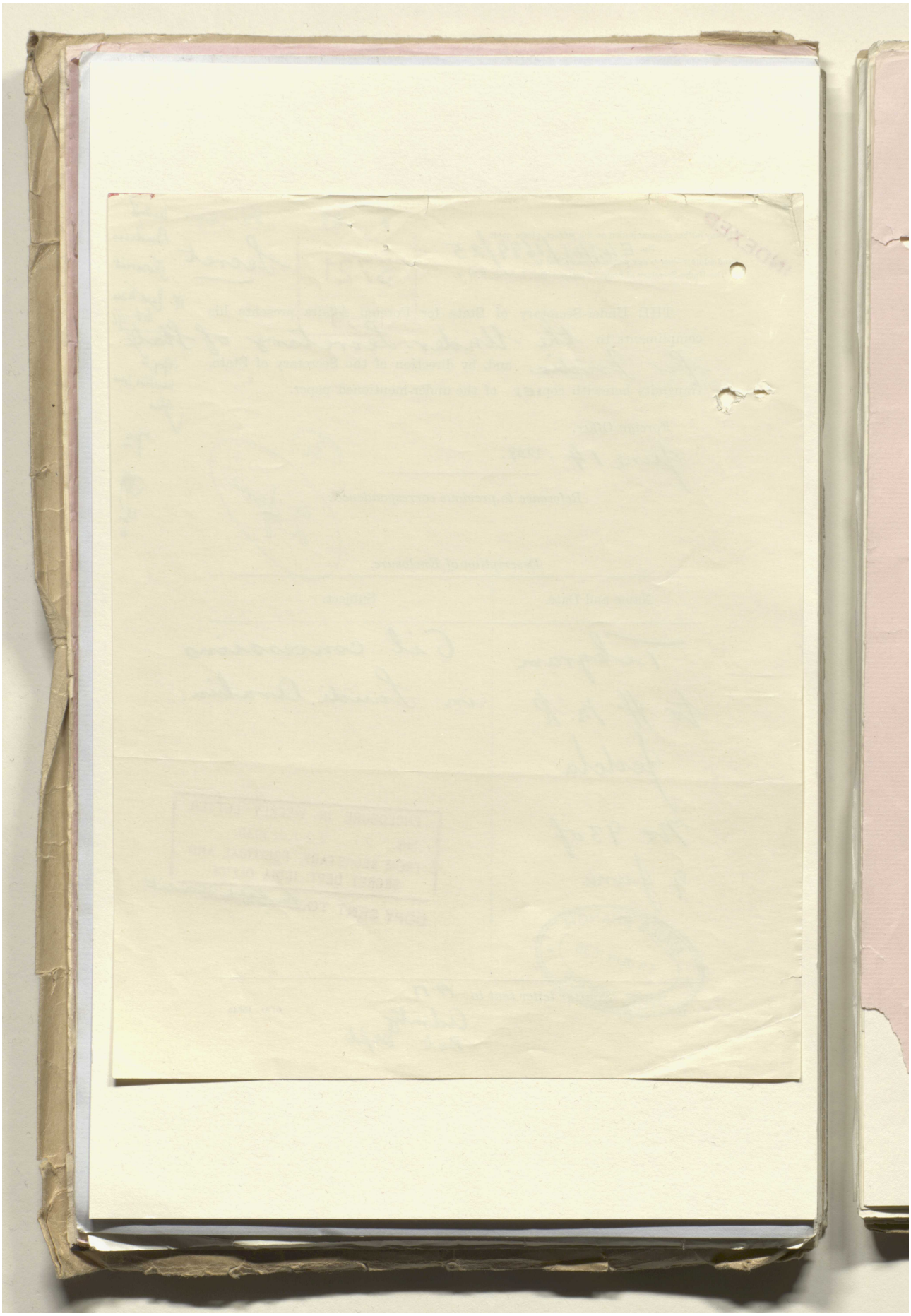

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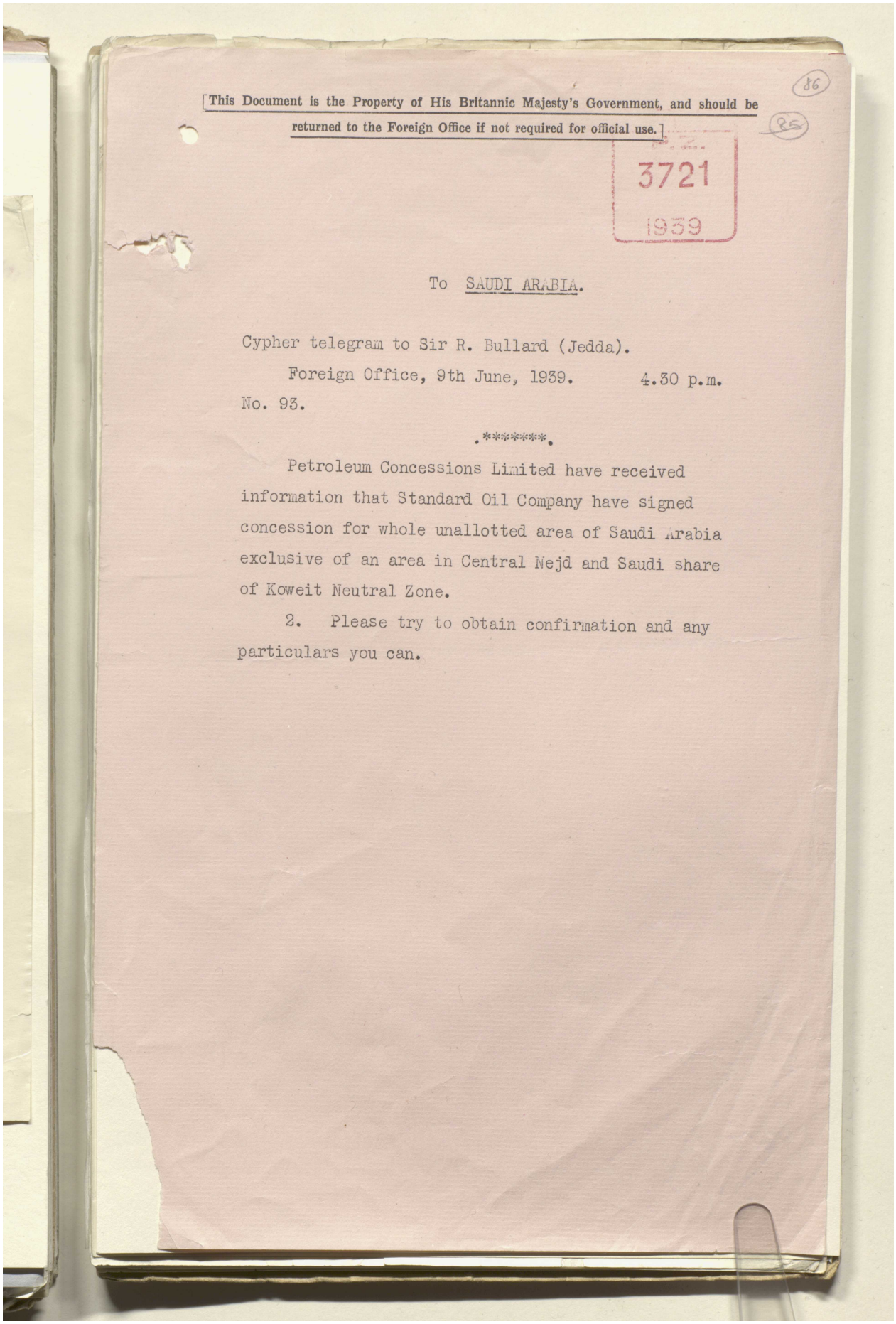

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3721
1939

To SAUDI ARABIA.

Cypher telegram to Sir R. Bullard (Jedda).

Foreign Office, 9th June, 1939. 4.30 p.m.

No. 93.

.*******.

Petroleum Concessions Limited have received information that Standard Oil Company have signed concession for whole unallotted area of Saudi Arabia exclusive of an area in Central Nejd and Saudi share of Koweit Neutral Zone.

2. Please try to obtain confirmation and any particulars you can.

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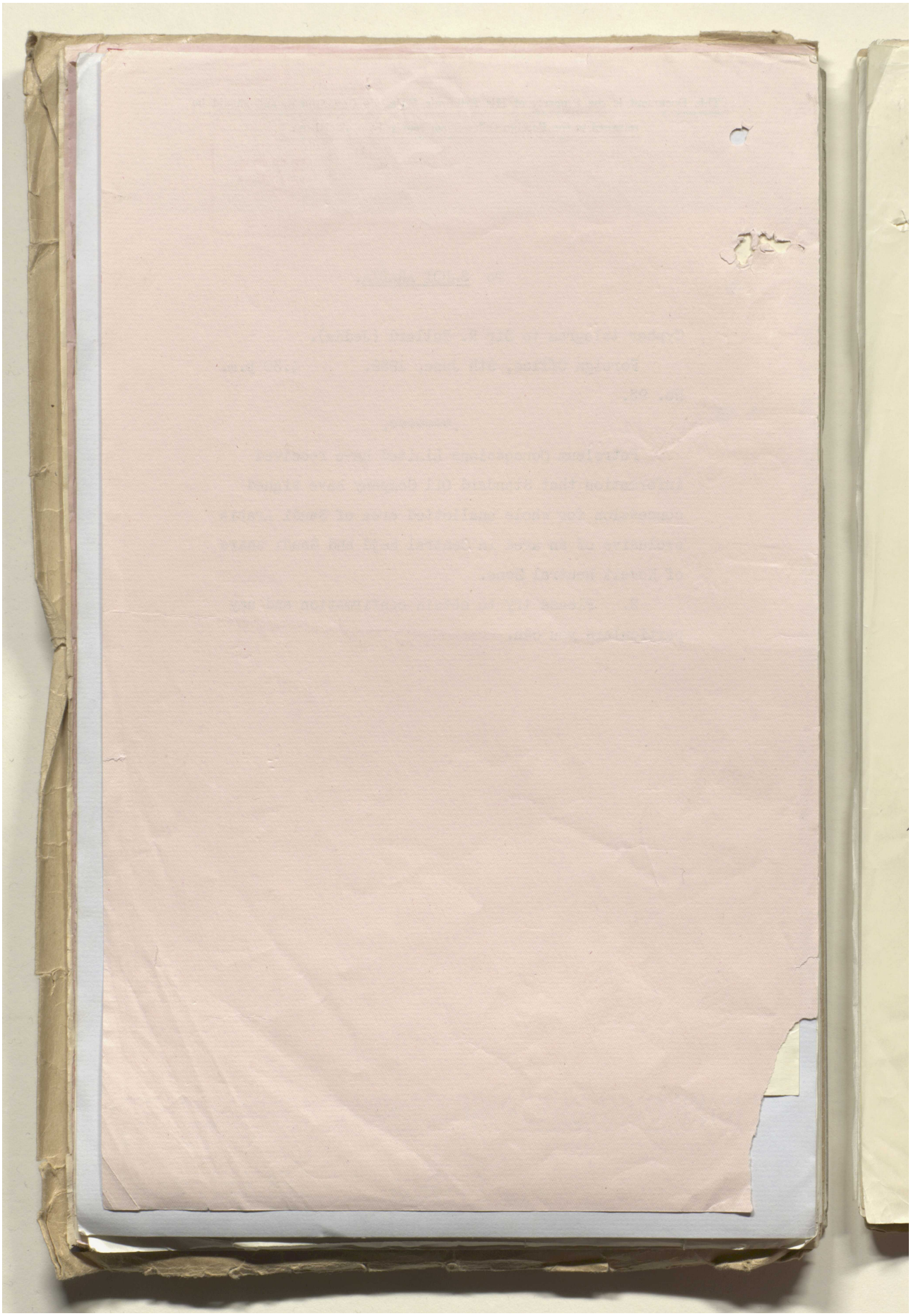

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Notes.

Minute Paper.

Register No. P.Z. 2683/39

SECRET.
POLITICAL DEPARTMENT.

Dated 193 .
Rec.

	Date.	Initials.	SUBJECT.
To			
Under Secretary	3.5		Saudi Arabia
Secretary of State ...	3/5		
Committee ...../.....			Oil : Japanese enquiries regarding Concessions.
Under Secretary			
Secretary of State....			

Copy of P.Z. 2596 & 2683 to India Bushire Bahrein

FOR INFORMATION.

The possibility of the Japanese securing oil concessions in Saudi Arabia, perhaps on the Persian Gulf, is disturbing but need not be taken too seriously at this stage, since there is good reason to accept Sir R. Bullard's statement that the Saudi Arabian talks with the Japanese are mainly for the purpose of forcing up bids by the California Arabian Standard Oil Co & Petroleum Concession Ltd & the Saudi Arabian Govt. may be sincere in saying they do not wish to let the Japanese in.

Sir J. Simon

The Fo. will presumably watch this carefully

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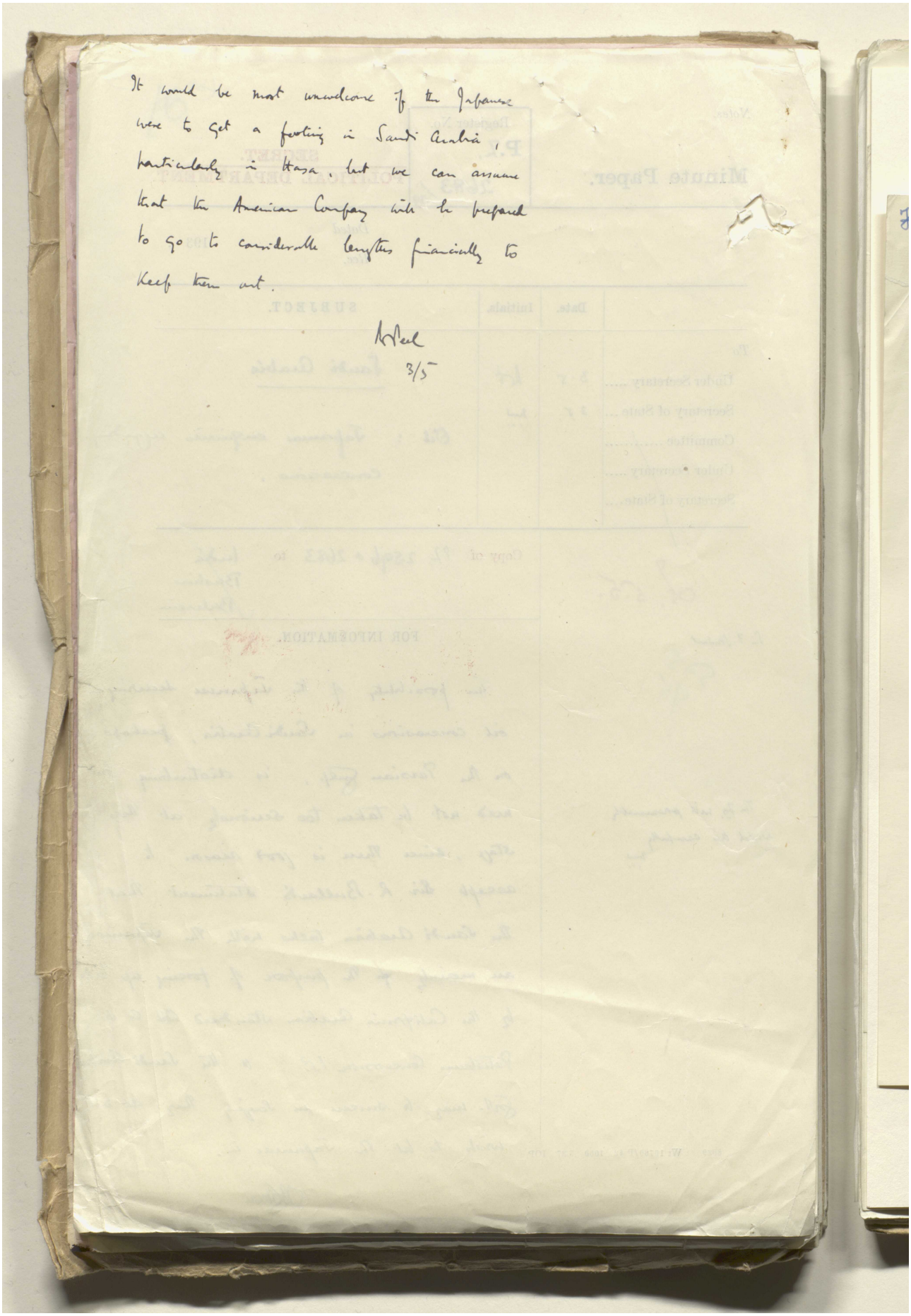

It would be most unwelcome if the Japanese were to get a footing in Saudi Arabia, particularly in Hasa, but we can assume that the American Company will be prepared to go to considerable lengths financially to keep them out.

3/5

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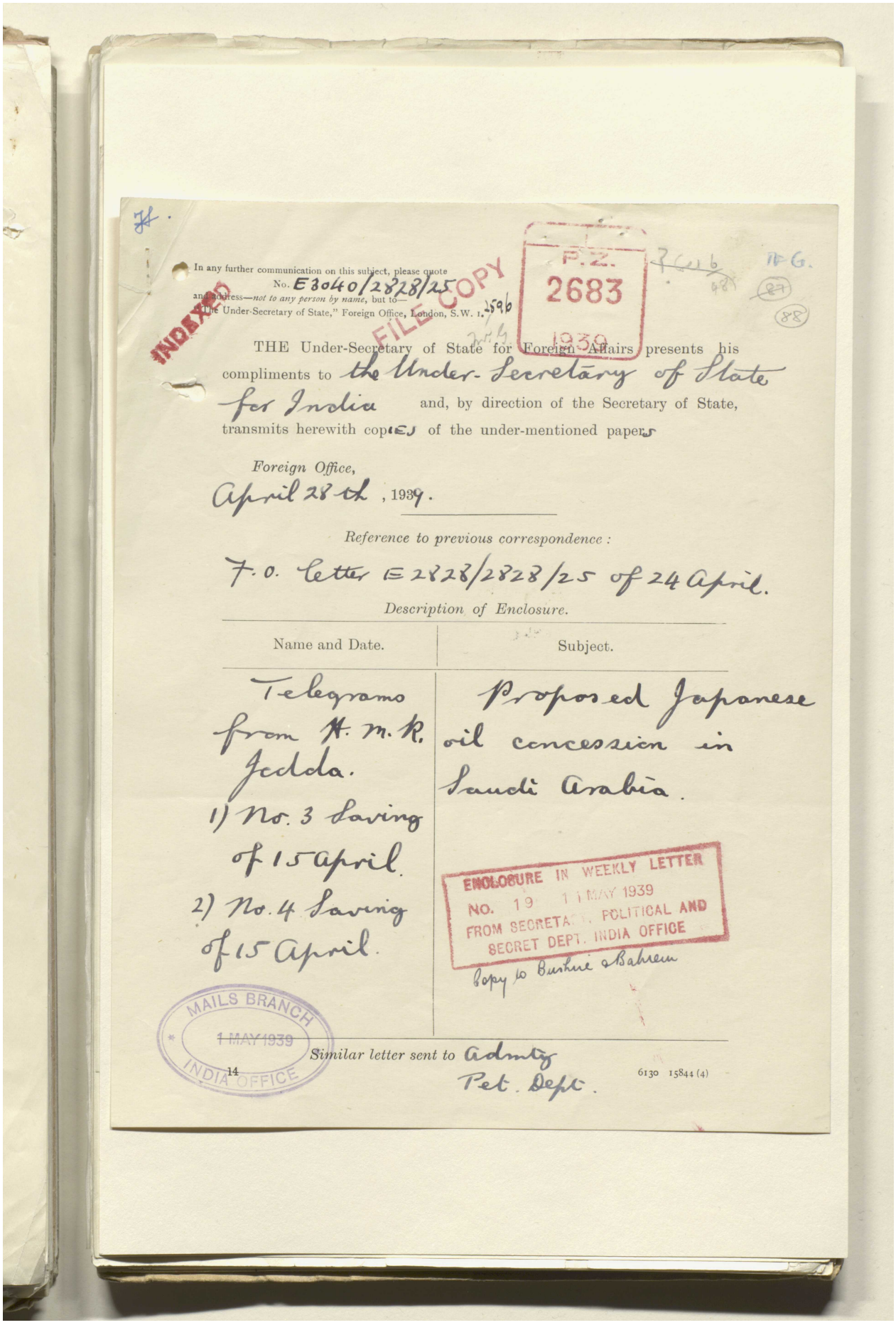

In any further communication on this subject, please quote
No. E 3040/2828/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

INDEXED

FILE COPY

P.Z. 2683 1939

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned papers.

Foreign Office,
April 28th, 1939.

Reference to previous correspondence :

F.O. Letter E 2828/2828/25 of 24 April.

Description of Enclosure.

Name and Date.	Subject.
Telegrams from H.M.K. Jedda. 1) No. 3 Saving of 15 April. 2) No. 4 Saving of 15 April.	Proposed Japanese oil concession in Saudi Arabia.

ENCLOSURE IN WEEKLY LETTER
NO. 19 11 MAY 1939
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Copy to Bushire & Bahrein

MAILS BRANCH
1 MAY 1939
INDIA OFFICE

Similar letter sent to Admty Pet. Dept.

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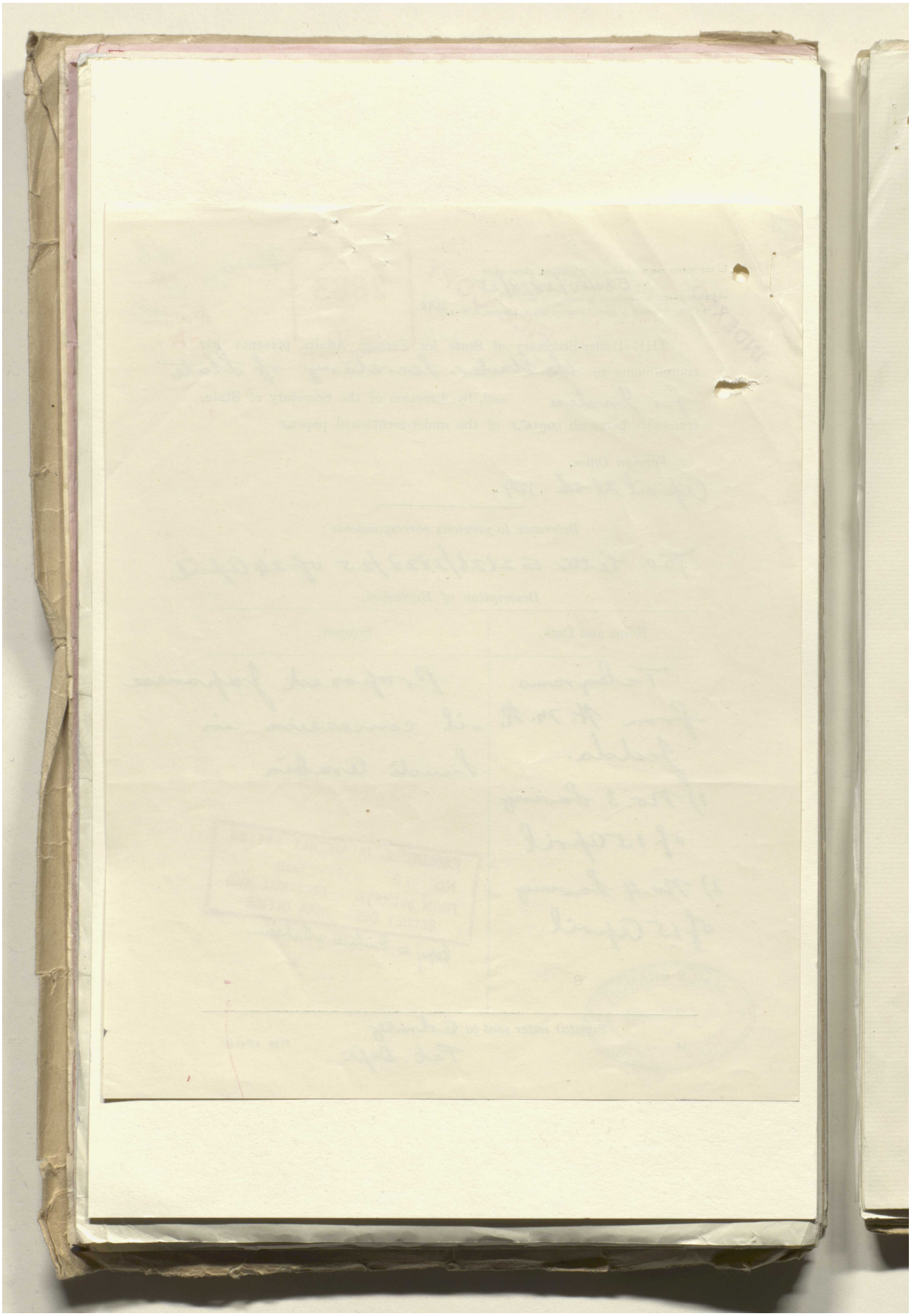

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F.O.
2683
1939

From: SAUDI ARABIA.

Telegram (en clair) from Sir R. Bullard (Jedda
15th April, 1939.

D. BY BAG. 15th April, 1939.

R. 22nd April, 1939.

No. 3. Saving.

() () () ()

2596

My telegram No. 49 of 13th April, fourth paragraph.

The terms proposed to the Japanese Minister for the two areas covered by the California Arabian Standard Oil Company option (not including the Kuwait Neutral Zone) were as follows:-

(All figures in gold pounds).

Payment down.	£	200,000
Rent for 1st. year		100,000
" " 2nd. "		125,000
" " 3rd. "		150,000
" " 4th. "		175,000
" " 5th. and each subsequent year until discovery of oil in commercial quantities		200,000

2. If oil is discovered in commercial quantities the rent ceases to be paid but the revenue payable to the Saudi Arabian Government is not to fall below £200,000 per annum.

3. When oil is discoveredin commercial quantities the Saudi Arabian Government would receive:

(1) a royalty of four shillings gold per ton calculated in the usual way;

(2) one-fifth of the gross production ("oil at mouth of well");

(3)/

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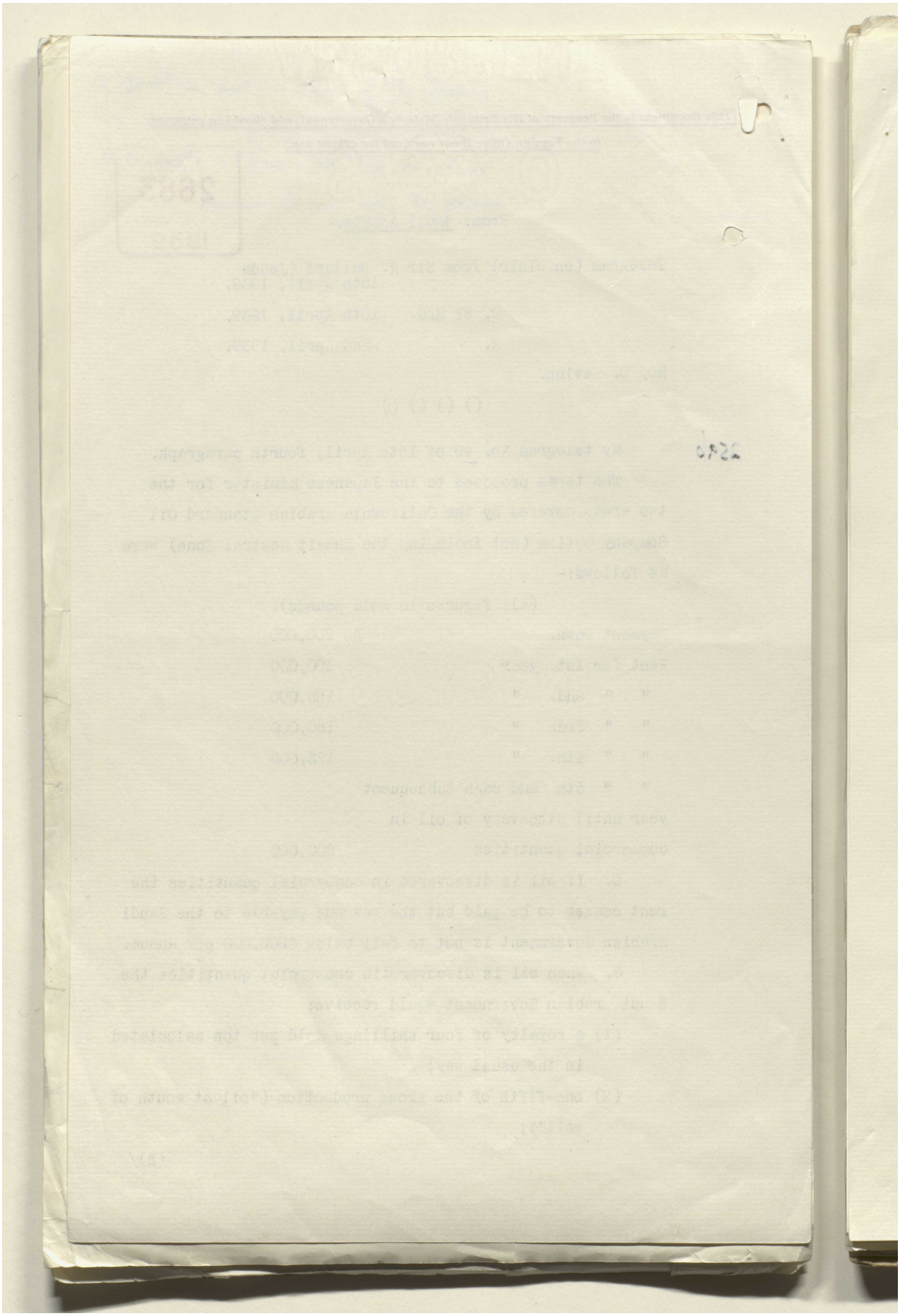

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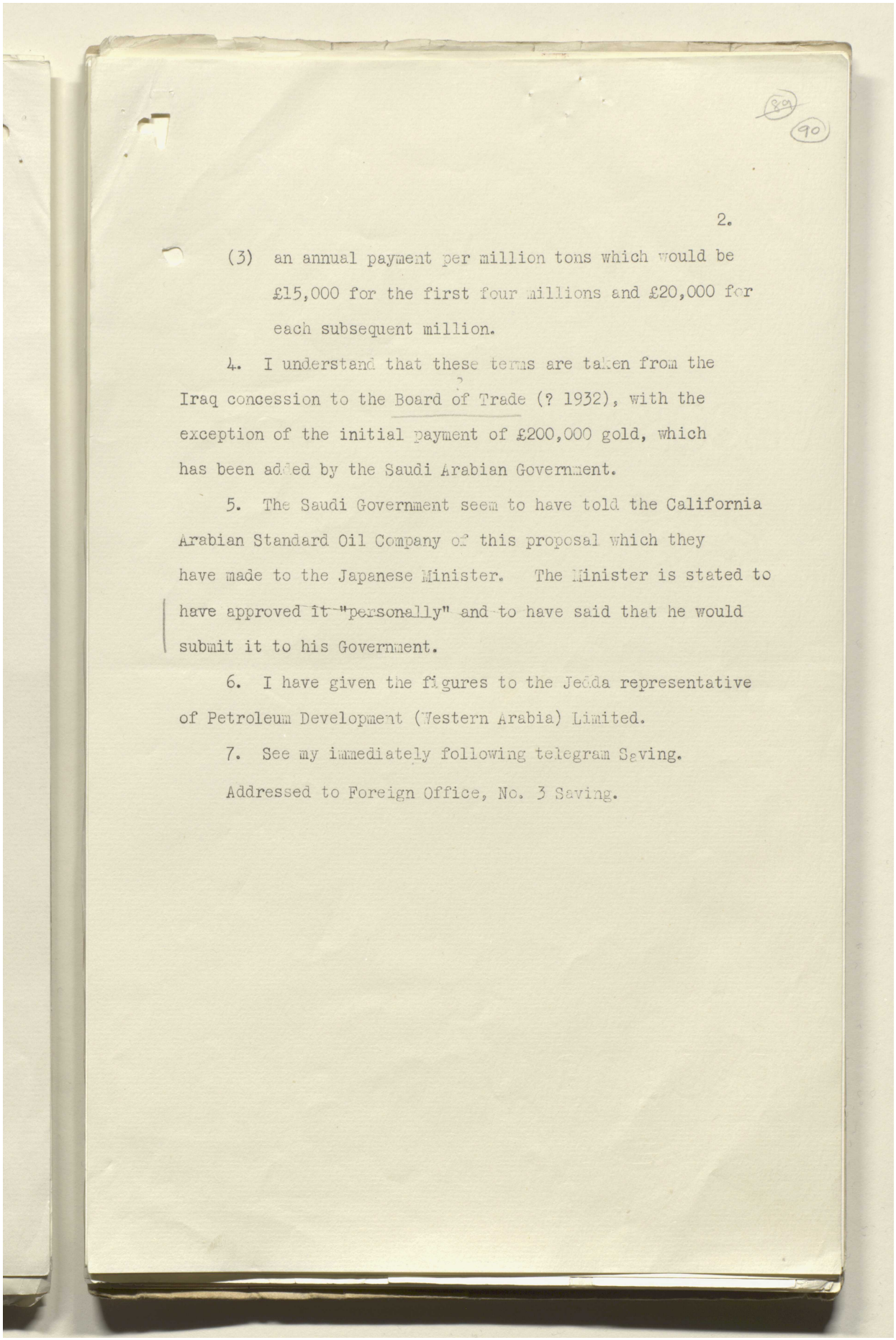

(3) an annual payment per million tons which would be £15,000 for the first four millions and £20,000 for each subsequent million.

4. I understand that these terms are taken from the Iraq concession to the Board of Trade (? 1932), with the exception of the initial payment of £200,000 gold, which has been added by the Saudi Arabian Government.

5. The Saudi Government seem to have told the California Arabian Standard Oil Company of this proposal which they have made to the Japanese Minister. The Minister is stated to have approved it "personally" and to have said that he would submit it to his Government.

6. I have given the figures to the Jedda representative of Petroleum Development (Western Arabia) Limited.

7. See my immediately following telegram Saving.

Addressed to Foreign Office, No. 3 Saving.

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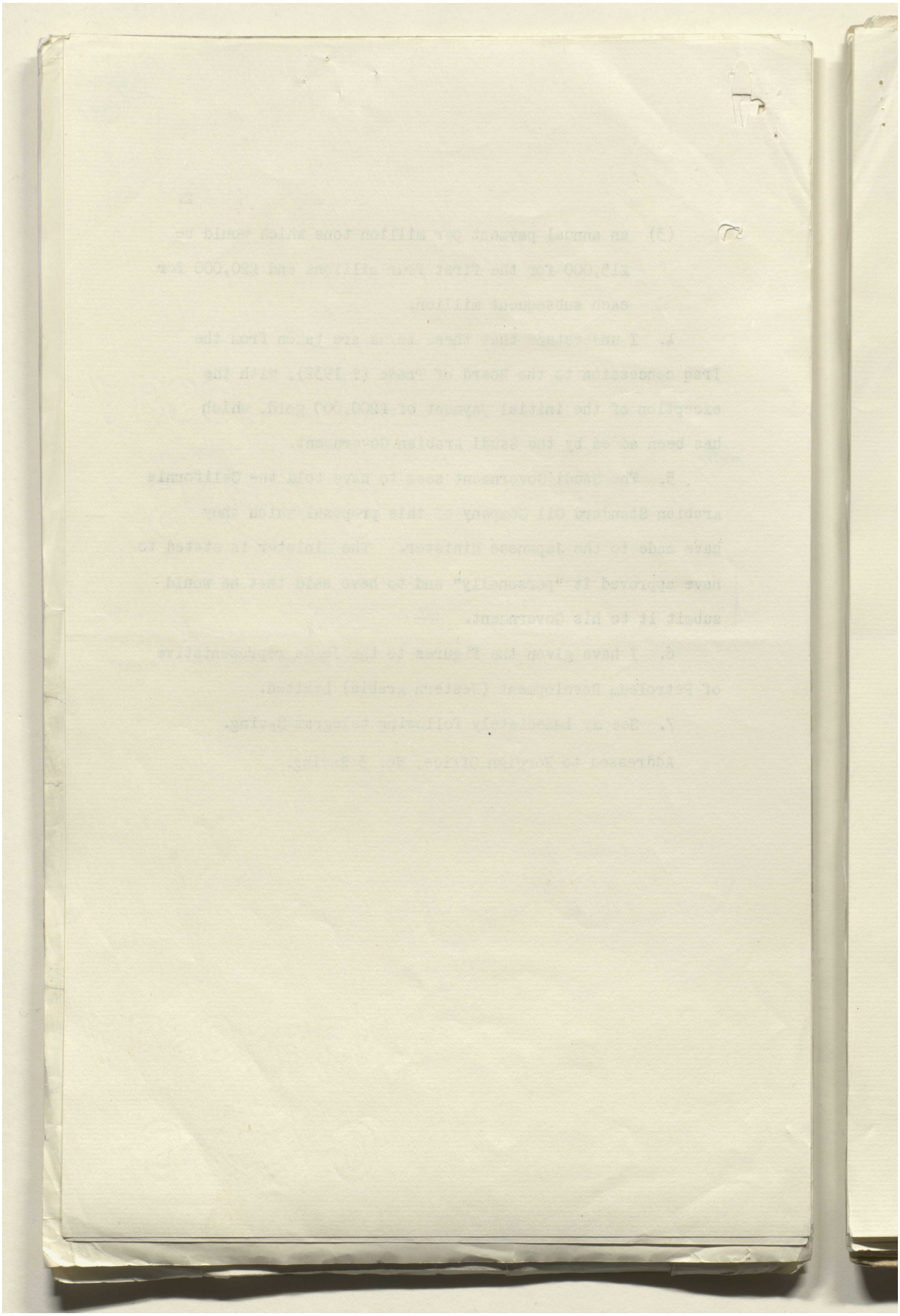

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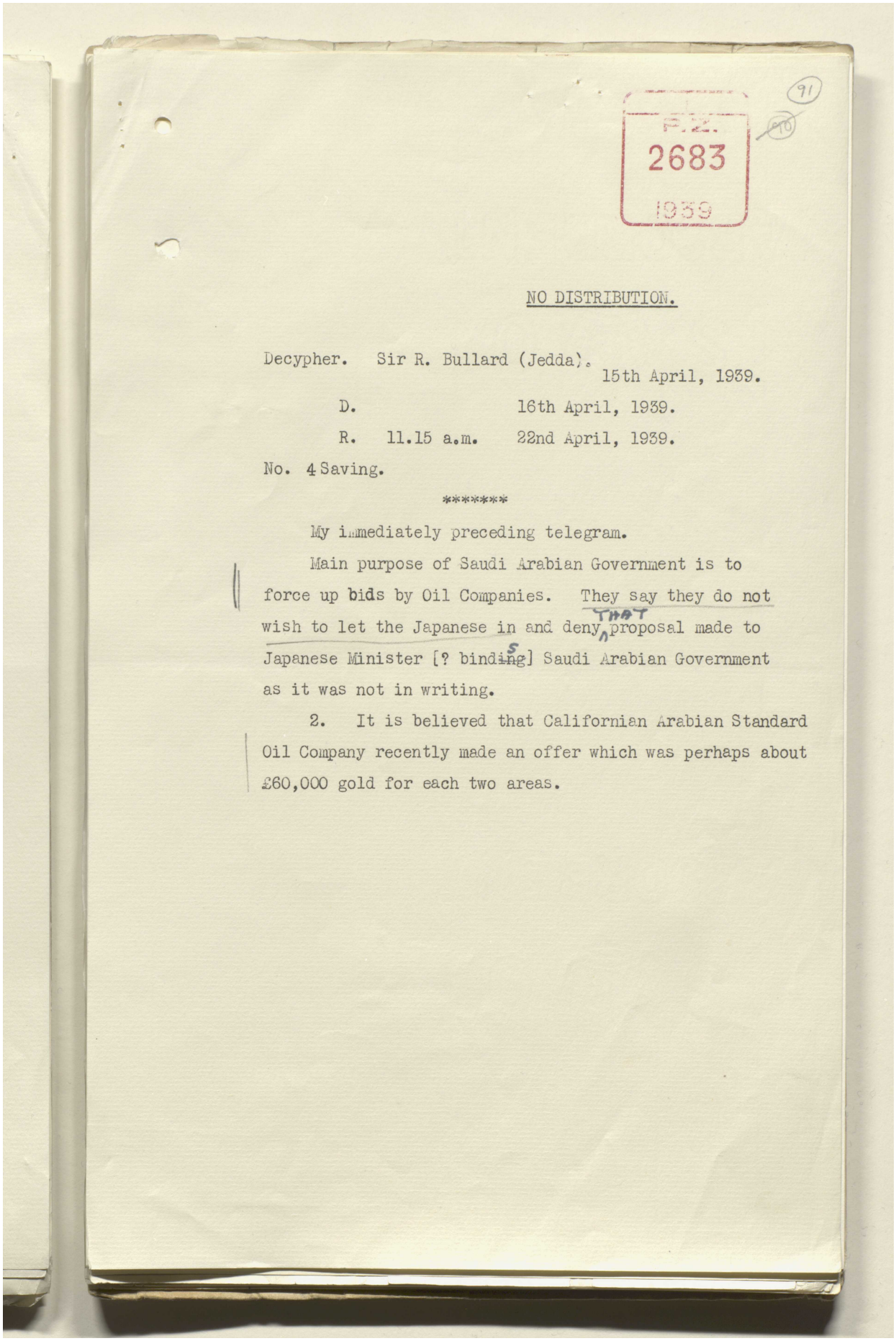

P.Z.
2683
1939

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NO DISTRIBUTION.

Decypher. Sir R. Bullard (Jedda). 15th April, 1939.

D. 16th April, 1939.

R. 11.15 a.m. 22nd April, 1939.

No. 4 Saving.

****

My immediately preceding telegram.

Main purpose of Saudi Arabian Government is to force up bids by Oil Companies. They say they do not wish to let the Japanese in and deny THAT proposal made to Japanese Minister [? binding] Saudi Arabian Government as it was not in writing.

2. It is believed that Californian Arabian Standard Oil Company recently made an offer which was perhaps about £60,000 gold for each two areas.

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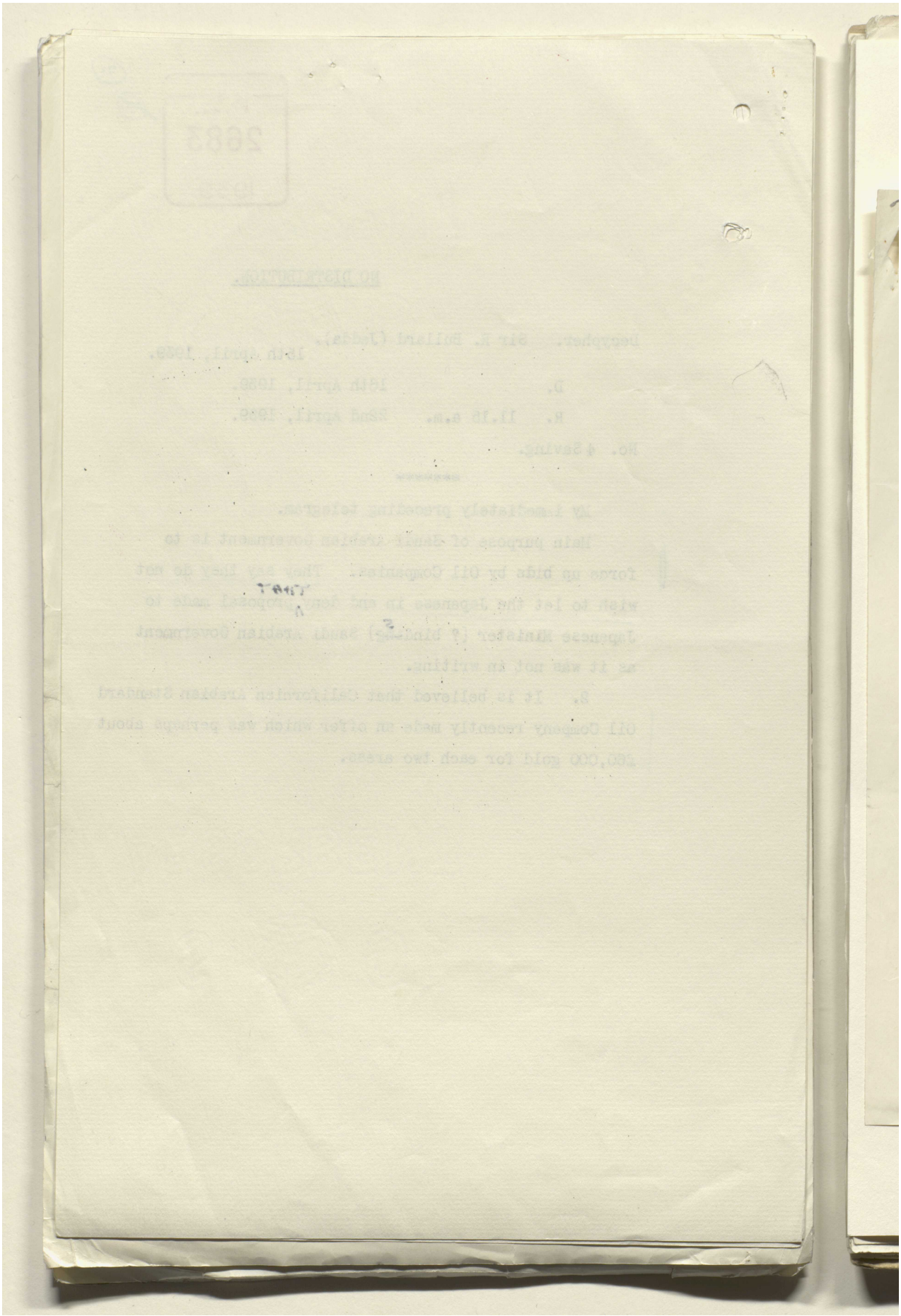

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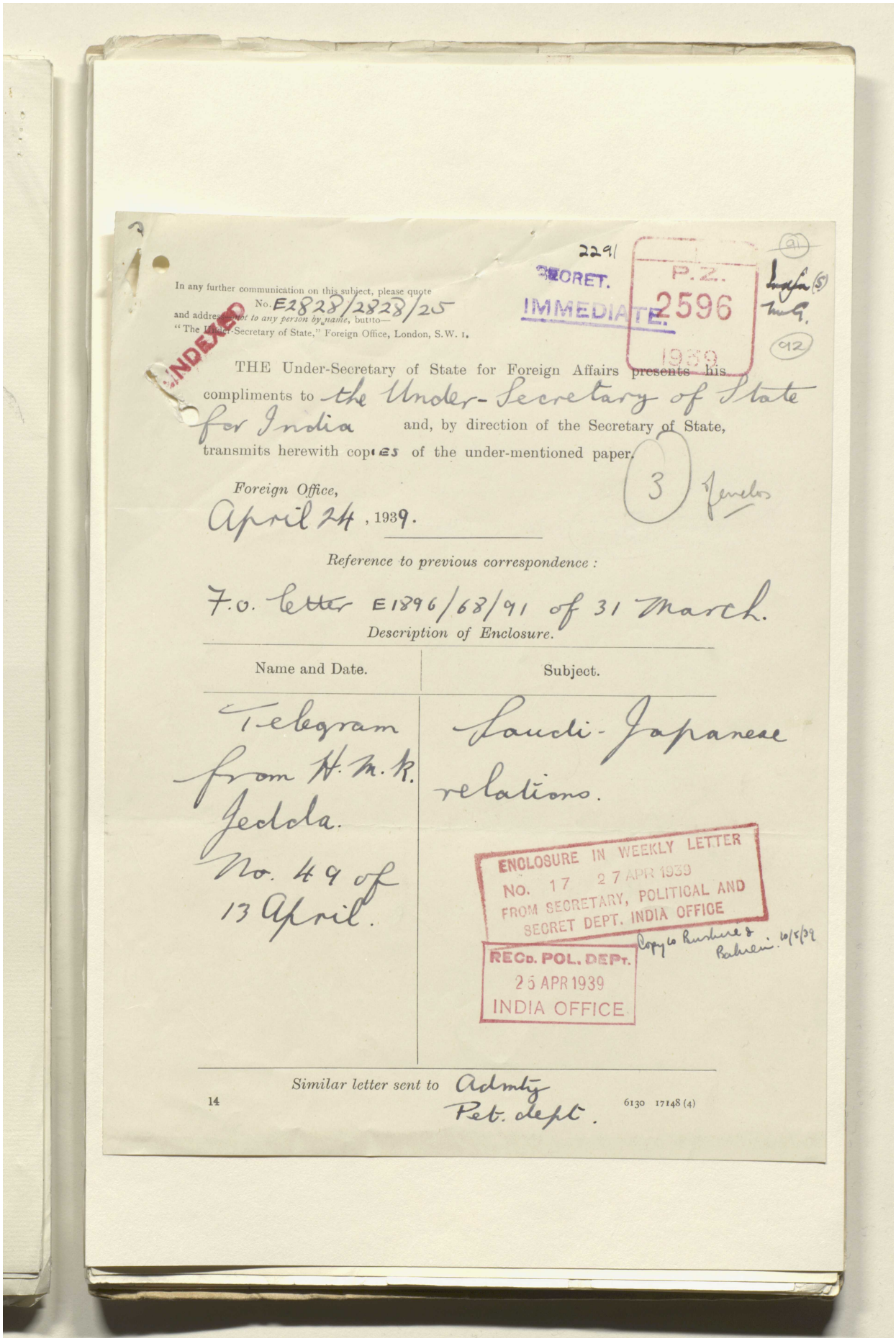

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P.Z. 2596 1939

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No. E2828/2828/25
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"The Under-Secretary of State," Foreign Office, London, S.W. 1.

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THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

3 Jewels

Foreign Office,
April 24, 1939.

Reference to previous correspondence:

F.O. letter E1896/68/91 of 31 March.

Description of Enclosure.

Name and Date.	Subject.
Telegram from H.M.K. Jedda. No. 49 of 13 April.	Saudi-Japanese relations.

ENCLOSURE IN WEEKLY LETTER
NO. 17 27 APR 1939
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

RECD. POL. DEPT.
25 APR 1939
INDIA OFFICE

Copy to Bushire & Bahrein. 10/5/39

Similar letter sent to Admty Pet. dept.

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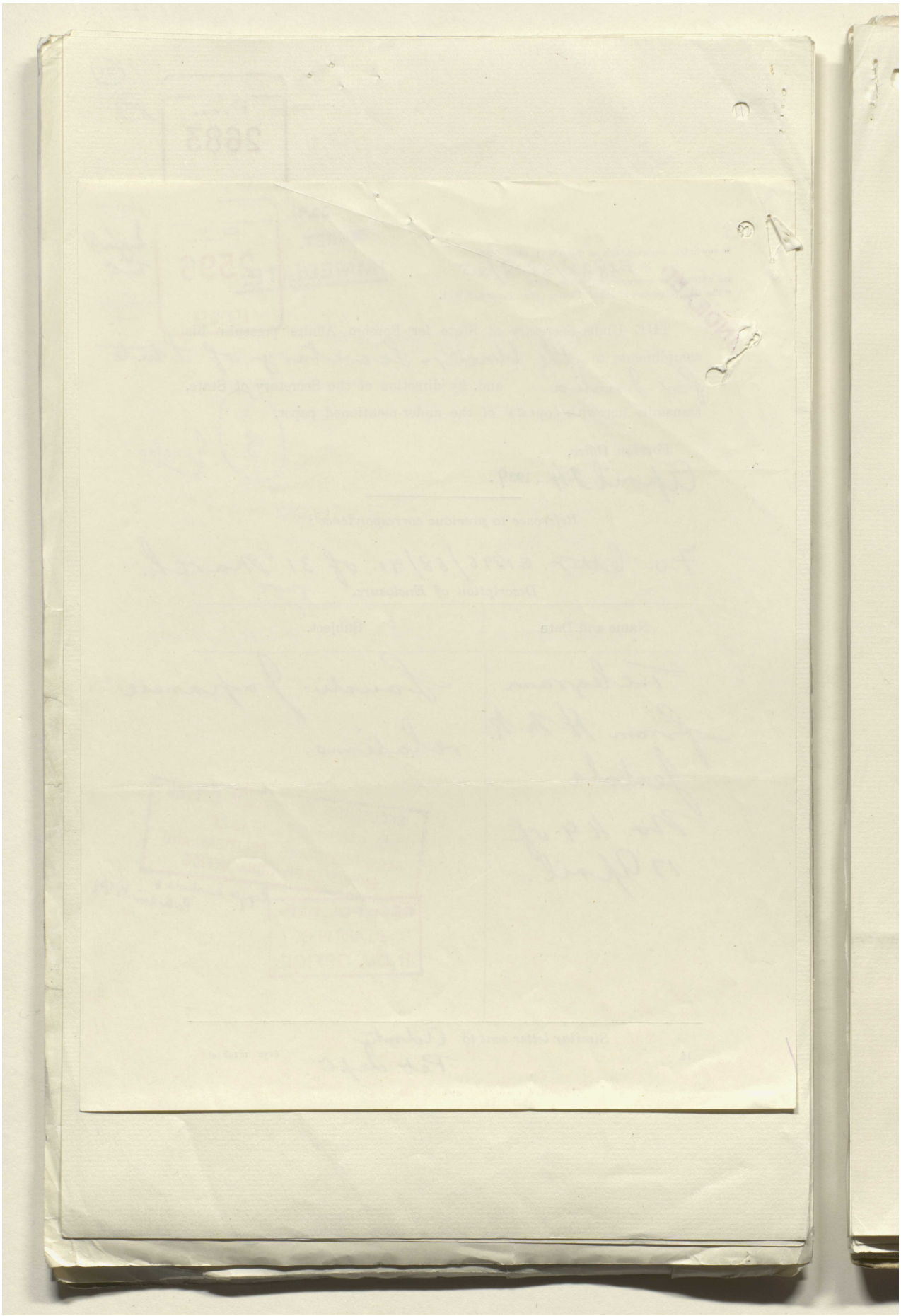

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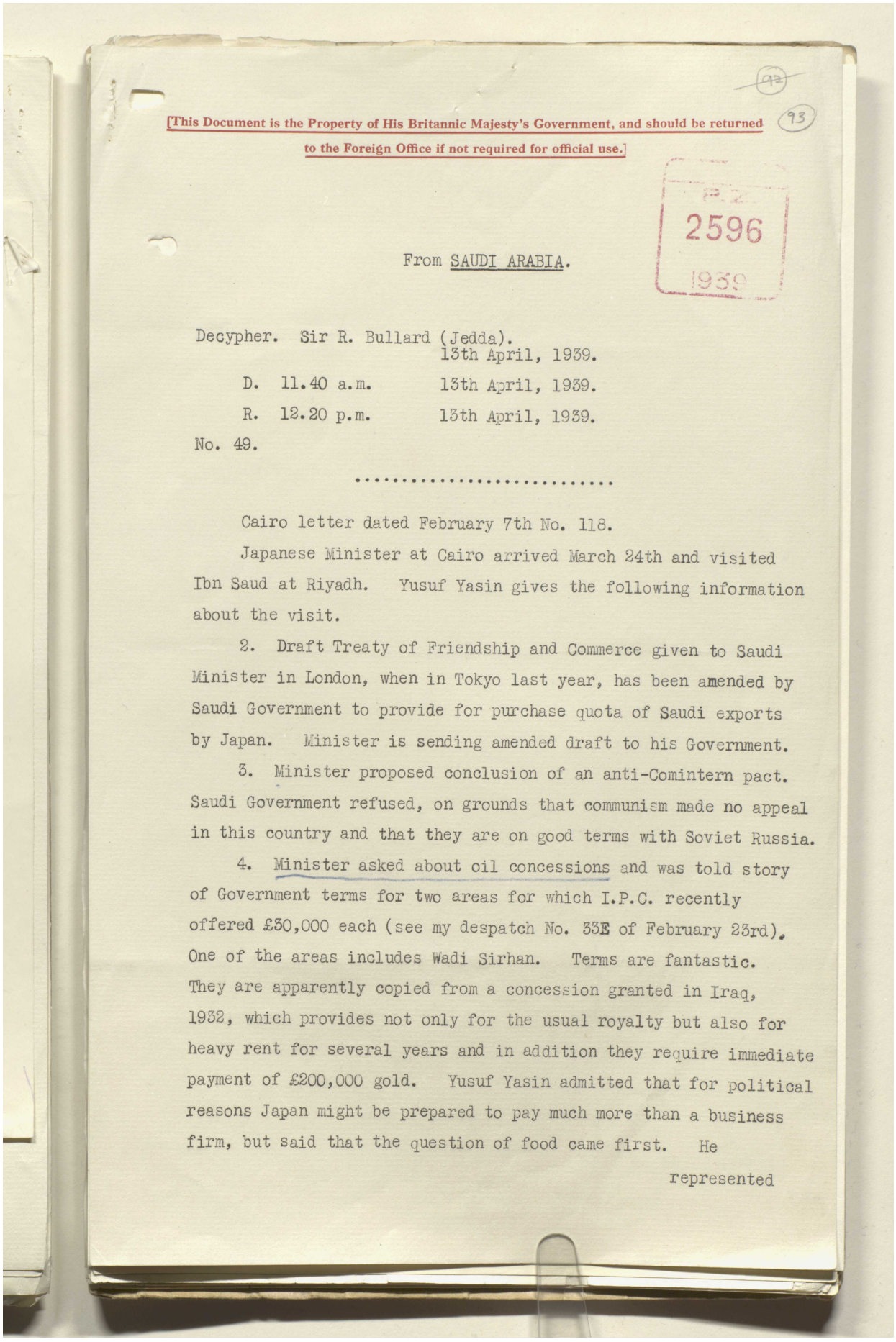

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P.Z. 2596 1939

From SAUDI ARABIA.

Decypher. Sir R. Bullard (Jedda).
13th April, 1939.

D. 11.40 a.m. 13th April, 1939.

R. 12.20 p.m. 13th April, 1939.

No. 49.

.....

Cairo letter dated February 7th No. 118.

Japanese Minister at Cairo arrived March 24th and visited Ibn Saud at Riyadh. Yusuf Yasin gives the following information about the visit.

2. Draft Treaty of Friendship and Commerce given to Saudi Minister in London, when in Tokyo last year, has been amended by Saudi Government to provide for purchase quota of Saudi exports by Japan. Minister is sending amended draft to his Government.

3. Minister proposed conclusion of an anti-Comintern pact. Saudi Government refused, on grounds that communism made no appeal in this country and that they are on good terms with Soviet Russia.

4. Minister asked about oil concessions and was told story of Government terms for two areas for which I.P.C. recently offered £30,000 each (see my despatch No. 33E of February 23rd). One of the areas includes Wadi Sirhan. Terms are fantastic. They are apparently copied from a concession granted in Iraq, 1932, which provides not only for the usual royalty but also for heavy rent for several years and in addition they require immediate payment of £200,000 gold. Yusuf Yasin admitted that for political reasons Japan might be prepared to pay much more than a business firm, but said that the question of food came first. He represented

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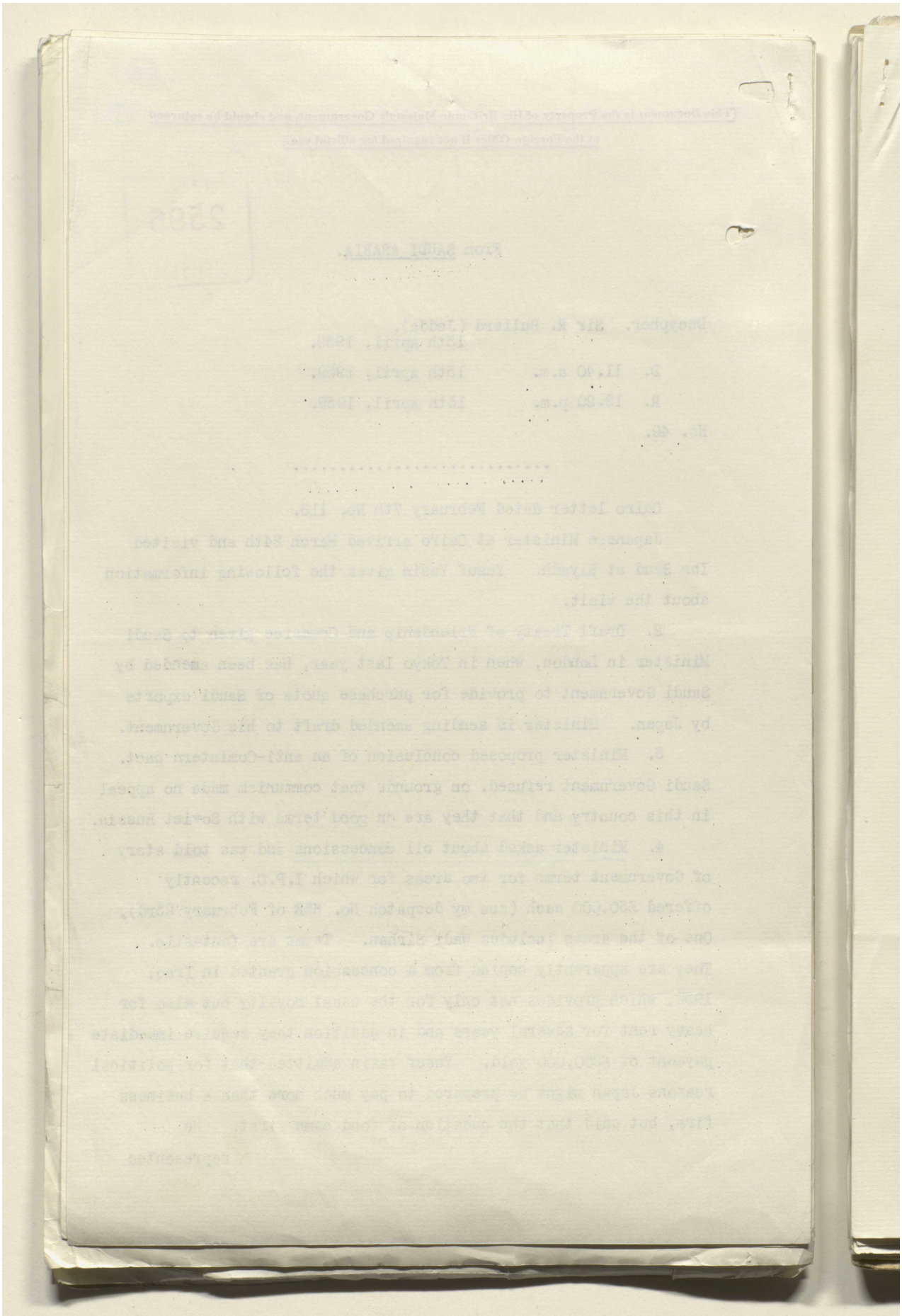

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represented the Government's need of money as desperate and American and British firms as greedy and unhelpful. He said that they would much prefer American or British firm, but if the Japanese made an offer which the Californian Arabian Standard Oil Company refused to equal in virtue of their opulence, the Saudi Government could only accept it. There is doubtless some blackmail in this but Saudi Government undoubtedly believe that the terms granted hitherto have been ruinously unfavourable to them.

Addressed to Foreign Office telegram No. 49; repeated to Cairo telegram No. 13, Bagdad telegram No. 18 and Bushire telegram No. 5.

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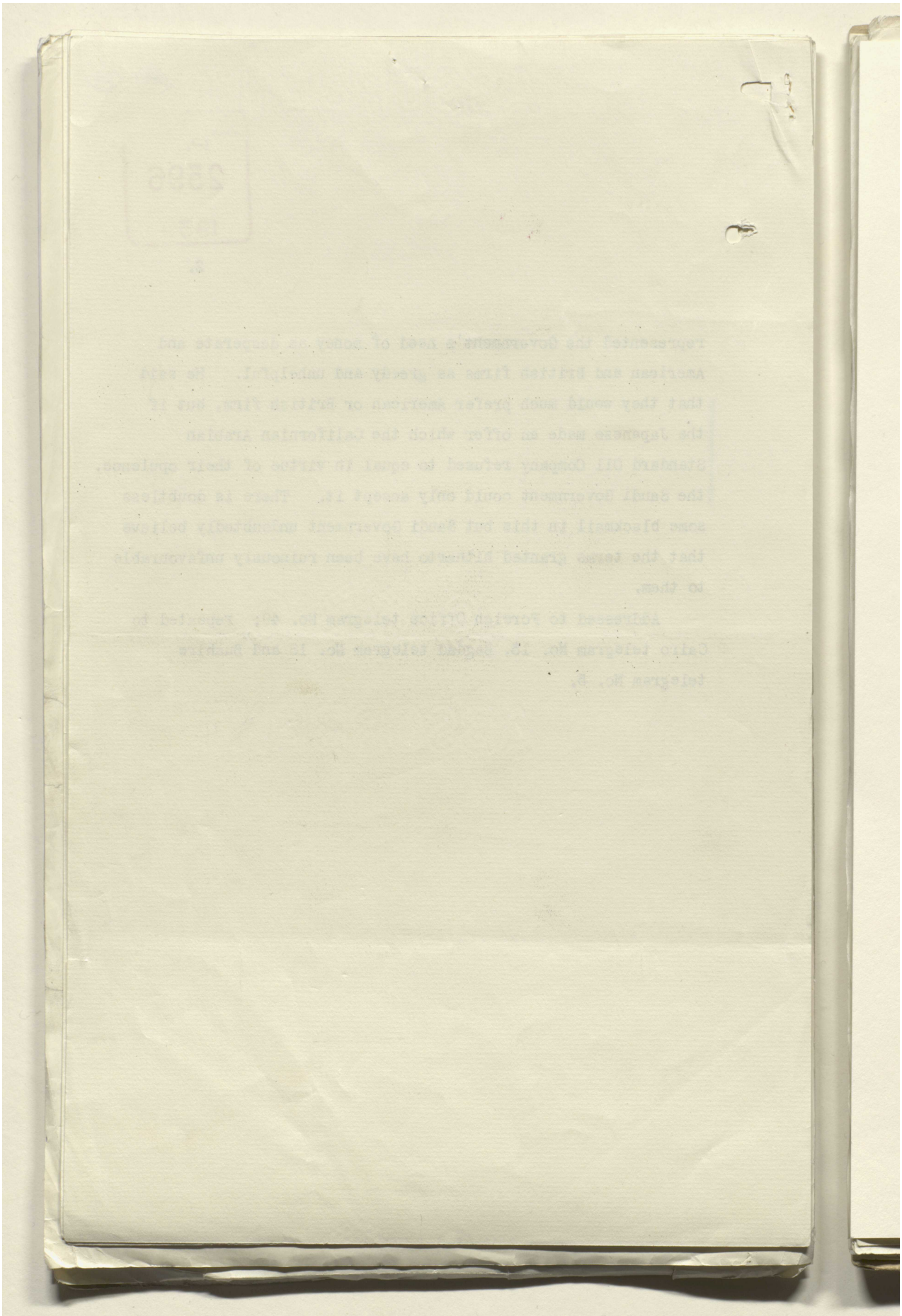

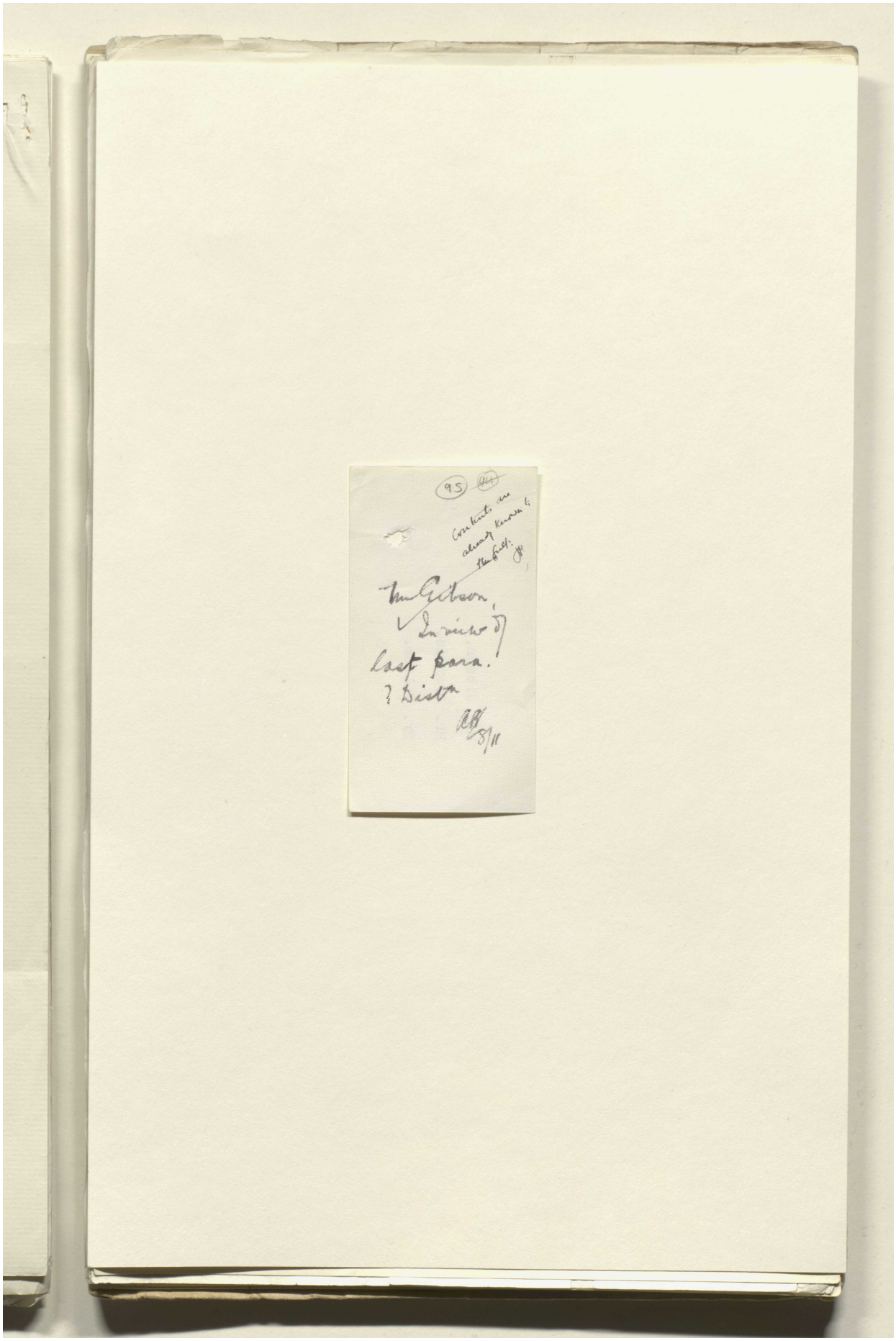

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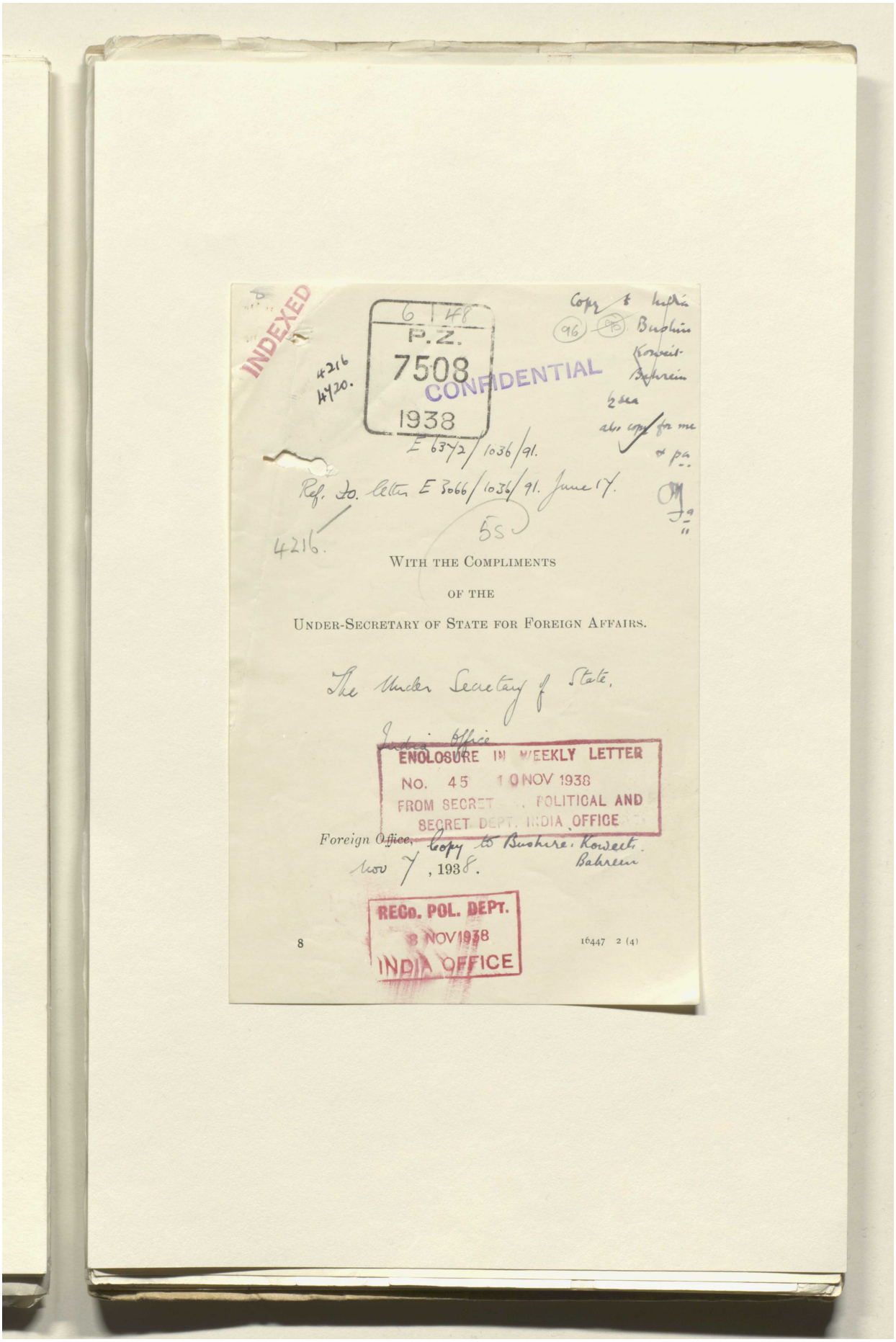

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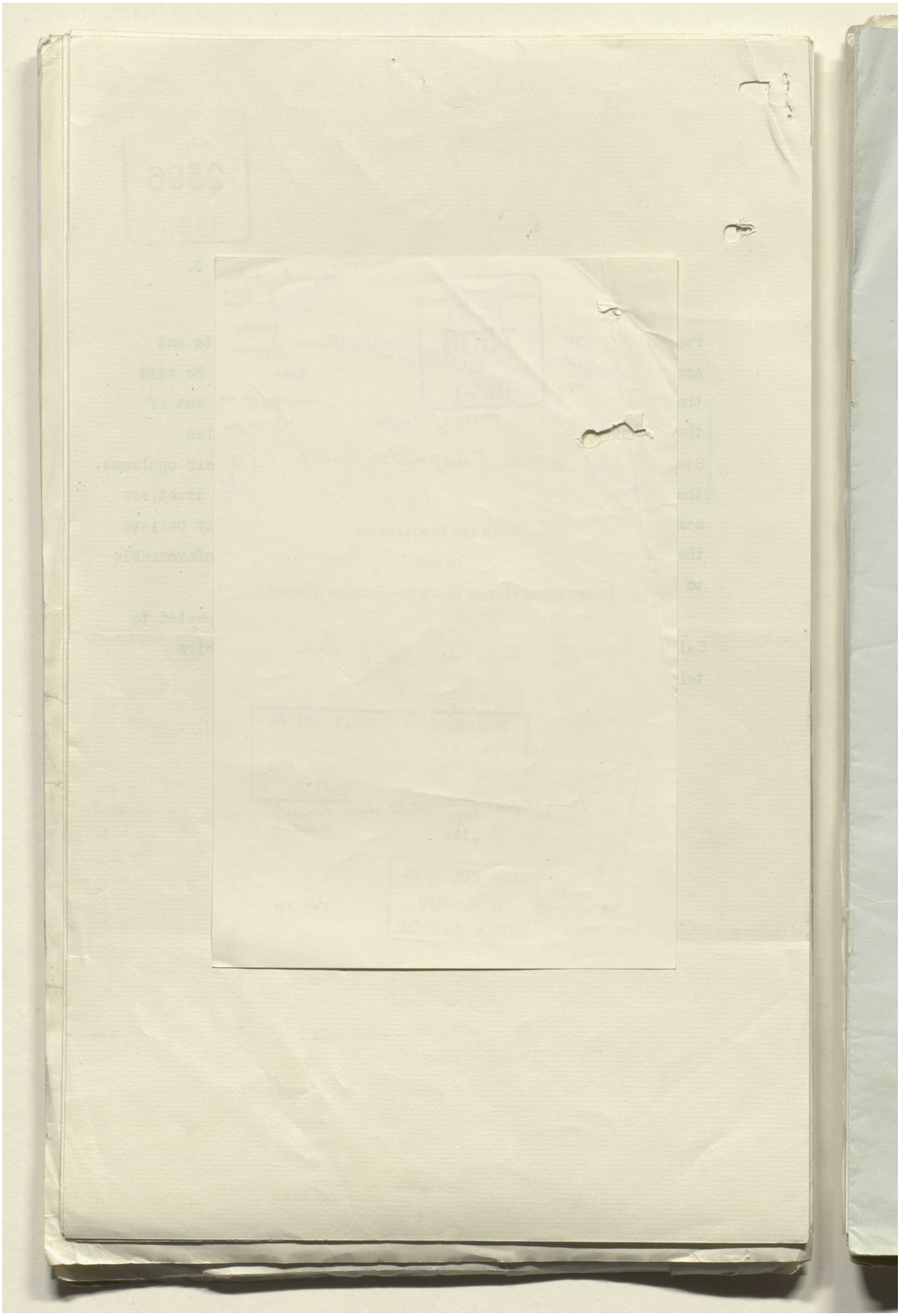

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P.Z. 7508 1938

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(15474)

[E 3066/1036/91]

Copy No. 16

Agreement between the Saudi Arabian Government and the Standard Oil Company of California, May 27–29, 1933.

ON the 27th May, 1933, an agreement was signed between the Saudi Arabian Government and the Standard Oil Company of California granting the company a concession for a defined area in Eastern Saudi Arabia corresponding roughly with the district of Hasa. An abridged text of this agreement was published at the time in the Mecca newspaper *Umm-al-Qura*. What was believed to be a full text, consisting of thirty-four articles, was obtained in 1935 by the political agent at Koweit (E 3823/173/25 (1935)).(1)

2. The Saudi Arabian decree announcing the grant of the concession contained, however, a reference to a "special agreement," which was not published. It was believed at the time that the "special agreement" gave the California Arabian Standard Oil Company an option on territory in Eastern Saudi Arabia not already included in the Hasa concession, but details were lacking.

3. In April 1938 the Saudi Arabian Legation in London communicated unofficially to the Foreign Office the text of three articles of an agreement relating to the Standard Oil Company's concession, together with a copy of a letter dated the 29th May, 1933, from the company's representative to the Saudi Arabian Minister of Finance. This letter refers *inter alia* to "the contract signed to-day." The three articles and the letter deal with the particular question of the company's option rights outside the original concession area.

4. The three articles were numbered 3, 7 and 35. The Saudi Arabian Legation had no knowledge of the remainder of the agreement from which the articles are supposed to be taken, and it is, in any case, unlikely that there would be two complete, but entirely separate, agreements signed at about the same time and relating to the same subject.

5. The most probable explanation is that on the 29th May, 1933, a modified version of the original agreement of the 27th May was signed, and that this modified version consisted of the original agreement with the three extra articles and the interpretative letter. This is borne out by the fact that if the three additional articles are inserted in their proper places in the original agreement, the whole agreement reads consecutively.

6. The agreement has accordingly been reproduced below with the three articles inserted. The numbering of the other articles has been altered accordingly, *i.e.*, article 3 in the original becomes article 4, article 5 becomes article 6, article 6 becomes article 8, and so on as far as article 32, which becomes article 34, after which the new article 35 supersedes the original article 33. Finally, article 34 becomes article 36. References to other articles have been altered to correspond with the new numbering. The letter has been placed at the end of the agreement.

7. The whole document is confidential, as no part of it has been communicated officially to His Majesty's Government by the Saudi Arabian Government.

Foreign Office, September 22, 1938.

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(1) "Further Correspondence respecting Eastern Affairs," Part XXXVI, Enclosure in No. 68.

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Text of the Oil Agreement between the Standard Oil Company of California and His Majesty King Abdul Aziz-al-Saud.

THIS agreement made between his Excellency Sheikh Abdulla Suleiman-Hamdan, Minister of Finance of Saudi Arabia, acting on behalf of Saudi Arab Government (hereinafter referred to as the "Government"), of the one part and L. N. Hamilton, acting on behalf of the Standard Oil Company of California (hereinafter referred to as the "Company"), of the other part.

It is hereby agreed between the Government and the Company in manner following :—

ARTICLE 1.

The Government hereby grants to the Company on the terms and conditions hereinafter mentioned, and with respect to the area defined below, the exclusive right, for a period of sixty years from the effective date hereof, to explore, prospect, drill for, extract, treat, manufacture, transport, deal with, carry away and export petroleum, asphalt, naphtha, natural greases, ozocerite, and other hydrocarbons, and the derivatives of all such products. It is understood, however, that such right does not include the exclusive right to sell crude or refined products within the area described below or within Saudi Arabia.

ARTICLE 2.

The area covered by the exclusive right referred to in article 1 hereof is all of Eastern Saudi Arabia, from its eastern boundary (including islands and territorial waters), westward to the westerly edge of the Dahana, and from the northern boundary to the southern boundary of Saudi Arabia, provided that from the northern end of the westerly edge of the Dahana the westerly boundary of the area in question shall continue in a straight line north, 30 degrees west, to the northern boundary of Saudi Arabia, and from the southern end of the westerly edge of the Dahana, such boundary shall continue in a straight line south, 30 degrees east, to the southern boundary of Saudi Arabia.

For convenience this area may be referred to as the "exclusive area."

ARTICLE 3.

In addition to the grant of the exclusive area referred to in article 2 of this agreement, the Government also hereby grants to the Company a preference right to acquire an oil concession covering the balance of eastern Saudi Arabia extending as far west of the westerly boundary of the exclusive area as the contact between the sedimentary and igneous formations. This preference right includes such rights as the Government may now have, or may hereafter acquire, in the so-called Neutral Zone bordering on the Persian Gulf to the south of Koweit. The nature of this preference right is to be hereafter agreed upon. The term "oil concession" as used in this article means an exclusive concession covering the same products which are covered by the present agreement. Furthermore, the Company's geologists shall have the right to examine the region covered by the preference right just referred to (excepting the Neutral Zone referred to above), in so far as such examination may be necessary or advisable for a better understanding of the geological character of the exclusive area.

ARTICLE 4.

Within the time agreed in article 18 of this agreement, the Company shall make a payment to the Government of £30,000 gold, or its equivalent.

ARTICLE 5.

The Company shall pay the Government annually the sum of £5,000 gold, or its equivalent. For convenience this payment is termed an "annual rental" and it is payable in advance. The first annual rental shall be paid within the time agreed in article 18 of this agreement; thereafter so long as the contract is not terminated, the annual rental shall be due upon each anniversary of the effective

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date hereof, and shall be payable within thirty days after such anniversary, provided that upon the commercial discovery of oil no further annual rental shall be due or payable.

ARTICLE 6.

If this contract has not been terminated within eighteen months from the effective date hereof, the Company shall make a second payment to the Government, amounting to £20,000 gold, or its equivalent. The due date of such payment shall be eighteen months from the effective date hereof, but the Company shall have fifteen days from the due date within which to make the payment.

ARTICLE 7.

During the life of this agreement, the Government shall be under no obligation to repay the initial loan of £30,000 gold (or its equivalent), or the second loan of £20,000 gold (or its equivalent). The Company shall have the right to recover the amount of these two loans by way of deductions from one-half of the royalties due the Government. If the amount of the two loans, in whole or in part, shall not have been so recovered by the Company upon the termination of this contract, the Government shall repay the unrecovered amount in four equal and consecutive annual instalments, the first instalment to be paid within one year from the date of the termination of this agreement. Furthermore, until such unrecovered amount has been repaid by the Government, the Company's preference right referred to in article 3 hereof shall continue in force.

ARTICLE 8.

Upon the effective date of this agreement the Company shall commence plans and preparations for geological work, so planning the work as to take advantage of the cooler season for more efficient work in the field, and of the hotter season for the necessary office work of compiling data and reports. In the event the actual field work shall commence not later than the end of September 1933, and it shall be continued diligently until operations connected with drilling are commenced, or until the contract is terminated.

ARTICLE 9.

Within ninety days after the commencement of drilling, the Company shall relinquish to the Government such portions of the exclusive area as the Company at that time may decide not to explore further, or to use otherwise in connexion with the enterprise. Similarly, from time to time, during the life of this contract, the Company shall relinquish to the Government such further portions of the exclusive area as the Company may then decide not to explore or prospect further, or to use otherwise in connexion with the enterprise. The portions so relinquished shall thereupon be released from the terms and conditions of this contract, excepting only that during the life of this contract the Company shall continue to enjoy the right to use the portions so relinquished for transportation and communication facilities, which, however, shall interfere as little as practicable with any other use to which the relinquished portions may be put.

ARTICLE 10.

The Company shall commence operations connected with drilling as soon as a suitable structure has been found, and in any event if the Company does not commence such operations within three years from the end of September 1933 (subject to the provisions of article 27 hereof), the Government may terminate this contract. Once commenced, these operations shall be continued diligently until oil in commercial quantities has been discovered or until this agreement is terminated. If the Company should fail to declare so sooner, the date of discovery of oil in commercial quantities shall be the date upon which the Company has completed and tested a well or wells capable of producing in accordance with first-class oil practice at least 2,000 tons of oil per day for a period of thirty consecutive days.

Operations connected with drilling include the ordering and shipping of materials and equipment to Saudi Arabia, the construction of roads, camps, buildings, structures, communication facilities, &c., and the installation and operation of the machinery, equipment and facilities for drilling wells.

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ARTICLE 11.

Upon the discovery of oil in commercial quantities, the Company shall advance to the Government the sum of £50,000 gold, or its equivalent, and one year later the further sum of £50,000 gold, or its equivalent. The due date of the first advance shall be the date of discovery of oil in commercial quantities, as provided in article 10 hereof, and the due date of the second advance shall be one year later. In each case the Company shall have sixty days following the due date within which to make the advance. Both of these advances are in account of royalties, which may be due to the Government, and, consequently, the Company shall have the right to recover the amount of these advances by way of deductions from one-half of the royalties due the Government.

ARTICLE 12.

Since it has been agreed that the annual rental of £5,000 gold, or its equivalent, is payable to the date of the discovery of oil in commercial quantities, and since it has been agreed also that the annual rental is to be payable in advance, it may happen that the last annual rental paid prior to the date of discovery of oil in commercial quantities will cover a period beyond the date of such discovery. In case that this period should be equal to or greater than one-fifth of a year, the proportionate amount of the £5,000 gold, or its equivalent corresponding to such period, shall be treated as an advance on account of royalties due the Government, and consequently it should be recoverable by the Company by way of deductions from one-half of the royalties due the Government.

ARTICLE 13.

As soon as practicable (*i.e.*, allowing a reasonable time for ordering and shipping further materials and equipment to Saudi Arabia and commencing further work), after the date of discovery of oil in commercial quantities, the Company shall continue operations connected with drilling by using at least two strings of tools. These operations shall continue diligently until the proven area has been drilled up in accordance with first-class oil-field practice, or until the contract is terminated.

ARTICLE 14.

The Company shall pay the Government a royalty on all net crude oil produced and saved and run from field storage, after first deducting—

(1) Water and foreign substance; and
(2) Oil required for the customary operations of the Company's installation within Saudi Arabia; and
(3) The oil required for the manufacturing the amounts of gasoline and kerosene to be provided free each year to the Government in accordance with article 19 hereof.

The rate of royalty per ton of such net crude oil shall be 4*s.* gold, or its equivalent.

ARTICLE 15.

If the Company should produce, save and sell any natural gas, it will pay to the Government a royalty equal to one-eighth of the proceeds of the sale of such natural gas, it being understood, however, that the Company shall be under no obligation to produce, save, sell, or otherwise dispose of any natural gas. It is also understood that the Company is under no obligation to pay any royalty on such natural gas as it may use for the customary operation of its installation within Saudi Arabia.

ARTICLE 16.

The Government, through duly authorised representatives, may, during the usual hours of operations, inspect and examine the operations of the Company under this contract and may verify the amount of production. The Company shall measure, in accordance with first-class oil-field practice, the amount of oil produced and saved and run from field storage, and shall keep true and correct

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accounts thereof, and of the natural gas it may produce and save and sell, and duly authorised representatives of the Government shall also have access at all reasonable times to such accounts. The Company shall within three months, after the end of each semester, commencing with the date of commercial discovery of oil, deliver to the Government an abstract of such accounts for the semester, and a statement of the amount of royalties due the Government for the semester. These accounts and statements should be treated as confidential by the Government, with the exception of such items therein as the Government may require to publish for fiscal purposes.

The royalties due the Government at the end of each semester commencing with the date of commercial discovery of oil, shall be paid within three months after the end of the semester, such portion of the amount as may be unquestioned shall be tendered the Government within the period hereinabove, and thereupon the question shall be settled by agreement between the parties or failing that by arbitration as provided in this contract. Any further sum which may be payable to the Government as a result of this settlement shall be paid within sixty days after the date of such settlement.

ARTICLE 17.

It is agreed that all gold payments provided in this contract, whether pounds gold or shillings gold, are to be based on the gold pound standard according to its weight and fineness at the time the payment may be due. It is also agreed that wherever it is stipulated in this contract the equivalent of any sum or amount in pounds gold or in shillings gold may be paid, such equivalent may be in dollars in United States currency, or pounds sterling.

It is agreed, furthermore, that the equivalent of pounds gold or shillings gold, for any payment which may be made hereunder in dollars, United States currency or in pounds sterling (with the exception of the first payment provided for in article 18 hereof), shall be based on the average of the rate of exchange as computed over a period of three months immediately preceding the due date of the payment.

ARTICLE 18.

All payments provided in this contract to be made to the Government may be made by tendering such payment directly to the Government, or by depositing the amount due to the credit of the Government in some bank which the Government designates in writing, and which the Government may change from time to time by giving written notice to the Company long enough in advance, so that Company will have sufficient time to make future payments to the new bank. It is agreed that Government will designate such bank in Saudi Arabia, or in the United States of America, or in England, or in Holland, but that no bank in Saudi Arabia will be so designated unless such bank has a correspondent in United States of America, England or Holland, through which bank transfers of money to Saudi Arabia may be made. Once the Company has made the proper payment to the Government or has deposited the proper sum to such correspondent for transfer to a bank in Saudi Arabia, the Company shall be free of all further responsibility in connexion with payment.

It is agreed, however, that the first payment of £35,000 gold, or its equivalent (comprising the first payment and the first annual rental), shall be made, within fifteen days after the effective date of this agreement, to a correspondent in New York or in London, of Netherlands Trading Society (Nederlandsche Handel-Maatschappij) at Jedda, Saudi Arabia, to be transmitted without delay, and at the expense of the Company, to said society and to be delivered to the Government upon obtaining a proper receipt from the Government for such payment. If this first payment is not made in gold, it will be made in pounds sterling at the current rate of exchange at the time the Company makes the payment to such correspondent.

ARTICLE 19.

As soon as practicable after the date of discovery of oil in commercial quantities, the Company shall select some point within Saudi Arabia for the erection of a plant for manufacturing sufficient gasoline and kerosene to meet the ordinary requirements of the Government, providing, of course, that the character

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of the crude oil found will permit of the manufacture of such products on a commercial basis by the use of ordinary refining methods, and provided further that the amount of oil developed is sufficient for the purpose. It is understood that the ordinary requirements of the Government shall not include resale inside or outside of the country. Upon the completion of the necessary preliminary arrangements, and as soon as the Company has obtained the Government's consent to the proposed location, the Company shall proceed with the erection of such plant. During each year following the date of completion of this plant, the Company shall offer free to the Government, in bulk, 200,000 American gallons of gasoline, and 100,000 gallons of kerosene, it being understood that the facilities provided by the Government for accepting these deliveries shall not impede or endanger the Company's operations.

ARTICLE 20.

The Company, at its own expense, will employ the necessary number of guards and guides to protect its representatives, its camps and installations. The Government promise to co-operate fully in supplying the best soldiers and men available for this responsibility, and in furnishing every reasonable protection, at rates not exceeding those customarily paid by the Government or others for similar services, it being understood that the expense for such services shall be paid by the Company through the Government.

ARTICLE 21.

In return for the obligations assumed by the Company under this contract, and for the payments required from the Company hereunder, the Company and enterprise shall be exempt from all direct and indirect taxes, imposts, charges, fees and duties (including, of course, import and export duties), it being understood that this privilege shall not extend to the sale of products within the country, nor shall it extend to the personal requirements of the individual employees of the Company. Any material imported free of duty may not be sold within the country without first paying the corresponding import duty.

ARTICLE 22.

It is understood, of course, that the Company has the right to use all means and facilities it may deem necessary or advisable in order to exercise the rights granted under this contract, so as to carry out the purposes of this enterprise, including among other things the right to construct and use roads, camps, buildings, structures and all systems of communication, to install and operate machinery, equipment and facilities in connexion with the drilling of wells, or in connexion with the transportation, storage, treatment, manufacture, dealing with, or exportation of petroleum and its derivatives, or in connexion with the camps, buildings and quarters of the personnel of the company; to construct and use storage reservoirs, tanks and receptacles; to construct and operate wharves, piers, sealoading lines and all other terminal and port facilities; and to use all forms of transportation of personnel, or equipment, and of petroleum and its derivatives. It is understood, however, that the use of aeroplanes within the country shall be subject to a separate agreement.

The Company shall also have the right to develop, carry away and use water. It likewise shall have the right to carry away and use any water belonging to the Government, for the operations of the enterprise, but so as not to prejudice irrigation or to deprive any lands, houses or watering places for cattle, of a reasonable supply of water from time to time. The Company may also take for use, but only to the extent necessary for the purpose of the enterprise, other natural products belonging to the Government, such as surface soil, timber, stone, lime, gypsum stone and similar substances.

Government officials and agents, in pursuance of official business, shall have the right to use such communications and transportation facilities as the Company may establish, provided that such use shall not obstruct or interfere with the Company's operations hereunder, and shall not impose upon the Company any substantial burden of expense.

In times of national emergency the use of the Company's transportation and communication facilities by the Government shall entitle the Company to fair

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compensation for any loss it may sustain thereby, whether through damage to the Company's facilities, equipment or installation or through the obstruction or interference with the Company's operations.

ARTICLE 23.

The enterprise under this contract shall be directed and supervised by Americans, who shall employ Saudi Arab nationals as far as practicable, and in so far as the Company can find suitable Saudi Arab employees it will not employ other nationals.

In respect of the treatment of the Saudi Arab nationals as employees, the Company shall abide by the existing laws of the country applicable generally to employees of any other industrial enterprise.

ARTICLE 24.

The Government reserves the right to search for and obtain any substance or products, other than those exclusively granted under this contract, within the area covered by this agreement, except land occupied by wells or other installations of the Company, provided always that the right thus reserved by the Government shall be exercised so as not to endanger the operations of the Company or interfere with its rights hereunder, and provided also that a fair compensation shall be paid to the Company by the Government for all damage the Company may sustain through the exercise of the right so reserved by the Government. In any grant of such right so reserved by the Government, the concessionnaire shall be bound by the provisions of this article.

ARTICLE 25.

The Company is hereby empowered by the Government to acquire from any occupant the surface rights of any land which the Company may find necessary to use in connexion with the enterprise, provided that the Company shall pay the occupant for depriving him of the use of the land. The payment shall be a fair one with respect to the customary use made of the land by the occupant. The Government will lend every reasonable assistance to the Company in case of any difficulties with respect to acquiring the rights of a surface occupant.

The Company, of course, shall have no right to acquire or to occupy Holy Places.

ARTICLE 26.

The Company shall supply the Government with copies of all topographical maps and geological reports (as finally made and approved by the Company) relating to the exploration and exploitation of the area covered by this contract. The Company shall also furnish the Government, within four months after the end of each year, commencing with the date of commercial discovery of oil, a report of the operations under this contract during the year. These maps and reports shall be treated as confidential by the Government.

ARTICLE 27.

No failure or omission on the part of the Company to carry out or to perform any of the terms or conditions of the contract shall give the Government any claim against the Company, or be deemed a breach of this contract, in so far as such failure or omission may arise from *force majeure*. If through *force majeure* the fulfilment of any term or condition of this contract should be delayed, the period of the delay, together with such period as may be required for the restoration of any damage done during such delay, shall be added to the terms or periods fixed in this contract.

ARTICLE 28.

The Company may terminate the contract at any time by giving the Government thirty days' advance notice in writing, whether by letter or by telegraph, provided that the telegraphic notice is promptly confirmed by letter. Upon the termination of this contract through such notice or through any other cause, the

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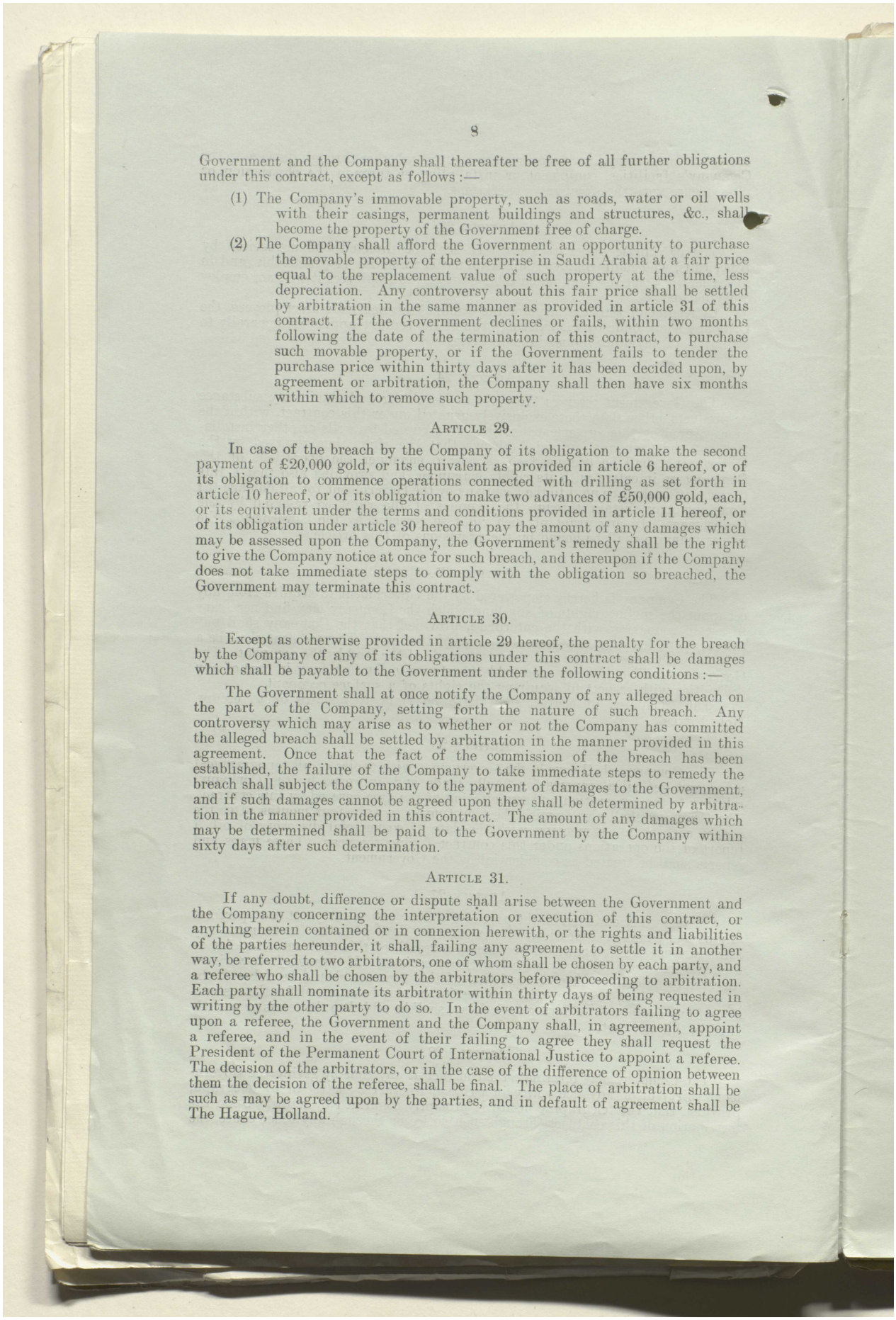

Government and the Company shall thereafter be free of all further obligations under this contract, except as follows :—

(1) The Company's immovable property, such as roads, water or oil wells with their casings, permanent buildings and structures, &c., shall become the property of the Government free of charge.

(2) The Company shall afford the Government an opportunity to purchase the movable property of the enterprise in Saudi Arabia at a fair price equal to the replacement value of such property at the time, less depreciation. Any controversy about this fair price shall be settled by arbitration in the same manner as provided in article 31 of this contract. If the Government declines or fails, within two months following the date of the termination of this contract, to purchase such movable property, or if the Government fails to tender the purchase price within thirty days after it has been decided upon, by agreement or arbitration, the Company shall then have six months within which to remove such property.

ARTICLE 29.

In case of the breach by the Company of its obligation to make the second payment of £20,000 gold, or its equivalent as provided in article 6 hereof, or of its obligation to commence operations connected with drilling as set forth in article 10 hereof, or of its obligation to make two advances of £50,000 gold, each, or its equivalent under the terms and conditions provided in article 11 hereof, or of its obligation under article 30 hereof to pay the amount of any damages which may be assessed upon the Company, the Government's remedy shall be the right to give the Company notice at once for such breach, and thereupon if the Company does not take immediate steps to comply with the obligation so breached, the Government may terminate this contract.

ARTICLE 30.

Except as otherwise provided in article 29 hereof, the penalty for the breach by the Company of any of its obligations under this contract shall be damages which shall be payable to the Government under the following conditions :—

The Government shall at once notify the Company of any alleged breach on the part of the Company, setting forth the nature of such breach. Any controversy which may arise as to whether or not the Company has committed the alleged breach shall be settled by arbitration in the manner provided in this agreement. Once that the fact of the commission of the breach has been established, the failure of the Company to take immediate steps to remedy the breach shall subject the Company to the payment of damages to the Government, and if such damages cannot be agreed upon they shall be determined by arbitration in the manner provided in this contract. The amount of any damages which may be determined shall be paid to the Government by the Company within sixty days after such determination.

ARTICLE 31.

If any doubt, difference or dispute shall arise between the Government and the Company concerning the interpretation or execution of this contract, or anything herein contained or in connexion herewith, or the rights and liabilities of the parties hereunder, it shall, failing any agreement to settle it in another way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee who shall be chosen by the arbitrators before proceeding to arbitration. Each party shall nominate its arbitrator within thirty days of being requested in writing by the other party to do so. In the event of arbitrators failing to agree upon a referee, the Government and the Company shall, in agreement, appoint a referee, and in the event of their failing to agree they shall request the President of the Permanent Court of International Justice to appoint a referee. The decision of the arbitrators, or in the case of the difference of opinion between them the decision of the referee, shall be final. The place of arbitration shall be such as may be agreed upon by the parties, and in default of agreement shall be The Hague, Holland.

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ARTICLE 32.

The Company may not, without the consent of the Government, assign its rights and obligations under this contract to anyone, but it is understood that the Company, upon notifying the Government, shall have the right to assign its rights and obligations hereunder to a corporation it may organise exclusively for the purpose of this enterprise. Any such corporation or organisation, upon being invested with any or all of rights and obligations under this contract, and upon notification thereof to the Government, shall thereupon be subject to the terms and conditions of this agreement.

In the event that stock issued by any such corporation or organisation should be offered for sale to the general public, the inhabitants of Saudi Arabia shall be allowed a reasonable time to subscribe (upon similar terms and conditions offered to others), for at least 20 per cent. of such shares of stock so issued and offered for sale to the general public.

ARTICLE 33.

It is understood that the periods of time referred to in this agreement shall be reckoned on the basis of the solar calendar.

ARTICLE 34.

The effective date of this contract shall be the date of its publication in Saudi Arabia, following the notification of this contract by the Company.

ARTICLE 35.

This contract has been drawn up in English and in Arabic. Inasmuch as most of the obligations hereunder are imposed upon the Company and inasmuch as the interpretation of the English text, especially as regards technical obligations and requirements relating to the oil industry, has been fairly well established through long practice and experience in contracts such as the present one, it is agreed that while both texts shall have equal validity, nevertheless, in case of any divergence of interpretation as to the Company's obligations hereunder, the English text shall prevail.

ARTICLE 36.

It is understood that the contract, after being signed in Saudi Arabia, shall be subject to ratification by the Company at its offices in San Francisco, California, before it shall become effective. After both texts of this contract have been signed in duplicate in Saudi Arabia, the signed copies shall be sent by registered mail in the next out-going mail to the Company in San Francisco, California, and within fifteen days after receipt in San Francisco the Company shall transmit to the Government by telegraph whether or not it ratifies this contract. If the contract is not ratified by the Company within fifteen days after that period, it shall be null and void and of no further force or effect.

Likewise, if the amount of the first payment and the first annual rental is not made within the time agreed upon in article 18 hereof, the Government may declare this contract to be null and void and of no further force or effect.

Upon ratification of this contract by the Company, one signed copy of each text, together with the necessary evidence as to ratification by the Company, shall be returned to the Government. Also upon ratification of this contract by the Company, the contract shall be published in Saudi Arabia in the usual manner.

Signed this 29th day of the month of May 1933.

Letter to his Excellency Sheikh Abdulla Suleiman-al-Hamdan.

Dear Sheikh Abdulla, *Jedda, May* 29, 1933.

REFERRING to the contract which has been signed to-day by you, on behalf of the Saudi Arab Government, and by the undersigned, on behalf of Standard Oil Company of California, relative to an oil concession covering a portion of Eastern Saudi Arabia, I am setting forth below the agreement we have also reached on behalf of the two parties to the same contract, which agreement shall

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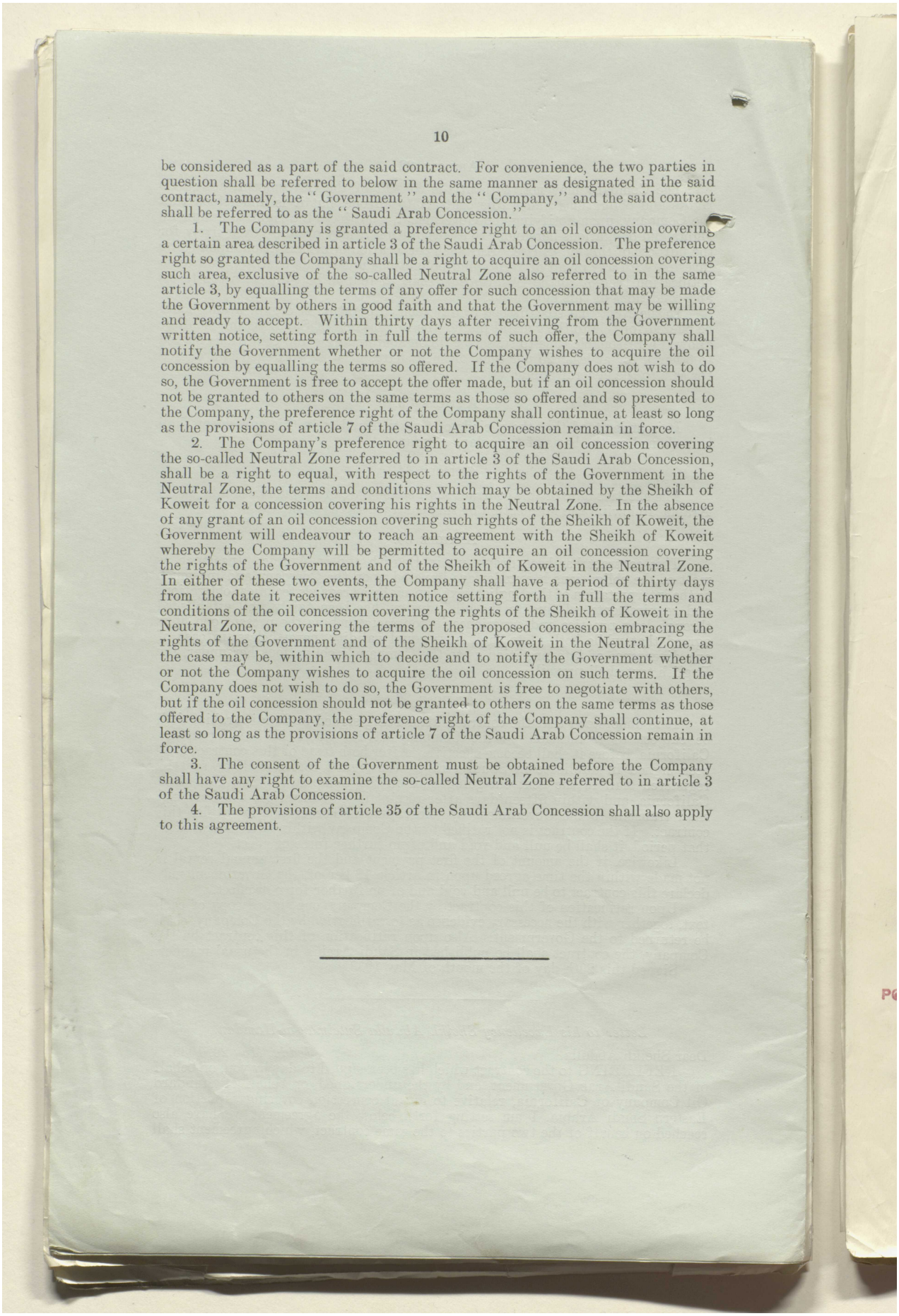

be considered as a part of the said contract. For convenience, the two parties in question shall be referred to below in the same manner as designated in the said contract, namely, the "Government" and the "Company," and the said contract shall be referred to as the "Saudi Arab Concession."

1. The Company is granted a preference right to an oil concession covering a certain area described in article 3 of the Saudi Arab Concession. The preference right so granted the Company shall be a right to acquire an oil concession covering such area, exclusive of the so-called Neutral Zone also referred to in the same article 3, by equalling the terms of any offer for such concession that may be made the Government by others in good faith and that the Government may be willing and ready to accept. Within thirty days after receiving from the Government written notice, setting forth in full the terms of such offer, the Company shall notify the Government whether or not the Company wishes to acquire the oil concession by equalling the terms so offered. If the Company does not wish to do so, the Government is free to accept the offer made, but if an oil concession should not be granted to others on the same terms as those so offered and so presented to the Company, the preference right of the Company shall continue, at least so long as the provisions of article 7 of the Saudi Arab Concession remain in force.

2. The Company's preference right to acquire an oil concession covering the so-called Neutral Zone referred to in article 3 of the Saudi Arab Concession, shall be a right to equal, with respect to the rights of the Government in the Neutral Zone, the terms and conditions which may be obtained by the Sheikh of Koweit for a concession covering his rights in the Neutral Zone. In the absence of any grant of an oil concession covering such rights of the Sheikh of Koweit, the Government will endeavour to reach an agreement with the Sheikh of Koweit whereby the Company will be permitted to acquire an oil concession covering the rights of the Government and of the Sheikh of Koweit in the Neutral Zone. In either of these two events, the Company shall have a period of thirty days from the date it receives written notice setting forth in full the terms and conditions of the oil concession covering the rights of the Sheikh of Koweit in the Neutral Zone, or covering the terms of the proposed concession embracing the rights of the Government and of the Sheikh of Koweit in the Neutral Zone, as the case may be, within which to decide and to notify the Government whether or not the Company wishes to acquire the oil concession on such terms. If the Company does not wish to do so, the Government is free to negotiate with others, but if the oil concession should not be granted to others on the same terms as those offered to the Company, the preference right of the Company shall continue, at least so long as the provisions of article 7 of the Saudi Arab Concession remain in force.

3. The consent of the Government must be obtained before the Company shall have any right to examine the so-called Neutral Zone referred to in article 3 of the Saudi Arab Concession.

4. The provisions of article 35 of the Saudi Arab Concession shall also apply to this agreement.

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P. Z.
6656/38

Minute Paper.

SECRET.
POLITICAL DEPARTMENT.

Dated
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			
Under Secretary	29.9	[illegible]	Oil Concessions in Saudi Arabia.
Secretary of State ...			
Committee	29. 9.	[illegible]	
Under Secretary			
Secretary of State....			

11/10/38

Copy of letter (with copy of this submission) to Col. 30/124 and to India,
Political Resident
P.A. Koweit.

FOR INFORMATION.

Please see the submission at P.Z.6294/38 (Flag A) and the Foreign Office letter immediately below the present submission regarding the renewed interest taken by Petroleum Concessions Limited in Saudi-Arabia.

Petroleum Concessions Limited have now submitted a firm offer to the Saudi Government (through the Saudi Legation in London). They propose that the existing concession in Nejd (which is proving to be a bad bargain) should be cancelled and that a new concession should be concluded covering both the existing concession area and the additional areas in Saudi Arabia (including the Saudi-Iraq and the Saudi-Koweit Neutral Zone) not otherwise disposed of to the Calarabian Company. For this the Company offer

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SEEN
POLITICAL COMMITTEE.
3 - OCT 1938

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£100,000 gold, i.e. half the sum mentioned by Mr. Skliros during his conversation at the Foreign Office on the 30th August.

It is understood that what the Company really want is the Koweit Neutral Zone area - the value of which must have considerably increased since the discovery of oil in Koweit proper and in Hasa. But the Calarabian Company are also fully alive to the possibilities of this area and a fortnight ago Mr. Ballantyne mentioned, in the course of a conversation here, that his Company might before long wish to secure a concession in the Koweit Neutral Zone. He said that the plan which he had been turning over in his mind was that the Calarabian Company should obtain a concession from Ibn Saud and that a British Company should then be formed by association between the Standard Oil Company of California and British interests (who would not, he said, be the Iraq Petroleum Company) for the purpose of obtaining concessional rights from the Sheikh of Koweit. Nothing definite had been decided yet but he hoped that when the time came for an approach to the Sheikh we would be helpful to his Company. In such circumstances it seems improbable that the Calarabian Company will be prepared to relinquish their rights in Arabia for the sum offered by Petroleum Concessions Limited and we may see some lively bidding before the matter is finally settled.

C.B. Symon
28/9/38

30/9/38 3/10

SEEN
POLITICAL COMMITTEE
3 OCT 1938

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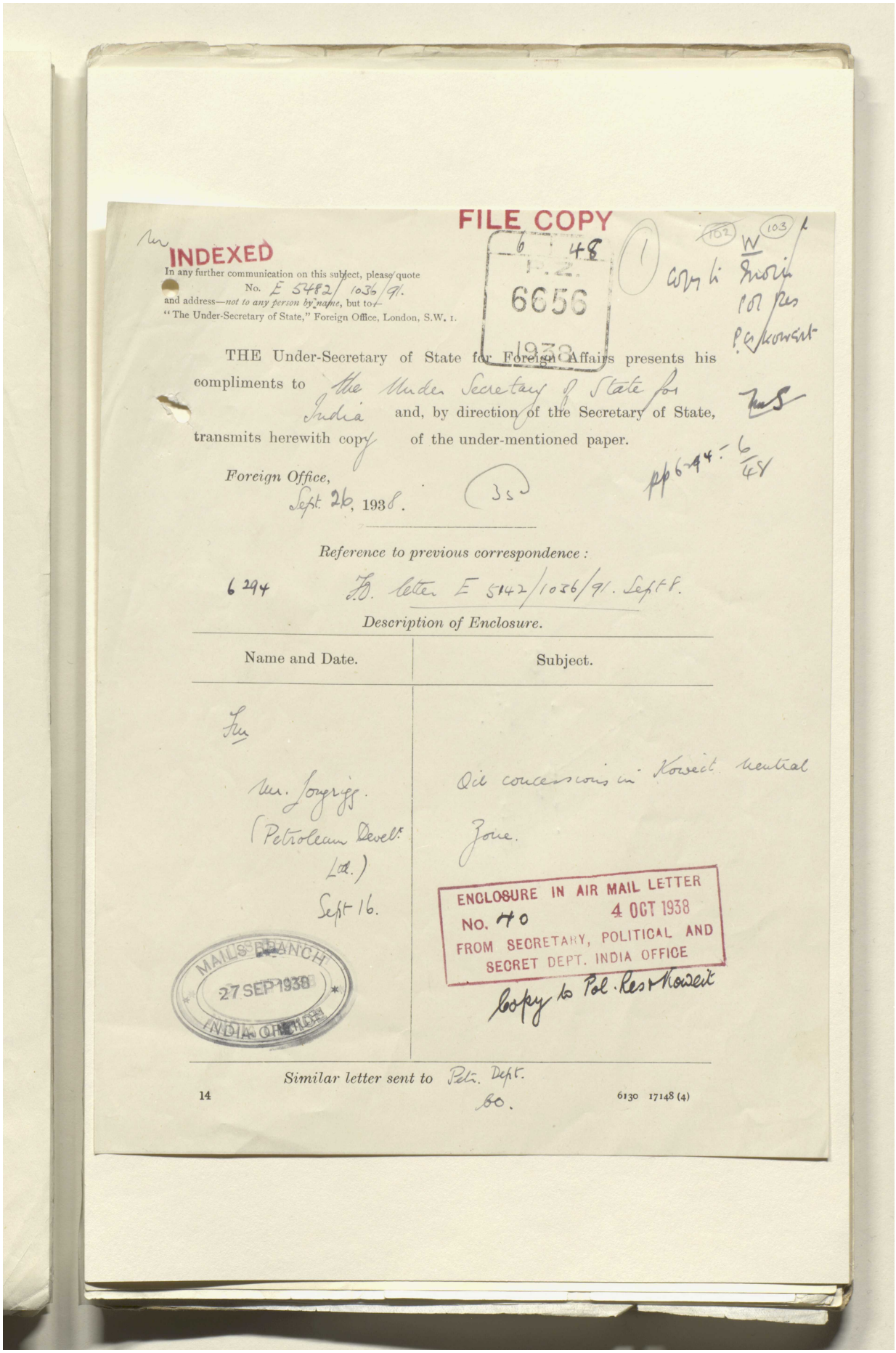

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In any further communication on this subject, please quote No. E 5482/1036/91.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
Sept. 26, 1938.

Reference to previous correspondence:

6 294 F.O. letter E 5142/1036/91. Sept 8.

Description of Enclosure.

Name and Date.	Subject.
Mr. Loyrigs. (Petroleum Develt. Ltd.) Sept 16.	Oil concessions in Koweit Neutral Zone.

MAILS BRANCH 27 SEP 1938 INDIA OFFICE

ENCLOSURE IN AIR MAIL LETTER No. 40 4 OCT 1938 FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Copy to Pol. Res Koweit

Similar letter sent to Pol. Dept. 60.

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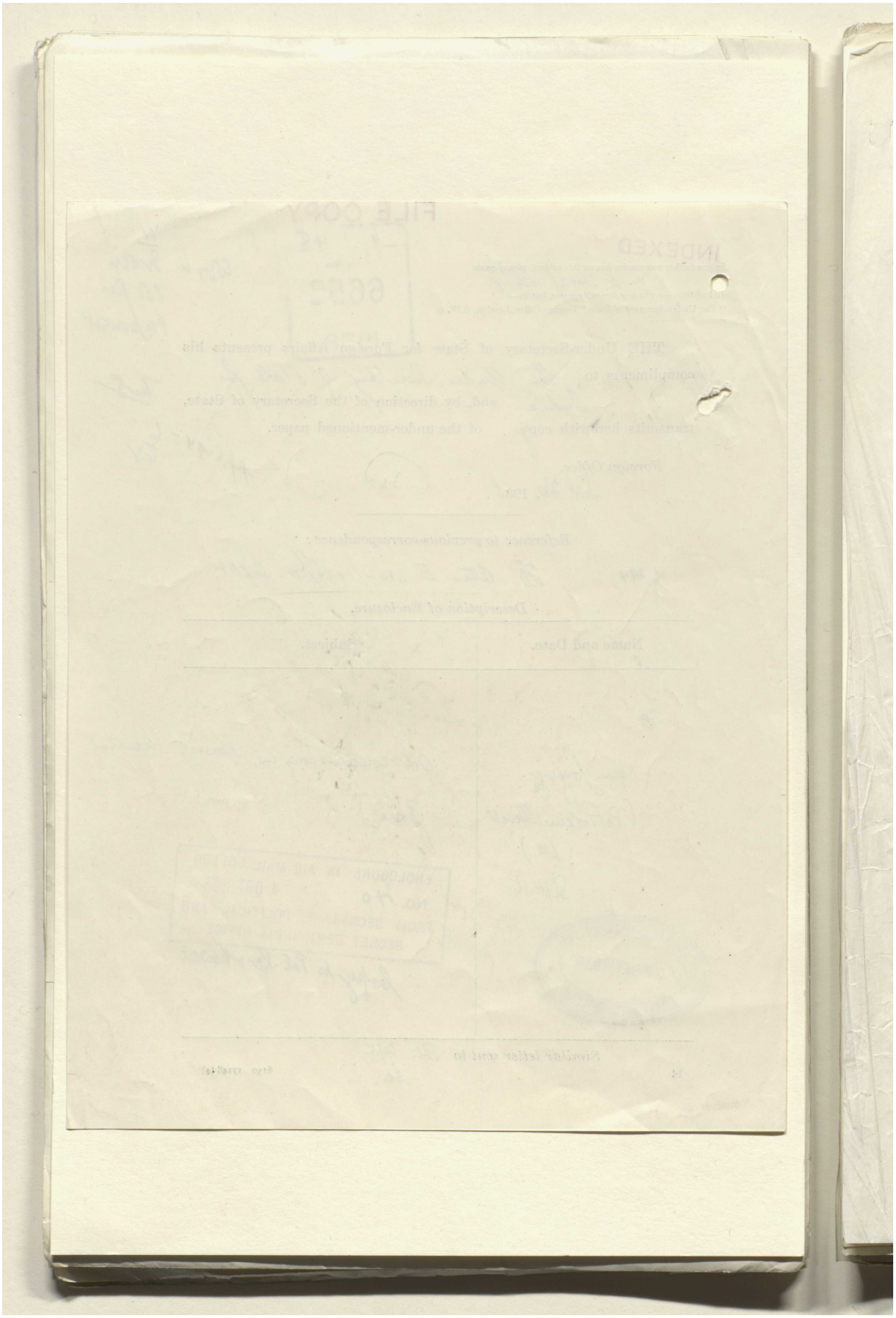

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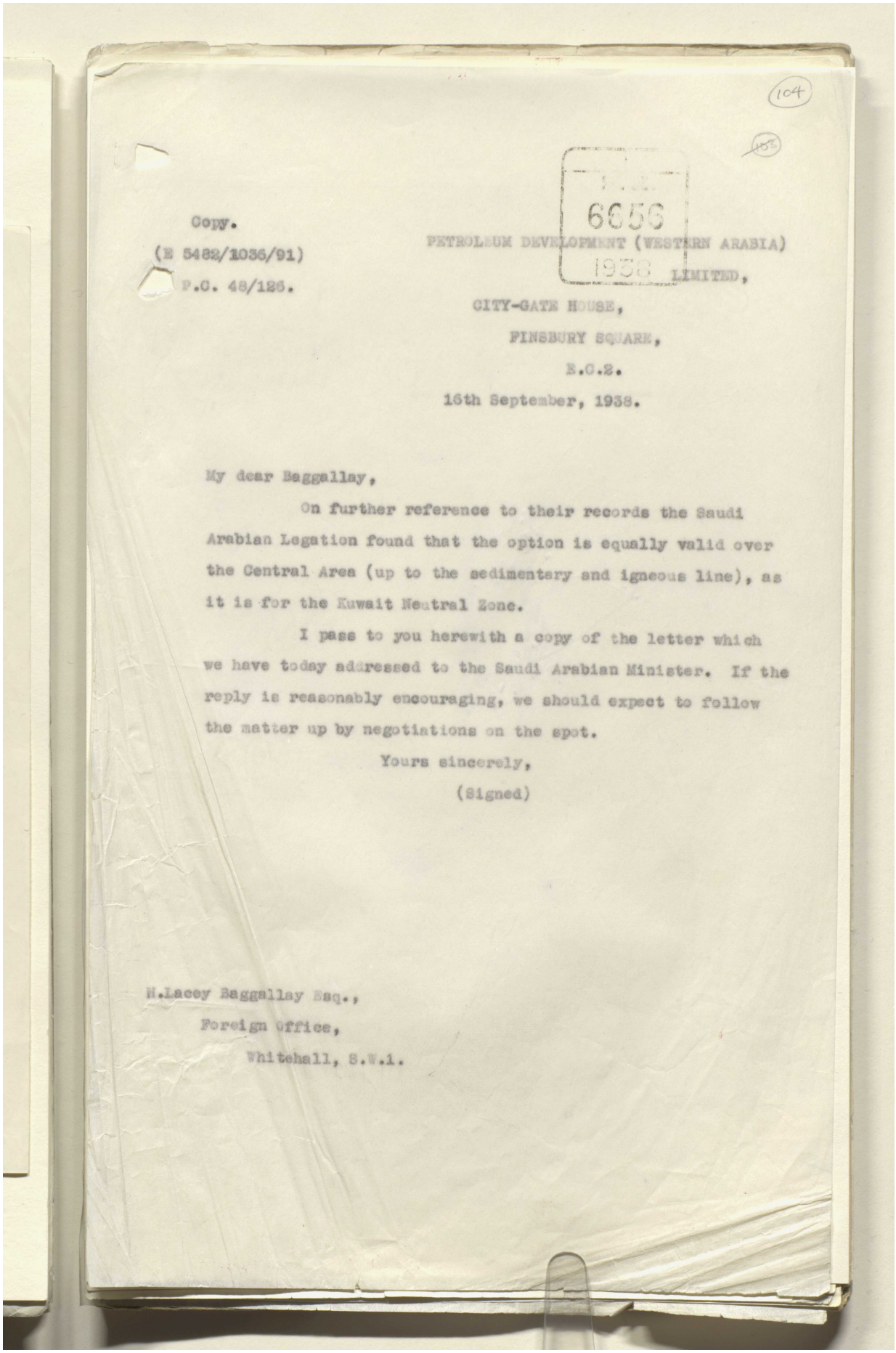

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(E 5482/1036/91)

P.C. 48/126.

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1938

PETROLEUM DEVELOPMENT (WESTERN ARABIA)
LIMITED,
CITY-GATE HOUSE,
FINSBURY SQUARE,
E.C.2.

16th September, 1938.

My dear Baggallay,

On further reference to their records the Saudi Arabian Legation found that the option is equally valid over the Central Area (up to the sedimentary and igneous line), as it is for the Kuwait Neutral Zone.

I pass to you herewith a copy of the letter which we have today addressed to the Saudi Arabian Minister. If the reply is reasonably encouraging, we should expect to follow the matter up by negotiations on the spot.

Yours sincerely,

(Signed)

H.Lacey Baggallay Esq.,
Foreign Office,
Whitehall, S.W.1.

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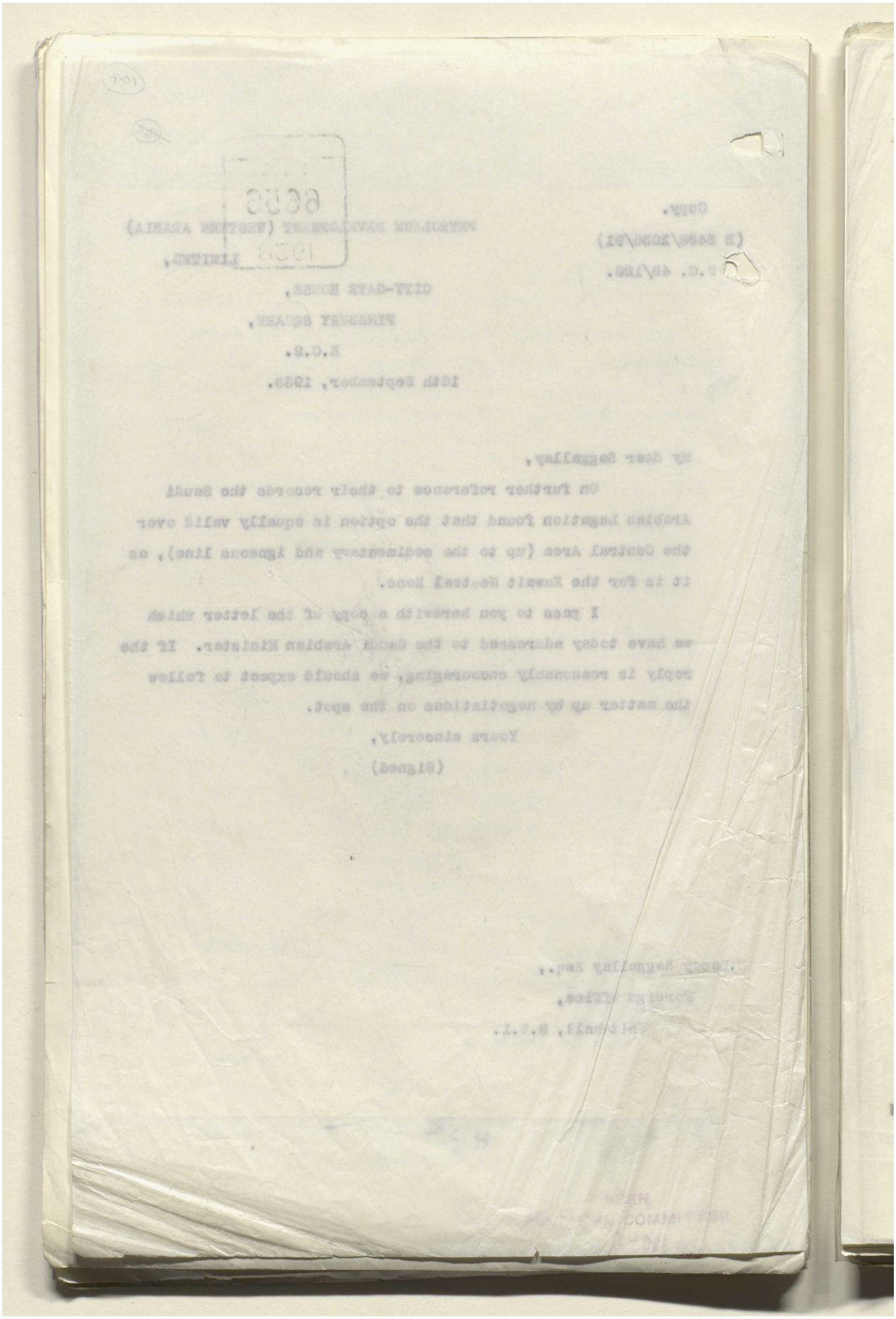

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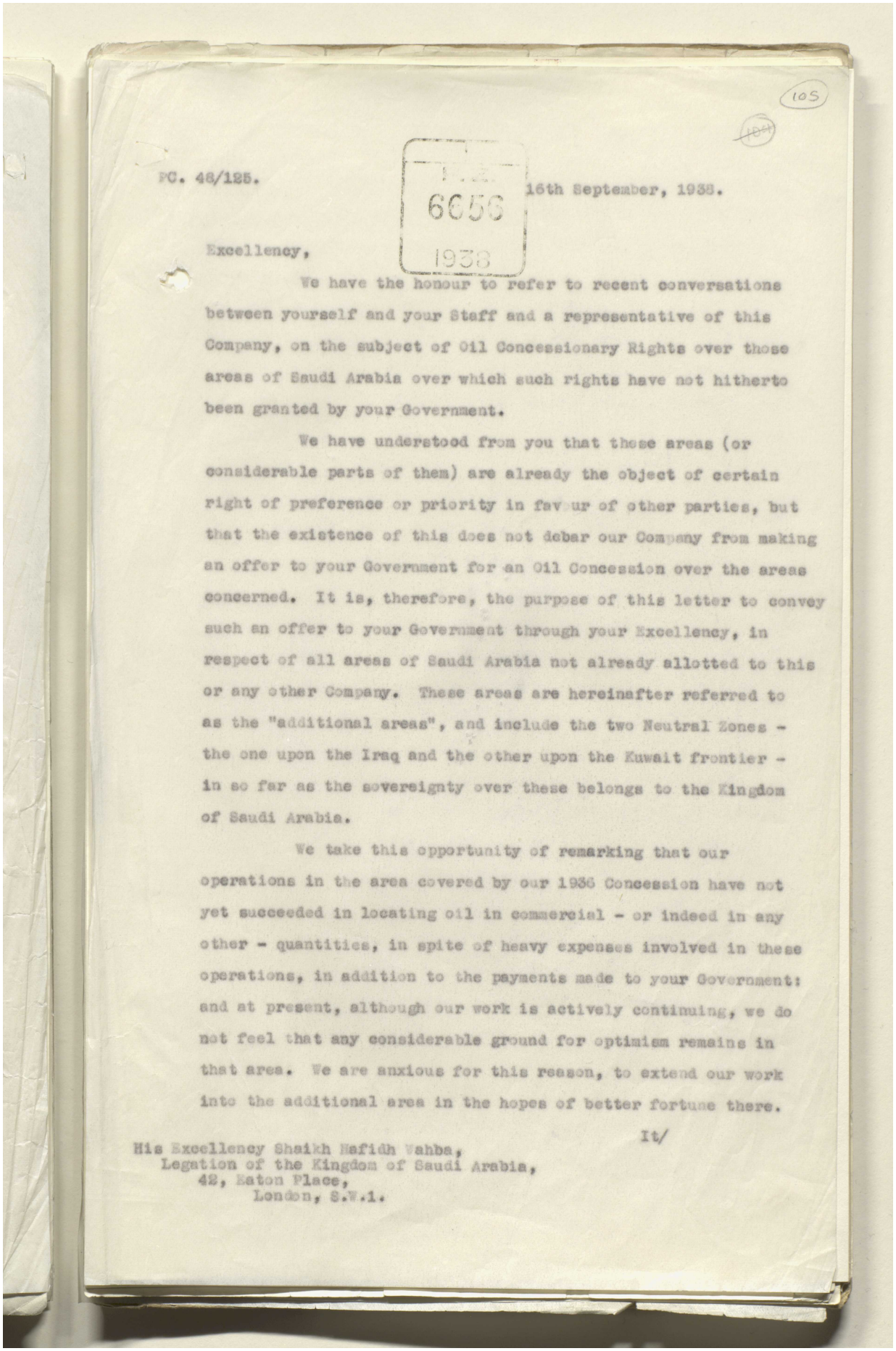

105

PC. 48/125.

I.O. 6656 1938

16th September, 1938.

Excellency,

We have the honour to refer to recent conversations between yourself and your Staff and a representative of this Company, on the subject of Oil Concessionary Rights over those areas of Saudi Arabia over which such rights have not hitherto been granted by your Government.

We have understood from you that these areas (or considerable parts of them) are already the object of certain right of preference or priority in favour of other parties, but that the existence of this does not debar our Company from making an offer to your Government for an Oil Concession over the areas concerned. It is, therefore, the purpose of this letter to convey such an offer to your Government through your Excellency, in respect of all areas of Saudi Arabia not already allotted to this or any other Company. These areas are hereinafter referred to as the "additional areas", and include the two Neutral Zones - the one upon the Iraq and the other upon the Kuwait frontier - in so far as the sovereignty over these belongs to the Kingdom of Saudi Arabia.

We take this opportunity of remarking that our operations in the area covered by our 1936 Concession have not yet succeeded in locating oil in commercial - or indeed in any other - quantities, in spite of heavy expenses involved in these operations, in addition to the payments made to your Government: and at present, although our work is actively continuing, we do not feel that any considerable ground for optimism remains in that area. We are anxious for this reason, to extend our work into the additional area in the hopes of better fortune there.

It/

His Excellency Shaikh Hafidh Wahba,
Legation of the Kingdom of Saudi Arabia,
42, Eaton Place,
London, S.W.1.

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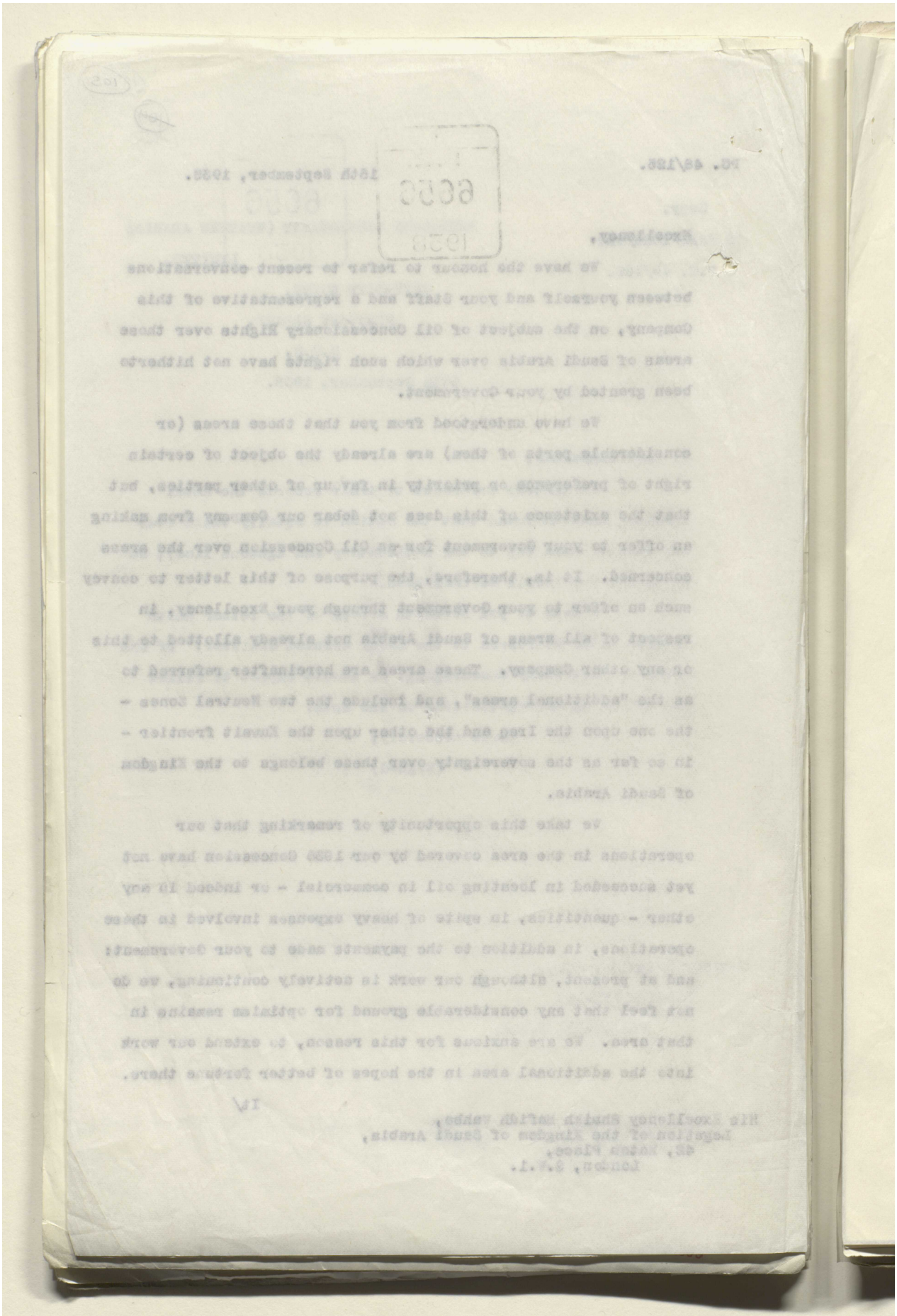

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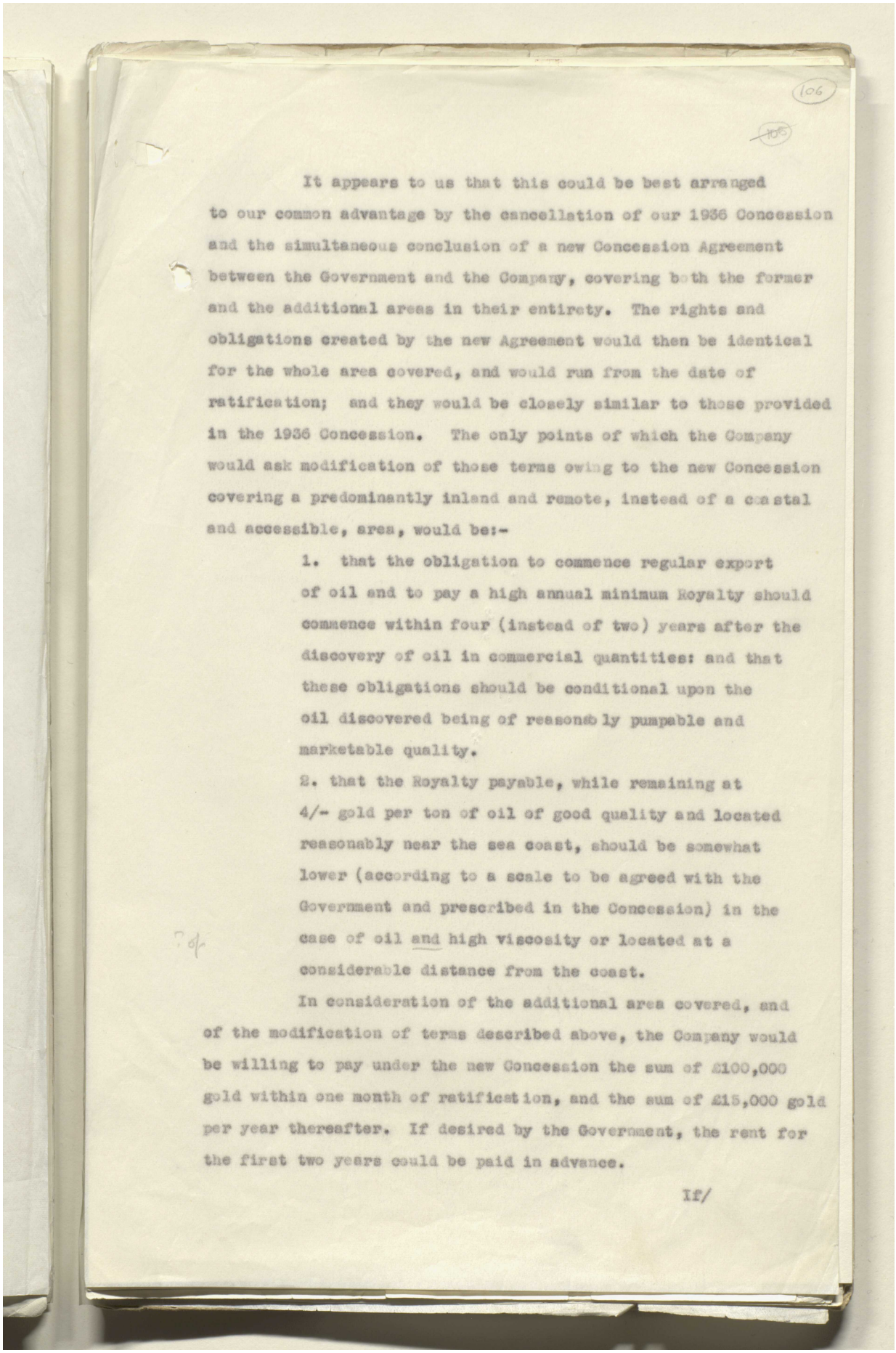

106

105

It appears to us that this could be best arranged to our common advantage by the cancellation of our 1936 Concession and the simultaneous conclusion of a new Concession Agreement between the Government and the Company, covering both the former and the additional areas in their entirety. The rights and obligations created by the new Agreement would then be identical for the whole area covered, and would run from the date of ratification; and they would be closely similar to those provided in the 1936 Concession. The only points of which the Company would ask modification of those terms owing to the new Concession covering a predominantly inland and remote, instead of a coastal and accessible, area, would be:-

1. that the obligation to commence regular export of oil and to pay a high annual minimum Royalty should commence within four (instead of two) years after the discovery of oil in commercial quantities: and that these obligations should be conditional upon the oil discovered being of reasonably pumpable and marketable quality.

2. that the Royalty payable, while remaining at 4/- gold per ton of oil of good quality and located reasonably near the sea coast, should be somewhat lower (according to a scale to be agreed with the Government and prescribed in the Concession) in the case of oil and high viscosity or located at a considerable distance from the coast.

In consideration of the additional area covered, and of the modification of terms described above, the Company would be willing to pay under the new Concession the sum of £100,000 gold within one month of ratification, and the sum of £15,000 gold per year thereafter. If desired by the Government, the rent for the first two years could be paid in advance.

If/

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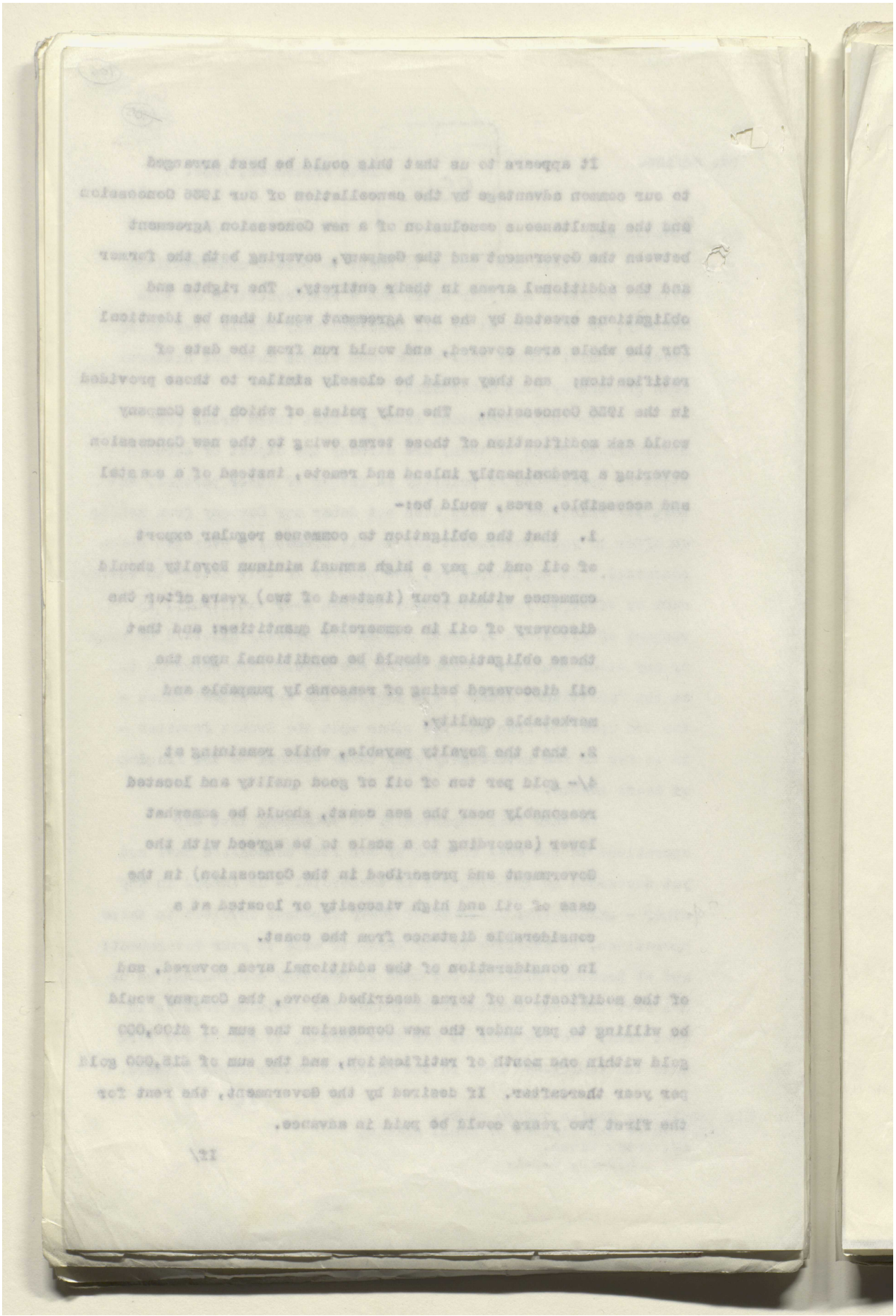

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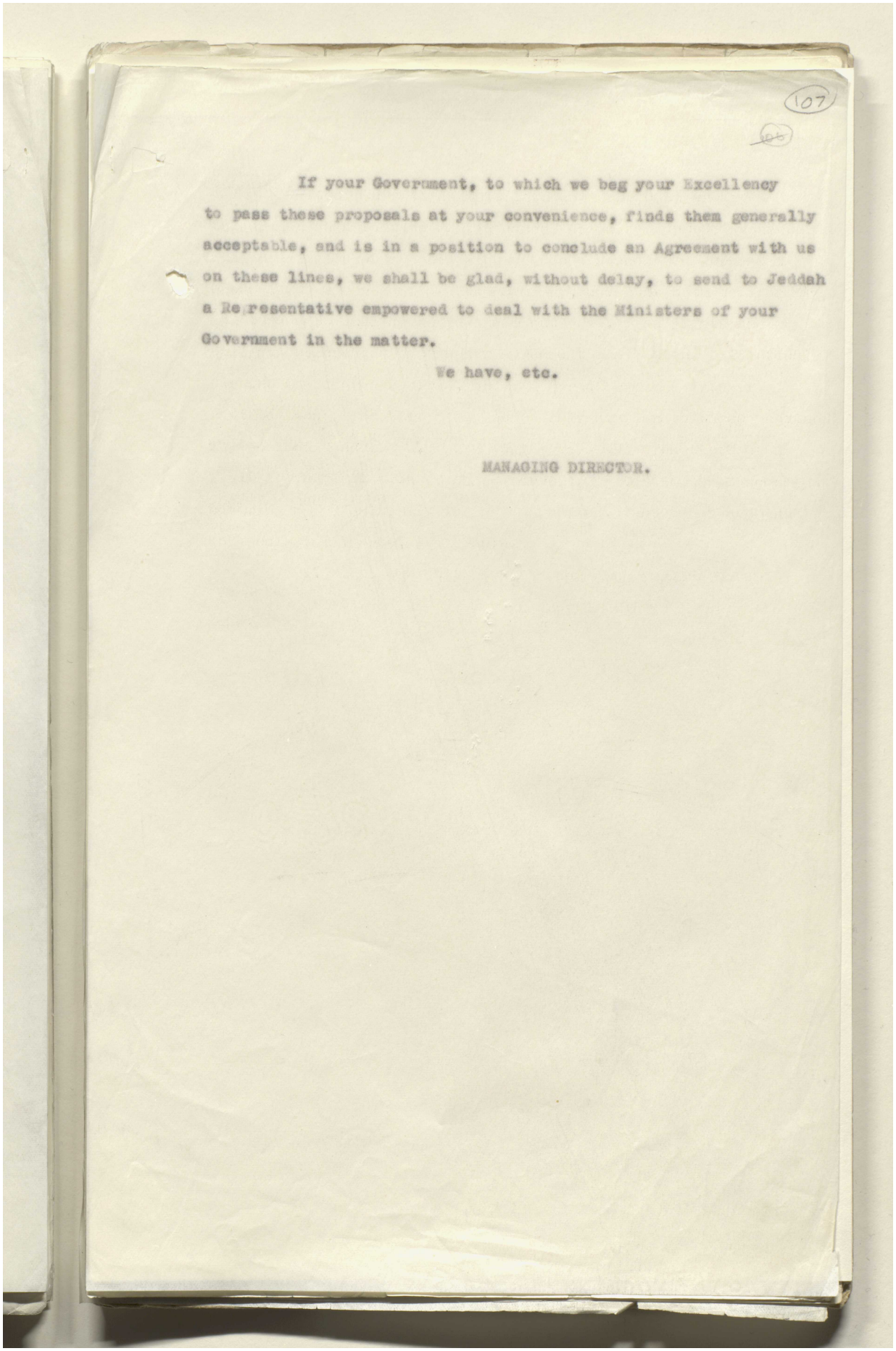

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If your Government, to which we beg your Excellency to pass these proposals at your convenience, finds them generally acceptable, and is in a position to conclude an Agreement with us on these lines, we shall be glad, without delay, to send to Jeddah a Representative empowered to deal with the Ministers of your Government in the matter.

We have, etc.

MANAGING DIRECTOR.

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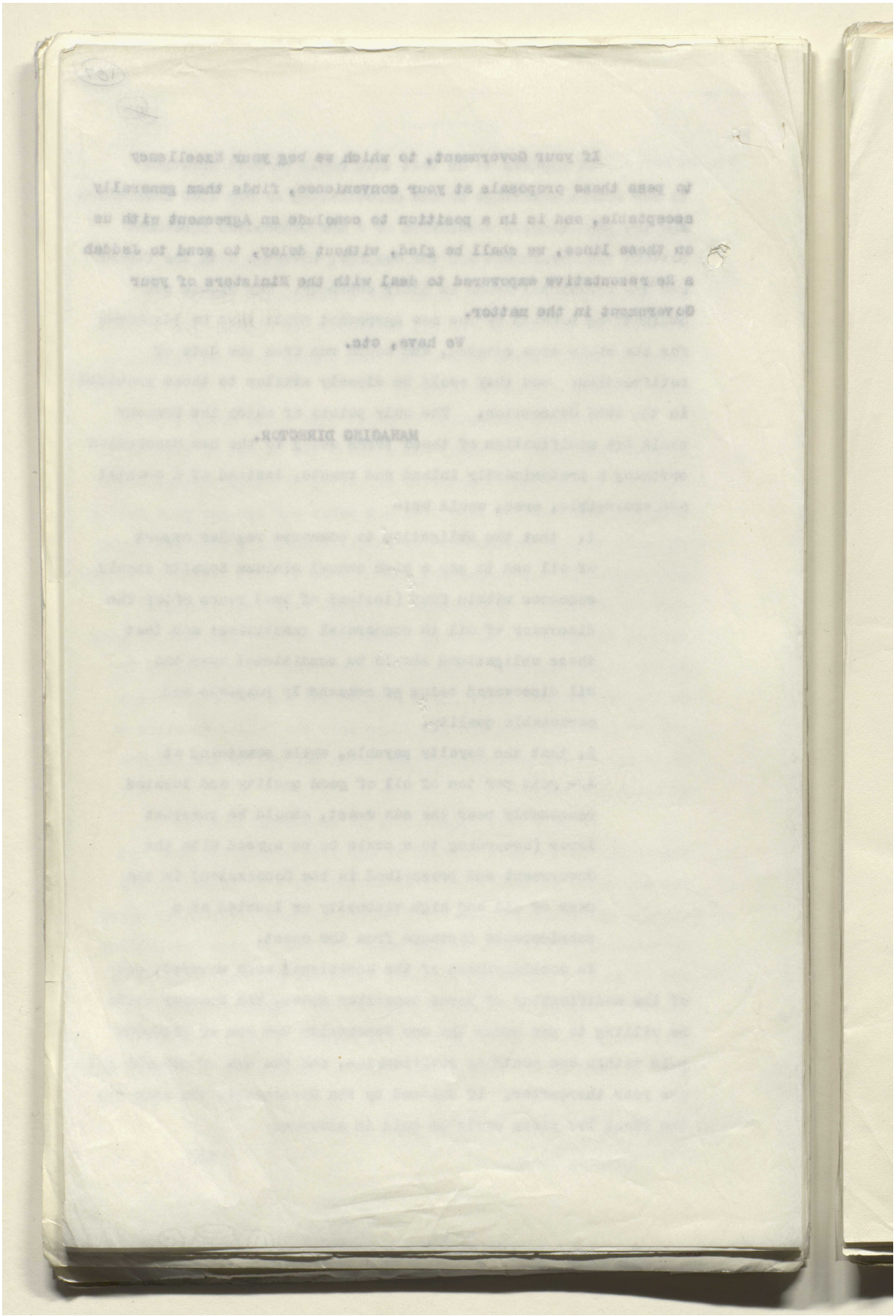

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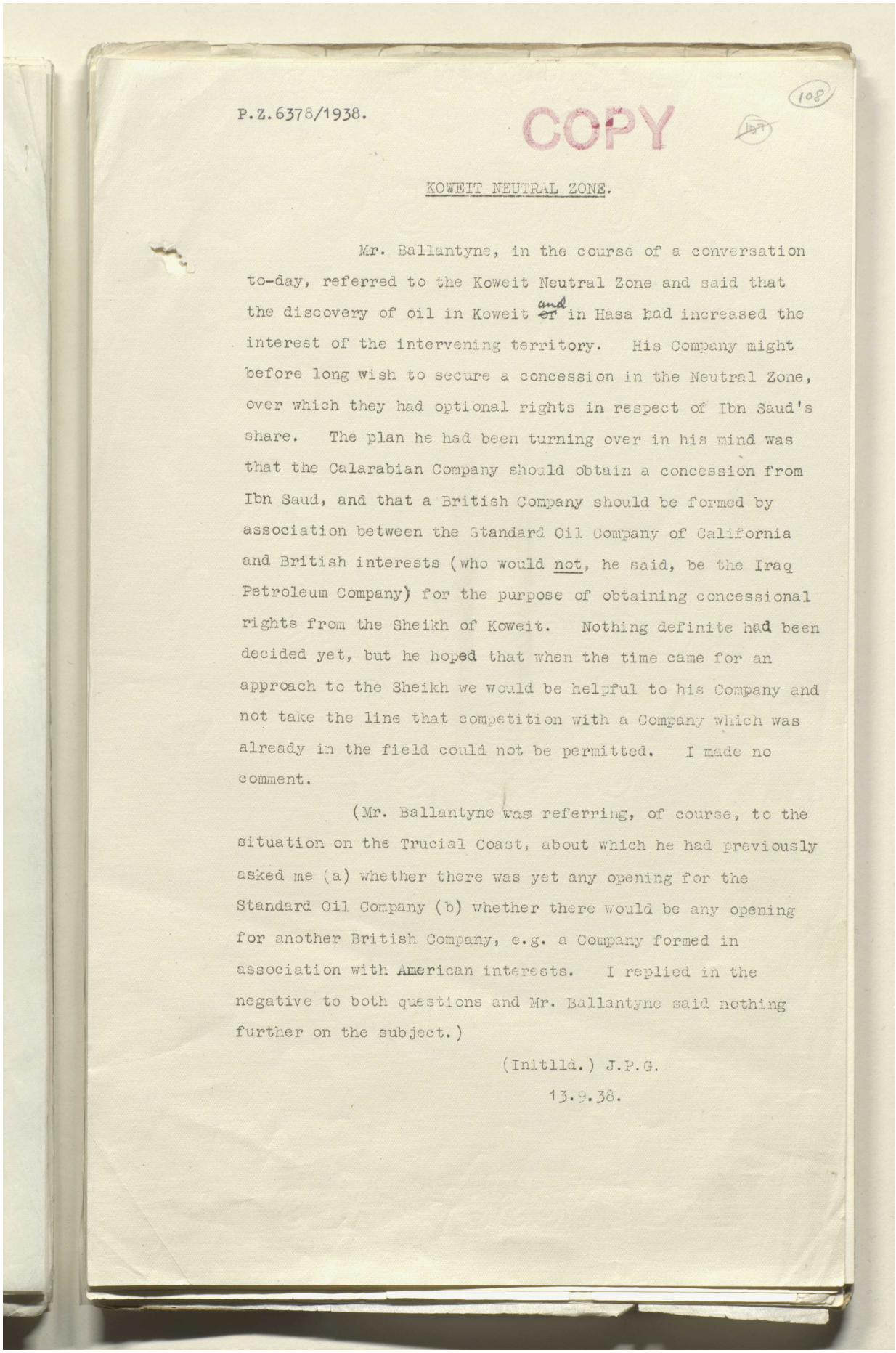

P.Z.6378/1938.

COPY

108

KOWEIT NEUTRAL ZONE.

Mr. Ballantyne, in the course of a conversation to-day, referred to the Koweit Neutral Zone and said that the discovery of oil in Koweit ~~or~~ and in Hasa had increased the interest of the intervening territory. His Company might before long wish to secure a concession in the Neutral Zone, over which they had optional rights in respect of Ibn Saud's share. The plan he had been turning over in his mind was that the Calarabian Company should obtain a concession from Ibn Saud, and that a British Company should be formed by association between the Standard Oil Company of California and British interests (who would not, he said, be the Iraq Petroleum Company) for the purpose of obtaining concessional rights from the Sheikh of Koweit. Nothing definite had been decided yet, but he hoped that when the time came for an approach to the Sheikh we would be helpful to his Company and not take the line that competition with a Company which was already in the field could not be permitted. I made no comment.

(Mr. Ballantyne was referring, of course, to the situation on the Trucial Coast, about which he had previously asked me (a) whether there was yet any opening for the Standard Oil Company (b) whether there would be any opening for another British Company, e.g. a Company formed in association with American interests. I replied in the negative to both questions and Mr. Ballantyne said nothing further on the subject.)

(Initlld.) J.P.G.

13.9.38.

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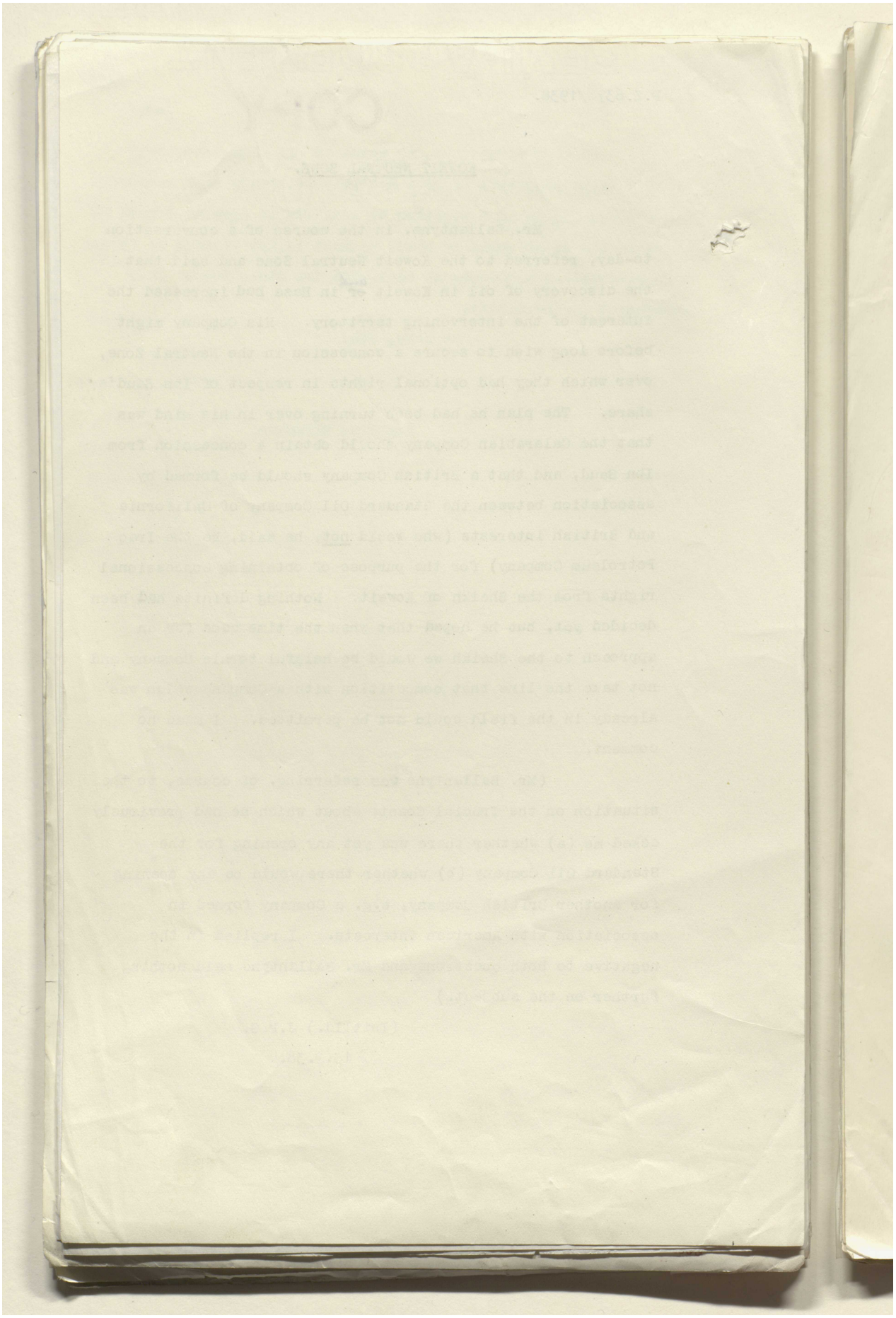

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Notes.

Minute Paper.

Register No.
P. Z.
6294/38.

SECRET.
POLITICAL DEPARTMENT.

Dated 22/9/38
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			
Under Secretary	12.9		Oil Concessions in Saudi Arabia.
Secretary of State ...			
Committee	13.9		
Under Secretary			
Secretary of State....			

SEEN
POLITICAL COMMITTEE.
19 SEP 1938

Copy ~~xx~~ for Col. 30/124 to
(with copy of this submission).
India.
Bushire.
Koweit.
19 SEP 1938

FOR INFORMATION.

The attached record of a recent conversation between representatives of Petroleum Concessions Limited and Mr. Baggallay at the Foreign Office is of interest as showing the limits to which this Company are prepared to go in order to obtain oil rights in Eastern Arabia and in the Koweit Neutral Zone.

2. The position as regards oil exploration rights in territory of Saudi Arabia not included in the Red Sea Area (held by Petroleum Concessions Limited) or Hasa Area (held by the Standard Oil Company) Concessions is still uncertain.

Information/

7193 Wt 10380/P 121 1000 5.38

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Information has recently been received, however, (P.Z. 4216/38)
which points to the probability that the original
(4 27.5.'33)
concession Agreement between the Saudi Government
and the Standard Oil Company was subsequently (29th May, 1933)
modified by a "Special Agreement" the effect of
which is to accord to the Standard Oil Company -

> "a preference right to acquire an oil concession covering the balance of Eastern Arabia (including Ibn Saud's rights in the Koweit Neutral Zone) as far west of the westerly boundary of the exclusive area (i.e. the Hasa Concession area) as the contact between the sedimentary and igneous formations".

On the same date as the conclusion of this "Special Agreement" letters were exchanged by the Company and the Saudi Arabian Government defining the Company's preference rights in regard to (a) the balance of Eastern Arabia not already covered by the Standard Oil Company's Concession and (b) the Koweit Neutral Zone. The effect of these preference rights is to entitle the Standard Oil Company to acquire an oil concession on terms equal to those which may be offered to the Saudi-Arabian Government by another Company. If the Standard Oil Company elect not to exercise their right, the Saudi-Arabian Government is free to accept the other Company's offer. Otherwise the Standard Oil Company's preference rights continue at least as long as the conditions of the Special Agreement remain in force.

3. Last year Petroleum Concessions Limited stated that they were prepared to offer Ibn Saud £100,000 for oil rights over the areas in question but as will be seen from the record of the recent conversation they are now prepared to increase this offer to £200,000 in the first instance with

an/

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~~109~~ 110

Minute Paper. Department.

3.

an upper limit of £500,000. Mr. Skliros apparently realises that the Standard Oil Company will cap his £200,000 offer and if the American Company adopt the same attitude in regard to the mainland of Arabia as they have recently done in the case of Bahrein, not even £500,000 may be sufficient to induce them to part with their preferential rights, more especially as oil has now been struck in Hasa and in Koweit proper.

A C B Symm
12/9/38

Seen
JWC
16/9
RWRL
16/9
AOW
19/9

SEEN
POLITICAL COMMITTEE.
19 SEP 1938

7173 Wt 8900/111 10,000 4.38

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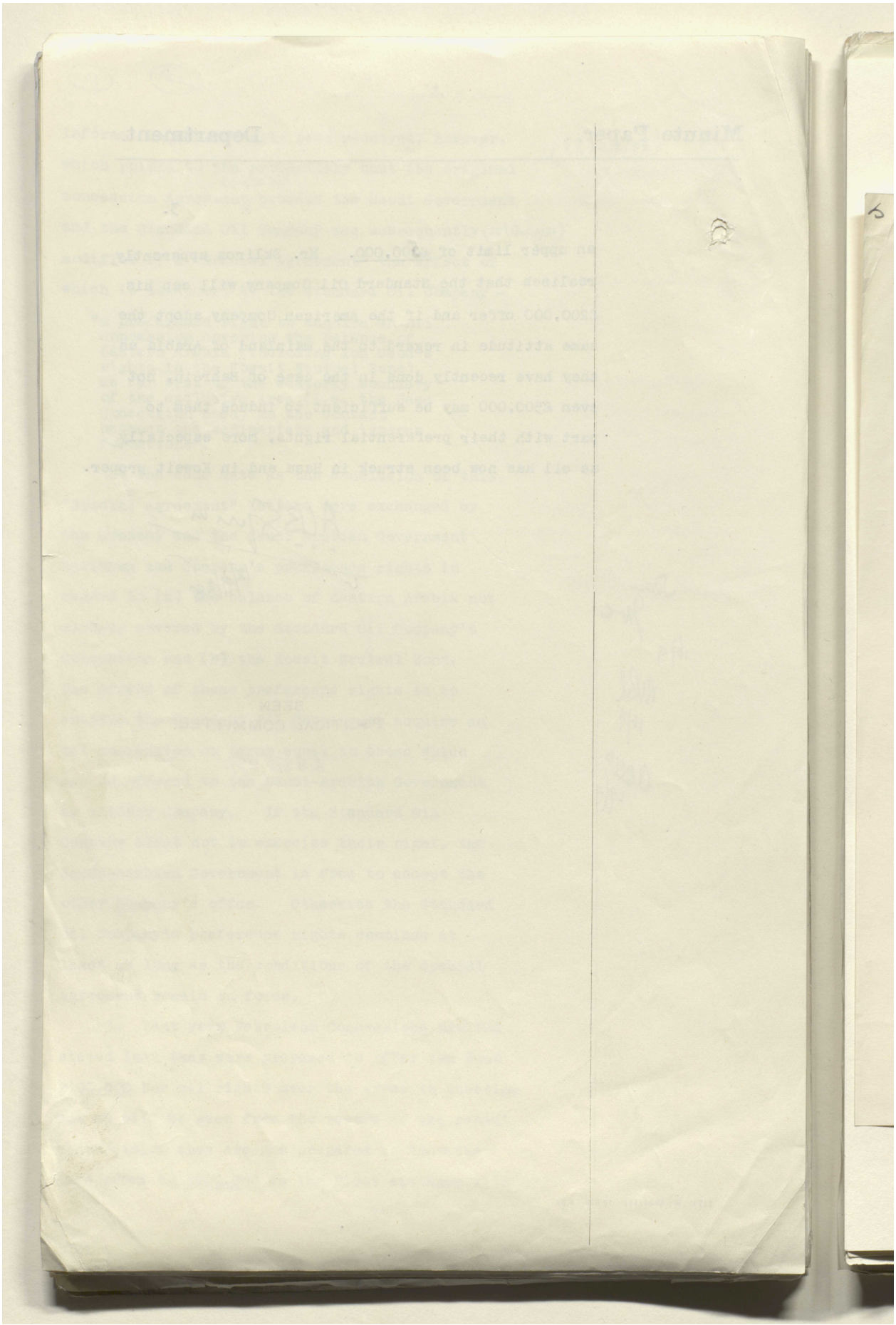

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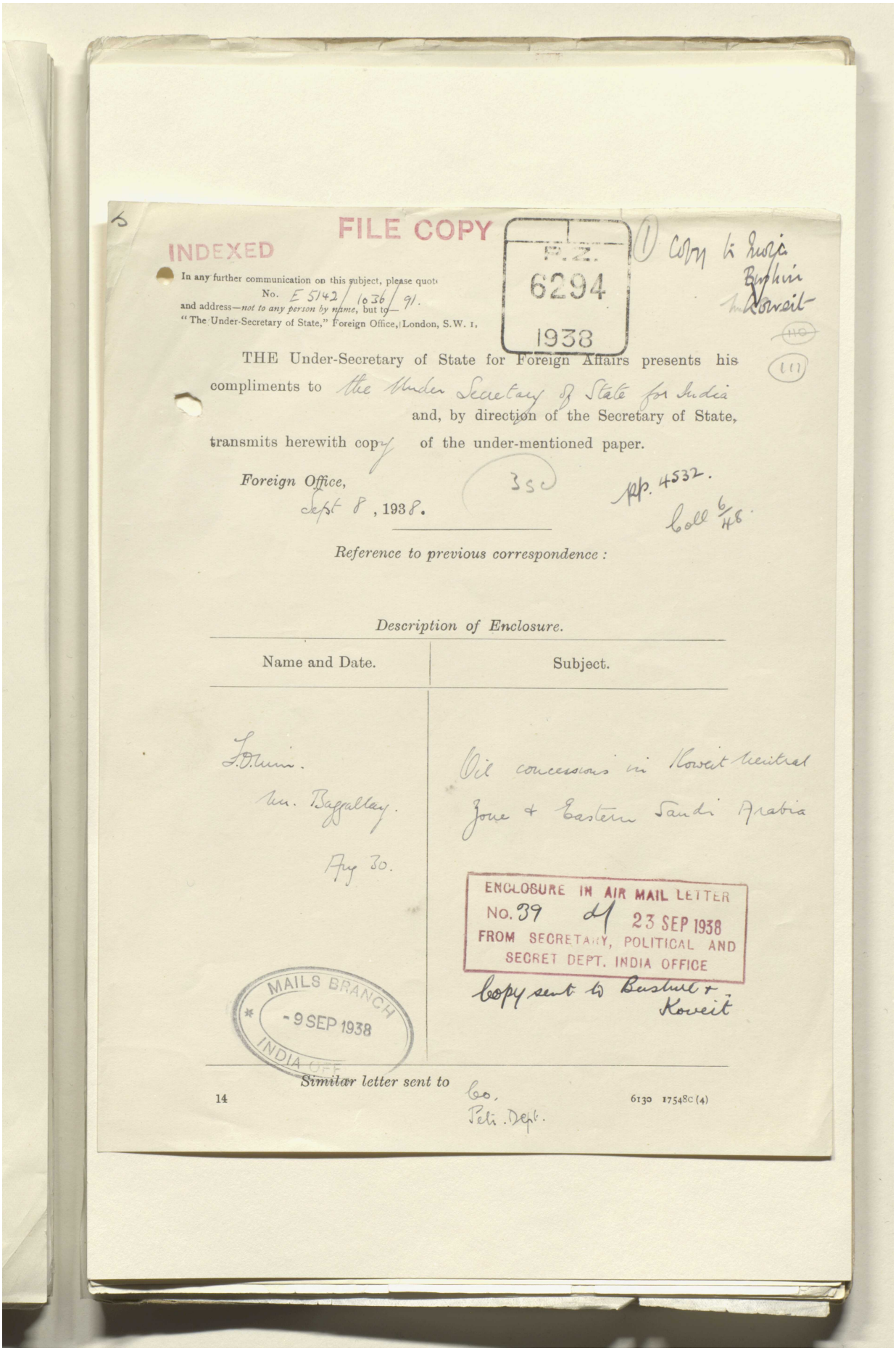

FILE COPY

INDEXED

P.Z. 6294 1938

(1) Copy to India Bushire Koweit

In any further communication on this subject, please quote
No. E 5142/1036/91.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
Sept 8, 1938.

3 sc

Pp. 4532.
Coll 6/48.

Reference to previous correspondence :

Description of Enclosure.

Name and Date.	Subject.
L.O.Min. Mr. Baggallay. Aug 30.	Oil concessions in Koweit Neutral Zone & Eastern Saudi Arabia

ENCLOSURE IN AIR MAIL LETTER
No. 39 dl 23 SEP 1938
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Copy sent to Bushire & Koweit

MAILS BRANCH
-9 SEP 1938
INDIA OFF

Similar letter sent to Co. Peti. Dept.

14 6130 17548c (4)

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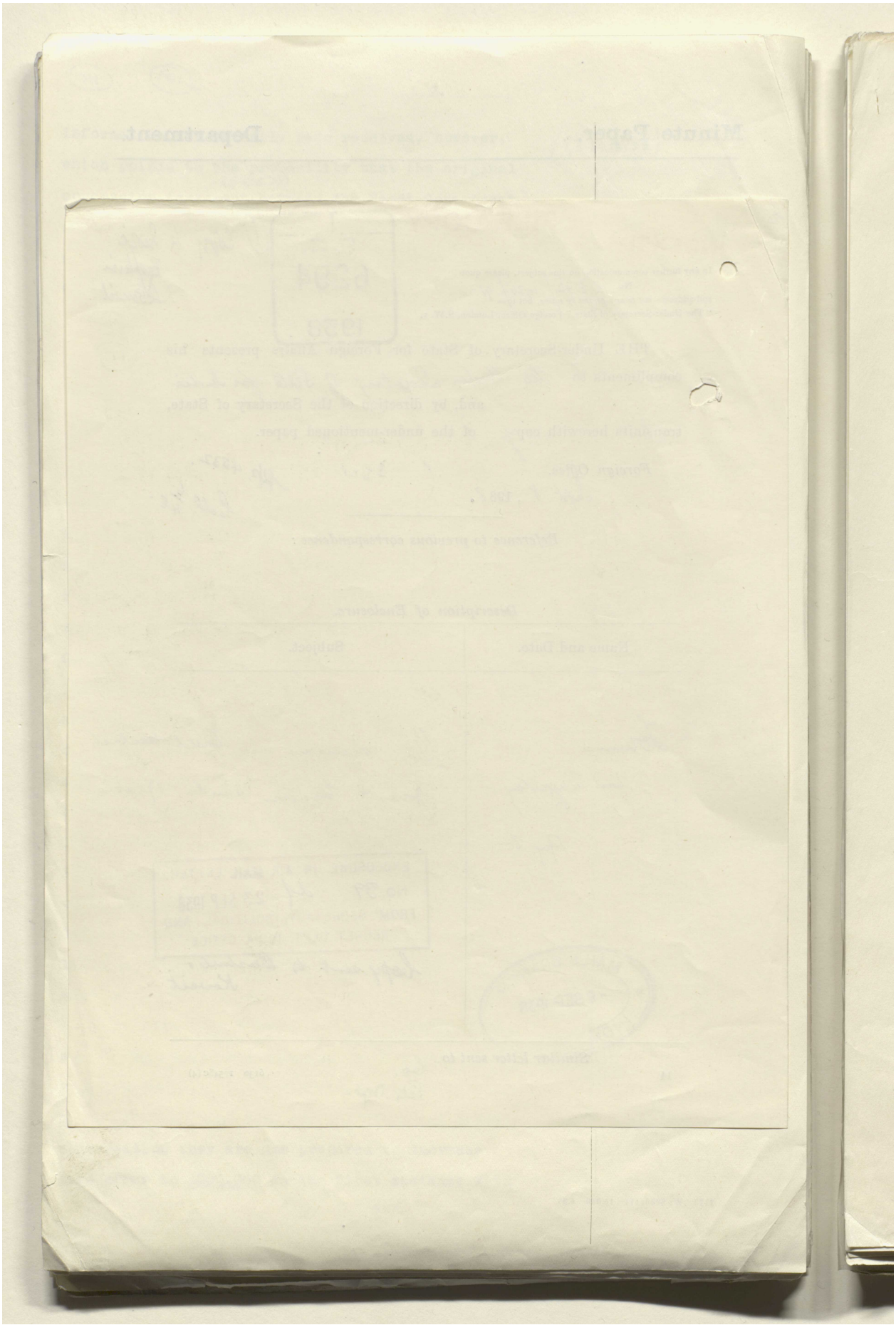

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P.Z.
6294
1938

5 112

Oil Concessions in Saudi Arabia.

Mr. Skliros, Managing Director of Petroleum Concessions Limited, accompanied by Major Longrigg, called here this morning.

2. Mr. Skliros said that his company were anxious to try to obtain a concession for that part of Eastern Saudi Arabia not already covered by the California Arabian Standard Oil Company concession. He wished to enquire whether we had any objection to this and whether we had any more information concerning the preference rights of California Arabian Standard Oil Company over the unallotted area. It was his opinion that Ibn Saud would be very glad to give this area to a British company; he had also been assured by the Sheikh of Koweit that once the negotiations over the Koweit blockade were concluded, he was confident that he would be able to obtain the transfer to himself of Ibn Saud's rights over the Koweit Neutral Zone.

3. I said that we would certainly have no objection if Petroleum Concessions Limited made an offer for the unallotted area to Ibn Saud. As regards the preference rights, I thought that Petroleum Concessions Limited and ourselves were agreed that these rights amounted to no more than a right to cap any other offer; if California Arabian Standard Oil Company were not prepared to offer as good terms as another company, then the Saudi Arabian Government would be entitled to give the concession to that other company. We were not quite sure how far these preference rights extended, but I could tell him for his confidential information that they appeared to cover an area as far west of the Hasa concession

area

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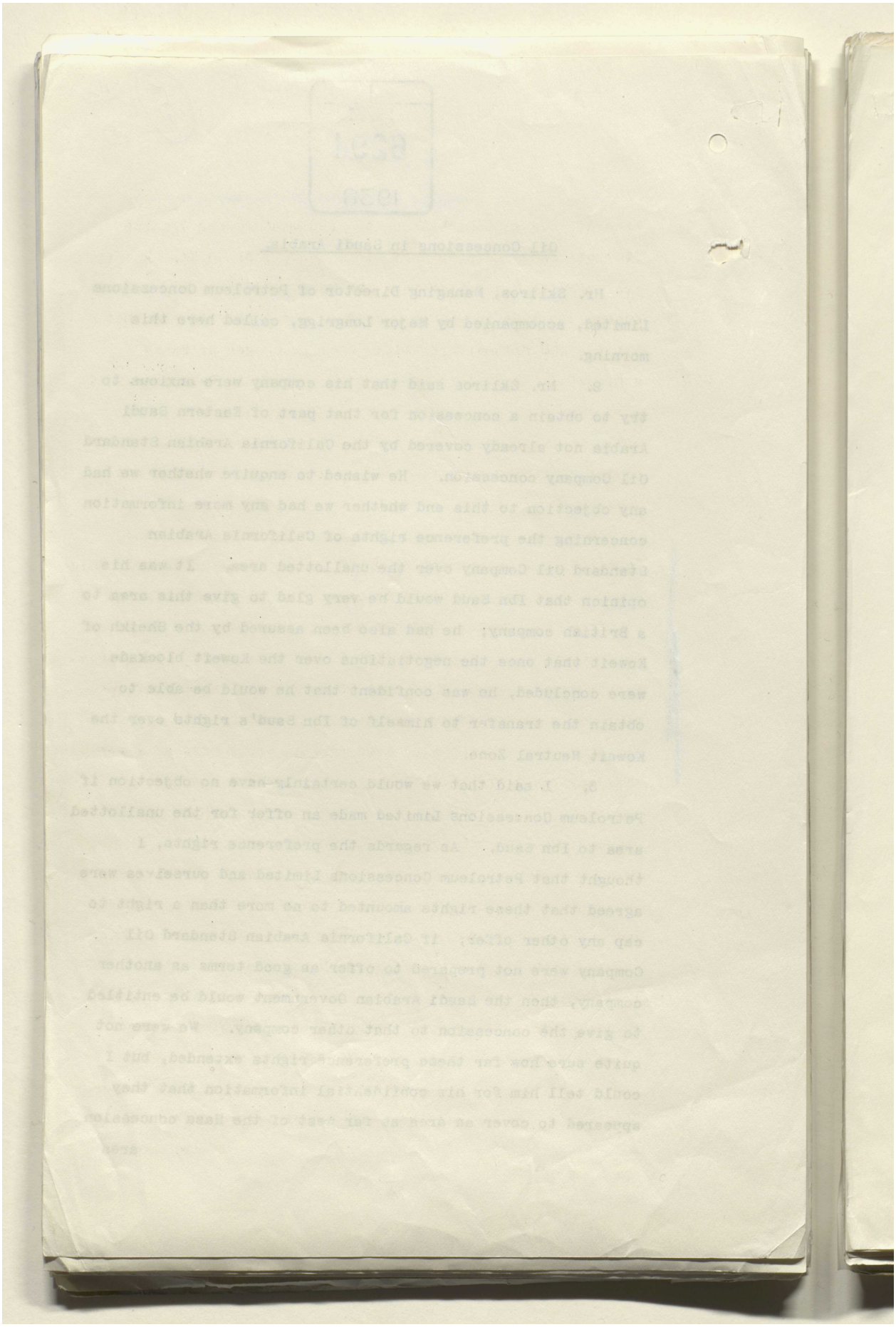

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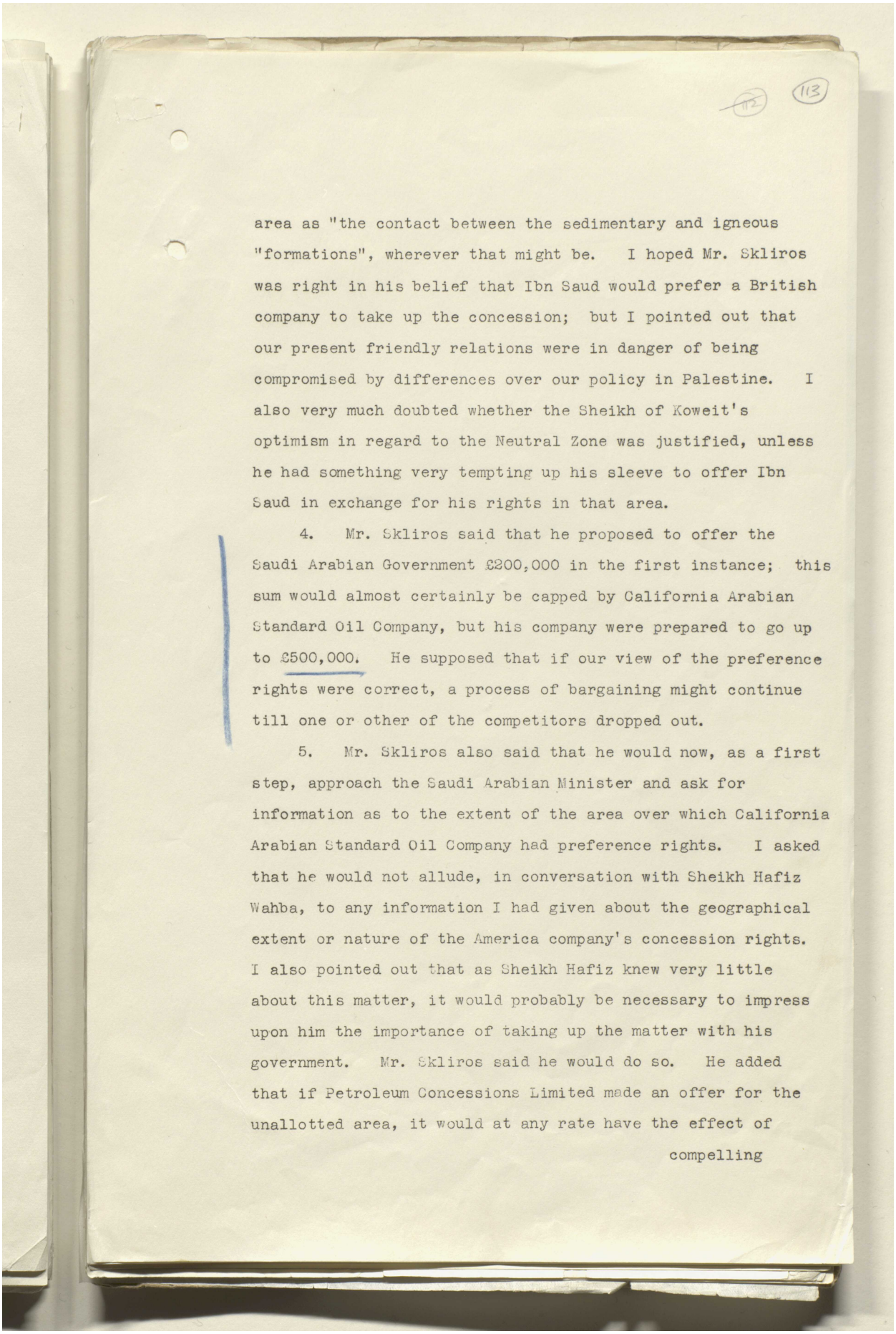

(112) (113)

area as "the contact between the sedimentary and igneous "formations", wherever that might be. I hoped Mr. Skliros was right in his belief that Ibn Saud would prefer a British company to take up the concession; but I pointed out that our present friendly relations were in danger of being compromised by differences over our policy in Palestine. I also very much doubted whether the Sheikh of Koweit's optimism in regard to the Neutral Zone was justified, unless he had something very tempting up his sleeve to offer Ibn Saud in exchange for his rights in that area.

4. Mr. Skliros said that he proposed to offer the Saudi Arabian Government £200,000 in the first instance; this sum would almost certainly be capped by California Arabian Standard Oil Company, but his company were prepared to go up to £500,000. He supposed that if our view of the preference rights were correct, a process of bargaining might continue till one or other of the competitors dropped out.

5. Mr. Skliros also said that he would now, as a first step, approach the Saudi Arabian Minister and ask for information as to the extent of the area over which California Arabian Standard Oil Company had preference rights. I asked that he would not allude, in conversation with Sheikh Hafiz Wahba, to any information I had given about the geographical extent or nature of the America company's concession rights. I also pointed out that as Sheikh Hafiz knew very little about this matter, it would probably be necessary to impress upon him the importance of taking up the matter with his government. Mr. Skliros said he would do so. He added that if Petroleum Concessions Limited made an offer for the unallotted area, it would at any rate have the effect of

compelling

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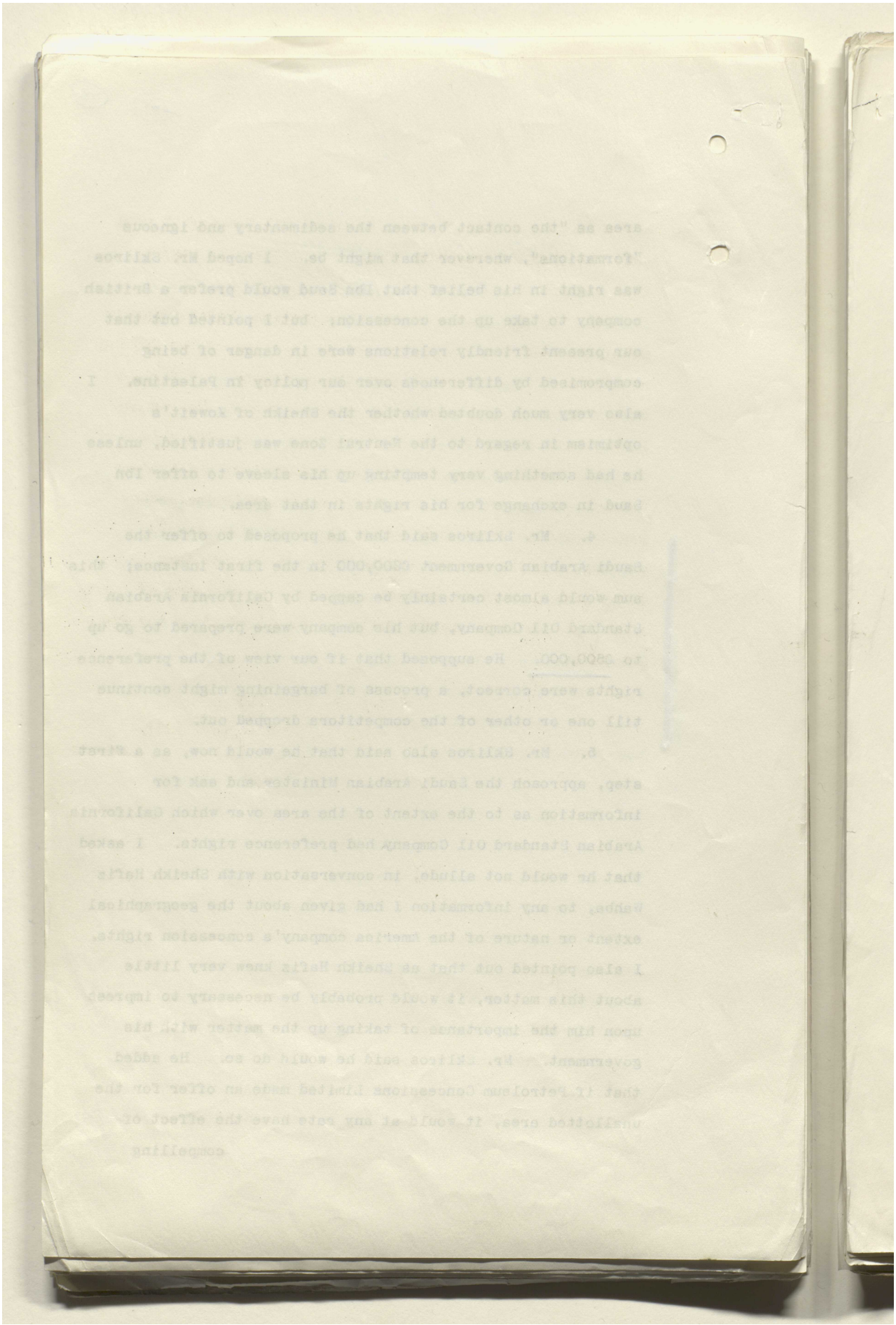

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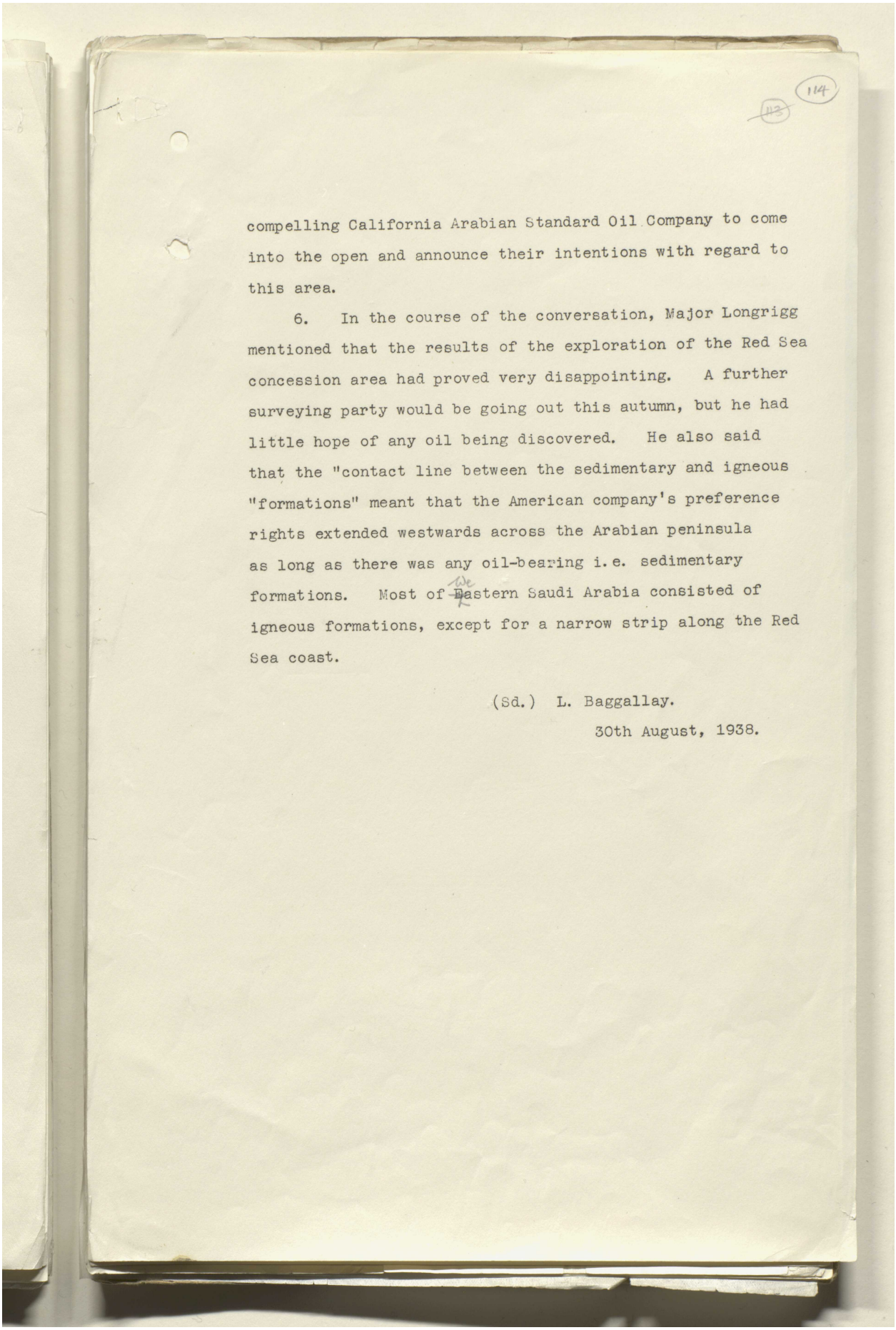

compelling California Arabian Standard Oil Company to come into the open and announce their intentions with regard to this area.

6. In the course of the conversation, Major Longrigg mentioned that the results of the exploration of the Red Sea concession area had proved very disappointing. A further surveying party would be going out this autumn, but he had little hope of any oil being discovered. He also said that the "contact line between the sedimentary and igneous "formations" meant that the American company's preference rights extended westwards across the Arabian peninsula as long as there was any oil-bearing i.e. sedimentary formations. Most of ~~E~~astern Saudi Arabia consisted of igneous formations, except for a narrow strip along the Red Sea coast.

(Sd.) L. Baggallay.

30th August, 1938.

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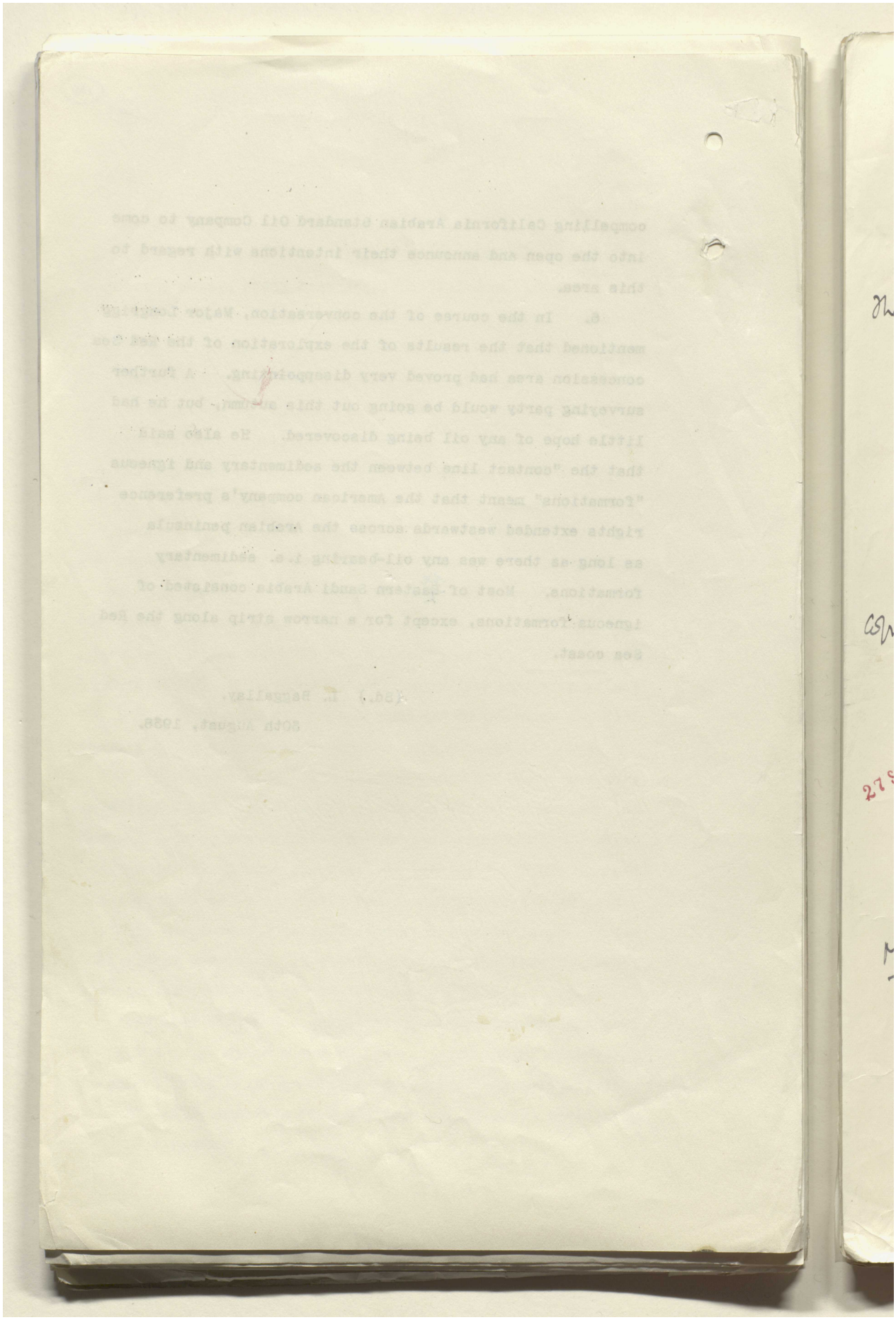

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(115)

P.A. [illegible] 27/9 P.L. 6569/38

Draft Paper. (20) Political Department.

Confidential 26 SEP 1938

The Hon'ble Lt. Col. Sir T.C.W. Fowle, KCIE, CBE,

H.B.M.'s Consulate-General Bushire

My dear Fowle,

With reference to your d.o. letter No 410-S of the 19th July I now return the original sketch map of the Arabian coast from Manifa to Ras el Khafgi together with 6 photostatic copies.

Copies of this letter are being sent to the Govt. of India (with 1 photostatic copy) & to the Political Agents at Koweit and Bahrein.

Yours sincerely

(Sgd.) J. P. GIBSON

Copy to Admiralty
P.A. Koweit
P.A. Bahrein
F.O.
Pol. Dept. } with 1 copy of
India } map

27 SEP 1938

Mr Gibson
? issue
[illegible]
22/9/38

24/9

ENCLOSURE IN AIR MAIL LETTER
No. PX 39 d/ 26 SEP 1938
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Copy sent to Koweit & Bahrein

7090 Wt 41703/86 10,000 3.38

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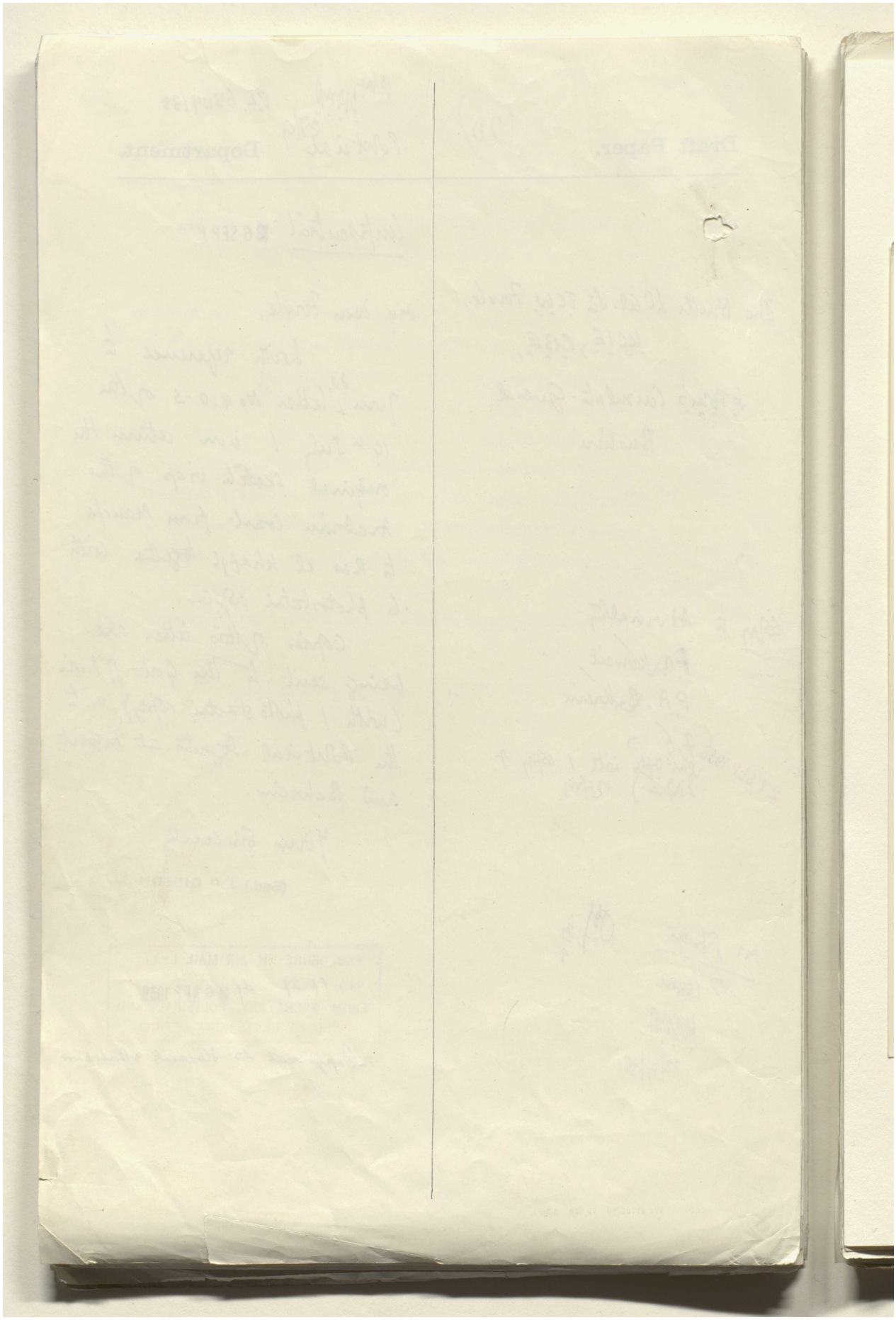

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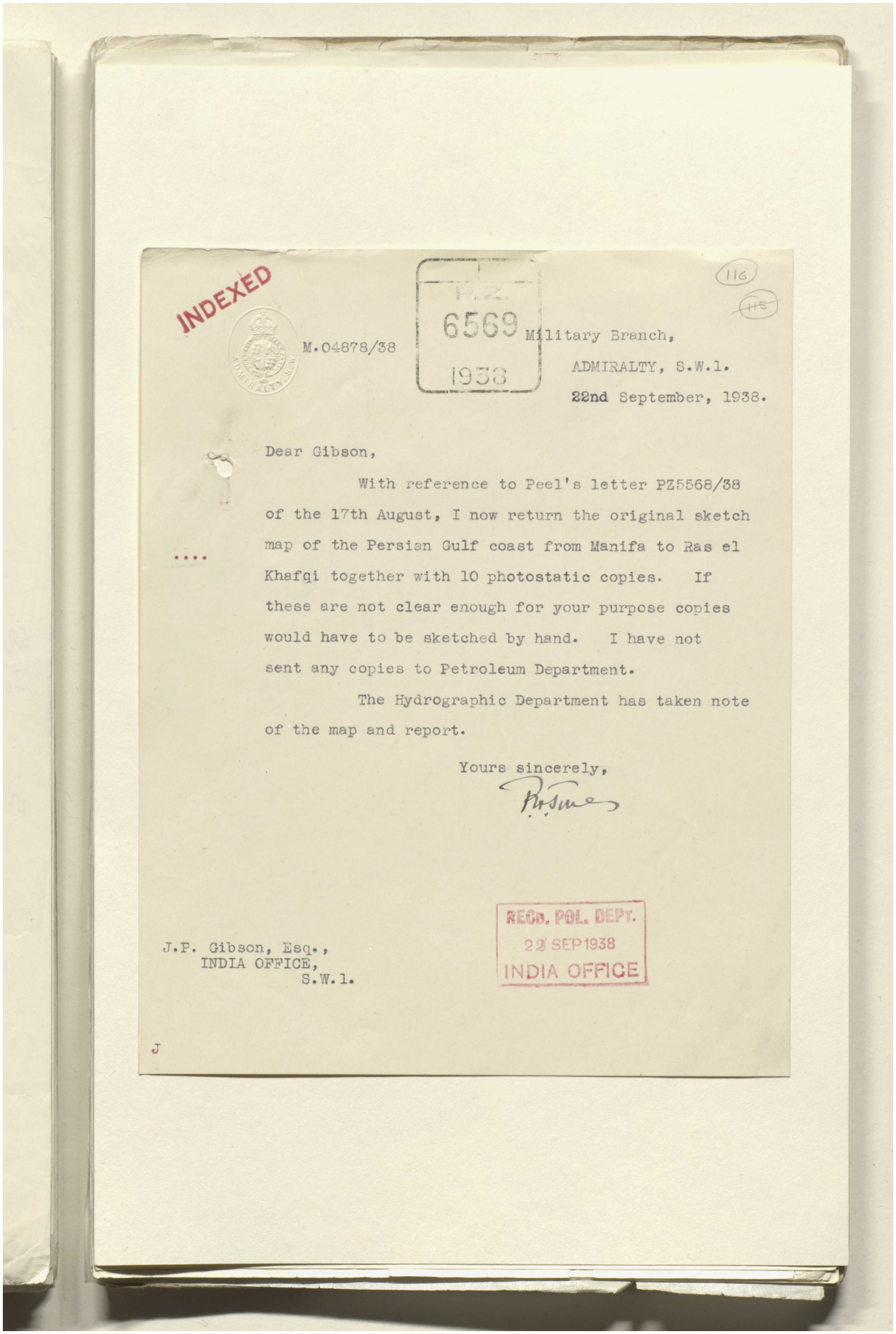

INDEXED

P.Z. 6569 1938

116

M.04878/38

Military Branch,
ADMIRALTY, S.W.1.
22nd September, 1938.

Dear Gibson,

With reference to Peel's letter PZ5568/38 of the 17th August, I now return the original sketch map of the Persian Gulf coast from Manifa to Ras el Khafqi together with 10 photostatic copies. If these are not clear enough for your purpose copies would have to be sketched by hand. I have not sent any copies to Petroleum Department.

The Hydrographic Department has taken note of the map and report.

Yours sincerely,

RECD. POL. DEPT.
22 SEP 1938
INDIA OFFICE

J.P. Gibson, Esq.,
INDIA OFFICE,
S.W.1.

J

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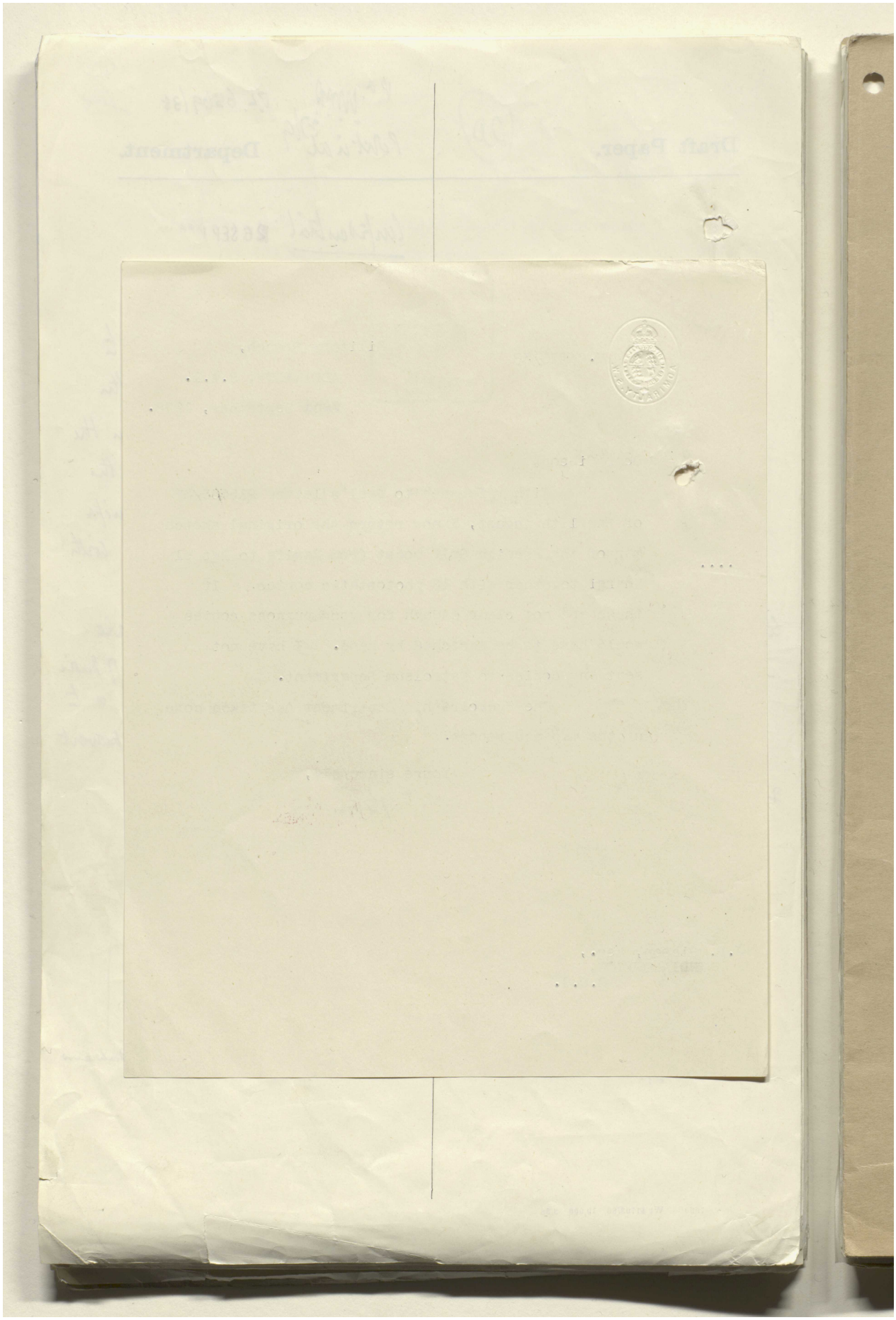

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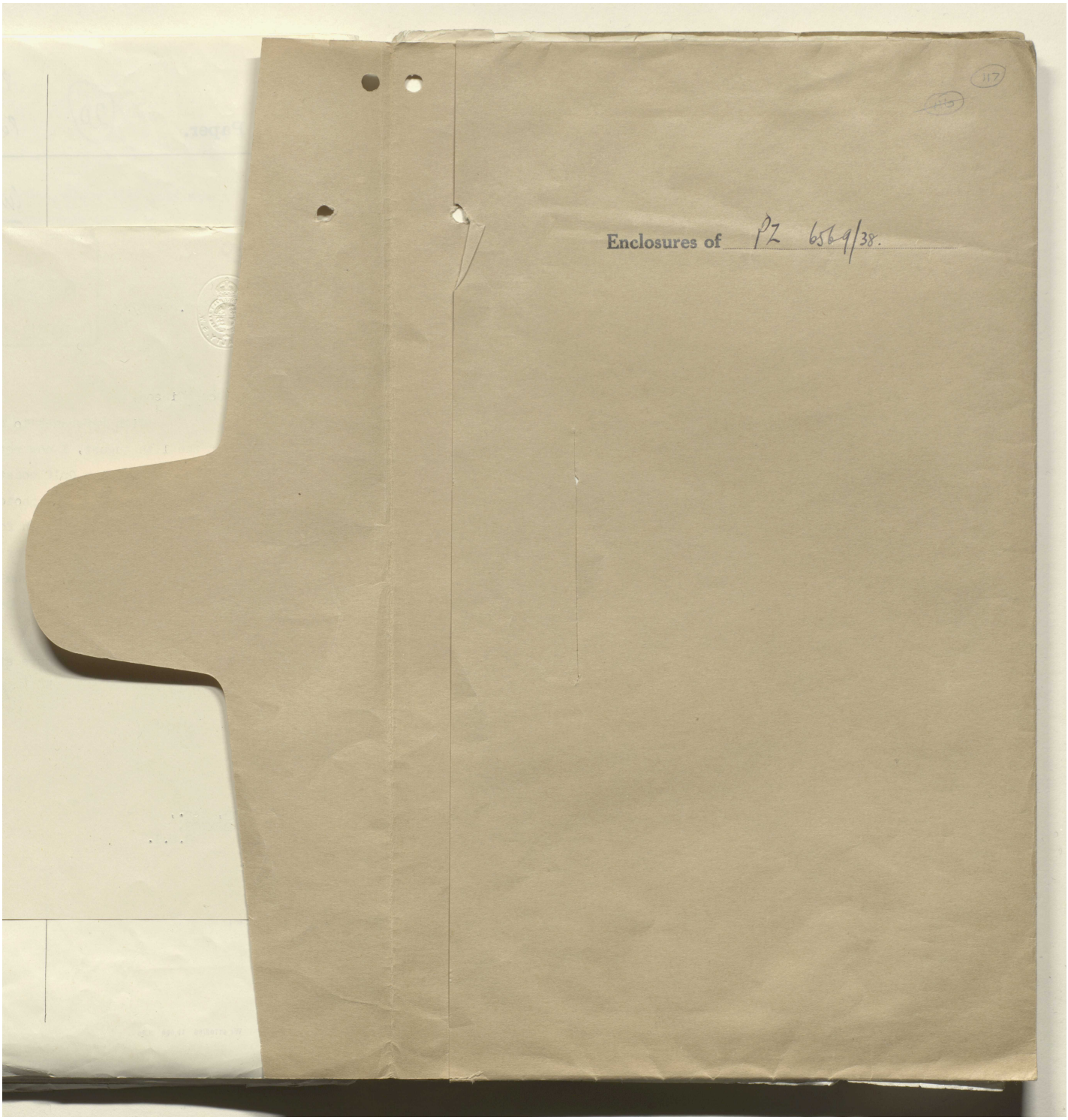
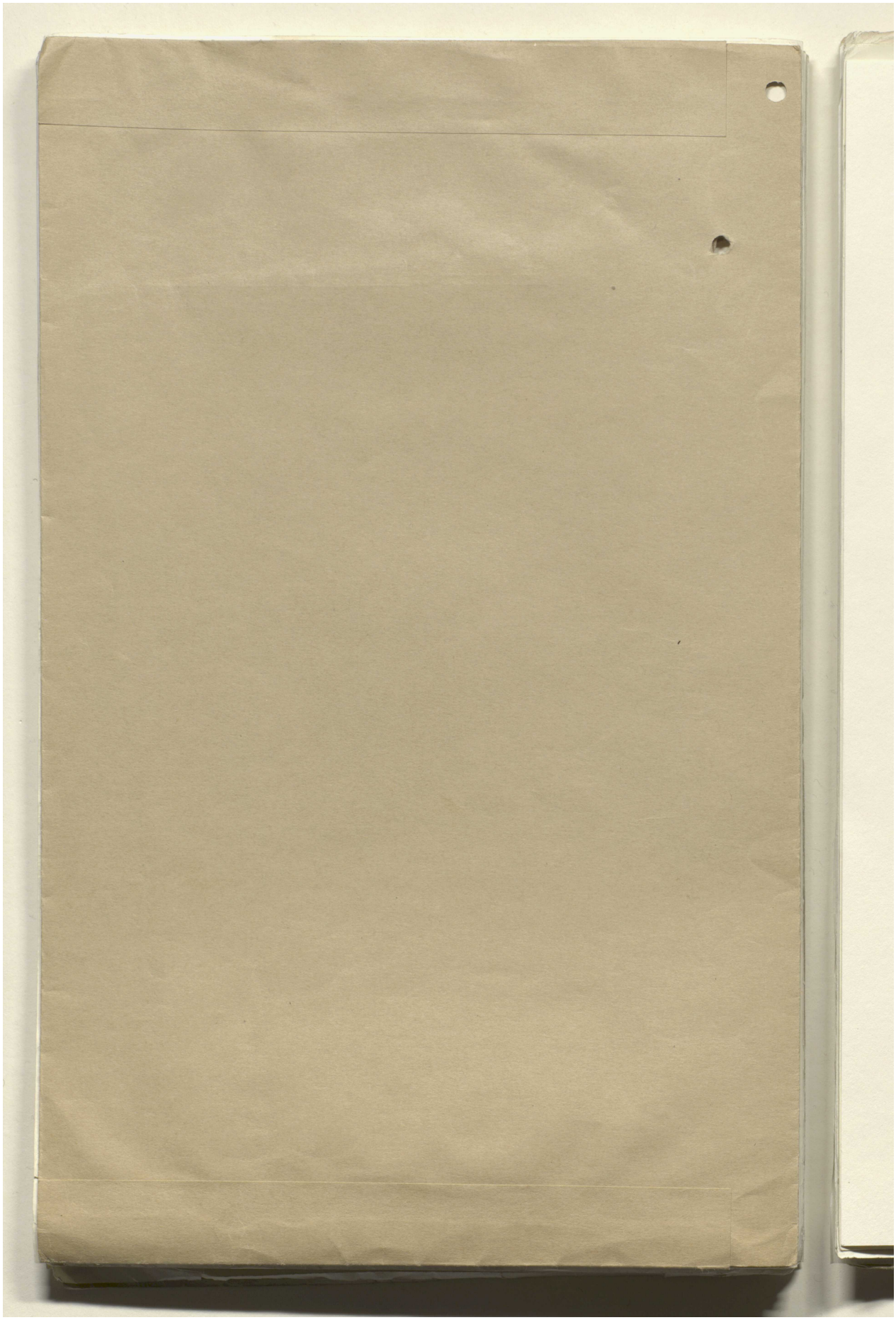

Enclosures of PZ 6569/38.



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Draft Paper. Political Department.

P.Z. 5568/38

17 AUG 1938

Dear Jarrett,

I enclose for information a copy of the originally letter from the Political Resident, together with the sketch maps referred to therein.

If, when you return the sketch maps, you could let us have 10 copies for distribution here & in the Gulf we should be grateful.

Copies of this letter are being sent to the Foreign Office & Petroleum Dept.

Yours sincerely.
(Sgd.) R. PEEL.

C. G. Jarrett Esqre
Admiralty
S.W. 1.

D.O. No. 410-S of 14th July 1938

17 AUG 1938

6837 Wt 34001/249 10,000 1.38

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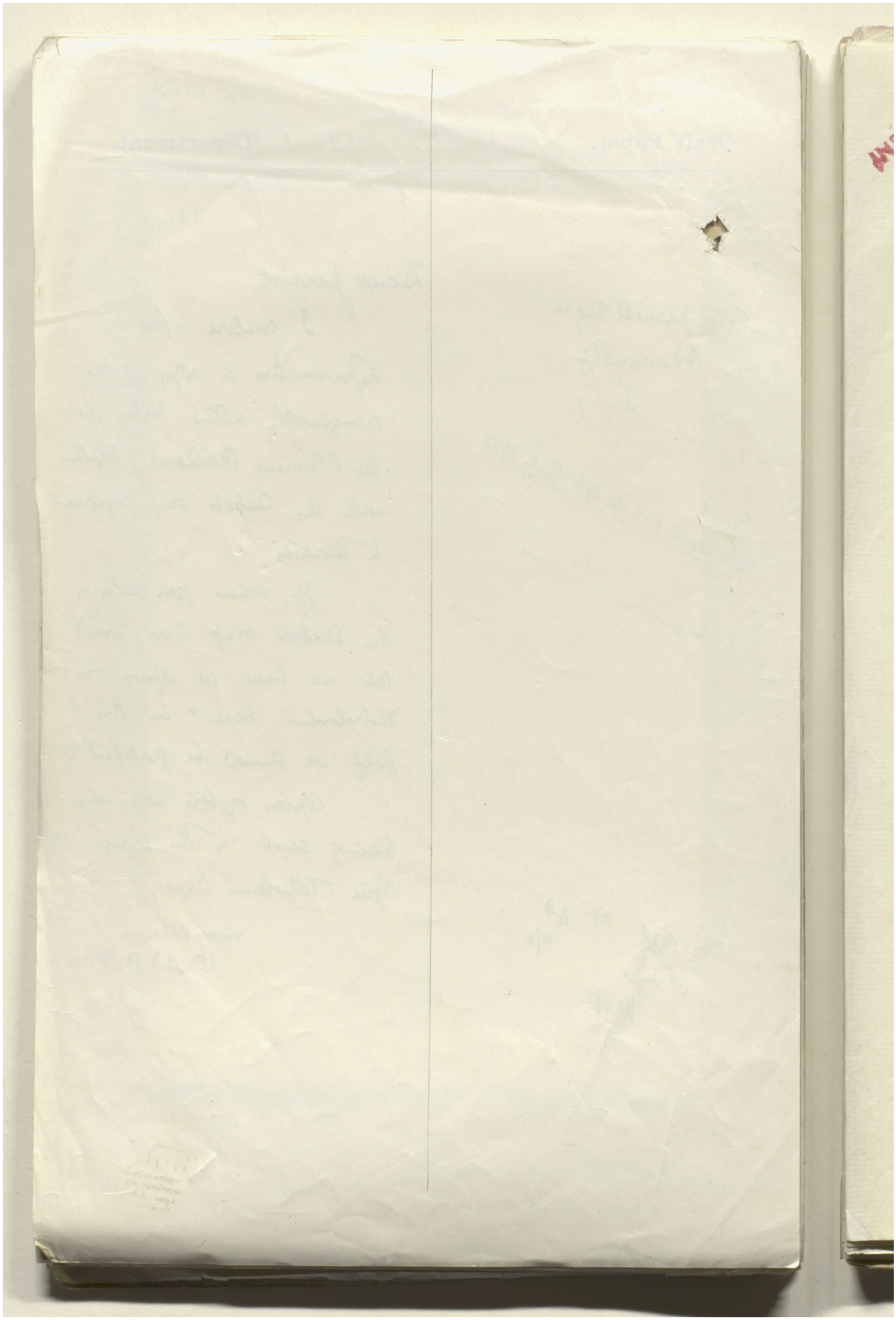

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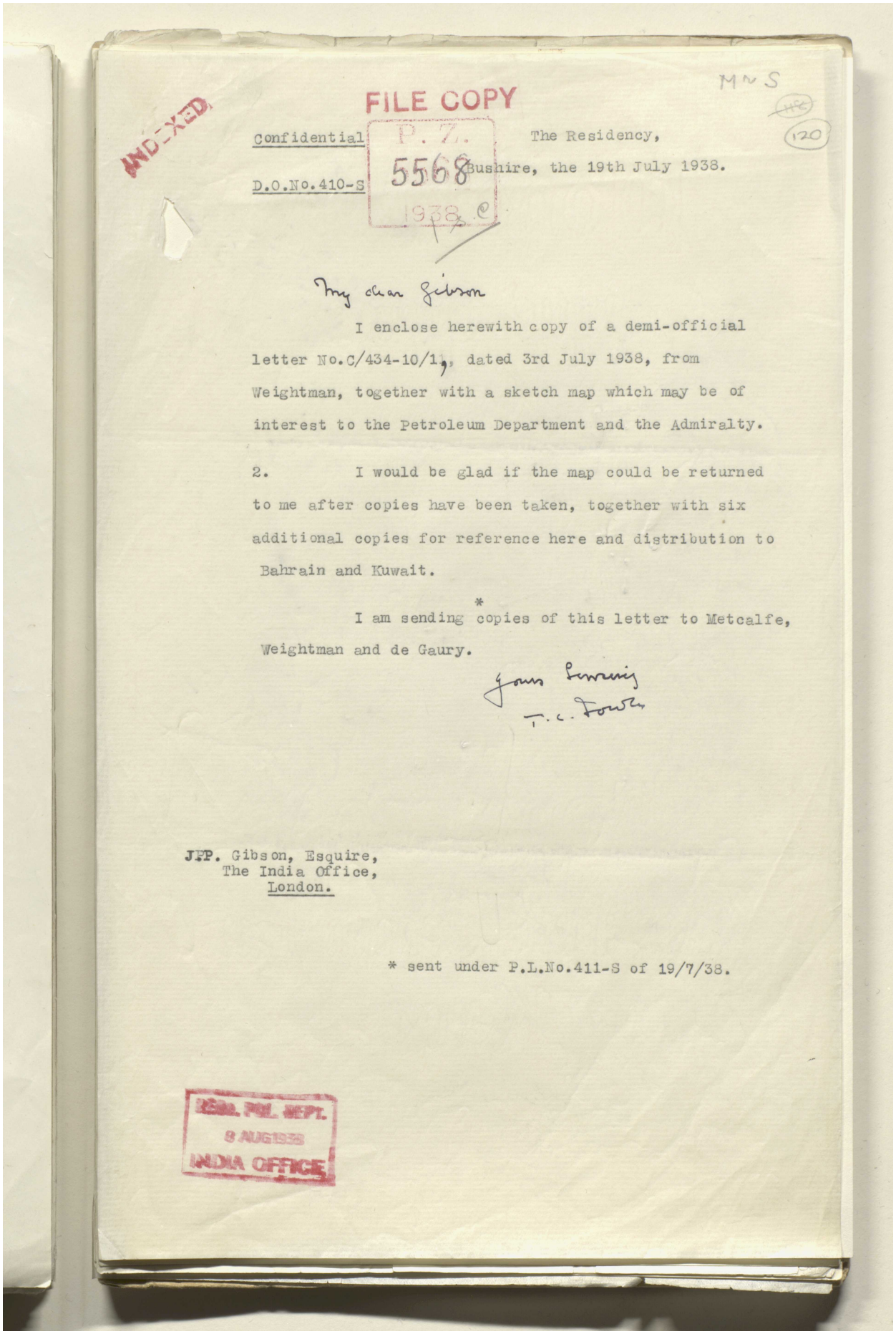

INDEXED

FILE COPY

P. Z. 5568 1938

M N S

120

Confidential
D.O.No.410-S

The Residency,
Bushire, the 19th July 1938.

My dear Gibson

I enclose herewith copy of a demi-official letter No.C/434-10/1, dated 3rd July 1938, from Weightman, together with a sketch map which may be of interest to the Petroleum Department and the Admiralty.

2. I would be glad if the map could be returned to me after copies have been taken, together with six additional copies for reference here and distribution to Bahrain and Kuwait.

I am sending * copies of this letter to Metcalfe, Weightman and de Gaury.

Yours sincerely
T. C. Fowle

J.P. Gibson, Esquire,
The India Office,
London.

* sent under P.L.No.411-S of 19/7/38.

POL. DEPT. 8 AUG 1938 INDIA OFFICE

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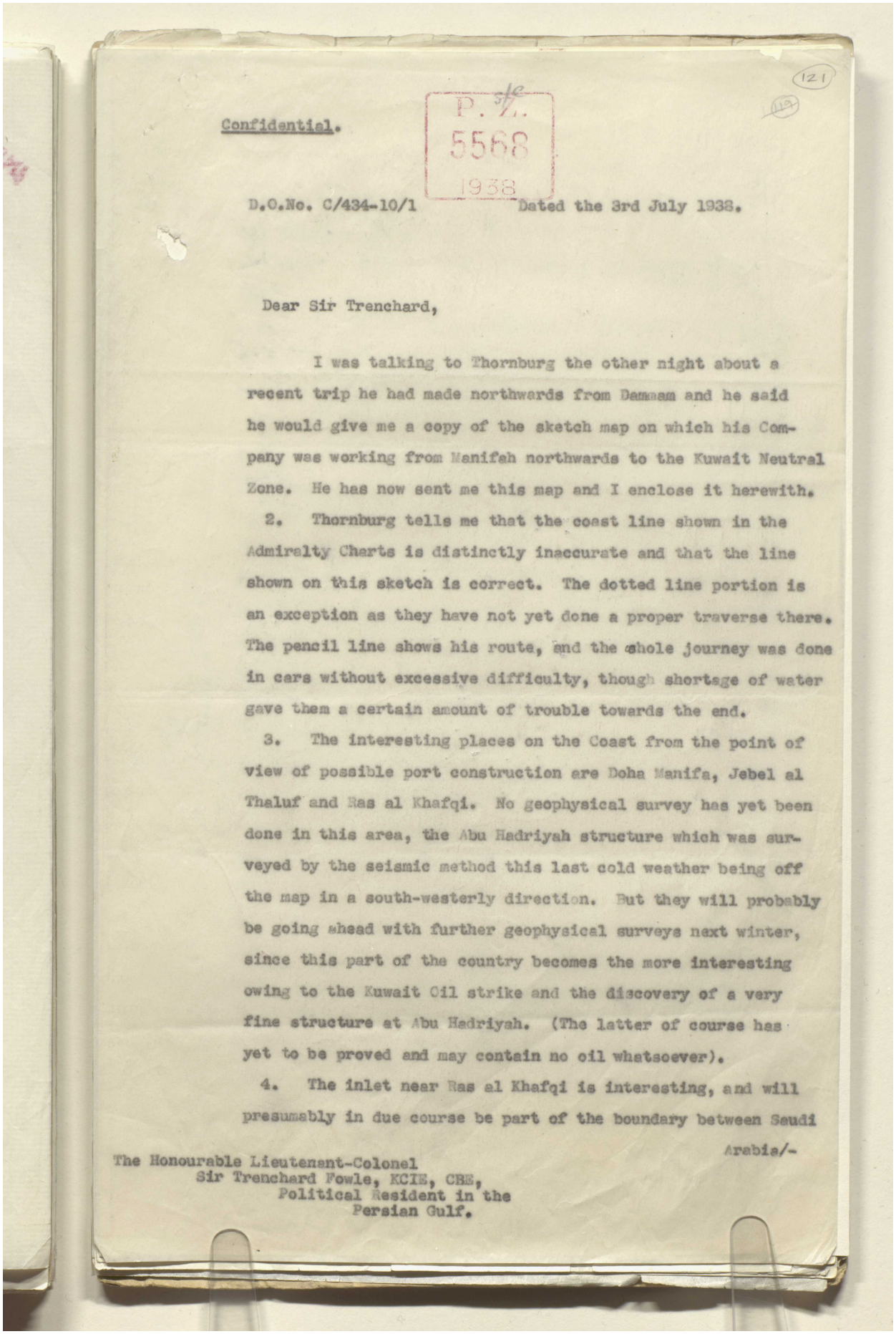

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P. Z. 5568 1938

Confidential.

D.O.No. C/434-10/1 Dated the 3rd July 1938.

Dear Sir Trenchard,

I was talking to Thornburg the other night about a recent trip he had made northwards from Dammam and he said he would give me a copy of the sketch map on which his Company was working from Manifah northwards to the Kuwait Neutral Zone. He has now sent me this map and I enclose it herewith.

2. Thornburg tells me that the coast line shown in the Admiralty Charts is distinctly inaccurate and that the line shown on this sketch is correct. The dotted line portion is an exception as they have not yet done a proper traverse there. The pencil line shows his route, and the whole journey was done in cars without excessive difficulty, though shortage of water gave them a certain amount of trouble towards the end.

3. The interesting places on the Coast from the point of view of possible port construction are Doha Manifa, Jebel al Thaluf and Ras al Khafqi. No geophysical survey has yet been done in this area, the Abu Hadriyah structure which was surveyed by the seismic method this last cold weather being off the map in a south-westerly direction. But they will probably be going ahead with further geophysical surveys next winter, since this part of the country becomes the more interesting owing to the Kuwait Oil strike and the discovery of a very fine structure at Abu Hadriyah. (The latter of course has yet to be proved and may contain no oil whatsoever).

4. The inlet near Ras al Khafqi is interesting, and will presumably in due course be part of the boundary between Saudi

Arabia/-

The Honourable Lieutenant-Colonel
Sir Trenchard Fowle, KCIE, CBE,
Political Resident in the
Persian Gulf.

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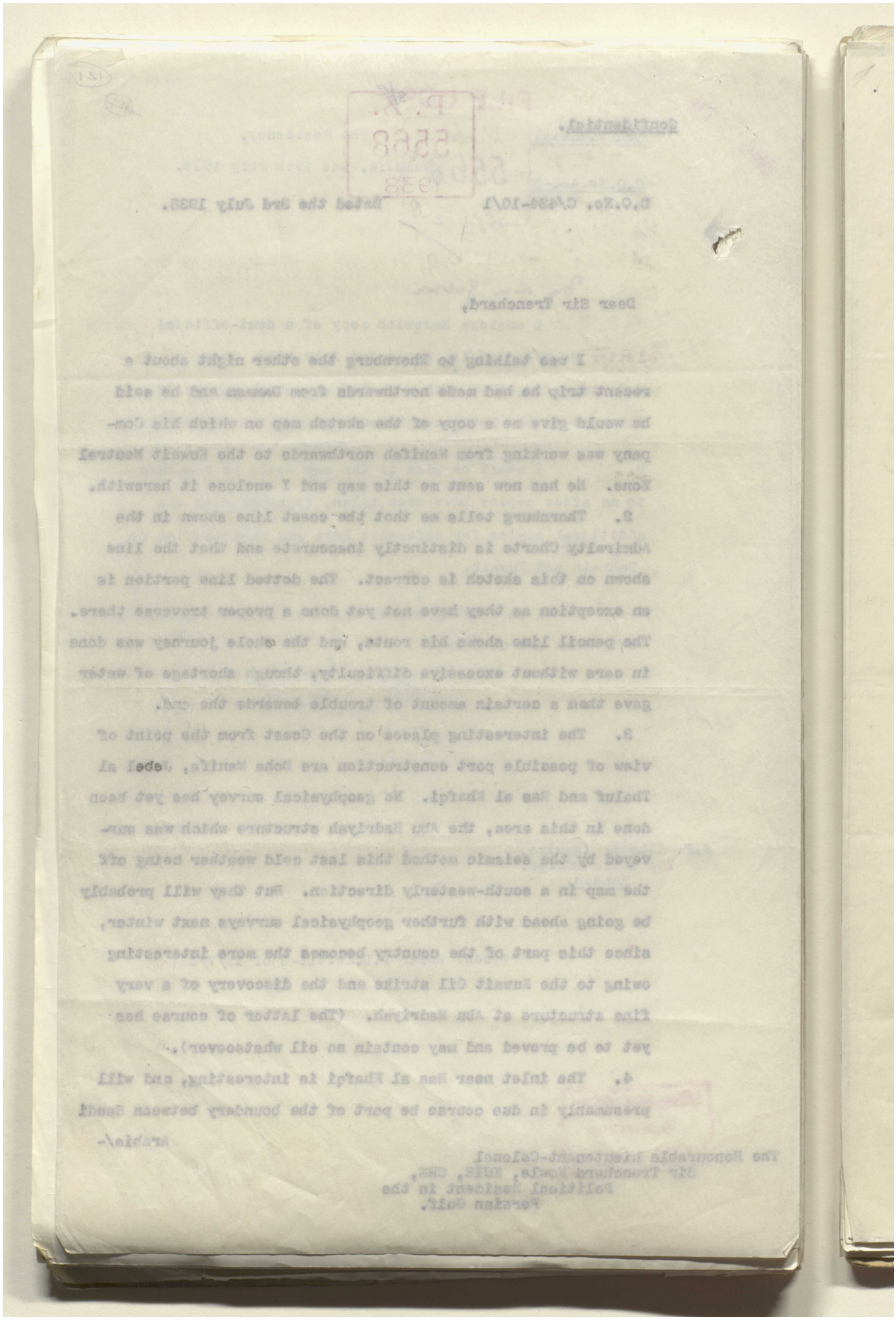

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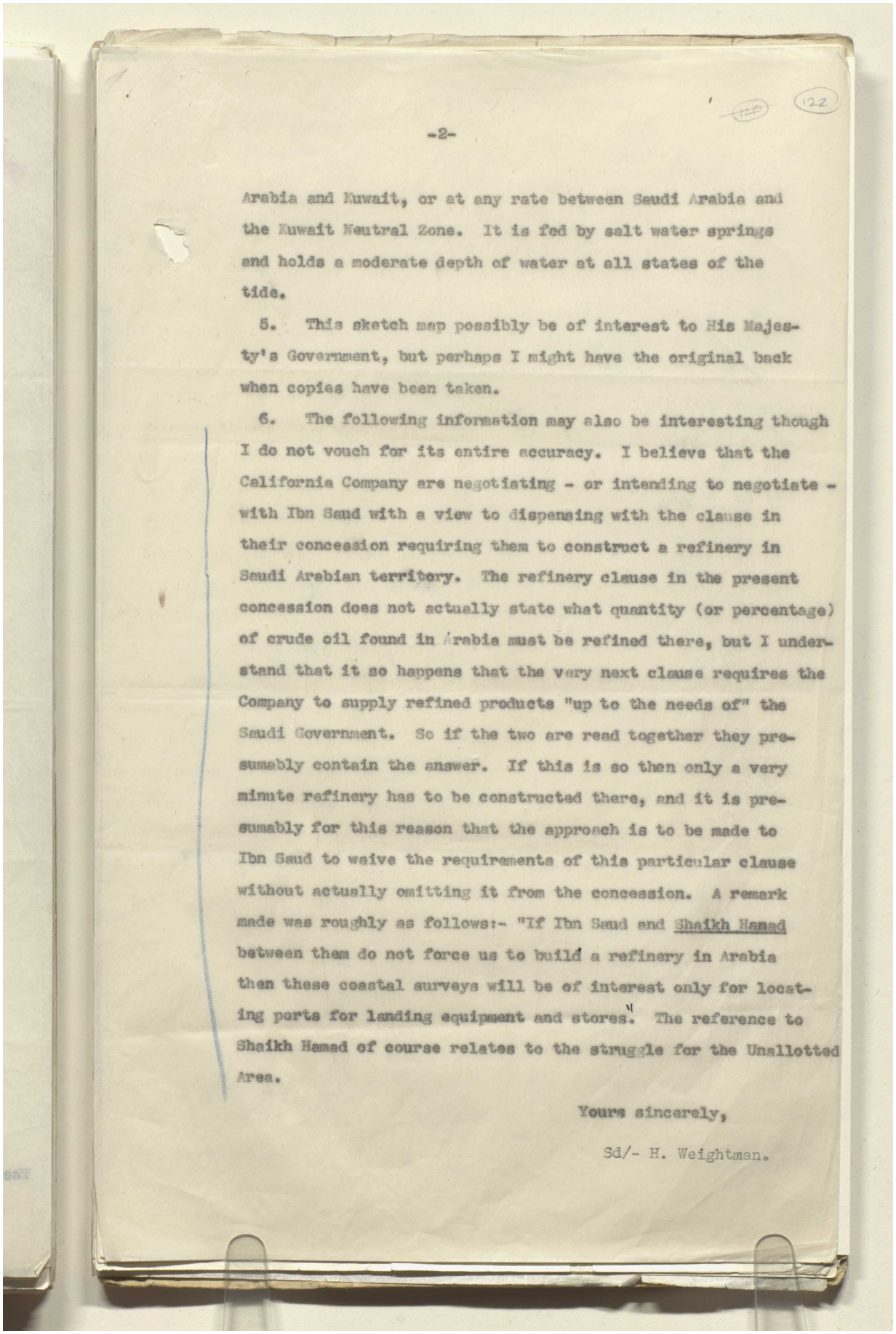

Arabia and Kuwait, or at any rate between Saudi Arabia and the Kuwait Neutral Zone. It is fed by salt water springs and holds a moderate depth of water at all states of the tide.

5. This sketch map possibly be of interest to His Majesty's Government, but perhaps I might have the original back when copies have been taken.

6. The following information may also be interesting though I do not vouch for its entire accuracy. I believe that the California Company are negotiating - or intending to negotiate - with Ibn Saud with a view to dispensing with the clause in their concession requiring them to construct a refinery in Saudi Arabian territory. The refinery clause in the present concession does not actually state what quantity (or percentage) of crude oil found in Arabia must be refined there, but I understand that it so happens that the very next clause requires the Company to supply refined products "up to the needs of" the Saudi Government. So if the two are read together they presumably contain the answer. If this is so then only a very minute refinery has to be constructed there, and it is presumably for this reason that the approach is to be made to Ibn Saud to waive the requirements of this particular clause without actually omitting it from the concession. A remark made was roughly as follows:- "If Ibn Saud and Shaikh Hamad between them do not force us to build a refinery in Arabia then these coastal surveys will be of interest only for locating ports for landing equipment and stores." The reference to Shaikh Hamad of course relates to the struggle for the Unallotted Area.

Yours sincerely,

Sd/- H. Weightman.

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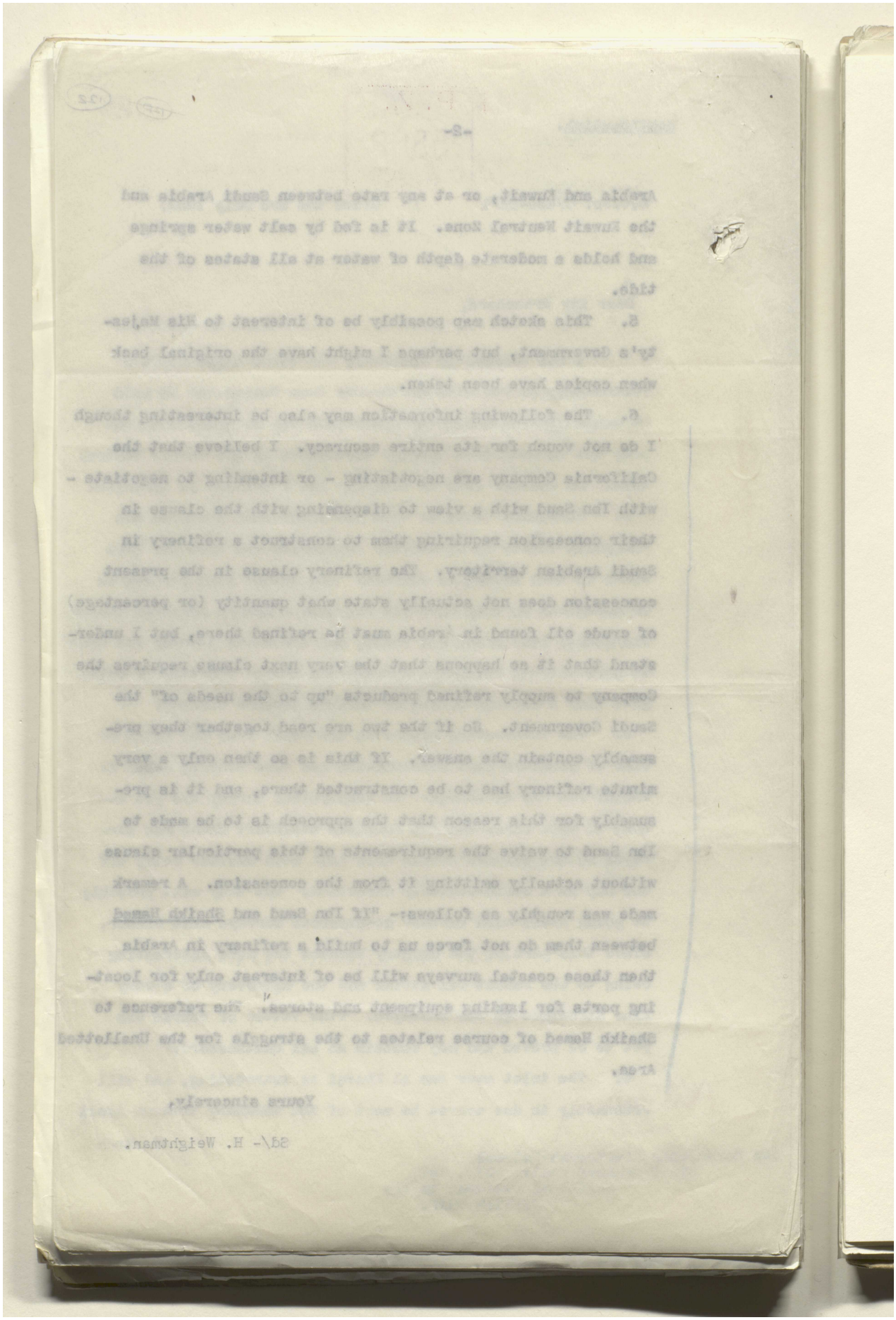

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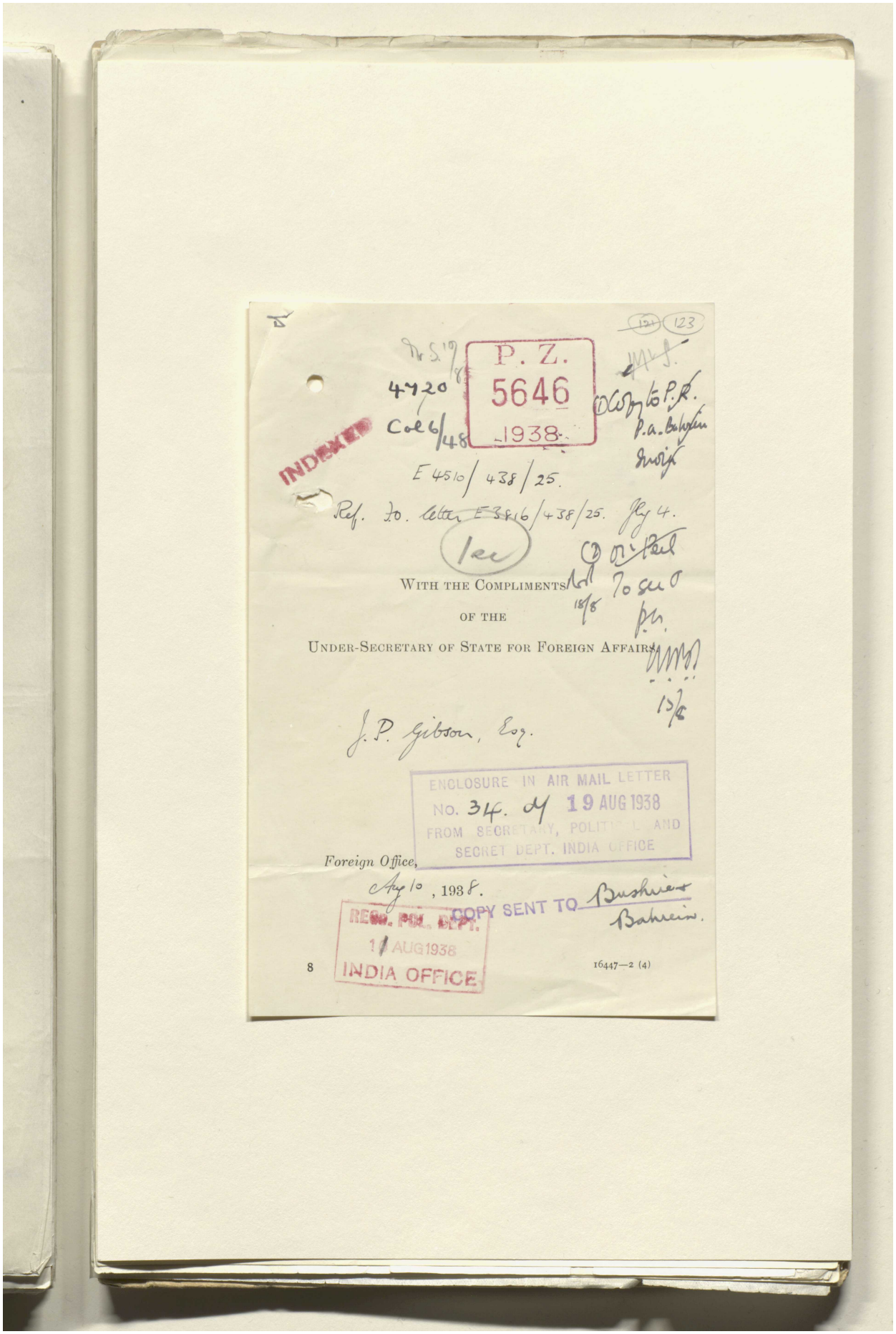

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P. Z.
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Col 6/48

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E 4510/438/25.

Ref. to. letter E 3816/438/25. Jly 4.

1 ec

WITH THE COMPLIMENTS

OF THE

UNDER-SECRETARY OF STATE FOR FOREIGN AFFAIRS.

J. P. Gibson, Esq.

ENCLOSURE IN AIR MAIL LETTER
No. 34. of 19 AUG 1938
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE

Foreign Office,
Aug 10, 1938.

COPY SENT TO Bushire & Bahrein.

RECD. POL. DEPT.
1[illegible] AUG 1938
INDIA OFFICE

8 16447—2 (4)

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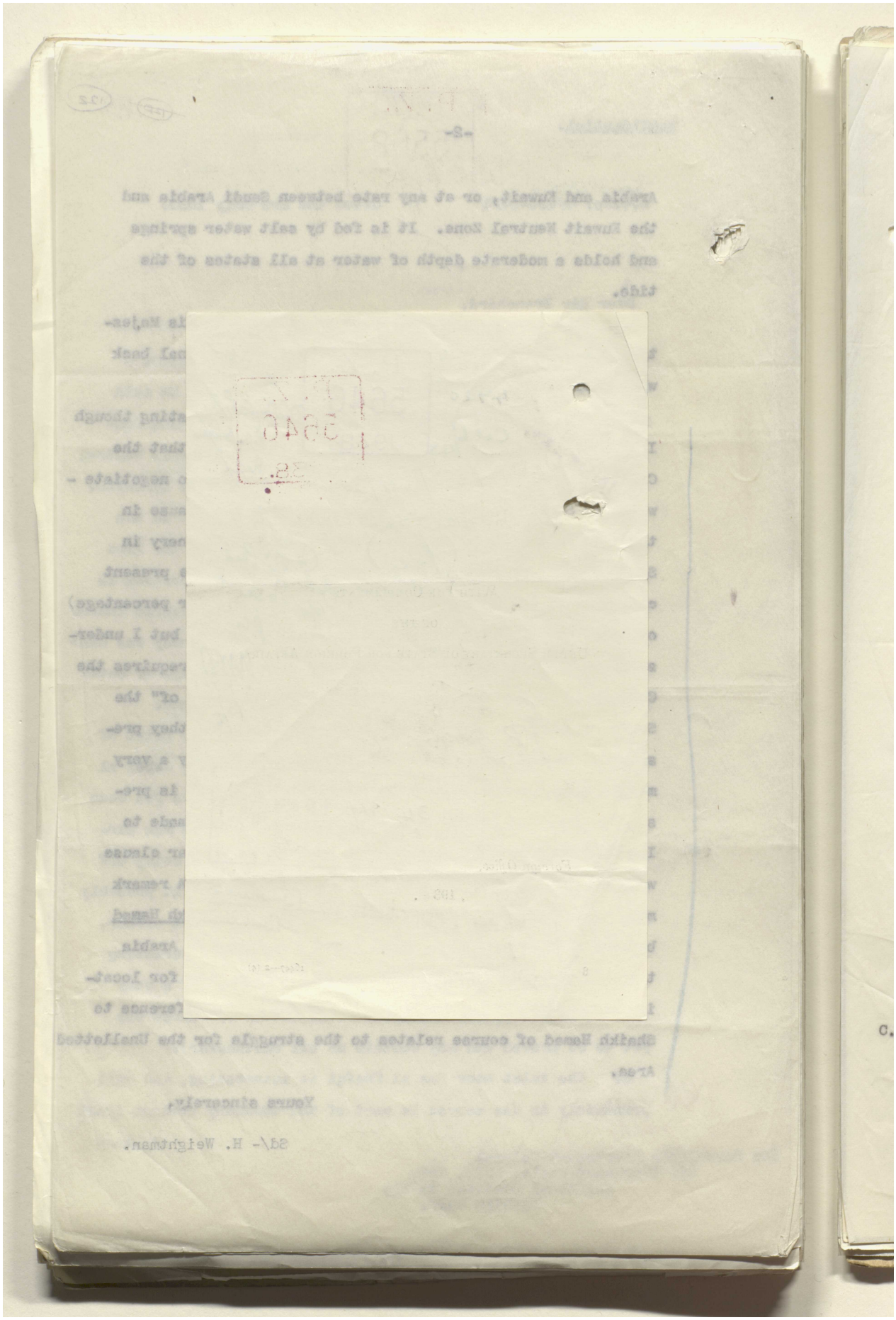

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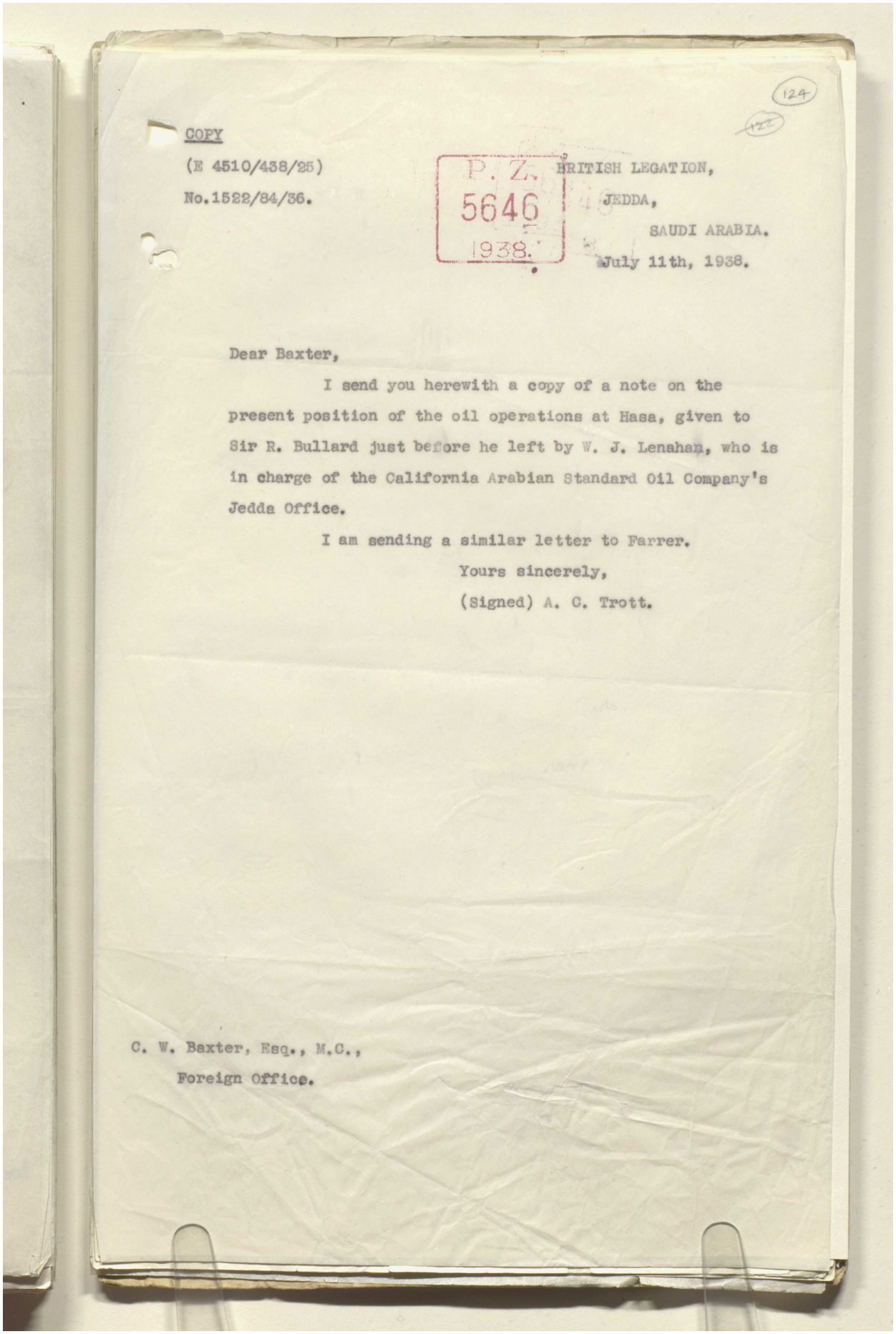

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COPY

(E 4510/438/25)

No.1522/84/36.

P. Z. 5646 1938.

BRITISH LEGATION,
JEDDA,
SAUDI ARABIA.
July 11th, 1938.

Dear Baxter,

I send you herewith a copy of a note on the present position of the oil operations at Hasa, given to Sir R. Bullard just before he left by W. J. Lenahan, who is in charge of the California Arabian Standard Oil Company's Jedda Office.

I am sending a similar letter to Farrer.

Yours sincerely,

(Signed) A. C. Trott.

C. W. Baxter, Esq., M.C.,
Foreign Office.

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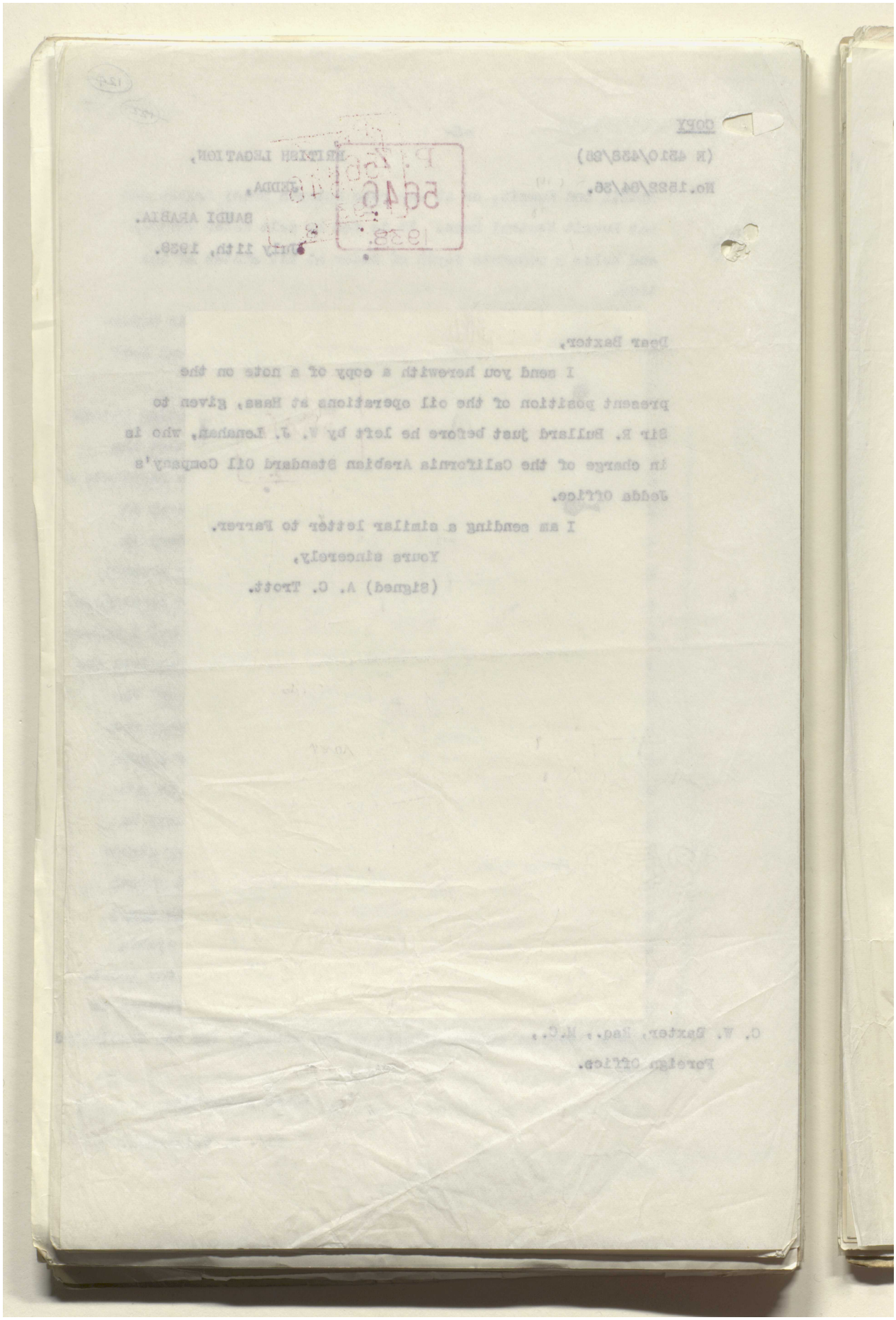

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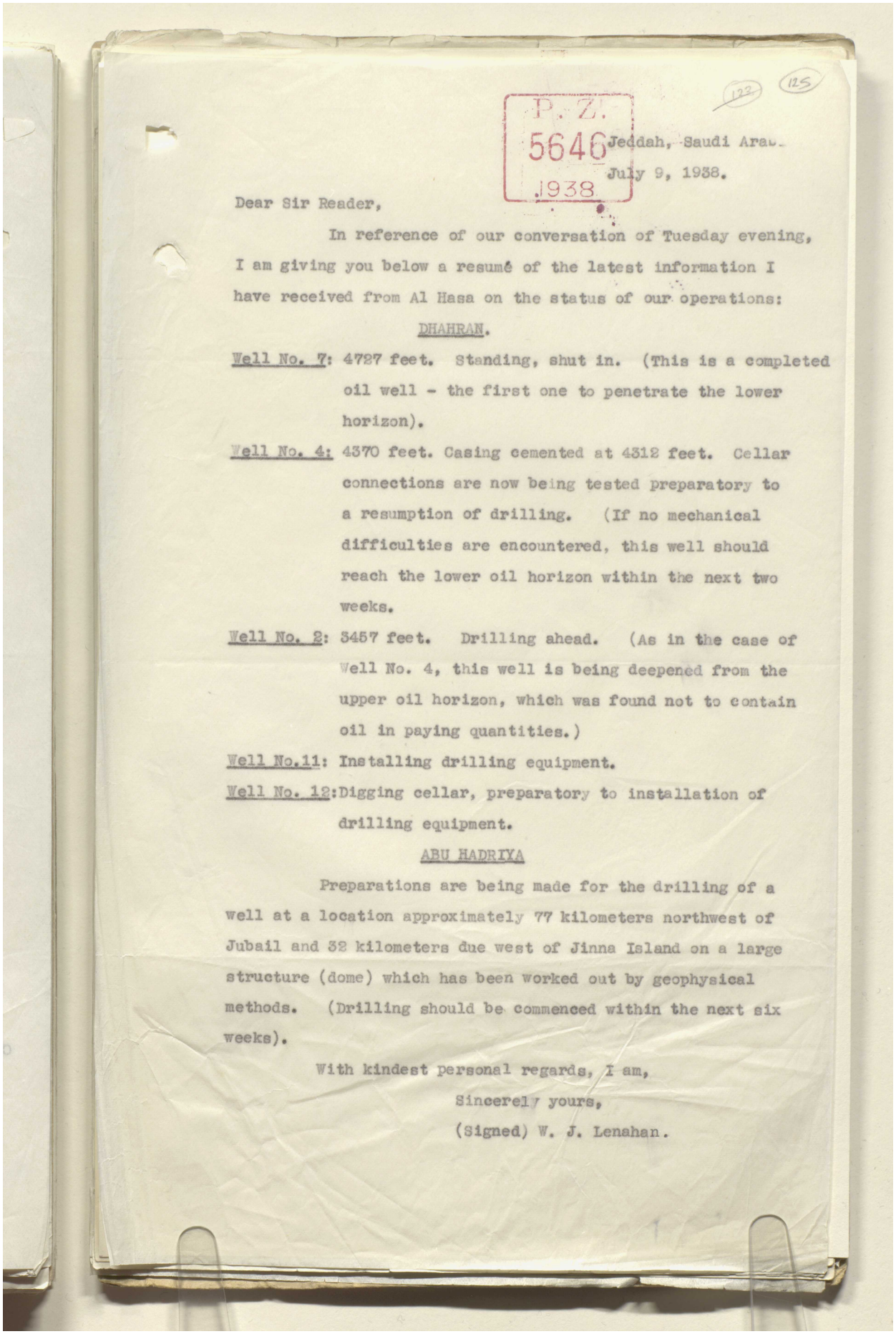

P. Z.
5646
1938

123 125

Jeddah, Saudi Arab.
July 9, 1938.

Dear Sir Reader,

In reference of our conversation of Tuesday evening, I am giving you below a resumé of the latest information I have received from Al Hasa on the status of our operations:

DHAHRAN.

Well No. 7: 4727 feet. Standing, shut in. (This is a completed oil well - the first one to penetrate the lower horizon).

Well No. 4: 4370 feet. Casing cemented at 4312 feet. Cellar connections are now being tested preparatory to a resumption of drilling. (If no mechanical difficulties are encountered, this well should reach the lower oil horizon within the next two weeks.

Well No. 2: 3457 feet. Drilling ahead. (As in the case of Well No. 4, this well is being deepened from the upper oil horizon, which was found not to contain oil in paying quantities.)

Well No.11: Installing drilling equipment.

Well No. 12: Digging cellar, preparatory to installation of drilling equipment.

ABU HADRIYA

Preparations are being made for the drilling of a well at a location approximately 77 kilometers northwest of Jubail and 32 kilometers due west of Jinna Island on a large structure (dome) which has been worked out by geophysical methods. (Drilling should be commenced within the next six weeks).

With kindest personal regards, I am,

Sincerely yours,

(Signed) W. J. Lenahan.

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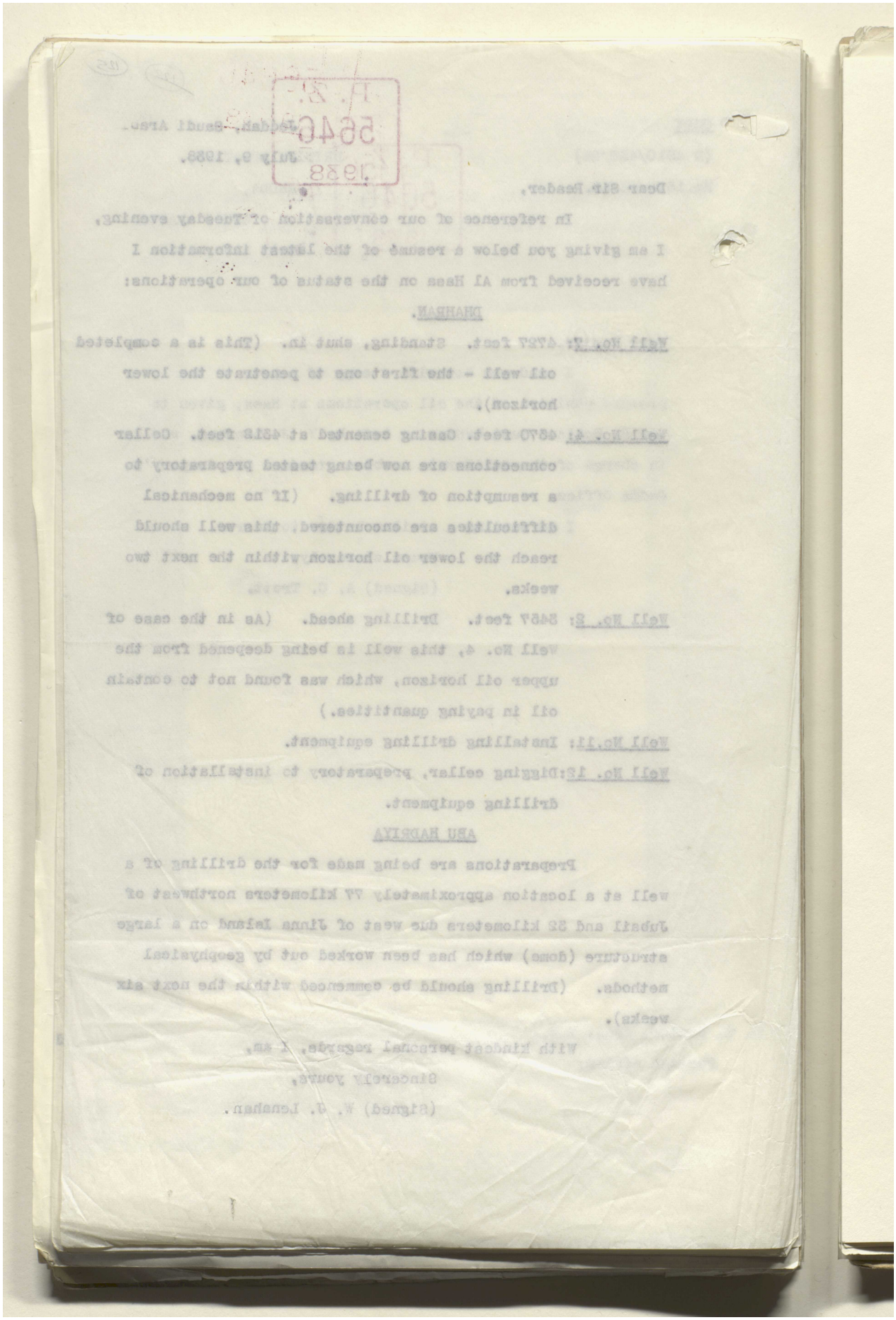

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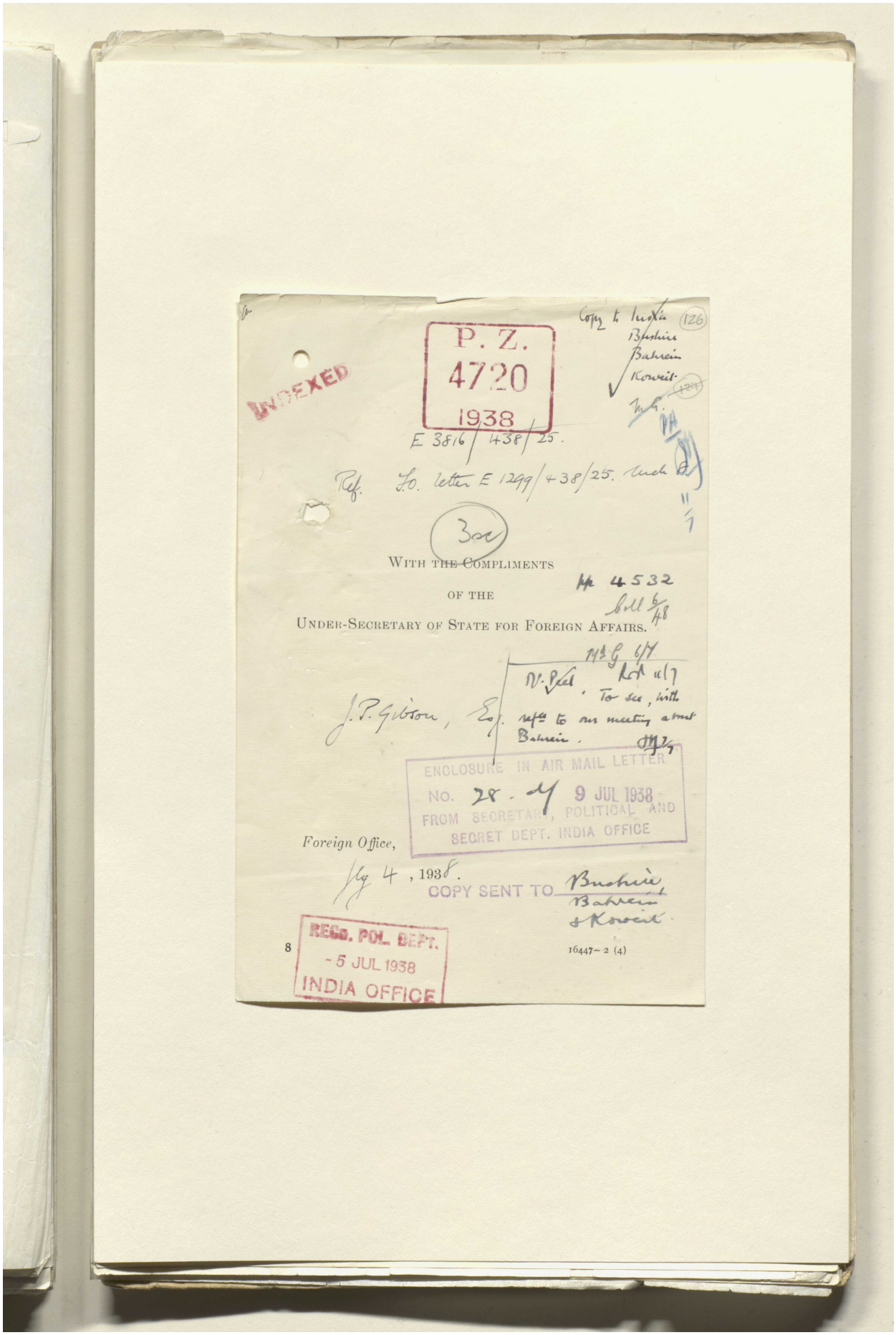

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P. Z.
4720
1938

Copy to India
Bushire
Bahrein
Koweit

(126)

E 3816/438/25.

Ref. F.O. letter E 1299/438/25. Incl. A.

3sc

WITH THE COMPLIMENTS

OF THE

UNDER-SECRETARY OF STATE FOR FOREIGN AFFAIRS.

pp 4532
Coll 6/48

J. P. Gibson, Esq.

N. Peel. To see, with refce to our meeting about Bahrein.

ENCLOSURE IN AIR MAIL LETTER
No. 28 - 4 9 JUL 1938
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE

Foreign Office,

July 4, 1938.

COPY SENT TO Bushire, Bahrein & Koweit.

REGD. POL. DEPT.
- 5 JUL 1938
INDIA OFFICE

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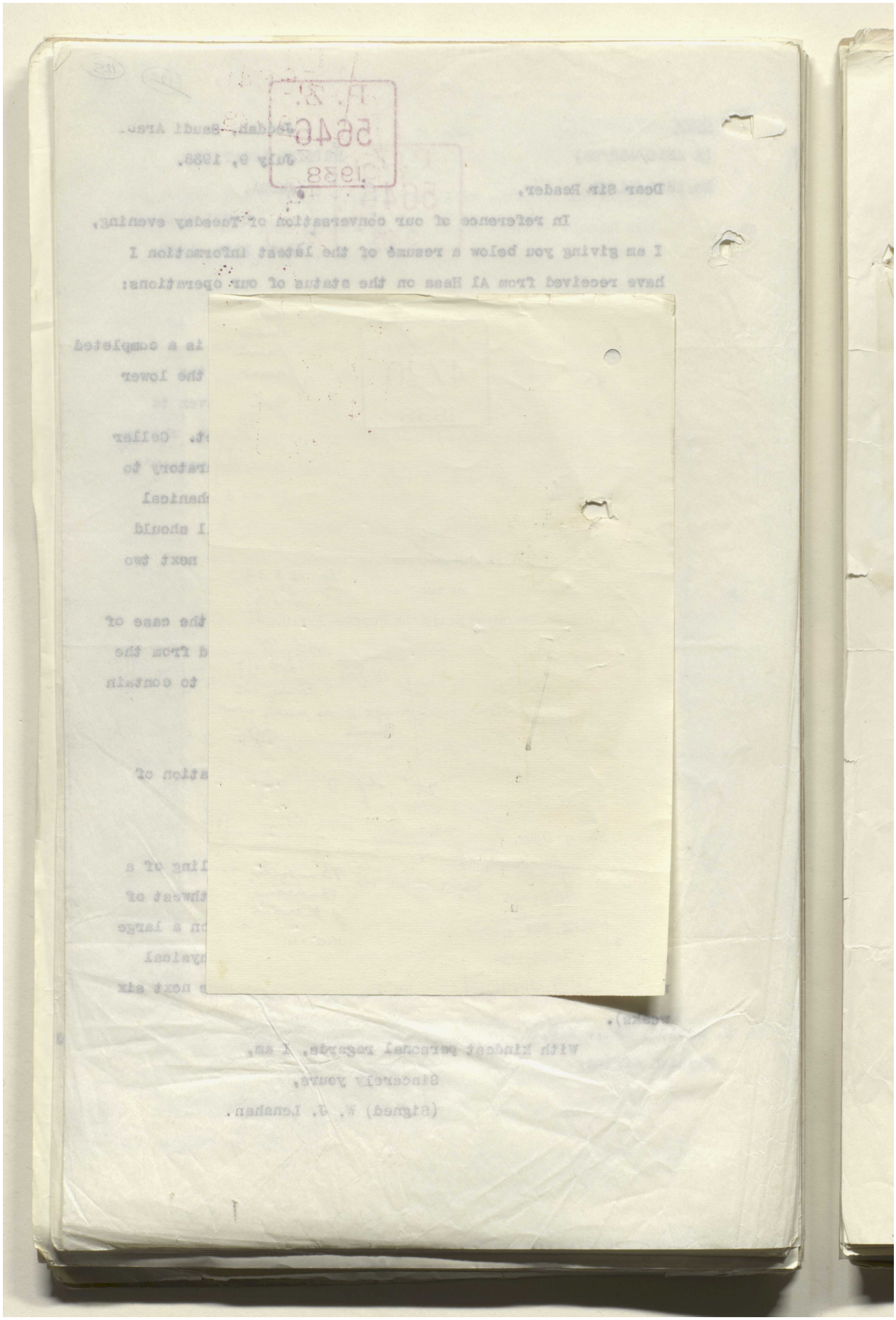

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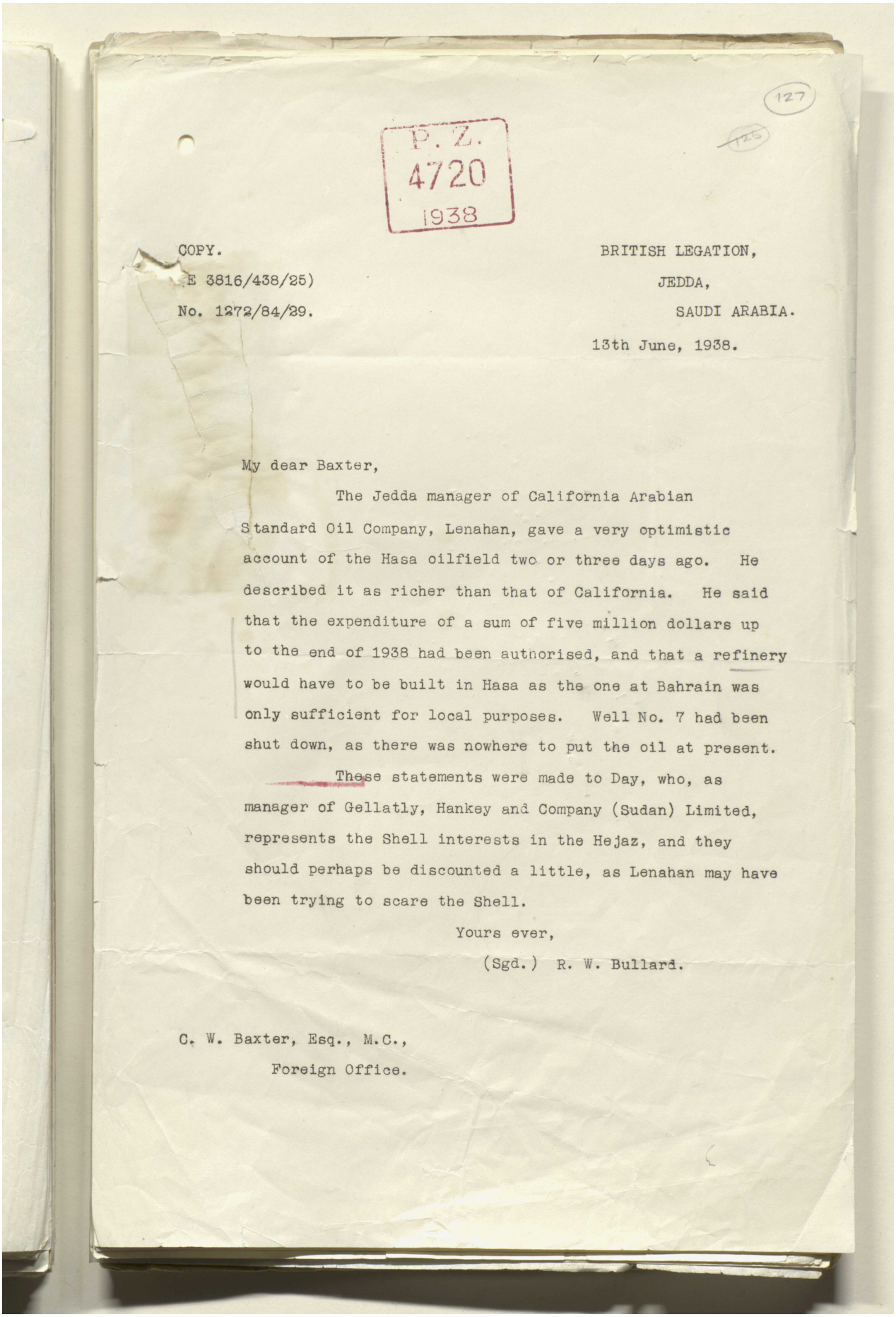

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P. Z.
4720
1938

COPY.
E 3816/438/25)
No. 1272/84/39.

BRITISH LEGATION,
JEDDA,
SAUDI ARABIA.
13th June, 1938.

My dear Baxter,

The Jedda manager of California Arabian Standard Oil Company, Lenahan, gave a very optimistic account of the Hasa oilfield two or three days ago. He described it as richer than that of California. He said that the expenditure of a sum of five million dollars up to the end of 1938 had been authorised, and that a refinery would have to be built in Hasa as the one at Bahrain was only sufficient for local purposes. Well No. 7 had been shut down, as there was nowhere to put the oil at present.

These statements were made to Day, who, as manager of Gellatly, Hankey and Company (Sudan) Limited, represents the Shell interests in the Hejaz, and they should perhaps be discounted a little, as Lenahan may have been trying to scare the Shell.

Yours ever,

(Sgd.) R. W. Bullard.

C. W. Baxter, Esq., M.C.,
Foreign Office.

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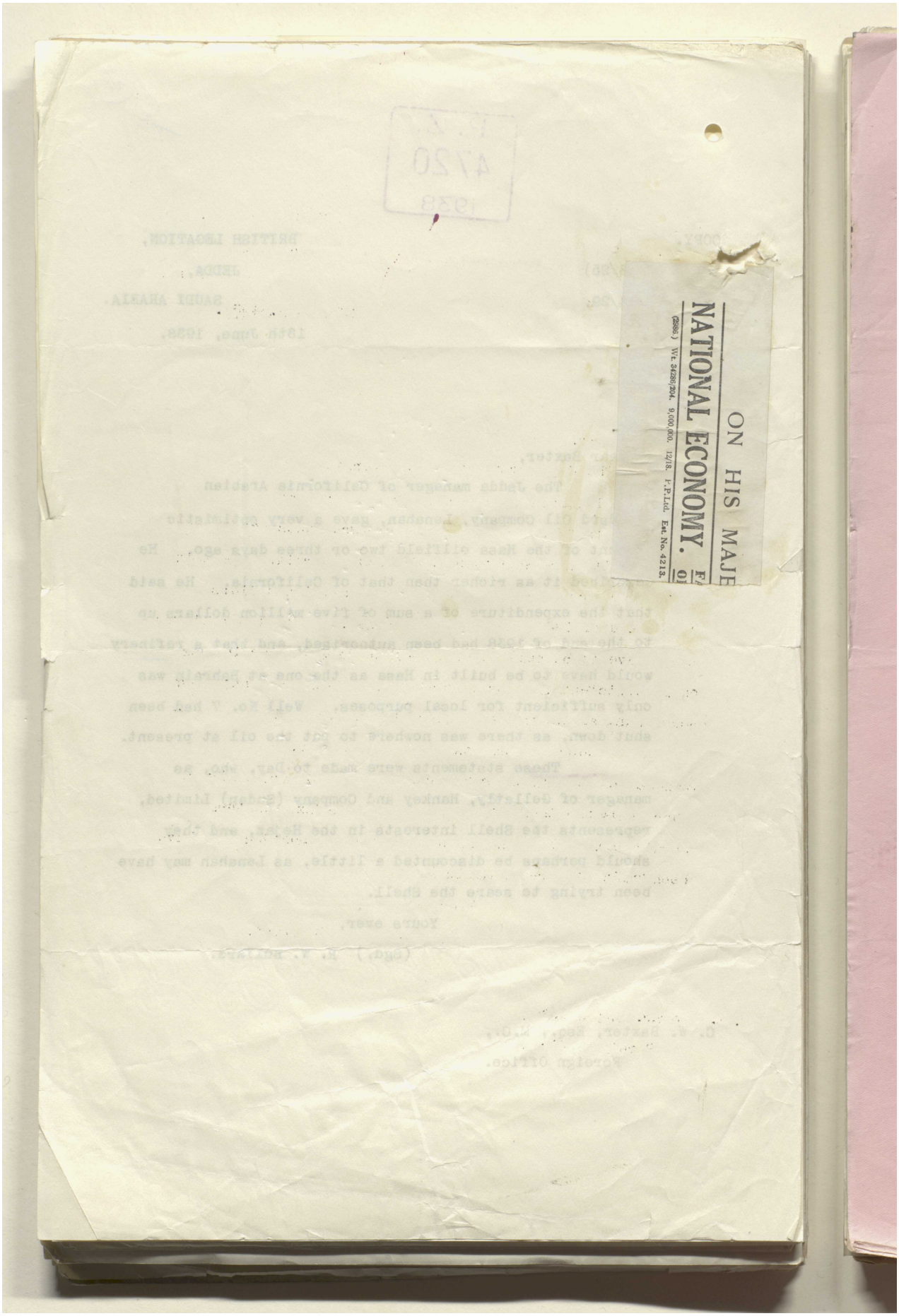
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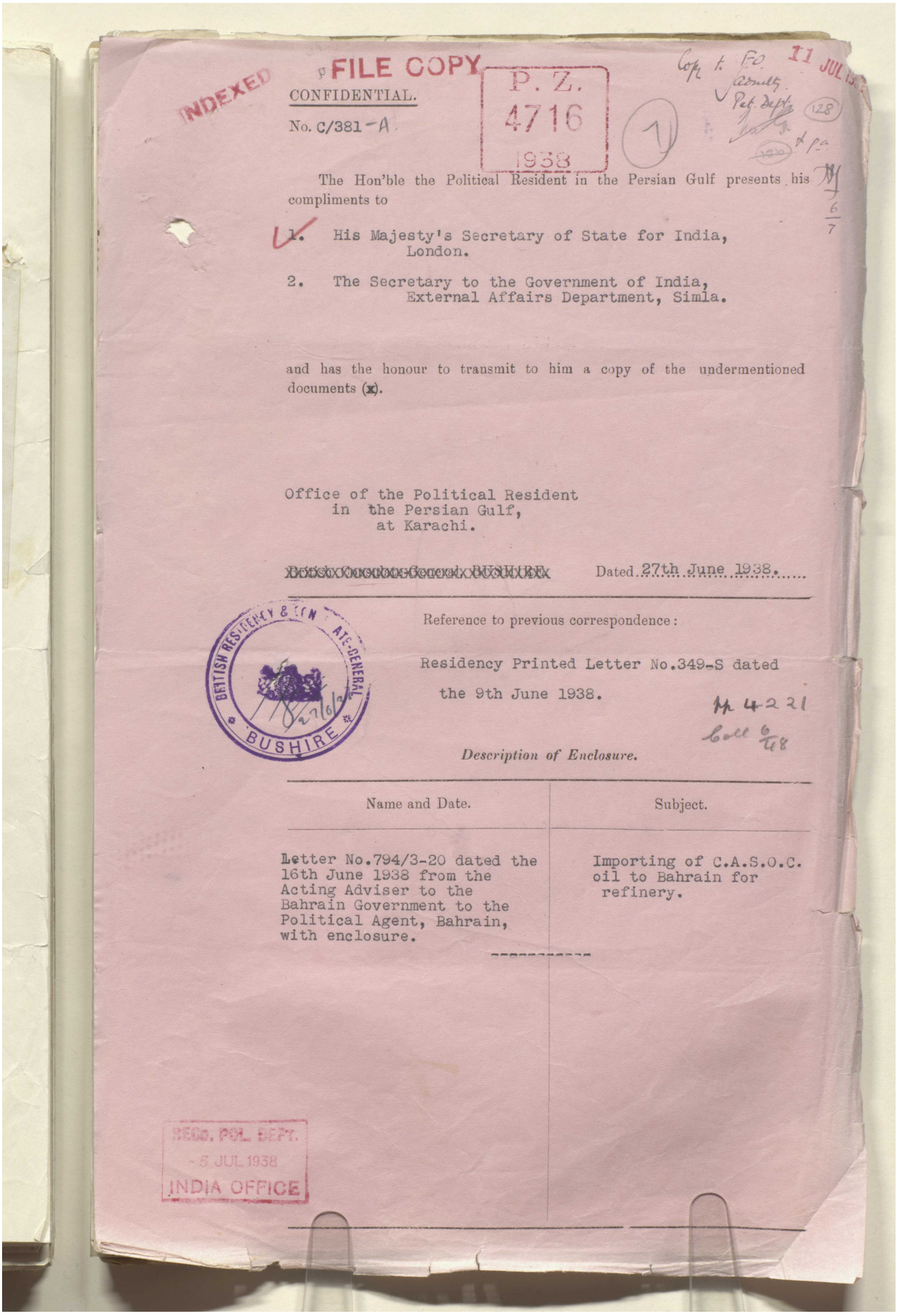

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CONFIDENTIAL.

No. C/381-A.

P. Z. 4716 1938

Copy to F.O. Security Pet. Dept. 128

11 JUL 1938

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.

2. The Secretary to the Government of India, External Affairs Department, Simla.

and has the honour to transmit to him a copy of the undermentioned documents (x).

Office of the Political Resident in the Persian Gulf, at Karachi.

~~British Consulate-General BUSHIRE~~ Dated 27th June 1938.

BRITISH RESIDENCY & CONSULATE-GENERAL BUSHIRE 27/6/38

Reference to previous correspondence:

Residency Printed Letter No.349-S dated the 9th June 1938.

M 4221
Coll 6/48

Description of Enclosure.

Name and Date.	Subject.
Letter No.794/3-20 dated the 16th June 1938 from the Acting Adviser to the Bahrain Government to the Political Agent, Bahrain, with enclosure.	Importing of C.A.S.O.C. oil to Bahrain for refinery.

REGD. POL. DEPT. - 5 JUL 1938 INDIA OFFICE

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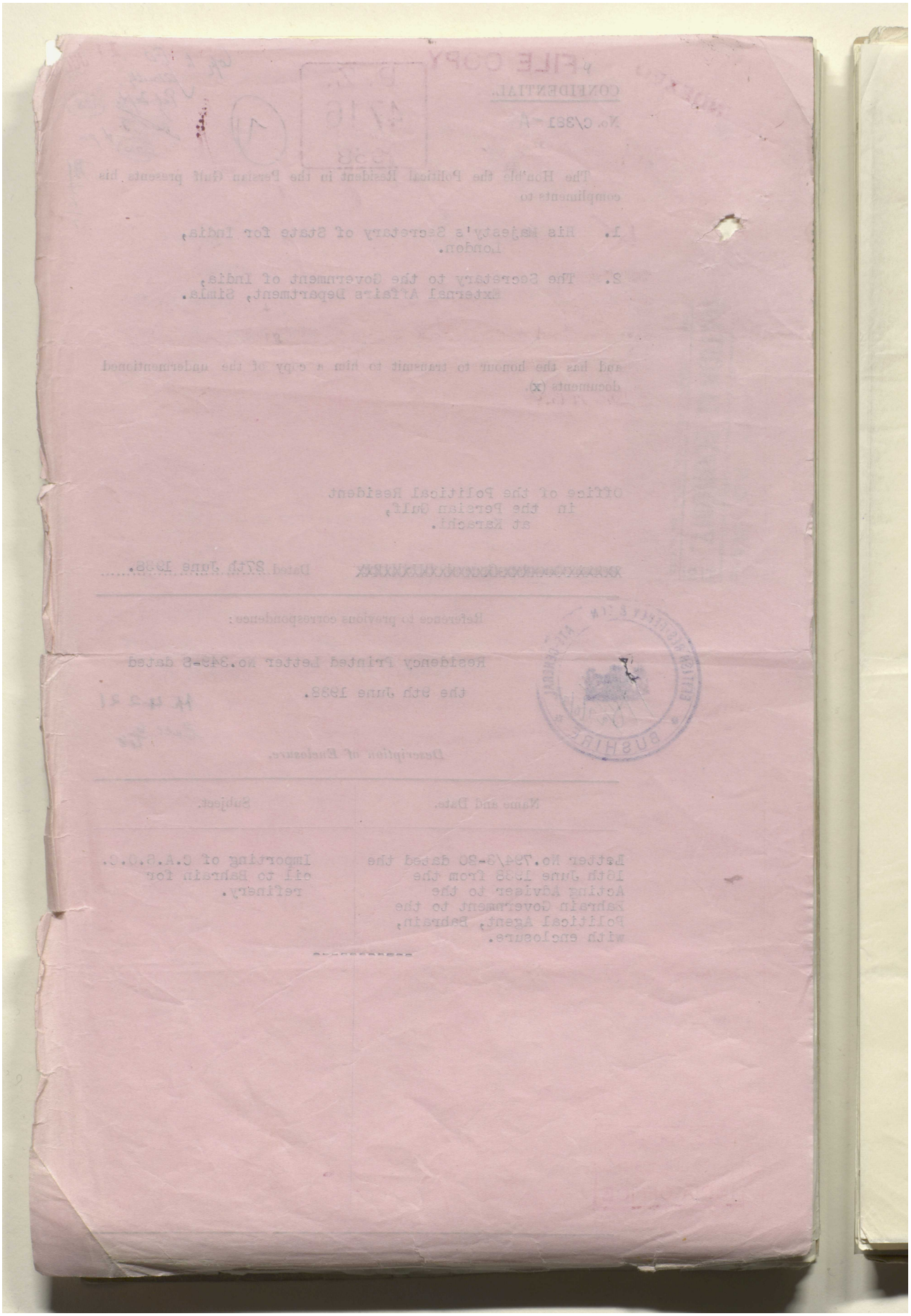

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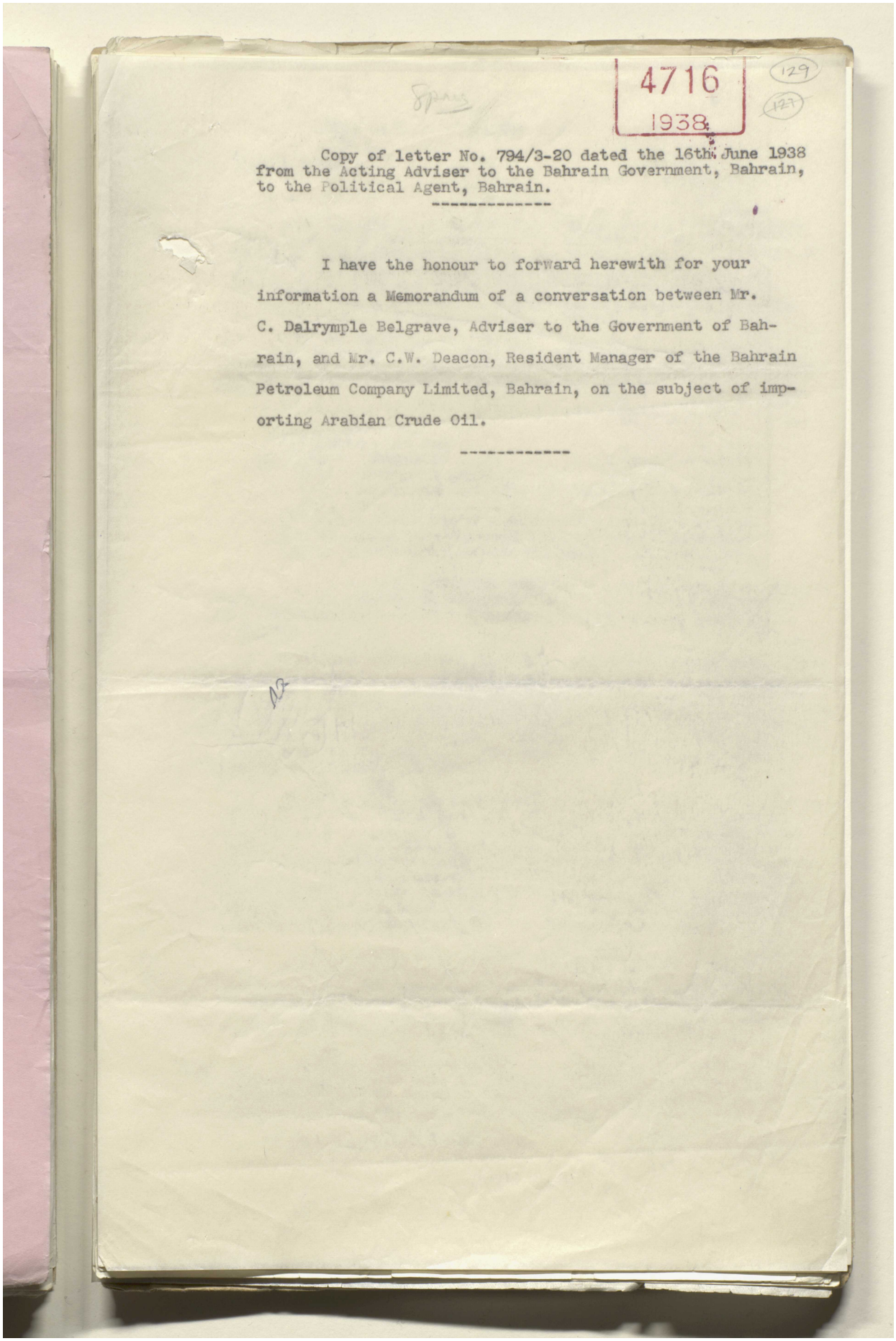

4716
1938

129
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Copy of letter No. 794/3-20 dated the 16th June 1938 from the Acting Adviser to the Bahrain Government, Bahrain, to the Political Agent, Bahrain.

I have the honour to forward herewith for your information a Memorandum of a conversation between Mr. C. Dalrymple Belgrave, Adviser to the Government of Bahrain, and Mr. C.W. Deacon, Resident Manager of the Bahrain Petroleum Company Limited, Bahrain, on the subject of importing Arabian Crude Oil.

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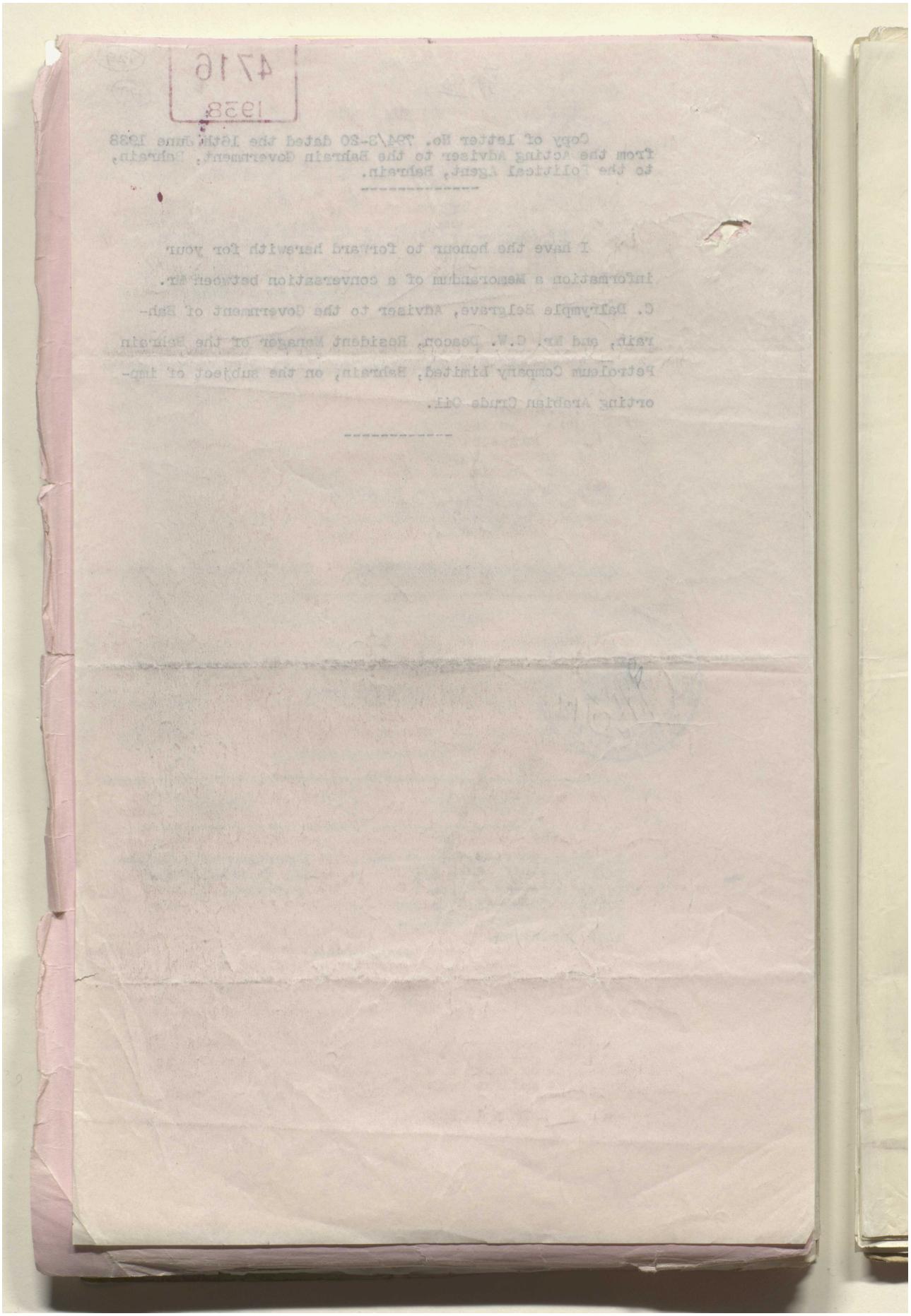

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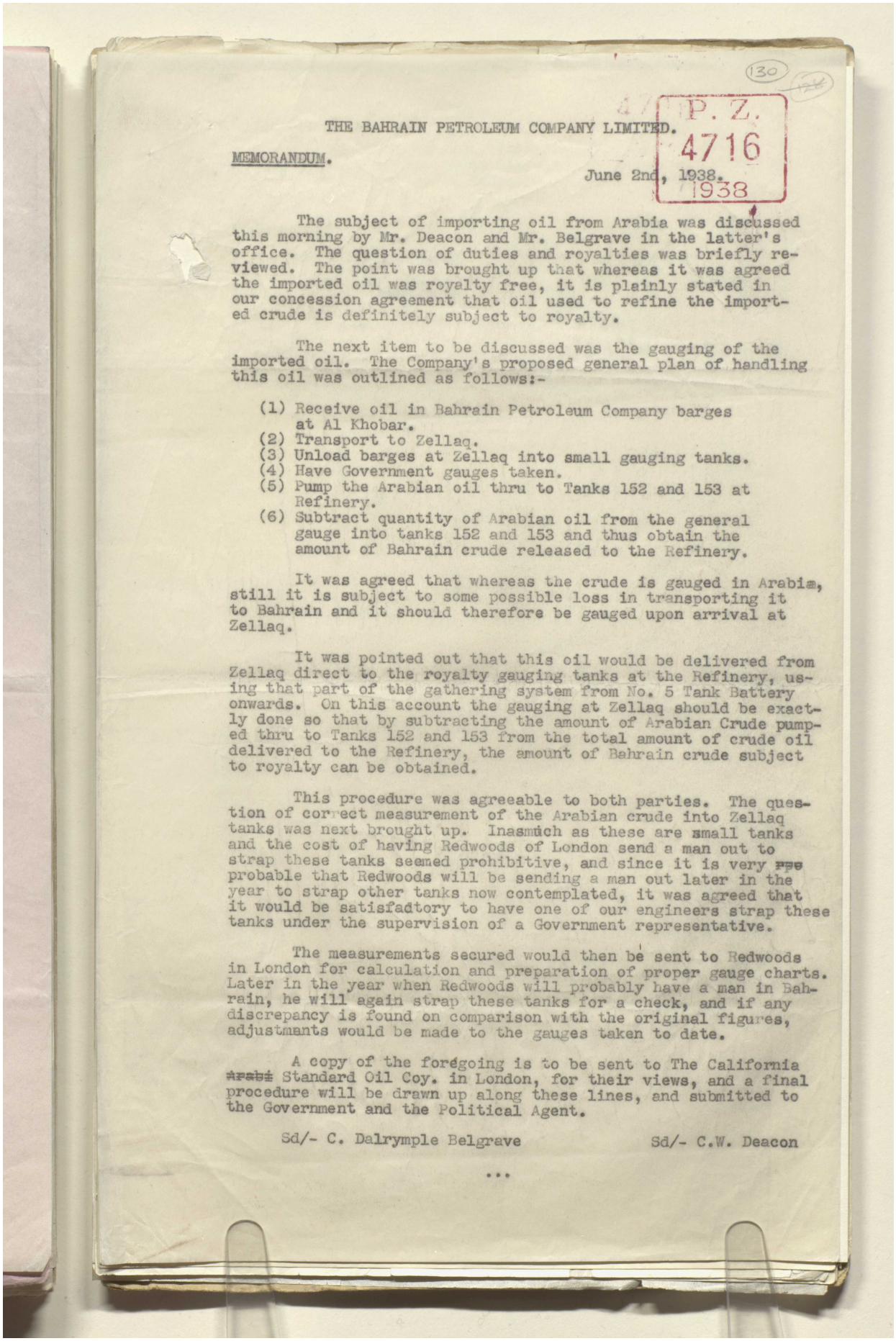

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P. Z. 4716 1938

THE BAHRAIN PETROLEUM COMPANY LIMITED.

MEMORANDUM.

June 2nd, 1938.

The subject of importing oil from Arabia was discussed this morning by Mr. Deacon and Mr. Belgrave in the latter's office. The question of duties and royalties was briefly reviewed. The point was brought up that whereas it was agreed the imported oil was royalty free, it is plainly stated in our concession agreement that oil used to refine the imported crude is definitely subject to royalty.

The next item to be discussed was the gauging of the imported oil. The Company's proposed general plan of handling this oil was outlined as follows:-

(1) Receive oil in Bahrain Petroleum Company barges at Al Khobar.
(2) Transport to Zellaq.
(3) Unload barges at Zellaq into small gauging tanks.
(4) Have Government gauges taken.
(5) Pump the Arabian oil thru to Tanks 152 and 153 at Refinery.
(6) Subtract quantity of Arabian oil from the general gauge into tanks 152 and 153 and thus obtain the amount of Bahrain crude released to the Refinery.

It was agreed that whereas the crude is gauged in Arabia, still it is subject to some possible loss in transporting it to Bahrain and it should therefore be gauged upon arrival at Zellaq.

It was pointed out that this oil would be delivered from Zellaq direct to the royalty gauging tanks at the Refinery, using that part of the gathering system from No. 5 Tank Battery onwards. On this account the gauging at Zellaq should be exactly done so that by subtracting the amount of Arabian Crude pumped thru to Tanks 152 and 153 from the total amount of crude oil delivered to the Refinery, the amount of Bahrain crude subject to royalty can be obtained.

This procedure was agreeable to both parties. The question of correct measurement of the Arabian crude into Zellaq tanks was next brought up. Inasmuch as these are small tanks and the cost of having Redwoods of London send a man out to strap these tanks seemed prohibitive, and since it is very ~~pro~~ probable that Redwoods will be sending a man out later in the year to strap other tanks now contemplated, it was agreed that it would be satisfactory to have one of our engineers strap these tanks under the supervision of a Government representative.

The measurements secured would then be sent to Redwoods in London for calculation and preparation of proper gauge charts. Later in the year when Redwoods will probably have a man in Bahrain, he will again strap these tanks for a check, and if any discrepancy is found on comparison with the original figures, adjustments would be made to the gauges taken to date.

A copy of the foregoing is to be sent to The California ~~Arabi~~ Standard Oil Coy. in London, for their views, and a final procedure will be drawn up along these lines, and submitted to the Government and the Political Agent.

Sd/- C. Dalrymple Belgrave Sd/- C.W. Deacon

...

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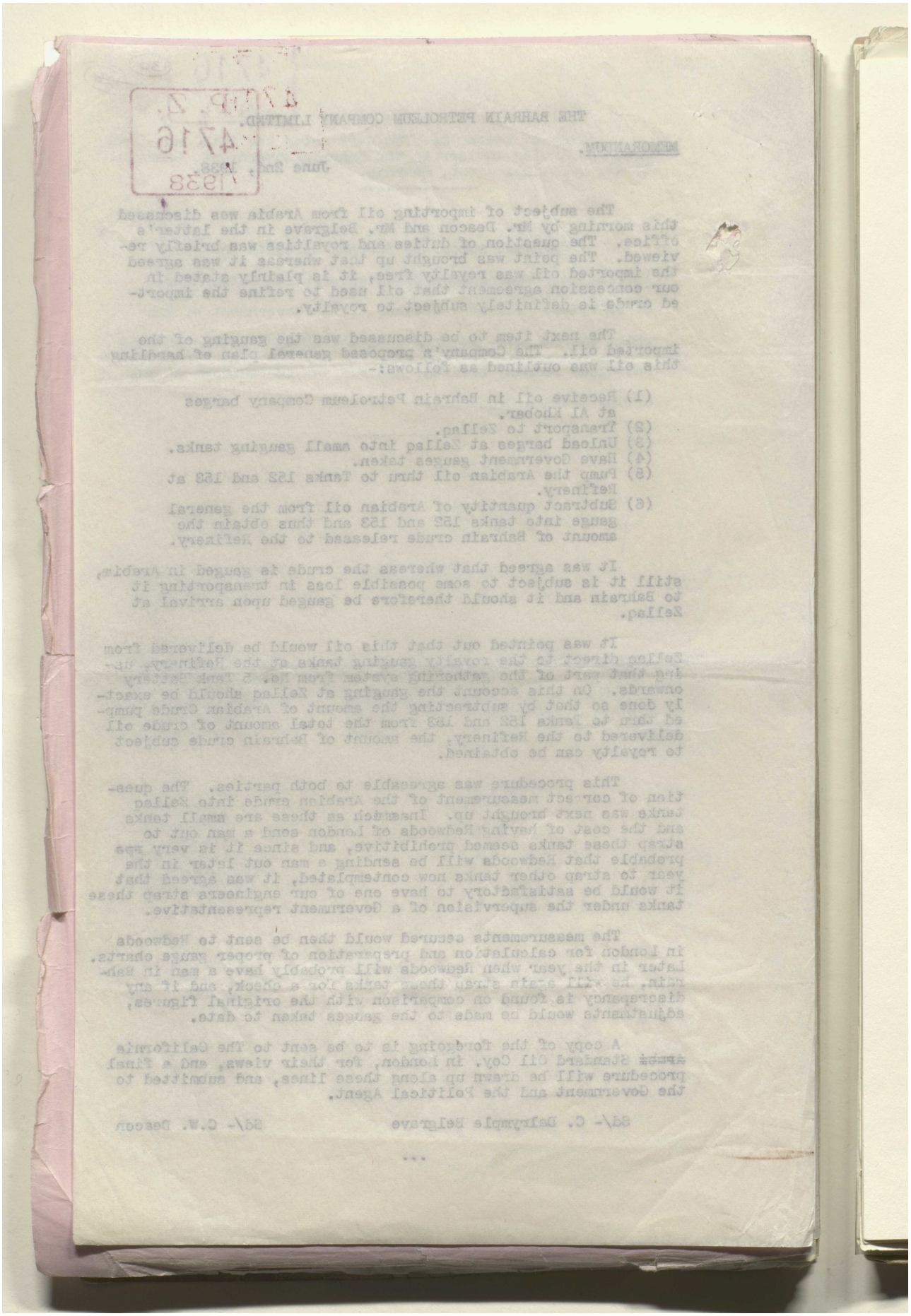

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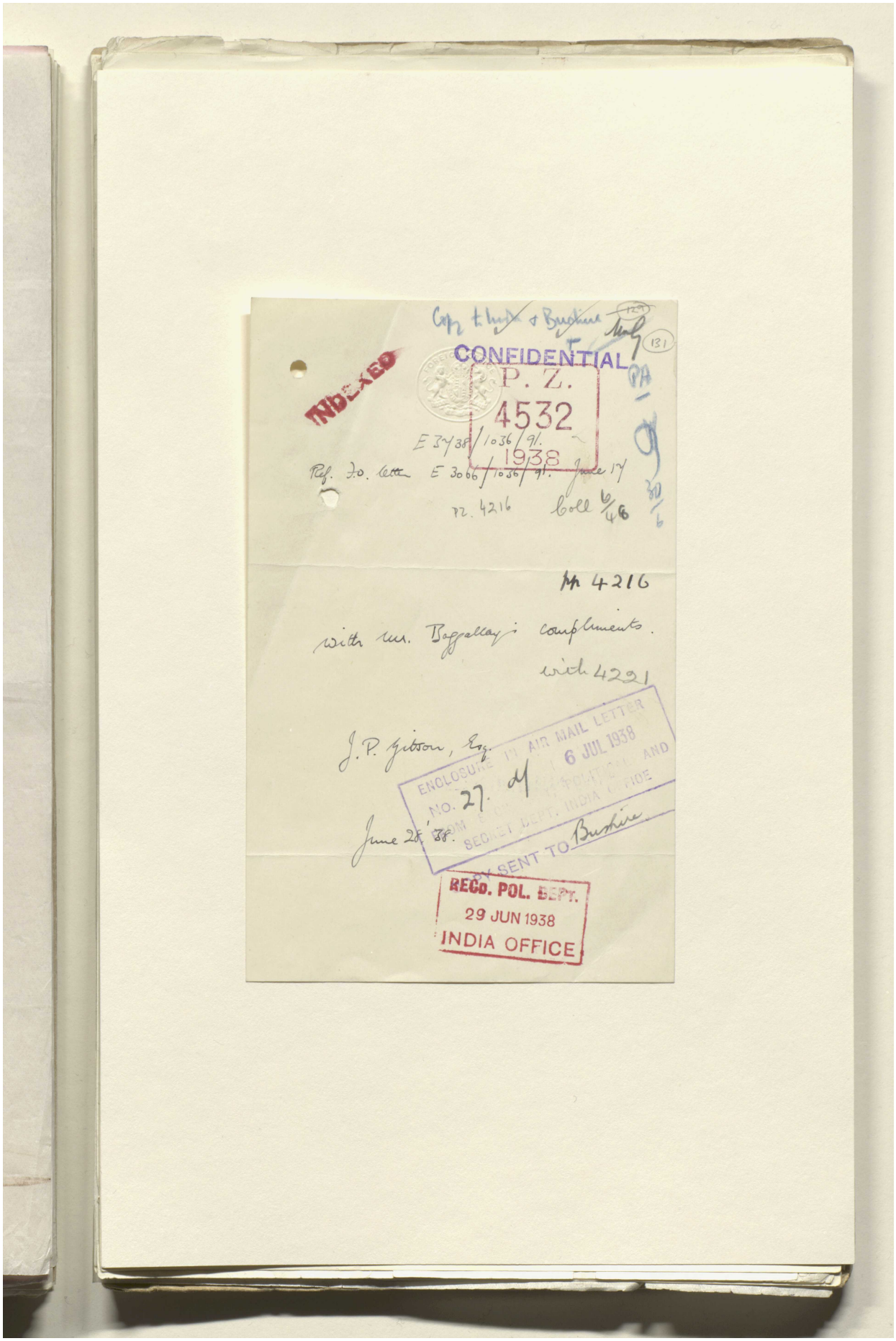

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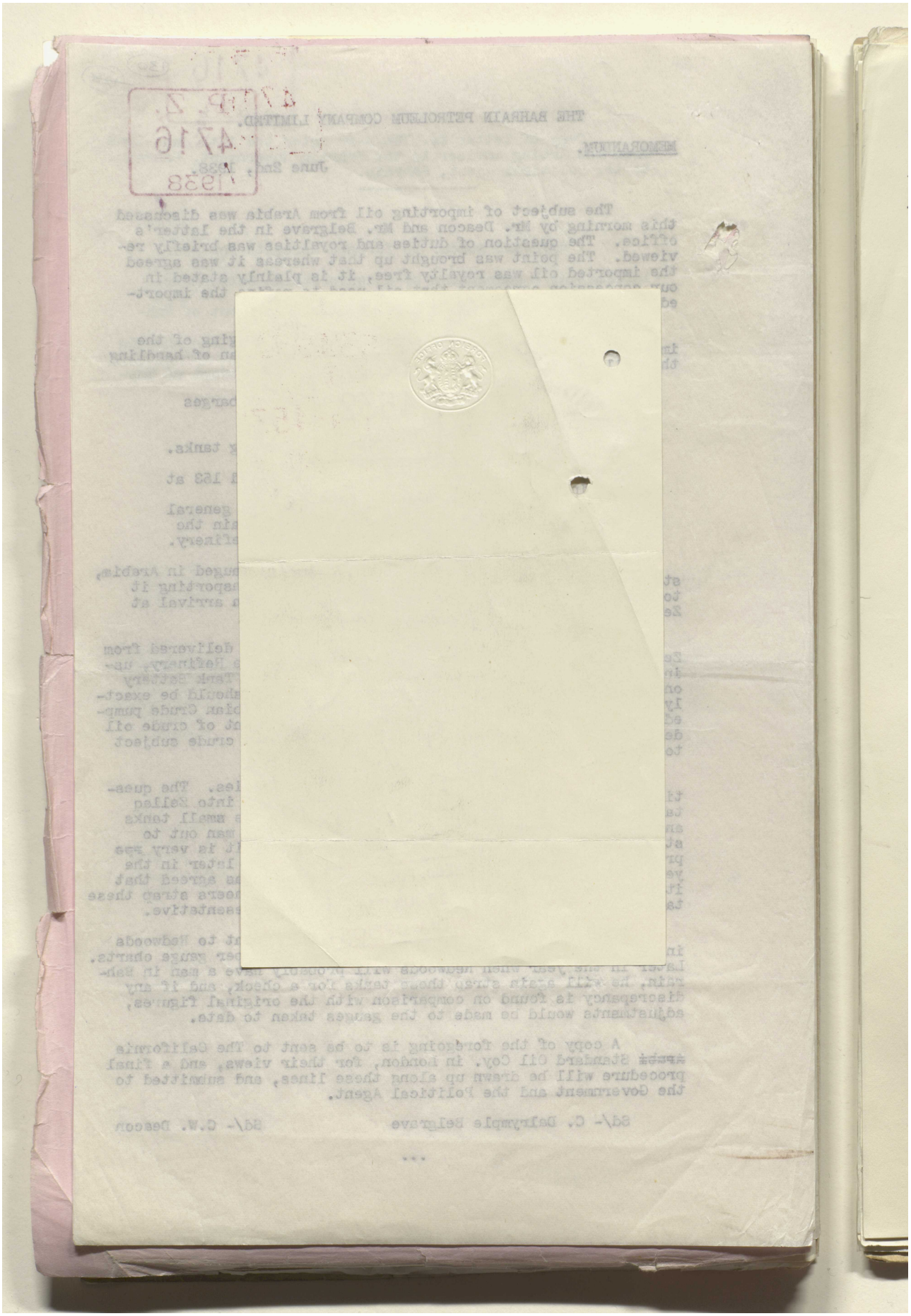

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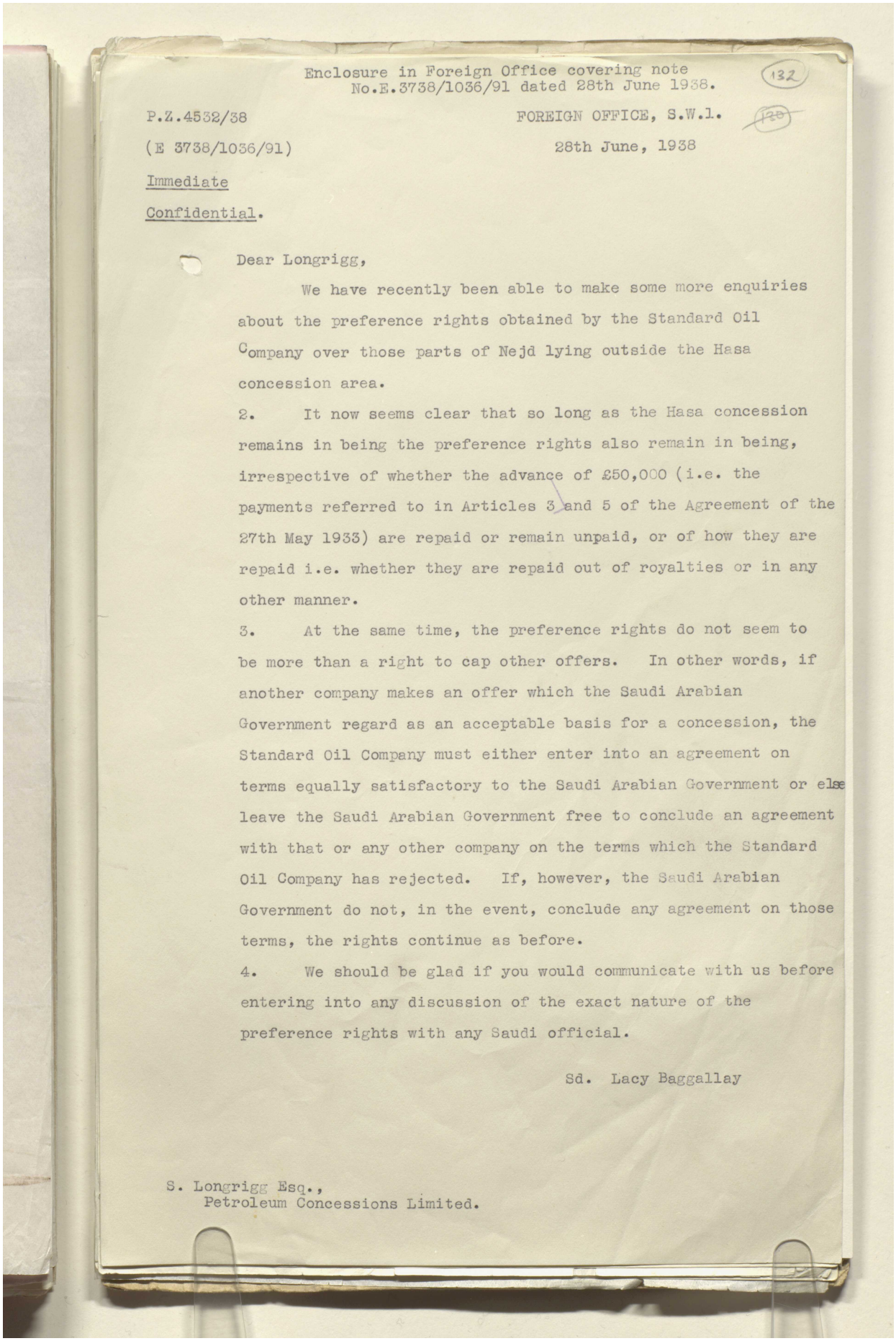

Enclosure in Foreign Office covering note
No.E.3738/1036/91 dated 28th June 1938.

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P.Z.4532/38 FOREIGN OFFICE, S.W.1.

(E 3738/1036/91) 28th June, 1938

Immediate

Confidential.

Dear Longrigg,

We have recently been able to make some more enquiries about the preference rights obtained by the Standard Oil Company over those parts of Nejd lying outside the Hasa concession area.

2. It now seems clear that so long as the Hasa concession remains in being the preference rights also remain in being, irrespective of whether the advance of £50,000 (i.e. the payments referred to in Articles 3 and 5 of the Agreement of the 27th May 1933) are repaid or remain unpaid, or of how they are repaid i.e. whether they are repaid out of royalties or in any other manner.

3. At the same time, the preference rights do not seem to be more than a right to cap other offers. In other words, if another company makes an offer which the Saudi Arabian Government regard as an acceptable basis for a concession, the Standard Oil Company must either enter into an agreement on terms equally satisfactory to the Saudi Arabian Government or else leave the Saudi Arabian Government free to conclude an agreement with that or any other company on the terms which the Standard Oil Company has rejected. If, however, the Saudi Arabian Government do not, in the event, conclude any agreement on those terms, the rights continue as before.

4. We should be glad if you would communicate with us before entering into any discussion of the exact nature of the preference rights with any Saudi official.

Sd. Lacy Baggallay

S. Longrigg Esq.,
Petroleum Concessions Limited.

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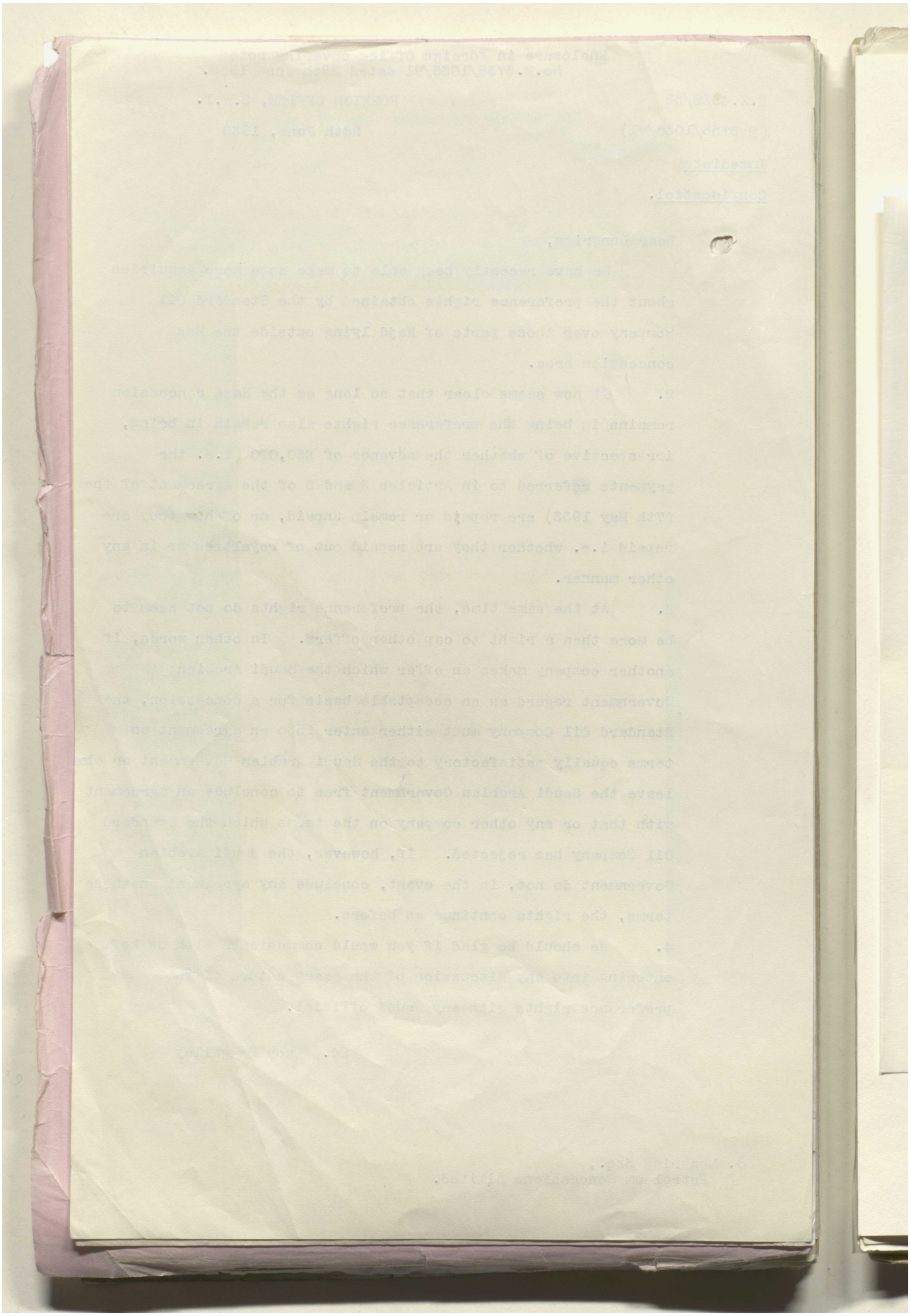

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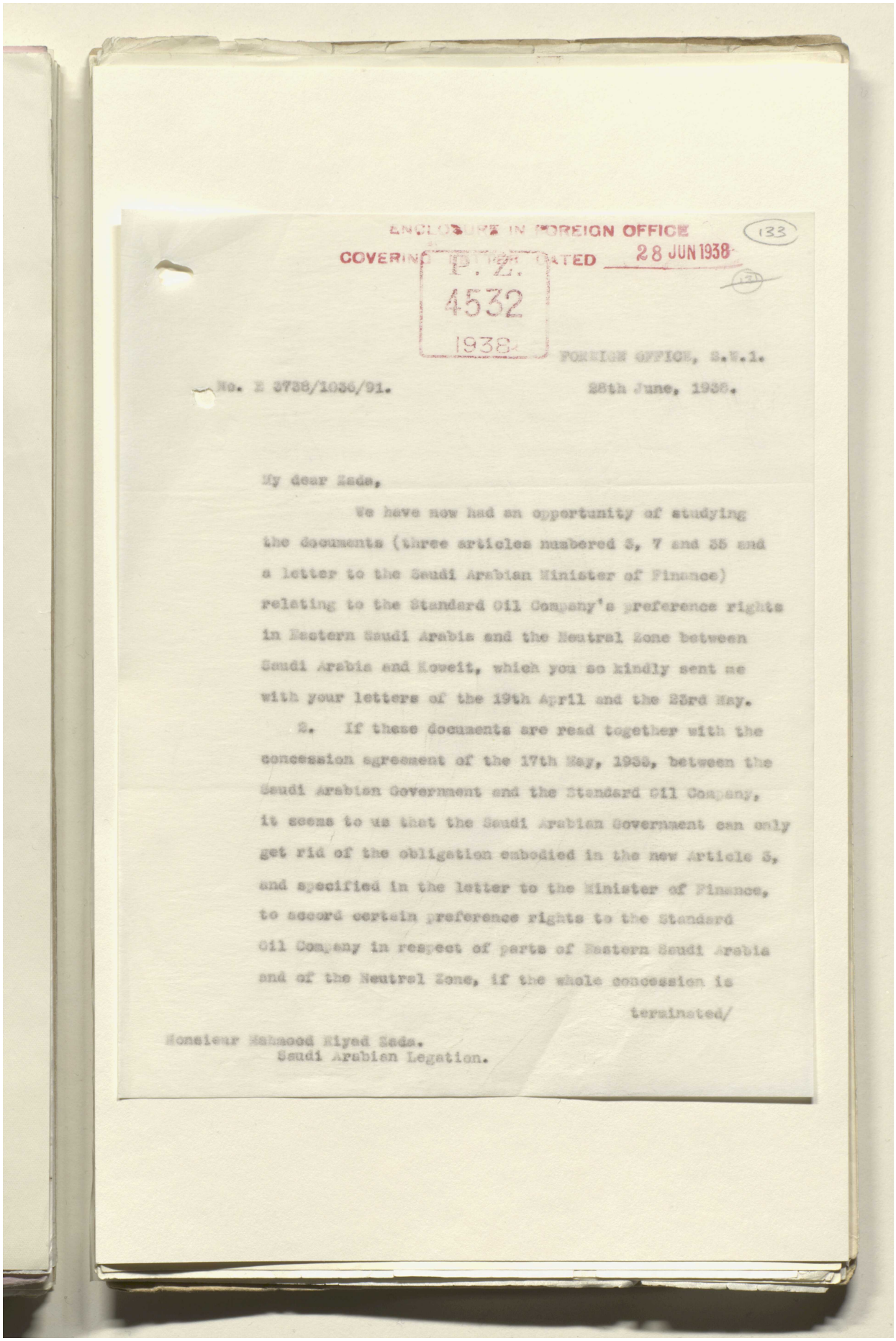

ENCLOSURE IN FOREIGN OFFICE (133)
COVERING P. Z. DATED 28 JUN 1938
4532
1938

FOREIGN OFFICE, S.W.1.

No. E 3738/1036/91. 28th June, 1938.

My dear Sada,

We have now had an opportunity of studying the documents (three articles numbered 3, 7 and 35 and a letter to the Saudi Arabian Minister of Finance) relating to the Standard Oil Company's preference rights in Eastern Saudi Arabia and the Neutral Zone between Saudi Arabia and Koweit, which you so kindly sent me with your letters of the 19th April and the 23rd May.

2. If these documents are read together with the concession agreement of the 17th May, 1933, between the Saudi Arabian Government and the Standard Oil Company, it seems to us that the Saudi Arabian Government can only get rid of the obligation embodied in the new Article 3, and specified in the letter to the Minister of Finance, to accord certain preference rights to the Standard Oil Company in respect of parts of Eastern Saudi Arabia and of the Neutral Zone, if the whole concession is

terminated/

Monsieur Mahmood Riyad Sada.
Saudi Arabian Legation.

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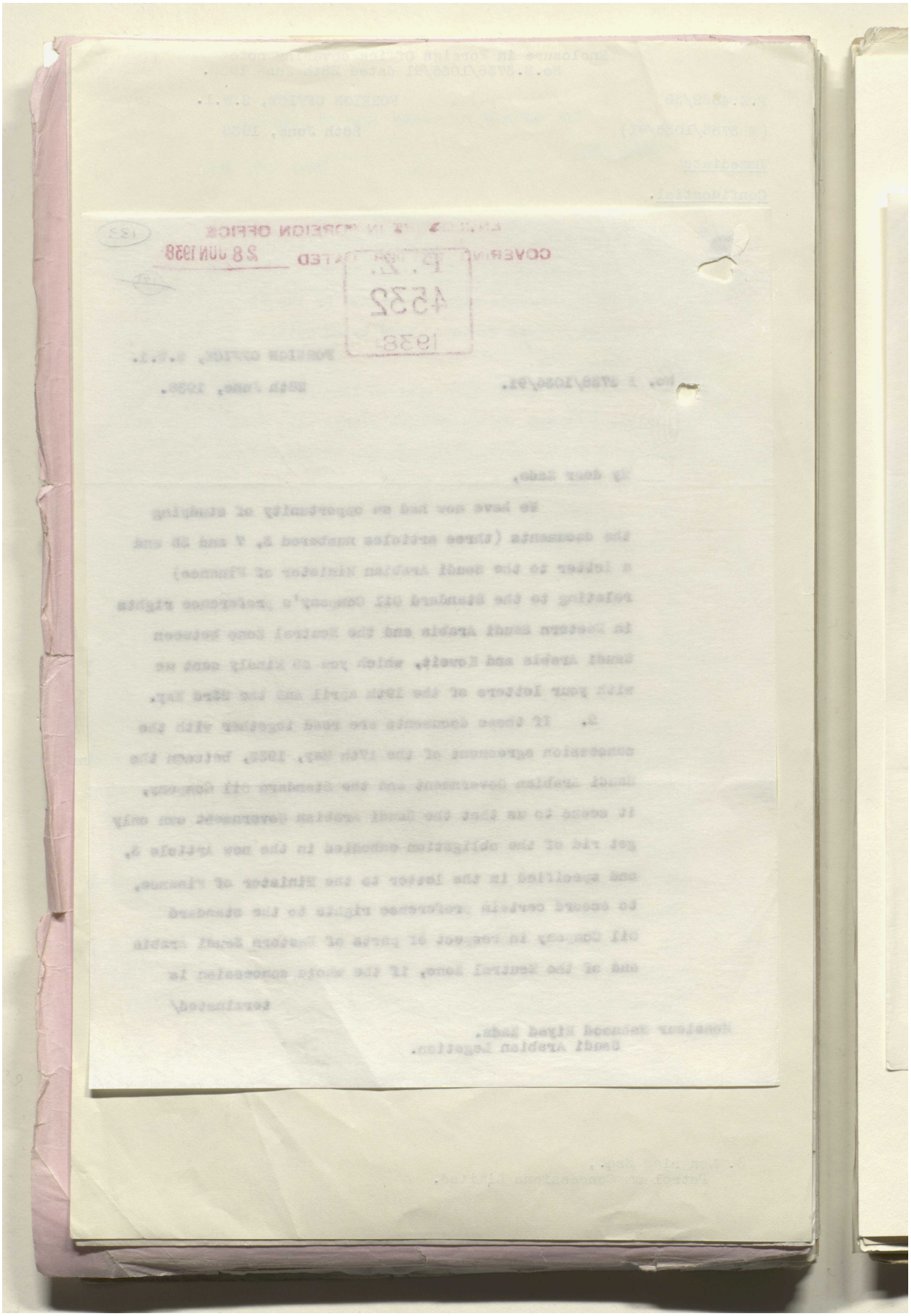

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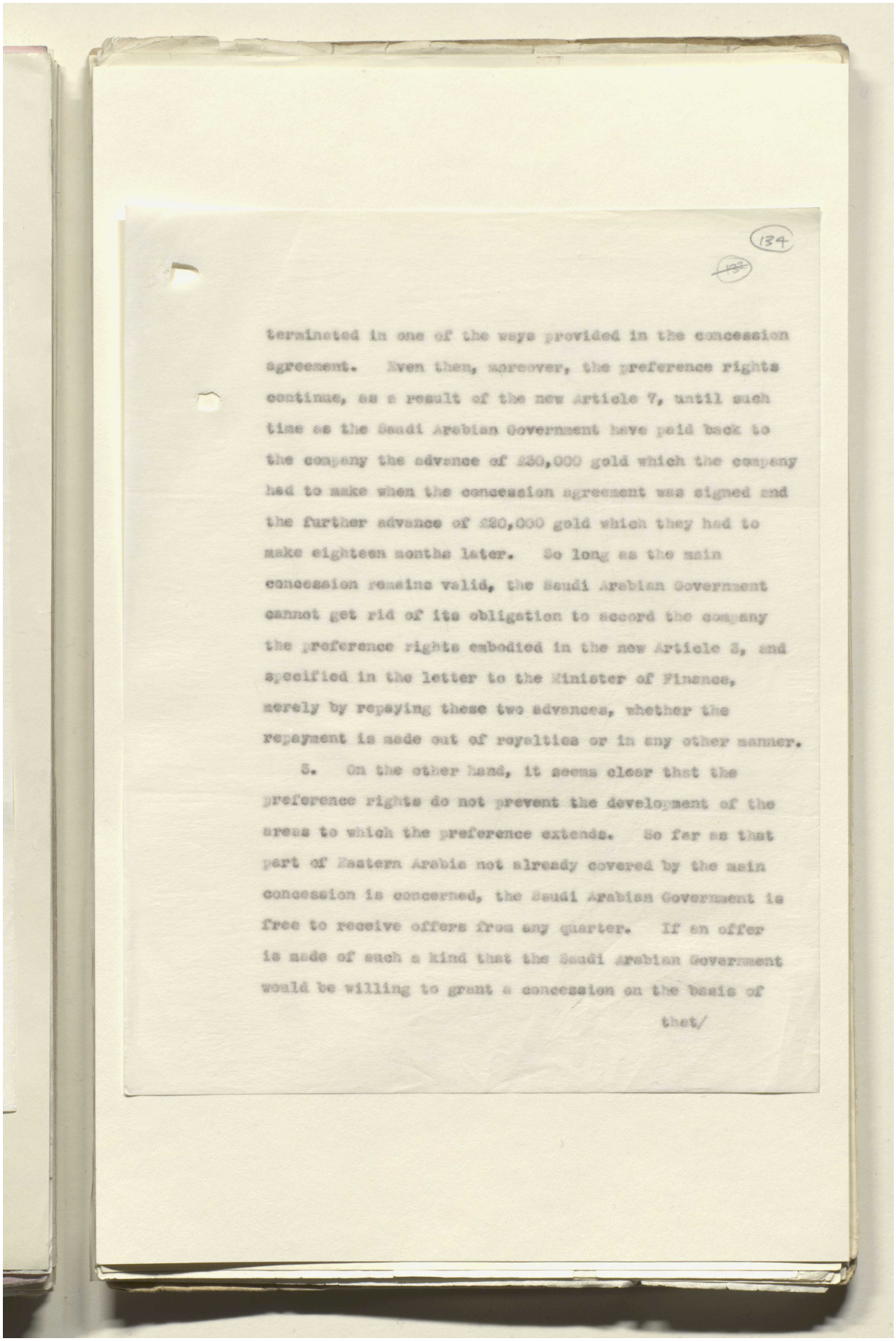

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terminated in one of the ways provided in the concession agreement. Even then, moreover, the preference rights continue, as a result of the new Article 7, until such time as the Saudi Arabian Government have paid back to the company the advance of £30,000 gold which the company had to make when the concession agreement was signed and the further advance of £20,000 gold which they had to make eighteen months later. So long as the main concession remains valid, the Saudi Arabian Government cannot get rid of its obligation to accord the company the preference rights embodied in the new Article 5, and specified in the letter to the Minister of Finance, merely by repaying these two advances, whether the repayment is made out of royalties or in any other manner.

5. On the other hand, it seems clear that the preference rights do not prevent the development of the areas to which the preference extends. So far as that part of Eastern Arabia not already covered by the main concession is concerned, the Saudi Arabian Government is free to receive offers from any quarter. If an offer is made of such a kind that the Saudi Arabian Government would be willing to grant a concession on the basis of

that/

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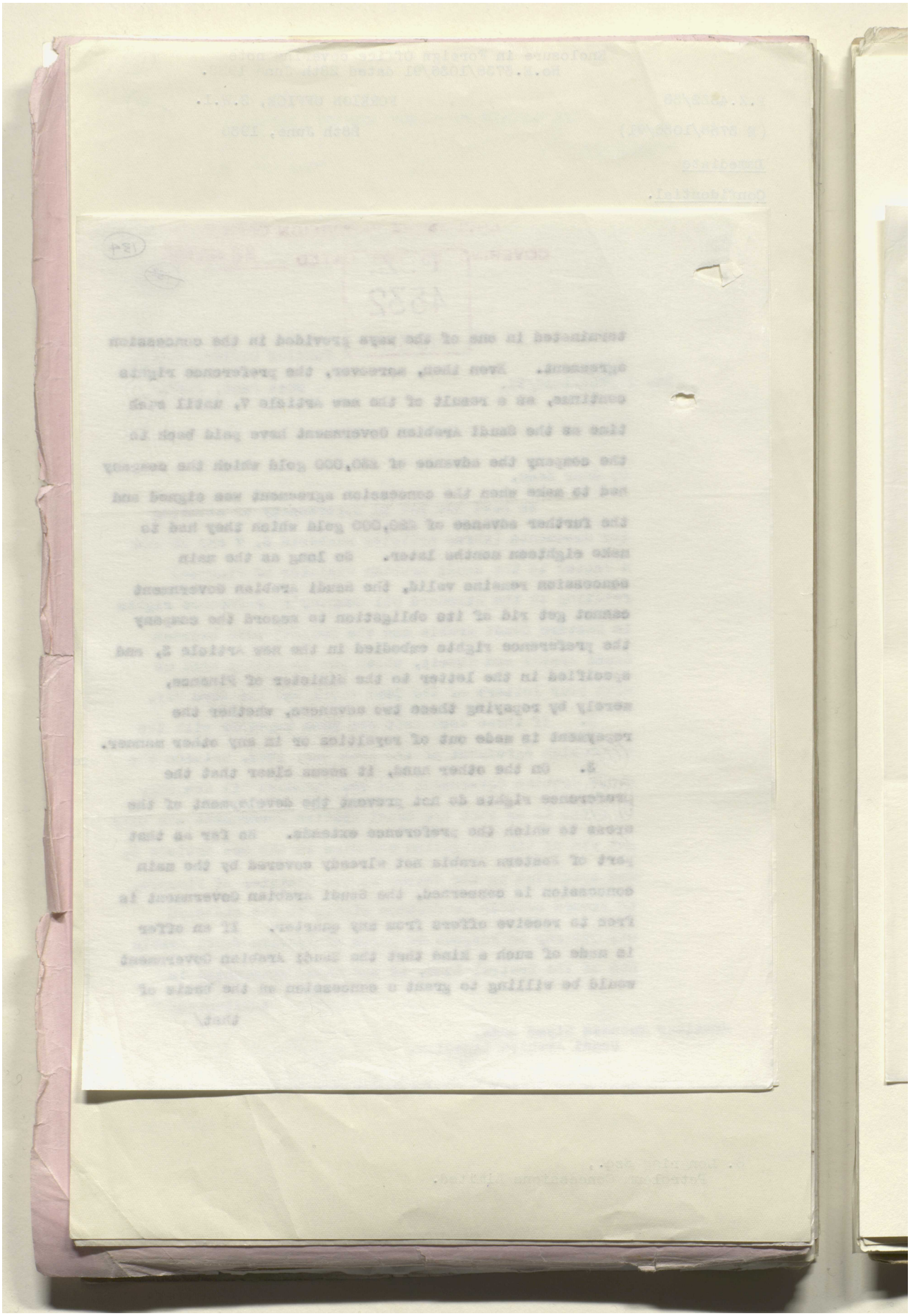

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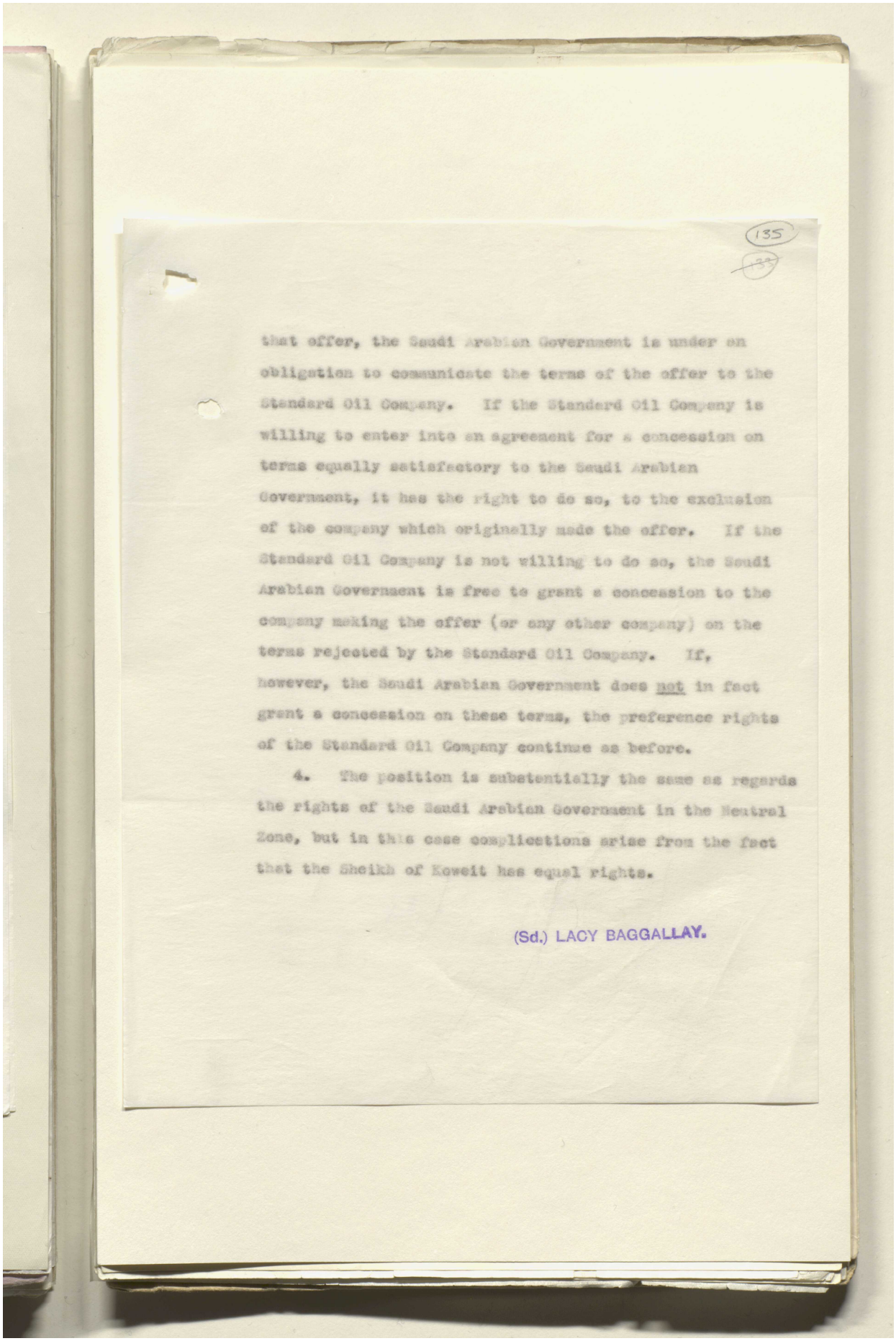

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that offer, the Saudi Arabian Government is under an obligation to communicate the terms of the offer to the Standard Oil Company. If the Standard Oil Company is willing to enter into an agreement for a concession on terms equally satisfactory to the Saudi Arabian Government, it has the right to do so, to the exclusion of the company which originally made the offer. If the Standard Oil Company is not willing to do so, the Saudi Arabian Government is free to grant a concession to the company making the offer (or any other company) on the terms rejected by the Standard Oil Company. If, however, the Saudi Arabian Government does not in fact grant a concession on these terms, the preference rights of the Standard Oil Company continue as before.

4. The position is substantially the same as regards the rights of the Saudi Arabian Government in the Neutral Zone, but in this case complications arise from the fact that the Sheikh of Koweit has equal rights.

(Sd.) LACY BAGGALLAY.

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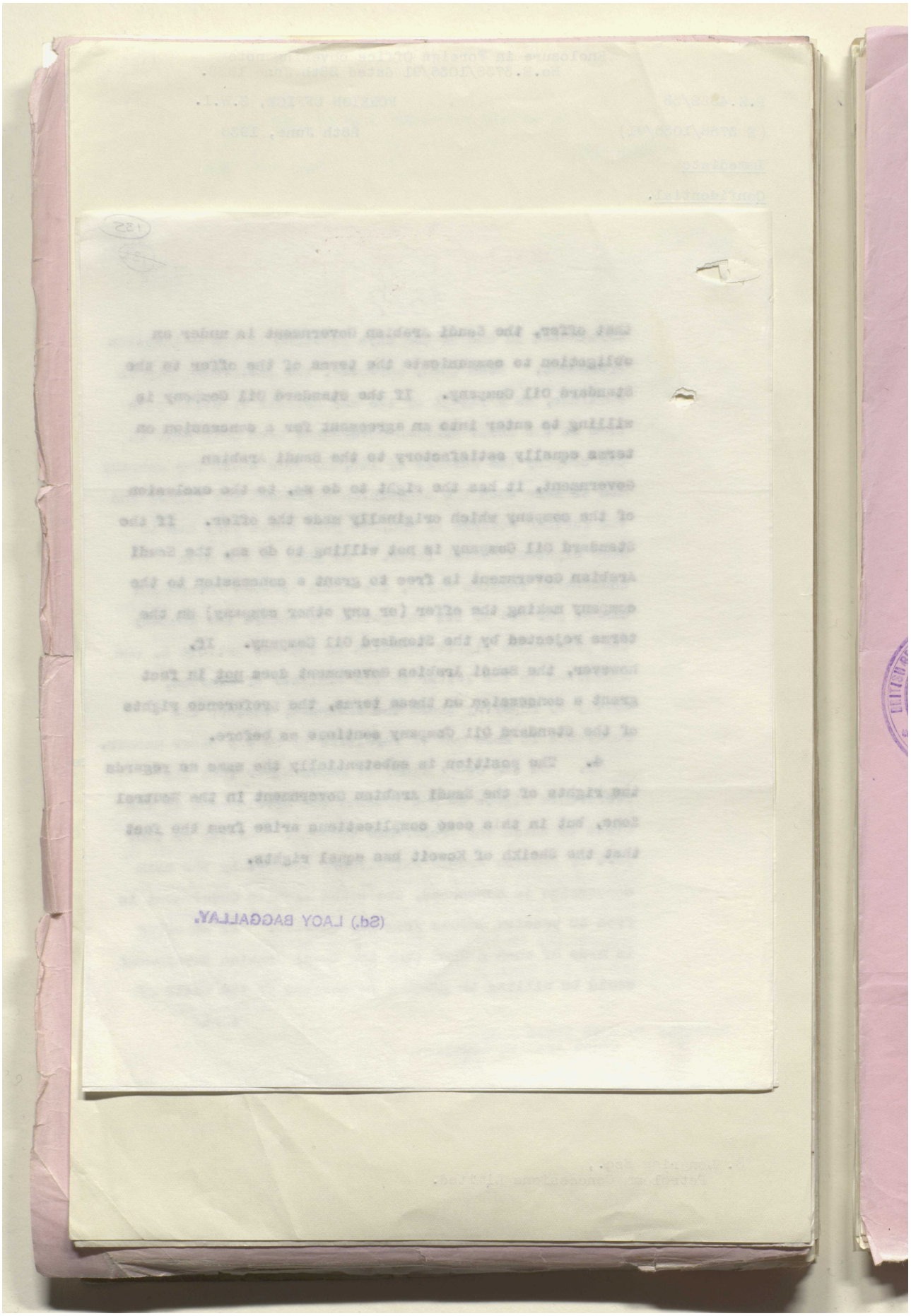

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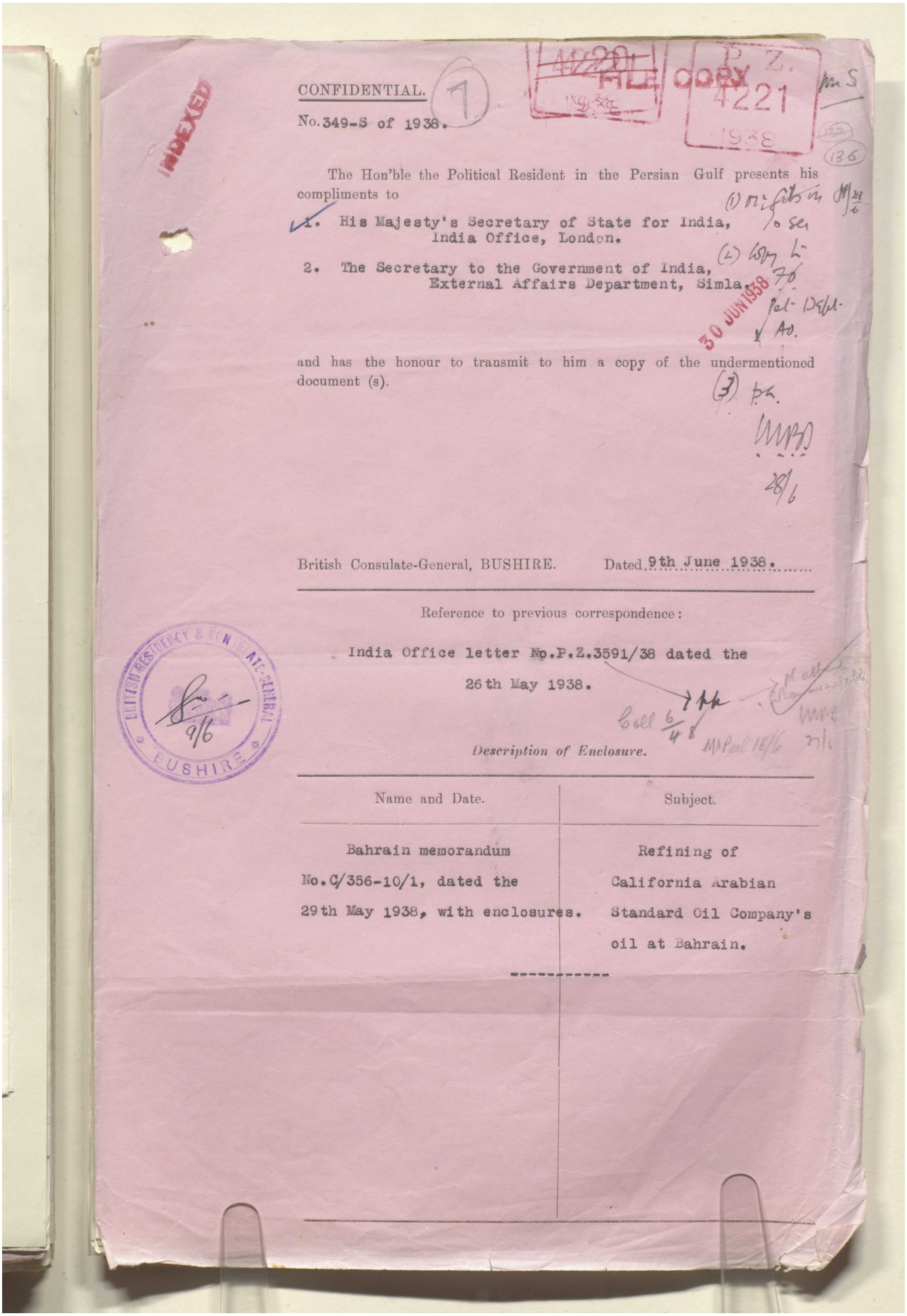

INDEXED

CONFIDENTIAL.

No. 349-S of 1938.

P. Z. COPY 4221 1938

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, India Office, London.
2. The Secretary to the Government of India, External Affairs Department, Simla.

30 JUN 1938

and has the honour to transmit to him a copy of the undermentioned document (s).

British Consulate-General, BUSHIRE. Dated 9th June 1938.

Reference to previous correspondence:

India Office letter No.P.Z.3591/38 dated the 26th May 1938.

Description of Enclosure.

Name and Date.	Subject.
Bahrain memorandum No.C/356-10/1, dated the 29th May 1938, with enclosures.	Refining of California Arabian Standard Oil Company's oil at Bahrain.

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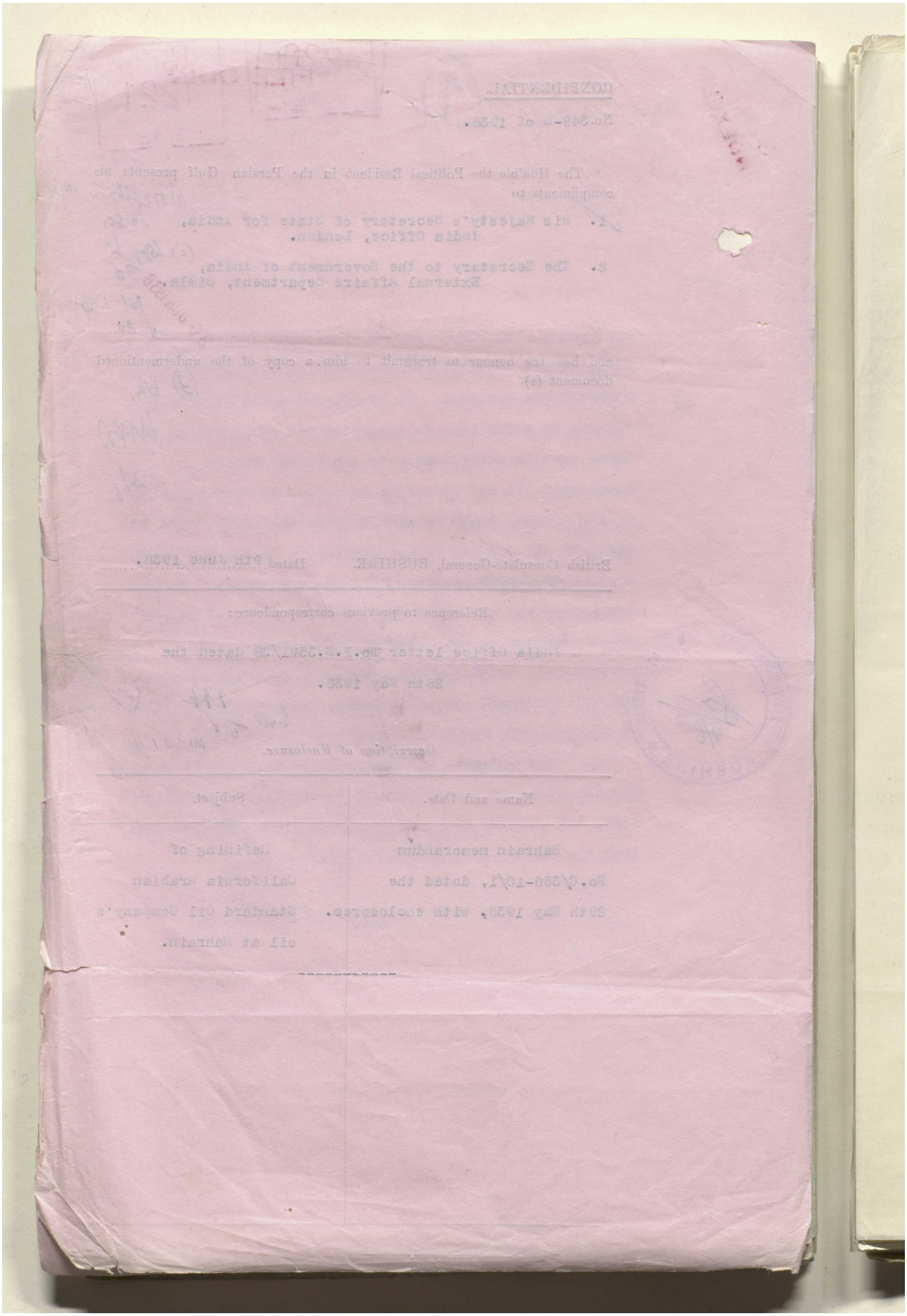

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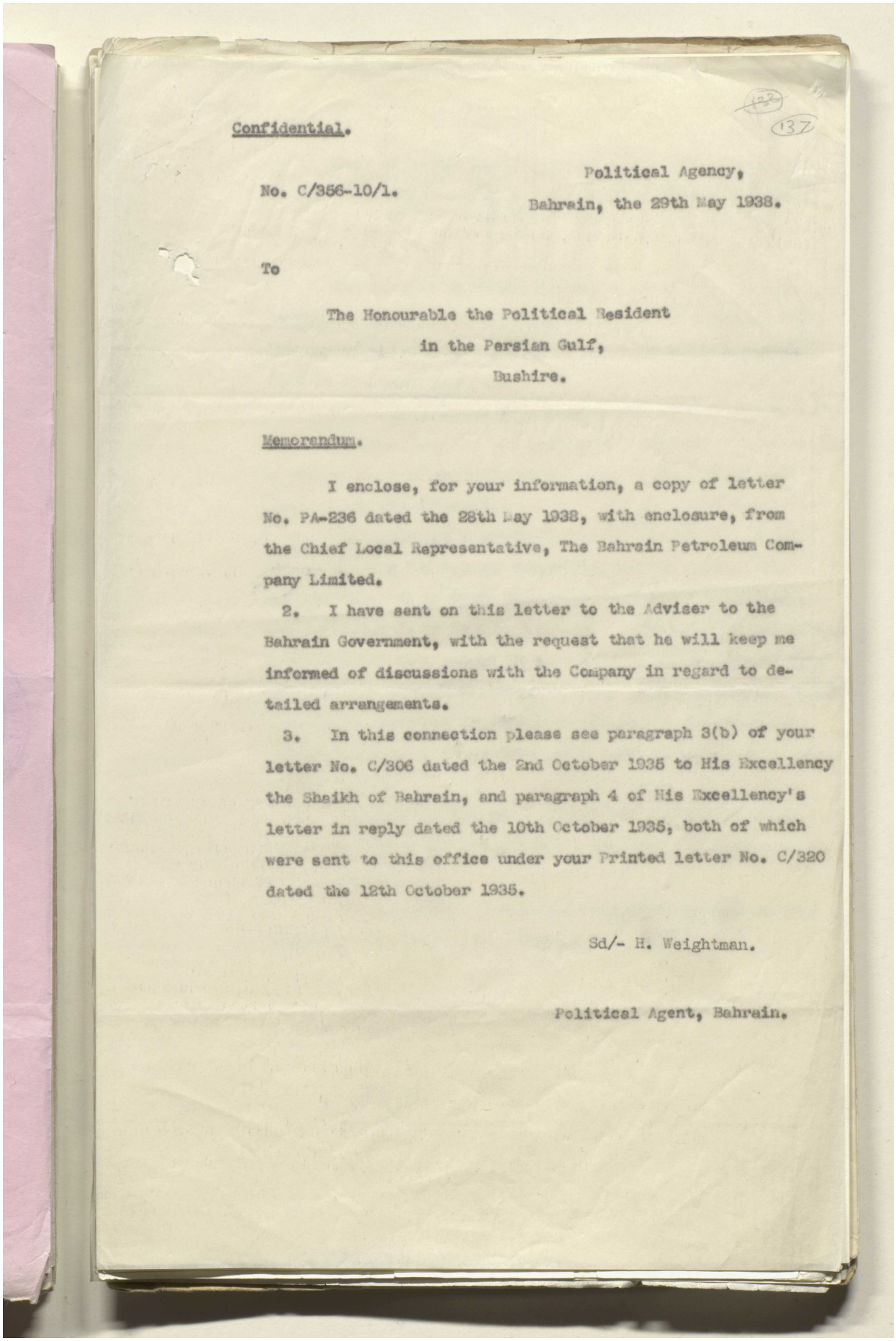

Confidential.

No. C/356-10/1.

Political Agency,
Bahrain, the 29th May 1938.

To

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

Memorandum.

I enclose, for your information, a copy of letter No. PA-236 dated the 28th May 1938, with enclosure, from the Chief Local Representative, The Bahrain Petroleum Company Limited.

2. I have sent on this letter to the Adviser to the Bahrain Government, with the request that he will keep me informed of discussions with the Company in regard to detailed arrangements.

3. In this connection please see paragraph 3(b) of your letter No. C/306 dated the 2nd October 1935 to His Excellency the Shaikh of Bahrain, and paragraph 4 of His Excellency's letter in reply dated the 10th October 1935, both of which were sent to this office under your Printed letter No. C/320 dated the 12th October 1935.

Sd/- H. Weightman.

Political Agent, Bahrain.

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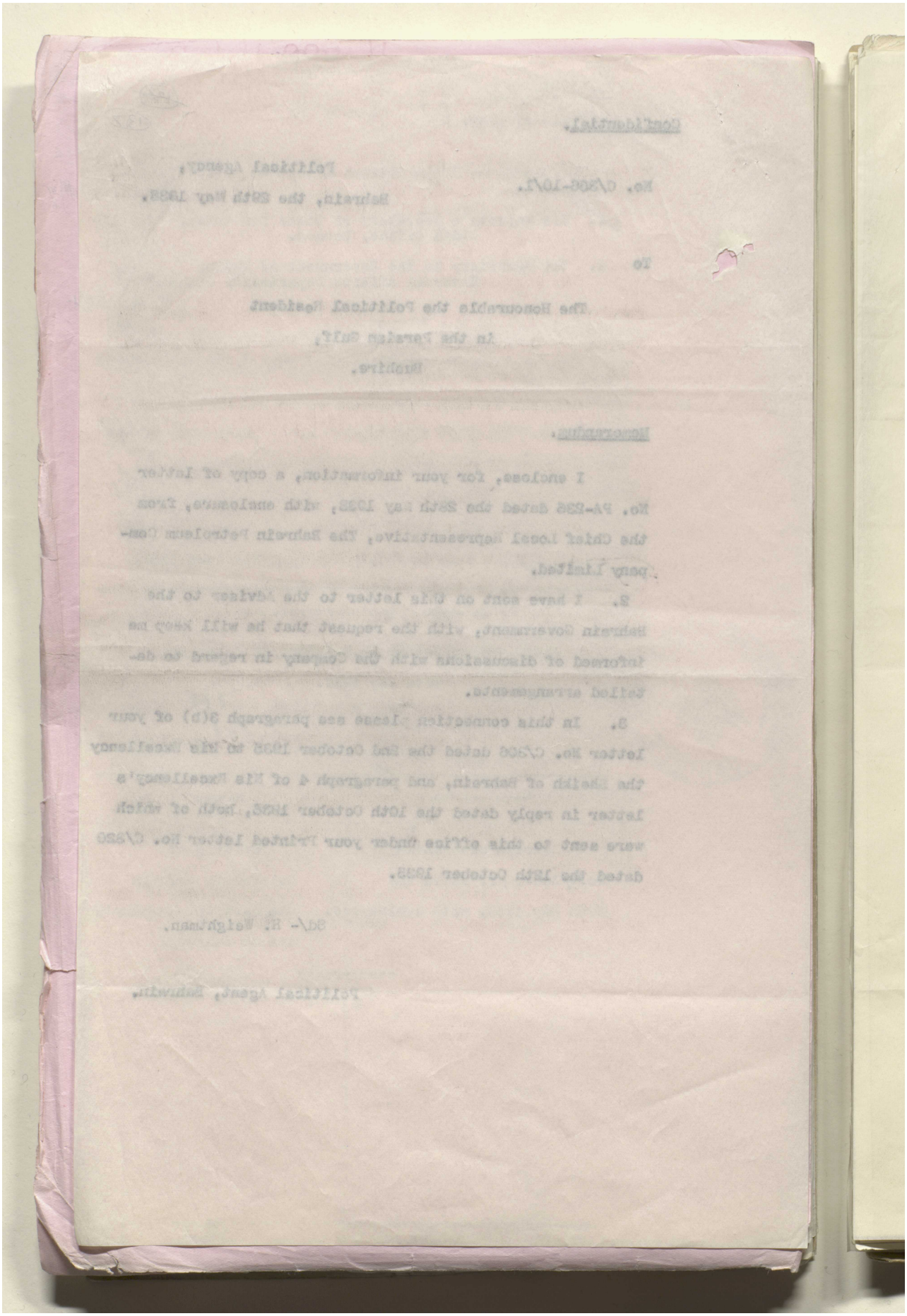

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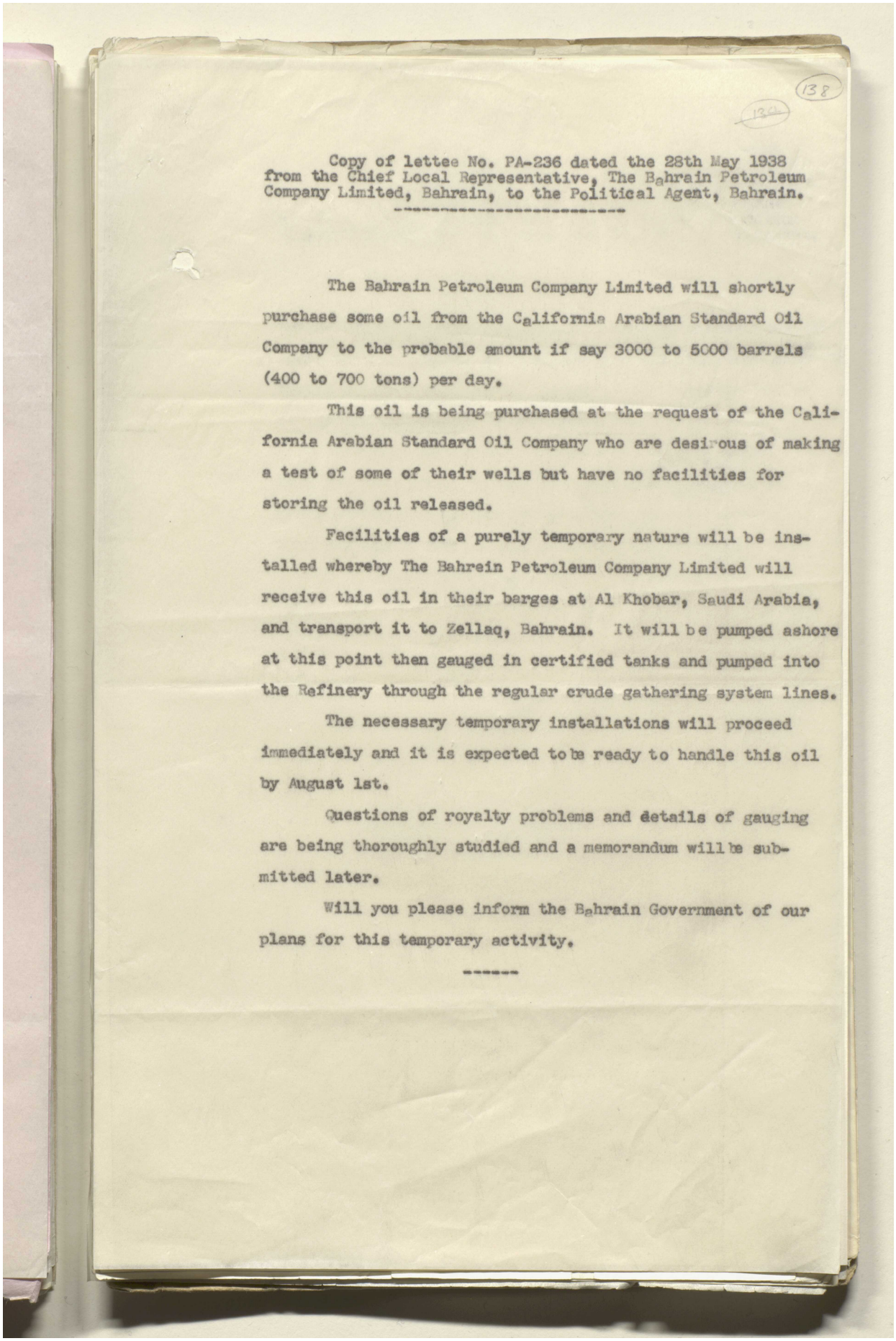

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Copy of lettee No. PA-236 dated the 28th May 1938 from the Chief Local Representative, The Bahrain Petroleum Company Limited, Bahrain, to the Political Agent, Bahrain.

The Bahrain Petroleum Company Limited will shortly purchase some oil from the California Arabian Standard Oil Company to the probable amount if say 3000 to 5000 barrels (400 to 700 tons) per day.

This oil is being purchased at the request of the California Arabian Standard Oil Company who are desirous of making a test of some of their wells but have no facilities for storing the oil released.

Facilities of a purely temporary nature will be installed whereby The Bahrein Petroleum Company Limited will receive this oil in their barges at Al Khobar, Saudi Arabia, and transport it to Zellaq, Bahrain. It will be pumped ashore at this point then gauged in certified tanks and pumped into the Refinery through the regular crude gathering system lines.

The necessary temporary installations will proceed immediately and it is expected to be ready to handle this oil by August 1st.

Questions of royalty problems and details of gauging are being thoroughly studied and a memorandum will be submitted later.

Will you please inform the Bahrain Government of our plans for this temporary activity.

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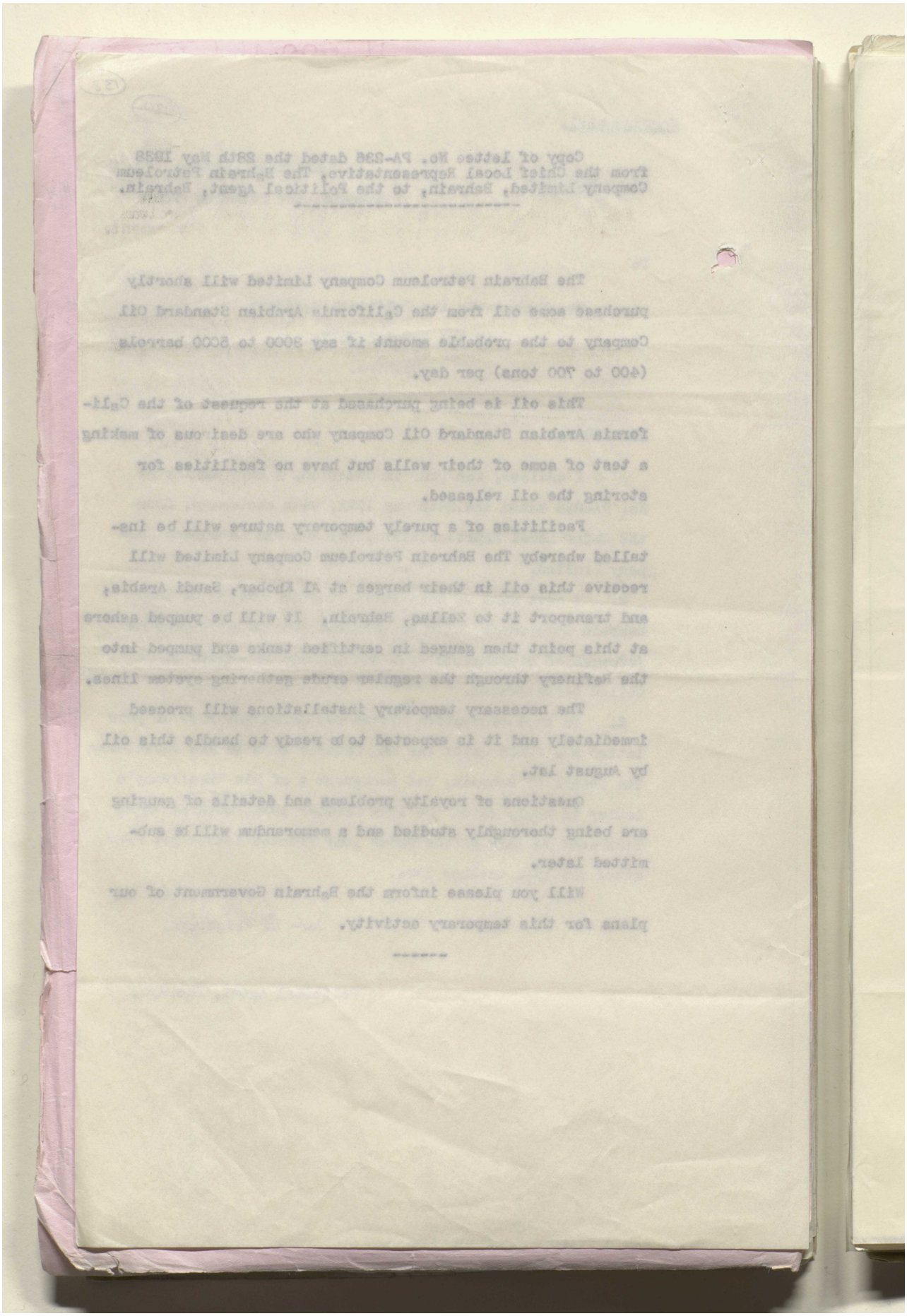

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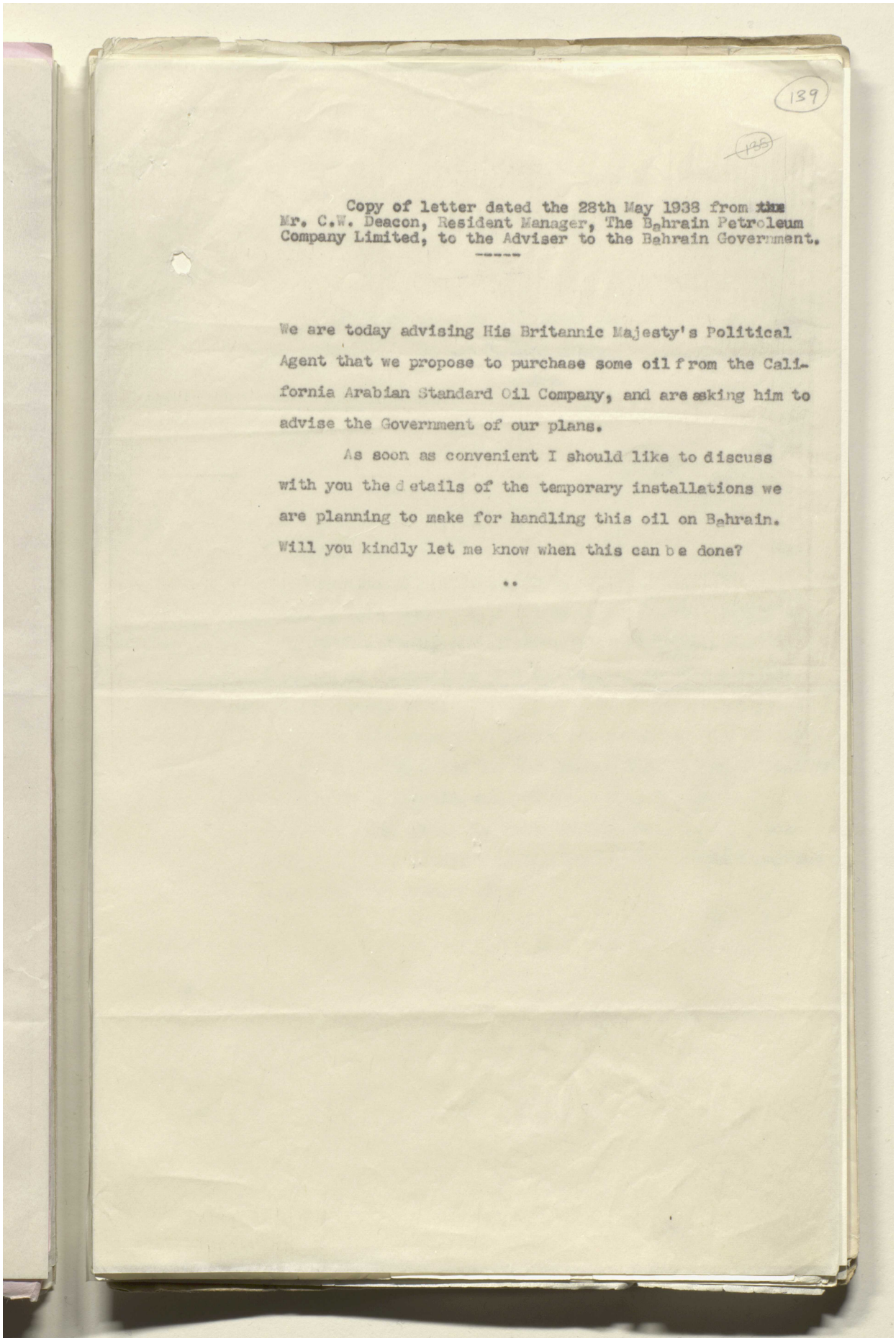

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~~135~~

Copy of letter dated the 28th May 1938 from ~~the~~ Mr. C.W. Deacon, Resident Manager, The Bahrain Petroleum Company Limited, to the Adviser to the Bahrain Government.

We are today advising His Britannic Majesty's Political Agent that we propose to purchase some oil from the California Arabian Standard Oil Company, and are asking him to advise the Government of our plans.

As soon as convenient I should like to discuss with you the details of the temporary installations we are planning to make for handling this oil on Bahrain. Will you kindly let me know when this can be done?

..

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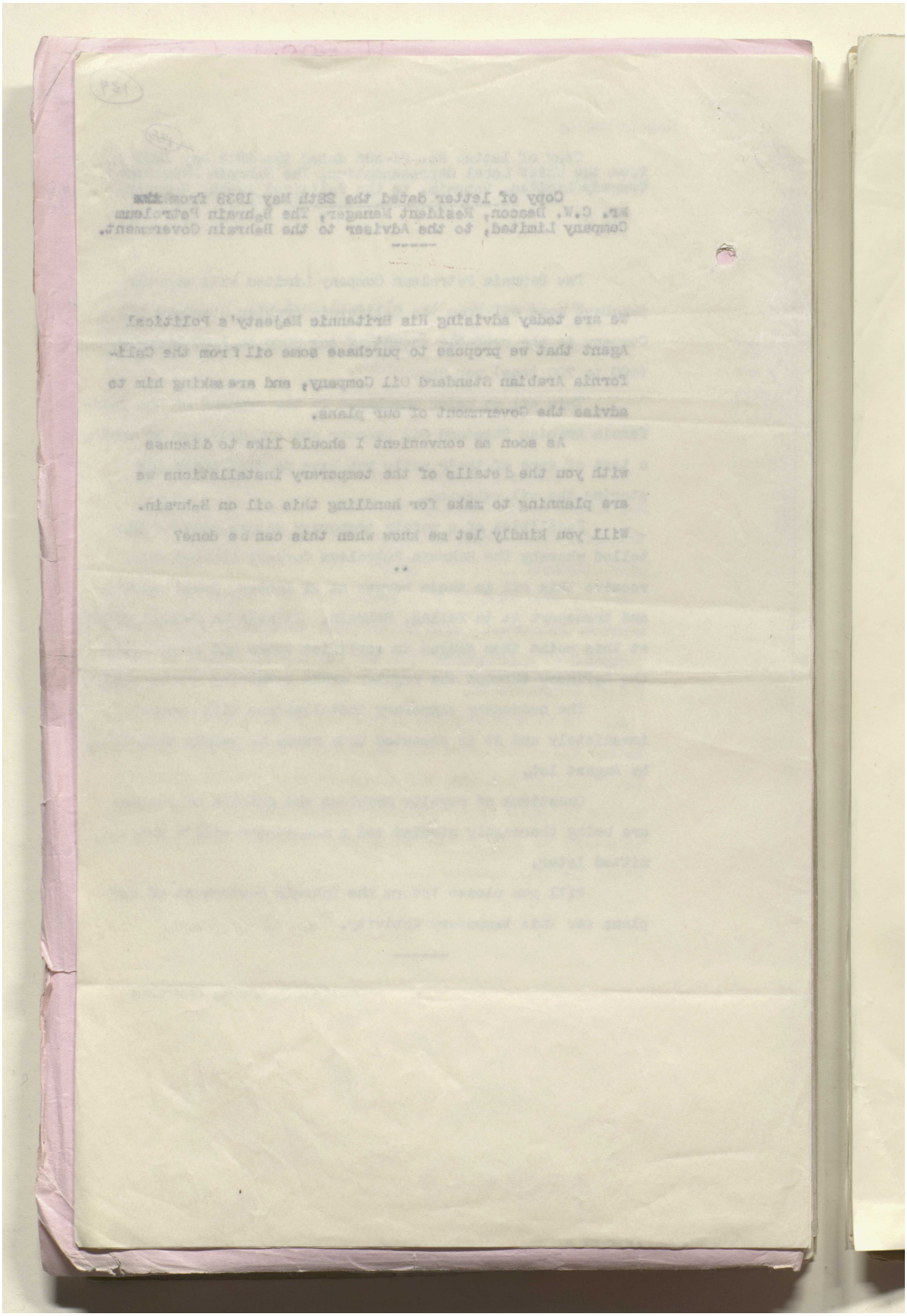

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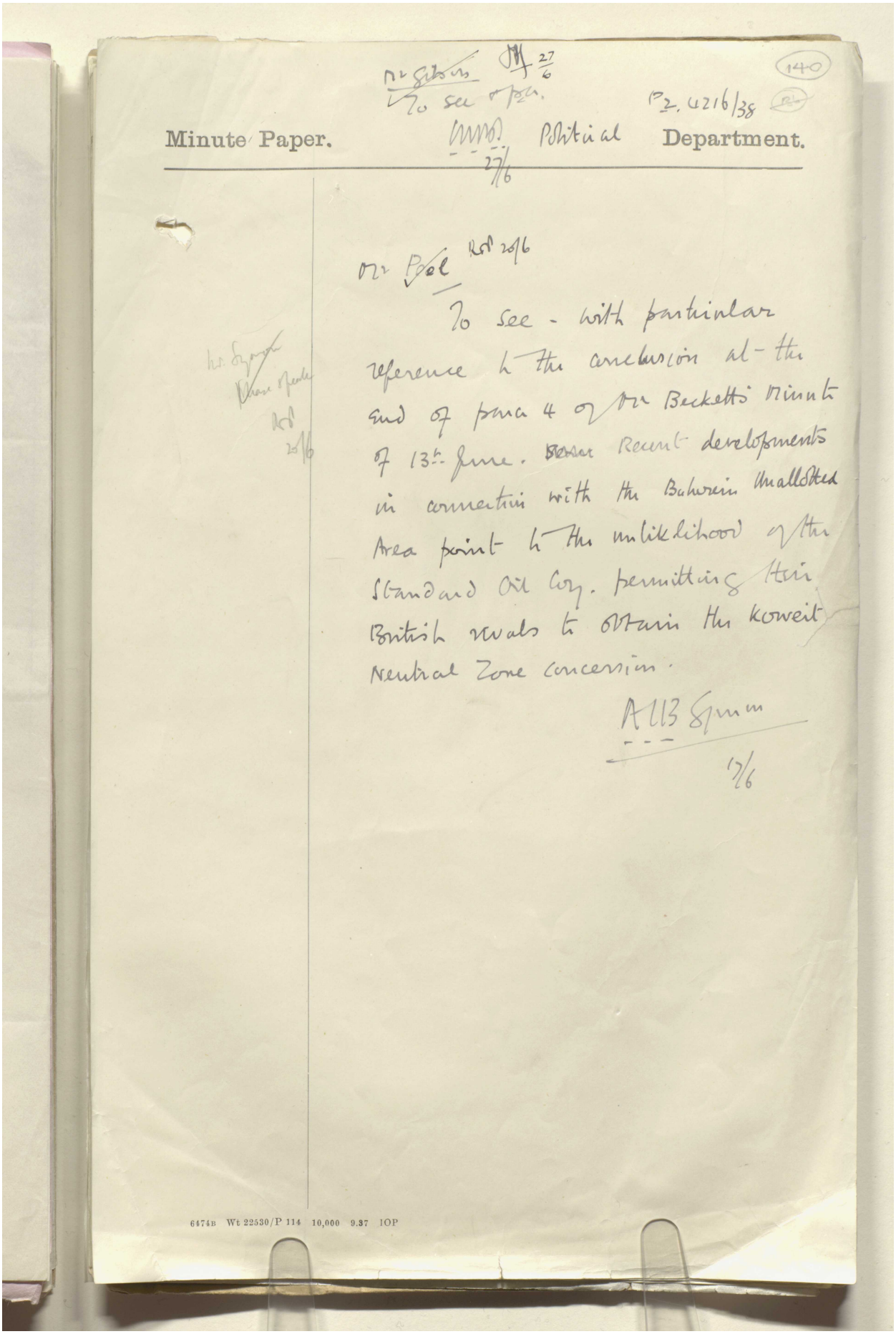

Mr Gibson 27/6
To see & pass.

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P2. 4216/38

Minute Paper. Political Department.

27/6

Mr Peel RSP 20/6

To see - with particular reference to the conclusion at the end of para 4 of Mr Beckett's Minute of 13th June. Recent developments in connection with the Bahrein Unallotted Area point to the unlikelihood of the Standard Oil Coy. permitting their British rivals to obtain the Koweit Neutral Zone concession.

A.C.B. Symon
17/6

Mr Symon
Please speak
RSP
20/6

6474B Wt 22530/P 114 10,000 9.37 IOP

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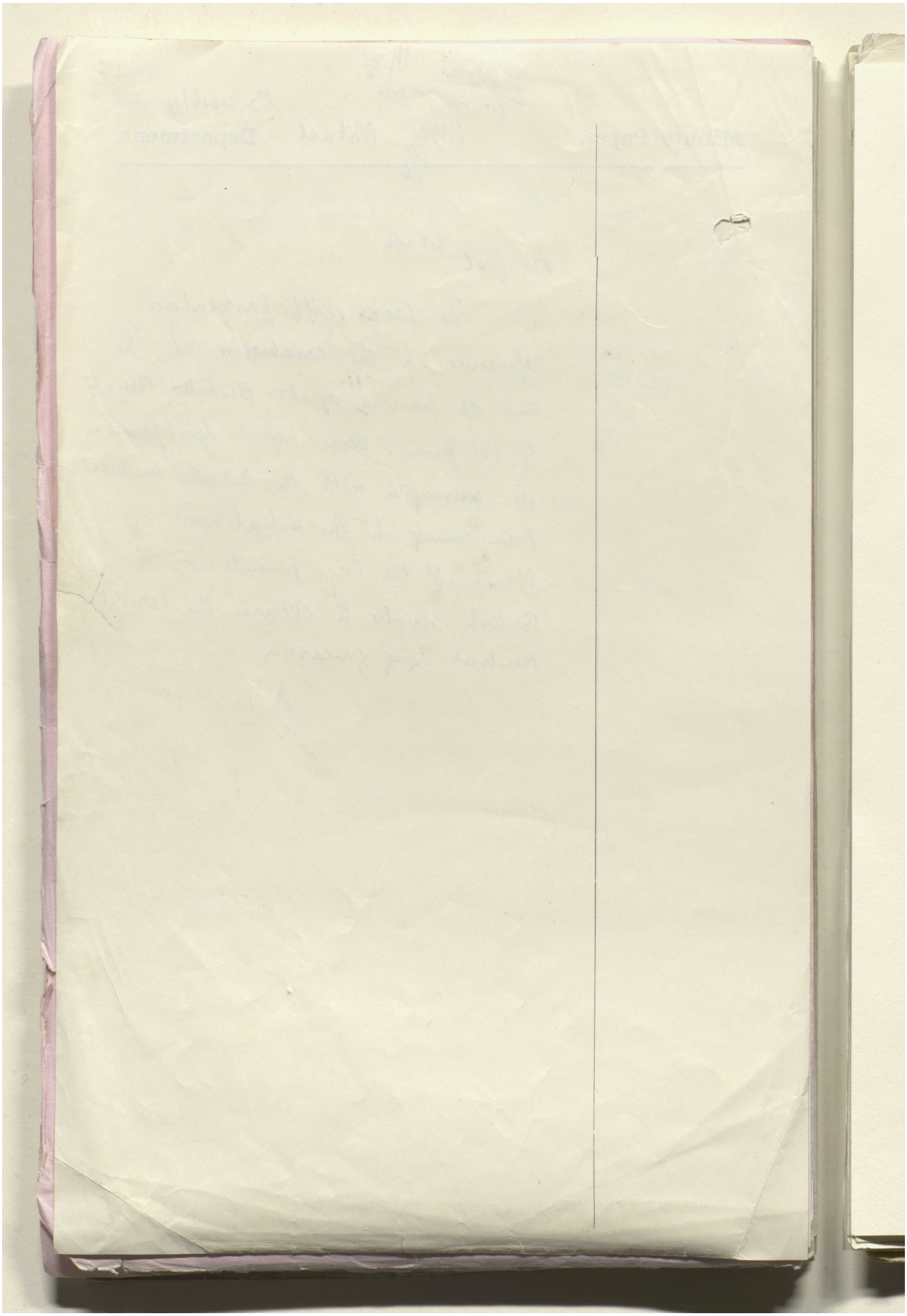

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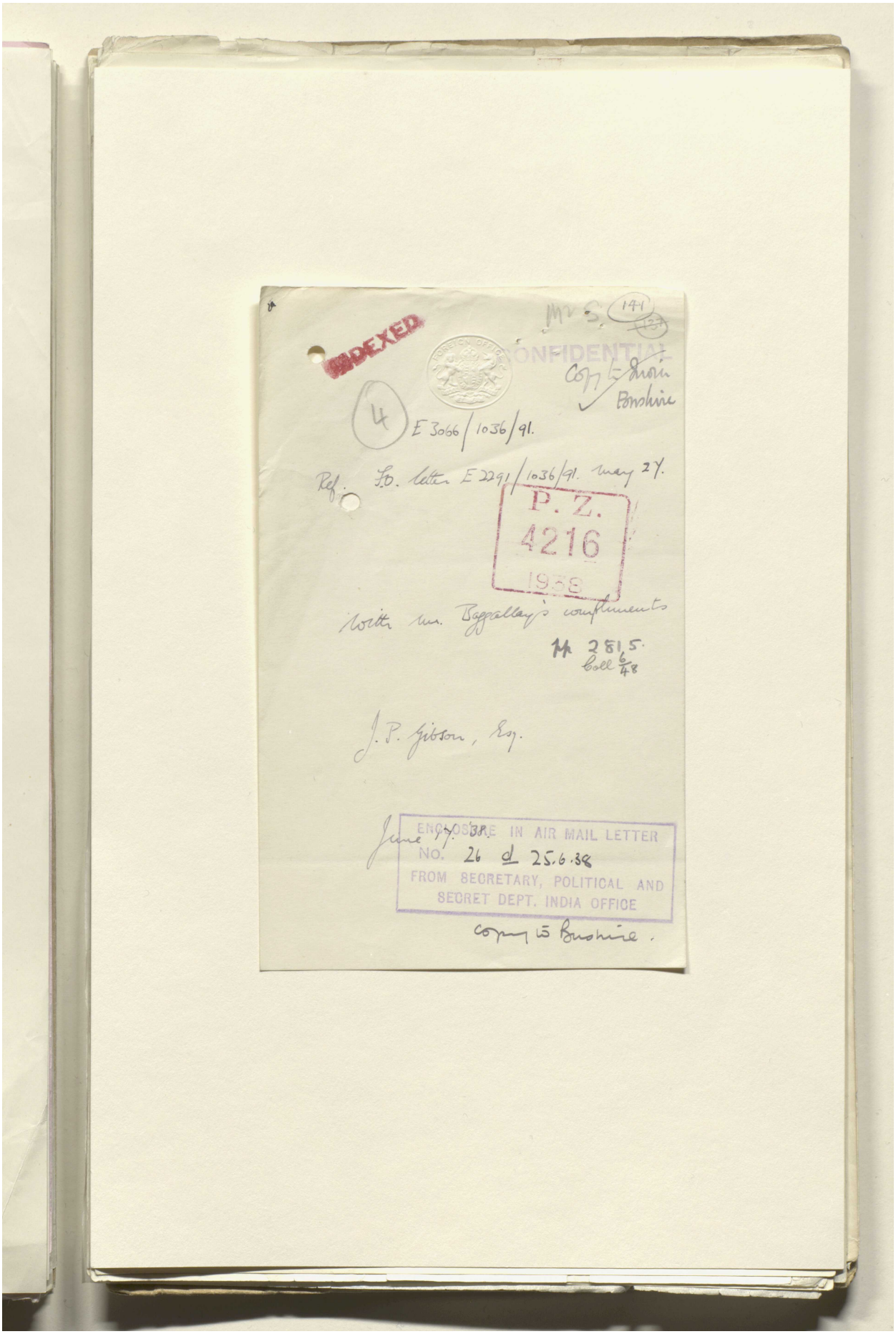

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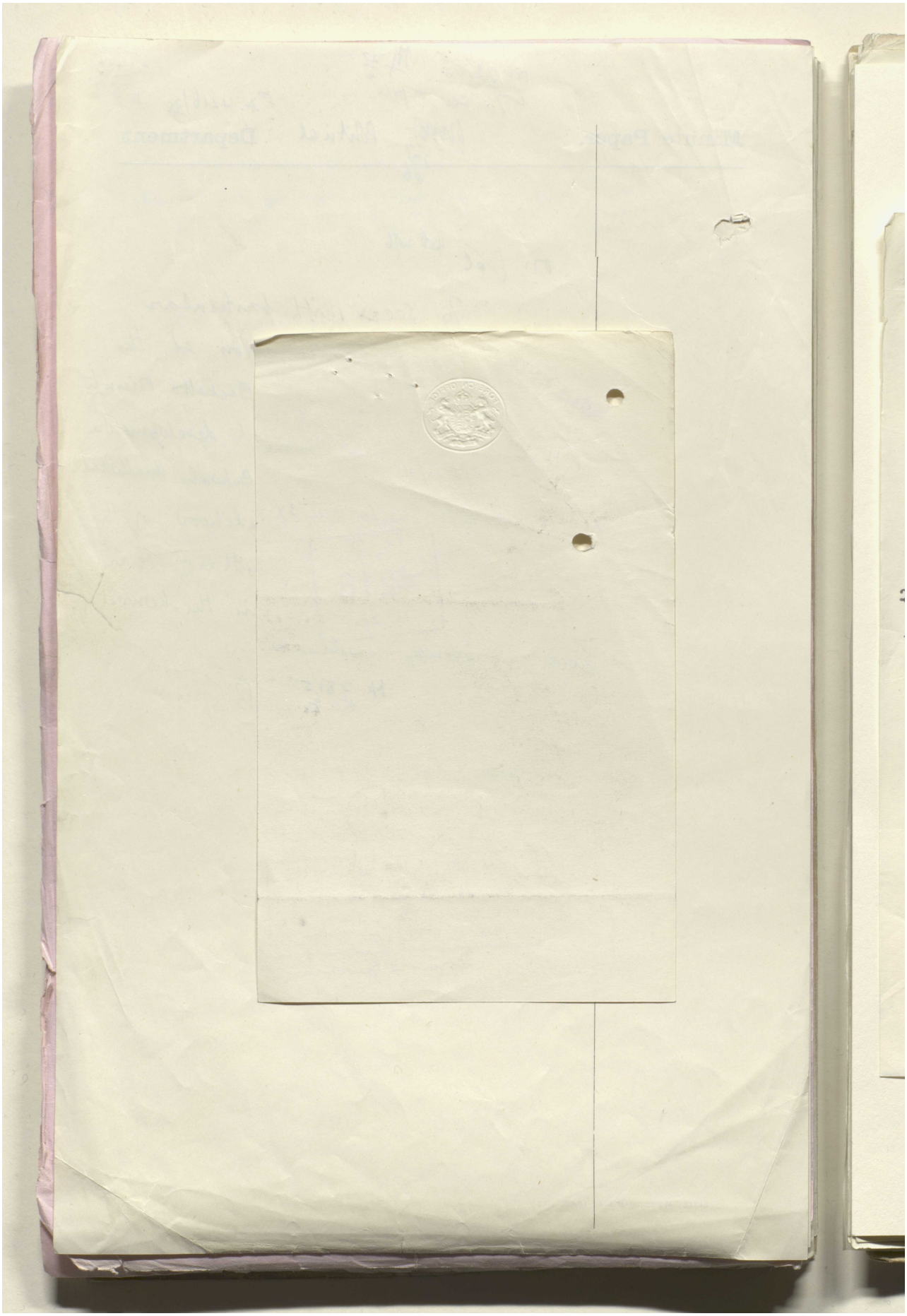

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FOREIGN OFFICE, S.W. 1.

16th June, 1938.

P.Z. 4216 1938

(E 3066/1036/91)

Confidential.

2815

My dear Bullard,

Your letter No. 773/36/2 of the 12th April on the subject of oil development in the Koweit Neutral Zone evidently crossed my letter E 1115/1036/91 of the 31st March and Foreign Office telegram No. 58 of the 13th April on the same subject and that of the California Arabian Standard Oil Company's preference rights in the "unallotted" areas of Nejd.

2. In my letter referred to I mentioned that I had asked Zada whether he could let us have the text of the option. I now enclose copies of two personal letters dated respectively the 19th April and the 23rd May which I have received from him.

3. The enclosure to the first letter purports to be a copy of three articles numbered respectively 3, 7 and/

Sir Reader Bullard, K.C.M.G., C.I.E.

Jedda.

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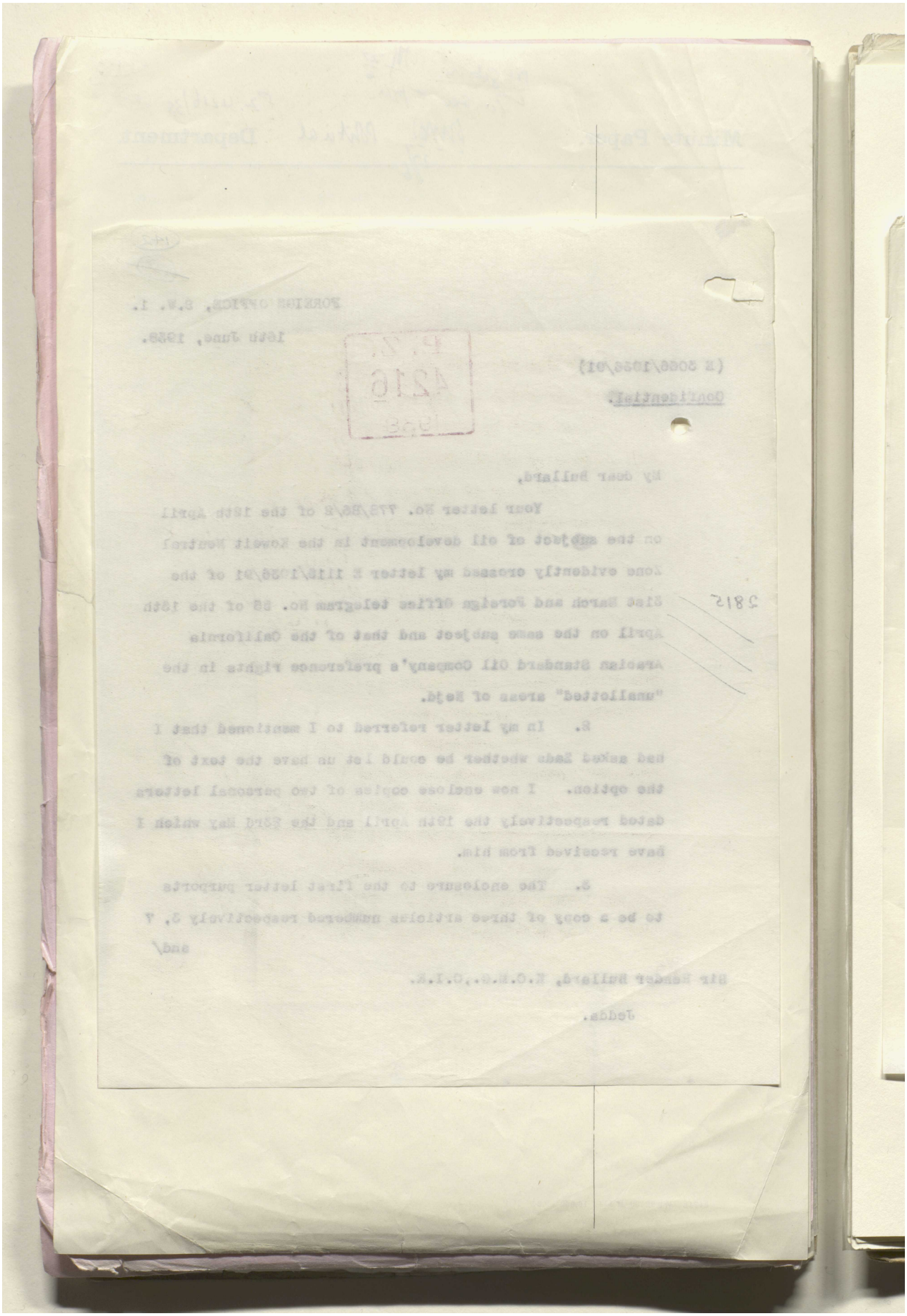

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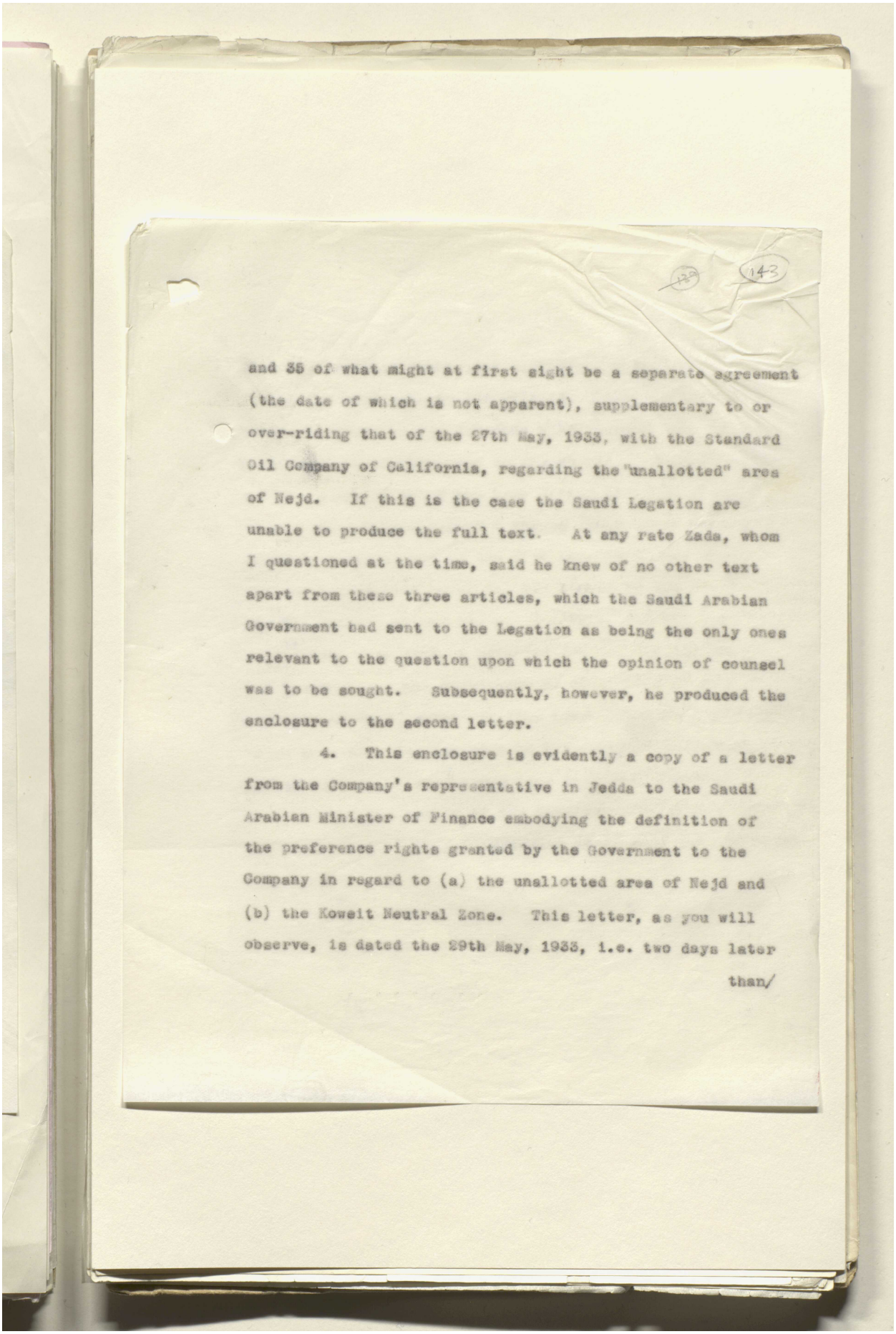

and 35 of what might at first sight be a separate agreement (the date of which is not apparent), supplementary to or over-riding that of the 27th May, 1933, with the Standard Oil Company of California, regarding the "unallotted" area of Nejd. If this is the case the Saudi Legation are unable to produce the full text. At any rate Zada, whom I questioned at the time, said he knew of no other text apart from these three articles, which the Saudi Arabian Government had sent to the Legation as being the only ones relevant to the question upon which the opinion of counsel was to be sought. Subsequently, however, he produced the enclosure to the second letter.

4. This enclosure is evidently a copy of a letter from the Company's representative in Jedda to the Saudi Arabian Minister of Finance embodying the definition of the preference rights granted by the Government to the Company in regard to (a) the unallotted area of Nejd and (b) the Koweit Neutral Zone. This letter, as you will observe, is dated the 29th May, 1933, i.e. two days later

than/

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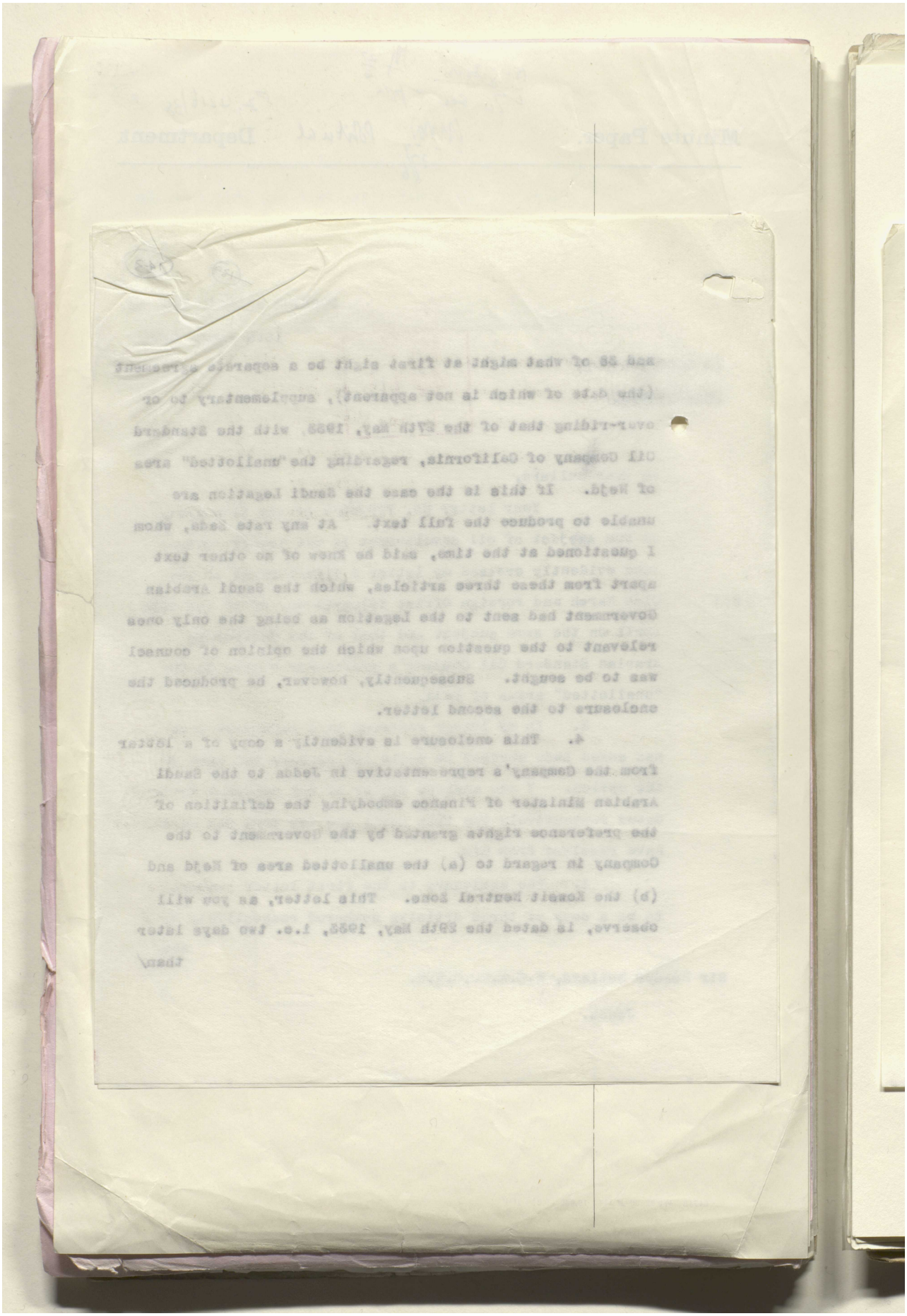

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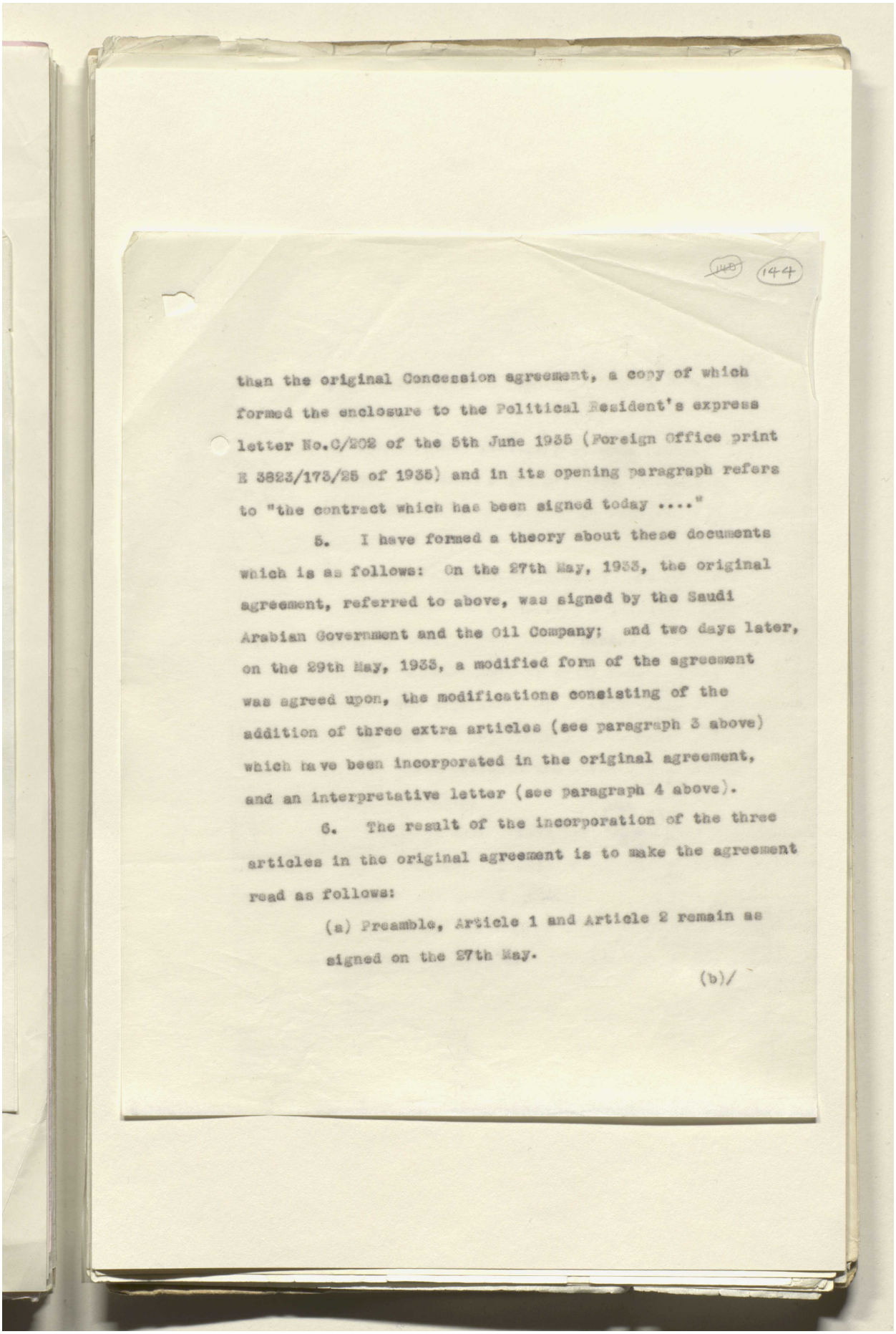

(148) 144

than the original Concession agreement, a copy of which formed the enclosure to the Political Resident's express letter No.C/202 of the 5th June 1935 (Foreign Office print E 3823/173/25 of 1935) and in its opening paragraph refers to "the contract which has been signed today ...."

5. I have formed a theory about these documents which is as follows: On the 27th May, 1933, the original agreement, referred to above, was signed by the Saudi Arabian Government and the Oil Company; and two days later, on the 29th May, 1933, a modified form of the agreement was agreed upon, the modifications consisting of the addition of three extra articles (see paragraph 3 above) which have been incorporated in the original agreement, and an interpretative letter (see paragraph 4 above).

6. The result of the incorporation of the three articles in the original agreement is to make the agreement read as follows:

(a) Preamble, Article 1 and Article 2 remain as signed on the 27th May.

(b)/

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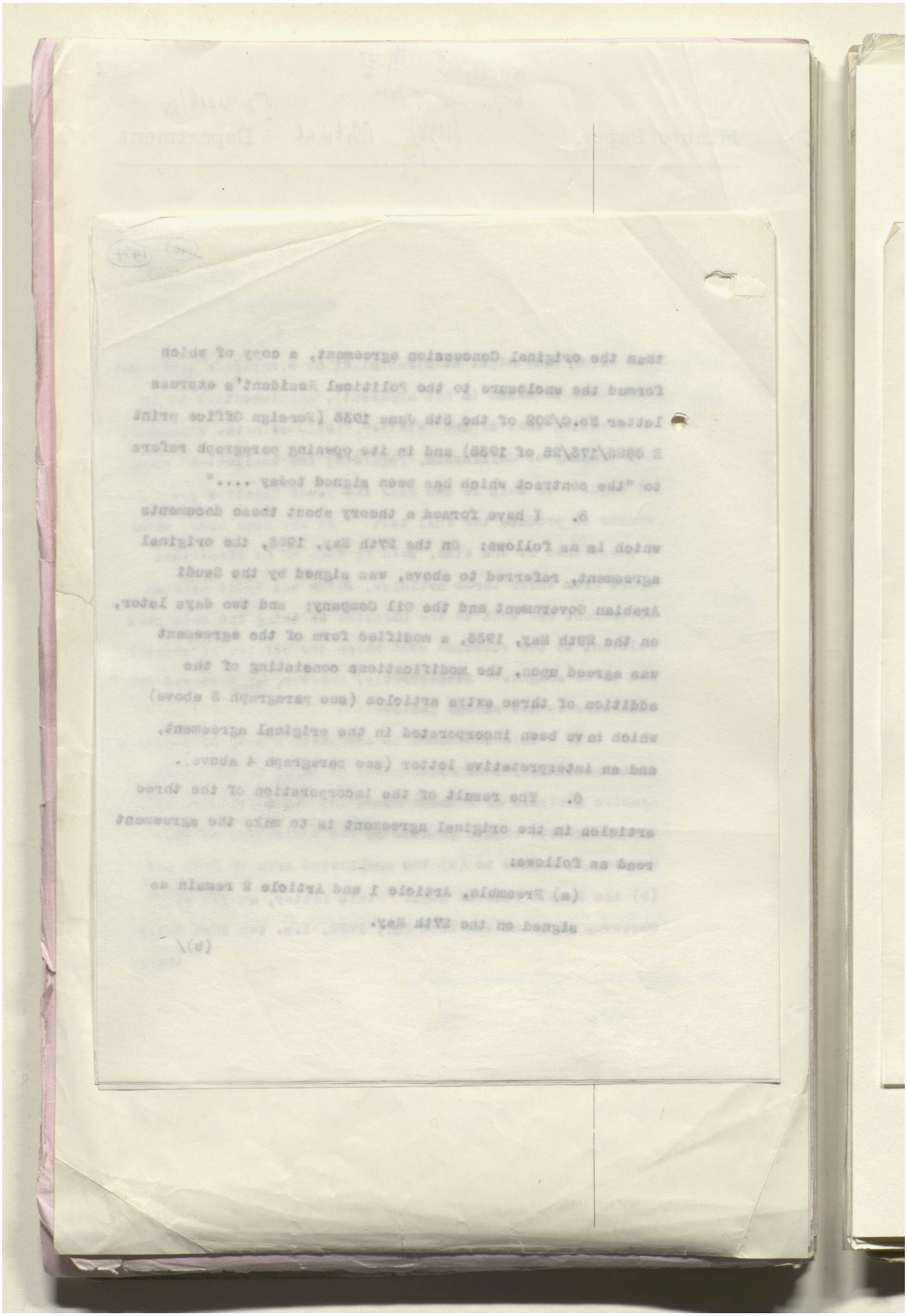

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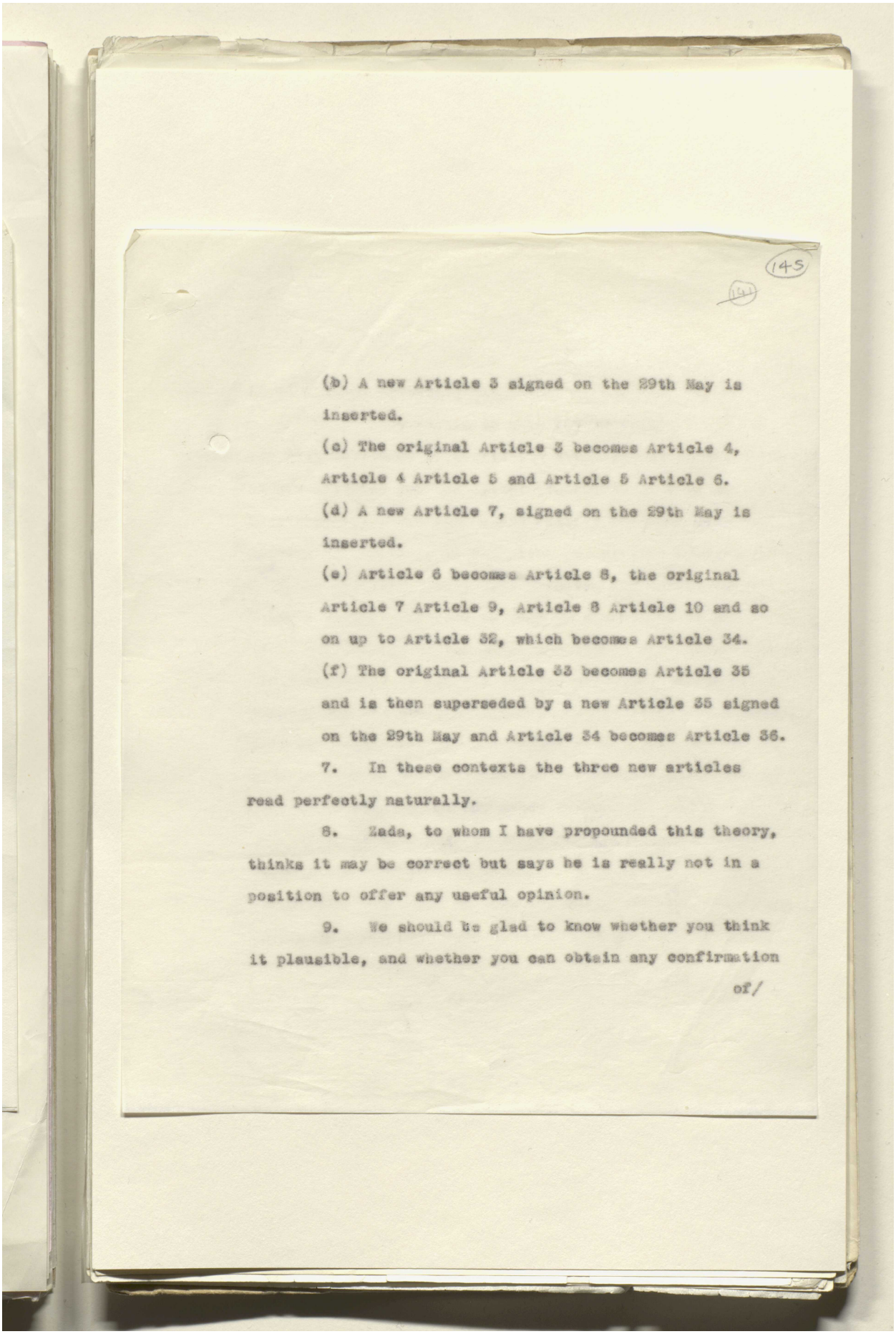

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(b) A new Article 3 signed on the 29th May is inserted.

(c) The original Article 3 becomes Article 4, Article 4 Article 5 and Article 5 Article 6.

(d) A new Article 7, signed on the 29th May is inserted.

(e) Article 6 becomes Article 8, the original Article 7 Article 9, Article 8 Article 10 and so on up to Article 32, which becomes Article 34.

(f) The original Article 33 becomes Article 35 and is then superseded by a new Article 35 signed on the 29th May and Article 34 becomes Article 36.

7. In these contexts the three new articles read perfectly naturally.

8. Hada, to whom I have propounded this theory, thinks it may be correct but says he is really not in a position to offer any useful opinion.

9. We should be glad to know whether you think it plausible, and whether you can obtain any confirmation of/

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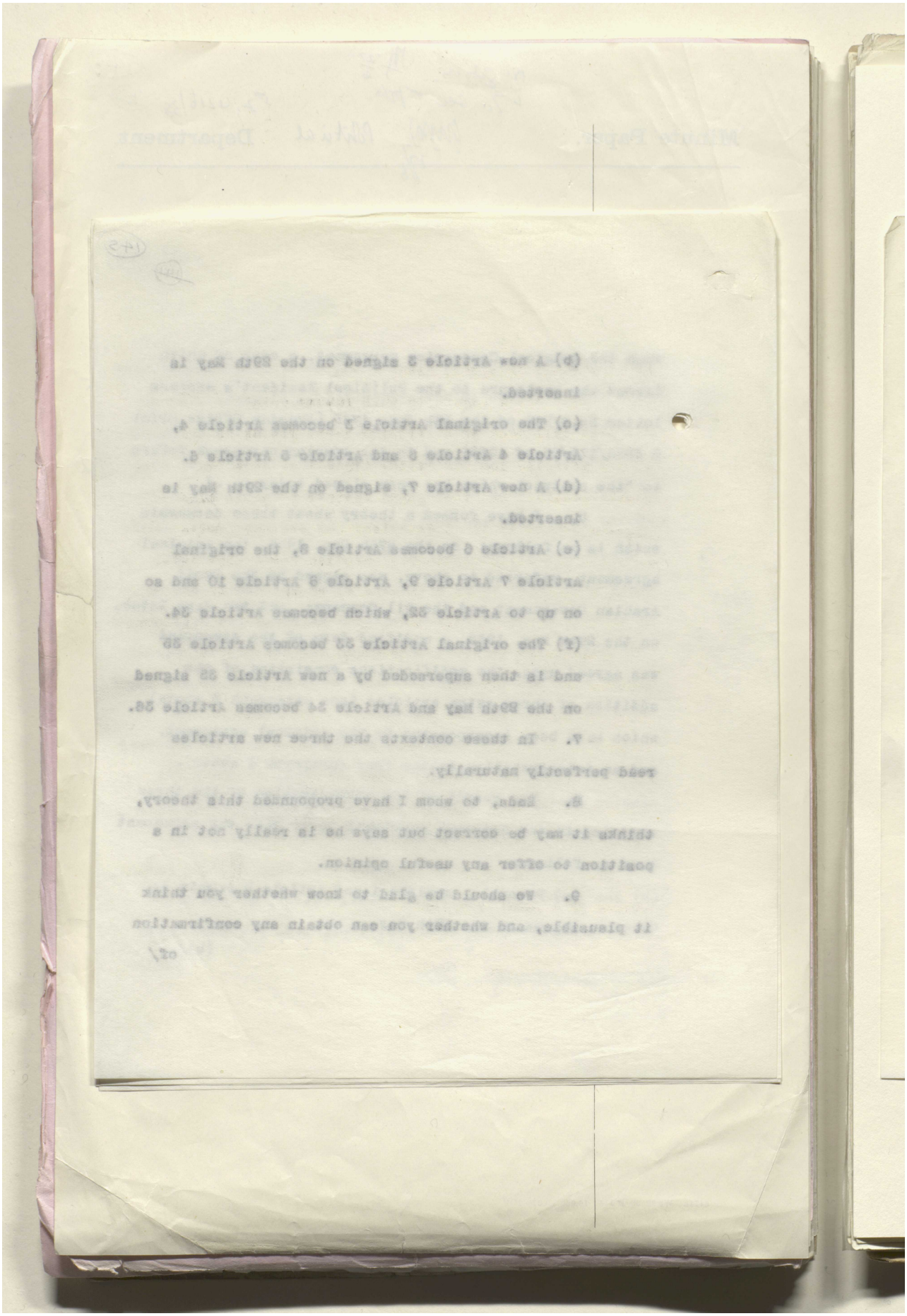

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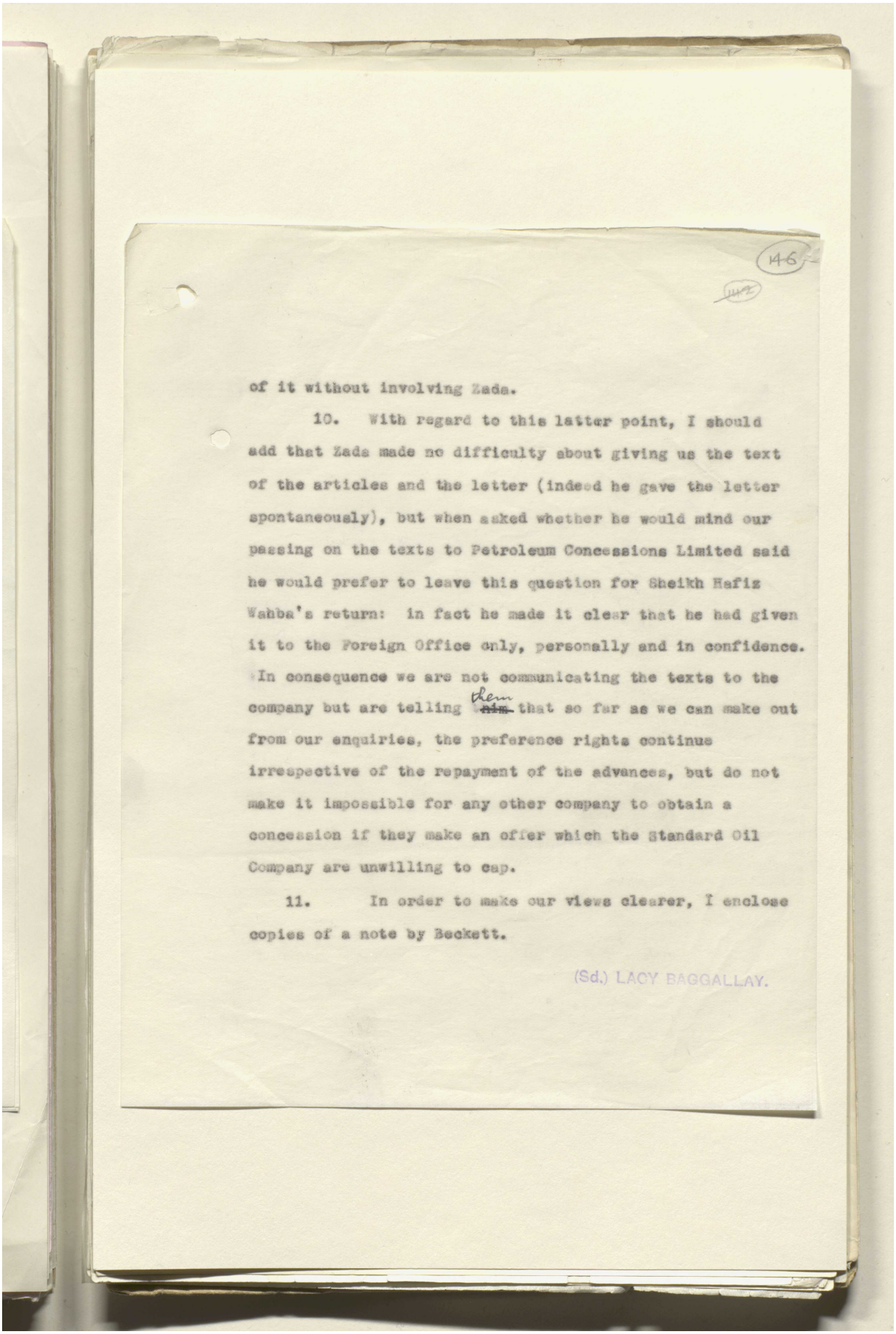

of it without involving Zada.

10. With regard to this latter point, I should add that Zada made no difficulty about giving us the text of the articles and the letter (indeed he gave the letter spontaneously), but when asked whether he would mind our passing on the texts to Petroleum Concessions Limited said he would prefer to leave this question for Sheikh Hafiz Wahba's return: in fact he made it clear that he had given it to the Foreign Office only, personally and in confidence. In consequence we are not communicating the texts to the company but are telling ~~him~~ them that so far as we can make out from our enquiries, the preference rights continue irrespective of the repayment of the advances, but do not make it impossible for any other company to obtain a concession if they make an offer which the Standard Oil Company are unwilling to cap.

11. In order to make our views clearer, I enclose copies of a note by Beckett.

(Sd.) LACY BAGGALLAY.

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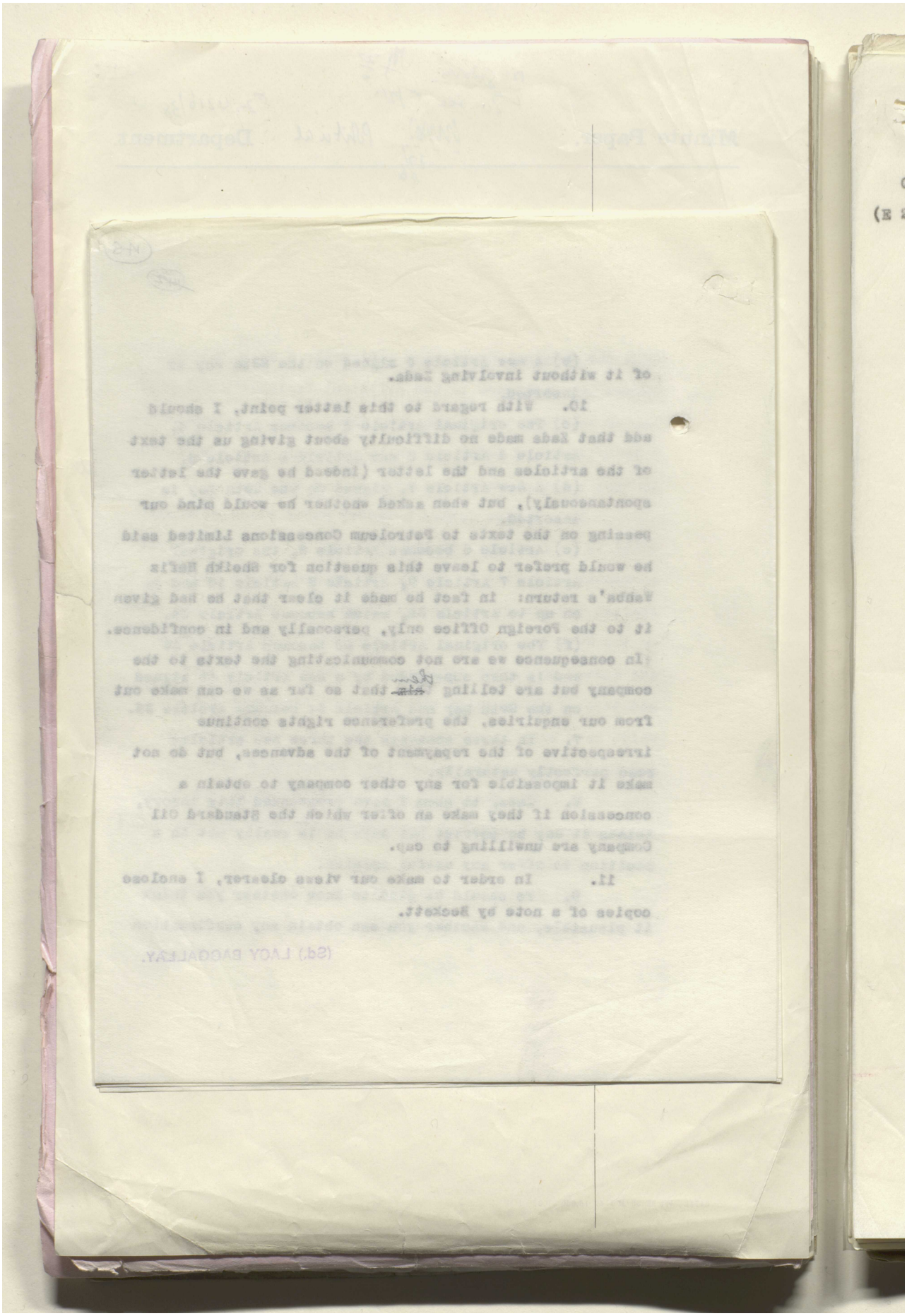

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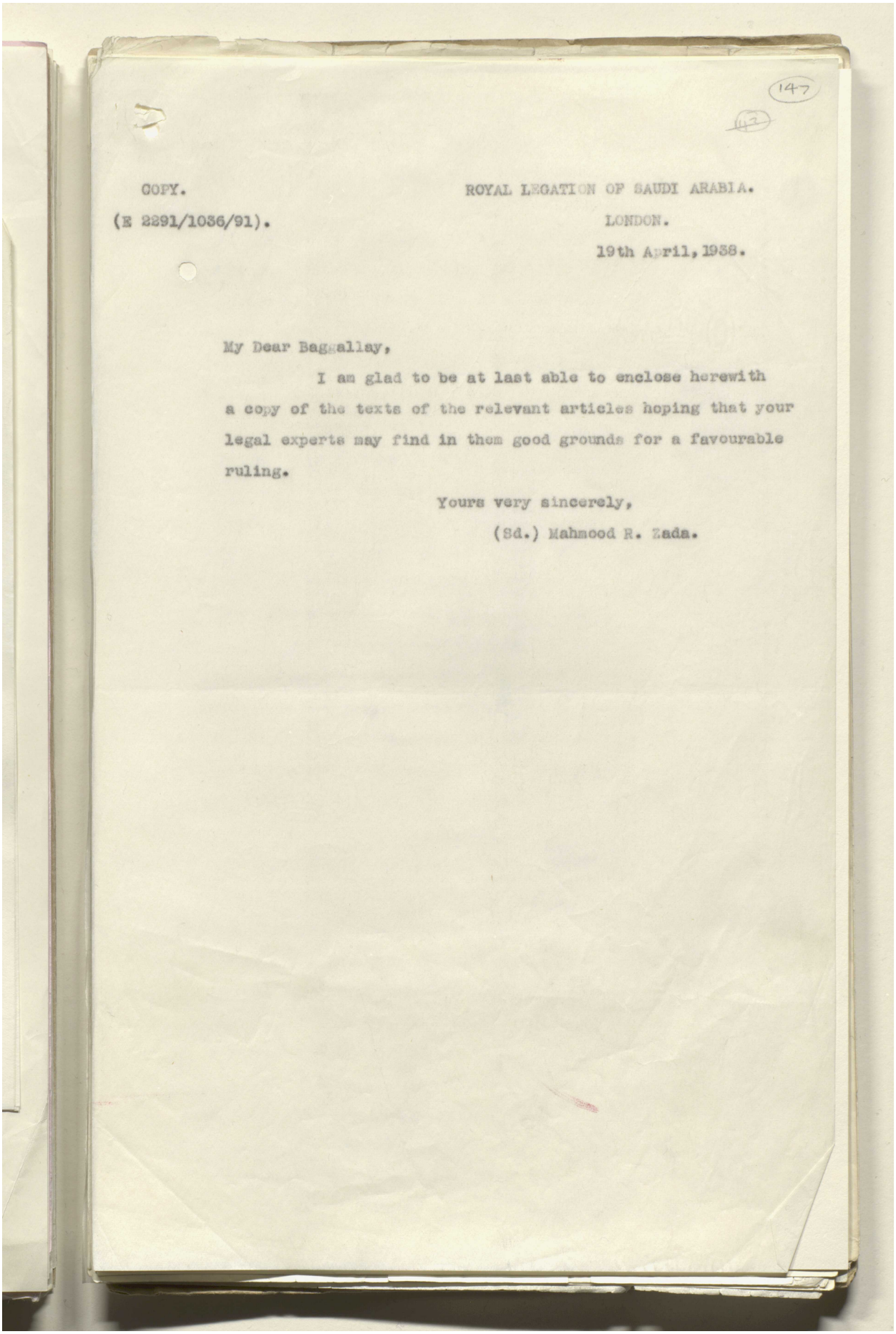

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COPY.

(E 2291/1036/91).

ROYAL LEGATION OF SAUDI ARABIA.
LONDON.
19th April, 1938.

My Dear Bagallay,

I am glad to be at last able to enclose herewith a copy of the texts of the relevant articles hoping that your legal experts may find in them good grounds for a favourable ruling.

Yours very sincerely,
(Sd.) Mahmood R. Zada.

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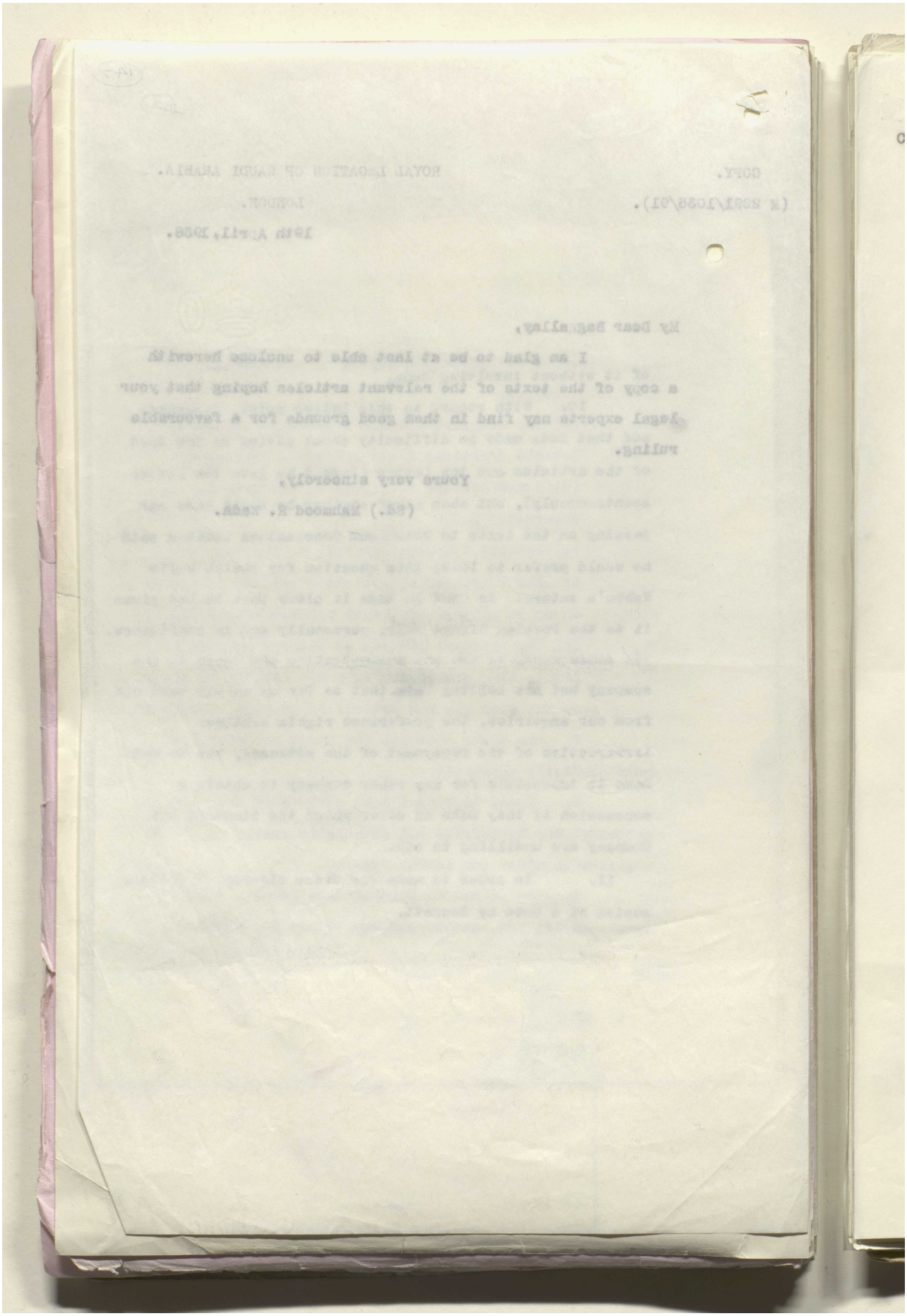

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SAUDI ARAB CONCESSION.

Article 3.

In addition to the grant of the exclusive area referred to in Article 2 of this agreement, the Government also hereby grants to the Company a preference right to acquire an oil concession covering the balance of eastern Saudi Arabia extending as far west of the westerly boundary of the exclusive area as the contact between the sedimentary and igneous formations. This preference right includes such rights as the Government may now have, or may hereafter acquire, in the so-called Neutral Zone bordering on the Persian Gulf to the south of Kuwait. The nature of this preference right is to be hereafter agreed upon. The term "oil concession" as used in this Article means an exclusive concession covering the same products which are covered by the present agreement.
Furthermore, the Company's geologists shall have the right to examine the region covered by the preference right just referred to (excepting the Neutral Zone referred to above), in so far as such examination may be necessary or advisable for a better understanding of the geological character of the exclusive area.

Article 7.

During the life of this agreement, the Government shall be under no obligation to repay the initial loan of £30,000 gold (or its equivalent), or the second loan of £20,000. gold (or its equivalent). The Company shall have the right to recover the amount of these two loans by way of deductions from one half of the royalties due the Government. If the amount of the two loans, in whole or in part, shall not have been so recovered by the Company upon the termination of this contract, the Government shall repay the unrecovered amount in four equal and consecutive annual instalments, the first instalment to be paid within one year from the date of the termination of this agreement. Furthermore until such

unrecovered/

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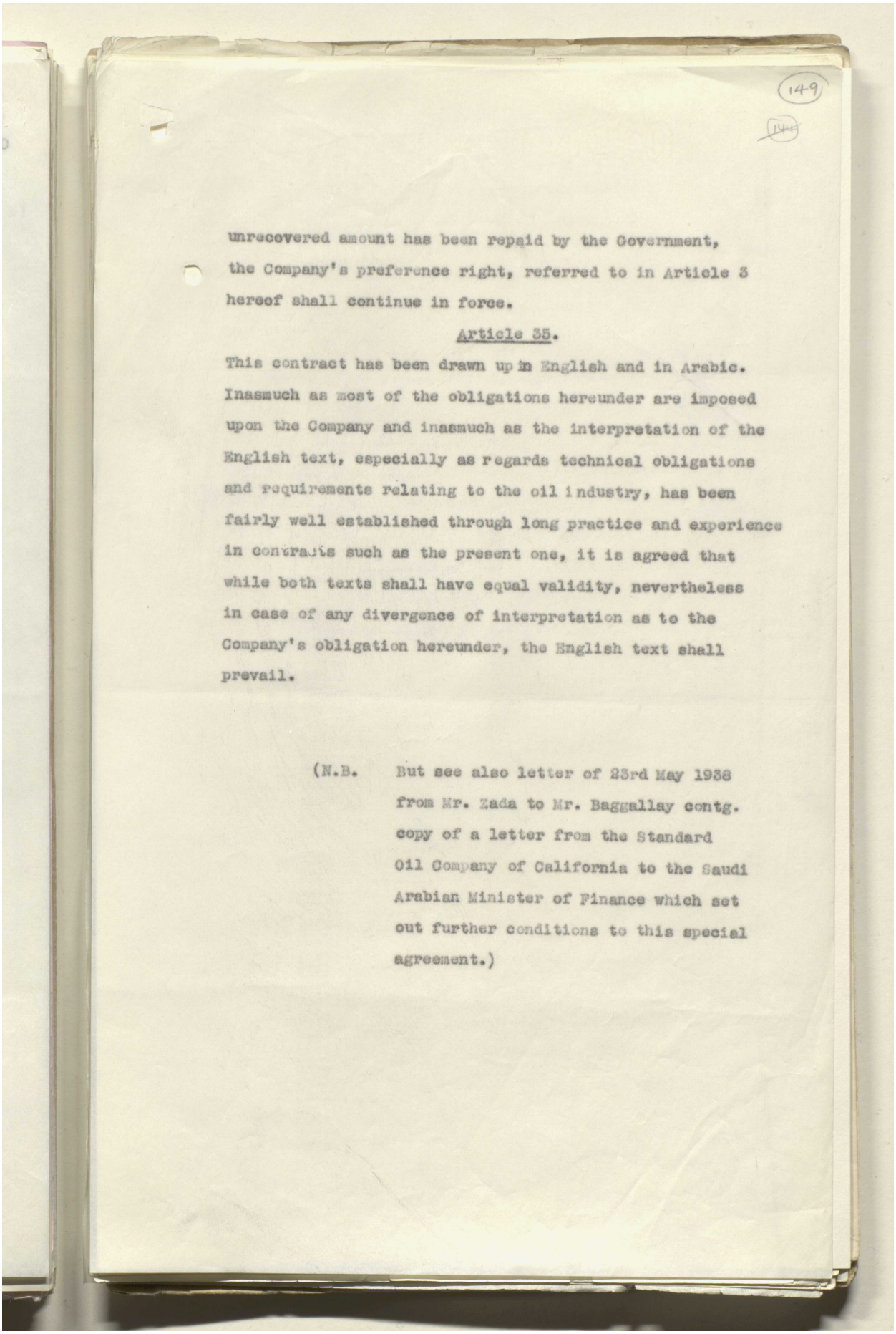

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unrecovered amount has been repaid by the Government, the Company's preference right, referred to in Article 3 hereof shall continue in force.

Article 35.

This contract has been drawn up in English and in Arabic. Inasmuch as most of the obligations hereunder are imposed upon the Company and inasmuch as the interpretation of the English text, especially as regards technical obligations and requirements relating to the oil industry, has been fairly well established through long practice and experience in contracts such as the present one, it is agreed that while both texts shall have equal validity, nevertheless in case of any divergence of interpretation as to the Company's obligation hereunder, the English text shall prevail.

(N.B. But see also letter of 23rd May 1938 from Mr. Zada to Mr. Baggallay contg. copy of a letter from the Standard Oil Company of California to the Saudi Arabian Minister of Finance which set out further conditions to this special agreement.)

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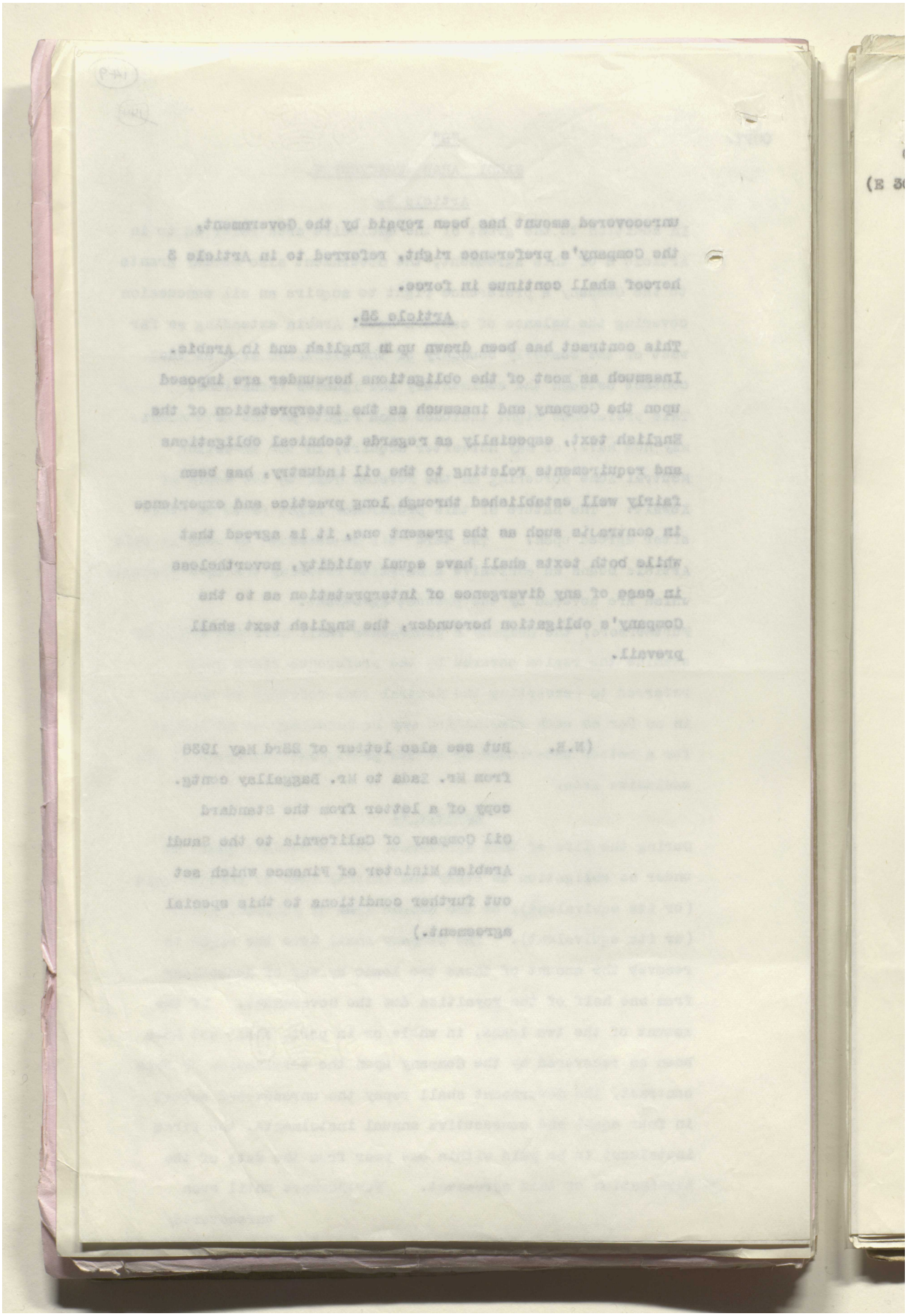

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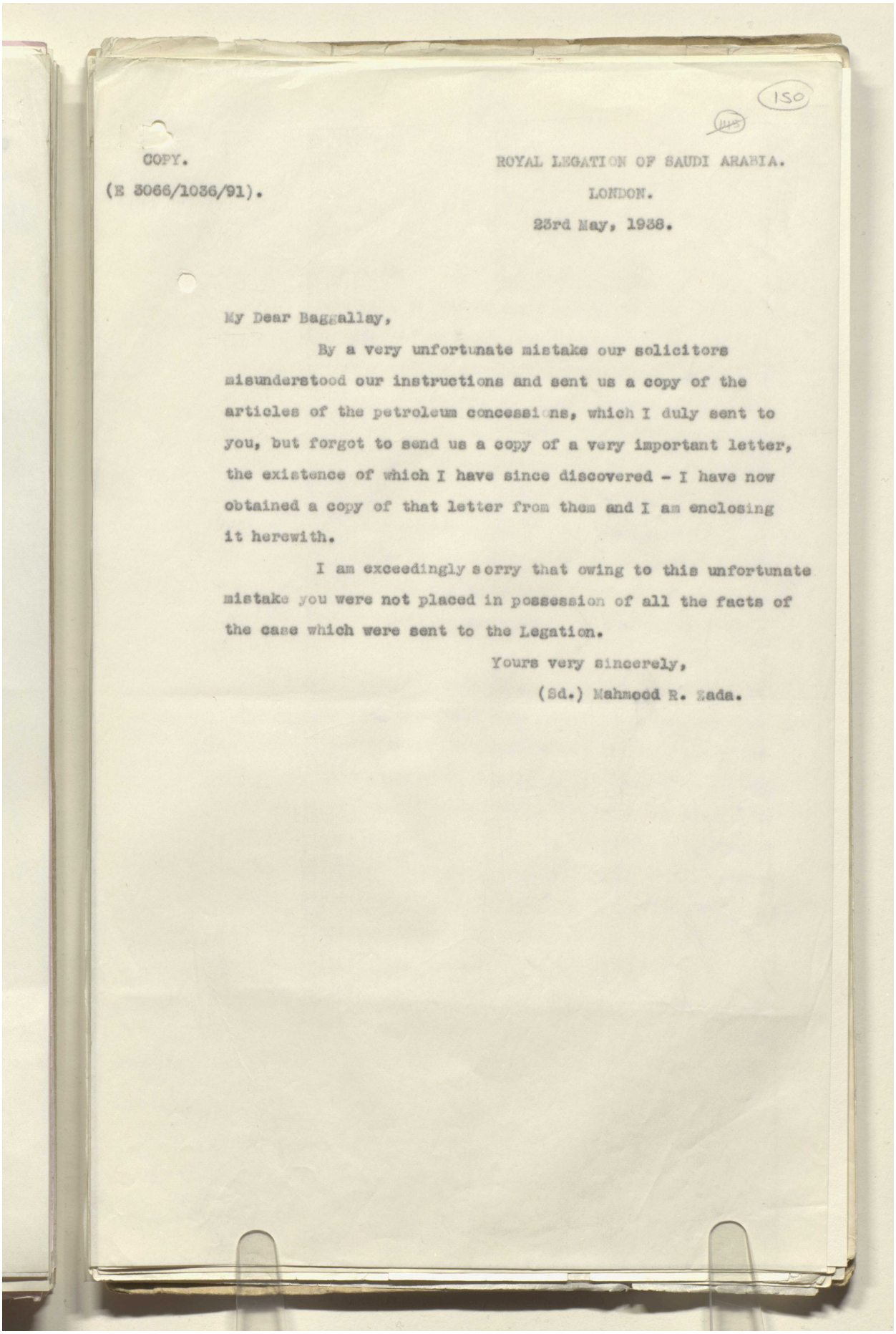

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COPY.

(E 3066/1036/91).

ROYAL LEGATION OF SAUDI ARABIA.
LONDON.
23rd May, 1938.

My Dear Baggallay,

By a very unfortunate mistake our solicitors misunderstood our instructions and sent us a copy of the articles of the petroleum concessions, which I duly sent to you, but forgot to send us a copy of a very important letter, the existence of which I have since discovered - I have now obtained a copy of that letter from them and I am enclosing it herewith.

I am exceedingly sorry that owing to this unfortunate mistake you were not placed in possession of all the facts of the case which were sent to the Legation.

Yours very sincerely,

(Sd.) Mahmood R. Hada.

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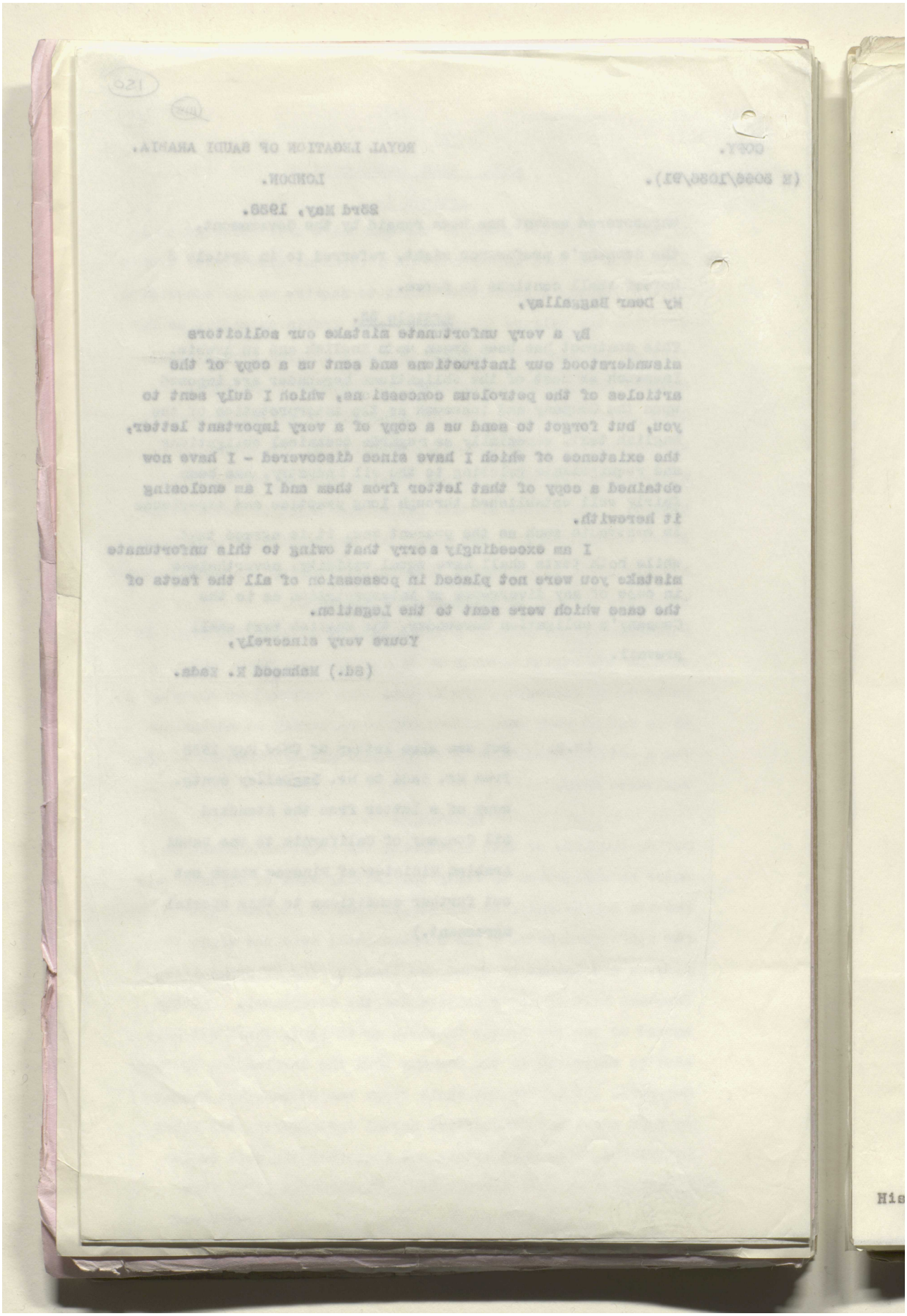

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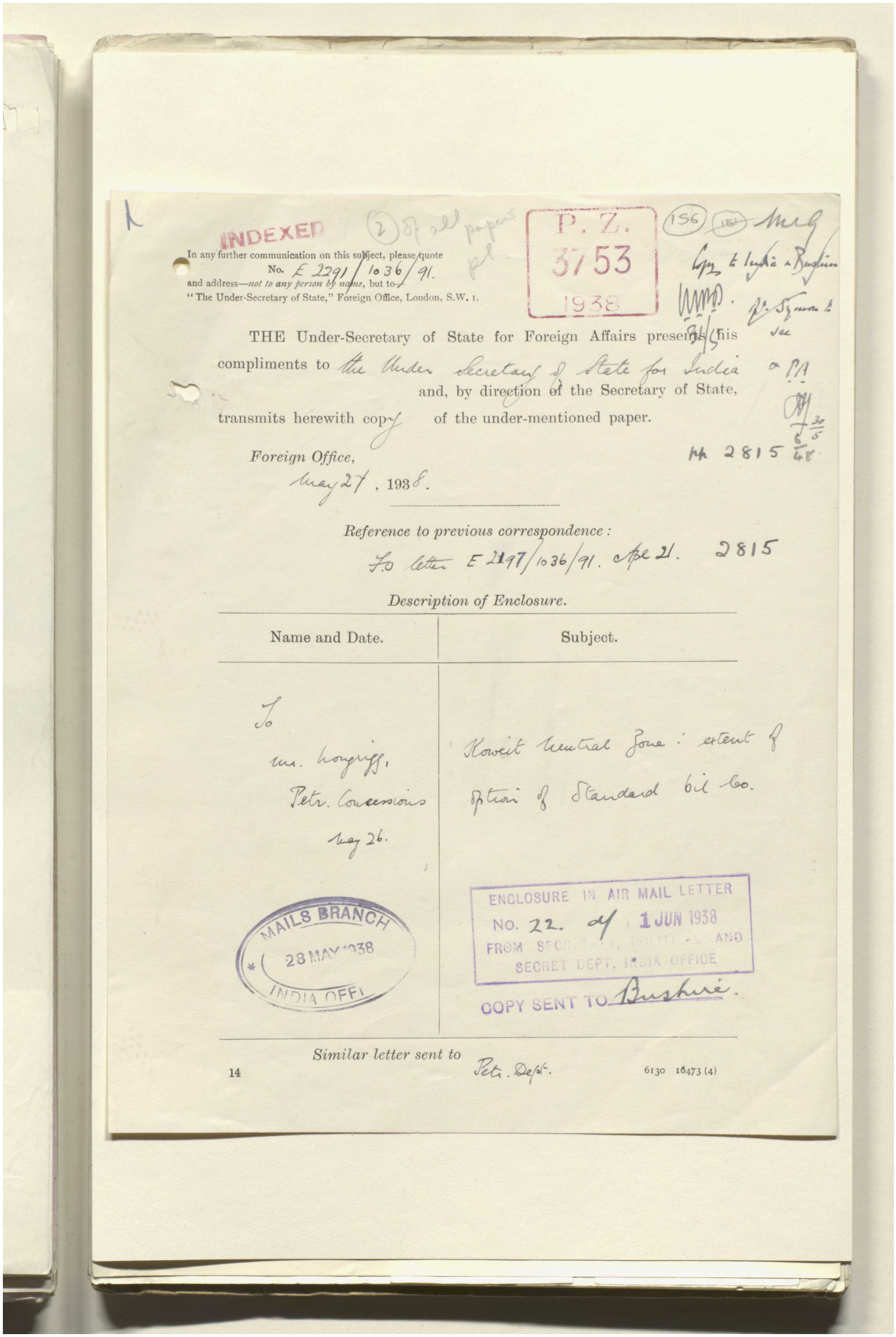

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In any further communication on this subject, please quote
No. E 2291/1036/91.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P. Z. 3753 1938

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
May 27, 1938.

Reference to previous correspondence:
To letter E 2197/1036/91. dtd 21. 2815

Description of Enclosure.

Name and Date.	Subject.
To Mr. Longrigg, Petr. Concessions May 26.	Koweit Neutral Zone: extent of option of Standard Oil Co.

MAILS BRANCH 28 MAY 1938 INDIA OFFICE

ENCLOSURE IN AIR MAIL LETTER No. 22. of 1 JUN 1938 FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

COPY SENT TO Bushire.

Similar letter sent to Petr. Dept.

14 6130 16473 (4)

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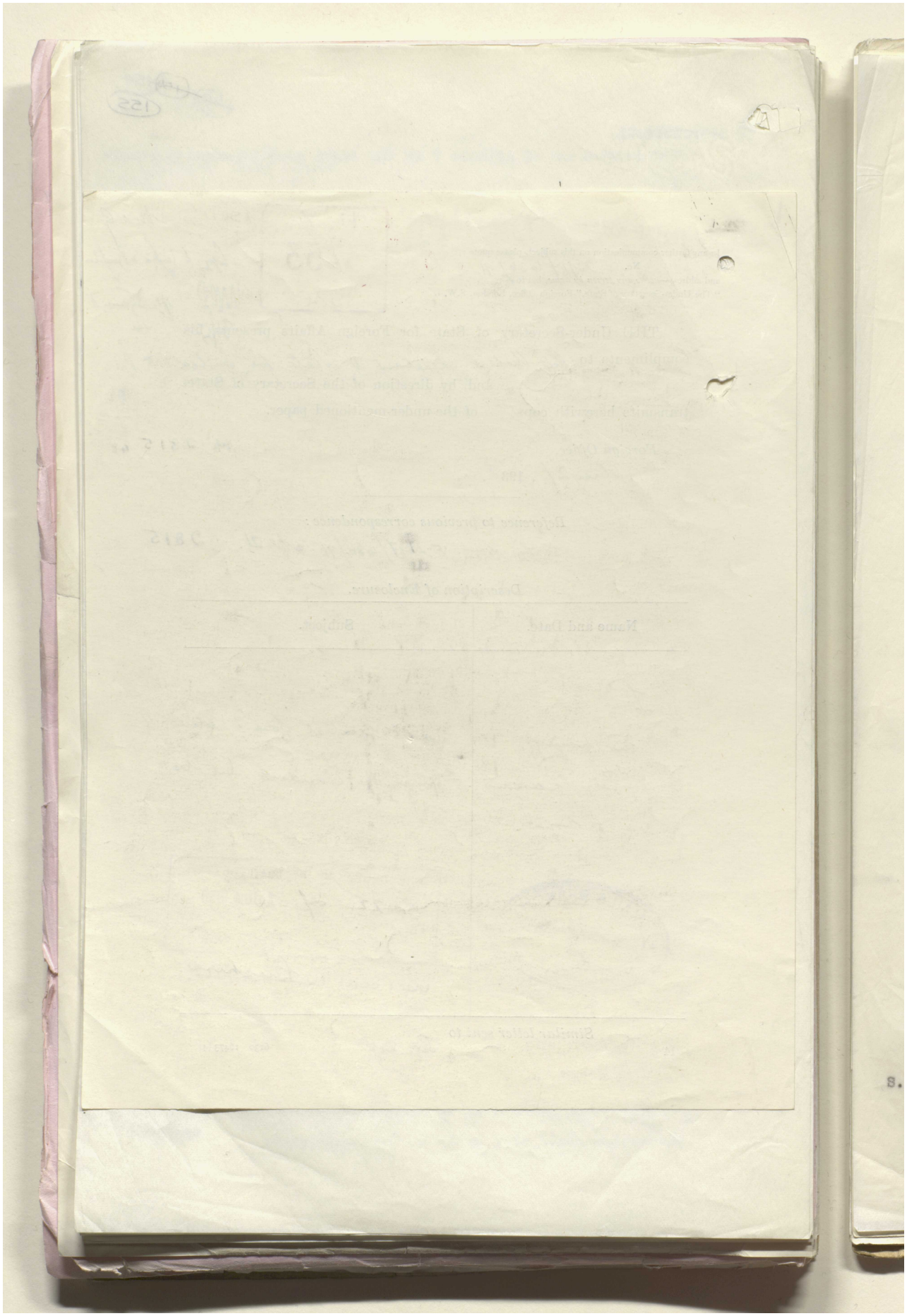

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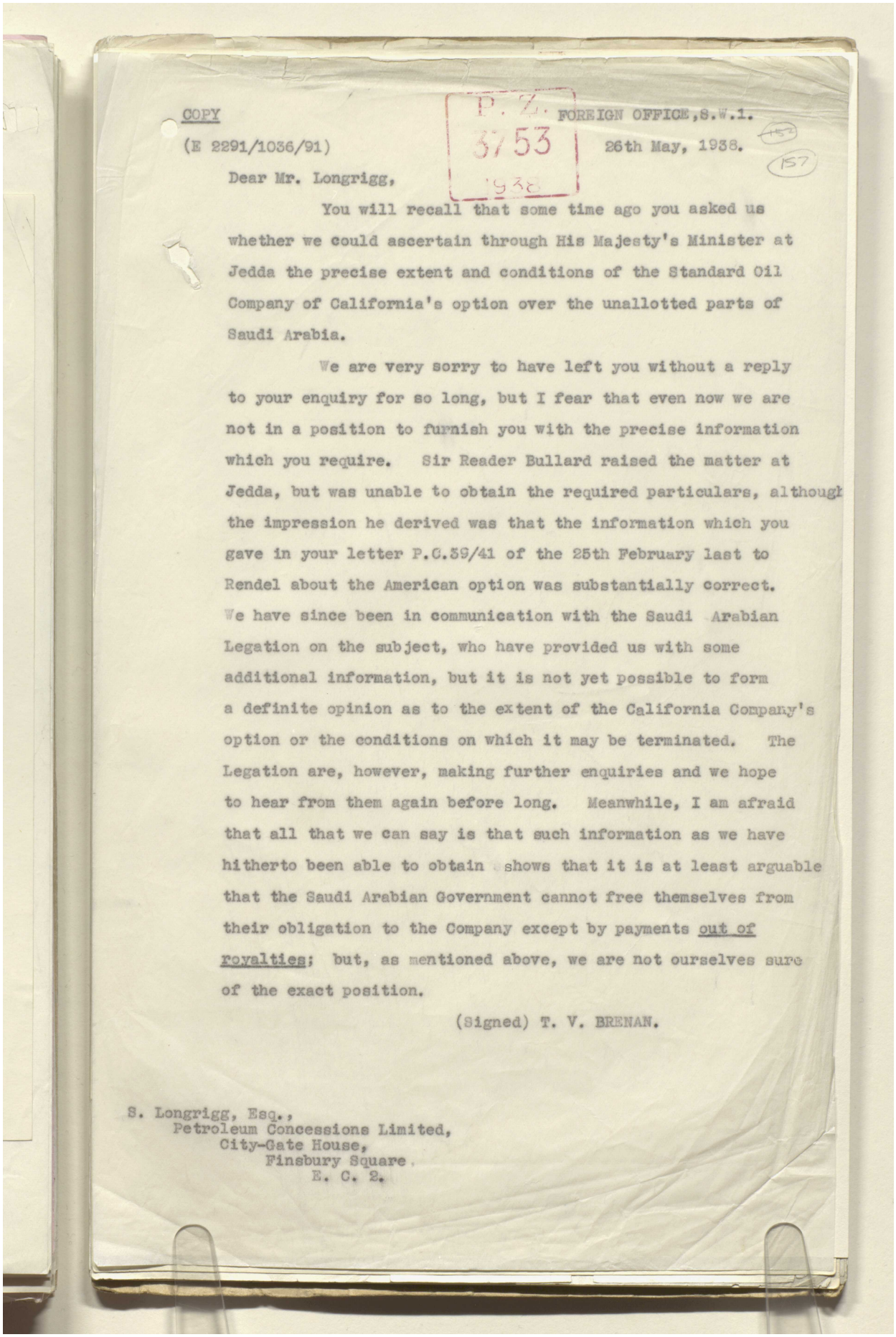

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P. Z. 3753 1938

FOREIGN OFFICE, S.W.1.

(E 2291/1036/91)

26th May, 1938.

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Dear Mr. Longrigg,

You will recall that some time ago you asked us whether we could ascertain through His Majesty's Minister at Jedda the precise extent and conditions of the Standard Oil Company of California's option over the unallotted parts of Saudi Arabia.

We are very sorry to have left you without a reply to your enquiry for so long, but I fear that even now we are not in a position to furnish you with the precise information which you require. Sir Reader Bullard raised the matter at Jedda, but was unable to obtain the required particulars, although the impression he derived was that the information which you gave in your letter P.C.39/41 of the 25th February last to Rendel about the American option was substantially correct. We have since been in communication with the Saudi Arabian Legation on the subject, who have provided us with some additional information, but it is not yet possible to form a definite opinion as to the extent of the California Company's option or the conditions on which it may be terminated. The Legation are, however, making further enquiries and we hope to hear from them again before long. Meanwhile, I am afraid that all that we can say is that such information as we have hitherto been able to obtain shows that it is at least arguable that the Saudi Arabian Government cannot free themselves from their obligation to the Company except by payments out of royalties; but, as mentioned above, we are not ourselves sure of the exact position.

(Signed) T. V. BRENAN.

S. Longrigg, Esq.,
Petroleum Concessions Limited,
City-Gate House,
Finsbury Square,
E. C. 2.

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P.Q.

P.2.3591/38

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Draft Paper. Political Department.

26/5

26 MAY 1938

The Hon'ble Lt Col. Sir T.C.W. Fowle, KCIE, CBE,

H.B.M.'s Consulate General

Bushire.

d/- 21st May 1938

Copy to F.O.
AD
Pet.
India
Bahrein
} with Enc.

26 MAY 1938

ENCLOSURE IN AIR MAIL LETTER
No. 22. of 28 MAY 1938
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

COPY SENT TO Bahrein.

Mr Gibson
2 drafts.
? issue
24/5/38

24/5

My dear Fowle,

I enclose, for your information, a copy of a letter from Ballantyne reporting the intentions of the California Arabian Standard Oil Co. for the disposal of oil derived from the new well (or wells) in Hasa during the testing period.

Copies of this letter (& Enclosure) are being sent to India & Bahrein.

Yours sincerely,

(Sgd.) J. P. GIBSON

7090 Wt 41703/86 10,000 3.38

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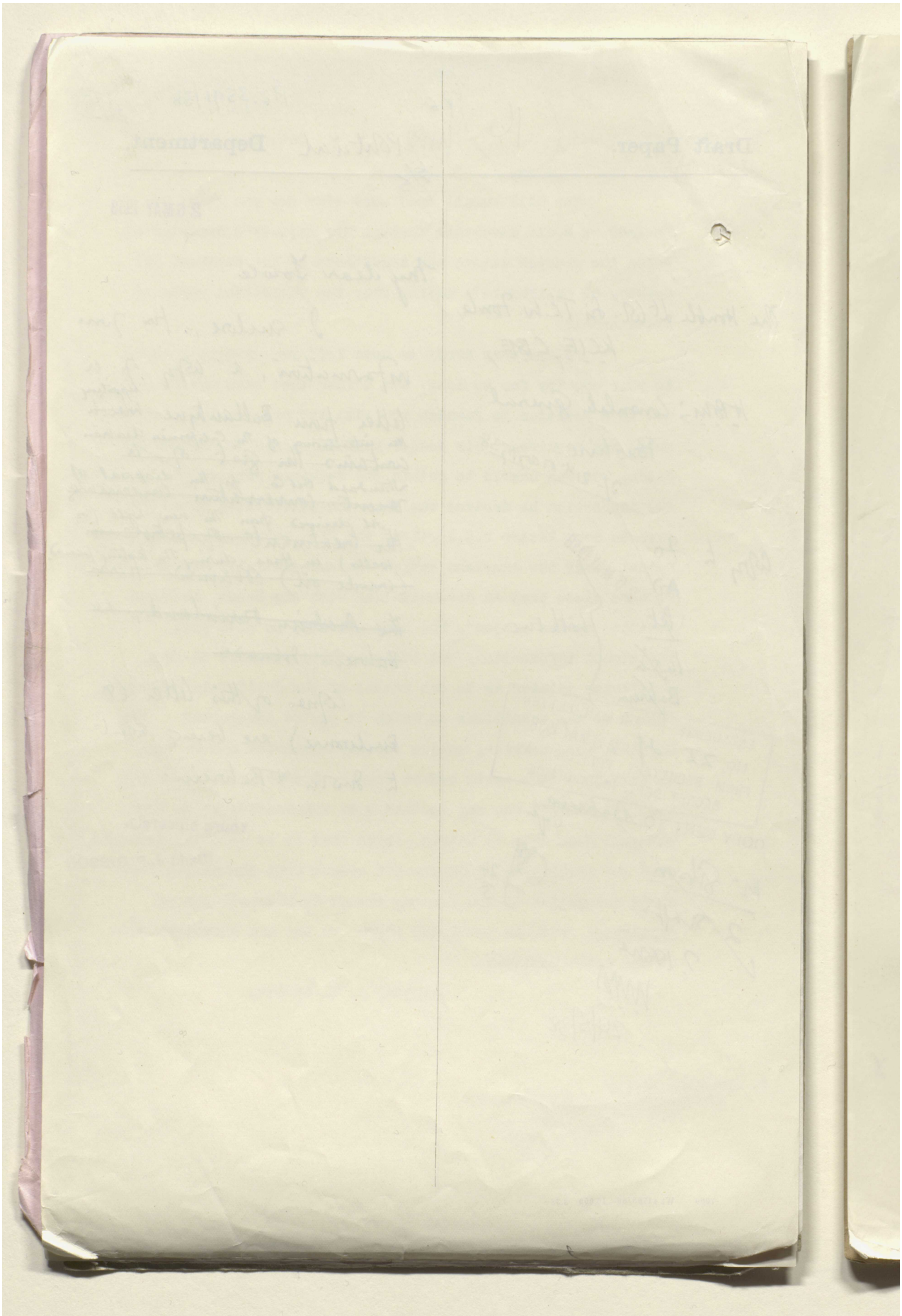

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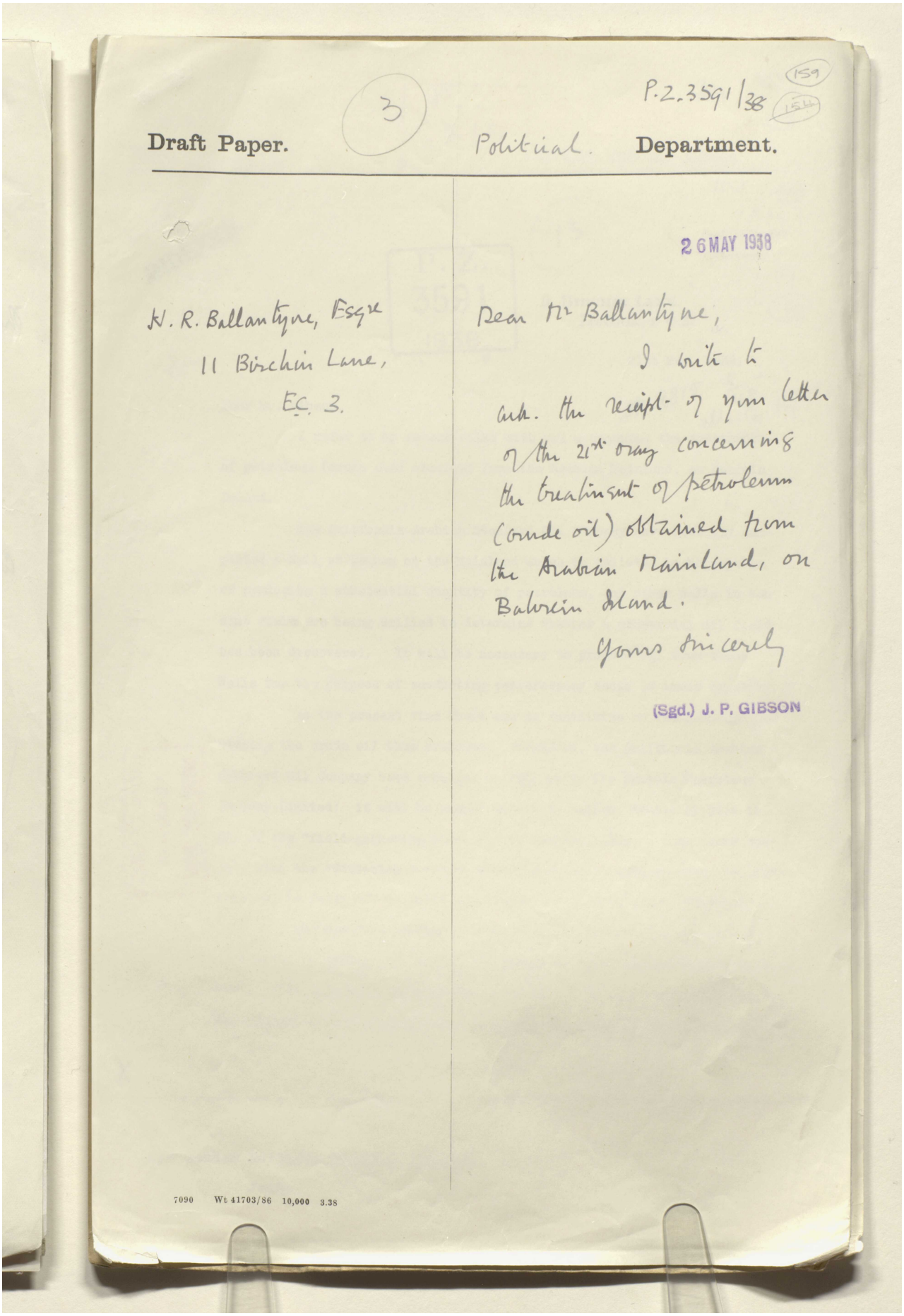

(3)

P.Z.3591/38 (159) (154)

Draft Paper. Political. **Department.**

26 MAY 1938

H. R. Ballantyne, Esqre
11 Birchin Lane,
E.C. 3.

Dear Mr Ballantyne,

I write to ack. the receipt of your letter of the 21st oray concerning the treatment of petroleum (crude oil) obtained from the Arabian Mainland, on Bahrein Island.

Yours sincerely

(Sgd.) J. P. GIBSON

7090 Wt 41703/86 10,000 3.38

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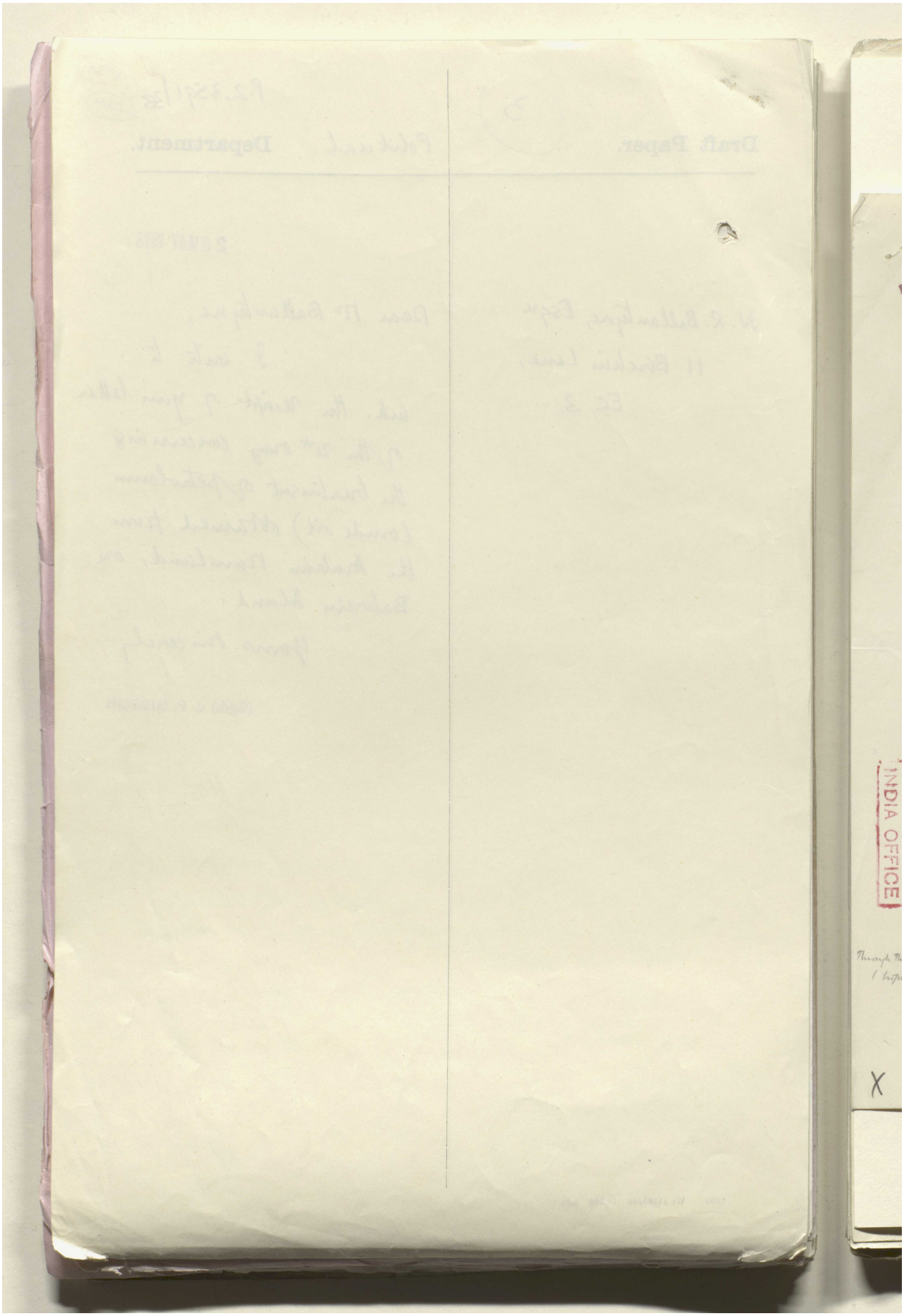
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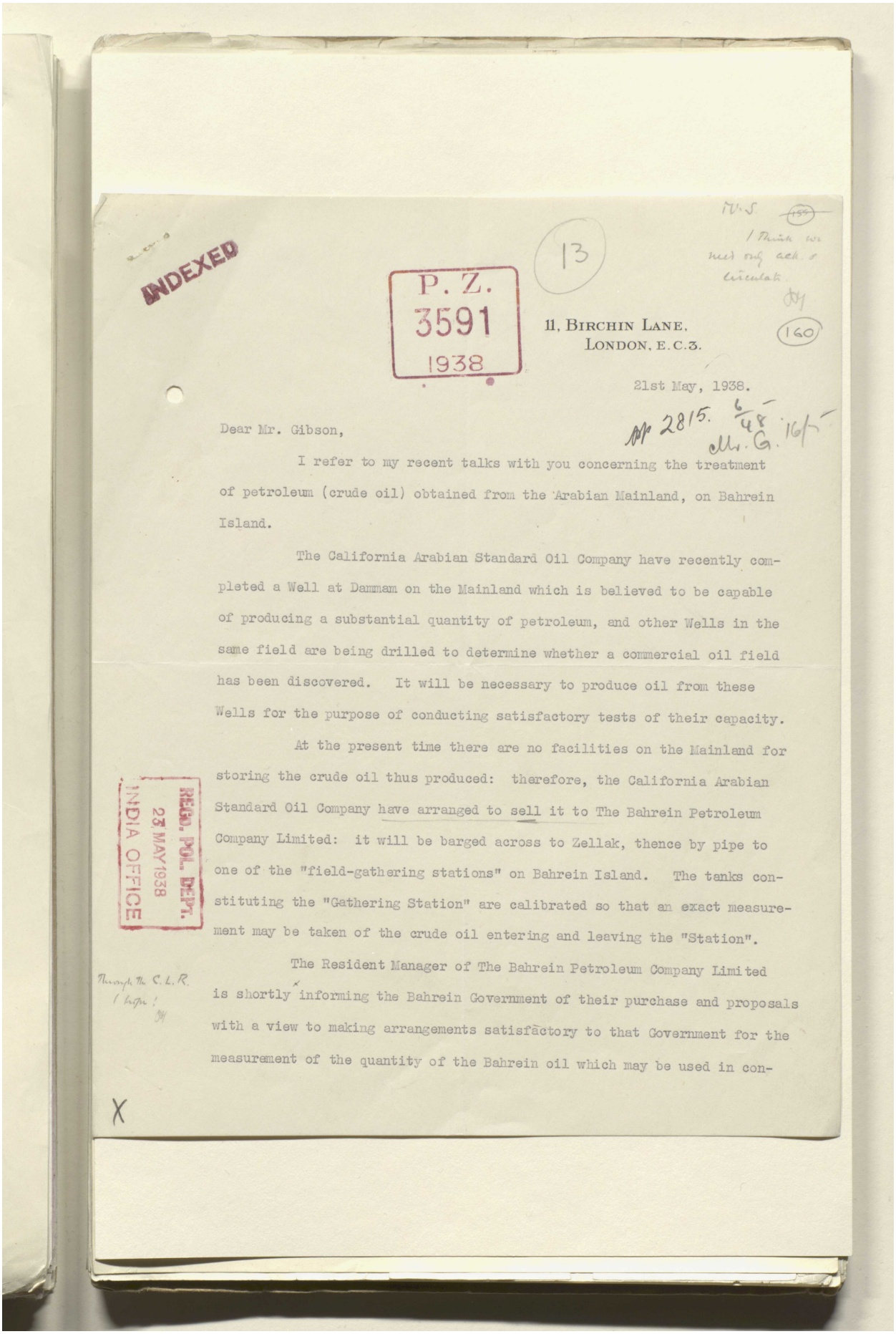

INDEXED

P. Z. 3591 1938

13

11, BIRCHIN LANE,
LONDON, E.C.3.

160

21st May, 1938.

Dear Mr. Gibson,

I refer to my recent talks with you concerning the treatment of petroleum (crude oil) obtained from the Arabian Mainland, on Bahrein Island.

The California Arabian Standard Oil Company have recently completed a Well at Dammam on the Mainland which is believed to be capable of producing a substantial quantity of petroleum, and other Wells in the same field are being drilled to determine whether a commercial oil field has been discovered. It will be necessary to produce oil from these Wells for the purpose of conducting satisfactory tests of their capacity.

At the present time there are no facilities on the Mainland for storing the crude oil thus produced: therefore, the California Arabian Standard Oil Company have arranged to sell it to The Bahrein Petroleum Company Limited: it will be barged across to Zellak, thence by pipe to one of the "field-gathering stations" on Bahrein Island. The tanks constituting the "Gathering Station" are calibrated so that an exact measurement may be taken of the crude oil entering and leaving the "Station".

REGD. POL. DEPT. 23 MAY 1938 INDIA OFFICE

The Resident Manager of The Bahrein Petroleum Company Limited is shortly informing the Bahrein Government of their purchase and proposals with a view to making arrangements satisfactory to that Government for the measurement of the quantity of the Bahrein oil which may be used in con-

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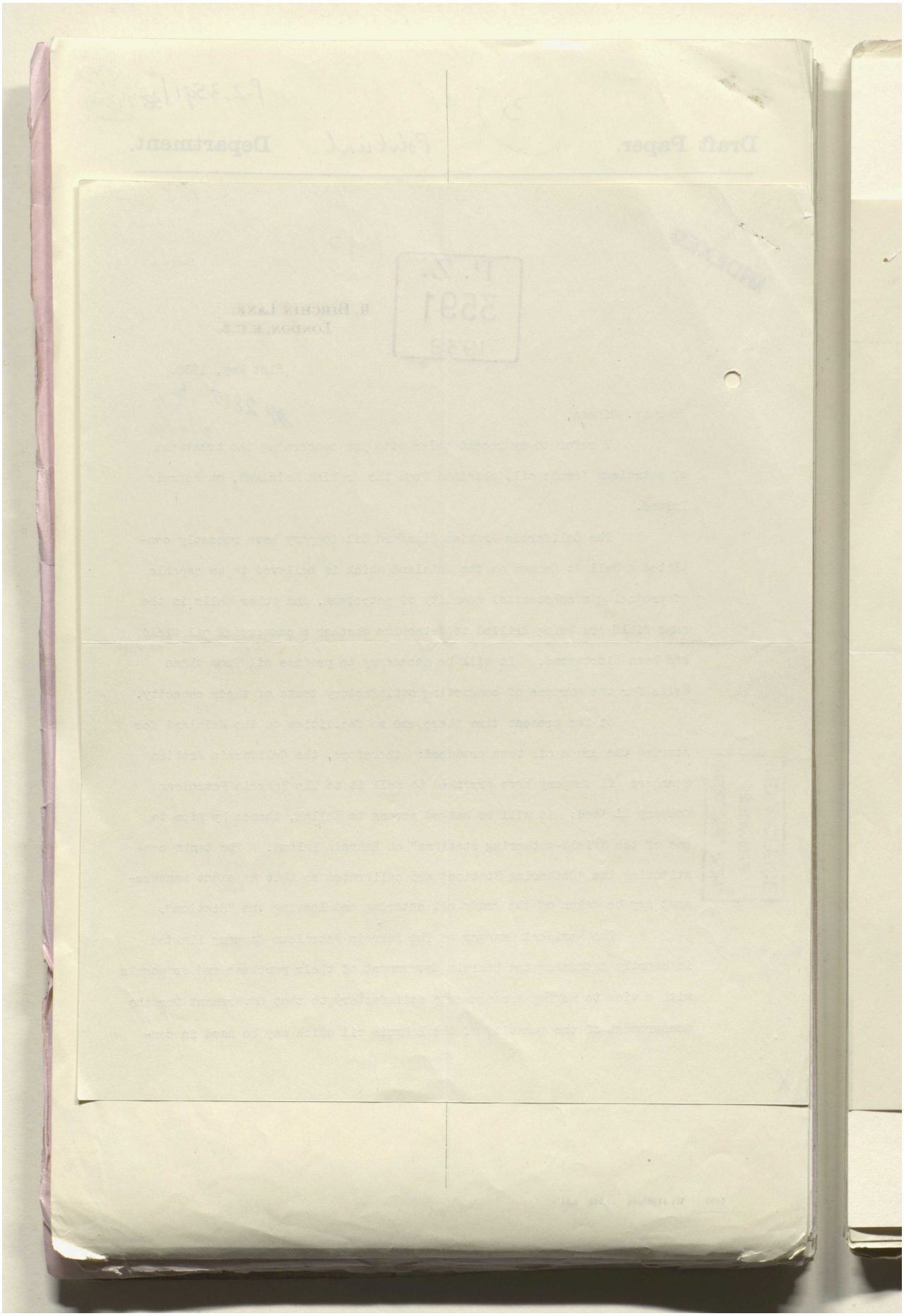

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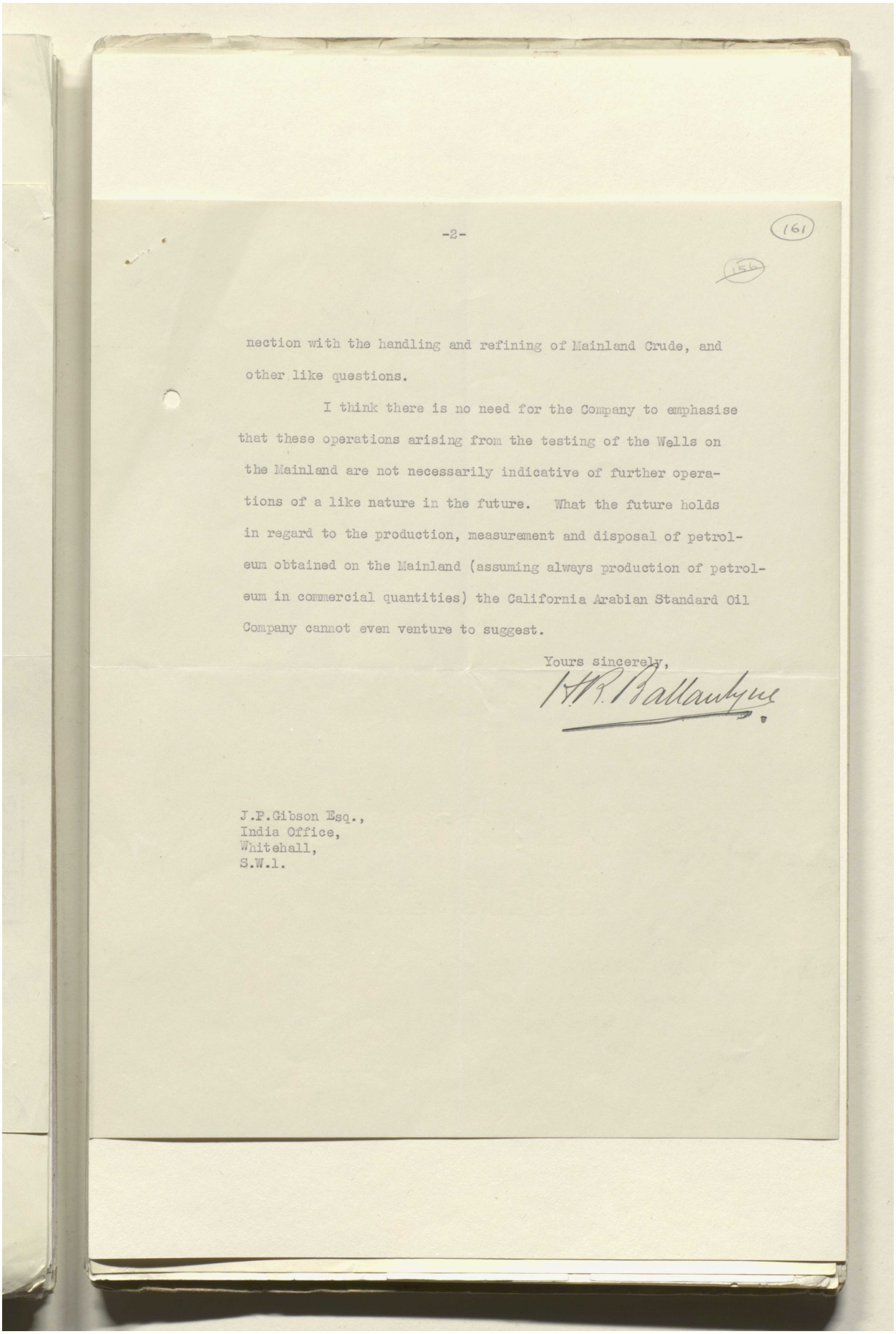

(161)

(161a)

nection with the handling and refining of Mainland Crude, and other like questions.

I think there is no need for the Company to emphasise that these operations arising from the testing of the Wells on the Mainland are not necessarily indicative of further operations of a like nature in the future. What the future holds in regard to the production, measurement and disposal of petroleum obtained on the Mainland (assuming always production of petroleum in commercial quantities) the California Arabian Standard Oil Company cannot even venture to suggest.

Yours sincerely,

H.R. Ballantyne

J.P.Gibson Esq.,
India Office,
Whitehall,
S.W.1.

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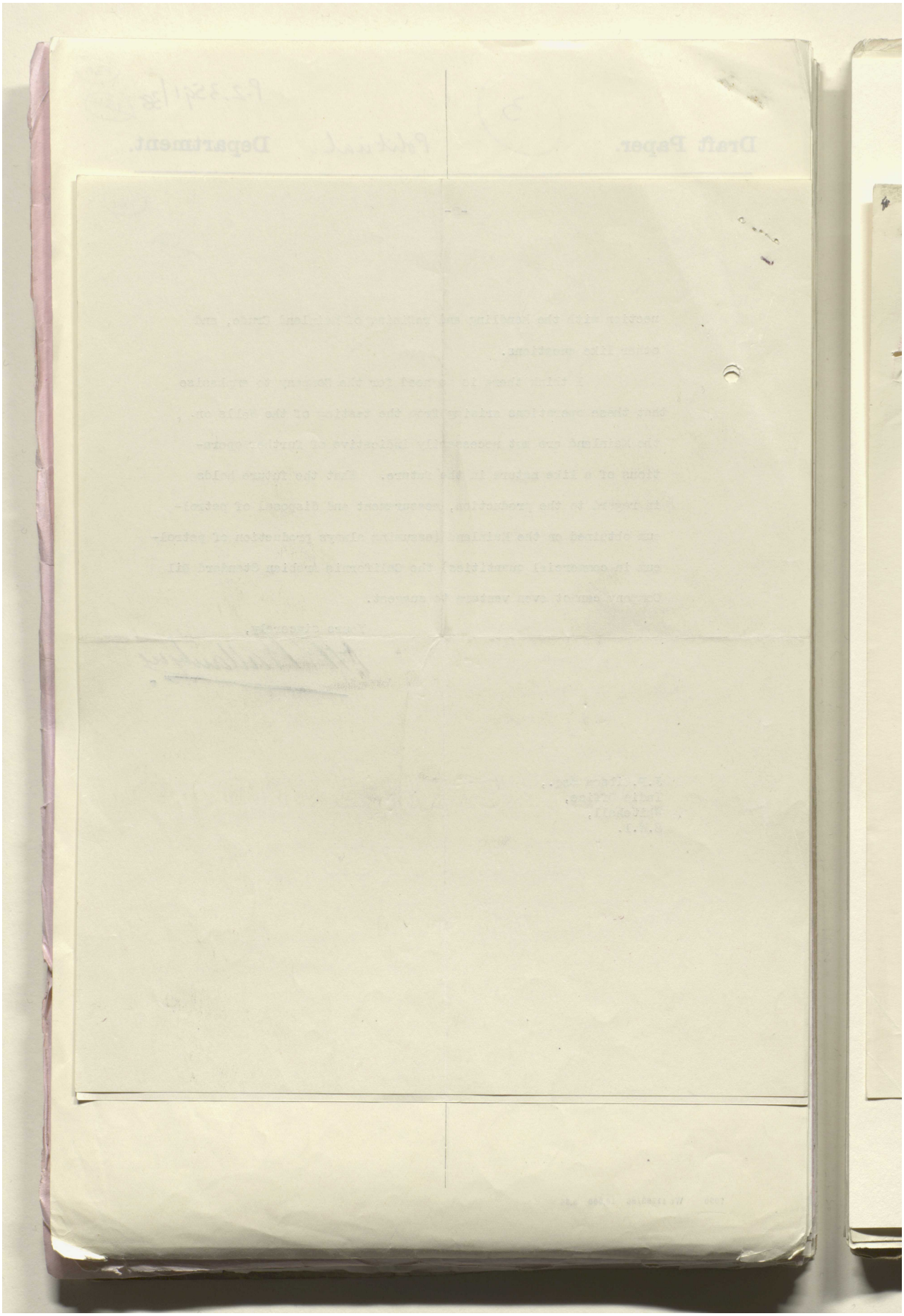

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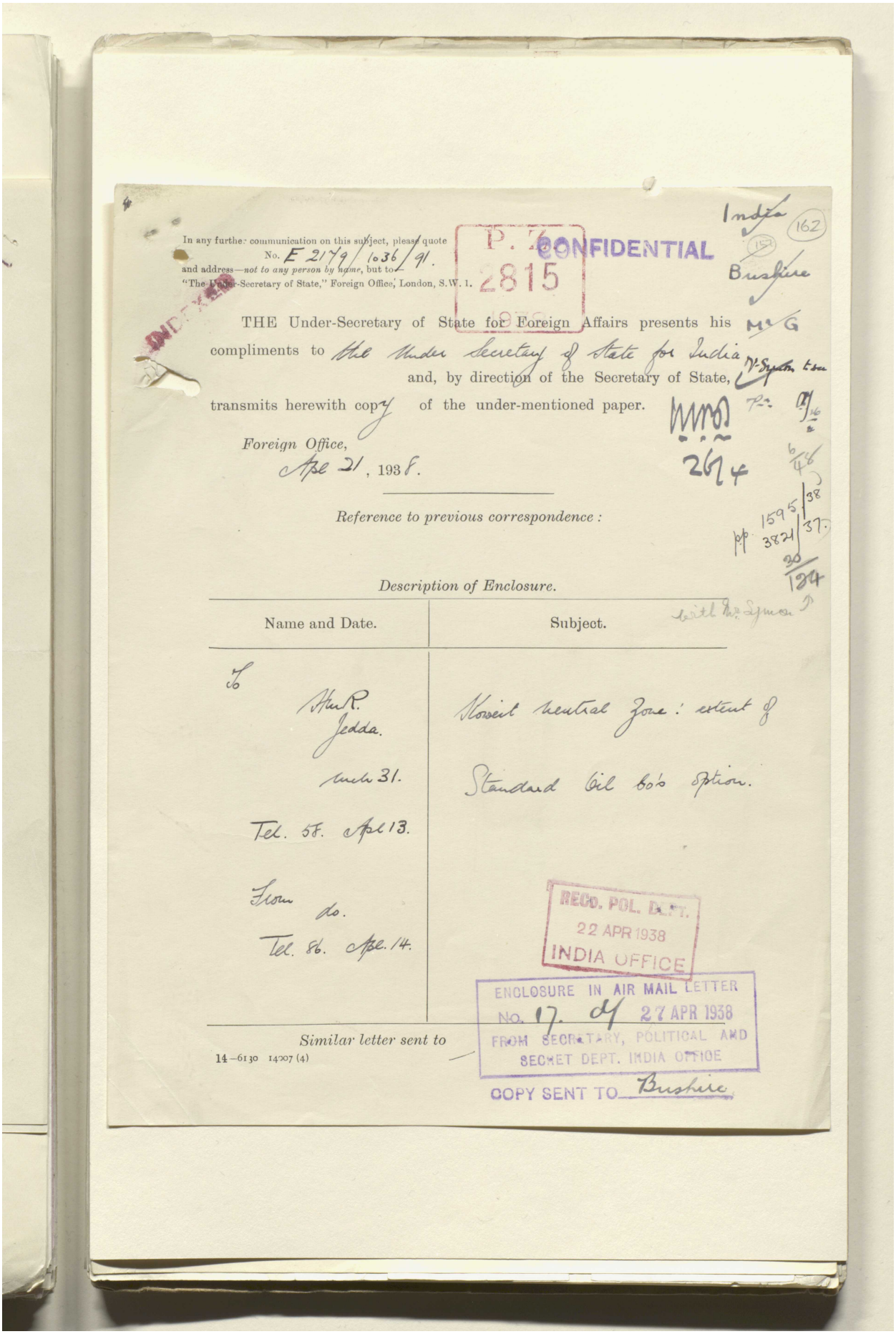

In any further communication on this subject, please quote
No. E 2179/1036/91.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P. Z. 2815 1938

CONFIDENTIAL

Bushire

INDEXED

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
Apl 21, 1938.

26/4

Reference to previous correspondence :

pp. 1595/38
3821/37.
30/124

Description of Enclosure.

Name and Date.	Subject.
To Hm R. Jedda. Mch 31. Tel. 58. Apl 13. From do. Tel. 86. Apl. 14.	Koweit neutral zone: extent of Standard Oil Co's option.

with Mr. Symon

RECD. POL. DEPT.
22 APR 1938
INDIA OFFICE

ENCLOSURE IN AIR MAIL LETTER
No. 17. 27 APR 1938
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

COPY SENT TO Bushire

Similar letter sent to

14—6130 14007 (4)

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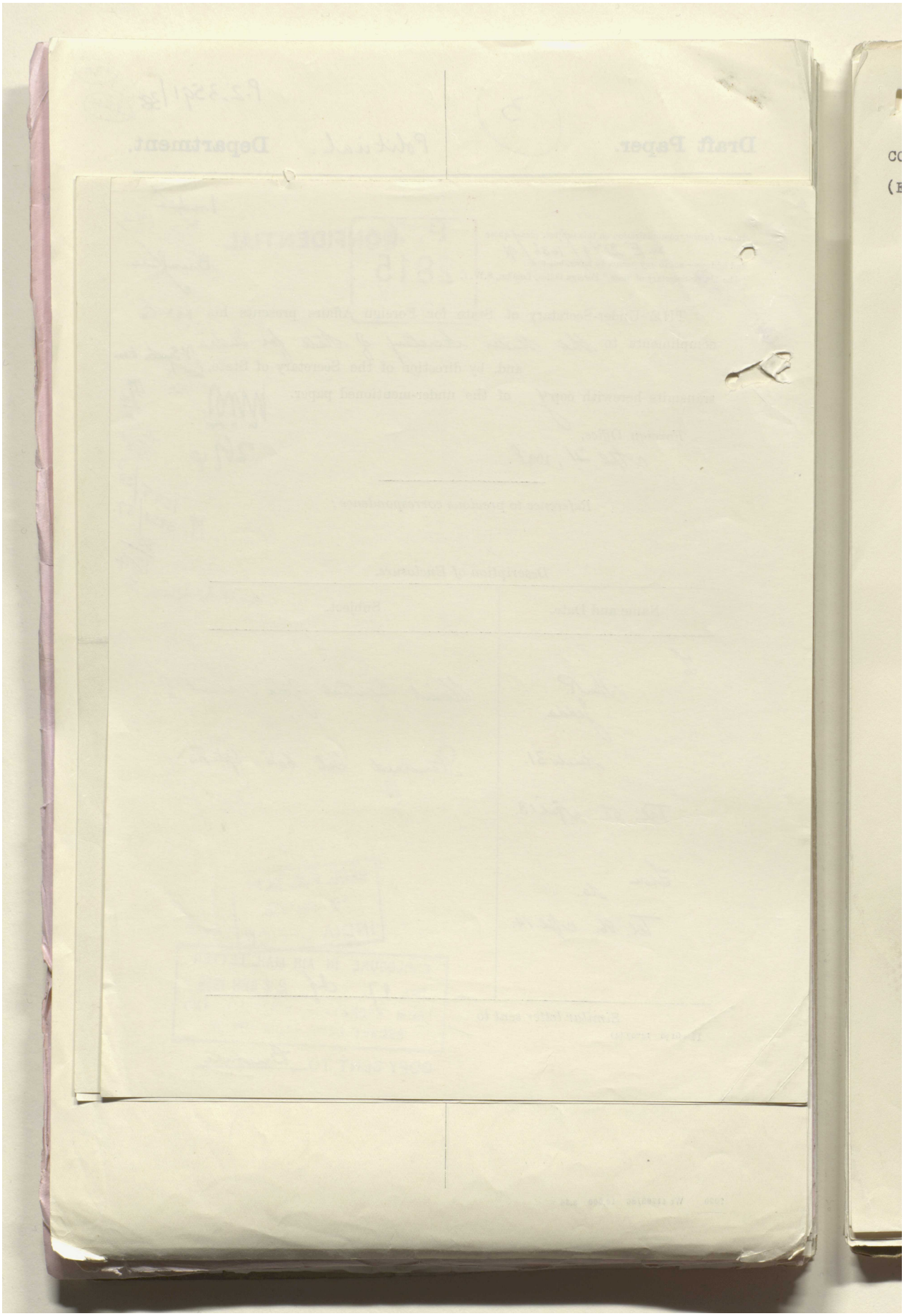

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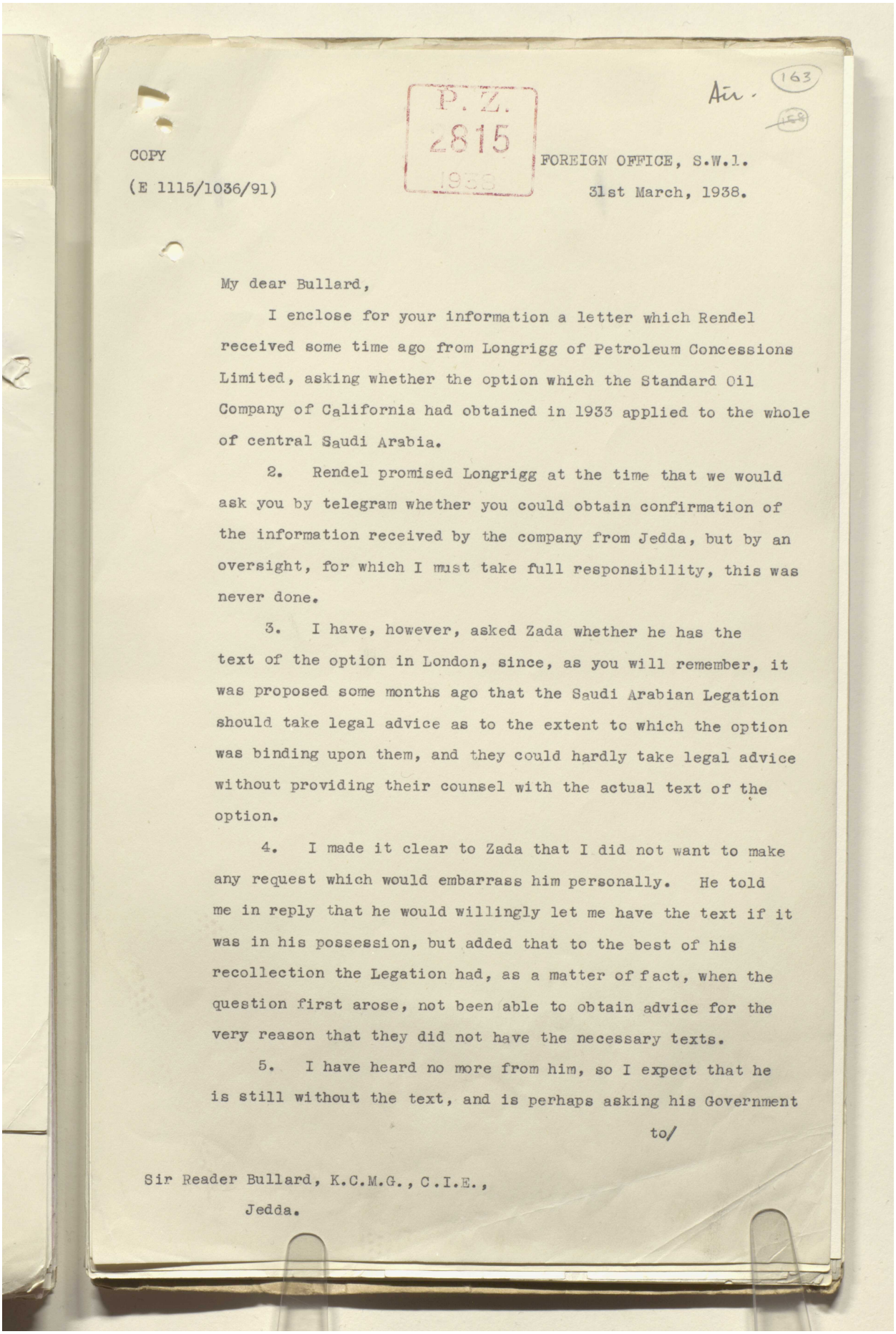

COPY

(E 1115/1036/91)

P.Z. 2815 1938

Air. 163

FOREIGN OFFICE, S.W.1.

31st March, 1938.

My dear Bullard,

I enclose for your information a letter which Rendel received some time ago from Longrigg of Petroleum Concessions Limited, asking whether the option which the Standard Oil Company of California had obtained in 1933 applied to the whole of central Saudi Arabia.

2. Rendel promised Longrigg at the time that we would ask you by telegram whether you could obtain confirmation of the information received by the company from Jedda, but by an oversight, for which I must take full responsibility, this was never done.

3. I have, however, asked Zada whether he has the text of the option in London, since, as you will remember, it was proposed some months ago that the Saudi Arabian Legation should take legal advice as to the extent to which the option was binding upon them, and they could hardly take legal advice without providing their counsel with the actual text of the option.

4. I made it clear to Zada that I did not want to make any request which would embarrass him personally. He told me in reply that he would willingly let me have the text if it was in his possession, but added that to the best of his recollection the Legation had, as a matter of fact, when the question first arose, not been able to obtain advice for the very reason that they did not have the necessary texts.

5. I have heard no more from him, so I expect that he is still without the text, and is perhaps asking his Government

to/

Sir Reader Bullard, K.C.M.G., C.I.E.,

Jedda.

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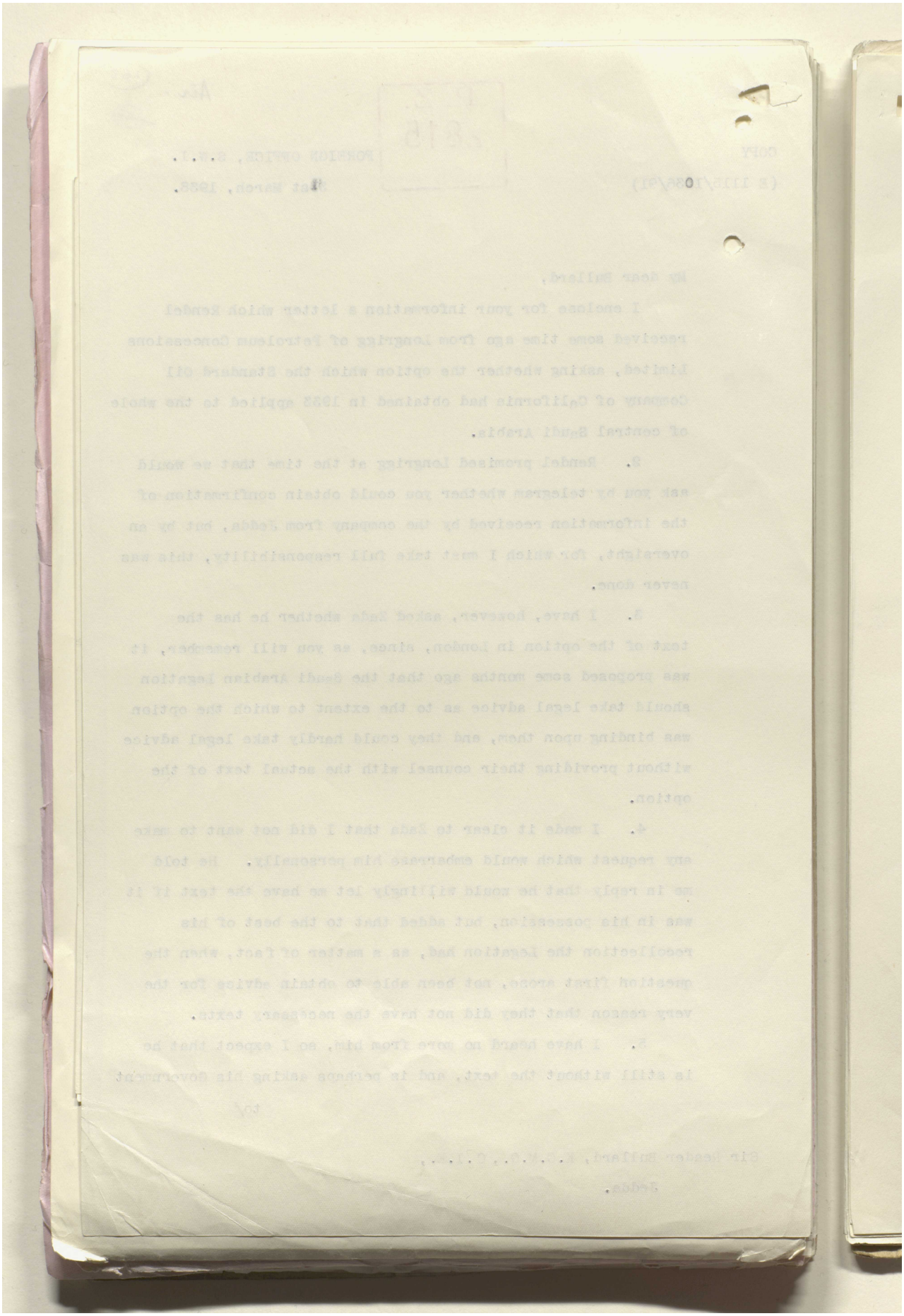

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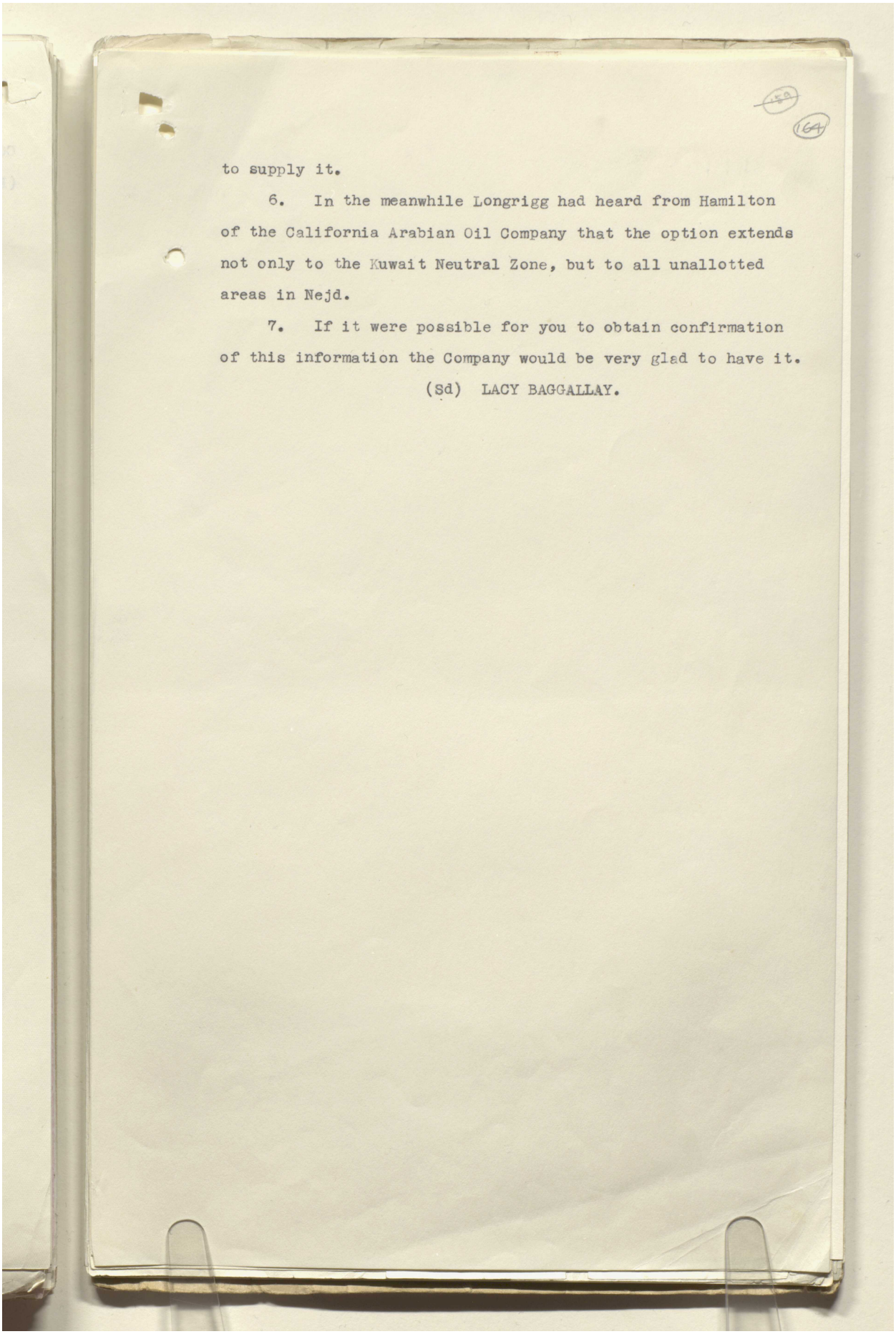

to supply it.

6. In the meanwhile Longrigg had heard from Hamilton of the California Arabian Oil Company that the option extends not only to the Kuwait Neutral Zone, but to all unallotted areas in Nejd.

7. If it were possible for you to obtain confirmation of this information the Company would be very glad to have it.

(Sd) LACY BAGGALLAY.

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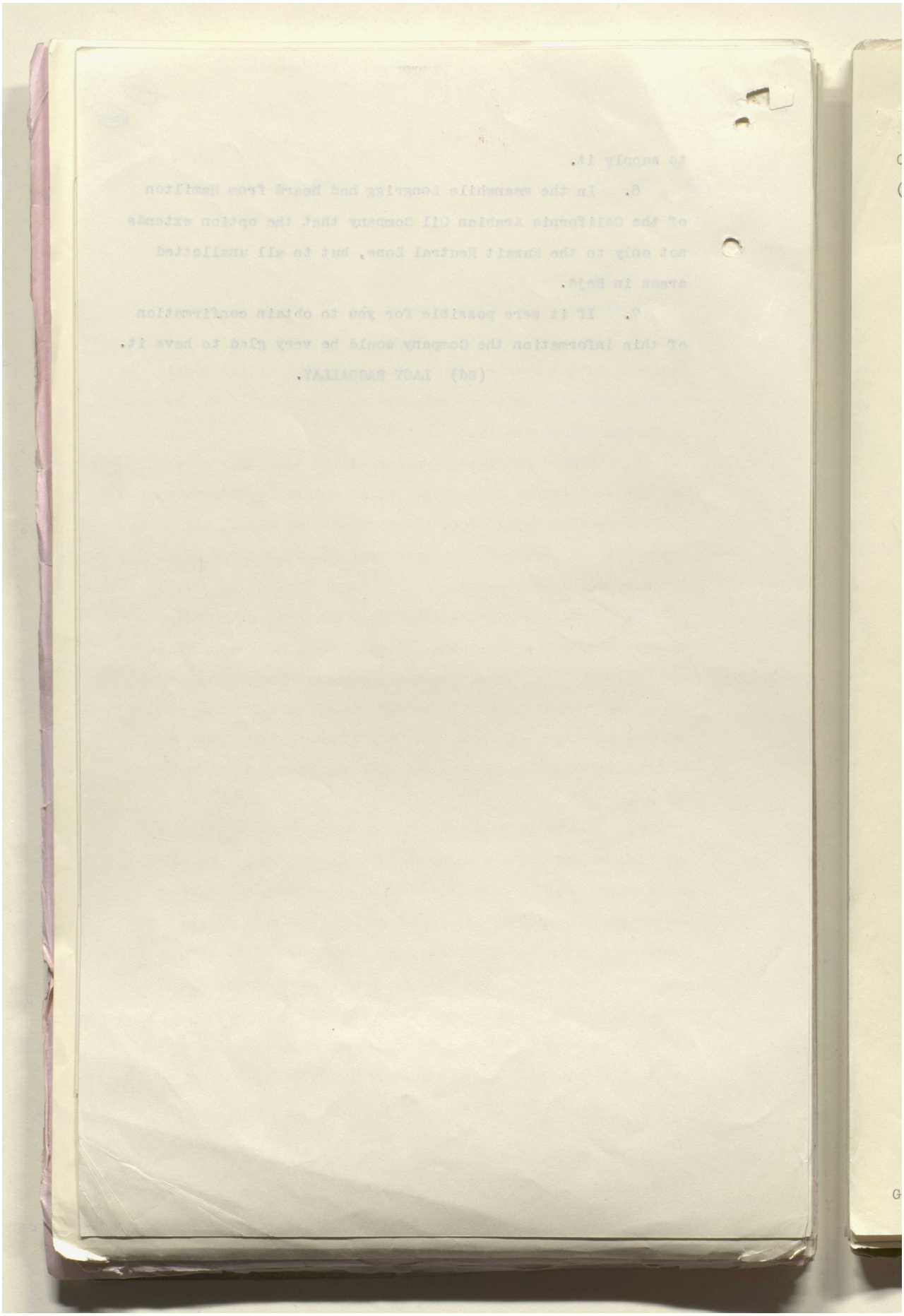

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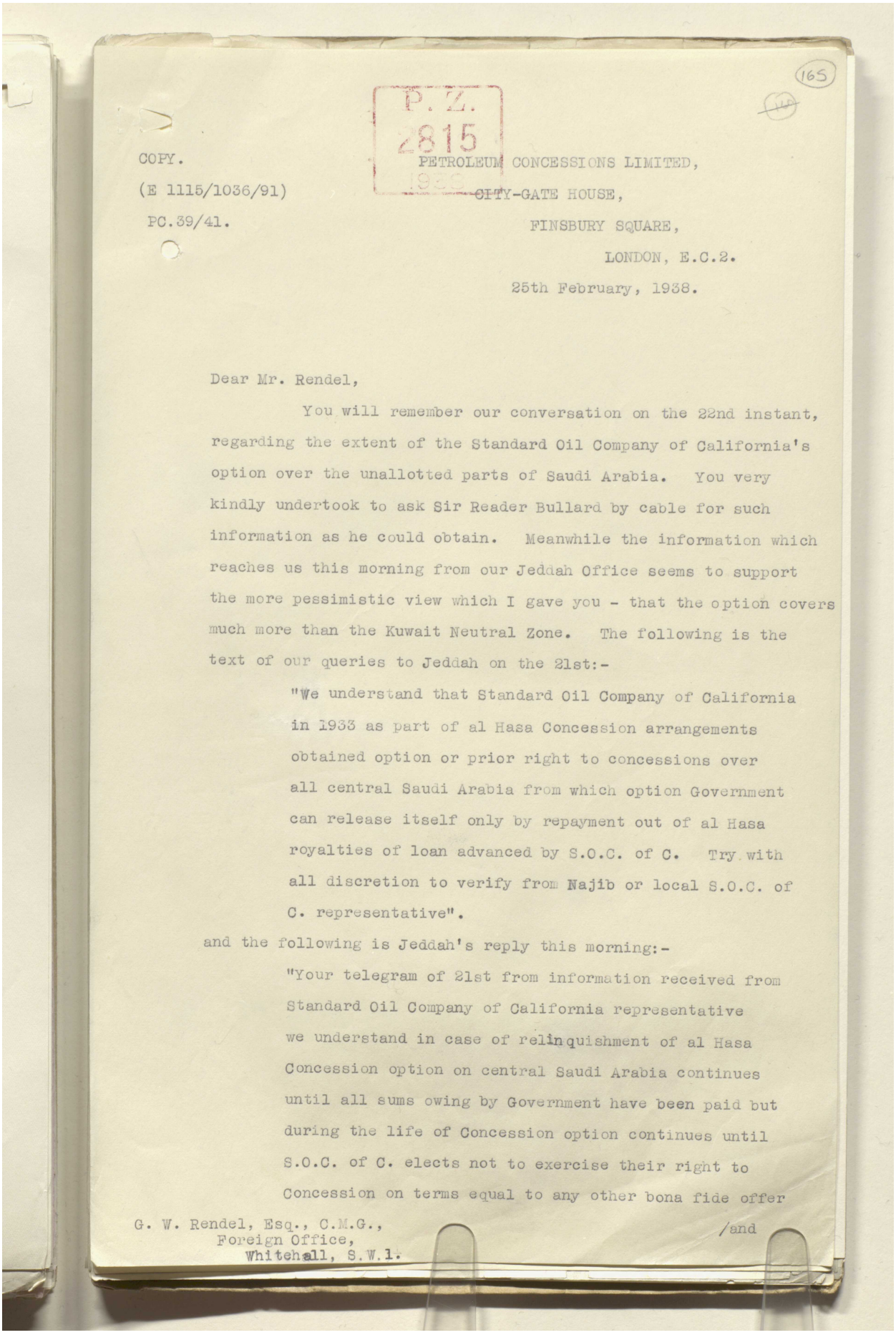

(165)

P. Z.
2815
1938

COPY.

(E 1115/1036/91)

PC.39/41.

PETROLEUM CONCESSIONS LIMITED,
CITY-GATE HOUSE,
FINSBURY SQUARE,
LONDON, E.C.2.

25th February, 1938.

Dear Mr. Rendel,

You will remember our conversation on the 22nd instant, regarding the extent of the Standard Oil Company of California's option over the unallotted parts of Saudi Arabia. You very kindly undertook to ask Sir Reader Bullard by cable for such information as he could obtain. Meanwhile the information which reaches us this morning from our Jeddah Office seems to support the more pessimistic view which I gave you - that the option covers much more than the Kuwait Neutral Zone. The following is the text of our queries to Jeddah on the 21st:-

"We understand that Standard Oil Company of California in 1933 as part of al Hasa Concession arrangements obtained option or prior right to concessions over all central Saudi Arabia from which option Government can release itself only by repayment out of al Hasa royalties of loan advanced by S.O.C. of C. Try with all discretion to verify from Najib or local S.O.C. of C. representative".

and the following is Jeddah's reply this morning:-

"Your telegram of 21st from information received from Standard Oil Company of California representative we understand in case of relinquishment of al Hasa Concession option on central Saudi Arabia continues until all sums owing by Government have been paid but during the life of Concession option continues until S.O.C. of C. elects not to exercise their right to Concession on terms equal to any other bona fide offer

/and

G. W. Rendel, Esq., C.M.G.,
Foreign Office,
Whitehall, S.W.1.

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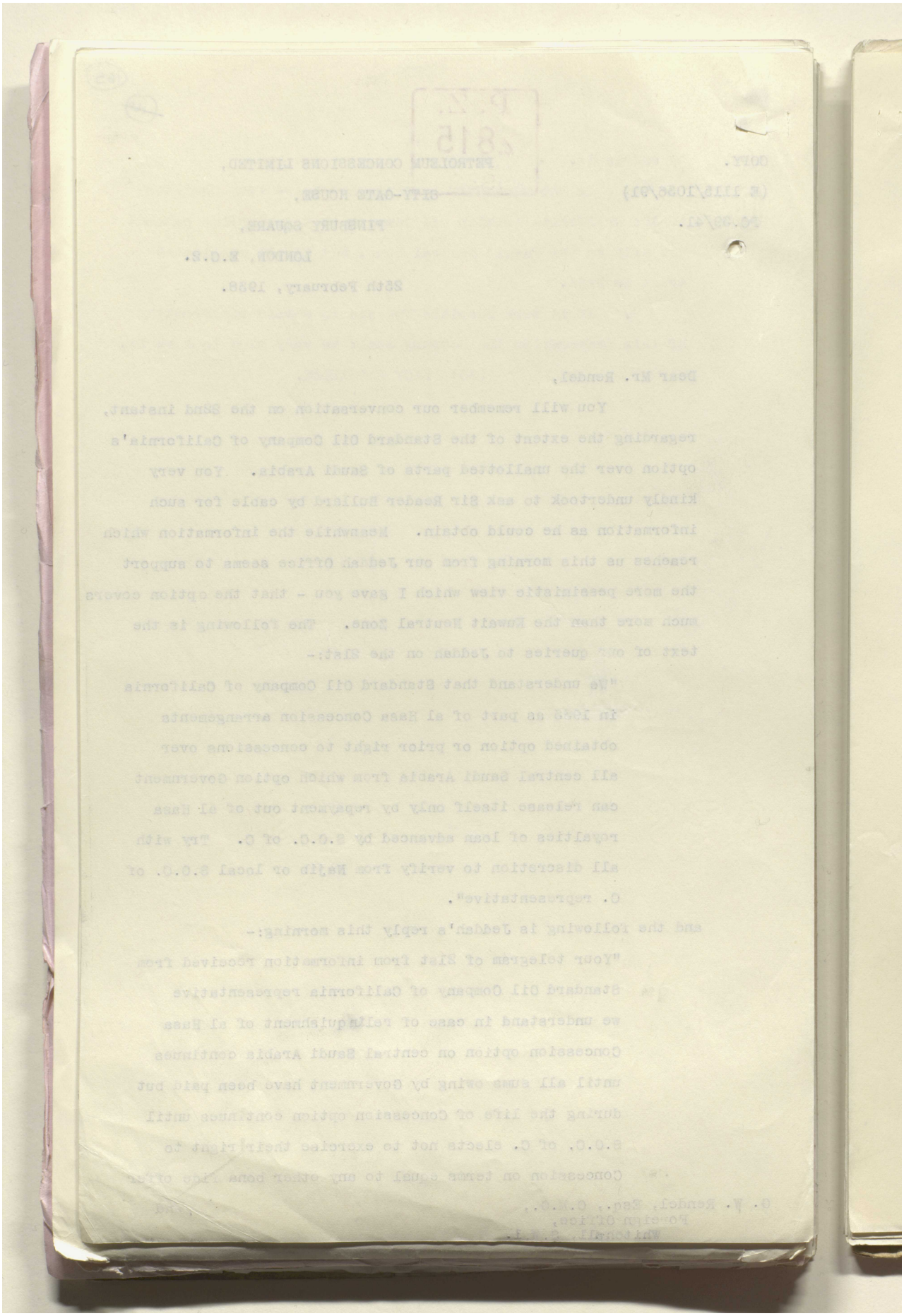

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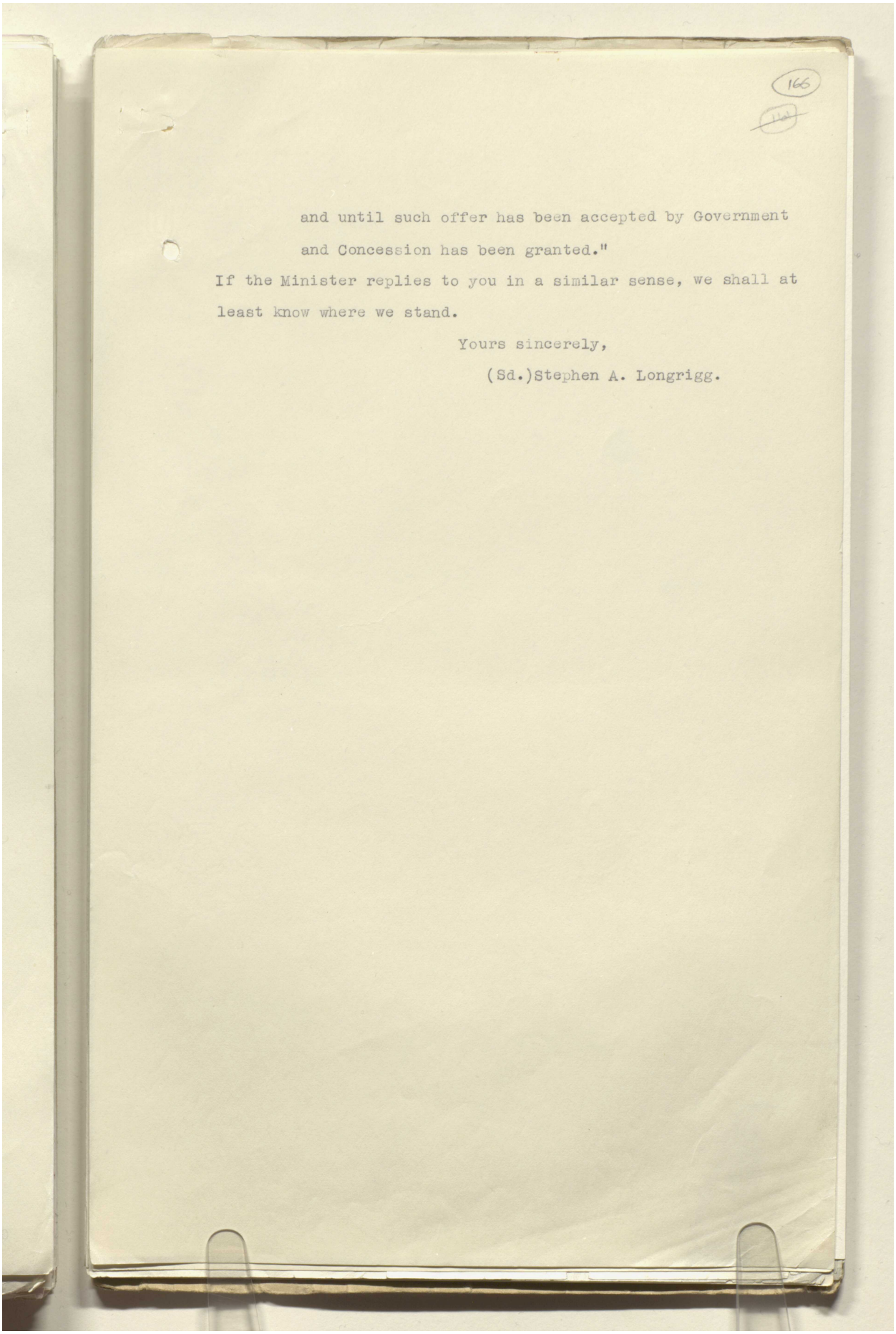

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and until such offer has been accepted by Government and Concession has been granted."

If the Minister replies to you in a similar sense, we shall at least know where we stand.

Yours sincerely,

(Sd.)Stephen A. Longrigg.

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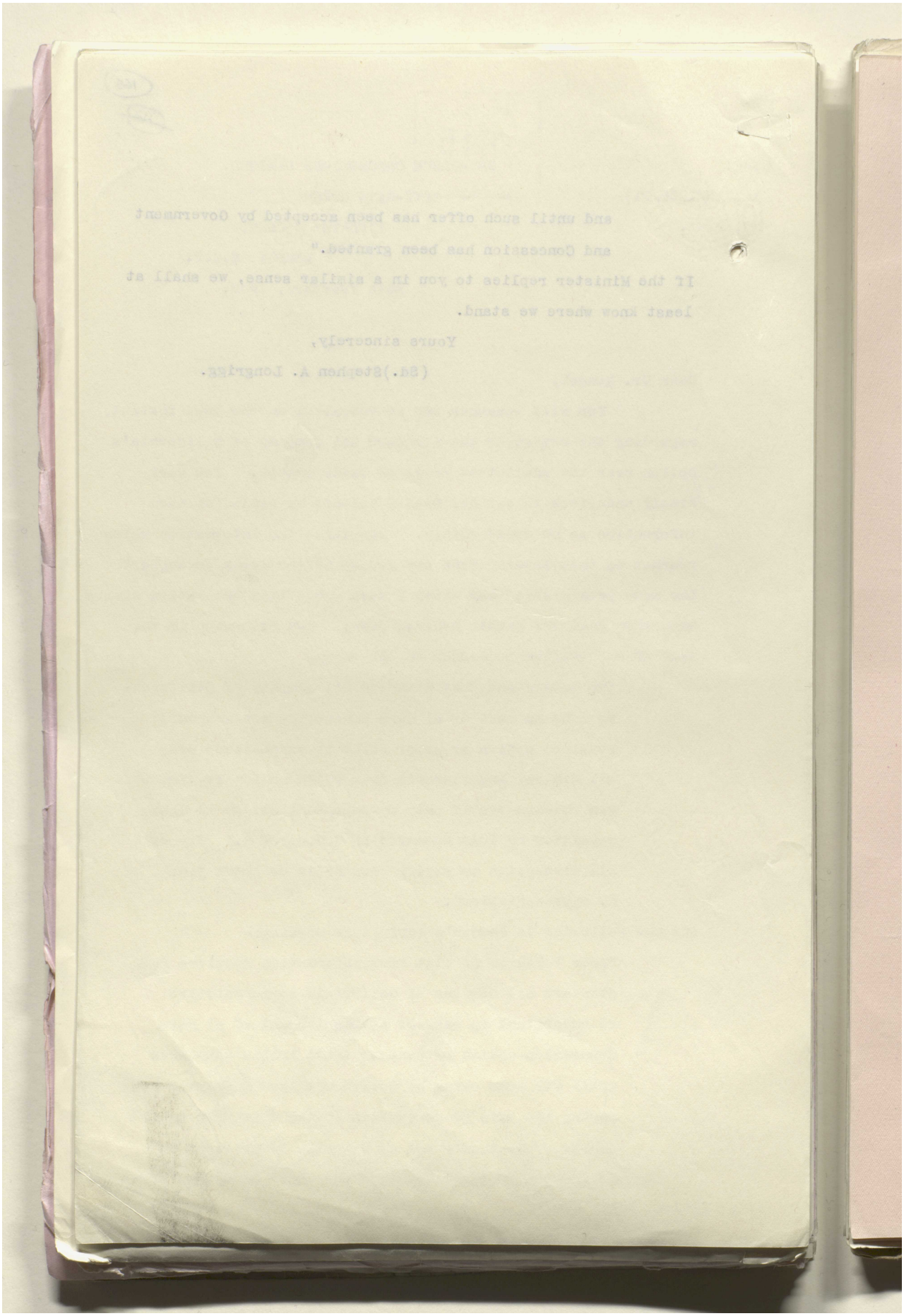

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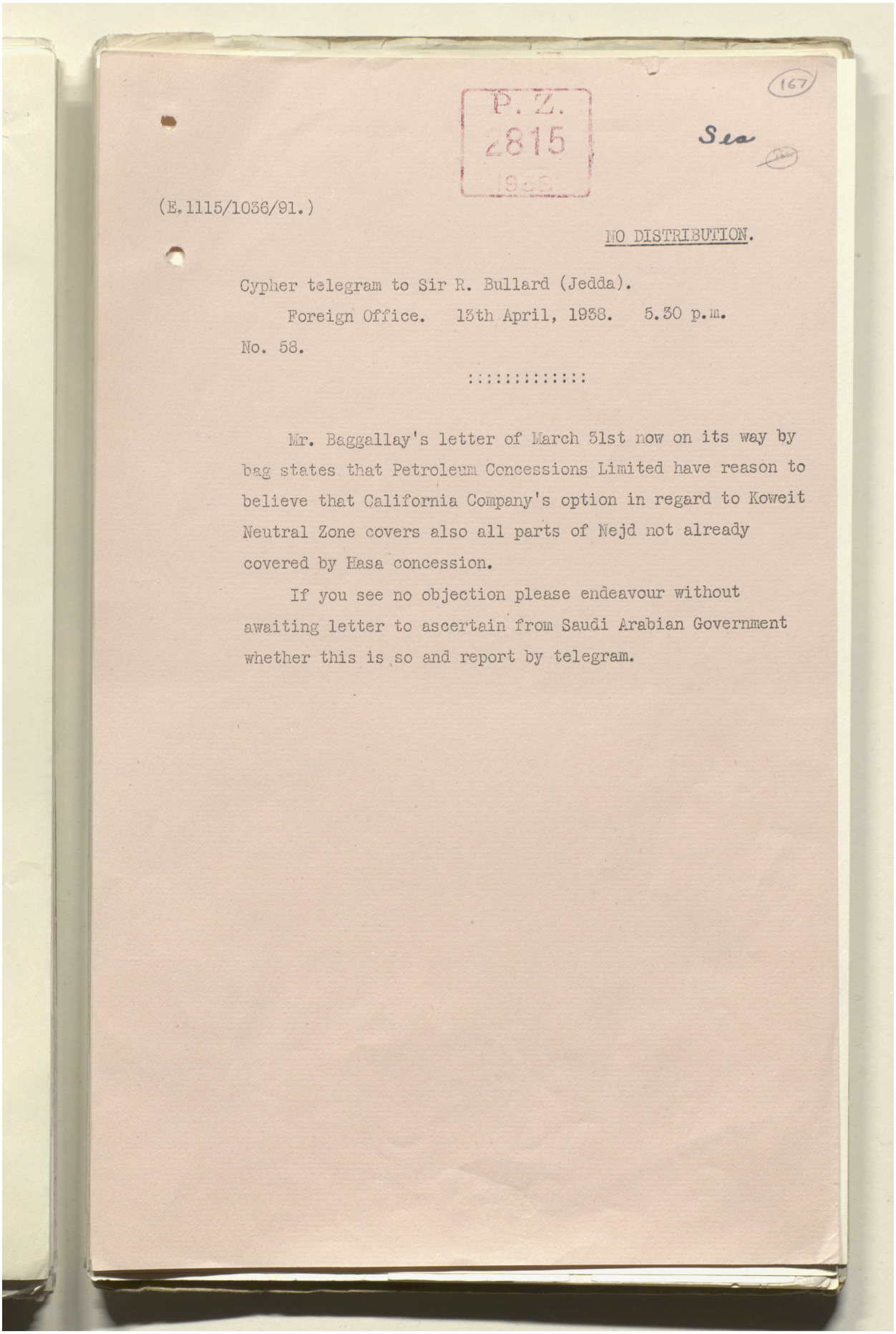

P. Z.
2815
1938

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Sea

(E.1115/1036/91.)

NO DISTRIBUTION.

Cypher telegram to Sir R. Bullard (Jedda).

Foreign Office. 13th April, 1938. 5.30 p.m.

No. 58.

::::::::::::::

Mr. Baggallay's letter of March 31st now on its way by bag states that Petroleum Concessions Limited have reason to believe that California Company's option in regard to Koweit Neutral Zone covers also all parts of Nejd not already covered by Hasa concession.

If you see no objection please endeavour without awaiting letter to ascertain from Saudi Arabian Government whether this is so and report by telegram.

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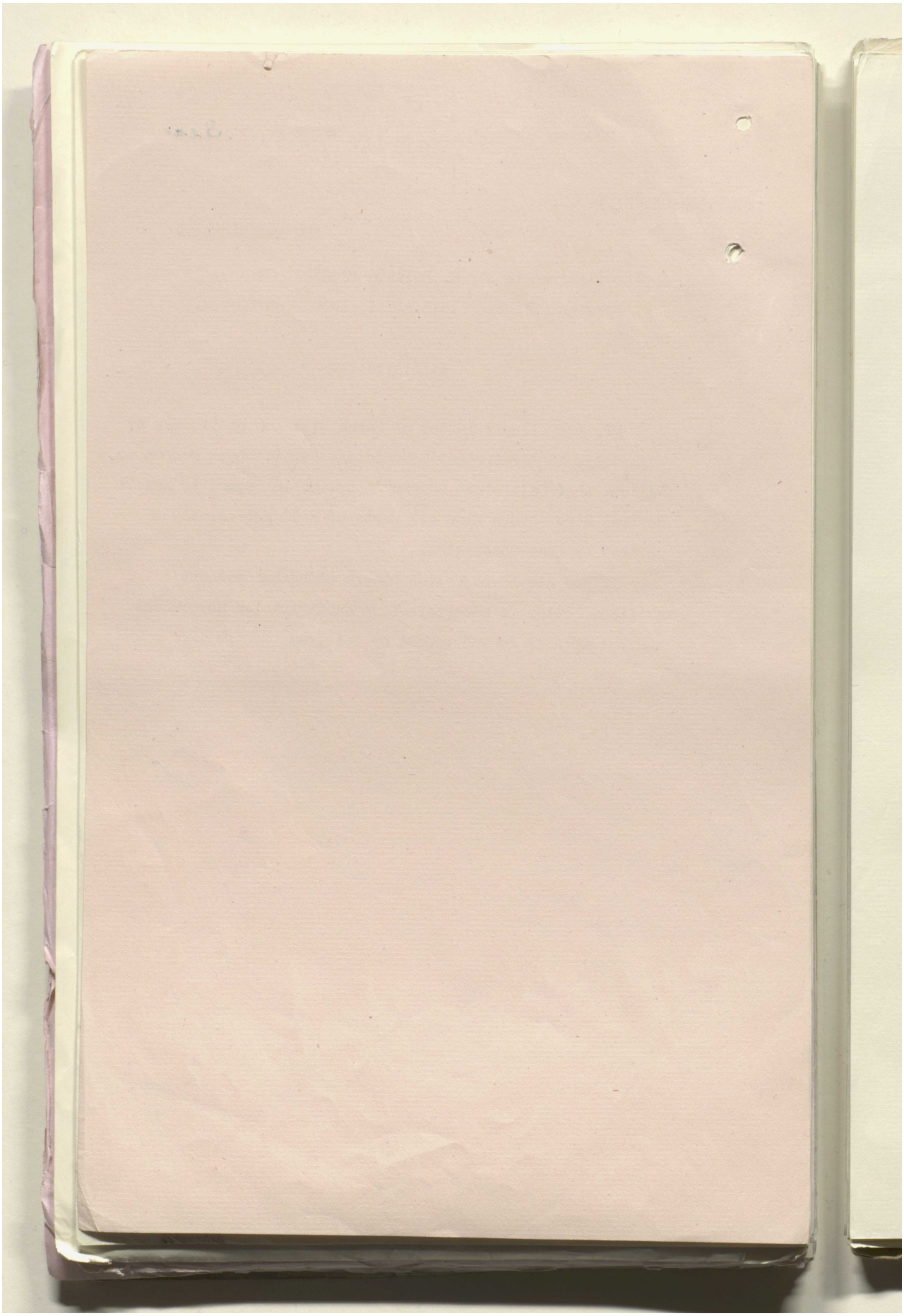

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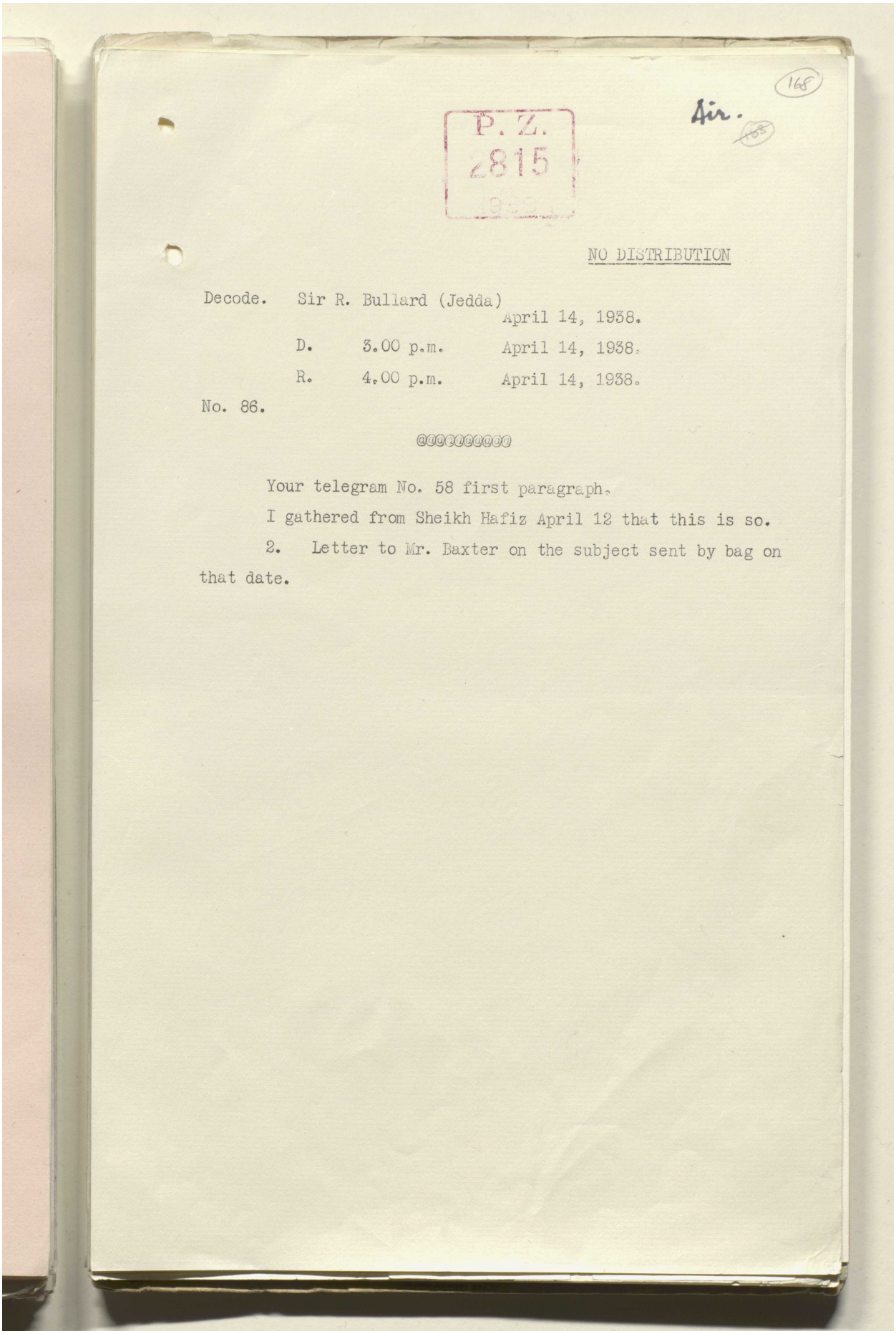

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Sir.

P. Z.
2815

NO DISTRIBUTION

Decode. Sir R. Bullard (Jedda)
April 14, 1938.

D. 3.00 p.m. April 14, 1938.

R. 4.00 p.m. April 14, 1938.

No. 86.

@@@@@@@@@@

Your telegram No. 58 first paragraph.

I gathered from Sheikh Hafiz April 12 that this is so.

2. Letter to Mr. Baxter on the subject sent by bag on that date.

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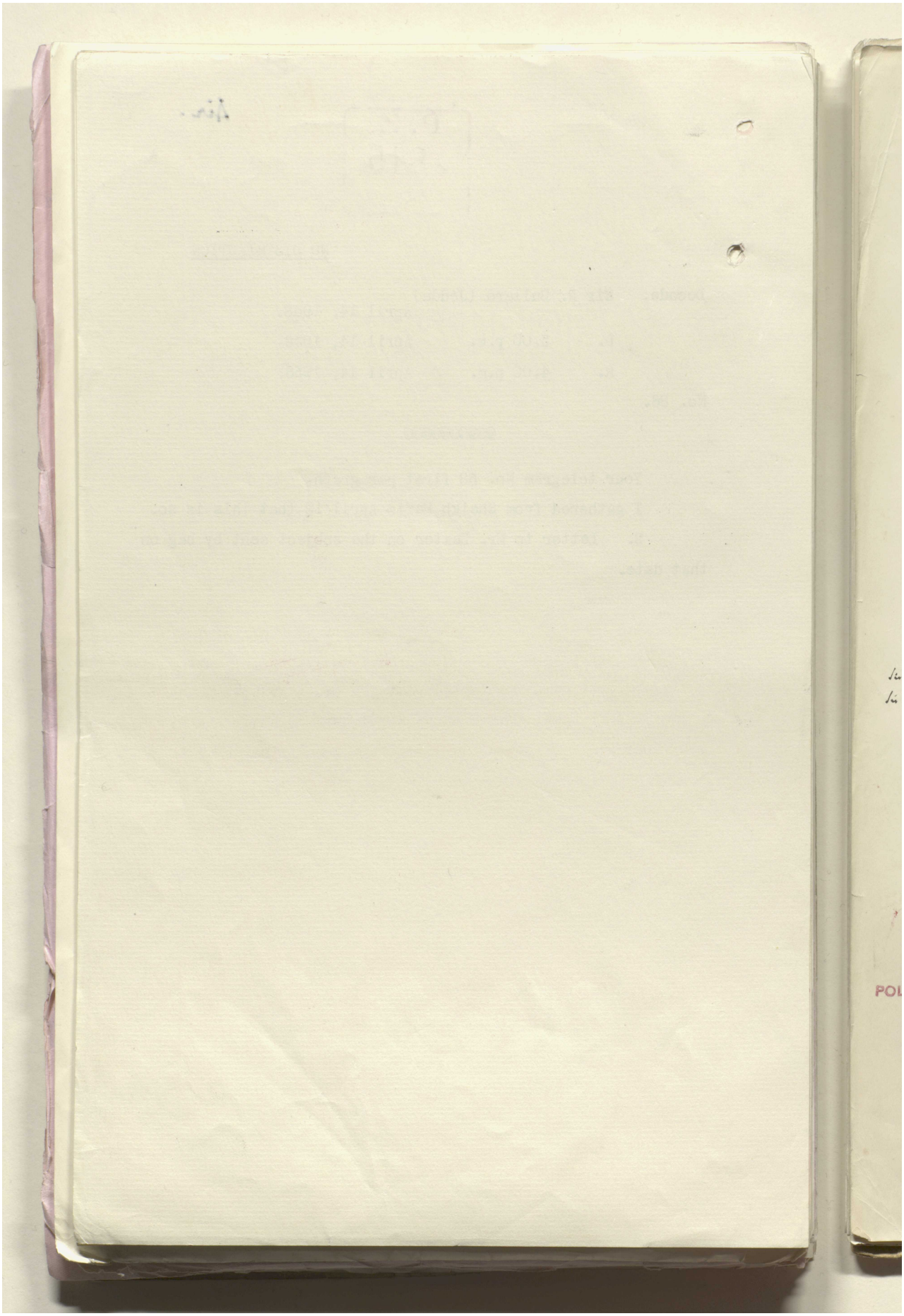

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Notes.

Minute Paper.

Register No.
P.2
1595/38

Pa. [illegible] 29/3

SECRET.
POLITICAL DEPARTMENT.

Dated 19 .
Rec.

	Date.	Initials.	SUBJECT.
To			
Under Secretary			Saudi-Arabia
Secretary of State...	22. 3.	[illegible]	
Committee.....	28. 3.	Z.	Oil Developments.
Under Secretary.....			
Secretary of State...			

Copy of to

FOR INFORMATION.

In the telegram below H.M.'s Minister at Jedda reports that the California Arabian Standard Oil Coy, after a long & fruitless search, have at last struck oil at a well which is producing at the rate of over 3000 barrels daily. The Minister adds that drilling continues & that prospects are excellent.

This news is of particular interest following as it does

Sir L. Wakely [illegible] 25 iii
Sir F. Stewart [illegible] 26/3

× 400 tons approx.

SEEN
POLITICAL COMMITTEE.
29 MAR 1938

Previous Papers :—

29A 2000 5.31

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a report received a week earlier to the effect that the Koweit Oil Co. have also struck oil in Koweit. The Koweit report states that the quantity will not be known for some weeks but that the quality is about the same as at Bahrein.

A.U.B. Gurm
12/3/38

A Times report to-day says that a second oil well in Hasa was tested yesterday and "gave results which confirmed the excellent promise of the first well". It is added that the King, through Princess Alice, has telegraphed his congratulations to Ibn Saud. (cf. P.Z. 1788 now added)

[illegible] 12/3

The amount of oil produced at Bahrein during the second half of 1937 was 517,130 tons approx: = 2840 tons a day approx.

A.U.B. Gurm
22/3

[illegible] 29/3 [illegible] 29/3 [illegible] 29/3.

SEEN
POLITICAL COMMITTEE
29 MAR 1938

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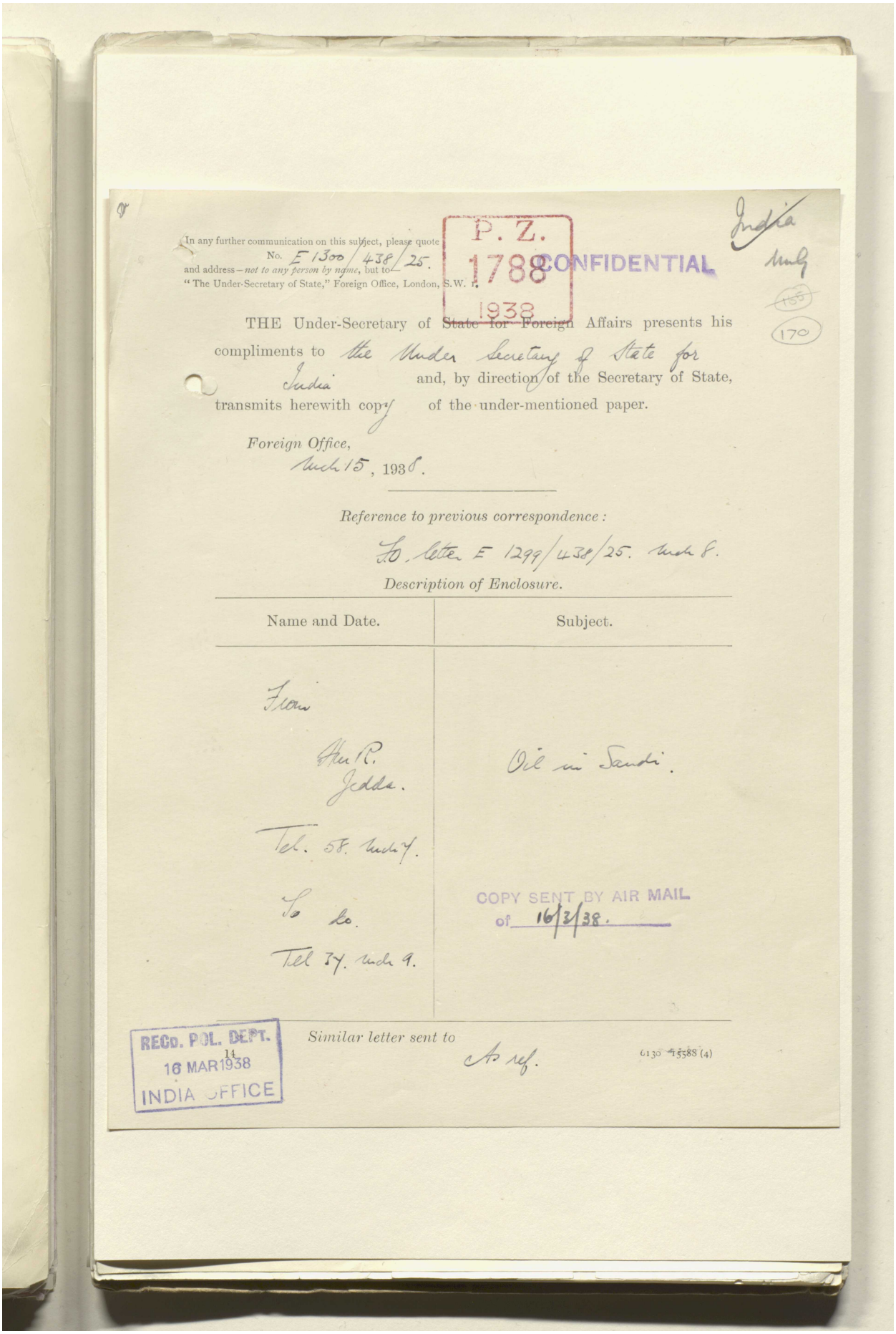

In any further communication on this subject, please quote
No. E 1300/438/25.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P. Z.
1788
1938

CONFIDENTIAL

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
March 15, 1938.

Reference to previous correspondence:

F.O. letter E 1299/438/25. March 8.

Description of Enclosure.

Name and Date.	Subject.
From Hon R. Jedda. Tel. 58. March 7. To do. Tel 37. March 9.	Oil in Saudi.

COPY SENT BY AIR MAIL
of 16/3/38.

RECD. POL. DEPT.
16 MAR 1938
INDIA OFFICE

Similar letter sent to As ref.

14

6130 15588 (4)

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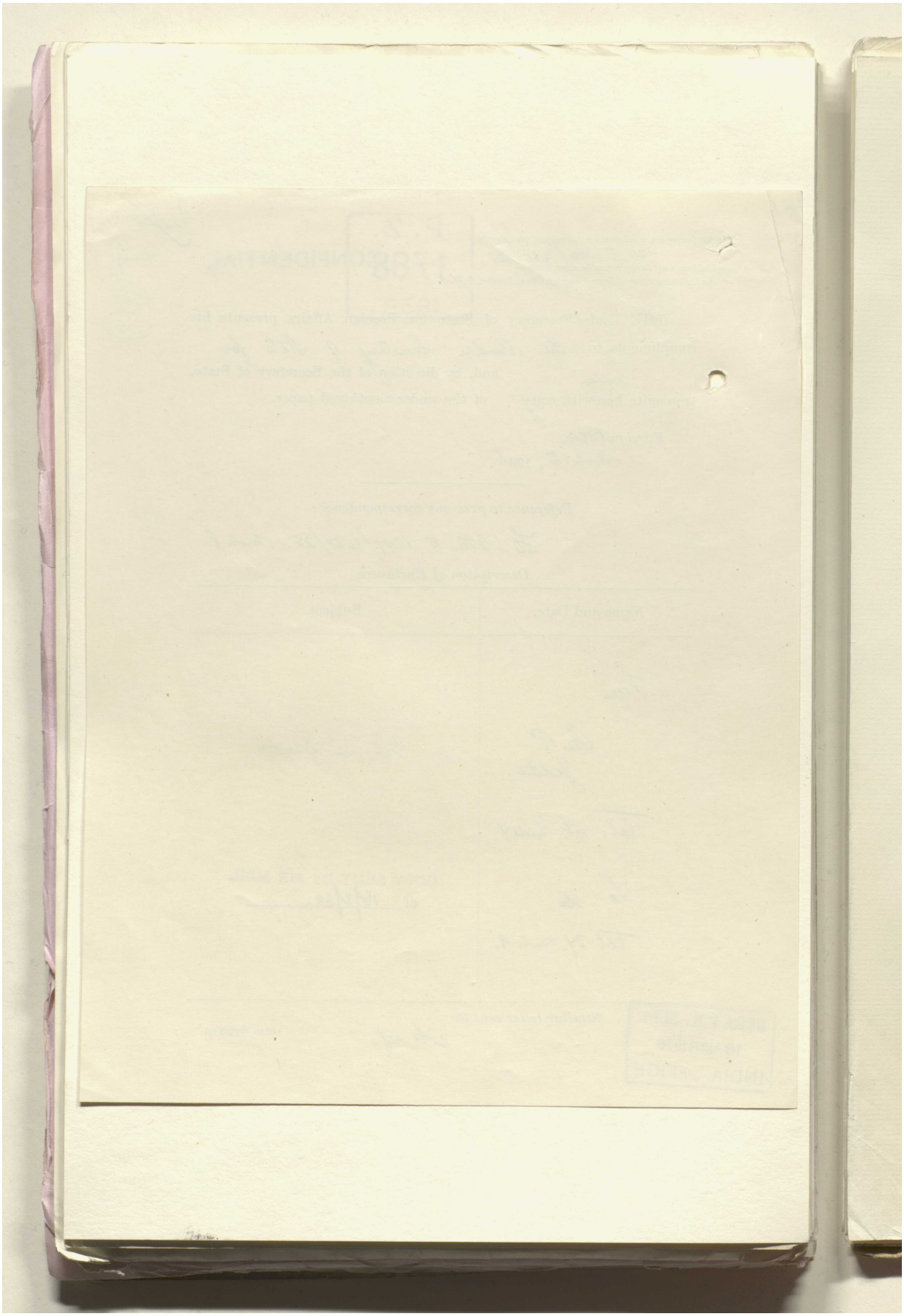

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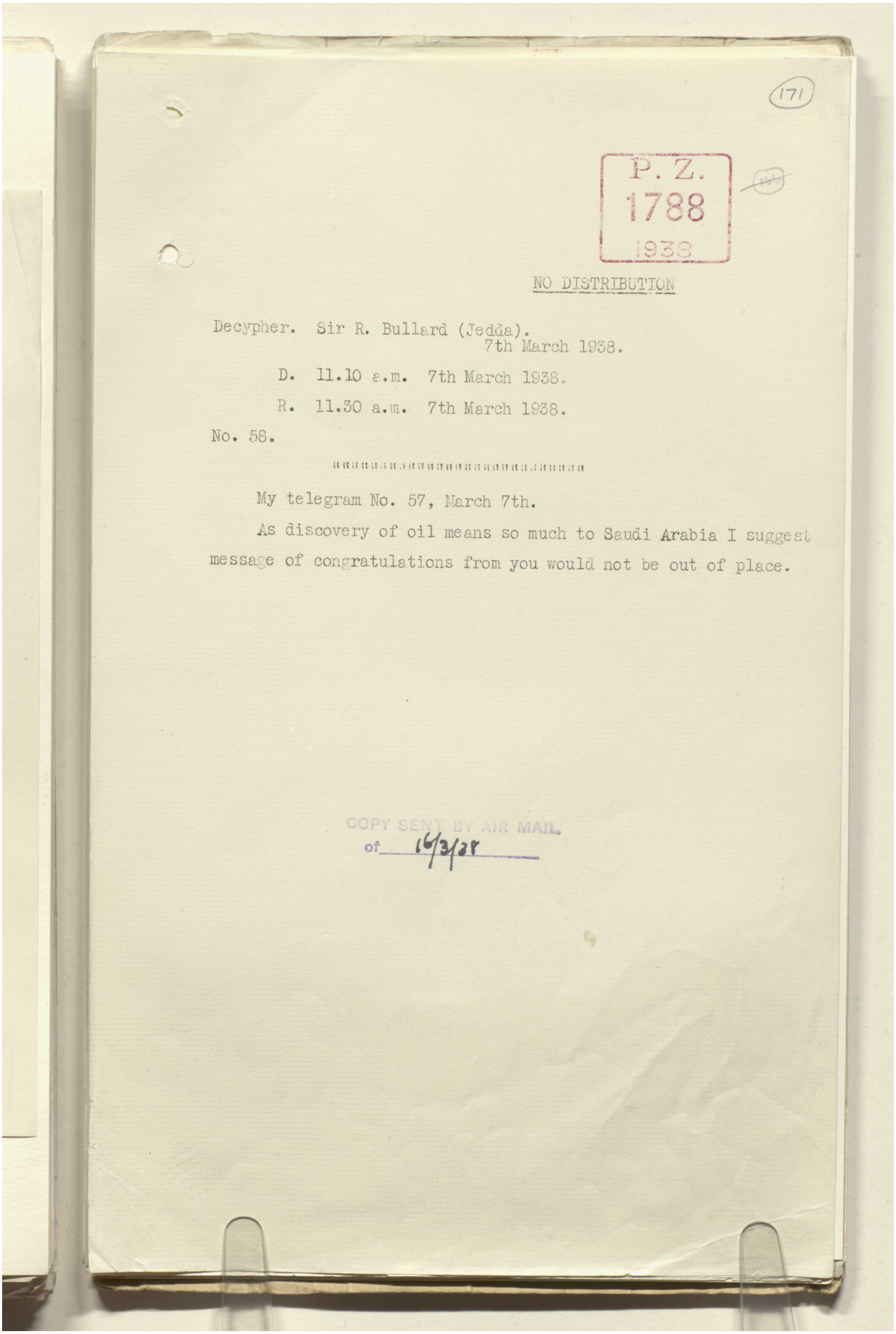

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P. Z.
1788
1938

NO DISTRIBUTION

Decypher. Sir R. Bullard (Jedda).
7th March 1938.

D. 11.10 a.m. 7th March 1938.

R. 11.30 a.m. 7th March 1938.

No. 58.

My telegram No. 57, March 7th.

As discovery of oil means so much to Saudi Arabia I suggest message of congratulations from you would not be out of place.

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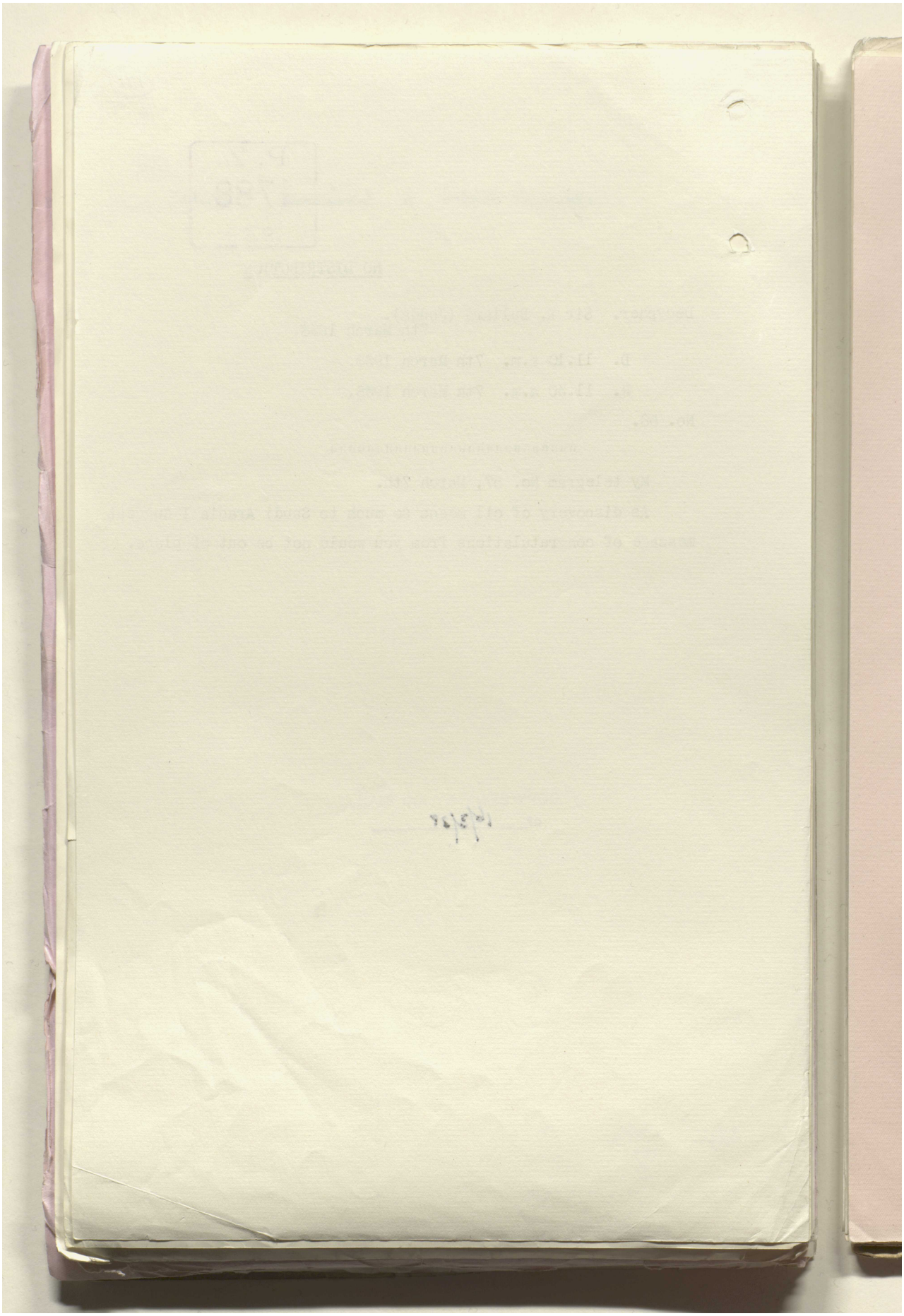

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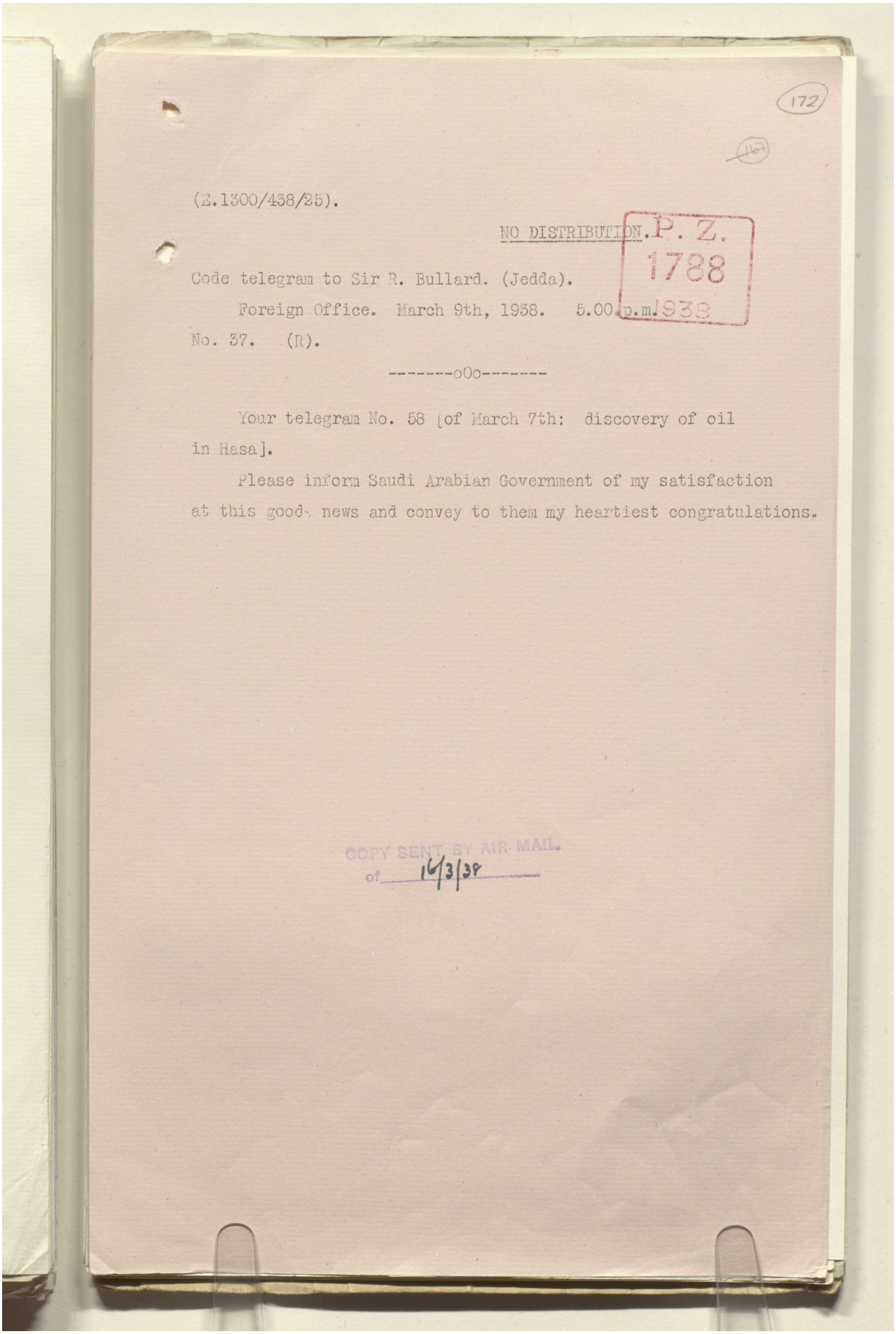

172

(E.1300/438/25).

NO DISTRIBUTION.

P. Z. 1788 1938

Code telegram to Sir R. Bullard. (Jedda).

Foreign Office. March 9th, 1938. 5.00 p.m.

No. 37. (R).

-------oOo-------

Your telegram No. 58 [of March 7th: discovery of oil in Hasa].

Please inform Saudi Arabian Government of my satisfaction at this good news and convey to them my heartiest congratulations.

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of 16/3/38

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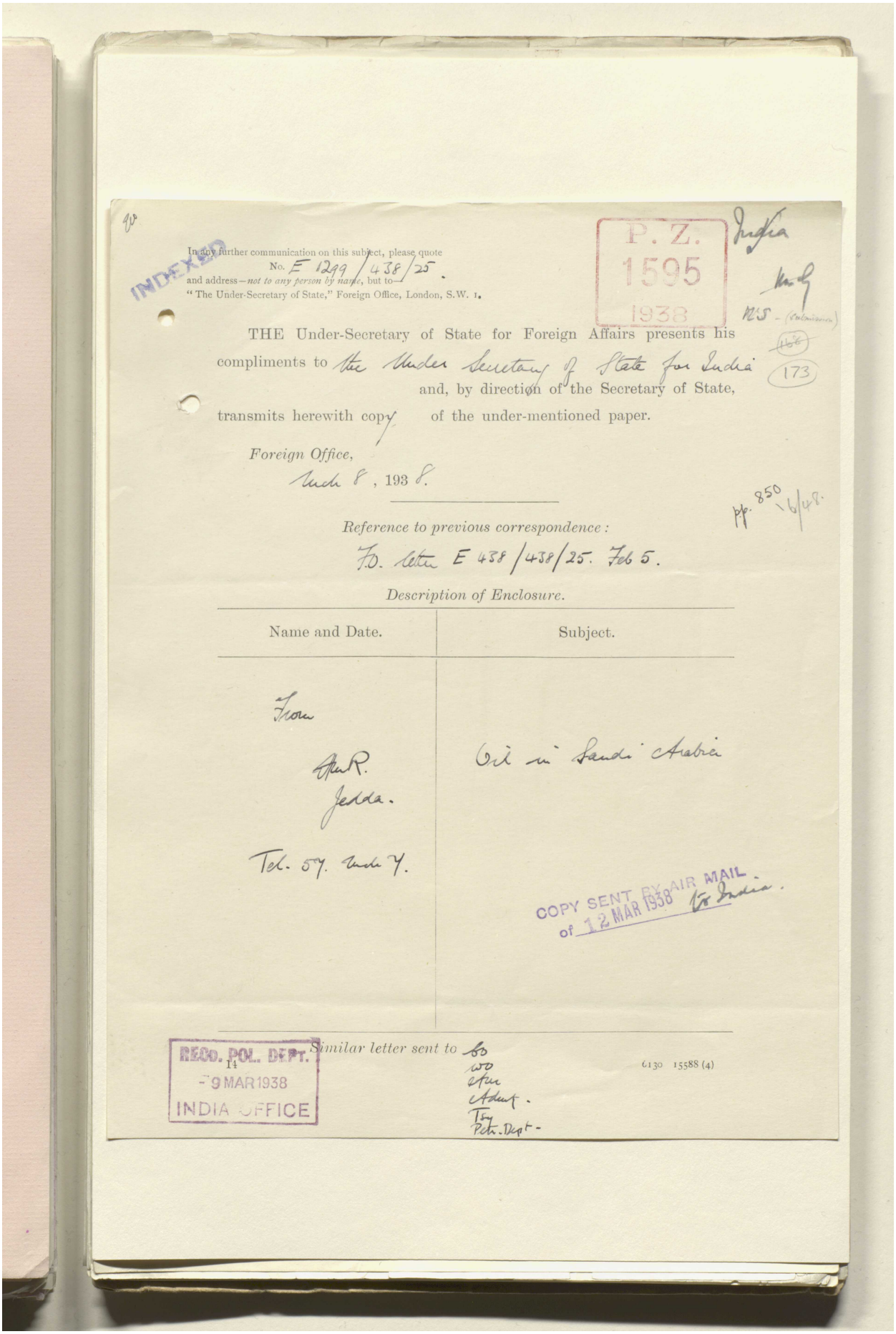

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In any further communication on this subject, please quote
No. E 1299/438/25.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P. Z.
1595
1938

India

MS - (submission)

~~168~~ 173

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
March 8, 1938.

pp. 850 6/48.

Reference to previous correspondence:
F.O. letter E 438/438/25. Feb 5.

Description of Enclosure.

Name and Date.	Subject.
From Hon R. Jedda. Tel. 57. March 7.	Oil in Saudi Arabia

COPY SENT BY AIR MAIL of 12 MAR 1938 to India.

Similar letter sent to GO
WO
Adm.
Tsy
Petr. Dept.

RECD. POL. DEPT.
9 MAR 1938
INDIA OFFICE

14

6130 15588 (4)

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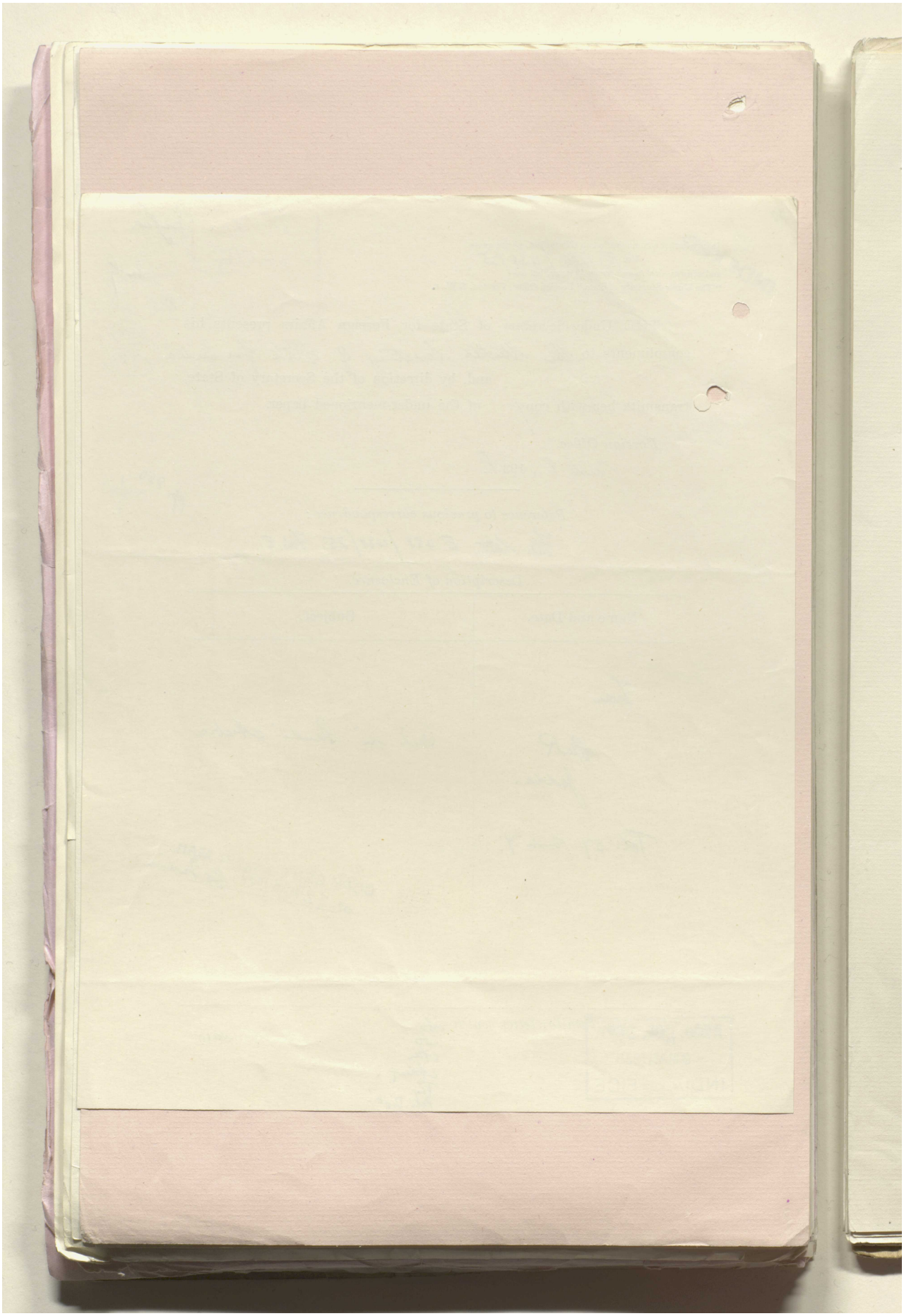

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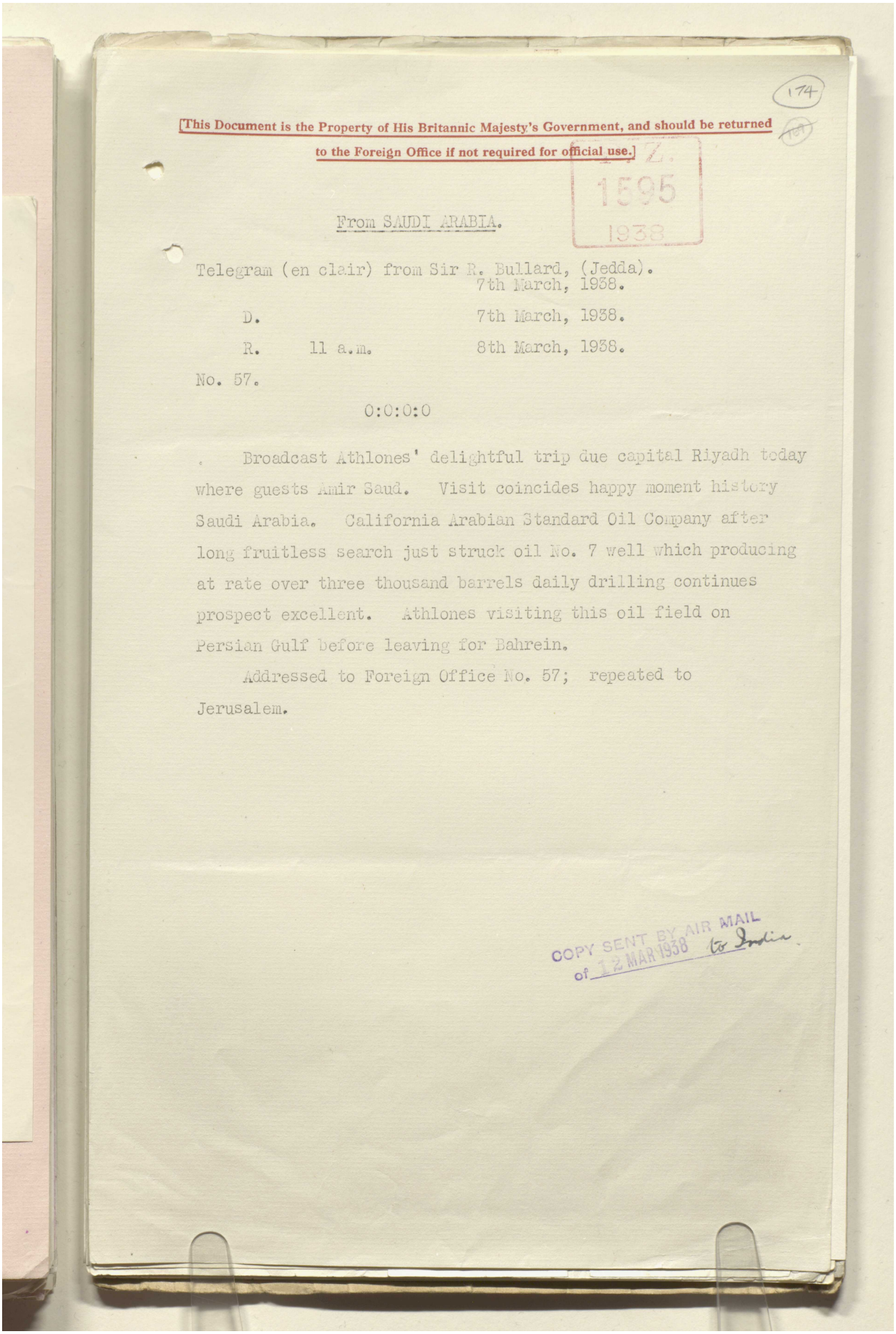

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P. Z. 1595 1938

From SAUDI ARABIA.

Telegram (en clair) from Sir R. Bullard, (Jedda).
7th March, 1938.

D. 7th March, 1938.

R. 11 a.m. 8th March, 1938.

No. 57.

0:0:0:0

Broadcast Athlones' delightful trip due capital Riyadh today where guests Amir Saud. Visit coincides happy moment history Saudi Arabia. California Arabian Standard Oil Company after long fruitless search just struck oil No. 7 well which producing at rate over three thousand barrels daily drilling continues prospect excellent. Athlones visiting this oil field on Persian Gulf before leaving for Bahrein.

Addressed to Foreign Office No. 57; repeated to Jerusalem.

COPY SENT BY AIR MAIL of 12 MAR 1938 to India

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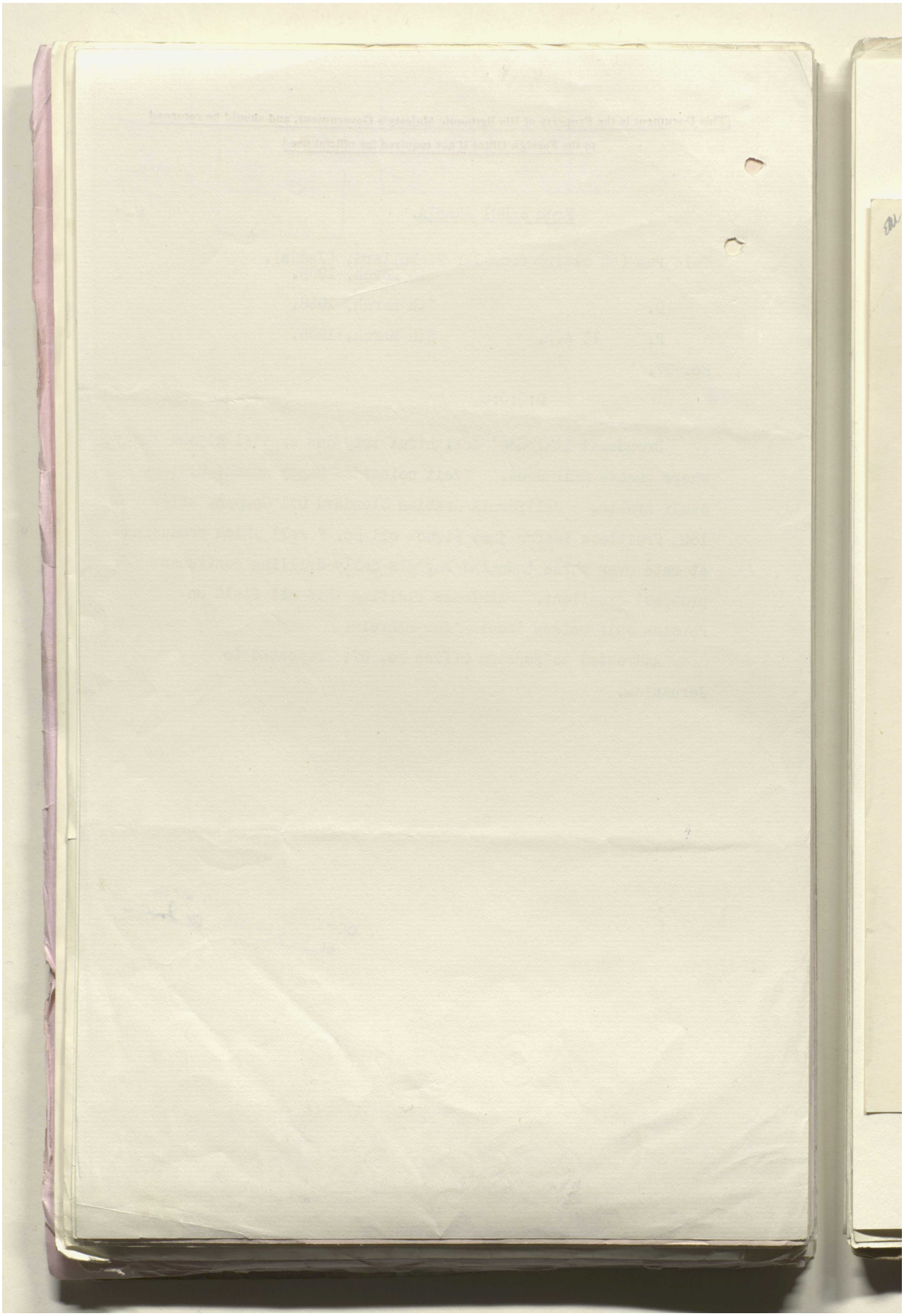

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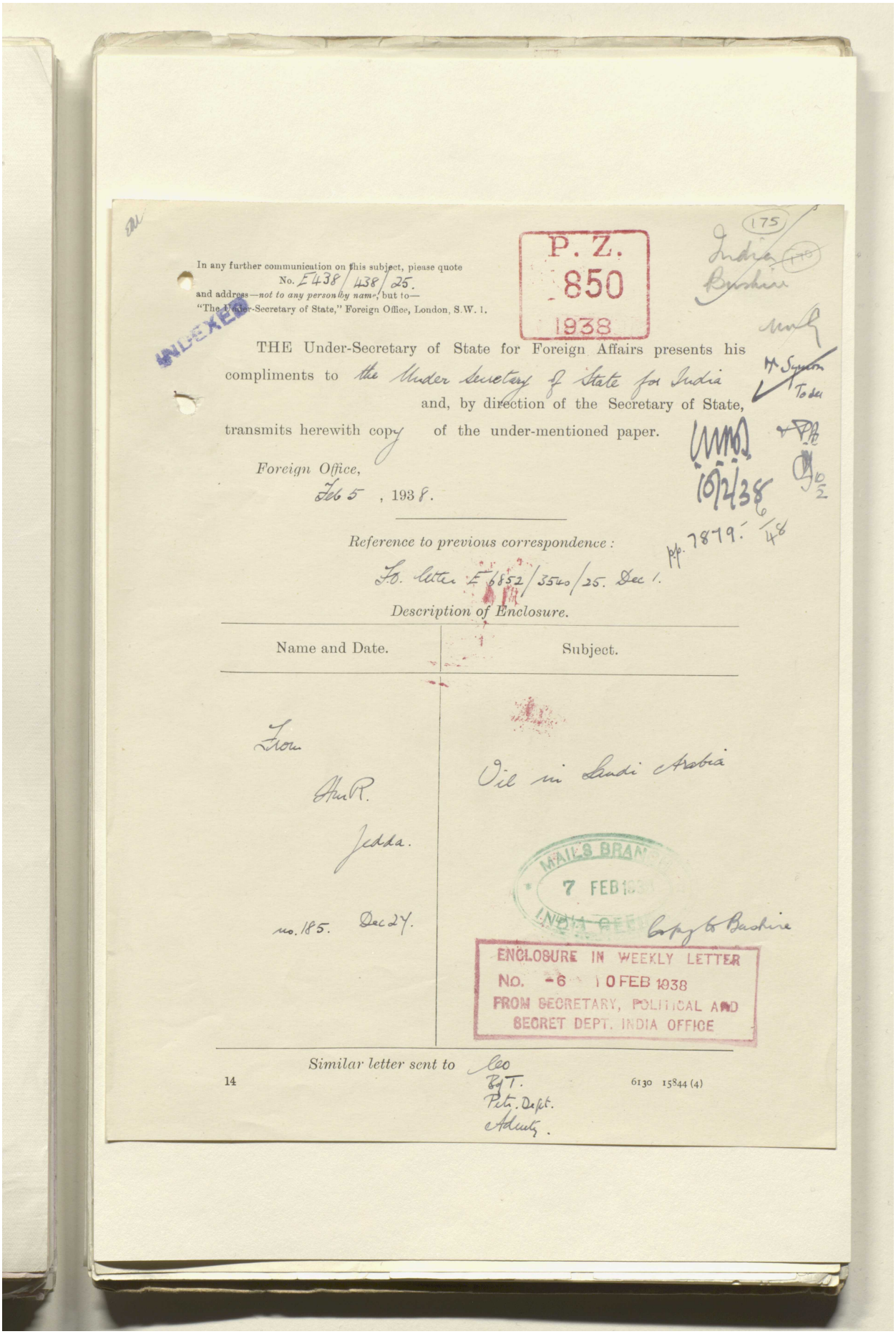
(175)

India
Bushire

P. Z.
850
1938



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and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

INDEXED

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
Feb 5, 1938.

10/2/38

pp. 7879. 6/48

Reference to previous correspondence:

F.O. letter E 6852/3540/25. Dec 1.

Description of Enclosure.

Name and Date.	Subject.
From Hm R. Jedda. no. 185. Dec 24.	Oil in Saudi Arabia

MAILS BRANCH
7 FEB 1938
INDIA OFFICE

Copy to Bushire

ENCLOSURE IN WEEKLY LETTER
No. -6 10 FEB 1938
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Similar letter sent to Co
Bd T.
Petr. Dept.
Admty.

14 6130 15844 (4)

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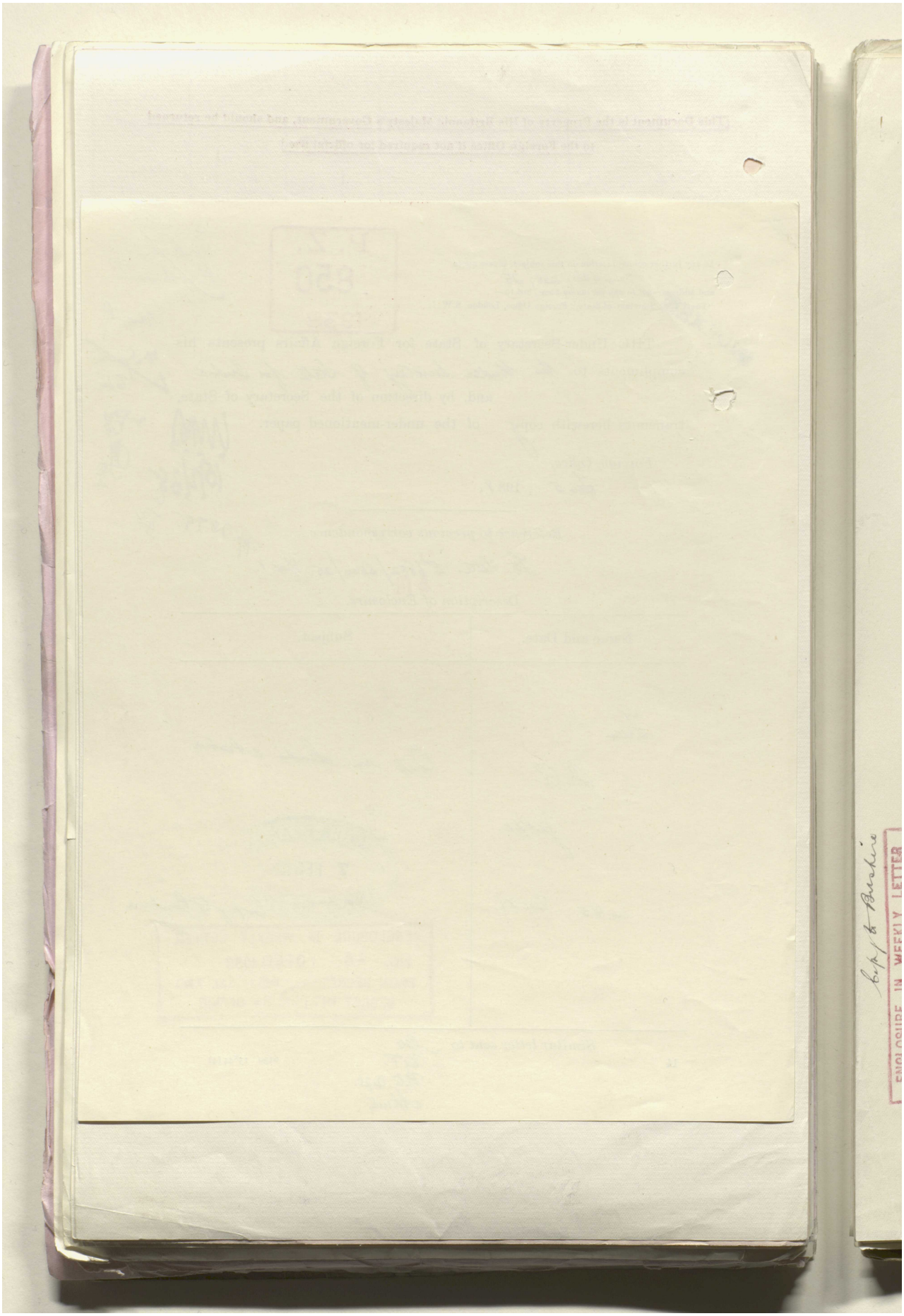

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P. Z.
850
1938

Copy.
(E 438/438/25)
No. 185.
(1840/81/75).

British Legation,
Jedda.
December 27th, 1937.

Sir,

In his despatch No. 164 dated November 1st. Mr. Trott mentioned the visit of Mr. S.H. Wallace, of the California-Texas Oil Company, and I have the honour to supplement the information which was available at that time. Mr. Wallace, who does in fact appear to represent "Caltex", though his card describes him as "Texas Company (Saudi Arabia) Limited", left on December 19th. for Nairobi, after seeing Ibn Saud and arranging for the importation of petrol and other oil products for the account of the Saudi Government. The explanation of this transaction, as supplied by Mr. Lenahan, the Jedda manager of the California Arabian Standard Oil Company, is as follows:

The search for oil in Hasa at depths up to two thousand feet has so far been unsuccessful. Hope has not been abandoned, and it is proposed to drill one of the wells to four thousand feet, as rich supplies of oil at that depth were found in a rather similar formation in Bahrain. Drilling was proceeding and it was hoped that there might be some good news to give The King when he visited Jedda (December 13th-15th), but just at that moment the drill broke. As some consolation for the bad fortune experienced hitherto it was proposed to offer the Saudi Government some petrol etc. as an advance against the quantities which C.A. S.O.C. were bound by their concession to offer to the Government free every year when oil should be found in commercial

ENCLOSURE IN WEEKLY LETTER
No. -6 10 FEB 1938
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

The Right Honourable Anthony Eden, M.C., M.P.,
&c., &c., &c.

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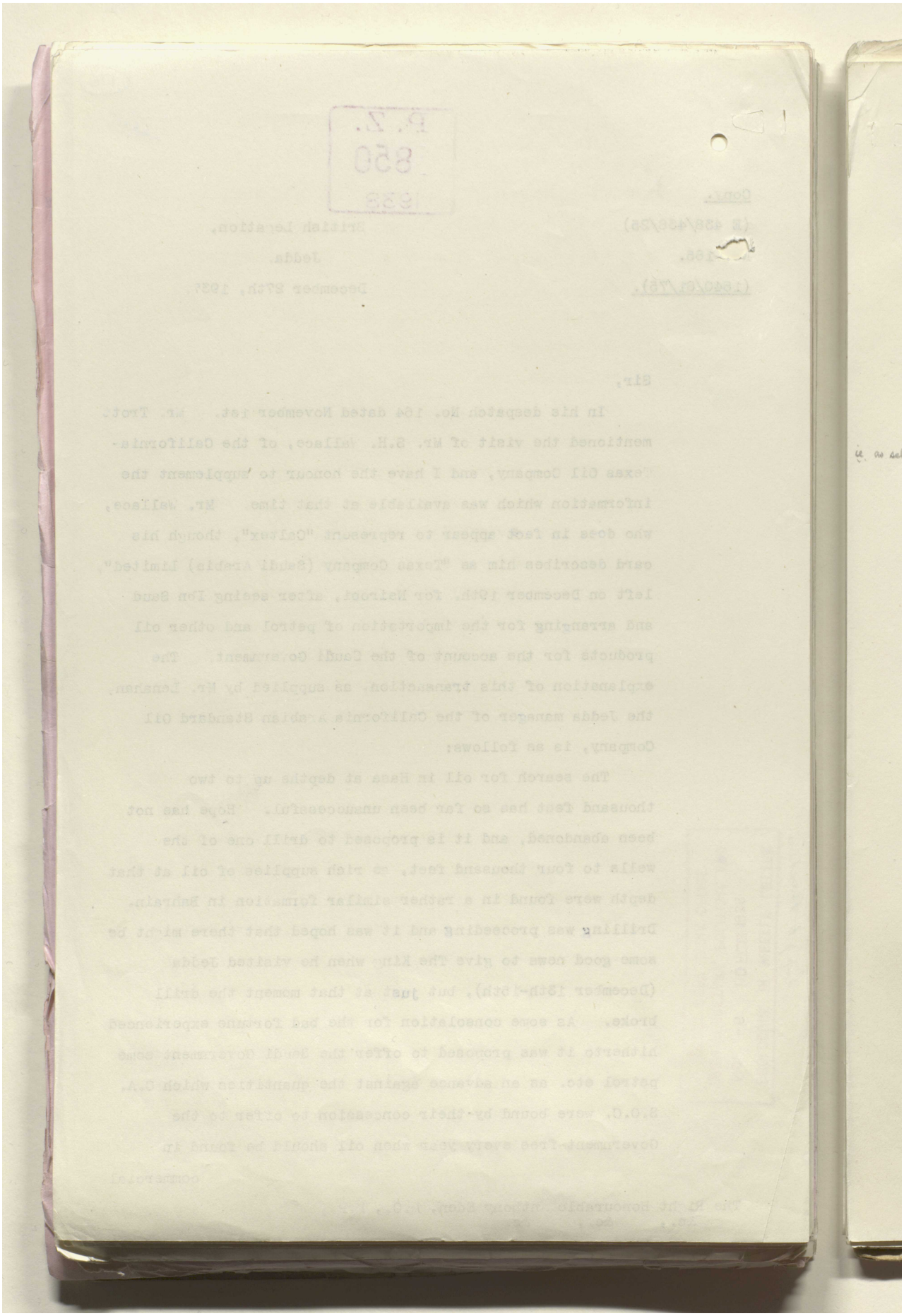

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commercial quantities. The offer had been accepted, and Mr. Wallace would shortly ship the undermentioned oil products, originally from Texas but immediately from Nairobi:

twenty thousand eight-gallon cases of petrol.
two thousand eight-gallon cases of kerosine.
two hundred tons of Diesel oil.

2. Mr. Lenahan informs me that his company are not at the moment interested in Saudi Arabia commercially and he has assured Messrs. Gellatly, Hankey and Company (Sudan) Limited, the "Shell" agents in Jedda, that they are acting under pressure, a contention to which the report of His Majesty's Political Agency at Bahrain (for the period November 1st to November 15th) gives some support. It seems reasonable to suppose that if the Hasa wells begin to produce oil the Saudi Government will satisfy their needs and that of the local market directly or indirectly from that source of supply, but Messrs. Gellatly, Hankey and Company, are not convinced that "Caltex" have not immediate commercial aims also. Messrs. Gellatly, Hankey, as "Shell" agents, have a contract with the Saudi Government, signed in September 1937 and due to expire early in 1938, under which they undertake to supply the Saudi Government with specified quantities of petrol, kerosine, lubricating oil and grease at fixed prices and any more that is required at the rate of the day, while the Saudi Government undertake not to purchase supplies from anyone else and not to allow the semi-official motor transport combine to purchase from anyone but the sellers, provided that the sellers satisfy the combine's requirements. Messrs. Gellatly, Hankey believe that the Saudi Government will take up the quantities specified in this contract, but even if they are not taken up in

full

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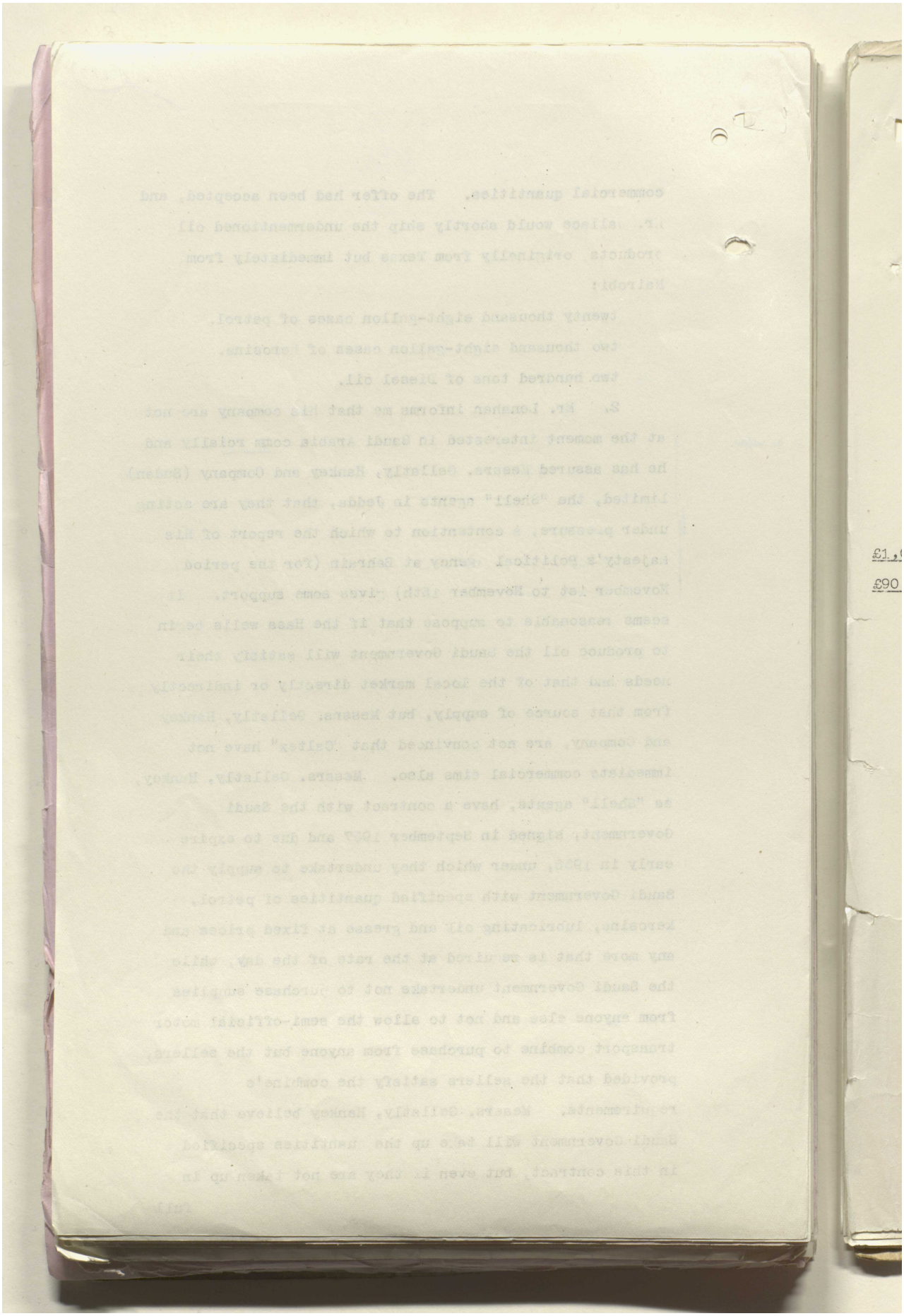

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full it is doubtful whether the transaction with "Caltex" could be attacked as an infringement of the contract, for although, as I understand, prices have been specified for the "Caltex" products, it could be urged that the consignment is merely an advance on account of free supplies due from C.A.S.O.C. to the Saudi Government later on and that the Government are not "buying" it. It is extremely doubtful whether the Government will ever pay for the consignment, for if no oil is found in Hasa and the C.A.S.O.C. concession is abandoned, C.A.S.O.C. will probably have to write off this item with many others e.g. the million or so pounds spent on drilling, and the ninety thousand pounds gold which Mr. Lenahan says has been paid already to the Saudi Government. If C.A.S.O.C. have such a contingency in mind it would provide one possible explanation of their action in specifying for the consignment from East Africa prices which Messrs. Gellatly, Hankey and Company are sure cannot cover the cost, let alone yield a profit. On the other hand there is some evidence to show that C.A.S.O.C. are trying to secure a contract for the regular supply of petrol etc., and if they offered supplies for a long period at the prices fixed for the first consignment the Shell Company would probably be unable to compete.

£1,000,000.
£90,000 gold.

5. The Gellatly, Hankey contract does not mention the area to which it applies, but the firm say that it applies only to the Hejaz. The quantities are relatively small, as will appear from the attached table which shows the quantities of petrol, kerosine etc. sold in the Hejaz during the whole of 1937 less the last ten days. It will be noticed that the Saudi Government, together with the semi-official motor car combine, takes ten times as much petrol as all other consumers put together.

4. I

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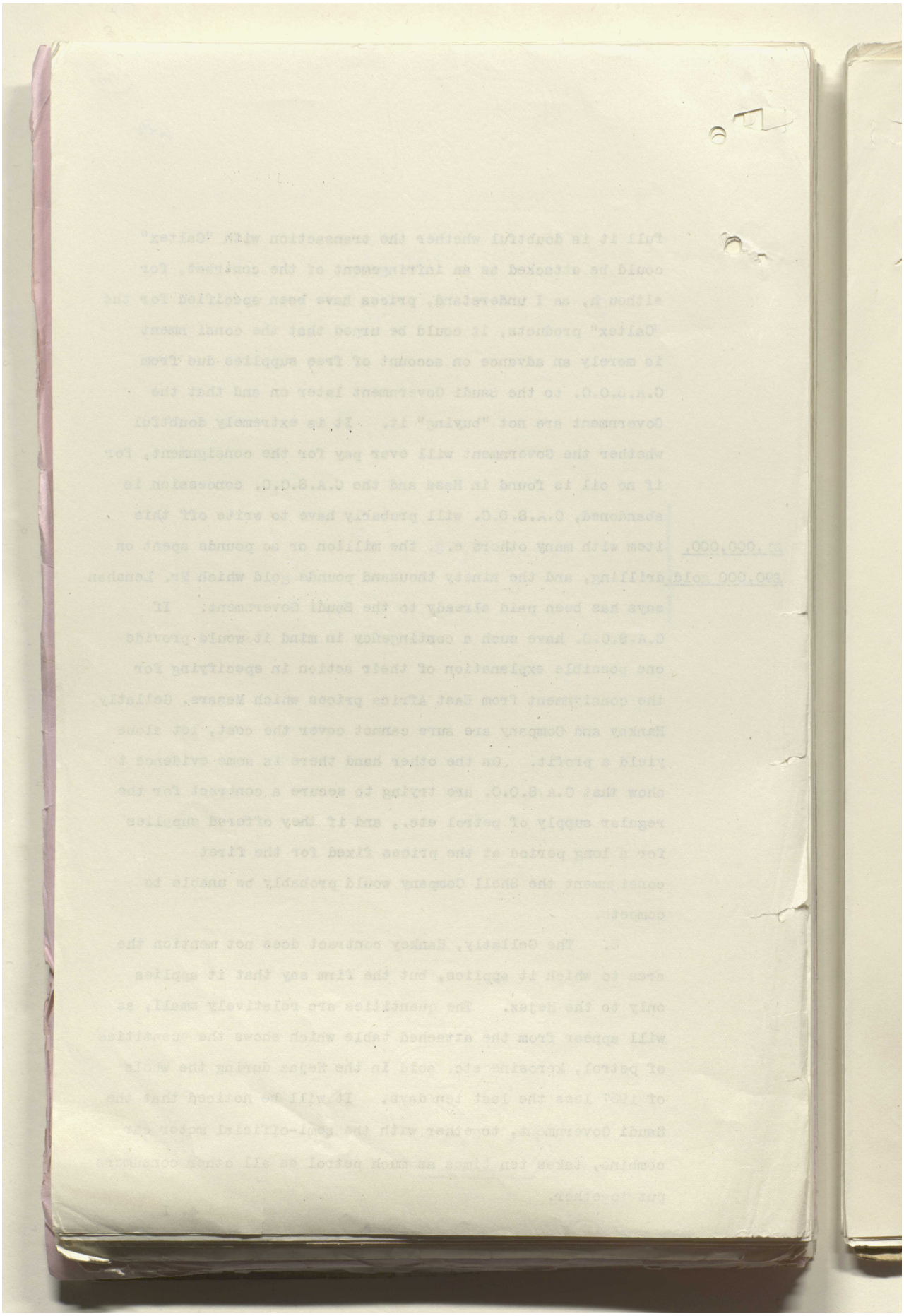

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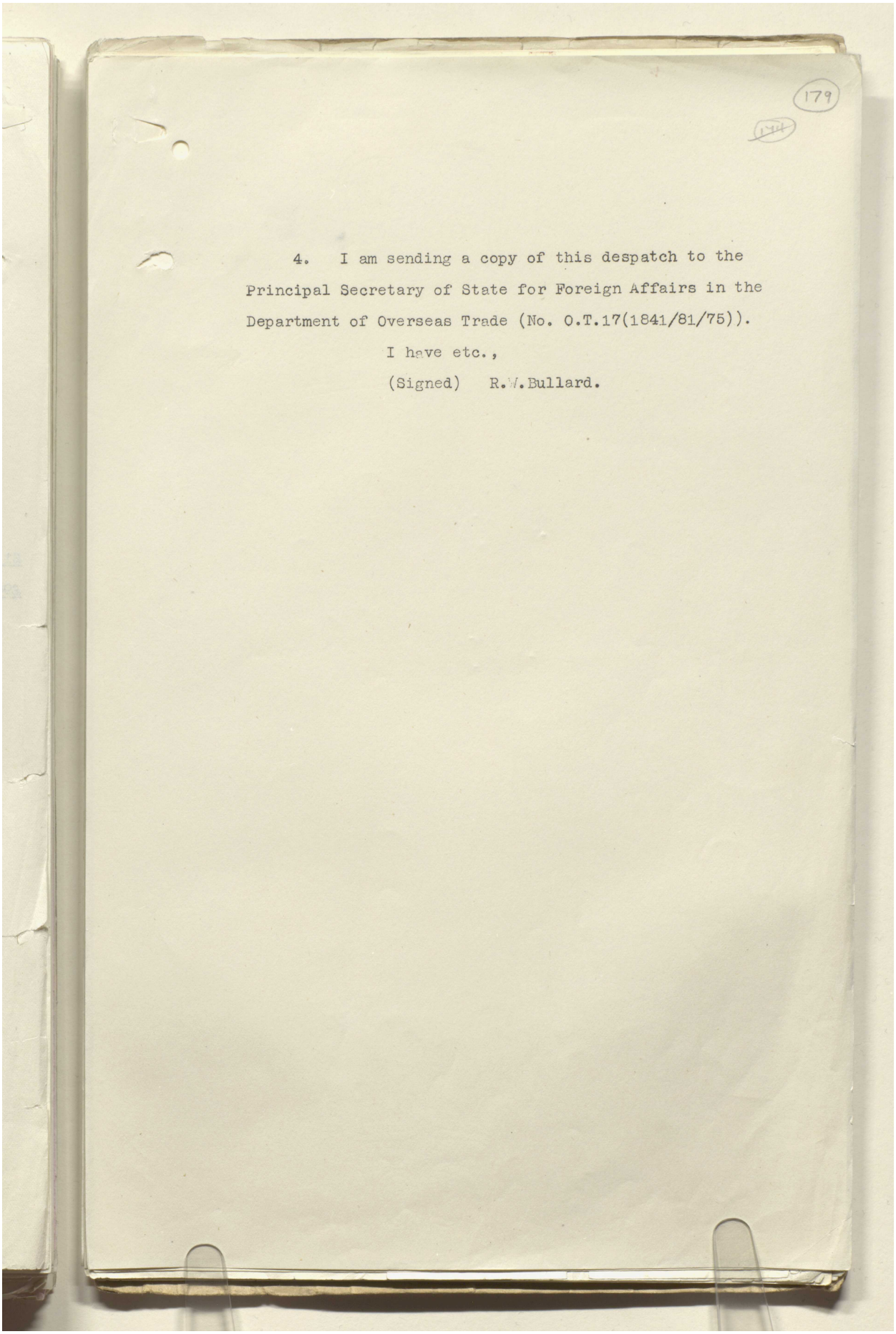

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4. I am sending a copy of this despatch to the Principal Secretary of State for Foreign Affairs in the Department of Overseas Trade (No. O.T.17(1841/81/75)).

I have etc.,

(Signed) R.W.Bullard.

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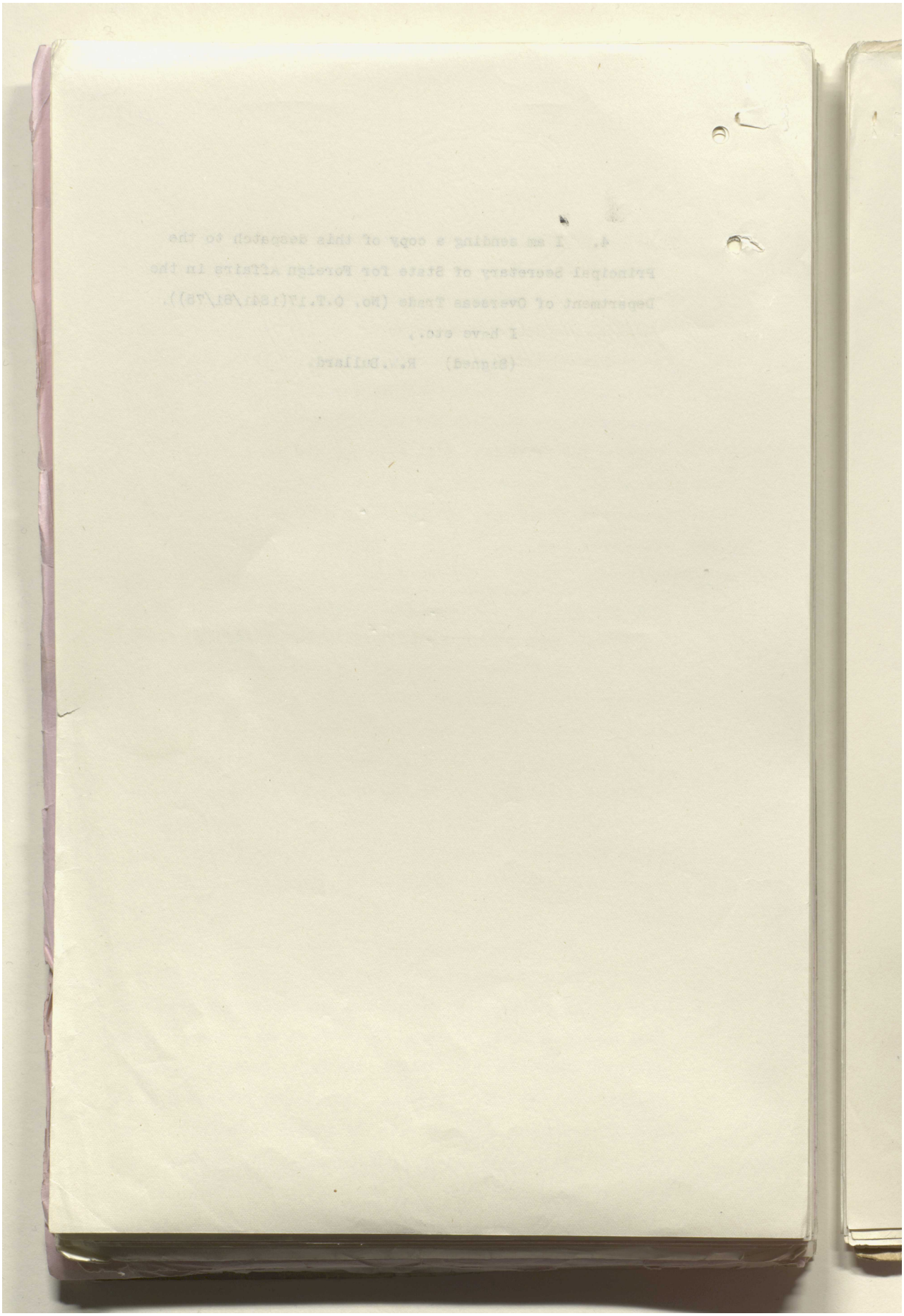

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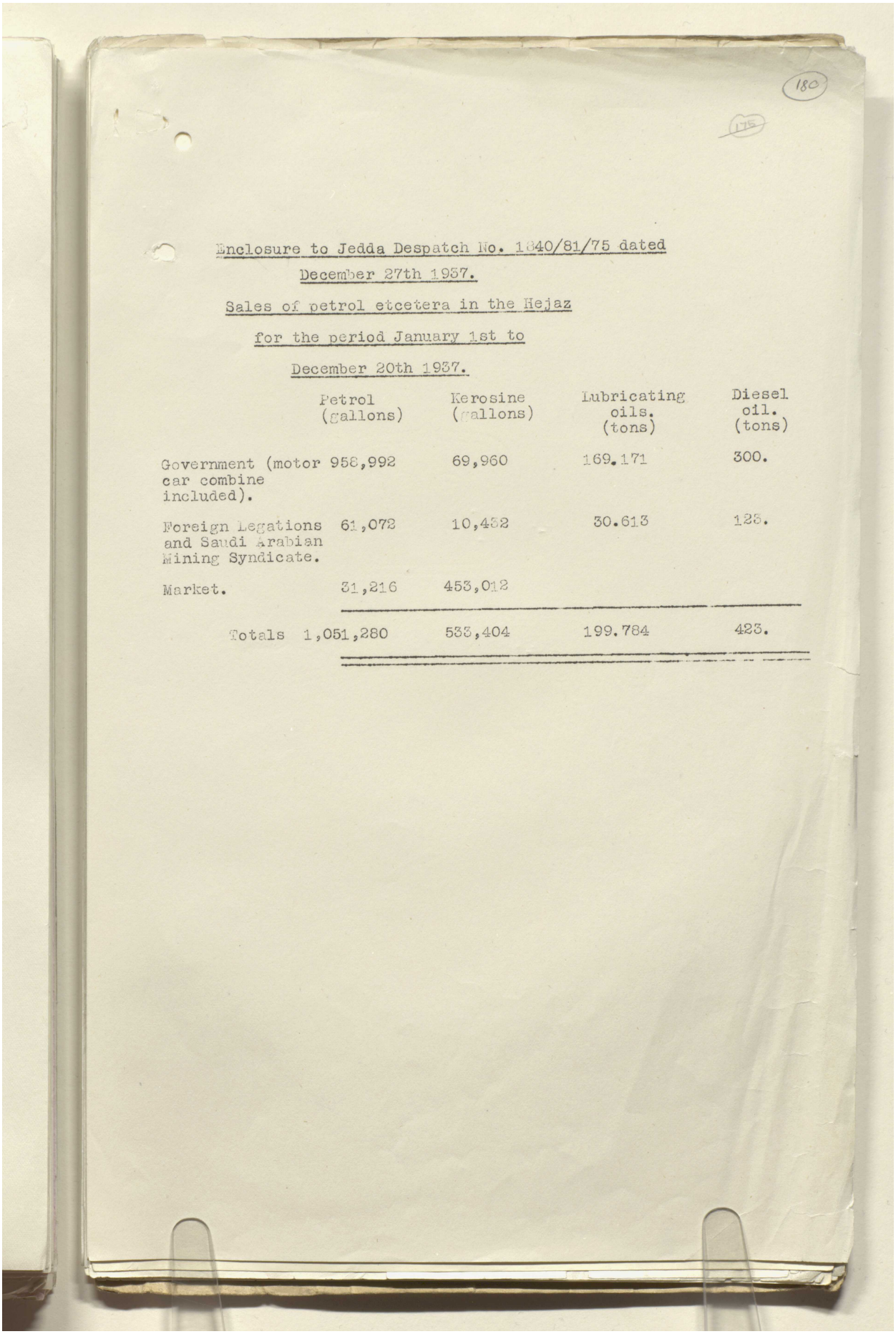

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Enclosure to Jedda Despatch No. 1040/81/75 dated December 27th 1937.

Sales of petrol etcetera in the Hejaz for the period January 1st to December 20th 1937.

	Petrol (gallons)	Kerosine (gallons)	Lubricating oils. (tons)	Diesel oil. (tons)
Government (motor car combine included).	958,992	69,960	169.171	300.
Foreign Legations and Saudi Arabian Mining Syndicate.	61,072	10,452	30.613	123.
Market.	31,216	453,012		
Totals	1,051,280	533,404	199.784	423.

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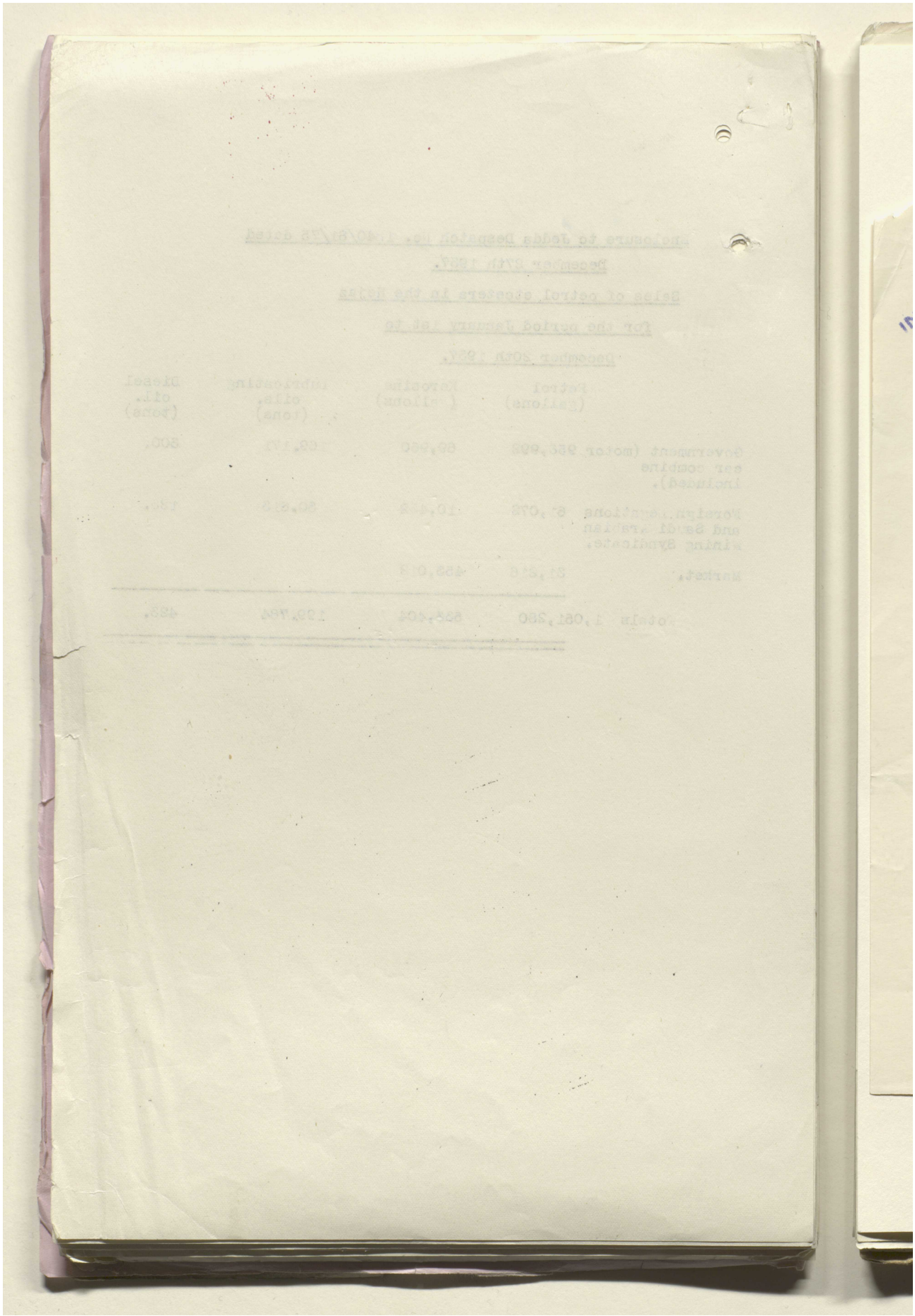

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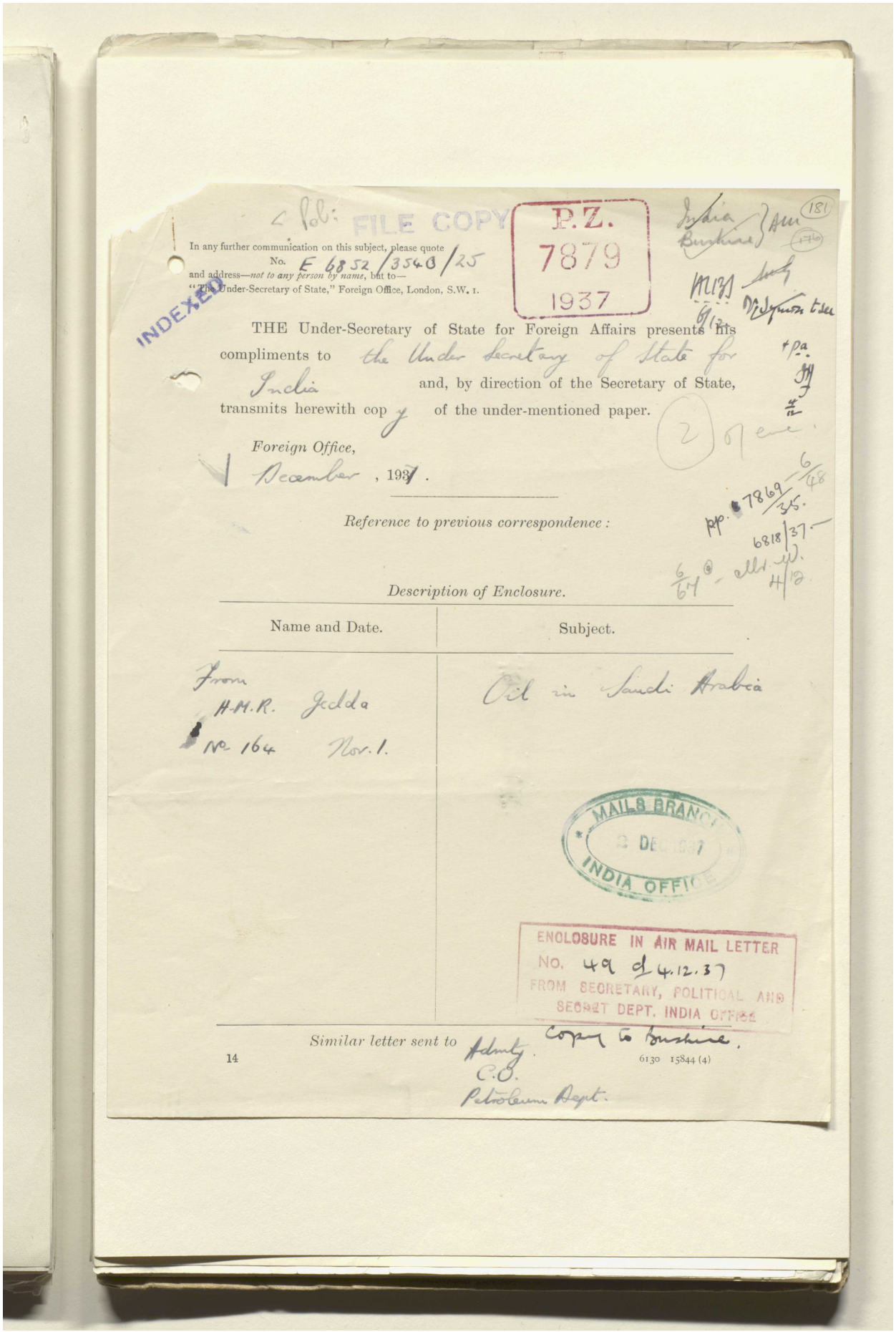

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P.Z. 7879 1937

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THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
December, 1937.

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
From H.M.R. Jedda No 164 Nov. 1.	Oil in Saudi Arabia

MAILS BRANCH 2 DEC 1937 INDIA OFFICE

ENCLOSURE IN AIR MAIL LETTER No. 49 of 4.12.37 FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Similar letter sent to Admty. Copy to Bushire. C.O. Petroleum Dept.

14

6130 15844 (4)

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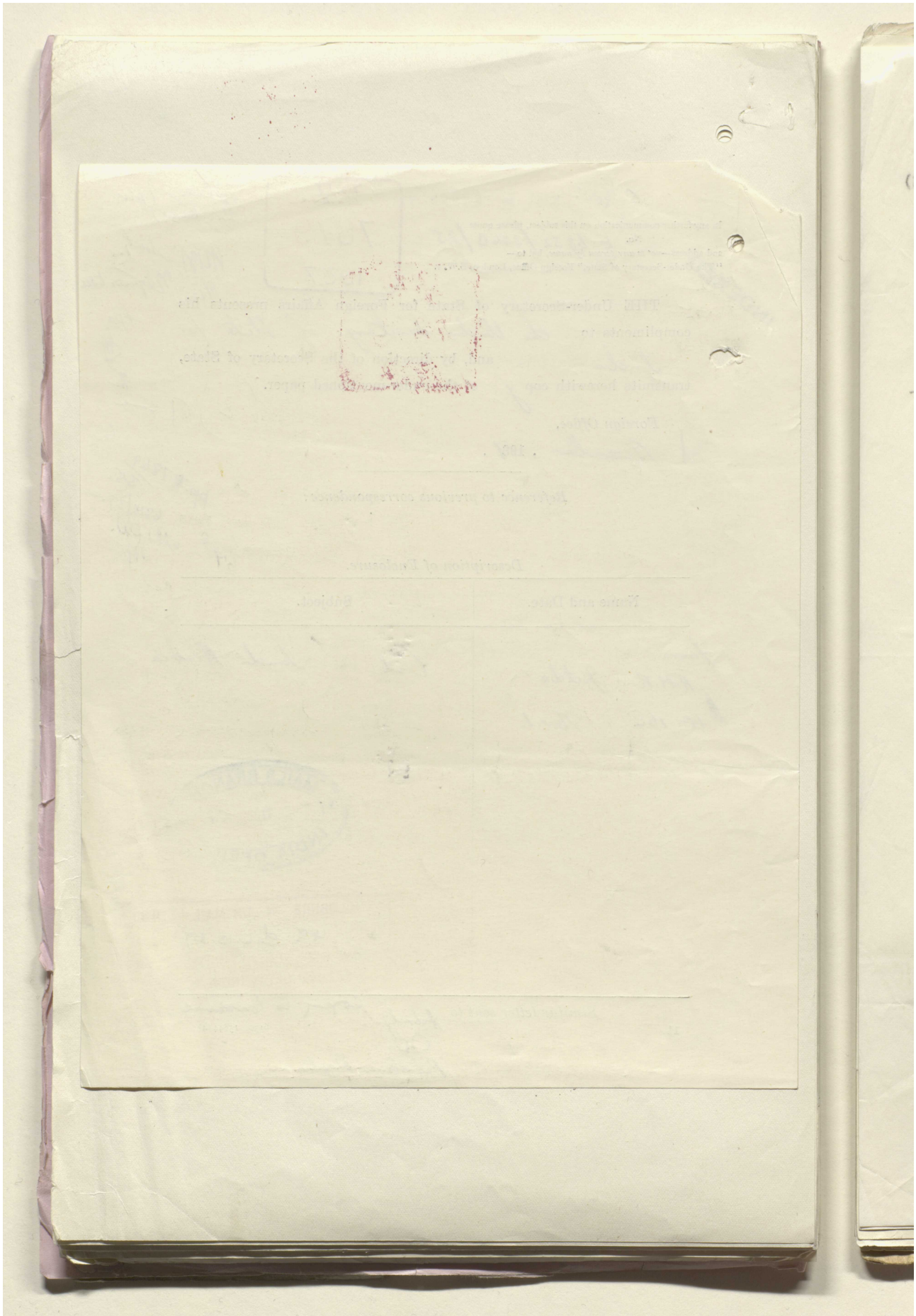

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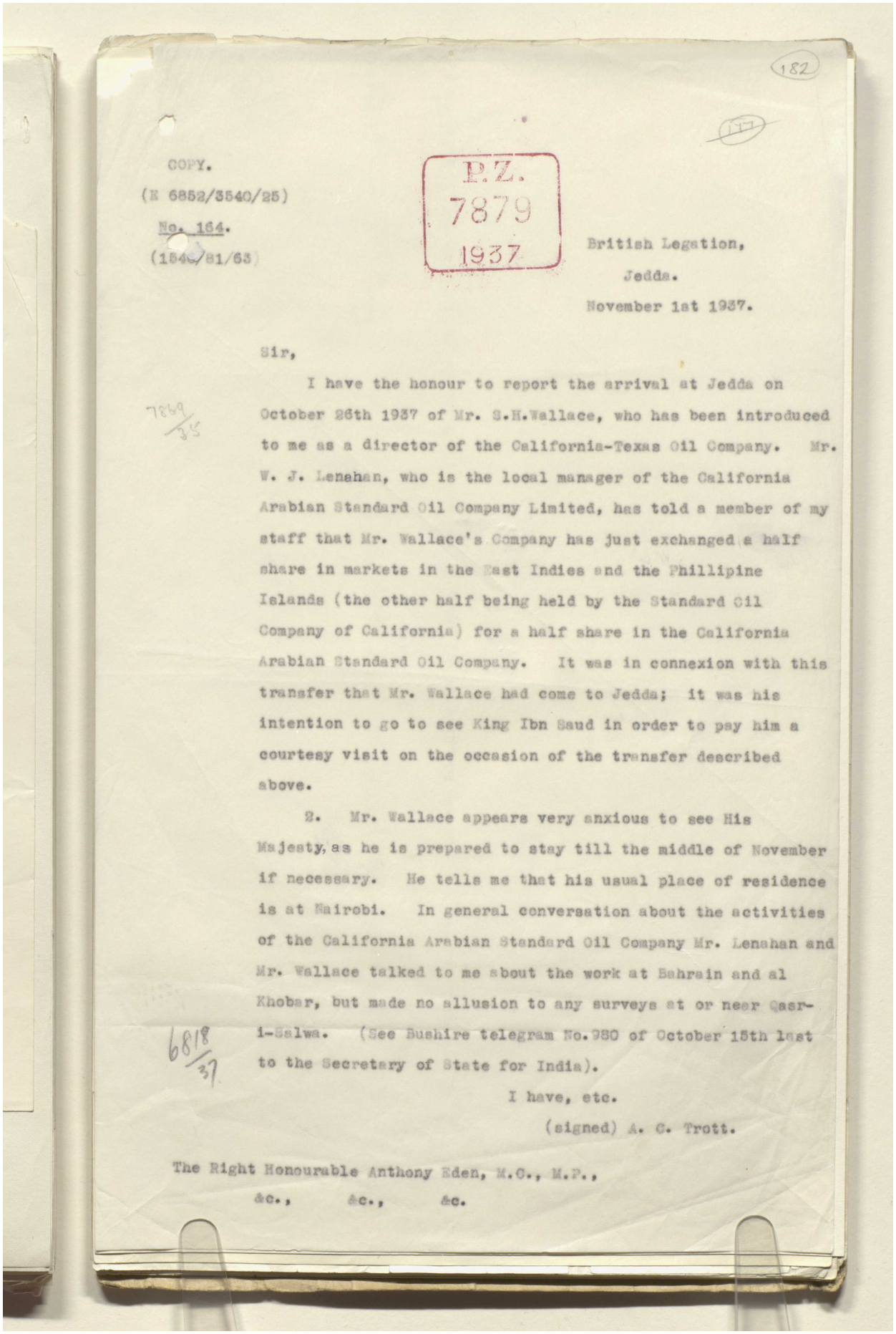

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COPY.

(E 6852/3540/25)

No. 164.

(1544/81/63)

P.Z. 7879 1937

British Legation,
Jedda.
November 1st 1937.

Sir,

I have the honour to report the arrival at Jedda on October 26th 1937 of Mr. S.H.Wallace, who has been introduced to me as a director of the California-Texas Oil Company. Mr. W. J. Lenahan, who is the local manager of the California Arabian Standard Oil Company Limited, has told a member of my staff that Mr. Wallace's Company has just exchanged a half share in markets in the East Indies and the Phillipine Islands (the other half being held by the Standard Oil Company of California) for a half share in the California Arabian Standard Oil Company. It was in connexion with this transfer that Mr. Wallace had come to Jedda; it was his intention to go to see King Ibn Saud in order to pay him a courtesy visit on the occasion of the transfer described above.

2. Mr. Wallace appears very anxious to see His Majesty, as he is prepared to stay till the middle of November if necessary. He tells me that his usual place of residence is at Nairobi. In general conversation about the activities of the California Arabian Standard Oil Company Mr. Lenahan and Mr. Wallace talked to me about the work at Bahrain and al Khobar, but made no allusion to any surveys at or near Qasr-i-Salwa. (See Bushire telegram No.980 of October 15th last to the Secretary of State for India).

I have, etc.
(signed) A. C. Trott.

The Right Honourable Anthony Eden, M.C., M.P.,
&c., &c., &c.

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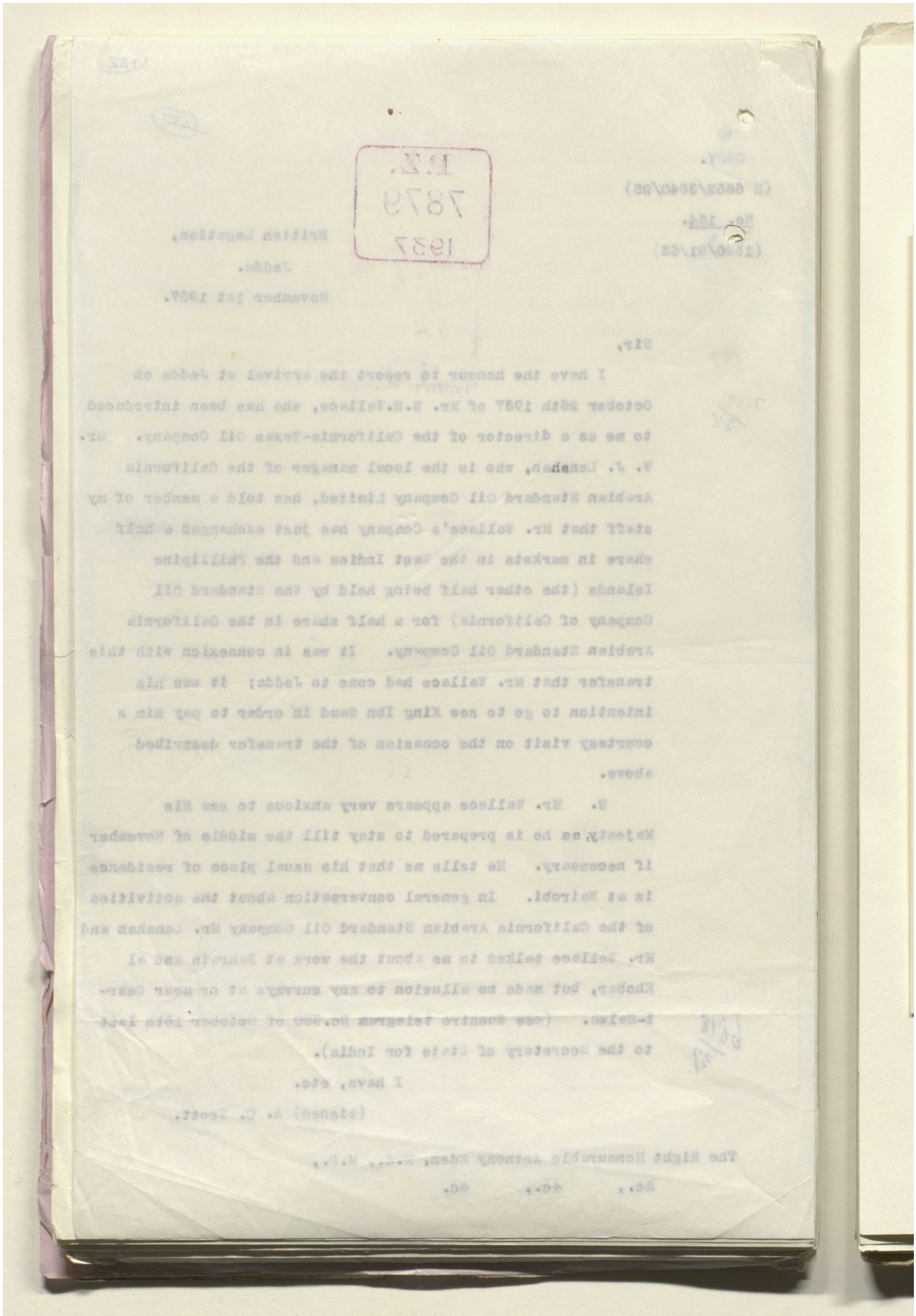

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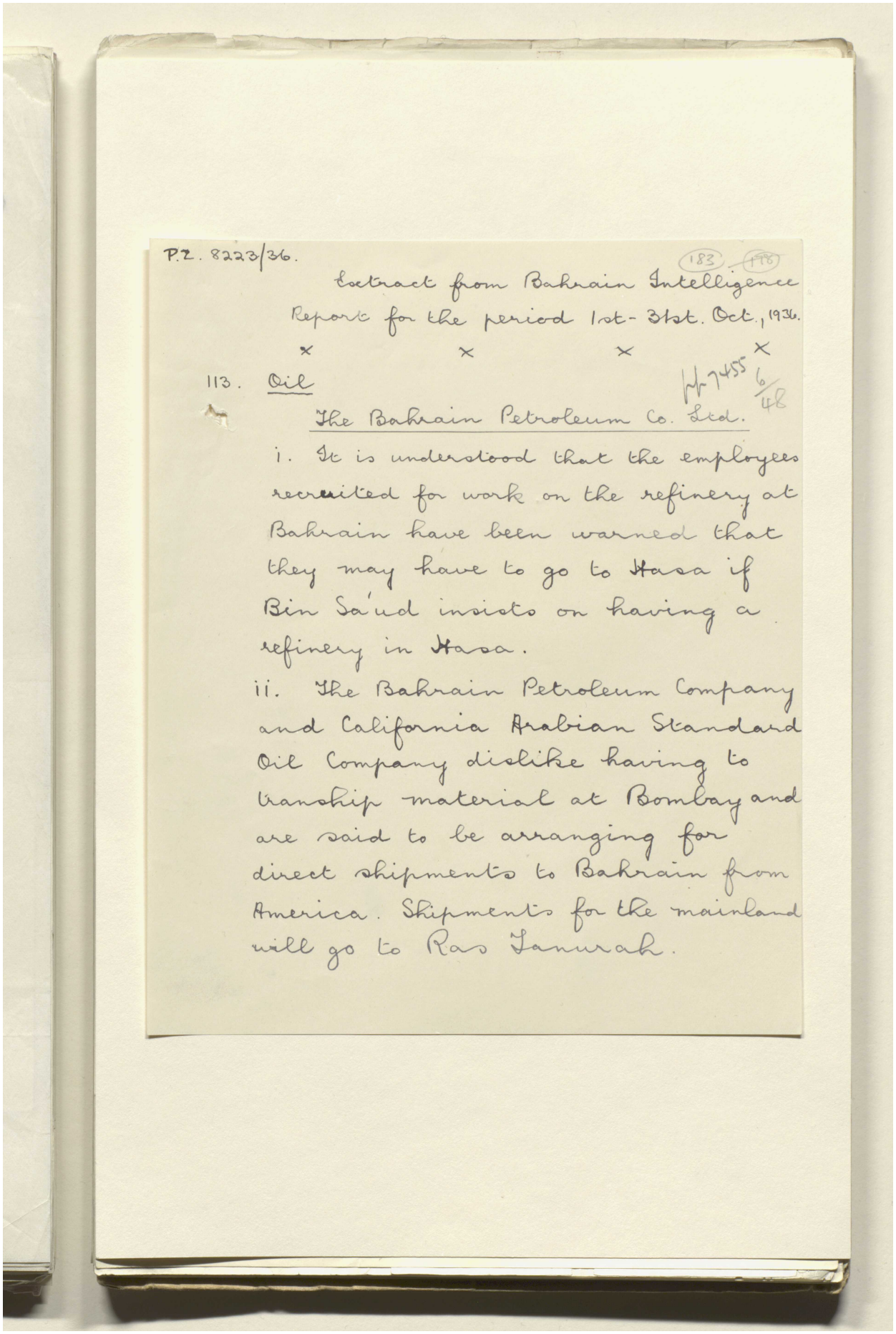

P.Z. 8223/36.

(183) (186)

Extract from Bahrain Intelligence Report for the period 1st-31st. Oct., 1936.

× × × ×

113. Oil

W 7455 6/48

The Bahrain Petroleum Co. Ltd.

i. It is understood that the employees recruited for work on the refinery at Bahrain have been warned that they may have to go to Hasa if Bin Sa'ud insists on having a refinery in Hasa.

ii. The Bahrain Petroleum Company and California Arabian Standard Oil Company dislike having to tranship material at Bombay and are said to be arranging for direct shipments to Bahrain from America. Shipments for the mainland will go to Ras Tanurah.

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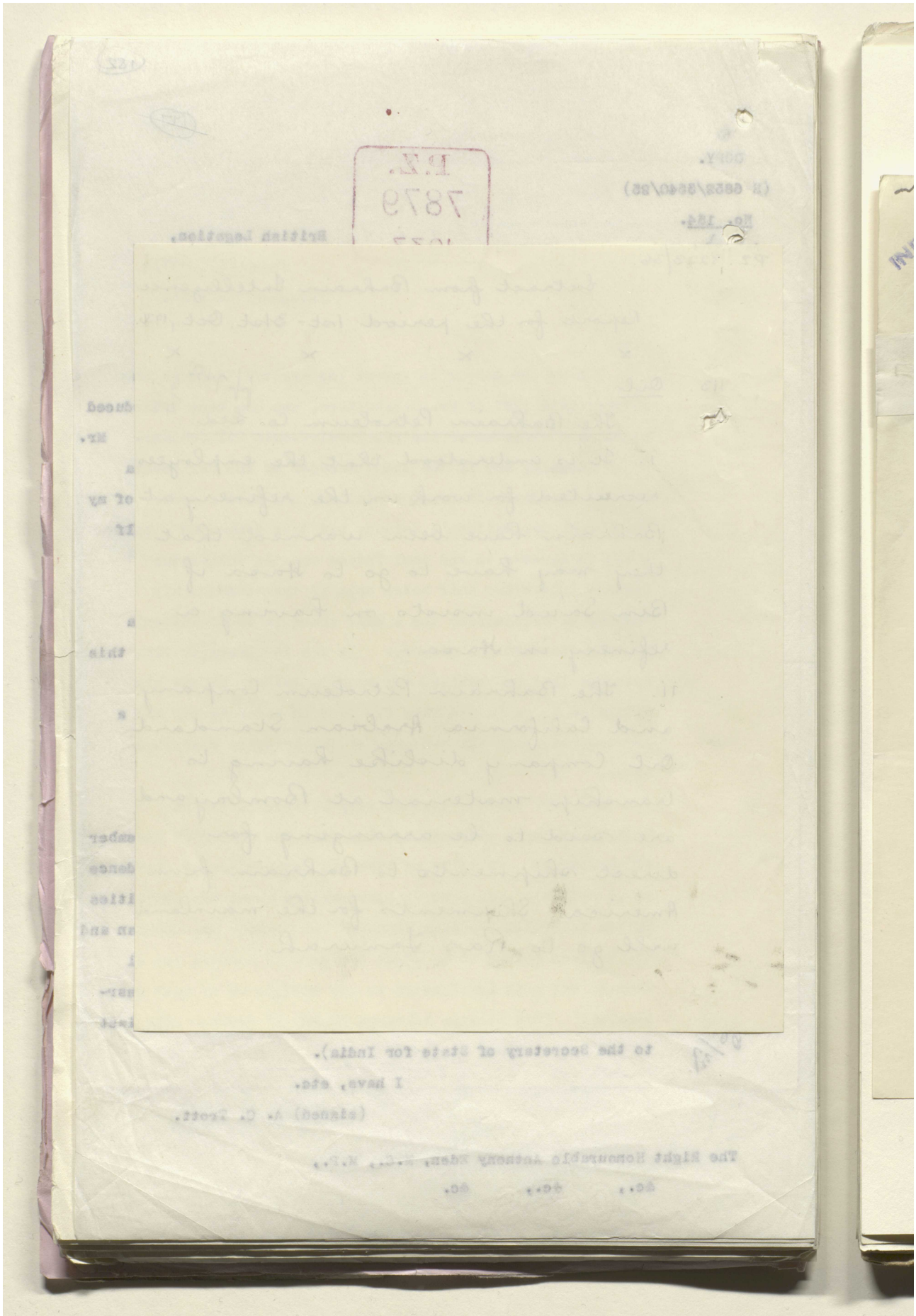

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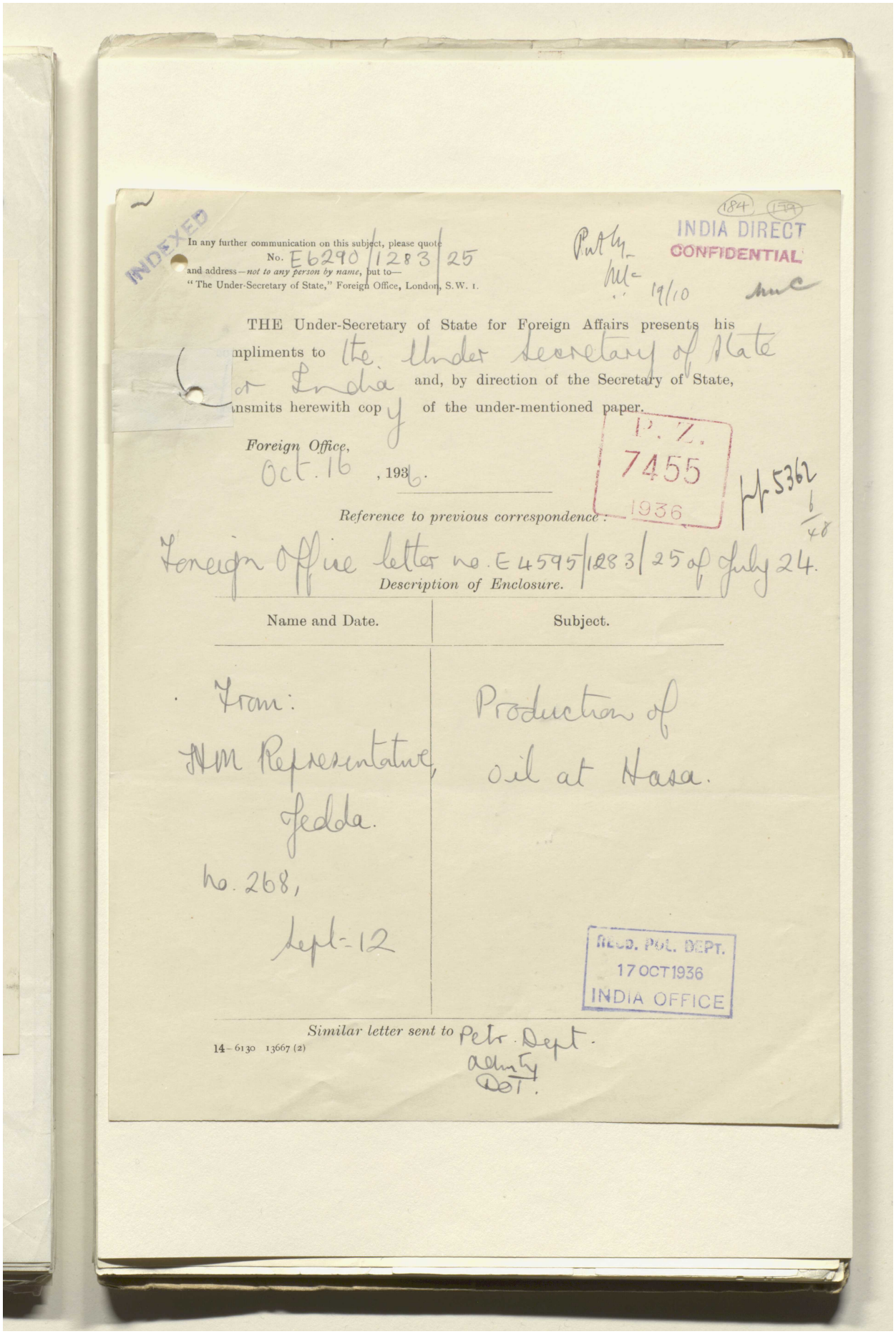

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(184) (179)

INDIA DIRECT
CONFIDENTIAL

In any further communication on this subject, please quote
No. E6290/1283/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

Put by
19/10

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copy of the under-mentioned paper.

Foreign Office,
Oct. 16, 1936.

P. Z.
7455
1936

pp 5362
6/48

Reference to previous correspondence:

Foreign Office letter no. E4595/1283/25 of July 24.

Description of Enclosure.

Name and Date.	Subject.
From: HM Representative, Jedda. No. 268, Sept-12	Production of oil at Hasa.

RECD. POL. DEPT.
17 OCT 1936
INDIA OFFICE

Similar letter sent to Petr. Dept. Admty DOT.

14-6130 13667 (2)

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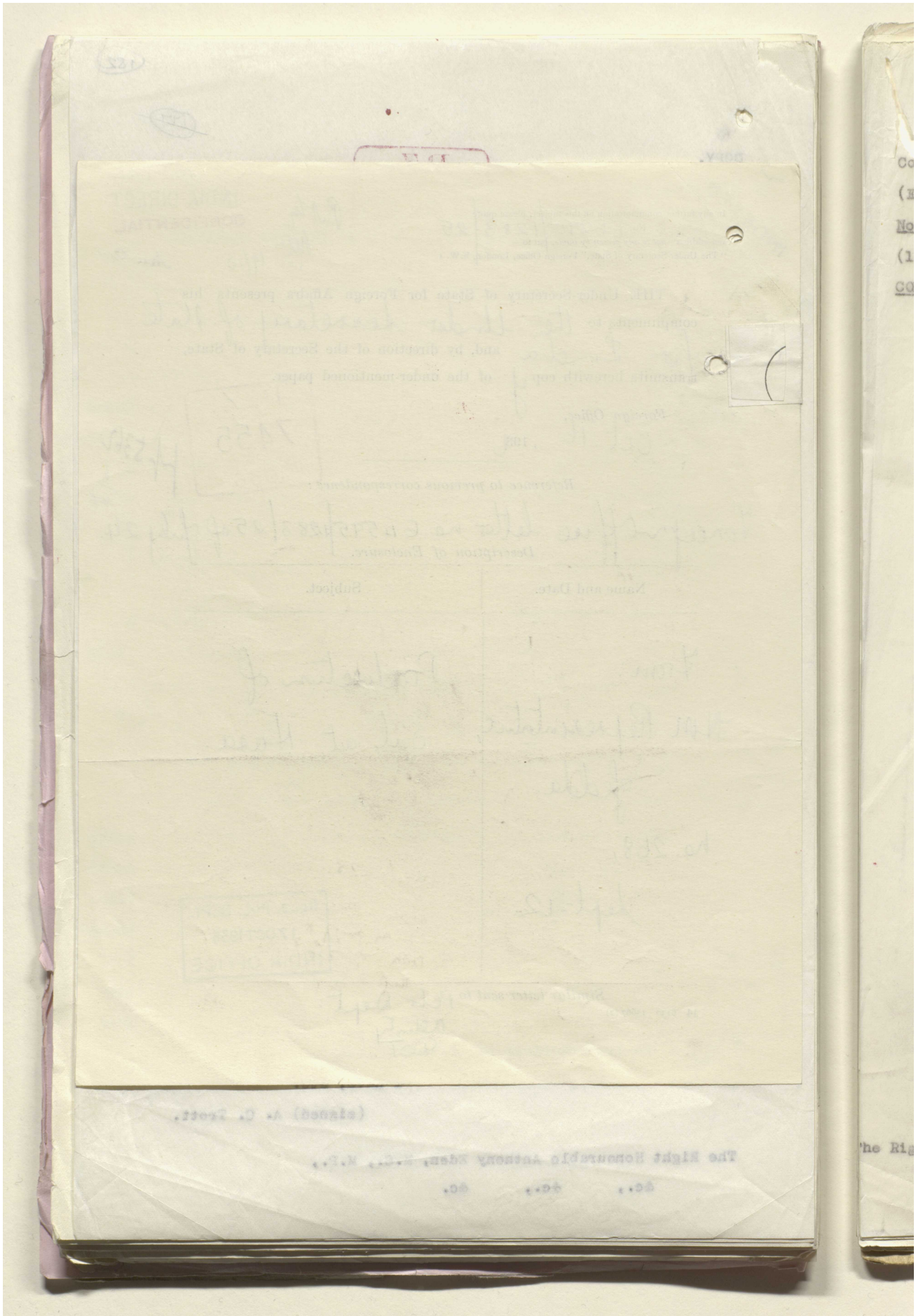

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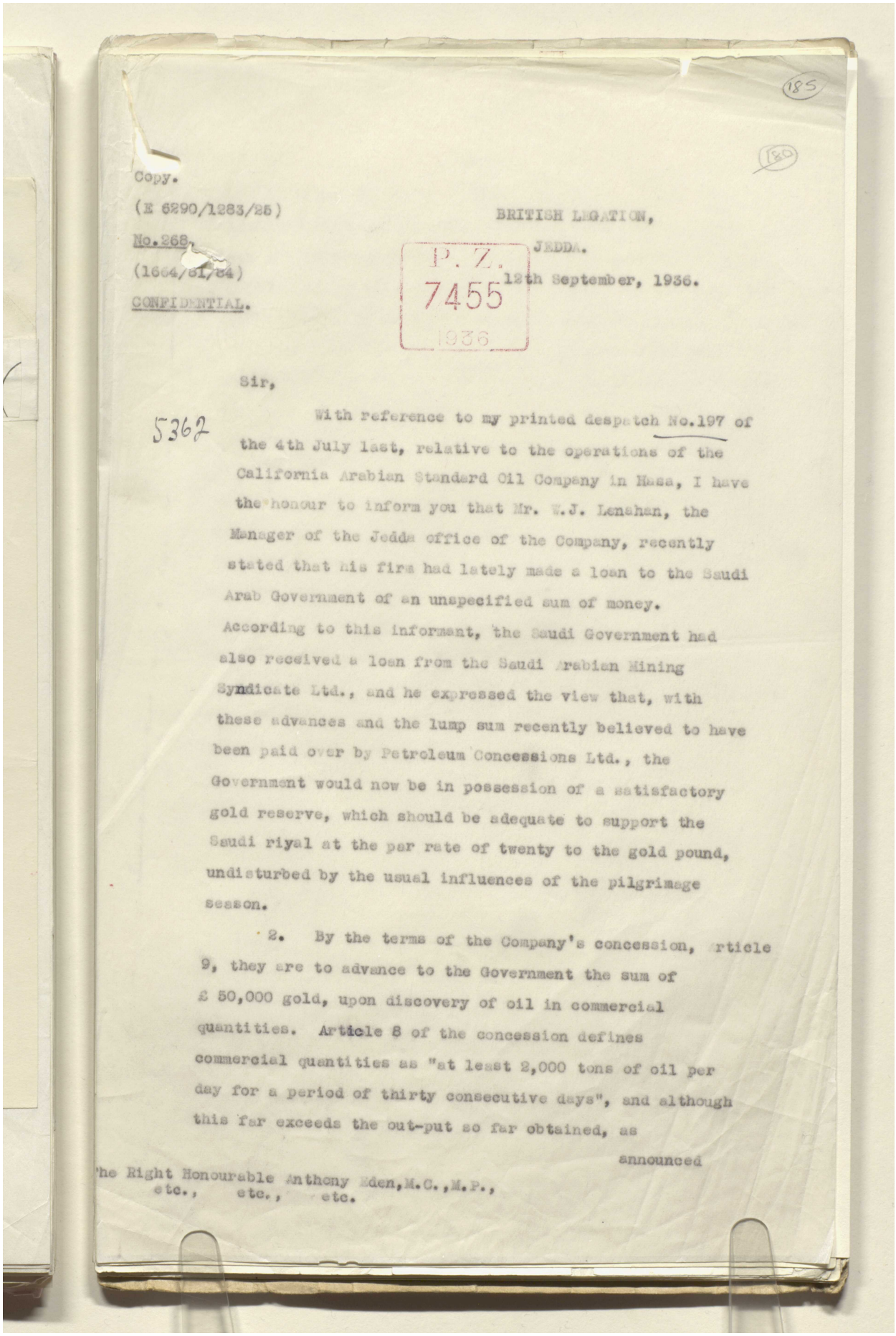

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Copy.

(E 6290/1283/25)

No.268.

(1664/61/34)

CONFIDENTIAL.

BRITISH LEGATION,

JEDDA.

P. Z.
7455
1936

12th September, 1936.

Sir,

5362

With reference to my printed despatch No.197 of the 4th July last, relative to the operations of the California Arabian Standard Oil Company in Hasa, I have the honour to inform you that Mr. W.J. Lenahan, the Manager of the Jedda office of the Company, recently stated that his firm had lately made a loan to the Saudi Arab Government of an unspecified sum of money. According to this informant, the Saudi Government had also received a loan from the Saudi Arabian Mining Syndicate Ltd., and he expressed the view that, with these advances and the lump sum recently believed to have been paid over by Petroleum Concessions Ltd., the Government would now be in possession of a satisfactory gold reserve, which should be adequate to support the Saudi riyal at the par rate of twenty to the gold pound, undisturbed by the usual influences of the pilgrimage season.

2. By the terms of the Company's concession, Article 9, they are to advance to the Government the sum of £ 50,000 gold, upon discovery of oil in commercial quantities. Article 8 of the concession defines commercial quantities as "at least 2,000 tons of oil per day for a period of thirty consecutive days", and although this far exceeds the out-put so far obtained, as announced

The Right Honourable Anthony Eden, M.C., M.P.,
etc., etc., etc.

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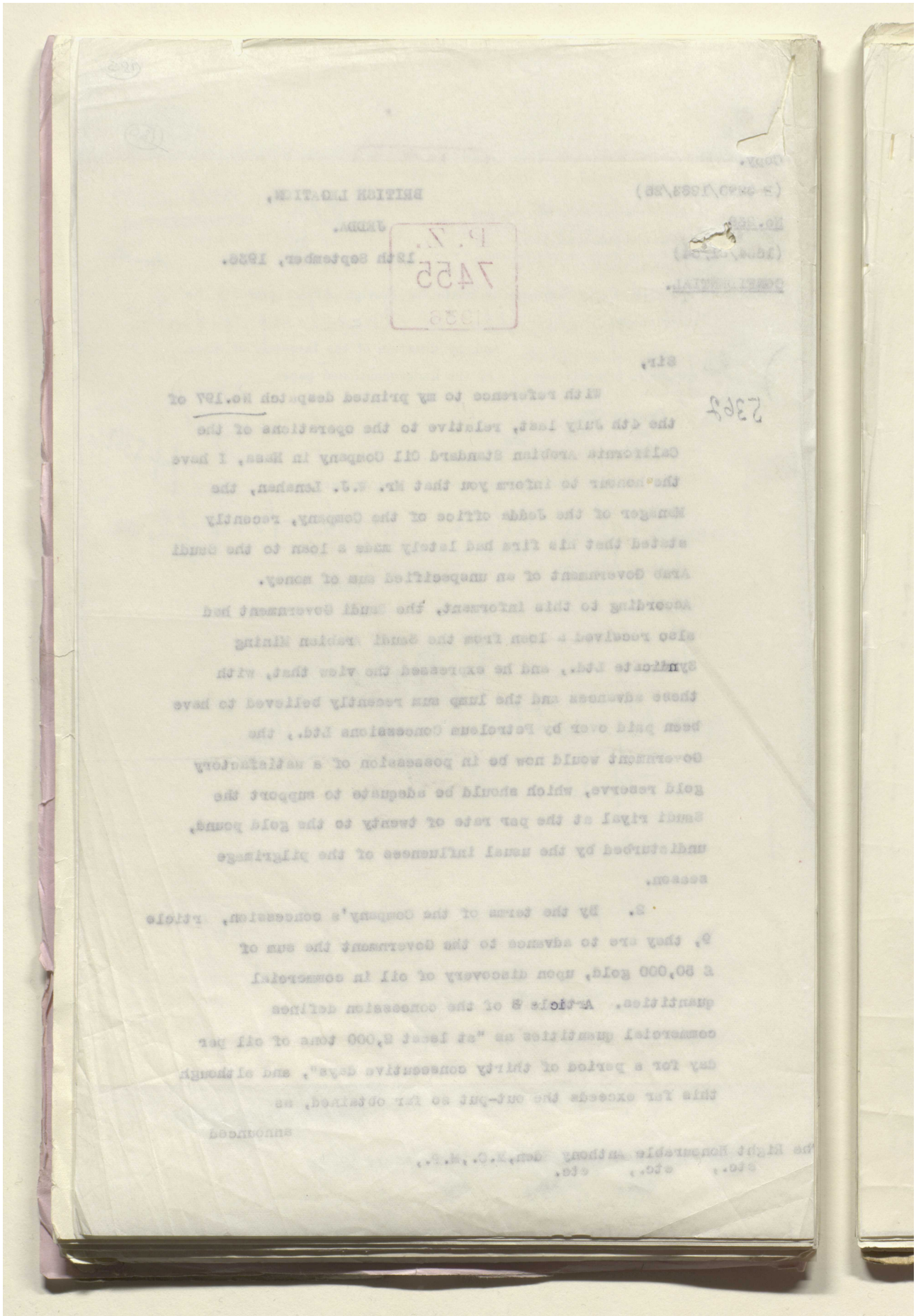

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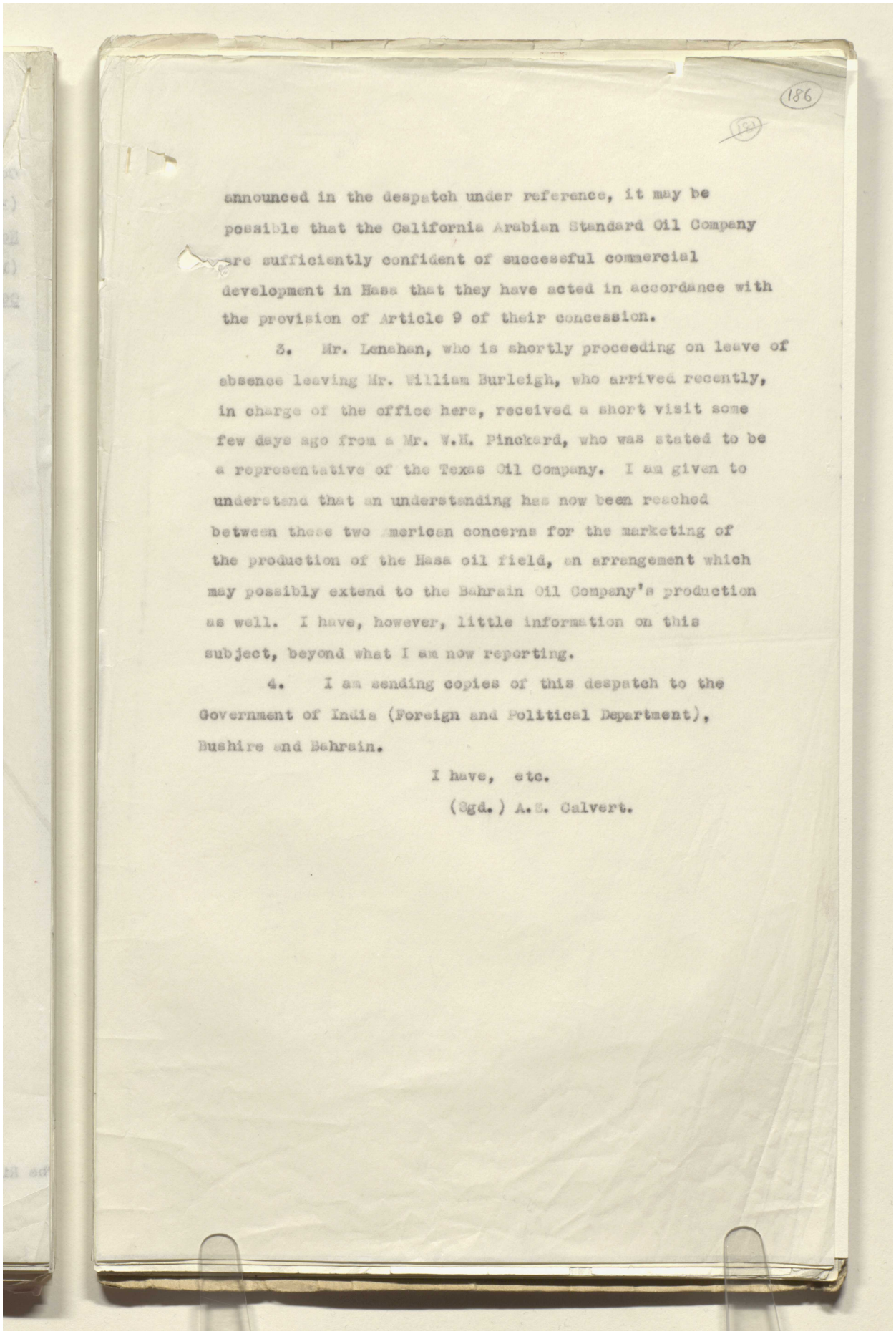

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announced in the despatch under reference, it may be possible that the California Arabian Standard Oil Company are sufficiently confident of successful commercial development in Hasa that they have acted in accordance with the provision of Article 9 of their concession.

3. Mr. Lenahan, who is shortly proceeding on leave of absence leaving Mr. William Burleigh, who arrived recently, in charge of the office here, received a short visit some few days ago from a Mr. W.H. Pinckard, who was stated to be a representative of the Texas Oil Company. I am given to understand that an understanding has now been reached between these two American concerns for the marketing of the production of the Hasa oil field, an arrangement which may possibly extend to the Bahrain Oil Company's production as well. I have, however, little information on this subject, beyond what I am now reporting.

4. I am sending copies of this despatch to the Government of India (Foreign and Political Department), Bushire and Bahrain.

I have, etc.

(Sgd.) A.B. Calvert.

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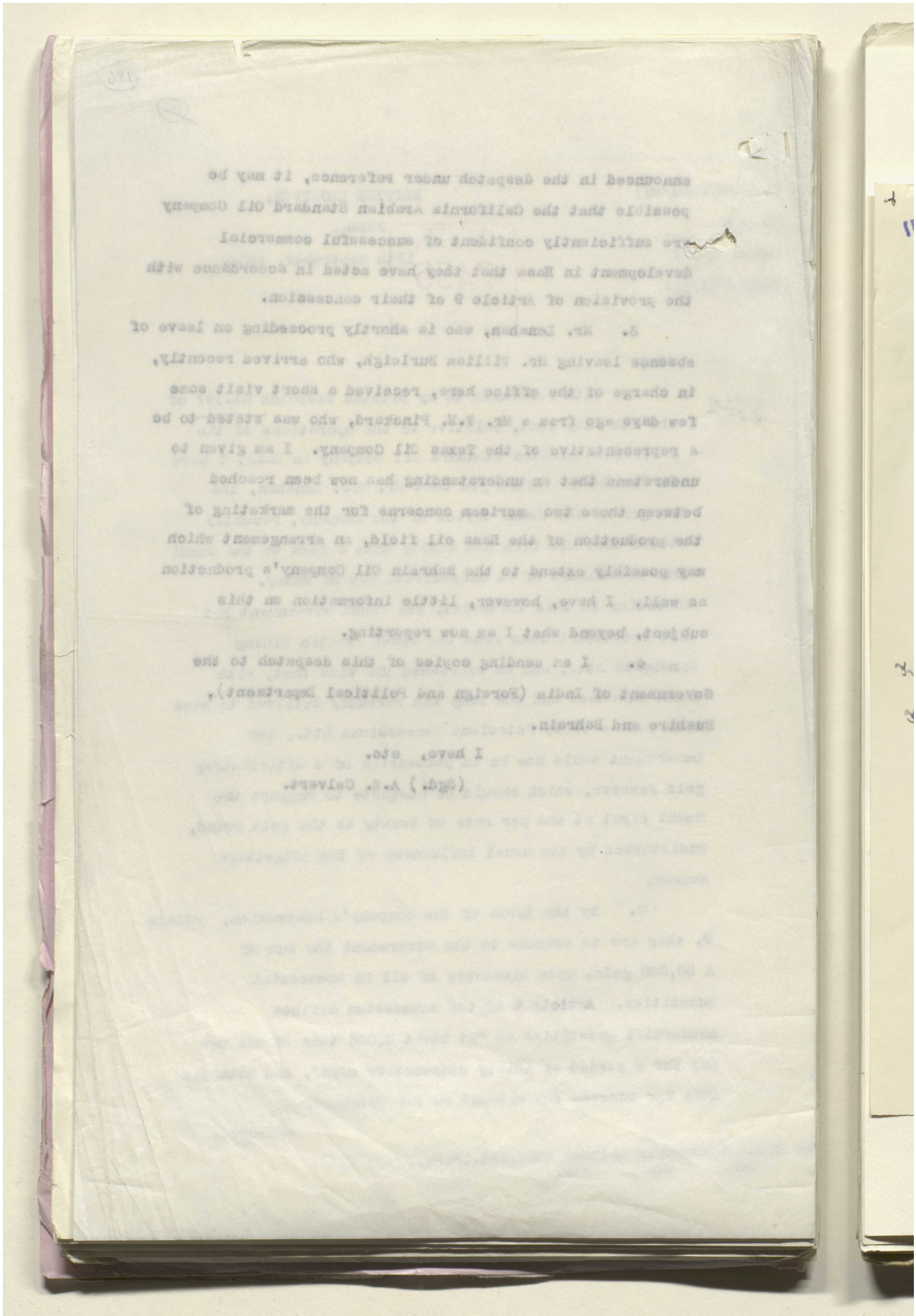

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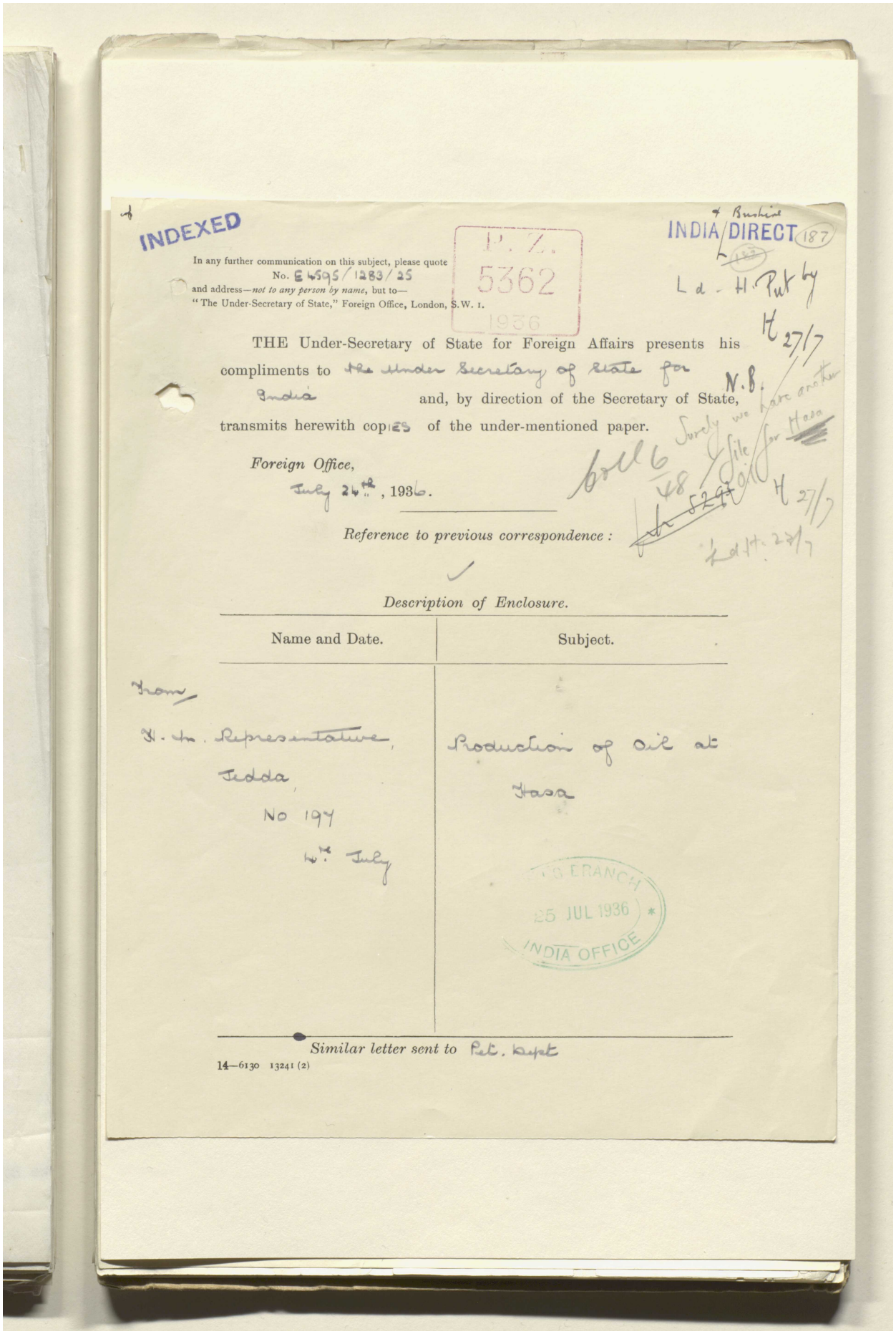

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INDIA DIRECT (187)

P. Z. 5362 1936

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No. E 4595/1283/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

Ld. H. Put by
H 27/7

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

N.B. Surely we have another file for Hasa

Coll 6/48

Foreign Office,
July 24th, 1936.

H 27/7

Reference to previous correspondence :

Description of Enclosure.

Name and Date.	Subject.
From H. M. Representative, Jedda, No 197 4th July	Production of Oil at Hasa

ERANCH 25 JUL 1936 INDIA OFFICE

Similar letter sent to Pet. Dept

14—6130 13241 (2)

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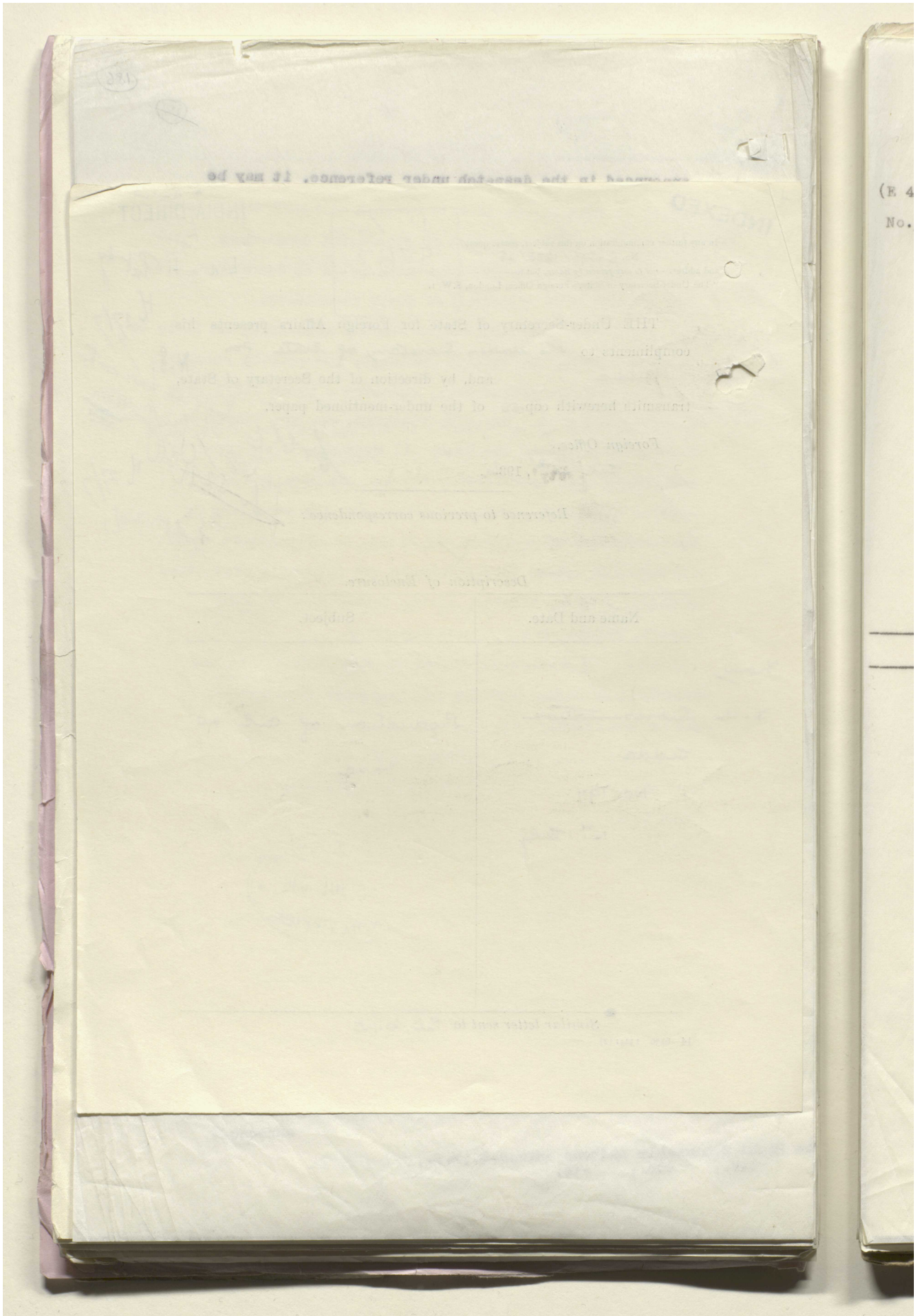

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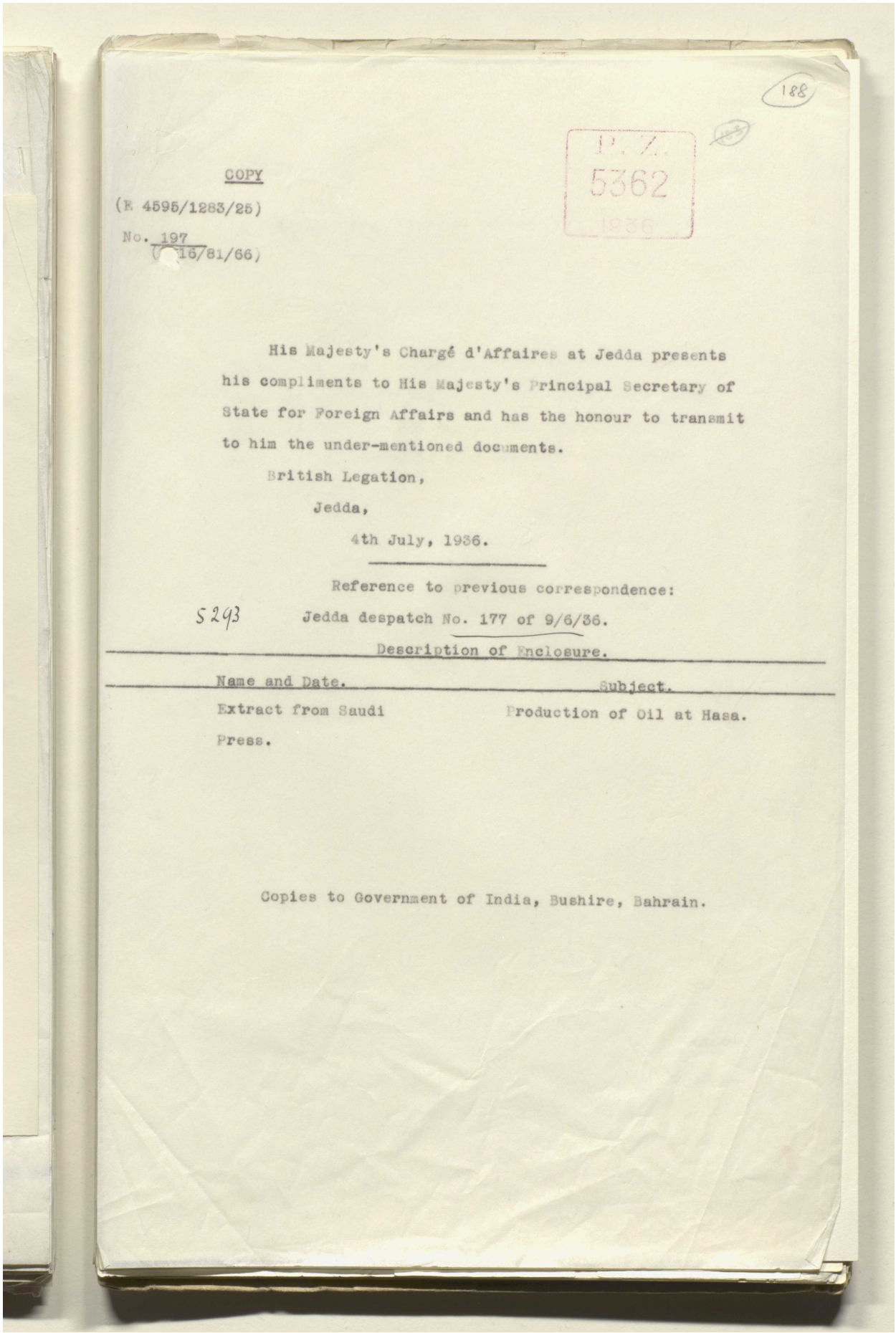

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P. Z.
5362
1936

COPY

(E 4595/1283/25)

No. 197
(E 5715/81/66)

His Majesty's Chargé d'Affaires at Jedda presents his compliments to His Majesty's Principal Secretary of State for Foreign Affairs and has the honour to transmit to him the under-mentioned documents.

British Legation,

Jedda,

4th July, 1936.

Reference to previous correspondence:

5293 Jedda despatch No. 177 of 9/6/36.

Description of Enclosure.

Name and Date.	Subject.
Extract from Saudi Press.	Production of Oil at Hasa.

Copies to Government of India, Bushire, Bahrain.

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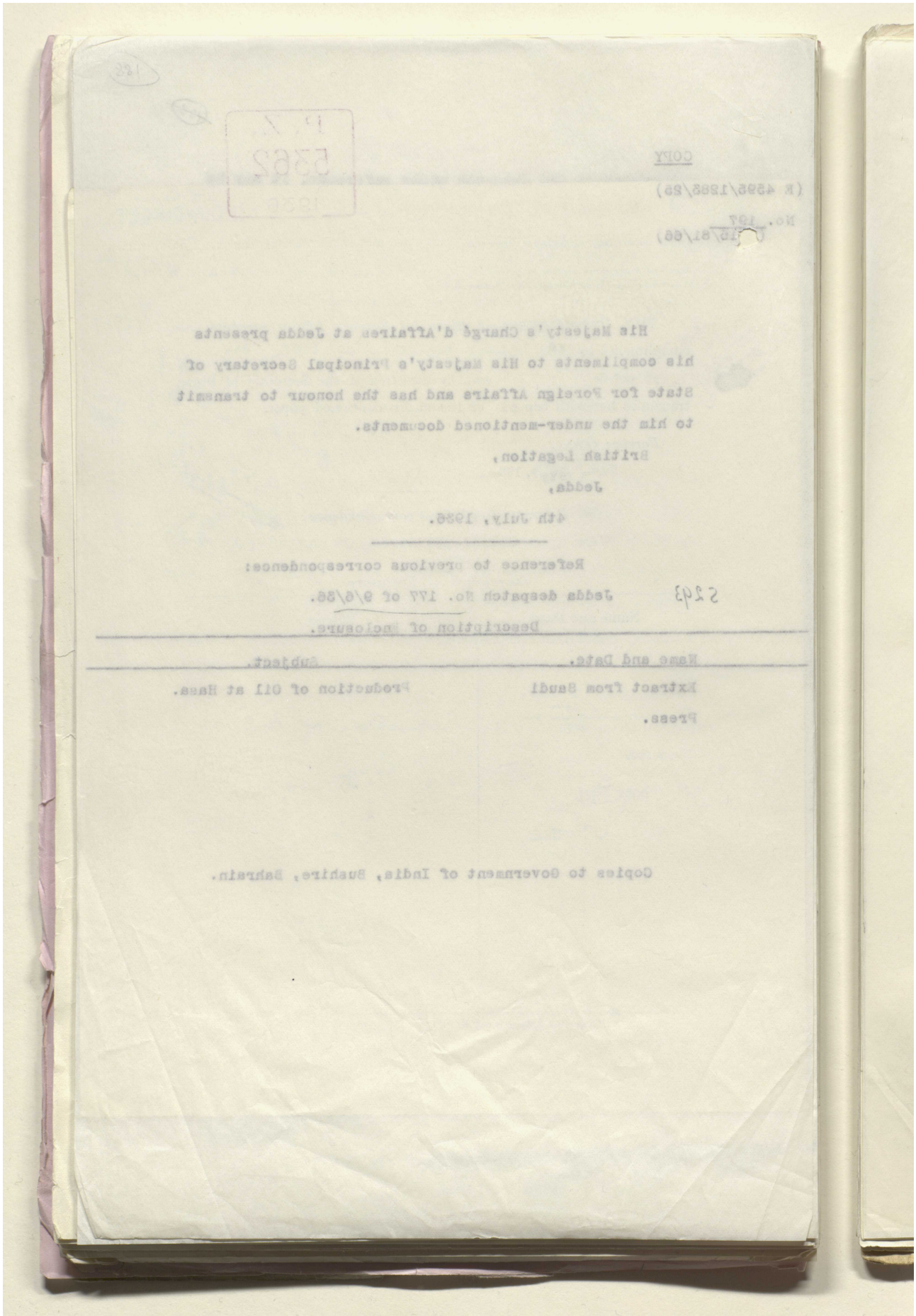

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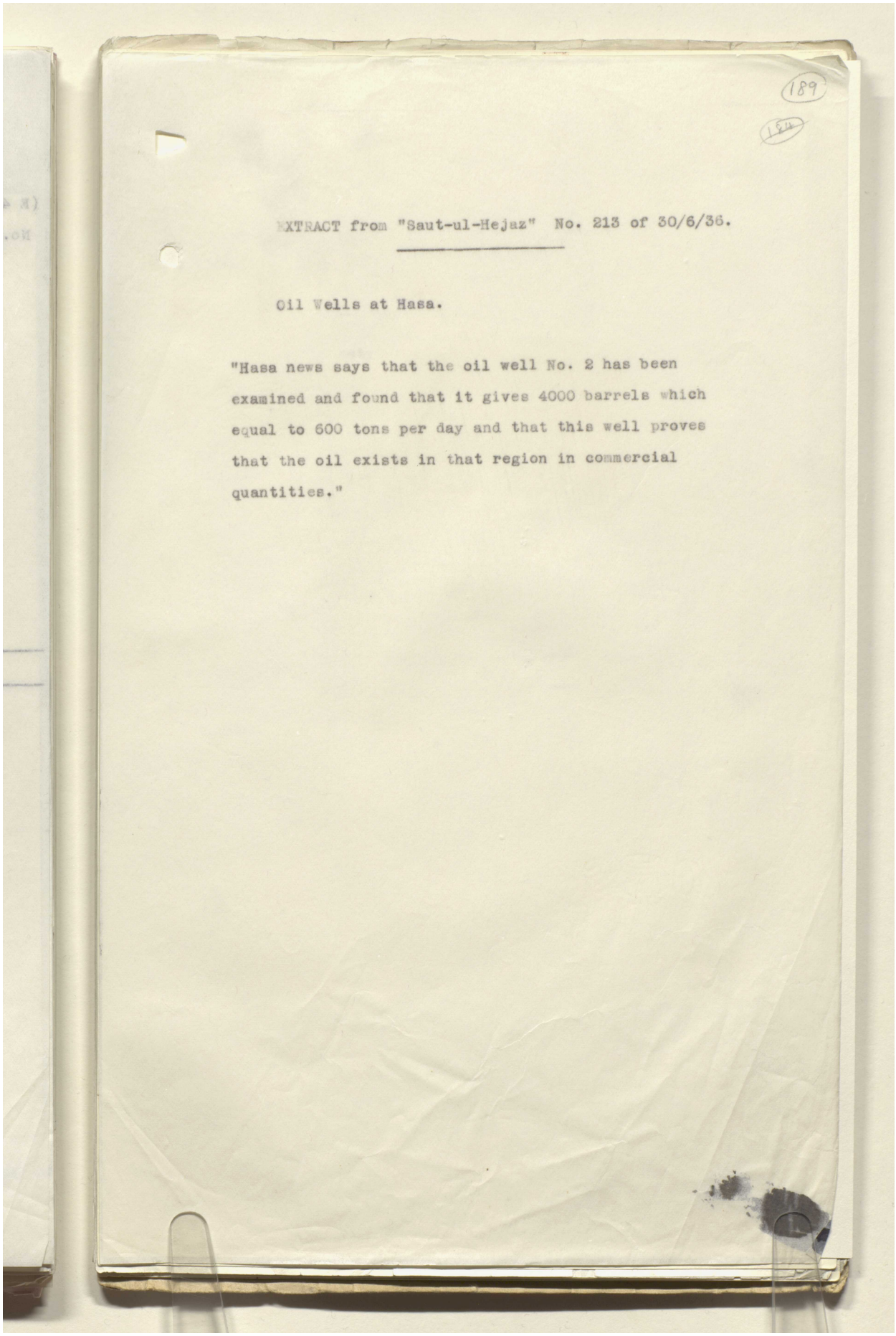

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EXTRACT from "Saut-ul-Hejaz" No. 213 of 30/6/36.

Oil Wells at Hasa.

"Hasa news says that the oil well No. 2 has been examined and found that it gives 4000 barrels which equal to 600 tons per day and that this well proves that the oil exists in that region in commercial quantities."

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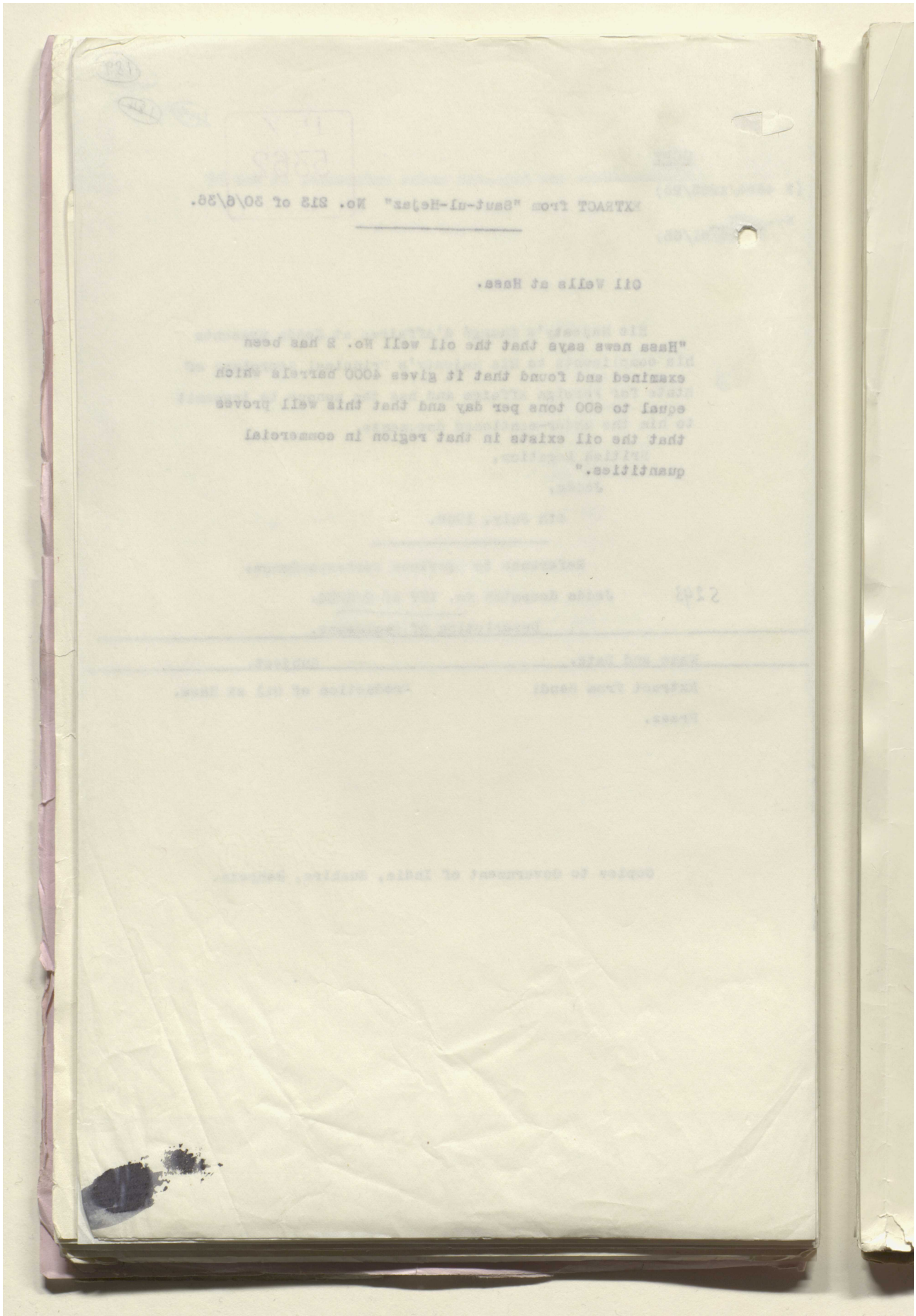

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Notes.

Register No.
P. Z. 2609/34

Minute Paper.

SECRET.
POLITICAL DEPARTMENT

Dated
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			SAUDI ARABIA
Under Secretary			
Secretary of State...			
Committee.....	20.4	[illegible]	Al Hasa Oil Concession
Under Secretary.....			
Secretary of State....			

Copy of to

FOR INFORMATION.

Please see submission at P.Z. ~~6003~~ 8212/35. Sir Andrew Ryan in his Despatch below gives further information of a somewhat technical nature about the activities of the California-Saudi Arabia Standard Oil Company. At the present stage of operations it is impossible to tell whether the optimistic estimates of the geologists have been confirmed. In any case the Company will have to contend with the same marketing difficulties which the Bahrein Oil Company have already come up against*, and these difficulties will not be solved by the mere creation of the new Company reported in paragraph 2 of the Despatch.

~~APPROVED~~ Seen
POLITICAL COMMITTEE

* Yes, and it may of course react unfavourably on the production of Bahrein oil. [illegible]

Previous papers :— [illegible]

Hood 20/4

M: Lenahan does not seem to have said anything about the quality of the oil. It was previously reported to be good & to

3330 1000 12.34

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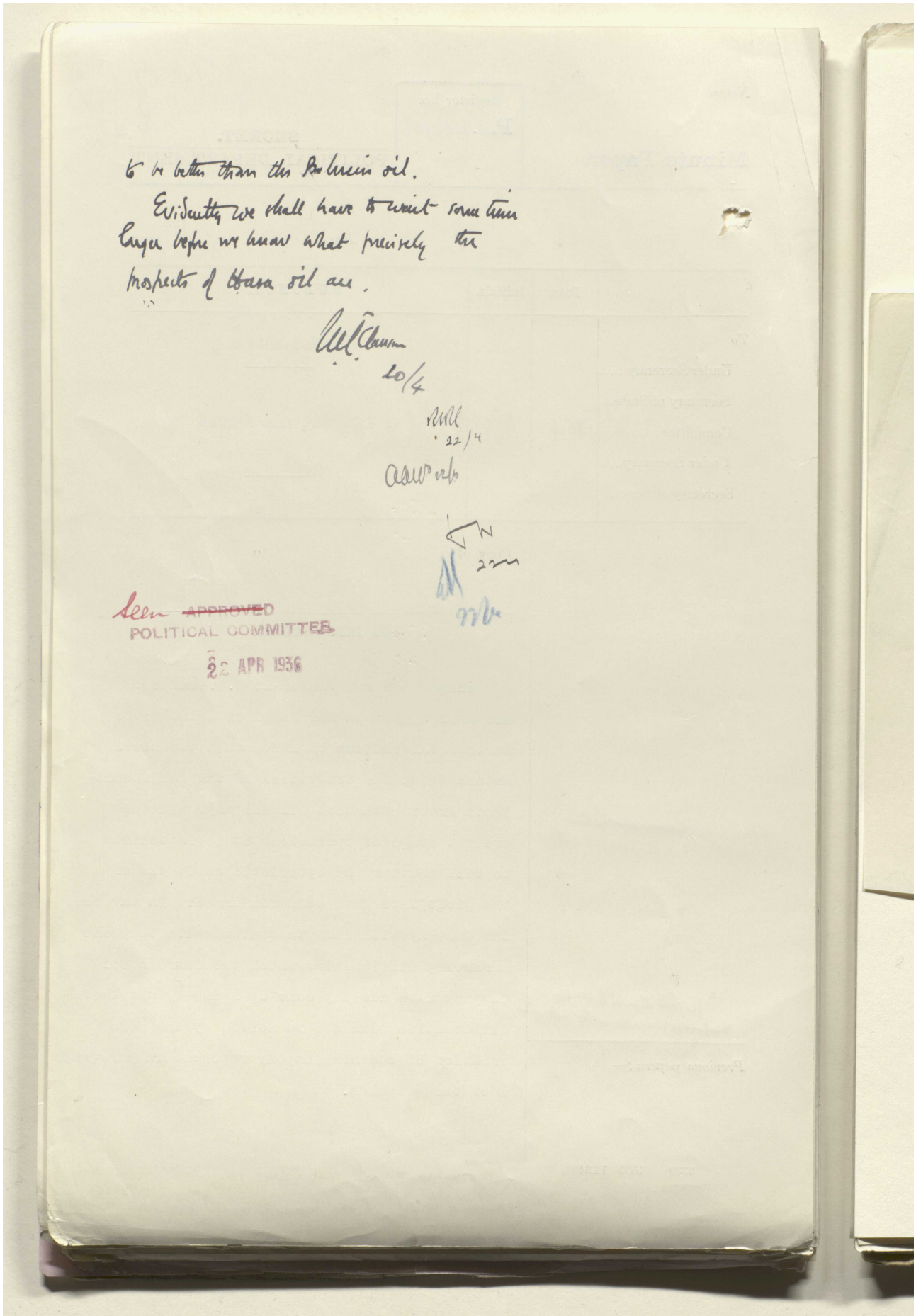

is better than the Bahrein oil.

Evidently we shall have to wait some time longer before we know what precisely the prospects of Hasa oil are.

20/4

22/4

Seen APPROVED
POLITICAL COMMITTEE
22 APR 1936

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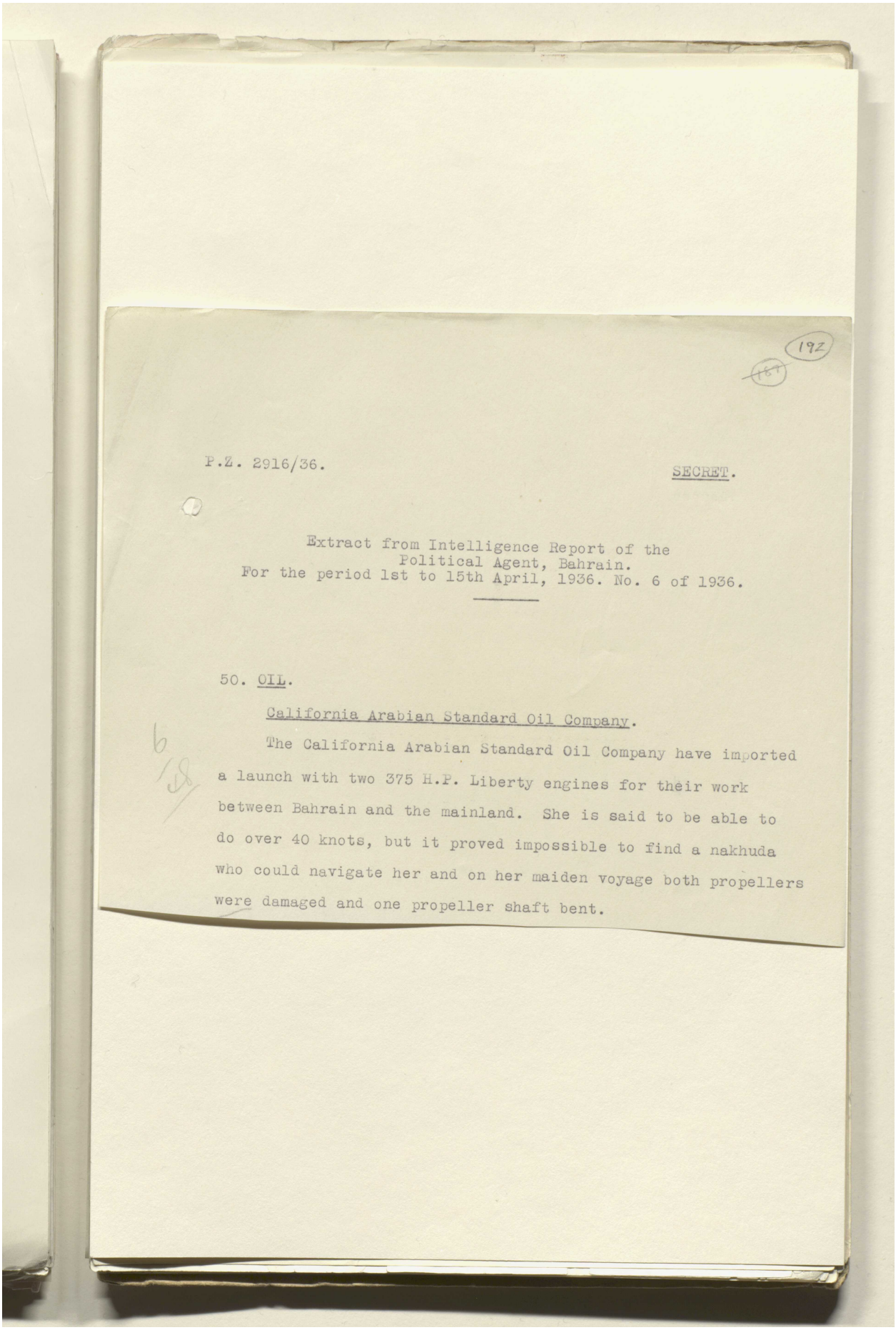

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P.Z. 2916/36. SECRET.

Extract from Intelligence Report of the
Political Agent, Bahrain.
For the period 1st to 15th April, 1936. No. 6 of 1936.

50. OIL.

California Arabian Standard Oil Company.

The California Arabian Standard Oil Company have imported a launch with two 375 H.P. Liberty engines for their work between Bahrain and the mainland. She is said to be able to do over 40 knots, but it proved impossible to find a nakhuda who could navigate her and on her maiden voyage both propellers were damaged and one propeller shaft bent.

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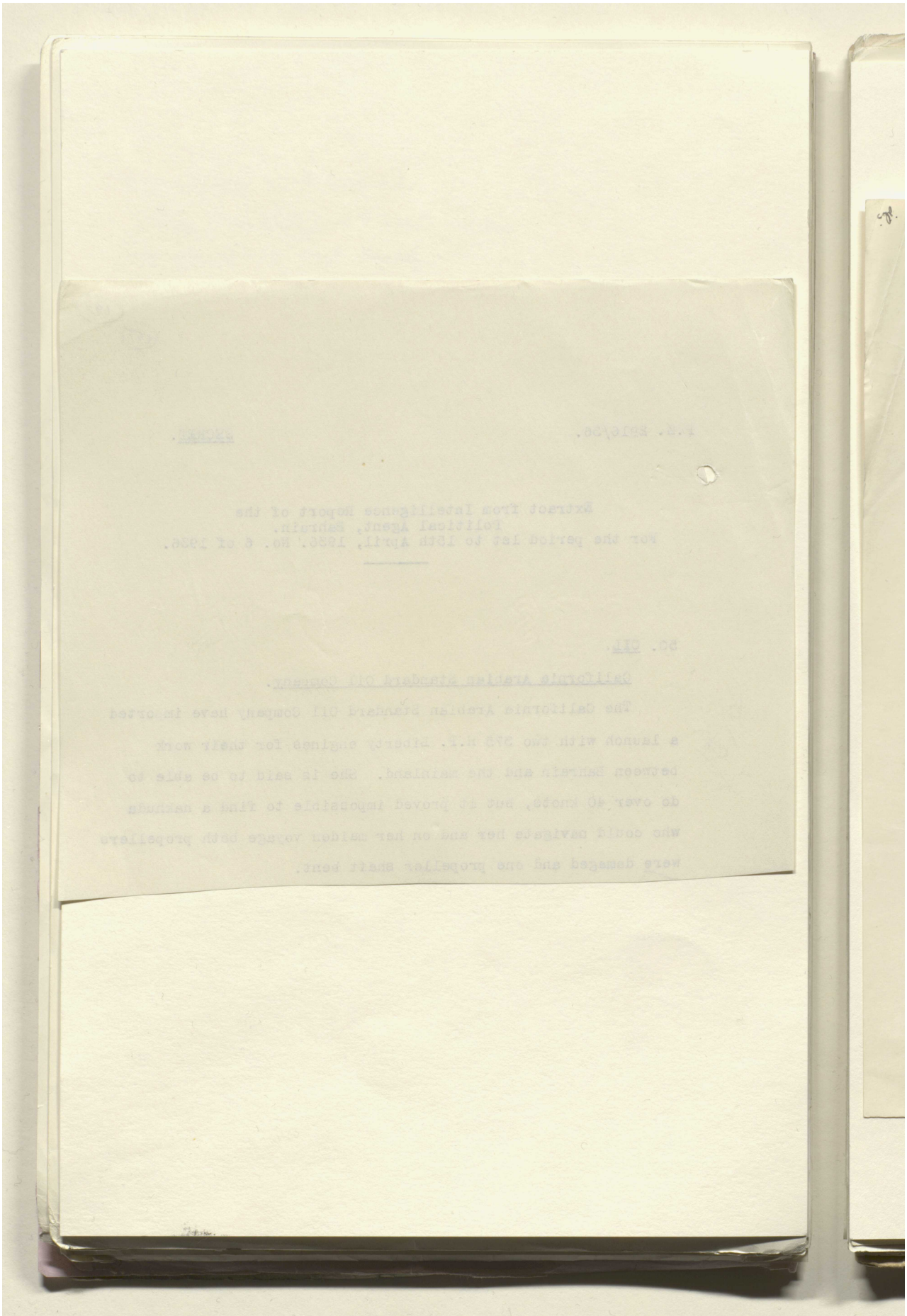

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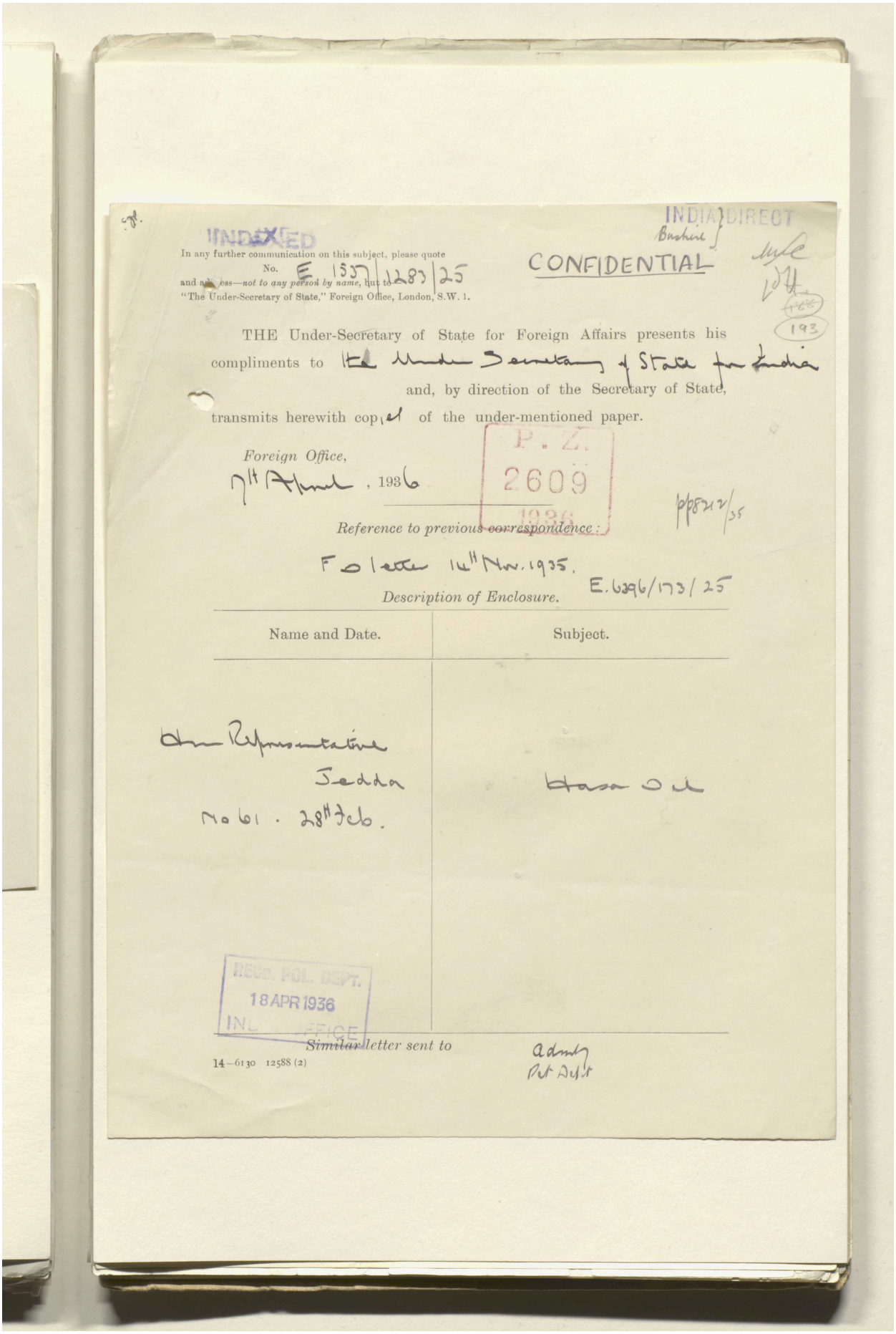

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"The Under-Secretary of State," Foreign Office, London, S.W. 1.

CONFIDENTIAL

193

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India
and, by direction of the Secretary of State,
transmits herewith copies of the under-mentioned paper.

Foreign Office,
7th April, 1936

P. Z.
2609
1936

Reference to previous correspondence:
F.O. letter 14th Nov. 1935.

E. 6296/173/25

Description of Enclosure.

Name and Date.	Subject.
H.M. Representative Jedda No 61. 28th Feb.	Hasa Oil

REGD. POL. DEPT.
18 APR 1936
INDIA OFFICE

Similar letter sent to
Admty
Pol Dept

14—6130 12588 (2)

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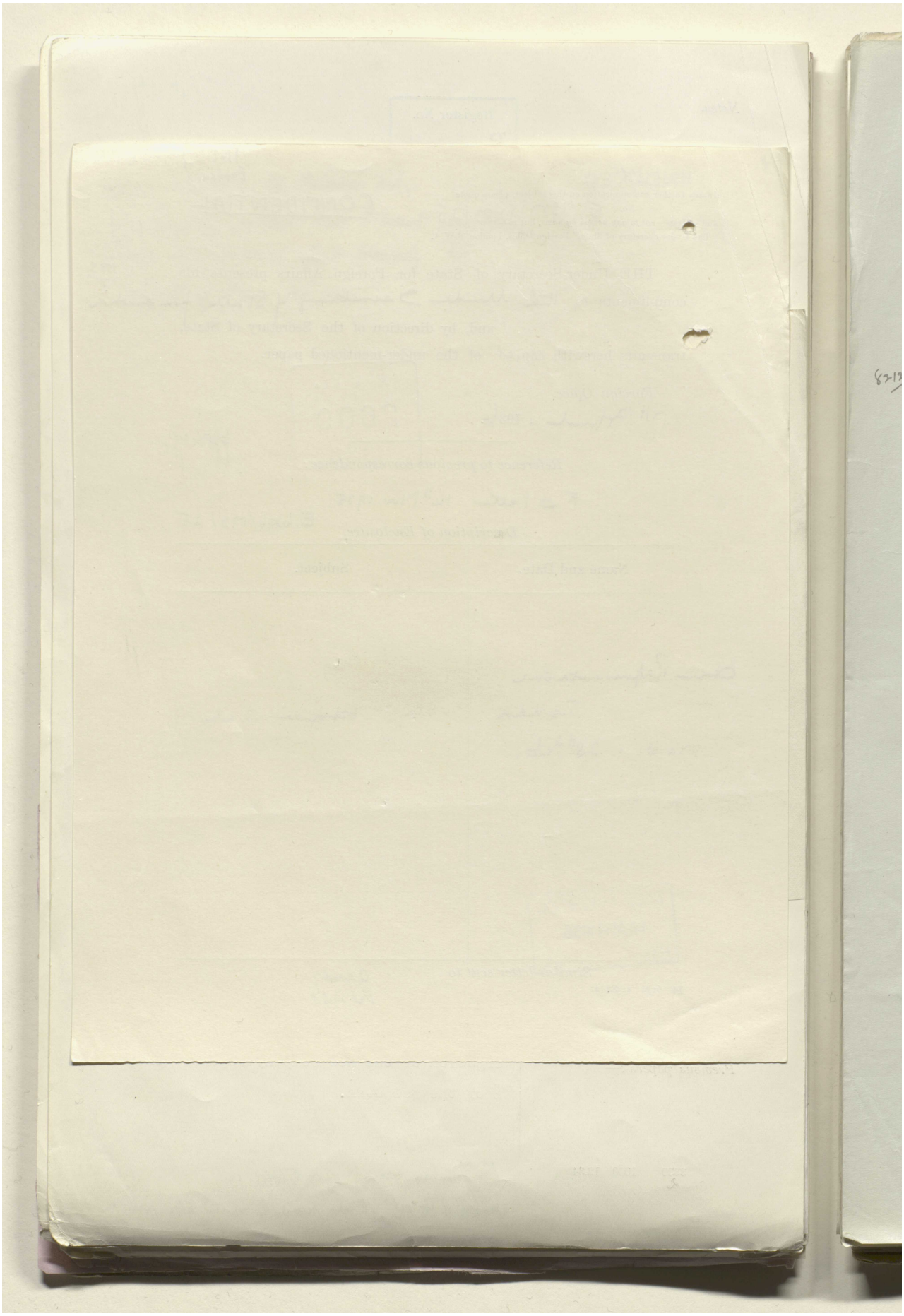

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P. Z.
2609
1936

194

[E 1537/1283/25]

Sir A. Ryan to Mr. Eden.—(Received March 21.)

(No. 61. Confidential.)

Sir, *Jedda, February 28, 1936.*

8212/35

WITH reference to Mr. Calvert's despatch No. 276 of the 8th October last, I have the honour to state that I had an interesting conversation on the 27th February with Mr. W. J. Lenahan, the local representative of the California Arabian Standard Oil Company, about the position in regard to the company's concession in Hasa. Mr. Lenahan had offered spontaneously to come and tell me all he could. Although he made no secret of what he had to say, I would ask you to regard this record as confidential and not for the information of rival industrial interests.

2. Mr. Lenahan referred to the recent creation of a new company, technically British, under the name of the "California Standard Oil Company (Limited)." Its head office is in San Francisco, and the directors are all United States citizens, except one Frenchman and a London solicitor, Mr. H. R. Ballantyne, of whom the other interested parties think very highly. The moving spirit in London is Mr. L. N. Hamilton, with whom I am on very friendly terms.

3. Mr. Lenahan explained that the new company would deal with the marketing of Bahrein oil, and would also act as a "service unit" for the Bahrein Oil Company, *i.e.*, attend to their supplies and the recruitment of their rapidly increasing imported personnel. It would in due course perform the same functions for the California Arabian Standard Oil Company.

4. Mr. Lenahan spoke of the relations of his company with the Saudi Government. They had found Sheikh Muhammad Tawil, the Director of Finance, &c., in Hasa, most obstructive. They now have nothing more to do with him, except as regards certain customs matters, and they are greatly pleased with the special official, Seyyid Hashim, who was sent to Hasa to look after their business last July (see paragraph 223 of Jedda report for July). This gentleman is now in the Hejaz, but his employment in Hasa is of a permanent nature and he will soon be going back there.

5. Mr. Lenahan gave me an account of the position at Jebel Dhahran, the only place in which wells have been sunk. I was not able to take in all the technical details, but I reproduce what I understood.

6. The Jebel Dhahran is not a single eminence, but an "anticline" measuring very roughly 10 miles by 4. This is similar in essentials to the structure at Bahrein, and the nature of the operations in the Jebel has been based on this analogy. Well No. 1 was sunk at the apex of the anticline. Oil at the rate of 100 barrels a day was struck at a depth of 1,979 feet. Lower down, I understand, difficulty was encountered owing to the great volume of gas. In this connexion Mr. Lenahan mentioned, I think, a figure of 80 million cubic feet of gas at a depth of 2,400 feet, but I am not clear as to the significance of this figure. Practicable oil may be struck at greater depths. Drilling was recently resumed, and some days ago the depth was 2,365 feet, "deep-drilling through a cement plug." Preparations were being made "to run a $6\frac{5}{8}$-inch casing."

7. In view of their experience with Well No. 1, the company decided to start Well No. 2 in the same anticline, hoping that the oil, the existence of which has been proved by the partial success of No. 1, might there be more workable. This new well is 1,800 metres to the south and 900 metres to the west of No. 1. It had reached a depth of 430 feet some days ago, but, when Mr. Lenahan spoke to me on the 27th, he had heard unofficially that the latest depth was over 500 feet.

8. Mr. Lenahan spoke with definite, though guarded, optimism of the prospects in the Jebel Dhahran. He told me that the company's geologists were

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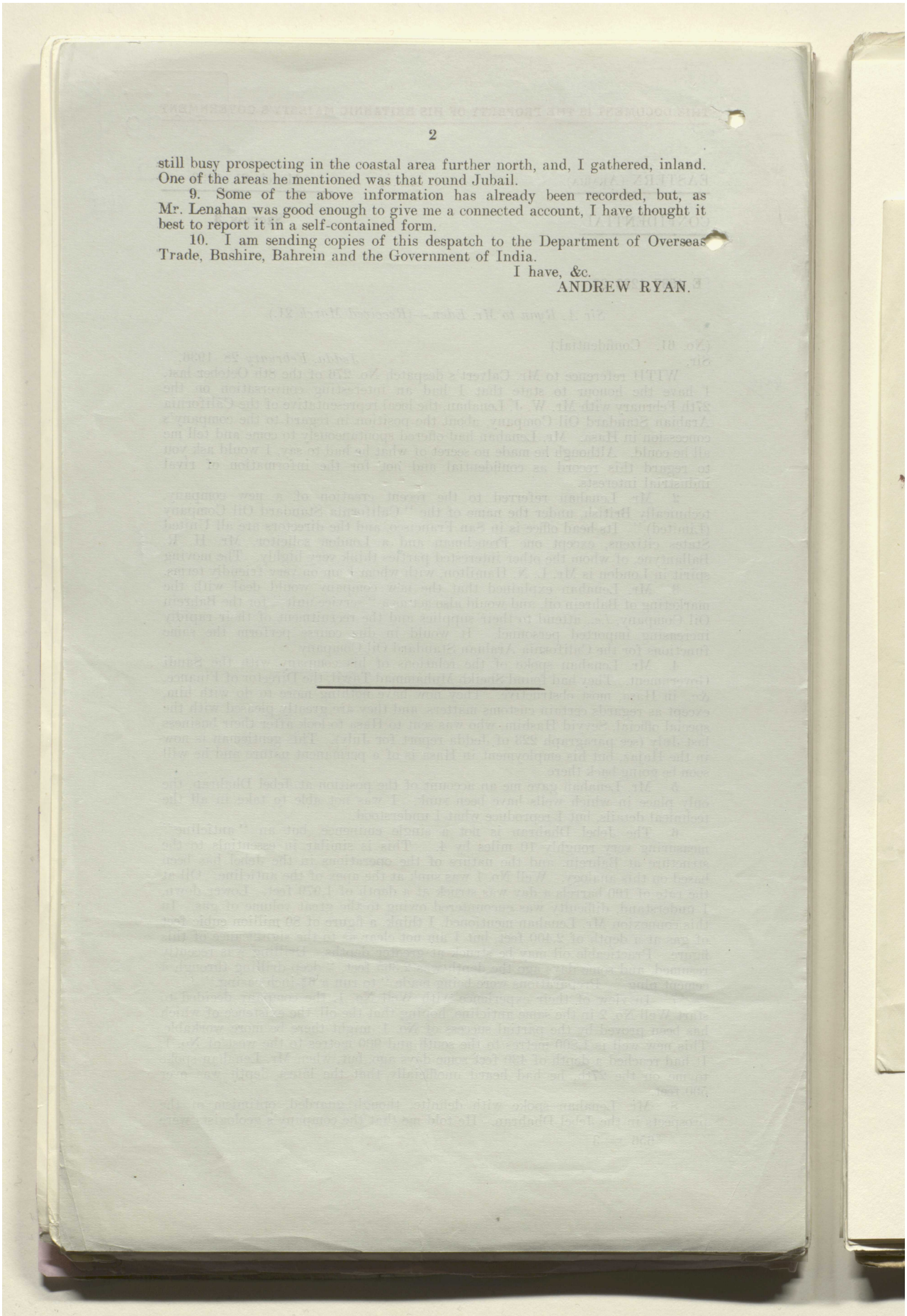

still busy prospecting in the coastal area further north, and, I gathered, inland. One of the areas he mentioned was that round Jubail.

9. Some of the above information has already been recorded, but, as Mr. Lenahan was good enough to give me a connected account, I have thought it best to report it in a self-contained form.

10. I am sending copies of this despatch to the Department of Overseas Trade, Bushire, Bahrein and the Government of India.

I have, &c.
ANDREW RYAN.

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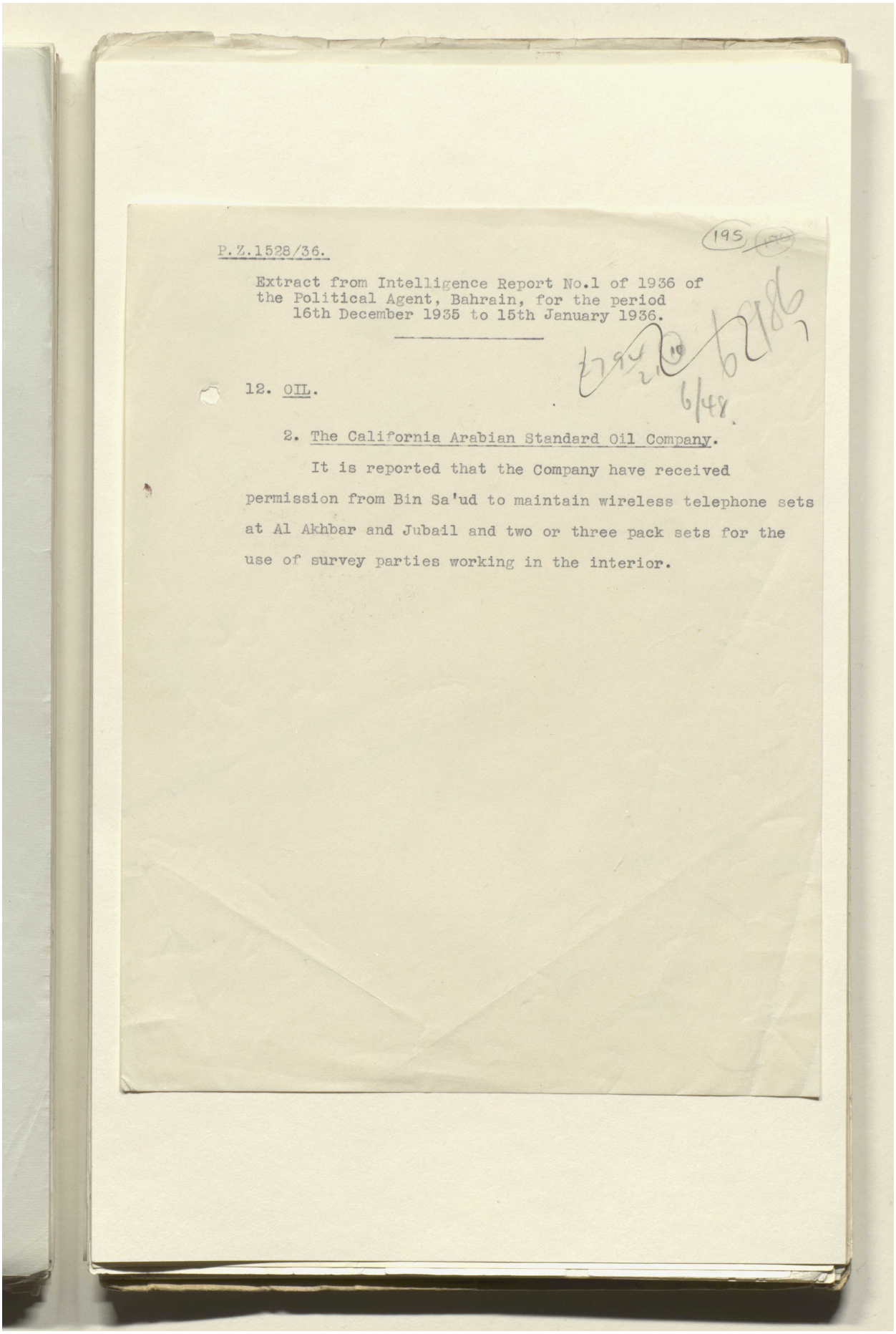

P.Z.1528/36.

195

Extract from Intelligence Report No.1 of 1936 of the Political Agent, Bahrain, for the period 16th December 1935 to 15th January 1936.

12. OIL.

2. The California Arabian Standard Oil Company.

It is reported that the Company have received permission from Bin Sa'ud to maintain wireless telephone sets at Al Akhbar and Jubail and two or three pack sets for the use of survey parties working in the interior.

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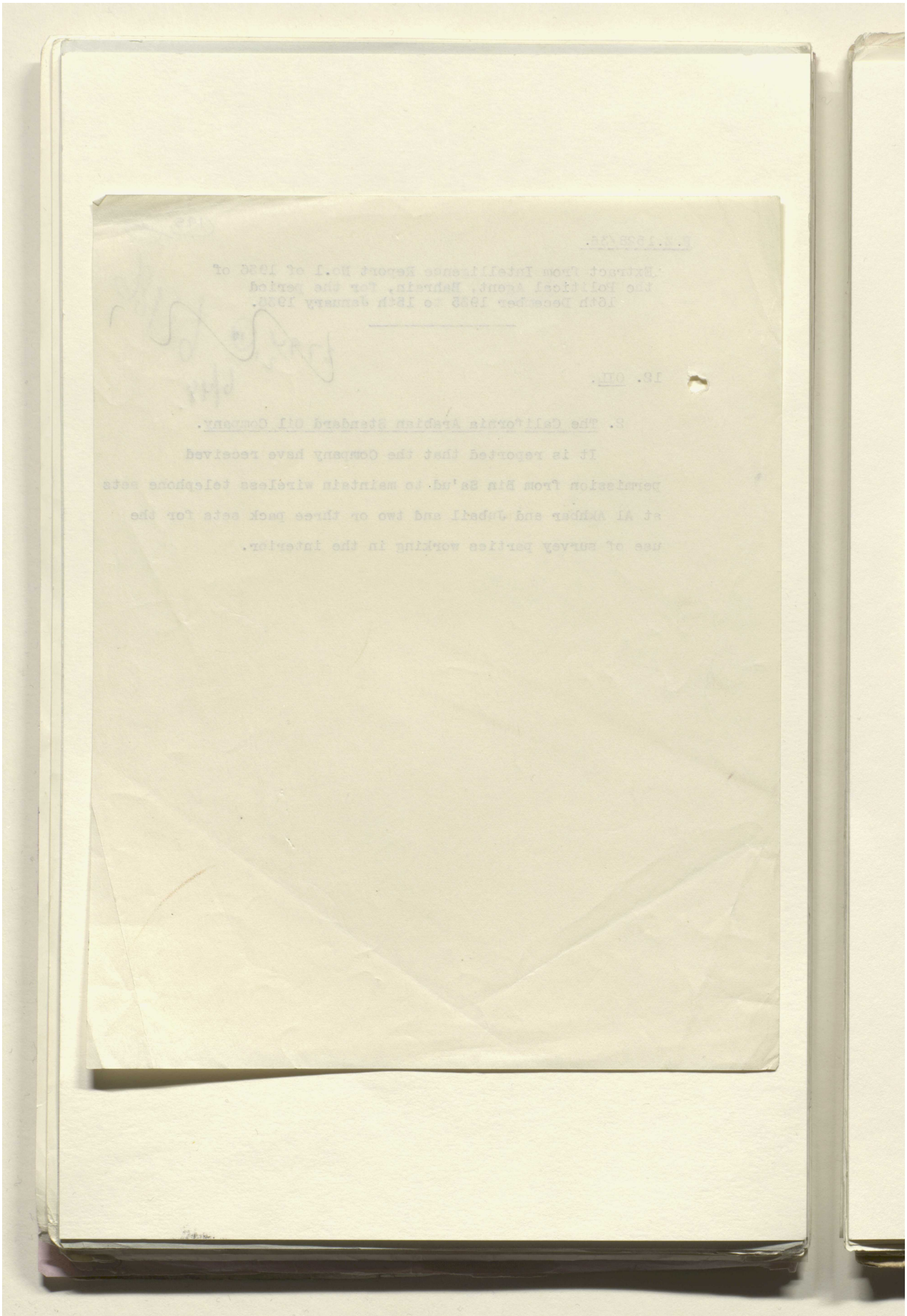

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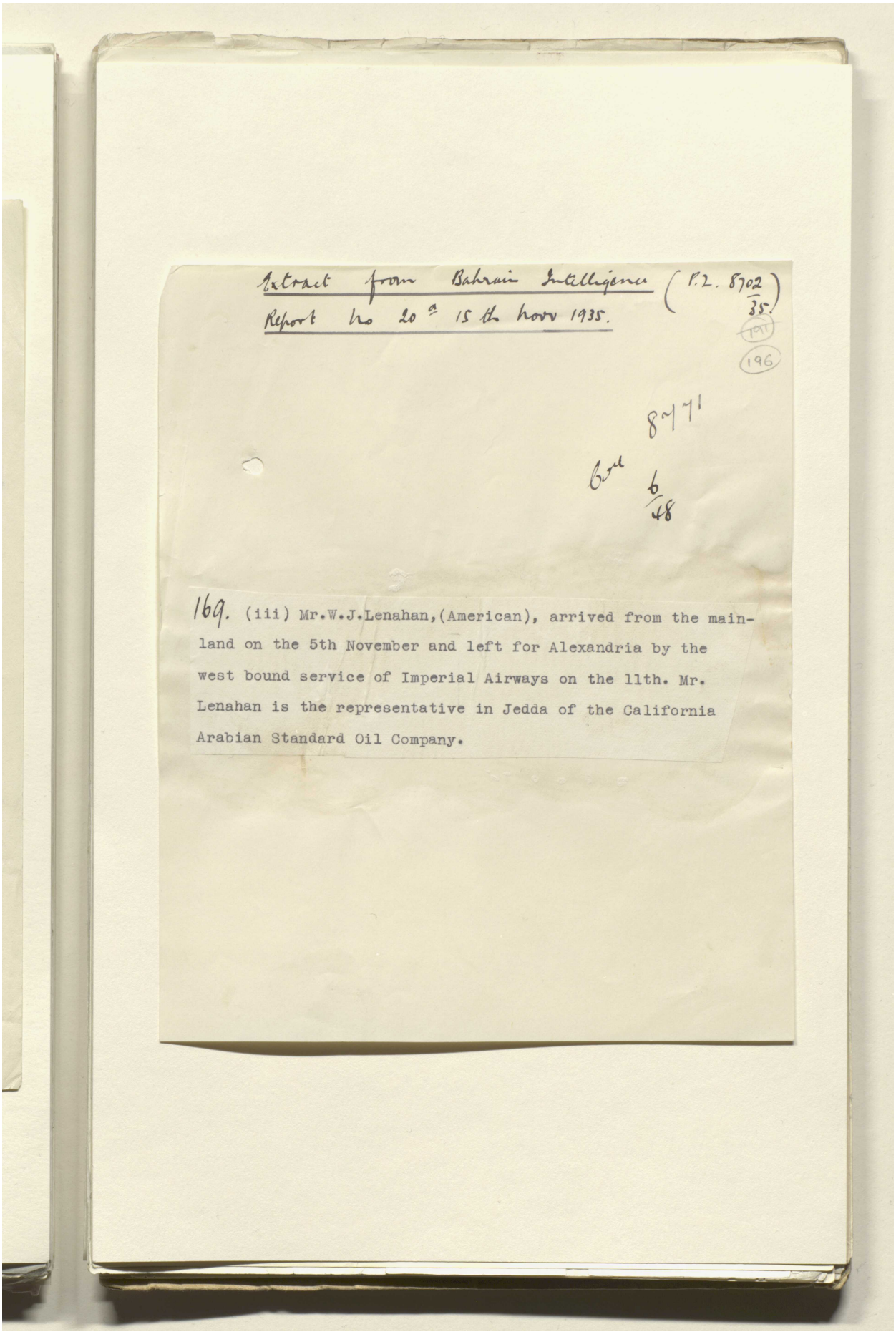

Extract from Bahrain Intelligence Report No 20 of 15th Nov 1935. (P.Z. 8702/35.)

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169. (iii) Mr.W.J.Lenahan,(American), arrived from the mainland on the 5th November and left for Alexandria by the west bound service of Imperial Airways on the 11th. Mr. Lenahan is the representative in Jedda of the California Arabian Standard Oil Company.

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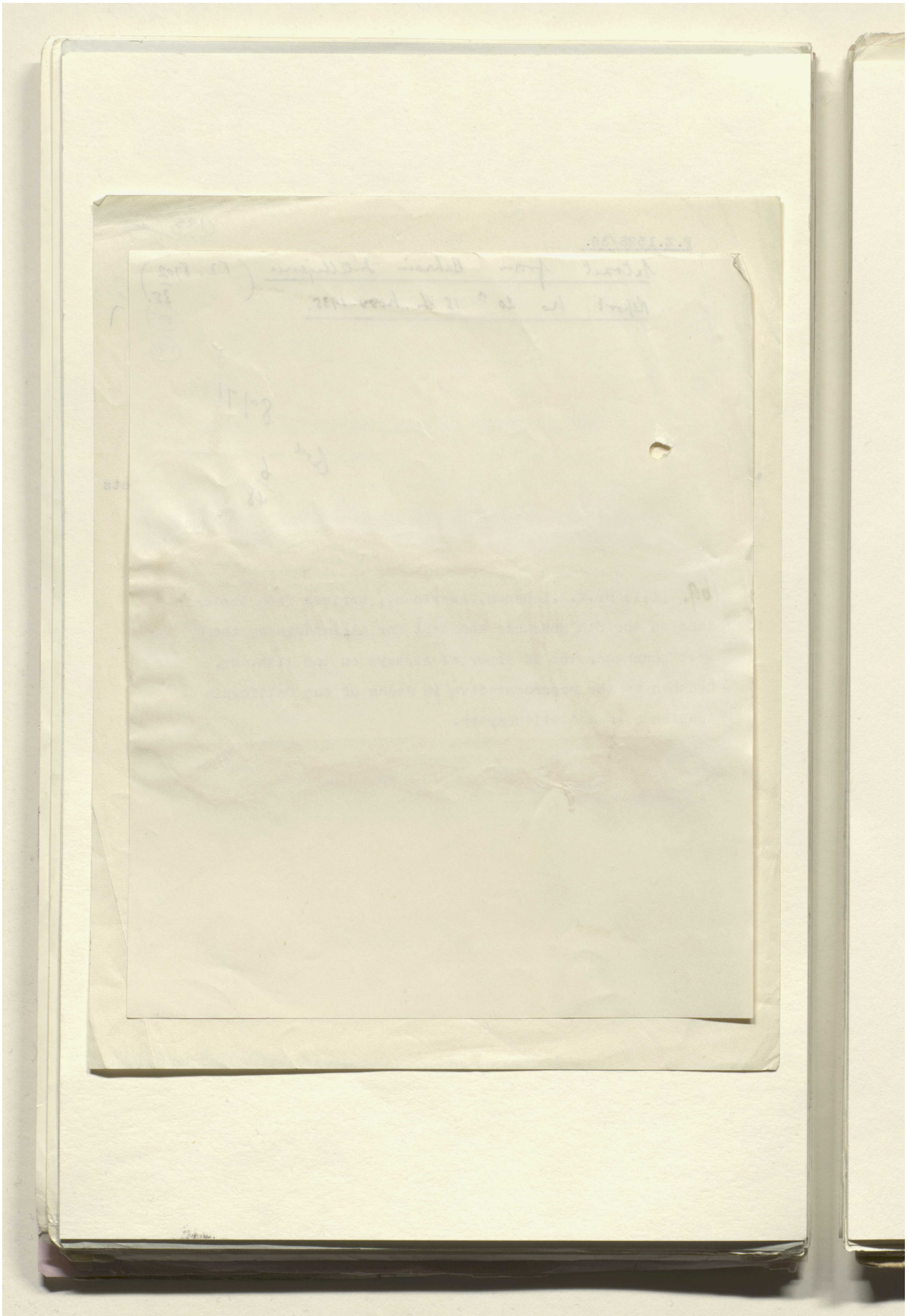

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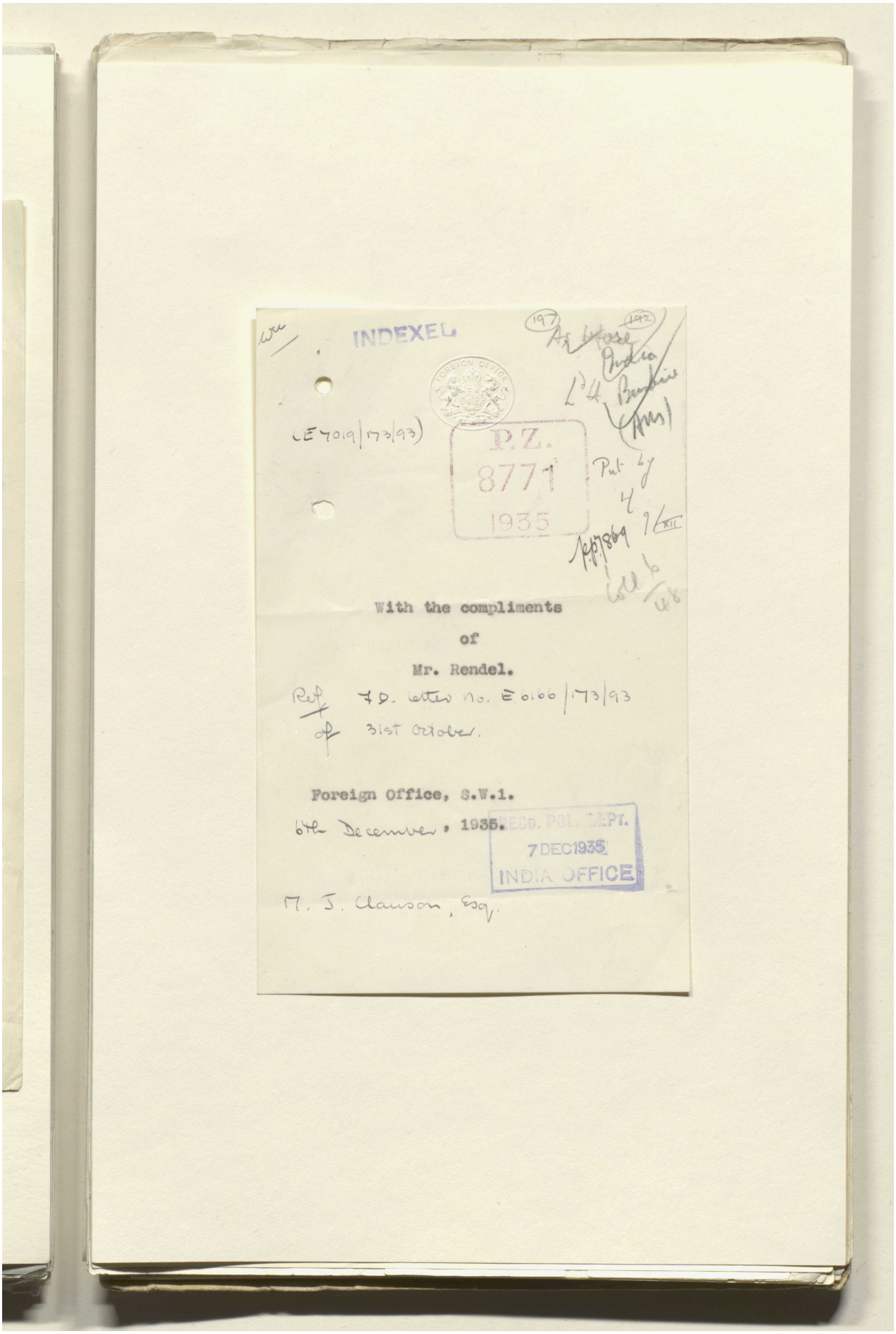

INDEXED

(E 7019/173/93)

P.Z.
8771
1935

With the compliments
of
Mr. Rendel.

Ref of 7 D. letter No. E 6166/173/93
31st October.

Foreign Office, S.W.1.
6th December, 1935.

ECO. POL. DEPT.
7 DEC 1935
INDIA OFFICE

M. J. Clauson, Esq.

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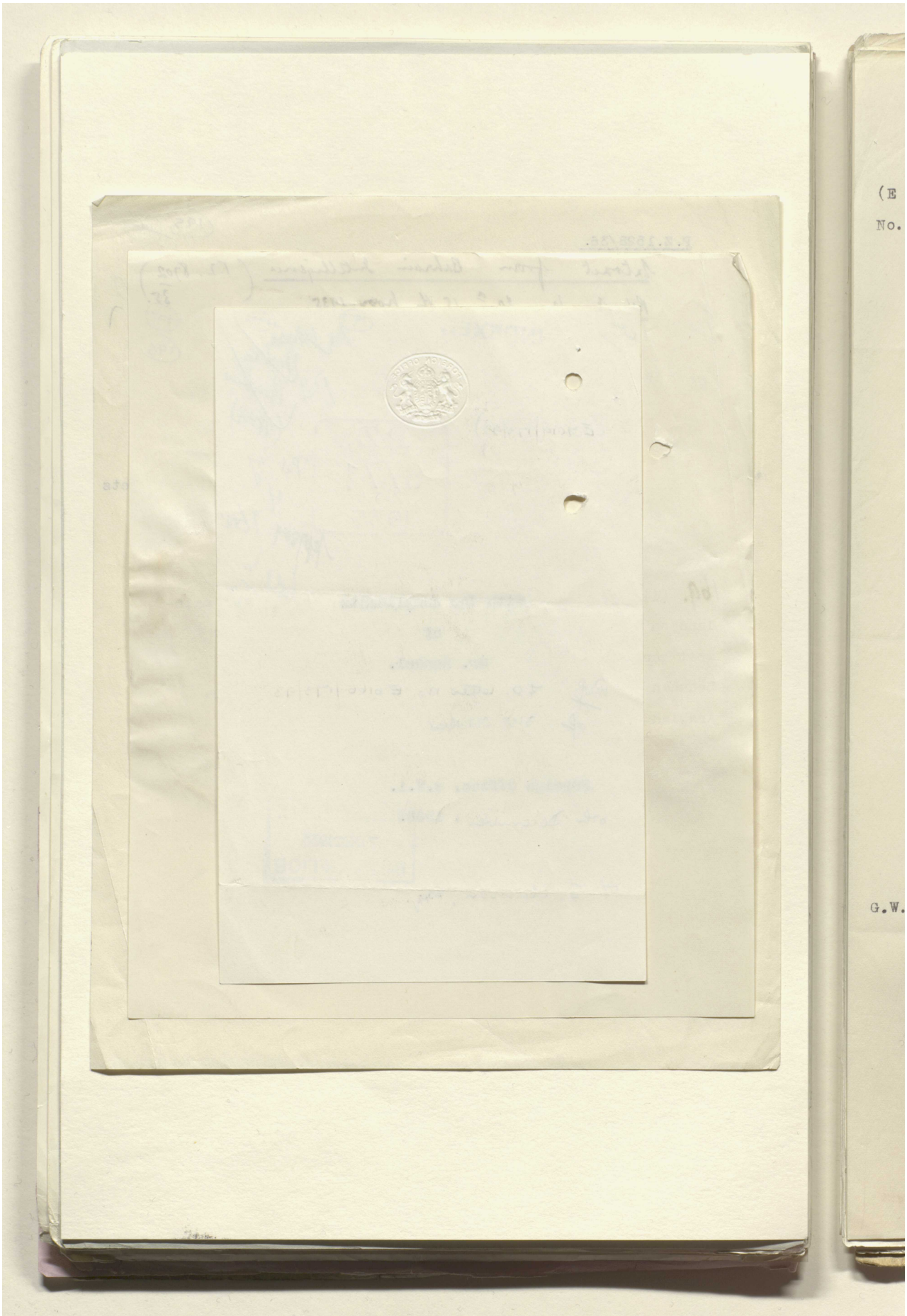

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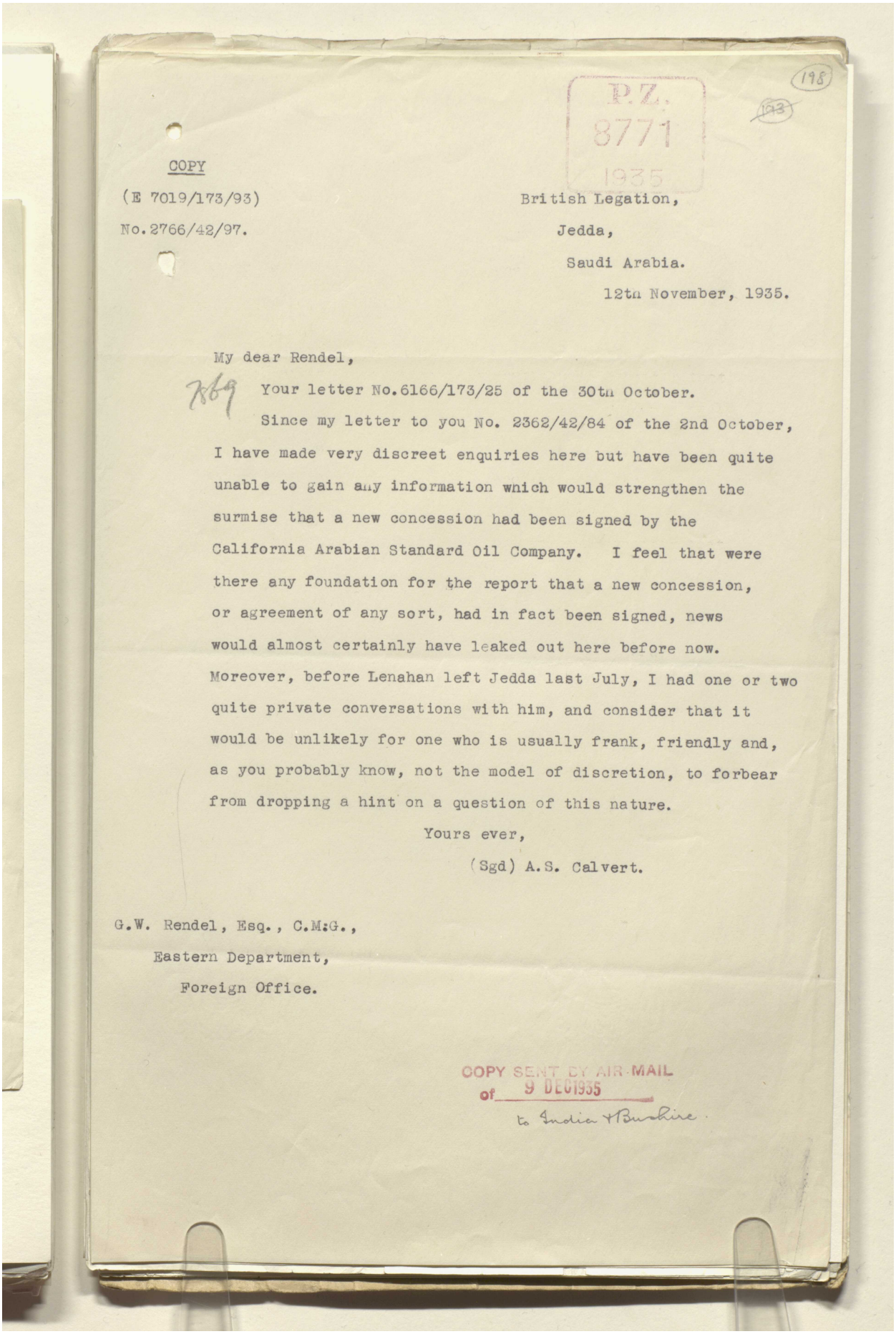

P.Z.
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COPY

(E 7019/173/93)

No.2766/42/97.

British Legation,
Jedda,
Saudi Arabia.
12th November, 1935.

My dear Rendel,

769 Your letter No.6166/173/25 of the 30th October.

Since my letter to you No. 2362/42/84 of the 2nd October, I have made very discreet enquiries here but have been quite unable to gain any information which would strengthen the surmise that a new concession had been signed by the California Arabian Standard Oil Company. I feel that were there any foundation for the report that a new concession, or agreement of any sort, had in fact been signed, news would almost certainly have leaked out here before now. Moreover, before Lenahan left Jedda last July, I had one or two quite private conversations with him, and consider that it would be unlikely for one who is usually frank, friendly and, as you probably know, not the model of discretion, to forbear from dropping a hint on a question of this nature.

Yours ever,

(Sgd) A.S. Calvert.

G.W. Rendel, Esq., C.M.G.,
Eastern Department,
Foreign Office.

COPY SENT BY AIR-MAIL
of 9 DEC 1935
to India + Bushire.

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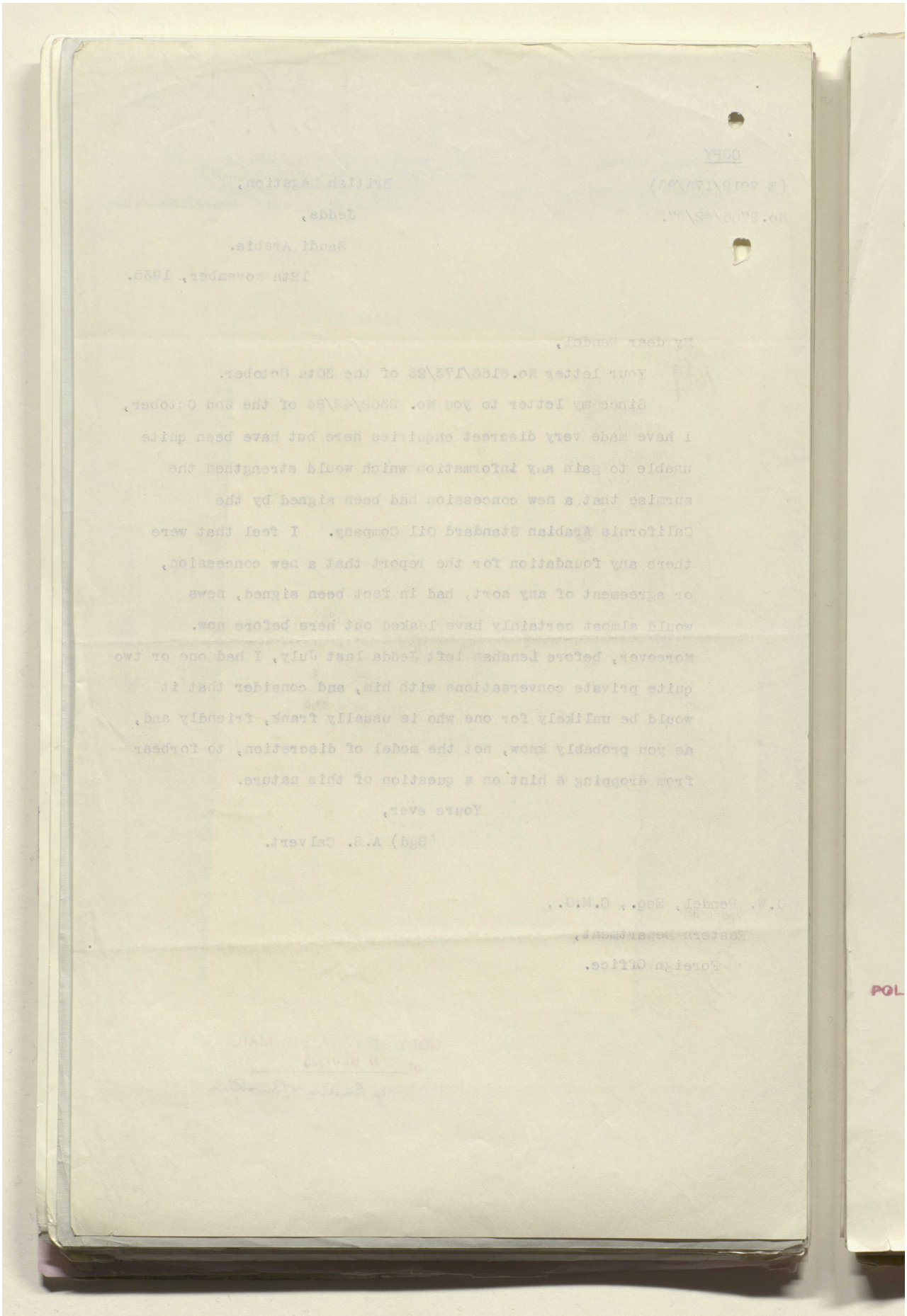

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(194) Put by (199)
25/XI

Notes.

Register No.
P.Z.8212/35.

Minute Paper.

SECRET.
POLITICAL DEPARTMENT

Dated
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			
Under Secretary	20 11	[illegible]	SAUDI ARABIA.
Secretary of State...			
Committee.....	22	[illegible]	Standard Oil Company's Hasa concession. Confirmation of report that oil has been struck.
Under Secretary.....			
Secretary of State....			

Copy of to

FOR INFORMATION.

Please see the minute at P.Z.6003/35, in which it was reported that oil in large quantities had been struck at a spot on the mainland opposite the western coast of Bahrein. It is clear from Mr.Calvert's report, which is now submitted, that oil has in fact been discovered; but the present output can hardly be said to represent a commercial proposition. The Company however appear to be convinced that they have struck a rich deposit as operations are to continue and a further well is to be sunk in the neighbourhood.

Hood
18/XI

The oil field is apparently the same as that under Bahrein — the belt may perhaps extend under Katr and the Trucial Coast.
[illegible] 19/11

SEEN
POLITICAL COMMITTEE
25 NOV 1935

Previous papers :—

[illegible] 25/11

3330 1000 12.34

[illegible] 25/11

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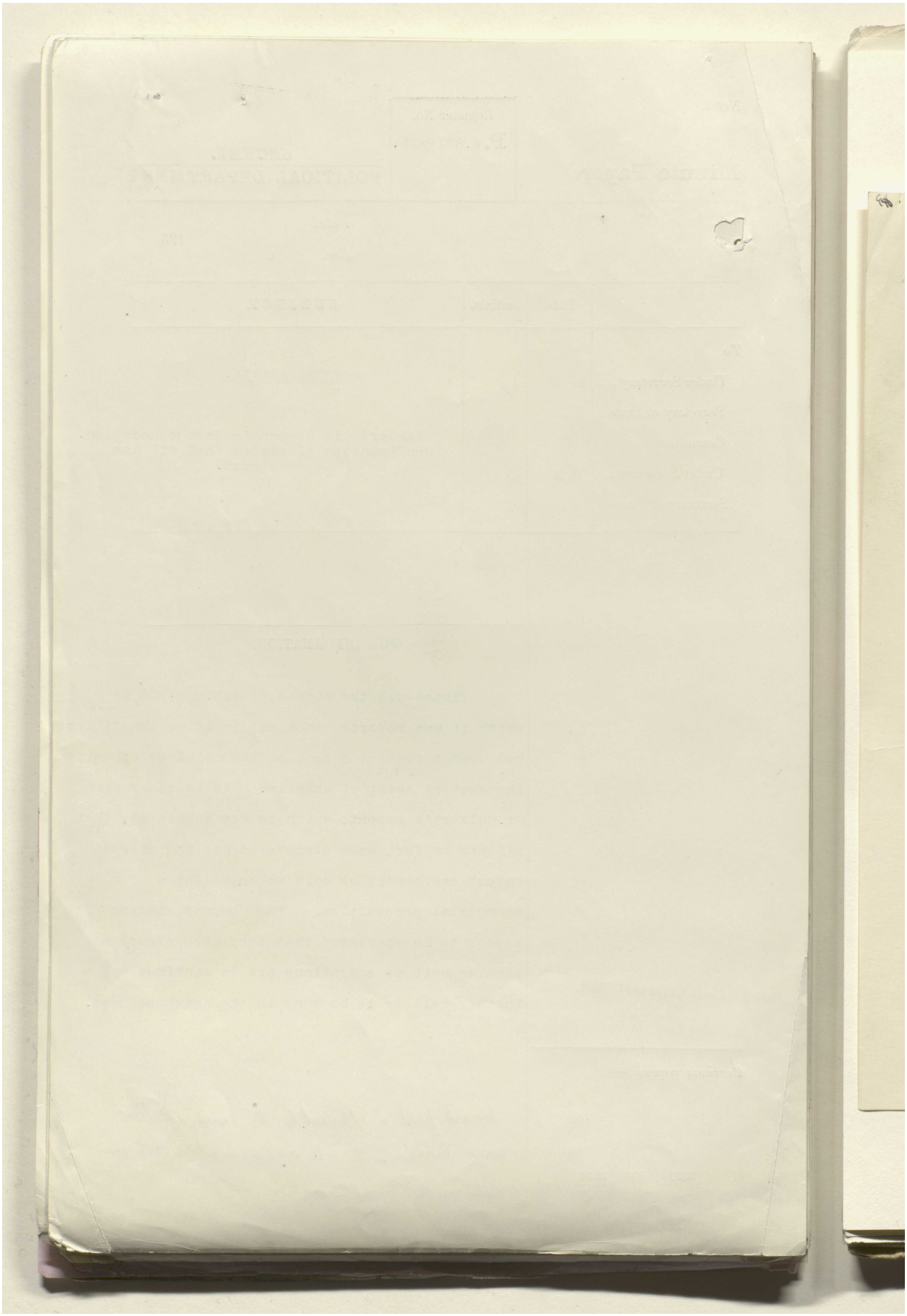

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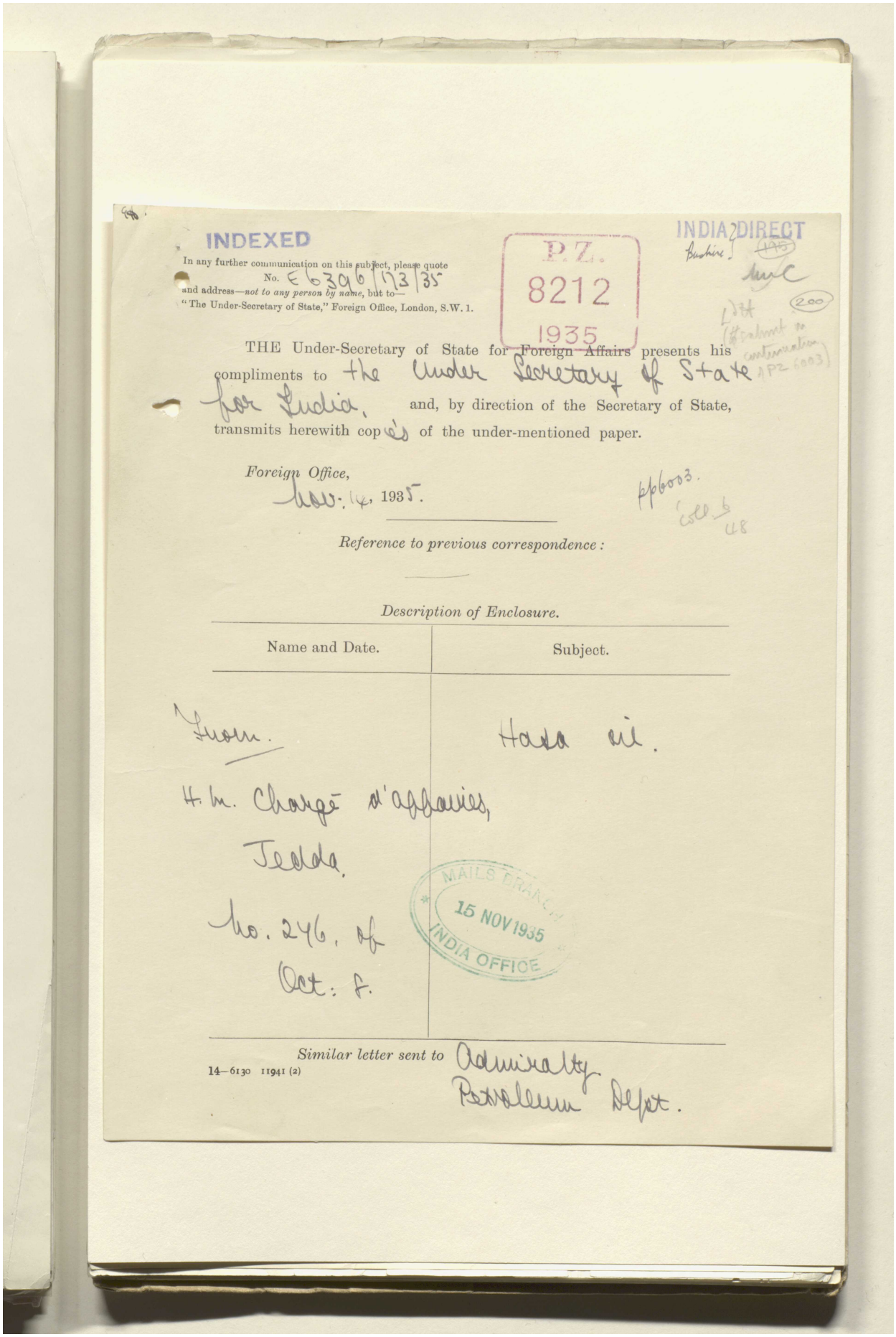

INDEXED

In any further communication on this subject, please quote
No. E 6396/173/35
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P.Z. 8212 1935

INDIA DIRECT

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India, and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
Nov. 14, 1935.

pp6003. Coll 6 48

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
From. H. M. Chargé d'affaires, Jeddah. No. 246. of Oct. 6.	Hasa oil.

MAILS DRAWN 15 NOV 1935 INDIA OFFICE

Similar letter sent to Admiralty Petroleum Dept.

14—6130 11941 (2)

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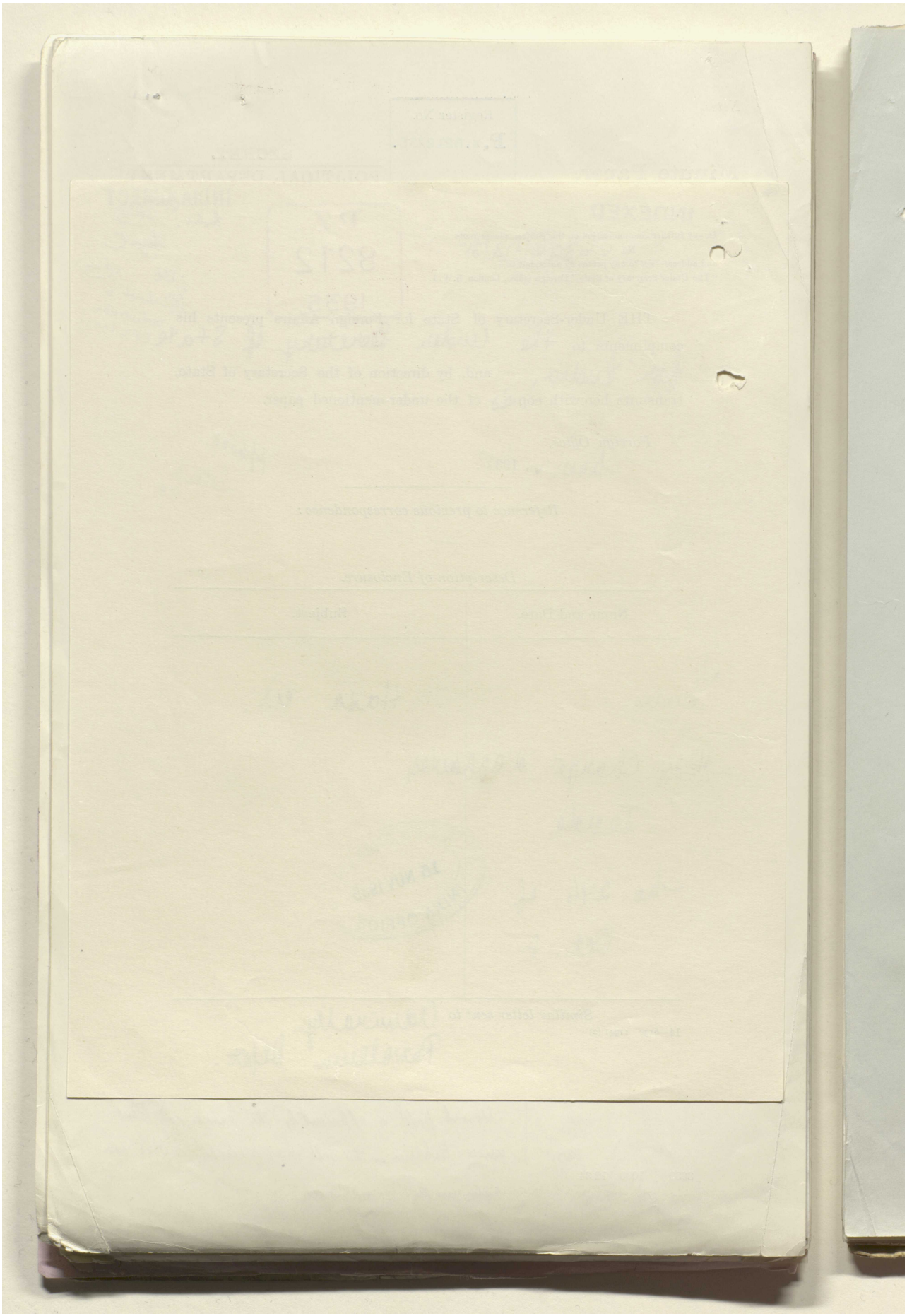

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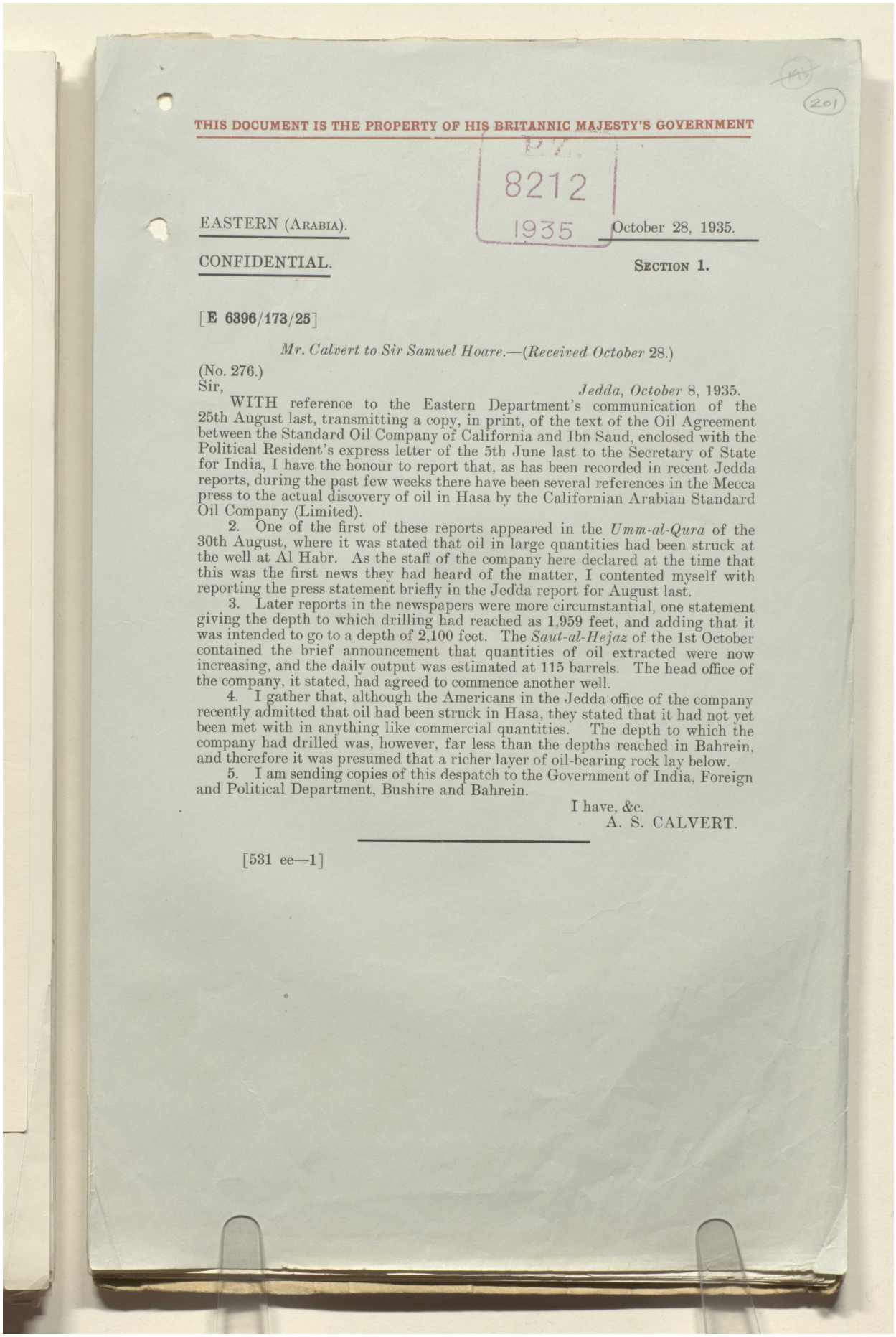

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P.Z. 8212 1935

EASTERN (ARABIA). October 28, 1935.

CONFIDENTIAL. SECTION 1.

[E 6396/173/25]

Mr. Calvert to Sir Samuel Hoare.—(Received October 28.)

(No. 276.)

Sir, *Jedda, October 8, 1935.*

WITH reference to the Eastern Department's communication of the 25th August last, transmitting a copy, in print, of the text of the Oil Agreement between the Standard Oil Company of California and Ibn Saud, enclosed with the Political Resident's express letter of the 5th June last to the Secretary of State for India, I have the honour to report that, as has been recorded in recent Jedda reports, during the past few weeks there have been several references in the Mecca press to the actual discovery of oil in Hasa by the Californian Arabian Standard Oil Company (Limited).

2. One of the first of these reports appeared in the *Umm-al-Qura* of the 30th August, where it was stated that oil in large quantities had been struck at the well at Al Habr. As the staff of the company here declared at the time that this was the first news they had heard of the matter, I contented myself with reporting the press statement briefly in the Jedda report for August last.

3. Later reports in the newspapers were more circumstantial, one statement giving the depth to which drilling had reached as 1,959 feet, and adding that it was intended to go to a depth of 2,100 feet. The *Saut-al-Hejaz* of the 1st October contained the brief announcement that quantities of oil extracted were now increasing, and the daily output was estimated at 115 barrels. The head office of the company, it stated, had agreed to commence another well.

4. I gather that, although the Americans in the Jedda office of the company recently admitted that oil had been struck in Hasa, they stated that it had not yet been met with in anything like commercial quantities. The depth to which the company had drilled was, however, far less than the depths reached in Bahrein, and therefore it was presumed that a richer layer of oil-bearing rock lay below.

5. I am sending copies of this despatch to the Government of India, Foreign and Political Department, Bushire and Bahrein.

I have, &c.
A. S. CALVERT.

[531 ee—1]

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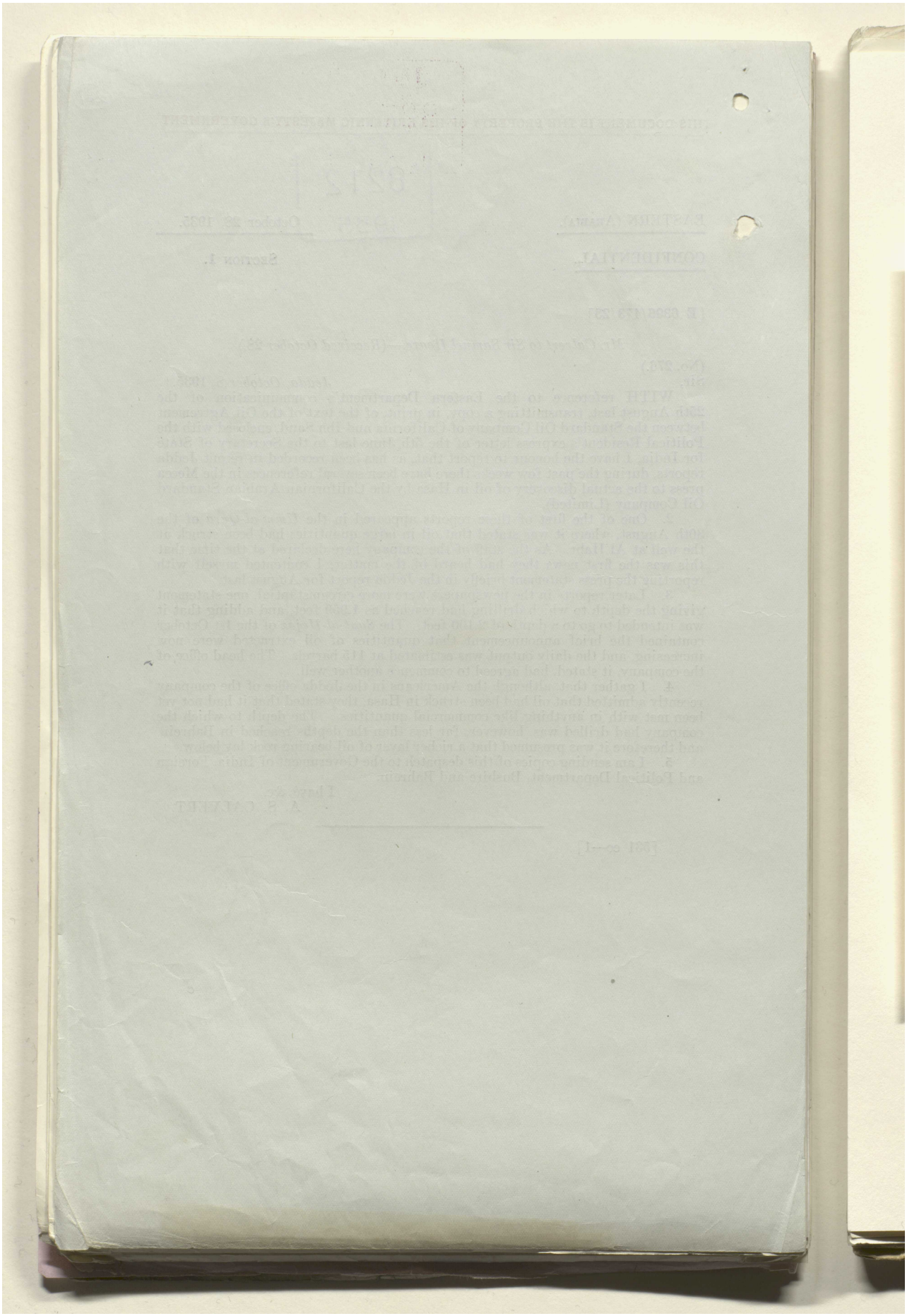

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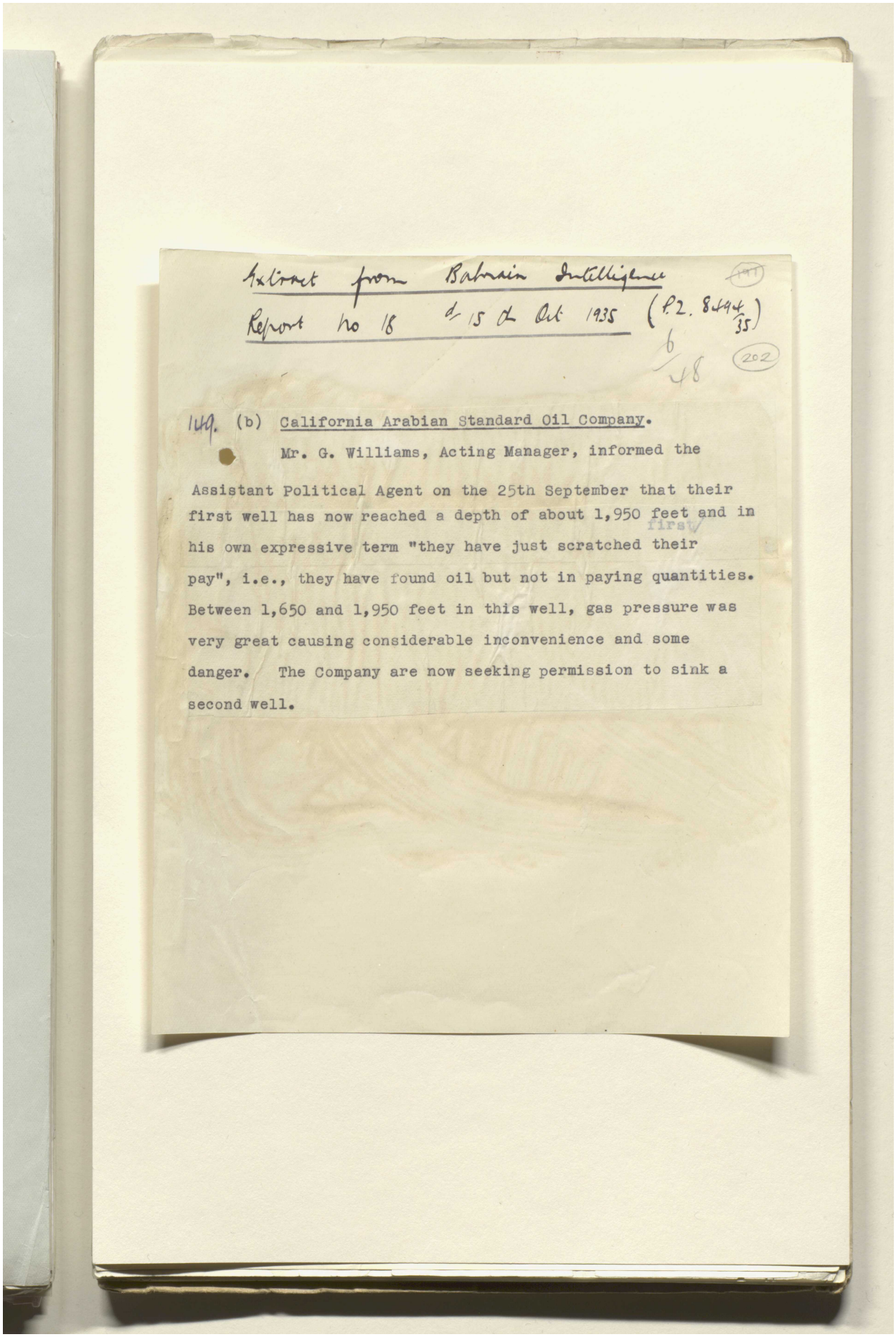

Extract from Bahrain Intelligence Report No 18 d/ 15 & Oct 1935 (P.2. 8494/35)

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149. (b) California Arabian Standard Oil Company.

Mr. G. Williams, Acting Manager, informed the Assistant Political Agent on the 25th September that their first well has now reached a depth of about 1,950 feet and in his own expressive term "they have just scratched their pay", i.e., they have found oil but not in paying quantities. Between 1,650 and 1,950 feet in this well, gas pressure was very great causing considerable inconvenience and some danger. The Company are now seeking permission to sink a second well.

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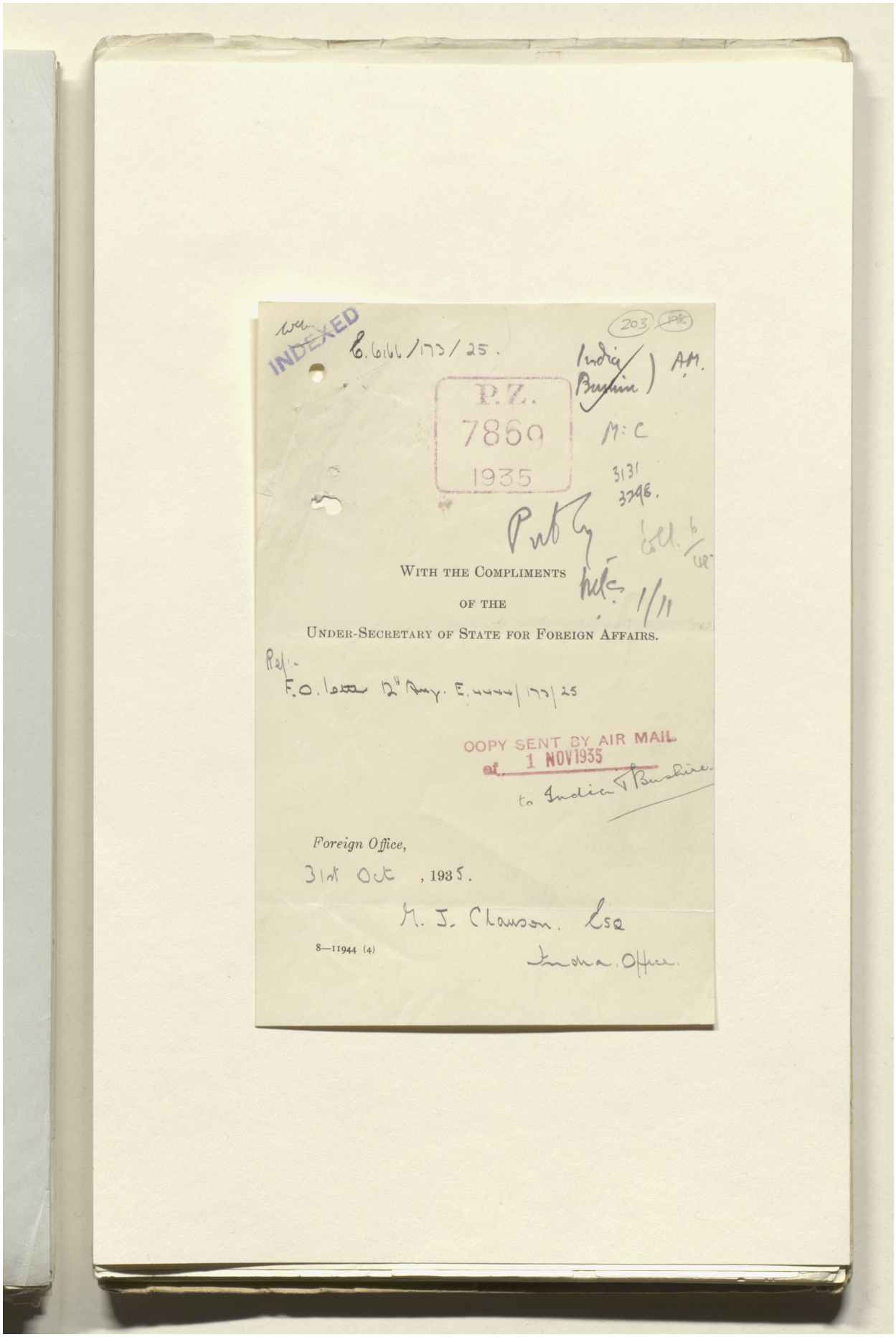

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E. 6166/173/25.

(203) (198)

India / Bushire) A.M.

P.Z.
7869
1935

M:C

3131
3298.

Put by

Coll. 6/48

WITH THE COMPLIMENTS

OF THE

UNDER-SECRETARY OF STATE FOR FOREIGN AFFAIRS.

Ref:-
F.O. letter 12th Aug. E. 4444/173/25

COPY SENT BY AIR MAIL
of 1 NOV 1935
to India & Bushire.

Foreign Office,

31st Oct, 1935.

M. J. Clauson. Esq
India Office.

8—11944 (4)

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P.Z.
7869
1935

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COPY.
(E 6166/173/25)
(23[illegible]2/84)

BRITISH LEGATION,
JEDDA,
SAUDI ARABIA.
October 2nd, 1935.

My dear Rendel,

A week ago I had occasion to send Oppenheim to Port Sudan for two days and on leaving for Jedda again he had a brief conversation on board ship with a member of the Port Sudan staff of Messrs. Gellatly, Hankey and Company (Sudan) Limited, Grisewood by name, who last year was for a considerabletime here with the branch of his firm in Jedda. He was a very close friend of W.J. Lenahan, the Manager of the Jedda office of the California Arabian Standard Oil Company and, I understand, has kept up a regular correspondence since he was transferred to Port Sudan. Grisewood remarked quite casually to Oppenheim that Lenahan, who left here on the 24th July for Hasa (spending three or four weeks in Egypt, Palestine and Syria en route), must be feeling very pleased with himself "now that he has signed his concession."

We have had no indication from any source here that a further concession, perhaps of a subsidiary character to the 1933 Hasa concession, was in the wind, and I will make such discreet enquiries as I am able locally. Perhaps you may have further information at your end.

Lenahan/

G.W. Rendel Esq., C.M.G.

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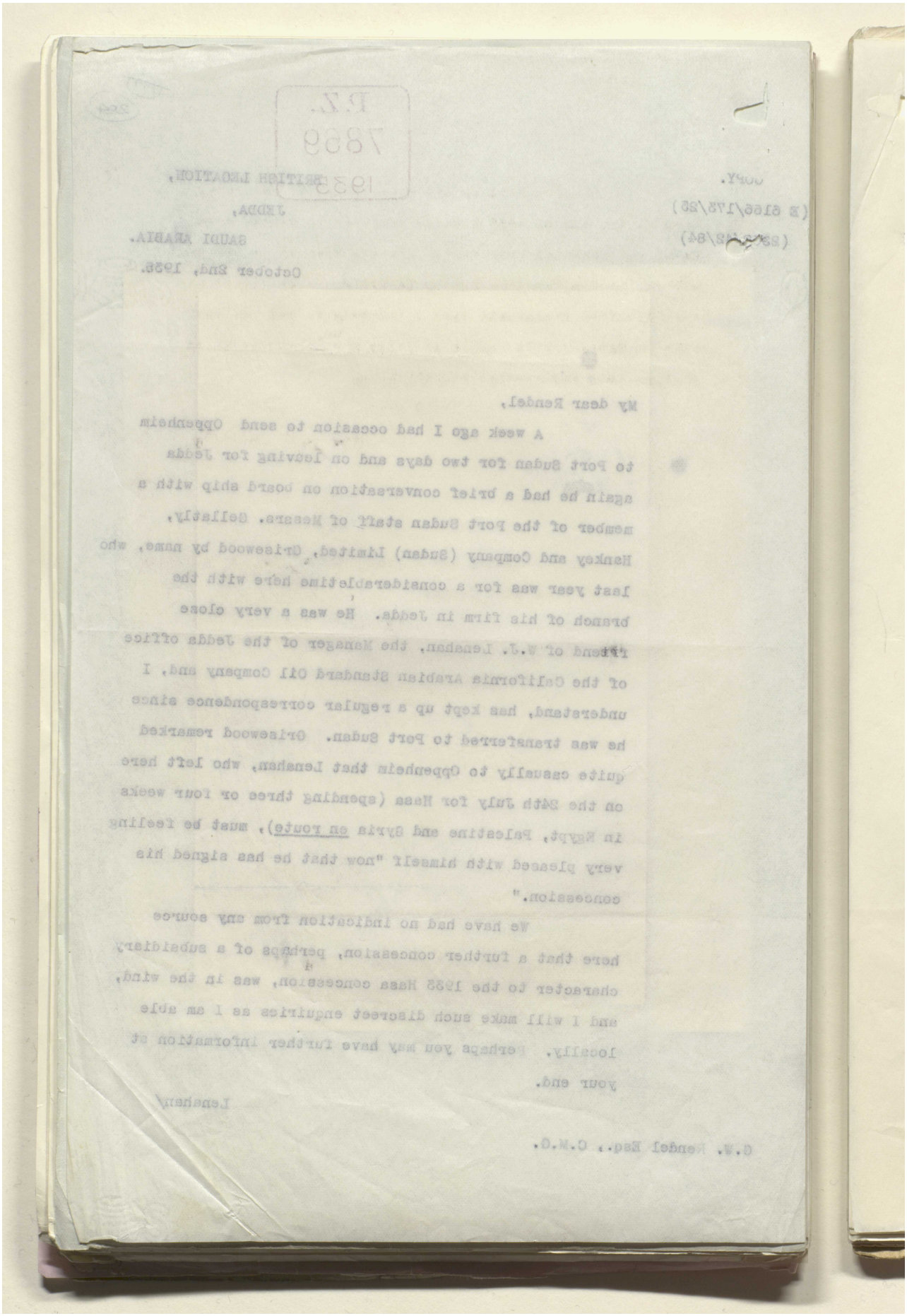

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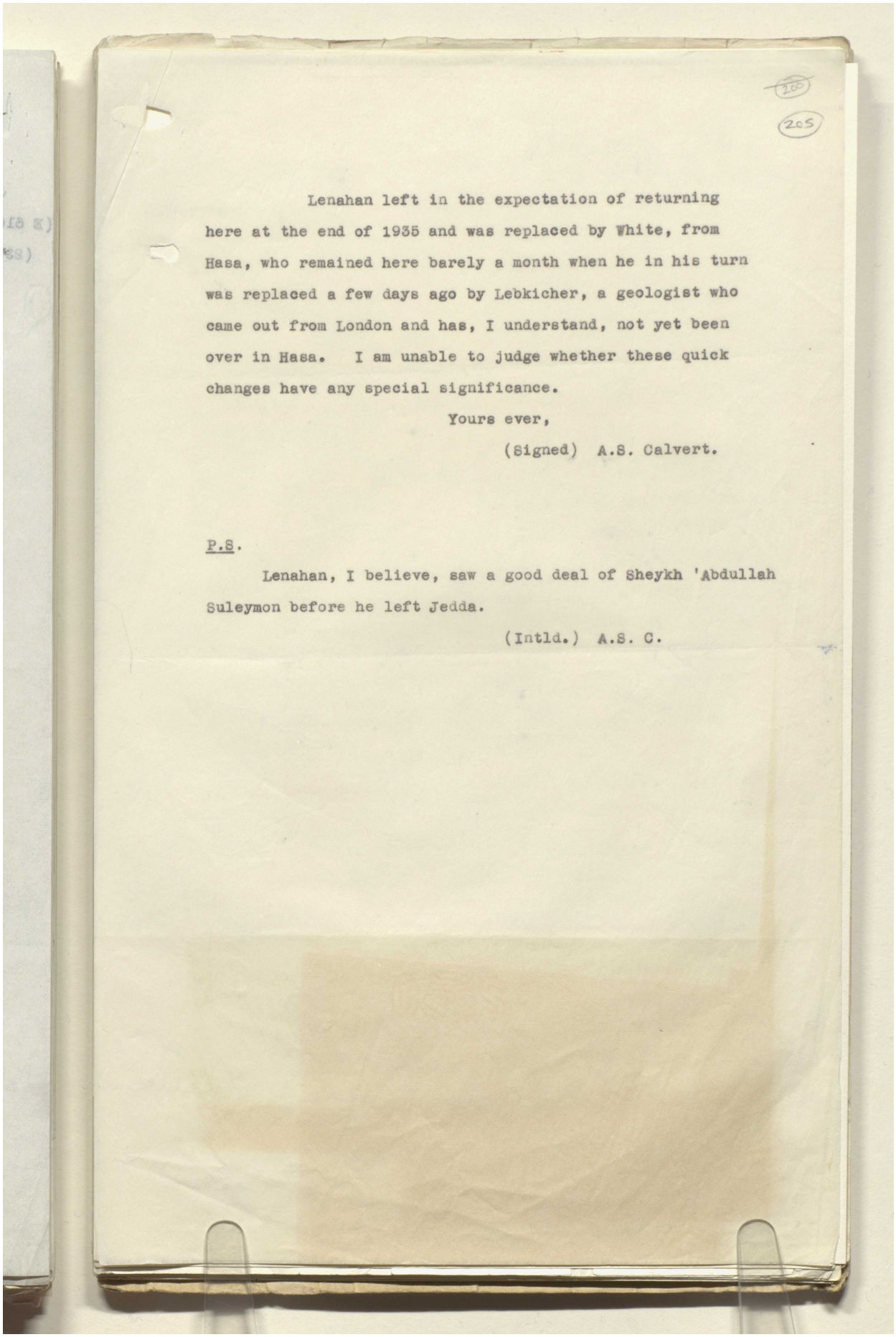

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Lenahan left in the expectation of returning here at the end of 1935 and was replaced by White, from Hasa, who remained here barely a month when he in his turn was replaced a few days ago by Lebkicher, a geologist who came out from London and has, I understand, not yet been over in Hasa. I am unable to judge whether these quick changes have any special significance.

Yours ever,

(Signed) A.S. Calvert.

P.S.

Lenahan, I believe, saw a good deal of Sheykh 'Abdullah Suleymon before he left Jedda.

(Intld.) A.S. C.

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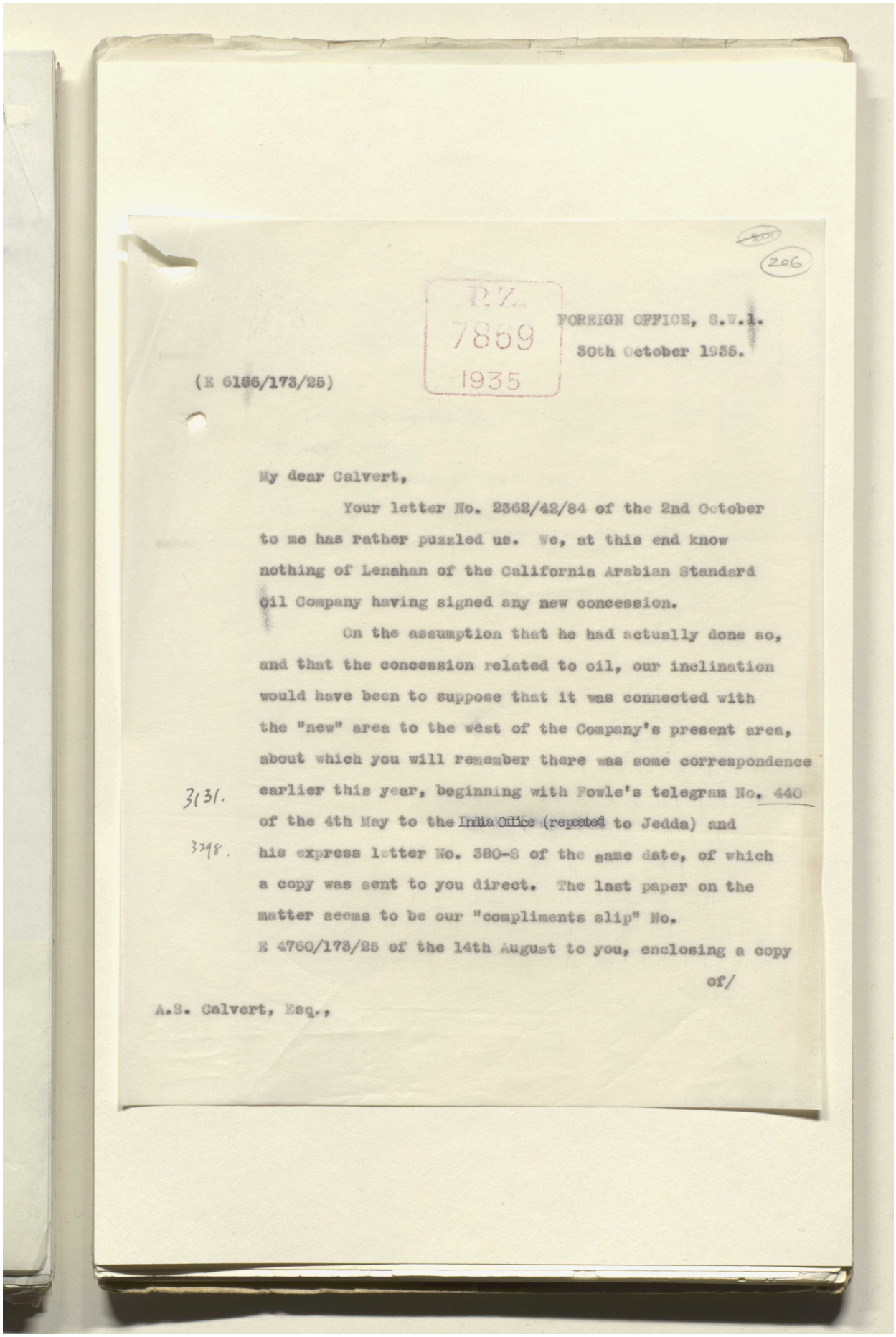

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R.Z.
7859
1935

FOREIGN OFFICE, S.W.1.
30th October 1935.

(E 6166/173/25)

My dear Calvert,

Your letter No. 2362/42/84 of the 2nd October to me has rather puzzled us. We, at this end know nothing of Lenahan of the California Arabian Standard Oil Company having signed any new concession.

On the assumption that he had actually done so, and that the concession related to oil, our inclination would have been to suppose that it was connected with the "new" area to the west of the Company's present area, about which you will remember there was some correspondence earlier this year, beginning with Fowle's telegram No. 440 of the 4th May to the India Office (repeated to Jedda) and his express letter No. 380-S of the same date, of which a copy was sent to you direct. The last paper on the matter seems to be our "compliments slip" No. E 4760/173/25 of the 14th August to you, enclosing a copy of/

A.S. Calvert, Esq.,

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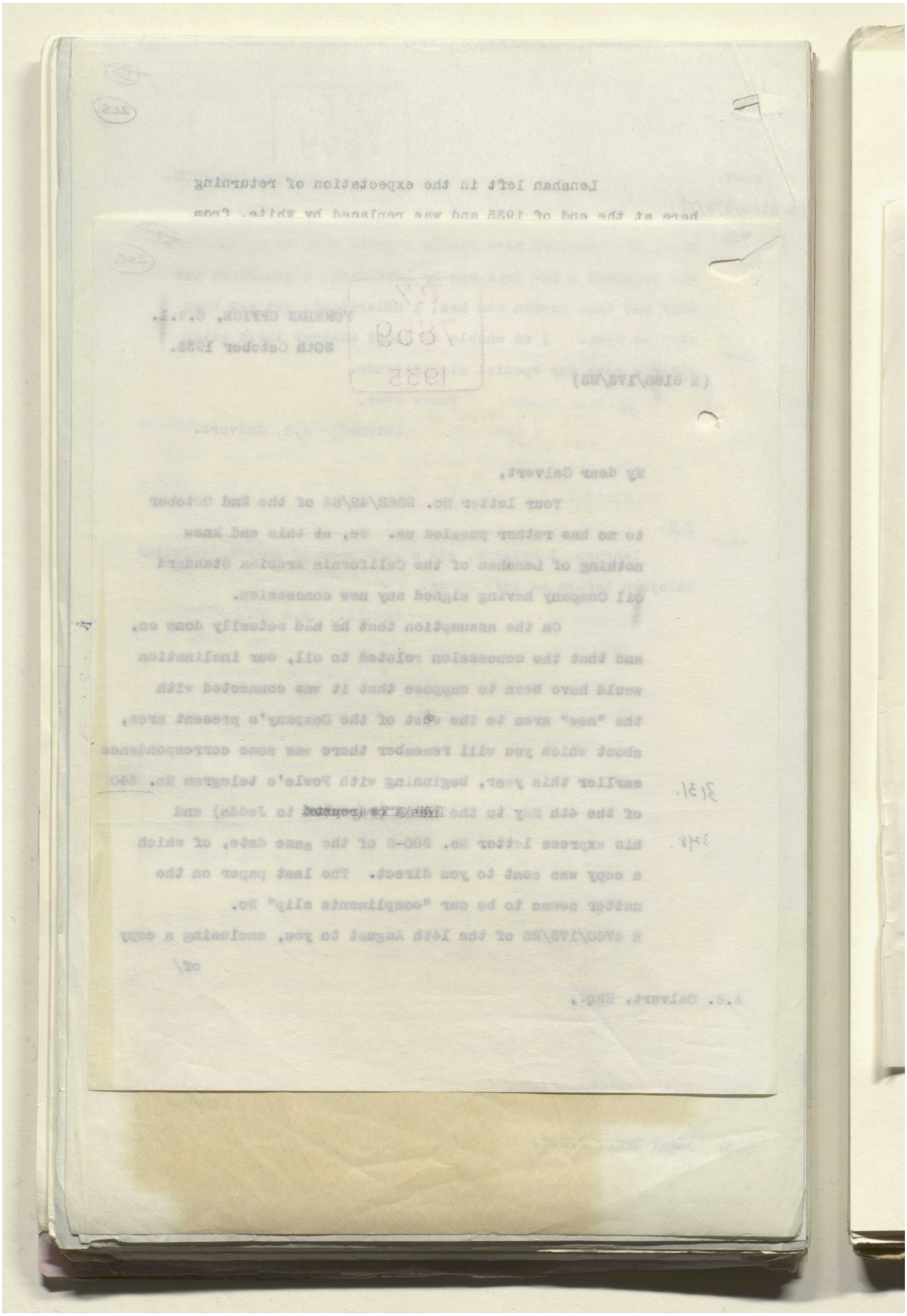

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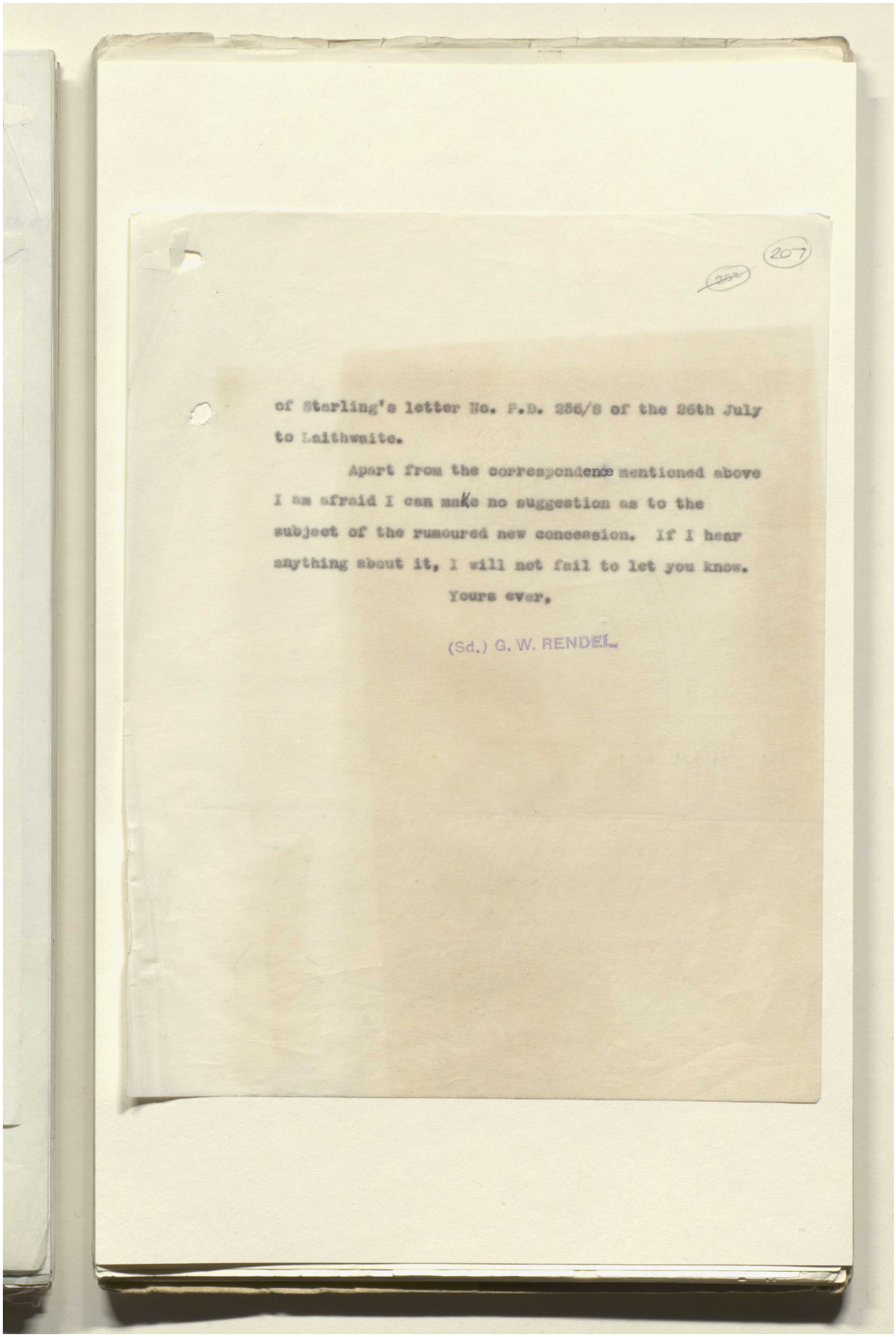

of Starling's letter No. P.D. 256/8 of the 26th July to Laithwaite.

Apart from the correspondence mentioned above I am afraid I can make no suggestion as to the subject of the rumoured new concession. If I hear anything about it, I will not fail to let you know.

Yours ever,

(Sd.) G. W. RENDEL

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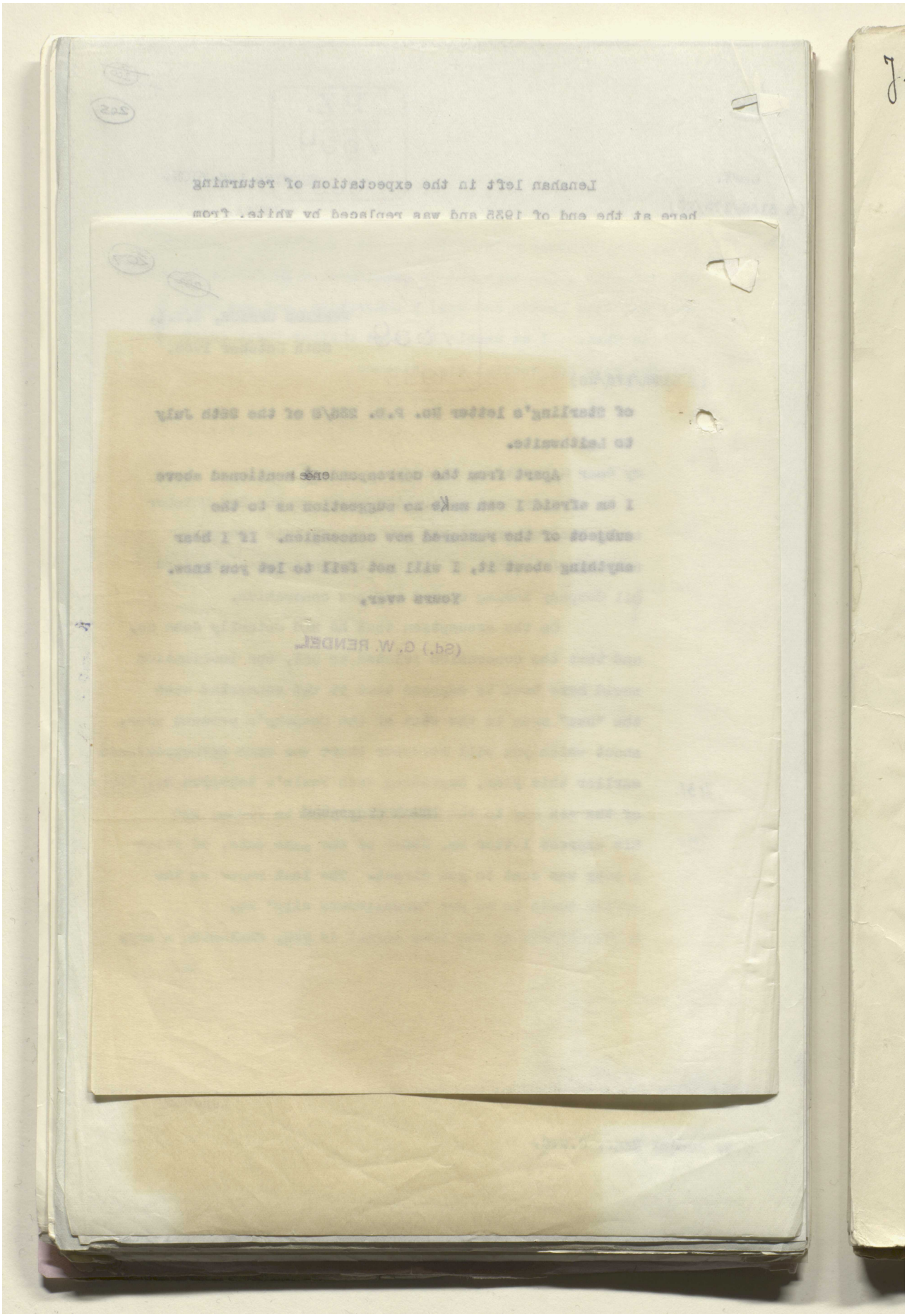

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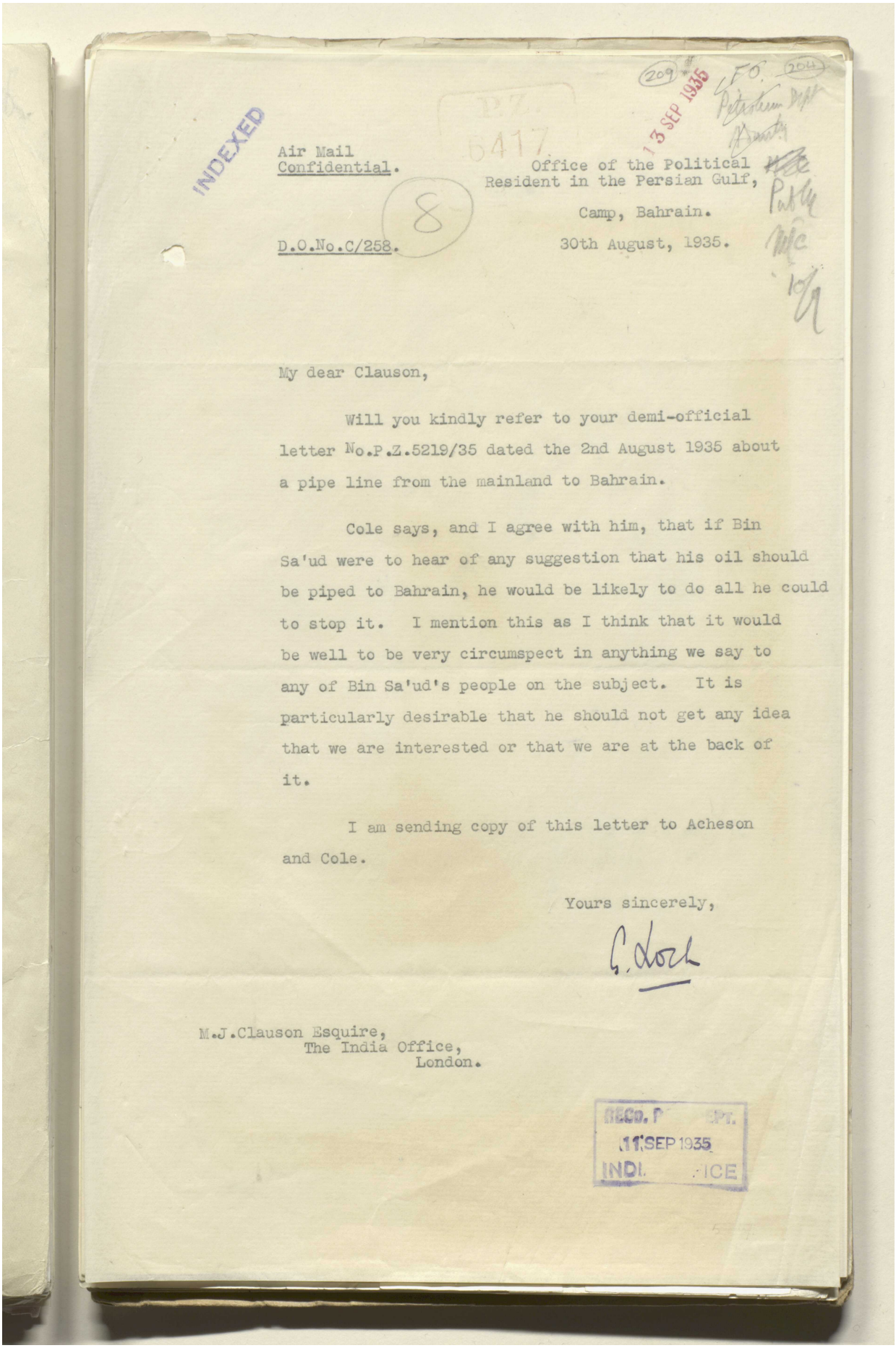

INDEXED

P.Z. 5417

13 SEP 1935

209 F.O. 204

Air Mail
Confidential.

Office of the Political
Resident in the Persian Gulf,
Camp, Bahrain.

D.O.No.C/258.

30th August, 1935.

My dear Clauson,

Will you kindly refer to your demi-official letter No.P.Z.5219/35 dated the 2nd August 1935 about a pipe line from the mainland to Bahrain.

Cole says, and I agree with him, that if Bin Sa'ud were to hear of any suggestion that his oil should be piped to Bahrain, he would be likely to do all he could to stop it. I mention this as I think that it would be well to be very circumspect in anything we say to any of Bin Sa'ud's people on the subject. It is particularly desirable that he should not get any idea that we are interested or that we are at the back of it.

I am sending copy of this letter to Acheson and Cole.

Yours sincerely,

G. Dow

M.J.Clauson Esquire,
The India Office,
London.

RECD. P[illegible]PT.
11 SEP 1935
INDI[illegible]FICE

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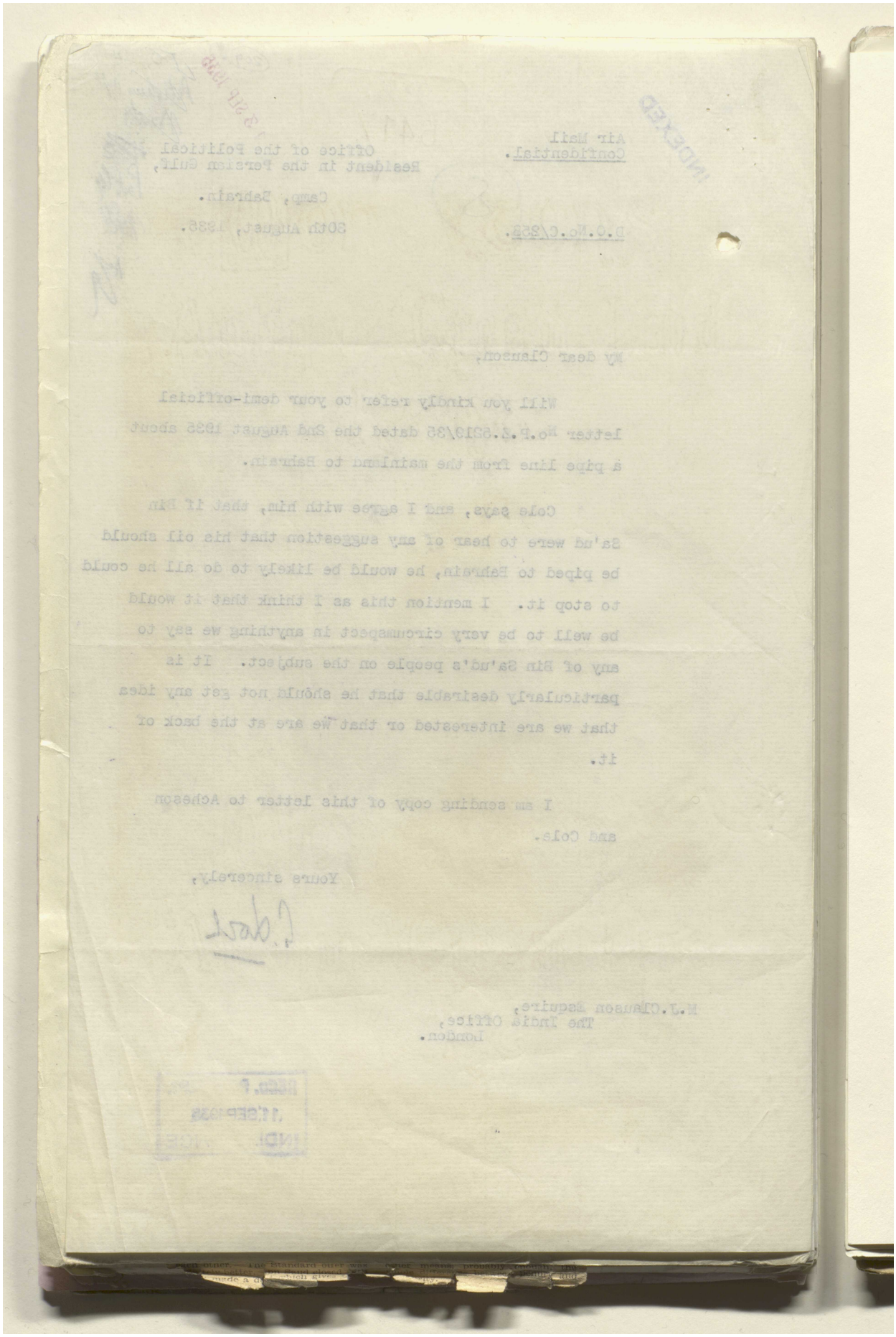

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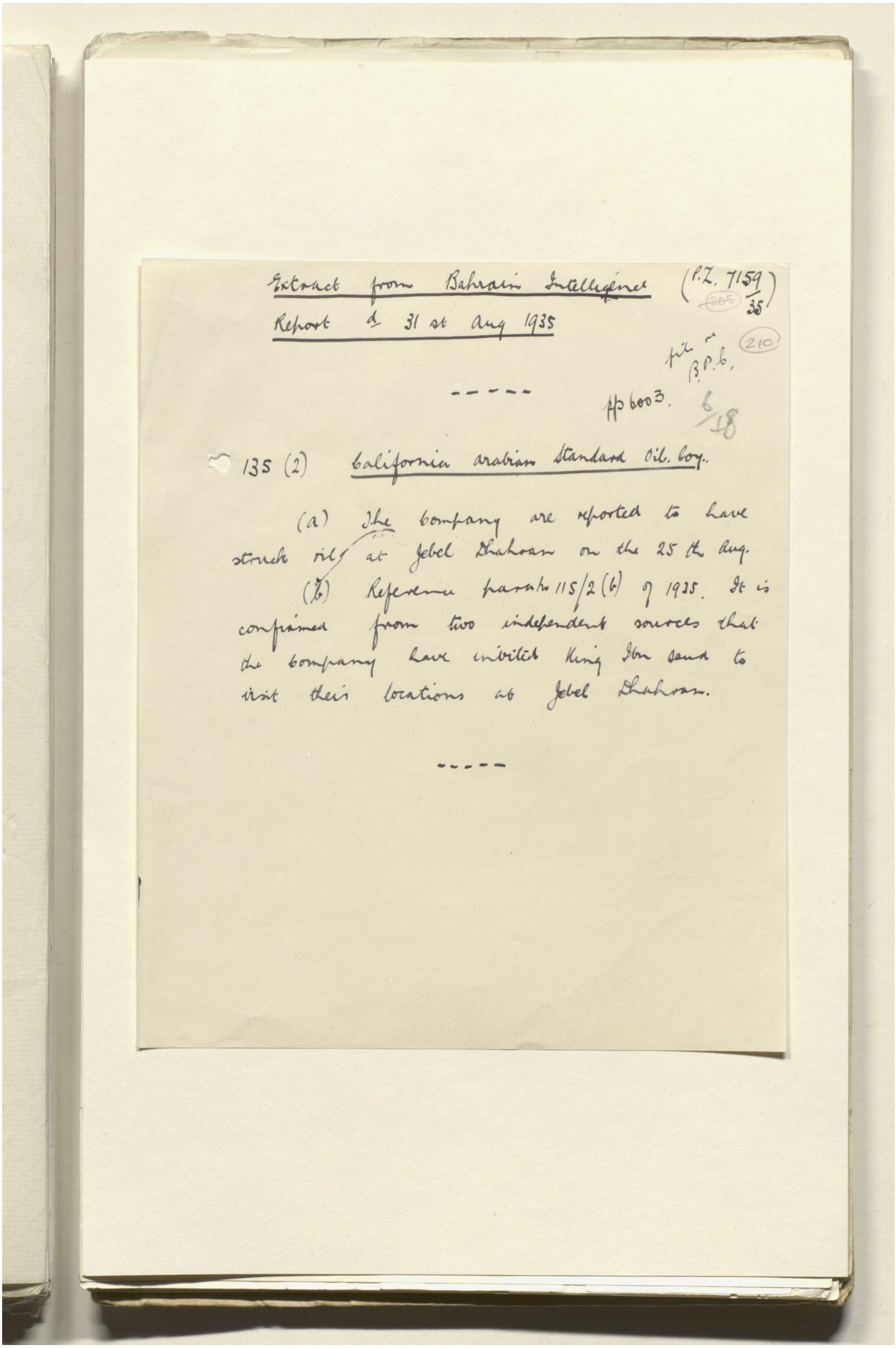

Extract from Bahrain Intelligence Report d 31 st Aug 1935 (P.Z. 7159/35)

(210)

file re B.P.C.

pp 6003. 6/48

---

135 (2) California Arabian Standard Oil. Coy.

(a) The Company are reported to have struck oil at Jebel Dhahran on the 25 th Aug.

(b) Reference para No 115/2 (b) of 1935. It is confirmed from two independent sources that the Company have invited King Ibn Saud to visit their locations at Jebel Dhahran.

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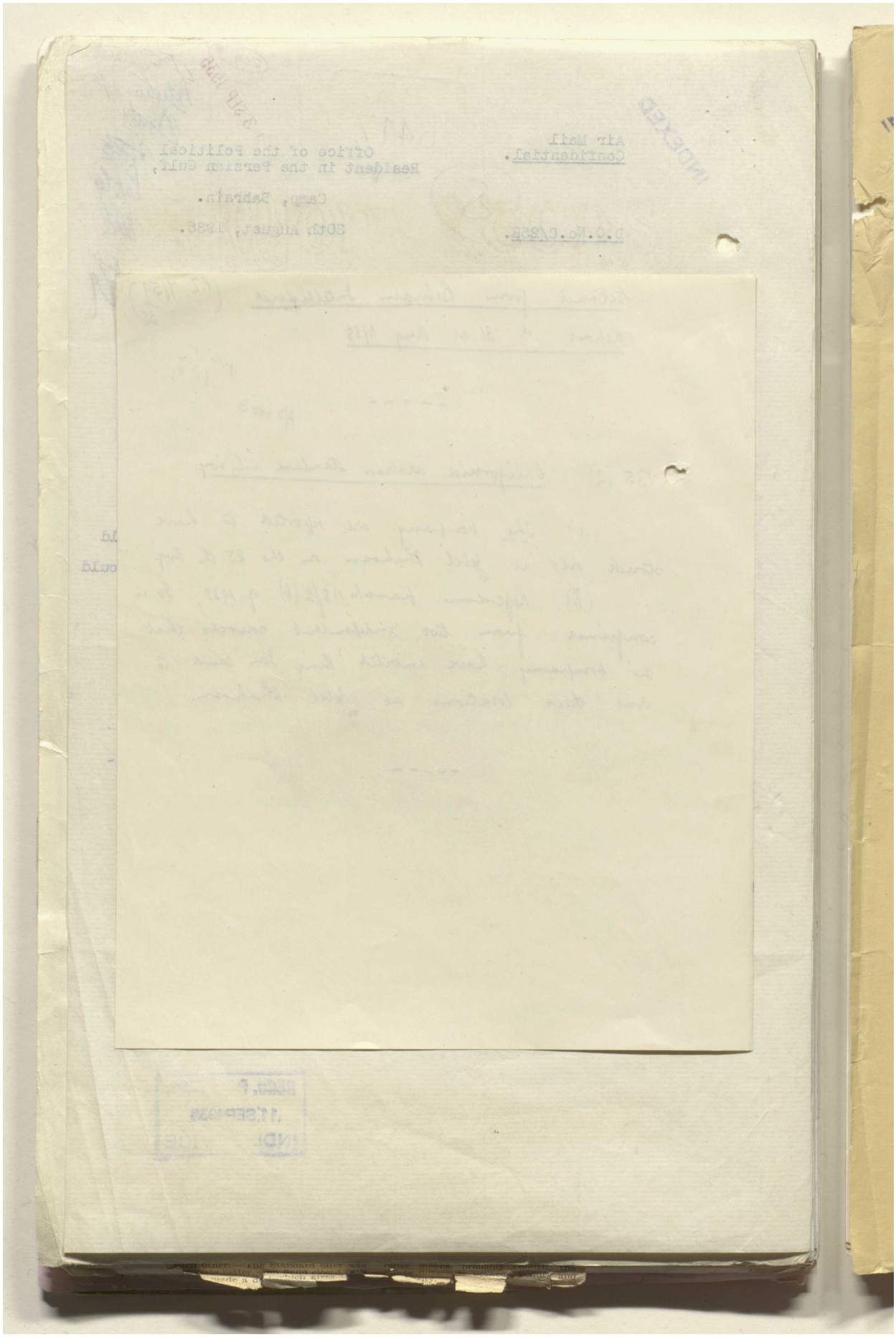

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INDEXED
P.Z. 6394
11 SEP 1935
F.O. (211)
M.G.

GOVERNMENT OF INDIA,

Confidential. _____ DEPARTMENT.

The Sheikh's reply is not perhaps as forthcoming as might have been hoped, but probably we cannot do any better.

EXPRESS LETTER

[N. B.—This is an ORIGINAL MESSAGE, sent by post to save telegraphic expense and undue use of the wires, but intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and formalities it is worded and signed as if it had been so despatched.]

P.A.
19/9

FROM - Political Resident,

Bushire.

5220
pp. U.S.S. 4/9
6/48

To - Secretary of State for India, London.

Repeated Government of India, Simla.

Political Agent, Bahrain.

No. 626-S of 1935. Dated 17th August 1935.

5220 Your telegram 2403 July 30th. QATAR.

2. I have sent verbal message to Shaikh of Qatar asking him to report any signs of activities by California Arabian Standard Oil Company. Shaikh rather characteristically replies that he will report any activities inside his border without being asked and, if we want any information beyond his borders, will we write to him ! He was reported to be most friendly to messenger and will, I think, in practice, keep us informed.

sd. G.Loch,
Lieut.-Colonel.

Officiating Political Resident in the Persian Gulf,

Attested.

J. Crowing

for Secretary to the Political Resident in the Persian Gulf.

S. 6.
MFP—785S&P—(M-1014)—18-8-33—2,00,000.

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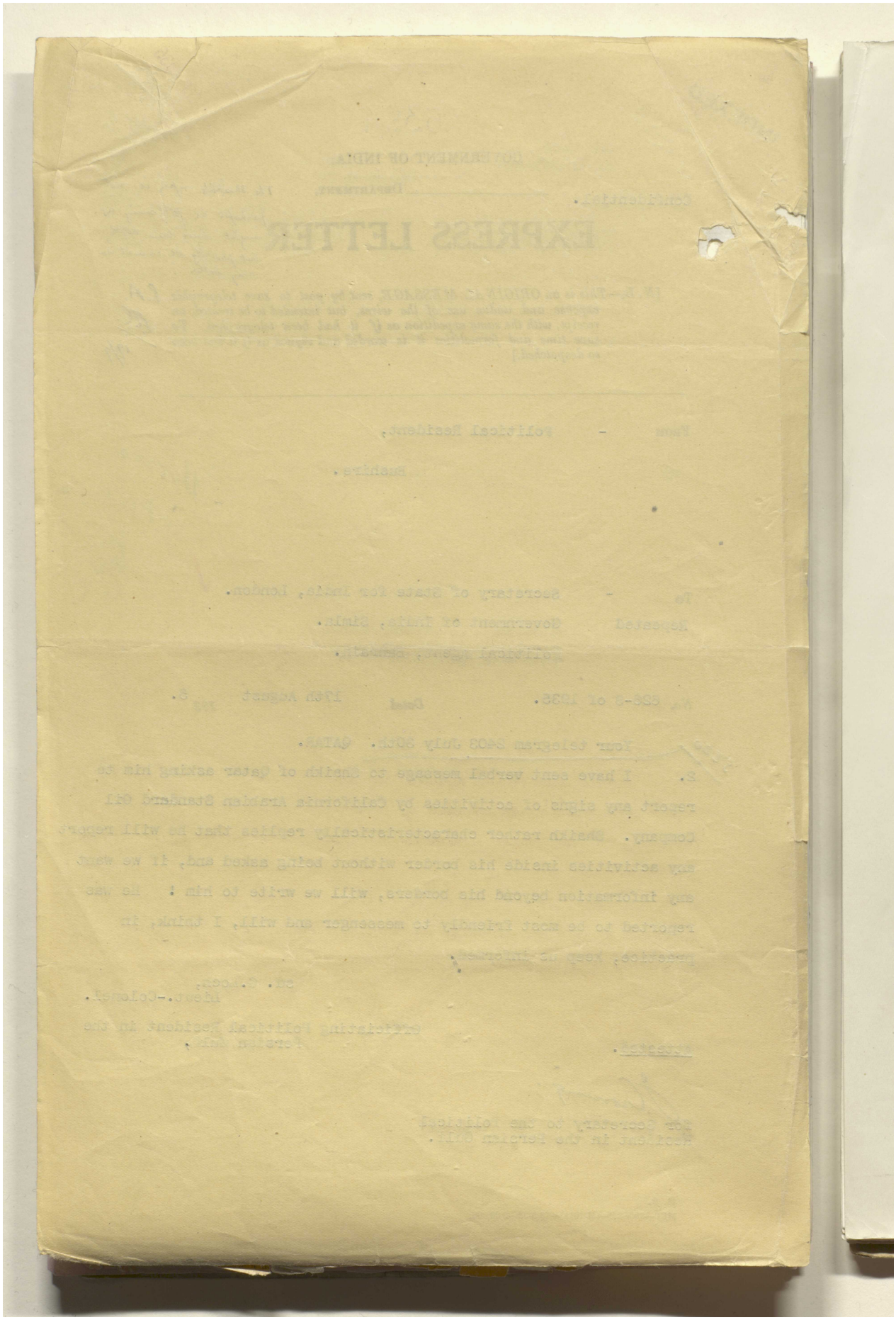

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212

Notes.

Minute Paper.

Register No.
P. 2
6003/35

SECRET.
POLITICAL DEPARTMENT

Dated
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			SAUDI ARABIA.
Under Secretary	3. 9.		Standard Oil Company's Hasa Concession.
Secretary of State...			
Committee.....	13		Report that Oil has been struck.
Under Secretary.....			
Secretary of State....			

Copy of to

FOR INFORMATION.

Colonel Loch's telegram of 28th August, with the rough map above it, explains itself. We had already heard that the Standard Oil Company were expecting to strike oil before very long. The oil appears to be quite near the coast, a fact which is relevant to the idea which has been mooted of a pipe line from Hasa to Bahrein, whence oil could be conveniently shipped.

The Standard Oil Company, who hold the Hasa Concession, are, of course, the same concern as the Bahrein Petroleum Company.

SEEN
POLITICAL COMMITTEE
17 SEP 1935

Previous papers :—

3330 1000 12.34

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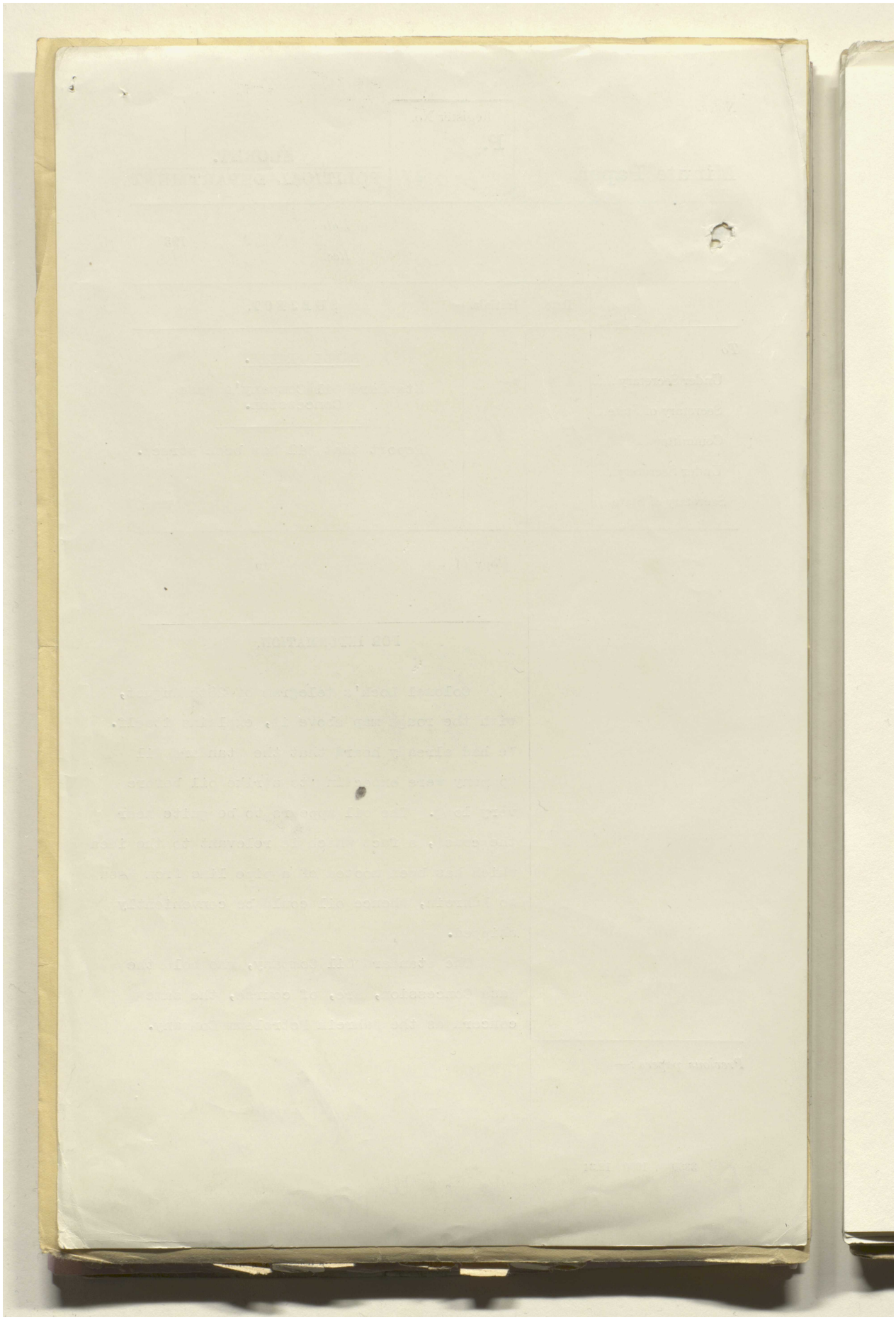

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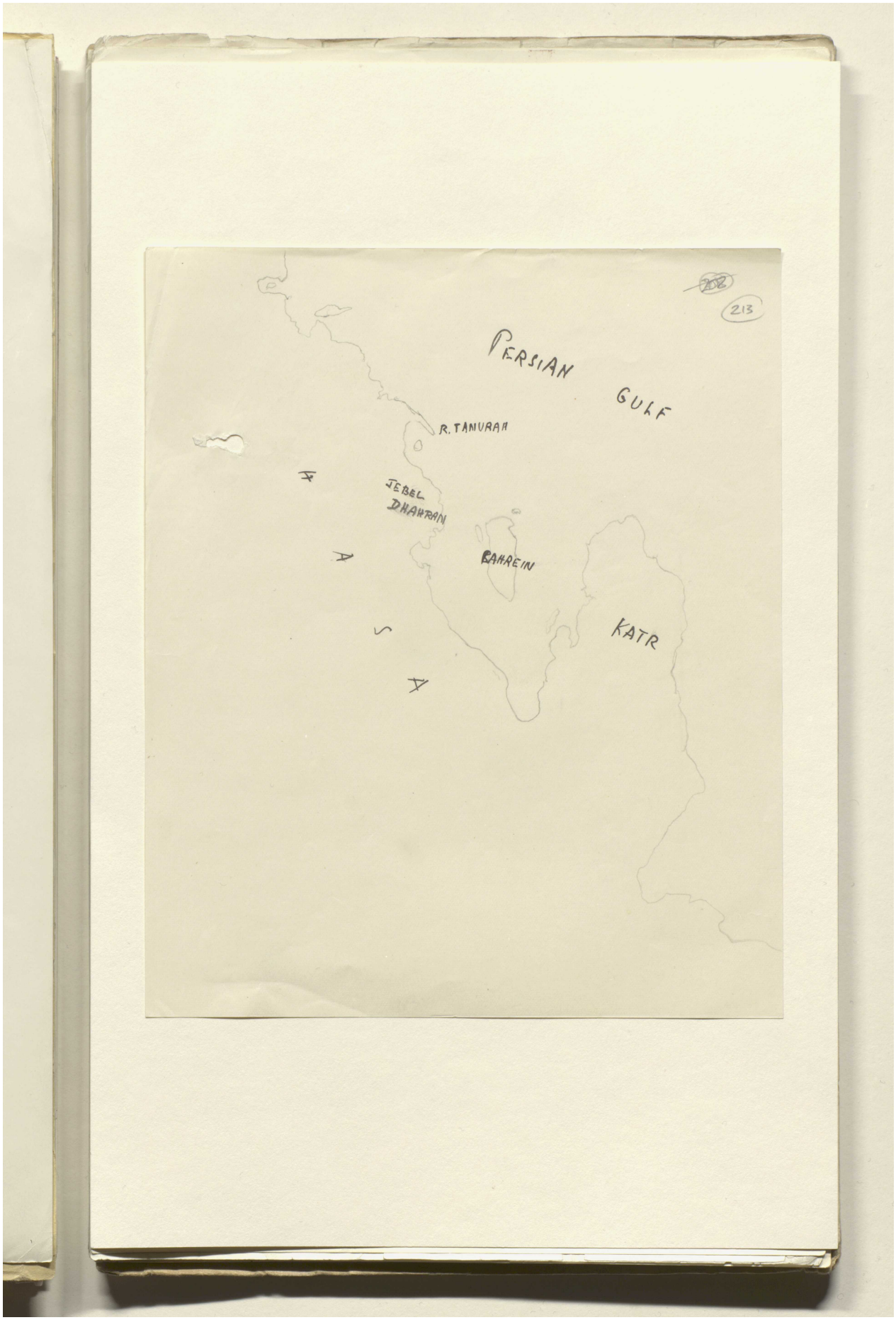

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Sketch of the East Saudi Arabian Coast [213v] (2/2)

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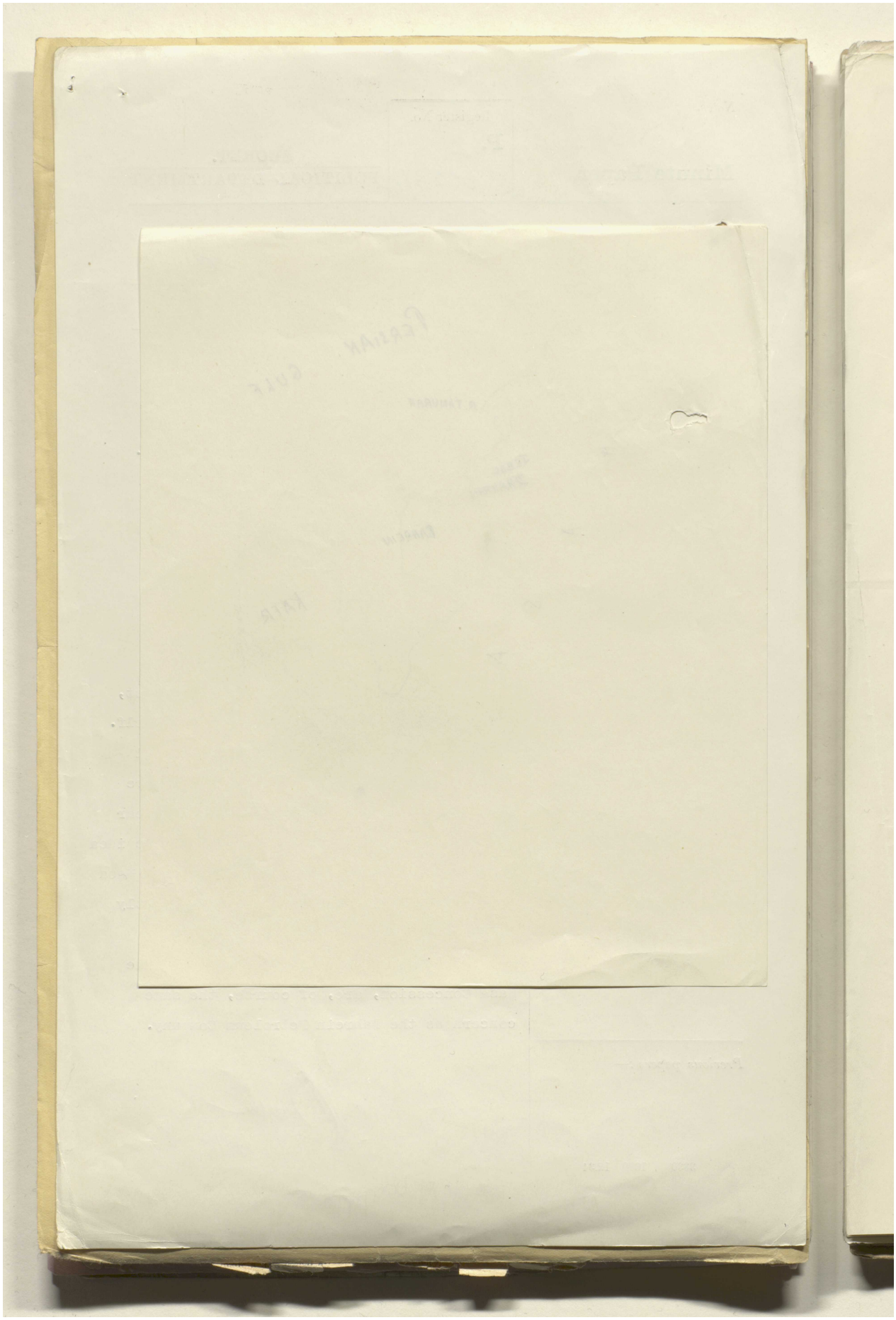

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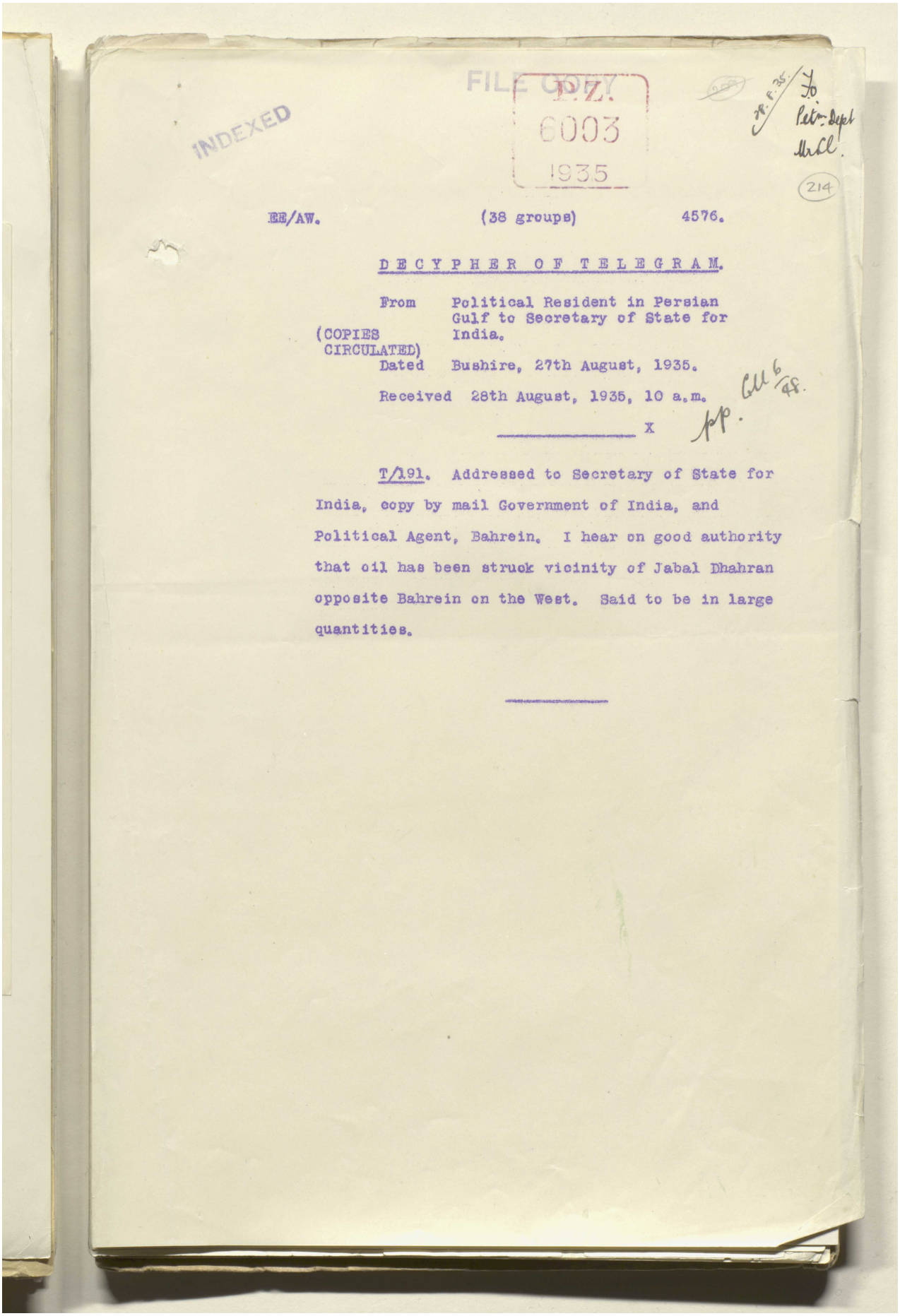

INDEXED
FILE COPY
P.Z.
6003
1935

28.8.35. To Petm. Dept Mr Cl.

(214)

EE/AW. (38 groups) 4576.

DECYPHER OF TELEGRAM.

From Political Resident in Persian Gulf to Secretary of State for India.

(COPIES CIRCULATED)

Dated Bushire, 27th August, 1935.

Received 28th August, 1935, 10 a.m.

Coll 6/48.

pp.

_____ X

T/191. Addressed to Secretary of State for India, copy by mail Government of India, and Political Agent, Bahrein. I hear on good authority that oil has been struck vicinity of Jabal Dhahran opposite Bahrein on the West. Said to be in large quantities.

_____

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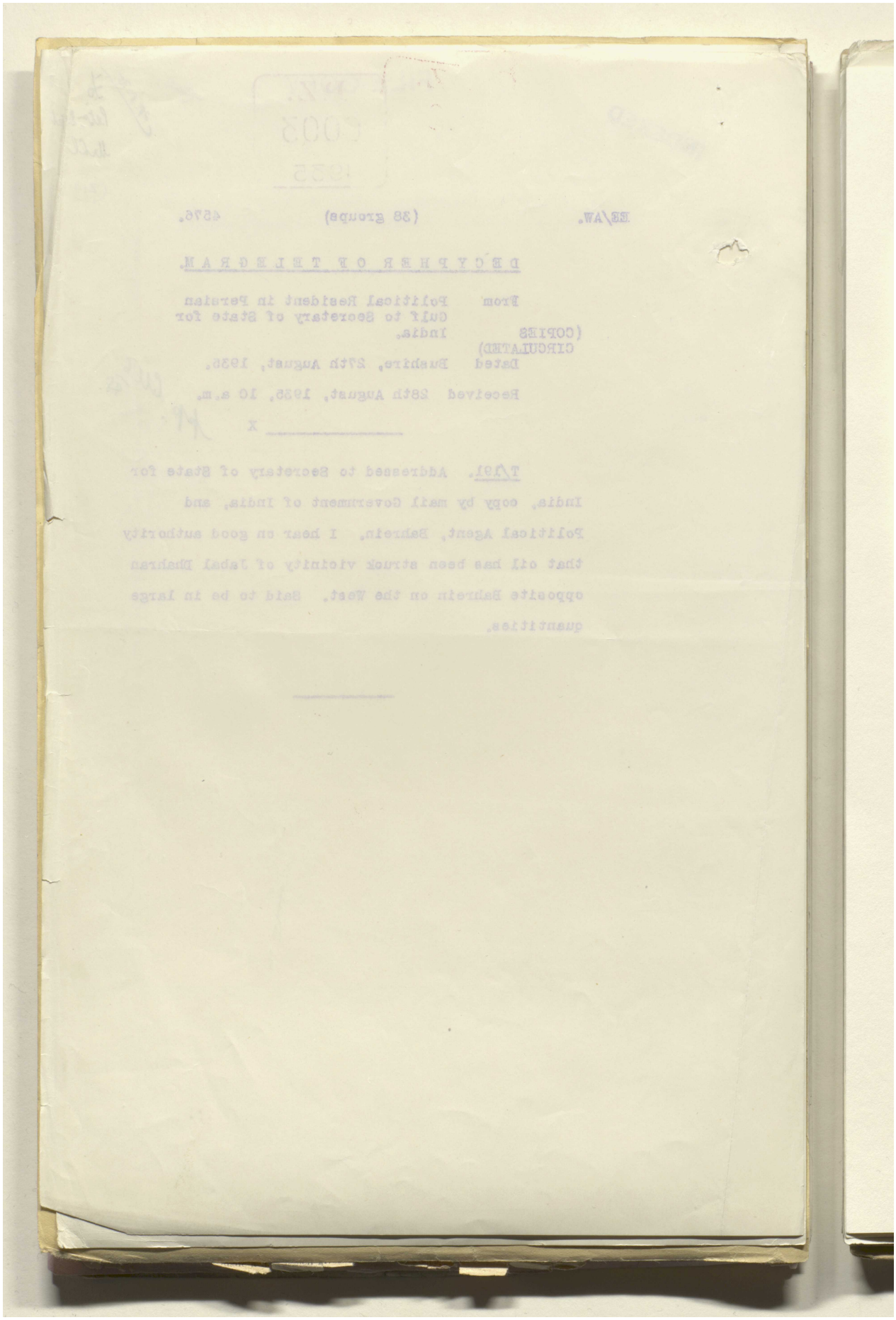

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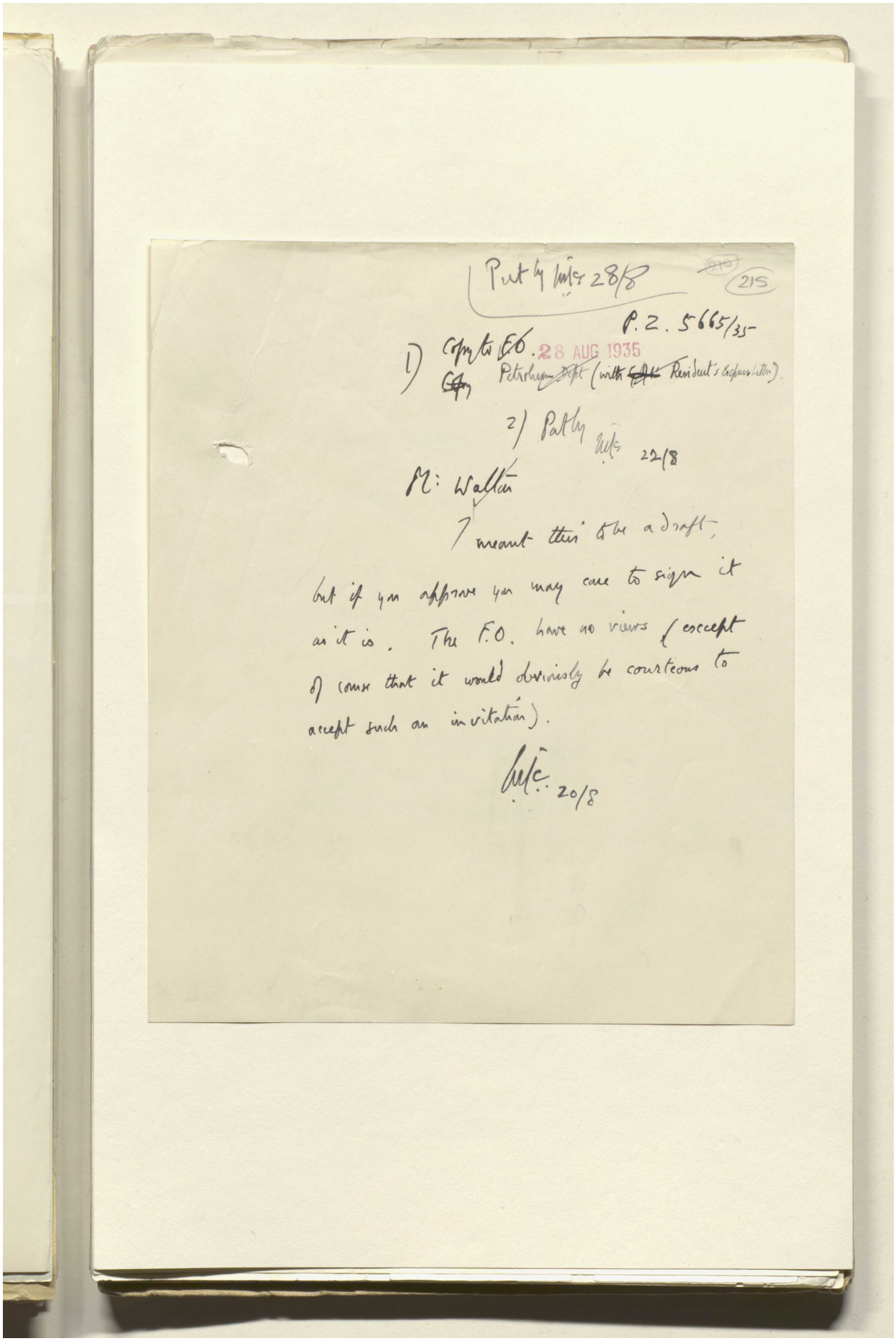

Put by Mr. 28/8

215

P.Z. 5665/35

1) Copy to F.O. 28 AUG 1935
Petroleum Dept (with Resident's despatch letter).

2) Put by Mr. 22/8

M: Waller

I meant this to be a draft;
but if you approve you may care to sign it
as it is. The F.O. have no views (except
of course that it would obviously be courteous to
accept such an invitation).

Mr. 20/8

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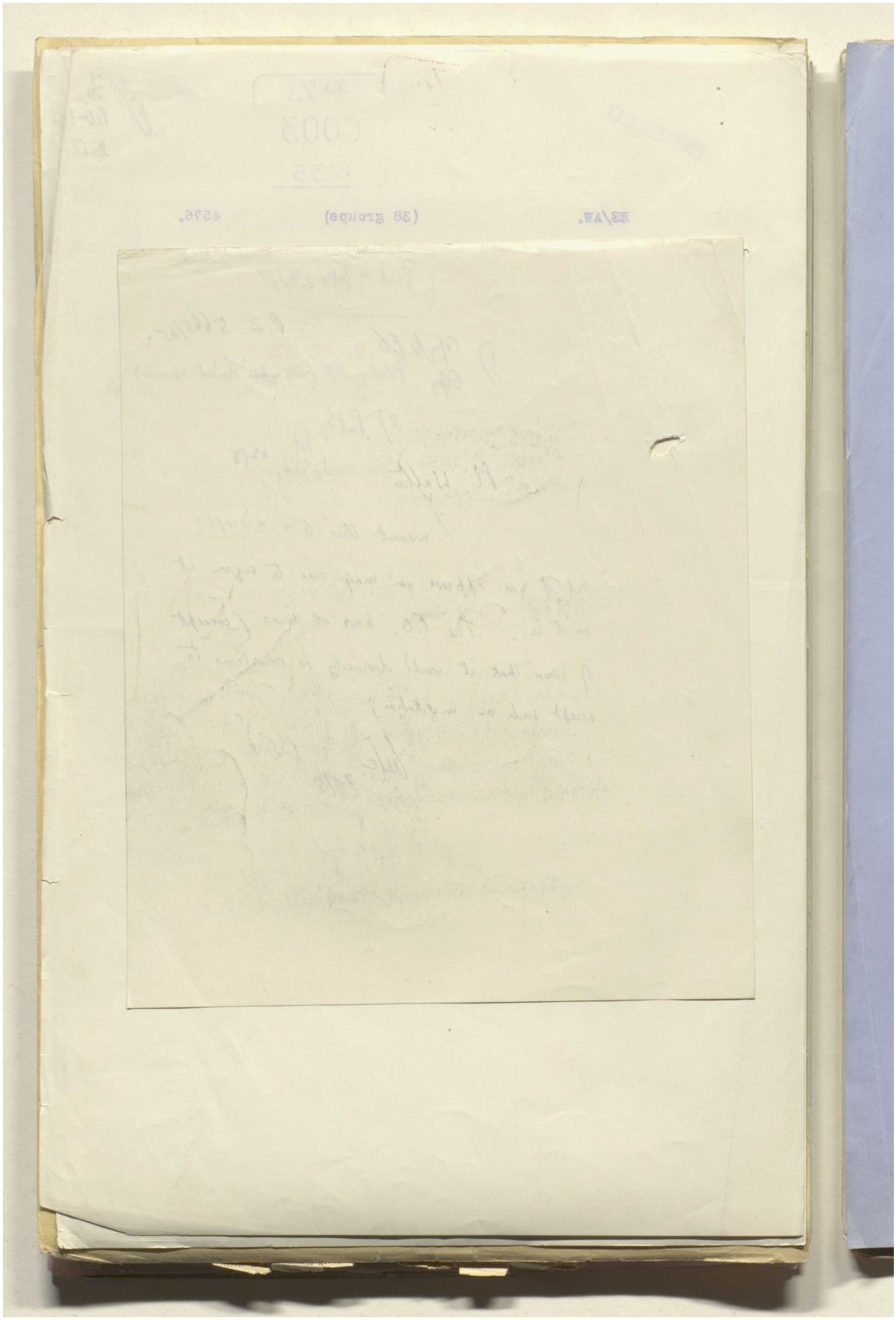

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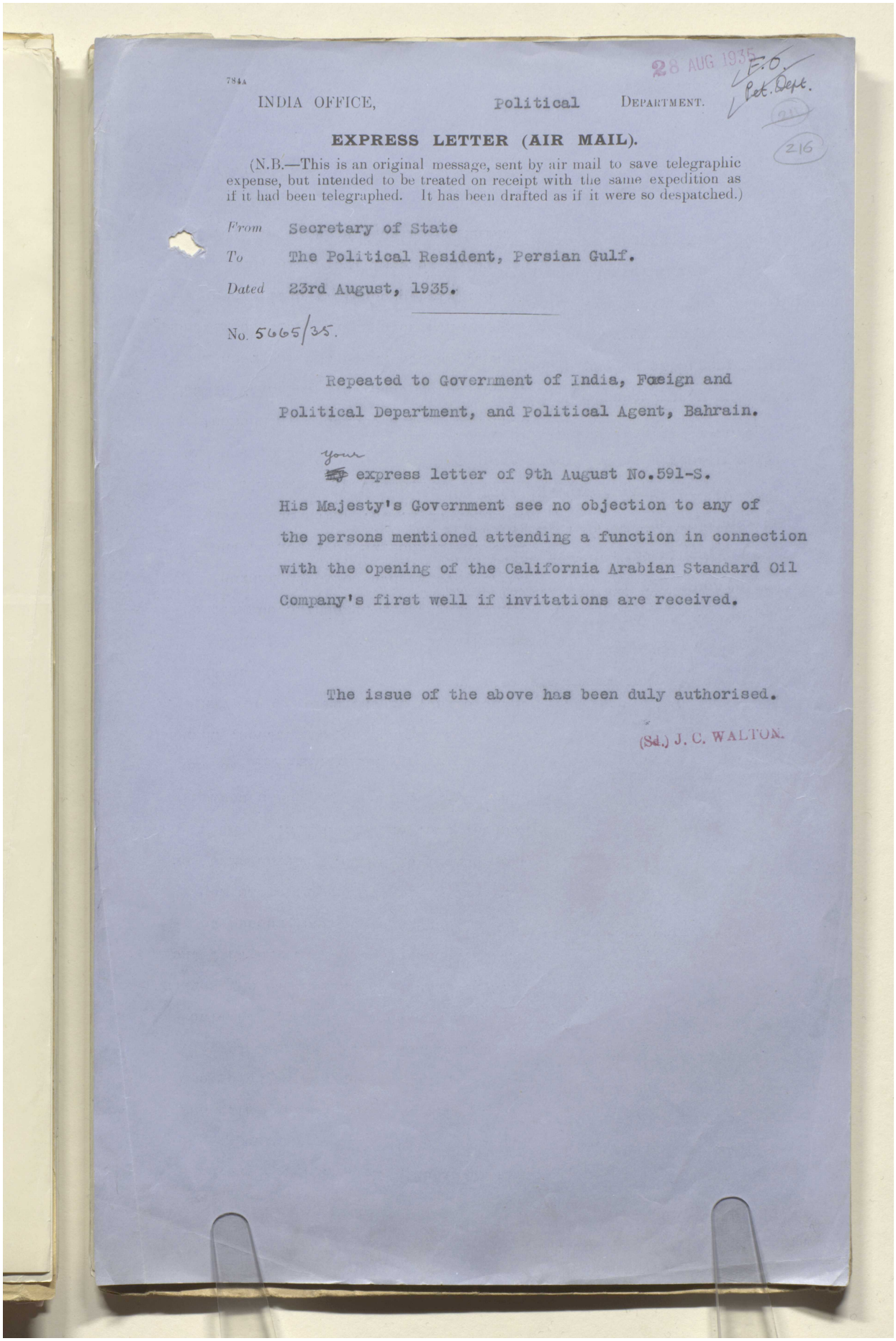

784A

28 AUG 1935 E.O. Pet. Dept.

INDIA OFFICE, Political Department.

EXPRESS LETTER (AIR MAIL).

(N.B.—This is an original message, sent by air mail to save telegraphic expense, but intended to be treated on receipt with the same expedition as if it had been telegraphed. It has been drafted as if it were so despatched.)

From Secretary of State

To The Political Resident, Persian Gulf.

Dated 23rd August, 1935.

No. 5665/35.

Repeated to Government of India, Foreign and Political Department, and Political Agent, Bahrain.

your
~~My~~ express letter of 9th August No.591-S.

His Majesty's Government see no objection to any of the persons mentioned attending a function in connection with the opening of the California Arabian Standard Oil Company's first well if invitations are received.

The issue of the above has been duly authorised.

(Sd.) J. C. WALTON.

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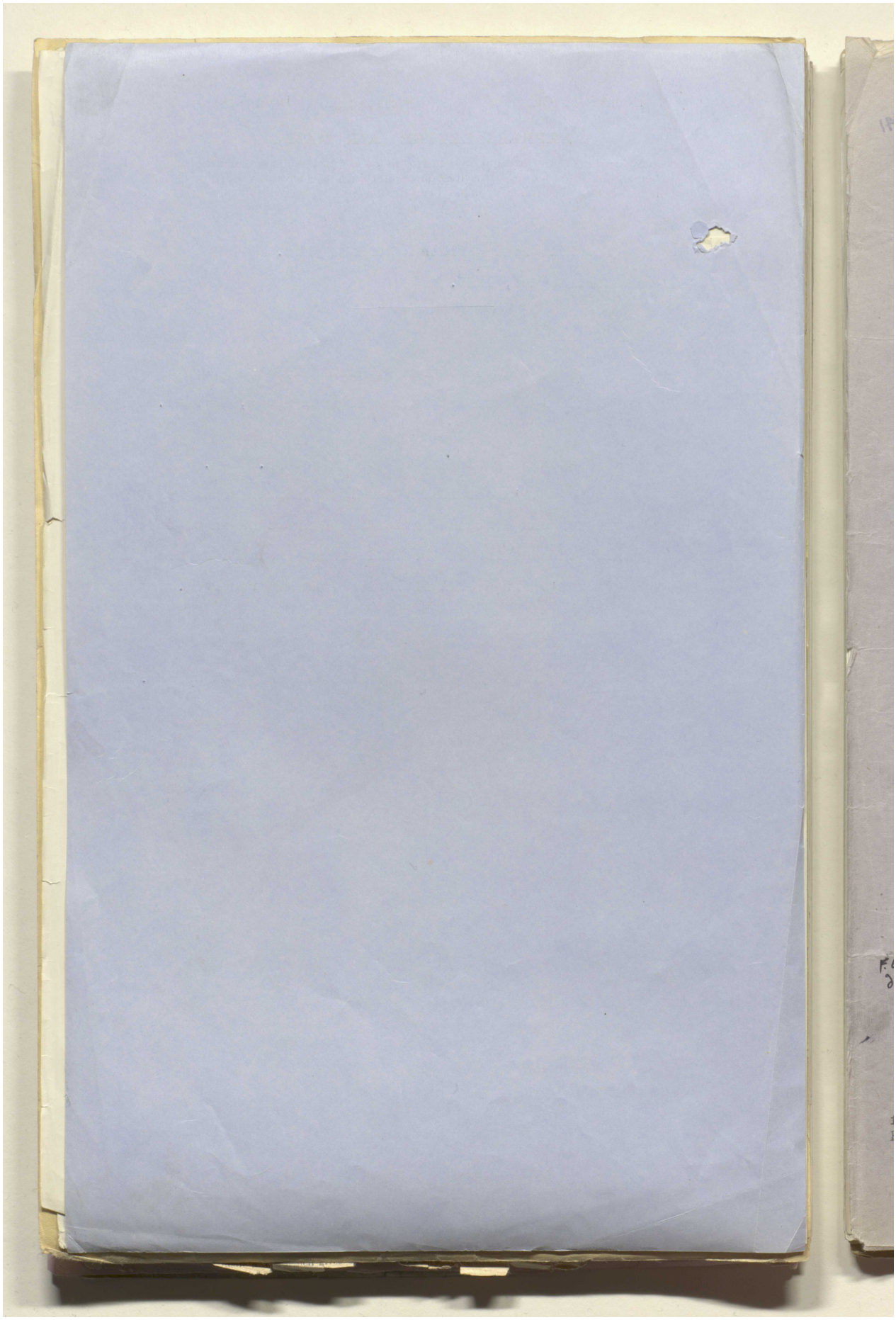

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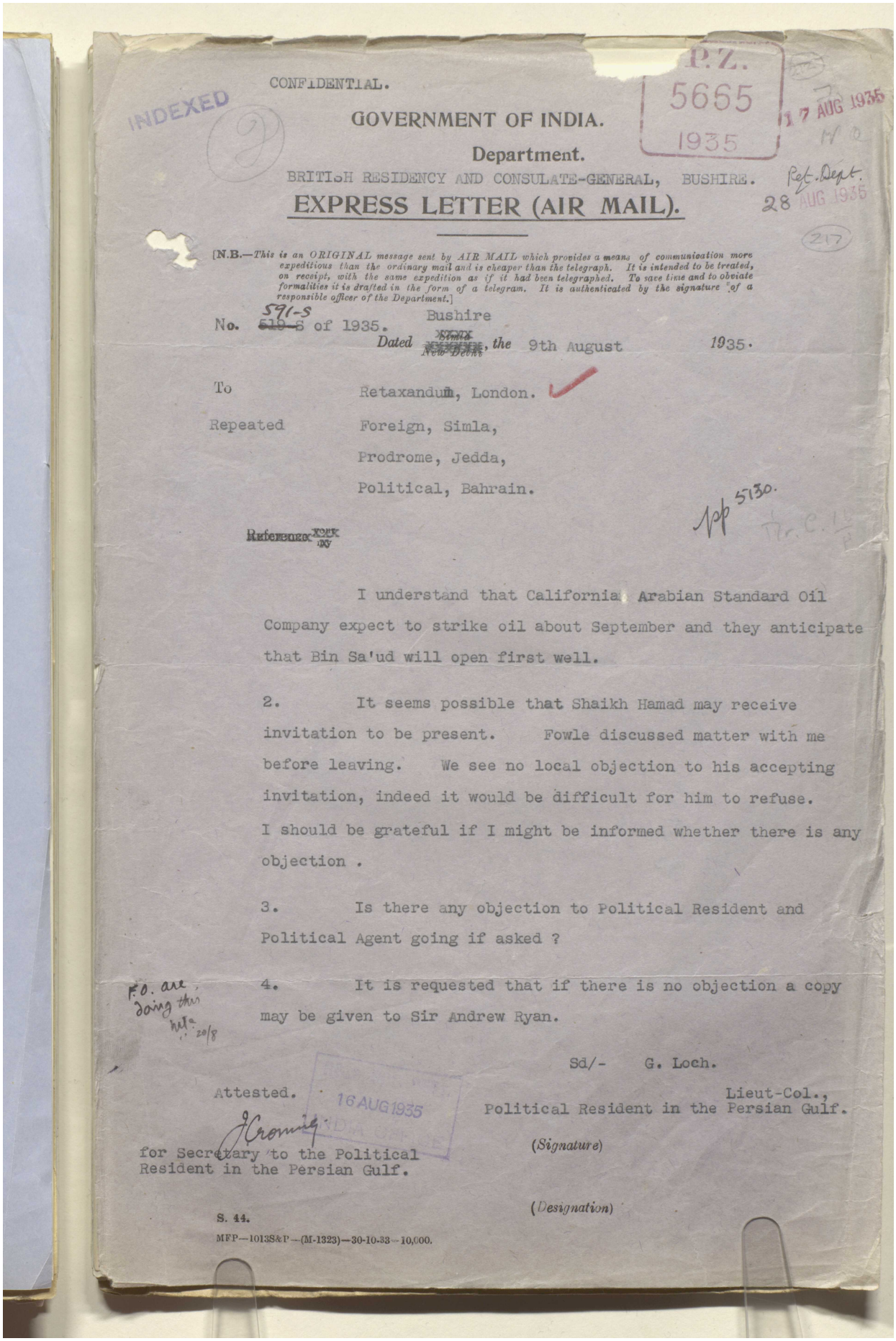

CONFIDENTIAL.

INDEXED

P.Z. 5665 1935

17 AUG 1935

GOVERNMENT OF INDIA.

Department.

BRITISH RESIDENCY AND CONSULATE-GENERAL, BUSHIRE.

Ref. Dept. 28 AUG 1935

EXPRESS LETTER (AIR MAIL).

[N.B.—*This is an ORIGINAL message sent by AIR MAIL which provides a means of communication more expeditious than the ordinary mail and is cheaper than the telegraph. It is intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and to obviate formalities it is drafted in the form of a telegram. It is authenticated by the signature of a responsible officer of the Department.*]

No. ~~519-S~~ 591-S of 1935. Dated ~~Simla~~ Bushire ~~New Delhi~~, the 9th August 1935.

To Retaxandum, London.

Repeated Foreign, Simla,
Prodrome, Jedda,
Political, Bahrain.

Pp 5130.

~~Reference~~

I understand that California Arabian Standard Oil Company expect to strike oil about September and they anticipate that Bin Sa'ud will open first well.

2. It seems possible that Shaikh Hamad may receive invitation to be present. Fowle discussed matter with me before leaving. We see no local objection to his accepting invitation, indeed it would be difficult for him to refuse. I should be grateful if I might be informed whether there is any objection .

3. Is there any objection to Political Resident and Political Agent going if asked ?

F.O. are doing this hete 20/8

4. It is requested that if there is no objection a copy may be given to Sir Andrew Ryan.

Sd/- G. Loch.

Lieut-Col.,
Political Resident in the Persian Gulf.

(Signature)

(Designation)

Attested.

16 AUG 1935 INDIA OFFICE

J Cronin

for Secretary to the Political Resident in the Persian Gulf.

S. 44.

MFP—1013S&P—(M-1323)—30-10-33—10,000.

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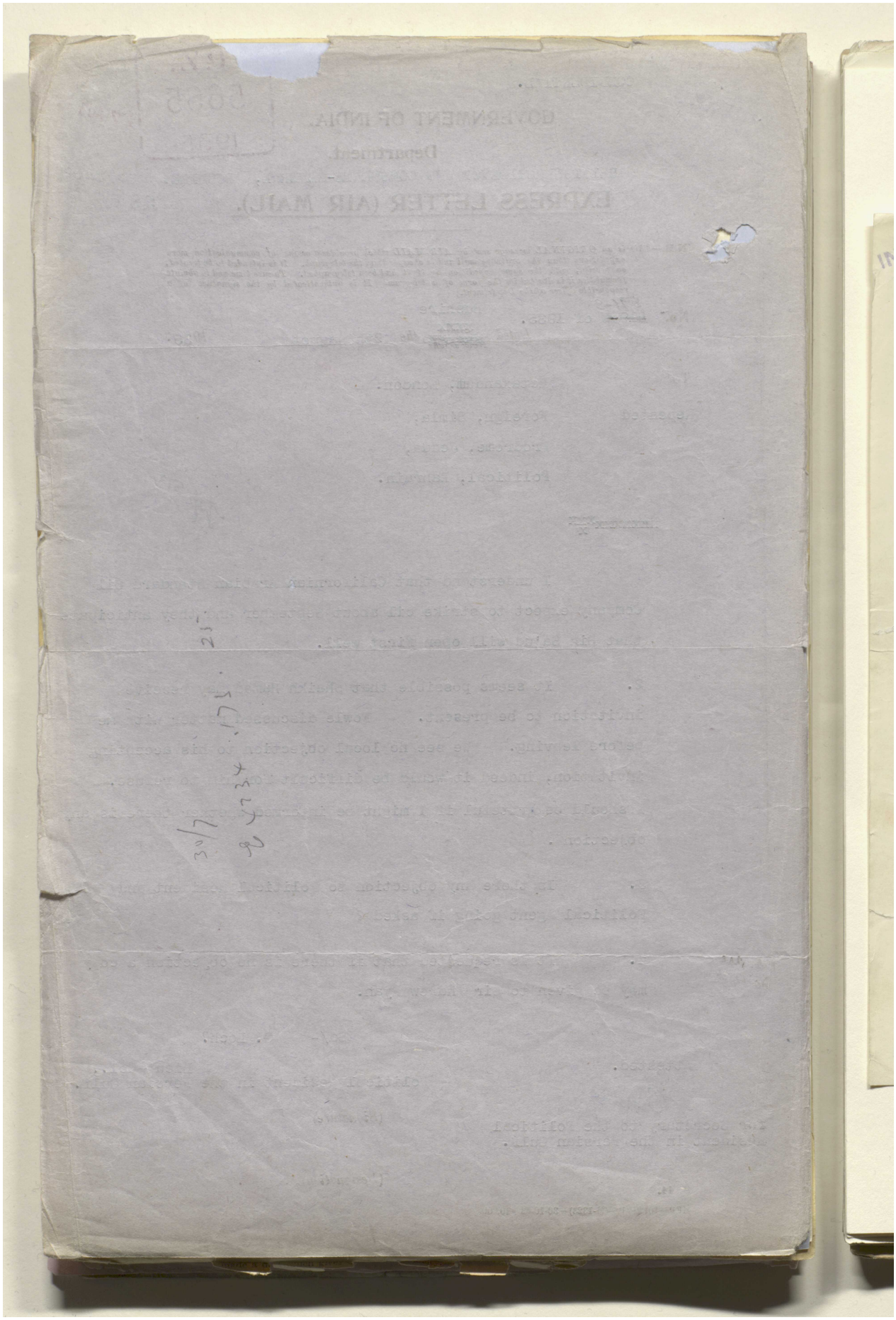

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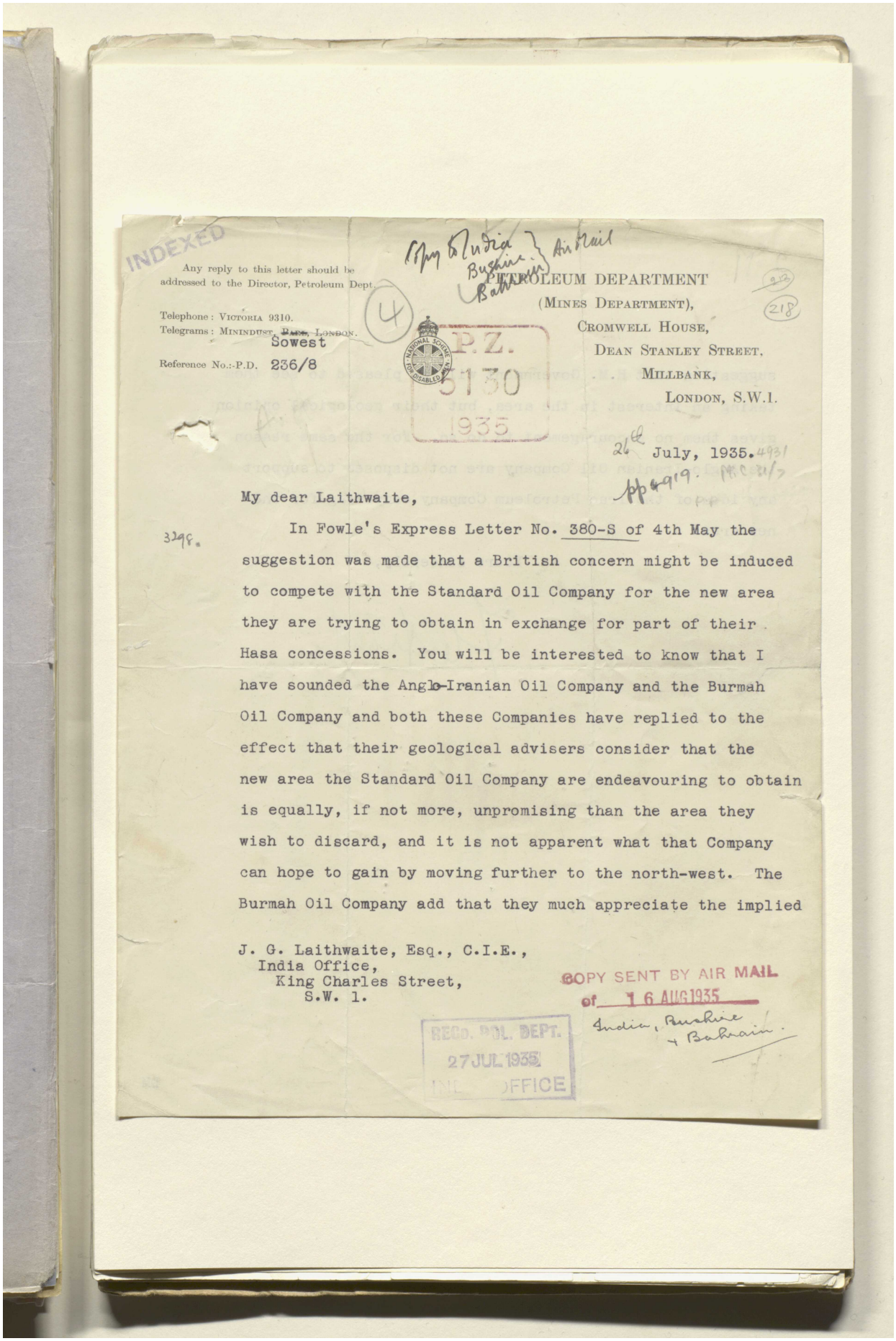

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Any reply to this letter should be addressed to the Director, Petroleum Dept.

Telephone : Victoria 9310.
Telegrams : Minindust, Parl, London.
Sowest
Reference No.:-P.D. 236/8

(4)

P.Z. 5130 1935

Copy to India Bushire Bahrain } Air Mail

PETROLEUM DEPARTMENT
(Mines Department),
Cromwell House,
Dean Stanley Street,
Millbank,
London, S.W.1.

(218)

26th July, 1935.

My dear Laithwaite,

In Fowle's Express Letter No. 380-S of 4th May the suggestion was made that a British concern might be induced to compete with the Standard Oil Company for the new area they are trying to obtain in exchange for part of their Hasa concessions. You will be interested to know that I have sounded the Anglo-Iranian Oil Company and the Burmah Oil Company and both these Companies have replied to the effect that their geological advisers consider that the new area the Standard Oil Company are endeavouring to obtain is equally, if not more, unpromising than the area they wish to discard, and it is not apparent what that Company can hope to gain by moving further to the north-west. The Burmah Oil Company add that they much appreciate the implied

J. G. Laithwaite, Esq., C.I.E.,
India Office,
King Charles Street,
S.W. 1.

COPY SENT BY AIR MAIL
of 16 AUG 1935
India, Bushire + Bahrain.

RECD. POL. DEPT.
27 JUL 1935
INDIA OFFICE

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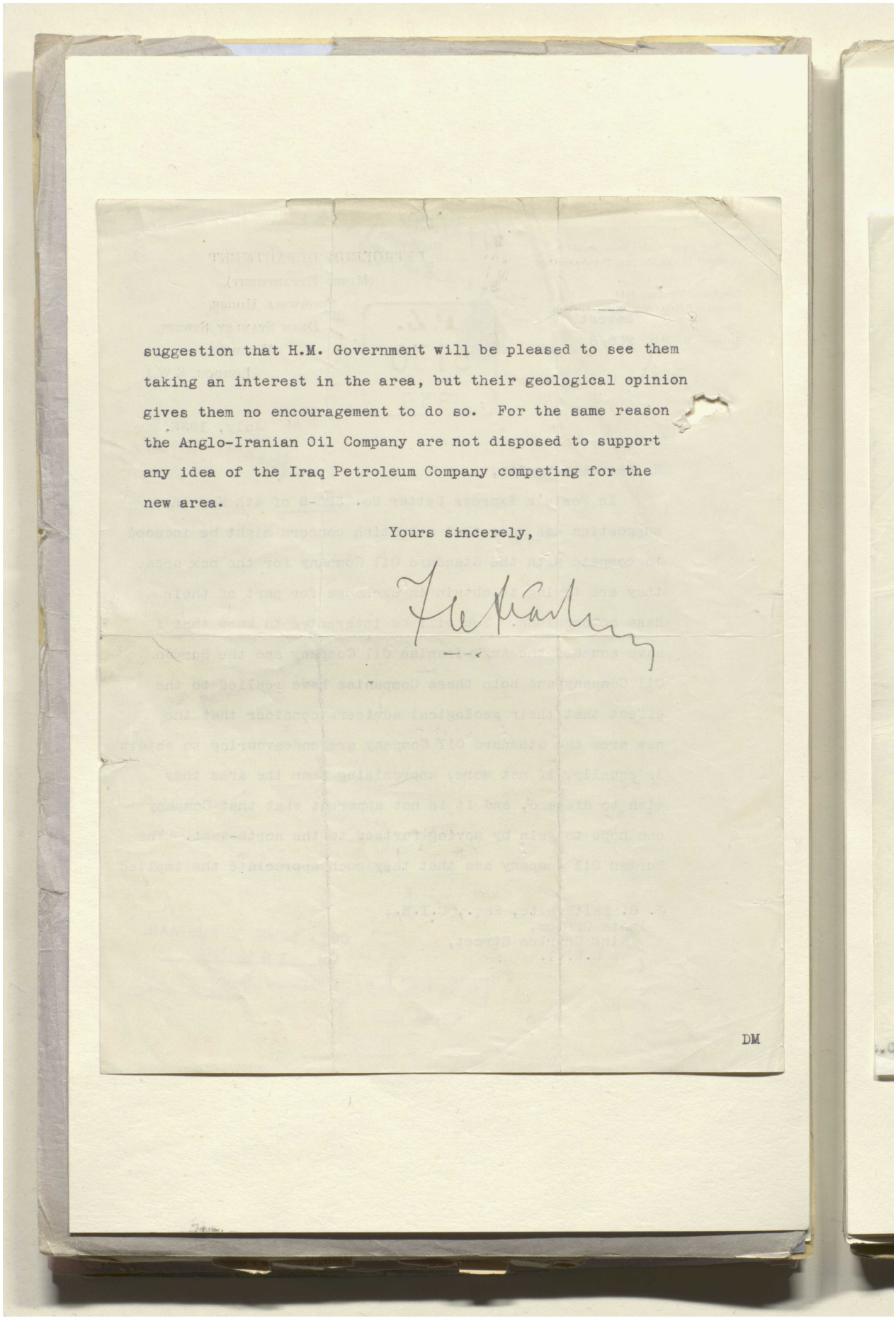

suggestion that H.M. Government will be pleased to see them taking an interest in the area, but their geological opinion gives them no encouragement to do so. For the same reason the Anglo-Iranian Oil Company are not disposed to support any idea of the Iraq Petroleum Company competing for the new area.

Yours sincerely,

DM

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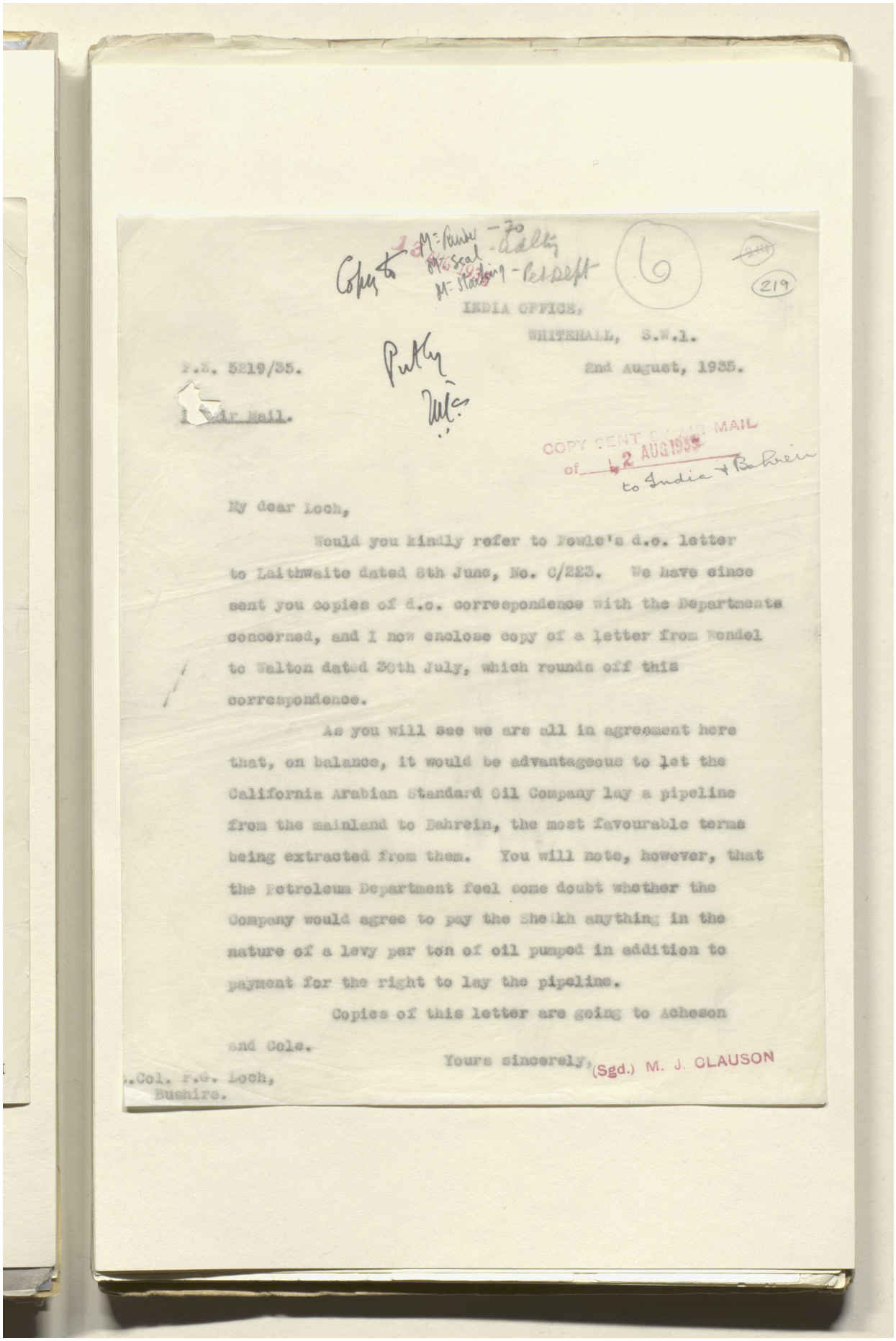

Copy to M. Rendel - 70
M. Seal - Adlty
M. Starling - Pet Dept

6

219

INDIA OFFICE,
WHITEHALL, S.W.1.

P.Z. 5219/35. 2nd August, 1935.

Putty
Mc

Air Mail.

COPY SENT BY AIR MAIL
of 12 AUG 1935
to India + Bahrein

My dear Loch,

Would you kindly refer to Fowle's d.o. letter to Laithwaite dated 8th June, No. C/223. We have since sent you copies of d.o. correspondence with the Departments concerned, and I now enclose copy of a letter from Rendel to Walton dated 30th July, which rounds off this correspondence.

As you will see we are all in agreement here that, on balance, it would be advantageous to let the California Arabian Standard Oil Company lay a pipeline from the mainland to Bahrein, the most favourable terms being extracted from them. You will note, however, that the Petroleum Department feel some doubt whether the Company would agree to pay the Sheikh anything in the nature of a levy per ton of oil pumped in addition to payment for the right to lay the pipeline.

Copies of this letter are going to Acheson and Cole.

Yours sincerely,
(Sgd.) M. J. CLAUSON

Col. F.G. Loch,
Bushire.

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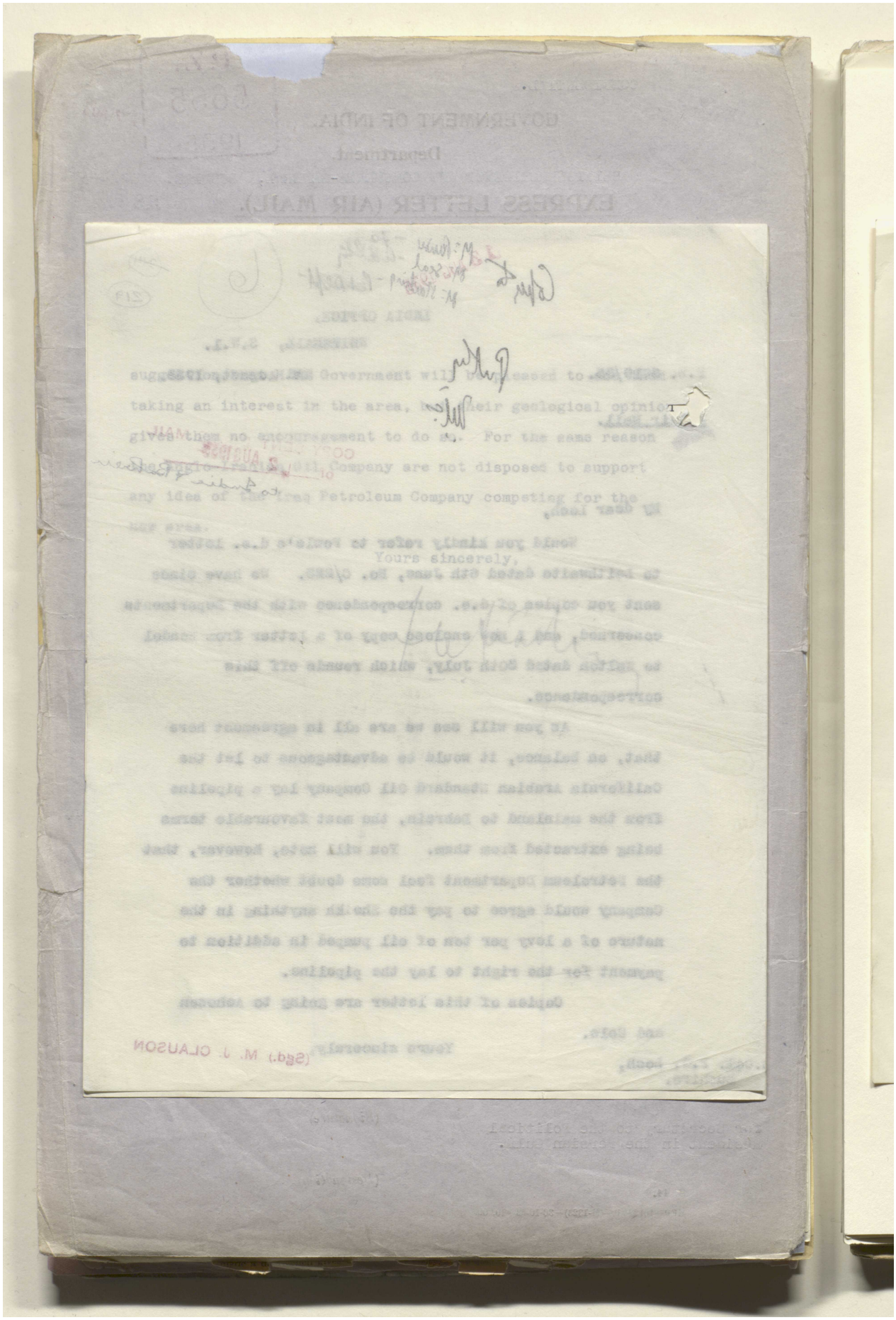

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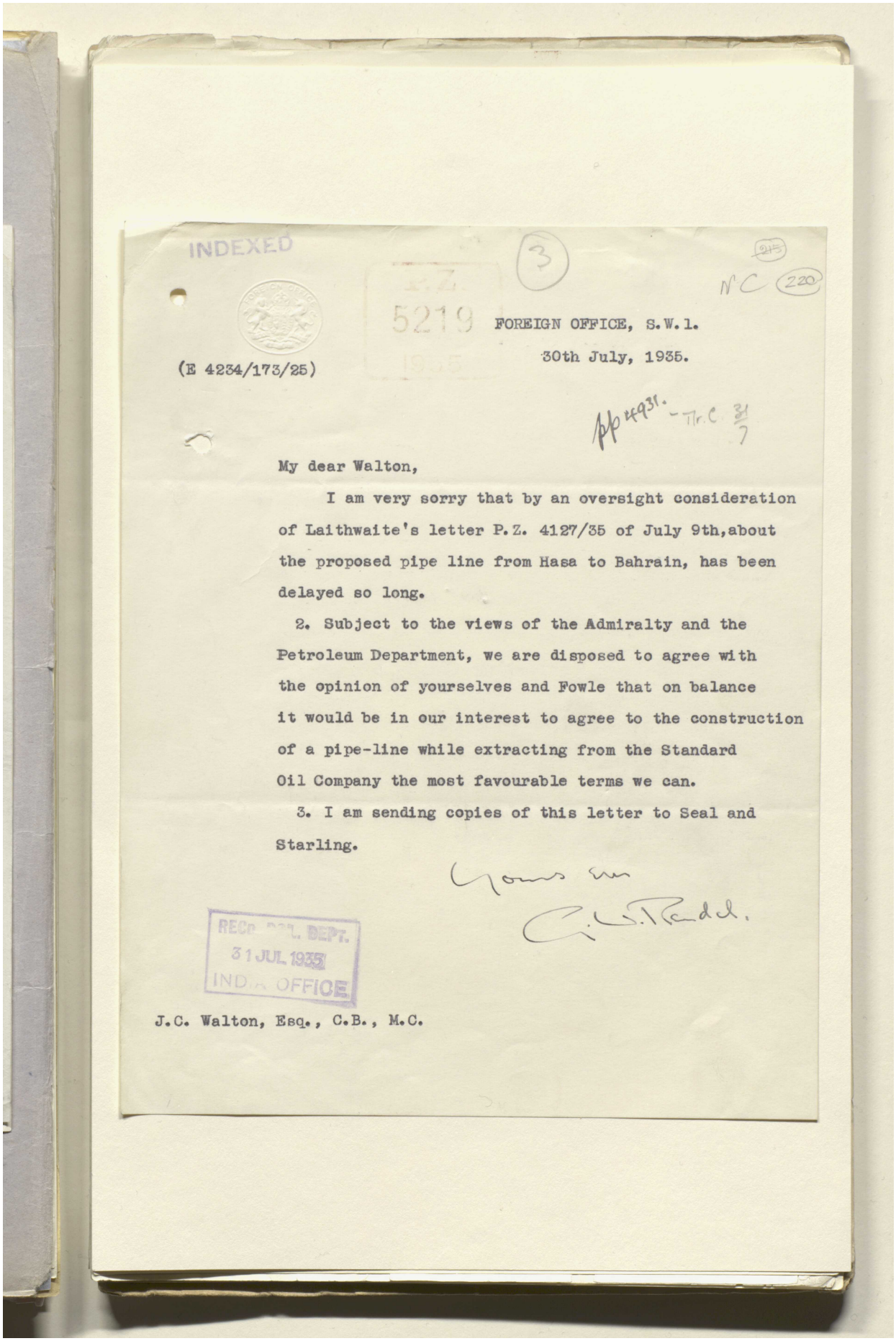

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(3)

~~215~~

N C (220)

P.Z. 5219 1935

FOREIGN OFFICE, S.W.1.

30th July, 1935.

(E 4234/173/25)

pp 4931. - Tr.C. 31/7

My dear Walton,

I am very sorry that by an oversight consideration of Laithwaite's letter P.Z. 4127/35 of July 9th, about the proposed pipe line from Hasa to Bahrain, has been delayed so long.

2. Subject to the views of the Admiralty and the Petroleum Department, we are disposed to agree with the opinion of yourselves and Fowle that on balance it would be in our interest to agree to the construction of a pipe-line while extracting from the Standard Oil Company the most favourable terms we can.

3. I am sending copies of this letter to Seal and Starling.

Yours ever

G. W. Rendel.

RECD. POL. DEPT.
31 JUL 1935
INDIA OFFICE

J.C. Walton, Esq., C.B., M.C.

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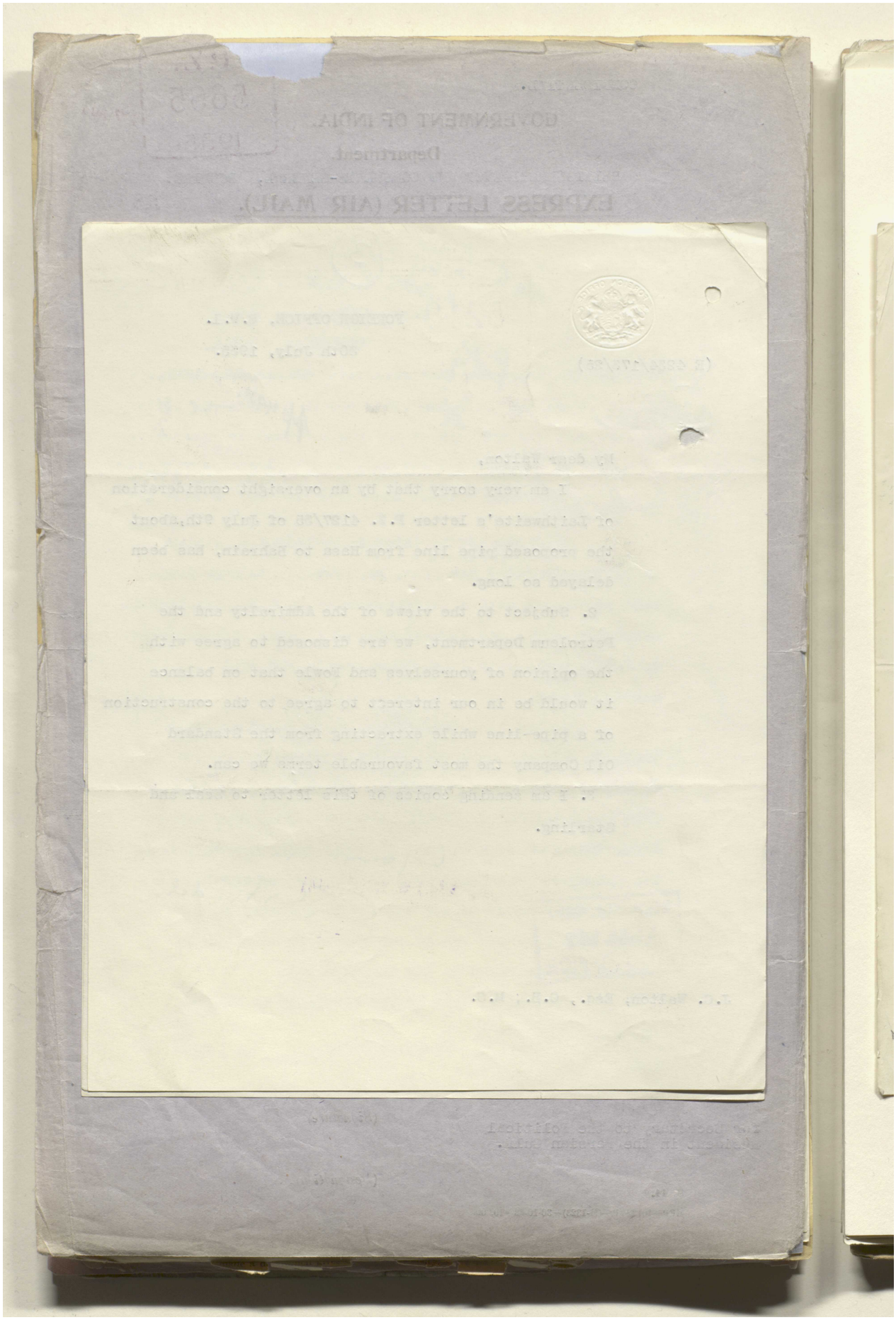

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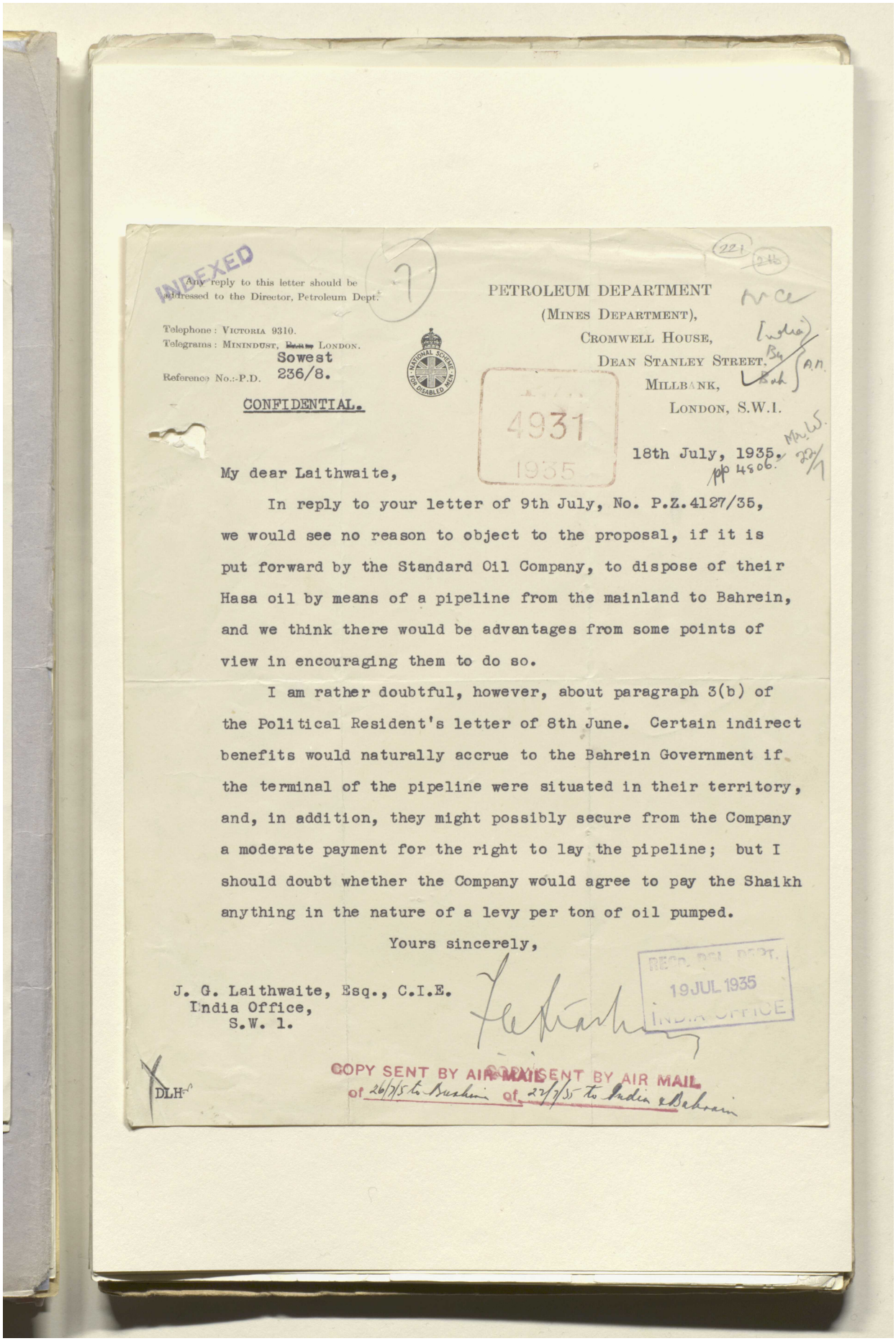

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Any reply to this letter should be addressed to the Director, Petroleum Dept.

Telephone : VICTORIA 9310.
Telegrams : MININDUST, ~~PARL~~ LONDON.
Reference No.:-P.D. Sowest 236/8.

PETROLEUM DEPARTMENT
(MINES DEPARTMENT),
CROMWELL HOUSE,
DEAN STANLEY STREET,
MILLBANK,
LONDON, S.W.1.

4931 1935

18th July, 1935.

CONFIDENTIAL.

My dear Laithwaite,

In reply to your letter of 9th July, No. P.Z.4127/35, we would see no reason to object to the proposal, if it is put forward by the Standard Oil Company, to dispose of their Hasa oil by means of a pipeline from the mainland to Bahrein, and we think there would be advantages from some points of view in encouraging them to do so.

I am rather doubtful, however, about paragraph 3(b) of the Political Resident's letter of 8th June. Certain indirect benefits would naturally accrue to the Bahrein Government if the terminal of the pipeline were situated in their territory, and, in addition, they might possibly secure from the Company a moderate payment for the right to lay the pipeline; but I should doubt whether the Company would agree to pay the Shaikh anything in the nature of a levy per ton of oil pumped.

Yours sincerely,

J. G. Laithwaite, Esq., C.I.E.
India Office,
S.W. 1.

REGD. REGISTRY DEPT. 19 JUL 1935 INDIA OFFICE

DLH

COPY SENT BY AIR MAIL of 26/7/35 to Bushire
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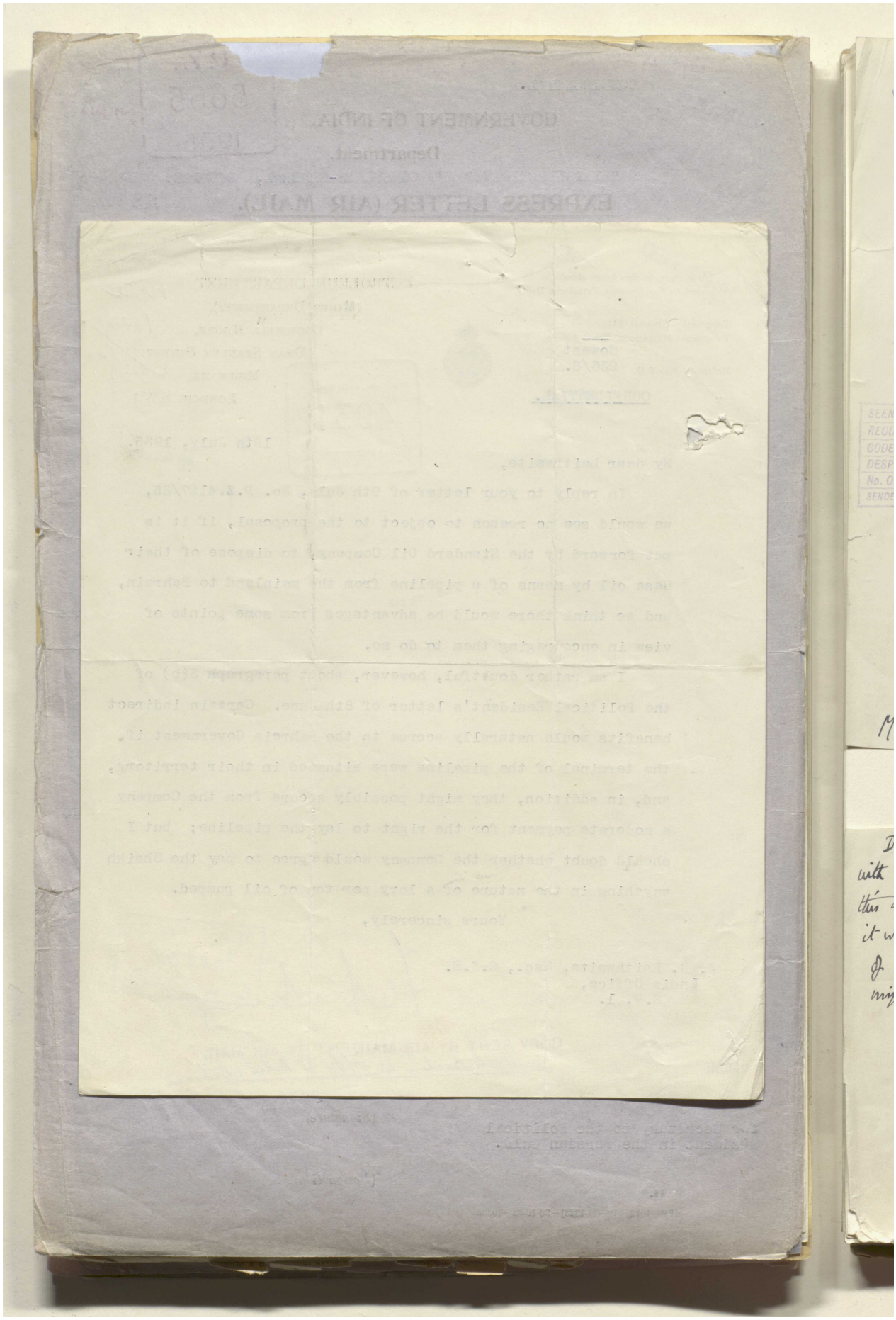

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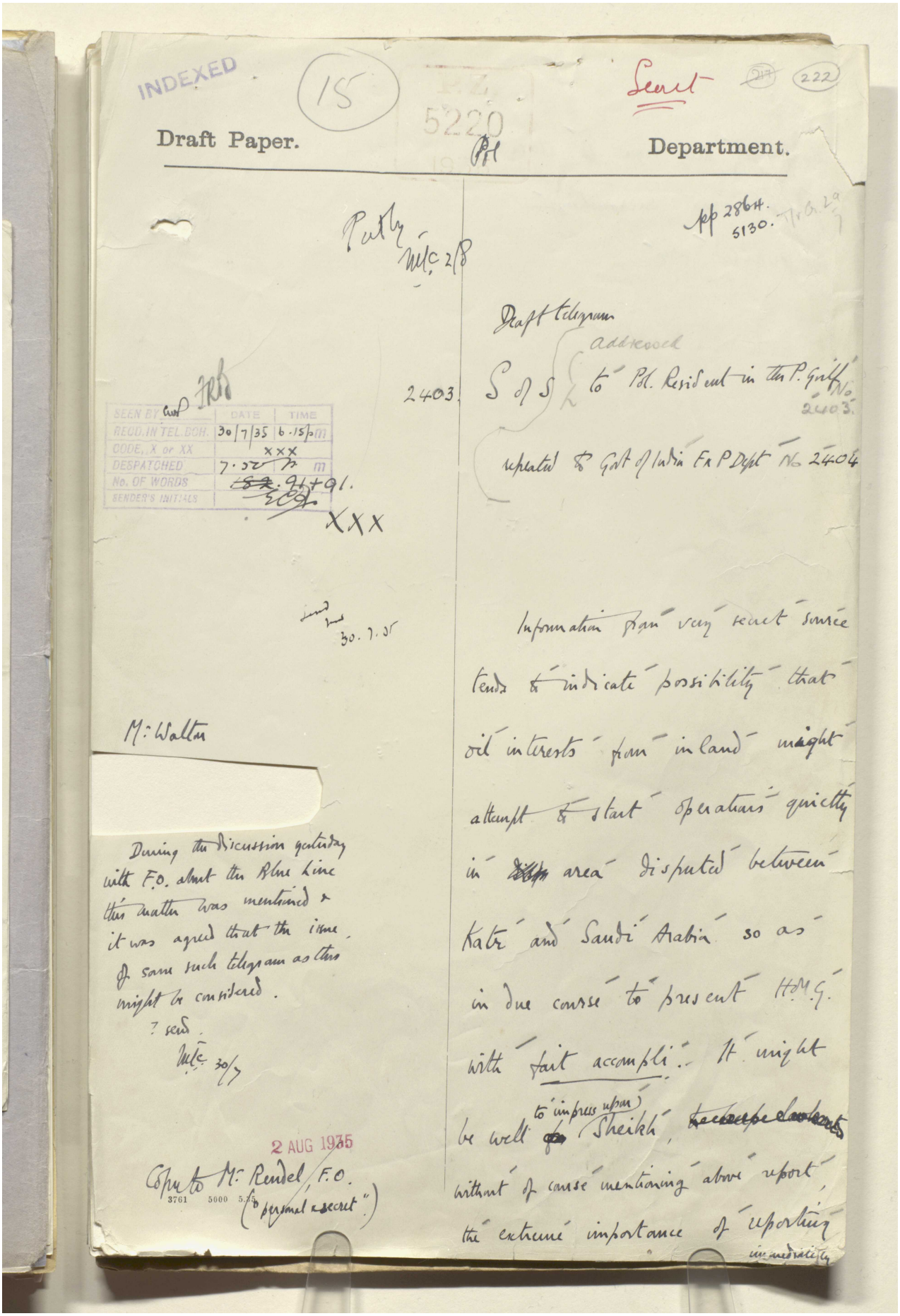

INDEXED

(15)

P.Z. 5220

Secret

(217) (222)

Draft Paper. Pol Department.

Partly Mtc 2/8

App 2864. 5130. Tr G. 29/7

Draft telegram

2403. S of S addressed to Pol. Resident in the P. Gulf No 2403.

repeated to Govt of India Ex P Dept No 2404

SEEN BY	DATE	TIME
RECD. IN TEL. BCH.	30/7/35	6.15 pm
CODE, X or XX	XXX	
DESPATCHED	7.50 pm	
No. OF WORDS	~~182~~ 91+91.	
SENDER'S INITIALS	ECG	

XXX

Send 30.7.35

Information from very secret source tends to indicate possibility that oil interests from inland might attempt to start operations quietly in ~~[illegible]~~ area disputed between Katr and Saudi Arabia so as in due course to present H.M.G. with fait accompli. It might be well to impress upon Sheikh, ~~[illegible]~~ without of course mentioning above report, the extreme importance of reporting immediately

Mr Walton

During the discussion yesterday with F.O. about the Blue Line this matter was mentioned & it was agreed that the issue of some such telegram as this might be considered.

? send.

Mtc 30/7

2 AUG 1935

Copy to Mr Rendel, F.O. ("personal & secret")

3761 5000 5.35

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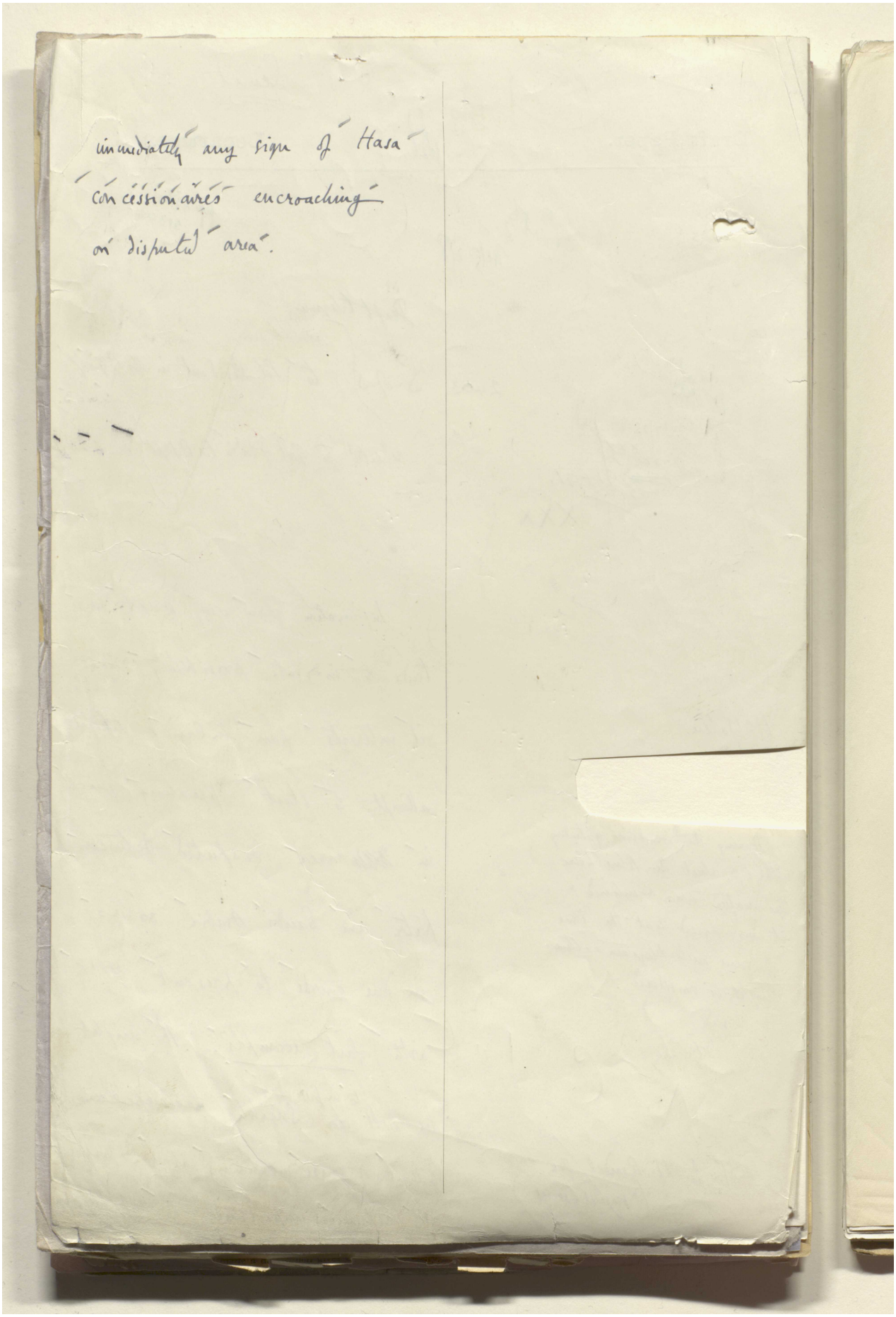

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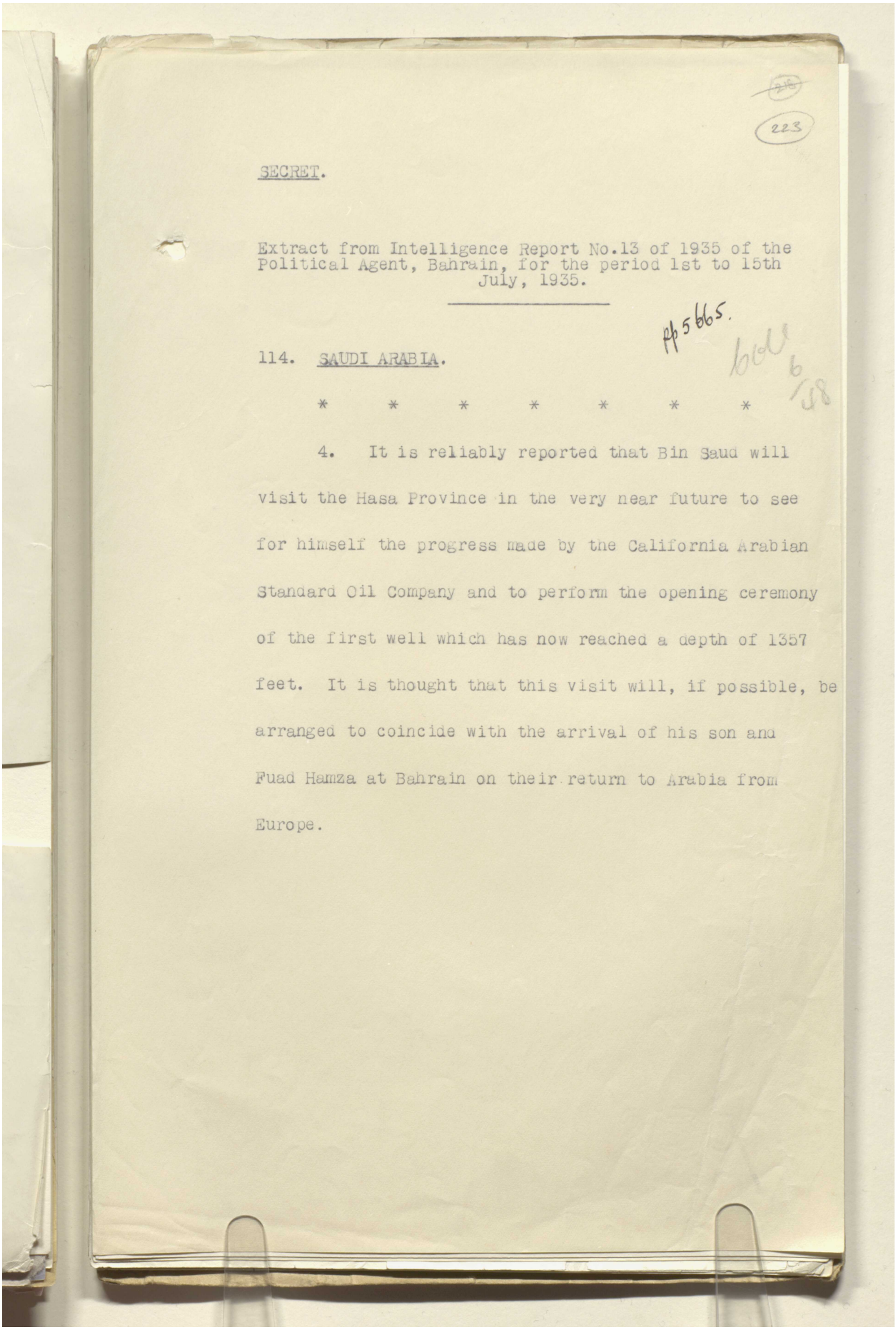

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SECRET.

Extract from Intelligence Report No.13 of 1935 of the Political Agent, Bahrain, for the period 1st to 15th July, 1935.

Pp 5665.

114. SAUDI ARABIA.

* * * * * * *

4. It is reliably reported that Bin Saud will visit the Hasa Province in the very near future to see for himself the progress made by the California Arabian Standard Oil Company and to perform the opening ceremony of the first well which has now reached a depth of 1357 feet. It is thought that this visit will, if possible, be arranged to coincide with the arrival of his son and Fuad Hamza at Bahrain on their return to Arabia from Europe.

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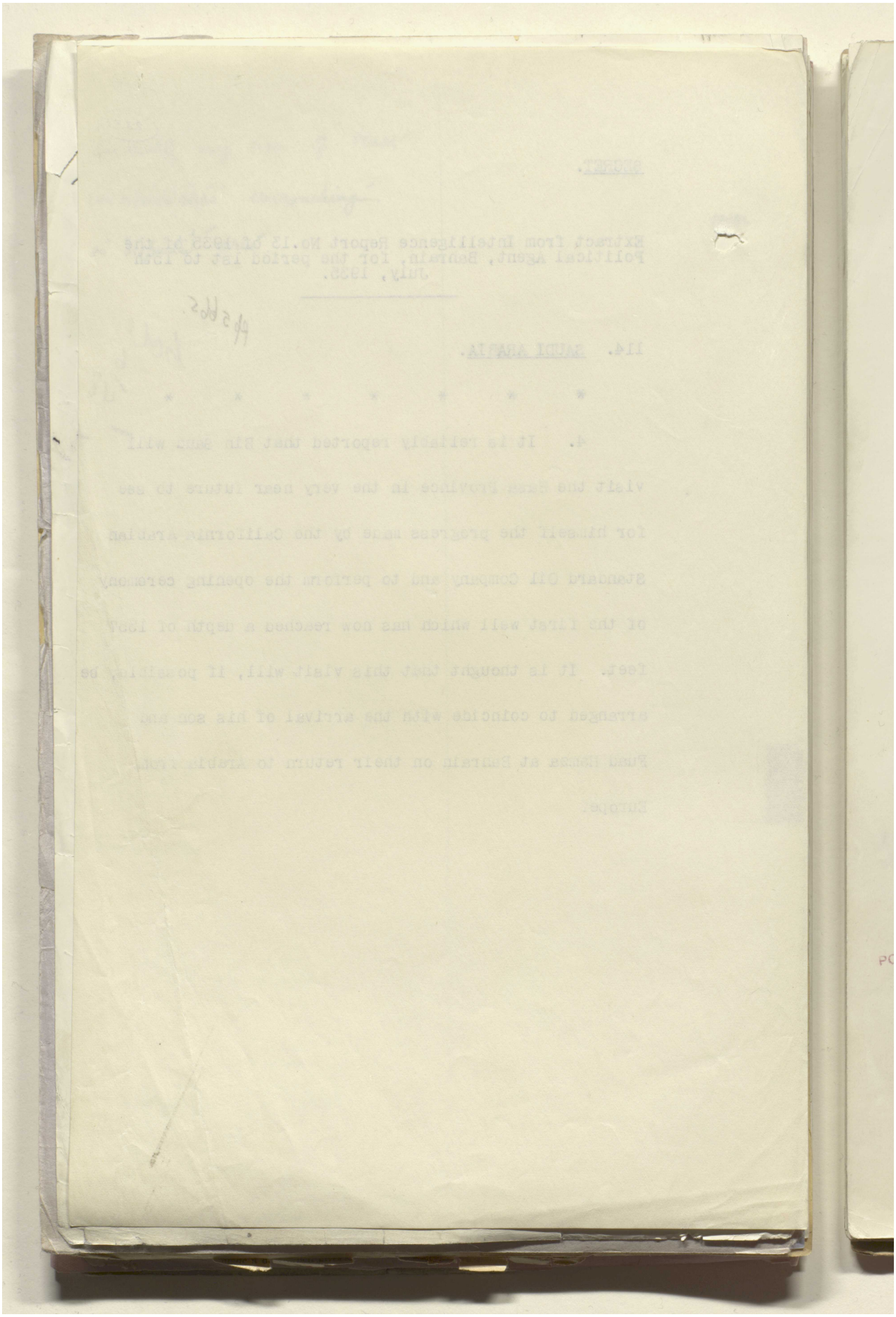

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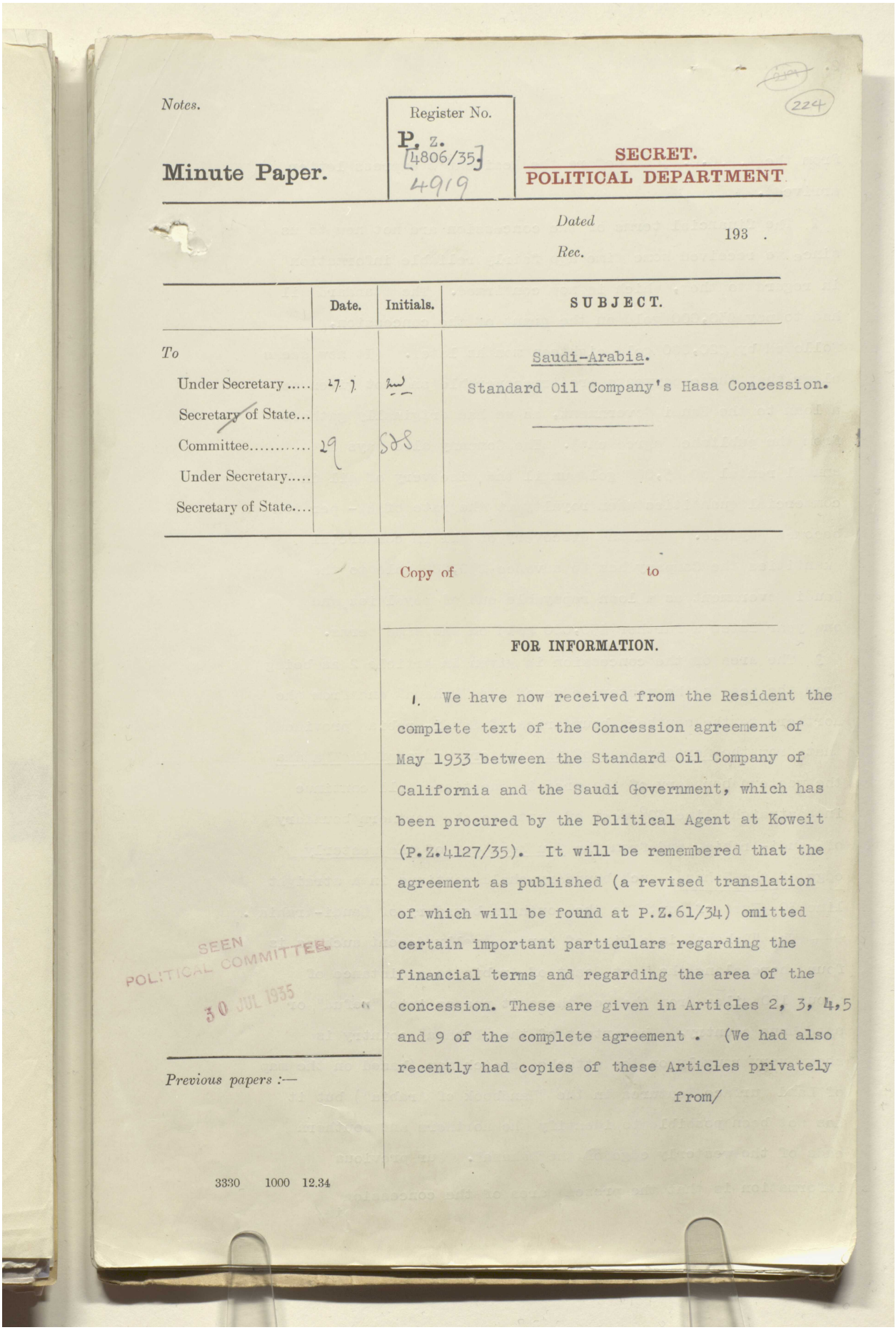

Notes.

Register No.
P. Z.
[4806/35]
4919

Minute Paper.

SECRET.
POLITICAL DEPARTMENT

Dated 193 .
Rec.

	Date.	Initials.	SUBJECT.
To			Saudi-Arabia.
Under Secretary	27. 7.	[illegible]	Standard Oil Company's Hasa Concession.
Secretary of State...			
Committee.....	29	SDS	
Under Secretary.....			
Secretary of State....			

Copy of to

FOR INFORMATION.

1. We have now received from the Resident the complete text of the Concession agreement of May 1933 between the Standard Oil Company of California and the Saudi Government, which has been procured by the Political Agent at Koweit (P.Z.4127/35). It will be remembered that the agreement as published (a revised translation of which will be found at P.Z.61/34) omitted certain important particulars regarding the financial terms and regarding the area of the concession. These are given in Articles 2, 3, 4,5 and 9 of the complete agreement . (We had also recently had copies of these Articles privately from/

SEEN
POLITICAL COMMITTEE
30 JUL 1935

Previous papers :—

3330 1000 12.34

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from the A.P.O.C. just before the Resident's express letter arrived).

2. The financial terms of the concession are not new to us since we received some time ago fairly reliable information in regard to them, which is now confirmed. The Standard Oil had to pay £30,000 gold on the grant of the concession, followed by £20,000 gold eighteen months later. (It now seems clear that these payments are irrecoverable and not given as a loan to the Saudi Government, as we had originally gathered from the published agreement). The Company also pays an annual rental of £5,000 gold until the discovery of oil in commercial quantities when royalty at the rate of 4/- per ton becomes payable. Upon the discovery of oil in commercial quantities the Company has to advance £50,000 gold to the Saudi Government as a loan repayable out of royalties, and one year later a further £50,000 gold on the same terms.

3. The area of the concession is given in Article 2 as being from the sea to the western edge of the "Dahana" and from the northern to the southern boundaries of Saudi-Arabia "provided that from the northern end of the westerly edge of the Dahana the western boundary of the area in question shall continue in a straight line 30° west of North to the northern boundary of Saudi-Arabia, and from the Southern end of the westerly edge of the Dahana, such boundary shall continue in a straight line 30° East of South to the southern boundary of Saudi-Arabia". The "Dahana" is a kind of hard gravelly desert such as is found here along the East Coast of Arabia to a distance of about 150 miles from the sea where it passes into "nefud" or sand dune country. The extent of the "Dahana" country is shown very roughly on the attached sketch map (based on the map of Land Surface Features in the "Handbook of Arabia") but it has not been possible to identify the northern and southern ends of the westerly edge of the "Dahana". Our previous information is that the present area of the concession

is/

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Minute Paper. Department.

is approximately 40,000 square miles.

4. Reference is also invited to Col. Fowle's demi-official letter of 8th June (P.Z.4214/35 flagged) from which it appears that if and when the Americans strike oil in Hasa they may wish to get the oil away by laying a pipe-line from the mainland to Bahrein. The Resident is inclined to think that the advantages of allowing this in return for suitable terms outweigh the disadvantages. We have consulted the other departments demi-officially as to this and it will be seen that the Admiralty have now replied (P.Z.4806/35) that in their view there would be every advantage in encouraging the Standard Oil Company to bring their oil to Bahrein for shipment. It would, in fact, almost certainly mean that the Navy would be able to use the Hasa Oil in times of emergency.

5. Since the above was written P.Z.4919/35 has been added to the file. Sir A. Ryan in his demi-official letter of 6th June to the Resident gives his views on the rumour reported in Col. Fowle's telegram of 4th May (submitted at P.Z. 3131/35) and express letter of the same date at P.Z. 3298/35 that the Standard Oil Company were endeavouring to exchange the southern part of their concession for an additional area further west. The Minister does not think that oil considerations would be of primary importance in determining Ibn Saud's policy on the "Blue Line" question. As regards the suggestion of Col. Fowle and Col. Dickson that a British Company might wish to compete for the new area which the Standard Oil Company are said to want, we understand

2956 6000 7/34

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that the Petroleum Dept. have brought the rumour regarding the new area to the notice of the A.P.O.C. The A.P.O.C. who are established in Kowait as a constituent of the Kuwait Oil Company are presumably the only British Company who would have ~~much~~ any interest in ~~an~~ the area in question which is some distance into the interior though not very far from Kowait. Any other company would be as it were cut off from the sea by the Standard Oil. It seems rather ~~doubtful whether~~ unlikely that any British Company would be interested in the area. (the position of the area is roughly indicated on the sketch map at P.Z. 3131/35) In any case the Standard Oil appear to have certain preferential rights.

H. Crombie
19/7/35

SEEN
POLITICAL COMMITTEE
30 JUL 1935

30/7

30/7

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Minute Paper. Department.

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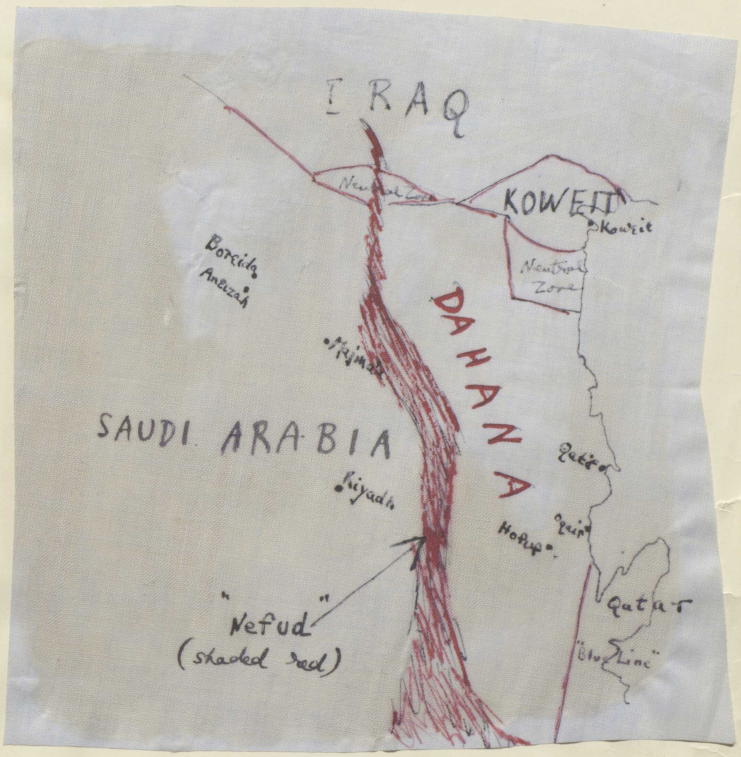

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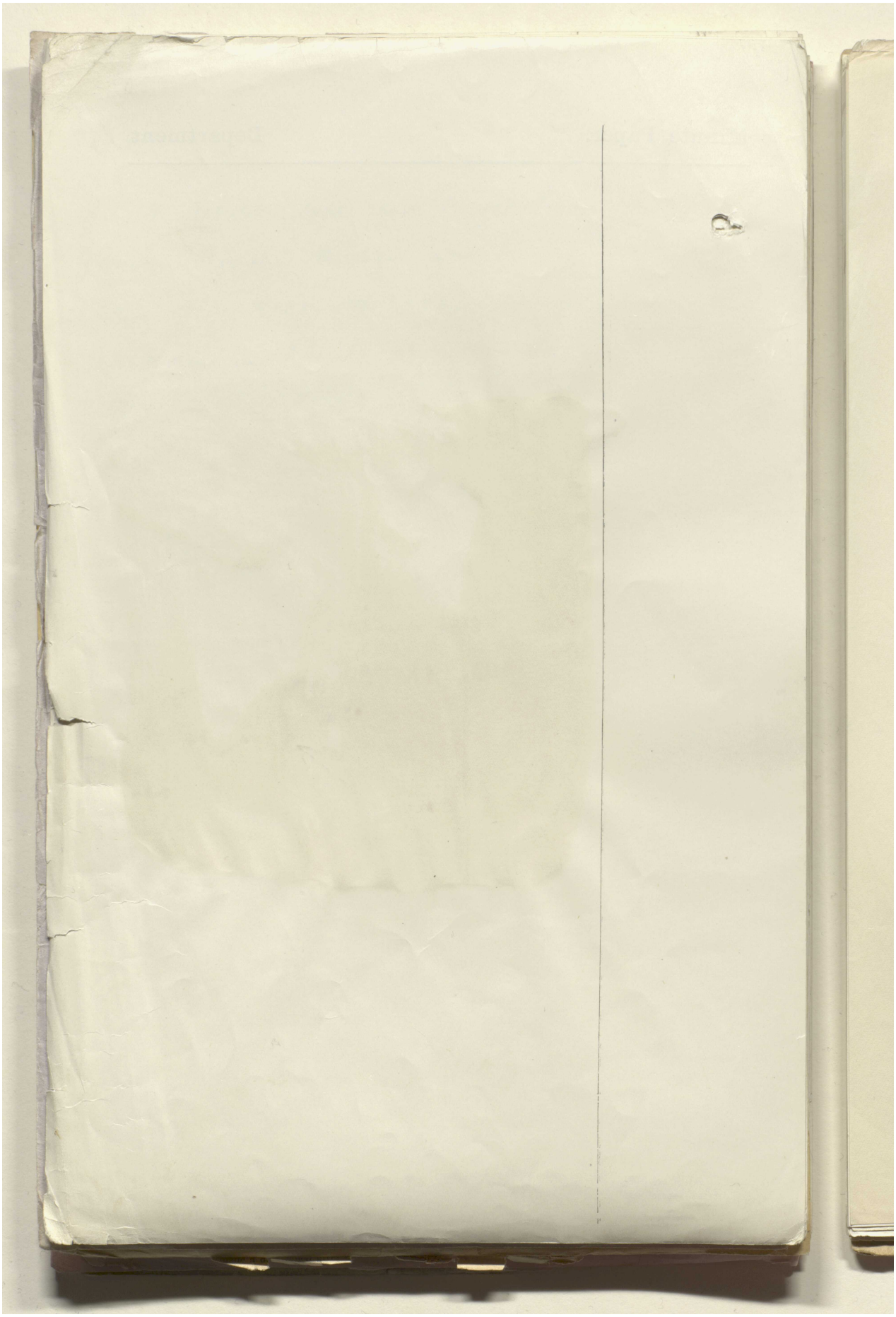

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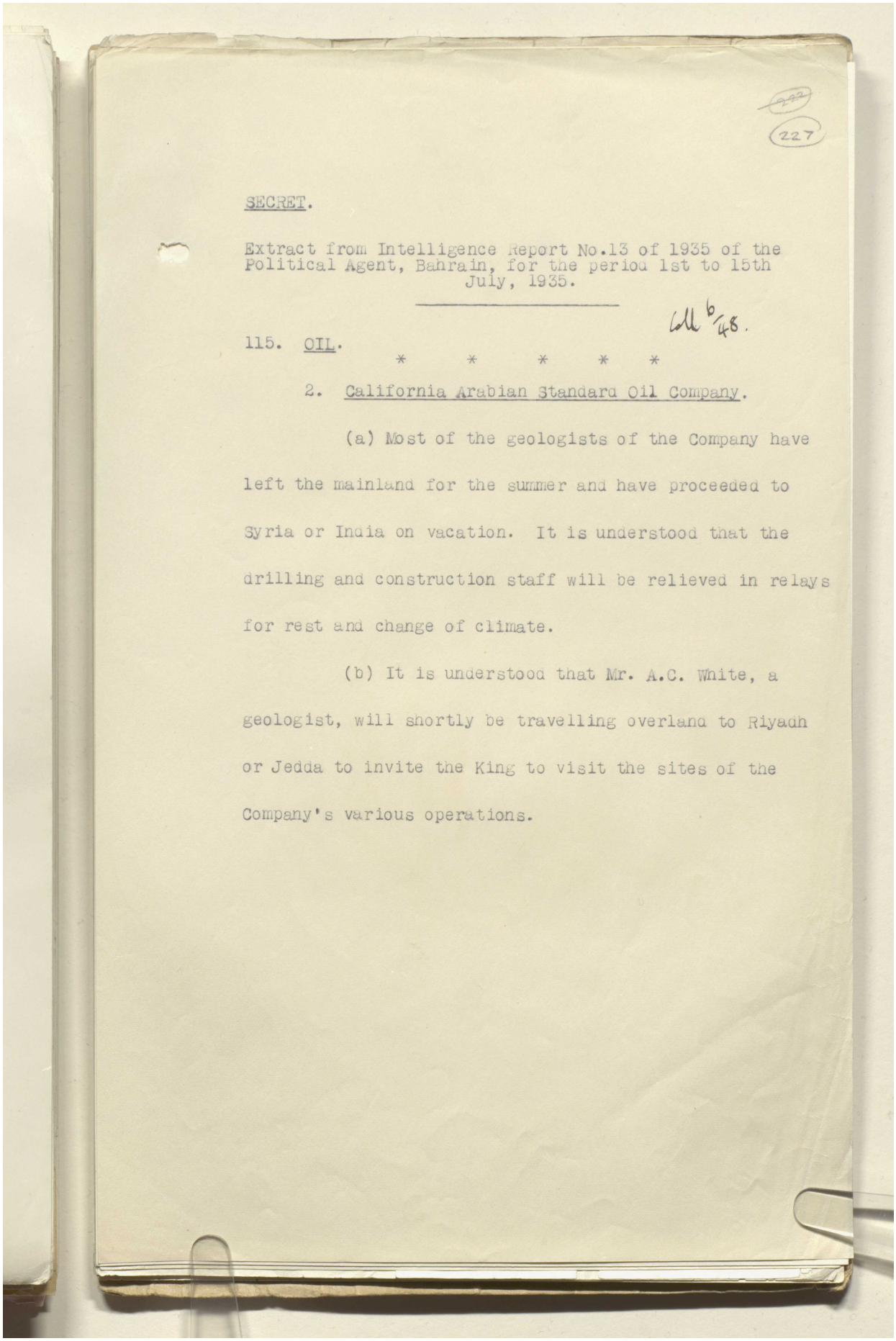

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Extract from Intelligence Report No.13 of 1935 of the Political Agent, Bahrain, for the period 1st to 15th July, 1935.

Coll 6/48.

115. OIL.

* * * * *

2. California Arabian Standard Oil Company.

(a) Most of the geologists of the Company have left the mainland for the summer and have proceeded to Syria or India on vacation. It is understood that the drilling and construction staff will be relieved in relays for rest and change of climate.

(b) It is understood that Mr. A.C. White, a geologist, will shortly be travelling overland to Riyadh or Jedda to invite the King to visit the sites of the Company's various operations.

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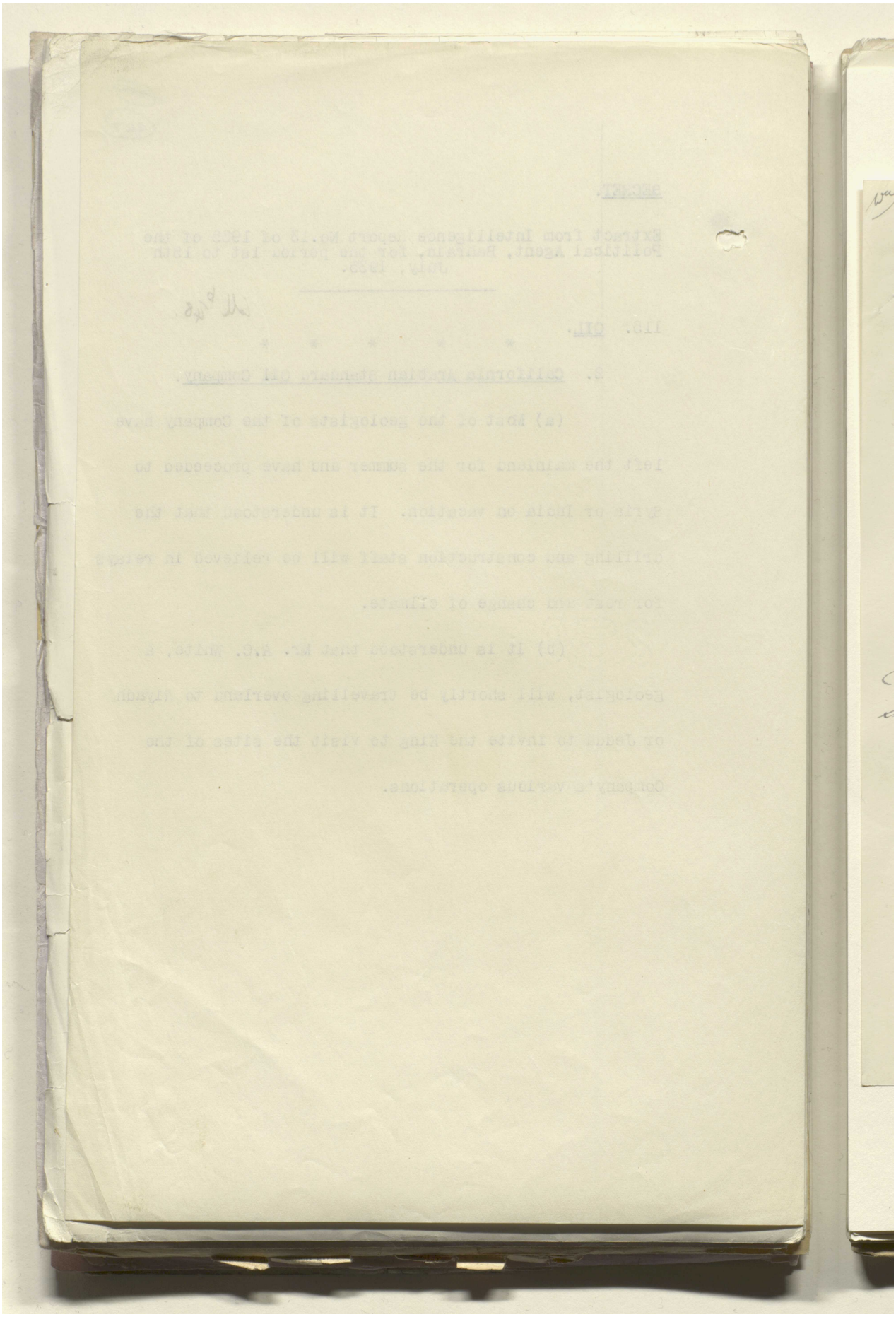

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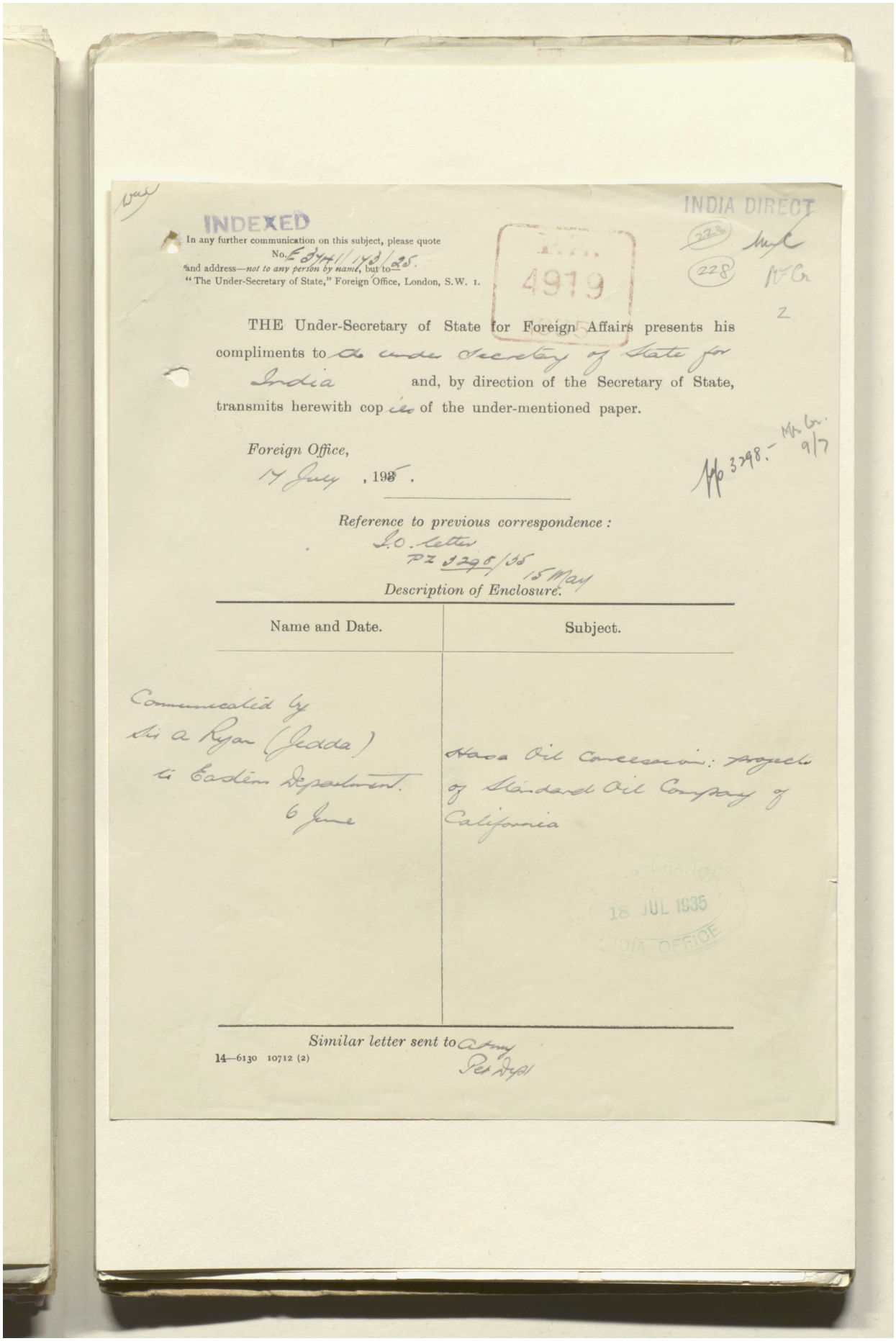

INDEXED

In any further communication on this subject, please quote
No. E 3471/143/25.
and address—*not to any person by name*, but to
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

INDIA DIRECT

4919

THE Under-Secretary of State for Foreign Affairs presents his compliments to the under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
17 July, 1935.

Reference to previous correspondence:
I.O. letter
P.Z. 3296/35 15 May

Description of Enclosure.

Name and Date.	Subject.
Communicated by Sir A Ryan (Jedda) to Eastern Department. 6 June	Hasa Oil Concession: Project of Standard Oil Company of California

18 JUL 1935
INDIA OFFICE

Similar letter sent to Admy

14—6130 10712 (2)

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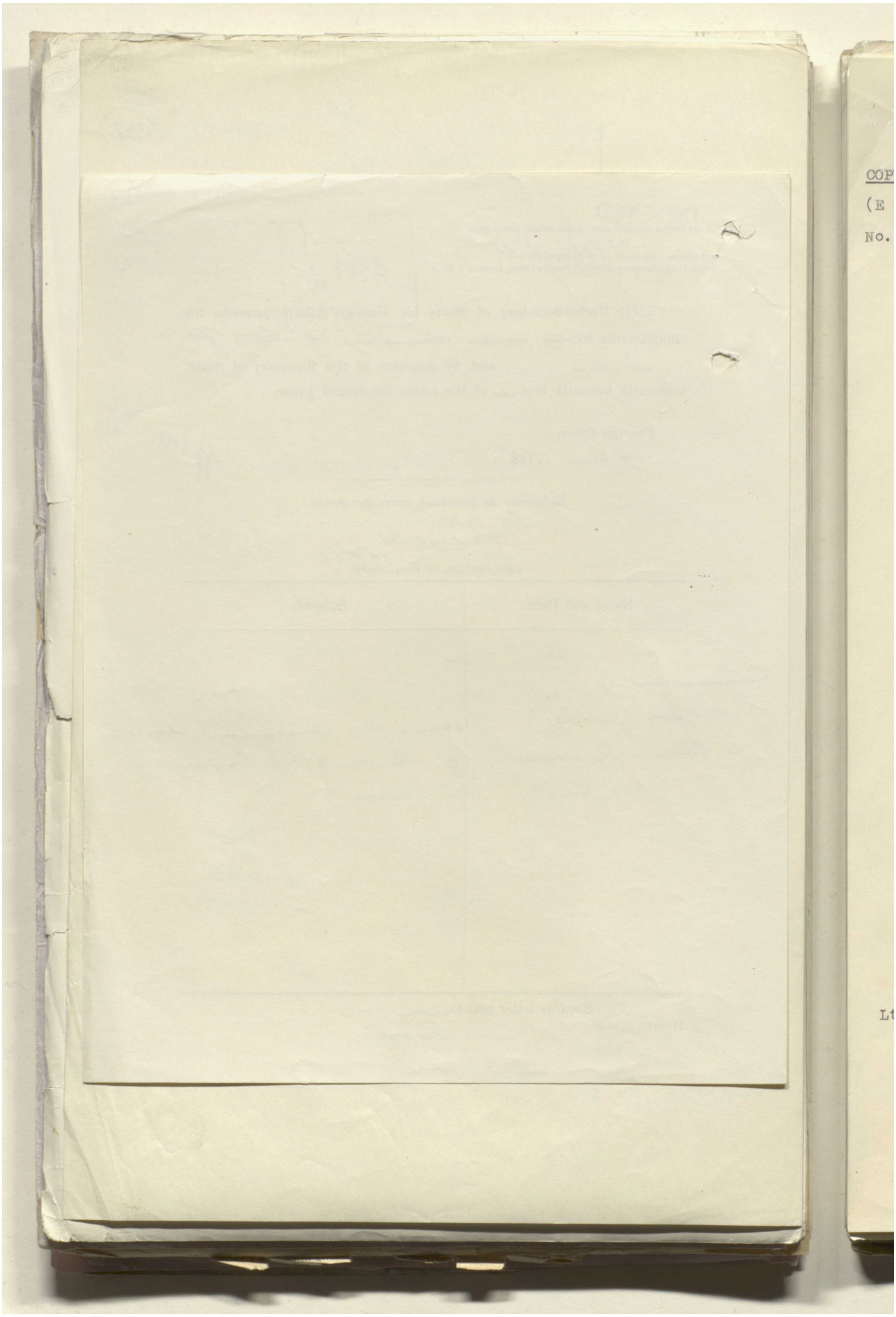

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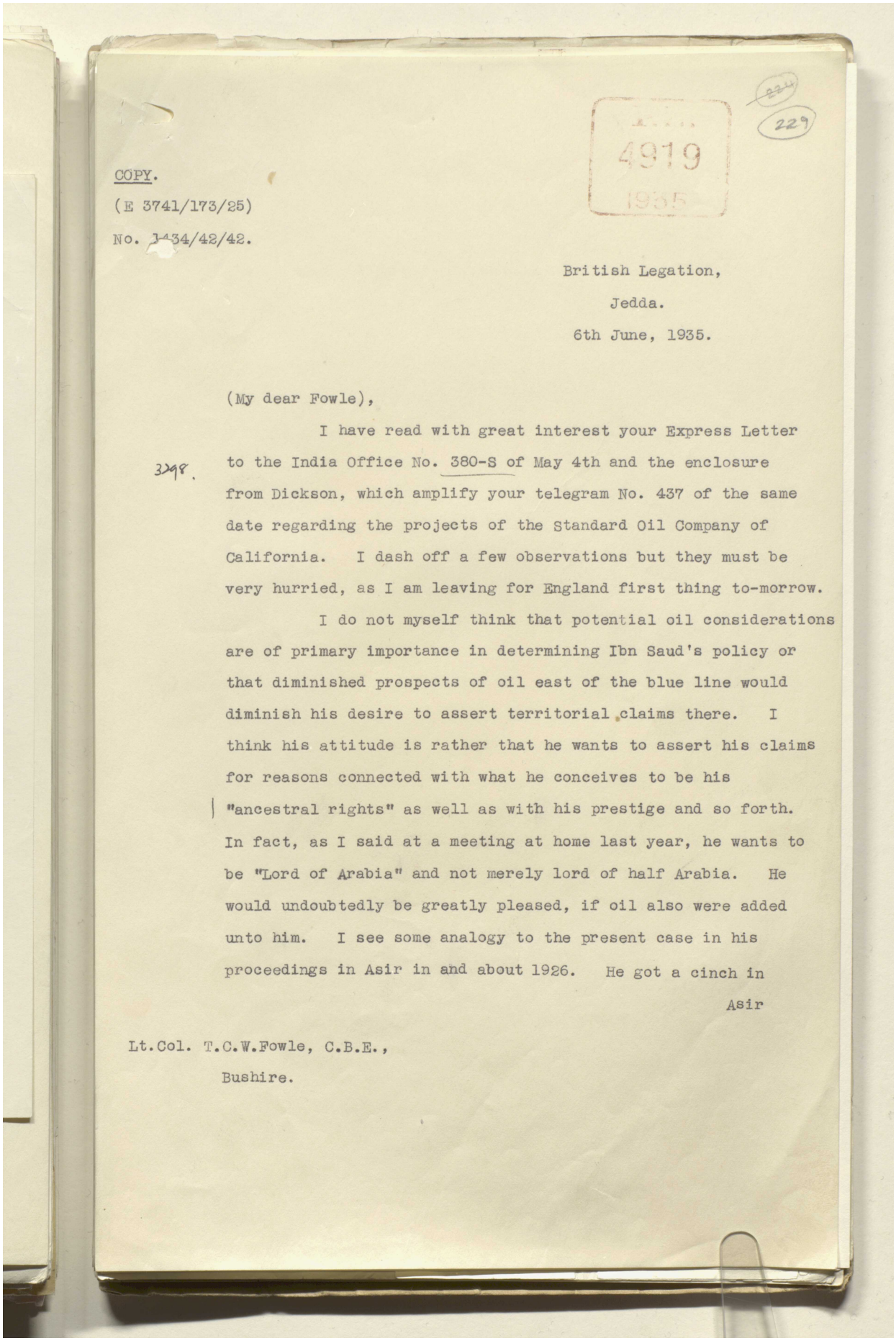

4919
1935

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COPY.

(E 3741/173/25)

No. 434/42/42.

British Legation,

Jedda.

6th June, 1935.

(My dear Fowle),

I have read with great interest your Express Letter to the India Office No. 380-S of May 4th and the enclosure from Dickson, which amplify your telegram No. 437 of the same date regarding the projects of the Standard Oil Company of California. I dash off a few observations but they must be very hurried, as I am leaving for England first thing to-morrow.

3298.

I do not myself think that potential oil considerations are of primary importance in determining Ibn Saud's policy or that diminished prospects of oil east of the blue line would diminish his desire to assert territorial claims there. I think his attitude is rather that he wants to assert his claims for reasons connected with what he conceives to be his "ancestral rights" as well as with his prestige and so forth. In fact, as I said at a meeting at home last year, he wants to be "Lord of Arabia" and not merely lord of half Arabia. He would undoubtedly be greatly pleased, if oil also were added unto him. I see some analogy to the present case in his proceedings in Asir in and about 1926. He got a cinch in

Asir

Lt.Col. T.C.W.Fowle, C.B.E.,

Bushire.

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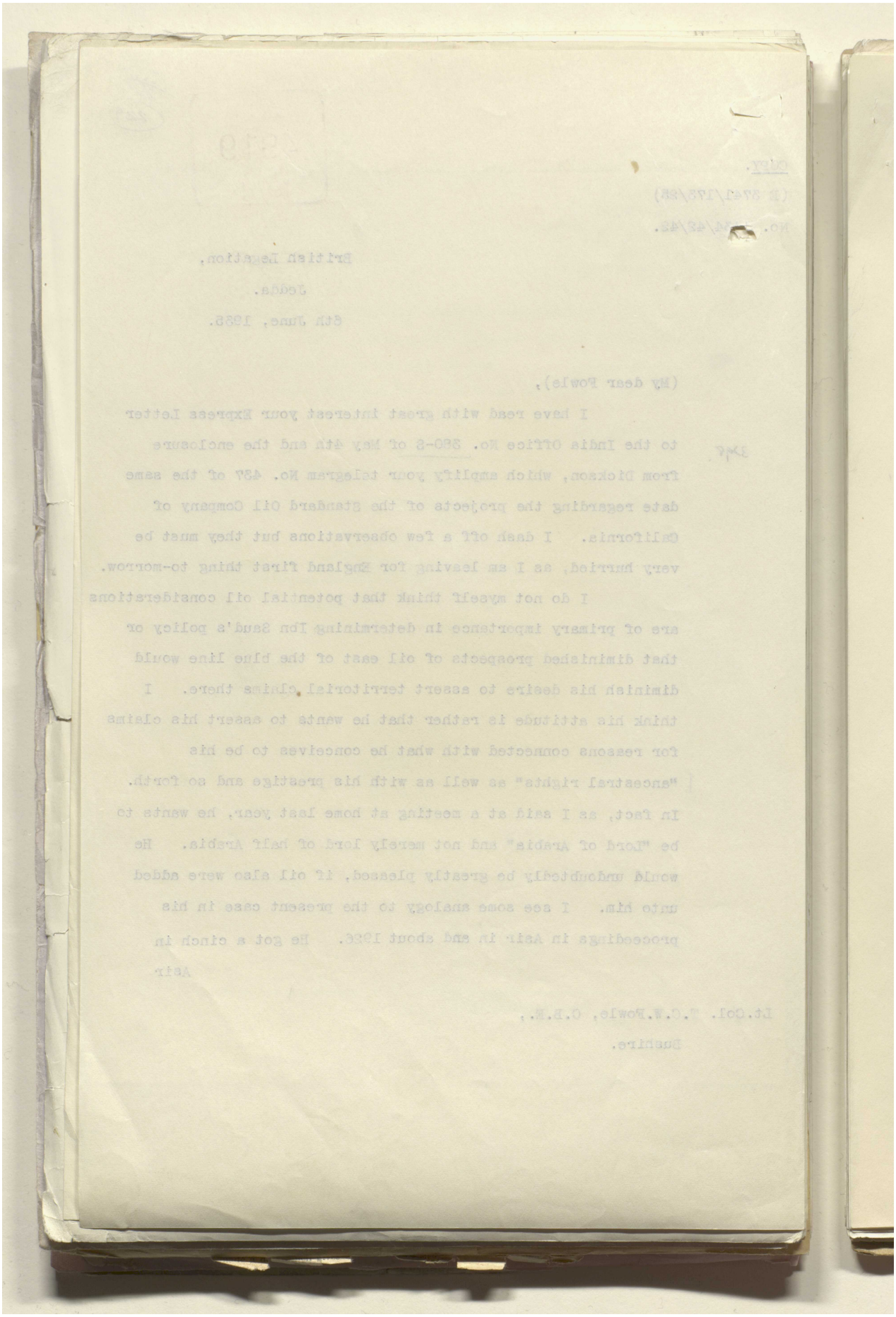

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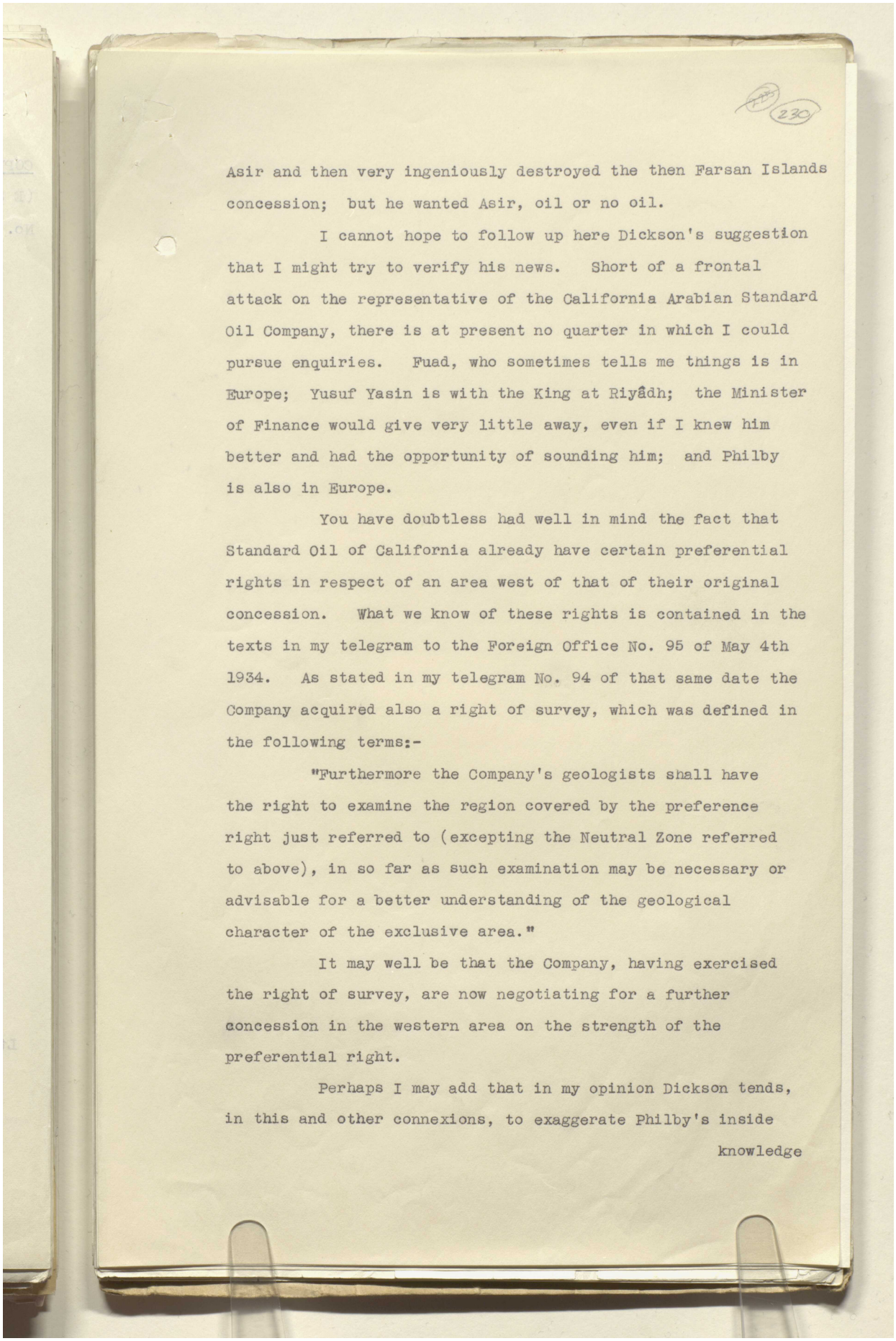

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Asir and then very ingeniously destroyed the then Farsan Islands concession; but he wanted Asir, oil or no oil.

I cannot hope to follow up here Dickson's suggestion that I might try to verify his news. Short of a frontal attack on the representative of the California Arabian Standard Oil Company, there is at present no quarter in which I could pursue enquiries. Fuad, who sometimes tells me things is in Europe; Yusuf Yasin is with the King at Riyâdh; the Minister of Finance would give very little away, even if I knew him better and had the opportunity of sounding him; and Philby is also in Europe.

You have doubtless had well in mind the fact that Standard Oil of California already have certain preferential rights in respect of an area west of that of their original concession. What we know of these rights is contained in the texts in my telegram to the Foreign Office No. 95 of May 4th 1934. As stated in my telegram No. 94 of that same date the Company acquired also a right of survey, which was defined in the following terms:-

"Furthermore the Company's geologists shall have the right to examine the region covered by the preference right just referred to (excepting the Neutral Zone referred to above), in so far as such examination may be necessary or advisable for a better understanding of the geological character of the exclusive area."

It may well be that the Company, having exercised the right of survey, are now negotiating for a further concession in the western area on the strength of the preferential right.

Perhaps I may add that in my opinion Dickson tends, in this and other connexions, to exaggerate Philby's inside

knowledge

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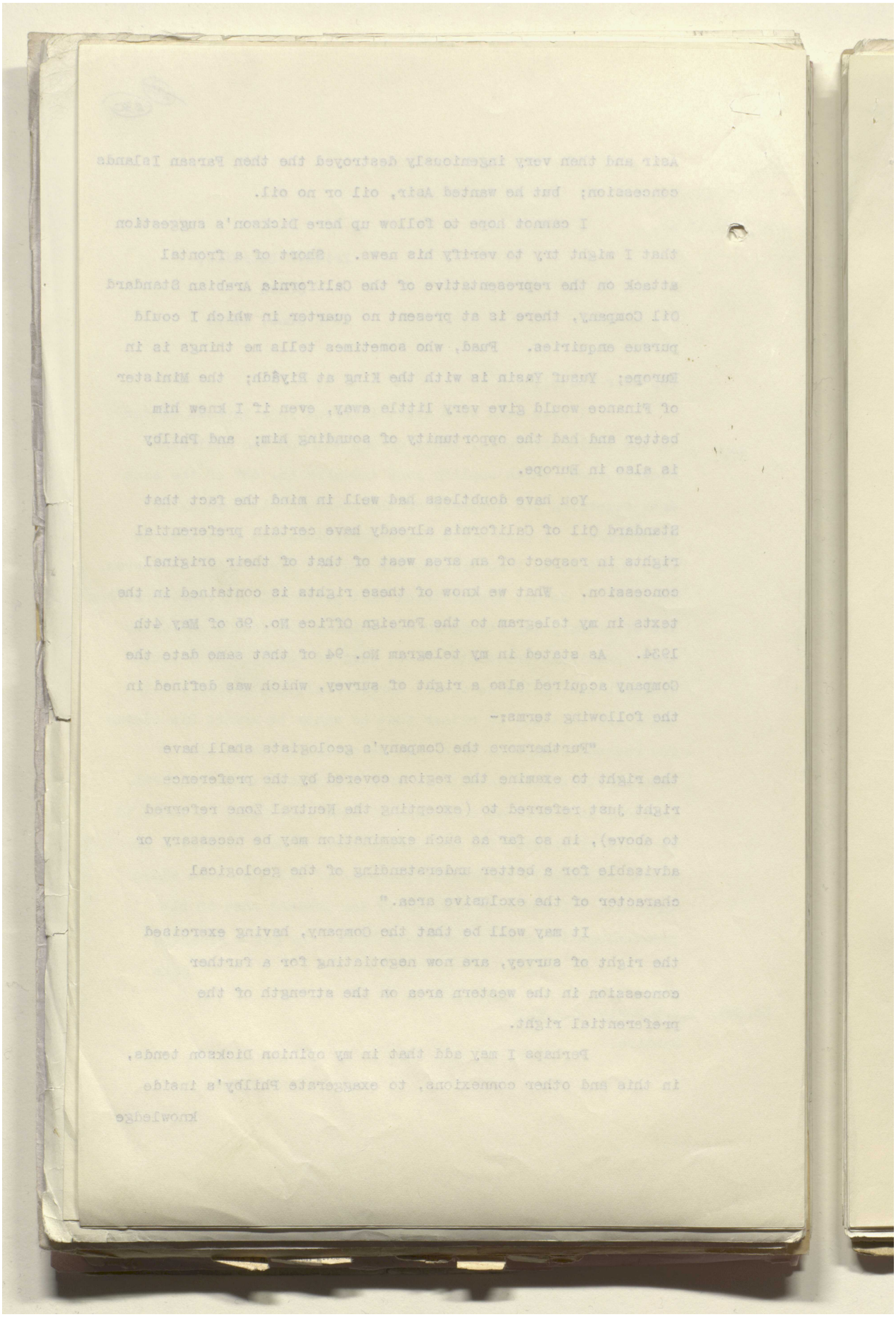

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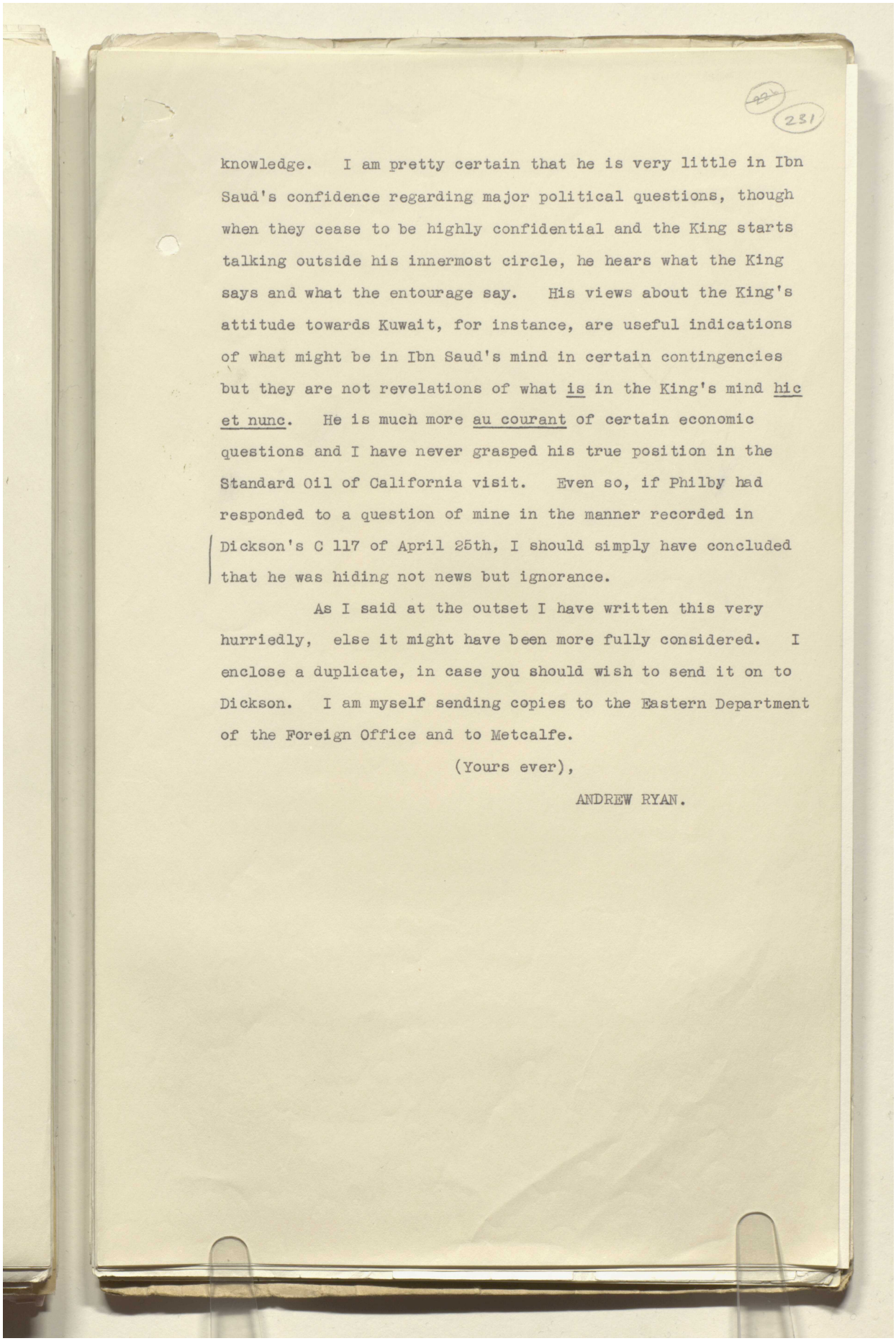

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knowledge. I am pretty certain that he is very little in Ibn Saud's confidence regarding major political questions, though when they cease to be highly confidential and the King starts talking outside his innermost circle, he hears what the King says and what the entourage say. His views about the King's attitude towards Kuwait, for instance, are useful indications of what might be in Ibn Saud's mind in certain contingencies but they are not revelations of what is in the King's mind hic et nunc. He is much more au courant of certain economic questions and I have never grasped his true position in the Standard Oil of California visit. Even so, if Philby had responded to a question of mine in the manner recorded in Dickson's C 117 of April 25th, I should simply have concluded that he was hiding not news but ignorance.

As I said at the outset I have written this very hurriedly, else it might have been more fully considered. I enclose a duplicate, in case you should wish to send it on to Dickson. I am myself sending copies to the Eastern Department of the Foreign Office and to Metcalfe.

(Yours ever),

ANDREW RYAN.

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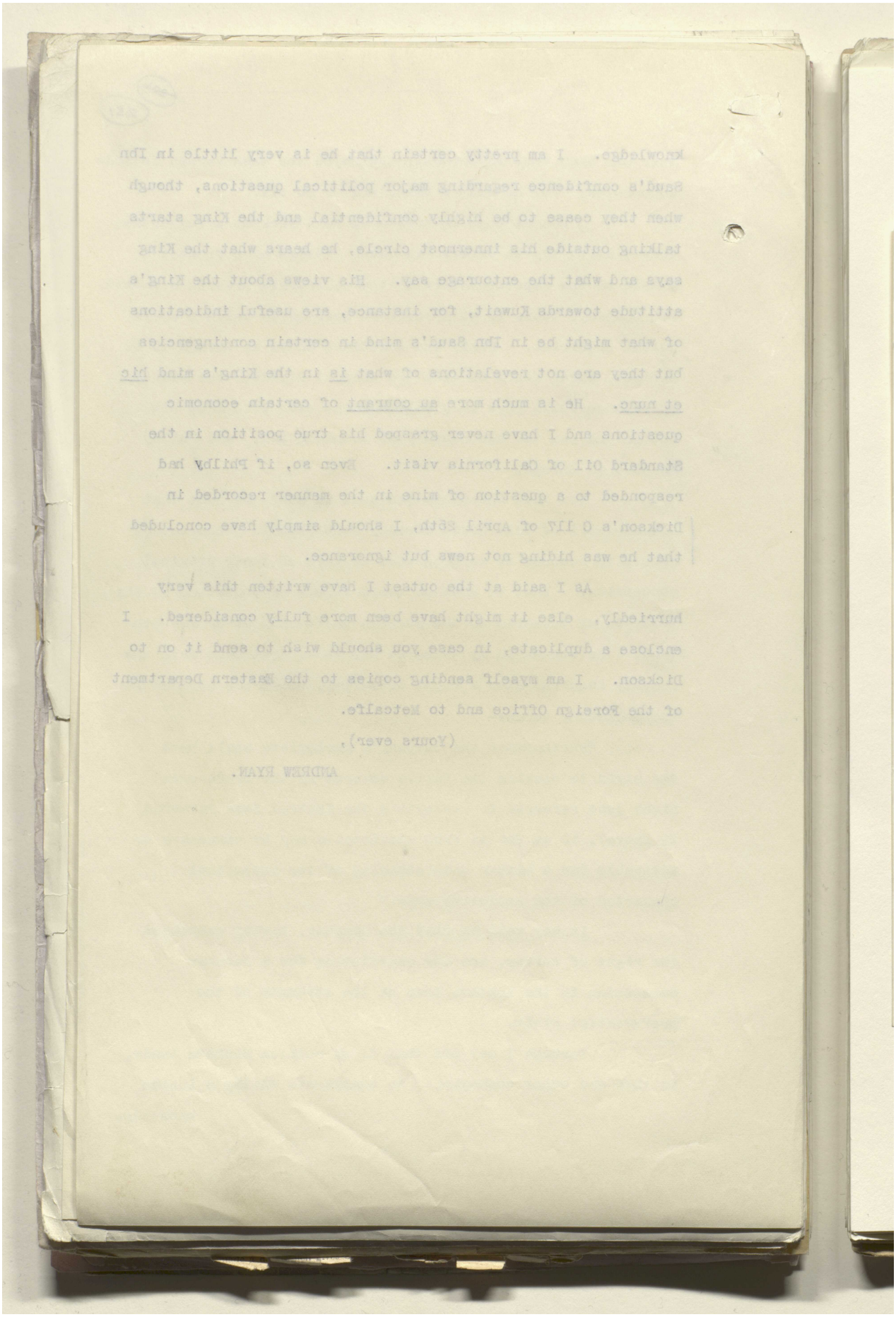

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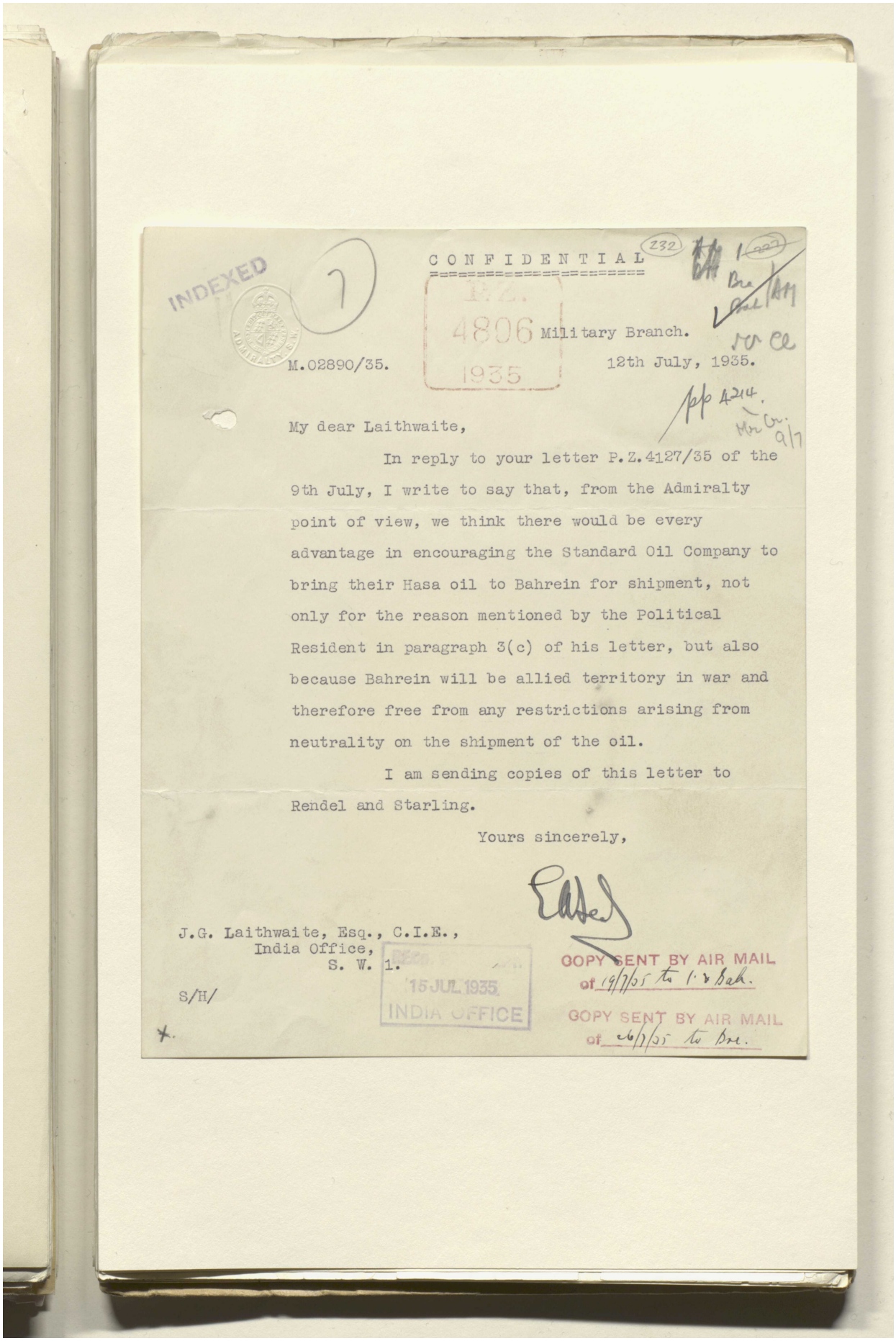

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CONFIDENTIAL

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P.Z. 4806 1935

Military Branch.

M.02890/35.

12th July, 1935.

pp 4214.

My dear Laithwaite,

In reply to your letter P.Z.4127/35 of the 9th July, I write to say that, from the Admiralty point of view, we think there would be every advantage in encouraging the Standard Oil Company to bring their Hasa oil to Bahrein for shipment, not only for the reason mentioned by the Political Resident in paragraph 3(c) of his letter, but also because Bahrein will be allied territory in war and therefore free from any restrictions arising from neutrality on the shipment of the oil.

I am sending copies of this letter to Rendel and Starling.

Yours sincerely,

J.G. Laithwaite, Esq., C.I.E.,
India Office,
S. W. 1.

S/H/

15 JUL 1935
INDIA OFFICE

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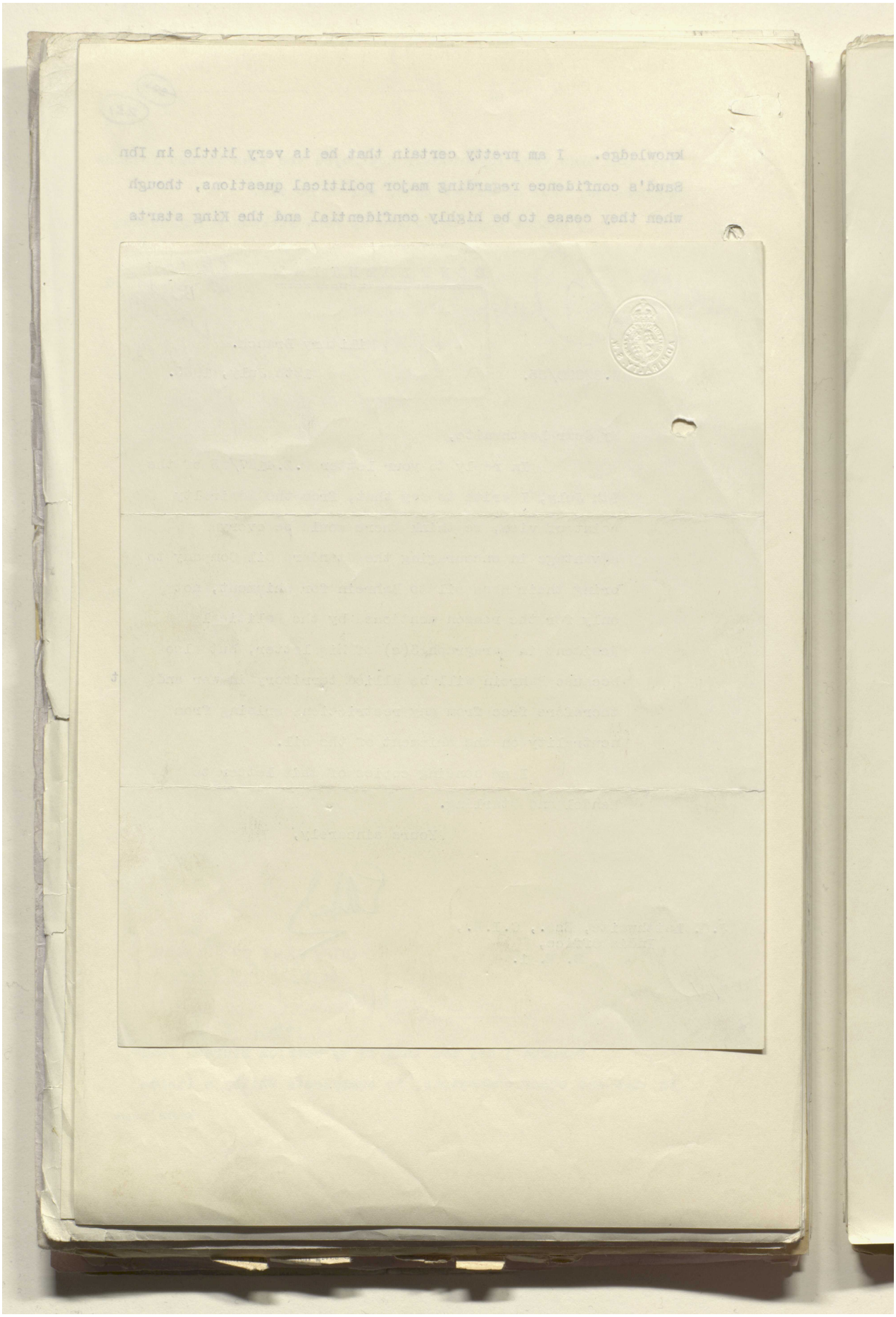

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P.Z. 4127/35

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Draft Paper.

Pol Department.

1. G. W. Rendel Esqre C.M.G., F.O.
2. F.C. Starling Esqre, Pet^m Dept.
3. E.A. Seal Esqre, Ad^y

9 JUL 1935

Would you please refer to Fowle's d.o. letter of 8th June (D.O. No. C/223) a copy of which was enclosed with our printed letter No. P.Z. 4214/35 d/21st June about Hasa Oil? On the whole we are rather inclined to agree with Fowle that, if the Standard Oil should propose to lay a pipe-line from the mainland to Bahrein for their Hasa oil, the balance of advantage would be in agreeing ~~to~~ ~~and to~~ extracting from ~~them~~ the Coy. the best terms we could in exchange, but we should be grateful for your views.

2. I am sending similar letters to ① Starling & Seal
② Rendel & Seal
③ Rendel & Starling

J. G. LAITHWAITE.

ENCLOSURE IN WEEKLY LETTER
NO. 28 11 JUL 1935
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

COPY SENT TO Bushire ~~Muscat~~

Mr. Laithwaite
? sign. I will submit the papers after issue of the letter if you approve it.
8/7

Sign J.G.L. 8/7

Copy to India
Bahrein

3761 5000 5.35

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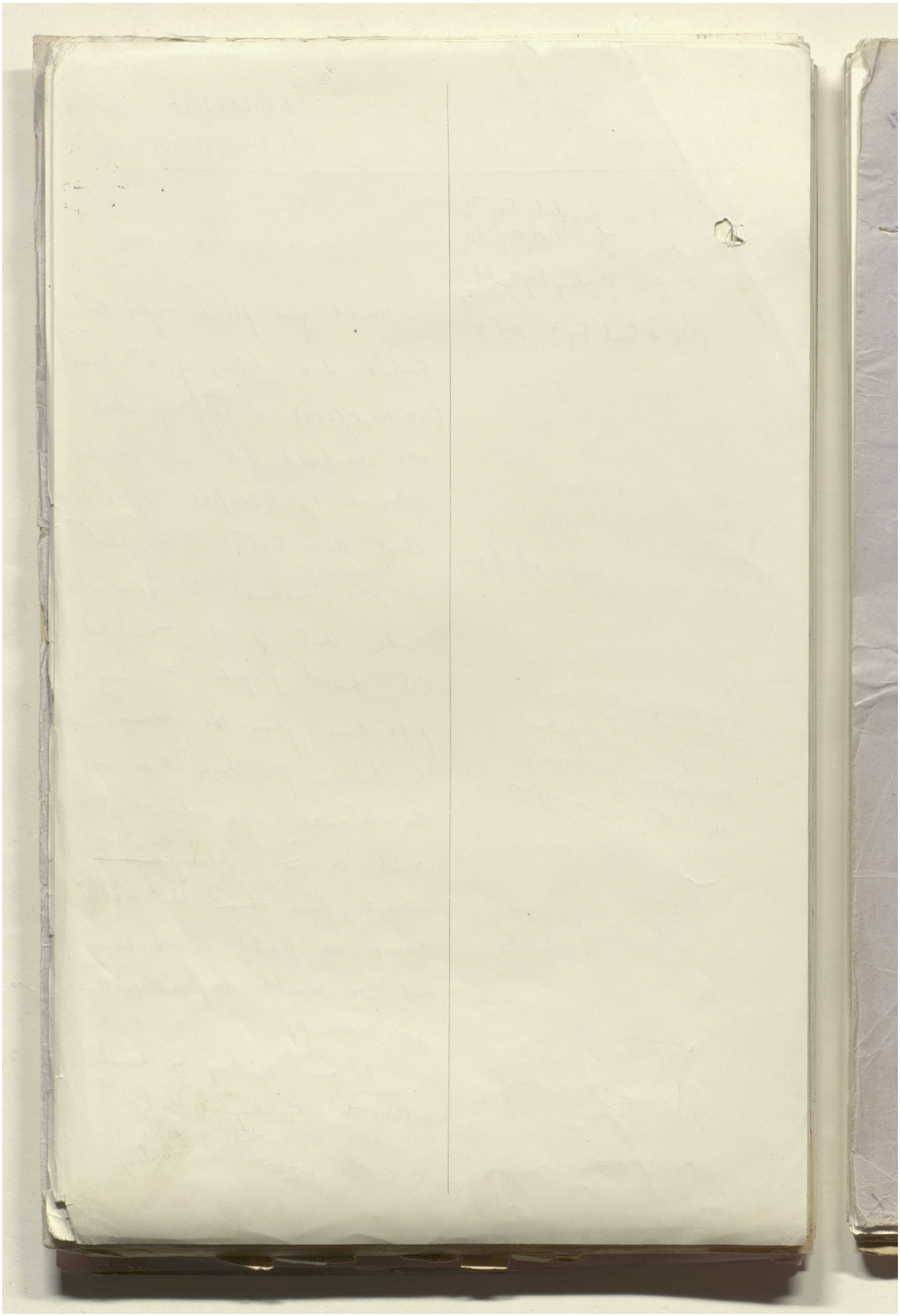

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P.Z. 4127 1935
10 JUN 1935

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GOVERNMENT OF INDIA.

Confidential. Department.

EXPRESS LETTER (AIR MAIL).

26 NOV 1936
Mr. Stammers
Pol. Dept.

[N.B.—This is an ORIGINAL message sent by AIR MAIL which provides a means of communication more expeditious than the ordinary mail and is cheaper than the telegraph. It is intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and to obviate formalities it is drafted in the form of a telegram. It is authenticated by the signature of a responsible officer of the Department.]

No. C/202 of 1935. Office of the Political Resident in the Persian Gulf, H.M.S.Bideford, at DOHA.

Dated ~~Simla~~ ~~New Delhi~~, the 5th June, 1935.

To

From – Political Resident, at DOHA.

To – Secretary of State for India, London.
Government of India, Simla.
H.M.'s Minister, Jedda.
Political Agent, Bahrain.
Political Agent, Kuwait.

Call 6/48
6005/33

Reference ~~xxxx~~ ~~xxx~~

I enclose a copy of the complete text of the Oil Agreement between the Standard Oil Company of California and Ibn Saud, dated the 27th May 1933, which has been procured by the Political Agent, Kuwait. As far as I know the only copy of the Concession previously known to us was the abridged edition ~~addition~~ published in Mecca Newspaper "Um al Qura" No.448 of 21st Rabi' al Awal 1352 (14th July 1933), translation of which was sent to the Foreign Office London under British Legation Jedda's No.235 dated 25th July 1933, with revised translation under Legation's No.3256 dated 28th November 1933.

6005/33.
&
61/34

2. Comparison between the enclosed copy and the abridged edition shows many differences.

sd. T.C.Fowler
Lieut.-Colonel.
Political Resident in the Persian Gulf.

Attested.

for Secretary to the Political Resident in the Persian Gulf.

(Signature)

(Designation)

18 JUN 1935
INDIA OFFICE

S. 44.

MFP—1013S&P—(M-1323)—30-10-33—10,000.

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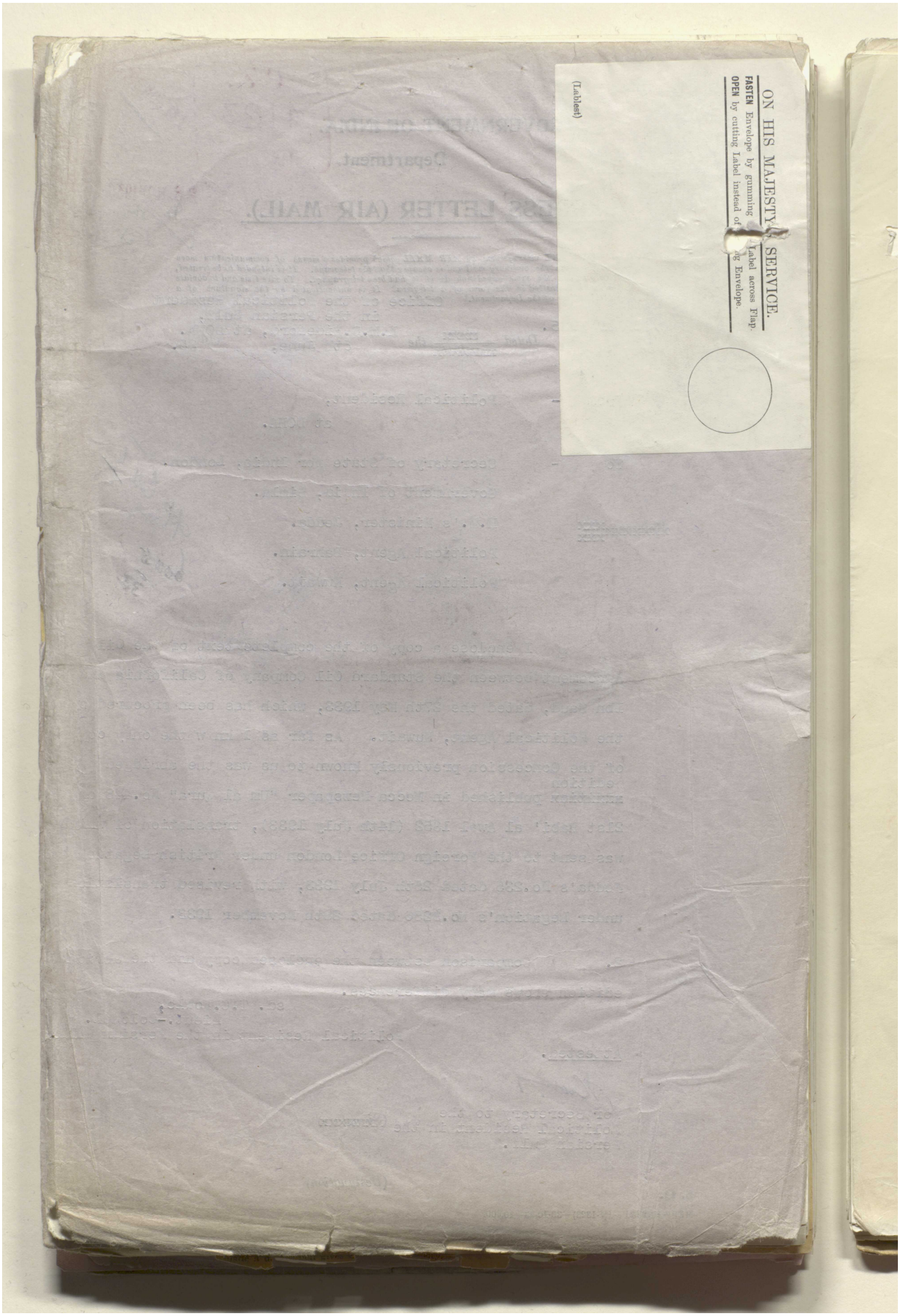

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ON HIS MAJESTY'S SERVICE.

SECRET.

Hasa Oil Concession

P.Z. 4127 1935

235

Copy of Text of the "Oil" Agreement between the "Standard Oil of California" and H.M. King Abdul-Aziz Al Saud.

Received 25.4. 1935.

------oOo------

This agreement made between H.E. Shaikh Abdulla Suleiman Al Hamdan Minister of Finance of Saudi Arabia, acting on behalf of Saudi Arab Government (hereinafter referred to as the "Government"), of the one part and L.N. Hamilton, acting on behalf of Standard Oil Company of California (hereinafter referred to as the "Company"), of the other part.

It is hereby agreed between the Government and the Company in manner following:-

Article 1.

The Government hereby grants to the Company on the terms and conditions hereinafter mentioned, and with respect to the area defined below, the exclusive right, for a period of sixty years from the effective date hereof to explore, prospect, drill for, extract, treat, manufacture, transport, deal with, carry away and export petroleum, asphalt, nphtha, natural greases, ozokerite, and other hydrocarbons, and the derivatives of all such products. It is understood however that such right does not include the exclusive right to sell crude or refined products within the area described below or within Saudi Arabia.

Article 2.

The area covered by the exclusive right referred to in Article 1 hereof is all of Eastern Saudi Arabia, from its Eastern boundary (including islands of territorial waters) westward to the westerly edge of the Dahana and from the Northern boundary to the southern boundary of the Saudi Arabia, provided that from the northern end of the westerly edge of the Dahana the westerly boundary of the area in question shall continue in a straight line north 30 degrees west to the northern boundary of Saudi Arabia and from the southern end of the westerly edge of the Dahana, such boundary shall continue in a straight line south 30degrees east to the southern boundary of Saudi Arabia.

For convenience this area may be referred to as the "exclusive area".

Article 3.

Within the time agreed in Article 16 of this agreement, the Company shall make a payment to the Government of thirty thousand pounds gold, or its equivalent.

Article 4.

The Company shall pay the Government annually the sum of five thousand pounds gold, or its equivalent. For convenience this payment is termed an "annual rental" and it is payable in advance. The first annual rental shall be paid within the time

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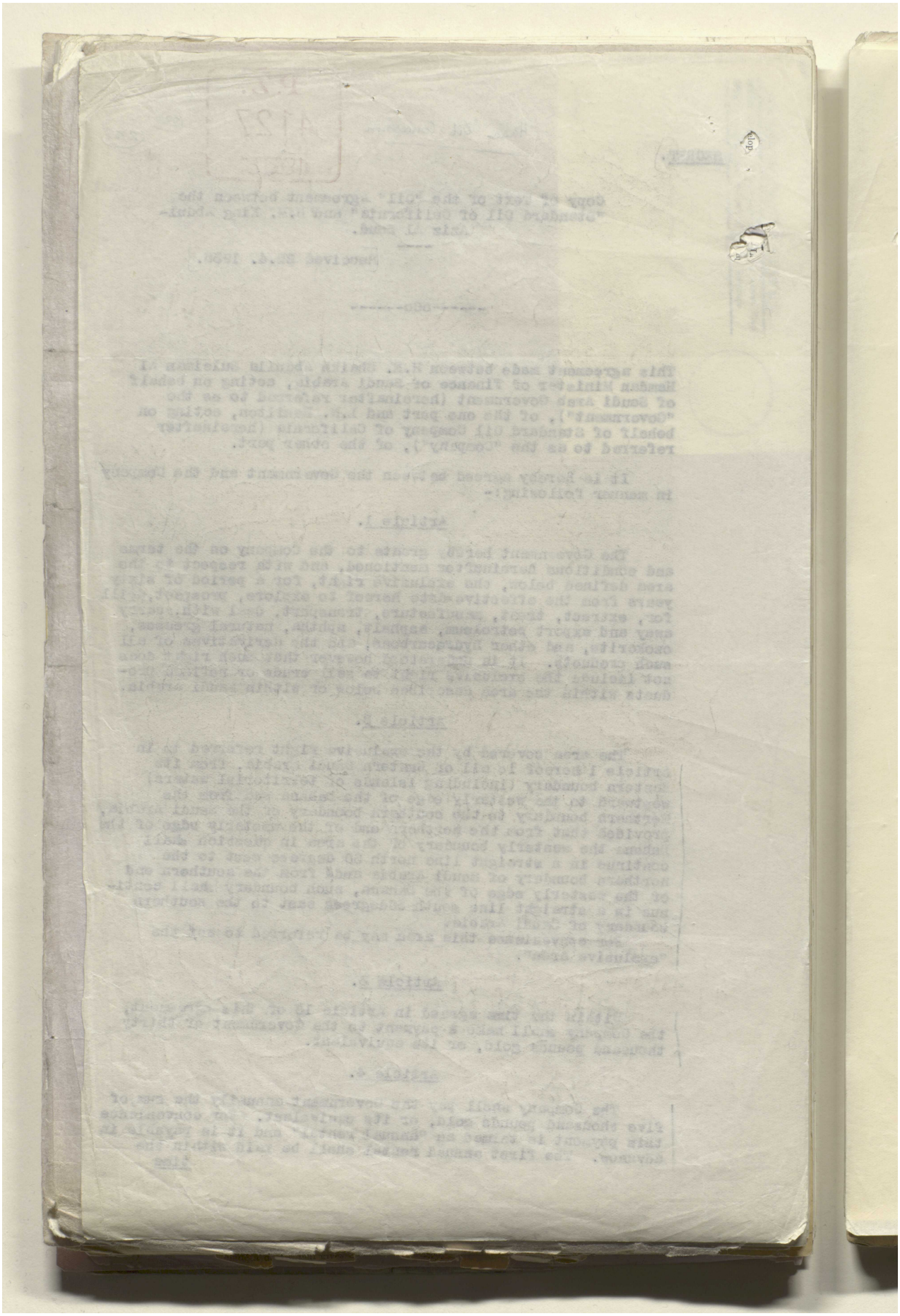

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time agreed in Article 16 of this agreement; thereafter so long as the contract is not terminated, the annual rental shall be due upon each anniversary of the effective date hereof and shall be payable within thirty days after such anniversary, provided that upon the commercial discovery of oil no further annual rental shall be due or payable.

Article 5.

If this contract has not been terminated within eighteen months from the effective date hereof, the Company shall make a second payment to the Government, amounting to twenty thousand pounds gold, or its equivalent. The due date of such payment shall be eighteen months from the effective date hereof bu the Company shall have fifteen days from the due date within which to make the payment.

Article 6.

Upon the effective date of this agreement the Company shall commence plans and preparations for geological work, so planning the work as to take advantage of the cooler season for more efficient work in the field, and of the hotter season for the necessary office work of compiling data and reports. In the event, the actual field work shall commence not later than the end of September, 1933, and it shall be continued diligently until operations connected with drilling are commenced, or until the contract is terminated.

Article 7.

Within ninety days after the commencement of drilling, the Company shall relinquish to the Government such portions of the exclusive area as the Company at that time may decide not to explore further, or to use otherwise in connection with the enterprise. Similarly, from time to time, during the life of this contract, the Company shall relinquish to the Government such further portions of the exclusive area as the Company may then decide not to explore or prospect further, or to use otherwise in connection with the enterprise. The portions so relinquished shall thereupon be released from the terms and conditions of this contract, excepting only that during the life of this contract the Company shall continue to enjoy the right to use the portions so relinquished for transportation and communication facilities, which however shall interfere as little as practicable with any other use to which the relinquished portions may be put.

Article 8.

The Company shall commence operations connected with drilling as soon as a suitable structure has been found, and in any event if the Company does not commence such operations within three years from the end of September 1933 (subject to the provisions of Article 25 hereof), the Government may terminate this contract. Once commenced, these operations shall be continued diligently until oil in commercial quantities has been discovered or until this agreement is terminated. If the Company should fail to declare so sooner, the date of discovery of oil in commercial quantities shall be the date upon which the Company has completed and tested a well or wells capable of producing in accordance with first class oil ptactice, at least two thousand tons of oil per day for a period of thirty consecutive days.

Operation connected with drilling include the ordering and shipping of materials and equipment to Saudi Arabia, the construction of roads camps, buildings, structures, communicatio facilitie

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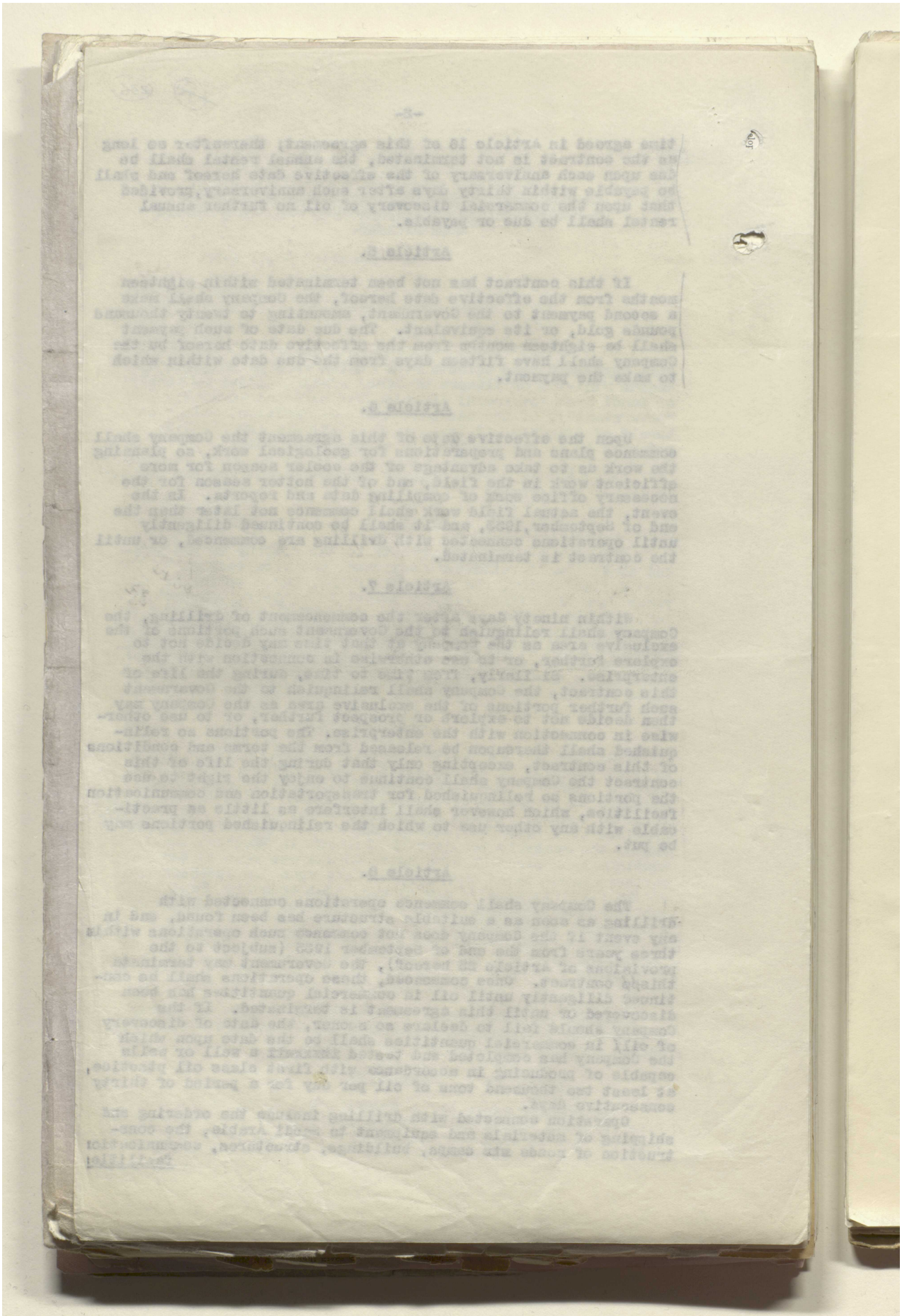

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facilities etc. and the installation and operation of the machinery, equipment and facilities for drilling wells.

Article 9.

Upon the discovery of oil in commercial quantities, the Company shall advance to the Government the sum of fifty thousand pounds gold, or its equivalent, and one year later the further sum of fifty thousand pounds gold, or its equivalent. The due date of the first advance shall be the date of discovery of oil in commercial quantities, as provided in Article 8 hereof, and the due date of the second advance shall be one year later. In each case the Company shall have sixty days following the due date within which to make the advance. Both of these advances are in account of royalties which may be due the Government and consequently the Company shall have the right to recover the amount of these advances by way of deductions from one half of the royalties due the Government.

Article 10.

Since it has been agreed that the annual rental of five thousand pounds gold, or its equivalent is payable to the date of the discovery of oil in commercial quantities, and since it has been agreed also that the annual rental is to be payable in advance, it may happen that the last annual rental paid prior to the date of discovery of oil in commercial quantities will cover a period beyond the date of such discovery. In case that this period should be equal to or greater than one-fifth of a year, the proportionate amount of the five thousand pounds gold, or its equivalent corresponding to such period shall be treated as an advance on account of royalties due the Government, and consequently it should be recoverable by the Company by way of deductions from one-half of the royalties due the Government.

Article 11.

As soon as ptacticable (i.e. allowing a reasonable time for ordering and shipping further materials and equipment to Saudi Arabia and commencing further work) after the date of discovery of oil in commercial quantities, /the Company shall continue operations connected with drilling by using at least two strings of tools. These operations shall continue diligently until the proven area has been drilled up in accordance with first class oil field practice, or until the contract is terminated.

Article 12.

The Company shall pay the government a royalty on all net crude oil produced and saved and run from field storage, after first deducting:-

1) Water and foreign substance; and
2) Oil required for the customary operations of the Company's installation within Saudi Arabia and
3) The oil required for the manufacturing the amounts of gasoline and kerosene to be provided free each year to the Government in accordance with Article 17 hereof.

The rate of royalty per ton of such net crude oil shall be four shillings gold, or its equivalent.

Article 13.

If the Company should produce, save and sell any natural gas.

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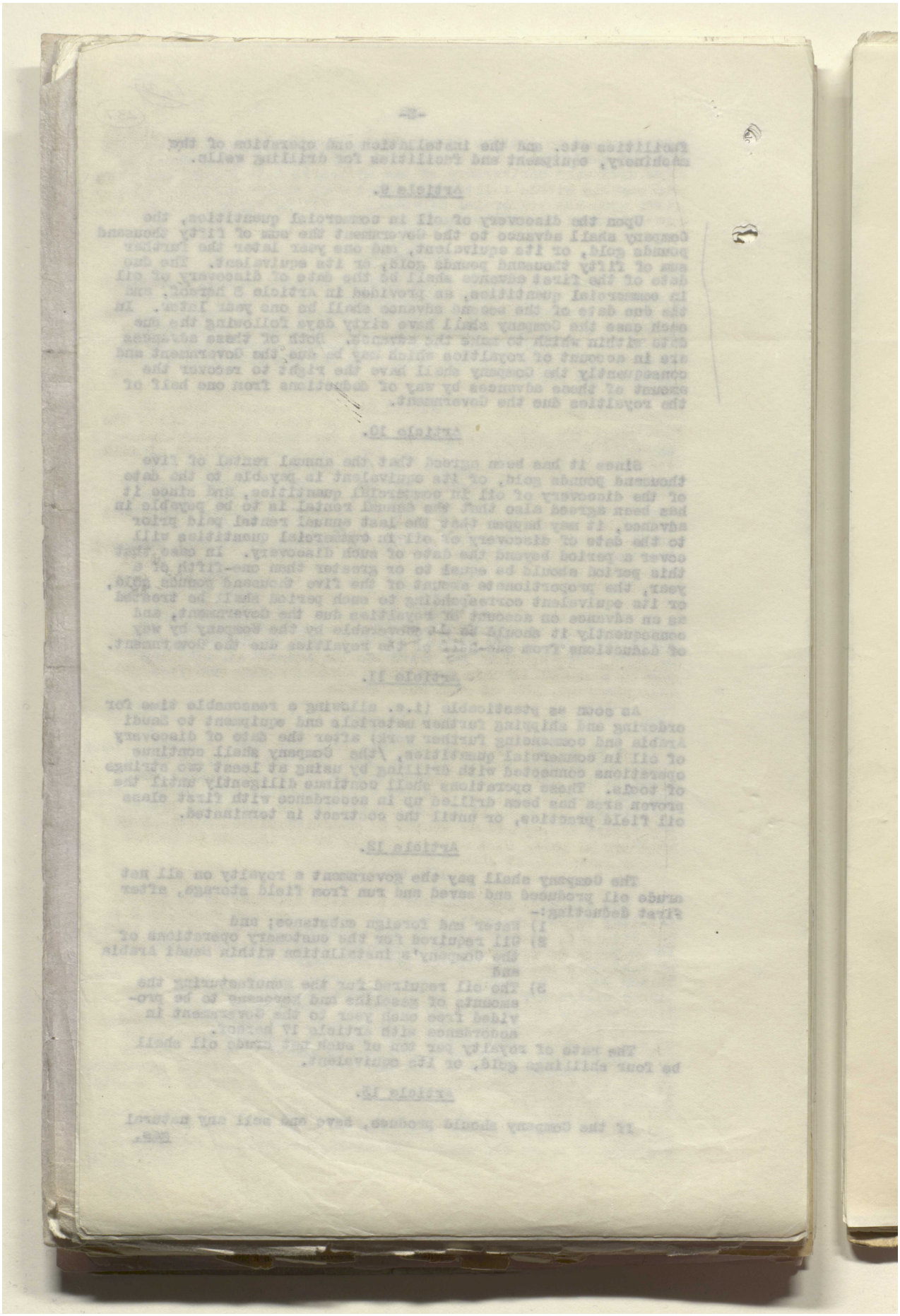

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gas, it will pay to the Government a royalty equal to one-eighth of the proceeds of the sale of such natural gas, it being understood however that the Company shall be under no obligation to produce, save, sell, or otherwise dispose of any natural gas. It is also understood that the Company is under no obligation to pay any royalty on such natural gas as it may use use for the customary operation of its installation within the Saudi Arabia.

Article 14.

The Government, through duly authorised representatives, may during the usual hours of operations, inspect and examine the operations of the Company under this contract and may verify the amount of production. The Company shall measure in accordance with first class oil field practice the amount of oil produced and saved and run from field storage, and shall keep time and correct accounts thereof, and of the natural gas it may produce and save and sell, and duly authorised representatives of the Government shall also have access at all reasonable times to such accounts. The Company shall within three months, after the end of each semester, commencing with the date of commercial discovery of oil, deliver to the Government and abstract of such accounts for the semester, and a statement of the amount of royalties due the Government for the semester. These accounts and statements should be treated as confidential by the Government, with the exception of such items therein as the Government may require to publish for fiscal purposes.

The royalties due the Government at the end of each semester commencing with the date of commercial discovery of oil, shall be paid within three months after the end of the semester, such portion of the amount as may be unquestioned shall be ~~tendered~~ tendered the Government within the period hereinabove, and thereupon the question shall be settled by agreement between the parties, or failing that by arbitration as provided in this contract. Any further sum which may be payable to the Government as a result of this settlement shall be paid within sixty days after the date of such settlement.

Article 15.

It is agreed that all gold payments provided in this contract, whether pounds gold or shillings gold, are to be based on the gold pound standard according to its weight and fineness at the time the payment may be made. It is also agreed that wherever it is stipulated in this contract the equivalent of any sum or amount in pounds gold or in shillings gold may be paid, such equivalent may be in dollars in United States currency, or pounds sterling.

It is agreed furthermore that the equivalent of pounds gold or shillings gold, for any ~~xxxxxx~~ payment which may be made hereunder in dollars, United States currency or in pounds sterling (with the exception of the first payment provided for in Article 16 hereof) shall be based on the average of the rate of exchange as computed over a period of three months immediately preceding the due date of the payment.

Article 16.

All payments provided in this contract to be made to the Government may be made by tendering such payment directly to the Government, or by depositing the amount due to the credit of the Government in some Bank which the Government designates in writing and which the Government may change from time to time by giving written notice to the Company long enough in advance so that Company will have sufficient time to make future

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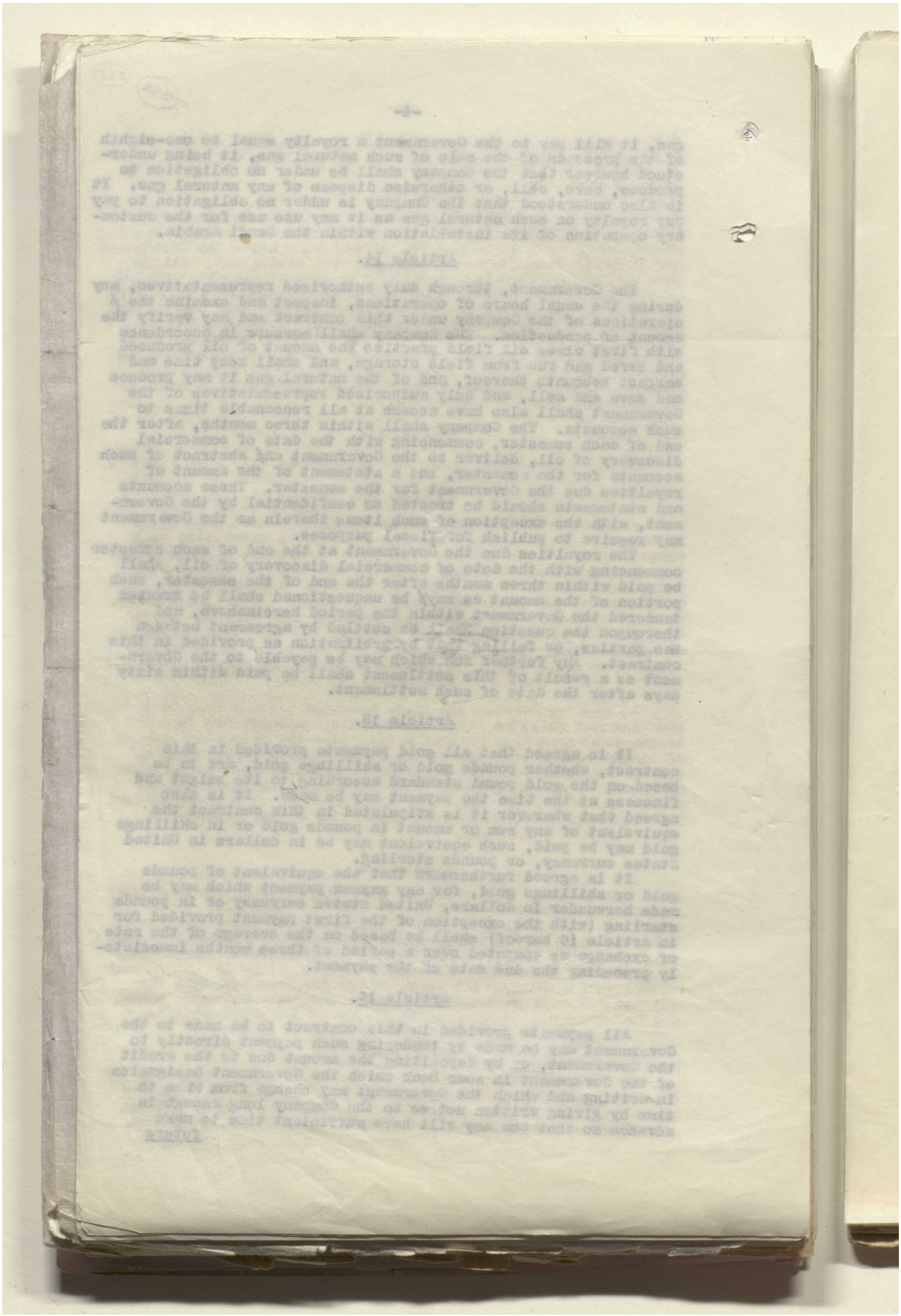

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future payments to the new bank. It is agreed that Government will designate such Bank in Saudi Arabia, or in the United States of America, or in England, or in Holland, but that no bank in Saudi Arabia will be so designated unless such bank has a correspondent in United States of America, England or Holland through which Bank transfers of money to Saudi Arabia may be made. Once the Company has made the proper payment to the Government or has deposited the proper sum to such correspondent for transfer to a bank in Saudi Arabia, the Company shall be free for all further responsibility in connection with payment.

It is agreed however that the first payment of thirty five thousand pounds gold, or its equivalent (comprising the first payment and the first annual rental) shall be made, within fifteen days after the effective date of this agreement, to a correspondent in New York or in London, of Netherlands Trading Society (Nederlandsche Handel-Maatschappij) at Jedda, Saudi Arabia, to be transmitted without delay, and at the expense of the Company, to said society and to be delivered to the Government upon obtaining a proper receipt from the Government for such payment. If this first payment is not made in gold, it will be made in pounds sterling at the current rate of exchange at the time the Company makes the payment to such correspondent.

Article 17.

As soon as practicable after the date of discovery of oil in commercial quantities, the Company shall select some point within Saudi Arabia for the erection of a plant for manufacturing sufficient gasoline and kerosene to meet the ordinary requirements of the Government, providing of course that the character of the crude oil found will permit of the manufacture of such products on a commercial basis by the use of ordinary refining methods, and provided further that the amount of oil developed is sufficient for the purpose. It is understood that the ordinary requirements of the Government shall not include resale inside or outside of the country. Upon the completion of the necessary preliminary arrangements, and as soon as the Company has obtained the Government's consent to the proposed location, the Company shall proceed with the erection of such plant. During each year following the date of completion of this plant, the company shall offer free to the Government, in bulk, two hundred thousand American gallons of gasoline and one hundred thousand gallons of kerosene, it being understood that the facilities provided by the Government for accepting these deliveries shall not impede or endanger the Company's operations.

Article 18.

The Company, at its own expense, will employ the necessary number of guards and guides to protect its representatives, its camps and installations. The Government promise to co-operate fully in supplying the best soldiers and men available for this responsibility, and in furnishing every reasonable protection, at rates not exceeding those customarily paid by the Government or others for similar services, it being understood that the expense for such services shall be paid by the Company through the Government.

Article 19.

In return for the obligations assumed by the Company under this contract, and for the payments required from the Company hereunder, the Company and enterprise shall be exempt from all direct and indirect taxes, imposts, charges, fees and duties, (including

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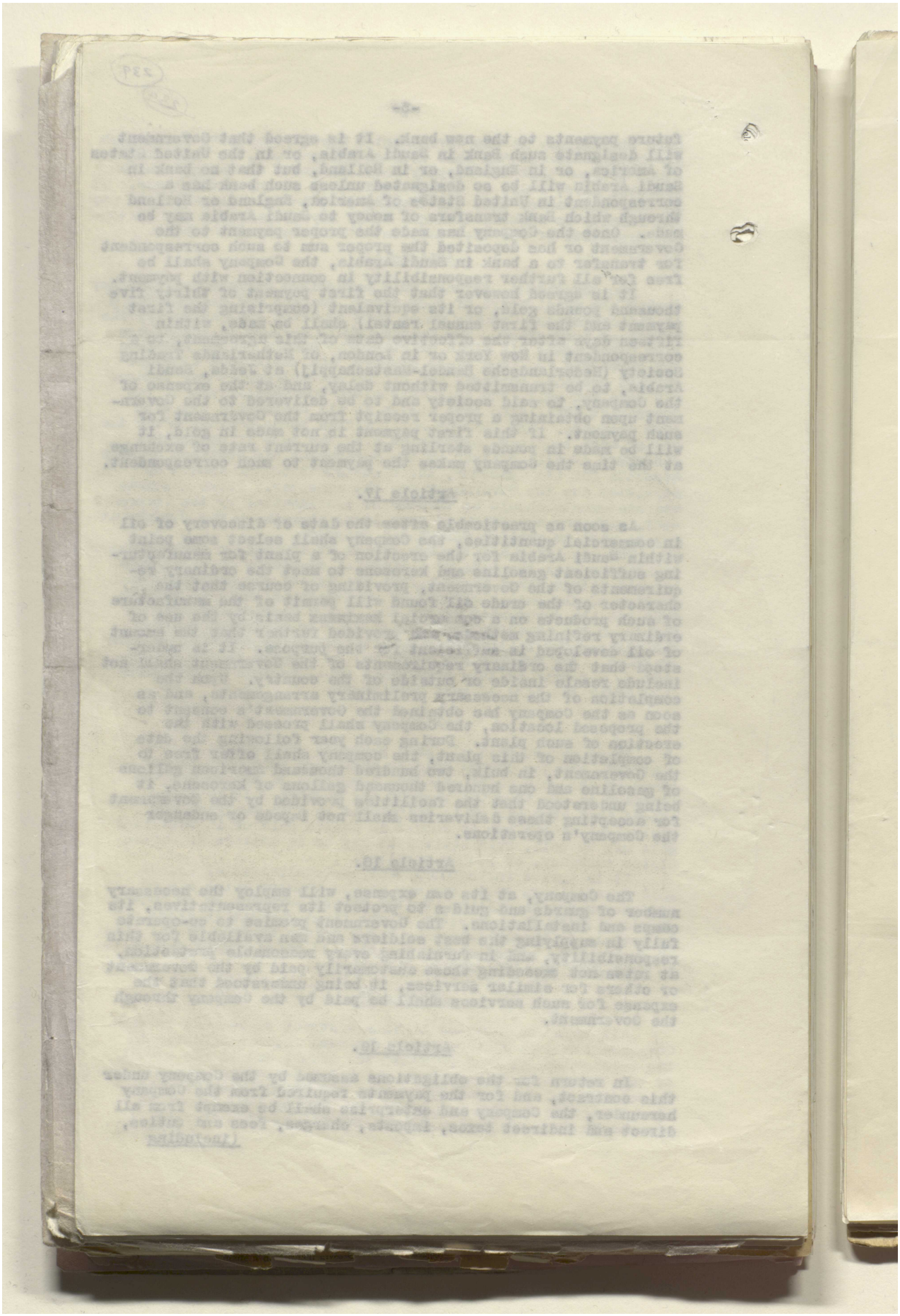

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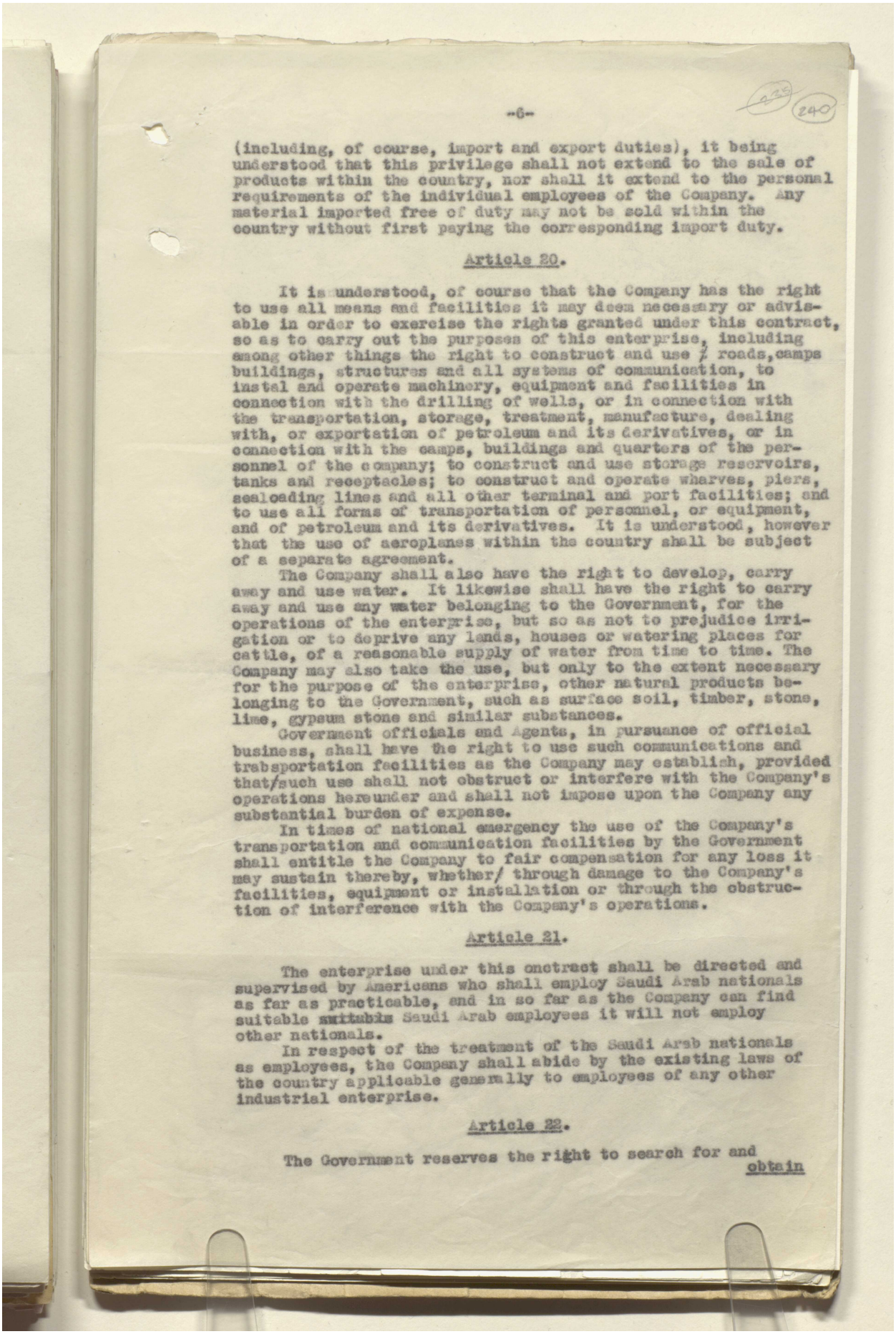

(including, of course, import and export duties), it being understood that this privilege shall not extend to the sale of products within the country, nor shall it extend to the personal requirements of the individual employees of the Company. Any material imported free of duty may not be sold within the country without first paying the corresponding import duty.

Article 20.

It is understood, of course that the Company has the right to use all means and facilities it may deem necessary or advisable in order to exercise the rights granted under this contract, so as to carry out the purposes of this enterprise, including among other things the right to construct and use ~~f~~ roads, camps buildings, structures and all systems of communication, to instal and operate machinery, equipment and facilities in connection with the drilling of wells, or in connection with the transportation, storage, treatment, manufacture, dealing with, or exportation of petroleum and its derivatives, or in connection with the camps, buildings and quarters of the personnel of the company; to construct and use storage reservoirs, tanks and receptacles; to construct and operate wharves, piers, sealoading lines and all other terminal and port facilities; and to use all forms of transportation of personnel, or equipment, and of petroleum and its derivatives. It is understood, however that the use of aeroplanes within the country shall be subject of a separate agreement.

The Company shall also have the right to develop, carry away and use water. It likewise shall have the right to carry away and use any water belonging to the Government, for the operations of the enterprise, but so as not to prejudice irrigation or to deprive any lands, houses or watering places for cattle, of a reasonable supply of water from time to time. The Company may also take the use, but only to the extent necessary for the purpose of the enterprise, other natural products belonging to the Government, such as surface soil, timber, stone, lime, gypsum stone and similar substances.

Government officials and Agents, in pursuance of official business, shall have the right to use such communications and trabsportation facilities as the Company may establish, provided that such use shall not obstruct or interfere with the Company's operations hereunder and shall not impose upon the Company any substantial burden of expense.

In times of national emergency the use of the Company's transportation and communication facilities by the Government shall entitle the Company to fair compensation for any loss it may sustain thereby, whether through damage to the Company's facilities, equipment or installation or through the obstruction of interference with the Company's operations.

Article 21.

The enterprise under this onctract shall be directed and supervised by Americans who shall employ Saudi Arab nationals as far as practicable, and in so far as the Company can find suitable ~~suitable~~ Saudi Arab employees it will not employ other nationals.

In respect of the treatment of the Saudi Arab nationals as employees, the Company shall abide by the existing laws of the country applicable generally to employees of any other industrial enterprise.

Article 22.

The Government reserves the right to search for and obtain

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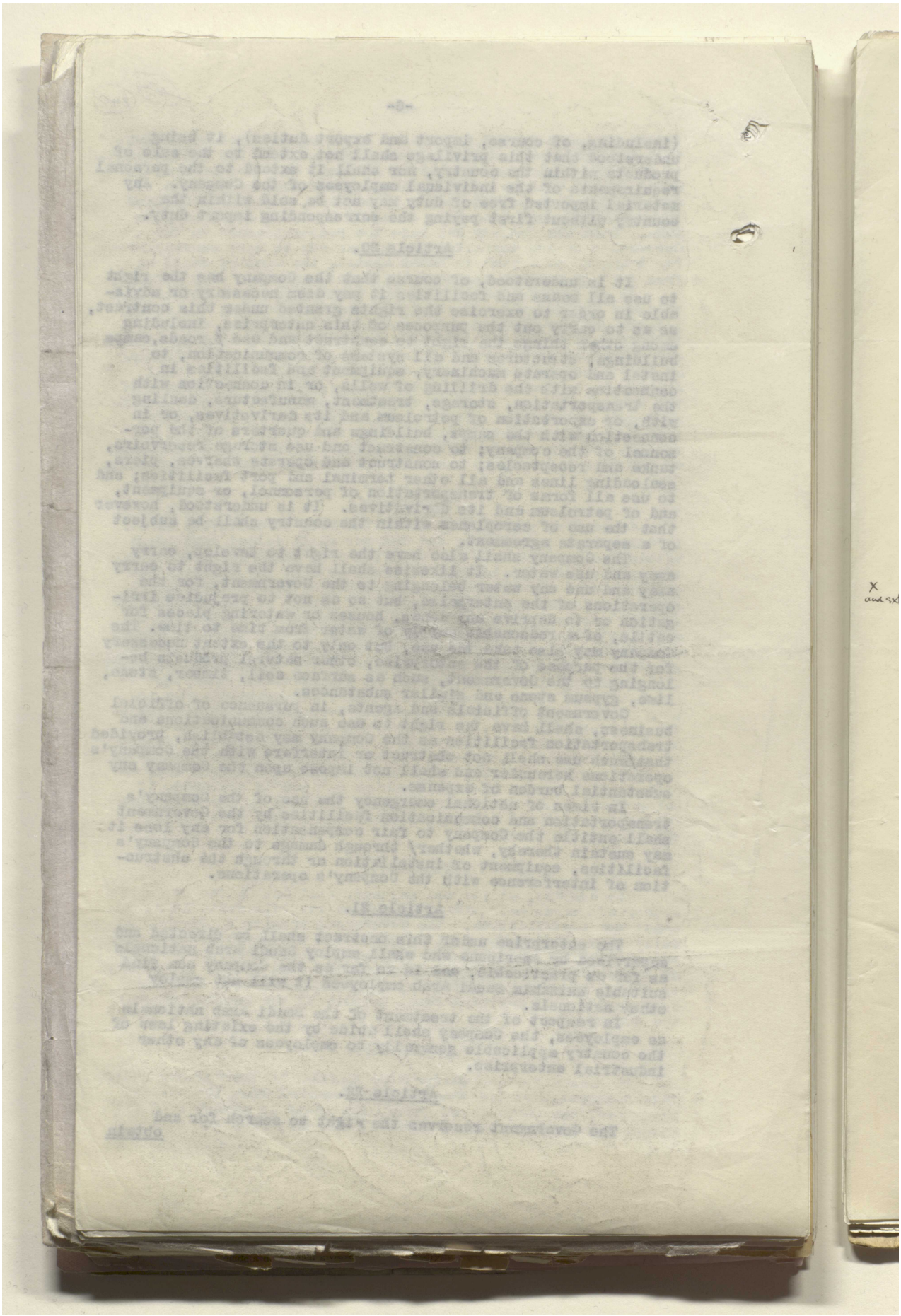

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obtain any substance or products, other than those exclusively granted under this contract, within the area covered by this agreement, except land occupied by wells or other installations of the Company, provided always that the right thus reserved by the Government shall be exercised so as not to endanger the operations of the Company or interfere with its rights hereunder, and provided also that a fair compensation shall be paid the Company by the Government for all damage the Company may sustain through the exercise of the right so reserved by the Government. In any grant of such right so reserved by the Government the concessionaire shall be bound by the provisions of this article.

Article 23.

The Company is hereby empowered by the Government to acquire from any occupant the surface rights of any land which the Company may find necessary to use in connection with the enterprise, provided that the Company shall pay the occupant for depriving him of the use of the land. The payment shall be a fair one with respect to the customary use made of the land by the occupant. The Government will lend every reasonable assistance to the Company in case of any difficulties with respect to acquiring the rights of a surface occupant.

The Company, of course, shall have no right to acquire or to occupy Holy Places.

Article 24.

The Company shall supply the Government with copies of all topographical maps and geological reports (as finally made and approved by the Company) relating to the exploration x of the area covered by this contract. The Company shall also furnish the Government, within four months after the end of each year, commencing with the date of commercial discovery of oil, a report of the operations under this contract during the year. These maps and reports shall be treated as confidential by the Government.

x and exploitation

Article 25.

No failure or ommission on the part of the Company to carry out or to perform any of the terms or conditions of the contract shall give the Government any claim against the Company, or be deemed a breach of this contract, in so far as such failure or ommission may arise from force majeaure. If through force majeure the fulfilment of any term or condition of this contract should be delayed, the period of the delay, together with such period as may be required for the restoration of any damage done during such delay, shall be added to the terms or periods fixed in this contract.

Article 26.

The Company may terminate the contract at any time by giving the Government thirty days advance notice in writing, whether by letter or by telegraph, provided that the telegraphic notice is promptly confirmed by letter. Upon the termination of this contract through such notice or through any other cause, the Government and the Company shall thereafter be free of all further obligations under this contract, except as follows:-

1. The Company's immovable property, such as roads, water or oil wells with their casings, permanent buildings and structures, etc., shall become the property of the Government free of charge.

2. The Company shall afford the Government an opportunity to purchase the movable property of the enterprise in Saudi Arabia at a fair price equal to the replacement value of such property at the time less depreciation. Any controversy about this fair price shall be settled by arbitration in the same manner as provided in article 29 of this contract. If the Government declines or fails, within two months of following

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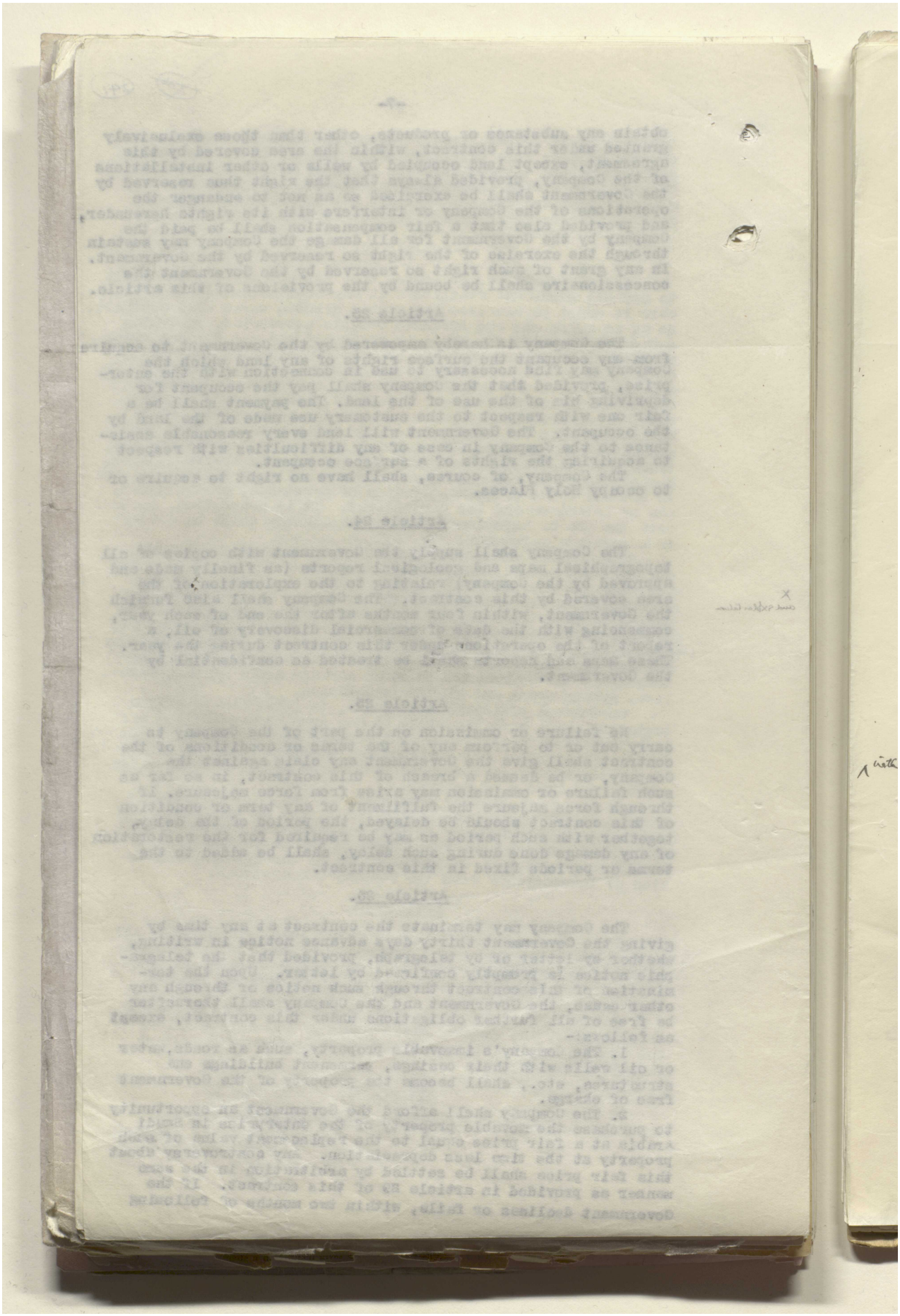

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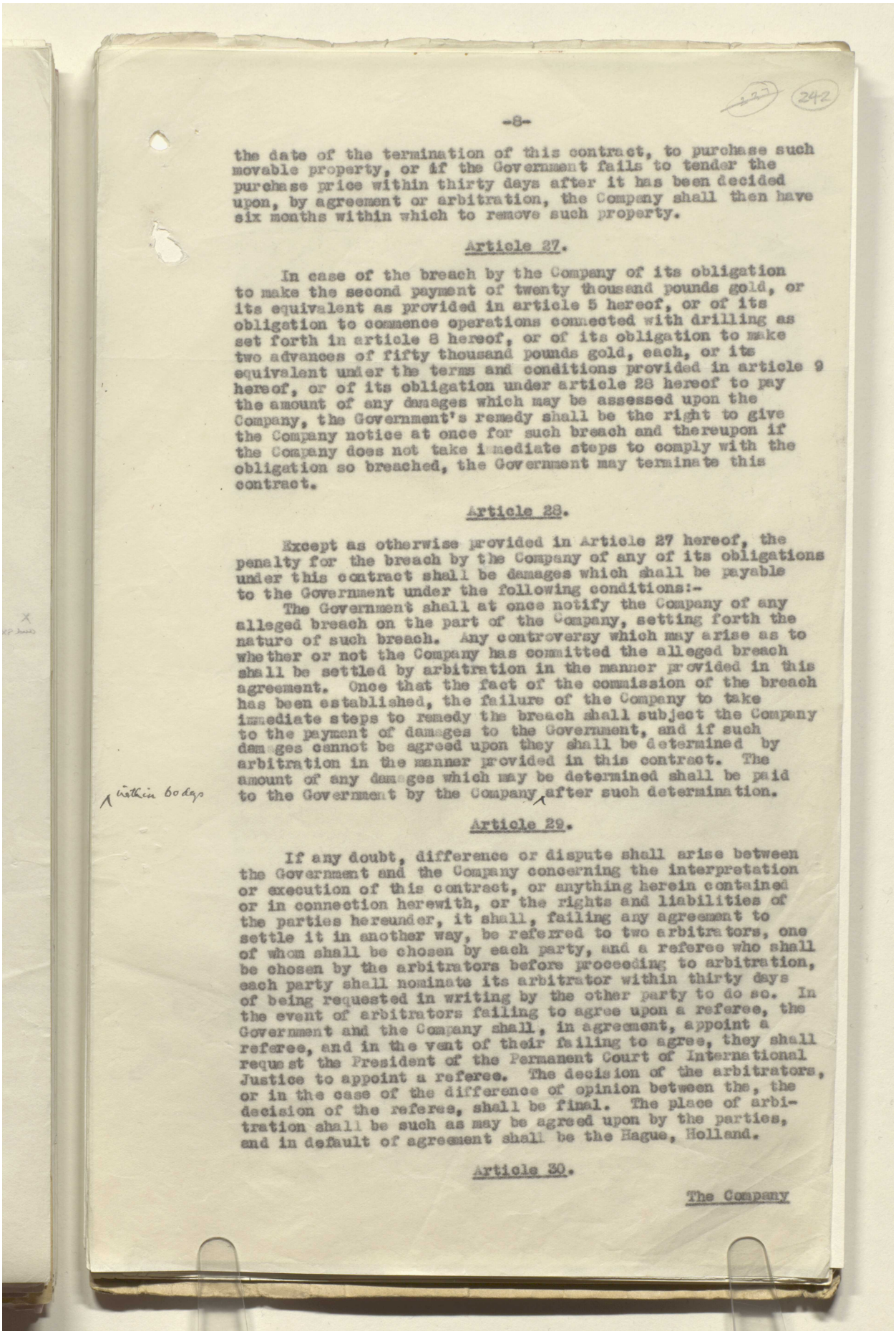

the date of the termination of this contract, to purchase such movable property, or if the Government fails to tender the purchase price within thirty days after it has been decided upon, by agreement or arbitration, the Company shall then have six months within which to remove such property.

Article 27.

In case of the breach by the Company of its obligation to make the second payment of twenty thousand pounds gold, or its equivalent as provided in article 5 hereof, or of its obligation to commence operations connected with drilling as set forth in article 8 hereof, or of its obligation to make two advances of fifty thousand pounds gold, each, or its equivalent under the terms and conditions provided in article 9 hereof, or of its obligation under article 28 hereof to pay the amount of any damages which may be assessed upon the Company, the Government's remedy shall be the right to give the Company notice at once for such breach and thereupon if the Company does not take immediate steps to comply with the obligation so breached, the Government may terminate this contract.

Article 28.

Except as otherwise provided in Article 27 hereof, the penalty for the breach by the Company of any of its obligations under this contract shall be damages which shall be payable to the Government under the following conditions:-

The Government shall at once notify the Company of any alleged breach on the part of the Company, setting forth the nature of such breach. Any controversy which may arise as to whether or not the Company has committed the alleged breach shall be settled by arbitration in the manner provided in this agreement. Once that the fact of the commission of the breach has been established, the failure of the Company to take immediate steps to remedy the breach shall subject the Company to the payment of damages to the Government, and if such damages cannot be agreed upon they shall be determined by arbitration in the manner provided in this contract. The amount of any damages which may be determined shall be paid to the Government by the Company within 60 days after such determination.

Article 29.

If any doubt, difference or dispute shall arise between the Government and the Company concerning the interpretation or execution of this contract, or anything herein contained or in connection herewith, or the rights and liabilities of the parties hereunder, it shall, failing any agreement to settle it in another way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee who shall be chosen by the arbitrators before proceeding to arbitration, each party shall nominate its arbitrator within thirty days of being requested in writing by the other party to do so. In the event of arbitrators failing to agree upon a referee, the Government and the Company shall, in agreement, appoint a referee, and in the vent of their failing to agree, they shall request the President of the Permanent Court of International Justice to appoint a referee. The decision of the arbitrators, or in the case of the difference of opinion between the, the decision of the referee, shall be final. The place of arbitration shall be such as may be agreed upon by the parties, and in default of agreement shall be the Hague, Holland.

Article 30.

The Company

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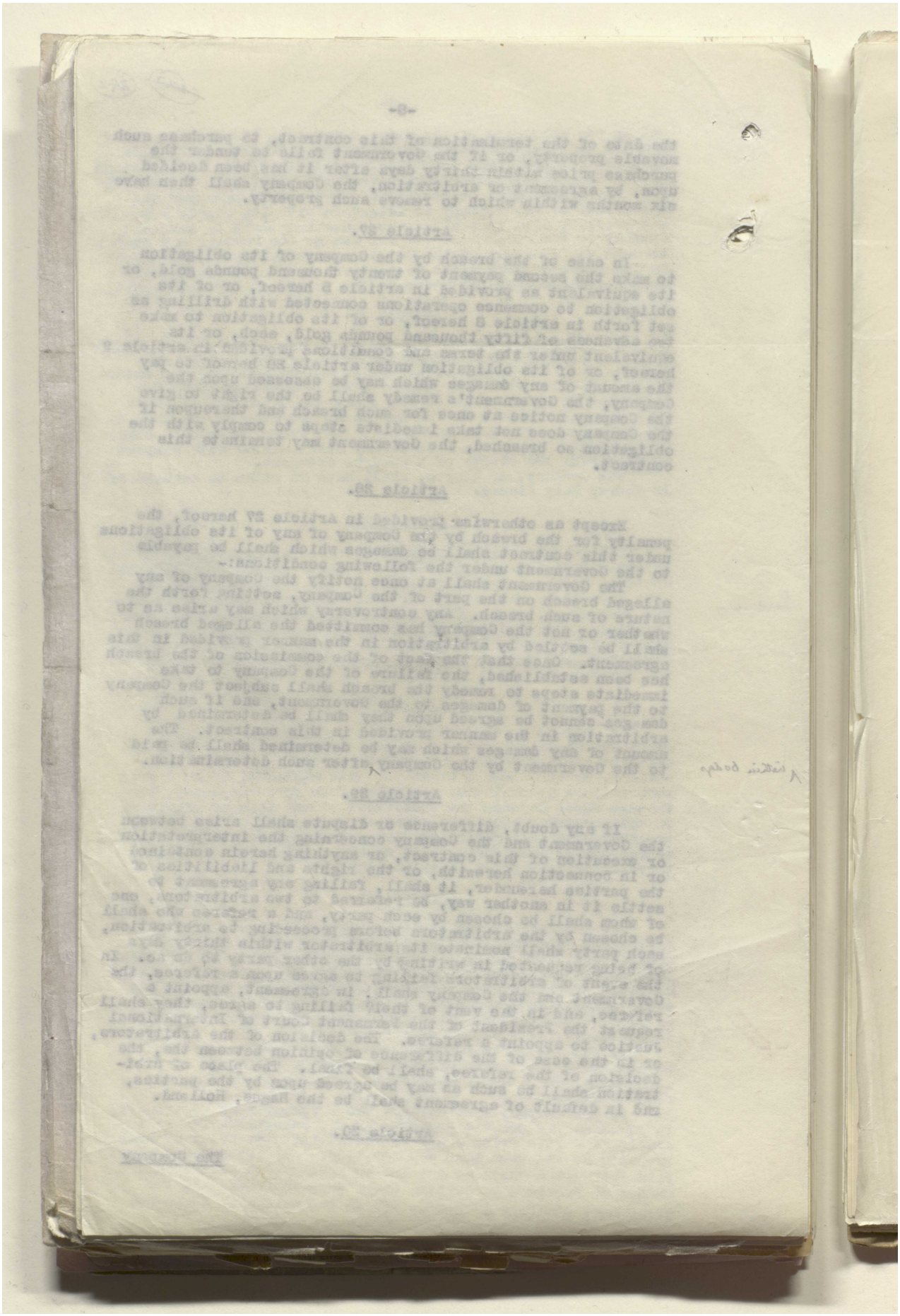

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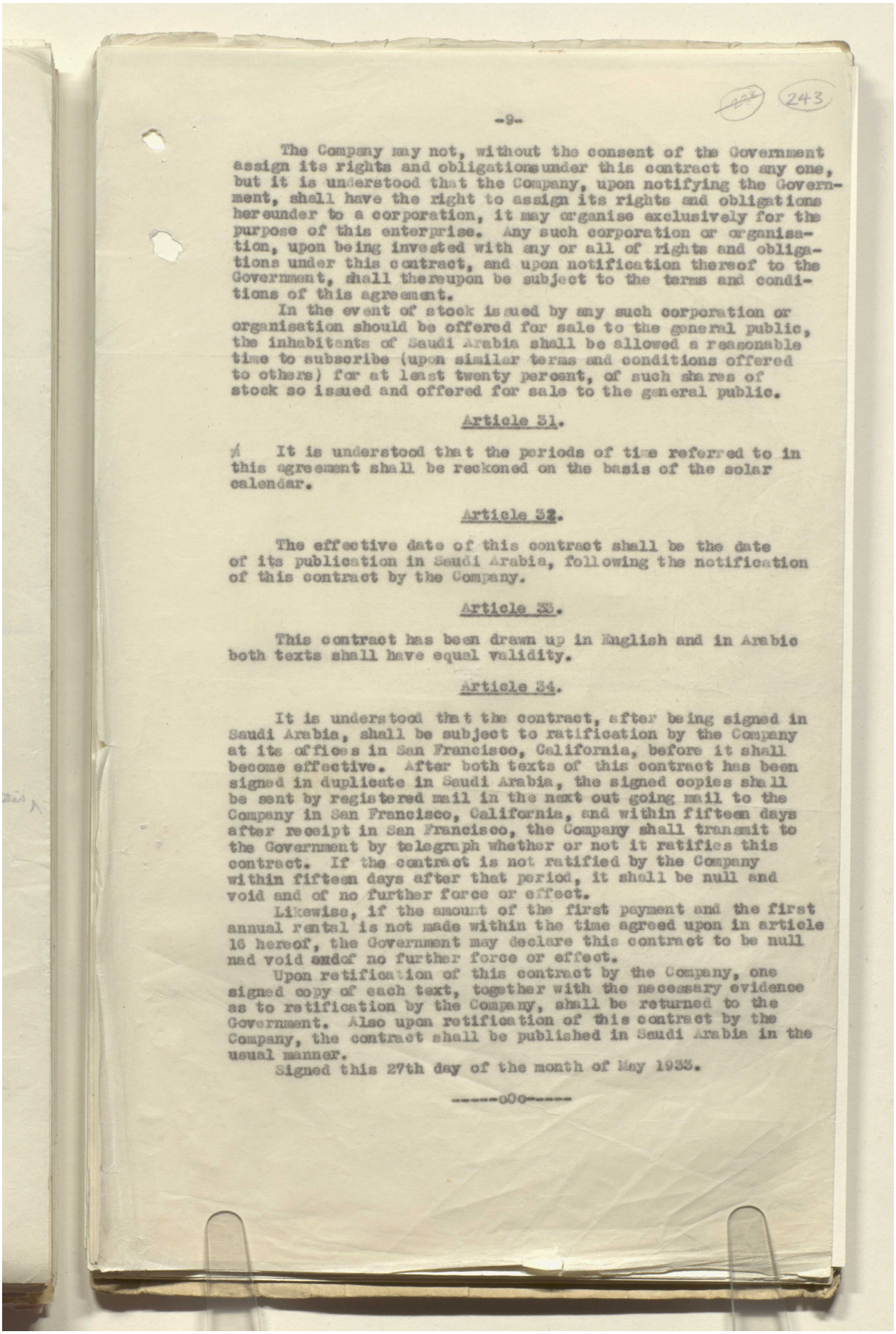

The Company may not, without the consent of the Government assign its rights and obligations under this contract to any one, but it is understood that the Company, upon notifying the Government, shall have the right to assign its rights and obligations hereunder to a corporation, it may organise exclusively for the purpose of this enterprise. Any such corporation or organisation, upon being invested with any or all of rights and obligations under this contract, and upon notification thereof to the Government, shall thereupon be subject to the terms and conditions of this agreement.

In the event of stock issued by any such corporation or organisation should be offered for sale to the general public, the inhabitants of Saudi Arabia shall be allowed a reasonable time to subscribe (upon similar terms and conditions offered to others) for at least twenty percent, of such shares of stock so issued and offered for sale to the general public.

Article 31.

It is understood that the periods of time referred to in this agreement shall be reckoned on the basis of the solar calendar.

Article 32.

The effective date of this contract shall be the date of its publication in Saudi Arabia, following the notification of this contract by the Company.

Article 33.

This contract has been drawn up in English and in Arabic both texts shall have equal validity.

Article 34.

It is understood that the contract, after being signed in Saudi Arabia, shall be subject to ratification by the Company at its offices in San Francisco, California, before it shall become effective. After both texts of this contract has been signed in duplicate in Saudi Arabia, the signed copies shall be sent by registered mail in the next out going mail to the Company in San Francisco, California, and within fifteen days after receipt in San Francisco, the Company shall transmit to the Government by telegraph whether or not it ratifies this contract. If the contract is not ratified by the Company within fifteen days after that period, it shall be null and void and of no further force or effect.

Likewise, if the amount of the first payment and the first annual rental is not made within the time agreed upon in article 16 hereof, the Government may declare this contract to be null nad void andof no further force or effect.

Upon retification of this contract by the Company, one signed copy of each text, together with the necessary evidence as to retification by the Company, shall be returned to the Government. Also upon retification of this contract by the Company, the contract shall be published in Saudi Arabia in the usual manner.

Signed this 27th day of the month of May 1933.

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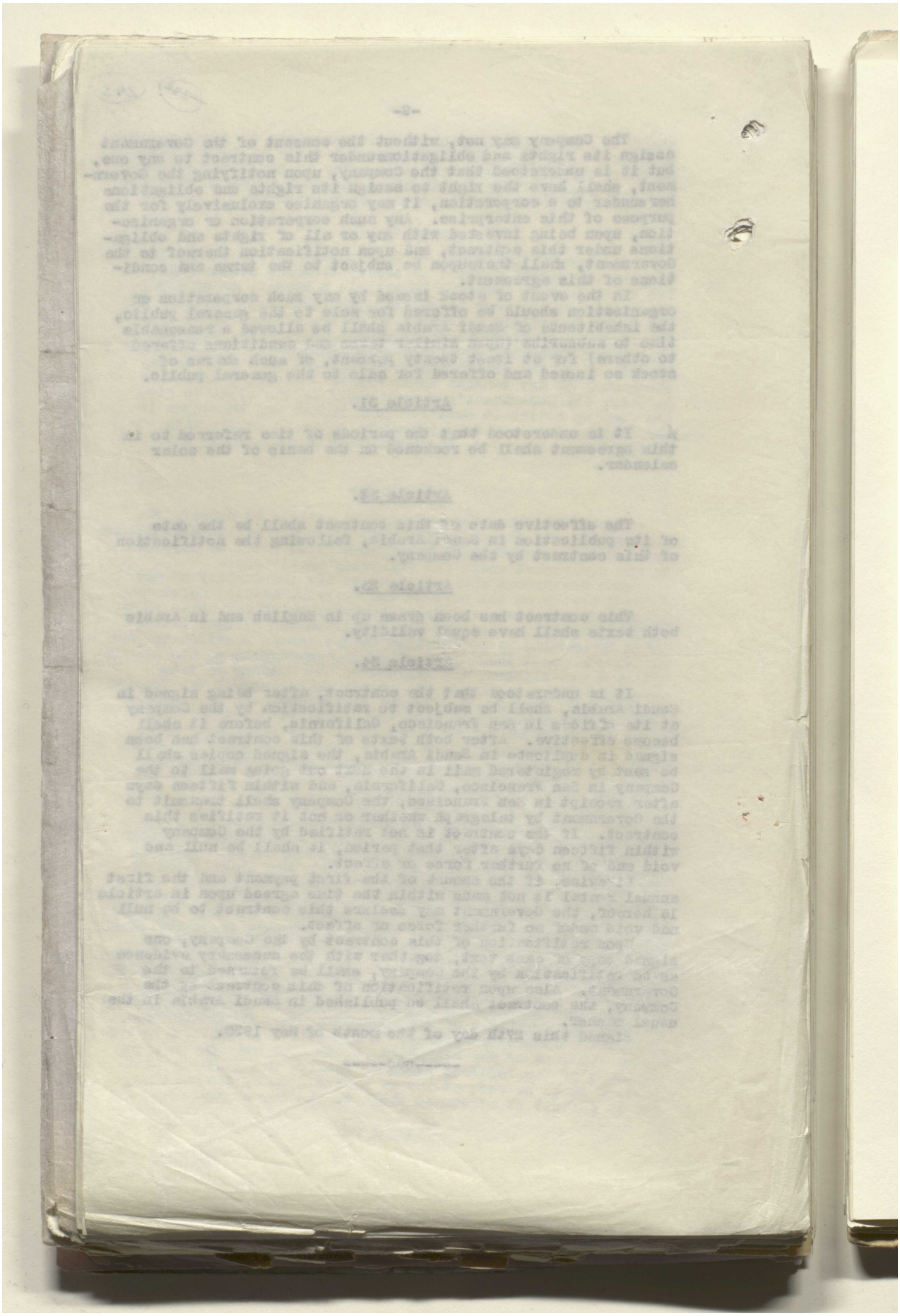

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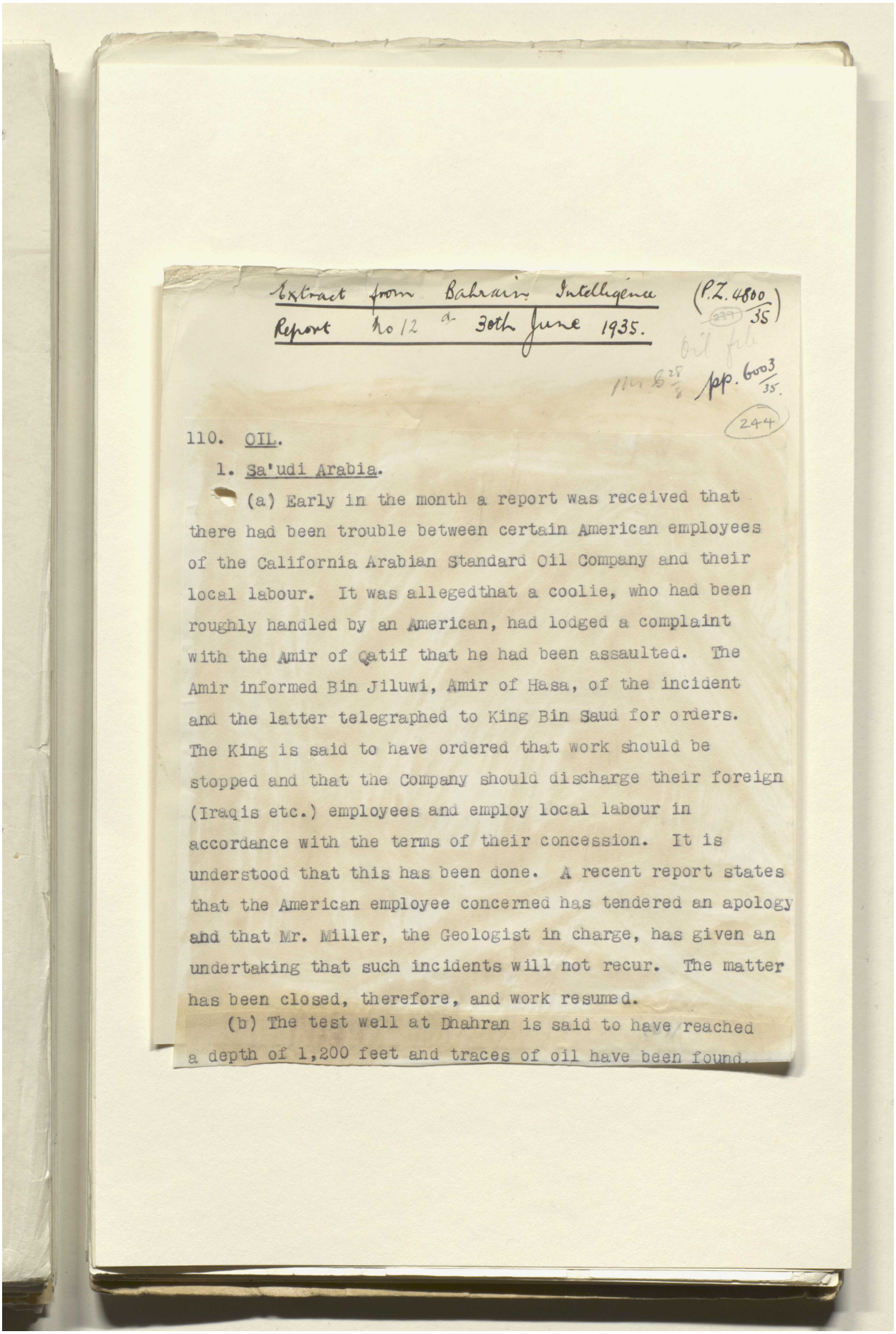

Extract from Bahrain Intelligence Report No 12 of 30th June 1935. (P.Z. 4800/35)

Oil file

pp. 6003/35.

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110. OIL.

1. Sa'udi Arabia.

(a) Early in the month a report was received that there had been trouble between certain American employees of the California Arabian Standard Oil Company and their local labour. It was allegedthat a coolie, who had been roughly handled by an American, had lodged a complaint with the Amir of Qatif that he had been assaulted. The Amir informed Bin Jiluwi, Amir of Hasa, of the incident and the latter telegraphed to King Bin Saud for orders. The King is said to have ordered that work should be stopped and that the Company should discharge their foreign (Iraqis etc.) employees and employ local labour in accordance with the terms of their concession. It is understood that this has been done. A recent report states that the American employee concerned has tendered an apology and that Mr. Miller, the Geologist in charge, has given an undertaking that such incidents will not recur. The matter has been closed, therefore, and work resumed.

(b) The test well at Dhahran is said to have reached a depth of 1,200 feet and traces of oil have been found.

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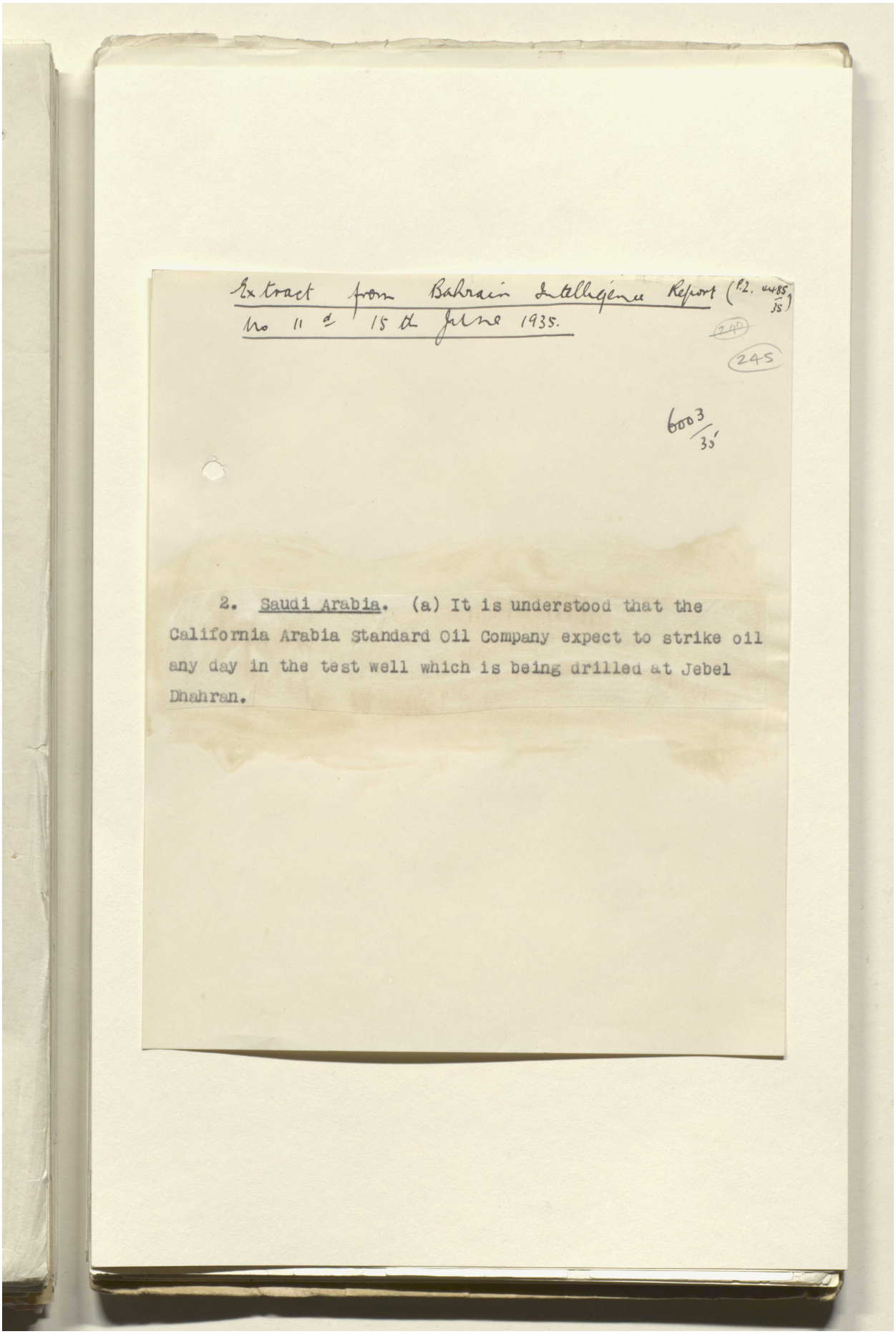

Extract from Bahrain Intelligence Report (P.2. 4485/35)
No 11 of 15th June 1935.

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6003/35

2. Saudi Arabia. (a) It is understood that the California Arabia Standard Oil Company expect to strike oil any day in the test well which is being drilled at Jebel Dhahran.

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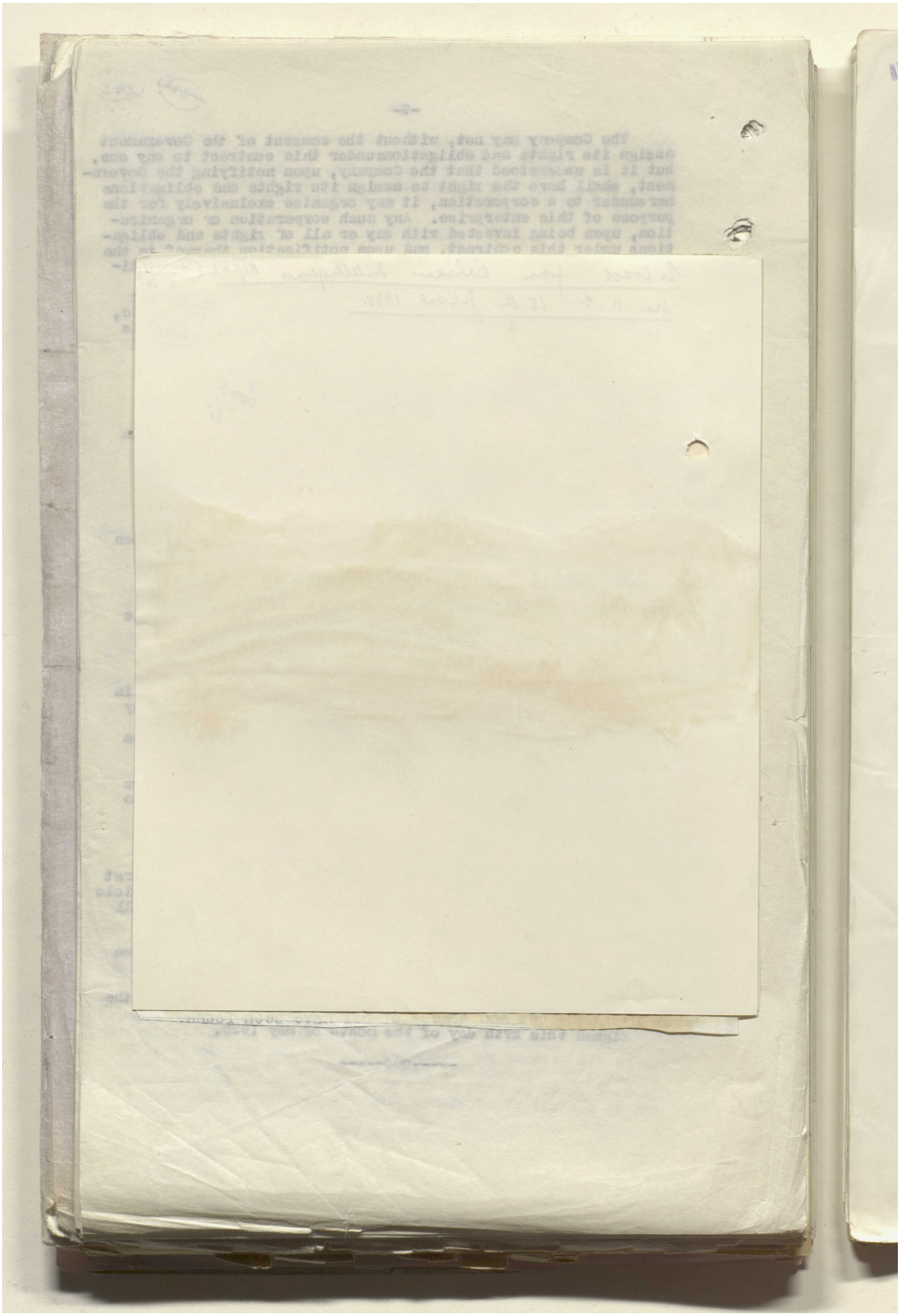

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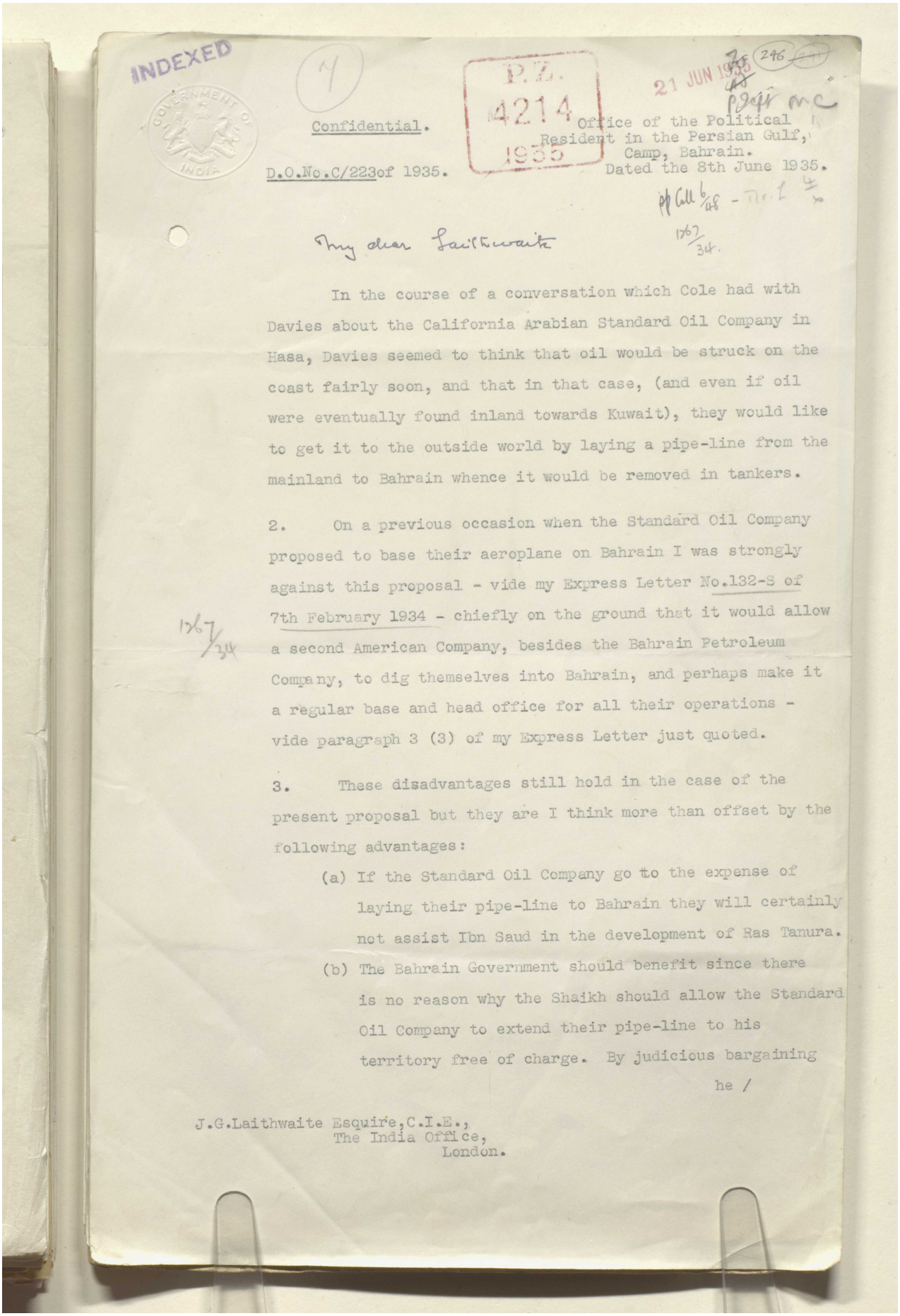

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P.Z. 4214 1935

21 JUN 1935

Confidential.

D.O.No.C/223of 1935.

Office of the Political Resident in the Persian Gulf, Camp, Bahrain.
Dated the 8th June 1935.

My dear Laithwaite

In the course of a conversation which Cole had with Davies about the California Arabian Standard Oil Company in Hasa, Davies seemed to think that oil would be struck on the coast fairly soon, and that in that case, (and even if oil were eventually found inland towards Kuwait), they would like to get it to the outside world by laying a pipe-line from the mainland to Bahrain whence it would be removed in tankers.

2. On a previous occasion when the Standard Oil Company proposed to base their aeroplane on Bahrain I was strongly against this proposal - vide my Express Letter No.132-S of 7th February 1934 - chiefly on the ground that it would allow a second American Company, besides the Bahrain Petroleum Company, to dig themselves into Bahrain, and perhaps make it a regular base and head office for all their operations - vide paragraph 3 (3) of my Express Letter just quoted.

3. These disadvantages still hold in the case of the present proposal but they are I think more than offset by the following advantages:

(a) If the Standard Oil Company go to the expense of laying their pipe-line to Bahrain they will certainly not assist Ibn Saud in the development of Ras Tanura.

(b) The Bahrain Government should benefit since there is no reason why the Shaikh should allow the Standard Oil Company to extend their pipe-line to his territory free of charge. By judicious bargaining

he /

J.G.Laithwaite Esquire,C.I.E.,
The India Office,
London.

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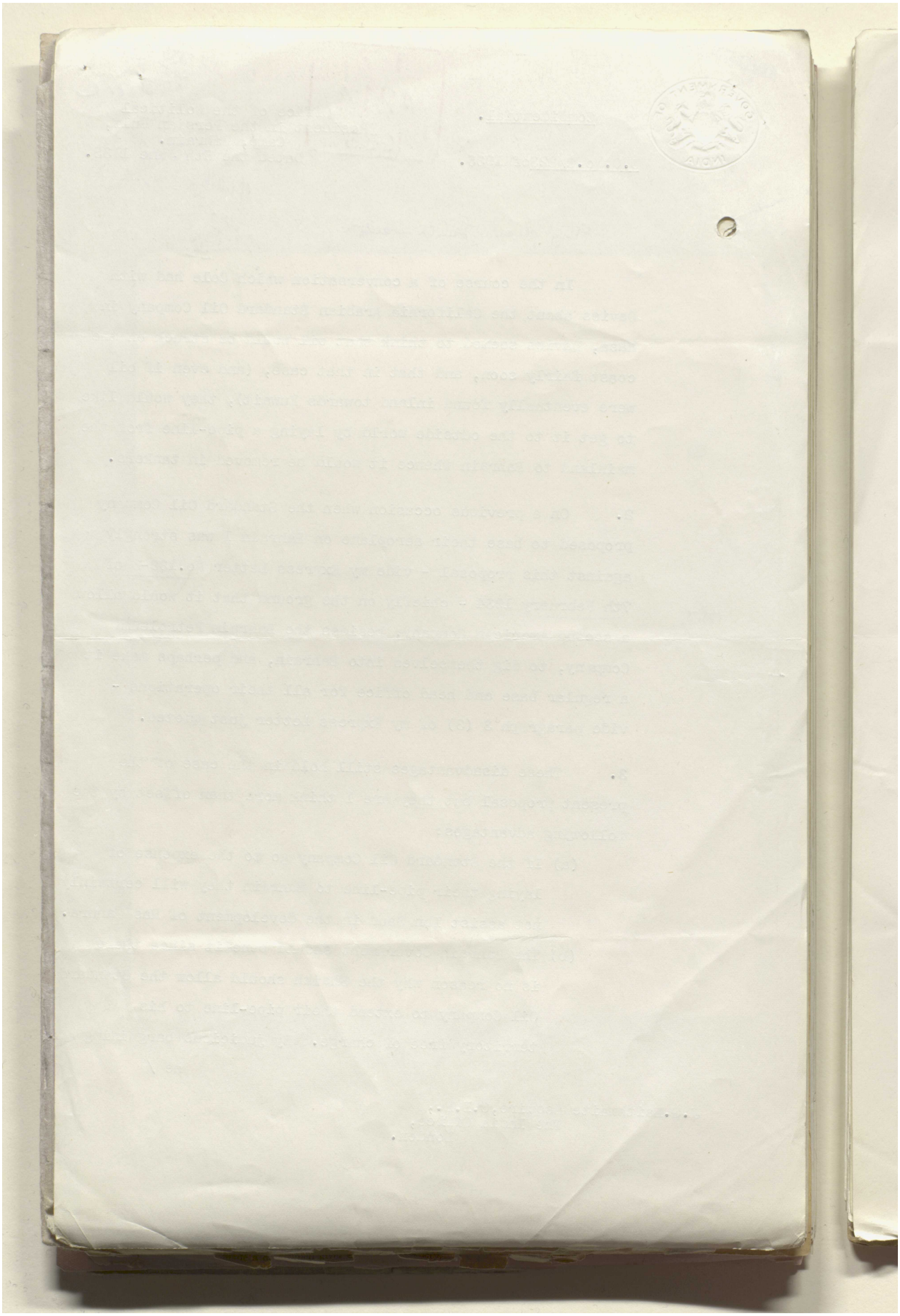

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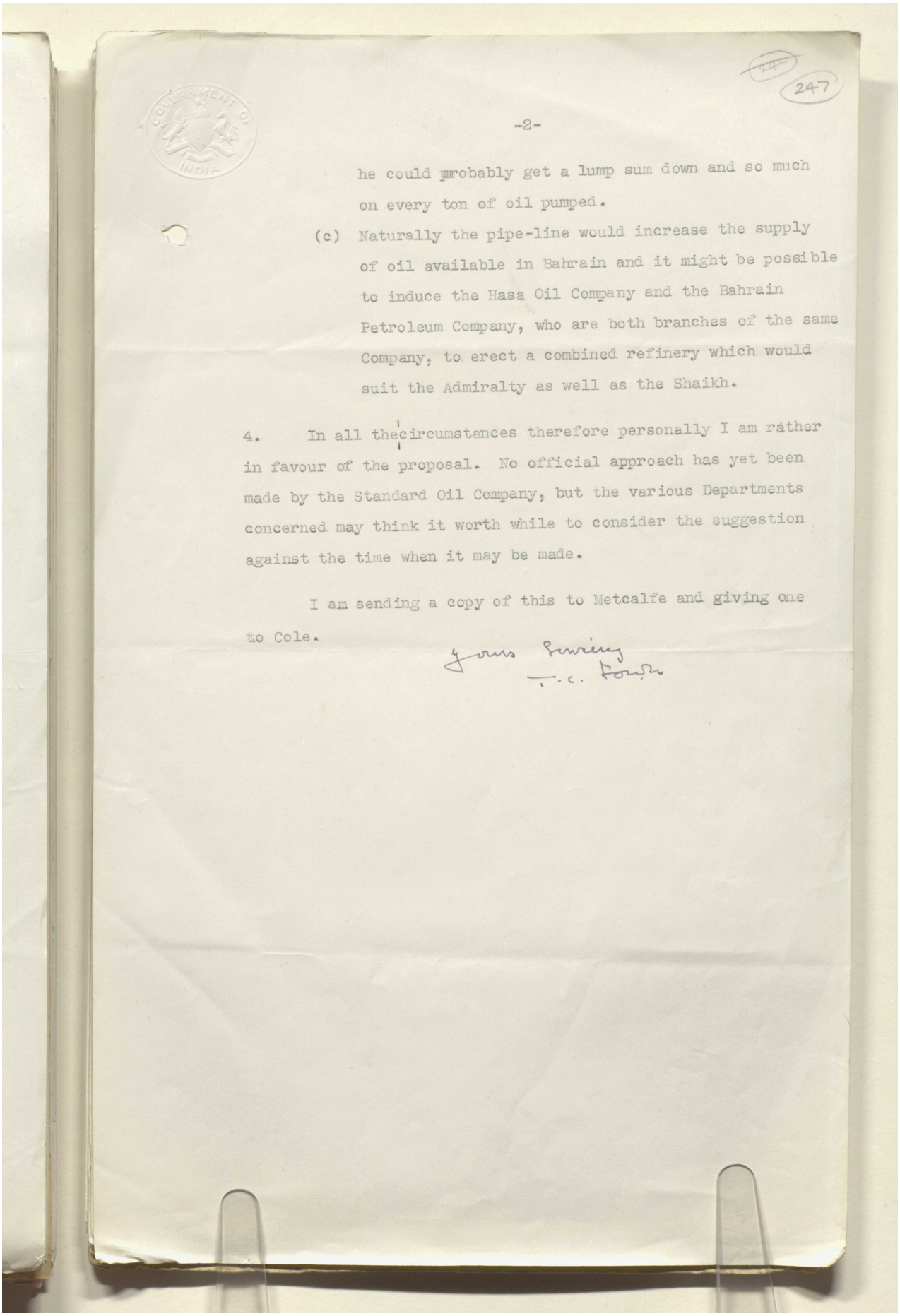

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-2-

he could probably get a lump sum down and so much on every ton of oil pumped.

(c) Naturally the pipe-line would increase the supply of oil available in Bahrain and it might be possible to induce the Hasa Oil Company and the Bahrain Petroleum Company, who are both branches of the same Company, to erect a combined refinery which would suit the Admiralty as well as the Shaikh.

4. In all the circumstances therefore personally I am rather in favour of the proposal. No official approach has yet been made by the Standard Oil Company, but the various Departments concerned may think it worth while to consider the suggestion against the time when it may be made.

I am sending a copy of this to Metcalfe and giving one to Cole.

Yours sincerely
T.C. Fowle

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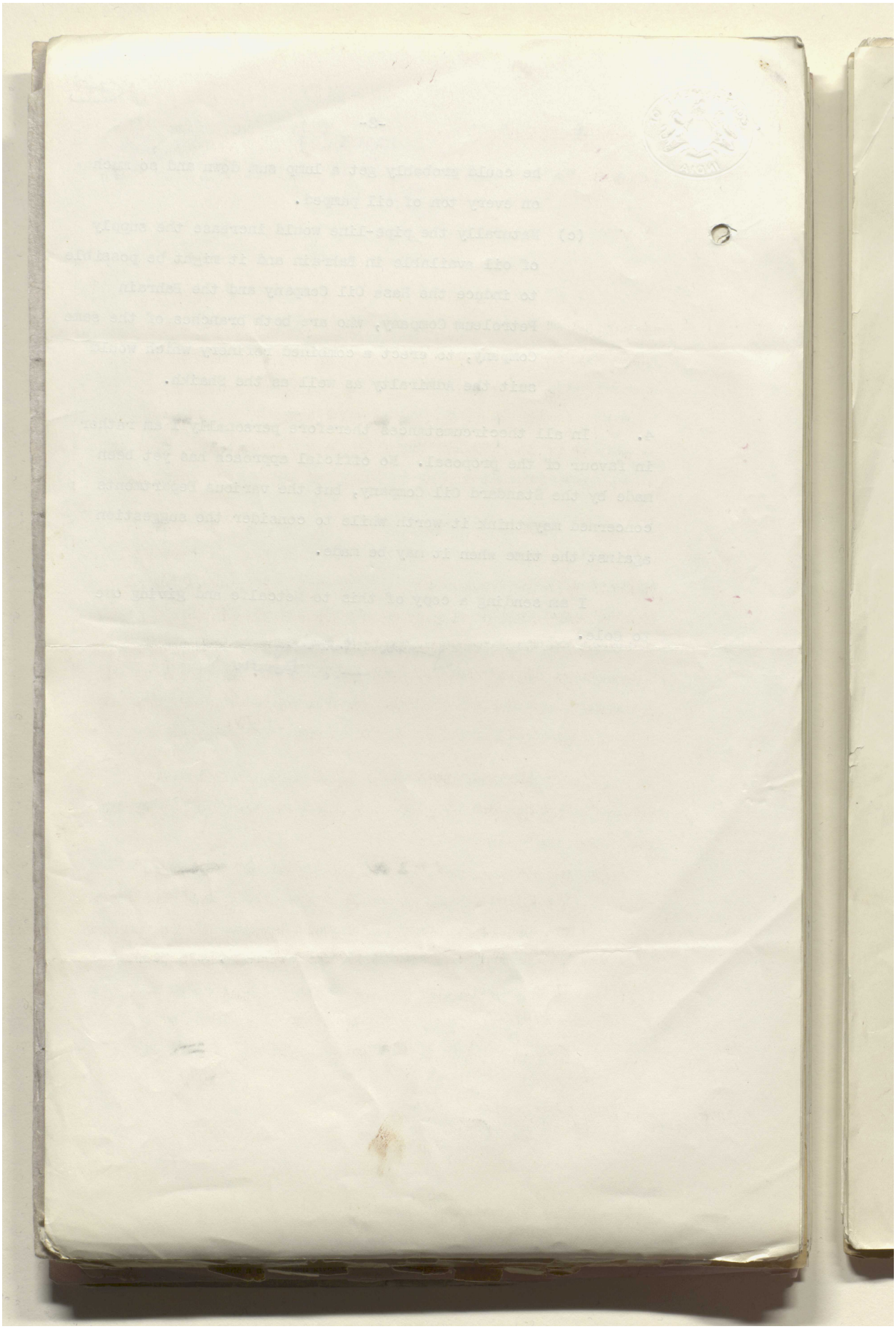

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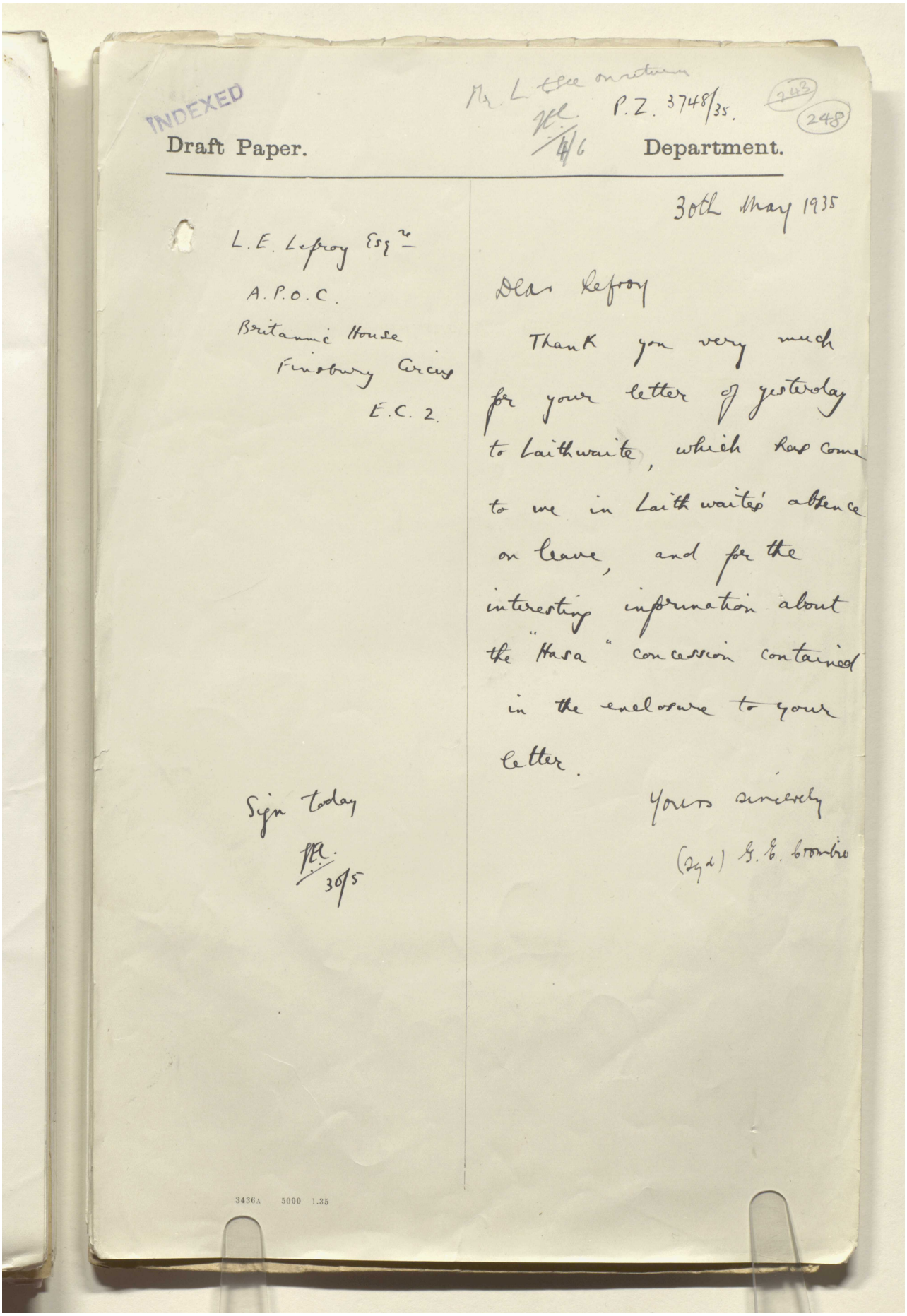

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Mr. L. to see on return
[illegible] 4/6 P.Z. 3748/35. (243) (248)

Draft Paper. Department.

30th May 1935

L.E. Lefroy Esqre
A.P.O.C.
Britannic House
Finsbury Circus
E.C. 2.

Dear Lefroy

Thank you very much for your letter of yesterday to Laithwaite, which has come to me in Laithwaite's absence on leave, and for the interesting information about the "Hasa" concession contained in the enclosure to your letter.

Yours sincerely
(Sgd) G. E. Crombie

Sign today
[illegible] 30/5

3436A 5000 1.35

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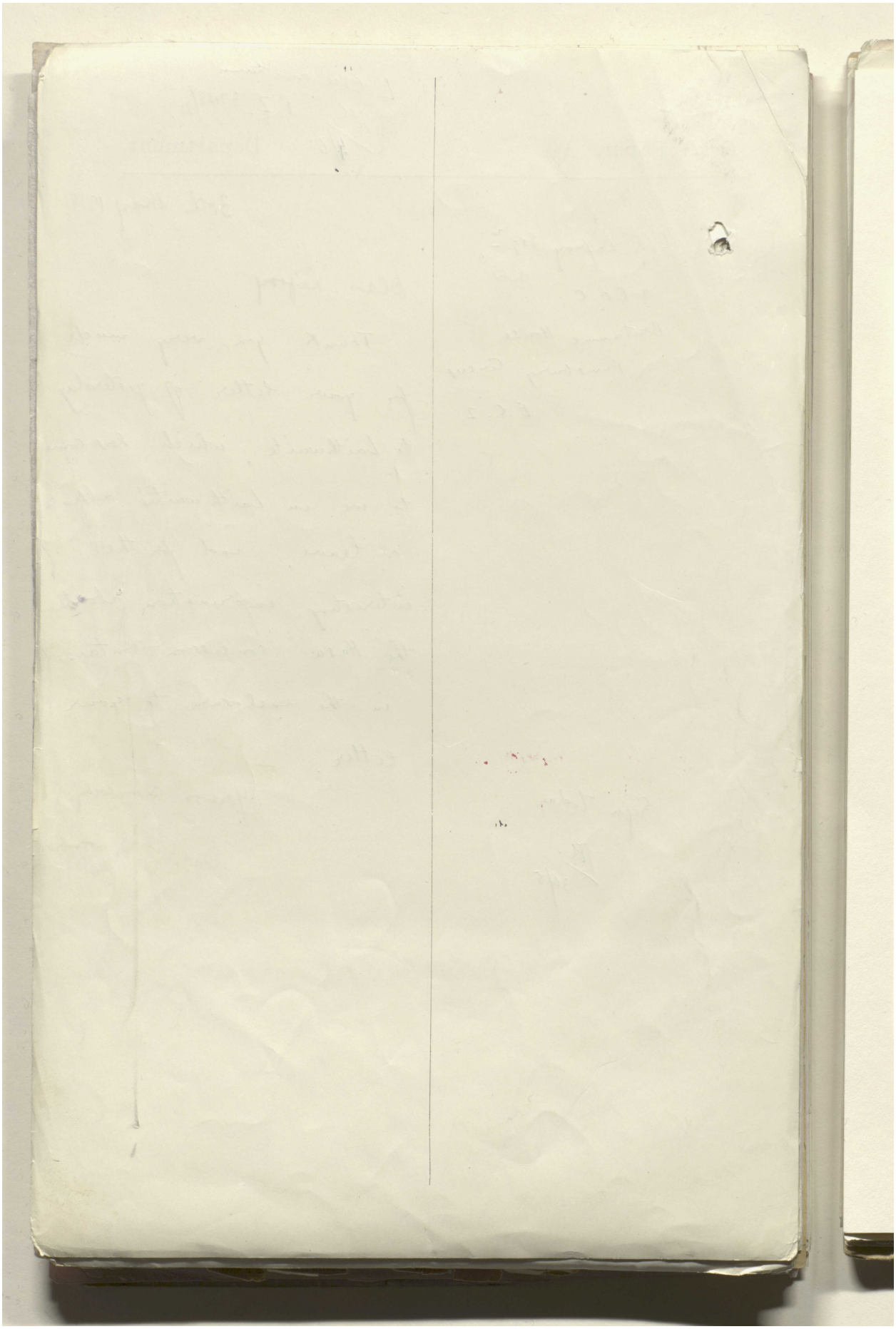

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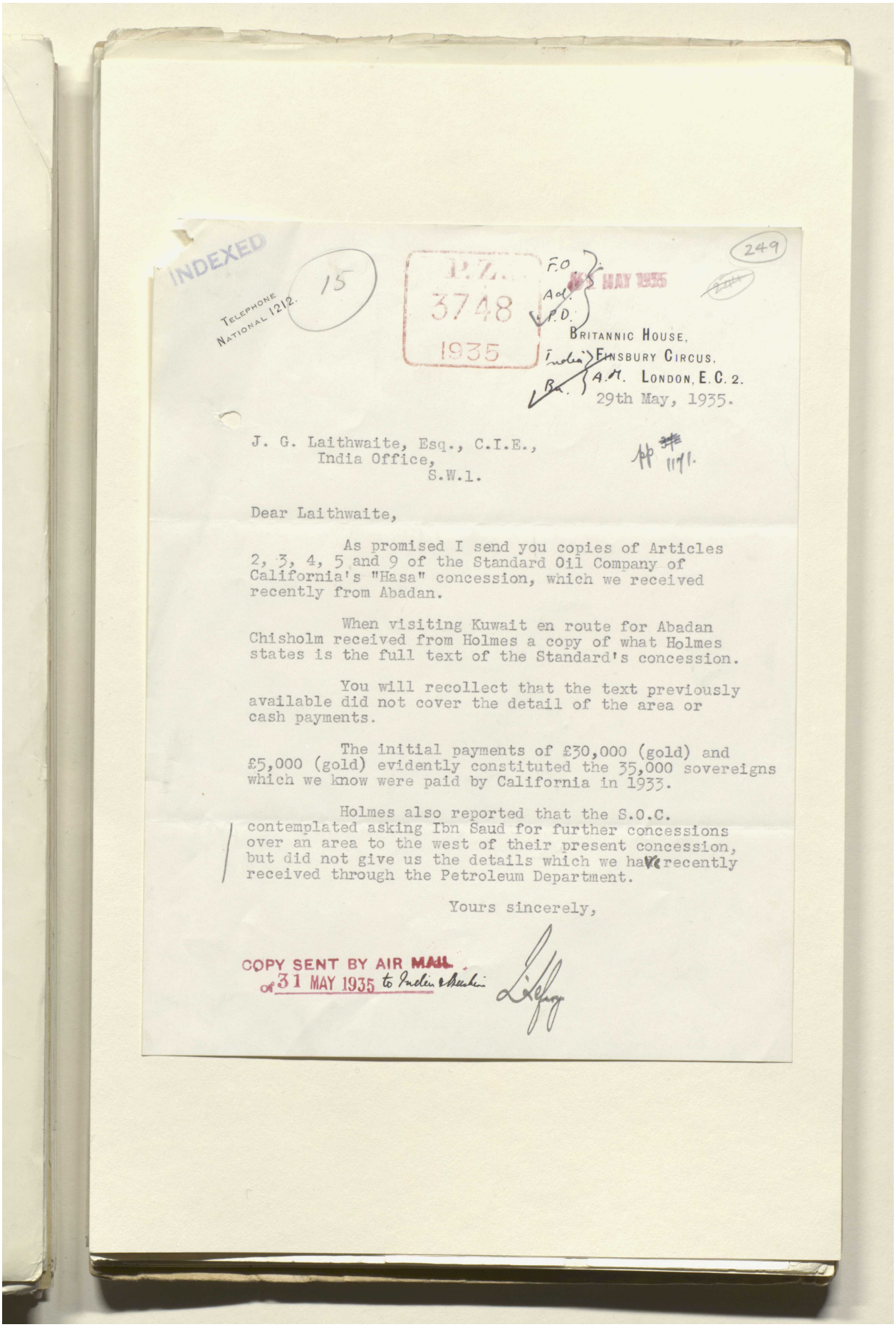

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P.Z. 3748 1935

F.O. Ad. P.D. India Ba.

MAY 1935

TELEPHONE NATIONAL 1212.

BRITANNIC HOUSE,
FINSBURY CIRCUS,
A.M. LONDON, E.C. 2.

29th May, 1935.

J. G. Laithwaite, Esq., C.I.E.,
India Office,
S.W.1.

pp 1171.

Dear Laithwaite,

As promised I send you copies of Articles 2, 3, 4, 5 and 9 of the Standard Oil Company of California's "Hasa" concession, which we received recently from Abadan.

When visiting Kuwait en route for Abadan Chisholm received from Holmes a copy of what Holmes states is the full text of the Standard's concession.

You will recollect that the text previously available did not cover the detail of the area or cash payments.

The initial payments of £30,000 (gold) and £5,000 (gold) evidently constituted the 35,000 sovereigns which we know were paid by California in 1933.

Holmes also reported that the S.O.C. contemplated asking Ibn Saud for further concessions over an area to the west of their present concession, but did not give us the details which we have recently received through the Petroleum Department.

Yours sincerely,

L. Lefroy

COPY SENT BY AIR MAIL
of 31 MAY 1935 to Indian & Bahrain

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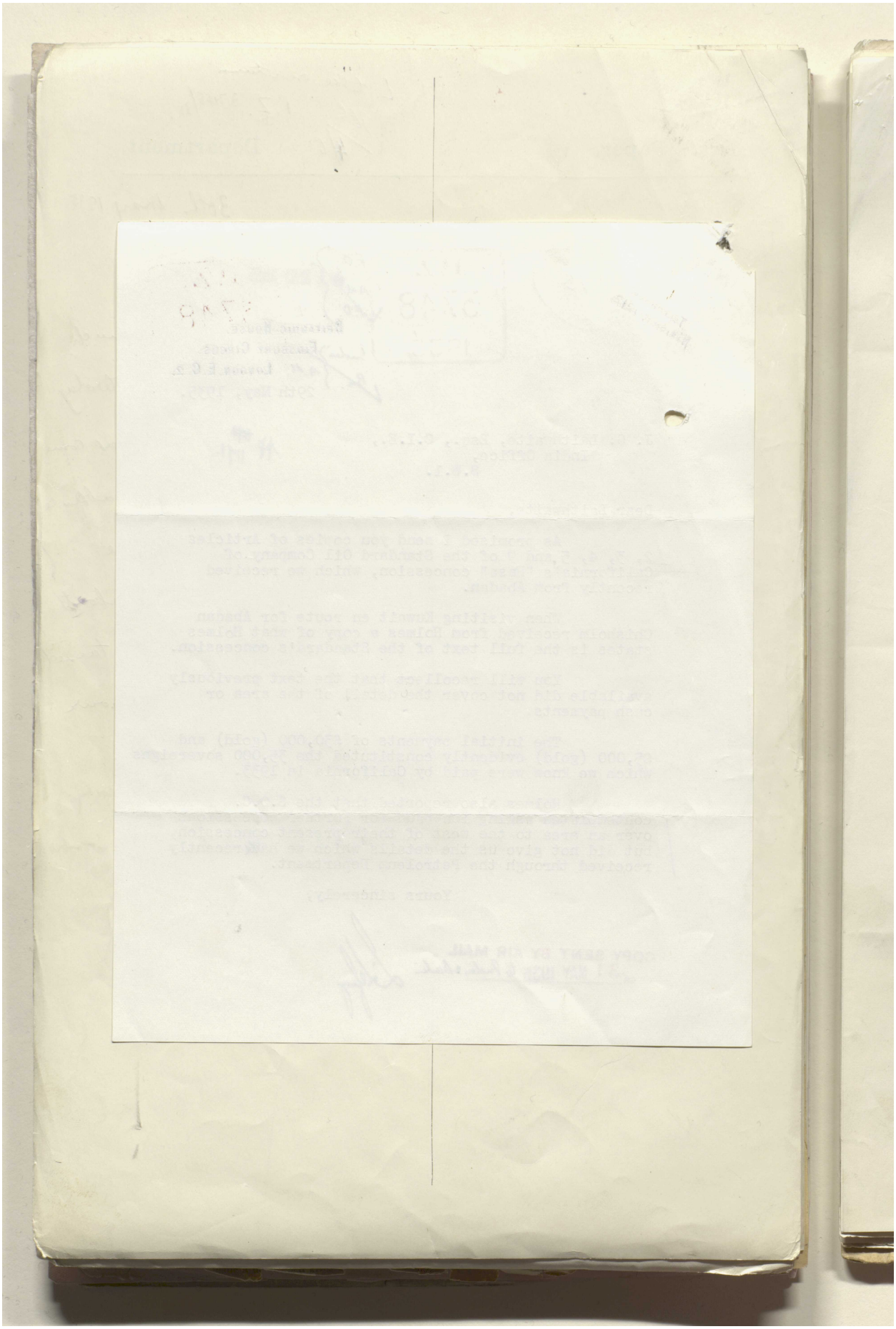

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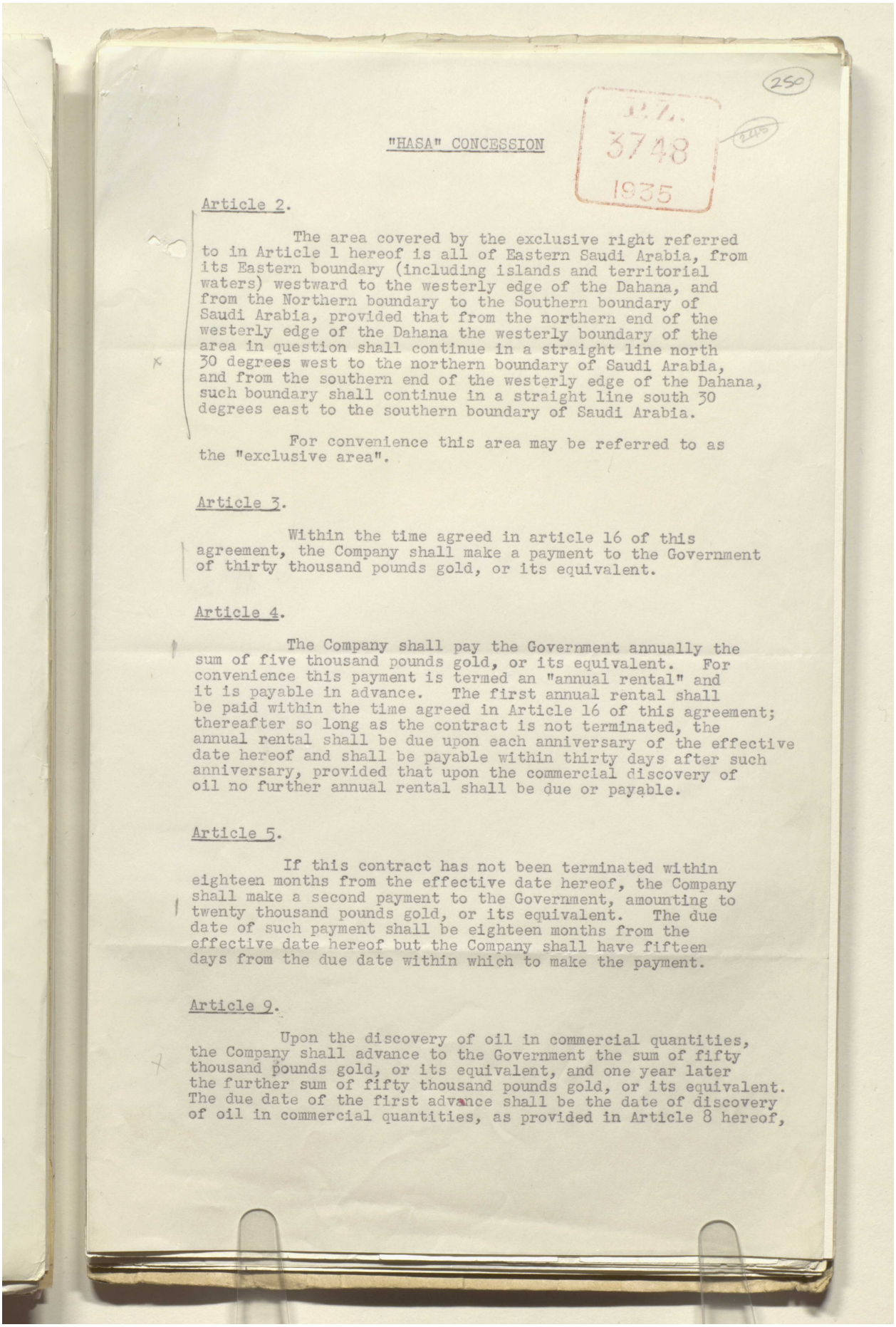

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P.Z. 3748 1935

"HASA" CONCESSION

Article 2.

The area covered by the exclusive right referred to in Article 1 hereof is all of Eastern Saudi Arabia, from its Eastern boundary (including islands and territorial waters) westward to the westerly edge of the Dahana, and from the Northern boundary to the Southern boundary of Saudi Arabia, provided that from the northern end of the westerly edge of the Dahana the westerly boundary of the area in question shall continue in a straight line north 30 degrees west to the northern boundary of Saudi Arabia, and from the southern end of the westerly edge of the Dahana, such boundary shall continue in a straight line south 30 degrees east to the southern boundary of Saudi Arabia.

For convenience this area may be referred to as the "exclusive area".

Article 3.

Within the time agreed in article 16 of this agreement, the Company shall make a payment to the Government of thirty thousand pounds gold, or its equivalent.

Article 4.

The Company shall pay the Government annually the sum of five thousand pounds gold, or its equivalent. For convenience this payment is termed an "annual rental" and it is payable in advance. The first annual rental shall be paid within the time agreed in Article 16 of this agreement; thereafter so long as the contract is not terminated, the annual rental shall be due upon each anniversary of the effective date hereof and shall be payable within thirty days after such anniversary, provided that upon the commercial discovery of oil no further annual rental shall be due or payable.

Article 5.

If this contract has not been terminated within eighteen months from the effective date hereof, the Company shall make a second payment to the Government, amounting to twenty thousand pounds gold, or its equivalent. The due date of such payment shall be eighteen months from the effective date hereof but the Company shall have fifteen days from the due date within which to make the payment.

Article 9.

Upon the discovery of oil in commercial quantities, the Company shall advance to the Government the sum of fifty thousand pounds gold, or its equivalent, and one year later the further sum of fifty thousand pounds gold, or its equivalent. The due date of the first advance shall be the date of discovery of oil in commercial quantities, as provided in Article 8 hereof,

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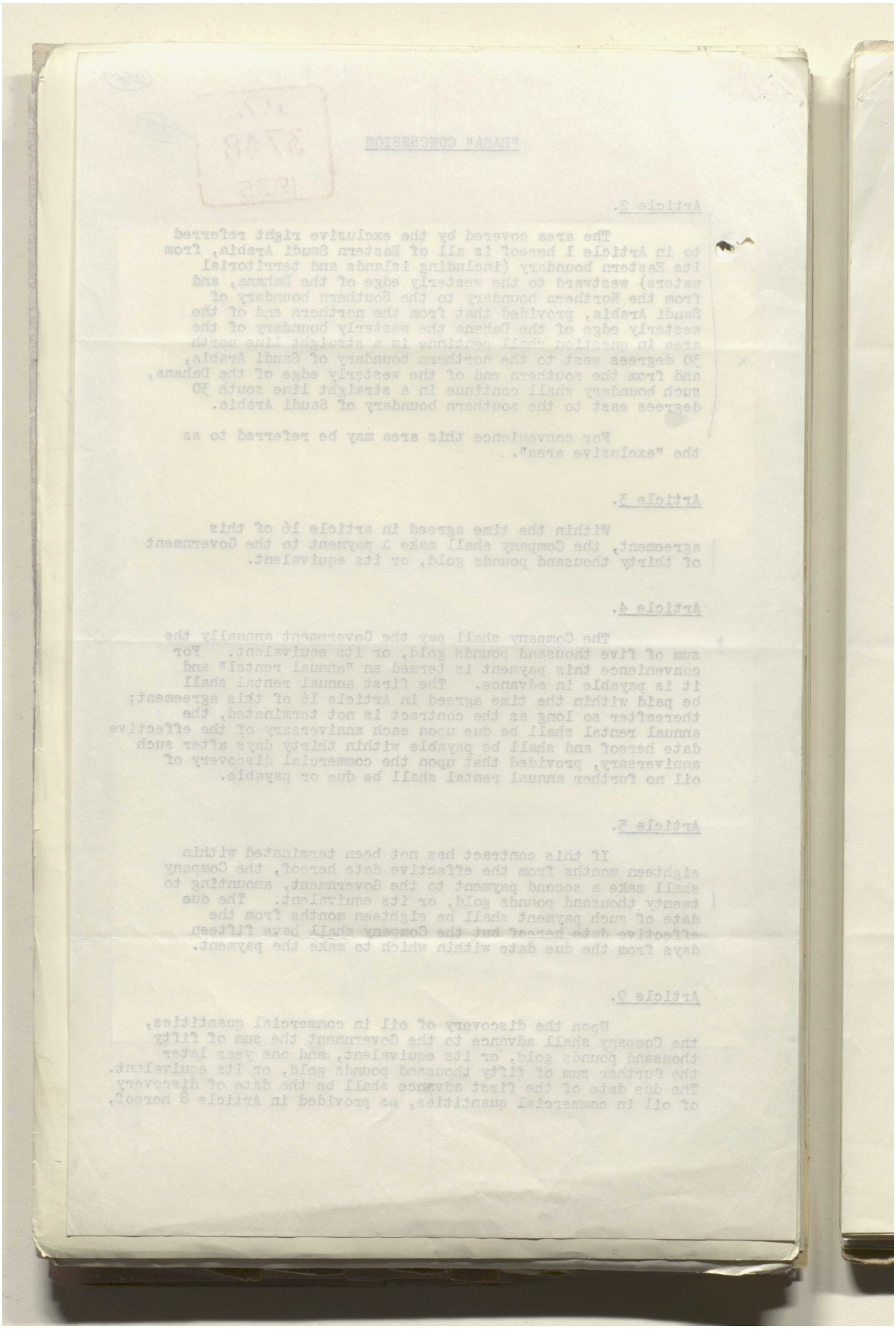

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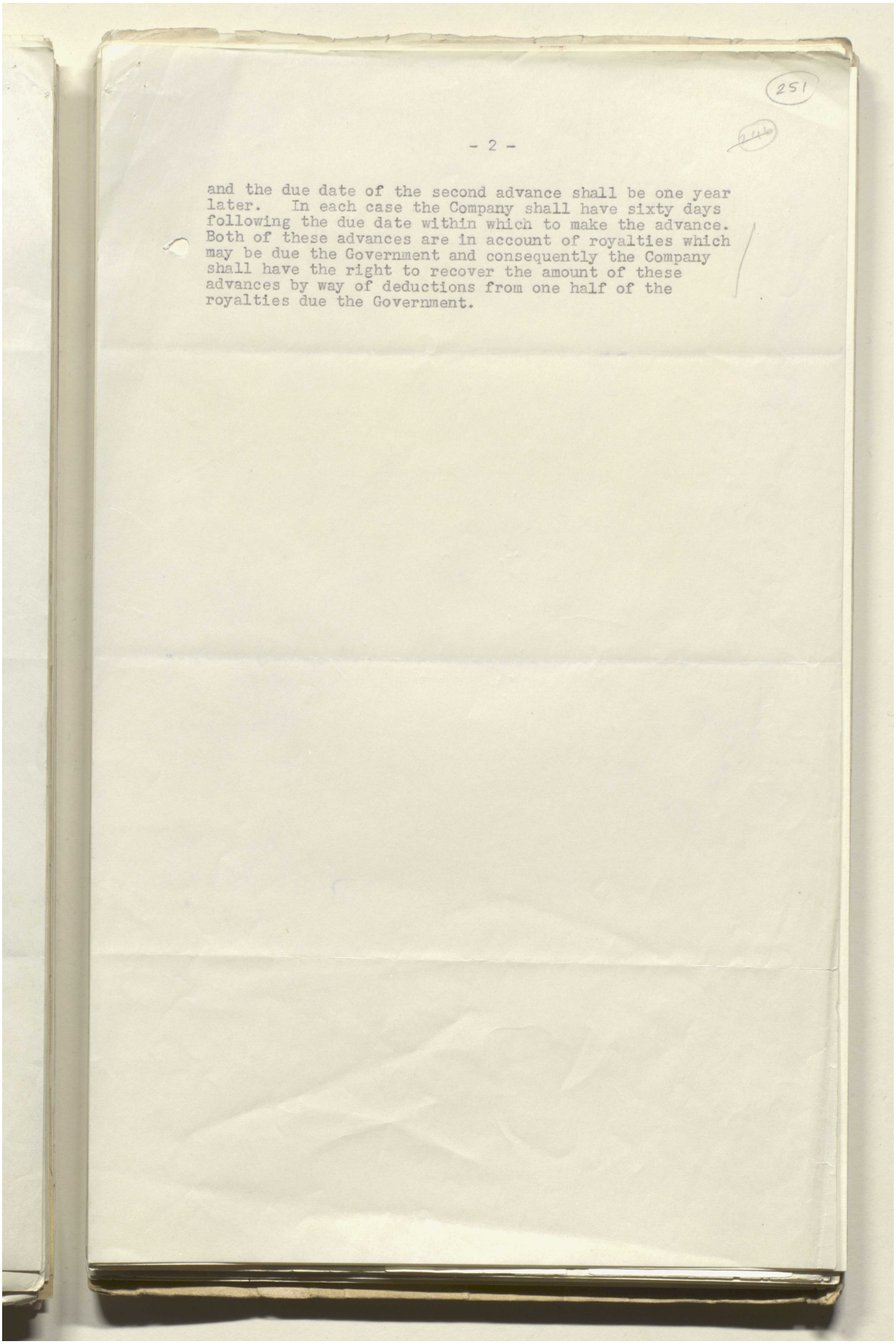

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and the due date of the second advance shall be one year later. In each case the Company shall have sixty days following the due date within which to make the advance. Both of these advances are in account of royalties which may be due the Government and consequently the Company shall have the right to recover the amount of these advances by way of deductions from one half of the royalties due the Government.

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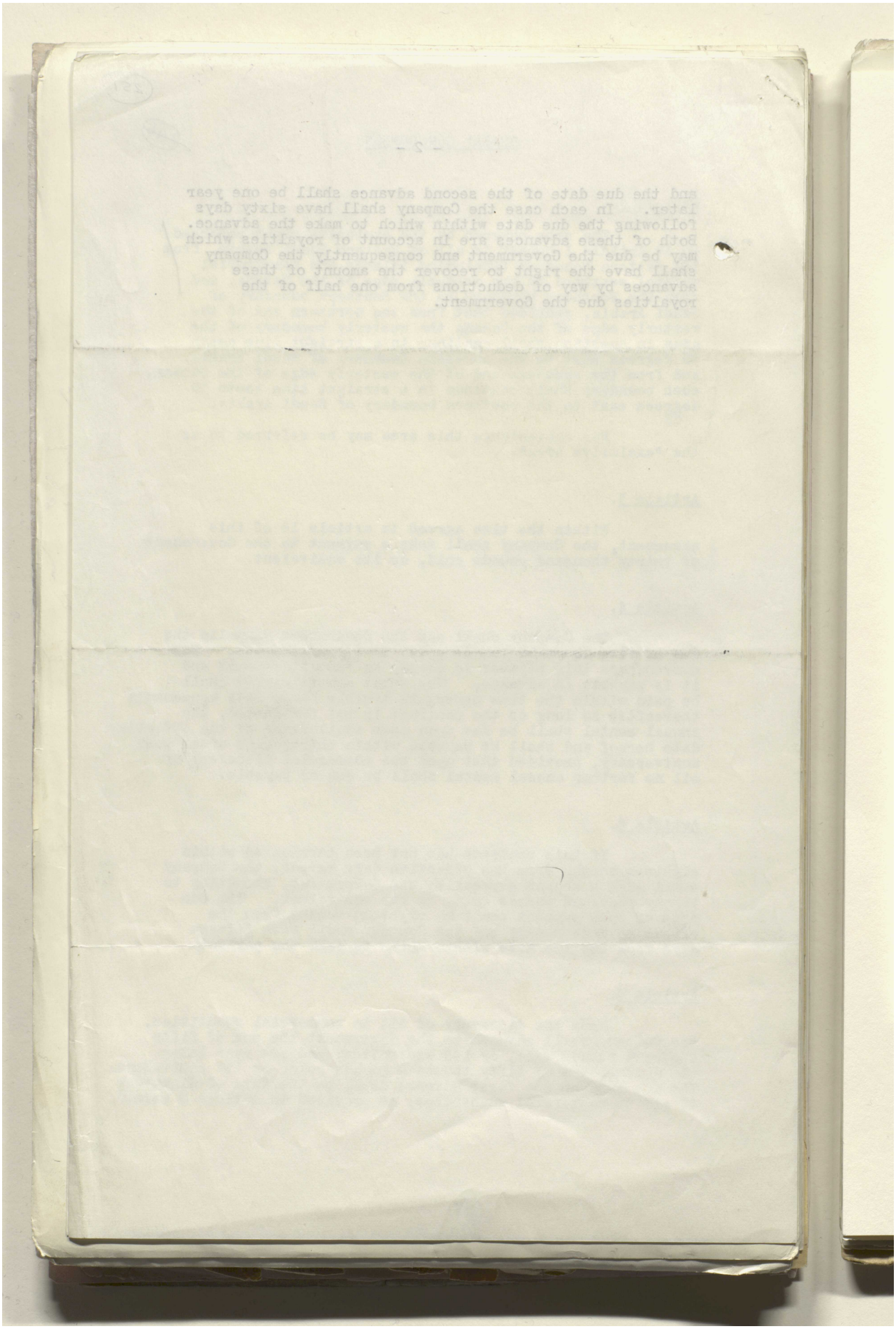

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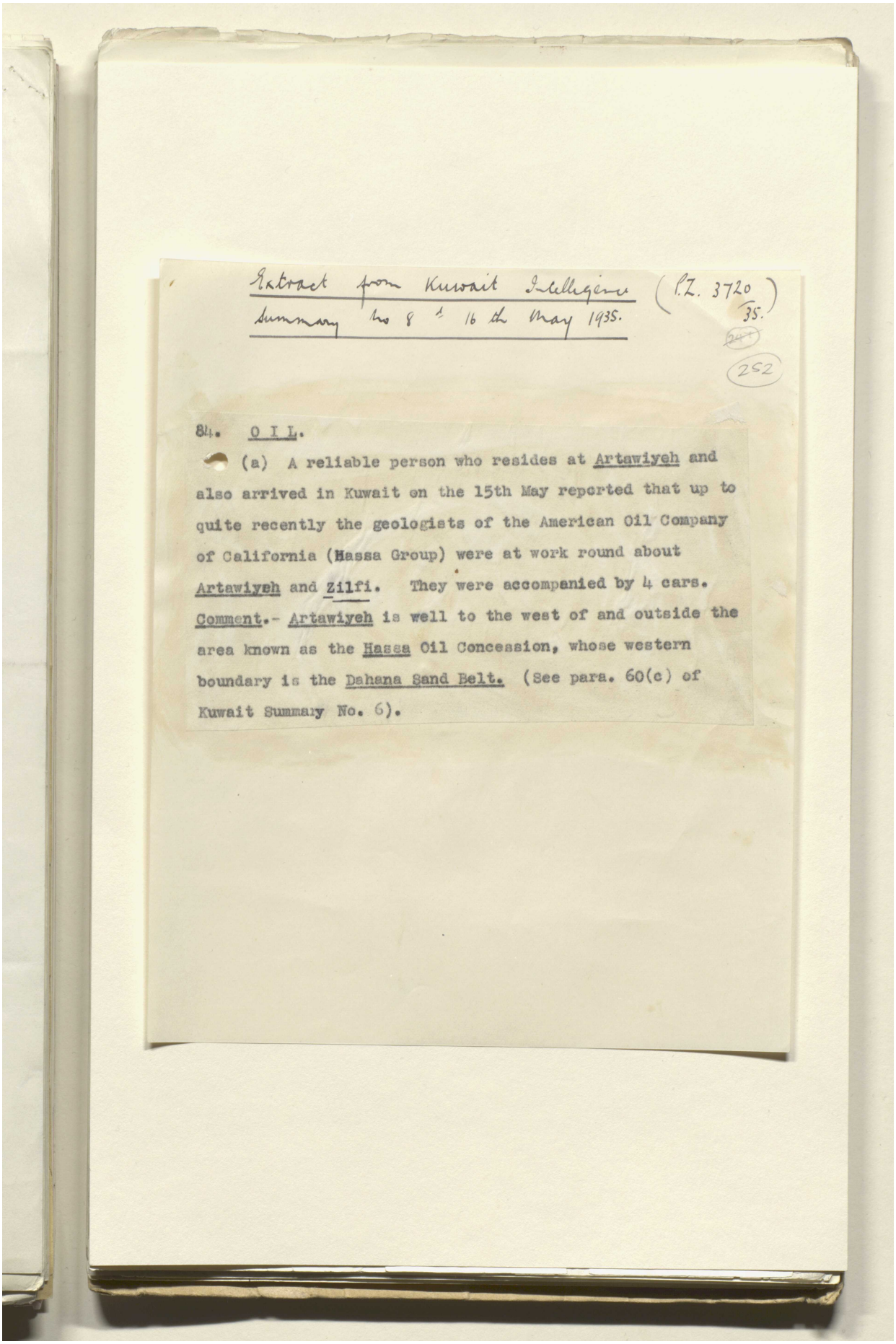

Extract from Kuwait Intelligence Summary No 8 of 16th May 1935. (P.Z. 3720/35.)

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84. OIL.

(a) A reliable person who resides at Artawiyeh and also arrived in Kuwait on the 15th May reported that up to quite recently the geologists of the American Oil Company of California (Hassa Group) were at work round about Artawiyeh and Zilfi. They were accompanied by 4 cars.

Comment.- Artawiyeh is well to the west of and outside the area known as the Hassa Oil Concession, whose western boundary is the Dahana Sand Belt. (See para. 60(c) of Kuwait Summary No. 6).

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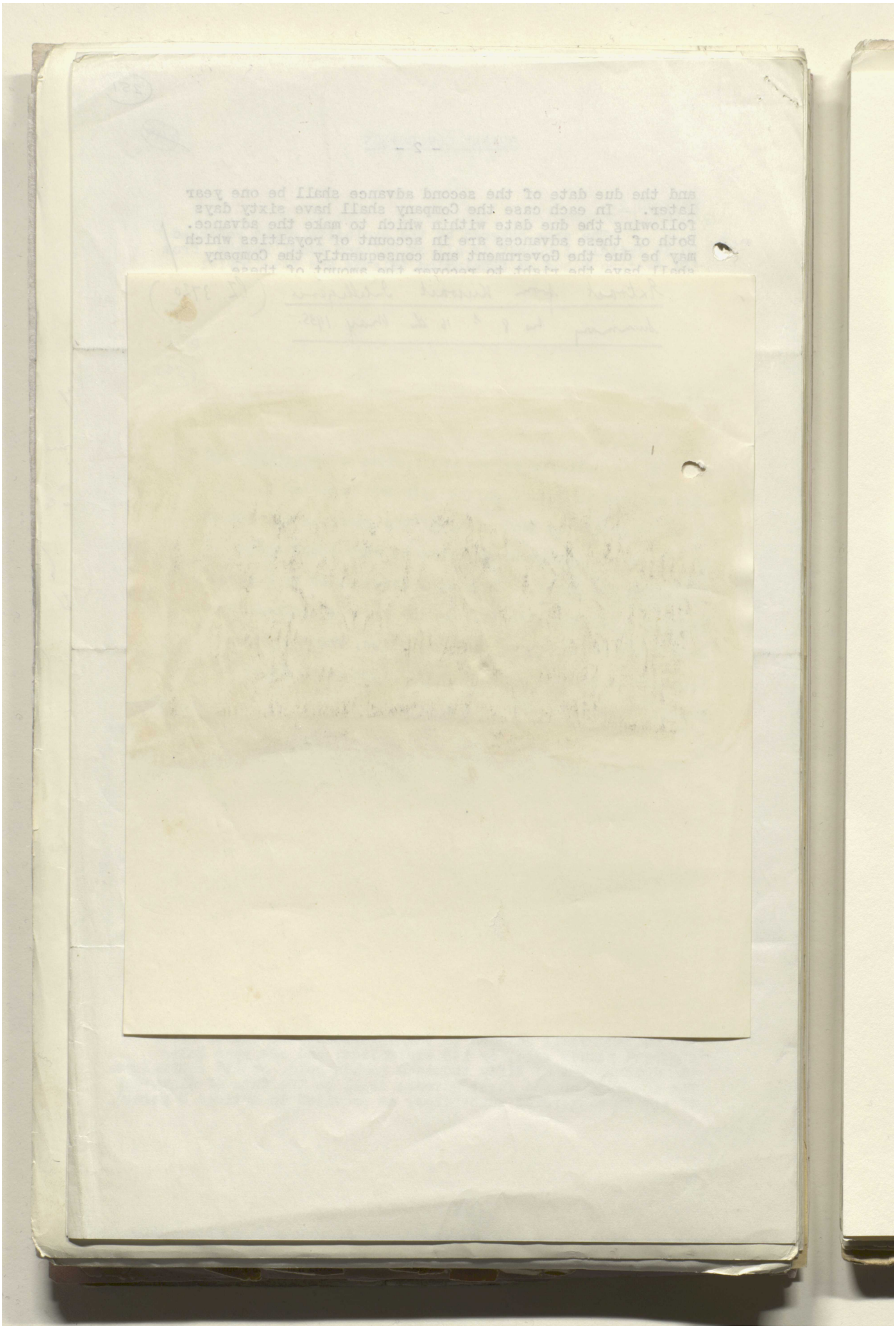

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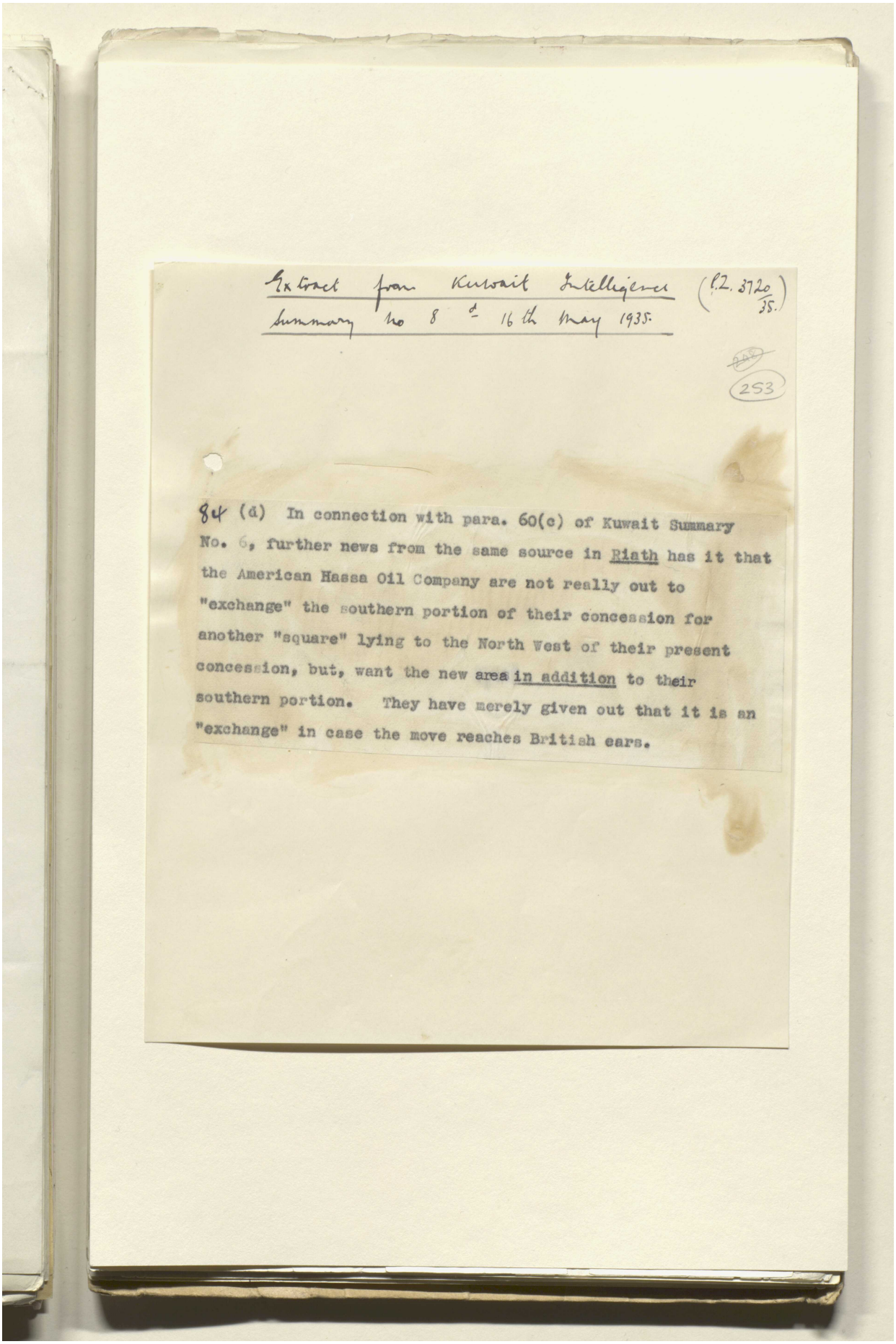

Extract from Kuwait Intelligence Summary No 8 of 16th May 1935. (P.Z. 3720/35.)

253

84 (d) In connection with para. 60(c) of Kuwait Summary No. 6, further news from the same source in Riath has it that the American Hassa Oil Company are not really out to "exchange" the southern portion of their concession for another "square" lying to the North West of their present concession, but, want the new area in addition to their southern portion. They have merely given out that it is an "exchange" in case the move reaches British ears.

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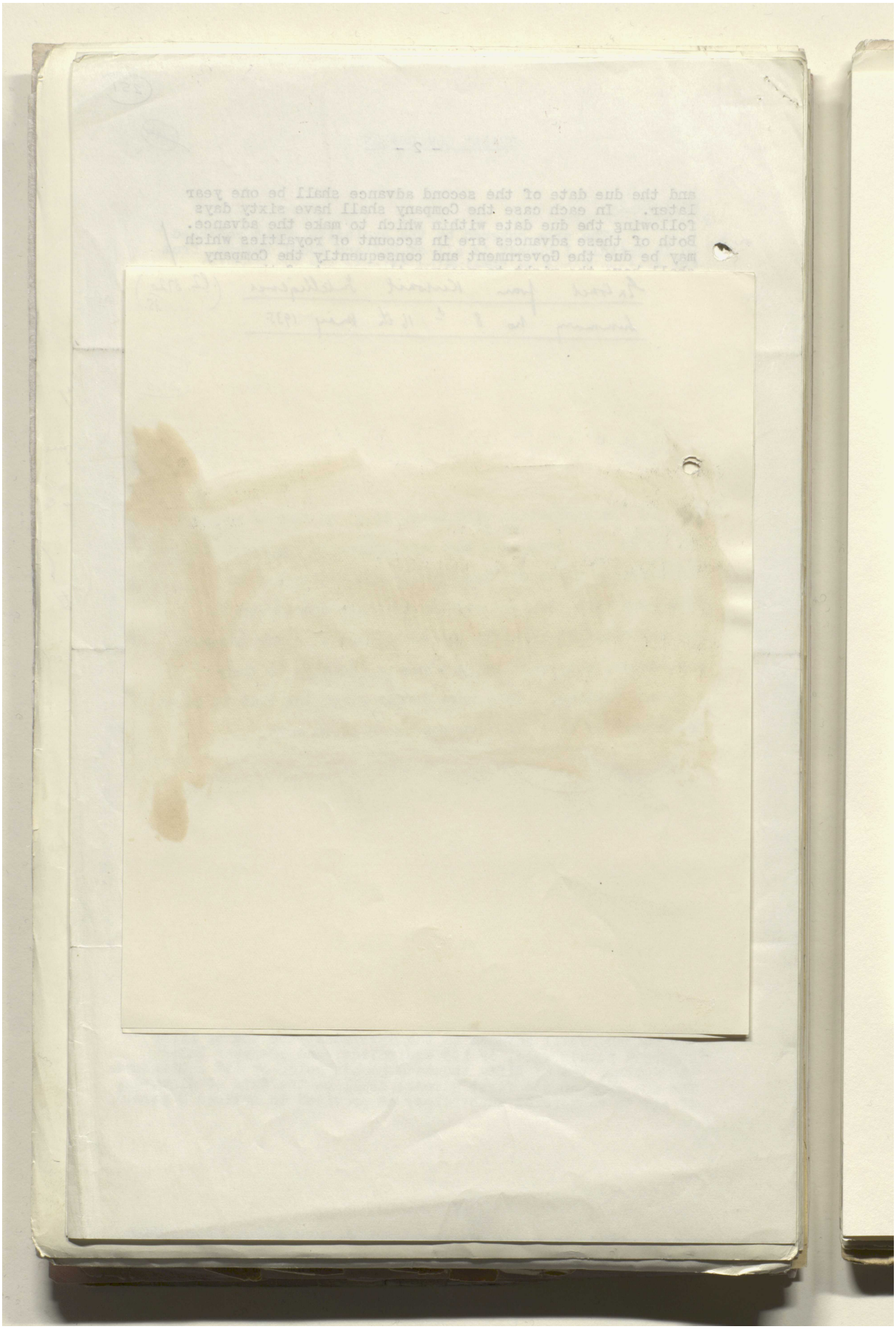

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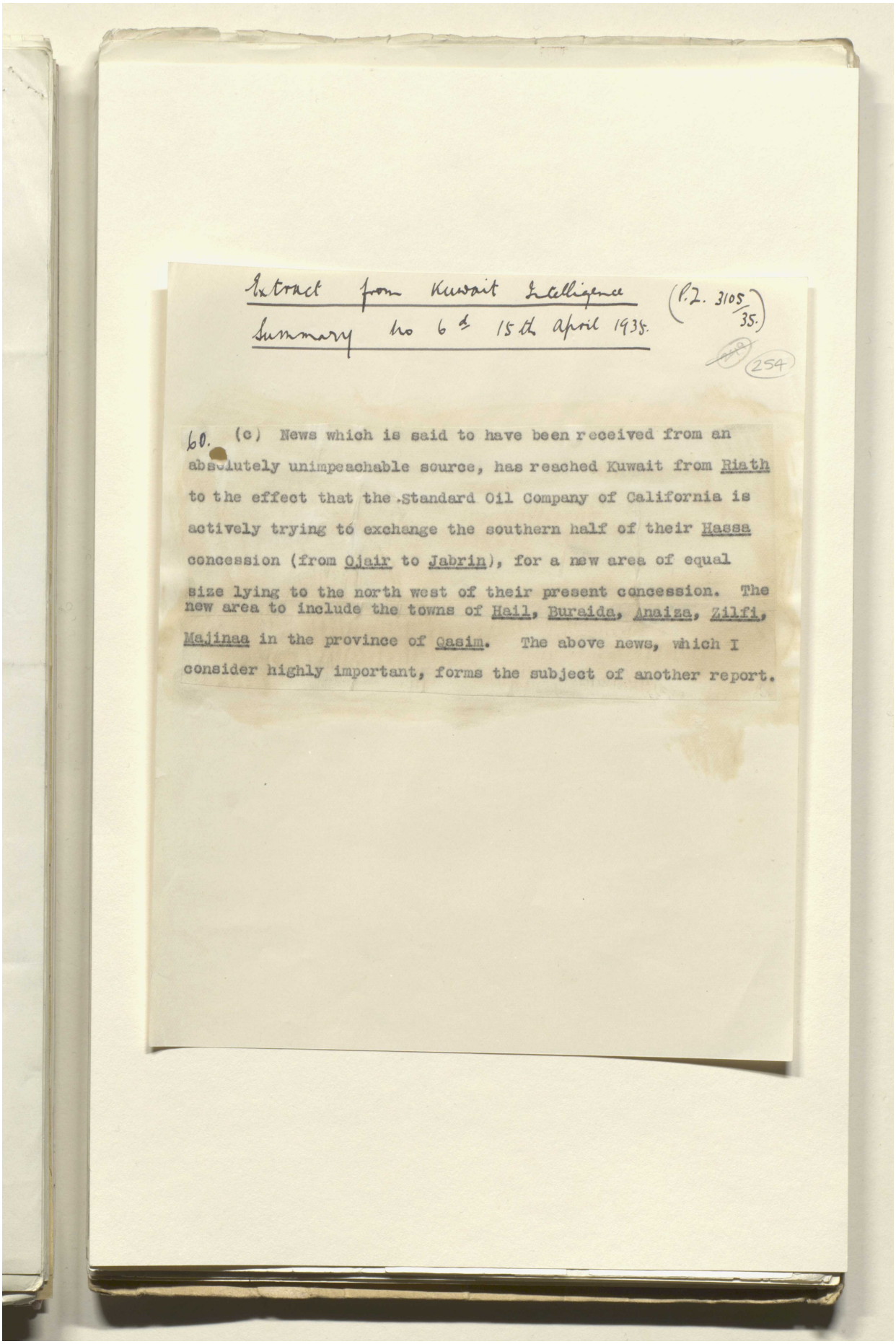

Extract from Kuwait Intelligence Summary No 6 of 15th April 1935.

(P.Z. 3105/35.)

254

60. (c) News which is said to have been received from an absolutely unimpeachable source, has reached Kuwait from Riath to the effect that the Standard Oil Company of California is actively trying to exchange the southern half of their Hassa concession (from Ojair to Jabrin), for a new area of equal size lying to the north west of their present concession. The new area to include the towns of Hail, Buraida, Anaiza, Zilfi, Majmaa in the province of Qasim. The above news, which I consider highly important, forms the subject of another report.

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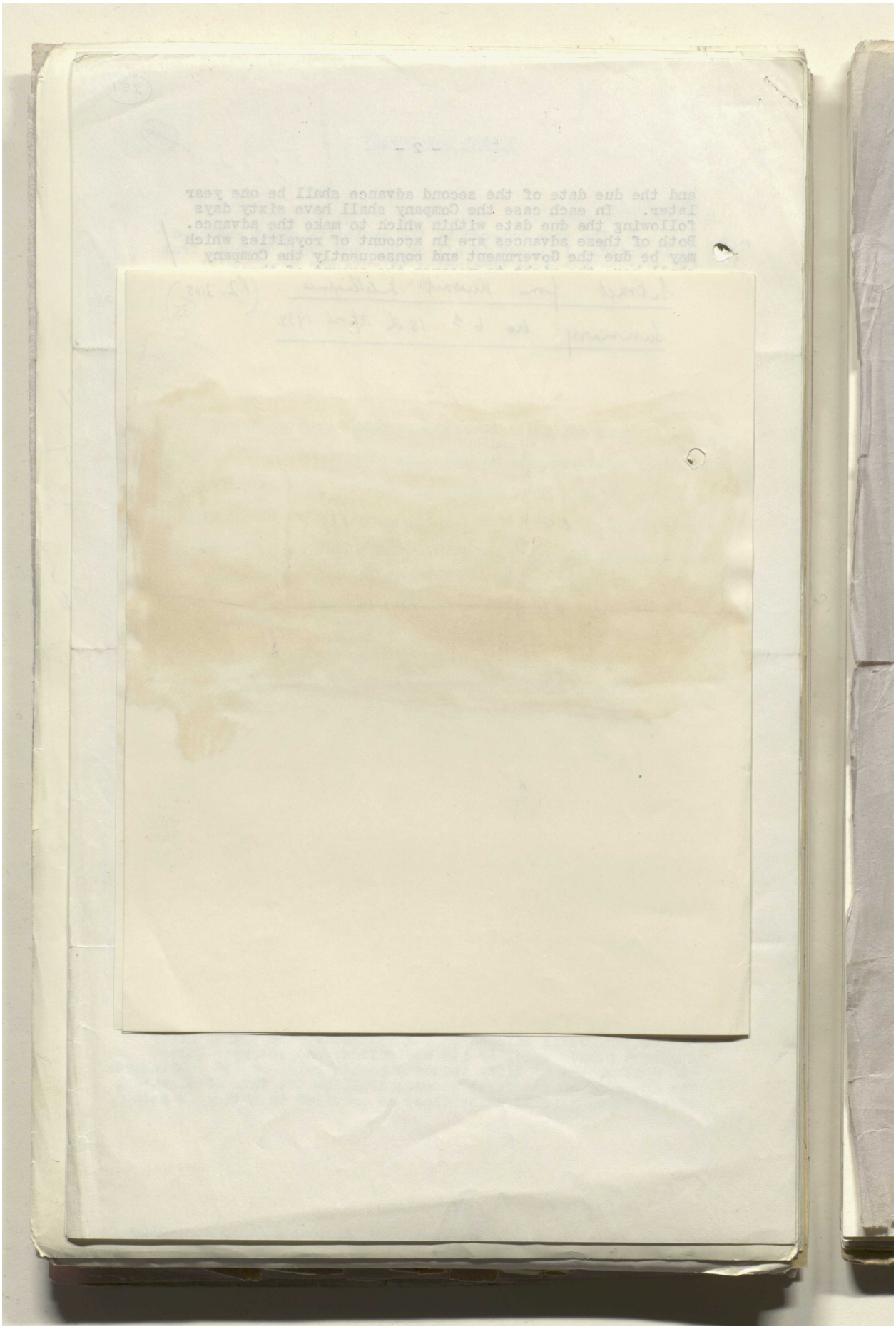

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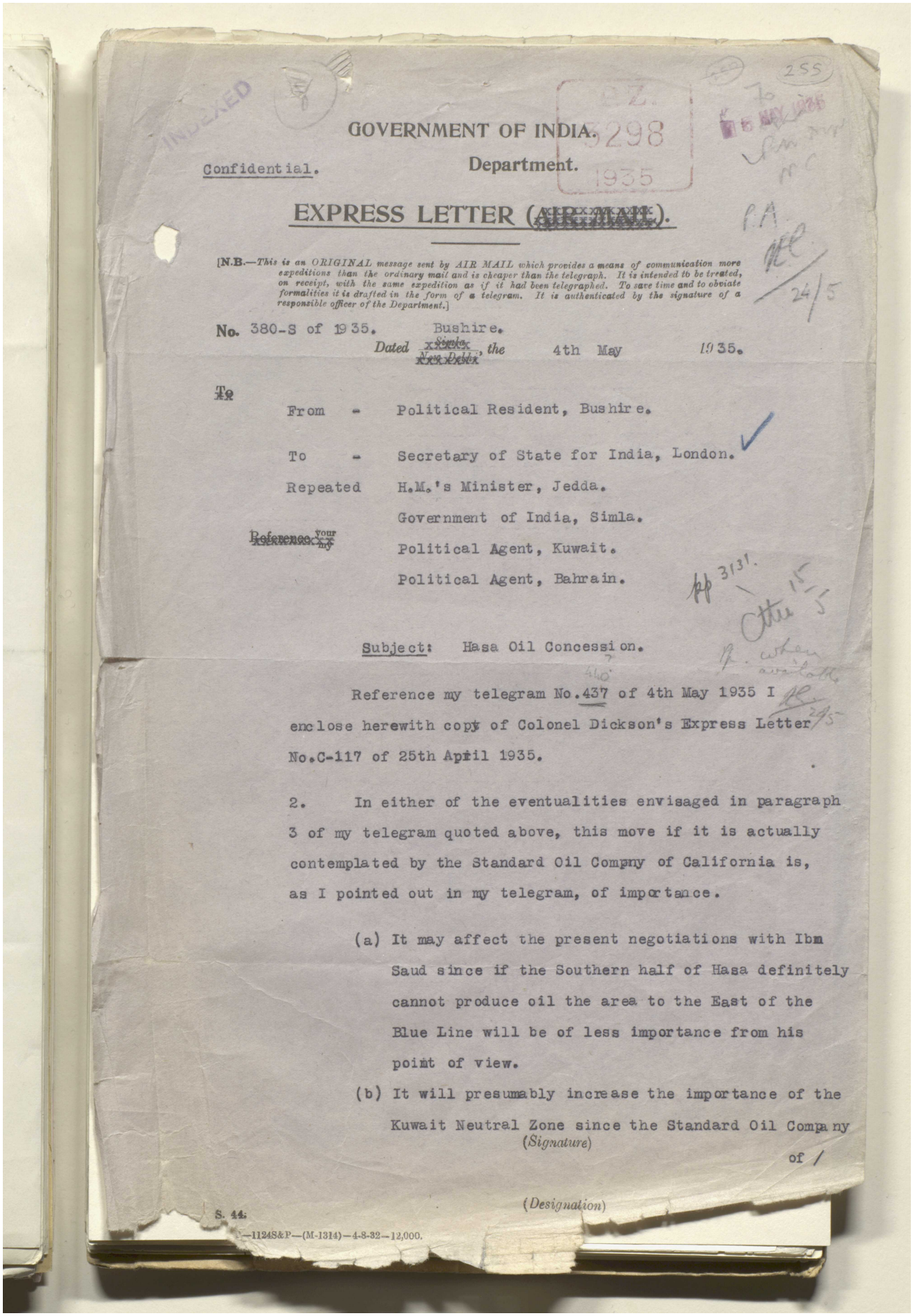

GOVERNMENT OF INDIA.

Confidential. Department.

P.Z. 5298 1935

EXPRESS LETTER (~~AIR MAIL~~).

[N.B.—*This is an ORIGINAL message sent by AIR MAIL which provides a means of communication more expeditions than the ordinary mail and is cheaper than the telegraph. It is intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and to obviate formalities it is drafted in the form of a telegram. It is authenticated by the signature of a responsible officer of the Department.*]

No. 380-S of 1935. Bushire.

Dated ~~Simla~~ ~~New Delhi~~, *the* 4th May 1935.

~~To~~

From - Political Resident, Bushire.

To - Secretary of State for India, London.

Repeated H.M.'s Minister, Jedda.

Government of India, Simla.

~~Reference~~ your ~~my~~ Political Agent, Kuwait.

Political Agent, Bahrain.

Subject: Hasa Oil Concession.

Reference my telegram No.437 of 4th May 1935 I enclose herewith copy of Colonel Dickson's Express Letter No.C-117 of 25th April 1935.

2. In either of the eventualities envisaged in paragraph 3 of my telegram quoted above, this move if it is actually contemplated by the Standard Oil Compny of California is, as I pointed out in my telegram, of importance.

(a) It may affect the present negotiations with Ibn Saud since if the Southern half of Hasa definitely cannot produce oil the area to the East of the Blue Line will be of less importance from his point of view.

(b) It will presumably increase the importance of the Kuwait Neutral Zone since the Standard Oil Company

(*Signature*)

of /

(*Designation*)

S. 44.

—1124S&P—(M-1314)—4-8-32—12,000.

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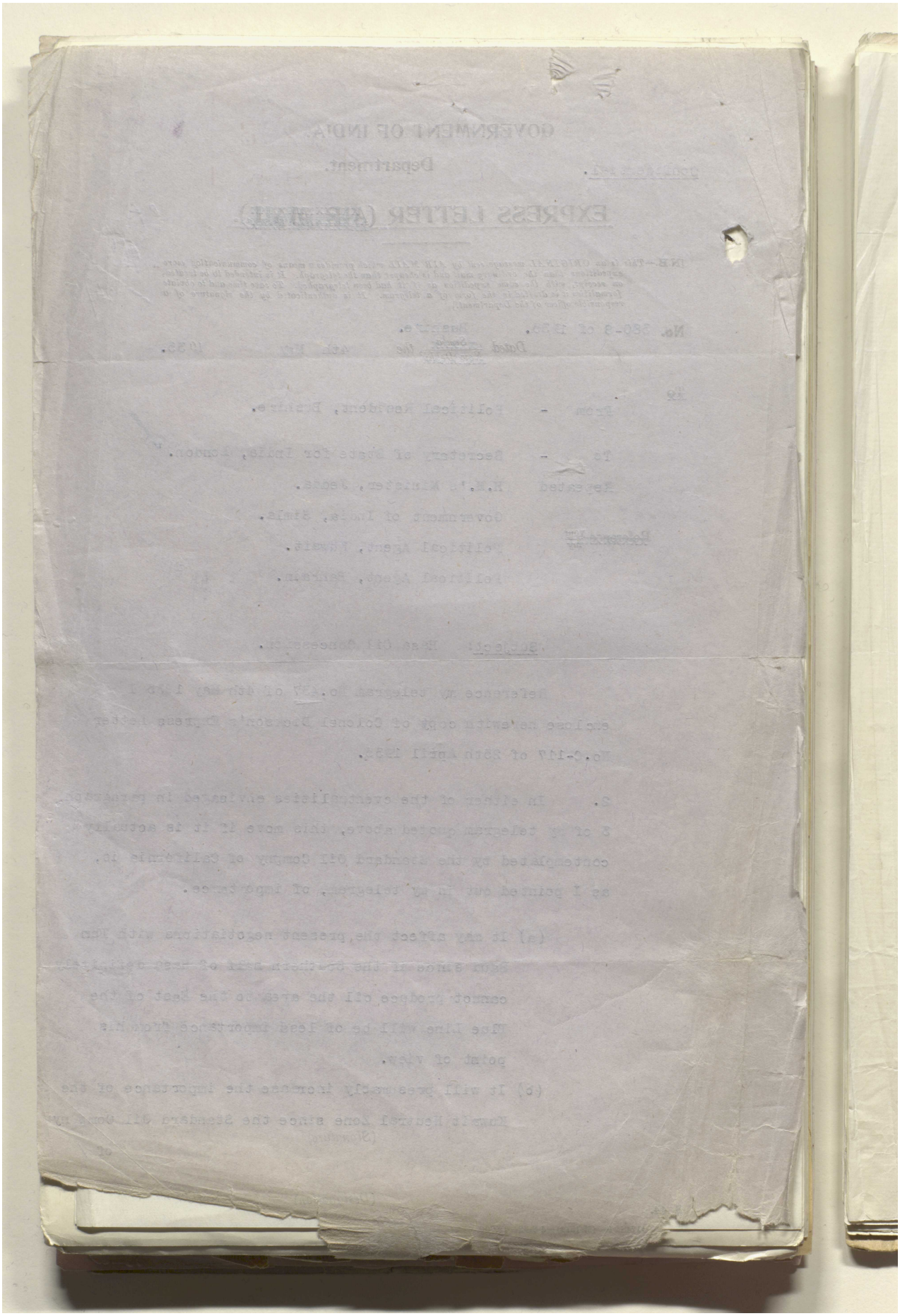

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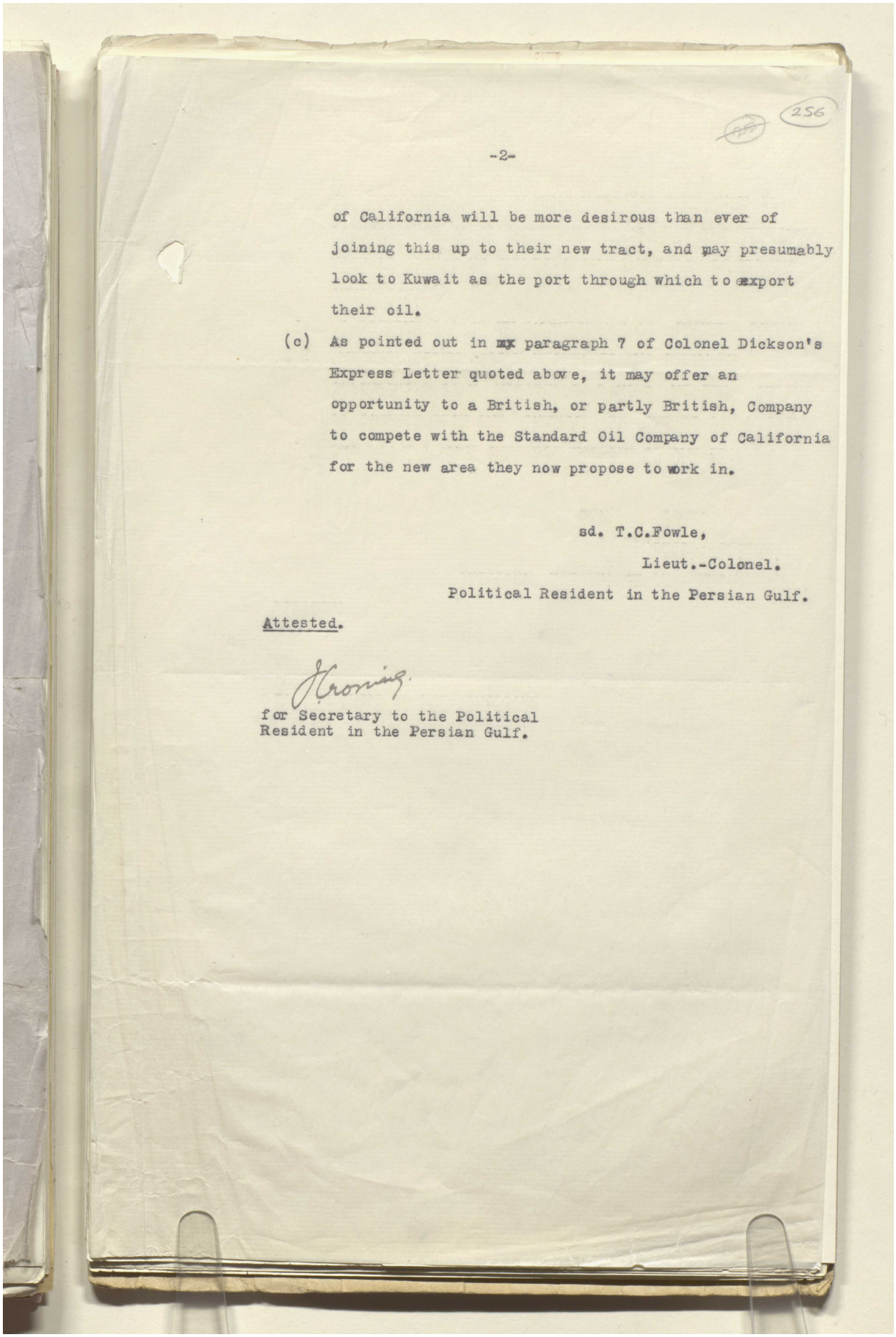

of California will be more desirous than ever of joining this up to their new tract, and may presumably look to Kuwait as the port through which to export their oil.

(c) As pointed out in my paragraph 7 of Colonel Dickson's Express Letter quoted above, it may offer an opportunity to a British, or partly British, Company to compete with the Standard Oil Company of California for the new area they now propose to work in.

sd. T.C.Fowle,
Lieut.-Colonel.
Political Resident in the Persian Gulf.

Attested.

Hroming.
for Secretary to the Political
Resident in the Persian Gulf.

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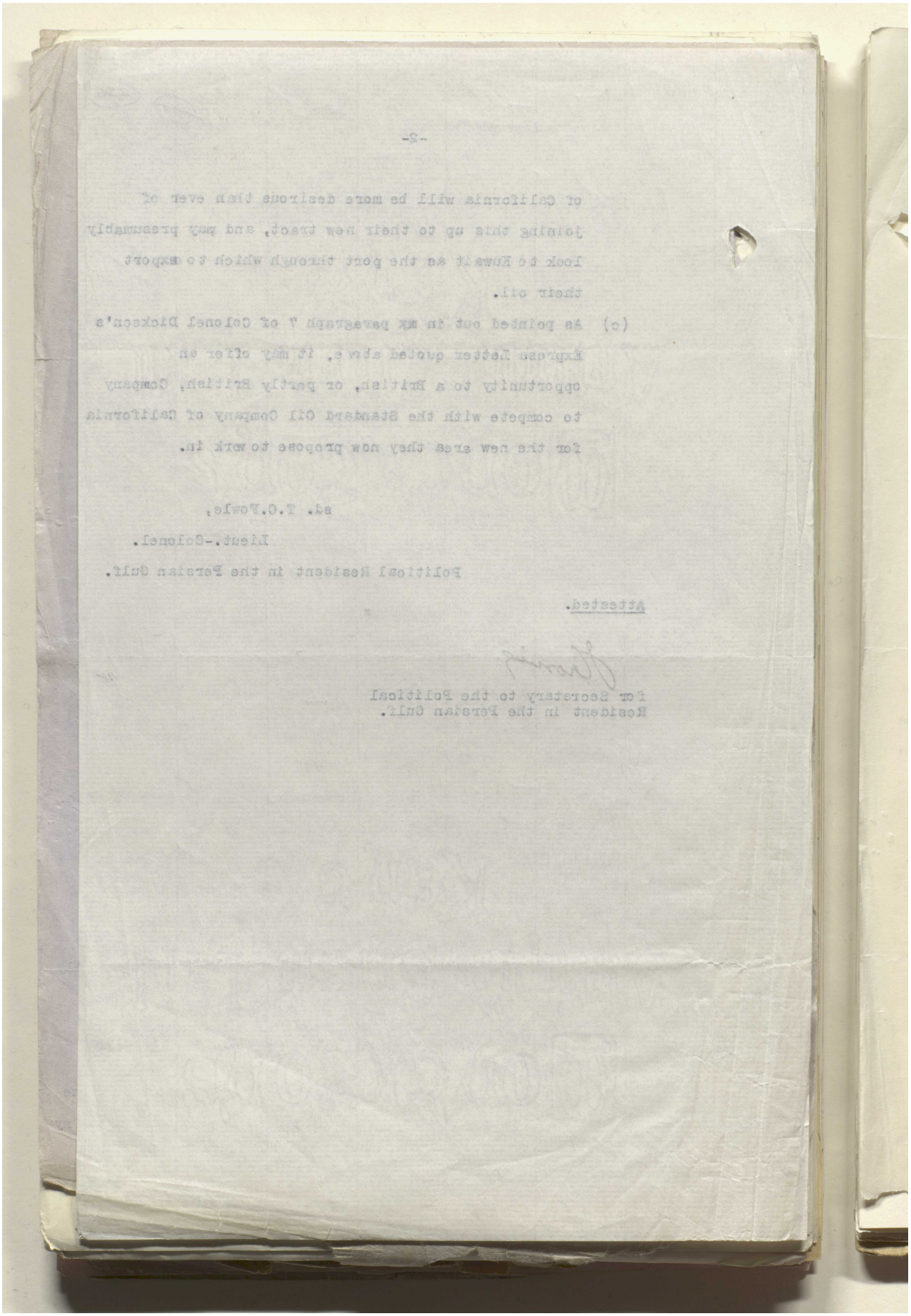

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I.O.Z. 3298 1935

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Confidential.

~~GOVERNMENT OF INDIA.~~

~~DEPARTMENT.~~

EXPRESS LETTER

[N. B.—This is an ORIGINAL MESSAGE, sent by post to save telegraphic expense and undue use of the wires, but intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and formalities it is worded and signed as if it had been so despatched.]

From Political, Kuwait.

To Britconsul, Bushire.

No. C-117. Dated 25th April 1935.

"Hassa Oil Concession"

Reference paragraph 60(c) of Kuwait Intelligence Summary No.6 sent you today.

The full news received from Riath comes from a "quite reliable person" living there and is to the effect that the Standard Oil of California are satisfied that the southern half of their Hassa concession is not worth anything (this is the stretch lying roughly between Ojair and Jabrin Oasis).

2. They are therefore trying to discard this bad area and are actively engaged in trying to get out of Bin Saud another area (equal in size) which lies to the west of the northern portion of their present concession and parallel to it, that is to say the strip roughly lying between Latitude 26° and 29° and having a width from East to West of some 150 miles. Such area would obviously include most of Qasim and the towns of Zilfi, Anaiza, Buraida, Majmaa and Hail.

3. The Company's geologists are reported to have already got permission from Bin Saud to examine this new area, and the party which was at Jerriya and Safa in the Summan (130 miles south west of Kuwait

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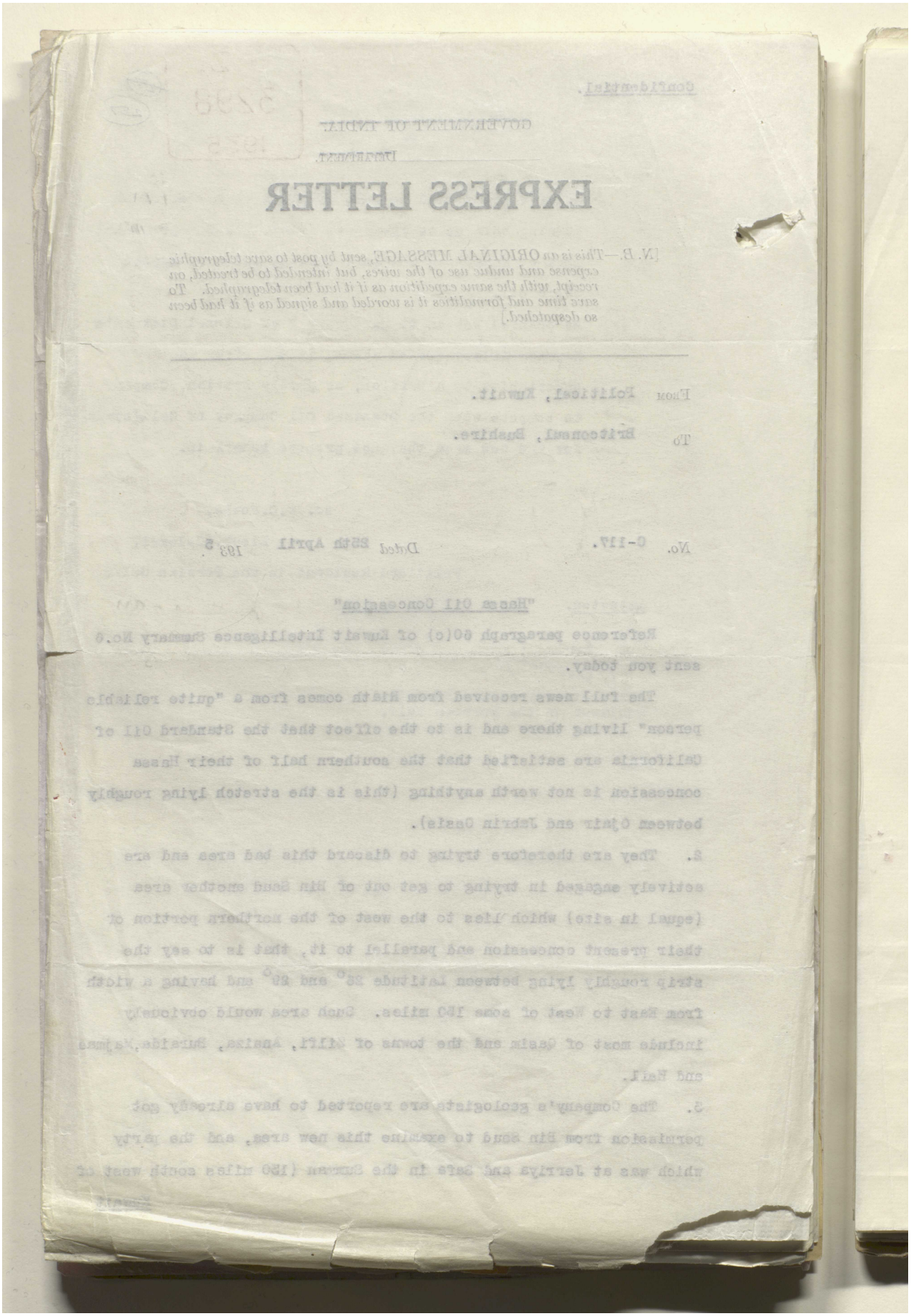

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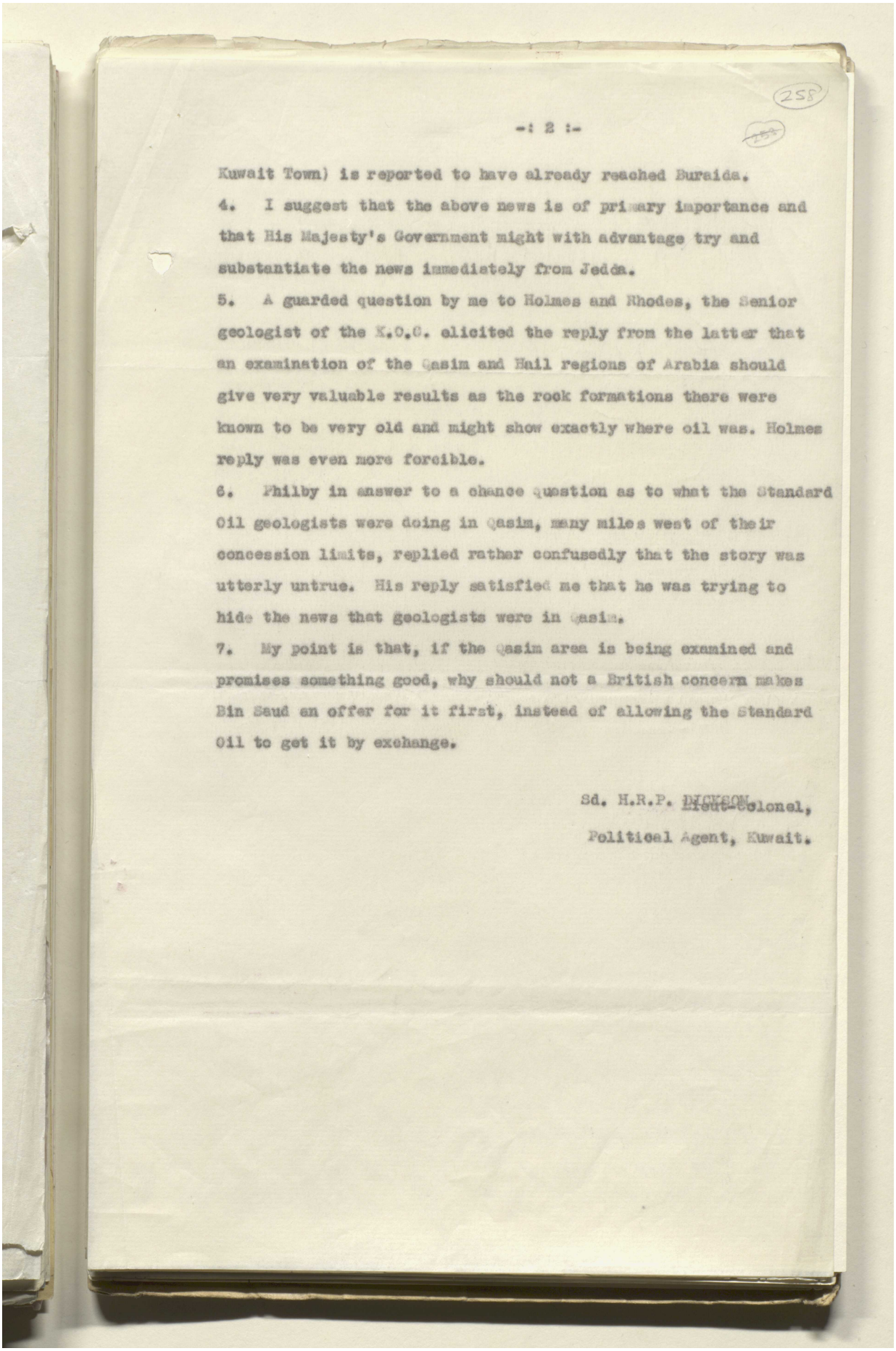

Kuwait Town) is reported to have already reached Buraida.

4. I suggest that the above news is of primary importance and that His Majesty's Government might with advantage try and substantiate the news immediately from Jedda.

5. A guarded question by me to Holmes and Rhodes, the Senior geologist of the K.O.C. elicited the reply from the latter that an examination of the Qasim and Hail regions of Arabia should give very valuable results as the rock formations there were known to be very old and might show exactly where oil was. Holmes reply was even more forcible.

6. Philby in answer to a chance question as to what the Standard Oil geologists were doing in Qasim, many miles west of their concession limits, replied rather confusedly that the story was utterly untrue. His reply satisfied me that he was trying to hide the news that geologists were in Qasim.

7. My point is that, if the Qasim area is being examined and promises something good, why should not a British concern makes Bin Saud an offer for it first, instead of allowing the Standard Oil to get it by exchange.

Sd. H.R.P. DICKSON,
Lieut-Colonel,
Political Agent, Kuwait.

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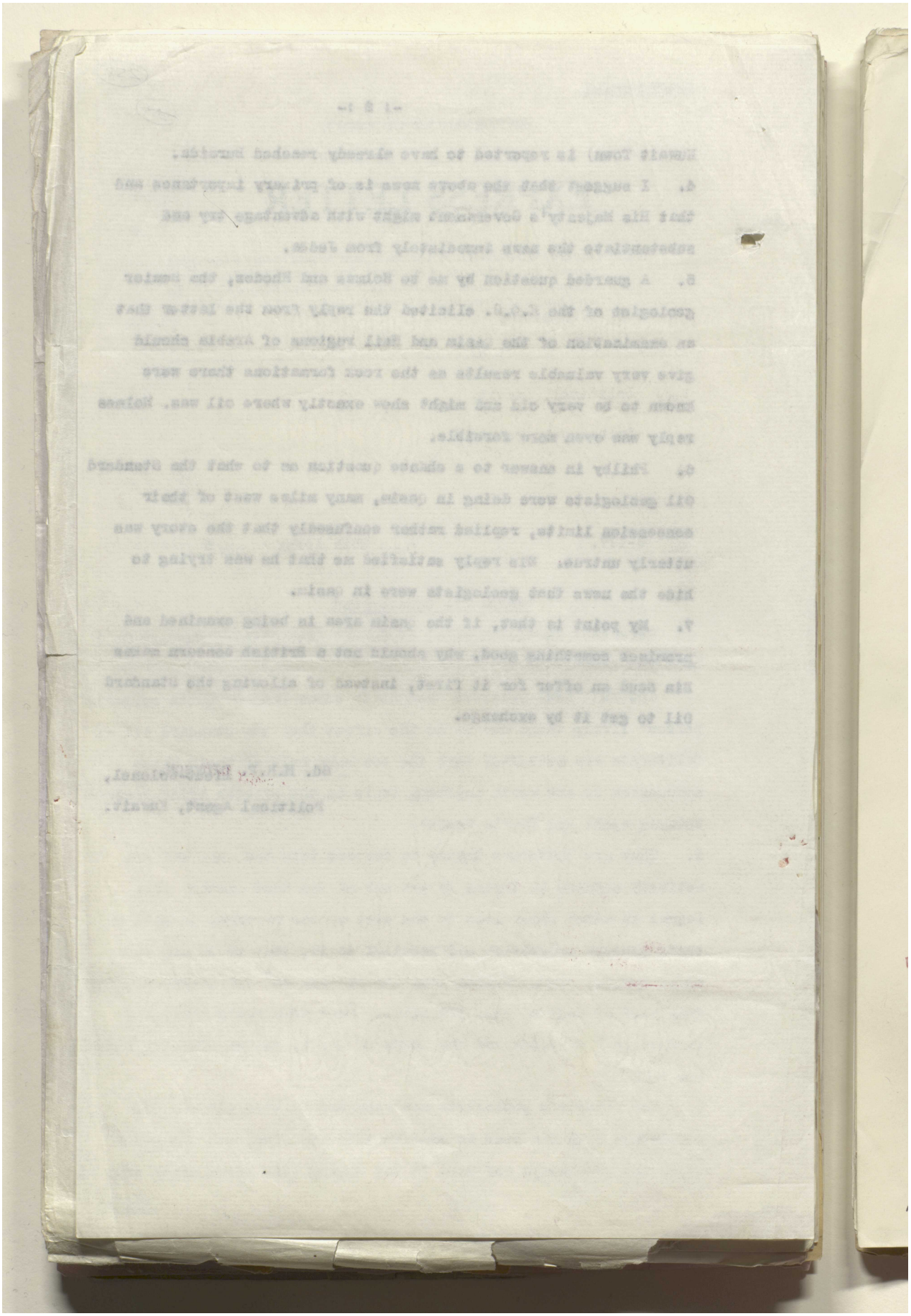

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Notes.

Minute Paper.

Register No. P.Z. 3131/35

SECRET. POLITICAL DEPARTMENT.

Dated

Rec. 19 .

	Date.	Initials.	SUBJECT.
To			Saudi - Arabia.
Under Secretary	13.5		
Secretary of State...			
Committee.....	15		Standard Oil Company's Concession.
Under Secretary.....			
Secretary of State...			

Copy of to

FOR INFORMATION.

The report from Col. Dickson's "quite reliable person" that the Standard Oil Company have satisfied themselves that the southern part of their concession is useless is interesting if really true. It would certainly help our negotiations with Ibn Saud if the latter came to attach less importance to territory East of the "Blue Line", but according to previous reports the territory near the neck of the Qatar peninsula (i.e. just East of the "Blue Line") seemed most likely to provide oil in commercial quantities and in any case Ibn Saud's attitude may be affected by other considerations besides oil. H.C. Crombie 9/5/35

SEEN
POLITICAL COMMITTEE
22 MAY 1935

Previous Papers :—

5041 2000 1.31

A rough sketch map is attached.

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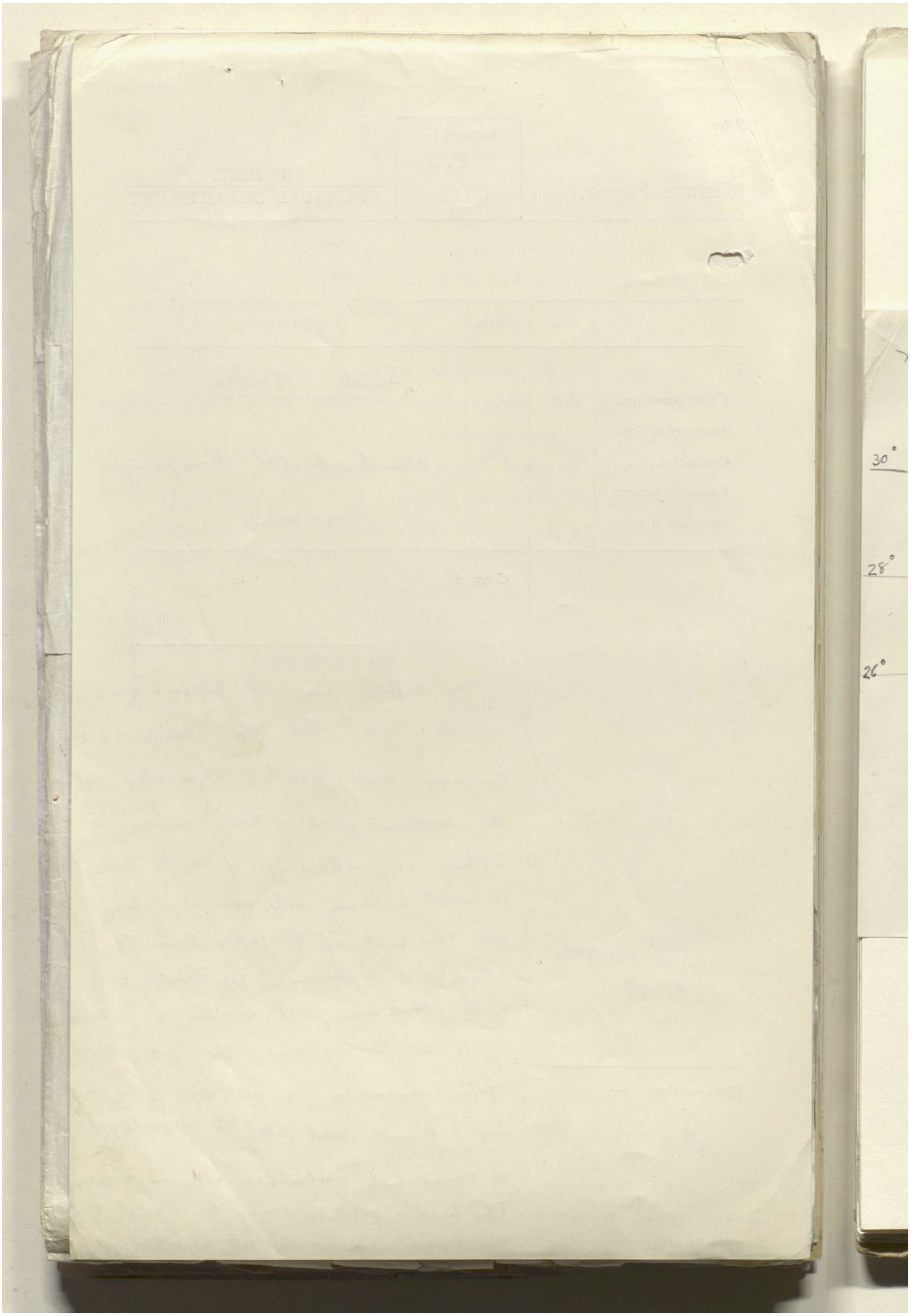

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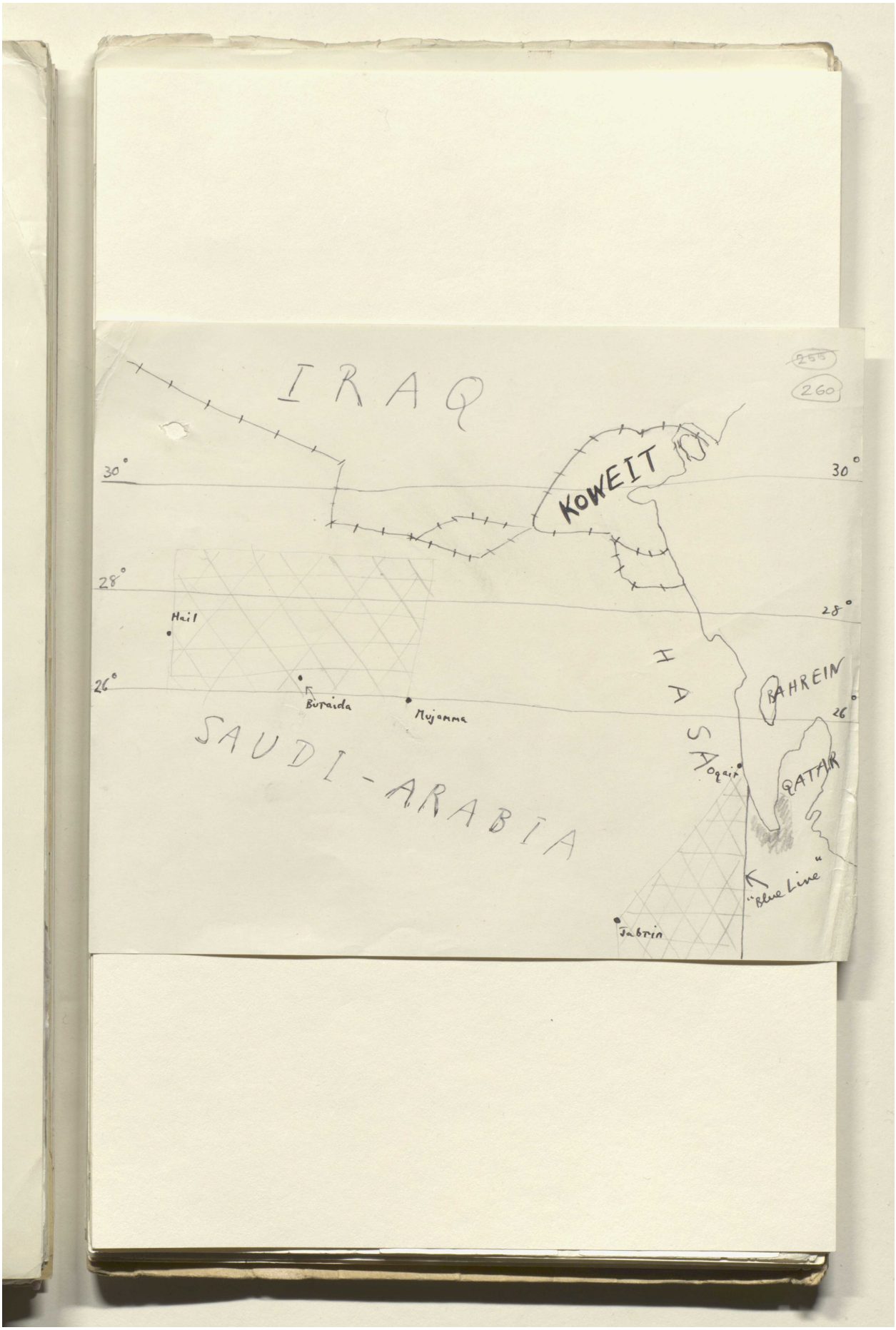
Sketch Map of North-East Saudi Arabia [260r] (1/2)



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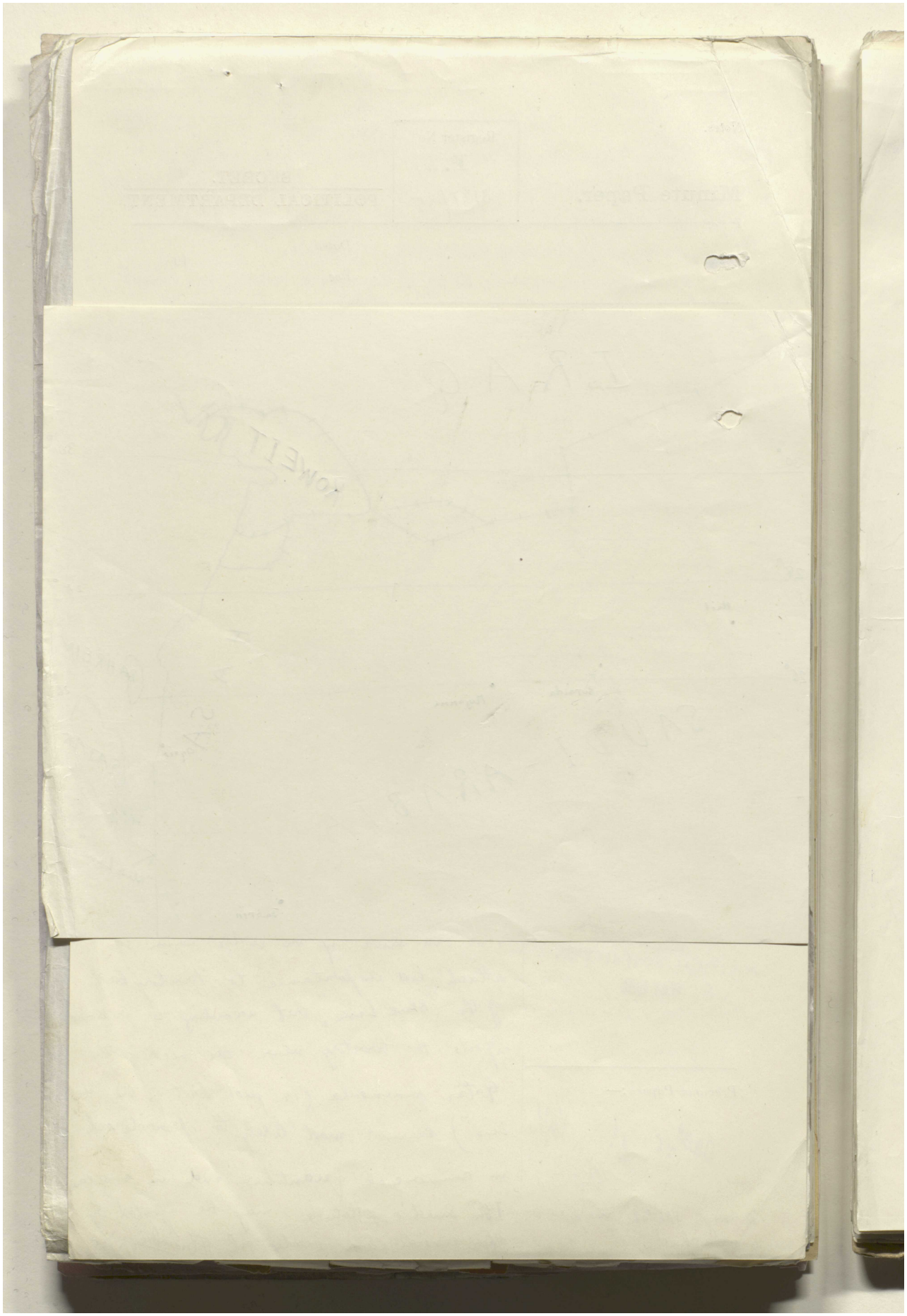

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1935

SECRET

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DECYPHER OF TELEGRAM.

(COPIES CIRCULATED)

From Political Resident in the Persian Gulf to Secretary of State for India.

Dated Risher, 4th May, 1935. XXX

Received 4.15 p.m., 4th May, 1935.

440. Addressed to Secretary of State for India, repeated to Jeddah, copy sent by sea mail to Government of India, Koweit and Bahrein.

Dickson writes that news has been received from "quite reliable person" living in Riadh, that Standard Oil Company of California, having satisfied themselves that section of their concession lying south of the line Ojair - Jabrin is useless, are endeavouring to exchange this tract with Ibn Saud for another lying roughly between latitudes 26 and 29 and extending east to west from Mujamma to Hail.

2. Company's geologists are reported to have reached Buraida.

3. Whether company are actually trying to make an exchange or are merely abandoning southern part of their concession (of which I do not know exact limits) for a more (? north-)western one, the displacement, if correct, is of importance. It may, for instance, affect negotiations with Ibn Saud as latter may now regard territory east of Blue (sic) as of less importance to him.

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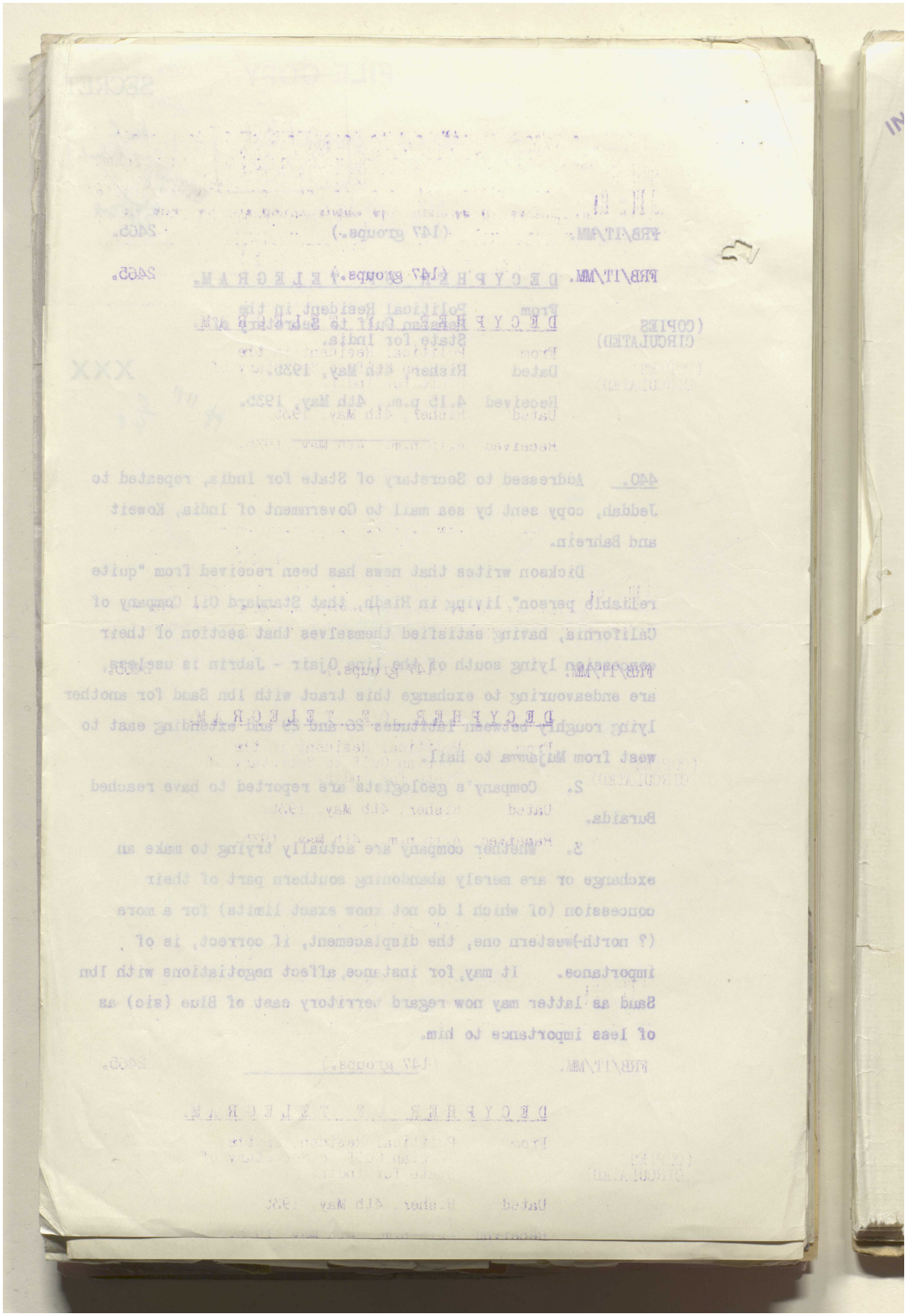

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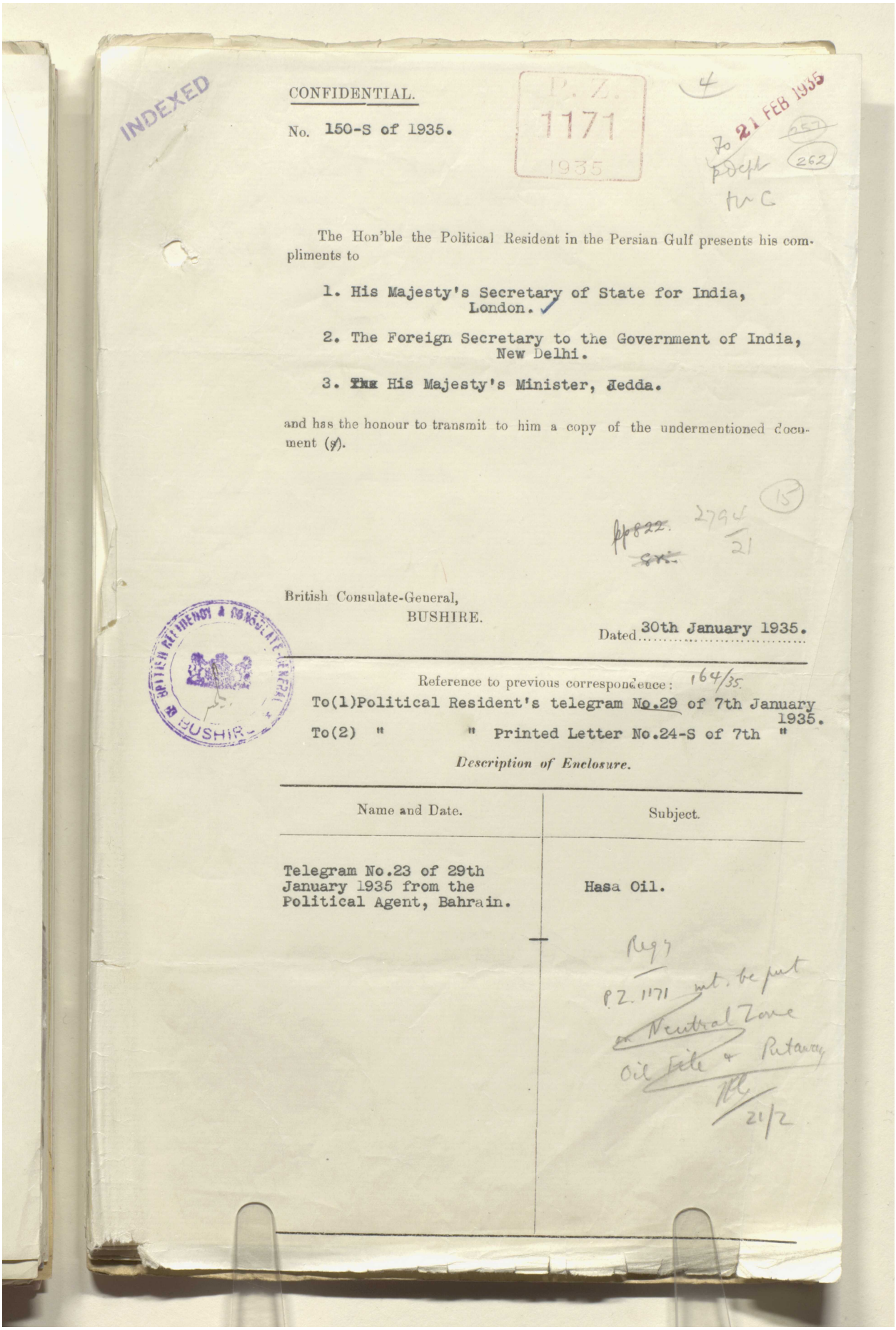

INDEXED

CONFIDENTIAL.

No. 150-S of 1935.

P. Z. 1171 1935

To 21 FEB 1935

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, New Delhi.
3. His Majesty's Minister, Jedda.

and has the honour to transmit to him a copy of the undermentioned document (s).

British Consulate-General,
BUSHIRE.

Dated 30th January 1935.

Reference to previous correspondence: 164/35

To(1)Political Resident's telegram No.29 of 7th January 1935.

To(2) " " Printed Letter No.24-S of 7th "

Description of Enclosure.

Name and Date.	Subject.
Telegram No.23 of 29th January 1935 from the Political Agent, Bahrain.	Hasa Oil.

Regd
P.Z. 1171 not to be put on Neutral Zone Oil File + Putaway
21/2

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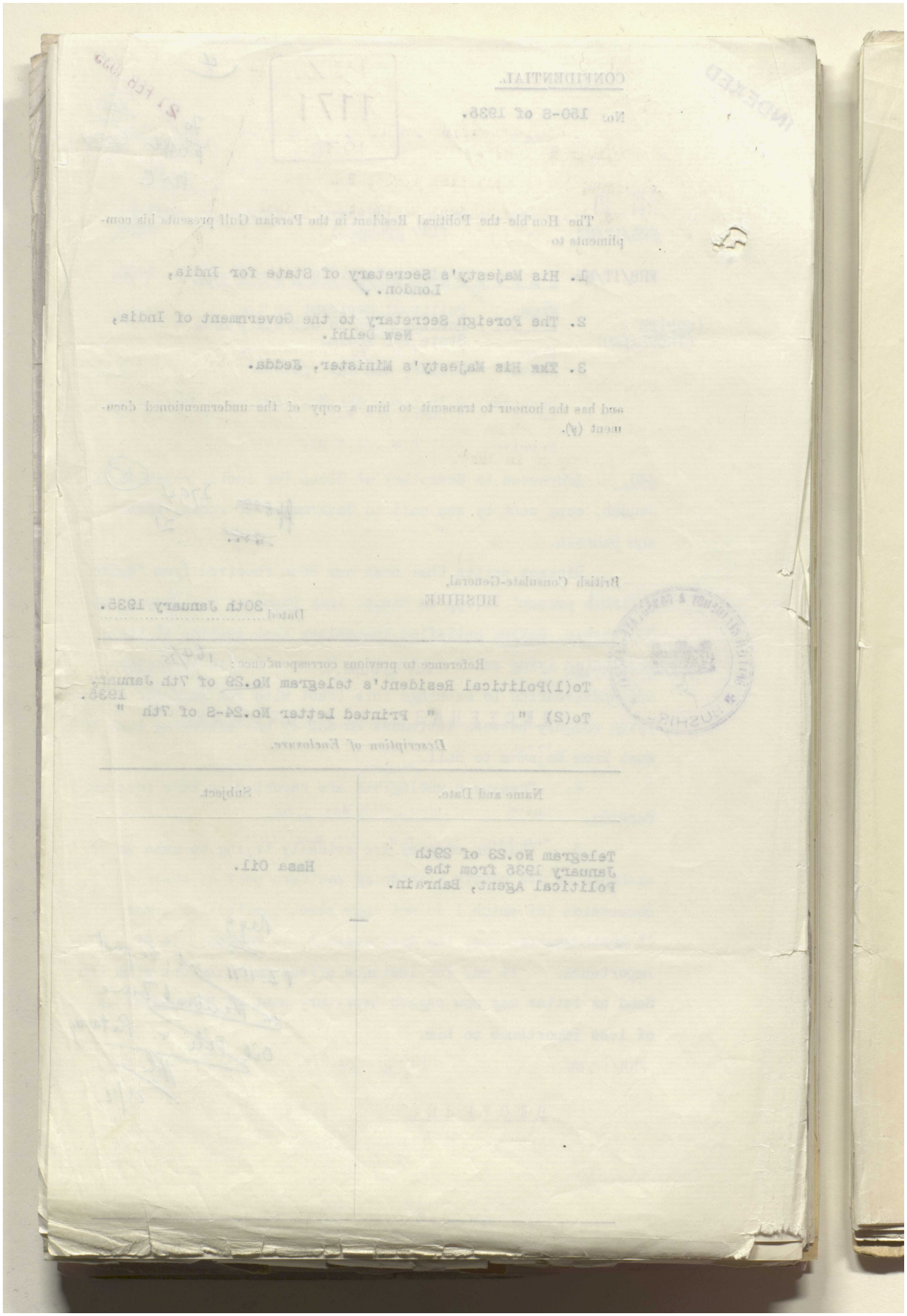

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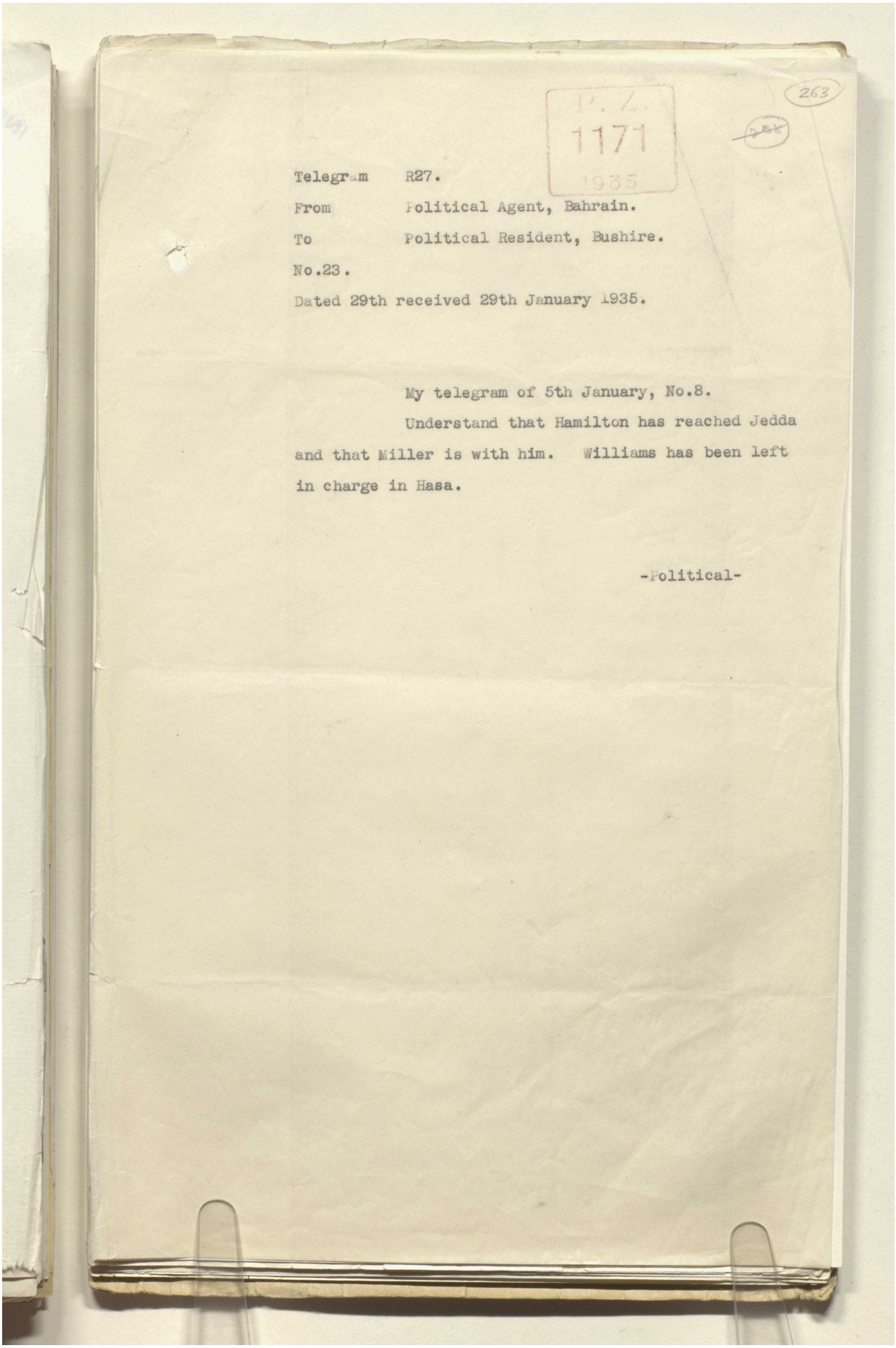

P. Z.
1171
1935

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Telegram R27.
From Political Agent, Bahrain.
To Political Resident, Bushire.
No.23.
Dated 29th received 29th January 1935.

My telegram of 5th January, No.8.

Understand that Hamilton has reached Jedda and that Miller is with him. Williams has been left in charge in Hasa.

-Political-

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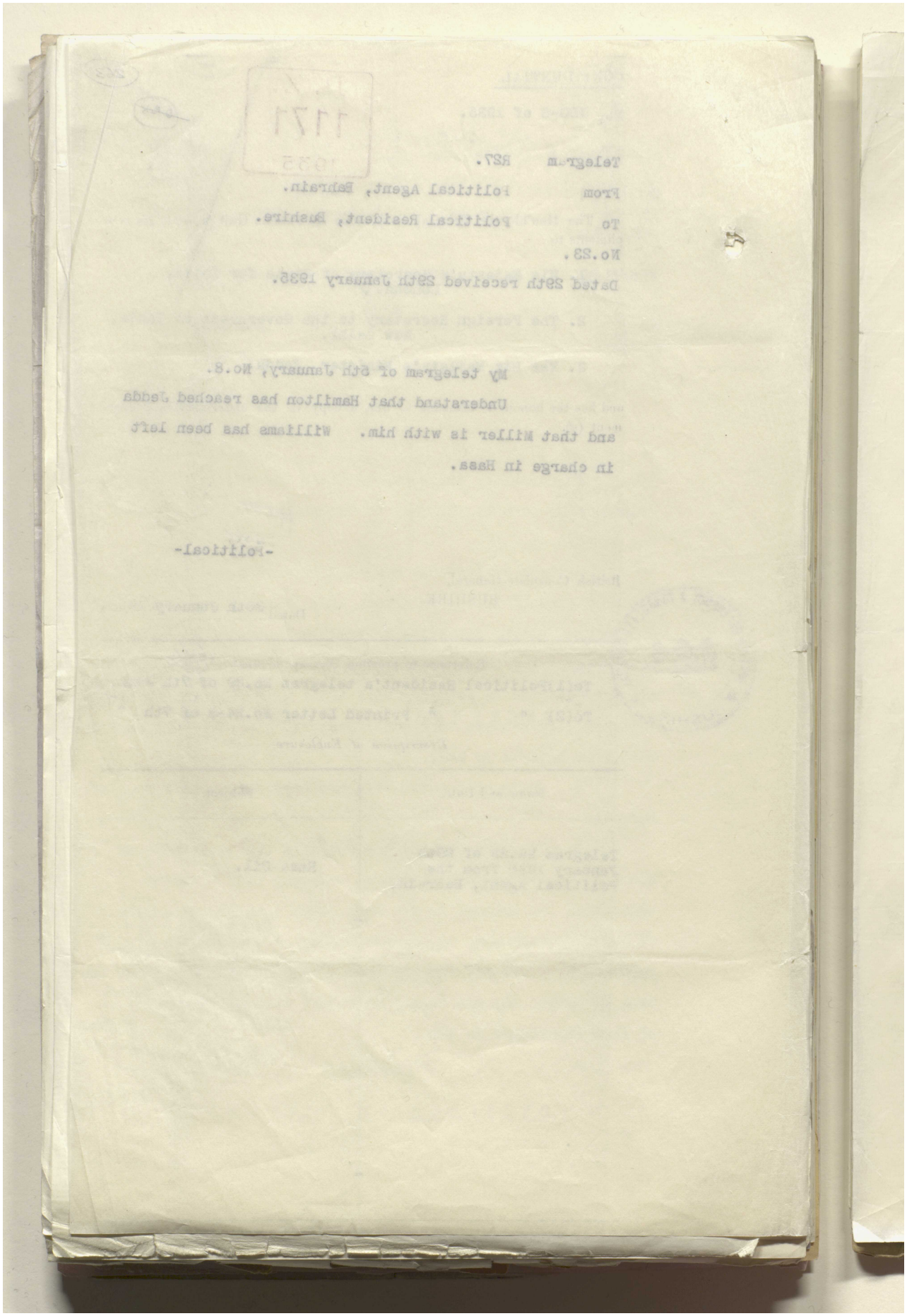

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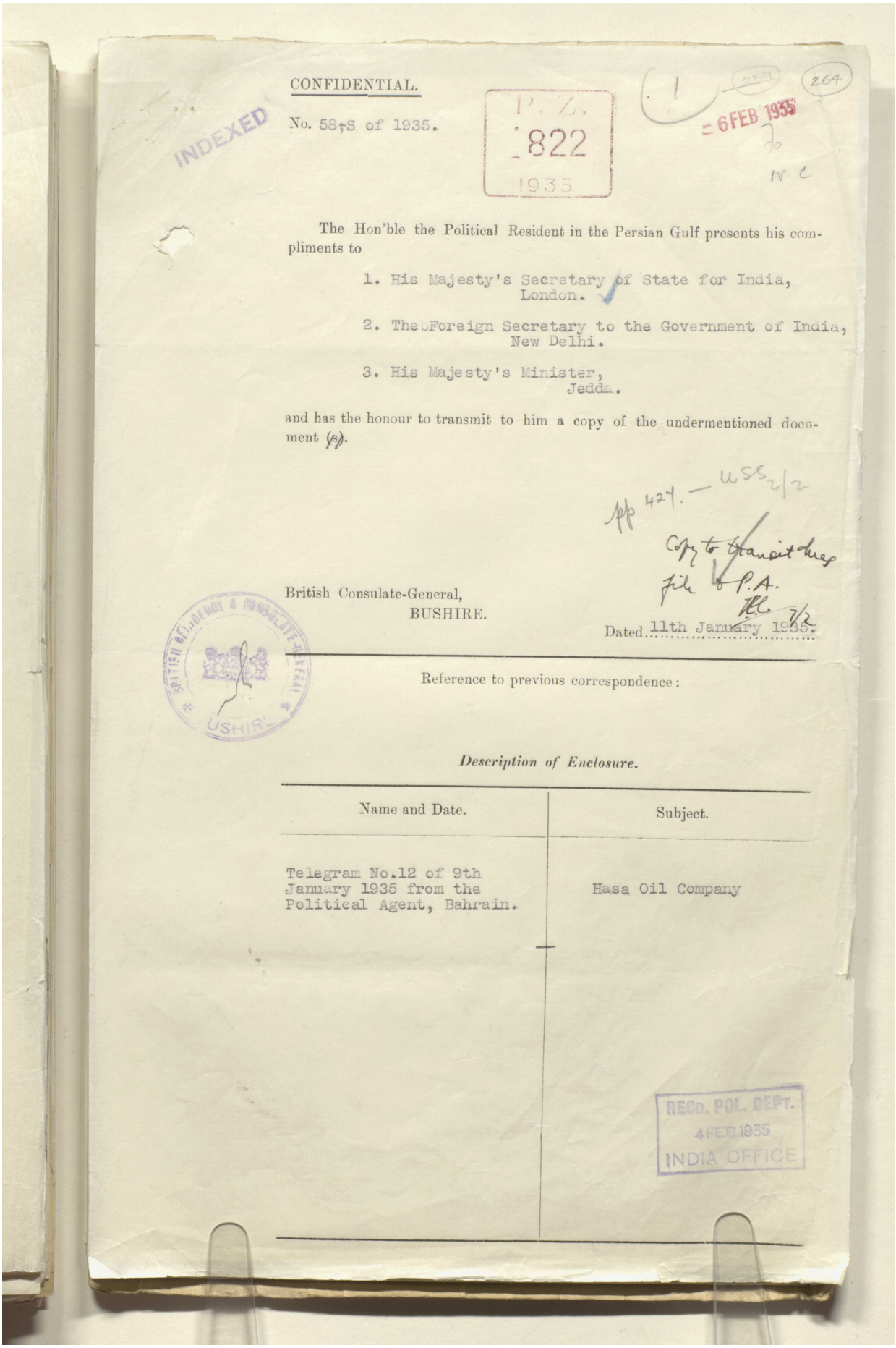

CONFIDENTIAL.

No. 58-S of 1935.

INDEXED

P. Z.
822
1935

1 259 264

6 FEB 1935
To
N. C

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.

2. The Foreign Secretary to the Government of India, New Delhi.

3. His Majesty's Minister, Jedda.

and has the honour to transmit to him a copy of the undermentioned document (s).

pp 424. — USS 2/2

Copy to transit dues file to P.A.
[illegible] 7/2

British Consulate-General,
BUSHIRE.

Dated 11th January 1935.

BRITISH RESIDENCY & CONSULATE-GENERAL
BUSHIRE

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
Telegram No.12 of 9th January 1935 from the Political Agent, Bahrain.	Hasa Oil Company

RECD. POL. DEPT.
4 FEB 1935
INDIA OFFICE

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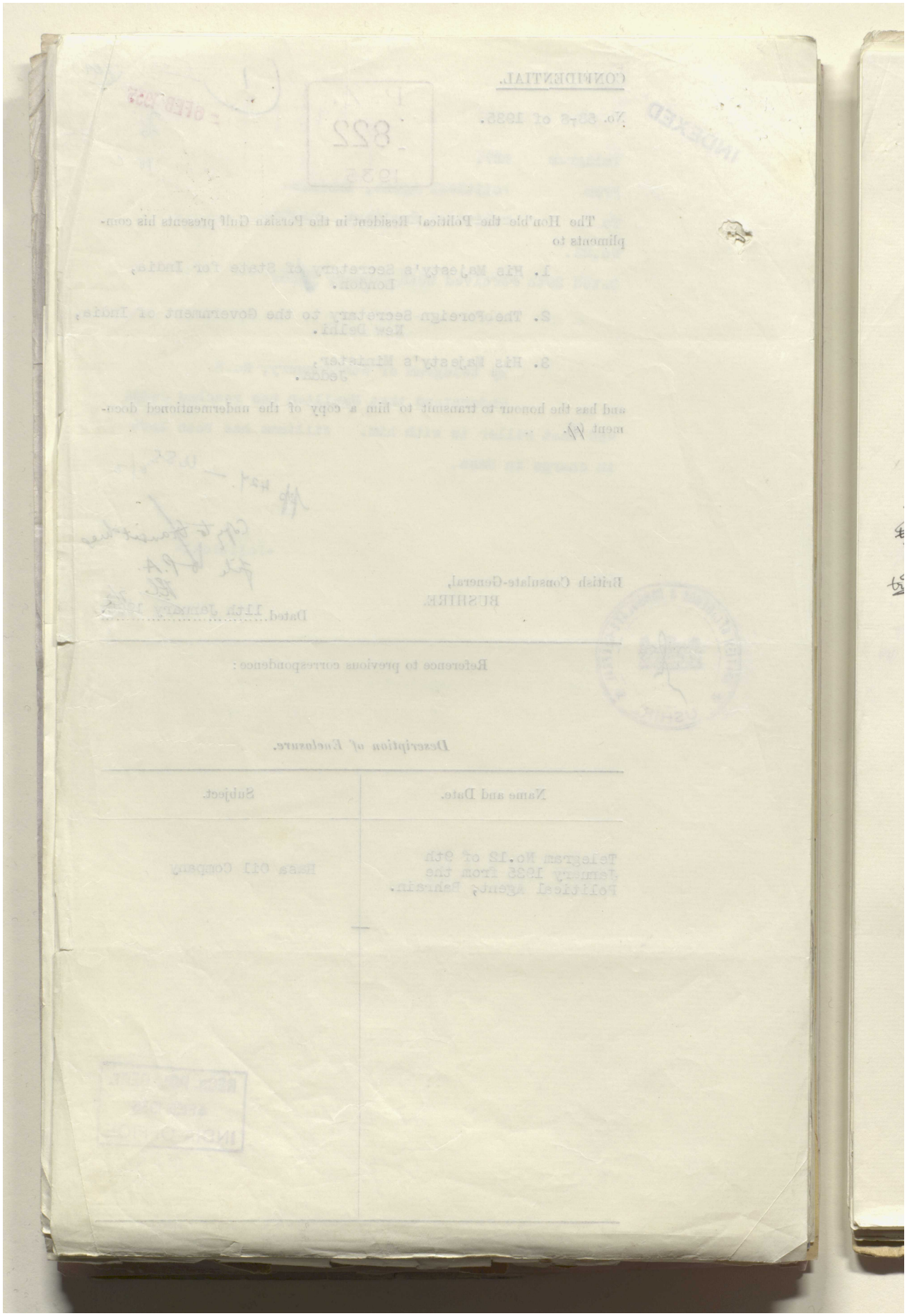

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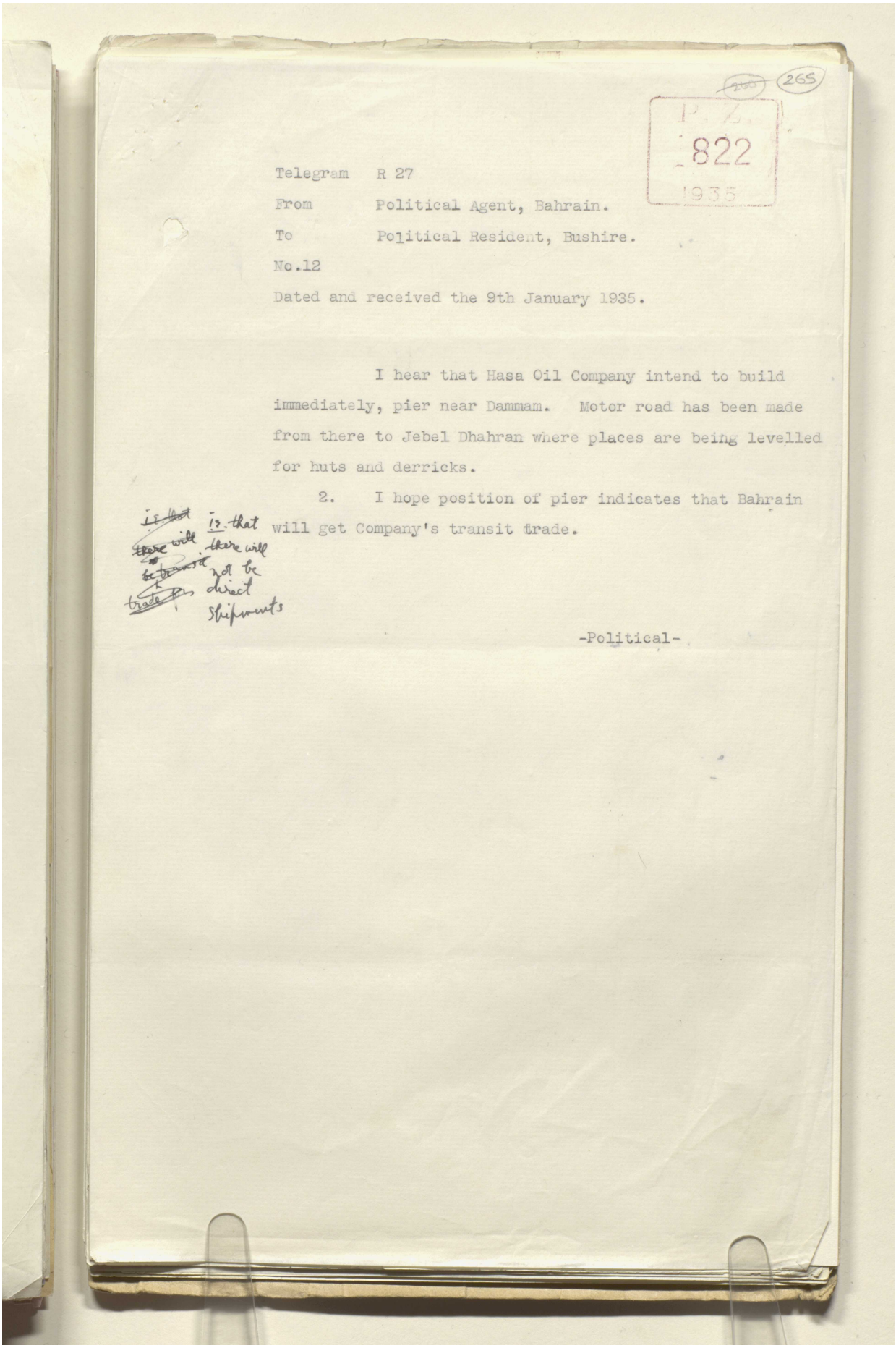

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1935

Telegram R 27
From Political Agent, Bahrain.
To Political Resident, Bushire.
No.12
Dated and received the 9th January 1935.

I hear that Hasa Oil Company intend to build immediately, pier near Dammam. Motor road has been made from there to Jebel Dhahran where places are being levelled for huts and derricks.

2. I hope position of pier indicates that Bahrain will get Company's transit trade.

~~it that there will be transit trade~~ it that there will not be direct shipments

-Political-

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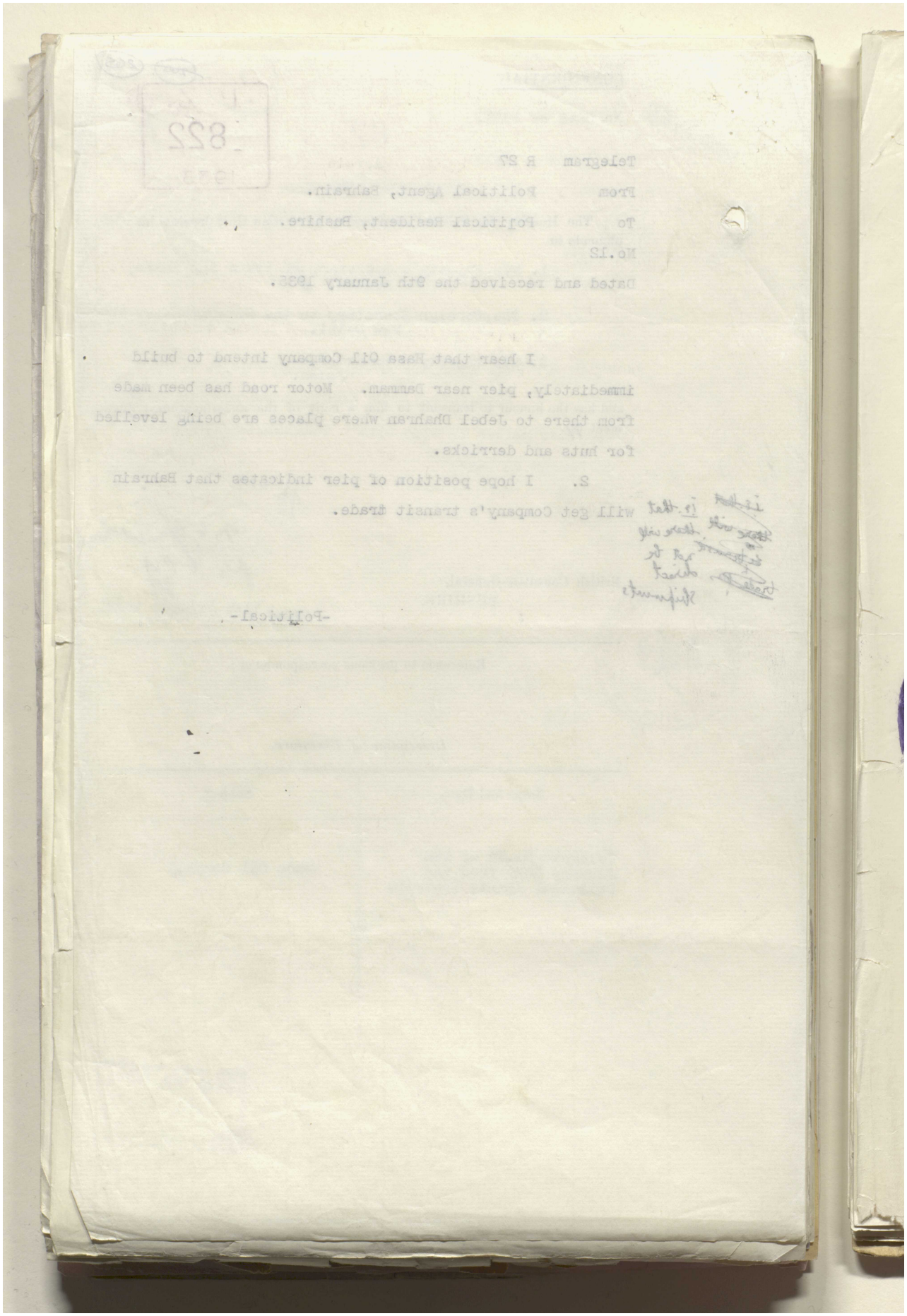

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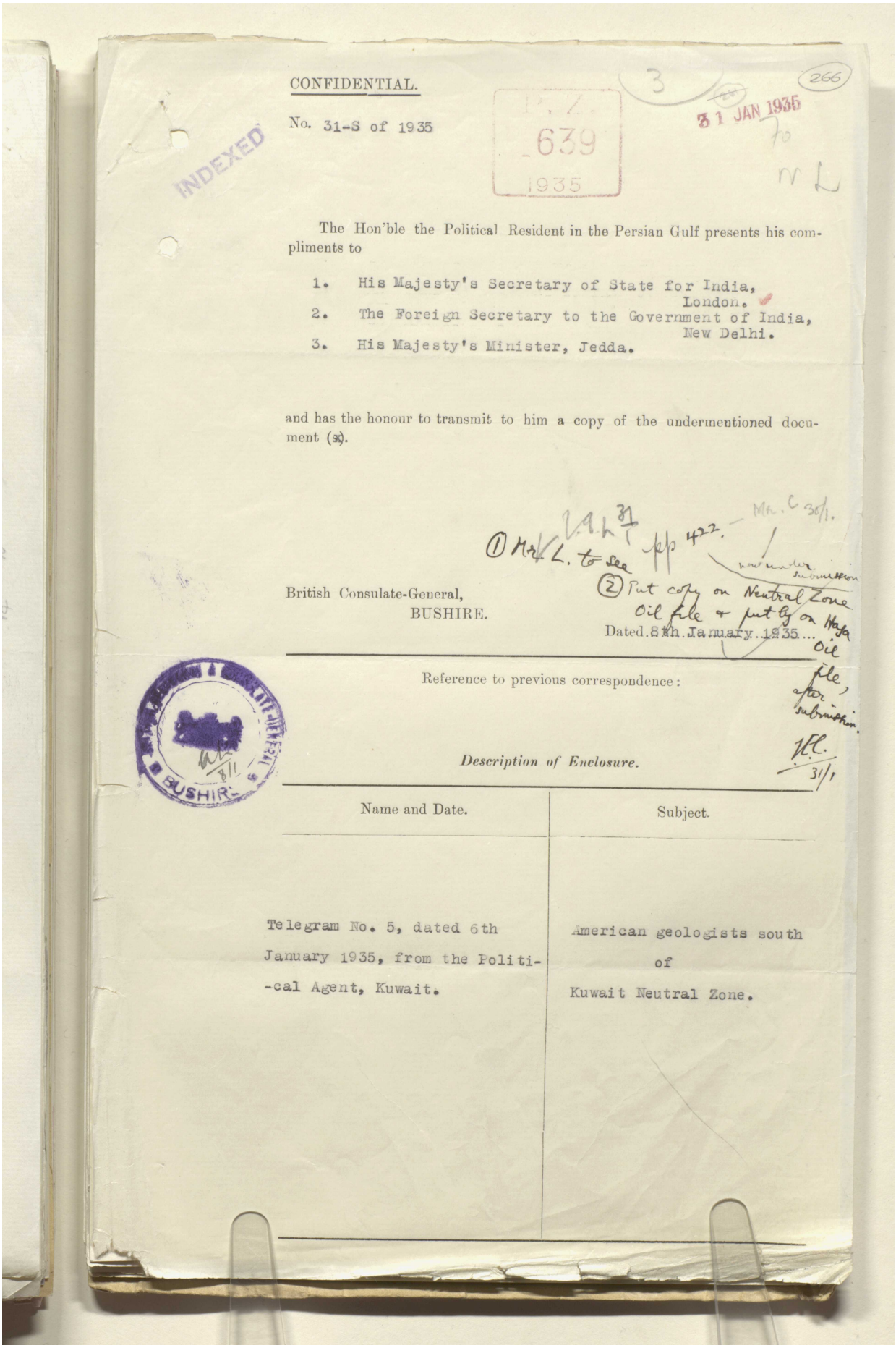

CONFIDENTIAL.

No. 31-S of 1935

P.Z. 639 1935

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The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, New Delhi.
3. His Majesty's Minister, Jedda.

and has the honour to transmit to him a copy of the undermentioned document (s).

British Consulate-General,
BUSHIRE.

Dated 8th January 1935

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
Telegram No. 5, dated 6th January 1935, from the Political Agent, Kuwait.	American geologists south of Kuwait Neutral Zone.

BUSHIRE

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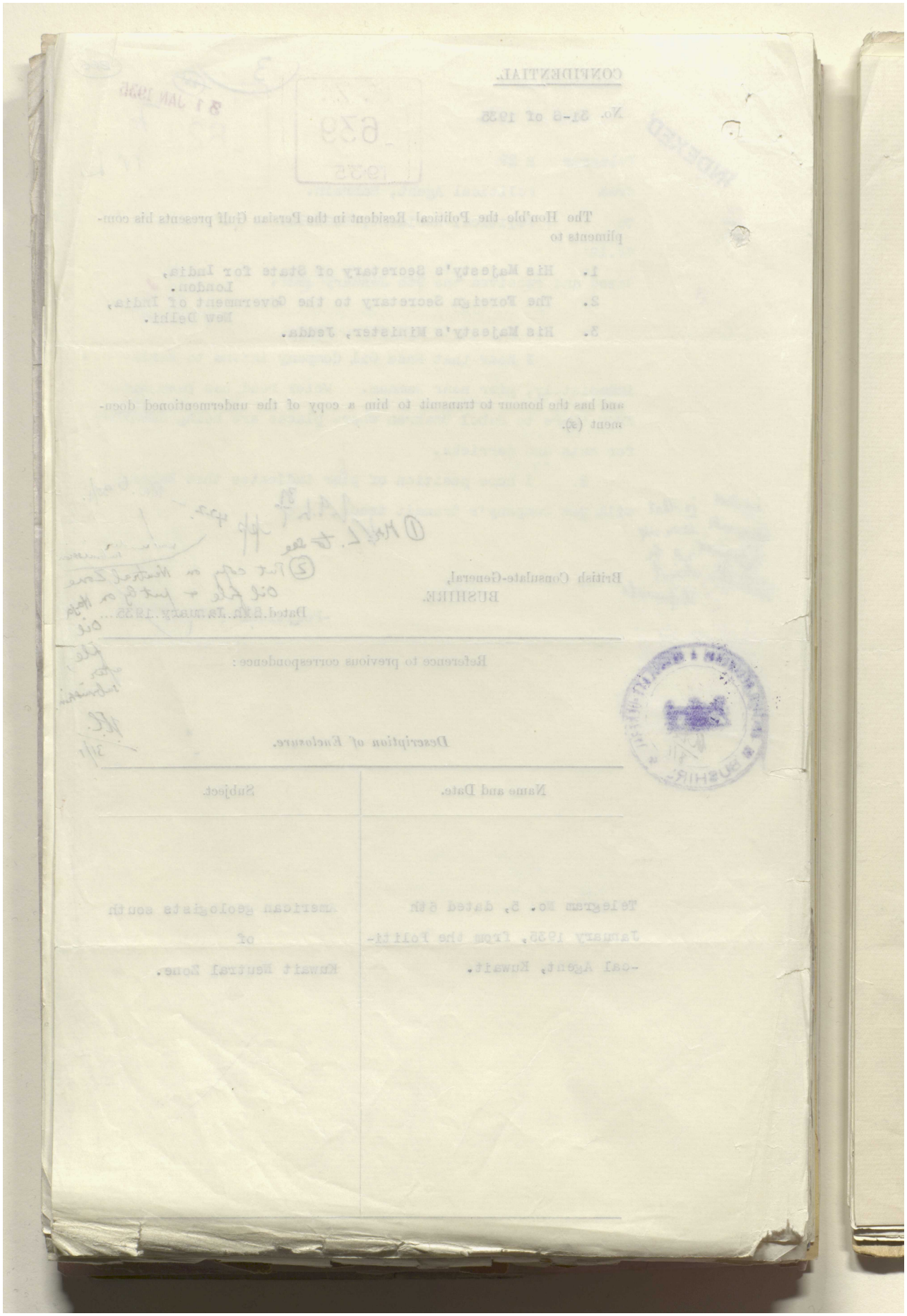

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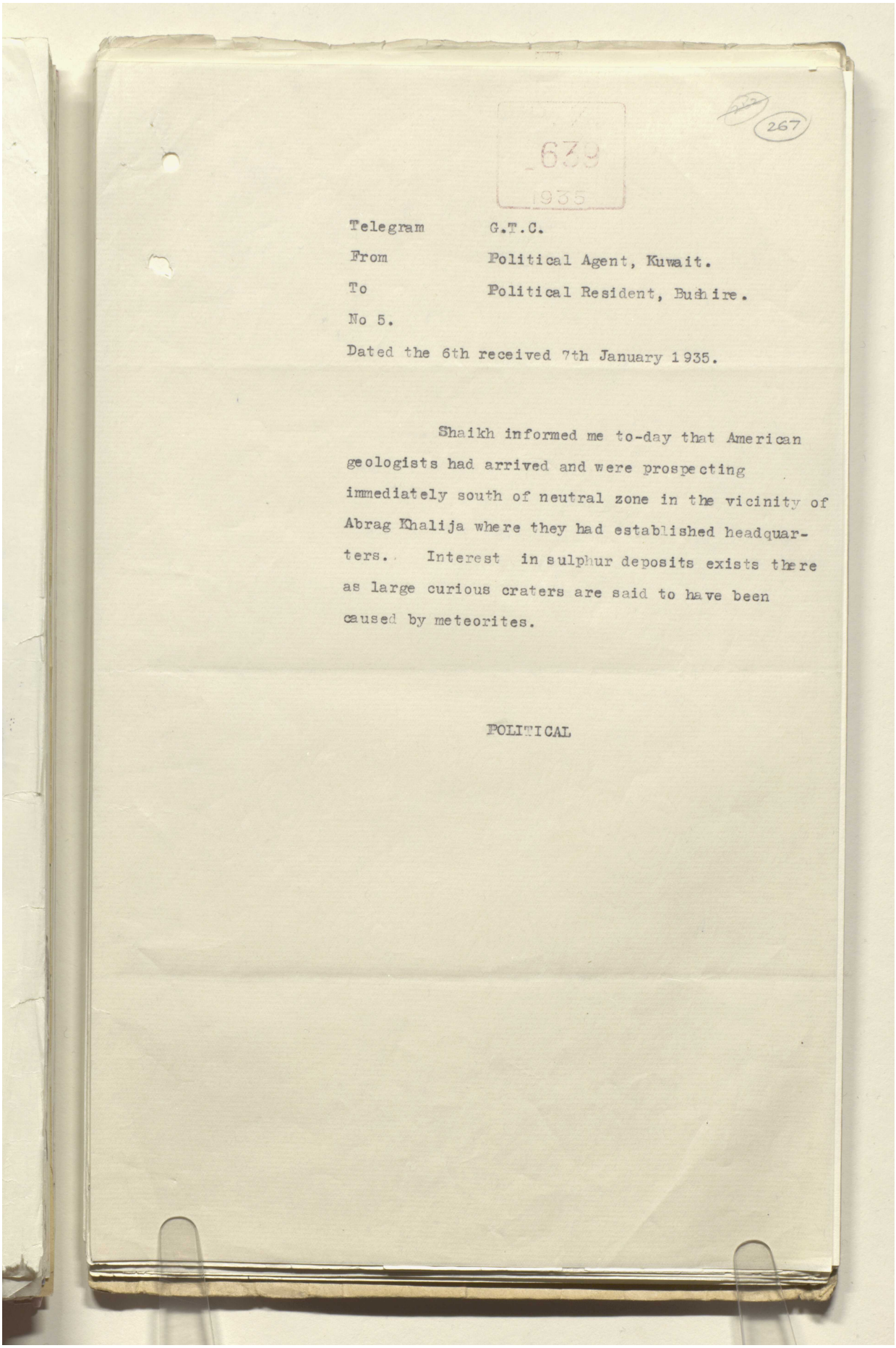

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1935

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Telegram G.T.C.

From Political Agent, Kuwait.

To Political Resident, Bushire.

No 5.

Dated the 6th received 7th January 1935.

Shaikh informed me to-day that American geologists had arrived and were prospecting immediately south of neutral zone in the vicinity of Abrag Khalija where they had established headquarters. Interest in sulphur deposits exists there as large curious craters are said to have been caused by meteorites.

POLITICAL

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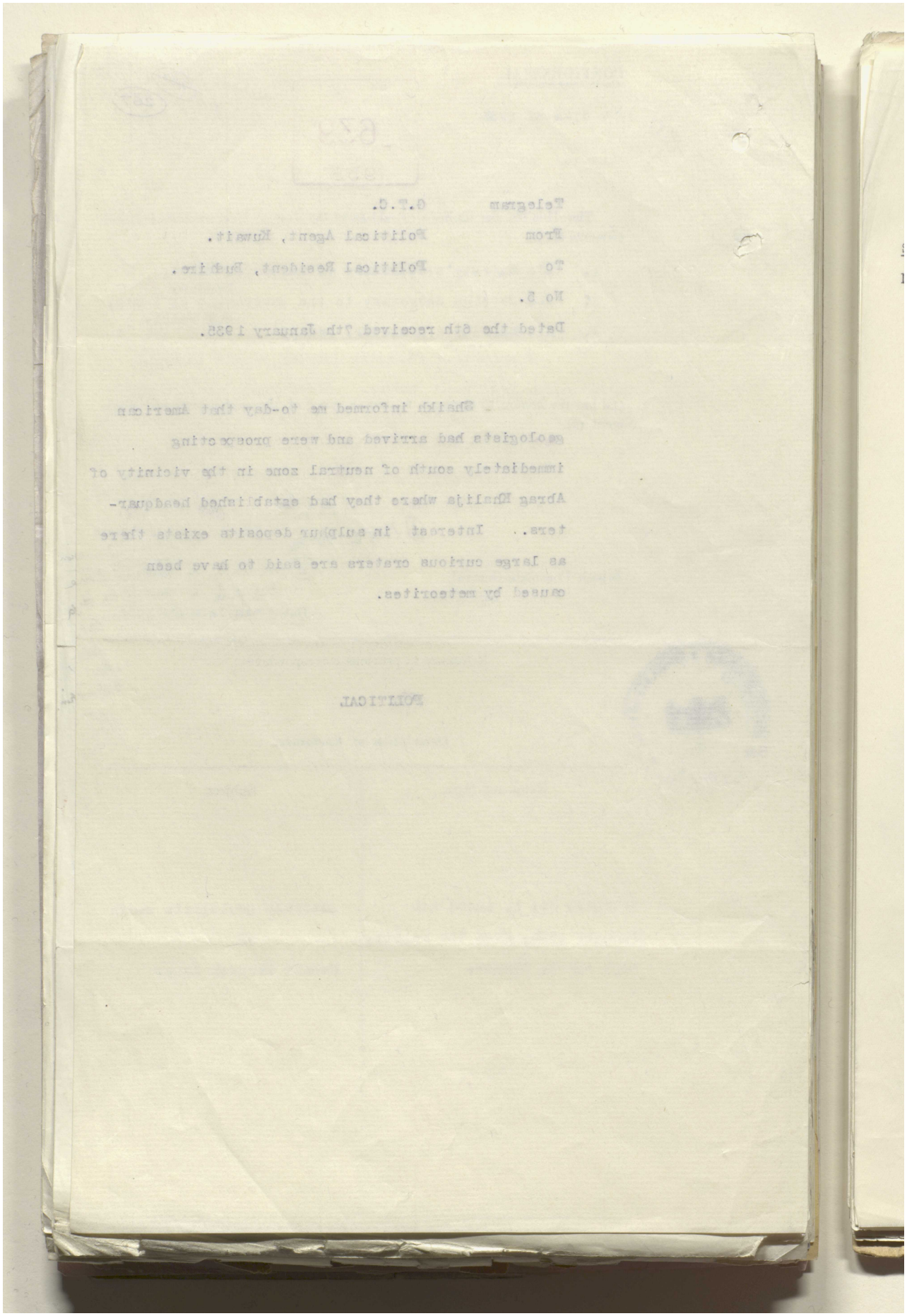

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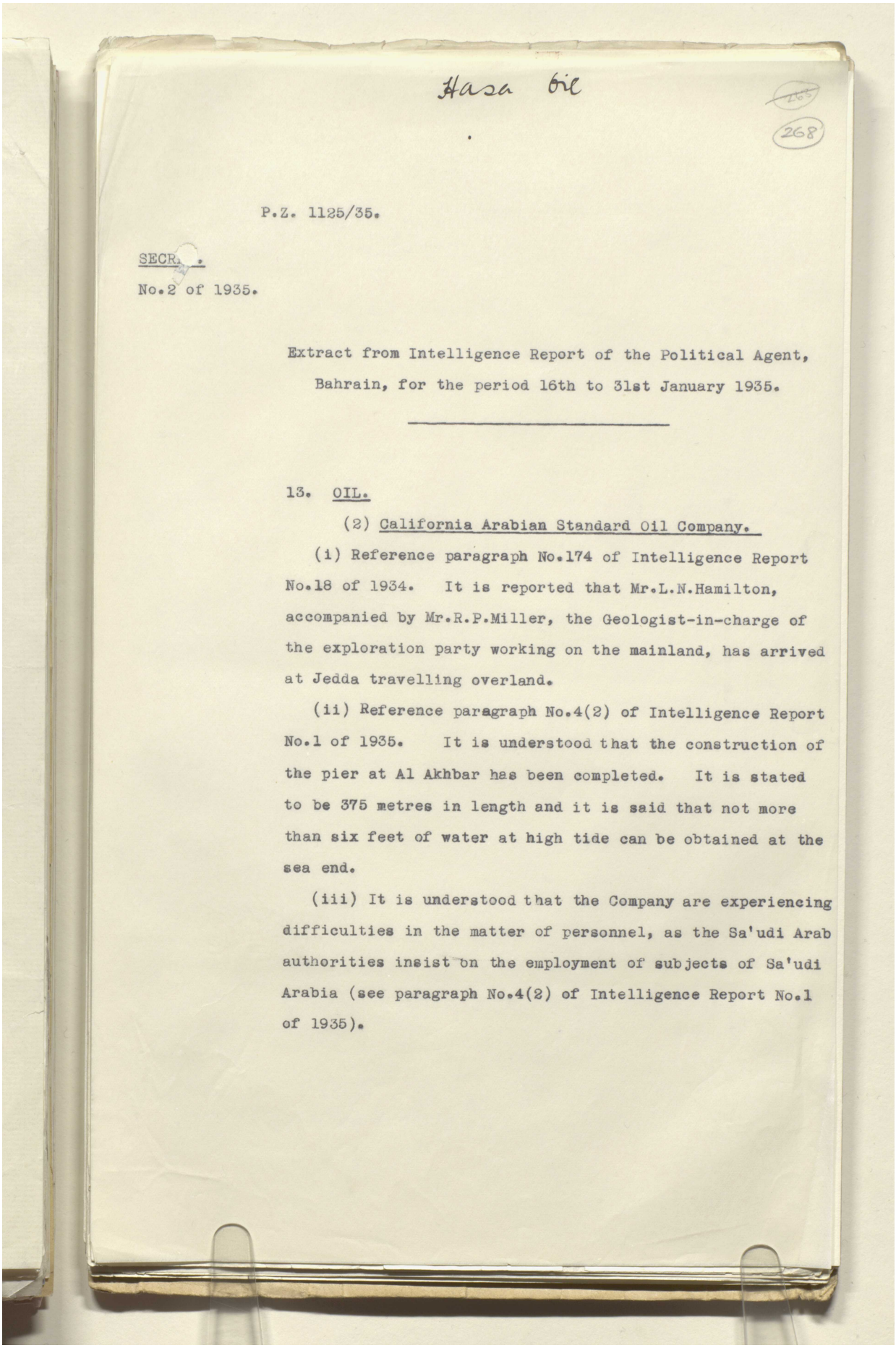

Hasa Oil

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P.Z. 1125/35.

SECR.

No.2 of 1935.

Extract from Intelligence Report of the Political Agent, Bahrain, for the period 16th to 31st January 1935.

13. OIL.

(2) California Arabian Standard Oil Company.

(i) Reference paragraph No.174 of Intelligence Report No.18 of 1934. It is reported that Mr.L.N.Hamilton, accompanied by Mr.R.P.Miller, the Geologist-in-charge of the exploration party working on the mainland, has arrived at Jedda travelling overland.

(ii) Reference paragraph No.4(2) of Intelligence Report No.1 of 1935. It is understood that the construction of the pier at Al Akhbar has been completed. It is stated to be 375 metres in length and it is said that not more than six feet of water at high tide can be obtained at the sea end.

(iii) It is understood that the Company are experiencing difficulties in the matter of personnel, as the Sa'udi Arab authorities insist on the employment of subjects of Sa'udi Arabia (see paragraph No.4(2) of Intelligence Report No.1 of 1935).

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P.Z. 1125/35.

SECRET.

No.2 of 1935.

Extract from Intelligence Report of the Political Agent, Bahrain, for the period 16th to 31st January 1935.

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13. OIL.

(2) California Arabian Standard Oil Company.

(i) Reference paragraph No.174 of Intelligence Report No.18 of 1934. It is reported that Mr.L.N.Hamilton, accompanied by Mr.R.P.Miller, the Geologist-in-charge of the exploration party working on the mainland, has arrived at Jedda travelling overland.

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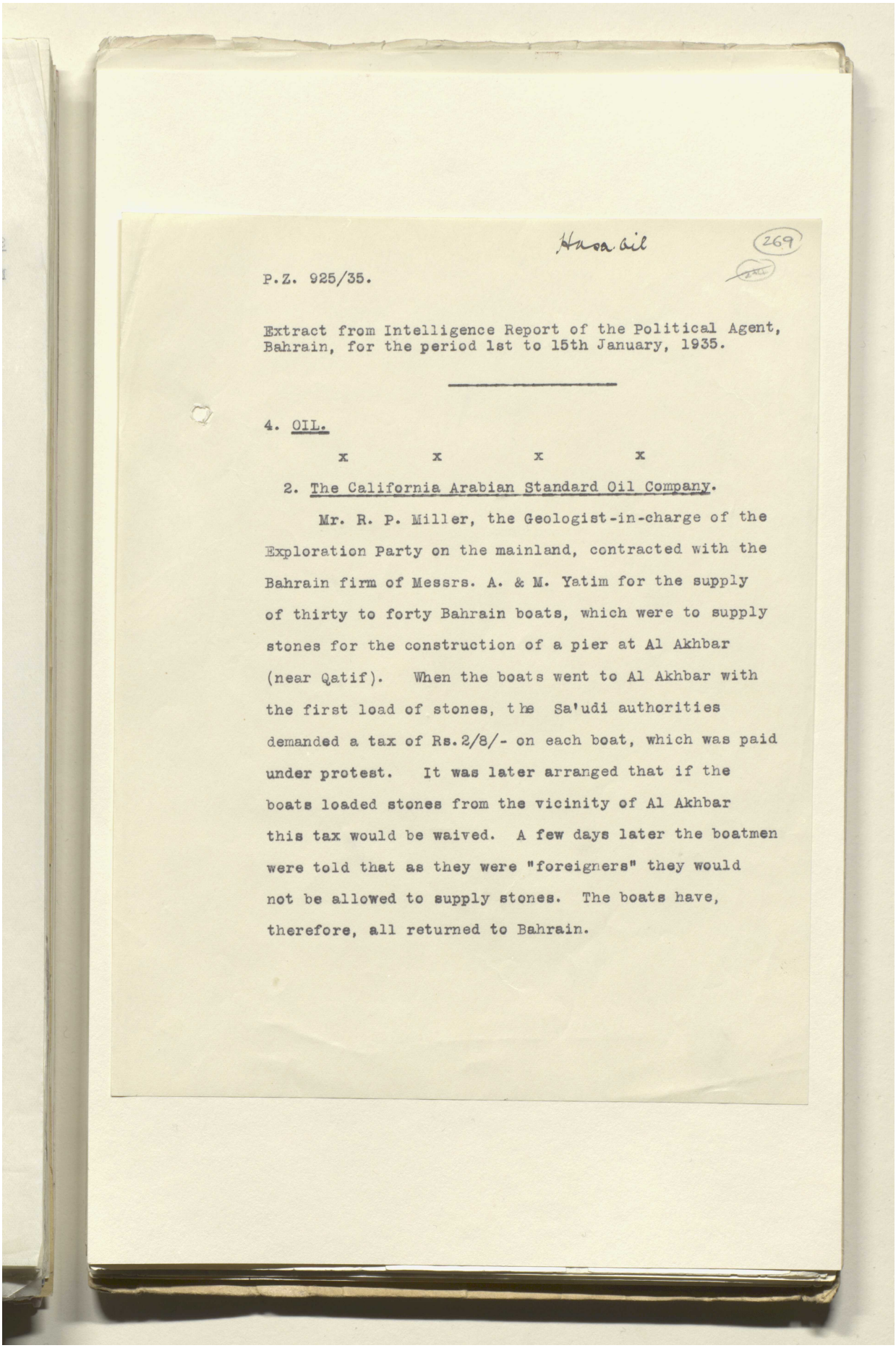

Hasa Oil

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P.Z. 925/35.

Extract from Intelligence Report of the Political Agent, Bahrain, for the period 1st to 15th January, 1935.

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4. OIL.

x x x x

2. The California Arabian Standard Oil Company.

Mr. R. P. Miller, the Geologist-in-charge of the Exploration Party on the mainland, contracted with the Bahrain firm of Messrs. A. & M. Yatim for the supply of thirty to forty Bahrain boats, which were to supply stones for the construction of a pier at Al Akhbar (near Qatif). When the boats went to Al Akhbar with the first load of stones, the Sa'udi authorities demanded a tax of Rs.2/8/- on each boat, which was paid under protest. It was later arranged that if the boats loaded stones from the vicinity of Al Akhbar this tax would be waived. A few days later the boatmen were told that as they were "foreigners" they would not be allowed to supply stones. The boats have, therefore, all returned to Bahrain.

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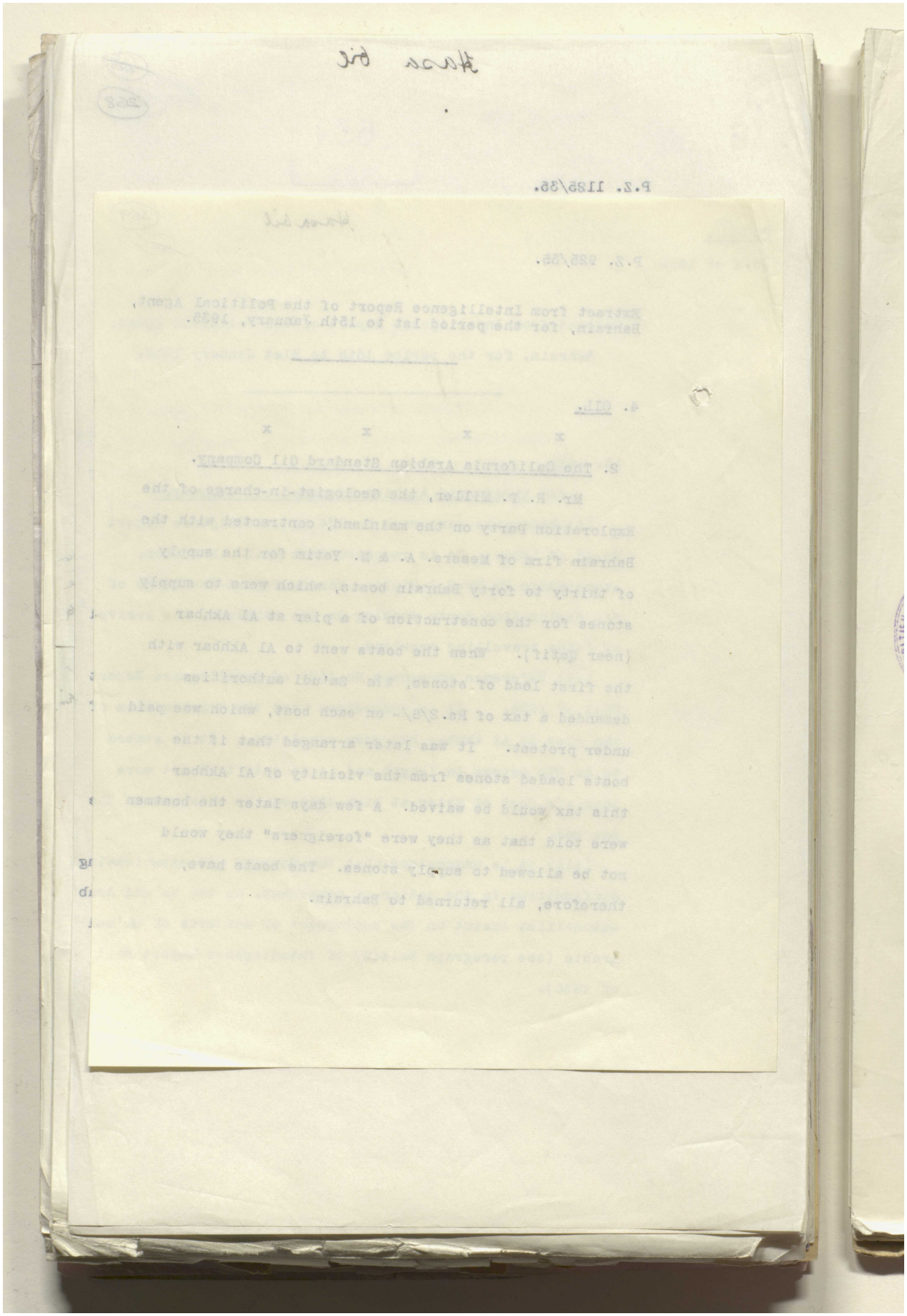

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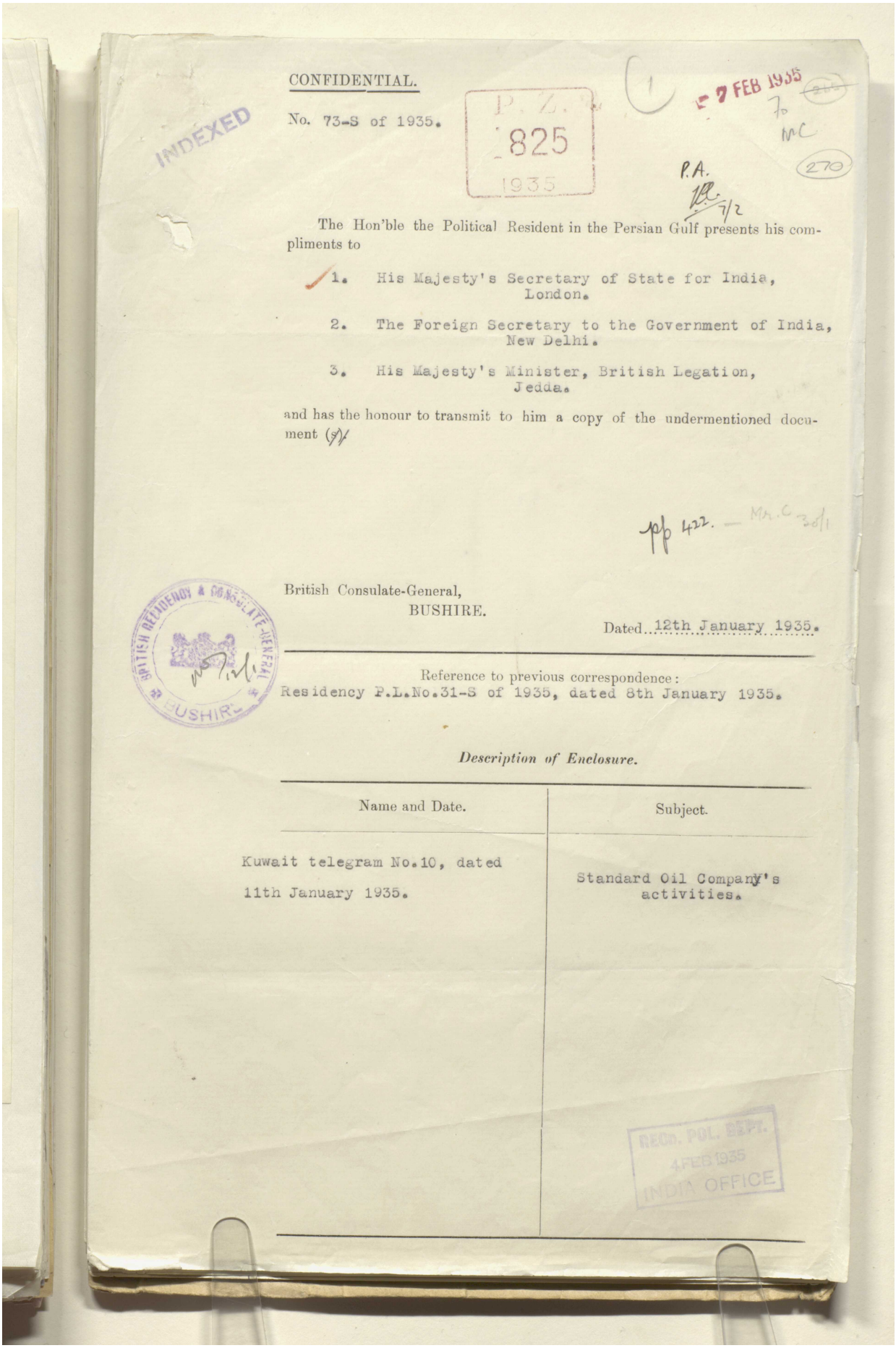

CONFIDENTIAL.

No. 73-S of 1935.

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P. Z. 825 1935

7 FEB 1935

P.A.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, New Delhi.
3. His Majesty's Minister, British Legation, Jedda.

and has the honour to transmit to him a copy of the undermentioned document (s).

pp 422. — Mr. C 30/1

British Consulate-General,
BUSHIRE.

Dated 12th January 1935.

Reference to previous correspondence:
Residency P.L.No.31-S of 1935, dated 8th January 1935.

Description of Enclosure.

Name and Date.	Subject.
Kuwait telegram No.10, dated 11th January 1935.	Standard Oil Company's activities.

RECD. POL. DEPT. 4 FEB 1935 INDIA OFFICE

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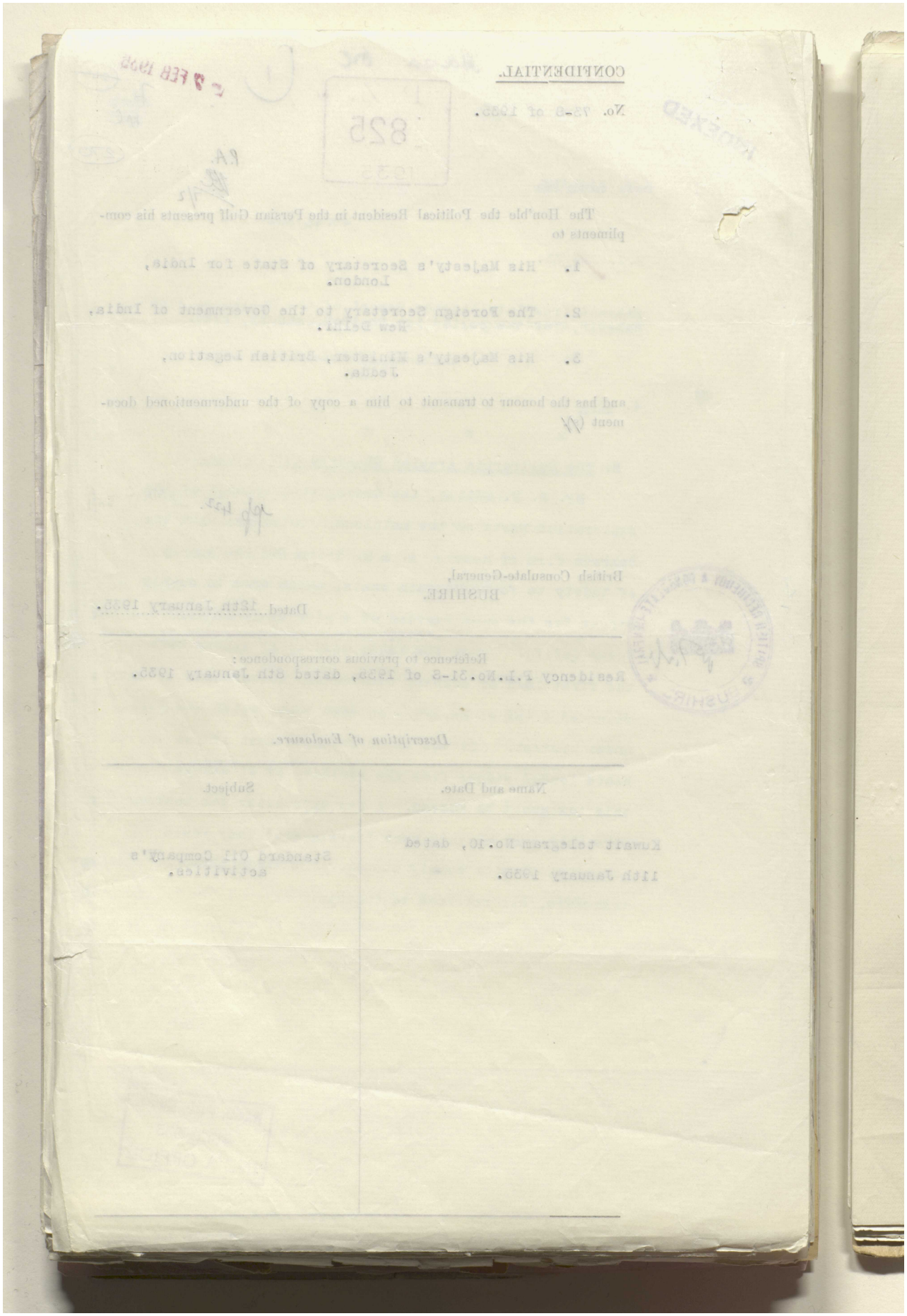

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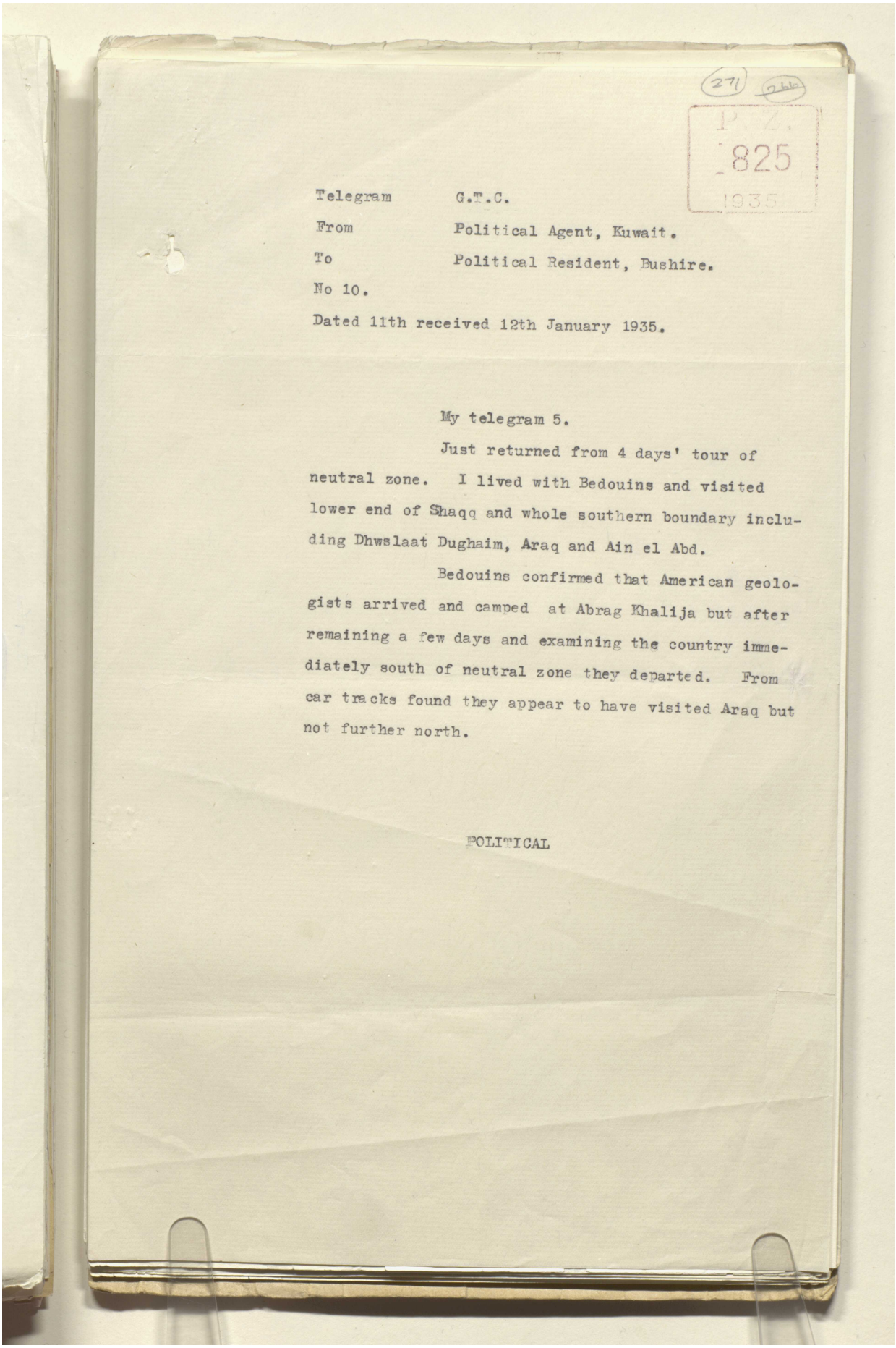

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1935

Telegram G.T.C.

From Political Agent, Kuwait.

To Political Resident, Bushire.

No 10.

Dated 11th received 12th January 1935.

My telegram 5.

Just returned from 4 days' tour of neutral zone. I lived with Bedouins and visited lower end of Shaqq and whole southern boundary including Dhwslaat Dughaim, Araq and Ain el Abd.

Bedouins confirmed that American geologists arrived and camped at Abrag Khalija but after remaining a few days and examining the country immediately south of neutral zone they departed. From car tracks found they appear to have visited Araq but not further north.

POLITICAL

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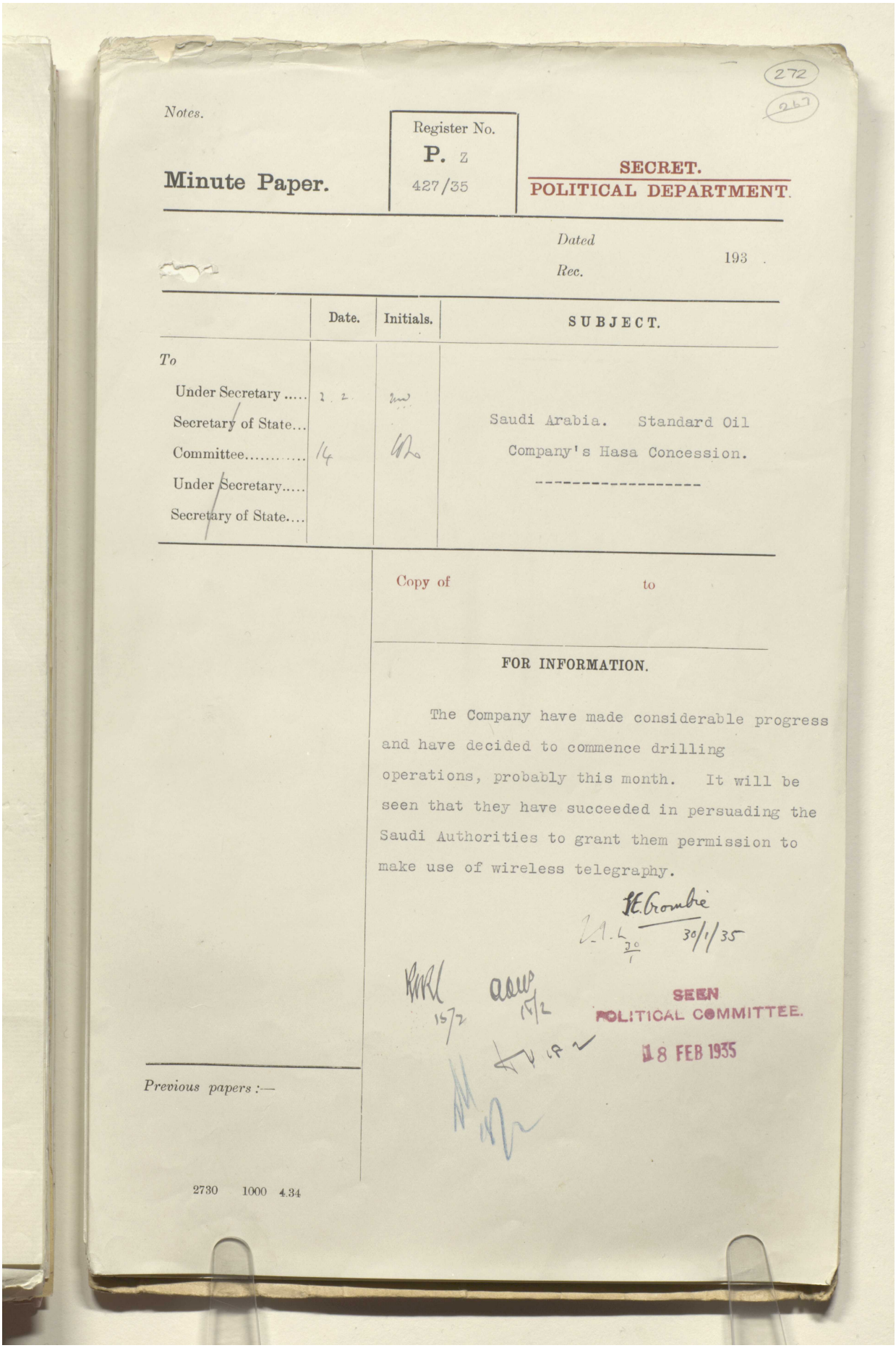

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Notes.

Minute Paper.

Register No.
P. Z
427/35

SECRET.
POLITICAL DEPARTMENT.

Dated
Rec. 193

	Date.	Initials.	SUBJECT.
To			
Under Secretary	1.2		
Secretary of State...			Saudi Arabia. Standard Oil
Committee.....	14		Company's Hasa Concession.
Under Secretary.....			----------
Secretary of State....			

Copy of to

FOR INFORMATION.

The Company have made considerable progress and have decided to commence drilling operations, probably this month. It will be seen that they have succeeded in persuading the Saudi Authorities to grant them permission to make use of wireless telegraphy.

H.E. Crombie
30/1/35

SEEN
POLITICAL COMMITTEE.
18 FEB 1935

Previous papers :—

2730 1000 4.34

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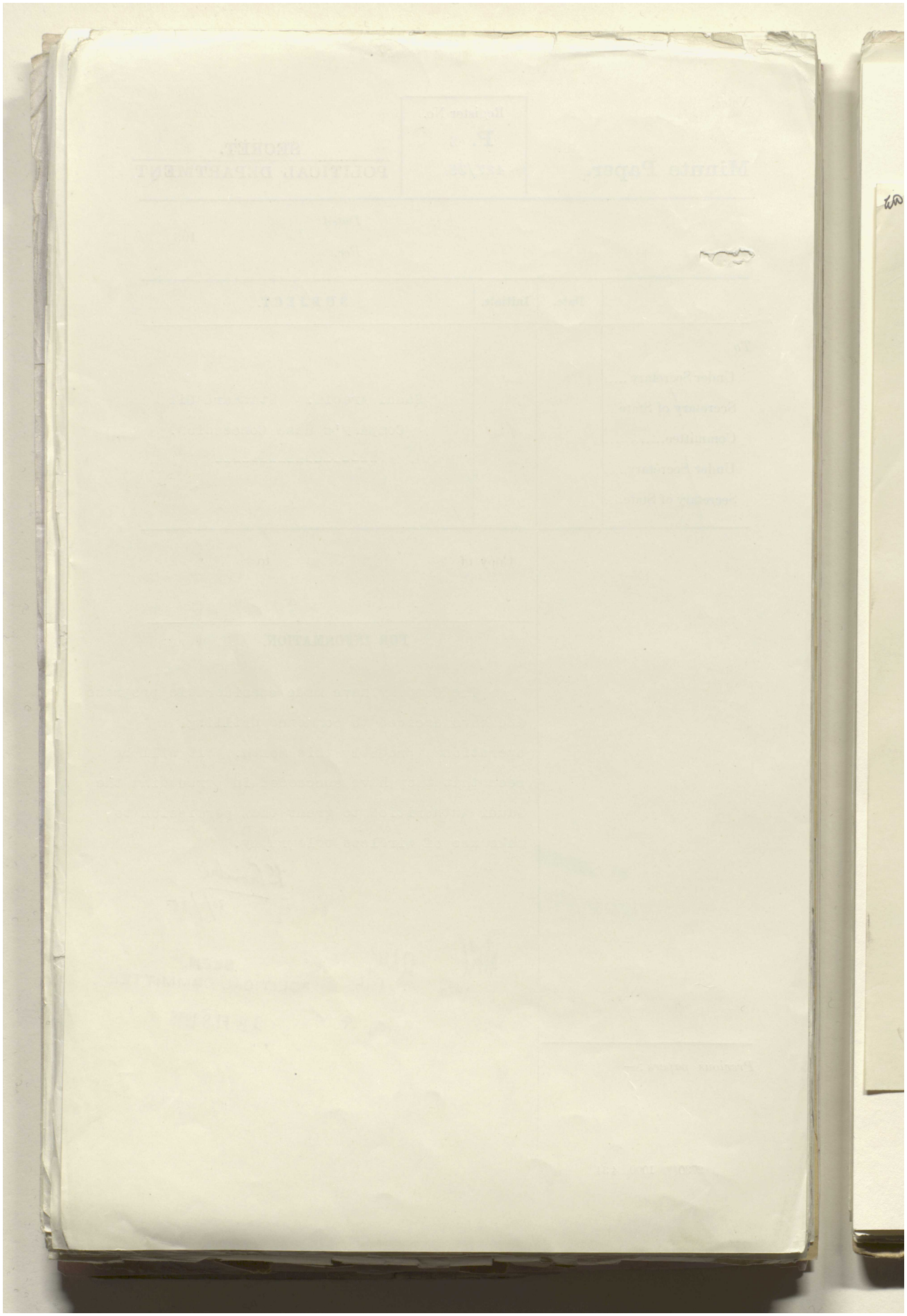

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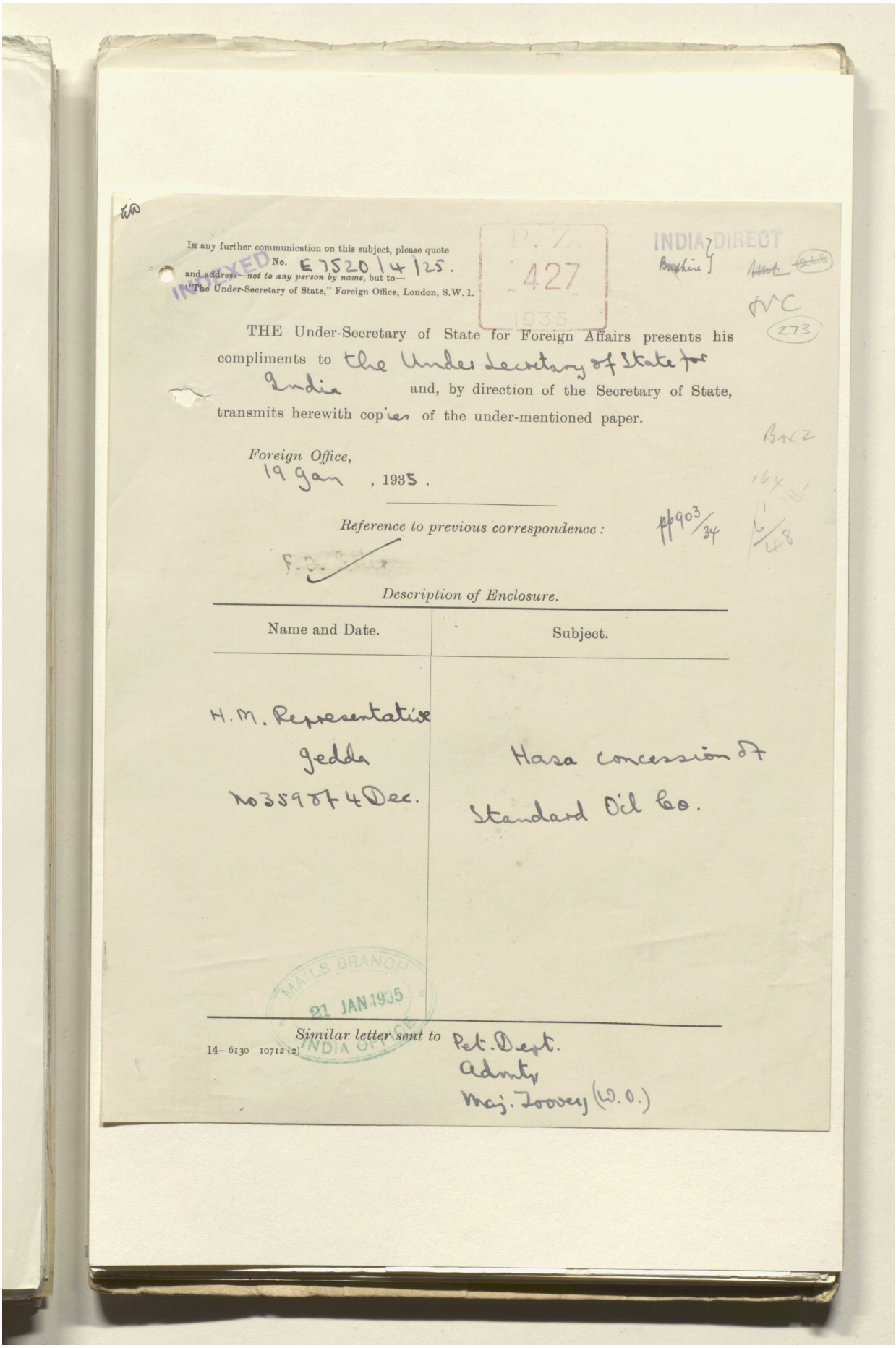

In any further communication on this subject, please quote No. E 7520/4/25.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P.Z. 427 1935

INDIA DIRECT

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
19 Jan , 1935.

Reference to previous correspondence: pp 903/34

Description of Enclosure.

Name and Date.	Subject.
H.M. Representative Jedda No 35 of 4 Dec.	Hasa concession of Standard Oil Co.

MAILS BRANCH 21 JAN 1935 INDIA OFFICE

Similar letter sent to Pet. Dept. Admty Maj. Loosey (W.O.)

14—6130 10712 (2)

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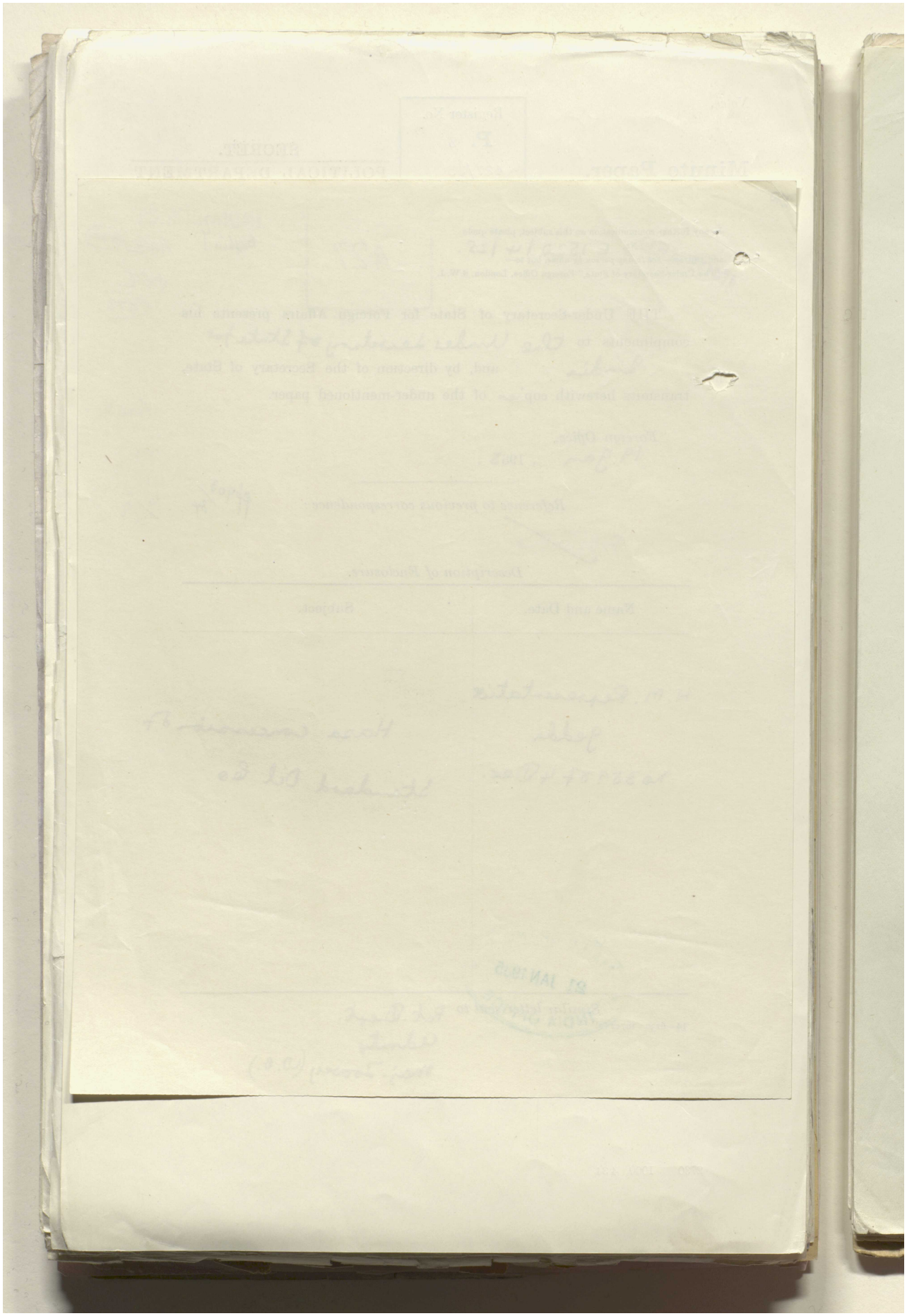

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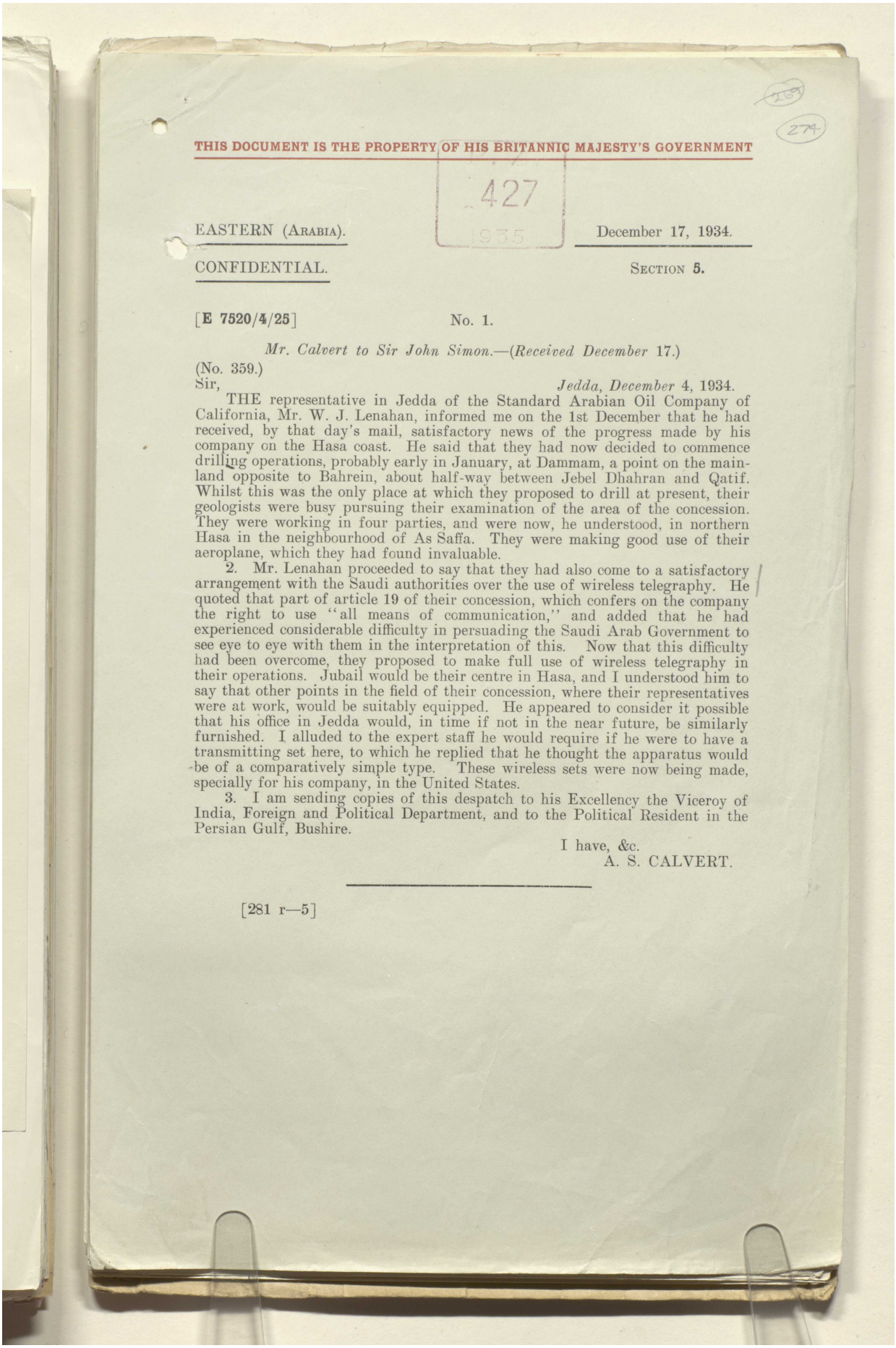

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1935

EASTERN (ARABIA). December 17, 1934.

CONFIDENTIAL. SECTION 5.

[E 7520/4/25] No. 1.

Mr. Calvert to Sir John Simon.—(Received December 17.)

(No. 359.)

Sir, *Jedda, December 4, 1934.*

THE representative in Jedda of the Standard Arabian Oil Company of California, Mr. W. J. Lenahan, informed me on the 1st December that he had received, by that day's mail, satisfactory news of the progress made by his company on the Hasa coast. He said that they had now decided to commence drilling operations, probably early in January, at Dammam, a point on the mainland opposite to Bahrein, about half-way between Jebel Dhahran and Qatif. Whilst this was the only place at which they proposed to drill at present, their geologists were busy pursuing their examination of the area of the concession. They were working in four parties, and were now, he understood, in northern Hasa in the neighbourhood of As Saffa. They were making good use of their aeroplane, which they had found invaluable.

2. Mr. Lenahan proceeded to say that they had also come to a satisfactory arrangement with the Saudi authorities over the use of wireless telegraphy. He quoted that part of article 19 of their concession, which confers on the company the right to use "all means of communication," and added that he had experienced considerable difficulty in persuading the Saudi Arab Government to see eye to eye with them in the interpretation of this. Now that this difficulty had been overcome, they proposed to make full use of wireless telegraphy in their operations. Jubail would be their centre in Hasa, and I understood him to say that other points in the field of their concession, where their representatives were at work, would be suitably equipped. He appeared to consider it possible that his office in Jedda would, in time if not in the near future, be similarly furnished. I alluded to the expert staff he would require if he were to have a transmitting set here, to which he replied that he thought the apparatus would be of a comparatively simple type. These wireless sets were now being made, specially for his company, in the United States.

3. I am sending copies of this despatch to his Excellency the Viceroy of India, Foreign and Political Department, and to the Political Resident in the Persian Gulf, Bushire.

I have, &c.
A. S. CALVERT.

[281 r—5]

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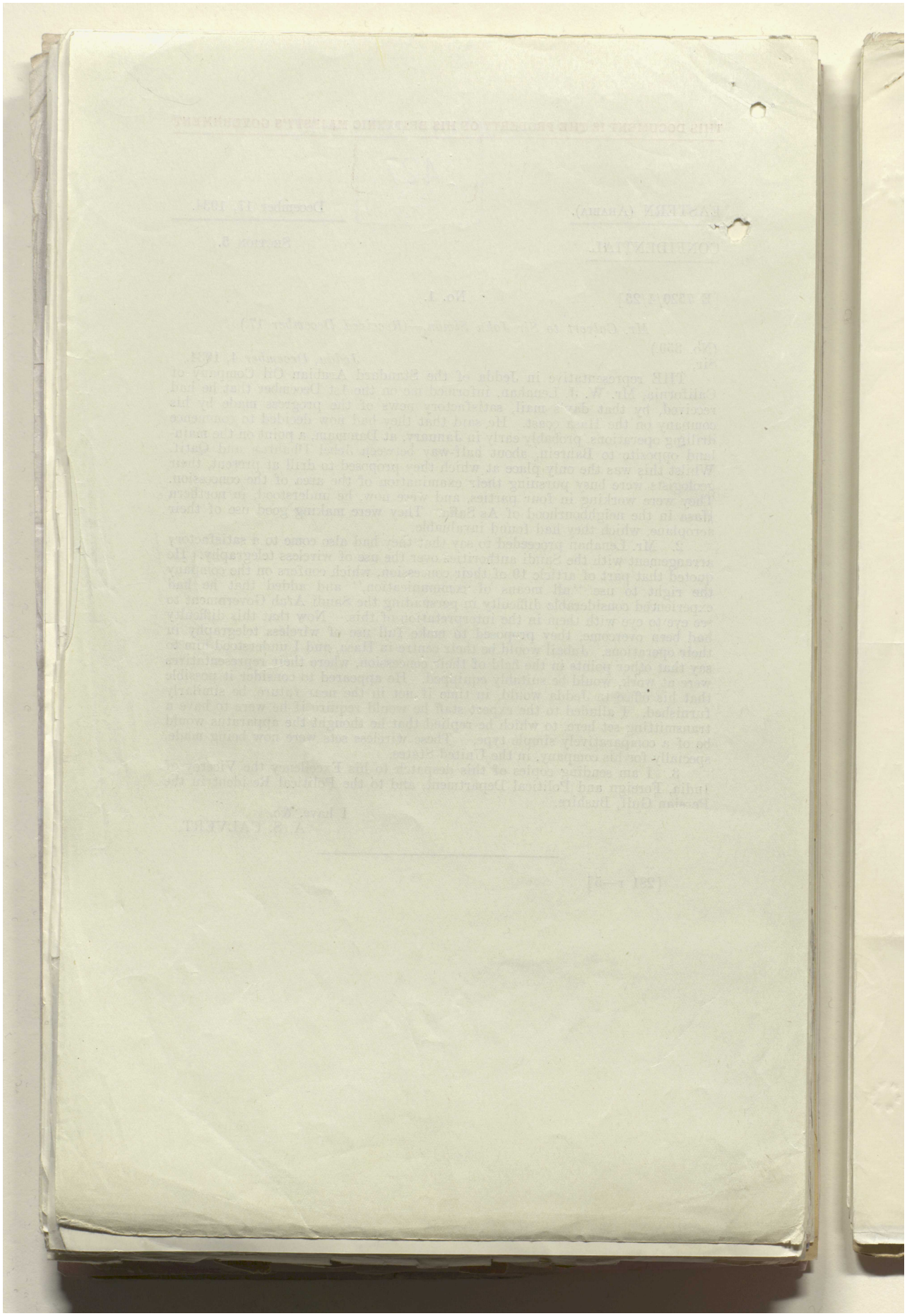

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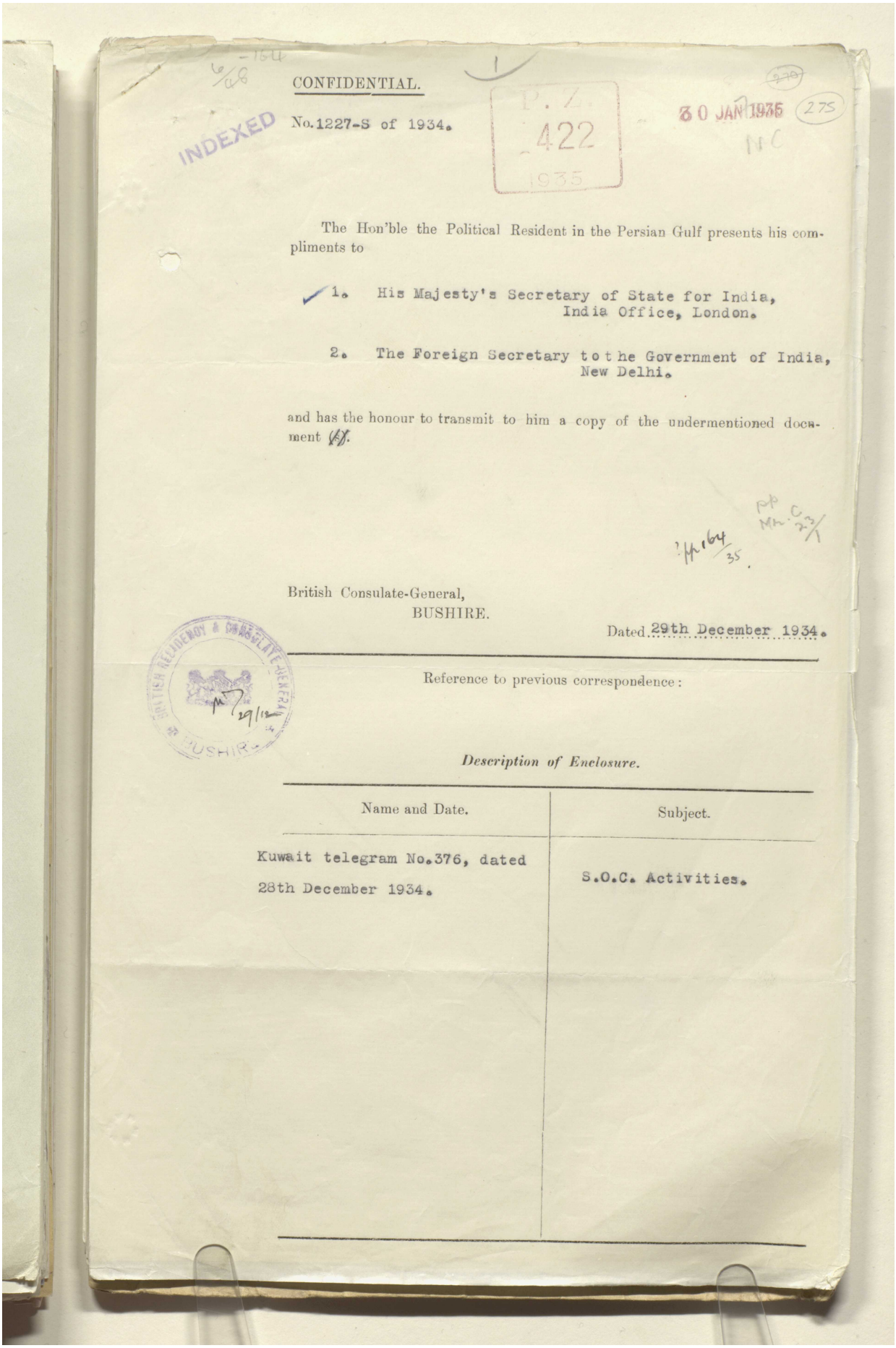

CONFIDENTIAL.

No.1227-S of 1934.

INDEXED
P. Z. 422 1935
30 JAN 1935

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, India Office, London.

2. The Foreign Secretary to the Government of India, New Delhi.

and has the honour to transmit to him a copy of the undermentioned document (X).

British Consulate-General,
BUSHIRE.

Dated 29th December 1934.

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
Kuwait telegram No.376, dated 28th December 1934.	S.O.C. Activities.

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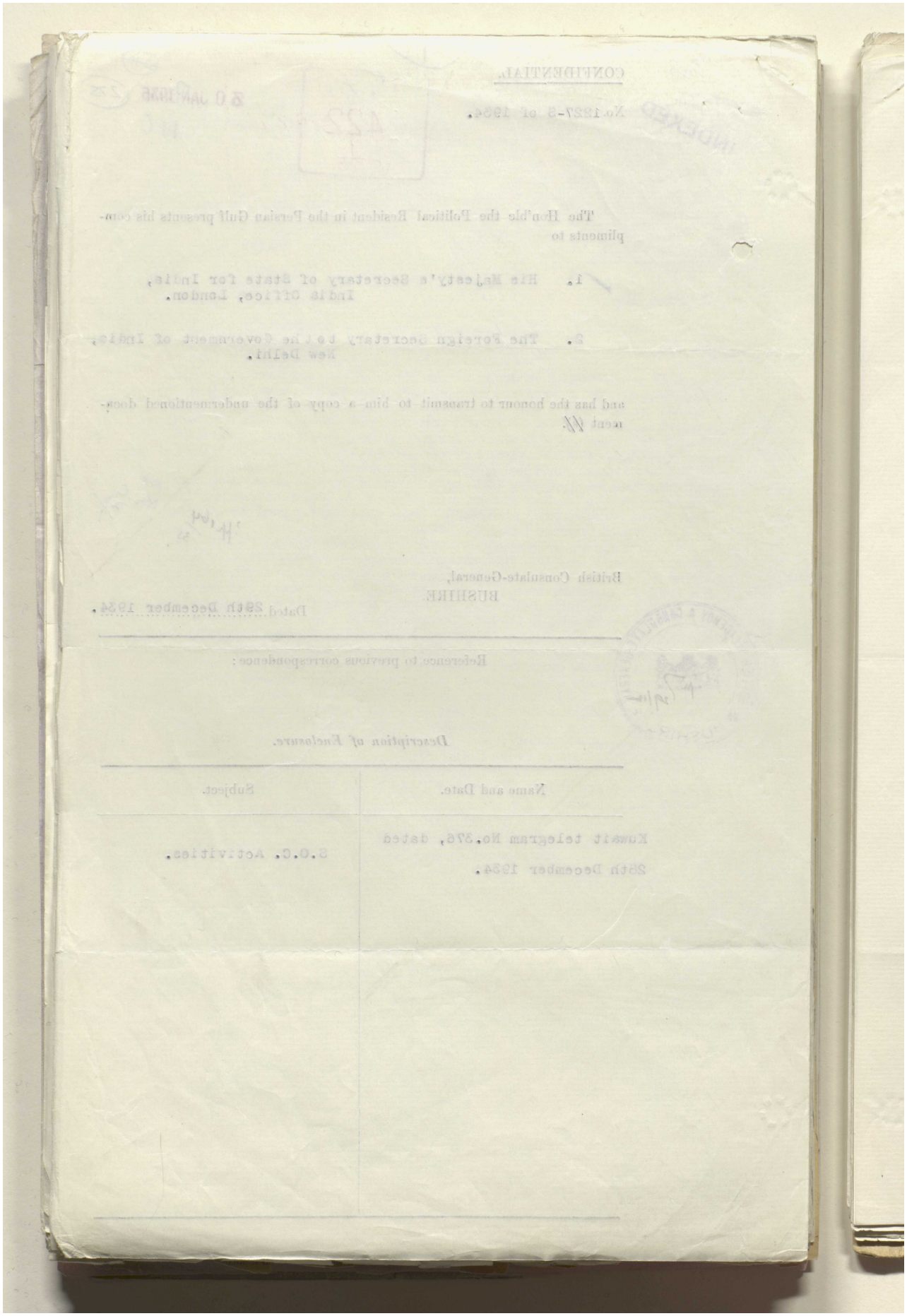

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Telegram G.T.C.
From Political Agent, Kuwait.
To Political Resident, Bushire.
No. 376
Dated 28th (received 29th December) 1934.

Standard Oil Company geologists are now operating in the vicinity of Hafar 130 miles west of neutral zone and have given out that their next move will be to Lina 120 miles further west.

- POLITICAL -

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Telegram G.T.C.
From Political Agent, Kuwait.
To Political Resident, Bushire.
No. 376
Dated 28th (received 29th December) 1934.

Standard Oil Company geologists are
now operating in the vicinity of Hafar 150 miles
west of neutral zone and have given out that their
next move will be to Lina 150 miles further west.

- POLITICAL -

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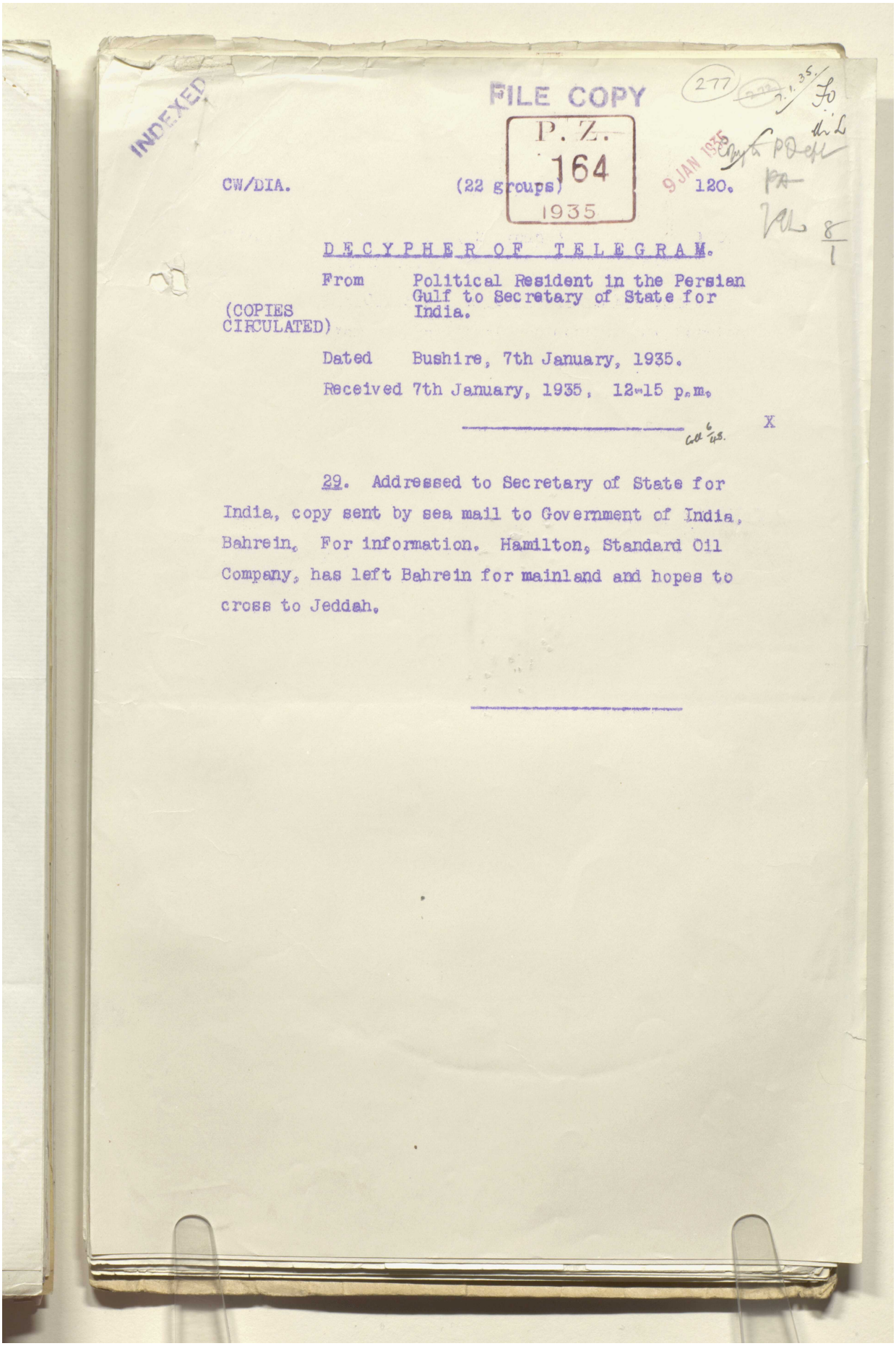

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CW/DIA. (22 groups) 120.

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India.

(COPIES CIRCULATED)

Dated Bushire, 7th January, 1935.

Received 7th January, 1935, 12-15 p.m.

X

29. Addressed to Secretary of State for India, copy sent by sea mail to Government of India, Bahrein. For information. Hamilton, Standard Oil Company, has left Bahrein for mainland and hopes to cross to Jeddah.

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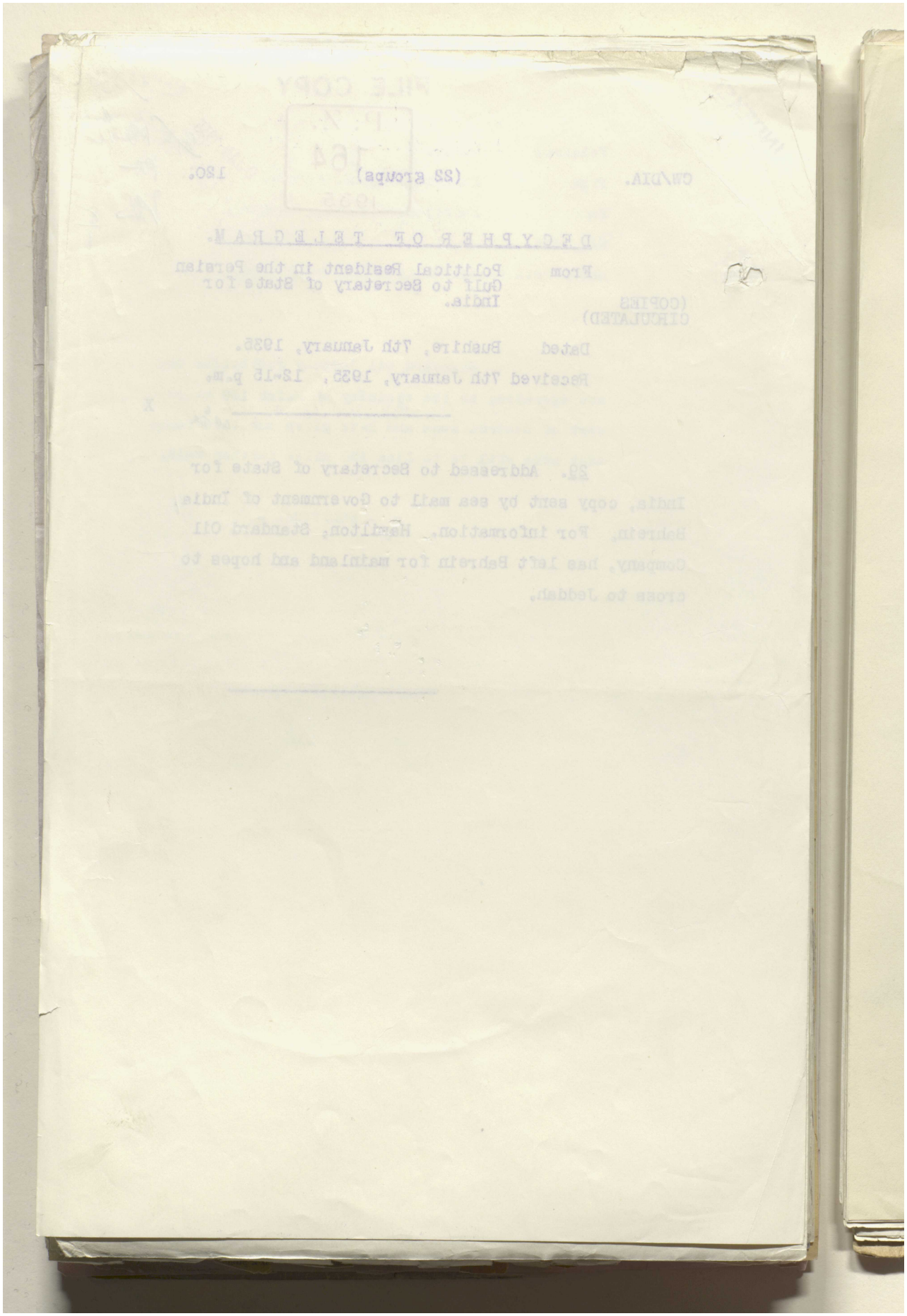

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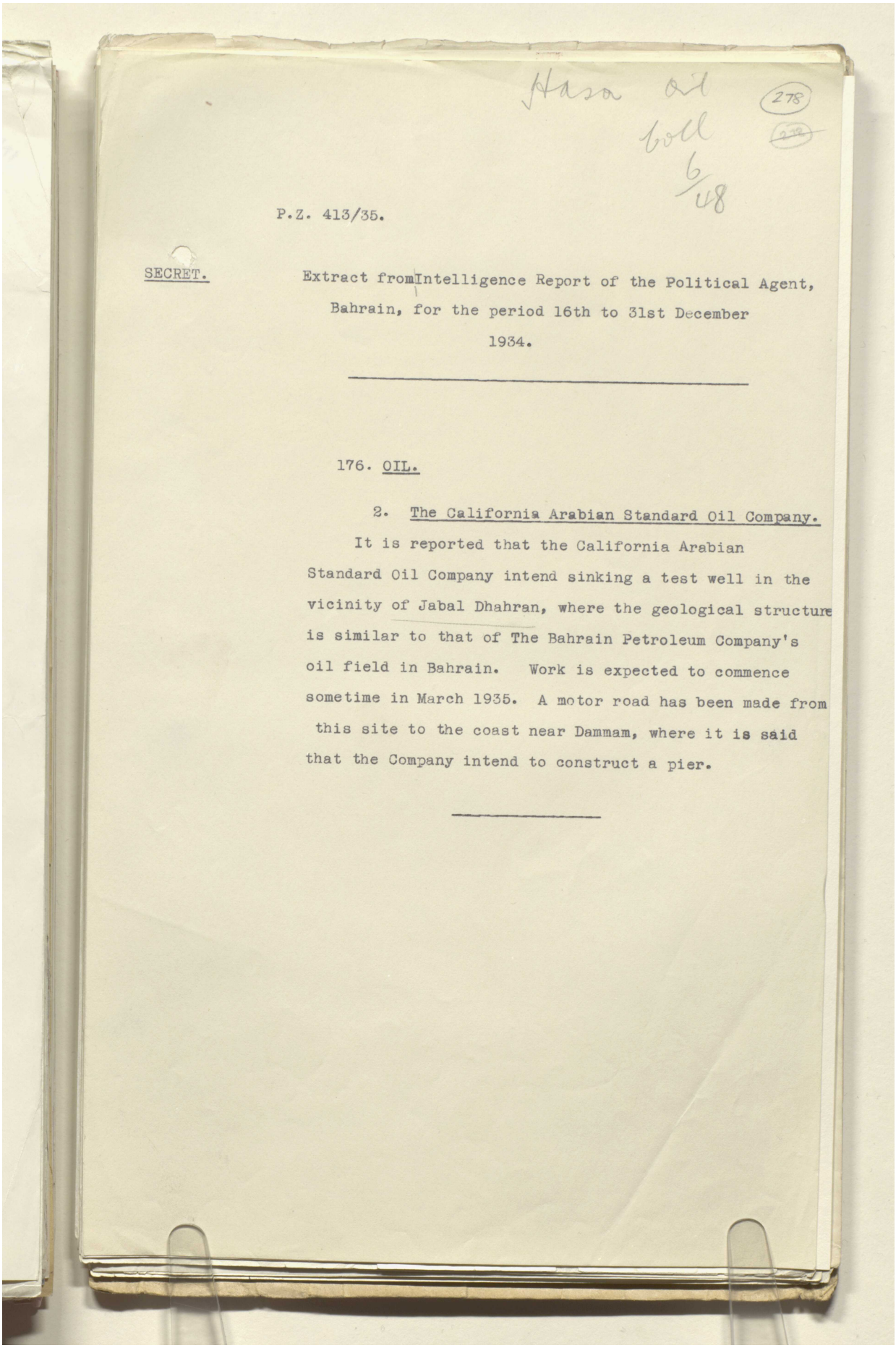

Hasa oil
Coll
6
48

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P.Z. 413/35.

SECRET.

Extract from Intelligence Report of the Political Agent, Bahrain, for the period 16th to 31st December 1934.

---

176. OIL.

2. The California Arabian Standard Oil Company.

It is reported that the California Arabian Standard Oil Company intend sinking a test well in the vicinity of Jabal Dhahran, where the geological structure is similar to that of The Bahrain Petroleum Company's oil field in Bahrain. Work is expected to commence sometime in March 1935. A motor road has been made from this site to the coast near Dammam, where it is said that the Company intend to construct a pier.

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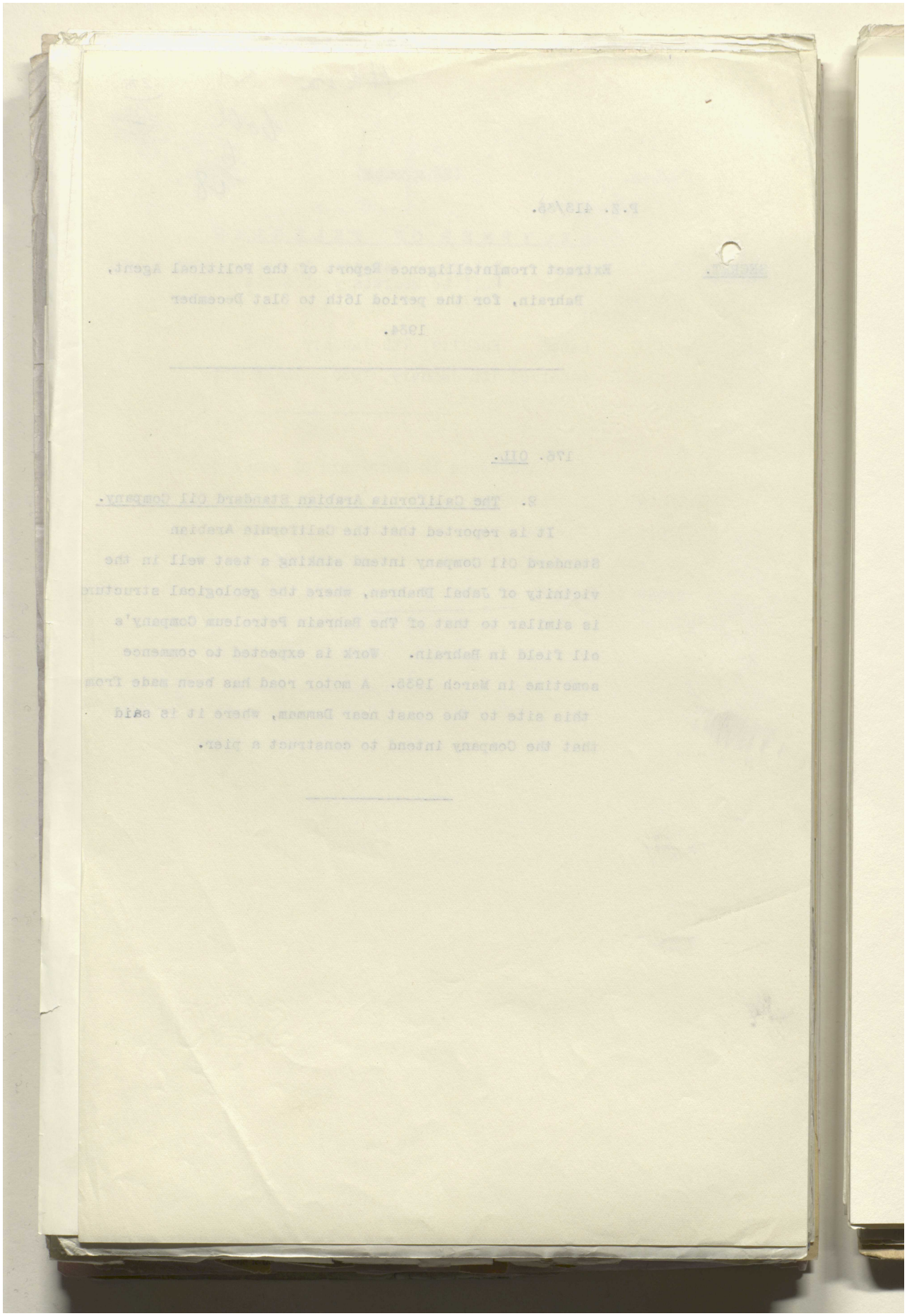

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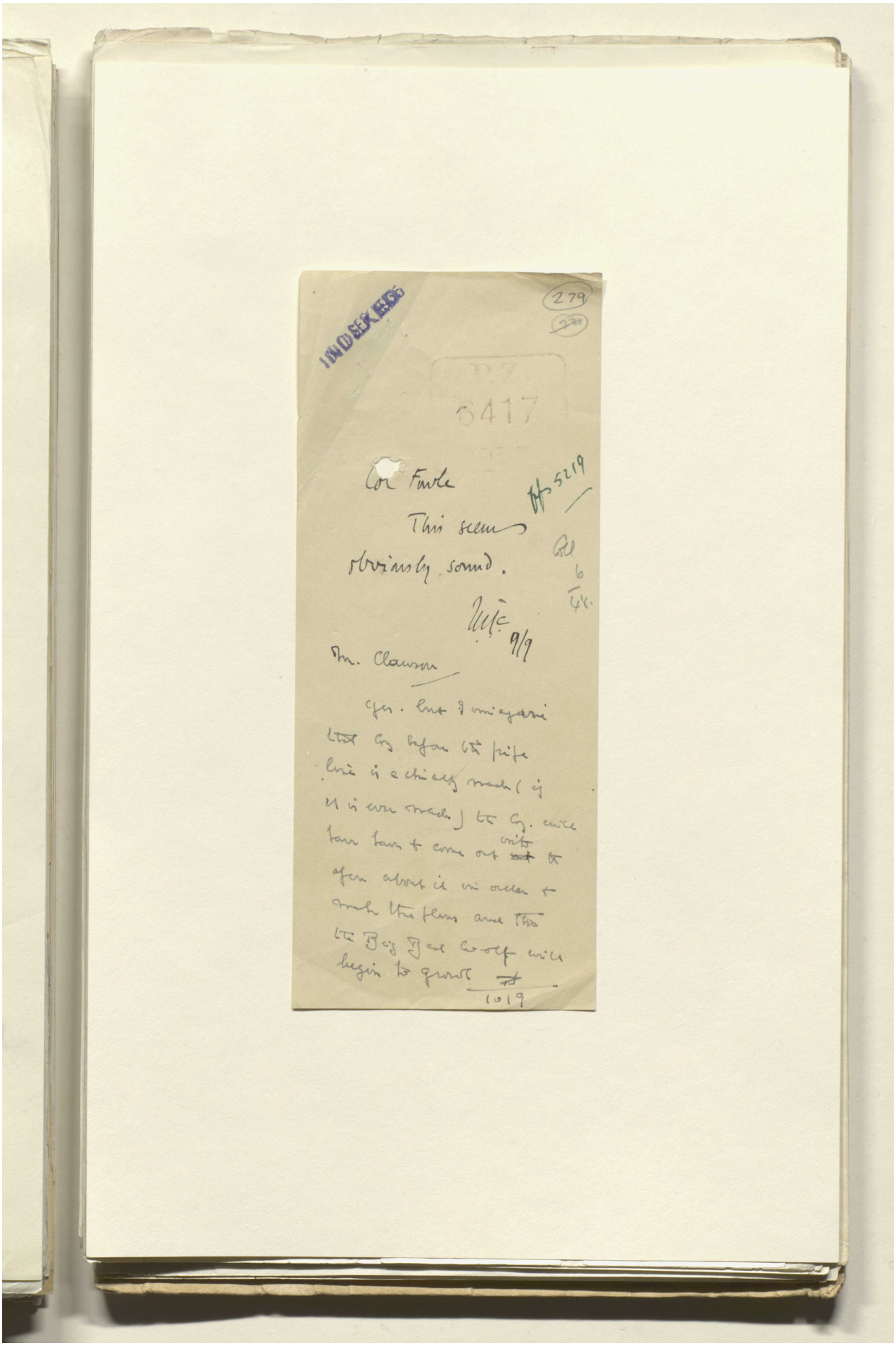

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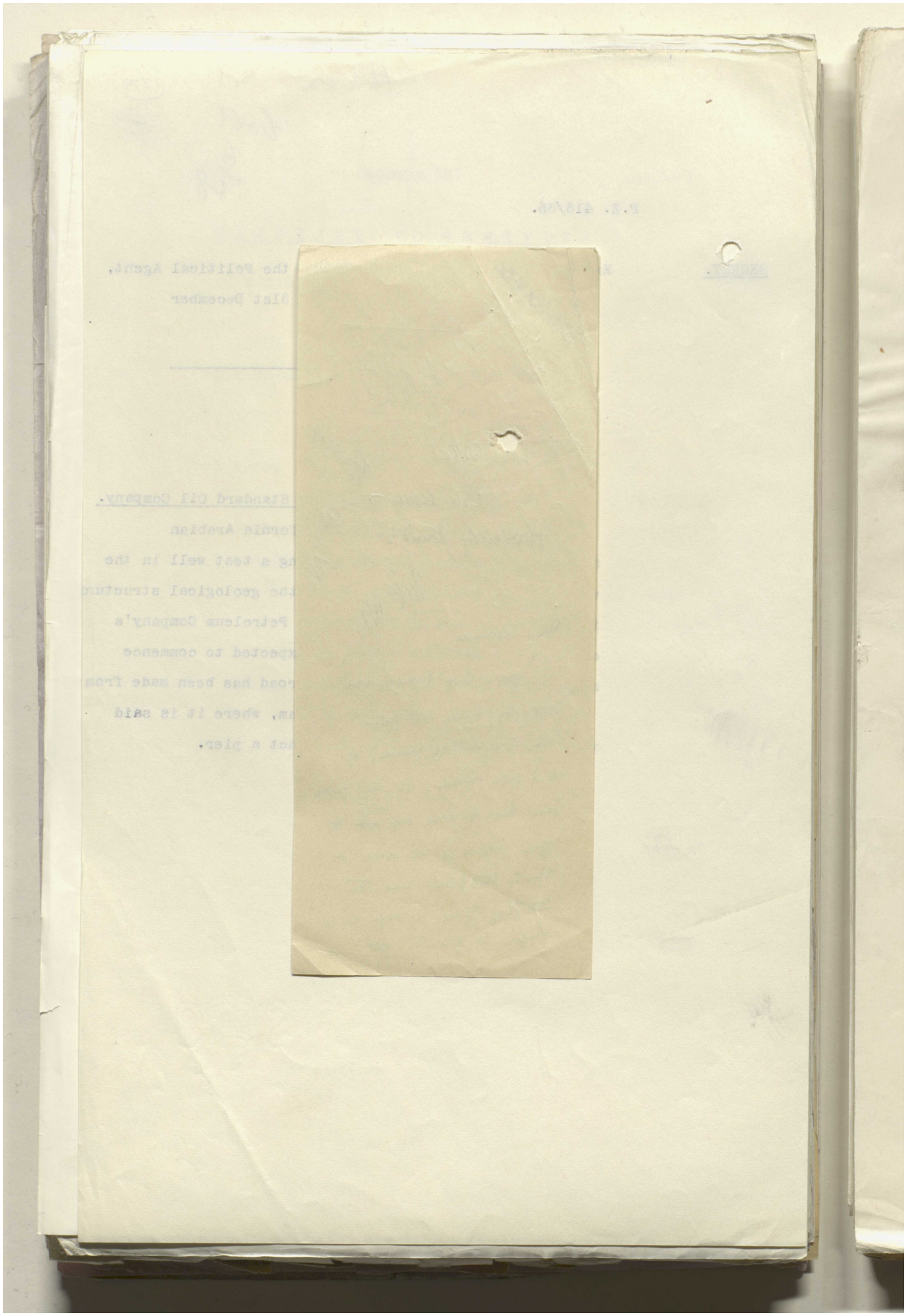

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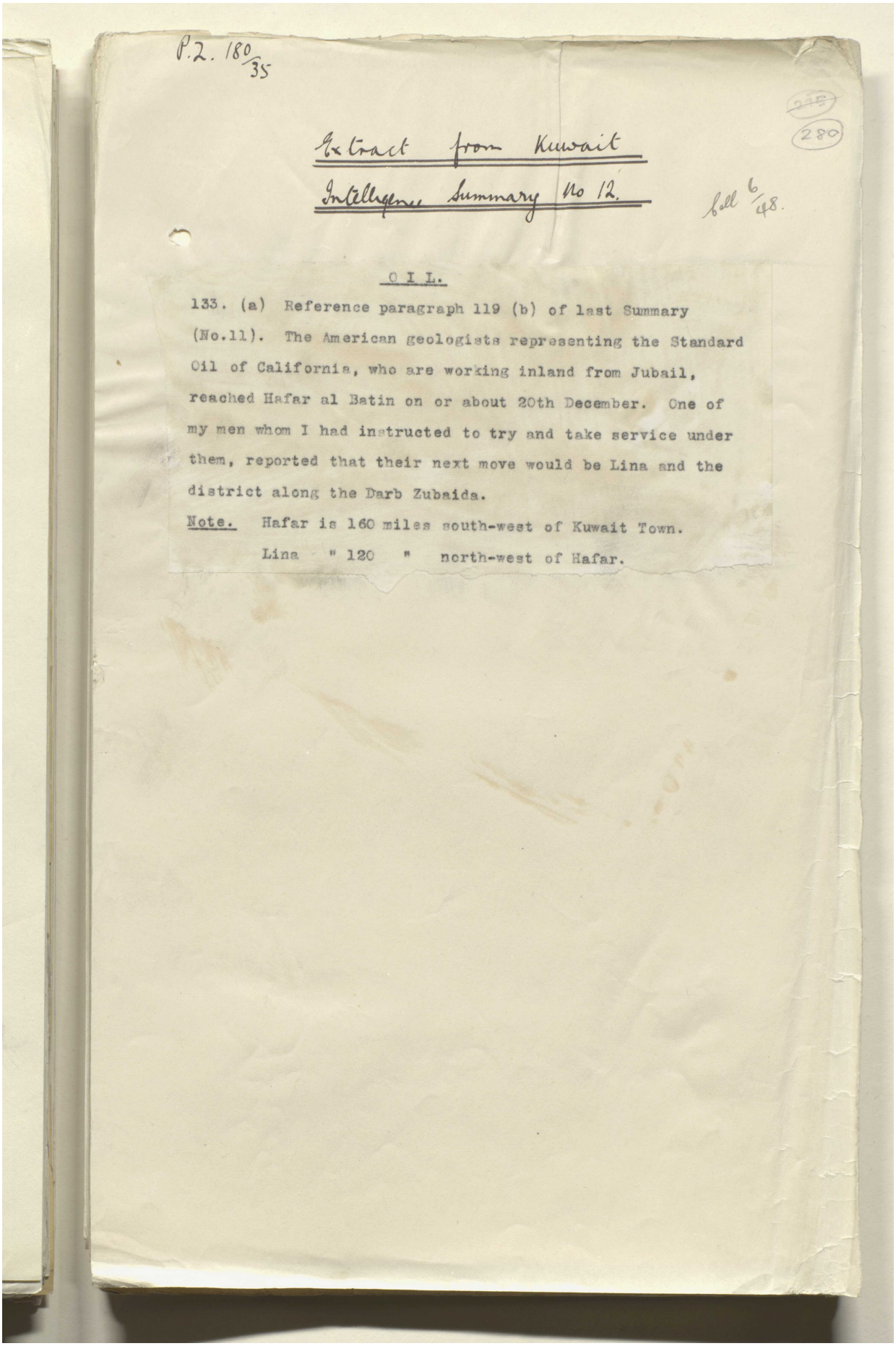

P.2. 180/35

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Extract from Kuwait Intelligence Summary No 12.

Coll 6/48.

O I L.

133. (a) Reference paragraph 119 (b) of last Summary (No.11). The American geologists representing the Standard Oil of California, who are working inland from Jubail, reached Hafar al Batin on or about 20th December. One of my men whom I had instructed to try and take service under them, reported that their next move would be Lina and the district along the Darb Zubaida.

Note. Hafar is 160 miles south-west of Kuwait Town.
Lina " 120 " north-west of Hafar.

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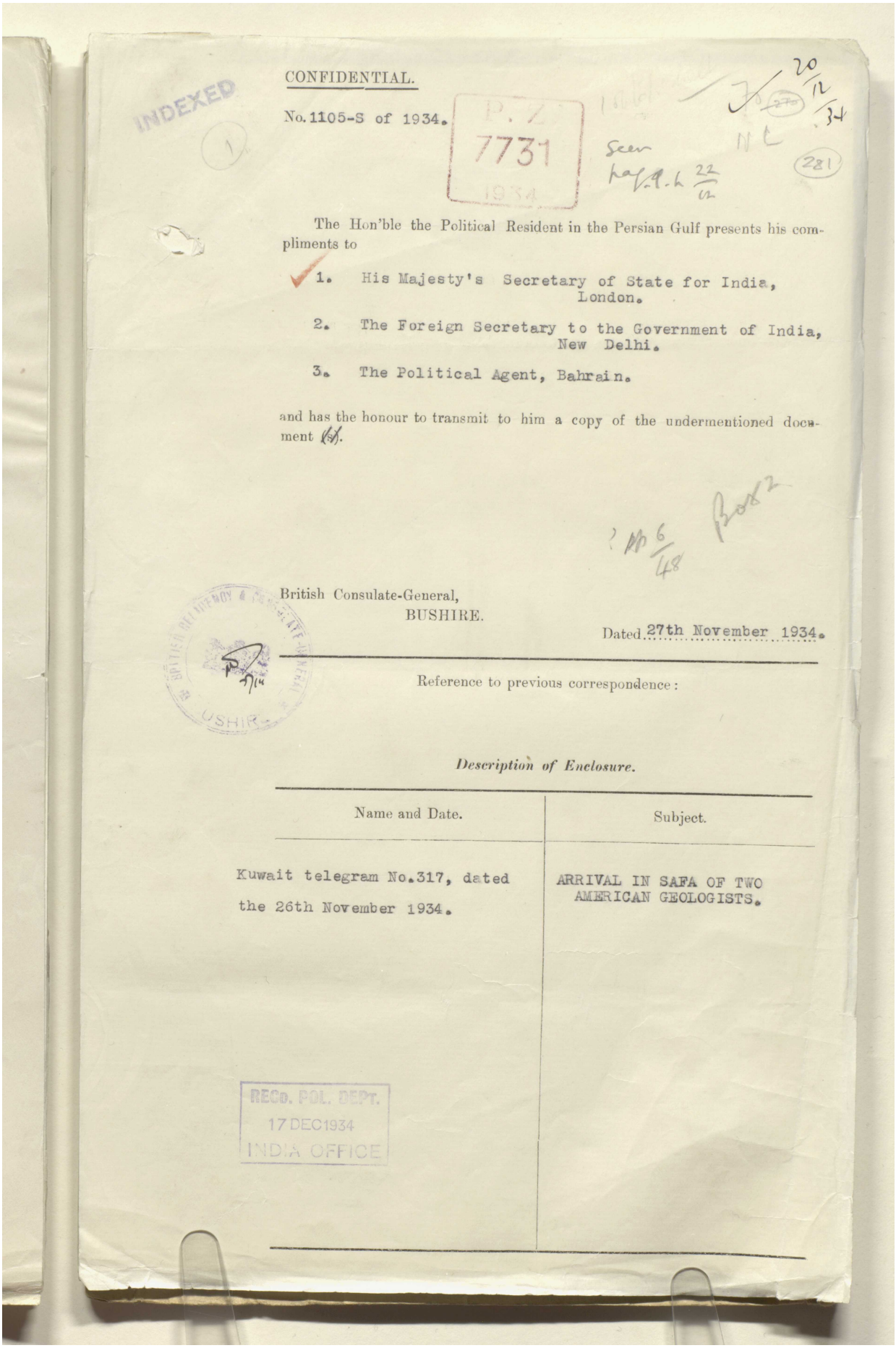

CONFIDENTIAL.

No. 1105-S of 1934.

P. Z. 7731 1934

Seen pag. 9. h 22/12

20/12/34

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The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, New Delhi.
3. The Political Agent, Bahrain.

and has the honour to transmit to him a copy of the undermentioned document (s).

? pp 6/48

British Consulate-General,
BUSHIRE.

Dated 27th November 1934.

BRITISH RESIDENCY & CONSULATE-GENERAL BUSHIRE

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
Kuwait telegram No.317, dated the 26th November 1934.	ARRIVAL IN SAFA OF TWO AMERICAN GEOLOGISTS.

RECD. POL. DEPT.
17 DEC 1934
INDIA OFFICE

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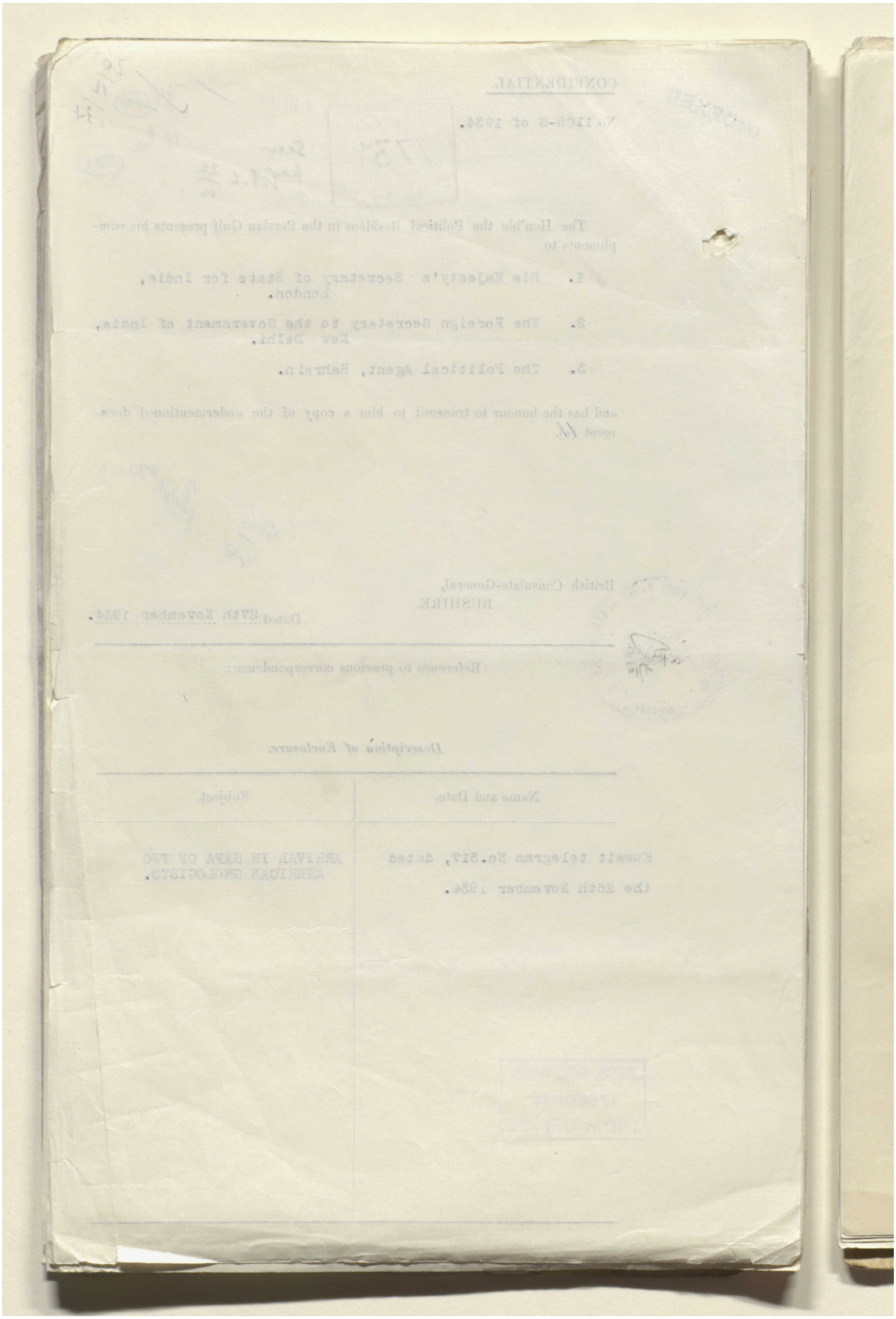

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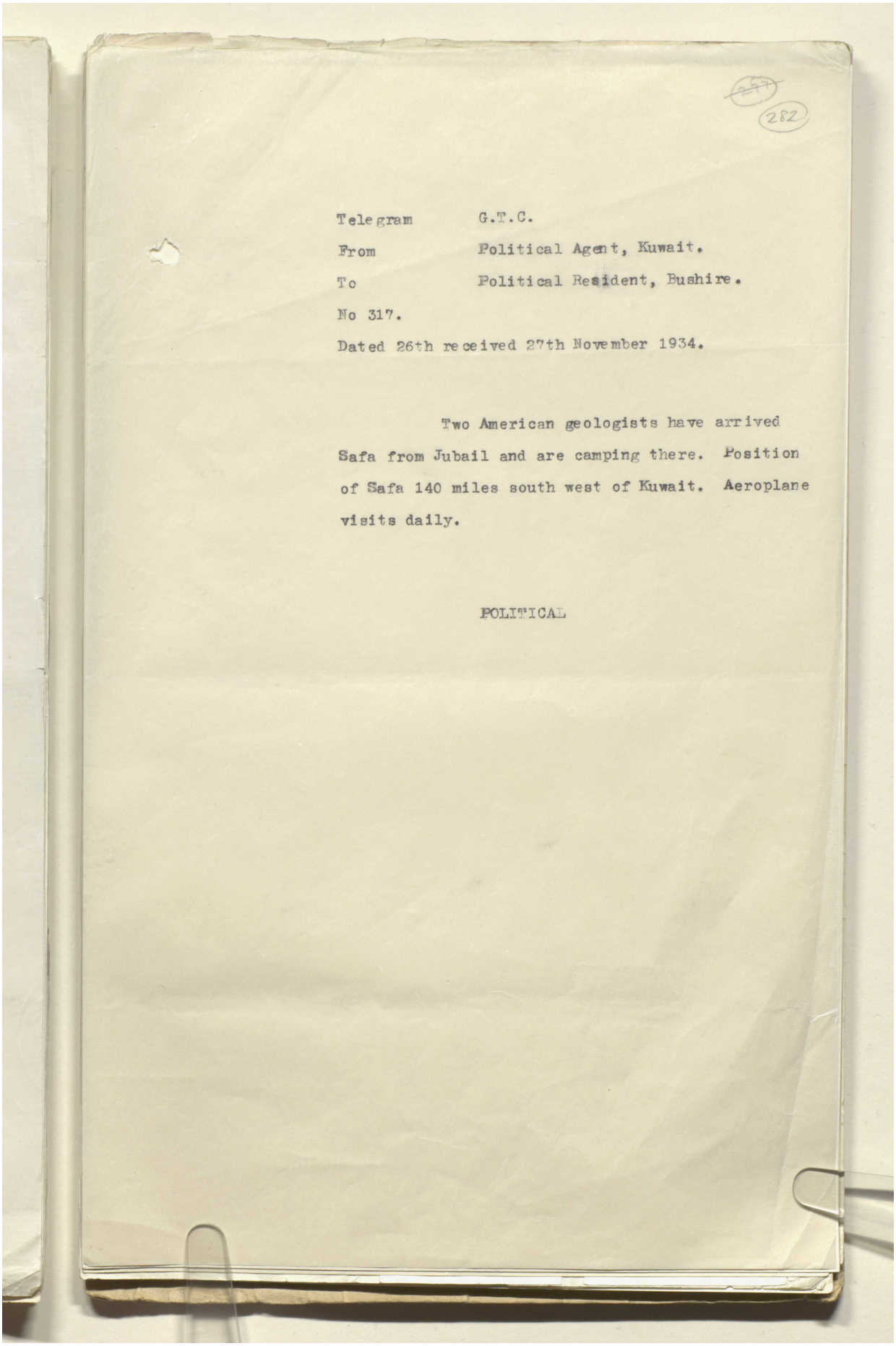

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Telegram G.T.C.

From Political Agent, Kuwait.

To Political Resident, Bushire.

No 317.

Dated 26th received 27th November 1934.

Two American geologists have arrived Safa from Jubail and are camping there. Position of Safa 140 miles south west of Kuwait. Aeroplane visits daily.

POLITICAL

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Telegram G.T.C.
From Political Agent, Kuwait.
To Political Resident, Bushire.
No 317.
Dated 26th received 27th November 1934.

Two American geologists have arrived
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POLITICAL.

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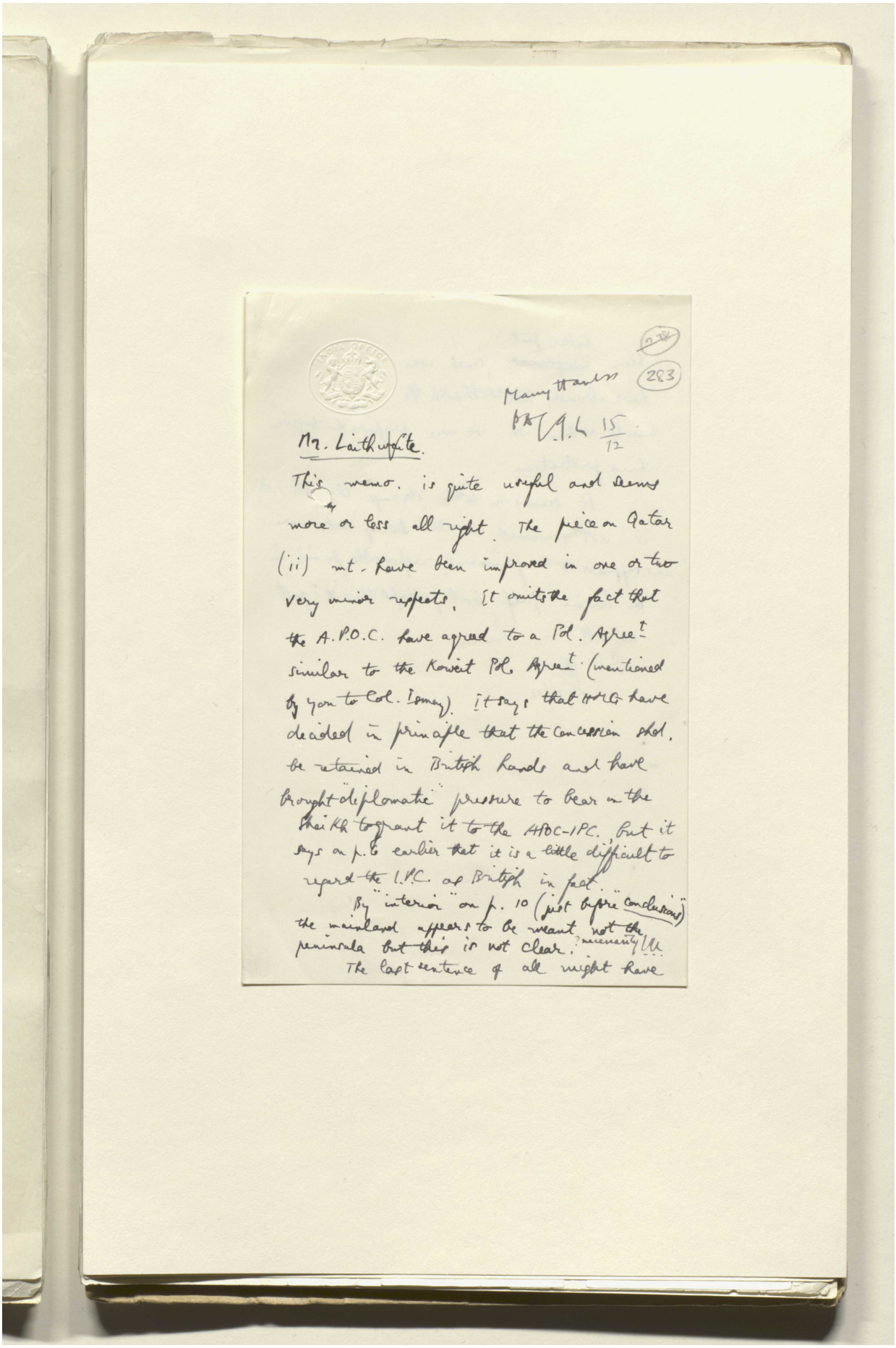

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Many thanks
P.R.T.L. 15/12

Mr. Laithwaite.

This memo. is quite useful and seems more or less all right. The piece on Qatar (ii) might have been improved in one or two very minor respects. It omits the fact that the A.P.O.C. have agreed to a Pol. Agreet similar to the Kuwait Pol. Agreet (mentioned by you to Col. Ismay). It says that H.M.G. have decided in principle that the concession shd. be retained in British hands and have brought diplomatic pressure to bear on the Sheikh to grant it to the AIOC-IPC. But it says on p. 6 earlier that it is a little difficult to regard the I.P.C. as British in fact.

By "interior" on p. 10 (just before "conclusions") the mainland appears to be meant, not the peninsula but this is not clear. ? necessarily

The last sentence of all might have

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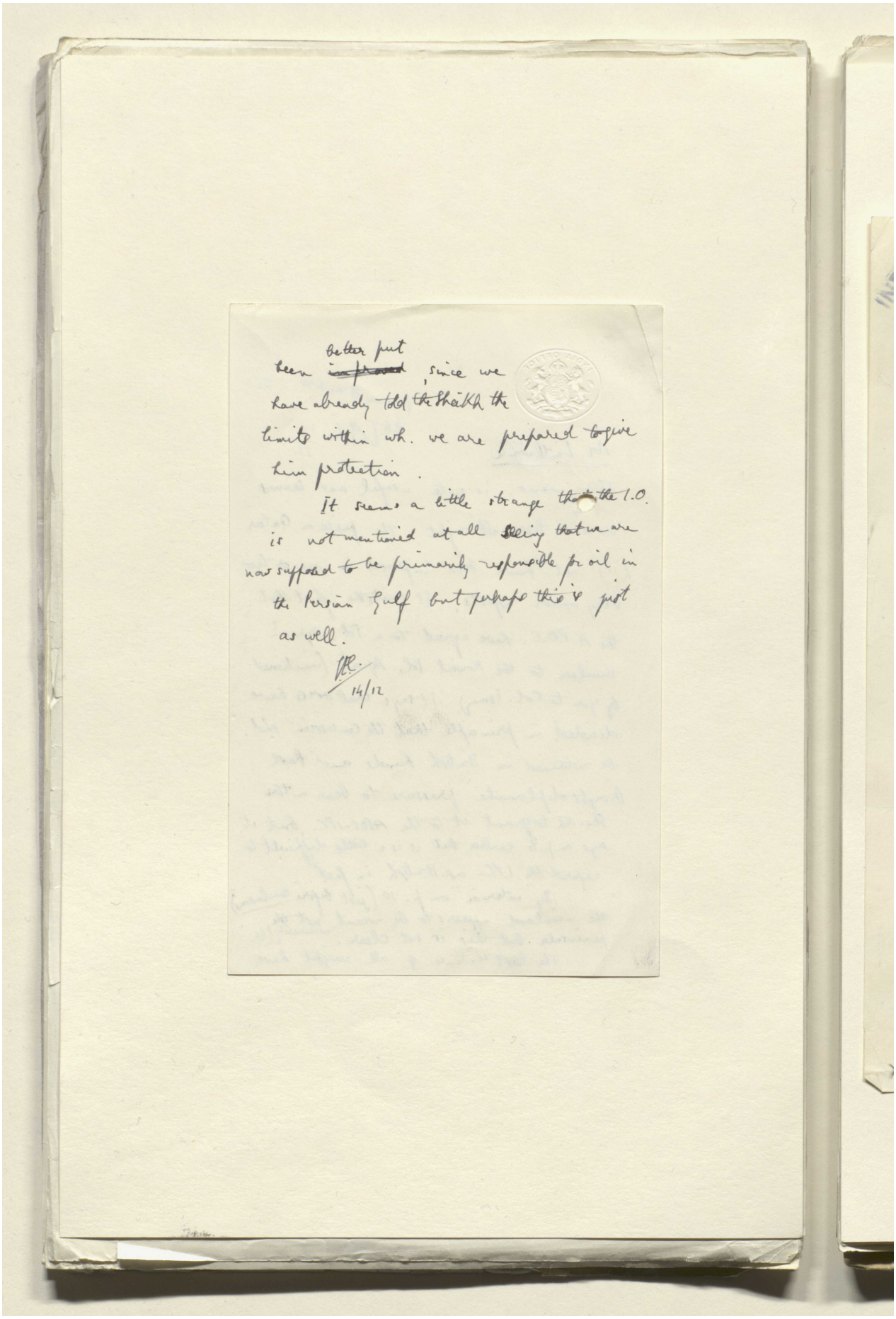

better put
been ~~improved~~, since we
have already told the Sheikh the
limits within wh. we are prepared to give
him protection.

It seems a little strange that the I.O.
is not mentioned at all seeing that we are
now supposed to be primarily responsible for oil in
the Persian Gulf but perhaps this is just
as well.

14/12

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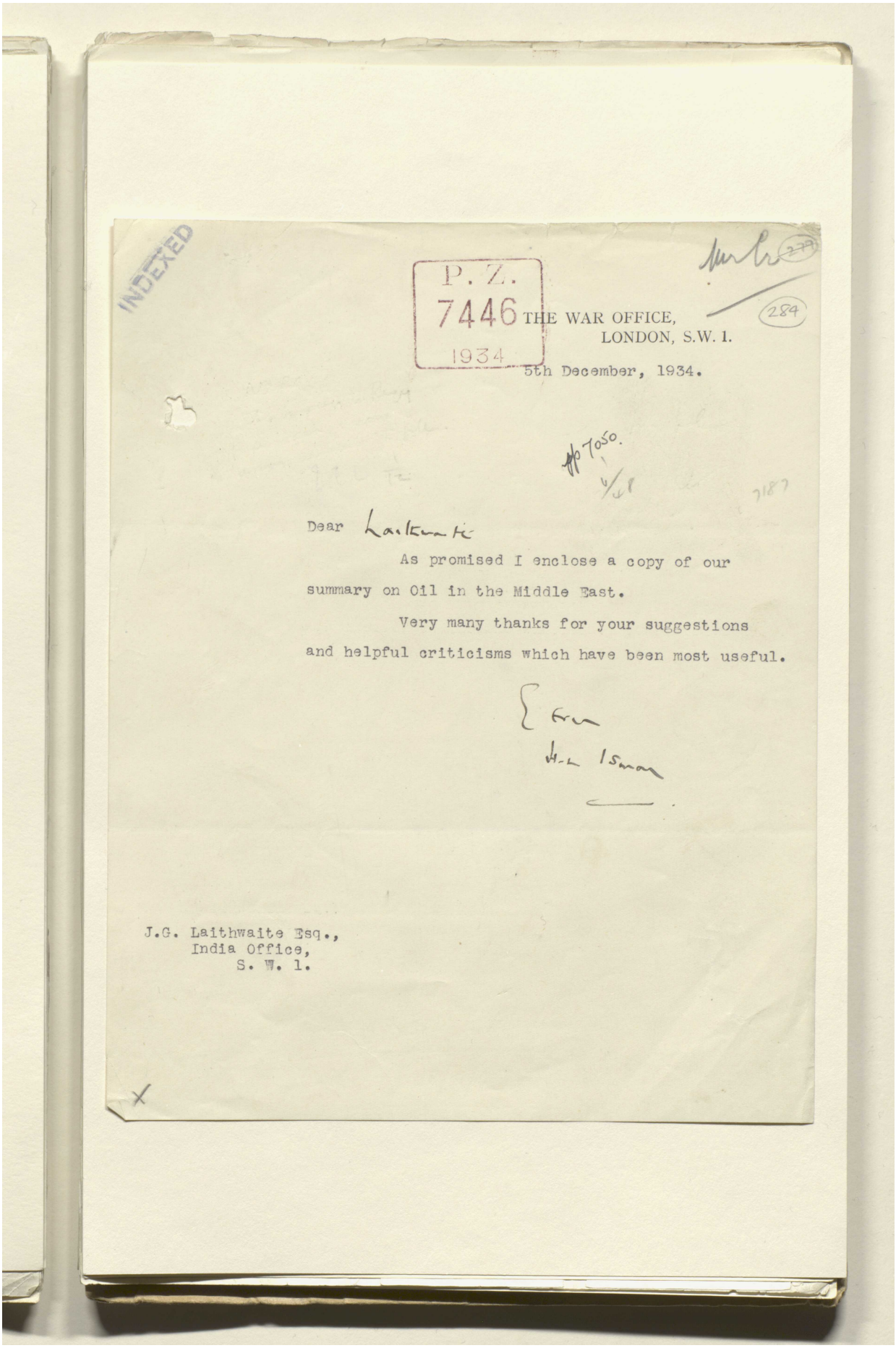

INDEXED

P. Z. 7446 1934

THE WAR OFFICE,
LONDON, S.W. 1.

5th December, 1934.

Dear Laithwaite

As promised I enclose a copy of our summary on Oil in the Middle East.

Very many thanks for your suggestions and helpful criticisms which have been most useful.

Yours

W. L. Ismay

J.G. Laithwaite Esq.,
India Office,
S. W. 1.

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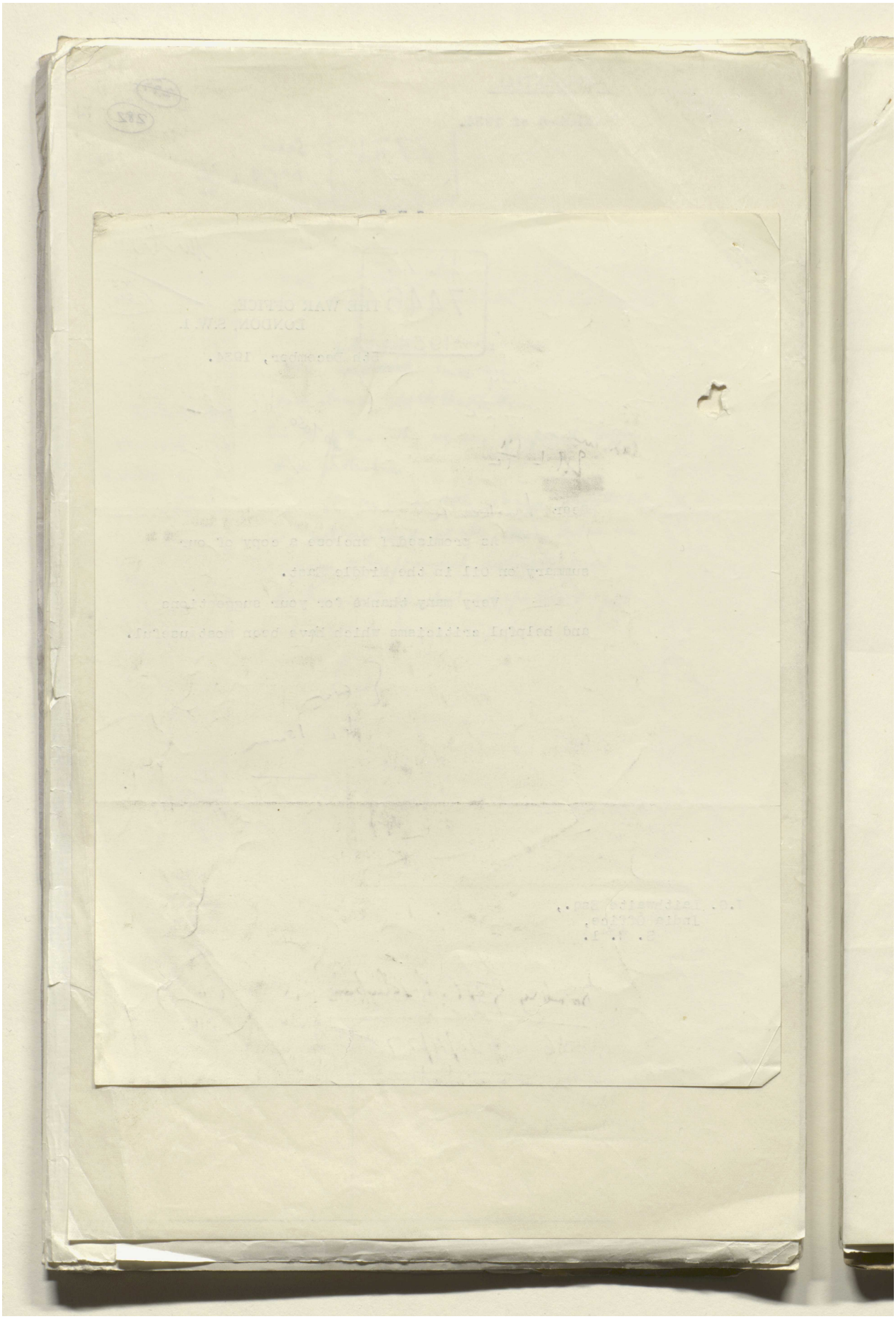

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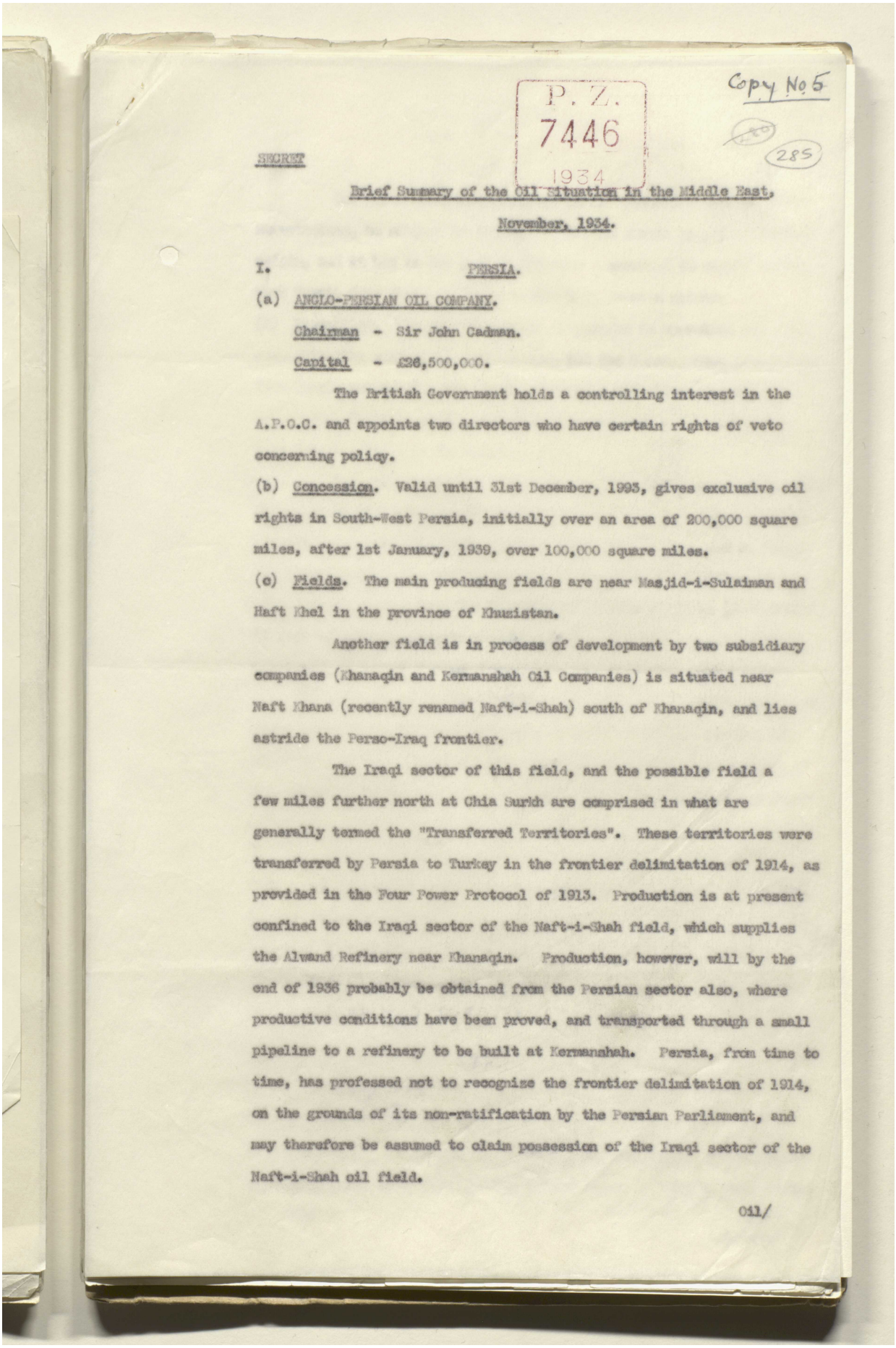

P. Z.
7446
1934

Copy No 5

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SECRET

Brief Summary of the Oil Situation in the Middle East,

November, 1934.

I. PERSIA.

(a) ANGLO-PERSIAN OIL COMPANY.

Chairman - Sir John Cadman.

Capital - £36,500,000.

The British Government holds a controlling interest in the A.P.O.C. and appoints two directors who have certain rights of veto concerning policy.

(b) Concession. Valid until 31st December, 1993, gives exclusive oil rights in South-West Persia, initially over an area of 200,000 square miles, after 1st January, 1939, over 100,000 square miles.

(c) Fields. The main producing fields are near Masjid-i-Sulaiman and Haft Khel in the province of Khuzistan.

Another field is in process of development by two subsidiary companies (Khanaqin and Kermanshah Oil Companies) is situated near Naft Khana (recently renamed Naft-i-Shah) south of Khanaqin, and lies astride the Perso-Iraq frontier.

The Iraqi sector of this field, and the possible field a few miles further north at Chia Surkh are comprised in what are generally termed the "Transferred Territories". These territories were transferred by Persia to Turkey in the frontier delimitation of 1914, as provided in the Four Power Protocol of 1913. Production is at present confined to the Iraqi sector of the Naft-i-Shah field, which supplies the Alwand Refinery near Khanaqin. Production, however, will by the end of 1936 probably be obtained from the Persian sector also, where productive conditions have been proved, and transported through a small pipeline to a refinery to be built at Kermanshah. Persia, from time to time, has professed not to recognise the frontier delimitation of 1914, on the grounds of its non-ratification by the Persian Parliament, and may therefore be assumed to claim possession of the Iraqi sector of the Naft-i-Shah oil field.

Oil/

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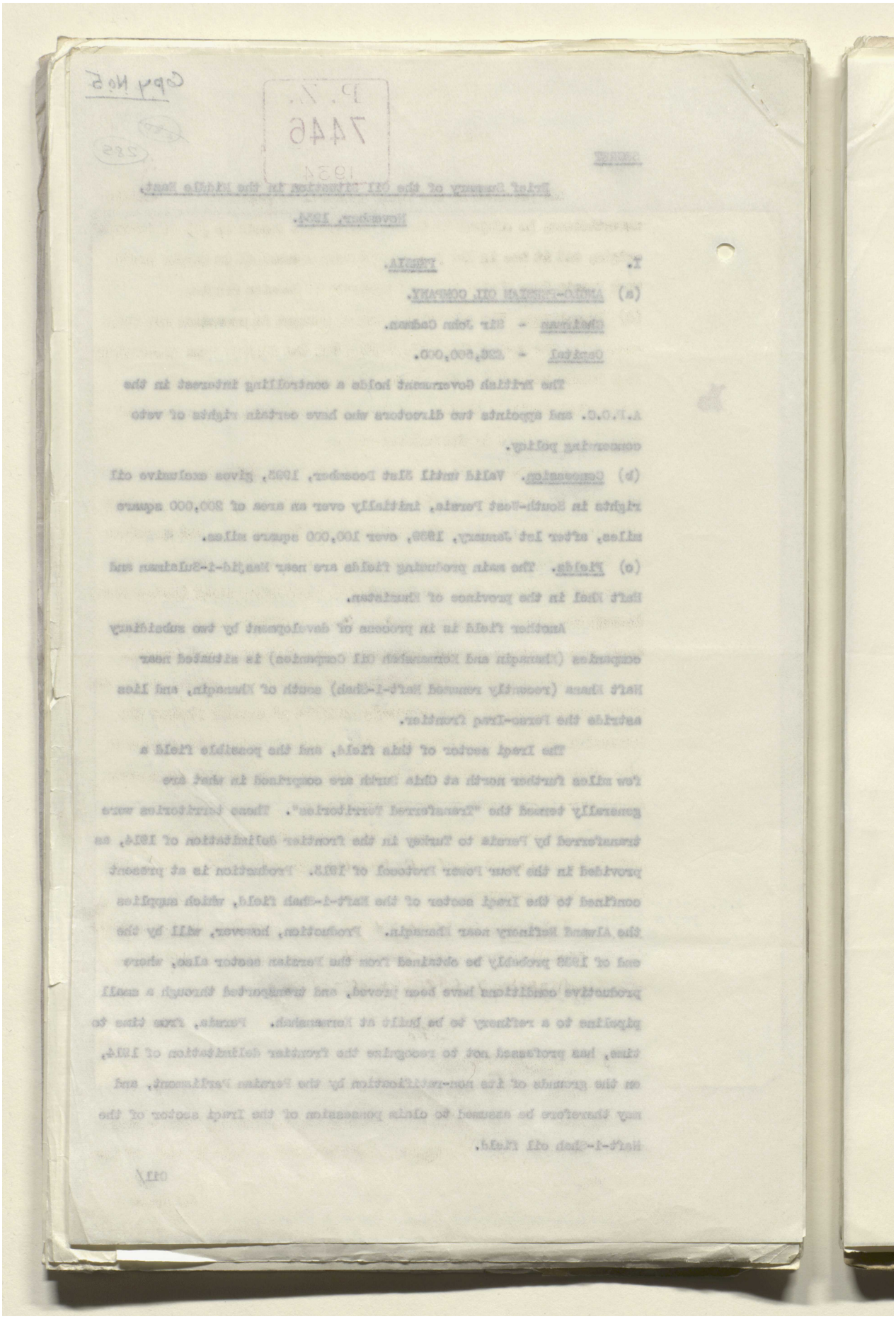

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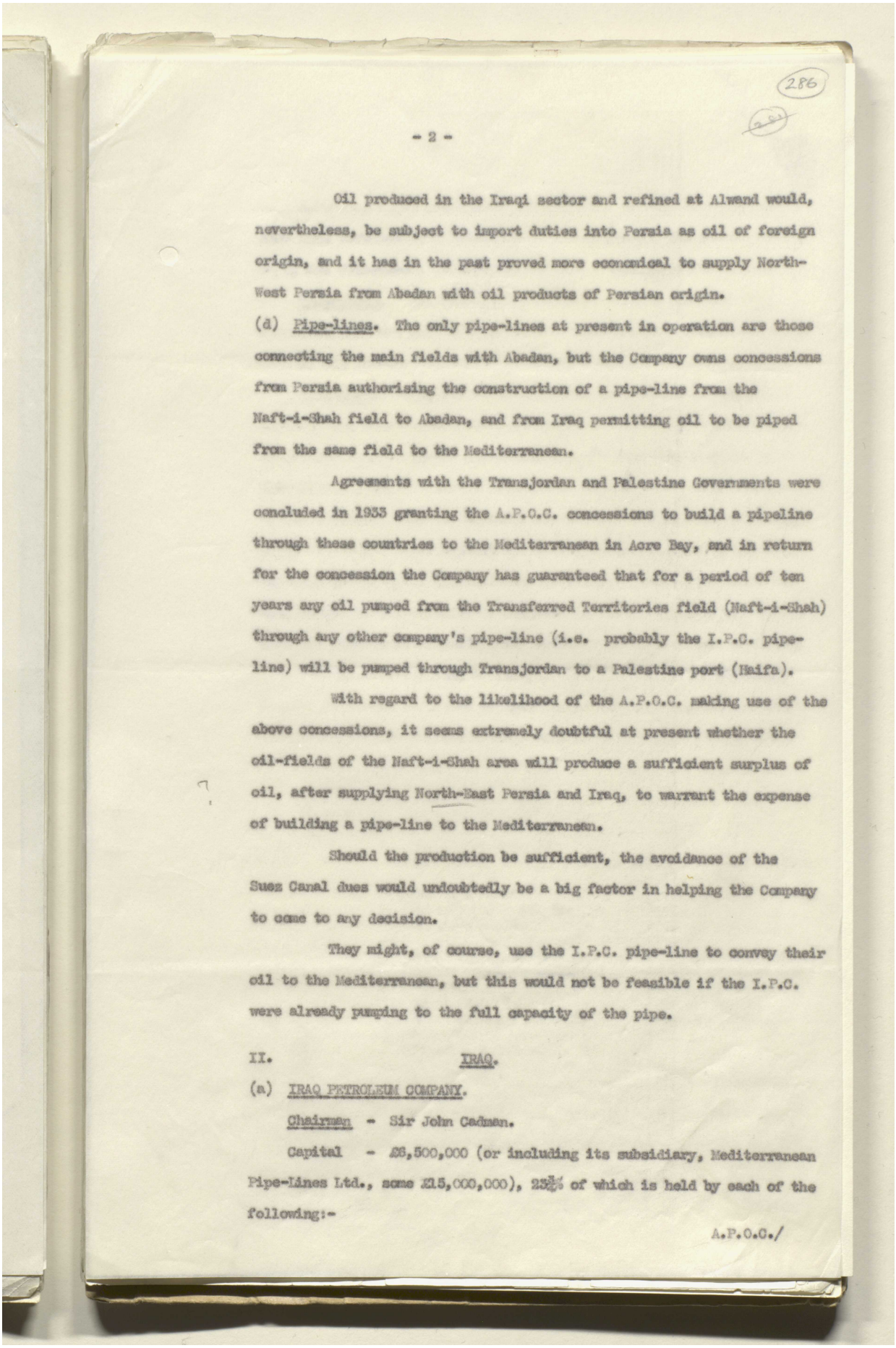

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Oil produced in the Iraqi sector and refined at Alwand would, nevertheless, be subject to import duties into Persia as oil of foreign origin, and it has in the past proved more economical to supply North-West Persia from Abadan with oil products of Persian origin.

(d) Pipe-lines. The only pipe-lines at present in operation are those connecting the main fields with Abadan, but the Company owns concessions from Persia authorising the construction of a pipe-line from the Naft-i-Shah field to Abadan, and from Iraq permitting oil to be piped from the same field to the Mediterranean.

Agreements with the Transjordan and Palestine Governments were concluded in 1933 granting the A.P.O.C. concessions to build a pipeline through these countries to the Mediterranean in Acre Bay, and in return for the concession the Company has guaranteed that for a period of ten years any oil pumped from the Transferred Territories field (Naft-i-Shah) through any other company's pipe-line (i.e. probably the I.P.C. pipe-line) will be pumped through Transjordan to a Palestine port (Haifa).

With regard to the likelihood of the A.P.O.C. making use of the above concessions, it seems extremely doubtful at present whether the oil-fields of the Naft-i-Shah area will produce a sufficient surplus of oil, after supplying North-East Persia and Iraq, to warrant the expense of building a pipe-line to the Mediterranean.

Should the production be sufficient, the avoidance of the Suez Canal dues would undoubtedly be a big factor in helping the Company to come to any decision.

They might, of course, use the I.P.C. pipe-line to convey their oil to the Mediterranean, but this would not be feasible if the I.P.C. were already pumping to the full capacity of the pipe.

II. IRAQ.

(a) IRAQ PETROLEUM COMPANY.

Chairman - Sir John Cadman.

Capital - £6,500,000 (or including its subsidiary, Mediterranean Pipe-Lines Ltd., some £15,000,000), 23⅓% of which is held by each of the following:-

A.P.O.C./

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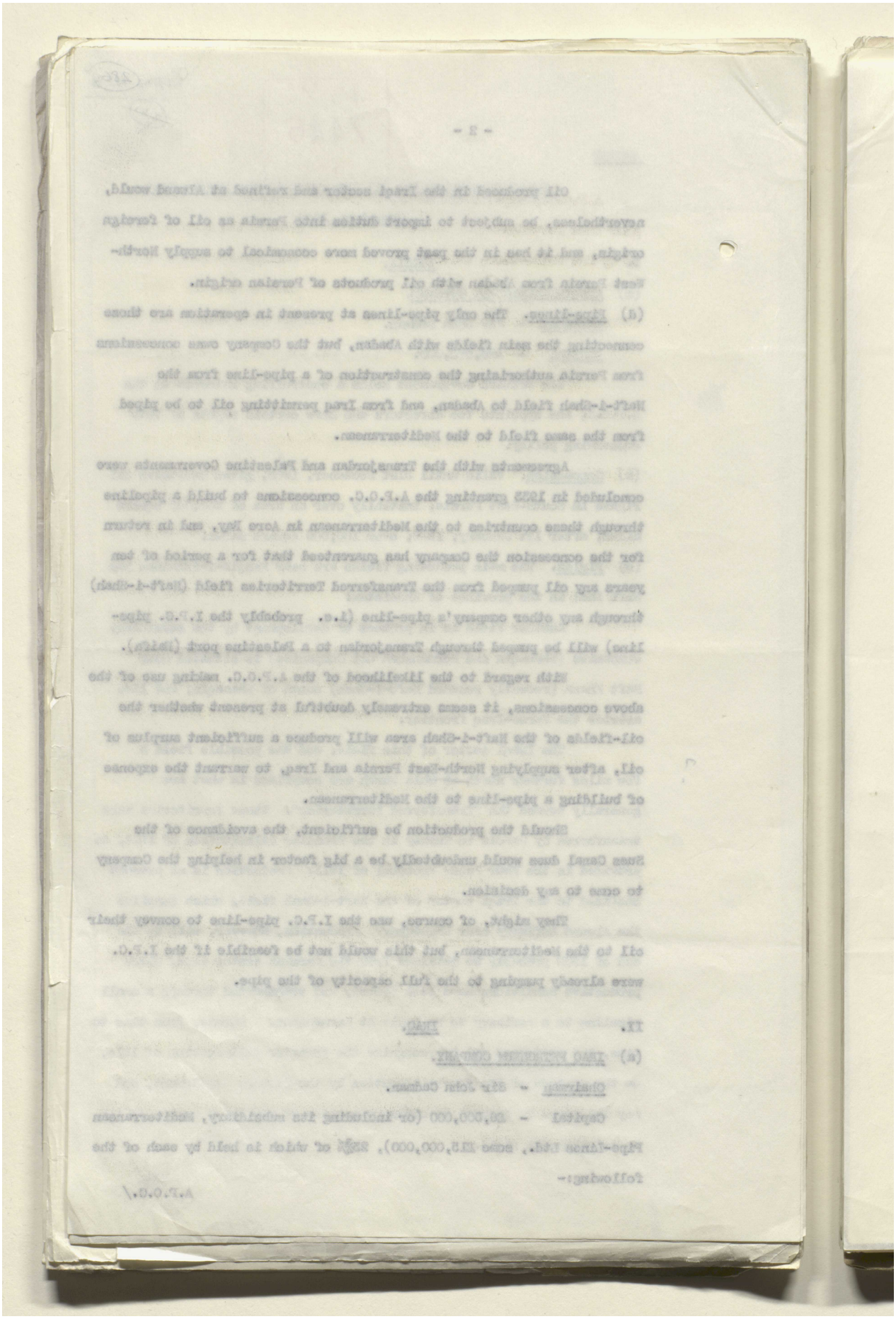

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A.P.C.C., Royal Dutch Shell, Compagnie Francaise des Petroles, Near East Development Corporation (American group), the remaining 5% by Mr. Gulbenkian, through Participations and Investments Ltd.

Concession. The Company has exclusive rights from the Iraq Government in that part of Baghdad and Mosul Vilayets which lies to the east of the Tigris.

Pipe-line. A pipe-line of 4,000,000 tons annual throughput capacity has been constructed from Kirkuk in the oil field to Haditha on the Euphrates; thence one branch runs through French Syria to Tripoli and a second through Transjordan and Palestine to Haifa; the I.P.C. undertook that the capacity of the latter branch should be at least 50% of the total capacity of the whole system until a total capacity of 8,000,000 tons has been reached. It should be noted that this refers to the capacity of the pipe-line only and that the I.P.C. have not undertaken to produce any specific quantity of oil at Haifa.

The construction of the pipe-line was virtually completed by July 1934 when the first oil was pumped through to Tripoli. Haifa received its first oil through the Southern Branch in October, 1934.

(b) BRITISH OIL DEVELOPMENT COMPANY.

Directors - Lord Coschen, Chairman.

Sir Edward Manville (Phoenix Oil and Transport Co.)	Representing British Interests.
Mr. W.R. Brown (British Union Oil Co.)	
Mr. E.C. Simmons.	
Professor A. Martelli, (Aziene Generale Italiana Petroli)	Italian interests (some of these are suspected of being in the pay of Standard Oil).
Mr. A. Petretti, (Vice President A.G.I.P.)	
Commander V. Amoretti (Man.Dir. A.G.I.P.)	
Mr. P. Girod.	French interests.
Mr. T. Brown.	German interests.

(i) Capital. Present capital only £82,500, which originally was held approximately as follows :-

British/

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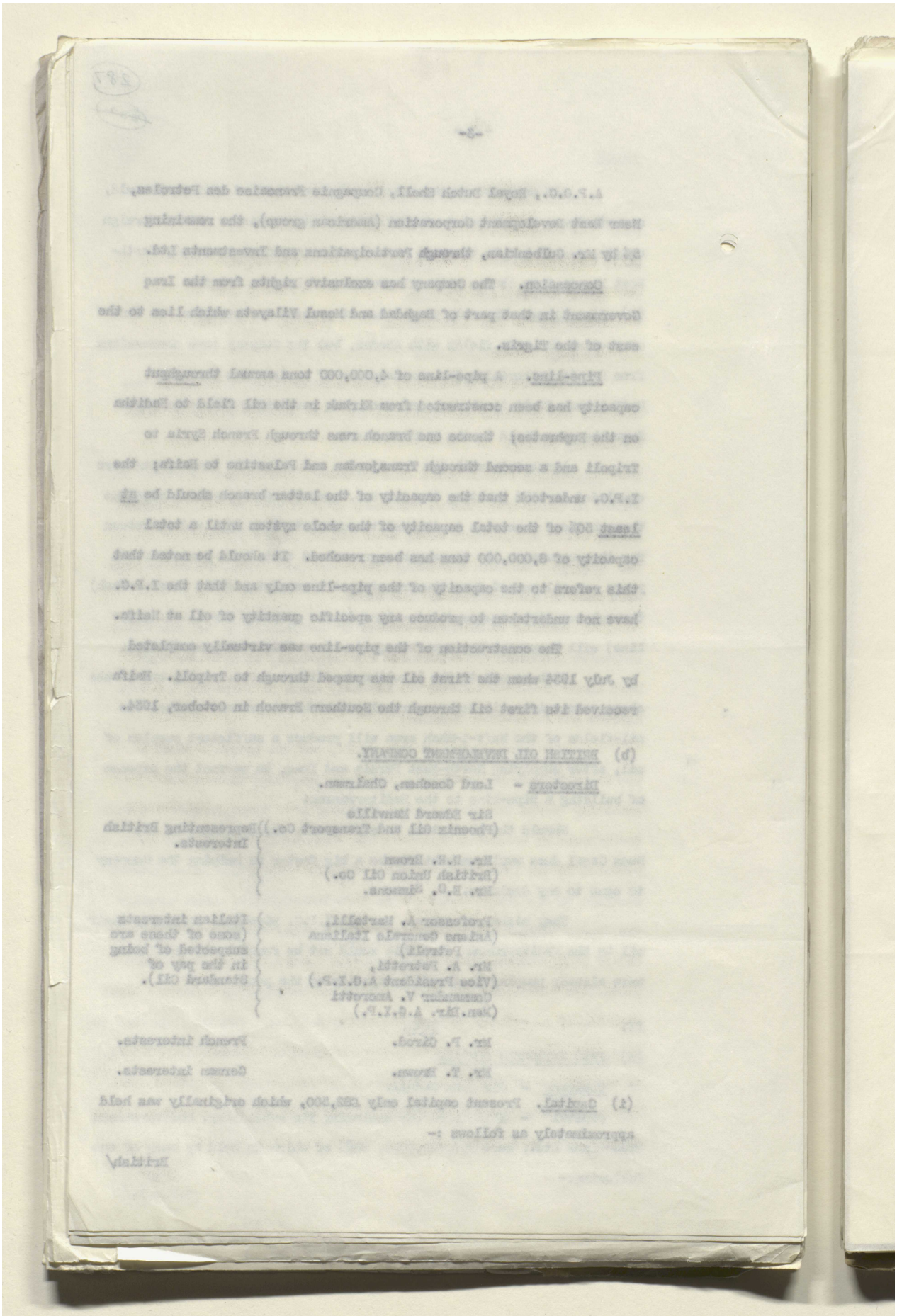

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British	51%
German	12%
Italian	25%
Franco-Swiss	12%

(ii) Concession. This company formed in 1928, acquired from the Iraq Government in April, 1932, a concession for 75 years over oil-bearing properties on the West Bank of the River Tigris. The area is some 40,000 square miles.

The Company's concession provides that it is to remain British, but it is believed that most of the financial backing which will eventually be required for development will be Italian and that the present shareholders' proportion will thus be modified.

The company has to pay £100,000 (gold) per annum 'dead rent' increasing by £25,000 per annum until oil is exported commercially, from when a royalty has to be paid. A company called Mosul Oilfields, Ltd., was formed in 1932 to operate the concession obtained by the B.O.D. The managing director is Lord Glenconner.

The company has paid one instalment of its 'dead rent', but were unable to find the money to pay the 1934 instalment until the Italian group agreed to find the extra funds. The consideration obtained by this group for providing the required sum is understood to be the transference to themselves from the British and French groups of additional shares and voting power in the company, which has thereby given them the largest international holding in the company. The distribution of shares now seems to be as follows :-

British group	42%
German group	12%
Italian group	46%

(iii) Wells. The company has not struck oil as yet, and does not expect to do so above 900 feet. Three wells have been sunk which have reached depths between 600 and 900 feet.

(iv) Pipe-line. The Company has the right to construct a pipe-line to the Mediterranean and to choose the terminals. The fear that Italian influence might be exerted to delay the entrance of Iraq into the League of Nations prevented our pressing Iraq to insist on the Haifa terminal.

If/

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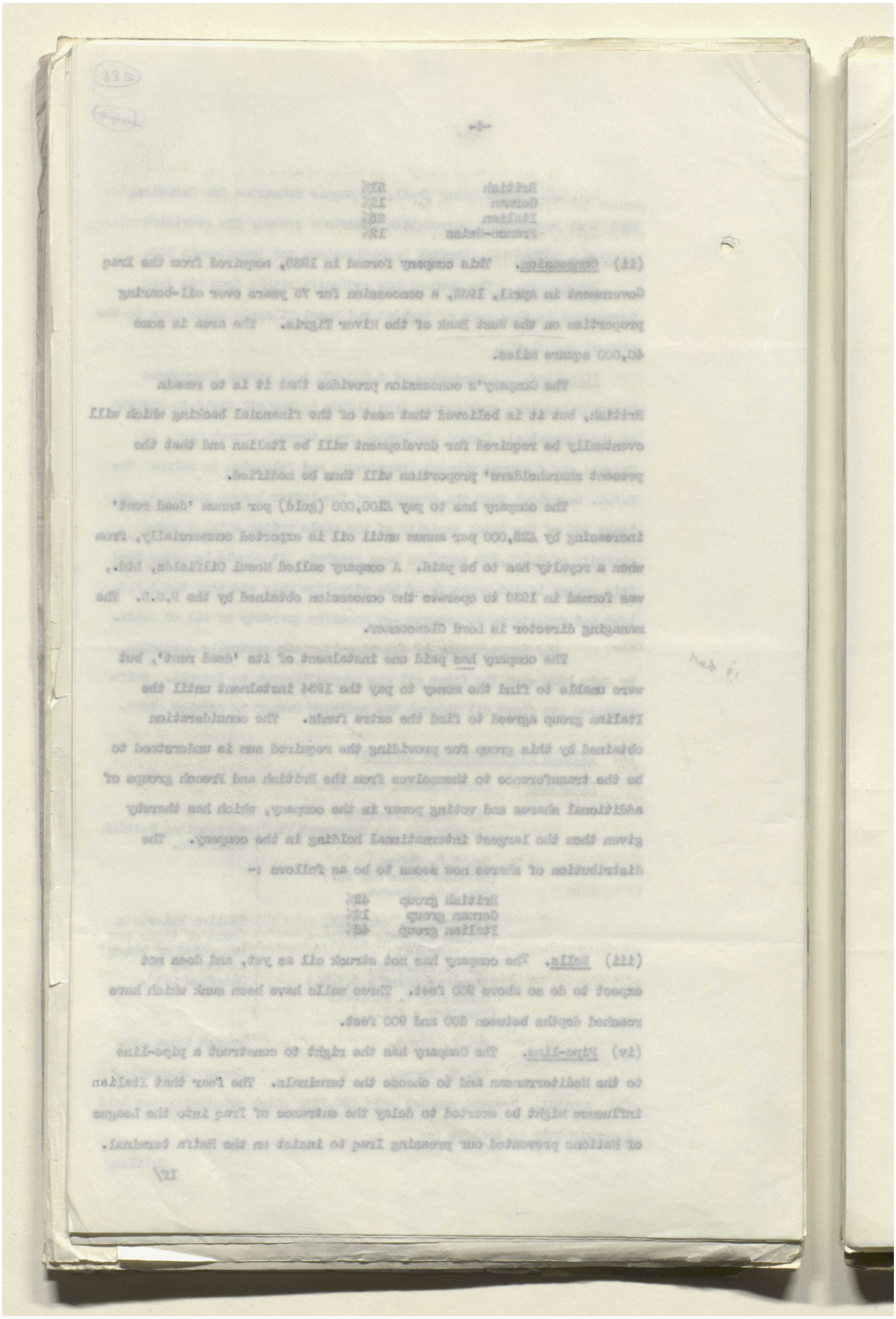

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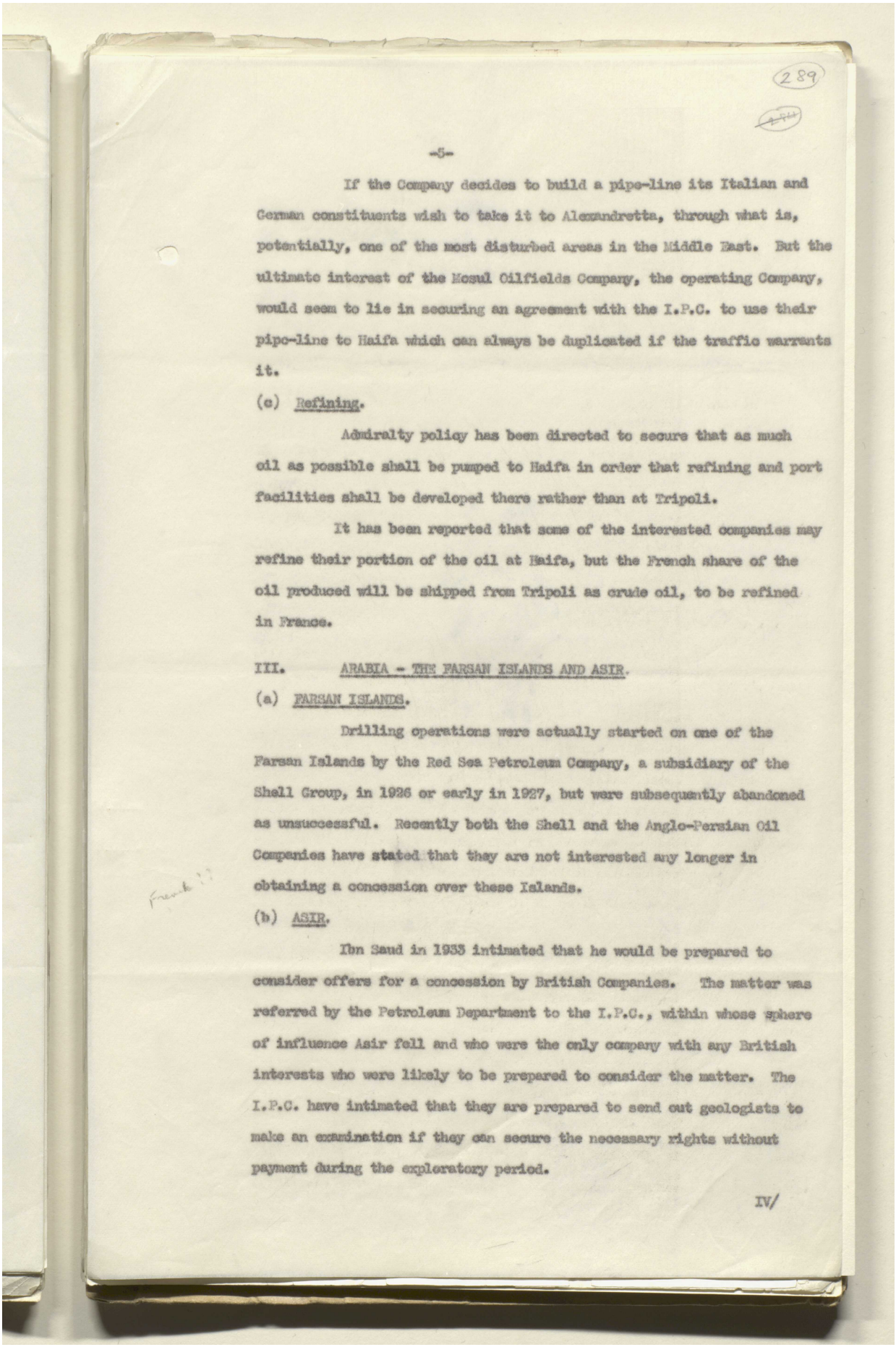

If the Company decides to build a pipe-line its Italian and German constituents wish to take it to Alexandretta, through what is, potentially, one of the most disturbed areas in the Middle East. But the ultimate interest of the Mosul Oilfields Company, the operating Company, would seem to lie in securing an agreement with the I.P.C. to use their pipe-line to Haifa which can always be duplicated if the traffic warrants it.

(c) Refining.

Admiralty policy has been directed to secure that as much oil as possible shall be pumped to Haifa in order that refining and port facilities shall be developed there rather than at Tripoli.

It has been reported that some of the interested companies may refine their portion of the oil at Haifa, but the French share of the oil produced will be shipped from Tripoli as crude oil, to be refined in France.

III. ARABIA - THE FARSAN ISLANDS AND ASIR.

(a) FARSAN ISLANDS.

Drilling operations were actually started on one of the Farsan Islands by the Red Sea Petroleum Company, a subsidiary of the Shell Group, in 1926 or early in 1927, but were subsequently abandoned as unsuccessful. Recently both the Shell and the Anglo-Persian Oil Companies have stated that they are not interested any longer in obtaining a concession over these Islands.

(b) ASIR.

Ibn Saud in 1933 intimated that he would be prepared to consider offers for a concession by British Companies. The matter was referred by the Petroleum Department to the I.P.C., within whose sphere of influence Asir fell and who were the only company with any British interests who were likely to be prepared to consider the matter. The I.P.C. have intimated that they are prepared to send out geologists to make an examination if they can secure the necessary rights without payment during the exploratory period.

IV/

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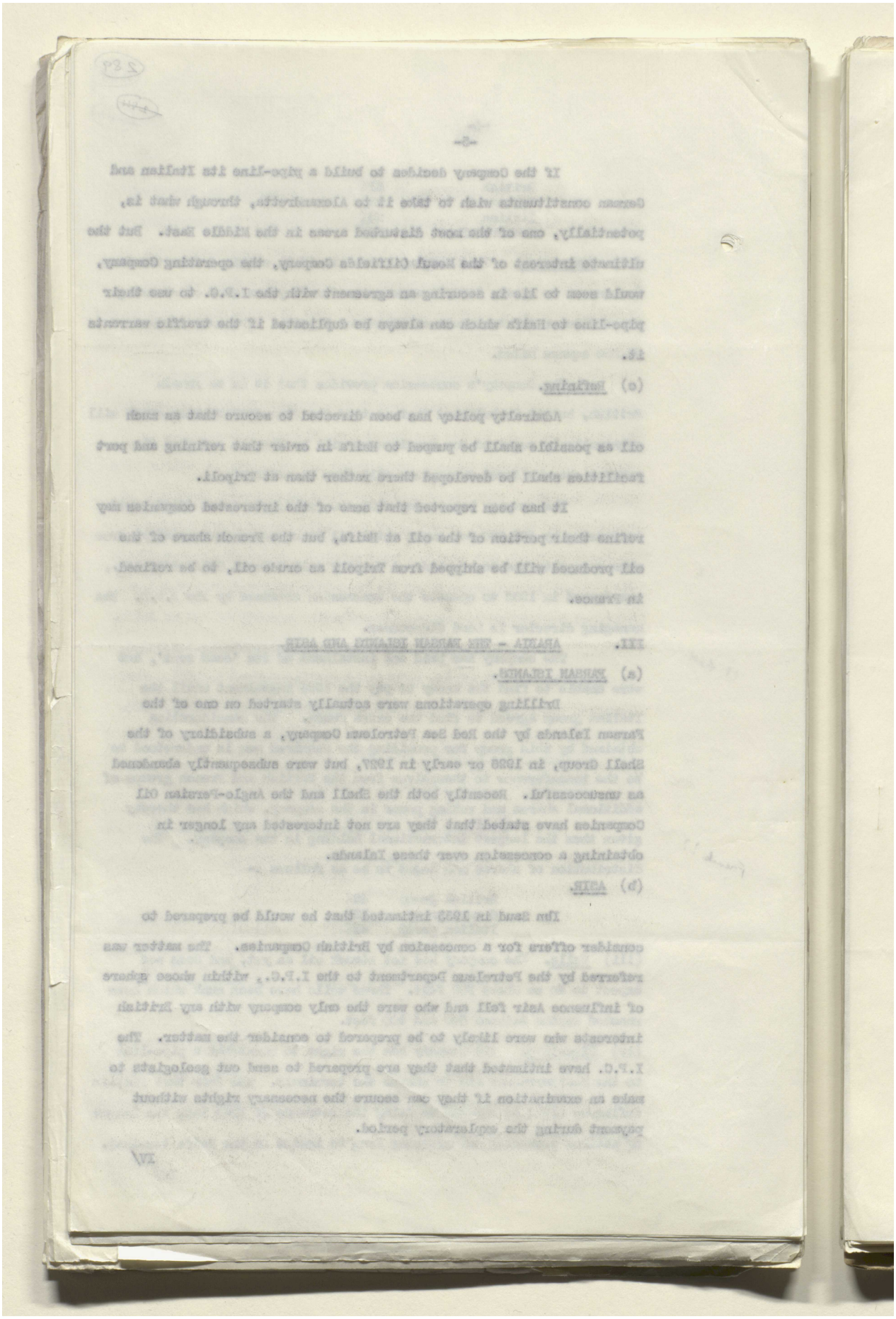

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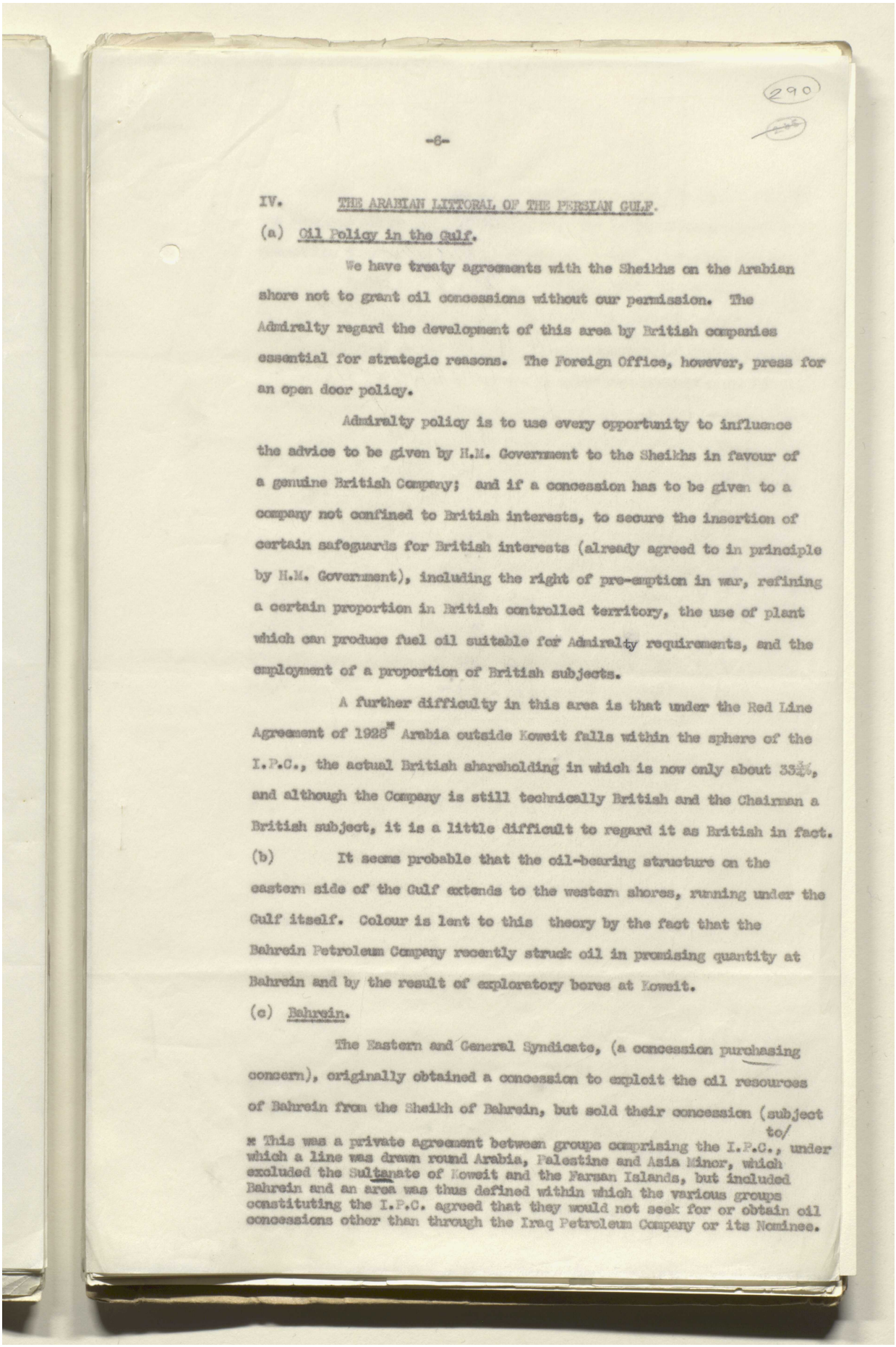

IV. THE ARABIAN LITTORAL OF THE PERSIAN GULF.

(a) Oil Policy in the Gulf.

We have treaty agreements with the Sheikhs on the Arabian shore not to grant oil concessions without our permission. The Admiralty regard the development of this area by British companies essential for strategic reasons. The Foreign Office, however, press for an open door policy.

Admiralty policy is to use every opportunity to influence the advice to be given by H.M. Government to the Sheikhs in favour of a genuine British Company; and if a concession has to be given to a company not confined to British interests, to secure the insertion of certain safeguards for British interests (already agreed to in principle by H.M. Government), including the right of pre-emption in war, refining a certain proportion in British controlled territory, the use of plant which can produce fuel oil suitable for Admiralty requirements, and the employment of a proportion of British subjects.

A further difficulty in this area is that under the Red Line Agreement of 1928* Arabia outside Koweit falls within the sphere of the I.P.C., the actual British shareholding in which is now only about 33⅓%, and although the Company is still technically British and the Chairman a British subject, it is a little difficult to regard it as British in fact.

(b) It seems probable that the oil-bearing structure on the eastern side of the Gulf extends to the western shores, running under the Gulf itself. Colour is lent to this theory by the fact that the Bahrein Petroleum Company recently struck oil in promising quantity at Bahrein and by the result of exploratory bores at Koweit.

(c) Bahrein.

The Eastern and General Syndicate, (a concession purchasing concern), originally obtained a concession to exploit the oil resources of Bahrein from the Sheikh of Bahrein, but sold their concession (subject to/

* This was a private agreement between groups comprising the I.P.C., under which a line was drawn round Arabia, Palestine and Asia Minor, which excluded the Sultanate of Koweit and the Farsan Islands, but included Bahrein and an area was thus defined within which the various groups constituting the I.P.C. agreed that they would not seek for or obtain oil concessions other than through the Iraq Petroleum Company or its Nominee.

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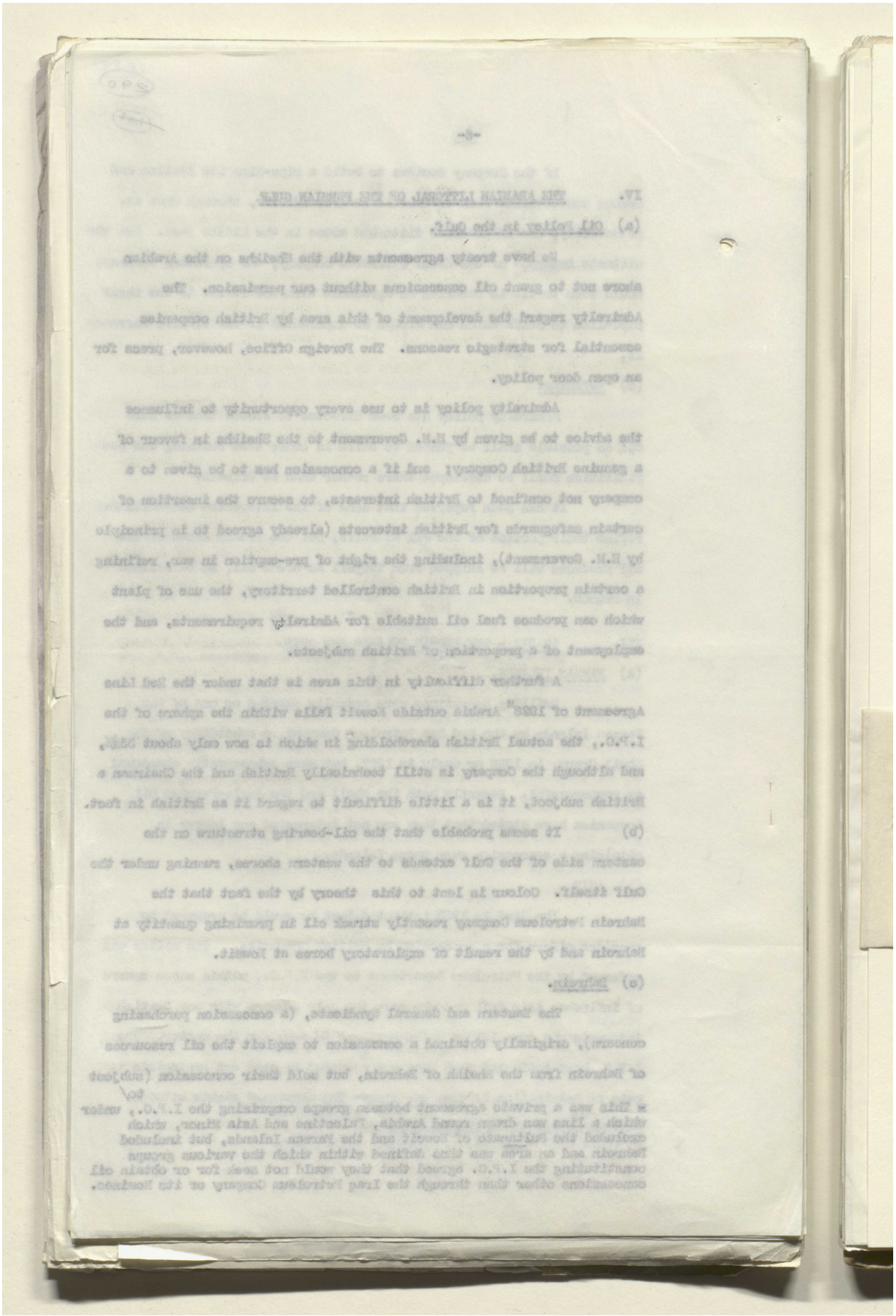

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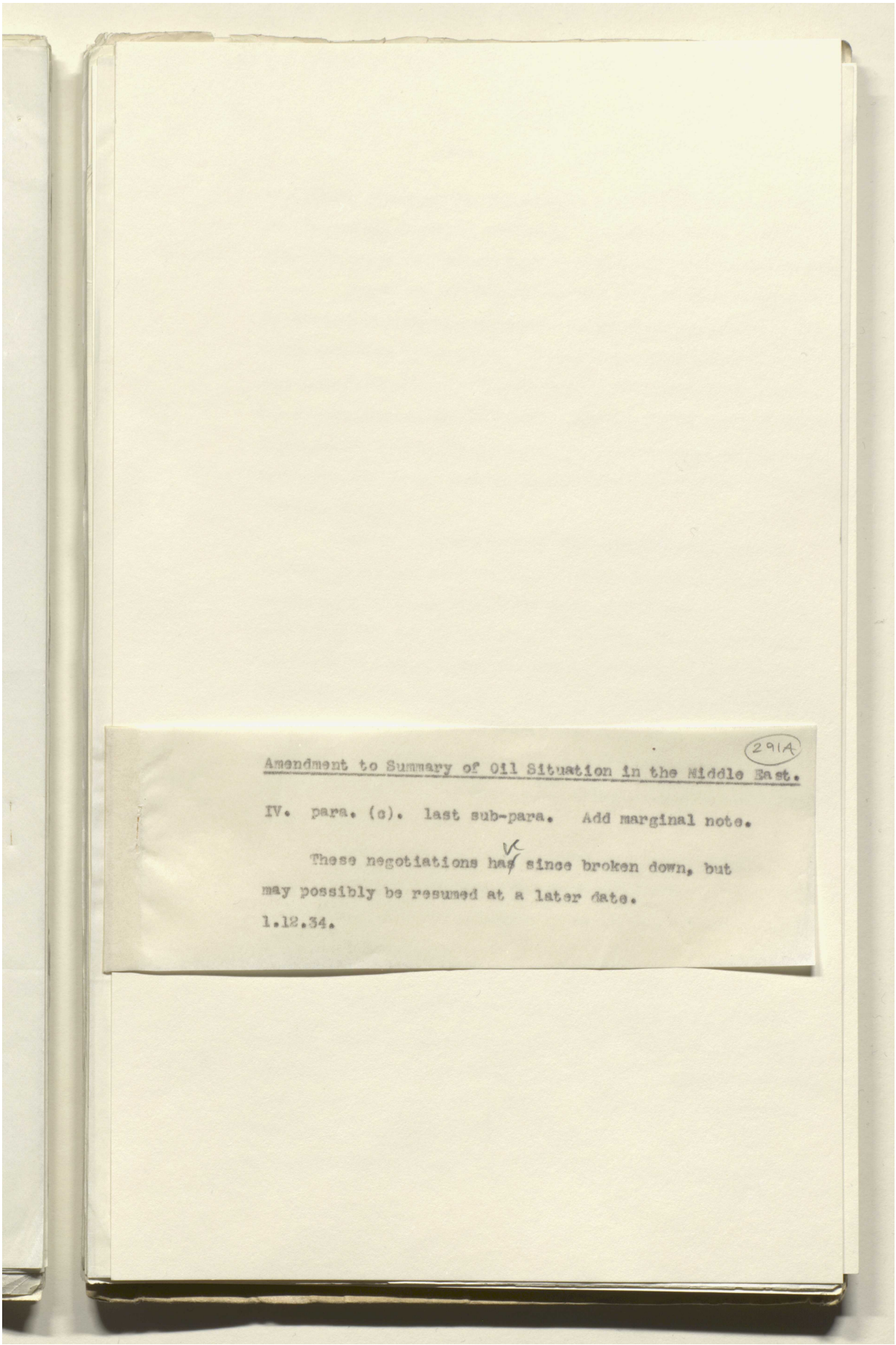

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Amendment to Summary of Oil Situation in the Middle East.

IV. para. (c). last sub-para. Add marginal note.

These negotiations have since broken down, but may possibly be resumed at a later date.

1.12.34.

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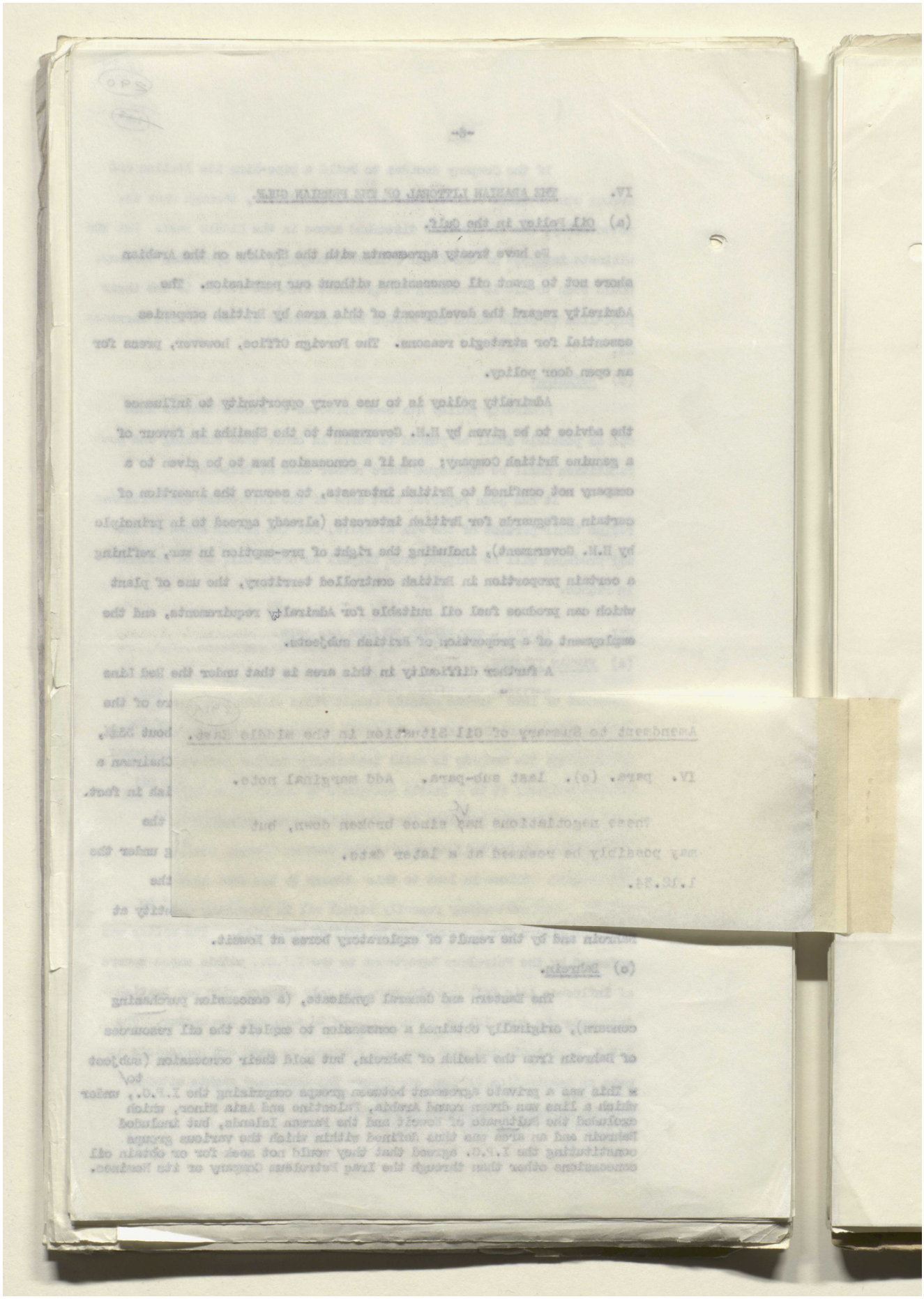

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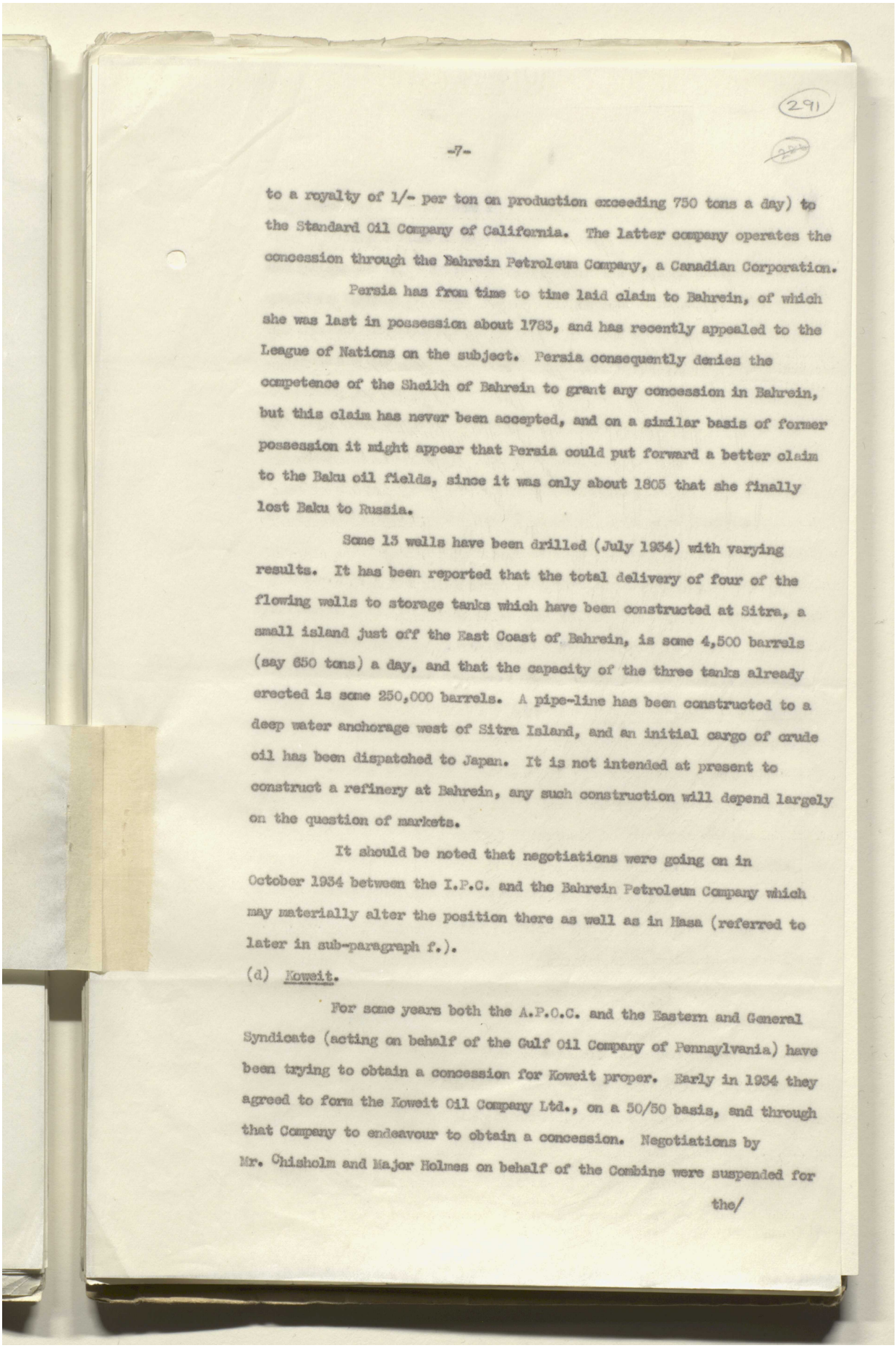

to a royalty of 1/- per ton on production exceeding 750 tons a day) to the Standard Oil Company of California. The latter company operates the concession through the Bahrein Petroleum Company, a Canadian Corporation.

Persia has from time to time laid claim to Bahrein, of which she was last in possession about 1783, and has recently appealed to the League of Nations on the subject. Persia consequently denies the competence of the Sheikh of Bahrein to grant any concession in Bahrein, but this claim has never been accepted, and on a similar basis of former possession it might appear that Persia could put forward a better claim to the Baku oil fields, since it was only about 1805 that she finally lost Baku to Russia.

Some 13 wells have been drilled (July 1934) with varying results. It has been reported that the total delivery of four of the flowing wells to storage tanks which have been constructed at Sitra, a small island just off the East Coast of Bahrein, is some 4,500 barrels (say 650 tons) a day, and that the capacity of the three tanks already erected is some 250,000 barrels. A pipe-line has been constructed to a deep water anchorage west of Sitra Island, and an initial cargo of crude oil has been dispatched to Japan. It is not intended at present to construct a refinery at Bahrein, any such construction will depend largely on the question of markets.

It should be noted that negotiations were going on in October 1934 between the I.P.C. and the Bahrein Petroleum Company which may materially alter the position there as well as in Hasa (referred to later in sub-paragraph f.).

(d) Koweit.

For some years both the A.P.O.C. and the Eastern and General Syndicate (acting on behalf of the Gulf Oil Company of Pennsylvania) have been trying to obtain a concession for Koweit proper. Early in 1934 they agreed to form the Koweit Oil Company Ltd., on a 50/50 basis, and through that Company to endeavour to obtain a concession. Negotiations by Mr. Chisholm and Major Holmes on behalf of the Combine were suspended for

the/

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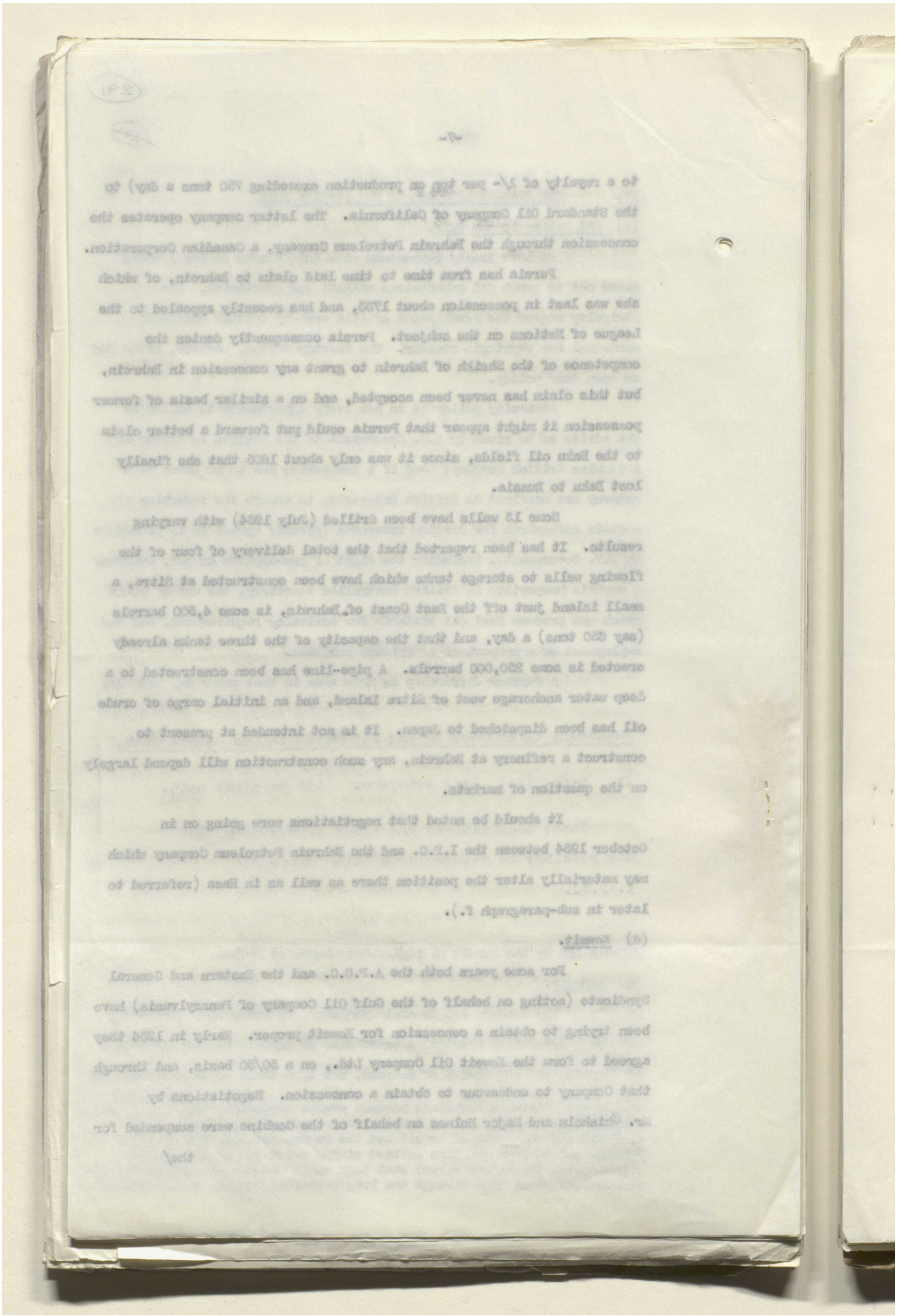

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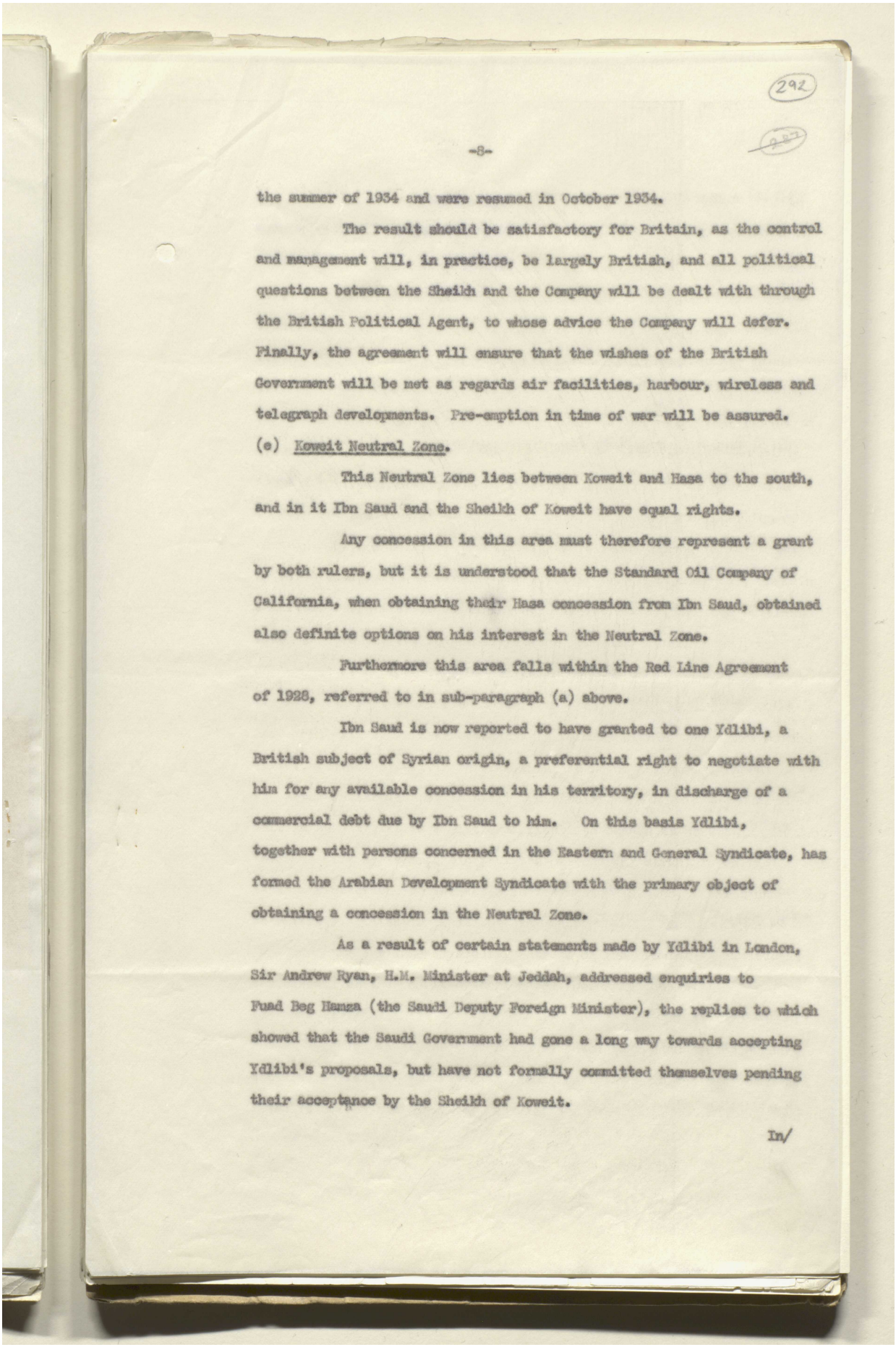

the summer of 1934 and were resumed in October 1934.

The result should be satisfactory for Britain, as the control and management will, in practice, be largely British, and all political questions between the Sheikh and the Company will be dealt with through the British Political Agent, to whose advice the Company will defer. Finally, the agreement will ensure that the wishes of the British Government will be met as regards air facilities, harbour, wireless and telegraph developments. Pre-emption in time of war will be assured.

(c) Koweit Neutral Zone.

This Neutral Zone lies between Koweit and Hasa to the south, and in it Ibn Saud and the Sheikh of Koweit have equal rights.

Any concession in this area must therefore represent a grant by both rulers, but it is understood that the Standard Oil Company of California, when obtaining their Hasa concession from Ibn Saud, obtained also definite options on his interest in the Neutral Zone.

Furthermore this area falls within the Red Line Agreement of 1928, referred to in sub-paragraph (a) above.

Ibn Saud is now reported to have granted to one Ydlibi, a British subject of Syrian origin, a preferential right to negotiate with him for any available concession in his territory, in discharge of a commercial debt due by Ibn Saud to him. On this basis Ydlibi, together with persons concerned in the Eastern and General Syndicate, has formed the Arabian Development Syndicate with the primary object of obtaining a concession in the Neutral Zone.

As a result of certain statements made by Ydlibi in London, Sir Andrew Ryan, H.M. Minister at Jeddah, addressed enquiries to Fuad Beg Hamza (the Saudi Deputy Foreign Minister), the replies to which showed that the Saudi Government had gone a long way towards accepting Ydlibi's proposals, but have not formally committed themselves pending their acceptance by the Sheikh of Koweit.

In/

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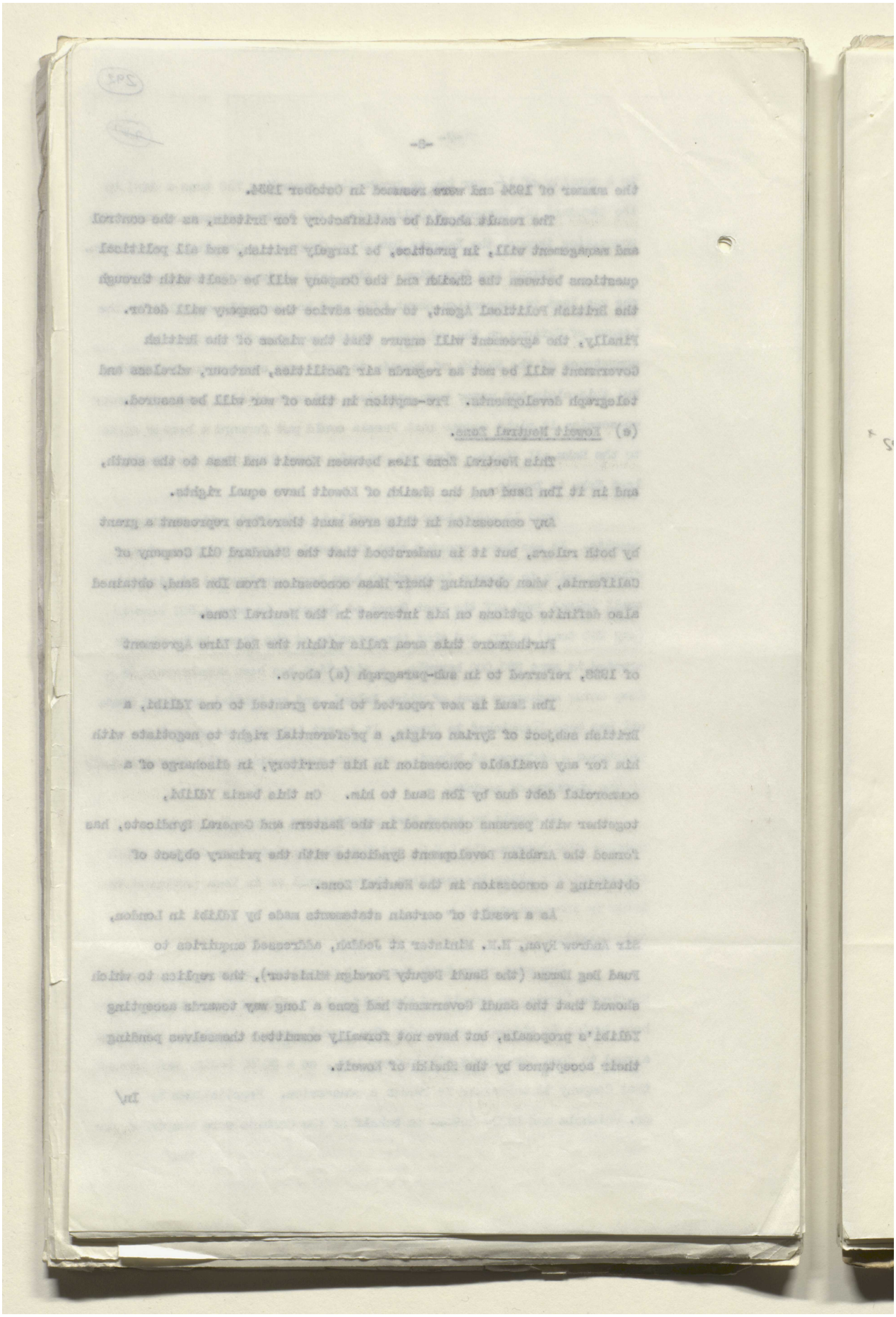

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In view, however, of the various parties who appear to have interests in this area, it may be some time before any concession is obtained.

Nothing whatever is known about the oil potentialities of this area.

(f) Hasa.

A concession for the province of Hasa was obtained from Ibn Saud in 1923 by the Eastern and General Syndicate through a Major Holmes.* As the Syndicate was unable to find a purchaser at an early date, it failed to pay the cash due to Ibn Saud and the concession was forfeited.

* Same as Holmes

In 1933 the Standard Oil Company of California obtained a 60 years concession over an area the precise limits of which have never been disclosed, but which has been claimed by the Company to exceed 165,000 square miles.

Nothing is known of the potential oil resources of this area, for which the Iraq Petroleum Company unsuccessfully competed.

(g) Qatar.

(i) Political.

The peninsula of Qatar lies between the Sheikhdom of Bahrein and the Trucial Sheikhdoms on the Arab littoral of the Persian Gulf. The Southern boundary of Qatar has never been clearly defined, but it is probable that in the near future, negotiations will be undertaken with a view to fixing definitely the frontier in the area between Qatar and Saudi-Arabia.

Qatar is ruled by a Sheikh whose authority over the interior or the base of the peninsula is to a certain degree lessened owing to the influence of Ibn Saud over the migratory bedouins who are largely accustomed to making these areas their habitat. The Sheikh is, therefore, somewhat afraid of taking any steps which might run counter to Ibn Saud's wishes.

The/

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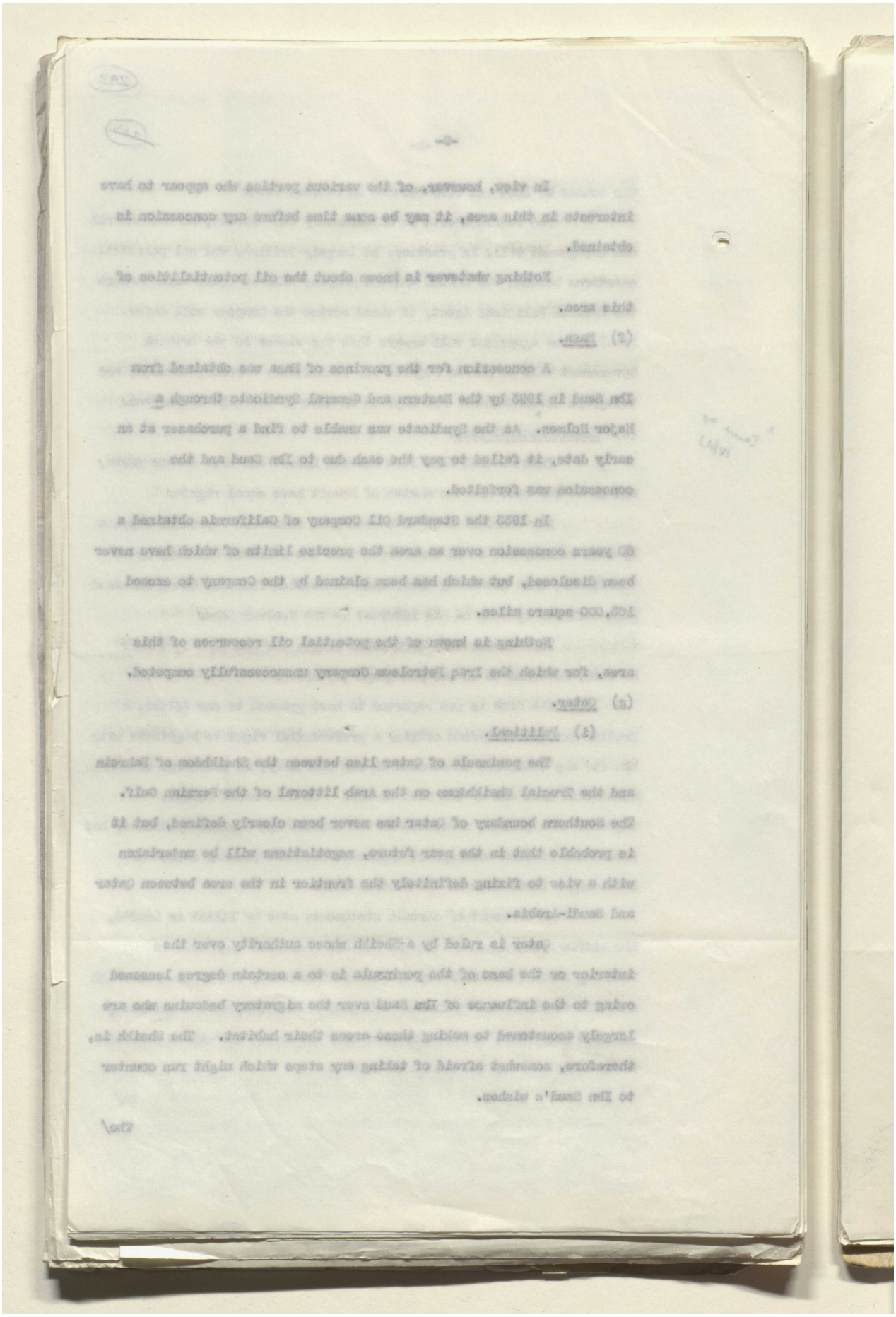

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The Sheikh of Qatar is in special relations with H.M.G., which lay down that foreign relations are Great Britain's concern and, inter alia, preclude him from granting an oil concession without their consent.

(ii) Oil.

The grant of an oil concession to a foreign company in any of the Arab Sheikhdoms whose foreign relations are, by treaty, the concern of H.M.G., would naturally cause embarrassment owing to the presence of a large colony of foreign nationals. This is particularly so the case in Qatar owing to its inaccessibility and the political and geographical complications which exist on its southern frontier. H.M.G. have, therefore, decided that it is desirable, in principle, that any oil concession granted in Qatar should be retained in British hands.

It is known that Ibn Saud has been trying to exert his influence with the Sheikh in order to persuade him to grant the concession to the Standard Oil Company of California, which wishes to extend the concession it already holds in Hasa into the adjoining territory of Qatar.

The American Company is reliably reported to have indicated to the Sheikh that they would be prepared to give him 10% more than any offer made by the A.P.O.C. which has had since 1932 exclusive exploratory rights up till August, 1934, and these rights have lately been extended until April, 1935.

It may be noted that little is known yet, of the oil possibilities of the Qatar Peninsula, but it is believed that, if oil does exist, it is more likely to be found in the interior.

Conclusions.

In view of the possibility of the Sheikh granting the concession to the American Company in conformity to Ibn Saud's wishes it has become necessary for H.M.G. to bring a certain amount of

diplomatic/

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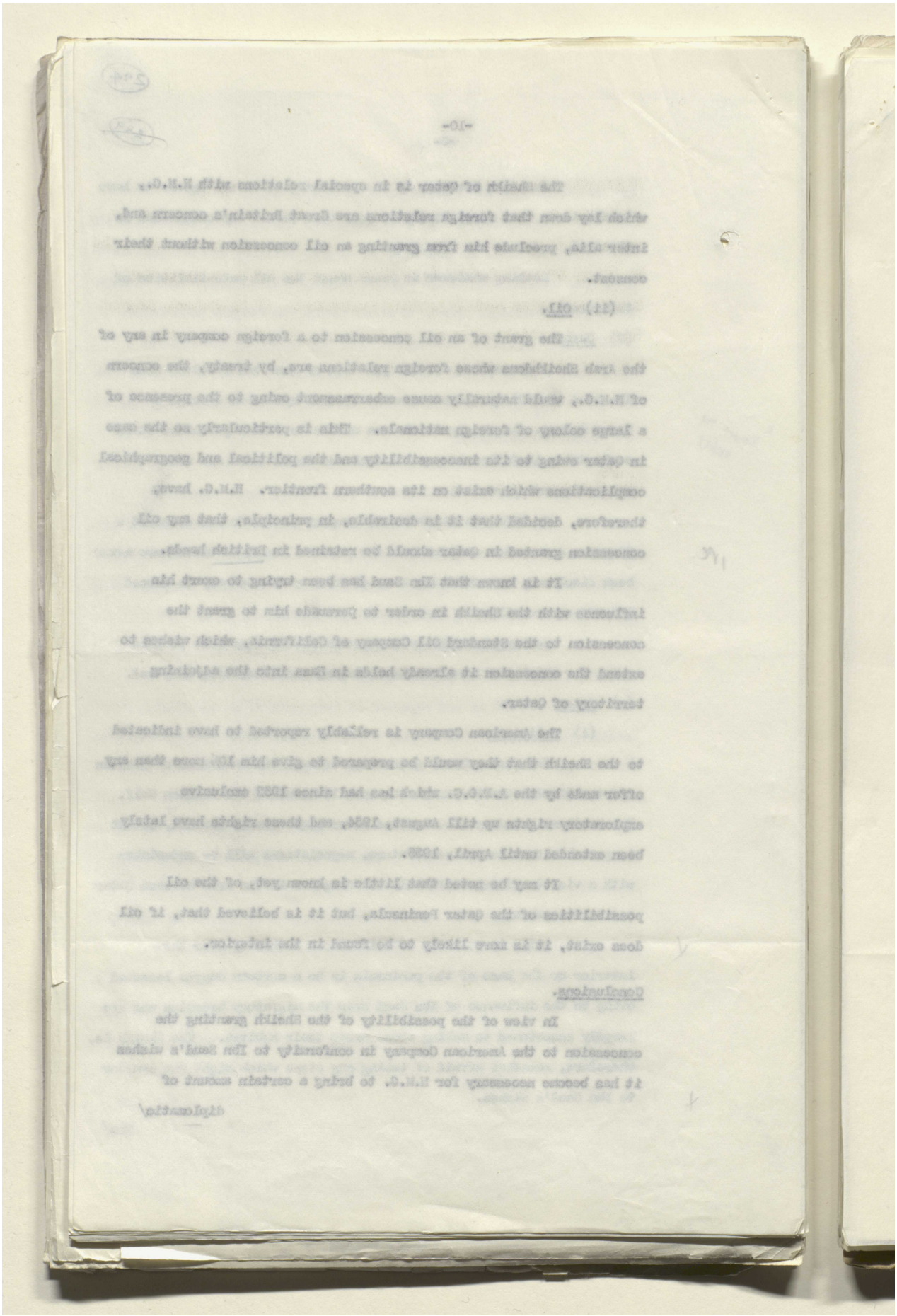

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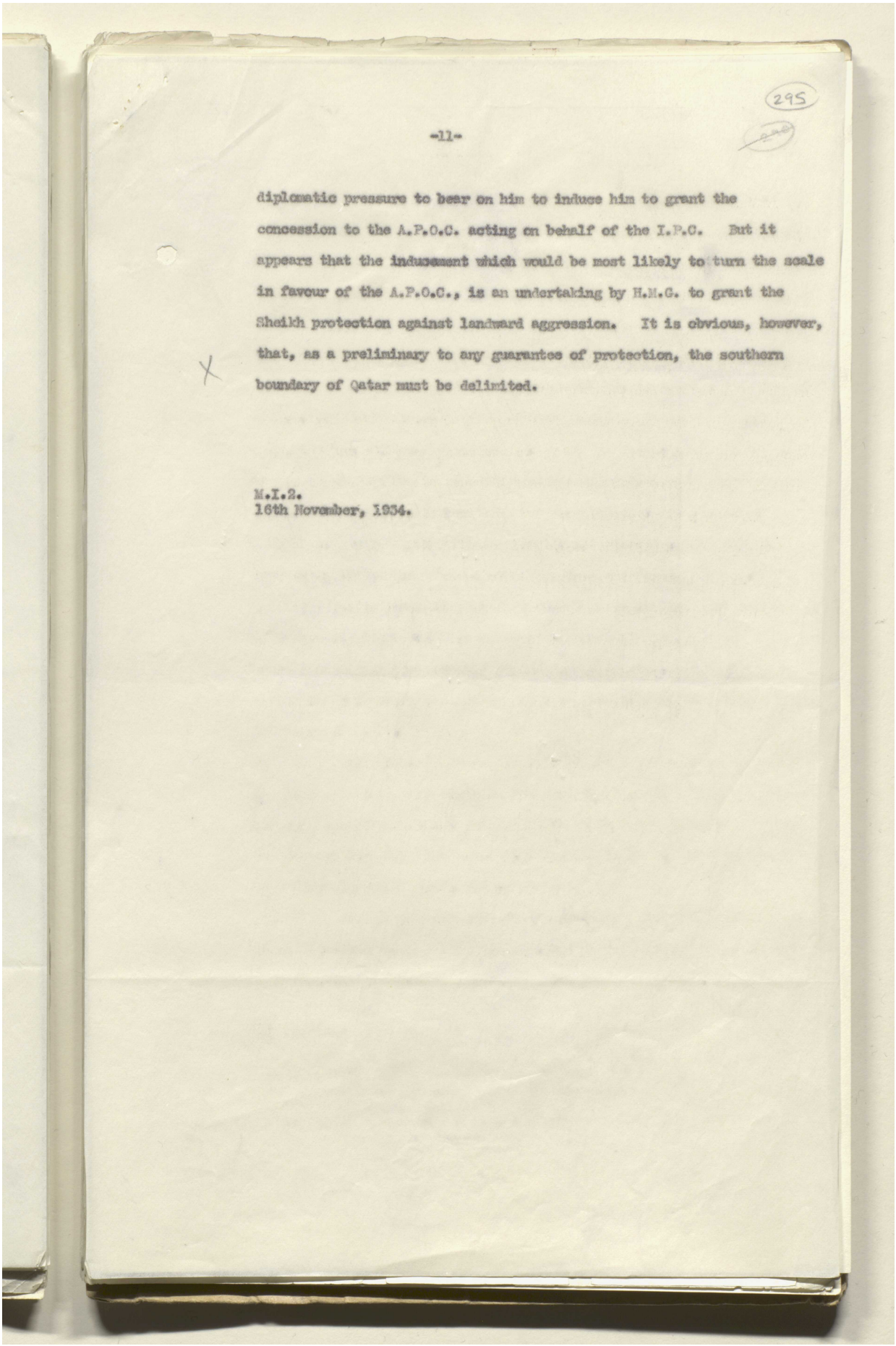

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diplomatic pressure to bear on him to induce him to grant the concession to the A.P.O.C. acting on behalf of the I.P.C. But it appears that the inducement which would be most likely to turn the scale in favour of the A.P.O.C., is an undertaking by H.M.G. to grant the Sheikh protection against landward aggression. It is obvious, however, that, as a preliminary to any guarantee of protection, the southern boundary of Qatar must be delimited.

M.I.2.
16th November, 1934.

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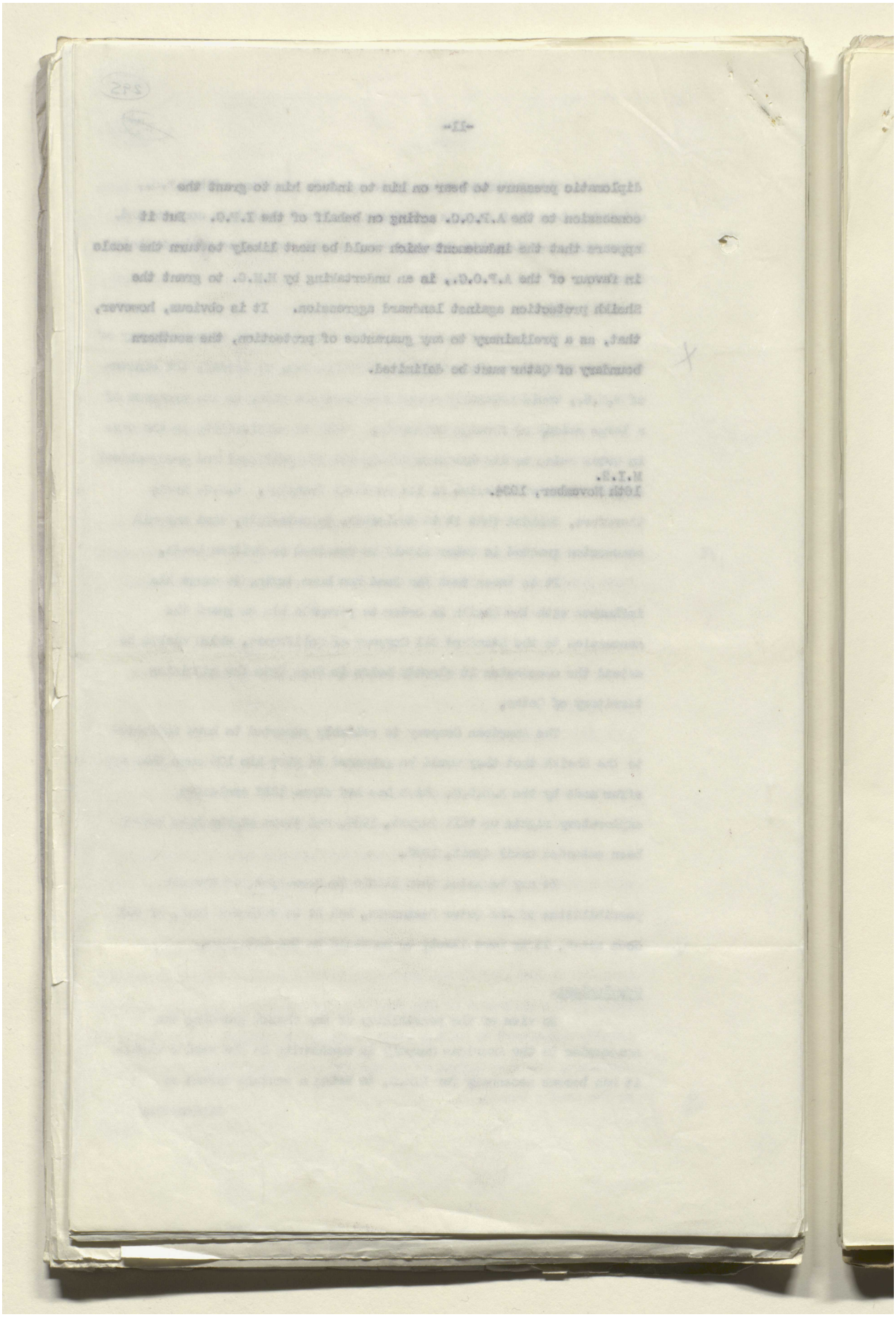

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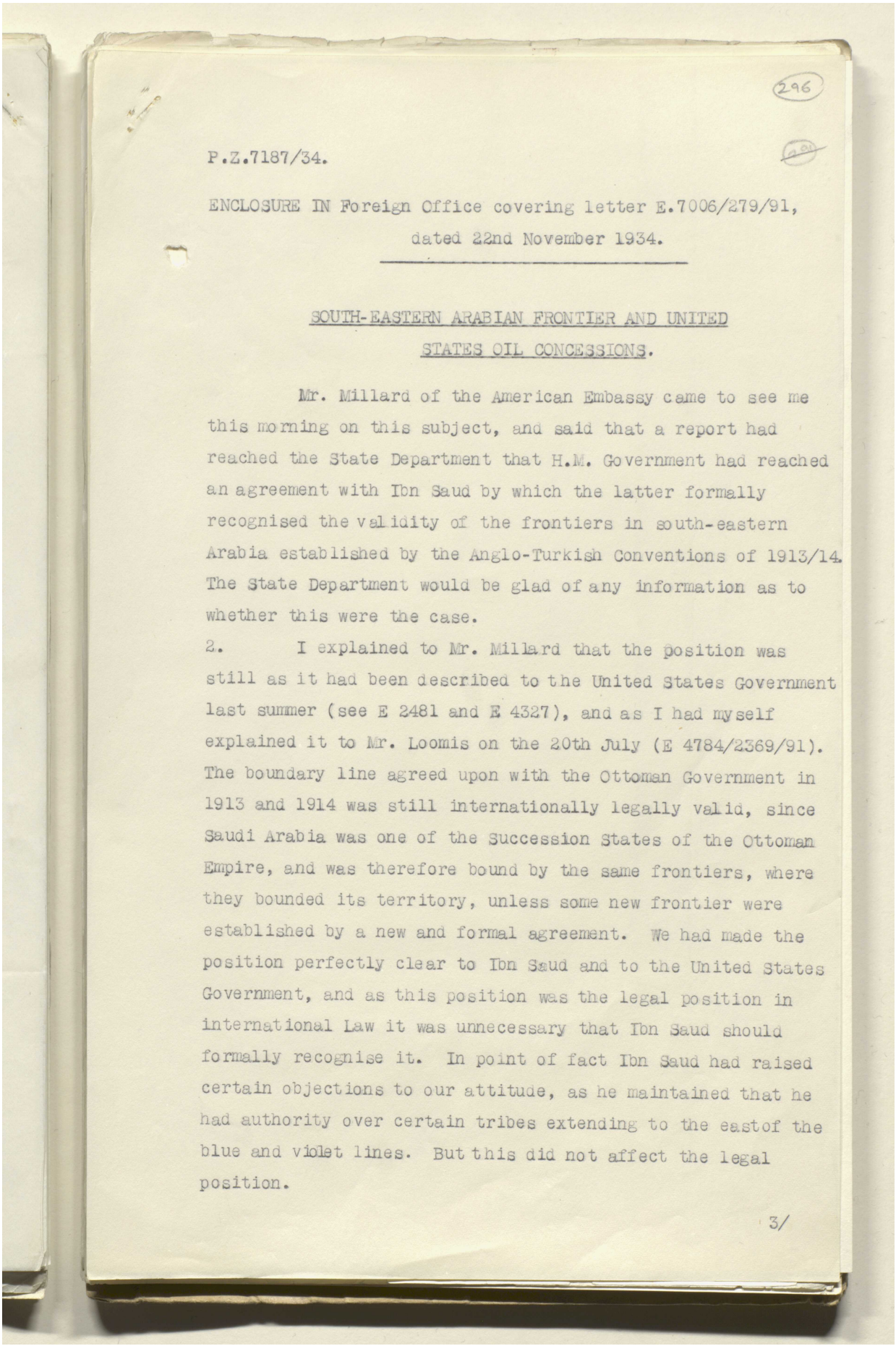

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P.Z.7187/34.

ENCLOSURE IN Foreign Office covering letter E.7006/279/91, dated 22nd November 1934.

SOUTH-EASTERN ARABIAN FRONTIER AND UNITED STATES OIL CONCESSIONS.

Mr. Millard of the American Embassy came to see me this morning on this subject, and said that a report had reached the State Department that H.M. Government had reached an agreement with Ibn Saud by which the latter formally recognised the validity of the frontiers in south-eastern Arabia established by the Anglo-Turkish Conventions of 1913/14. The State Department would be glad of any information as to whether this were the case.

2. I explained to Mr. Millard that the position was still as it had been described to the United States Government last summer (see E 2481 and E 4327), and as I had myself explained it to Mr. Loomis on the 20th July (E 4784/2369/91). The boundary line agreed upon with the Ottoman Government in 1913 and 1914 was still internationally legally valid, since Saudi Arabia was one of the Succession States of the Ottoman Empire, and was therefore bound by the same frontiers, where they bounded its territory, unless some new frontier were established by a new and formal agreement. We had made the position perfectly clear to Ibn Saud and to the United States Government, and as this position was the legal position in international Law it was unnecessary that Ibn Saud should formally recognise it. In point of fact Ibn Saud had raised certain objections to our attitude, as he maintained that he had authority over certain tribes extending to the eastof the blue and violet lines. But this did not affect the legal position.

3/

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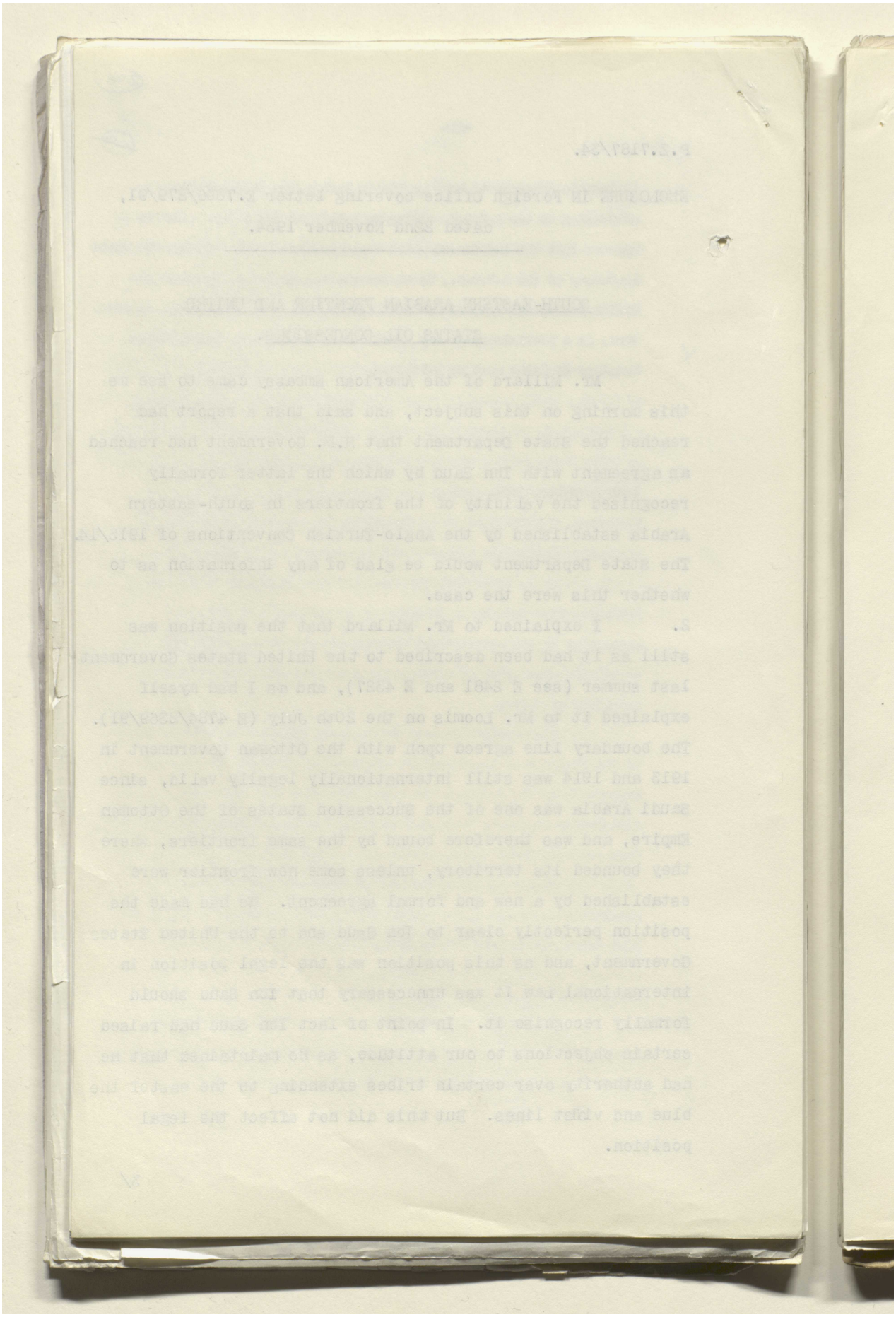

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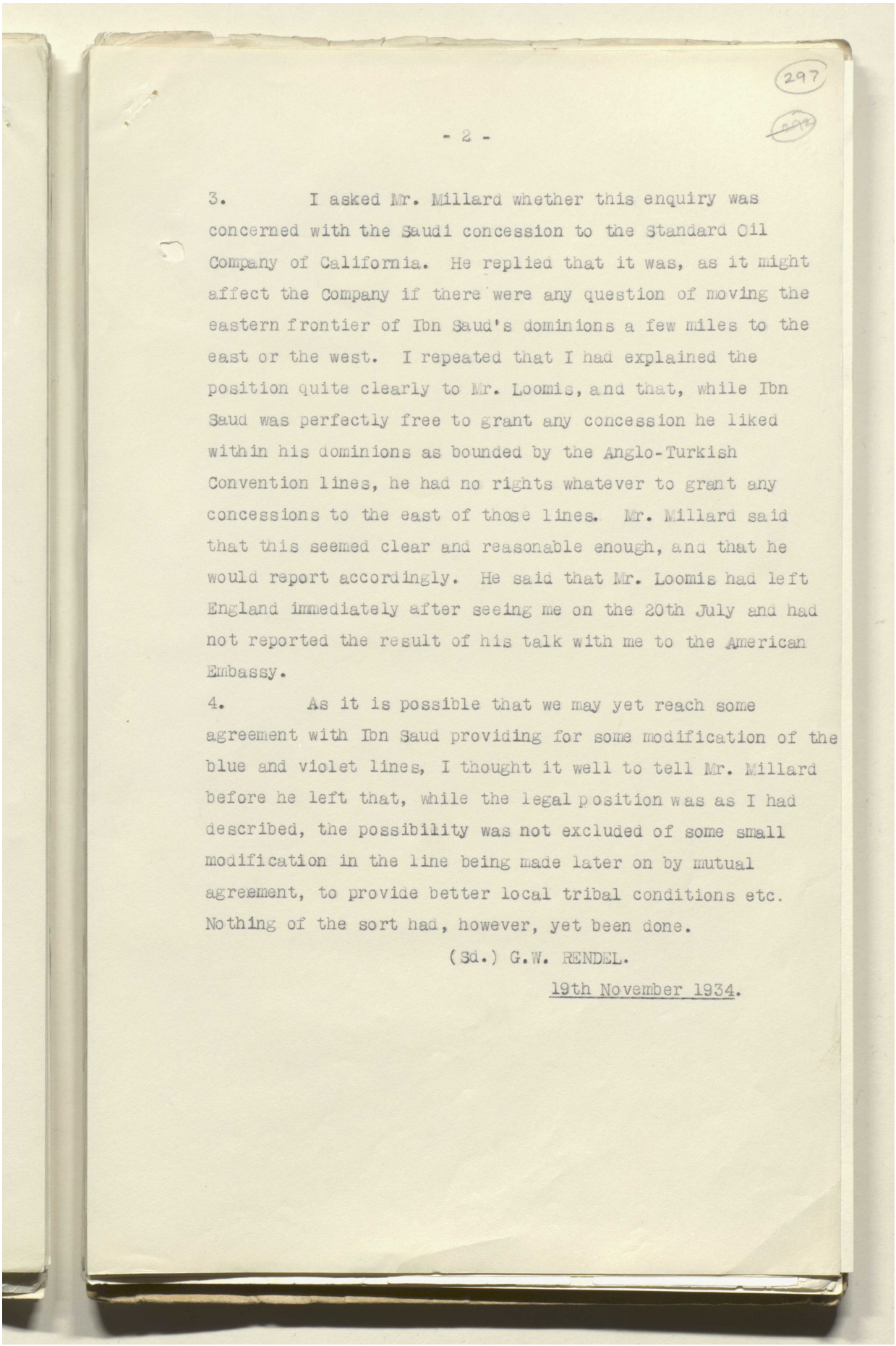

3. I asked Mr. Millard whether this enquiry was concerned with the Saudi concession to the Standard Oil Company of California. He replied that it was, as it might affect the Company if there were any question of moving the eastern frontier of Ibn Saud's dominions a few miles to the east or the west. I repeated that I had explained the position quite clearly to Mr. Loomis, and that, while Ibn Saud was perfectly free to grant any concession he liked within his dominions as bounded by the Anglo-Turkish Convention lines, he had no rights whatever to grant any concessions to the east of those lines. Mr. Millard said that this seemed clear and reasonable enough, and that he would report accordingly. He said that Mr. Loomis had left England immediately after seeing me on the 20th July and had not reported the result of his talk with me to the American Embassy.

4. As it is possible that we may yet reach some agreement with Ibn Saud providing for some modification of the blue and violet lines, I thought it well to tell Mr. Millard before he left that, while the legal position was as I had described, the possibility was not excluded of some small modification in the line being made later on by mutual agreement, to provide better local tribal conditions etc. Nothing of the sort had, however, yet been done.

(Sd.) G.W. RENDEL.

19th November 1934.

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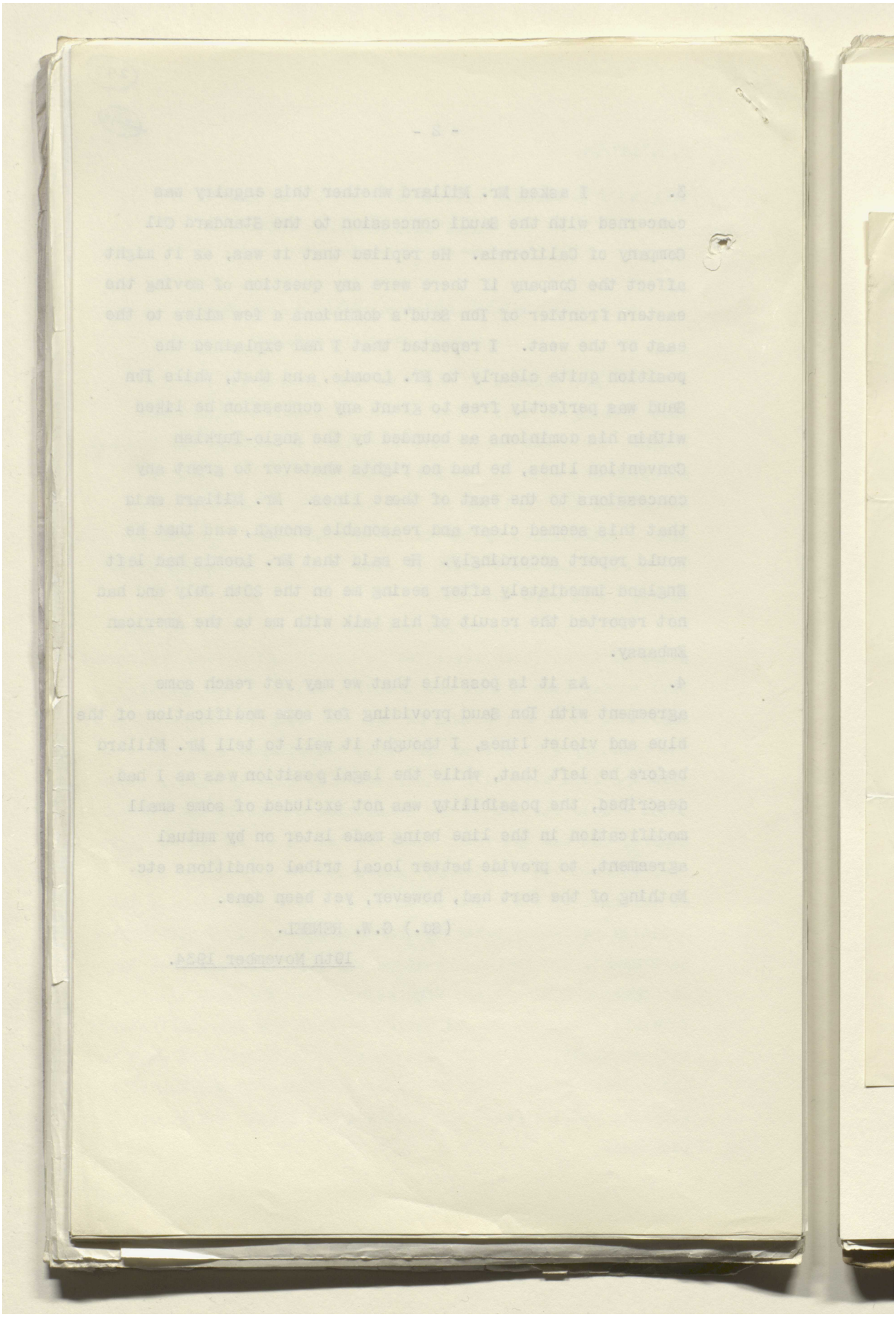

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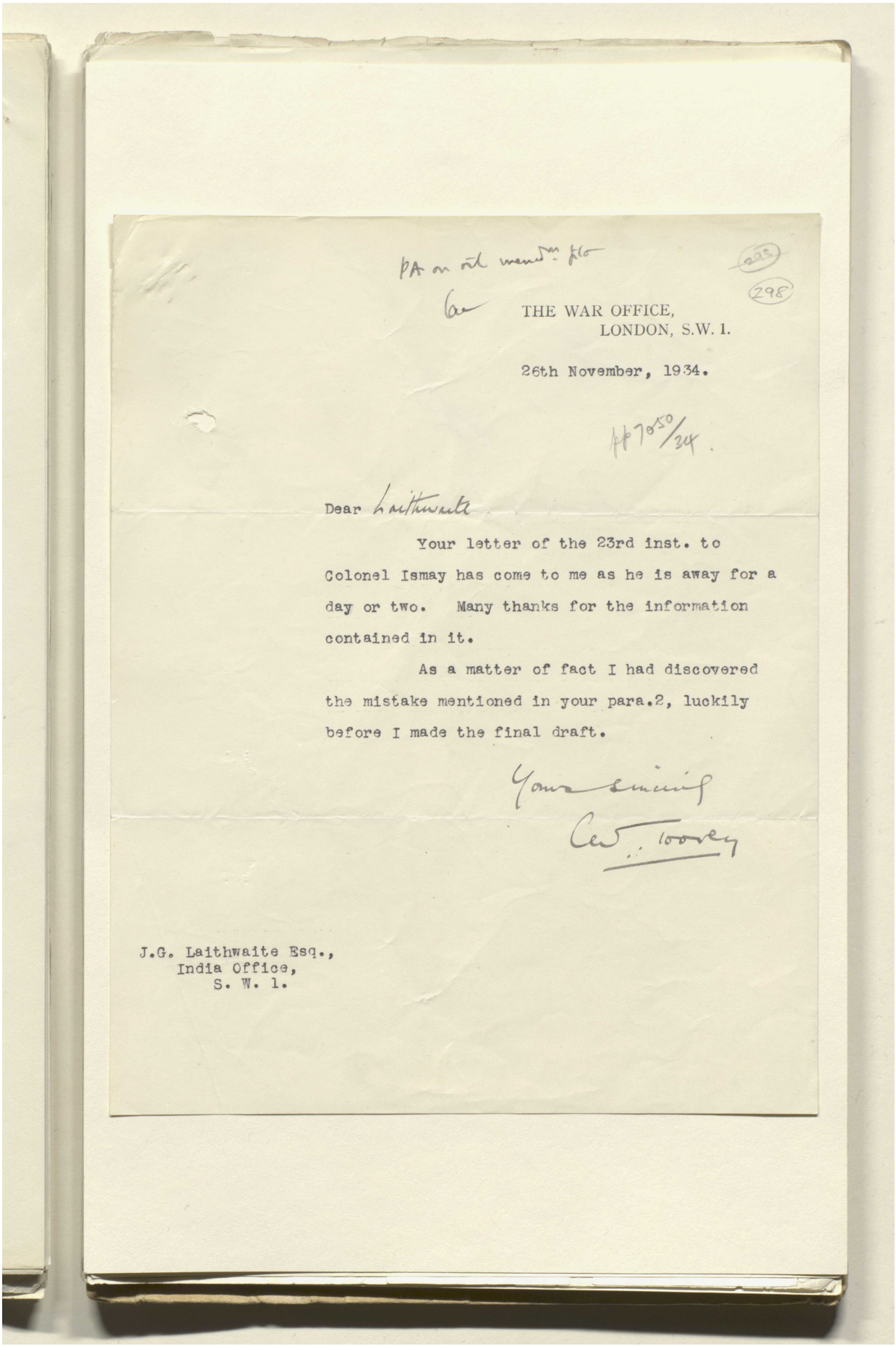

PA on oil mend^m. file

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THE WAR OFFICE,
LONDON, S.W. 1.

26th November, 1934.

pp 7050/34.

Dear Laithwaite

Your letter of the 23rd inst. to Colonel Ismay has come to me as he is away for a day or two. Many thanks for the information contained in it.

As a matter of fact I had discovered the mistake mentioned in your para.2, luckily before I made the final draft.

Yours sincerely

C.W. Toovey

J.G. Laithwaite Esq.,
India Office,
S. W. 1.

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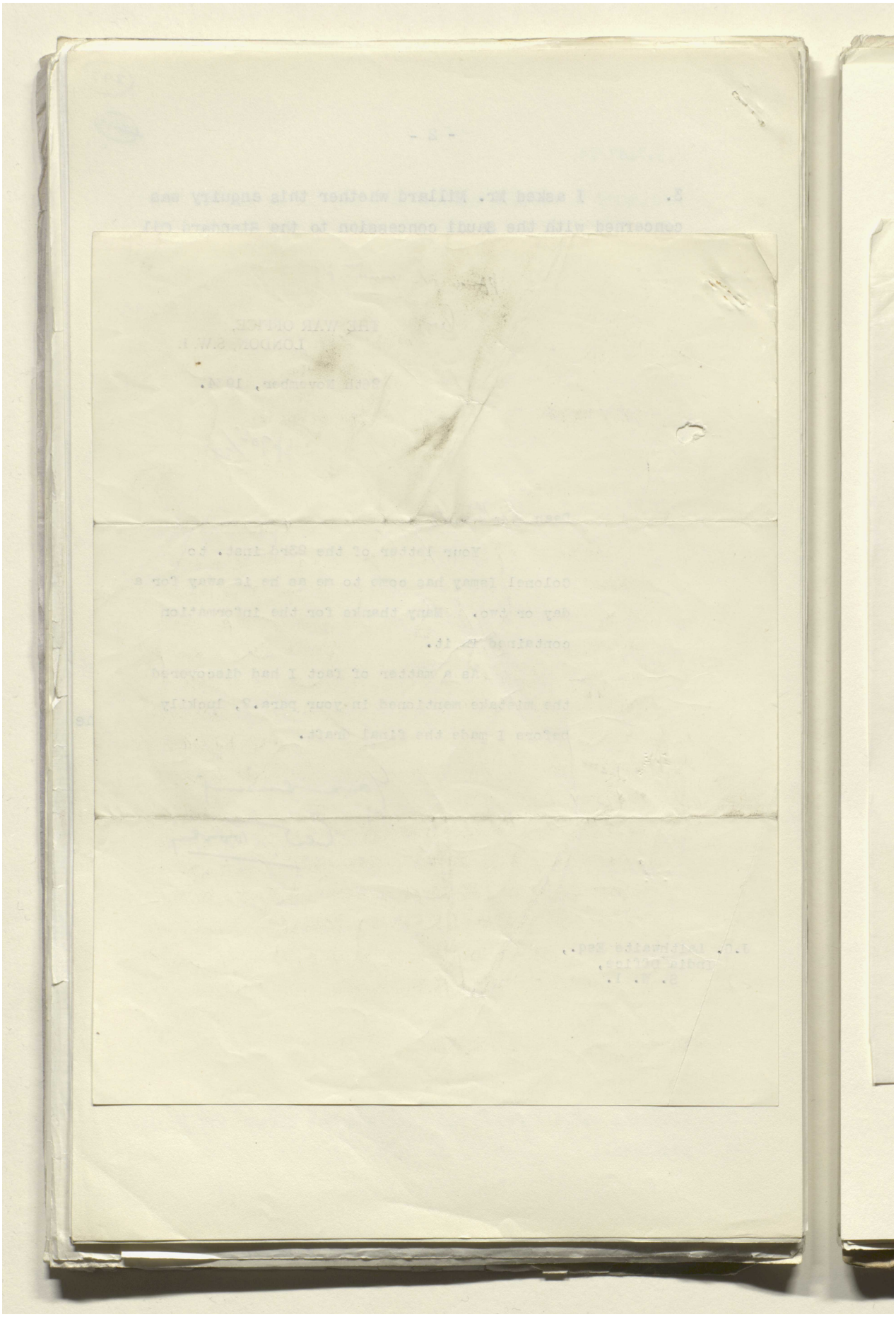

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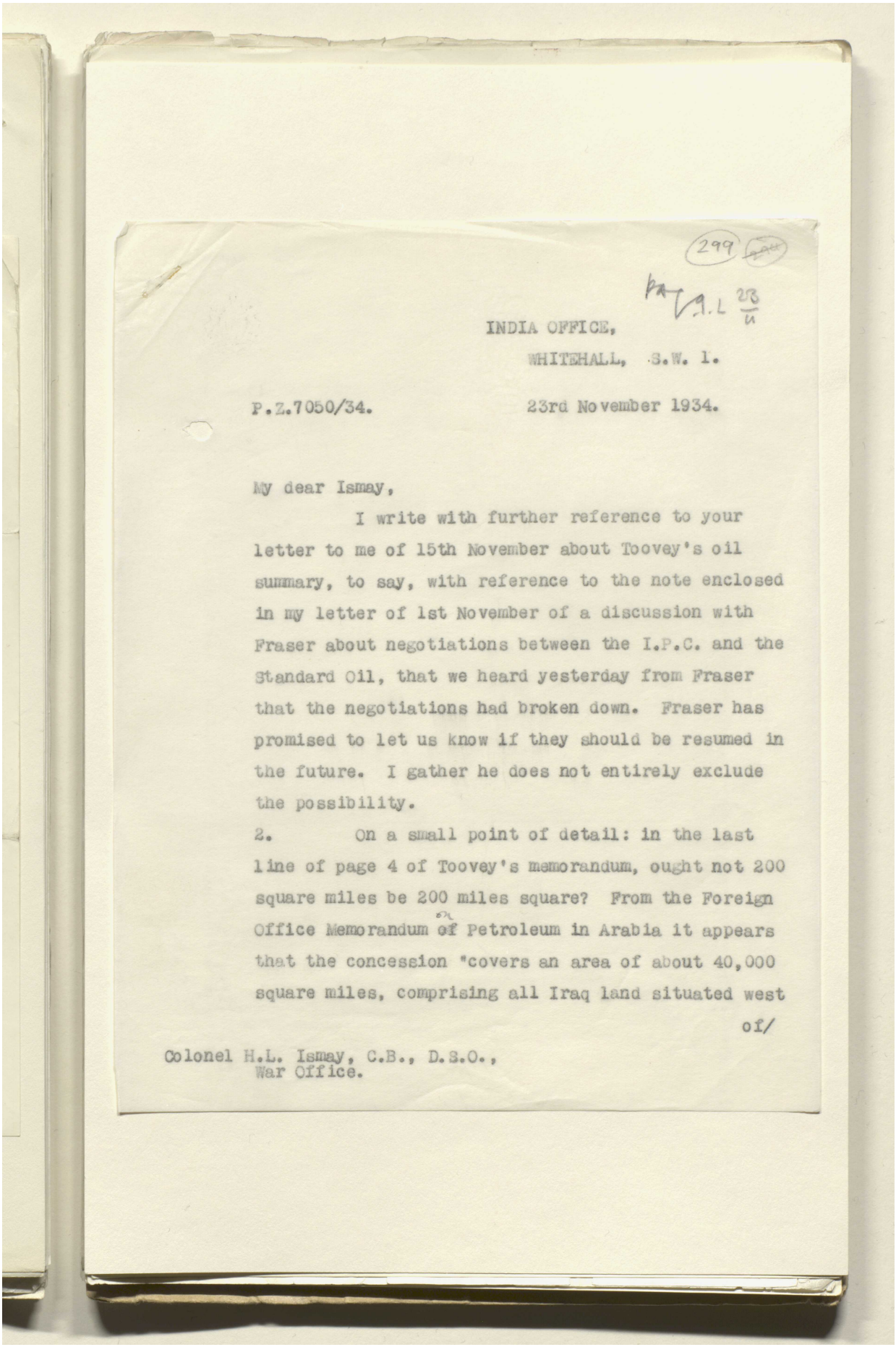

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P.L 23/11

INDIA OFFICE,
WHITEHALL, S.W. 1.

P.Z.7050/34. 23rd November 1934.

My dear Ismay,

I write with further reference to your letter to me of 15th November about Toovey's oil summary, to say, with reference to the note enclosed in my letter of 1st November of a discussion with Fraser about negotiations between the I.P.C. and the Standard Oil, that we heard yesterday from Fraser that the negotiations had broken down. Fraser has promised to let us know if they should be resumed in the future. I gather he does not entirely exclude the possibility.

2. On a small point of detail: in the last line of page 4 of Toovey's memorandum, ought not 200 square miles be 200 miles square? From the Foreign Office Memorandum of Petroleum in Arabia it appears that the concession "covers an area of about 40,000 square miles, comprising all Iraq land situated west

of/

Colonel H.L. Ismay, C.B., D.S.O.,
War Office.

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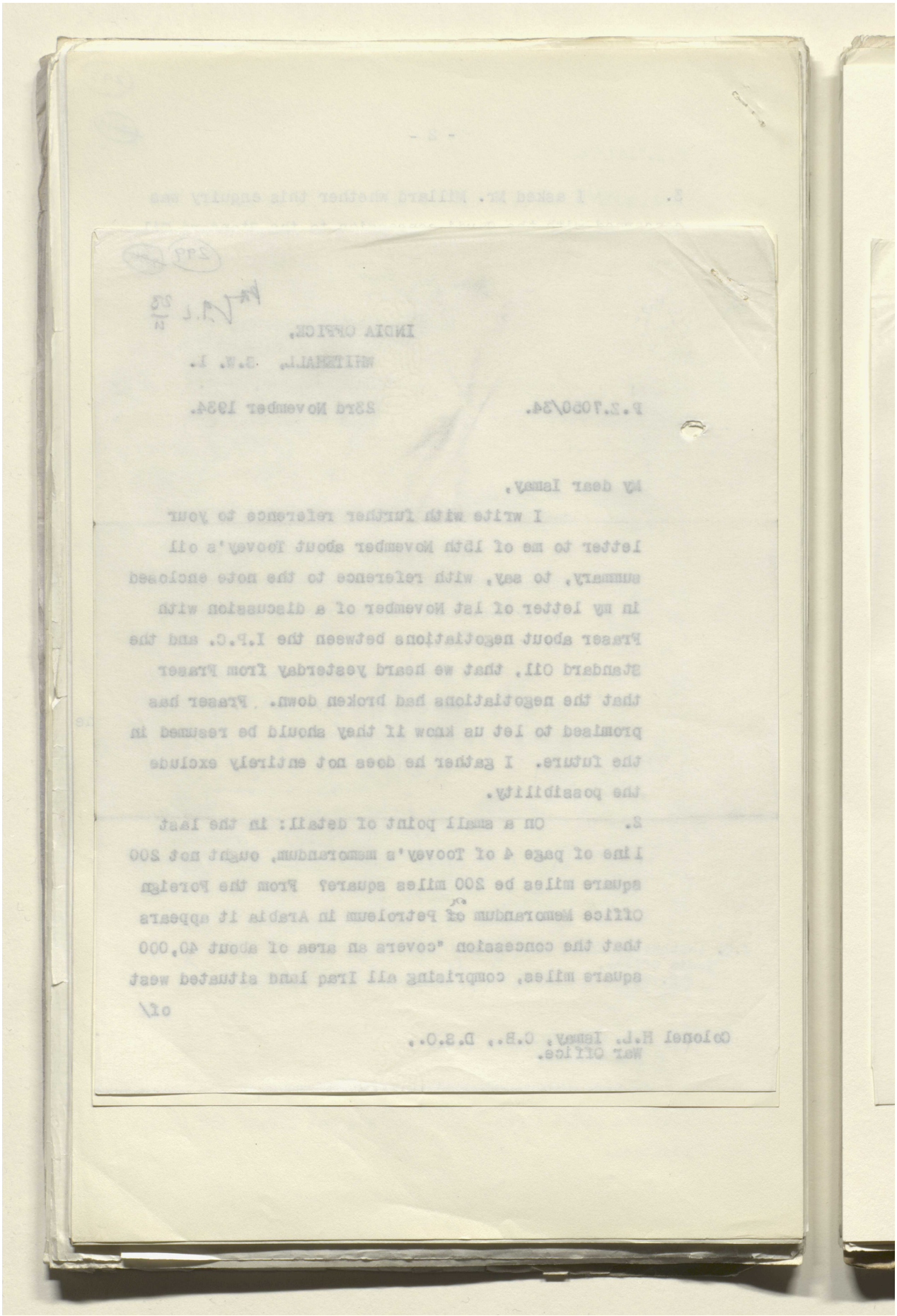

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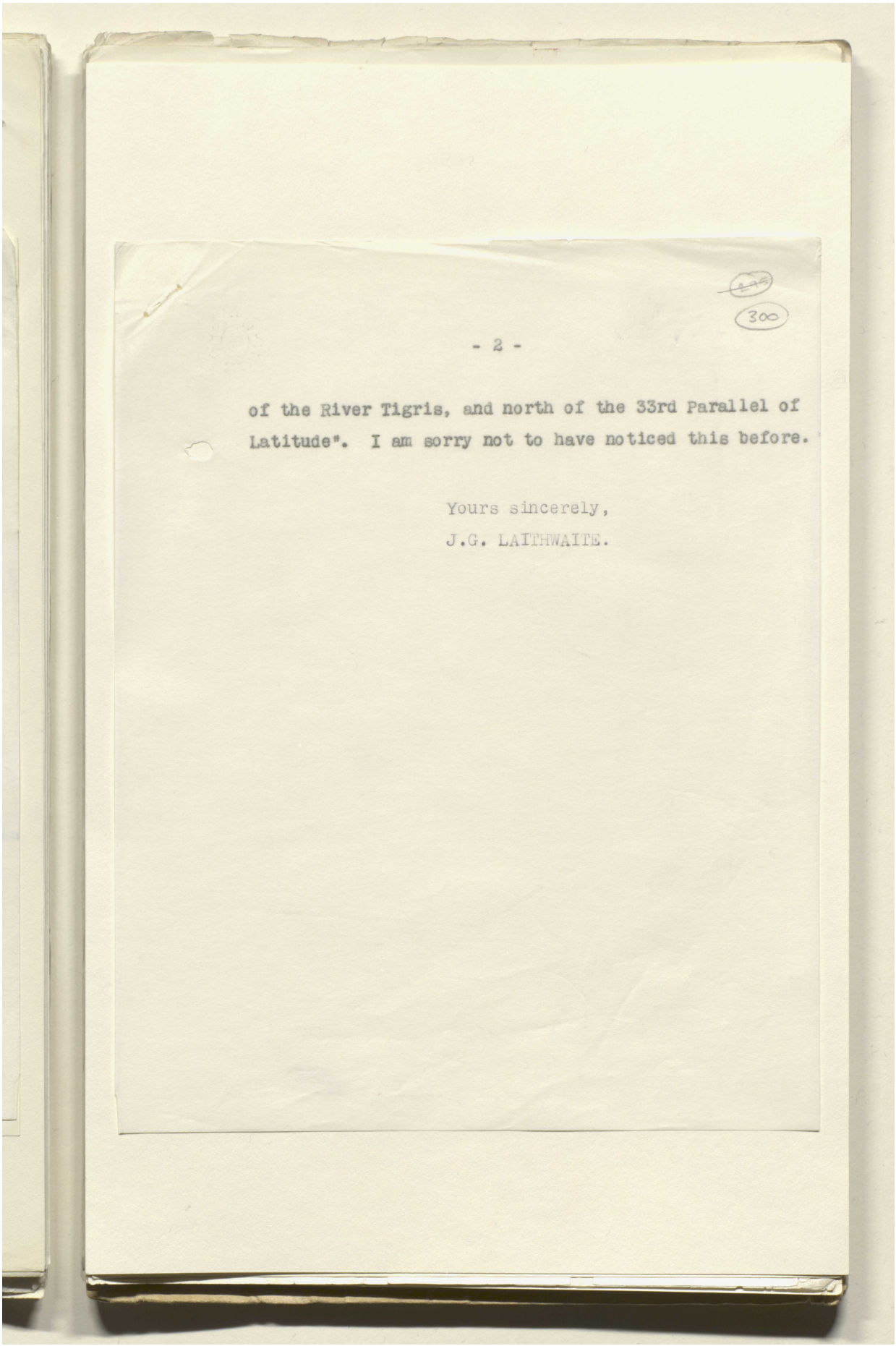

of the River Tigris, and north of the 33rd Parallel of Latitude". I am sorry not to have noticed this before.

Yours sincerely,

J.G. LAITHWAITE.

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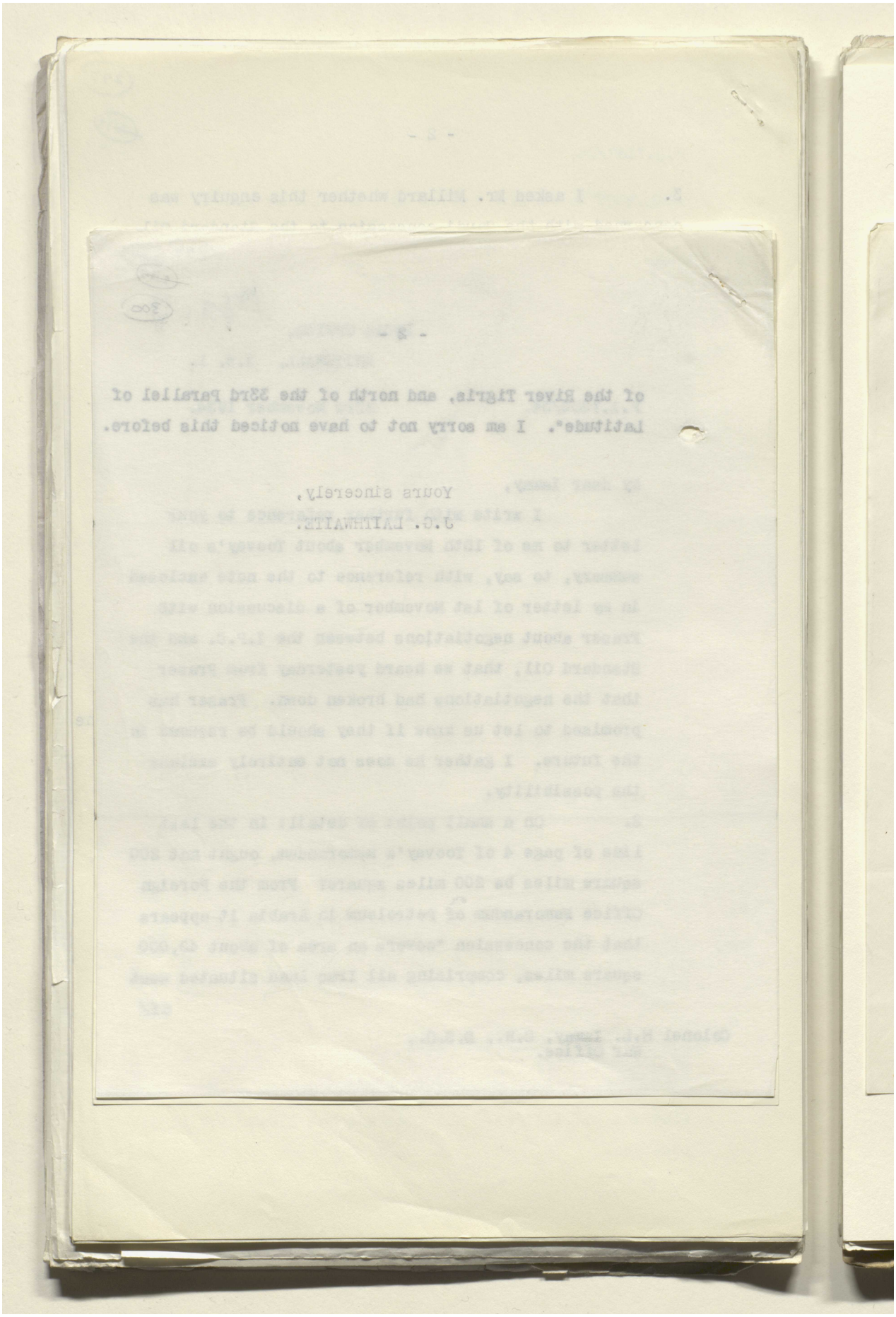

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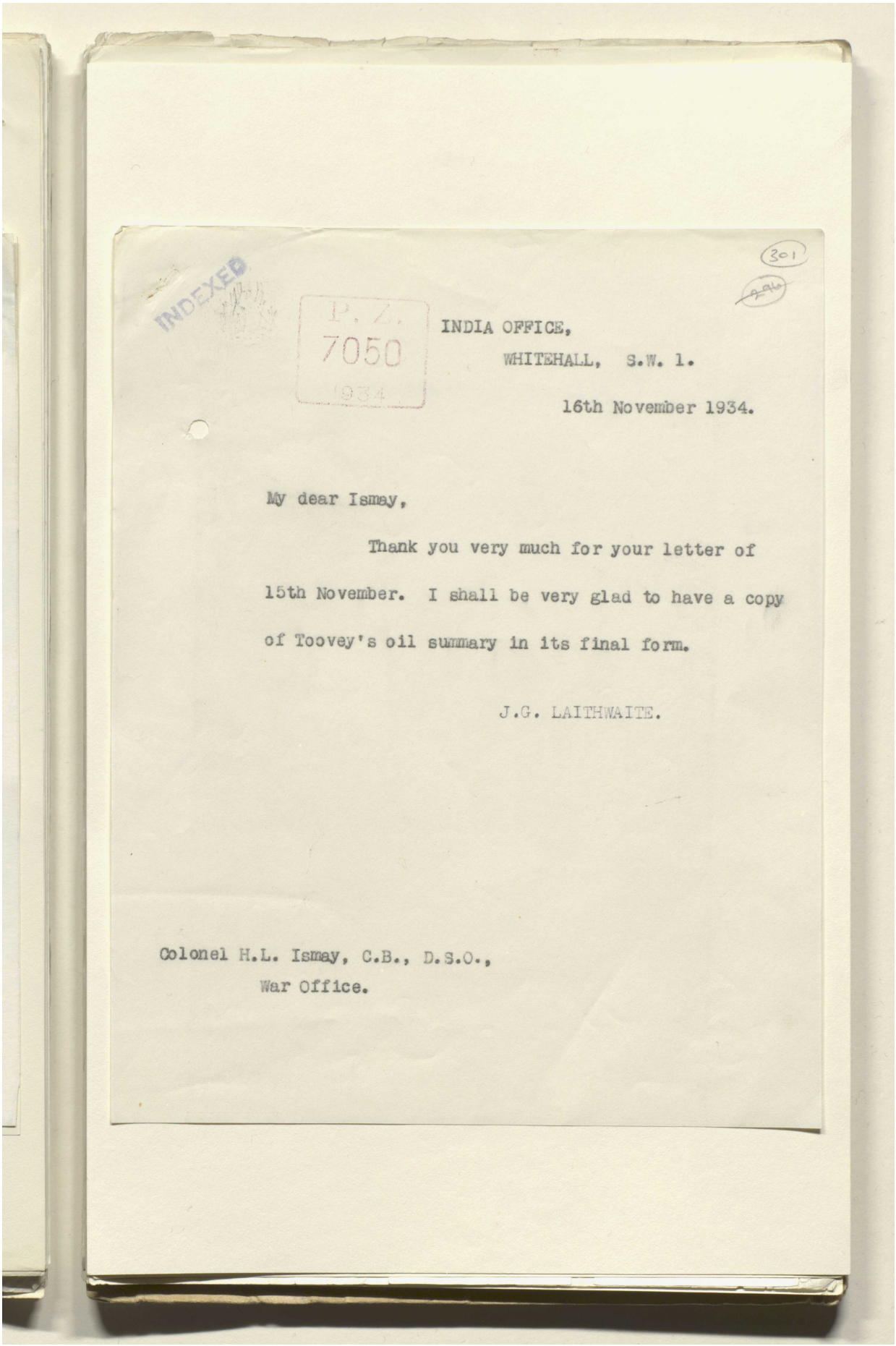

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INDIA OFFICE,
WHITEHALL, S.W. 1.

16th November 1934.

My dear Ismay,

Thank you very much for your letter of 15th November. I shall be very glad to have a copy of Toovey's oil summary in its final form.

J.G. LAITHWAITE.

Colonel H.L. Ismay, C.B., D.S.O.,
War Office.

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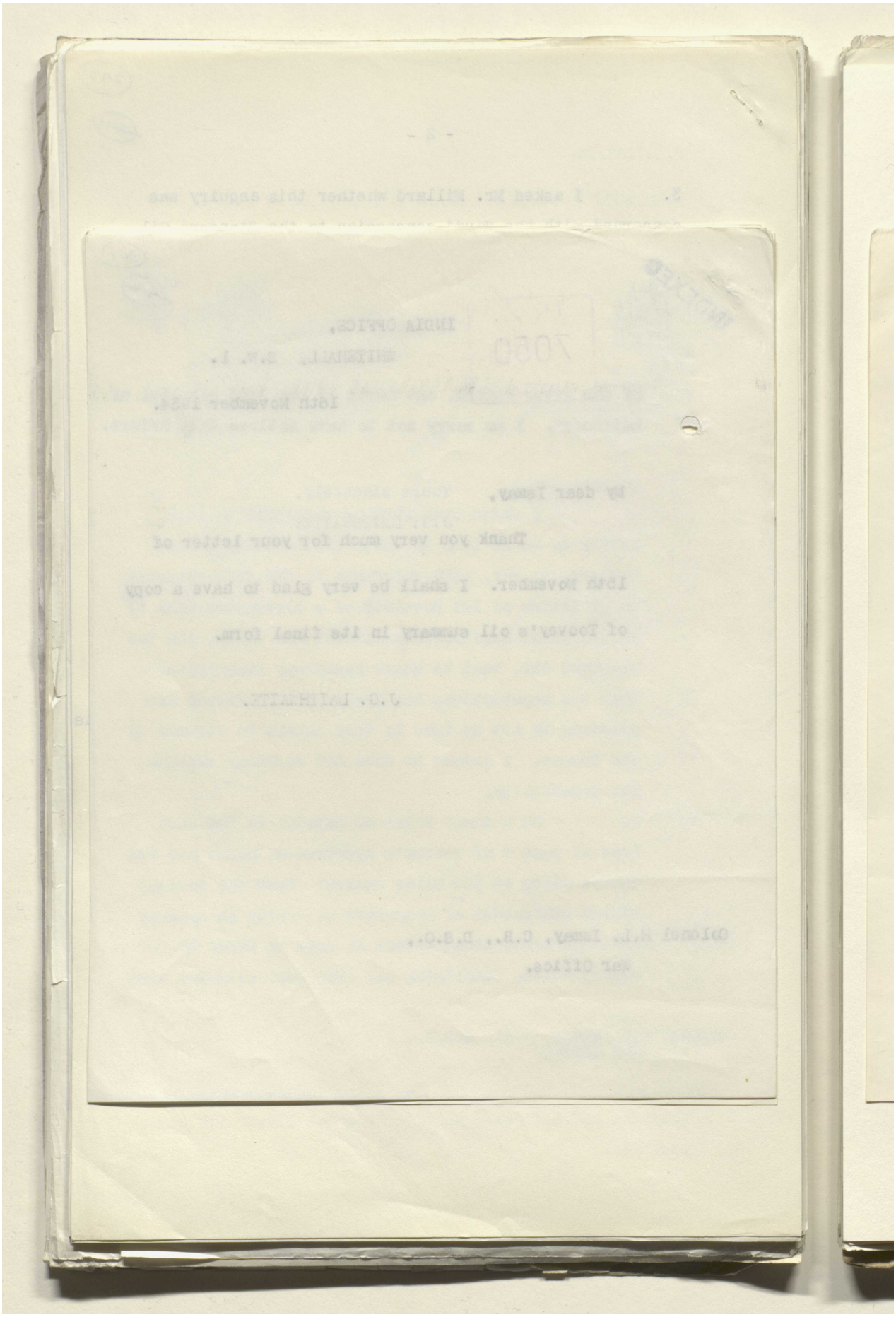

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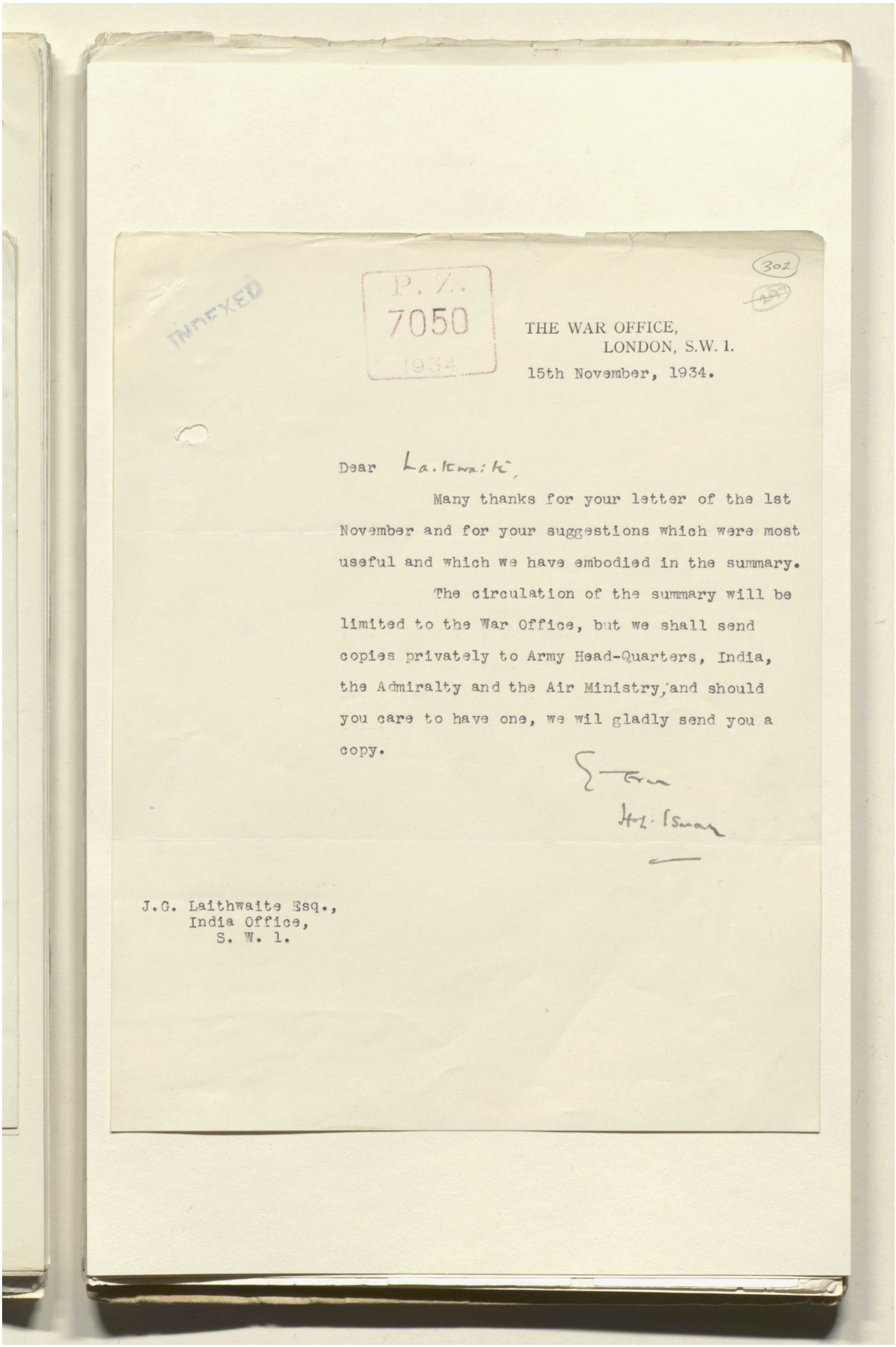

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THE WAR OFFICE,
LONDON, S.W. 1.

15th November, 1934.

Dear Laithwaite,

Many thanks for your letter of the 1st November and for your suggestions which were most useful and which we have embodied in the summary.

The circulation of the summary will be limited to the War Office, but we shall send copies privately to Army Head-Quarters, India, the Admiralty and the Air Ministry, and should you care to have one, we wil gladly send you a copy.

Yours

H. L. Ismay

J.G. Laithwaite Esq.,
India Office,
S. W. 1.

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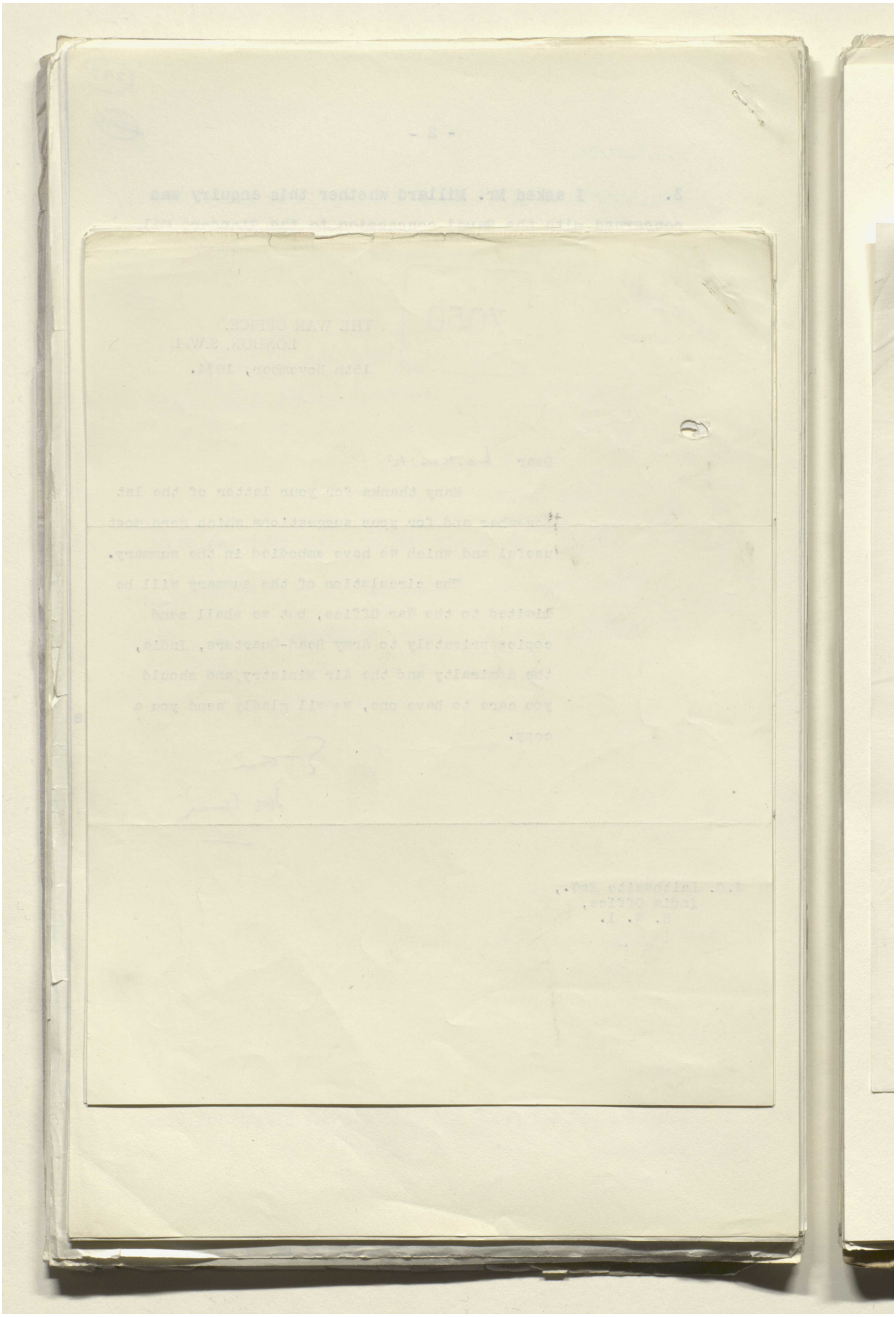

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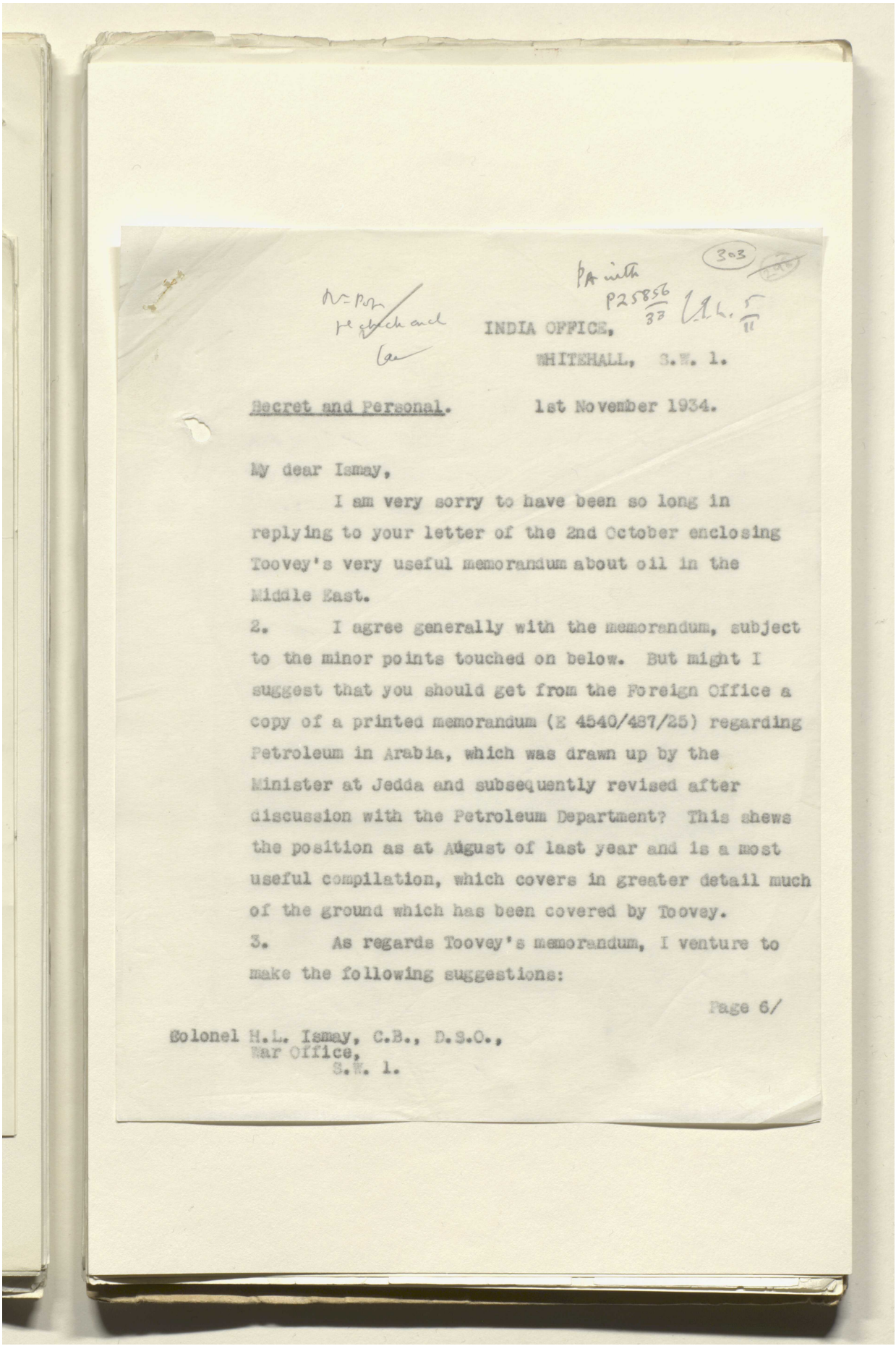

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P.A. with P25856/37

INDIA OFFICE,
WHITEHALL, S.W. 1.

Secret and Personal. 1st November 1934.

My dear Ismay,

I am very sorry to have been so long in replying to your letter of the 2nd October enclosing Toovey's very useful memorandum about oil in the Middle East.

2. I agree generally with the memorandum, subject to the minor points touched on below. But might I suggest that you should get from the Foreign Office a copy of a printed memorandum (E 4540/487/25) regarding Petroleum in Arabia, which was drawn up by the Minister at Jedda and subsequently revised after discussion with the Petroleum Department? This shews the position as at August of last year and is a most useful compilation, which covers in greater detail much of the ground which has been covered by Toovey.

3. As regards Toovey's memorandum, I venture to make the following suggestions:

Page 6/

Colonel H.L. Ismay, C.B., D.S.O.,
War Office,
S.W. 1.

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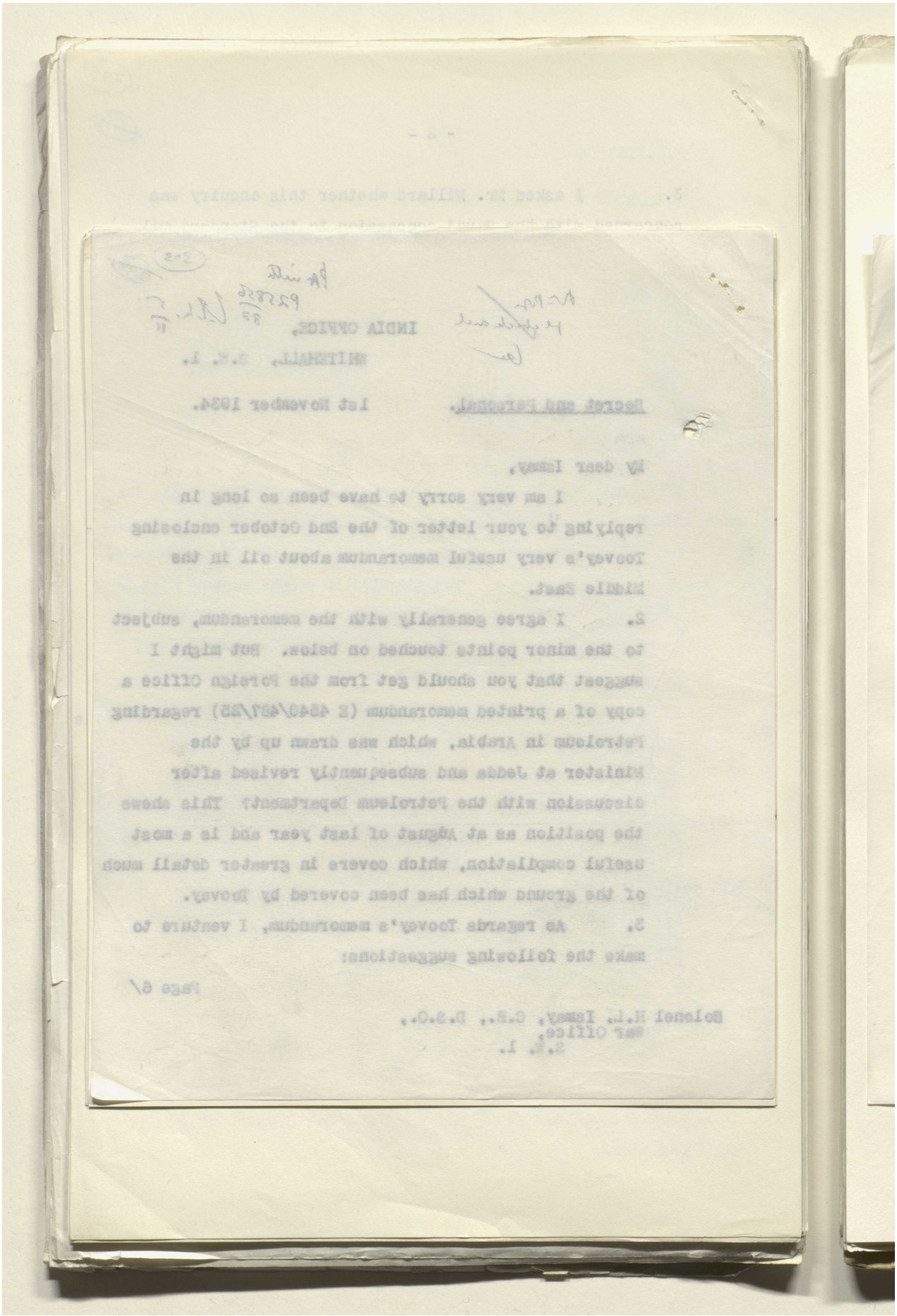

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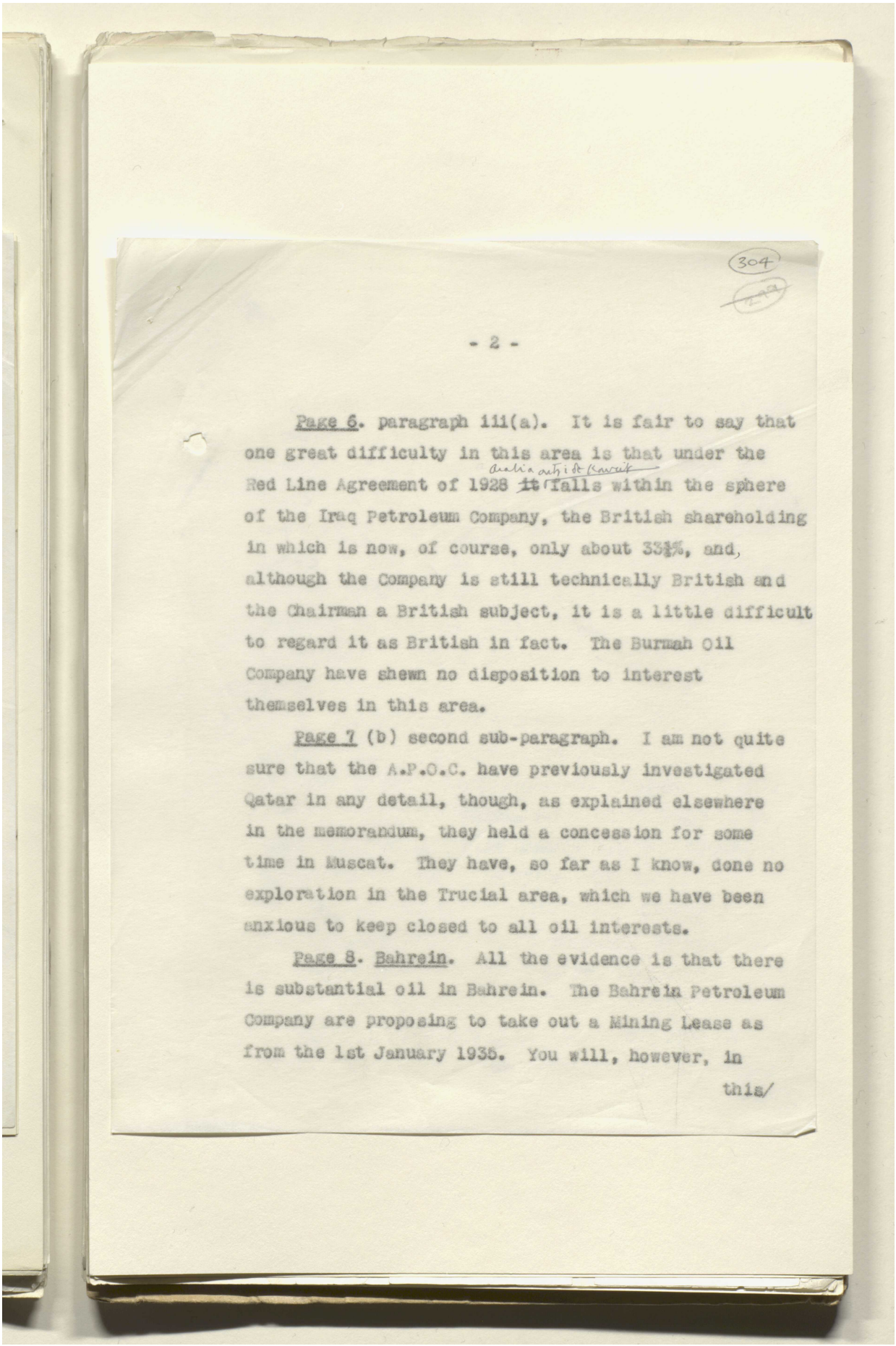

Page 6. paragraph iii(a). It is fair to say that one great difficulty in this area is that under the Red Line Agreement of 1928 ~~it~~ Arabia falls within the sphere of the Iraq Petroleum Company, the British shareholding in which is now, of course, only about 33⅓%, and, although the Company is still technically British and the Chairman a British subject, it is a little difficult to regard it as British in fact. The Burmah Oil Company have shewn no disposition to interest themselves in this area.

Page 7 (b) second sub-paragraph. I am not quite sure that the A.P.O.C. have previously investigated Qatar in any detail, though, as explained elsewhere in the memorandum, they held a concession for some time in Muscat. They have, so far as I know, done no exploration in the Trucial area, which we have been anxious to keep closed to all oil interests.

Page 8. Bahrein. All the evidence is that there is substantial oil in Bahrein. The Bahrein Petroleum Company are proposing to take out a Mining Lease as from the 1st January 1935. You will, however, in this/

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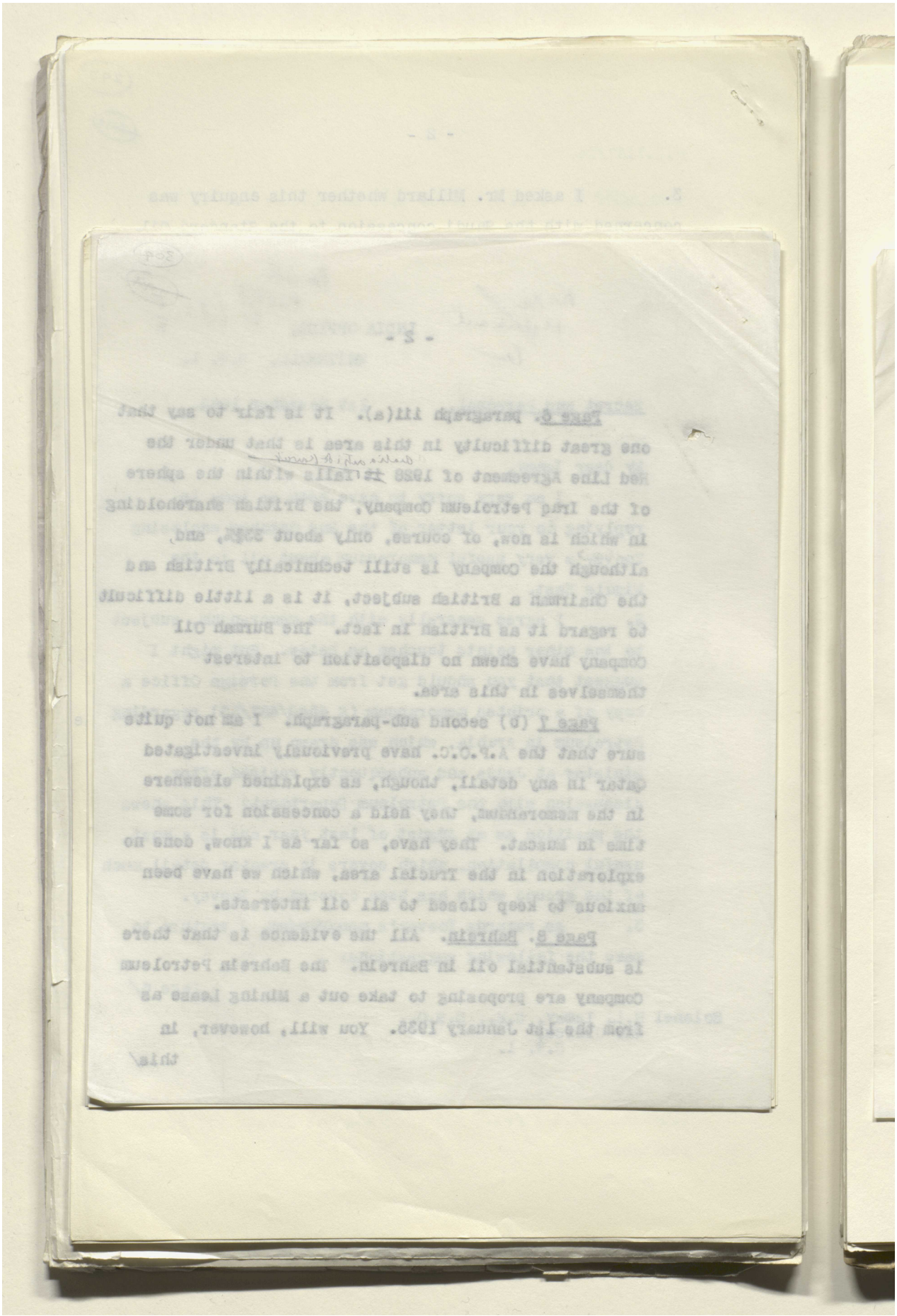

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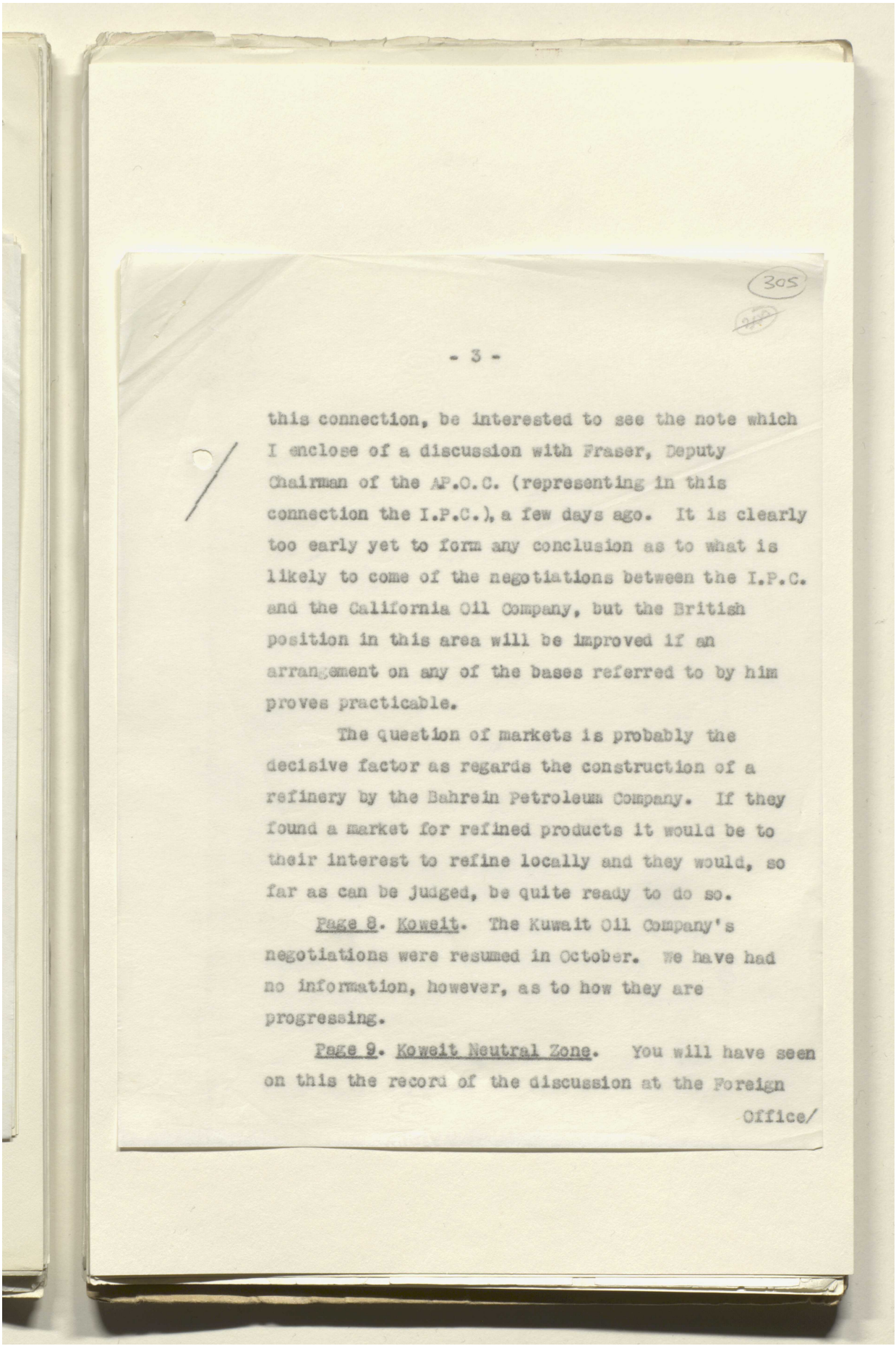

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- 3 -

this connection, be interested to see the note which I enclose of a discussion with Fraser, Deputy Chairman of the AP.O.C. (representing in this connection the I.P.C.), a few days ago. It is clearly too early yet to form any conclusion as to what is likely to come of the negotiations between the I.P.C. and the California Oil Company, but the British position in this area will be improved if an arrangement on any of the bases referred to by him proves practicable.

The question of markets is probably the decisive factor as regards the construction of a refinery by the Bahrein Petroleum Company. If they found a market for refined products it would be to their interest to refine locally and they would, so far as can be judged, be quite ready to do so.

Page 8. Koweit. The Kuwait Oil Company's negotiations were resumed in October. We have had no information, however, as to how they are progressing.

Page 9. Koweit Neutral Zone. You will have seen on this the record of the discussion at the Foreign Office/

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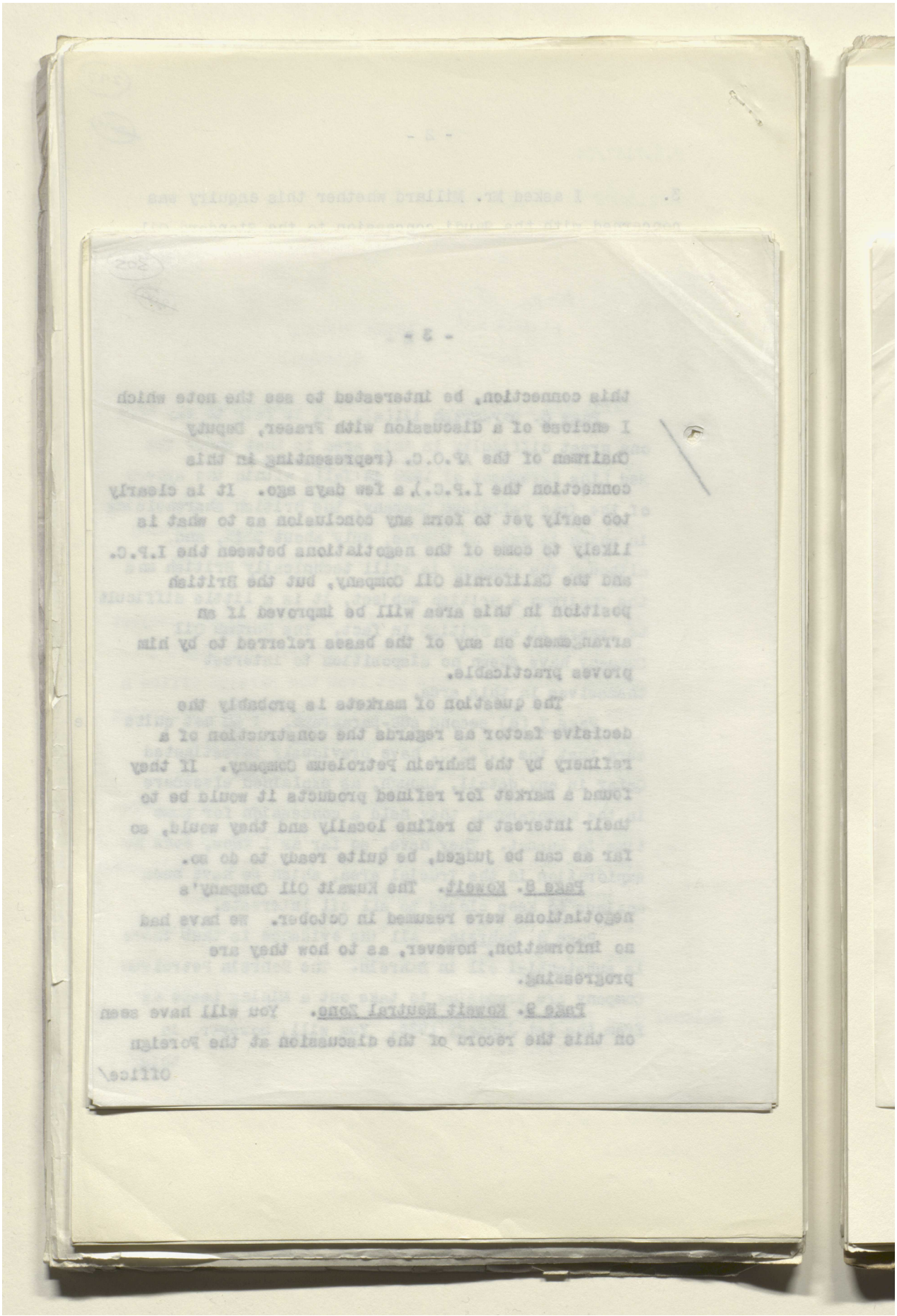

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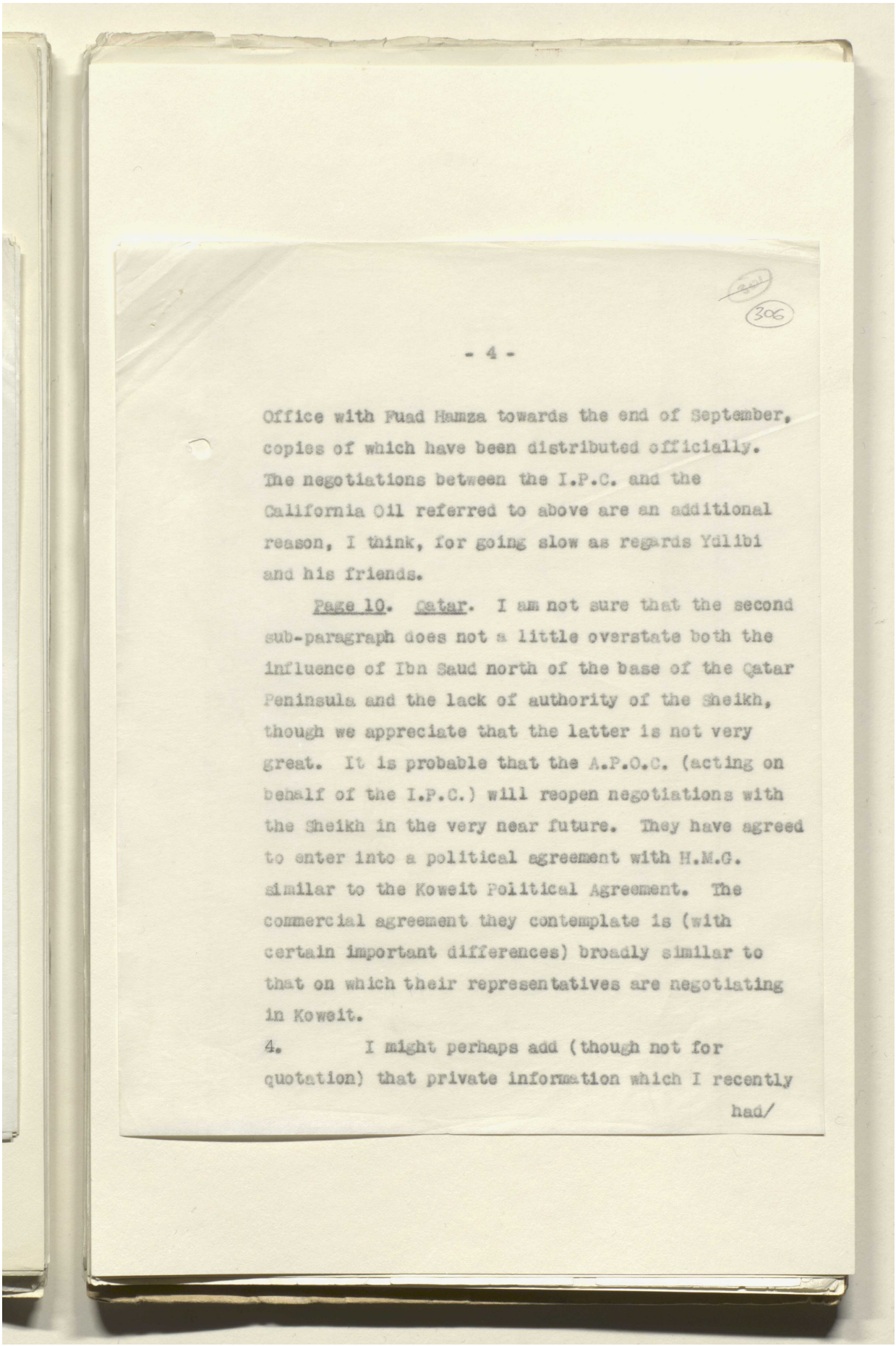

Office with Fuad Hamza towards the end of September, copies of which have been distributed officially. The negotiations between the I.P.C. and the California Oil referred to above are an additional reason, I think, for going slow as regards Ydlibi and his friends.

Page 10. Qatar. I am not sure that the second sub-paragraph does not a little overstate both the influence of Ibn Saud north of the base of the Qatar Peninsula and the lack of authority of the Sheikh, though we appreciate that the latter is not very great. It is probable that the A.P.O.C. (acting on behalf of the I.P.C.) will reopen negotiations with the Sheikh in the very near future. They have agreed to enter into a political agreement with H.M.G. similar to the Koweit Political Agreement. The commercial agreement they contemplate is (with certain important differences) broadly similar to that on which their representatives are negotiating in Koweit.

4. I might perhaps add (though not for quotation) that private information which I recently had/

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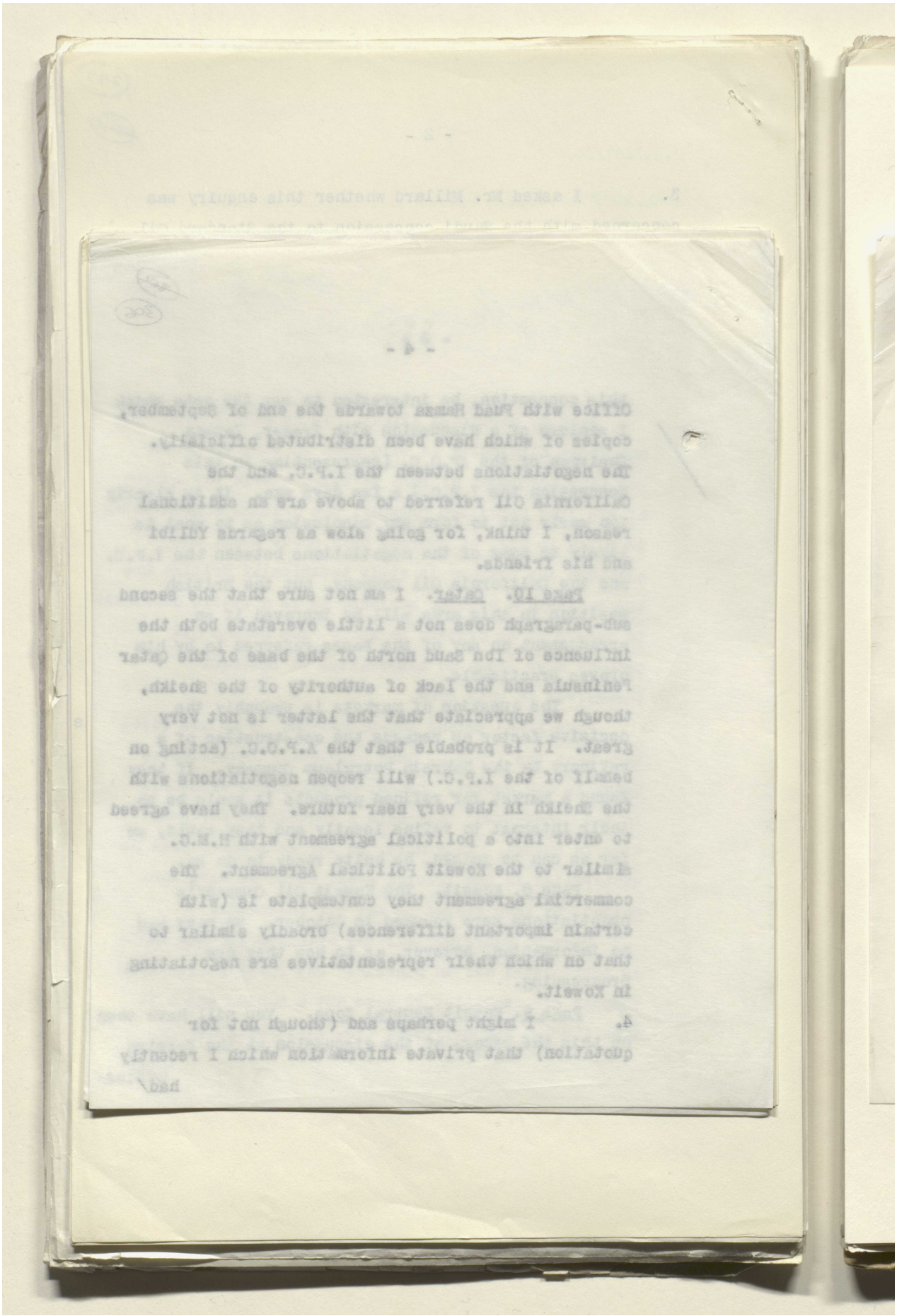

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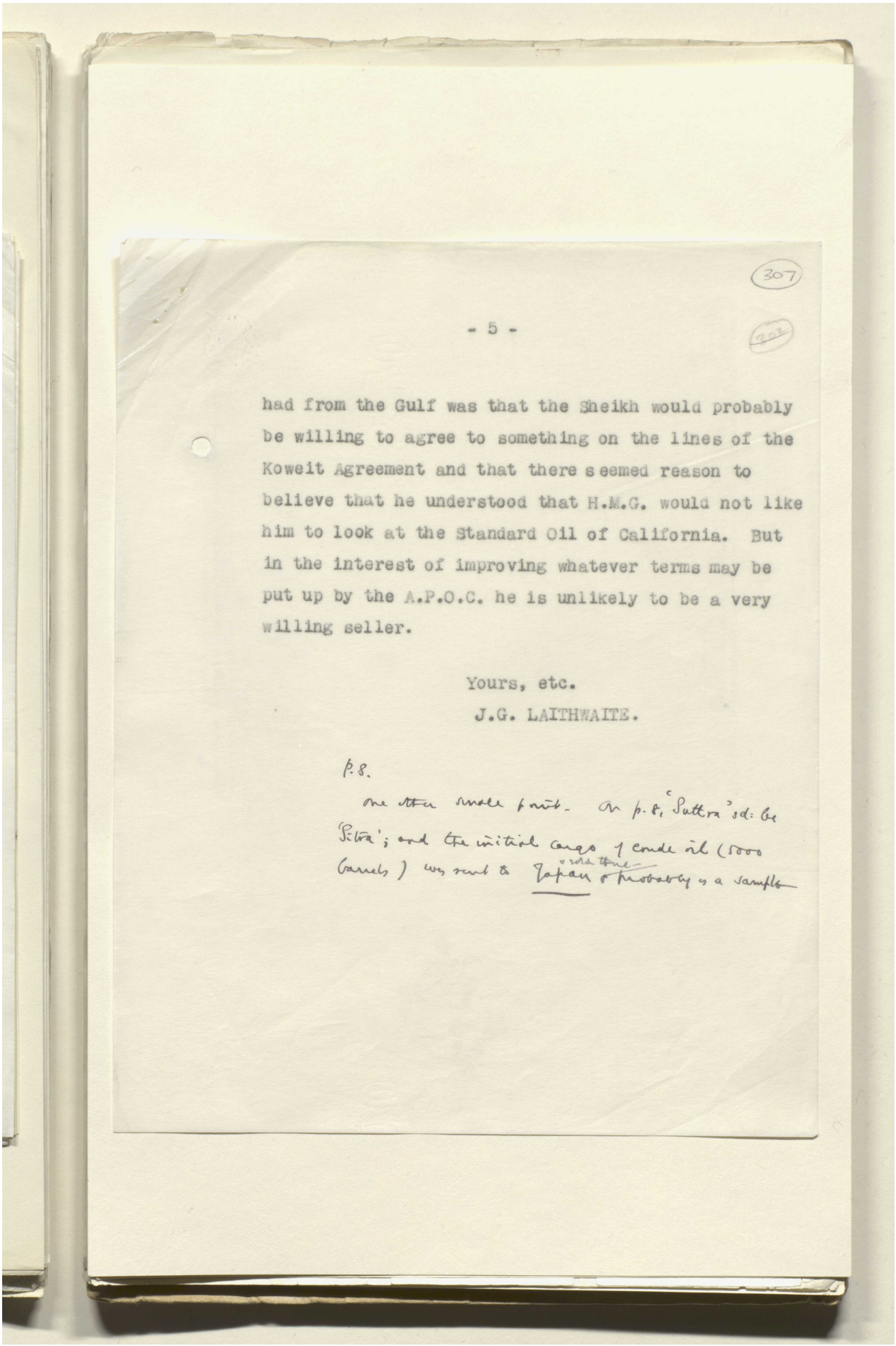

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had from the Gulf was that the Sheikh would probably be willing to agree to something on the lines of the Koweit Agreement and that there seemed reason to believe that he understood that H.M.G. would not like him to look at the Standard Oil of California. But in the interest of improving whatever terms may be put up by the A.P.O.C. he is unlikely to be a very willing seller.

Yours, etc.

J.G. LAITHWAITE.

P.S.

One other small point. On p. 8, 'Suttra' sd: be 'Sitra'; and the initial cargo of crude oil (5000 barrels) was sent to Japan & sold there & probably is a sample

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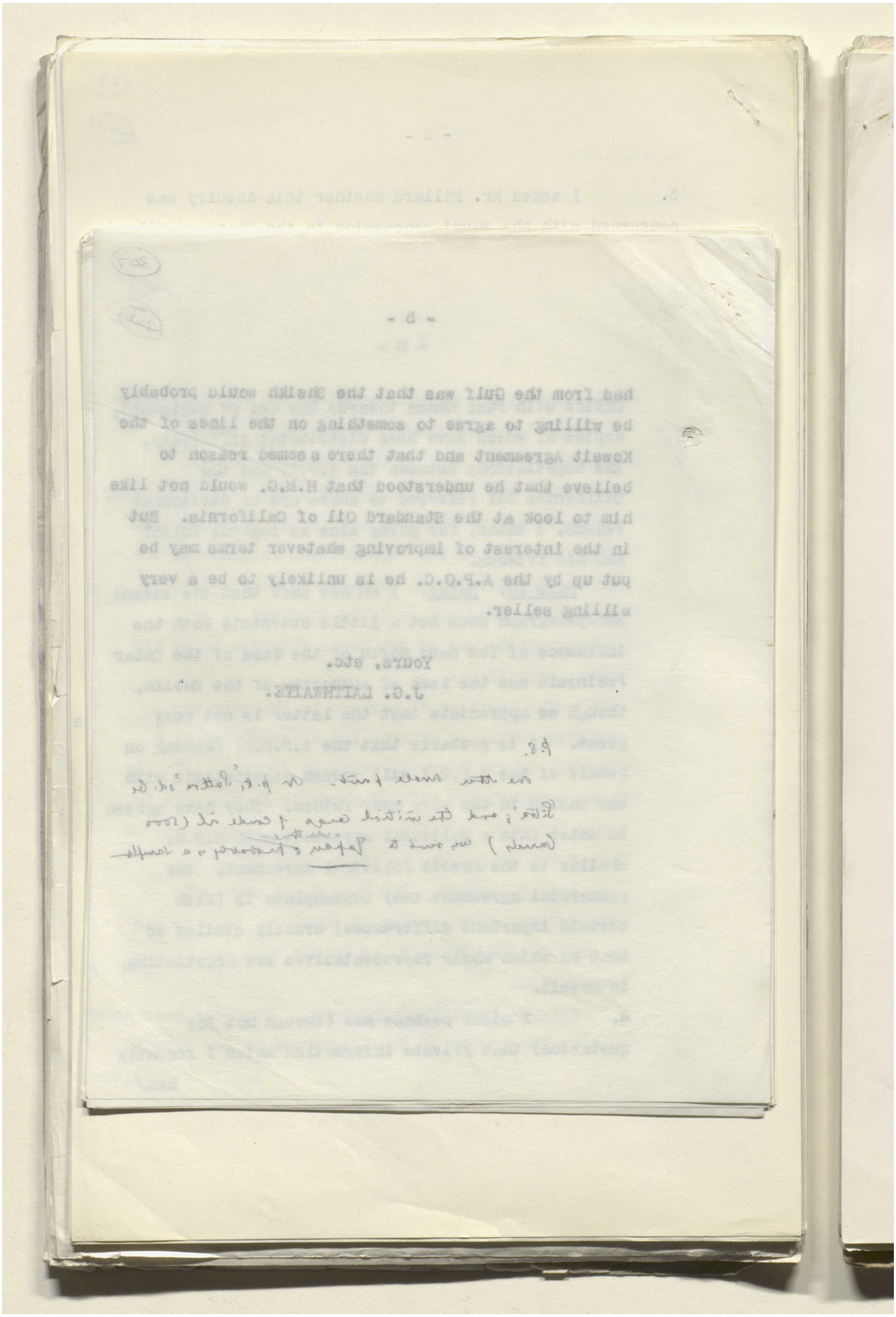

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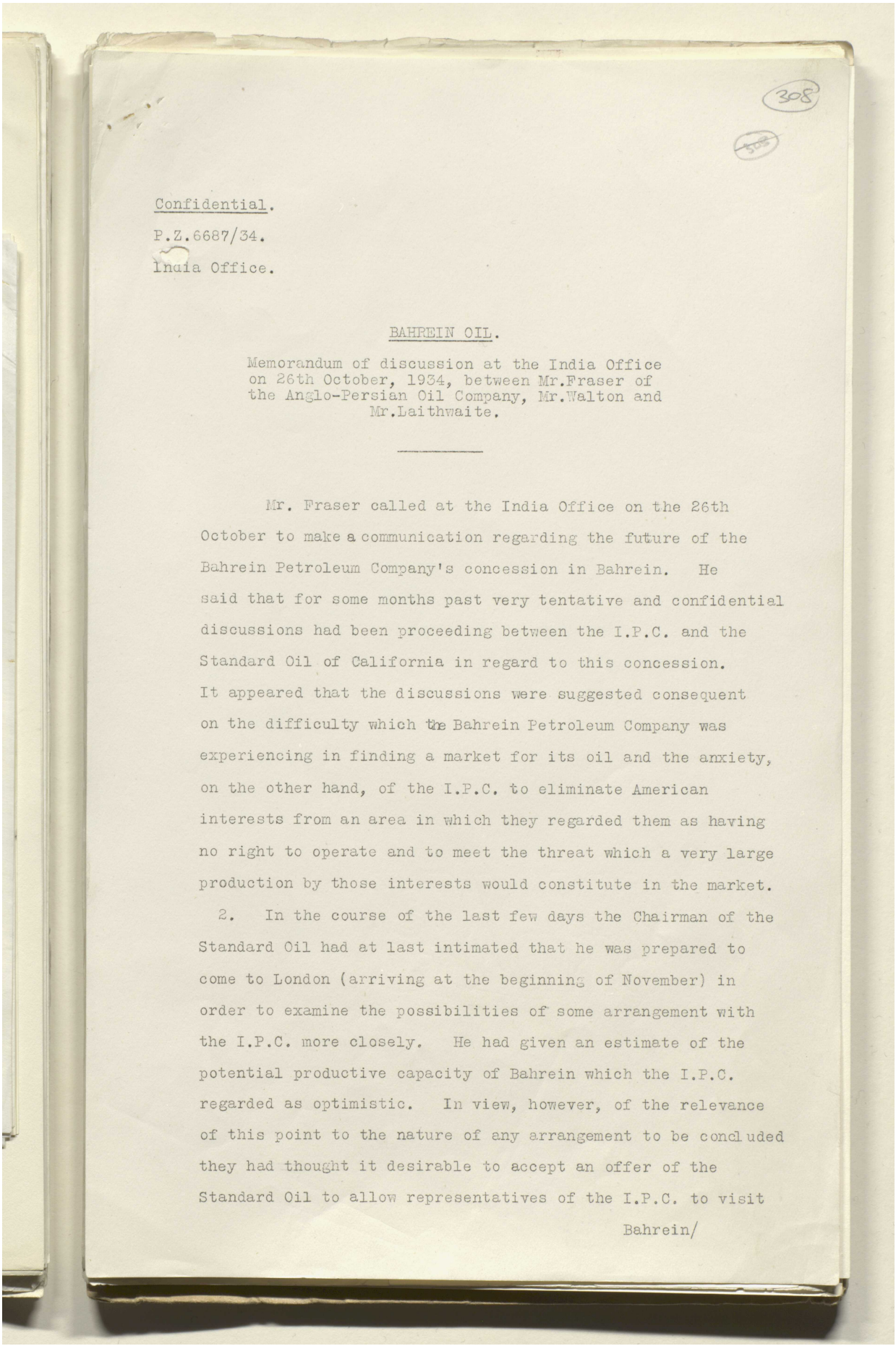

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Confidential.

P.Z.6687/34.

India Office.

BAHREIN OIL.

Memorandum of discussion at the India Office on 26th October, 1934, between Mr.Fraser of the Anglo-Persian Oil Company, Mr.Walton and Mr.Laithwaite.

Mr. Fraser called at the India Office on the 26th October to make a communication regarding the future of the Bahrein Petroleum Company's concession in Bahrein. He said that for some months past very tentative and confidential discussions had been proceeding between the I.P.C. and the Standard Oil of California in regard to this concession. It appeared that the discussions were suggested consequent on the difficulty which the Bahrein Petroleum Company was experiencing in finding a market for its oil and the anxiety, on the other hand, of the I.P.C. to eliminate American interests from an area in which they regarded them as having no right to operate and to meet the threat which a very large production by those interests would constitute in the market.

2. In the course of the last few days the Chairman of the Standard Oil had at last intimated that he was prepared to come to London (arriving at the beginning of November) in order to examine the possibilities of some arrangement with the I.P.C. more closely. He had given an estimate of the potential productive capacity of Bahrein which the I.P.C. regarded as optimistic. In view, however, of the relevance of this point to the nature of any arrangement to be concluded they had thought it desirable to accept an offer of the Standard Oil to allow representatives of the I.P.C. to visit

Bahrein/

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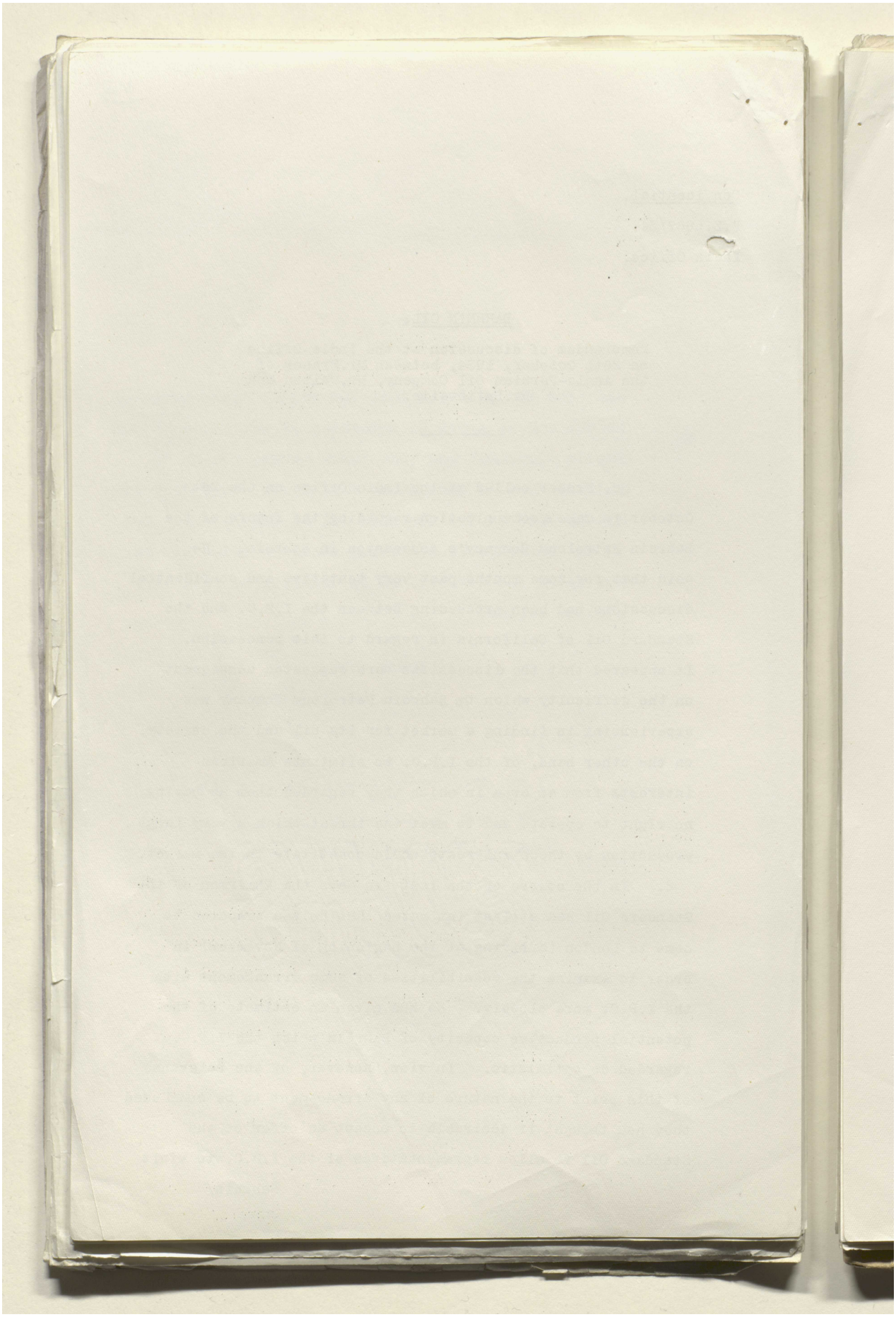

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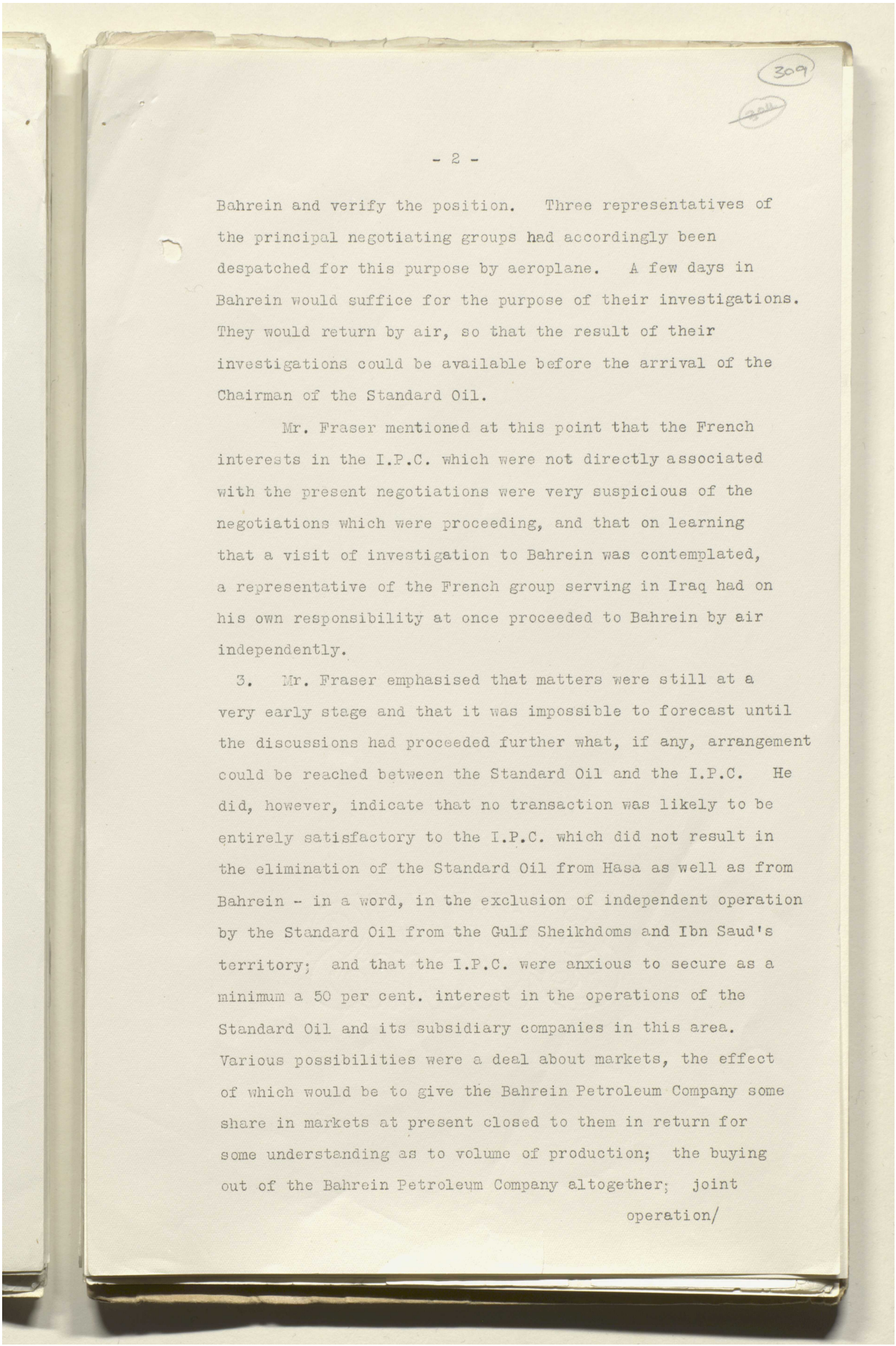

Bahrein and verify the position. Three representatives of the principal negotiating groups had accordingly been despatched for this purpose by aeroplane. A few days in Bahrein would suffice for the purpose of their investigations. They would return by air, so that the result of their investigations could be available before the arrival of the Chairman of the Standard Oil.

Mr. Fraser mentioned at this point that the French interests in the I.P.C. which were not directly associated with the present negotiations were very suspicious of the negotiations which were proceeding, and that on learning that a visit of investigation to Bahrein was contemplated, a representative of the French group serving in Iraq had on his own responsibility at once proceeded to Bahrein by air independently.

3. Mr. Fraser emphasised that matters were still at a very early stage and that it was impossible to forecast until the discussions had proceeded further what, if any, arrangement could be reached between the Standard Oil and the I.P.C. He did, however, indicate that no transaction was likely to be entirely satisfactory to the I.P.C. which did not result in the elimination of the Standard Oil from Hasa as well as from Bahrein - in a word, in the exclusion of independent operation by the Standard Oil from the Gulf Sheikhdoms and Ibn Saud's territory; and that the I.P.C. were anxious to secure as a minimum a 50 per cent. interest in the operations of the Standard Oil and its subsidiary companies in this area. Various possibilities were a deal about markets, the effect of which would be to give the Bahrein Petroleum Company some share in markets at present closed to them in return for some understanding as to volume of production; the buying out of the Bahrein Petroleum Company altogether; joint

operation/

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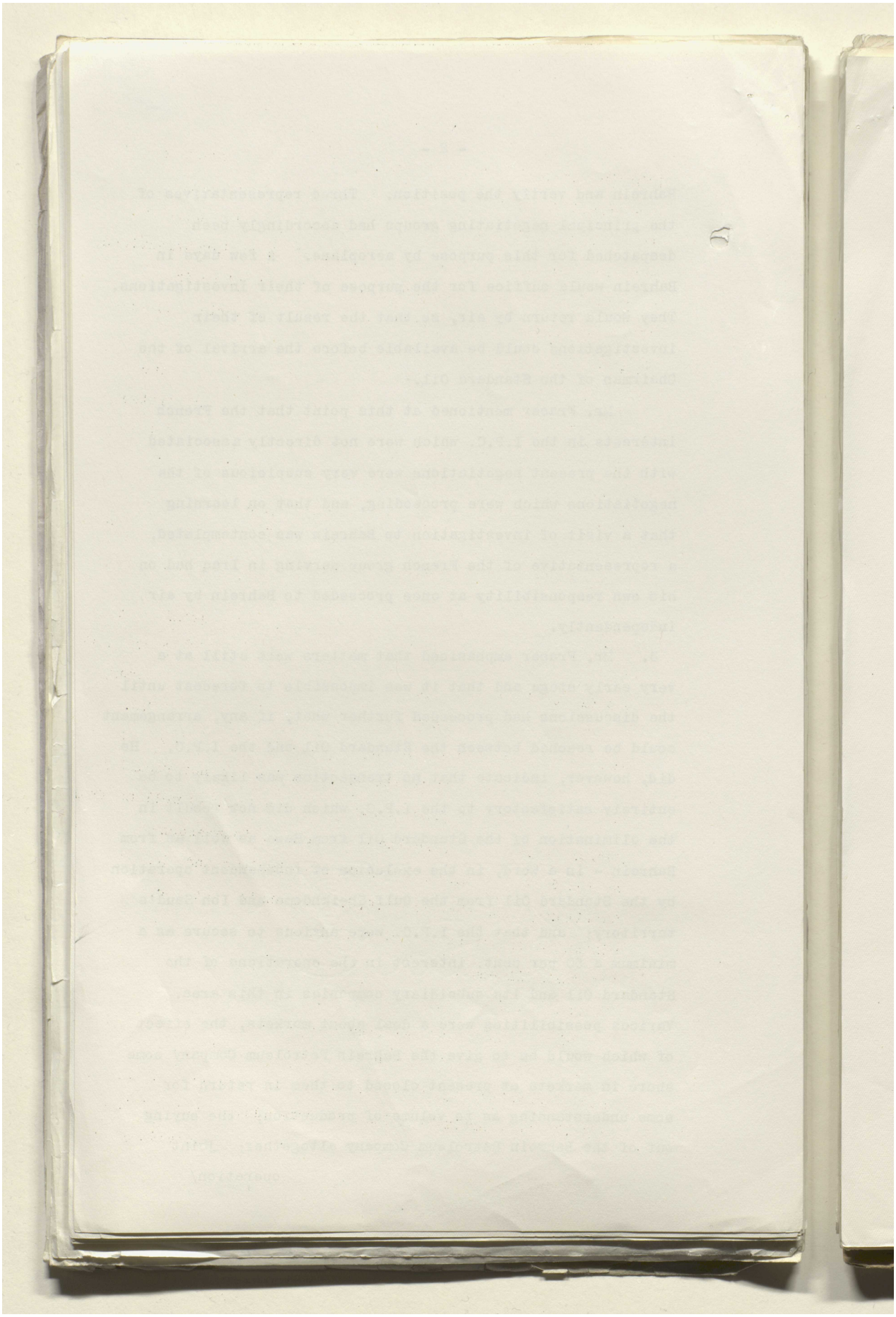

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operation; or an arrangement under which the position in Bahrein remained unchanged, but the I.P.C. in return for marketing concessions to the Bahrein Petroleum Company secured counter concessions from the Standard Oil in respect of the Hasa area.

4. The embarrassing nature of the situation which had been created by the failure of the I.P.C. to give earlier information to the India Office as to their negotiations and by the despatch without warning of representatives to Bahrein was pointed out to Mr.Fraser. The effect of this visit on the Sheikh might well be very unfortunate and might react prejudicially on his attitude towards any arrangement to which the Company might at a later stage wish to secure his approval. Mr.Fraser expressed extreme regret that any misunderstanding should have arisen. He was, he said, most anxious for patriotic reasons to re-establish British influence in this area, and he had hoped that this would be one result of the present discussions. He undertook to give the fullest possible information to the India Office as to the course of the negotiations between the I.P.C. and the Standard Oil, on the understanding that it would be regarded as confidential.

5. After further discussion it was agreed that the Political Resident should at once be given confidentially full information as to the position in reply to his telegram of 26th October, No.907; but that, in the event of the Sheikh asking for an explanation of the visit of the representatives, it would be better, particularly having regard to the very early stage which the negotiations had reached, and to the difficulty of forecasting their outcome, that he should be informed that we understood that certain groups of the I.P.C. interested in marketing in the Far East were contemplating tentative discussions with the Standard Oil which might

affect/

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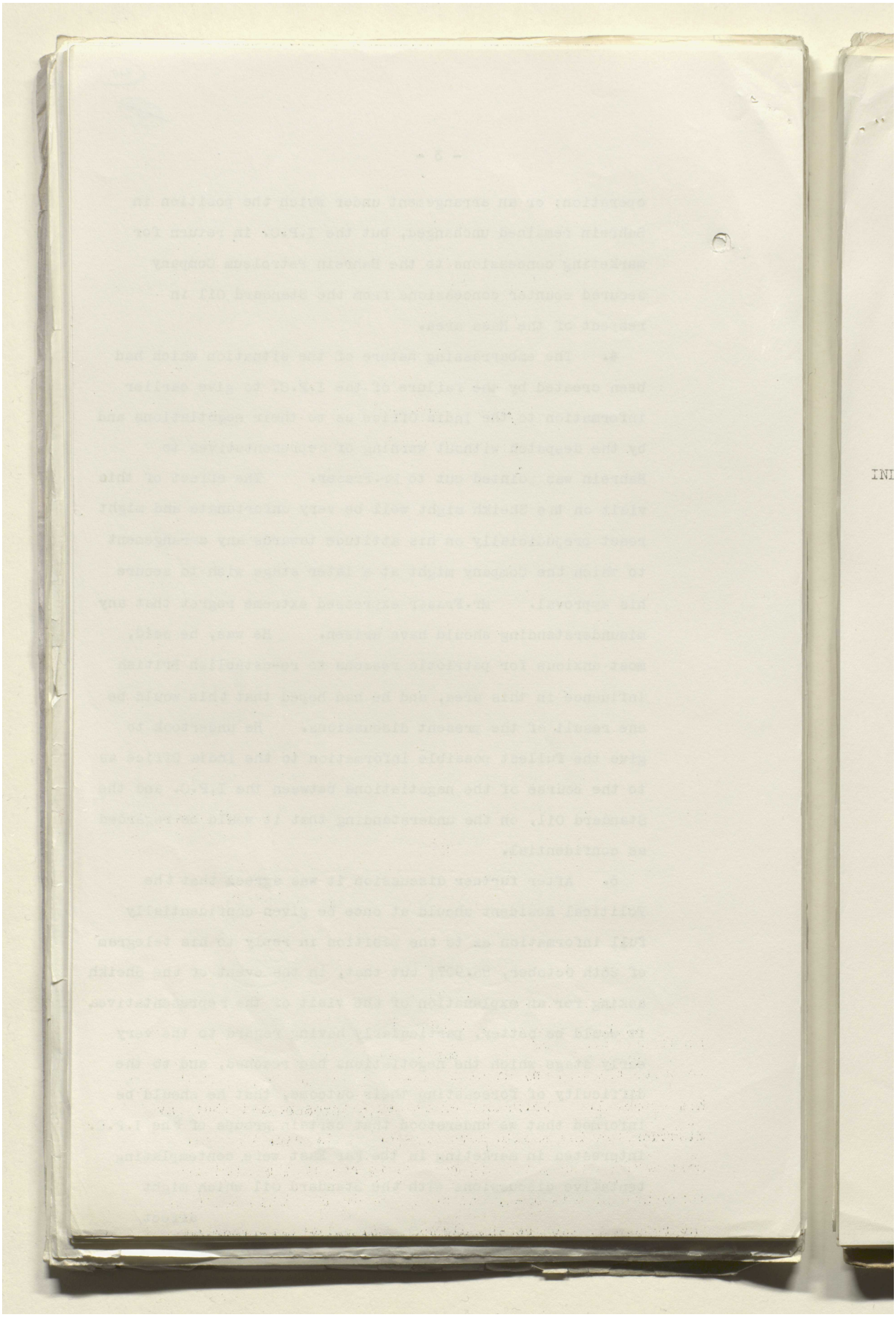

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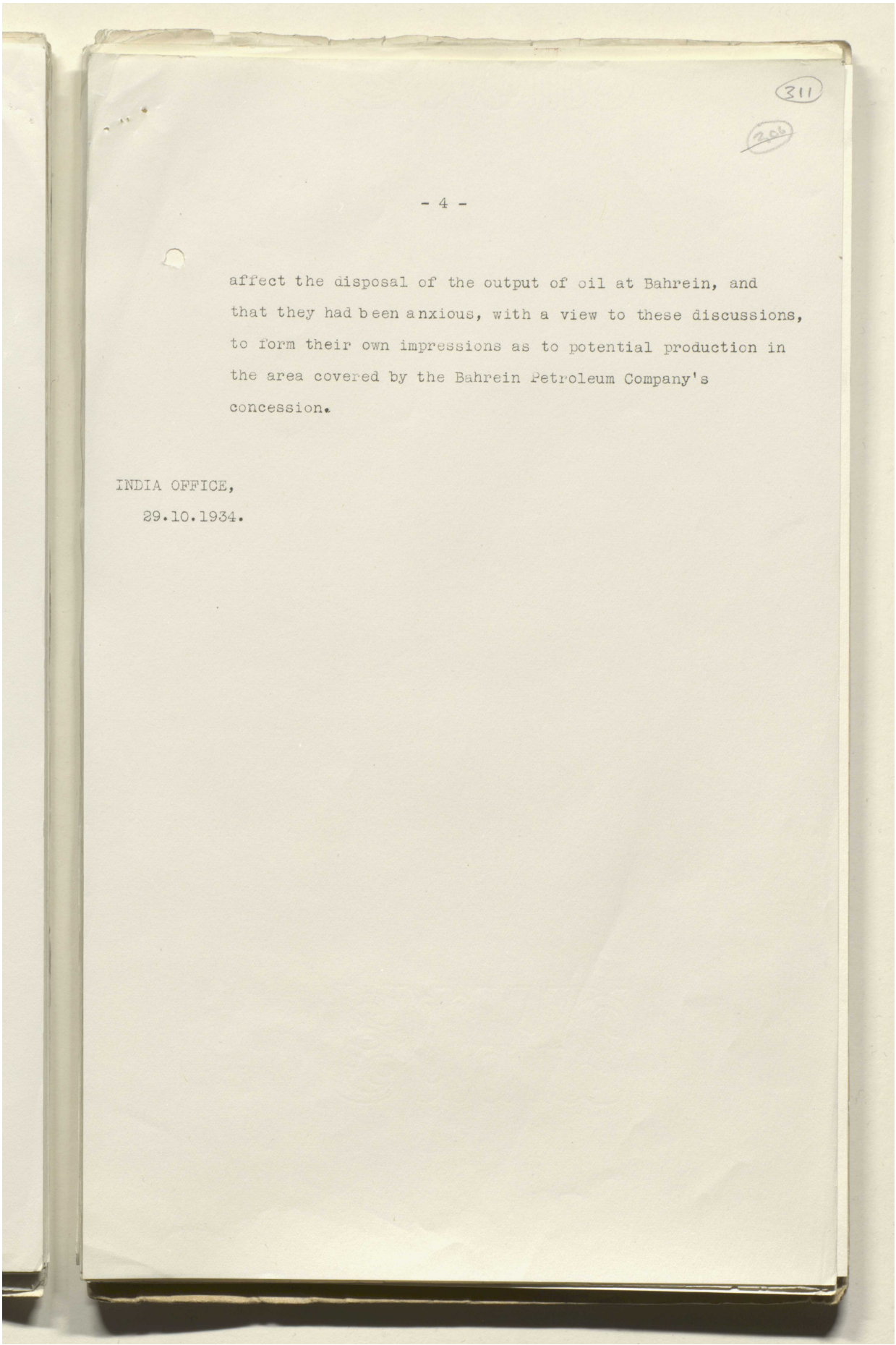

affect the disposal of the output of oil at Bahrein, and that they had been anxious, with a view to these discussions, to form their own impressions as to potential production in the area covered by the Bahrein Petroleum Company's concession.

INDIA OFFICE,
29.10.1934.

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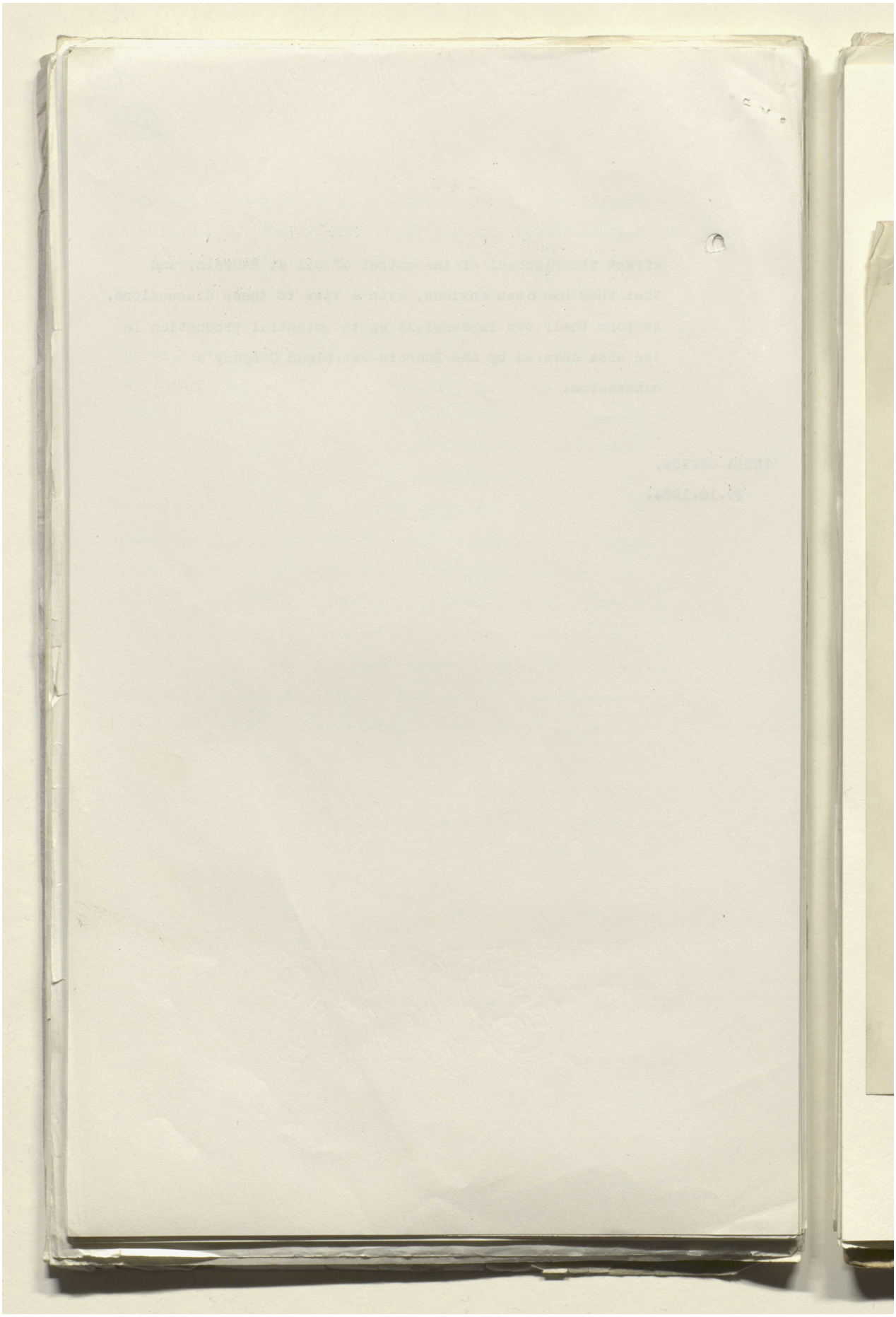

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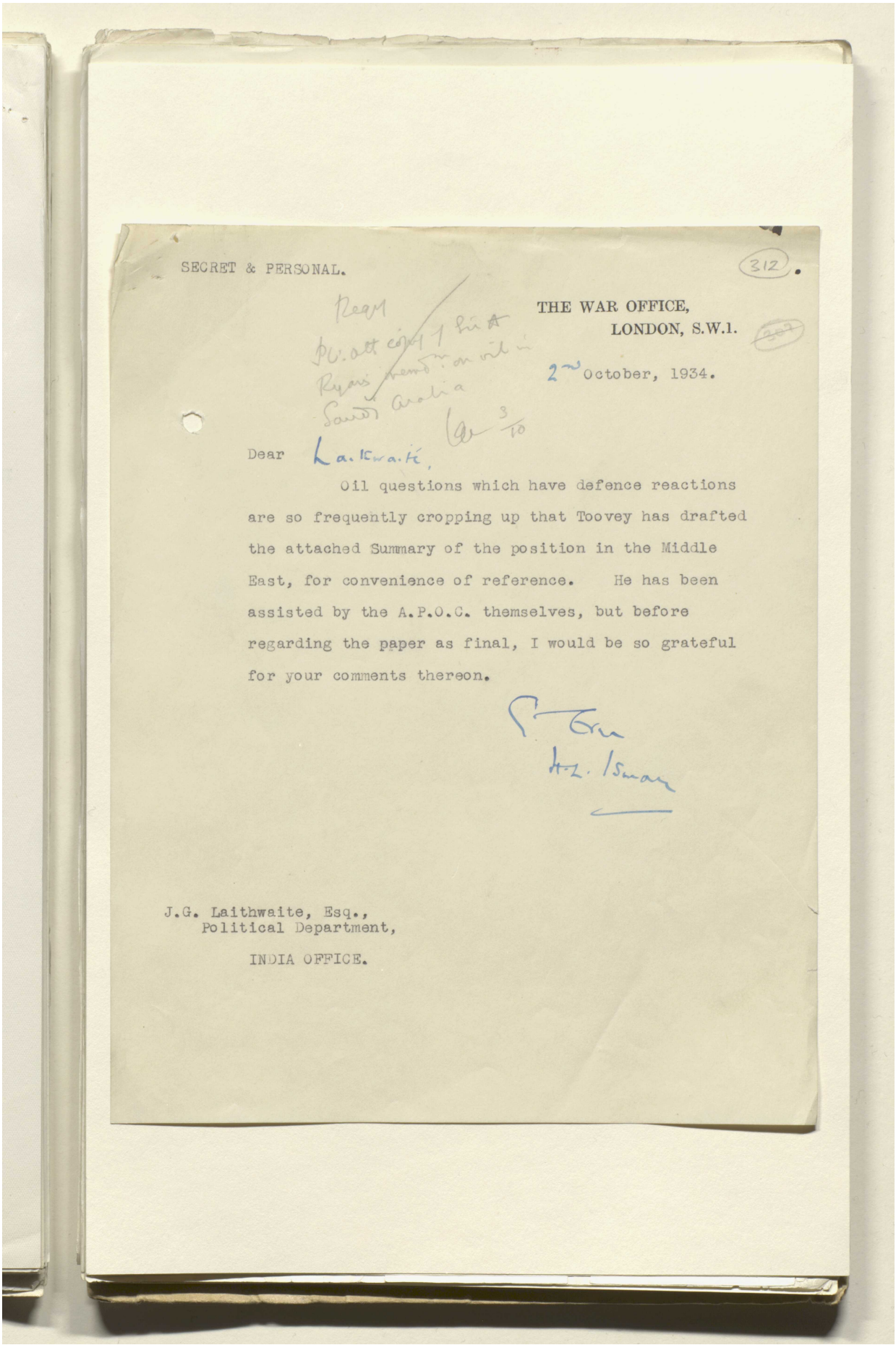

SECRET & PERSONAL.

312.

THE WAR OFFICE,
LONDON, S.W.1.

2nd October, 1934.

Dear Laithwaite,

Oil questions which have defence reactions are so frequently cropping up that Toovey has drafted the attached Summary of the position in the Middle East, for convenience of reference. He has been assisted by the A.P.O.C. themselves, but before regarding the paper as final, I would be so grateful for your comments thereon.

H.L. Ismay

J.G. Laithwaite, Esq.,
Political Department,
INDIA OFFICE.

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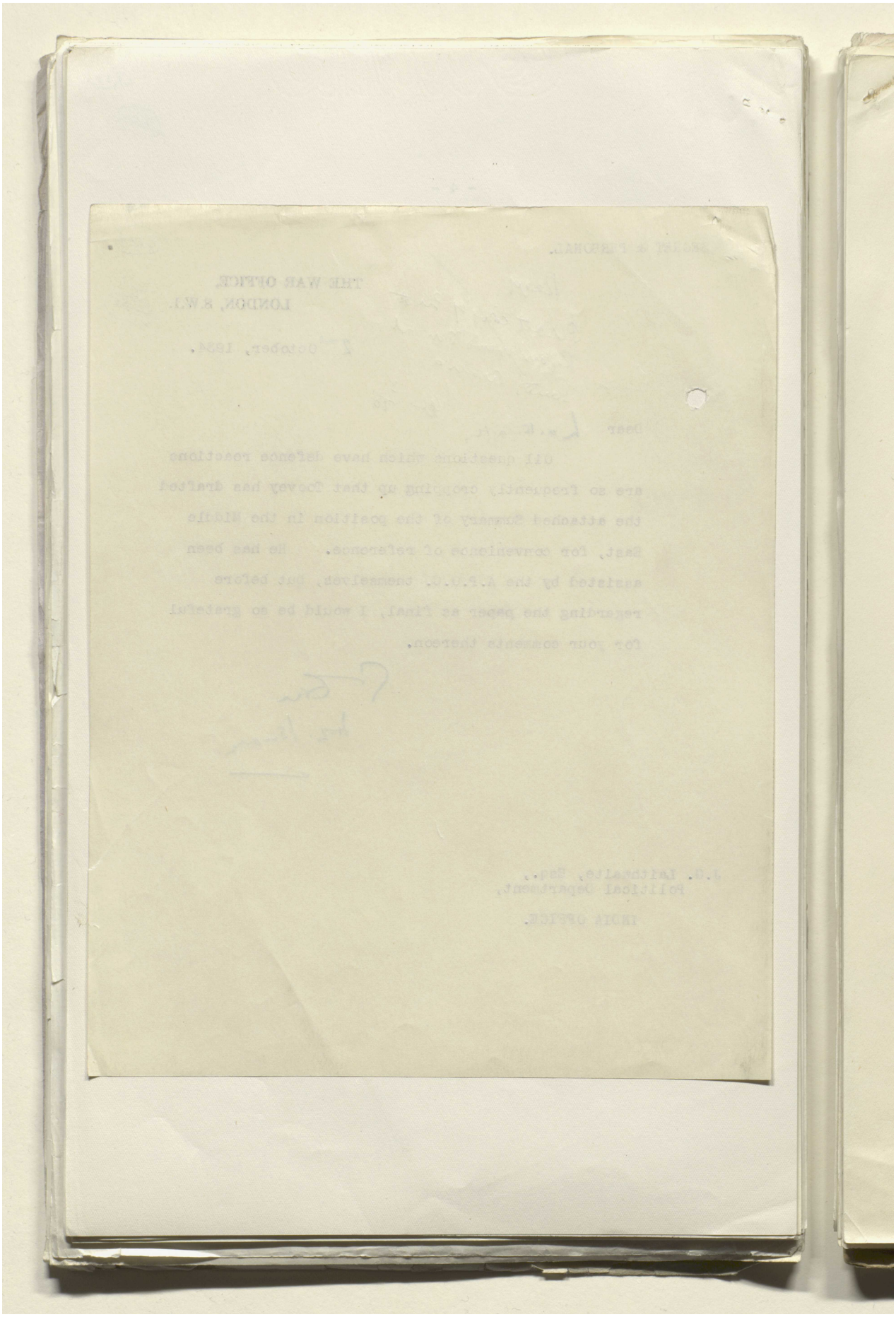

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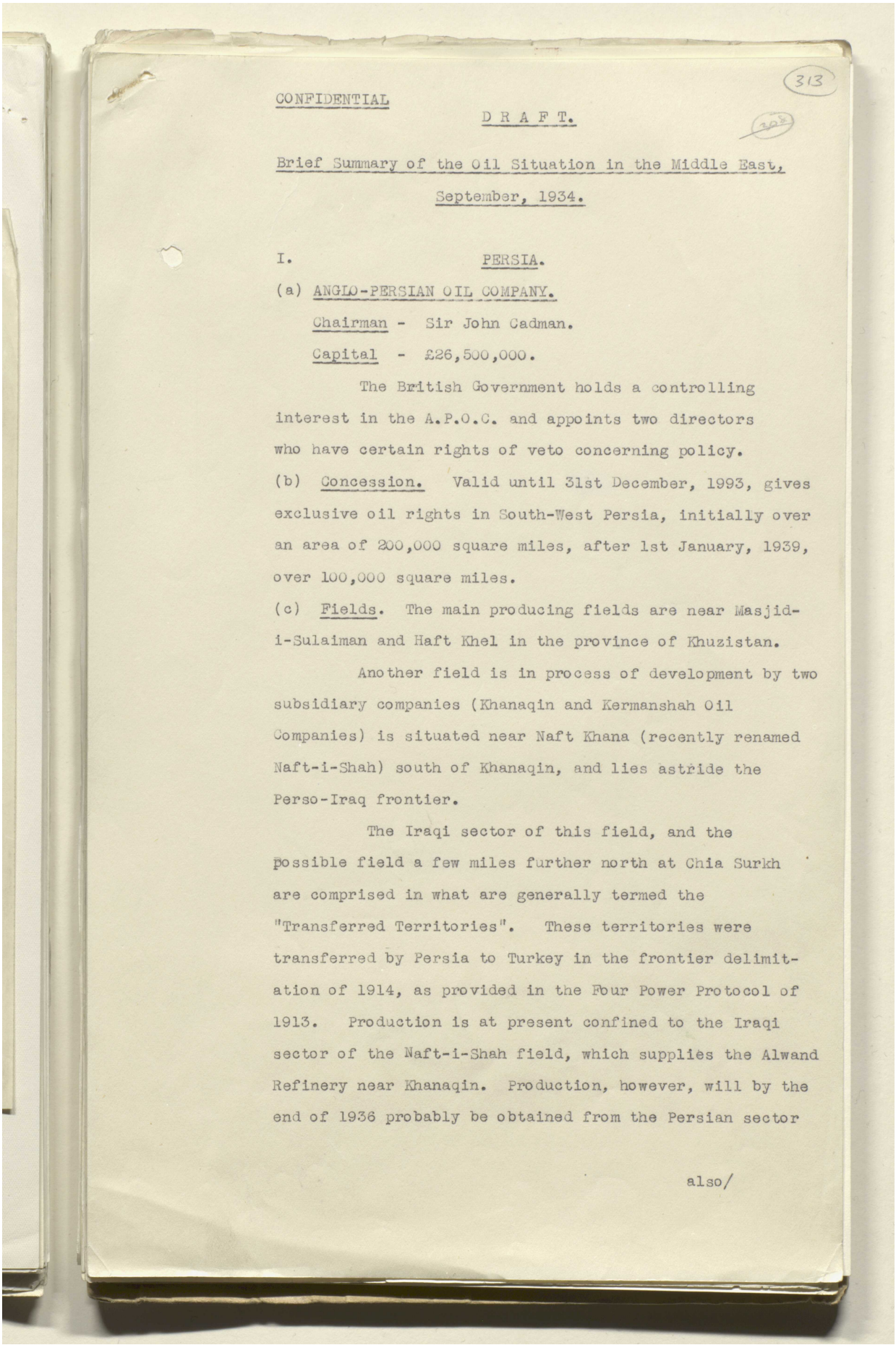

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CONFIDENTIAL

D R A F T.

Brief Summary of the Oil Situation in the Middle East, September, 1934.

I. PERSIA.

(a) ANGLO-PERSIAN OIL COMPANY.

Chairman - Sir John Cadman.

Capital - £26,500,000.

The British Government holds a controlling interest in the A.P.O.C. and appoints two directors who have certain rights of veto concerning policy.

(b) Concession. Valid until 31st December, 1993, gives exclusive oil rights in South-West Persia, initially over an area of 200,000 square miles, after 1st January, 1939, over 100,000 square miles.

(c) Fields. The main producing fields are near Masjid-i-Sulaiman and Haft Khel in the province of Khuzistan.

Another field is in process of development by two subsidiary companies (Khanaqin and Kermanshah Oil Companies) is situated near Naft Khana (recently renamed Naft-i-Shah) south of Khanaqin, and lies astride the Perso-Iraq frontier.

The Iraqi sector of this field, and the possible field a few miles further north at Chia Surkh are comprised in what are generally termed the "Transferred Territories". These territories were transferred by Persia to Turkey in the frontier delimitation of 1914, as provided in the Four Power Protocol of 1913. Production is at present confined to the Iraqi sector of the Naft-i-Shah field, which supplies the Alwand Refinery near Khanaqin. Production, however, will by the end of 1936 probably be obtained from the Persian sector

also/

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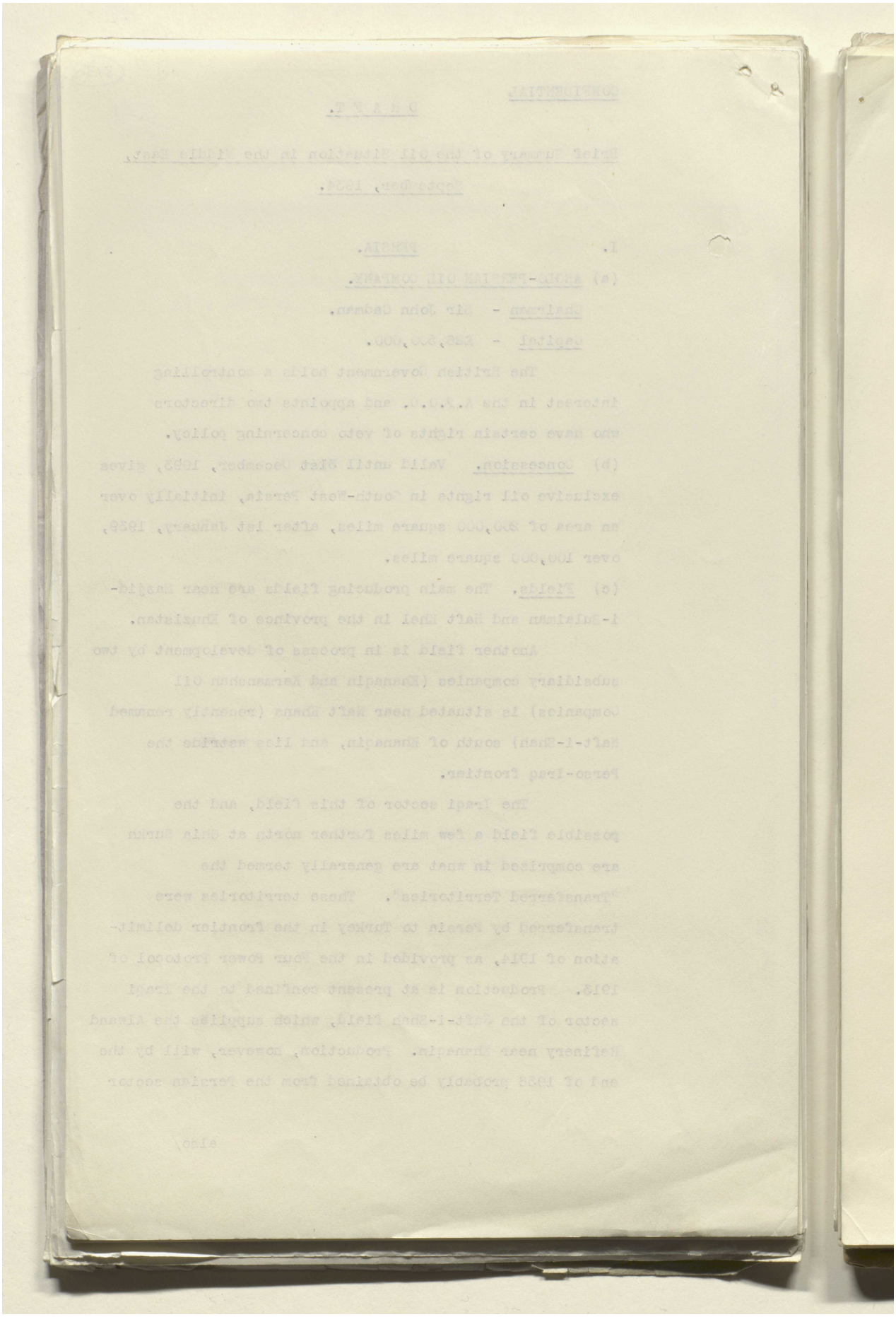

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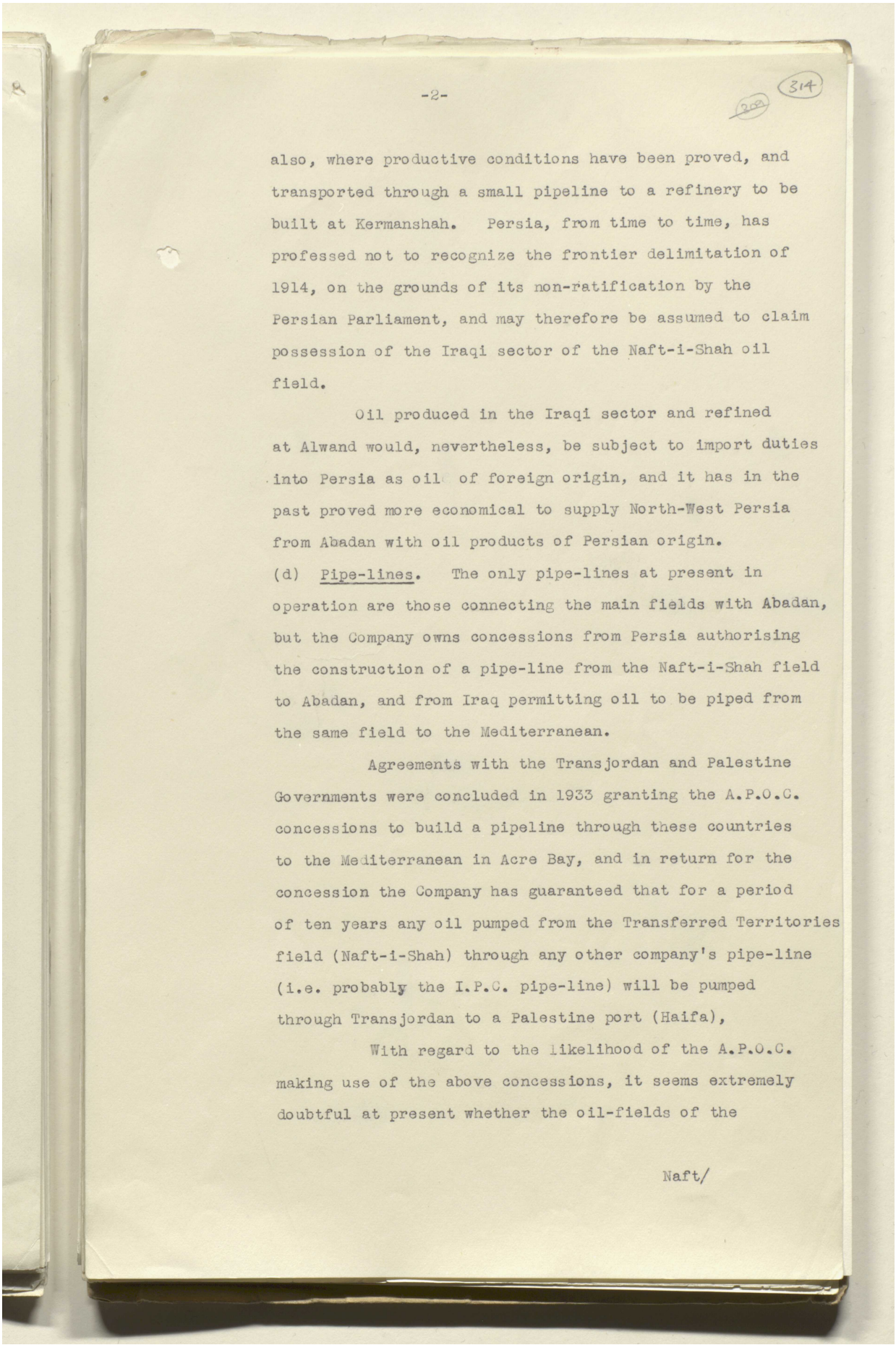

also, where productive conditions have been proved, and transported through a small pipeline to a refinery to be built at Kermanshah. Persia, from time to time, has professed not to recognize the frontier delimitation of 1914, on the grounds of its non-ratification by the Persian Parliament, and may therefore be assumed to claim possession of the Iraqi sector of the Naft-i-Shah oil field.

Oil produced in the Iraqi sector and refined at Alwand would, nevertheless, be subject to import duties into Persia as oil of foreign origin, and it has in the past proved more economical to supply North-West Persia from Abadan with oil products of Persian origin.

(d) Pipe-lines. The only pipe-lines at present in operation are those connecting the main fields with Abadan, but the Company owns concessions from Persia authorising the construction of a pipe-line from the Naft-i-Shah field to Abadan, and from Iraq permitting oil to be piped from the same field to the Mediterranean.

Agreements with the Transjordan and Palestine Governments were concluded in 1933 granting the A.P.O.C. concessions to build a pipeline through these countries to the Mediterranean in Acre Bay, and in return for the concession the Company has guaranteed that for a period of ten years any oil pumped from the Transferred Territories field (Naft-i-Shah) through any other company's pipe-line (i.e. probably the I.P.C. pipe-line) will be pumped through Transjordan to a Palestine port (Haifa),

With regard to the likelihood of the A.P.O.C. making use of the above concessions, it seems extremely doubtful at present whether the oil-fields of the

Naft/

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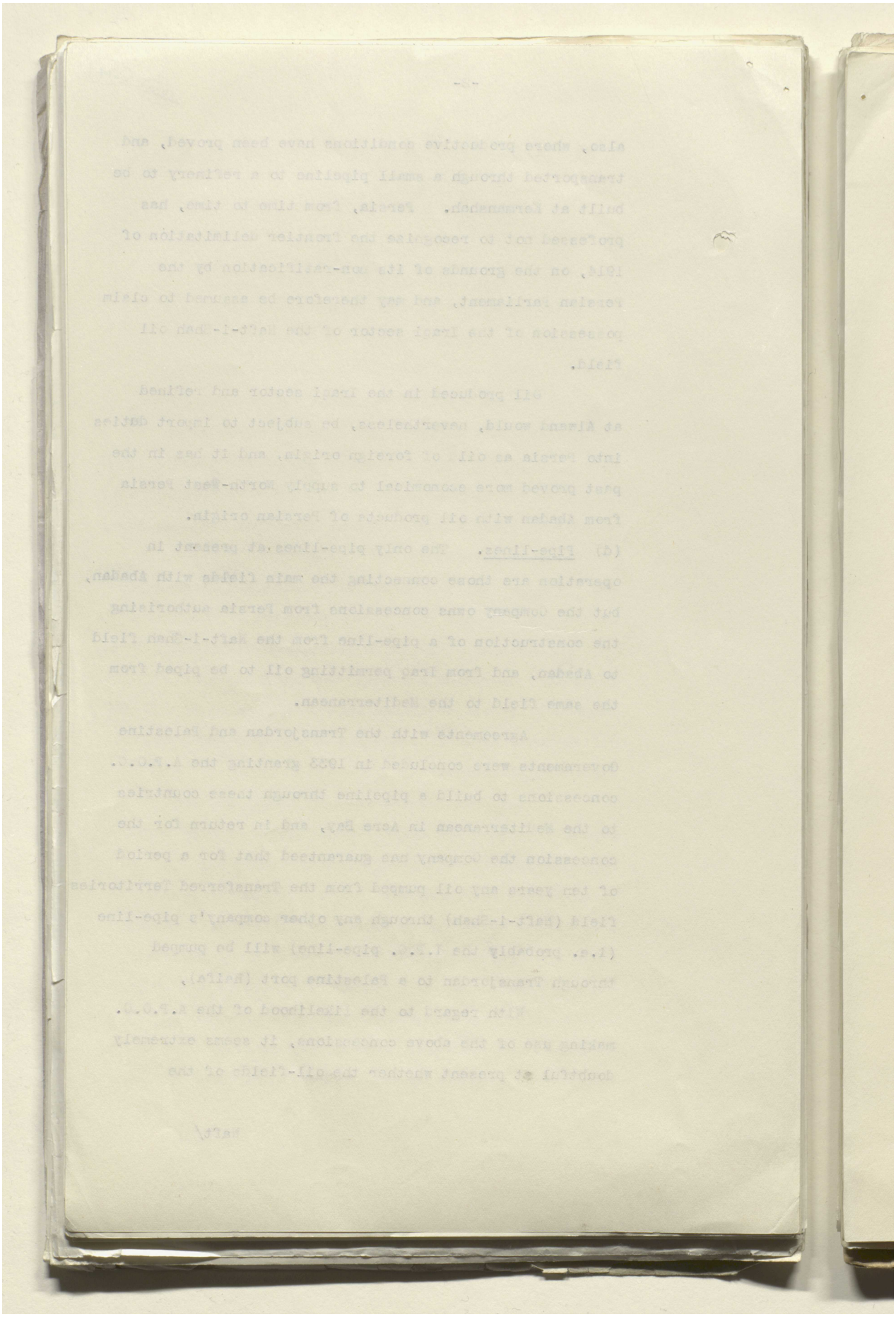

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Naft-i-Shah area will produce a sufficient surplus of oil, after supplying North-East Persia and Iraq, to warrant the expense of building a pipe-line to the Mediterranean.

Should the production be sufficient, the avoidance of the Suez Canal dues would undoubtedly be a big factor in helping the Company to come to any decision.

They might, of course, use the I.P.C. pipe-line to convey their oil to the Mediterranean, but this would not be feasible if the I.P.C. were already pumping to the full capacity of the pipe.

II IRAQ.

(a) IRAQ PETROLEUM COMPANY.

Chairman - Sir John Cadman.

Capital - £6,500,000 (or including its subsidiary, Mediterranean Pipe-lines Ltd., some £15,000,000), 23⅓% of which is held by each of the following:-

A.P.O.C., Royal Dutch Shell, Compagnie Francaise des Petroles, Near East Development Corporation (American group), the remaining 5% by Mr. Gulbenkian, through Participations and Investments Ltd.

Concession. The Company has exclusive rights from the Iraq Government in that part of Baghdad and Mosul Vilayets which lies to the east of the Tigris.

Pipe-line. A pipe-line of 4,000,000 tons annual throughput capacity has been constructed from Kirkuk in the oil field to Haditha on the Euphrates; thence one branch runs through French Syria to Tripoli and a second through Transjordan and Palestine to Haifa; the I.P.C. undertook that the capacity of the latter branch should be

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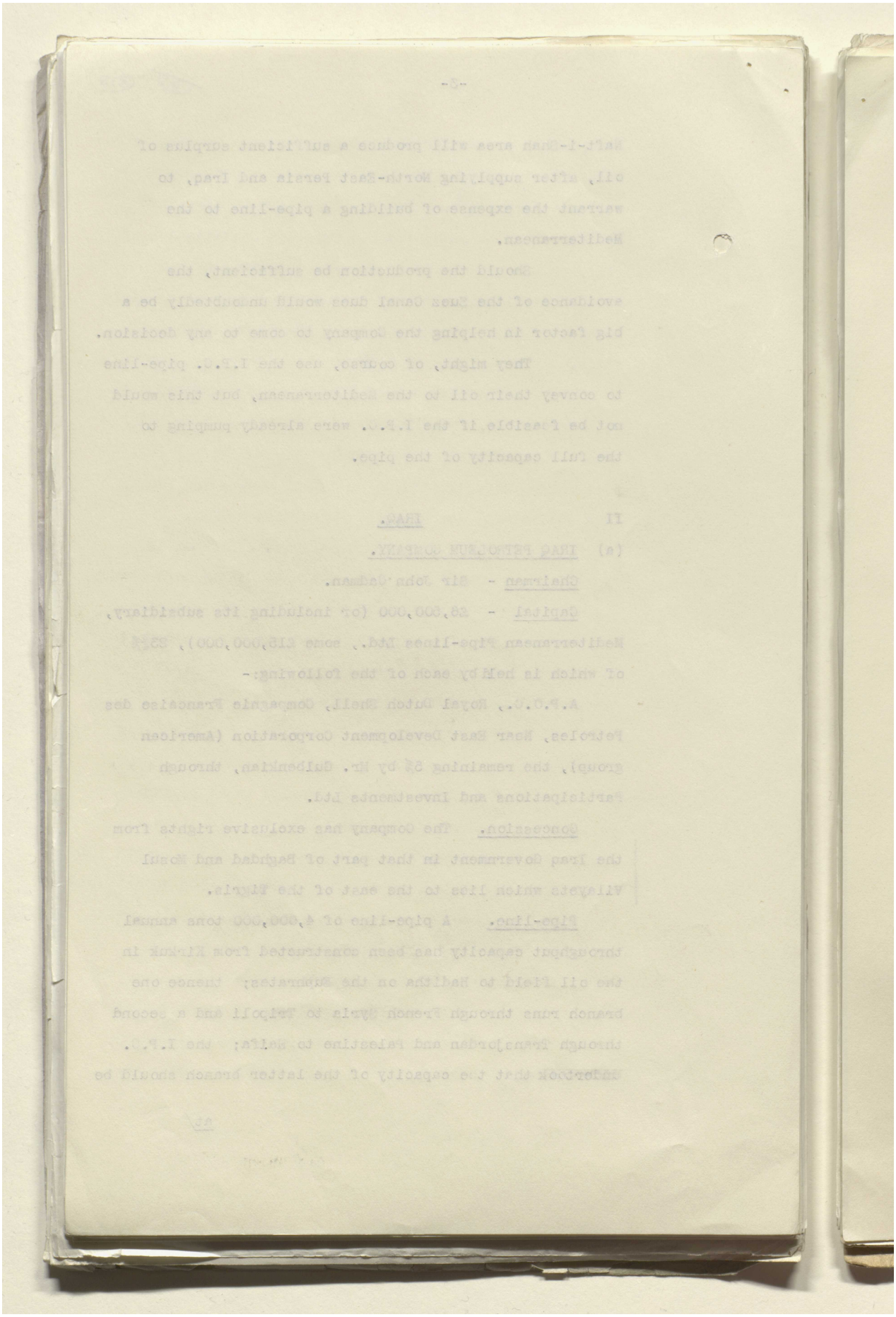

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at least 50% of the total capacity of the whole system until a total capacity of 8,000,000 tons has been reached. It should be noted that this refers to the capacity of the pipe-line only and that the I.P.C. have not undertaken to produce any specific quantity of oil at Haifa.

The construction of the pipe-line was virtually completed by July 1934 and the first oil was pumped through to Tripoli. It is hoped that oil will be pumped through the Southern Branch to Haifa in September or October 1934.

(b) BRITISH OIL DEVELOPMENT COMPANY.

Directors - Lord Goschen, Chairman.

Sir Edward Manville (Phoenix Oil and Transport Co.)	) Representing British Interests.
Mr. W.R.Brown (British Union Oil Co.)	)
Mr. E.C. Simmons	)
Professor A.Martelli, (Aziene Generale Italiana Petroli)	) Italian interests (some of these are suspected of being in the pay of Standard Oil).
Mr. A.Petretti, (Vice President A.G.I.P.)	)
Commander V.Amoretti (Man.Dir. A.G.I.P.)	)
Mr. P.Girod.	French interests.
Mr. T.Brown.	German interests.

(i) Capital. Present capital only £82,500, which originally was held approximately as follows:-

British	51%
German	12%
Italian	25%
Franco-Swiss	12%

(ii) Concession. This company formed in 1928, acquired from the Iraq Government in April, 1932, a concession for 75 years over oil-bearing properties on the West Bank of the River Tigris. The area is 200 square miles.

The/

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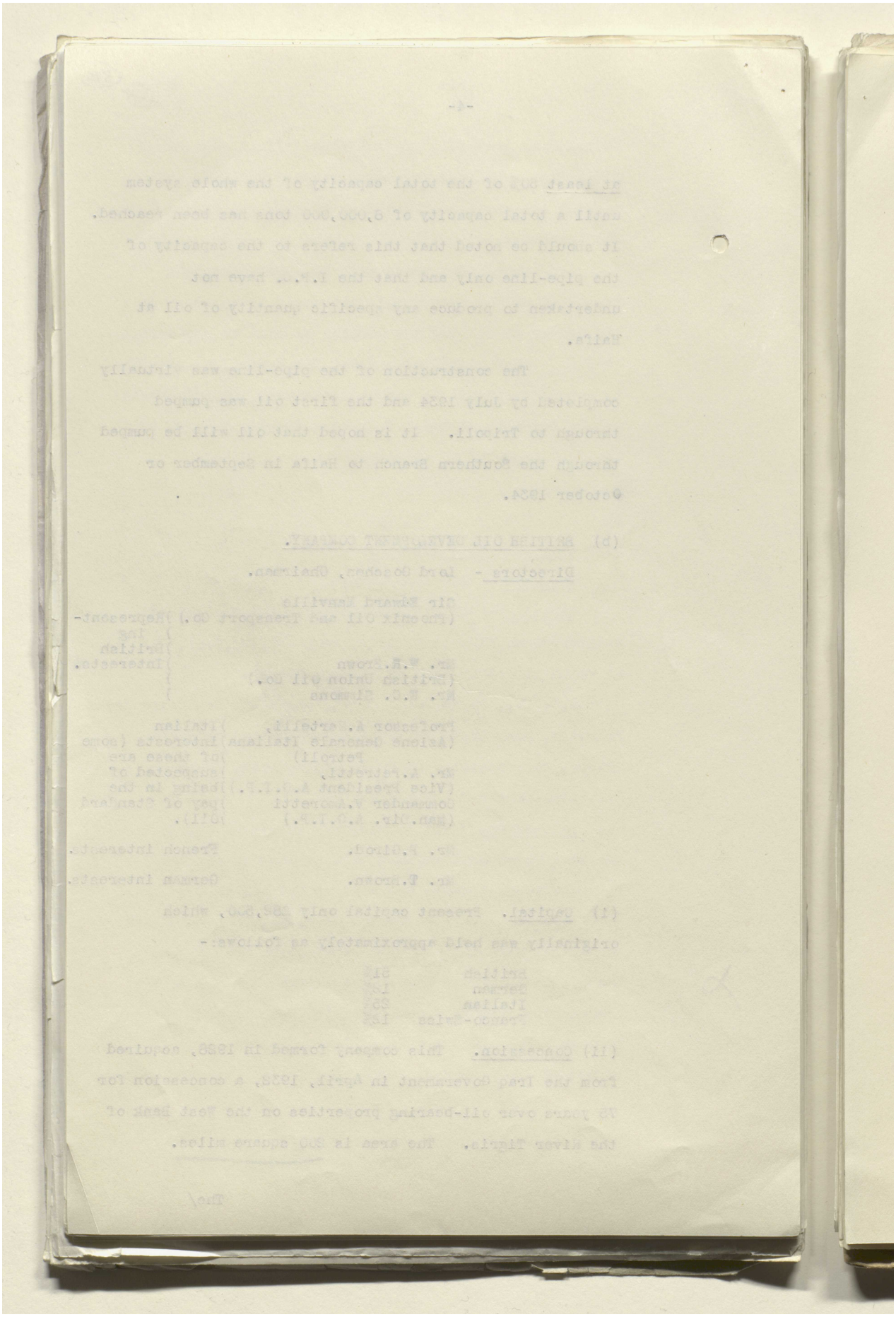

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The Company's concession provides that it is to remain British, but it is believed that most of the financial backing which will eventually be required for development will be Italian and that the present shareholders' proportion will thus be modified.

The company has to pay £100,000 (gold) per annum 'dead rent' increasing by £25,000 per annum until oil is exported commercially, from when a royalty has to be paid. A company called Mosul Oilfields, Ltd., was formed to operate the concession obtained by the B.O.D., managing director is Lord Glenconner.

The company has paid one instalment of its 'dead rent', but were unable to find the money to pay the 1934 instalment until the Italian group agreed to find the extra funds. The consideration obtained by this group for providing the required sum is understood to be the transference to themselves from the British and French groups of additional shares and voting power in the company, which has thereby given them the largest international holding in the company. The distribution of shares now seems to be as follows:-

British group	42%
German group	12%
Italian group	46%

(iii) Wells. The company has not struck oil as yet, and does not expect to do so above 900 feet. Three wells have been sunk which have reached depths between 600 and 900 feet.

(iv) Pipe-line. The Company has the right to construct a pipe-line to the Mediterranean and to choose the terminals. The fear that Italian influence might be exerted to delay the entrance of Iraq into the League of Nations prevented our pressing Iraq to insist on the Haifa terminal.

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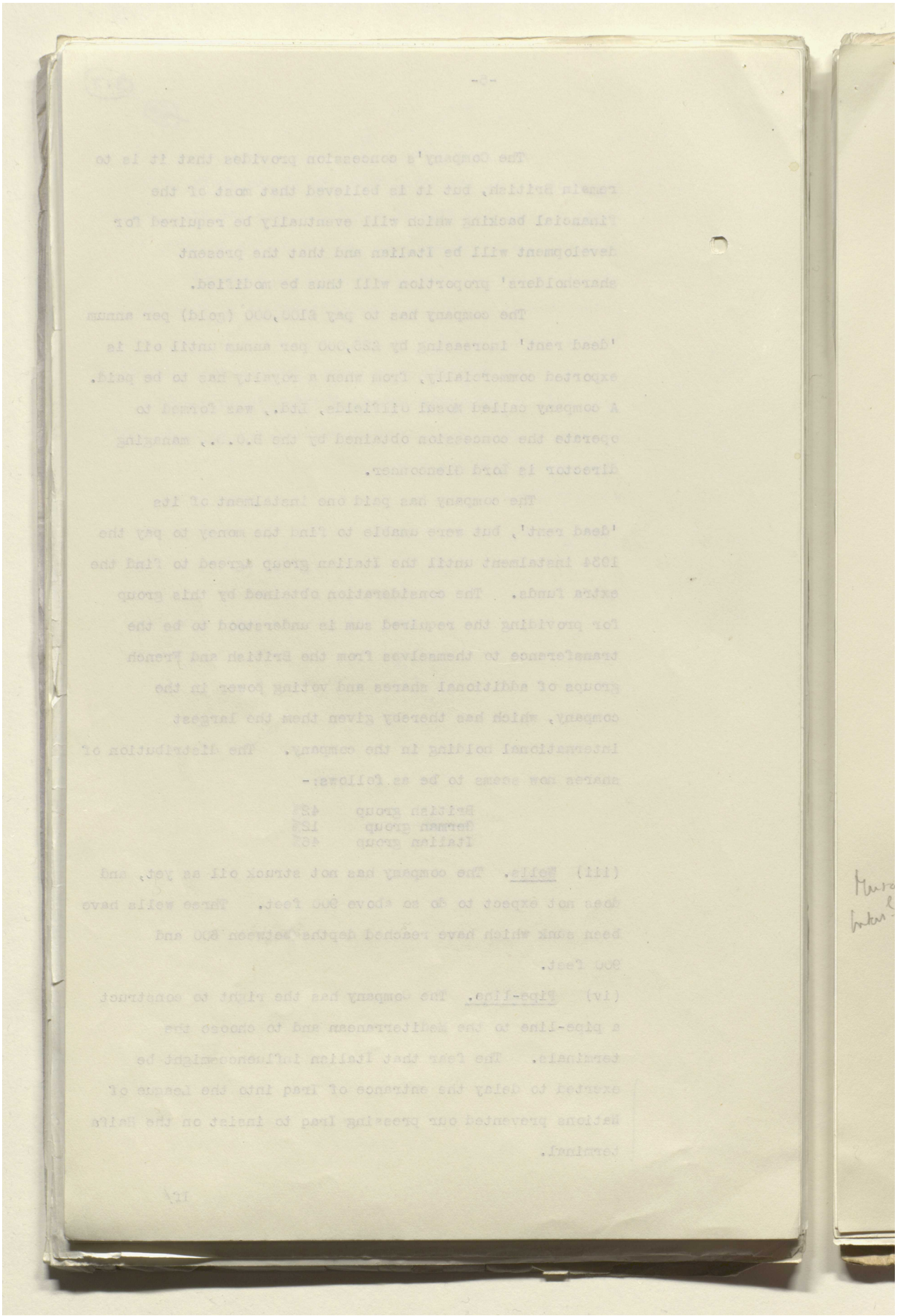

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If the Company decides to build a pipeline, its Italian and German constituents wish to take it to Alexandretta, through what is, potentially, one of the most disturbed areas in the Middle East. But the ultimate interest of the Mosul Oilfields Company, the operating Company, would seem to lie in securing an agreement with the I.P.C. to use their pipe-line to Haifa which can always be duplicated if the traffic warrants it.

(c) Refining.

Admiralty policy has been directed to secure that as much oil as possible shall be pumped to Haifa in order that refining and port facilities shall be developed there rather than at Tripoli.

It has been reported that some of the interested companies may refine their portion of the oil at Haifa, but the French share of the oil produced will be shipped from Tripoli as crude oil, to be refined in France.

III THE ARABIAN LITTORAL OF THE PERSIAN GULF.

(a) Oil Policy in the Gulf.

We have treaty agreements with the Sheikhs on the Arabian shore not to grant oil concessions without our permission. The Admiralty regard the development of this area by British companies essential for strategic reasons. The Foreign Office, however, press for an open door policy.

Admiralty policy is to use every opportunity to influence the advice to be given by H.M. Government to the Sheikhs in favour of a genuine British Company; and if a concession has to be given to a company not confined

to/

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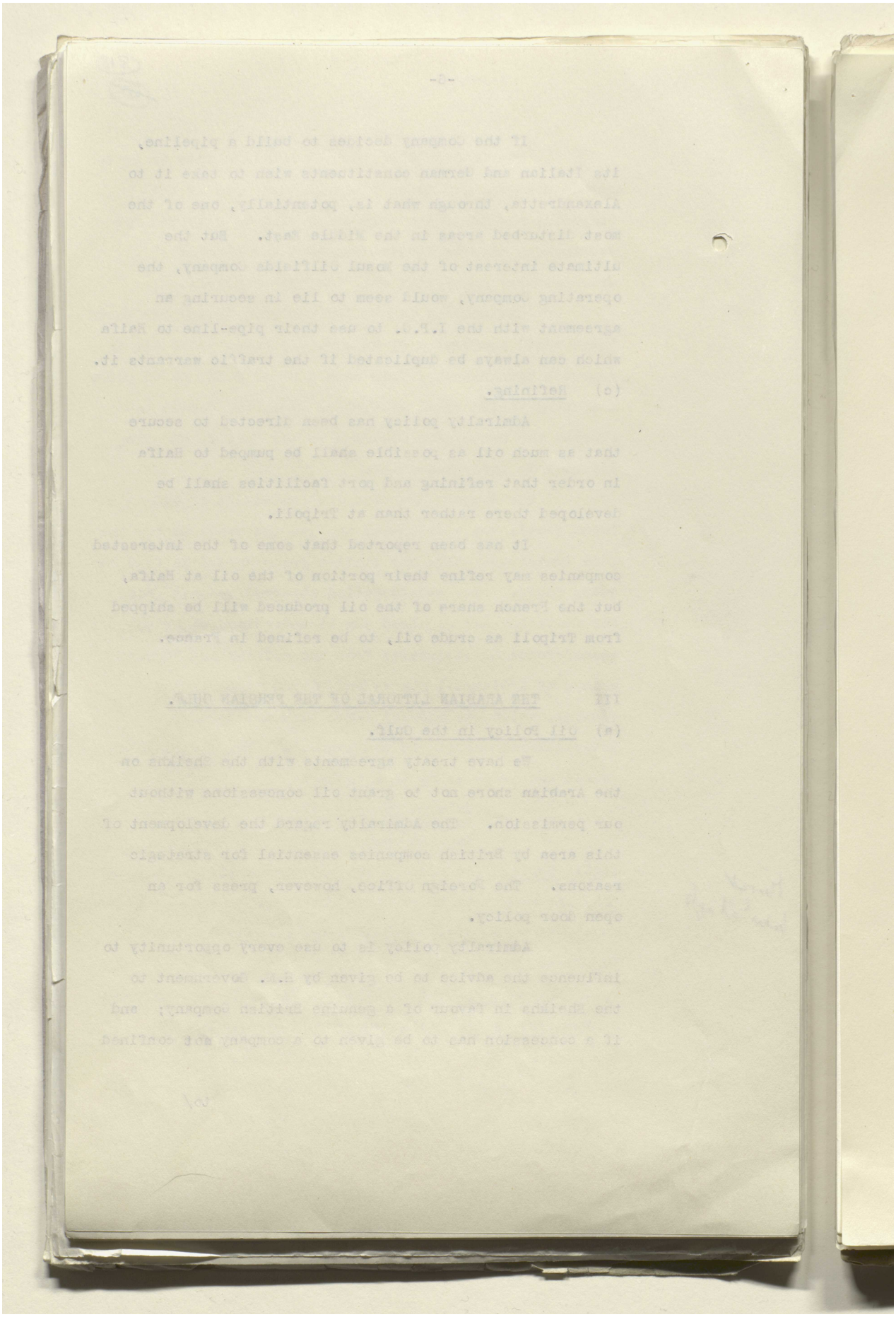

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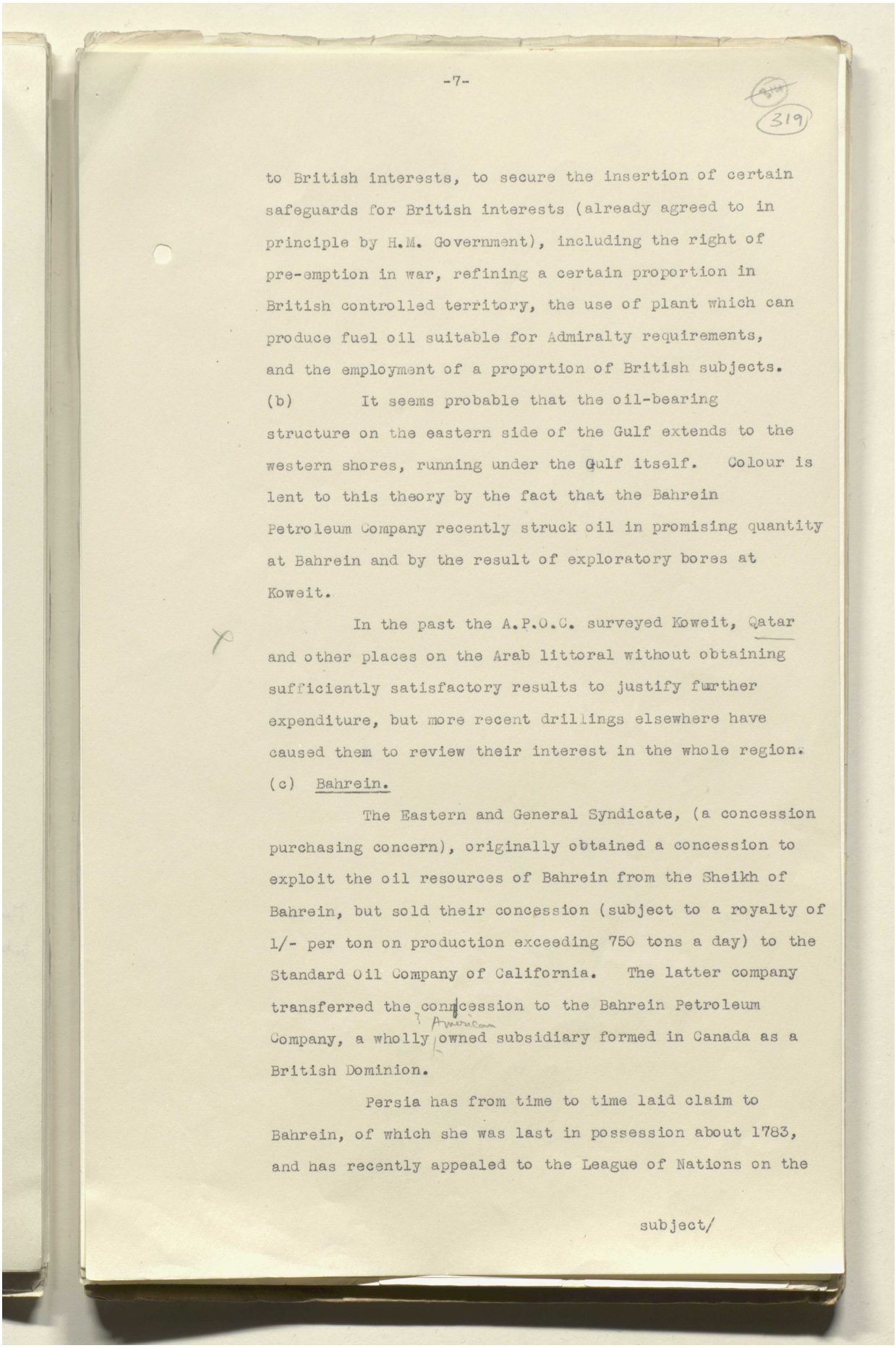

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to British interests, to secure the insertion of certain safeguards for British interests (already agreed to in principle by H.M. Government), including the right of pre-emption in war, refining a certain proportion in British controlled territory, the use of plant which can produce fuel oil suitable for Admiralty requirements, and the employment of a proportion of British subjects.

(b) It seems probable that the oil-bearing structure on the eastern side of the Gulf extends to the western shores, running under the Gulf itself. Colour is lent to this theory by the fact that the Bahrein Petroleum Company recently struck oil in promising quantity at Bahrein and by the result of exploratory bores at Koweit.

In the past the A.P.O.C. surveyed Koweit, Qatar and other places on the Arab littoral without obtaining sufficiently satisfactory results to justify further expenditure, but more recent drillings elsewhere have caused them to review their interest in the whole region.

(c) Bahrein.

The Eastern and General Syndicate, (a concession purchasing concern), originally obtained a concession to exploit the oil resources of Bahrein from the Sheikh of Bahrein, but sold their concession (subject to a royalty of 1/- per ton on production exceeding 750 tons a day) to the Standard Oil Company of California. The latter company transferred the concession to the Bahrein Petroleum Company, a wholly ? American owned subsidiary formed in Canada as a British Dominion.

Persia has from time to time laid claim to Bahrein, of which she was last in possession about 1783, and has recently appealed to the League of Nations on the

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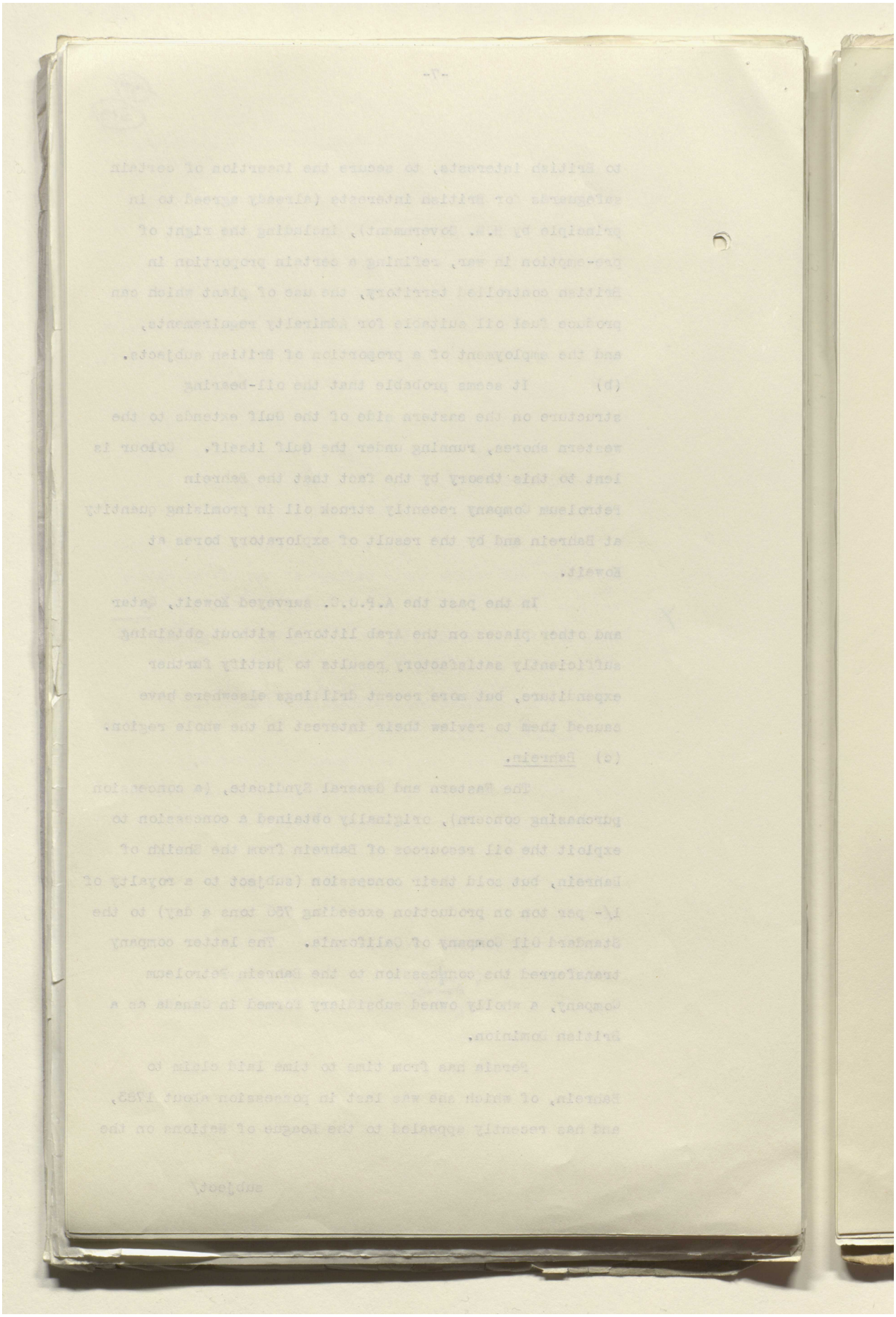

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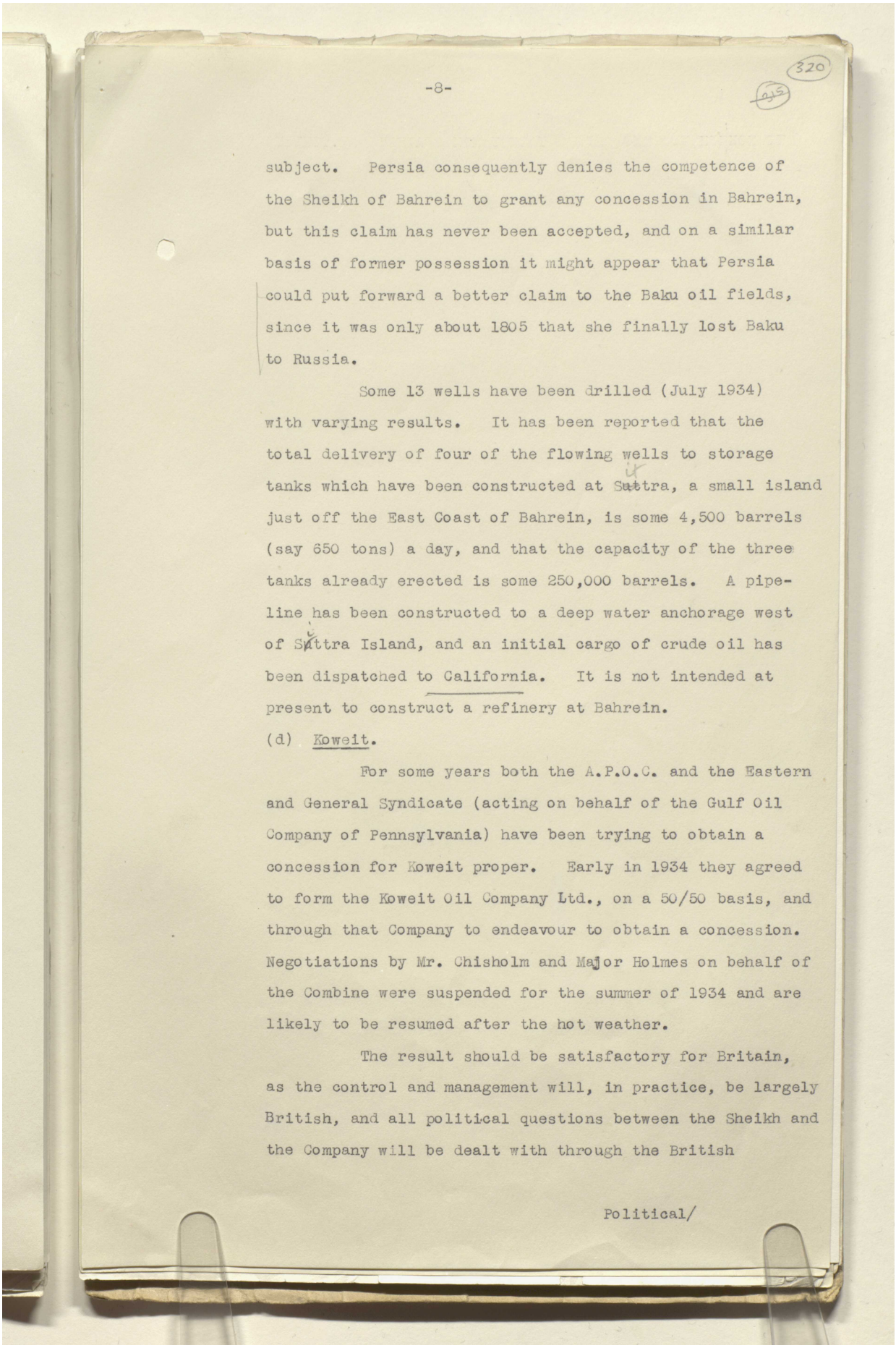

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subject. Persia consequently denies the competence of the Sheikh of Bahrein to grant any concession in Bahrein, but this claim has never been accepted, and on a similar basis of former possession it might appear that Persia could put forward a better claim to the Baku oil fields, since it was only about 1805 that she finally lost Baku to Russia.

Some 13 wells have been drilled (July 1934) with varying results. It has been reported that the total delivery of four of the flowing wells to storage tanks which have been constructed at Suttra, a small island just off the East Coast of Bahrein, is some 4,500 barrels (say 650 tons) a day, and that the capacity of the three tanks already erected is some 250,000 barrels. A pipe-line has been constructed to a deep water anchorage west of Suttra Island, and an initial cargo of crude oil has been dispatched to California. It is not intended at present to construct a refinery at Bahrein.

(d) Koweit.

For some years both the A.P.O.C. and the Eastern and General Syndicate (acting on behalf of the Gulf Oil Company of Pennsylvania) have been trying to obtain a concession for Koweit proper. Early in 1934 they agreed to form the Koweit Oil Company Ltd., on a 50/50 basis, and through that Company to endeavour to obtain a concession. Negotiations by Mr. Chisholm and Major Holmes on behalf of the Combine were suspended for the summer of 1934 and are likely to be resumed after the hot weather.

The result should be satisfactory for Britain, as the control and management will, in practice, be largely British, and all political questions between the Sheikh and the Company will be dealt with through the British

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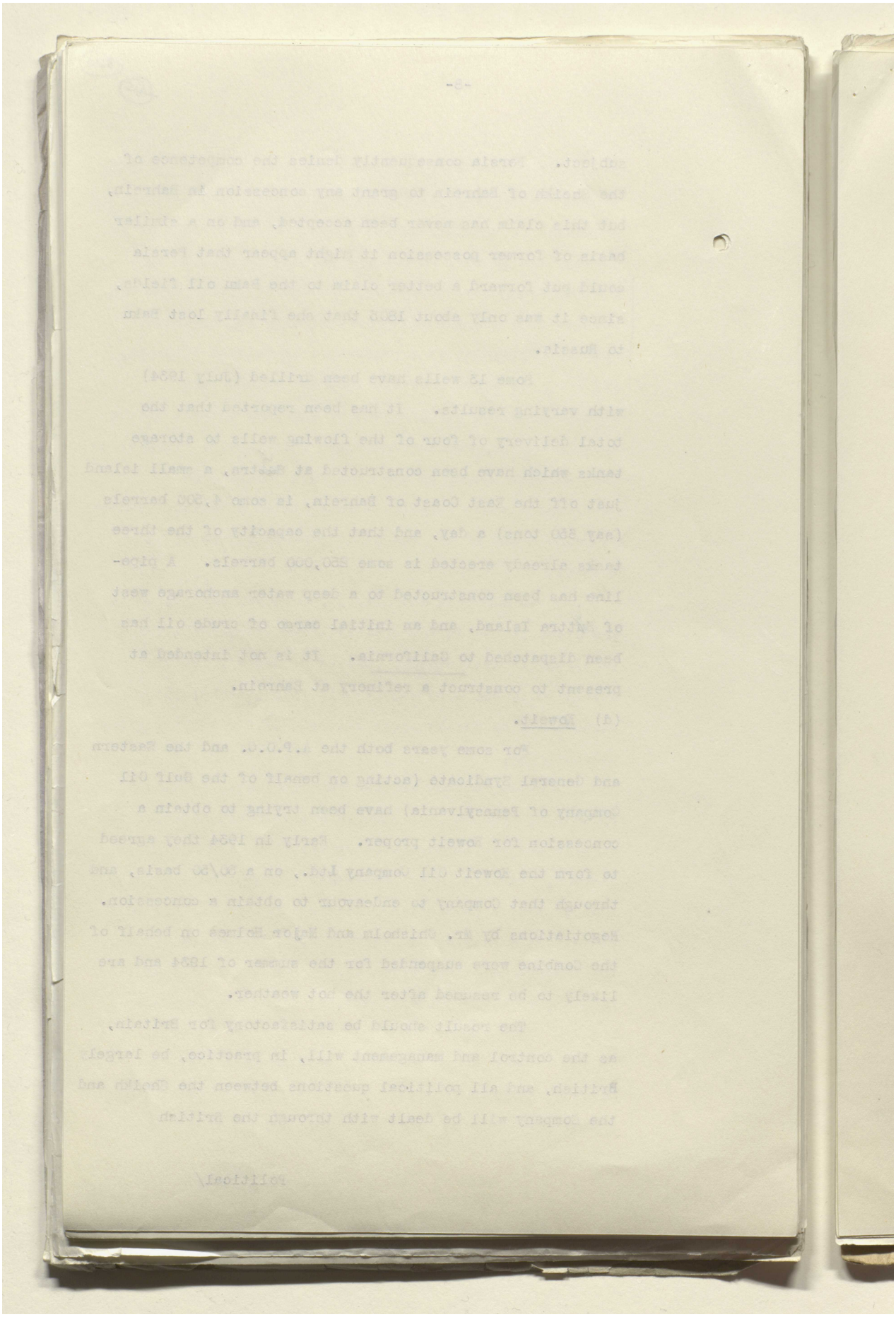

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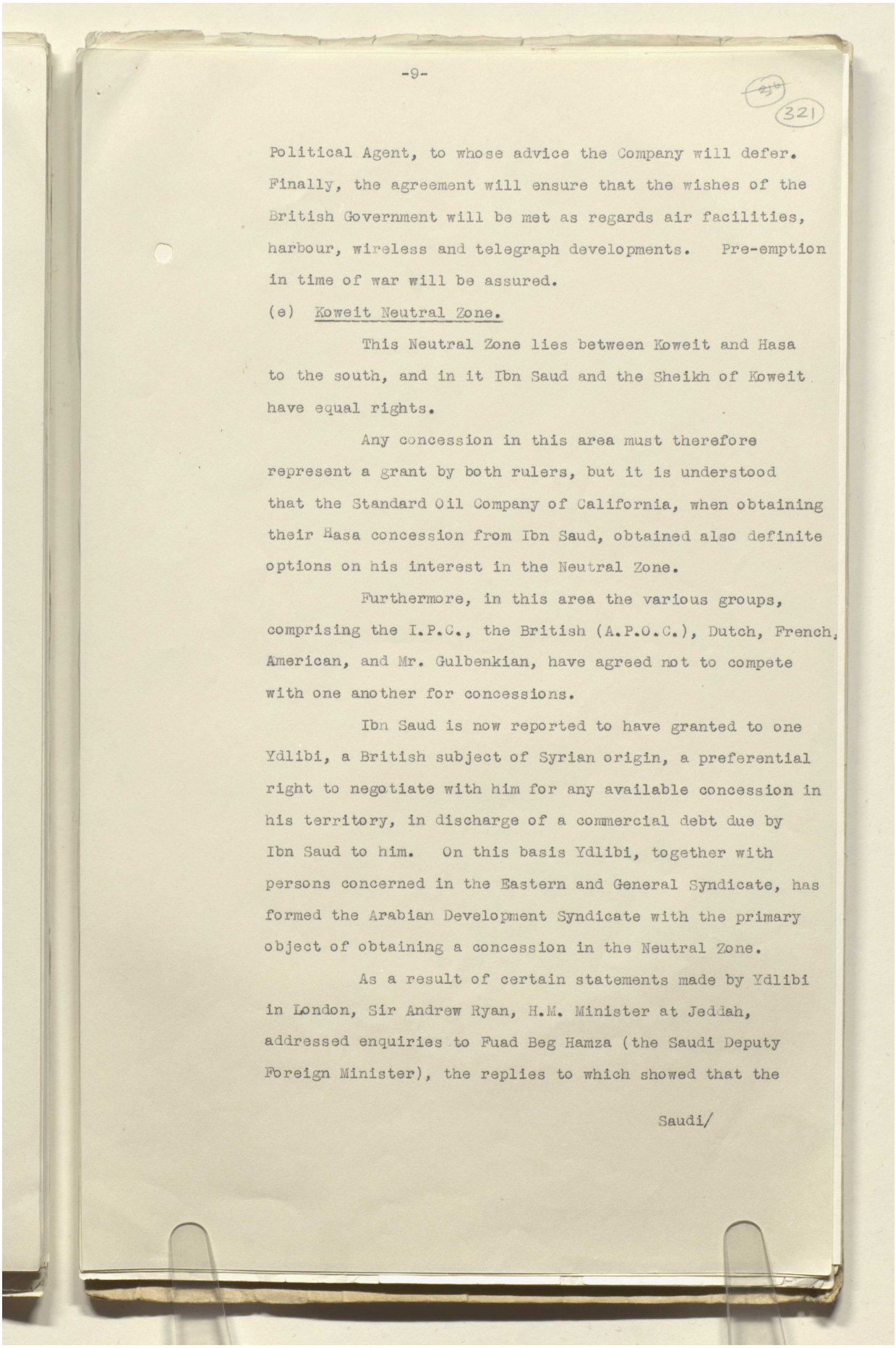

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Political Agent, to whose advice the Company will defer. Finally, the agreement will ensure that the wishes of the British Government will be met as regards air facilities, harbour, wireless and telegraph developments. Pre-emption in time of war will be assured.

(e) Koweit Neutral Zone.

This Neutral Zone lies between Koweit and Hasa to the south, and in it Ibn Saud and the Sheikh of Koweit have equal rights.

Any concession in this area must therefore represent a grant by both rulers, but it is understood that the Standard Oil Company of California, when obtaining their Hasa concession from Ibn Saud, obtained also definite options on his interest in the Neutral Zone.

Furthermore, in this area the various groups, comprising the I.P.C., the British (A.P.O.C.), Dutch, French, American, and Mr. Gulbenkian, have agreed not to compete with one another for concessions.

Ibn Saud is now reported to have granted to one Ydlibi, a British subject of Syrian origin, a preferential right to negotiate with him for any available concession in his territory, in discharge of a commercial debt due by Ibn Saud to him. On this basis Ydlibi, together with persons concerned in the Eastern and General Syndicate, has formed the Arabian Development Syndicate with the primary object of obtaining a concession in the Neutral Zone.

As a result of certain statements made by Ydlibi in London, Sir Andrew Ryan, H.M. Minister at Jeddah, addressed enquiries to Fuad Beg Hamza (the Saudi Deputy Foreign Minister), the replies to which showed that the

Saudi/

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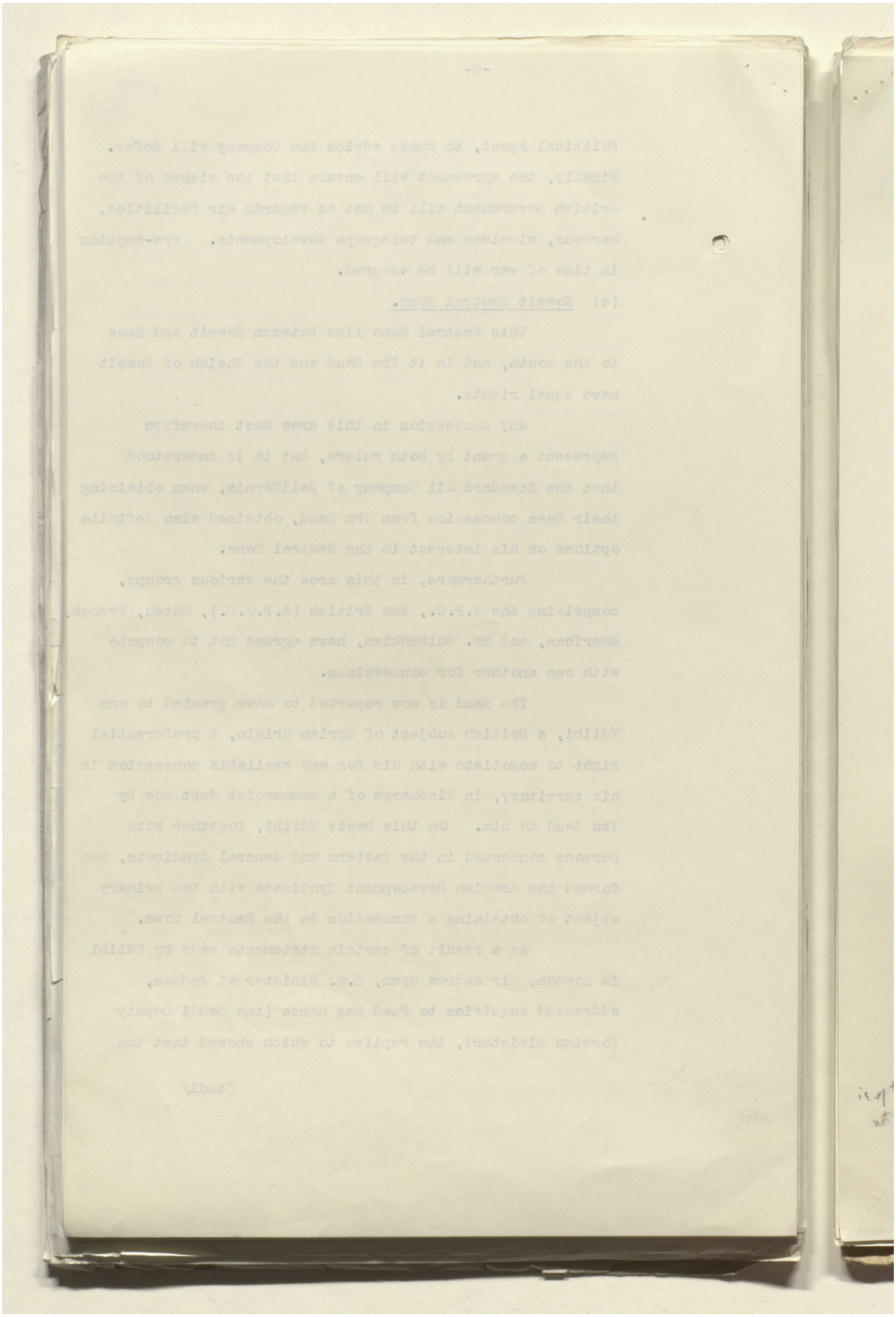

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Saudi Government had gone a long way towards accepting Ydlibi's proposals, but have not formally committed themselves pending their acceptance by the Sheikh of Koweit.

In view, however, of the various parties who appear to have interests in this area, it may be some time before any concession is obtained.

Nothing whatever is known about the oil potentialities of this area.

(f) Hasa.

A concession for the province of Hasa was obtained from Ibn Saud in 1923 by the Eastern and General Syndicate through a Major Holmes. As the Syndicate was unable to find a purchaser at an early date, it failed to pay the cash due to Ibn Saud and the concession was forfeited.

In 1933 the Standard Oil Company of California obtained a 60 years concession over an area the precise limits of which have never been disclosed, but which has been claimed by the Company to exceed 165,000 square miles.

Nothing is known of the potential oil resources of this area, for which the Iraq Petroleum Company unsuccessfully competed.

(g) Qatar.

(i) Political.

The peninsula of Qatar lies between the Sheikhdom of Bahrein and the Trucial Sheikhdoms on the Arab littoral of the Persian Gulf. The Southern boundary of Qatar has never been clearly defined, but it is probable that in the near future, negotiations will be undertaken with a view to fixing definitely the frontier in the area between Qatar and Saudi-Arabia.

is of the mainland not of the peninsula?

Qatar is ruled by a Sheikh who has little authority over the interior or the base of the peninsula, which areas are largely the habitat of migratory bedouins,

who/

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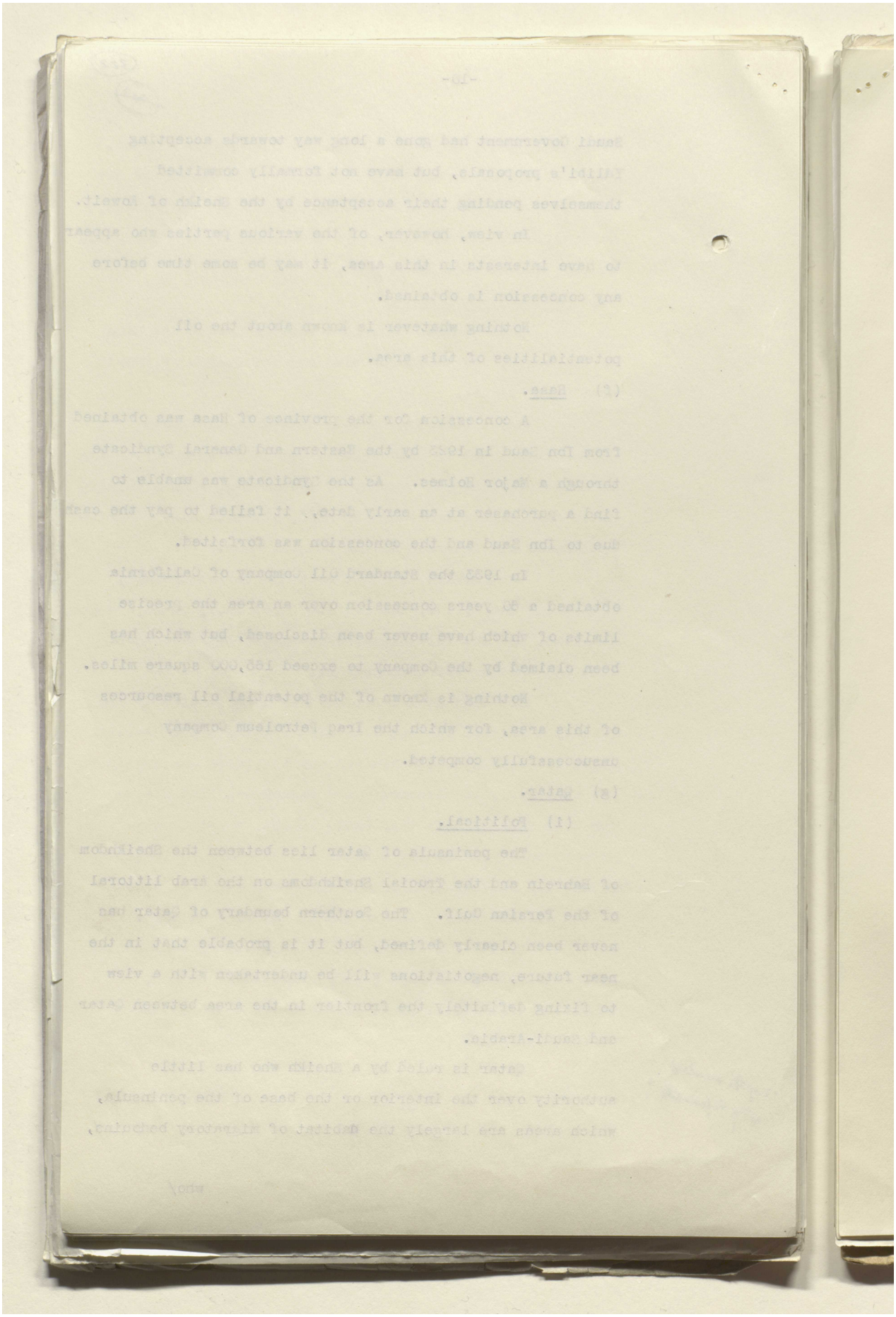

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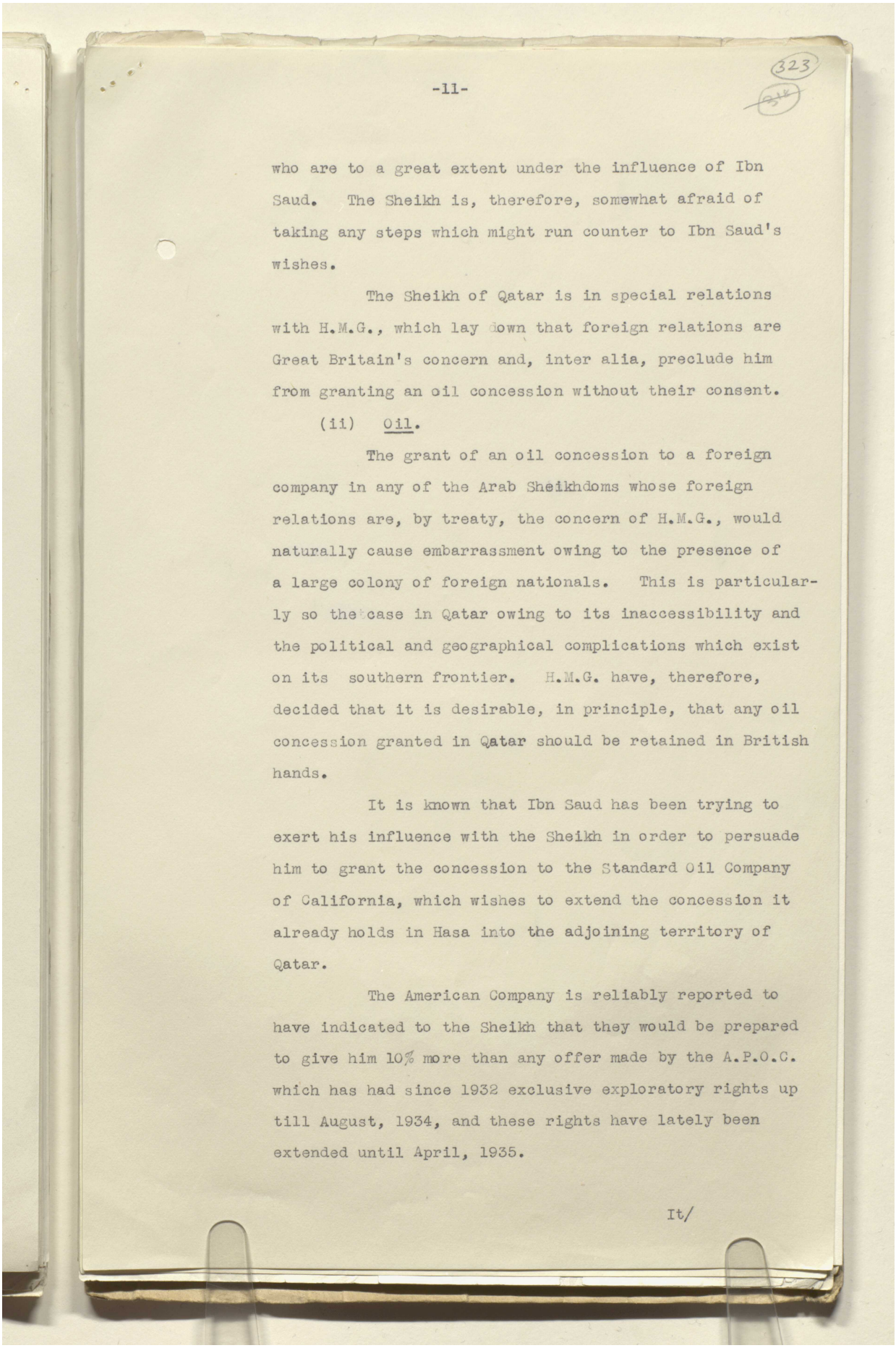

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who are to a great extent under the influence of Ibn Saud. The Sheikh is, therefore, somewhat afraid of taking any steps which might run counter to Ibn Saud's wishes.

The Sheikh of Qatar is in special relations with H.M.G., which lay down that foreign relations are Great Britain's concern and, inter alia, preclude him from granting an oil concession without their consent.

(ii) Oil.

The grant of an oil concession to a foreign company in any of the Arab Sheikhdoms whose foreign relations are, by treaty, the concern of H.M.G., would naturally cause embarrassment owing to the presence of a large colony of foreign nationals. This is particularly so the case in Qatar owing to its inaccessibility and the political and geographical complications which exist on its southern frontier. H.M.G. have, therefore, decided that it is desirable, in principle, that any oil concession granted in Qatar should be retained in British hands.

It is known that Ibn Saud has been trying to exert his influence with the Sheikh in order to persuade him to grant the concession to the Standard Oil Company of California, which wishes to extend the concession it already holds in Hasa into the adjoining territory of Qatar.

The American Company is reliably reported to have indicated to the Sheikh that they would be prepared to give him 10% more than any offer made by the A.P.O.C. which has had since 1932 exclusive exploratory rights up till August, 1934, and these rights have lately been extended until April, 1935.

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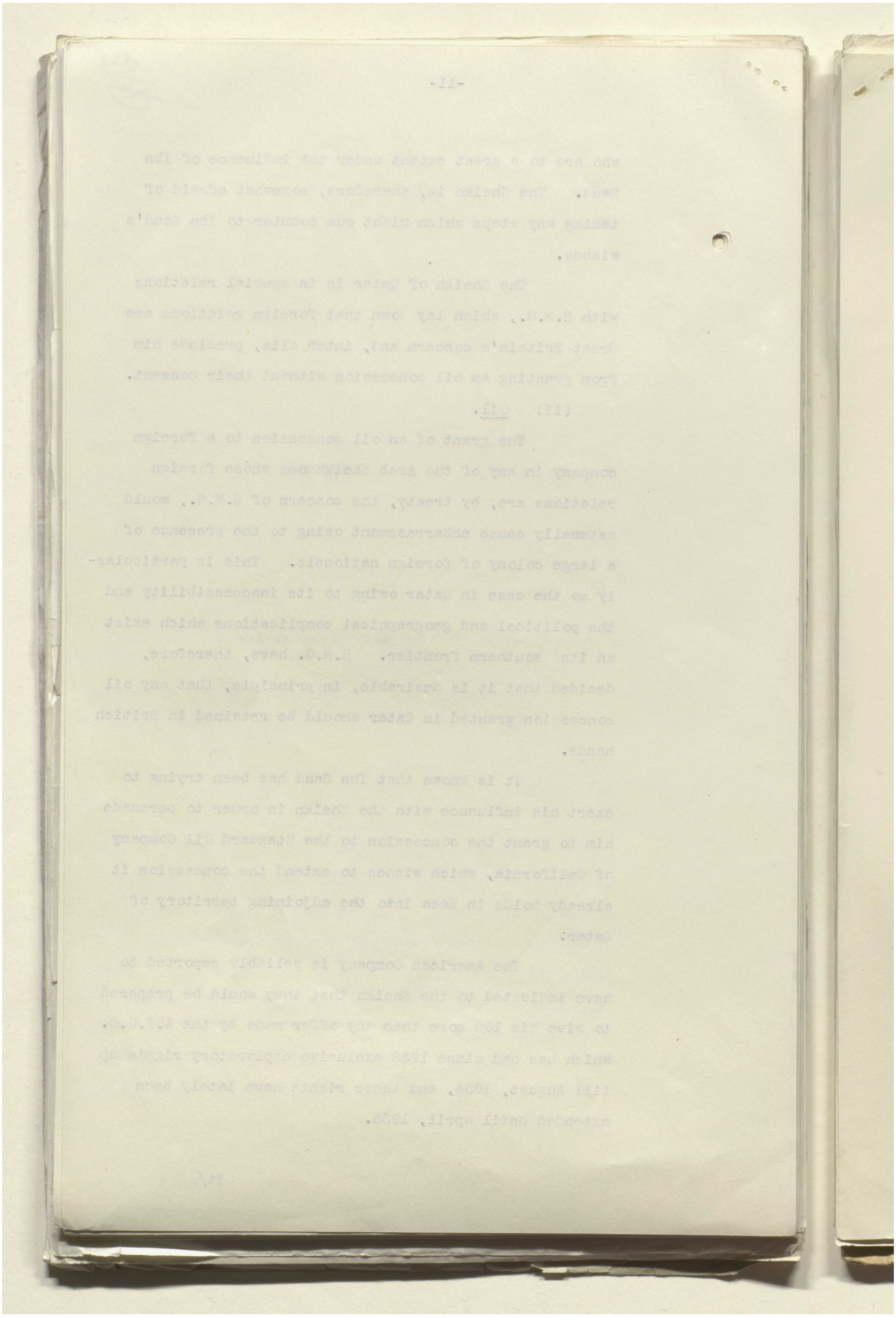

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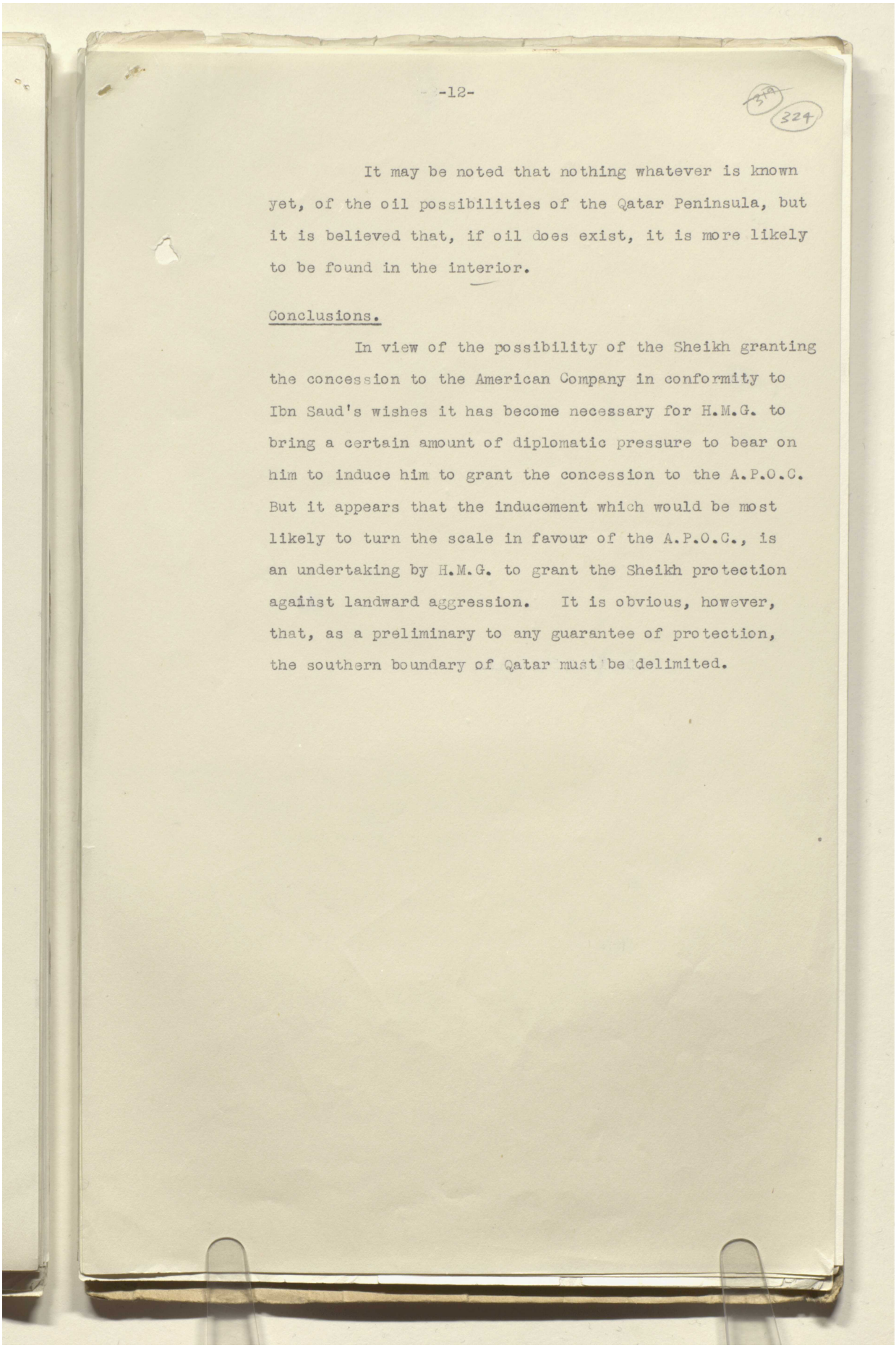

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It may be noted that nothing whatever is known yet, of the oil possibilities of the Qatar Peninsula, but it is believed that, if oil does exist, it is more likely to be found in the interior.

Conclusions.

In view of the possibility of the Sheikh granting the concession to the American Company in conformity to Ibn Saud's wishes it has become necessary for H.M.G. to bring a certain amount of diplomatic pressure to bear on him to induce him to grant the concession to the A.P.O.C. But it appears that the inducement which would be most likely to turn the scale in favour of the A.P.O.C., is an undertaking by H.M.G. to grant the Sheikh protection against landward aggression. It is obvious, however, that, as a preliminary to any guarantee of protection, the southern boundary of Qatar must be delimited.

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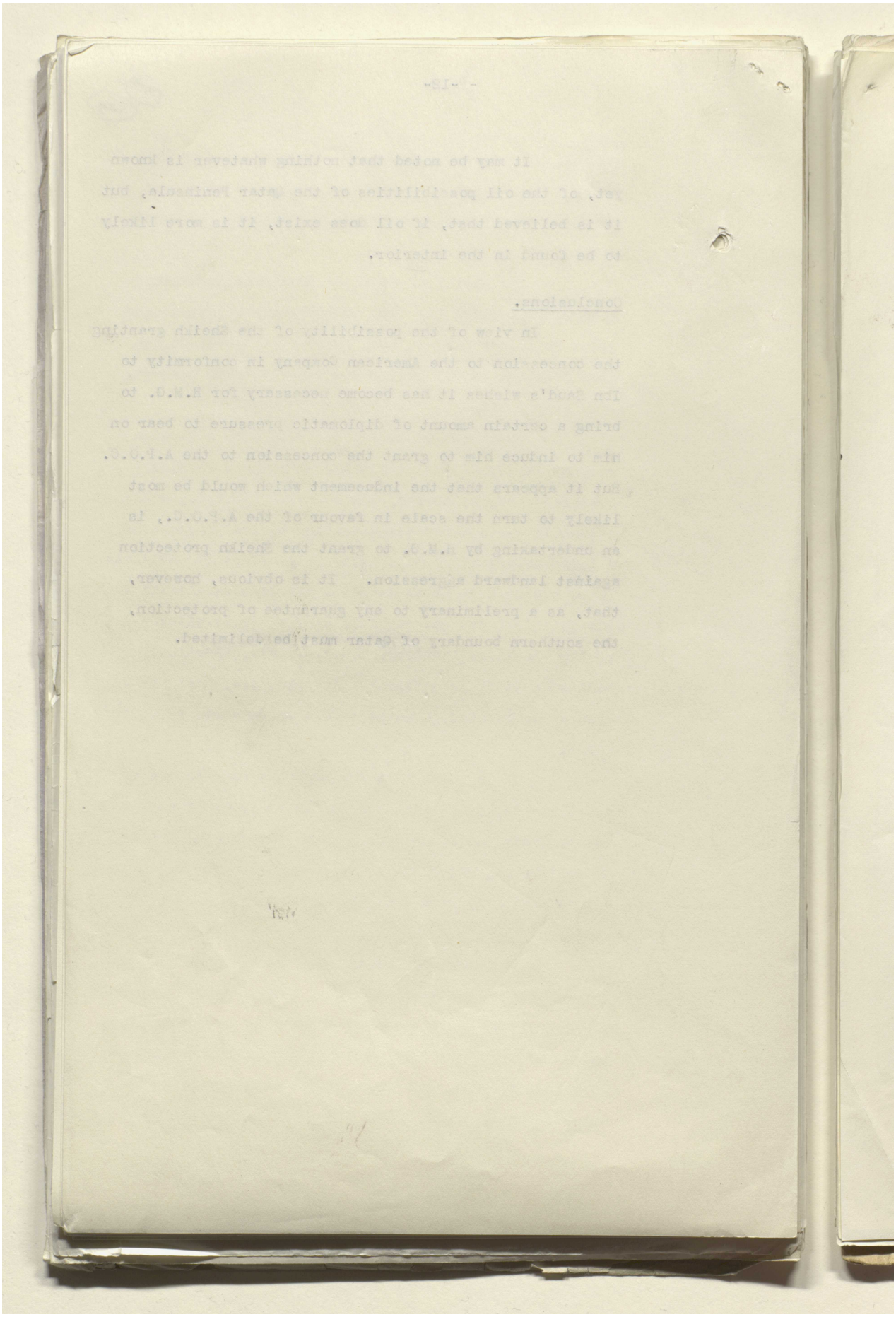

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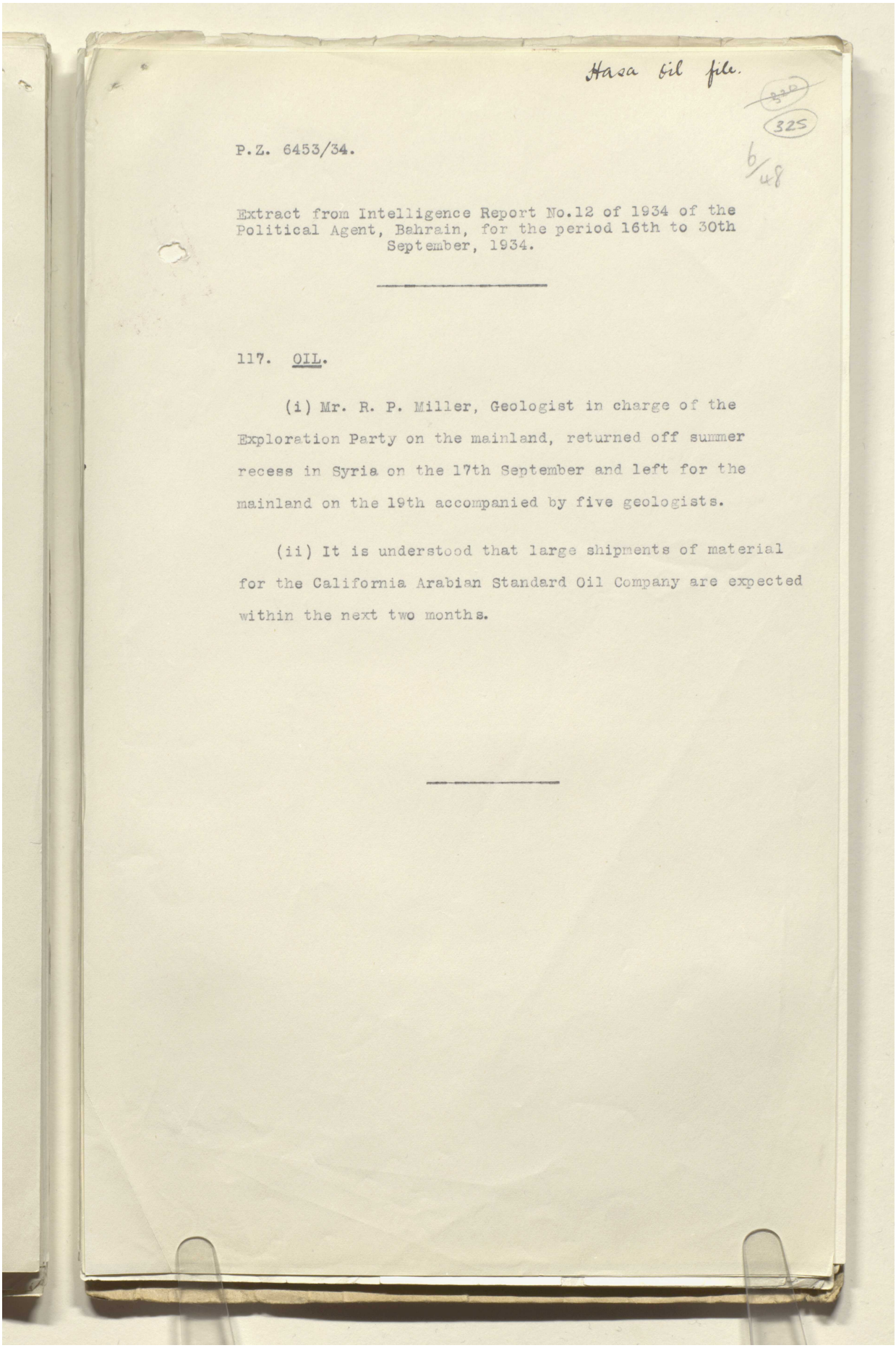

Hasa Oil file.

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P.Z. 6453/34.

Extract from Intelligence Report No.12 of 1934 of the Political Agent, Bahrain, for the period 16th to 30th September, 1934.

---

117. OIL.

(i) Mr. R. P. Miller, Geologist in charge of the Exploration Party on the mainland, returned off summer recess in Syria on the 17th September and left for the mainland on the 19th accompanied by five geologists.

(ii) It is understood that large shipments of material for the California Arabian Standard Oil Company are expected within the next two months.

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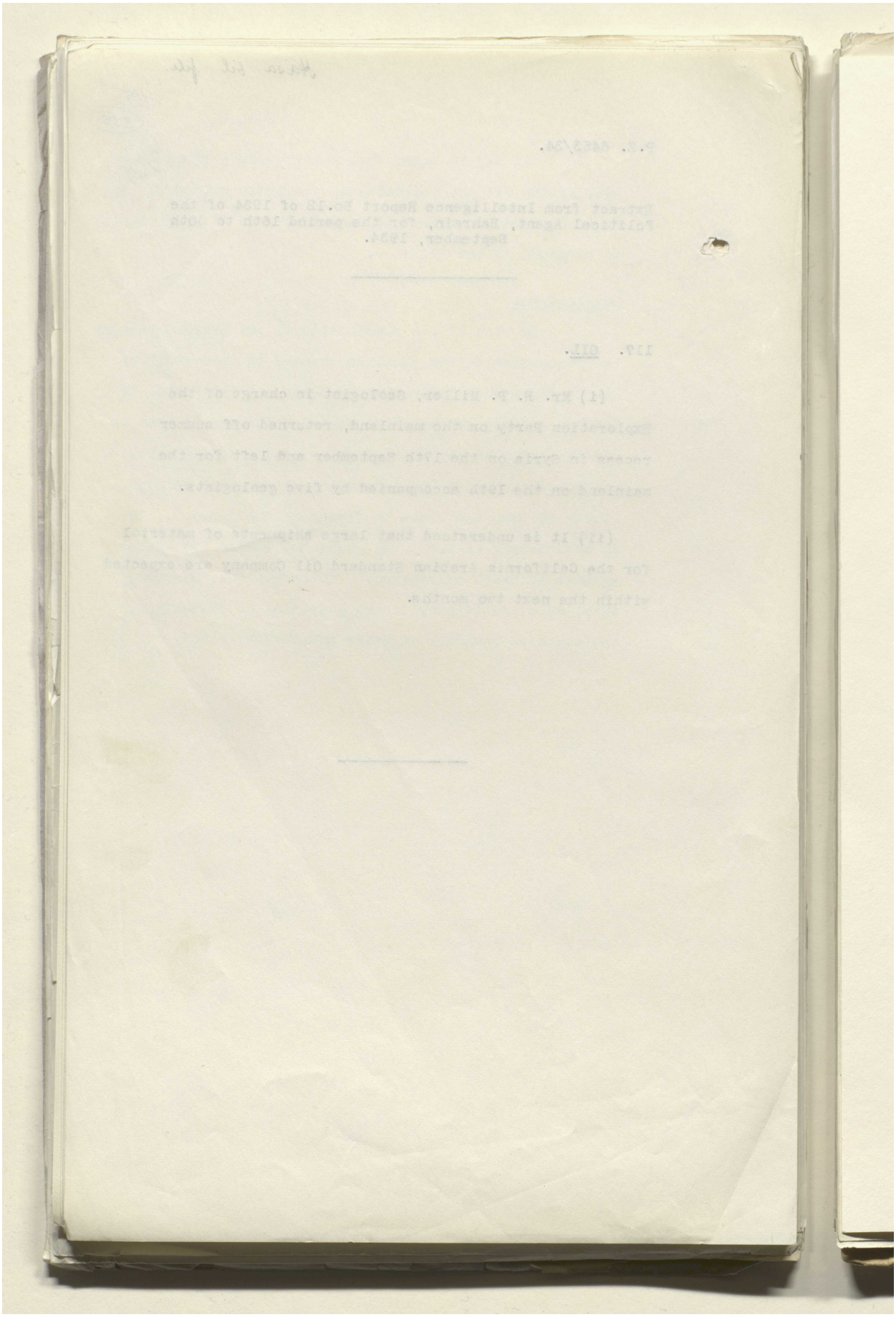

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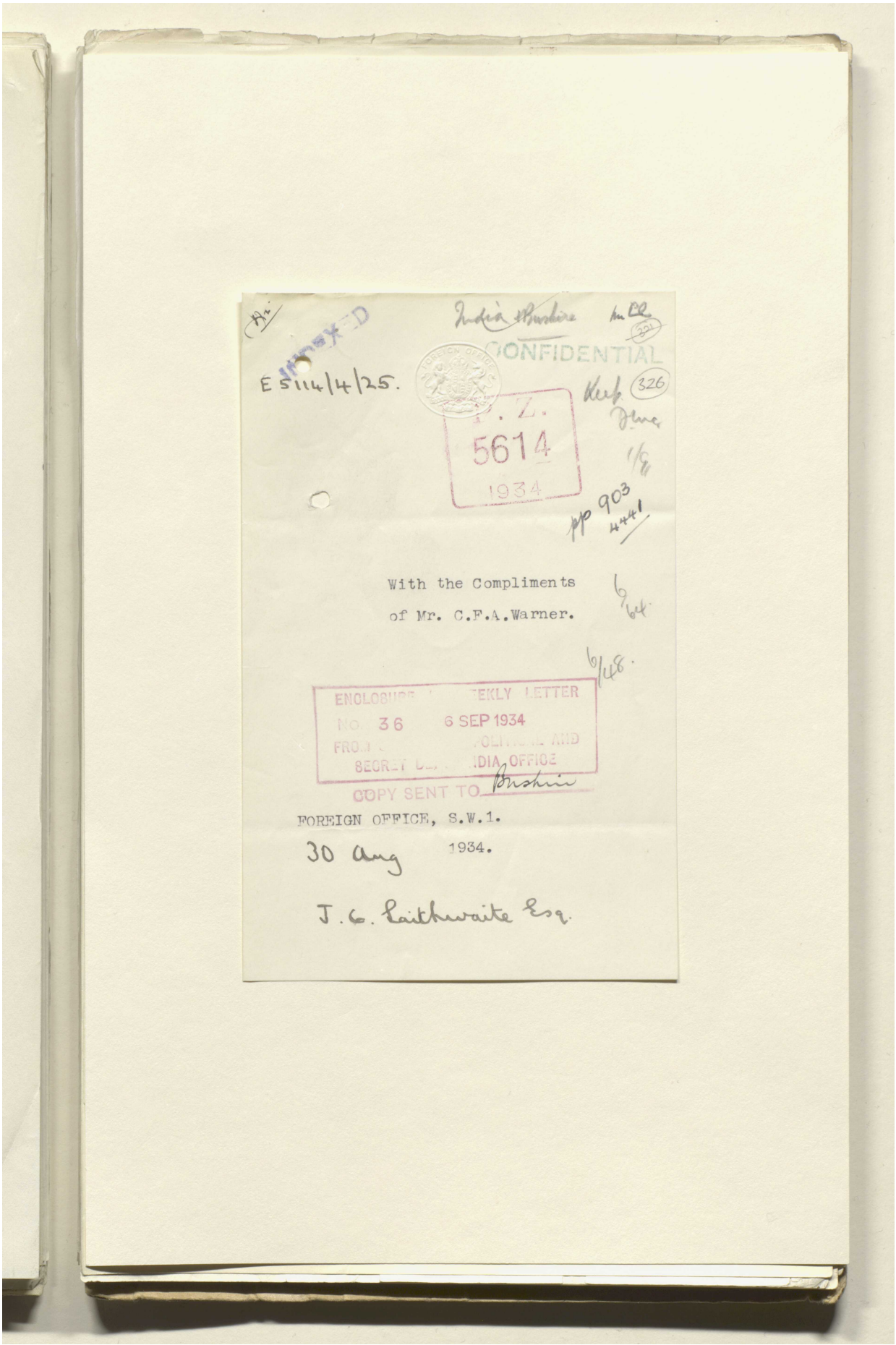

E 5114/4/25.

CONFIDENTIAL

P. Z. 5614 1934

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pp 903 4441

With the Compliments
of Mr. C.F.A.Warner.

6/48.

ENCLOSURE IN WEEKLY LETTER
NO. 36 6 SEP 1934
FROM POLITICAL AND
SECRET DEPARTMENT INDIA OFFICE
COPY SENT TO Bushire

FOREIGN OFFICE, S.W.1.

30 Aug 1934.

J. G. Laithwaite Esq.

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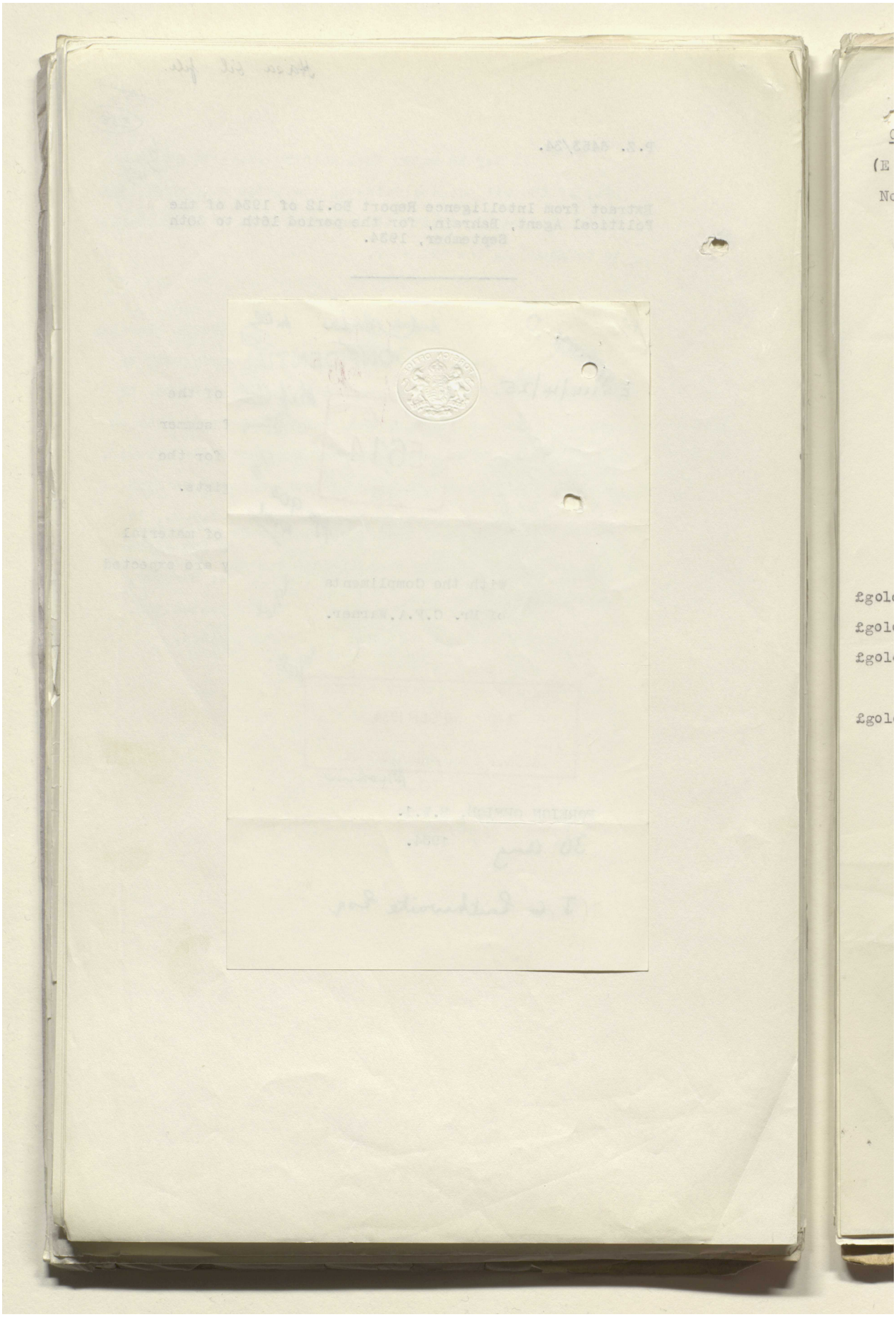

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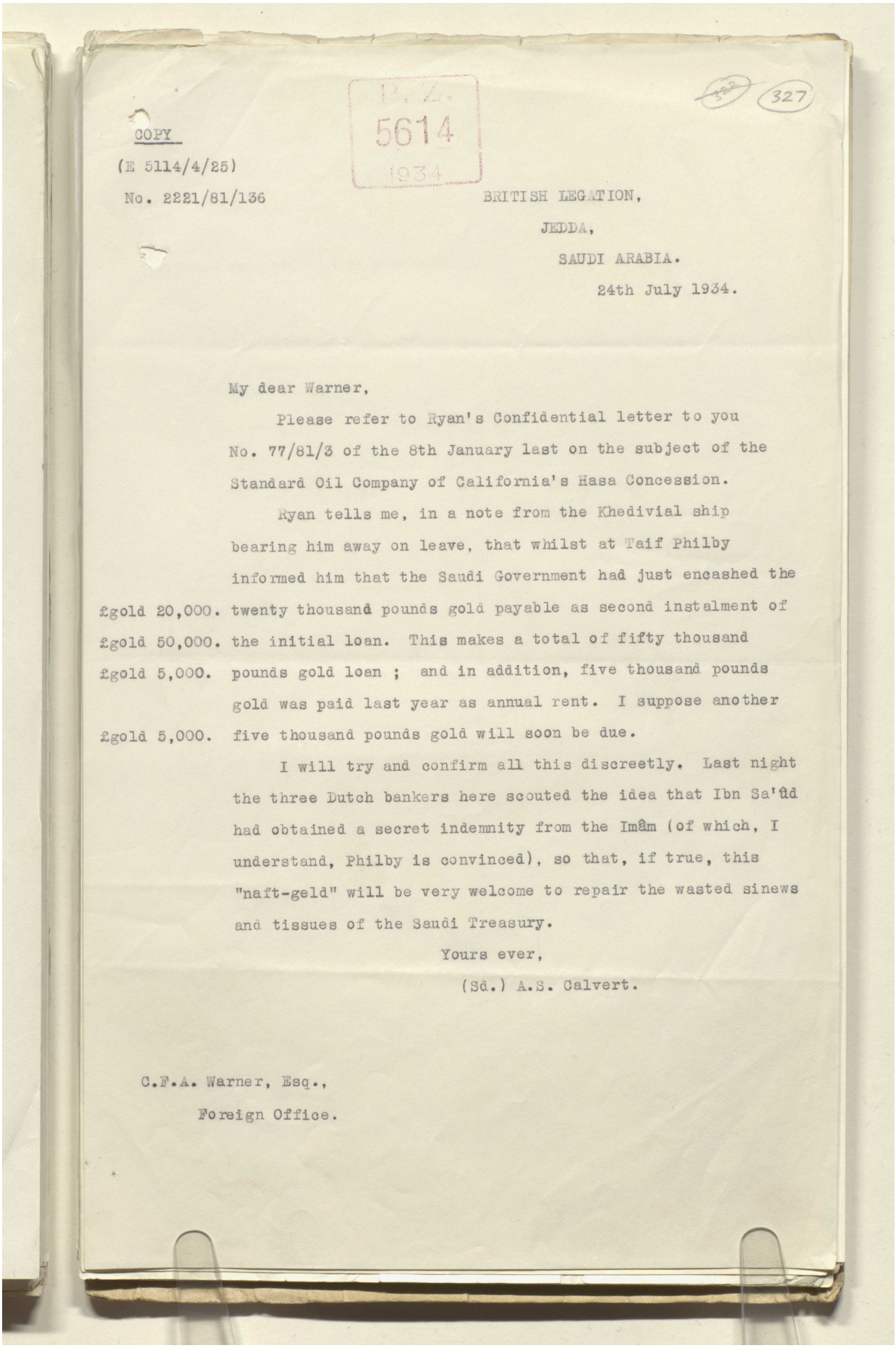

P.Z. 5614 1934

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COPY

(E 5114/4/25)

No. 2221/81/136

BRITISH LEGATION,
JEDDA,
SAUDI ARABIA.
24th July 1934.

My dear Warner,

Please refer to Ryan's Confidential letter to you No. 77/81/3 of the 8th January last on the subject of the Standard Oil Company of California's Hasa Concession.

Ryan tells me, in a note from the Khedivial ship bearing him away on leave, that whilst at Taif Philby informed him that the Saudi Government had just encashed the
£gold 20,000. twenty thousand pounds gold payable as second instalment of
£gold 50,000. the initial loan. This makes a total of fifty thousand
£gold 5,000. pounds gold loan ; and in addition, five thousand pounds gold was paid last year as annual rent. I suppose another
£gold 5,000. five thousand pounds gold will soon be due.

I will try and confirm all this discreetly. Last night the three Dutch bankers here scouted the idea that Ibn Sa'ûd had obtained a secret indemnity from the Imâm (of which, I understand, Philby is convinced), so that, if true, this "naft-geld" will be very welcome to repair the wasted sinews and tissues of the Saudi Treasury.

Yours ever,

(Sd.) A.S. Calvert.

C.F.A. Warner, Esq.,
Foreign Office.

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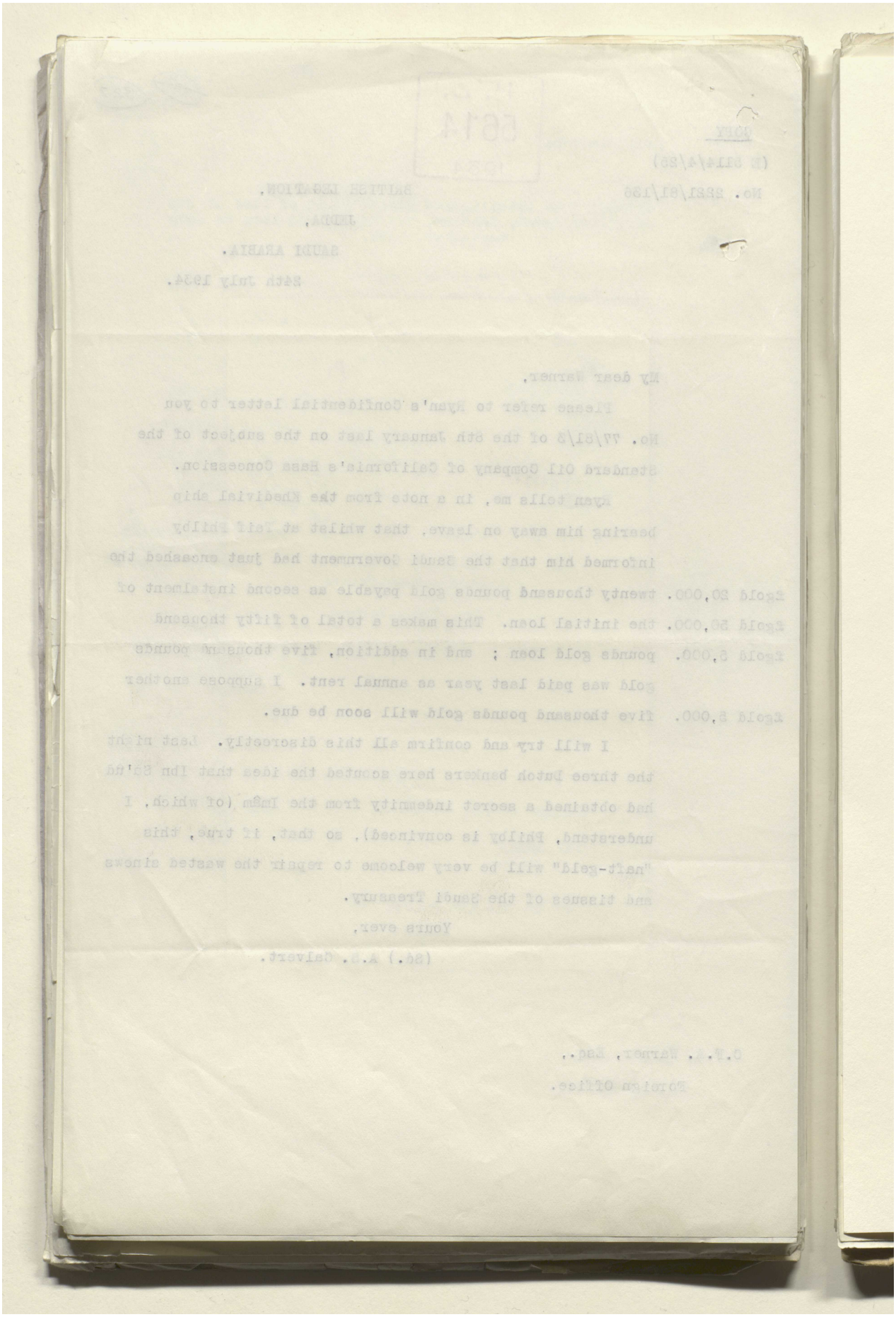

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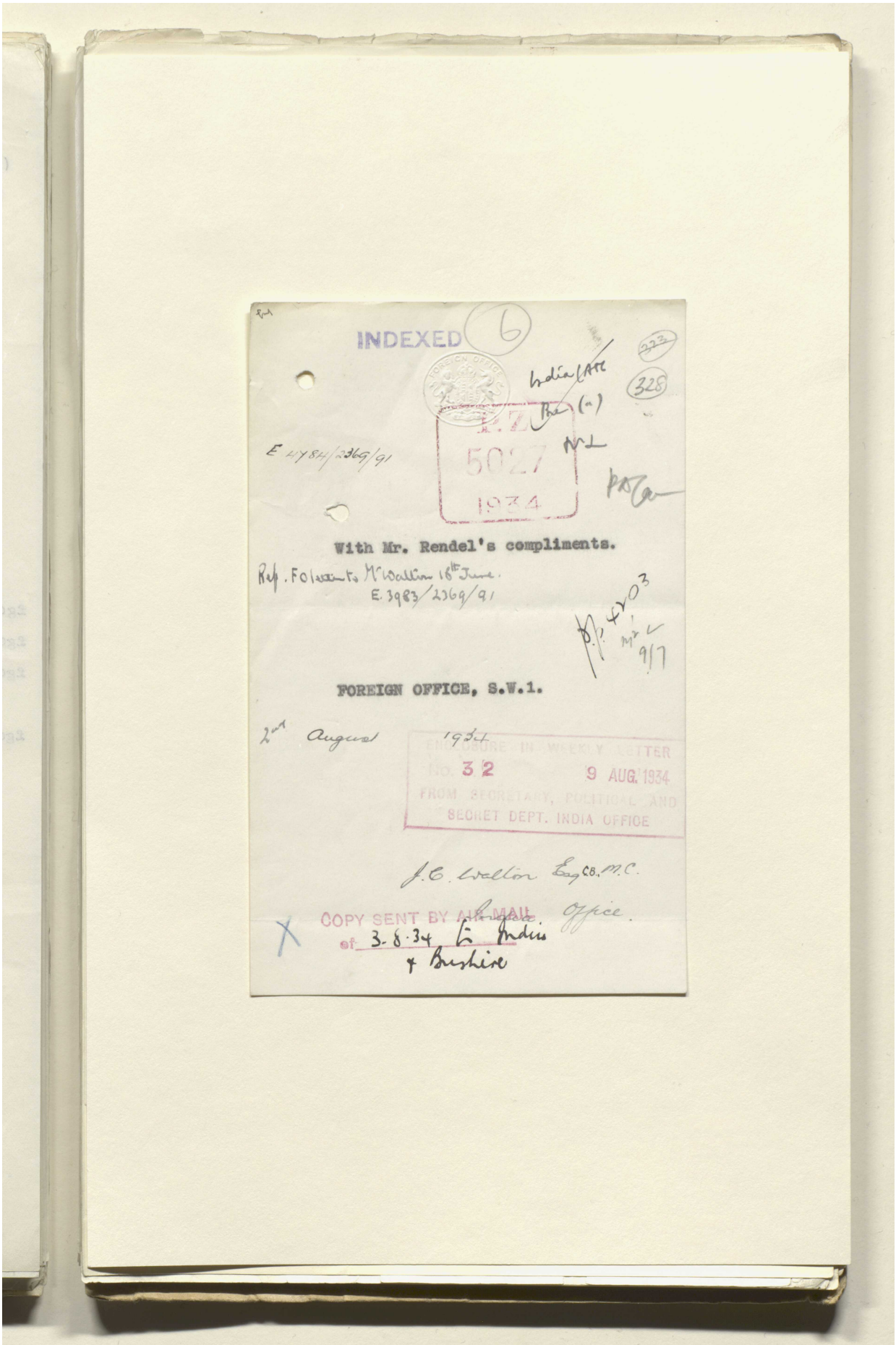

INDEXED

E 4784/2369/91

5027
1934

With Mr. Rendel's compliments.

Ref. Foreign Office letter of Mr Wallace 18th June.
E 3983/2369/91

FOREIGN OFFICE, S.W.1.

2nd August 1934

ENCLOSURE IN WEEKLY LETTER
NO. 32 9 AUG. 1934
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE

J.C. Wallace Esq C.B. M.C.
India Office.

COPY SENT BY AIR MAIL
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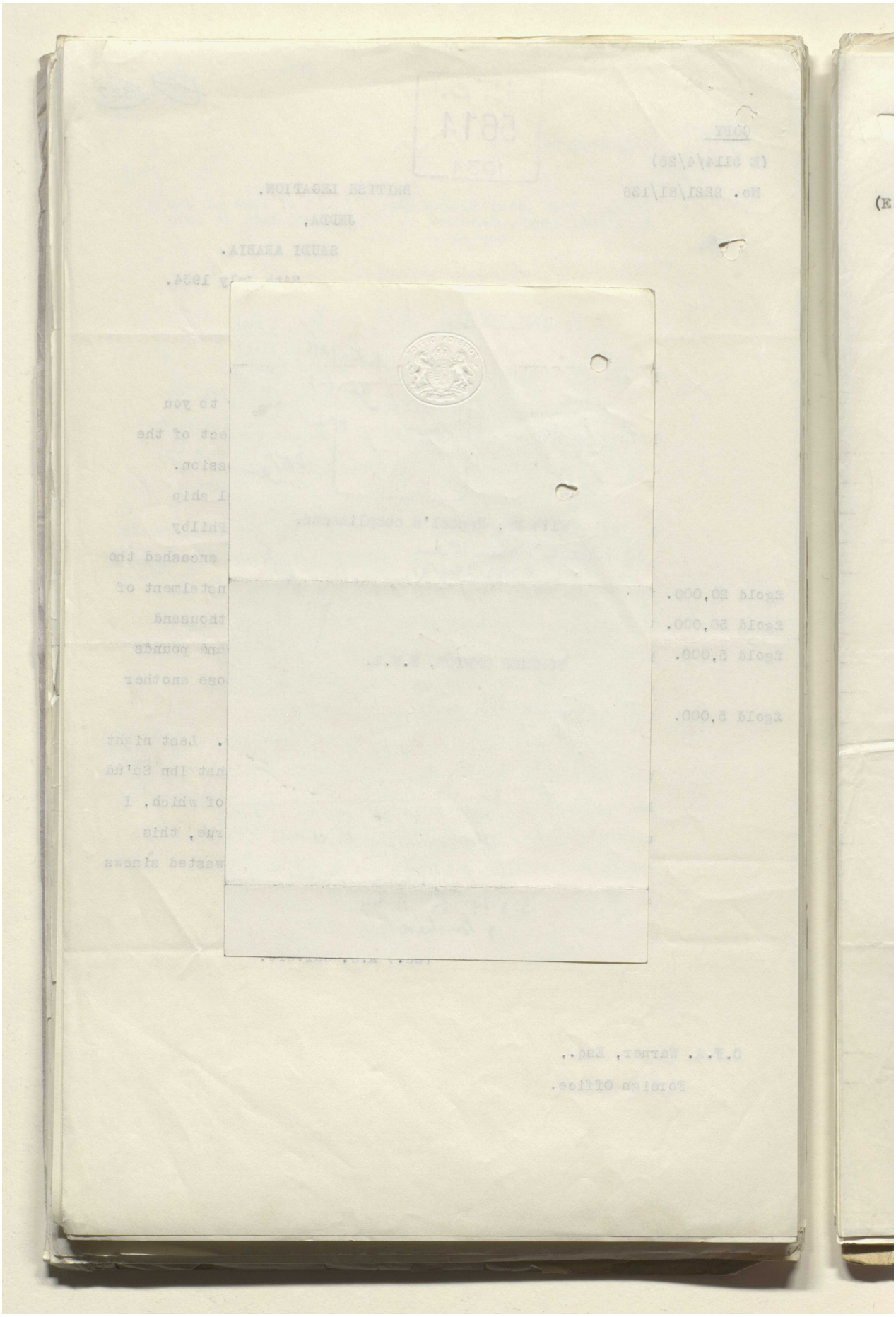

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P.Z. 5027 1934

COPY

(E 4784/2369/91)

Conversation with Mr. Loomis, Foreign Trade Adviser of the Standard Oil Company of California.

At the request of the American Embassy, I saw Mr. Loomis today.

2. He first of all tried to sound me as to the Persian claim to Bahrein. I explained that there was absolutely no substance in the Persian claim, which was only based on very ancient history, and that, as far as we could see, it was being pressed chiefly for its "nuisance value" in connexion with certain general negotiations which had long been proceeding between His Majesty's Government and Persia. The Persians had indeed at one time offered to abandon the claim in return for special concessions in other matters, but this would have meant their "getting something for nothing". I told Mr. Loomis that I thought that his company need not take the claim very seriously, and he seemed quite prepared to accept this advice.

3. Mr. Loomis then raised the question of the 1913/14 boundary between Saudi-Arabia and the British sphere in South-East Arabia. He said that he hoped there would be no question of his Company encroaching on territory outside their concession. I explained to Mr. Loomis why we regarded this line as definitely binding in international law, and why it was necessary to maintain it as the legal basis for the division between Saudi Arabia on the one hand and the British sphere in South-East Arabia on the other. He appeared to grasp the situation.

4./

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4. Mr. Loomis also mentioned the Koweit neutral zone and repeated what he had already told Mr. Warner (see E 3983). He added, however, that he saw no reason why the various oil interests concerned should not get together and reach some agreement. I said that this seemed to be an excellent plan, and I felt sure that Sir J. Cadman would consider any proposals which Mr. Loomis would like to talk over with him. My own impression was that the various companies concerned could probably help each other in various ways if they agreed. But I pointed out that there was already a strong United States interest in the I.P.C., in which the Gulf Oil of California already participate.

5. Mr. Loomis also asked me a good deal about Mr. Philby, about whom he seemed well informed, and told me a story about a tanker which his Company had sent from Bahrein to Japan, with a view to finding a market for Bahrein oil in the Far East, where the Japanese purchasers of the oil had made difficulties about taking delivery in view of the Persian claim to Bahrein.

6. Mr. Loomis was most agreeable but I doubt whether he got much more information than he had already received from Mr. Warner as to our general attitude on the questions in which he is interested. On the other hand he struck me as genuinely anxious to prevent unnecessary Anglo-American friction developing in oil matters in the Middle East.

(Sgd) G.W. Rendel

FOREIGN OFFICE, S.W.1.

20th July, 1934.

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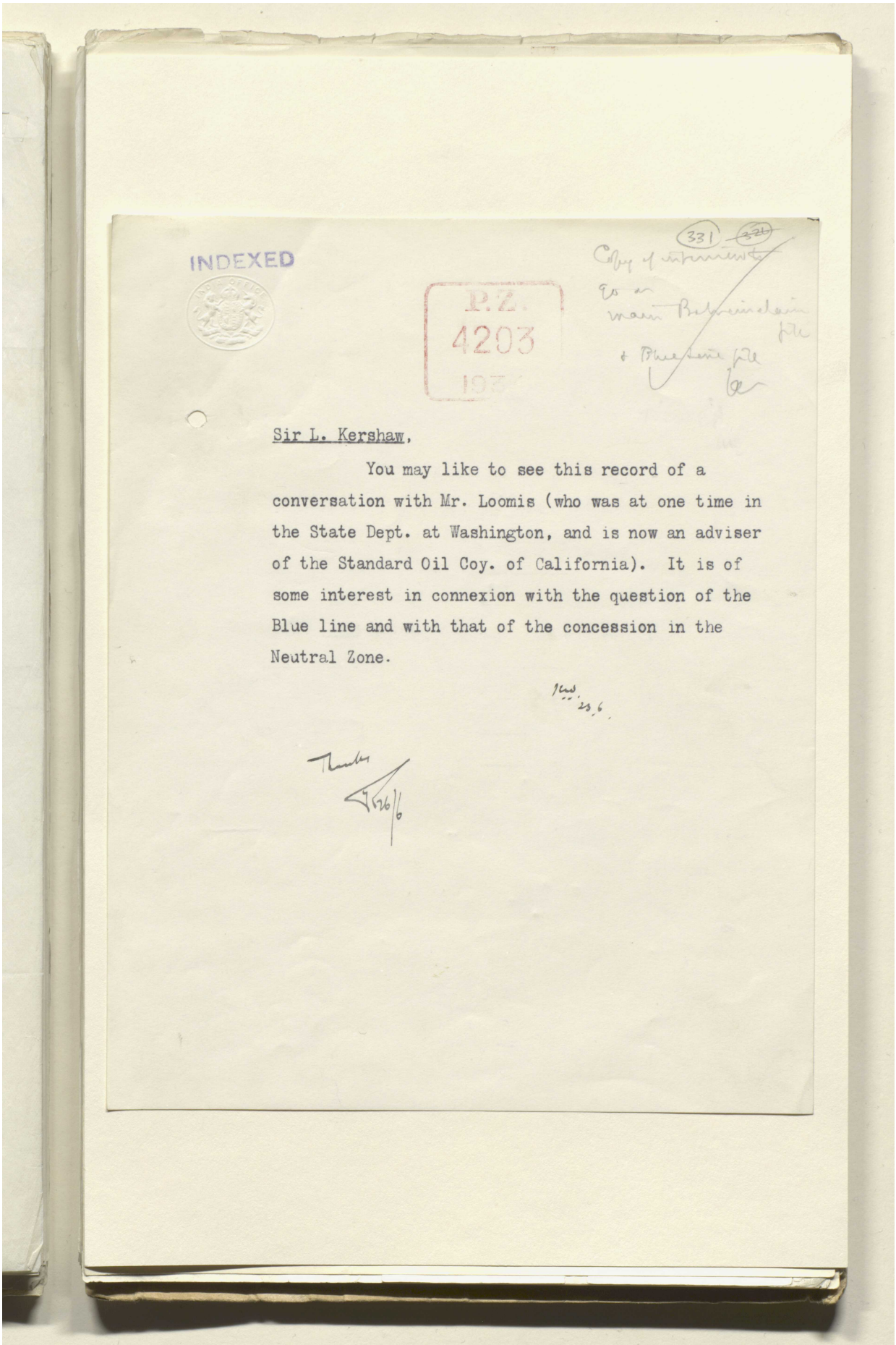

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Copy of interview to go on main Bahrain claim file + Blue line file

Sir L. Kershaw,

You may like to see this record of a conversation with Mr. Loomis (who was at one time in the State Dept. at Washington, and is now an adviser of the Standard Oil Coy. of California). It is of some interest in connexion with the question of the Blue line and with that of the concession in the Neutral Zone.

Thanks
26/6

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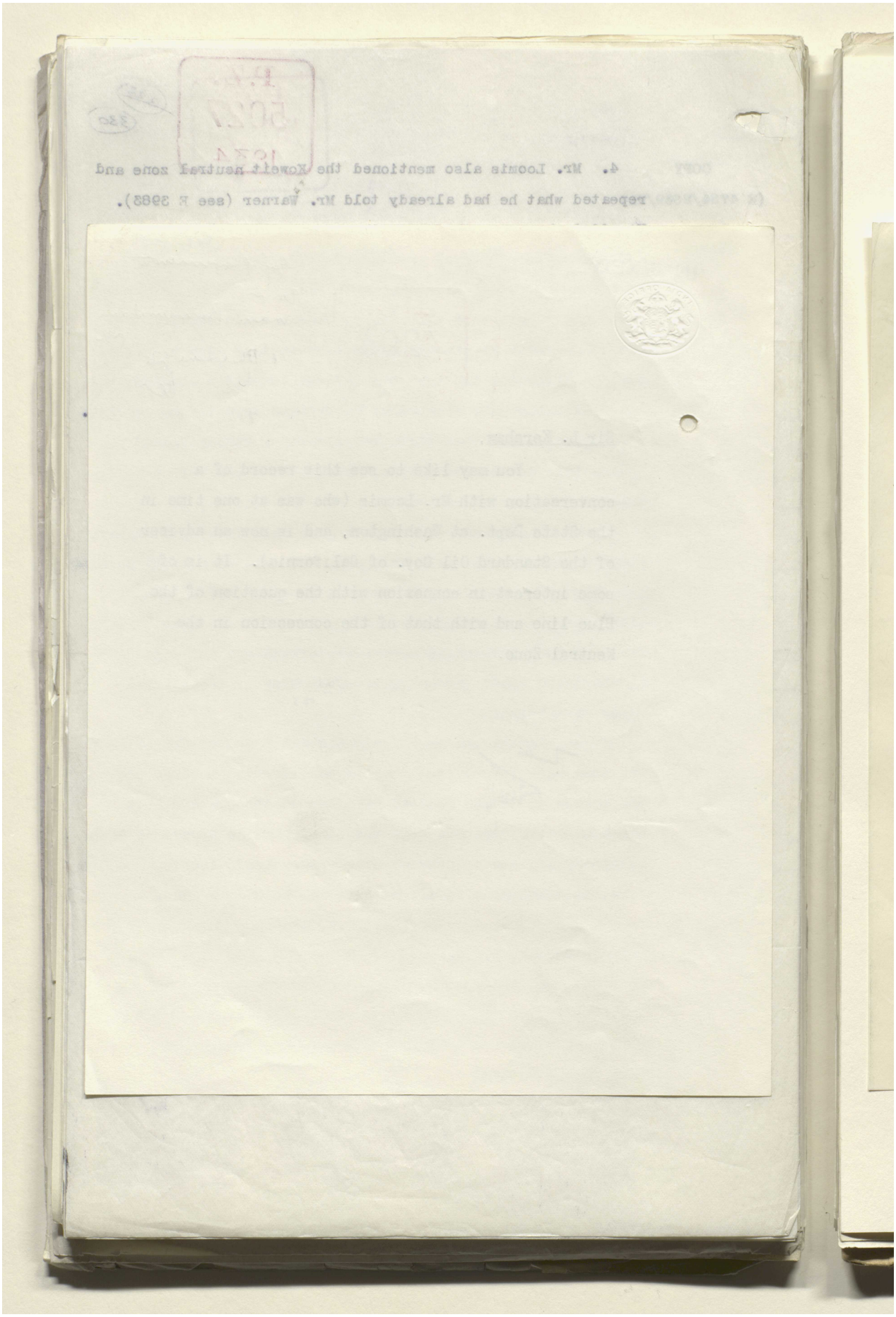

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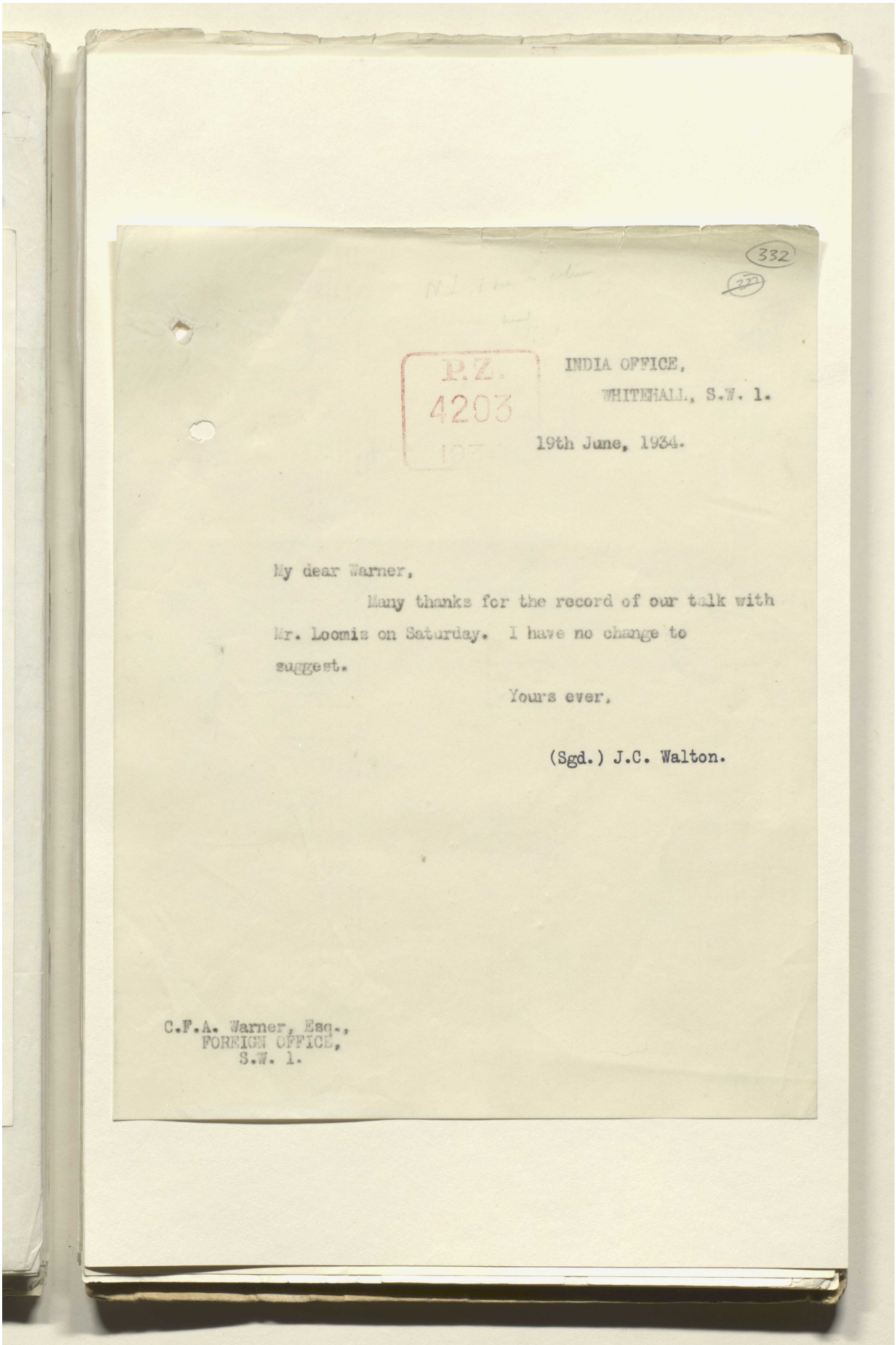

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P.Z. 4203

INDIA OFFICE,
WHITEHALL, S.W. 1.

19th June, 1934.

My dear Warner,

Many thanks for the record of our talk with Mr. Loomis on Saturday. I have no change to suggest.

Yours ever,

(Sgd.) J.C. Walton.

C.F.A. Warner, Esq.,
FOREIGN OFFICE,
S.W. 1.

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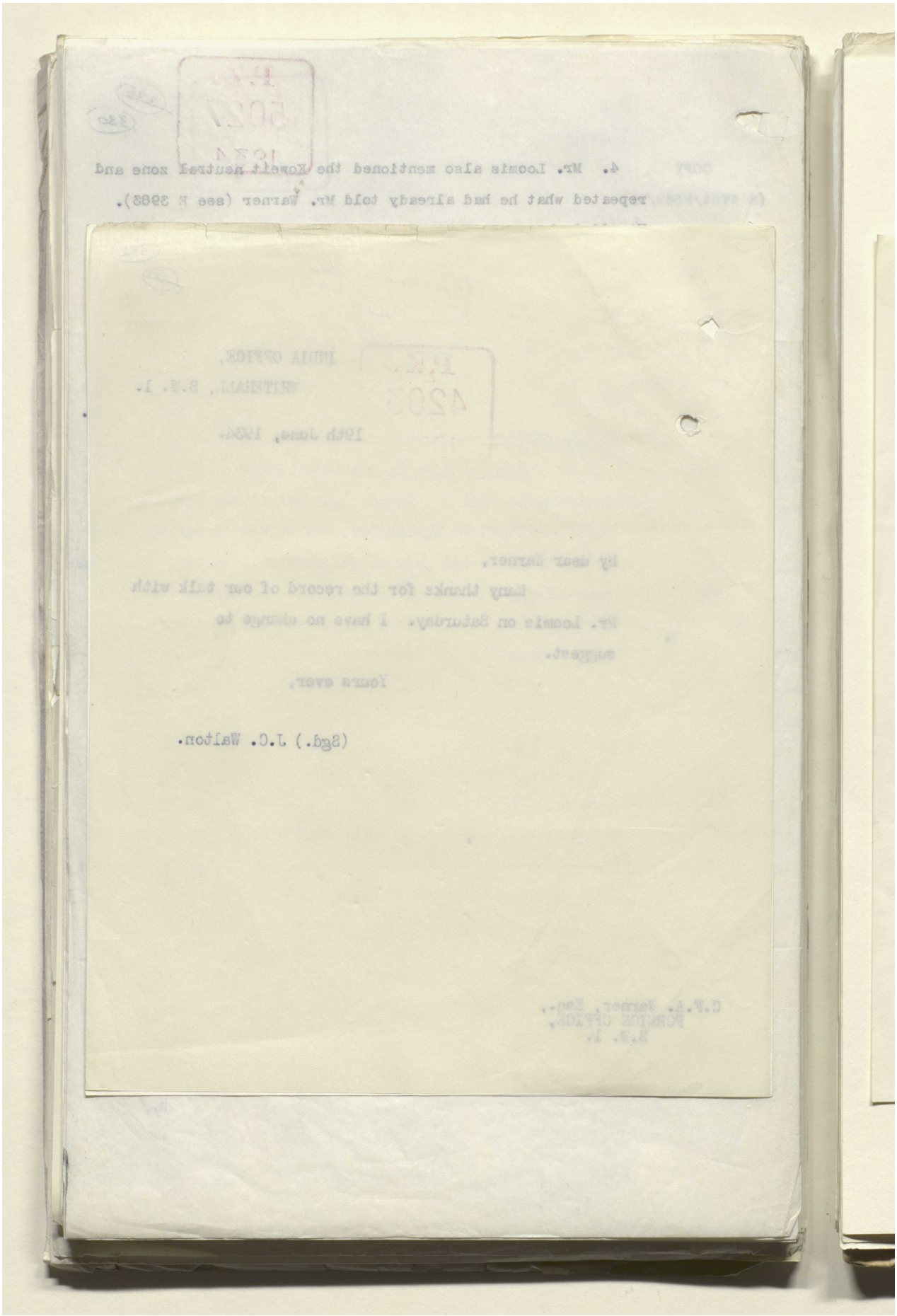

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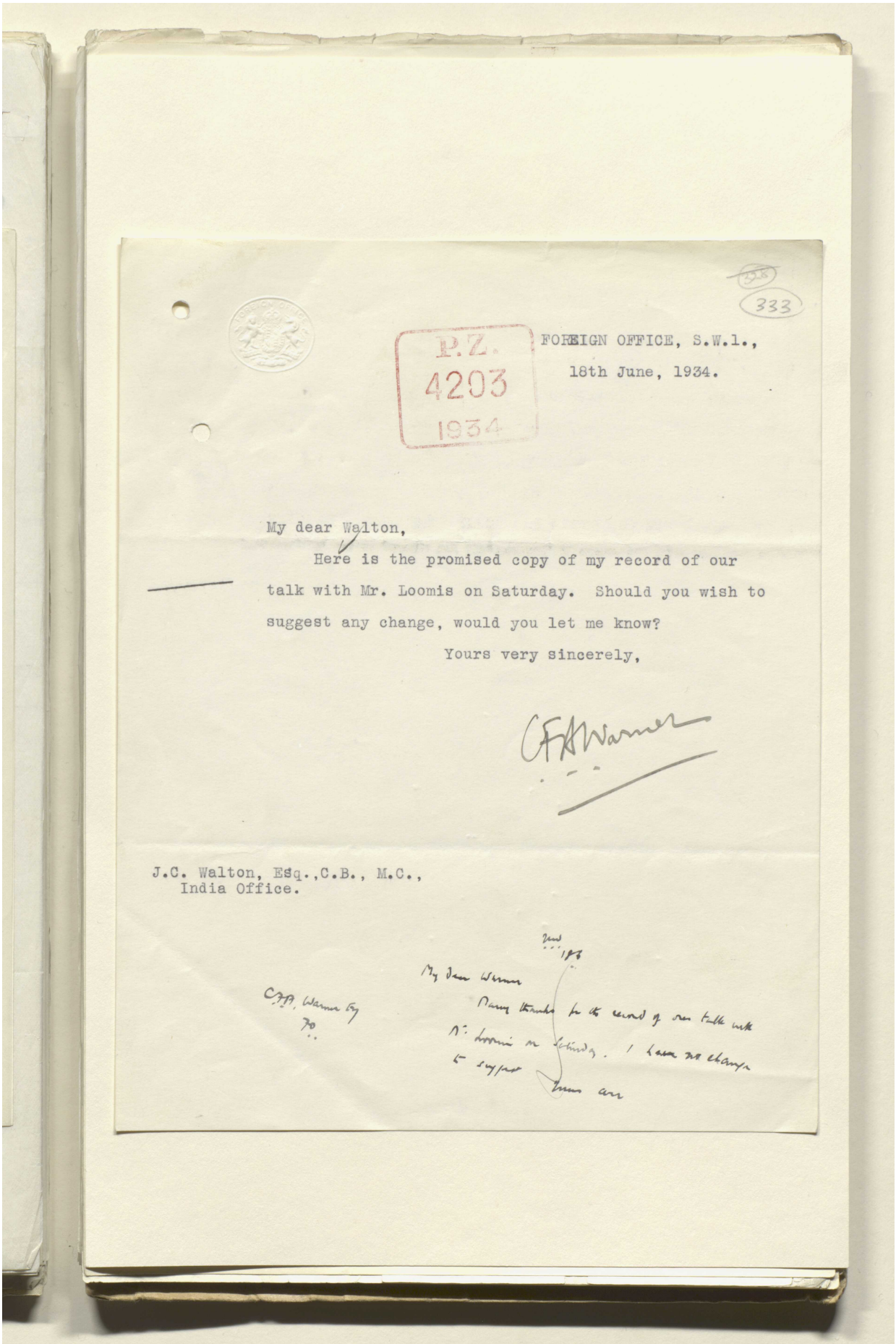

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FOREIGN OFFICE, S.W.1.,
18th June, 1934.

My dear Walton,

Here is the promised copy of my record of our talk with Mr. Loomis on Saturday. Should you wish to suggest any change, would you let me know?

Yours very sincerely,

C F A Warner

J.C. Walton, Esq.,C.B., M.C.,
India Office.

C.F.A. Warner Esq
70

2nd
18th

My dear Warner

Many thanks for the record of our talk with Mr. Loomis on Saturday. I have no change to suggest

Yours ever

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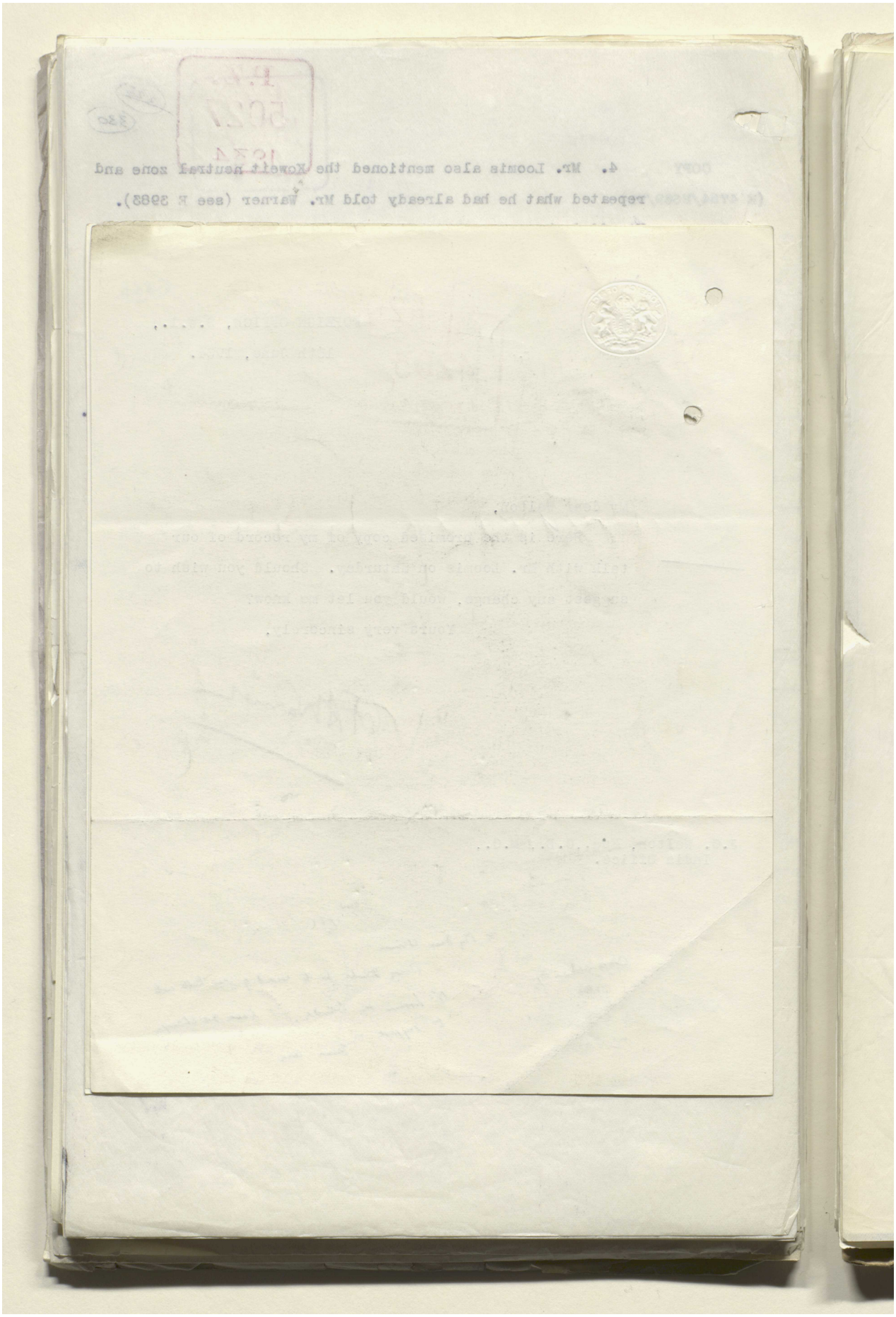

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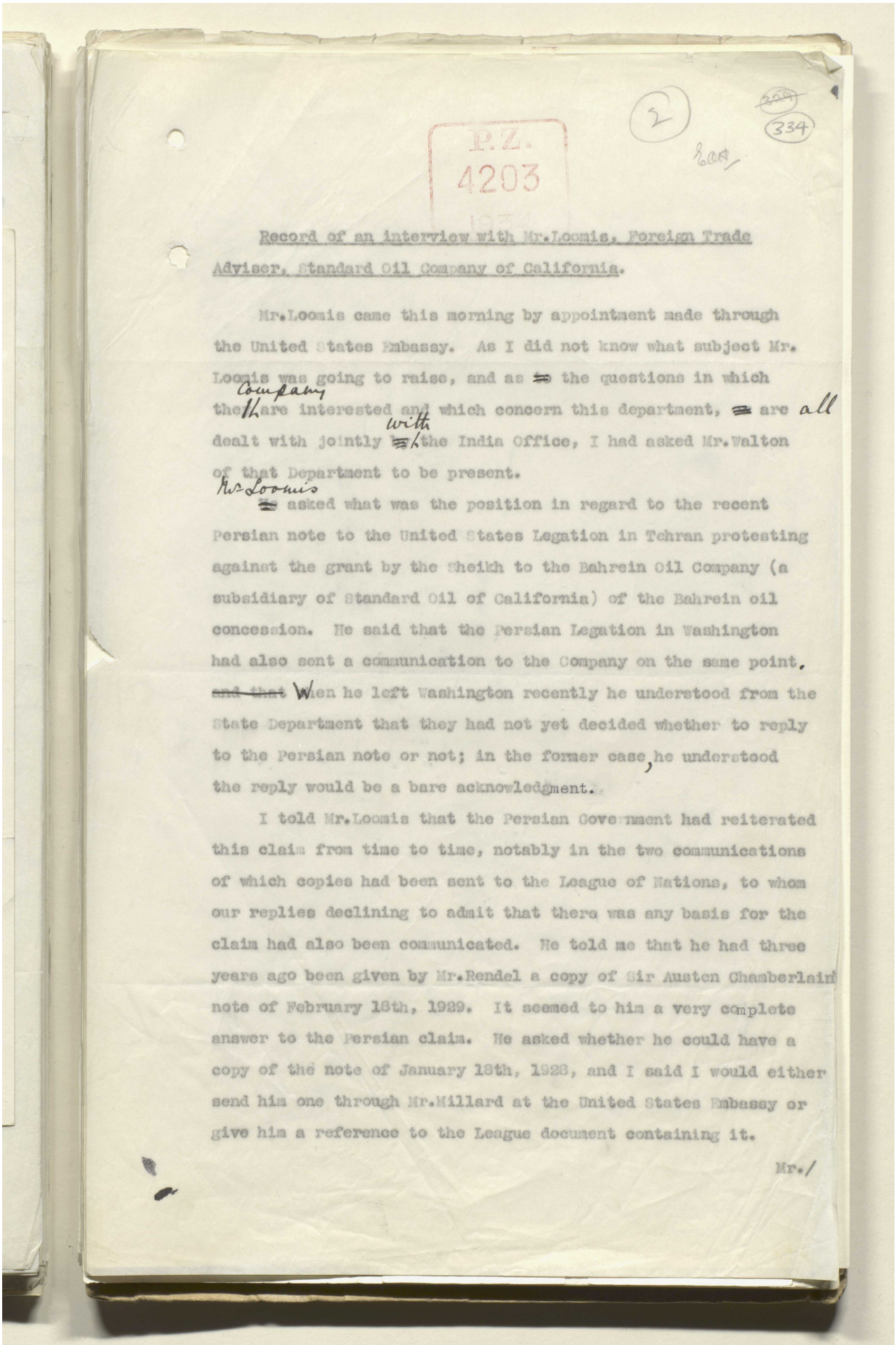

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East

Record of an interview with Mr.Loomis, Foreign Trade Adviser, Standard Oil Company of California.

Mr.Loomis came this morning by appointment made through the United States Embassy. As I did not know what subject Mr. Loomis was going to raise, and as ~~=~~ the questions in which the Company are interested and which concern this department, ~~=~~ are all dealt with jointly with the India Office, I had asked Mr.Walton of that Department to be present.

~~=~~ Mr.Loomis asked what was the position in regard to the recent Persian note to the United States Legation in Tehran protesting against the grant by the Sheikh to the Bahrein Oil Company (a subsidiary of Standard Oil of California) of the Bahrein oil concession. He said that the Persian Legation in Washington had also sent a communication to the Company on the same point, ~~and that~~ When he left Washington recently he understood from the State Department that they had not yet decided whether to reply to the Persian note or not; in the former case, he understood the reply would be a bare acknowledgment.

I told Mr.Loomis that the Persian Government had reiterated this claim from time to time, notably in the two communications of which copies had been sent to the League of Nations, to whom our replies declining to admit that there was any basis for the claim had also been communicated. He told me that he had three years ago been given by Mr.Rendel a copy of Sir Austen Chamberlain's note of February 18th, 1929. It seemed to him a very complete answer to the Persian claim. He asked whether he could have a copy of the note of January 18th, 1928, and I said I would either send him one through Mr.Millard at the United States Embassy or give him a reference to the League document containing it.

Mr./

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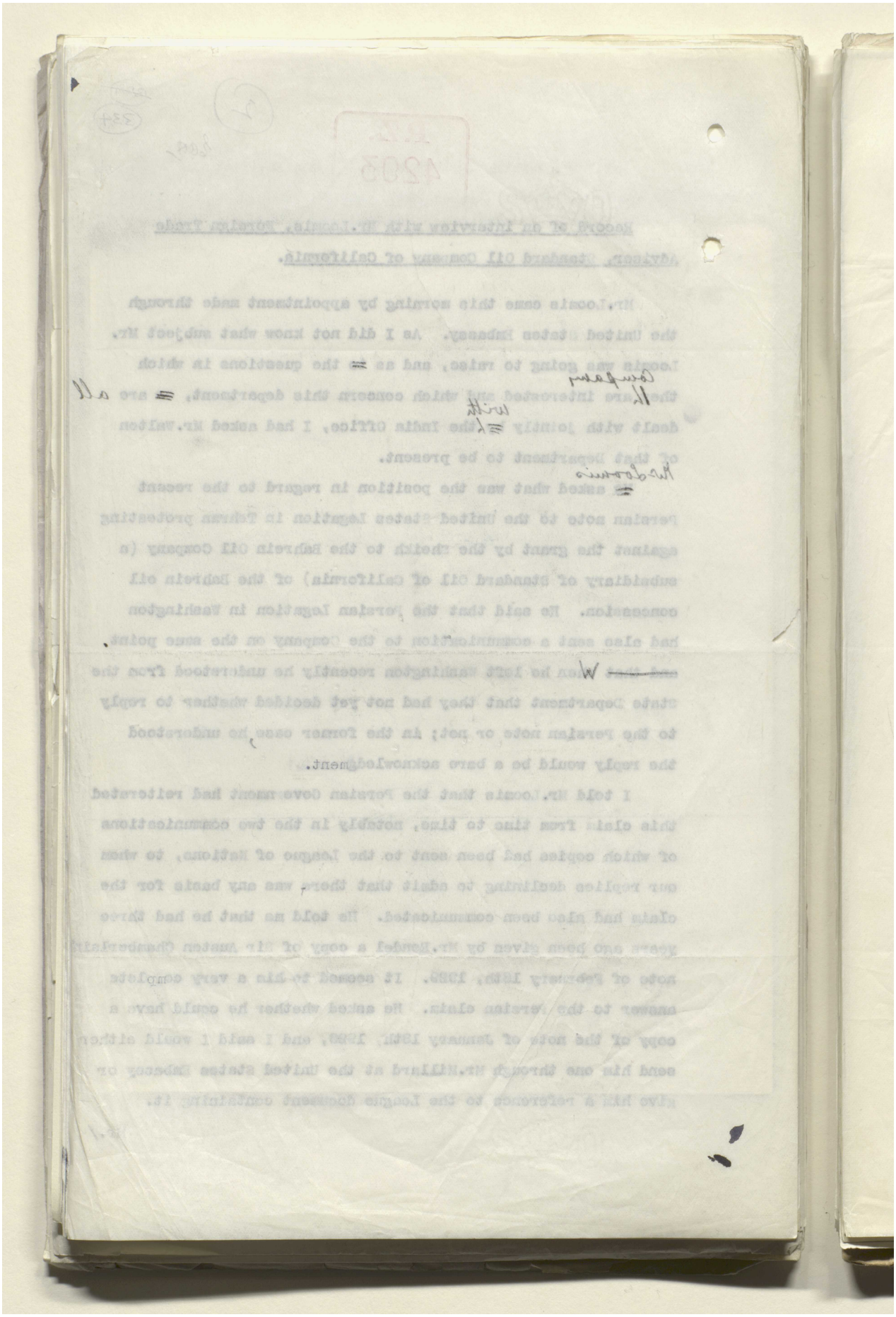

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Mr.Loomis then, in the course of further conversation on his Company's various oil interests in the Persian Gulf area, asked what the relations were between Ibn Saud and the Sheikh of Qatar. Mr.Walton and I explained that there were no special relations between them, except that under the Treaty of Jedda Ibn Saud agreed to keep on friendly terms with the Sheikh of Qatar and other local potentates who were in special treaty relations with His Majesty's Government. Mr.Loomis said that Ibn Saud had rather implied to his Company that he had some kind of overlordship over the Sheikh of Qatar, and quoted the Foreign Office Peace Handbook of Arabia, 1920, as saying that Ibn Saud's dominion at that time extended over Qatar. We told Mr.Loomis that the statement in the Handbook was certainly a mistake, and Mr.Loomis said that he was glad to know, as his Company did not wish to be misled by Ibn Saud in the matter. At a later stage of the conversation, we were looking at the map & I indicated to Mr.Loomis the Blue Line. Mr.Loomis at once said "Oh, yes. The line laid down by the "Anglo-Turkish Conventions". He evidently knew of the explanations regarding the blue line which we gave the U.S. Embassy here.

Mr.Loomis also enquired whether any oil concession had yet been given to the Gulf Oil Company and Anglo-Persian Oil Company in Koweit, and Mr.Walton replied that the negotiations were not yet concluded. Mr.Loomis then referred to the Koweit Neutral Zone and remarked that his Company had, under the provisions of their concession over the Hasa, an arrangement in respect of Ibn Saud's right to grant an oil concession in the Neutral Zone. I asked him what this amounted to, and he said that the provision was not very definite but was to the effect that the Standard Oil Company had the right of first refusal. (This confirms our previous information.)

In/

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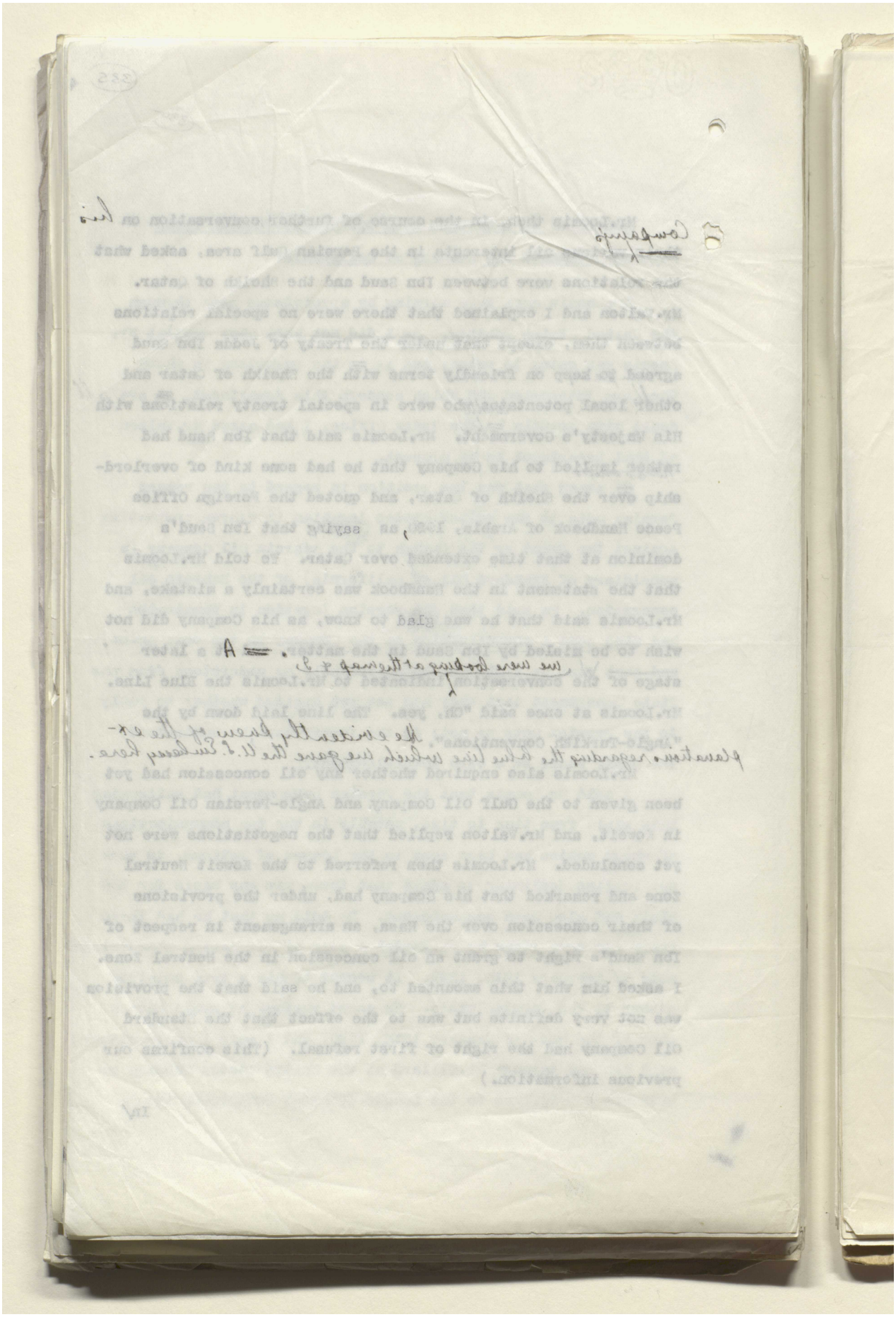

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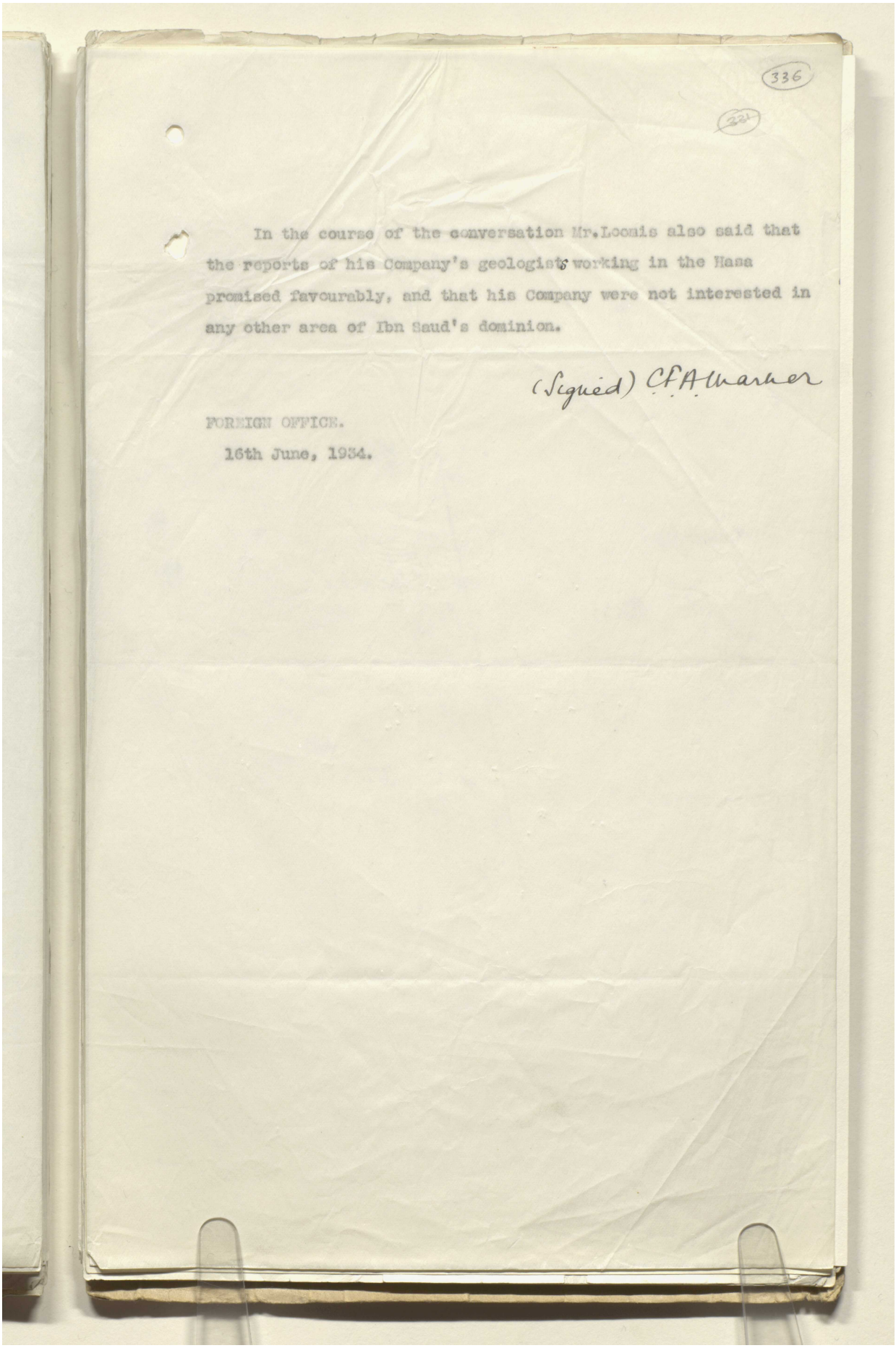

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In the course of the conversation Mr.Loomis also said that the reports of his Company's geologists working in the Hasa promised favourably, and that his Company were not interested in any other area of Ibn Saud's dominion.

(Signed) C.J.A.Warner

FOREIGN OFFICE.
16th June, 1934.

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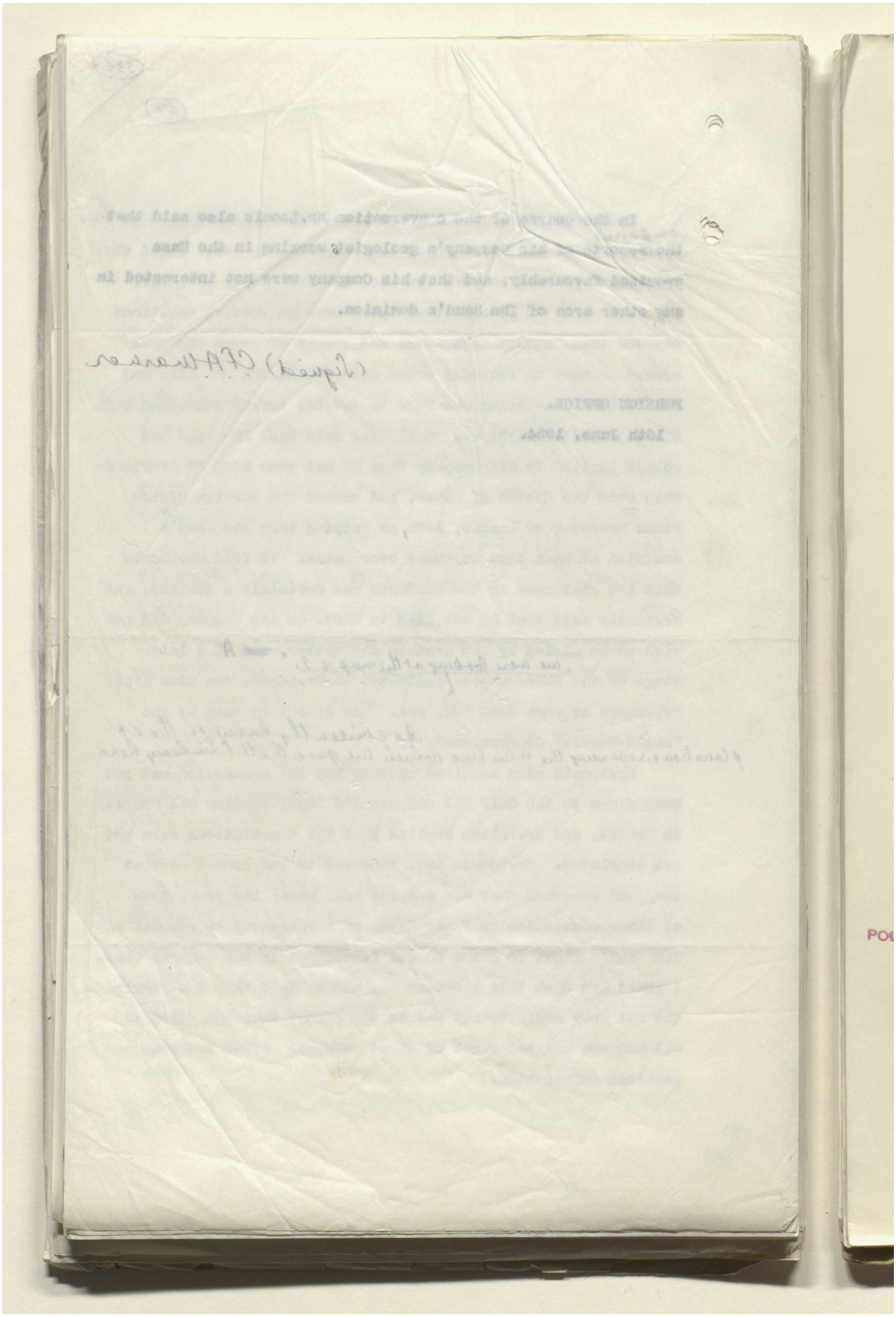

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Notes.

Minute Paper.

Register No.
P. Z. 4266/34

SECRET.
POLITICAL DEPARTMENT.

Dated
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			
Under Secretary	7.7.	[illegible]	California Standard Oil Company's Hasa Concession.
Secretary of State...			
Committee.....	9.7	[illegible]	
Under Secretary.....			
Secretary of State....			

Copy of to

FOR INFORMATION.

The Americans are withdrawing all their personnel from Hasa for the hot weather except two who will be left at Jubail and their aeroplane will also be laid up for the summer.

This is satisfactory from our point of view since it will prevent the possibility of further infringements of the "Blue Line" by the Company's aeroplane or personnel during this period.

P.H. Brombie 3/7/34

SEEN
POLITICAL COMMITTEE.
12 JUL 1934

Previous papers :—

1743 1000 3.33

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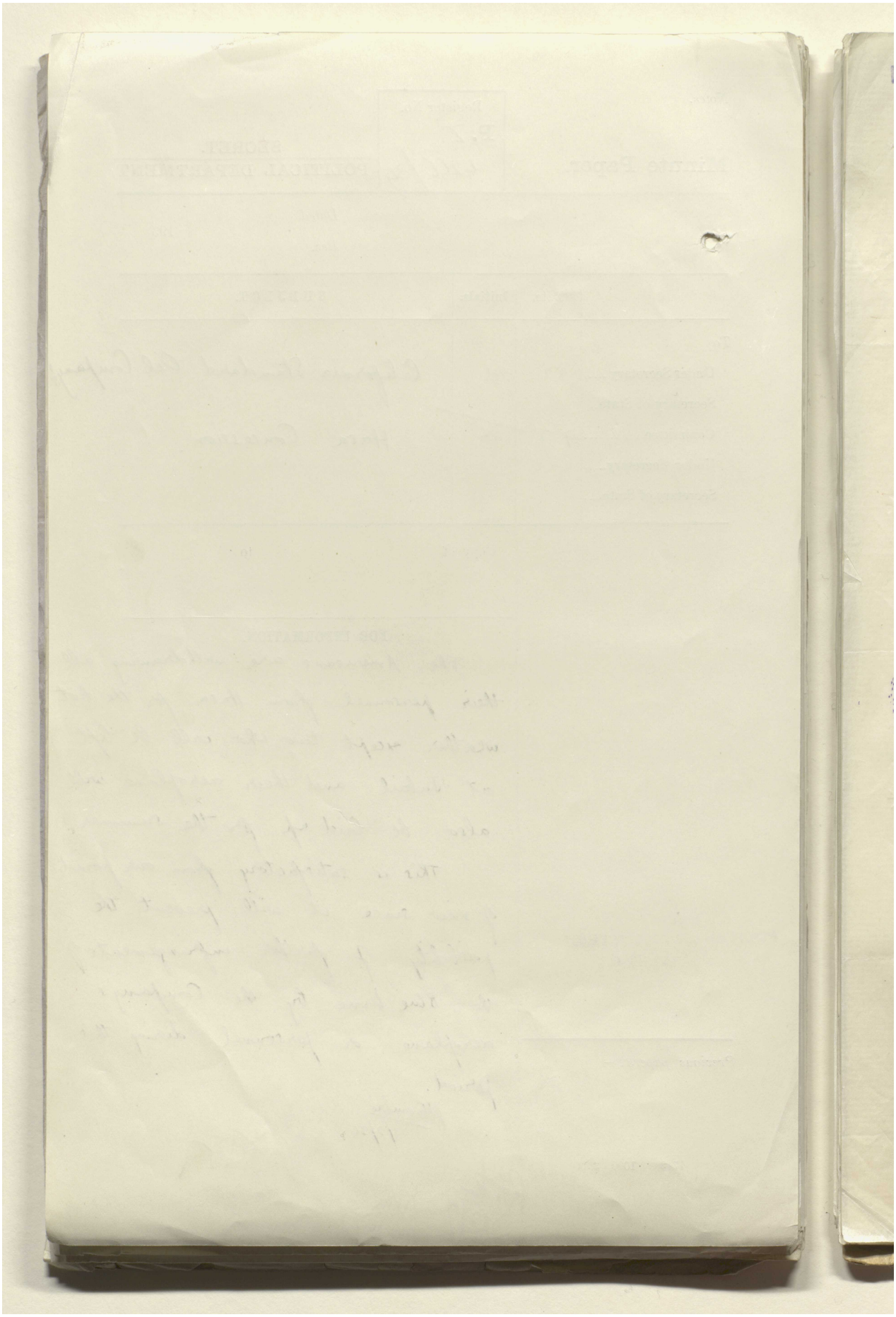

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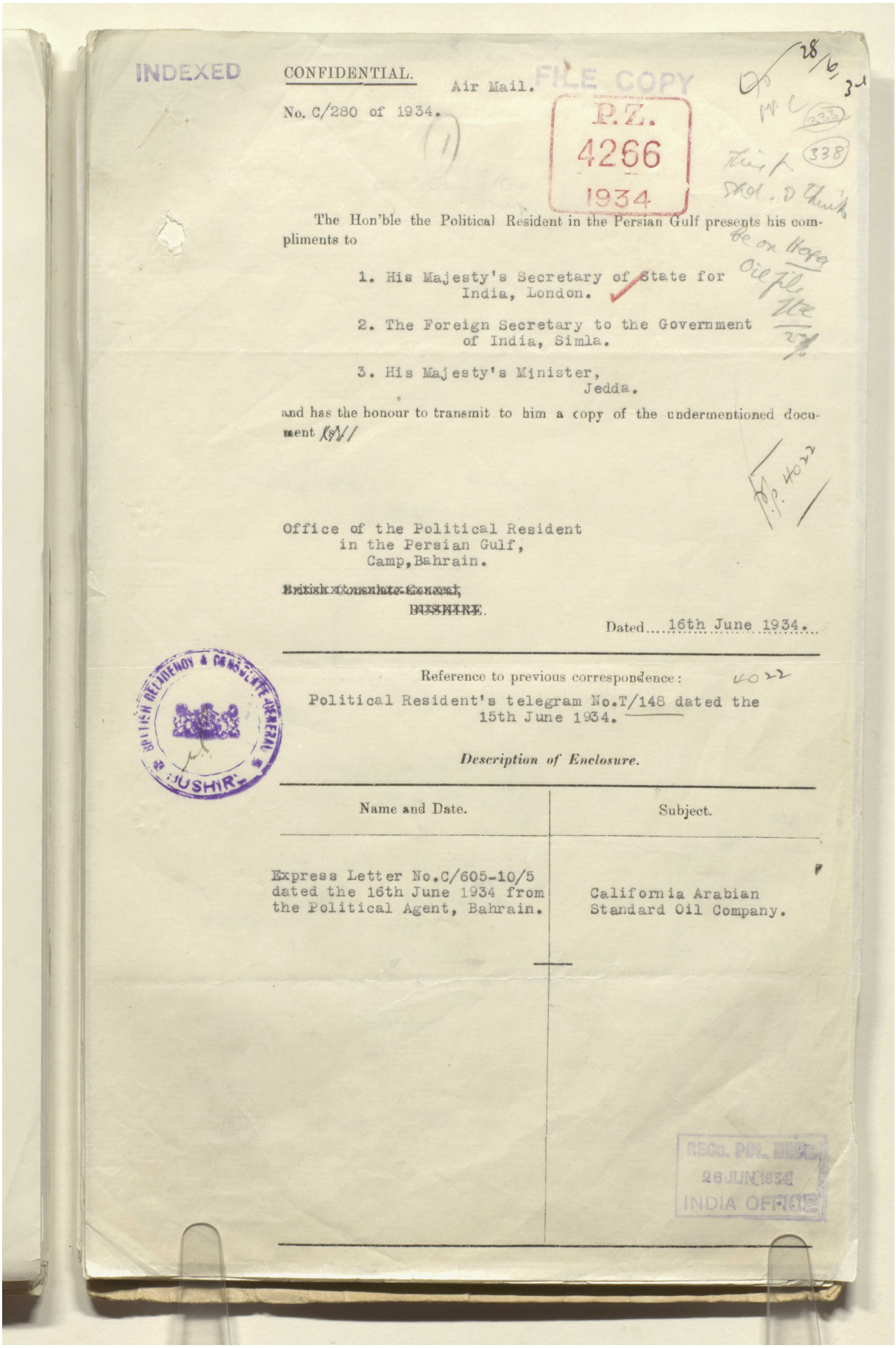

INDEXED

CONFIDENTIAL. Air Mail.

FILE COPY

P.Z. 4266 1934

No. C/280 of 1934.

28/6/34

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, Simla.
3. His Majesty's Minister, Jedda.

and has the honour to transmit to him a copy of the undermentioned document (s).

Office of the Political Resident in the Persian Gulf, Camp, Bahrain.

~~British Consulate-General,~~ ~~BUSHIRE~~.

Dated 16th June 1934.

BRITISH RESIDENCY & CONSULATE GENERAL BUSHIRE

Reference to previous correspondence:

Political Resident's telegram No.T/148 dated the 15th June 1934.

Description of Enclosure.

Name and Date.	Subject.
Express Letter No.C/605-10/5 dated the 16th June 1934 from the Political Agent, Bahrain.	California Arabian Standard Oil Company.

REGD. POL. DEPT. 26 JUN 1934 INDIA OFFICE

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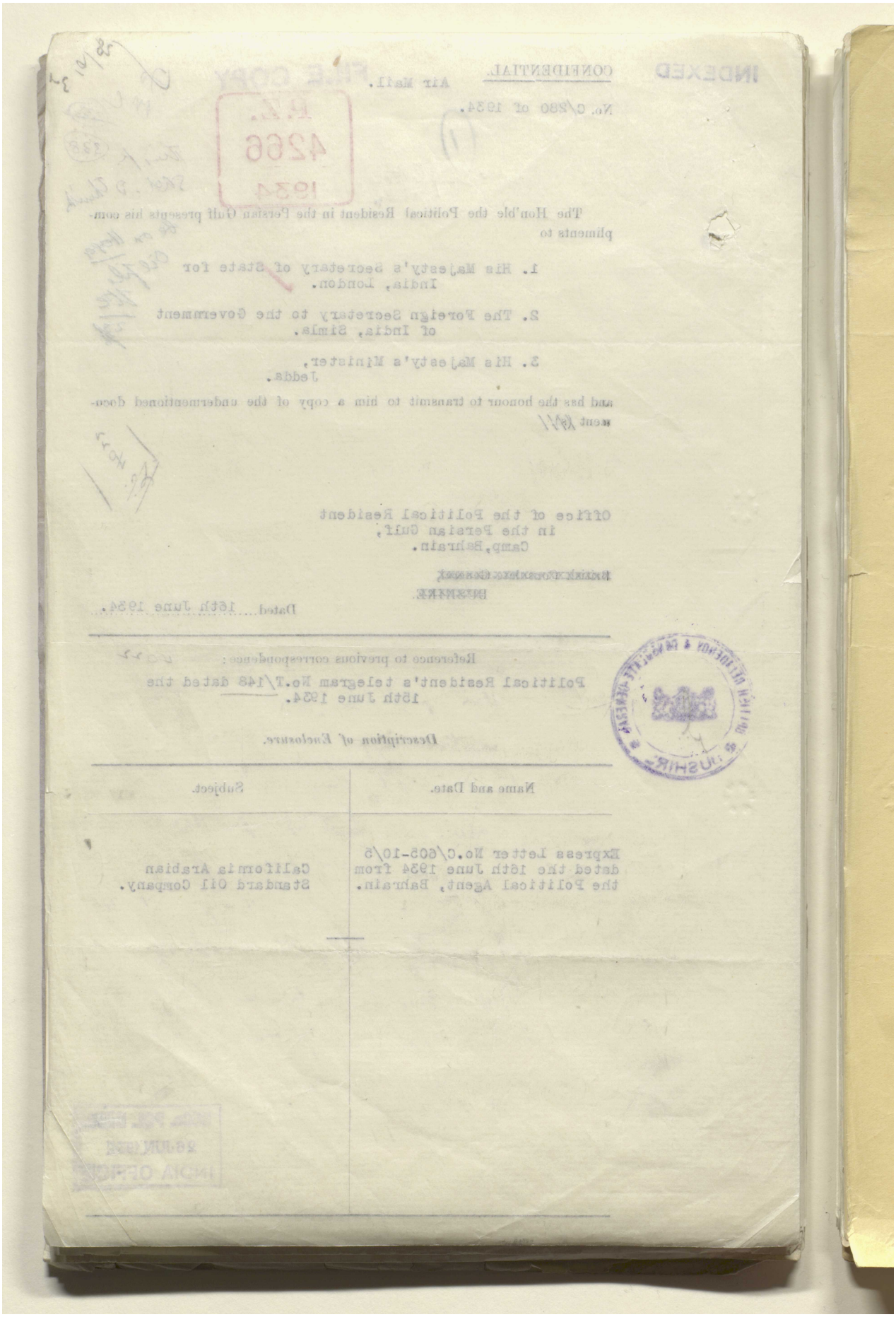

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P.Z.
4266
1934

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CONFIDENTIAL

GOVERNMENT OF INDIA.

_____ DEPARTMENT.

EXPRESS LETTER

[*N. B.—This is an ORIGINAL MESSAGE, sent by post to save telegraphic expense and undue use of the wires, but intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and formalities it is worded and signed as if it had been so despatched.*]

FROM

Political,

Bahrain.

To

Resident,

Bahrain.

No. C/605-10/5. *Dated* 16th June 193 4.

California Arabian Standard Oil Company.

My Express Letter C/597-10/5 June 14th.

2. Mr. Miller told me on the 15th June that the Company were leaving two only of their American personnel at Jubail as representatives during the hot weather. They would go on spells of leave (probably to India) one at a time.

3. With this exception, all the American personnel will be withdrawn, as it is found that work is almost impossible owing to haze and heat, and that if a man is kept at work in the desert in hot weather he is too worn out to be efficient when the cool weather comes again.

4. The Company's aeroplane is to be laid up in Jubail for the summer.

Sd/- G.Loch.
Lieut-Colonel,
Political Agent, Bahrain.

S. 6.
MFP—785S&P—(M-1014)—18-8-33—2,00,000.

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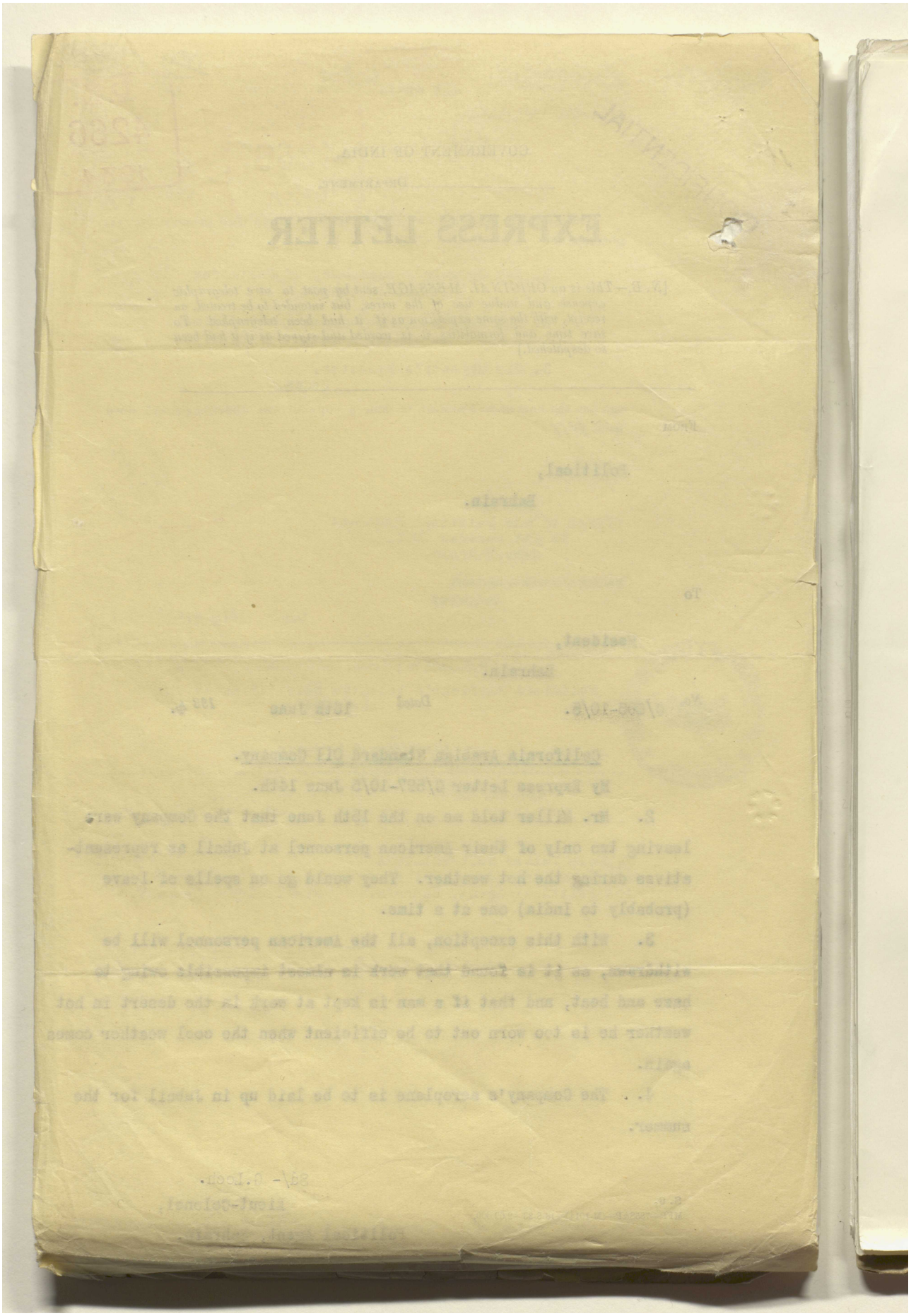

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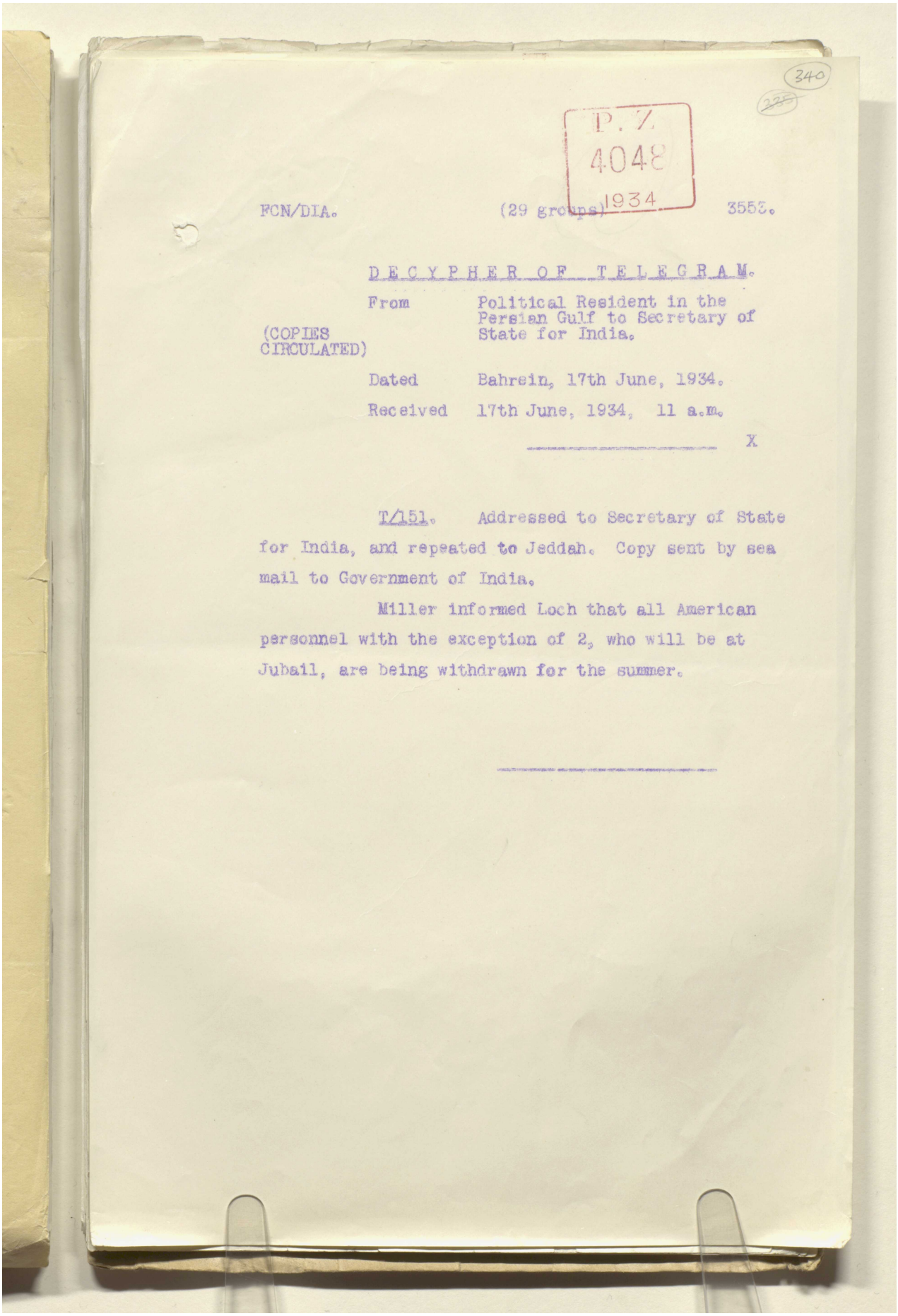

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P. Z.
4048
1934

FCN/DIA. (29 groups) 3553.

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India.

(COPIES CIRCULATED)

Dated Bahrein, 17th June, 1934.

Received 17th June, 1934, 11 a.m.

X

T/151. Addressed to Secretary of State for India, and repeated to Jeddah. Copy sent by sea mail to Government of India.

Miller informed Loch that all American personnel with the exception of 2, who will be at Jubail, are being withdrawn for the summer.

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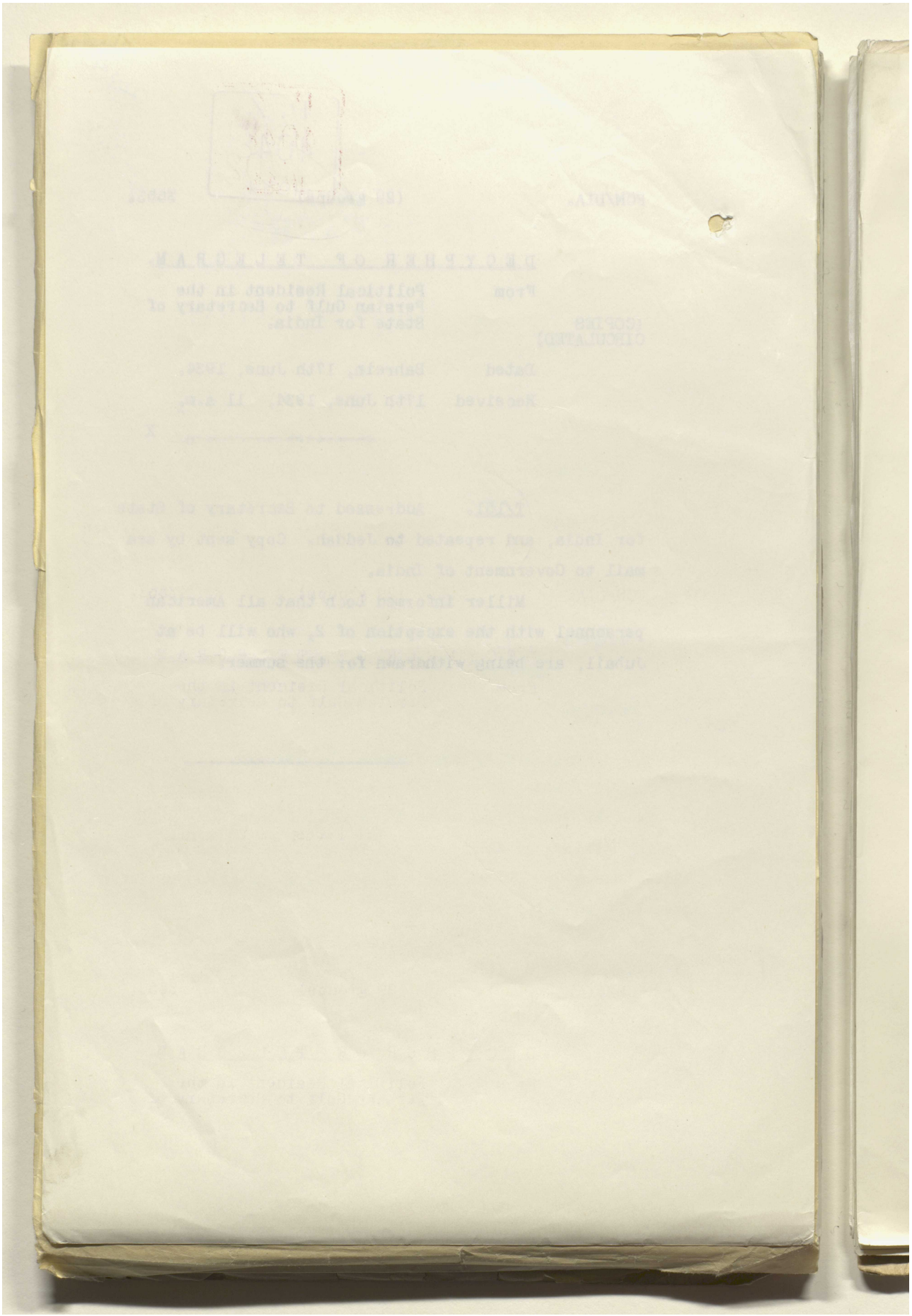

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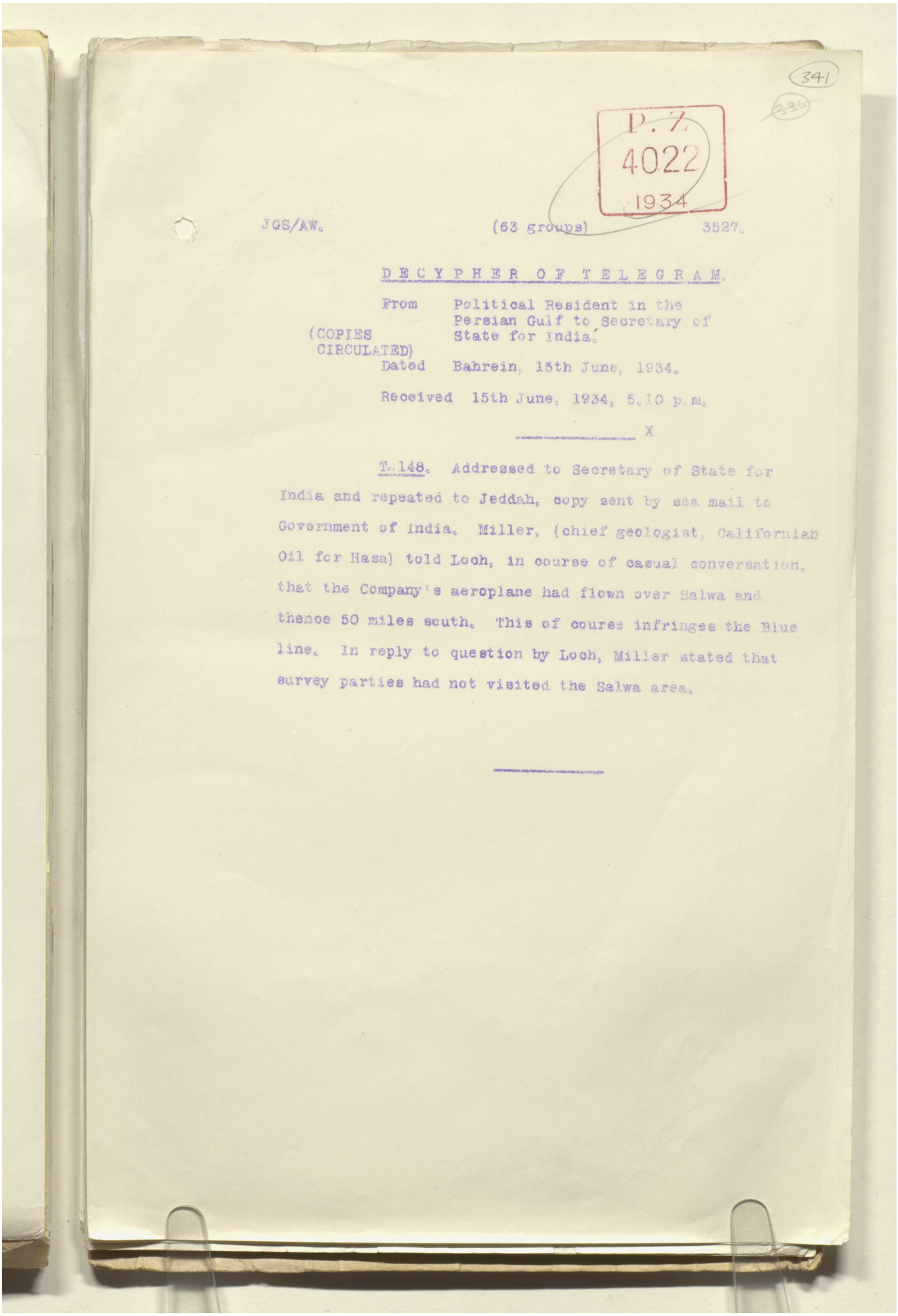

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P. Z. 4022 1934

JGS/AW. (63 groups) 3527.

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India.

(COPIES CIRCULATED)

Dated Bahrein, 15th June, 1934.

Received 15th June, 1934, 5.10 p.m.

X

T.148. Addressed to Secretary of State for India and repeated to Jeddah, copy sent by sea mail to Government of India. Miller, (chief geologist, Californian Oil for Hasa) told Loch, in course of casual conversation, that the Company's aeroplane had flown over Salwa and thence 50 miles south. This of course infringes the Blue line. In reply to question by Loch, Miller stated that survey parties had not visited the Salwa area.

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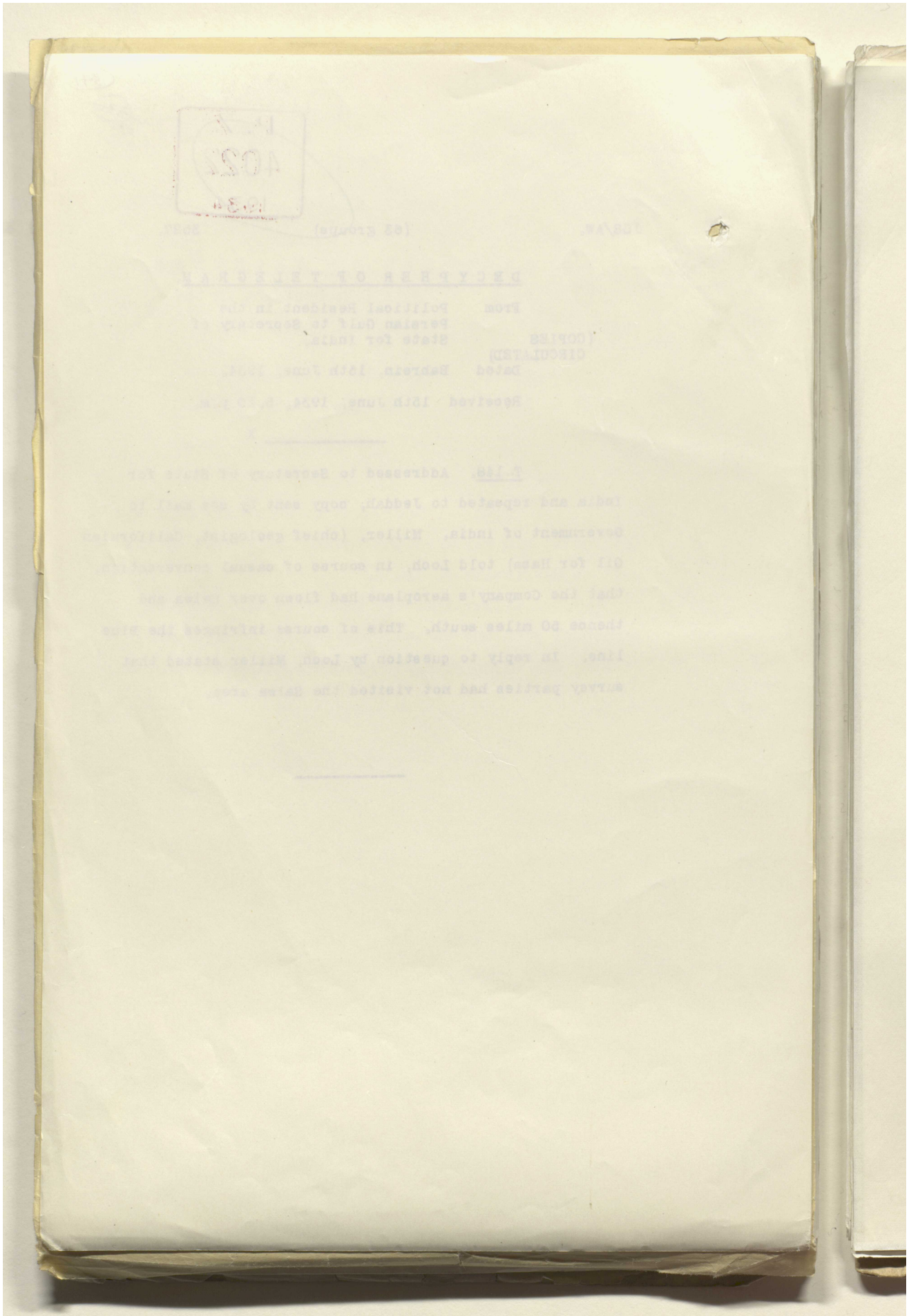

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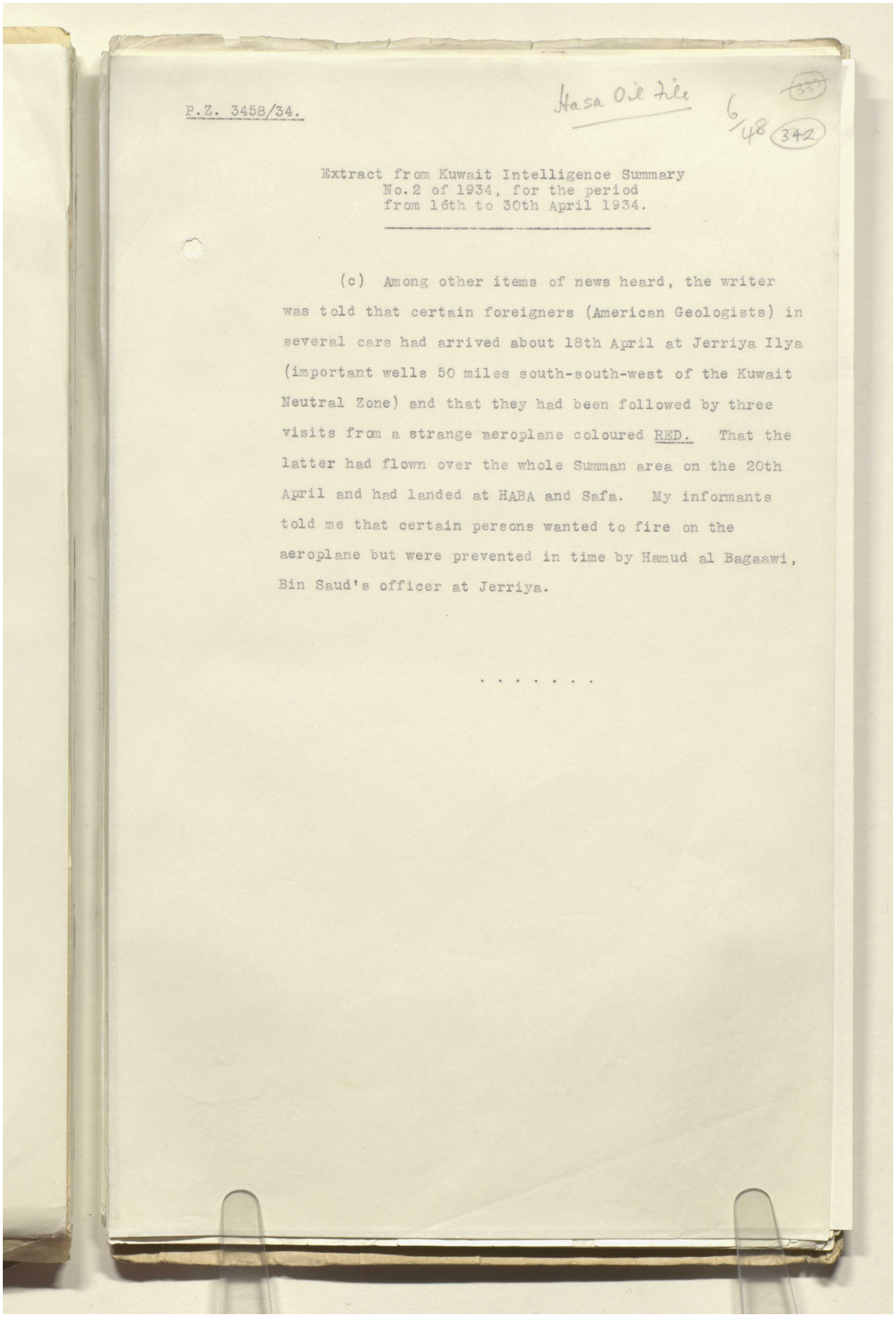

P.Z. 3458/34.

Hasa Oil file 6/48 (337) (342)

Extract from Kuwait Intelligence Summary
No. 2 of 1934, for the period
from 16th to 30th April 1934.

(c) Among other items of news heard, the writer was told that certain foreigners (American Geologists) in several cars had arrived about 18th April at Jerriya Ilya (important wells 50 miles south-south-west of the Kuwait Neutral Zone) and that they had been followed by three visits from a strange aeroplane coloured RED. That the latter had flown over the whole Summan area on the 20th April and had landed at HABA and Safa. My informants told me that certain persons wanted to fire on the aeroplane but were prevented in time by Hamud al Bagaawi, Bin Saud's officer at Jerriya.

. . . . . .

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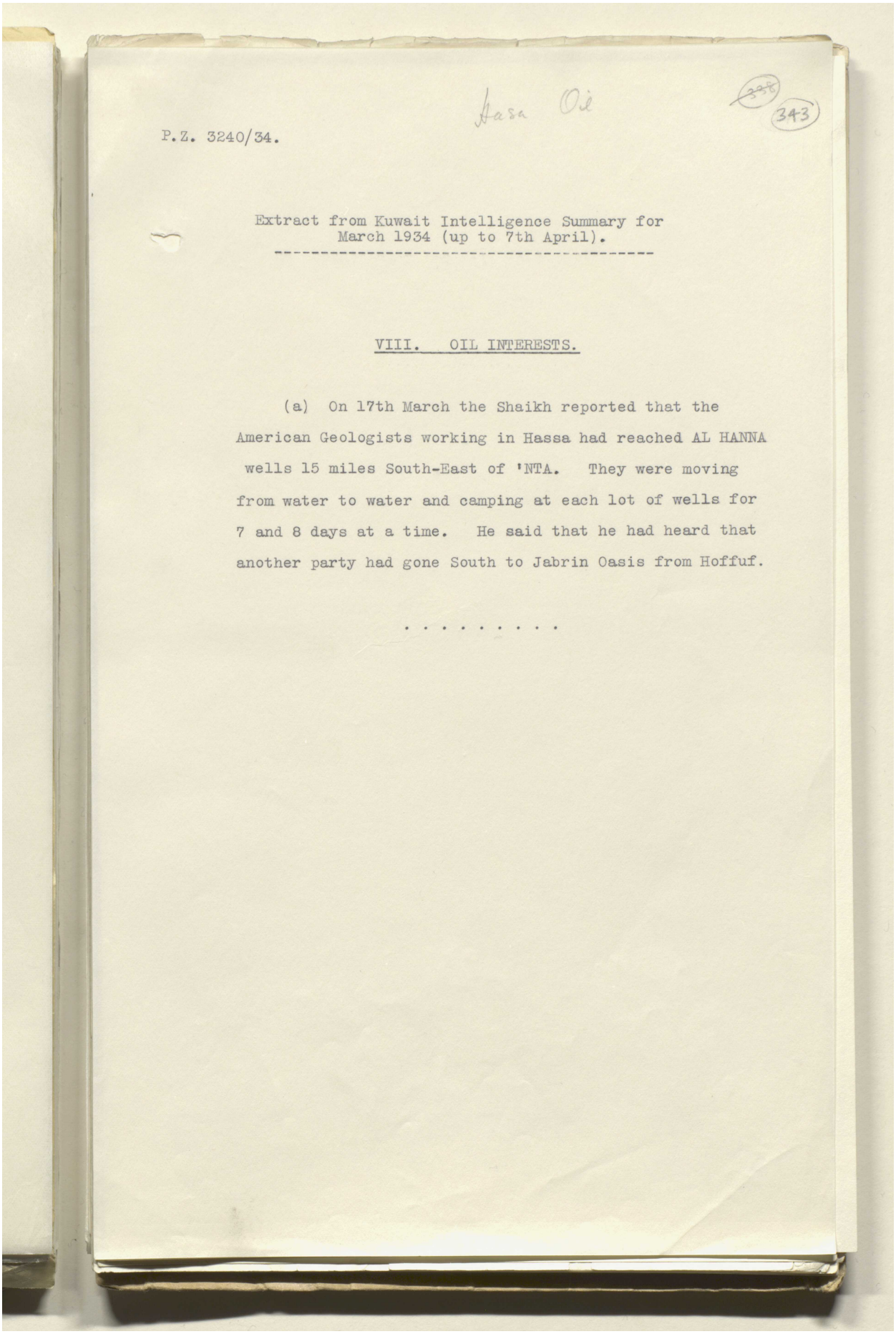

Hasa Oil

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P.Z. 3240/34.

Extract from Kuwait Intelligence Summary for March 1934 (up to 7th April).

VIII. OIL INTERESTS.

(a) On 17th March the Shaikh reported that the American Geologists working in Hassa had reached AL HANNA wells 15 miles South-East of 'NTA. They were moving from water to water and camping at each lot of wells for 7 and 8 days at a time. He said that he had heard that another party had gone South to Jabrin Oasis from Hoffuf.

. . . . . .

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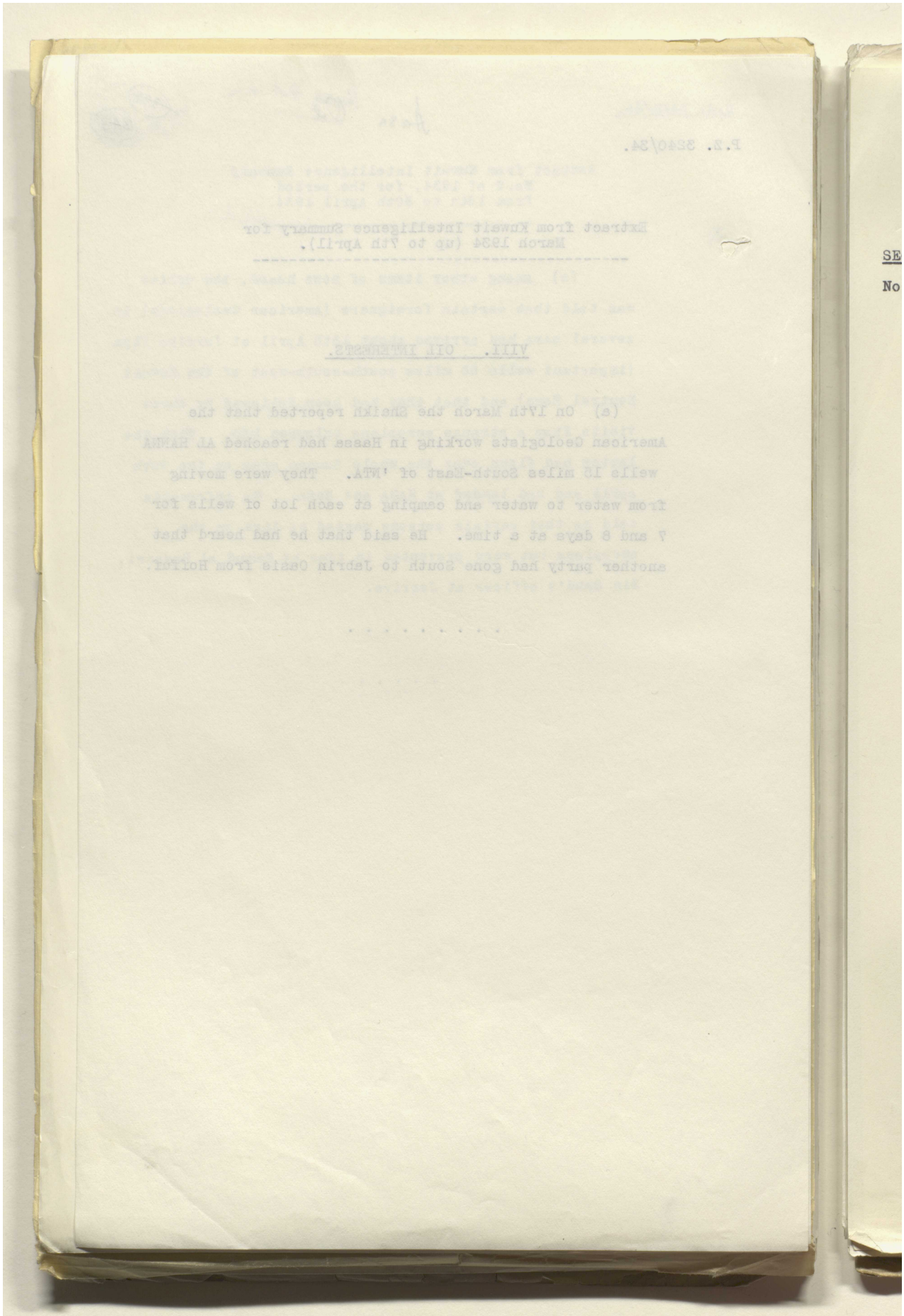

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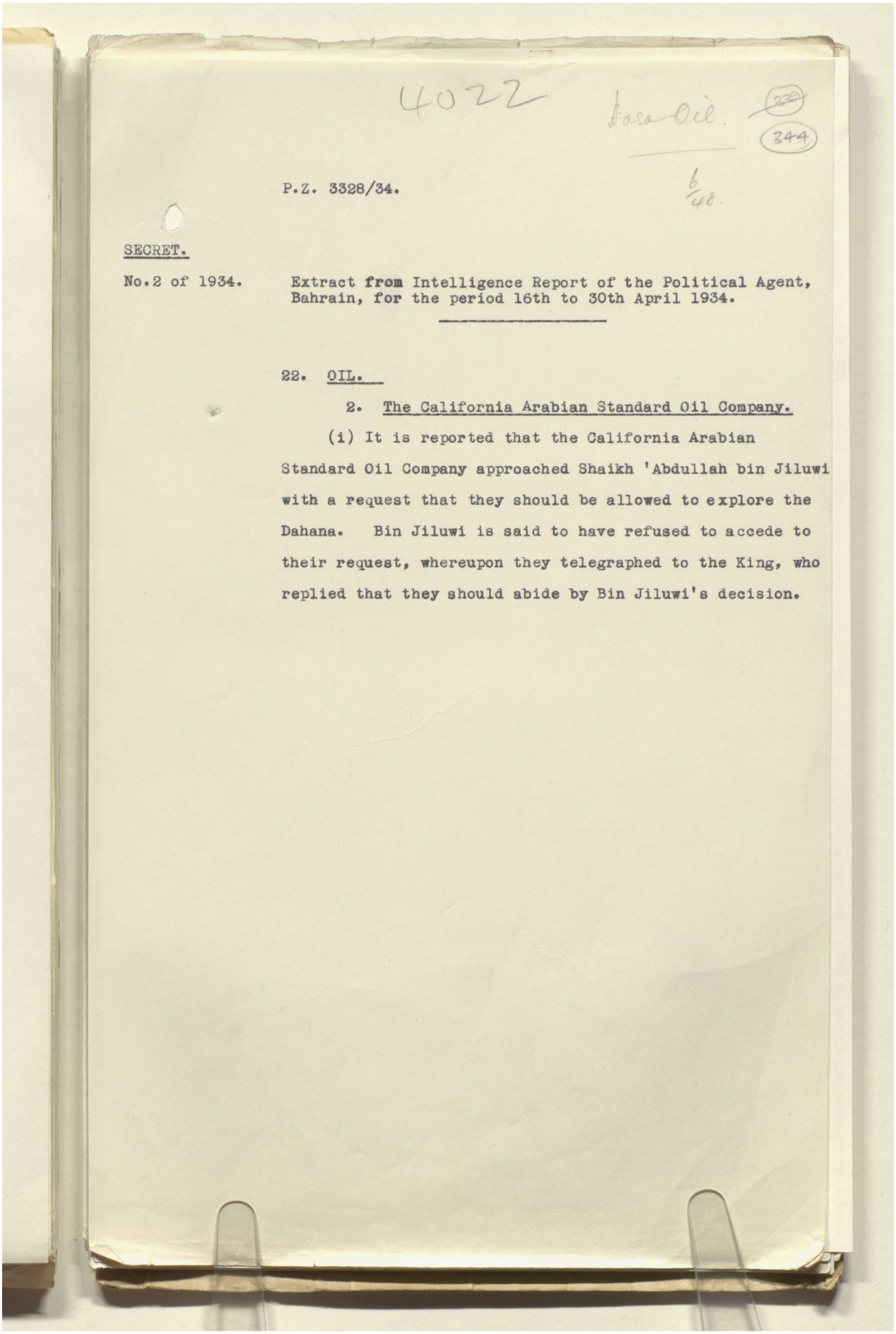

4022 Hasa Oil. 339 344

P.Z. 3328/34. b/48.

SECRET.

No.2 of 1934. Extract from Intelligence Report of the Political Agent, Bahrain, for the period 16th to 30th April 1934.

22. OIL.

2. The California Arabian Standard Oil Company.

(i) It is reported that the California Arabian Standard Oil Company approached Shaikh 'Abdullah bin Jiluwi with a request that they should be allowed to explore the Dahana. Bin Jiluwi is said to have refused to accede to their request, whereupon they telegraphed to the King, who replied that they should abide by Bin Jiluwi's decision.

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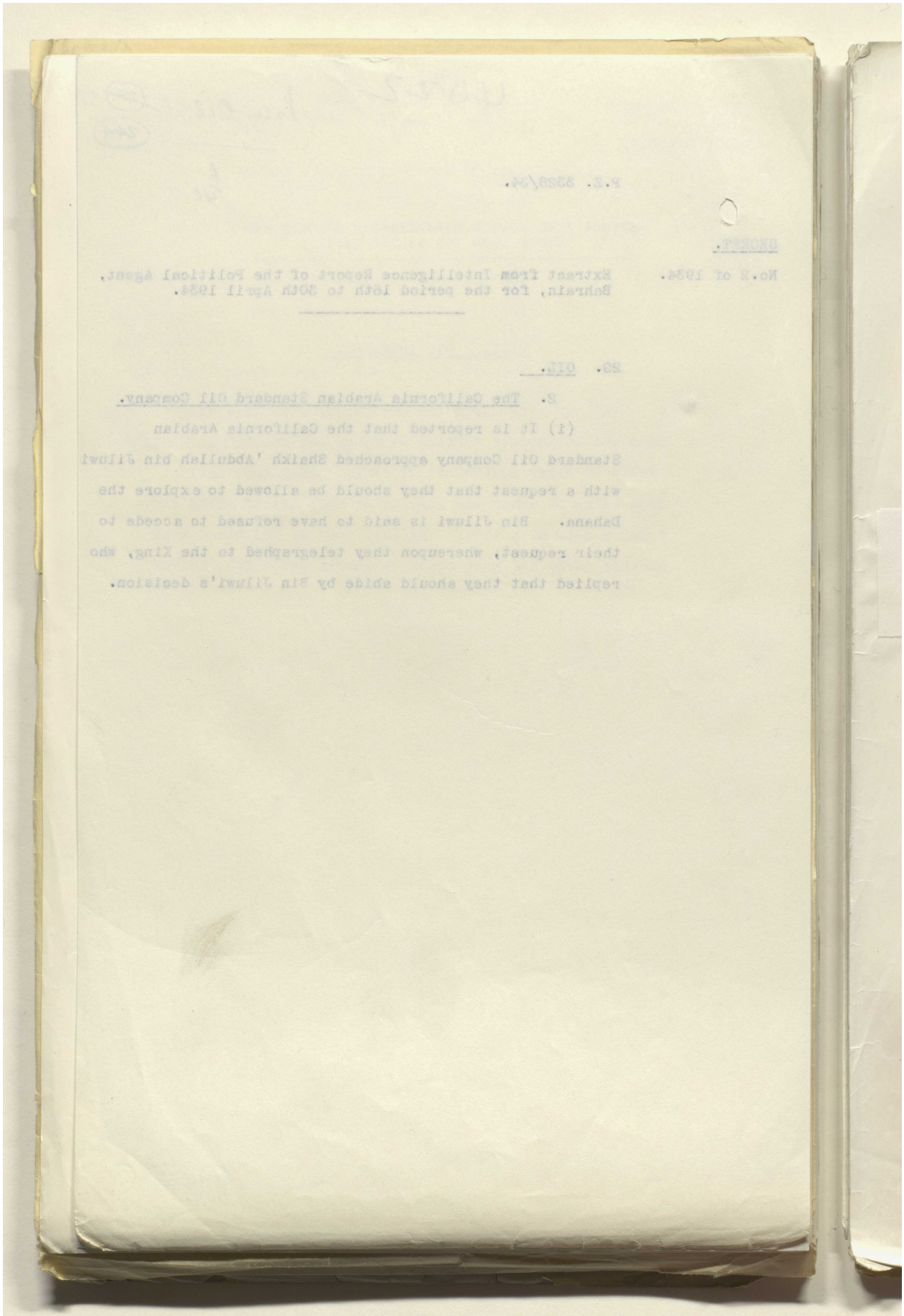

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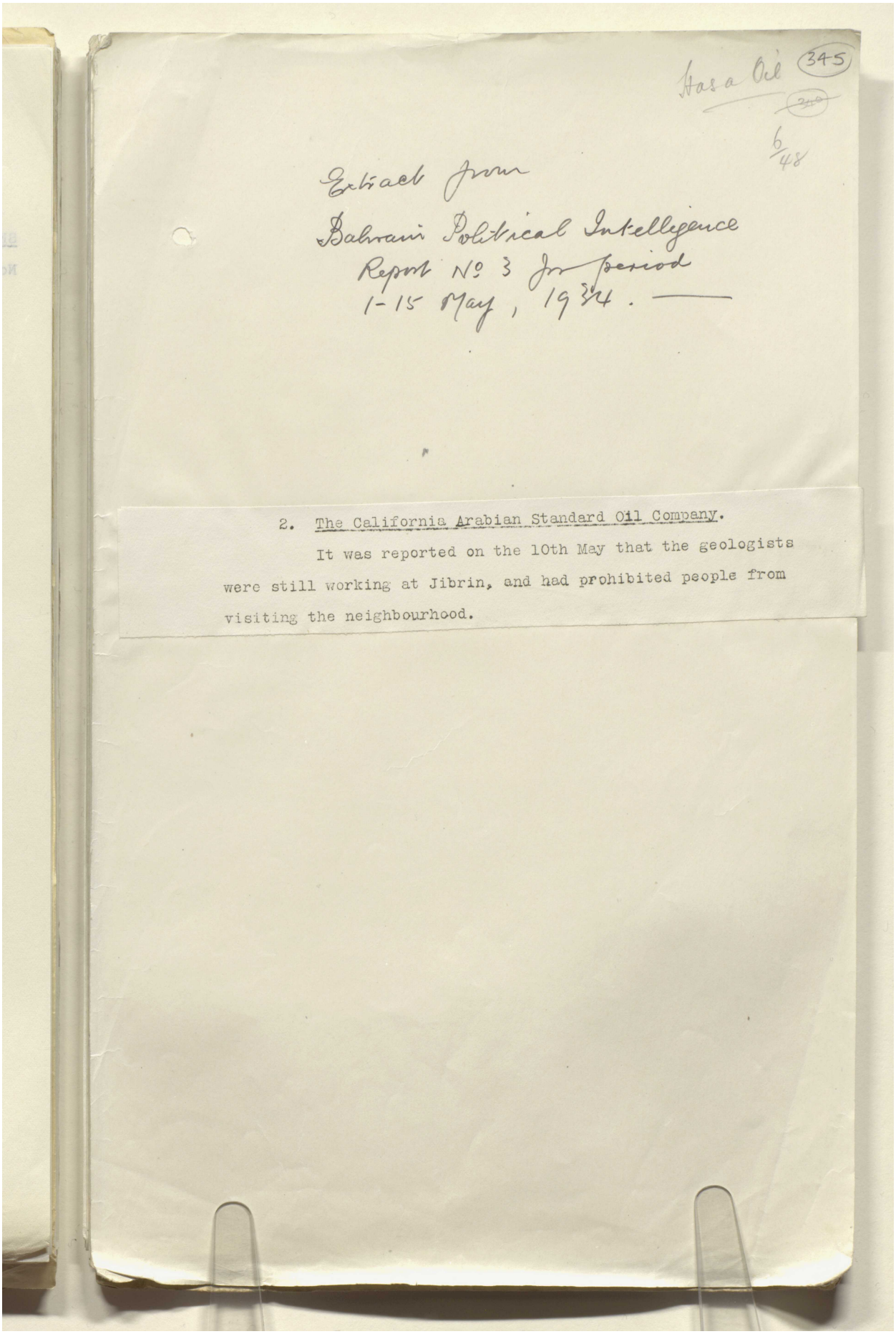

Hasa Oil 345

6/48

Extract from
Bahrain Political Intelligence
Report No 3 for period
1-15 May, 1934.

2. The California Arabian Standard Oil Company.

It was reported on the 10th May that the geologists were still working at Jibrin, and had prohibited people from visiting the neighbourhood.

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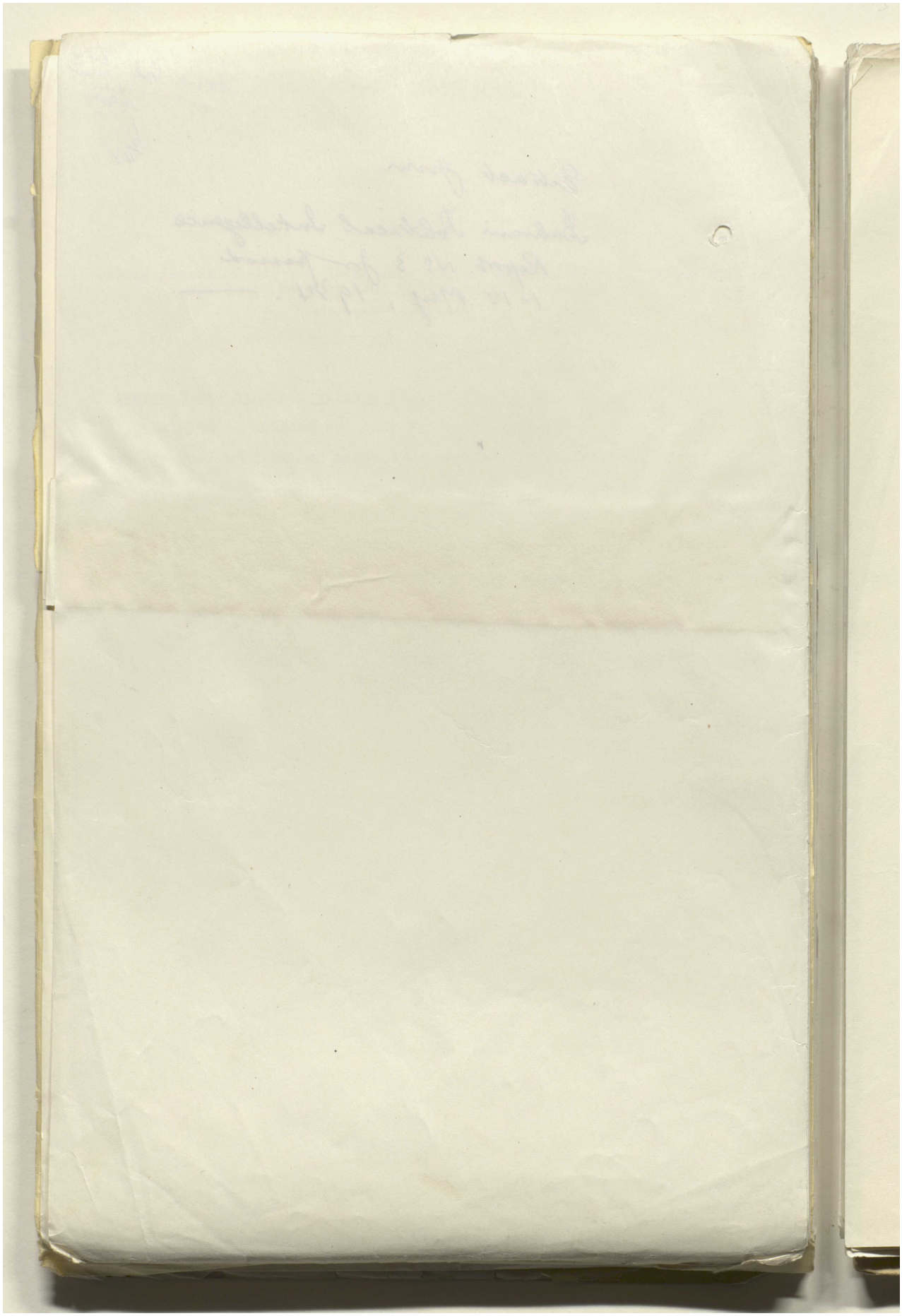

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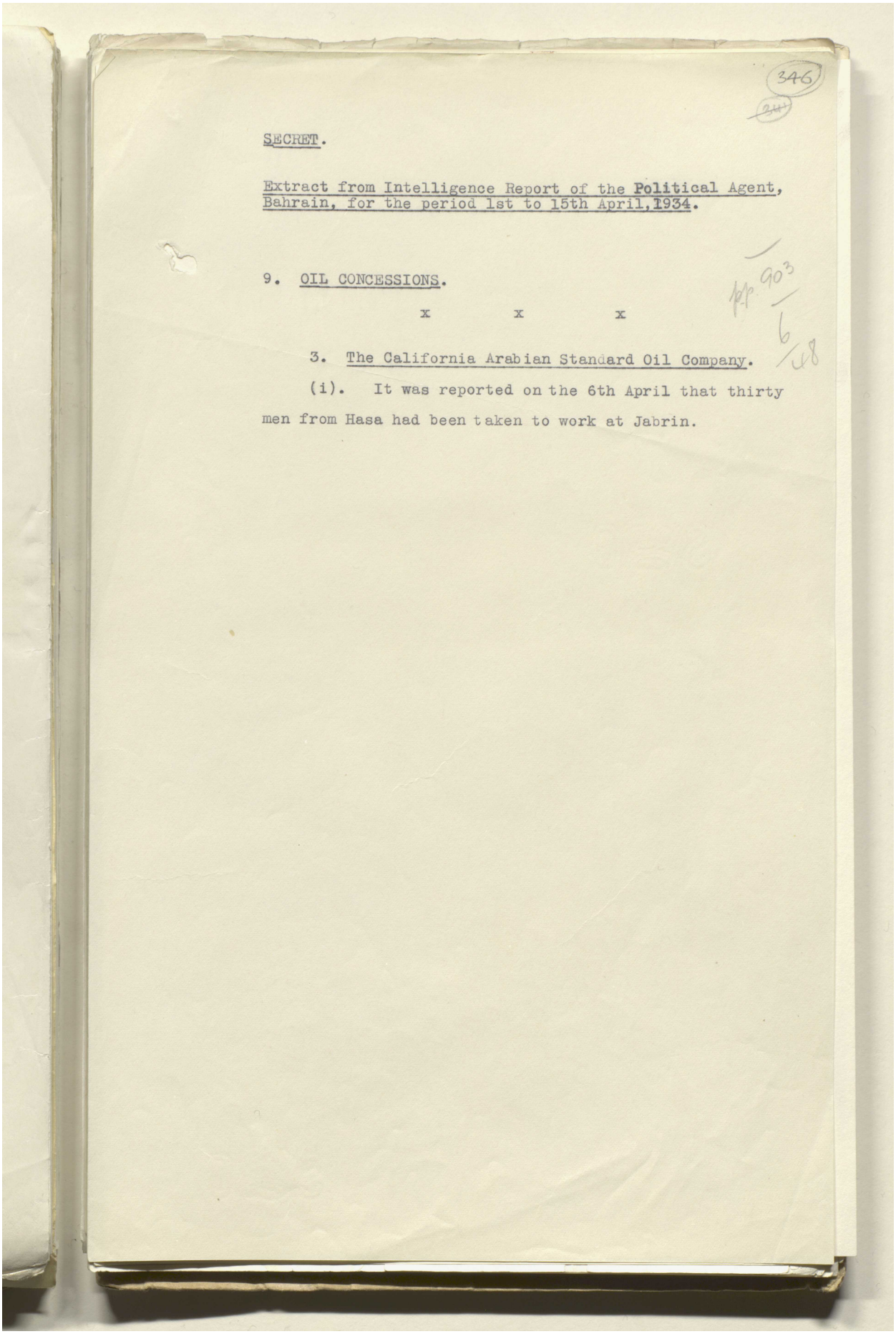

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SECRET.

Extract from Intelligence Report of the Political Agent, Bahrain, for the period 1st to 15th April, 1934.

9. OIL CONCESSIONS.

x x x

3. The California Arabian Standard Oil Company.

(i). It was reported on the 6th April that thirty men from Hasa had been taken to work at Jabrin.

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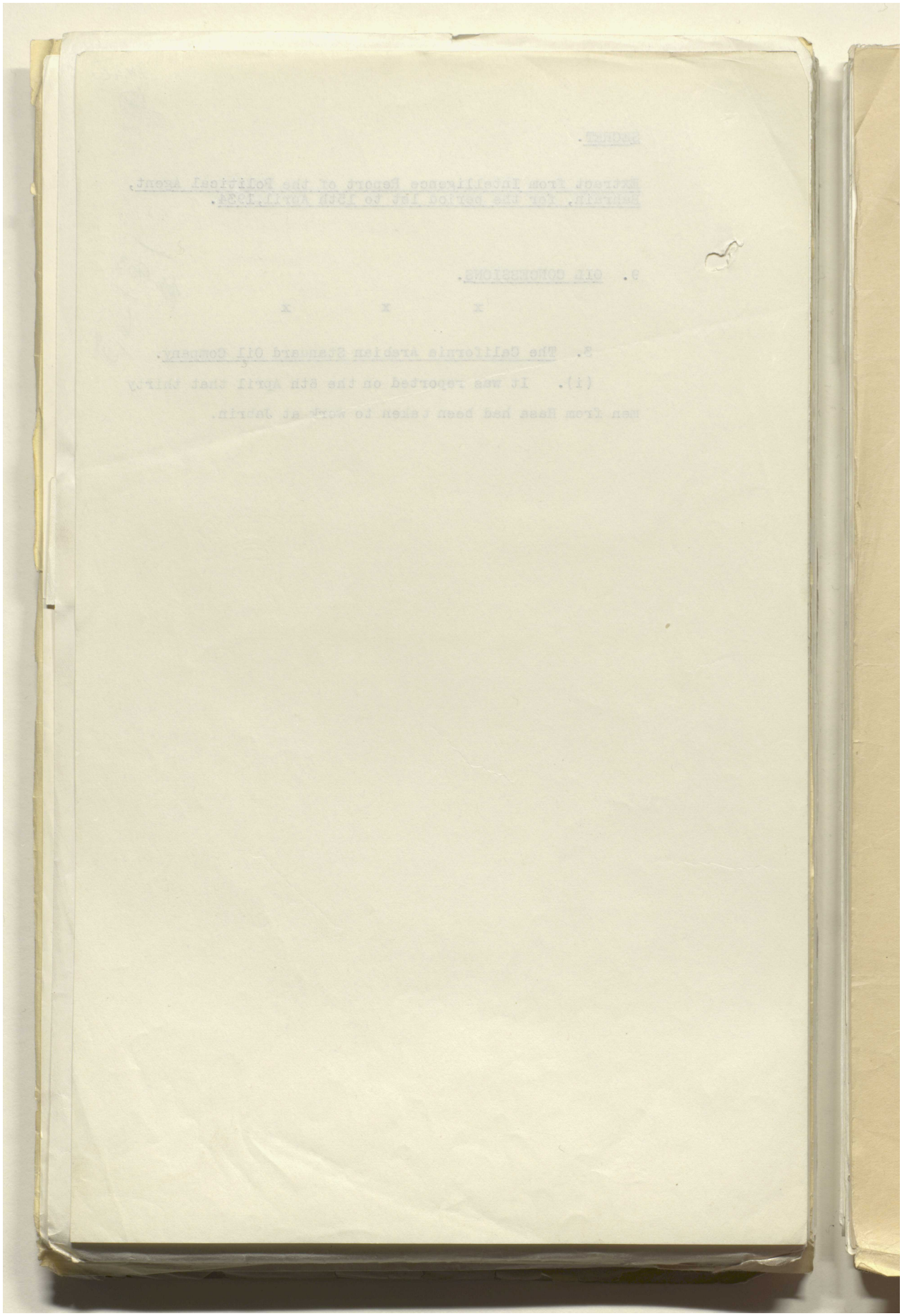

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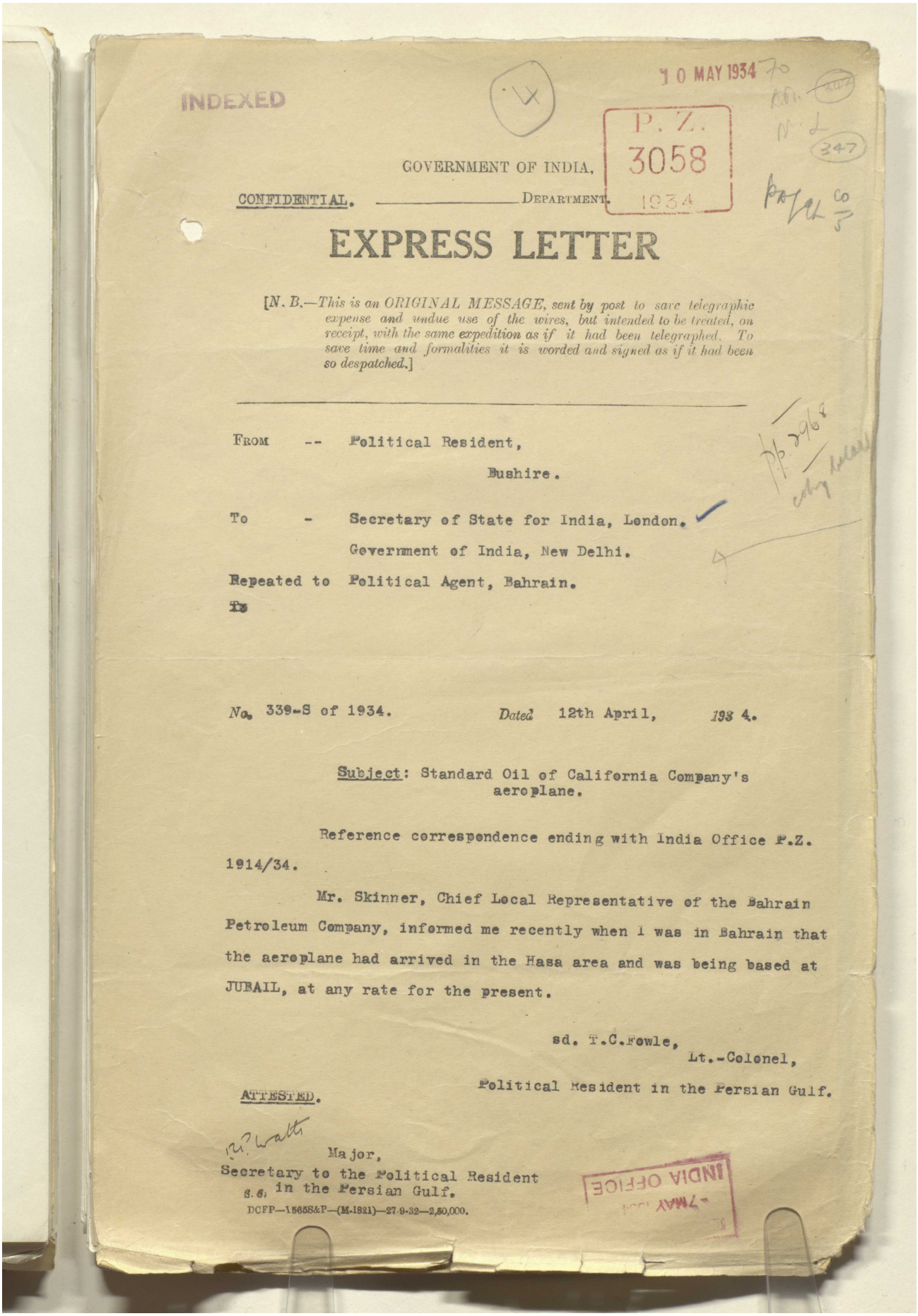

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10 MAY 1934

P. Z. 3058 1934

GOVERNMENT OF INDIA,

CONFIDENTIAL. _____ DEPARTMENT.

EXPRESS LETTER

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FROM -- Political Resident,
Bushire.

To - Secretary of State for India, London.
Government of India, New Delhi.

Repeated to Political Agent, Bahrain.

To

No. 339-S of 1934. Dated 12th April, 1934.

Subject: Standard Oil of California Company's aeroplane.

Reference correspondence ending with India Office P.Z. 1914/34.

Mr. Skinner, Chief Local Representative of the Bahrain Petroleum Company, informed me recently when I was in Bahrain that the aeroplane had arrived in the Hasa area and was being based at JUBAIL, at any rate for the present.

sd. T.C.Fowle,
Lt.-Colonel,
Political Resident in the Persian Gulf.

ATTESTED.

Major,
Secretary to the Political Resident
in the Persian Gulf.

DCFP—1565S&P—(M-1821)—27-9-32—2,50,000.

INDIA OFFICE 7 MAY 1934

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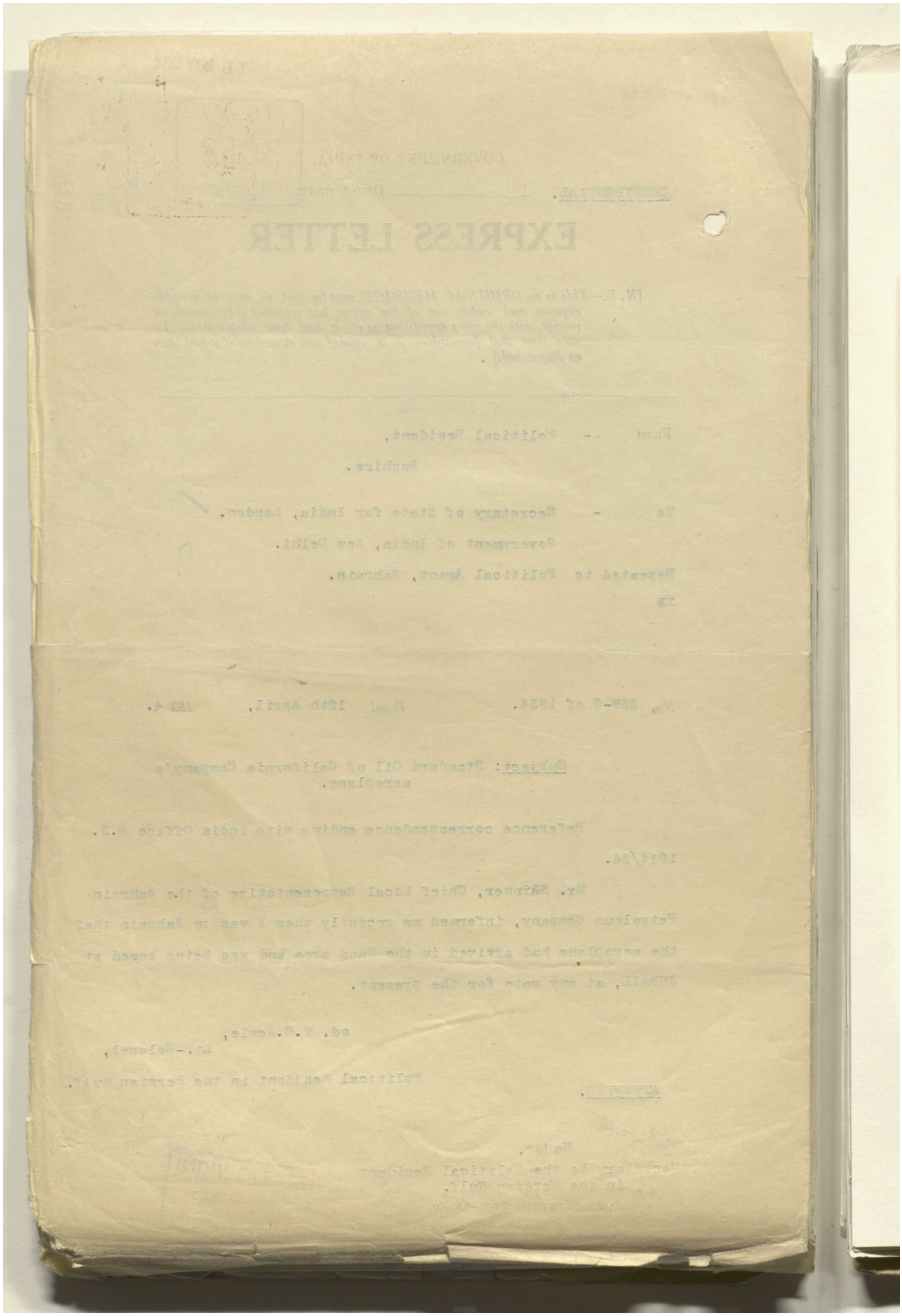

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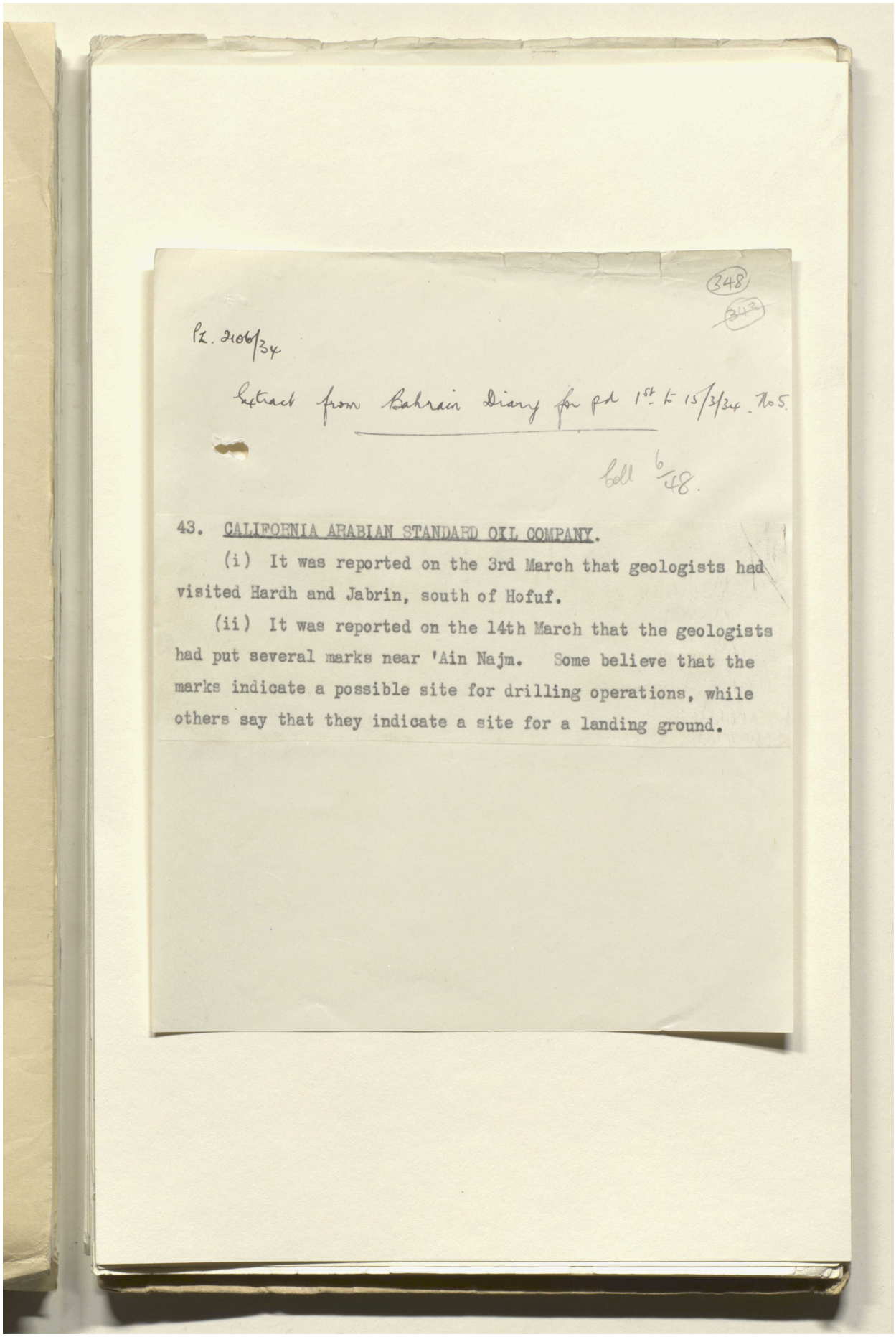

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P.Z. 2106/34

Extract from Bahrain Diary for pd 1st to 15/3/34. No 5.

Coll 6/48.

43. CALIFORNIA ARABIAN STANDARD OIL COMPANY.

(i) It was reported on the 3rd March that geologists had visited Hardh and Jabrin, south of Hofuf.

(ii) It was reported on the 14th March that the geologists had put several marks near 'Ain Najm. Some believe that the marks indicate a possible site for drilling operations, while others say that they indicate a site for a landing ground.

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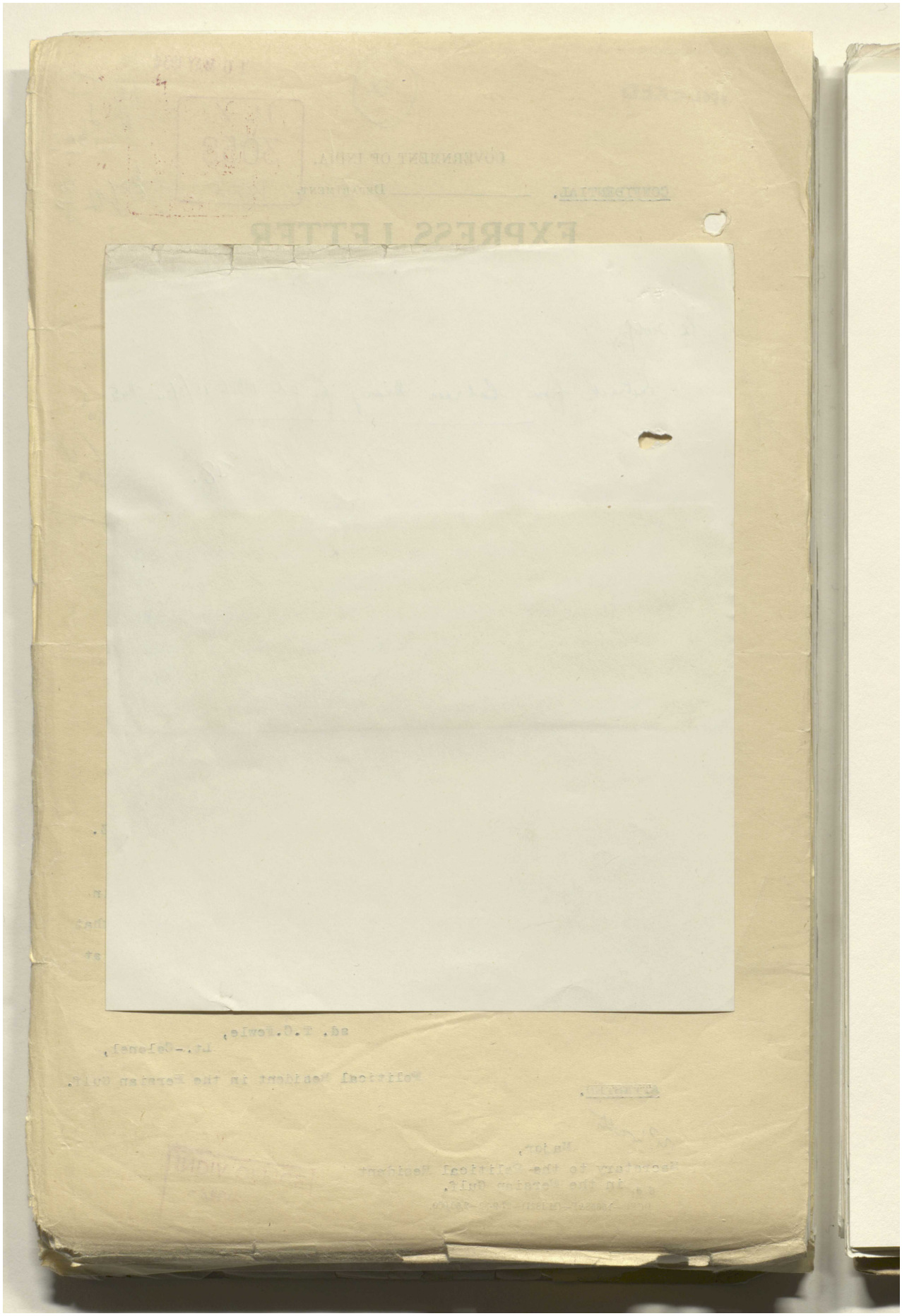

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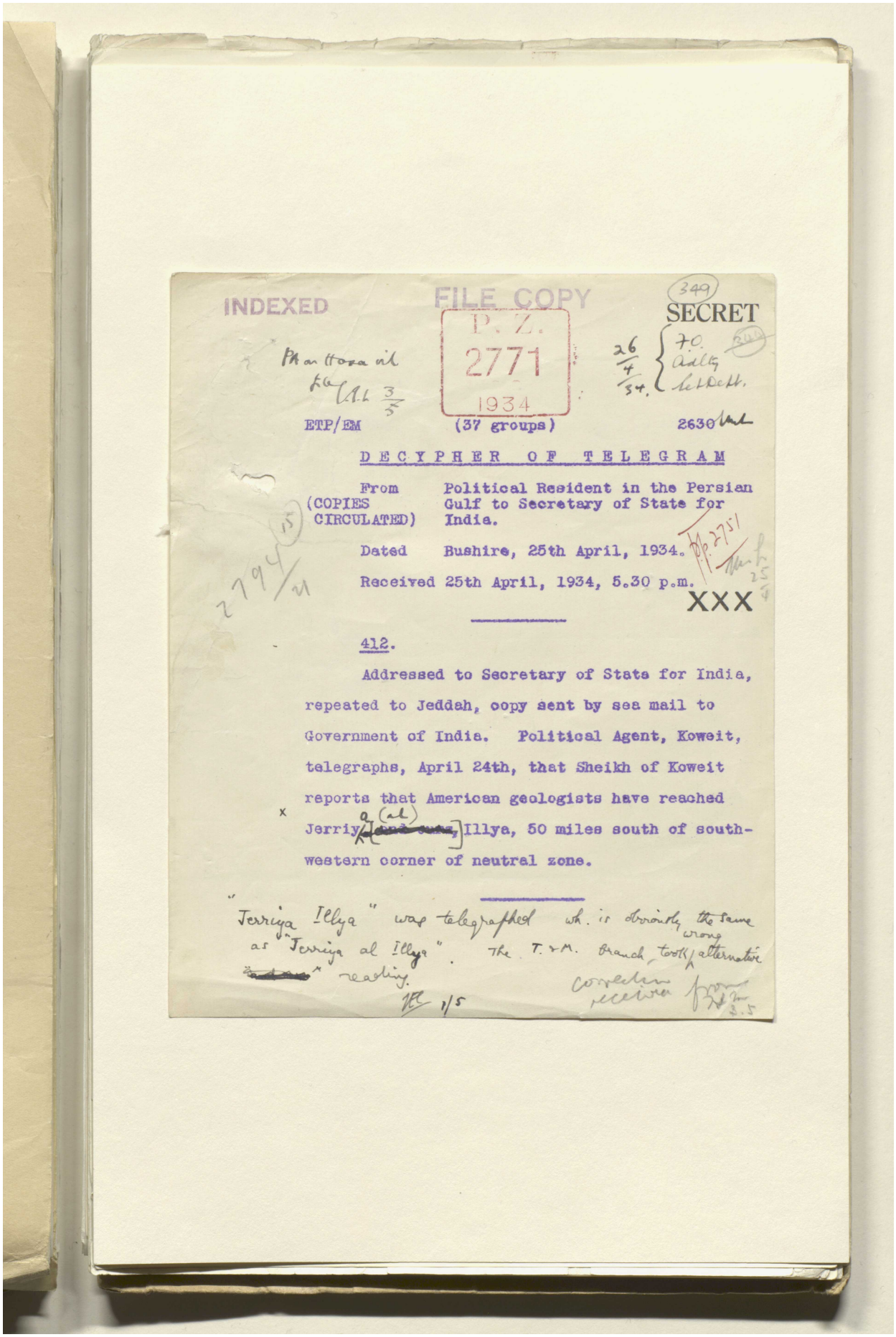

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SECRET

Pt on Hasa oil file 3/5

26/4/34. 70. Adlty Sec Dept.

ETP/EM (37 groups) 2630

DECYPHER OF TELEGRAM

From (COPIES CIRCULATED) Political Resident in the Persian Gulf to Secretary of State for India.

Dated Bushire, 25th April, 1934.

Received 25th April, 1934, 5.30 p.m.

XXX

2794/21

412.

Addressed to Secretary of State for India, repeated to Jeddah, copy sent by sea mail to Government of India. Political Agent, Koweit, telegraphs, April 24th, that Sheikh of Koweit reports that American geologists have reached Jerriya (al) Illya, 50 miles south of south-western corner of neutral zone.

"Jerriya Illya" was telegraphed wh. is obviously the same as "Jerriya al Illya". The T. & M. branch took wrong alternative reading.

correction received from 3.5

1/5

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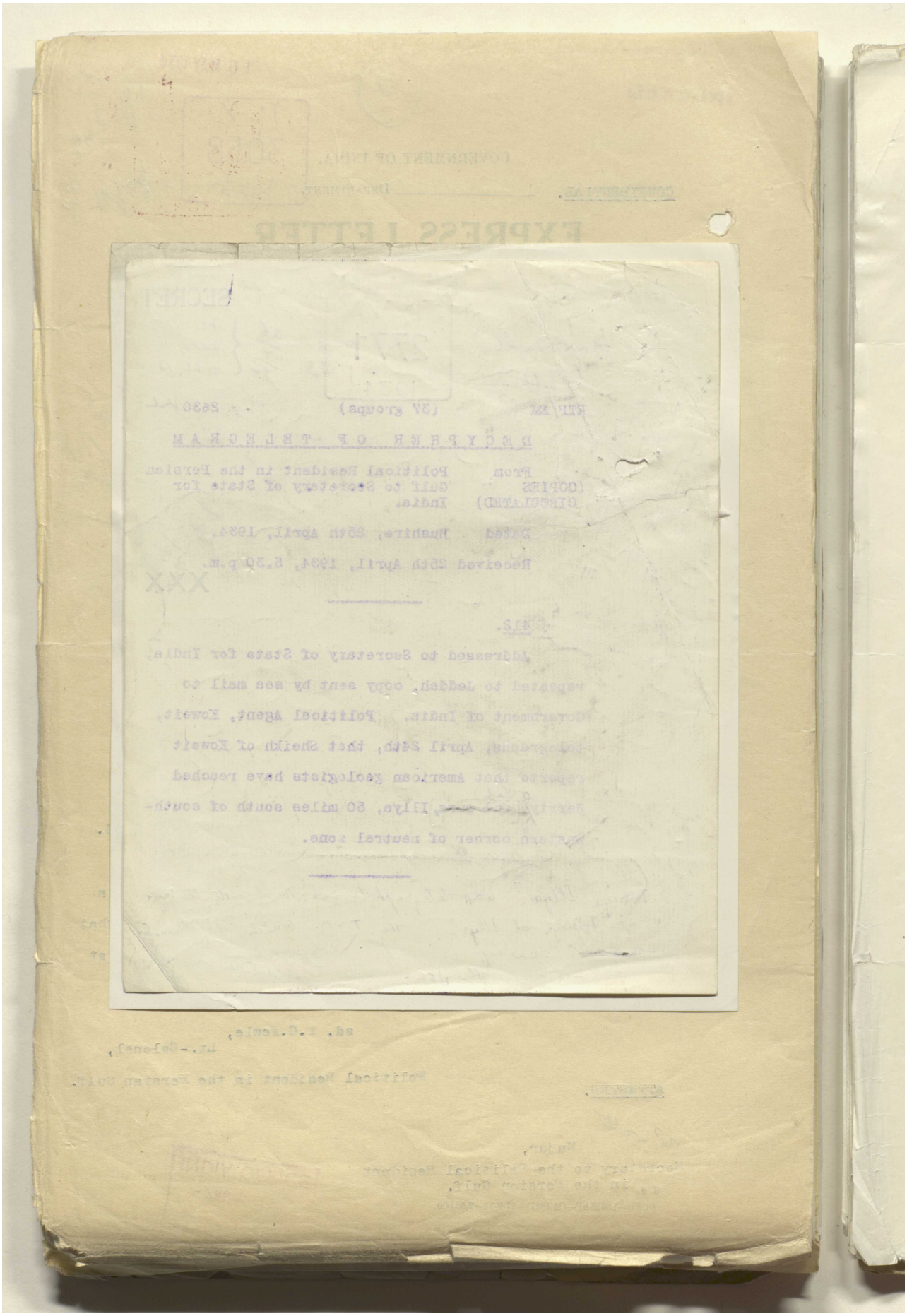

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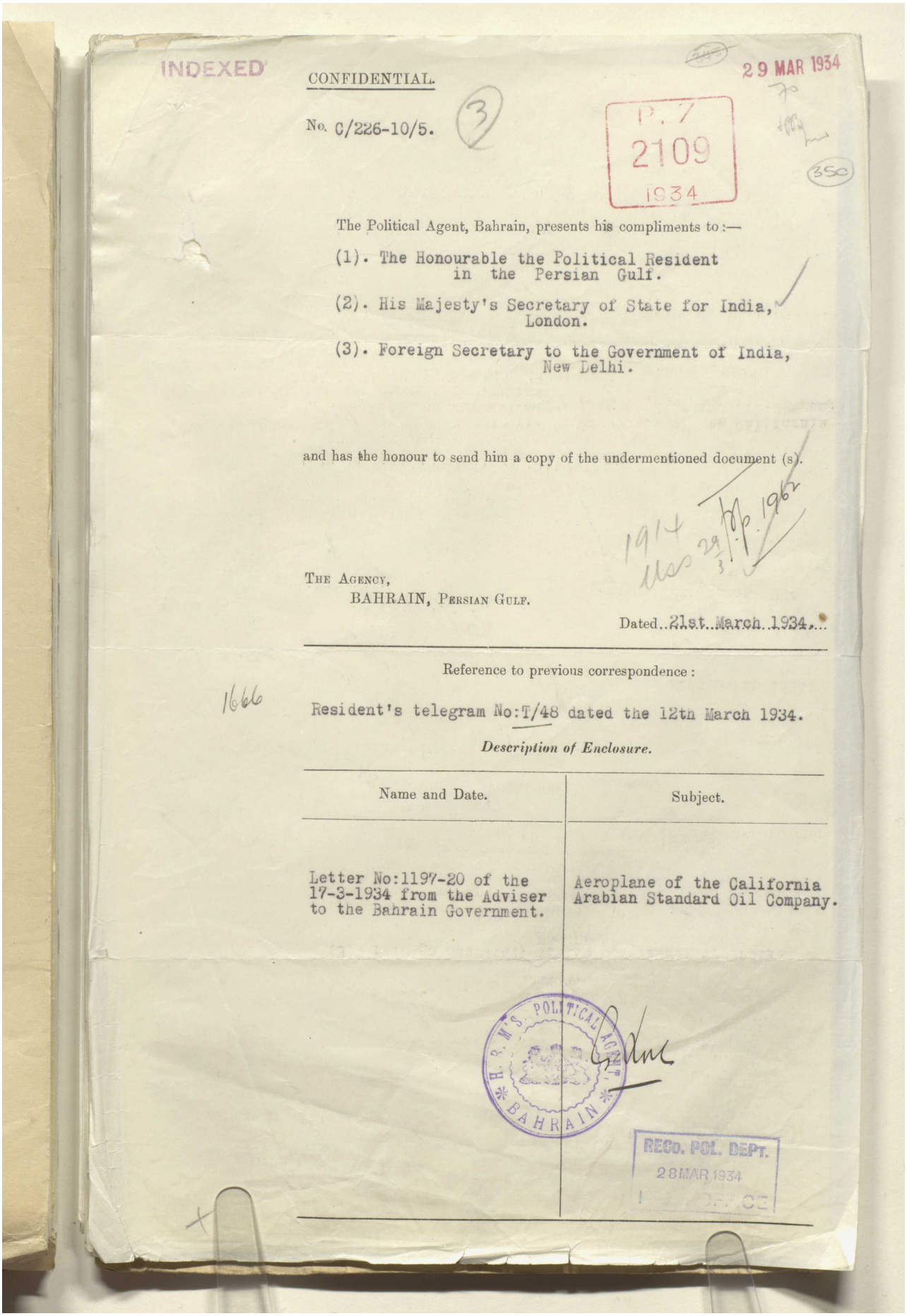

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CONFIDENTIAL.

29 MAR 1934

No. C/226-10/5.

P. 7
2109
1934

The Political Agent, Bahrain, presents his compliments to :—

(1). The Honourable the Political Resident in the Persian Gulf.

(2). His Majesty's Secretary of State for India, London.

(3). Foreign Secretary to the Government of India, New Delhi.

and has the honour to send him a copy of the undermentioned document (s).

THE AGENCY,
BAHRAIN, PERSIAN GULF.

Dated..21st..March..1934...

Reference to previous correspondence :

Resident's telegram No:T/48 dated the 12th March 1934.

Description of Enclosure.

Name and Date.	Subject.
Letter No:1197-20 of the 17-3-1934 from the Adviser to the Bahrain Government.	Aeroplane of the California Arabian Standard Oil Company.

H.B.M.'S. POLITICAL AGENT BAHRAIN

RECD. POL. DEPT.
28 MAR 1934

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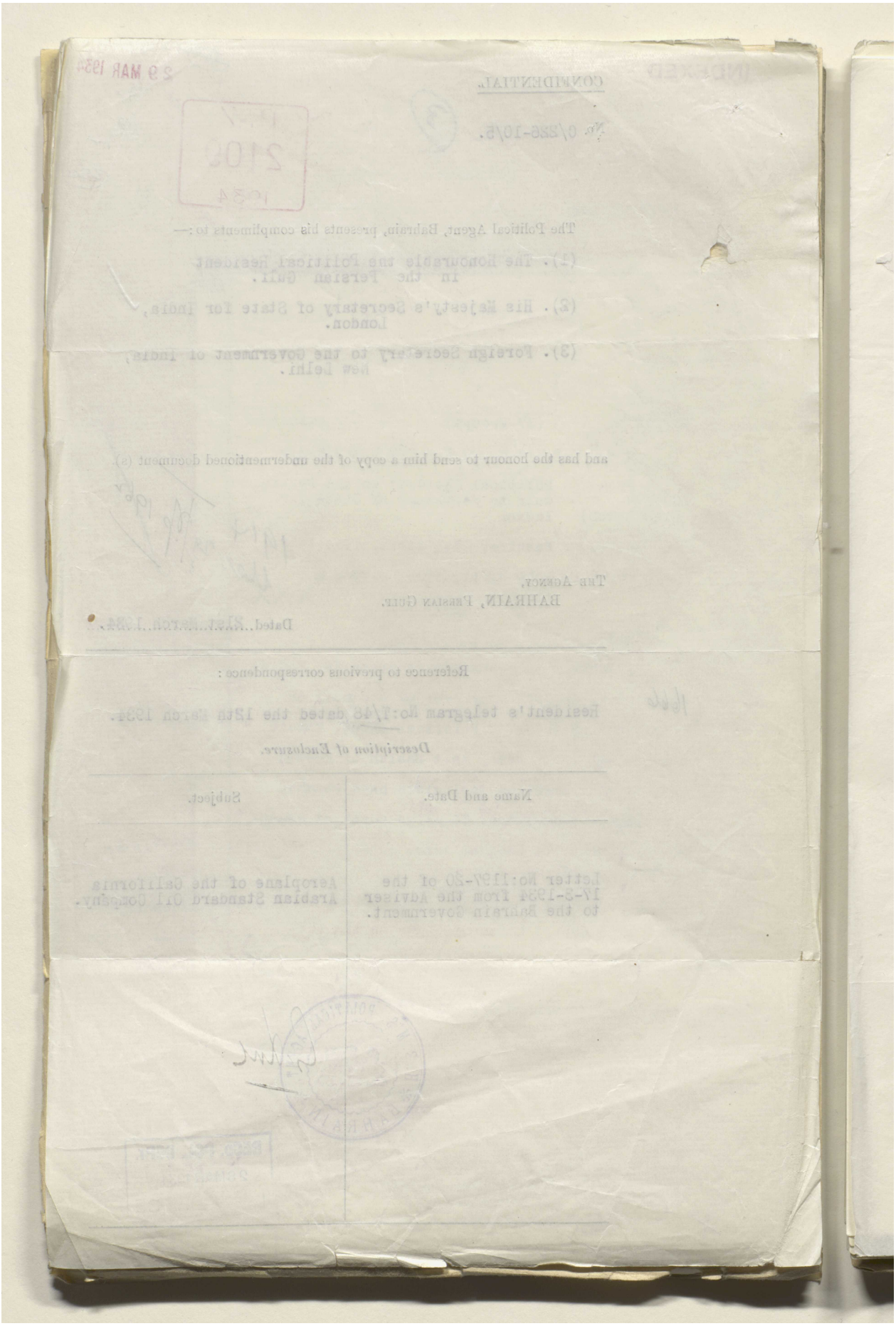

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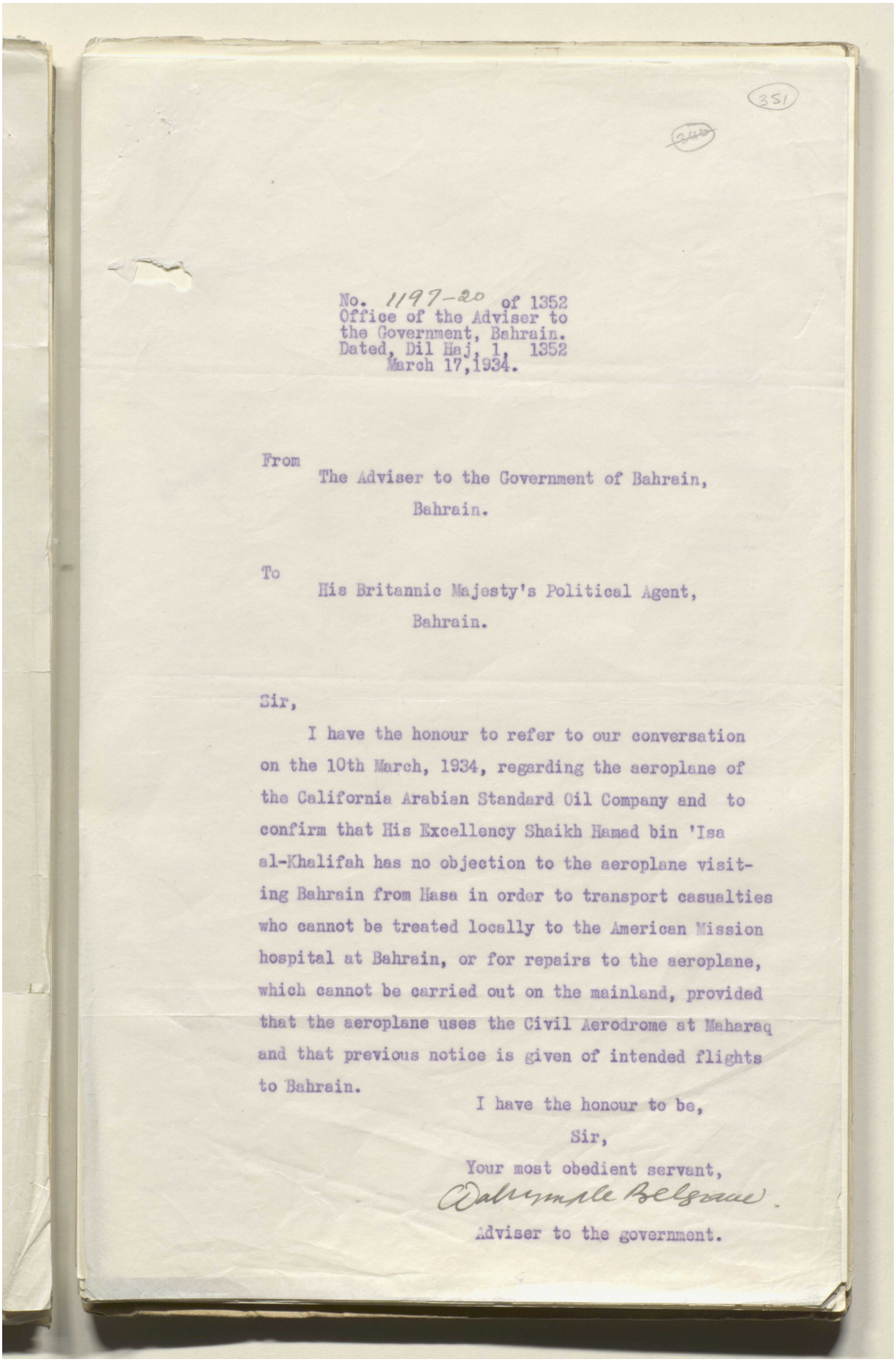

(351)

No. 1197-20 of 1352
Office of the Adviser to
the Government, Bahrain.
Dated, Dil Haj, 1, 1352
March 17, 1934.

From
The Adviser to the Government of Bahrain,
Bahrain.

To
His Britannic Majesty's Political Agent,
Bahrain.

Sir,

I have the honour to refer to our conversation on the 10th March, 1934, regarding the aeroplane of the California Arabian Standard Oil Company and to confirm that His Excellency Shaikh Hamad bin 'Isa al-Khalifah has no objection to the aeroplane visiting Bahrain from Hasa in order to transport casualties who cannot be treated locally to the American Mission hospital at Bahrain, or for repairs to the aeroplane, which cannot be carried out on the mainland, provided that the aeroplane uses the Civil Aerodrome at Maharaq and that previous notice is given of intended flights to Bahrain.

I have the honour to be,
Sir,
Your most obedient servant,
Dalrymple Belgrave.
Adviser to the government.

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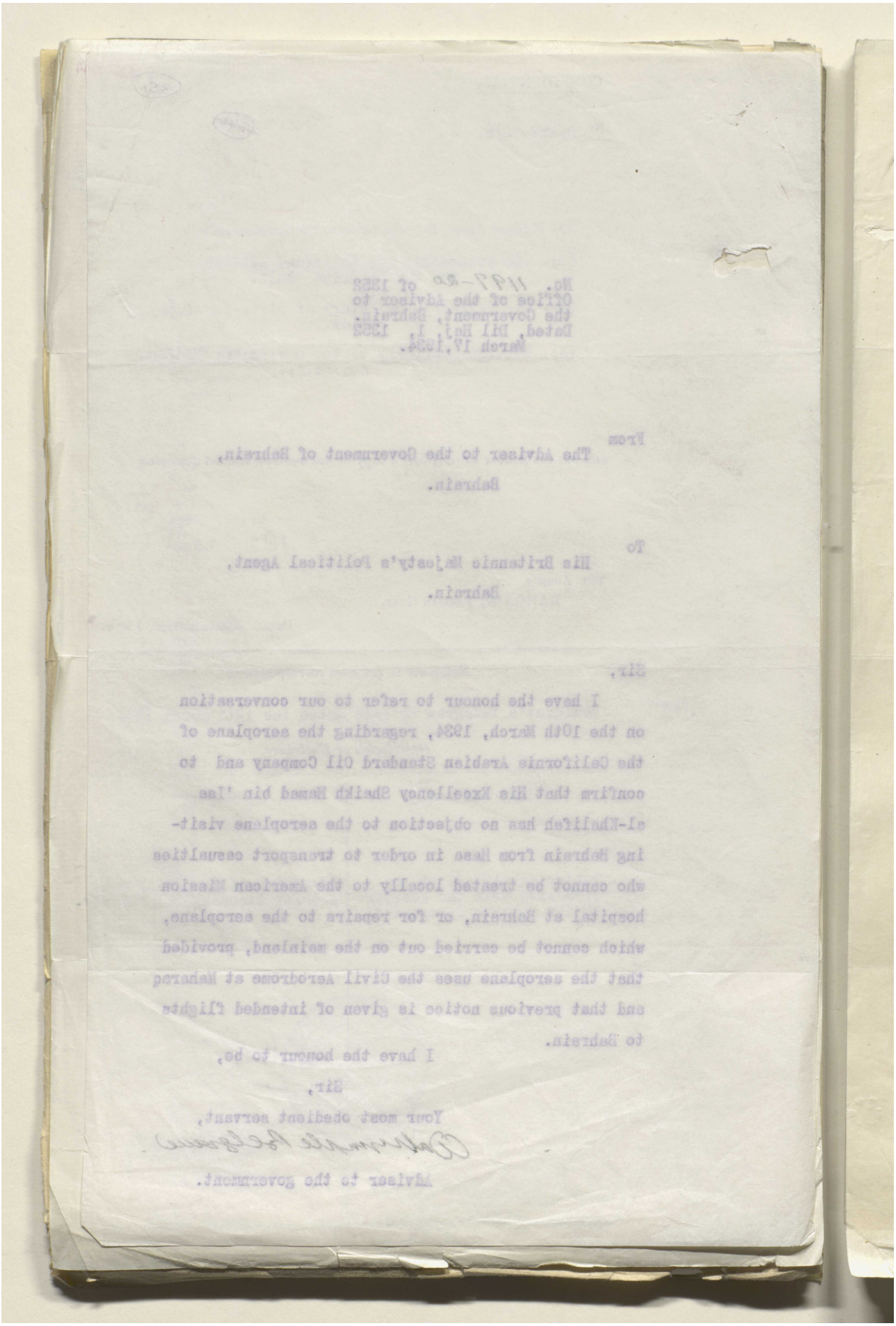

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1962

CONFIDENTIAL.

No.298-S of 1934.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. J.G.Laithwaite Esq.,
The India Office, London.

2. The Hon'ble Mr.H.A.F.Metcalfe,C.S.I.,
C.I.E.,M.V.O.,
Foreign Secretary to the Government of India,
New Delhi.

and has the honour to transmit to him a copy of the undermentioned document (s).

British Consulate-General,
BUSHIRE.

Dated 7th March 1934.

Reference to previous correspondence:

To(1) Political Resident's demi-official letter No.133-S of 7th February 1934.

To(2) " " Printed Letter No.134-S of 7th February 1934.

Description of Enclosure.

Name and Date.	Subject.
Demi-official letter No. C/121-10/5 dated the 20th February 1934 from Lieut.-Colonel Gordon Loch, Political Agent, Bahrain.	Standard Oil Company of California's aeroplane.

RECD. POL. DEPT.
23 MAR 1934
INDIA OFFICE

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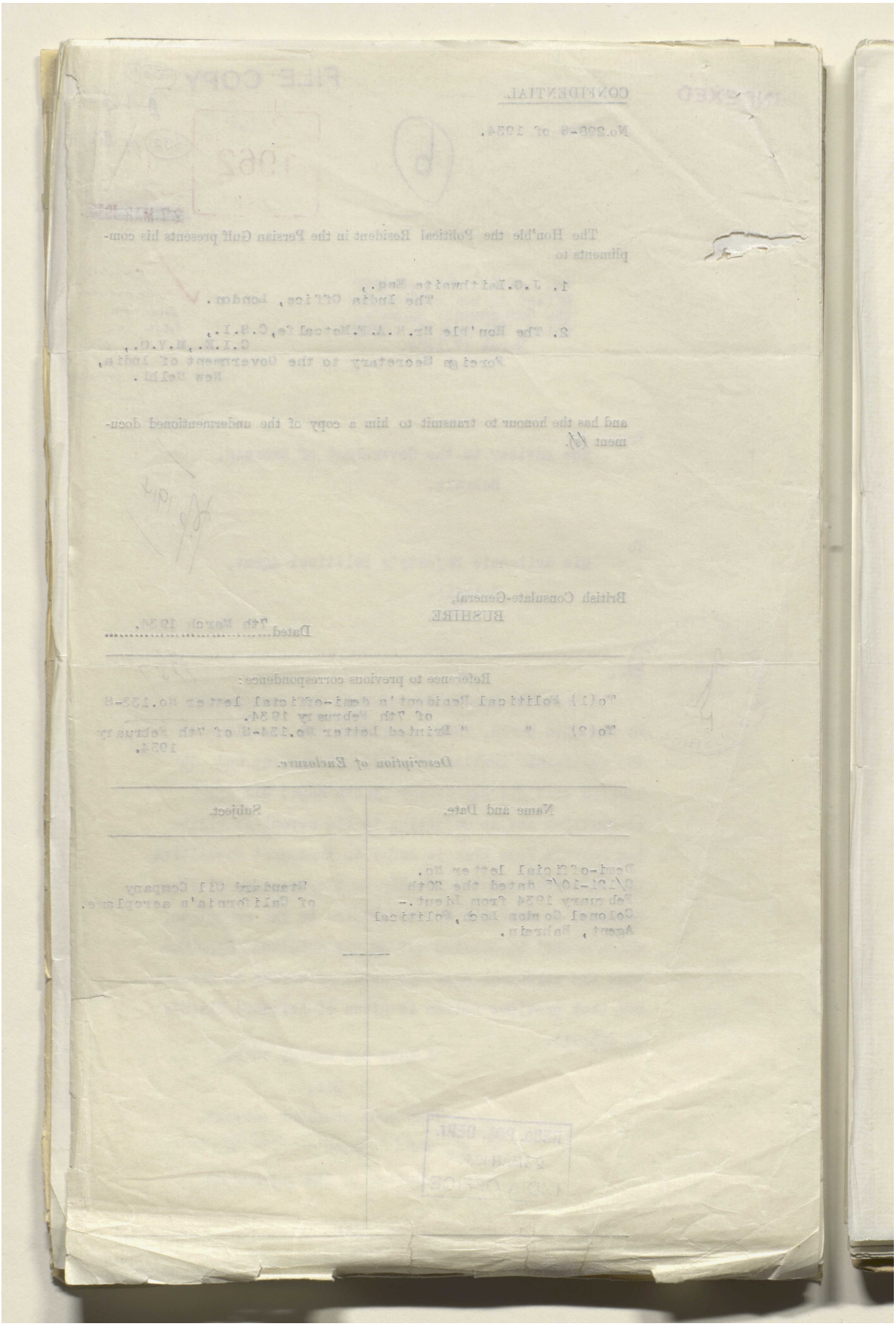

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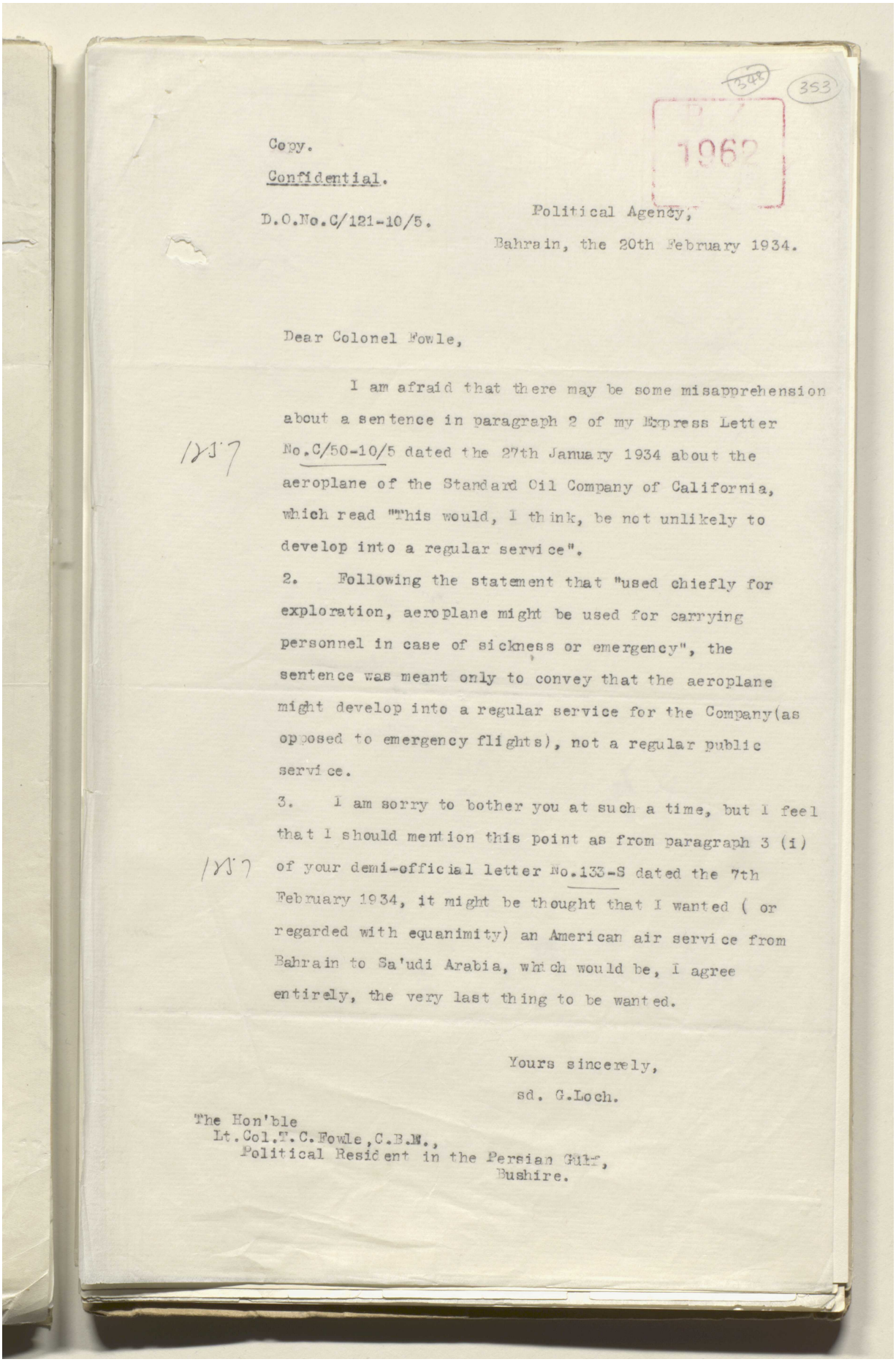

P Z
1962

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Copy.

Confidential.

D.O.No.C/121-10/5.

Political Agency,
Bahrain, the 20th February 1934.

Dear Colonel Fowle,

I am afraid that there may be some misapprehension about a sentence in paragraph 2 of my Express Letter No.C/50-10/5 dated the 27th January 1934 about the aeroplane of the Standard Oil Company of California, which read "This would, I think, be not unlikely to develop into a regular service".

2. Following the statement that "used chiefly for exploration, aeroplane might be used for carrying personnel in case of sickness or emergency", the sentence was meant only to convey that the aeroplane might develop into a regular service for the Company(as opposed to emergency flights), not a regular public service.

3. I am sorry to bother you at such a time, but I feel that I should mention this point as from paragraph 3 (i) of your demi-official letter No.133-S dated the 7th February 1934, it might be thought that I wanted (or regarded with equanimity) an American air service from Bahrain to Sa'udi Arabia, which would be, I agree entirely, the very last thing to be wanted.

Yours sincerely,

sd. G.Loch.

The Hon'ble
Lt.Col.T.C.Fowle,C.B.E.,
Political Resident in the Persian Gulf,
Bushire.

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Copy.

Confidential.

D.O.No.C\131-10\5.

Political Agency,
Bahrein, the 20th February 1934.

Dear Colonel Fowle,

I am afraid that there may be some misapprehension about a sentence in paragraph 2 of my Express Letter No.C\80-10\5 dated the 27th January 1934 about the aeroplane of the Standard Oil Company of California, which read "This would, I think, be not unlikely to develop into a regular service".

2. Following the statement that "used chiefly for exploration, aeroplane might be used for carrying personnel in case of sickness or emergency", the sentence was meant only to convey that the aeroplane might develop into a regular service for the Company(as opposed to emergency flights), not a regular public service.

3. I am sorry to bother you at such a time, but I feel that I should mention this point as from paragraph 3 (i) of your demi-official letter No.132-S dated the 7th February 1934, it might be thought that I wanted (or regarded with equanimity) an American air service from Bahrein to Sa'udi Arabia, which on would be, I agree entirely, the very last thing to be wanted.

Yours sincerely,

sd. G.Loch.

The Hon'ble
Lt.Col.H.C.Fowle,C.I.E.,
Political Resident in the Persian Gulf,
Bushire.

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Notes.

Register No.
P. Z.
1914/34

Minute Paper.

SECRET.
POLITICAL DEPARTMENT.

Dated
Rec. 193 .

	Date.	Initials.	SUBJECT.
To			Persian Gulf.
Under Secretary	28. 3.	[illegible]	
Secretary of State...			Aerial survey operations of
Committee.....	31	[illegible]	California Arabian Standard
Under Secretary.....			Oil Company in Hasa.
Secretary of State....			

Sir F. Stewart. 5.7.5 3/4

Copy of to

FOR INFORMATION.

Please see the minute at P.Z. 1282/34.

The U.S. Govt. have accepted the refusal of permission to fly over Koweit and Bahrein but it will be seen that after consultation with the Govt. of India and the Pol. Resident (who consulted the Bahrein Govt.) it has been agreed to make an exception of visits to Bahrein in cases of urgent necessity to convey casualties to the Mission Hospital or for major repairs to aircraft. In these cases the Bahrein Govt. will have to be notified beforehand through the Pol. Agent.

L.E. Crombie
23/3/34

[illegible] 23/3

[illegible] 4/4

SEEN
POLITICAL COMMITTEE
4 APR 1934

Previous papers :—

1743 1000 3.33

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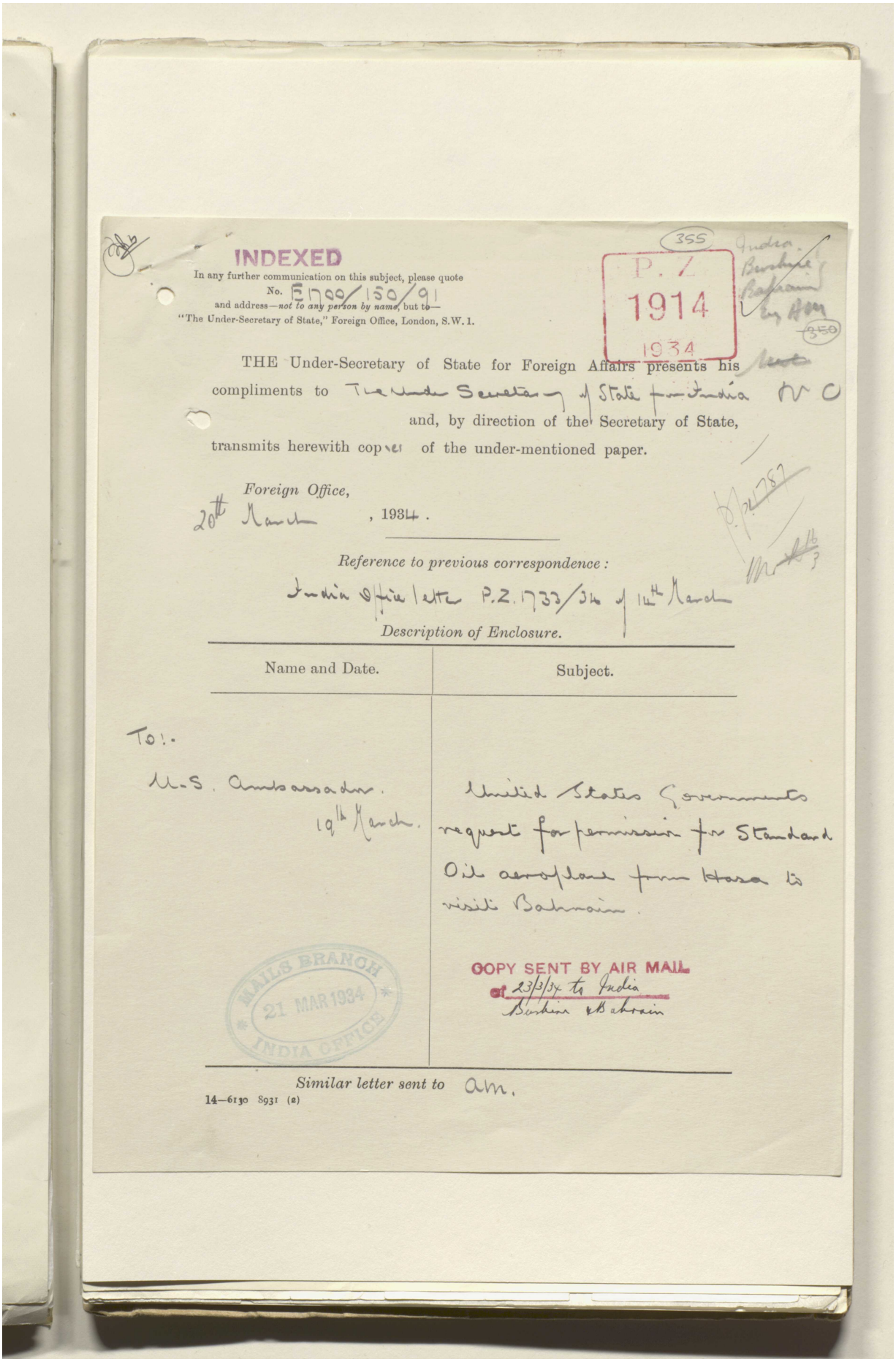

INDEXED

In any further communication on this subject, please quote
No. E1700/150/91
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

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P. Z
1914
1934

India
Bushire
Bahrain
by AM

350

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under Secretary of State for India N C and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
20th March, 1934.

Reference to previous correspondence:

India Office letter P.Z. 1733/34 of 14th March

Description of Enclosure.

Name and Date.	Subject.
To:- U.S. Ambassador. 19th March.	United States Governments request for permission for Standard Oil aeroplane from Hasa to visit Bahrain.

MAILS BRANCH
21 MAR 1934
INDIA OFFICE

COPY SENT BY AIR MAIL
of 23/3/34 to India
Bushire & Bahrain

Similar letter sent to AM.

14—6130 8931 (2)

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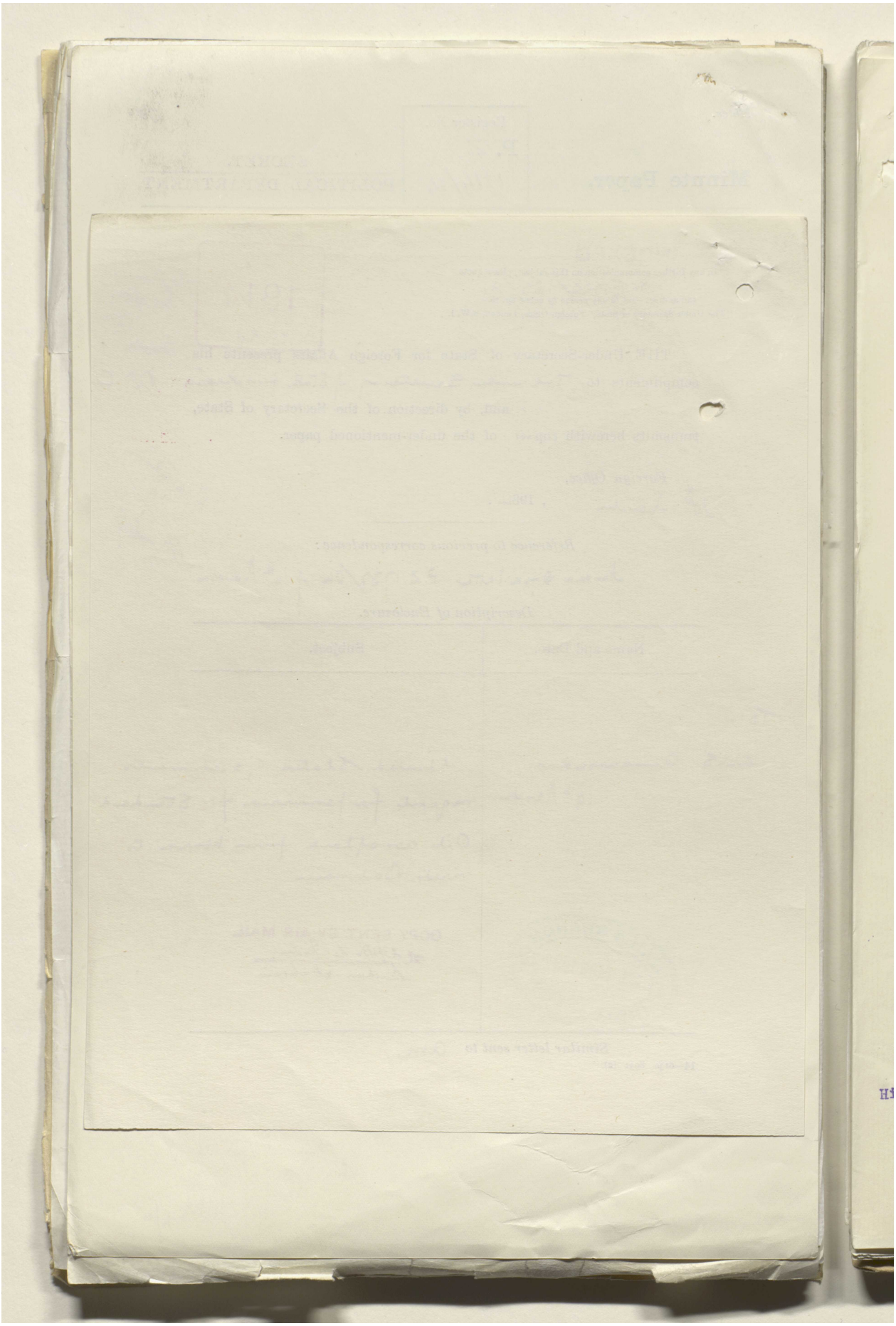

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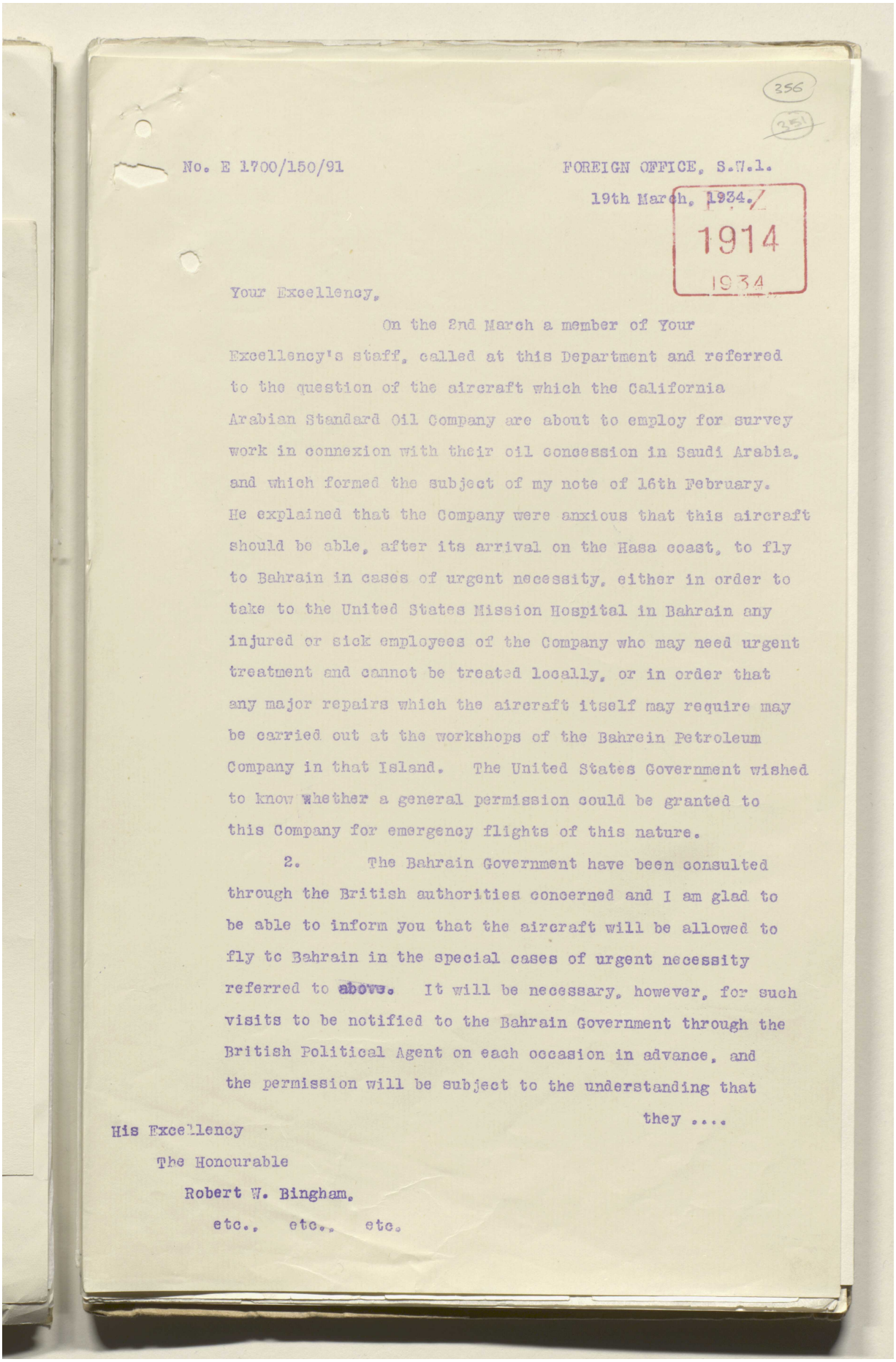

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No. E 1700/150/91

FOREIGN OFFICE, S.W.1.

19th March, 1934.

1914
1934

Your Excellency,

On the 2nd March a member of Your Excellency's staff, called at this Department and referred to the question of the aircraft which the California Arabian Standard Oil Company are about to employ for survey work in connexion with their oil concession in Saudi Arabia, and which formed the subject of my note of 16th February. He explained that the Company were anxious that this aircraft should be able, after its arrival on the Hasa coast, to fly to Bahrain in cases of urgent necessity, either in order to take to the United States Mission Hospital in Bahrain any injured or sick employees of the Company who may need urgent treatment and cannot be treated locally, or in order that any major repairs which the aircraft itself may require may be carried out at the workshops of the Bahrein Petroleum Company in that Island. The United States Government wished to know whether a general permission could be granted to this Company for emergency flights of this nature.

2. The Bahrain Government have been consulted through the British authorities concerned and I am glad to be able to inform you that the aircraft will be allowed to fly to Bahrain in the special cases of urgent necessity referred to above. It will be necessary, however, for such visits to be notified to the Bahrain Government through the British Political Agent on each occasion in advance, and the permission will be subject to the understanding that

they ....

His Excellency
The Honourable
Robert W. Bingham,
etc., etc., etc.

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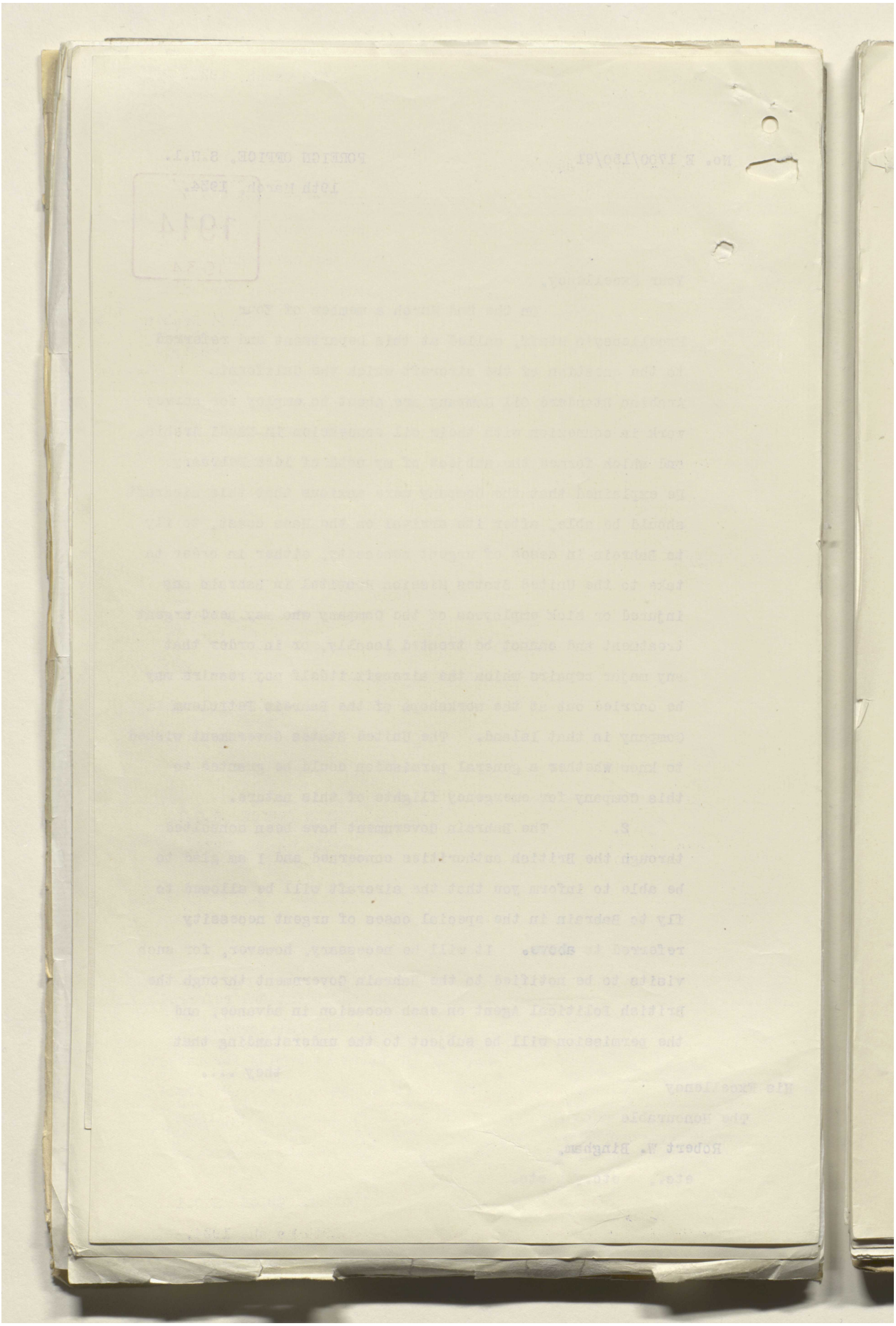

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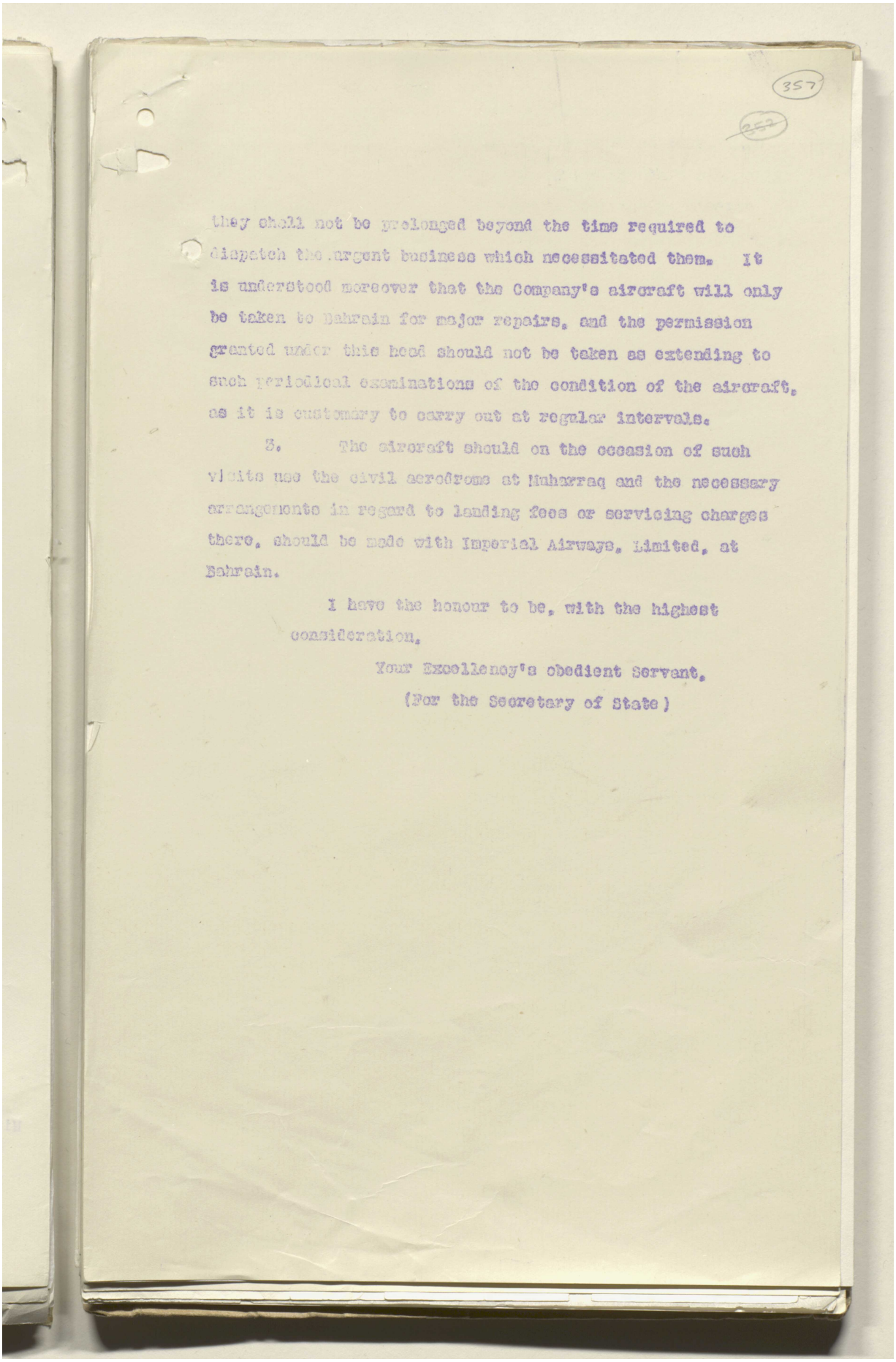

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they shall not be prolonged beyond the time required to dispatch the urgent business which necessitated them. It is understood moreover that the Company's aircraft will only be taken to Bahrain for major repairs, and the permission granted under this head should not be taken as extending to such periodical examinations of the condition of the aircraft, as it is customary to carry out at regular intervals.

3. The aircraft should on the occasion of such visits use the civil aerodrome at Muharraq and the necessary arrangements in regard to landing fees or servicing charges there, should be made with Imperial Airways, Limited, at Bahrain.

I have the honour to be, with the highest consideration,

Your Excellency's obedient Servant,

(For the Secretary of State)

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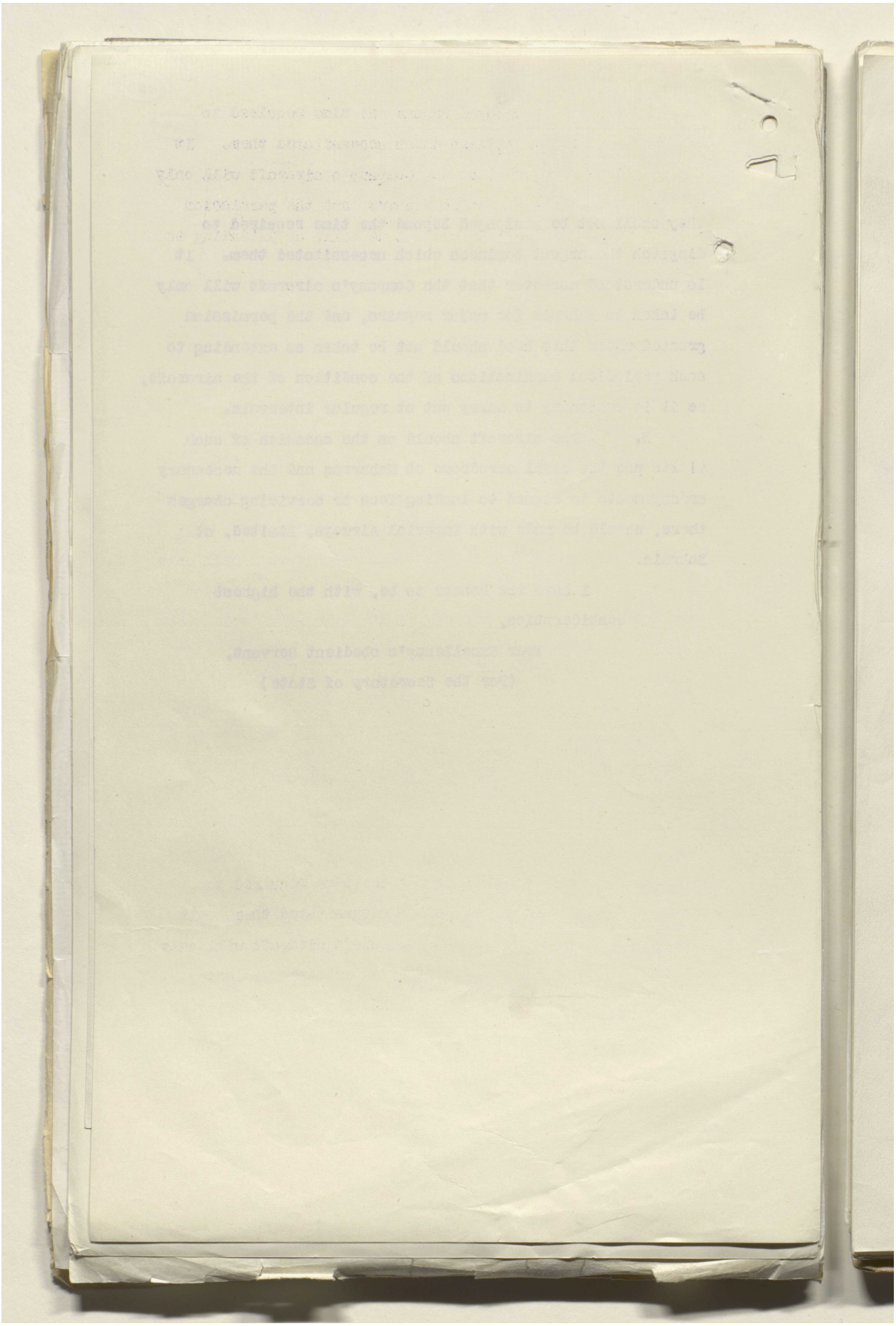

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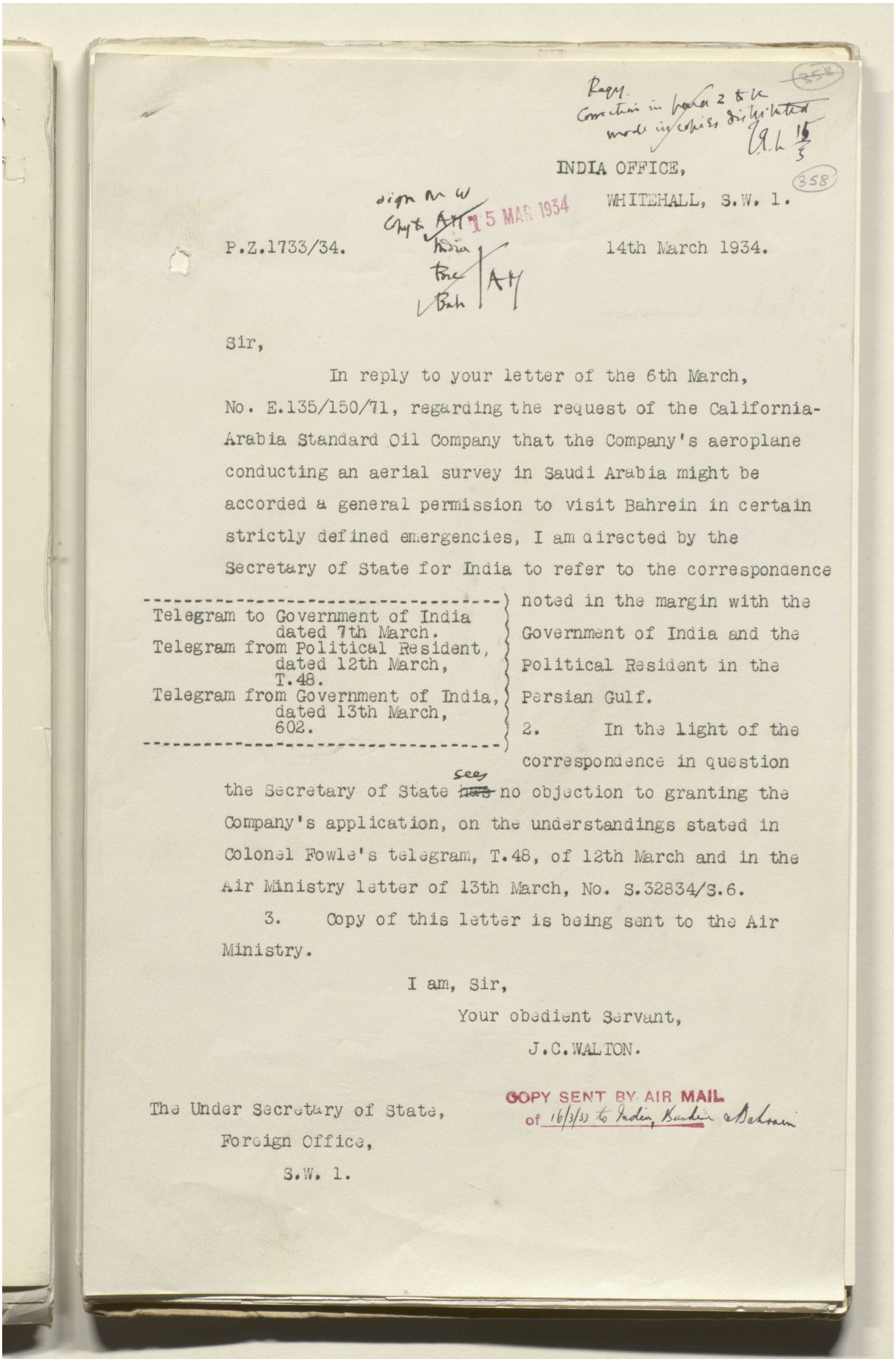

Regy.
Correction in para 2 to be made in copies distributed
[illegible] 15/3

358

INDIA OFFICE,
WHITEHALL, S.W. 1.

sign on W
Copy to AM
India
Fore
Bah
AM

15 MAR 1934

P.Z.1733/34.

14th March 1934.

Sir,

In reply to your letter of the 6th March, No. E.135/150/71, regarding the request of the California-Arabia Standard Oil Company that the Company's aeroplane conducting an aerial survey in Saudi Arabia might be accorded a general permission to visit Bahrein in certain strictly defined emergencies, I am directed by the Secretary of State for India to refer to the correspondence noted in the margin with the Government of India and the Political Resident in the Persian Gulf.

Telegram to Government of India dated 7th March.
Telegram from Political Resident, dated 12th March, T.48.
Telegram from Government of India, dated 13th March, 602.

2. In the light of the correspondence in question the Secretary of State ~~has~~ sees no objection to granting the Company's application, on the understandings stated in Colonel Fowle's telegram, T.48, of 12th March and in the Air Ministry letter of 13th March, No. S.32834/S.6.

3. Copy of this letter is being sent to the Air Ministry.

I am, Sir,
Your obedient Servant,
J.C.WALTON.

The Under Secretary of State,
Foreign Office,
S.W. 1.

COPY SENT BY AIR MAIL
of 16/3/33 to India, Bushire & Bahrain

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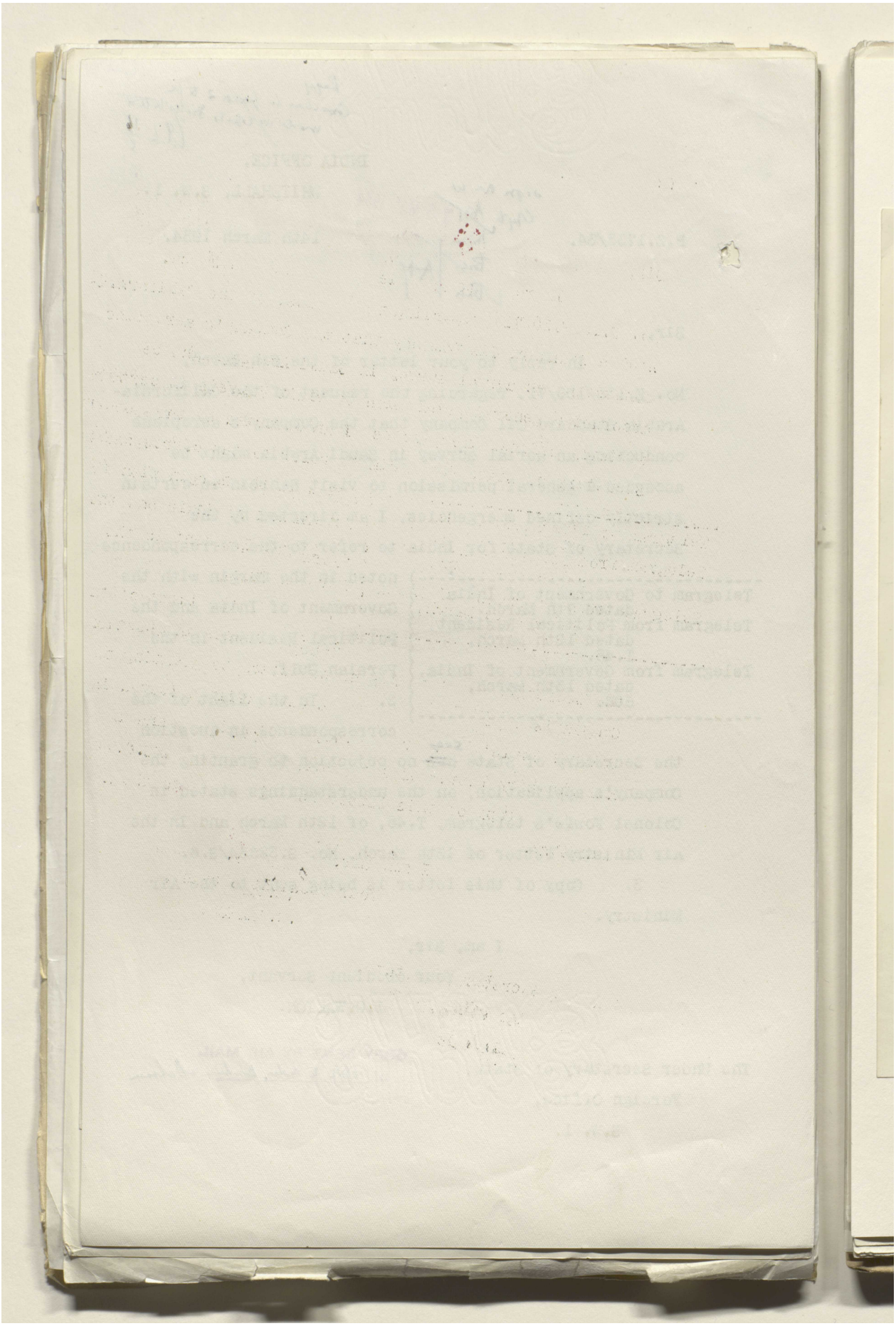

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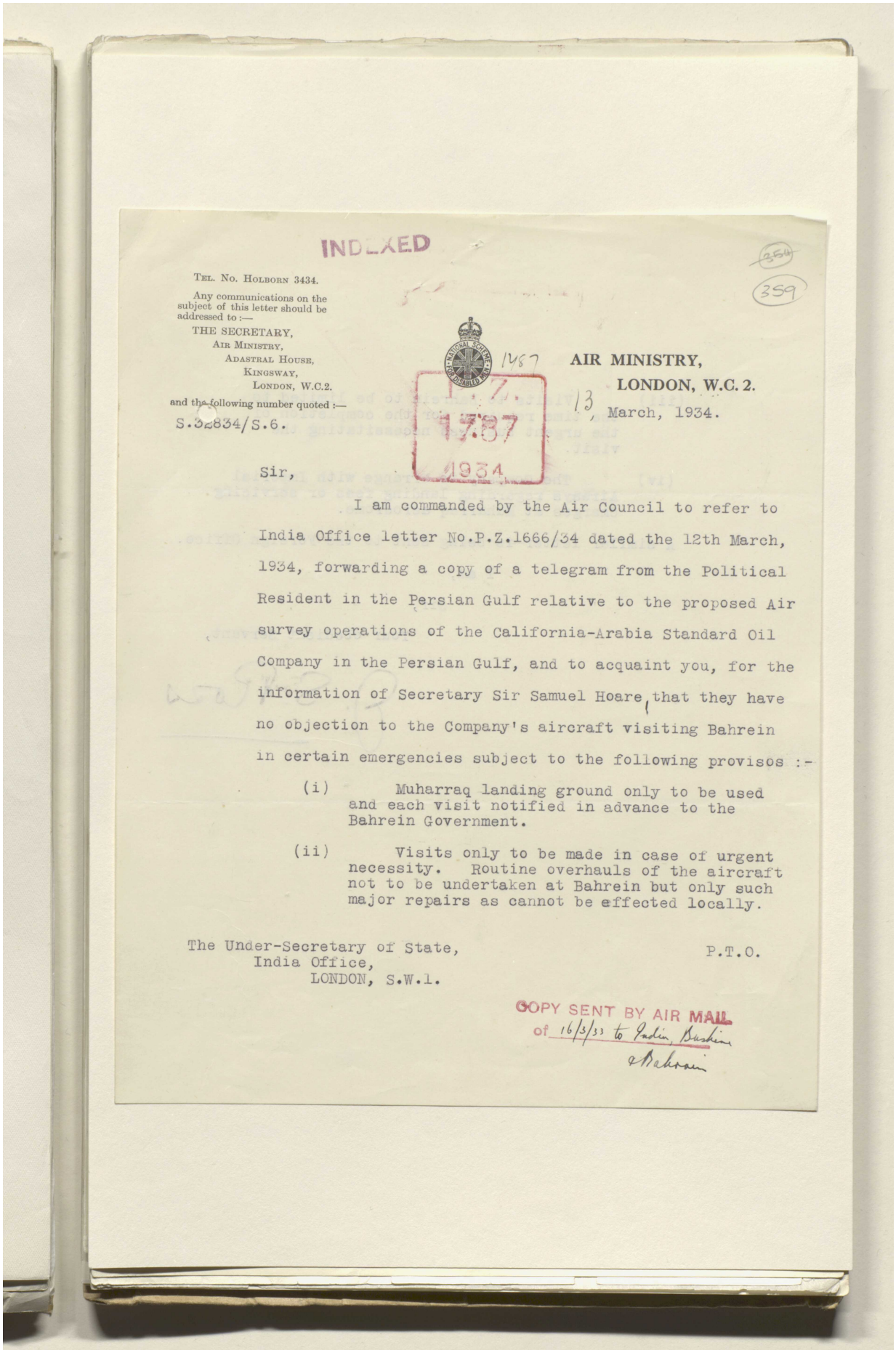

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TEL. No. HOLBORN 3434.

Any communications on the subject of this letter should be addressed to :—
THE SECRETARY,
AIR MINISTRY,
ADASTRAL HOUSE,
KINGSWAY,
LONDON, W.C.2.
and the following number quoted :—
S.32834/S.6.

1487

AIR MINISTRY,
LONDON, W.C. 2.
13 March, 1934.

Sir,

I am commanded by the Air Council to refer to India Office letter No.P.Z.1666/34 dated the 12th March, 1934, forwarding a copy of a telegram from the Political Resident in the Persian Gulf relative to the proposed Air survey operations of the California-Arabia Standard Oil Company in the Persian Gulf, and to acquaint you, for the information of Secretary Sir Samuel Hoare, that they have no objection to the Company's aircraft visiting Bahrein in certain emergencies subject to the following provisos :-

(i) Muharraq landing ground only to be used and each visit notified in advance to the Bahrein Government.

(ii) Visits only to be made in case of urgent necessity. Routine overhauls of the aircraft not to be undertaken at Bahrein but only such major repairs as cannot be effected locally.

The Under-Secretary of State,
India Office,
LONDON, S.W.1.

P.T.O.

COPY SENT BY AIR MAIL
of 16/3/34 to Political Bushire & Bahrain

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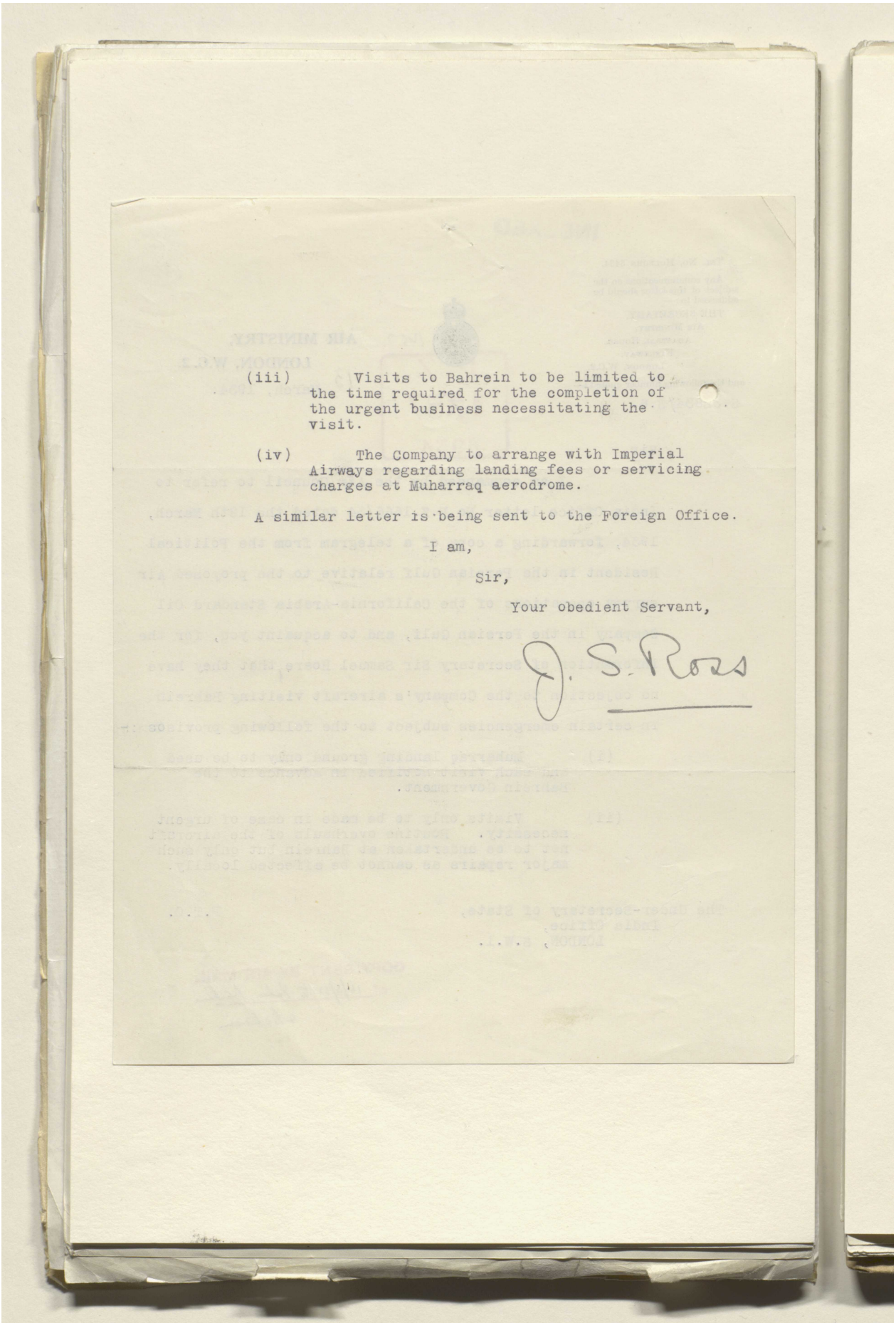

(iii) Visits to Bahrein to be limited to the time required for the completion of the urgent business necessitating the visit.

(iv) The Company to arrange with Imperial Airways regarding landing fees or servicing charges at Muharraq aerodrome.

A similar letter is being sent to the Foreign Office.

I am,

Sir,

Your obedient Servant,

J. S. Ross

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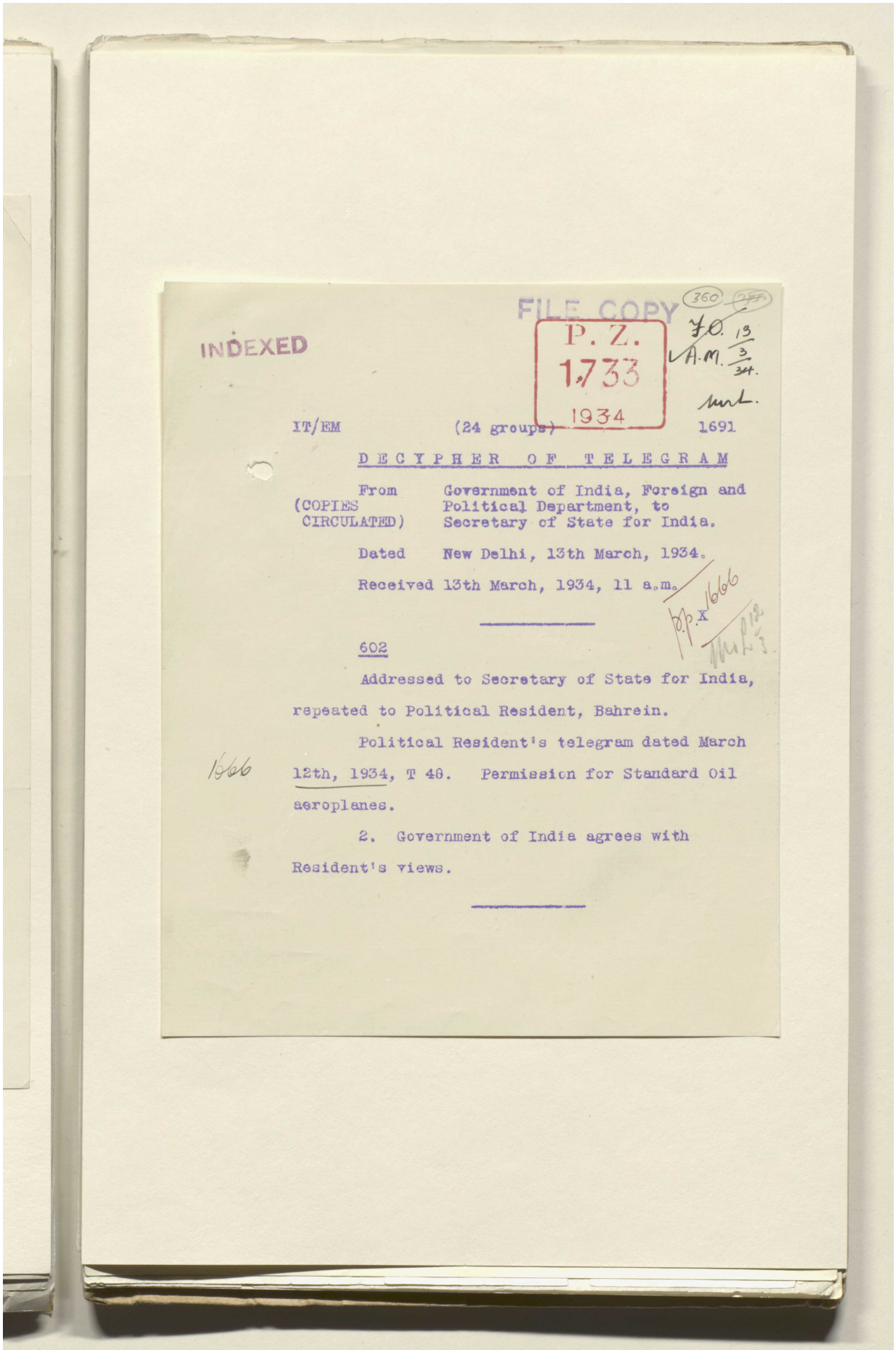

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F.O. 13
A.M. 3/34.

IT/EM (24 groups) 1691

DECYPHER OF TELEGRAM

From Government of India, Foreign and
(COPIES Political Department, to
CIRCULATED) Secretary of State for India.

Dated New Delhi, 13th March, 1934.

Received 13th March, 1934, 11 a.m.

P.P. X 1666

602

Addressed to Secretary of State for India, repeated to Political Resident, Bahrein.

Political Resident's telegram dated March 12th, 1934, T 46. Permission for Standard Oil aeroplanes.

1666

2. Government of India agrees with Resident's views.

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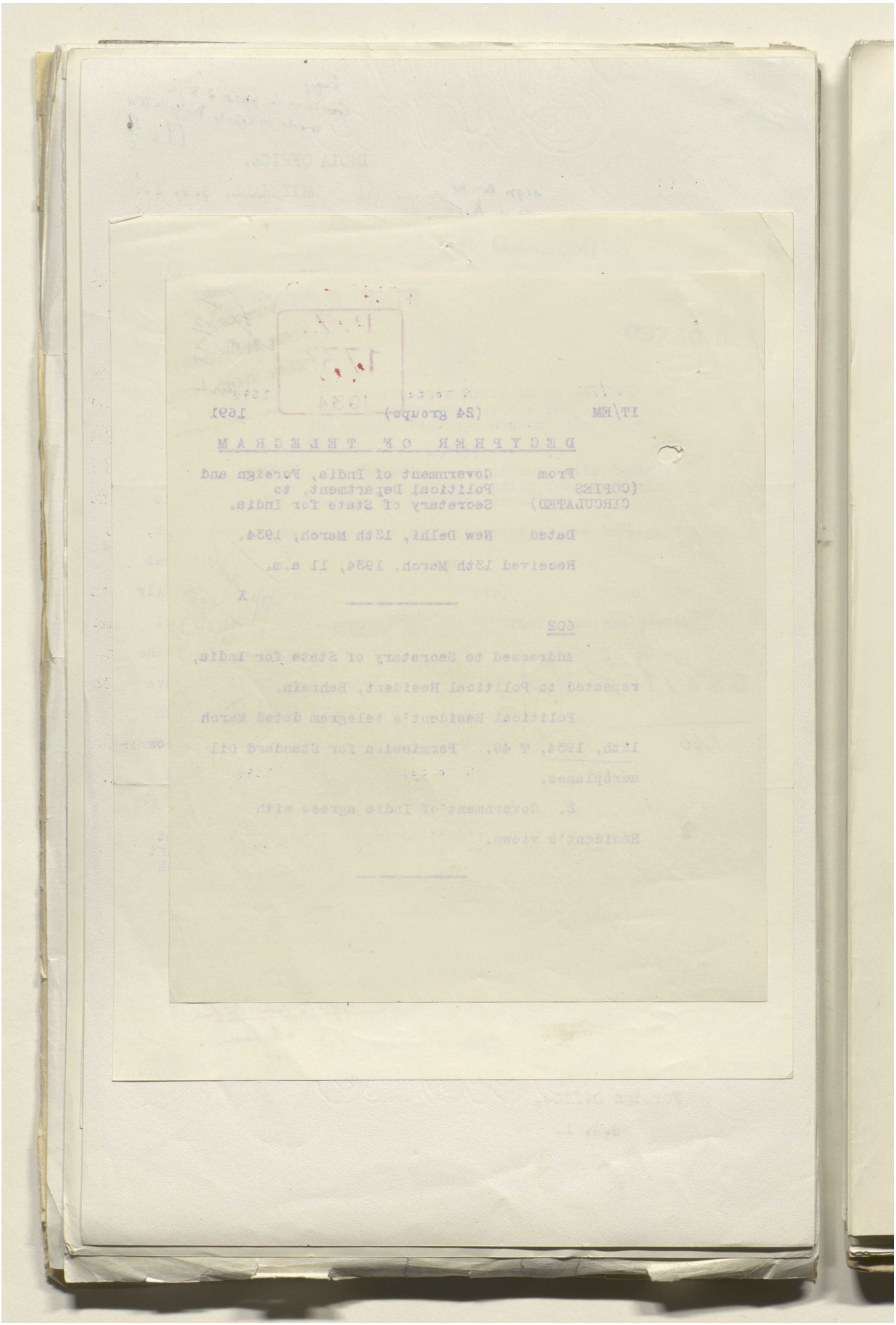

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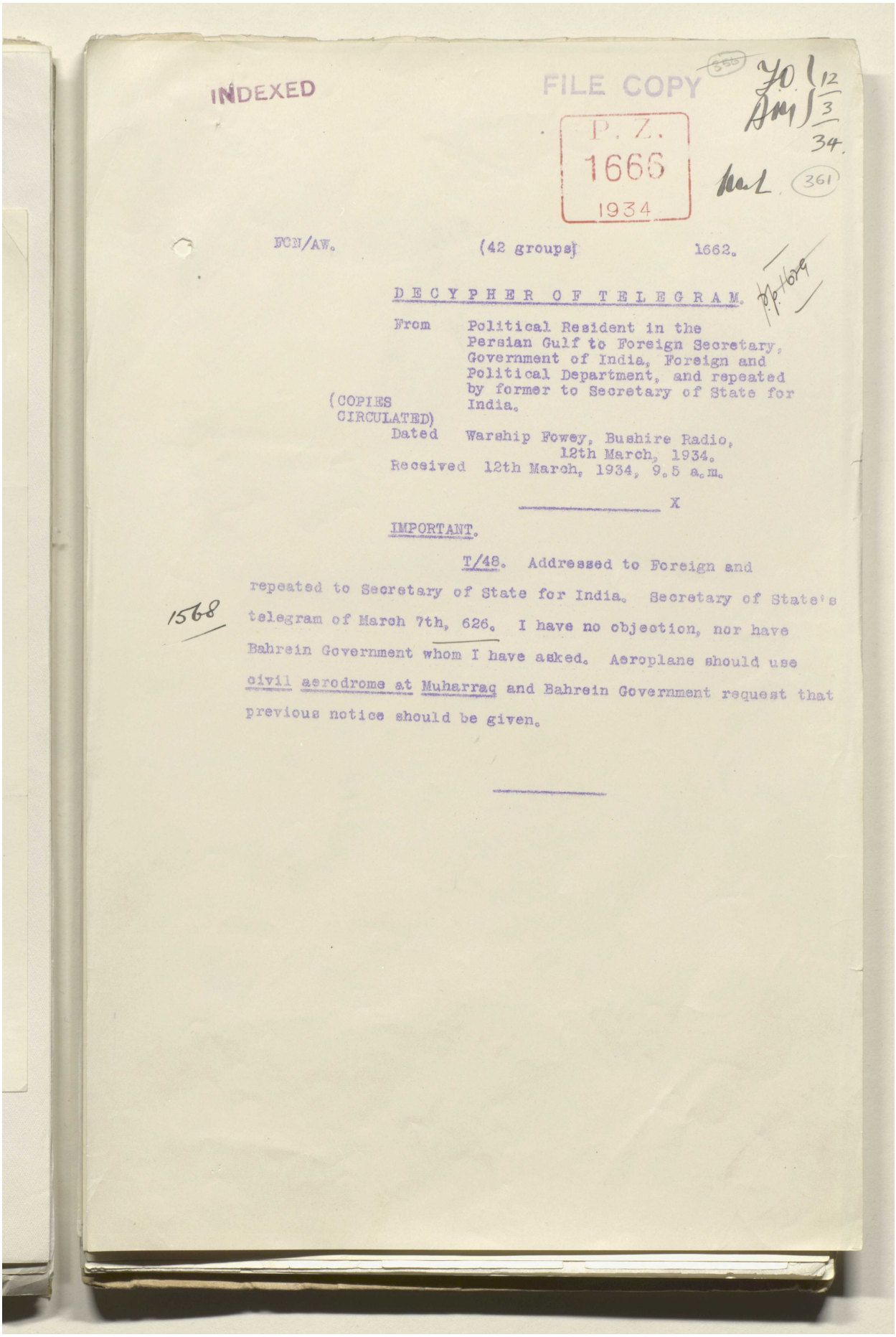

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FILE COPY

P. Z.
1666
1934

FCN/AW. (42 groups) 1662.

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Foreign Secretary, Government of India, Foreign and Political Department, and repeated by former to Secretary of State for India.

(COPIES CIRCULATED)

Dated Warship Fowey, Bushire Radio, 12th March, 1934.

Received 12th March, 1934, 9.5 a.m.

X

IMPORTANT.

T/48. Addressed to Foreign and repeated to Secretary of State for India. Secretary of State's telegram of March 7th, 626. I have no objection, nor have Bahrein Government whom I have asked. Aeroplane should use civil aerodrome at Muharraq and Bahrein Government request that previous notice should be given.

1568

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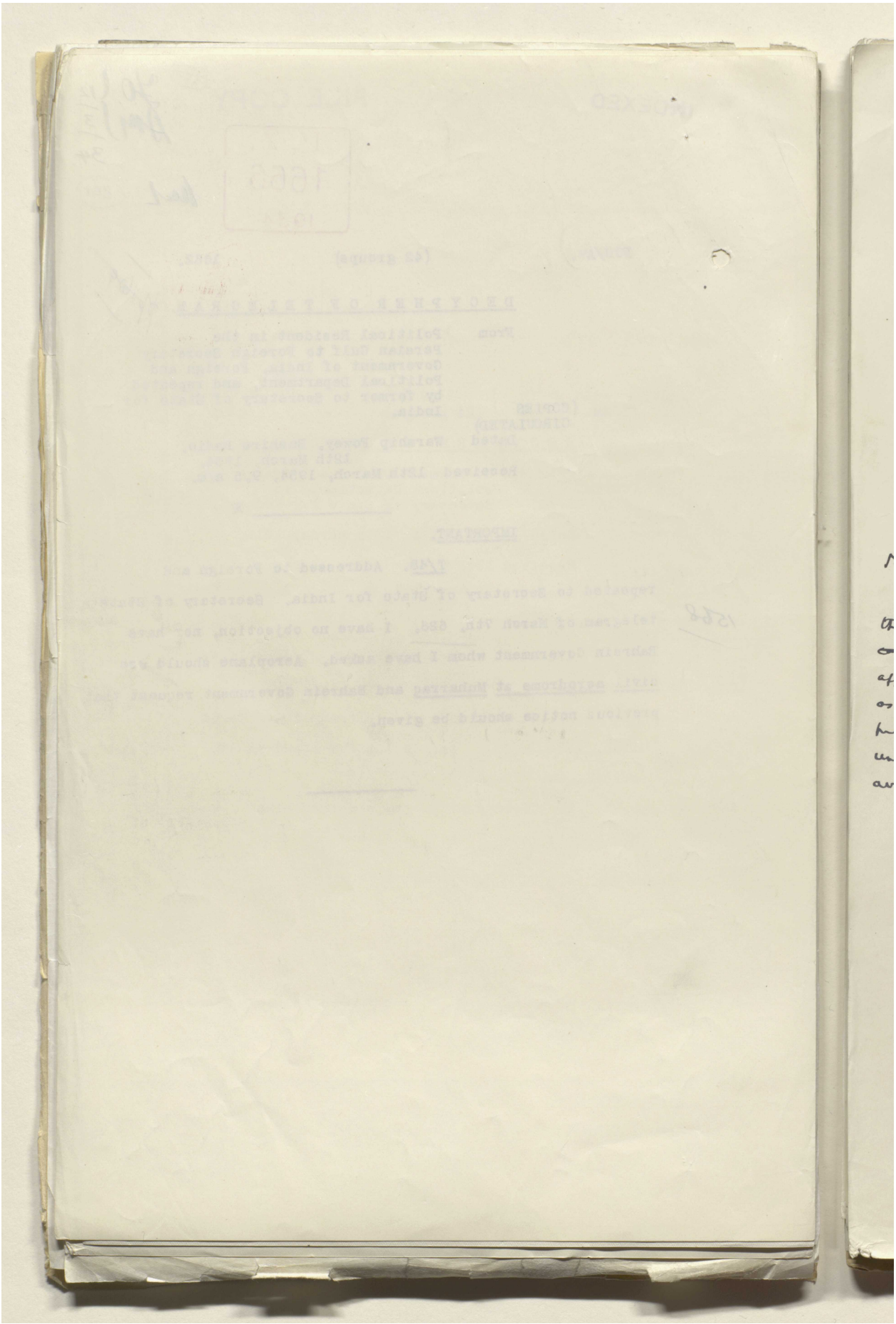

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P.Z. 1568/34

~~357~~ 362

Draft Paper. Keep Vch 9/3 Department.

Cypher x

625

Adm. 9.4.1 7.P. No 625

uptd. Pol. Res. Bushire No 626

Yr tel. of 23 Feb. 435 U.S. Govt. accept refusal of permission to fly over Koweit and Bahrein (see papers by airmail of 23 Feb to Govt & Bushire) but ask for general permission for Standard Oil aeroplane to visit ~~latter~~ Bahrein from Hasa in cases of urgent necessity only

(a) to transport casualties ~~to Bahrein~~ who cannot be treated locally to Bahrein Mission Hospital

(b) for repairs which cannot be carried out locally ~~&~~ in Bahrein Petroleum Coy's workshops.

2. Please telegraph yr views urgently.

Mr Walton.

It may be difficult to refuse these limited facilities, though ~~[illegible]~~ taken together they approximate to the use of Bahrein as an emergency base. A.M. propose to hold their hand until Residents views are available.

? send

[illegible] 7/3 34

[illegible] 7.3

Copy to Fo AM 9/3/34

SEEN BY	DATE	TIME
RECD. IN TEL. BGH.	7/3	5.15 pm
CODE, X or XX	XXX	
DESPATCHED	7/3	6.25 pm
No. OF WORDS	84+84	
SENDER'S INITIALS		

2262 5000 11.33

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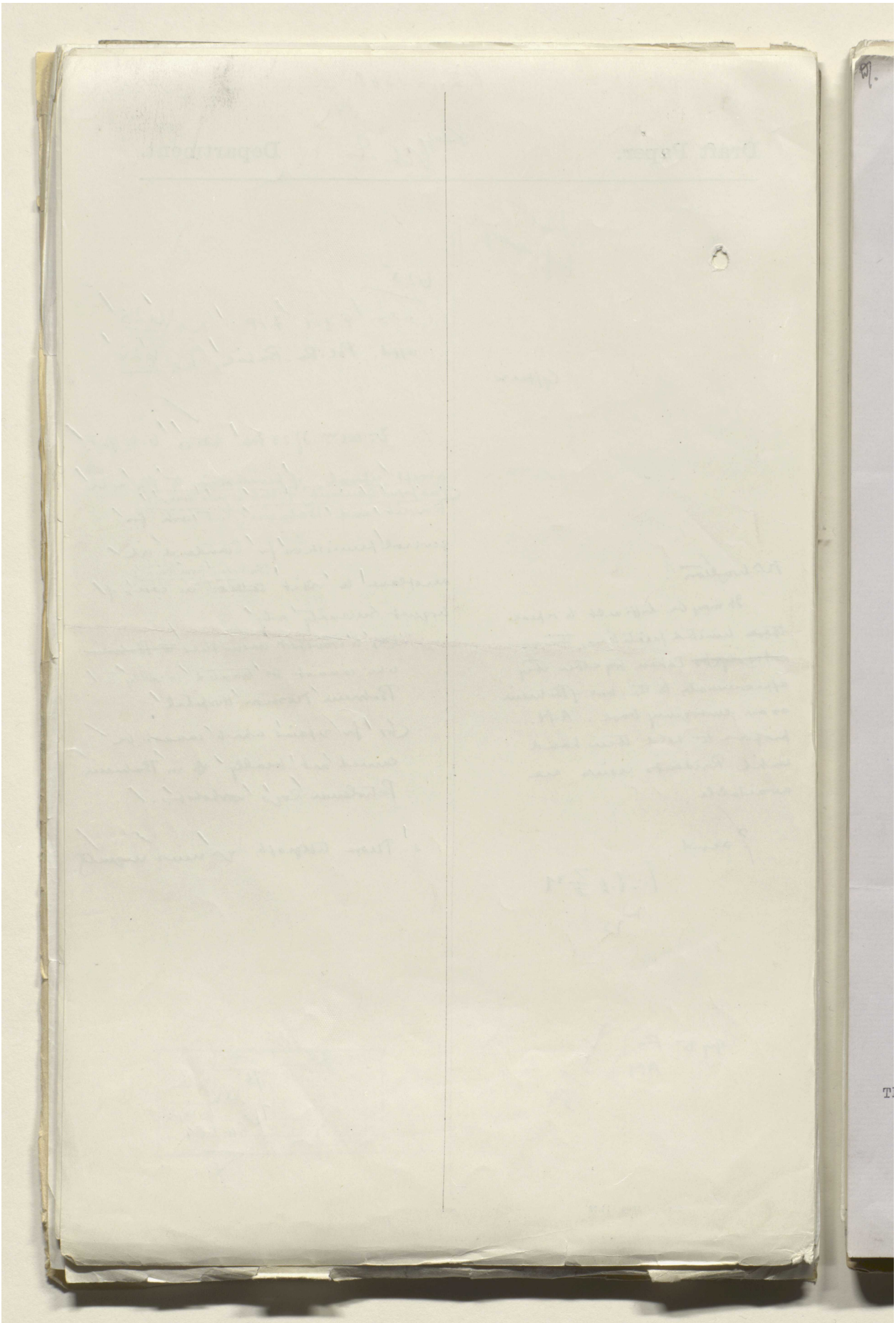

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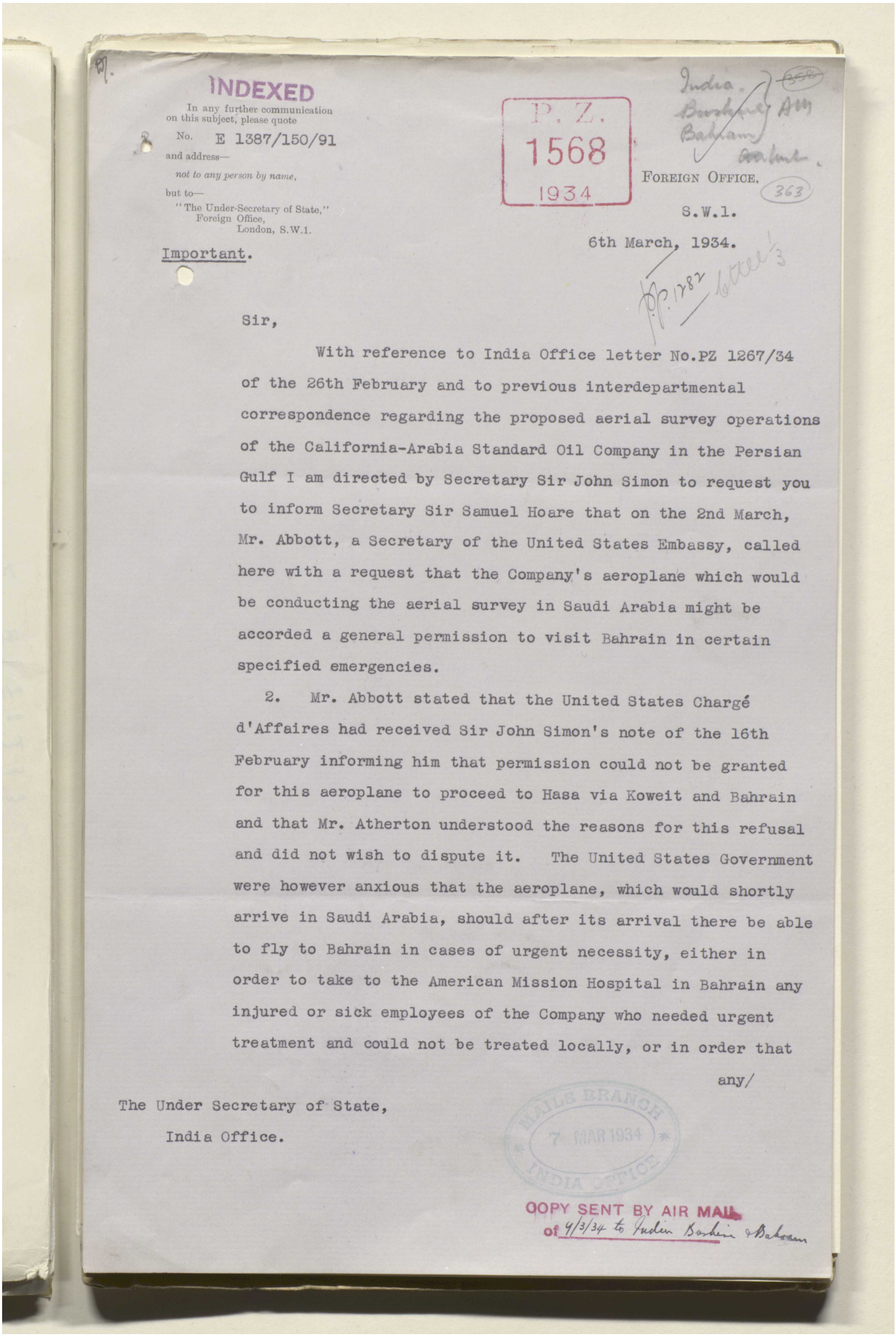

INDEXED

In any further communication on this subject, please quote

No. E 1387/150/91

and address—

not to any person by name,

but to—

"The Under-Secretary of State,"
Foreign Office,
London, S.W.1.

P. Z. 1568 1934

India. Bushire Agy Bahrain

FOREIGN OFFICE,
S.W.1.

363

6th March, 1934.

P.P. 1787 letter 3

Important.

Sir,

With reference to India Office letter No.PZ 1267/34 of the 26th February and to previous interdepartmental correspondence regarding the proposed aerial survey operations of the California-Arabia Standard Oil Company in the Persian Gulf I am directed by Secretary Sir John Simon to request you to inform Secretary Sir Samuel Hoare that on the 2nd March, Mr. Abbott, a Secretary of the United States Embassy, called here with a request that the Company's aeroplane which would be conducting the aerial survey in Saudi Arabia might be accorded a general permission to visit Bahrain in certain specified emergencies.

2. Mr. Abbott stated that the United States Chargé d'Affaires had received Sir John Simon's note of the 16th February informing him that permission could not be granted for this aeroplane to proceed to Hasa via Koweit and Bahrain and that Mr. Atherton understood the reasons for this refusal and did not wish to dispute it. The United States Government were however anxious that the aeroplane, which would shortly arrive in Saudi Arabia, should after its arrival there be able to fly to Bahrain in cases of urgent necessity, either in order to take to the American Mission Hospital in Bahrain any injured or sick employees of the Company who needed urgent treatment and could not be treated locally, or in order that

any/

The Under Secretary of State,
India Office.

MAILS BRANCH 7 MAR 1934 INDIA OFFICE

COPY SENT BY AIR MAIL of 9/3/34 to Indian Bushire & Bahrain

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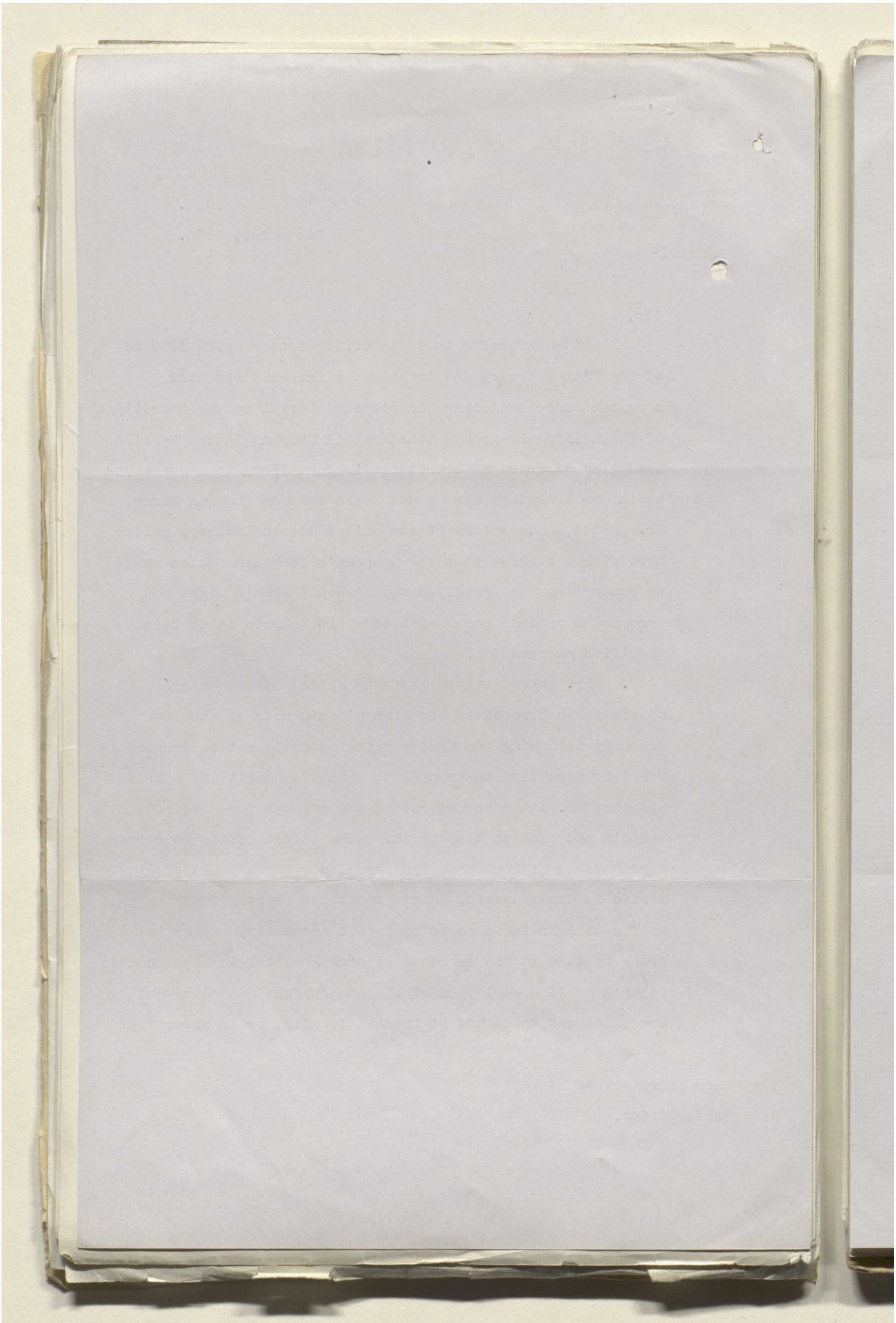

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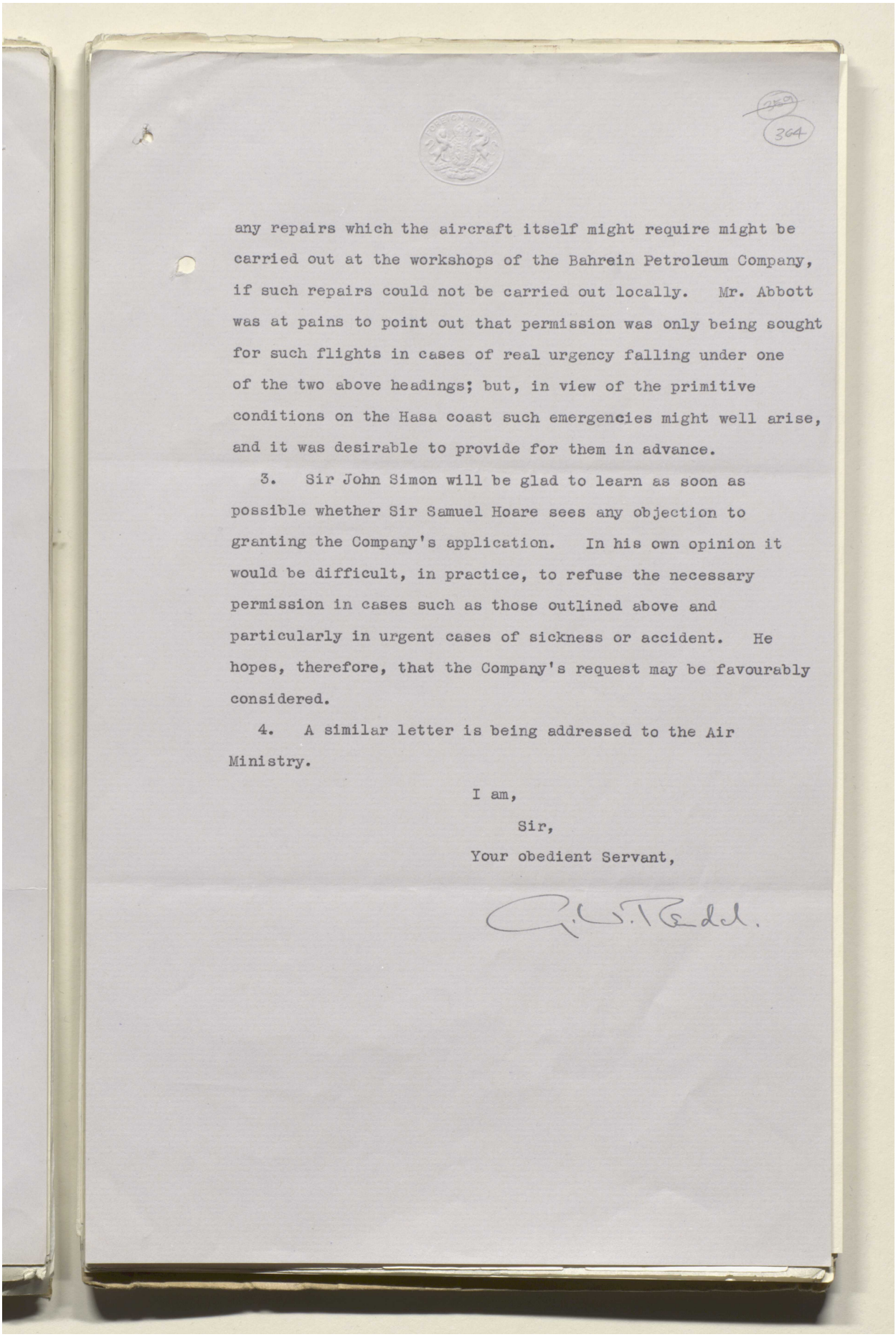

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any repairs which the aircraft itself might require might be carried out at the workshops of the Bahrein Petroleum Company, if such repairs could not be carried out locally. Mr. Abbott was at pains to point out that permission was only being sought for such flights in cases of real urgency falling under one of the two above headings; but, in view of the primitive conditions on the Hasa coast such emergencies might well arise, and it was desirable to provide for them in advance.

3. Sir John Simon will be glad to learn as soon as possible whether Sir Samuel Hoare sees any objection to granting the Company's application. In his own opinion it would be difficult, in practice, to refuse the necessary permission in cases such as those outlined above and particularly in urgent cases of sickness or accident. He hopes, therefore, that the Company's request may be favourably considered.

4. A similar letter is being addressed to the Air Ministry.

I am,

Sir,

Your obedient Servant,

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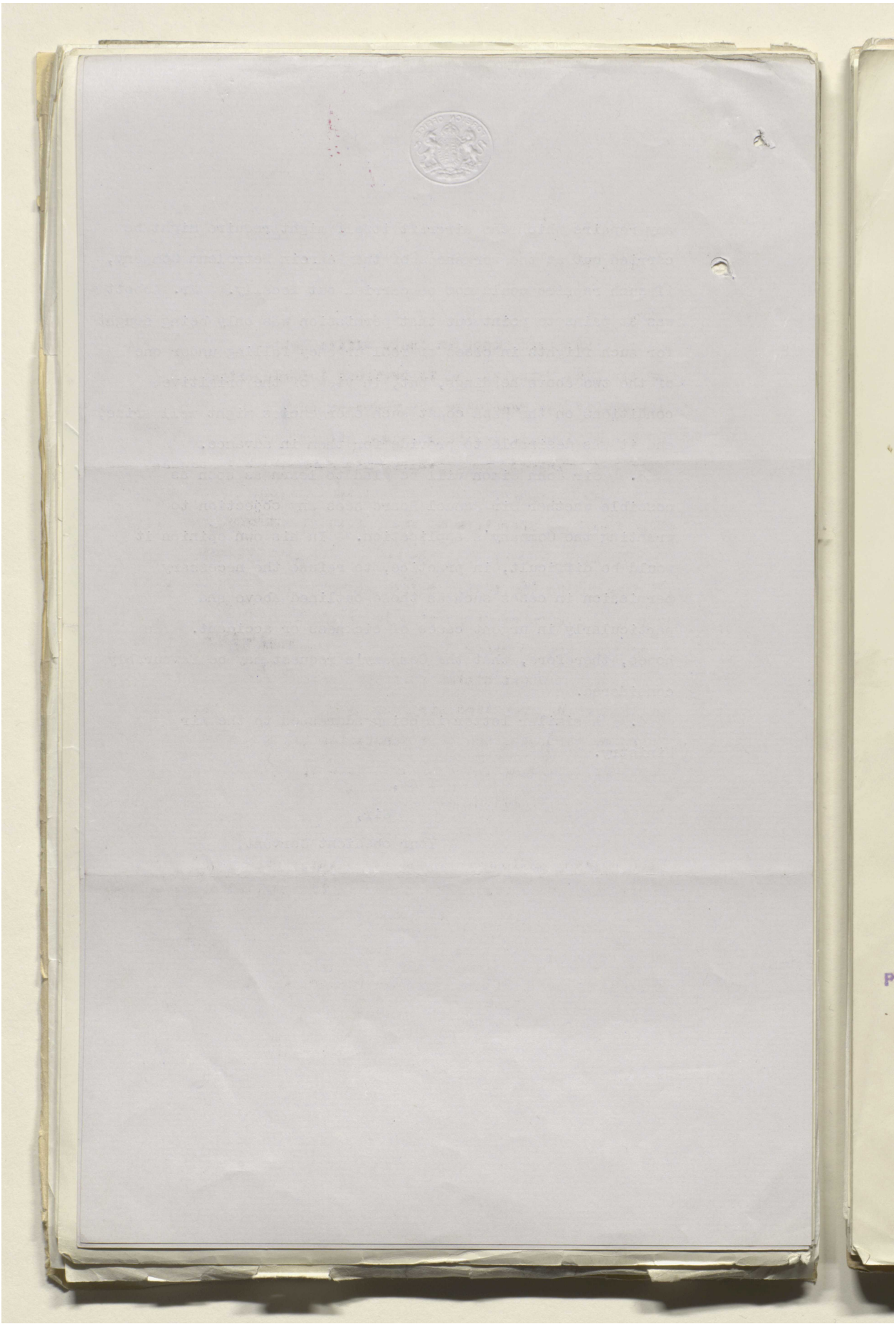

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Notes.

Register No.
P. Z.
1282/34

Minute Paper.

SECRET.
POLITICAL DEPARTMENT.

Dated 193 .
Rec.

	Date.	Initials.	SUBJECT.
To			Persian Gulf.
Under Secretary	28. 2.	[illegible]	Request of American Embassy for facilities for aeroplane of California Arabian Standard Oil Company to fly over Kuwait and Bahrein in connexion with survey of their Hasa Concession.
Secretary of State...			
Committee.....	1. 3	[illegible]	
Under Secretary.....			
Secretary of State....			

Copy of to

FOR INFORMATION.

Please see the note for the S/S at flag "F" which explains the circumstances of the American request.

After receiving our d.o. letter of 12th Feb. supporting the Resident's view that facilities should be refused both for flying over Koweit and Bahrein and for basing the survey on Bahrein the F.O. informed the American Embassy that the prohibition on civil aircraft was absolute except in the case of aviation companies which had received permission from the local rulers to include these places in their regular services. (P.Z. 1204). Since then the A.O.C., Iraq and the Air Ministry have come down strongly on the side of refusing facilities and the Govt. of India have also telegraphed agreeing with the Resident's view.

We have now received the Resident's Express

SEEN
POLITICAL COMMITTEE.
7 MAR 1934

Previous papers :—

1743 1000 3.33

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Letter of 7th Feb. which gives his views in more detail (P.Z. 1267/34) and a demi-official letter enclosing a letter from the Pol. Agent, Bahrein, which took a somewhat different line. Col. Loch's arguments seem however to be effectively disposed of by Col. Fowle. (P.Z. 1257/34)

It seems unnecessary to ~~send~~ circulate copies of the d.o. correspondence to the F.O. and A.M. at any rate until we see whether the Americans return to the charge.

J.E. Crombie
27/2/34

I agree
[illegible] 27/2

[illegible]
2/3

[illegible]
5/3

[illegible]
6/3

SEEN
POLITICAL COMMITTEE
- 7 MAR 1934

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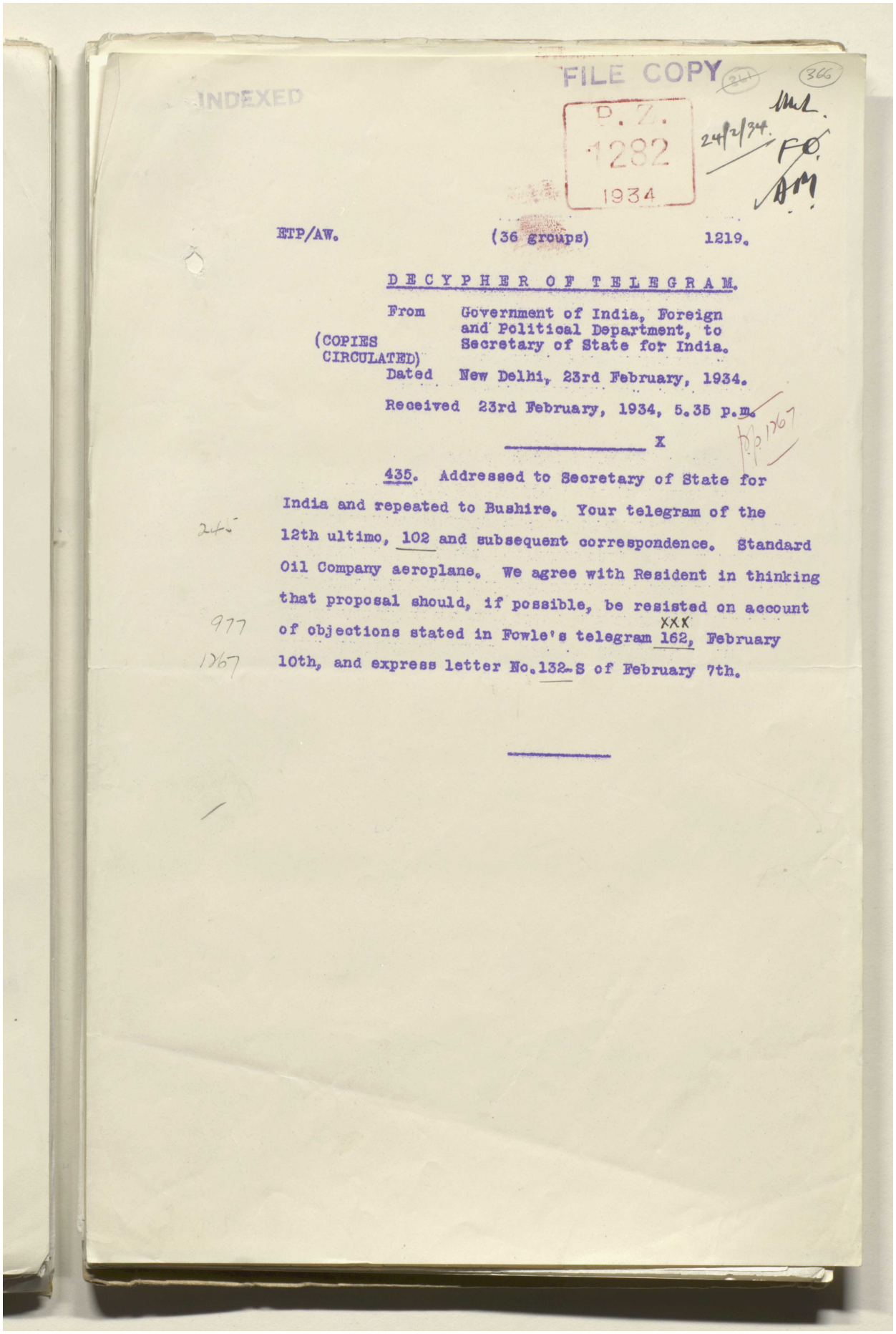

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P. Z. 1282 1934

24/2/34.

ETP/AW. (36 groups) 1219.

DECYPHER OF TELEGRAM.

From Government of India, Foreign and Political Department, to Secretary of State for India.

(COPIES CIRCULATED)

Dated New Delhi, 23rd February, 1934.

Received 23rd February, 1934, 5.35 p.m.

X

435. Addressed to Secretary of State for India and repeated to Bushire. Your telegram of the 12th ultimo, 102 and subsequent correspondence. Standard Oil Company aeroplane. We agree with Resident in thinking that proposal should, if possible, be resisted on account of objections stated in Fowle's telegram 162, February 10th, and express letter No.132-S of February 7th.

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P 1267 1934
367
23 FEB 1934

GOVERNMENT OF INDIA.

Department.

EXPRESS LETTER (AIR MAIL).

[N.B.—*This is an ORIGINAL message sent by AIR MAIL which provides a means of communication more expeditious than the ordinary mail and is cheaper than the telegraph. It is intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and to obviate formalities it is drafted in the form of a telegram. It is authenticated by the signature of a responsible officer of the Department.*]

No. 132-S of 1934. Dated BUSHIRE, ~~Simla~~ ~~New Delhi~~, the 7th February 1934.

~~To~~

From - Political Resident, Bushire.

To - India Office, London.

Repeated to Government of India, New Delhi.

Reference ~~your~~ my Political Agent, Bahrain.

Political Agent, Kuwait.

Air Officer Commanding, 'Iraq Command.

Subject: Application by the Standard Oil Company of California, in connection with their Hasa Concession, for permission for flight of an aeroplane from BASRAH to BAHRAIN, and thereafter to base the aeroplane on BAHRAIN.

With reference to correspondence ending with my telegram No.141 of 6th February. My views are as follows:

1. The proposal with regard to both - the flight and the base, appears to me (a) unnecessary and (b) objectionable for various reasons.

2. With regard to (a).

(1). The aeroplane starting from 'Iraq territory and keeping outside the 3-mile-limit from the shore, can avoid flying over Kuwait territory. It can then proceed over Bin Saud's/

(*Signature*)

RECD. POL. DEPT.
23 FEB 1934
INDIA OFFICE

(*Designation*)

S. 44.

DCFP—1124S&P—(M-1314)—4-8-32—12,000.

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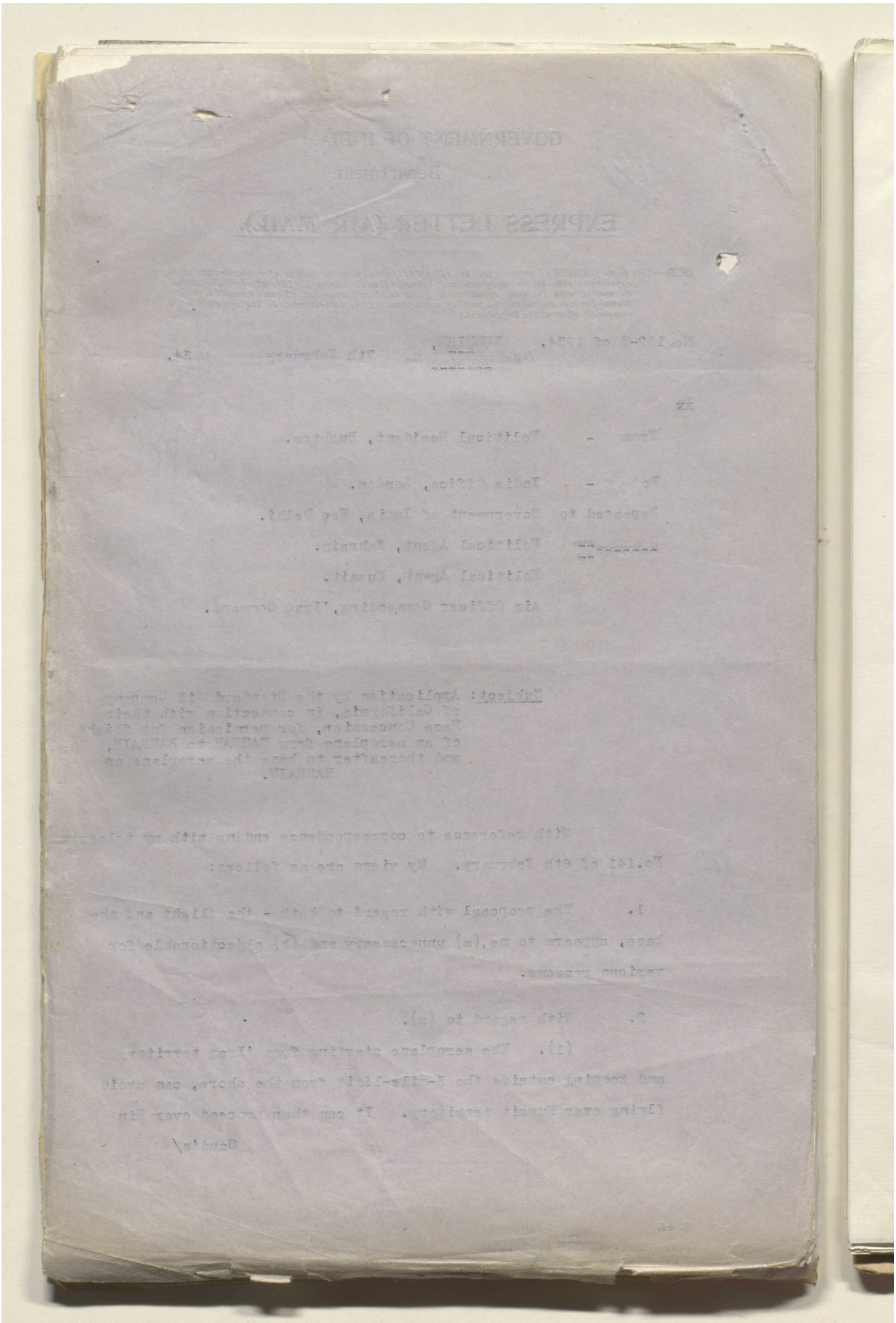

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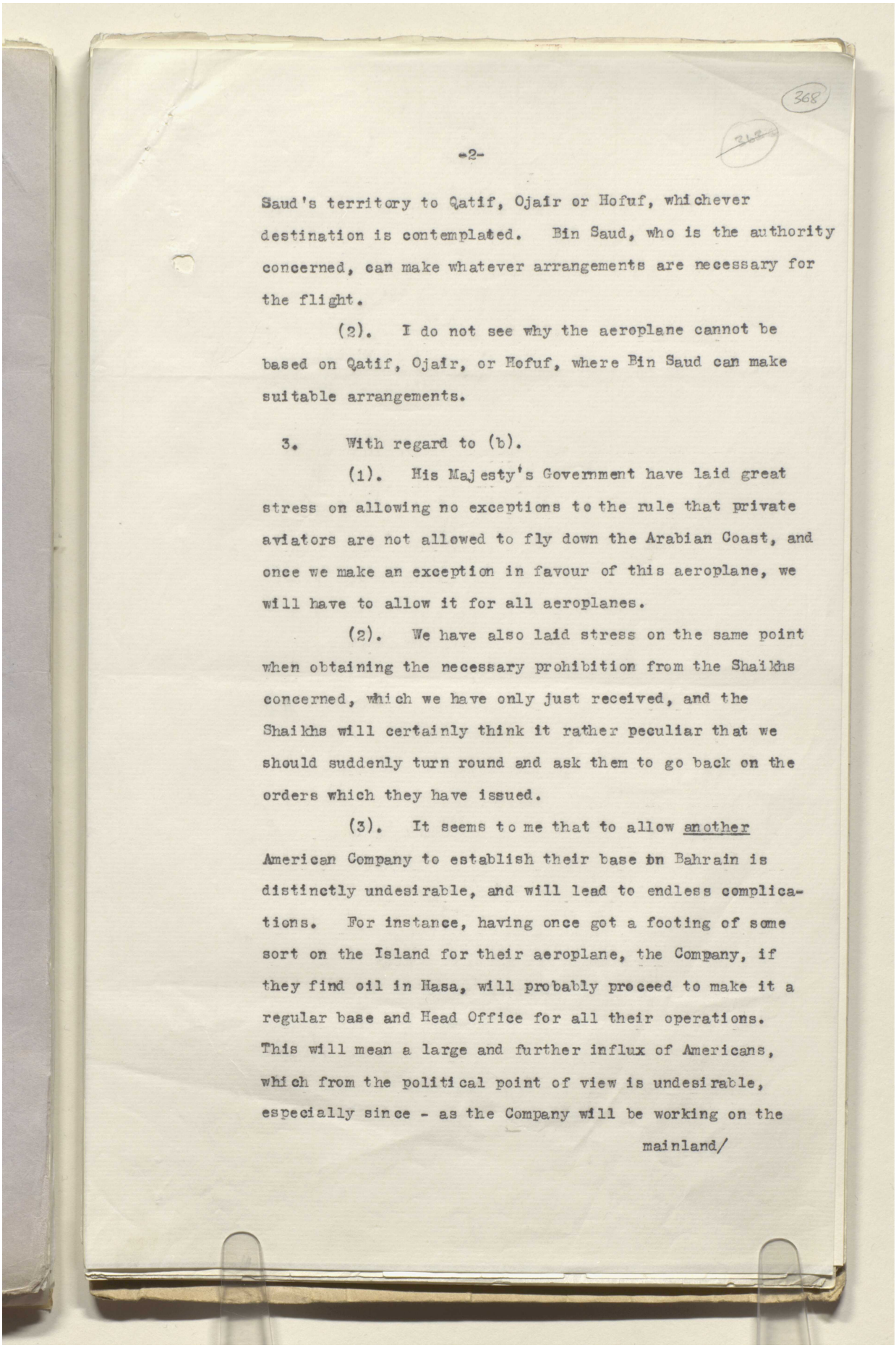

Saud's territory to Qatif, Ojair or Hofuf, whichever destination is contemplated. Bin Saud, who is the authority concerned, can make whatever arrangements are necessary for the flight.

(2). I do not see why the aeroplane cannot be based on Qatif, Ojair, or Hofuf, where Bin Saud can make suitable arrangements.

3. With regard to (b).

(1). His Majesty's Government have laid great stress on allowing no exceptions to the rule that private aviators are not allowed to fly down the Arabian Coast, and once we make an exception in favour of this aeroplane, we will have to allow it for all aeroplanes.

(2). We have also laid stress on the same point when obtaining the necessary prohibition from the Shaikhs concerned, which we have only just received, and the Shaikhs will certainly think it rather peculiar that we should suddenly turn round and ask them to go back on the orders which they have issued.

(3). It seems to me that to allow another American Company to establish their base on Bahrain is distinctly undesirable, and will lead to endless complications. For instance, having once got a footing of some sort on the Island for their aeroplane, the Company, if they find oil in Hasa, will probably proceed to make it a regular base and Head Office for all their operations. This will mean a large and further influx of Americans, which from the political point of view is undesirable, especially since - as the Company will be working on the

mainland/

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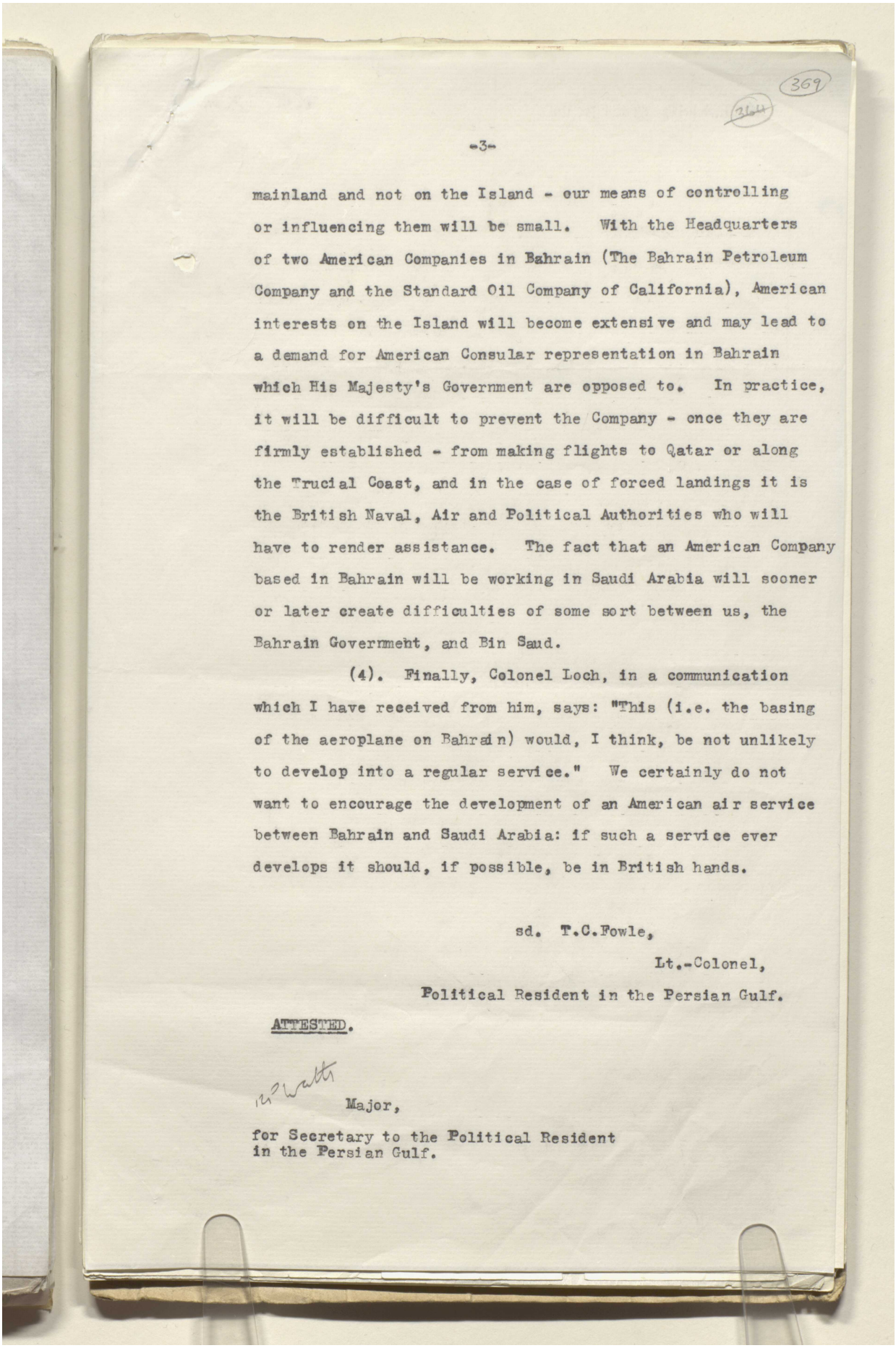

mainland and not on the Island - our means of controlling or influencing them will be small. With the Headquarters of two American Companies in Bahrain (The Bahrain Petroleum Company and the Standard Oil Company of California), American interests on the Island will become extensive and may lead to a demand for American Consular representation in Bahrain which His Majesty's Government are opposed to. In practice, it will be difficult to prevent the Company - once they are firmly established - from making flights to Qatar or along the Trucial Coast, and in the case of forced landings it is the British Naval, Air and Political Authorities who will have to render assistance. The fact that an American Company based in Bahrain will be working in Saudi Arabia will sooner or later create difficulties of some sort between us, the Bahrain Government, and Bin Saud.

(4). Finally, Colonel Loch, in a communication which I have received from him, says: "This (i.e. the basing of the aeroplane on Bahrain) would, I think, be not unlikely to develop into a regular service." We certainly do not want to encourage the development of an American air service between Bahrain and Saudi Arabia: if such a service ever develops it should, if possible, be in British hands.

sd. T.C.Fowle,

Lt.-Colonel,

Political Resident in the Persian Gulf.

ATTESTED.

Major,

for Secretary to the Political Resident
in the Persian Gulf.

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P.Z.
1253
1934.

CONFIDENTIAL.

No. 166-S of 1934.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. J.C.Laithwaite Esquire,
The India Office,
London.
2. The Hon'ble Mr.M.A.F.Metcalfe,C.S.I.,
C.I.E.,M.V.O.,
Foreign Secretary to the Government of India,
NewDelhi.

and has the honour to transmit to him a copy of the undermentioned document (s).

British Consulate-General,
BUSHIRE.

Dated 10th February 1934.

Reference to previous correspondence:

To(1).Political Resident's demi-official letter No.133-S of 7th February 1934.

To(2) " "Printed Letter No.134-S of 7th February 1934.

Description of Enclosure.

Name and Date.	Subject.
Demi-official letter No. C/63-10/5 dated the 3rd February 1934 from Lt.Col. Gordon Loch,Political Agent, Bahrain,with enclosure.	Standard Oil Company of California's aeroplane.

RECD. POL. DEPT.
23 FEB 1934
INDIA OFFICE

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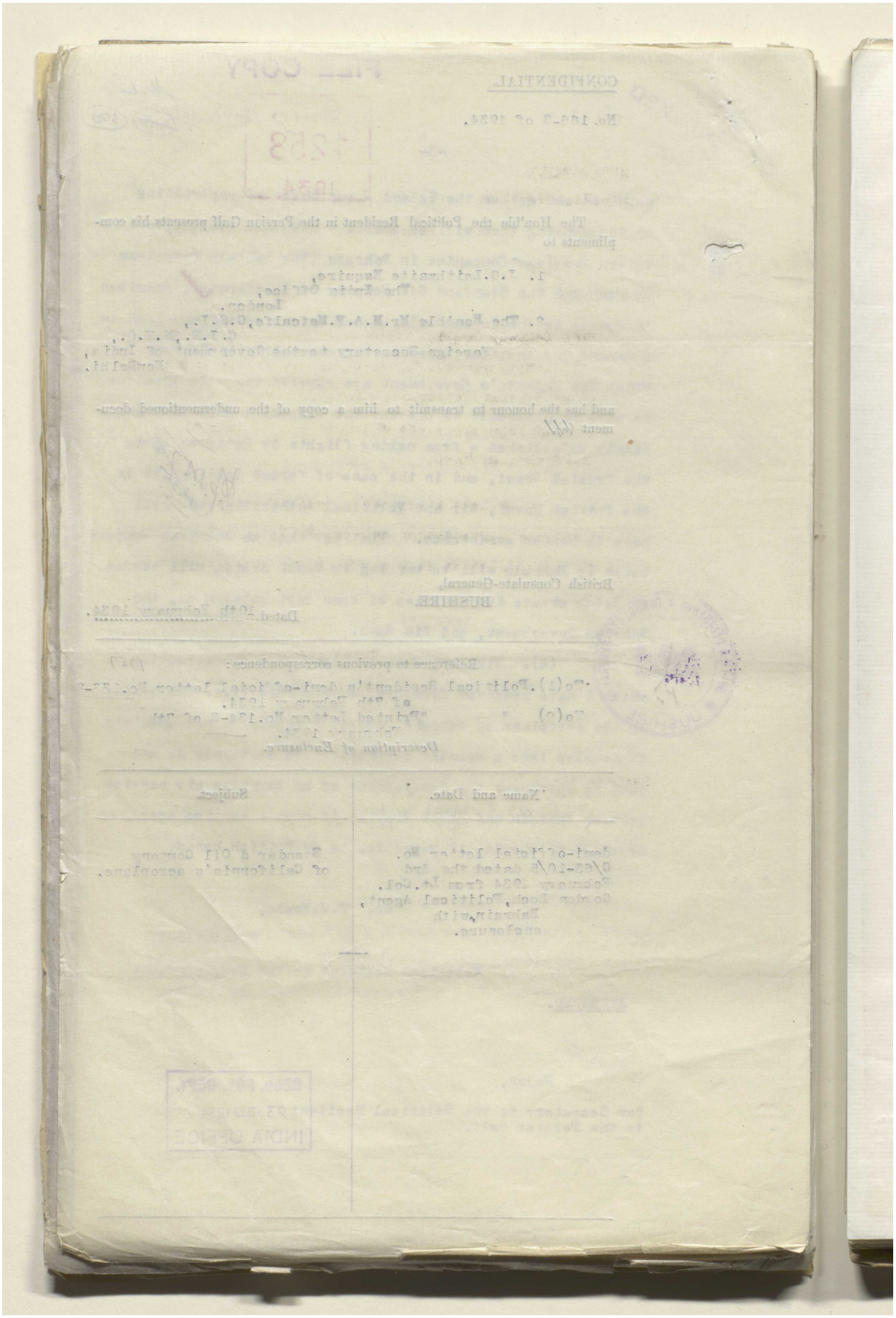

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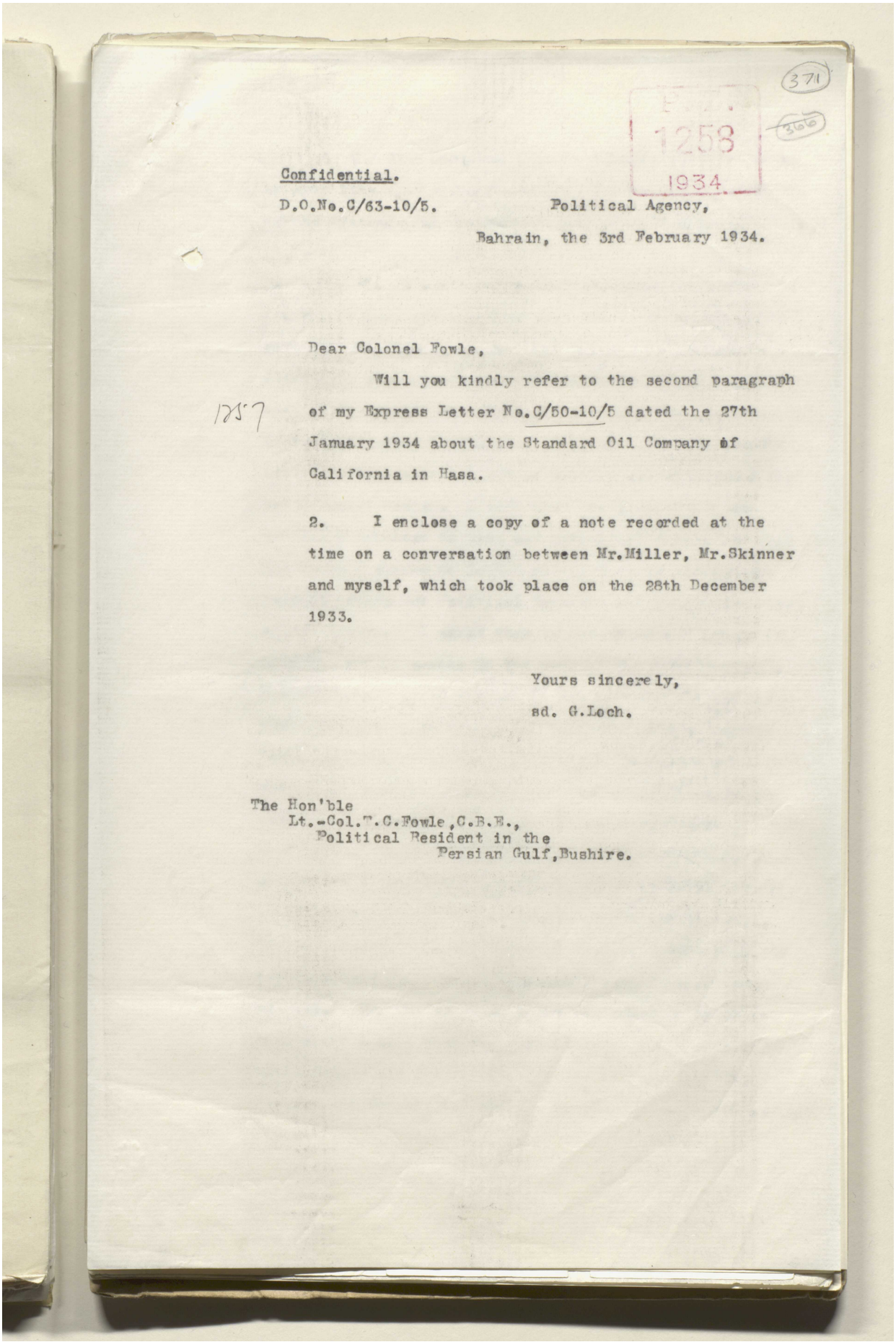

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F.O. 1258 1934

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Confidential.

D.O.No.C/63-10/5. Political Agency,

Bahrain, the 3rd February 1934.

Dear Colonel Fowle,

1257 Will you kindly refer to the second paragraph of my Express Letter No.C/50-10/5 dated the 27th January 1934 about the Standard Oil Company of California in Hasa.

2. I enclose a copy of a note recorded at the time on a conversation between Mr.Miller, Mr.Skinner and myself, which took place on the 28th December 1933.

Yours sincerely,

sd. G.Loch.

The Hon'ble
Lt.-Col.T.C.Fowle,C.B.E.,
Political Resident in the
Persian Gulf,Bushire.

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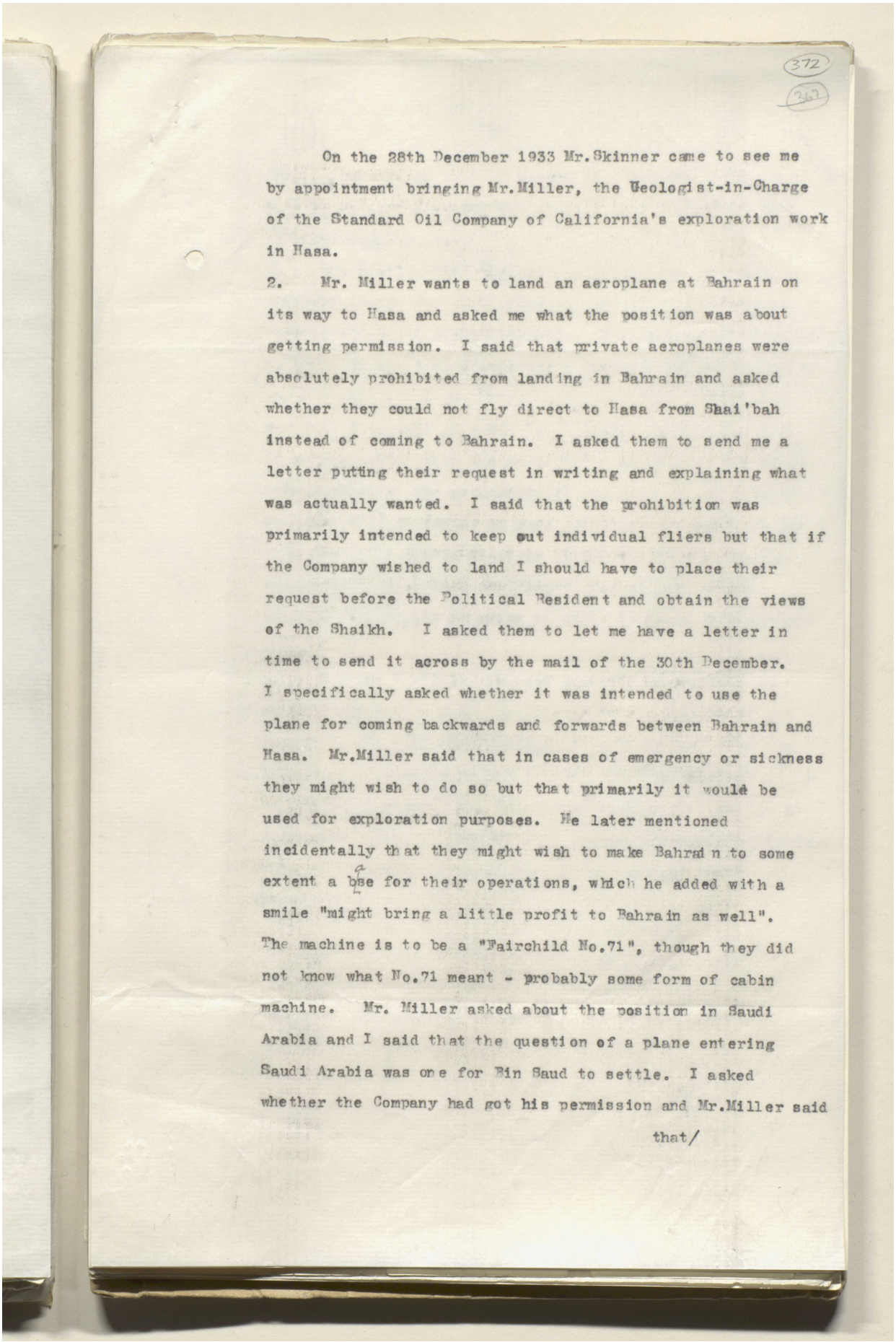

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On the 28th December 1933 Mr.Skinner came to see me by appointment bringing Mr.Miller, the Geologist-in-Charge of the Standard Oil Company of California's exploration work in Hasa.

2. Mr. Miller wants to land an aeroplane at Bahrain on its way to Hasa and asked me what the position was about getting permission. I said that private aeroplanes were absolutely prohibited from landing in Bahrain and asked whether they could not fly direct to Hasa from Shai'bah instead of coming to Bahrain. I asked them to send me a letter putting their request in writing and explaining what was actually wanted. I said that the prohibition was primarily intended to keep out individual fliers but that if the Company wished to land I should have to place their request before the Political Resident and obtain the views of the Shaikh. I asked them to let me have a letter in time to send it across by the mail of the 30th December. I specifically asked whether it was intended to use the plane for coming backwards and forwards between Bahrain and Hasa. Mr.Miller said that in cases of emergency or sickness they might wish to do so but that primarily it would be used for exploration purposes. He later mentioned incidentally that they might wish to make Bahrain to some extent a base for their operations, which he added with a smile "might bring a little profit to Bahrain as well". The machine is to be a "Fairchild No.71", though they did not know what No.71 meant - probably some form of cabin machine. Mr. Miller asked about the position in Saudi Arabia and I said that the question of a plane entering Saudi Arabia was one for Bin Saud to settle. I asked whether the Company had got his permission and Mr.Miller said

that/

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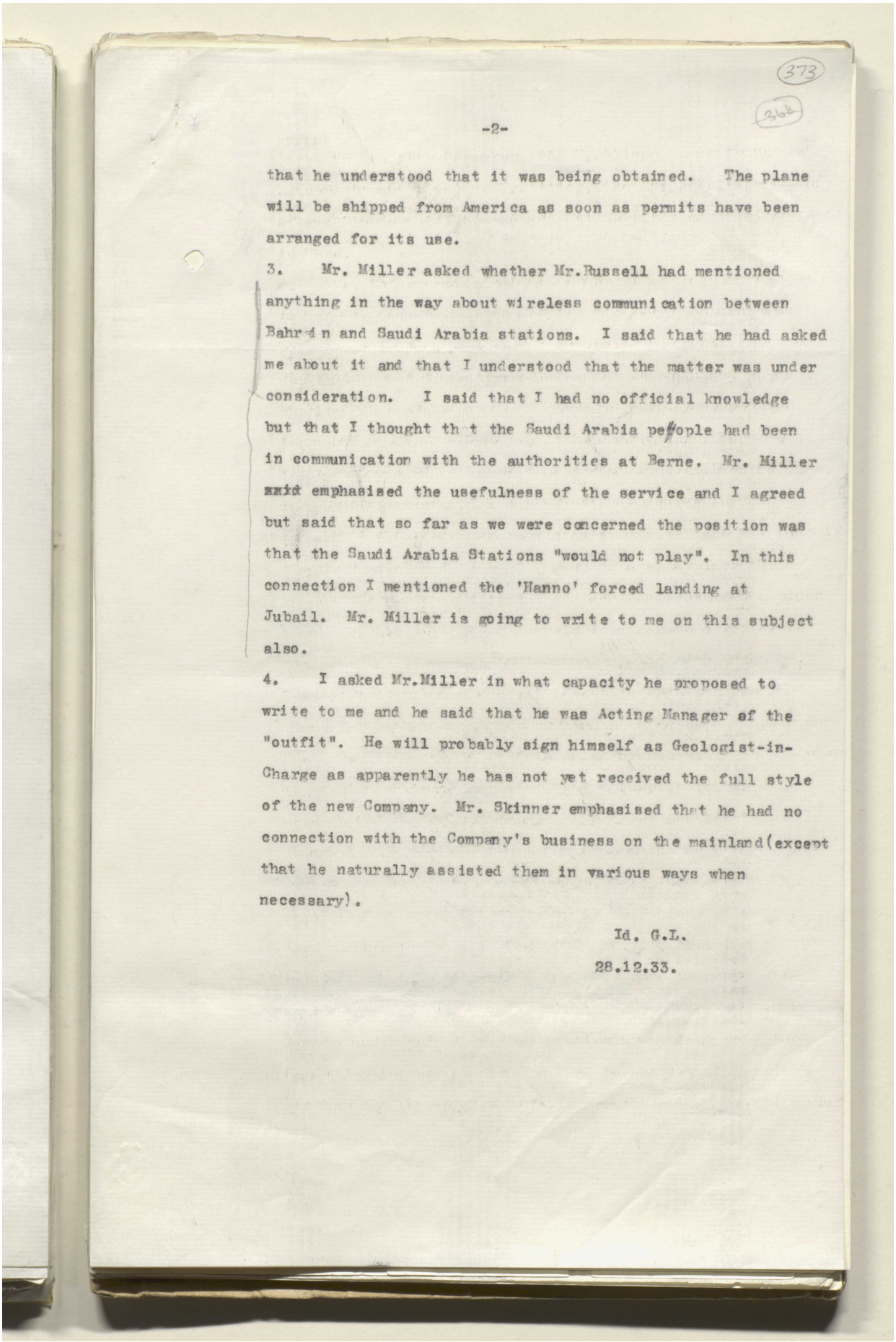

that he understood that it was being obtained. The plane will be shipped from America as soon as permits have been arranged for its use.

3. Mr. Miller asked whether Mr.Russell had mentioned anything in the way about wireless communication between Bahrein and Saudi Arabia stations. I said that he had asked me about it and that I understood that the matter was under consideration. I said that I had no official knowledge but that I thought that the Saudi Arabia people had been in communication with the authorities at Berne. Mr. Miller ~~said~~ emphasised the usefulness of the service and I agreed but said that so far as we were concerned the position was that the Saudi Arabia Stations "would not play". In this connection I mentioned the 'Hanno' forced landing at Jubail. Mr. Miller is going to write to me on this subject also.

4. I asked Mr.Miller in what capacity he proposed to write to me and he said that he was Acting Manager of the "outfit". He will probably sign himself as Geologist-in-Charge as apparently he has not yet received the full style of the new Company. Mr. Skinner emphasised that he had no connection with the Company's business on the mainland(except that he naturally assisted them in various ways when necessary).

Id. G.L.

28.12.33.

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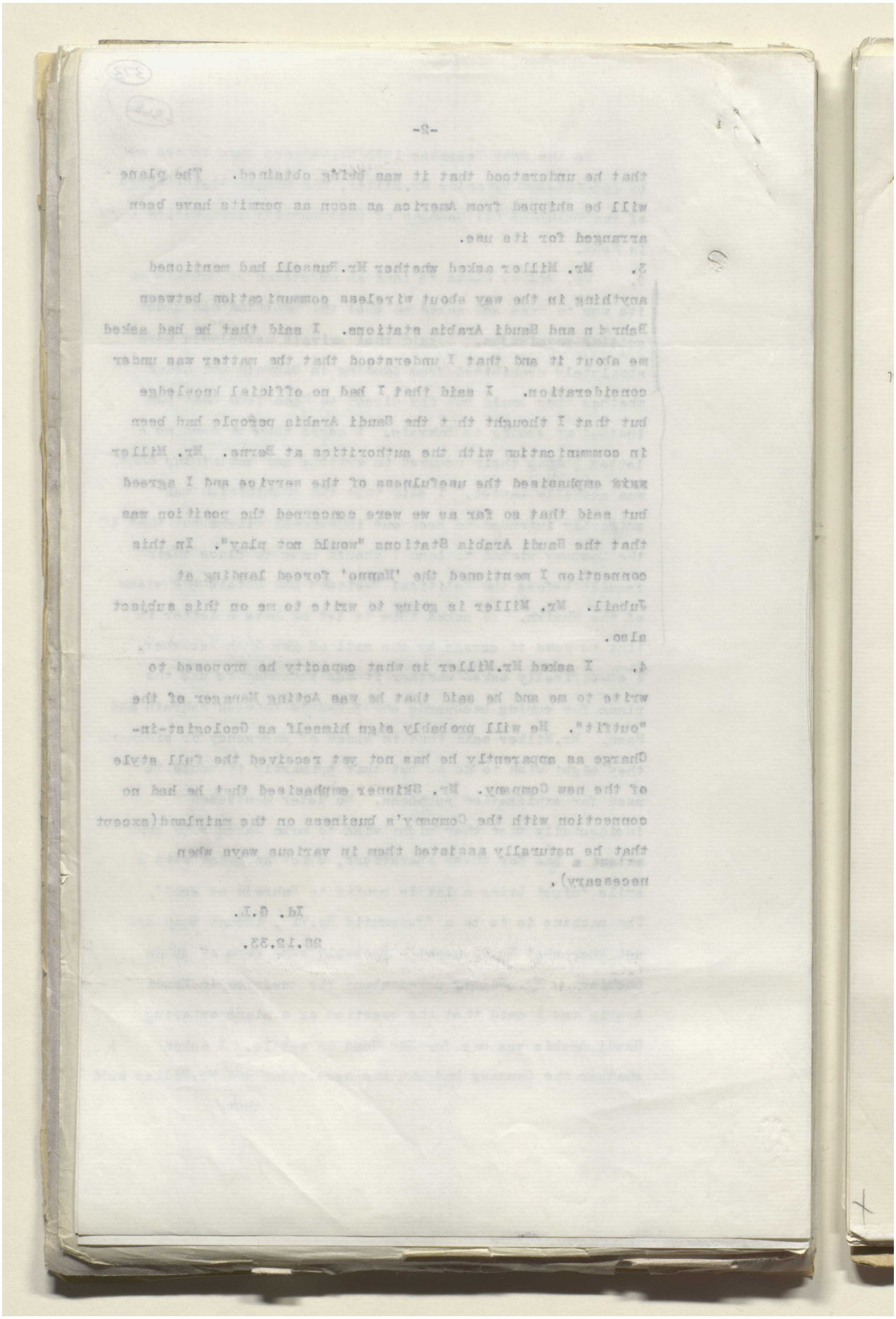

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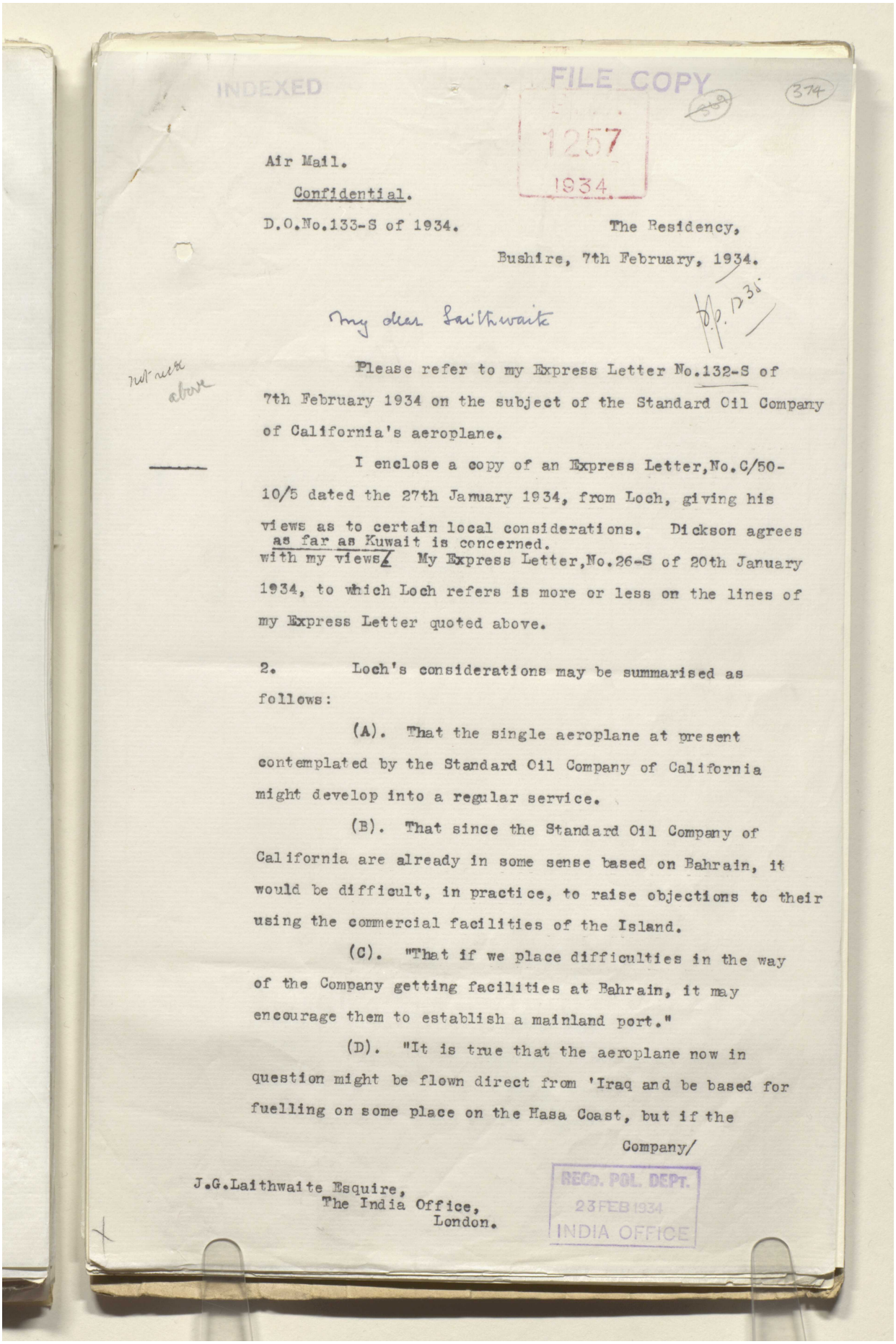

INDEXED
FILE COPY
1257
1934

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Air Mail.

Confidential.

D.O.No.133-S of 1934.

The Residency,
Bushire, 7th February, 1934.

My dear Laithwaite

Please refer to my Express Letter No.132-S of 7th February 1934 on the subject of the Standard Oil Company of California's aeroplane.

I enclose a copy of an Express Letter,No.C/50-10/5 dated the 27th January 1934, from Loch, giving his views as to certain local considerations. Dickson agrees as far as Kuwait is concerned. with my views. My Express Letter,No.26-S of 20th January 1934, to which Loch refers is more or less on the lines of my Express Letter quoted above.

2. Loch's considerations may be summarised as follows:

(A). That the single aeroplane at present contemplated by the Standard Oil Company of California might develop into a regular service.

(B). That since the Standard Oil Company of California are already in some sense based on Bahrain, it would be difficult, in practice, to raise objections to their using the commercial facilities of the Island.

(C). "That if we place difficulties in the way of the Company getting facilities at Bahrain, it may encourage them to establish a mainland port."

(D). "It is true that the aeroplane now in question might be flown direct from 'Iraq and be based for fuelling on some place on the Hasa Coast, but if the

Company/

J.G.Laithwaite Esquire,
The India Office,
London.

REGD. POL. DEPT.
23 FEB 1934
INDIA OFFICE

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Air Mail.

Confidential.

D.O.No.132-S of 1934. The Residency,

Bushire, 7th February, 1934.

Dear Alan Kennedy,

Please refer to my Express Letter No.132-S of 7th February 1934 on the subject of the Standard Oil Company of California's aeroplane.

I enclose a copy of an Express Letter,No.C/80-10/S dated the 27th January 1934, from Loch, giving his views as to certain local considerations. Dickson agrees with my views. My Express Letter,No.26-S of 20th January 1934, to which Loch refers is more or less on the lines of my Express Letter quoted above.

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(A). "That the single aeroplane at present contemplated by the Standard Oil Company of California might develop into a regular service.

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(C). "That if we place difficulties in the way of the Company getting facilities at Bahrein, it may encourage them to establish a mainland port."

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I.G.Laithwaite Esquire,
The India Office,
London.

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"Company arrange to dump fuel (no doubt bought from the Anglo-Persian Oil Company) on the Hasa Coast, there will be considerable incentive to Anglo-Persian Oil Company to arrange for Tanker "Khuzistan" to call regularly at some mainland port (as she does now at Qatar), thereby depriving Bahrain of transit dues."

(E). "If the Standard Oil Company of California were to have a regular base here, it might make it feasible for us to exercise more influence over them than would be possible if they were working from a base where we ourselves had less influence."

3. (1). With regard to (A). Surely the last thing we want to do is to encourage a regular American air service from Bahrain to Saudi Arabia. If such a service ever develops it should be in British hands.

See 1.2.1962 above

(2). With regard to (B). There is no question of objecting to the Standard Oil Company of California using the commercial facilities of Bahrain, i.e. getting their supplies, etc. through the Island to the mainland, provided that they are not based on Bahrain.

(3). With regard to (C). If the Standard Oil Company of California find oil in Hasa, the advantages of having a port there at which their Tankers can call will be so great that I imagine that they will try to develop such a port whether they have a base in Bahrain or not.

(4). With regard to (D). I presume that Loch refers to the fuel for the aeroplane, but this represents such a small amount that it will hardly affect the calls of the "Khuzistan".

(5). With regard to (E). As pointed out in

my/

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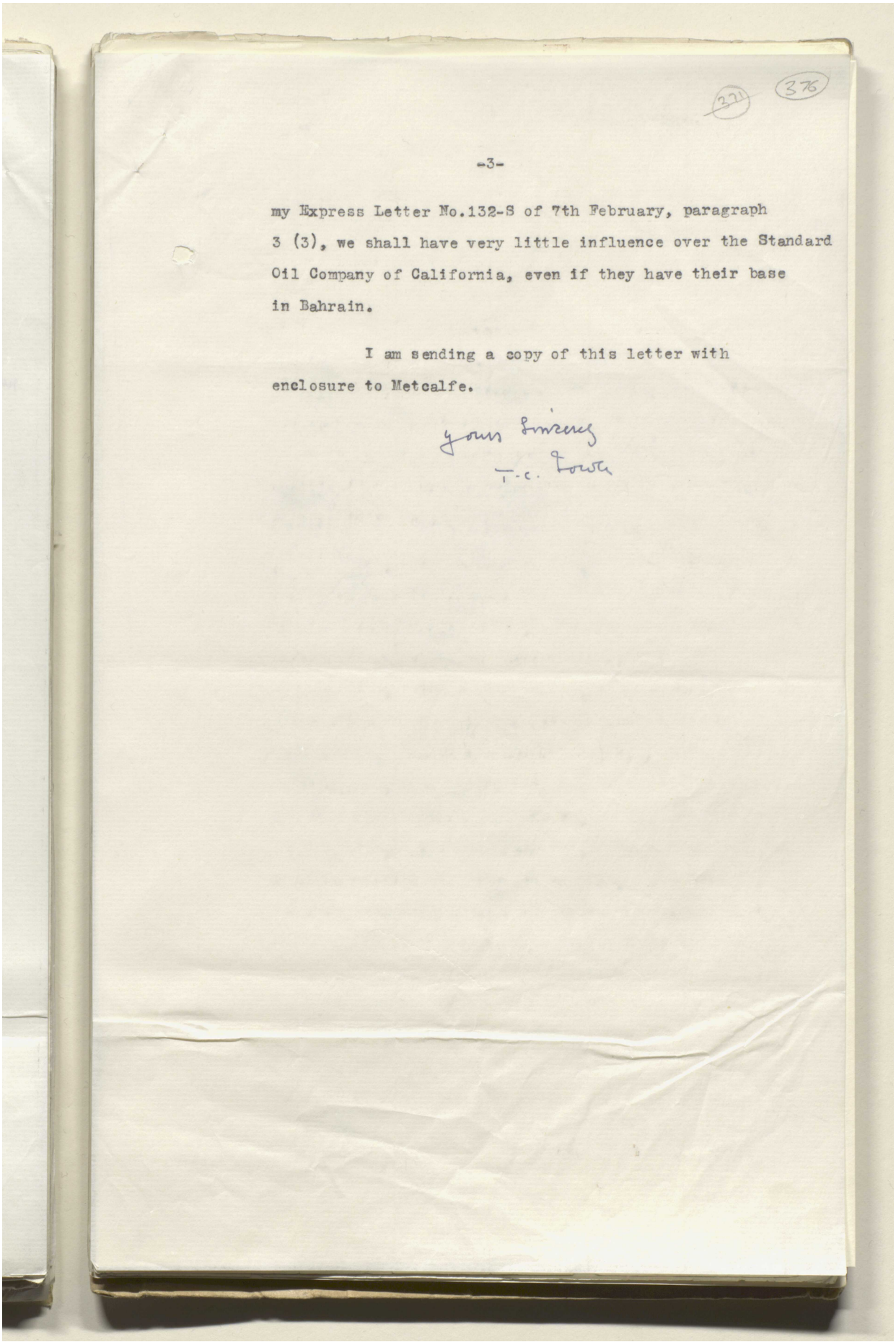

my Express Letter No.132-S of 7th February, paragraph 3 (3), we shall have very little influence over the Standard Oil Company of California, even if they have their base in Bahrain.

I am sending a copy of this letter with enclosure to Metcalfe.

Yours sincerely
T.C. Fowle

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-3-

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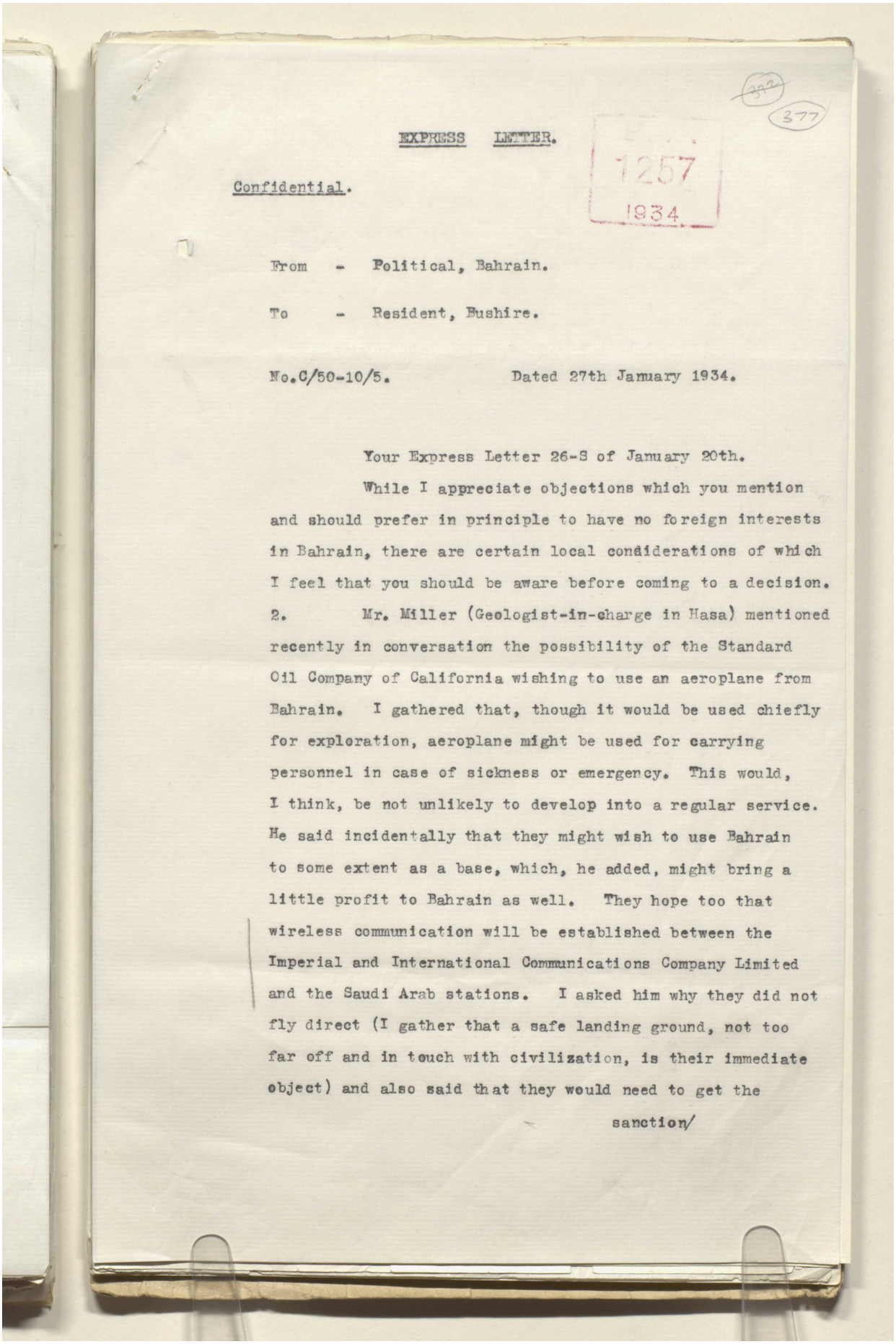

EXPRESS LETTER.

1257
1934

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Confidential.

From - Political, Bahrain.

To - Resident, Bushire.

No.C/50-10/5. Dated 27th January 1934.

Your Express Letter 26-S of January 20th.

While I appreciate objections which you mention and should prefer in principle to have no foreign interests in Bahrain, there are certain local condiderations of which I feel that you should be aware before coming to a decision.

2. Mr. Miller (Geologist-in-charge in Hasa) mentioned recently in conversation the possibility of the Standard Oil Company of California wishing to use an aeroplane from Bahrain. I gathered that, though it would be used chiefly for exploration, aeroplane might be used for carrying personnel in case of sickness or emergency. This would, I think, be not unlikely to develop into a regular service. He said incidentally that they might wish to use Bahrain to some extent as a base, which, he added, might bring a little profit to Bahrain as well. They hope too that wireless communication will be established between the Imperial and International Communications Company Limited and the Saudi Arab stations. I asked him why they did not fly direct (I gather that a safe landing ground, not too far off and in touch with civilization, is their immediate object) and also said that they would need to get the

sanction/

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sanction of the Saudi Arab Government for flying in Saudi Arabia. He said that he thought that arrangements were being made to get the permission of the Saudi Arab Government for flying in Saudi Arabia and that he would write to me about the matter of Bahrain, but did not do so.

3. Standard Oil Company of California are already in some sense based on Bahrain as their personnel land at Bahrain en route to Hasa and their imports are either landed and re-exported from, or transhipped at, Bahrain, which is a source of profit to the Bahrain Government. The Bahrain Petroleum Company, though technically a separate Company, helps the Standard Oil Company of California by putting up their men and making various shipping and other arrangements for them. It would be difficult in practice to raise objections to the Standard Oil Company of California using the commercial facilities xx of Bahrain.

4. If we place difficulties in the way of the Company getting facilities at Bahrain, it may encourage them to establish a mainland port.

5. It is true that the aeroplane now in question might be flown direct from 'Iraq and be based for xx fuelling on some place on the Hasa Coast, but if the Company arrange to dump fuel (no doubt bought from the Anglo-Persian Oil Company) on the Hasa Coast, there will be considerable incentive to Anglo-Persian Oil Company to arrange for Tanker "Khuzistan" to call regularly at some mainland port (as she does now at Qatar), thereby depriving Bahrain of transit dues.

If they had to make arrangements for the aeroplane,

the/

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the Saudi Arab Government might be encouraged to arrange air facilities on their coast. This might be useful to us in the event of forced landings, but might prove troublesome in other ways.

6. I do not think that Shaikh of Bahrain(or, indeed, others) would be surprised at being asked to make an exception in favour of the Company's aeroplane, as it would have definite business purpose, which could not be achieved by flying down the Persian Coast. It would, of course, open the door to a similar request by the Anglo-Persian Oil Company, but I gather this request is likely to be made, sooner or later, in any case. In the eyes of the Shaikh of Bahrain the Bahrain Petroleum Company and Standard Oil Company of California are one Company(as for practical purposes they are).

7. If the Standard Oil Company of California were to have a regular base here, it might make it feasible for us to exercise more influence over them than would be possible if they were working from a base where we ourselves had less influence.

8. On the other hand, it may be difficult to refuse them facilities at Kuwait (should we wish to do so), if they are given facilities here, and it may be expedient to remind the Company that they cannot have everything that they want on the Arab Littoral. On the information before me, I cannot offer any useful opinion on this aspect of the question.

sd. G. Loch,
Lt.-Colonel,
Political Agent, Bahrain.

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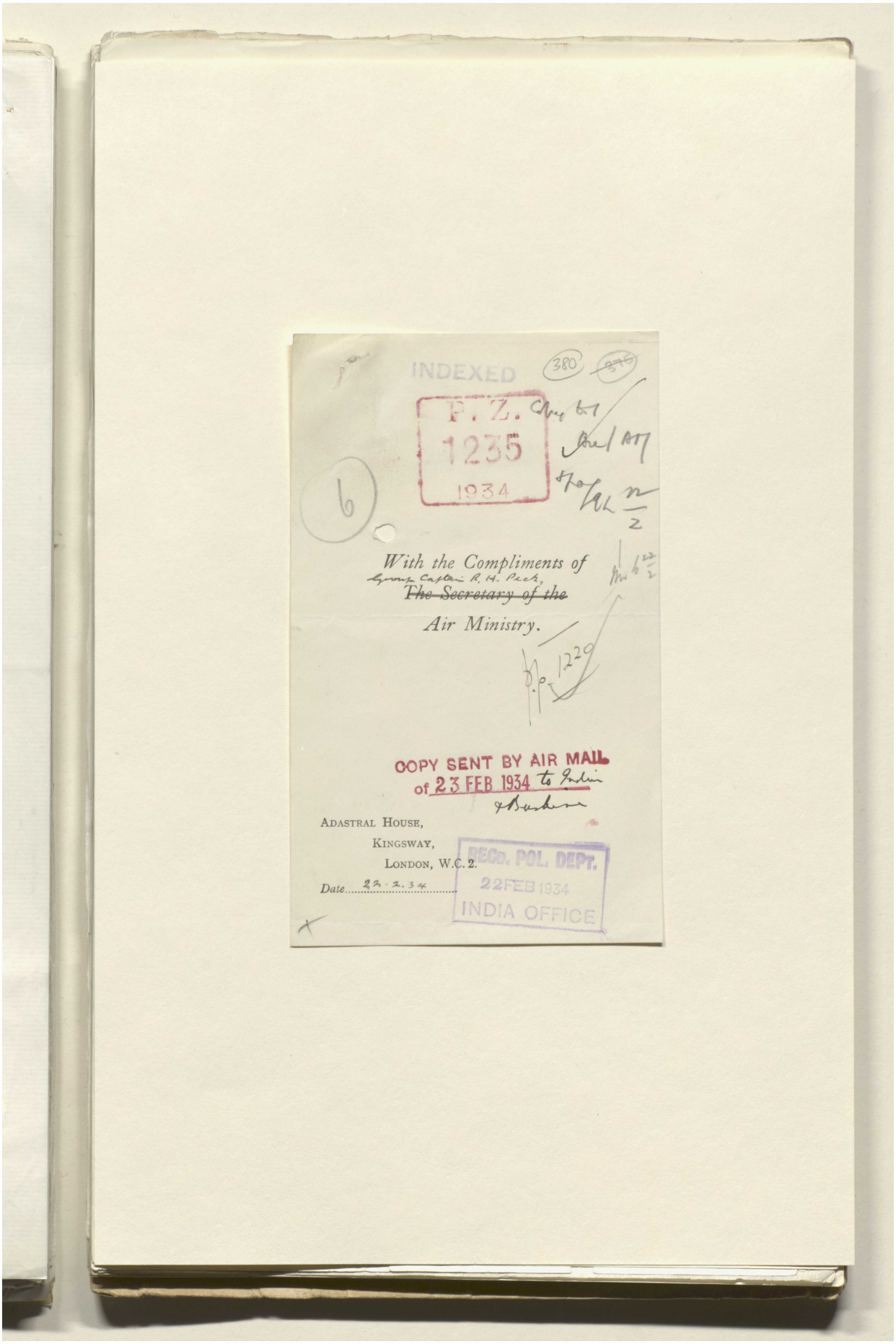

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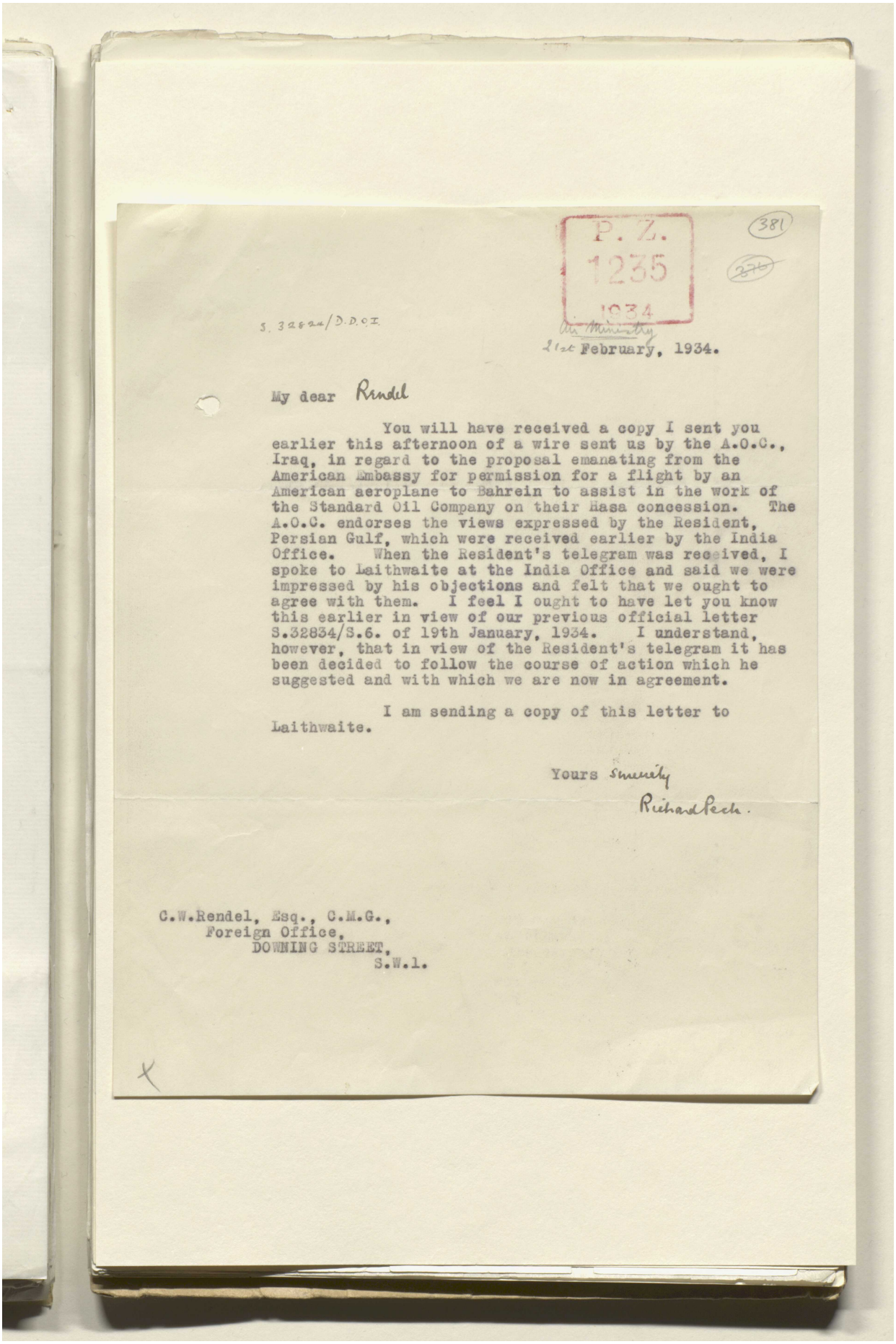

P. Z.
1235
1934

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~~370~~

S. 32824/D.D.O.I.

Air Ministry
21st February, 1934.

My dear Rendel

You will have received a copy I sent you earlier this afternoon of a wire sent us by the A.O.C., Iraq, in regard to the proposal emanating from the American Embassy for permission for a flight by an American aeroplane to Bahrein to assist in the work of the Standard Oil Company on their Hasa concession. The A.O.C. endorses the views expressed by the Resident, Persian Gulf, which were received earlier by the India Office. When the Resident's telegram was received, I spoke to Laithwaite at the India Office and said we were impressed by his objections and felt that we ought to agree with them. I feel I ought to have let you know this earlier in view of our previous official letter S.32834/S.6. of 19th January, 1934. I understand, however, that in view of the Resident's telegram it has been decided to follow the course of action which he suggested and with which we are now in agreement.

I am sending a copy of this letter to Laithwaite.

Yours sincerely

Richard Peck.

C.W.Rendel, Esq., C.M.G.,
Foreign Office,
DOWNING STREET,
S.W.1.

X

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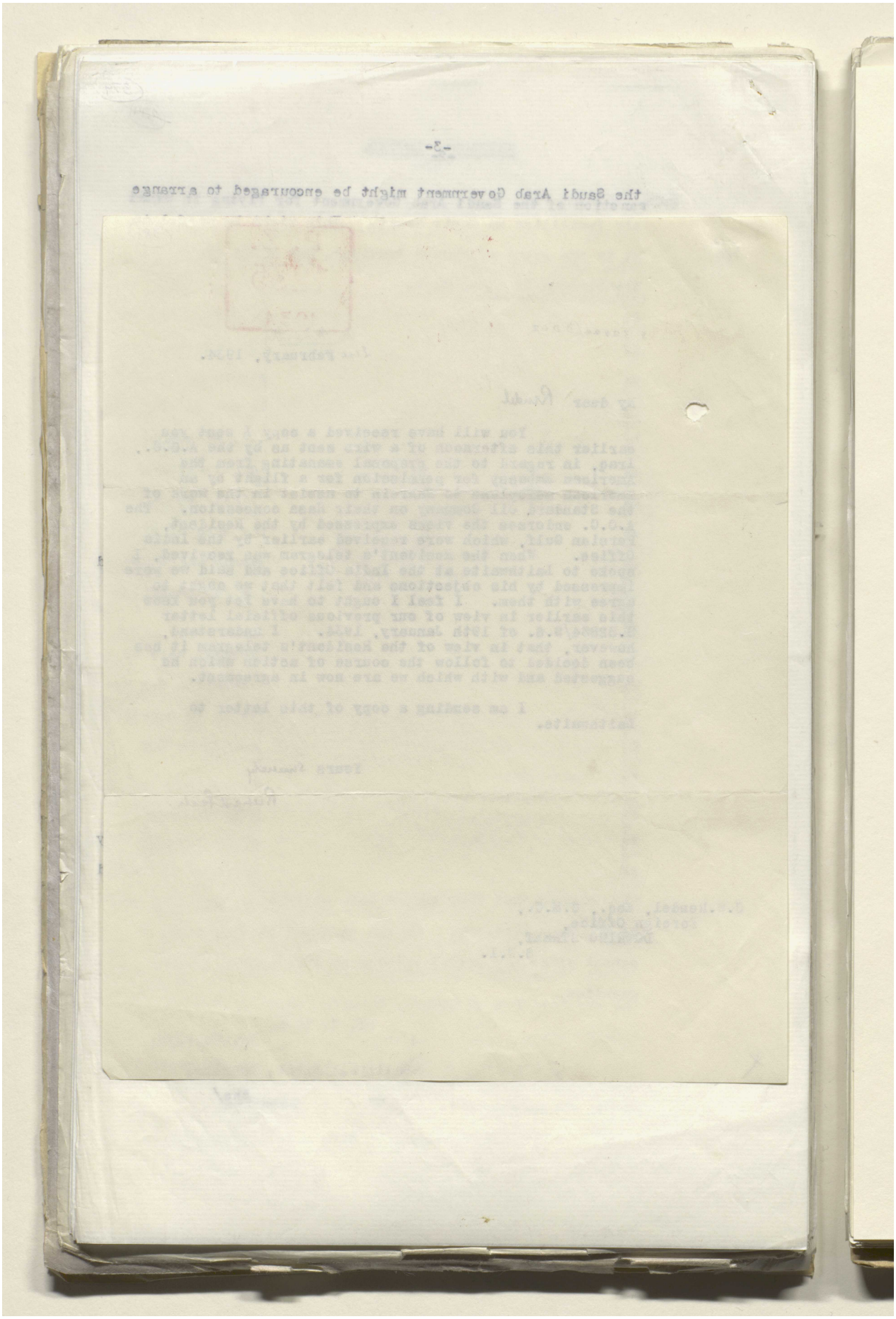

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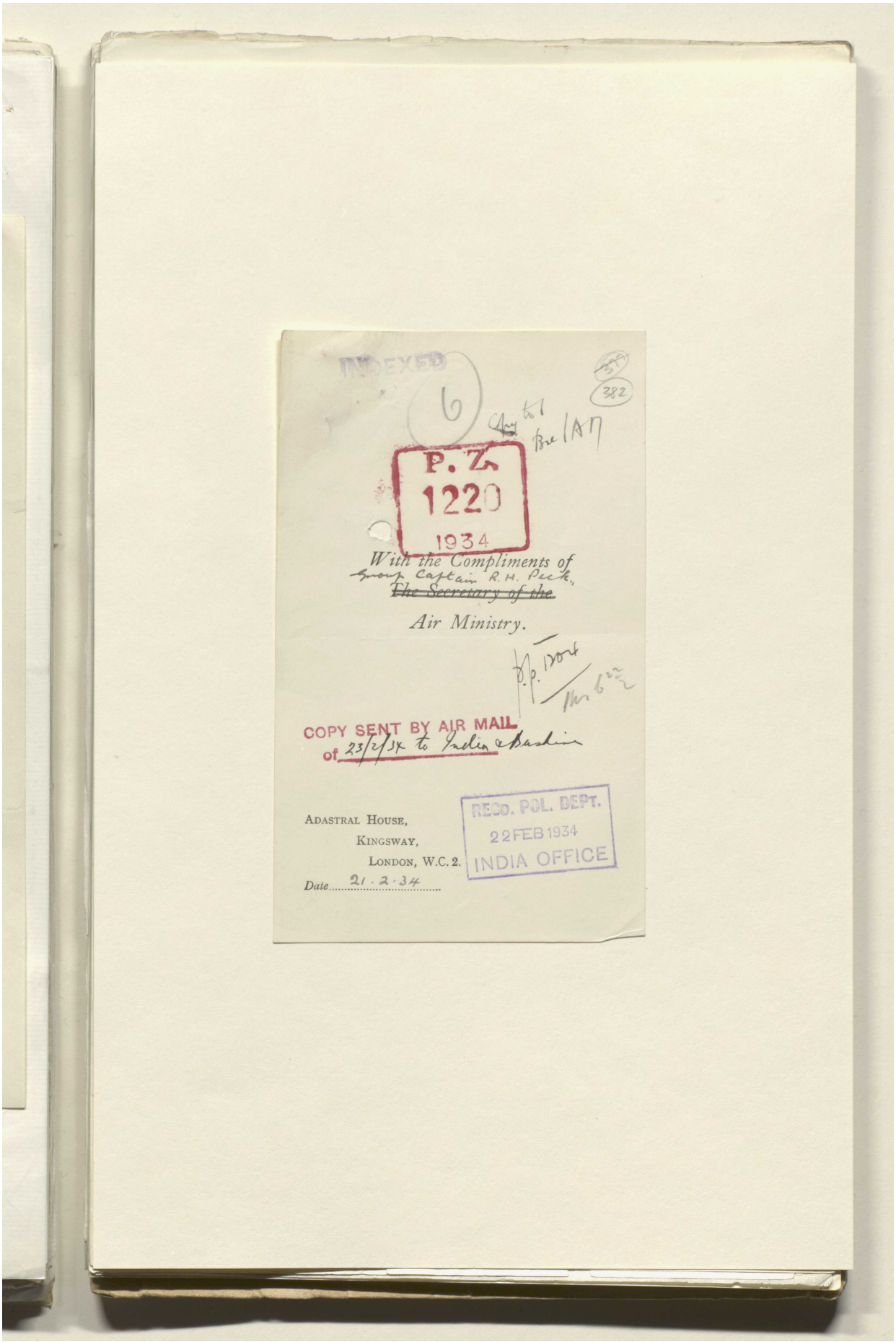

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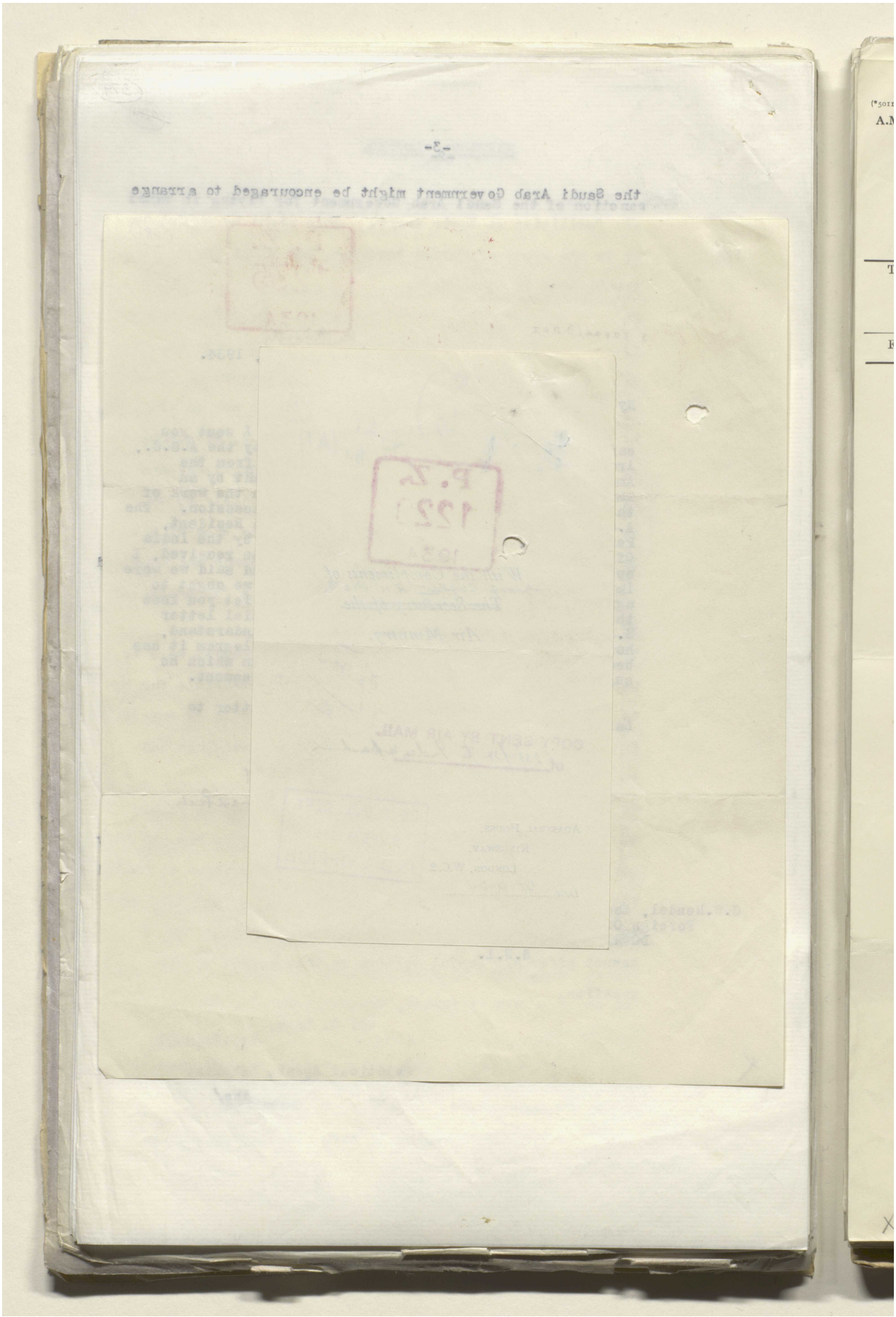

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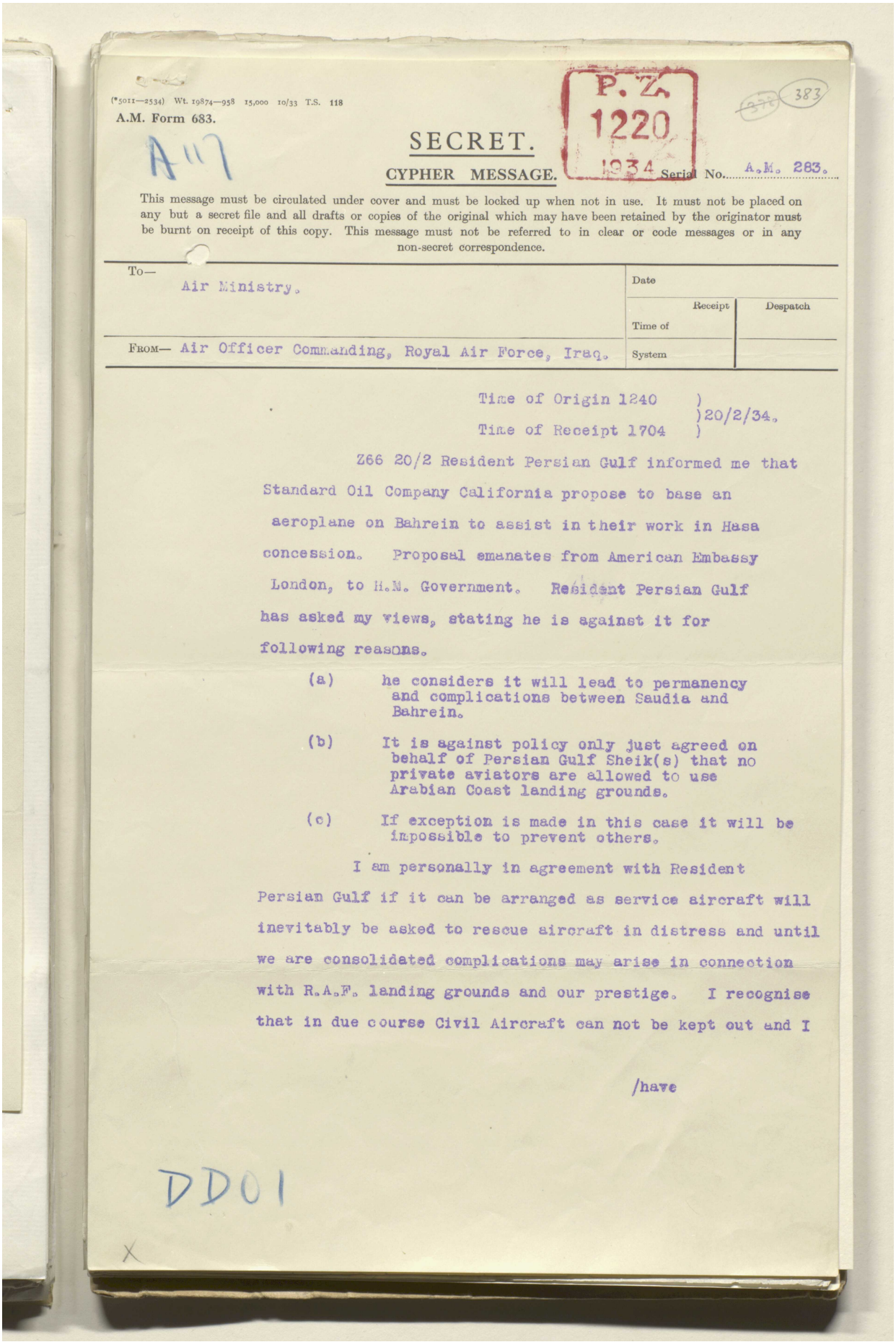

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A.M. Form 683.

A 117

P. Z. 1220 1934

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SECRET.

CYPHER MESSAGE. Serial No. A.M. 283.

This message must be circulated under cover and must be locked up when not in use. It must not be placed on any but a secret file and all drafts or copies of the original which may have been retained by the originator must be burnt on receipt of this copy. This message must not be referred to in clear or code messages or in any non-secret correspondence.

To— Air Ministry.	Date	Receipt	Despatch
	Time of		
From— Air Officer Commanding, Royal Air Force, Iraq.	System		

Time of Origin 1240)
) 20/2/34.
Time of Receipt 1704)

Z66 20/2 Resident Persian Gulf informed me that Standard Oil Company California propose to base an aeroplane on Bahrein to assist in their work in Hasa concession. Proposal emanates from American Embassy London, to H.M. Government. Resident Persian Gulf has asked my views, stating he is against it for following reasons.

(a) he considers it will lead to permanency and complications between Saudia and Bahrein.

(b) It is against policy only just agreed on behalf of Persian Gulf Sheik(s) that no private aviators are allowed to use Arabian Coast landing grounds.

(c) If exception is made in this case it will be impossible to prevent others.

I am personally in agreement with Resident Persian Gulf if it can be arranged as service aircraft will inevitably be asked to rescue aircraft in distress and until we are consolidated complications may arise in connection with R.A.F. landing grounds and our prestige. I recognise that in due course Civil Aircraft can not be kept out and I

/have

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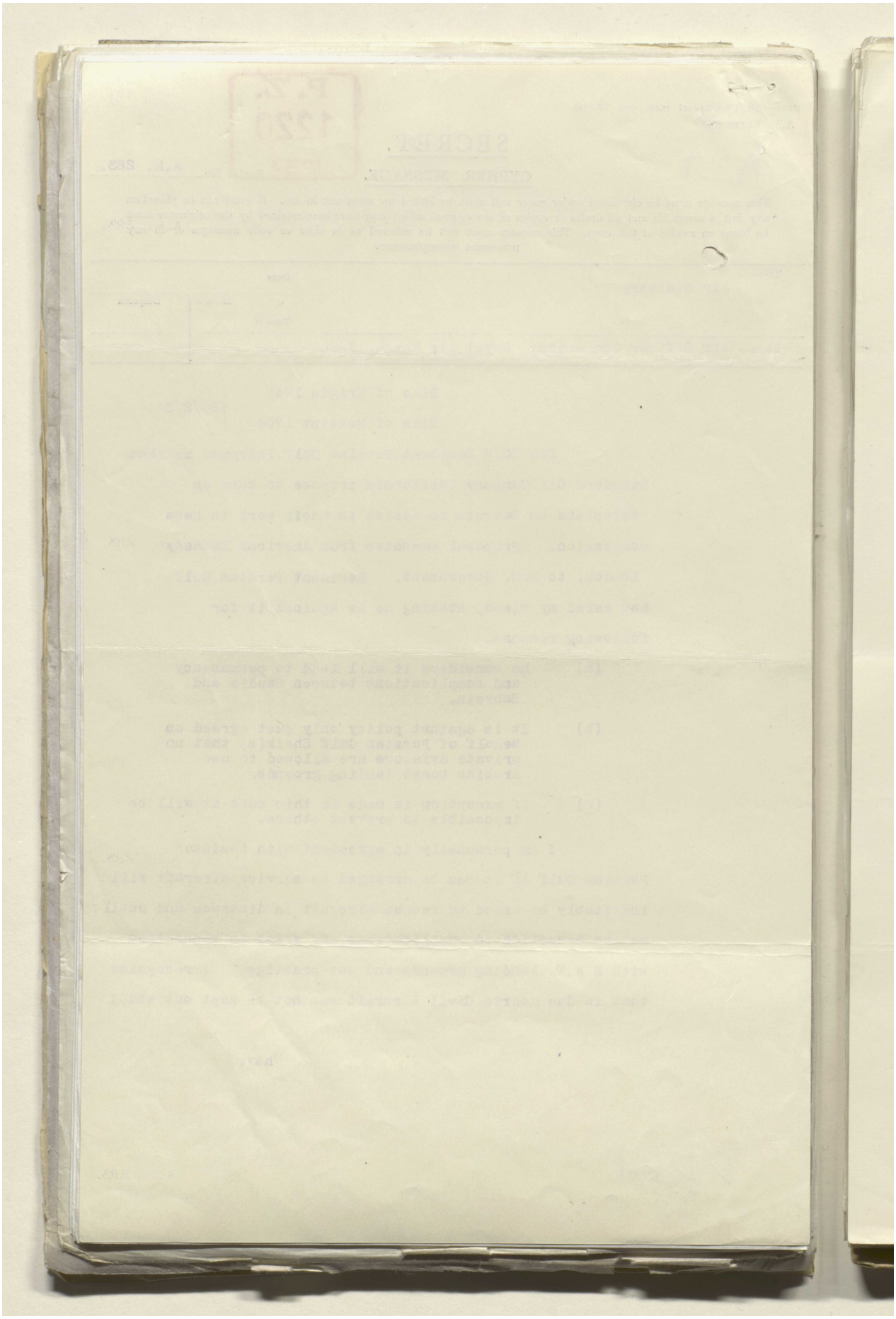

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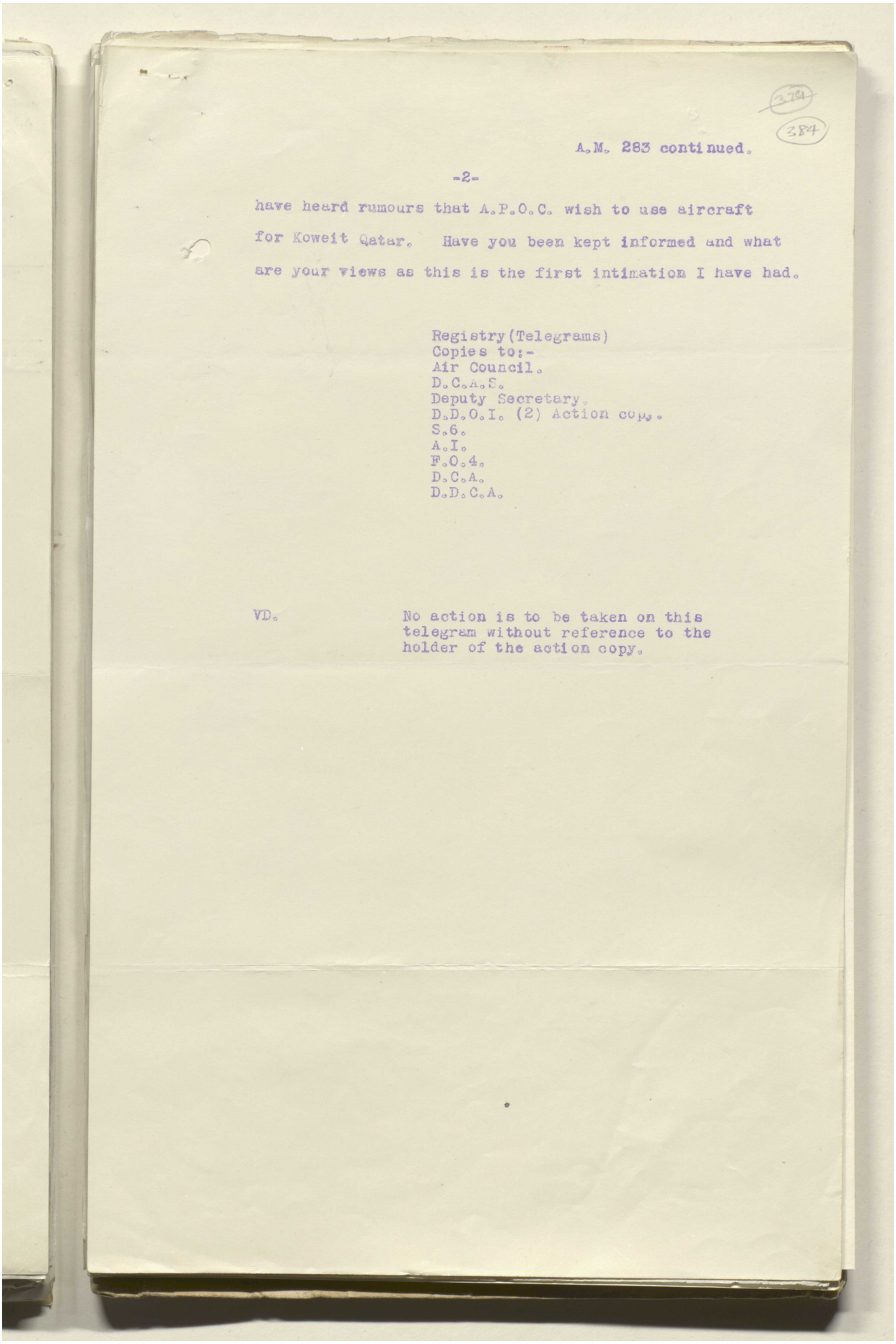

have heard rumours that A.P.O.C. wish to use aircraft for Koweit Qatar. Have you been kept informed and what are your views as this is the first intimation I have had.

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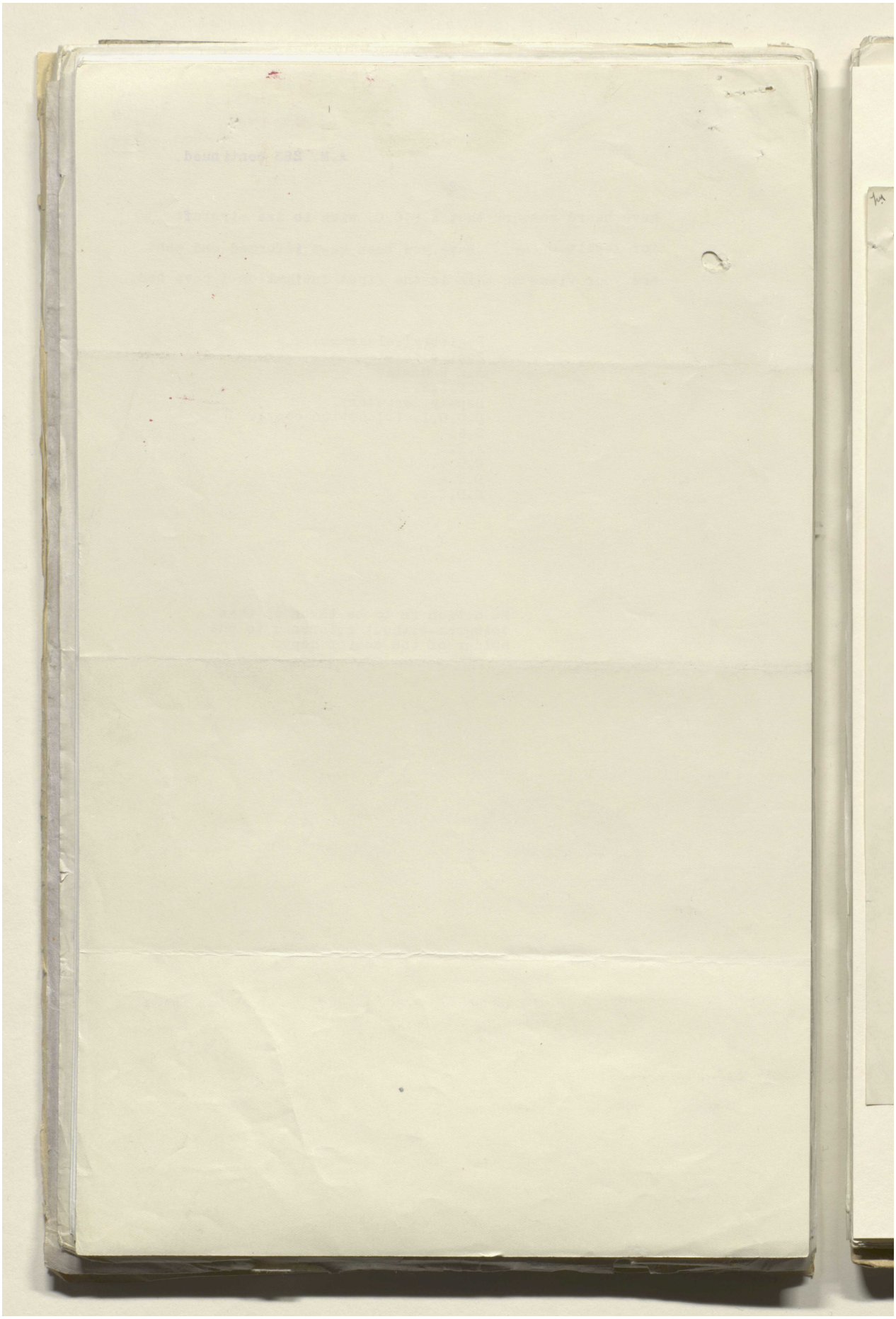

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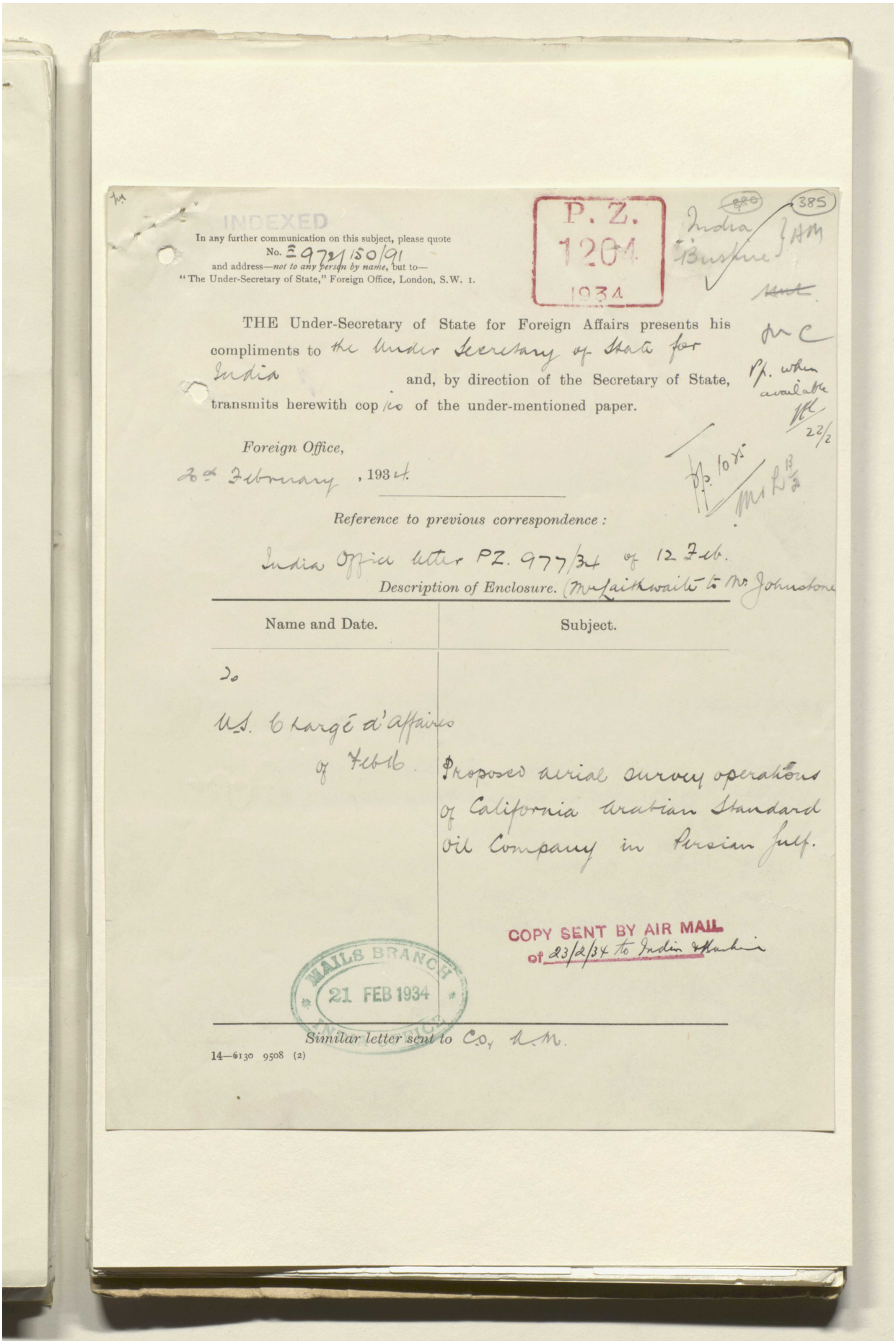

INDEXED

In any further communication on this subject, please quote
No. E 972/150/91
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P. Z.
1204
1934

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Bushire } AM

~~Mut~~

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Mr C

Pp. when available
22/2

Foreign Office,
20th February, 1934.

Pp. 10 85
Mr L 13/2

Reference to previous correspondence:

India Office letter PZ. 977/34 of 12 Feb.

Description of Enclosure. (Mr Laithwaite to Mr Johnstone

Name and Date.	Subject.
To	
U.S. Chargé d'affaires of Feb 16.	Proposed aerial survey operations of California Arabian Standard Oil Company in Persian Gulf.

COPY SENT BY AIR MAIL
of 23/2/34 to India & Bushire

MAILS BRANCH
21 FEB 1934
INDIA OFFICE

Similar letter sent to C.O., A.M.

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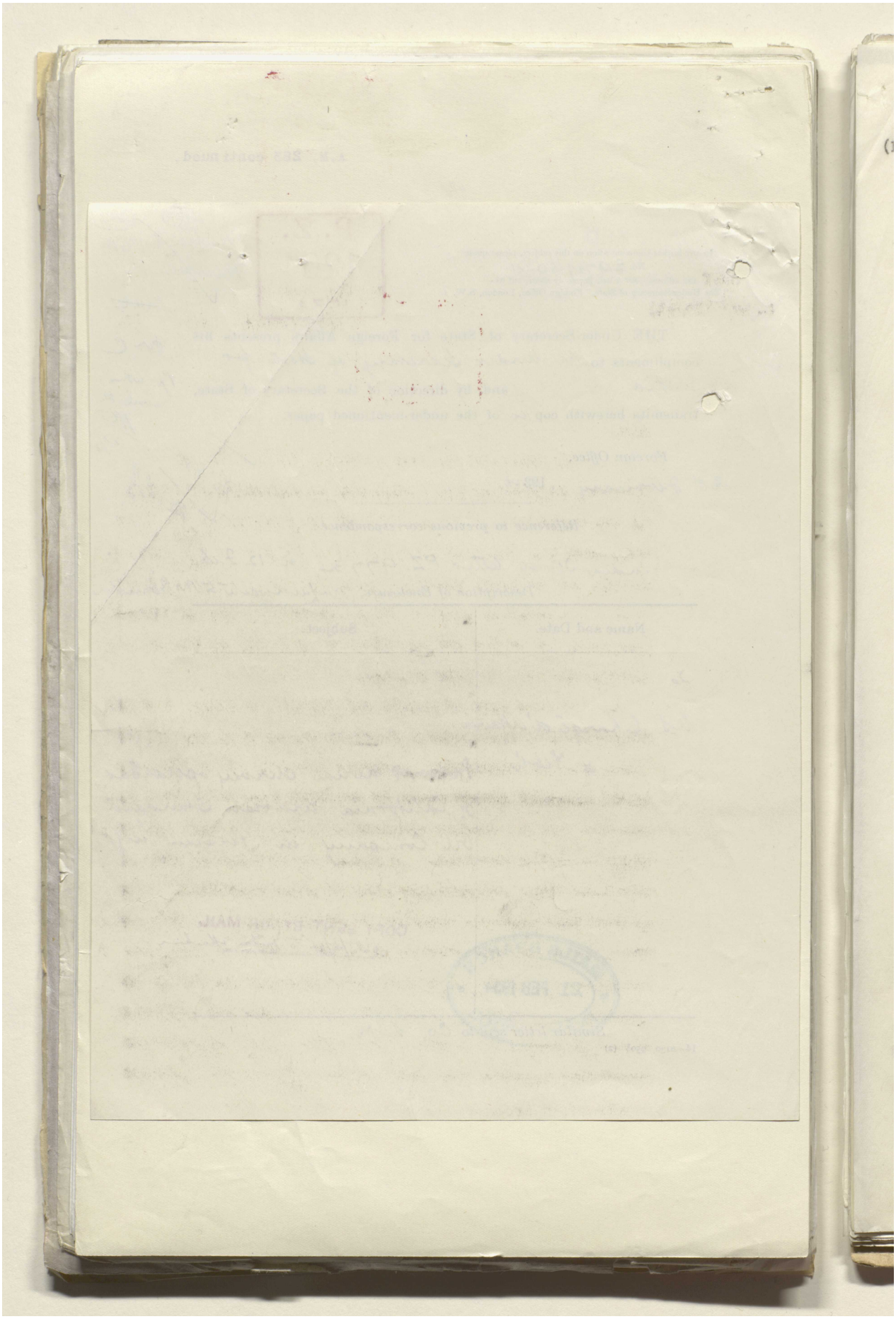

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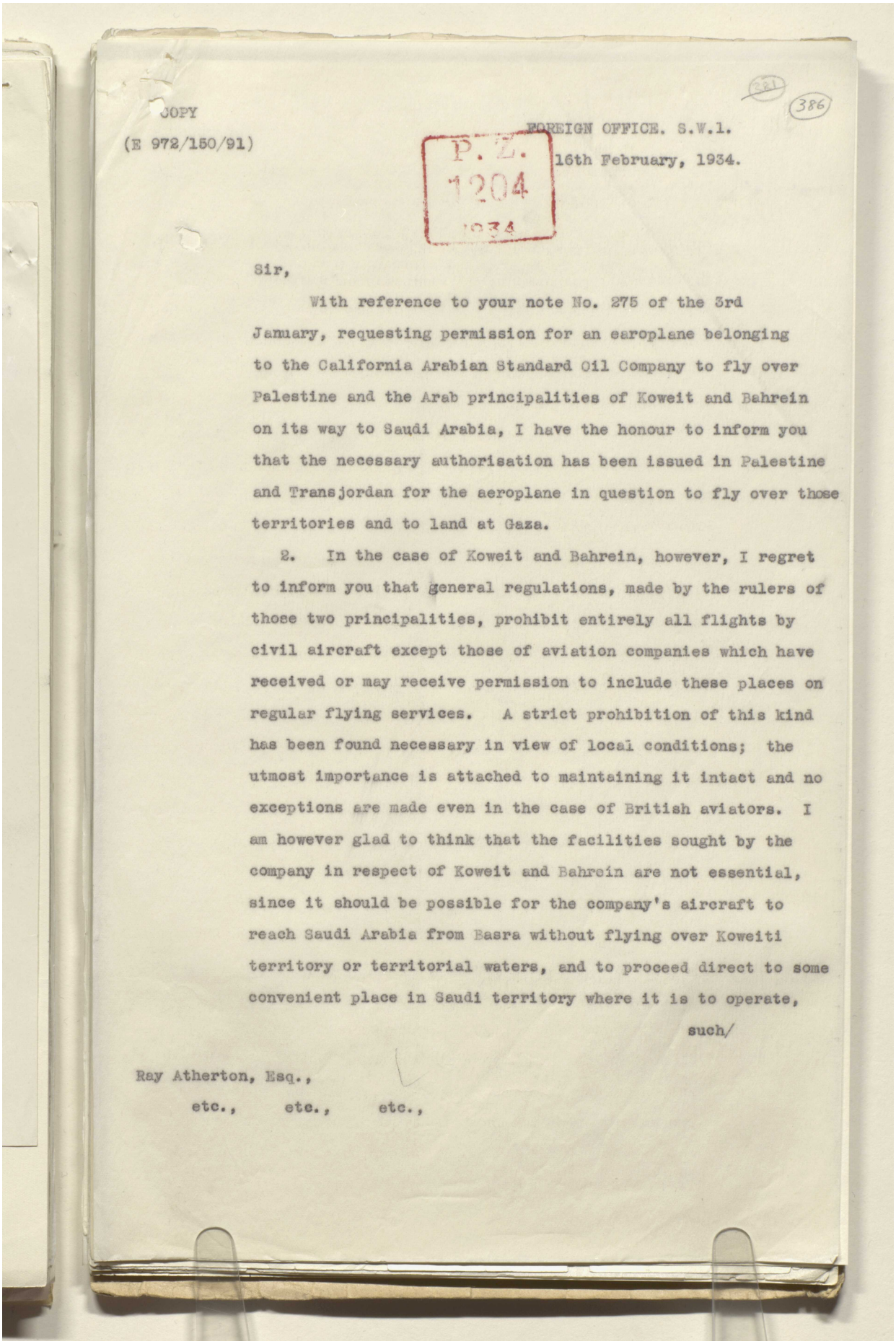

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(E 972/150/91)

P. Z. 1204 1934

FOREIGN OFFICE. S.W.1.

16th February, 1934.

Sir,

With reference to your note No. 275 of the 3rd January, requesting permission for an aeroplane belonging to the California Arabian Standard Oil Company to fly over Palestine and the Arab principalities of Koweit and Bahrein on its way to Saudi Arabia, I have the honour to inform you that the necessary authorisation has been issued in Palestine and Transjordan for the aeroplane in question to fly over those territories and to land at Gaza.

2. In the case of Koweit and Bahrein, however, I regret to inform you that general regulations, made by the rulers of those two principalities, prohibit entirely all flights by civil aircraft except those of aviation companies which have received or may receive permission to include these places on regular flying services. A strict prohibition of this kind has been found necessary in view of local conditions; the utmost importance is attached to maintaining it intact and no exceptions are made even in the case of British aviators. I am however glad to think that the facilities sought by the company in respect of Koweit and Bahrein are not essential, since it should be possible for the company's aircraft to reach Saudi Arabia from Basra without flying over Koweiti territory or territorial waters, and to proceed direct to some convenient place in Saudi territory where it is to operate,

such/

Ray Atherton, Esq.,

etc., etc., etc.,

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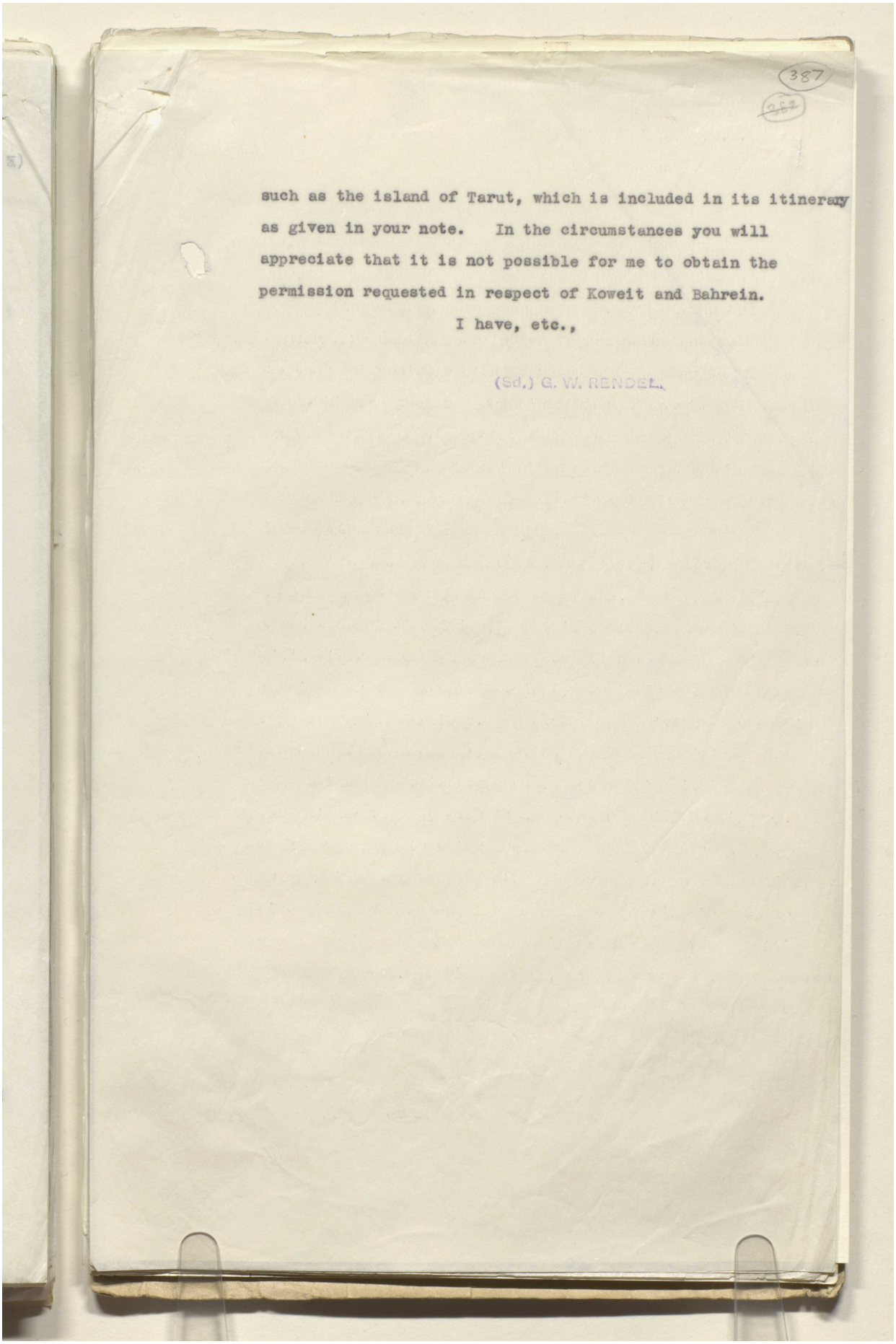

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such as the island of Tarut, which is included in its itinerary as given in your note. In the circumstances you will appreciate that it is not possible for me to obtain the permission requested in respect of Koweit and Bahrein.

I have, etc.,

(Sd.) G. W. RENDEL.

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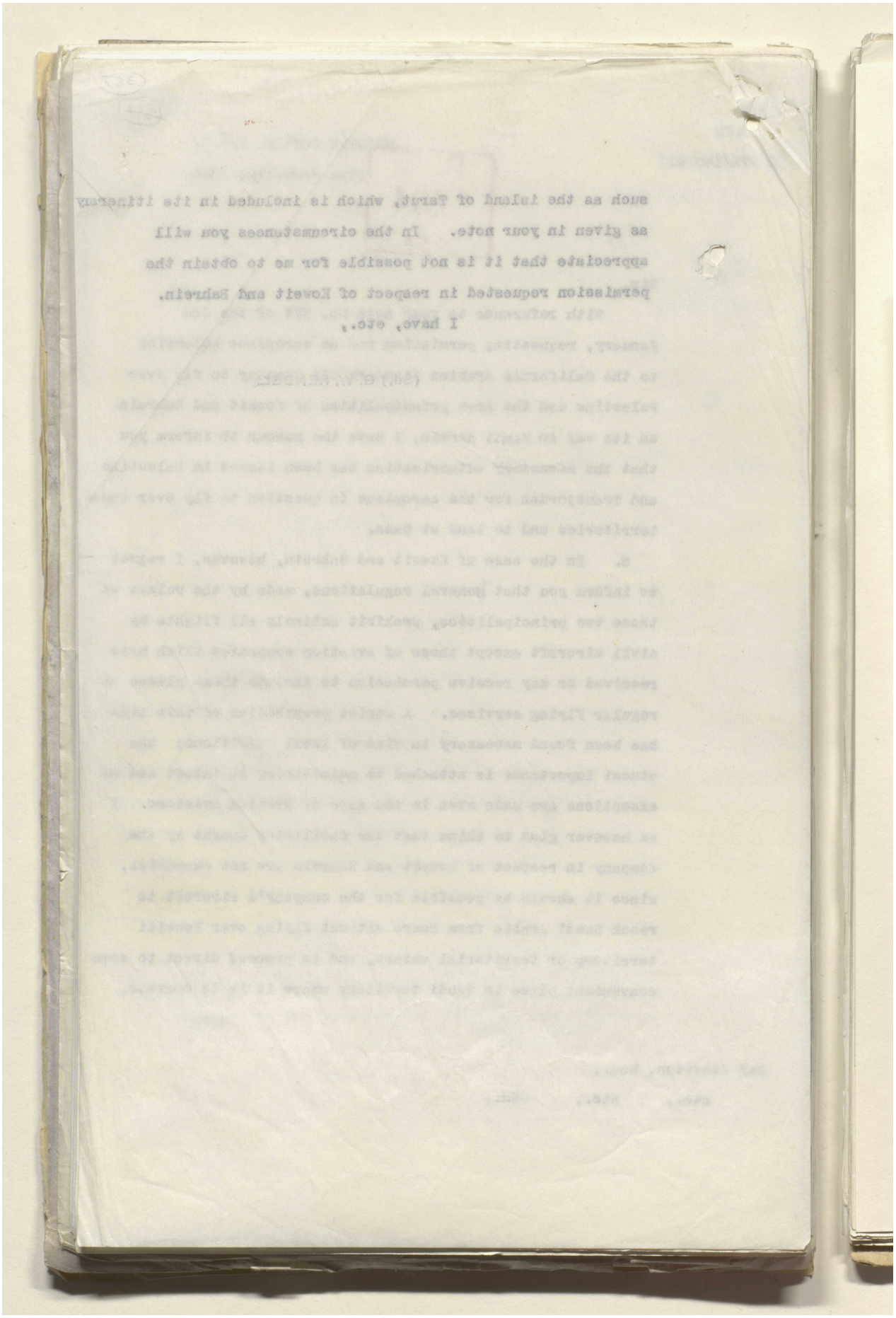

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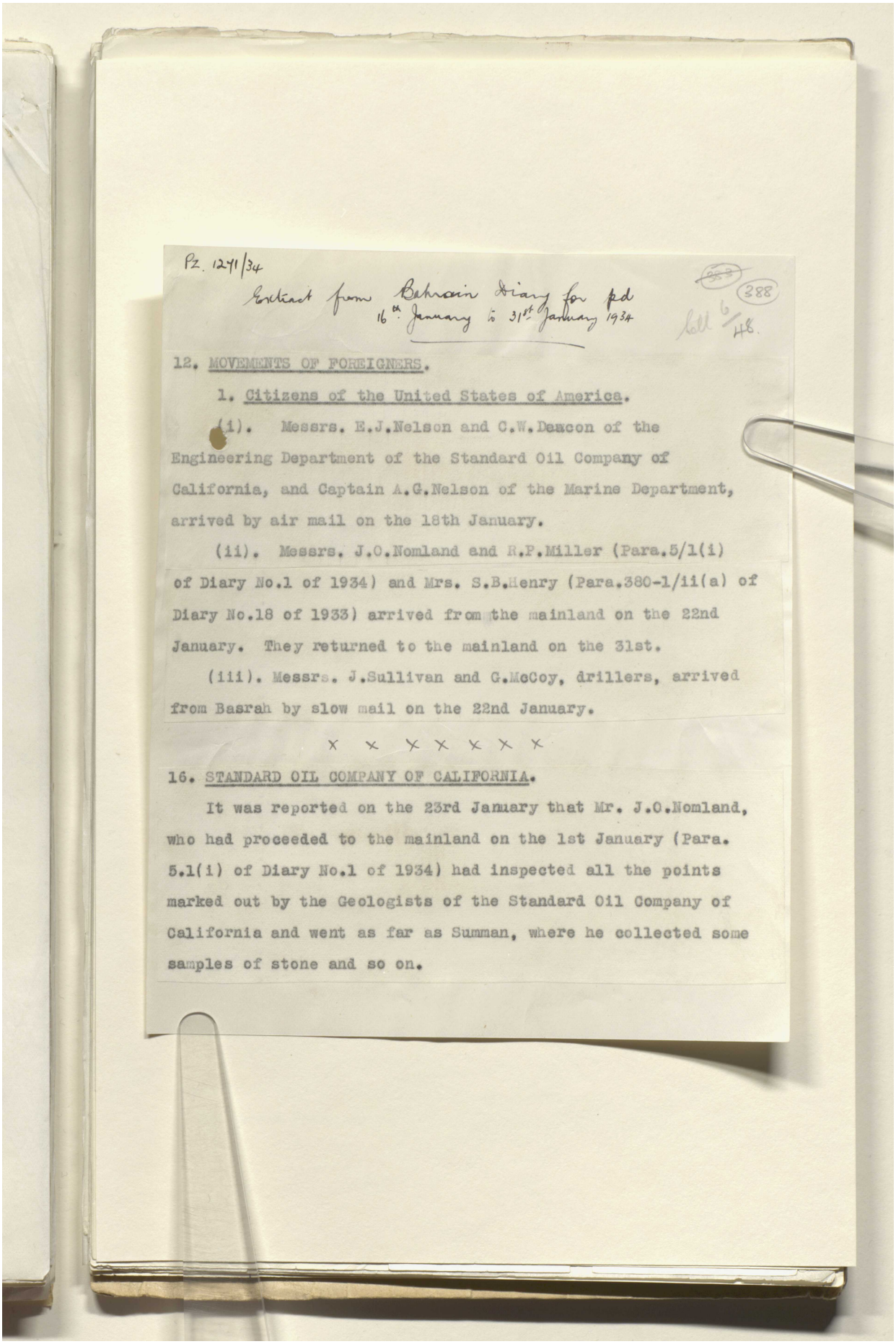

Pz. 1241/34

Extract from Bahrain Diary for pd 16th January to 31st January 1934

388

Coll 6/48.

12. MOVEMENTS OF FOREIGNERS.

1. Citizens of the United States of America.

(i). Messrs. E.J.Nelson and C.W.Deacon of the Engineering Department of the Standard Oil Company of California, and Captain A.G.Nelson of the Marine Department, arrived by air mail on the 18th January.

(ii). Messrs. J.O.Nomland and R.P.Miller (Para.5/1(i) of Diary No.1 of 1934) and Mrs. S.B.Henry (Para.380-1/ii(a) of Diary No.18 of 1933) arrived from the mainland on the 22nd January. They returned to the mainland on the 31st.

(iii). Messrs. J.Sullivan and G.McCoy, drillers, arrived from Basrah by slow mail on the 22nd January.

x x x x x x x

16. STANDARD OIL COMPANY OF CALIFORNIA.

It was reported on the 23rd January that Mr. J.O.Nomland, who had proceeded to the mainland on the 1st January (Para. 5.1(i) of Diary No.1 of 1934) had inspected all the points marked out by the Geologists of the Standard Oil Company of California and went as far as Summan, where he collected some samples of stone and so on.

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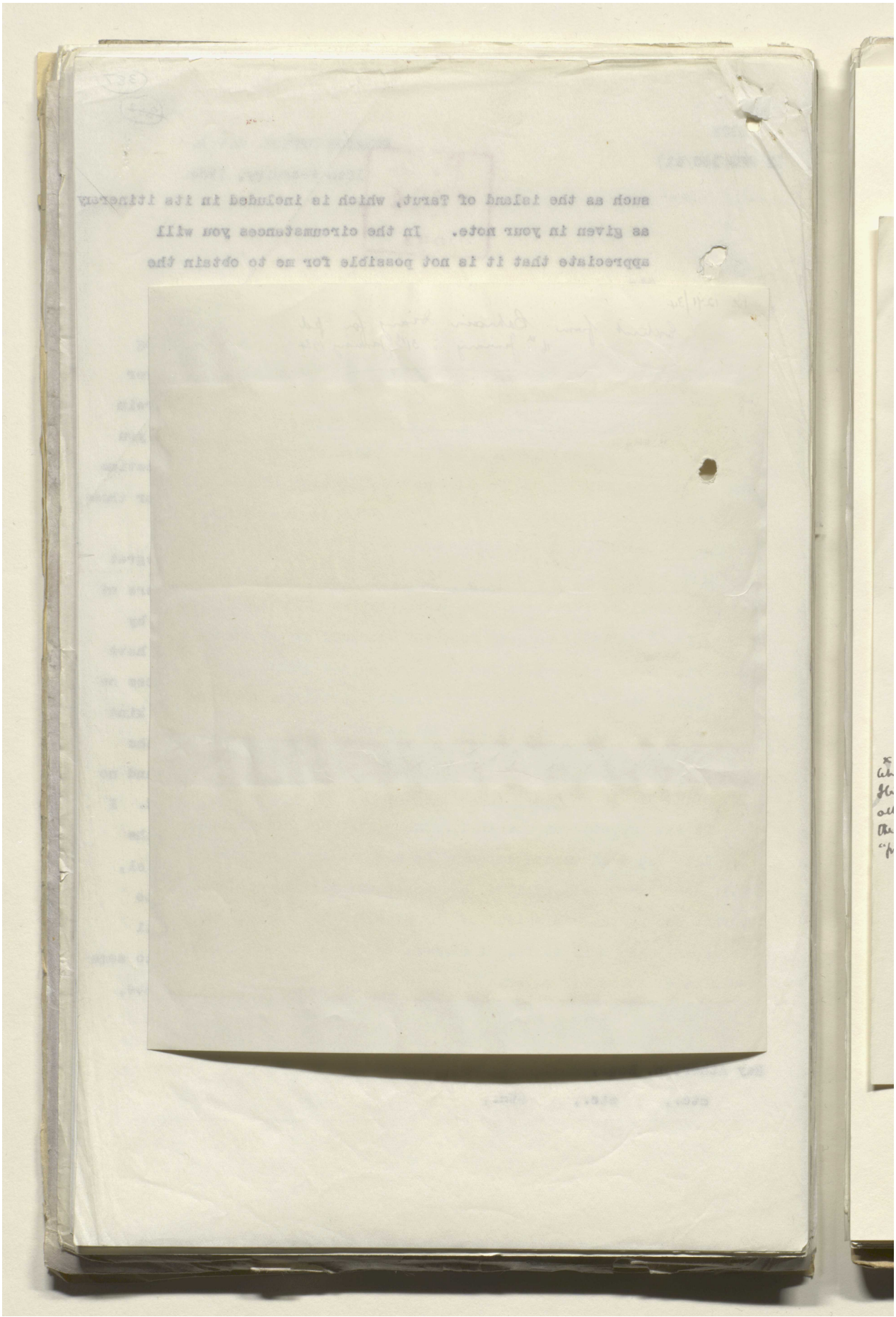

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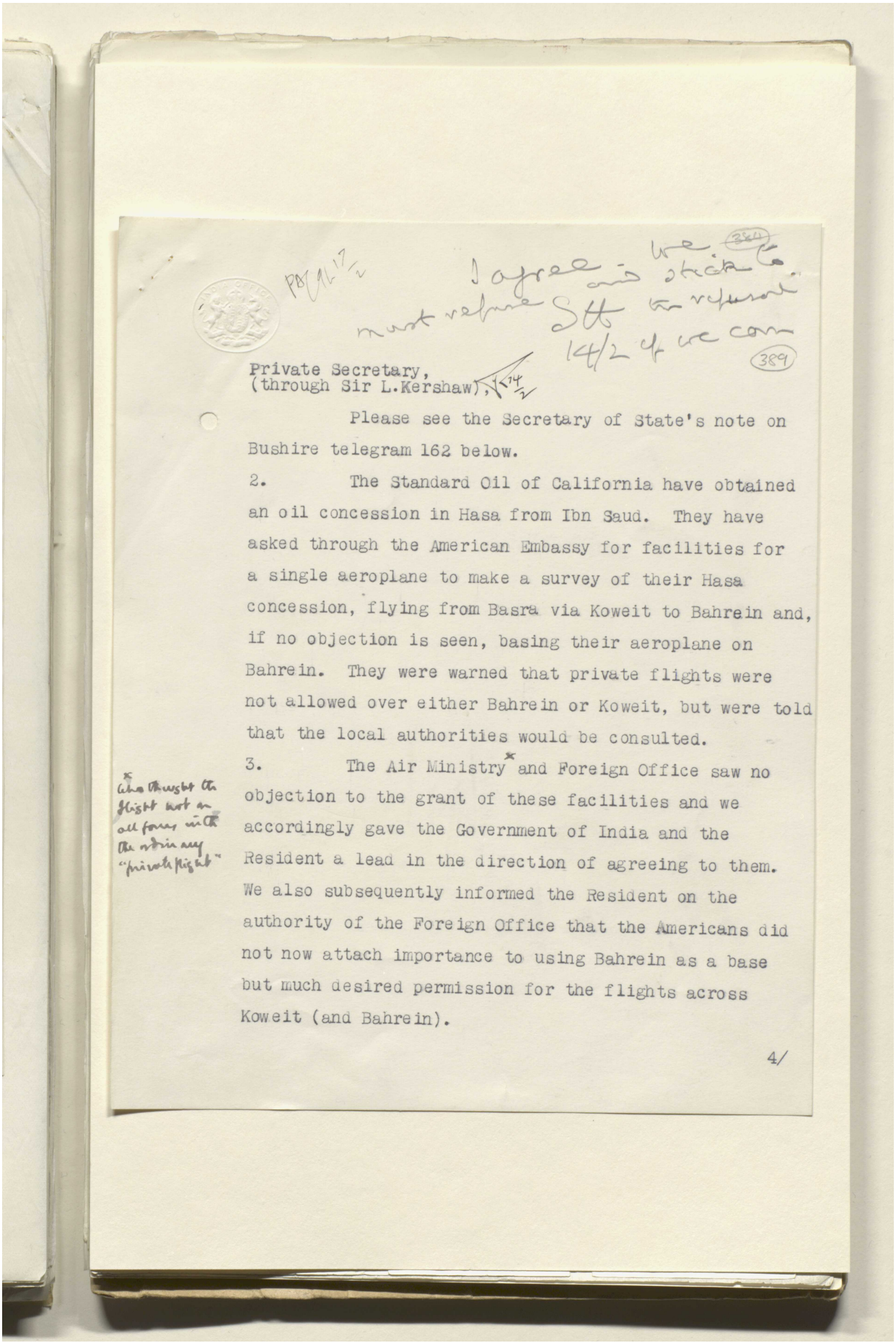

PA/96 17/2

I agree - we must refuse and stick to Stt the refusal 14/2 if we can

(389)

Private Secretary,
(through Sir L.Kershaw), 14/2

Please see the Secretary of State's note on Bushire telegram 162 below.

2. The Standard Oil of California have obtained an oil concession in Hasa from Ibn Saud. They have asked through the American Embassy for facilities for a single aeroplane to make a survey of their Hasa concession, flying from Basra via Koweit to Bahrein and, if no objection is seen, basing their aeroplane on Bahrein. They were warned that private flights were not allowed over either Bahrein or Koweit, but were told that the local authorities would be consulted.

3. The Air Ministry* and Foreign Office saw no objection to the grant of these facilities and we accordingly gave the Government of India and the Resident a lead in the direction of agreeing to them. We also subsequently informed the Resident on the authority of the Foreign Office that the Americans did not now attach importance to using Bahrein as a base but much desired permission for the flights across Koweit (and Bahrein).

* who thought the flight not on all forces with the ordinary "private flight"

4/

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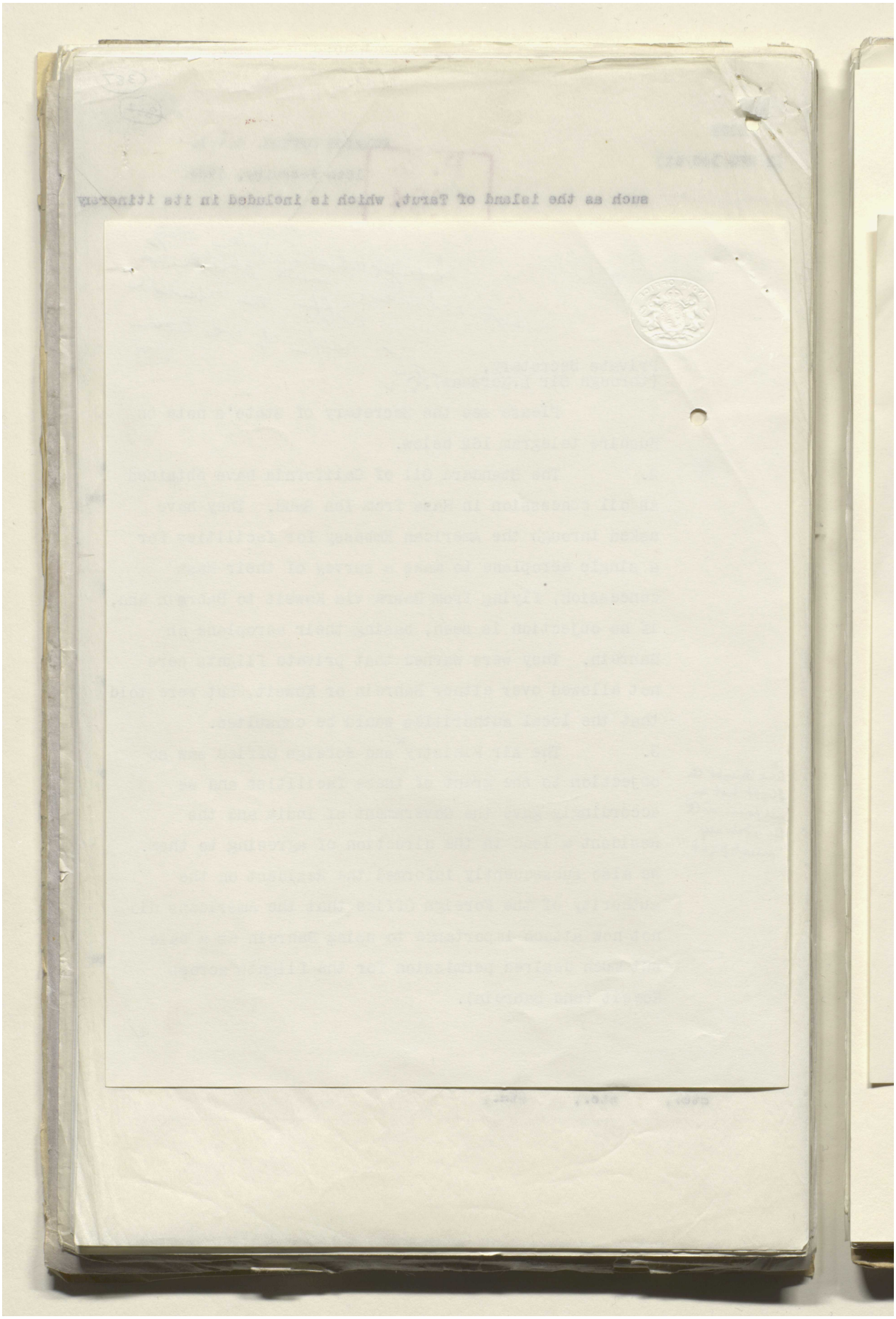

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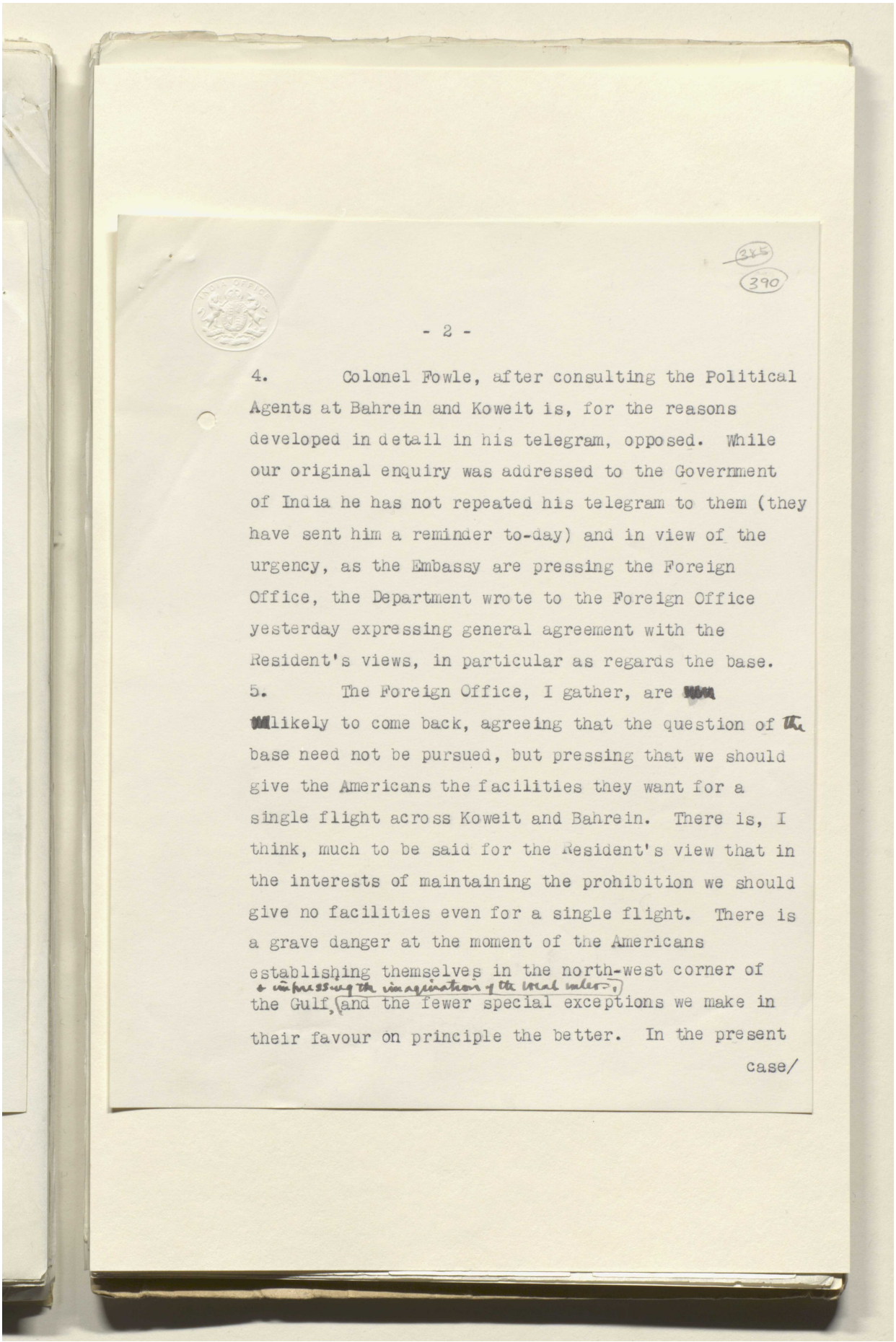

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- 2 -

4. Colonel Fowle, after consulting the Political Agents at Bahrein and Koweit is, for the reasons developed in detail in his telegram, opposed. While our original enquiry was addressed to the Government of India he has not repeated his telegram to them (they have sent him a reminder to-day) and in view of the urgency, as the Embassy are pressing the Foreign Office, the Department wrote to the Foreign Office yesterday expressing general agreement with the Resident's views, in particular as regards the base.

5. The Foreign Office, I gather, are likely to come back, agreeing that the question of the base need not be pursued, but pressing that we should give the Americans the facilities they want for a single flight across Koweit and Bahrein. There is, I think, much to be said for the Resident's view that in the interests of maintaining the prohibition we should give no facilities even for a single flight. There is a grave danger at the moment of the Americans establishing themselves in the north-west corner of the Gulf, (impressing the imagination of the local rulers) and the fewer special exceptions we make in their favour on principle the better. In the present

case/

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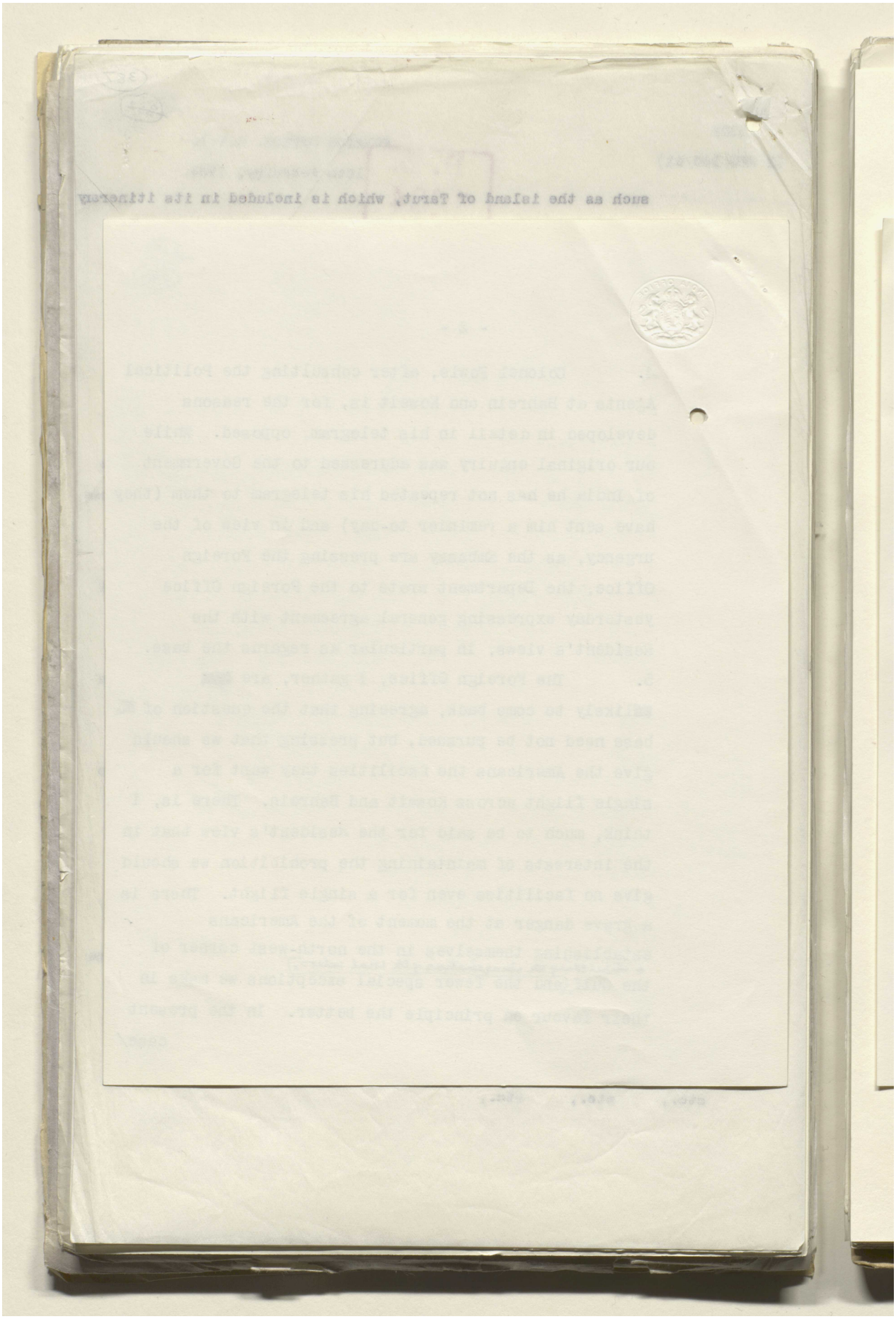

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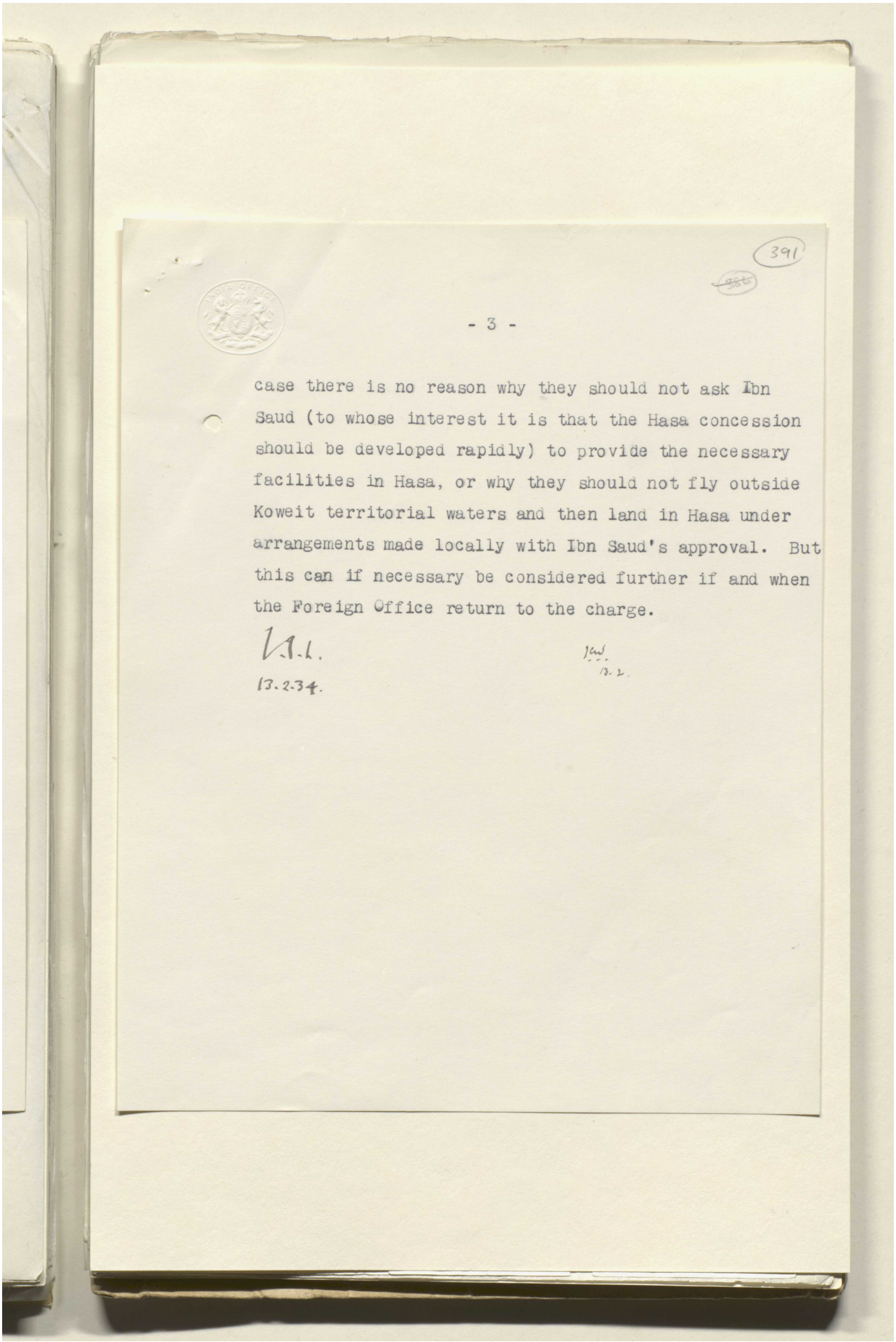

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- 3 -

case there is no reason why they should not ask Ibn Saud (to whose interest it is that the Hasa concession should be developed rapidly) to provide the necessary facilities in Hasa, or why they should not fly outside Koweit territorial waters and then land in Hasa under arrangements made locally with Ibn Saud's approval. But this can if necessary be considered further if and when the Foreign Office return to the charge.

V.A.L.
13.2.34.

J.W.
12.2.

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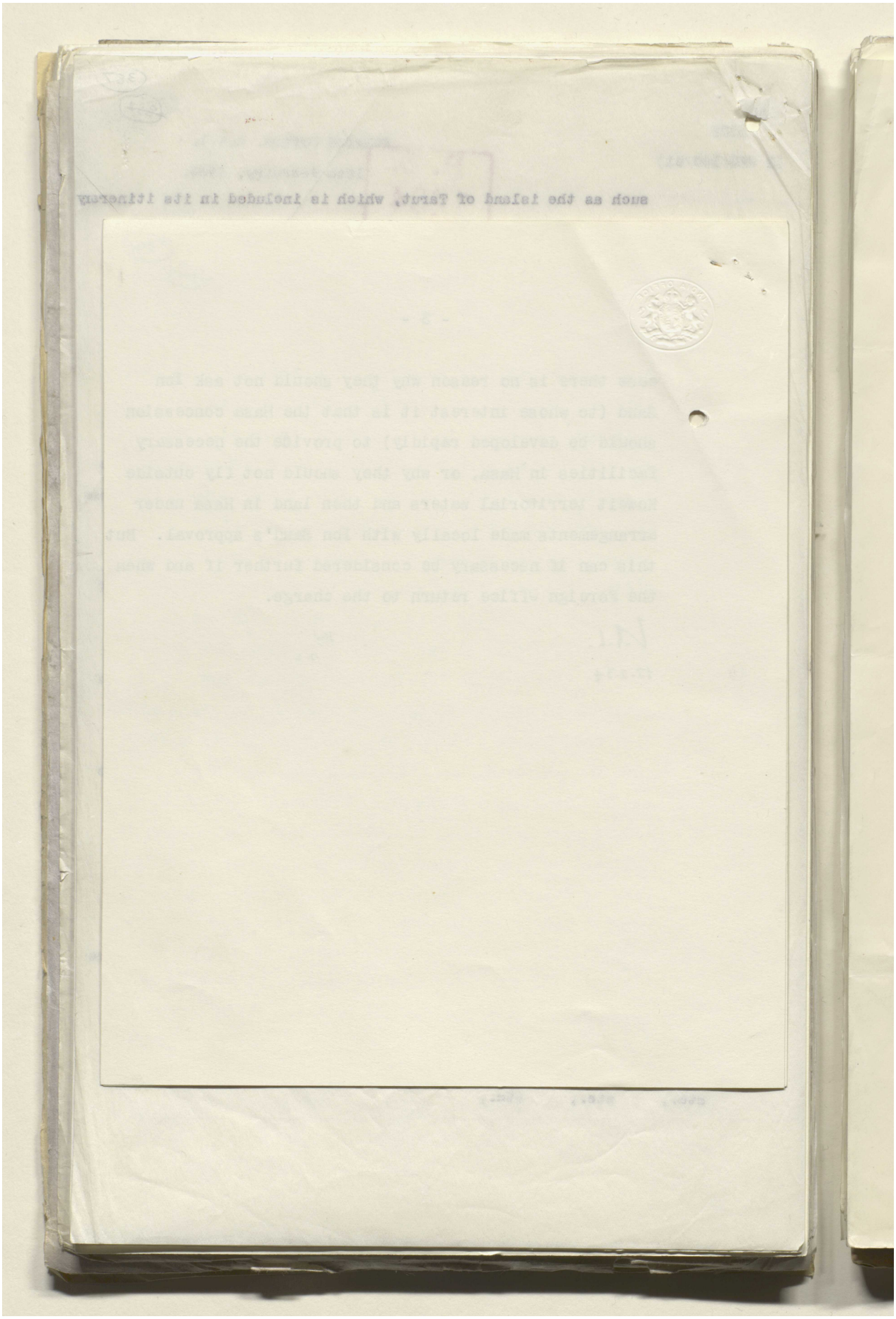

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Mr Laithwaite.
Cd. we have a short note please.
F.F.T.
12/2

SECRET

392

DET/LJS/JGS/FCN/EM (216 groups) 12/2 913

DECYPHER OF TELEGRAM

(COPIES CIRCULATED)

From Political Resident in the Persian Gulf to Secretary of State for India.

Dated Bushire, 10th February, 1934.

Received 10th February, 1934, 3.40 p.m.

XXX

IMPORTANT

162

Addressed to Secretary of State for India, copy sent by sea mail to Government of India. Your telegram 348. Flight is objectionable since His Majesty's Government have laid great stress on allowing no exception to the rule that private aviators are not allowed to fly over Arab principalities and, once we make exception in favour of American aeroplanes, we will find it difficult to refuse similar flights on the part of other foreign aviators or British ones.

2. It is unnecessary, since aeroplanes from Basrah (vide your telegram 102) by keeping outside the 3 mile limit can avoid flying over Koweit and then proceed over Bin Saud's territory to whatever distination is contemplated. Bin Saud, who is the authority concerned, can make necessary arrangements.

3. Base in Bahrein is, in my opinion, highly objectionable. (? Miller), geologist, (? in charge of the) Standard Oil Company of California works in Hasa mentioned to the Political Agent, Bahrein, that the Company might wish to make Bahrein base for their operations. This will mean a large and (? further) influx of Americans into the island, a considerable increase of American interests and influence, and a possible demand for American consular representation. Political Agent, Bahrein, moreover, is of opinion that basing

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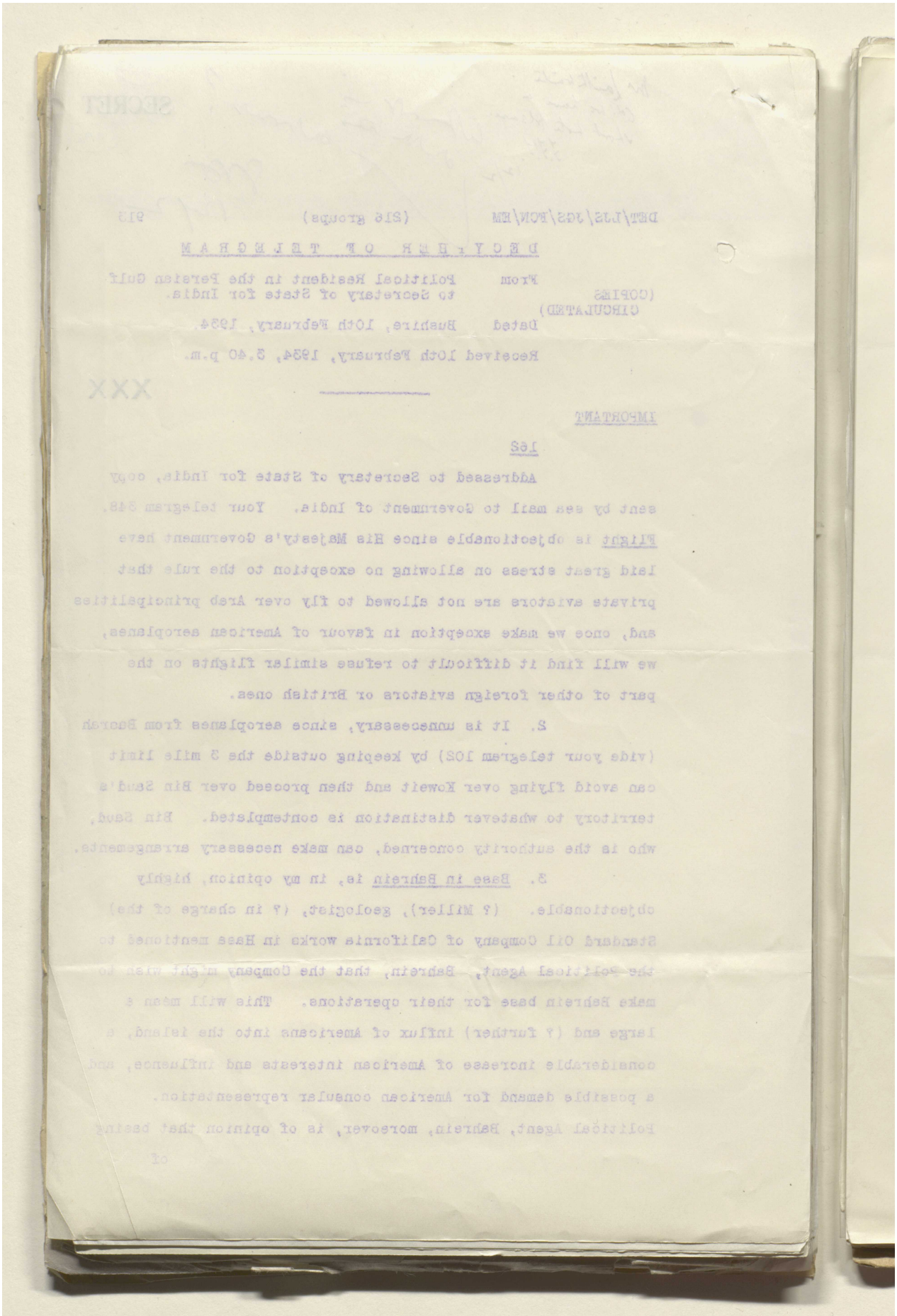

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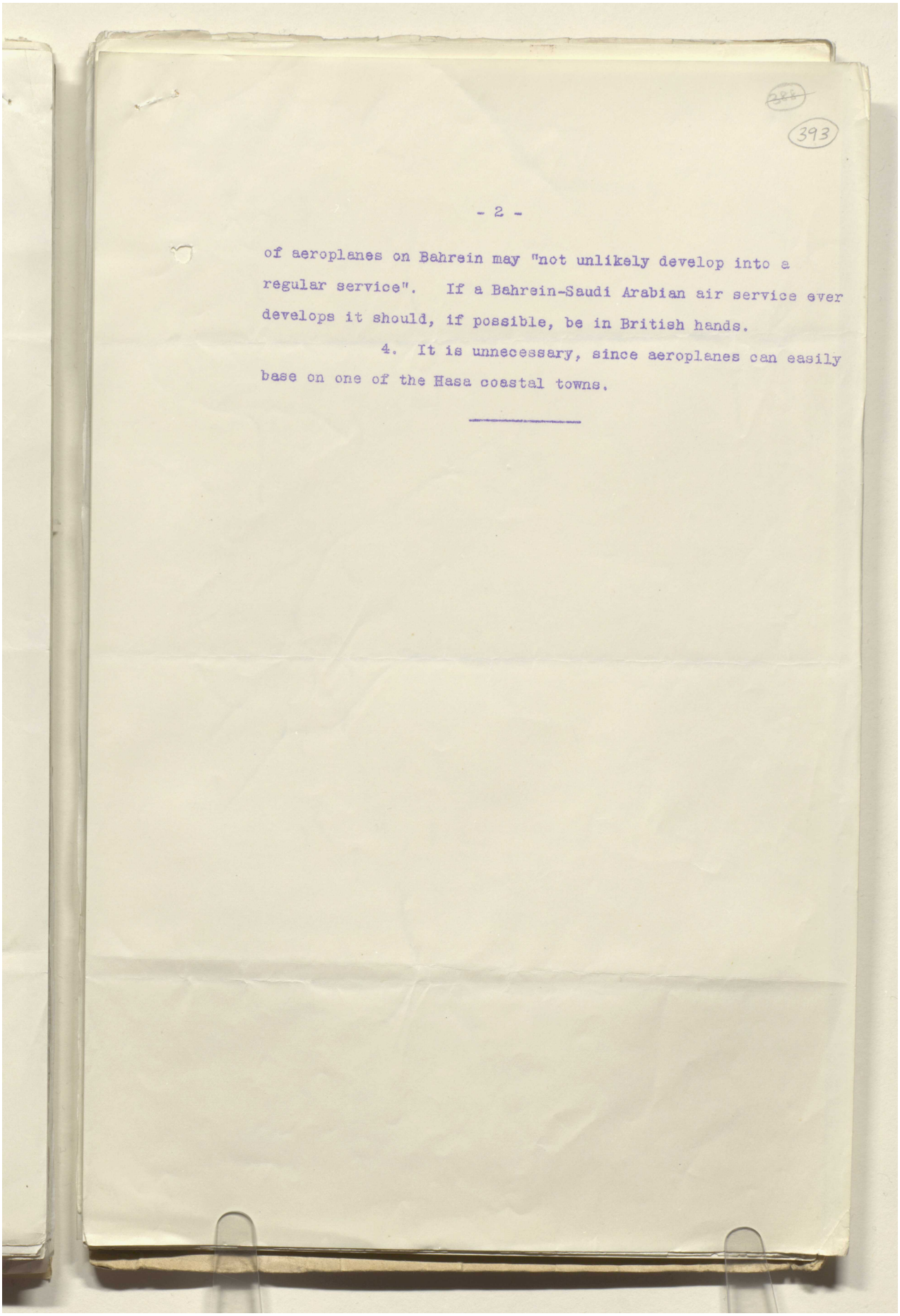

of aeroplanes on Bahrein may "not unlikely develop into a regular service". If a Bahrein-Saudi Arabian air service ever develops it should, if possible, be in British hands.

4. It is unnecessary, since aeroplanes can easily base on one of the Hasa coastal towns.

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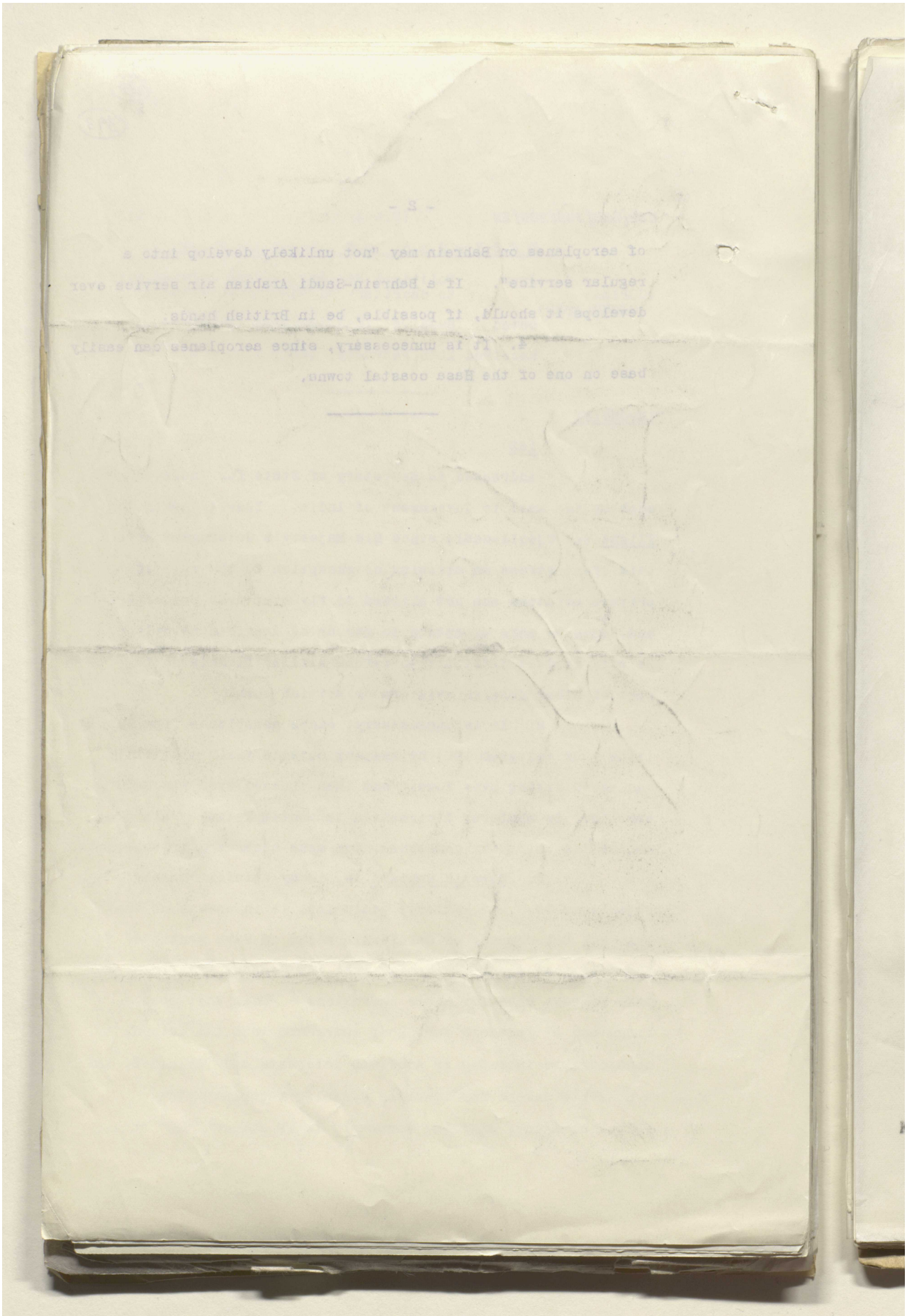

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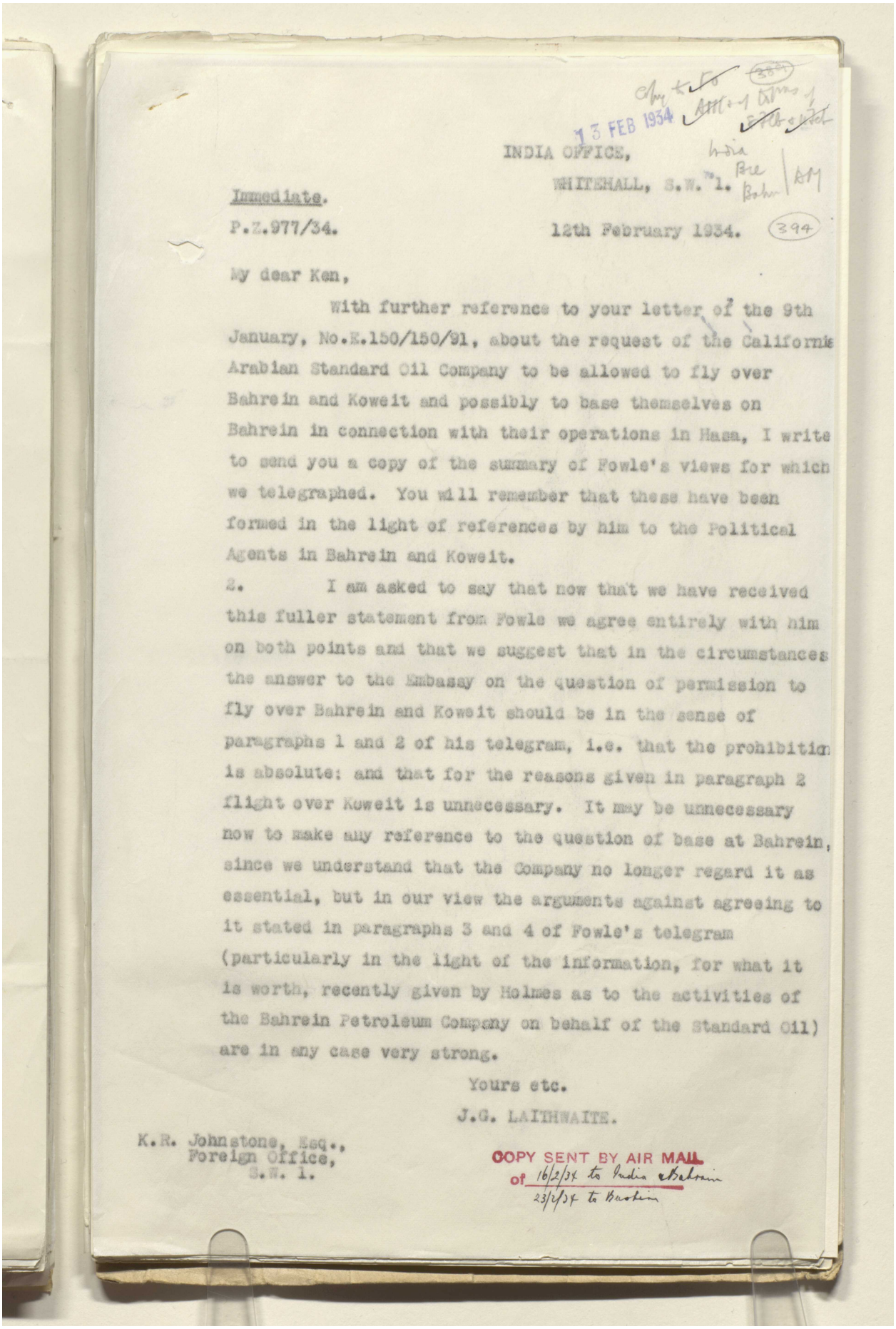

13 FEB 1934

INDIA OFFICE,
WHITEHALL, S.W.1.

Immediate.

P.Z.977/34. 12th February 1934.

My dear Ken,

With further reference to your letter of the 9th January, No.E.150/150/91, about the request of the California Arabian Standard Oil Company to be allowed to fly over Bahrein and Koweit and possibly to base themselves on Bahrein in connection with their operations in Hasa, I write to send you a copy of the summary of Fowle's views for which we telegraphed. You will remember that these have been formed in the light of references by him to the Political Agents in Bahrein and Koweit.

2. I am asked to say that now that we have received this fuller statement from Fowle we agree entirely with him on both points and that we suggest that in the circumstances the answer to the Embassy on the question of permission to fly over Bahrein and Koweit should be in the sense of paragraphs 1 and 2 of his telegram, i.e. that the prohibition is absolute: and that for the reasons given in paragraph 2 flight over Koweit is unnecessary. It may be unnecessary now to make any reference to the question of base at Bahrein, since we understand that the Company no longer regard it as essential, but in our view the arguments against agreeing to it stated in paragraphs 3 and 4 of Fowle's telegram (particularly in the light of the information, for what it is worth, recently given by Holmes as to the activities of the Bahrein Petroleum Company on behalf of the Standard Oil) are in any case very strong.

Yours etc.

J.G. LAITHWAITE.

K.R. Johnstone, Esq.,
Foreign Office,
S.W. 1.

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of 16/2/34 to India & Bahrein
23/2/34 to Bushire

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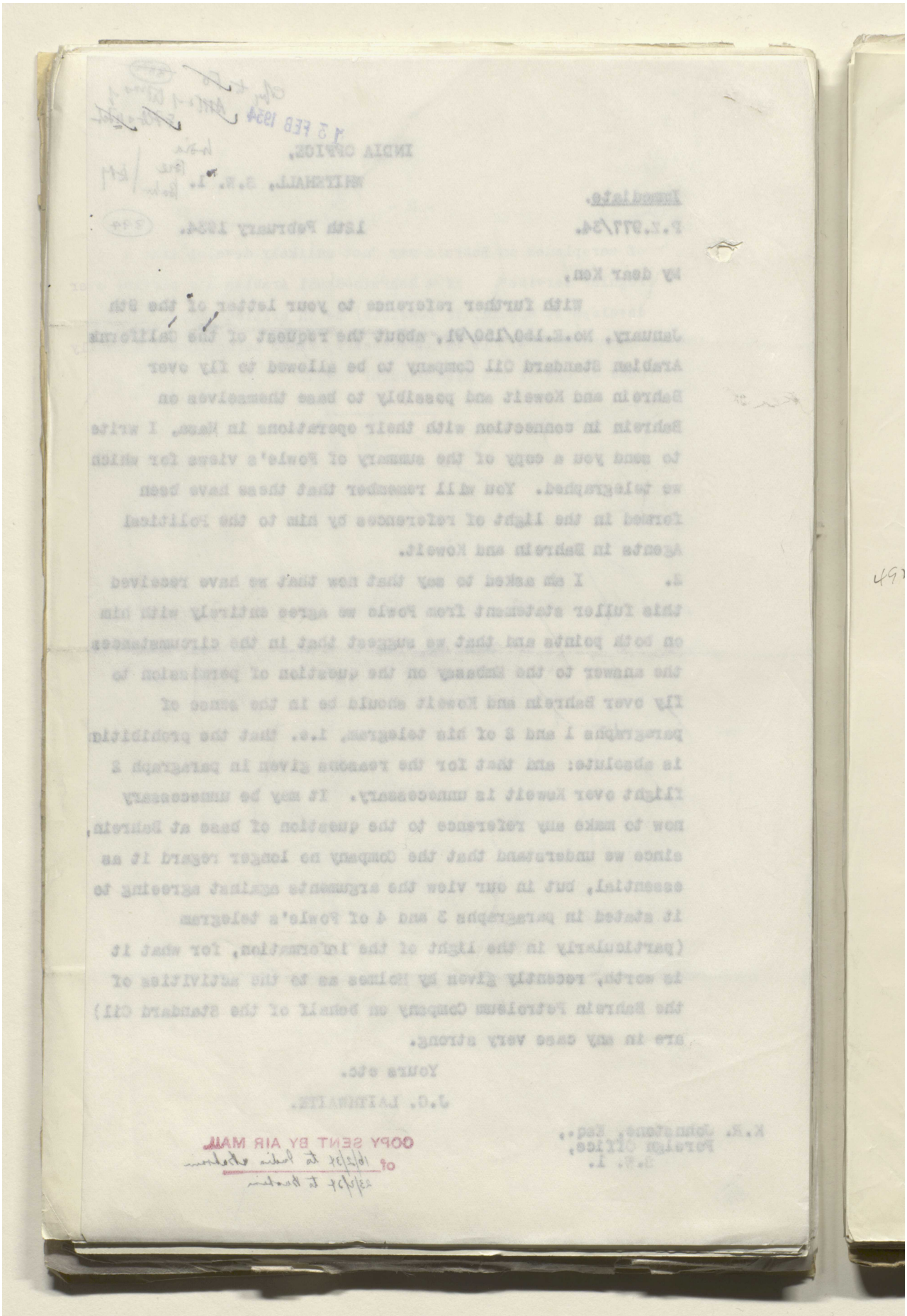

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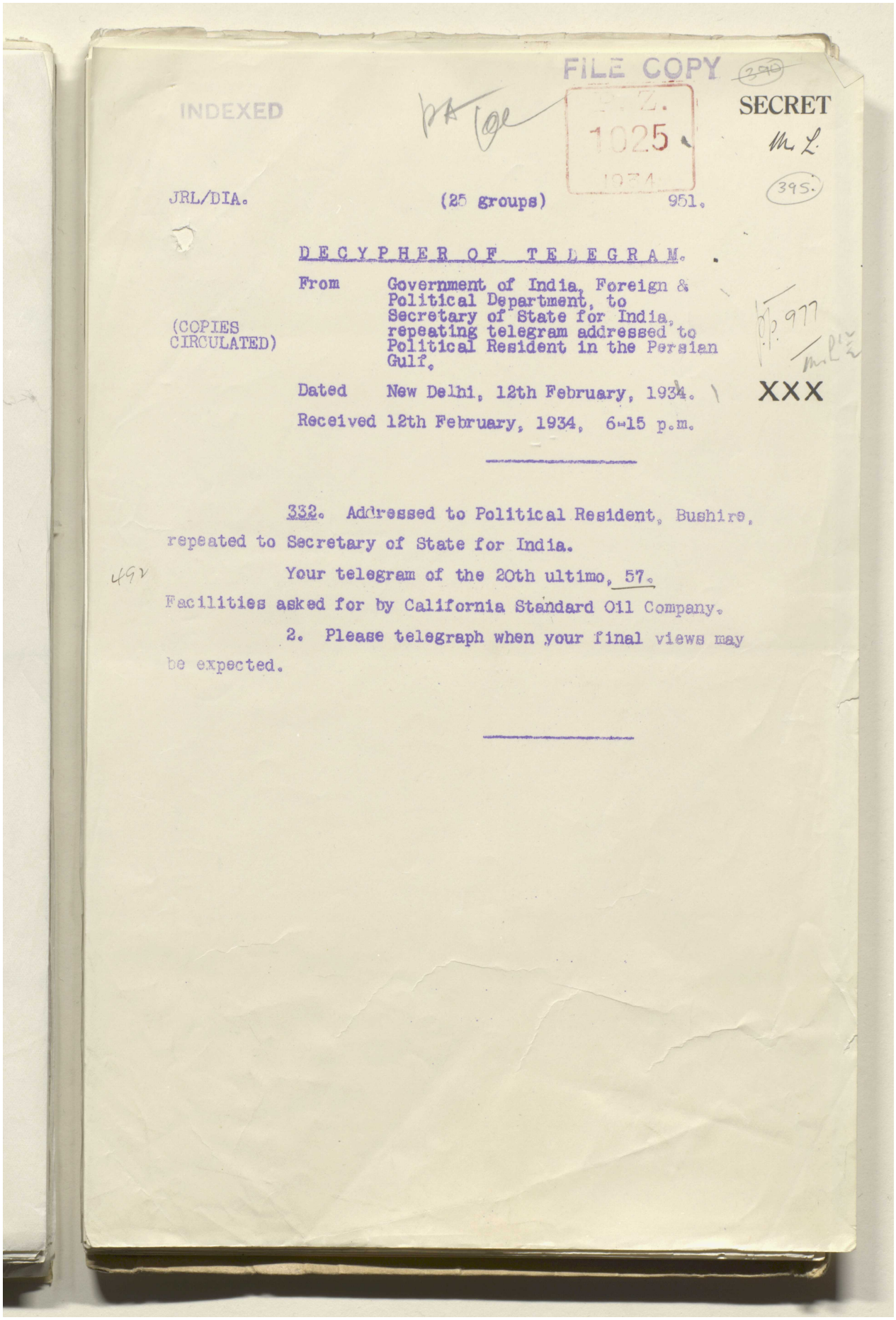

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DECYPHER OF TELEGRAM.

From Government of India, Foreign & Political Department, to Secretary of State for India, repeating telegram addressed to Political Resident in the Persian Gulf.

(COPIES CIRCULATED)

Dated New Delhi, 12th February, 1934.

Received 12th February, 1934, 6-15 p.m.

XXX

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332. Addressed to Political Resident, Bushire, repeated to Secretary of State for India.

Your telegram of the 20th ultimo, 57.

Facilities asked for by California Standard Oil Company.

2. Please telegraph when your final views may be expected.

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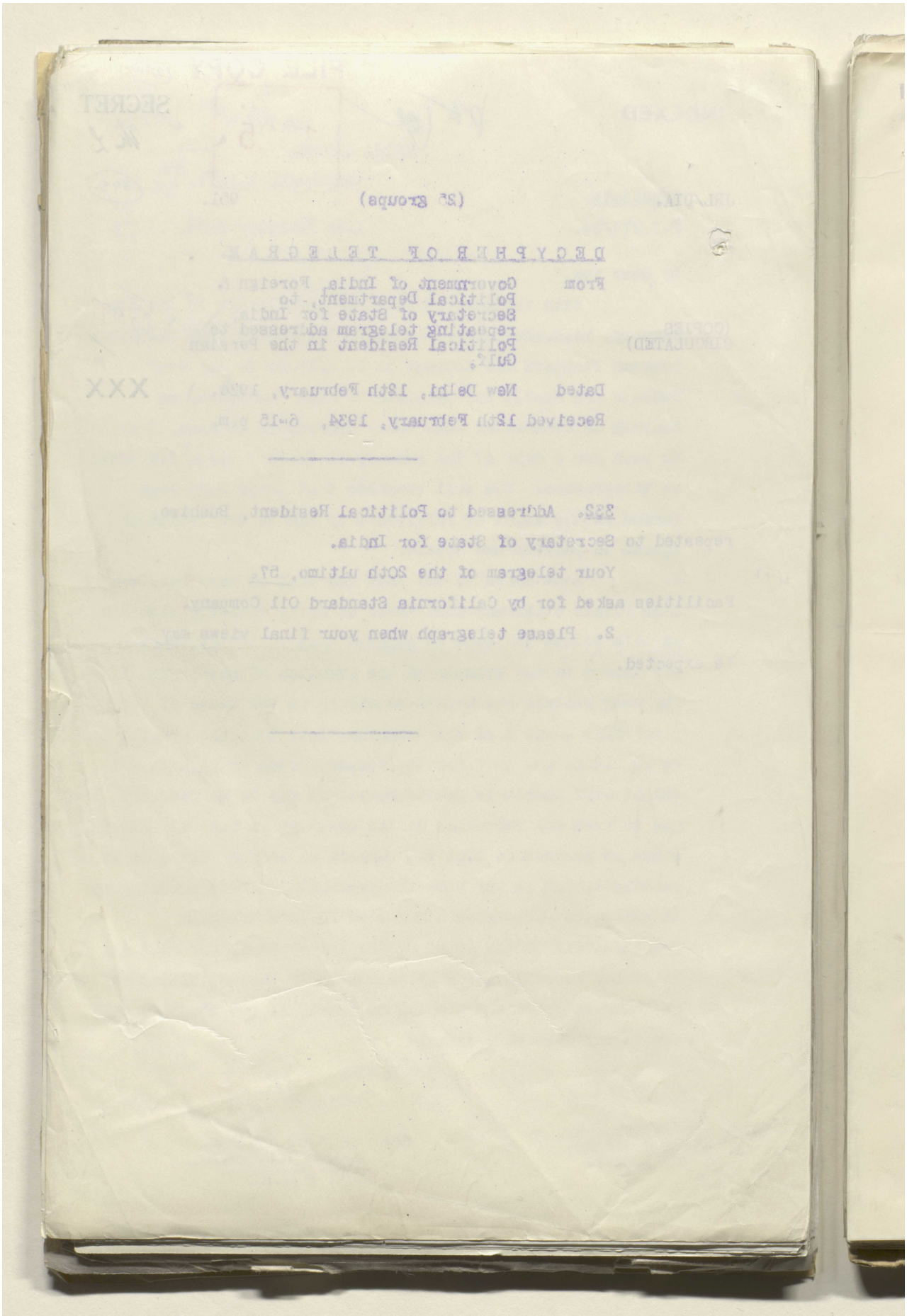

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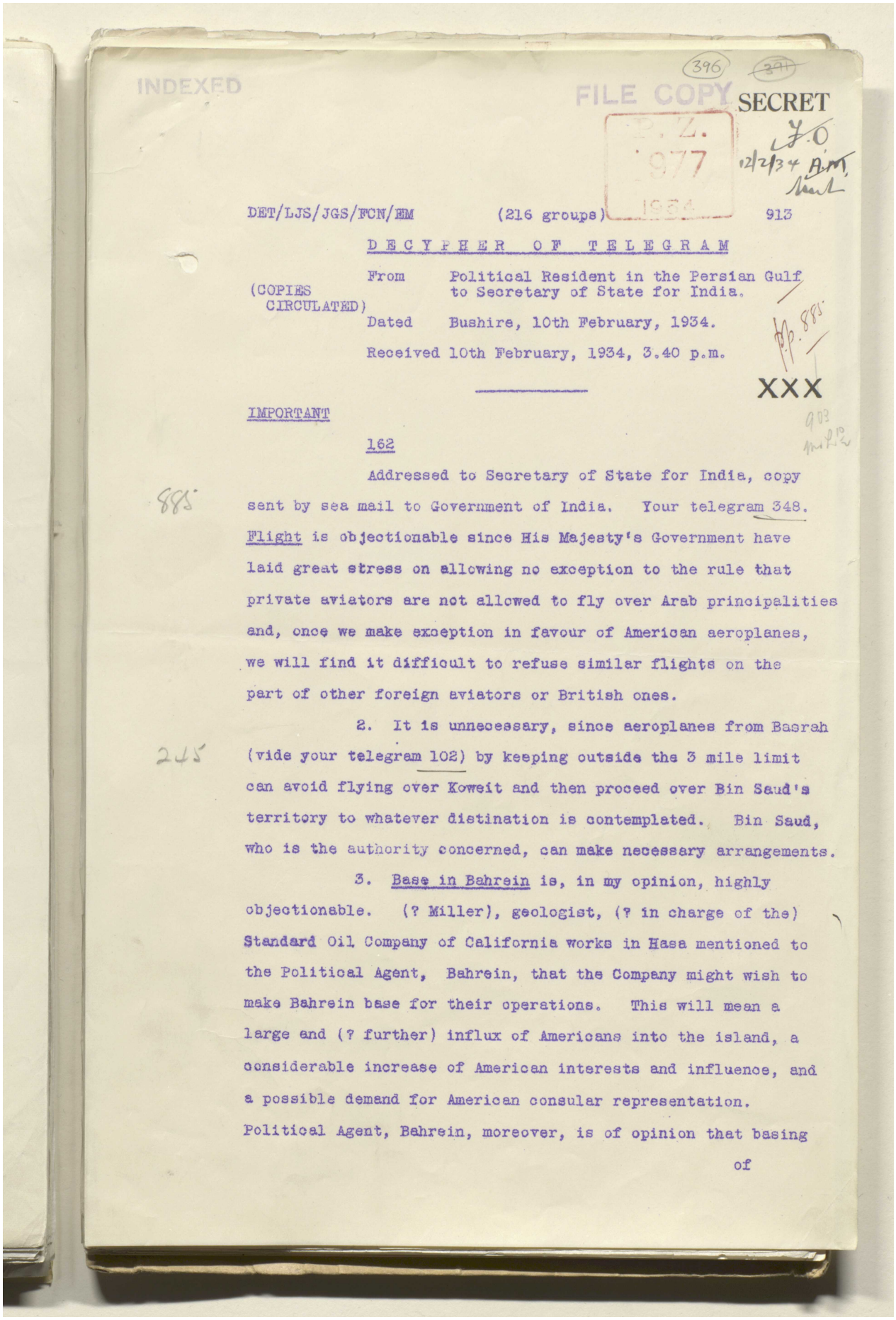

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L.O 12/2/34 A.M.

DET/LJS/JGS/FCN/EM (216 groups) 913

DECYPHER OF TELEGRAM

From Political Resident in the Persian Gulf
to Secretary of State for India.

(COPIES CIRCULATED)

Dated Bushire, 10th February, 1934.

Received 10th February, 1934, 3.40 p.m.

pp. 885

XXX

IMPORTANT

903

162

885

Addressed to Secretary of State for India, copy sent by sea mail to Government of India. Your telegram 348. Flight is objectionable since His Majesty's Government have laid great stress on allowing no exception to the rule that private aviators are not allowed to fly over Arab principalities and, once we make exception in favour of American aeroplanes, we will find it difficult to refuse similar flights on the part of other foreign aviators or British ones.

2. It is unnecessary, since aeroplanes from Basrah (vide your telegram 102) by keeping outside the 3 mile limit can avoid flying over Koweit and then proceed over Bin Saud's territory to whatever distination is contemplated. Bin Saud, who is the authority concerned, can make necessary arrangements.

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3. Base in Bahrein is, in my opinion, highly objectionable. (? Miller), geologist, (? in charge of the) Standard Oil Company of California works in Hasa mentioned to the Political Agent, Bahrein, that the Company might wish to make Bahrein base for their operations. This will mean a large and (? further) influx of Americans into the island, a considerable increase of American interests and influence, and a possible demand for American consular representation. Political Agent, Bahrein, moreover, is of opinion that basing

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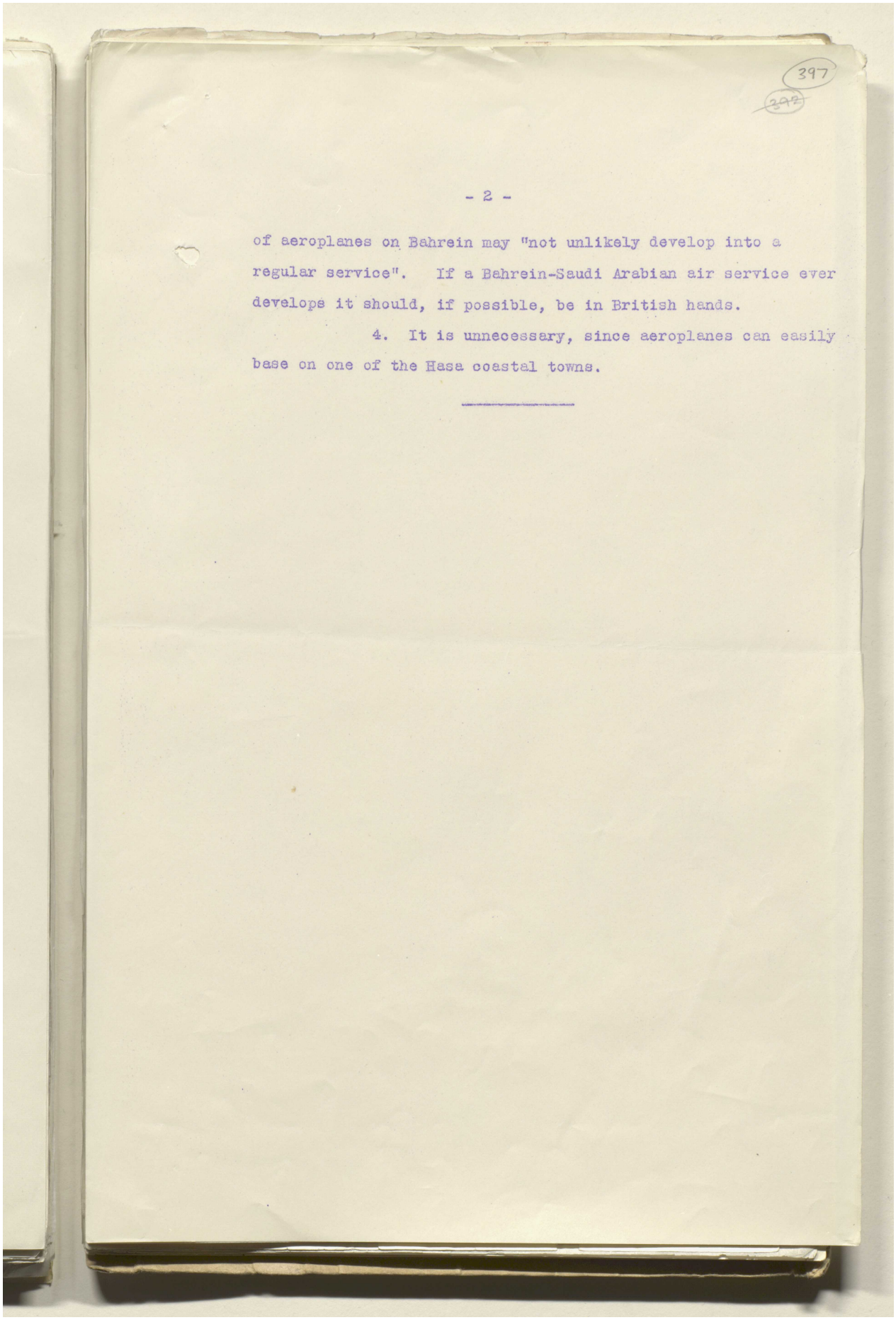

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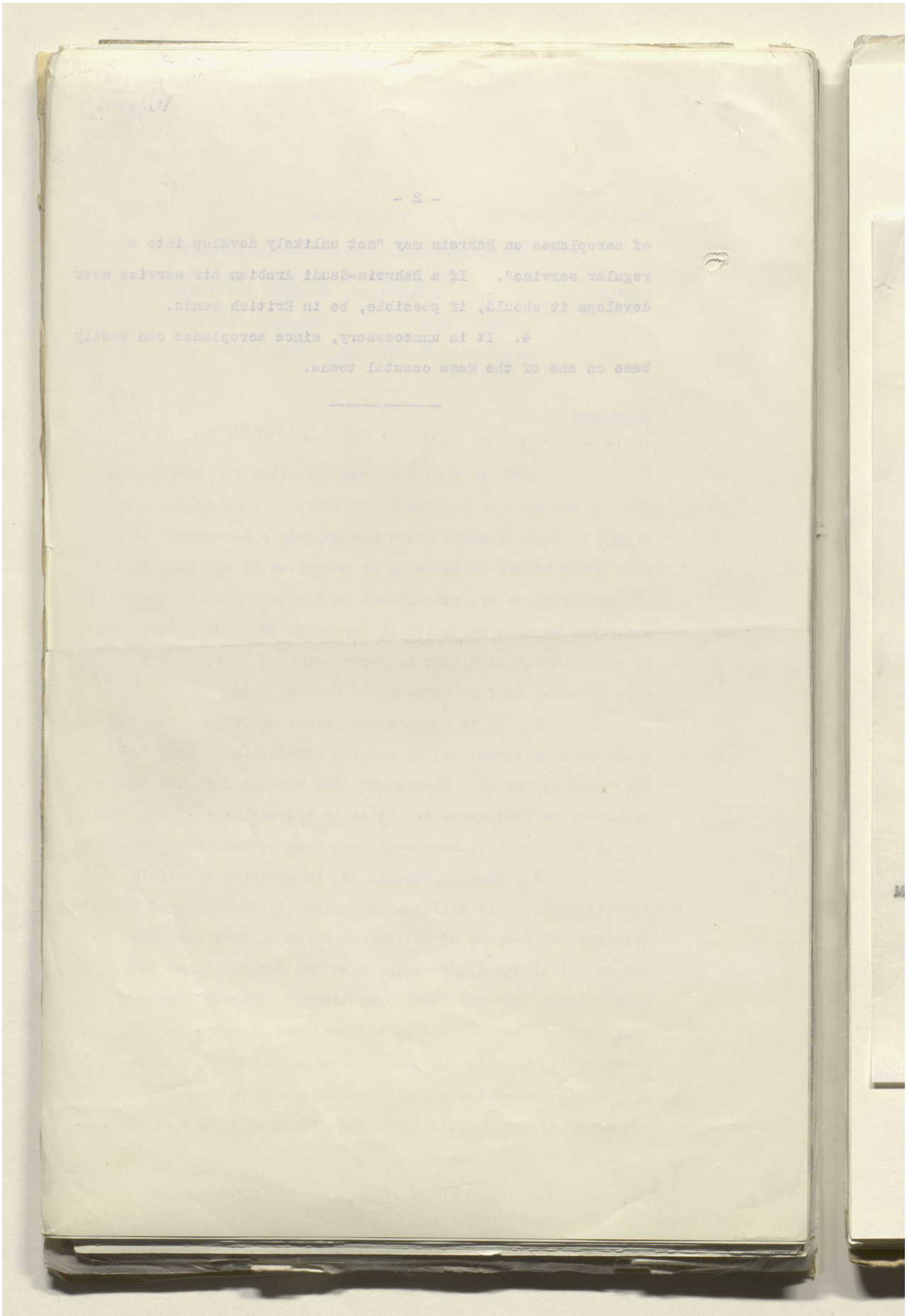

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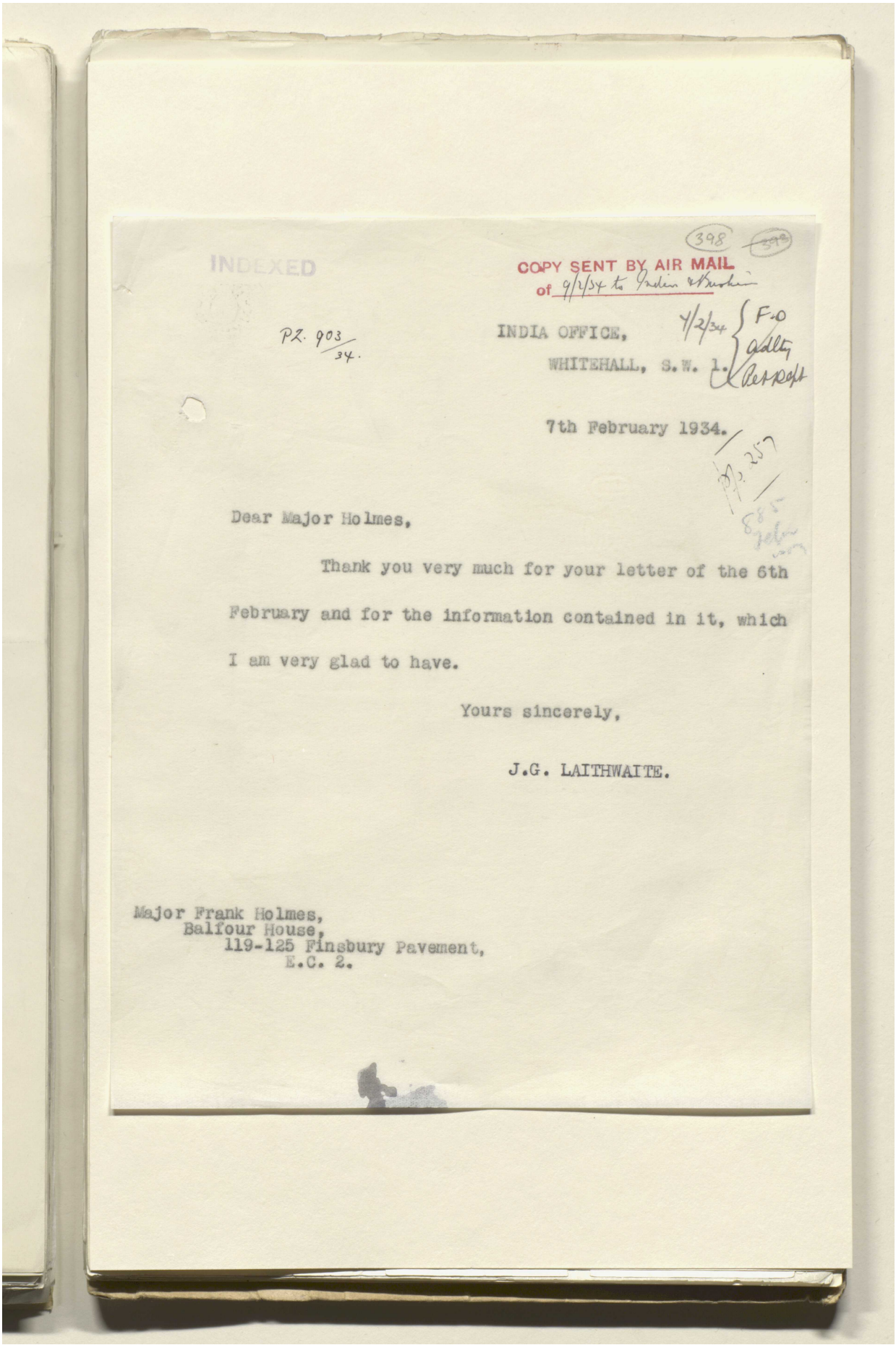

INDEXED

(398) ~~(398)~~

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of 9/2/34 to Indian & Bushire

PZ. 903/34.

INDIA OFFICE,
WHITEHALL, S.W. 1.

4/2/34 { F.O / Adlty / Pet Dept

7th February 1934.

Pp. 257
885
Feb 1934

Dear Major Holmes,

Thank you very much for your letter of the 6th February and for the information contained in it, which I am very glad to have.

Yours sincerely,

J.G. LAITHWAITE.

Major Frank Holmes,
Balfour House,
119-125 Finsbury Pavement,
E.C. 2.

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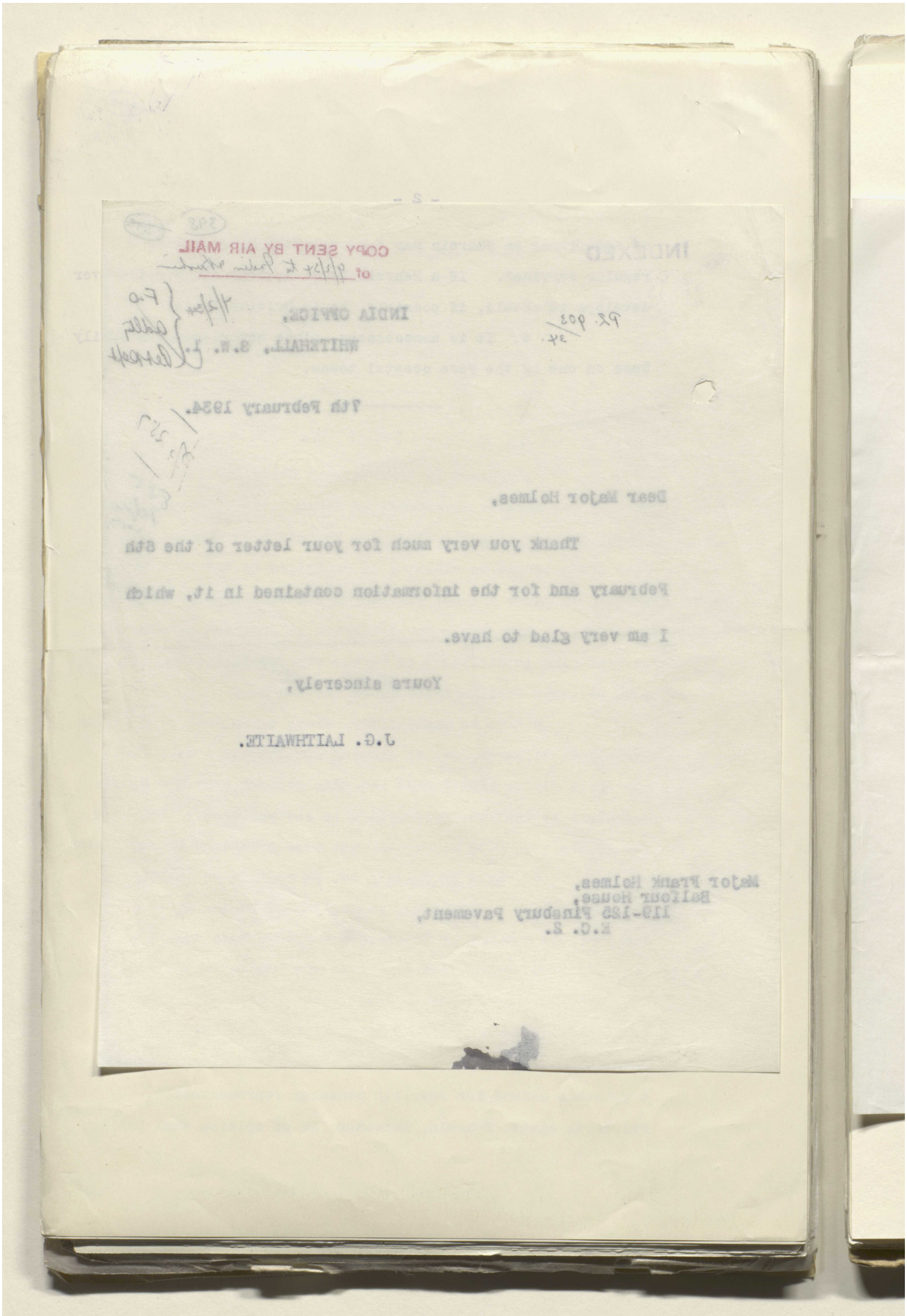

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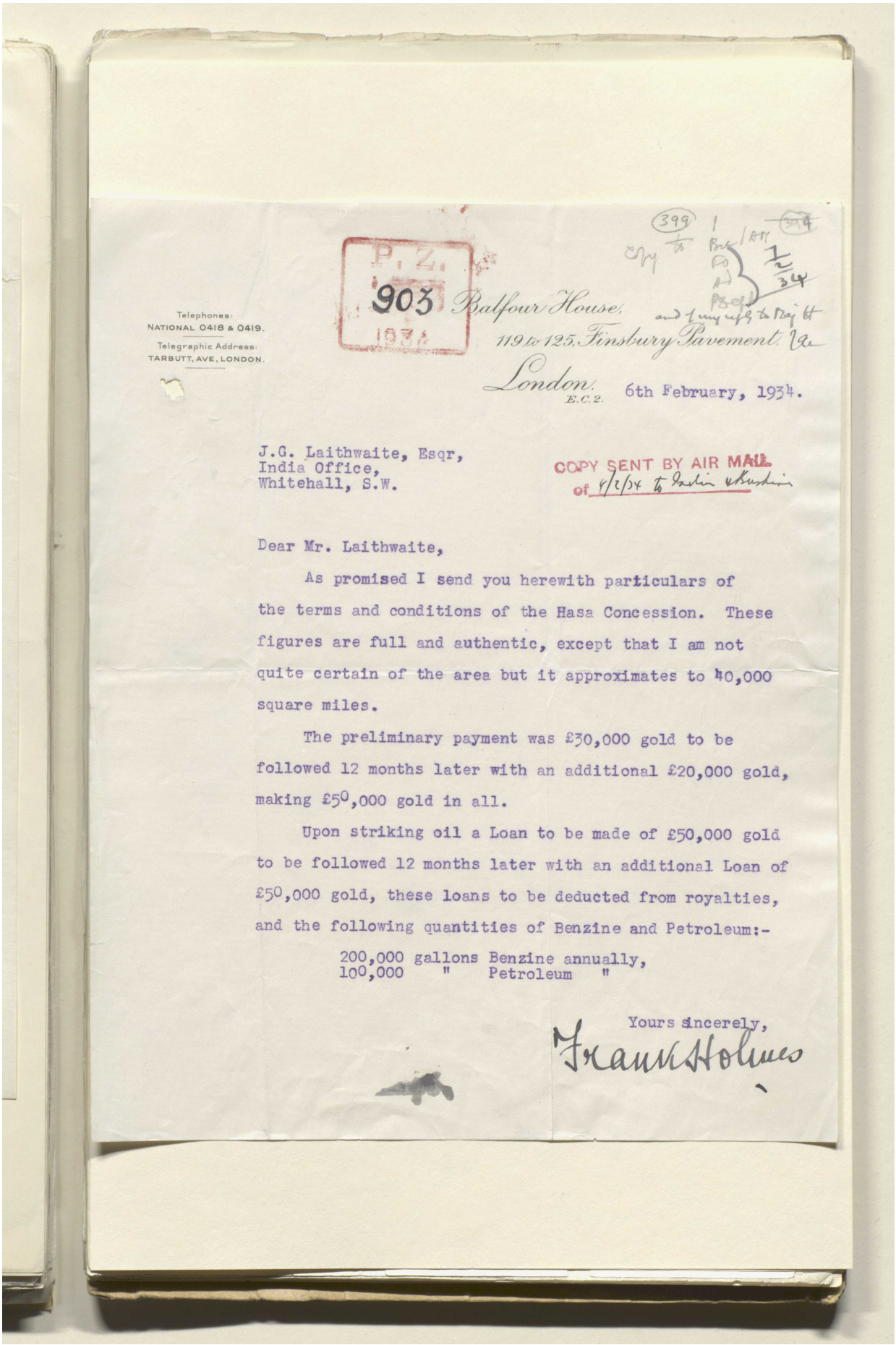

P.Z. 903 1934

399

Telephones:
NATIONAL 0418 & 0419.
Telegraphic Address:
TARBUTT, AVE, LONDON.

Balfour House,
119 to 125 Finsbury Pavement,
London, E.C.2. 6th February, 1934.

J.G. Laithwaite, Esqr,
India Office,
Whitehall, S.W.

COPY SENT BY AIR MAIL of 9/2/34 to Persian Situation

Dear Mr. Laithwaite,

As promised I send you herewith particulars of the terms and conditions of the Hasa Concession. These figures are full and authentic, except that I am not quite certain of the area but it approximates to 40,000 square miles.

The preliminary payment was £30,000 gold to be followed 12 months later with an additional £20,000 gold, making £50,000 gold in all.

Upon striking oil a Loan to be made of £50,000 gold to be followed 12 months later with an additional Loan of £50,000 gold, these loans to be deducted from royalties, and the following quantities of Benzine and Petroleum:-

200,000 gallons Benzine annually,
100,000 " Petroleum "

Yours sincerely,
Frank Holmes

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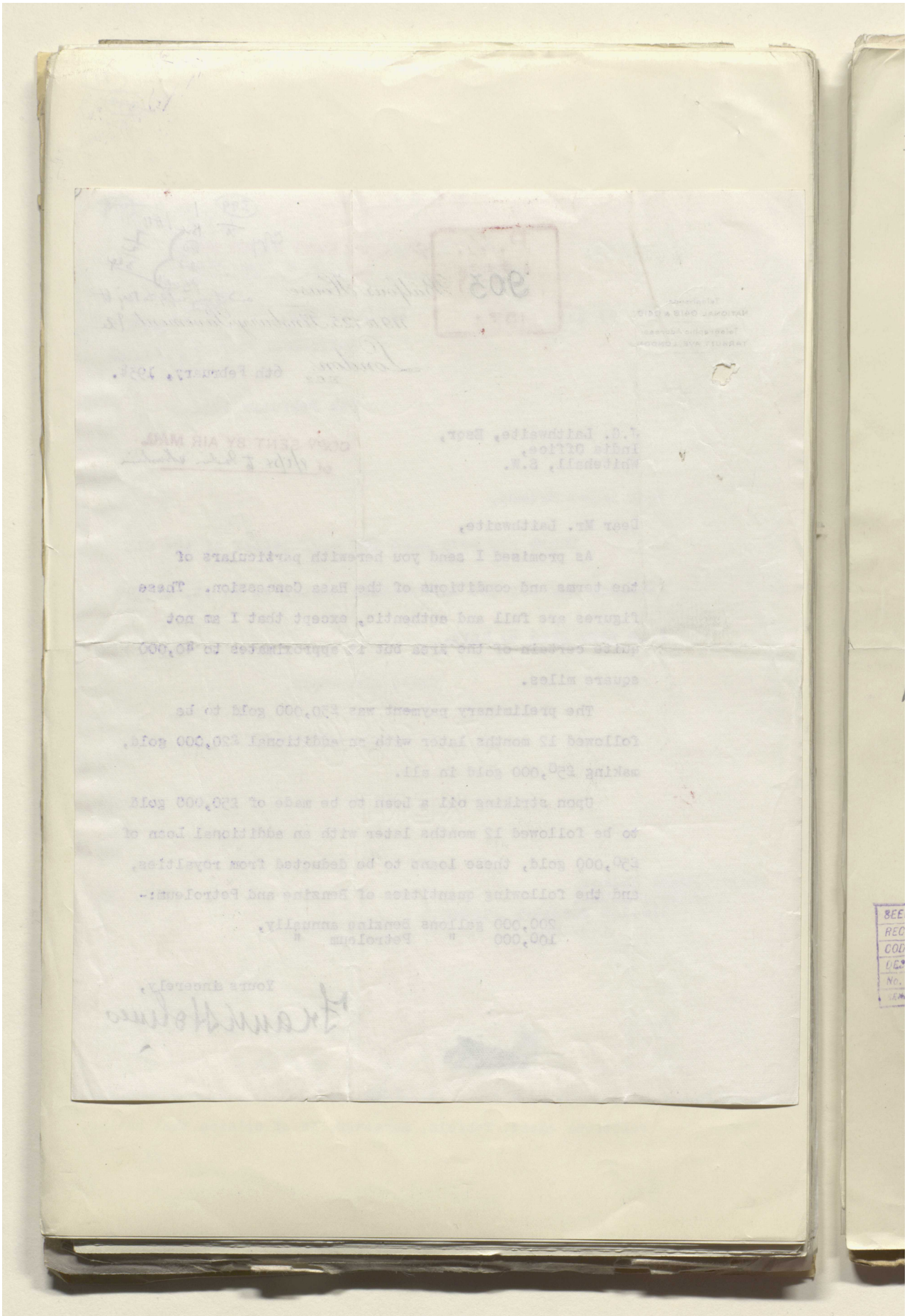

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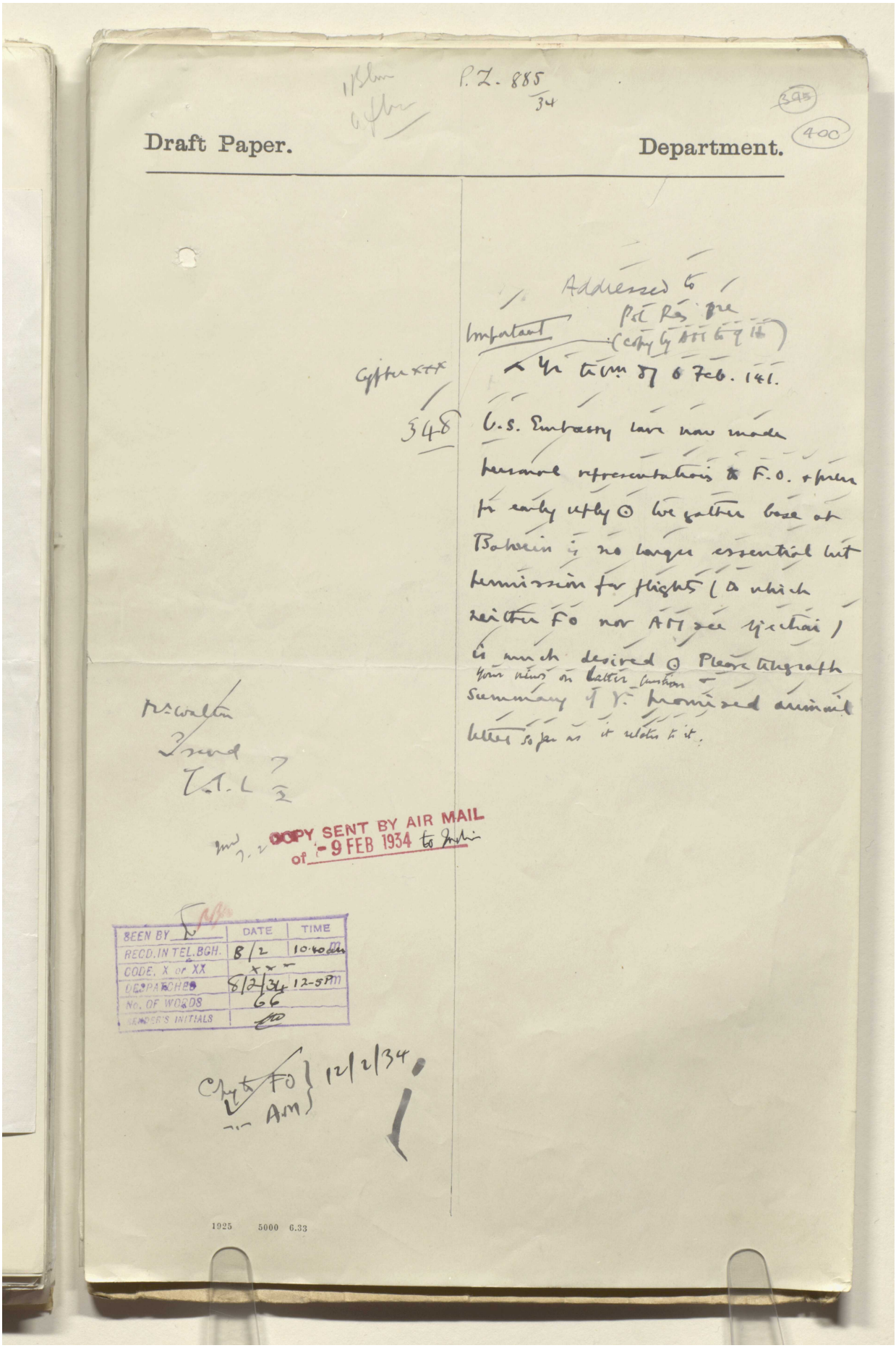

P.Z. 885/34

395

400

Draft Paper. Department.

Addressed to Pol Res Pre (copy by AM to G H)

Important

Cypher xxx

Yr tel. 87 6 Feb. 141.

348

U.S. Embassy have now made personal representations to F.O. & press for early reply ⊙ We gather base at Bahrein is no longer essential but permission for flights (to which neither FO nor AM see objection) is much desired ⊙ Please telegraph your views on latter question & summary of Yr promised airmail letter so far as it relates to it.

Mr Walton
Send
T.A.L. 7/2

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SENDER'S INITIALS		

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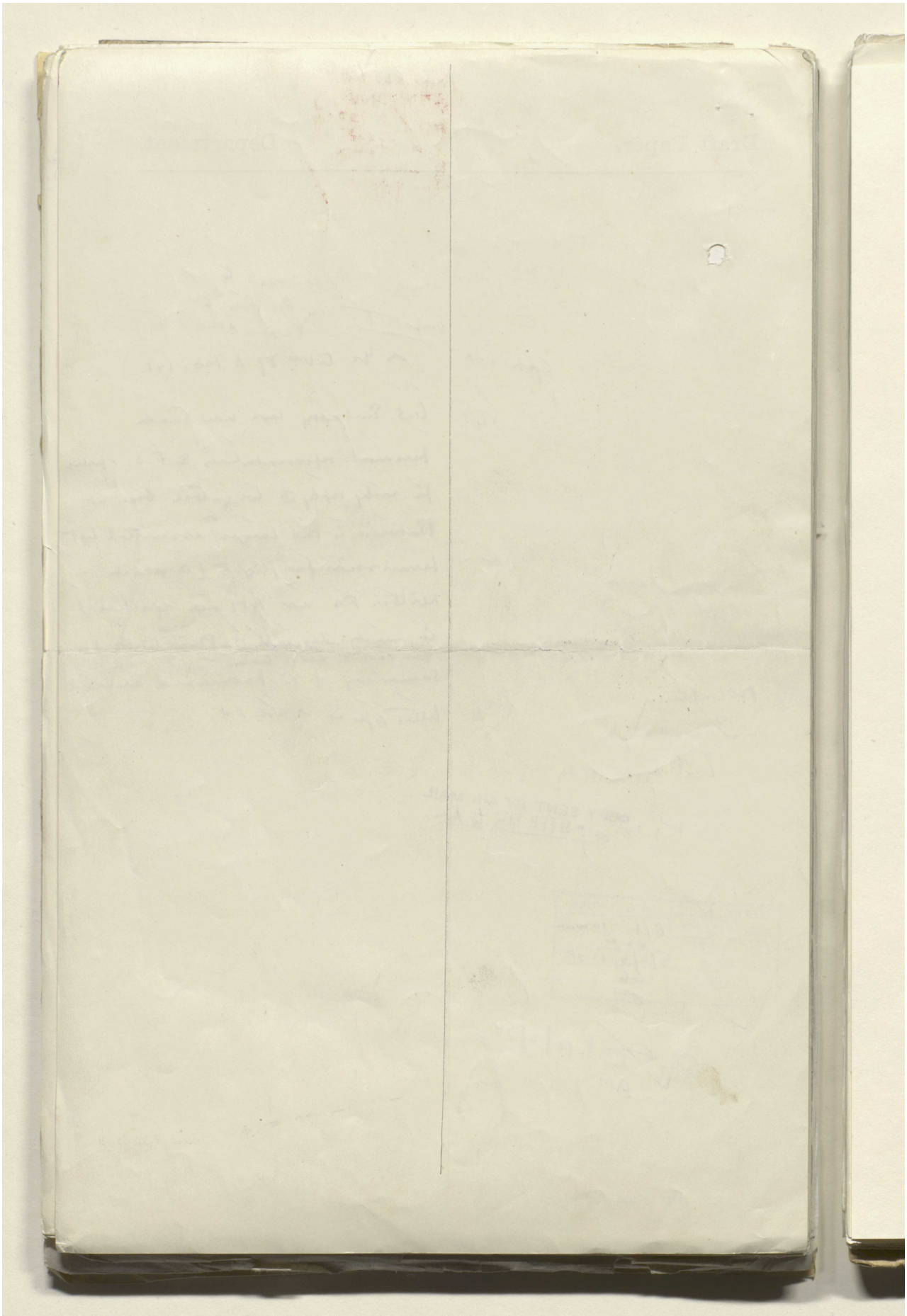

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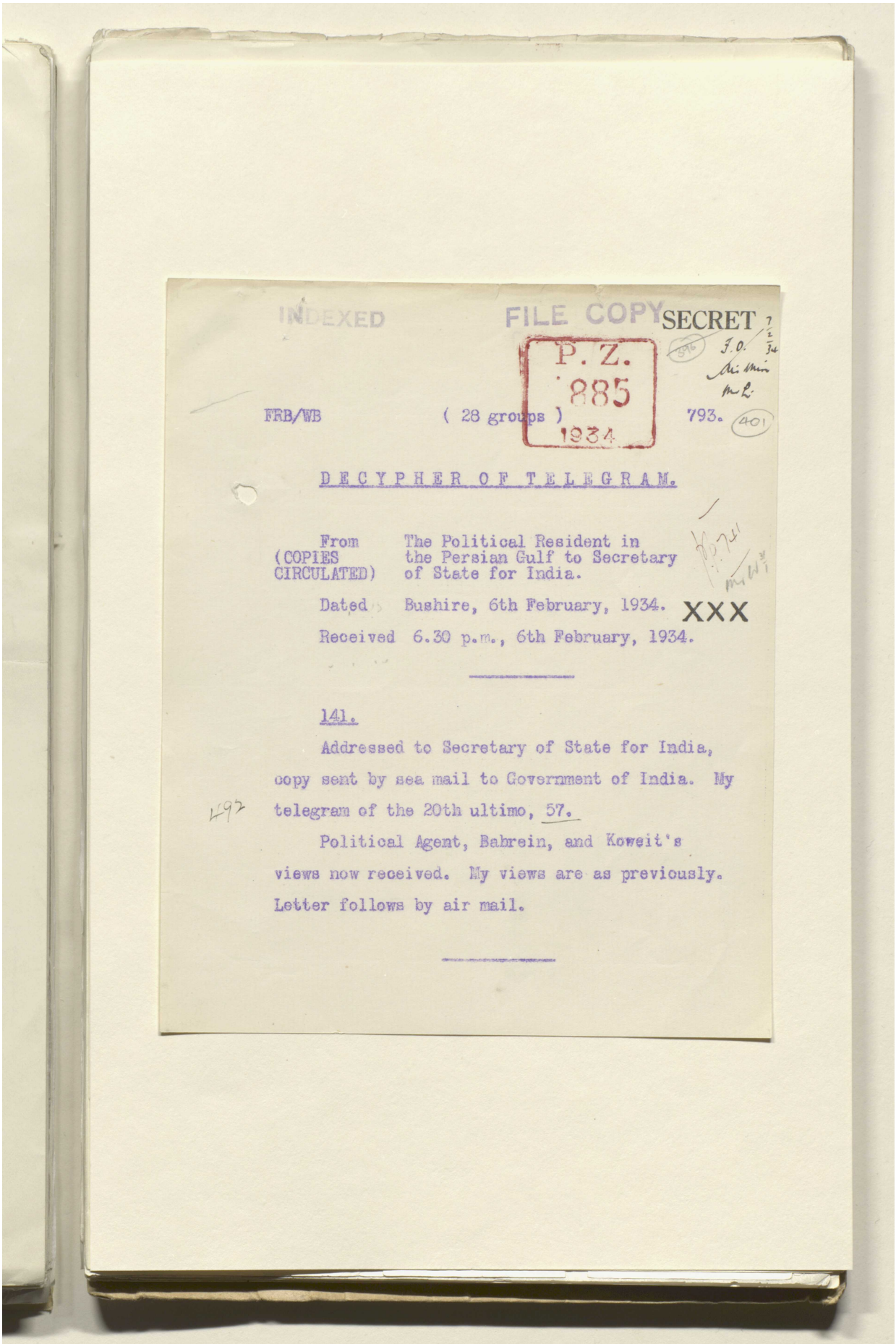

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P. Z. 885 1934

FRB/WB (28 groups) 793.

DECYPHER OF TELEGRAM.

From The Political Resident in the Persian Gulf to Secretary
(COPIES CIRCULATED) of State for India.

Dated Bushire, 6th February, 1934. XXX

Received 6.30 p.m., 6th February, 1934.

141.

Addressed to Secretary of State for India, copy sent by sea mail to Government of India. My telegram of the 20th ultimo, 57.

Political Agent, Bahrein, and Koweit's views now received. My views are as previously. Letter follows by air mail.

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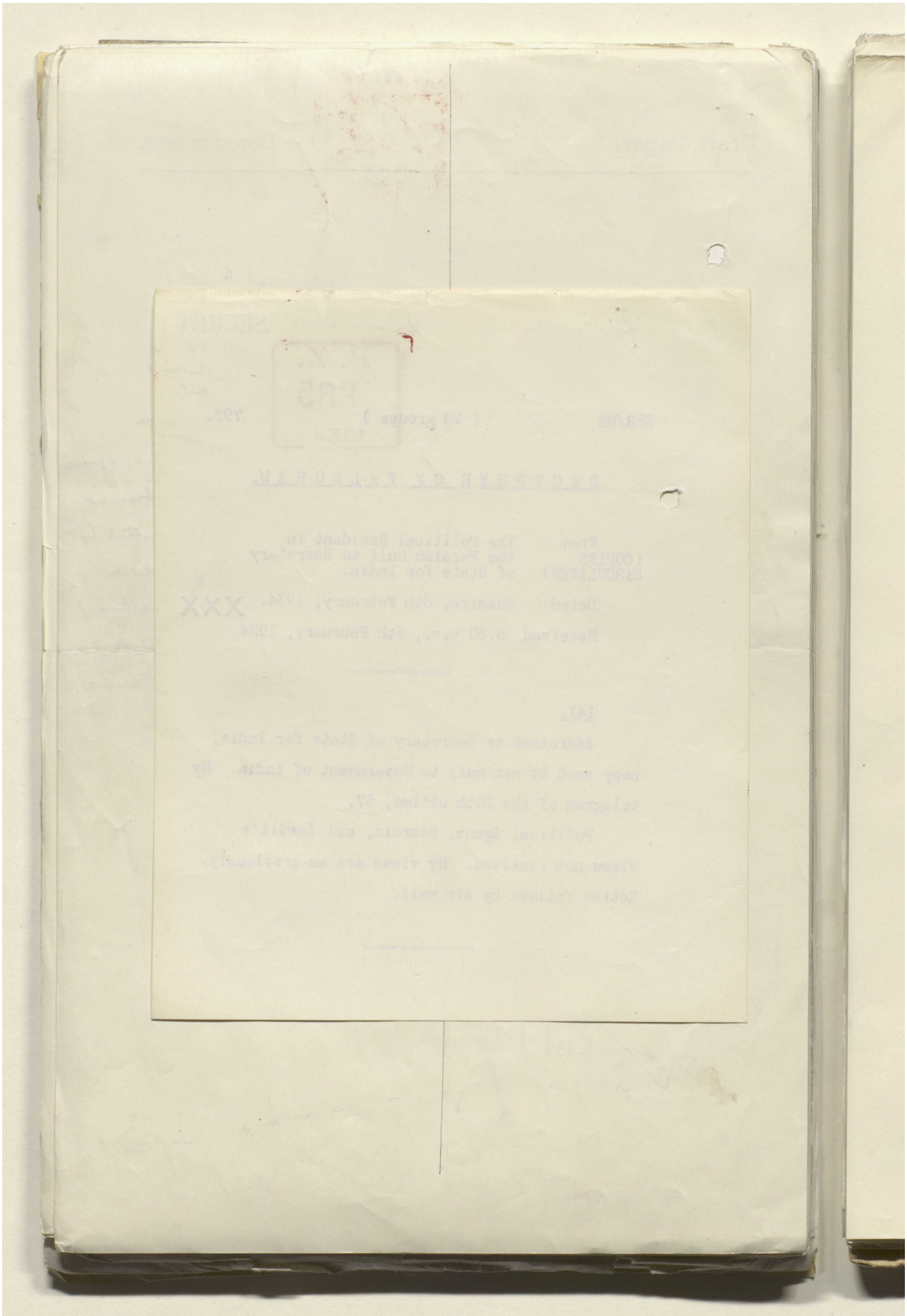

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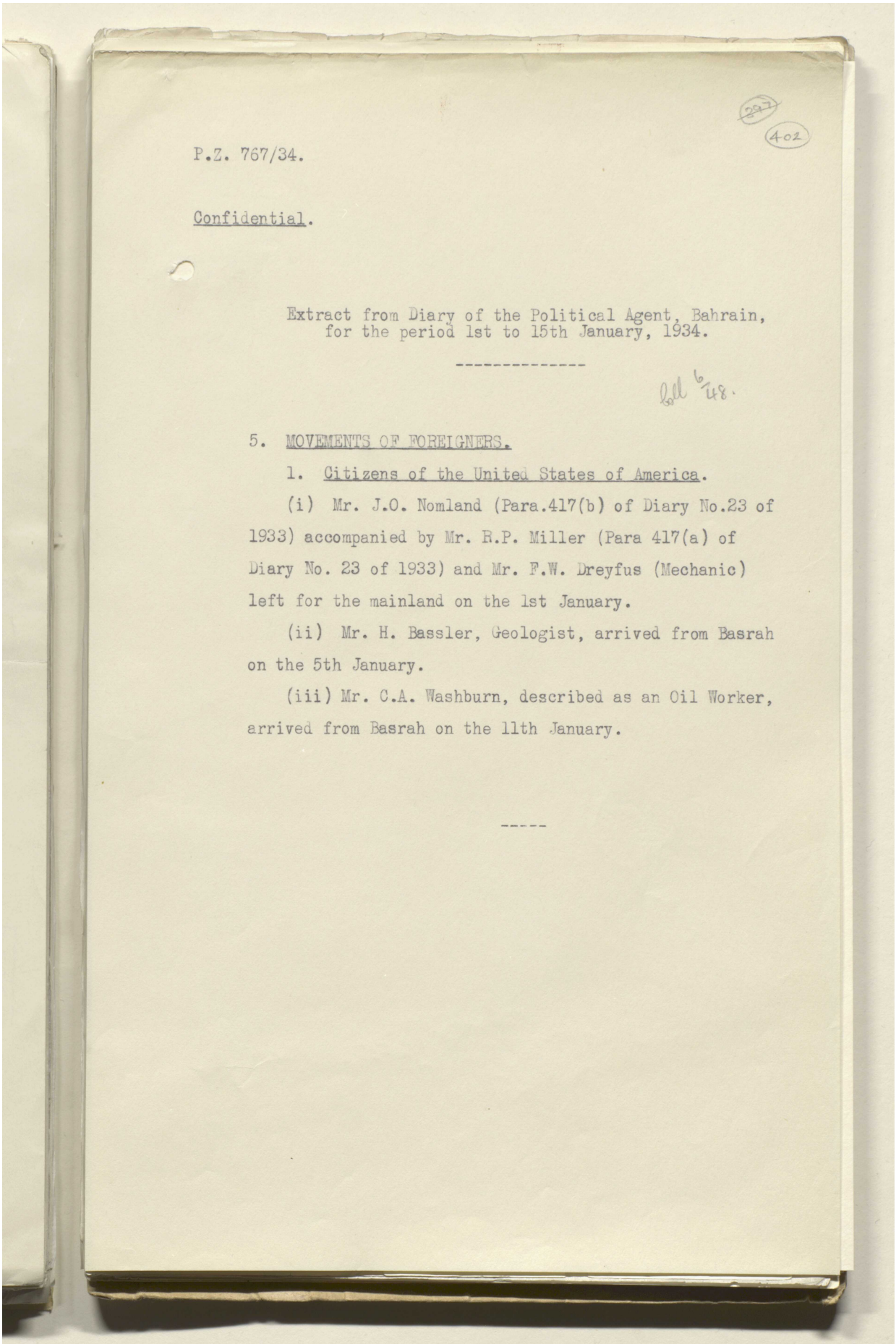

P.Z. 767/34.

Confidential.

Extract from Diary of the Political Agent, Bahrain, for the period 1st to 15th January, 1934.

Coll 6/48.

5. MOVEMENTS OF FOREIGNERS.

1. Citizens of the United States of America.

(i) Mr. J.O. Nomland (Para.417(b) of Diary No.23 of 1933) accompanied by Mr. R.P. Miller (Para 417(a) of Diary No. 23 of 1933) and Mr. F.W. Dreyfus (Mechanic) left for the mainland on the 1st January.

(ii) Mr. H. Bassler, Geologist, arrived from Basrah on the 5th January.

(iii) Mr. C.A. Washburn, described as an Oil Worker, arrived from Basrah on the 11th January.

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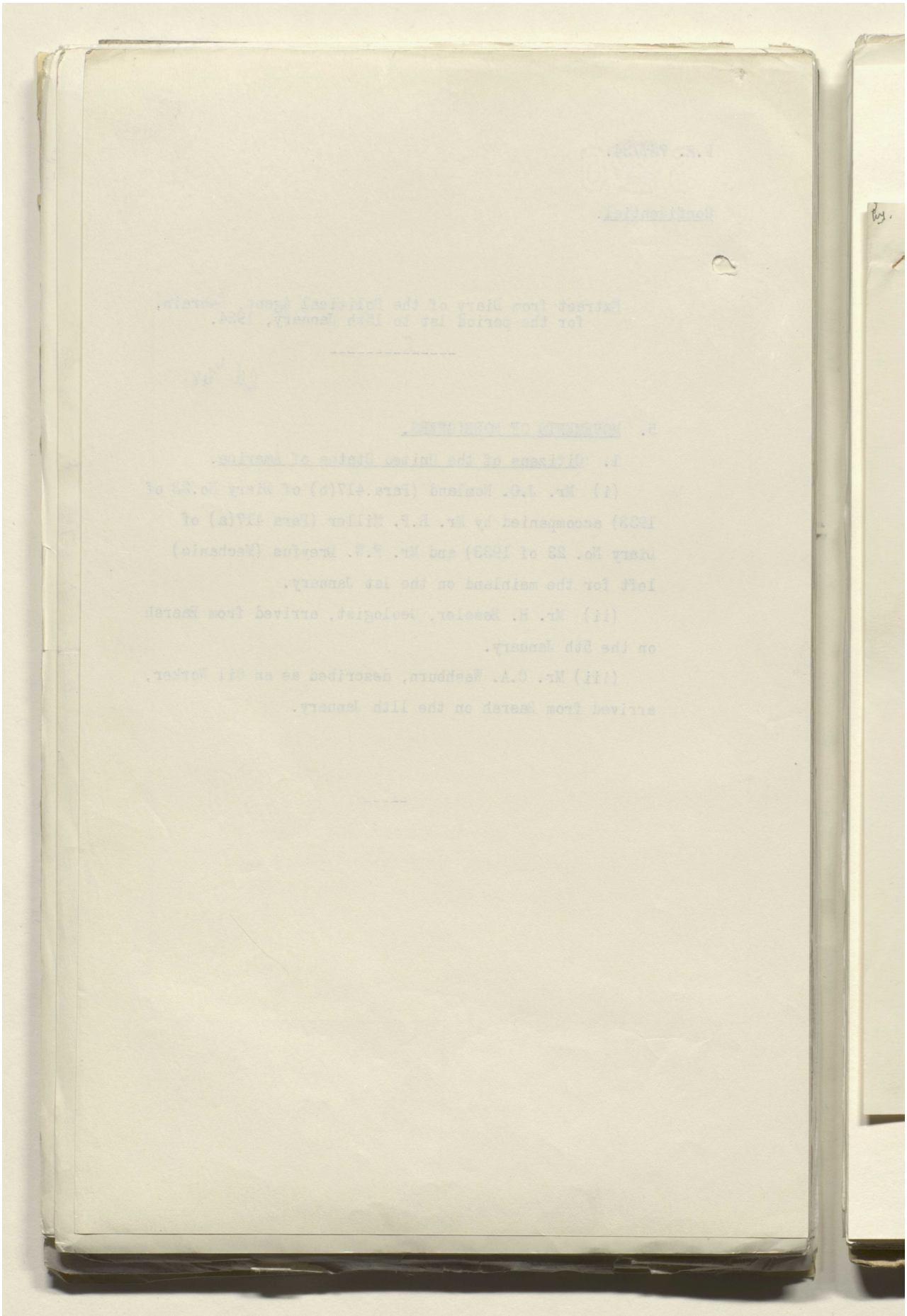

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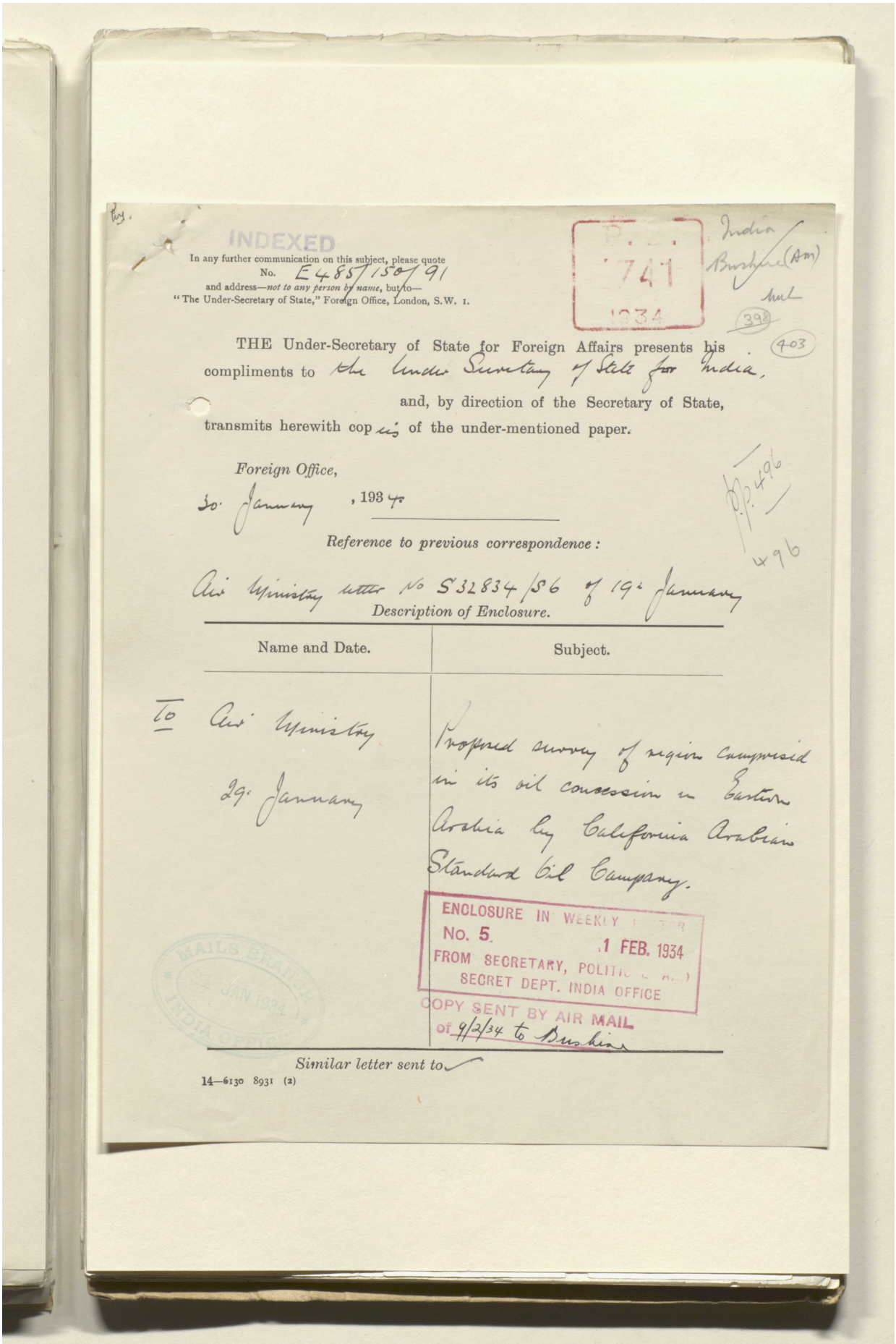

INDEXED

In any further communication on this subject, please quote
No. E485/150/91
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P. Z. 741 1934

India
Bushire (Am)
Mul
398
403

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India, and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
30. January, 1934.

pp. 496
496

Reference to previous correspondence:

Air Ministry letter No S32834/S6 of 19th January

Description of Enclosure.

Name and Date.	Subject.
To Air Ministry 29. January	Proposed survey of region comprised in its oil concession in Eastern Arabia by California Arabian Standard Oil Company.

ENCLOSURE IN WEEKLY LETTER
No. 5. 1 FEB. 1934
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE
COPY SENT BY AIR MAIL
of 9/2/34 to Bushire

MAILS BRANCH 31 JAN 1934 INDIA OFFICE

Similar letter sent to

14—6130 8931 (2)

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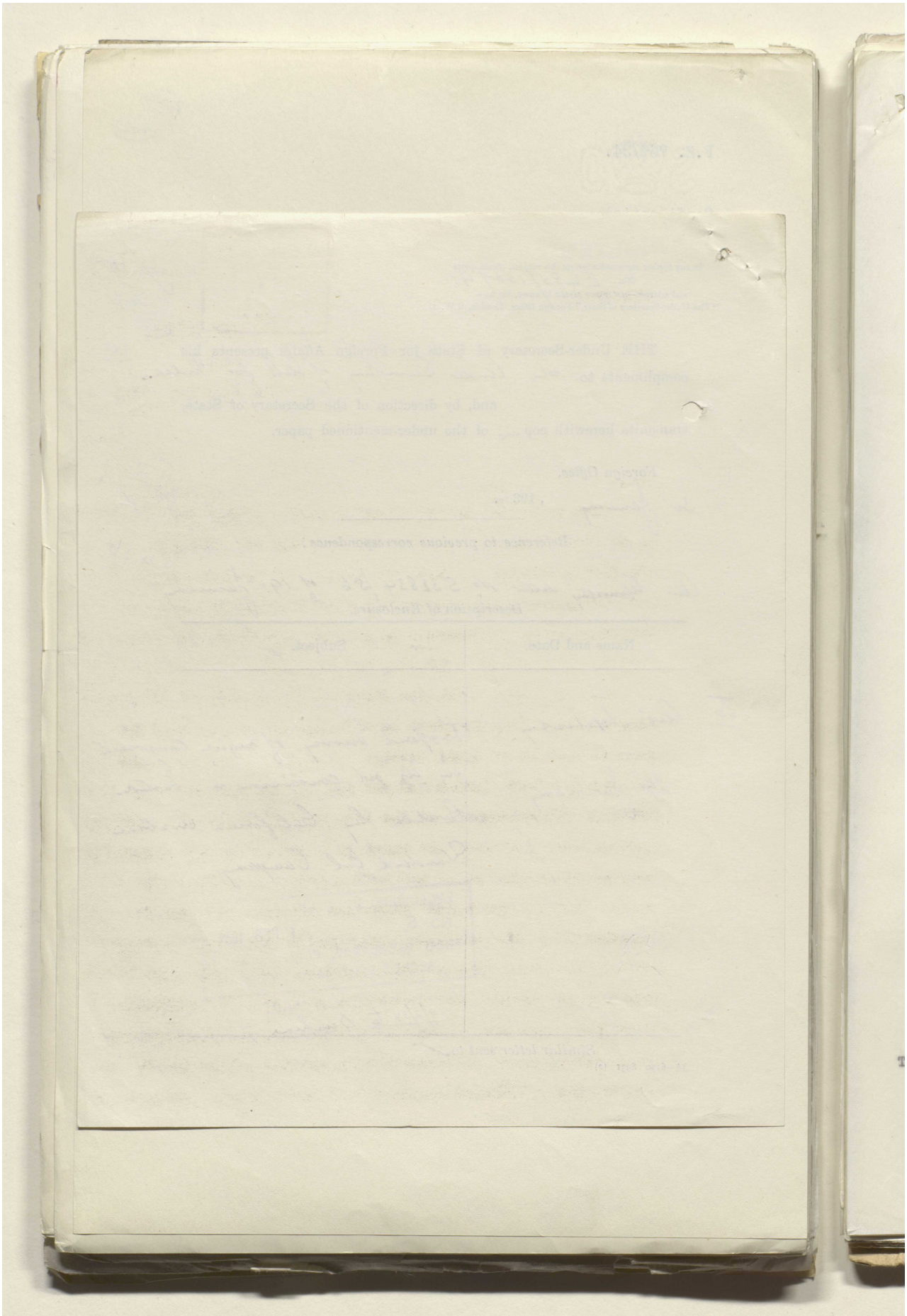

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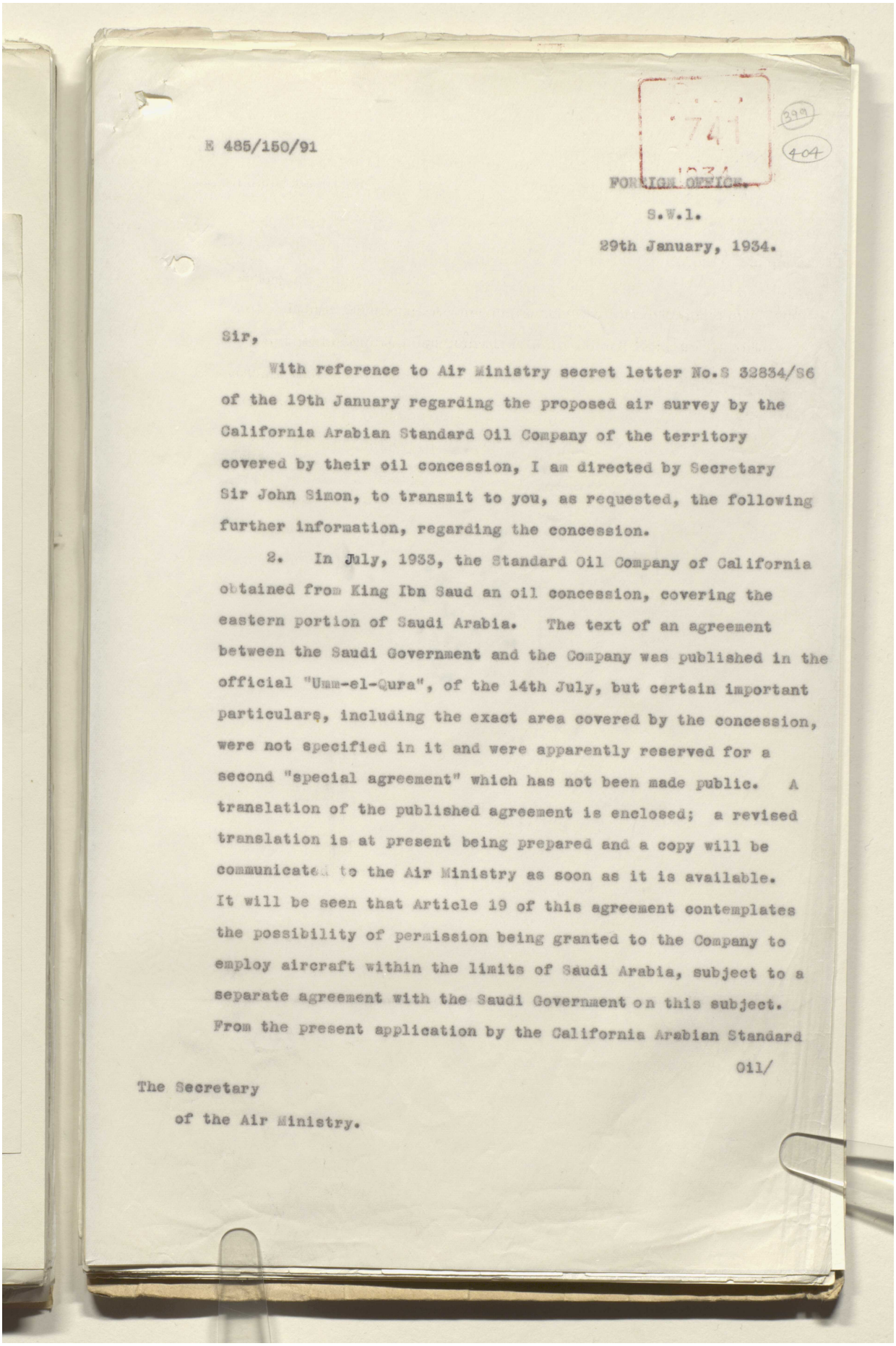

E 485/150/91

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FOREIGN OFFICE.

S.W.1.

29th January, 1934.

Sir,

With reference to Air Ministry secret letter No.S 32834/S6 of the 19th January regarding the proposed air survey by the California Arabian Standard Oil Company of the territory covered by their oil concession, I am directed by Secretary Sir John Simon, to transmit to you, as requested, the following further information, regarding the concession.

2. In July, 1933, the Standard Oil Company of California obtained from King Ibn Saud an oil concession, covering the eastern portion of Saudi Arabia. The text of an agreement between the Saudi Government and the Company was published in the official "Umm-el-Qura", of the 14th July, but certain important particulars, including the exact area covered by the concession, were not specified in it and were apparently reserved for a second "special agreement" which has not been made public. A translation of the published agreement is enclosed; a revised translation is at present being prepared and a copy will be communicated to the Air Ministry as soon as it is available. It will be seen that Article 19 of this agreement contemplates the possibility of permission being granted to the Company to employ aircraft within the limits of Saudi Arabia, subject to a separate agreement with the Saudi Government on this subject. From the present application by the California Arabian Standard

Oil/

The Secretary

of the Air Ministry.

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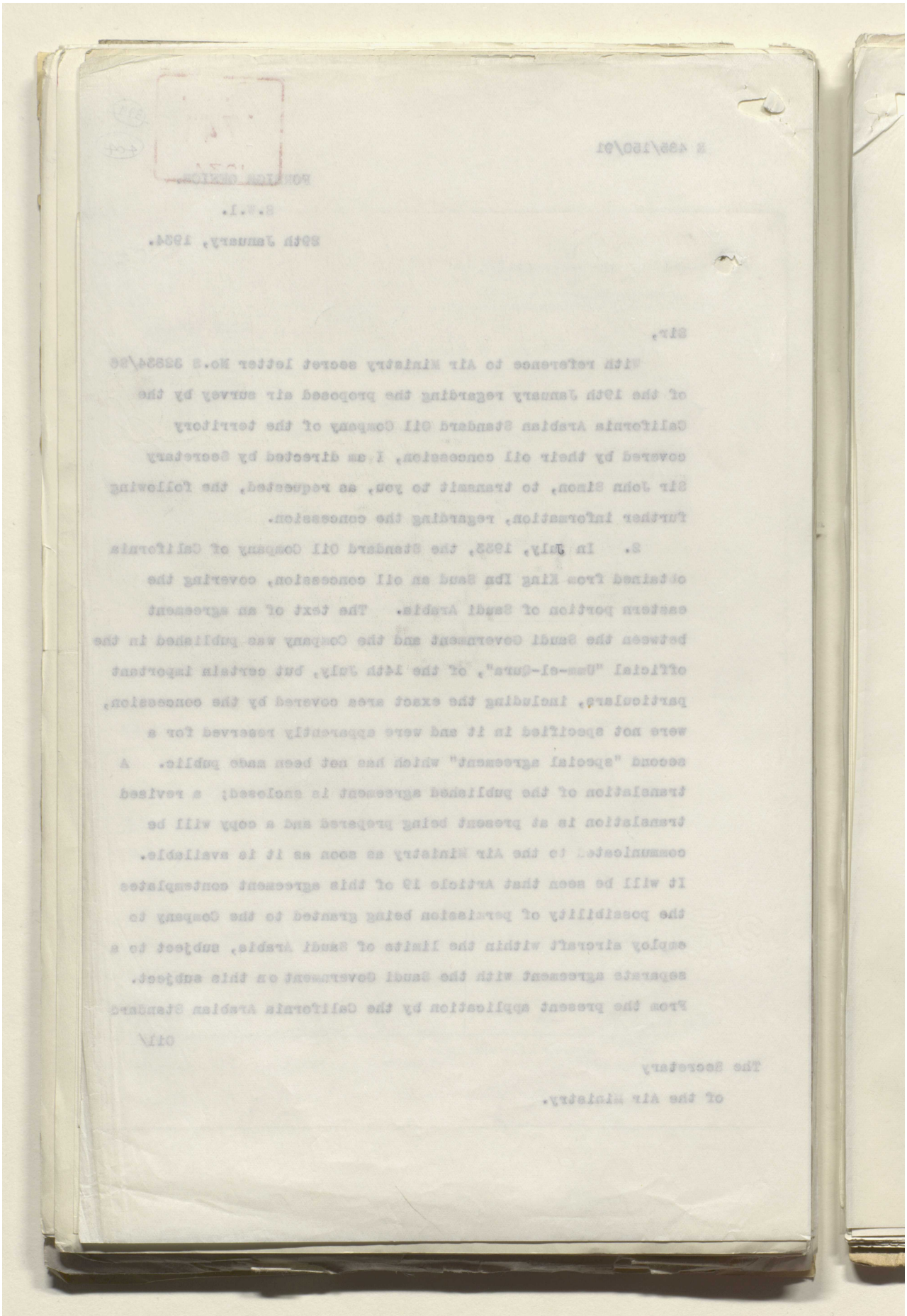

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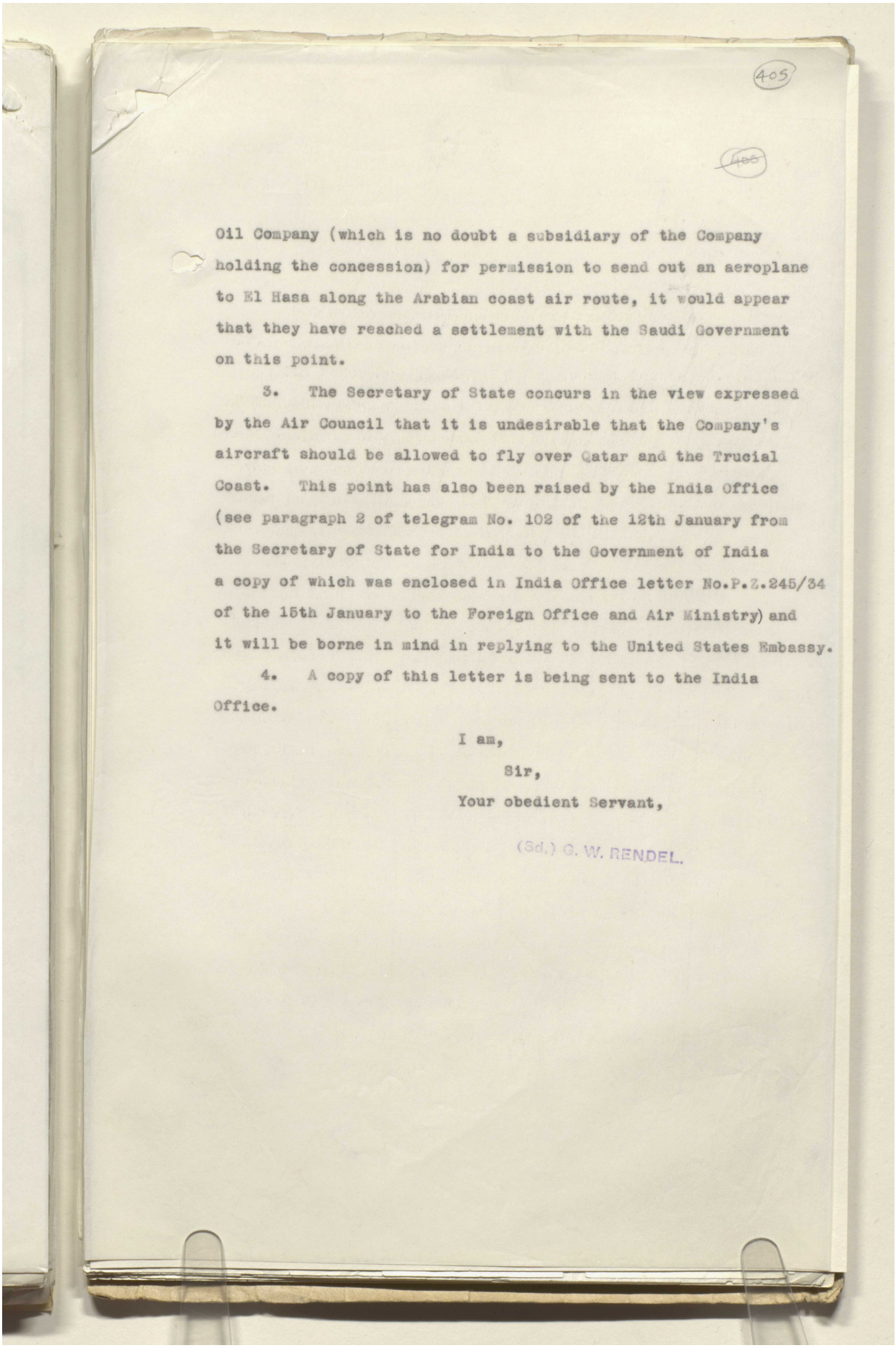

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Oil Company (which is no doubt a subsidiary of the Company holding the concession) for permission to send out an aeroplane to El Hasa along the Arabian coast air route, it would appear that they have reached a settlement with the Saudi Government on this point.

3. The Secretary of State concurs in the view expressed by the Air Council that it is undesirable that the Company's aircraft should be allowed to fly over Qatar and the Trucial Coast. This point has also been raised by the India Office (see paragraph 2 of telegram No. 102 of the 12th January from the Secretary of State for India to the Government of India a copy of which was enclosed in India Office letter No.P.Z.245/34 of the 15th January to the Foreign Office and Air Ministry) and it will be borne in mind in replying to the United States Embassy.

4. A copy of this letter is being sent to the India Office.

I am,

Sir,

Your obedient Servant,

(Sd.) G. W. RENDEL.

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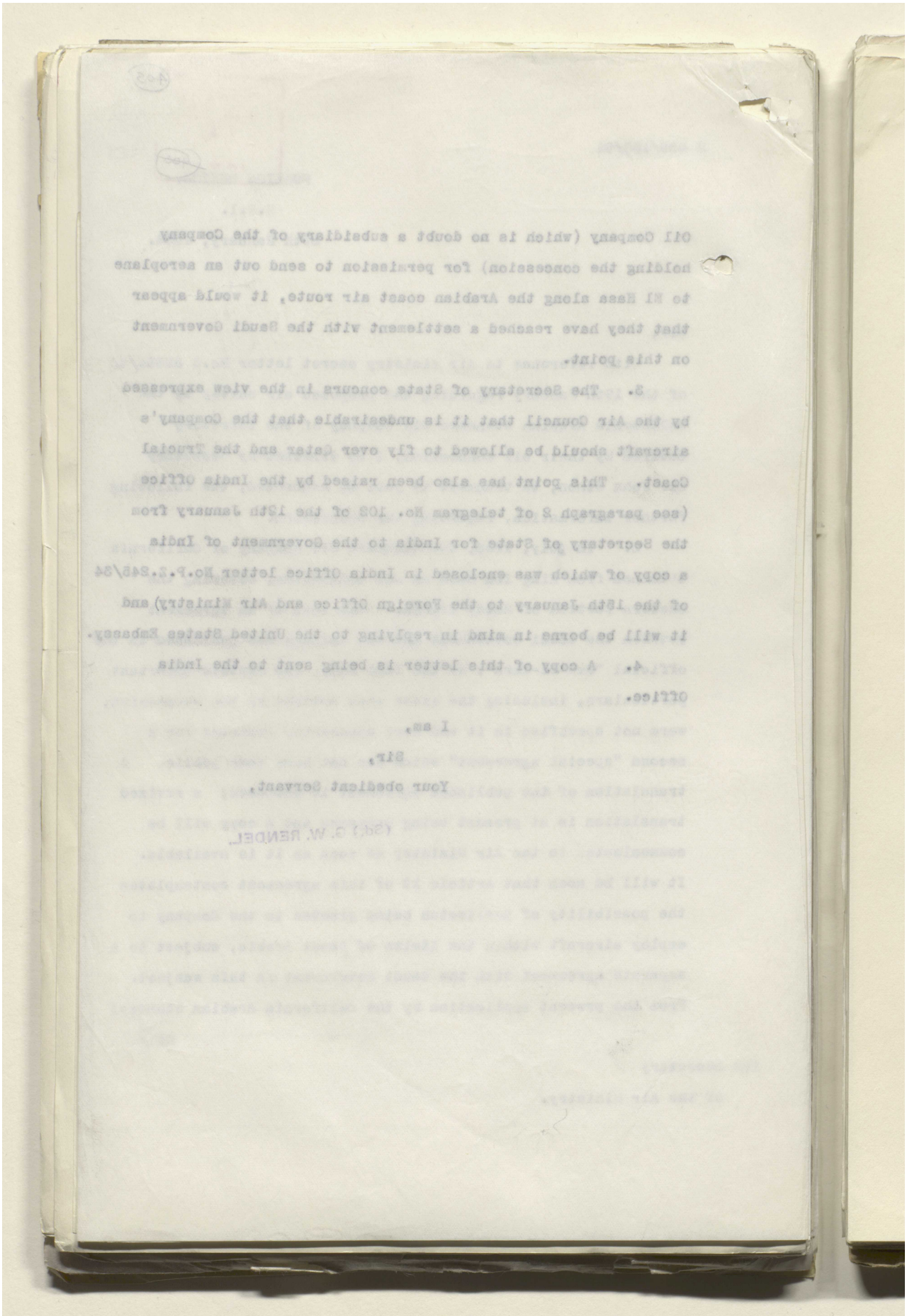

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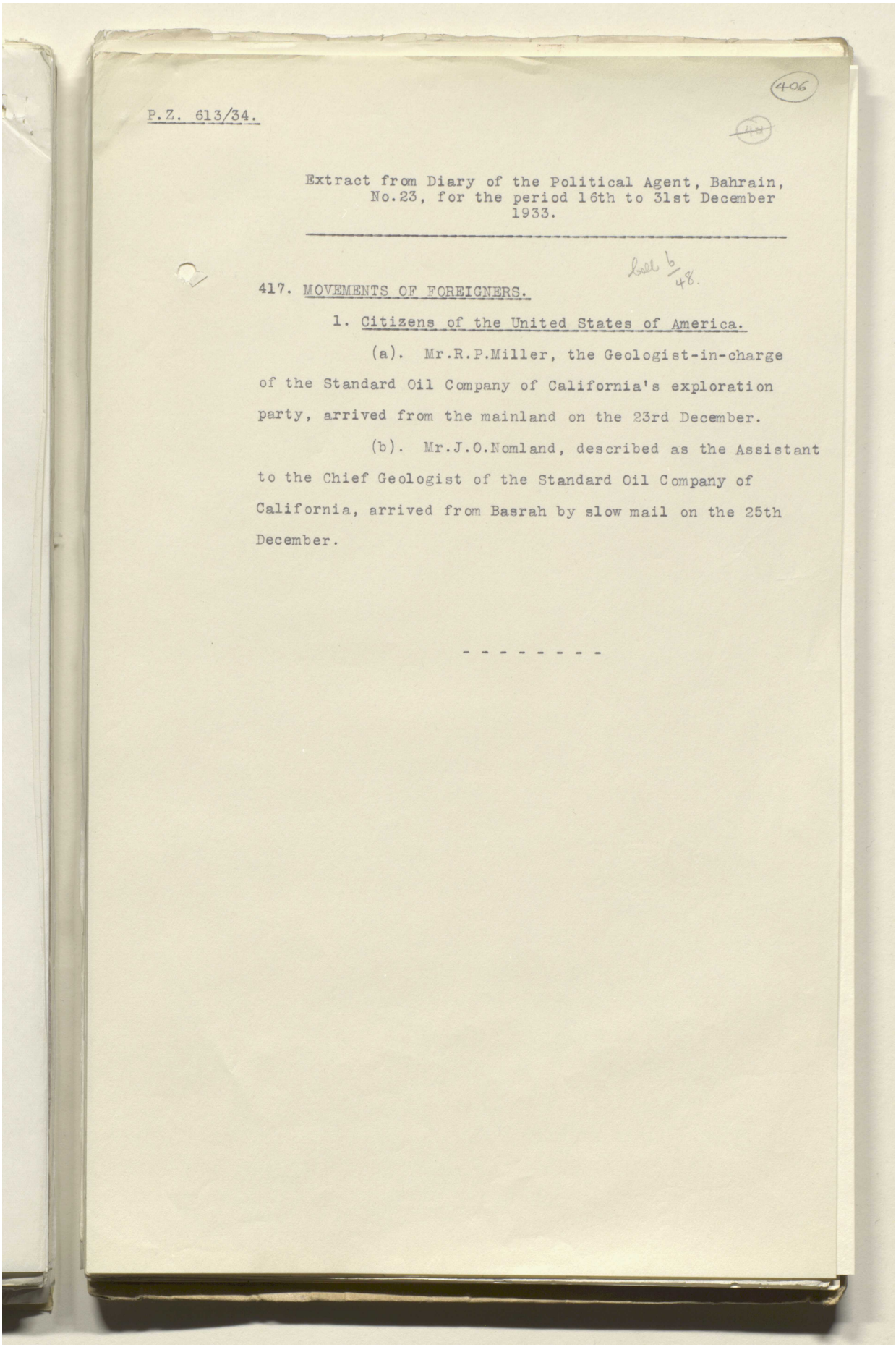

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P.Z. 613/34.

Extract from Diary of the Political Agent, Bahrain, No.23, for the period 16th to 31st December 1933.

Coll 6/48.

417. MOVEMENTS OF FOREIGNERS.

1. Citizens of the United States of America.

(a). Mr.R.P.Miller, the Geologist-in-charge of the Standard Oil Company of California's exploration party, arrived from the mainland on the 23rd December.

(b). Mr.J.O.Nomland, described as the Assistant to the Chief Geologist of the Standard Oil Company of California, arrived from Basrah by slow mail on the 25th December.

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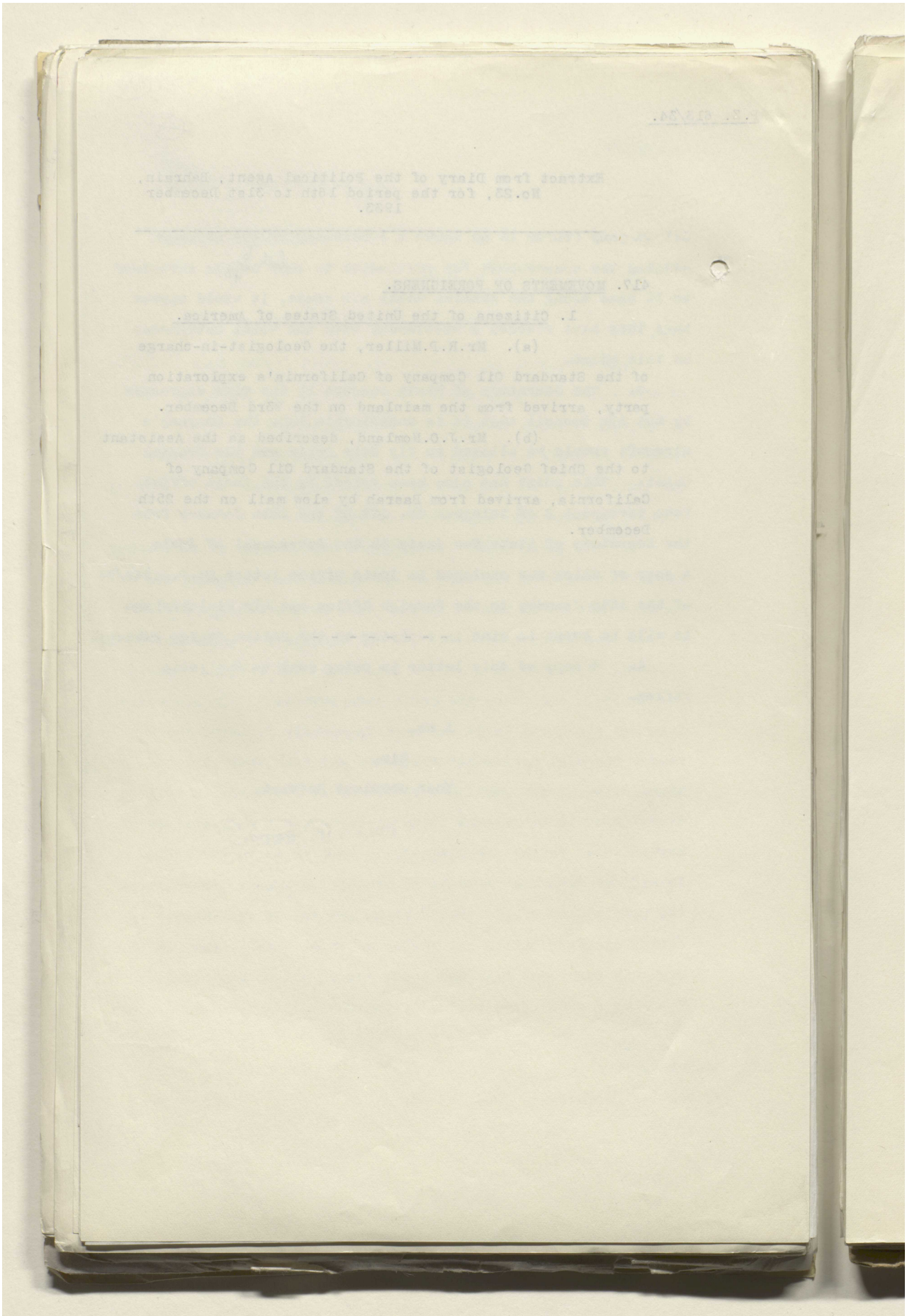

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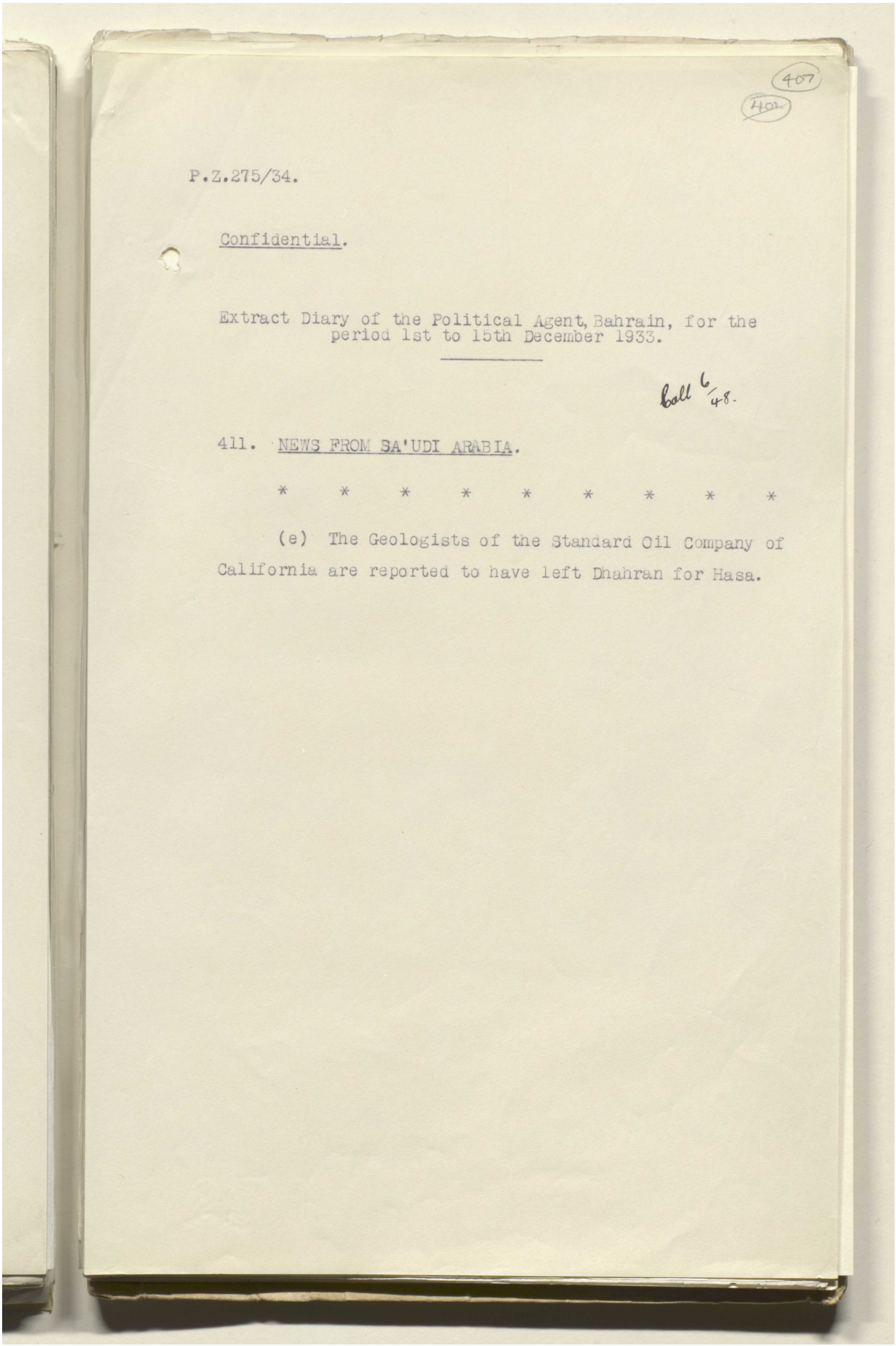

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407

P.Z.275/34.

Confidential.

Extract Diary of the Political Agent, Bahrain, for the period 1st to 15th December 1933.

Coll 6/48.

411. NEWS FROM SA'UDI ARABIA.

* * * * * * * * *

(e) The Geologists of the Standard Oil Company of California are reported to have left Dhahran for Hasa.

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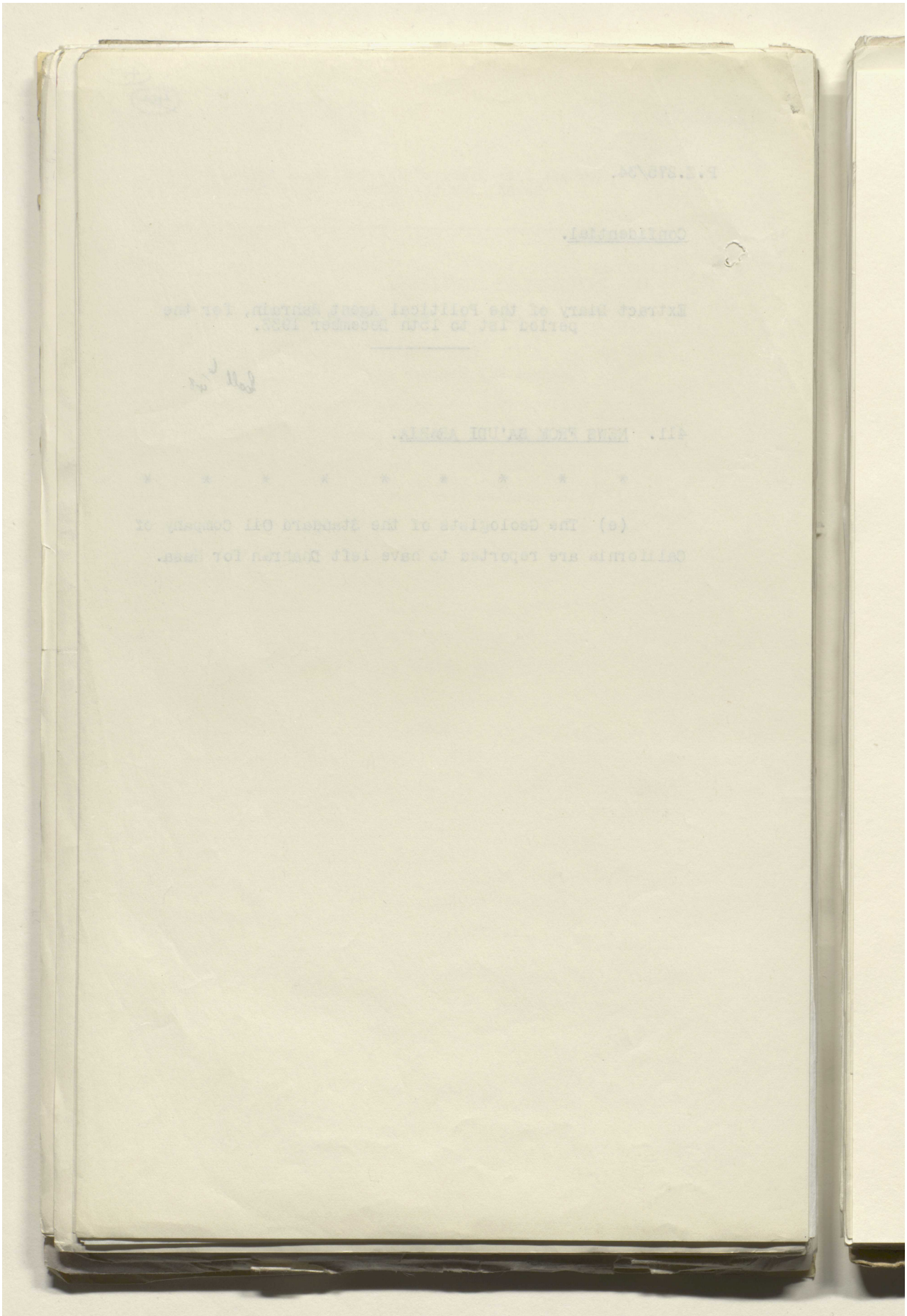

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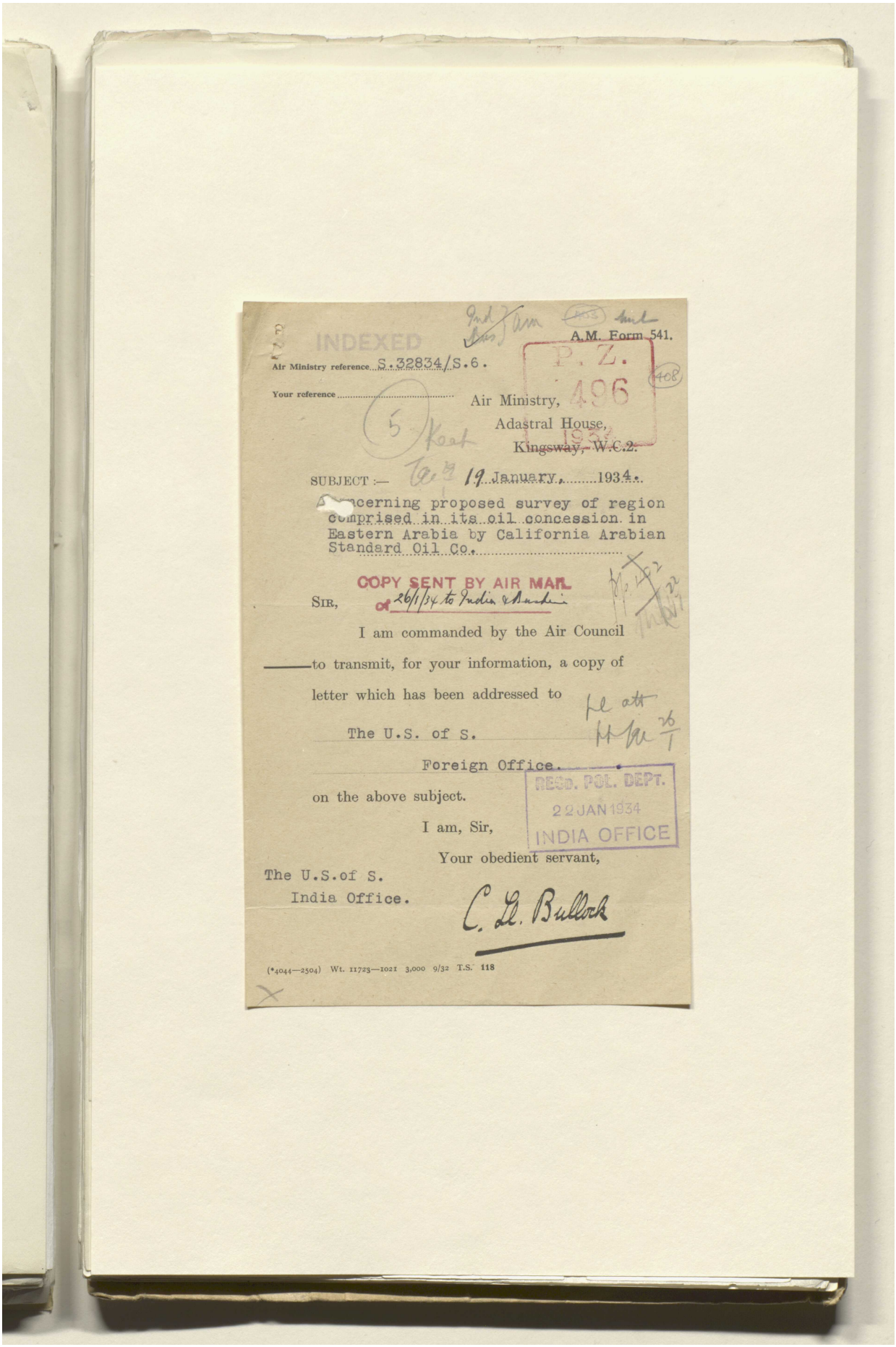

A.M. Form 541.

INDEXED

Air Ministry reference S.32834/S.6.

Your reference .....

P. Z. 496 1934 (408)

Air Ministry,
Adastral House,
Kingsway, W.C.2.

19 January, 1934.

SUBJECT :— Concerning proposed survey of region comprised in its oil concession in Eastern Arabia by California Arabian Standard Oil Co.

COPY SENT BY AIR MAIL of 26/1/34 to India & Bushire

SIR,

I am commanded by the Air Council to transmit, for your information, a copy of letter which has been addressed to

The U.S. of S.

Foreign Office.

on the above subject.

RESD. POL. DEPT. 22 JAN 1934 INDIA OFFICE

I am, Sir,

Your obedient servant,

C. L. Bullock

The U.S.of S.
India Office.

(*4044—2504) Wt. 11723—1021 3,000 9/32 T.S. 118

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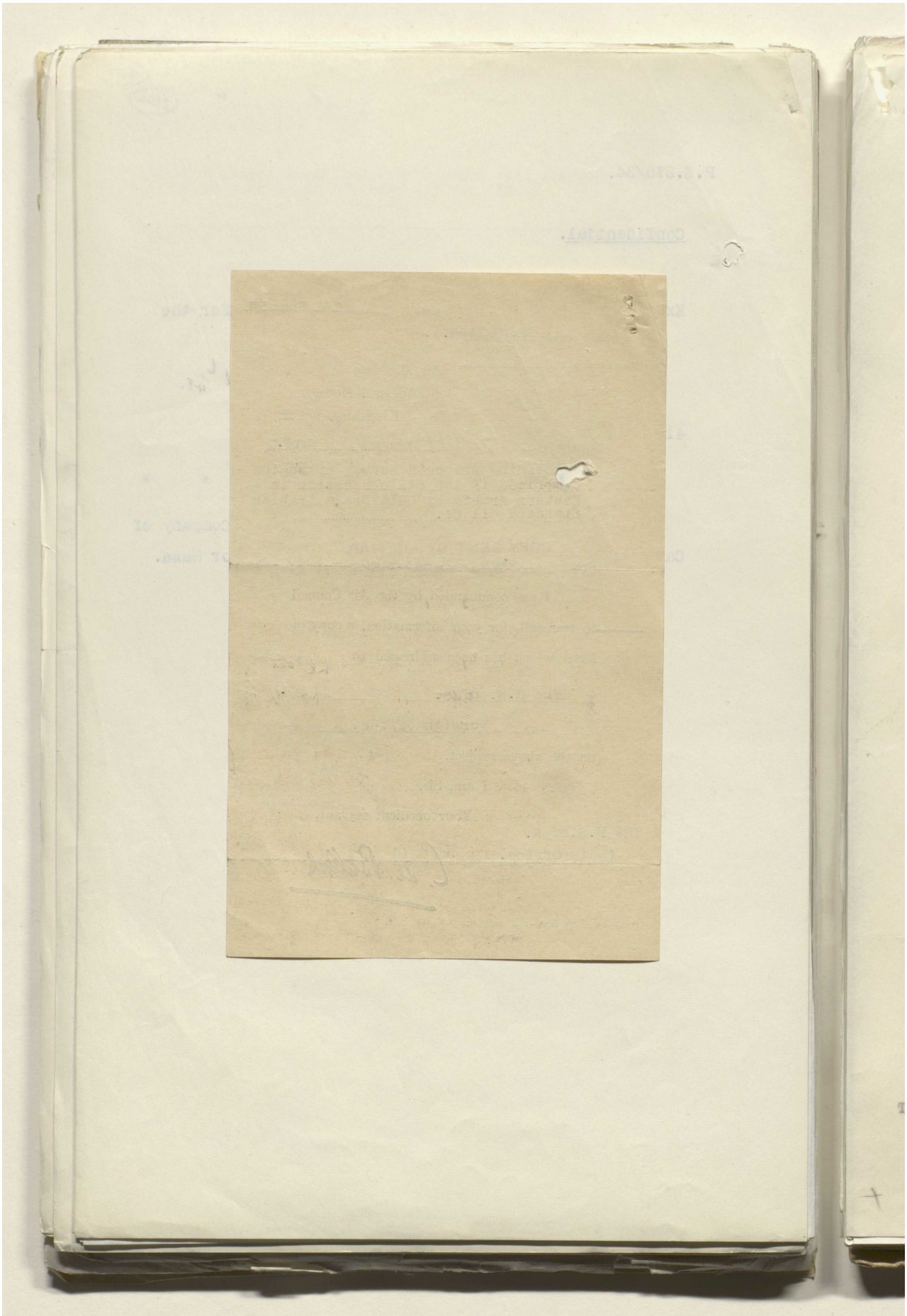

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P. Z.
496
1934

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SECRET.

S.32834/S.6.

19 January, 1934.

Sir,

I am commanded by the Air Council to reply to Foreign Office letter (E.150/150/91) of the 6th January, 1934, forwarding a copy of a despatch from the United States Charge d'Affaires concerning a proposed survey of the region comprised in its oil concession in Eastern Arabia by the California Arabian Standard Oil Company.

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For reasons of which Secretary Sir John Simon is aware (vide M.E. (M) 15) the Air Council are strongly opposed to the authorisation of flights by private aircraft along the Arabian Coast of the Persian Gulf until the route is further developed; in the circumstances of the present proposal, however, as it appears that the Company do not propose to make any flights beyond Bahrein, they do not desire to raise any objection to application being made through the appropriate channel to the Sheikhs of Koweit and Bahrein for the necessary authorisations to be issued. Sir John Simon has recently referred to the difficulties arising in connection with flights near the Hasa Coast (vide Foreign Office letter E.5454/78/2S of 6th November, 1933) but the Council understand that the Saudi authorities have already granted permission for the Company to operate aircraft in Hasa territory.

The Council would be glad to be placed in possession of any further information which Sir John Simon may receive regarding the oil concession referred to in the letter under

P.T.O.

The Under-Secretary of State,
Foreign Office,
Downing Street, S.W.1.

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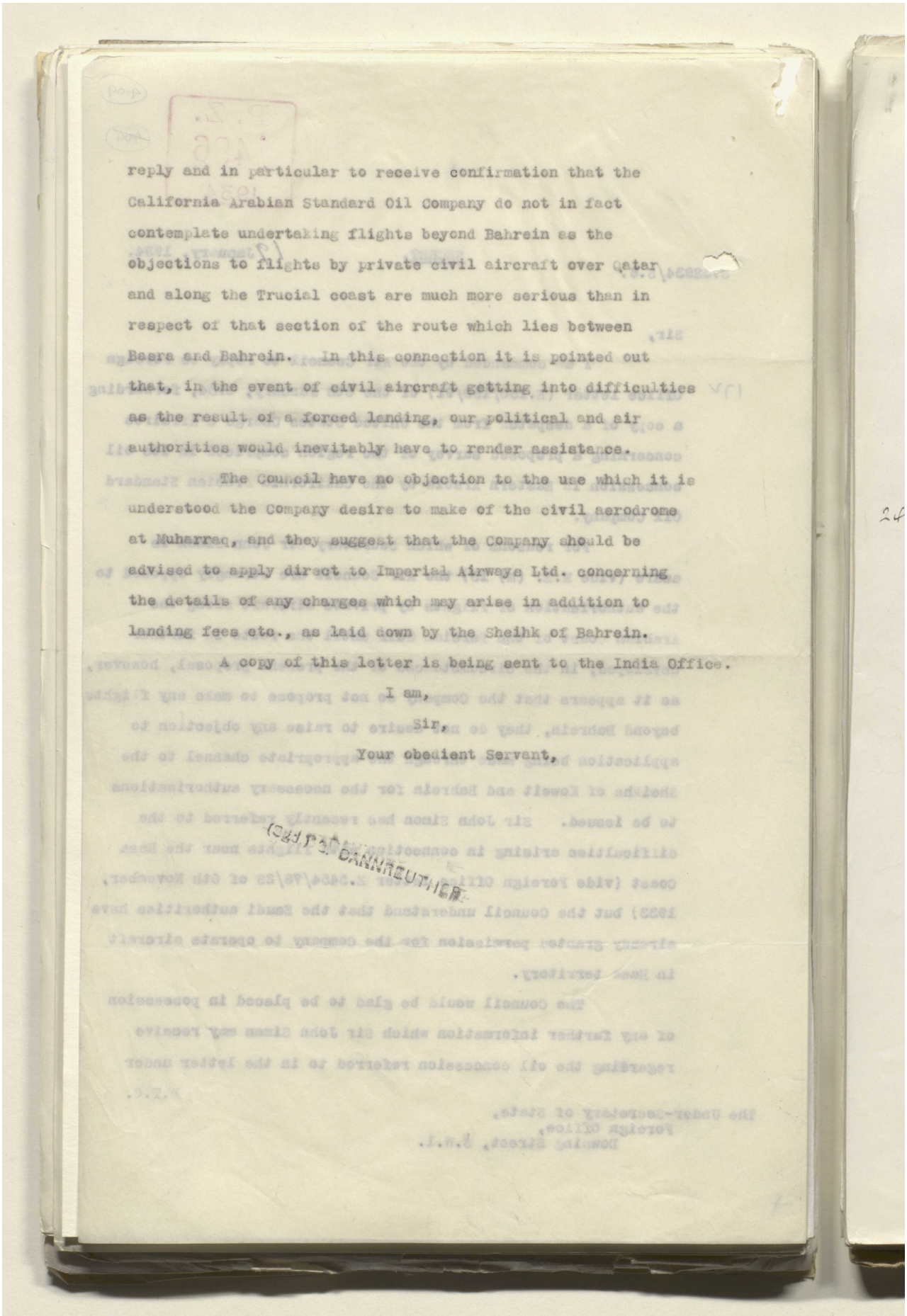

reply and in particular to receive confirmation that the California Arabian Standard Oil Company do not in fact contemplate undertaking flights beyond Bahrein as the objections to flights by private civil aircraft over Qatar and along the Trucial coast are much more serious than in respect of that section of the route which lies between Basra and Bahrein. In this connection it is pointed out that, in the event of civil aircraft getting into difficulties as the result of a forced landing, our political and air authorities would inevitably have to render assistance.

The Council have no objection to the use which it is understood the Company desire to make of the civil aerodrome at Muharraq, and they suggest that the Company should be advised to apply direct to Imperial Airways Ltd. concerning the details of any charges which may arise in addition to landing fees etc., as laid down by the Sheihk of Bahrein.

A copy of this letter is being sent to the India Office.

I am,

Sir,

Your obedient Servant,

(SGD) T. DARNREUTHER

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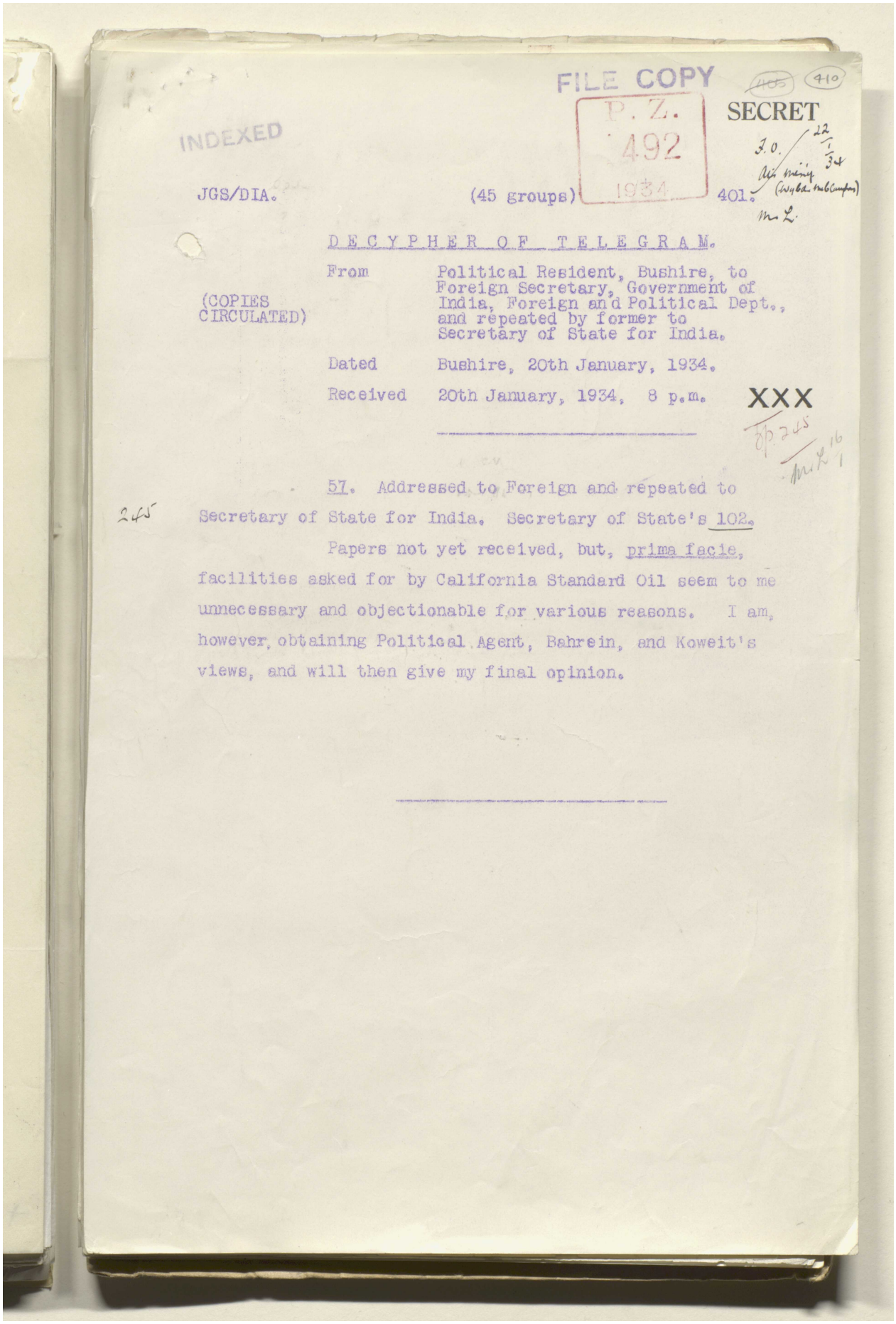

FILE COPY

P. Z. 492 1934

INDEXED

SECRET

JGS/DIA. (45 groups) 401.

DECYPHER OF TELEGRAM.

From Political Resident, Bushire, to Foreign Secretary, Government of India, Foreign and Political Dept., and repeated by former to Secretary of State for India.

(COPIES CIRCULATED)

Dated Bushire, 20th January, 1934.

Received 20th January, 1934, 8 p.m. XXX

57. Addressed to Foreign and repeated to Secretary of State for India. Secretary of State's 102.

Papers not yet received, but, prima facie, facilities asked for by California Standard Oil seem to me unnecessary and objectionable for various reasons. I am, however, obtaining Political Agent, Bahrein, and Koweit's views, and will then give my final opinion.

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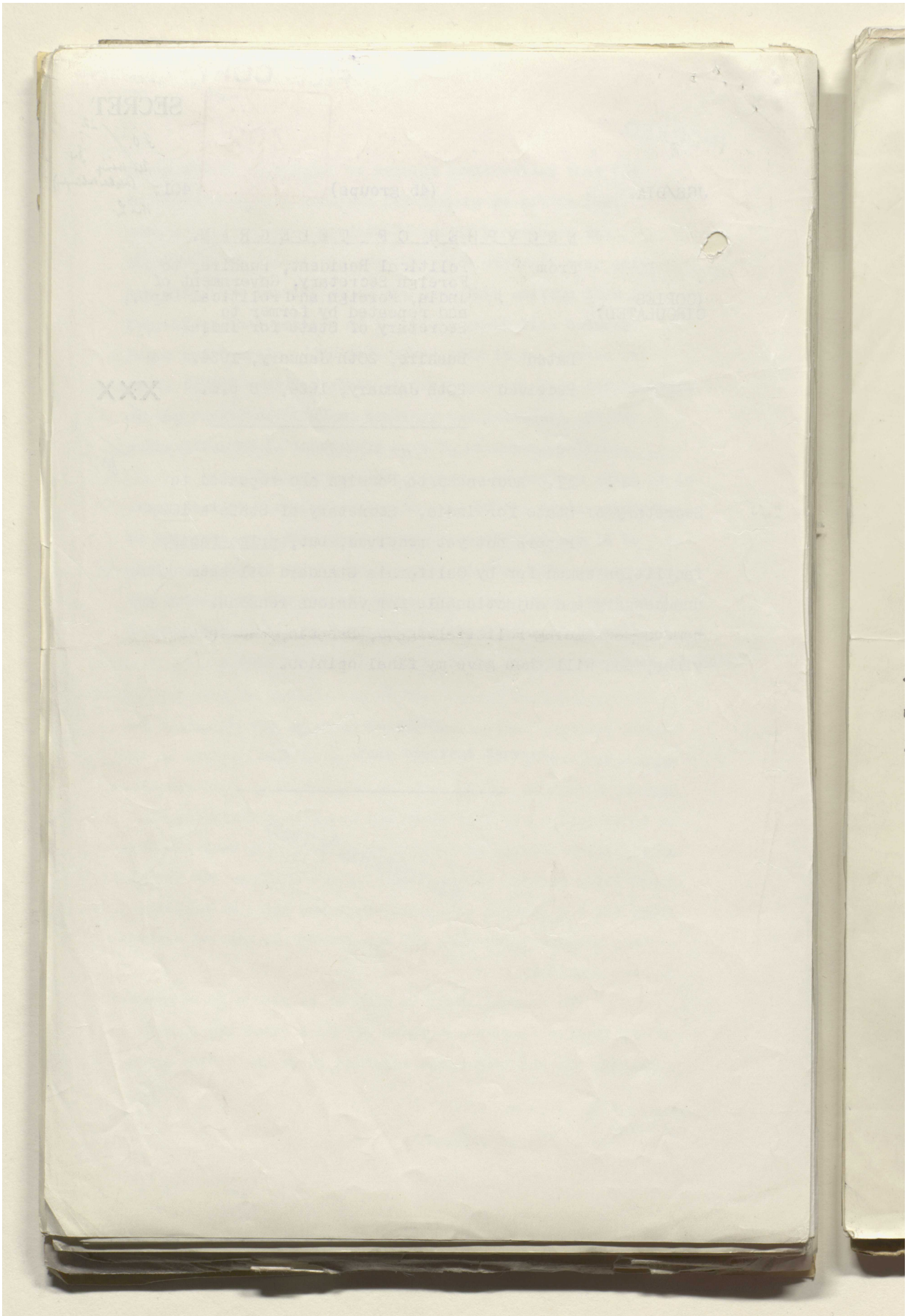

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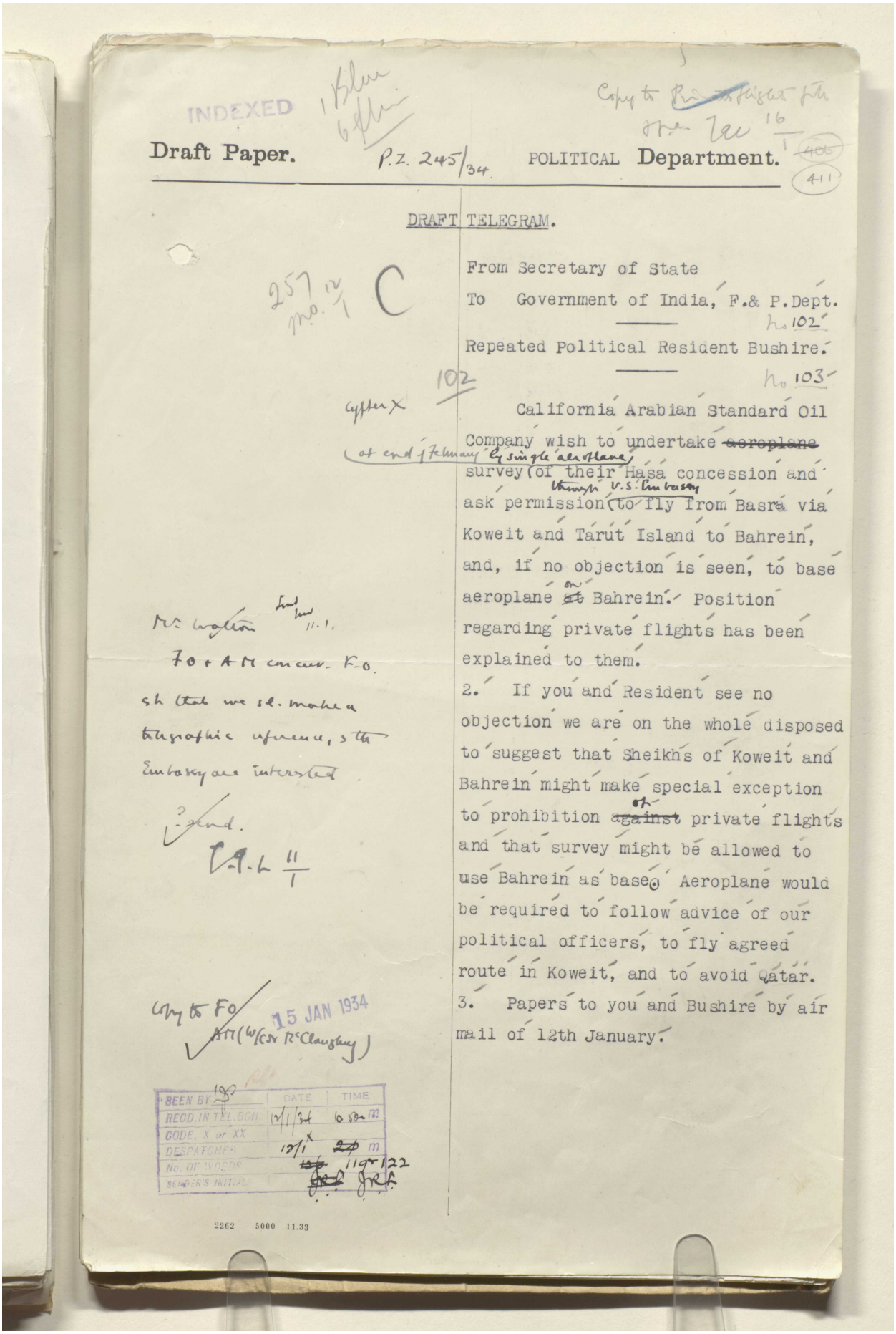

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6 Blue

Copy to ~~Pri~~ ~~[illegible]~~ flight [illegible] 16/1

Draft Paper. P.Z. 245/34. POLITICAL Department. ~~406~~ 411

DRAFT TELEGRAM.

257 mo. 12/1 C

From Secretary of State

To Government of India, F.& P.Dept. No. 102

Repeated Political Resident Bushire. No. 103

102

Cypher X

California Arabian Standard Oil Company wish to undertake ~~aeroplane~~ survey (at end of February by single aeroplane) of their Hasa concession and ask permission (through U.S. Embassy) to fly from Basra via Koweit and Tarut Island to Bahrein, and, if no objection is seen, to base aeroplane ~~at~~ on Bahrein. Position regarding private flights has been explained to them.

2. If you and Resident see no objection we are on the whole disposed to suggest that Sheikhs of Koweit and Bahrein might make special exception to prohibition ~~against~~ of private flights and that survey might be allowed to use Bahrein as base. Aeroplane would be required to follow advice of our political officers, to fly agreed route in Koweit, and to avoid Qatar.

3. Papers to you and Bushire by air mail of 12th January.

Mr Walton [illegible] 11.1.

FO & AM concur. F.O. sh that we sl. make a telegraphic reference, s the Embassy are interested.

? send.

[illegible] 11/1

Copy to FO
AM (w/cor McClaughey)

15 JAN 1934

SEEN BY	DATE	TIME
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CODE, X or XX		
DESPATCHED	12/1	~~20~~ m
No. OF WORDS	~~126~~	119 & 122
SENDER'S INITIALS	~~[illegible]~~	JRF

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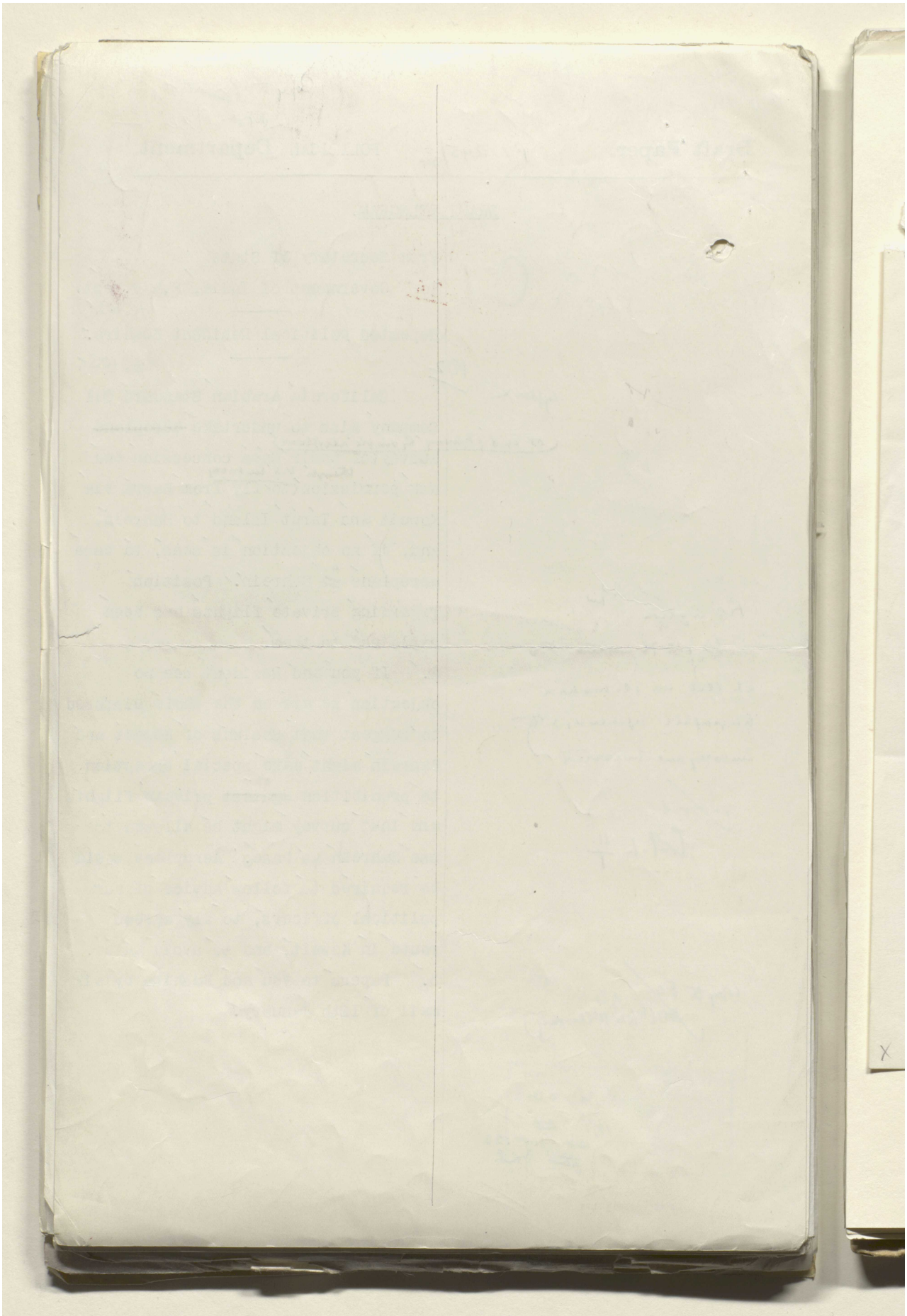

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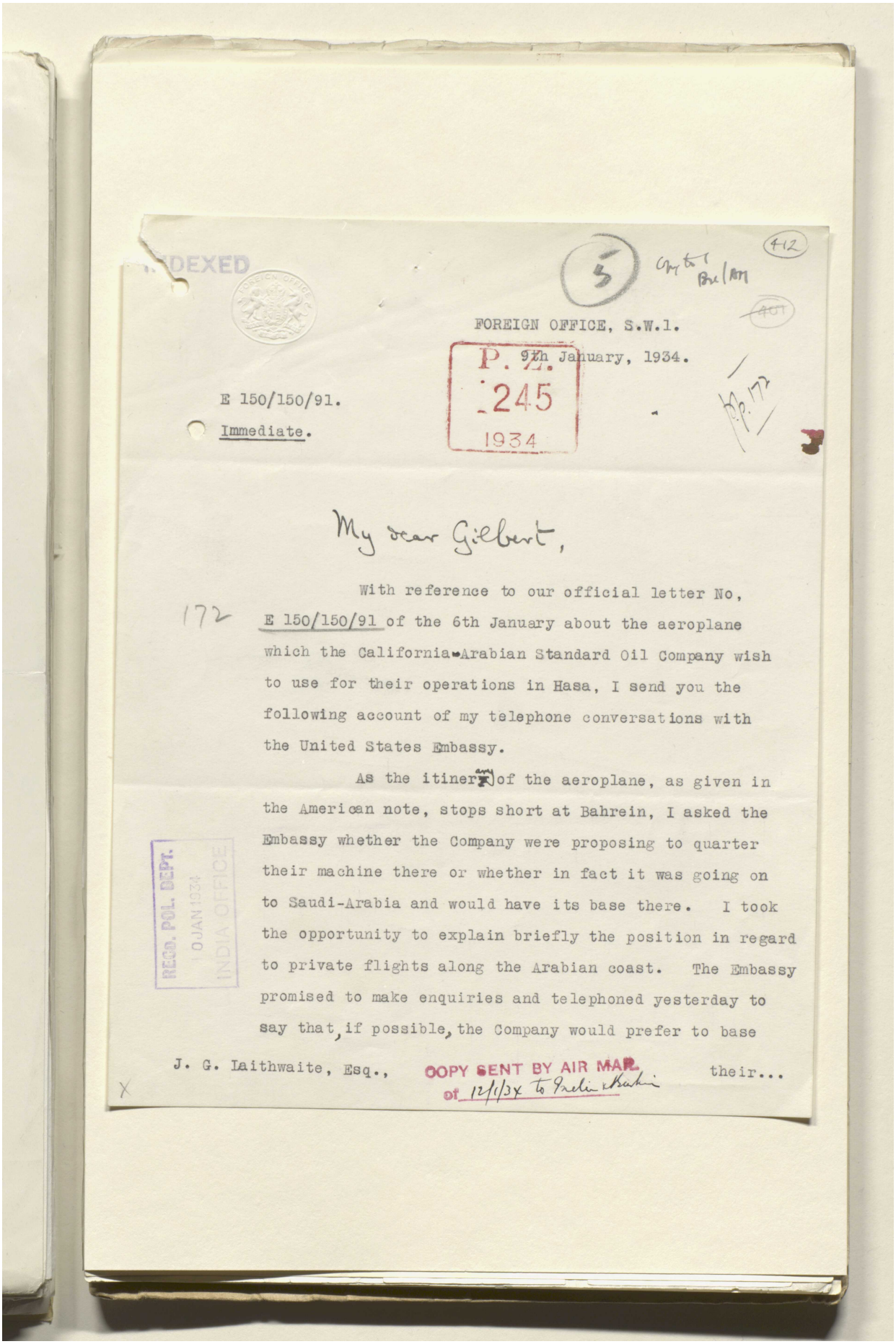

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FOREIGN OFFICE, S.W.1.

9th January, 1934.

P. Z.
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1934

E 150/150/91.

Immediate.

My dear Gilbert,

With reference to our official letter No, E 150/150/91 of the 6th January about the aeroplane which the California-Arabian Standard Oil Company wish to use for their operations in Hasa, I send you the following account of my telephone conversations with the United States Embassy.

As the itinerary of the aeroplane, as given in the American note, stops short at Bahrein, I asked the Embassy whether the Company were proposing to quarter their machine there or whether in fact it was going on to Saudi-Arabia and would have its base there. I took the opportunity to explain briefly the position in regard to private flights along the Arabian coast. The Embassy promised to make enquiries and telephoned yesterday to say that, if possible, the Company would prefer to base

REGD. POL. DEPT. 10 JAN 1934 INDIA OFFICE

J. G. Laithwaite, Esq., COPY SENT BY AIR MAIL of 12/1/34 to Political Resident Bahrein their...

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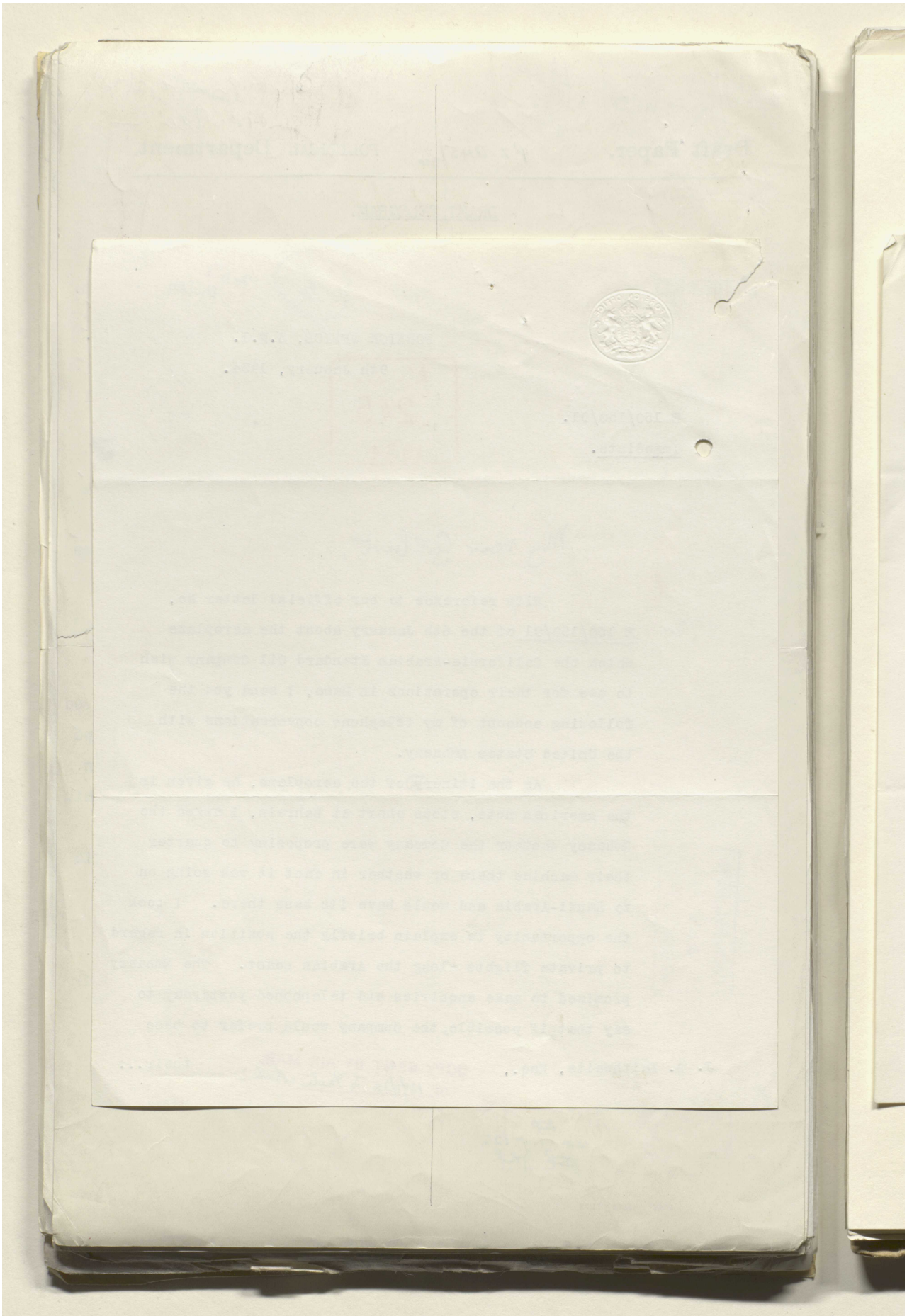

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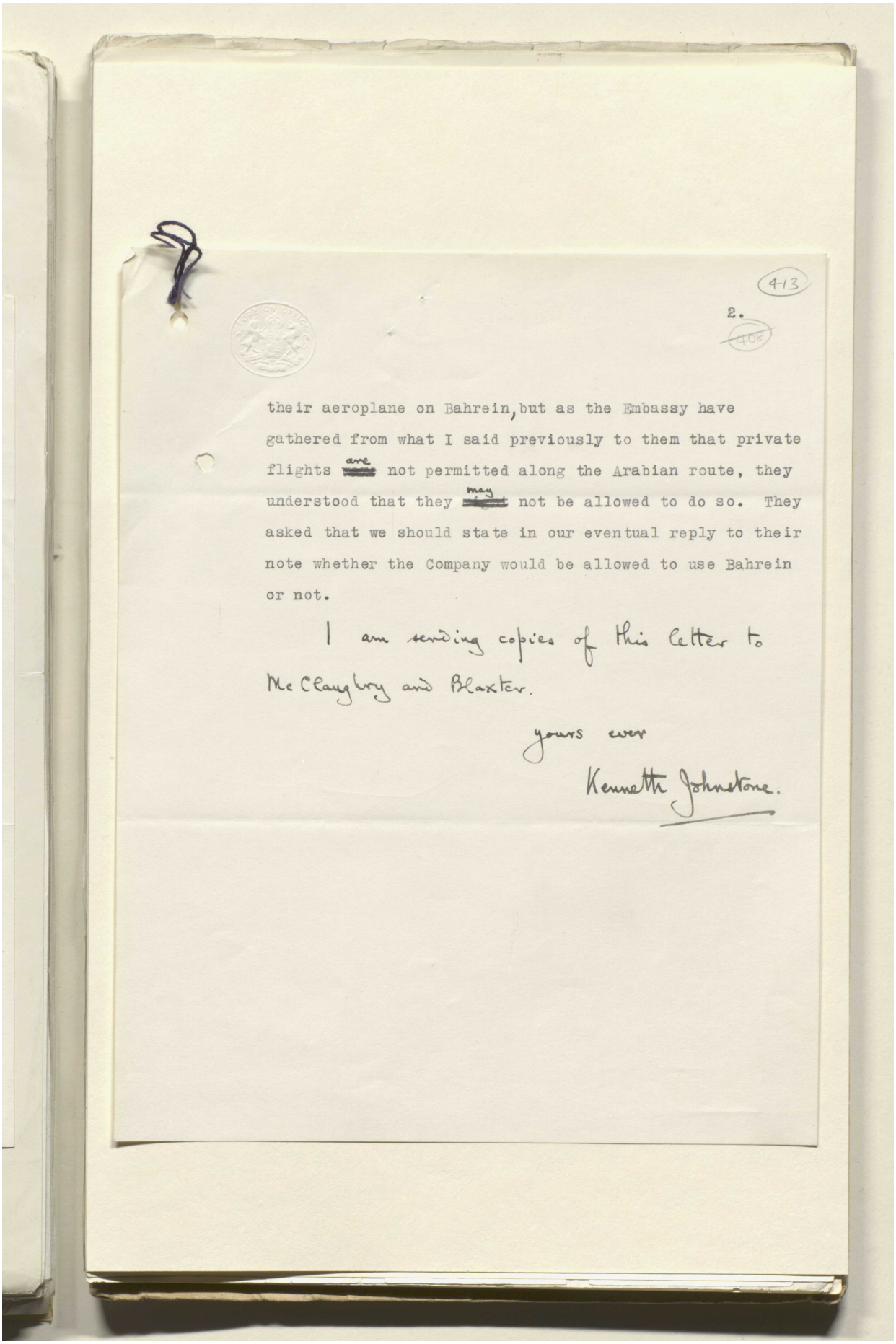

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2.

their aeroplane on Bahrein, but as the Embassy have gathered from what I said previously to them that private flights ~~are~~ not permitted along the Arabian route, they understood that they ~~might~~ may not be allowed to do so. They asked that we should state in our eventual reply to their note whether the Company would be allowed to use Bahrein or not.

I am sending copies of this letter to McClaughry and Baxter.

yours ever

Kenneth Johnstone.

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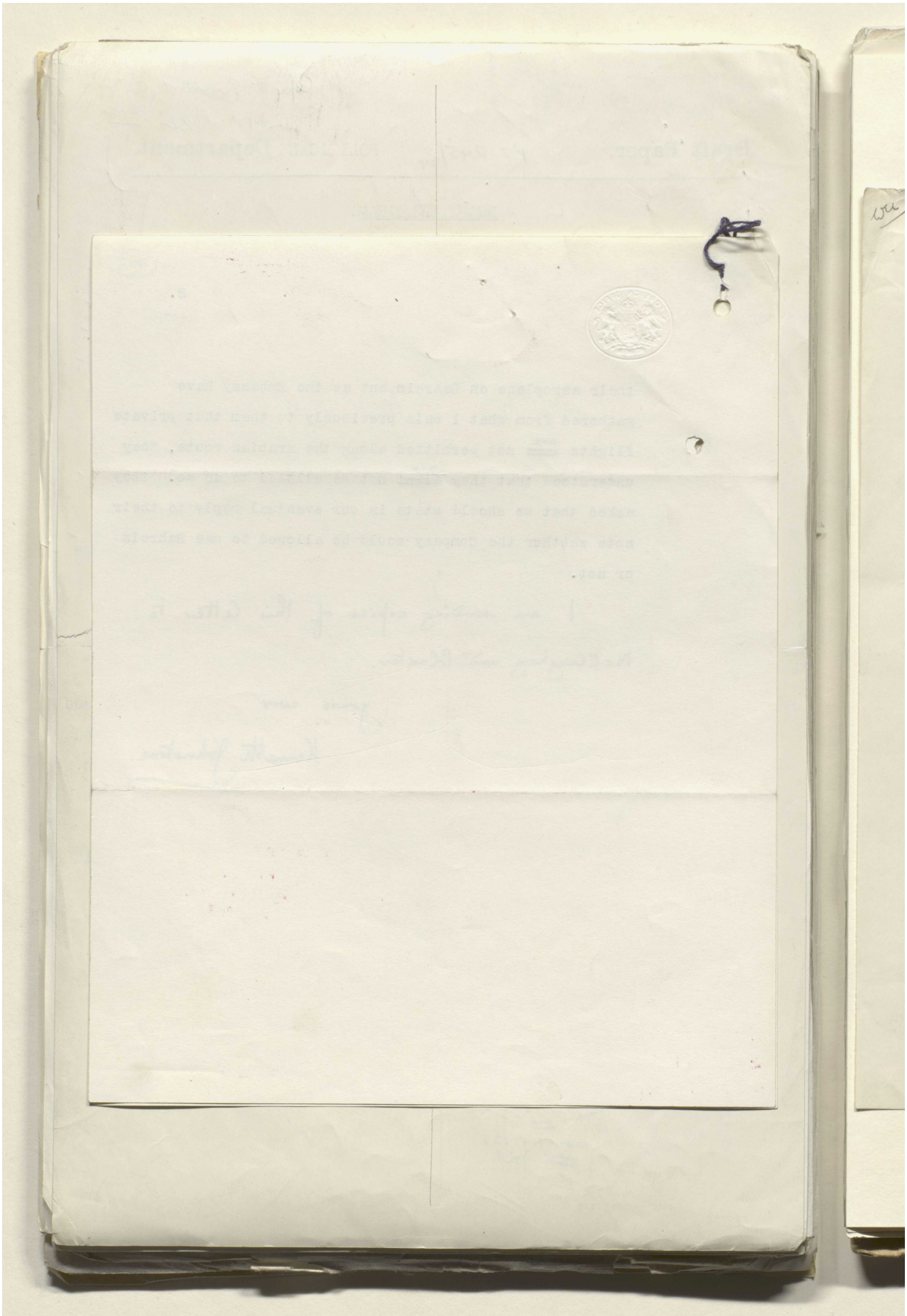

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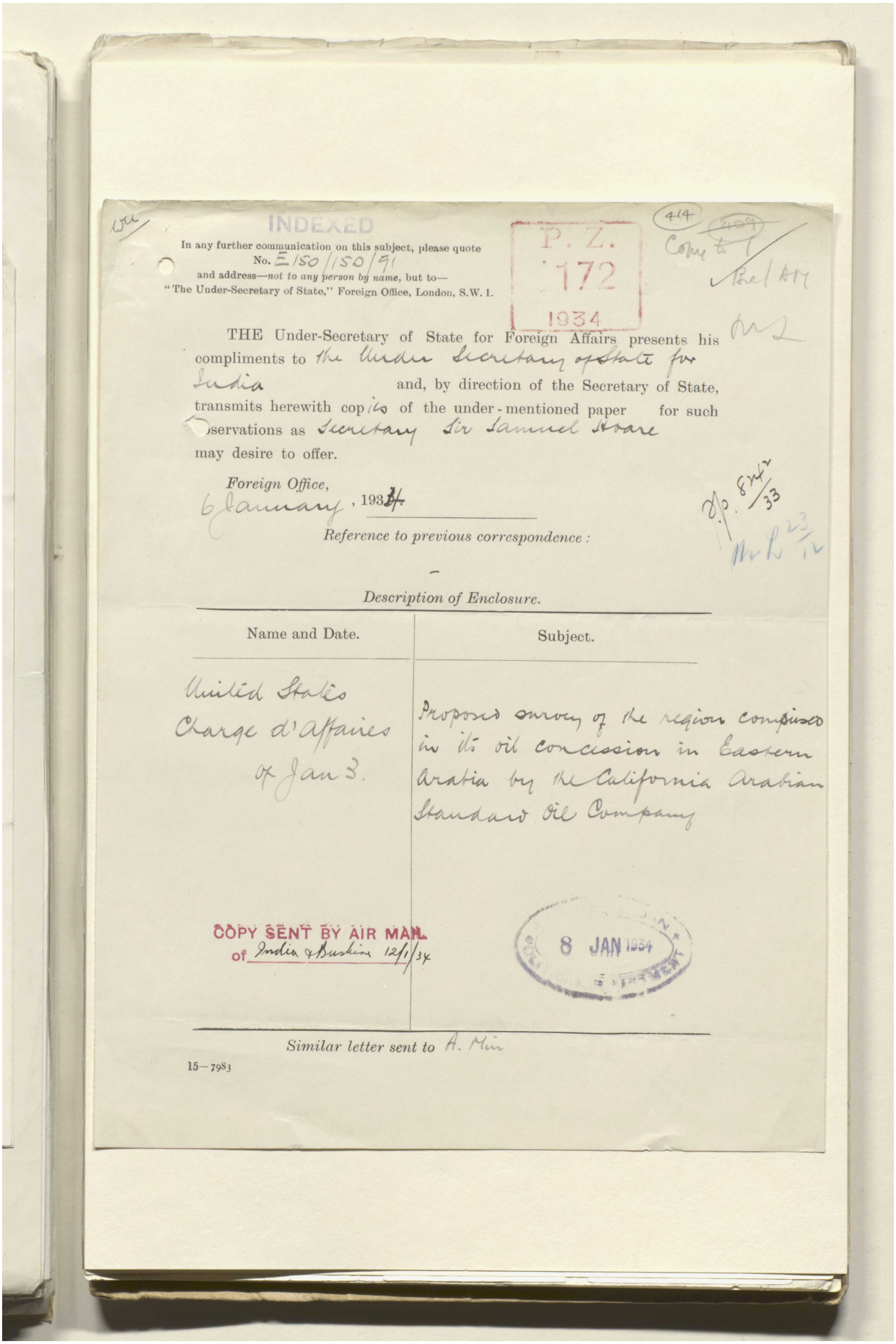

INDEXED

In any further communication on this subject, please quote
No. E 150/150/91
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P. Z. 172 1934

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THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper for such observations as Secretary Sir Samuel Hoare may desire to offer.

Foreign Office,
6 January, 1934

Reference to previous correspondence :

—

Description of Enclosure.

Name and Date.	Subject.
United States Charge d'affaires of Jan 3.	Proposed survey of the region comprised in its oil concession in Eastern Arabia by the California Arabian Standard Oil Company

COPY SENT BY AIR MAIL of India & Burma 12/1/34

8 JAN 1934

Similar letter sent to A. Min

15—7983

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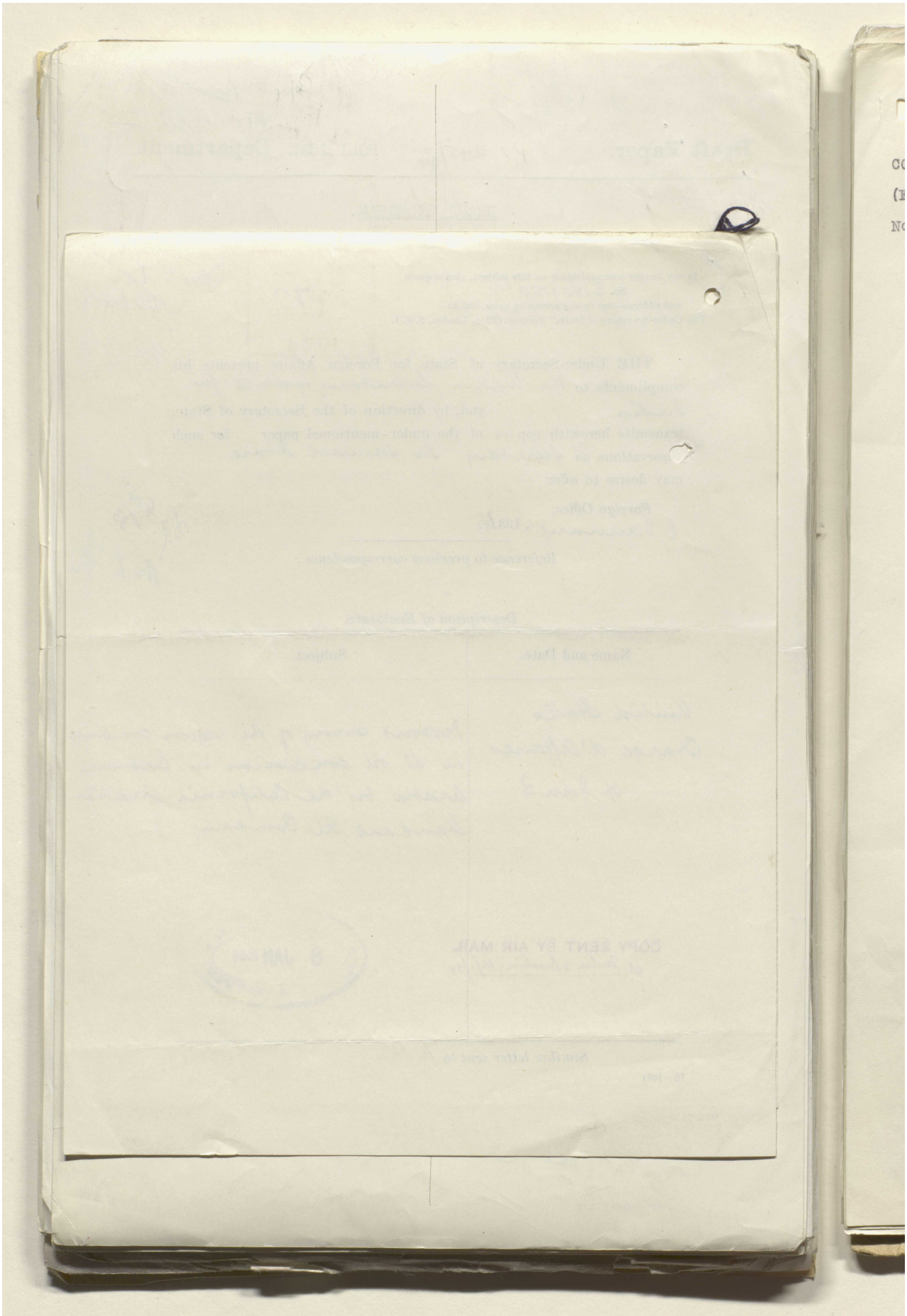

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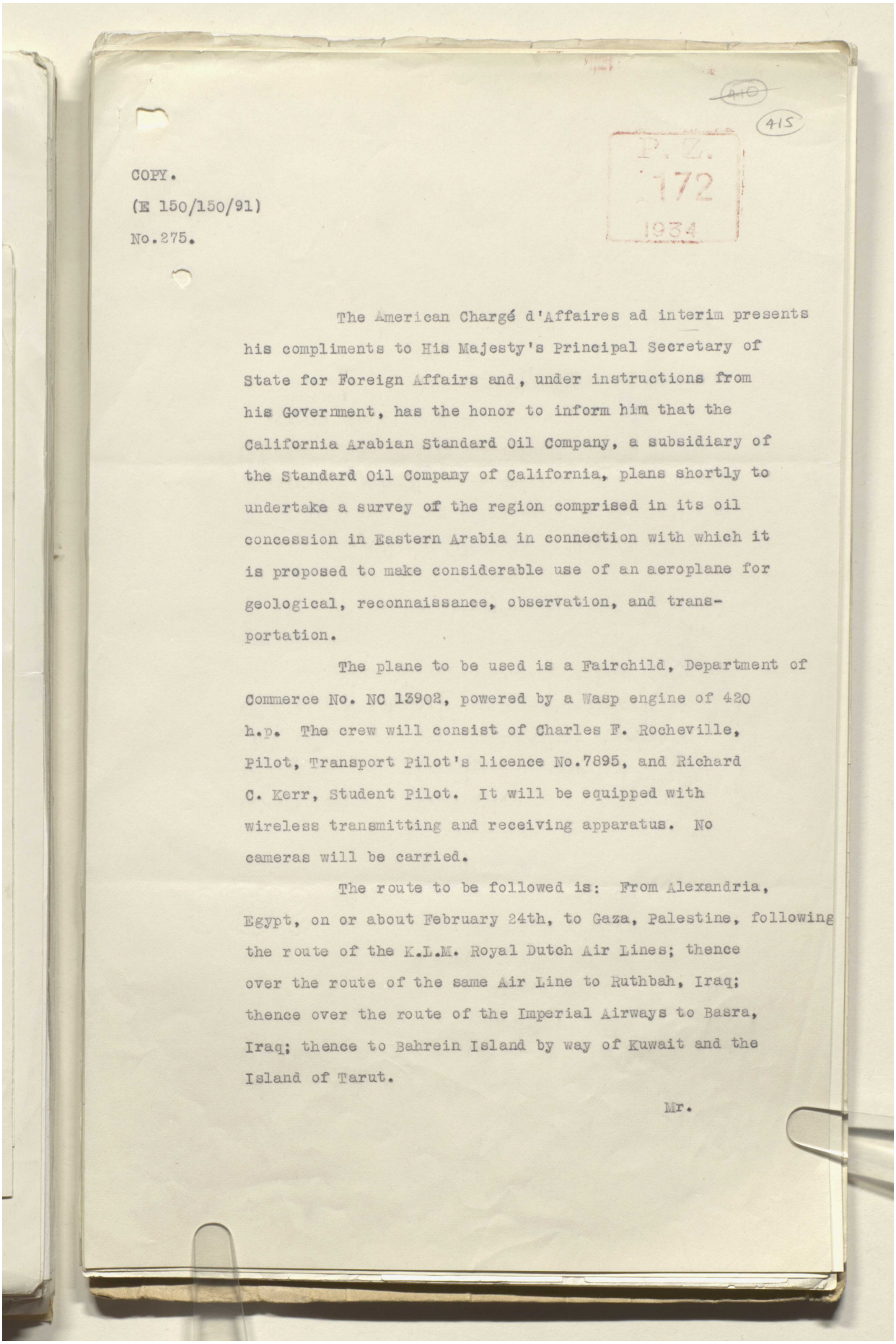

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COPY.
(E 150/150/91)
No.275.

The American Chargé d'Affaires ad interim presents his compliments to His Majesty's Principal Secretary of State for Foreign Affairs and, under instructions from his Government, has the honor to inform him that the California Arabian Standard Oil Company, a subsidiary of the Standard Oil Company of California, plans shortly to undertake a survey of the region comprised in its oil concession in Eastern Arabia in connection with which it is proposed to make considerable use of an aeroplane for geological, reconnaissance, observation, and transportation.

The plane to be used is a Fairchild, Department of Commerce No. NC 13902, powered by a Wasp engine of 420 h.p. The crew will consist of Charles F. Rocheville, Pilot, Transport Pilot's licence No.7895, and Richard C. Kerr, Student Pilot. It will be equipped with wireless transmitting and receiving apparatus. No cameras will be carried.

The route to be followed is: From Alexandria, Egypt, on or about February 24th, to Gaza, Palestine, following the route of the K.L.M. Royal Dutch Air Lines; thence over the route of the same Air Line to Ruthbah, Iraq; thence over the route of the Imperial Airways to Basra, Iraq; thence to Bahrein Island by way of Kuwait and the Island of Tarut.

Mr.

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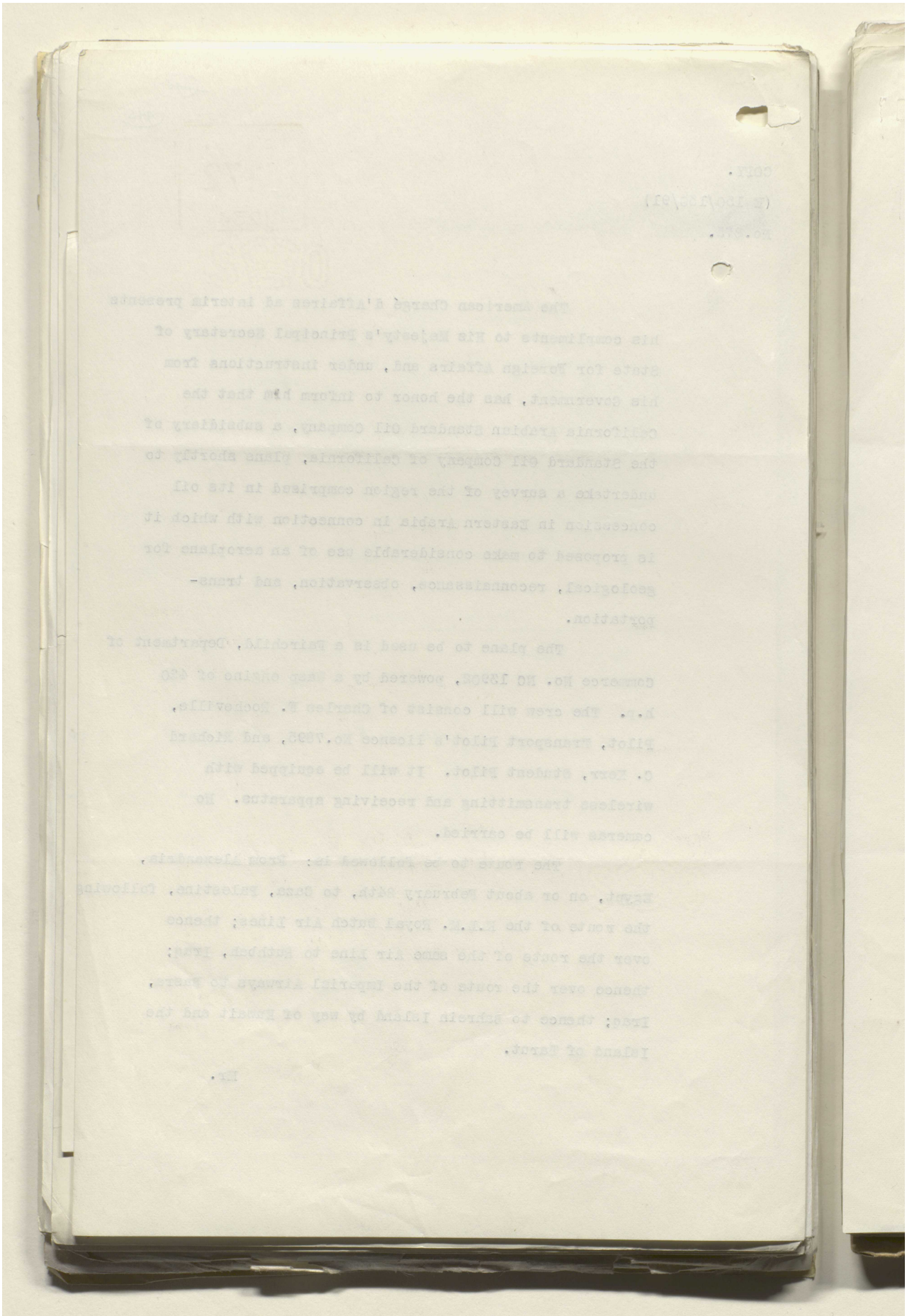

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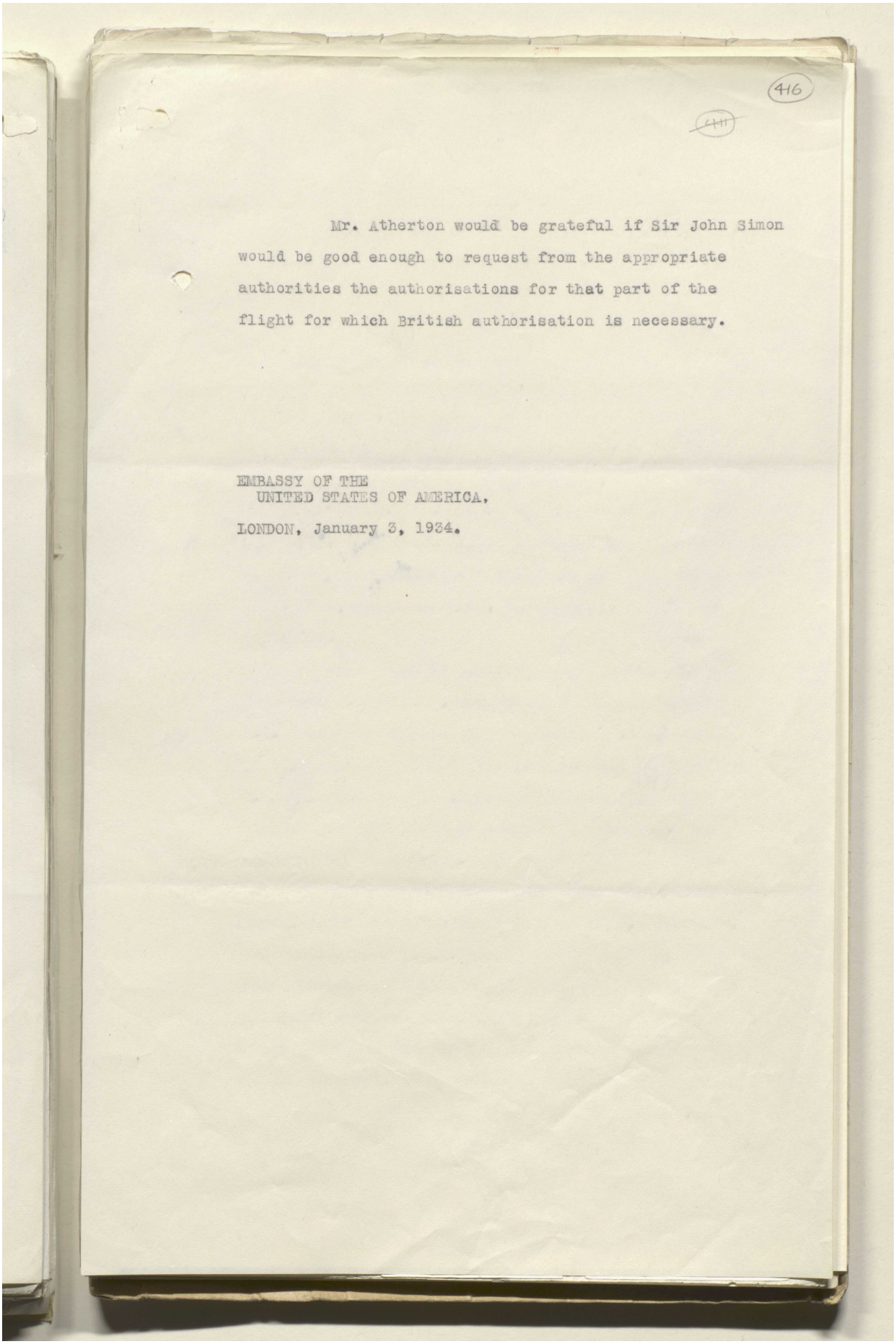

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Mr. Atherton would be grateful if Sir John Simon would be good enough to request from the appropriate authorities the authorisations for that part of the flight for which British authorisation is necessary.

EMBASSY OF THE
UNITED STATES OF AMERICA,

LONDON, January 3, 1934.

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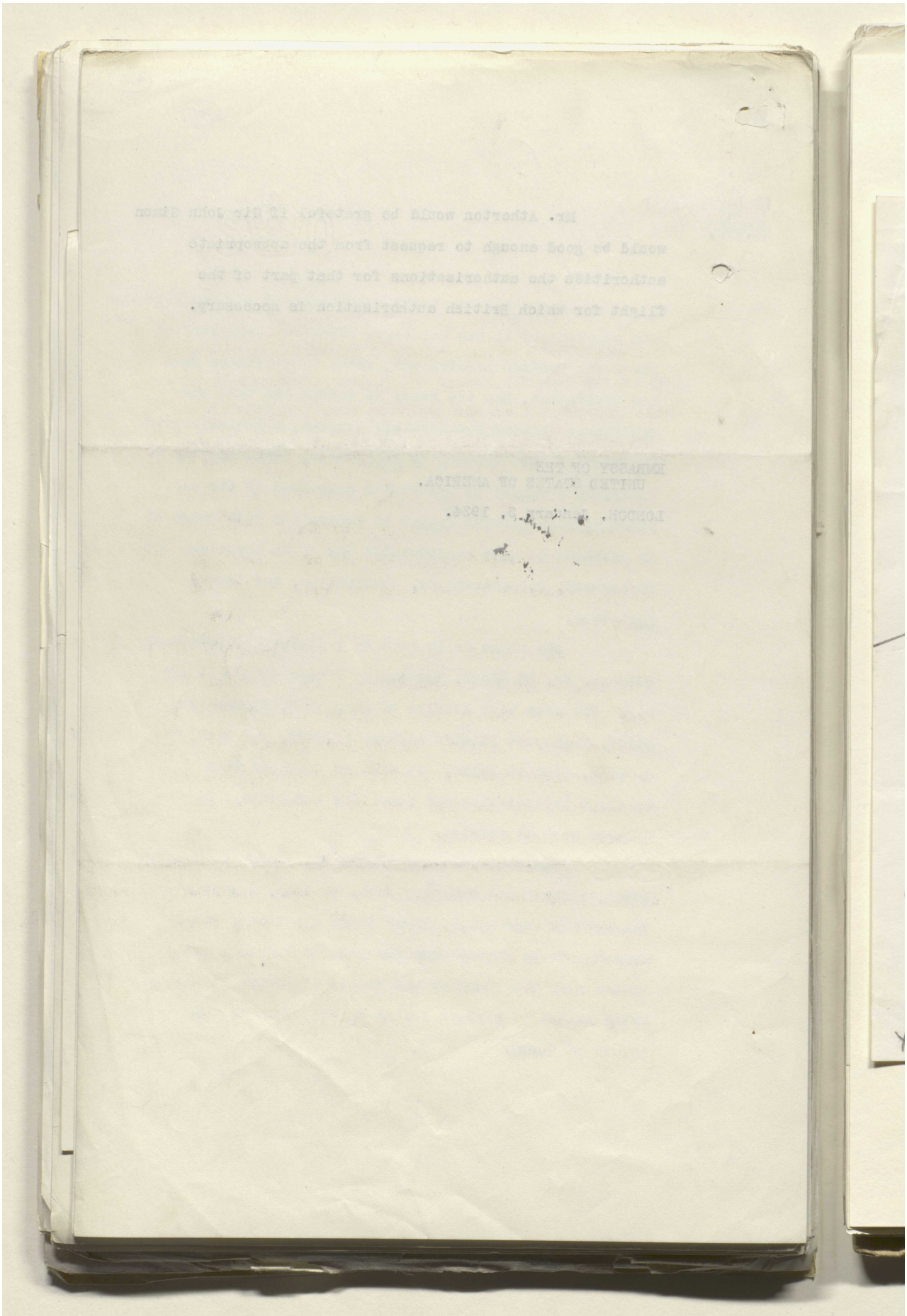

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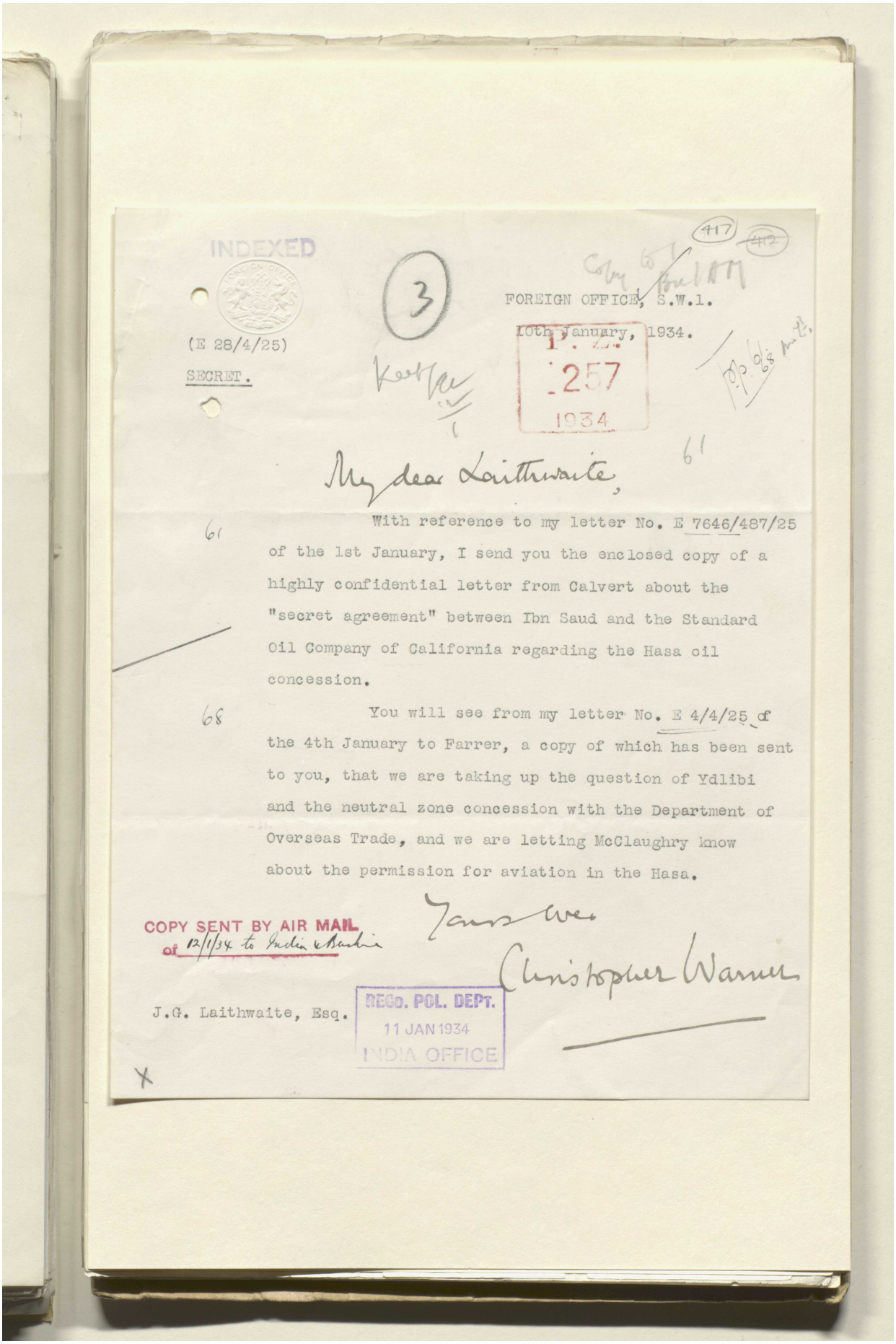

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(E 28/4/25)

SECRET.

FOREIGN OFFICE, S.W.1.

10th January, 1934.

P. Z. 257 1934

My dear Laithwaite,

With reference to my letter No. E 7646/487/25 of the 1st January, I send you the enclosed copy of a highly confidential letter from Calvert about the "secret agreement" between Ibn Saud and the Standard Oil Company of California regarding the Hasa oil concession.

You will see from my letter No. E 4/4/25 of the 4th January to Farrer, a copy of which has been sent to you, that we are taking up the question of Ydlibi and the neutral zone concession with the Department of Overseas Trade, and we are letting McClaughry know about the permission for aviation in the Hasa.

Yours ever,

Christopher Warner

COPY SENT BY AIR MAIL of 12/1/34 to India & Bushire

J.G. Laithwaite, Esq.

REGD. POL. DEPT. 11 JAN 1934 INDIA OFFICE

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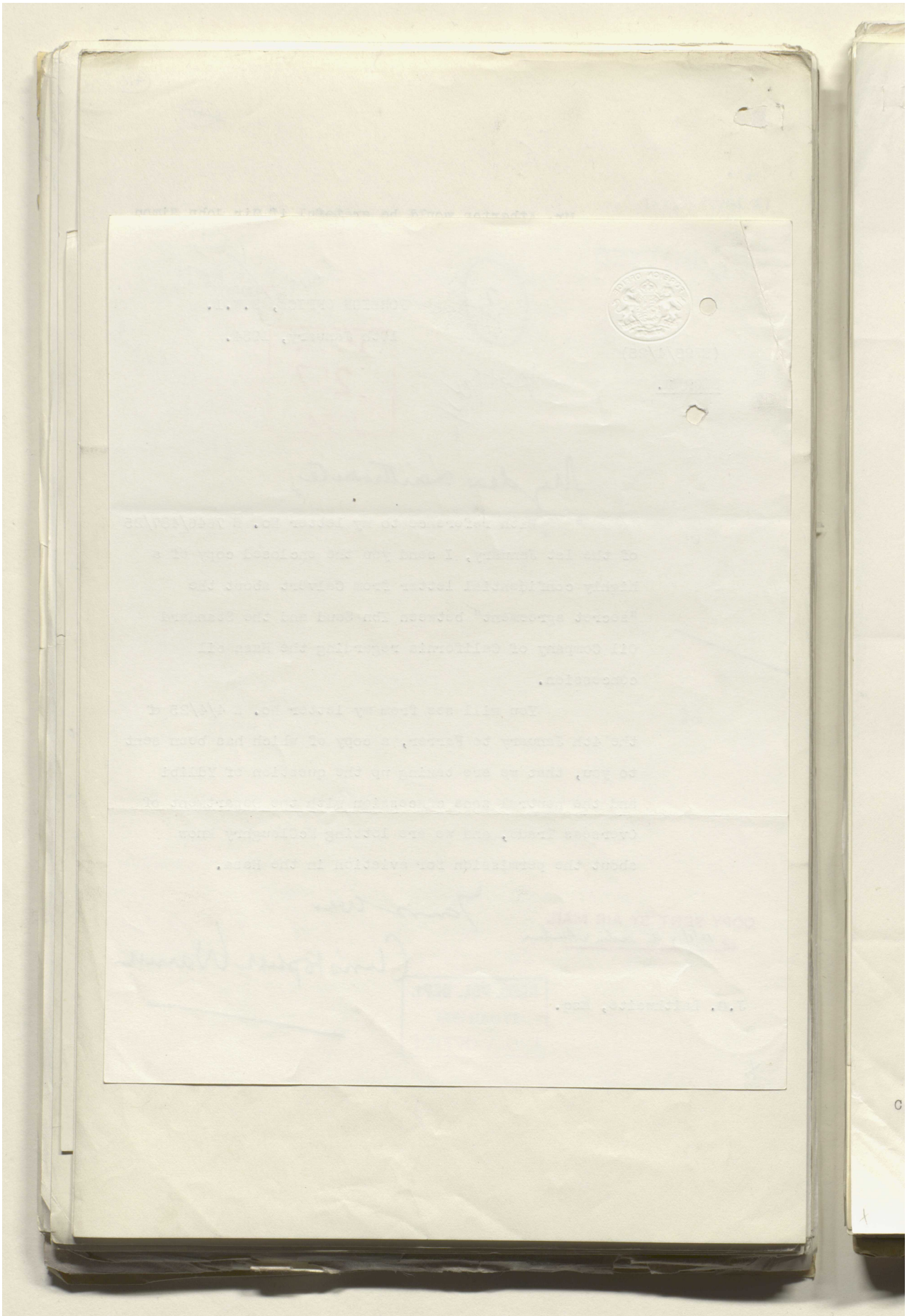

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1934

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COPY.

(E 28/4/25)

No.3400/353/76.

CONFIDENTIAL.

BRITISH LEGATION,
JEDDA,
SAUDI ARABIA.
12th December, 1933.

My dear Warner,

With reference to my letter to you No.3255/353/72 of the 28th November last, relative to the Hasa Oil Concession, I mentioned the matter of the unpublished annexure to the Standard Oil Company's of California's concession to Philby on the 6th December shortly after his return from Egypt. I found him quite helpful. He stated that although he did not possess a copy of the secret agreement, he was present in an unofficial but advisory capacity at the "Cabinet" meeting that finally examined the concession, clause by clause and approved it. He had also something to do with the verification of the translation. He thought he could remember most of the Secret clauses and promised to look through his papers. He was then about to leave for Mecca and promised to let me know soon but he is again in Mecca and it may be a week or two before I see him next. I give you hereunder, however, the points he mentioned to me off-hand in conversation, as forming part of the secret agreement:-

1. Finance. The £35,000 gold recently paid by the Company to the Government consisted of £5,000 gold as rent and £30,000 gold as loan. (Comment: The missing sum in Article 3 is perhaps £30,000 gold and that in Article 4, £5,000 gold.) After a period of several months (I think 6), the

C.F.A. Warner, Esq.,
Eastern Department,
Foreign Office.

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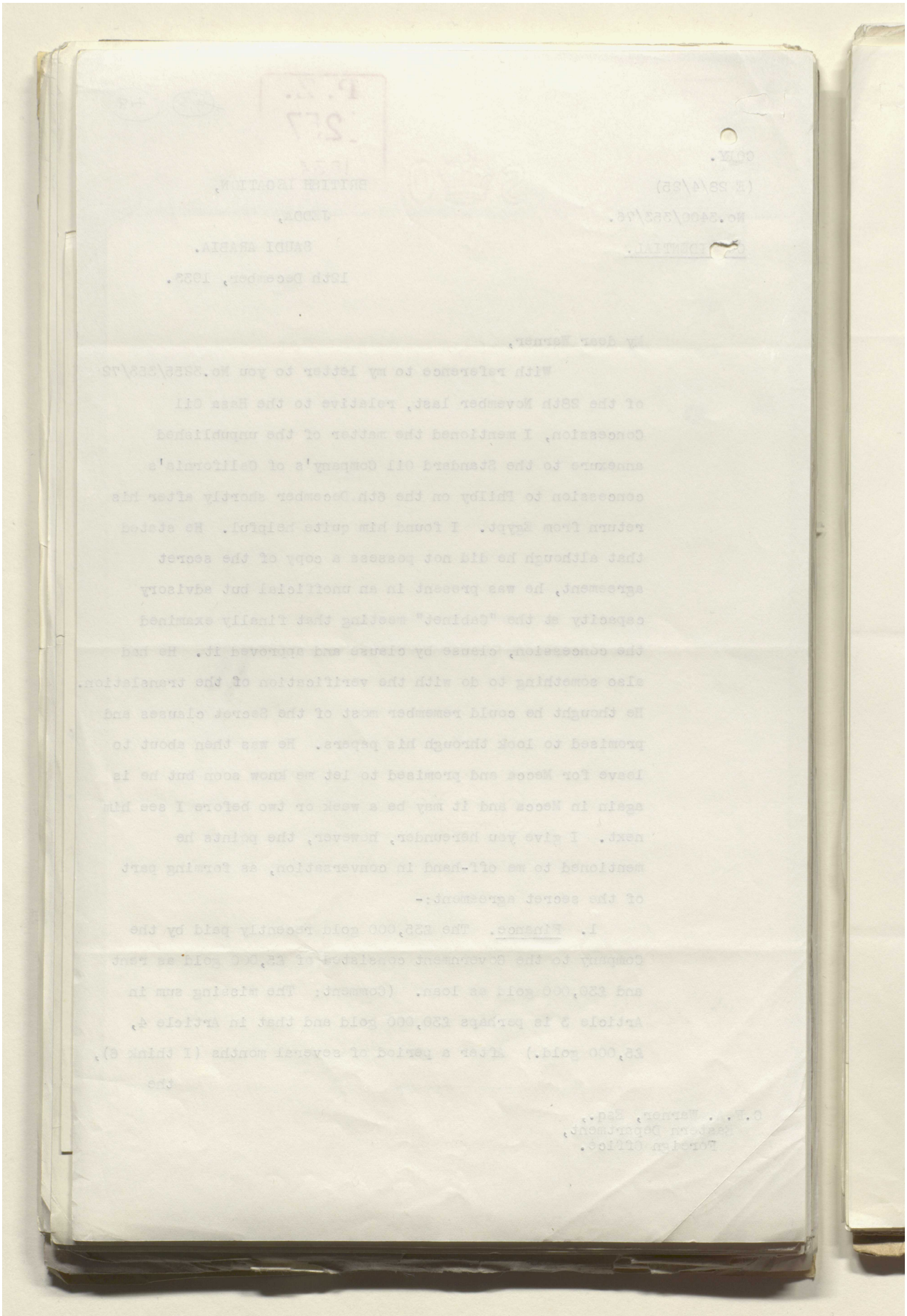

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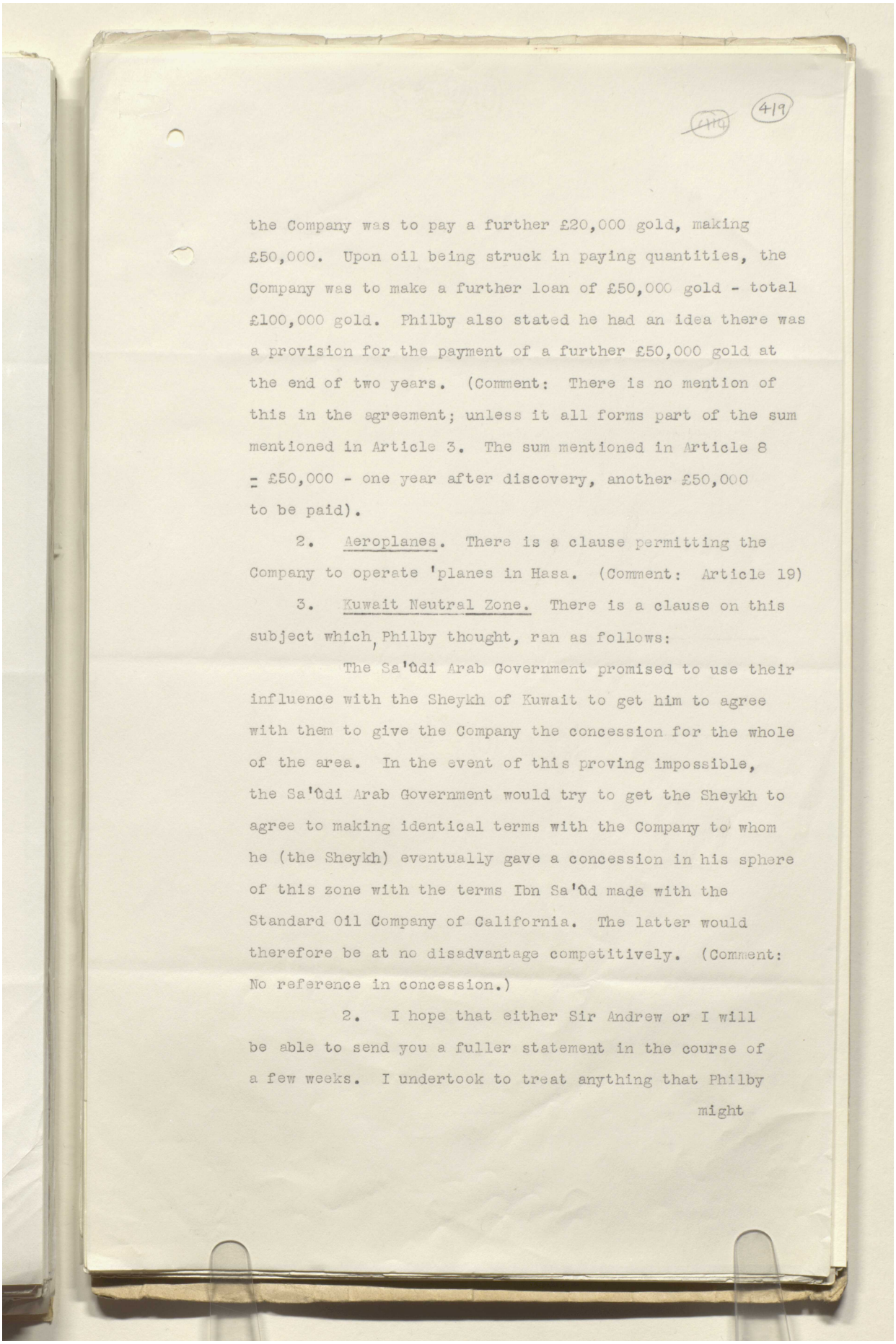

the Company was to pay a further £20,000 gold, making £50,000. Upon oil being struck in paying quantities, the Company was to make a further loan of £50,000 gold - total £100,000 gold. Philby also stated he had an idea there was a provision for the payment of a further £50,000 gold at the end of two years. (Comment: There is no mention of this in the agreement; unless it all forms part of the sum mentioned in Article 3. The sum mentioned in Article 8 = £50,000 - one year after discovery, another £50,000 to be paid).

2. Aeroplanes. There is a clause permitting the Company to operate 'planes in Hasa. (Comment: Article 19)

3. Kuwait Neutral Zone. There is a clause on this subject which, Philby thought, ran as follows:

The Sa'ûdi Arab Government promised to use their influence with the Sheykh of Kuwait to get him to agree with them to give the Company the concession for the whole of the area. In the event of this proving impossible, the Sa'ûdi Arab Government would try to get the Sheykh to agree to making identical terms with the Company to whom he (the Sheykh) eventually gave a concession in his sphere of this zone with the terms Ibn Sa'ûd made with the Standard Oil Company of California. The latter would therefore be at no disadvantage competitively. (Comment: No reference in concession.)

2. I hope that either Sir Andrew or I will be able to send you a fuller statement in the course of a few weeks. I undertook to treat anything that Philby might

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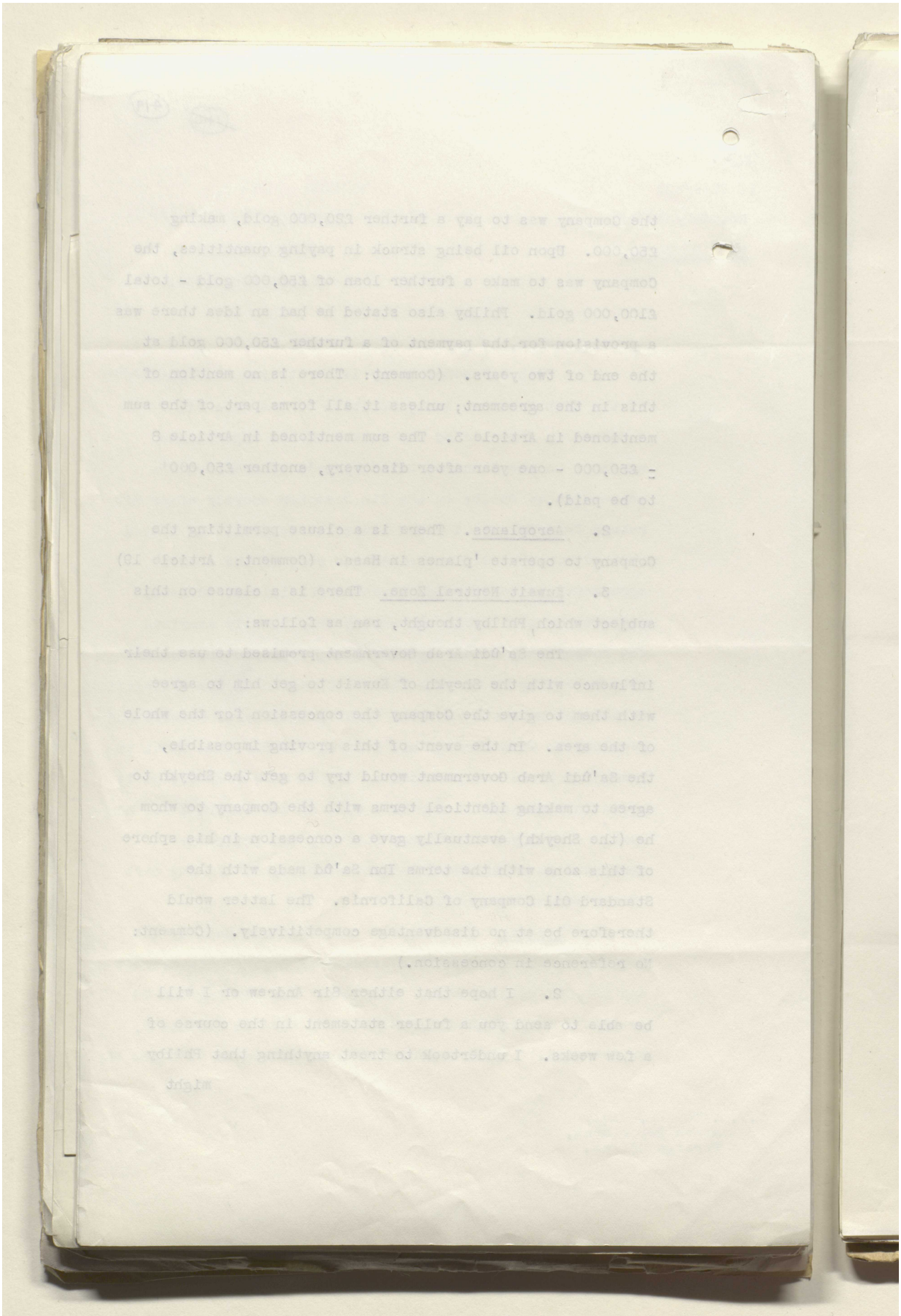

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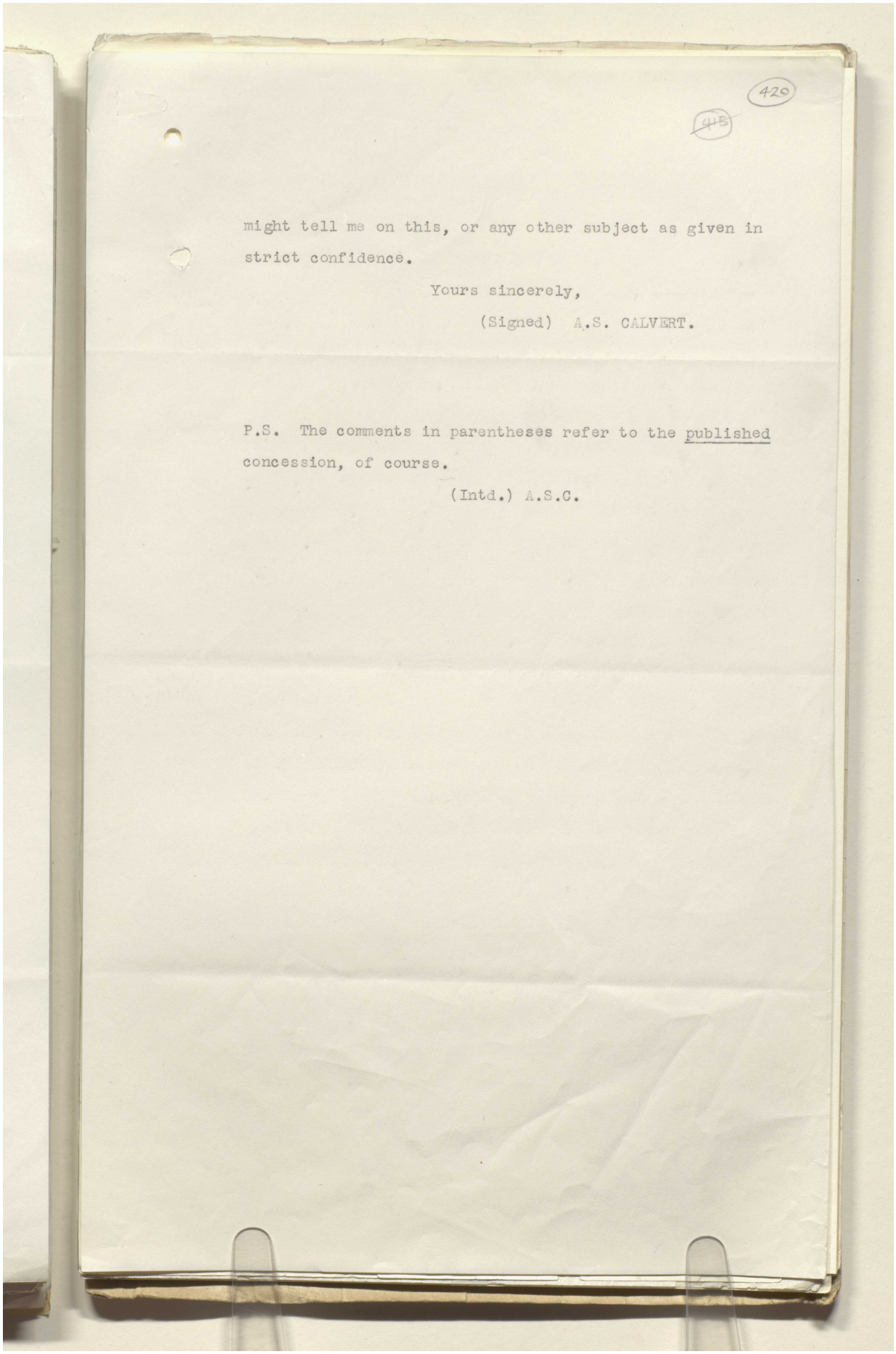

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~~415~~

might tell me on this, or any other subject as given in strict confidence.

Yours sincerely,

(Signed) A.S. CALVERT.

P.S. The comments in parentheses refer to the published concession, of course.

(Intd.) A.S.C.

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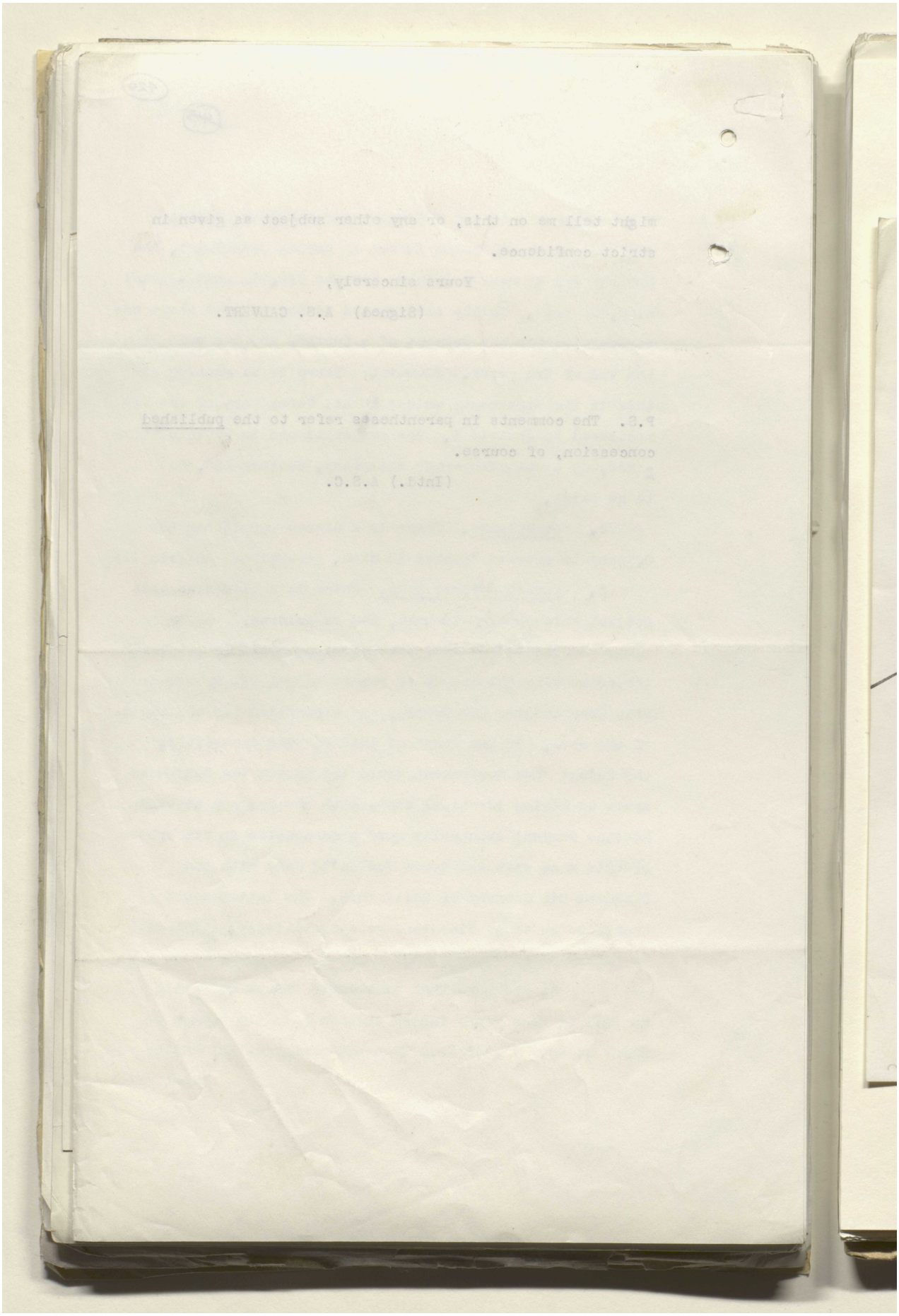

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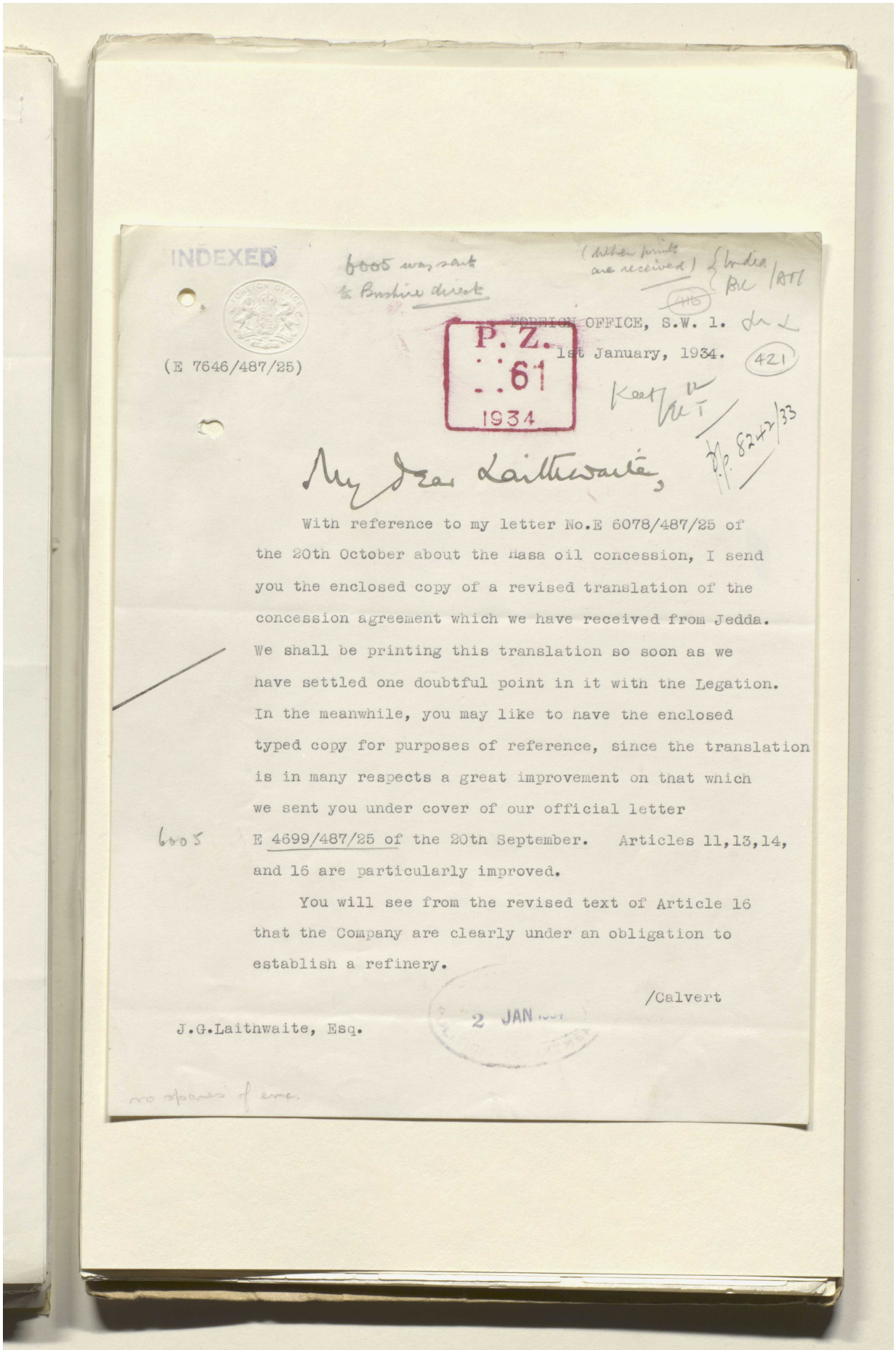

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6005 was sent to Bushire direct

(When prints are received) {India / BC / ATI

FOREIGN OFFICE, S.W. 1.

1st January, 1934.

(E 7646/487/25)

P. Z. 61 1934

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Keep

P.P. 8242/33

My Dear Laithwaite,

With reference to my letter No.E 6078/487/25 of the 20th October about the Hasa oil concession, I send you the enclosed copy of a revised translation of the concession agreement which we have received from Jedda. We shall be printing this translation so soon as we have settled one doubtful point in it with the Legation. In the meanwhile, you may like to have the enclosed typed copy for purposes of reference, since the translation is in many respects a great improvement on that which we sent you under cover of our official letter

6005 E 4699/487/25 of the 20th September. Articles 11,13,14, and 16 are particularly improved.

You will see from the revised text of Article 16 that the Company are clearly under an obligation to establish a refinery.

/Calvert

J.G.Laithwaite, Esq.

2 JAN 1934

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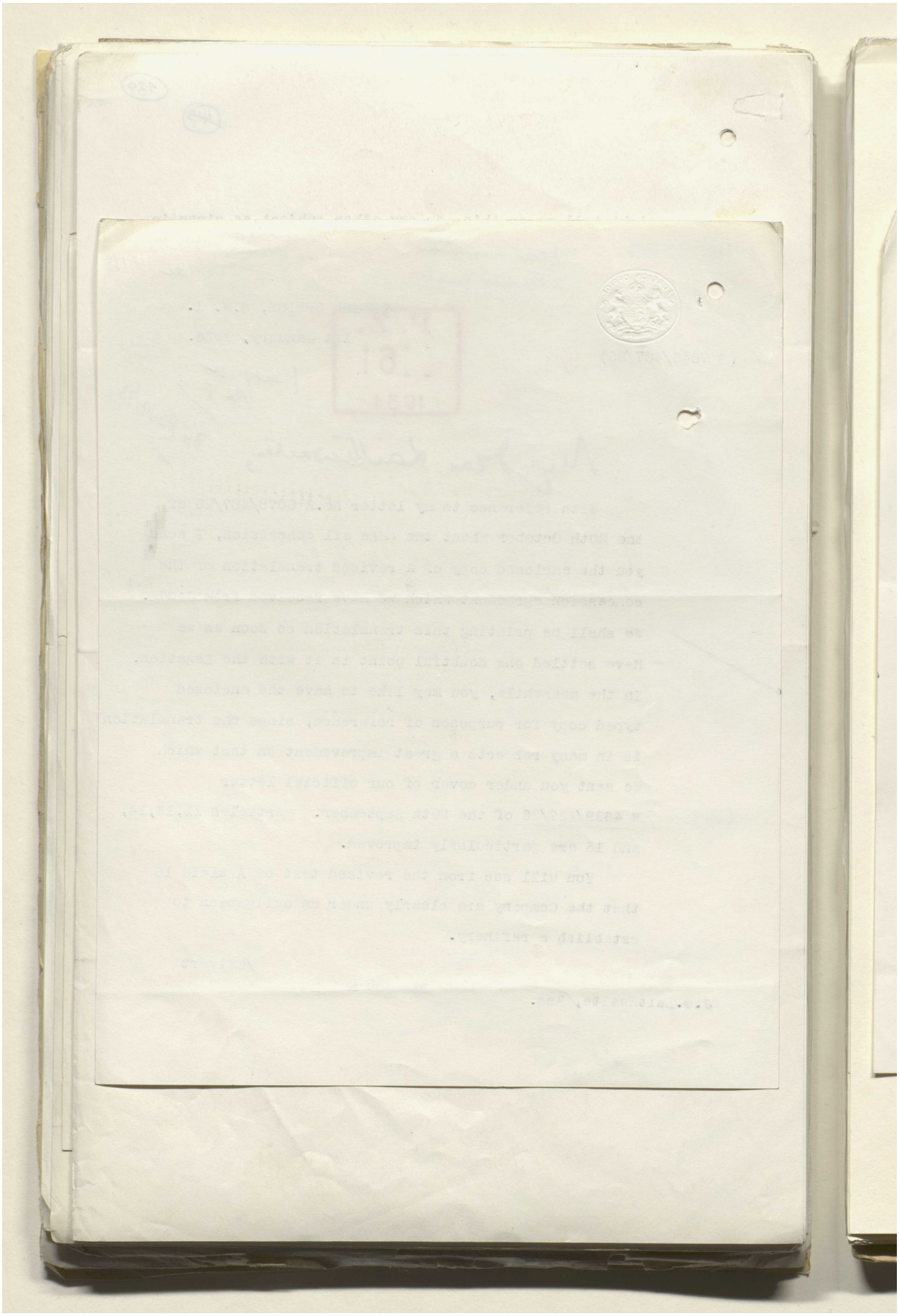

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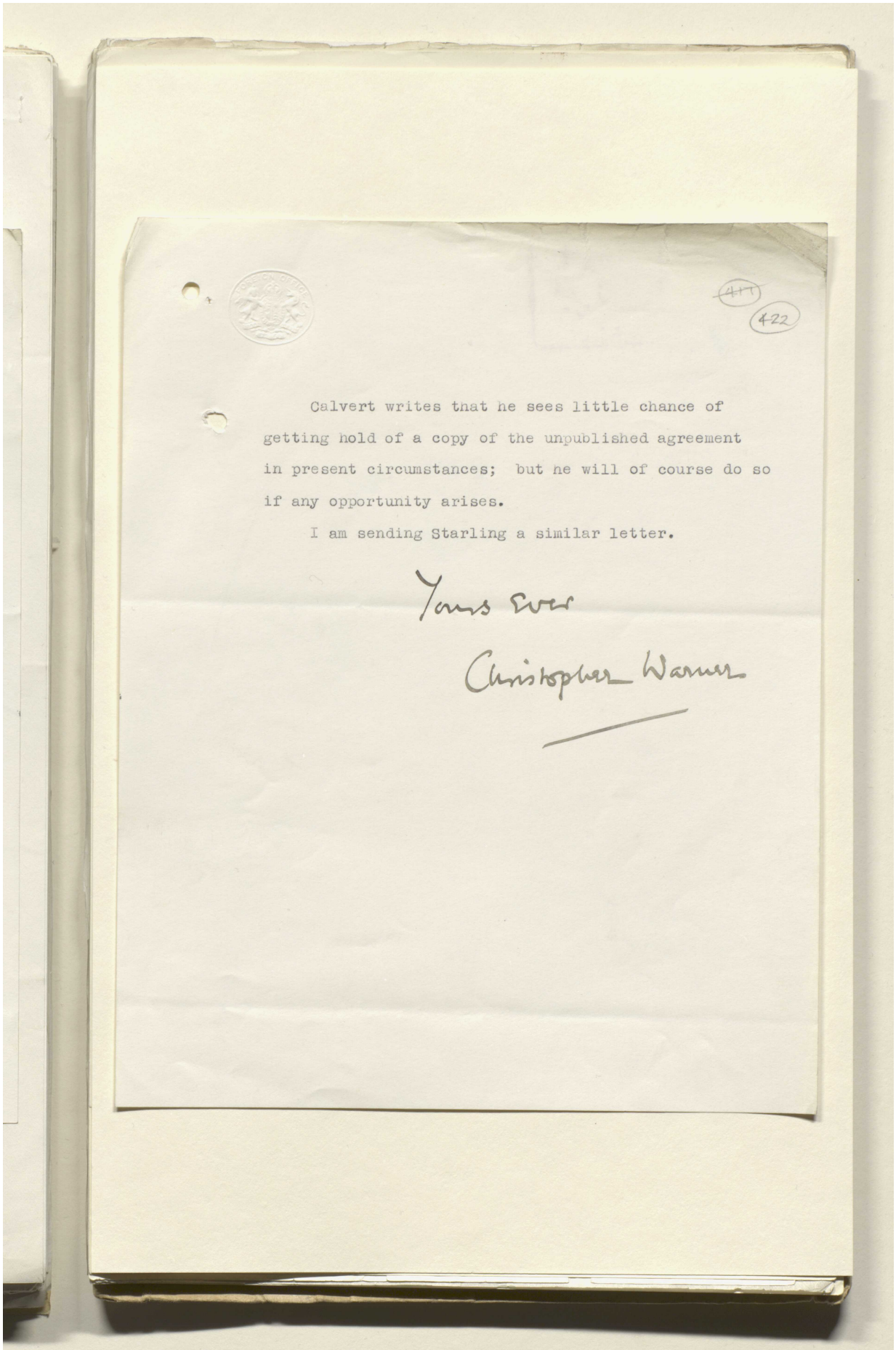

Calvert writes that he sees little chance of getting hold of a copy of the unpublished agreement in present circumstances; but he will of course do so if any opportunity arises.

I am sending Starling a similar letter.

Yours ever

Christopher Warner

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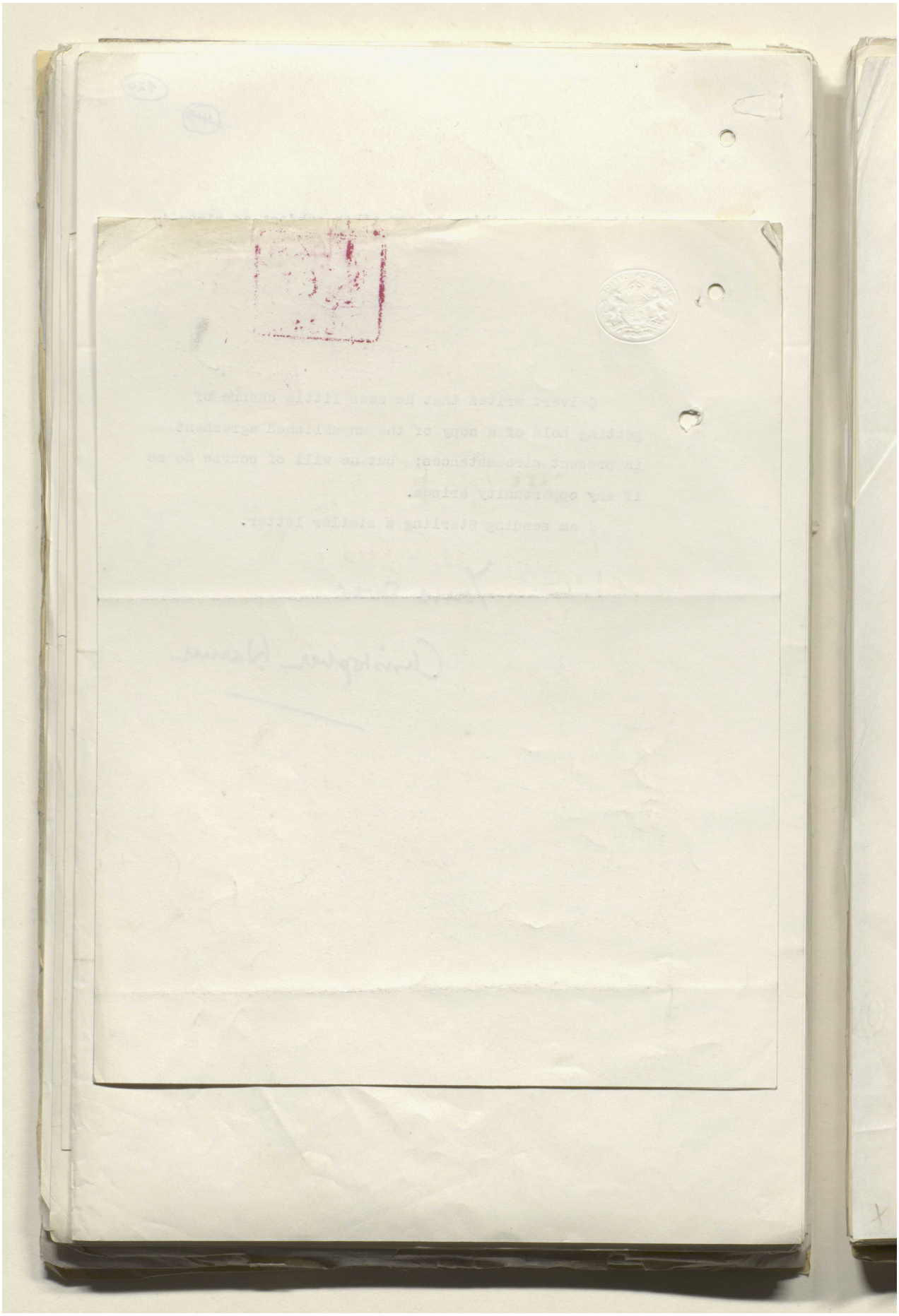

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TRANSLATION.

EXTRACT from the Mecca "Umm-al-Qura" No.448 of the 17th Rabi-ul-Awwal 1352 (14th July 1933)

DECREE No.1135.

GRANT of a CONCESSION for EXPLOITING PETROLEUM

We, Abdul 'Azfz ibn 'Abdurrahmân al Feysal al Sa'ûd, King of the Sa'ûdi Arab Kingdom.

After reliance upon God.

And after perusal of the agreement signed at Jedda on the 4th day of Safar of the year One Thousand Three Hundred and Fifty Two by our Minister of Finance and Mr. L.N.Hamilton, the Representative of the Standard Oil Company of California, America.

And after approval by the Council of Ministers, give the following Orders :

Article 1. The Standard Oil Company of California is permitted to exploit Petroleum and its extracts in the eastern portion of our Sa'ûdi Arab Kingdom within its frontiers in accordance with the conditions and regulations laid down in the agreement signed by our Minister of Finance and the Representative of the said Company at Jedda on the 4th day of Safar of the year One Thousand Three Hundred and Fifty Two.

Article 2. We sanction the agreement under reference which is attached to this our Decree, and order that it should be put into force as from the date of its publication.

Article 3. We also sanction the special agreement annexed to the original agreement and order that it shall be put into force.

Article 4. Our Minister of Finance should see that the provisions of this Decree are put into force.

ISSUED in our Palace at Riyâdh on this day the 14th of Rabi-ul-Awal of the year One Thousand Three Hundred and Fifty Two, corresponding to the 7th day of July 1933.

(Signed) 'Abdul 'Azfz.

BY ORDER of His Majesty the King.
His Majesty's Viceroy.
(Signed) Feysal.

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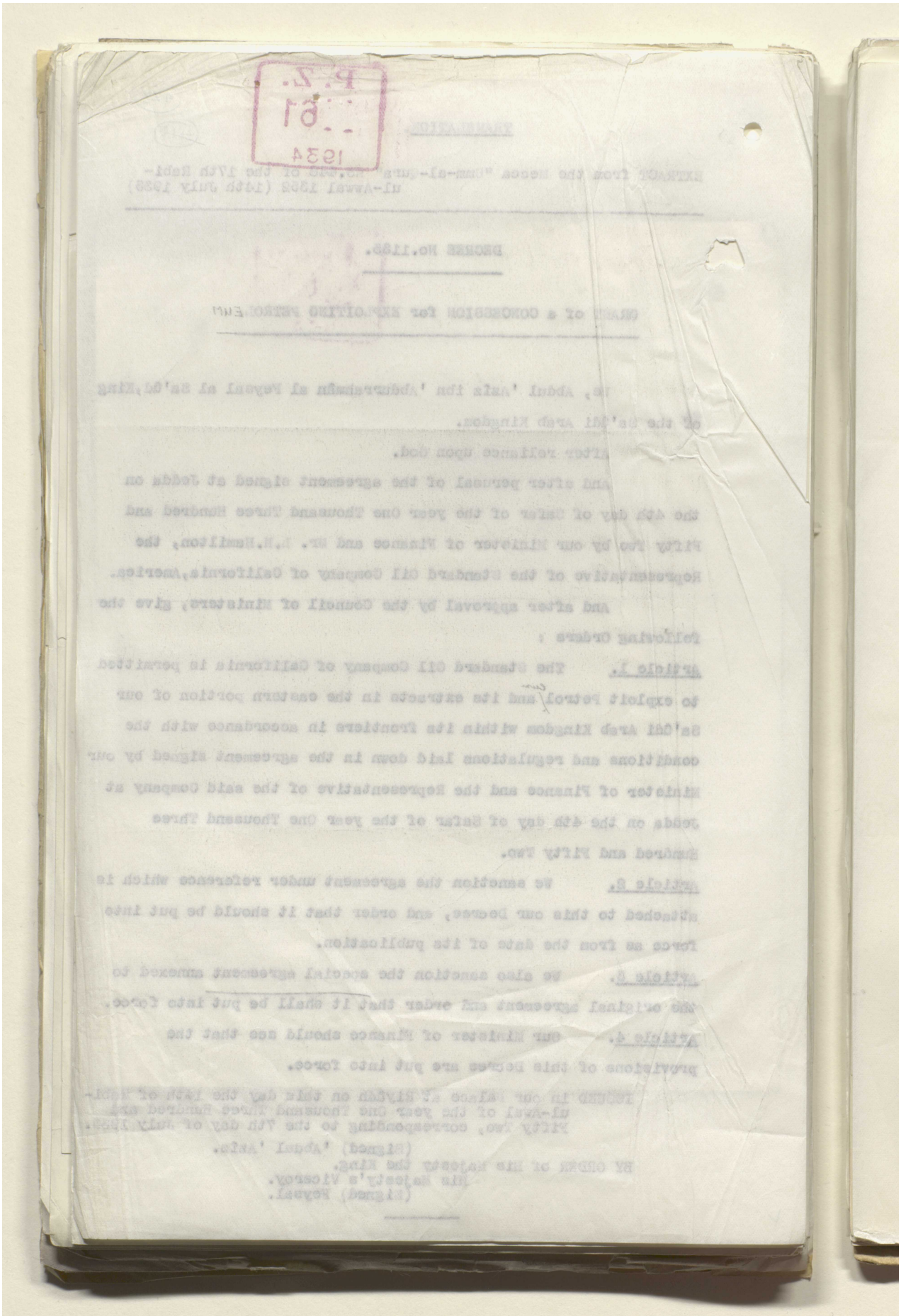

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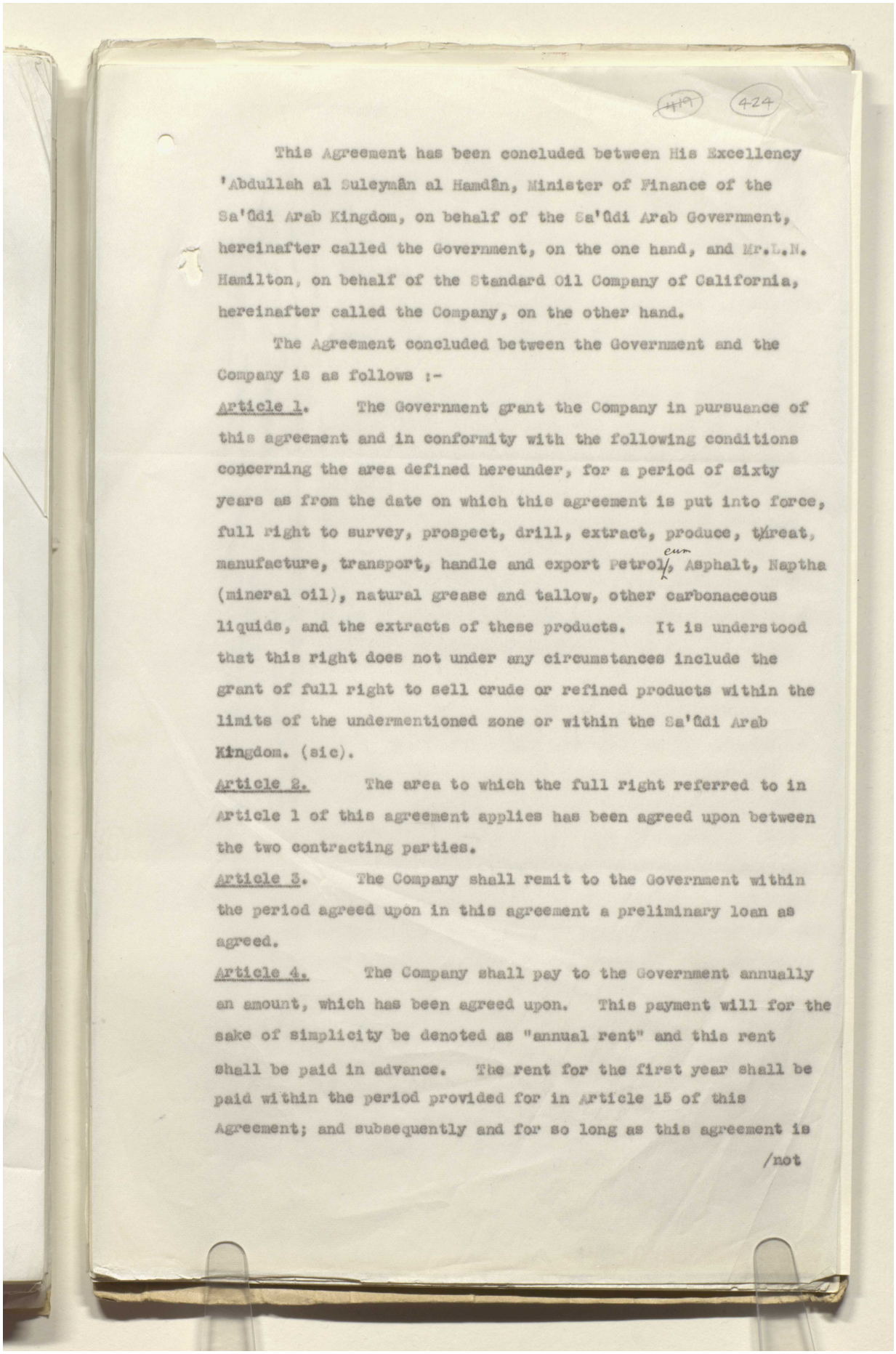

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This Agreement has been concluded between His Excellency 'Abdullah al Suleymân al Hamdân, Minister of Finance of the Sa'ûdi Arab Kingdom, on behalf of the Sa'ûdi Arab Government, hereinafter called the Government, on the one hand, and Mr.L.N. Hamilton, on behalf of the Standard Oil Company of California, hereinafter called the Company, on the other hand.

The Agreement concluded between the Government and the Company is as follows :-

Article 1. The Government grant the Company in pursuance of this agreement and in conformity with the following conditions concerning the area defined hereunder, for a period of sixty years as from the date on which this agreement is put into force, full right to survey, prospect, drill, extract, produce, treat, manufacture, transport, handle and export Petrol, cum Asphalt, Naptha (mineral oil), natural grease and tallow, other carbonaceous liquids, and the extracts of these products. It is understood that this right does not under any circumstances include the grant of full right to sell crude or refined products within the limits of the undermentioned zone or within the Sa'ûdi Arab Kingdom. (sic).

Article 2. The area to which the full right referred to in Article 1 of this agreement applies has been agreed upon between the two contracting parties.

Article 3. The Company shall remit to the Government within the period agreed upon in this agreement a preliminary loan as agreed.

Article 4. The Company shall pay to the Government annually an amount, which has been agreed upon. This payment will for the sake of simplicity be denoted as "annual rent" and this rent shall be paid in advance. The rent for the first year shall be paid within the period provided for in Article 15 of this Agreement; and subsequently and for so long as this agreement is

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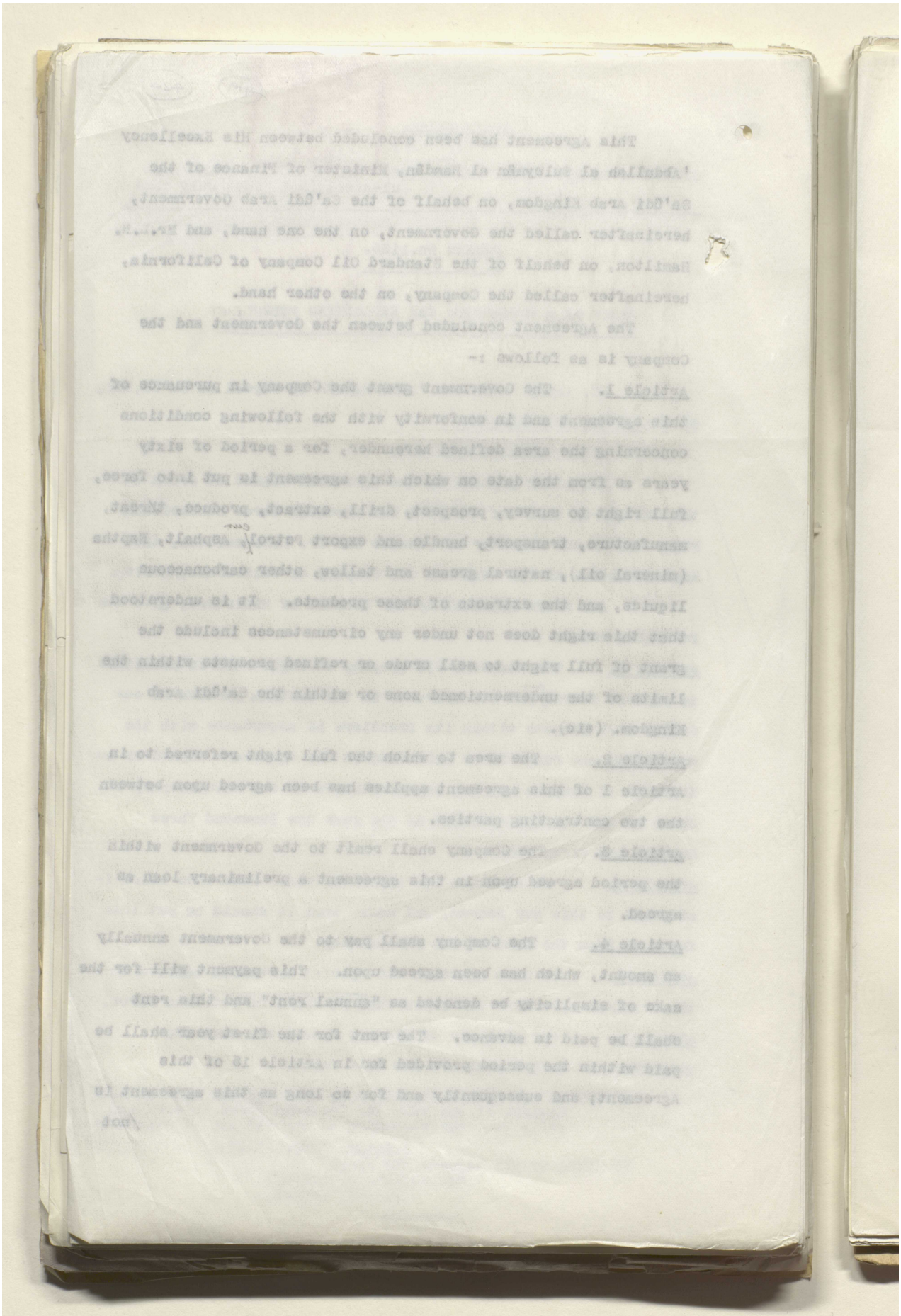

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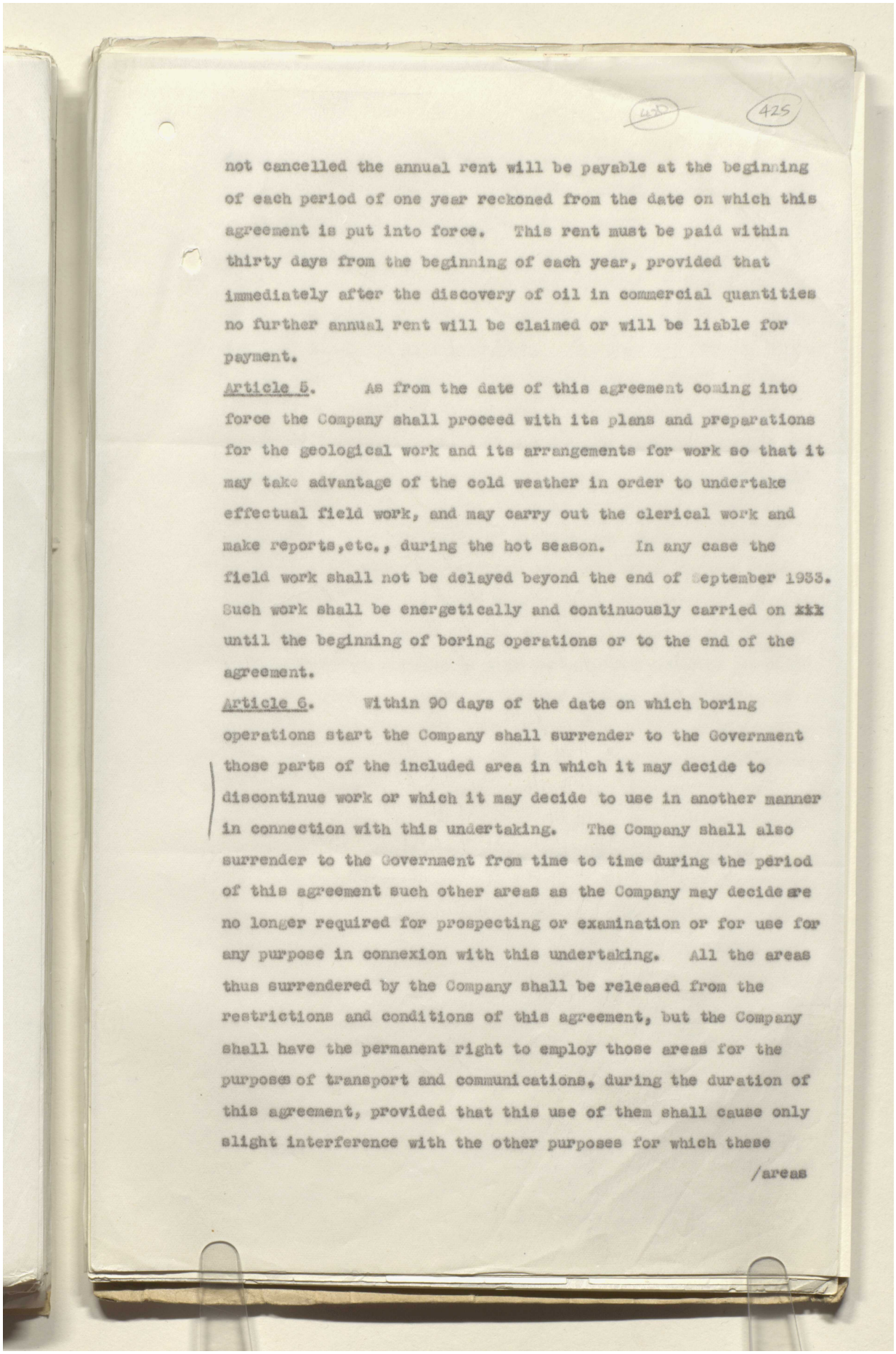

not cancelled the annual rent will be payable at the beginning of each period of one year reckoned from the date on which this agreement is put into force. This rent must be paid within thirty days from the beginning of each year, provided that immediately after the discovery of oil in commercial quantities no further annual rent will be claimed or will be liable for payment.

Article 5. As from the date of this agreement coming into force the Company shall proceed with its plans and preparations for the geological work and its arrangements for work so that it may take advantage of the cold weather in order to undertake effectual field work, and may carry out the clerical work and make reports,etc., during the hot season. In any case the field work shall not be delayed beyond the end of September 1933. Such work shall be energetically and continuously carried on ~~xkk~~ until the beginning of boring operations or to the end of the agreement.

Article 6. Within 90 days of the date on which boring operations start the Company shall surrender to the Government those parts of the included area in which it may decide to discontinue work or which it may decide to use in another manner in connection with this undertaking. The Company shall also surrender to the Government from time to time during the period of this agreement such other areas as the Company may decide are no longer required for prospecting or examination or for use for any purpose in connexion with this undertaking. All the areas thus surrendered by the Company shall be released from the restrictions and conditions of this agreement, but the Company shall have the permanent right to employ those areas for the purposes of transport and communications, during the duration of this agreement, provided that this use of them shall cause only slight interference with the other purposes for which these

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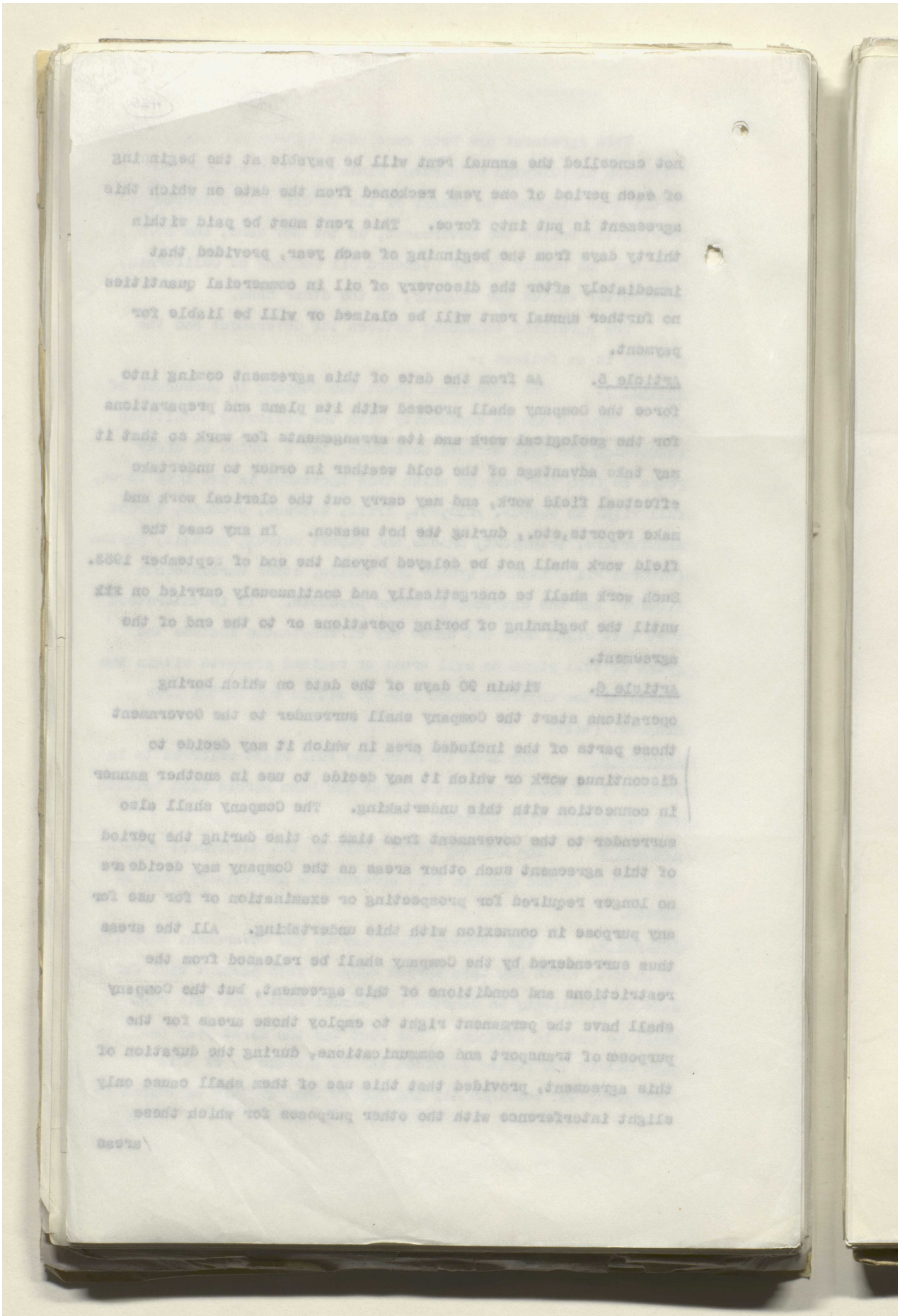

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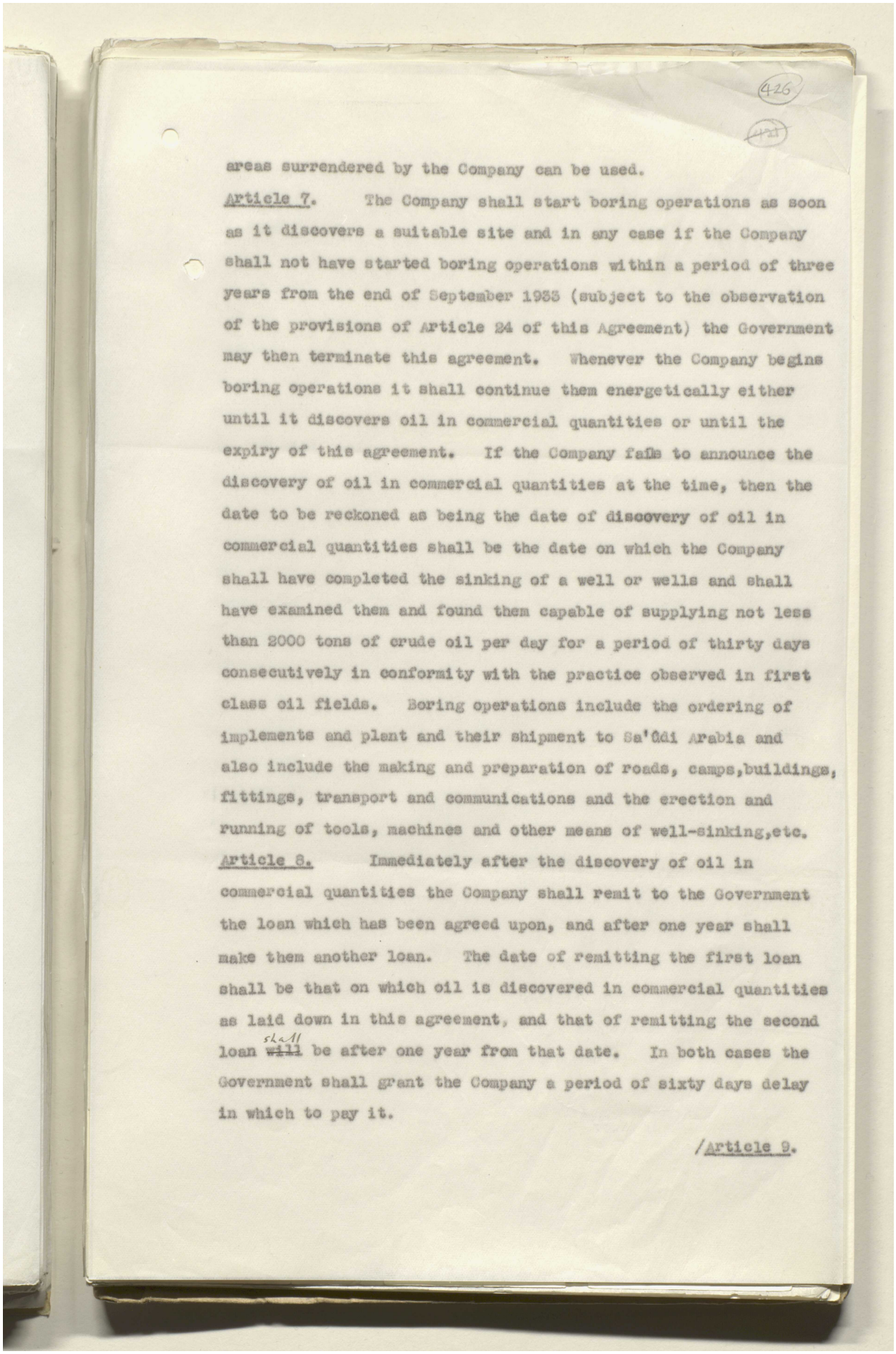

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areas surrendered by the Company can be used.

Article 7. The Company shall start boring operations as soon as it discovers a suitable site and in any case if the Company shall not have started boring operations within a period of three years from the end of September 1933 (subject to the observation of the provisions of Article 24 of this Agreement) the Government may then terminate this agreement. Whenever the Company begins boring operations it shall continue them energetically either until it discovers oil in commercial quantities or until the expiry of this agreement. If the Company fails to announce the discovery of oil in commercial quantities at the time, then the date to be reckoned as being the date of discovery of oil in commercial quantities shall be the date on which the Company shall have completed the sinking of a well or wells and shall have examined them and found them capable of supplying not less than 2000 tons of crude oil per day for a period of thirty days consecutively in conformity with the practice observed in first class oil fields. Boring operations include the ordering of implements and plant and their shipment to Sa'ûdi Arabia and also include the making and preparation of roads, camps, buildings, fittings, transport and communications and the erection and running of tools, machines and other means of well-sinking, etc.

Article 8. Immediately after the discovery of oil in commercial quantities the Company shall remit to the Government the loan which has been agreed upon, and after one year shall make them another loan. The date of remitting the first loan shall be that on which oil is discovered in commercial quantities as laid down in this agreement, and that of remitting the second loan ~~will~~ shall be after one year from that date. In both cases the Government shall grant the Company a period of sixty days delay in which to pay it.

/Article 9.

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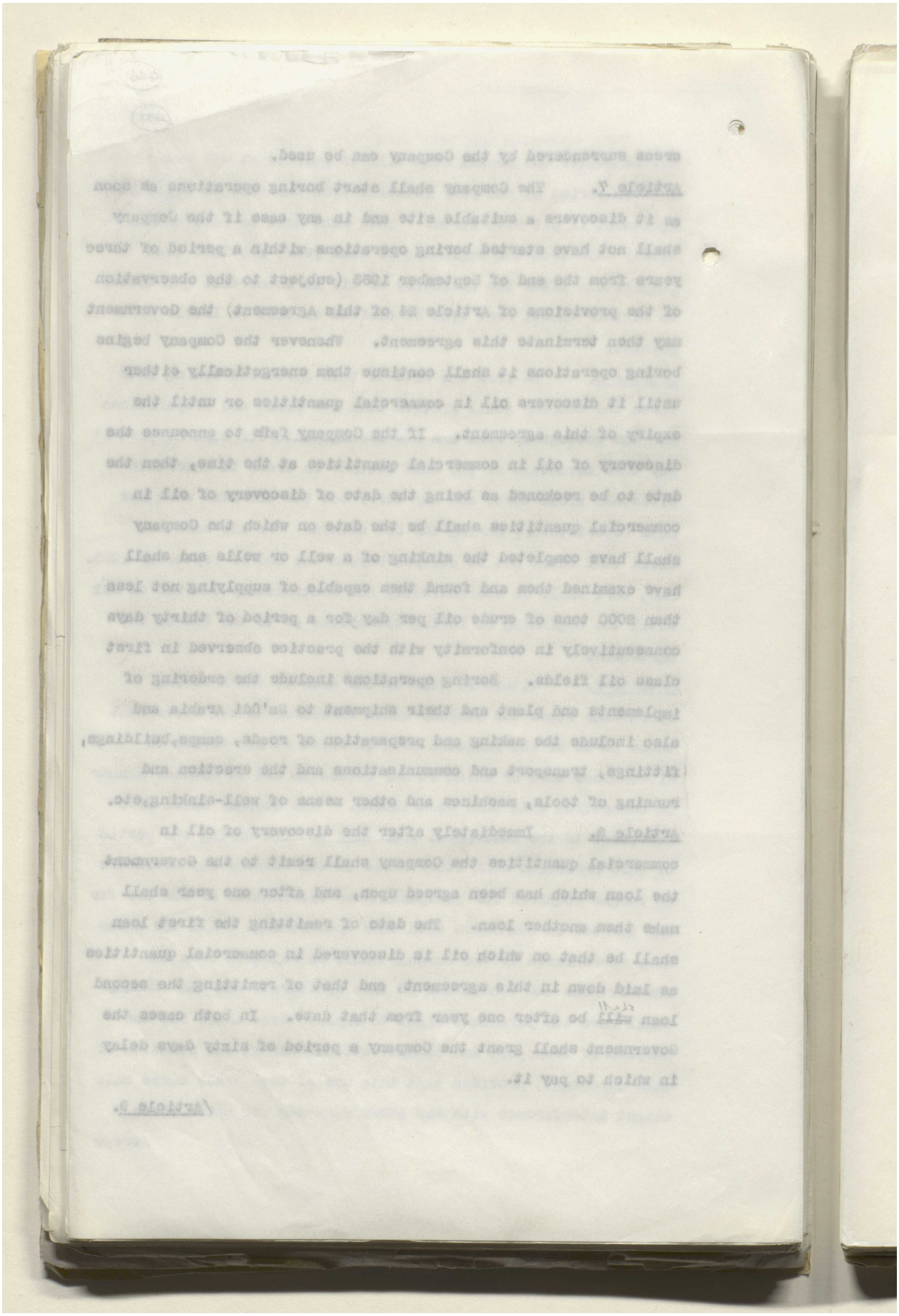

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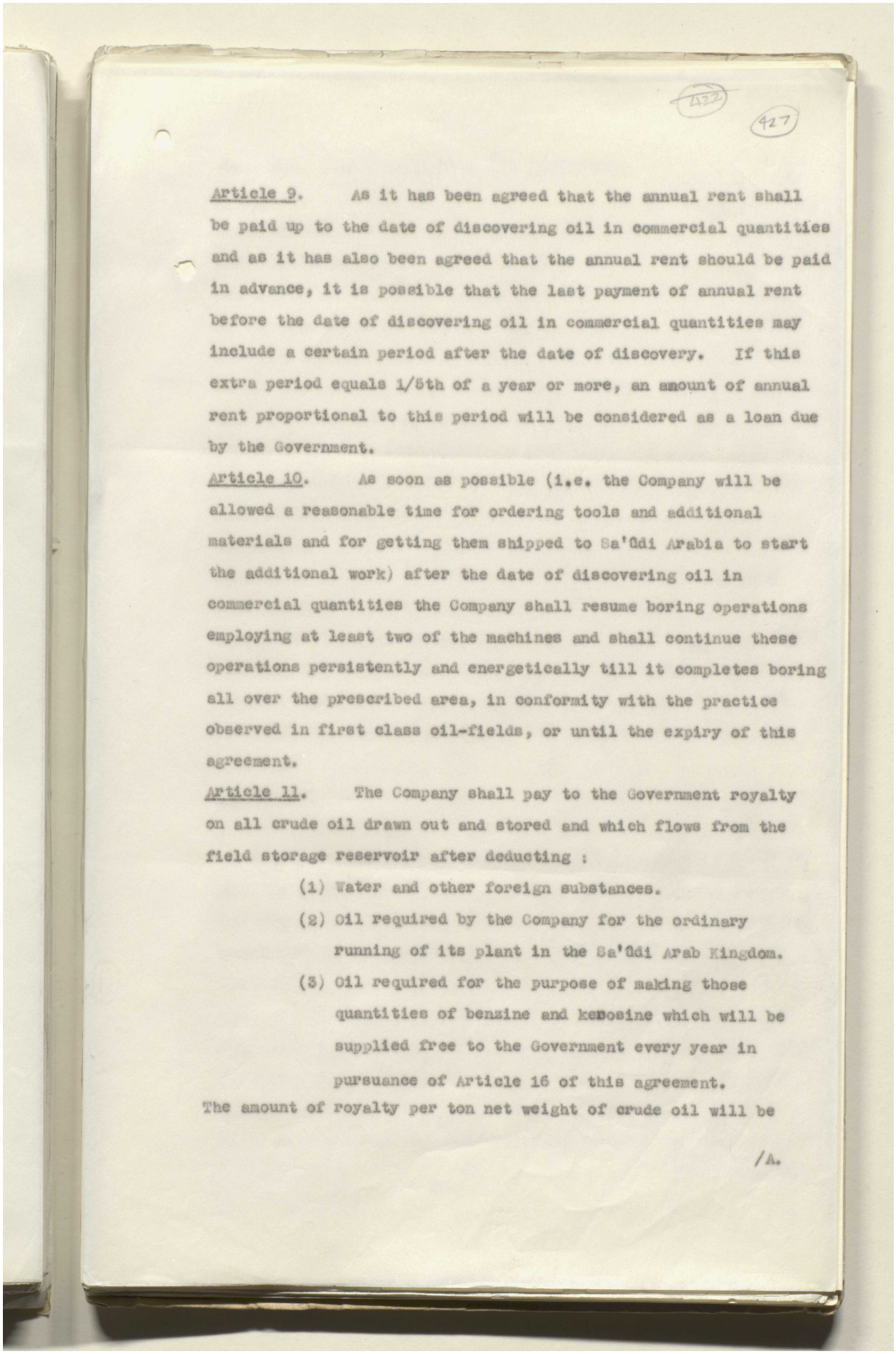

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Article 9. As it has been agreed that the annual rent shall be paid up to the date of discovering oil in commercial quantities and as it has also been agreed that the annual rent should be paid in advance, it is possible that the last payment of annual rent before the date of discovering oil in commercial quantities may include a certain period after the date of discovery. If this extra period equals 1/5th of a year or more, an amount of annual rent proportional to this period will be considered as a loan due by the Government.

Article 10. As soon as possible (i.e. the Company will be allowed a reasonable time for ordering tools and additional materials and for getting them shipped to Sa'ûdi Arabia to start the additional work) after the date of discovering oil in commercial quantities the Company shall resume boring operations employing at least two of the machines and shall continue these operations persistently and energetically till it completes boring all over the prescribed area, in conformity with the practice observed in first class oil-fields, or until the expiry of this agreement.

Article 11. The Company shall pay to the Government royalty on all crude oil drawn out and stored and which flows from the field storage reservoir after deducting :

(1) Water and other foreign substances.

(2) Oil required by the Company for the ordinary running of its plant in the Sa'ûdi Arab Kingdom.

(3) Oil required for the purpose of making those quantities of benzine and kerosine which will be supplied free to the Government every year in pursuance of Article 16 of this agreement.

The amount of royalty per ton net weight of crude oil will be

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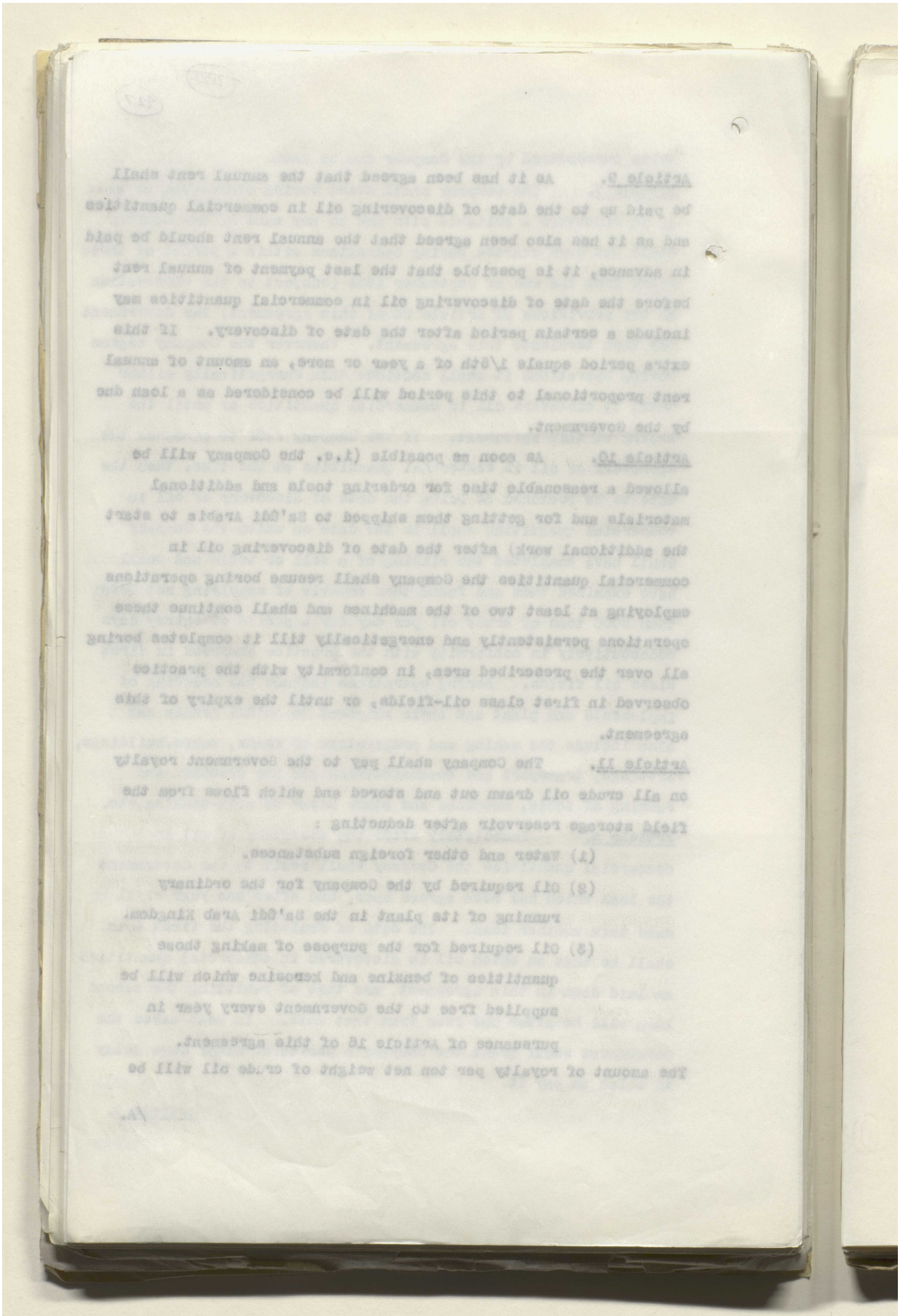

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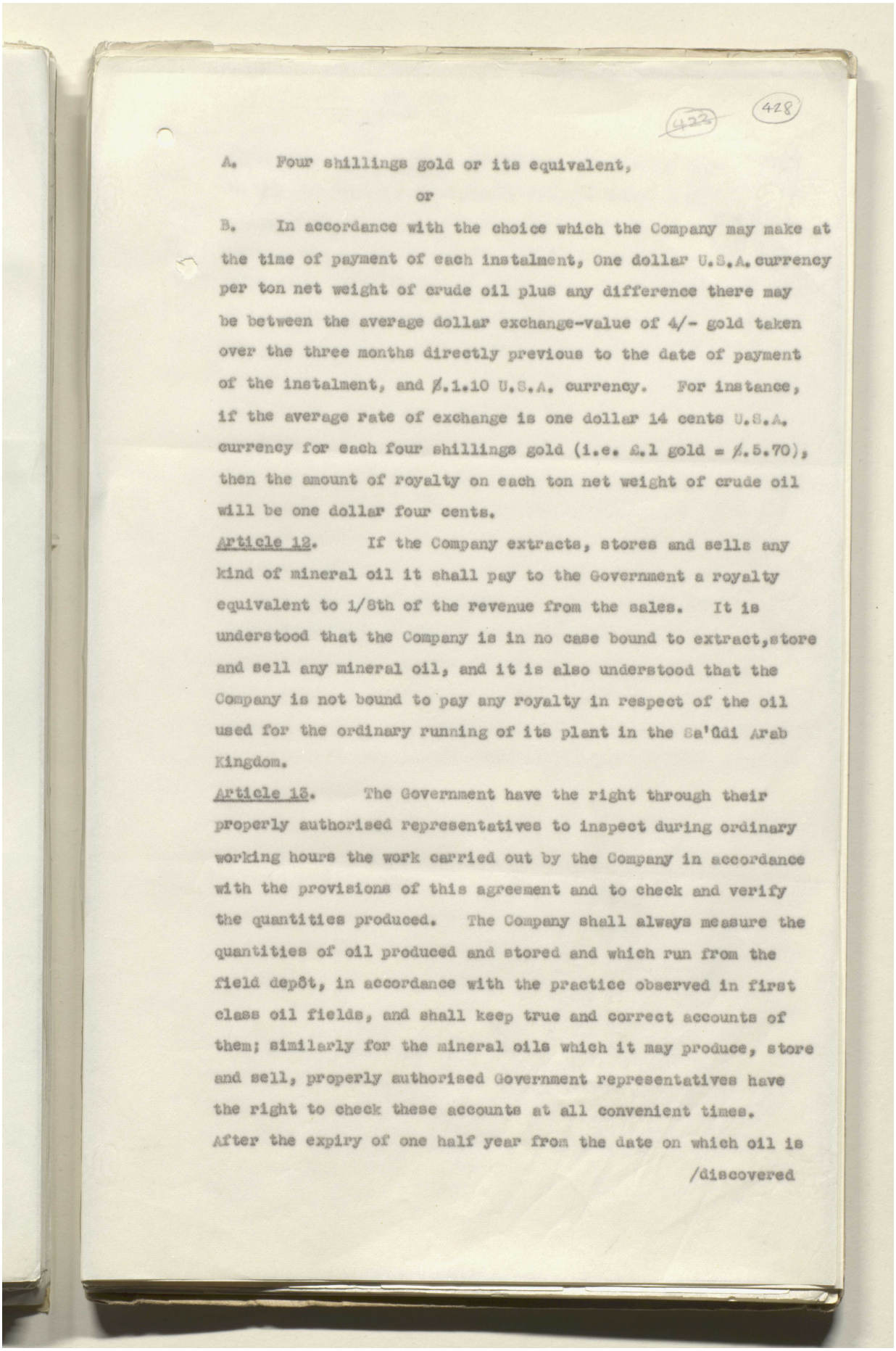

A. Four shillings gold or its equivalent,

or

B. In accordance with the choice which the Company may make at the time of payment of each instalment, One dollar U.S.A. currency per ton net weight of crude oil plus any difference there may be between the average dollar exchange-value of 4/- gold taken over the three months directly previous to the date of payment of the instalment, and £.1.10 U.S.A. currency. For instance, if the average rate of exchange is one dollar 14 cents U.S.A. currency for each four shillings gold (i.e. £.1 gold = £.5.70), then the amount of royalty on each ton net weight of crude oil will be one dollar four cents.

Article 12. If the Company extracts, stores and sells any kind of mineral oil it shall pay to the Government a royalty equivalent to 1/8th of the revenue from the sales. It is understood that the Company is in no case bound to extract, store and sell any mineral oil, and it is also understood that the Company is not bound to pay any royalty in respect of the oil used for the ordinary running of its plant in the Sa'ūdi Arab Kingdom.

Article 13. The Government have the right through their properly authorised representatives to inspect during ordinary working hours the work carried out by the Company in accordance with the provisions of this agreement and to check and verify the quantities produced. The Company shall always measure the quantities of oil produced and stored and which run from the field depôt, in accordance with the practice observed in first class oil fields, and shall keep true and correct accounts of them; similarly for the mineral oils which it may produce, store and sell, properly authorised Government representatives have the right to check these accounts at all convenient times.

After the expiry of one half year from the date on which oil is

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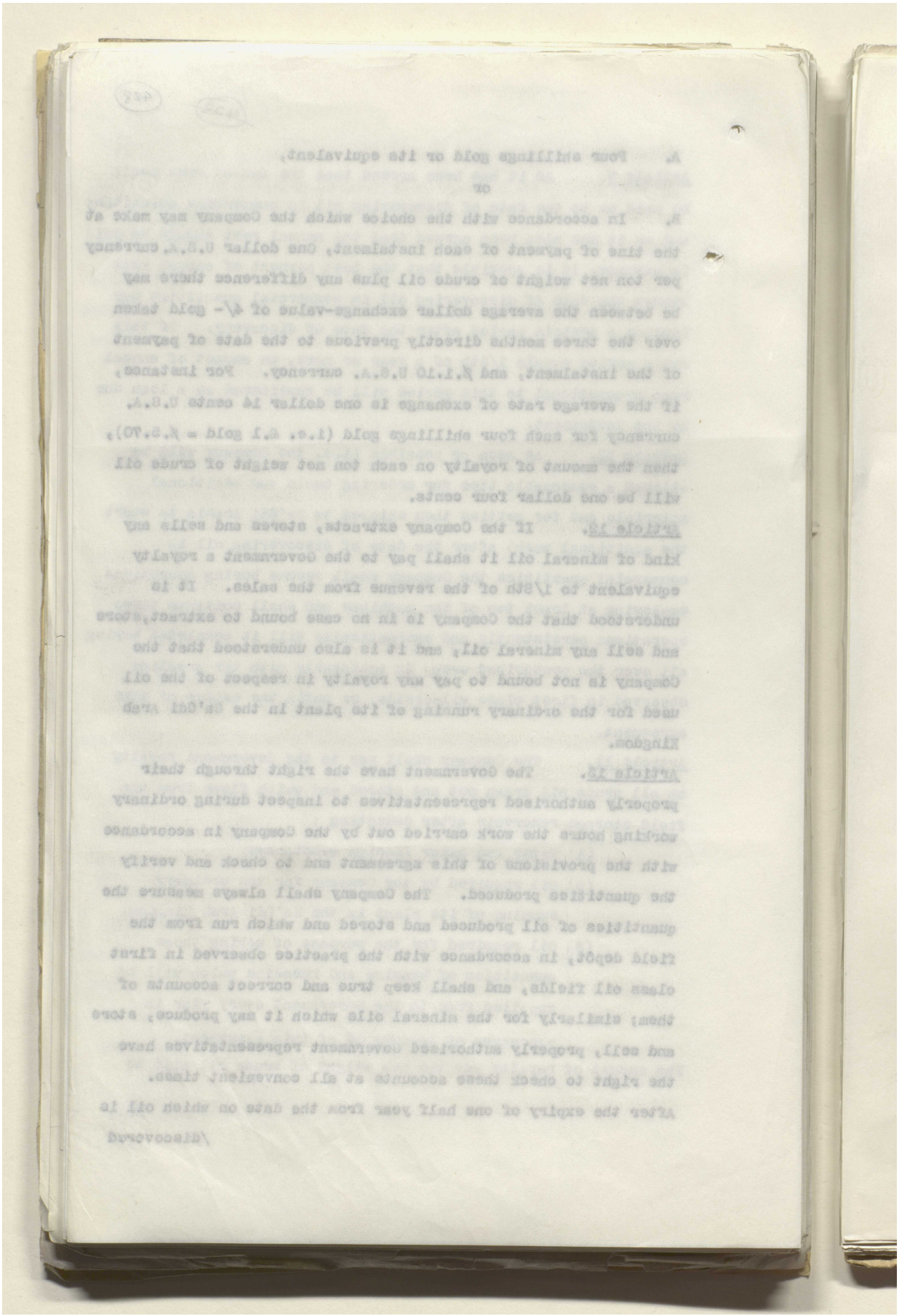

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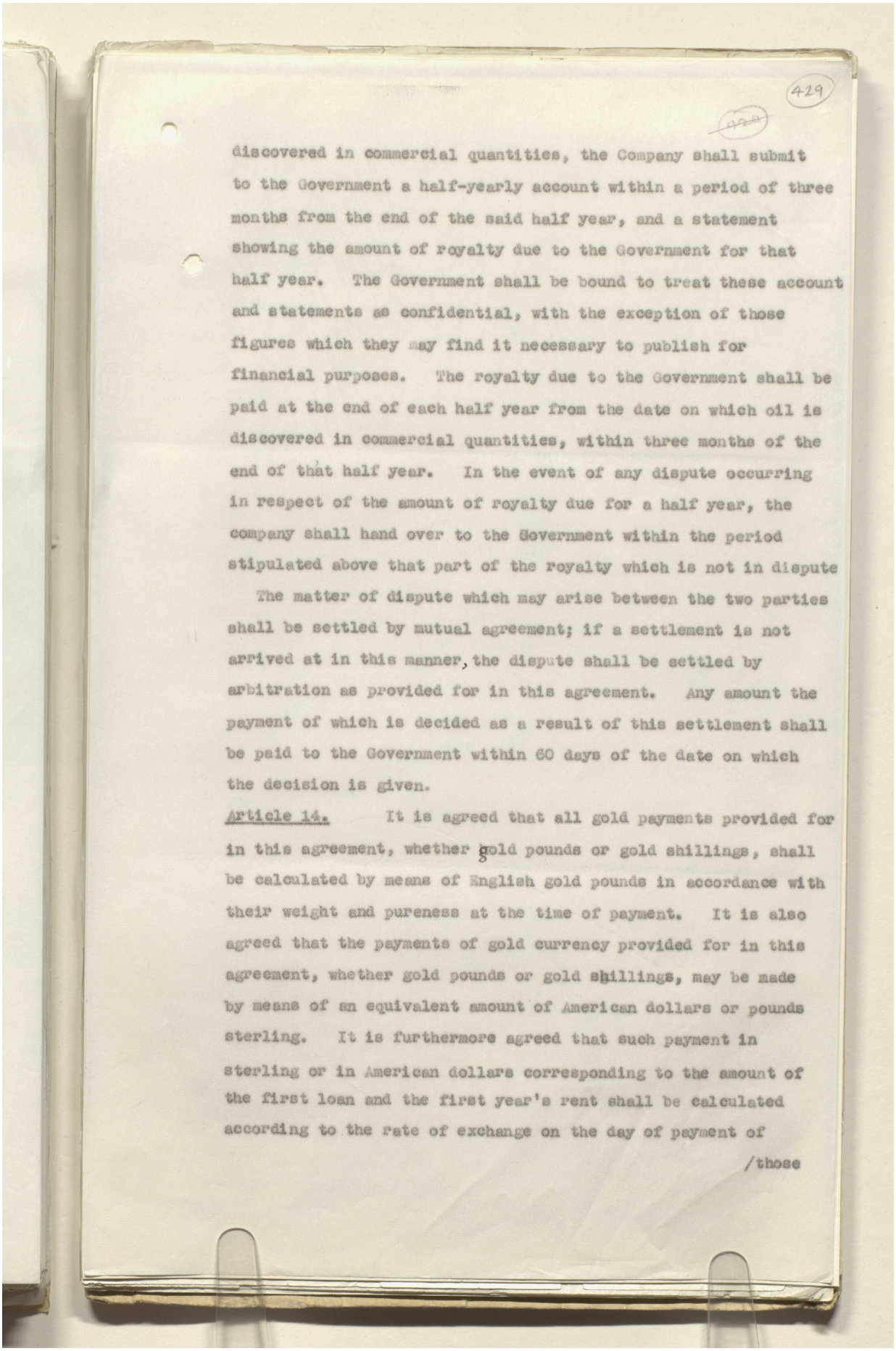

discovered in commercial quantities, the Company shall submit to the Government a half-yearly account within a period of three months from the end of the said half year, and a statement showing the amount of royalty due to the Government for that half year. The Government shall be bound to treat these account and statements as confidential, with the exception of those figures which they may find it necessary to publish for financial purposes. The royalty due to the Government shall be paid at the end of each half year from the date on which oil is discovered in commercial quantities, within three months of the end of that half year. In the event of any dispute occurring in respect of the amount of royalty due for a half year, the company shall hand over to the Government within the period stipulated above that part of the royalty which is not in dispute

The matter of dispute which may arise between the two parties shall be settled by mutual agreement; if a settlement is not arrived at in this manner, the dispute shall be settled by arbitration as provided for in this agreement. Any amount the payment of which is decided as a result of this settlement shall be paid to the Government within 60 days of the date on which the decision is given.

Article 14. It is agreed that all gold payments provided for in this agreement, whether gold pounds or gold shillings, shall be calculated by means of English gold pounds in accordance with their weight and pureness at the time of payment. It is also agreed that the payments of gold currency provided for in this agreement, whether gold pounds or gold shillings, may be made by means of an equivalent amount of American dollars or pounds sterling. It is furthermore agreed that such payment in sterling or in American dollars corresponding to the amount of the first loan and the first year's rent shall be calculated according to the rate of exchange on the day of payment of

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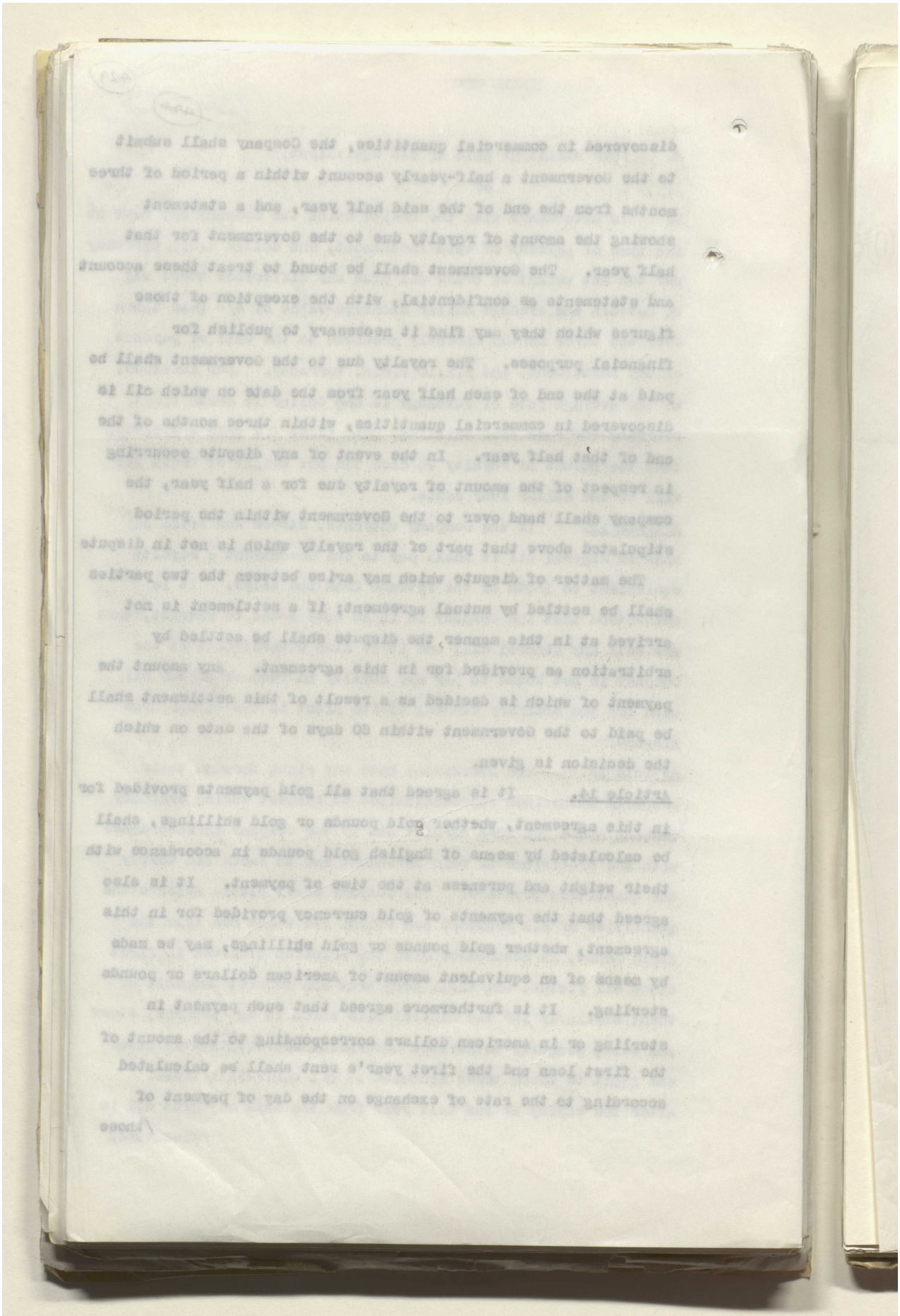

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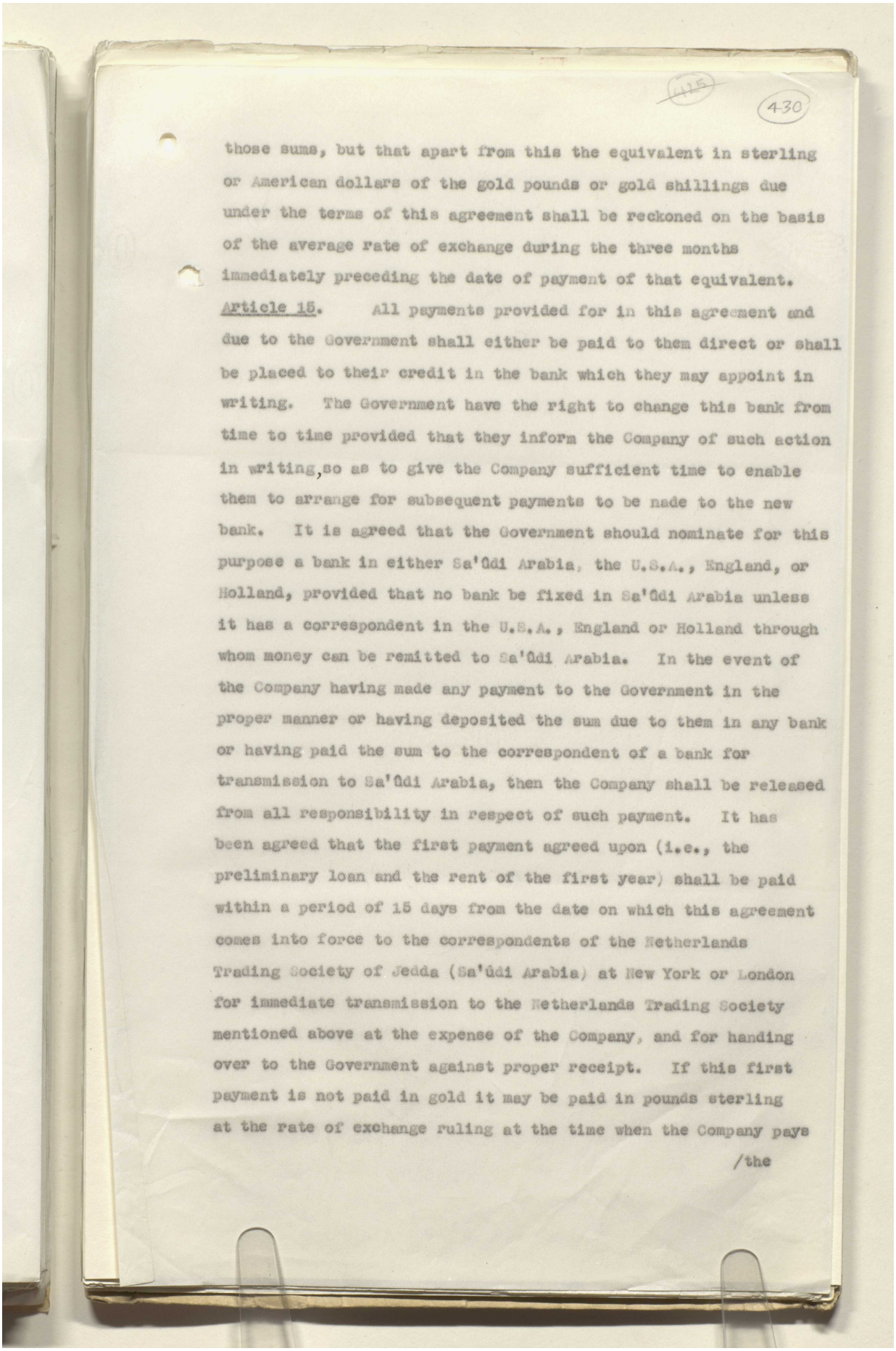

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those sums, but that apart from this the equivalent in sterling or American dollars of the gold pounds or gold shillings due under the terms of this agreement shall be reckoned on the basis of the average rate of exchange during the three months immediately preceding the date of payment of that equivalent.

Article 15. All payments provided for in this agreement and due to the Government shall either be paid to them direct or shall be placed to their credit in the bank which they may appoint in writing. The Government have the right to change this bank from time to time provided that they inform the Company of such action in writing, so as to give the Company sufficient time to enable them to arrange for subsequent payments to be made to the new bank. It is agreed that the Government should nominate for this purpose a bank in either Sa'ûdi Arabia, the U.S.A., England, or Holland, provided that no bank be fixed in Sa'ûdi Arabia unless it has a correspondent in the U.S.A., England or Holland through whom money can be remitted to Sa'ûdi Arabia. In the event of the Company having made any payment to the Government in the proper manner or having deposited the sum due to them in any bank or having paid the sum to the correspondent of a bank for transmission to Sa'ûdi Arabia, then the Company shall be released from all responsibility in respect of such payment. It has been agreed that the first payment agreed upon (i.e., the preliminary loan and the rent of the first year) shall be paid within a period of 15 days from the date on which this agreement comes into force to the correspondents of the Netherlands Trading Society of Jedda (Sa'ûdi Arabia) at New York or London for immediate transmission to the Netherlands Trading Society mentioned above at the expense of the Company, and for handing over to the Government against proper receipt. If this first payment is not paid in gold it may be paid in pounds sterling at the rate of exchange ruling at the time when the Company pays

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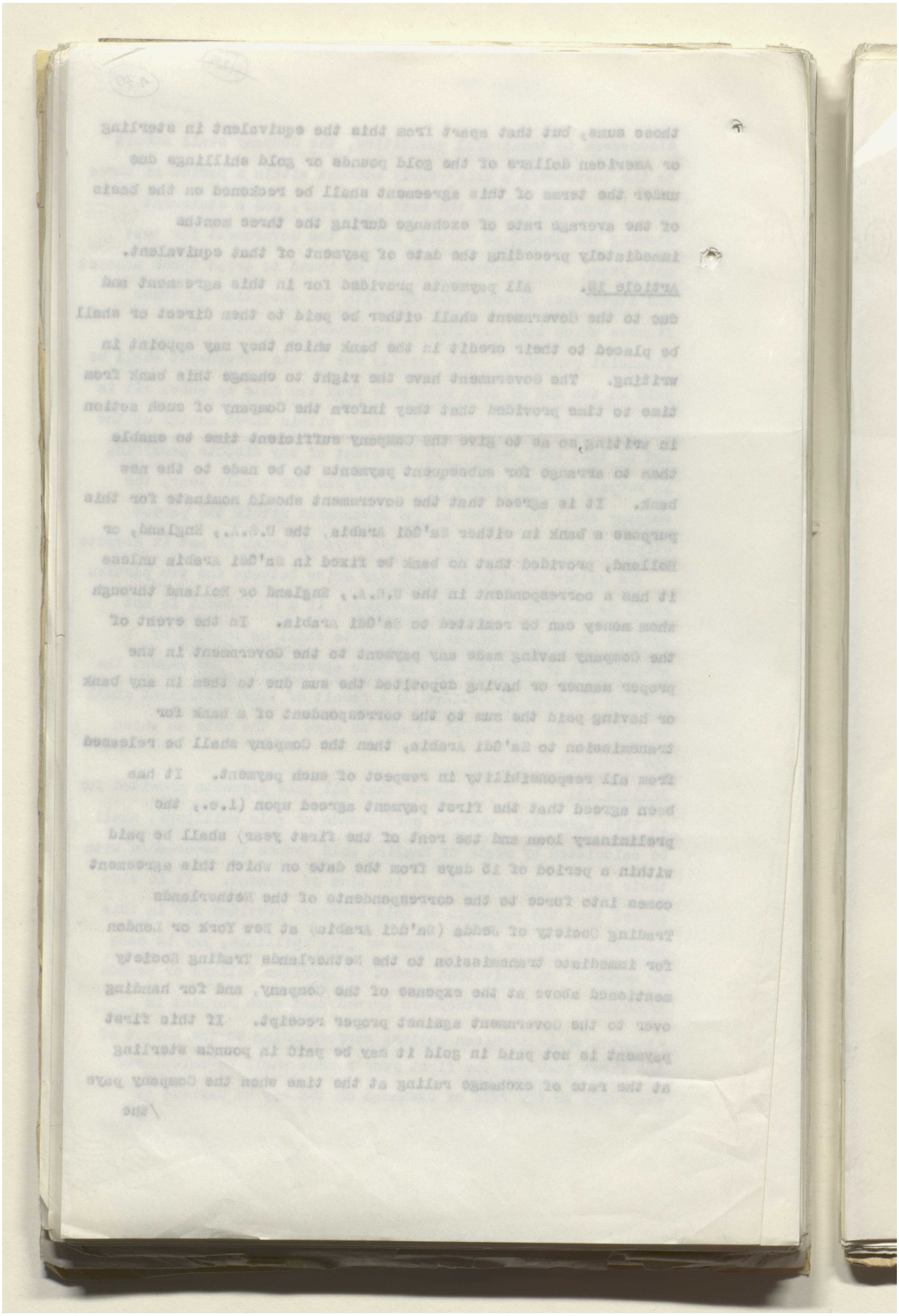

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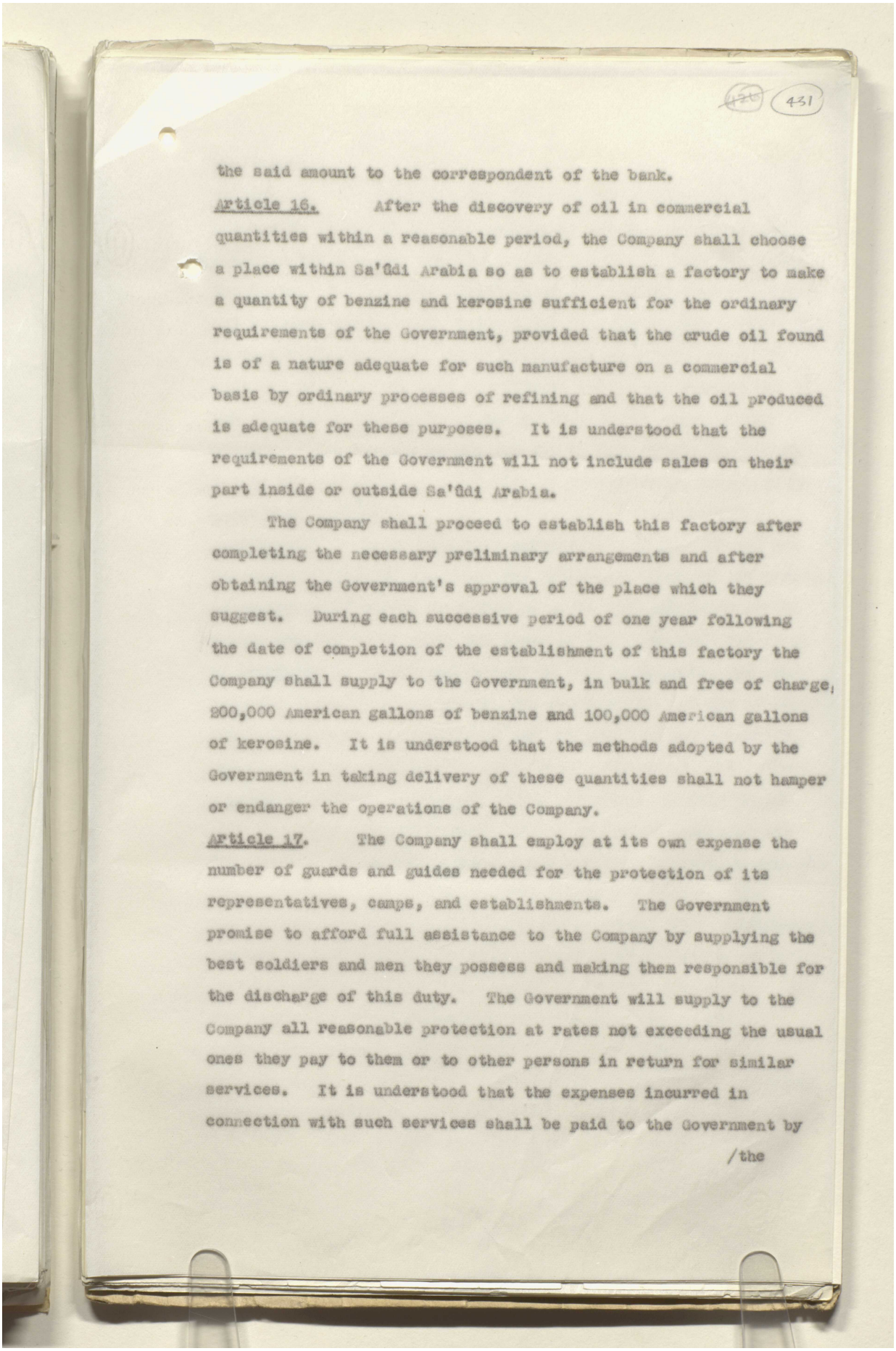

the said amount to the correspondent of the bank.

Article 16. After the discovery of oil in commercial quantities within a reasonable period, the Company shall choose a place within Sa'ûdi Arabia so as to establish a factory to make a quantity of benzine and kerosine sufficient for the ordinary requirements of the Government, provided that the crude oil found is of a nature adequate for such manufacture on a commercial basis by ordinary processes of refining and that the oil produced is adequate for these purposes. It is understood that the requirements of the Government will not include sales on their part inside or outside Sa'ûdi Arabia.

The Company shall proceed to establish this factory after completing the necessary preliminary arrangements and after obtaining the Government's approval of the place which they suggest. During each successive period of one year following the date of completion of the establishment of this factory the Company shall supply to the Government, in bulk and free of charge, 200,000 American gallons of benzine and 100,000 American gallons of kerosine. It is understood that the methods adopted by the Government in taking delivery of these quantities shall not hamper or endanger the operations of the Company.

Article 17. The Company shall employ at its own expense the number of guards and guides needed for the protection of its representatives, camps, and establishments. The Government promise to afford full assistance to the Company by supplying the best soldiers and men they possess and making them responsible for the discharge of this duty. The Government will supply to the Company all reasonable protection at rates not exceeding the usual ones they pay to them or to other persons in return for similar services. It is understood that the expenses incurred in connection with such services shall be paid to the Government by

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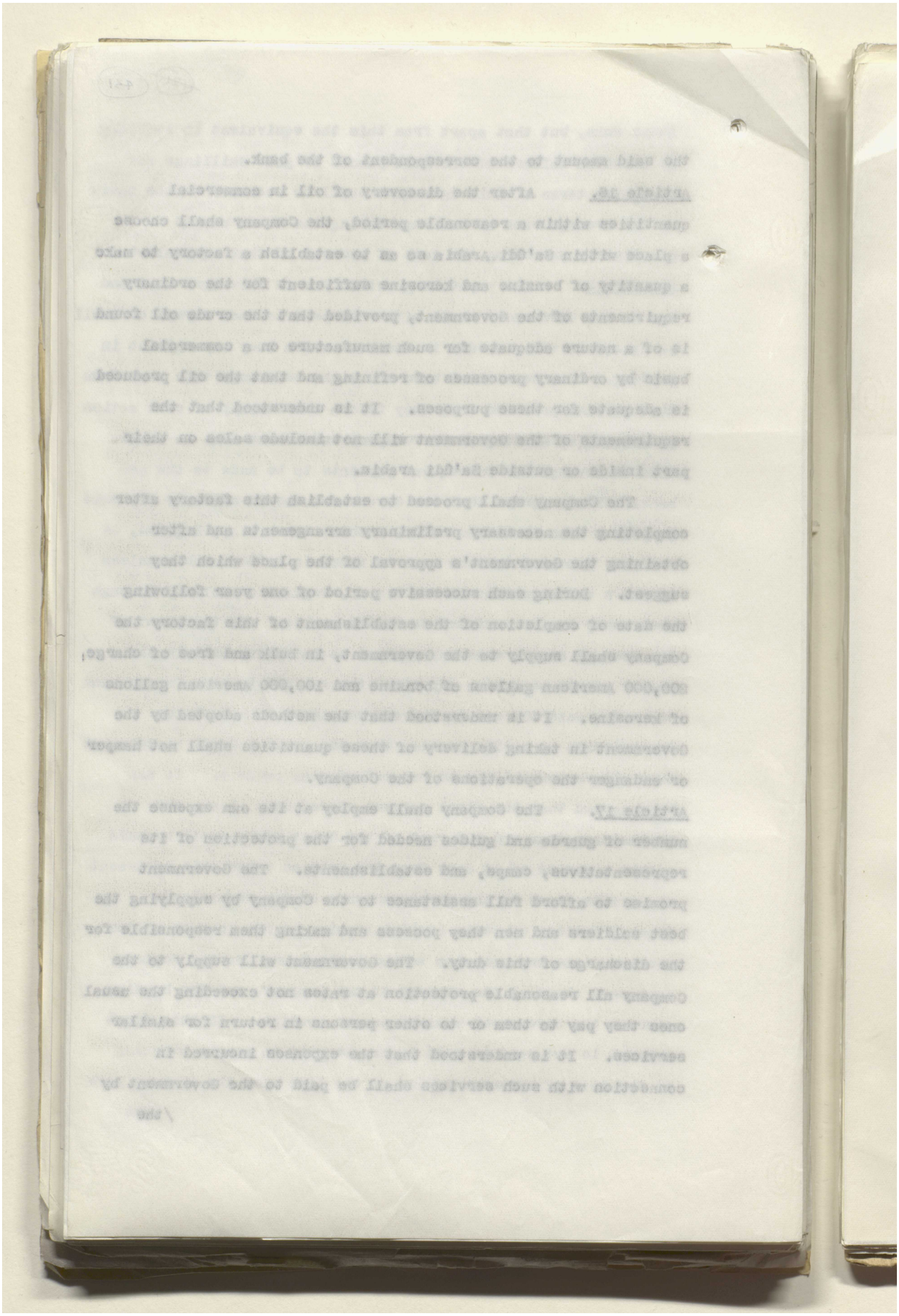

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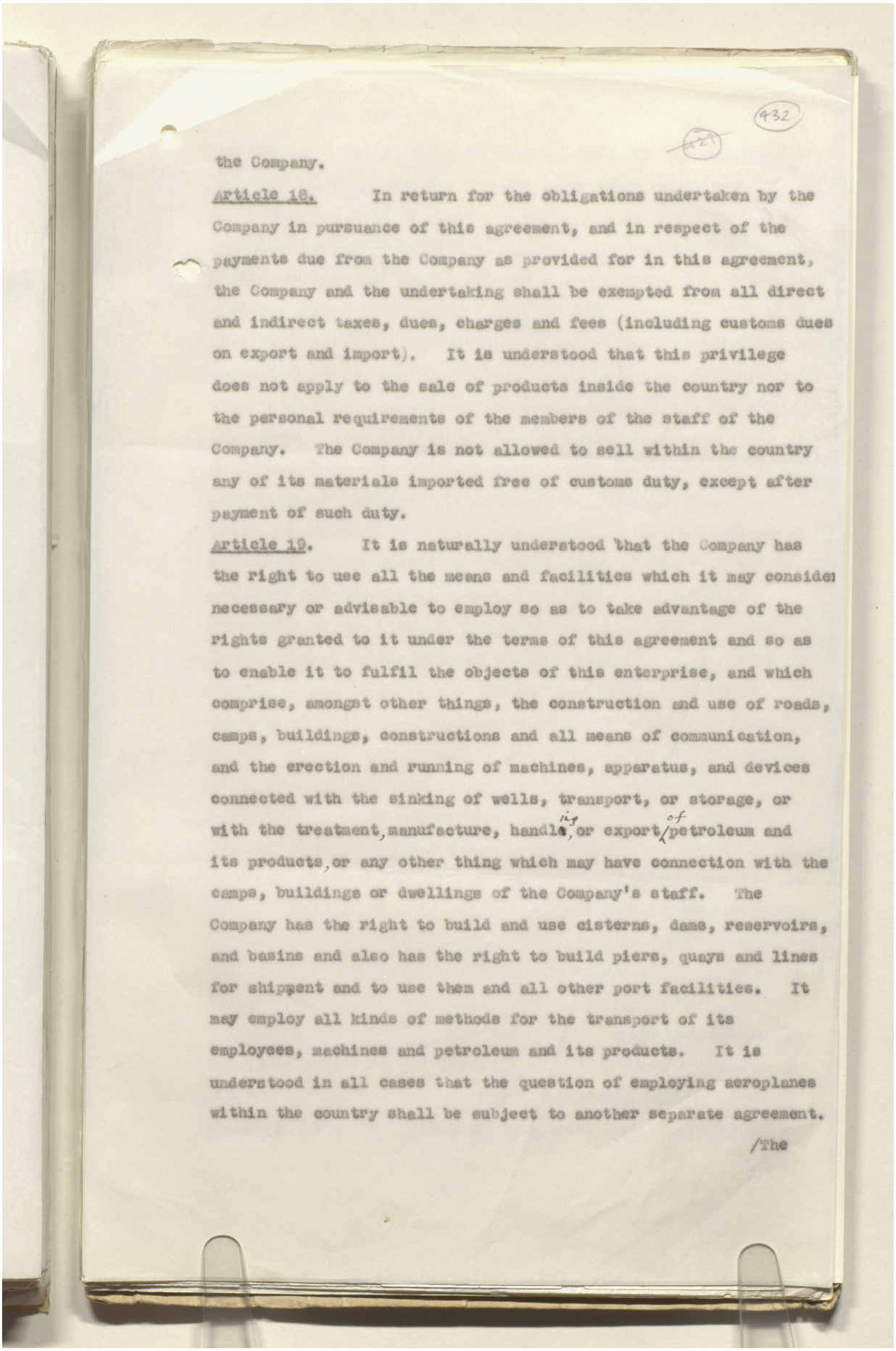

the Company.

Article 18. In return for the obligations undertaken by the Company in pursuance of this agreement, and in respect of the payments due from the Company as provided for in this agreement, the Company and the undertaking shall be exempted from all direct and indirect taxes, dues, charges and fees (including customs dues on export and import). It is understood that this privilege does not apply to the sale of products inside the country nor to the personal requirements of the members of the staff of the Company. The Company is not allowed to sell within the country any of its materials imported free of customs duty, except after payment of such duty.

Article 19. It is naturally understood that the Company has the right to use all the means and facilities which it may consider necessary or advisable to employ so as to take advantage of the rights granted to it under the terms of this agreement and so as to enable it to fulfil the objects of this enterprise, and which comprise, amongst other things, the construction and use of roads, camps, buildings, constructions and all means of communication, and the erection and running of machines, apparatus, and devices connected with the sinking of wells, transport, or storage, or with the treatment, manufacture, handling, or export of petroleum and its products, or any other thing which may have connection with the camps, buildings or dwellings of the Company's staff. The Company has the right to build and use cisterns, dams, reservoirs, and basins and also has the right to build piers, quays and lines for shipment and to use them and all other port facilities. It may employ all kinds of methods for the transport of its employees, machines and petroleum and its products. It is understood in all cases that the question of employing aeroplanes within the country shall be subject to another separate agreement.

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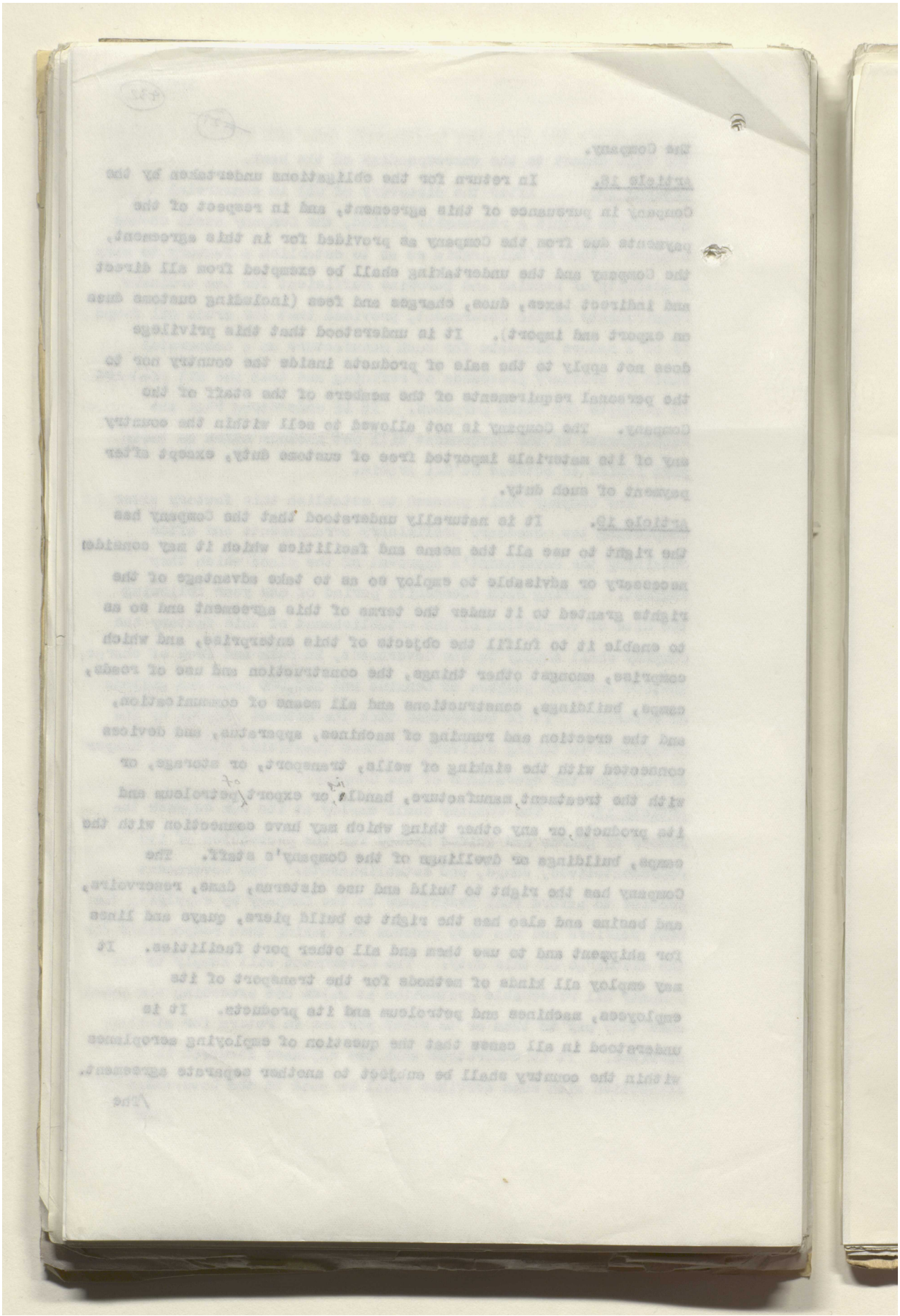

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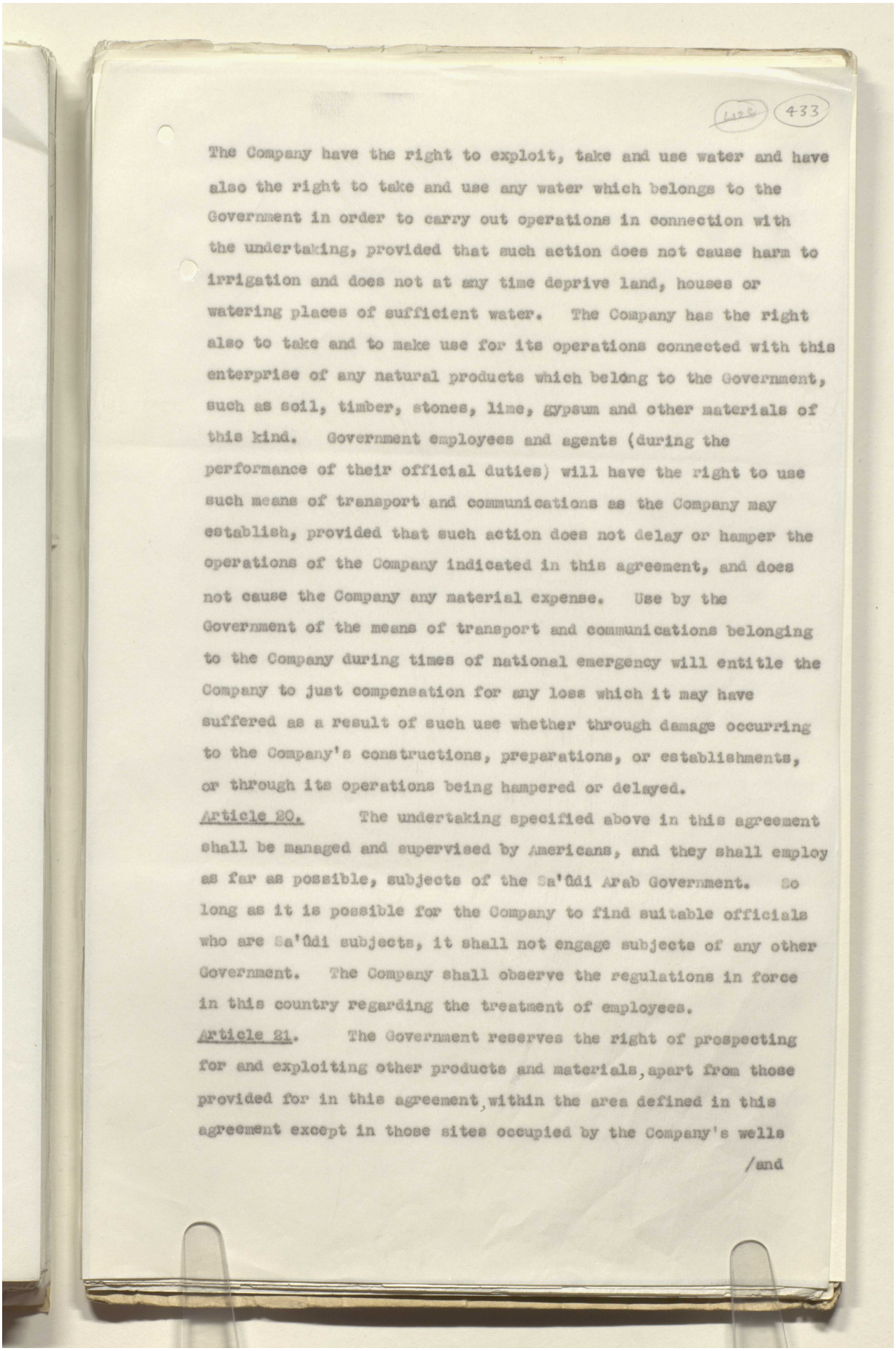

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The Company have the right to exploit, take and use water and have also the right to take and use any water which belongs to the Government in order to carry out operations in connection with the undertaking, provided that such action does not cause harm to irrigation and does not at any time deprive land, houses or watering places of sufficient water. The Company has the right also to take and to make use for its operations connected with this enterprise of any natural products which belong to the Government, such as soil, timber, stones, lime, gypsum and other materials of this kind. Government employees and agents (during the performance of their official duties) will have the right to use such means of transport and communications as the Company may establish, provided that such action does not delay or hamper the operations of the Company indicated in this agreement, and does not cause the Company any material expense. Use by the Government of the means of transport and communications belonging to the Company during times of national emergency will entitle the Company to just compensation for any loss which it may have suffered as a result of such use whether through damage occurring to the Company's constructions, preparations, or establishments, or through its operations being hampered or delayed.

Article 20. The undertaking specified above in this agreement shall be managed and supervised by Americans, and they shall employ as far as possible, subjects of the Sa'ûdi Arab Government. So long as it is possible for the Company to find suitable officials who are Sa'ûdi subjects, it shall not engage subjects of any other Government. The Company shall observe the regulations in force in this country regarding the treatment of employees.

Article 21. The Government reserves the right of prospecting for and exploiting other products and materials, apart from those provided for in this agreement, within the area defined in this agreement except in those sites occupied by the Company's wells

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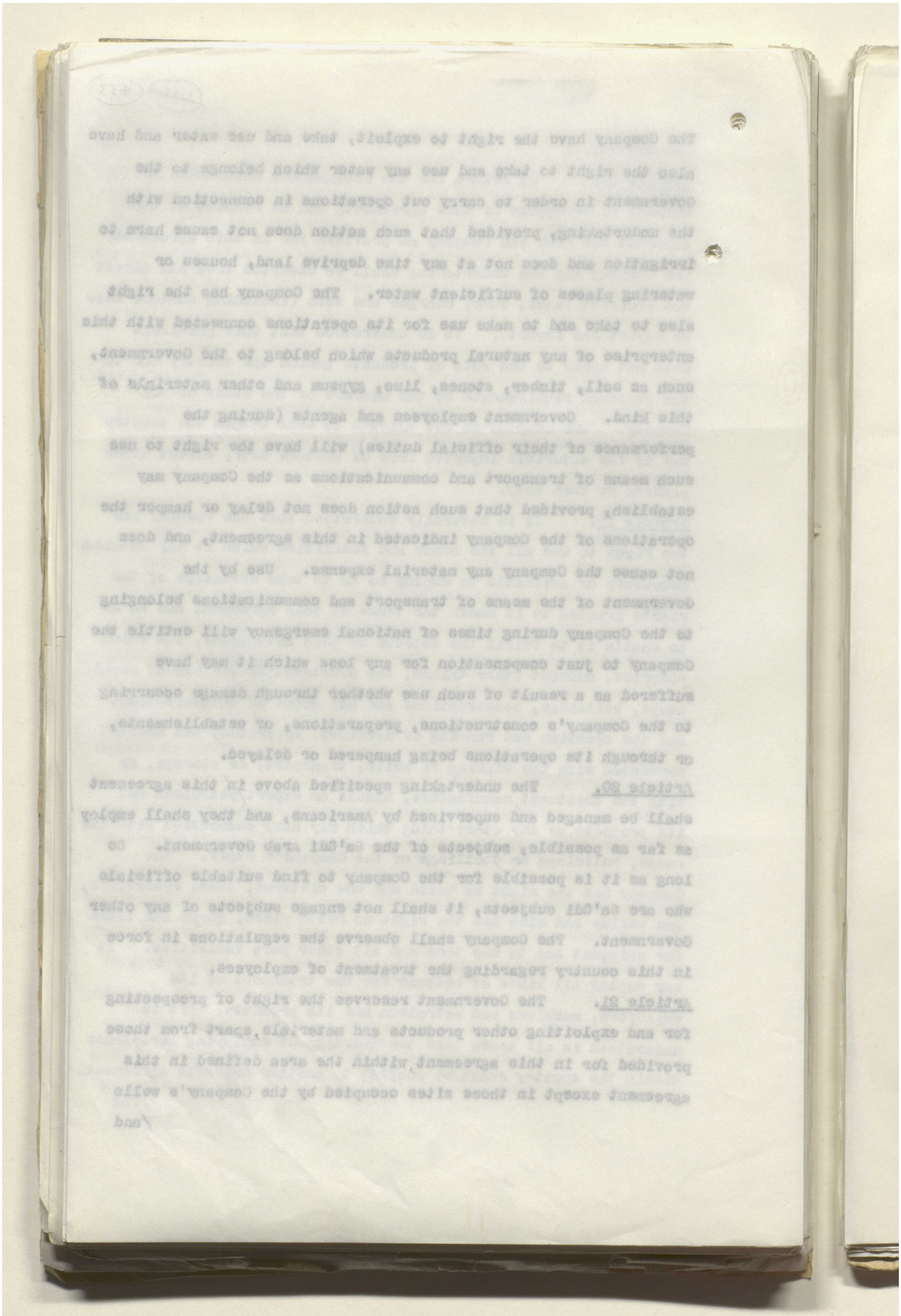

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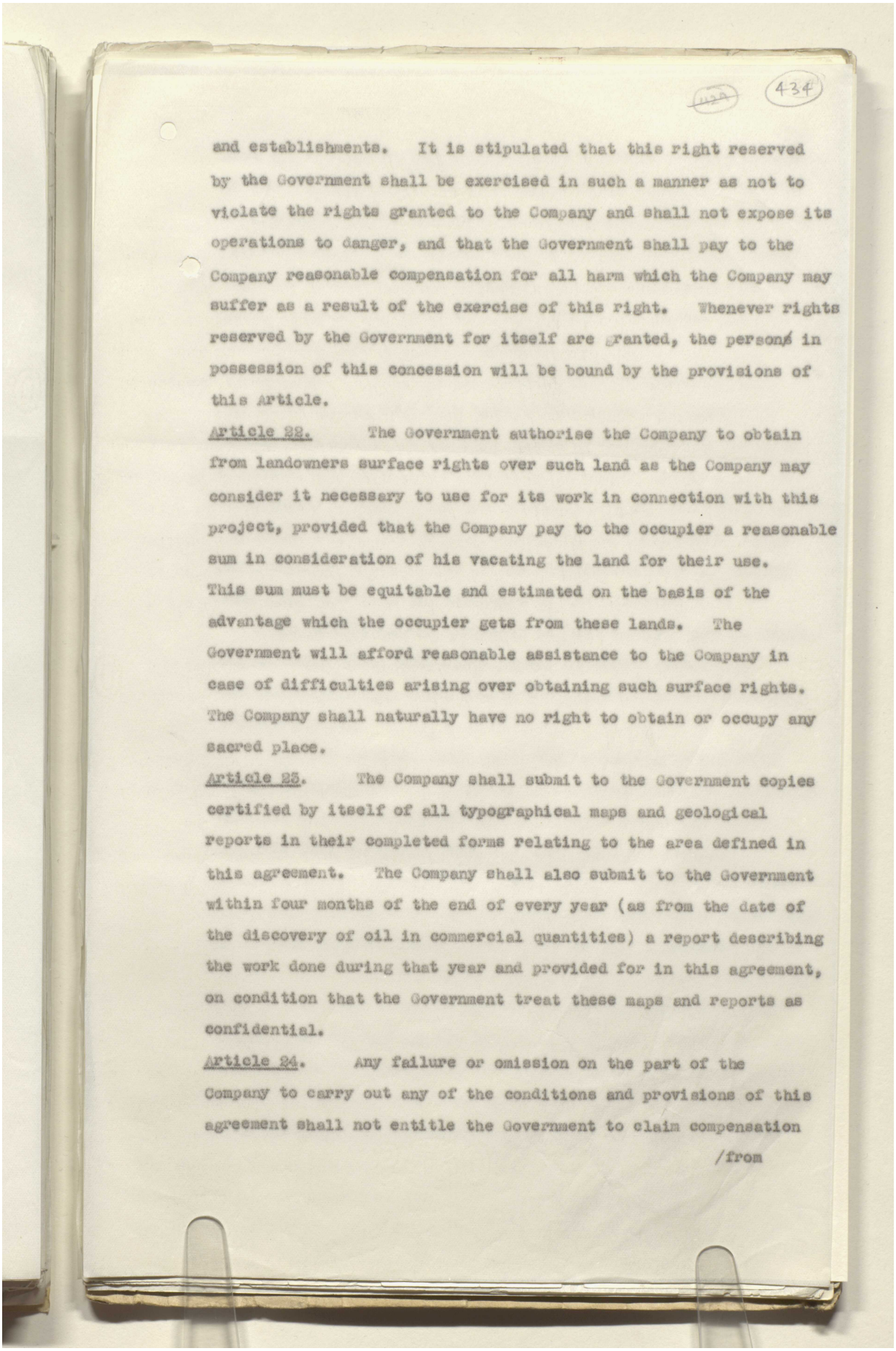

and establishments. It is stipulated that this right reserved by the Government shall be exercised in such a manner as not to violate the rights granted to the Company and shall not expose its operations to danger, and that the Government shall pay to the Company reasonable compensation for all harm which the Company may suffer as a result of the exercise of this right. Whenever rights reserved by the Government for itself are granted, the persons in possession of this concession will be bound by the provisions of this Article.

Article 22. The Government authorise the Company to obtain from landowners surface rights over such land as the Company may consider it necessary to use for its work in connection with this project, provided that the Company pay to the occupier a reasonable sum in consideration of his vacating the land for their use. This sum must be equitable and estimated on the basis of the advantage which the occupier gets from these lands. The Government will afford reasonable assistance to the Company in case of difficulties arising over obtaining such surface rights. The Company shall naturally have no right to obtain or occupy any sacred place.

Article 23. The Company shall submit to the Government copies certified by itself of all typographical maps and geological reports in their completed forms relating to the area defined in this agreement. The Company shall also submit to the Government within four months of the end of every year (as from the date of the discovery of oil in commercial quantities) a report describing the work done during that year and provided for in this agreement, on condition that the Government treat these maps and reports as confidential.

Article 24. Any failure or omission on the part of the Company to carry out any of the conditions and provisions of this agreement shall not entitle the Government to claim compensation

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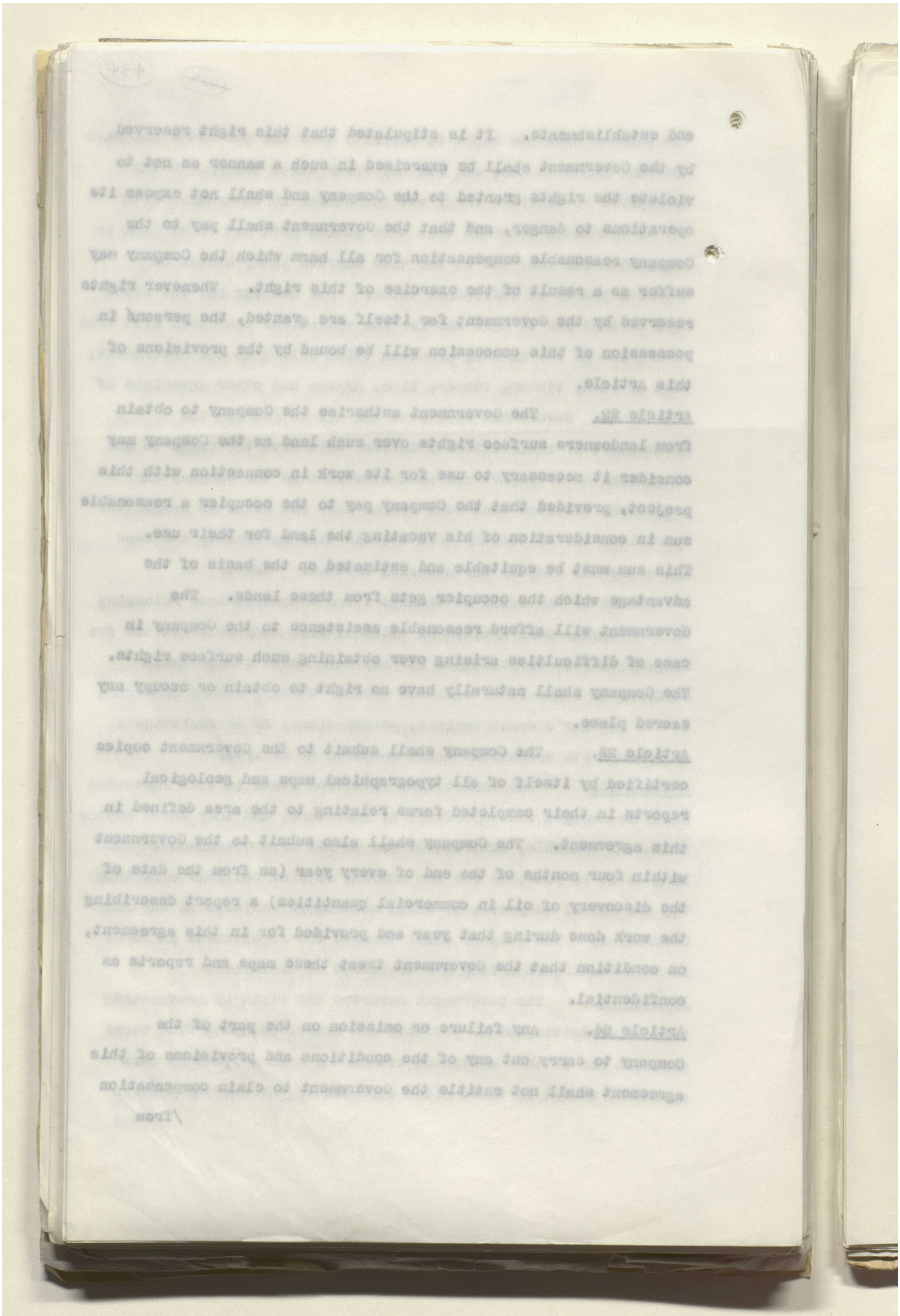

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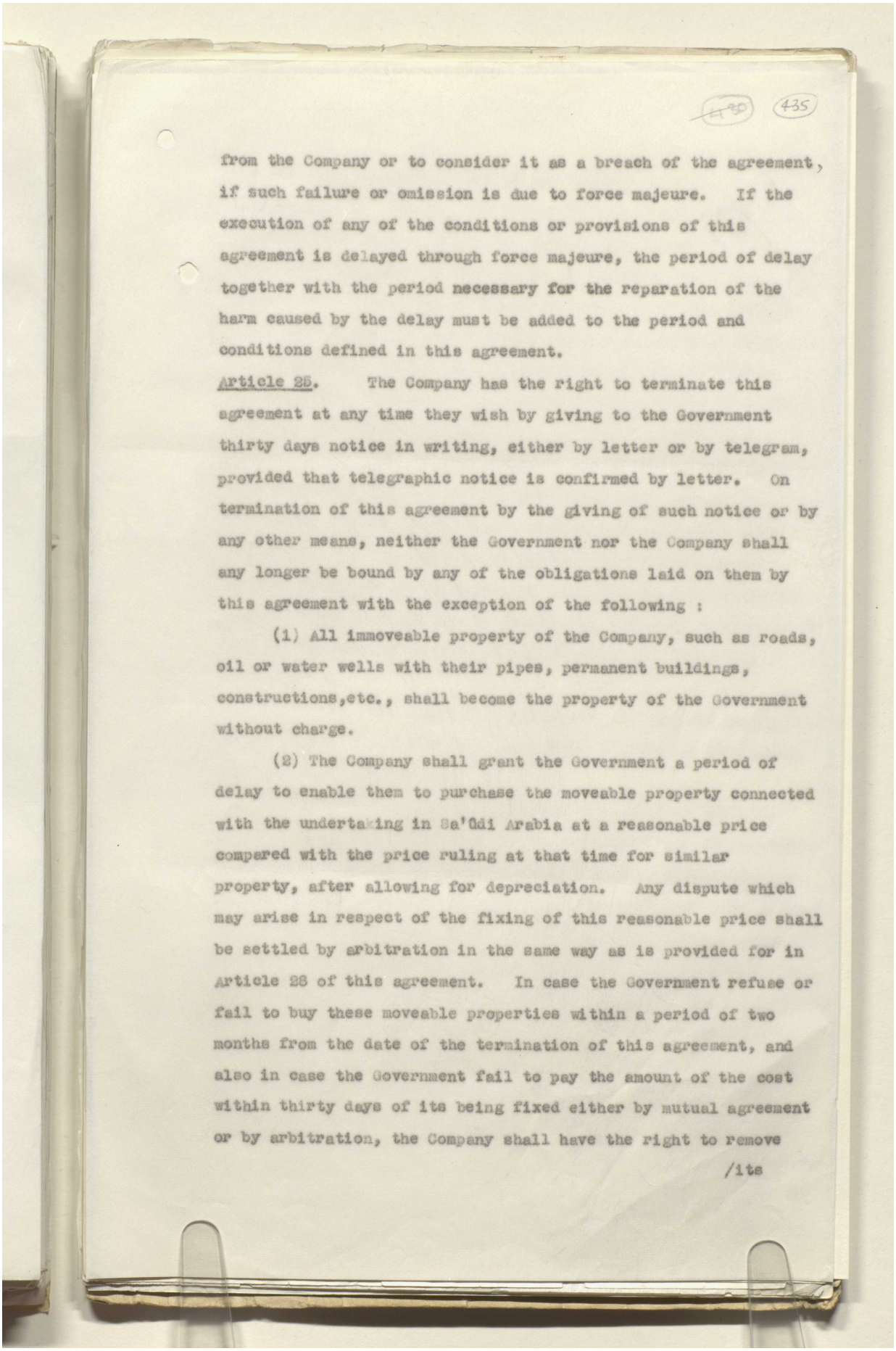

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from the Company or to consider it as a breach of the agreement, if such failure or omission is due to force majeure. If the execution of any of the conditions or provisions of this agreement is delayed through force majeure, the period of delay together with the period necessary for the reparation of the harm caused by the delay must be added to the period and conditions defined in this agreement.

Article 25. The Company has the right to terminate this agreement at any time they wish by giving to the Government thirty days notice in writing, either by letter or by telegram, provided that telegraphic notice is confirmed by letter. On termination of this agreement by the giving of such notice or by any other means, neither the Government nor the Company shall any longer be bound by any of the obligations laid on them by this agreement with the exception of the following :

(1) All immoveable property of the Company, such as roads, oil or water wells with their pipes, permanent buildings, constructions,etc., shall become the property of the Government without charge.

(2) The Company shall grant the Government a period of delay to enable them to purchase the moveable property connected with the undertaking in Sa'ûdi Arabia at a reasonable price compared with the price ruling at that time for similar property, after allowing for depreciation. Any dispute which may arise in respect of the fixing of this reasonable price shall be settled by arbitration in the same way as is provided for in Article 28 of this agreement. In case the Government refuse or fail to buy these moveable properties within a period of two months from the date of the termination of this agreement, and also in case the Government fail to pay the amount of the cost within thirty days of its being fixed either by mutual agreement or by arbitration, the Company shall have the right to remove

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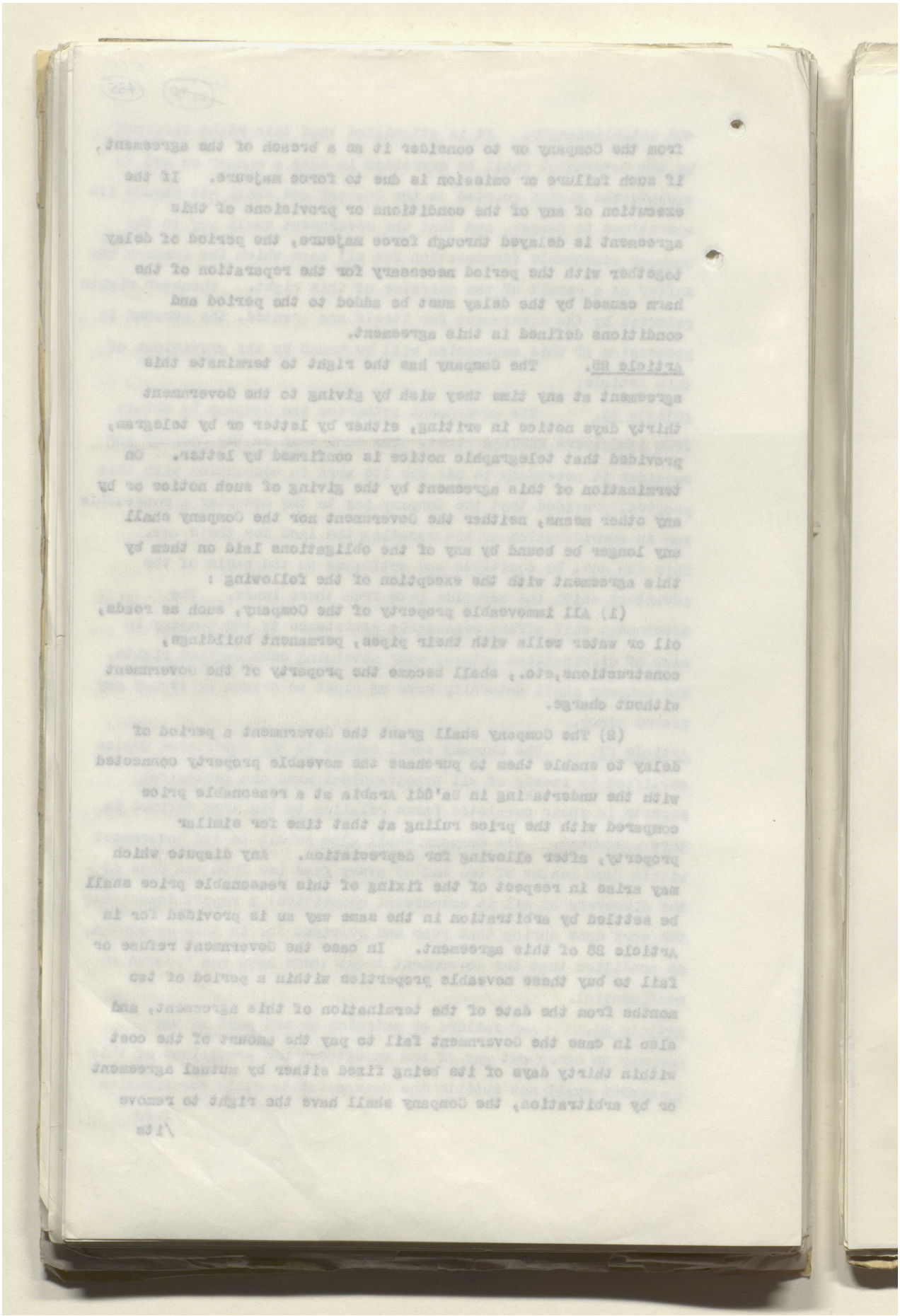

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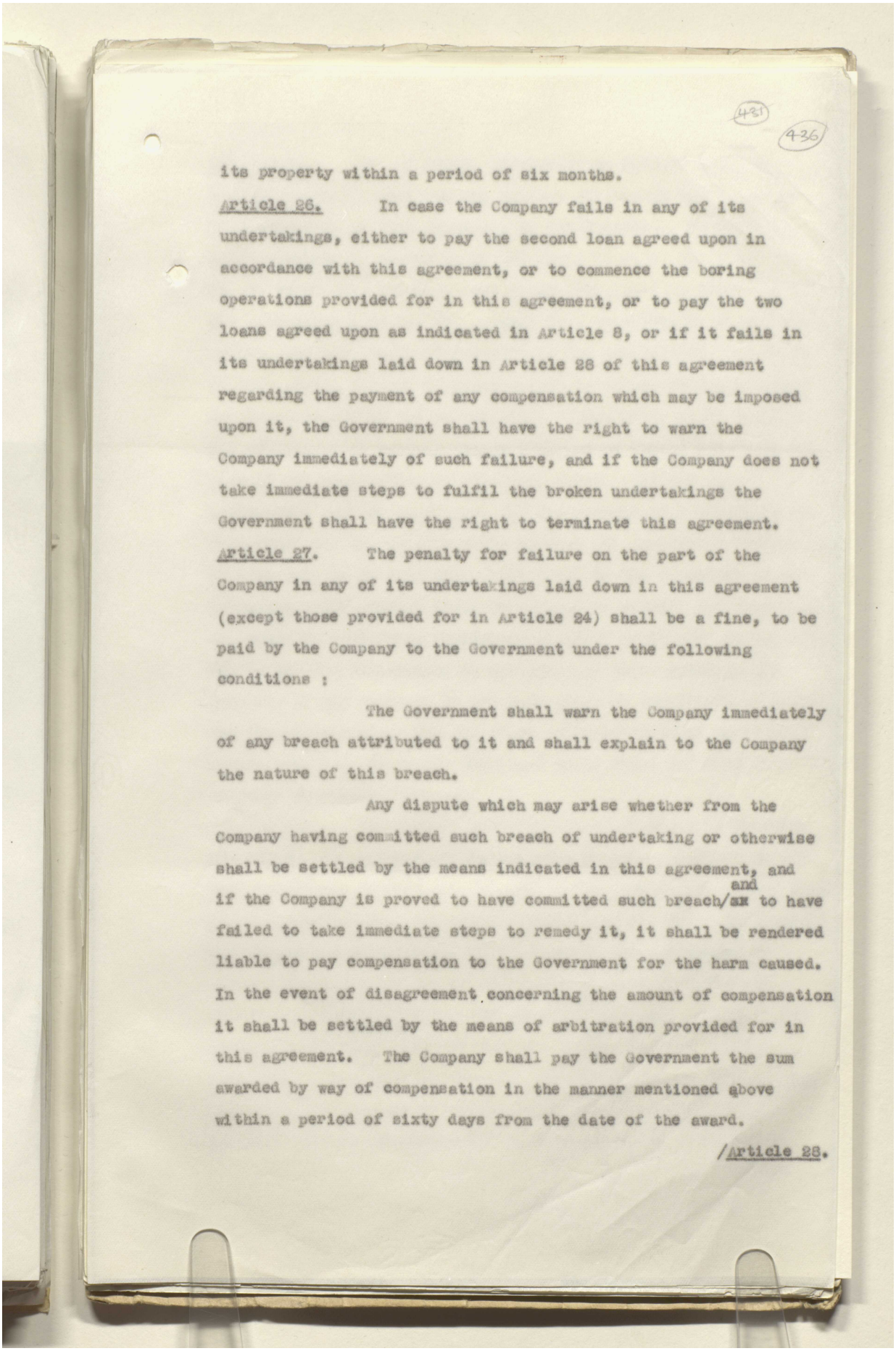

its property within a period of six months.

Article 26. In case the Company fails in any of its undertakings, either to pay the second loan agreed upon in accordance with this agreement, or to commence the boring operations provided for in this agreement, or to pay the two loans agreed upon as indicated in Article 8, or if it fails in its undertakings laid down in Article 28 of this agreement regarding the payment of any compensation which may be imposed upon it, the Government shall have the right to warn the Company immediately of such failure, and if the Company does not take immediate steps to fulfil the broken undertakings the Government shall have the right to terminate this agreement.

Article 27. The penalty for failure on the part of the Company in any of its undertakings laid down in this agreement (except those provided for in Article 24) shall be a fine, to be paid by the Company to the Government under the following conditions :

The Government shall warn the Company immediately of any breach attributed to it and shall explain to the Company the nature of this breach.

Any dispute which may arise whether from the Company having committed such breach of undertaking or otherwise shall be settled by the means indicated in this agreement, and if the Company is proved to have committed such breach and to have failed to take immediate steps to remedy it, it shall be rendered liable to pay compensation to the Government for the harm caused. In the event of disagreement concerning the amount of compensation it shall be settled by the means of arbitration provided for in this agreement. The Company shall pay the Government the sum awarded by way of compensation in the manner mentioned above within a period of sixty days from the date of the award.

/Article 28.

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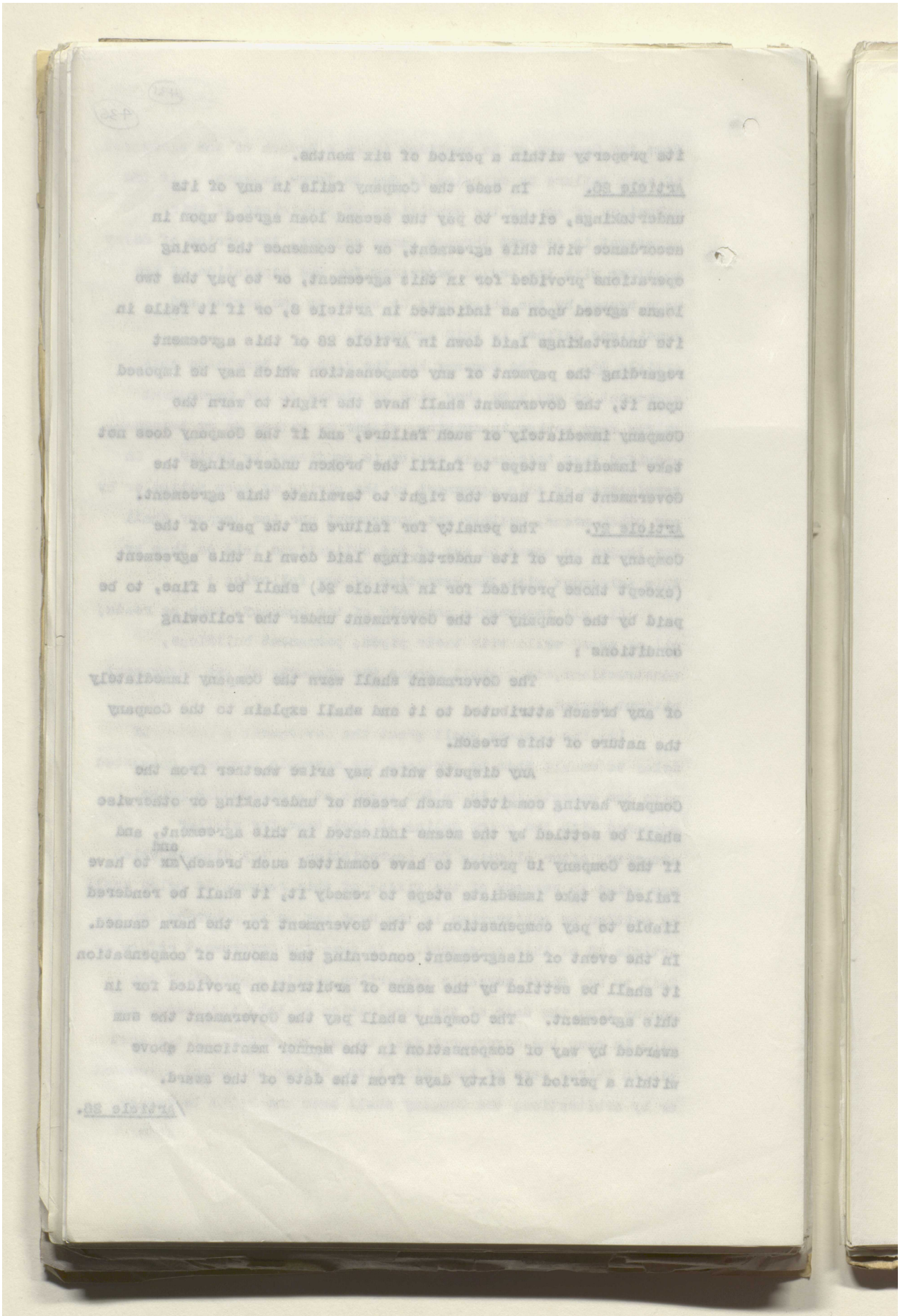

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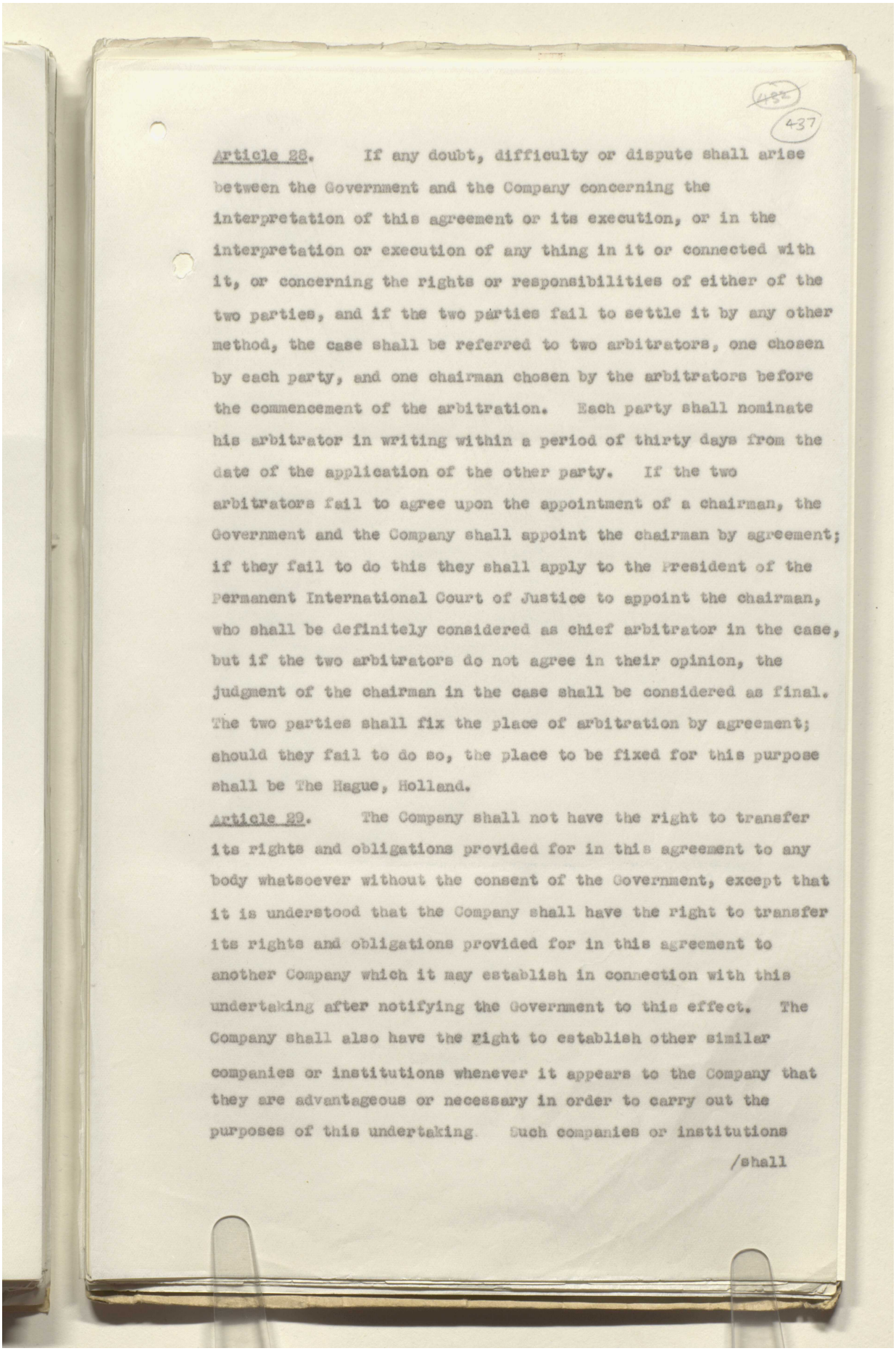

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Article 28. If any doubt, difficulty or dispute shall arise between the Government and the Company concerning the interpretation of this agreement or its execution, or in the interpretation or execution of any thing in it or connected with it, or concerning the rights or responsibilities of either of the two parties, and if the two parties fail to settle it by any other method, the case shall be referred to two arbitrators, one chosen by each party, and one chairman chosen by the arbitrators before the commencement of the arbitration. Each party shall nominate his arbitrator in writing within a period of thirty days from the date of the application of the other party. If the two arbitrators fail to agree upon the appointment of a chairman, the Government and the Company shall appoint the chairman by agreement; if they fail to do this they shall apply to the President of the Permanent International Court of Justice to appoint the chairman, who shall be definitely considered as chief arbitrator in the case, but if the two arbitrators do not agree in their opinion, the judgment of the chairman in the case shall be considered as final. The two parties shall fix the place of arbitration by agreement; should they fail to do so, the place to be fixed for this purpose shall be The Hague, Holland.

Article 29. The Company shall not have the right to transfer its rights and obligations provided for in this agreement to any body whatsoever without the consent of the Government, except that it is understood that the Company shall have the right to transfer its rights and obligations provided for in this agreement to another Company which it may establish in connection with this undertaking after notifying the Government to this effect. The Company shall also have the right to establish other similar companies or institutions whenever it appears to the Company that they are advantageous or necessary in order to carry out the purposes of this undertaking. Such companies or institutions

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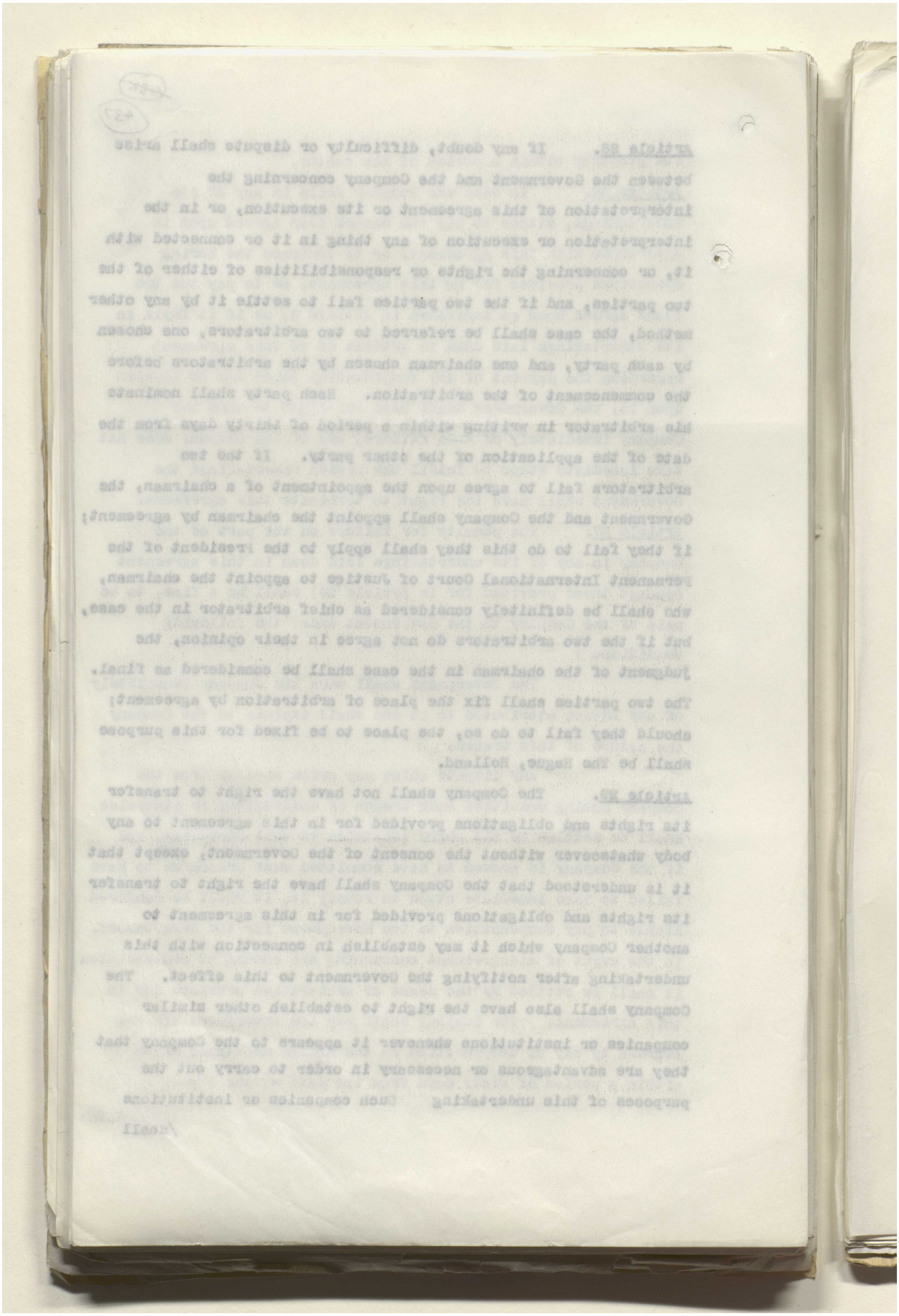

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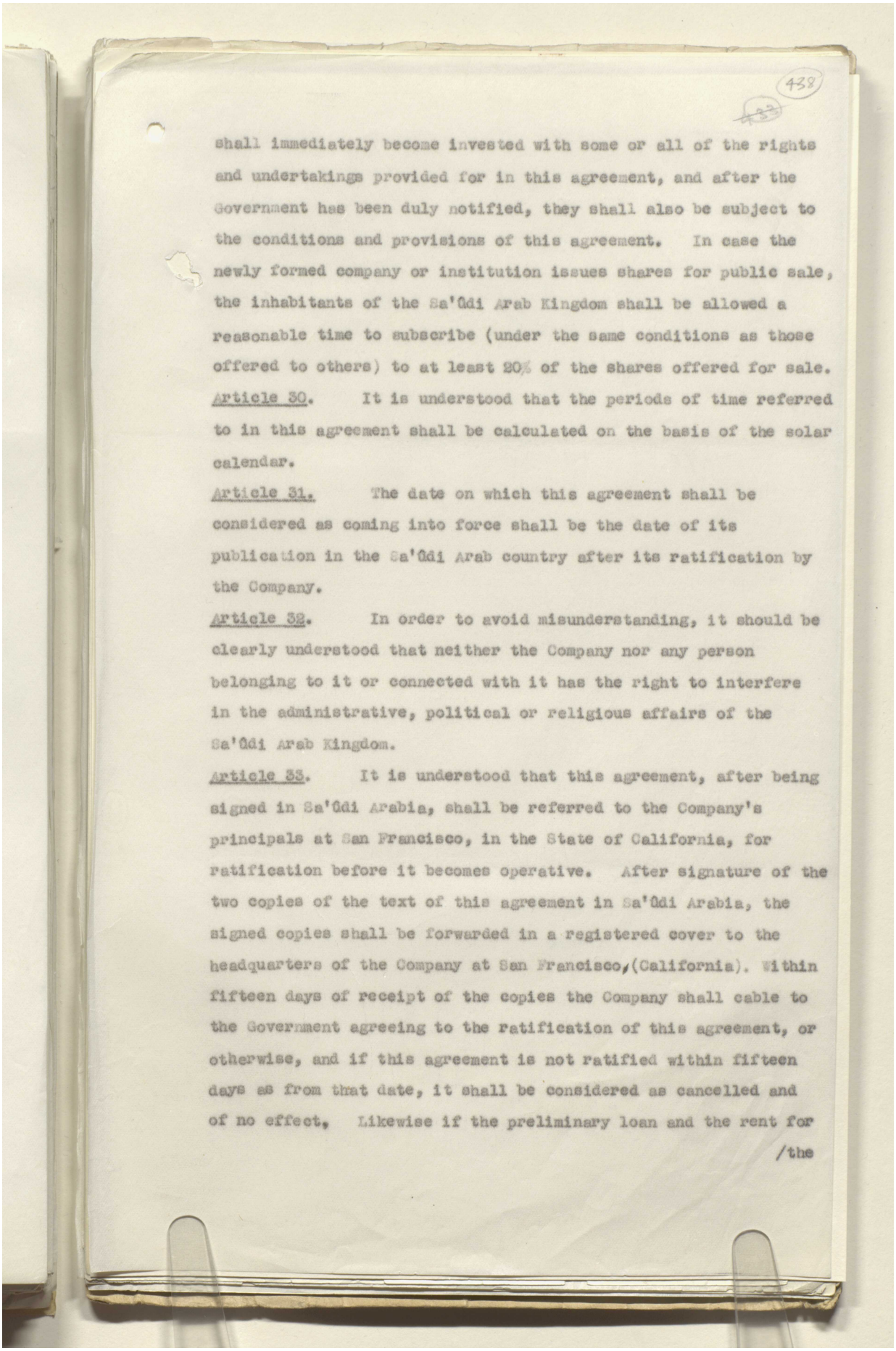

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shall immediately become invested with some or all of the rights and undertakings provided for in this agreement, and after the Government has been duly notified, they shall also be subject to the conditions and provisions of this agreement. In case the newly formed company or institution issues shares for public sale, the inhabitants of the Sa'ûdi Arab Kingdom shall be allowed a reasonable time to subscribe (under the same conditions as those offered to others) to at least 20% of the shares offered for sale.

Article 30. It is understood that the periods of time referred to in this agreement shall be calculated on the basis of the solar calendar.

Article 31. The date on which this agreement shall be considered as coming into force shall be the date of its publication in the Sa'ûdi Arab country after its ratification by the Company.

Article 32. In order to avoid misunderstanding, it should be clearly understood that neither the Company nor any person belonging to it or connected with it has the right to interfere in the administrative, political or religious affairs of the Sa'ûdi Arab Kingdom.

Article 33. It is understood that this agreement, after being signed in Sa'ûdi Arabia, shall be referred to the Company's principals at San Francisco, in the State of California, for ratification before it becomes operative. After signature of the two copies of the text of this agreement in Sa'ûdi Arabia, the signed copies shall be forwarded in a registered cover to the headquarters of the Company at San Francisco, (California). Within fifteen days of receipt of the copies the Company shall cable to the Government agreeing to the ratification of this agreement, or otherwise, and if this agreement is not ratified within fifteen days as from that date, it shall be considered as cancelled and of no effect. Likewise if the preliminary loan and the rent for

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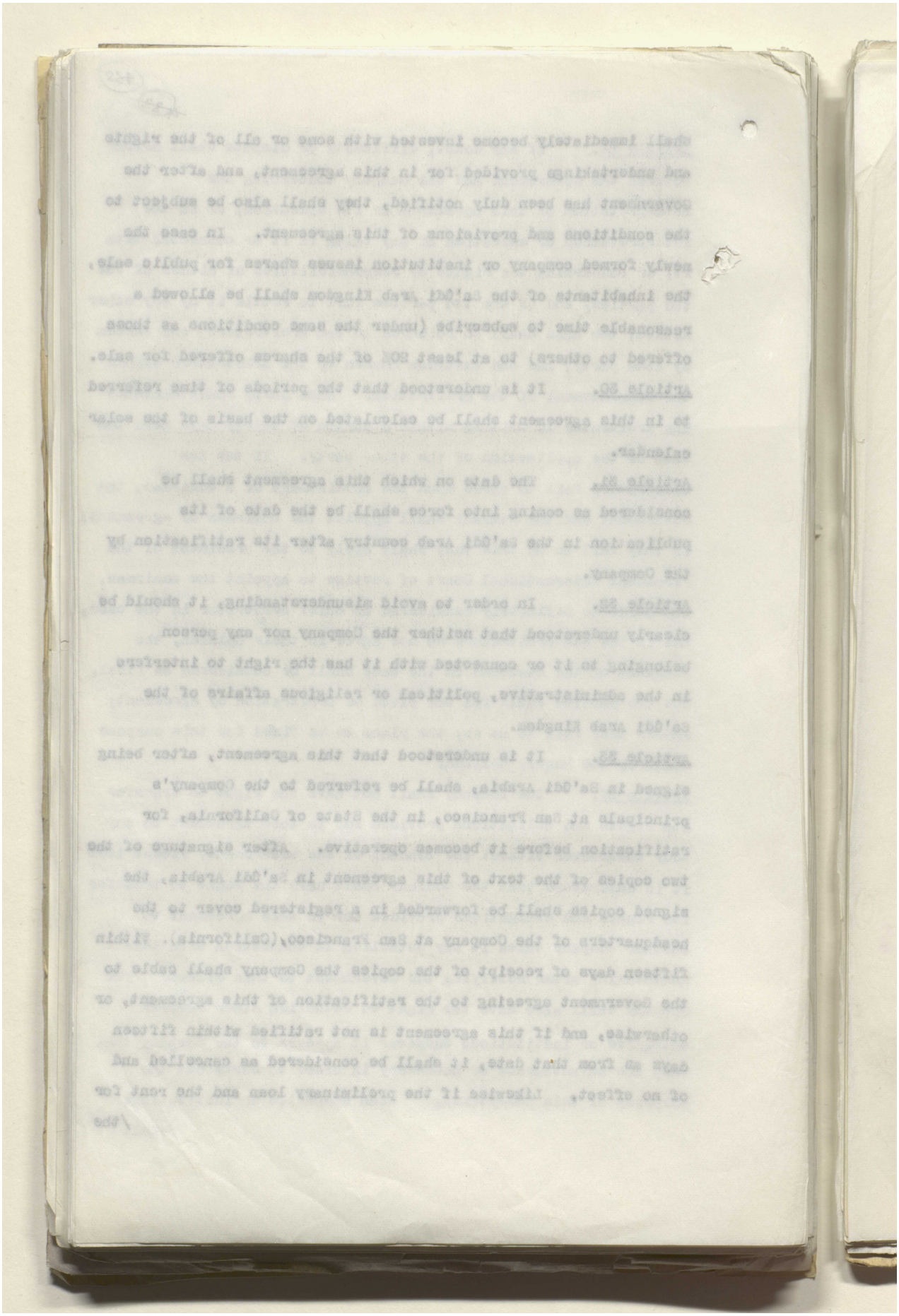

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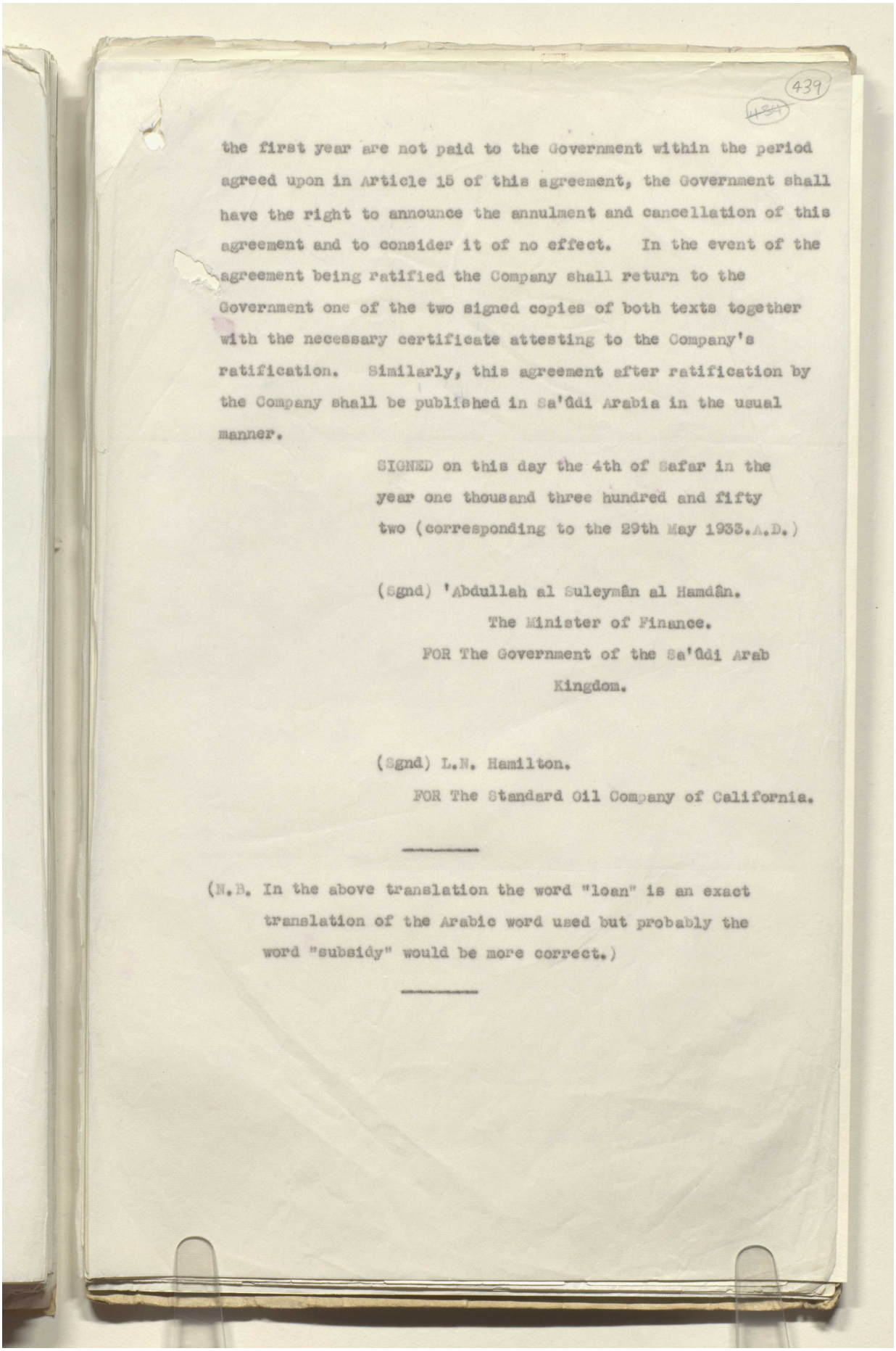

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the first year are not paid to the Government within the period agreed upon in Article 15 of this agreement, the Government shall have the right to announce the annulment and cancellation of this agreement and to consider it of no effect. In the event of the agreement being ratified the Company shall return to the Government one of the two signed copies of both texts together with the necessary certificate attesting to the Company's ratification. Similarly, this agreement after ratification by the Company shall be published in Sa'ûdi Arabia in the usual manner.

SIGNED on this day the 4th of Safar in the year one thousand three hundred and fifty two (corresponding to the 29th May 1933.A.D.)

(Sgnd) 'Abdullah al Suleymân al Hamdân.
The Minister of Finance.
FOR The Government of the Sa'ûdi Arab Kingdom.

(Sgnd) L.N. Hamilton.
FOR The Standard Oil Company of California.

(N.B. In the above translation the word "loan" is an exact translation of the Arabic word used but probably the word "subsidy" would be more correct.)

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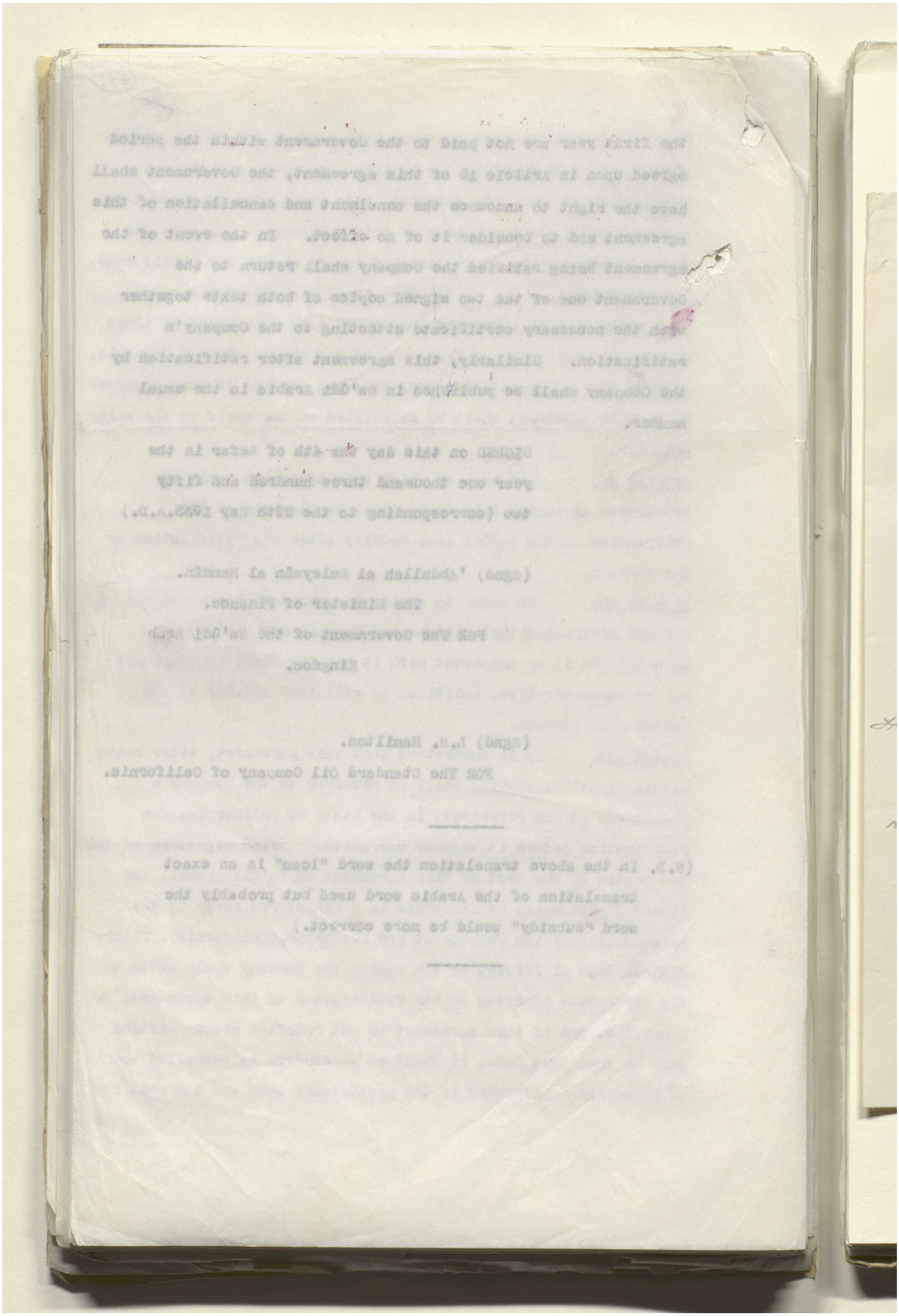

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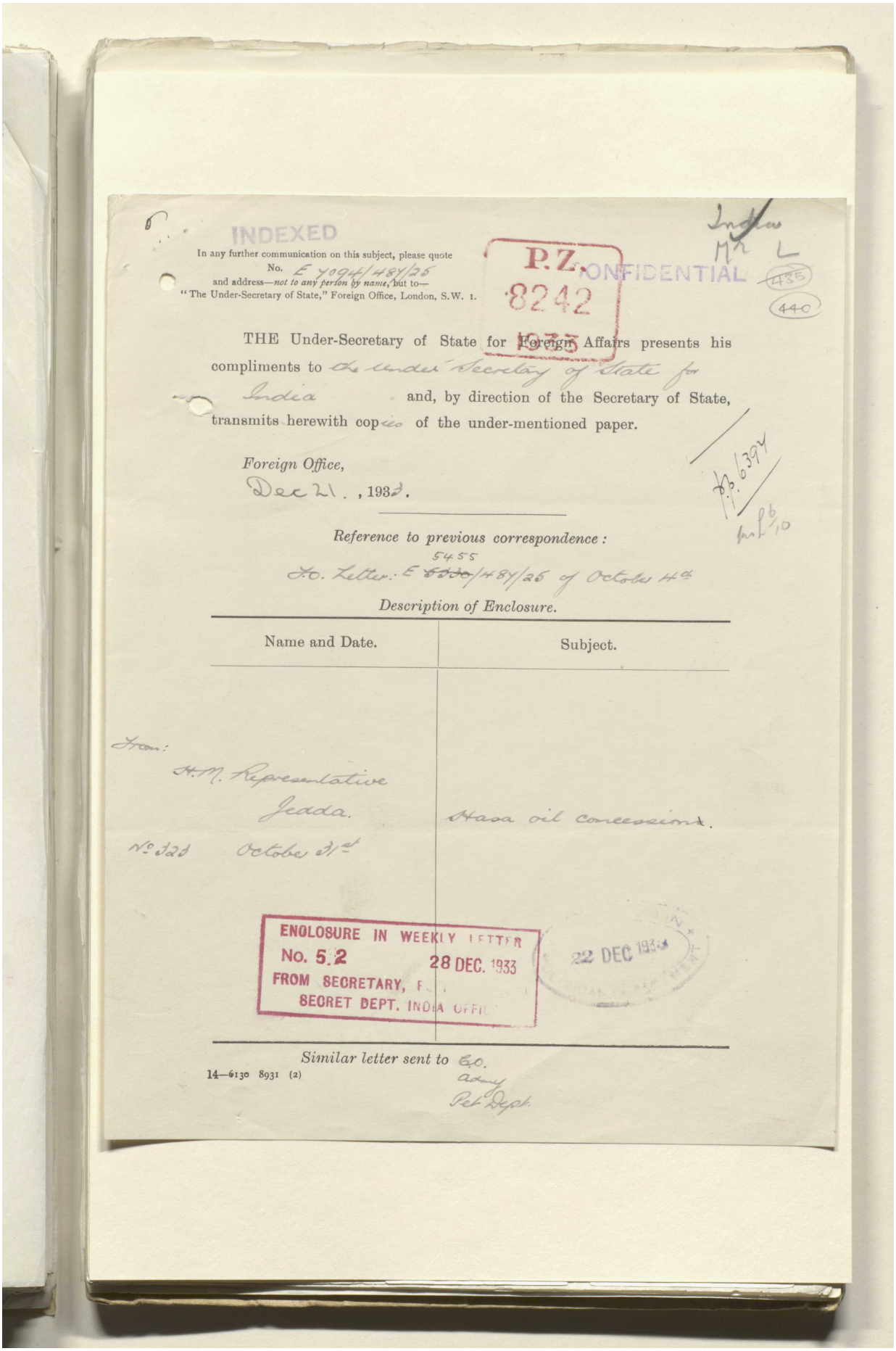

INDEXED

In any further communication on this subject, please quote
No. E 7094/484/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P.Z. 8242

CONFIDENTIAL

India
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THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
Dec 21, 1933.

P.Z. 6394

Reference to previous correspondence:
F.O. Letter: E 5455/484/25 of October 4th

Description of Enclosure.

Name and Date.	Subject.
From: H.M. Representative Jeddah. No. 321 October 31st	Hasa oil concession.

ENCLOSURE IN WEEKLY LETTER
No. 5.2 28 DEC. 1933
FROM SECRETARY, F.
SECRET DEPT. INDIA OFFICE

22 DEC 1933

Similar letter sent to F.O.
Admy
Pet Dept.

14—6130 8931 (2)

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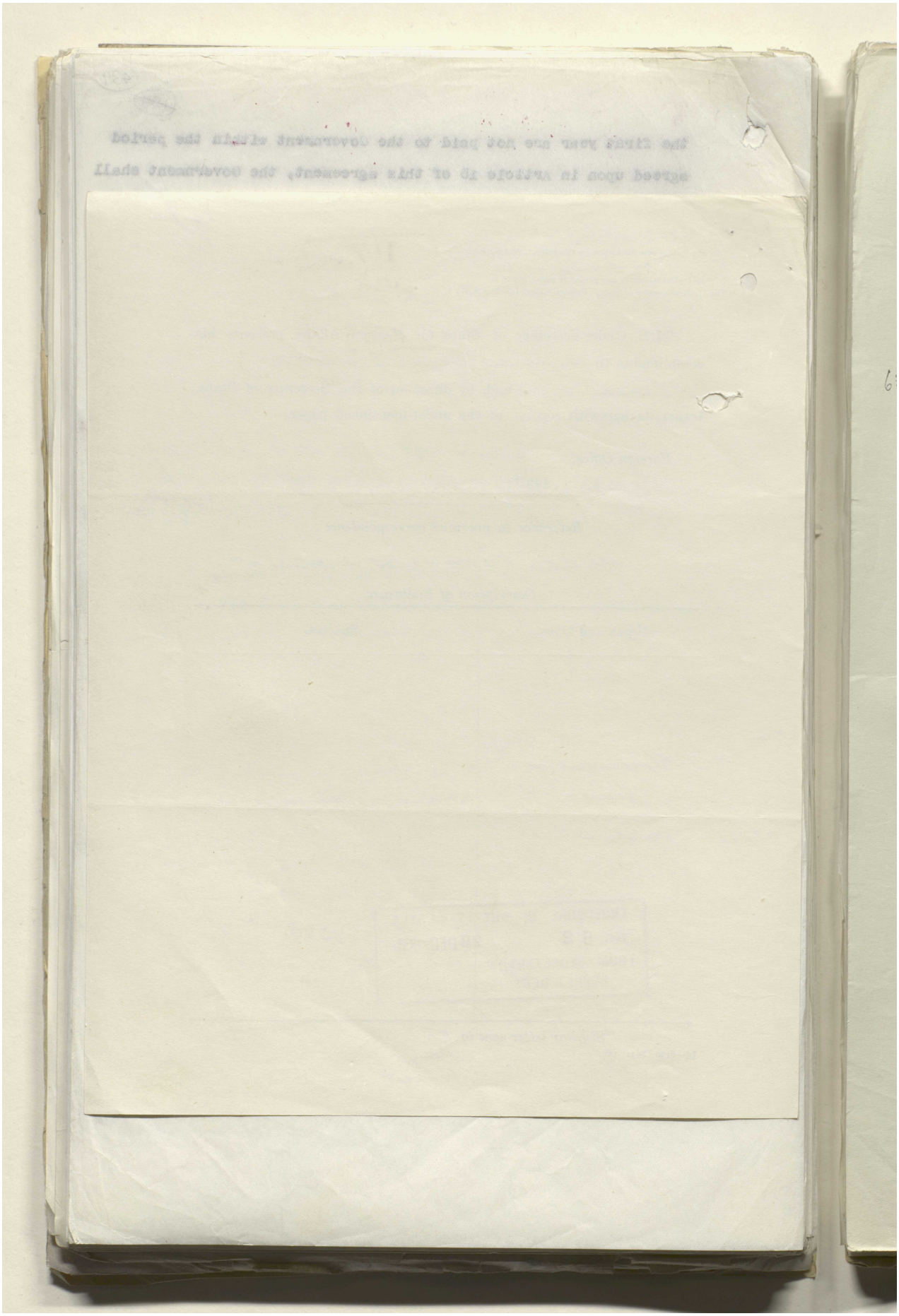

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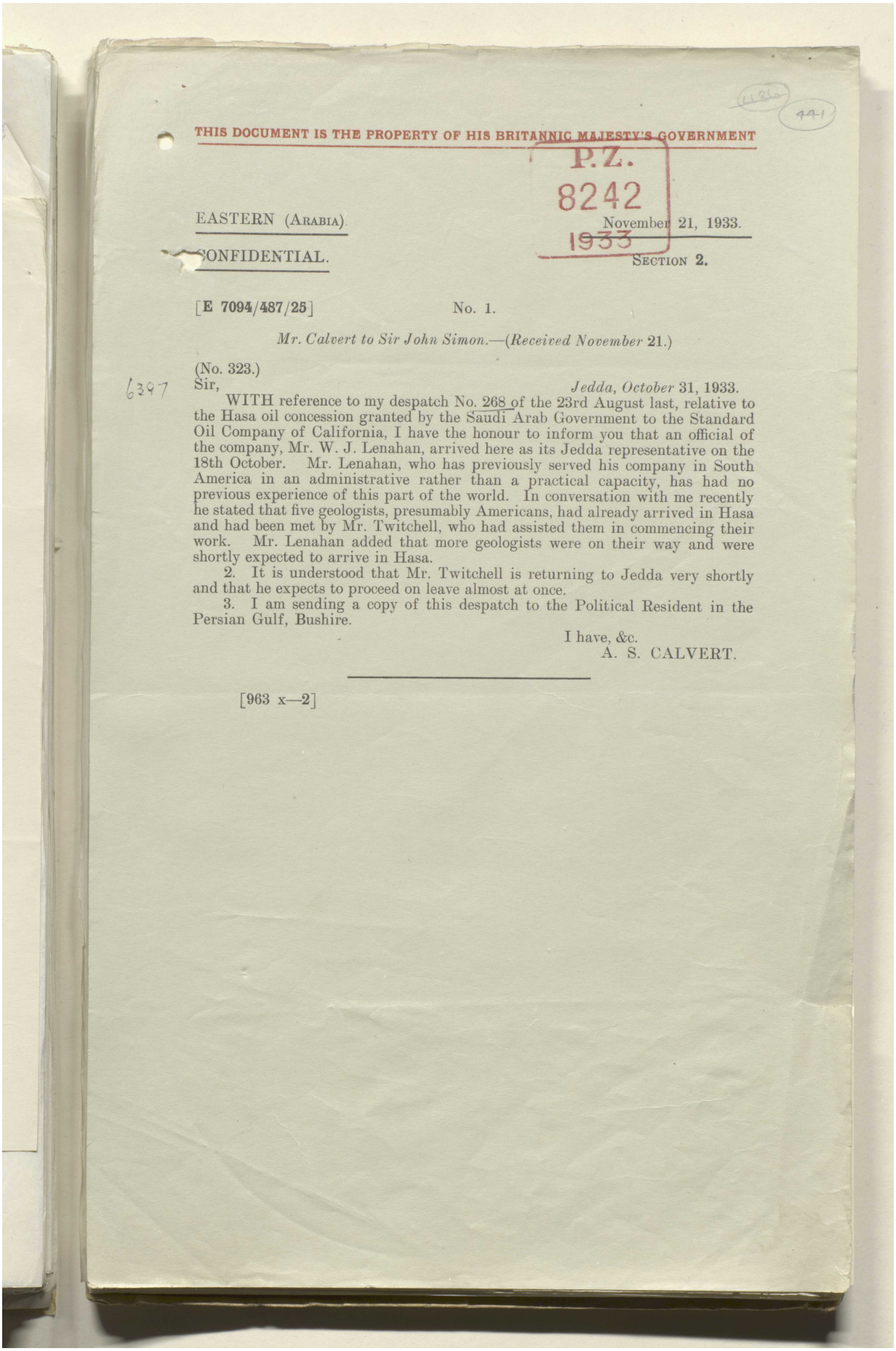

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P.Z.
8242
1933

EASTERN (ARABIA). November 21, 1933.

CONFIDENTIAL. SECTION 2.

[E 7094/487/25] No. 1.

Mr. Calvert to Sir John Simon.—(Received November 21.)

(No. 323.)

6397

Sir, *Jedda, October 31, 1933.*

WITH reference to my despatch No. 268 of the 23rd August last, relative to the Hasa oil concession granted by the Saudi Arab Government to the Standard Oil Company of California, I have the honour to inform you that an official of the company, Mr. W. J. Lenahan, arrived here as its Jedda representative on the 18th October. Mr. Lenahan, who has previously served his company in South America in an administrative rather than a practical capacity, has had no previous experience of this part of the world. In conversation with me recently he stated that five geologists, presumably Americans, had already arrived in Hasa and had been met by Mr. Twitchell, who had assisted them in commencing their work. Mr. Lenahan added that more geologists were on their way and were shortly expected to arrive in Hasa.

2. It is understood that Mr. Twitchell is returning to Jedda very shortly and that he expects to proceed on leave almost at once.

3. I am sending a copy of this despatch to the Political Resident in the Persian Gulf, Bushire.

I have, &c.
A. S. CALVERT.

[963 x—2]

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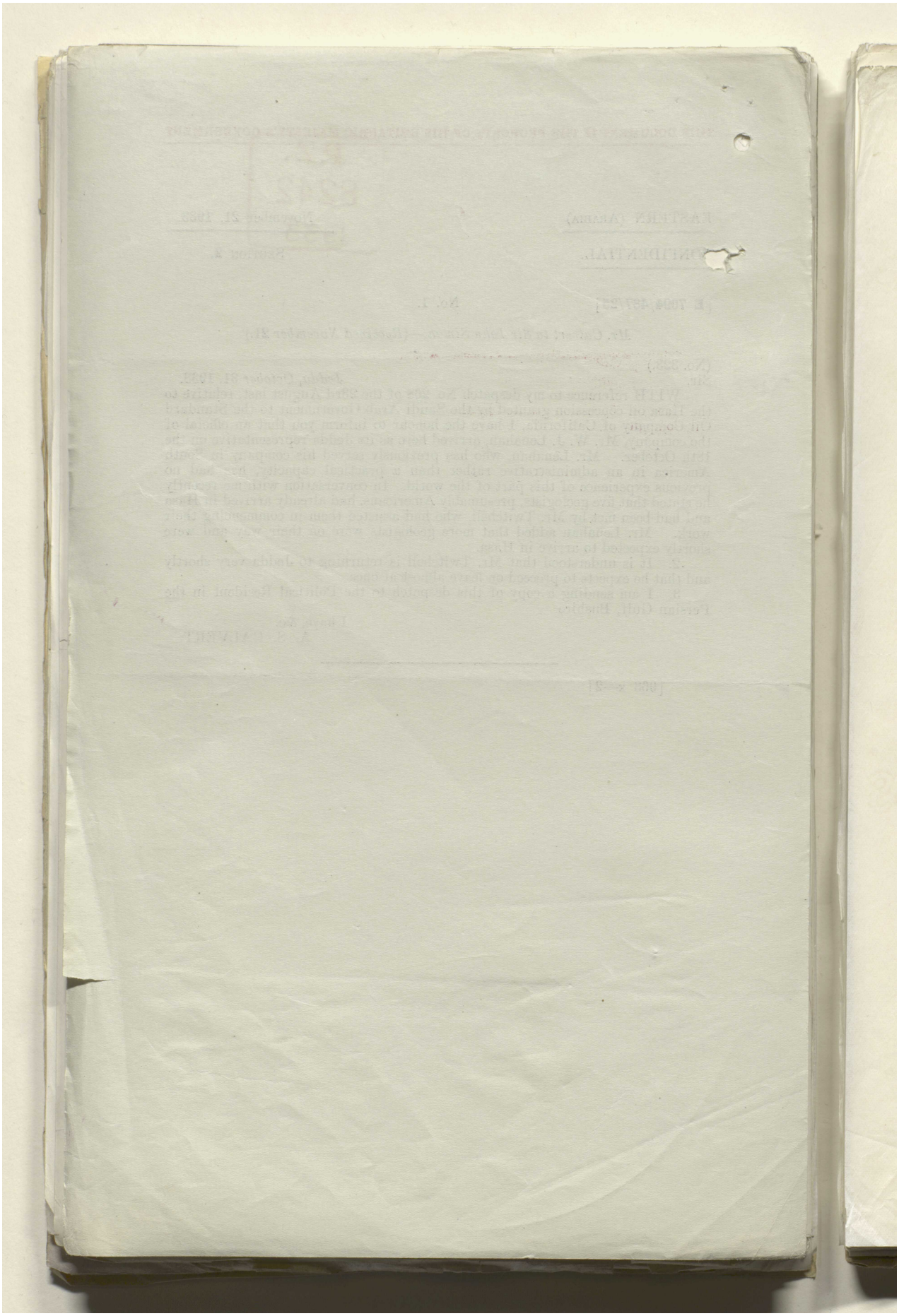

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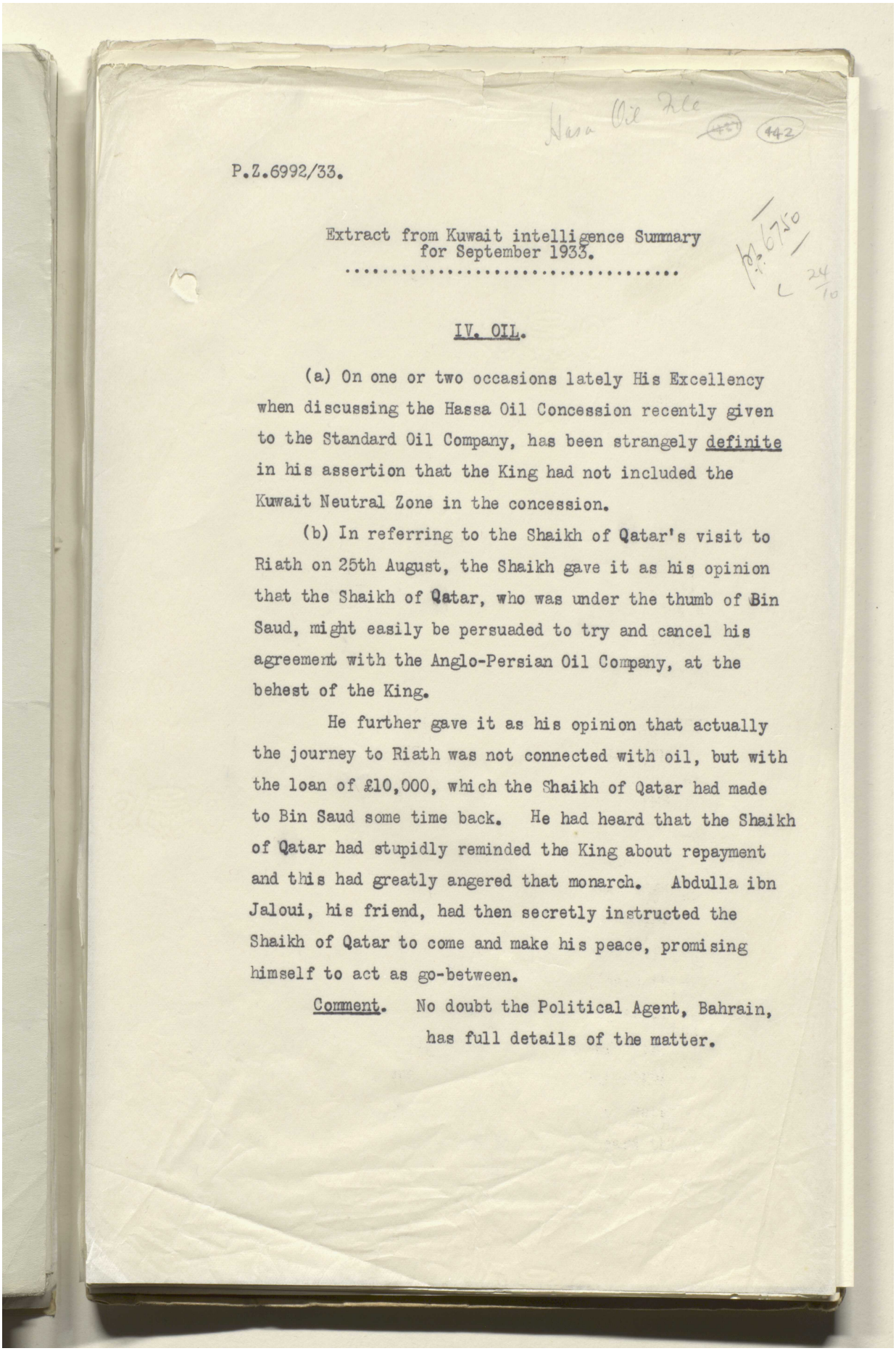

Hasa Oil File 442

P.Z.6992/33.

Extract from Kuwait intelligence Summary
for September 1933.

.....

IV. OIL.

(a) On one or two occasions lately His Excellency when discussing the Hassa Oil Concession recently given to the Standard Oil Company, has been strangely definite in his assertion that the King had not included the Kuwait Neutral Zone in the concession.

(b) In referring to the Shaikh of Qatar's visit to Riath on 25th August, the Shaikh gave it as his opinion that the Shaikh of Qatar, who was under the thumb of Bin Saud, might easily be persuaded to try and cancel his agreement with the Anglo-Persian Oil Company, at the behest of the King.

He further gave it as his opinion that actually the journey to Riath was not connected with oil, but with the loan of £10,000, which the Shaikh of Qatar had made to Bin Saud some time back. He had heard that the Shaikh of Qatar had stupidly reminded the King about repayment and this had greatly angered that monarch. Abdulla ibn Jaloui, his friend, had then secretly instructed the Shaikh of Qatar to come and make his peace, promising himself to act as go-between.

Comment. No doubt the Political Agent, Bahrain, has full details of the matter.

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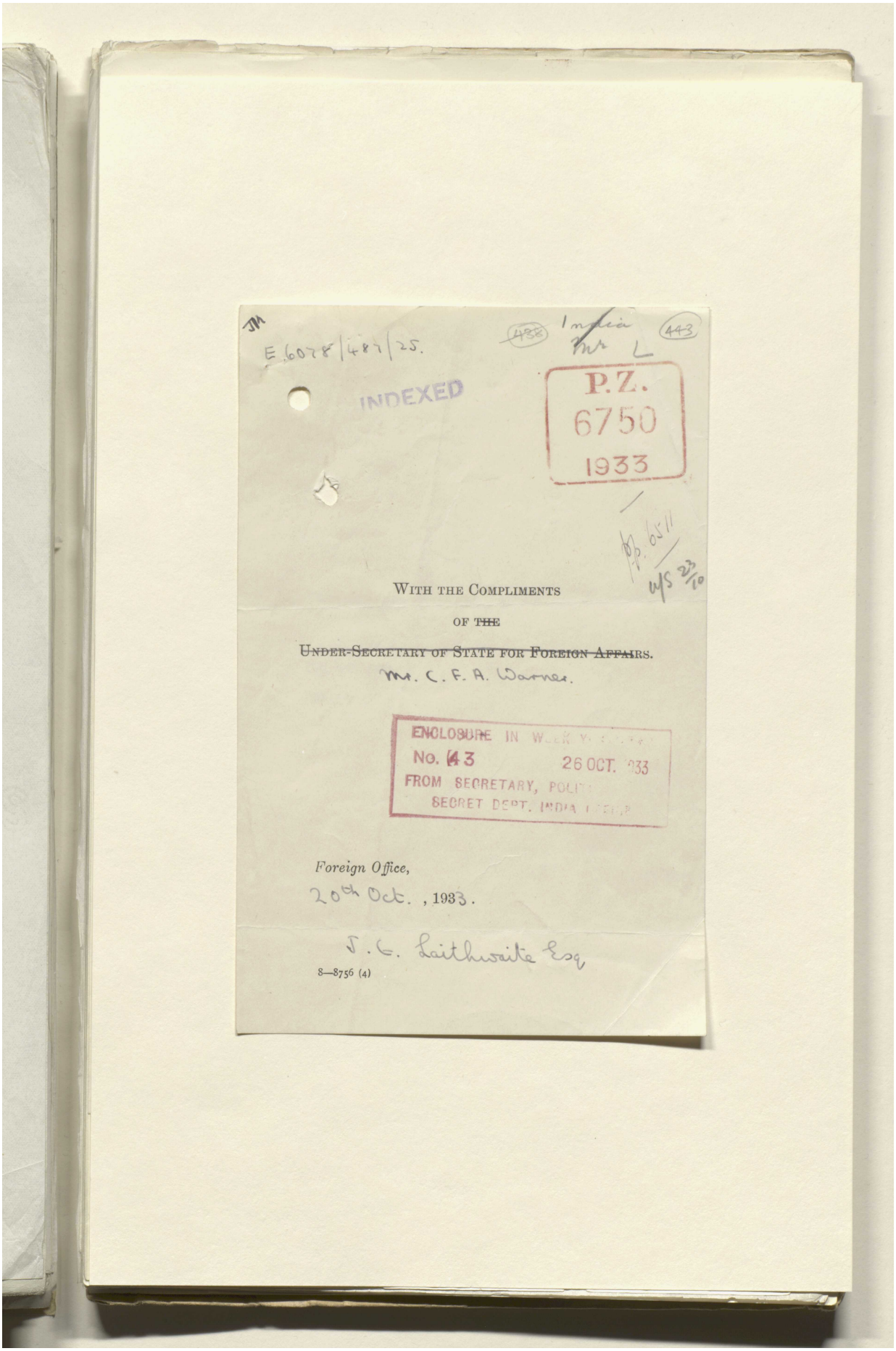

E.6078/487/25.

INDEXED

P.Z.
6750
1933

With the Compliments

of ~~the~~

~~Under-Secretary of State for Foreign Affairs.~~

Mr. C. F. A. Warner.

ENCLOSURE IN W...
No. 43 26 OCT. 1933
FROM SECRETARY, POLI...
SECRET DEPT. INDIA ...

Foreign Office,

20th Oct., 1933.

J. G. Laithwaite Esq

8—8756 (4)

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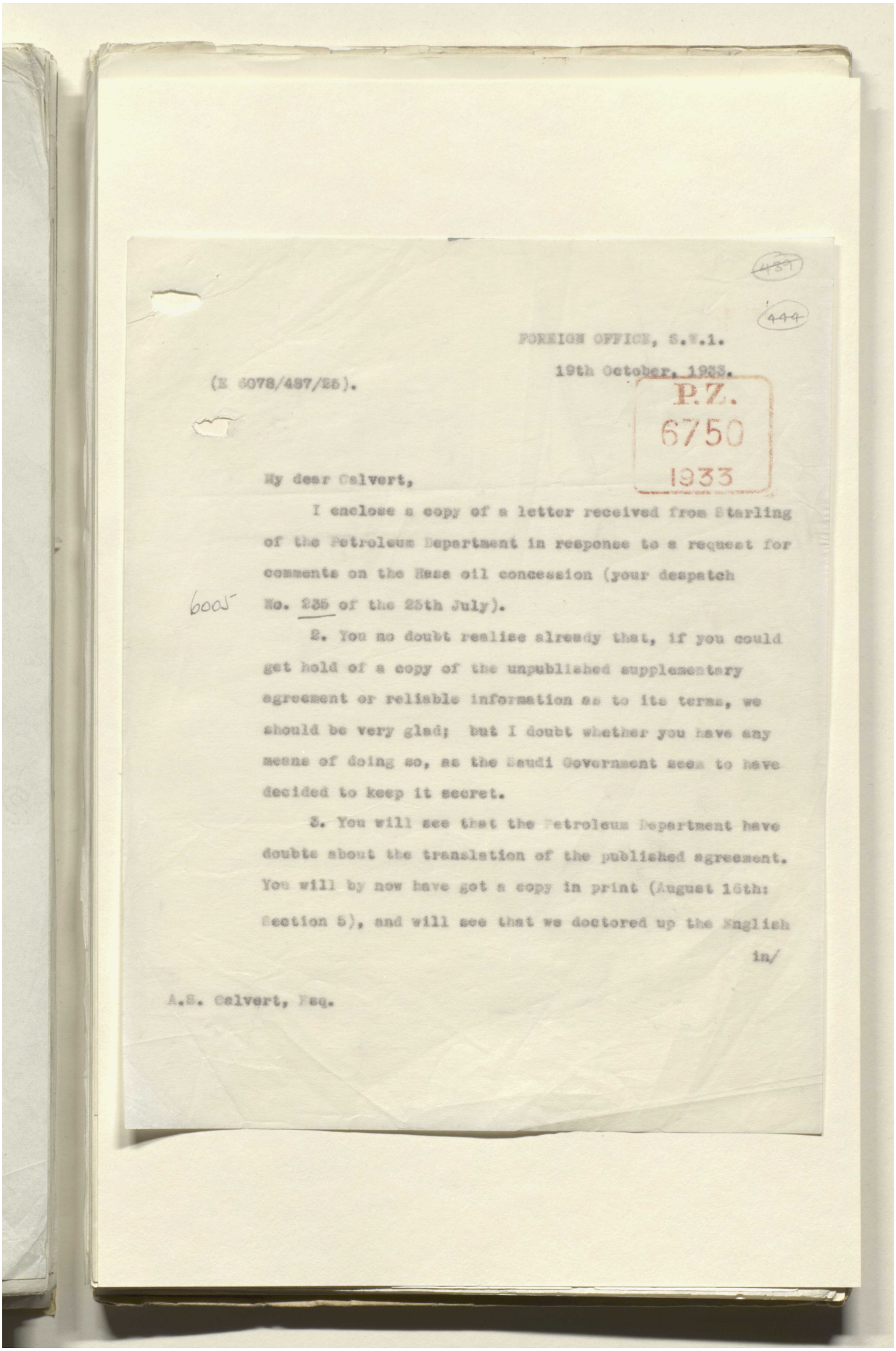

~~457~~

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FOREIGN OFFICE, S.W.1.

19th October, 1933.

(E 6078/487/25).

P.Z.
6750
1933

My dear Calvert,

I enclose a copy of a letter received from Starling of the Petroleum Department in response to a request for comments on the Hasa oil concession (your despatch No. 235 of the 25th July).

600J

2. You no doubt realise already that, if you could get hold of a copy of the unpublished supplementary agreement or reliable information as to its terms, we should be very glad; but I doubt whether you have any means of doing so, as the Saudi Government seem to have decided to keep it secret.

3. You will see that the Petroleum Department have doubts about the translation of the published agreement. You will by now have got a copy in print (August 16th: Section 5), and will see that we doctored up the English in/

A.S. Calvert, Esq.

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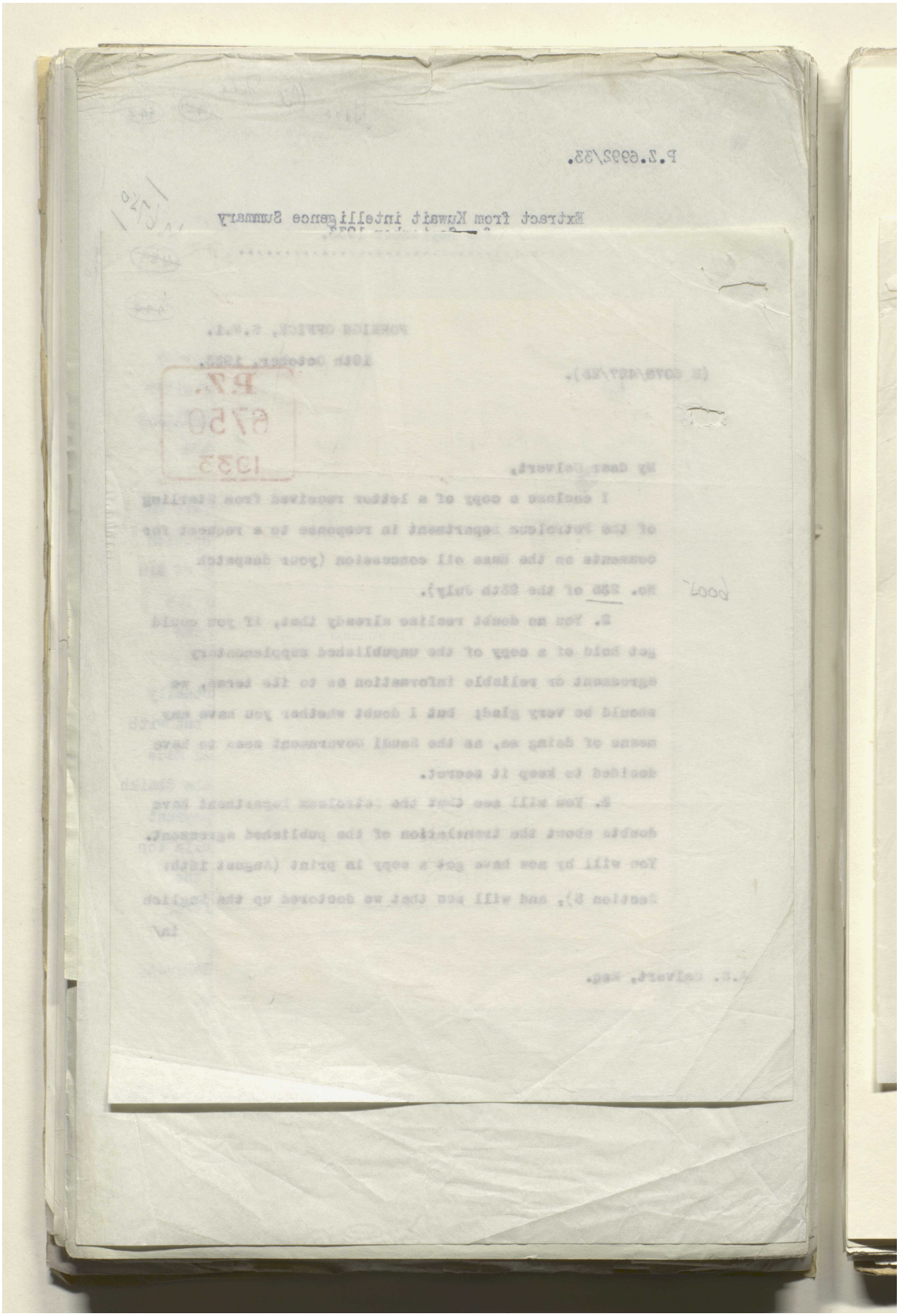

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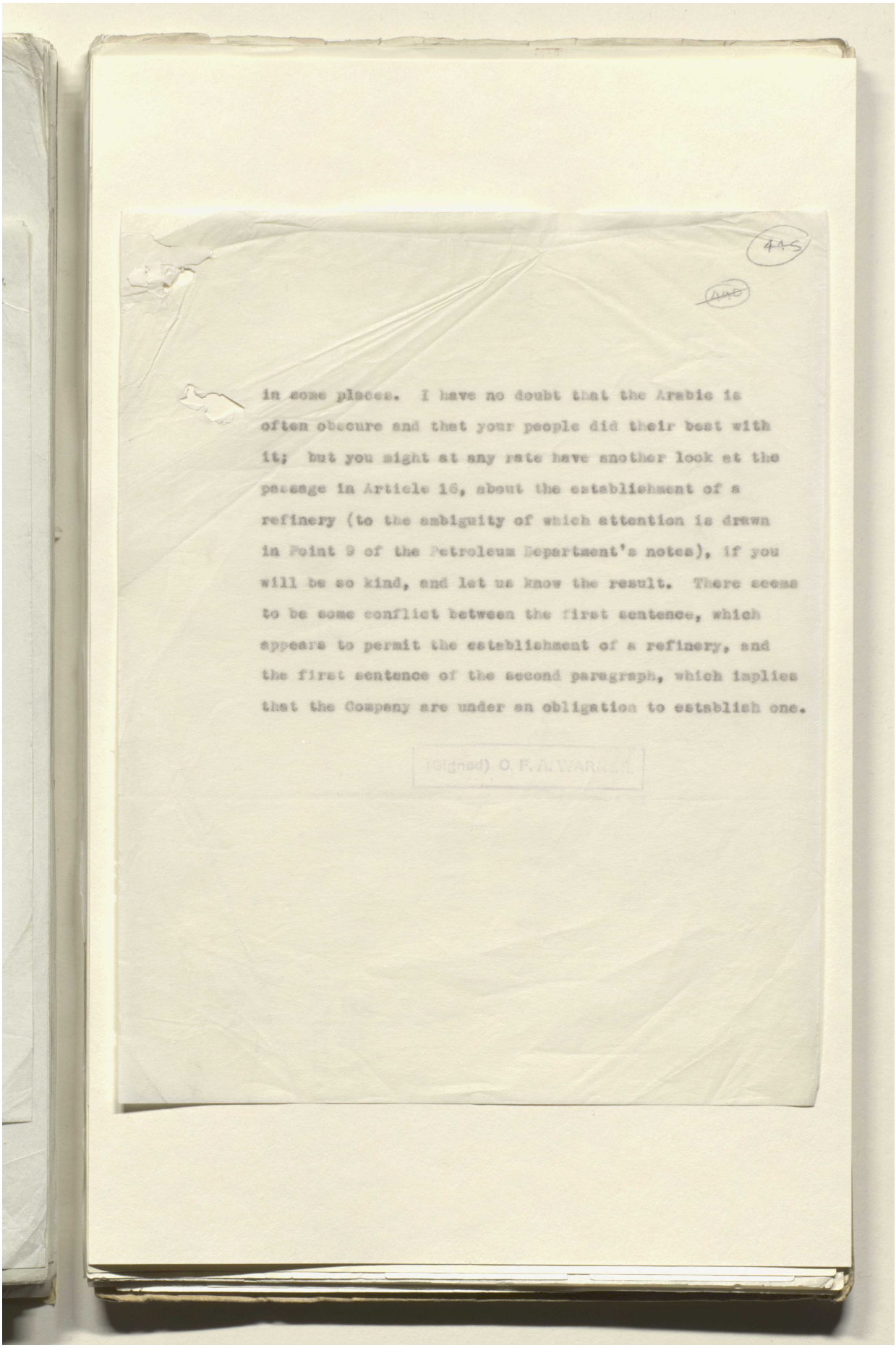

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in some places. I have no doubt that the Arabic is often obscure and that your people did their best with it; but you might at any rate have another look at the passage in Article 16, about the establishment of a refinery (to the ambiguity of which attention is drawn in Point 9 of the Petroleum Department's notes), if you will be so kind, and let us know the result. There seems to be some conflict between the first sentence, which appears to permit the establishment of a refinery, and the first sentence of the second paragraph, which implies that the Company are under an obligation to establish one.

(Signed) O. F. A. WARNER

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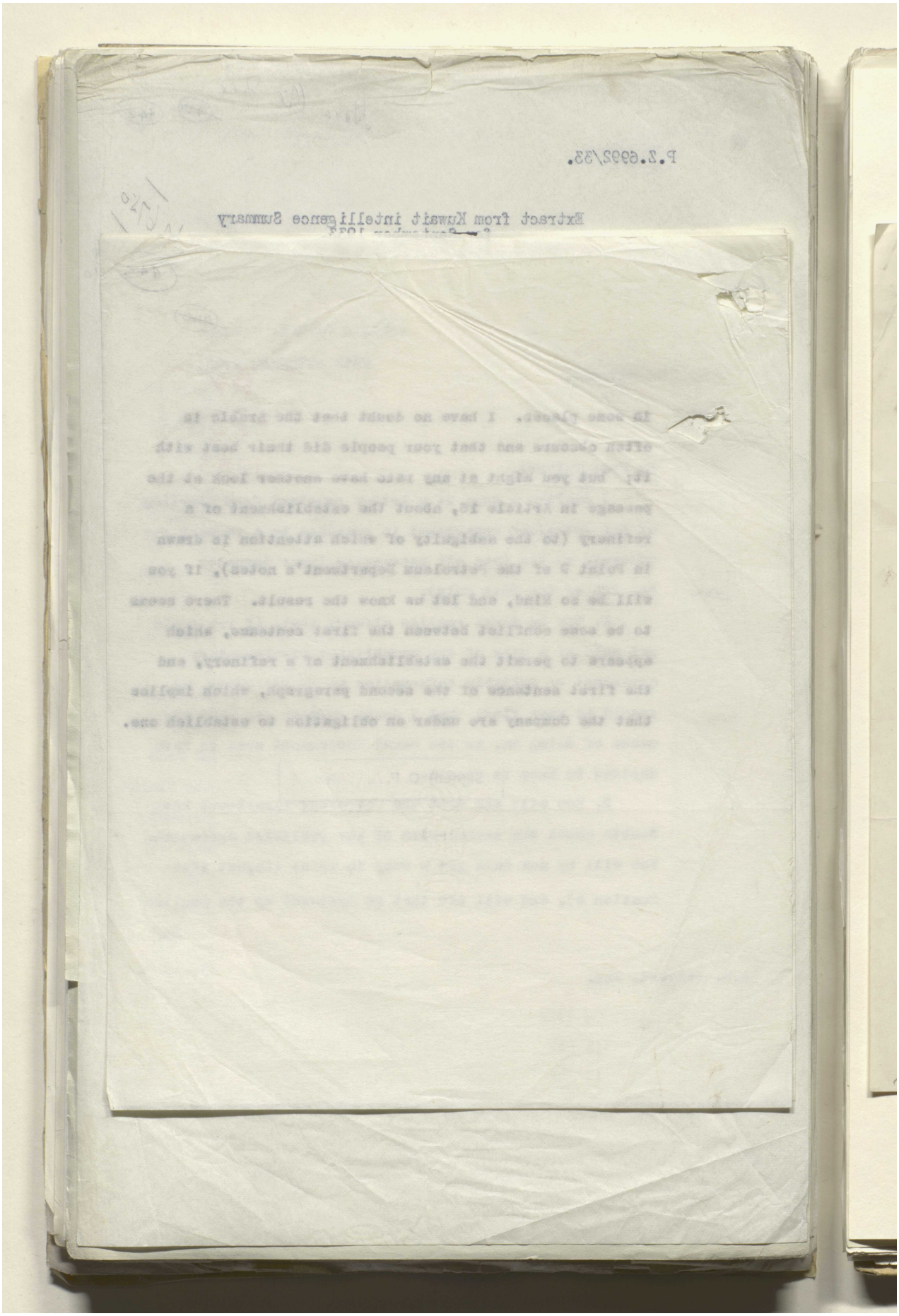

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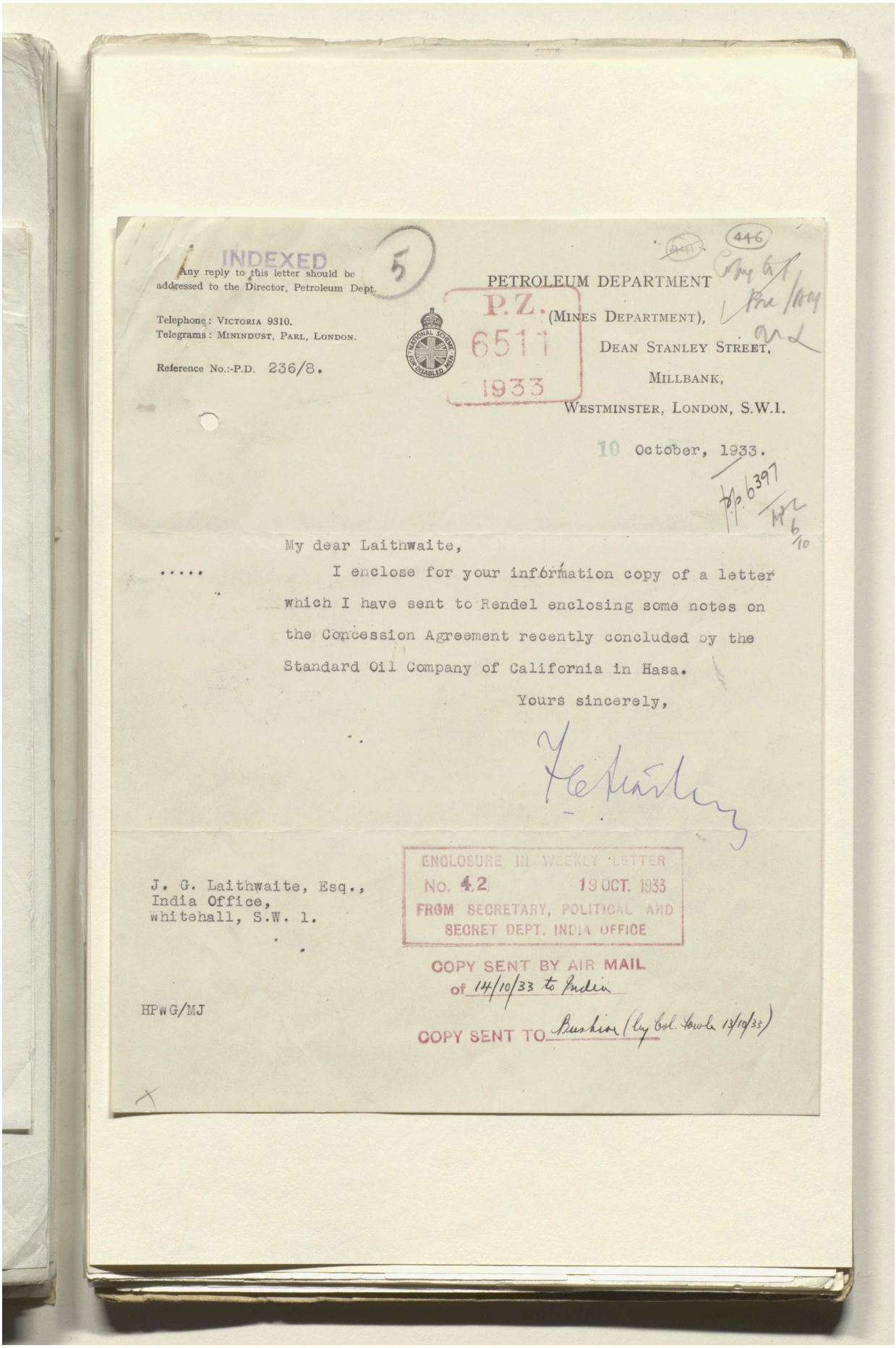

INDEXED
Any reply to this letter should be addressed to the Director, Petroleum Dept.

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Telephone: Victoria 9310.
Telegrams: Minindust, Parl, London.

Reference No.:-P.D. 236/8.

P.Z. 6511 1933

PETROLEUM DEPARTMENT
(Mines Department),
Dean Stanley Street,
Millbank,
Westminster, London, S.W.1.

10 October, 1933.

P.Z. 6397

My dear Laithwaite,

I enclose for your information copy of a letter which I have sent to Rendel enclosing some notes on the Concession Agreement recently concluded by the Standard Oil Company of California in Hasa.

Yours sincerely,

J. G. Laithwaite, Esq.,
India Office,
Whitehall, S.W. 1.

ENCLOSURE IN WEEKLY LETTER
No. 42 19 OCT. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

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of 14/10/33 to India

HPWG/MJ

COPY SENT TO Bushire (by Col. Fowle 13/10/33)

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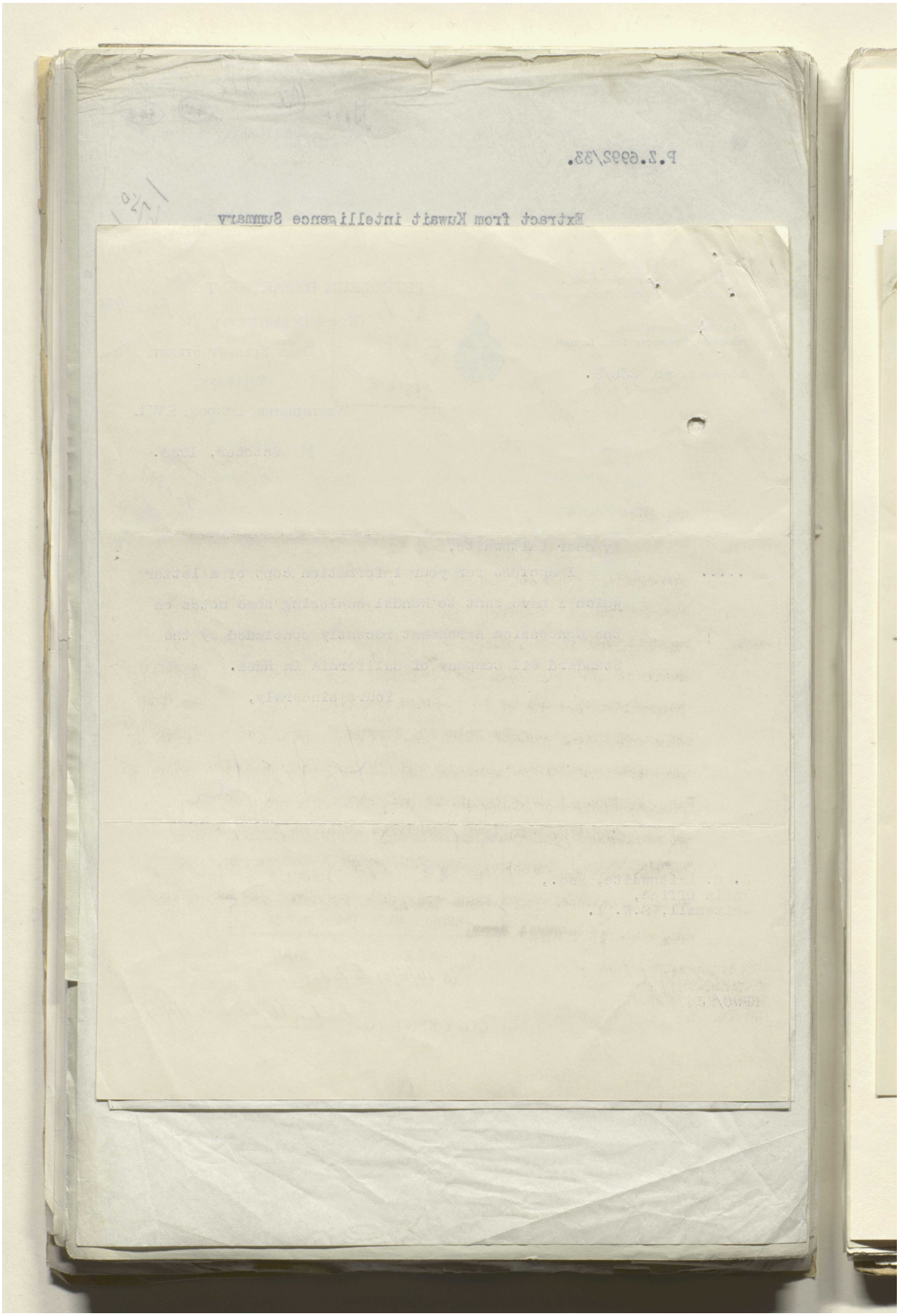

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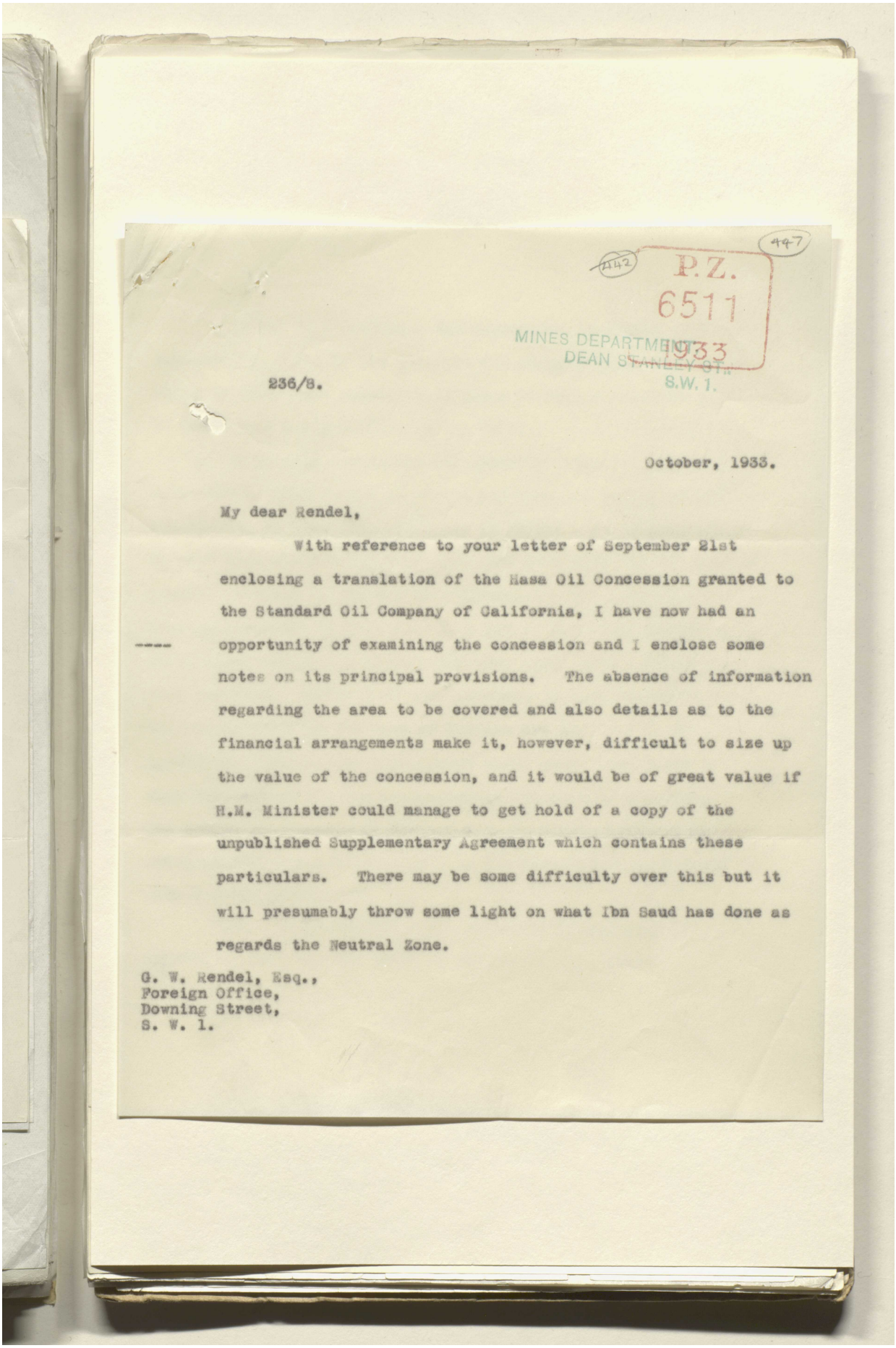

P.Z.
6511
1933
MINES DEPARTMENT
DEAN STANLEY ST.
S.W.1.

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236/8.

October, 1933.

My dear Rendel,

With reference to your letter of September 21st enclosing a translation of the Hasa Oil Concession granted to the Standard Oil Company of California, I have now had an opportunity of examining the concession and I enclose some notes on its principal provisions. The absence of information regarding the area to be covered and also details as to the financial arrangements make it, however, difficult to size up the value of the concession, and it would be of great value if H.M. Minister could manage to get hold of a copy of the unpublished Supplementary Agreement which contains these particulars. There may be some difficulty over this but it will presumably throw some light on what Ibn Saud has done as regards the Neutral Zone.

G. W. Rendel, Esq.,
Foreign Office,
Downing Street,
S. W. 1.

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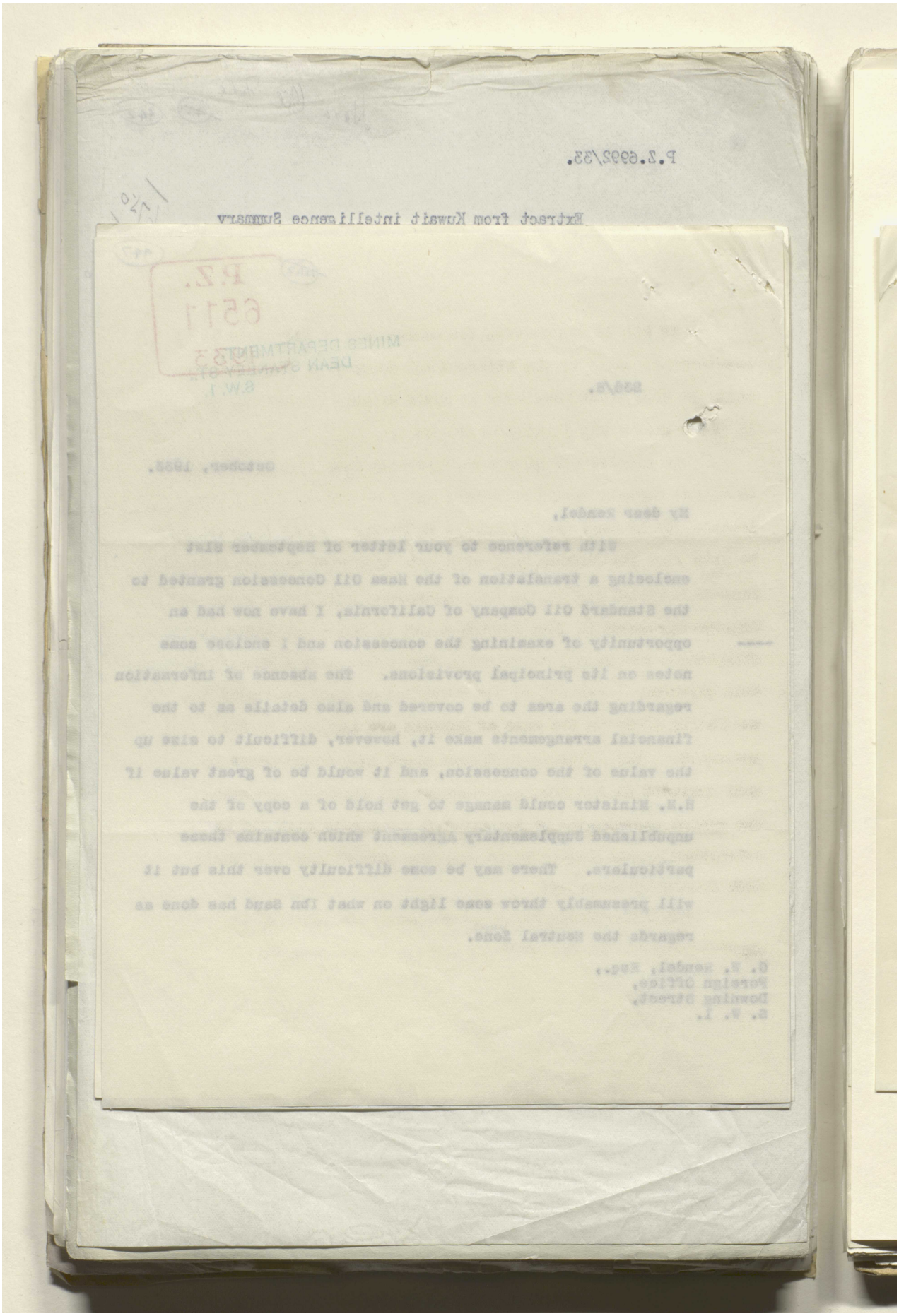

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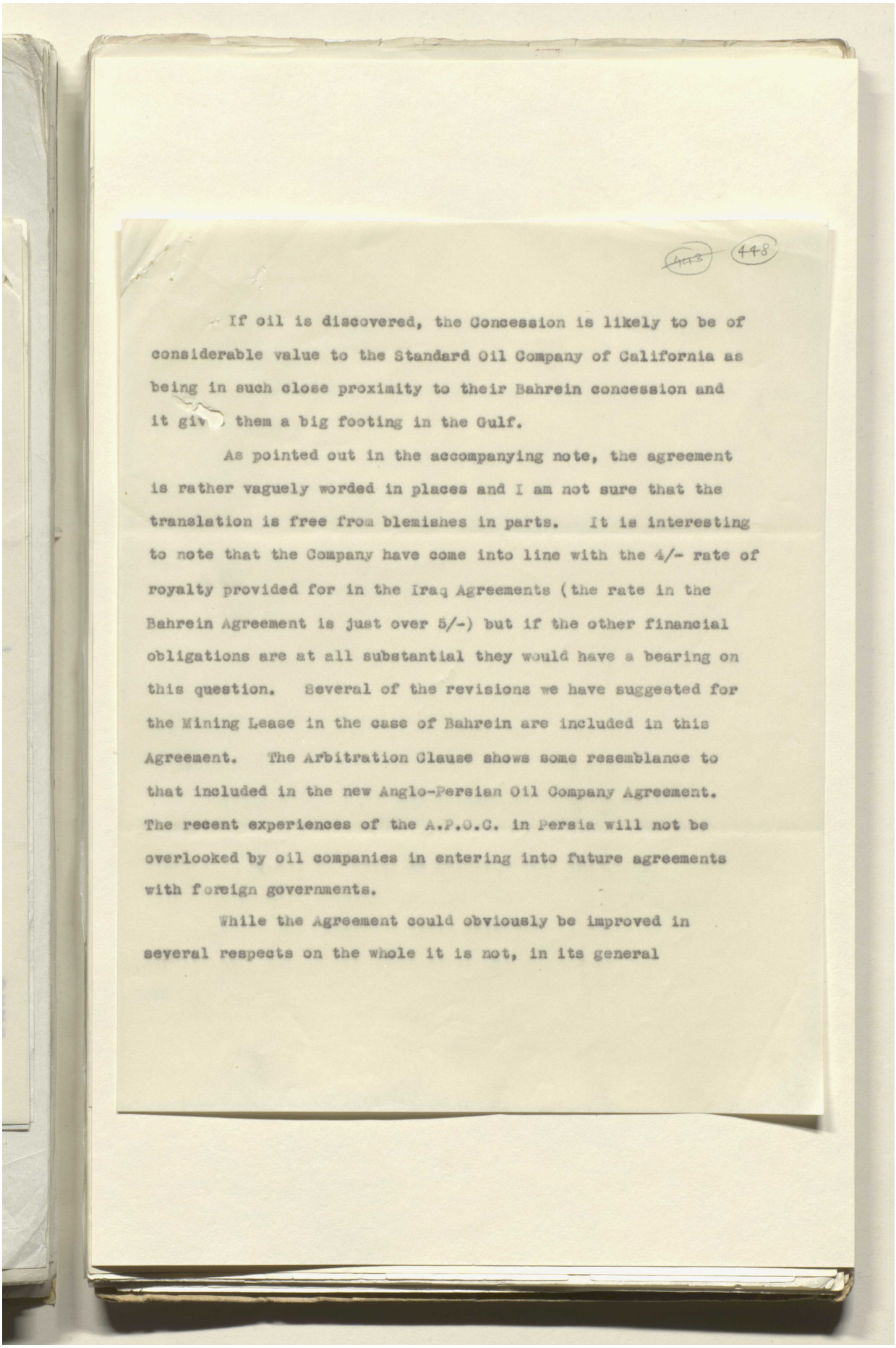

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If oil is discovered, the Concession is likely to be of considerable value to the Standard Oil Company of California as being in such close proximity to their Bahrein concession and it gives them a big footing in the Gulf.

As pointed out in the accompanying note, the agreement is rather vaguely worded in places and I am not sure that the translation is free from blemishes in parts. It is interesting to note that the Company have come into line with the 4/- rate of royalty provided for in the Iraq Agreements (the rate in the Bahrein Agreement is just over 5/-) but if the other financial obligations are at all substantial they would have a bearing on this question. Several of the revisions we have suggested for the Mining Lease in the case of Bahrein are included in this Agreement. The Arbitration Clause shows some resemblance to that included in the new Anglo-Persian Oil Company Agreement. The recent experiences of the A.P.O.C. in Persia will not be overlooked by oil companies in entering into future agreements with foreign governments.

While the Agreement could obviously be improved in several respects on the whole it is not, in its general

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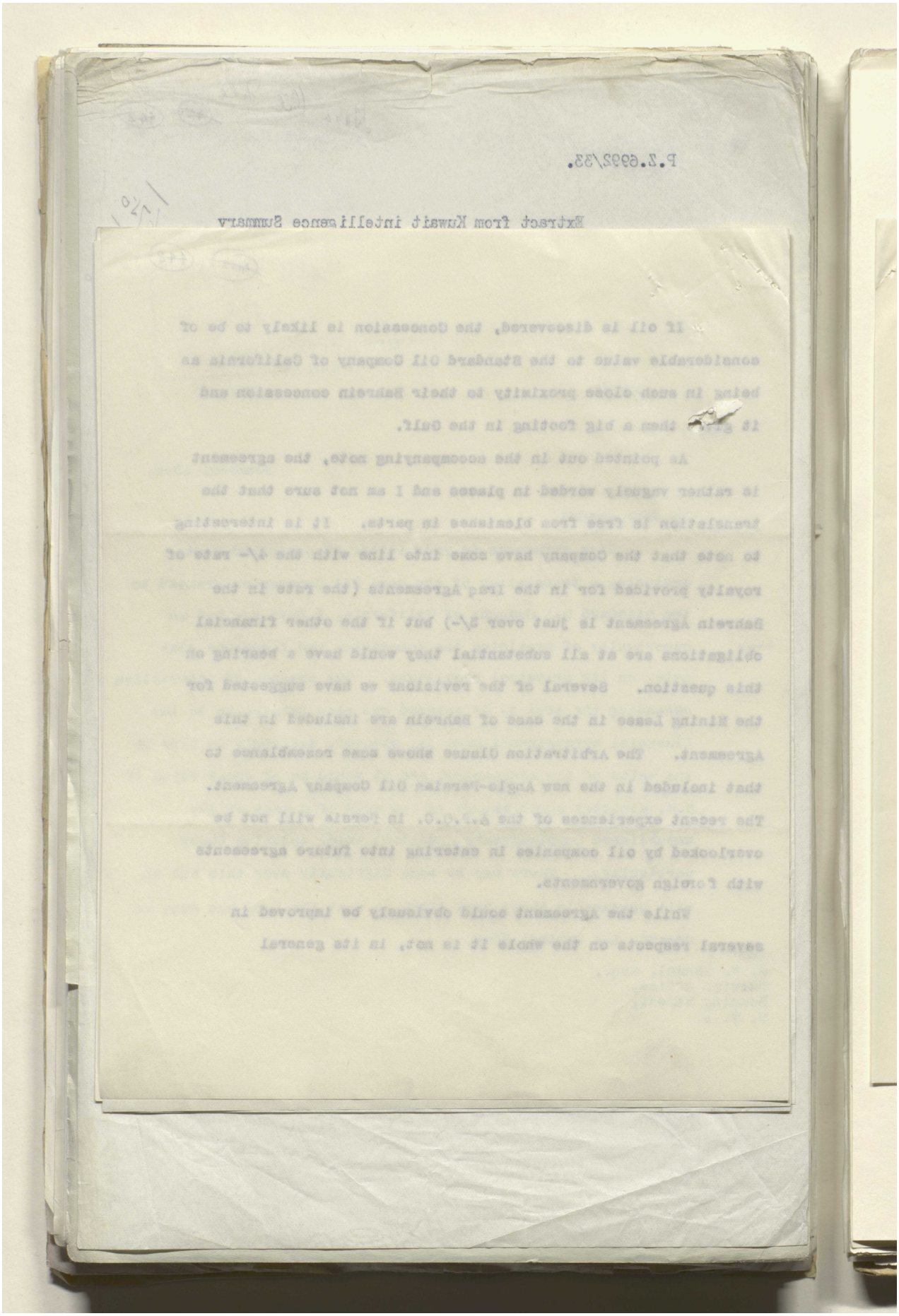

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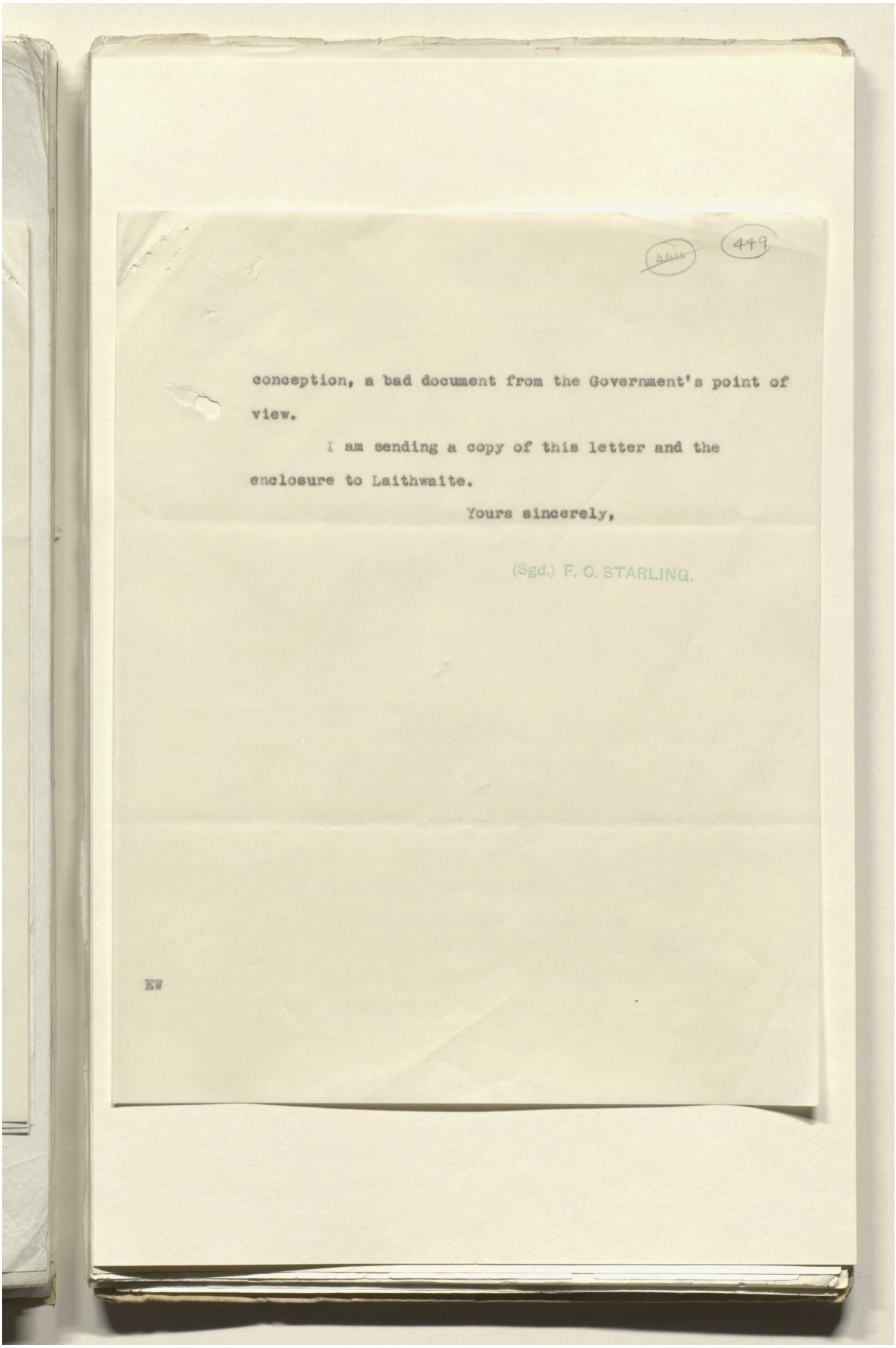

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conception, a bad document from the Government's point of view.

I am sending a copy of this letter and the enclosure to Laithwaite.

Yours sincerely,

(Sgd.) F. C. STARLING.

EW

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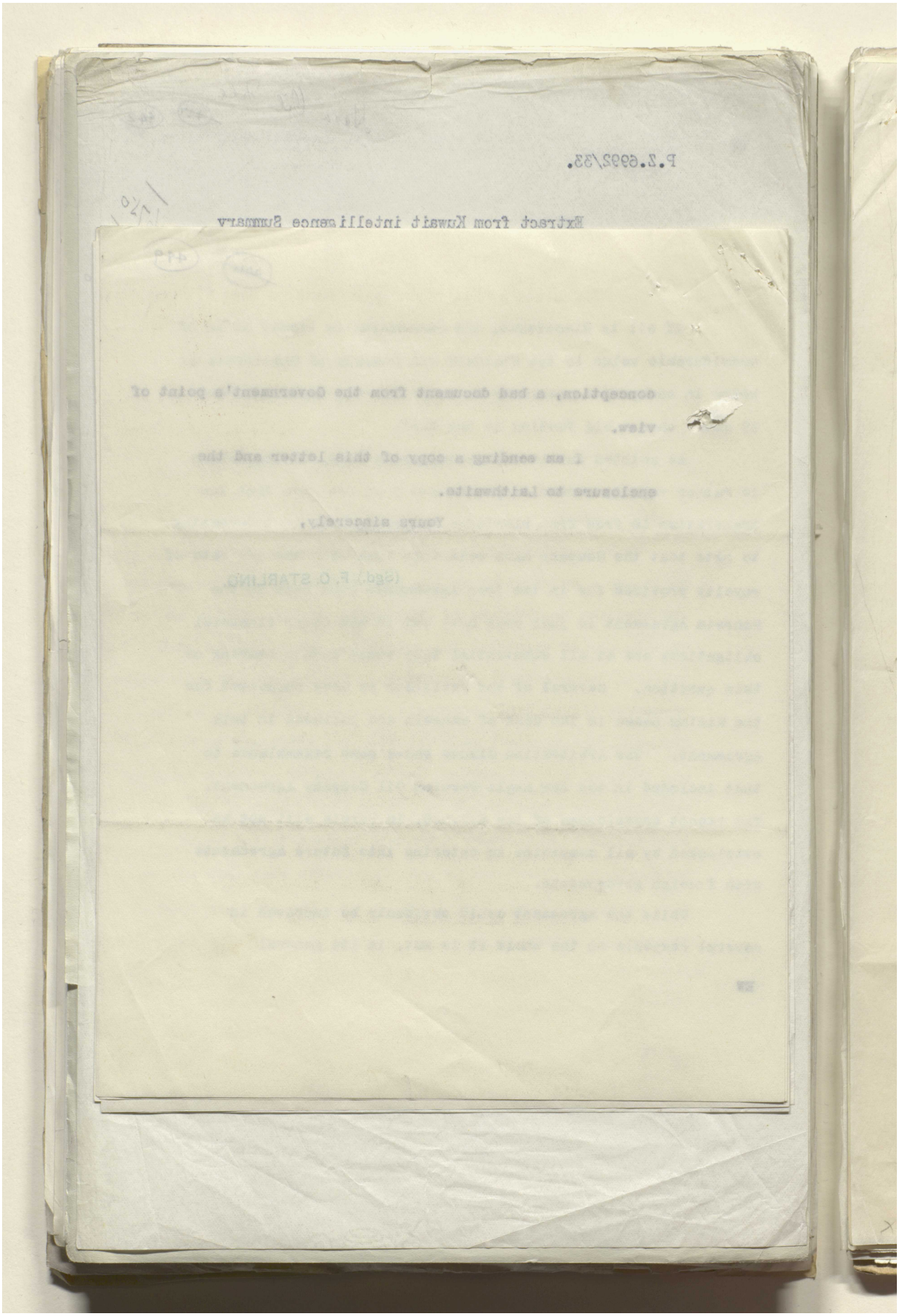

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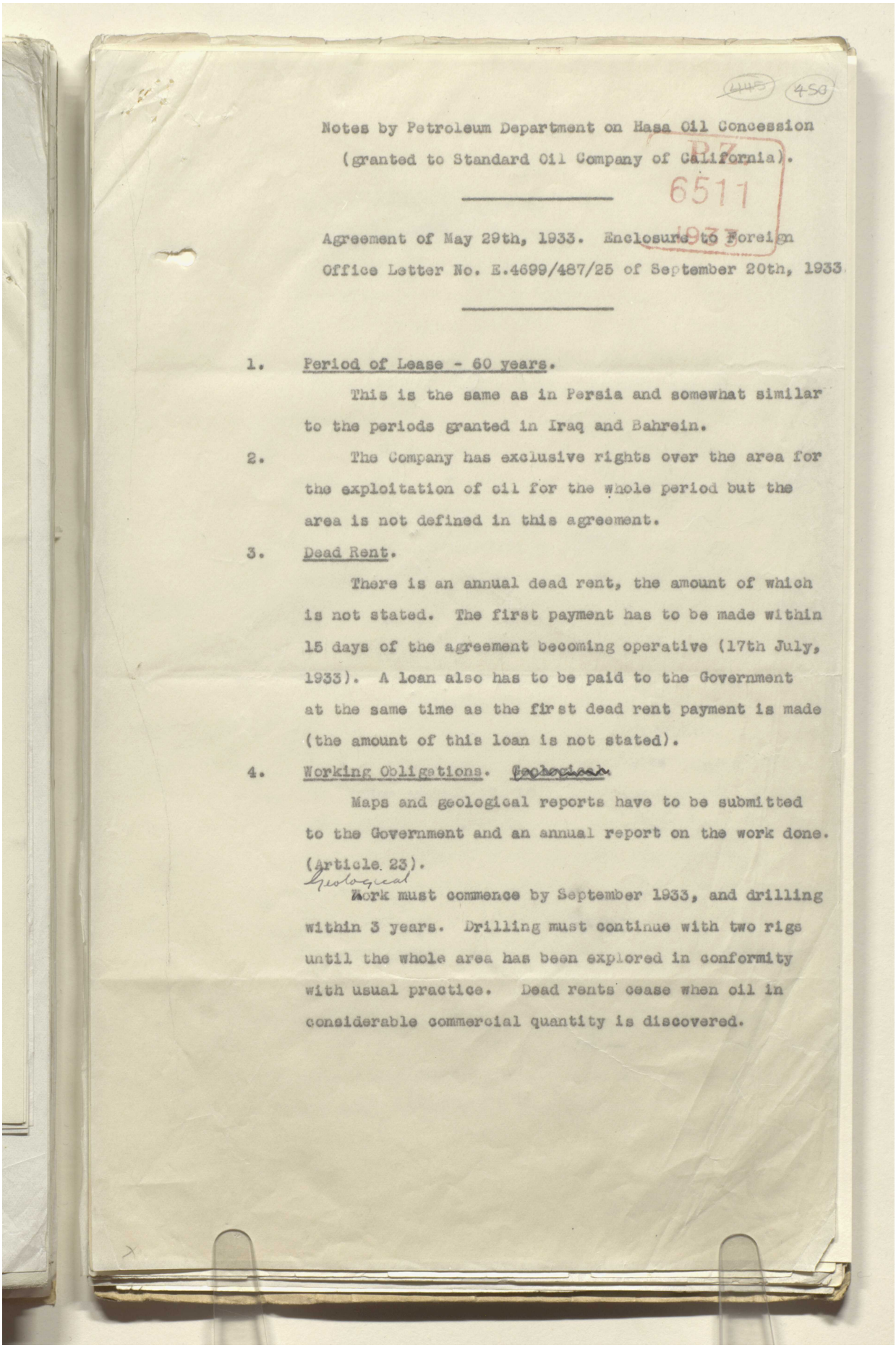

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Notes by Petroleum Department on Hasa Oil Concession (granted to Standard Oil Company of California).

PZ 6511 1933

Agreement of May 29th, 1933. Enclosure to Foreign Office Letter No. E.4699/487/25 of September 20th, 1933.

1. Period of Lease - 60 years.

This is the same as in Persia and somewhat similar to the periods granted in Iraq and Bahrein.

2. The Company has exclusive rights over the area for the exploitation of oil for the whole period but the area is not defined in this agreement.

3. Dead Rent.

There is an annual dead rent, the amount of which is not stated. The first payment has to be made within 15 days of the agreement becoming operative (17th July, 1933). A loan also has to be paid to the Government at the same time as the first dead rent payment is made (the amount of this loan is not stated).

4. Working Obligations. ~~Geological~~

Maps and geological reports have to be submitted to the Government and an annual report on the work done. (Article 23).

Geological

Work must commence by September 1933, and drilling within 3 years. Drilling must continue with two rigs until the whole area has been explored in conformity with usual practice. Dead rents cease when oil in considerable commercial quantity is discovered.

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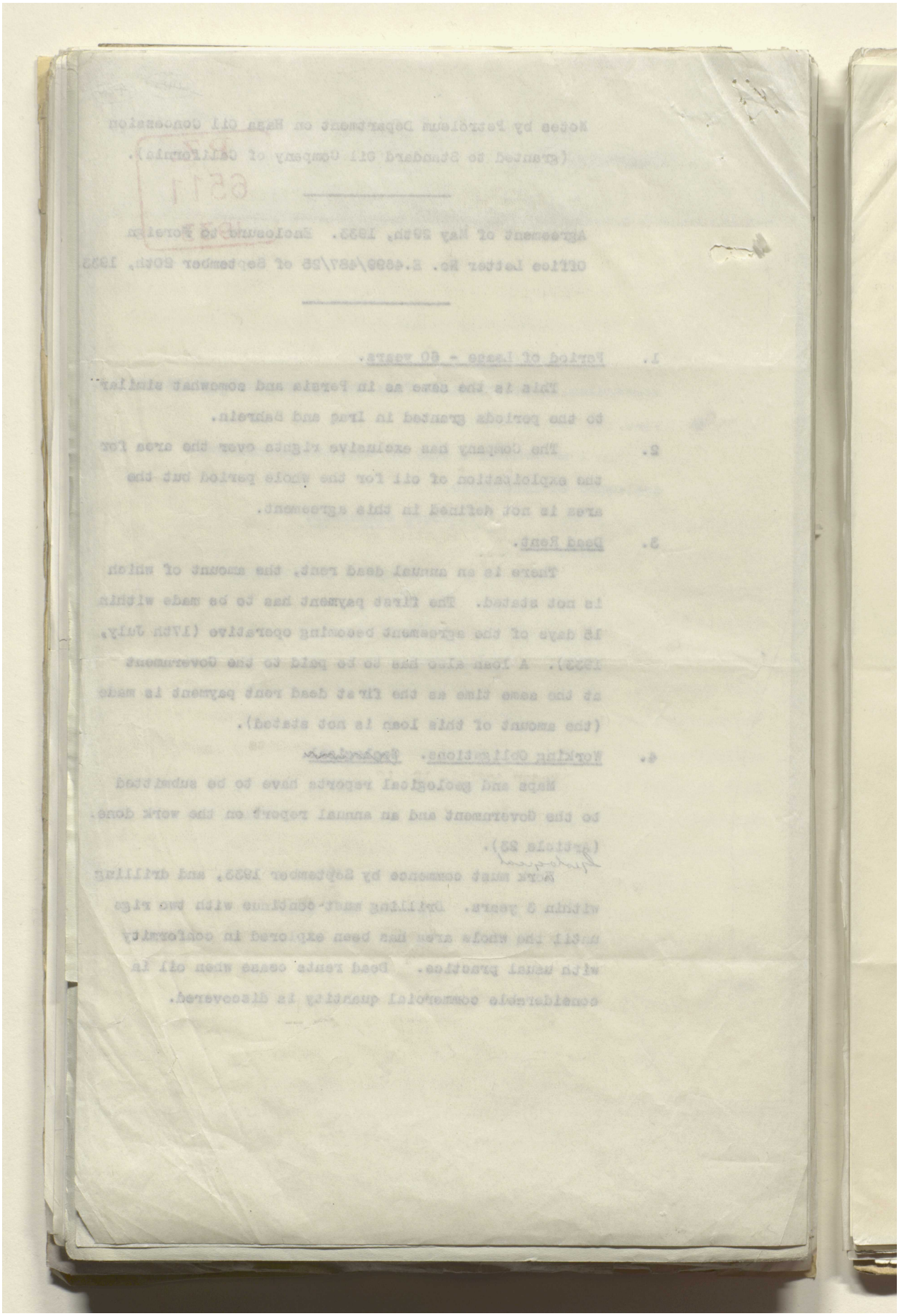

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Note: "Commercial discovery" is defined in Article 7 as when the Company completes the "digging" (sinking) of one well or wells giving a test production (in conformity with reliable practice observed in first-class oil fields) of not less than 2,000 tons of crude oil daily for a period of 30 days. This means nearly 750,000 tons a year, and is a pretty severe test. ~~although~~ It may be several years before this stage is reached.

5. The absence of particulars as to the amount of the loan and dead rents makes it impossible to say whether there is sufficient inducement to the Company to proceed to commercial production as quickly as possible. The tonnage royalty payable under the Agreement is 4/- gold (Article 11) and on 750,000 tons this would represent £150,000 per annum. The rate of royalty is the same as in Iraq.

6. On the establishment of commercial production another loan has to be made to the Government and a year later a further loan. Again no amounts are mentioned.

7. Under Article 12, if the Company extracts, stores and sells any kind of mineral oil, a royalty of $\frac{1}{8}$th of the revenue from sales is payable. This provision is rather difficult to understand. If it is worth anything it may involve the Company in substantial payments. They may possibly get over it by setting up subsidiary companies.

8. Measurement of Oil &c.

~~Their~~ There are reasonable provisions as to measurement of oil won and the keeping of accounts. The Government has the right to check the quantities.

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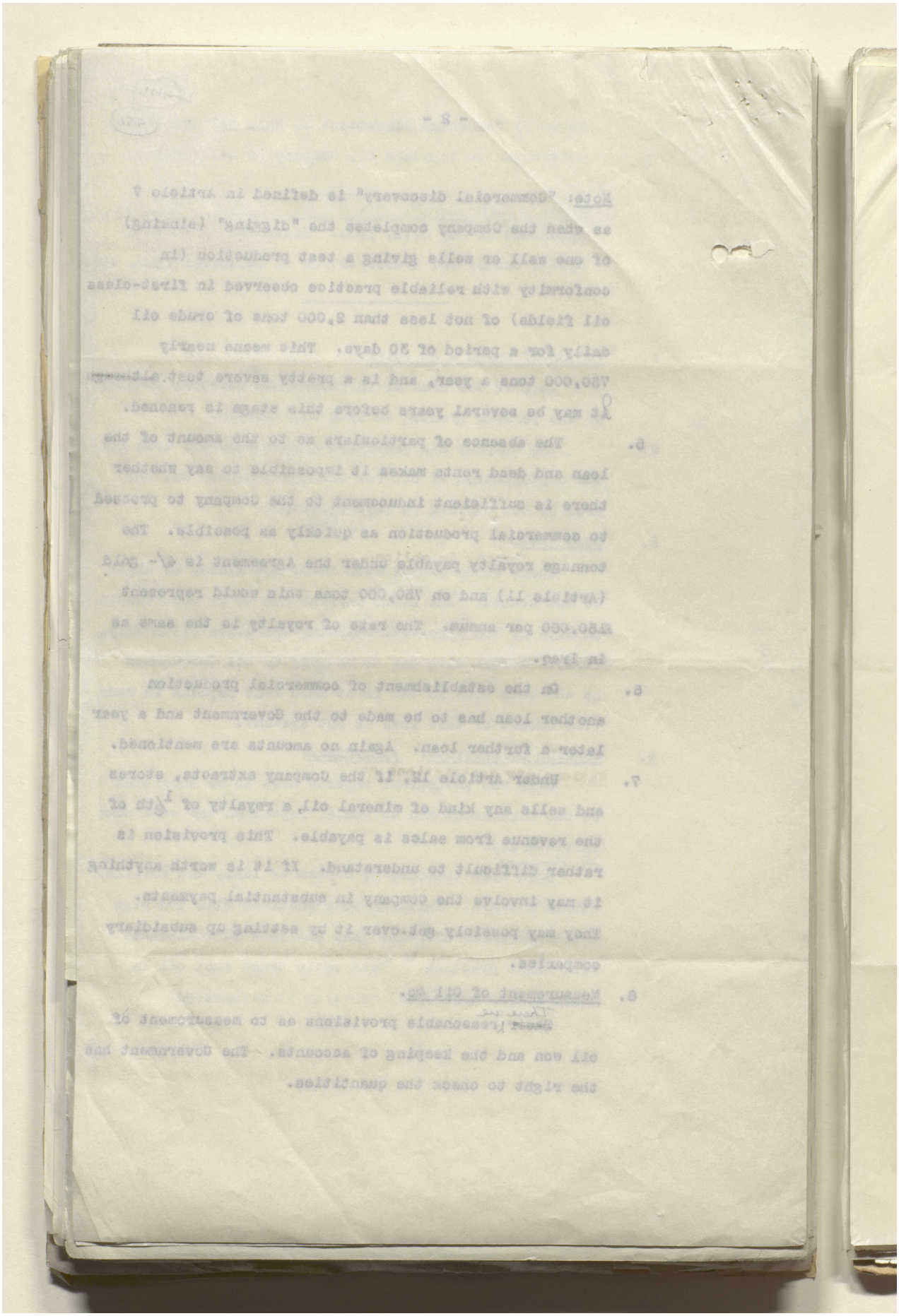

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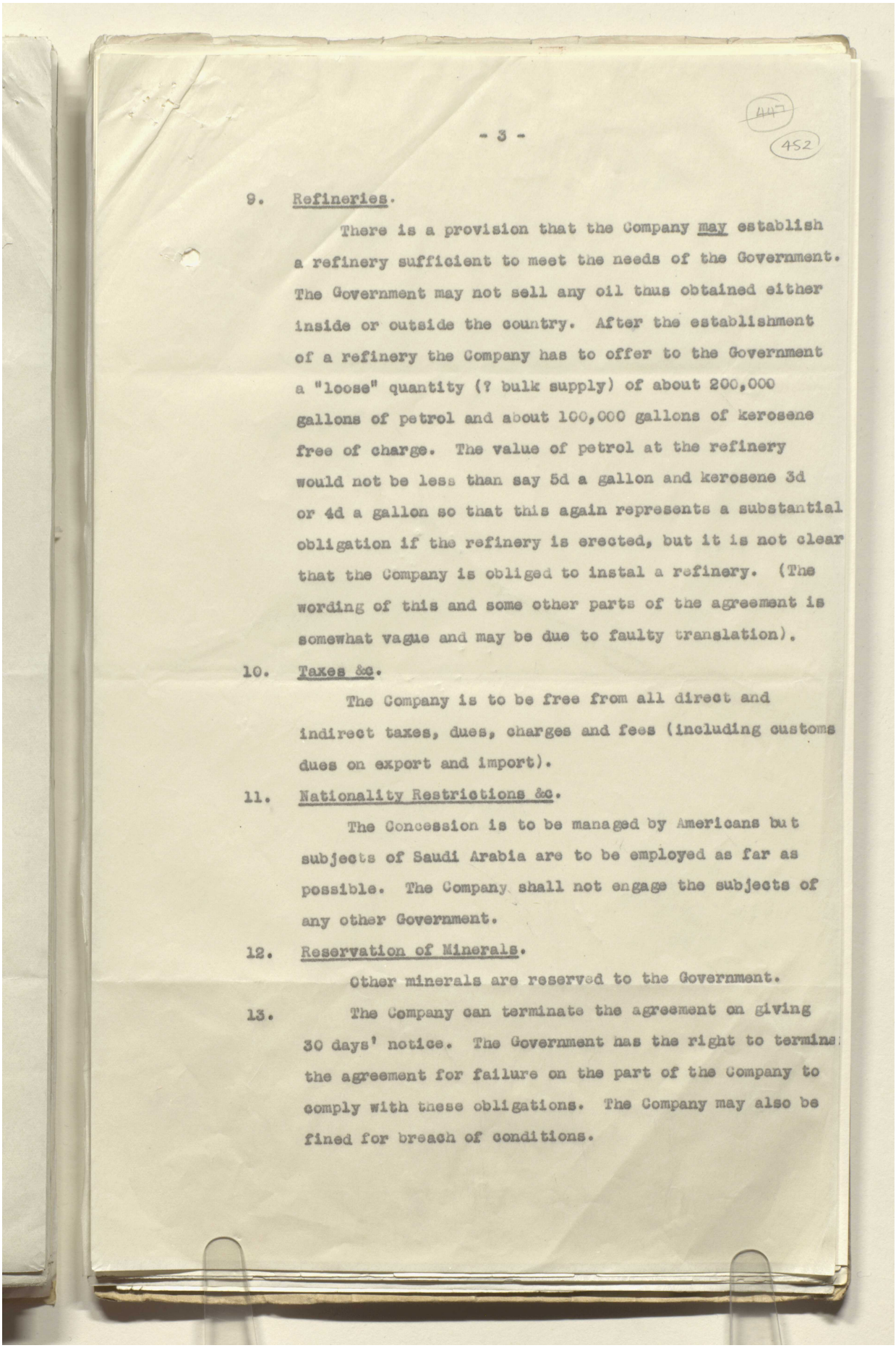

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9. Refineries.

There is a provision that the Company may establish a refinery sufficient to meet the needs of the Government. The Government may not sell any oil thus obtained either inside or outside the country. After the establishment of a refinery the Company has to offer to the Government a "loose" quantity (? bulk supply) of about 200,000 gallons of petrol and about 100,000 gallons of kerosene free of charge. The value of petrol at the refinery would not be less than say 5d a gallon and kerosene 3d or 4d a gallon so that this again represents a substantial obligation if the refinery is erected, but it is not clear that the Company is obliged to instal a refinery. (The wording of this and some other parts of the agreement is somewhat vague and may be due to faulty translation).

10. Taxes &c.

The Company is to be free from all direct and indirect taxes, dues, charges and fees (including customs dues on export and import).

11. Nationality Restrictions &c.

The Concession is to be managed by Americans but subjects of Saudi Arabia are to be employed as far as possible. The Company shall not engage the subjects of any other Government.

12. Reservation of Minerals.

Other minerals are reserved to the Government.

13. The Company can terminate the agreement on giving 30 days' notice. The Government has the right to termina the agreement for failure on the part of the Company to comply with these obligations. The Company may also be fined for breach of conditions.

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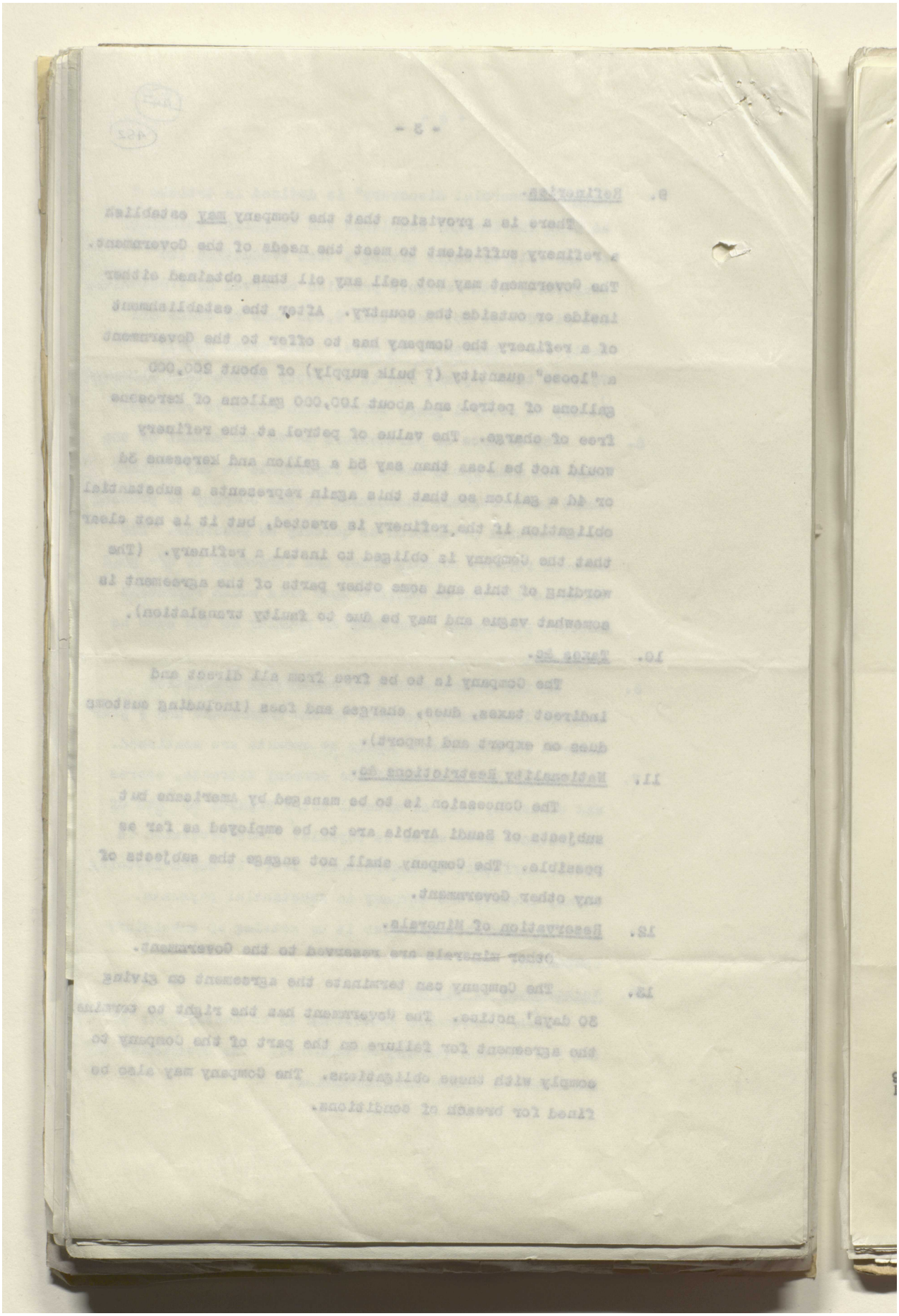

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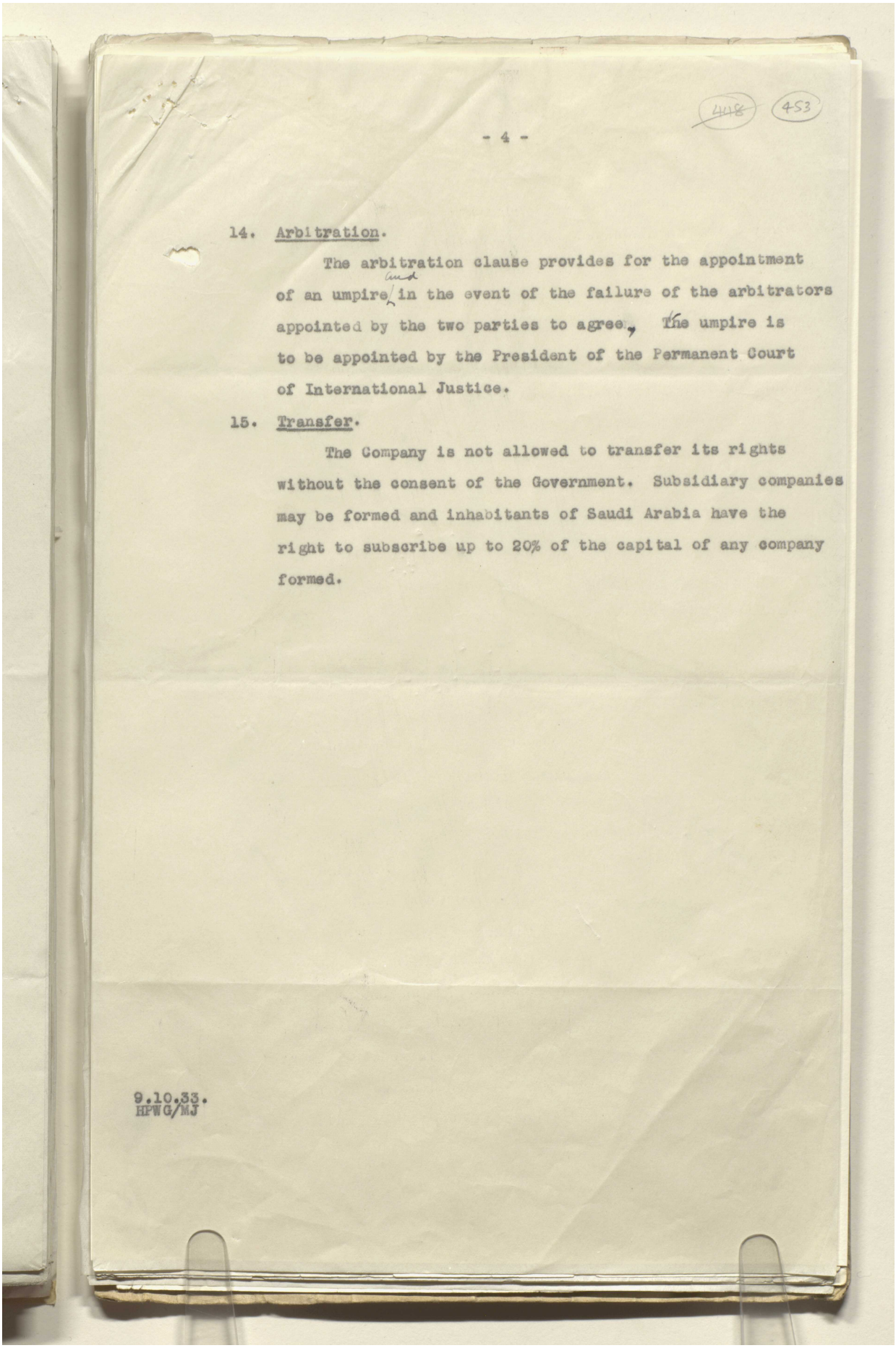

14. Arbitration.

The arbitration clause provides for the appointment of an umpire and in the event of the failure of the arbitrators appointed by the two parties to agree, the umpire is to be appointed by the President of the Permanent Court of International Justice.

15. Transfer.

The Company is not allowed to transfer its rights without the consent of the Government. Subsidiary companies may be formed and inhabitants of Saudi Arabia have the right to subscribe up to 20% of the capital of any company formed.

9.10.33.
HPWG/MJ

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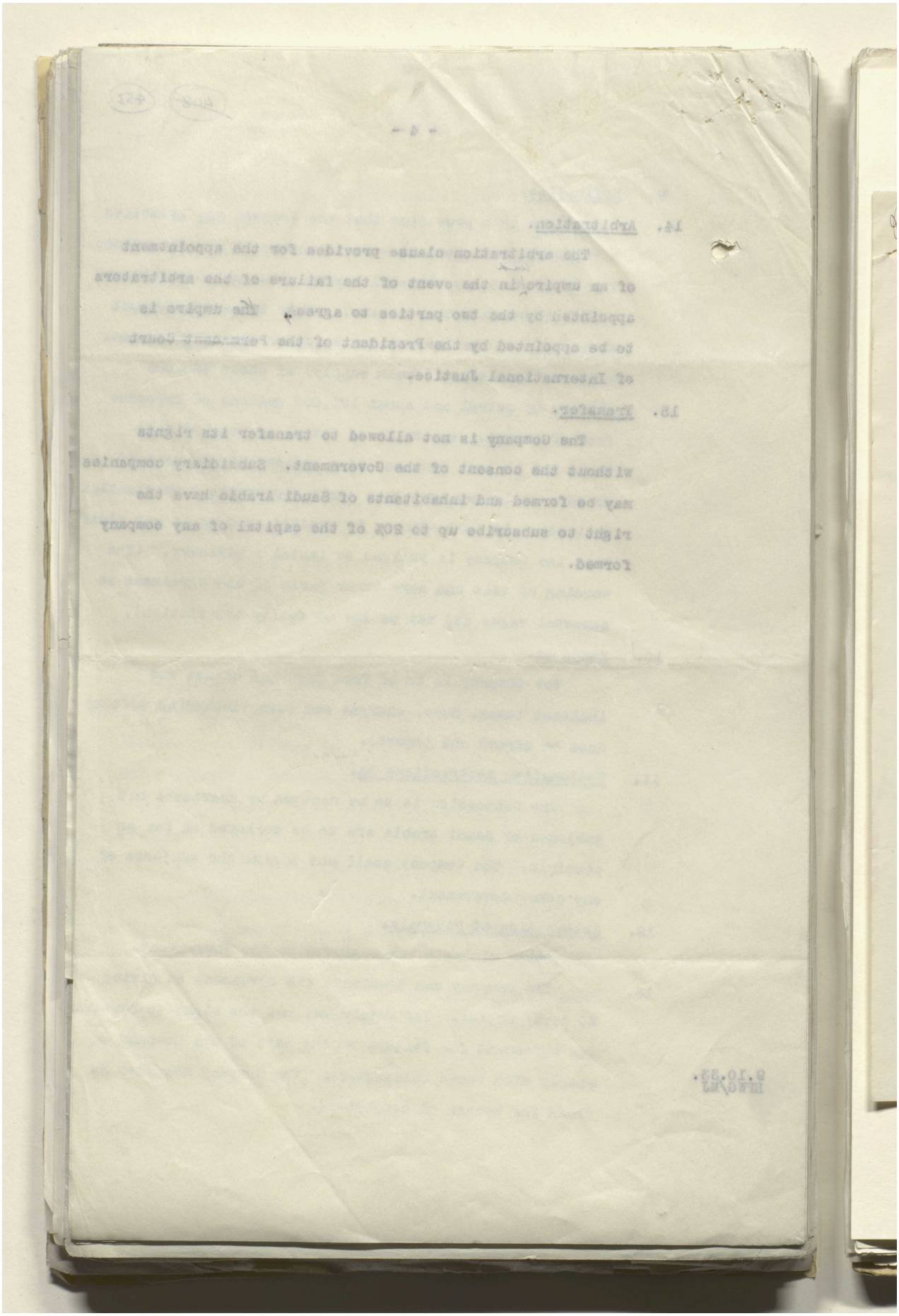

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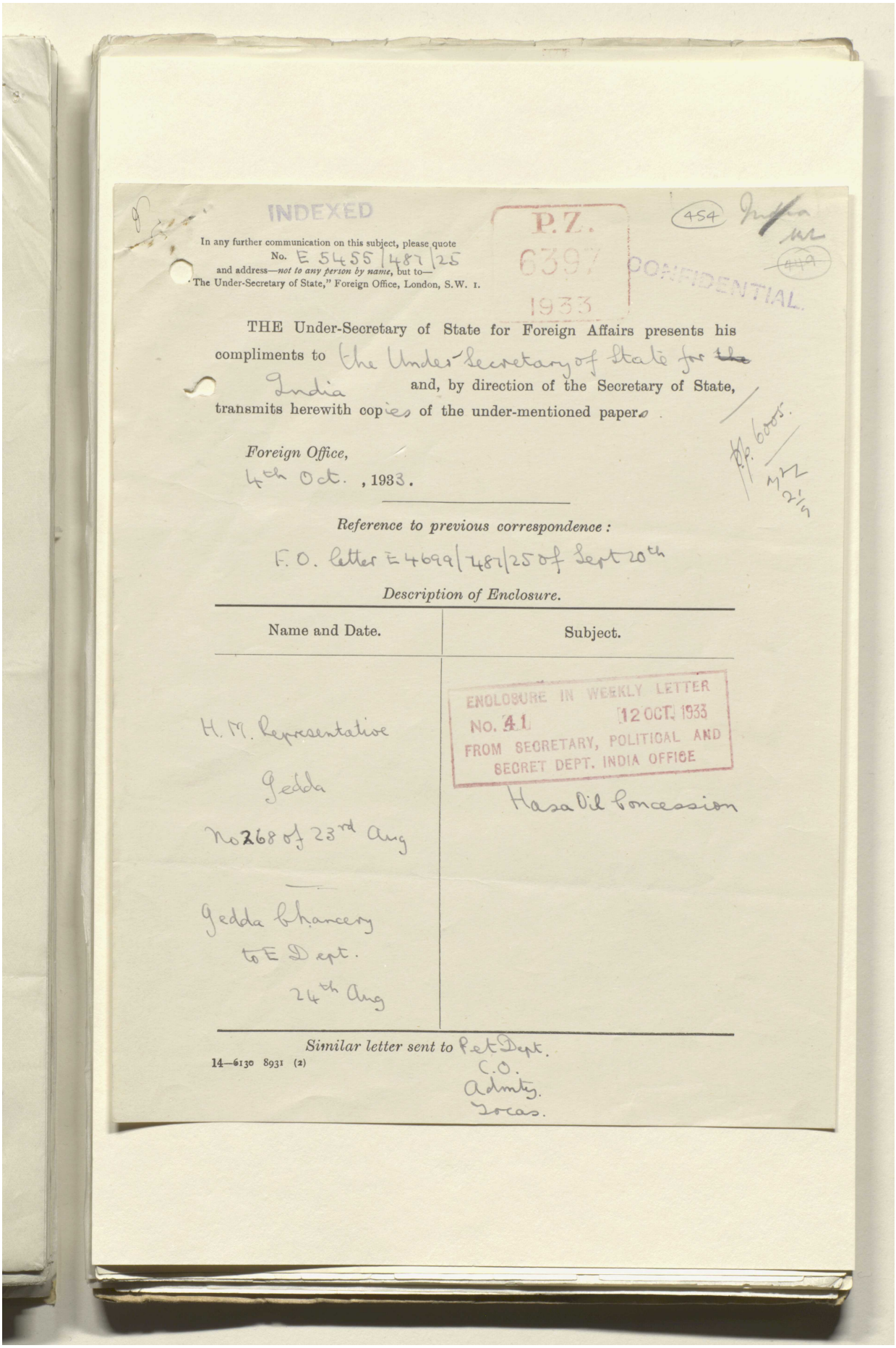

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CONFIDENTIAL

In any further communication on this subject, please quote No. E 5455/487/25 and address—*not to any person by name*, but to—"The Under-Secretary of State," Foreign Office, London, S.W. 1.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for ~~the~~ India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
4th Oct., 1933.

Reference to previous correspondence:

F.O. letter E 4699/487/25 of Sept 20th

Description of Enclosure.

Name and Date.	Subject.
H.M. Representative Jedda No 268 of 23rd Aug Jedda Chancery to E Dept. 24th Aug	ENCLOSURE IN WEEKLY LETTER No. 41 12 OCT. 1933 FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE Hasa Oil Concession

Similar letter sent to Pet Dept. C.O. Admty. Locas.

14—6130 8931 (2)

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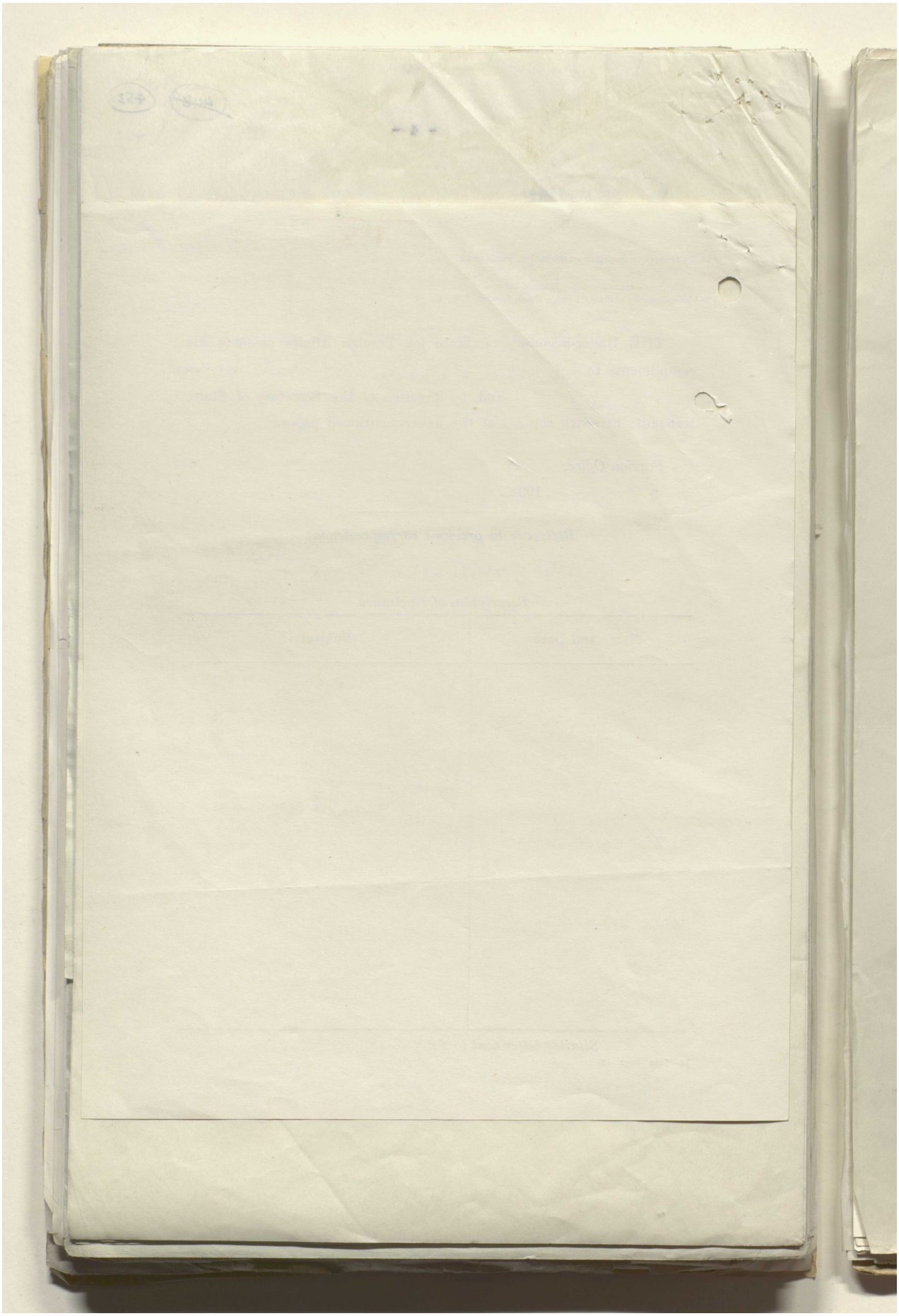

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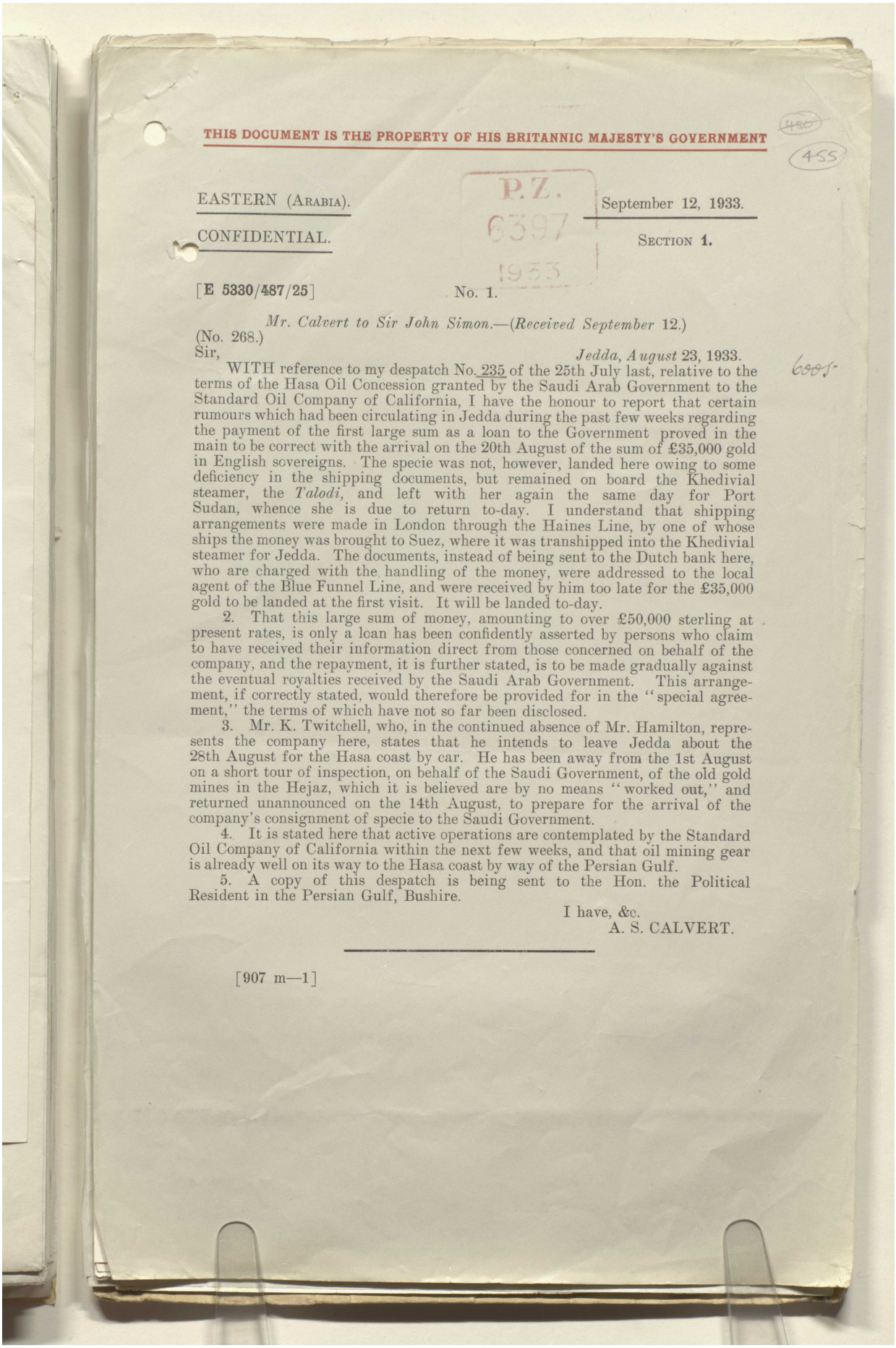

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P.Z. 6397 1933

EASTERN (ARABIA). September 12, 1933.

CONFIDENTIAL. SECTION 1.

[E 5330/487/25] No. 1.

Mr. Calvert to Sir John Simon.—(*Received September* 12.)

(No. 268.)

Sir, *Jedda, August* 23, 1933.

WITH reference to my despatch No. 235 of the 25th July last, relative to the terms of the Hasa Oil Concession granted by the Saudi Arab Government to the Standard Oil Company of California, I have the honour to report that certain rumours which had been circulating in Jedda during the past few weeks regarding the payment of the first large sum as a loan to the Government proved in the main to be correct with the arrival on the 20th August of the sum of £35,000 gold in English sovereigns. The specie was not, however, landed here owing to some deficiency in the shipping documents, but remained on board the Khedivial steamer, the *Talodi*, and left with her again the same day for Port Sudan, whence she is due to return to-day. I understand that shipping arrangements were made in London through the Haines Line, by one of whose ships the money was brought to Suez, where it was transhipped into the Khedivial steamer for Jedda. The documents, instead of being sent to the Dutch bank here, who are charged with the handling of the money, were addressed to the local agent of the Blue Funnel Line, and were received by him too late for the £35,000 gold to be landed at the first visit. It will be landed to-day.

2. That this large sum of money, amounting to over £50,000 sterling at present rates, is only a loan has been confidently asserted by persons who claim to have received their information direct from those concerned on behalf of the company, and the repayment, it is further stated, is to be made gradually against the eventual royalties received by the Saudi Arab Government. This arrangement, if correctly stated, would therefore be provided for in the "special agreement," the terms of which have not so far been disclosed.

3. Mr. K. Twitchell, who, in the continued absence of Mr. Hamilton, represents the company here, states that he intends to leave Jedda about the 28th August for the Hasa coast by car. He has been away from the 1st August on a short tour of inspection, on behalf of the Saudi Government, of the old gold mines in the Hejaz, which it is believed are by no means "worked out," and returned unannounced on the 14th August, to prepare for the arrival of the company's consignment of specie to the Saudi Government.

4. It is stated here that active operations are contemplated by the Standard Oil Company of California within the next few weeks, and that oil mining gear is already well on its way to the Hasa coast by way of the Persian Gulf.

5. A copy of this despatch is being sent to the Hon. the Political Resident in the Persian Gulf, Bushire.

I have, &c.
A. S. CALVERT.

[907 m—1]

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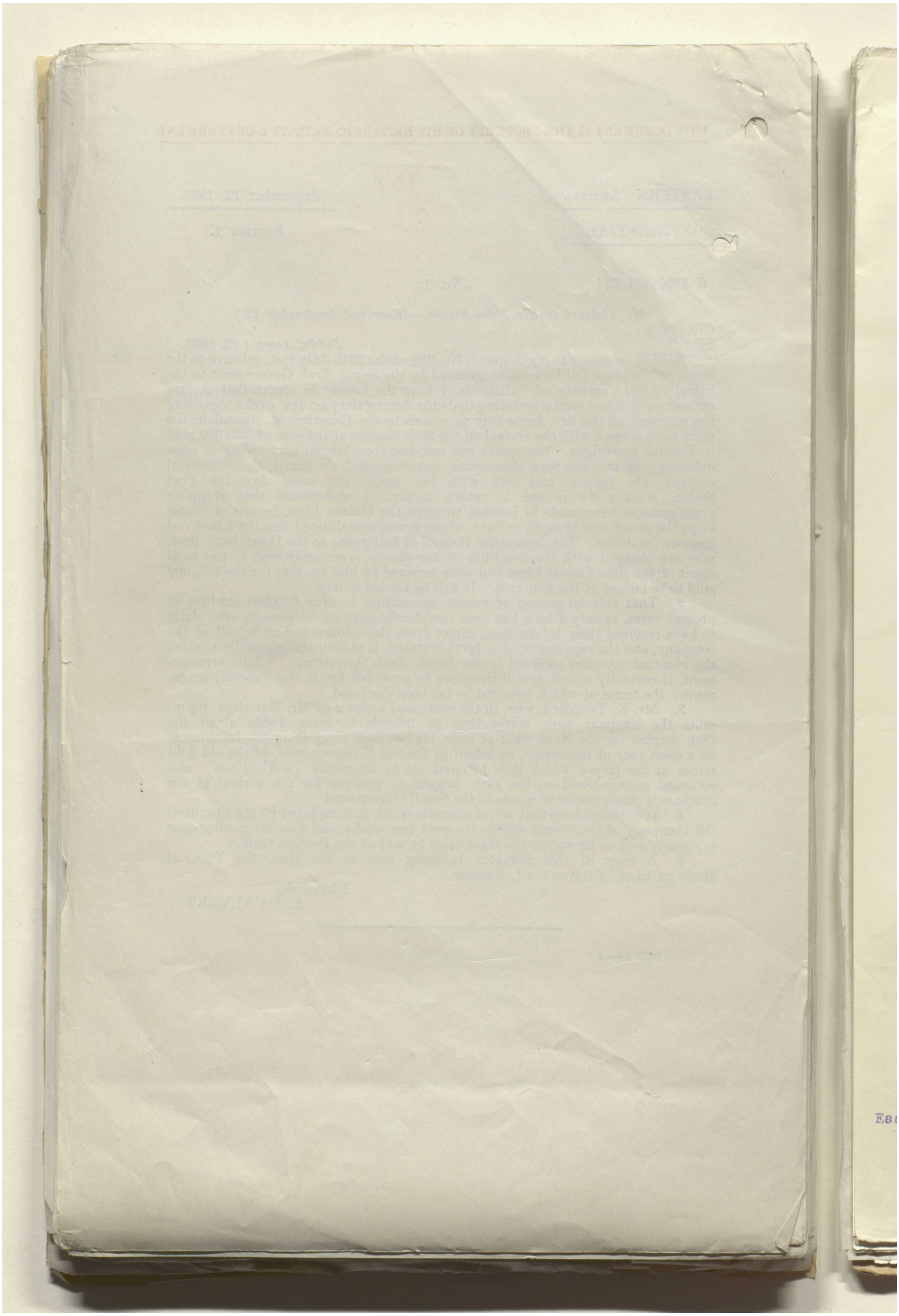

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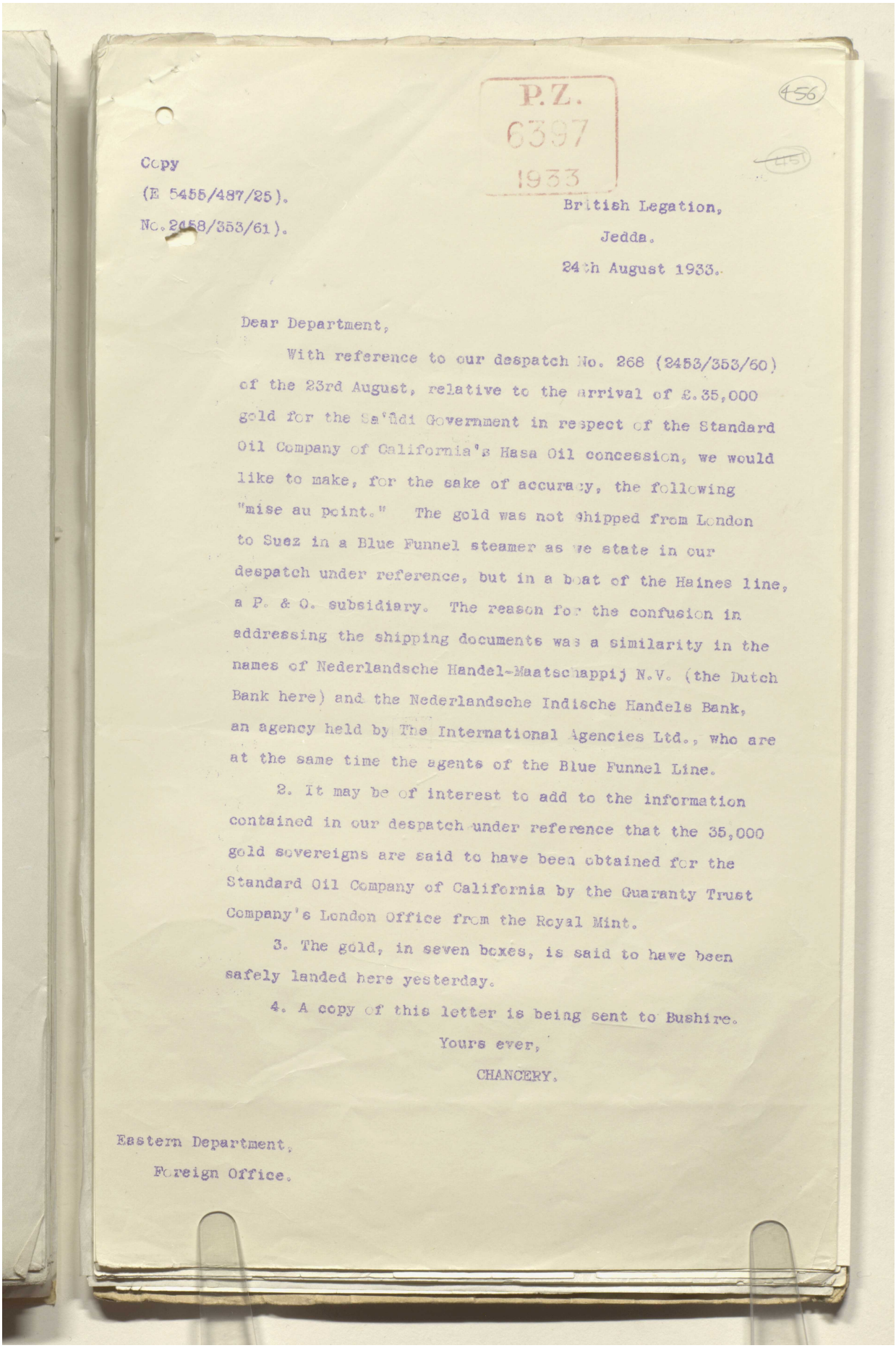

P.Z.
6397
1933

456

Copy
(E 5455/487/25).
No. 2458/353/61).

British Legation,
Jedda.
24th August 1933.

Dear Department,

With reference to our despatch No. 268 (2453/353/60) of the 23rd August, relative to the arrival of £.35,000 gold for the Sa'ūdi Government in respect of the Standard Oil Company of California's Hasa Oil concession, we would like to make, for the sake of accuracy, the following "mise au point." The gold was not shipped from London to Suez in a Blue Funnel steamer as we state in our despatch under reference, but in a boat of the Haines line, a P. & O. subsidiary. The reason for the confusion in addressing the shipping documents was a similarity in the names of Nederlandsche Handel-Maatschappij N.V. (the Dutch Bank here) and the Nederlandsche Indische Handels Bank, an agency held by The International Agencies Ltd., who are at the same time the agents of the Blue Funnel Line.

2. It may be of interest to add to the information contained in our despatch under reference that the 35,000 gold sovereigns are said to have been obtained for the Standard Oil Company of California by the Guaranty Trust Company's London Office from the Royal Mint.

3. The gold, in seven boxes, is said to have been safely landed here yesterday.

4. A copy of this letter is being sent to Bushire.

Yours ever,

CHANCERY.

Eastern Department,
Foreign Office.

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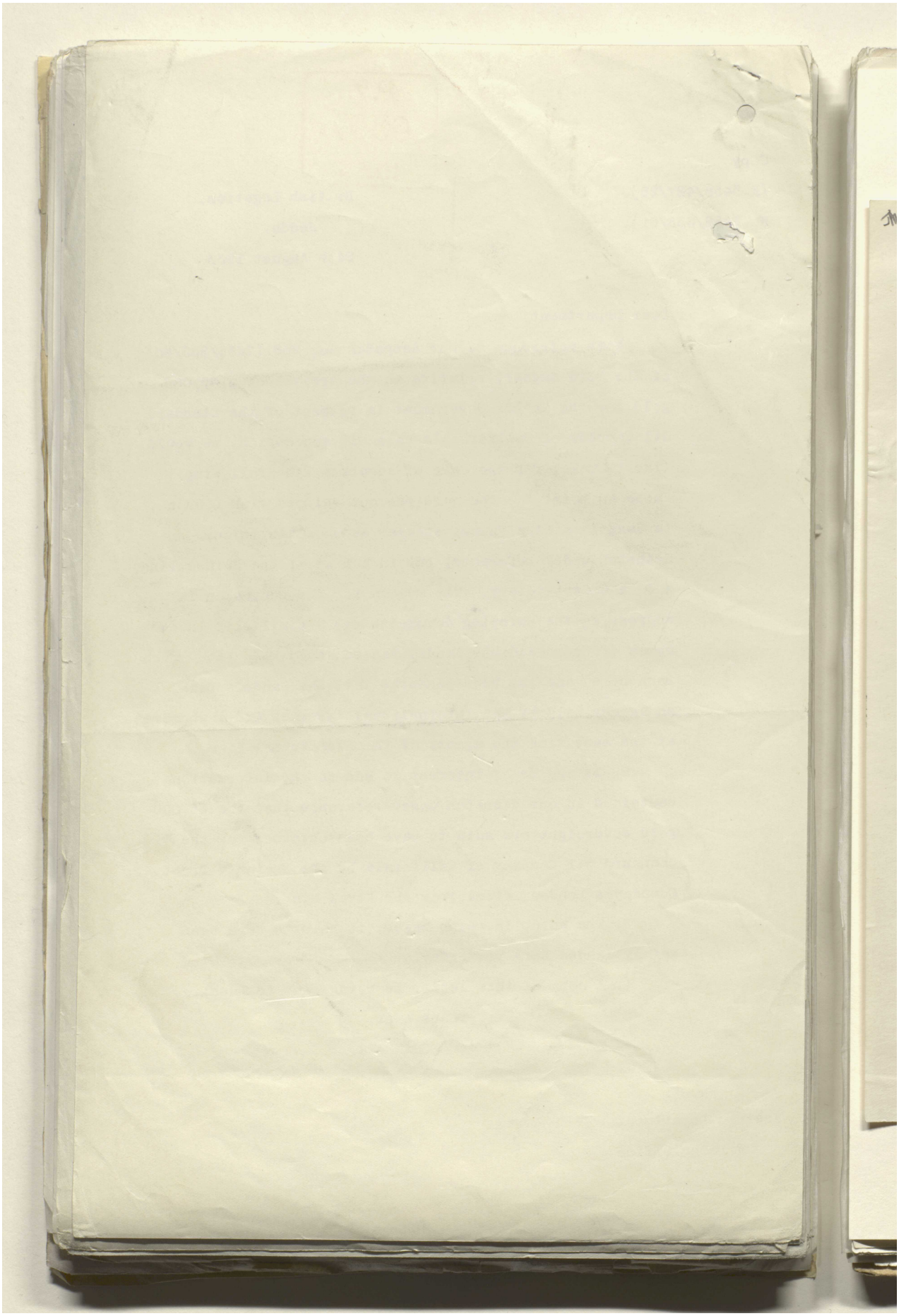

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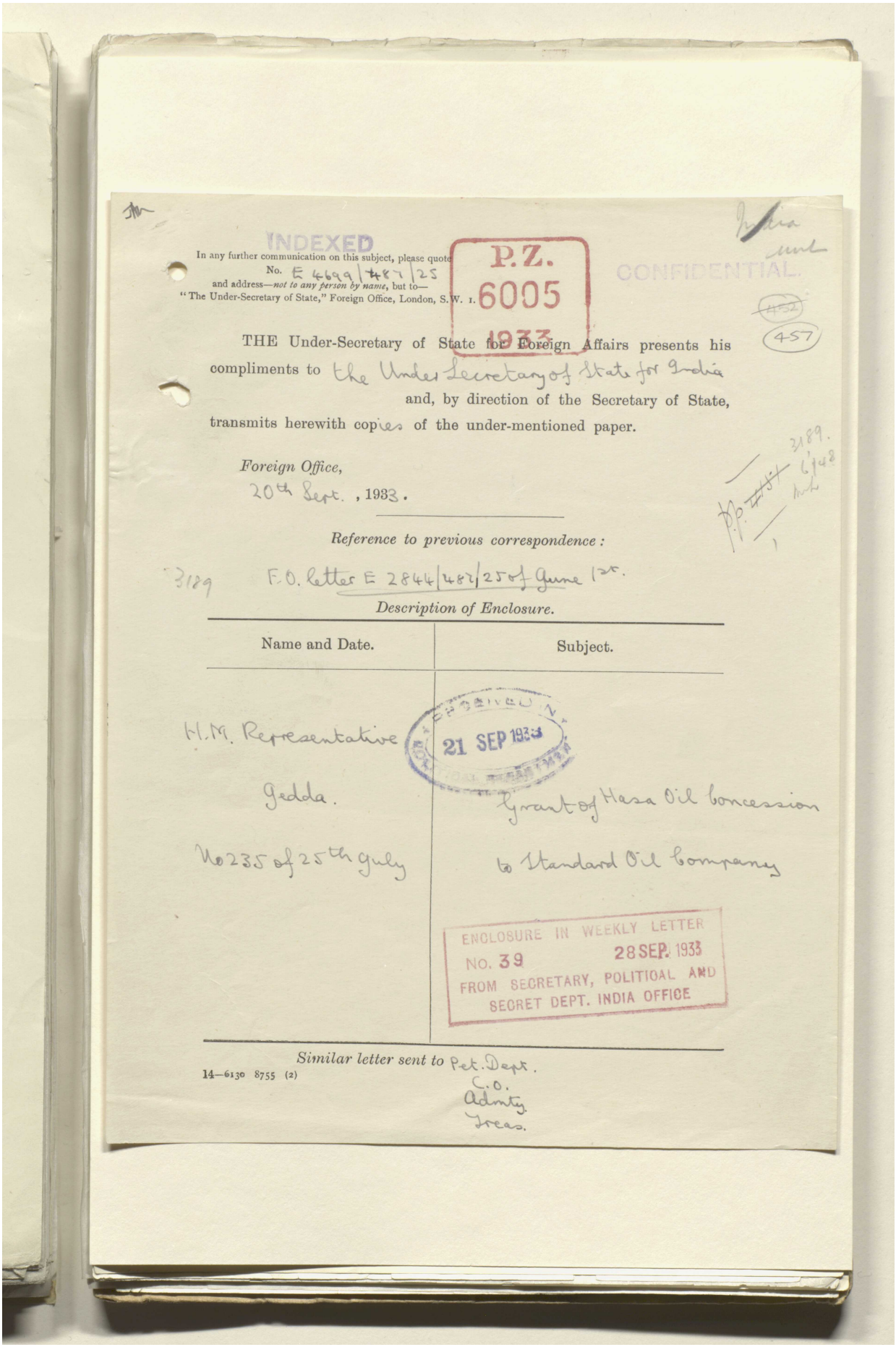

INDEXED

In any further communication on this subject, please quote No. E 4699/487/25 and address—*not to any person by name*, but to— "The Under-Secretary of State," Foreign Office, London, S.W. 1.

P.Z. 6005 1933

CONFIDENTIAL.

(452) 457

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
20th Sept., 1933.

Reference to previous correspondence:

3189 F.O. letter E 2844/487/25 of June 12th.

Description of Enclosure.

Name and Date.	Subject.
H.M. Representative Gedda. No 235 of 25th July	Grant of Hasa Oil concession to Standard Oil Company

21 SEP 1933

ENCLOSURE IN WEEKLY LETTER
NO. 39 28 SEP. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Similar letter sent to Pet. Dept. C.O. Admty. Treas.

14—6130 8755 (2)

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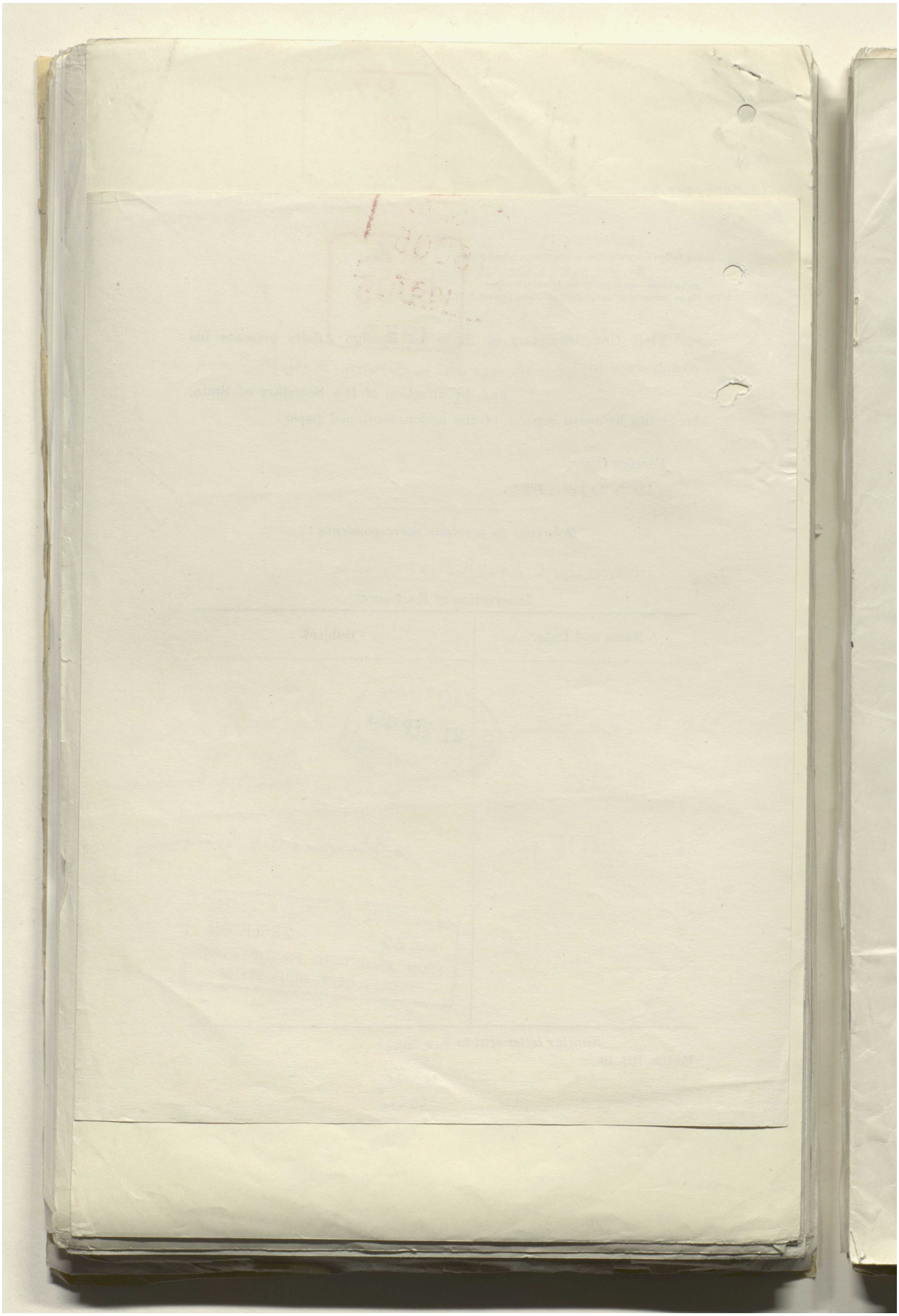

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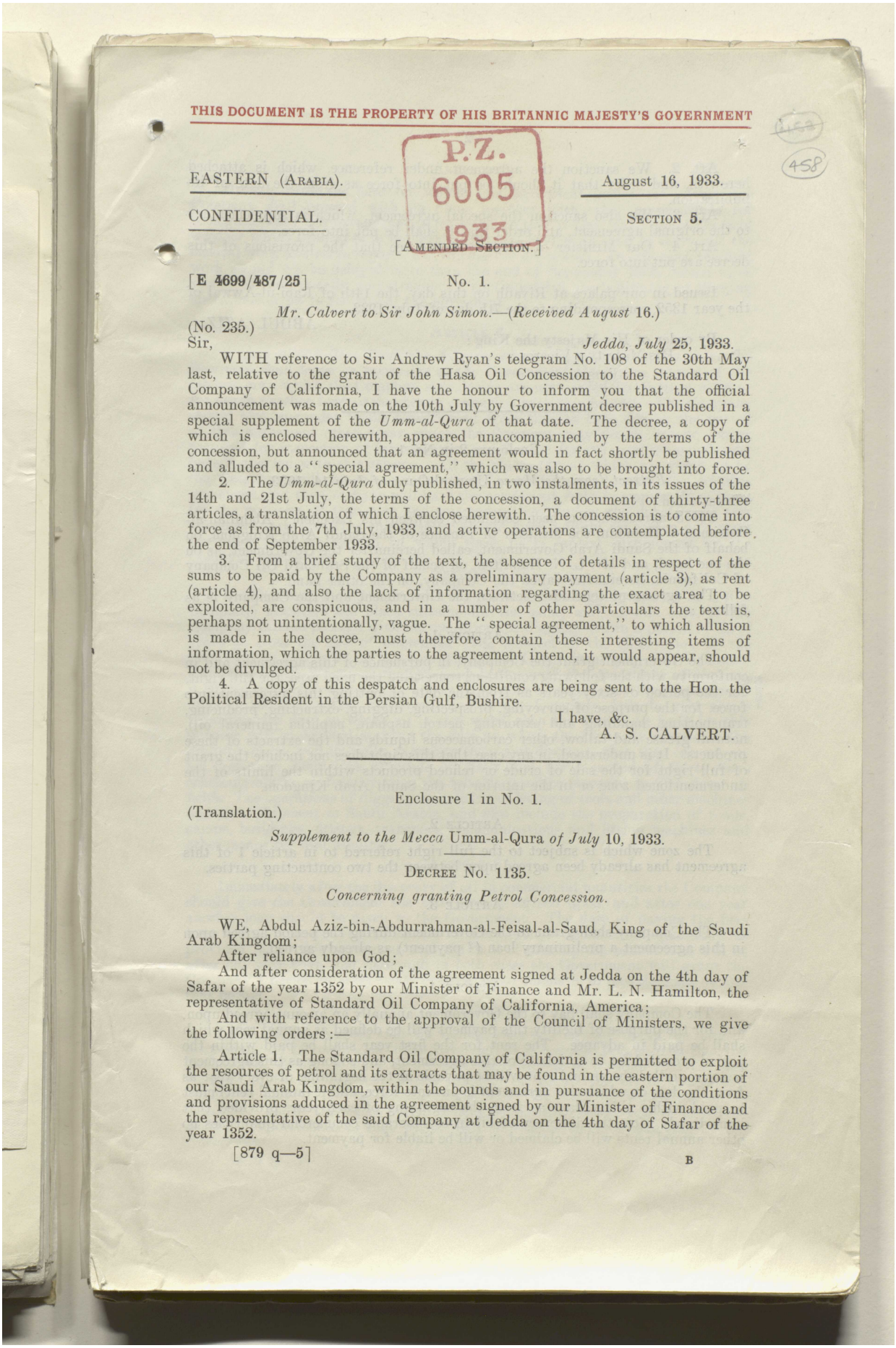

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P.Z. 6005 1933

EASTERN (ARABIA). August 16, 1933.

CONFIDENTIAL. SECTION 5.

[AMENDED SECTION.]

[E 4699/487/25] No. 1.

Mr. Calvert to Sir John Simon.—(Received August 16.)

(No. 235.)

Sir, *Jedda, July 25, 1933.*

WITH reference to Sir Andrew Ryan's telegram No. 108 of the 30th May last, relative to the grant of the Hasa Oil Concession to the Standard Oil Company of California, I have the honour to inform you that the official announcement was made on the 10th July by Government decree published in a special supplement of the *Umm-al-Qura* of that date. The decree, a copy of which is enclosed herewith, appeared unaccompanied by the terms of the concession, but announced that an agreement would in fact shortly be published and alluded to a "special agreement," which was also to be brought into force.

2. The *Umm-al-Qura* duly published, in two instalments, in its issues of the 14th and 21st July, the terms of the concession, a document of thirty-three articles, a translation of which I enclose herewith. The concession is to come into force as from the 7th July, 1933, and active operations are contemplated before the end of September 1933.

3. From a brief study of the text, the absence of details in respect of the sums to be paid by the Company as a preliminary payment (article 3), as rent (article 4), and also the lack of information regarding the exact area to be exploited, are conspicuous, and in a number of other particulars the text is, perhaps not unintentionally, vague. The "special agreement," to which allusion is made in the decree, must therefore contain these interesting items of information, which the parties to the agreement intend, it would appear, should not be divulged.

4. A copy of this despatch and enclosures are being sent to the Hon. the Political Resident in the Persian Gulf, Bushire.

I have, &c.
A. S. CALVERT.

Enclosure 1 in No. 1.

(Translation.)

Supplement to the Mecca Umm-al-Qura *of July 10, 1933.*

DECREE No. 1135.

Concerning granting Petrol Concession.

WE, Abdul Aziz-bin-Abdurrahman-al-Feisal-al-Saud, King of the Saudi Arab Kingdom;

After reliance upon God;

And after consideration of the agreement signed at Jedda on the 4th day of Safar of the year 1352 by our Minister of Finance and Mr. L. N. Hamilton, the representative of Standard Oil Company of California, America;

And with reference to the approval of the Council of Ministers, we give the following orders:—

Article 1. The Standard Oil Company of California is permitted to exploit the resources of petrol and its extracts that may be found in the eastern portion of our Saudi Arab Kingdom, within the bounds and in pursuance of the conditions and provisions adduced in the agreement signed by our Minister of Finance and the representative of the said Company at Jedda on the 4th day of Safar of the year 1352.

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Art. 2. We sanction the agreement under reference, which is attached herewith, and order that it should be put into force as from the date of its publication.

Art. 3. We also sanction the special agreement, which is supplementary to the original agreement, and order that it shall be put into force.

Art. 4. Our Minister of Finance should see that the provisions of this decree are put into force.

Issued in our palace at Riyadh on this day, the 14th of Rabi-ul-Awwal of the year 1352, corresponding to the 7th day of July, 1933.

ABDUL AZIZ.

By order of His Majesty the King :
His Majesty's Viceroy :
FEISAL.

Enclosure 2 in No. 1.

Extract from the Mecca Umm-al-Qura *of July* 14, 1933.

(Translation.)

THIS agreement has been concluded between his Excellency Abdullah-al-Suleiman-al-Hamdan, the Minister of Finance of the Saudi Arab Kingdom, on behalf of the Saudi Arab Government, called hereinafter the Government, as on the one hand, and Mr. L. N. Hamilton, on behalf of the Standard Oil Company of California, hereinafter called the Company, on the other hand.

The agreement concluded between the Government and the Company is as follows :—

ARTICLE 1.

The Government grant the Company, in pursuance of this agreement and in conformity with the following conditions concerning the fixed area, the full right, for the period of sixty years as from the date of putting this agreement into force, for the purpose of surveying, prospecting, digging, extracting, producing, transporting, handling and exporting petrol, asphalt, naphtha (mineral oil), natural grease and tallow, other carbonaceous liquids and the extracts of these products. It is understood, in any case, that this right does not include the grant of full right for the sale of crude or refined products within the limits of the undermentioned zone or in the interior of the Saudi Arab Kingdom.

ARTICLE 2.

The zone which is subject to the full right referred to in article 1 of this agreement has already been agreed upon between the two contracting parties.

ARTICLE 3.

The Company shall grant to the Government during the period agreed upon in this agreement a preliminary loan (? payment) as already agreed.

ARTICLE 4.

The Company shall pay to the Government annually an amount agreed upon, and for the purpose of facility this payment will be defined as annual rent which shall be paid in advance. The rent for the first year shall be paid within the period provided for in article 15 of this agreement, and so long as this agreement is not cancelled the annual rent will be payable at the beginning of every year as from the date on which this agreement is put into force, and it (annual rent) must be paid within thirty days as from the beginning of each year, provided that immediately after the discovery of oil in considerable commercial quantities no other annual rents will be claimed or will be liable for payment.

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ARTICLE 5.

Directly after the date on which this agreement comes into force the Company shall proceed with its plans together with other preparations for geological work and arrangements for work, so that it may make use of the cold weather which enables it to undertake effectual field work, and to carry out the clerical work and make reports, &c., during the hot season. In any case, the field work should not be delayed more than the end of September 1933. Such work should be energetically and strenuously continued till the beginning of digging operations or up to the end of the agreement.

ARTICLE 6.

Within ninety days from the date on which digging operations start the Company shall leave or surrender to the Government the places (areas) of the allowed zone which the Company may decide are not needed for further work or for use in another form or manner in connexion with this project. The Company should also surrender to the Government from time to time during the period of this agreement other areas which the Company may decide are no longer required for inspection or investigation and for use for any purpose which may have connexion with this scheme. All the places (areas) which are given up by the Company will be released from the restrictions and conditions of this agreement, but the Company will have the permanent right to employ those areas for the purposes of transport and communications during the duration of this agreement, provided that this practice should have a slight connexion only with the other form or method in which these parts (areas) surrendered by the Company can be used.

ARTICLE 7.

The Company should begin with the operations of digging as soon as it (the Company) discovers the place suitable for the same, and, in any case, if the Company fails to proceed with the operations of digging within a period of three years as from the end of September 1933 (subject to the observation of the provisions of article 24 of this agreement), the Government may then terminate this agreement. Whenever the Company begins with the operations of digging, it should persevere with energy until it discovers oil in commercial quantities or until it terminates this agreement, and if the Company fails to give notice regarding the date on which oil is discovered, then the date to be fixed for this purpose will be counted as from the date on which the Company completed the digging of one well or wells, examines them and discovers that they can supply not less than 2,000 tons of crude oil daily and for a period of thirty days consecutively in conformity with the reliable practice observed in first-class oil-fields. The operations of digging include the ordering of tools and other machines and their shipment to Saudi Arabia, and also include the preparation of roads, camps, buildings, fittings, transport, communications and fitting machines and other means for well-digging.

ARTICLE 8.

Immediately after the discovery of oil in commercial quantities the Company should give the Government the loan already agreed upon, and after one year another loan should be given to the Government. The date of paying the first loan will be the date on which oil is discovered in commercial quantities as provided for in this agreement, and the date of offering the second loan will be after one year from that date, and in both cases the Government will grant the Company a period of sixty days' delay so as to enable it to pay the loan during that period.

ARTICLE 9.

As it has been agreed that the annual rent will be paid up to the date of discovering oil in commercial quantities, and as it has also been agreed that the annual rent should be paid in advance, therefore it is possible that the last payment of the annual rent before the date of discovering oil in commercial quantities may include a certain period after the date on which the oil is discovered, and if this extra period is equal to one-fifth of the year or more, the amount proportionate to that period will be considered as a loan due by the Government.

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ARTICLE 10.

As soon as it becomes possible (*i.e.*, the Company will be allowed a reasonable time for ordering additional tools and for their shipment to Saudi Arabia to meet the additional work after the date of discovering oil in commercial quantities), the Company should continue digging, by means of two digging machines, till it completes digging all over the fixed zone, in conformity with the practice observed in first-class oil-fields, or until this agreement expires.

ARTICLE 11.

The Company shall pay to the Government royalty on all crude oil drawn out or stored, and which runs or flows from the field storage, after deducting—

First: Water and other foreign substances.
Second: Oil which will be required by the Company for its ordinary work within Saudi Arabia.
Third: Oil which will be required for the purpose of manufacturing quantities of benzine and kerosene, which will be supplied free to the Government every year in pursuance of article 16 of this agreement.

The amount of royalty on each ton net weight of crude oil will be (*a*) 4*s*. gold or its equivalent, or (*b*) in accordance with the choice which the Company may make at the time of payment of each instalment, 1 American dollar on each ton of crude oil, plus the difference in the rate of exchange in accordance with the average of the rates of exchange for the three months before the payment of the instalment. For instance, if the average rate of exchange is 1 dollar or 14 cents United States currency for each 4*s*. gold (*i.e.*, that the value of £1 gold has become equivalent to 5 dollars and 70 cents), the amount of royalty on each ton net weight of crude oil will then be 1 dollar and 4 cents.

ARTICLE 12.

If the Company extracts, stores and sells any kind of mineral oil, it should pay to the Government a royalty equivalent to one-eighth of the revenue from sales. Nevertheless, it is understood that the Company is not bound to extract, store and sell any mineral oil, and it is also understood that the Company is not bound to pay any royalty in respect of the oil which will be used by the Company for its ordinary work, machines and other establishments in the Saudi Arab Kingdom.

ARTICLE 13.

The Government have the right, through representatives properly authorised on their behalf, to inspect during working hours the work carried out by the Company, in accordance with the provisions of this agreement, and to check the quantities produced. The Company should keep correct accounts and measures of quantities of oil gained and stored and which run from the depot of the field, in accordance with the practice observed in the first-class oil-fields. Government representatives who are properly authorised have the right to check the said accounts at all convenient times. After the expiration of one half-year as from the date on which the oil is discovered in commercial quantities, the Company should submit to the Government a half-yearly account within a period of three months following the said half-year, and submit a statement showing the amount of royalty due to the Government for that half-year. The Government should treat these accounts and statements as confidential, with the exception of figures which the Government may find it necessary to publish for certain financial purposes. The royalty which will be due to the Government should be paid at the end of each half-year, as from the date on which oil is discovered in commercial quantities, and such payment should be made within the period of the three months following that half-year. In the case of any dispute which may occur in respect of the amount of royalty due for a half-year, the Company should hand over to the Government within the fixed period that part of the royalty which is not in dispute. The dispute which may arise between the two parties should be settled by them, and if they do not come to a settlement in this way, then such dispute may be settled by means of arbitration provided for in this agreement. Any amount which will be decided after this settlement should be paid to the Government within sixty days, as from the date on which the decision is given.

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ARTICLE 14.

It is agreed that all gold payments provided for in this agreement, whether they are gold pounds or shillings, will be reckoned on the basis of gold pounds, and in accordance with their weight and pureness at the time of payment. It is also agreed that payments may be made in American dollars or pounds sterling on the above-mentioned basis. It is also agreed that in case the payment of the loan and the rent for the first year is made in pounds sterling or American dollars, the rate will then be calculated in accordance with the rate of exchange on the date of payment.

ARTICLE 15.

All payments provided for in this agreement and which ought to be paid to the Government should be paid to them direct or to their credit in whatever bank they may fix in writing. The Government have the right to change this bank from time to time provided that they inform the Company of such action in writing, so as to enable the Company to have sufficient time to arrange for subsequent payment to the new bank. It is agreed that the Government shall select this bank, whether in Saudi Arabia, or in the United States of America, or in England, or in Holland, provided that no bank be selected in Saudi Arabia, unless it has a correspondent in the United States of America, England or Holland, through whom the money can be remitted to Saudi Arabia, and if the Company pays in the proper way to the Government any payment through the bank or through the correspondent of the bank for the purpose of its transmission to Saudi Arabia, the Company will be then free of any risk in respect of such payment. It has been agreed that the first payment agreed upon (which is the preliminary loan and the rent of the first year) should be paid within a period of fifteen days as from the date on which this agreement comes into force to the correspondents of the Netherlands Trading Society of Jedda (Saudi Arabia) at New York or London for its transmission and handing over to the Government against proper and correct receipt. The expenses incurred in this connexion will be charged to the Company. If this first payment is not paid in gold it may be paid in pounds sterling at the rate of exchange at the time the Company pays the said payment to the correspondent of the bank.

ARTICLE 16.

After discovering oil in commercial quantities within a reasonable period, the Company may choose a place in Saudi Arabia for the purpose of establishing a factory for manufacturing a sufficient quantity of petrol and kerosene to suffice the needs of the Government. It is understood that the requirements or needs of the Government will not include the sale of the same on their part inside or outside the country.

The Company should proceed to establish this factory after completing the necessary preliminary arrangements and after obtaining the approval of the Government regarding the place which the Company suggests. During every year following the establishment of this factory the Company should offer to the Government a loose quantity of about 200,000 gallons of petrol and another of about 100,000 gallons of kerosene free of charge. It is understood that the methods of taking over these quantities should not expose the work of the Company to any danger.

ARTICLE 17.

The Company employs at its own expense the number of guards and guides needed for the protection of its representative camps and establishments. The Government promise to afford every assistance to the Company in supplying it with their best soldiers and men and entrust them with this matter. The Government will offer the Company all reasonable protection at certain wages, which will not be more than the usual wages paid by the Government. It is understood that the expenses incurred in connexion with such services should be paid to the Government by the Company.

ARTICLE 18.

In return for the obligations undertaken by the Company in pursuance of this agreement, and in respect of the payments which are due from the Company

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as provided for in this agreement, the Company and the concession will be exempted from all direct and indirect taxes, dues, charges and fees (including customs dues on export and import). It is understood that this privilege does not include the sale of products inside the country and the personal requirements of the members of the staff of the Company. The Company is not allowed to sell within the country any of the tools and material imported without payment of customs dues except after payment of such dues.

ARTICLE 19.

It is naturally understood that the Company has the right to use all the means and facilities which it may think necessary for its work and which shall enable it to fulfil the requirements of this concession, and which comprise other affairs such as buildings, using roads, camps, fittings and all roads for communications, and to erect and employ machines and other means connected with the digging of wells or transport, or storage, or manufacture, or exportation of petrol and its products or any other thing which may have connexion with the camps, buildings and the premises to be engaged by the employees of the Company. The Company has the right to build and use cisterns, reservoirs and basins and also has the right to build piers, quays and lines for shipments and to use all other means for the transport of employees, machines and petrol and its products. In any case, it is understood that the question of employing aeroplanes within the limits of the country will be subject to another separate agreement. The Company has the right to procure, take and use water and also has the right to take and use any water which belongs to the Government for the purpose of carrying out the work in connexion with the project provided that such action must not cause harm to irrigation or deprive land, houses and watering-places of sufficient water from time to time. The Company has the right also to make use of any natural products which belong to the Government, such as sand, timber, stones, lime, gypsum and other materials of the same nature. Government employees and agents (during performance of their official duties) will have the right to use the means of transport and communications which will be established by the Company, provided that such action should not hinder or embarrass the affairs of the Company indicated in this agreement, and should not cause the Company any material loss. The commandeering of the means of transport and communications belonging to the Company by the Government during the occurrence of national trouble will entitle the Company to reasonable compensation for any loss which it may undergo or for any harm which may occur to the works and establishments of the Company or hinder or embarrass its works.

ARTICLE 20.

The concession provided for in this agreement shall be managed and supervised by American persons, who will engage so far as possible persons from amongst the subjects of the Saudi Arab Government and in so far as it is possible for the Company to find capable and fit employees from amongst Saudi subjects, it shall not engage the subjects of any other Government. The Company should observe the regulations in force in this country in connexion with the treatment of employees.

ARTICLE 21.

The Government reserves the right of prospecting in the authorised zone for other products and materials apart from those provided for in this agreement by the wells and establishments of the Company, provided that this right which is reserved by the Government should not affect the rights granted to the Company and should not expose its work to danger, and provided that the Government should pay to the Company a reasonable compensation for any harm which the Company may undergo on account of the exercise of that right. Whenever the rights reserved by the Government are granted, the person in possession of this concession will be bound by the provisions of this article.

ARTICLE 22.

The Government authorise the Company to acquire from landowners any land which the Company may suggest is necessary for its work in connexion with this concession, provided that the Company pay to the landowner a reasonable

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sum to be estimated on the basis of the income, which the landowner gets from that land. The Government will offer reasonable assistance to the Company in case of any difficulties which may arise in this respect, the Company has no right to acquire or occupy any sacred place.

ARTICLE 23.

The Company should submit to the Government the copies of the typographical maps and geological reports which are definitely certified by the Company in connexion with the authorised zone covered by this agreement. The Company should also submit to the Government within four months at the end of every year (as from the date of discovering oil in commercial quantities), a report explaining the work done during that year and provided for in this agreement, provided that the Government treat these maps and reports as confidential.

ARTICLE 24.

No failure or negligence on the part of the Company in respect of the execution of any of the conditions of this agreement shall entitle the Government to claim compensation from the Company, if such failure or negligence is accidental and unavoidable. If the execution of any of the conditions of this agreement is delayed on account of *force majeure*, the period of delay together with the period necessary for the reparation of the harm or damage shall be added to the period and conditions specified in this agreement.

ARTICLE 25.

The Company has the right to terminate this agreement at any time, and in such case it should give to the Government in writing thirty days' notice, whether by letter or by telegram, provided that the telegraphic notice is followed by a confirmatory letter. As soon as the termination of this agreement is effected by the giving of the said notice or by any other means, the Government and the Company will both be free from any restrictions and obligations imposed on them by this agreement, with the exception of the following :—

(1) The immovable property of the Company, such as roads, oil or water wells, together with their pipes and the immovable buildings and fittings, &c., will be the property of the Government free of any charge.

(2) The Company should grant the Government a period of delay to enable them to purchase the movable property of this concern existing in Saudi Arabia at a reasonable price equivalent to that of any other similar property at that time, subject to the reduction which is usual with second-hand property. Any dispute which may arise over fixing this reasonable price shall be settled by arbitration in the same way as is provided for in article 28 of this agreement, and if the Government refuse or fail to buy the said movable properties within a period of two months from the date of terminating this agreement, and if the Government fail to pay the amount of the cost within thirty days after such cost is decided either by mutual agreement or by arbitration, the Company shall have the right to take and remove the properties in question within a period of six months.

ARTICLE 26.

If the Company breaks its engagements in regard to paying the second loan agreed upon in accordance with this agreement, or to beginning the work of digging provided for in this agreement, or to paying the two loans agreed upon as indicated in article 8, or if it breaks its engagement under article 28 of this agreement regarding the payment of any compensation which may be imposed on the Company, the Government will then have the right to warn the Company immediately, and if the Company does not take immediate steps with a view to carrying out the broken engagements, the Government shall have the right to terminate this agreement

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ARTICLE 27.

If the Company fails in any of its engagements provided for in this agreement (except those mentioned in article 24), it shall be liable to punishment by means of a fine to be paid to the Government under the following conditions :—

The Government shall warn the Company immediately about any breach attributed to it, and explain to the Company the facts of this breach.

Any dispute which may arise as to whether the Company has committed such a breach of its engagements or otherwise will be settled in accordance with the method mentioned in this agreement, and if it is proved that the Company has committed such a breach, but has failed to take immediate steps in this respect it shall then be liable to pay compensation for the damage caused to the Government. If they cannot reach an agreement as to the amount of compensation, it can be settled by the means of arbitration provided for in this agreement. The Company should then pay the Government the amount of compensation decided by arbitration within a period of sixty days, as from the date on which such decision is given.

ARTICLE 28.

If any doubt, difficulty or difference arises between the Government and the Company in connexion with the interpretation of this agreement or its execution, or in the interpretation of anything in it or its execution, or in the rights of the two parties or their engagements, and if the two parties fail to settle the same by any other method, the case shall be settled by means of two arbitrators to be selected by the two parties (each party selecting one arbitrator), and one chairman to be appointed by the arbitrators before starting the arbitration. Each party should appoint his arbitrator within a period of thirty days as from the date of the application to be forwarded by the other party in writing. If the two arbitrators fail to appoint the chairman, the Government and Company should appoint the chairman by mutual agreement. If they fail to do this, they should ask the president of the Permanent Court of International Justice to appoint the chairman, who will be considered as chief arbitrator in the case, and if the two arbitrators do not agree upon any suggestion, the arbitration of the chairman (or the chief arbitrator) shall be considered final. The two parties should agree upon fixing the place for arbitration, and, in case of their failure, the place to be fixed for this purpose shall be The Hague, Holland.

ARTICLE 29.

The Company is not allowed to transfer its rights and obligations provided for in this agreement without the consent of the Government, but it is understood that the Company may have the right to transfer its rights and obligations provided for in this agreement to another company, which may be established by the contracting Company in connexion with this concession, after giving notice to the Government to this effect. The Company will also have the right to establish other companies and preparations of said nature if it appears to the Company that they are necessary for the purpose of carrying out the affairs of this concession. As soon as the companies and other establishments newly established become entitled to part of the rights and undertakings provided for in this agreement or for all of them, they shall also become bound by the conditions and provisions of this agreement. In case the company newly established issues shares for public sale, the inhabitants of the Saudi Arab kingdom should be allowed a reasonable time for the purpose of subscribing (under the same conditions offered to others), with 20 per cent. at least of the amount of the shares which will be offered for sale.

ARTICLE 30.

It is understood that periods referred to in this agreement shall be calculated on the basis of the solar calendar.

ARTICLE 31.

The date on which this agreement shall be considered as coming into force shall be the date of its publication in the Saudi Arab country after its ratification by the Company.

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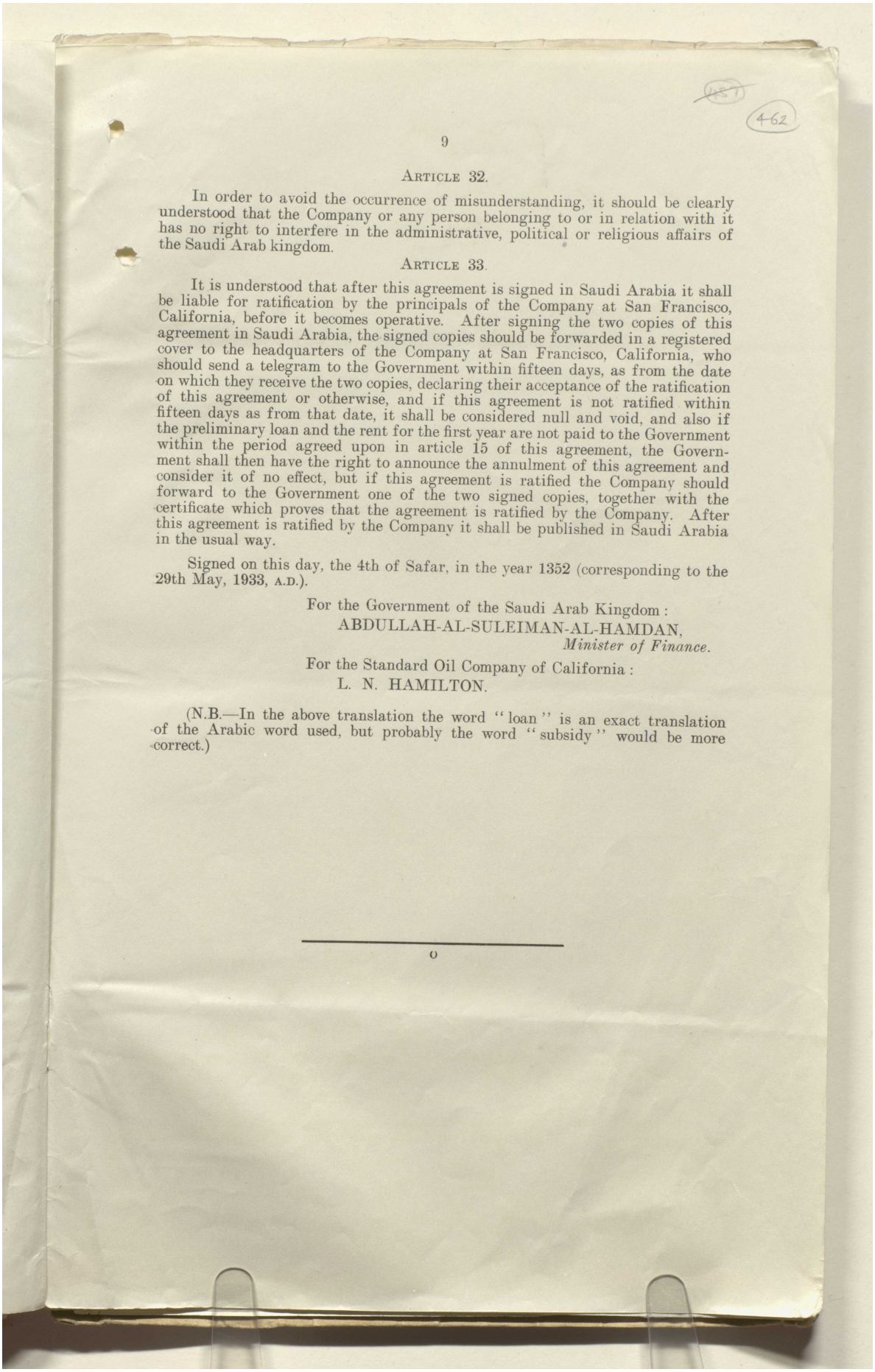

ARTICLE 32.

In order to avoid the occurrence of misunderstanding, it should be clearly understood that the Company or any person belonging to or in relation with it has no right to interfere in the administrative, political or religious affairs of the Saudi Arab kingdom.

ARTICLE 33.

It is understood that after this agreement is signed in Saudi Arabia it shall be liable for ratification by the principals of the Company at San Francisco, California, before it becomes operative. After signing the two copies of this agreement in Saudi Arabia, the signed copies should be forwarded in a registered cover to the headquarters of the Company at San Francisco, California, who should send a telegram to the Government within fifteen days, as from the date on which they receive the two copies, declaring their acceptance of the ratification of this agreement or otherwise, and if this agreement is not ratified within fifteen days as from that date, it shall be considered null and void, and also if the preliminary loan and the rent for the first year are not paid to the Government within the period agreed upon in article 15 of this agreement, the Government shall then have the right to announce the annulment of this agreement and consider it of no effect, but if this agreement is ratified the Company should forward to the Government one of the two signed copies, together with the certificate which proves that the agreement is ratified by the Company. After this agreement is ratified by the Company it shall be published in Saudi Arabia in the usual way.

Signed on this day, the 4th of Safar, in the year 1352 (corresponding to the 29th May, 1933, A.D.).

For the Government of the Saudi Arab Kingdom :
ABDULLAH-AL-SULEIMAN-AL-HAMDAN,
Minister of Finance.

For the Standard Oil Company of California :
L. N. HAMILTON.

(N.B.—In the above translation the word "loan" is an exact translation of the Arabic word used, but probably the word "subsidy" would be more correct.)

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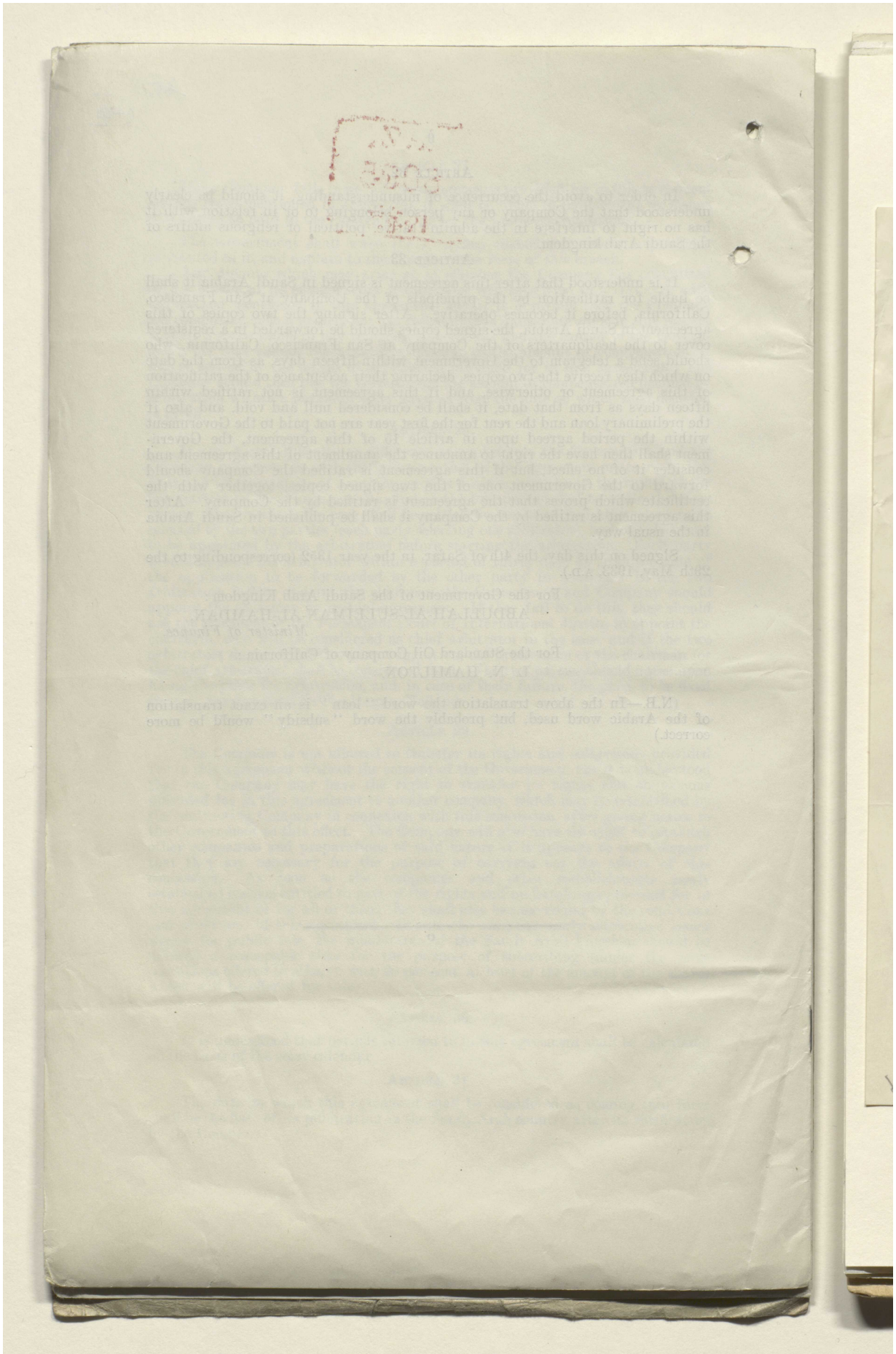

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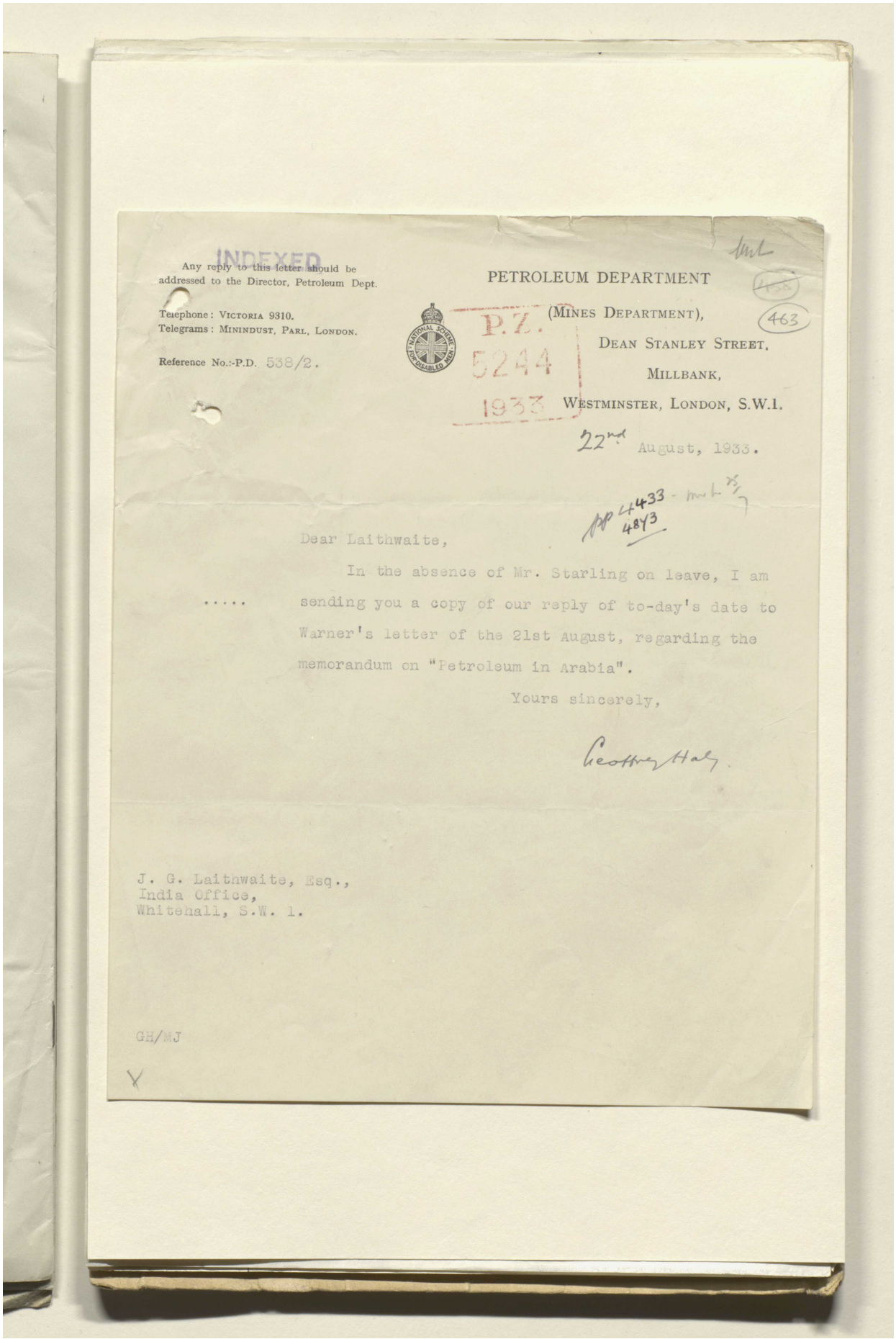

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Any reply to this letter should be addressed to the Director, Petroleum Dept.

Telephone: Victoria 9310.
Telegrams: Minindust, Parl, London.

Reference No.:-P.D. 538/2.

PETROLEUM DEPARTMENT
(Mines Department),
Dean Stanley Street,
Millbank,
Westminster, London, S.W.1.

P.Z. 5244 1933

22nd August, 1933.

Dear Laithwaite,

In the absence of Mr. Starling on leave, I am sending you a copy of our reply of to-day's date to Warner's letter of the 21st August, regarding the memorandum on "Petroleum in Arabia".

Yours sincerely,

Geoffrey Haly

J. G. Laithwaite, Esq.,
India Office,
Whitehall, S.W. 1.

GH/MJ

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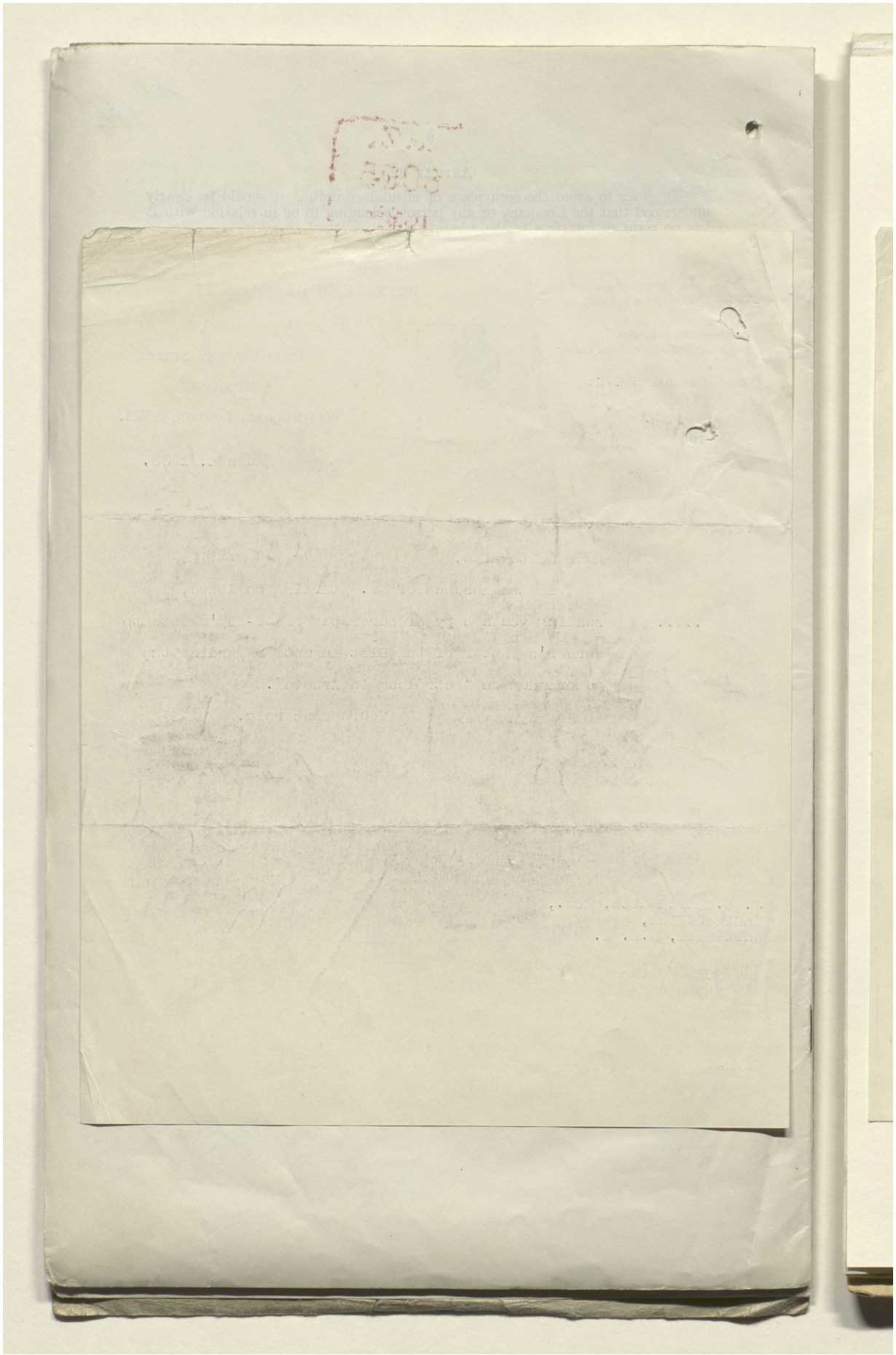

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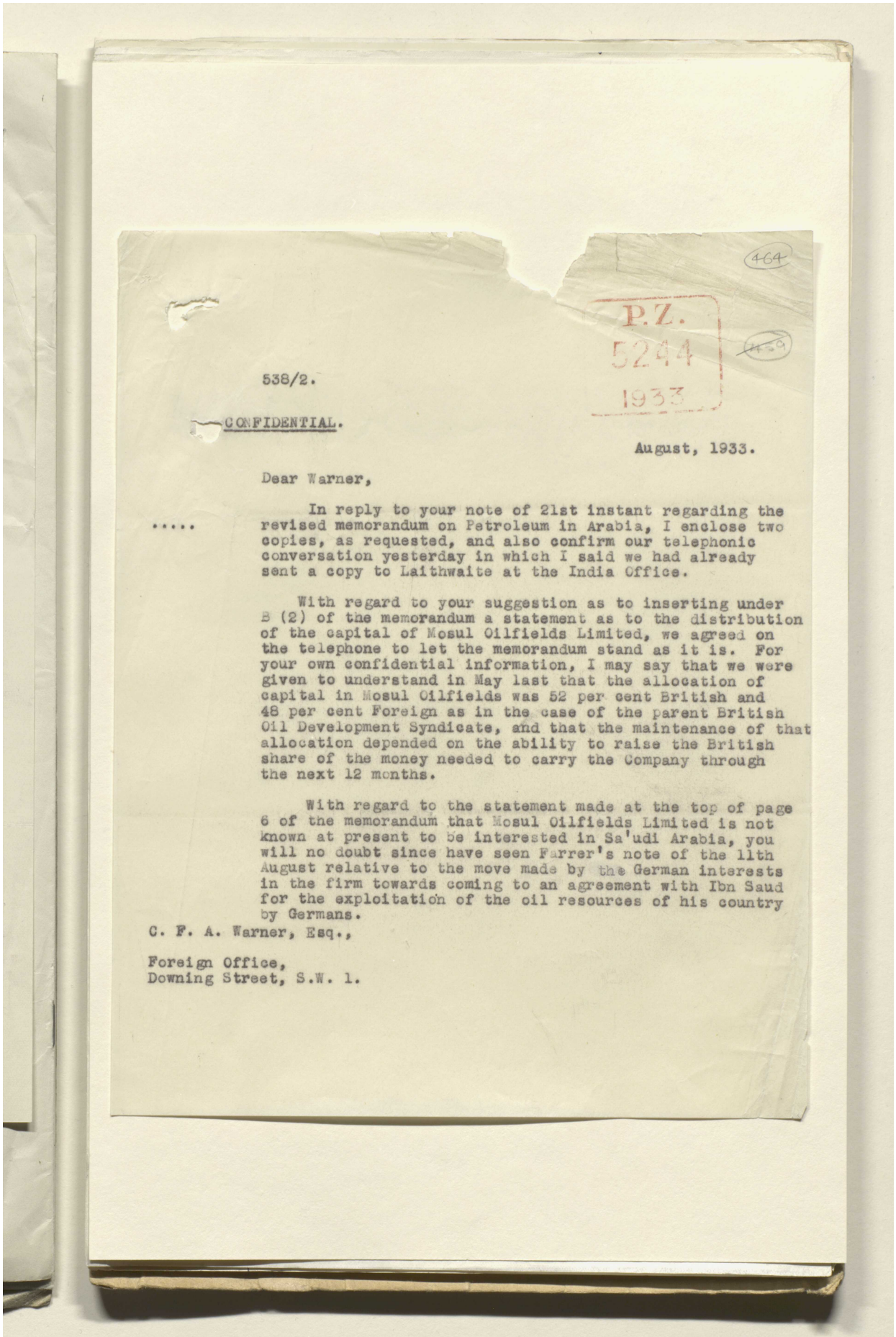

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P.Z.
5244
1933

538/2.

CONFIDENTIAL.

August, 1933.

Dear Warner,

In reply to your note of 21st instant regarding the revised memorandum on Petroleum in Arabia, I enclose two copies, as requested, and also confirm our telephonic conversation yesterday in which I said we had already sent a copy to Laithwaite at the India Office.

With regard to your suggestion as to inserting under B (2) of the memorandum a statement as to the distribution of the capital of Mosul Oilfields Limited, we agreed on the telephone to let the memorandum stand as it is. For your own confidential information, I may say that we were given to understand in May last that the allocation of capital in Mosul Oilfields was 52 per cent British and 48 per cent Foreign as in the case of the parent British Oil Development Syndicate, and that the maintenance of that allocation depended on the ability to raise the British share of the money needed to carry the Company through the next 12 months.

With regard to the statement made at the top of page 6 of the memorandum that Mosul Oilfields Limited is not known at present to be interested in Sa'udi Arabia, you will no doubt since have seen Farrer's note of the 11th August relative to the move made by the German interests in the firm towards coming to an agreement with Ibn Saud for the exploitation of the oil resources of his country by Germans.

C. F. A. Warner, Esq.,

Foreign Office,
Downing Street, S.W. 1.

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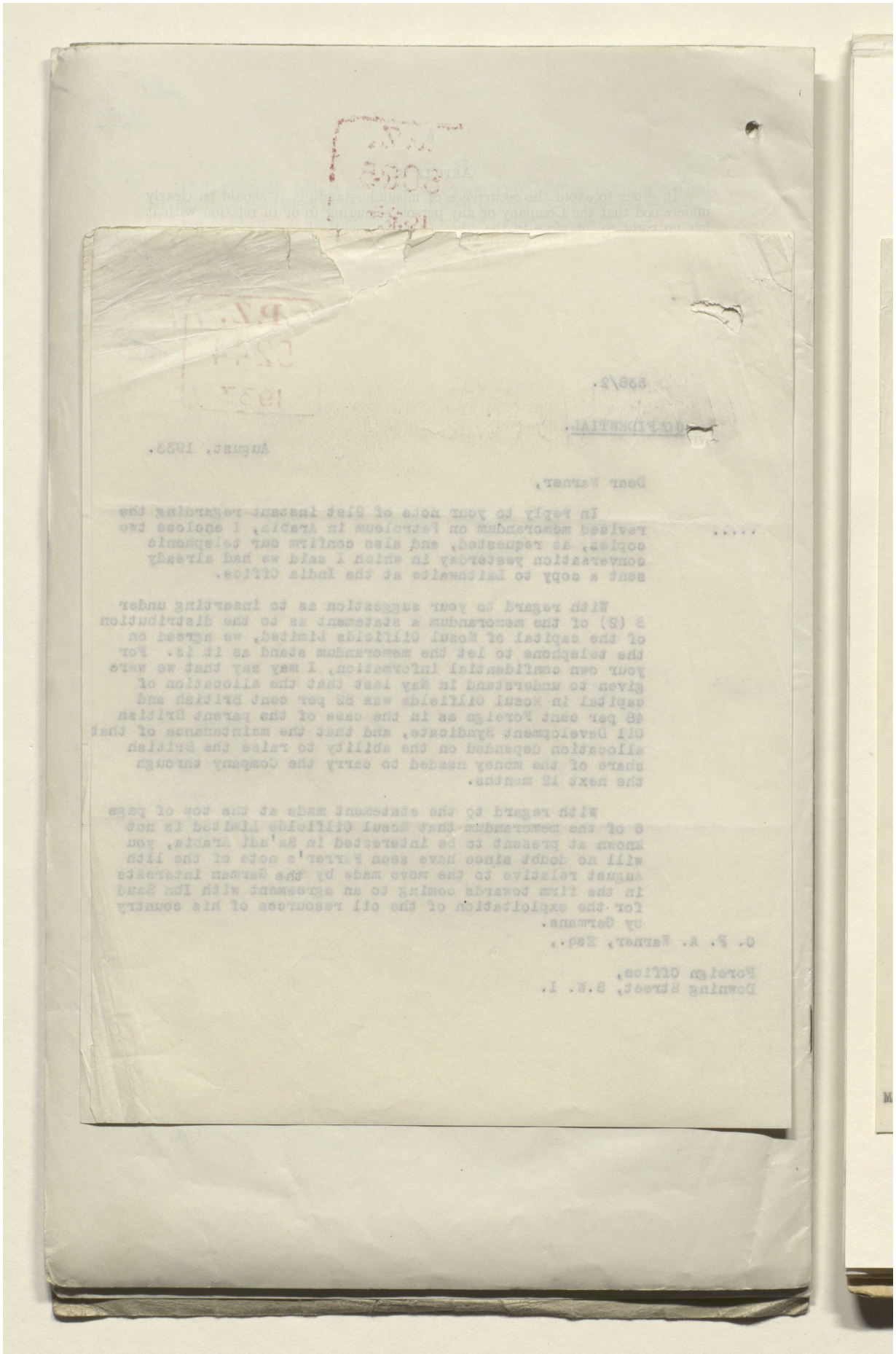

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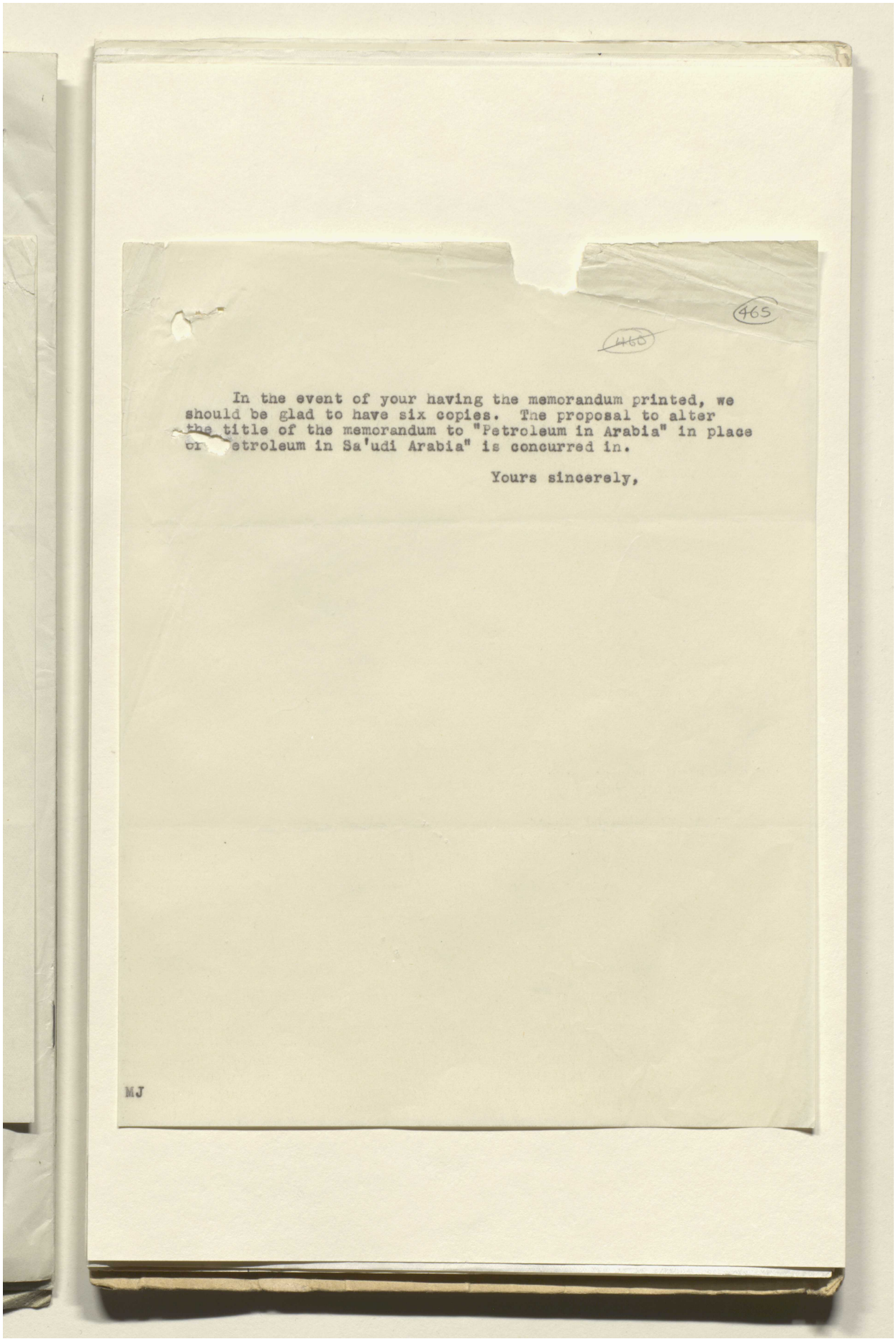

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In the event of your having the memorandum printed, we should be glad to have six copies. The proposal to alter the title of the memorandum to "Petroleum in Arabia" in place of "Petroleum in Sa'udi Arabia" is concurred in.

Yours sincerely,

MJ

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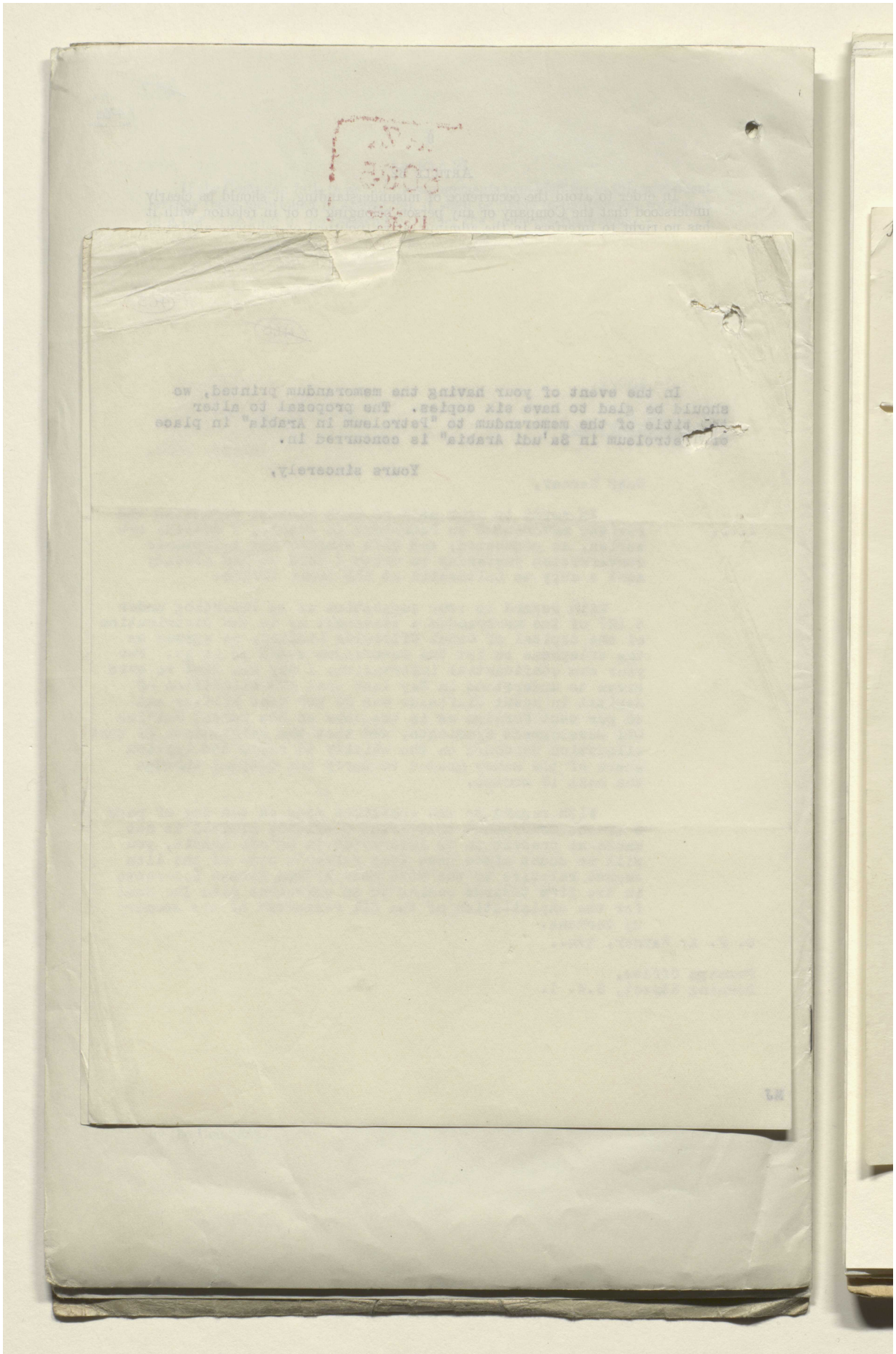

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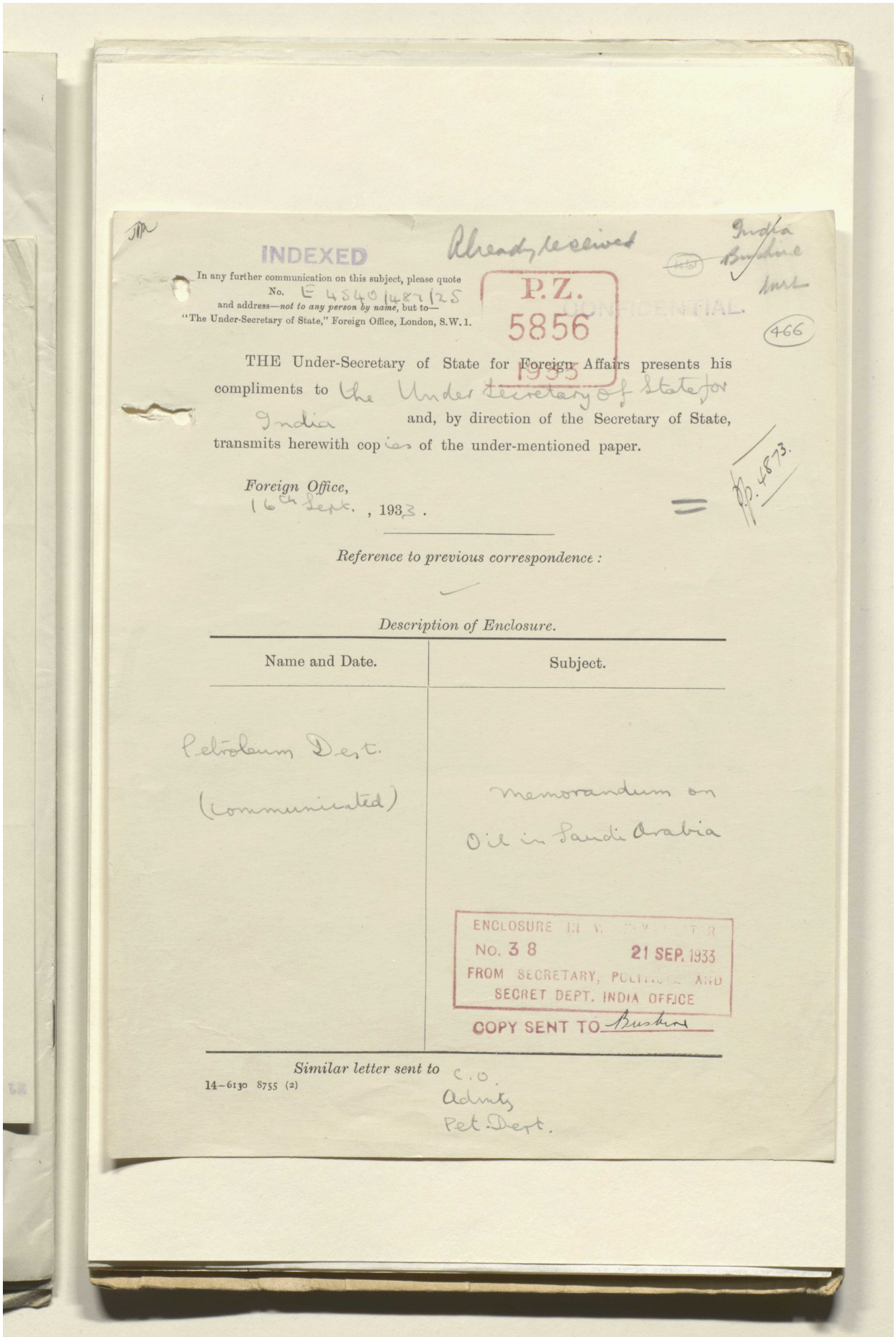

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Already received

India Business

In any further communication on this subject, please quote No. E 4540/487/25 and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W.1.

P.Z. 5856

CONFIDENTIAL

1933

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THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

P.P. 48/73.

Foreign Office,
16th Sept., 1933.

Reference to previous correspondence:

Description of Enclosure.

Name and Date.	Subject.
Petroleum Dept. (communicated)	Memorandum on Oil in Saudi Arabia

ENCLOSURE IN [illegible] LETTER
NO. 3 8 21 SEP. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE
COPY SENT TO Bushire

Similar letter sent to C.O. Admty Pet. Dept.

14–6130 8755 (2)

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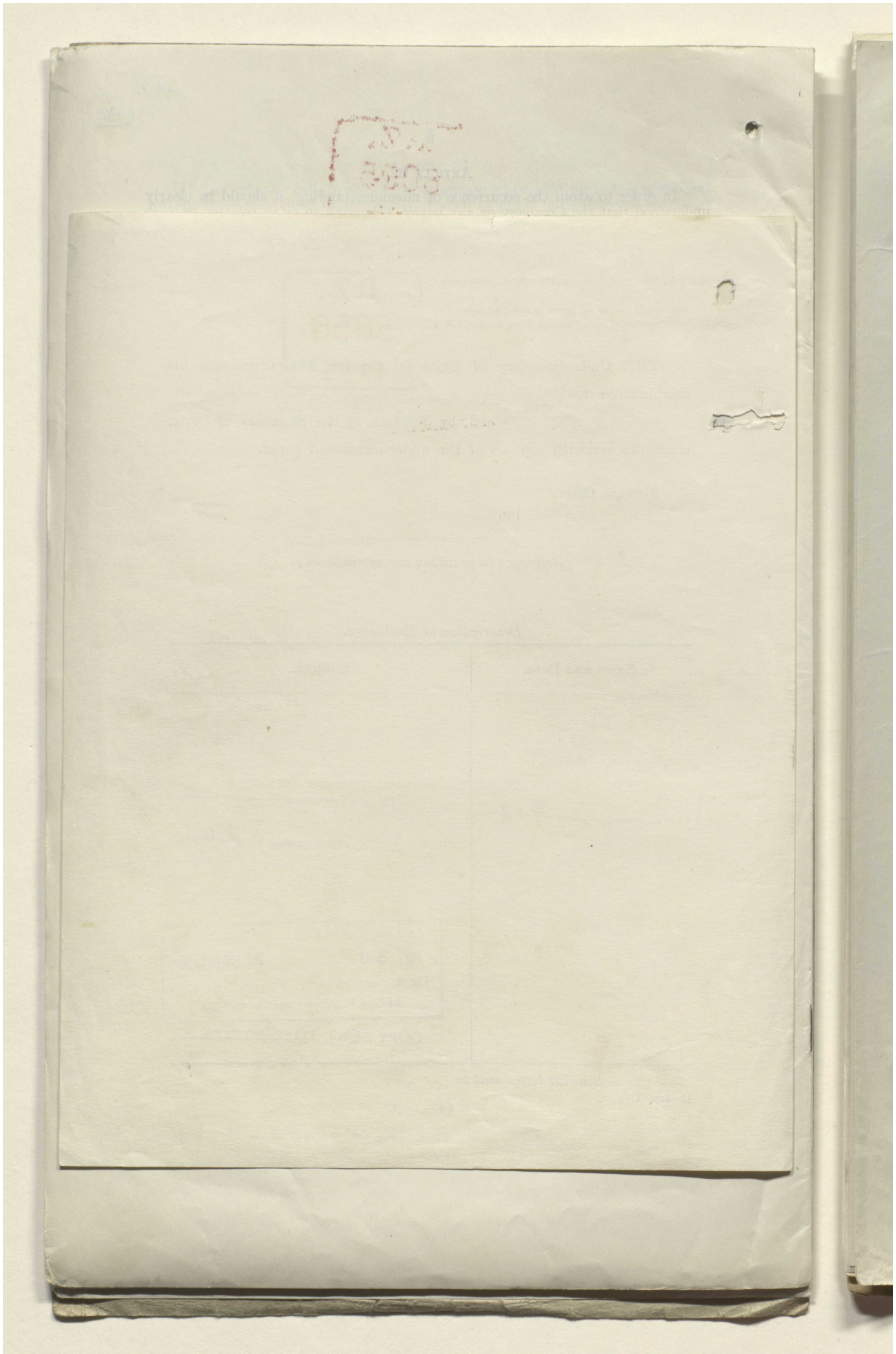

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ENCLOSURE IN FOREIGN OFFICE
COVERING LETTER DATED

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EASTERN (ARABIA).

CONFIDENTIAL.

P.Z.
5856
1933

August 11, 1933.

SECTION 1.

[E 4540/487/25] No. 1.

Memorandum respecting Petroleum in Arabia (as revised by Petroleum Department.—(Received in Foreign Office, August 11, 1933.)

(A)—*Petroleum Prospects of Arabia.*

(1) *LITTORAL Region of the Hejaz.*—Petroliferous deposits and seepage have long been known to exist in this area. Interest in it was stimulated by Mr. Twitchell's survey in 1931 in the coastal region north of Jedda, but this area seems to have dropped into the background of late. In a report furnished by the Anglo-Persian Oil Company to the Petroleum Department in 1932, it was pointed out that the general structure of the Red Sea is known geologically as a "Rift Valley," that is, a sunken valley bounded on either side by rift faults. The prospects of finding oil in commercial quantity are considered to be remote, though not entirely non-existent, and even after a complete survey, "Rift Valley conditions" are such that any test drilling would be very speculative.

(2) *Hasa and Koweit Neutral Zone.*—It has been thought for many years that this region might produce oil. The idea that it may be underlain by rocks of the same geological age as those of the Iraq and Persian oil-fields, and that potential oil structures might exist extending from Koweit to Qatar inclusive, has been encouraged by the striking of oil in quantity in Bahrein in 1932.

(3) *The Farsan Islands and Asir.*—Interest in these islands and/or the mainland of Asir, from the point of view of petroleum potentialities, seems to date from before the Great War. Operations were actually started on one of the islands by the Red Sea Petroleum Company, a subsidiary of the Shell Group, in 1926 or early in 1927, but drilling operations were subsequently abandoned as unsuccessful. As to Asir, see (D) (2).

(4) *Mokalla.*—In 1928–29 the Anglo-Saxon Petroleum Company (Shell Group) carried out investigations, and reached the conclusion that the petroleum prospects were quite unfavourable.

(5) *Muscat.*—The Anglo-Persian Oil Company abandoned this area as unfavourable in 1925–26.

(B) *Interested or Potentially Interested Companies.*

(1) *The Iraq Petroleum Company.*—The Turkish Petroleum Company (now the Iraq Petroleum Company) was formed in 1912, when the Deutsche Bank became associated with the National Bank of Turkey and the Anglo-Saxon Petroleum Company (Royal Dutch Shell Group), in order to press certain claims to oil rights in Bagdad and Mosul, including those attached to the Bagdad Railway Concession. The chief rival of the new company at that time was the Anglo-Persian Oil Company, which had for some time been in negotiation with the Turkish Government. In 1914 an agreement was entered into providing for the reconstitution of the Turkish Petroleum Company, from which the National Bank of Turkey withdrew, the new participants being the Anglo-Persian Oil Company, 50 per cent.; the Anglo-Saxon Petroleum Company and the Deutsche Bank, 25 per cent. each. This agreement also provided that the three groups should give undertakings not to be interested directly or indirectly in the production of oil in the Ottoman Empire in Europe and Asia (excluding Egypt, Koweit and the Transferred Territories), except through the Turkish Petroleum Company. This agreement was signed by the British and German Governments, and by the groups concerned. As the Turkish Petroleum Company was then predominantly British, this arrangement had the effect of securing the whole of this area to interests which were predominantly British. After the war American and French interests were admitted into the Iraq Petroleum

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Company and the arrangement as regards non-competition between the groups composing the Iraq Petroleum Company was confirmed in an agreement between the groups, entered into in 1928. This was a private agreement between the groups with which the British Government was not associated. Under this agreement a line was drawn round Arabia, Palestine and Asia Minor, which excluded the Sultanate of Koweit and the Farsan Islands, but included Bahrein, and an area was thus defined within which the various groups constituting the Iraq Petroleum Company agreed that they would not seek for or obtain oil concessions otherwise than through the Iraq Petroleum Company or its nominee.

On the admission of French and American interests the share capital of the Iraq Petroleum Company was distributed as follows :—

	Percentage.
Anglo-Persian Oil Company	23·75
Royal Dutch Shell	23·75
French Group	23·75
American Group(1)	23·75
C. S. Gulbenkian	5·00
	100·00

As the Royal Dutch Shell is 60 per cent. Dutch and 40 per cent. British, the British shareholding in the company now only represents about 33¾ per cent. The Iraq Petroleum Company is still technically a British company, as in article 32 of its convention with the Government of Iraq the company must be and remain a British company, registered in Great Britain, and the chairman must at all times be a British subject. But the position is different from a British point of view, from that which formerly obtained when the company was British in fact as well as in name.

Apart from the Anglo-Persian Oil Company and the Burmah Oil Company, there are no really large oil companies which are entirely British, and which could compete with the big groups represented on the Iraq Petroleum Company. The Burmah Oil Company has never been inclined to undertake exploration work outside India. There may, however, be some instances where the Iraq Petroleum Company is not prepared to seek concessions in the reserved area, and where the Anglo-Persian Oil Company, either by itself or in association with one or more of the other groups, may be allowed to acquire concessions.

(2) *British Oil Development Company and Mosul Oil-fields (Limited).*—On the 20th April, 1932, the Iraq Government granted an oil concession to the British Oil Development Company (Limited) over the western portion of Iraq. The concession is for a period of seventy-five years and covers an area of about 40,000 square miles, comprising all Iraq lands situated west of the River Tigris and north of the thirty-third parallel of latitude. A special law confirming the British Oil Development Concession was passed and published in the *Official Gazette* on the 29th May, 1932. This is reckoned as the date of the commencement of the concession. The company must be and remain a British company registered in Great Britain, and the chairman must be a British subject. There is, however, a large foreign interest in the company. The British Oil Development Company was first registered in 1928 with a nominal capital of £82,500, the original directors being Sir Edward Manville (chairman), Sir Edward Mountain (chairman of the Eagle Star and British Dominions Insurance Company) (Sir E. Mountain subsequently became chairman of the British Oil Development Company), the late Admiral Lord Wester Wemyss, W. R. Brown (representing Lord Inverforth), General Sir A. Mola (Italy), three representatives of the Italian Azienda Generale Italiana Petroli, and E. C. Simmons (solicitor). At some stage, but when it actually occurred is not clear from the information available, German and Franco-Swiss interests were also included.

(1) In 1932 the American shareholding in the American group (Near East Development Corporation) was held in the following proportions :—

	Percentage.
Standard Oil Company of New Jersey	41⅔
Standard Oil Company of New York (now the Socony-Vacuum Company)	41⅔
Gulf Oil Corporation of Pennsylvania	16⅔

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The capital in 1931 was stated to be held in the following proportions :—

	Percentage.
British	52
Italian	24
German	12
Franco-Swiss	12
	100

In December 1932 a new company was formed, known as "Mosul Oil-fields (Limited)," to acquire the shares in the British Oil Development Company and to carry on its operations. The company had a nominal capital of £1 million in £1 shares. In March 1933 the board of this company was reconstructed, and the Foreign Office was informed by the company that the directorate was as follows :—

Viscount Goschen (*chairman*).
Other British directors (5) : Sir Edward Mountain (deputy chairman), the late Admiral Lord Wester Wemyss, Lord Glenconner (director of Hambro's Bank), W. R. Brown (director of British Union Oil Company), and Sir Alwin Dickinson (formerly the representative of the British Government on the British Phosphate Commission) as managing director.
Italian directors (3) : Professor Alessandro Martelli, Gr. Uff. Arnaldo Petretti, and Gr. Uff. Vittorio Amoretti (Azienda Generale Italiana Petroli).
German directors (2) : Herr Thomas Brown and Herr M. Hirschfeld.
French director (1) : M. Paul Girod.
Iraq Government director (1) : Jafar Pasha-el-Askeri; a total of thirteen.

The company is not known to be at present interested in Saudi Arabia.

(3) *The Anglo-Persian Oil Company* (*A.P.O.C.*).—See at (1) above as to A.P.O.C.'s participation in the I.P.C. and the restrictions imposed thereby. The A.P.O.C. has, however, in addition to its main concession in Persia, which has been confirmed by a revised agreement with the Persian Government, dated the 29th April, 1933, a separate interest also in Iraq, where, through its subsidiary, the Khaniqin Oil Company, it has a concession in the "Transferred Territories" under agreements with the Iraq Government on the 30th August, 1925, and the 24th May, 1926. It also has freedom of action in Koweit, where it is competing for a concession with the Eastern and General Syndicate, representing the Gulf Oil Corporation.

(4) *The Eastern and General Syndicate.*—This is a British company registered in August 1920 with a nominal capital of £125,300. The chairman and managing director is E. W. Janson, and the other directors are F. W. Gamble, H. T. Adams and P. C. Tarbutt. It has, at various times, acquired concessions in Bahrein and Arabia, but has never carried out any really effective work, its sole object being apparently to obtain concessions and traffic in them to other parties. The company at one time approached the Anglo-Persian without success, and in 1927 and 1929 transferred its interests to the Eastern Gulf Oil Corporation of U.S.A. (see under (5) below). Its local representative is Major F. Holmes.

(5) *The Gulf Oil Corporation* is a wholly American concern, working in the Near East through its subsidiary, the Eastern Gulf Oil Company. The Gulf Oil Corporation is a powerful company engaged in producing, transporting, refining and marketing oil throughout the United States, east of the Rocky Mountains. It is also engaged in producing oil in Mexico, Venezuela and Colombia, and markets oil extensively in Europe. The principal interest in it is that of the Mellon family, who are said to have come in originally as financiers and to have ended up with an 80 per cent. interest. The Gulf is an independent company, but it is interested with the Socony–Vacuum Company (a recent merger of the Standard Oil Company of New York and Vacuum Oil Company), and S.O., New Jersey, in the I.P.C. It is also interested with the Eastern and General Syndicate in a possible concession in Koweit. In 1927 it obtained an option from the Eastern and General on the Bahrein Concession, which the syndicate had secured in December 1925. Eventually, however, this concession was taken over by the Standard Oil of California, presumably because the Gulf, as a member of the I.P.C., could not hold it. In 1929 it acquired from the Eastern and General

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Syndicate an option over any rights which the syndicate might possess in Hasa, the neutral zone and Koweit. It could only operate concessions in Hasa and probably also in the neutral zone with the permission of the I.P.C.

(6) *Standard Oil Company of California.*—After the break-up of the Standard Oil Group in 1912, many members of the group became independent, including the above company. This company is one of the largest oil companies in the United States, and is a complete unit, being engaged in producing, refining, transporting and marketing crude oil and refined products. The company is engaged in production in eight States in the United States, and has oil properties in Colombia, Mexico and Venezuela. The Standard Oil Company of California and the Gulf are independent of each other, although there is a general impression that the various Standard Oil Companies still have some community of interest and are prepared to co-operate in matters of general policy. At times, however, there has been keen competition between them. As pointed out above, the Standard Oil Company of California holds the Bahrein Concession, which it operates through the Bahrein Petroleum Company, a Canadian Corporation. It has also just secured from Ibn Saud an oil concession in Hasa, full particulars of which are not yet available.

(C)—*Past Concessions affecting Saudi Arabia.*

(1) *Northern Hejaz.*—It is possible that certain concessionary rights were granted in Turkish times, but this subject has not been explored in the Legation. There was talk of a concession under the Hashimite régime and Mr. Philby was one of those interested, but there is no evidence of a Hashimite concession having been granted. Any interest of Mr. Philby's is presumably identical with that of Midian (Limited), an inactive but still going concern, closely allied with Sharqieh (Limited).

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(*a*) Lapse of the concession if E.G.S. should fail to start operations in a specified manner within nine months.

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(*c*) Payment of £3,000 a year for "special protection" in half-yearly payments, to begin sixty days after date.
(*d*) Payment of £6,000 under pain of nullity of the concession, sixty days after date.
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The Sheikh of Koweit's account of this concession is given in a recent despatch from the Political Agent dated the 6th July, 1933, which states that the Political Resident had an interview with the sheikh and discussed the matter. The sheikh's recollection was that Ibn Saud gave the Hasa Concession proper to Major Holmes in the spring of 1923, its chief clause being that unless Major Holmes started work within three years the concession would lapse. Ibn Saud wrote in the summer of 1923 and sent the sheikh a draft draft joint concession in respect of the Koweit Neutral Zone, which he wished to give to Major Holmes's company, the E.G.S., and asking the sheikh to sign it. His Majesty's Government informed the sheikh that he could sign the joint concession. The concession was actually signed in April 1924, and consisted of only four pages, and it was duly sent on to Ibn Saud. About a year afterwards Major Holmes had a disagreement with Ibn Saud, who informed Major Holmes that the joint Neutral Zone Concession was there and then cancelled. Ever since the Sheikh of Koweit has assumed the joint concession to be a dead letter, that is to say, from about April 1925. The Sheik of Koweit has been unable to ascertain whether Ibn Saud has included the Neutral Zone in the Hasa Concession recently granted to the Standard Oil Company of California.

(7) *Farsan Islands, now also a part of Saudi Arabia.*—E.G.S. would appear to have obtained some sort of a concession for the Farsans (and possibly the mainland of Asir) from Hasan-al-Idrisi in 1926. It is not clear what became of this concession, if the grant was complete, but it was superseded by a concession

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for the Farsans given by the Idrisi on the 25th September, 1926, to a Mr. Cooper, who marketed it to the Anglo-Saxon Petroleum Company (Royal Dutch Shell Group). The latter formed the Red Sea Petroleum Company to work it. This company started operations of some importance at Zifaf Island. The Idrisi, acting, it was thought at the time, under Italian influence, but more probably under that of Ibn Saud, made difficulties in the summer of 1927. After abortive efforts by the company to overcome them, Ibn Saud came forward ostensibly in the rôle of honest broker between the Idrisi, now his vassal, and the company. A conference held at Wizan in December 1927 under his auspices between the representatives of the company and the Idrisi was again abortive. Ibn Saud eventually intimated "a decision in the question of the dispute which we were asked to settle between the Red Sea Petroleum Company and the Idrisi Government" to the effect that a new concession should be drawn up and that in the meantime it would be undesirable to accede to a request which the company had put forward for permission to transfer their operations from Zifaf to Great Farsan. He suggested that the company should send a representative to Jedda to negotiate the revised concession. On his persisting in this attitude the company decided to withdraw from the islands and in September 1928 they removed all material under the auspices of H.M.S. *Dahlia*. It must be assumed that this terminated any rights under the Cooper Concession. The Shell Company has recently stated that it is not interested to reopen operations in the Farsan Islands.

(D)—*Present Position.*

Whatever view might possibly be held as to the legal position in regard to past concessions, it is quite certain that Ibn Saud believes himself to be quit of all of them and he is probably right. The position in regard to the various areas may be summed up as follows:—

(1) *Northern Hejaz.*—Midian (Limited), closely associated with Sharqieh (Limited) or some other concern, may have had rights in this area, but there is no reason to think that they survive. No one seems to be actively interested at present.

(2) *Asir.*—Ibn Saud in June 1933 intimated that he would be prepared to consider offers for a concession from British companies. The matter was referred by the Petroleum Department to the I.P.C. within whose sphere of influence Asir fell and who were the only company with any British interests who were likely to be prepared to consider the matter. The I.P.C. have intimated that they are prepared to send out geologists to make an examination if they can secure the necessary rights without payment during the exploratory period.

(3) *Hasa.*—After some competition between the Iraq Petroleum Company (who sent a representative out to negotiate in 1933) and the Standard Oil Company of California, a concession was ultimately granted to the latter. It is understood from information obtained from the I.P.C. that the concession was signed on the 29th May, 1933, the terms being an initial payment of £30,000 (gold) and a further deferred payment of £20,000 (gold) with a royalty at 5*s.* per ton.

(4) *Qatar.*—The A.P.O.C., acting on their own initiative but with the object of transfer to the I.P.C., secured an exclusive option from the sheikh to carry out geological investigations for a period of two years with the right to apply for a concession within that period. A draft concession approved by the I.P.C. has recently been submitted by the A.P.O.C. to the sheikh.

(5) *Koweit Neutral Zone.*—The present position in regard to this area is not clear. It may be true that Major Holmes's primary object in coming to Jedda in April 1933 was to obtain Ibn Saud's consent to a regrant, so far as the Saudi Government are concerned, of a concession for this area. But it may also be the case that so far as Ibn Saud is concerned, he has included the Neutral Zone with the Hasa Concession. This position is at present under consideration by His Majesty's Government.

(6) *Farsan Islands.*—There has been no activity since 1928 and both the Shell and the Anglo-Persian have recently informed the Petroleum Department that they are not interested any longer in obtaining a concession over these islands.

August 5, 1933.

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EASTERN (ARABIA). August 11, 1933.

CONFIDENTIAL. SECTION 1.

[E 4540/487/25] No. 1.

Memorandum respecting Petroleum in Arabia (as revised by Petroleum Department.—(Received in Foreign Office, August 11, 1933.)

(A)—*Petroleum Prospects of Arabia.*

(1) *LITTORAL Region of the Hejaz.*—Petroliferous deposits and seepage have long been known to exist in this area. Interest in it was stimulated by Mr. Twitchell's survey in 1931 in the coastal region north of Jedda, but this area seems to have dropped into the background of late. In a report furnished by the Anglo-Persian Oil Company to the Petroleum Department in 1932, it was pointed out that the general structure of the Red Sea is known geologically as a "Rift Valley," that is, a sunken valley bounded on either side by rift faults. The prospects of finding oil in commercial quantity are considered to be remote, though not entirely non-existent, and even after a complete survey, "Rift Valley conditions" are such that any test drilling would be very speculative.

(2) *Hasa and Koweit Neutral Zone.*—It has been thought for many years that this region might produce oil. The idea that it may be underlain by rocks of the same geological age as those of the Iraq and Persian oil-fields, and that potential oil structures might exist extending from Koweit to Qatar inclusive, has been encouraged by the striking of oil in quantity in Bahrein in 1932.

(3) *The Farsan Islands and Asir.*—Interest in these islands and/or the mainland of Asir, from the point of view of petroleum potentialities, seems to date from before the Great War. Operations were actually started on one of the islands by the Red Sea Petroleum Company, a subsidiary of the Shell Group, in 1926 or early in 1927, but drilling operations were subsequently abandoned as unsuccessful. As to Asir, see (D) (2).

(4) *Mokalla.*—In 1928–29 the Anglo-Saxon Petroleum Company (Shell Group) carried out investigations, and reached the conclusion that the petroleum prospects were quite unfavourable.

(5) *Muscat.*—The Anglo-Persian Oil Company abandoned this area as unfavourable in 1925–26.

(B) *Interested or Potentially Interested Companies.*

(1) *The Iraq Petroleum Company.*—The Turkish Petroleum Company (now the Iraq Petroleum Company) was formed in 1912, when the Deutsche Bank became associated with the National Bank of Turkey and the Anglo-Saxon Petroleum Company (Royal Dutch Shell Group), in order to press certain claims to oil rights in Bagdad and Mosul, including those attached to the Bagdad Railway Concession. The chief rival of the new company at that time was the Anglo-Persian Oil Company, which had for some time been in negotiation with the Turkish Government. In 1914 an agreement was entered into providing for the reconstitution of the Turkish Petroleum Company, from which the National Bank of Turkey withdrew, the new participants being the Anglo-Persian Oil Company, 50 per cent.; the Anglo-Saxon Petroleum Company and the Deutsche Bank, 25 per cent. each. This agreement also provided that the three groups should give undertakings not to be interested directly or indirectly in the production of oil in the Ottoman Empire in Europe and Asia (excluding Egypt, Koweit and the Transferred Territories), except through the Turkish Petroleum Company. This agreement was signed by the British and German Governments, and by the groups concerned. As the Turkish Petroleum Company was then predominantly British, this arrangement had the effect of securing the whole of this area to interests which were predominantly British. After the war American and French interests were admitted into the Iraq Petroleum

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Company and the arrangement as regards non-competition between the groups composing the Iraq Petroleum Company was confirmed in an agreement between the groups, entered into in 1928. This was a private agreement between the groups with which the British Government was not associated. Under this agreement a line was drawn round Arabia, Palestine and Asia Minor, which excluded the Sultanate of Koweit and the Farsan Islands, but included Bahrein, and an area was thus defined within which the various groups constituting the Iraq Petroleum Company agreed that they would not seek for or obtain oil concessions otherwise than through the Iraq Petroleum Company or its nominee.

On the admission of French and American interests the share capital of the Iraq Petroleum Company was distributed as follows :—

	Percentage.
Anglo-Persian Oil Company	23·75
Royal Dutch Shell	23·75
French Group	23·75
American Group(1)	23·75
C. S. Gulbenkian	5·00
	100·00

As the Royal Dutch Shell is 60 per cent. Dutch and 40 per cent. British, the British shareholding in the company now only represents about 33¾ per cent. The Iraq Petroleum Company is still technically a British company, as in article 32 of its convention with the Government of Iraq the company must be and remain a British company, registered in Great Britain, and the chairman must at all times be a British subject. But the position is different from a British point of view, from that which formerly obtained when the company was British in fact as well as in name.

Apart from the Anglo-Persian Oil Company and the Burmah Oil Company, there are no really large oil companies which are entirely British, and which could compete with the big groups represented on the Iraq Petroleum Company. The Burmah Oil Company has never been inclined to undertake exploration work outside India. There may, however, be some instances where the Iraq Petroleum Company is not prepared to seek concessions in the reserved area, and where the Anglo-Persian Oil Company, either by itself or in association with one or more of the other groups, may be allowed to acquire concessions.

(2) *British Oil Development Company and Mosul Oil-fields (Limited).*—On the 20th April, 1932, the Iraq Government granted an oil concession to the British Oil Development Company (Limited) over the western portion of Iraq. The concession is for a period of seventy-five years and covers an area of about 40,000 square miles, comprising all Iraq lands situated west of the River Tigris and north of the thirty-third parallel of latitude. A special law confirming the British Oil Development Concession was passed and published in the *Official Gazette* on the 29th May, 1932. This is reckoned as the date of the commencement of the concession. The company must be and remain a British company registered in Great Britain, and the chairman must be a British subject. There is, however, a large foreign interest in the company. The British Oil Development Company was first registered in 1928 with a nominal capital of £82,500, the original directors being Sir Edward Manville (chairman), Sir Edward Mountain (chairman of the Eagle Star and British Dominions Insurance Company) (Sir E. Mountain subsequently became chairman of the British Oil Development Company), the late Admiral Lord Wester Wemyss, W. R. Brown (representing Lord Inverforth), General Sir A. Mola (Italy), three representatives of the Italian Azienda Generale Italiana Petroli, and E. C. Simmons (solicitor). At some stage, but when it actually occurred is not clear from the information available, German and Franco-Swiss interests were also included.

(1) In 1932 the American shareholding in the American group (Near East Development Corporation) was held in the following proportions :—

	Percentage.
Standard Oil Company of New Jersey	41⅔
Standard Oil Company of New York (now the Socony-Vacuum Company)	41⅔
Gulf Oil Corporation of Pennsylvania	16⅔

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The capital in 1931 was stated to be held in the following proportions :—

	Percentage.
British	52
Italian	24
German	12
Franco-Swiss	12
	100

In December 1932 a new company was formed, known as "Mosul Oil-fields (Limited)," to acquire the shares in the British Oil Development Company and to carry on its operations. The company had a nominal capital of £1 million in £1 shares. In March 1933 the board of this company was reconstructed, and the Foreign Office was informed by the company that the directorate was as follows :—

Viscount Goschen (*chairman*).
Other British directors (5) : Sir Edward Mountain (deputy chairman), the late Admiral Lord Wester Wemyss, Lord Glenconner (director of Hambro's Bank), W. R. Brown (director of British Union Oil Company), and Sir Alwin Dickinson (formerly the representative of the British Government on the British Phosphate Commission) as managing director.
Italian directors (3) : Professor Alessandro Martelli, Gr. Uff. Arnaldo Petretti, and Gr. Uff. Vittorio Amoretti (Azienda Generale Italiana Petroli).
German directors (2) : Herr Thomas Brown and Herr M. Hirschfeld.
French director (1) : M. Paul Girod.
Iraq Government director (1) : Jafar Pasha-el-Askeri ; a total of thirteen.

The company is not known to be at present interested in Saudi Arabia.

(3) *The Anglo-Persian Oil Company (A.P.O.C.)*.—See at (1) above as to A.P.O.C.'s participation in the I.P.C. and the restrictions imposed thereby. The A.P.O.C. has, however, in addition to its main concession in Persia, which has been confirmed by a revised agreement with the Persian Government, dated the 29th April, 1933, a separate interest also in Iraq, where, through its subsidiary, the Khaniqin Oil Company, it has a concession in the "Transferred Territories" under agreements with the Iraq Government on the 30th August, 1925, and the 24th May, 1926. It also has freedom of action in Koweit, where it is competing for a concession with the Eastern and General Syndicate, representing the Gulf Oil Corporation.

(4) *The Eastern and General Syndicate*.—This is a British company registered in August 1920 with a nominal capital of £125,300. The chairman and managing director is E. W. Janson, and the other directors are F. W. Gamble, H. T. Adams and P. C. Tarbutt. It has, at various times, acquired concessions in Bahrein and Arabia, but has never carried out any really effective work, its sole object being apparently to obtain concessions and traffic in them to other parties. The company at one time approached the Anglo-Persian without success, and in 1927 and 1929 transferred its interests to the Eastern Gulf Oil Corporation of U.S.A. (see under (5) below). Its local representative is Major F. Holmes.

(5) *The Gulf Oil Corporation* is a wholly American concern, working in the Near East through its subsidiary, the Eastern Gulf Oil Company. The Gulf Oil Corporation is a powerful company engaged in producing, transporting, refining and marketing oil throughout the United States, east of the Rocky Mountains. It is also engaged in producing oil in Mexico, Venezuela and Colombia, and markets oil extensively in Europe. The principal interest in it is that of the Mellon family, who are said to have come in originally as financiers and to have ended up with an 80 per cent. interest. The Gulf is an independent company, but it is interested with the Socony-Vacuum Company (a recent merger of the Standard Oil Company of New York and Vacuum Oil Company), and S.O., New Jersey, in the I.P.C. It is also interested with the Eastern and General Syndicate in a possible concession in Koweit. In 1927 it obtained an option from the Eastern and General on the Bahrein Concession, which the syndicate had secured in December 1925. Eventually, however, this concession was taken over by the Standard Oil of California, presumably because the Gulf, as a member of the I.P.C., could not hold it. In 1929 it acquired from the Eastern and General

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Syndicate an option over any rights which the syndicate might possess in Hasa, the neutral zone and Koweit. It could only operate concessions in Hasa and probably also in the neutral zone with the permission of the I.P.C.

(6) *Standard Oil Company of California.*—After the break-up of the Standard Oil Group in 1912, many members of the group became independent, including the above company. This company is one of the largest oil companies in the United States, and is a complete unit, being engaged in producing, refining, transporting and marketing crude oil and refined products. The company is engaged in production in eight States in the United States, and has oil properties in Colombia, Mexico and Venezuela. The Standard Oil Company of California and the Gulf are independent of each other, although there is a general impression that the various Standard Oil Companies still have some community of interest and are prepared to co-operate in matters of general policy. At times, however, there has been keen competition between them. As pointed out above, the Standard Oil Company of California holds the Bahrein Concession, which it operates through the Bahrein Petroleum Company, a Canadian Corporation. It has also just secured from Ibn Saud an oil concession in Hasa, full particulars of which are not yet available.

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(*c*) Payment of £3,000 a year for "special protection" in half-yearly payments, to begin sixty days after date.
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The negotiations which led to the grant of a concession in Hasa to the Standard Oil of California are understood to have been conducted by that company directly, and not through the intervention of the E.G.S.

(6) *Koweit Neutral Zone.*—On the 17th May, 1924, an oil concession is alleged to have been granted jointly by Ibn Saud and the Sheikh of Koweit to the E.G.S. The E.G.S., by an agreement of the 30th November, 1927, transferred any rights which it might possess or acquire or which could be reinstated in Hasa or the Neutral Zone as well as in Koweit to the Eastern Gulf Oil Company. The history of the concession is somewhat obscure. A recent Colonial Office memorandum concludes from a review of the known facts the "impression . . . . that Ibn Saud did actually grant the concession on his own without the consent of the Sheikh of Koweit." As against this, E.G.S. definitely claimed to have got the concession from both, and it seems hardly likely that they would have committed themselves to this statement if it were untrue, in their definite legal agreement with the Gulf Company of the 30th November, 1927, as they certainly did. In any case, however, the grounds for considering this concession to have lapsed are even stronger than in the case of the Hasa Concession. E.G.S. not only admitted in the agreement with Gulf that it was like the other "at least subject to forefeiture," &c., but stated in a letter to the Colonial Office of the 19th December, 1928, that it had "never been made operative."

The Sheikh of Koweit's account of this concession is given in a recent despatch from the Political Agent dated the 6th July, 1933, which states that the Political Resident had an interview with the sheikh and discussed the matter. The sheikh's recollection was that Ibn Saud gave the Hasa Concession proper to Major Holmes in the spring of 1923, its chief clause being that unless Major Holmes started work within three years the concession would lapse. Ibn Saud wrote in the summer of 1923 and sent the sheikh a draft draft joint concession in respect of the Koweit Neutral Zone, which he wished to give to Major Holmes's company, the E.G.S., and asking the sheikh to sign it. His Majesty's Government informed the sheikh that he could sign the joint concession. The concession was actually signed in April 1924, and consisted of only four pages, and it was duly sent on to Ibn Saud. About a year afterwards Major Holmes had a disagreement with Ibn Saud, who informed Major Holmes that the joint Neutral Zone Concession was there and then cancelled. Ever since the Sheikh of Koweit has assumed the joint concession to be a dead letter, that is to say, from about April 1925. The Sheik of Koweit has been unable to ascertain whether Ibn Saud has included the Neutral Zone in the Hasa Concession recently granted to the Standard Oil Company of California.

(7) *Farsan Islands, now also a part of Saudi Arabia.*—E.G.S. would appear to have obtained some sort of a concession for the Farsans (and possibly the mainland of Asir) from Hasan-al-Idrisi in 1926. It is not clear what became of this concession, if the grant was complete, but it was superseded by a concession

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for the Farsans given by the Idrisi on the 25th September, 1926, to a Mr. Cooper, who marketed it to the Anglo-Saxon Petroleum Company (Royal Dutch Shell Group). The latter formed the Red Sea Petroleum Company to work it. This company started operations of some importance at Zifaf Island. The Idrisi, acting, it was thought at the time, under Italian influence, but more probably under that of Ibn Saud, made difficulties in the summer of 1927. After abortive efforts by the company to overcome them, Ibn Saud came forward ostensibly in the rôle of honest broker between the Idrisi, now his vassal, and the company. A conference held at Wizan in December 1927 under his auspices between the representatives of the company and the Idrisi was again abortive. Ibn Saud eventually intimated "a decision in the question of the dispute which we were asked to settle between the Red Sea Petroleum Company and the Idrisi Government" to the effect that a new concession should be drawn up and that in the meantime it would be undesirable to accede to a request which the company had put forward for permission to transfer their operations from Zifaf to Great Farsan. He suggested that the company should send a representative to Jedda to negotiate the revised concession. On his persisting in this attitude the company decided to withdraw from the islands and in September 1928 they removed all material under the auspices of H.M.S. *Dahlia*. It must be assumed that this terminated any rights under the Cooper Concession. The Shell Company has recently stated that it is not interested to reopen operations in the Farsan Islands.

(D)—*Present Position.*

Whatever view might possibly be held as to the legal position in regard to past concessions, it is quite certain that Ibn Saud believes himself to be quit of all of them and he is probably right. The position in regard to the various areas may be summed up as follows:—

(1) *Northern Hejaz.*—Midian (Limited), closely associated with Sharqieh (Limited) or some other concern, may have had rights in this area, but there is no reason to think that they survive. No one seems to be actively interested at present.

(2) *Asir.*—Ibn Saud in June 1933 intimated that he would be prepared to consider offers for a concession from British companies. The matter was referred by the Petroleum Department to the I.P.C. within whose sphere of influence Asir fell and who were the only company with any British interests who were likely to be prepared to consider the matter. The I.P.C. have intimated that they are prepared to send out geologists to make an examination if they can secure the necessary rights without payment during the exploratory period.

(3) *Hasa.*—After some competition between the Iraq Petroleum Company (who sent a representative out to negotiate in 1933) and the Standard Oil Company of California, a concession was ultimately granted to the latter. It is understood from information obtained from the I.P.C. that the concession was signed on the 29th May, 1933, the terms being an initial payment of £30,000 (gold) and a further deferred payment of £20,000 (gold) with a royalty at 5*s.* per ton.

(4) *Qatar.*—The A.P.O.C., acting on their own initiative but with the object of transfer to the I.P.C., secured an exclusive option from the sheikh to carry out geological investigations for a period of two years with the right to apply for a concession within that period. A draft concession approved by the I.P.C. has recently been submitted by the A.P.O.C. to the sheikh.

(5) *Koweit Neutral Zone.*—The present position in regard to this area is not clear. It may be true that Major Holmes's primary object in coming to Jedda in April 1933 was to obtain Ibn Saud's consent to a regrant, so far as the Saudi Government are concerned, of a concession for this area. But it may also be the case that so far as Ibn Saud is concerned, he has included the Neutral Zone with the Hasa Concession. This position is at present under consideration by His Majesty's Government.

(6) *Farsan Islands.*—There has been no activity since 1928 and both the Shell and the Anglo-Persian have recently informed the Petroleum Department that they are not interested any longer in obtaining a concession over these islands.

August 5, 1933.

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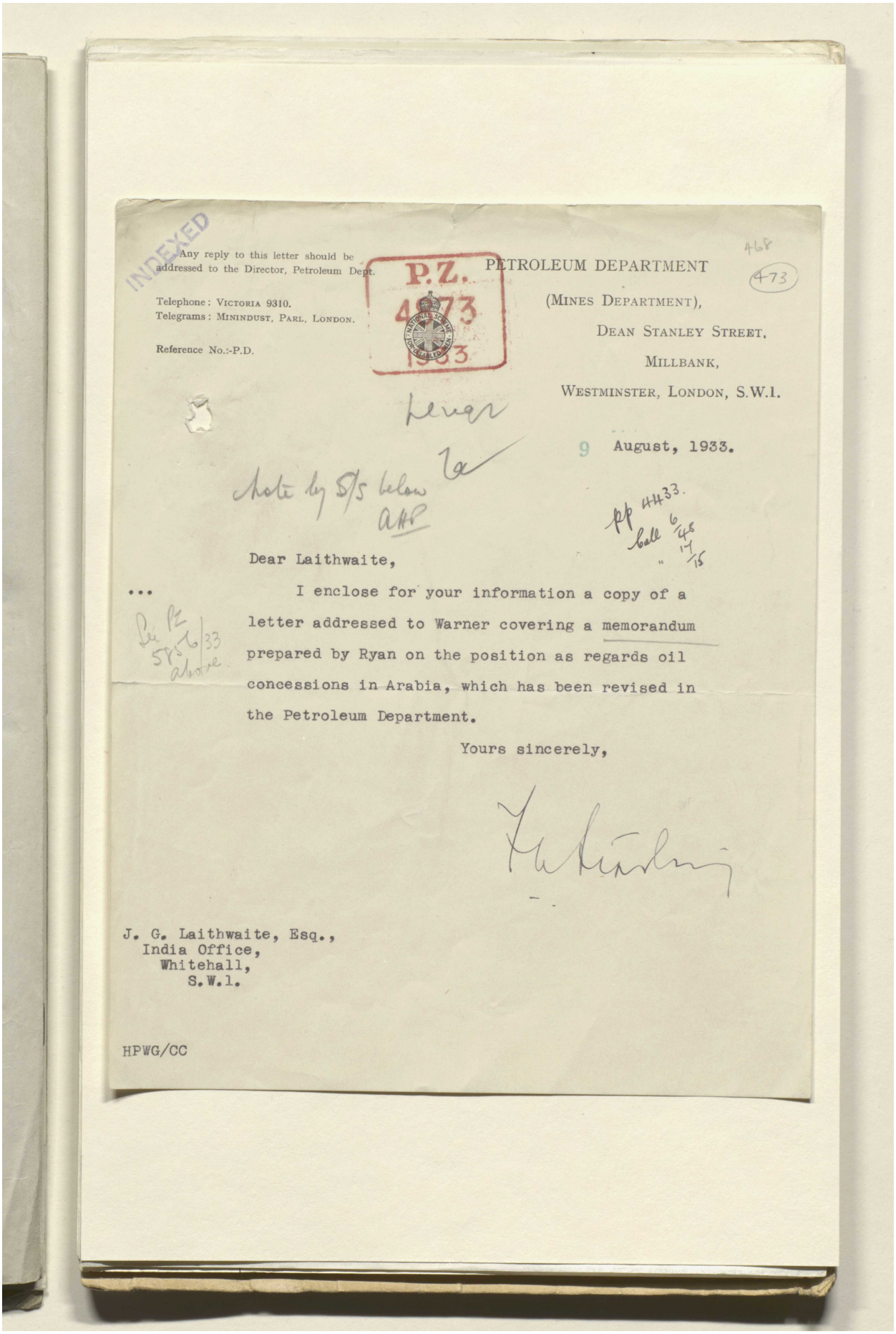

INDEXED

Any reply to this letter should be addressed to the Director, Petroleum Dept.

Telephone: Victoria 9310.
Telegrams: Minindust, Parl, London.

Reference No.:-P.D.

P.Z. 4973 1933

PETROLEUM DEPARTMENT
(Mines Department),
Dean Stanley Street,
Millbank,
Westminster, London, S.W.1.

468
473

9 August, 1933.

Note by S/S below
AHP

pp HH33.
Coll 6/48 17/15

Dear Laithwaite,

I enclose for your information a copy of a letter addressed to Warner covering a memorandum prepared by Ryan on the position as regards oil concessions in Arabia, which has been revised in the Petroleum Department.

Yours sincerely,

J. G. Laithwaite, Esq.,
India Office,
Whitehall,
S.W.1.

HPWG/CC

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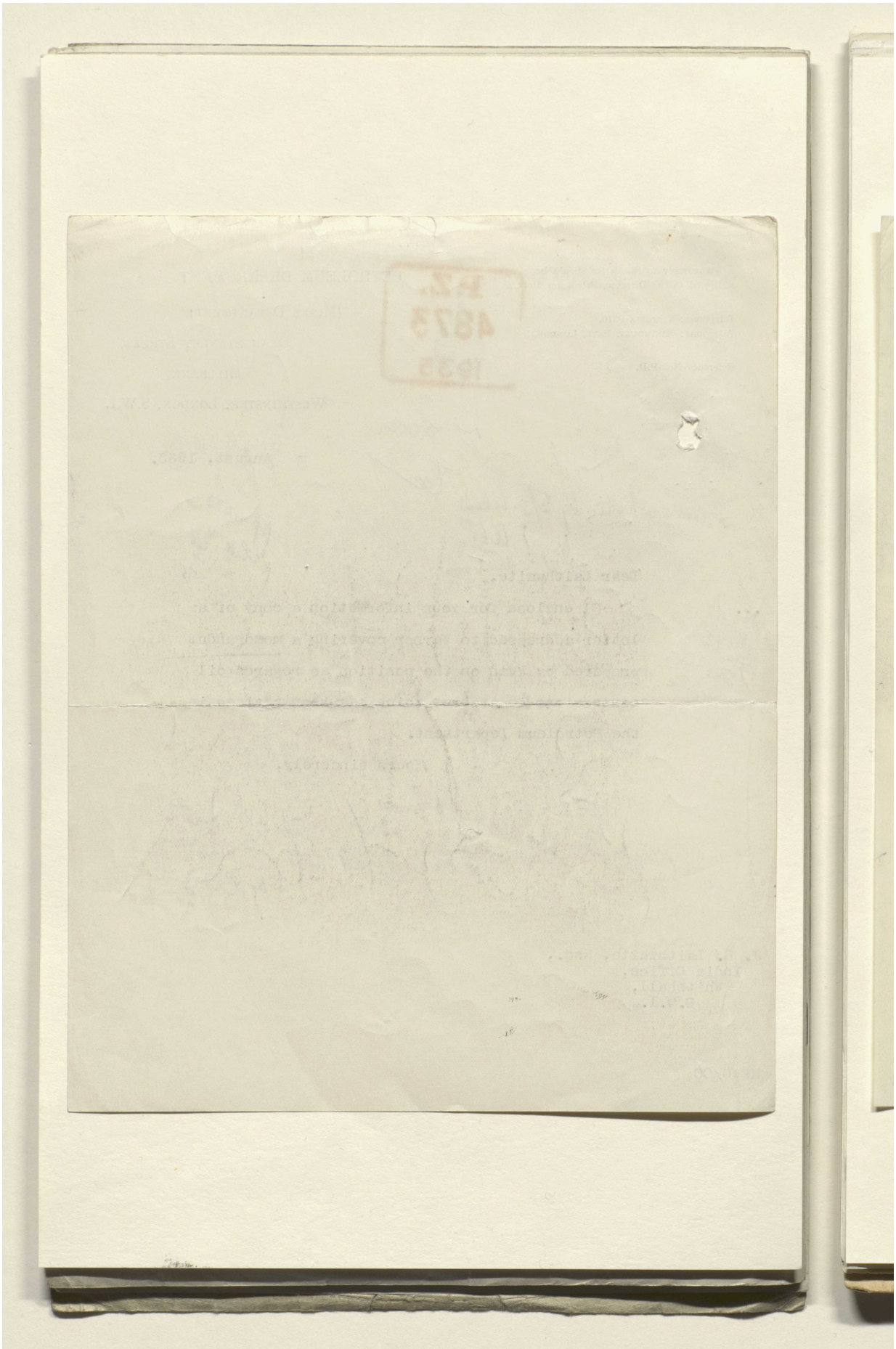

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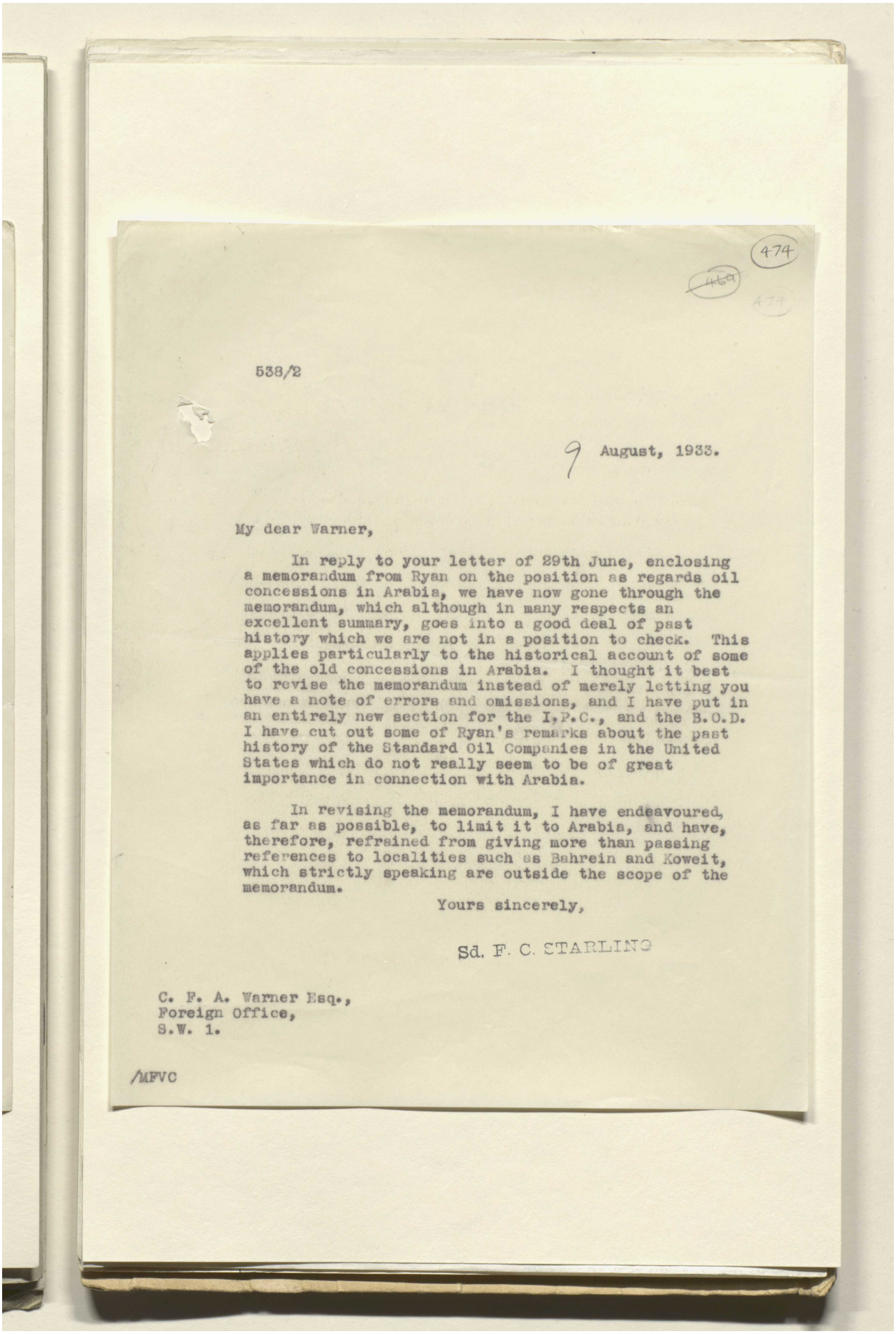

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538/2

9 August, 1933.

My dear Warner,

In reply to your letter of 29th June, enclosing a memorandum from Ryan on the position as regards oil concessions in Arabia, we have now gone through the memorandum, which although in many respects an excellent summary, goes into a good deal of past history which we are not in a position to check. This applies particularly to the historical account of some of the old concessions in Arabia. I thought it best to revise the memorandum instead of merely letting you have a note of errors and omissions, and I have put in an entirely new section for the I.P.C., and the B.O.D. I have cut out some of Ryan's remarks about the past history of the Standard Oil Companies in the United States which do not really seem to be of great importance in connection with Arabia.

In revising the memorandum, I have endeavoured, as far as possible, to limit it to Arabia, and have, therefore, refrained from giving more than passing references to localities such as Bahrein and Koweit, which strictly speaking are outside the scope of the memorandum.

Yours sincerely,

Sd. F. C. STARLING

C. F. A. Warner Esq.,
Foreign Office,
S.W. 1.

/MFVC

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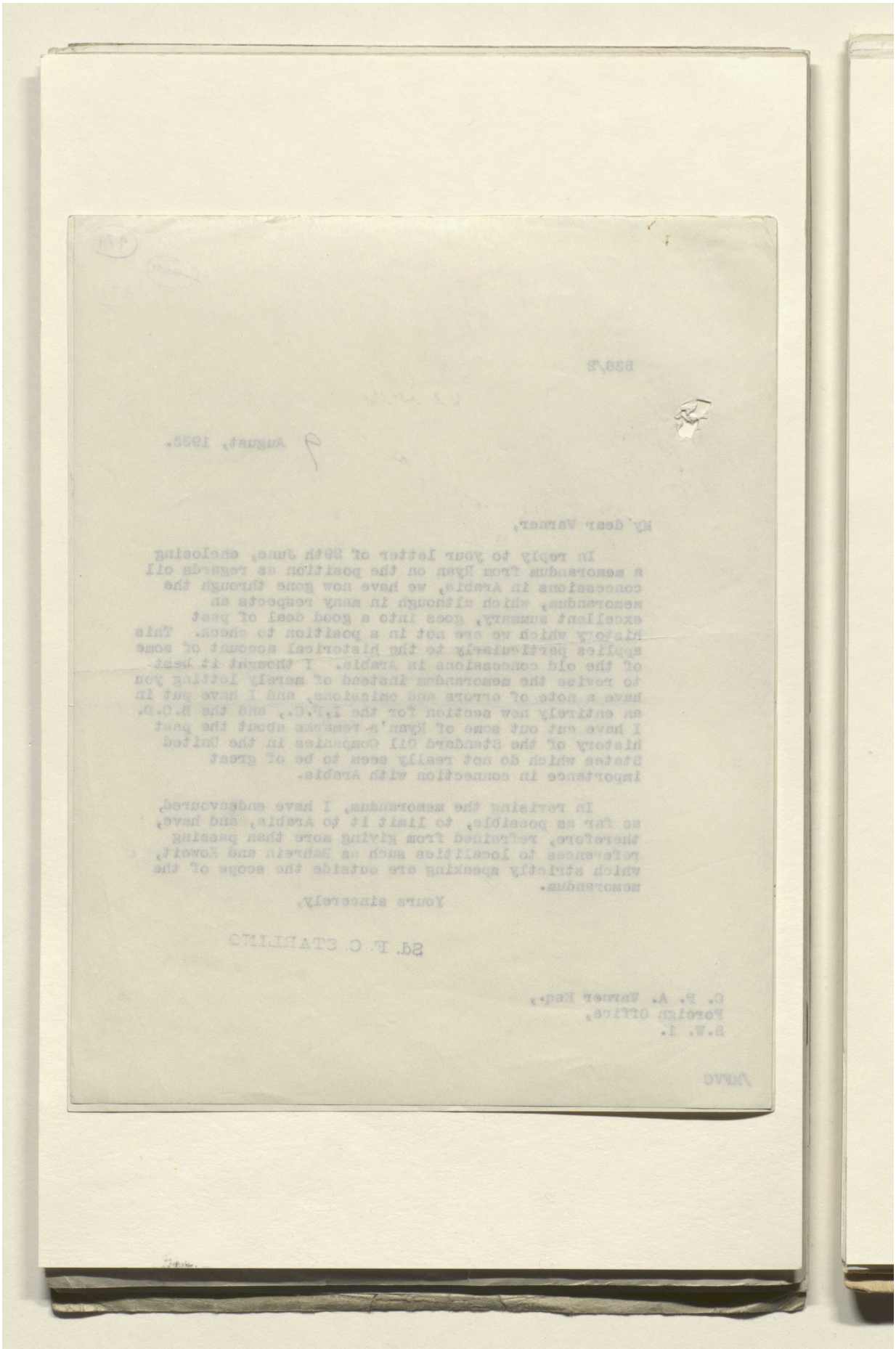

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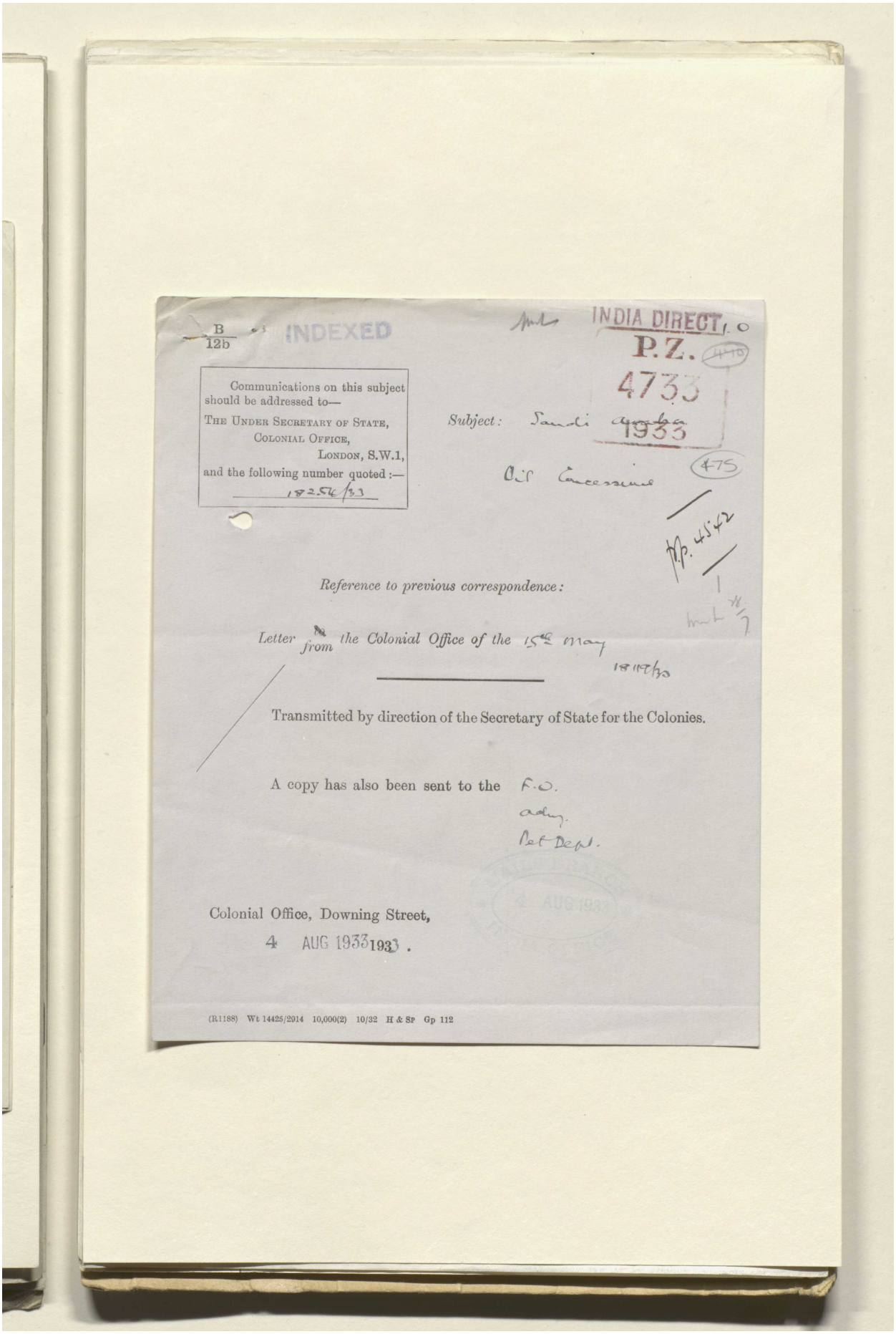

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P.Z.
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1933

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Communications on this subject should be addressed to—
THE UNDER SECRETARY OF STATE,
COLONIAL OFFICE,
LONDON, S.W.1,
and the following number quoted :—
18256/33

Subject: Saudi Arabia
Oil Concessions

P.P. 4542

Reference to previous correspondence:

Letter from the Colonial Office of the 15th May 1933

Transmitted by direction of the Secretary of State for the Colonies.

A copy has also been sent to the F.O.
Admy.
War Dept.

Colonial Office, Downing Street,
4 AUG 1933 1933.

(R1188) Wt 14425/2914 10,000(2) 10/32 H & Sp Gp 112

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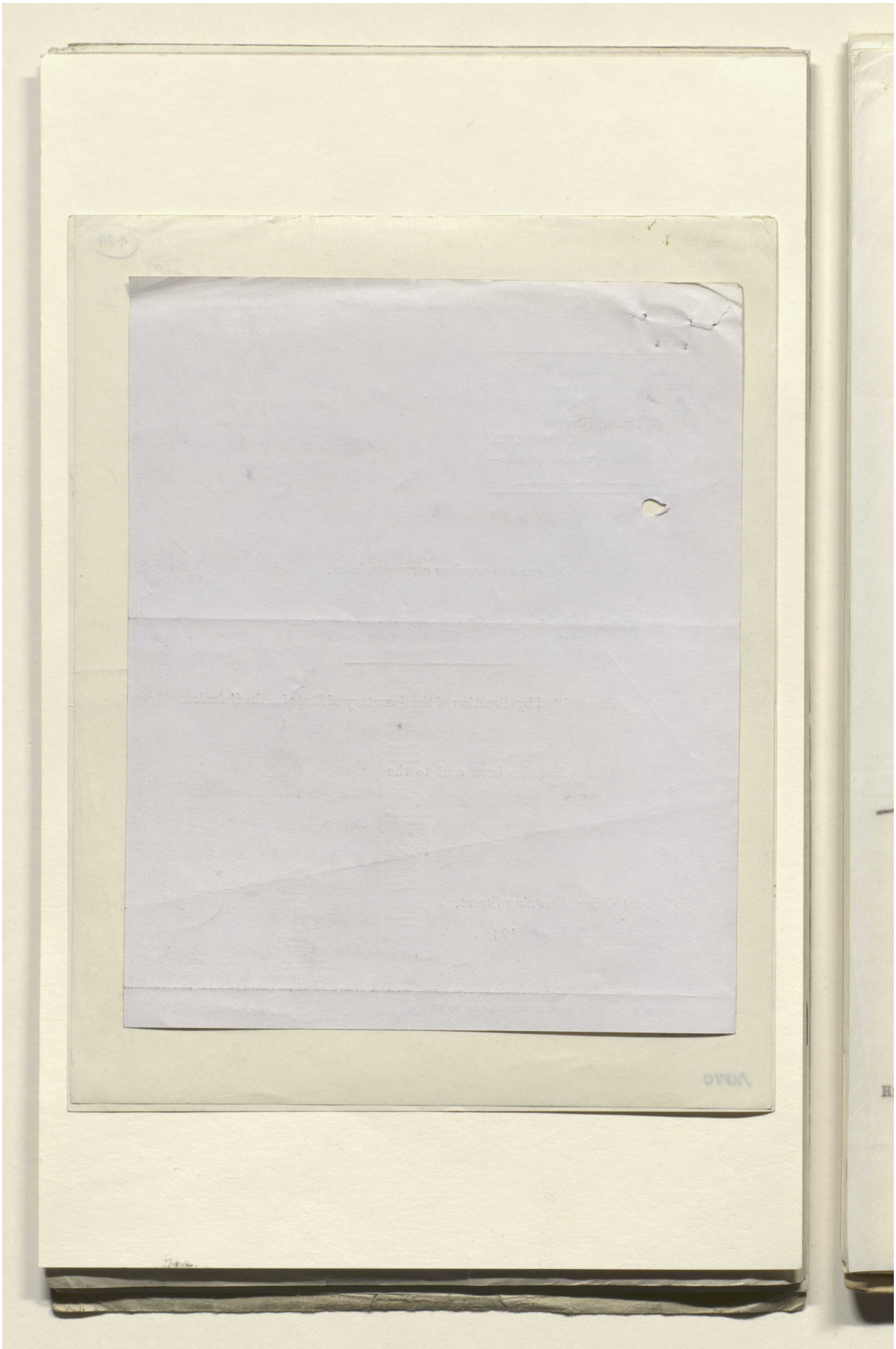

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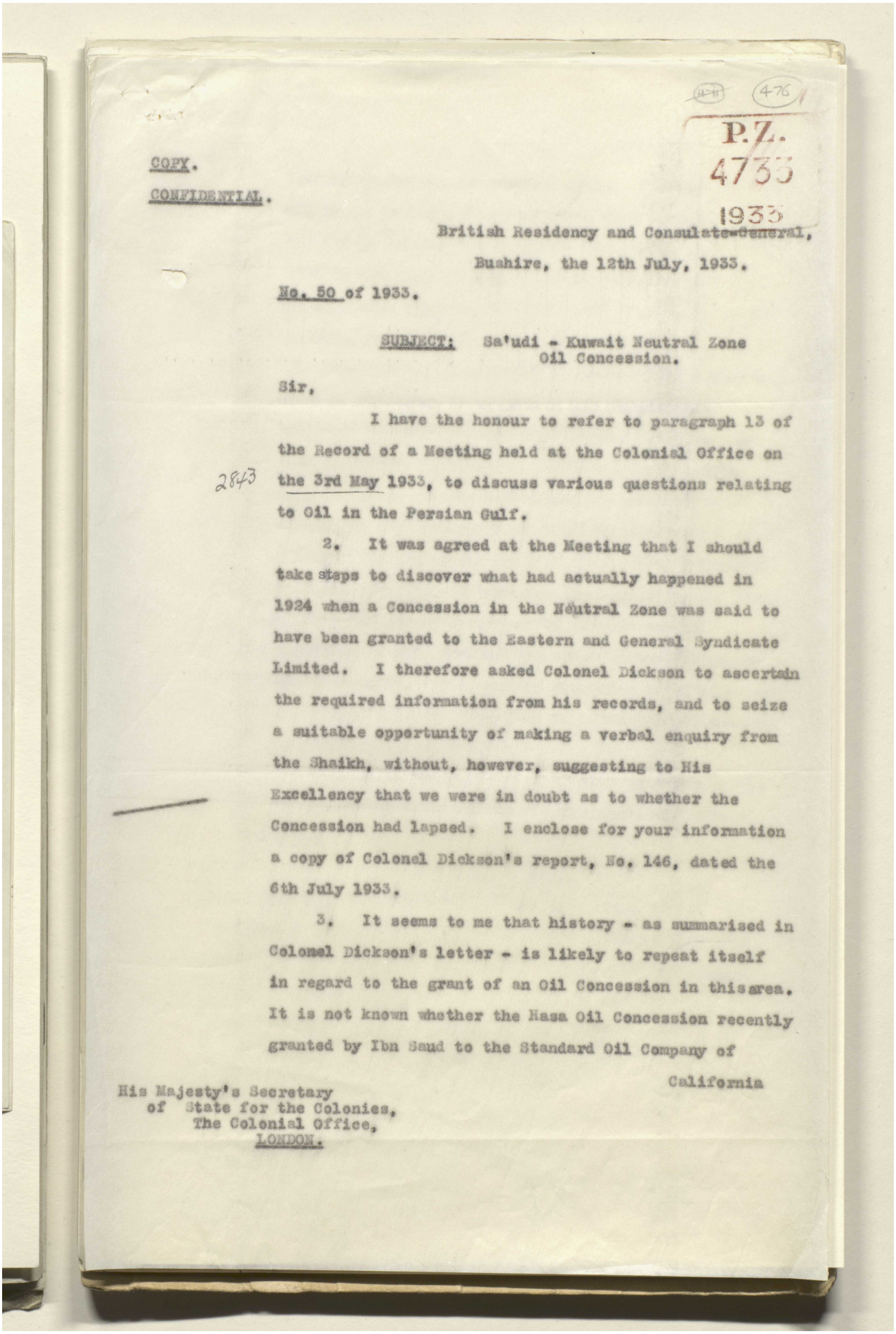

(476)

P.Z.
4733
1933

COPY.

CONFIDENTIAL.

British Residency and Consulate-General,
Bushire, the 12th July, 1933.

No. 50 of 1933.

SUBJECT: Sa'udi - Kuwait Neutral Zone
Oil Concession.

Sir,

I have the honour to refer to paragraph 13 of the Record of a Meeting held at the Colonial Office on the 3rd May 1933, to discuss various questions relating to Oil in the Persian Gulf.

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2. It was agreed at the Meeting that I should take steps to discover what had actually happened in 1924 when a Concession in the Neutral Zone was said to have been granted to the Eastern and General Syndicate Limited. I therefore asked Colonel Dickson to ascertain the required information from his records, and to seize a suitable opportunity of making a verbal enquiry from the Shaikh, without, however, suggesting to His Excellency that we were in doubt as to whether the Concession had lapsed. I enclose for your information a copy of Colonel Dickson's report, No. 146, dated the 6th July 1933.

3. It seems to me that history - as summarised in Colonel Dickson's letter - is likely to repeat itself in regard to the grant of an Oil Concession in this area. It is not known whether the Hasa Oil Concession recently granted by Ibn Saud to the Standard Oil Company of California

His Majesty's Secretary
of State for the Colonies,
The Colonial Office,
LONDON.

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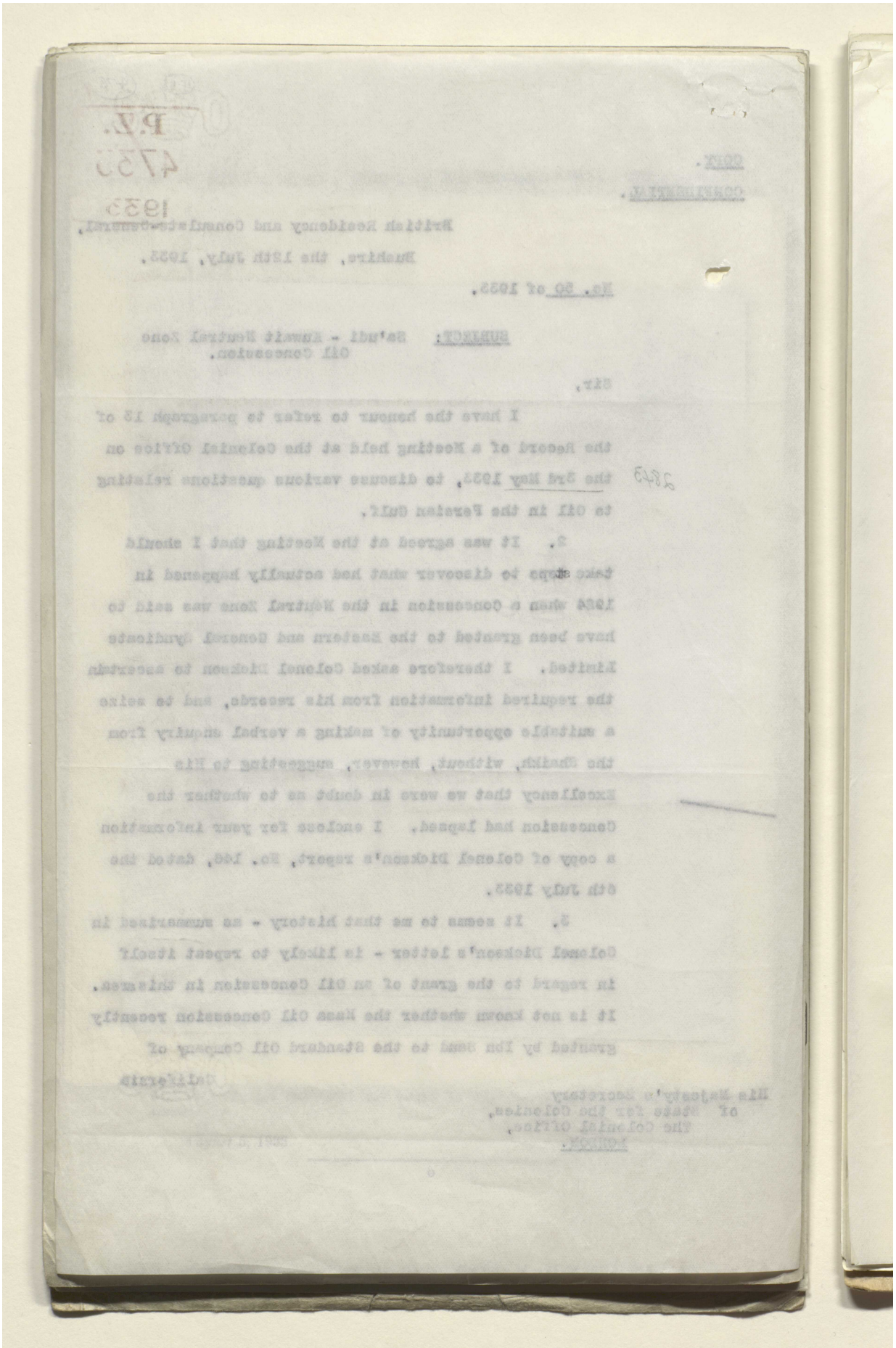

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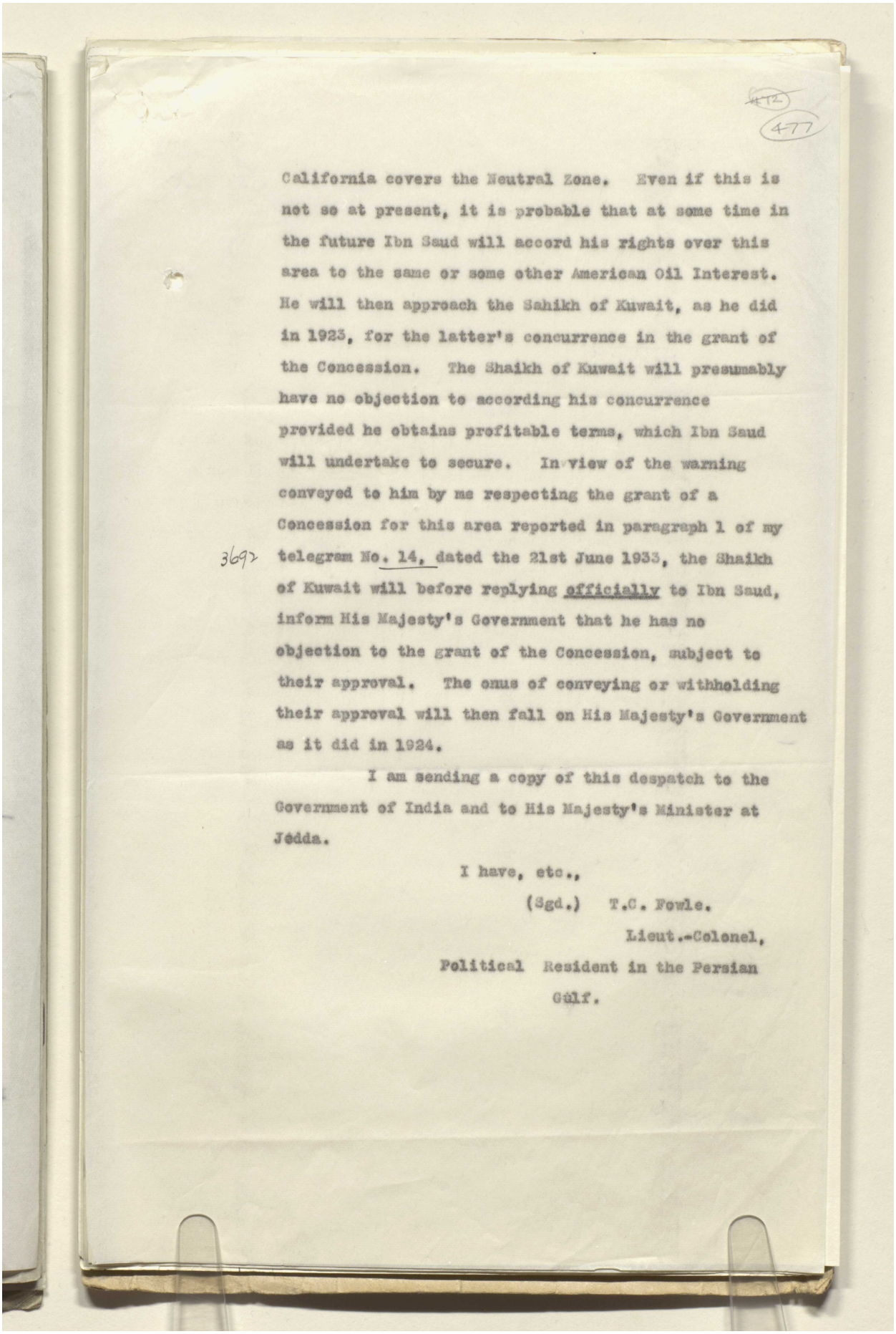

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California covers the Neutral Zone. Even if this is not so at present, it is probable that at some time in the future Ibn Saud will accord his rights over this area to the same or some other American Oil Interest. He will then approach the Sahikh of Kuwait, as he did in 1923, for the latter's concurrence in the grant of the Concession. The Shaikh of Kuwait will presumably have no objection to according his concurrence provided he obtains profitable terms, which Ibn Saud will undertake to secure. In view of the warning conveyed to him by me respecting the grant of a Concession for this area reported in paragraph 1 of my 3697 telegram No. 14, dated the 21st June 1933, the Shaikh of Kuwait will before replying officially to Ibn Saud, inform His Majesty's Government that he has no objection to the grant of the Concession, subject to their approval. The onus of conveying or withholding their approval will then fall on His Majesty's Government as it did in 1924.

I am sending a copy of this despatch to the Government of India and to His Majesty's Minister at Jedda.

I have, etc.,

(Sgd.) T.C. Fowle.

Lieut.-Colonel,

Political Resident in the Persian Gulf.

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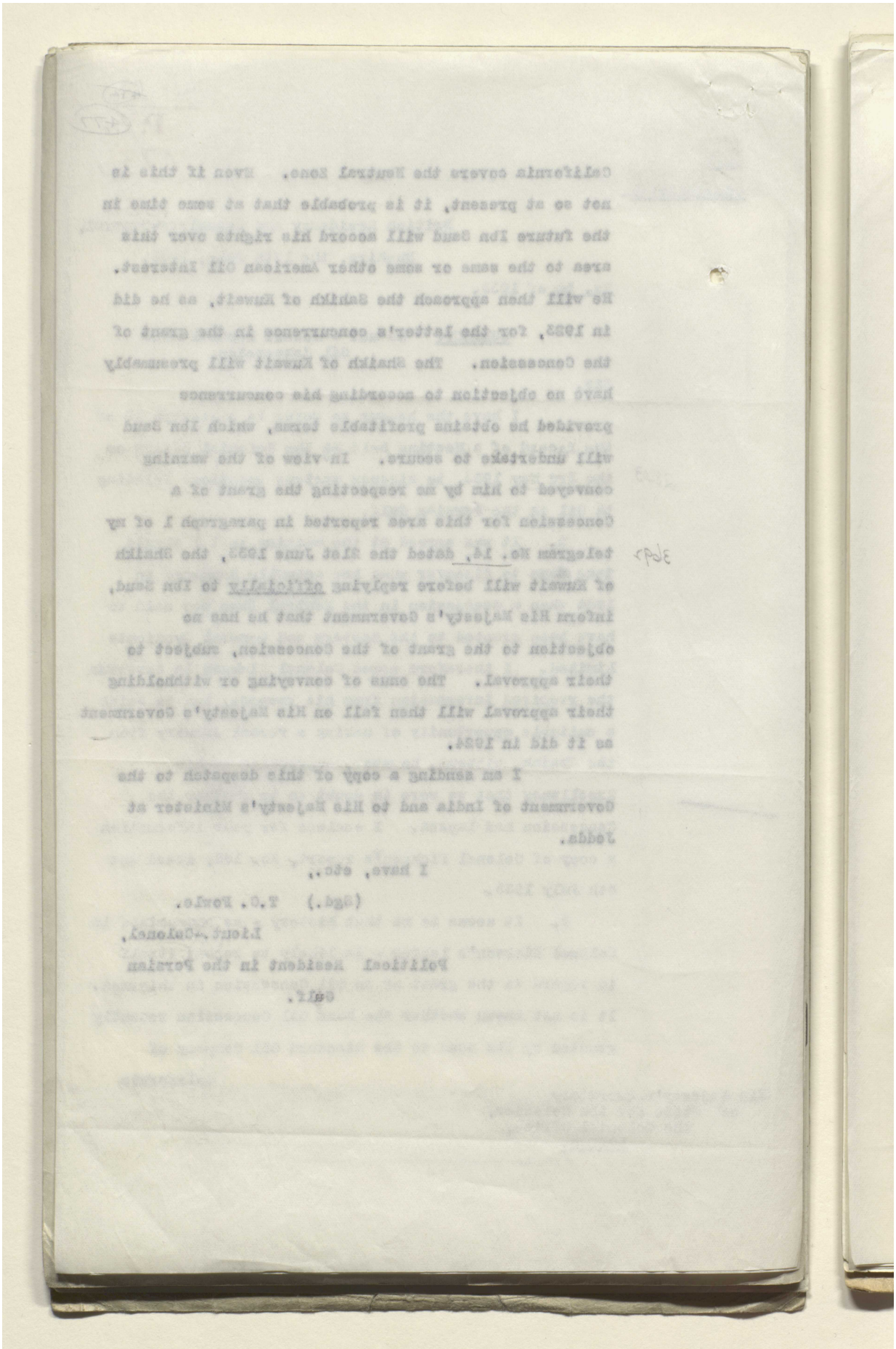

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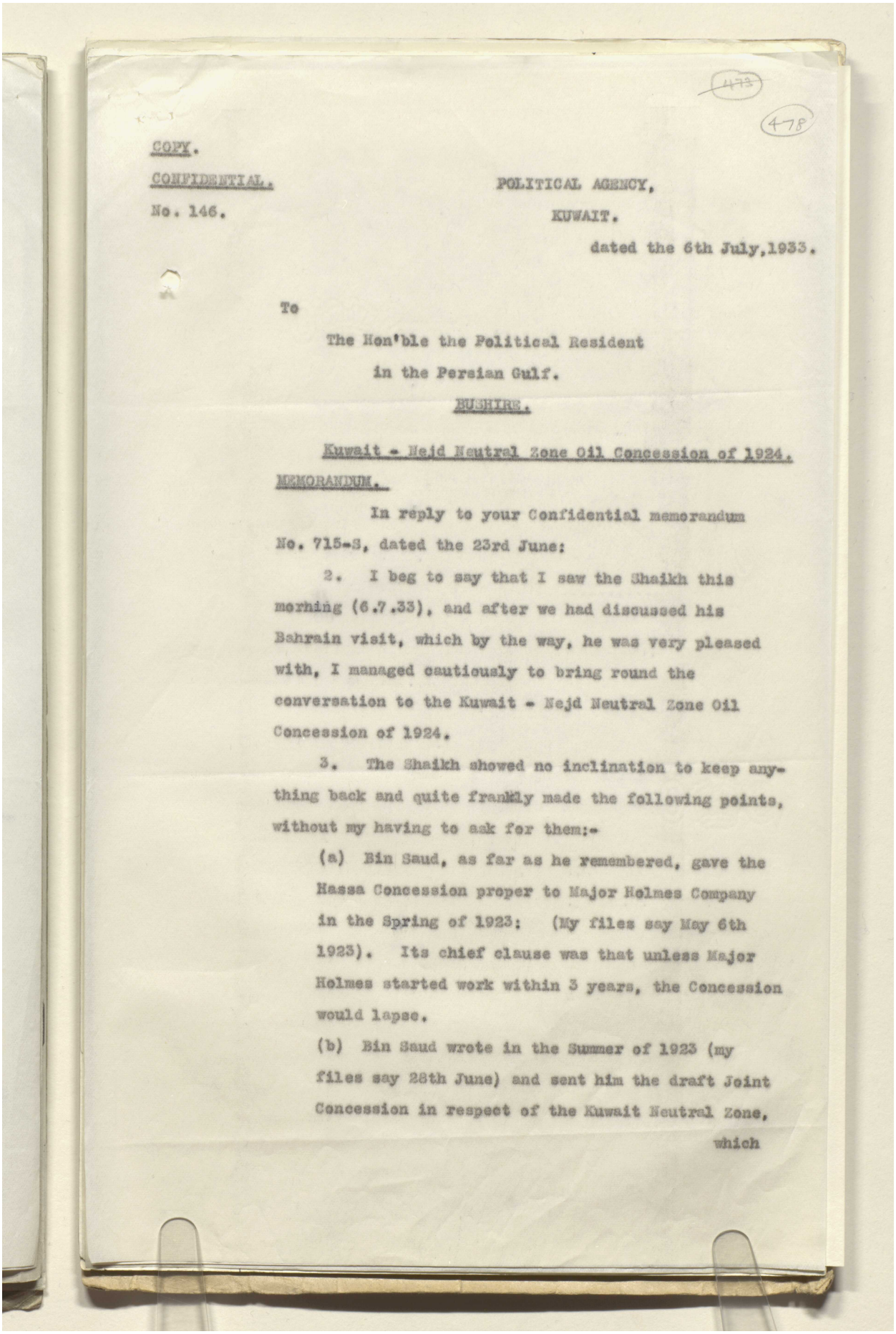

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COPY.

CONFIDENTIAL.

No. 146.

POLITICAL AGENCY,
KUWAIT.
dated the 6th July, 1933.

To

The Hon'ble the Political Resident
in the Persian Gulf.
BUSHIRE.

Kuwait - Nejd Neutral Zone Oil Concession of 1924.

MEMORANDUM.

In reply to your Confidential memorandum No. 715-S, dated the 23rd June:

2. I beg to say that I saw the Shaikh this morning (6.7.33), and after we had discussed his Bahrain visit, which by the way, he was very pleased with, I managed cautiously to bring round the conversation to the Kuwait - Nejd Neutral Zone Oil Concession of 1924.

3. The Shaikh showed no inclination to keep anything back and quite frankly made the following points, without my having to ask for them:-

(a) Bin Saud, as far as he remembered, gave the Hassa Concession proper to Major Holmes Company in the Spring of 1923: (My files say May 6th 1923). Its chief clause was that unless Major Holmes started work within 3 years, the Concession would lapse.

(b) Bin Saud wrote in the Summer of 1923 (my files say 28th June) and sent him the draft Joint Concession in respect of the Kuwait Neutral Zone, which

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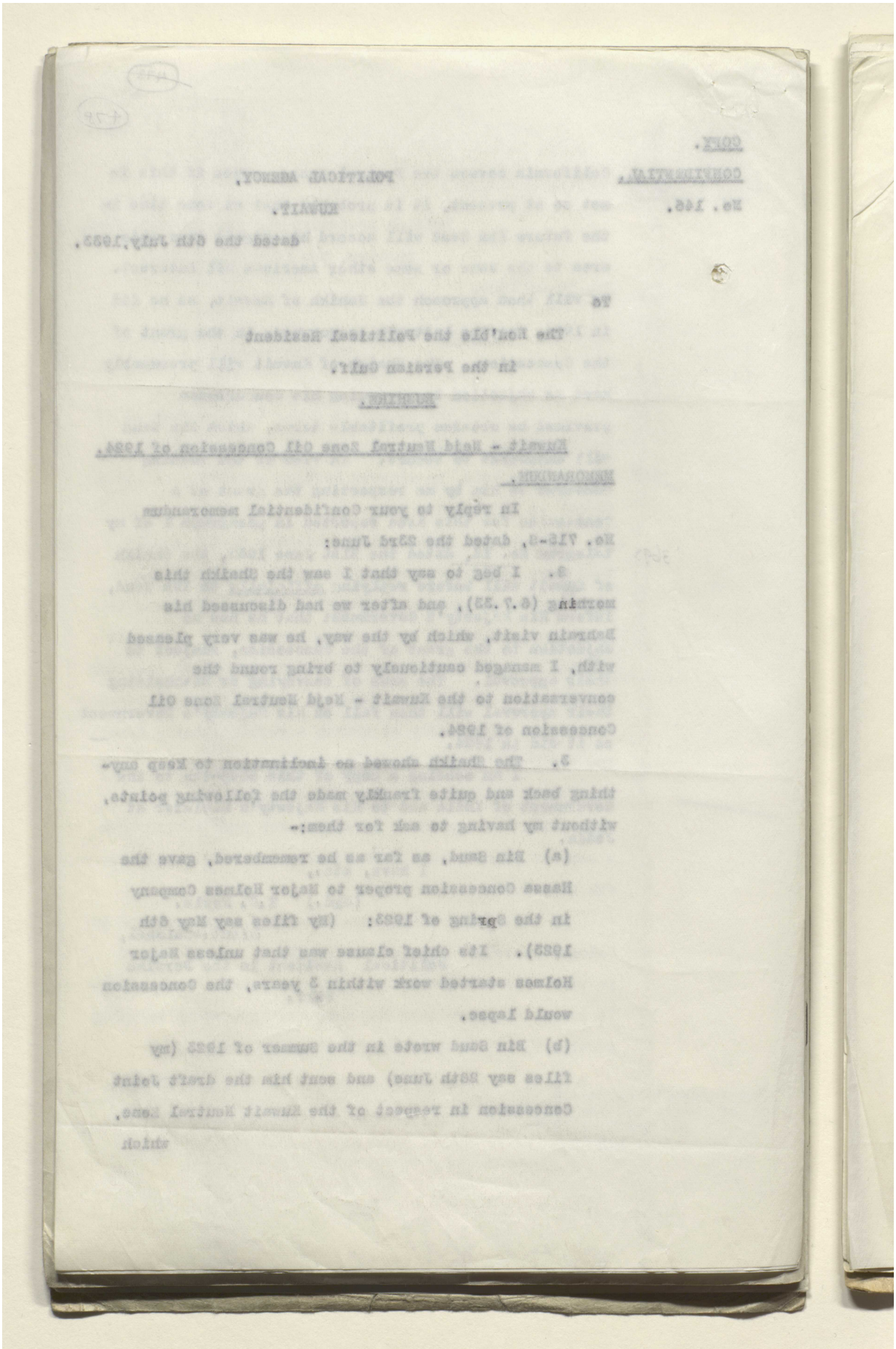

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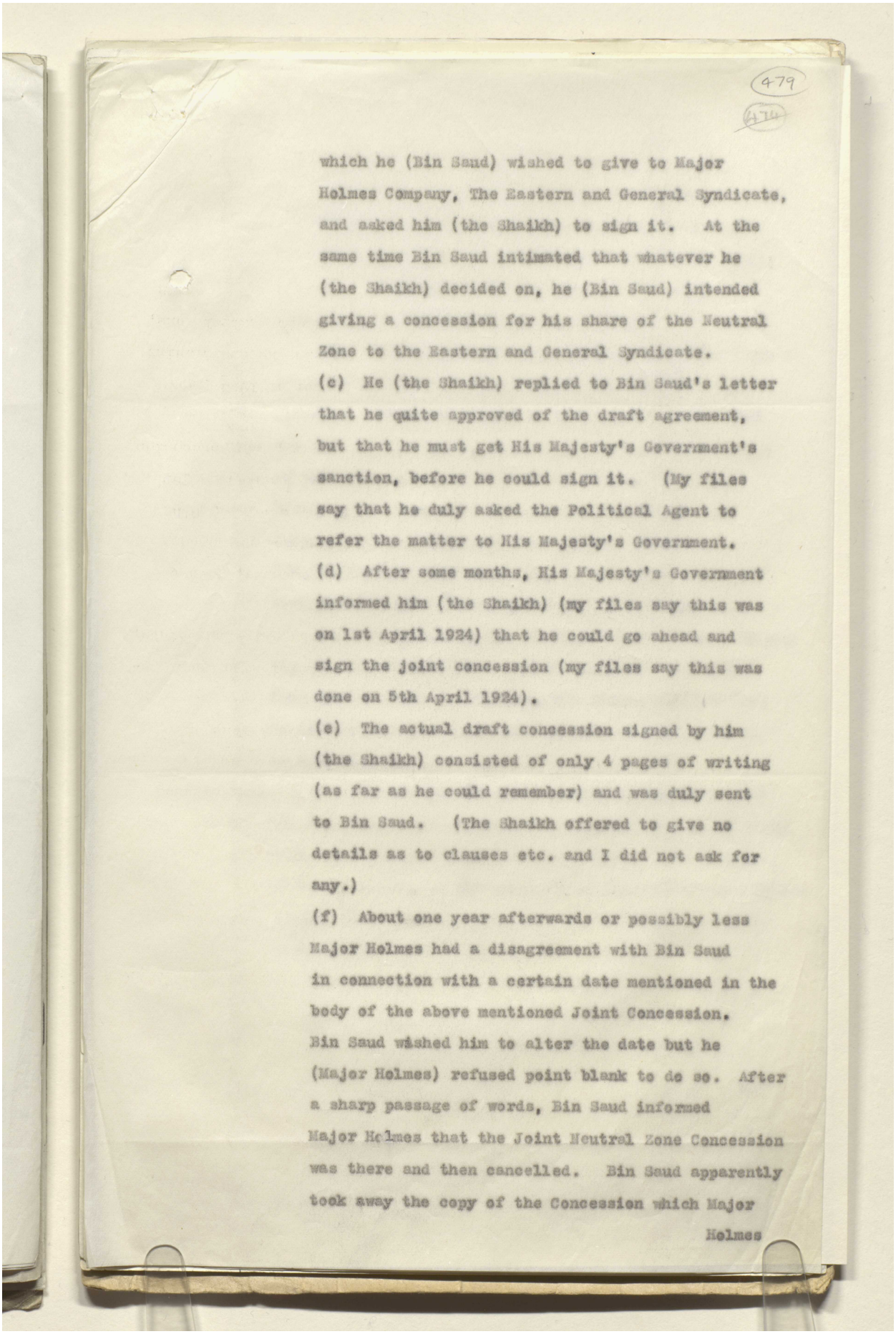

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which he (Bin Saud) wished to give to Major Holmes Company, The Eastern and General Syndicate, and asked him (the Shaikh) to sign it. At the same time Bin Saud intimated that whatever he (the Shaikh) decided on, he (Bin Saud) intended giving a concession for his share of the Neutral Zone to the Eastern and General Syndicate.

(c) He (the Shaikh) replied to Bin Saud's letter that he quite approved of the draft agreement, but that he must get His Majesty's Government's sanction, before he could sign it. (My files say that he duly asked the Political Agent to refer the matter to His Majesty's Government.

(d) After some months, His Majesty's Government informed him (the Shaikh) (my files say this was on 1st April 1924) that he could go ahead and sign the joint concession (my files say this was done on 5th April 1924).

(e) The actual draft concession signed by him (the Shaikh) consisted of only 4 pages of writing (as far as he could remember) and was duly sent to Bin Saud. (The Shaikh offered to give no details as to clauses etc. and I did not ask for any.)

(f) About one year afterwards or possibly less Major Holmes had a disagreement with Bin Saud in connection with a certain date mentioned in the body of the above mentioned Joint Concession. Bin Saud wished him to alter the date but he (Major Holmes) refused point blank to do so. After a sharp passage of words, Bin Saud informed Major Holmes that the Joint Neutral Zone Concession was there and then cancelled. Bin Saud apparently took away the copy of the Concession which Major

Holmes

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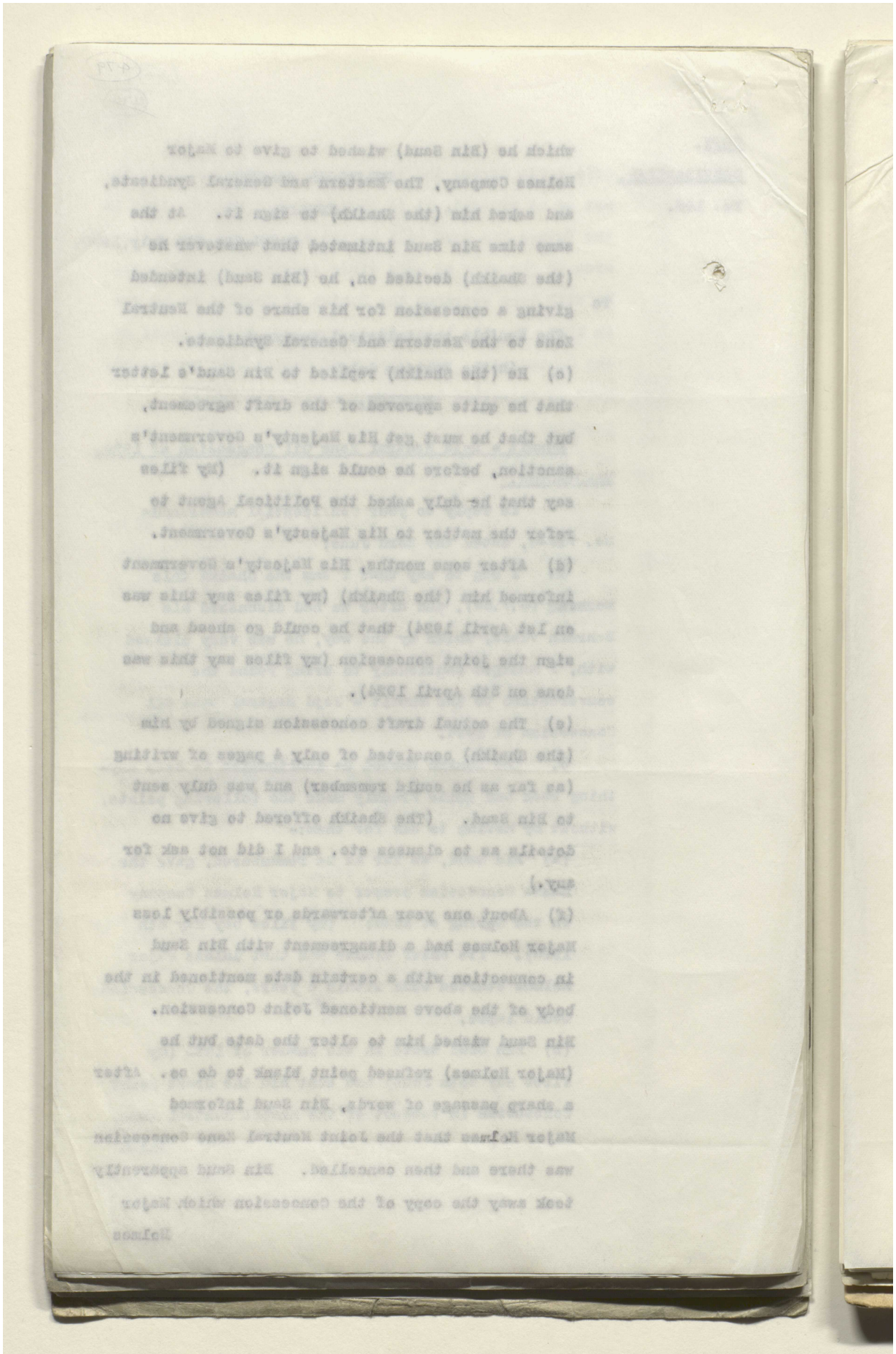

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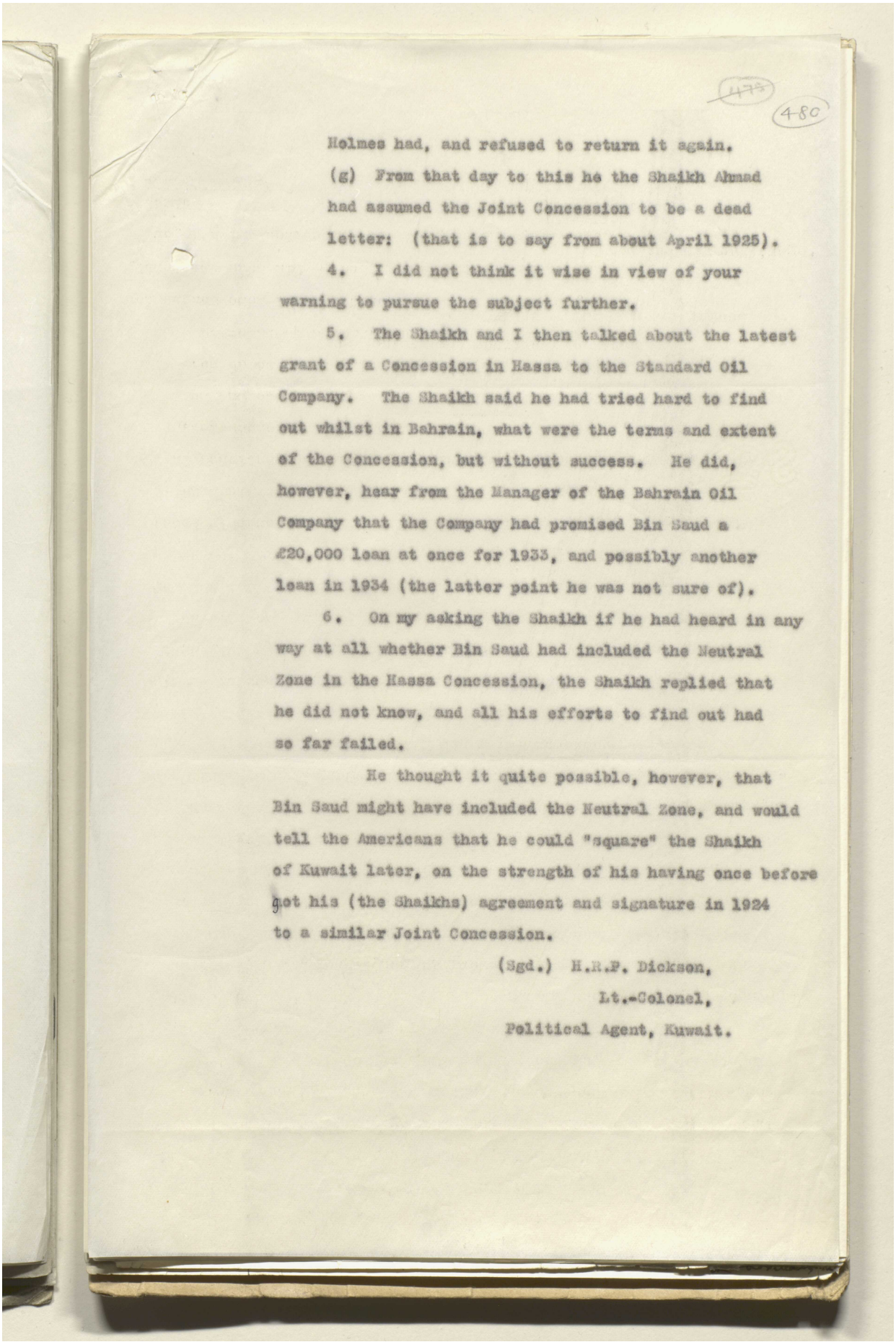

Holmes had, and refused to return it again.

(g) From that day to this he the Shaikh Ahmad had assumed the Joint Concession to be a dead letter: (that is to say from about April 1925).

4. I did not think it wise in view of your warning to pursue the subject further.

5. The Shaikh and I then talked about the latest grant of a Concession in Hassa to the Standard Oil Company. The Shaikh said he had tried hard to find out whilst in Bahrain, what were the terms and extent of the Concession, but without success. He did, however, hear from the Manager of the Bahrain Oil Company that the Company had promised Bin Saud a £20,000 loan at once for 1933, and possibly another loan in 1934 (the latter point he was not sure of).

6. On my asking the Shaikh if he had heard in any way at all whether Bin Saud had included the Neutral Zone in the Hassa Concession, the Shaikh replied that he did not know, and all his efforts to find out had so far failed.

He thought it quite possible, however, that Bin Saud might have included the Neutral Zone, and would tell the Americans that he could "square" the Shaikh of Kuwait later, on the strength of his having once before got his (the Shaikhs) agreement and signature in 1924 to a similar Joint Concession.

(Sgd.) H.R.P. Dickson,
Lt.-Colonel,
Political Agent, Kuwait.

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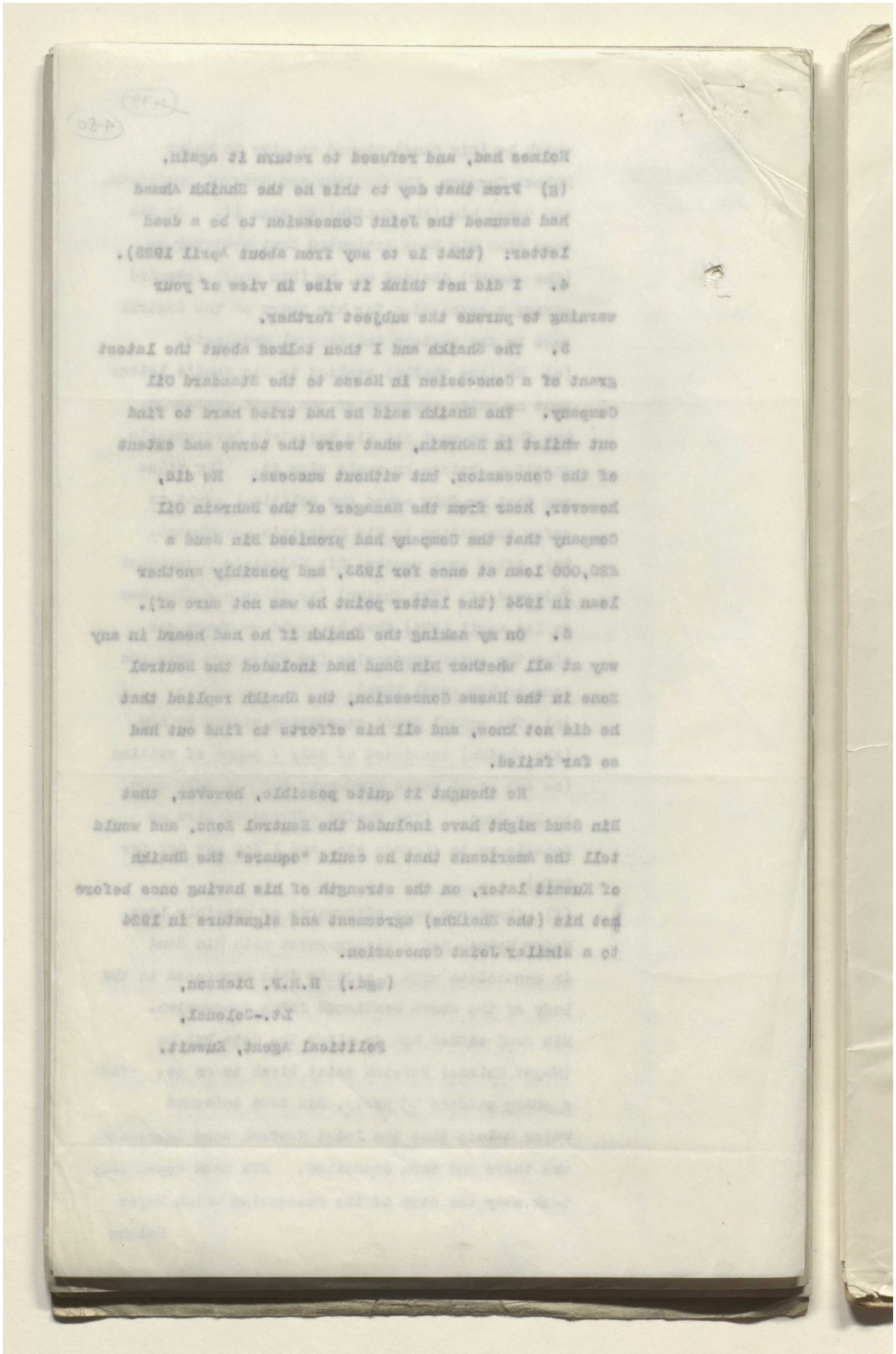

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PZ. 7058/33. PZ.7218. PZ 8186.

Extract from Bahrain Diary 18.16.10.33 to 30.9.33.

Hasa Oil file
1
3841/33

381. 2. SA'UDI ARABIA.

(a). The Standard Oil Company of California, the Sa'udi Arabia Oil Concessionaires, are reported to be sending some Geologists to carry out a geological survey of the HASA Province. Messrs.R.P.MILLER and G.HENRY (paragraph 380/1-ii/a), Geologists of the BAHRAIN PETROLEUM COMPANY LIMITED are to be attached to this party. It is understood that 7 Geologists will be employed, that they will work in three Parties and that Mr.MILLER will be the Geologist-in-CHARGE.

(b). A number of SA'UDI ARABIAN mechanics and motor drivers are being trained by the BAHRAIN PETROLEUM COMPANY LIMITED before being attached to the Survey Parties in the HASA Province.

391. FOREIGN INTERESTS.

(a). Five crates containing motor vehicles for the Geological Survey Party of the STANDARD OIL COMPANY OF CALIFORNIA arrived by the s.s."WOLFSBERG" on the 4th October. They will be assembled by the BAHRAIN PETROLEUM COMPANY LIMITED before transhipment to the Mainland.

(b). A Local Merchant has received quotations from a JAPANESE firm. Among the articles quoted for at C.I.F. BAHRAIN rates were the following:-

Bicycles @ Rs.12/8/- and Rs.14/8/-each.
Eggs @ One Anna and Six Pies a dozen.

402(d). Nejd News.

It is reported that H.M. King Bin Saud has refused the Standard Oil Co's Geologists permission to erect their own wireless sets.

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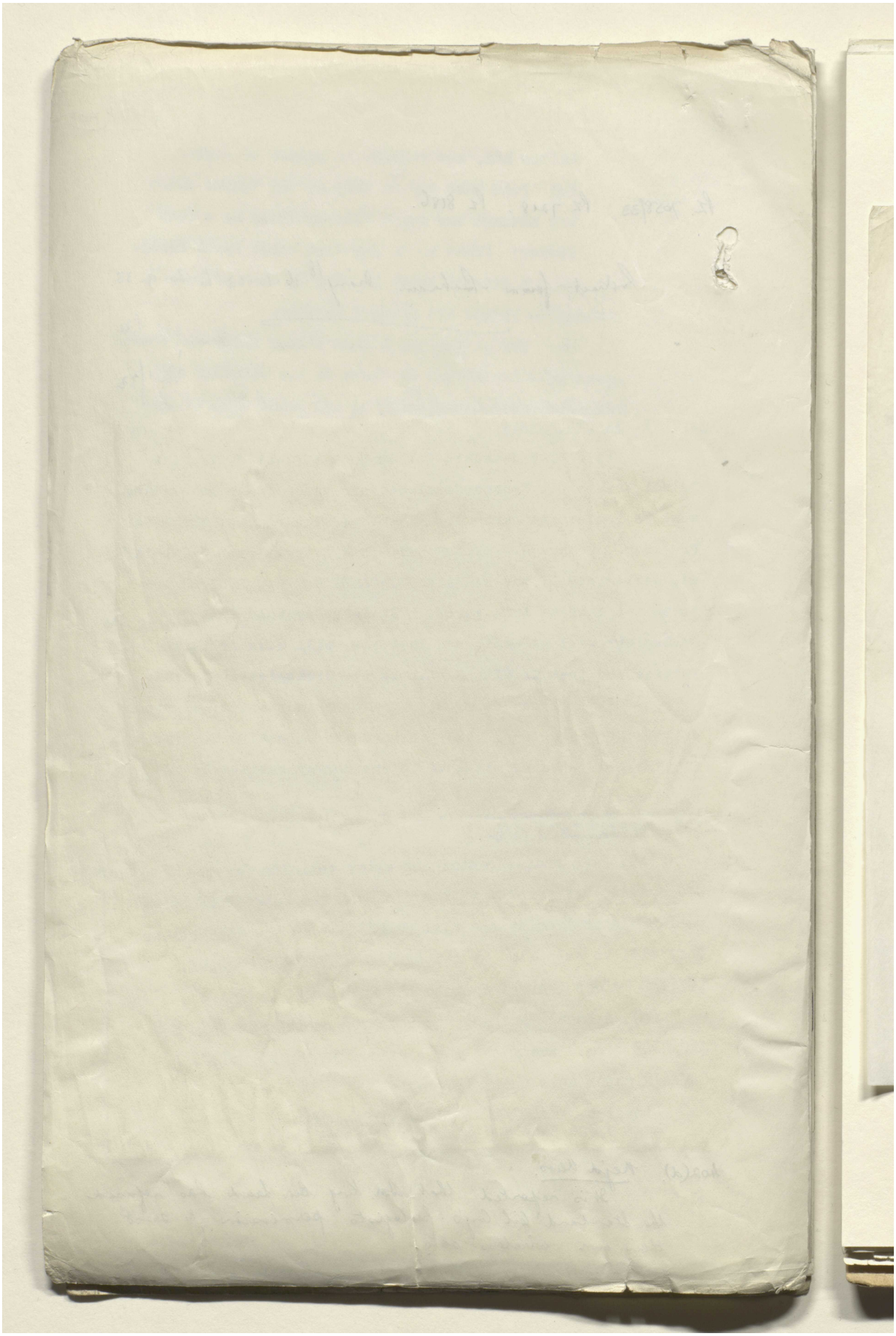

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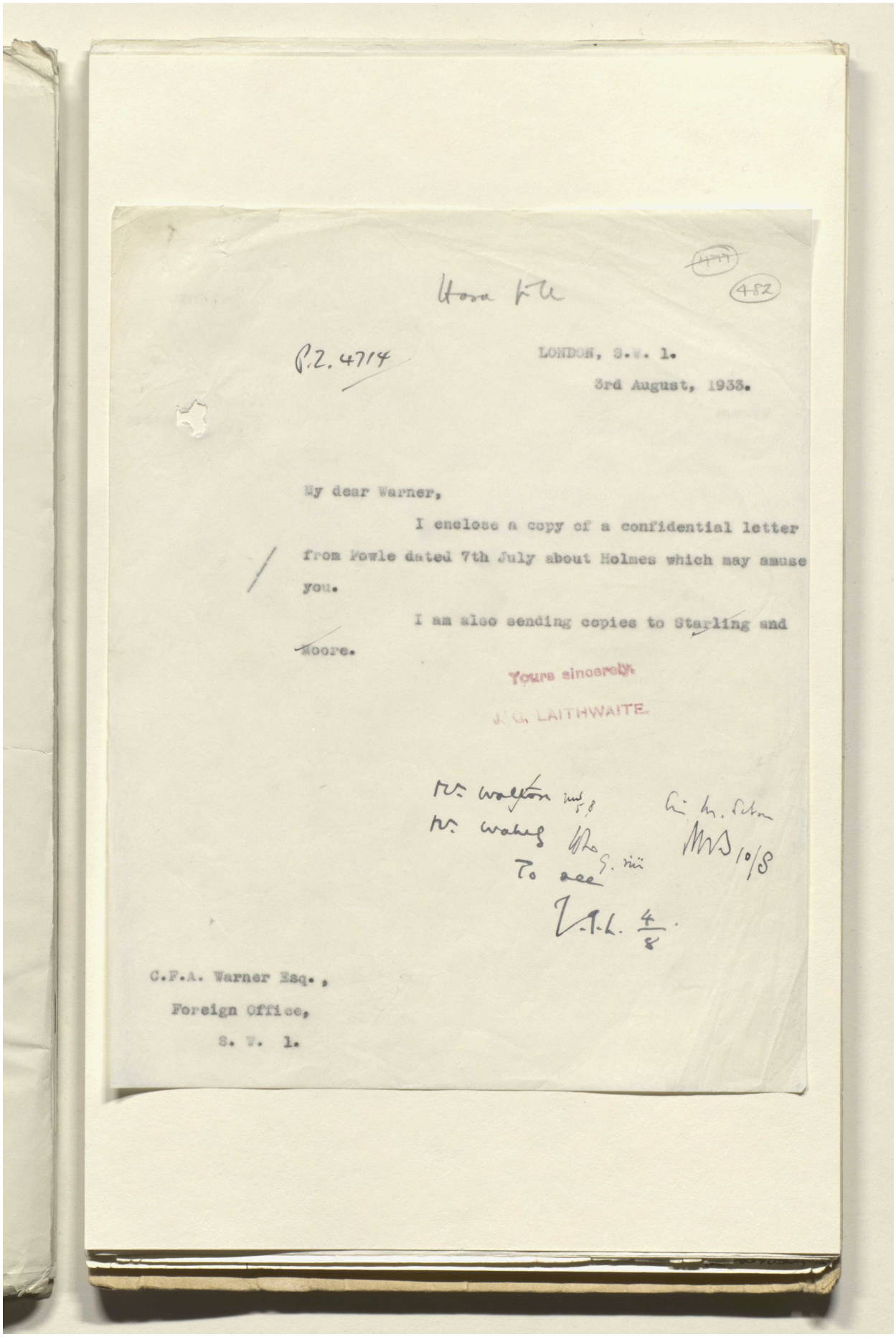

Hasa File

(482)

P.Z. 4714

LONDON, S.W. 1.

3rd August, 1933.

My dear Warner,

I enclose a copy of a confidential letter from Fowle dated 7th July about Holmes which may amuse you.

I am also sending copies to Starling and Moore.

Yours sincerely,

J. G. LAITHWAITE.

Mr. Walton
Mr. Walker
To see

C.F.A. Warner Esq.,
Foreign Office,
S. W. 1.

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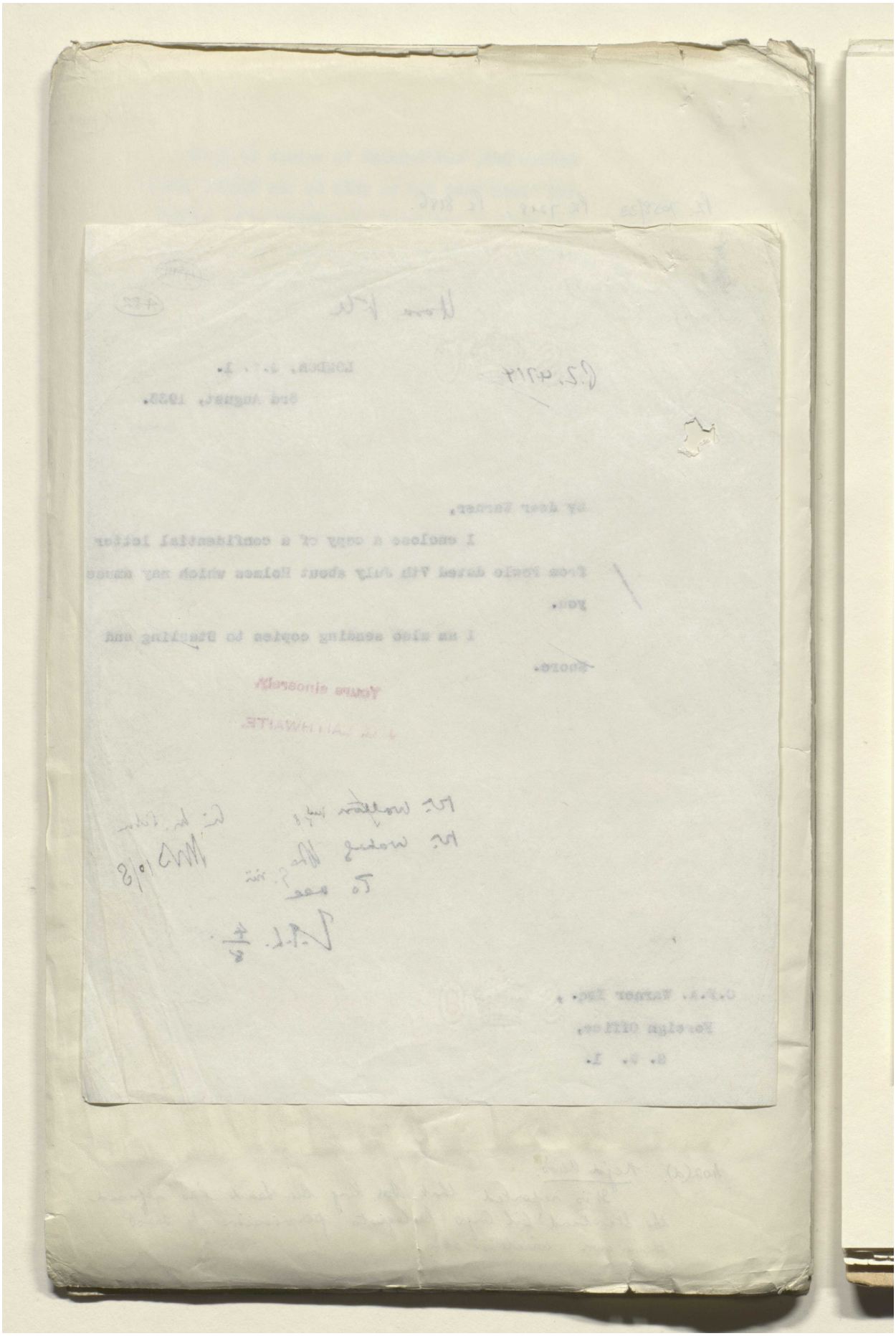

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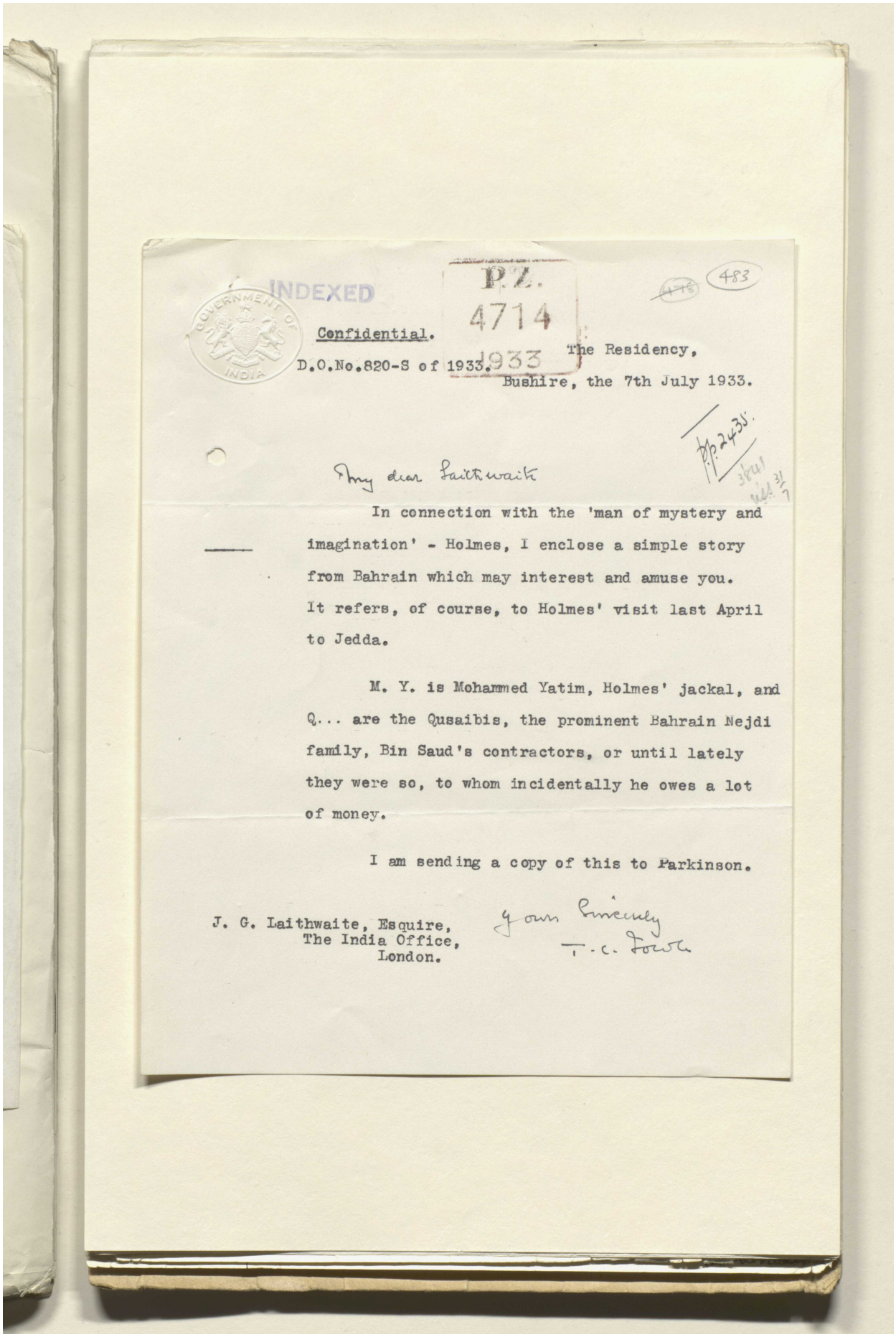

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P.Z. 4714 1933

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Confidential.

D.O.No.820-S of 1933.

The Residency,
Bushire, the 7th July 1933.

P.P. 2435.

My dear Laithwaite

In connection with the 'man of mystery and imagination' - Holmes, I enclose a simple story from Bahrain which may interest and amuse you. It refers, of course, to Holmes' visit last April to Jedda.

M. Y. is Mohammed Yatim, Holmes' jackal, and Q... are the Qusaibis, the prominent Bahrain Nejdi family, Bin Saud's contractors, or until lately they were so, to whom incidentally he owes a lot of money.

I am sending a copy of this to Parkinson.

Yours sincerely
T. C. Fowle

J. G. Laithwaite, Esquire,
The India Office,
London.

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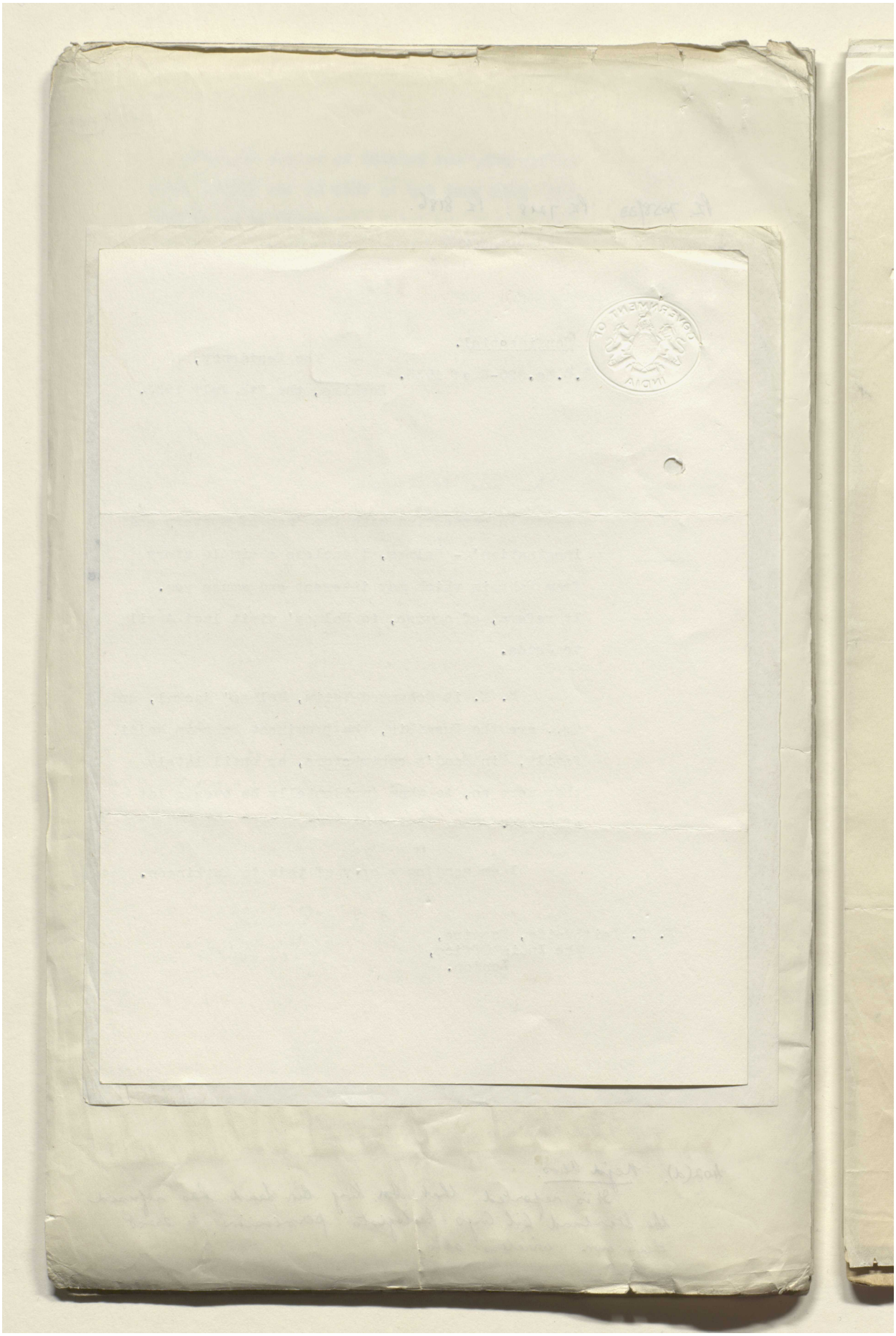

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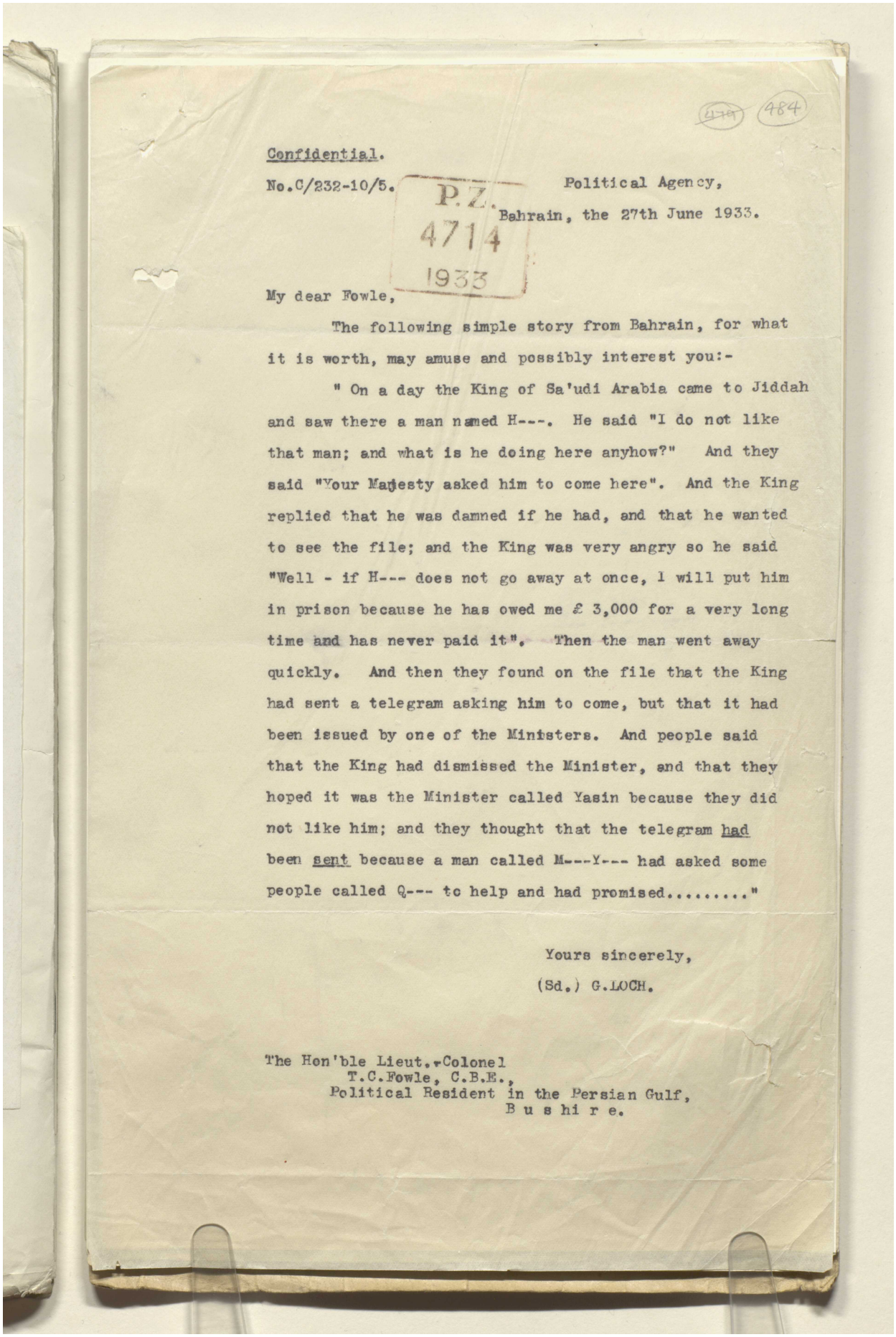

(484)

Confidential.

No.C/232-10/5. Political Agency,

Bahrain, the 27th June 1933.

P.Z. 4714 1933

My dear Fowle,

The following simple story from Bahrain, for what it is worth, may amuse and possibly interest you:-

" On a day the King of Sa'udi Arabia came to Jiddah and saw there a man named H---. He said "I do not like that man; and what is he doing here anyhow?" And they said "Your Majesty asked him to come here". And the King replied that he was damned if he had, and that he wanted to see the file; and the King was very angry so he said "Well - if H--- does not go away at once, I will put him in prison because he has owed me £ 3,000 for a very long time and has never paid it". Then the man went away quickly. And then they found on the file that the King had sent a telegram asking him to come, but that it had been issued by one of the Ministers. And people said that the King had dismissed the Minister, and that they hoped it was the Minister called Yasin because they did not like him; and they thought that the telegram had been sent because a man called M---Y--- had asked some people called Q--- to help and had promised....."

Yours sincerely,

(Sd.) G.LOCH.

The Hon'ble Lieut.-Colonel
T.C.Fowle, C.B.E.,
Political Resident in the Persian Gulf,
B u s h i r e.

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Confidential.

No. C/232-10/6. Political Agency,

Bahrain, the 27th June 1933.

My dear Fowle,

The following simple story from Bahrain, for what it is worth, may amuse and possibly interest you:-

" On a day the King of Sa'udi Arabia came to Hiddah and saw there a man named H---. He said "I do not like that man; and what is he doing here anyhow?" And they said "Your Majesty asked him to come here". And the King replied that he was damned if he had, and that he wanted to see the file; and the King was very angry so he said "Well - if H--- does not go away at once, I will put him in prison because he has owed me £ 3,000 for a very long time and has never paid it". Then the man went away quickly. And then they found on the file that the King had sent a telegram asking him to come, but that it had been issued by one of the Ministers. And people said that the King had dismissed the Minister, and that they hoped it was the Minister called Yasin because they did not like him; and they thought that the telegram had been sent because a man called M---Y--- had asked some people called G--- to help and had promised....."

Yours sincerely,

(Sd.) G.LOCH.

The Hon'ble Lieut.-Colonel
T.C.Fowle, C.B.E.,
Political Resident in the Persian Gulf,
B u s h i r e.

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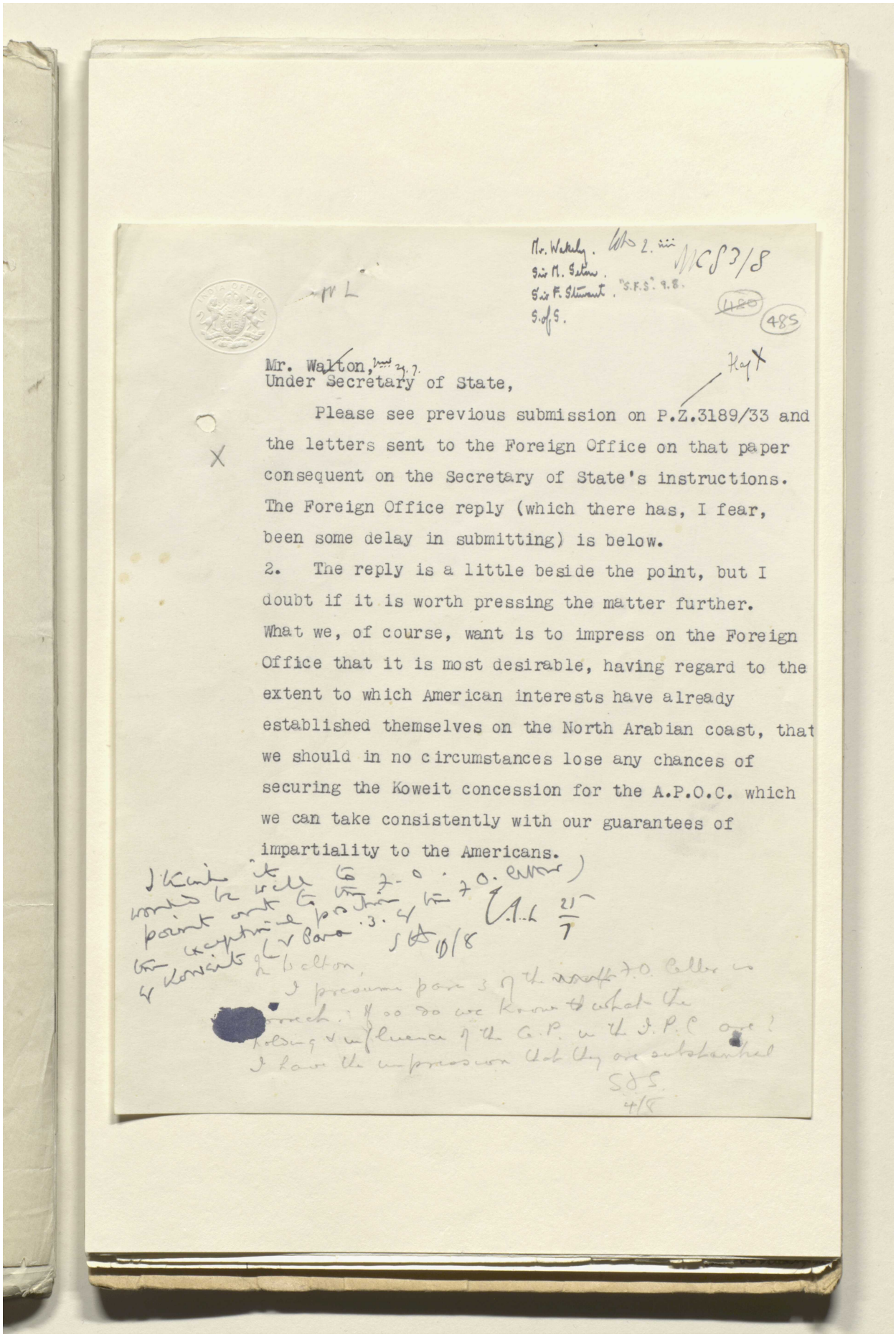

Mr. Walton,
Under Secretary of State,

Please see previous submission on P.Z.3189/33 and the letters sent to the Foreign Office on that paper consequent on the Secretary of State's instructions. The Foreign Office reply (which there has, I fear, been some delay in submitting) is below.

2. The reply is a little beside the point, but I doubt if it is worth pressing the matter further. What we, of course, want is to impress on the Foreign Office that it is most desirable, having regard to the extent to which American interests have already established themselves on the North Arabian coast, that we should in no circumstances lose any chances of securing the Koweit concession for the A.P.O.C. which we can take consistently with our guarantees of impartiality to the Americans.

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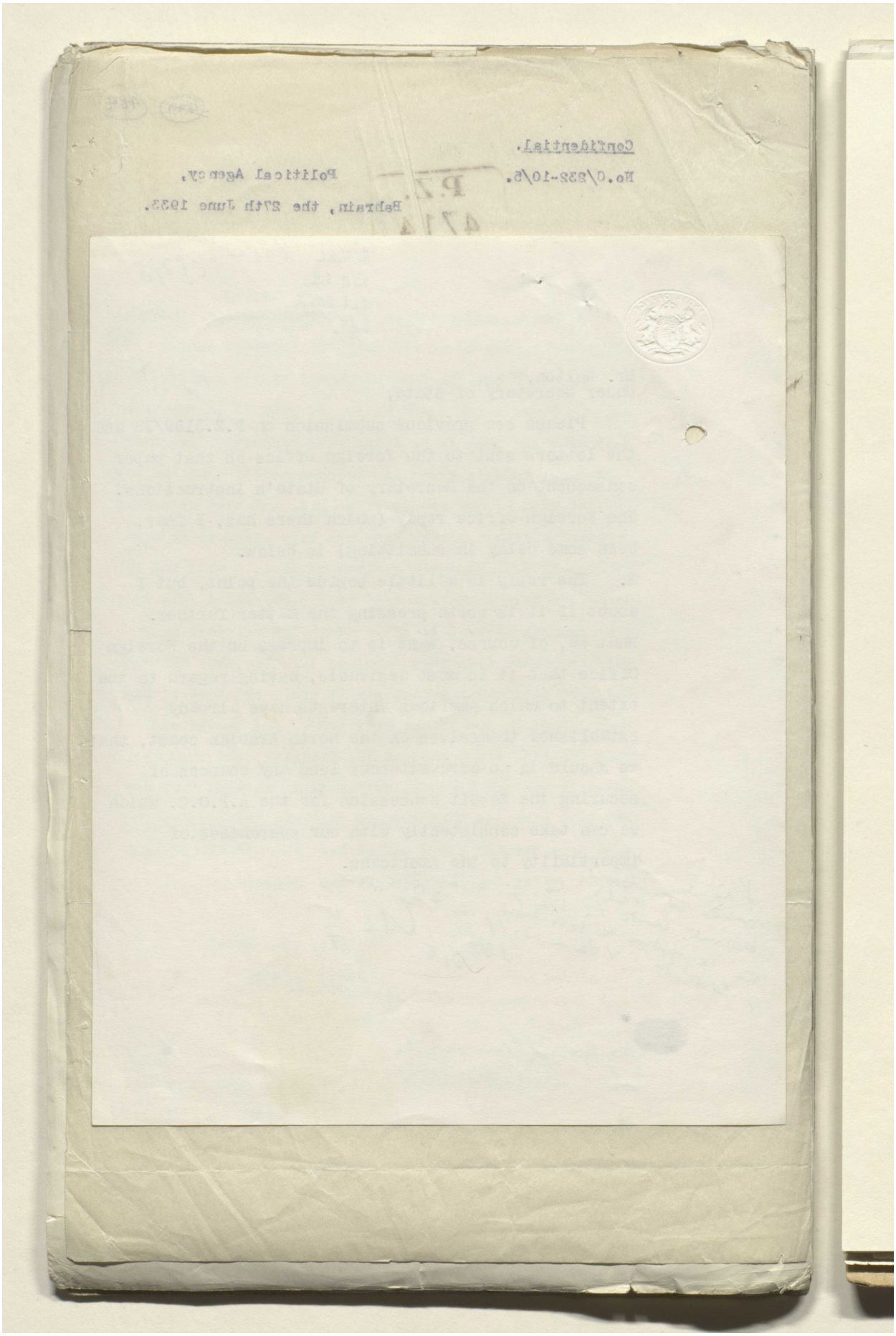

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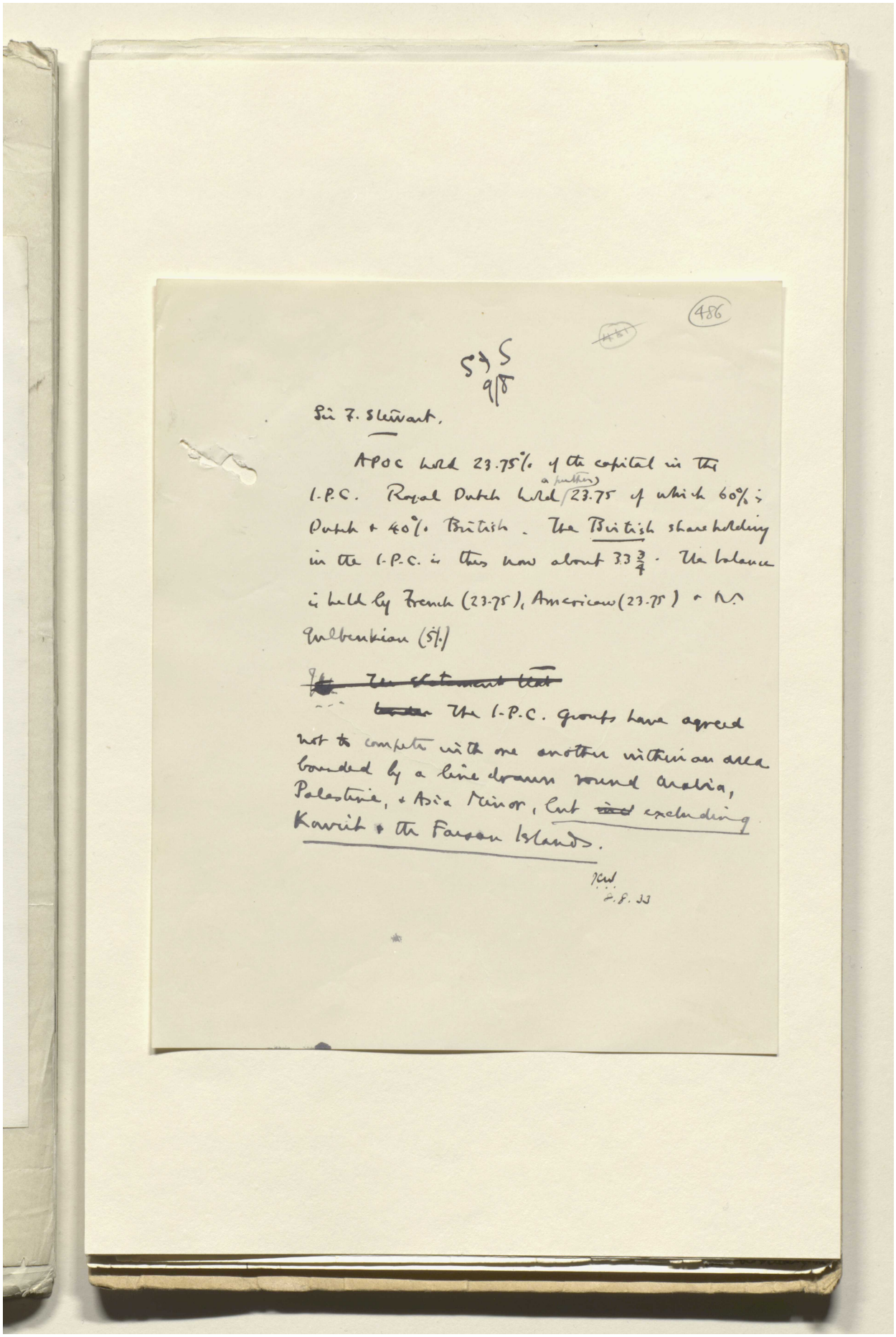

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Sir J. Stewart.

APOC hold 23.75% of the capital in the I.P.C. Royal Dutch hold (a further) 23.75 of which 60%; Dutch + 40% British. The British shareholding in the I.P.C. is thus now about 33 3/4. The balance is held by French (23.75), Americans (23.75) + Mr Gulbenkian (5%)

~~The statement that~~ The I.P.C. groups have agreed not to compete with one another within an area bounded by a line drawn round Arabia, Palestine, + Asia Minor, but excluding Kuwait + the Farsan Islands.

PCW
2.F.33

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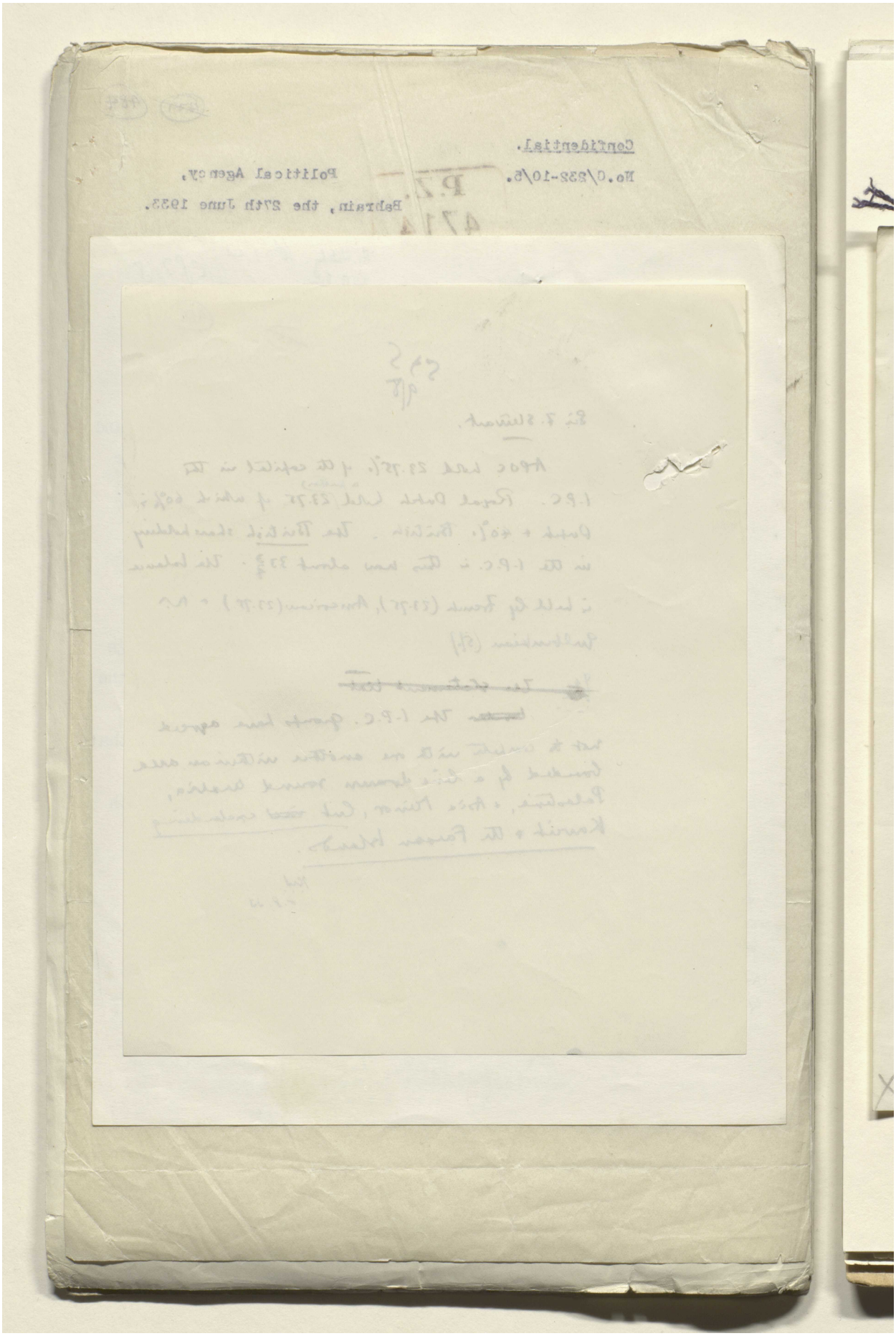

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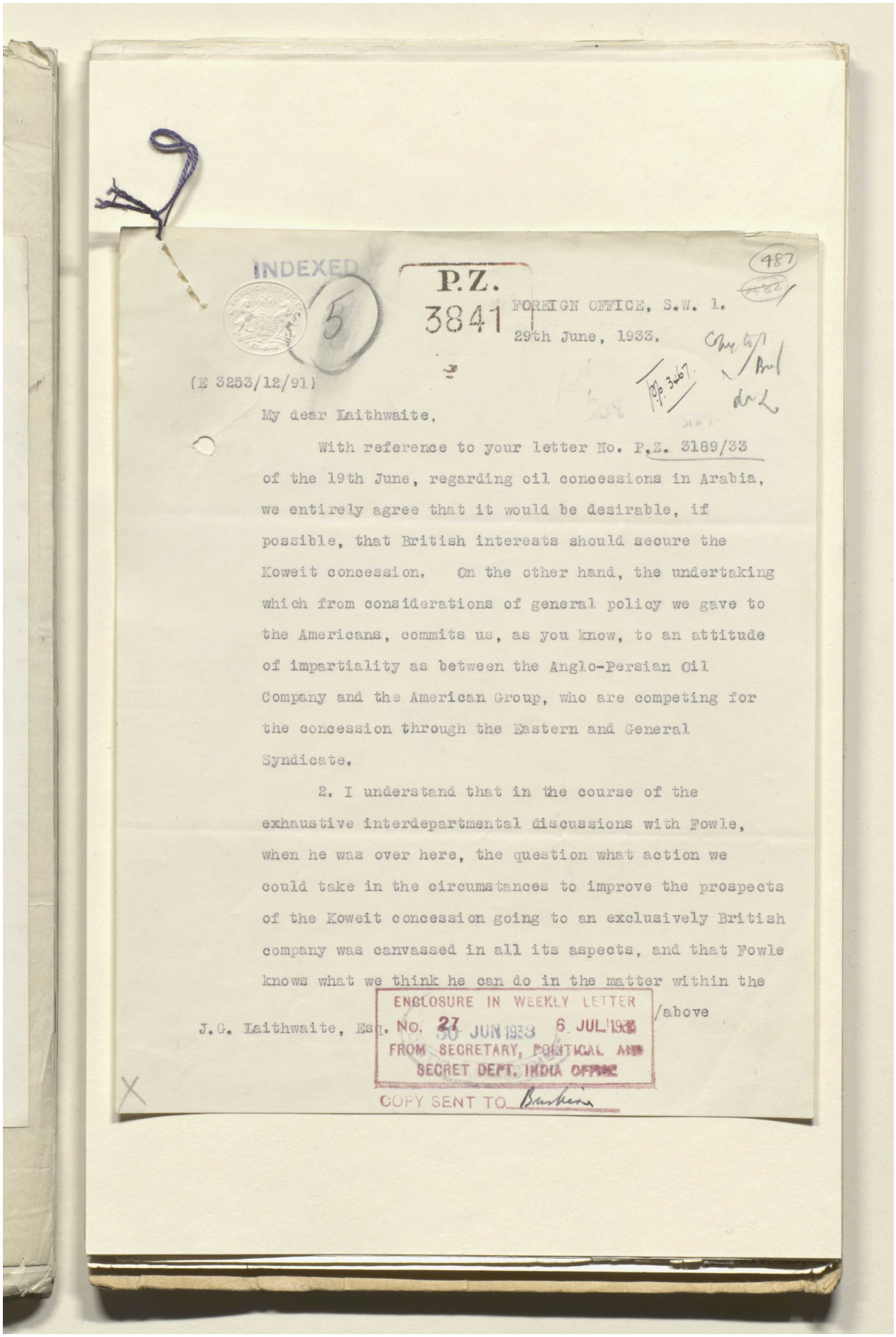

INDEXED

P.Z. 3841

FOREIGN OFFICE, S.W. 1.

29th June, 1933.

(E 3253/12/91)

My dear Laithwaite,

With reference to your letter No. P.Z. 3189/33 of the 19th June, regarding oil concessions in Arabia, we entirely agree that it would be desirable, if possible, that British interests should secure the Koweit concession. On the other hand, the undertaking which from considerations of general policy we gave to the Americans, commits us, as you know, to an attitude of impartiality as between the Anglo-Persian Oil Company and the American Group, who are competing for the concession through the Eastern and General Syndicate.

2. I understand that in the course of the exhaustive interdepartmental discussions with Fowle, when he was over here, the question what action we could take in the circumstances to improve the prospects of the Koweit concession going to an exclusively British company was canvassed in all its aspects, and that Fowle knows what we think he can do in the matter within the /above

J.G. Laithwaite, Esq.

ENCLOSURE IN WEEKLY LETTER
No. 27 30 JUN 1933 6 JUL 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

COPY SENT TO Burhens

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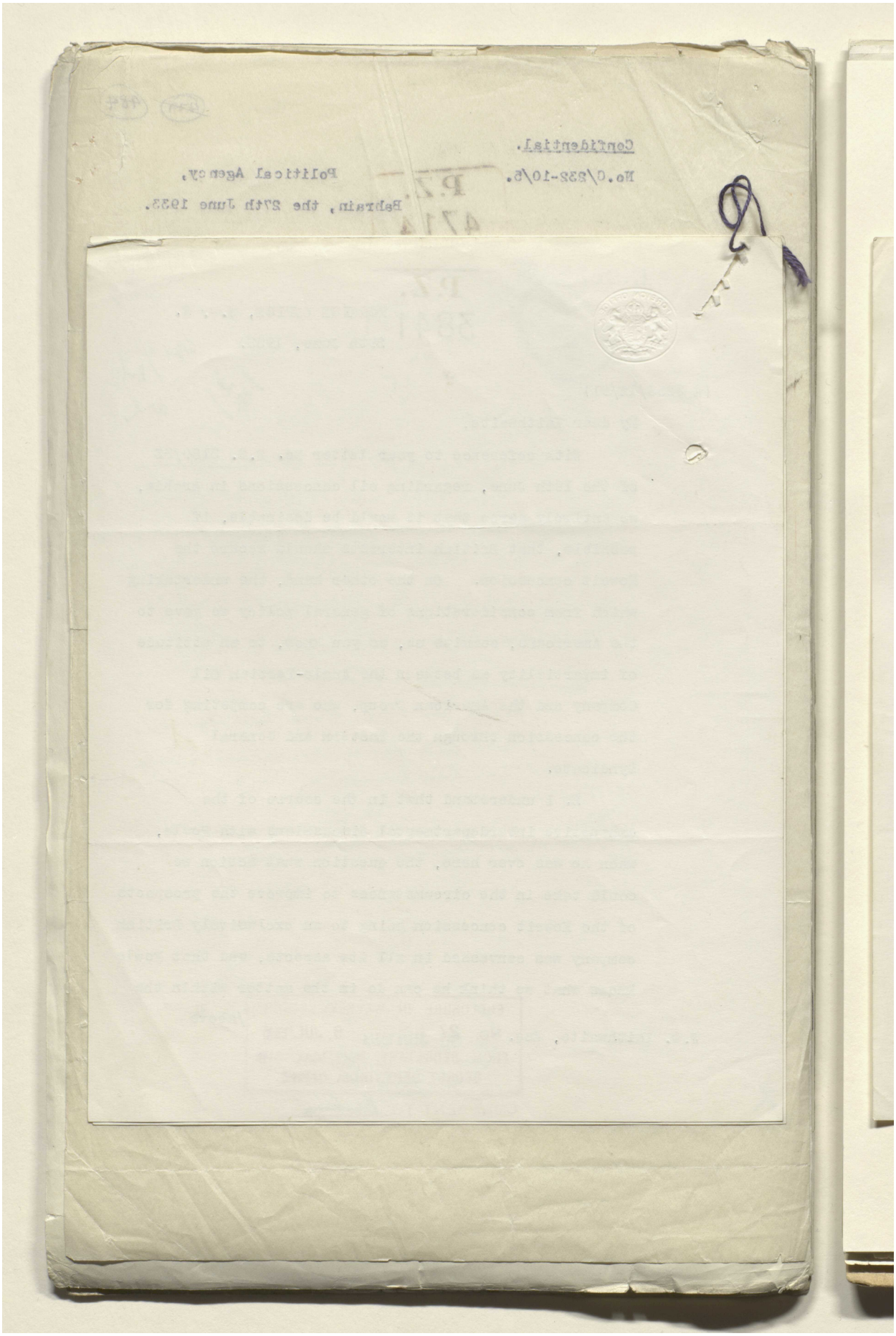

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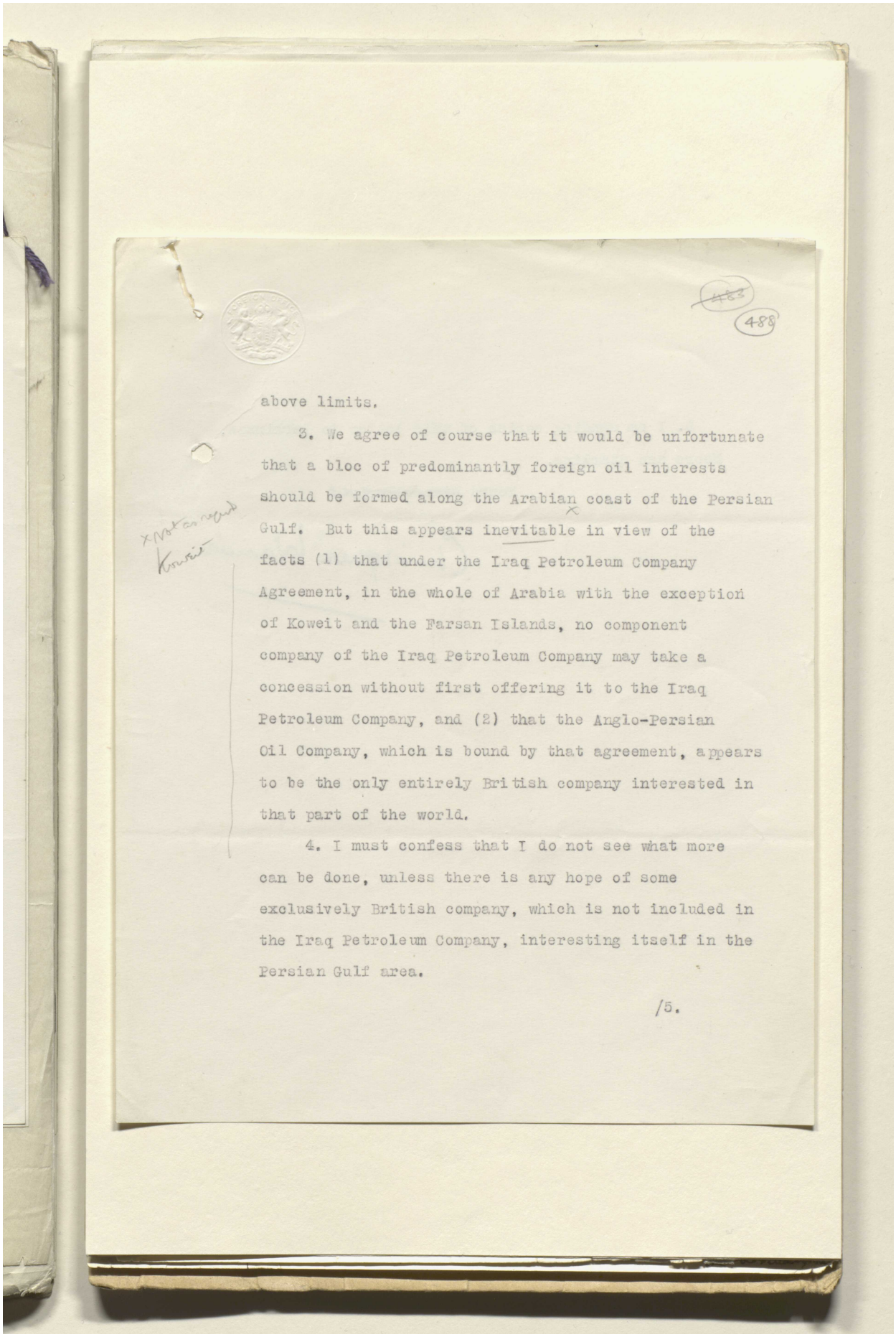

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above limits.

3. We agree of course that it would be unfortunate that a bloc of predominantly foreign oil interests should be formed along the Arabian coast of the Persian Gulf. But this appears inevitable in view of the facts (1) that under the Iraq Petroleum Company Agreement, in the whole of Arabia with the exception of Koweit and the Farsan Islands, no component company of the Iraq Petroleum Company may take a concession without first offering it to the Iraq Petroleum Company, and (2) that the Anglo-Persian Oil Company, which is bound by that agreement, appears to be the only entirely British company interested in that part of the world.

4. I must confess that I do not see what more can be done, unless there is any hope of some exclusively British company, which is not included in the Iraq Petroleum Company, interesting itself in the Persian Gulf area.

/5.

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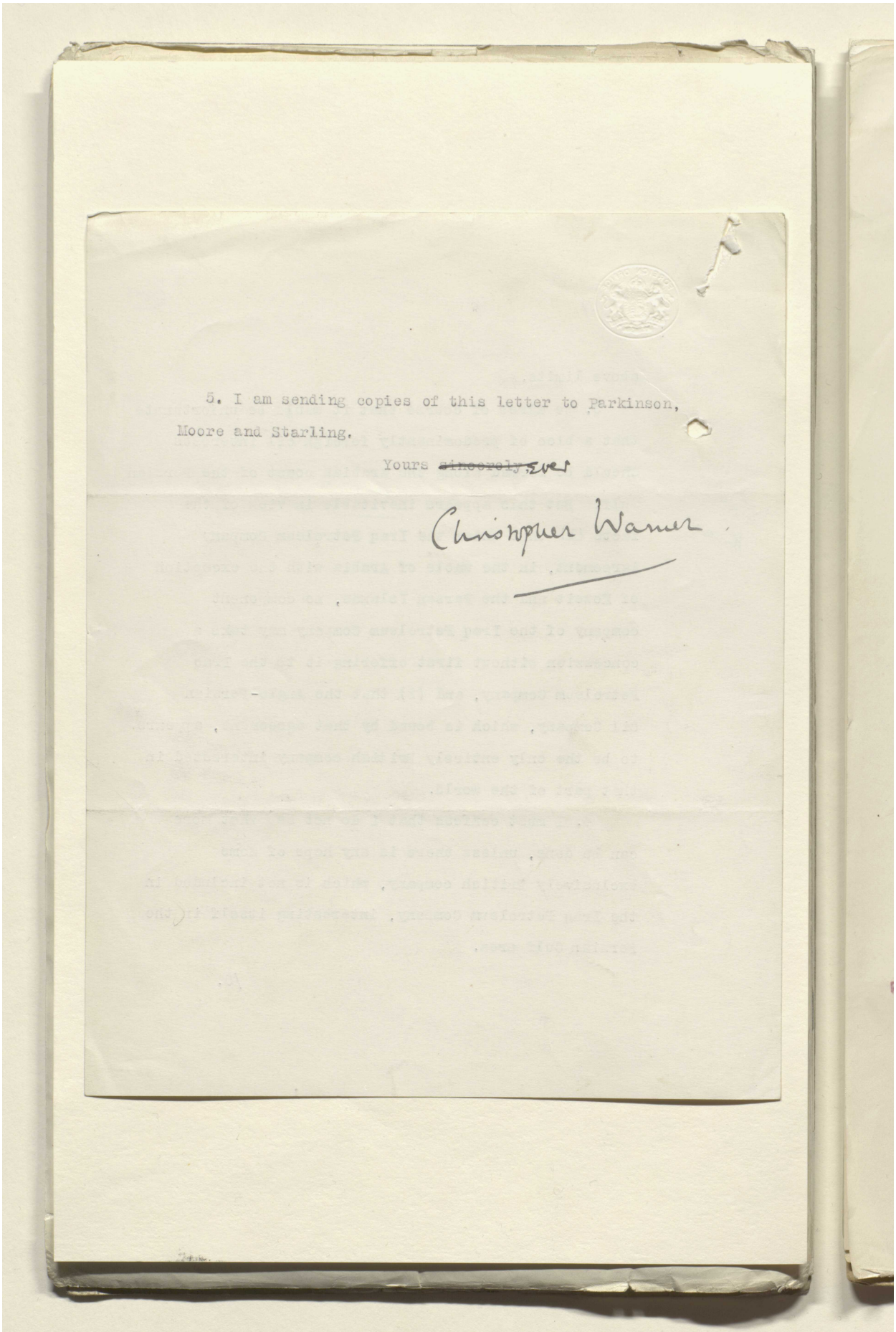

5. I am sending copies of this letter to Parkinson, Moore and Starling.

Yours ~~sincerely~~ ever

Christopher Warner.

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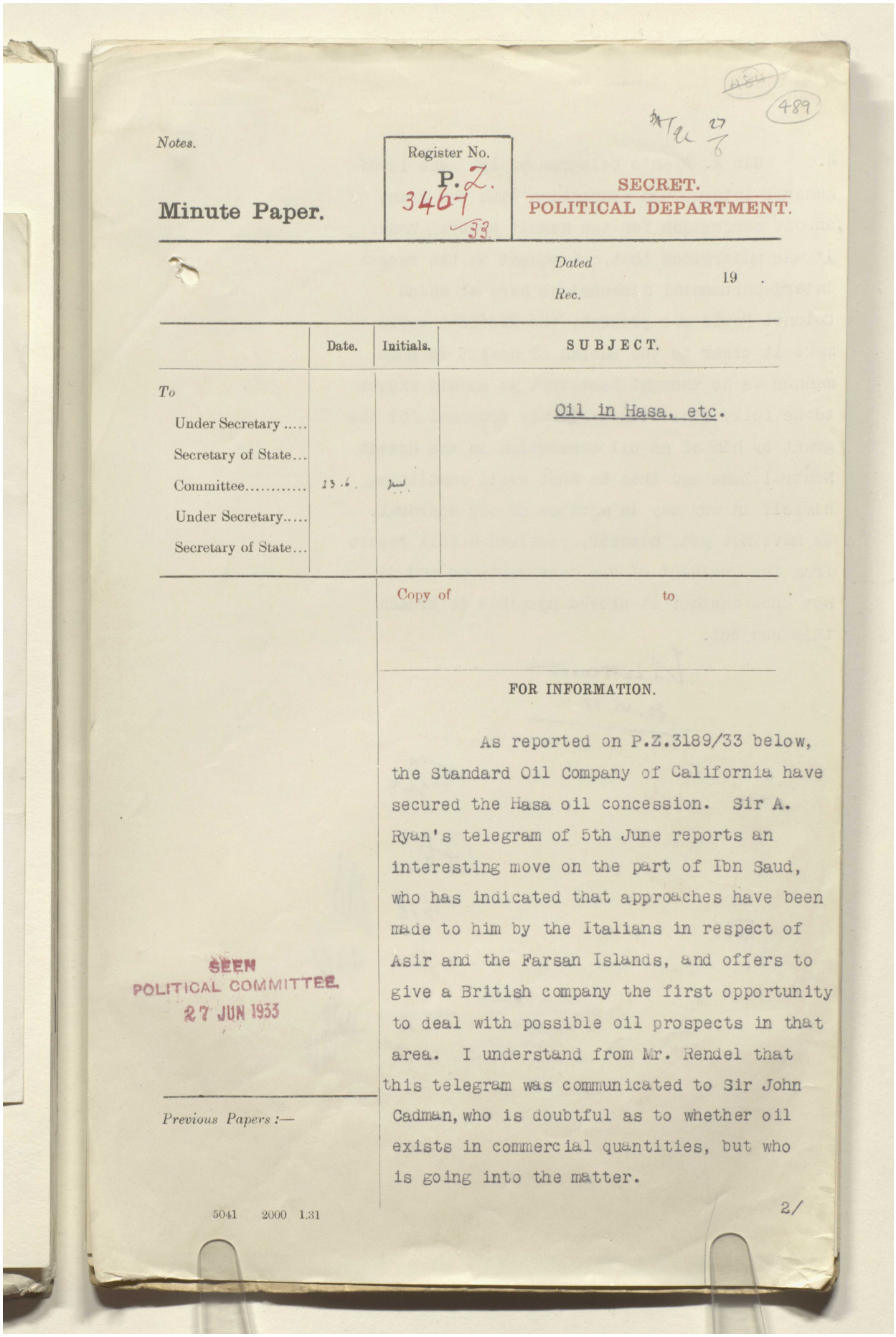

Notes.

Minute Paper.

Register No. P.Z. 3467/33

SECRET. POLITICAL DEPARTMENT.

Dated 19 .

Rec.

	Date.	Initials.	SUBJECT.
To			Oil in Hasa, etc.
Under Secretary			
Secretary of State...			
Committee.....	23.6.		
Under Secretary.....			
Secretary of State...			

Copy of to

FOR INFORMATION.

As reported on P.Z.3189/33 below, the Standard Oil Company of California have secured the Hasa oil concession. Sir A. Ryan's telegram of 5th June reports an interesting move on the part of Ibn Saud, who has indicated that approaches have been made to him by the Italians in respect of Asir and the Farsan Islands, and offers to give a British company the first opportunity to deal with possible oil prospects in that area. I understand from Mr. Rendel that this telegram was communicated to Sir John Cadman, who is doubtful as to whether oil exists in commercial quantities, but who is going into the matter.

SEEN
POLITICAL COMMITTEE.
27 JUN 1933

Previous Papers :—

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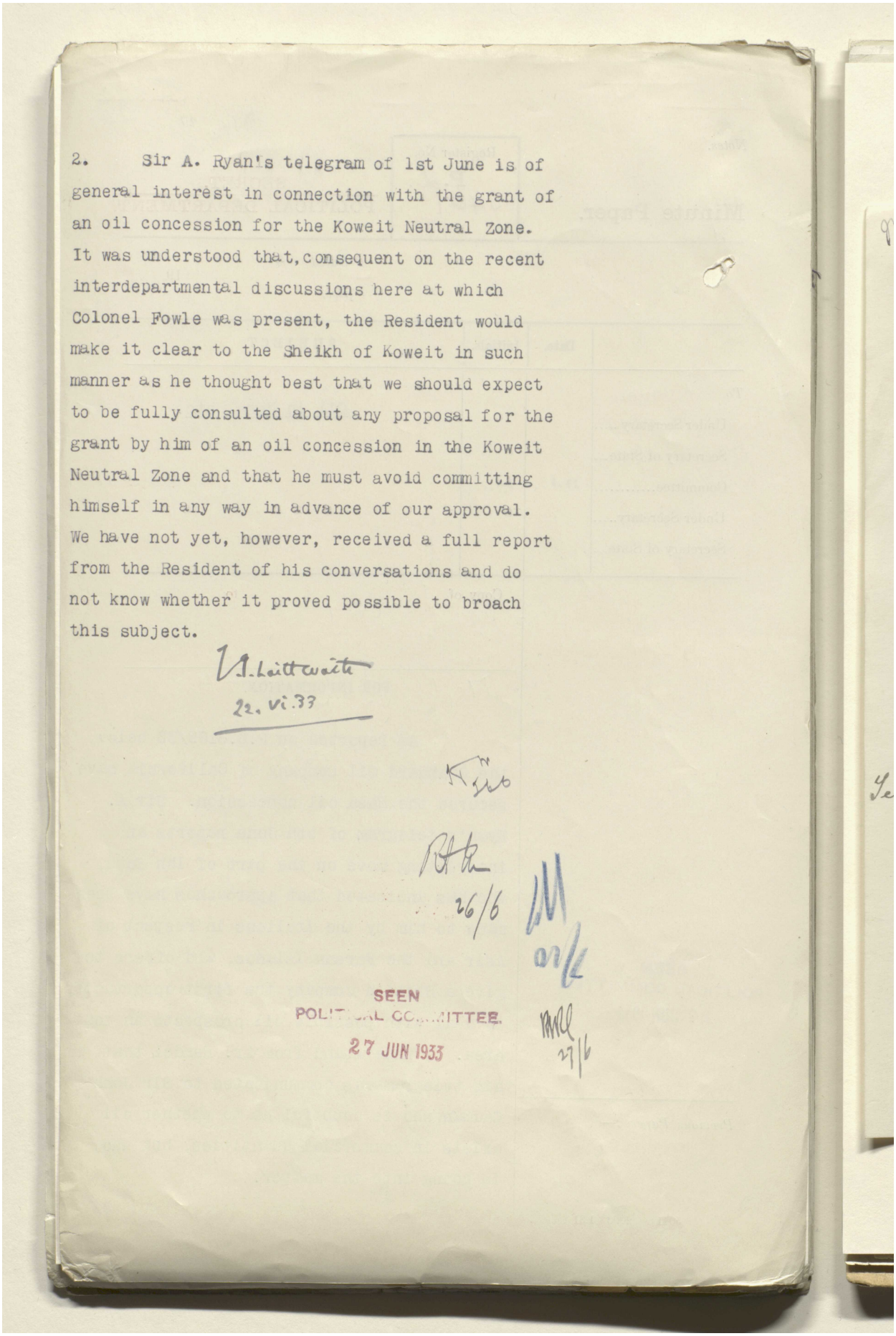

2. Sir A. Ryan's telegram of 1st June is of general interest in connection with the grant of an oil concession for the Koweit Neutral Zone. It was understood that, consequent on the recent interdepartmental discussions here at which Colonel Fowle was present, the Resident would make it clear to the Sheikh of Koweit in such manner as he thought best that we should expect to be fully consulted about any proposal for the grant by him of an oil concession in the Koweit Neutral Zone and that he must avoid committing himself in any way in advance of our approval. We have not yet, however, received a full report from the Resident of his conversations and do not know whether it proved possible to broach this subject.

V. Laithwaite
22. vi. 33

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SEEN
POLITICAL COMMITTEE.
27 JUN 1933

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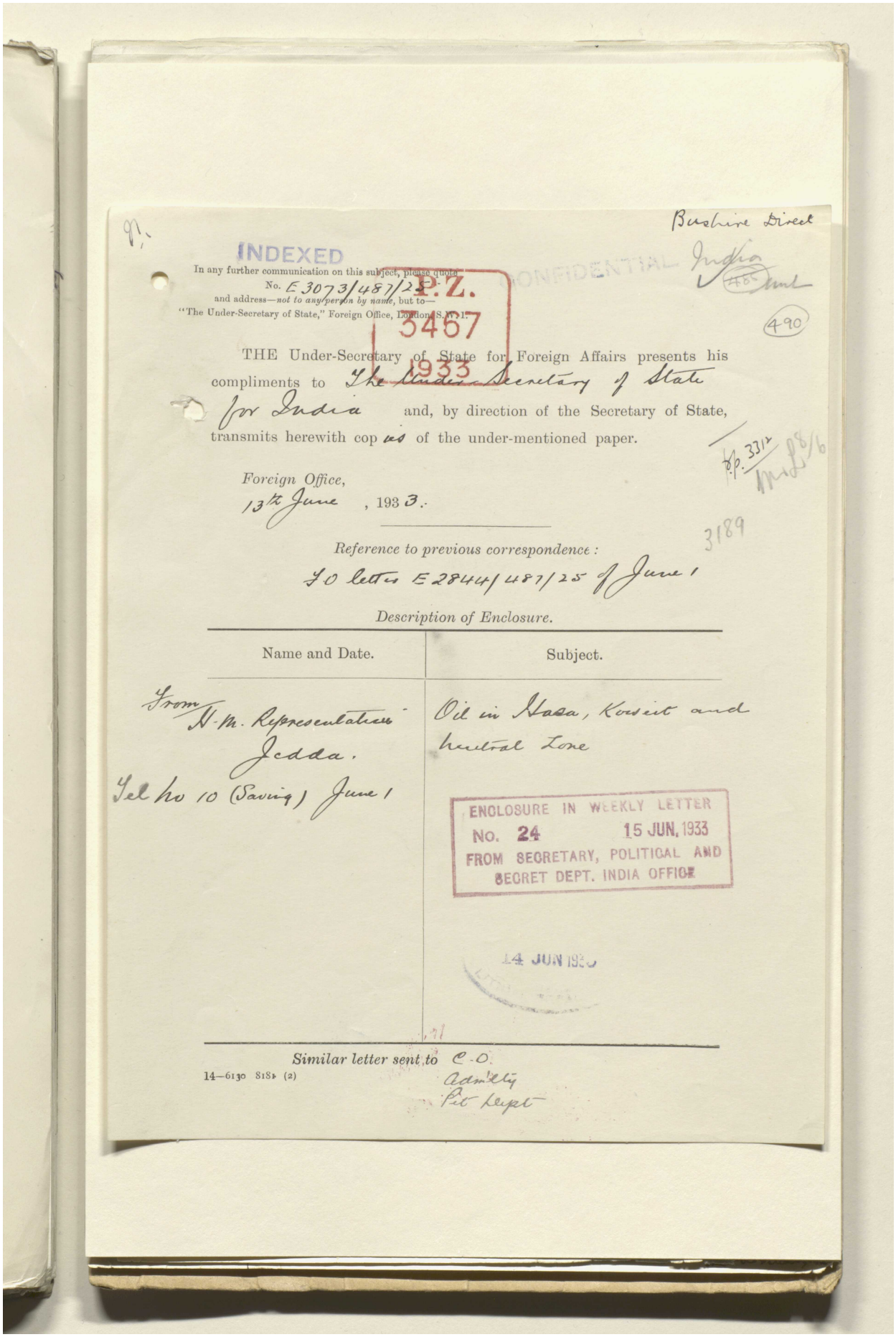

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In any further communication on this subject, please quote
No. E 3073/487/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W.1.

CONFIDENTIAL

P.Z.
3467
1933

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
13th June, 1933.

3189

Reference to previous correspondence:
Jo letter E 2844/487/25 of June 1

Description of Enclosure.

Name and Date.	Subject.
From N.-M. Representative Jedda. Tel No 10 (Saving) June 1	Oil in Hasa, Kuwait and Neutral Zone

ENCLOSURE IN WEEKLY LETTER
No. 24 15 JUN. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

14 JUN 1933

Similar letter sent to C.O. Admiralty Pol Dept

14—6130 818 (2)

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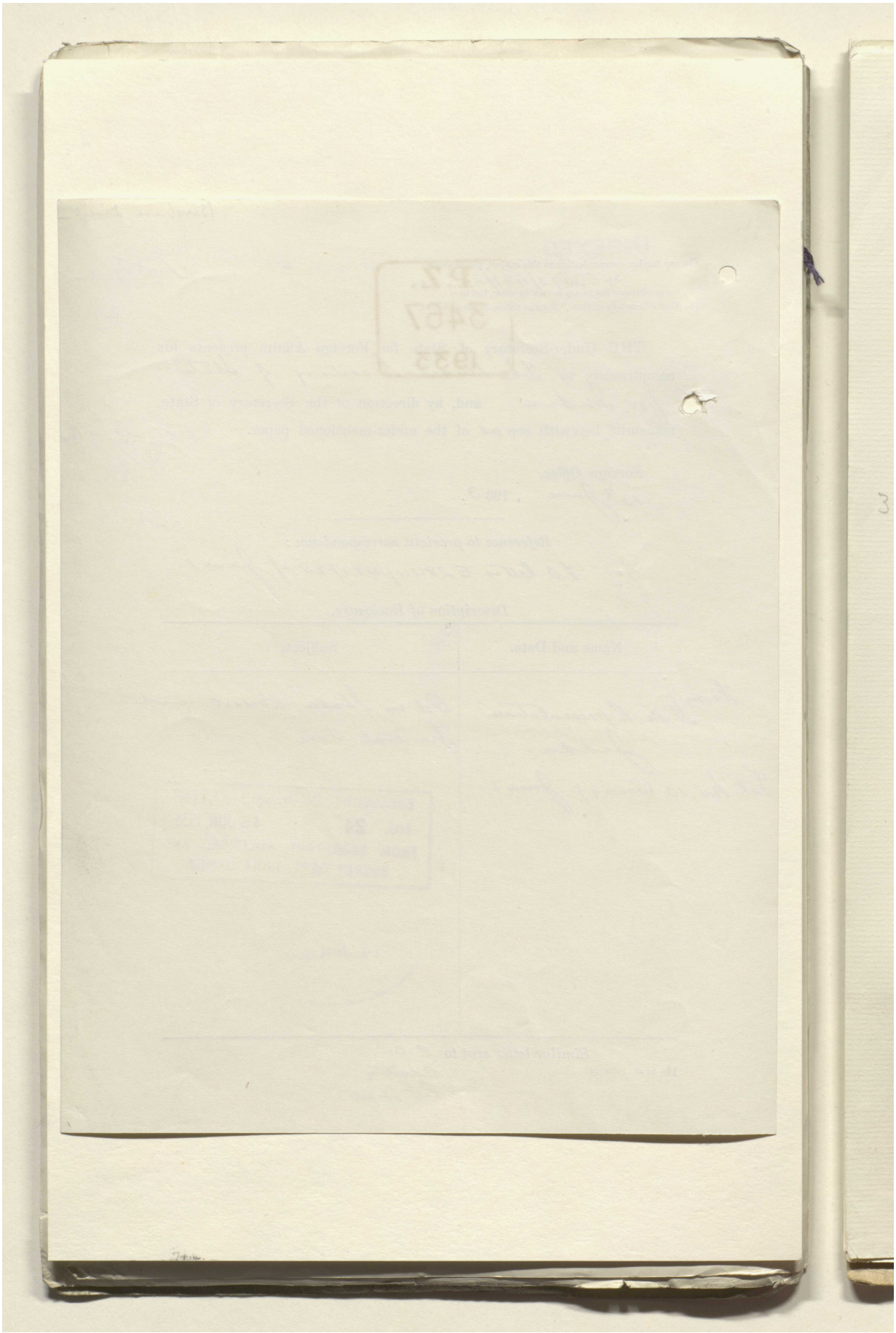

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P.Z. 3467 1933

From HEJAZ-NEJD.

Decypher. Sir A. Ryan (Jedda), 1st June, 1933.

D. 1st June, 1933.

R. 12th June, 1933.

No. 10. SAVING.

3189

My telegram No. 108.

Hamilton, representative of Standard Oil Company of California, left May 31st intending to proceed very leisurely to London.

I have no knowledge of Swiss and Italian competitors mentioned on page 5 of enclosure to Bushire.despatch No. 28 to Colonial Office. I had heard of possible non-British European competitors including I think French but only in vaguest terms.

3161 Copy below

I think that in report quoted in preceding paragraph Dickson underestimates effect of King's dislike for Mr. Holmes. It is increasingly probable that latter came here in April with primary object of securing Ibn Saud's assent to concession in Koweit and neutral zone and found that there was nothing doing in that direction. He may also have discovered however that he was not persona grata for any purpose except apparently enlargement of field of competition for Hasa concession. This might explain his rapid departure at the moment when the King was expected to visit Jedda within a few days.

These considerations might have a bearing on the future developments in connection with Koweit and neutral zone concession if there is any foundation for Dickson's surmise that Sheikh of

Koweit

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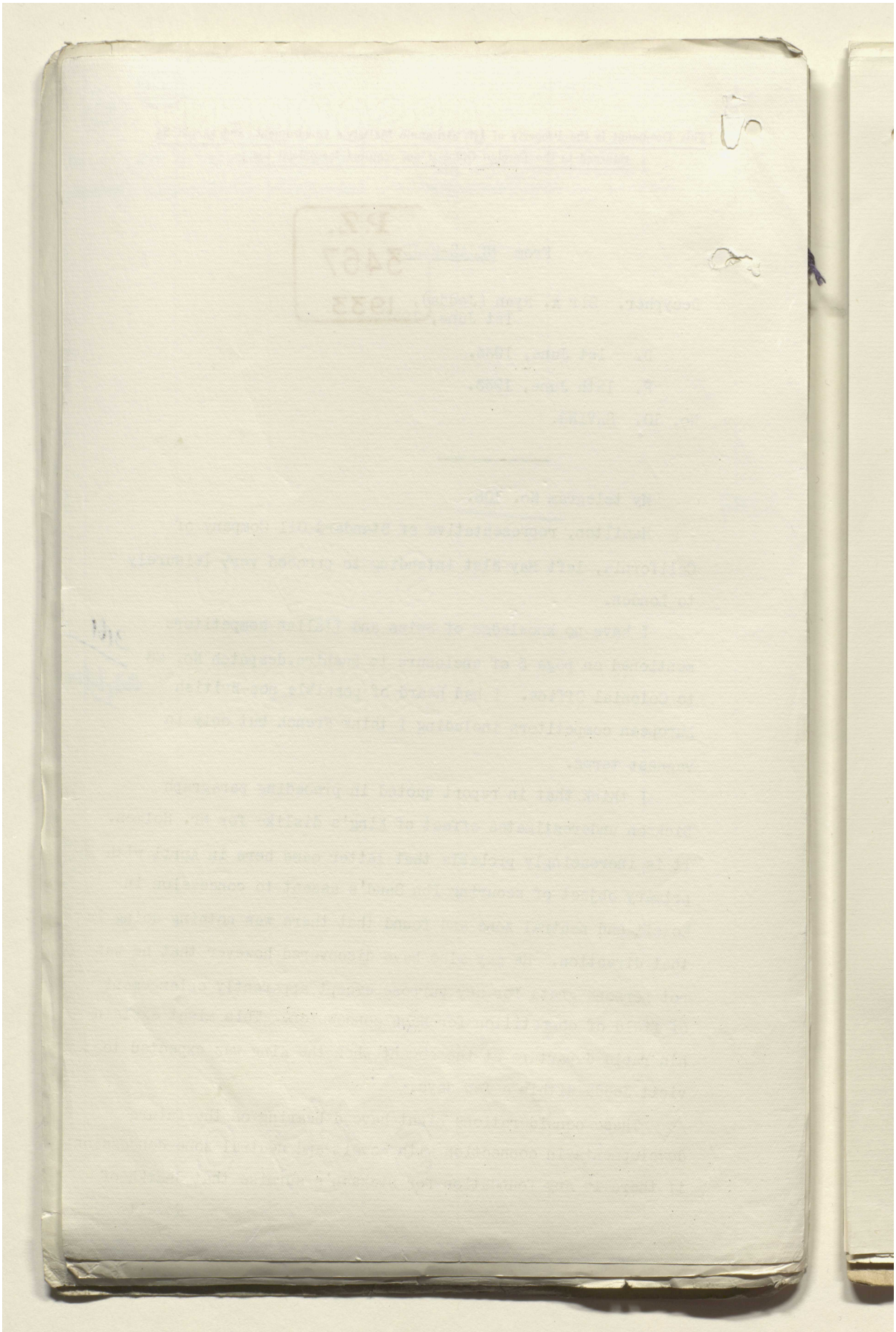

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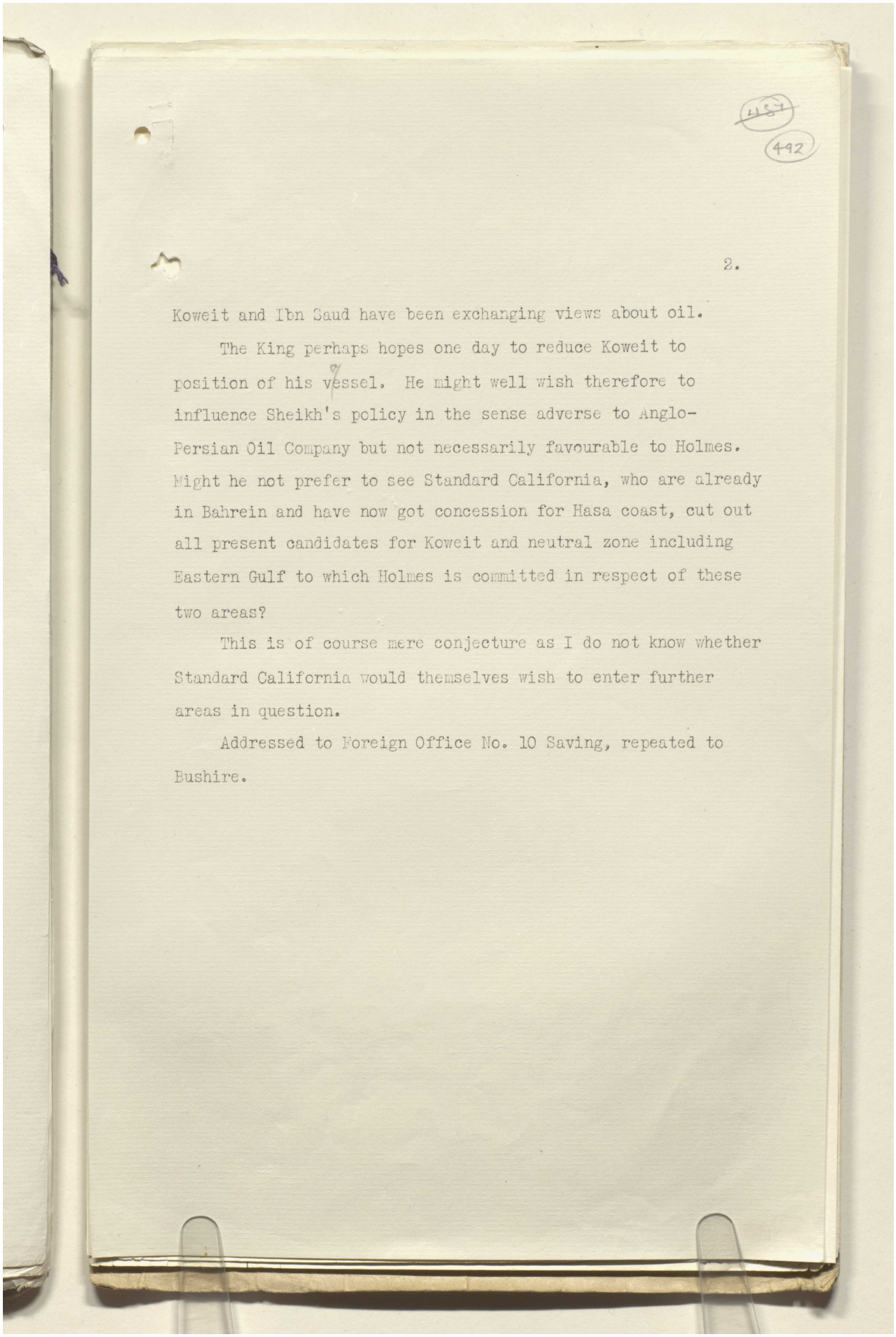

Koweit and Ibn Saud have been exchanging views about oil.

The King perhaps hopes one day to reduce Koweit to position of his vessel. He might well wish therefore to influence Sheikh's policy in the sense adverse to Anglo-Persian Oil Company but not necessarily favourable to Holmes. Might he not prefer to see Standard California, who are already in Bahrein and have now got concession for Hasa coast, cut out all present candidates for Koweit and neutral zone including Eastern Gulf to which Holmes is committed in respect of these two areas?

This is of course mere conjecture as I do not know whether Standard California would themselves wish to enter further areas in question.

Addressed to Foreign Office No. 10 Saving, repeated to Bushire.

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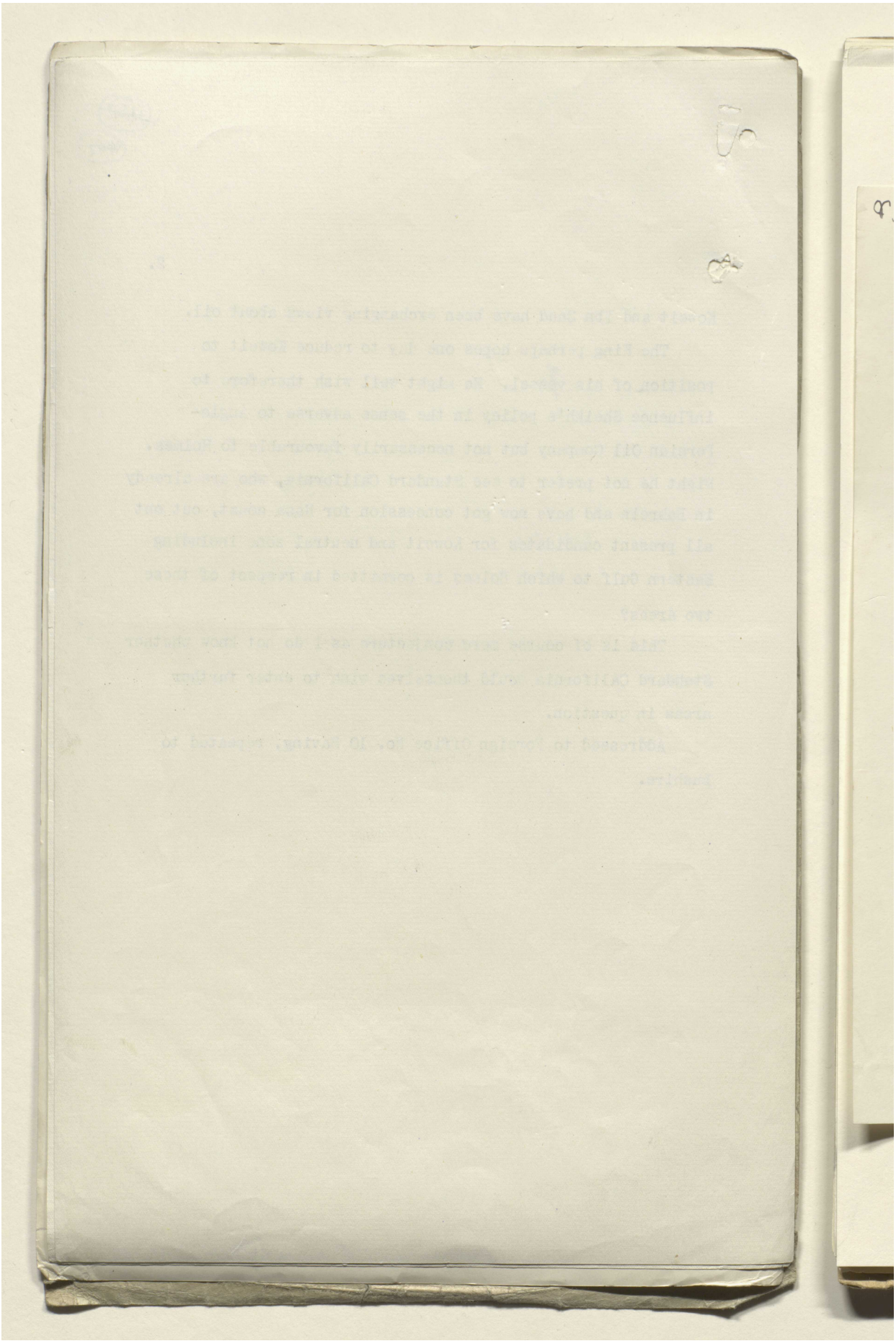

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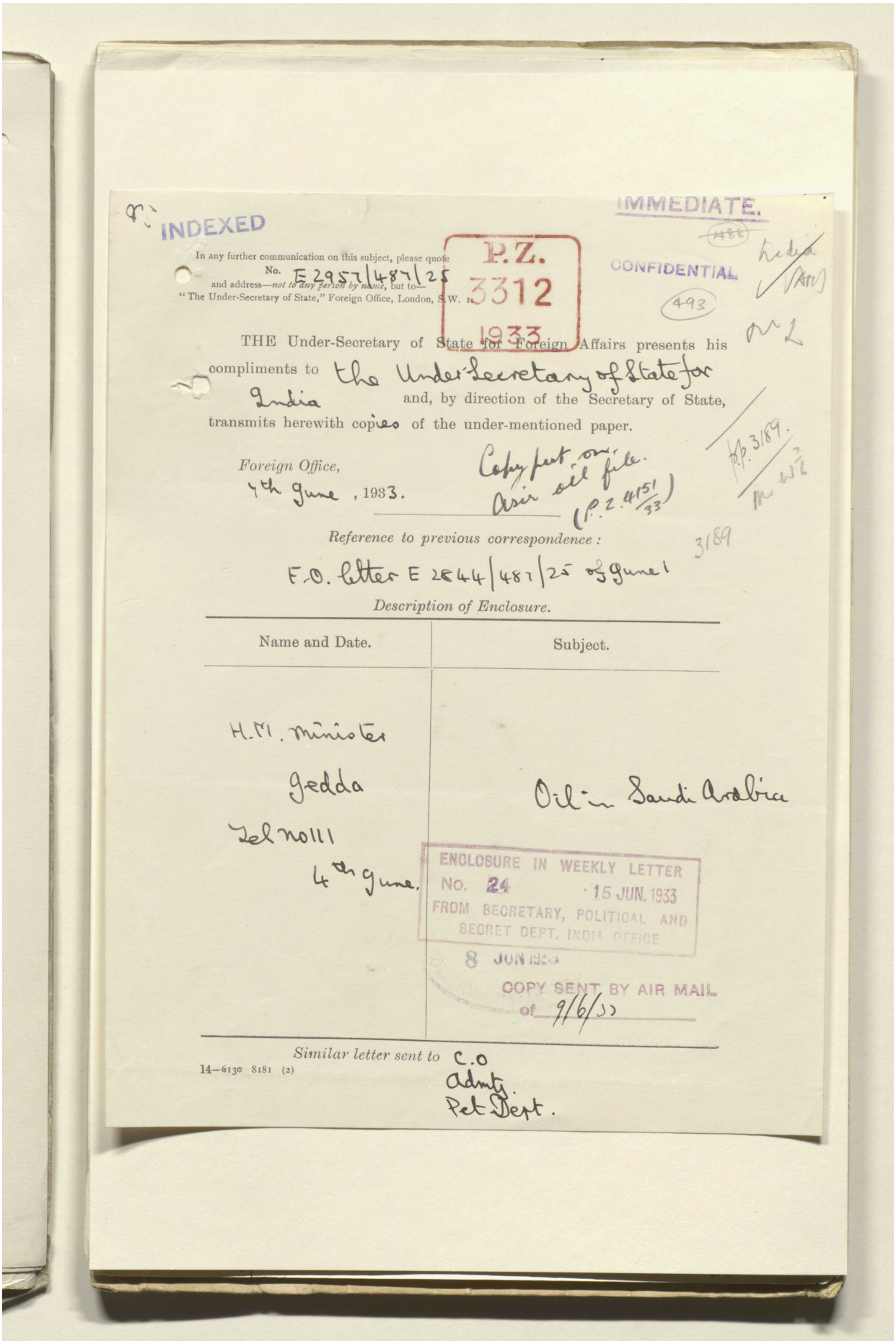

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IMMEDIATE.

In any further communication on this subject, please quote No. E 2957/487/25 and address—*not to any person by name*, but to— "The Under-Secretary of State," Foreign Office, London, S.W. 1.

P.Z. 3312 1933

CONFIDENTIAL

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THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
4th June, 1933.

Copy put on Asir oil file. (P.Z. 4151/33)

Reference to previous correspondence:

F.O. letter E 2844/487/25 of June 1

Description of Enclosure.

Name and Date.	Subject.
H.M. Minister Jedda Tel no 111 4th June.	Oil in Saudi Arabia

ENCLOSURE IN WEEKLY LETTER
No. 24 15 JUN. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

8 JUN 1933

COPY SENT BY AIR MAIL of 9/6/33

Similar letter sent to C.O Admty. Pet Dept.

14—6130 8181 (2)

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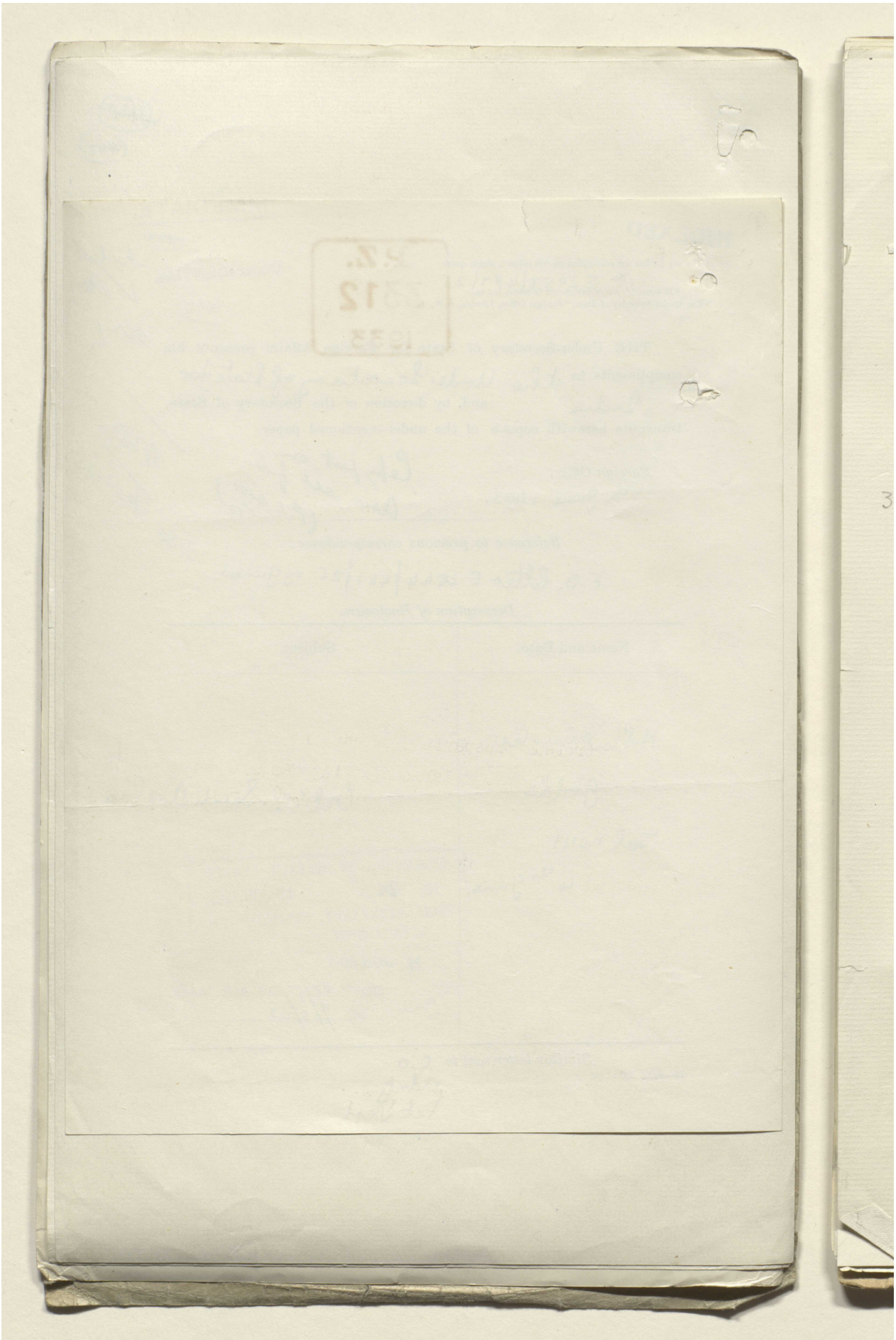

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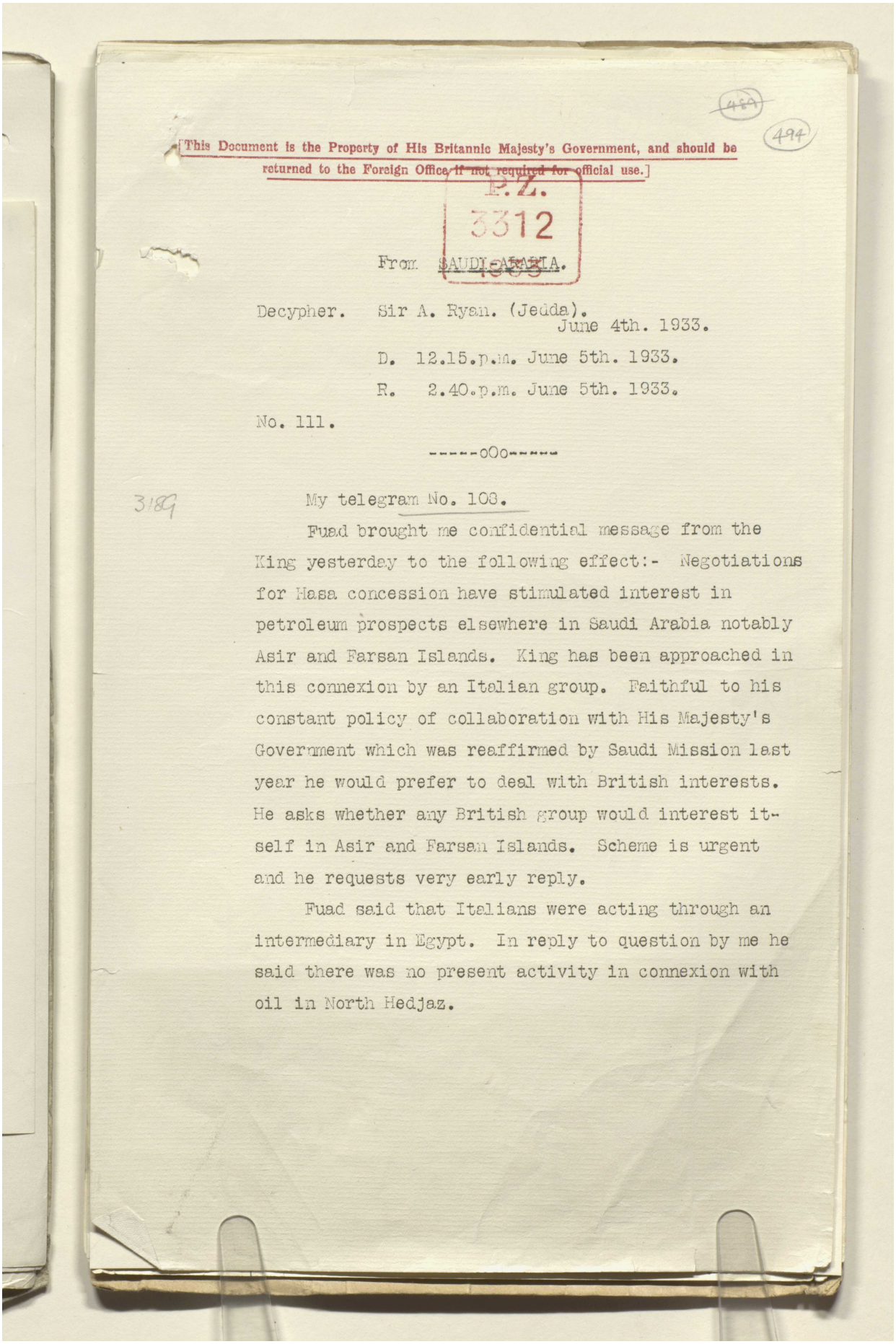

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P.Z. 3312

From SAUDI-ARABIA.

Decypher. Sir A. Ryan. (Jedda).
June 4th. 1933.

D. 12.15.p.m. June 5th. 1933.

R. 2.40.p.m. June 5th. 1933.

No. 111.

-----oOo-----

My telegram No. 108.

Fuad brought me confidential message from the King yesterday to the following effect:- Negotiations for Hasa concession have stimulated interest in petroleum prospects elsewhere in Saudi Arabia notably Asir and Farsan Islands. King has been approached in this connexion by an Italian group. Faithful to his constant policy of collaboration with His Majesty's Government which was reaffirmed by Saudi Mission last year he would prefer to deal with British interests. He asks whether any British group would interest itself in Asir and Farsan Islands. Scheme is urgent and he requests very early reply.

Fuad said that Italians were acting through an intermediary in Egypt. In reply to question by me he said there was no present activity in connexion with oil in North Hedjaz.

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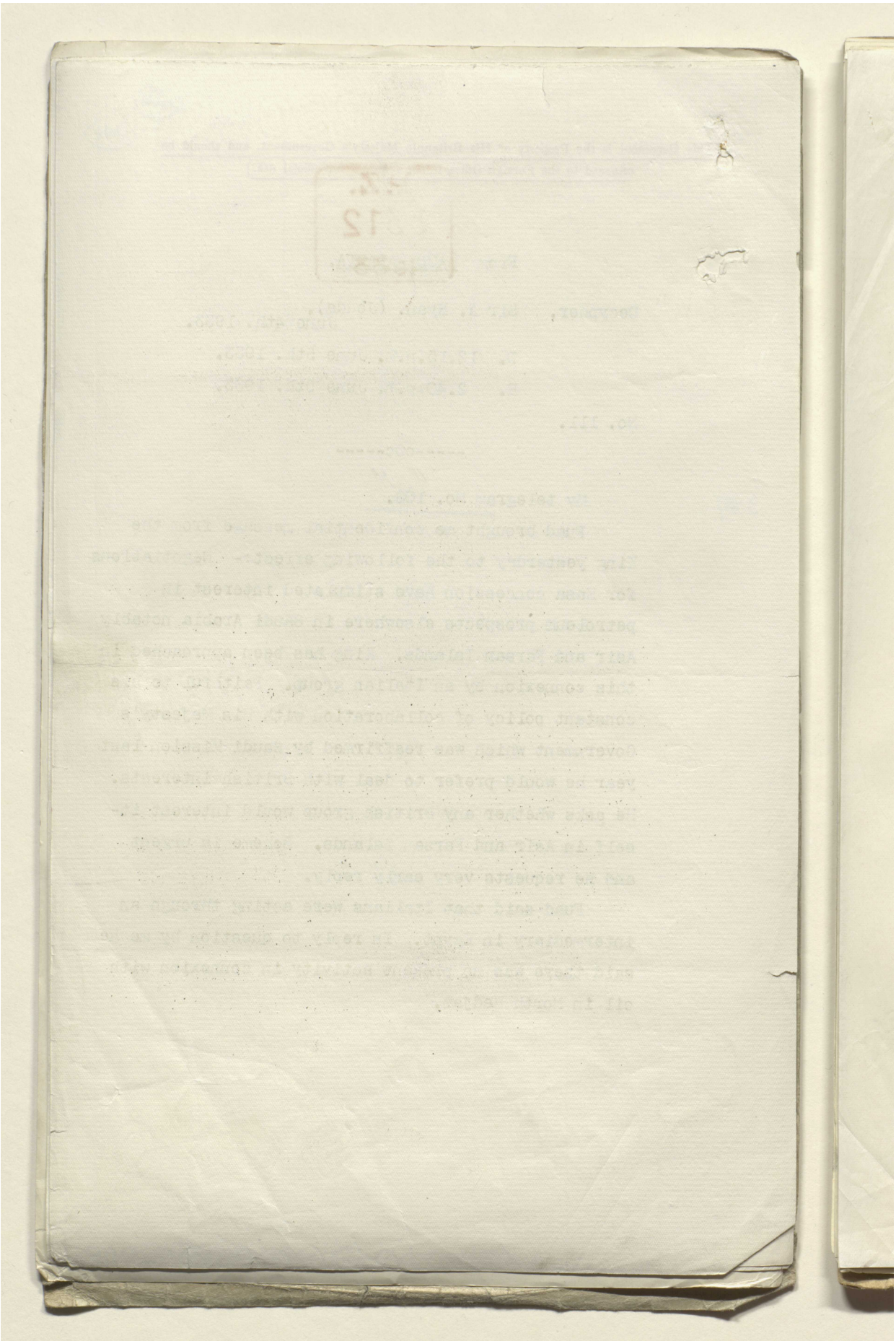

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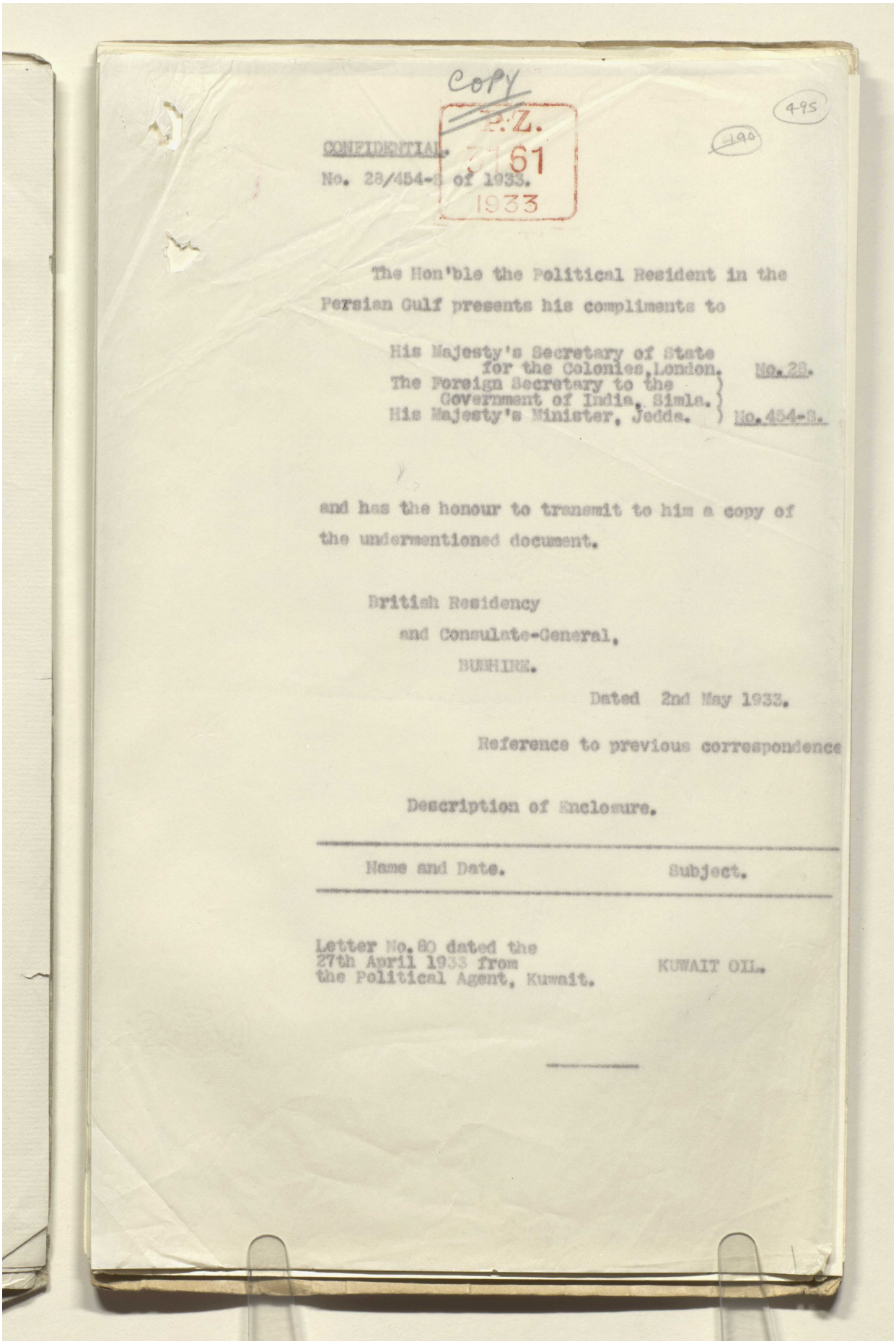

copy

P.Z. 3161 1933

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CONFIDENTIAL.
No. 28/454-S of 1933.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

His Majesty's Secretary of State for the Colonies, London. No. 28.
The Foreign Secretary to the Government of India, Simla. } No. 454-S.
His Majesty's Minister, Jedda. }

and has the honour to transmit to him a copy of the undermentioned document.

British Residency
and Consulate-General,
BUSHIRE.

Dated 2nd May 1933.

Reference to previous correspondence

Description of Enclosure.

Name and Date.	Subject.
Letter No. 80 dated the 27th April 1933 from the Political Agent, Kuwait.	KUWAIT OIL.

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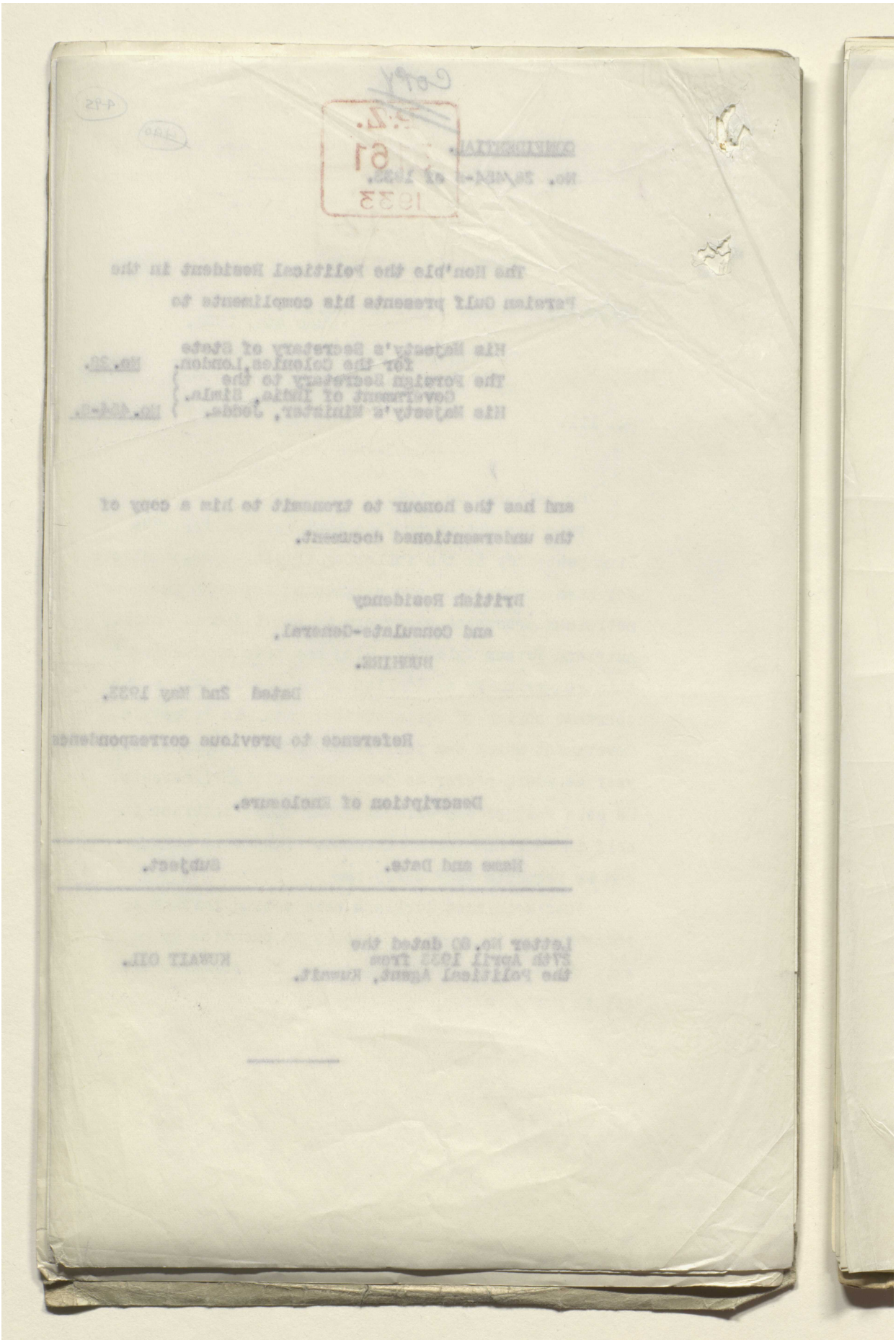

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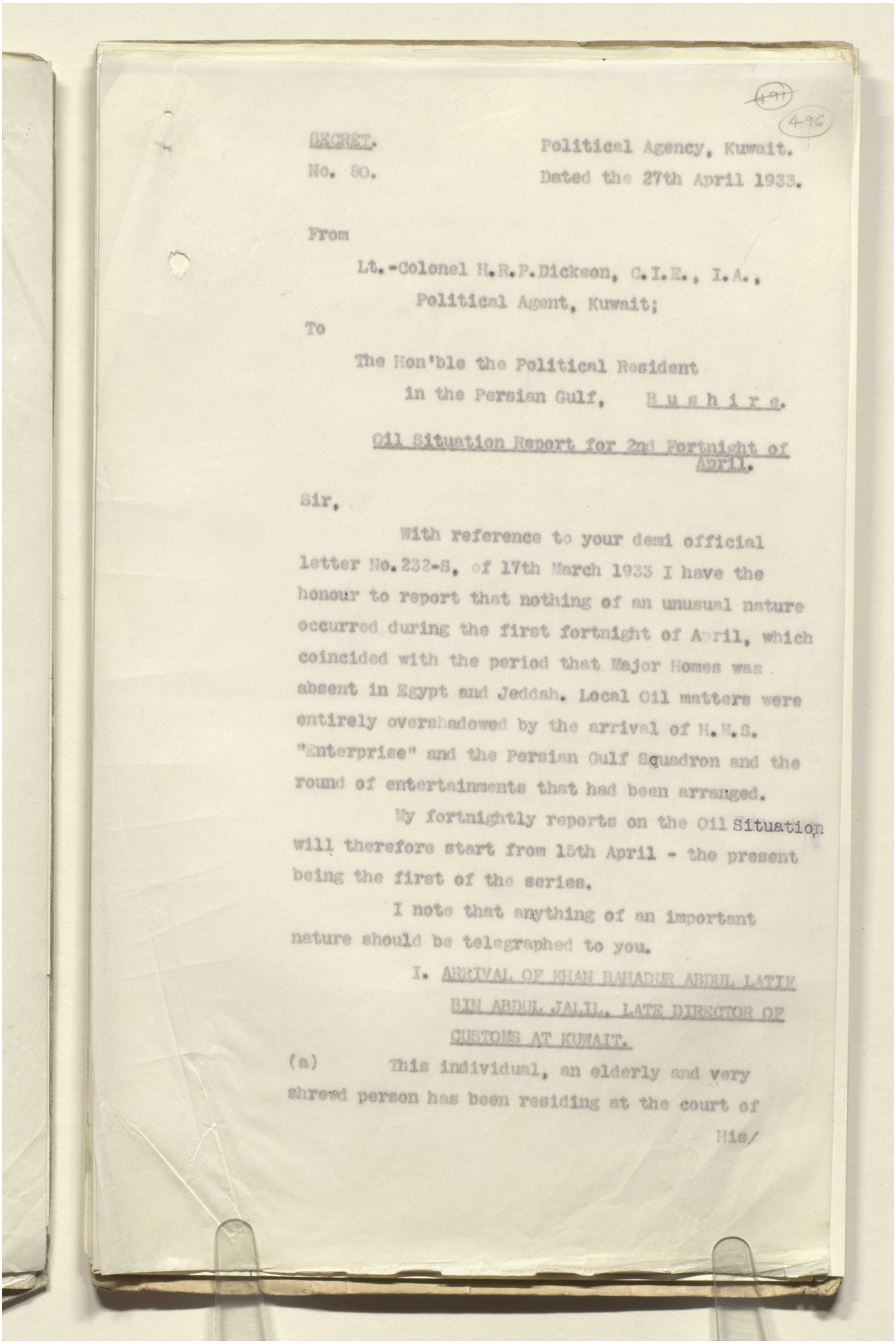

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SECRET. Political Agency, Kuwait.
No. 80. Dated the 27th April 1933.

From

Lt.-Colonel H.R.P.Dickson, C.I.E., I.A.,
Political Agent, Kuwait;

To

The Hon'ble the Political Resident
in the Persian Gulf, Bushire.

Oil Situation Report for 2nd Fortnight of April.

Sir,

With reference to your demi official letter No.232-S, of 17th March 1933 I have the honour to report that nothing of an unusual nature occurred during the first fortnight of April, which coincided with the period that Major Homes was absent in Egypt and Jeddah. Local Oil matters were entirely overshadowed by the arrival of H.M.S. "Enterprise" and the Persian Gulf Squadron and the round of entertainments that had been arranged.

My fortnightly reports on the Oil Situation will therefore start from 15th April - the present being the first of the series.

I note that anything of an important nature should be telegraphed to you.

I. ARRIVAL OF KHAN BAHADUR ABDUL LATIF BIN ABDUL JALIL, LATE DIRECTOR OF CUSTOMS AT KUWAIT.

(a) This individual, an elderly and very shrewd person has been residing at the court of His/

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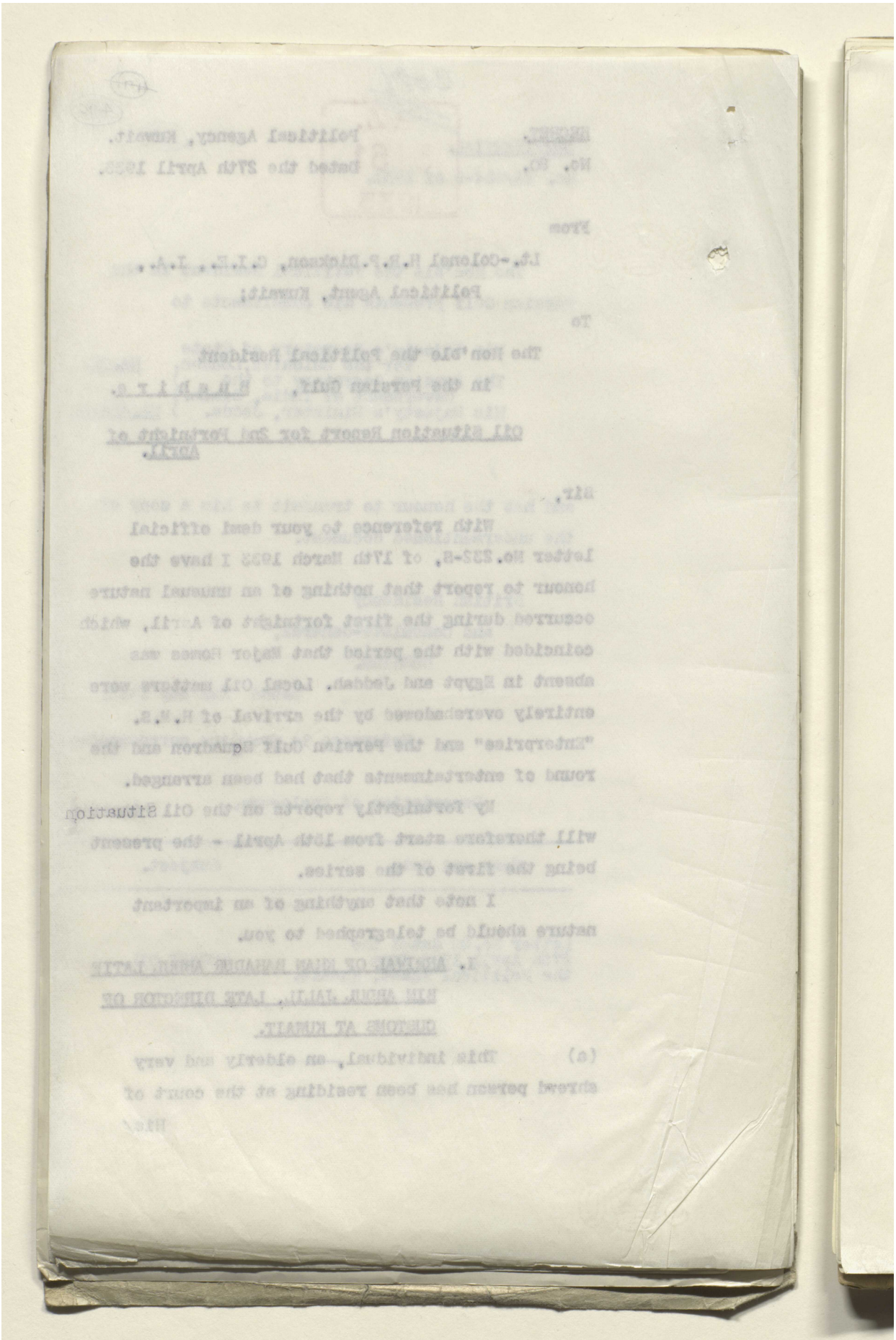

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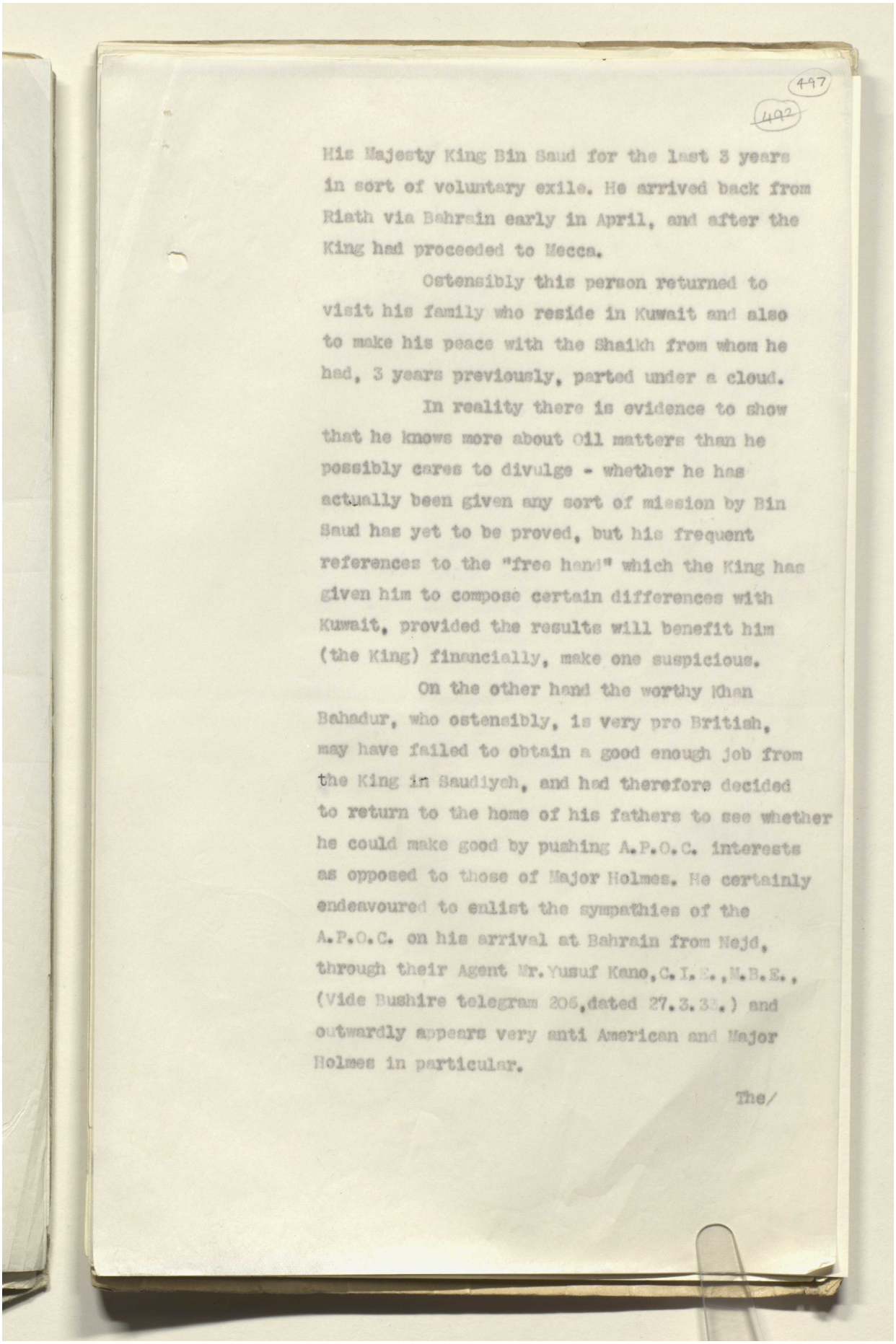

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His Majesty King Bin Saud for the last 3 years in sort of voluntary exile. He arrived back from Riath via Bahrain early in April, and after the King had proceeded to Mecca.

Ostensibly this person returned to visit his family who reside in Kuwait and also to make his peace with the Shaikh from whom he had, 3 years previously, parted under a cloud.

In reality there is evidence to show that he knows more about Oil matters than he possibly cares to divulge - whether he has actually been given any sort of mission by Bin Saud has yet to be proved, but his frequent references to the "free hand" which the King has given him to compose certain differences with Kuwait, provided the results will benefit him (the King) financially, make one suspicious.

On the other hand the worthy Khan Bahadur, who ostensibly, is very pro British, may have failed to obtain a good enough job from the King in Saudiyeh, and had therefore decided to return to the home of his fathers to see whether he could make good by pushing A.P.O.C. interests as opposed to those of Major Holmes. He certainly endeavoured to enlist the sympathies of the A.P.O.C. on his arrival at Bahrain from Nejd, through their Agent Mr. Yusuf Kano, C.I.E., M.B.E., (Vide Bushire telegram 206, dated 27.3.3[illegible].) and outwardly appears very anti American and Major Holmes in particular.

The/

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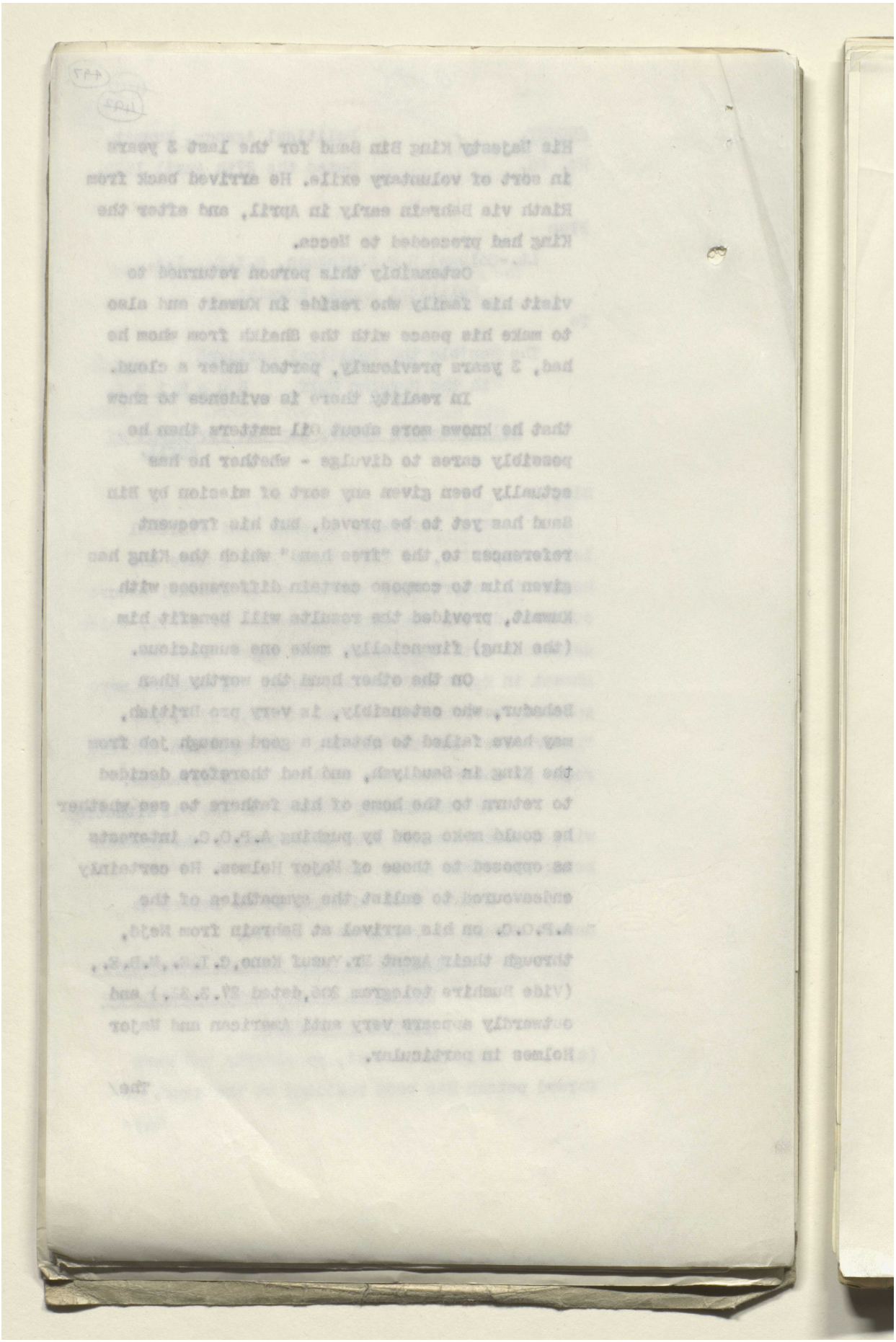

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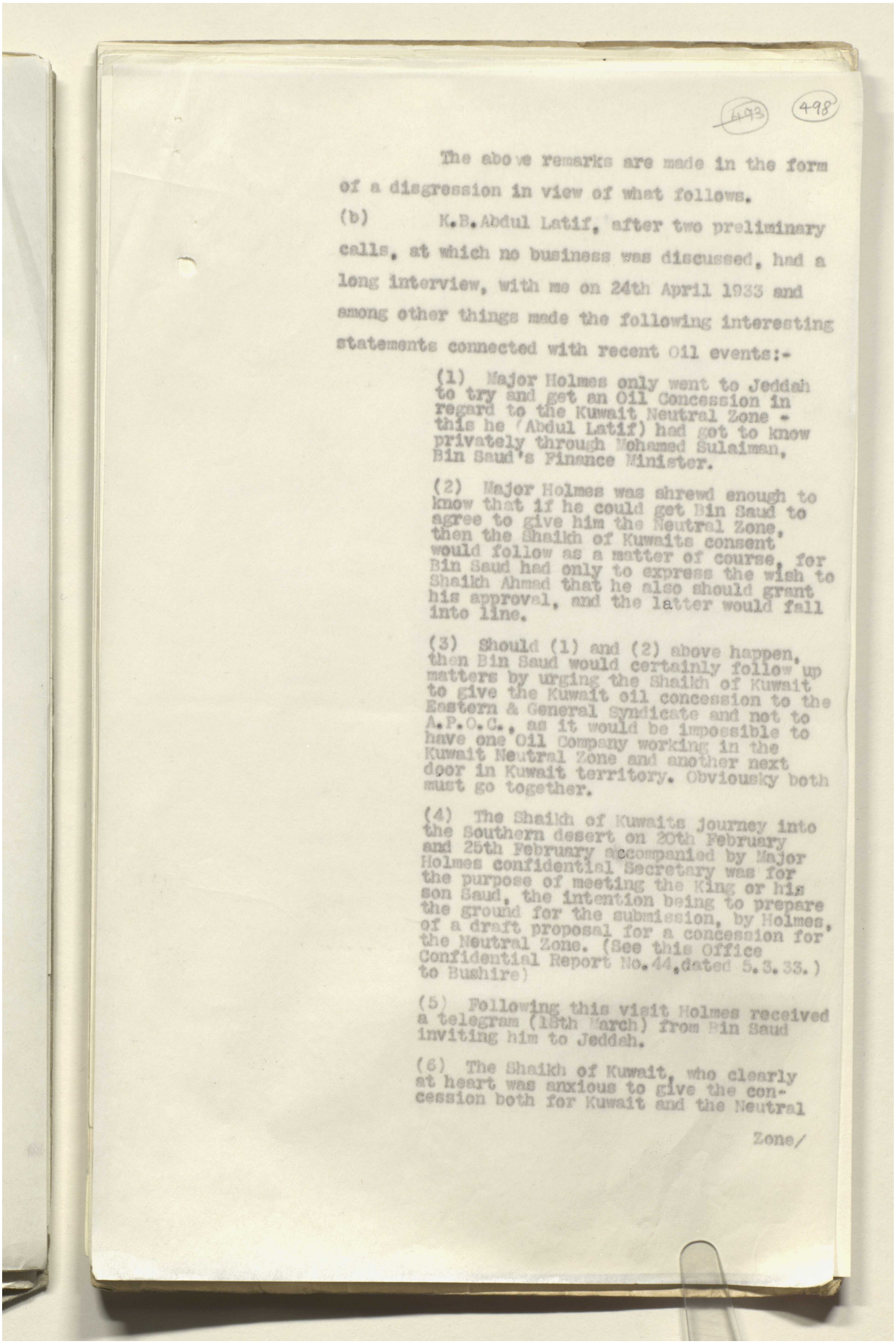

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The above remarks are made in the form of a disgression in view of what follows.

(b) K.B.Abdul Latif, after two preliminary calls, at which no business was discussed, had a long interview, with me on 24th April 1933 and among other things made the following interesting statements connected with recent Oil events:-

(1) Major Holmes only went to Jeddah to try and get an Oil Concession in regard to the Kuwait Neutral Zone - this he (Abdul Latif) had got to know privately through Mohamed Sulaiman, Bin Saud's Finance Minister.

(2) Major Holmes was shrewd enough to know that if he could get Bin Saud to agree to give him the Neutral Zone, then the Shaikh of Kuwaits consent would follow as a matter of course, for Bin Saud had only to express the wish to Shaikh Ahmed that he also should grant his approval, and the latter would fall into line.

(3) Should (1) and (2) above happen, then Bin Saud would certainly follow up matters by urging the Shaikh of Kuwait to give the Kuwait oil concession to the Eastern & General Syndicate and not to A.P.O.C., as it would be impossible to have one Oil Company working in the Kuwait Neutral Zone and another next door in Kuwait territory. Obviousky both must go together.

(4) The Shaikh of Kuwaits journey into the Southern desert on 20th February and 25th February accompanied by Major Holmes confidential Secretary was for the purpose of meeting the King or his son Saud, the intention being to prepare the ground for the submission, by Holmes, of a draft proposal for a concession for the Neutral Zone. (See this Office Confidential Report No.44, dated 5.3.33.) to Bushire)

(5) Following this visit Holmes received a telegram (18th March) from Bin Saud inviting him to Jeddah.

(6) The Shaikh of Kuwait, who clearly at heart was anxious to give the concession both for Kuwait and the Neutral

Zone/

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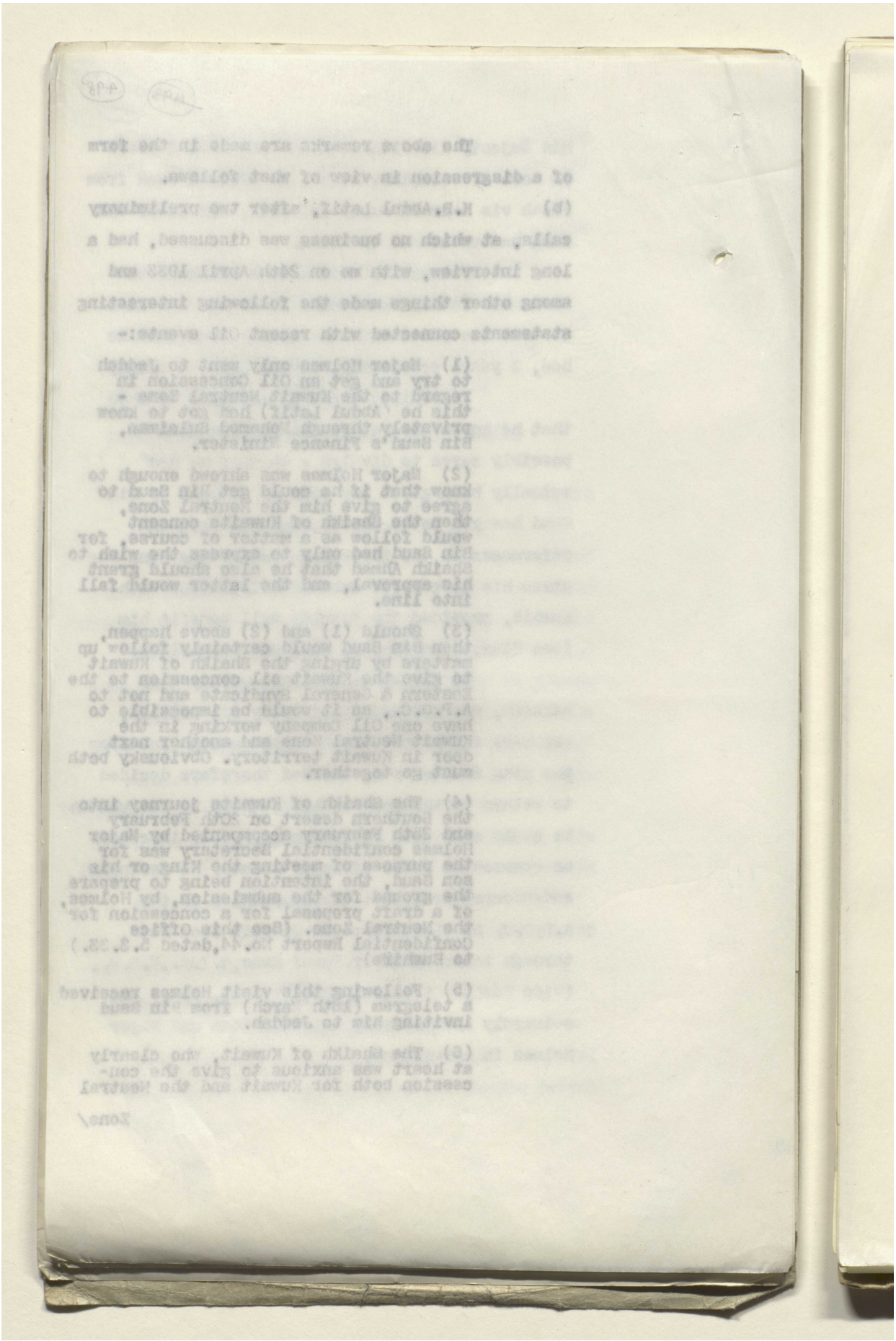

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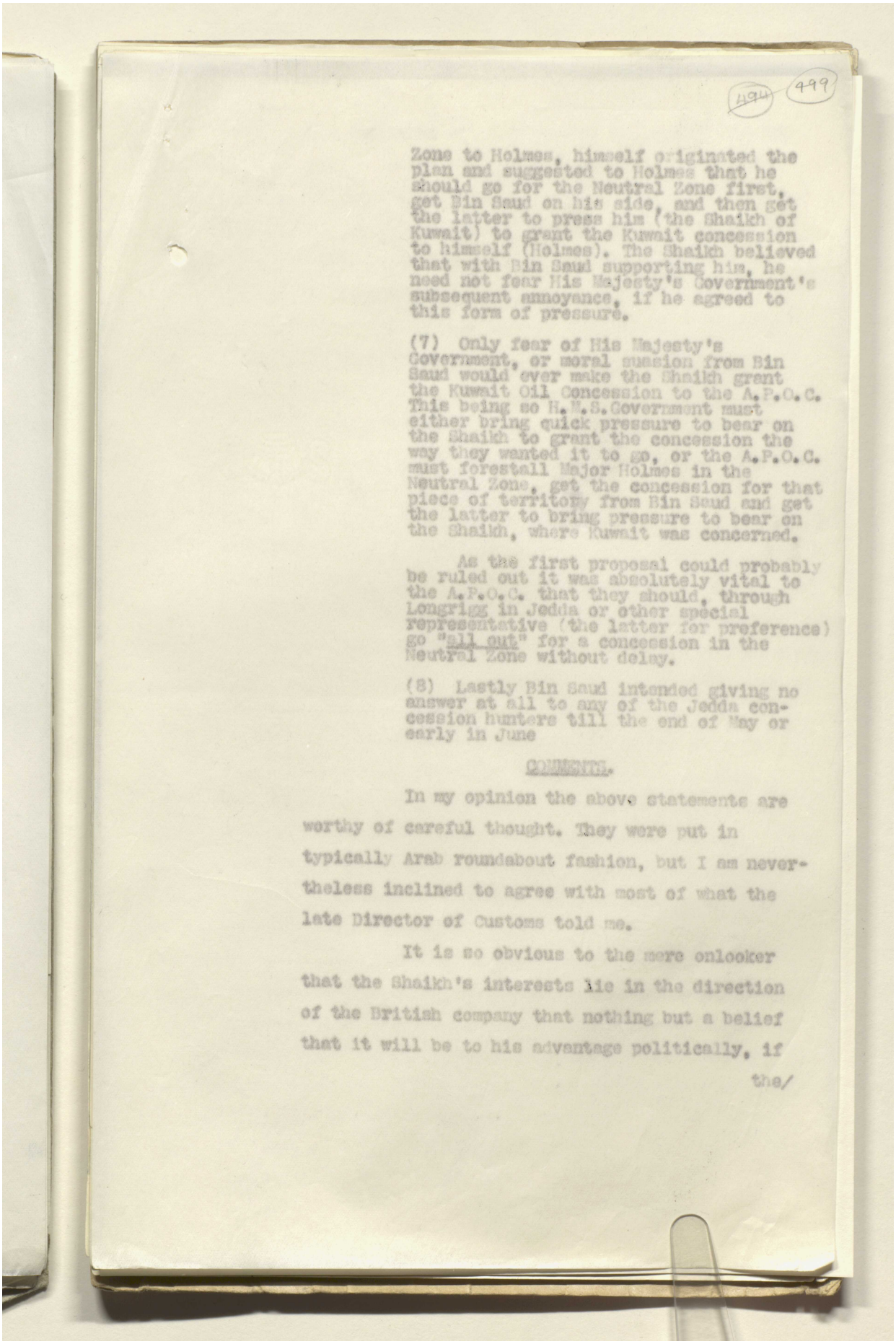

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Zone to Holmes, himself originated the plan and suggested to Holmes that he should go for the Neutral Zone first, get Bin Saud on his side, and then get the latter to press him (the Shaikh of Kuwait) to grant the Kuwait concession to himself (Holmes). The Shaikh believed that with Bin Saud supporting him, he need not fear His Majesty's Government's subsequent annoyance, if he agreed to this form of pressure.

(7) Only fear of His Majesty's Government, or moral suasion from Bin Saud would ever make the Shaikh grant the Kuwait Oil Concession to the A.P.O.C. This being so H.M.S.Government must either bring quick pressure to bear on the Shaikh to grant the concession the way they wanted it to go, or the A.P.O.C. must forestall Major Holmes in the Neutral Zone, get the concession for that piece of territory from Bin Saud and get the latter to bring pressure to bear on the Shaikh, where Kuwait was concerned.

As the first proposal could probably be ruled out it was absolutely vital to the A.P.O.C. that they should, through Longrigg in Jedda or other special representative (the latter for preference) go "all out" for a concession in the Neutral Zone without delay.

(8) Lastly Bin Saud intended giving no answer at all to any of the Jedda concession hunters till the end of May or early in June

COMMENTS.

In my opinion the above statements are worthy of careful thought. They were put in typically Arab roundabout fashion, but I am nevertheless inclined to agree with most of what the late Director of Customs told me.

It is so obvious to the mere onlooker that the Shaikh's interests lie in the direction of the British company that nothing but a belief that it will be to his advantage politically, if

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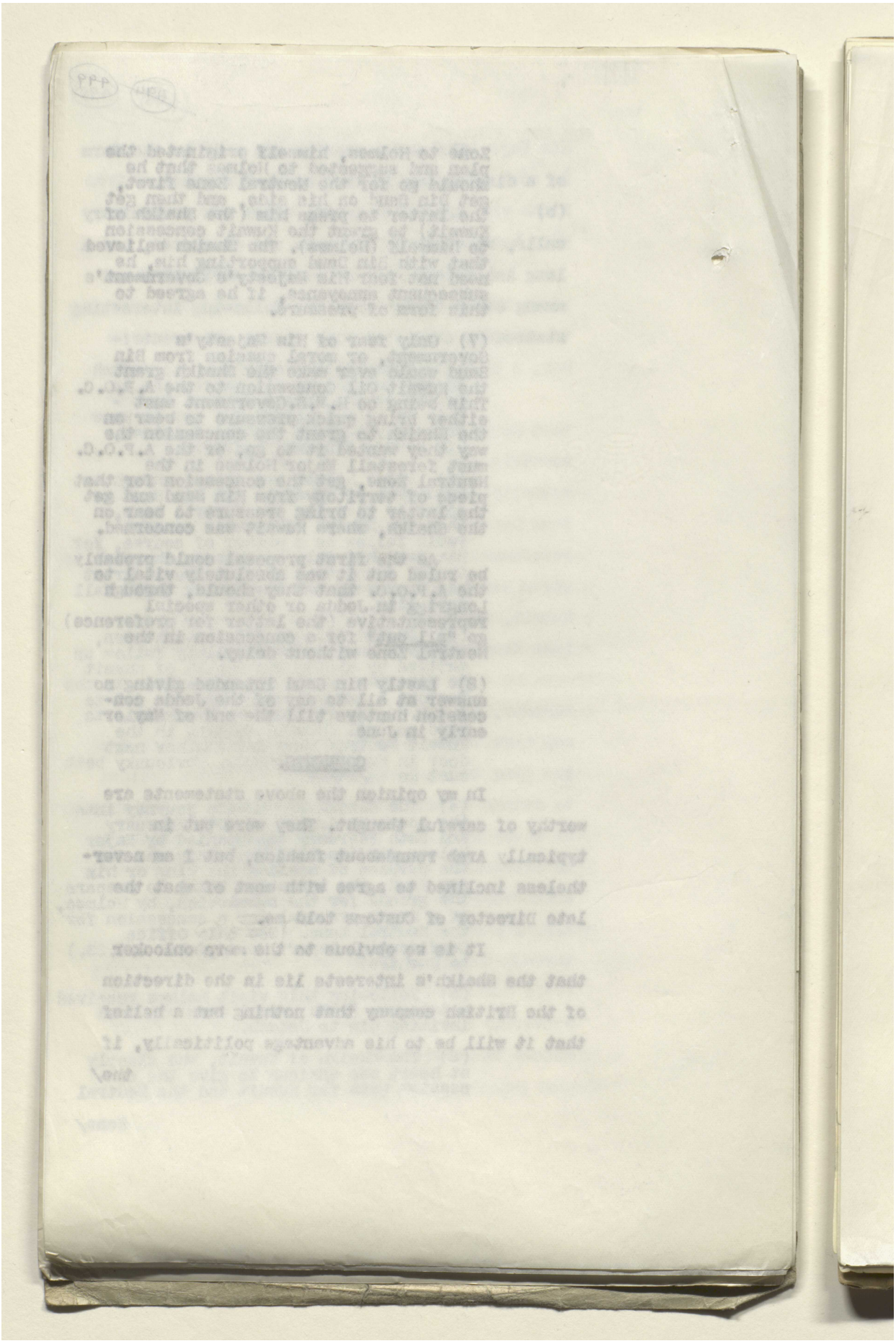

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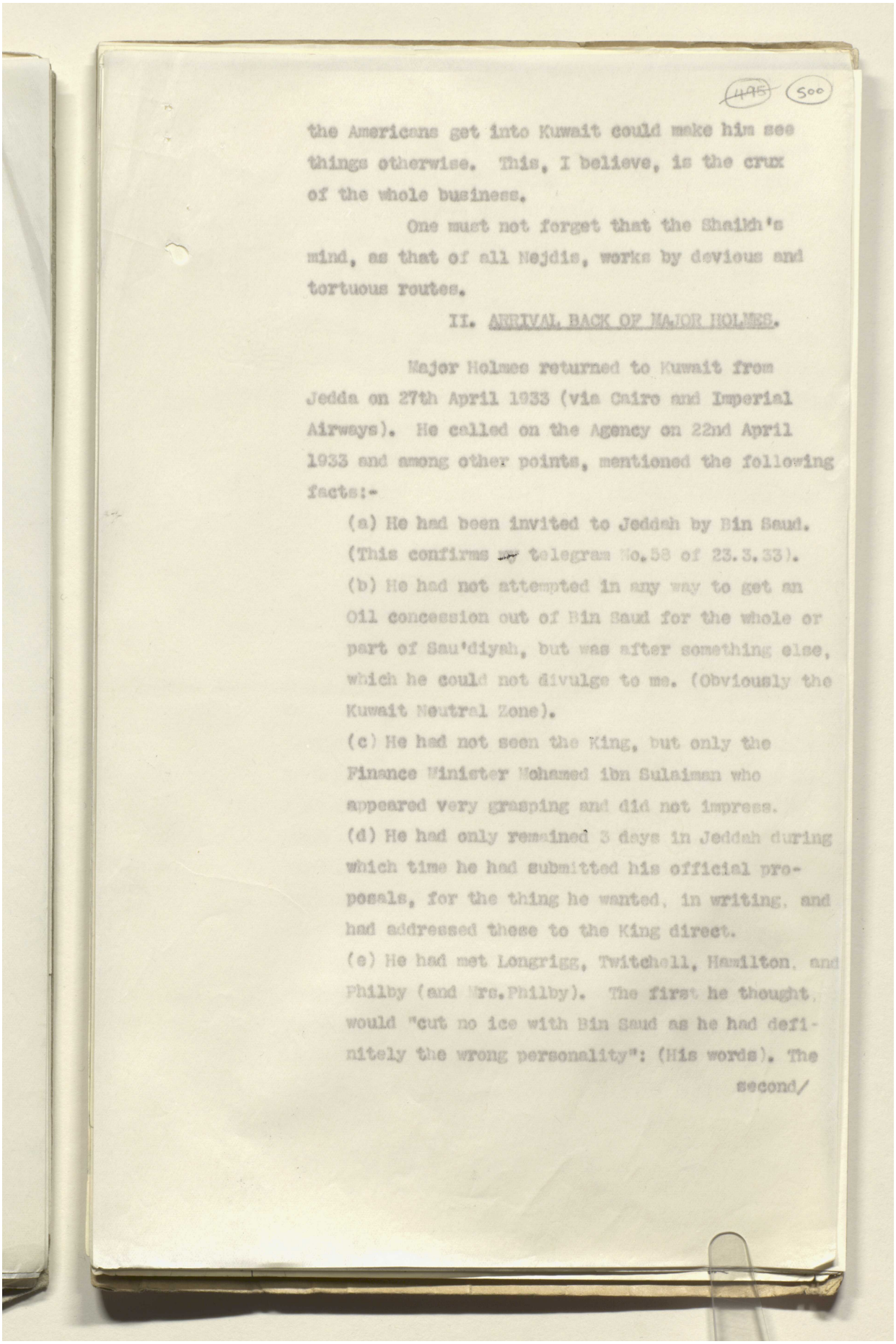

the Americans get into Kuwait could make him see things otherwise. This, I believe, is the crux of the whole business.

One must not forget that the Shaikh's mind, as that of all Nejdis, works by devious and tortuous routes.

II. ARRIVAL BACK OF MAJOR HOLMES.

Major Holmes returned to Kuwait from Jedda on 27th April 1933 (via Cairo and Imperial Airways). He called on the Agency on 22nd April 1933 and among other points, mentioned the following facts:-

(a) He had been invited to Jeddah by Bin Saud. (This confirms my telegram No.58 of 23.3.33).

(b) He had not attempted in any way to get an Oil concession out of Bin Saud for the whole or part of Sau'diyah, but was after something else, which he could not divulge to me. (Obviously the Kuwait Neutral Zone).

(c) He had not seen the King, but only the Finance Minister Mohamed ibn Sulaiman who appeared very grasping and did not impress.

(d) He had only remained 3 days in Jeddah during which time he had submitted his official proposals, for the thing he wanted, in writing, and had addressed these to the King direct.

(e) He had met Longrigg, Twitchell, Hamilton, and Philby (and Mrs.Philby). The first he thought would "cut no ice with Bin Saud as he had definitely the wrong personality": (His words). The

second/

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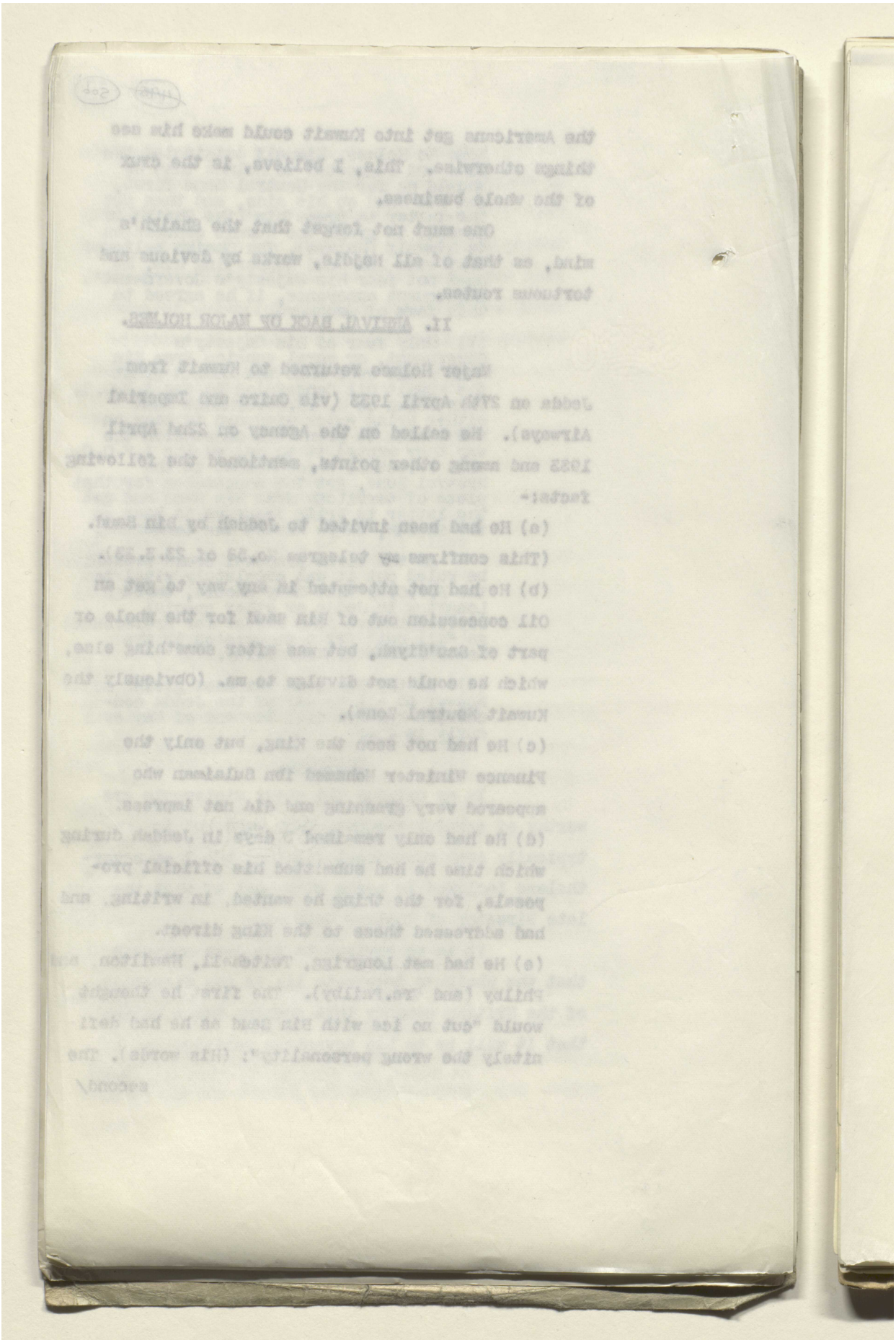

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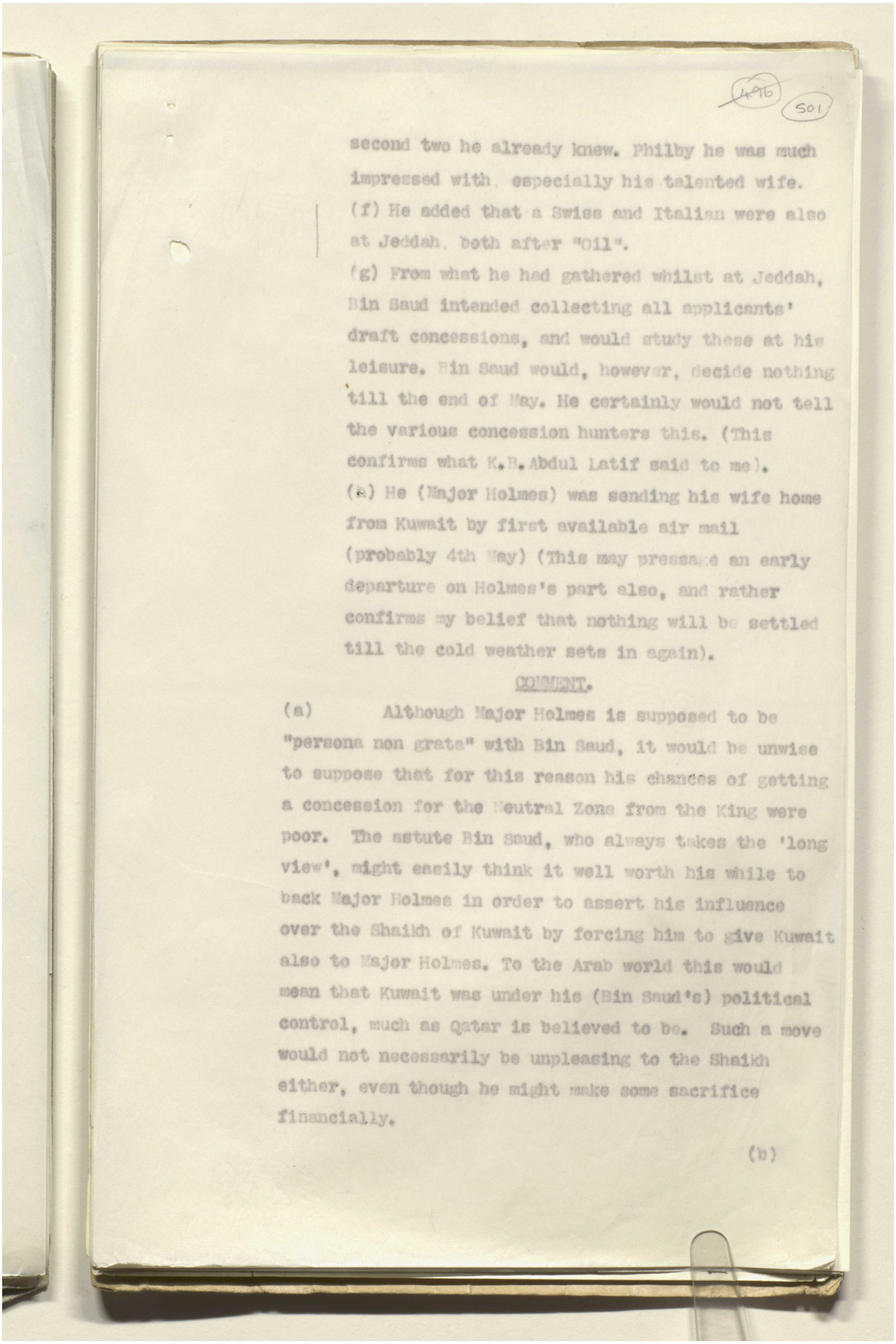

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second two he already knew. Philby he was much impressed with, especially his talented wife.

(f) He added that a Swiss and Italian were also at Jeddah, both after "Oil".

(g) From what he had gathered whilst at Jeddah, Bin Saud intended collecting all applicants' draft concessions, and would study these at his leisure. Bin Saud would, however, decide nothing till the end of May. He certainly would not tell the various concession hunters this. (This confirms what K.B. Abdul Latif said to me).

(h) He (Major Holmes) was sending his wife home from Kuwait by first available air mail (probably 4th May) (This may presage an early departure on Holmes's part also, and rather confirms my belief that nothing will be settled till the cold weather sets in again).

COMMENT.

(a) Although Major Holmes is supposed to be "persona non grata" with Bin Saud, it would be unwise to suppose that for this reason his chances of getting a concession for the Neutral Zone from the King were poor. The astute Bin Saud, who always takes the 'long view', might easily think it well worth his while to back Major Holmes in order to assert his influence over the Shaikh of Kuwait by forcing him to give Kuwait also to Major Holmes. To the Arab world this would mean that Kuwait was under his (Bin Saud's) political control, much as Qatar is believed to be. Such a move would not necessarily be unpleasing to the Shaikh either, even though he might make some sacrifice financially.

(b)

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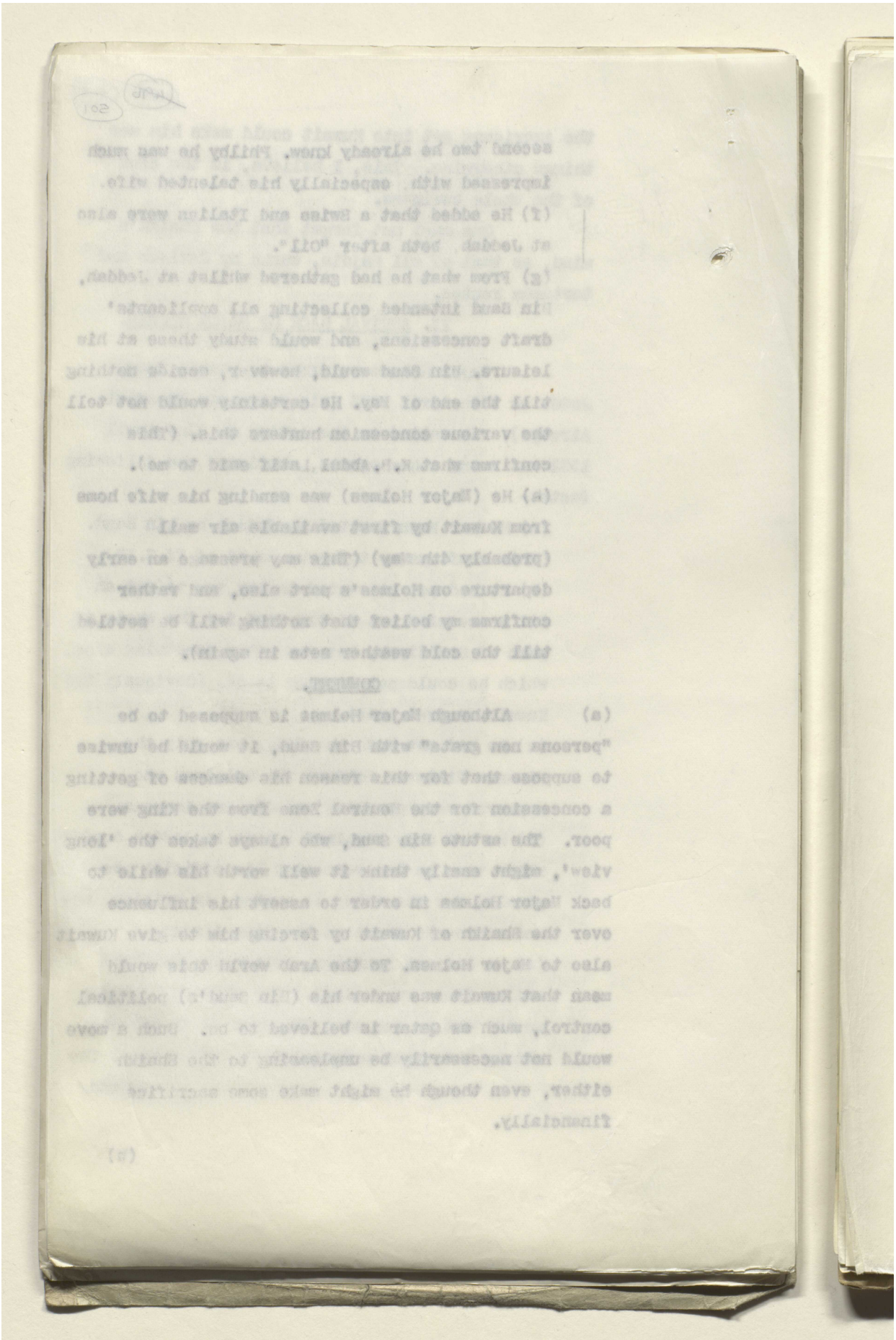

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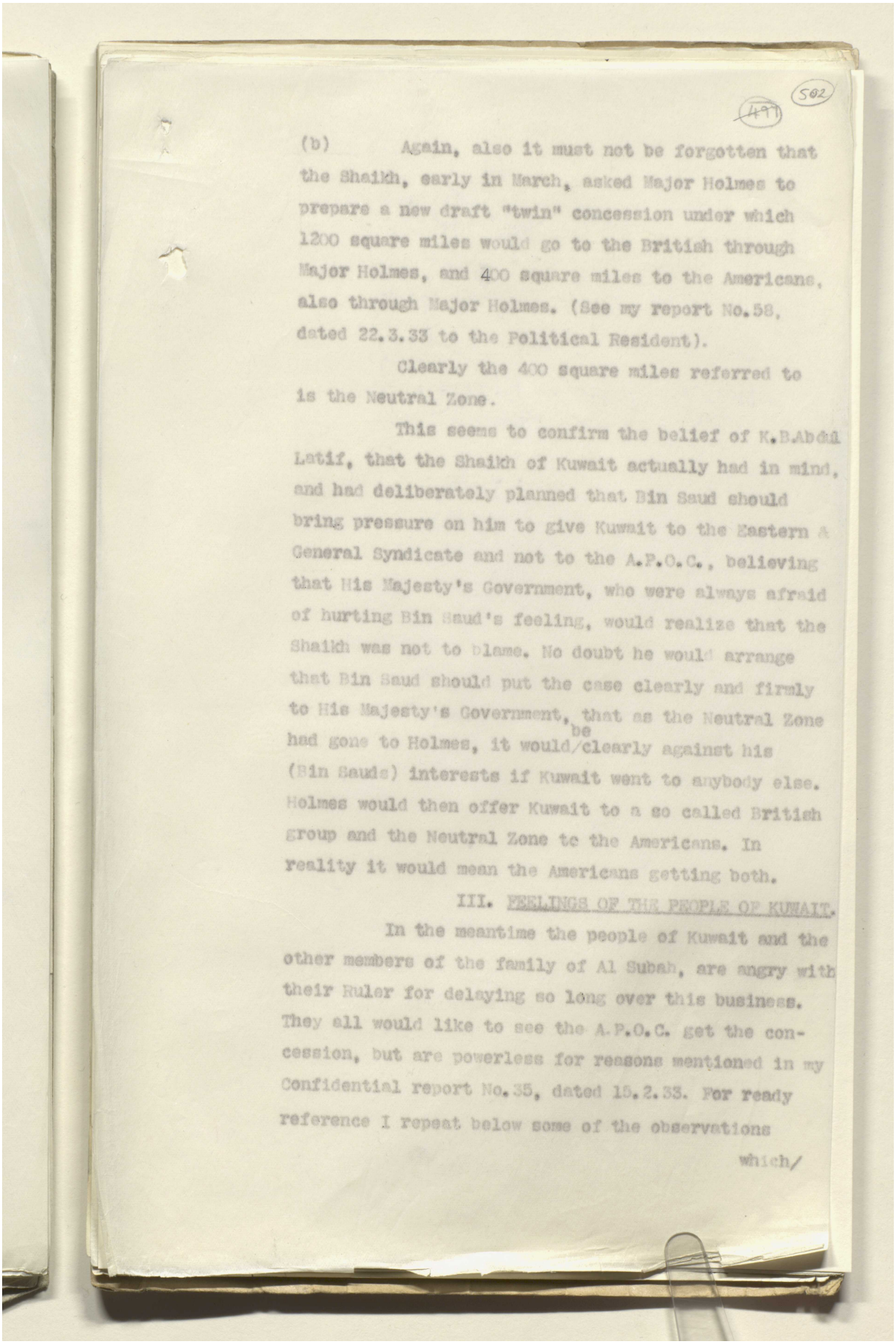

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(b) Again, also it must not be forgotten that the Shaikh, early in March, asked Major Holmes to prepare a new draft "twin" concession under which 1200 square miles would go to the British through Major Holmes, and 400 square miles to the Americans, also through Major Holmes. (See my report No.58, dated 22.3.33 to the Political Resident).

Clearly the 400 square miles referred to is the Neutral Zone.

This seems to confirm the belief of K.B.Abdul Latif, that the Shaikh of Kuwait actually had in mind, and had deliberately planned that Bin Saud should bring pressure on him to give Kuwait to the Eastern A General Syndicate and not to the A.P.O.C., believing that His Majesty's Government, who were always afraid of hurting Bin Saud's feeling, would realize that the Shaikh was not to blame. No doubt he would arrange that Bin Saud should put the case clearly and firmly to His Majesty's Government, that as the Neutral Zone had gone to Holmes, it would be clearly against his (Bin Sauds) interests if Kuwait went to anybody else. Holmes would then offer Kuwait to a so called British group and the Neutral Zone to the Americans. In reality it would mean the Americans getting both.

III. FEELINGS OF THE PEOPLE OF KUWAIT.

In the meantime the people of Kuwait and the other members of the family of Al Subah, are angry with their Ruler for delaying so long over this business. They all would like to see the A.P.O.C. get the concession, but are powerless for reasons mentioned in my Confidential report No.35, dated 15.2.33. For ready reference I repeat below some of the observations which/

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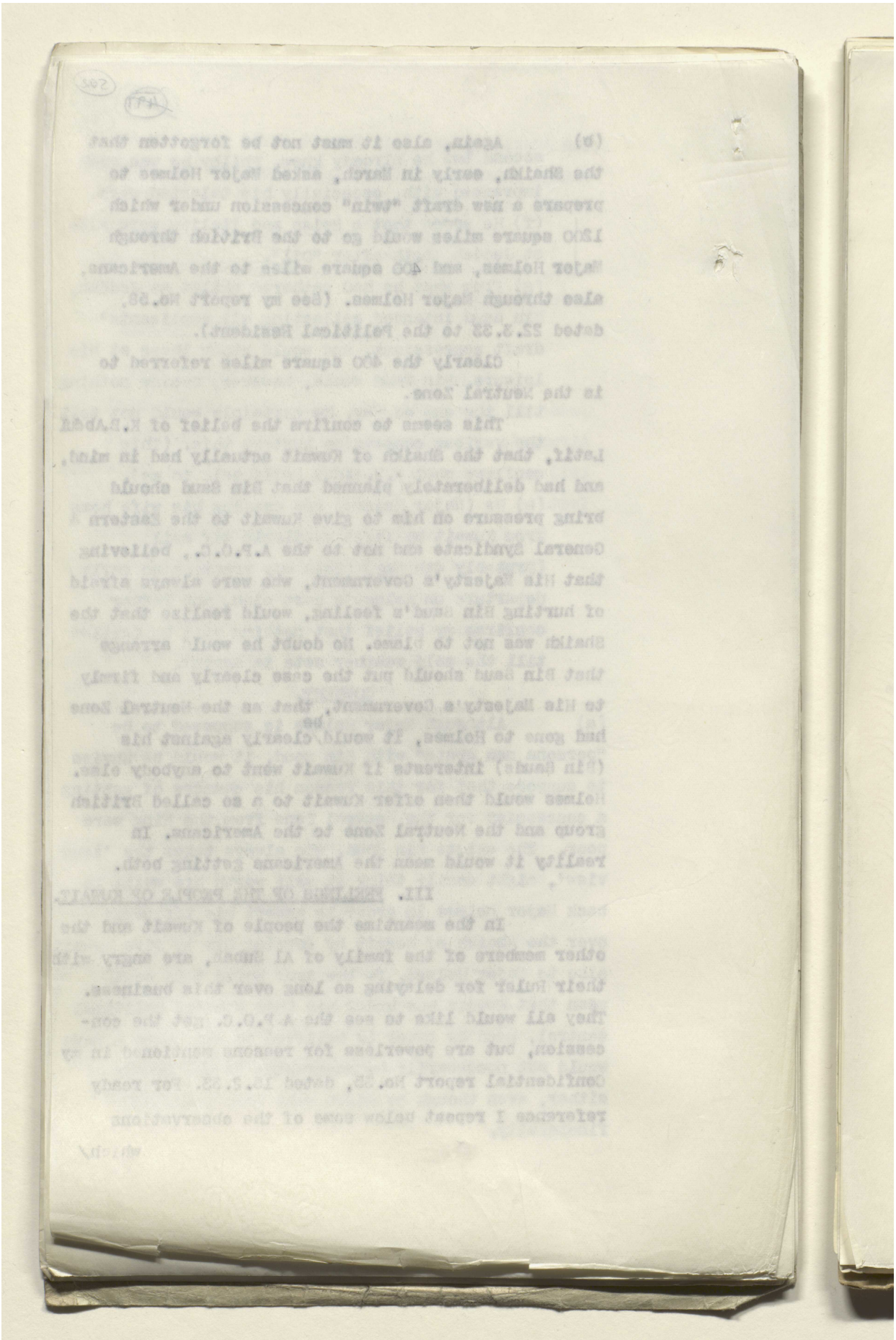

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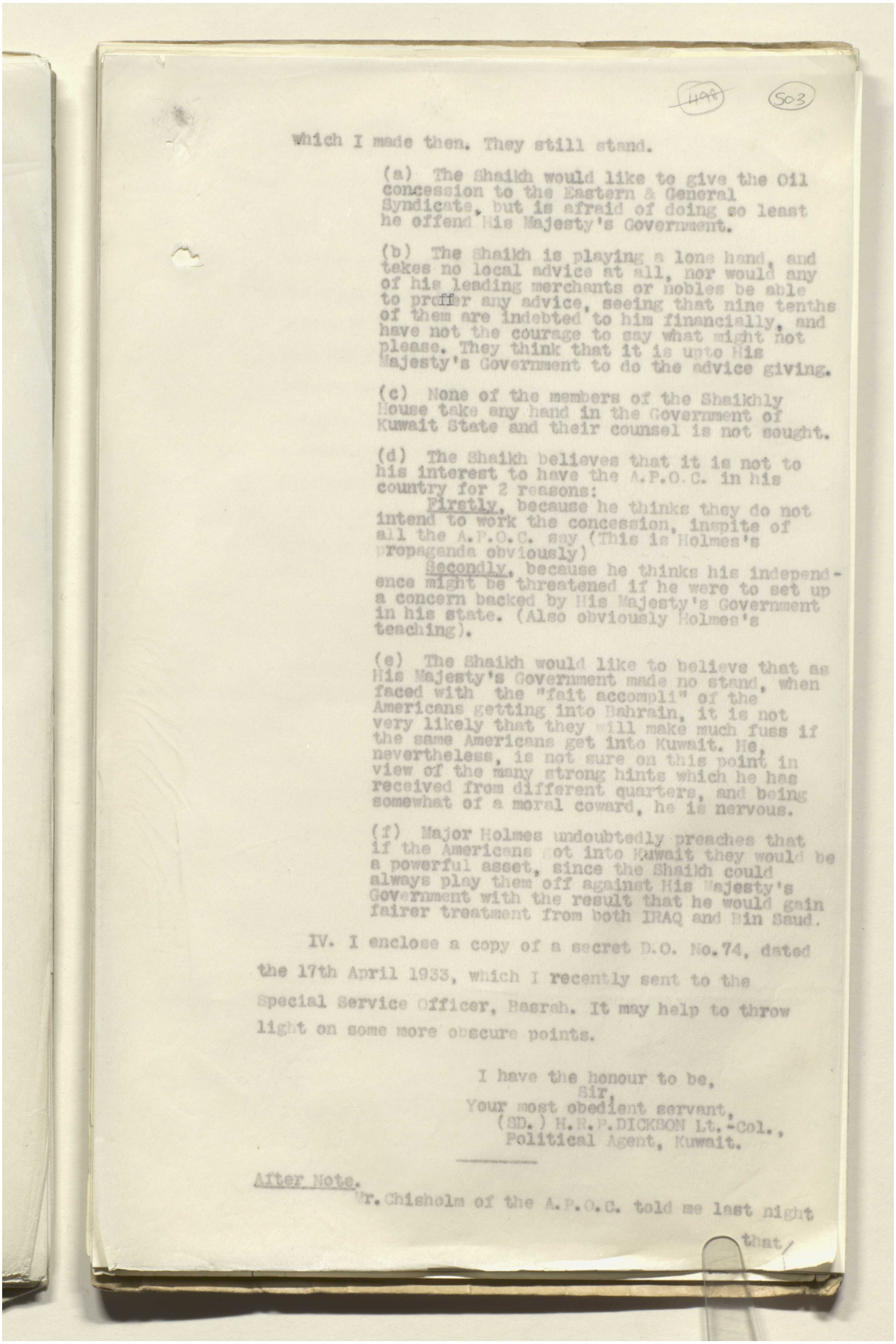

H98 503

which I made then. They still stand.

(a) The Shaikh would like to give the Oil concession to the Eastern & General Syndicate, but is afraid of doing so least he offend His Majesty's Government.

(b) The Shaikh is playing a lone hand, and takes no local advice at all, nor would any of his leading merchants or nobles be able to proffer any advice, seeing that nine tenths of them are indebted to him financially, and have not the courage to say what might not please. They think that it is upto His Majesty's Government to do the advice giving.

(c) None of the members of the Shaikhly House take any hand in the Government of Kuwait State and their counsel is not sought.

(d) The Shaikh believes that it is not to his interest to have the A.P.O.C. in his country for 2 reasons:
Firstly, because he thinks they do not intend to work the concession, inspite of all the A.P.O.C. say (This is Holmes's propaganda obviously)
Secondly, because he thinks his independence might be threatened if he were to set up a concern backed by His Majesty's Government in his state. (Also obviously Holmes's teaching).

(e) The Shaikh would like to believe that as His Majesty's Government made no stand, when faced with the "fait accompli" of the Americans getting into Bahrain, it is not very likely that they will make much fuss if the same Americans get into Kuwait. He, nevertheless, is not sure on this point in view of the many strong hints which he has received from different quarters, and being somewhat of a moral coward, he is nervous.

(f) Major Holmes undoubtedly preaches that if the Americans got into Kuwait they would be a powerful asset, since the Shaikh could always play them off against His Majesty's Government with the result that he would gain fairer treatment from both IRAQ and Bin Saud.

IV. I enclose a copy of a secret D.O. No.74, dated the 17th April 1933, which I recently sent to the Special Service Officer, Basrah. It may help to throw light on some more obscure points.

I have the honour to be,
Sir,
Your most obedient servant,
(SD.) H.R.P.DICKSON Lt.-Col.,
Political Agent, Kuwait.

After Note.
Mr. Chisholm of the A.P.O.C. told me last night that/

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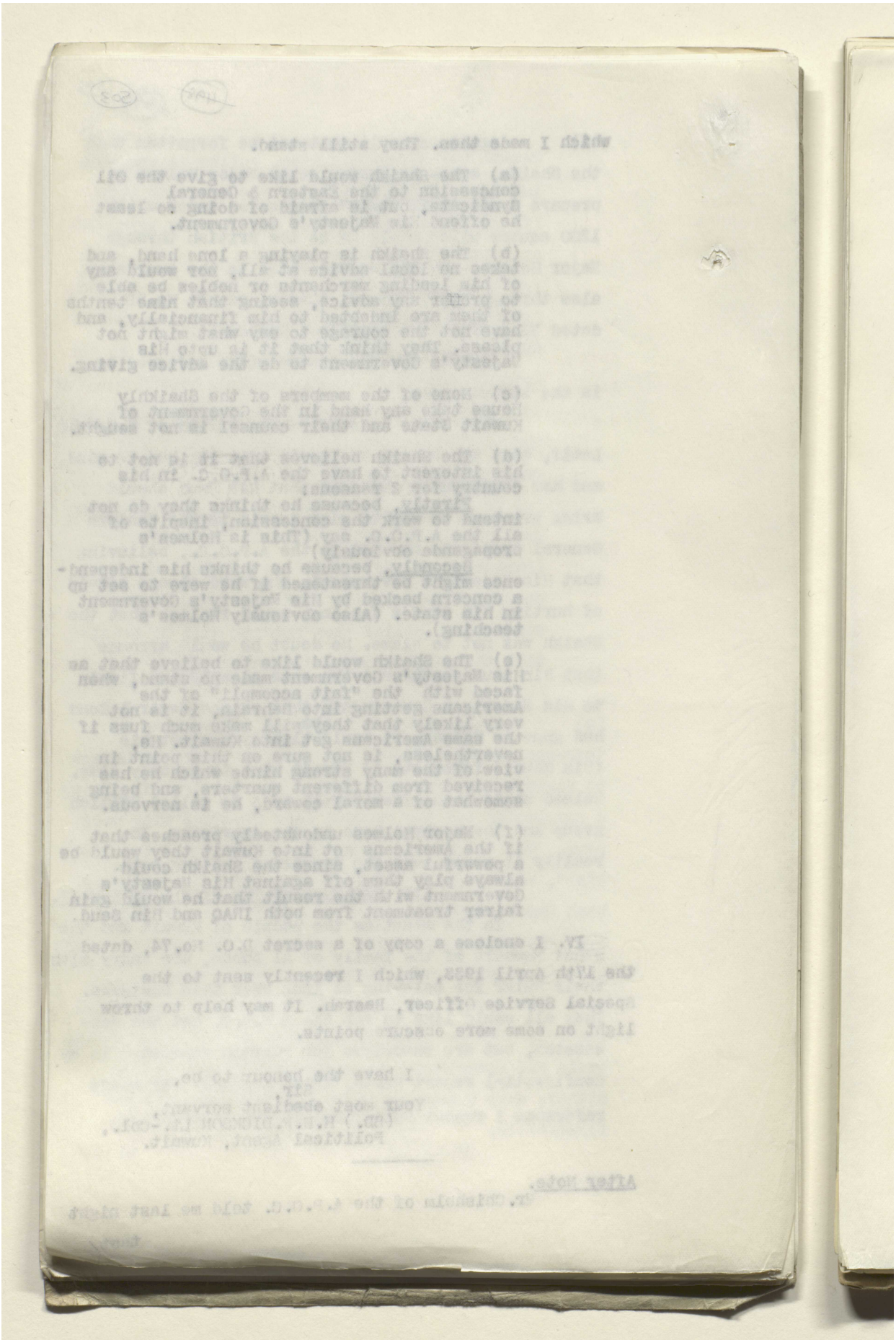

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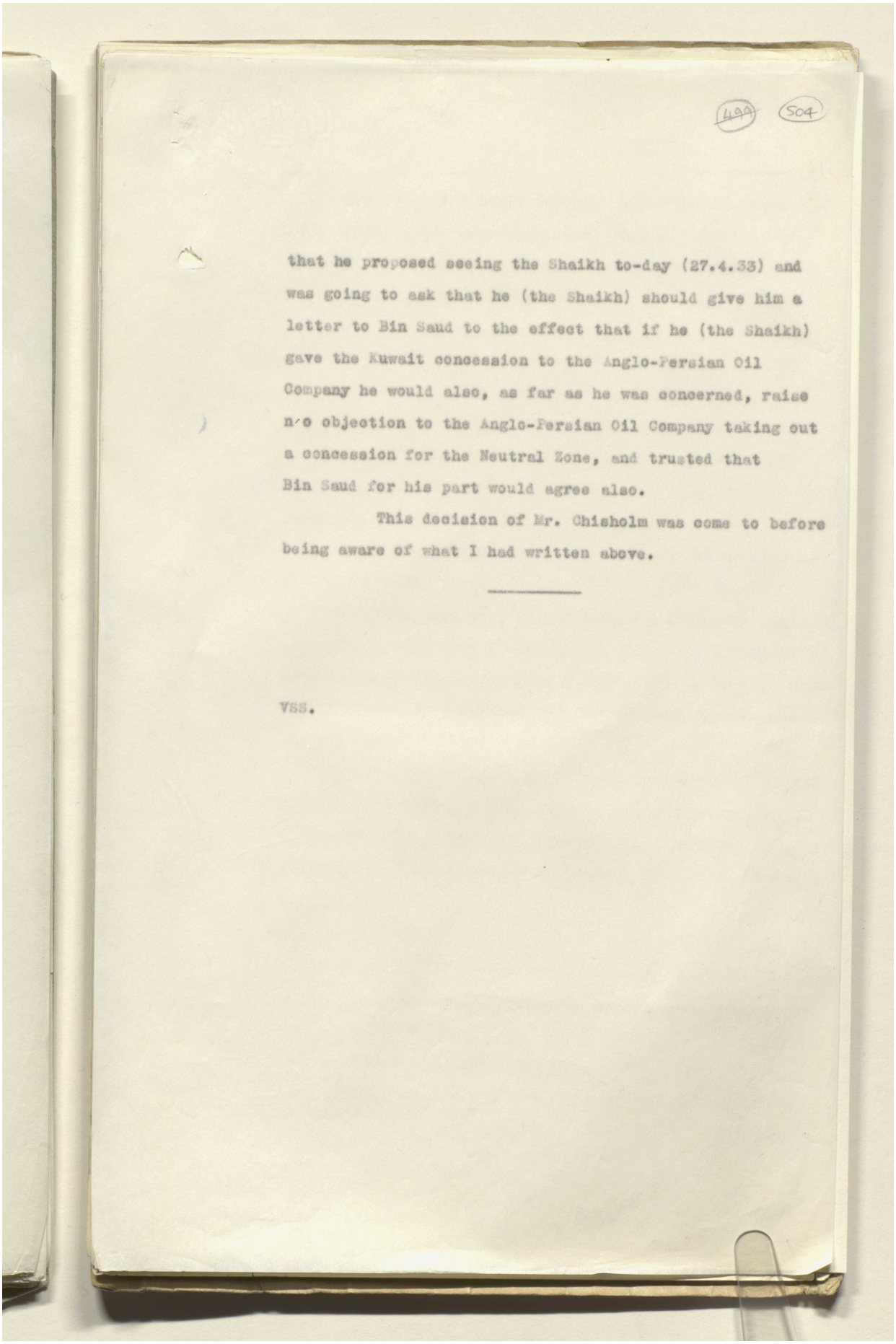

499 504

that he proposed seeing the Shaikh to-day (27.4.33) and was going to ask that he (the Shaikh) should give him a letter to Bin Saud to the effect that if he (the Shaikh) gave the Kuwait concession to the Anglo-Persian Oil Company he would also, as far as he was concerned, raise n/o objection to the Anglo-Persian Oil Company taking out a concession for the Neutral Zone, and trusted that Bin Saud for his part would agree also.

This decision of Mr. Chisholm was come to before being aware of what I had written above.

VSS.

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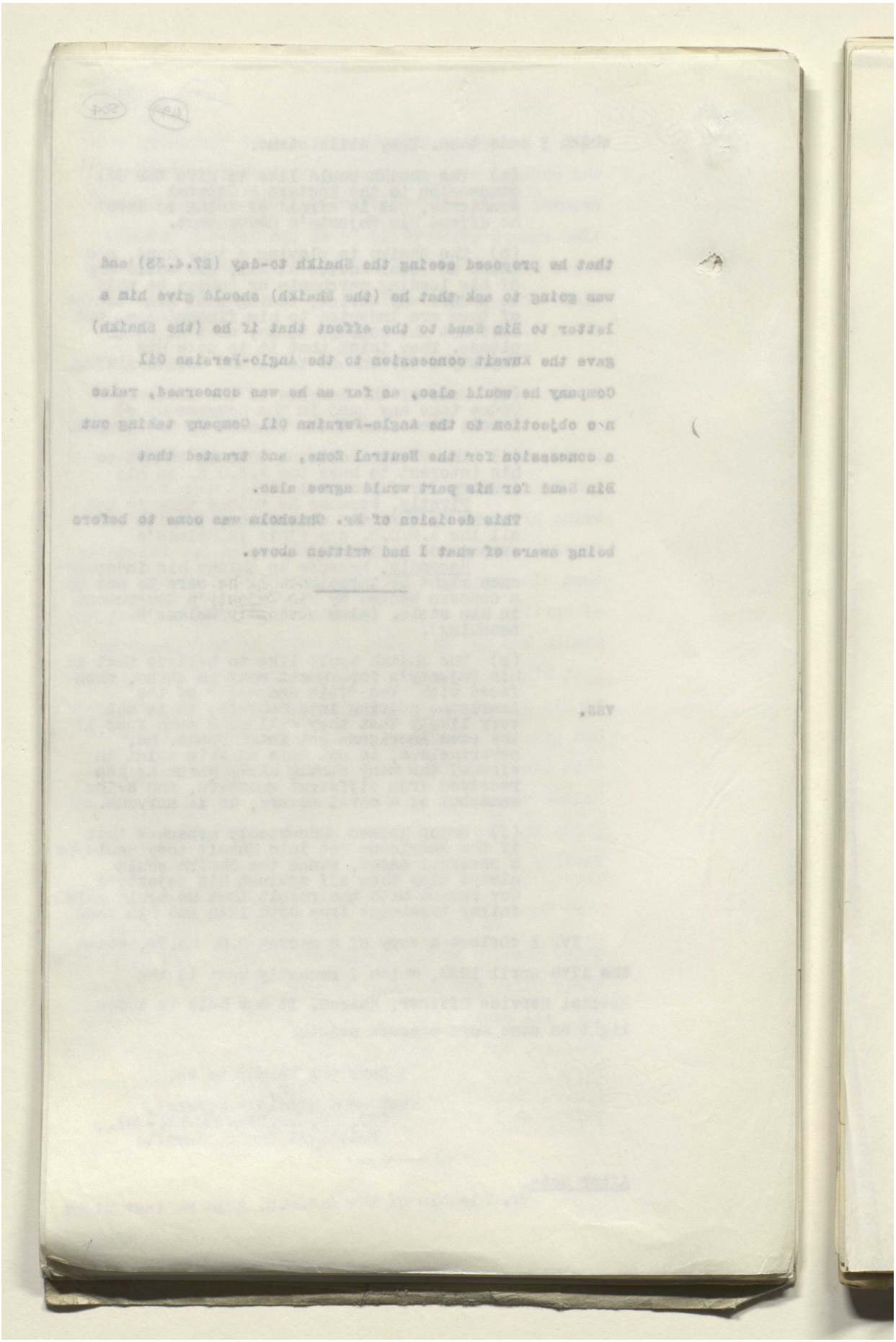

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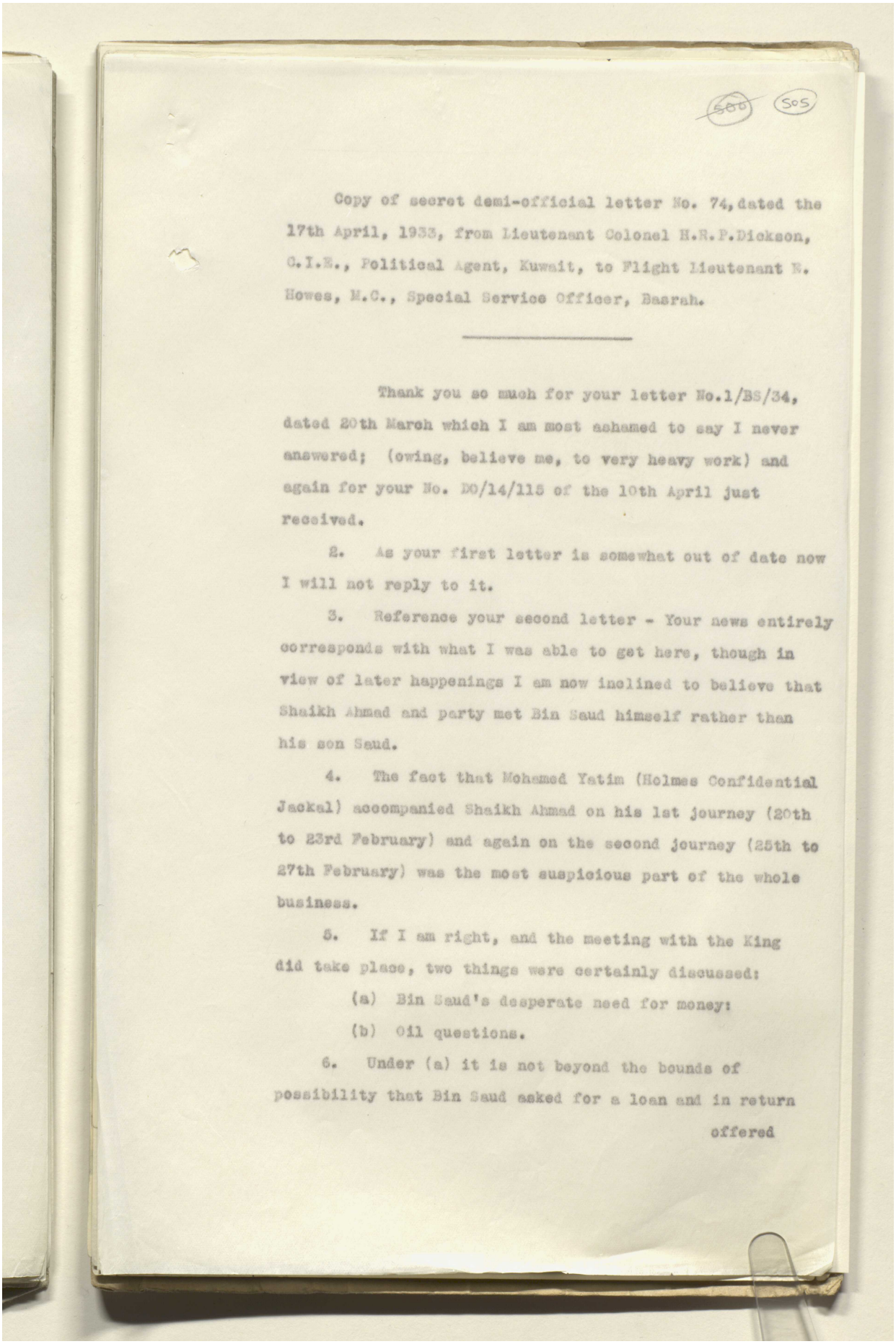

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Copy of secret demi-official letter No. 74, dated the 17th April, 1933, from Lieutenant Colonel H.R.P.Dickson, C.I.E., Political Agent, Kuwait, to Flight Lieutenant N. Howes, M.C., Special Service Officer, Basrah.

Thank you so much for your letter No.1/BS/34, dated 20th March which I am most ashamed to say I never answered; (owing, believe me, to very heavy work) and again for your No. DO/14/115 of the 10th April just received.

2. As your first letter is somewhat out of date now I will not reply to it.

3. Reference your second letter - Your news entirely corresponds with what I was able to get here, though in view of later happenings I am now inclined to believe that Shaikh Ahmad and party met Bin Saud himself rather than his son Saud.

4. The fact that Mohamed Yatim (Holmes Confidential Jackal) accompanied Shaikh Ahmad on his 1st journey (20th to 23rd February) and again on the second journey (25th to 27th February) was the most suspicious part of the whole business.

5. If I am right, and the meeting with the King did take place, two things were certainly discussed:

(a) Bin Saud's desperate need for money:

(b) Oil questions.

6. Under (a) it is not beyond the bounds of possibility that Bin Saud asked for a loan and in return

offered

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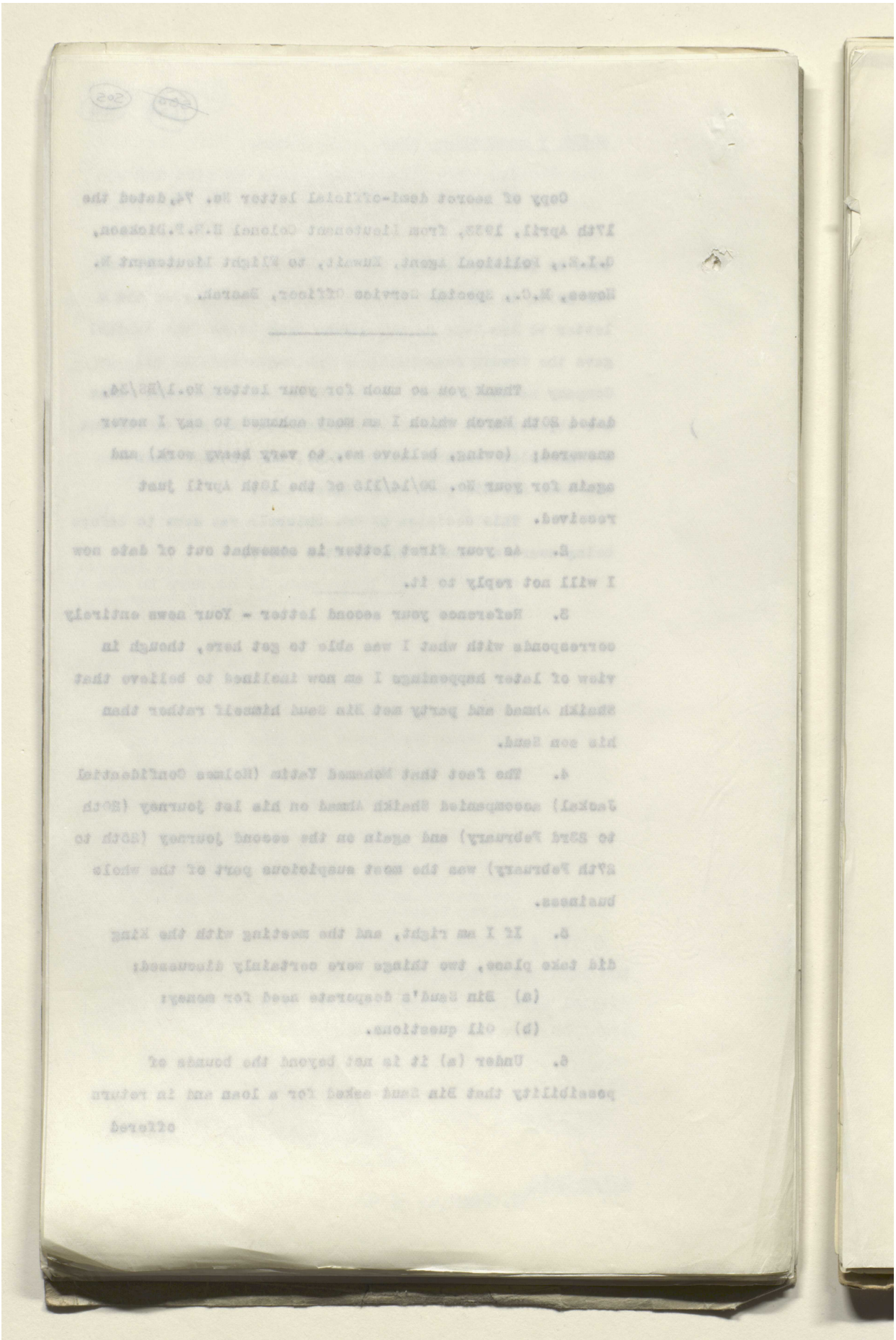

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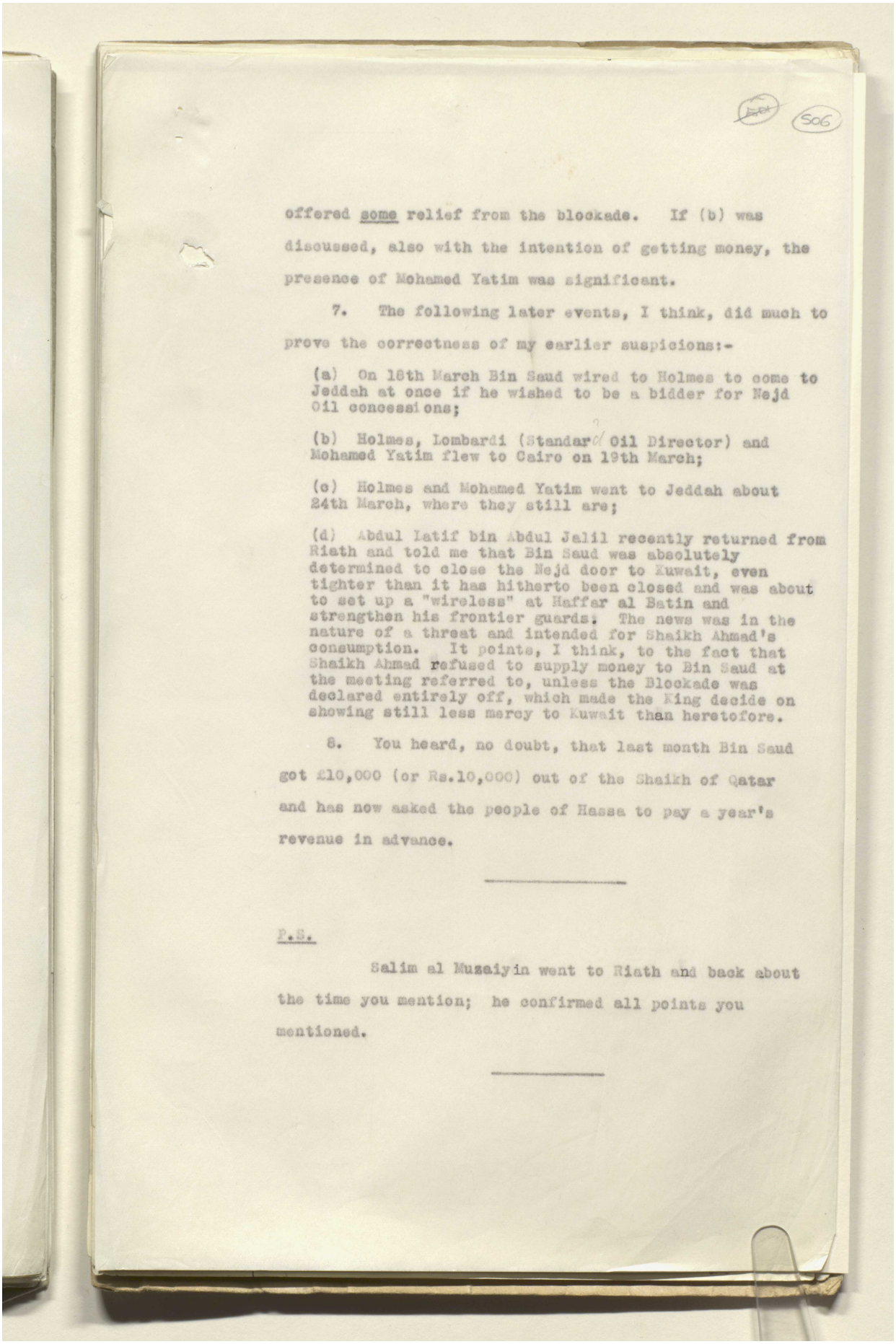

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offered some relief from the blockade. If (b) was discussed, also with the intention of getting money, the presence of Mohamed Yatim was significant.

7. The following later events, I think, did much to prove the correctness of my earlier suspicions:-

(a) On 18th March Bin Saud wired to Holmes to come to Jeddah at once if he wished to be a bidder for Nejd Oil concessions;

(b) Holmes, Lombardi (Standard Oil Director) and Mohamed Yatim flew to Cairo on 19th March;

(c) Holmes and Mohamed Yatim went to Jeddah about 24th March, where they still are;

(d) Abdul Latif bin Abdul Jalil recently returned from Riath and told me that Bin Saud was absolutely determined to close the Nejd door to Kuwait, even tighter than it has hitherto been closed and was about to set up a "wireless" at Haffar al Batin and strengthen his frontier guards. The news was in the nature of a threat and intended for Shaikh Ahmad's consumption. It points, I think, to the fact that Shaikh Ahmad refused to supply money to Bin Saud at the meeting referred to, unless the Blockade was declared entirely off, which made the King decide on showing still less mercy to Kuwait than heretofore.

8. You heard, no doubt, that last month Bin Saud got £10,000 (or Rs.10,000) out of the Shaikh of Qatar and has now asked the people of Hasa to pay a year's revenue in advance.

P.S.

Salim al Muzaiyin went to Riath and back about the time you mention; he confirmed all points you mentioned.

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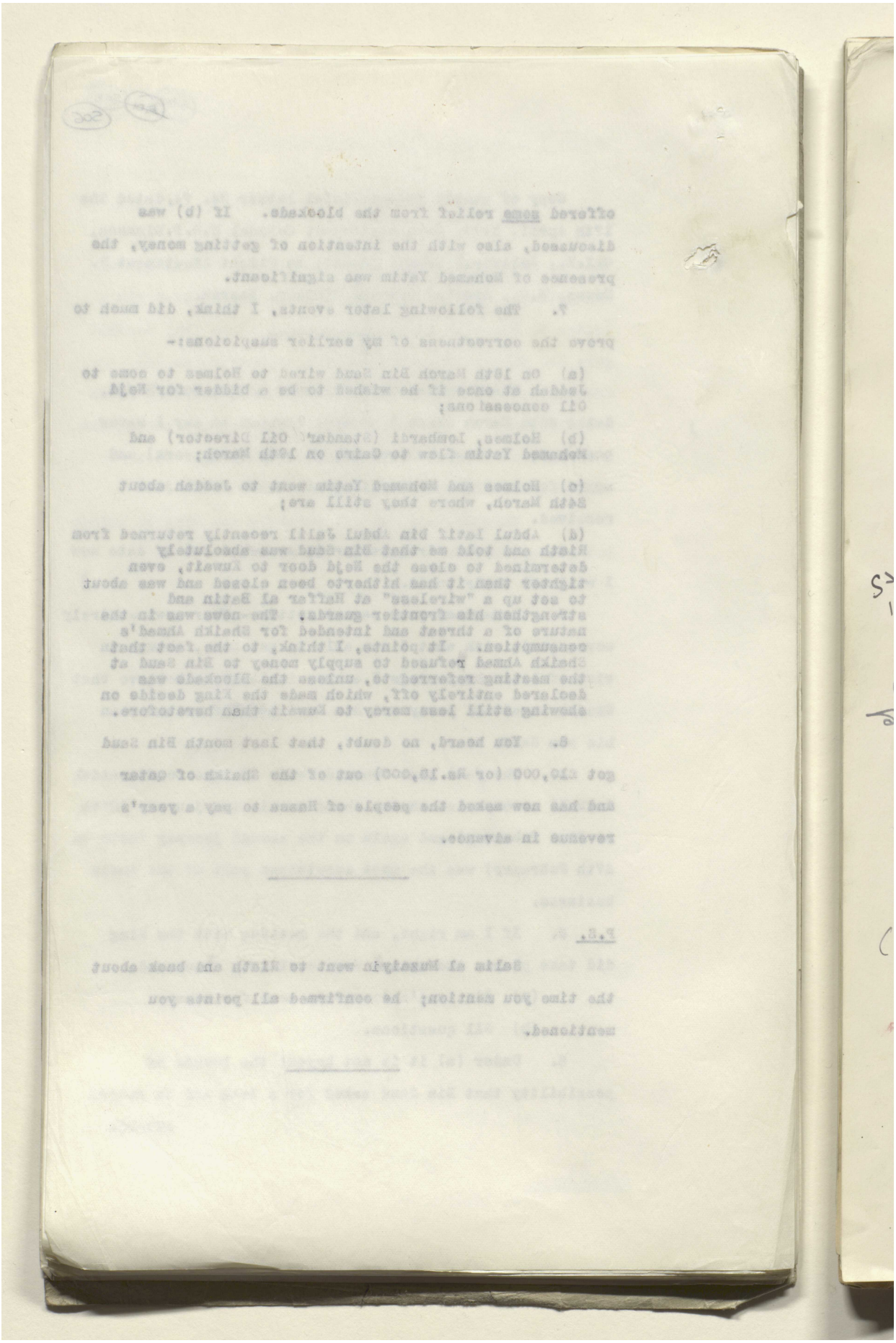

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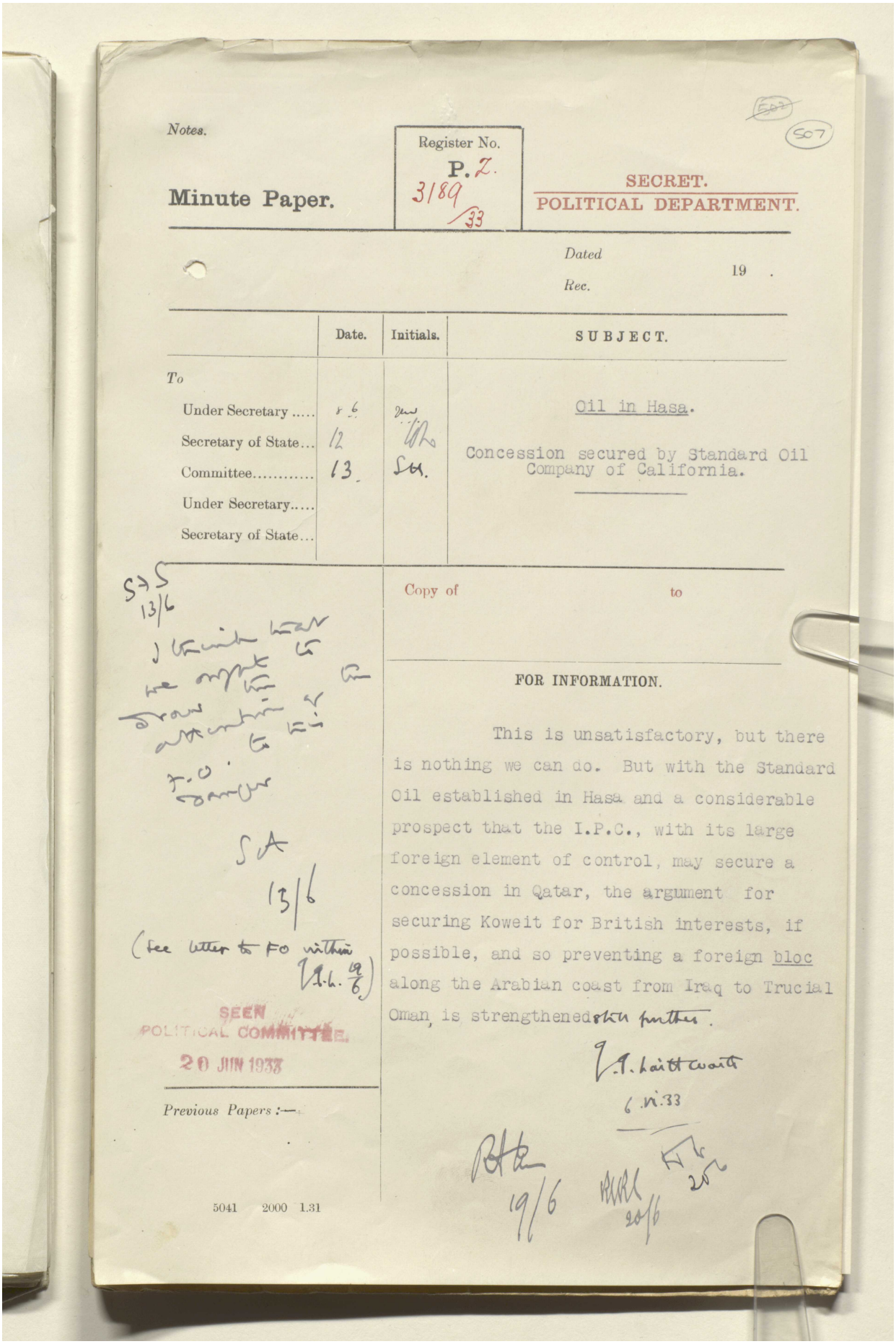

Notes.

Minute Paper.

Register No. P. Z. 3189/33

SECRET.
POLITICAL DEPARTMENT.

Dated 19 .
Rec.

	Date.	Initials.	SUBJECT.
To			
Under Secretary	8 6	[illegible]	Oil in Hasa.
Secretary of State...	12	[illegible]	Concession secured by Standard Oil Company of California.
Committee.....	13	SH.	
Under Secretary.....			
Secretary of State...			

Copy of to

FOR INFORMATION.

This is unsatisfactory, but there is nothing we can do. But with the Standard Oil established in Hasa and a considerable prospect that the I.P.C., with its large foreign element of control, may secure a concession in Qatar, the argument for securing Koweit for British interests, if possible, and so preventing a foreign bloc along the Arabian coast from Iraq to Trucial Oman, is strengthened still further.

[illegible] Laith Waite
6.VI.33

S.A.S. 13/6
I think that we ought to draw the attention of the F.O. danger

S.A. 13/6

(See letter to FO within [illegible] 19/6)

SEEN
POLITICAL COMMITTEE.
20 JUN 1933

Previous Papers :—

[illegible] 19/6 [illegible] 20/6 [illegible] 20/6

5041 2000 1.31

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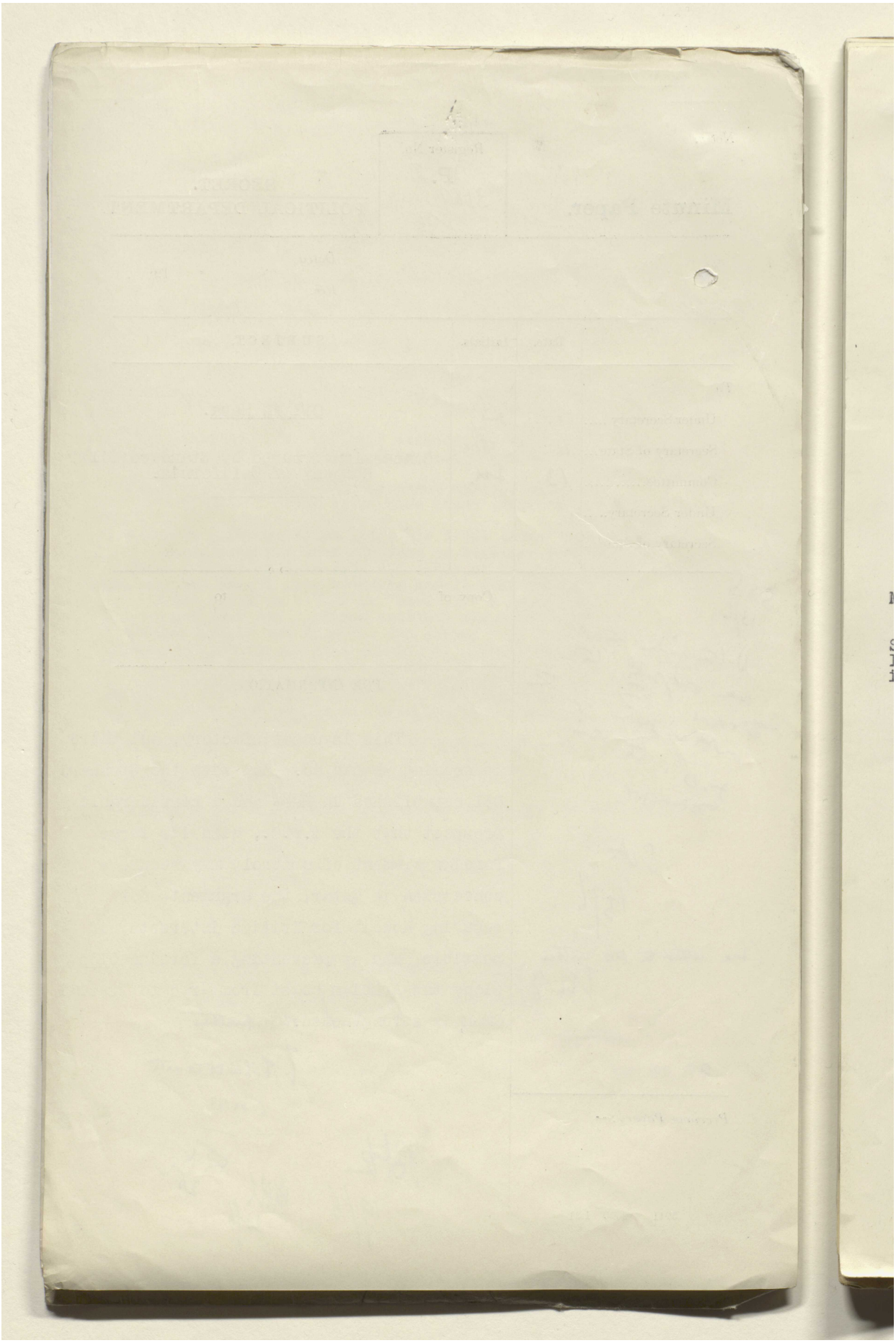

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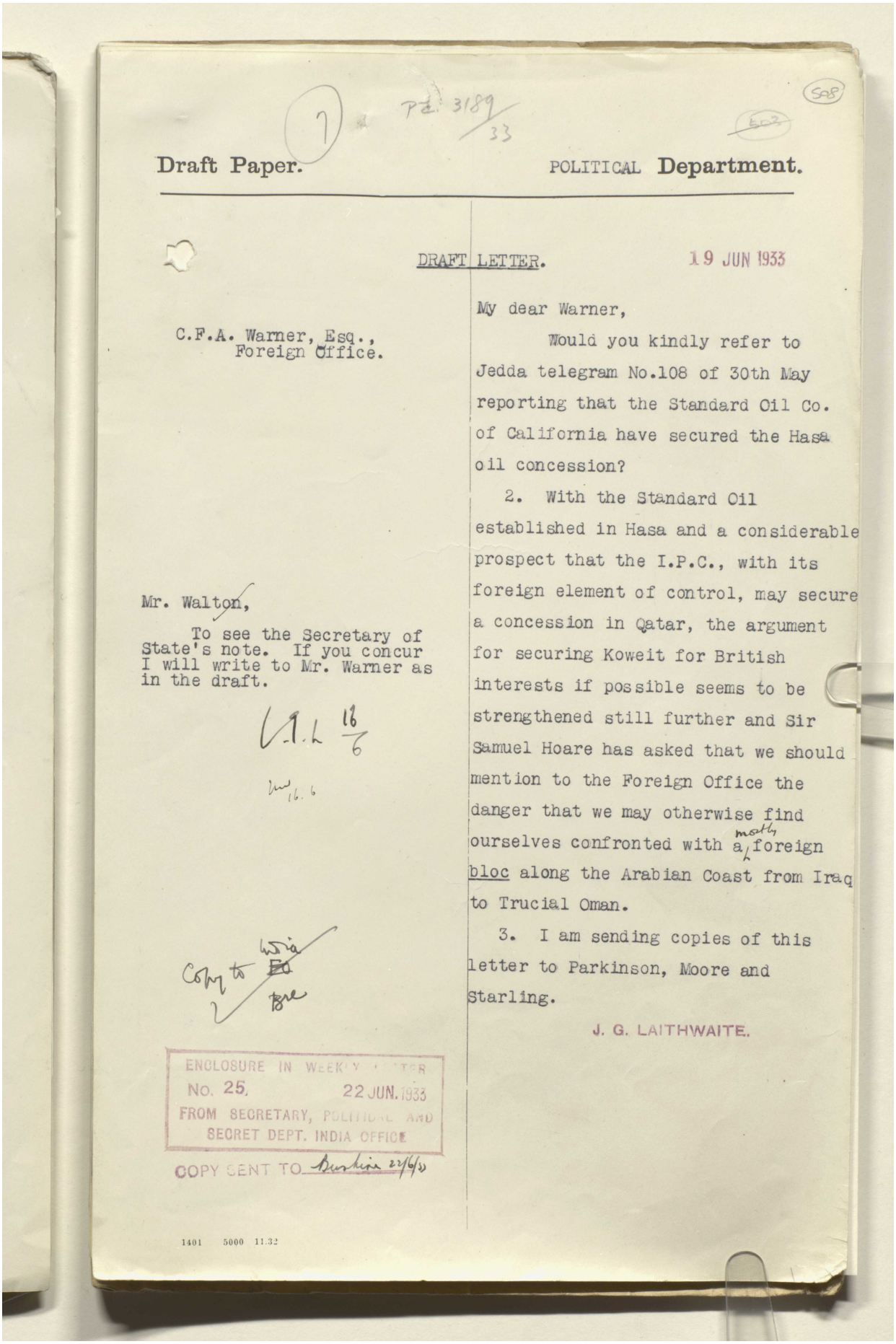

Draft Paper. POLITICAL Department.

DRAFT LETTER. 19 JUN 1933

C.F.A. Warner, Esq.,
Foreign Office.

My dear Warner,

Would you kindly refer to Jedda telegram No.108 of 30th May reporting that the Standard Oil Co. of California have secured the Hasa oil concession?

2. With the Standard Oil established in Hasa and a considerable prospect that the I.P.C., with its foreign element of control, may secure a concession in Qatar, the argument for securing Koweit for British interests if possible seems to be strengthened still further and Sir Samuel Hoare has asked that we should mention to the Foreign Office the danger that we may otherwise find ourselves confronted with a/ mostly foreign bloc along the Arabian Coast from Iraq to Trucial Oman.

3. I am sending copies of this letter to Parkinson, Moore and Starling.

J. G. LAITHWAITE.

Mr. Walton,

To see the Secretary of State's note. If you concur I will write to Mr. Warner as in the draft.

C.J.L 16/6

16.6

Copy to India Office

ENCLOSURE IN WEEKLY LETTER
No. 25. 22 JUN. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE
COPY SENT TO Bushire 22/6/33

1401 5000 11.32

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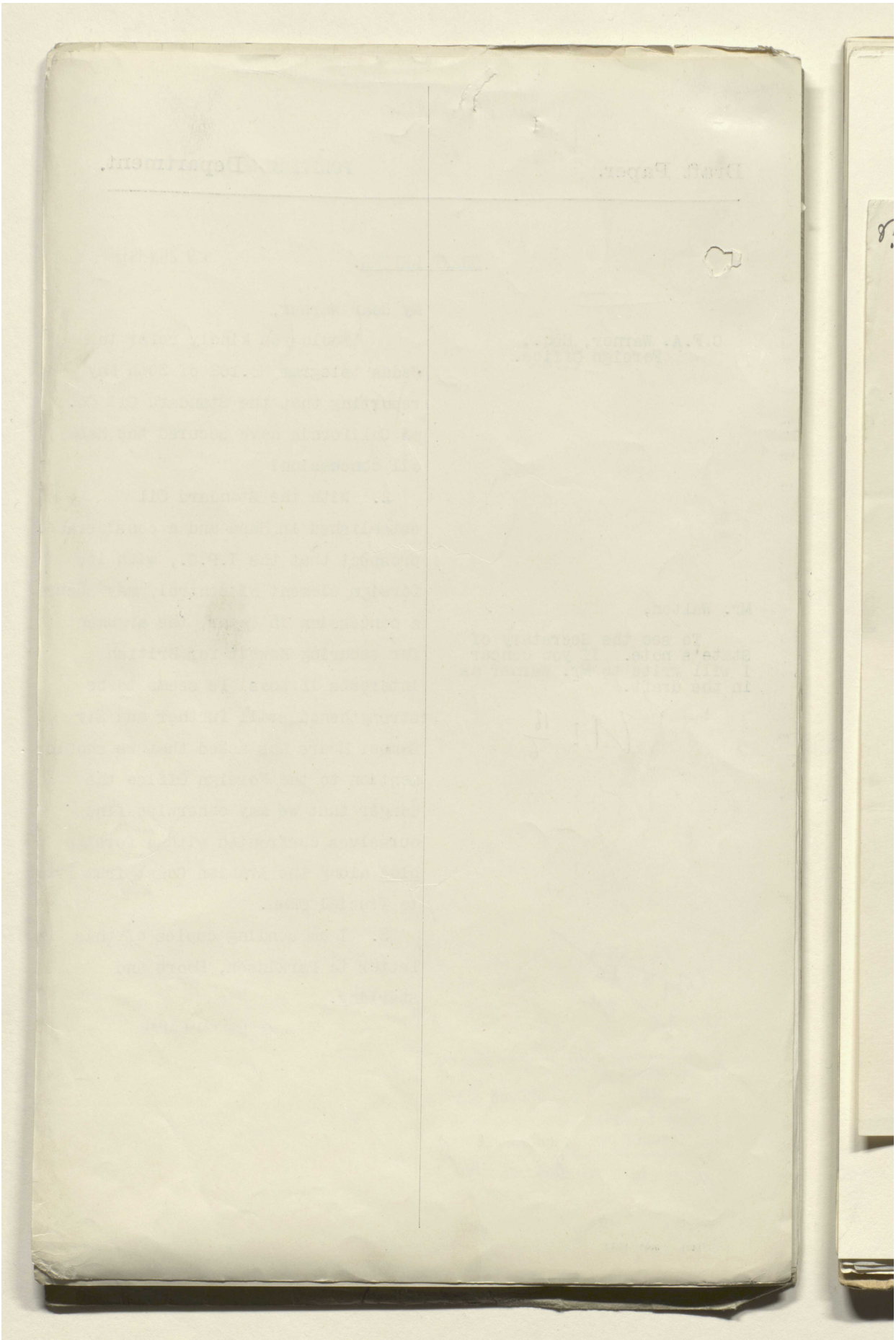

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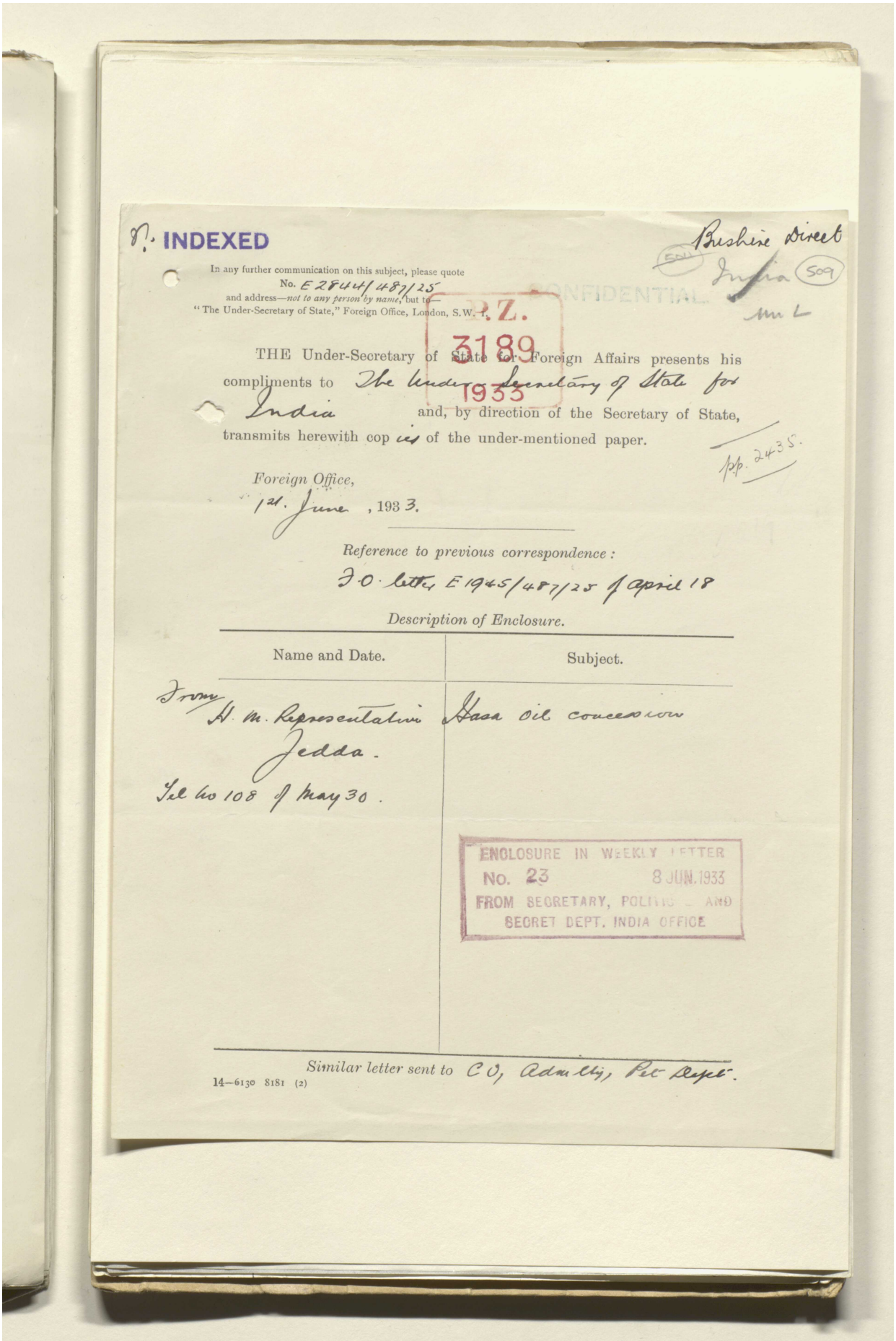

INDEXED

Bushire direct
India (509)

In any further communication on this subject, please quote
No. E 2844/487/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

CONFIDENTIAL

P.Z. 3189 1933

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith cop ies of the under-mentioned paper.

pp. 2435.

Foreign Office,
21st June, 1933.

Reference to previous correspondence:
F.O. letter E 1945/487/25 of April 18

Description of Enclosure.

Name and Date.	Subject.
From H.M. Representative Jedda. Tel No 108 of May 30.	Hasa oil concession

ENCLOSURE IN WEEKLY LETTER
No. 23 8 JUN. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Similar letter sent to CO, Admlty, Pet Repr.

14—6130 8181 (2)

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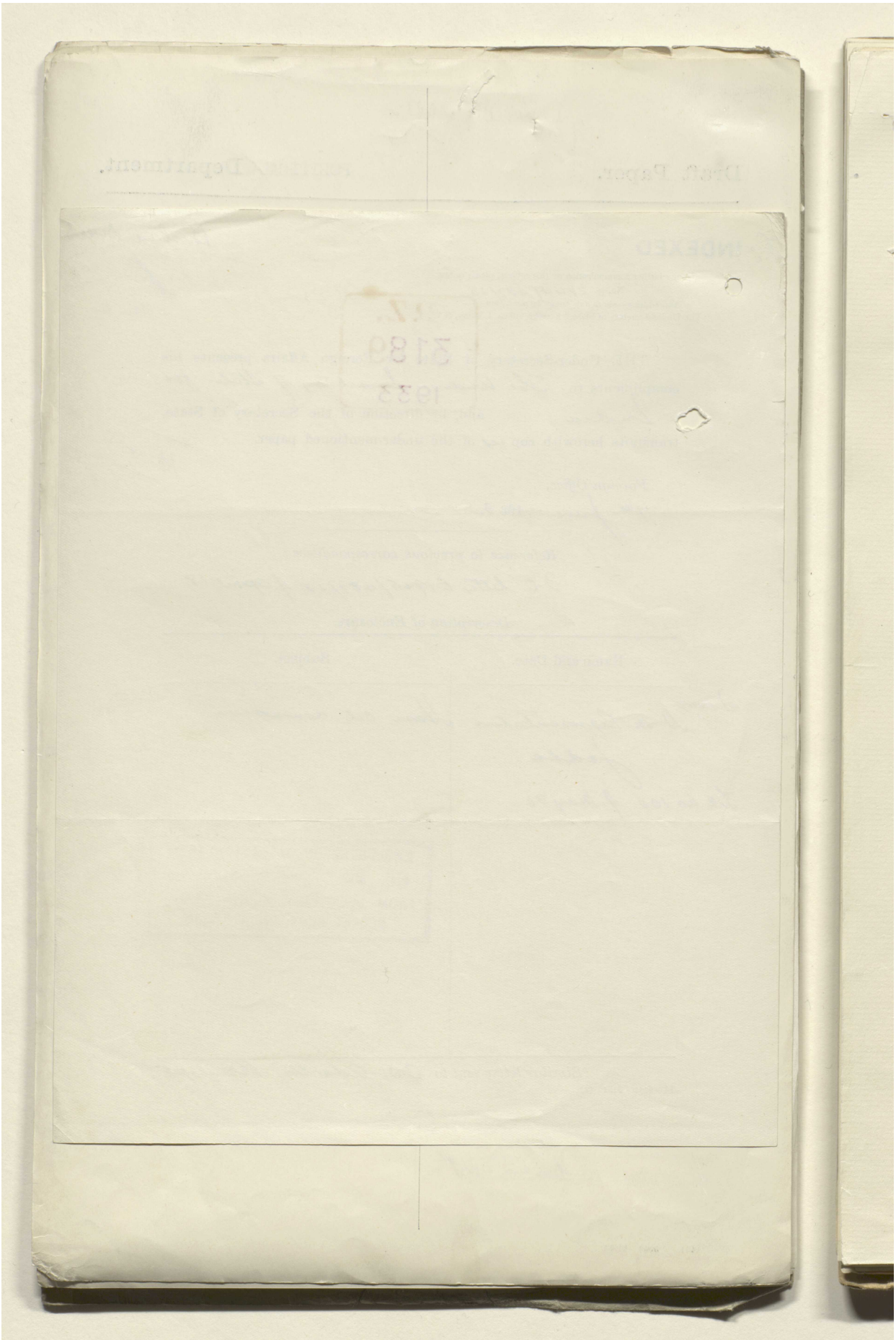

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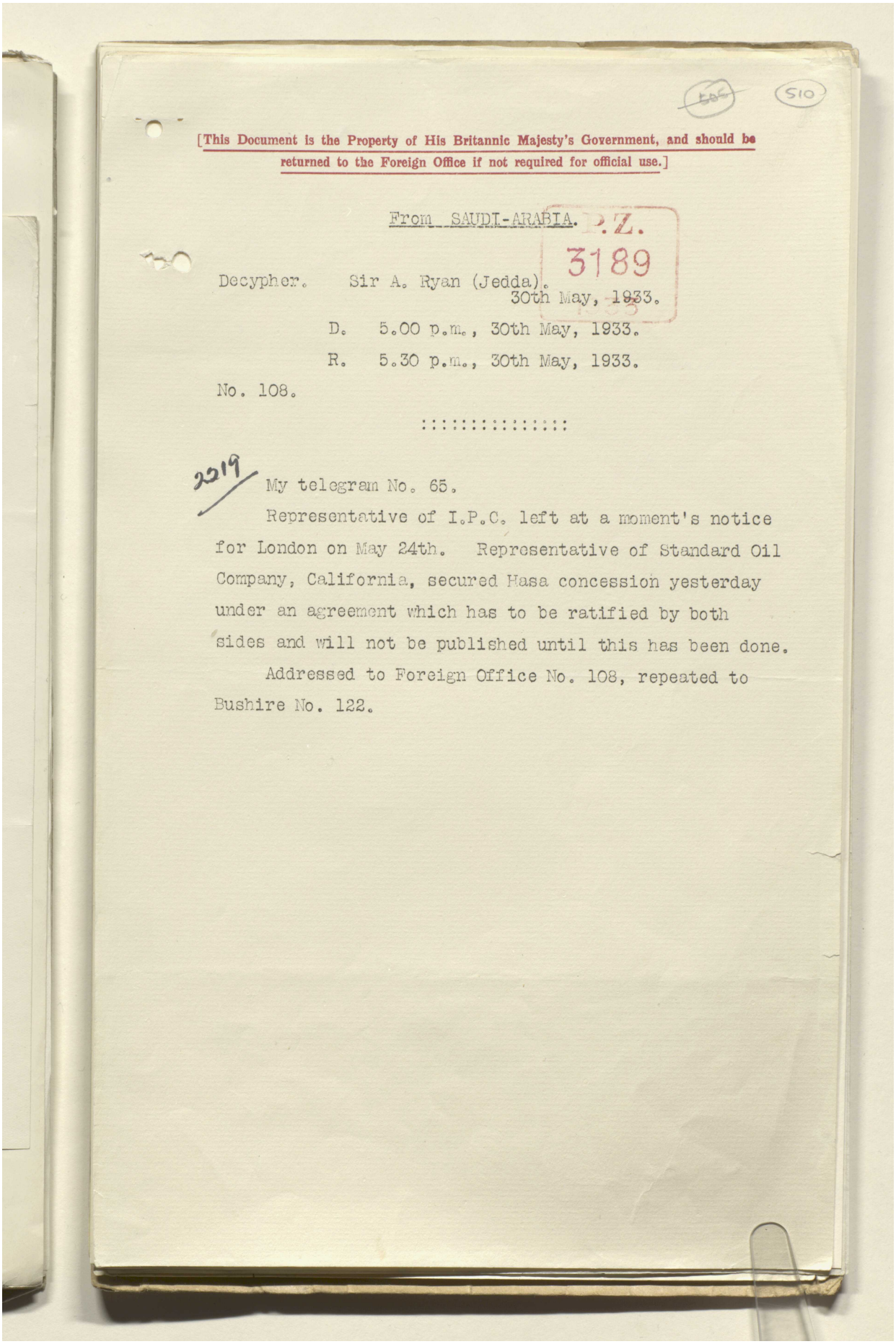

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From SAUDI-ARABIA.

P.Z. 3189

Decypher. Sir A. Ryan (Jedda).
30th May, 1933.

D. 5.00 p.m., 30th May, 1933.

R. 5.30 p.m., 30th May, 1933.

No. 108.

::::::::::::::::

2219

My telegram No. 65.

Representative of I.P.C. left at a moment's notice for London on May 24th. Representative of Standard Oil Company, California, secured Hasa concession yesterday under an agreement which has to be ratified by both sides and will not be published until this has been done.

Addressed to Foreign Office No. 108, repeated to Bushire No. 122.

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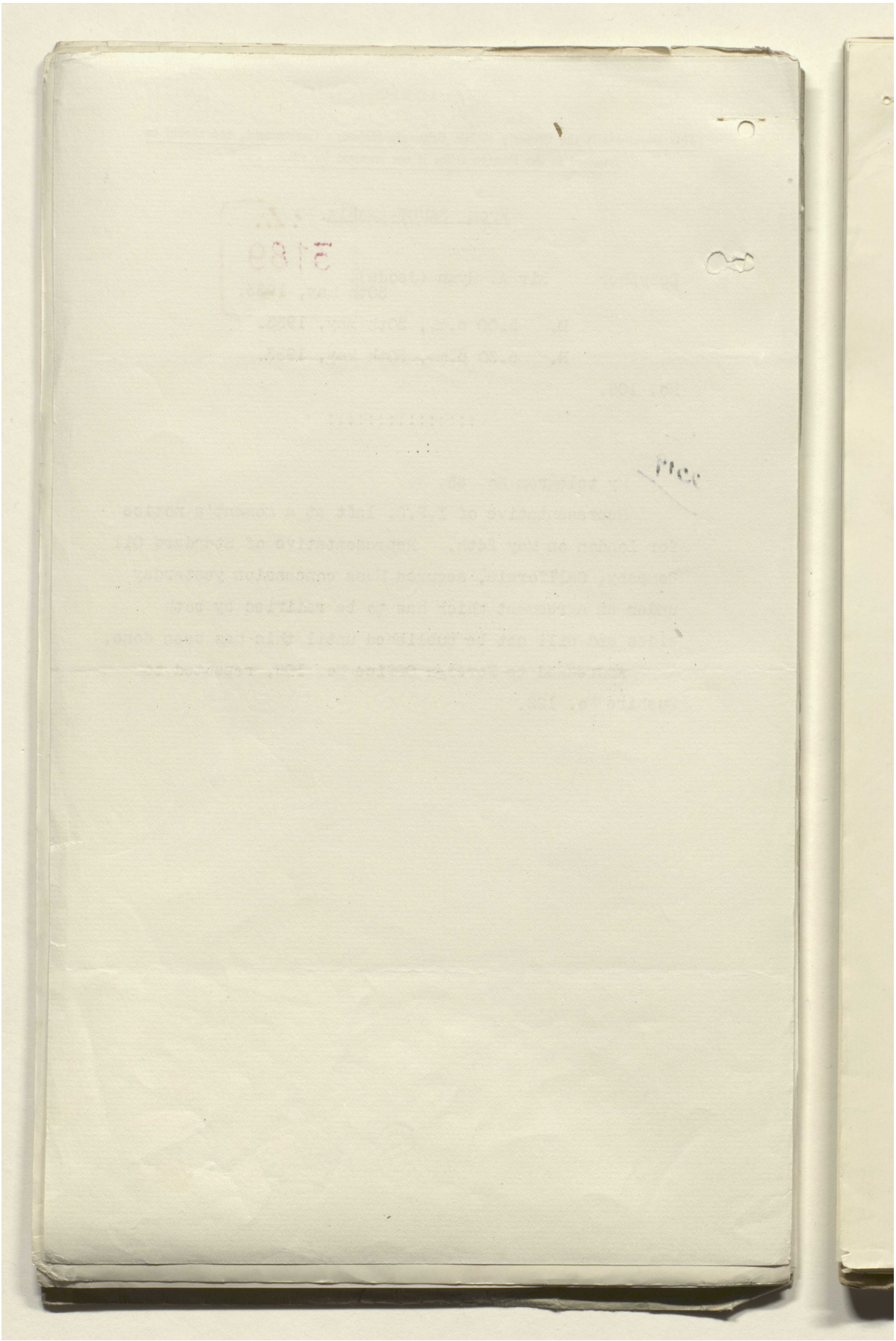

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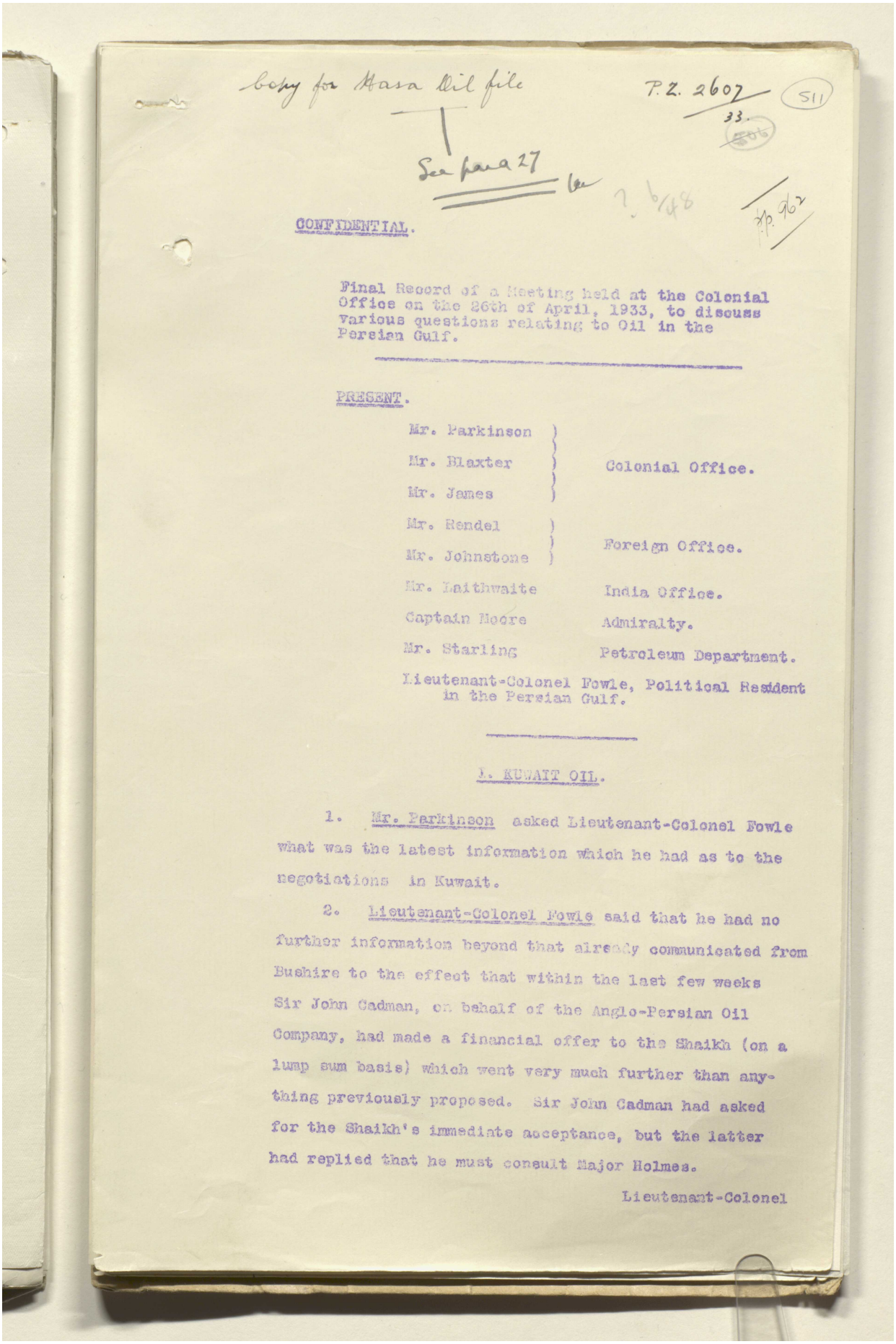

copy for Hasa Oil file

P.Z. 2607
33.

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See para 27

CONFIDENTIAL.

Final Record of a Meeting held at the Colonial Office on the 26th of April, 1933, to discuss various questions relating to Oil in the Persian Gulf.

PRESENT.

Mr. Parkinson Mr. Blaxter Mr. James	Colonial Office.
Mr. Rendel Mr. Johnstone	Foreign Office.
Mr. Laithwaite	India Office.
Captain Moore	Admiralty.
Mr. Starling	Petroleum Department.
Lieutenant-Colonel Fowle, Political Resident in the Persian Gulf.	

1. KUWAIT OIL.

1. Mr. Parkinson asked Lieutenant-Colonel Fowle what was the latest information which he had as to the negotiations in Kuwait.

2. Lieutenant-Colonel Fowle said that he had no further information beyond that already communicated from Bushire to the effect that within the last few weeks Sir John Cadman, on behalf of the Anglo-Persian Oil Company, had made a financial offer to the Shaikh (on a lump sum basis) which went very much further than anything previously proposed. Sir John Cadman had asked for the Shaikh's immediate acceptance, but the latter had replied that he must consult Major Holmes.

Lieutenant-Colonel

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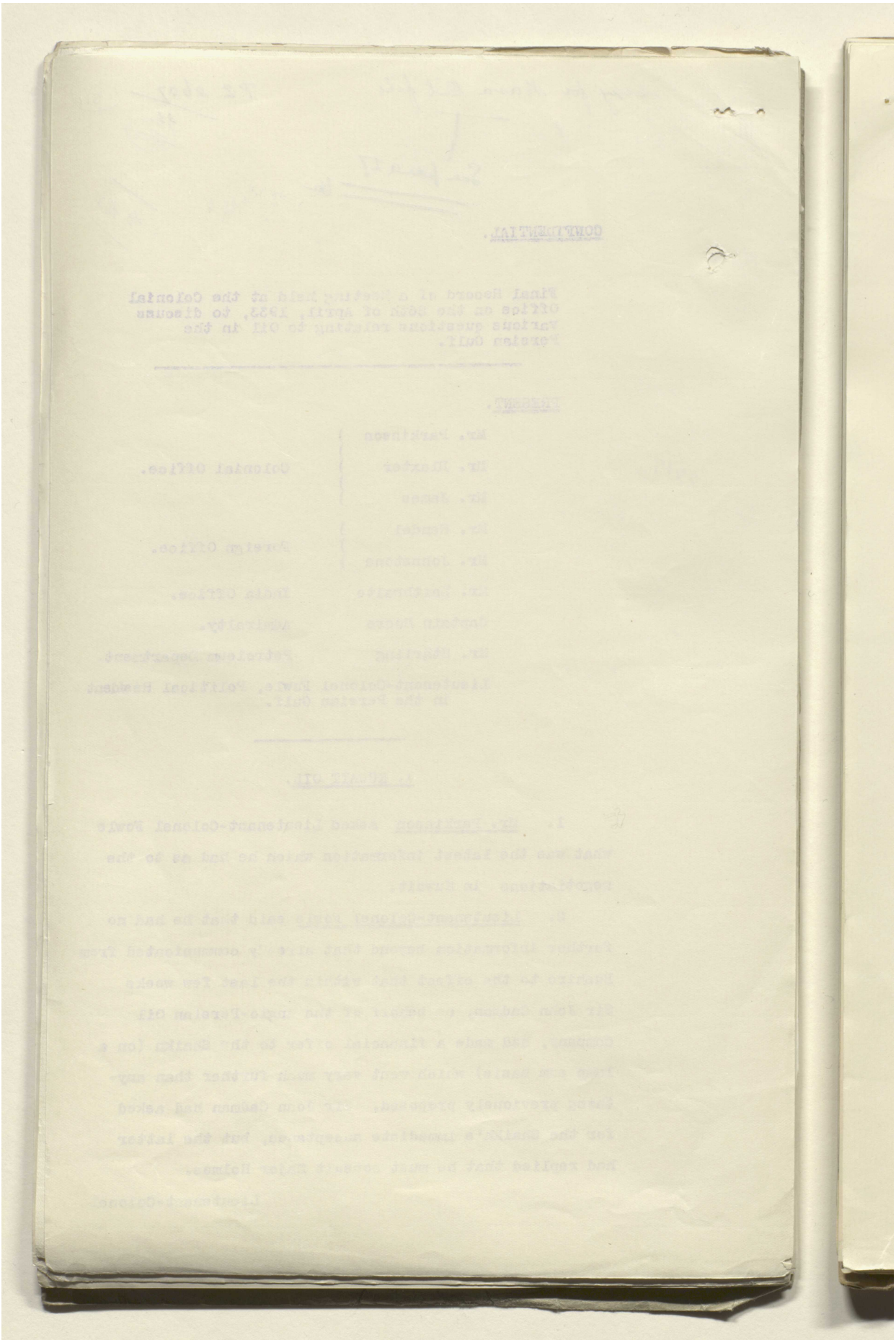

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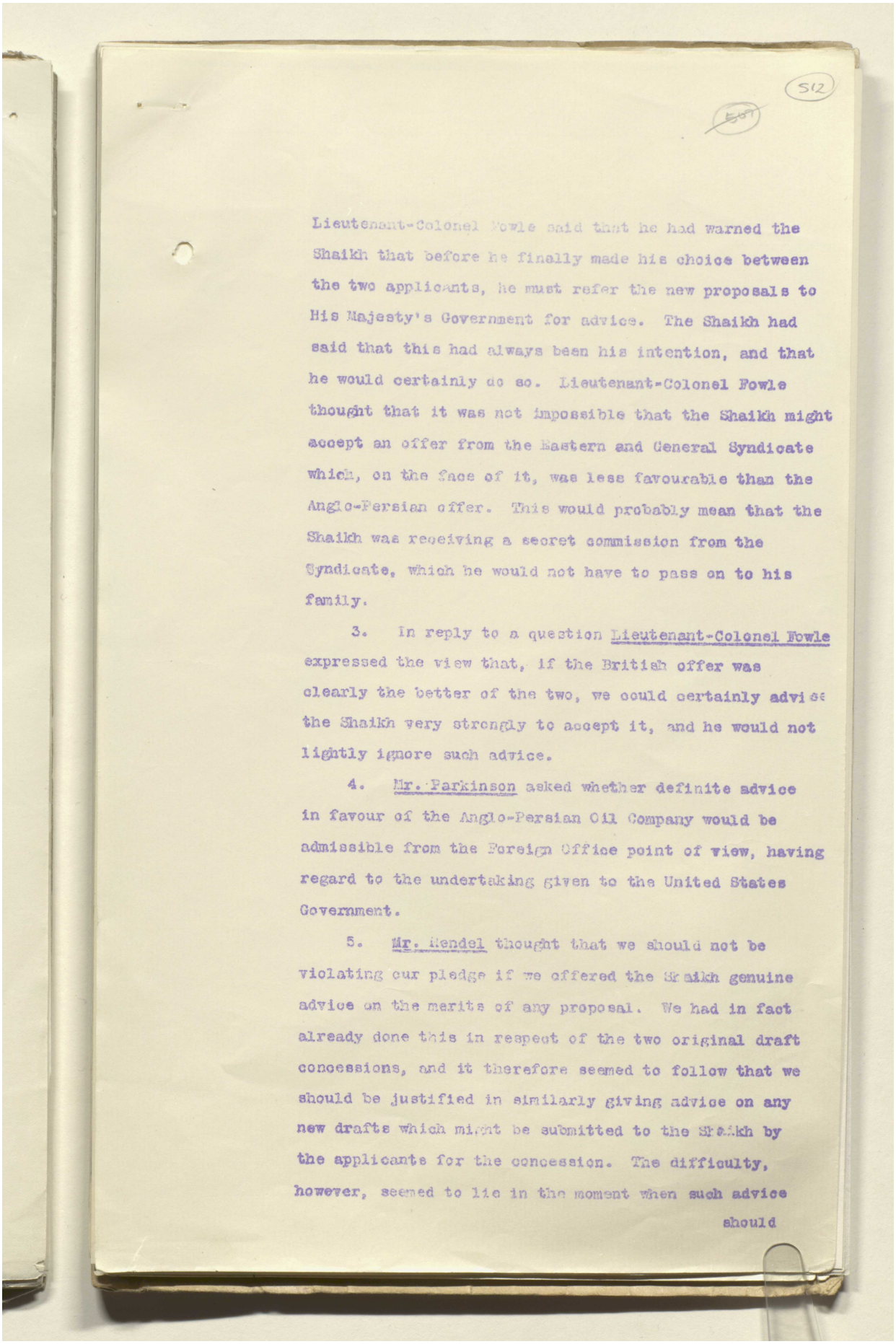

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Lieutenant-Colonel Fowle said that he had warned the Shaikh that before he finally made his choice between the two applicants, he must refer the new proposals to His Majesty's Government for advice. The Shaikh had said that this had always been his intention, and that he would certainly do so. Lieutenant-Colonel Fowle thought that it was not impossible that the Shaikh might accept an offer from the Eastern and General Syndicate which, on the face of it, was less favourable than the Anglo-Persian offer. This would probably mean that the Shaikh was receiving a secret commission from the Syndicate, which he would not have to pass on to his family.

3. In reply to a question Lieutenant-Colonel Fowle expressed the view that, if the British offer was clearly the better of the two, we could certainly advise the Shaikh very strongly to accept it, and he would not lightly ignore such advice.

4. Mr. Parkinson asked whether definite advice in favour of the Anglo-Persian Oil Company would be admissible from the Foreign Office point of view, having regard to the undertaking given to the United States Government.

5. Mr. Mendel thought that we should not be violating our pledge if we offered the Shaikh genuine advice on the merits of any proposal. We had in fact already done this in respect of the two original draft concessions, and it therefore seemed to follow that we should be justified in similarly giving advice on any new drafts which might be submitted to the Shaikh by the applicants for the concession. The difficulty, however, seemed to lie in the moment when such advice should

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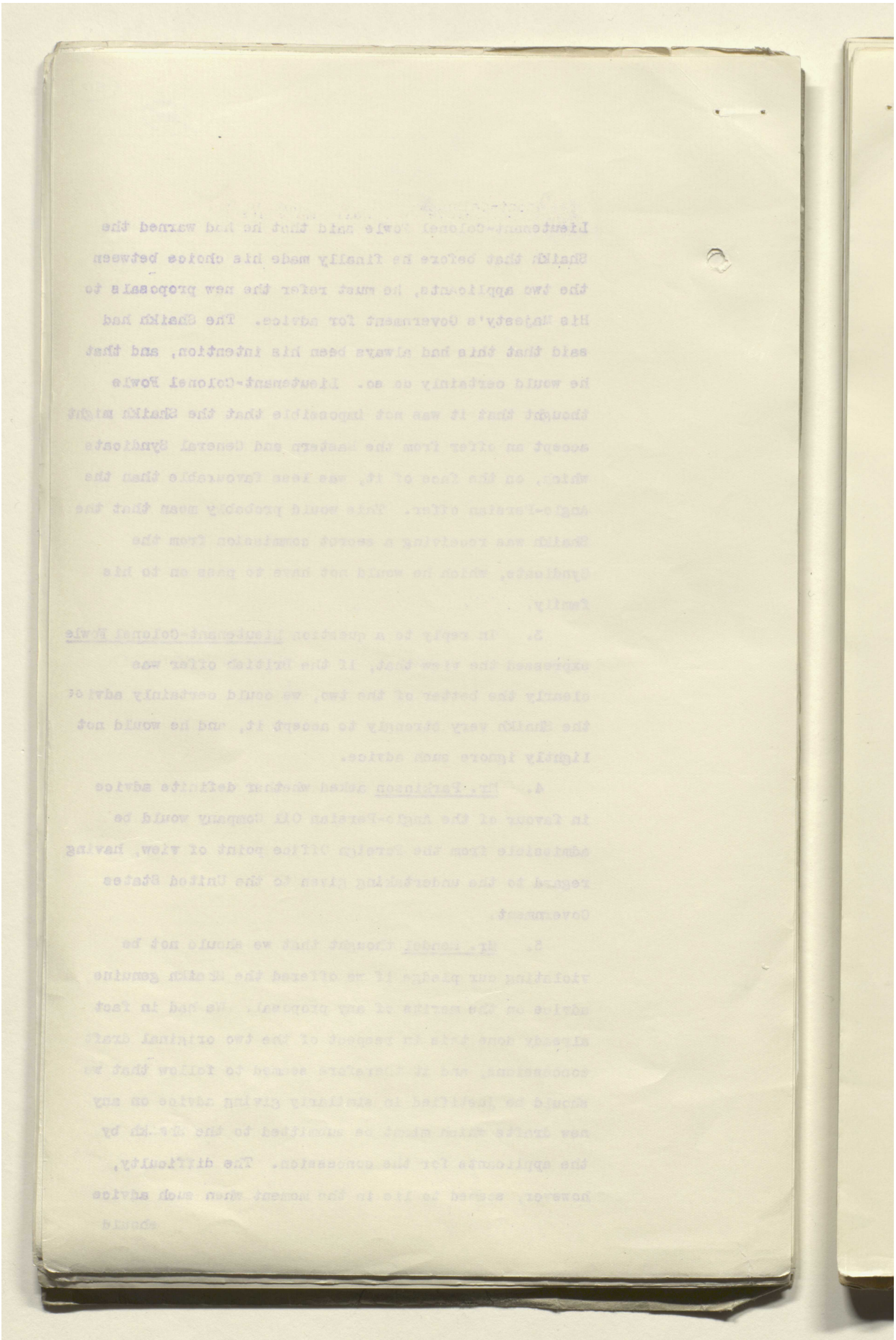

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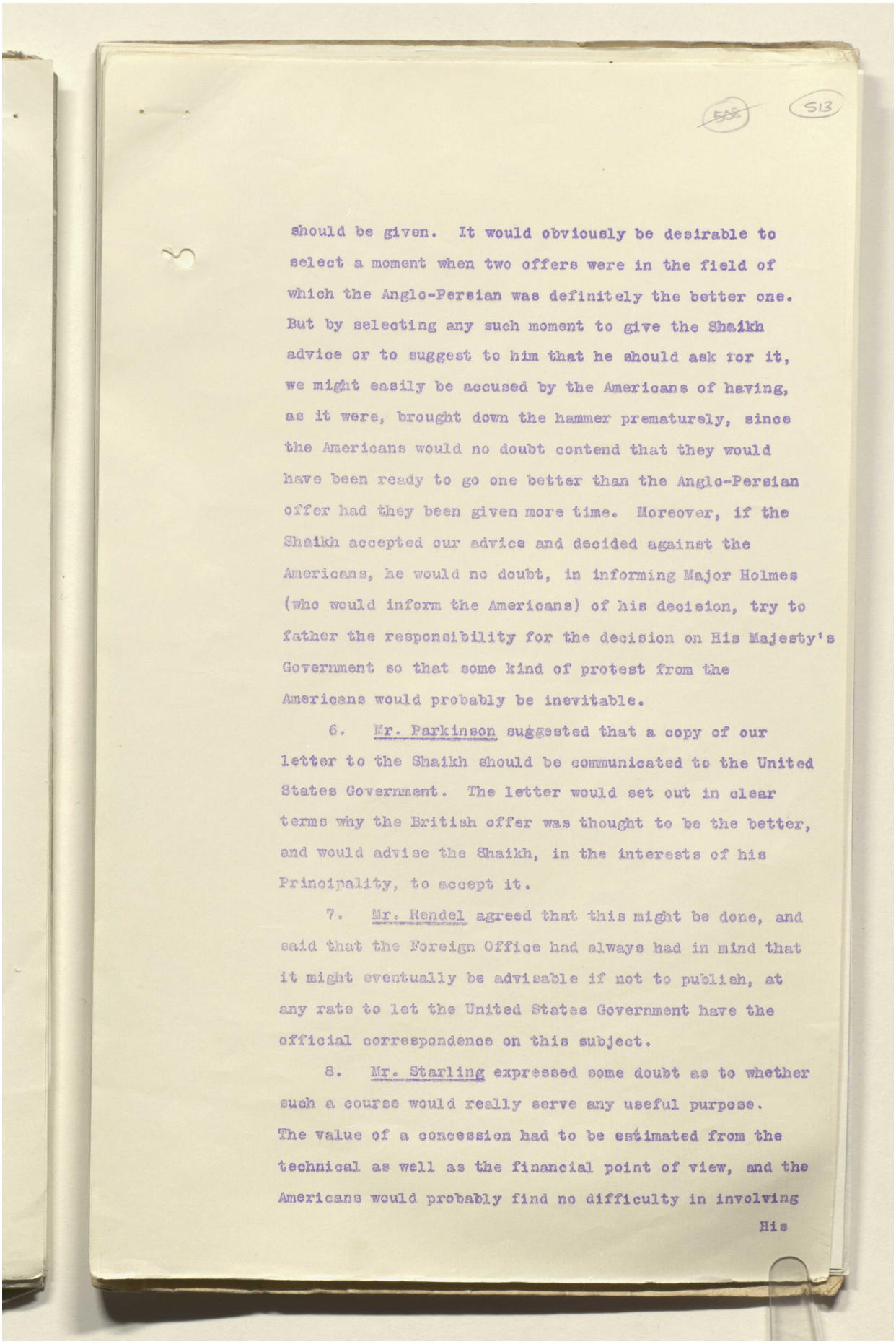

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should be given. It would obviously be desirable to select a moment when two offers were in the field of which the Anglo-Persian was definitely the better one. But by selecting any such moment to give the Shaikh advice or to suggest to him that he should ask for it, we might easily be accused by the Americans of having, as it were, brought down the hammer prematurely, since the Americans would no doubt contend that they would have been ready to go one better than the Anglo-Persian offer had they been given more time. Moreover, if the Shaikh accepted our advice and decided against the Americans, he would no doubt, in informing Major Holmes (who would inform the Americans) of his decision, try to father the responsibility for the decision on His Majesty's Government so that some kind of protest from the Americans would probably be inevitable.

6. Mr. Parkinson suggested that a copy of our letter to the Shaikh should be communicated to the United States Government. The letter would set out in clear terms why the British offer was thought to be the better, and would advise the Shaikh, in the interests of his Principality, to accept it.

7. Mr. Rendel agreed that this might be done, and said that the Foreign Office had always had in mind that it might eventually be advisable if not to publish, at any rate to let the United States Government have the official correspondence on this subject.

8. Mr. Starling expressed some doubt as to whether such a course would really serve any useful purpose. The value of a concession had to be estimated from the technical as well as the financial point of view, and the Americans would probably find no difficulty in involving

His

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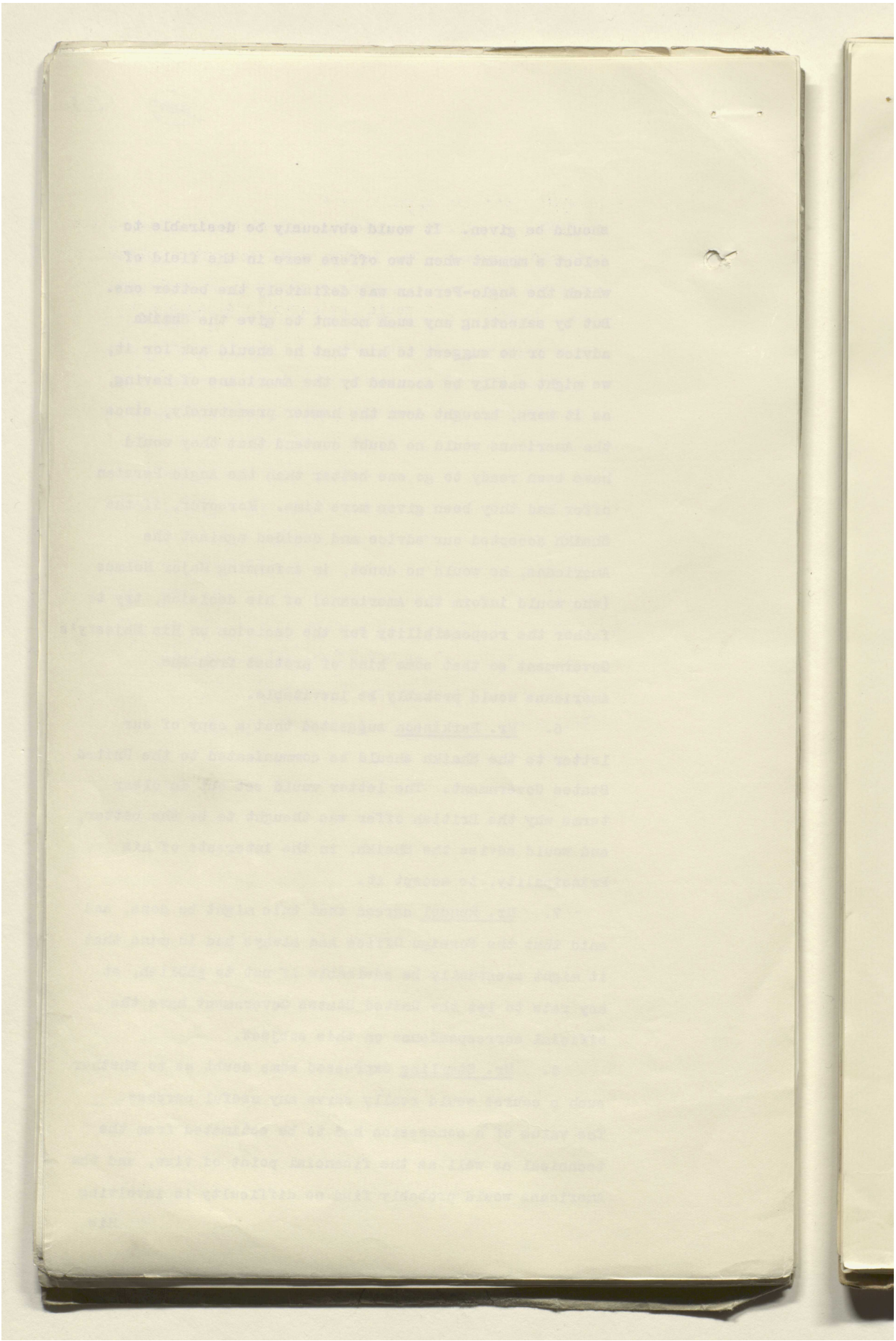

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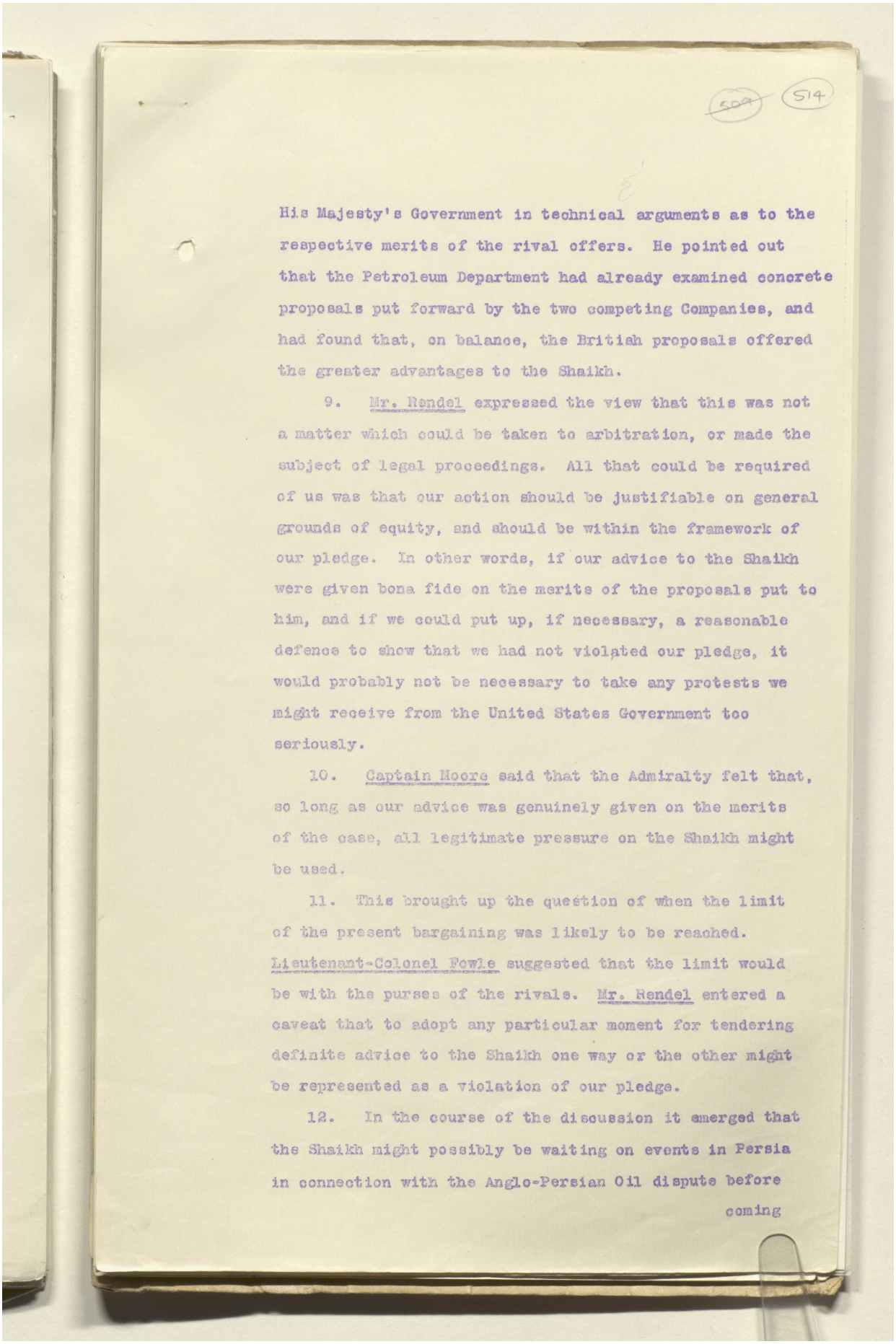

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His Majesty's Government in technical arguments as to the respective merits of the rival offers. He pointed out that the Petroleum Department had already examined concrete proposals put forward by the two competing Companies, and had found that, on balance, the British proposals offered the greater advantages to the Shaikh.

9. Mr. Rendel expressed the view that this was not a matter which could be taken to arbitration, or made the subject of legal proceedings. All that could be required of us was that our action should be justifiable on general grounds of equity, and should be within the framework of our pledge. In other words, if our advice to the Shaikh were given bona fide on the merits of the proposals put to him, and if we could put up, if necessary, a reasonable defence to show that we had not violated our pledge, it would probably not be necessary to take any protests we might receive from the United States Government too seriously.

10. Captain Moore said that the Admiralty felt that, so long as our advice was genuinely given on the merits of the case, all legitimate pressure on the Shaikh might be used.

11. This brought up the question of when the limit of the present bargaining was likely to be reached. Lieutenant-Colonel Fowle suggested that the limit would be with the purses of the rivals. Mr. Rendel entered a caveat that to adopt any particular moment for tendering definite advice to the Shaikh one way or the other might be represented as a violation of our pledge.

12. In the course of the discussion it emerged that the Shaikh might possibly be waiting on events in Persia in connection with the Anglo-Persian Oil dispute before coming

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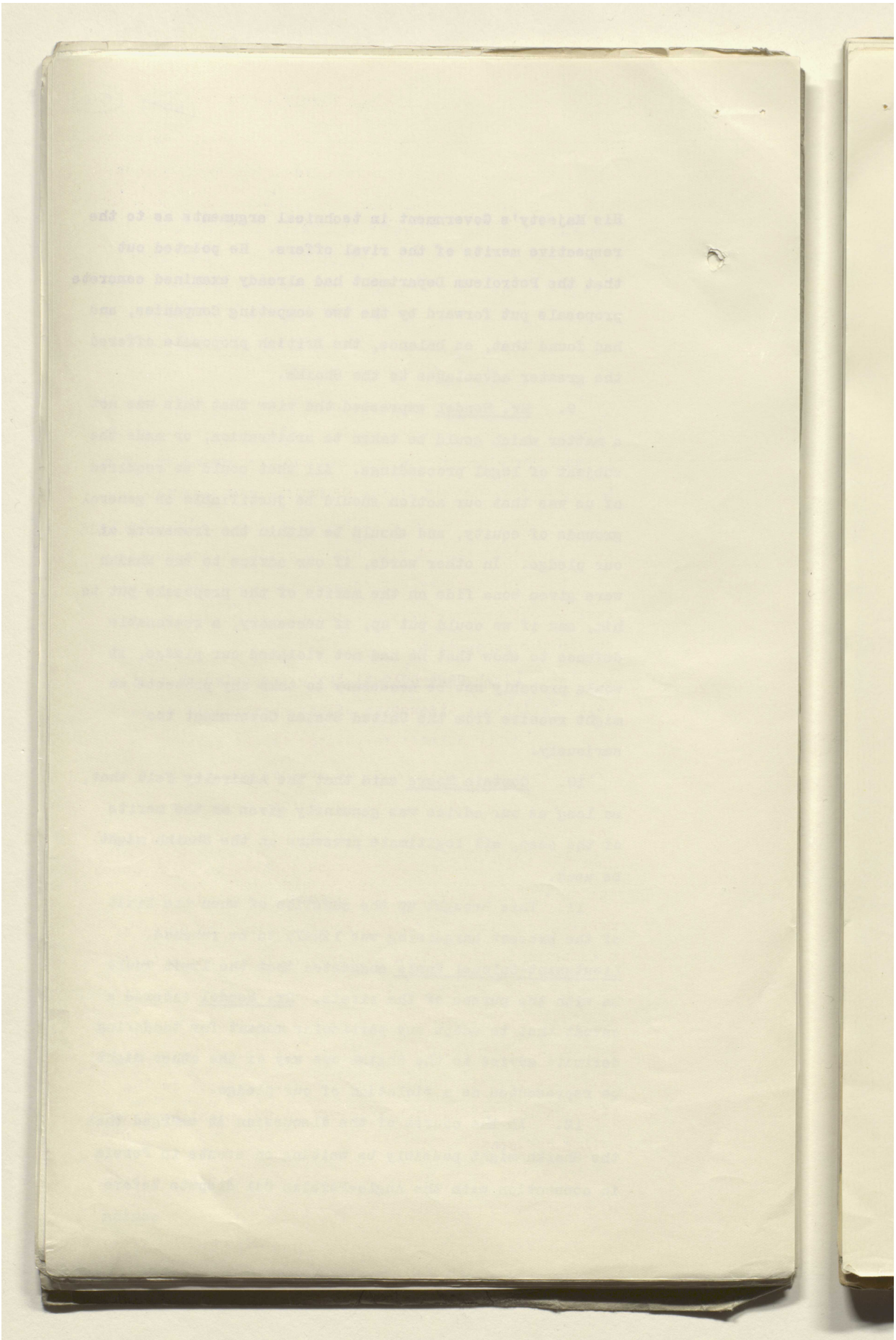

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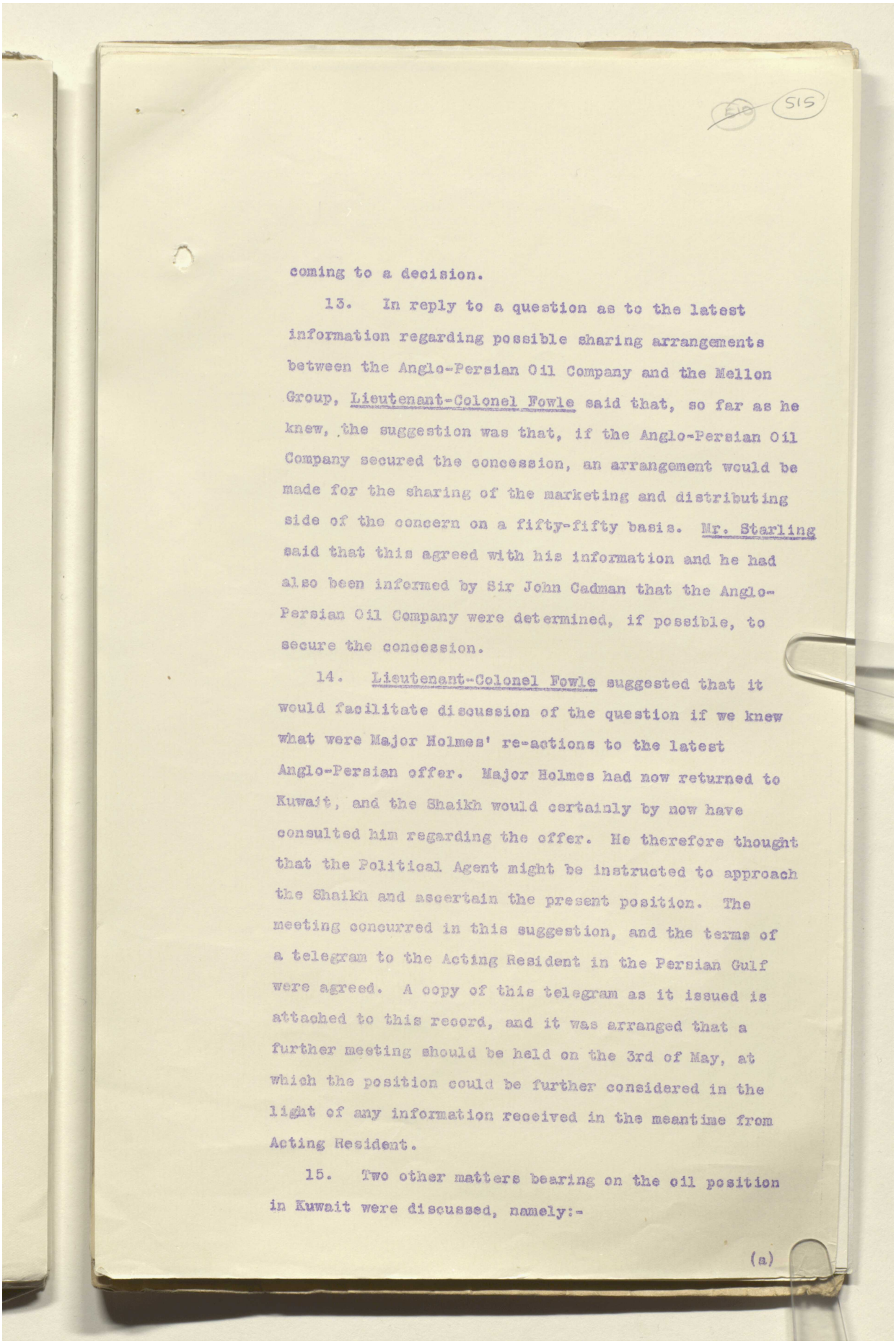

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coming to a decision.

13. In reply to a question as to the latest information regarding possible sharing arrangements between the Anglo-Persian Oil Company and the Mellon Group, Lieutenant-Colonel Fowle said that, so far as he knew, the suggestion was that, if the Anglo-Persian Oil Company secured the concession, an arrangement would be made for the sharing of the marketing and distributing side of the concern on a fifty-fifty basis. Mr. Starling said that this agreed with his information and he had also been informed by Sir John Cadman that the Anglo-Persian Oil Company were determined, if possible, to secure the concession.

14. Lieutenant-Colonel Fowle suggested that it would facilitate discussion of the question if we knew what were Major Holmes' re-actions to the latest Anglo-Persian offer. Major Holmes had now returned to Kuwait, and the Shaikh would certainly by now have consulted him regarding the offer. He therefore thought that the Political Agent might be instructed to approach the Shaikh and ascertain the present position. The meeting concurred in this suggestion, and the terms of a telegram to the Acting Resident in the Persian Gulf were agreed. A copy of this telegram as it issued is attached to this record, and it was arranged that a further meeting should be held on the 3rd of May, at which the position could be further considered in the light of any information received in the meantime from Acting Resident.

15. Two other matters bearing on the oil position in Kuwait were discussed, namely:-

(a)

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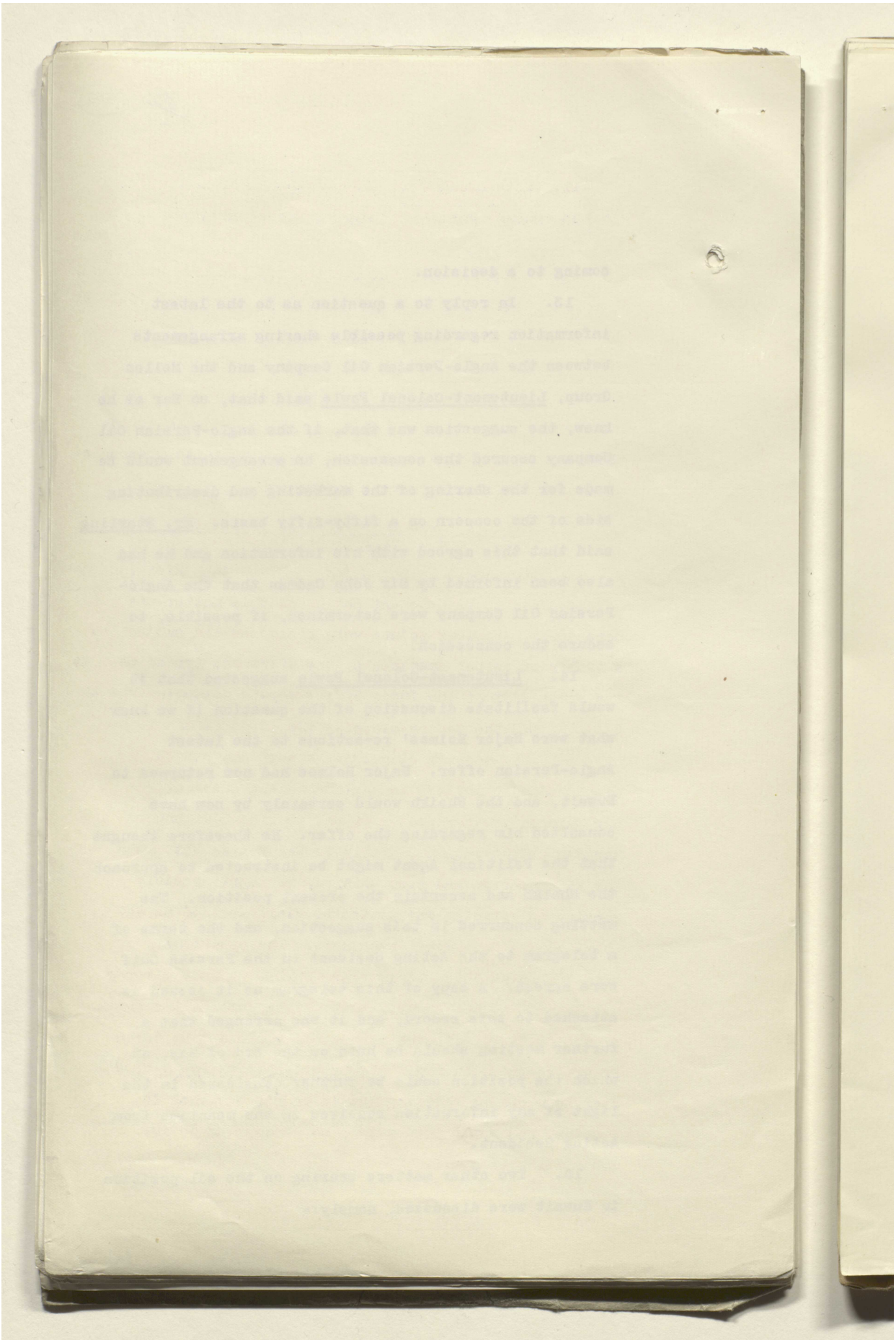

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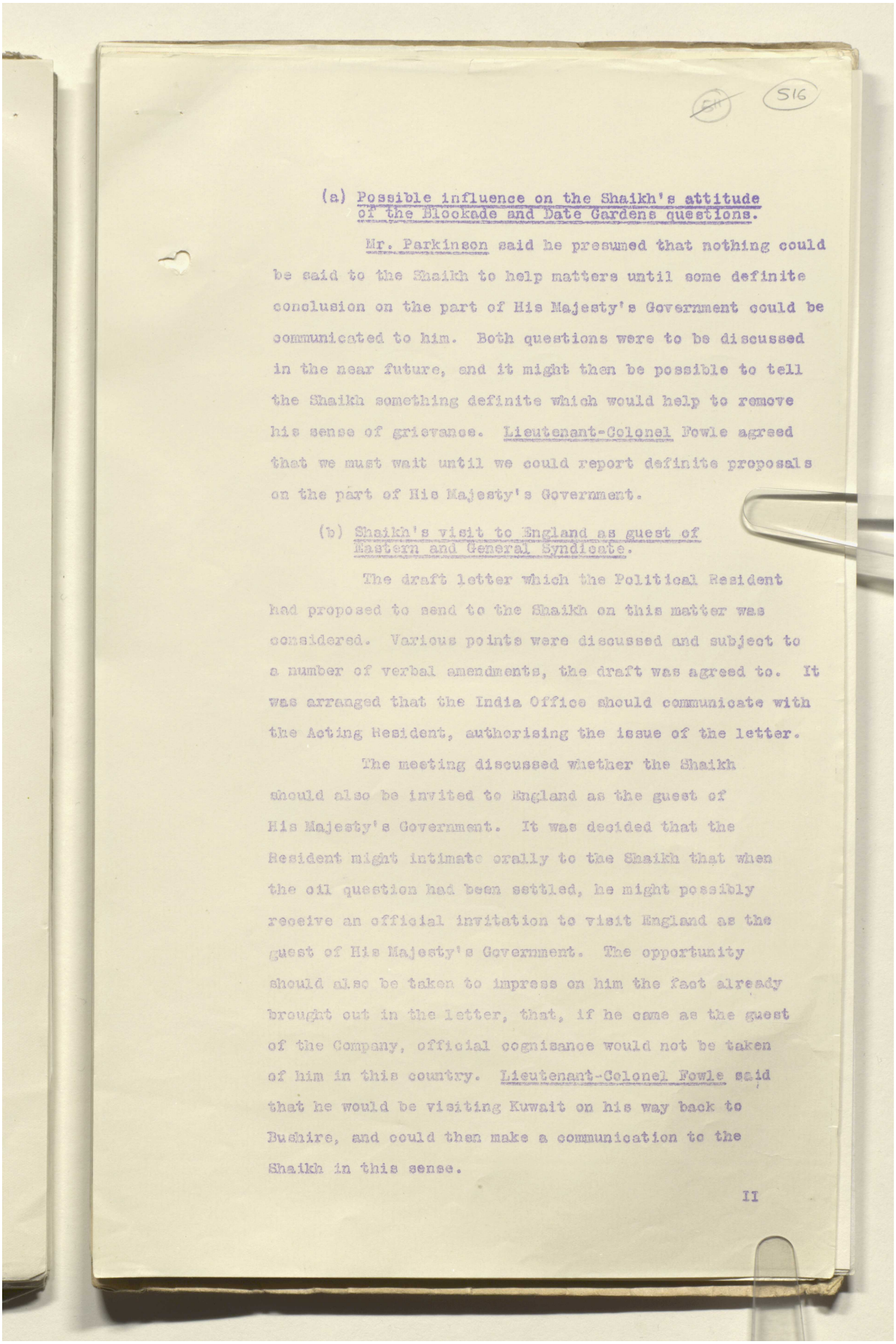

(a) Possible influence on the Shaikh's attitude of the Blockade and Date Gardens questions.

Mr. Parkinson said he presumed that nothing could be said to the Shaikh to help matters until some definite conclusion on the part of His Majesty's Government could be communicated to him. Both questions were to be discussed in the near future, and it might then be possible to tell the Shaikh something definite which would help to remove his sense of grievance. Lieutenant-Colonel Fowle agreed that we must wait until we could report definite proposals on the part of His Majesty's Government.

(b) Shaikh's visit to England as guest of Eastern and General Syndicate.

The draft letter which the Political Resident had proposed to send to the Shaikh on this matter was considered. Various points were discussed and subject to a number of verbal amendments, the draft was agreed to. It was arranged that the India Office should communicate with the Acting Resident, authorising the issue of the letter.

The meeting discussed whether the Shaikh should also be invited to England as the guest of His Majesty's Government. It was decided that the Resident might intimate orally to the Shaikh that when the oil question had been settled, he might possibly receive an official invitation to visit England as the guest of His Majesty's Government. The opportunity should also be taken to impress on him the fact already brought out in the letter, that, if he came as the guest of the Company, official cognisance would not be taken of him in this country. Lieutenant-Colonel Fowle said that he would be visiting Kuwait on his way back to Bushire, and could then make a communication to the Shaikh in this sense.

II

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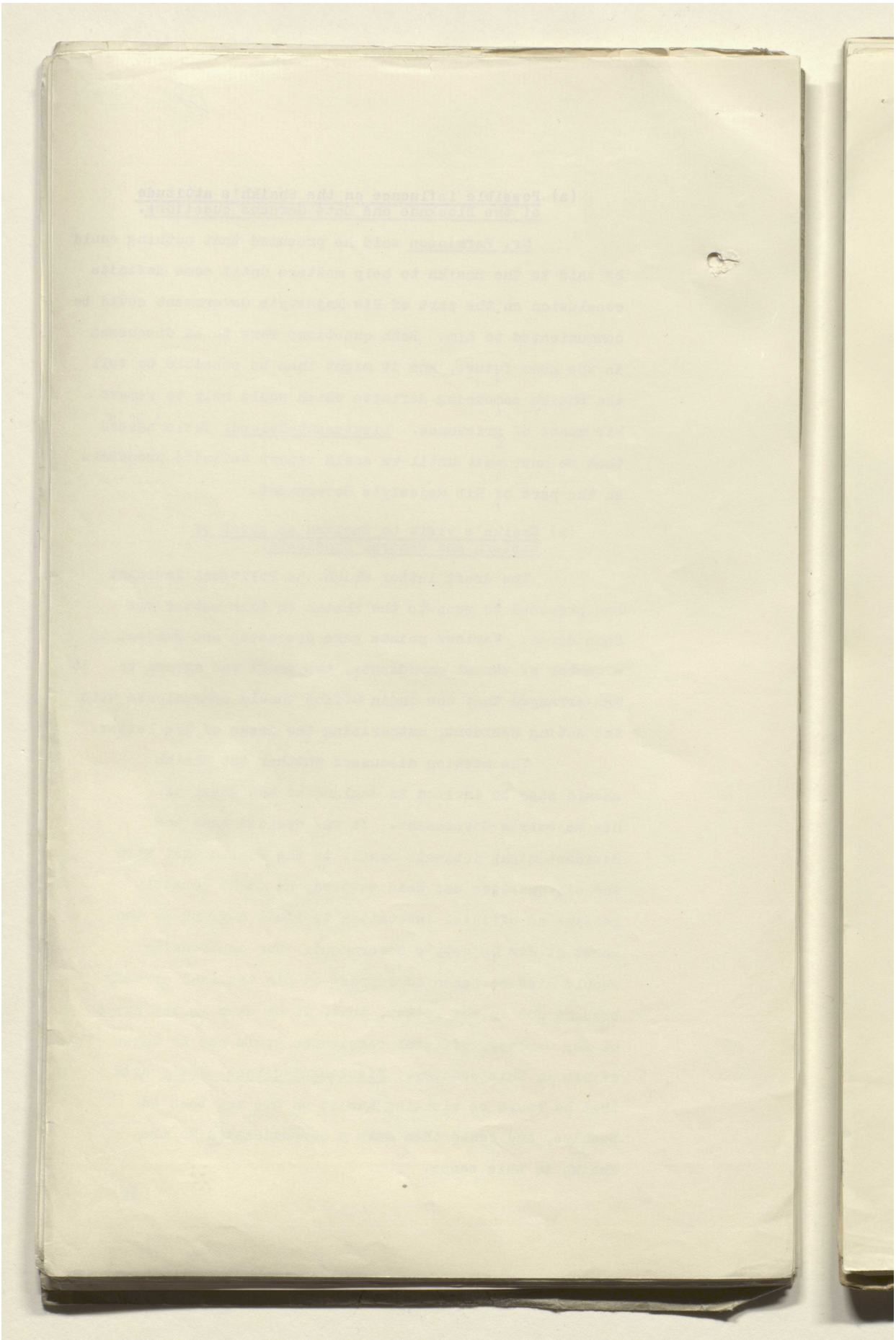

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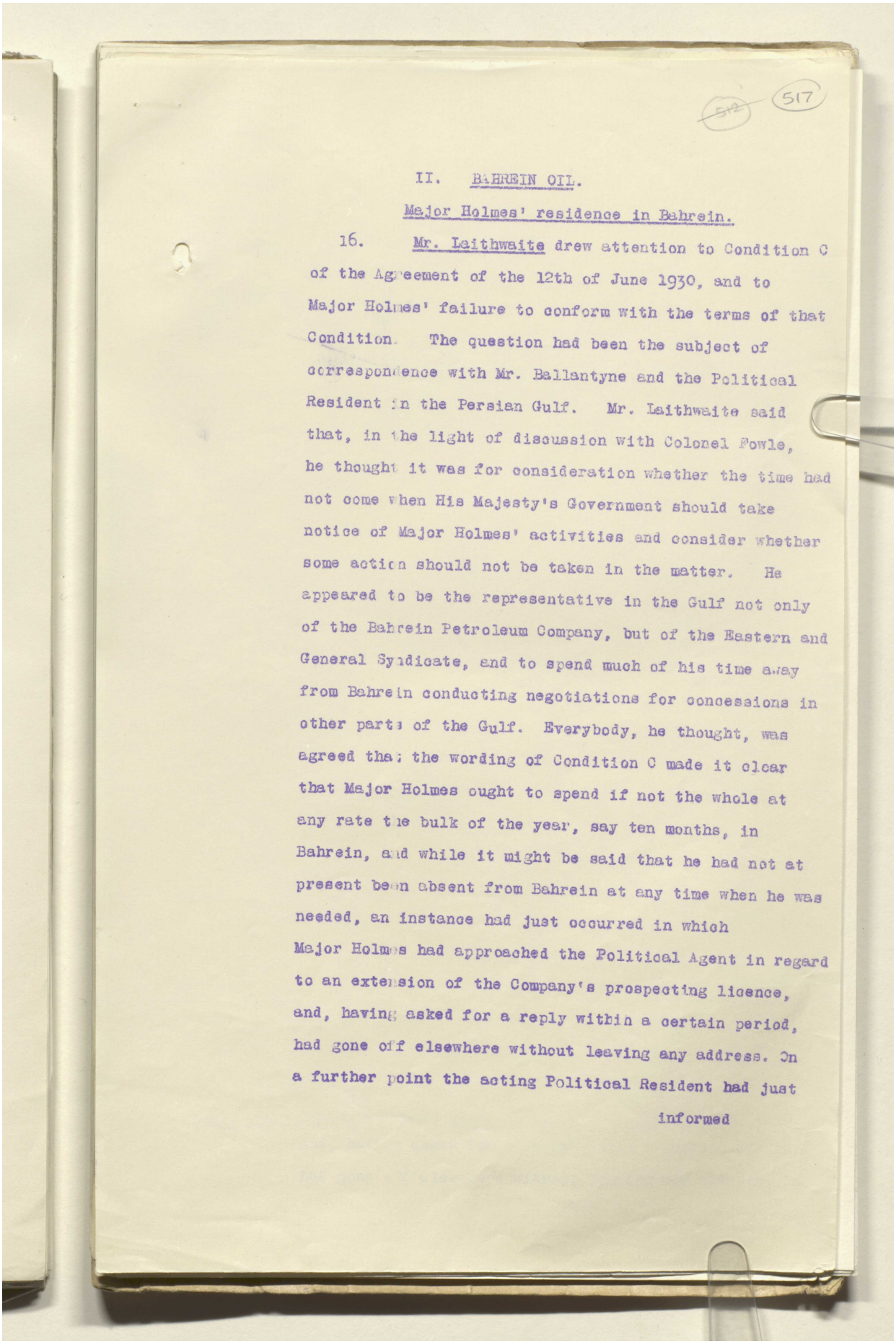

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II. BAHREIN OIL.

Major Holmes' residence in Bahrein.

16. Mr. Laithwaite drew attention to Condition C of the Agreement of the 12th of June 1930, and to Major Holmes' failure to conform with the terms of that Condition. The question had been the subject of correspondence with Mr. Ballantyne and the Political Resident in the Persian Gulf. Mr. Laithwaite said that, in the light of discussion with Colonel Fowle, he thought it was for consideration whether the time had not come when His Majesty's Government should take notice of Major Holmes' activities and consider whether some action should not be taken in the matter. He appeared to be the representative in the Gulf not only of the Bahrein Petroleum Company, but of the Eastern and General Syndicate, and to spend much of his time away from Bahrein conducting negotiations for concessions in other parts of the Gulf. Everybody, he thought, was agreed that the wording of Condition C made it clear that Major Holmes ought to spend if not the whole at any rate the bulk of the year, say ten months, in Bahrein, and while it might be said that he had not at present been absent from Bahrein at any time when he was needed, an instance had just occurred in which Major Holmes had approached the Political Agent in regard to an extension of the Company's prospecting licence, and, having asked for a reply within a certain period, had gone off elsewhere without leaving any address. On a further point the acting Political Resident had just

informed

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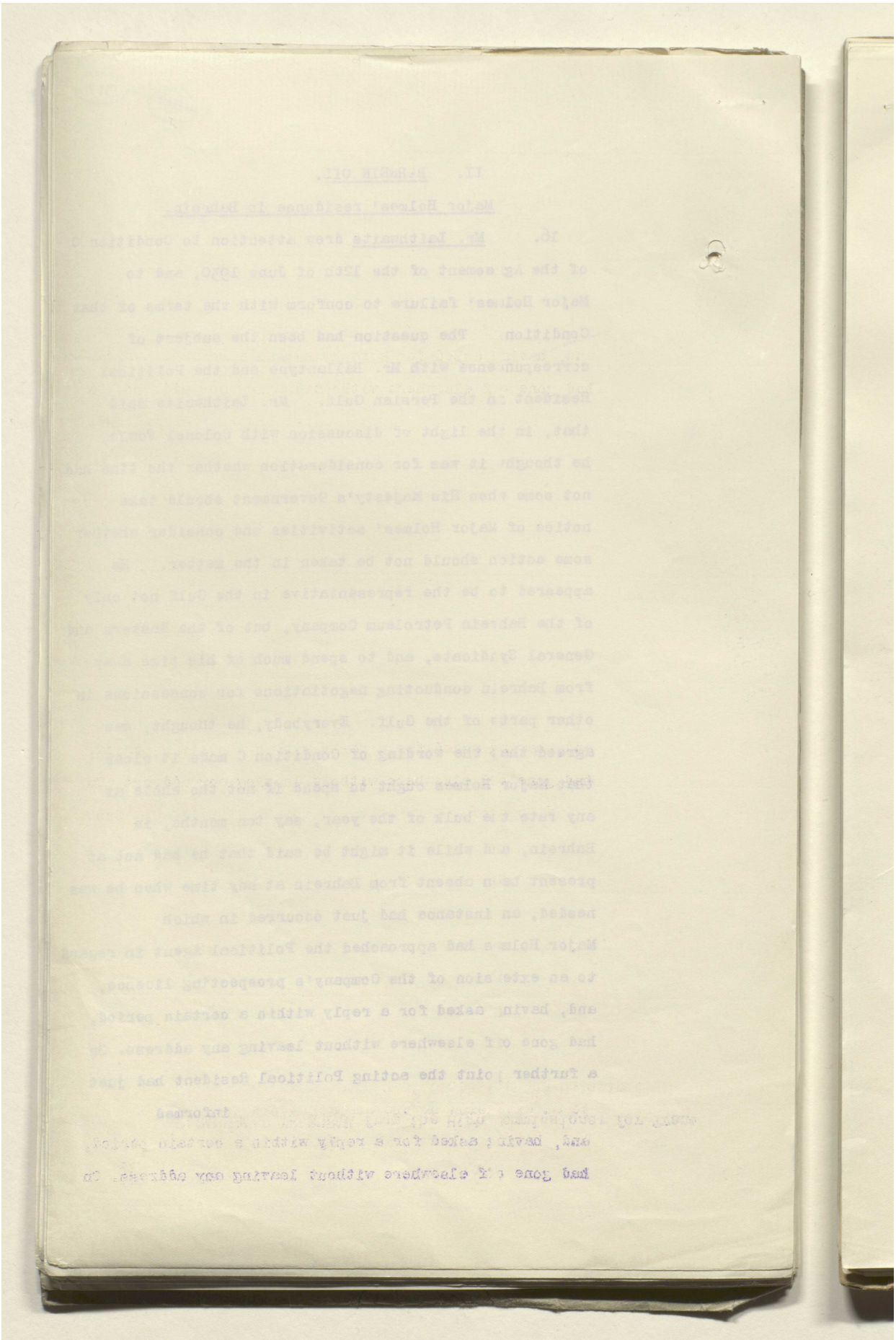

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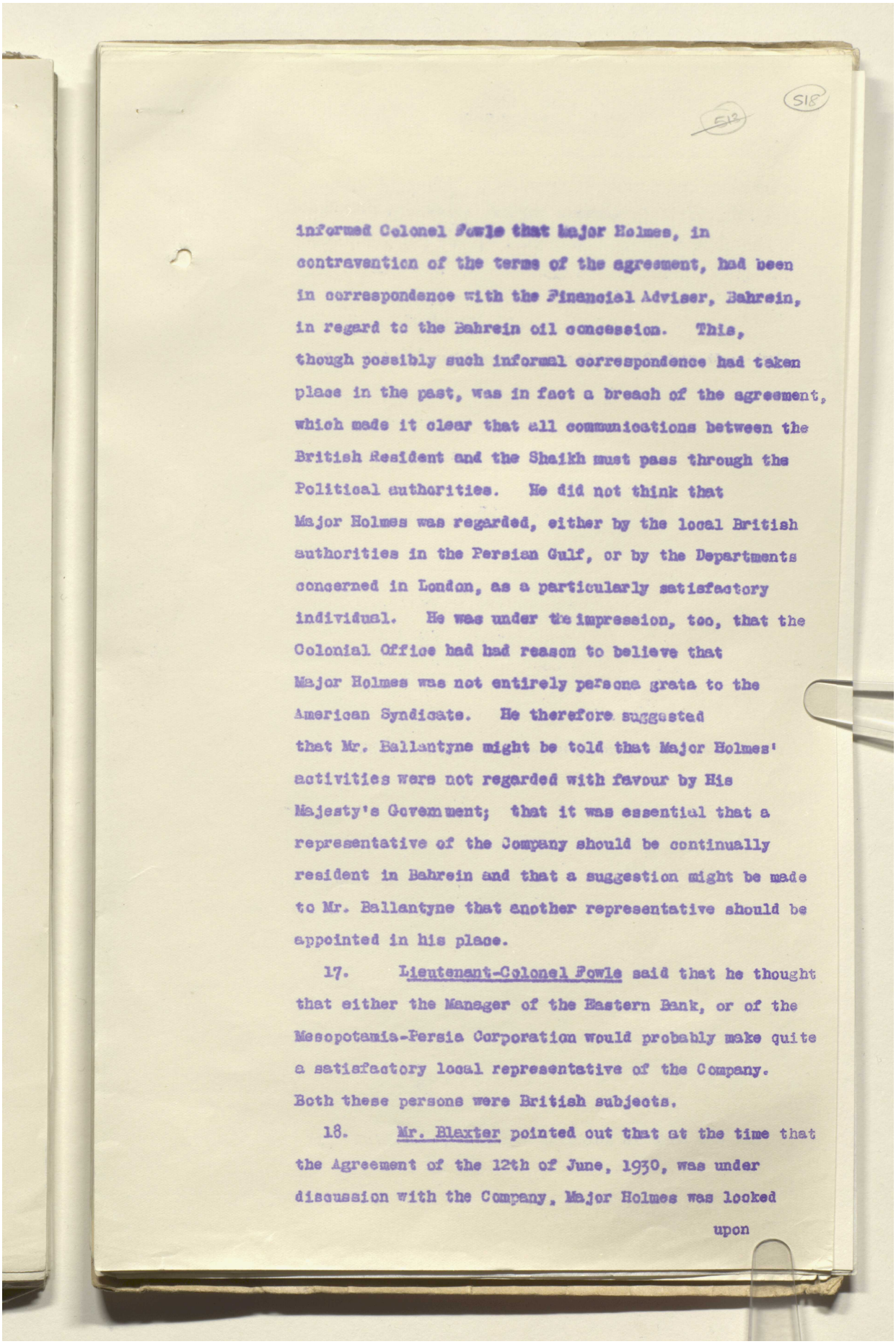

informed Colonel Fowle that Major Holmes, in contravention of the terms of the agreement, had been in correspondence with the Financial Adviser, Bahrein, in regard to the Bahrein oil concession. This, though possibly such informal correspondence had taken place in the past, was in fact a breach of the agreement, which made it clear that all communications between the British Resident and the Shaikh must pass through the Political authorities. He did not think that Major Holmes was regarded, either by the local British authorities in the Persian Gulf, or by the Departments concerned in London, as a particularly satisfactory individual. He was under the impression, too, that the Colonial Office had had reason to believe that Major Holmes was not entirely persona grata to the American Syndicate. He therefore suggested that Mr. Ballantyne might be told that Major Holmes' activities were not regarded with favour by His Majesty's Government; that it was essential that a representative of the Company should be continually resident in Bahrein and that a suggestion might be made to Mr. Ballantyne that another representative should be appointed in his place.

17. Lieutenant-Colonel Fowle said that he thought that either the Manager of the Eastern Bank, or of the Mesopotamia-Persia Corporation would probably make quite a satisfactory local representative of the Company. Both these persons were British subjects.

18. Mr. Baxter pointed out that at the time that the Agreement of the 12th of June, 1930, was under discussion with the Company, Major Holmes was looked upon

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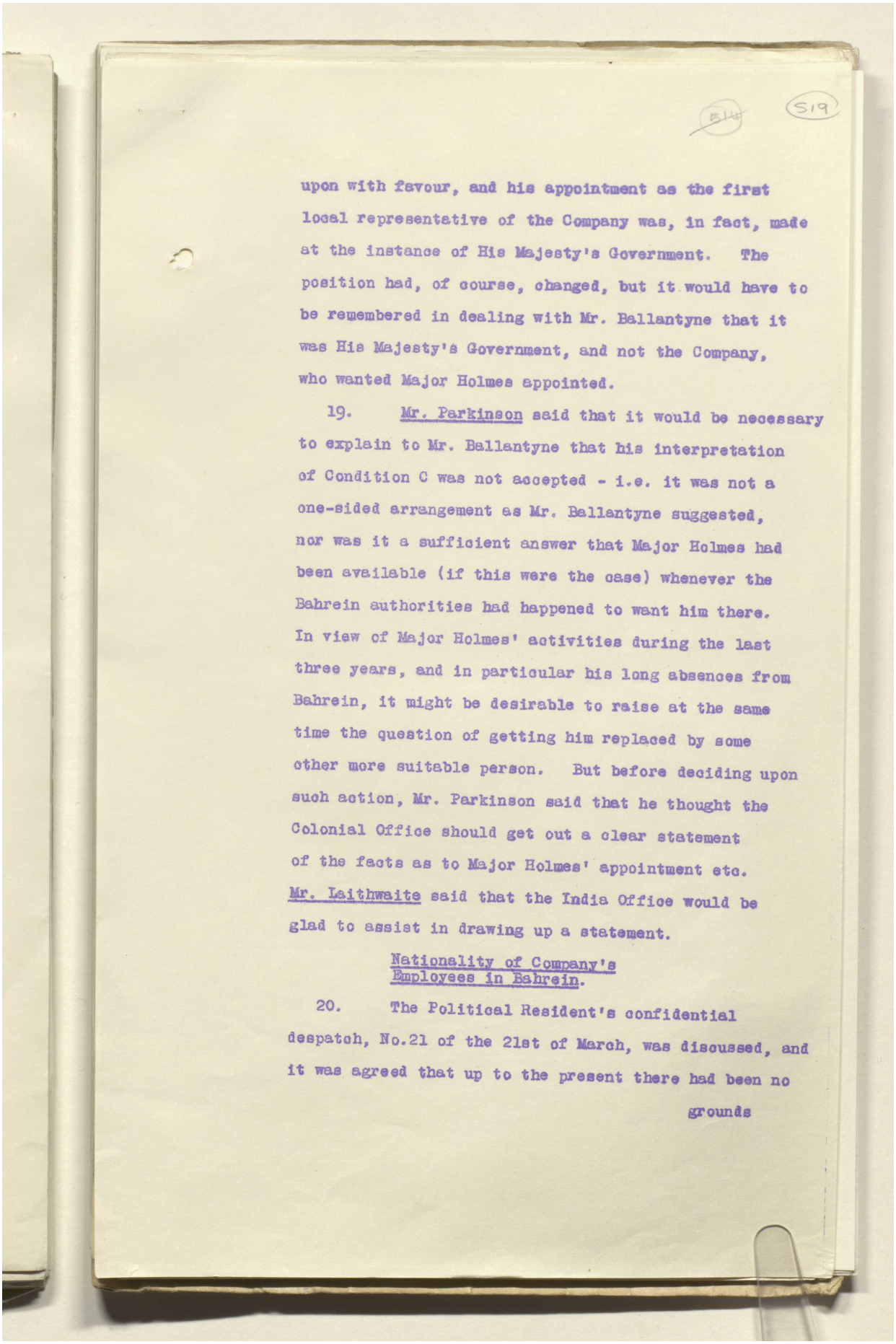

upon with favour, and his appointment as the first local representative of the Company was, in fact, made at the instance of His Majesty's Government. The position had, of course, changed, but it would have to be remembered in dealing with Mr. Ballantyne that it was His Majesty's Government, and not the Company, who wanted Major Holmes appointed.

19. Mr. Parkinson said that it would be necessary to explain to Mr. Ballantyne that his interpretation of Condition C was not accepted - i.e. it was not a one-sided arrangement as Mr. Ballantyne suggested, nor was it a sufficient answer that Major Holmes had been available (if this were the case) whenever the Bahrein authorities had happened to want him there. In view of Major Holmes' activities during the last three years, and in particular his long absences from Bahrein, it might be desirable to raise at the same time the question of getting him replaced by some other more suitable person. But before deciding upon such action, Mr. Parkinson said that he thought the Colonial Office should get out a clear statement of the facts as to Major Holmes' appointment etc. Mr. Laithwaite said that the India Office would be glad to assist in drawing up a statement.

Nationality of Company's Employees in Bahrein.

20. The Political Resident's confidential despatch, No.21 of the 21st of March, was discussed, and it was agreed that up to the present there had been no

grounds

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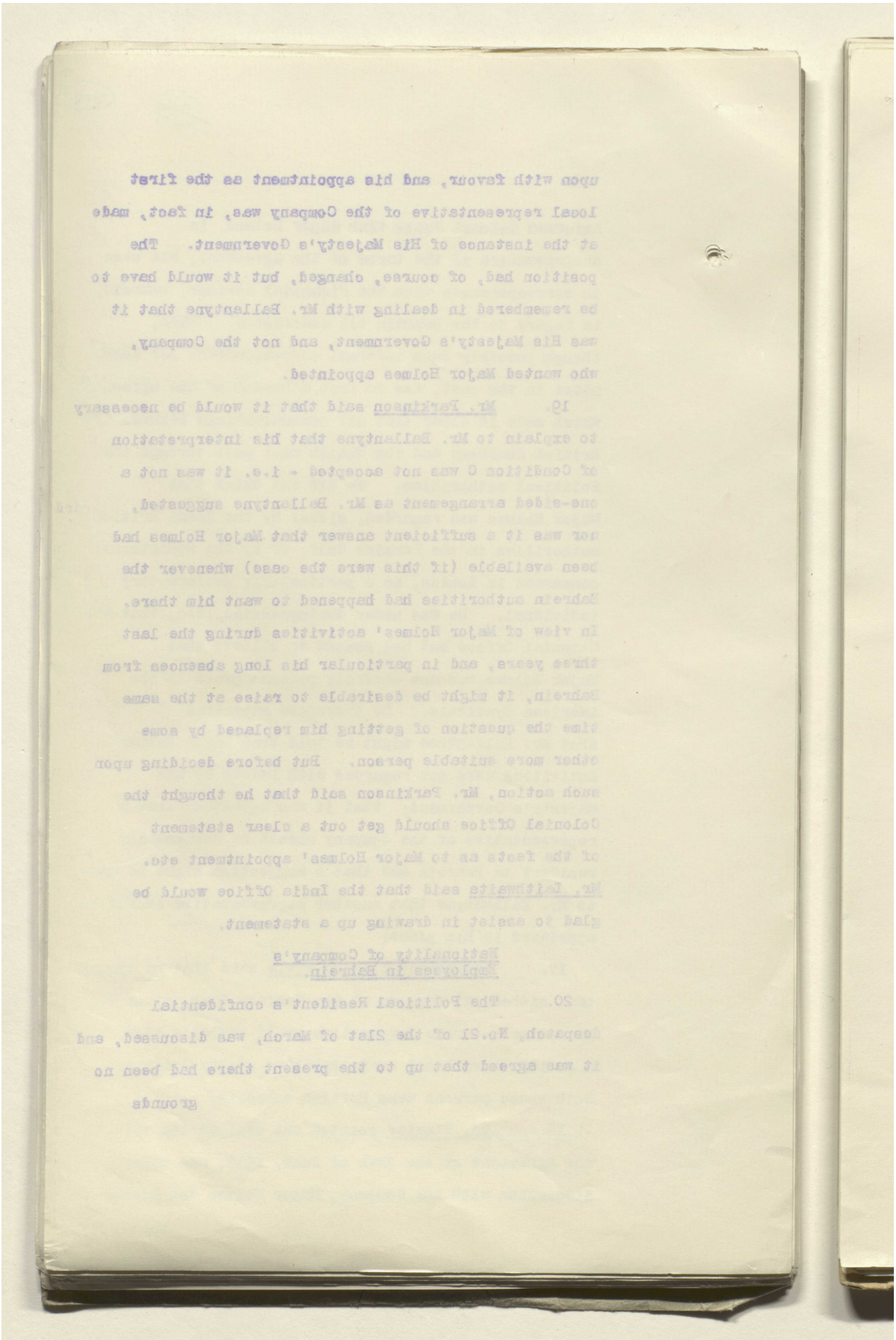

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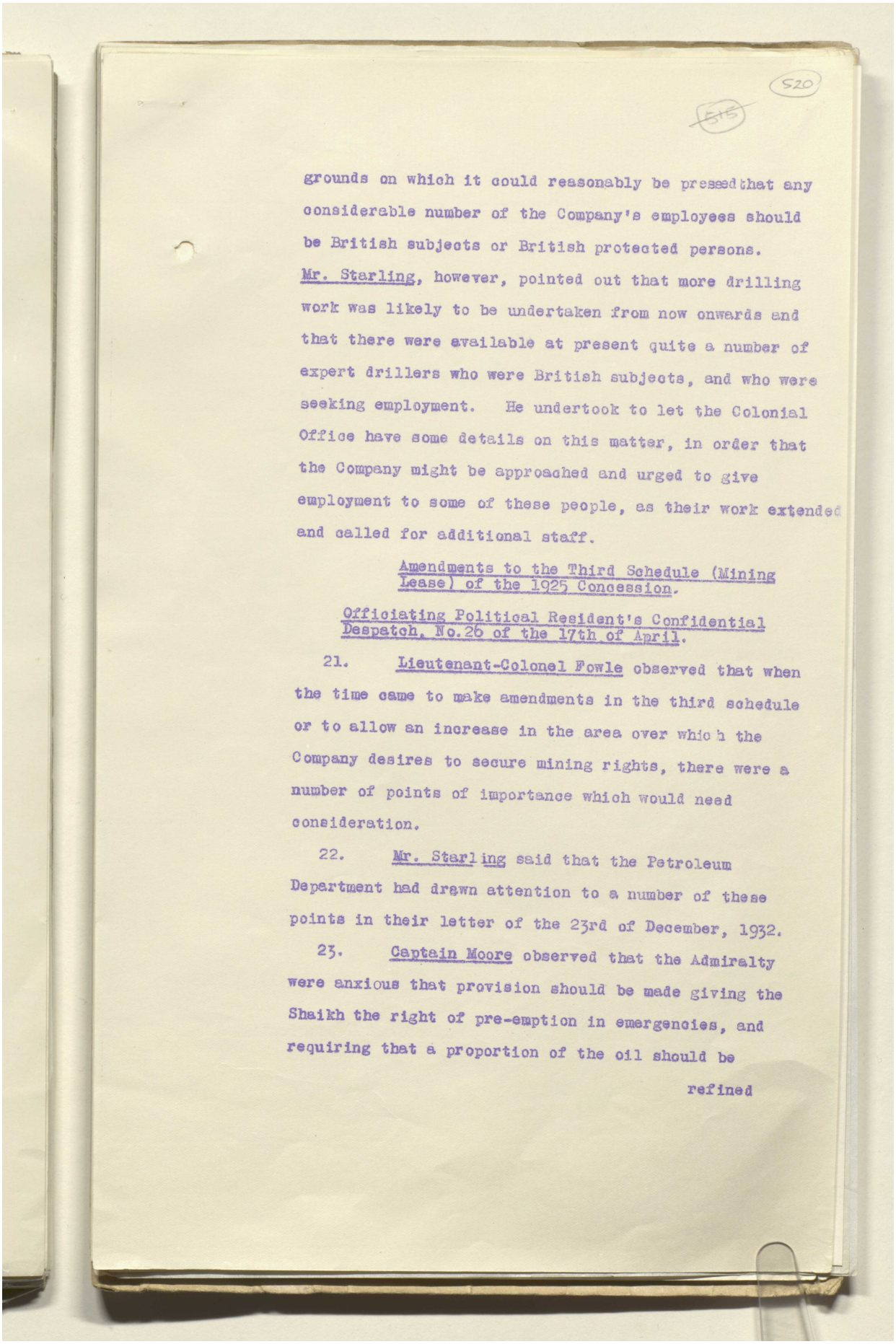

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grounds on which it could reasonably be pressed that any considerable number of the Company's employees should be British subjects or British protected persons. Mr. Starling, however, pointed out that more drilling work was likely to be undertaken from now onwards and that there were available at present quite a number of expert drillers who were British subjects, and who were seeking employment. He undertook to let the Colonial Office have some details on this matter, in order that the Company might be approached and urged to give employment to some of these people, as their work extended and called for additional staff.

Amendments to the Third Schedule (Mining Lease) of the 1925 Concession.

Officiating Political Resident's Confidential Despatch, No.26 of the 17th of April.

21. Lieutenant-Colonel Fowle observed that when the time came to make amendments in the third schedule or to allow an increase in the area over which the Company desires to secure mining rights, there were a number of points of importance which would need consideration.

22. Mr. Starling said that the Petroleum Department had drawn attention to a number of these points in their letter of the 23rd of December, 1932.

23. Captain Moore observed that the Admiralty were anxious that provision should be made giving the Shaikh the right of pre-emption in emergencies, and requiring that a proportion of the oil should be

refined

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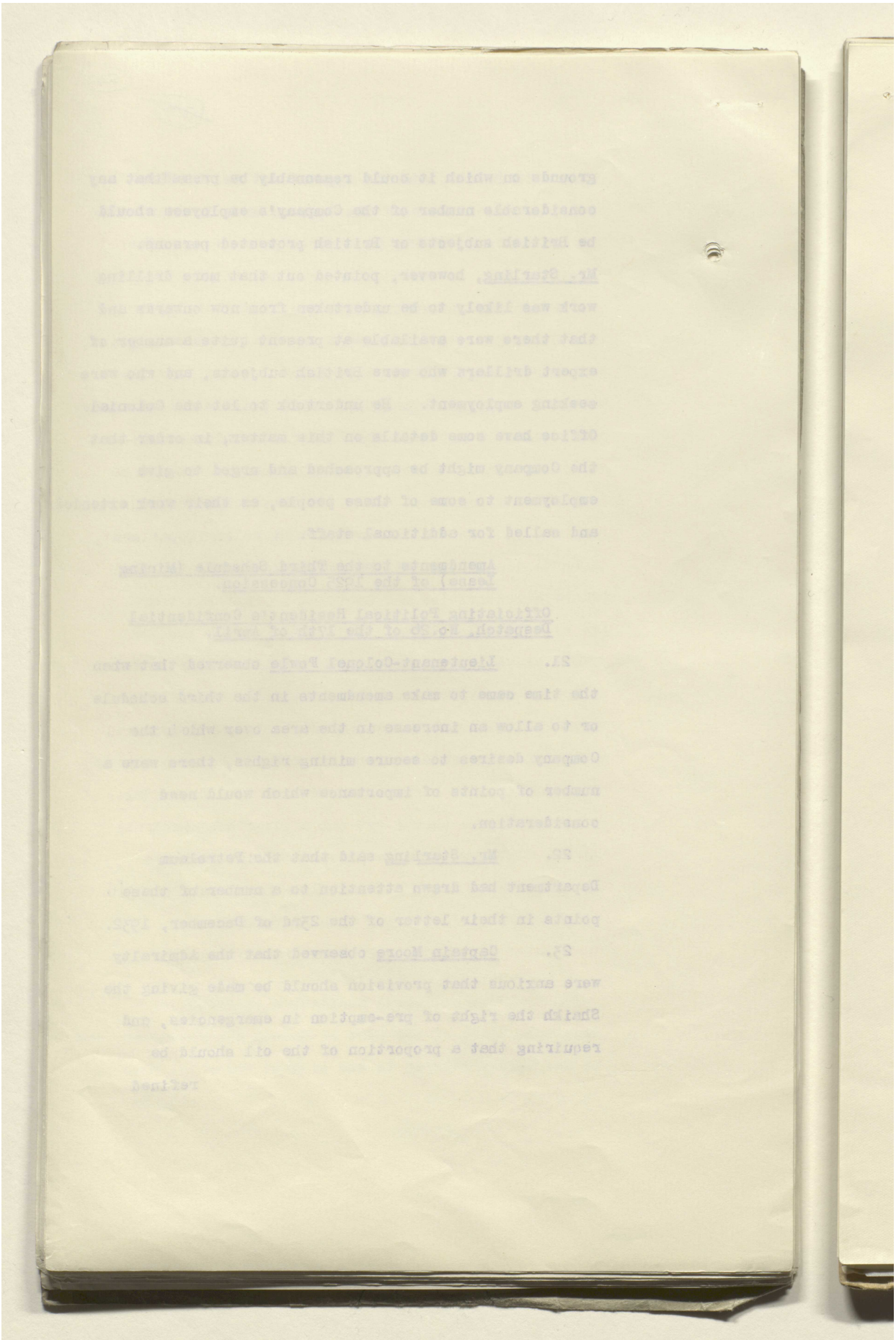

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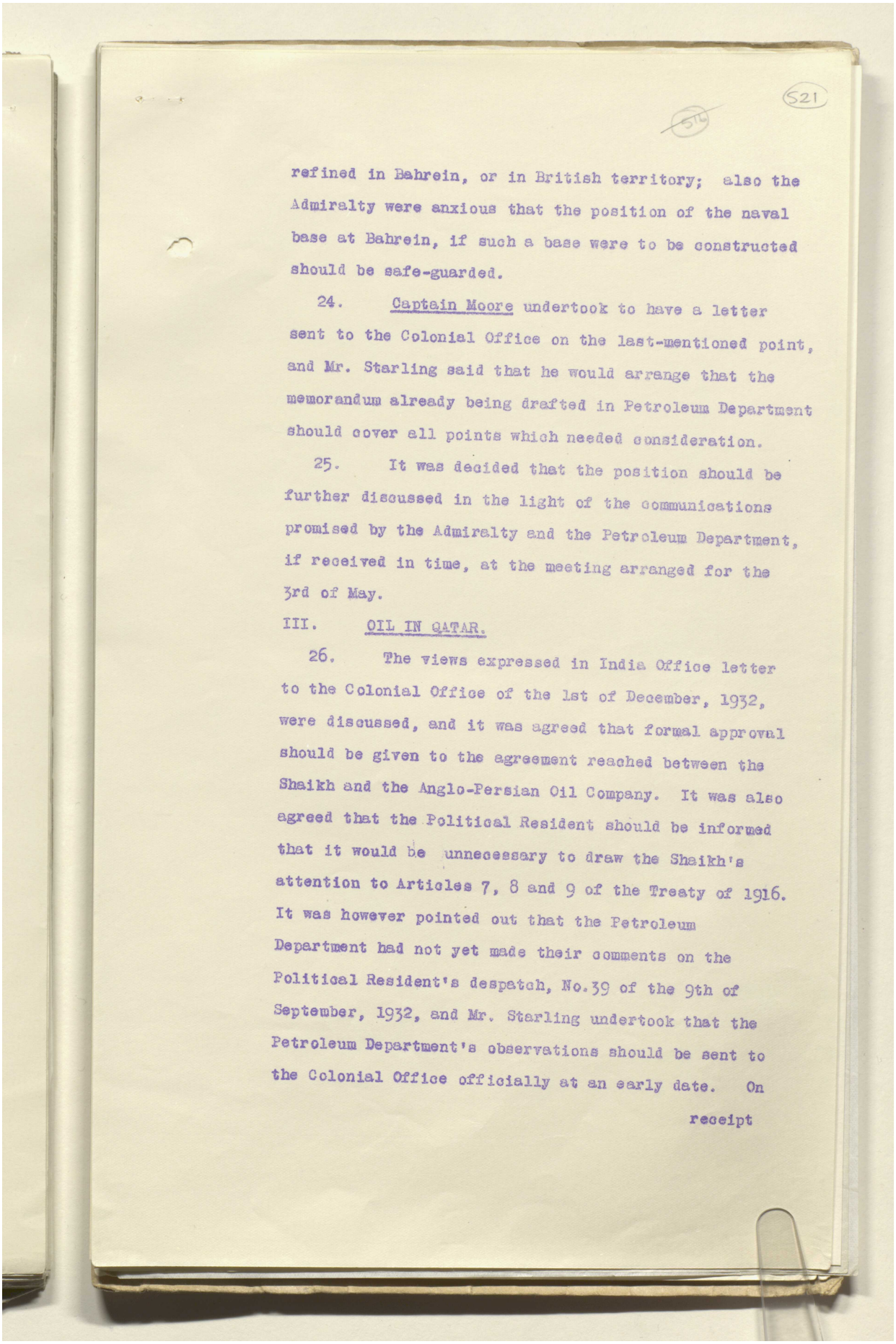

refined in Bahrein, or in British territory; also the Admiralty were anxious that the position of the naval base at Bahrein, if such a base were to be constructed should be safe-guarded.

24. Captain Moore undertook to have a letter sent to the Colonial Office on the last-mentioned point, and Mr. Starling said that he would arrange that the memorandum already being drafted in Petroleum Department should cover all points which needed consideration.

25. It was decided that the position should be further discussed in the light of the communications promised by the Admiralty and the Petroleum Department, if received in time, at the meeting arranged for the 3rd of May.

III. OIL IN QATAR.

26. The views expressed in India Office letter to the Colonial Office of the 1st of December, 1932, were discussed, and it was agreed that formal approval should be given to the agreement reached between the Shaikh and the Anglo-Persian Oil Company. It was also agreed that the Political Resident should be informed that it would be unnecessary to draw the Shaikh's attention to Articles 7, 8 and 9 of the Treaty of 1916. It was however pointed out that the Petroleum Department had not yet made their comments on the Political Resident's despatch, No.39 of the 9th of September, 1932, and Mr. Starling undertook that the Petroleum Department's observations should be sent to the Colonial Office officially at an early date. On

receipt

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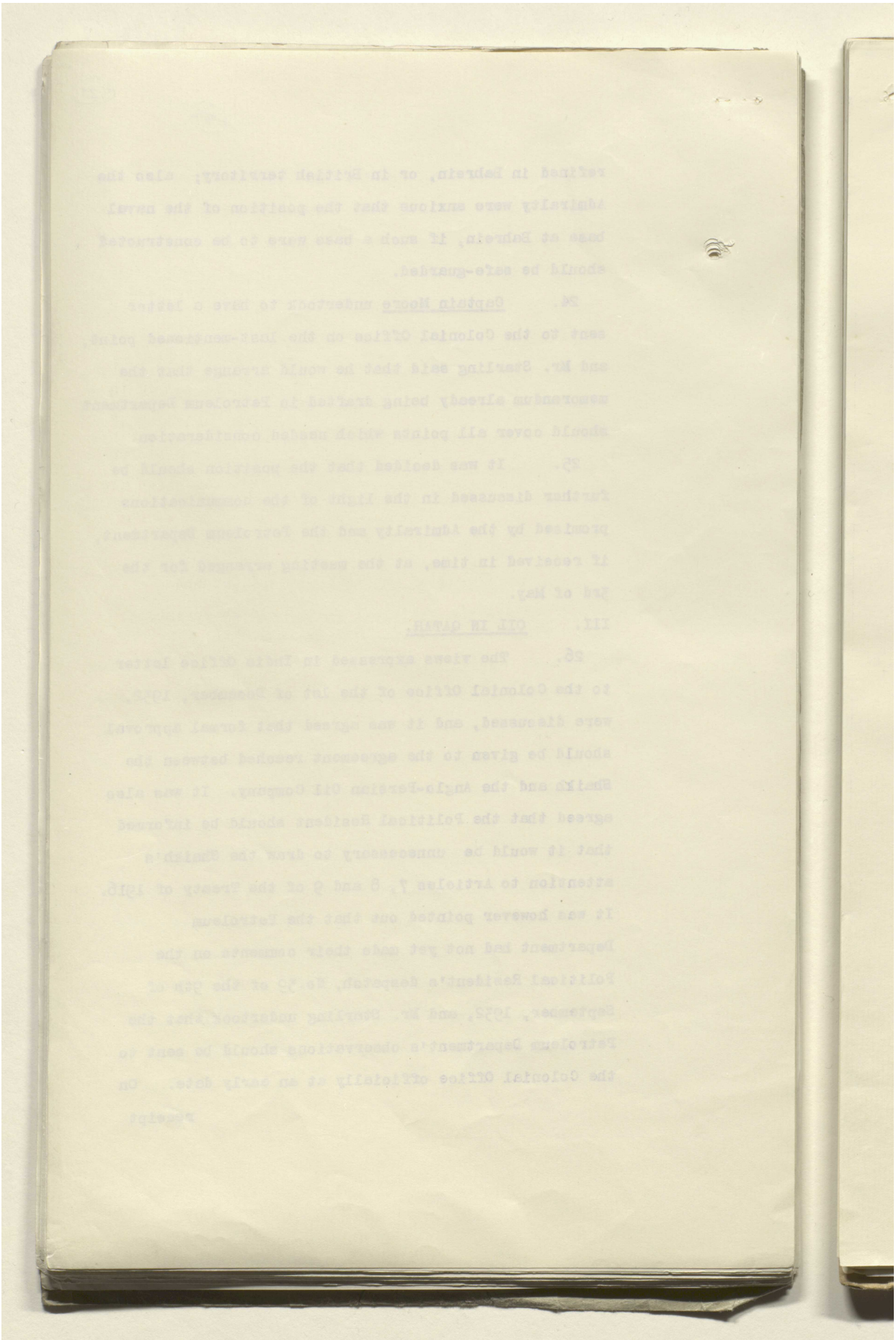

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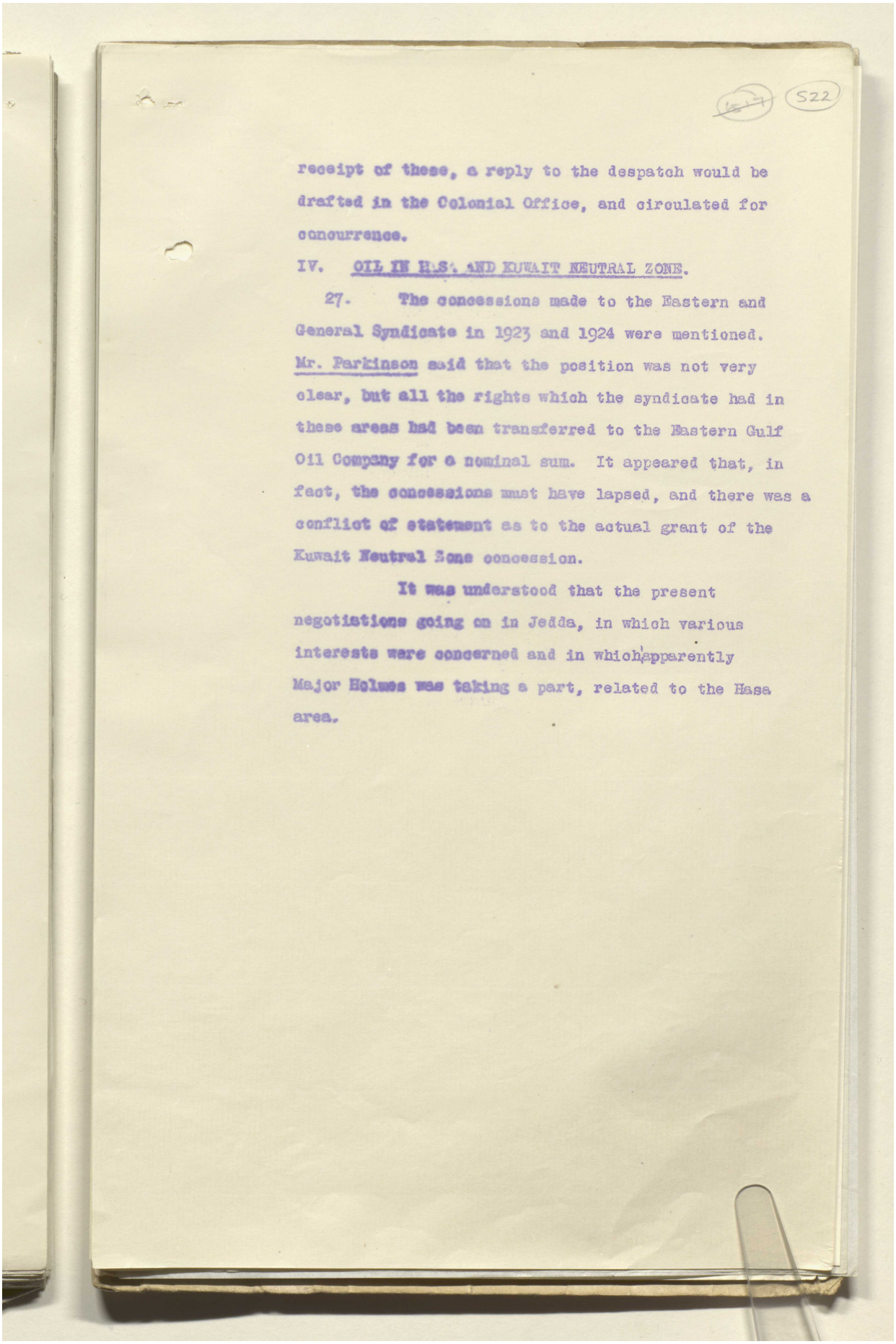

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receipt of these, a reply to the despatch would be drafted in the Colonial Office, and circulated for concurrence.

IV. OIL IN H.S. AND KUWAIT NEUTRAL ZONE.

27. The concessions made to the Eastern and General Syndicate in 1923 and 1924 were mentioned. Mr. Parkinson said that the position was not very clear, but all the rights which the syndicate had in these areas had been transferred to the Eastern Gulf Oil Company for a nominal sum. It appeared that, in fact, the concessions must have lapsed, and there was a conflict of statement as to the actual grant of the Kuwait Neutral Zone concession.

It was understood that the present negotiations going on in Jedda, in which various interests were concerned and in which apparently Major Holmes was taking a part, related to the Hasa area.

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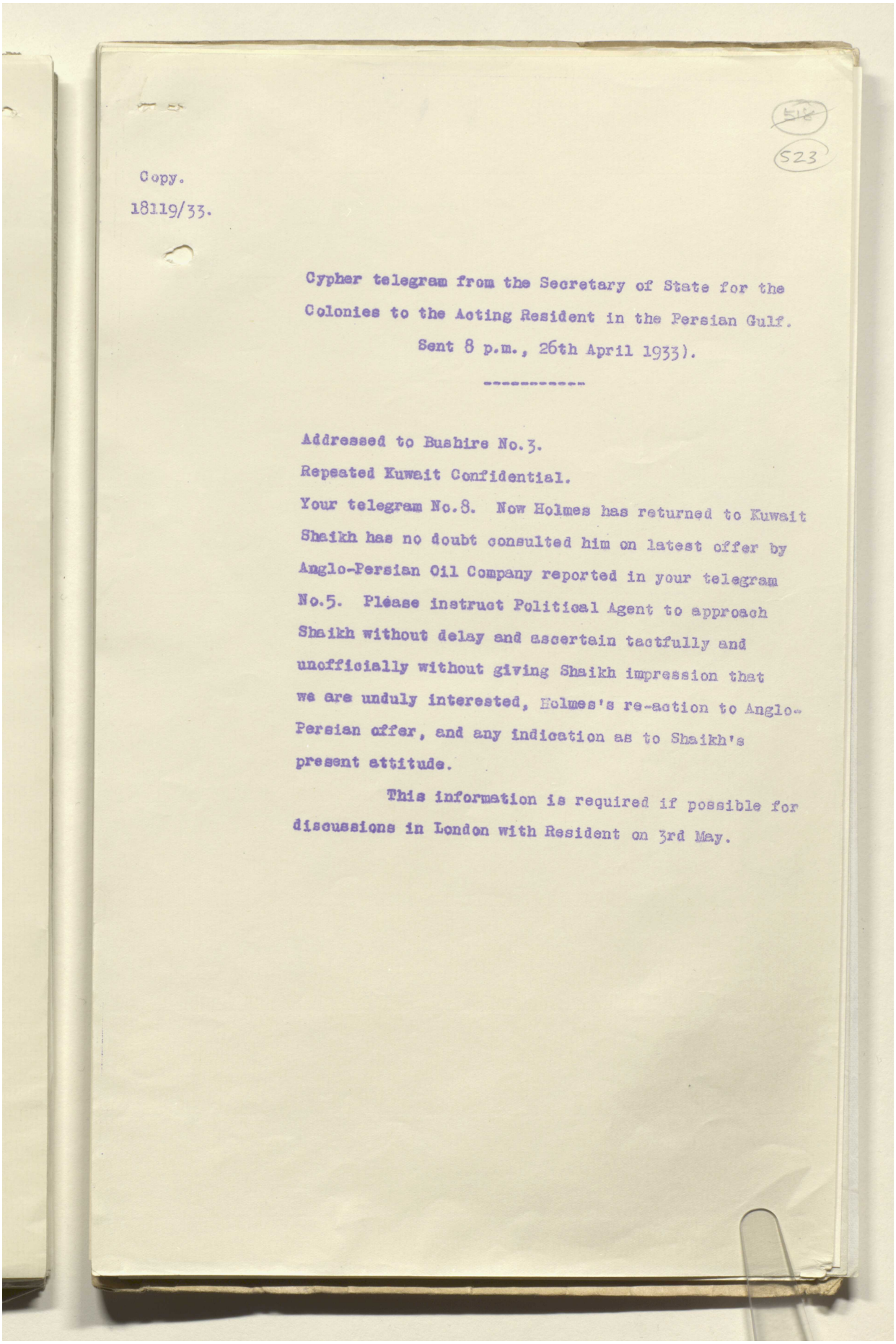

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Copy.
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Cypher telegram from the Secretary of State for the Colonies to the Acting Resident in the Persian Gulf.
Sent 8 p.m., 26th April 1933).

Addressed to Bushire No.3.
Repeated Kuwait Confidential.
Your telegram No.8. Now Holmes has returned to Kuwait Shaikh has no doubt consulted him on latest offer by Anglo-Persian Oil Company reported in your telegram No.5. Please instruct Political Agent to approach Shaikh without delay and ascertain tactfully and unofficially without giving Shaikh impression that we are unduly interested, Holmes's re-action to Anglo-Persian offer, and any indication as to Shaikh's present attitude.

This information is required if possible for discussions in London with Resident on 3rd May.

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Notes.

Register No.
P. Z. 2435/33

Minute Paper.

SECRET.
POLITICAL DEPARTMENT.

Dated 193 .
Rec.

	Date.	Initials.	SUBJECT.
To			
Under Secretary	15.5.	[illegible]	Oil Negotiations in Saudi Arabia
Secretary of State...			
Committee.....	16	[illegible]	
Under Secretary.....			
Secretary of State....			Movements of Major Holmes.

Copy of to

FOR INFORMATION.

Please see Mr. Laithwaite's minute on P.Z. 2060/33.

Major Holmes, it now appears, has been negotiating separately from the Standard Oil Co. representatives, his object being to find out Ibn Saud's attitude in regard to a concession in the Koweit neutral zone. He left Jedda on 11th April without having seen the King and Sir Andrew Ryan thinks it most unlikely that he could have obtained the King's consent to a concession.

Neither the 'Iraq Petroleum Co. (with which the A.P.O.C. is closely identified) nor the Standard Oil Co. are likely to do business unless the Saudis considerably reduce their demands. Ibn Saud's terms are even higher apparently those those already demanded by his Ministers. St. Crombie 5/5/33 [illegible] 5/5

Sir Mr. Seton
[illegible] 17/5

SEEN
POLITICAL COMMITTEE.
26 MAY 1933

Previous papers :- 265 [illegible] 25.5.

[illegible] 25/5

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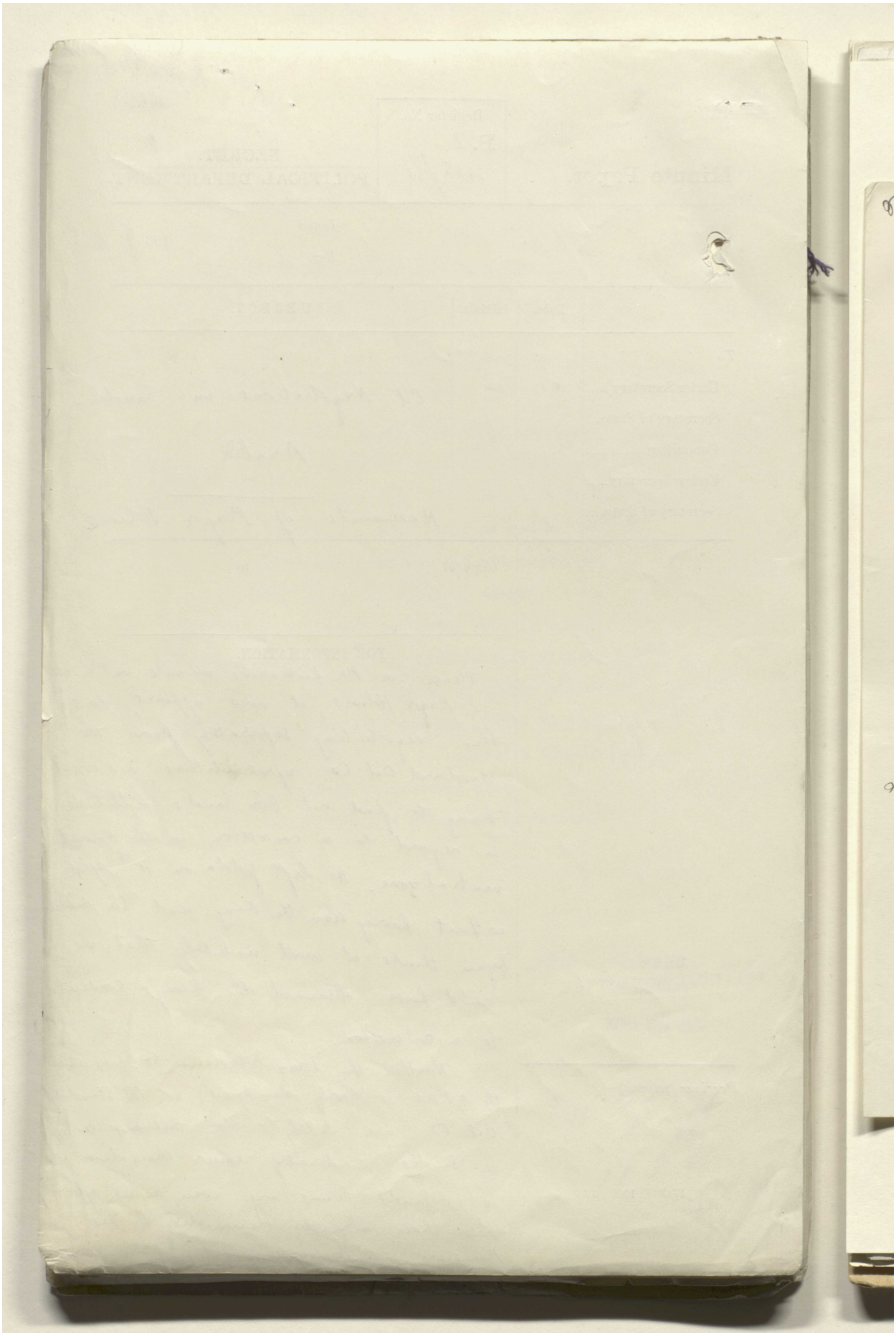

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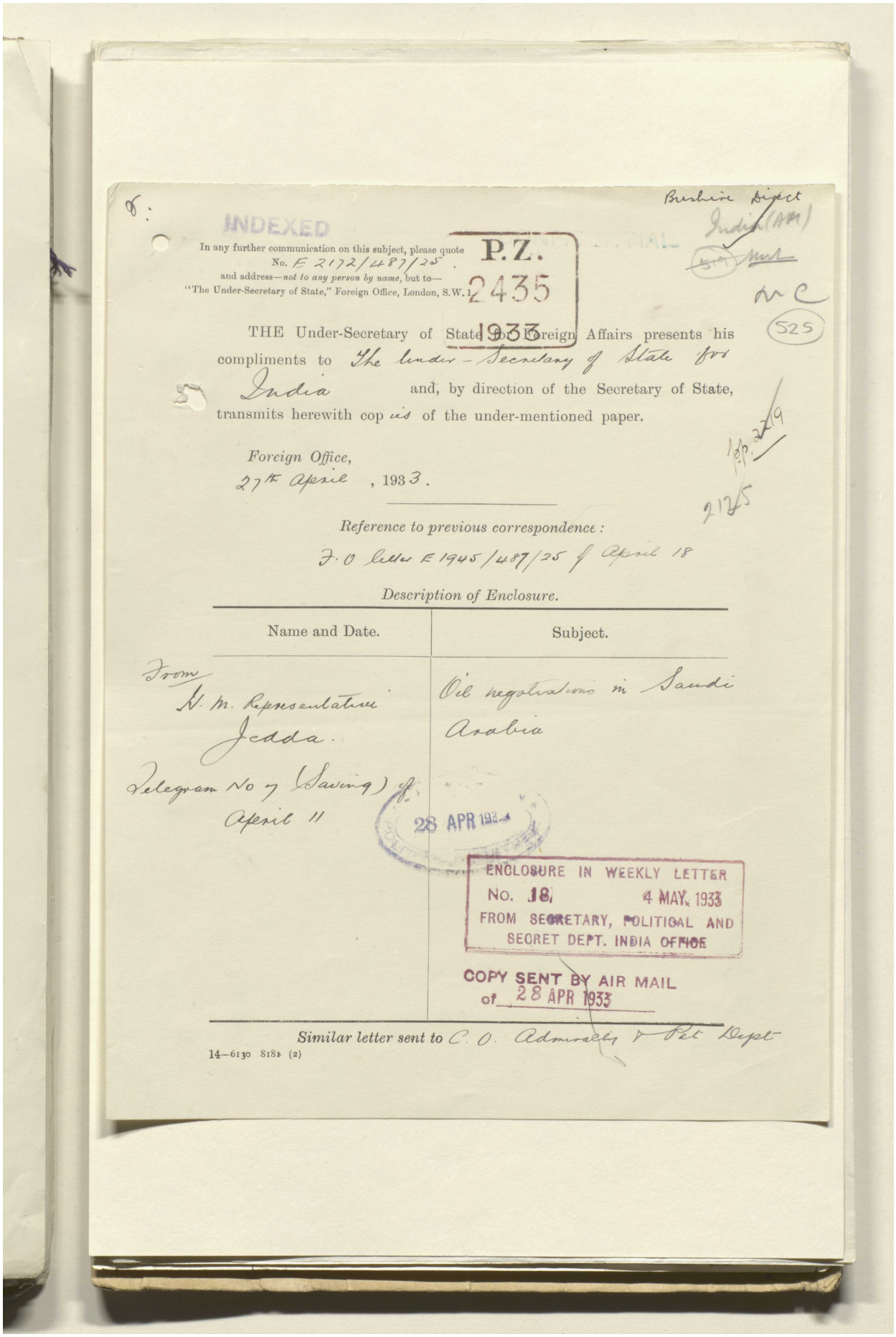

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No. E 2172/487/25.
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W.1.

P.Z.
2435
1933

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
27th April, 1933.

pp. 2219
2125

Reference to previous correspondence:

F.O letter E 1945/487/25 of April 18

Description of Enclosure.

Name and Date.	Subject.
From H. M. Representative Jedda. Telegram No 7 (Saving) of April 11	Oil negotiations in Saudi Arabia

28 APR 1933

ENCLOSURE IN WEEKLY LETTER
No. 18 4 MAY 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

COPY SENT BY AIR MAIL
of 28 APR 1933

Similar letter sent to C. O. Admiralty & Pet Dept

14—6130 8181 (2)

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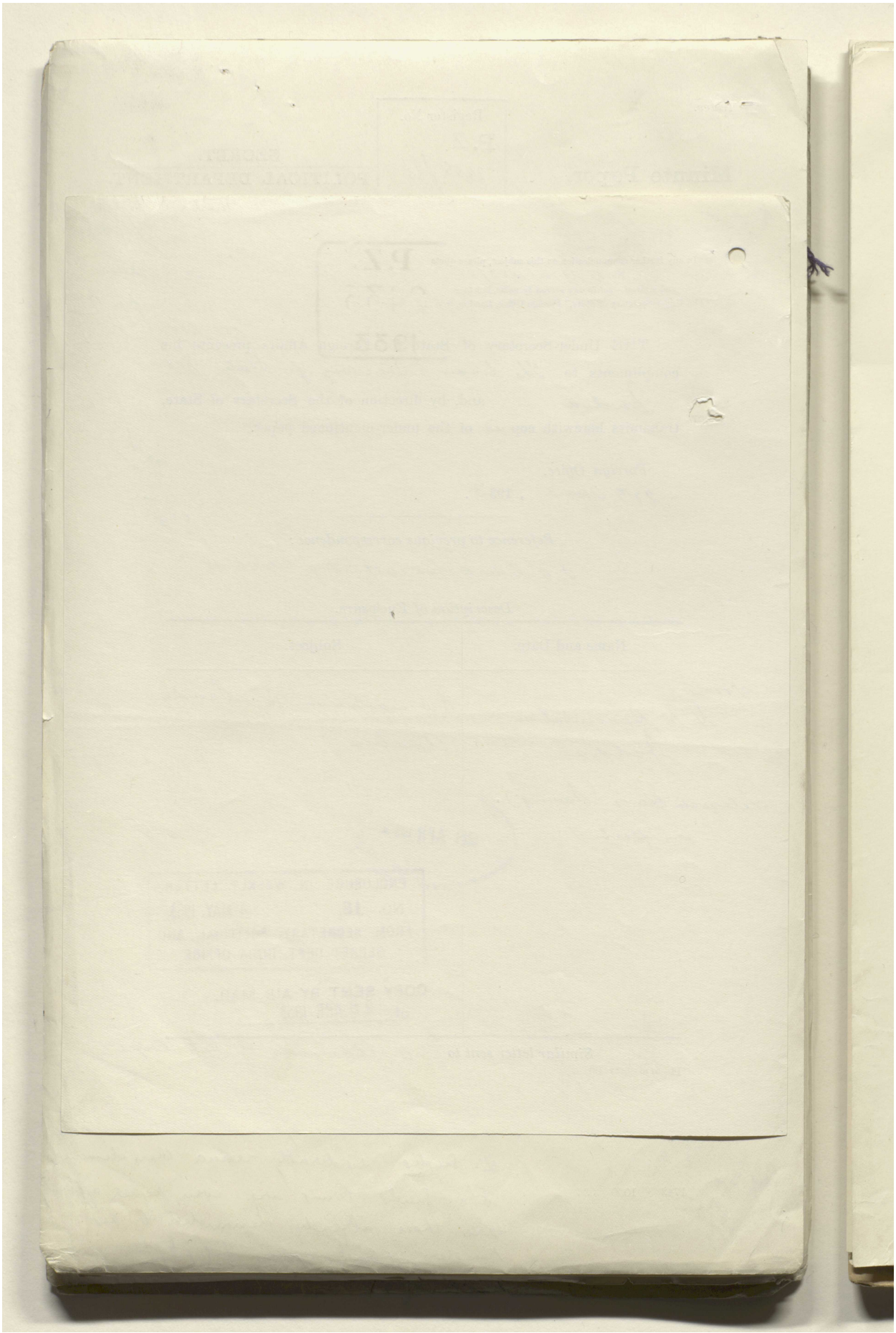

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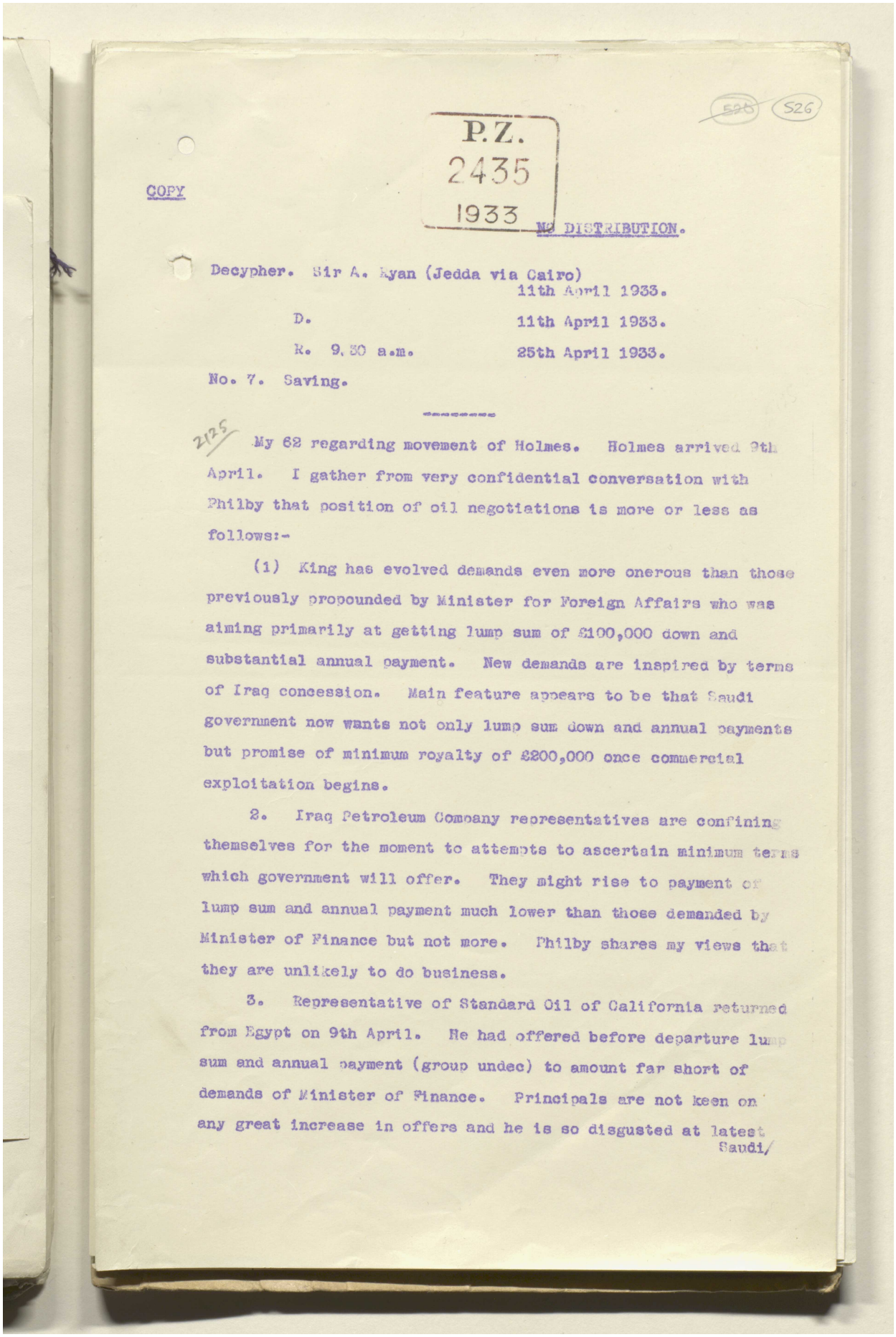

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P.Z.
2435
1933

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Decypher. Sir A. Ryan (Jedda via Cairo)

11th April 1933.

D. 11th April 1933.

R. 9.30 a.m. 25th April 1933.

No. 7. Saving.

2125 My 62 regarding movement of Holmes. Holmes arrived 9th April. I gather from very confidential conversation with Philby that position of oil negotiations is more or less as follows:-

(1) King has evolved demands even more onerous than those previously propounded by Minister for Foreign Affairs who was aiming primarily at getting lump sum of £100,000 down and substantial annual payment. New demands are inspired by terms of Iraq concession. Main feature appears to be that Saudi government now wants not only lump sum down and annual payments but promise of minimum royalty of £200,000 once commercial exploitation begins.

2. Iraq Petroleum Company representatives are confining themselves for the moment to attempts to ascertain minimum terms which government will offer. They might rise to payment of lump sum and annual payment much lower than those demanded by Minister of Finance but not more. Philby shares my views that they are unlikely to do business.

3. Representative of Standard Oil of California returned from Egypt on 9th April. He had offered before departure lump sum and annual payment (group undec) to amount far short of demands of Minister of Finance. Principals are not keen on any great increase in offers and he is so disgusted at latest Saudi/

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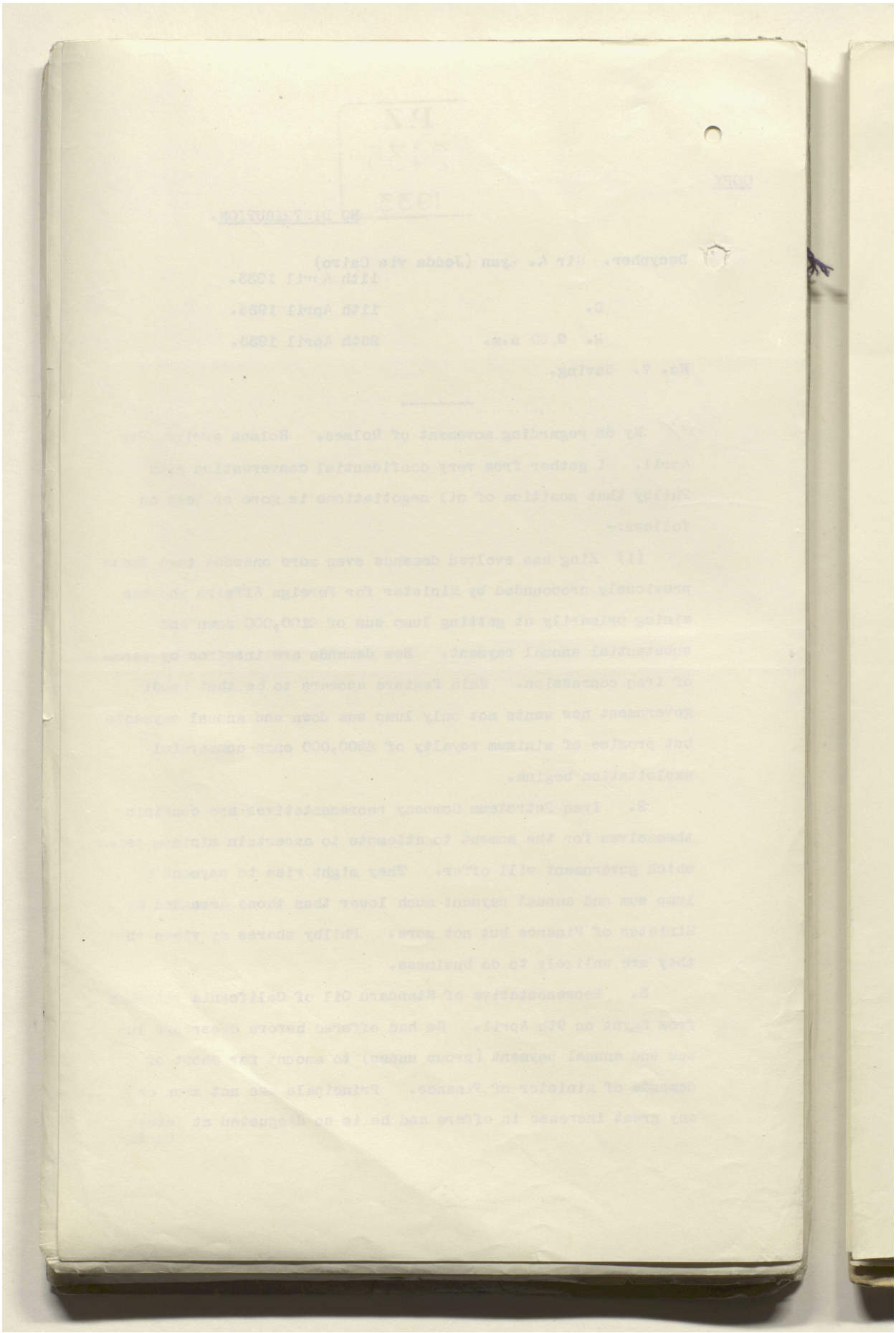

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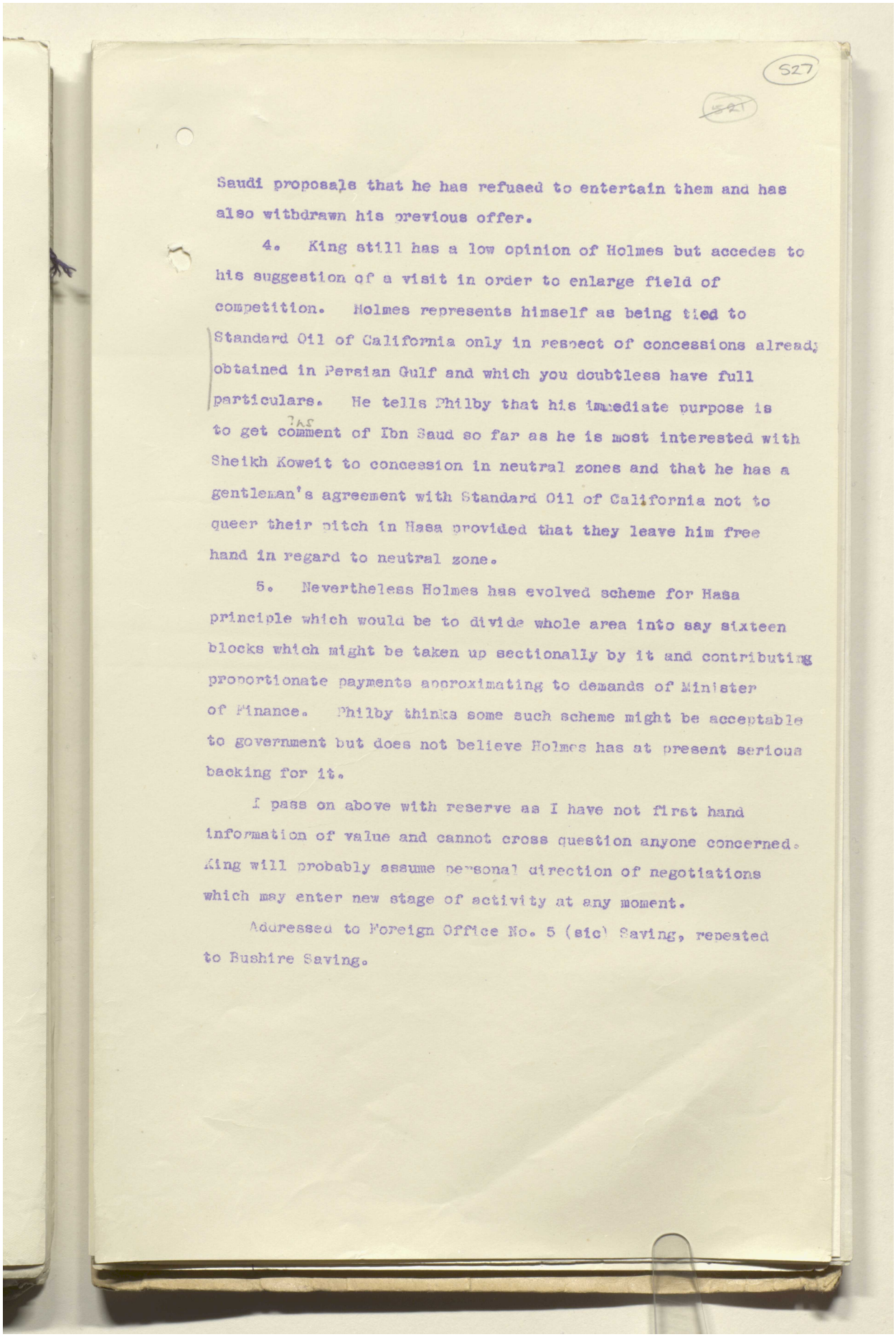

527

Saudi proposals that he has refused to entertain them and has also withdrawn his previous offer.

4. King still has a low opinion of Holmes but accedes to his suggestion of a visit in order to enlarge field of competition. Holmes represents himself as being tied to Standard Oil of California only in respect of concessions already obtained in Persian Gulf and which you doubtless have full particulars. He tells Philby that his immediate purpose is to get comment of Ibn Saud so far as he is most interested with Sheikh Koweit to concession in neutral zones and that he has a gentleman's agreement with Standard Oil of California not to queer their pitch in Hasa provided that they leave him free hand in regard to neutral zone.

5. Nevertheless Holmes has evolved scheme for Hasa principle which would be to divide whole area into say sixteen blocks which might be taken up sectionally by it and contributing proportionate payments approximating to demands of Minister of Finance. Philby thinks some such scheme might be acceptable to government but does not believe Holmes has at present serious backing for it.

I pass on above with reserve as I have not first hand information of value and cannot cross question anyone concerned. King will probably assume personal direction of negotiations which may enter new stage of activity at any moment.

Addressed to Foreign Office No. 5 (sic) Saving, repeated to Bushire Saving.

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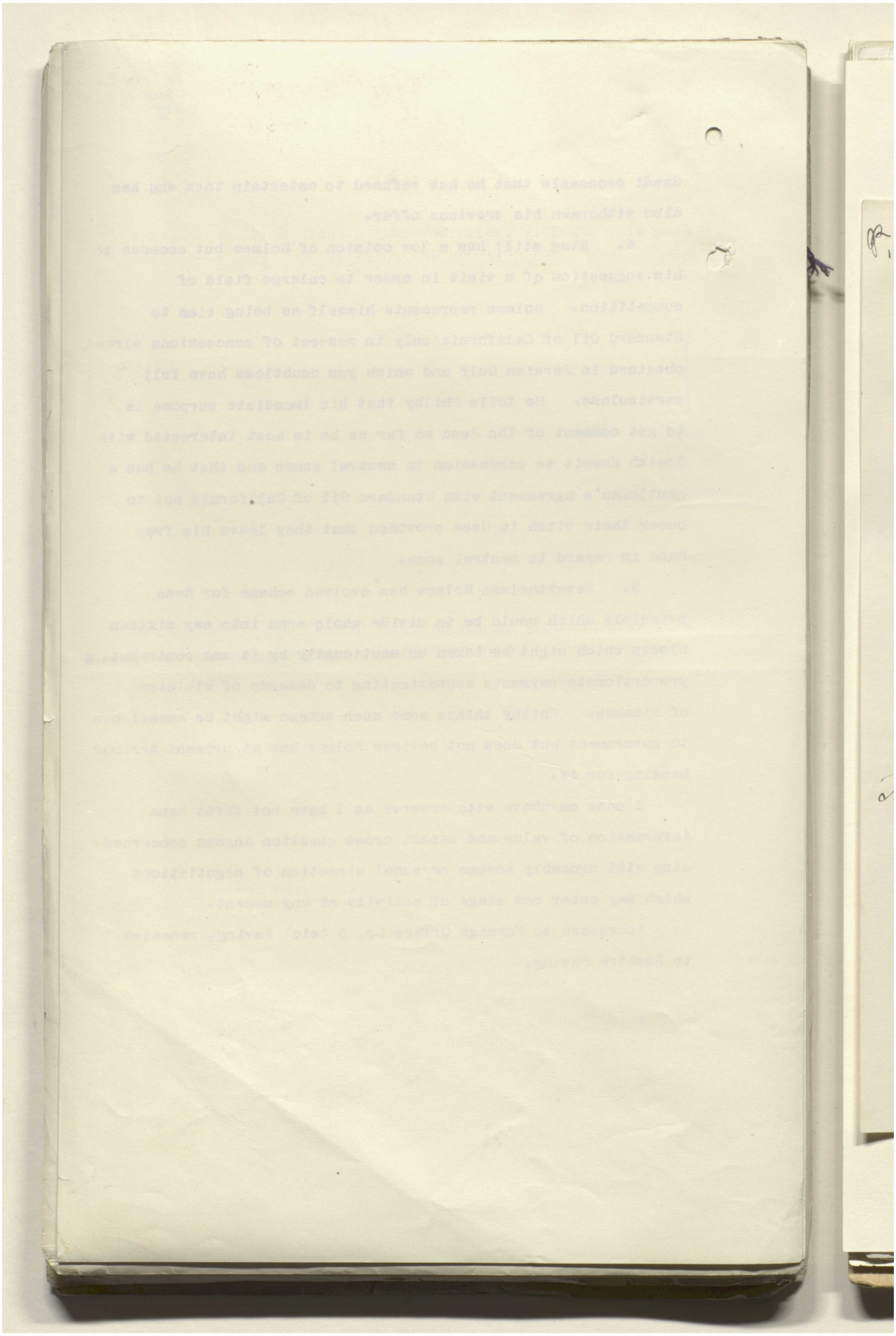

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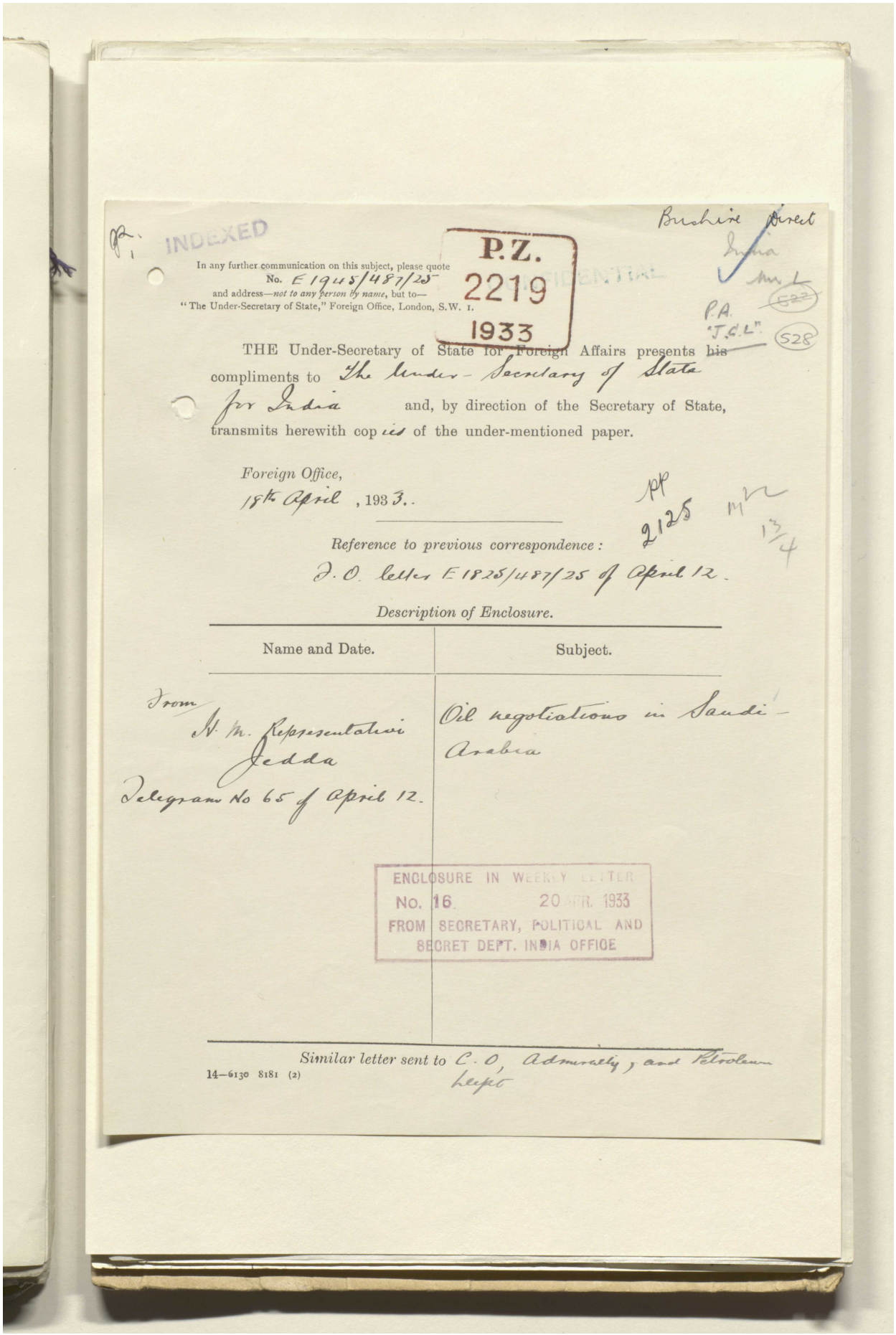

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P.Z. 2219 1933

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No. E 1945/487/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

P.A. "J.C.L." 528

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
18th April, 1933.

pp 2125 13/4

Reference to previous correspondence:
F.O. letter E 1825/487/25 of April 12.

Description of Enclosure.

Name and Date.	Subject.
From H. M. Representative Jedda Telegram No 65 of April 12.	Oil negotiations in Saudi-Arabia

ENCLOSURE IN WEEKLY LETTER
No. 16 20 APR. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

Similar letter sent to C.O., Admiralty, and Petroleum Dept

14—6130 8181 (2)

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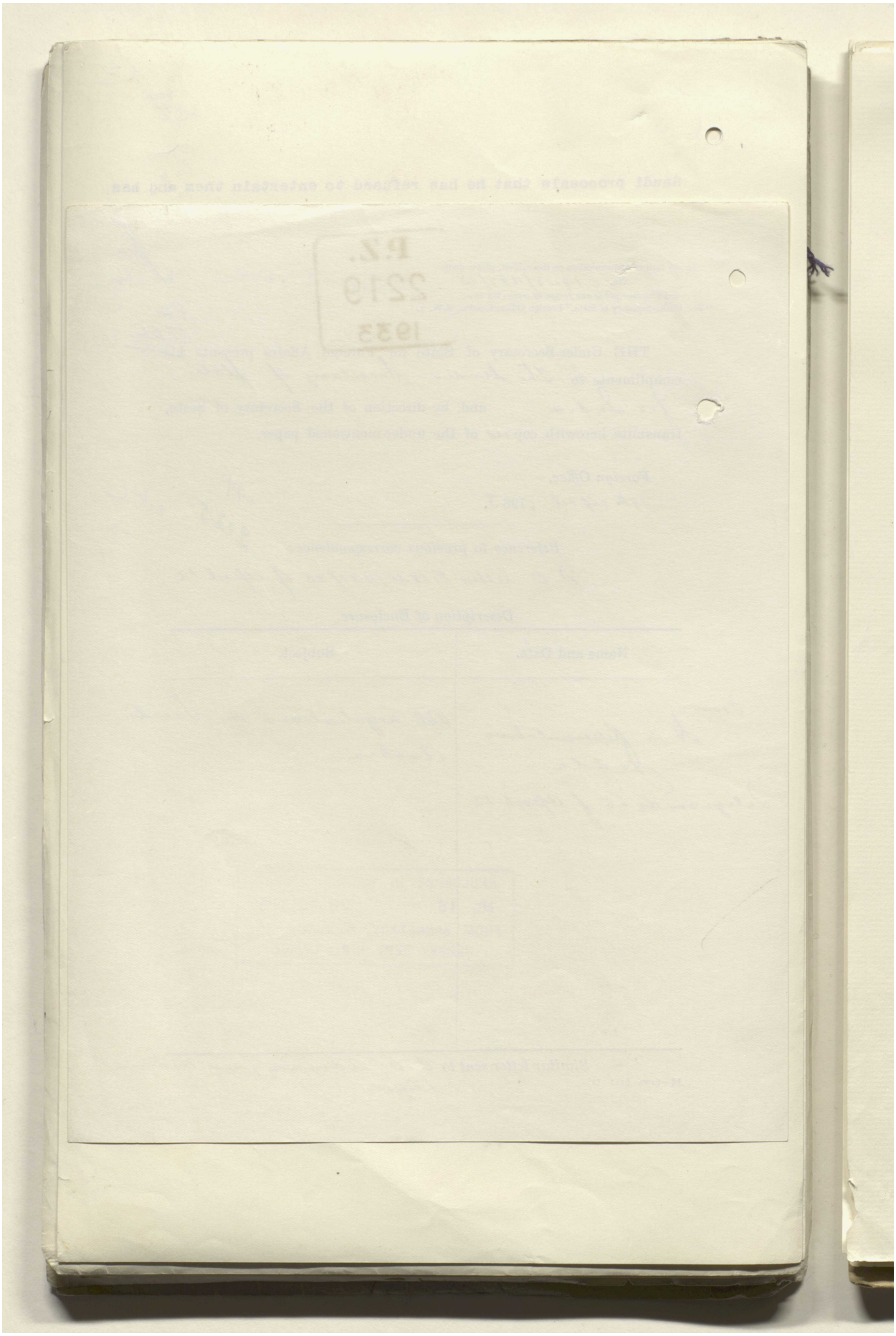

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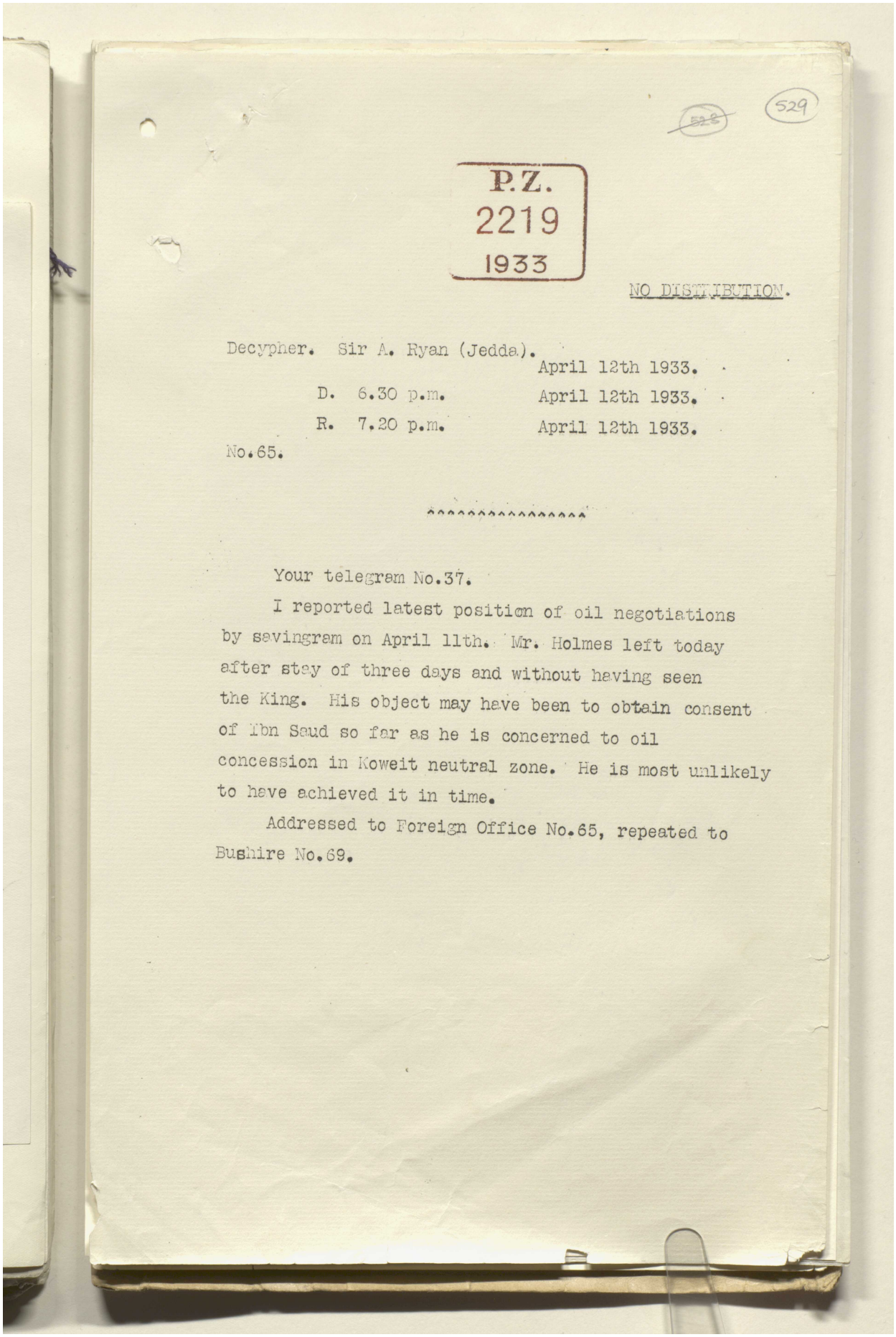

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P.Z.
2219
1933

NO DISTRIBUTION.

Decypher. Sir A. Ryan (Jedda).

April 12th 1933.

D. 6.30 p.m. April 12th 1933.

R. 7.20 p.m. April 12th 1933.

No.65.

^^^^^^^^^^^^^^^^

Your telegram No.37.

I reported latest position of oil negotiations by savingram on April 11th. Mr. Holmes left today after stay of three days and without having seen the King. His object may have been to obtain consent of Ibn Saud so far as he is concerned to oil concession in Koweit neutral zone. He is most unlikely to have achieved it in time.

Addressed to Foreign Office No.65, repeated to Bushire No.69.

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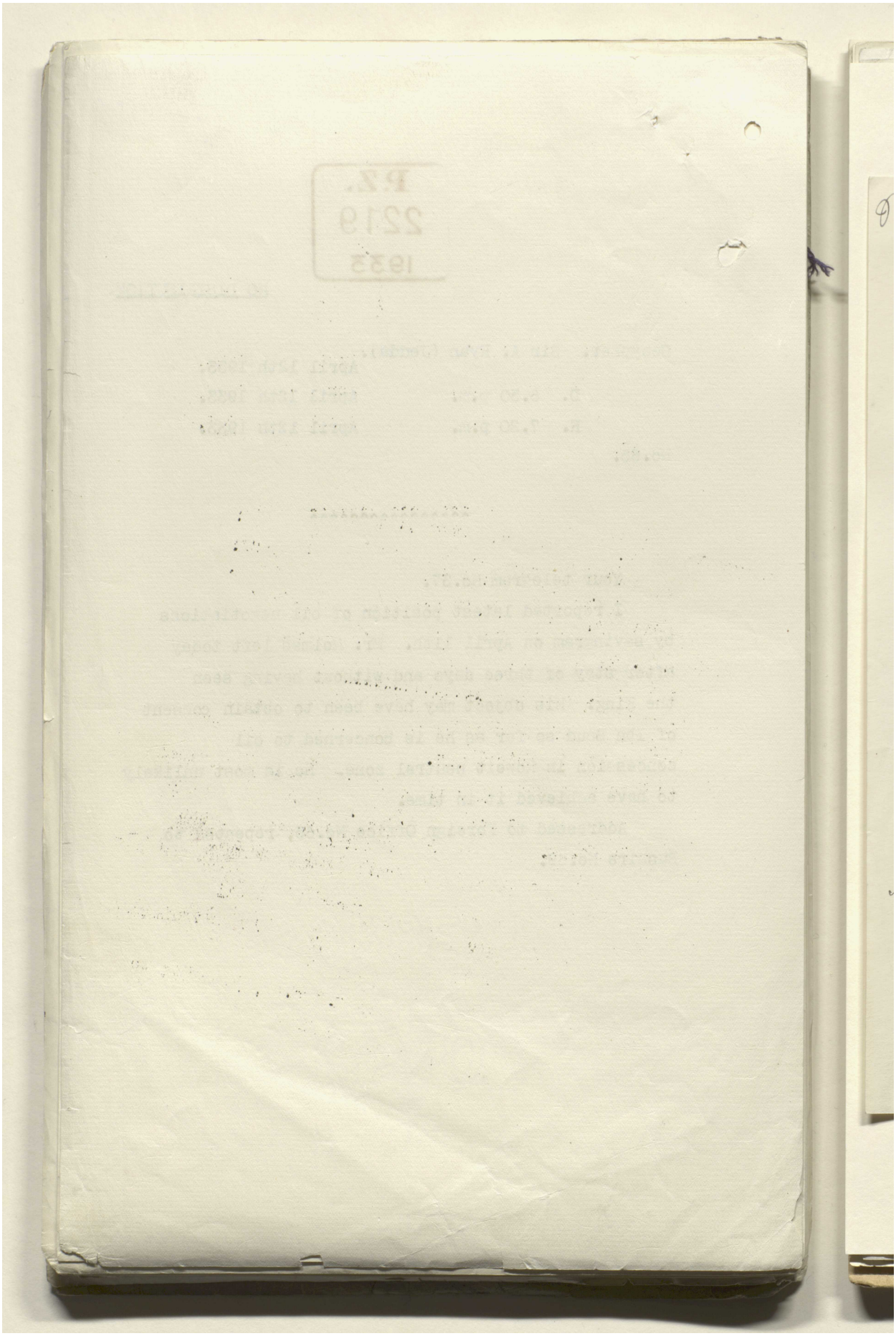

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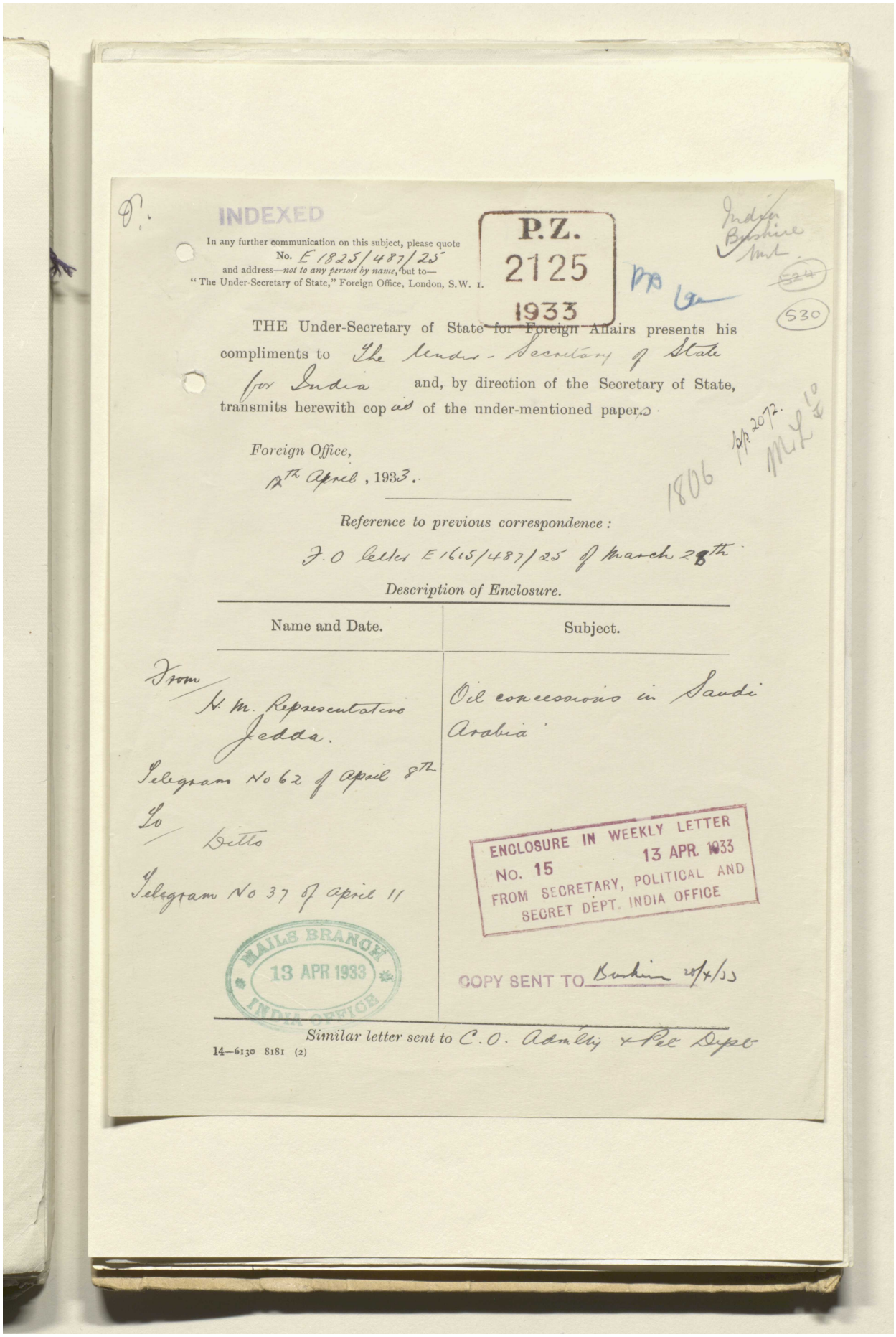

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P.Z. 2125 1933

Indian Bullion Mkt.

524

530

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned papers.

Foreign Office,
12th April, 1933.

1806

Reference to previous correspondence:

F.O. letter E 1615/487/25 of March 28th

Description of Enclosure.

Name and Date.	Subject.
From H.M. Representative Jedda. Telegram No 62 of April 8th To Ditto Telegram No 37 of April 11	Oil concessions in Saudi Arabia

MAILS BRANCH 13 APR 1933 INDIA OFFICE

ENCLOSURE IN WEEKLY LETTER NO. 15 13 APR. 1933 FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

COPY SENT TO Bushire 20/4/33

Similar letter sent to C.O. Admlty & Rec Dept

14—6130 8181 (2)

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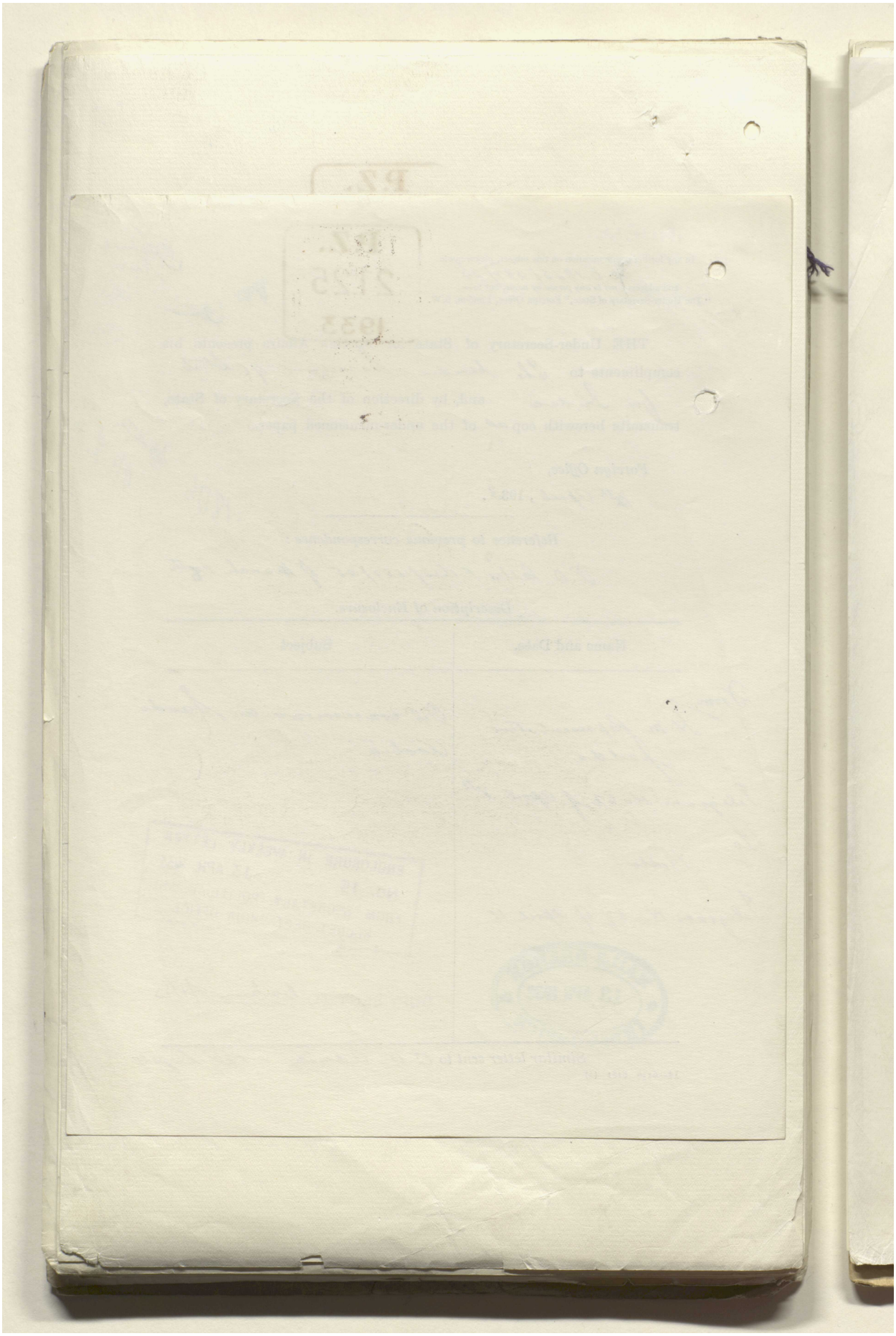

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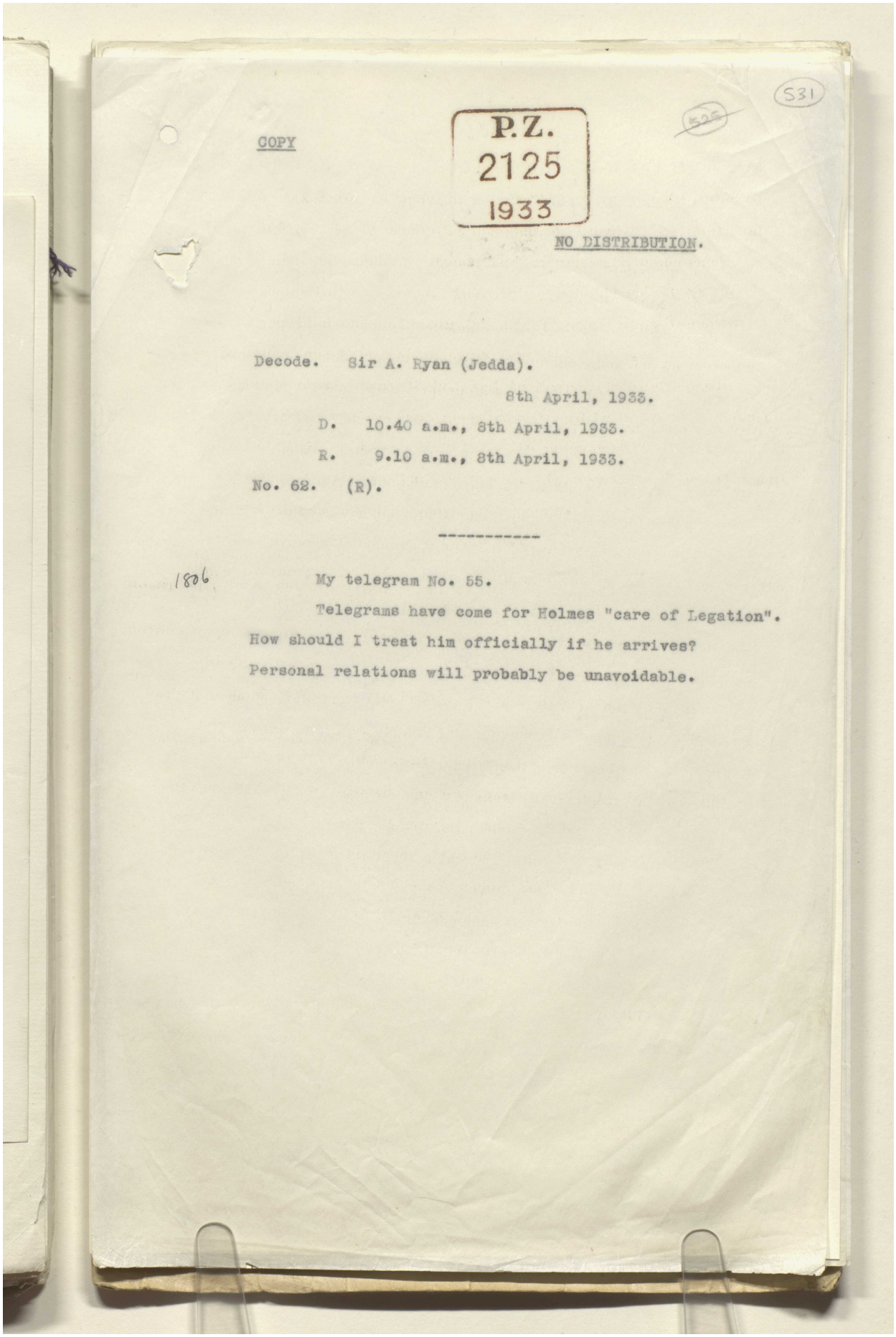

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P.Z.
2125
1933

S31

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Decode. Sir A. Ryan (Jedda).

8th April, 1933.

D. 10.40 a.m., 8th April, 1933.

R. 9.10 a.m., 8th April, 1933.

No. 68. (R).

1806

My telegram No. 55.

Telegrams have come for Holmes "care of Legation".

How should I treat him officially if he arrives?

Personal relations will probably be unavoidable.

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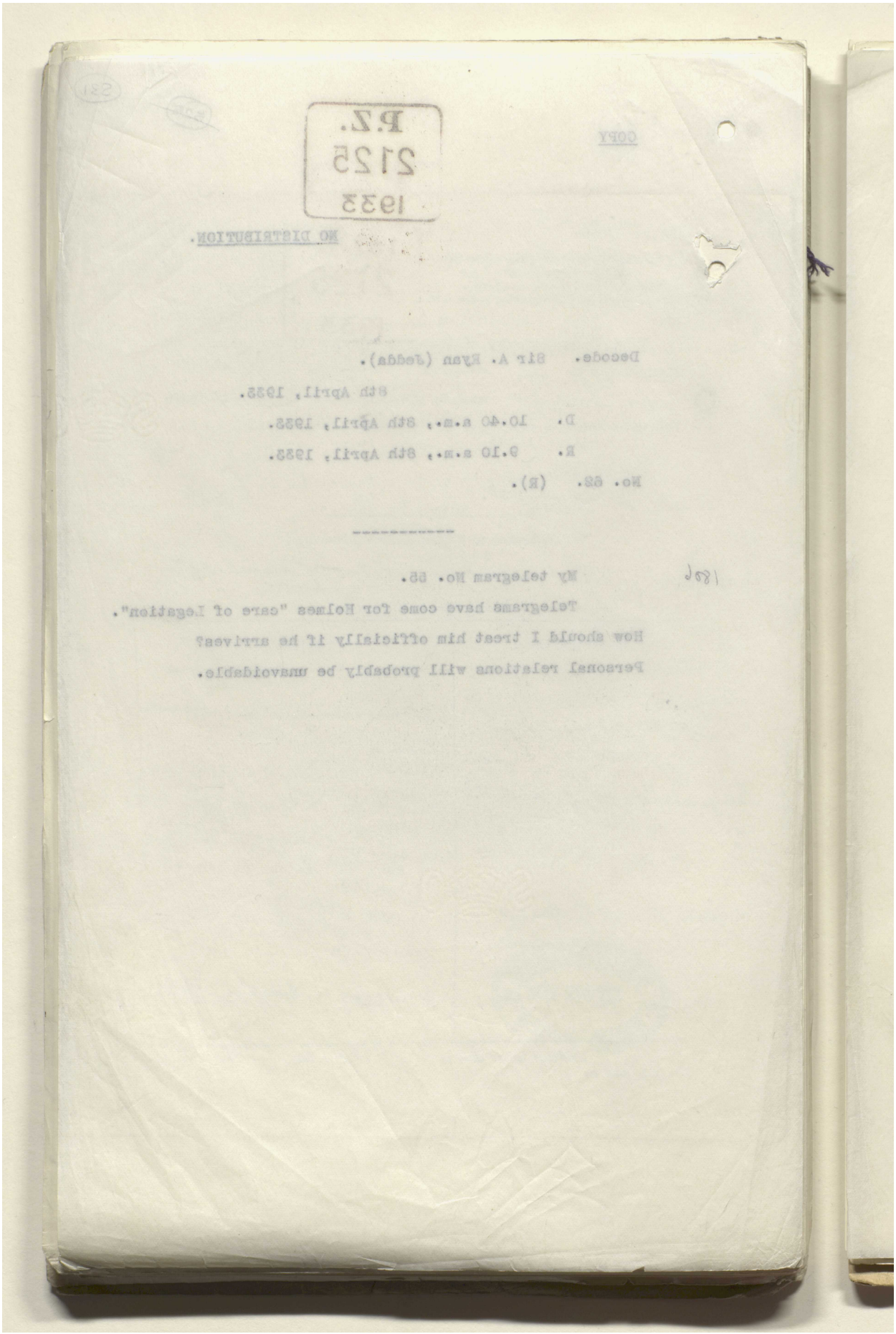

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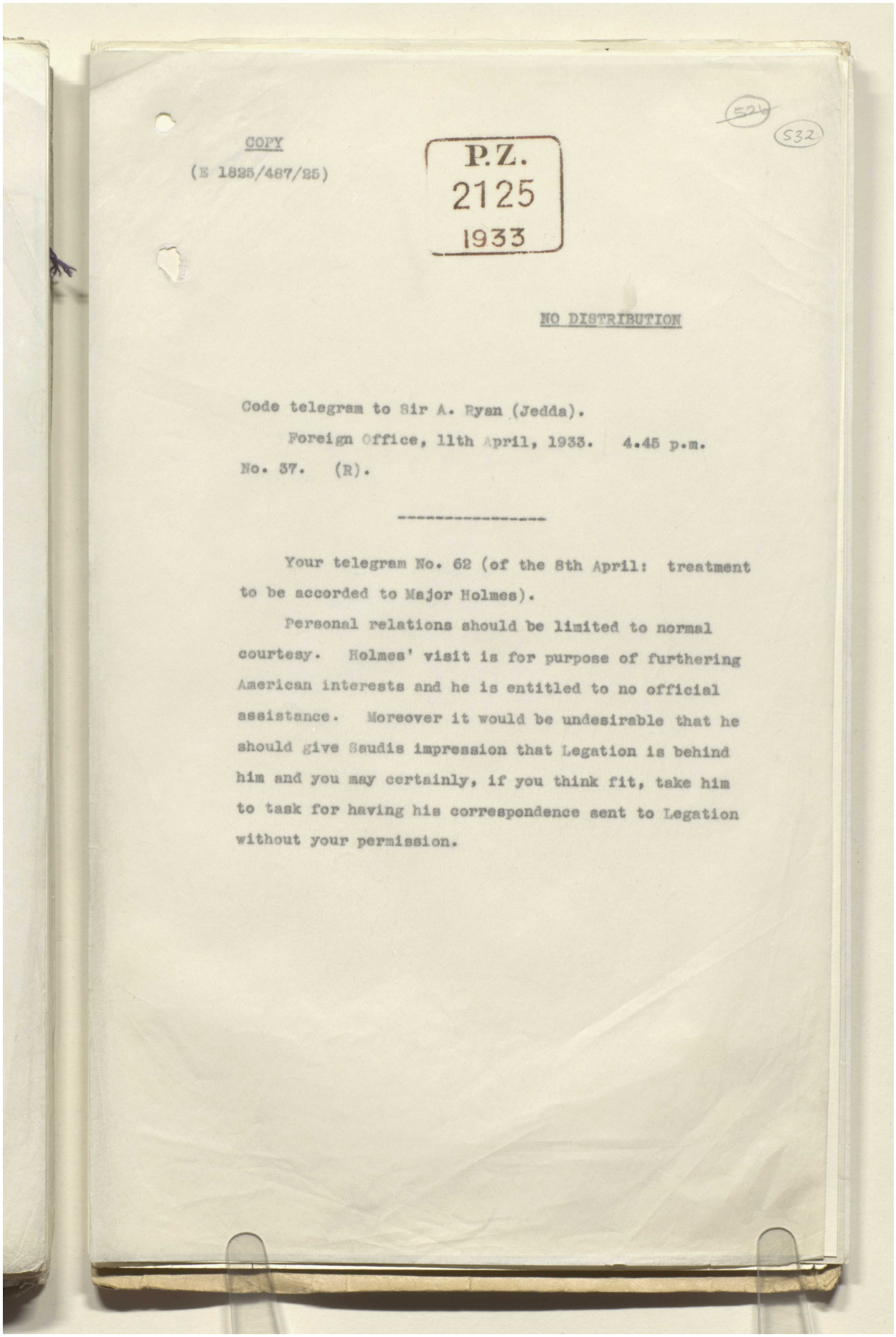

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(E 1825/487/25)

P.Z.
2125
1933

532

NO DISTRIBUTION

Code telegram to Sir A. Ryan (Jedda).

Foreign Office, 11th April, 1933. 4.45 p.m.

No. 37. (R).

Your telegram No. 62 (of the 8th April: treatment to be accorded to Major Holmes).

Personal relations should be limited to normal courtesy. Holmes' visit is for purpose of furthering American interests and he is entitled to no official assistance. Moreover it would be undesirable that he should give Saudis impression that Legation is behind him and you may certainly, if you think fit, take him to task for having his correspondence sent to Legation without your permission.

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Notes.

Minute Paper.

Register No.
P.2
2060
33

SECRET.
POLITICAL DEPARTMENT.

533

Dated
Rec. 19 .

	Date.	Initials.	SUBJECT.
To			
Under Secretary	10. 4.		Oil in Hasa.
Secretary of State...			
Committee.....	12		
Under Secretary.....			
Secretary of State...			

Copy of to

FOR INFORMATION.

Please see paragraph 2 of the earlier submission on P.Z.1001/33 below. The situation has now developed considerably. Major Holmes has proceeded to Jedda, he says himself at the request of Ibn Saud, although other information is to the effect that he may well be a self-invited guest, and Sir Andrew Ryan is emphatic that "Holmes is repugnant to Ibn Saud". Major Holmes' clients are the Standard Oil of California, [redacted] They appear (and this information again is to some extent confirmed from other sources) to have a certain amount of support from Mr. Philby which may be of importance to them. But the correspondence goes to show that/

SEEN
POLITICAL COMMITTEE.
22 APR 1933

Previous Papers :—

5041 2000 1.31

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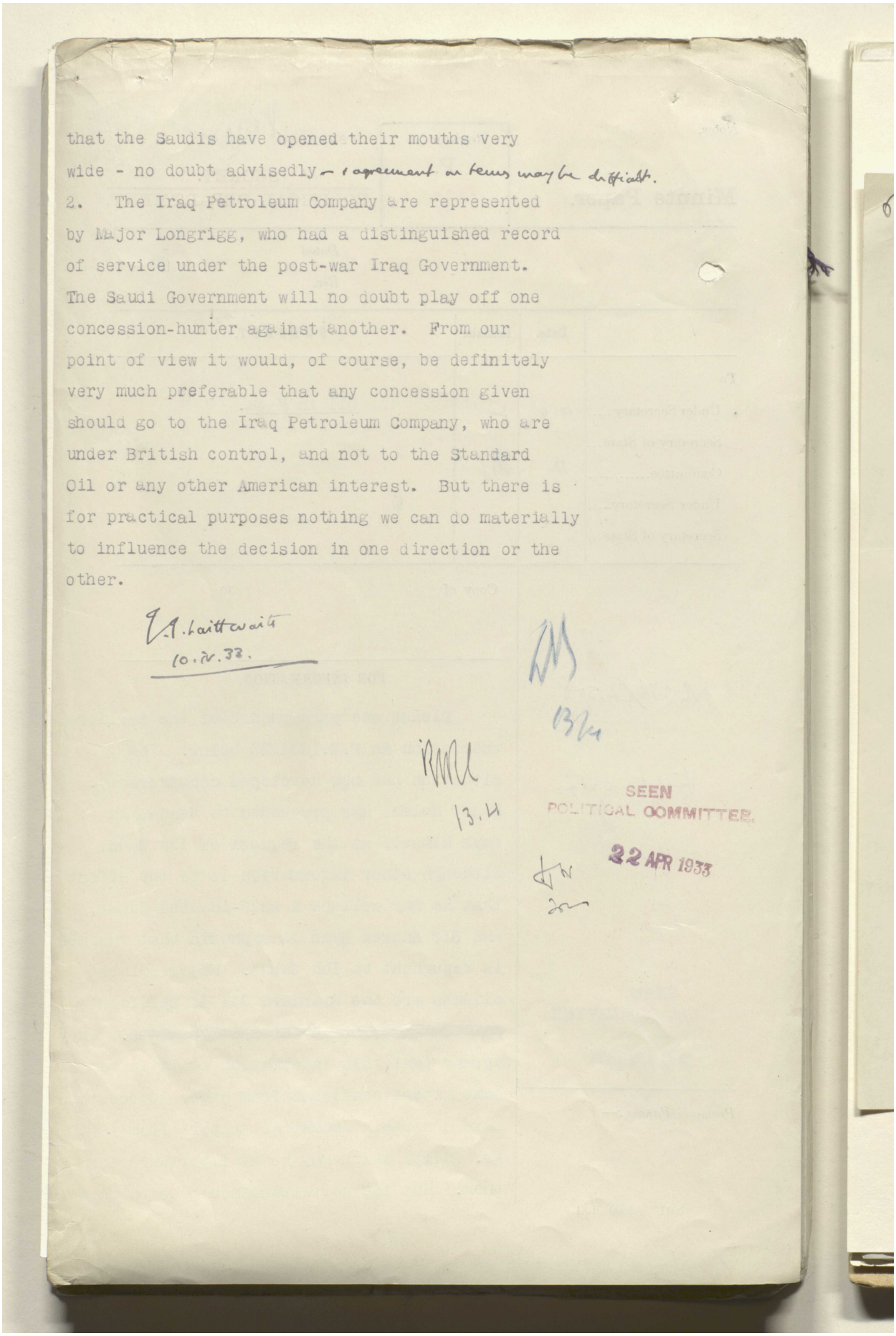

that the Saudis have opened their mouths very wide - no doubt advisedly – agreement on terms may be difficult.

2. The Iraq Petroleum Company are represented by Major Longrigg, who had a distinguished record of service under the post-war Iraq Government. The Saudi Government will no doubt play off one concession-hunter against another. From our point of view it would, of course, be definitely very much preferable that any concession given should go to the Iraq Petroleum Company, who are under British control, and not to the Standard Oil or any other American interest. But there is for practical purposes nothing we can do materially to influence the decision in one direction or the other.

V.A. Laithwaite
10.IV.33.

13/4

13.4

SEEN
POLITICAL COMMITTEE
22 APR 1933

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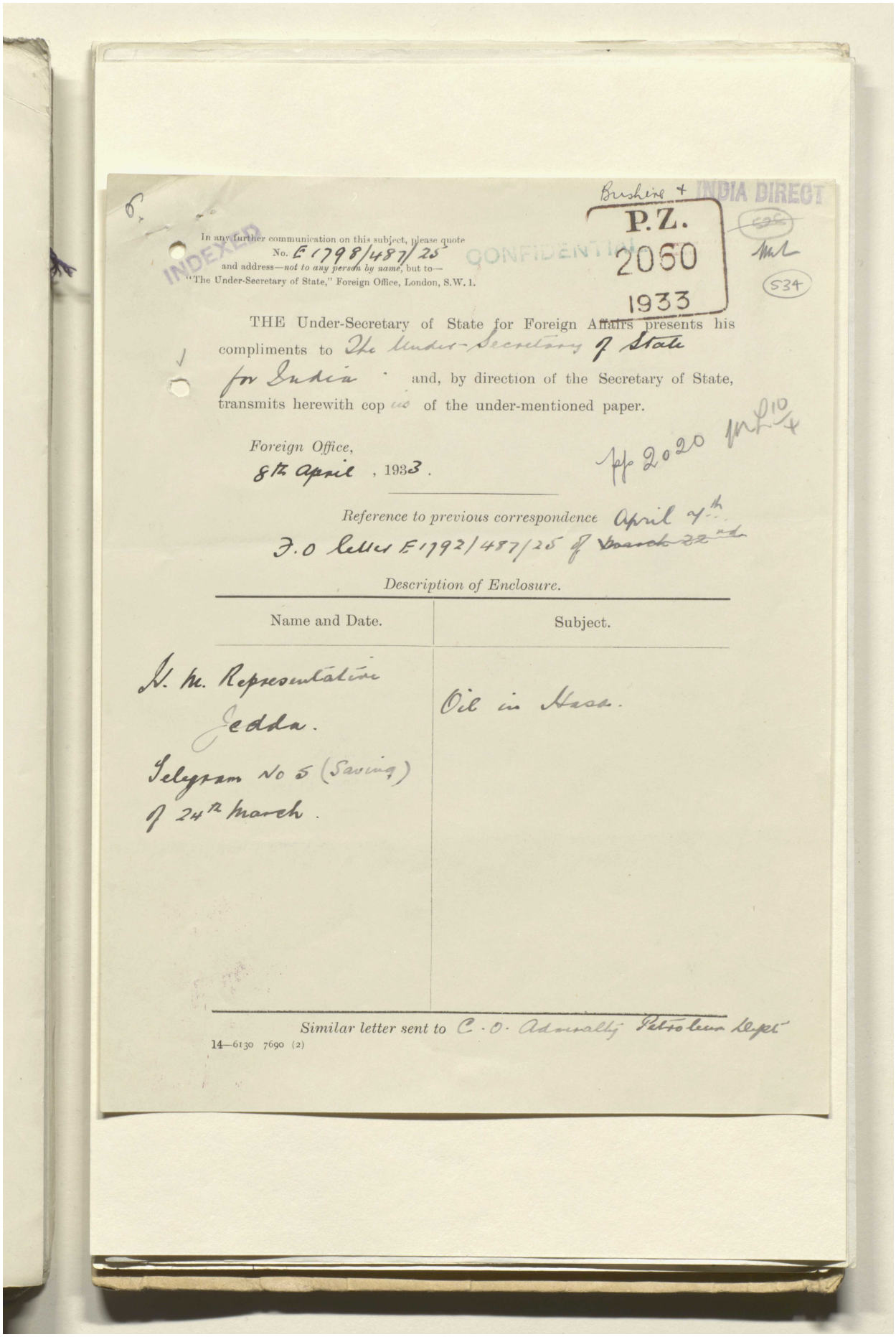

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P.Z. 2060 1933

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534

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
8th April, 1933.

1pp 2020

Reference to previous correspondence April 4th
F.O letter E 1792/487/25 of March 22nd

Description of Enclosure.

Name and Date.	Subject.
H. M. Representative Jedda. Telegram No 5 (Saving) of 24th March.	Oil in Hasa.

Similar letter sent to C.O. Admiralty Petroleum Dept

14—6130 7690 (2)

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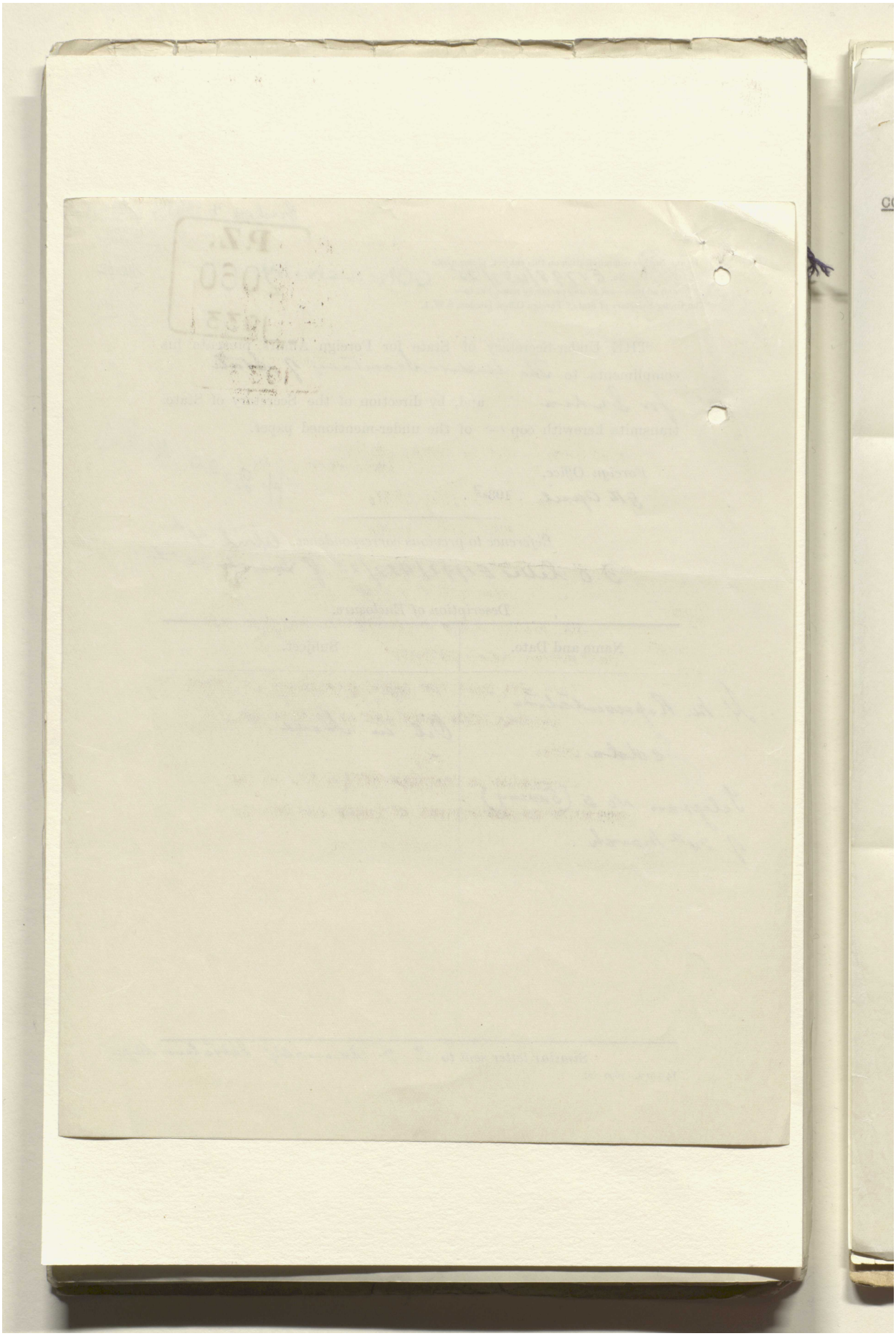

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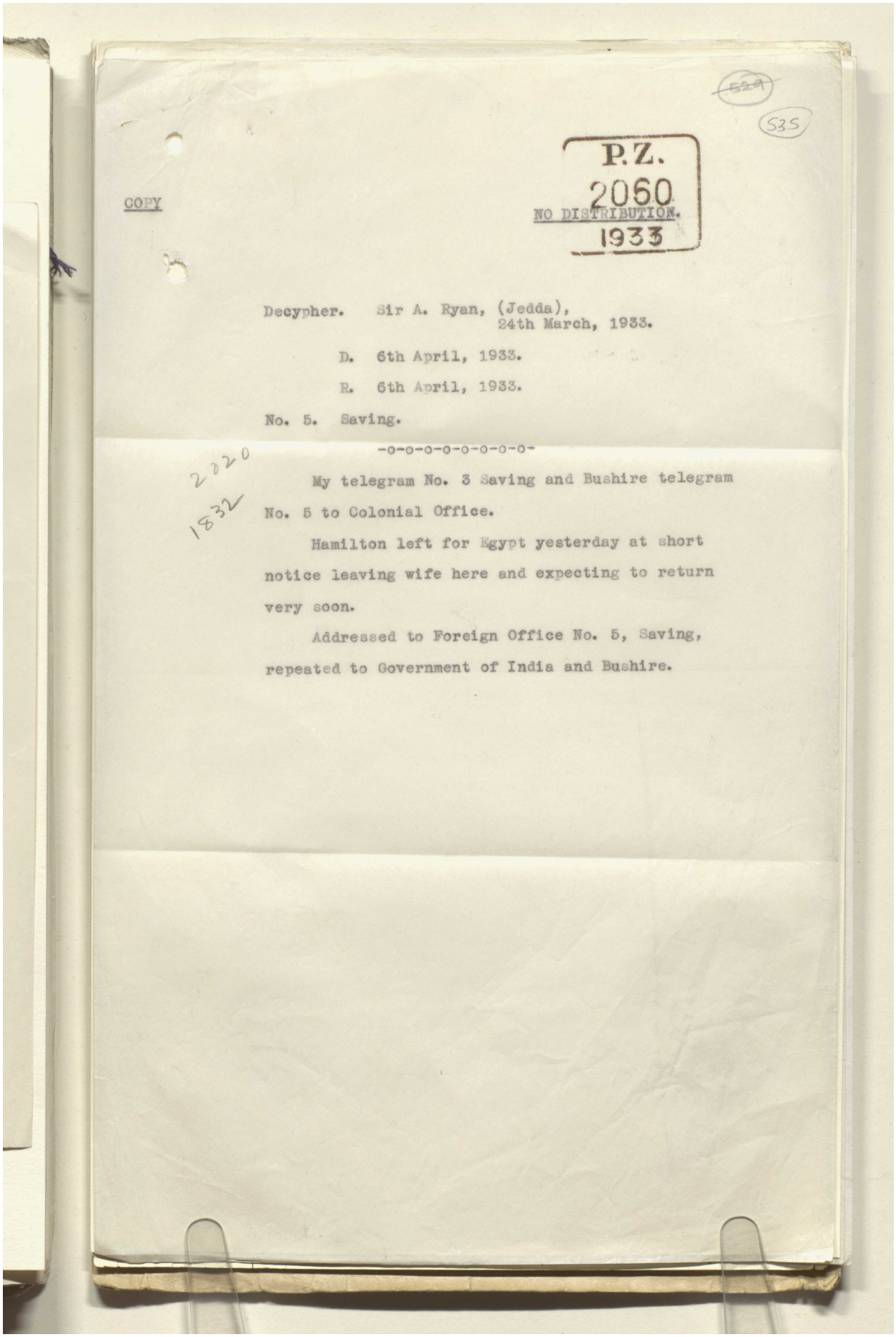

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2060
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1933

Decypher. Sir A. Ryan, (Jedda),
24th March, 1933.

D. 6th April, 1933.

R. 6th April, 1933.

No. 5. Saving.

-o-o-o-o-o-o-o-o-o-

2020
1832

My telegram No. 3 Saving and Bushire telegram No. 5 to Colonial Office.

Hamilton left for Egypt yesterday at short notice leaving wife here and expecting to return very soon.

Addressed to Foreign Office No. 5, Saving, repeated to Government of India and Bushire.

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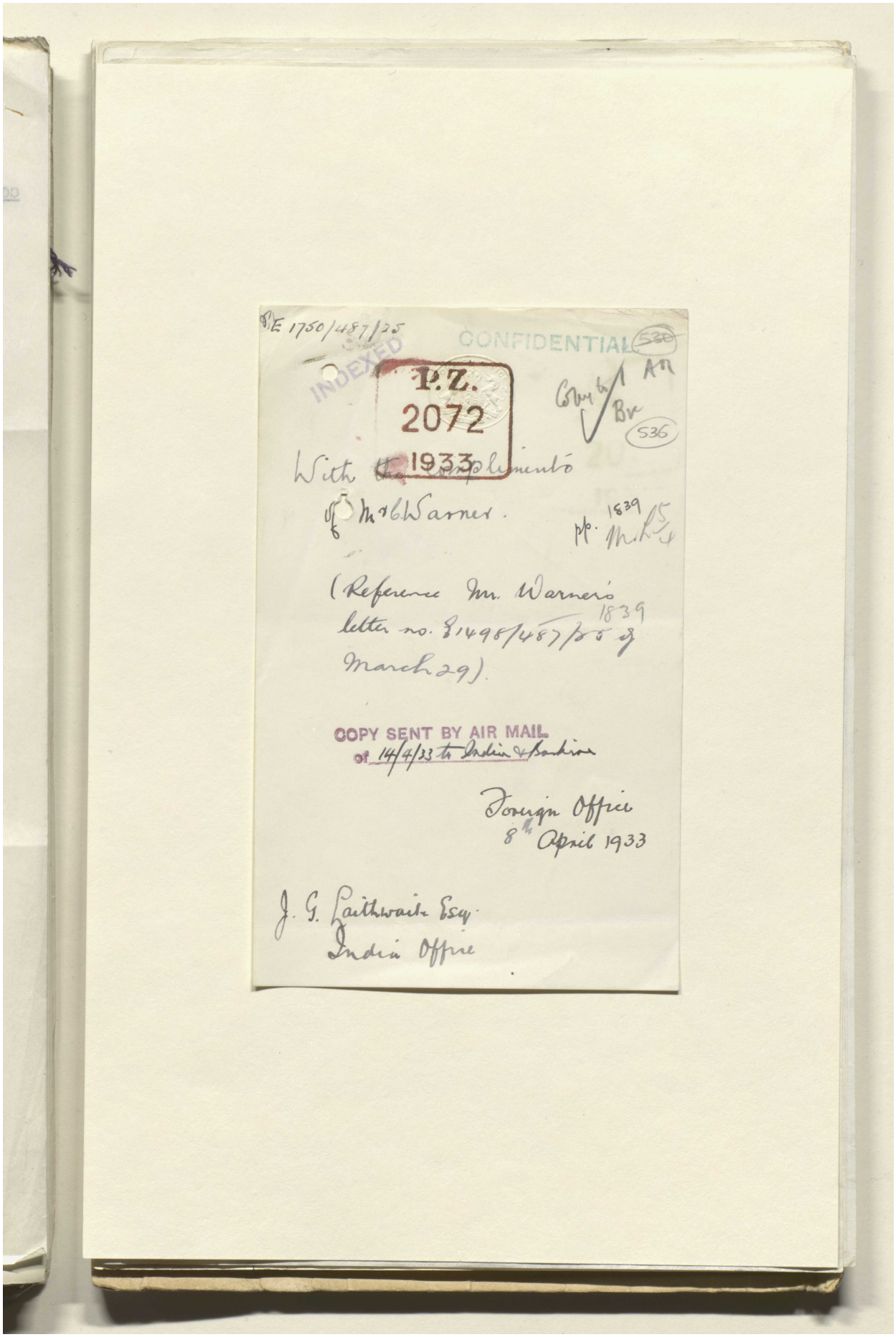

P/E 1750/487/25

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P.Z. 2072 1933

With the compliments of Mr. G. Warner.

pp. 1839

(Reference Mr. Warner's letter no. P/1498/487/25 of March 29) 1839

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Foreign Office
8th April 1933

J. G. Laithwaite Esq.
India Office

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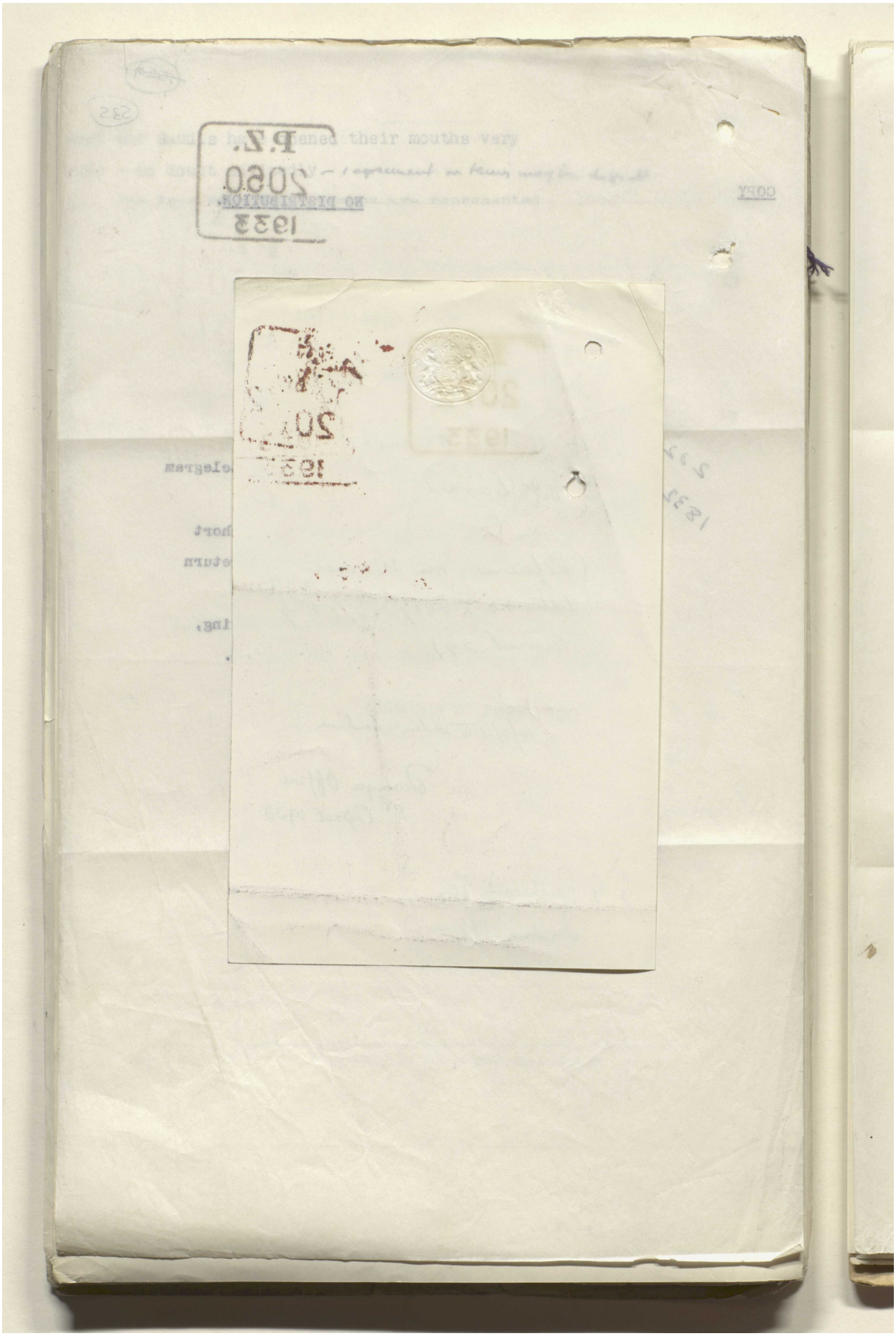

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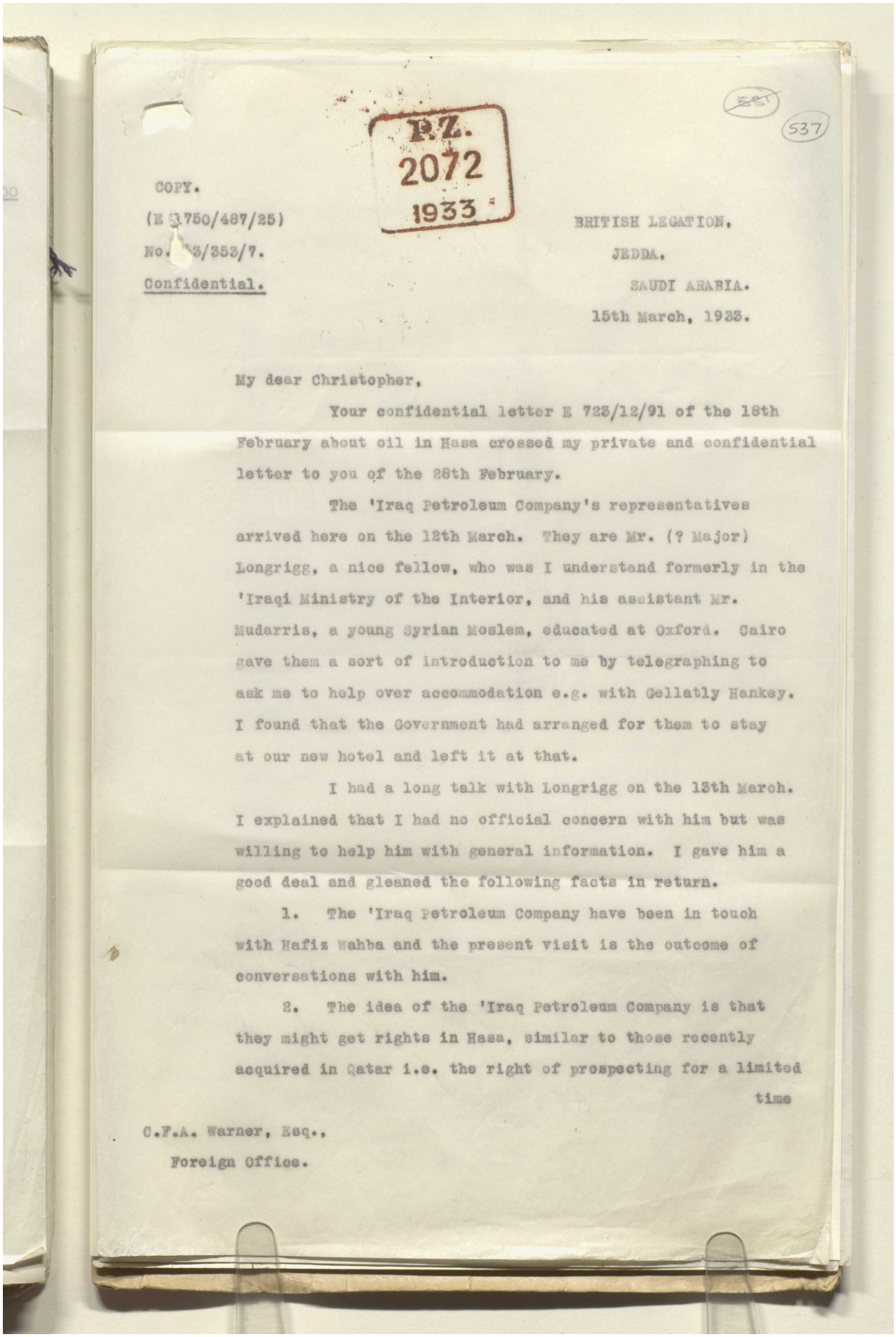

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2072
1933

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COPY.

(E 1750/487/25)

No. 353/353/7.

Confidential.

BRITISH LEGATION,
JEDDA,
SAUDI ARABIA.
15th March, 1933.

My dear Christopher,

Your confidential letter E 723/12/91 of the 18th February about oil in Hasa crossed my private and confidential letter to you of the 28th February.

The 'Iraq Petroleum Company's representatives arrived here on the 12th March. They are Mr. (? Major) Longrigg, a nice fellow, who was I understand formerly in the 'Iraqi Ministry of the Interior, and his assistant Mr. Mudarris, a young Syrian Moslem, educated at Oxford. Cairo gave them a sort of introduction to me by telegraphing to ask me to help over accommodation e.g. with Gellatly Hankey. I found that the Government had arranged for them to stay at our new hotel and left it at that.

I had a long talk with Longrigg on the 13th March. I explained that I had no official concern with him but was willing to help him with general information. I gave him a good deal and gleaned the following facts in return.

1. The 'Iraq Petroleum Company have been in touch with Hafiz Wahba and the present visit is the outcome of conversations with him.

2. The idea of the 'Iraq Petroleum Company is that they might get rights in Hasa, similar to those recently acquired in Qatar i.e. the right of prospecting for a limited time

C.F.A. Warner, Esq.,
Foreign Office.

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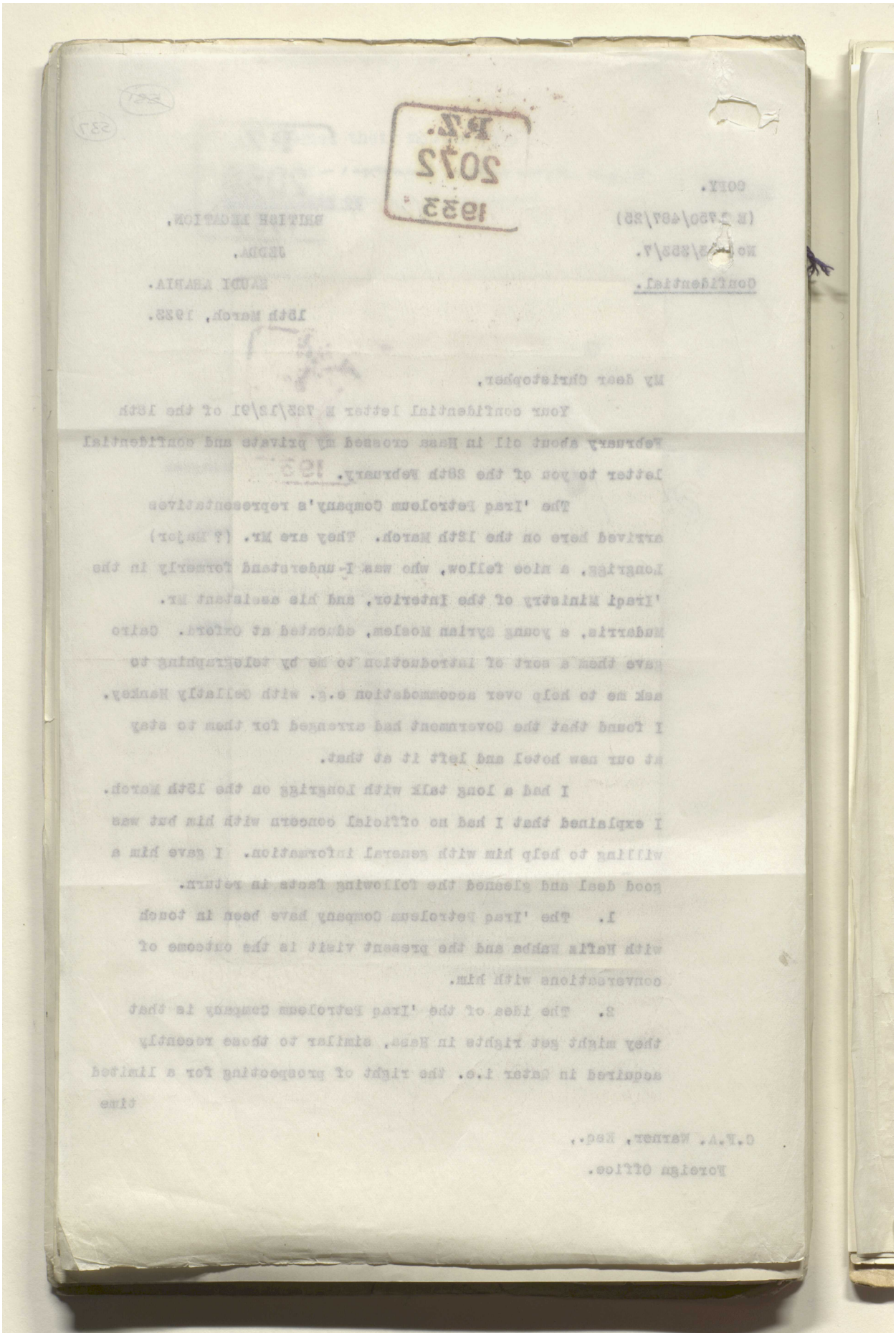

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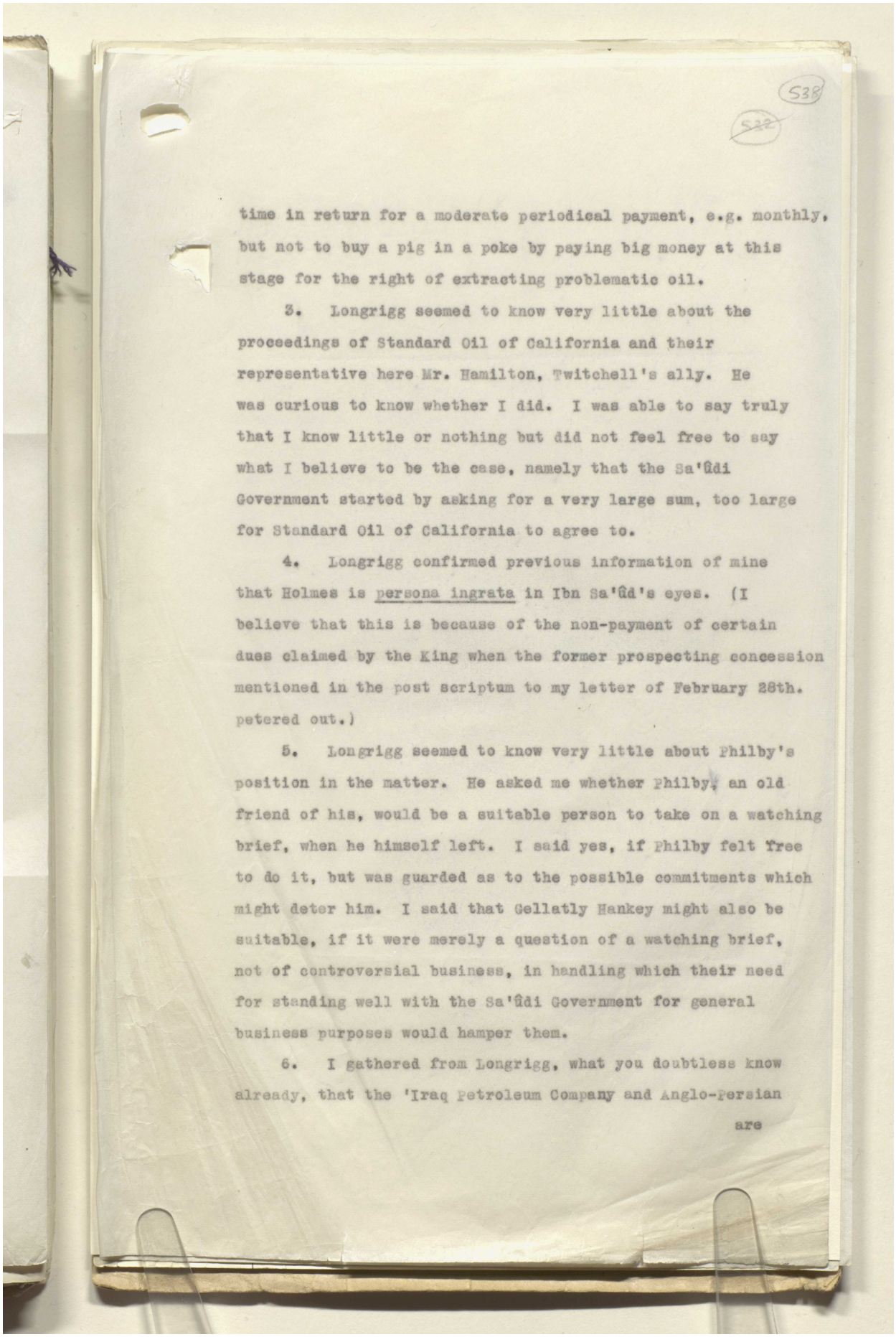

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~~532~~

time in return for a moderate periodical payment, e.g. monthly, but not to buy a pig in a poke by paying big money at this stage for the right of extracting problematic oil.

3. Longrigg seemed to know very little about the proceedings of Standard Oil of California and their representative here Mr. Hamilton, Twitchell's ally. He was curious to know whether I did. I was able to say truly that I know little or nothing but did not feel free to say what I believe to be the case, namely that the Sa'ûdi Government started by asking for a very large sum, too large for Standard Oil of California to agree to.

4. Longrigg confirmed previous information of mine that Holmes is persona ingrata in Ibn Sa'ûd's eyes. (I believe that this is because of the non-payment of certain dues claimed by the King when the former prospecting concession mentioned in the post scriptum to my letter of February 28th. petered out.)

5. Longrigg seemed to know very little about Philby's position in the matter. He asked me whether Philby, an old friend of his, would be a suitable person to take on a watching brief, when he himself left. I said yes, if Philby felt free to do it, but was guarded as to the possible commitments which might deter him. I said that Gellatly Hankey might also be suitable, if it were merely a question of a watching brief, not of controversial business, in handling which their need for standing well with the Sa'ûdi Government for general business purposes would hamper them.

6. I gathered from Longrigg, what you doubtless know already, that the 'Iraq Petroleum Company and Anglo-Persian

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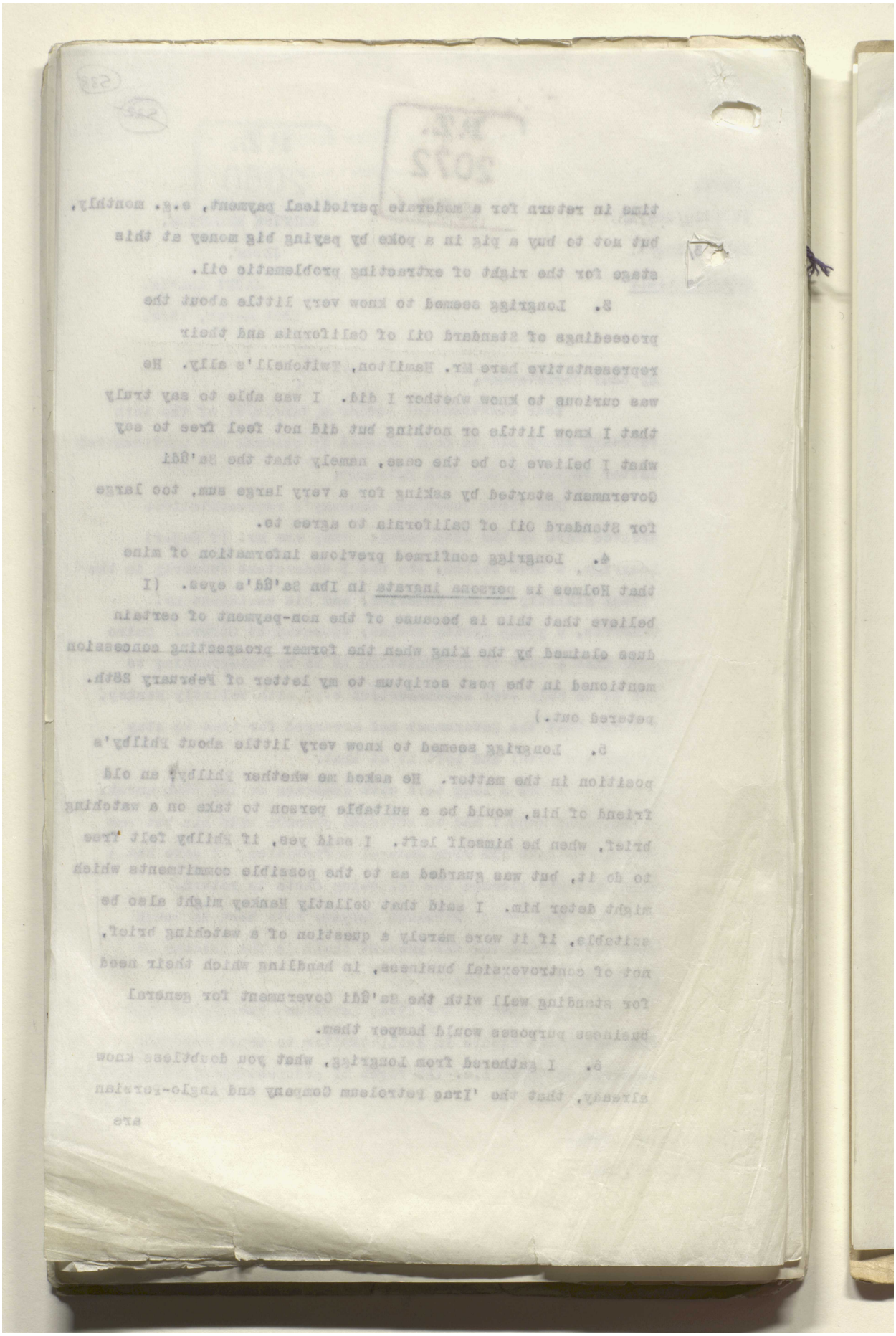

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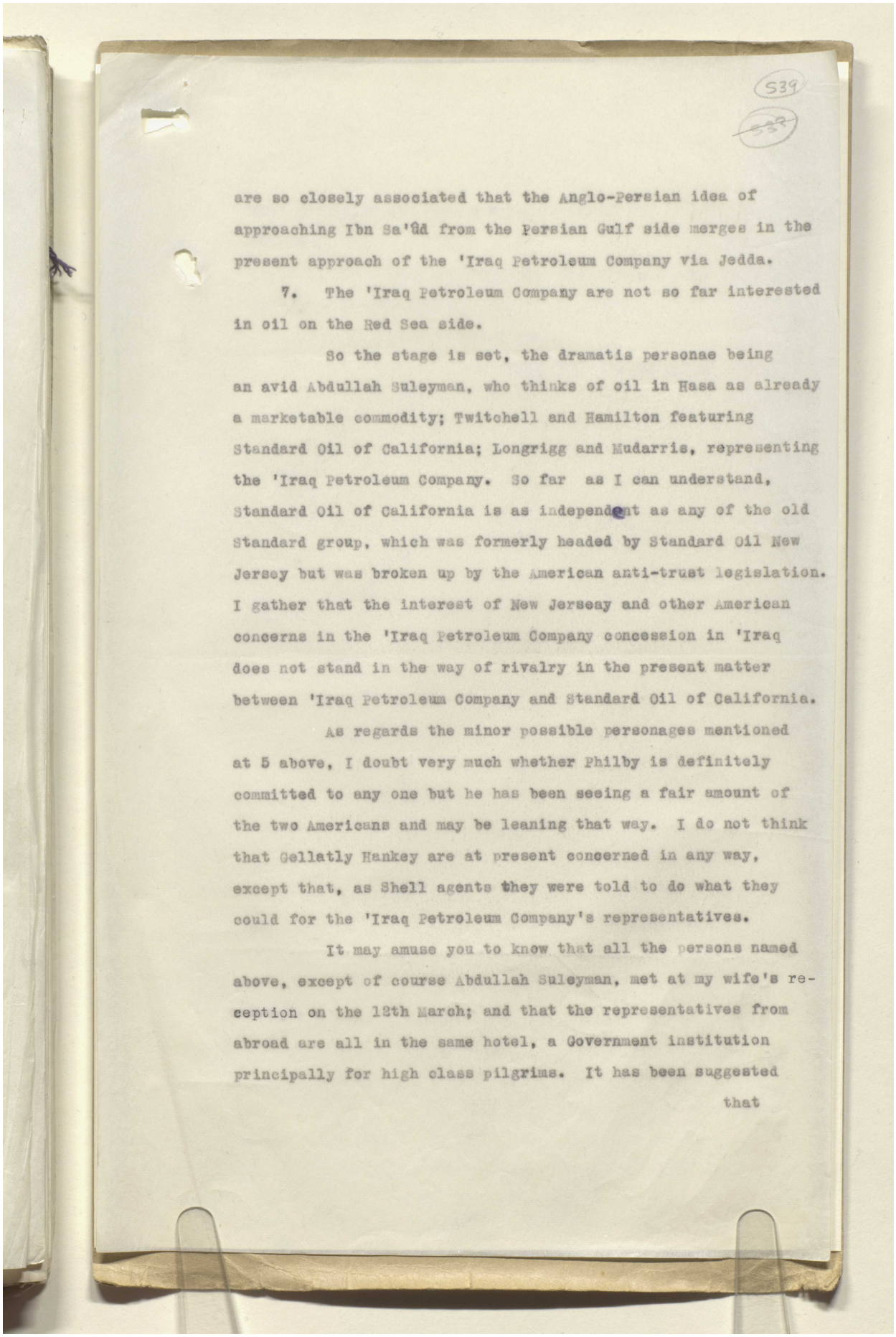

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are so closely associated that the Anglo-Persian idea of approaching Ibn Sa'ûd from the Persian Gulf side merges in the present approach of the 'Iraq Petroleum Company via Jedda.

7. The 'Iraq Petroleum Company are not so far interested in oil on the Red Sea side.

So the stage is set, the dramatis personae being an avid Abdullah Suleyman, who thinks of oil in Hasa as already a marketable commodity; Twitchell and Hamilton featuring Standard Oil of California; Longrigg and Mudarris, representing the 'Iraq Petroleum Company. So far as I can understand, Standard Oil of California is as independent as any of the old Standard group, which was formerly headed by Standard Oil New Jersey but was broken up by the American anti-trust legislation. I gather that the interest of New Jerseay and other American concerns in the 'Iraq Petroleum Company concession in 'Iraq does not stand in the way of rivalry in the present matter between 'Iraq Petroleum Company and Standard Oil of California.

As regards the minor possible personages mentioned at 5 above, I doubt very much whether Philby is definitely committed to any one but he has been seeing a fair amount of the two Americans and may be leaning that way. I do not think that Gellatly Hankey are at present concerned in any way, except that, as Shell agents they were told to do what they could for the 'Iraq Petroleum Company's representatives.

It may amuse you to know that all the persons named above, except of course Abdullah Suleyman, met at my wife's reception on the 12th March; and that the representatives from abroad are all in the same hotel, a Government institution principally for high class pilgrims. It has been suggested

that

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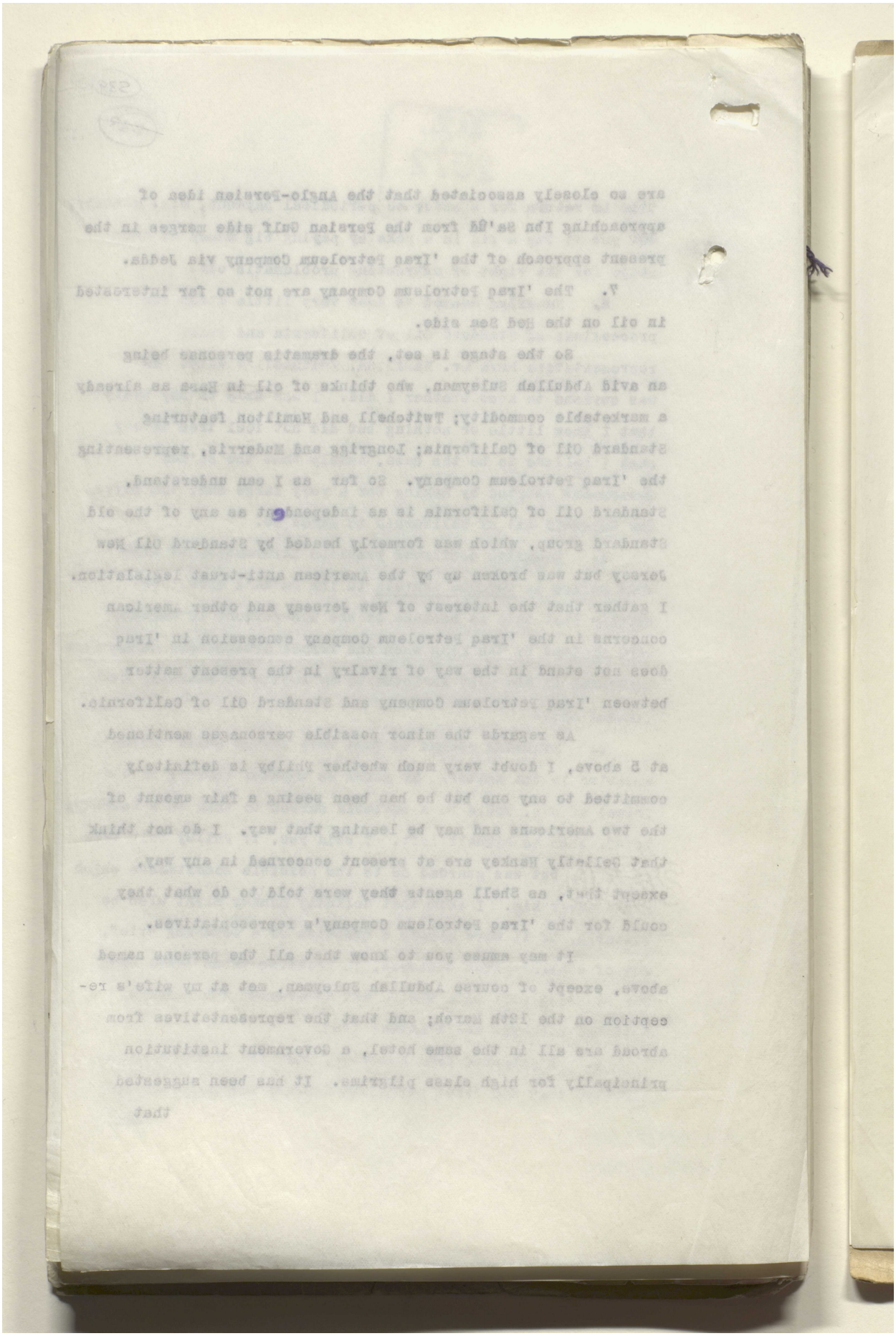

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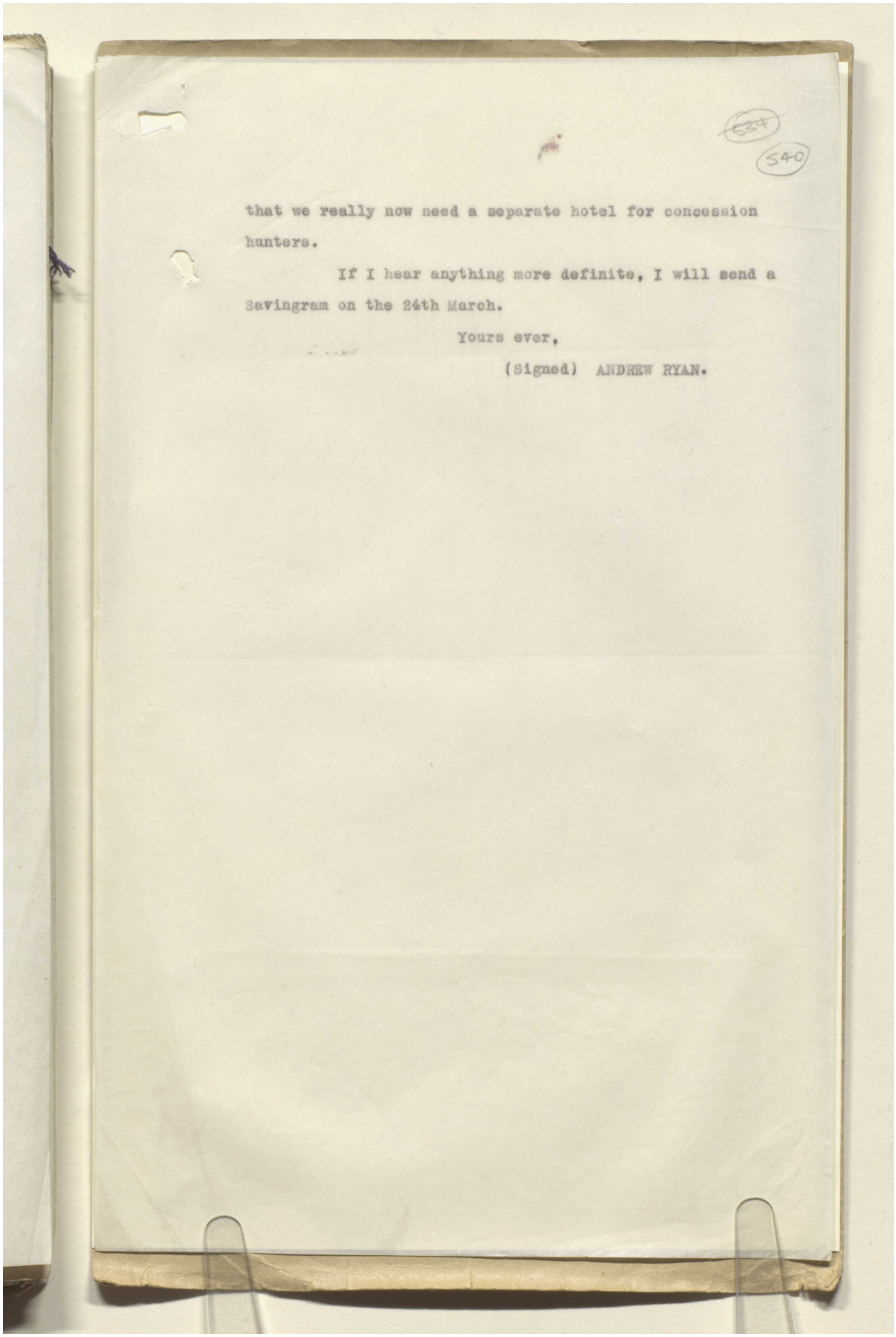

that we really now need a separate hotel for concession hunters.

If I hear anything more definite, I will send a Savingram on the 24th March.

Yours ever,

(Signed) ANDREW RYAN.

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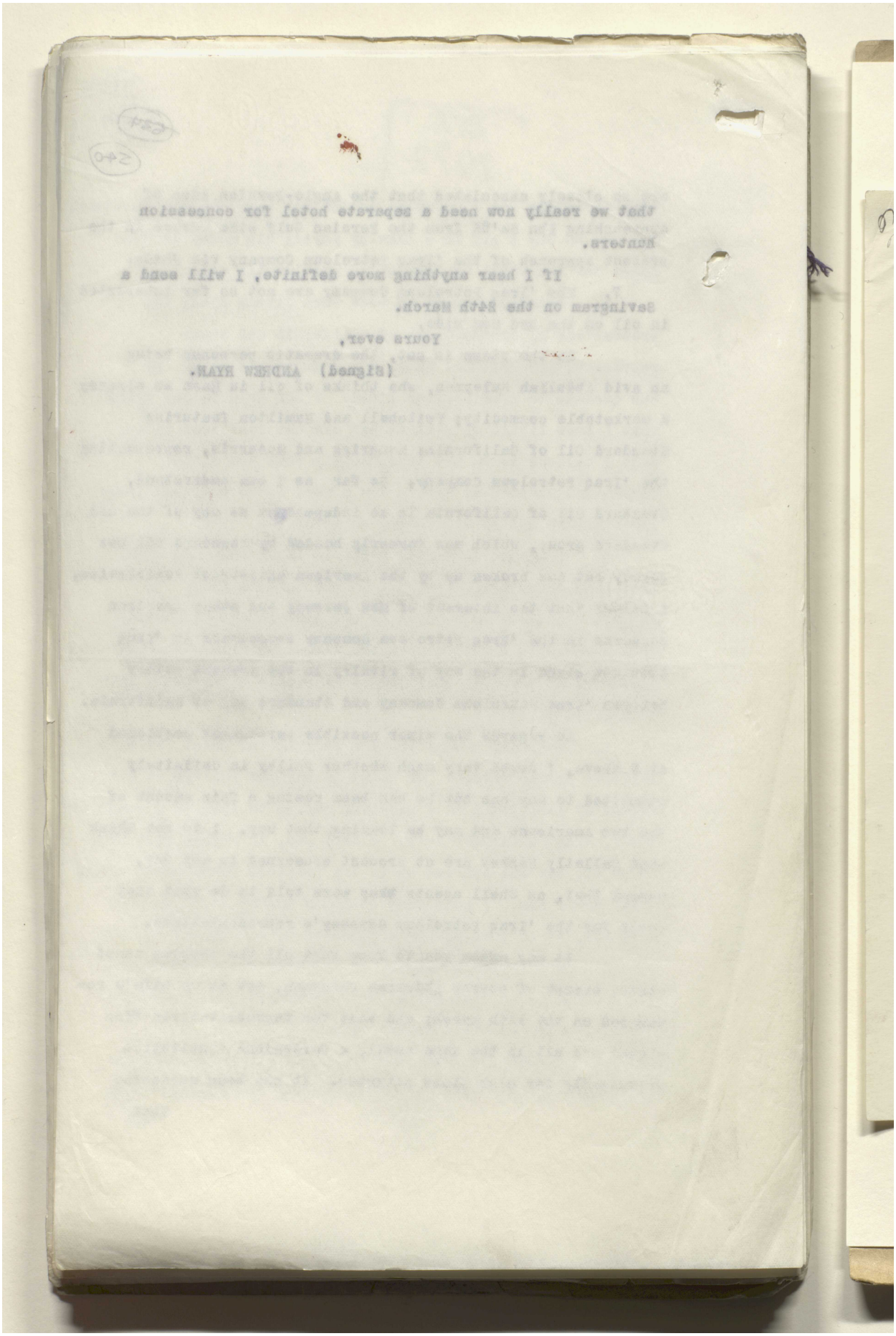

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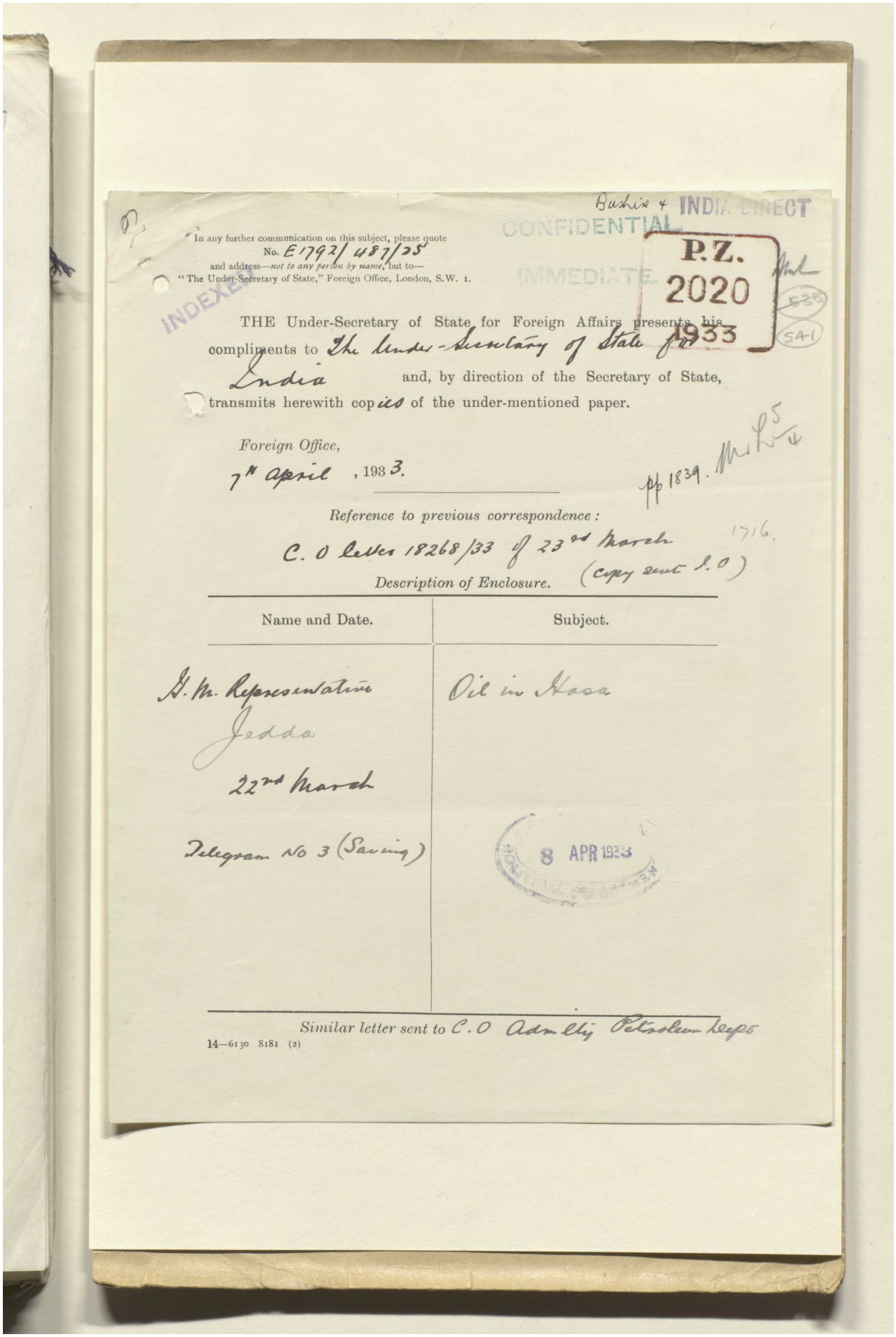

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P.Z. 2020 1933

In any further communication on this subject, please quote
No. E 1792/487/25
and address—*not to any person by name*, but to—
"The Under-Secretary of State," Foreign Office, London, S.W. 1.

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under-Secretary of State for India and, by direction of the Secretary of State, transmits herewith copies of the under-mentioned paper.

Foreign Office,
7th April, 1933.

pp 1839.

Reference to previous correspondence:
C. O Letter 18268/33 of 23rd March 1716.

Description of Enclosure. (copy sent I.O)

Name and Date.	Subject.
H. M. Representative Jedda 22nd March Telegram No 3 (Saving)	Oil in Hasa

8 APR 1933

Similar letter sent to C.O Admlty Petroleum Dept

14—6130 8181 (2)

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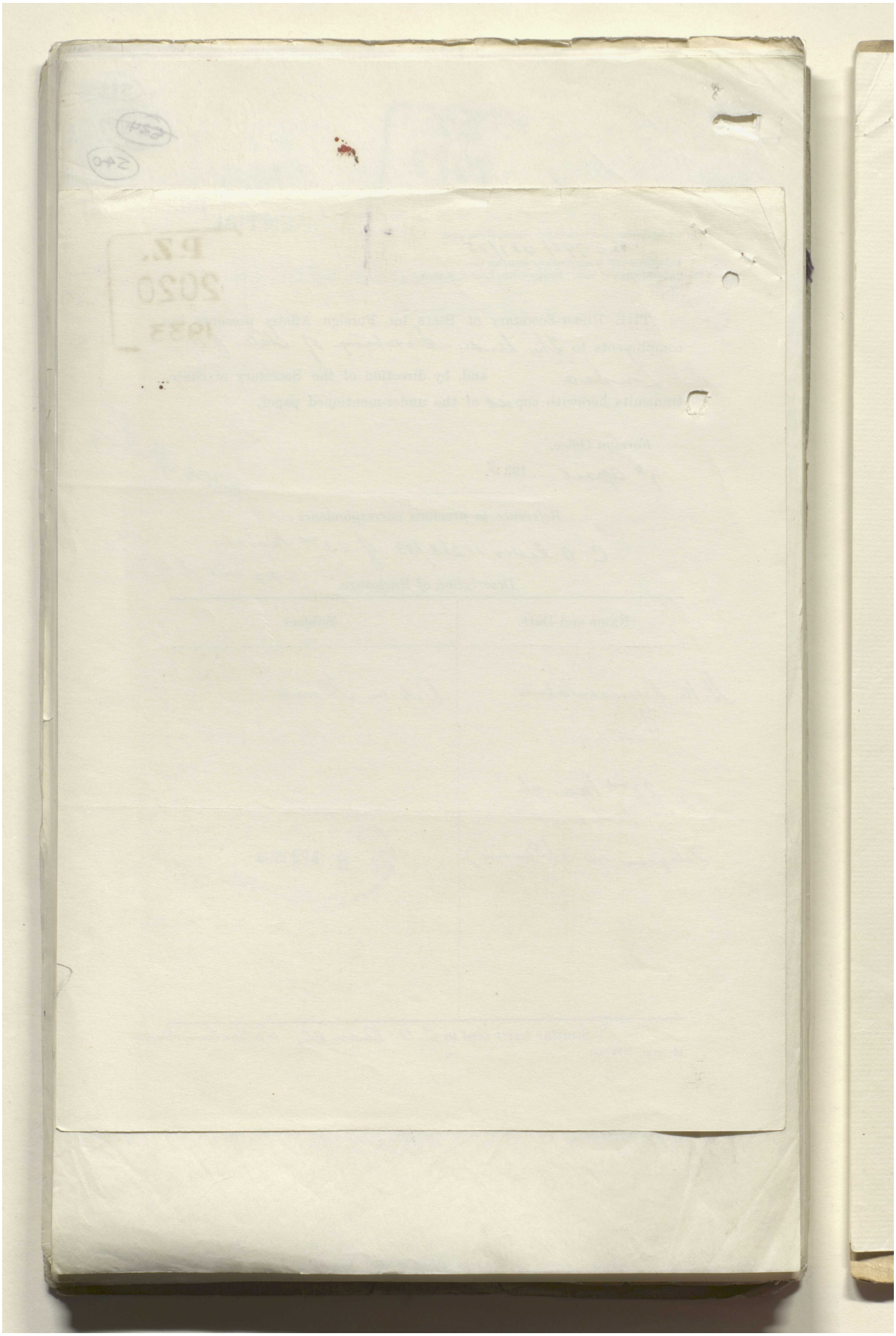

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Decypher. Sir A. Ryan (Jedda). 22nd March 1933.

D. 22nd March 1933.

R. 3rd April 1933.

No. 3 (Saving).

****

My letter of March 15th to Mr. Warner:

Negotiations for oil concession in Hasa have been proceeding between Minister of Finance and (1) Standard Oil of California represented by Hamilton who is in regular employment of the Company and Twitchell. (2) Iraq Petroleum Company represented by Longrigg and Muderris. Understand Minister has been standing out for very large sum down and substantial Royalty and that America does not reject principle but wish to reduce amount considerably. Iraq Petroleum Company representative came prepared to offer only rental right of prospecting during limited period.

I am doubtful whether either candidate will succeed at present but Standard Oil of California have the greater chance. Saudi Government now have money in prospect from ex-Khedive's group and perhaps from Indian promoters of Mecca to Jedda Railway. They may therefore keep oil concession in reserve unless they can get very favourable terms.

Rumours reproduced in Bushire telegram No.2 to Colonial Office are almost certainly false. Holmes is repugnant to Ibn Saud who is in any case on the point of coming to Mecca. Representatives rumoured to have gone to Riadh are probably those now here.

Addressed to Foreign Office No. 3 Saving, repeated to Government of India and Bushire.

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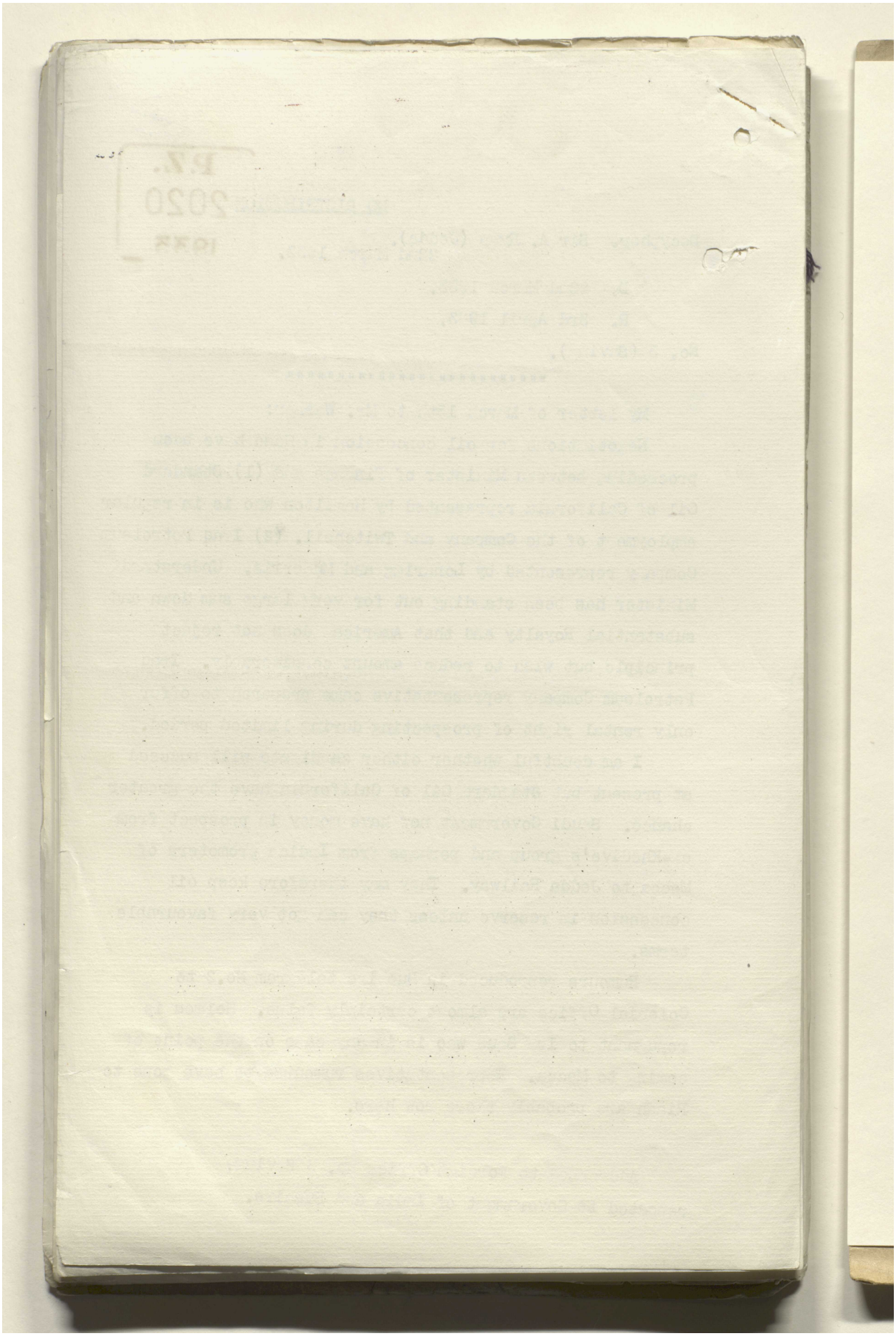

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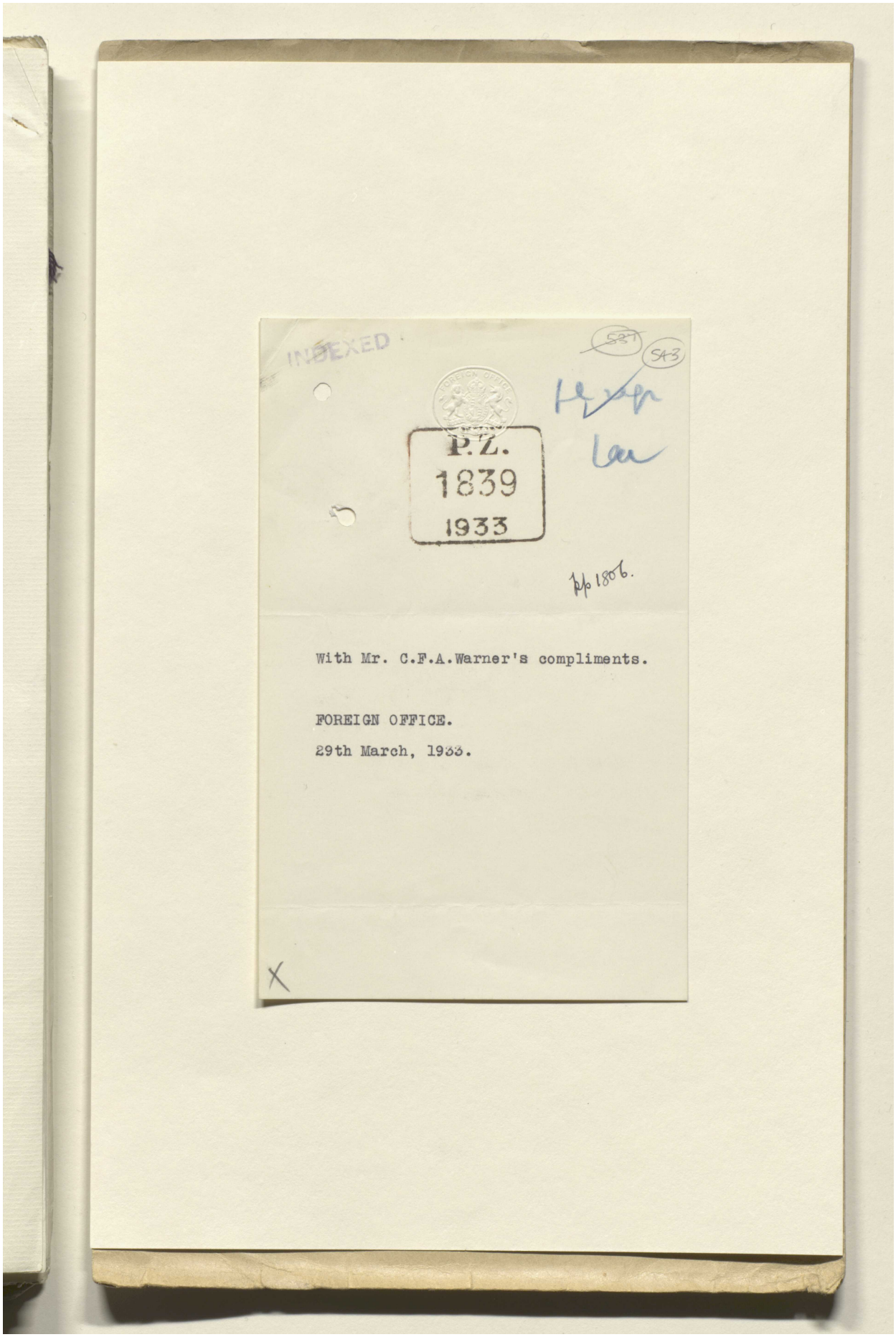

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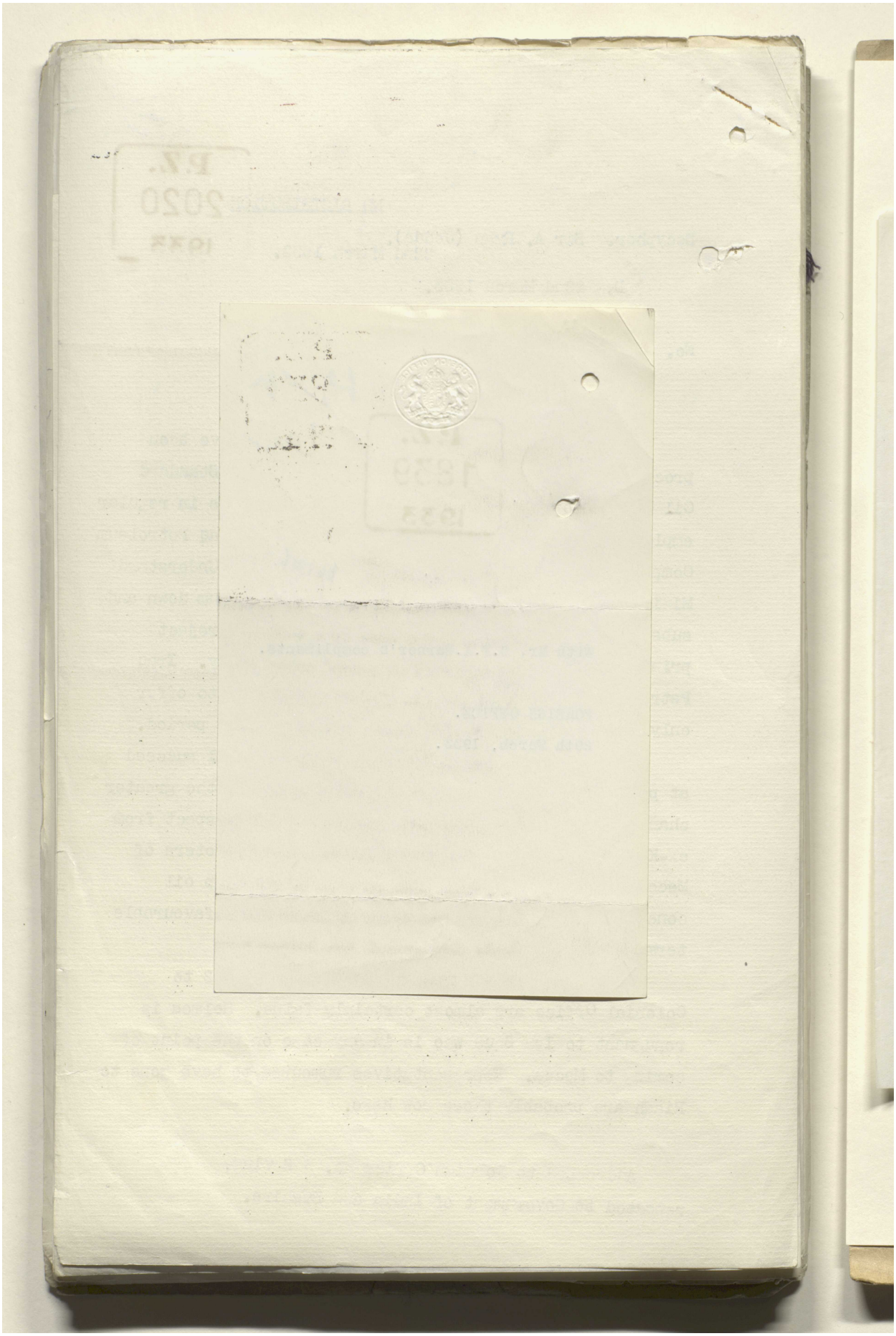

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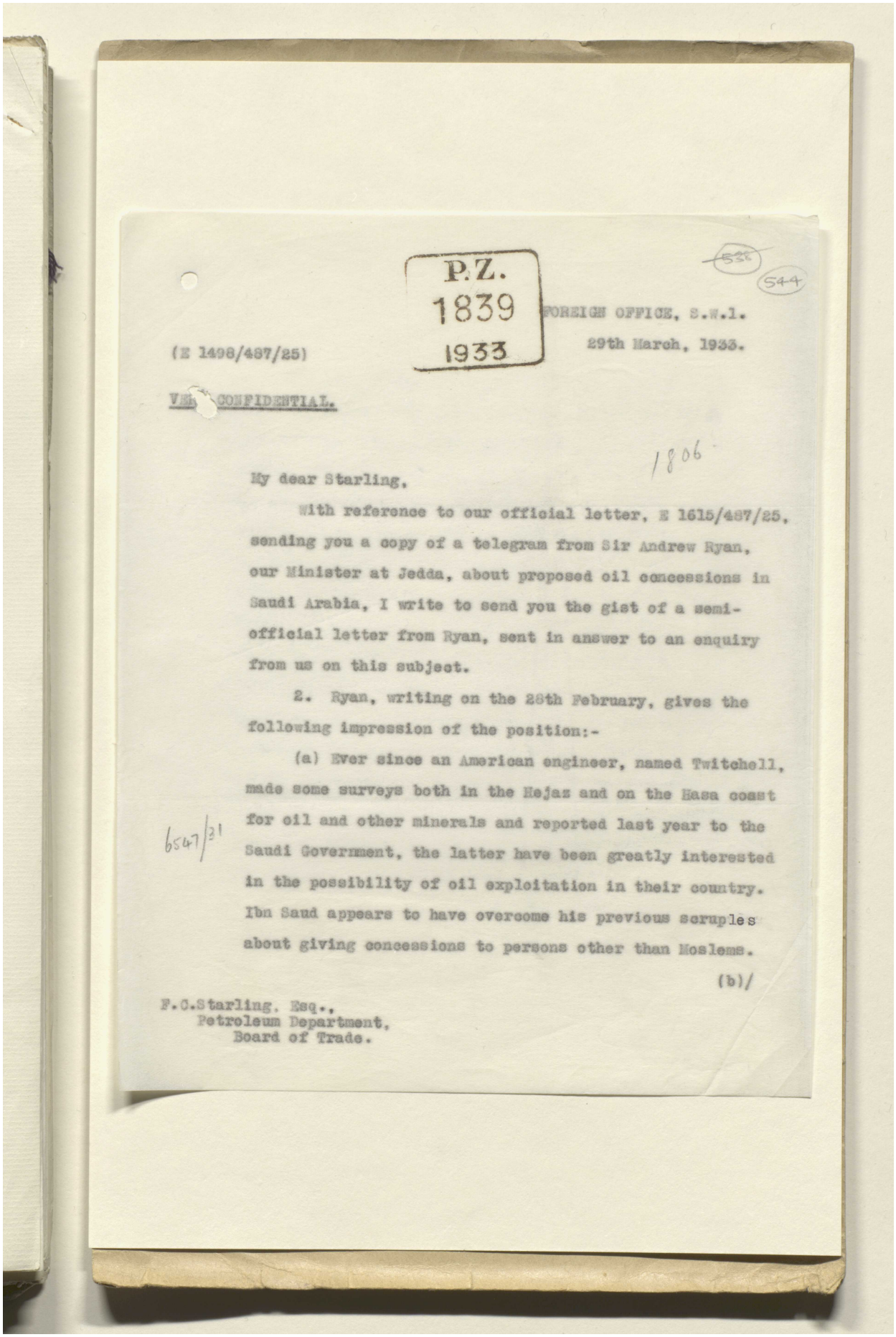

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(E 1498/487/25)

FOREIGN OFFICE, S.W.1.
29th March, 1933.

VERY CONFIDENTIAL.

1806

My dear Starling,

With reference to our official letter, E 1615/487/25, sending you a copy of a telegram from Sir Andrew Ryan, our Minister at Jedda, about proposed oil concessions in Saudi Arabia, I write to send you the gist of a semi-official letter from Ryan, sent in answer to an enquiry from us on this subject.

2. Ryan, writing on the 28th February, gives the following impression of the position:-

6547/31

(a) Ever since an American engineer, named Twitchell, made some surveys both in the Hejaz and on the Hasa coast for oil and other minerals and reported last year to the Saudi Government, the latter have been greatly interested in the possibility of oil exploitation in their country. Ibn Saud appears to have overcome his previous scruples about giving concessions to persons other than Moslems.

(b)/

F.C.Starling, Esq.,
Petroleum Department,
Board of Trade.

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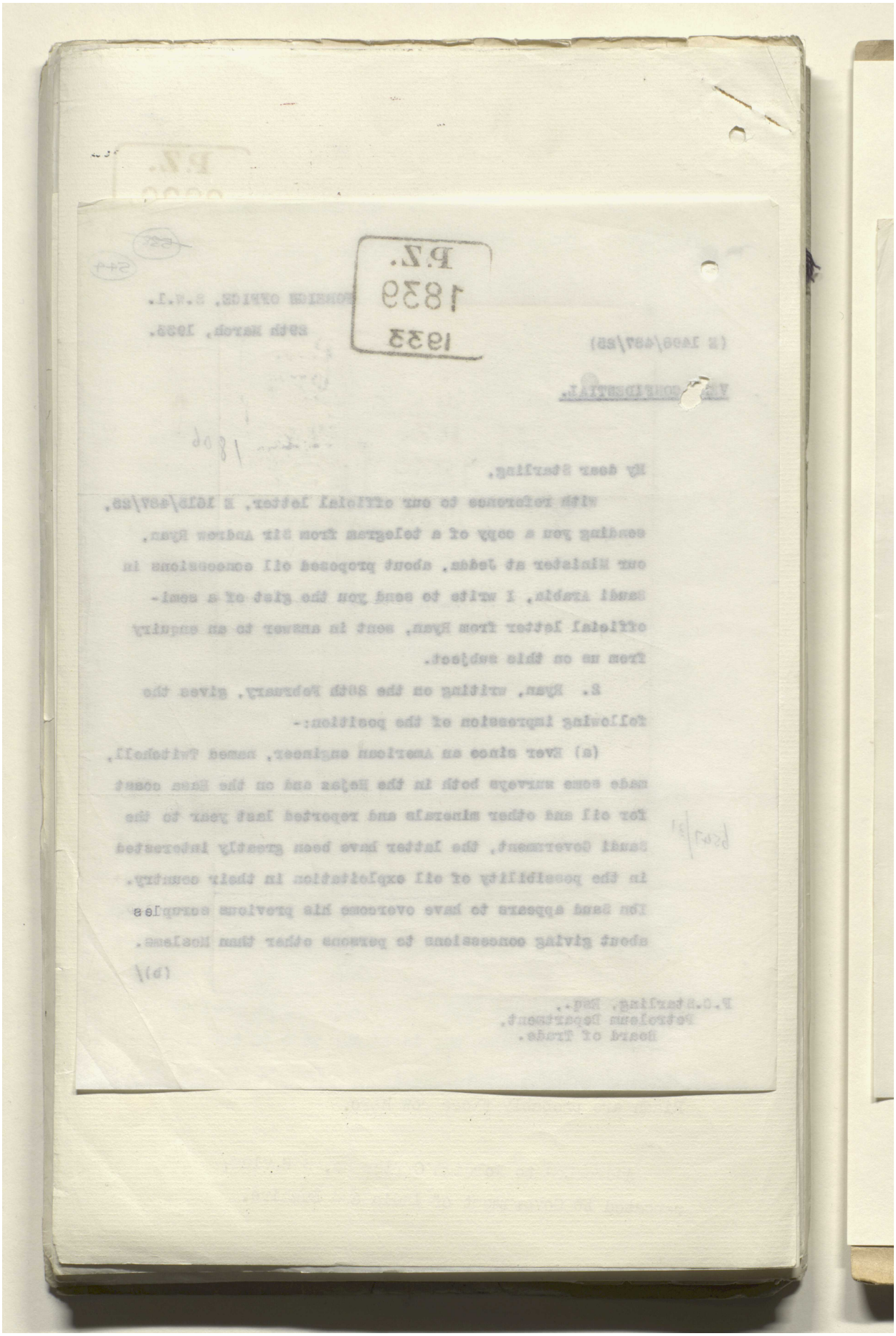

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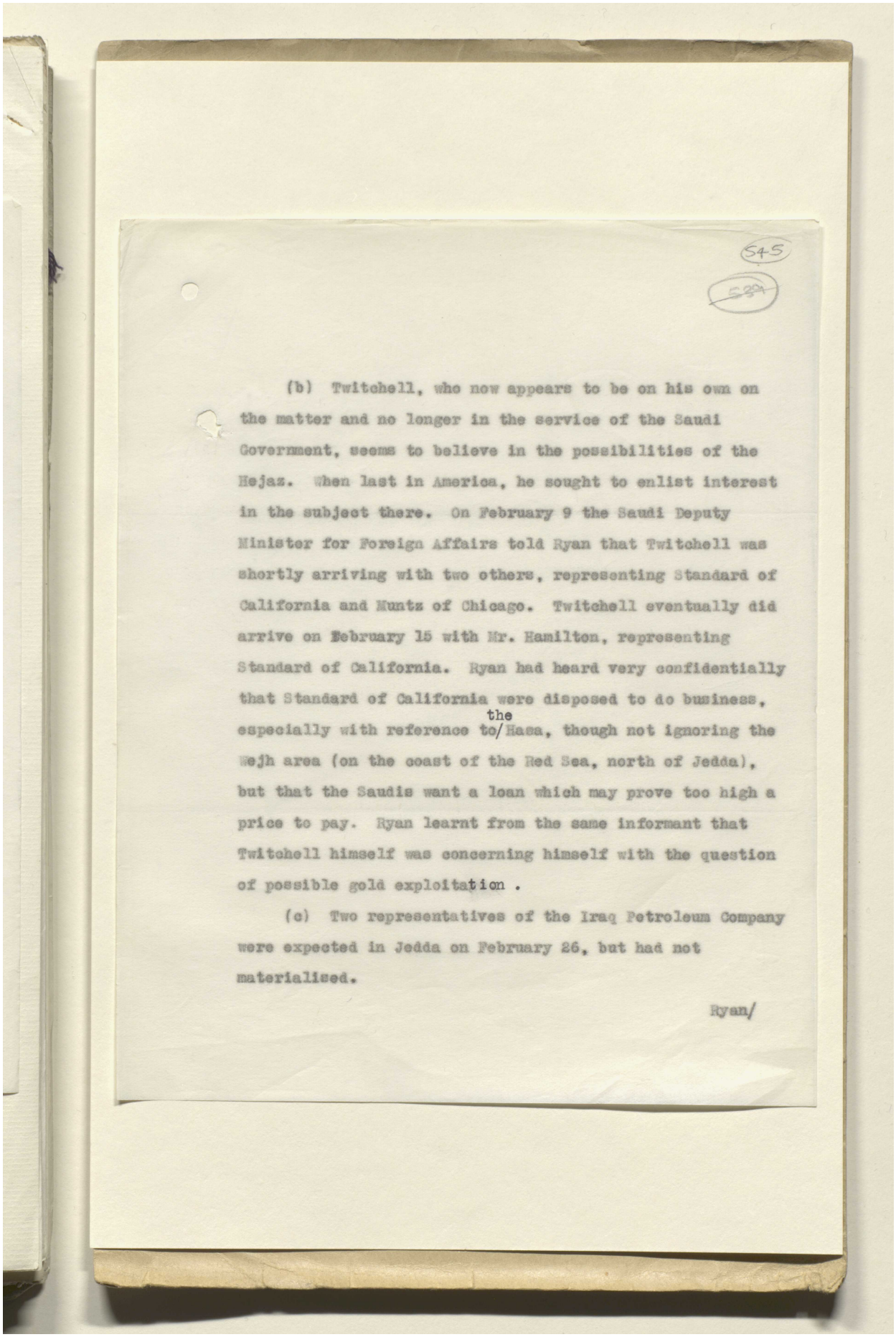

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(b) Twitchell, who now appears to be on his own on the matter and no longer in the service of the Saudi Government, seems to believe in the possibilities of the Hejaz. When last in America, he sought to enlist interest in the subject there. On February 9 the Saudi Deputy Minister for Foreign Affairs told Ryan that Twitchell was shortly arriving with two others, representing Standard of California and Muntz of Chicago. Twitchell eventually did arrive on February 15 with Mr. Hamilton, representing Standard of California. Ryan had heard very confidentially that Standard of California were disposed to do business, especially with reference to the Hasa, though not ignoring the Wejh area (on the coast of the Red Sea, north of Jedda), but that the Saudis want a loan which may prove too high a price to pay. Ryan learnt from the same informant that Twitchell himself was concerning himself with the question of possible gold exploitation .

(c) Two representatives of the Iraq Petroleum Company were expected in Jedda on February 26, but had not materialised.

Ryan/

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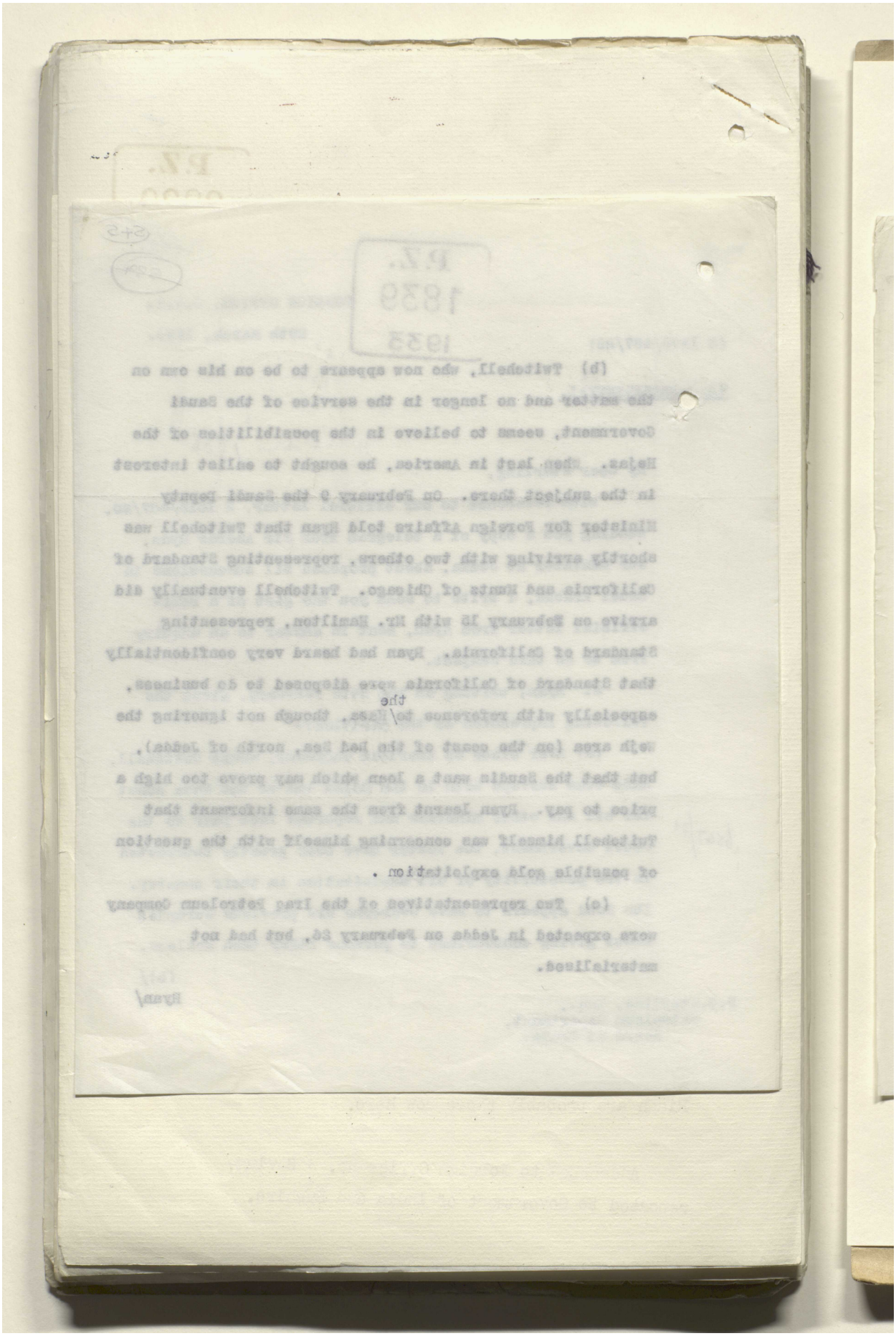

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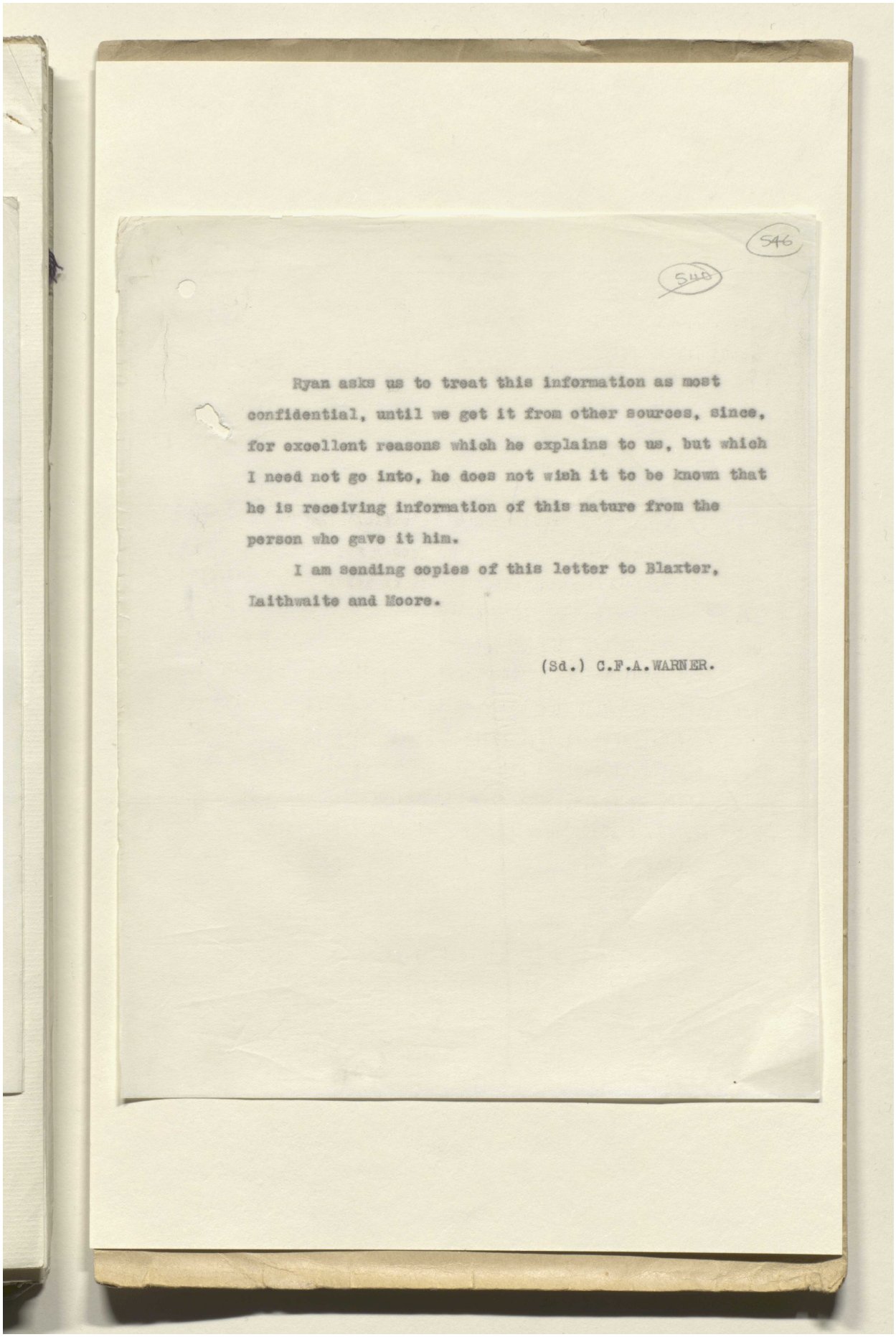

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Ryan asks us to treat this information as most confidential, until we get it from other sources, since, for excellent reasons which he explains to us, but which I need not go into, he does not wish it to be known that he is receiving information of this nature from the person who gave it him.

I am sending copies of this letter to Blaxter, Laithwaite and Moore.

(Sd.) C.F.A.WARNER.

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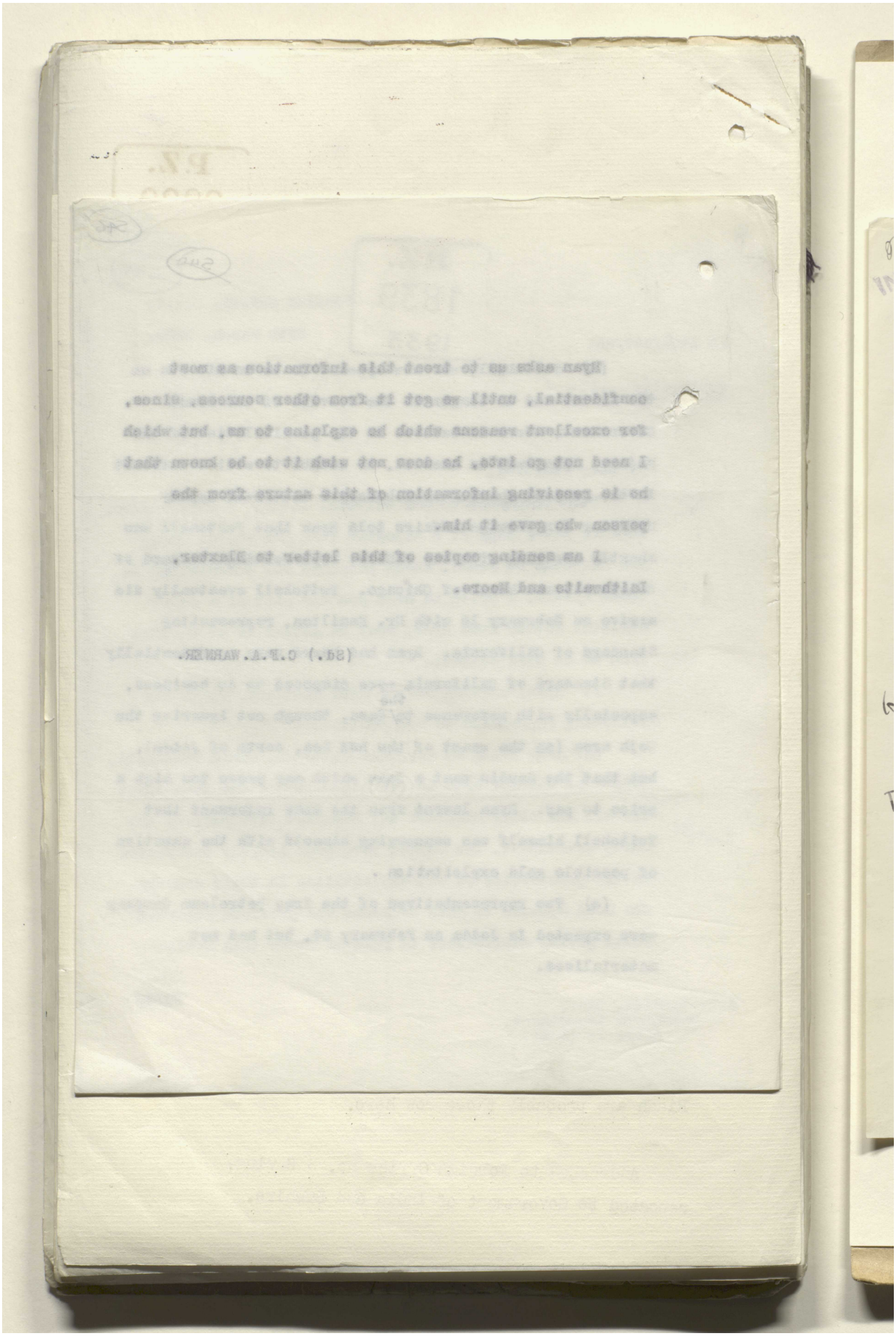

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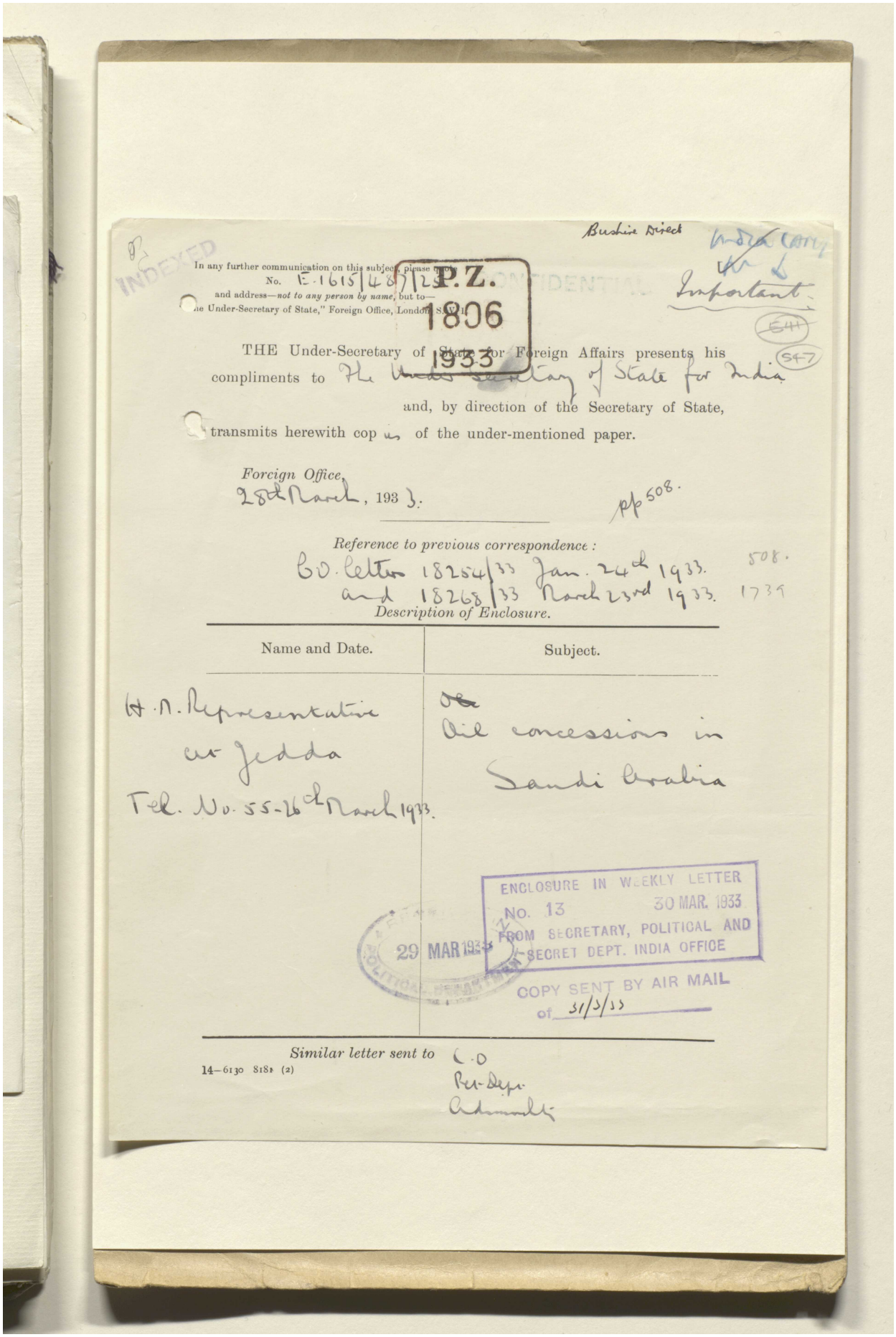

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No. E 1615/487/25 CONFIDENTIAL
and address—*not to any person by name*, but to—
"the Under-Secretary of State," Foreign Office, London, S.W.1.

P.Z. 1806 1933

Important.

547 547

THE Under-Secretary of State for Foreign Affairs presents his compliments to The Under Secretary of State for India

and, by direction of the Secretary of State,

transmits herewith copies of the under-mentioned paper.

Foreign Office,
28th March, 1933.

P/P 508.

Reference to previous correspondence:
C.O. letter 18254/33 Jan. 24th 1933. 508.
and 18268/33 March 23rd 1933. 1739

Description of Enclosure.

Name and Date.	Subject.
H.M. Representative at Jedda Tel. No. 55-26th March 1933.	Oil concessions in Saudi Arabia

ENCLOSURE IN WEEKLY LETTER
No. 13 30 MAR. 1933
FROM SECRETARY, POLITICAL AND SECRET DEPT. INDIA OFFICE

29 MAR 1933

COPY SENT BY AIR MAIL
of 31/3/33

Similar letter sent to C.O
Pet. Dept.
Admiralty

14—6130 818 (2)

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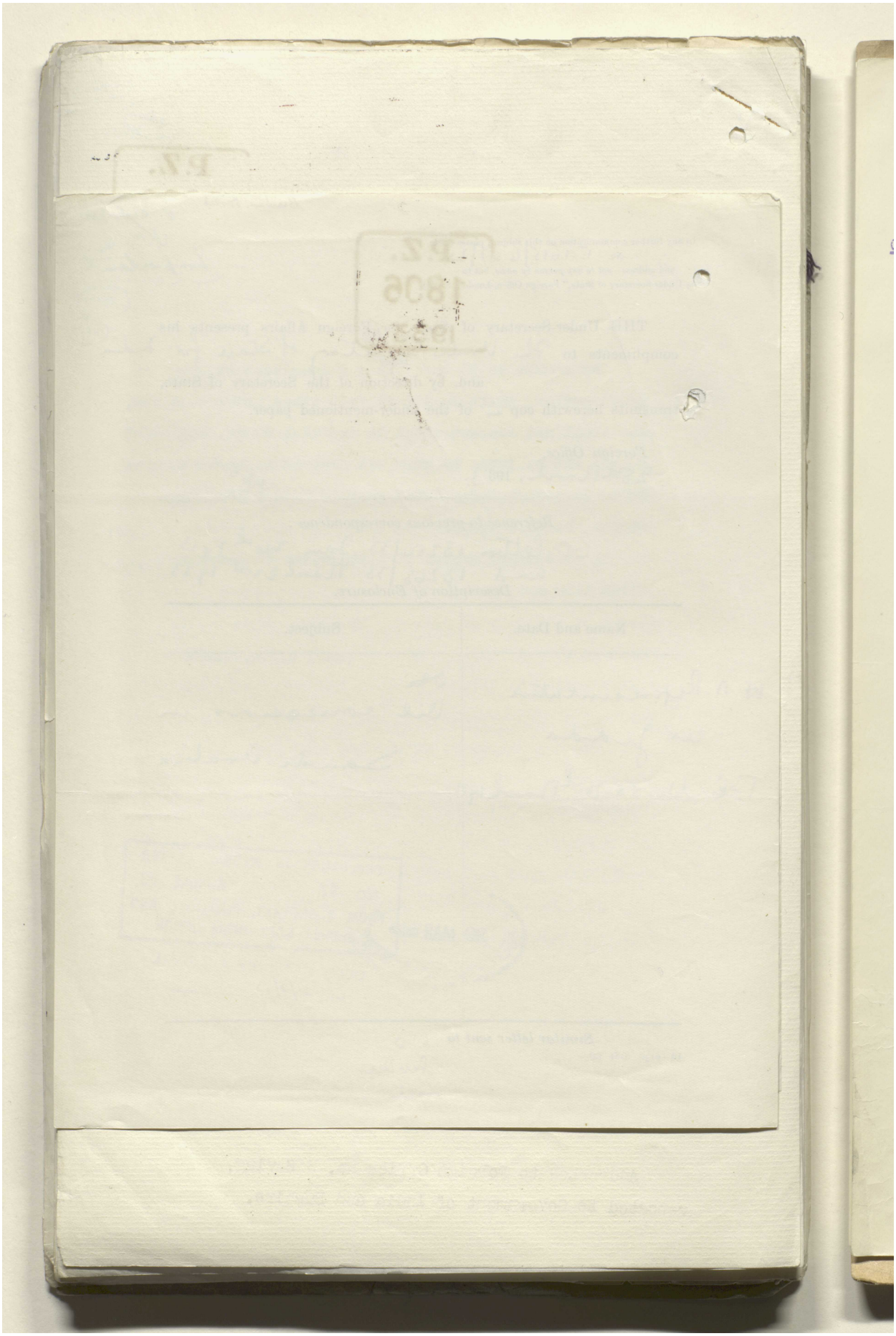

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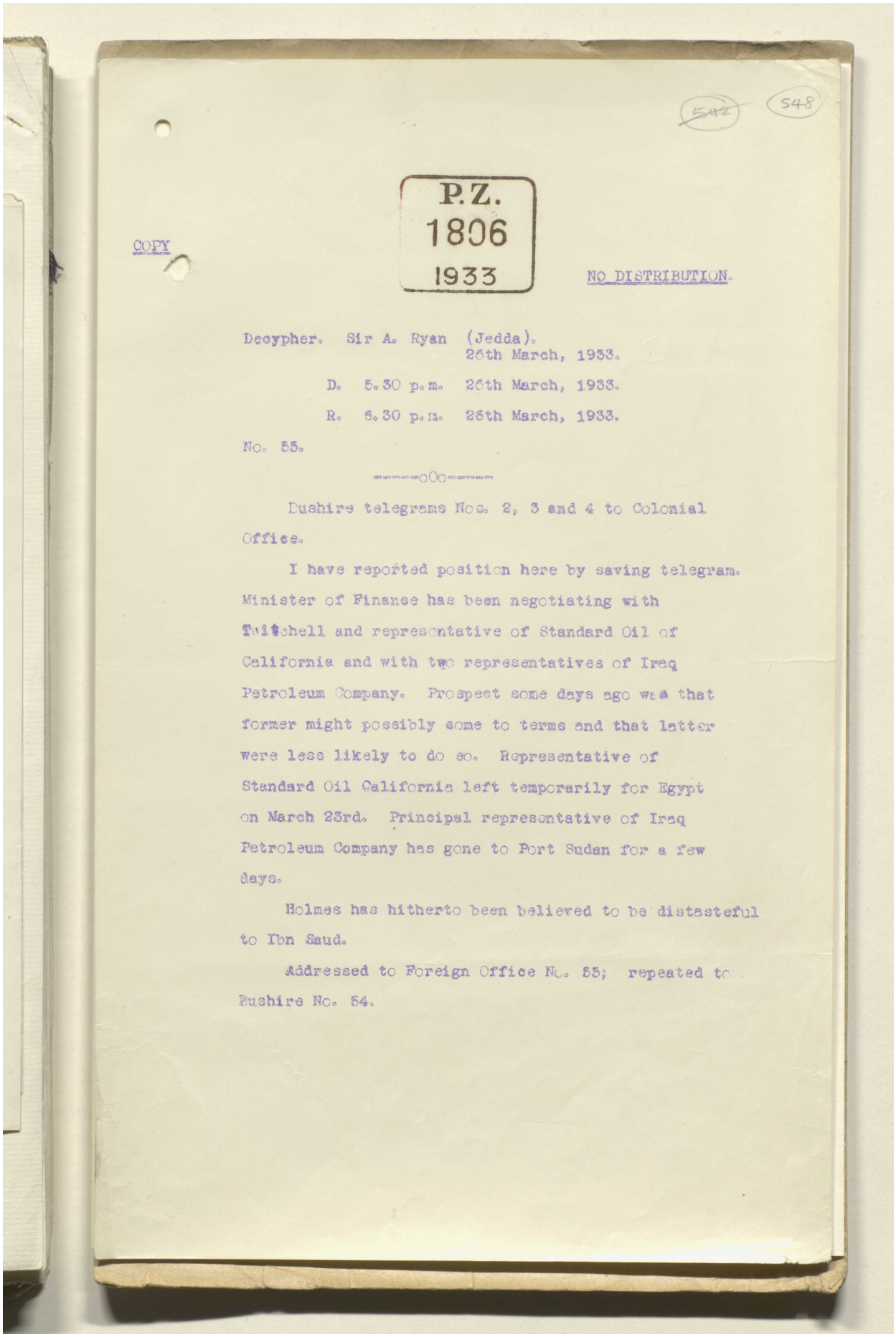

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1806
1933

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Decypher. Sir A. Ryan (Jedda).
26th March, 1933.

D. 5.30 p.m. 26th March, 1933.

R. 6.30 p.m. 26th March, 1933.

No. 55.

---oOo---

Bushire telegrams Nos. 2, 3 and 4 to Colonial Office.

I have reported position here by saving telegram. Minister of Finance has been negotiating with Mitchell and representative of Standard Oil of California and with two representatives of Iraq Petroleum Company. Prospect some days ago was that former might possibly come to terms and that latter were less likely to do so. Representative of Standard Oil California left temporarily for Egypt on March 23rd. Principal representative of Iraq Petroleum Company has gone to Port Sudan for a few days.

Holmes has hitherto been believed to be distasteful to Ibn Saud.

Addressed to Foreign Office No. 55; repeated to Bushire No. 54.

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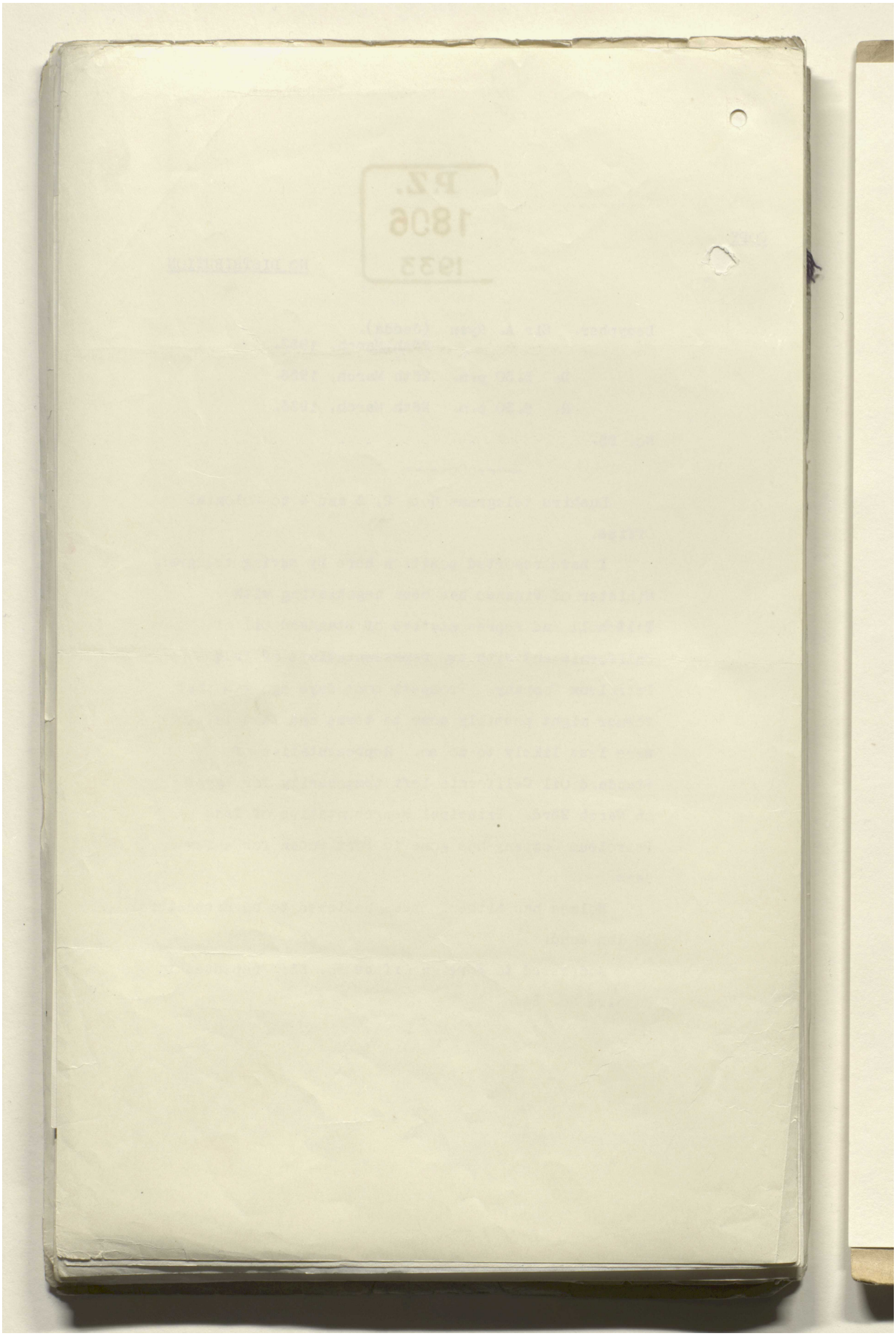

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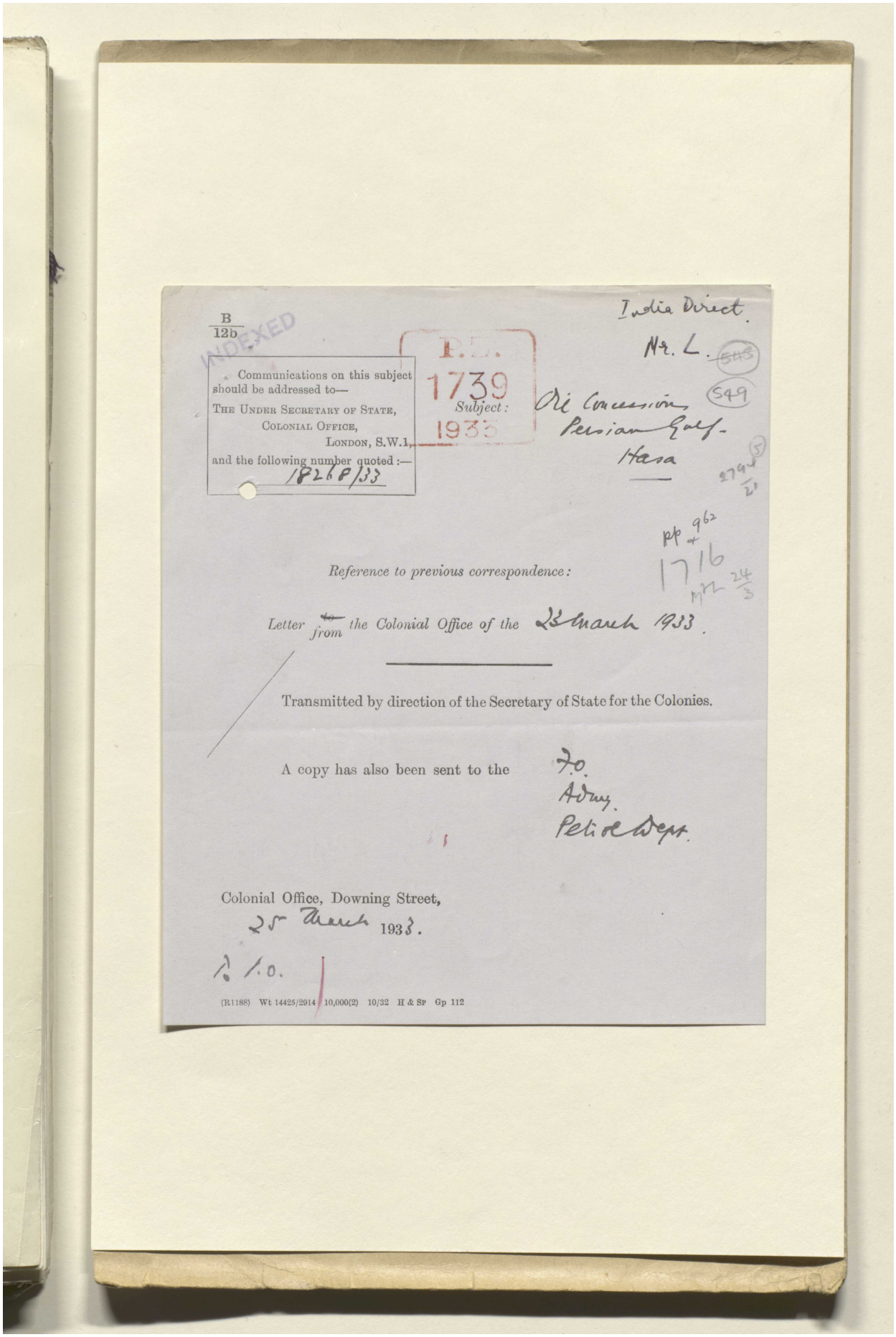

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Nr. L. ~~543~~ 549

Communications on this subject should be addressed to—
THE UNDER SECRETARY OF STATE,
COLONIAL OFFICE,
LONDON, S.W.1,
and the following number quoted :—
18268/33

P.L.
1739
1933

Subject : Oil Concessions
Persian Gulf.
Hasa

2794/21

pp 962 + 1716
MPL 24/3

Reference to previous correspondence:

Letter ~~to~~ from the Colonial Office of the 23 March 1933.

Transmitted by direction of the Secretary of State for the Colonies.

A copy has also been sent to the F.O.
Admy.
Petrol Dept.

Colonial Office, Downing Street,
25 March 1933.

To I.O.

(R1188) Wt 14425/2914 10,000(2) 10/32 H & Sp Gp 112

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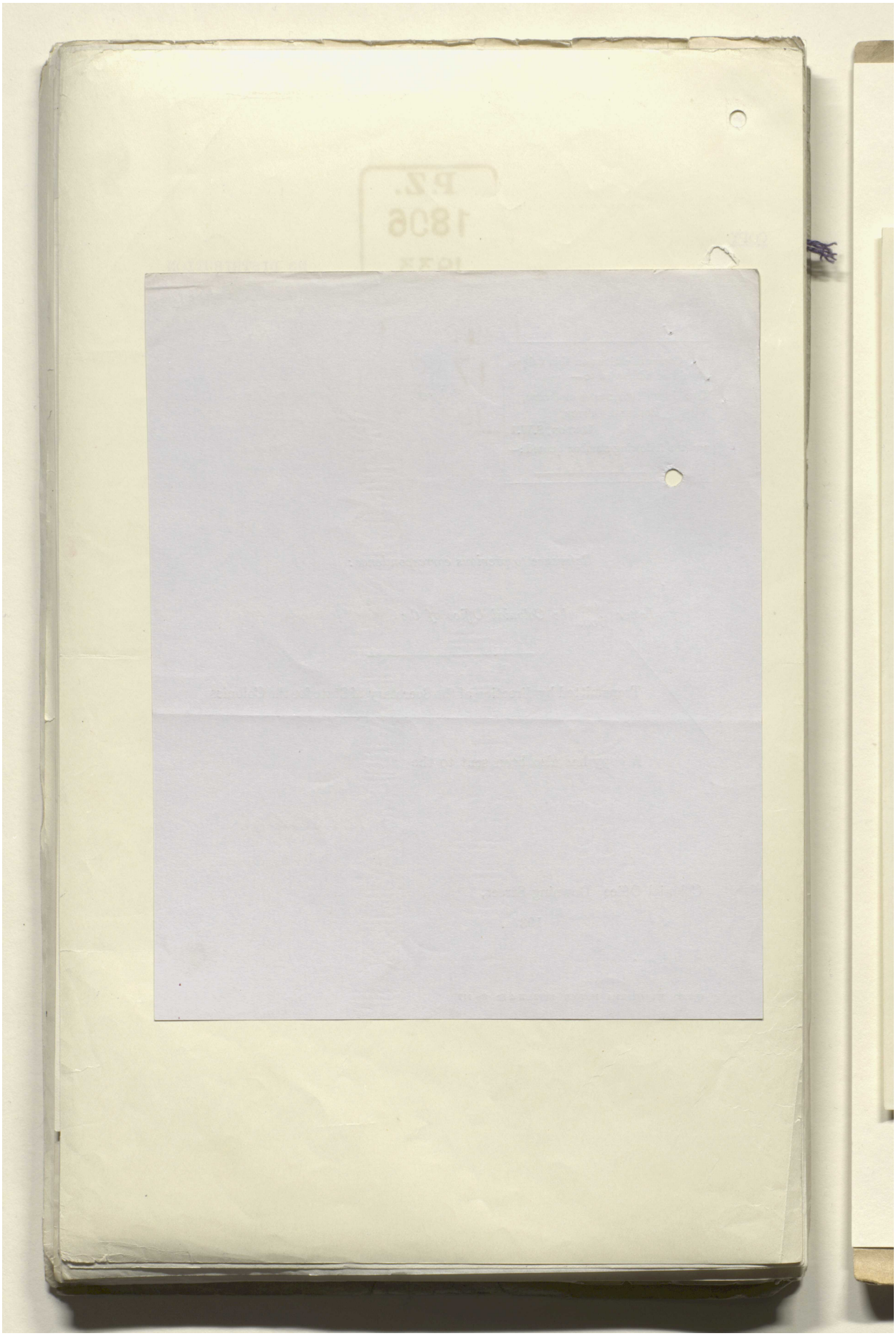

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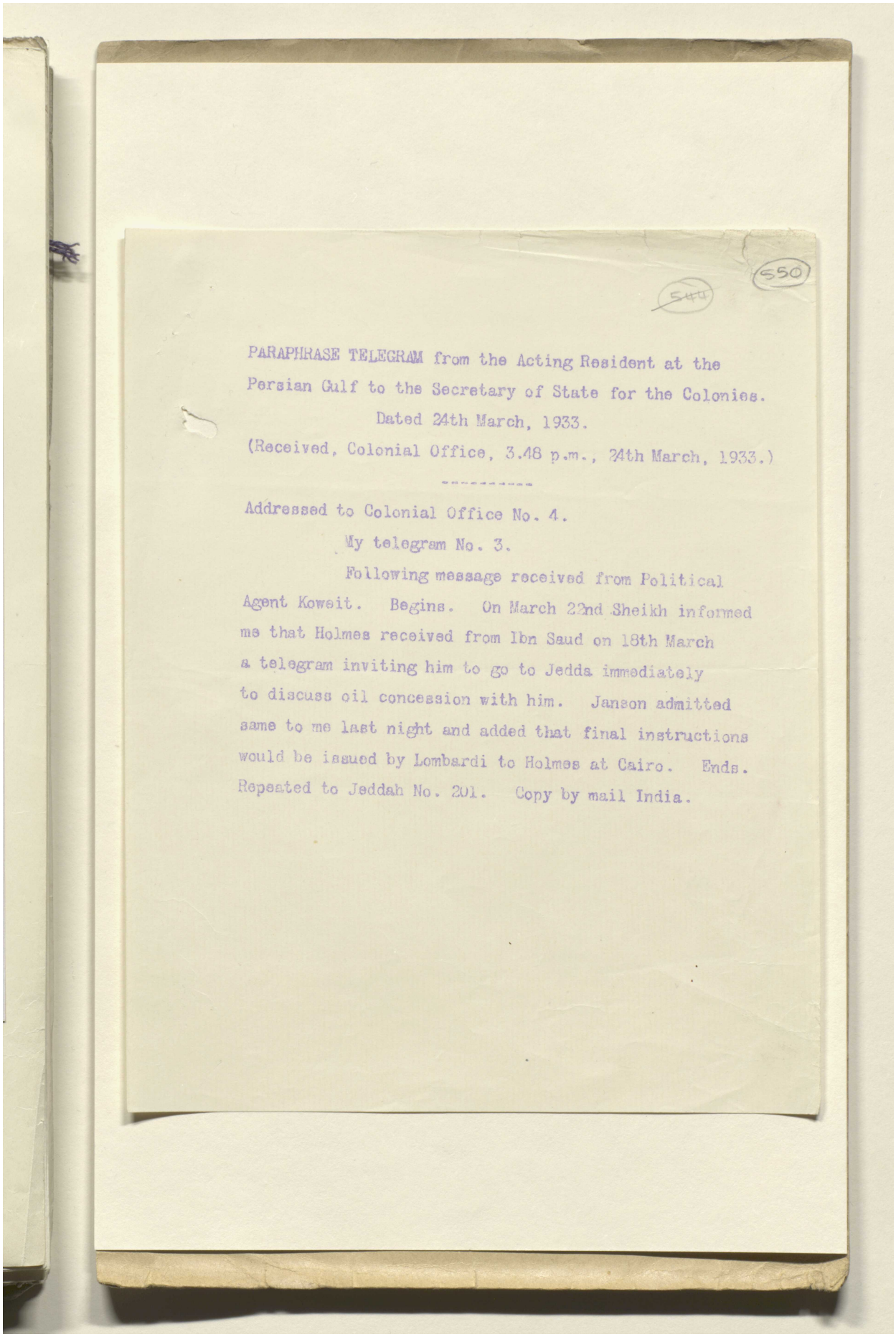

550

PARAPHRASE TELEGRAM from the Acting Resident at the Persian Gulf to the Secretary of State for the Colonies.

Dated 24th March, 1933.

(Received, Colonial Office, 3.48 p.m., 24th March, 1933.)

Addressed to Colonial Office No. 4.

My telegram No. 3.

Following message received from Political Agent Koweit. Begins. On March 22nd Sheikh informed me that Holmes received from Ibn Saud on 18th March a telegram inviting him to go to Jedda immediately to discuss oil concession with him. Janson admitted same to me last night and added that final instructions would be issued by Lombardi to Holmes at Cairo. Ends. Repeated to Jeddah No. 201. Copy by mail India.

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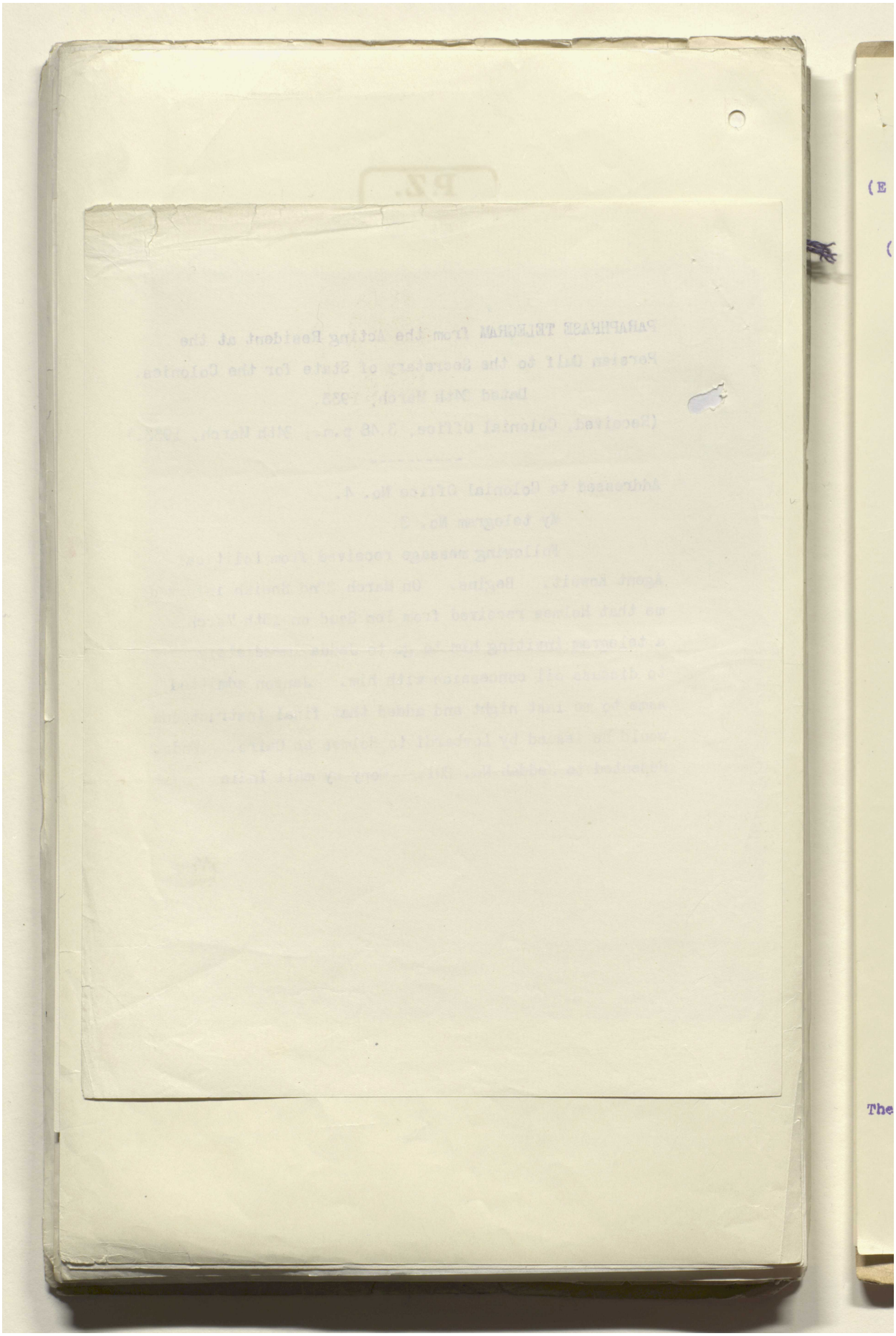

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P.Z.
1823
1933

545 551

COPY.
(E 1494/1494/25).
No. 72.
(612/160/5).

British Legation,
Jedda.
3rd March 1933.

Sir,

I have the honour to transmit herewith a translation of an extract from the Mecca "Umm-al-Qura" of the 24th February which bears on the possible grant of mining and oil concessions in this country.

2. The article is chiefly of interest as making express mention of non-Moslems as prospective concessionaires, in open contrast to the policy which appeared to be in contemplation in 1931 when, for instance, it was definitely recommended by the "National Conference" convened in June of that year that concessions should be granted to Moslems only.

3. The policy of confining concessions to Moslems held the field, though perhaps more in theory than as a genuine factor in Ibn Sa'ud's schemes for economic development, until recently. It has now perhaps been felt that the arrival here on February 15th of Messrs. Twitchell and Hamilton, representing American mining and oil interests, needed some public explanation.

4. I am sending copies of this despatch to the Department of Overseas Trade (Development and Intelligence) and to His Excellency the Viceroy (Foreign Department).

I have, etc.,

(Signed) Andrew Ryan

The Right Honourable
Sir John Simon, G.C.S.I., K.C.V.O.,
etc., etc., etc.

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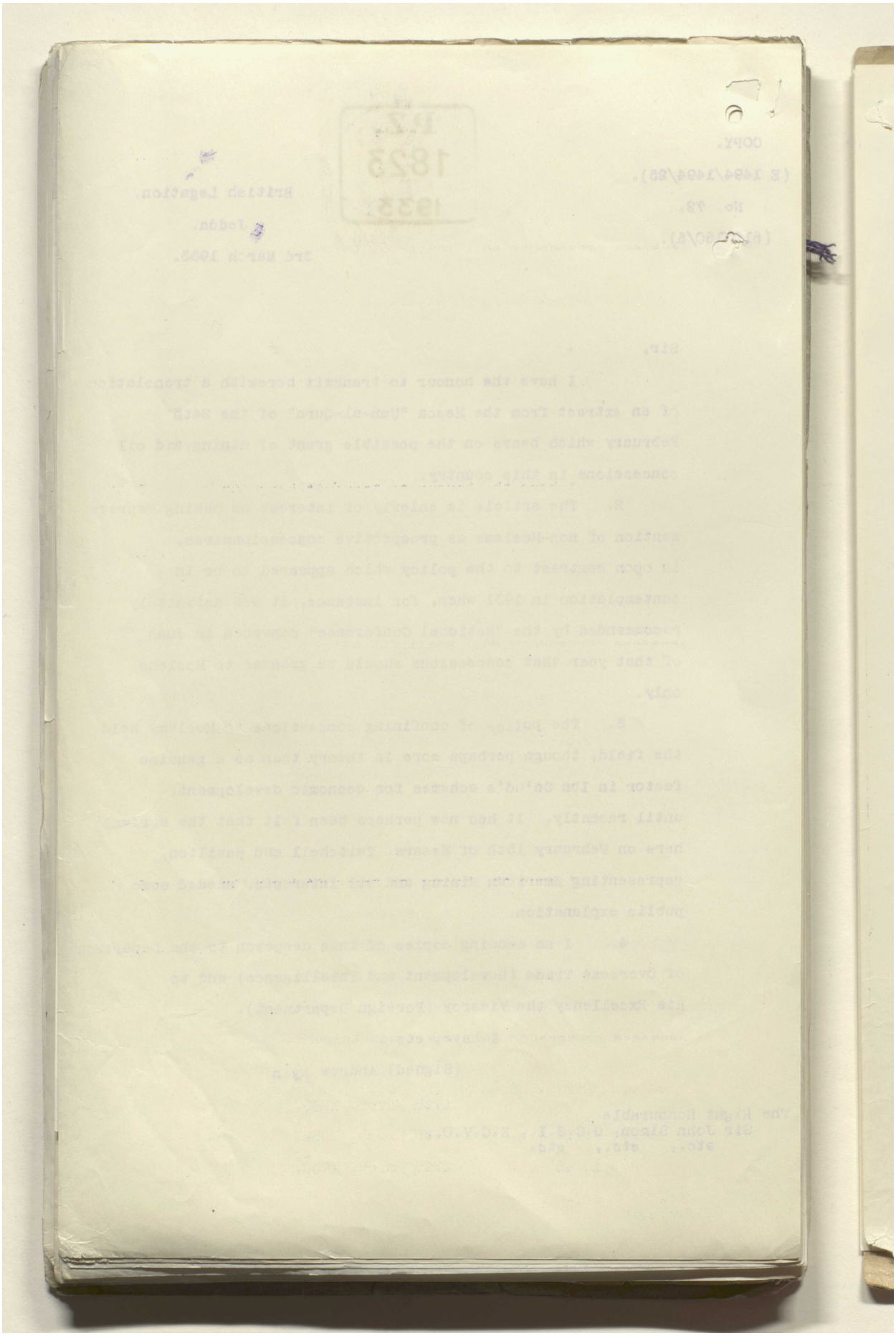

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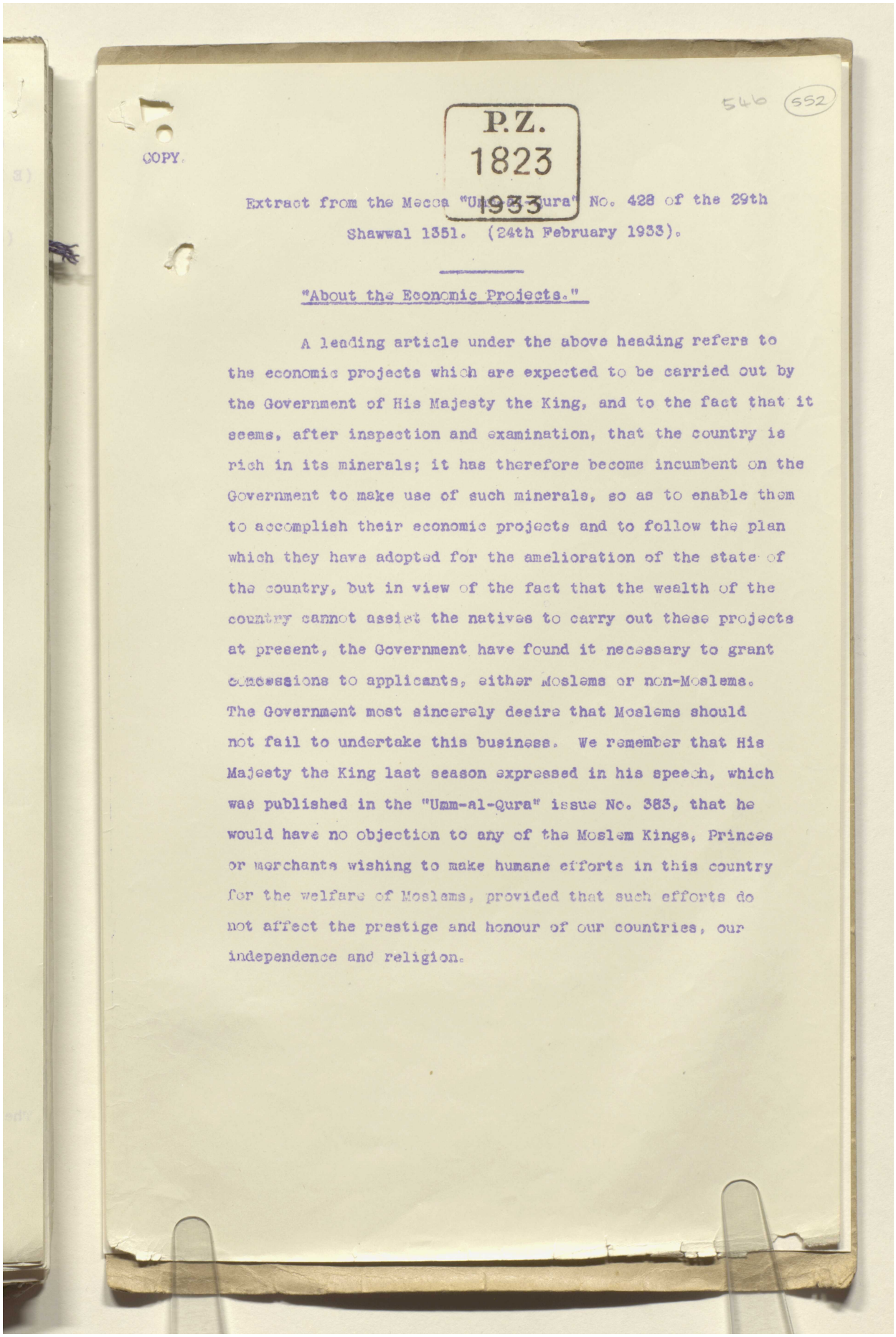

COPY.

P.Z.
1823
1933

546 552

Extract from the Mecca "Umm-al-Qura" No. 428 of the 29th Shawwal 1351. (24th February 1933).

"About the Economic Projects."

A leading article under the above heading refers to the economic projects which are expected to be carried out by the Government of His Majesty the King, and to the fact that it seems, after inspection and examination, that the country is rich in its minerals; it has therefore become incumbent on the Government to make use of such minerals, so as to enable them to accomplish their economic projects and to follow the plan which they have adopted for the amelioration of the state of the country, but in view of the fact that the wealth of the country cannot assist the natives to carry out these projects at present, the Government have found it necessary to grant concessions to applicants, either Moslems or non-Moslems. The Government most sincerely desire that Moslems should not fail to undertake this business. We remember that His Majesty the King last season expressed in his speech, which was published in the "Umm-al-Qura" issue No. 383, that he would have no objection to any of the Moslem Kings, Princes or merchants wishing to make humane efforts in this country for the welfare of Moslems, provided that such efforts do not affect the prestige and honour of our countries, our independence and religion.

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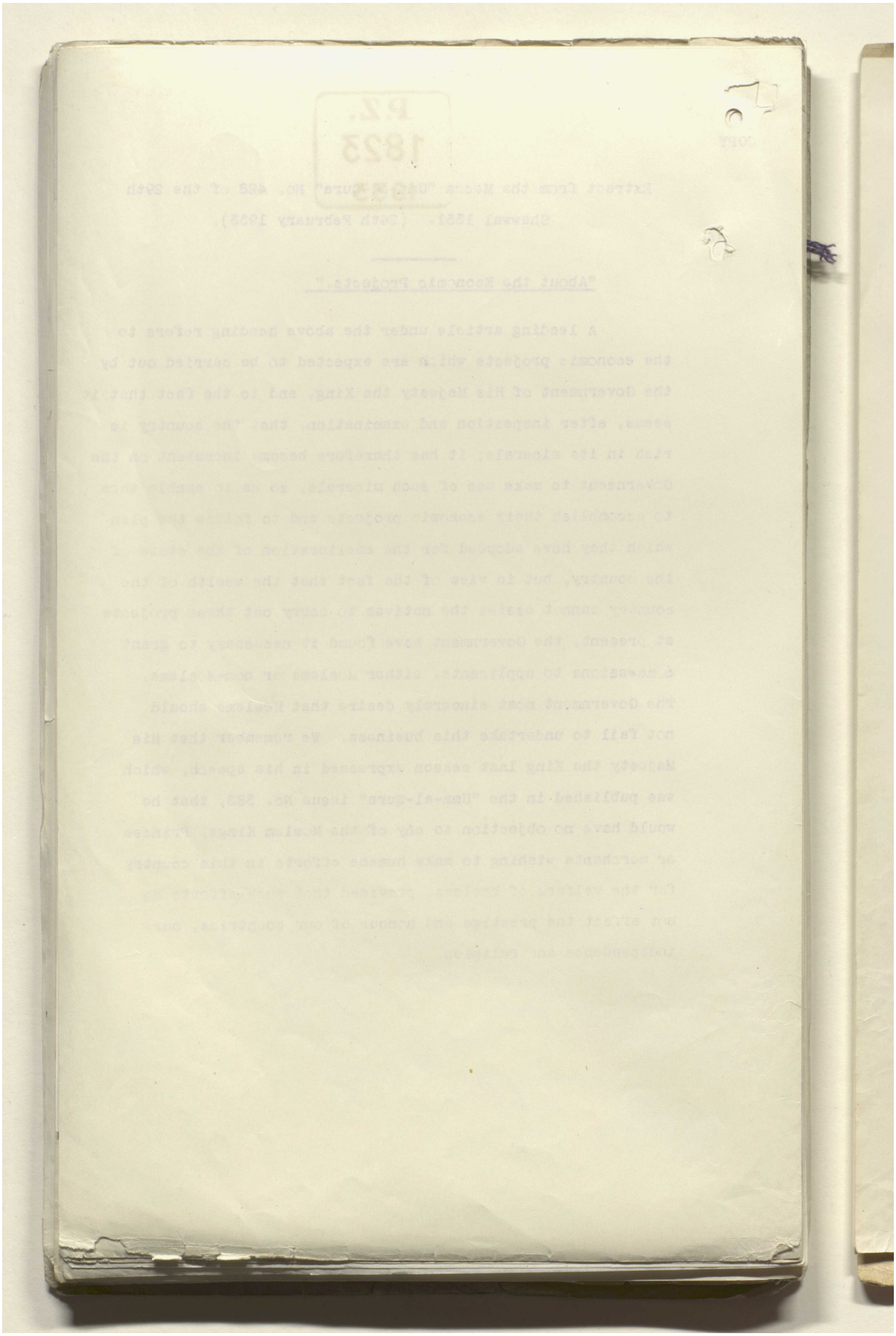

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COPY OF

(553)

(547)

Notes.

Minute Paper.

Register No.
P. Z
1001/33

SECRET.
POLITICAL DEPARTMENT.

Dated 19 .
Rec.

	Date.	Initials.	SUBJECT.
To			Persian Gulf.
Under Secretary	24.2.33	J.G.L.	
Secretary of State...			Oil in Qatar and Hasa.
Committee.....	3.iii.	L.D.W.	
Under Secretary.....			
Secretary of State...			

Copy of to

FOR INFORMATION.

It will be remembered that the Anglo-Persian Oil Company recently obtained exclusive exploration rights for a period of two years, with an exclusive option to apply for a concession, if desired, for the same period, in consideration of the payment of Rs.1500 per mensem, from the Sheikh of Qatar in respect of his territory (see previous submission on P.Z.7118/32). The correspondence now submitted on P.Z.1001/33 shows that a geographical party was to have been sent in January to work in Qatar and that the Sheikh had agreed to the provision of the necessary facilities.

2/

Previous Papers :—

4475B 1000 5.30

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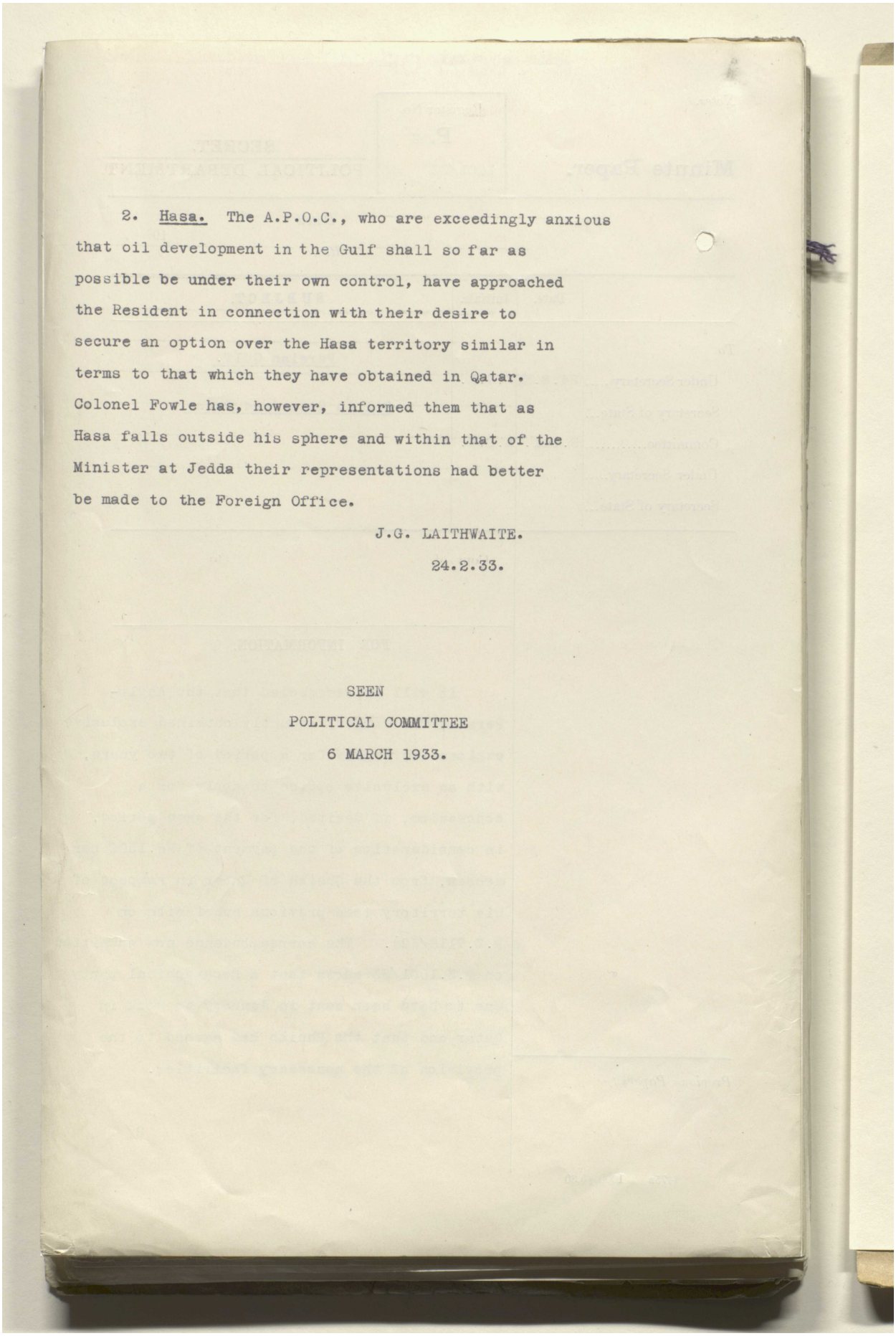

2. Hasa. The A.P.O.C., who are exceedingly anxious that oil development in the Gulf shall so far as possible be under their own control, have approached the Resident in connection with their desire to secure an option over the Hasa territory similar in terms to that which they have obtained in Qatar. Colonel Fowle has, however, informed them that as Hasa falls outside his sphere and within that of the Minister at Jedda their representations had better be made to the Foreign Office.

J.G. LAITHWAITE.

24.2.33.

SEEN

POLITICAL COMMITTEE

6 MARCH 1933.

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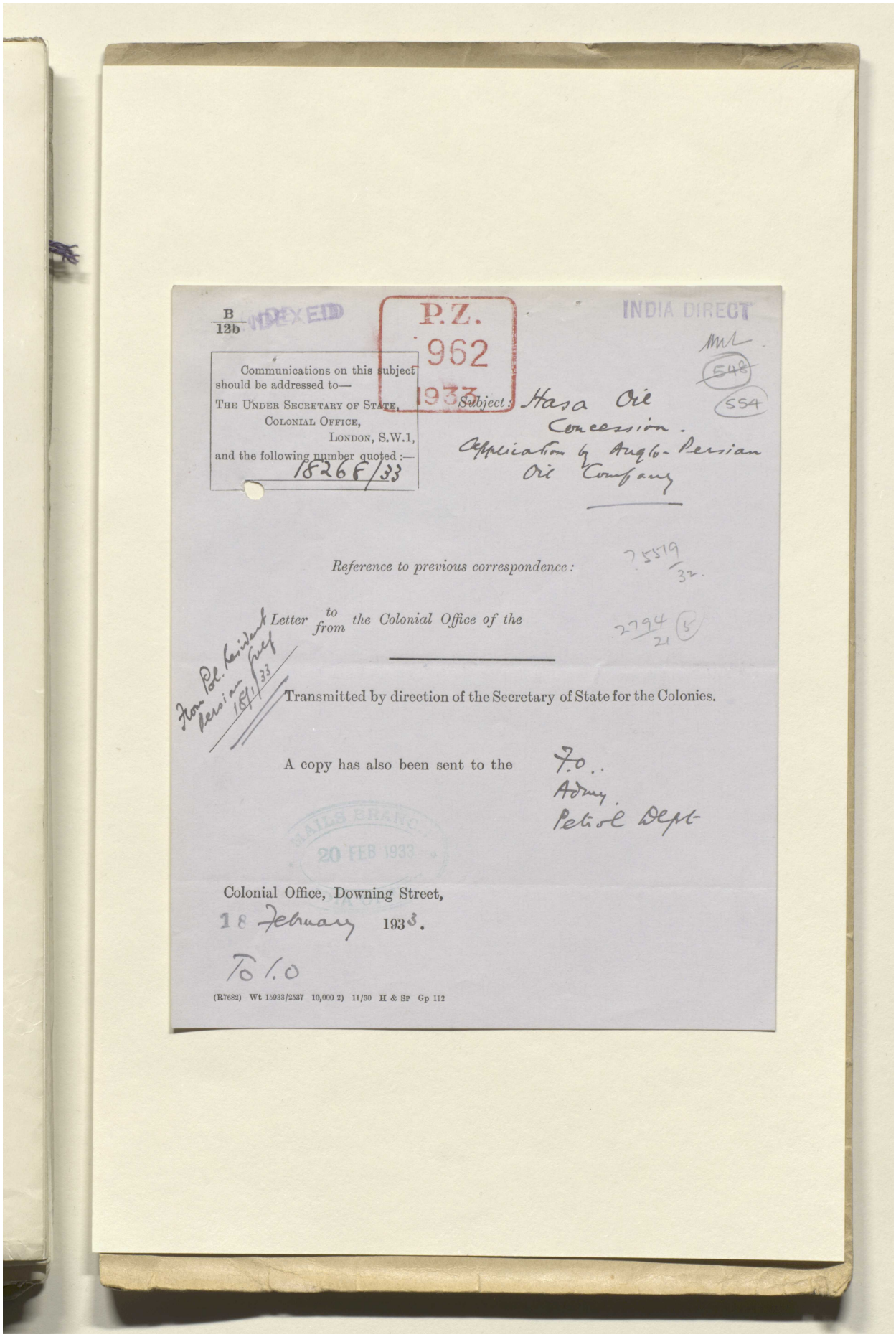

B
12b

INDEXED

P.Z.
962
1933

INDIA DIRECT

Communications on this subject should be addressed to—
THE UNDER SECRETARY OF STATE,
COLONIAL OFFICE,
LONDON, S.W.1,
and the following number quoted :—
1826 F/33

Subject : Hasa Oil Concession. Application by Anglo-Persian Oil Company

548
554

Reference to previous correspondence :

7.5519/32.

Letter to from the Colonial Office of the

2794/21 (5)

From Pol. Resident Persian Gulf 1611/33

Transmitted by direction of the Secretary of State for the Colonies.

A copy has also been sent to the I.O.. Admy. Petrol Dept.

MAILS BRANCH
20 FEB 1933

Colonial Office, Downing Street,
18 February 1933.

To I.O

(R7682) Wt 15933/2537 10,000 2) 11/30 H & Sp Gp 112

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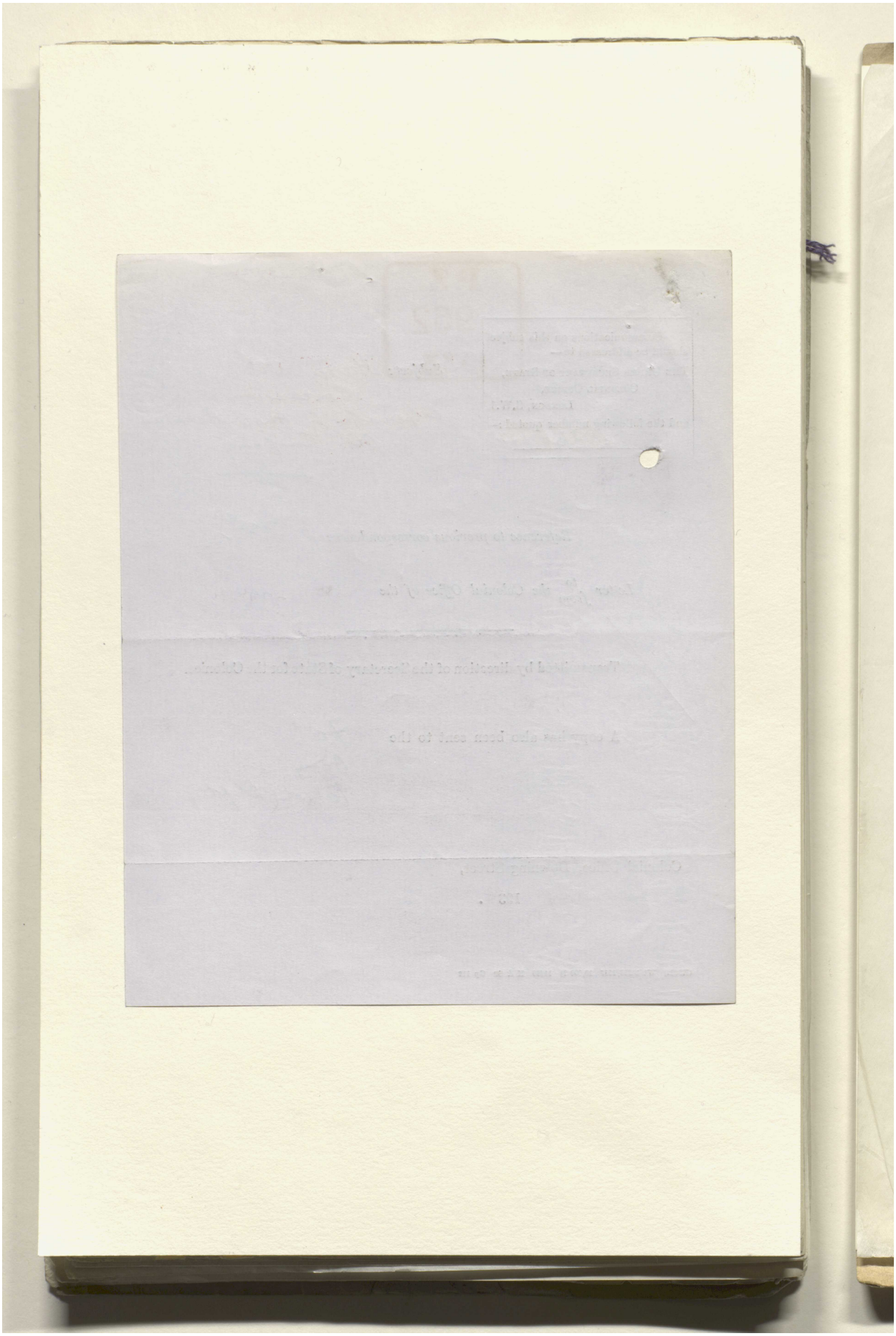

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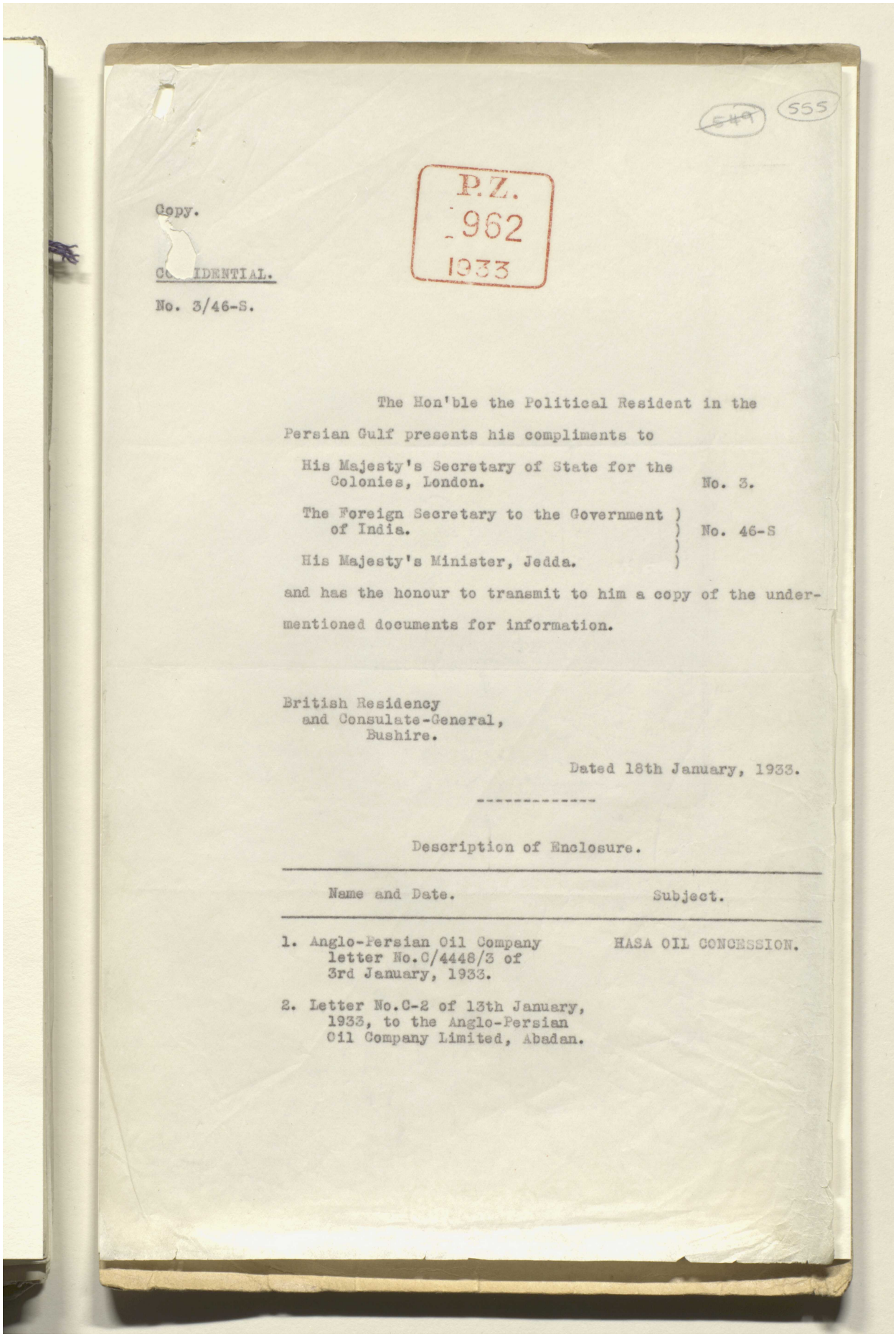

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P.Z.
962
1933

Copy.

CONFIDENTIAL.

No. 3/46-S.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

His Majesty's Secretary of State for the Colonies, London. — No. 3.

The Foreign Secretary to the Government of India. — No. 46-S

His Majesty's Minister, Jedda.

and has the honour to transmit to him a copy of the under-mentioned documents for information.

British Residency
and Consulate-General,
Bushire.

Dated 18th January, 1933.

Description of Enclosure.

Name and Date.	Subject.
1. Anglo-Persian Oil Company letter No.C/4448/3 of 3rd January, 1933.	HASA OIL CONCESSION.
2. Letter No.C-2 of 13th January, 1933, to the Anglo-Persian Oil Company Limited, Abadan.	

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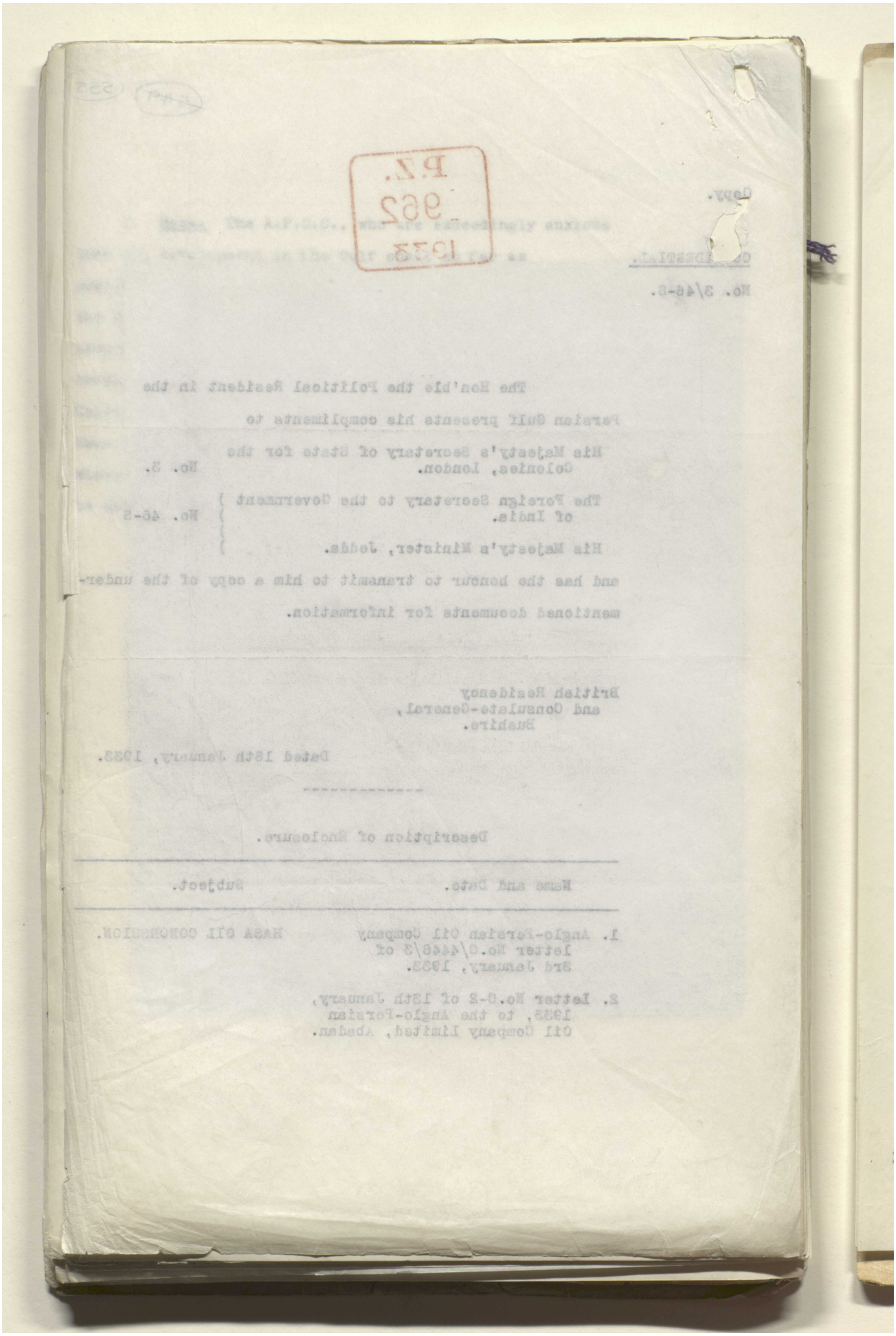

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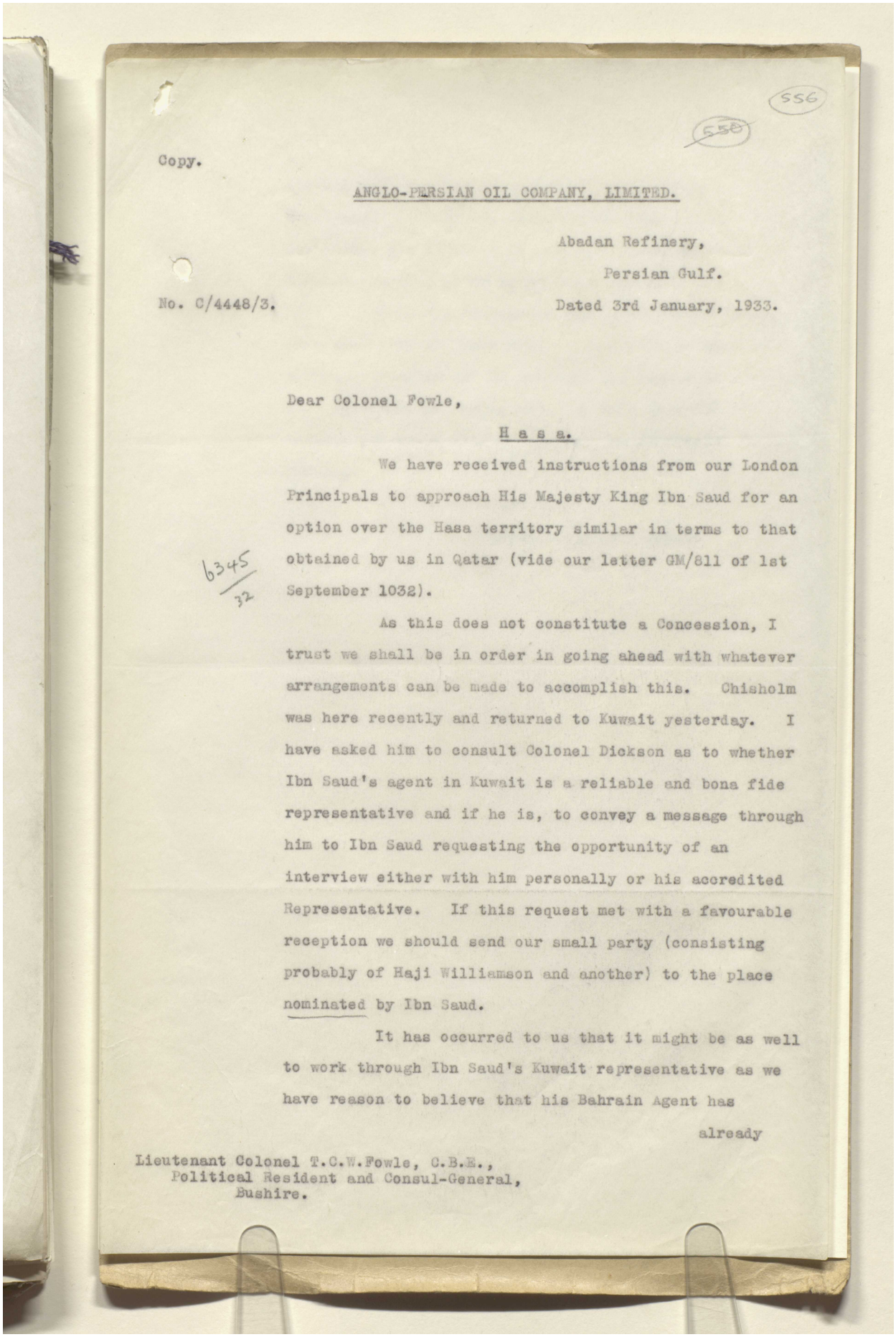

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Copy.

ANGLO-PERSIAN OIL COMPANY, LIMITED.

Abadan Refinery,
Persian Gulf.

No. C/4448/3. Dated 3rd January, 1933.

Dear Colonel Fowle,

H a s a.

We have received instructions from our London Principals to approach His Majesty King Ibn Saud for an option over the Hasa territory similar in terms to that obtained by us in Qatar (vide our letter GM/811 of 1st September 1032).

6345/32

As this does not constitute a Concession, I trust we shall be in order in going ahead with whatever arrangements can be made to accomplish this. Chisholm was here recently and returned to Kuwait yesterday. I have asked him to consult Colonel Dickson as to whether Ibn Saud's agent in Kuwait is a reliable and bona fide representative and if he is, to convey a message through him to Ibn Saud requesting the opportunity of an interview either with him personally or his accredited Representative. If this request met with a favourable reception we should send our small party (consisting probably of Haji Williamson and another) to the place nominated by Ibn Saud.

It has occurred to us that it might be as well to work through Ibn Saud's Kuwait representative as we have reason to believe that his Bahrain Agent has already

Lieutenant Colonel T.C.W.Fowle, C.B.E.,
Political Resident and Consul-General,
Bushire.

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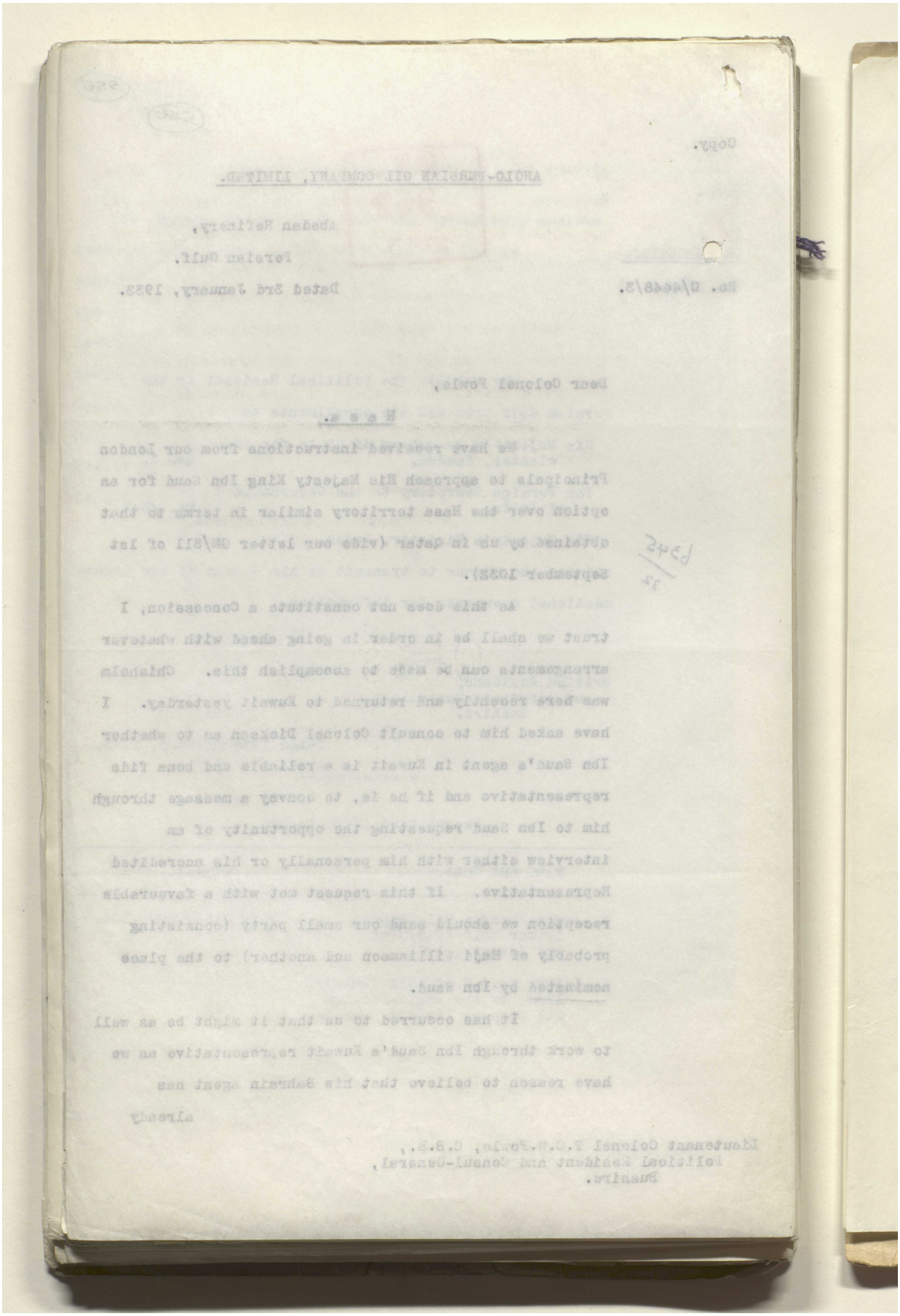

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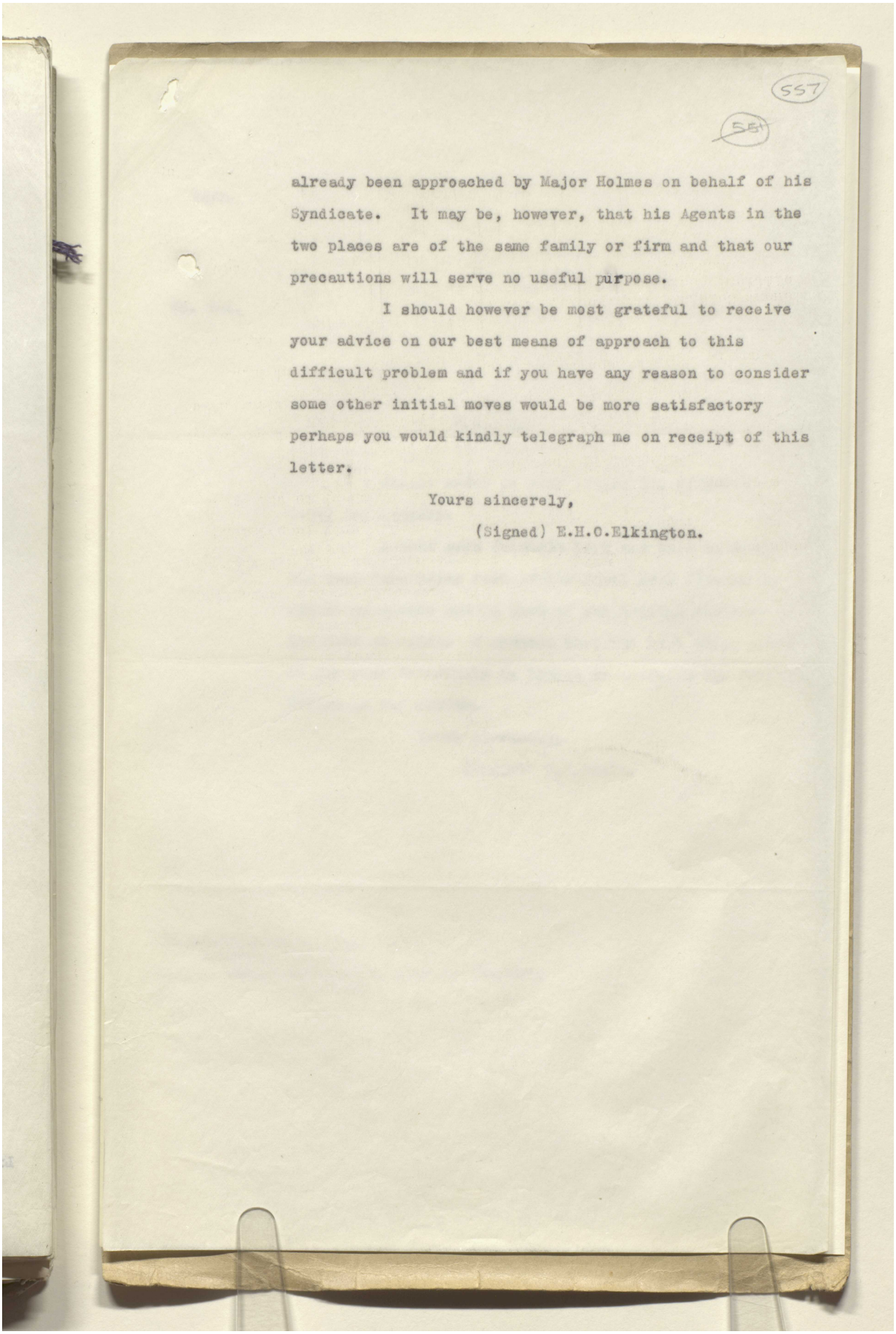

557

558

already been approached by Major Holmes on behalf of his Syndicate. It may be, however, that his Agents in the two places are of the same family or firm and that our precautions will serve no useful purpose.

I should however be most grateful to receive your advice on our best means of approach to this difficult problem and if you have any reason to consider some other initial moves would be more satisfactory perhaps you would kindly telegraph me on receipt of this letter.

Yours sincerely,

(Signed) E.H.C.Elkington.

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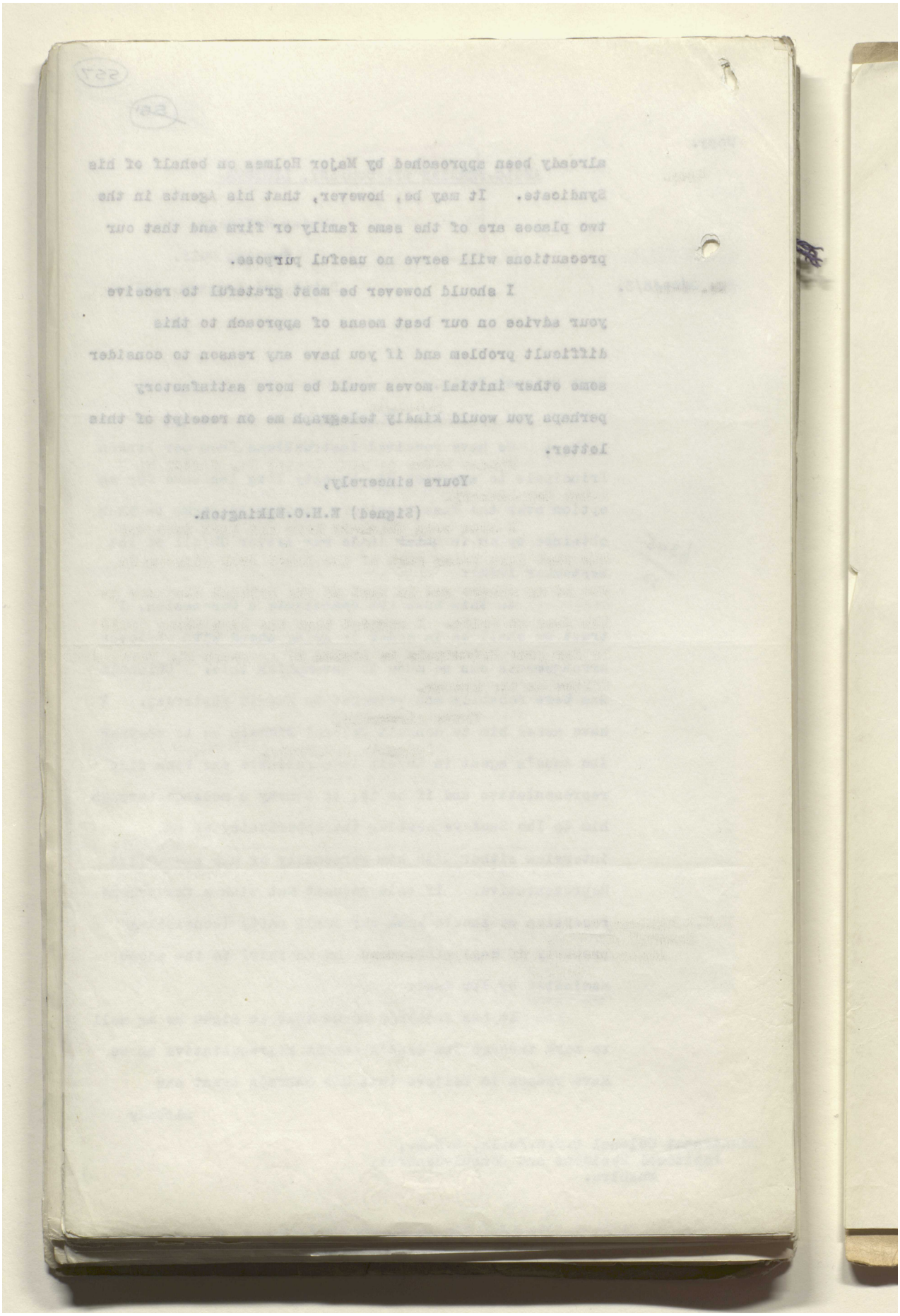

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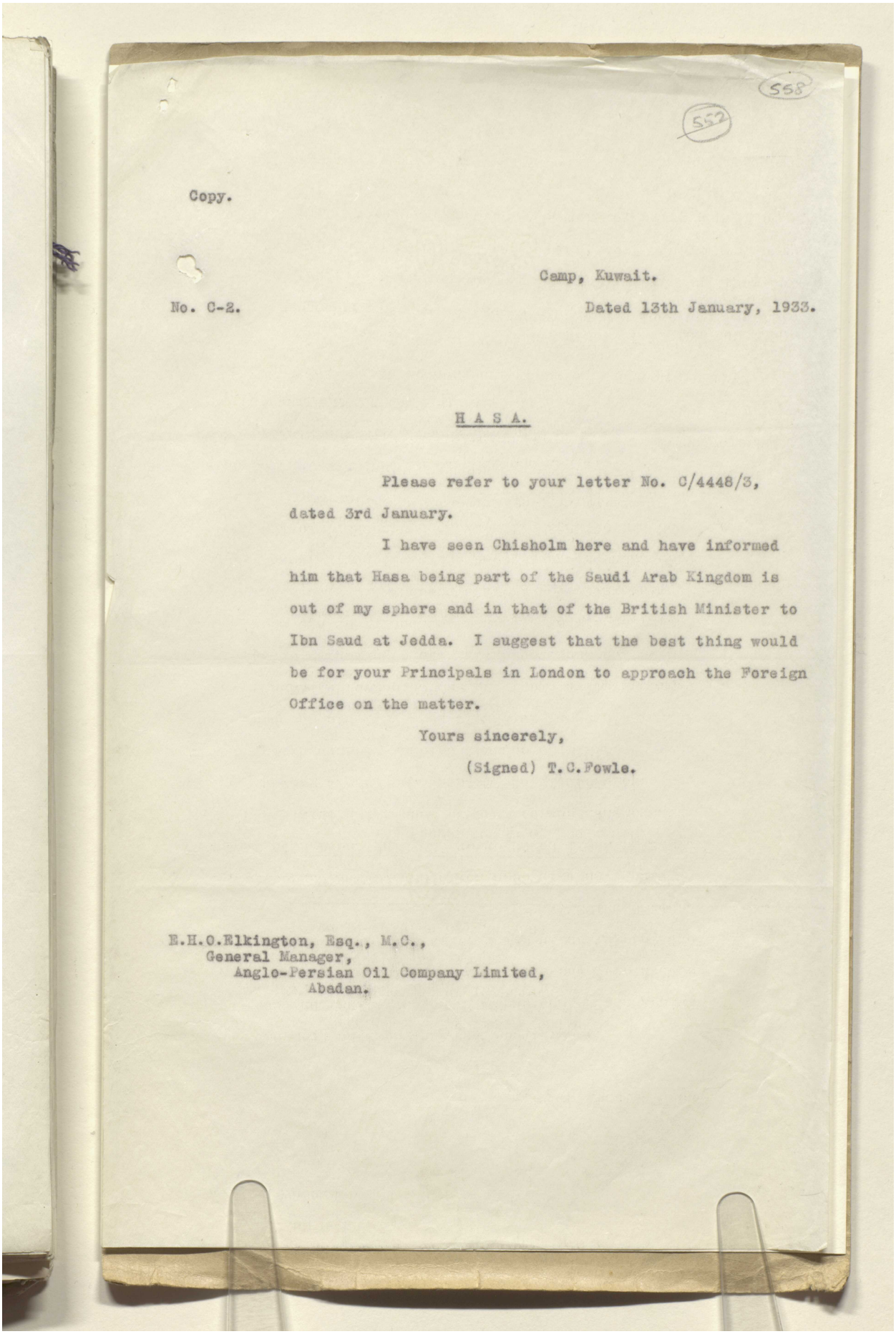

558

552

Copy.

Camp, Kuwait.

No. C-2. Dated 13th January, 1933.

H A S A.

Please refer to your letter No. C/4448/3, dated 3rd January.

I have seen Chisholm here and have informed him that Hasa being part of the Saudi Arab Kingdom is out of my sphere and in that of the British Minister to Ibn Saud at Jedda. I suggest that the best thing would be for your Principals in London to approach the Foreign Office on the matter.

Yours sincerely,

(Signed) T.C.Fowle.

E.H.O.Elkington, Esq., M.C.,
General Manager,
Anglo-Persian Oil Company Limited,
Abadan.

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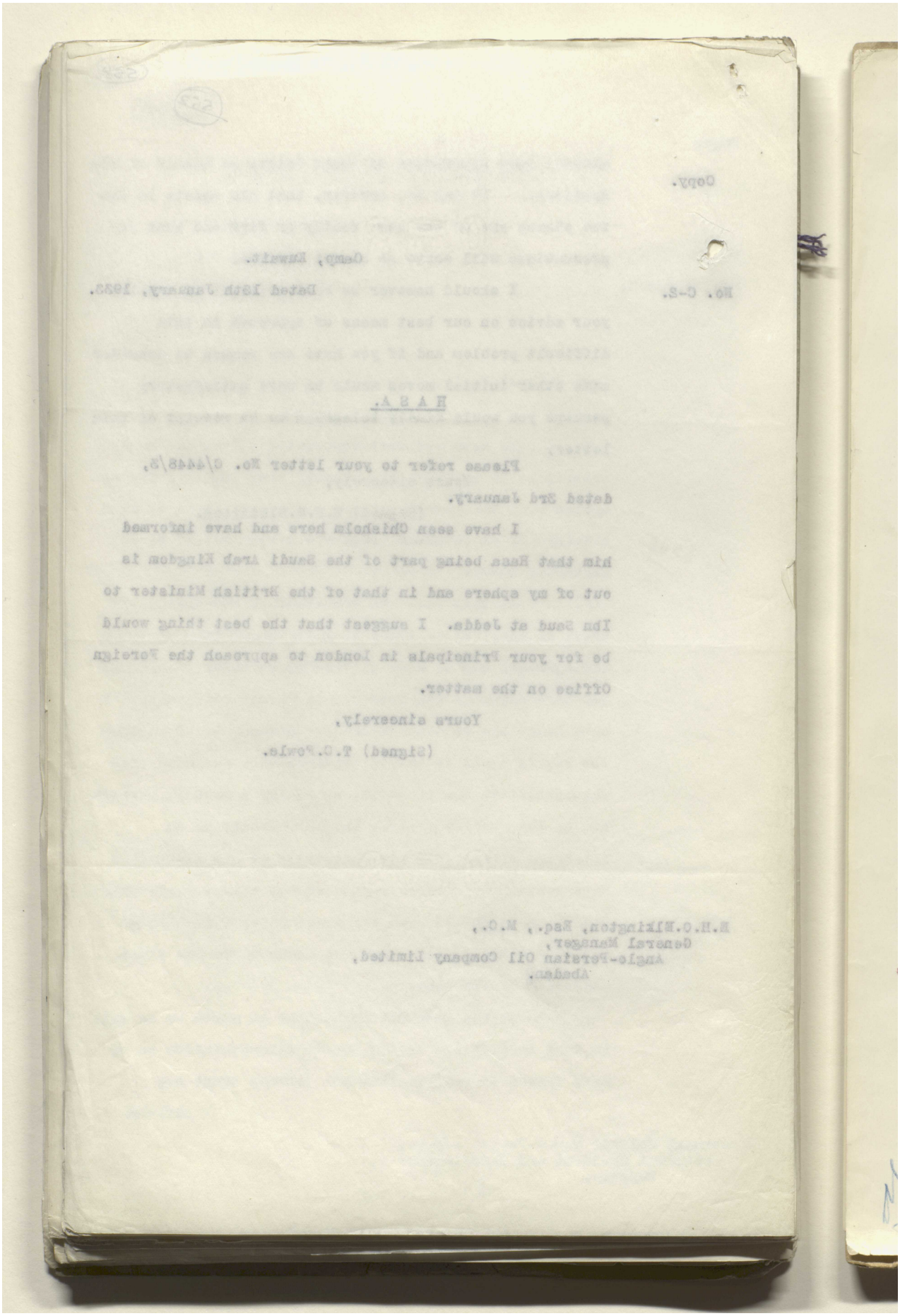

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553 559

Notes. Copy of P.Z. 508/33 to go on Kowait Oil file 2/2/33

Register No. P.Z. 508/33

SECRET. POLITICAL DEPARTMENT.

Minute Paper.

Dated

Rec. 19 .

	Date.	Initials.	SUBJECT.
To			Saudi - Arabia
Under Secretary	1.2.	MW	
Secretary of State...			
Committee.....	3.	[illegible]	Oil in Hasa.
Under Secretary.....			
Secretary of State...			

Copy of to

FOR INFORMATION.

Information from another source tends to confirm that the American interests behind the Eastern and General Syndicate[x] wish to revive the concession formerly held by the latter in respect of petroleum and kindred mineral products in Hasa. It is safe to say that no new agreement had been reached with the Saudi Government on the matter by the date mentioned in the Pol. Agent's telegram (30th Nov.) but there is some reason to believe that the Saudi Government are considering the question of negotiating a concession.

Note that the Sheikh of Kowait stayed with Major Holmes during his visit to Bahrein.

J.E. Crombie 31/1/33

[x] perhaps other American interests

SEEN
POLITICAL COMMITTEE.
7 FEB 1933

Previous Papers :—

29A 2000 5.31

6/2 6/2

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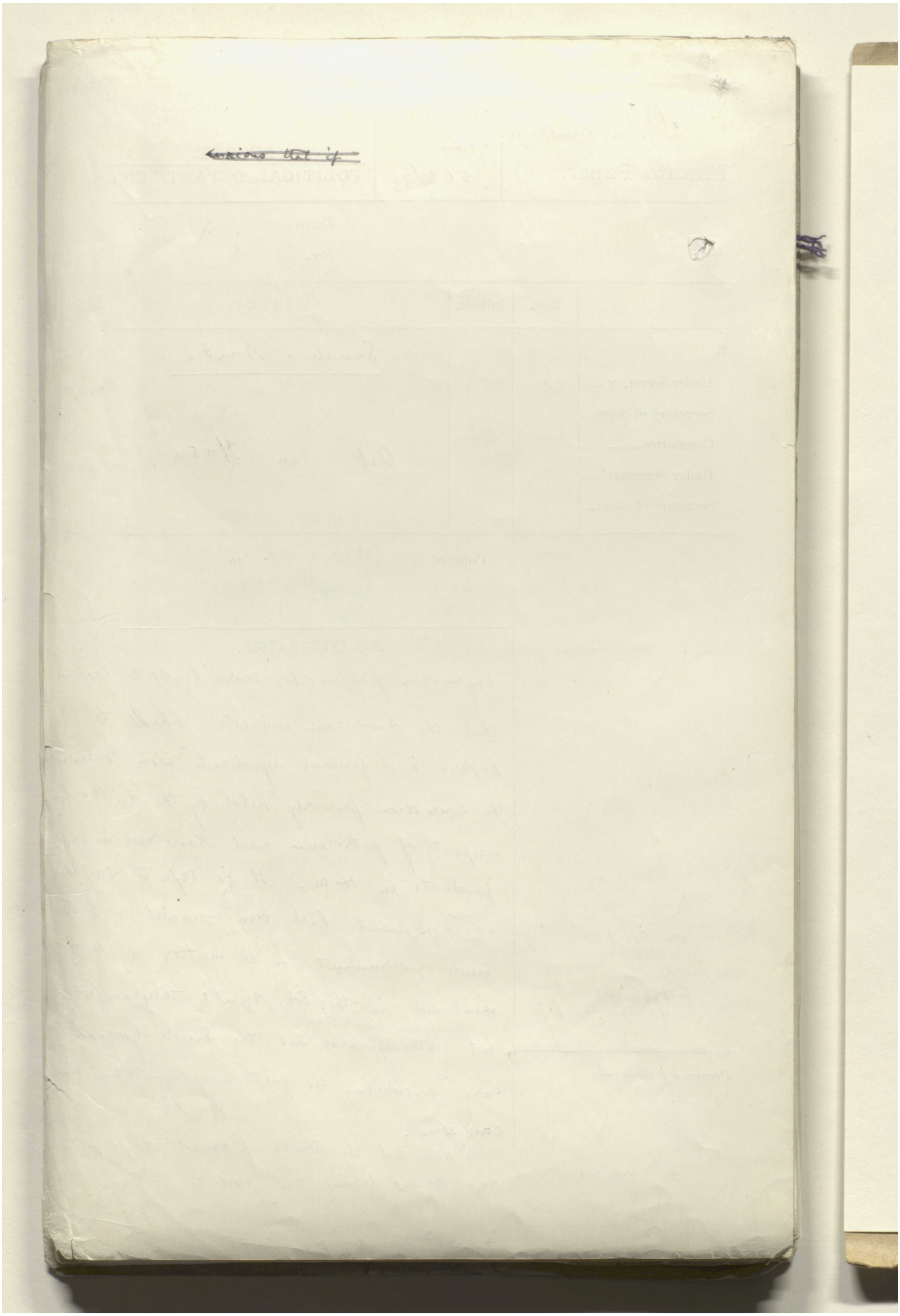

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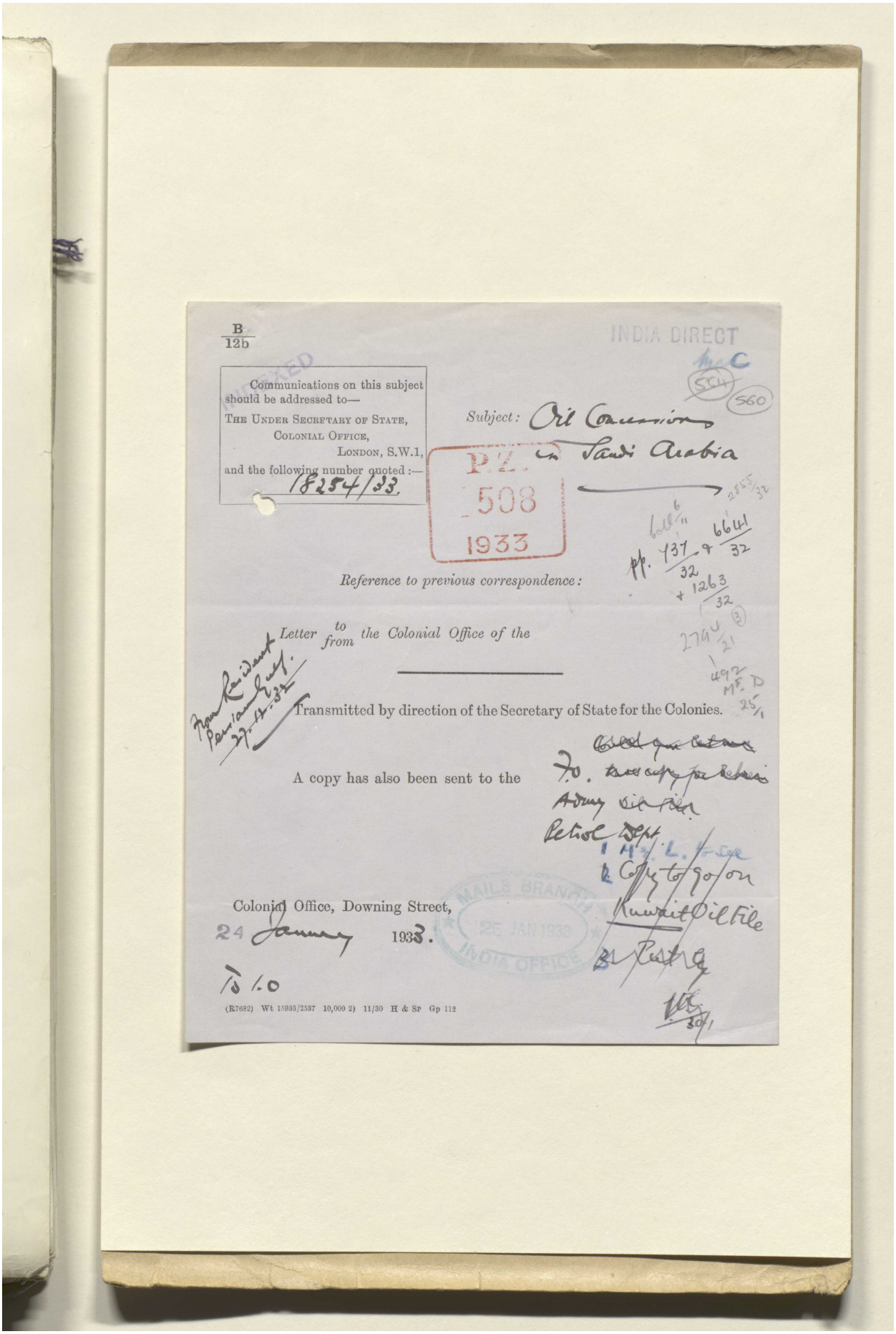

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12b

INDIA DIRECT

Communications on this subject should be addressed to—
THE UNDER SECRETARY OF STATE,
COLONIAL OFFICE,
LONDON, S.W.1,
and the following number quoted :—
1854/33

Subject: Oil Concessions in Saudi Arabia

P.Z. 508 1933

Reference to previous correspondence:

Letter to/from the Colonial Office of the

Transmitted by direction of the Secretary of State for the Colonies.

A copy has also been sent to the

Colonial Office, Downing Street,
24 January 1933.

(R7682) Wt 15933/2537 10,000 2) 11/30 H & Sp Gp 112

Reference: IOR/L/PS/12/2115. Copyright for this page: Open Government Licence
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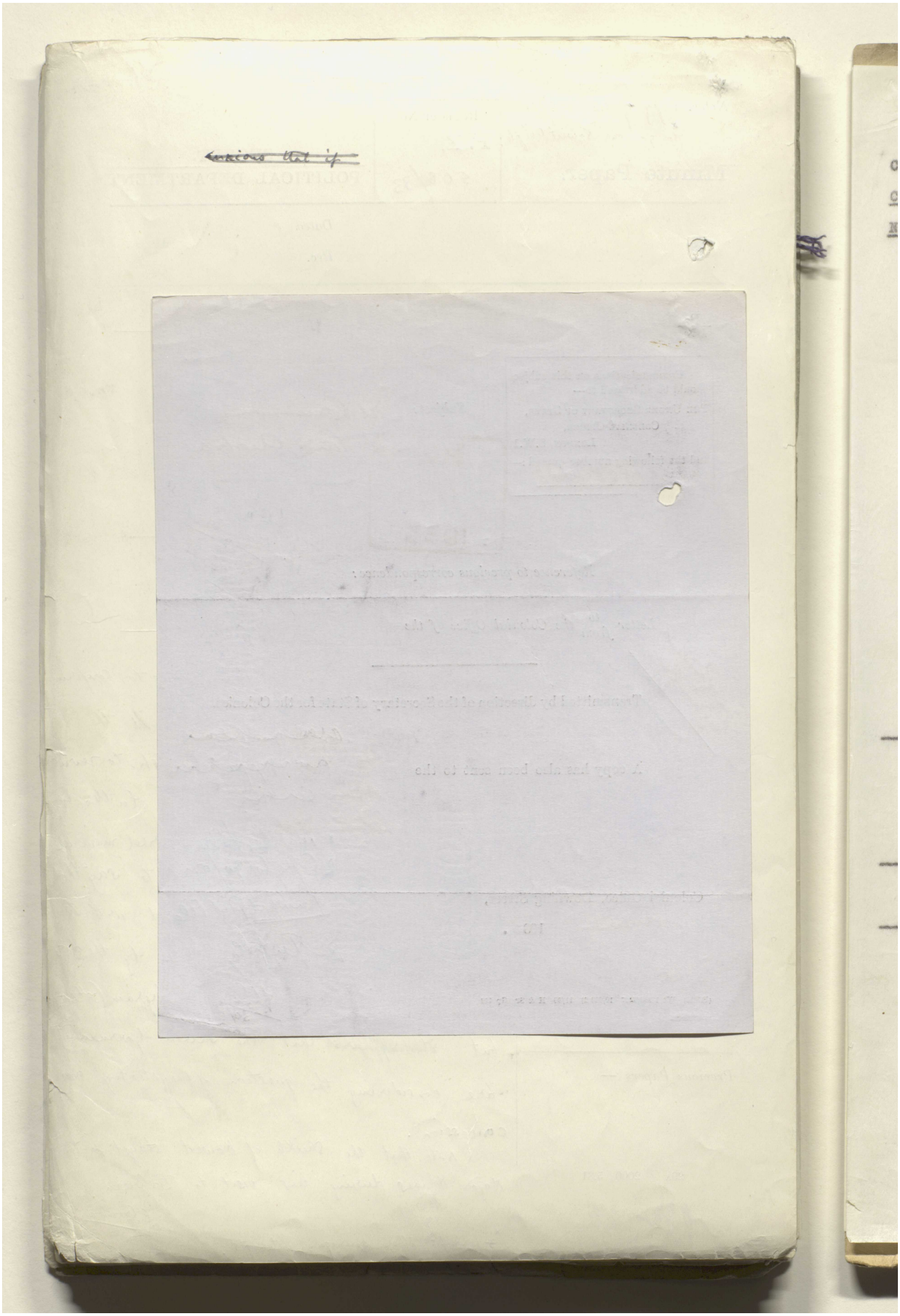

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CONFIDENTIAL.

NO:53.

The Honourable the Political Resident in the Persian Gulf presents his compliments to

H.M.'s Secretary of State for the Colonies, London, No.53

The Foreign Secretary to the Government of India, New Delhi)
H.M.'s Minister, Jedda,) No.903-S
The Political Agent, Kuwait,)

and has the honour to transmit to him a copy of the undermentioned document.

British Residency,
and Consulate-General,
BUSHIRE.

dated 27th December 1932.

(To Jedda only) Reference to previous correspondence:
Bushire P.L.No.73-S, dated 12th February 1932.

Description of Enclosure.

Name and Date.	Subject
Bahrain telegram No.245 dated 24th December 1932.	Oil Concessions in Saudi Arabia.

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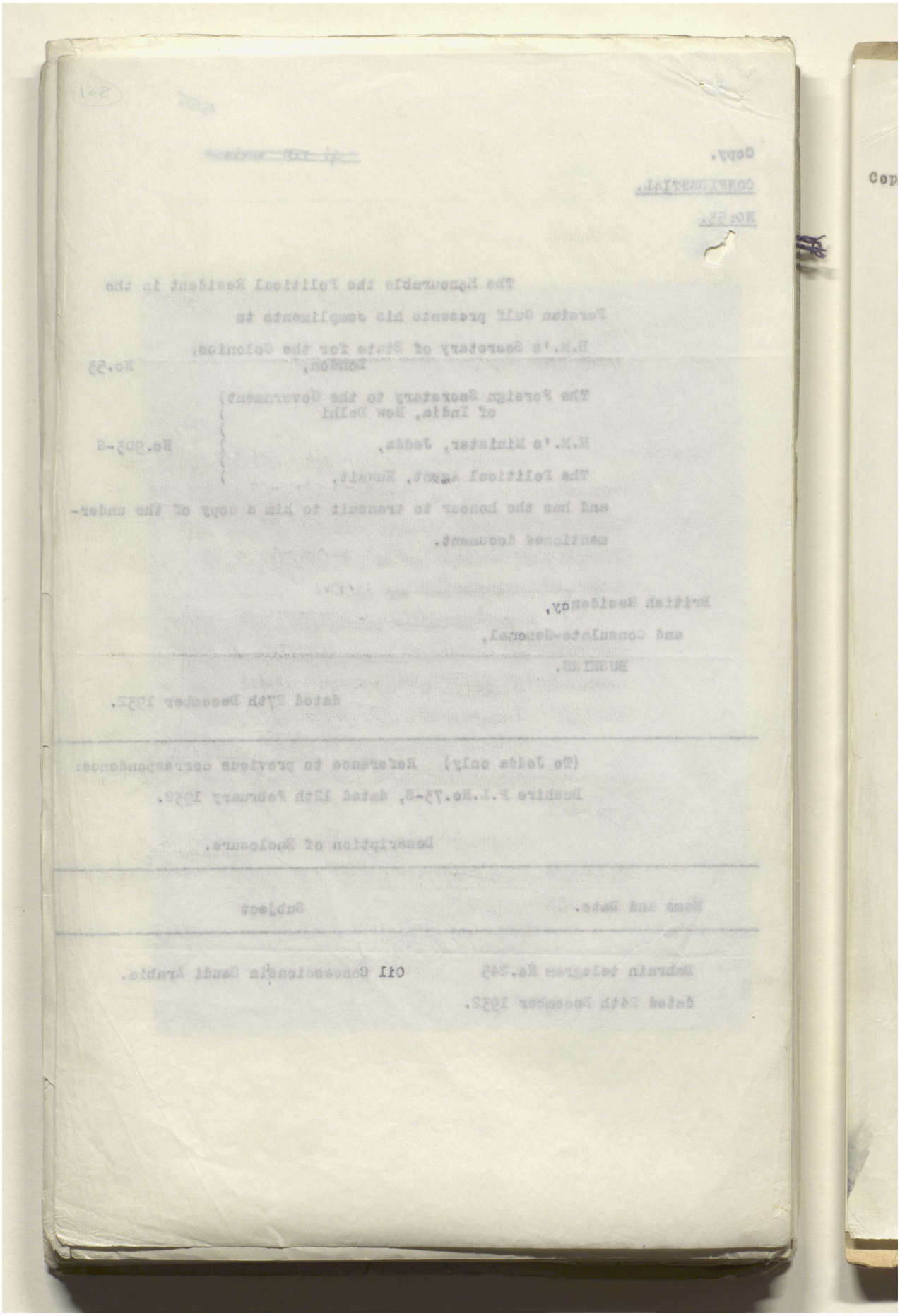

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Copy.

Telegram R.
From Political Agent, Bahrain.
To Political Resident, Bushire.
No. 245
Dated 24th received 25th December 1932.

Understand American named Gallant travelled from Galilee by air on November 30th and stayed week at Royal Tigris Hotel. Thence believed to have gone to Basrah by train for business and on to Karachi by air. Appeared to be well informed and not crude.

Stated to fellow passengers that American oil interests had concession along coastline of mainland of Arabia and in desert, but were not taking steps to develop them as yet. He mentioned that Mellon connected.

This may signify nothing but I report it as it may just possibly be due to wider concession-hunting than we know.

Shaikh of Kuwait arrived by air December 23rd on visit of condolence to Shaikh of Bahrain. He is stating as guest of Major Holmes.

Political.

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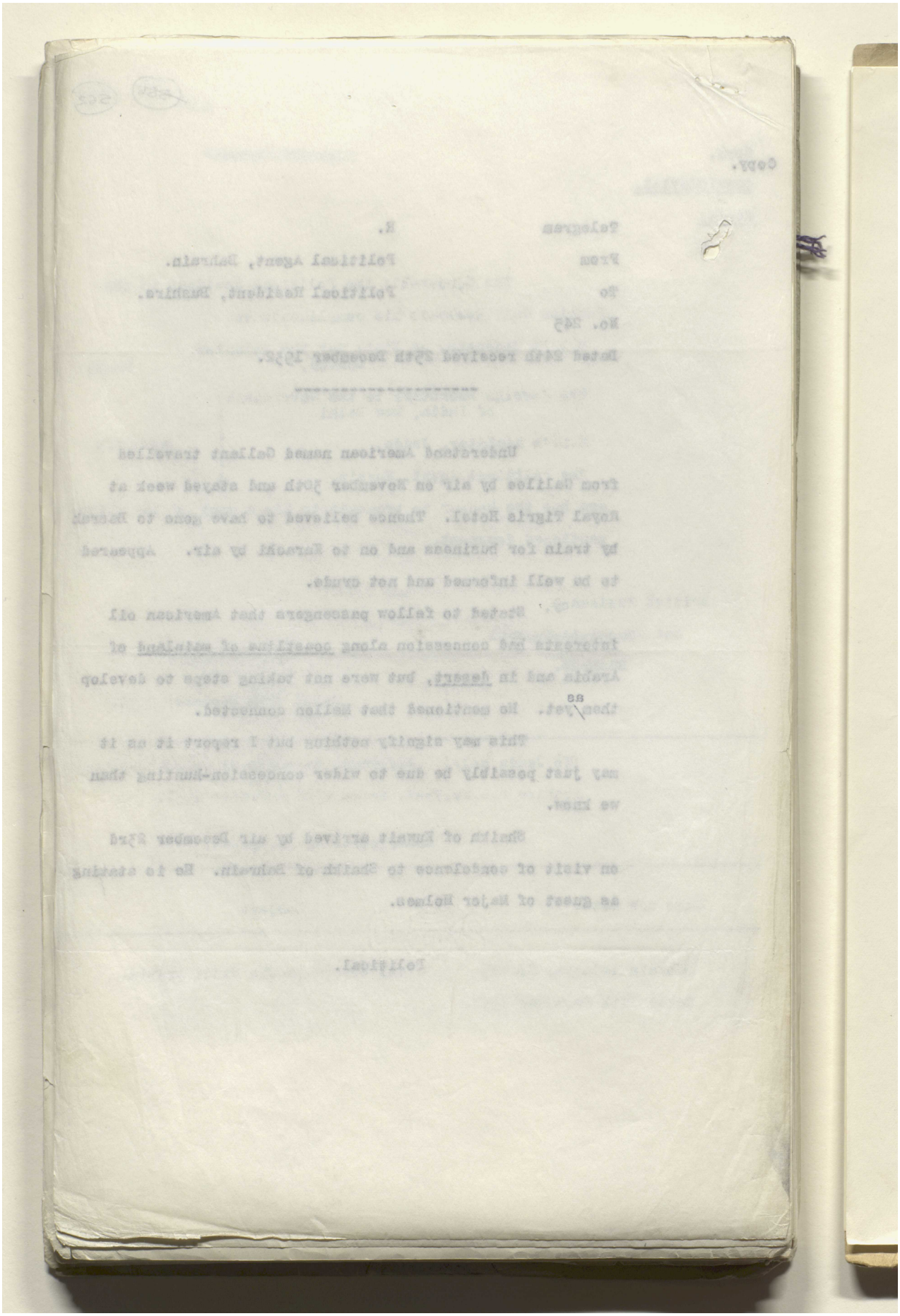

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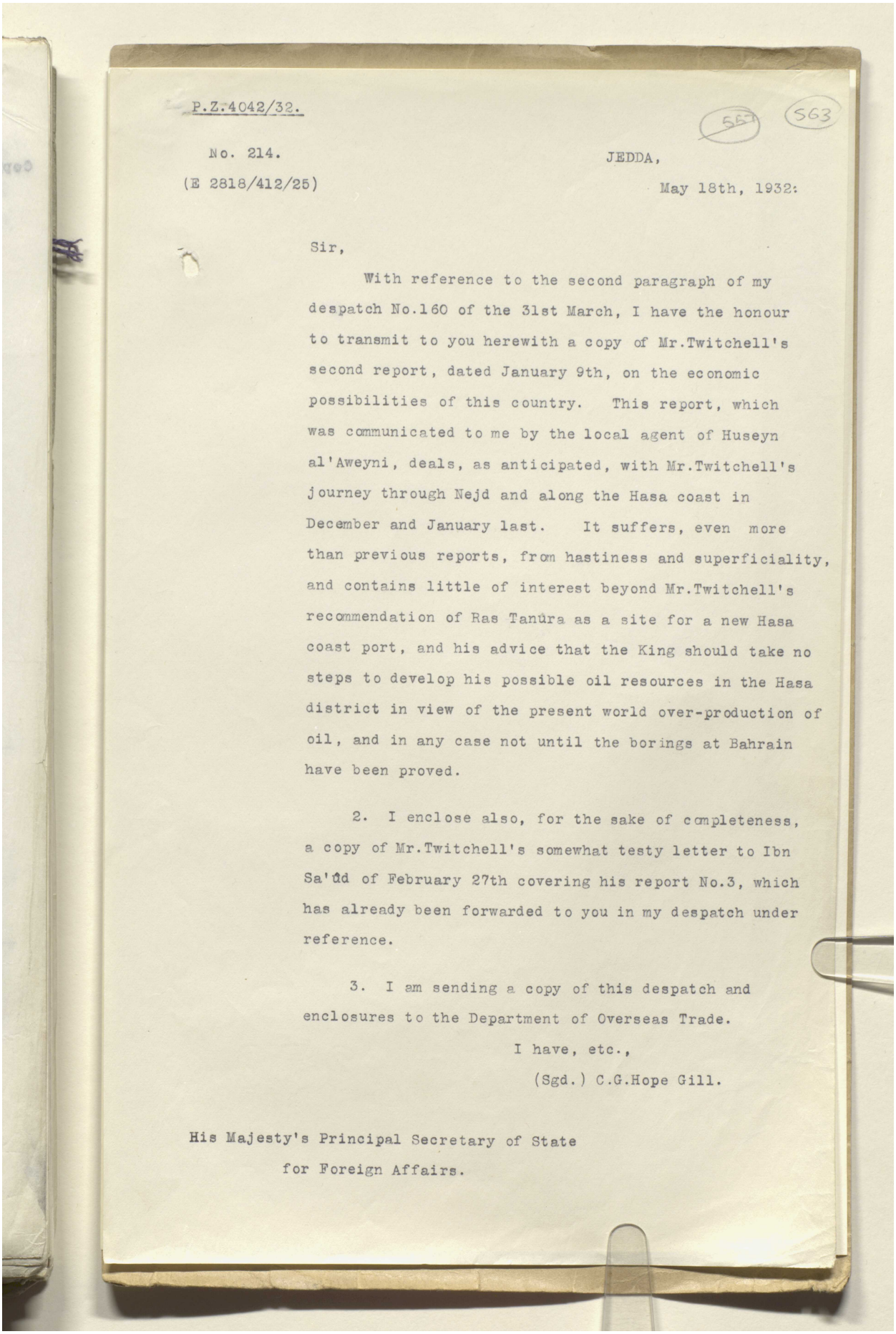

P.Z.4042/32.

557 563

No. 214.

(E 2818/412/25)

JEDDA,

May 18th, 1932.

Sir,

With reference to the second paragraph of my despatch No.160 of the 31st March, I have the honour to transmit to you herewith a copy of Mr.Twitchell's second report, dated January 9th, on the economic possibilities of this country. This report, which was communicated to me by the local agent of Huseyn al'Aweyni, deals, as anticipated, with Mr.Twitchell's journey through Nejd and along the Hasa coast in December and January last. It suffers, even more than previous reports, from hastiness and superficiality, and contains little of interest beyond Mr.Twitchell's recommendation of Ras Tanûra as a site for a new Hasa coast port, and his advice that the King should take no steps to develop his possible oil resources in the Hasa district in view of the present world over-production of oil, and in any case not until the borings at Bahrain have been proved.

2. I enclose also, for the sake of completeness, a copy of Mr.Twitchell's somewhat testy letter to Ibn Sa'ûd of February 27th covering his report No.3, which has already been forwarded to you in my despatch under reference.

3. I am sending a copy of this despatch and enclosures to the Department of Overseas Trade.

I have, etc.,

(Sgd.) C.G.Hope Gill.

His Majesty's Principal Secretary of State
for Foreign Affairs.

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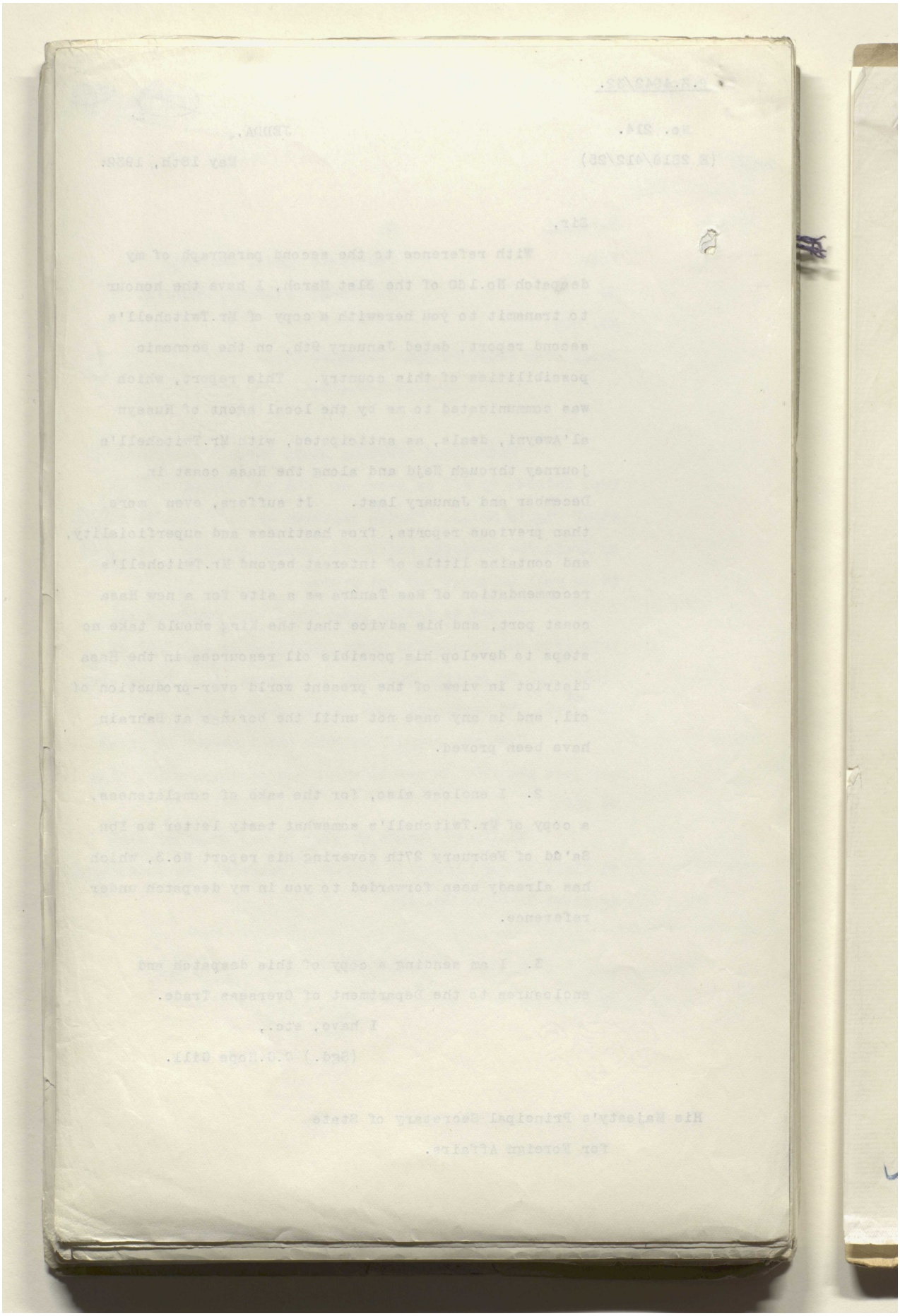

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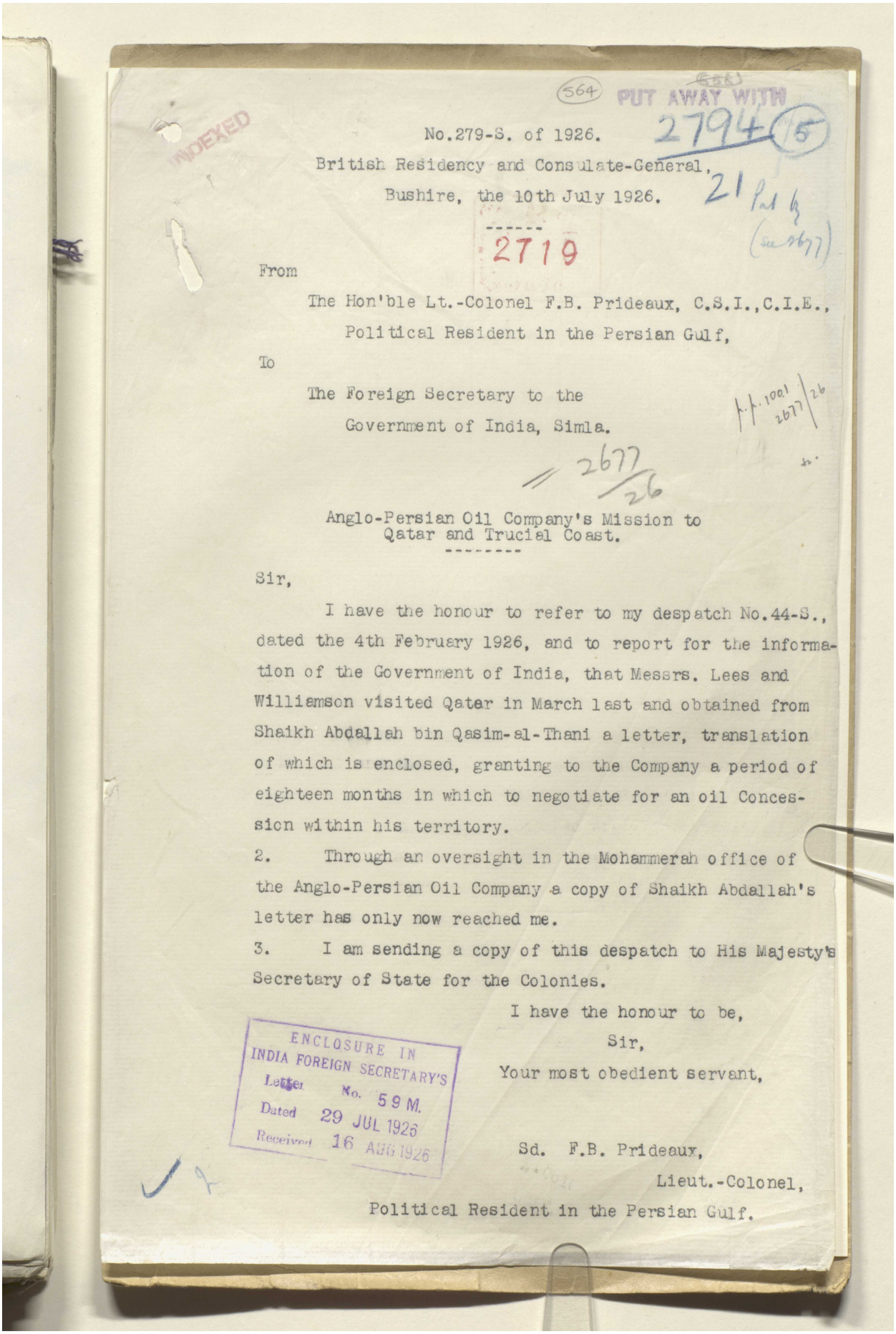

(564) PUT AWAY WITH 2794 (5)

INDEXED

No.279-S. of 1926.

British Residency and Consulate-General,
Bushire, the 10th July 1926.

21 Pt 4 (see 2677)

2719

From

The Hon'ble Lt.-Colonel F.B. Prideaux, C.S.I.,C.I.E.,
Political Resident in the Persian Gulf,

To

The Foreign Secretary to the
Government of India, Simla.

A.A. 1001 2677/26

// 2677/26

Anglo-Persian Oil Company's Mission to
Qatar and Trucial Coast.

Sir,

I have the honour to refer to my despatch No.44-S., dated the 4th February 1926, and to report for the information of the Government of India, that Messrs. Lees and Williamson visited Qatar in March last and obtained from Shaikh Abdallah bin Qasim-al-Thani a letter, translation of which is enclosed, granting to the Company a period of eighteen months in which to negotiate for an oil Concession within his territory.

2. Through an oversight in the Mohammerah office of the Anglo-Persian Oil Company a copy of Shaikh Abdallah's letter has only now reached me.

3. I am sending a copy of this despatch to His Majesty's Secretary of State for the Colonies.

I have the honour to be,
Sir,
Your most obedient servant,

ENCLOSURE IN INDIA FOREIGN SECRETARY'S Letter No. 59 M. Dated 29 JUL 1926 Received 16 AUG 1926

Sd. F.B. Prideaux,
Lieut.-Colonel,
Political Resident in the Persian Gulf.

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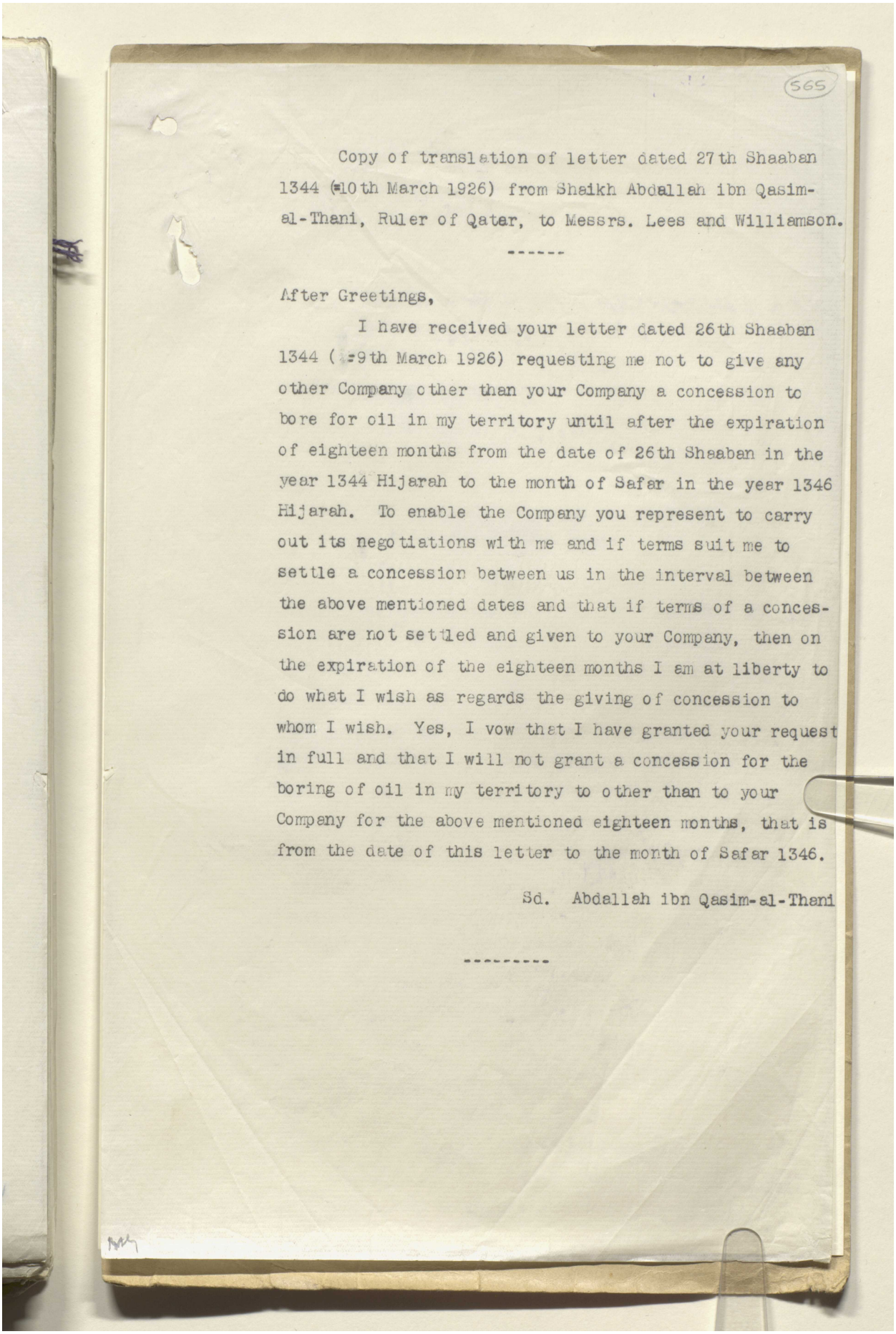

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Copy of translation of letter dated 27th Shaaban 1344 (=10th March 1926) from Shaikh Abdallah ibn Qasim-al-Thani, Ruler of Qatar, to Messrs. Lees and Williamson.

After Greetings,

I have received your letter dated 26th Shaaban 1344 (=9th March 1926) requesting me not to give any other Company other than your Company a concession to bore for oil in my territory until after the expiration of eighteen months from the date of 26th Shaaban in the year 1344 Hijarah to the month of Safar in the year 1346 Hijarah. To enable the Company you represent to carry out its negotiations with me and if terms suit me to settle a concession between us in the interval between the above mentioned dates and that if terms of a concession are not settled and given to your Company, then on the expiration of the eighteen months I am at liberty to do what I wish as regards the giving of concession to whom I wish. Yes, I vow that I have granted your request in full and that I will not grant a concession for the boring of oil in my territory to other than to your Company for the above mentioned eighteen months, that is from the date of this letter to the month of Safar 1346.

Sd. Abdallah ibn Qasim-al-Thani

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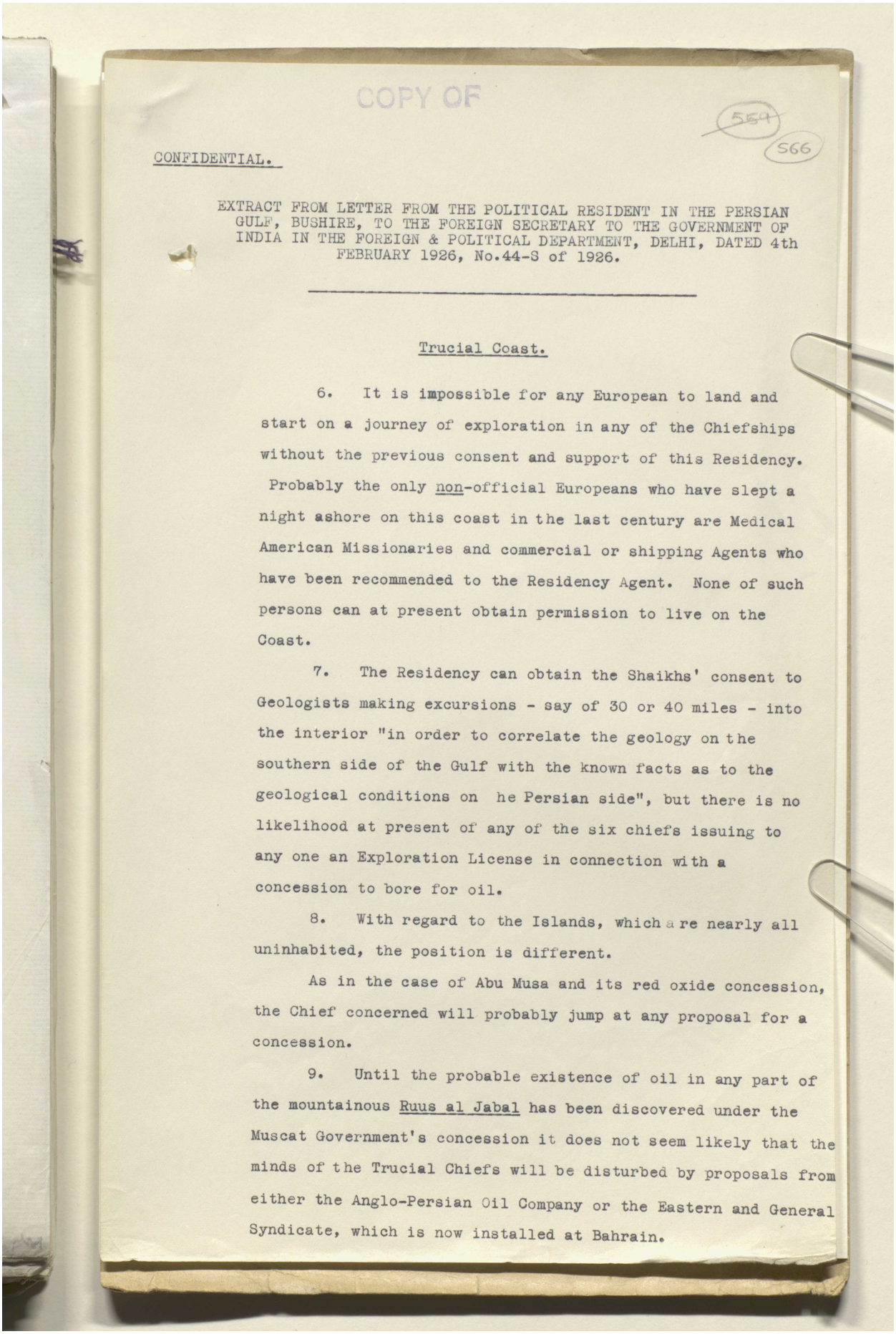

COPY OF

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CONFIDENTIAL.

EXTRACT FROM LETTER FROM THE POLITICAL RESIDENT IN THE PERSIAN GULF, BUSHIRE, TO THE FOREIGN SECRETARY TO THE GOVERNMENT OF INDIA IN THE FOREIGN & POLITICAL DEPARTMENT, DELHI, DATED 4th FEBRUARY 1926, No.44-S of 1926.

Trucial Coast.

6. It is impossible for any European to land and start on a journey of exploration in any of the Chiefships without the previous consent and support of this Residency. Probably the only non-official Europeans who have slept a night ashore on this coast in the last century are Medical American Missionaries and commercial or shipping Agents who have been recommended to the Residency Agent. None of such persons can at present obtain permission to live on the Coast.

7. The Residency can obtain the Shaikhs' consent to Geologists making excursions - say of 30 or 40 miles - into the interior "in order to correlate the geology on the southern side of the Gulf with the known facts as to the geological conditions on he Persian side", but there is no likelihood at present of any of the six chiefs issuing to any one an Exploration License in connection with a concession to bore for oil.

8. With regard to the Islands, which are nearly all uninhabited, the position is different.

As in the case of Abu Musa and its red oxide concession, the Chief concerned will probably jump at any proposal for a concession.

9. Until the probable existence of oil in any part of the mountainous Ruus al Jabal has been discovered under the Muscat Government's concession it does not seem likely that the minds of the Trucial Chiefs will be disturbed by proposals from either the Anglo-Persian Oil Company or the Eastern and General Syndicate, which is now installed at Bahrain.

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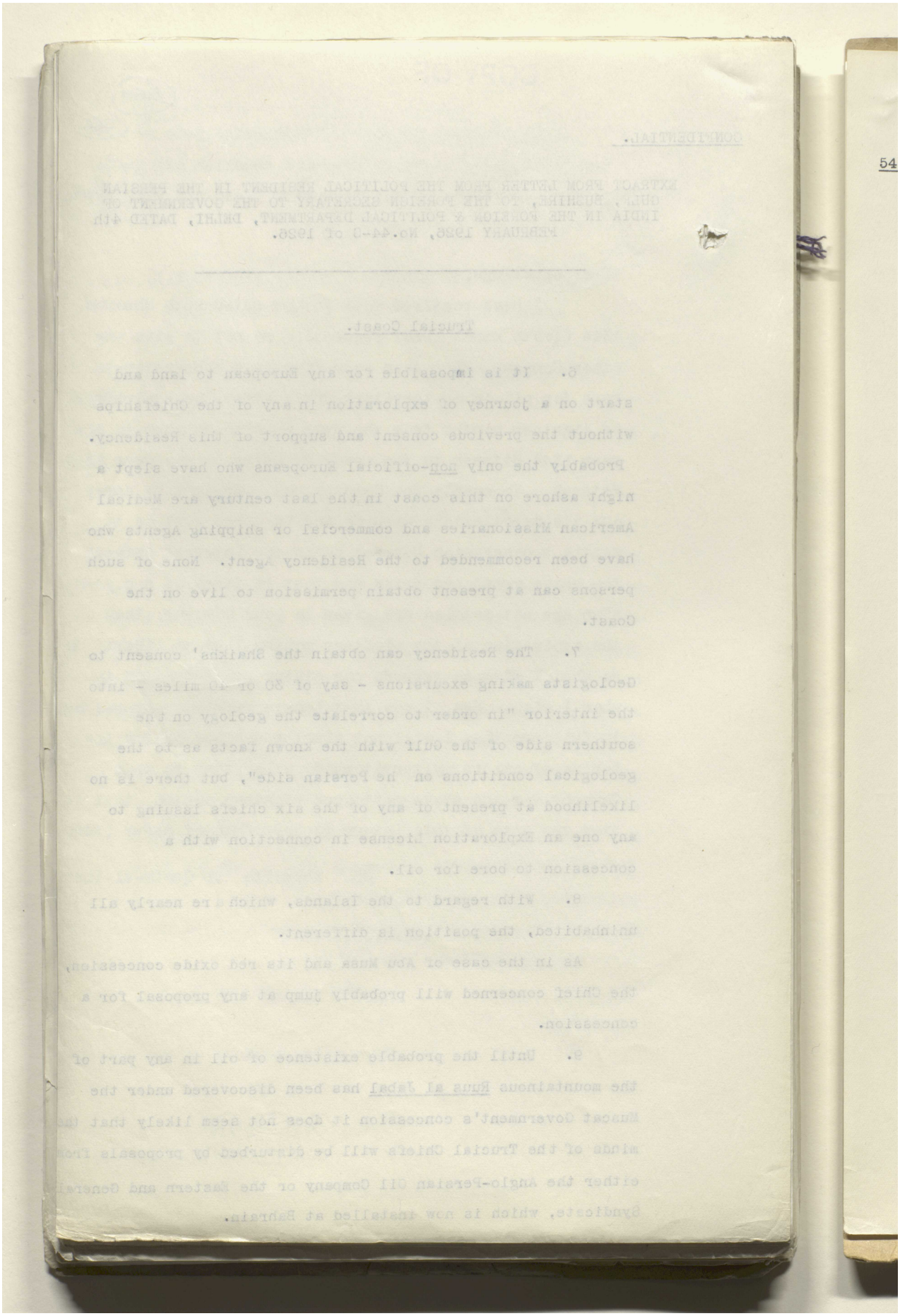

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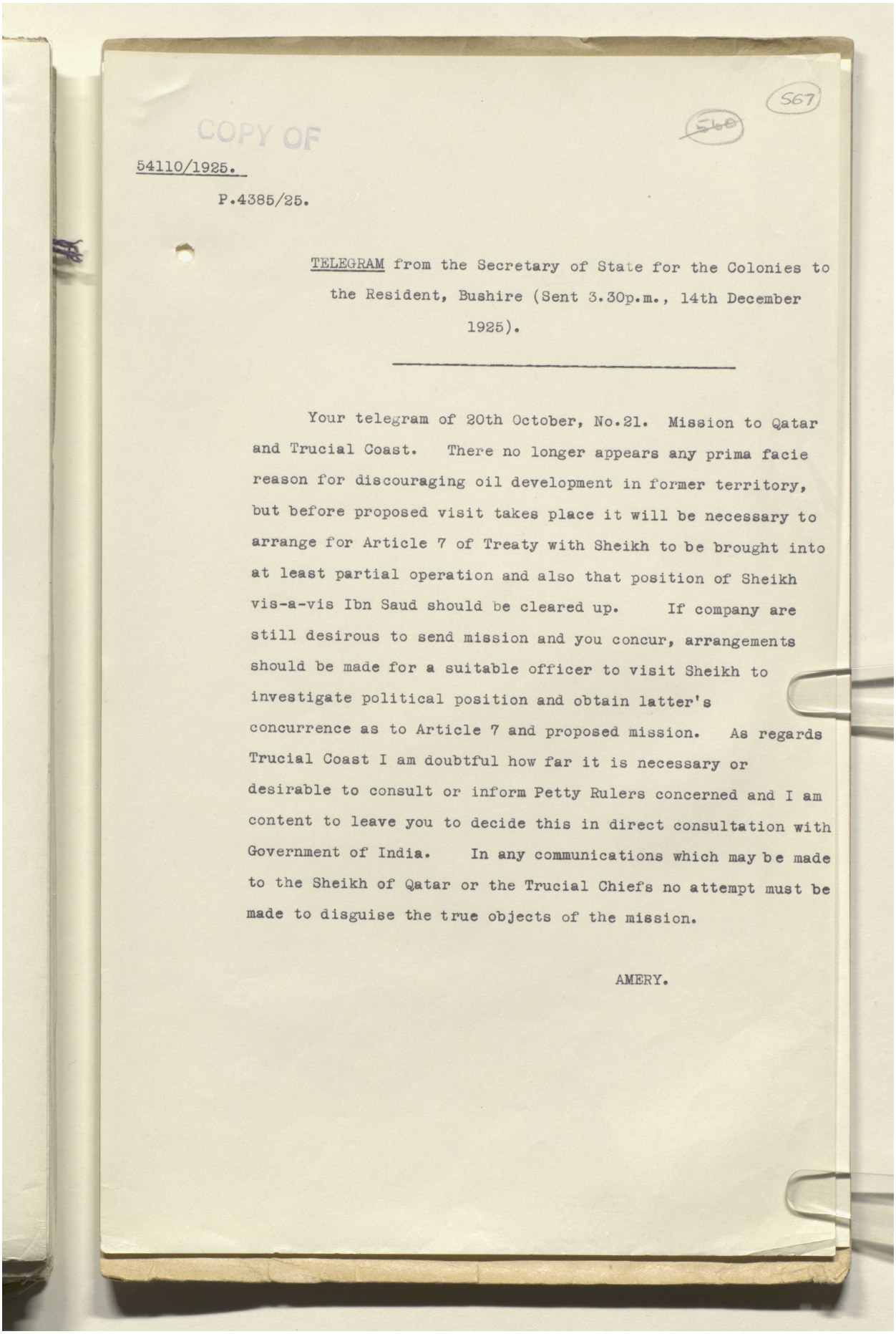

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COPY OF

54110/1925.

P.4385/25.

TELEGRAM from the Secretary of State for the Colonies to the Resident, Bushire (Sent 3.30p.m., 14th December 1925).

Your telegram of 20th October, No.21. Mission to Qatar and Trucial Coast. There no longer appears any prima facie reason for discouraging oil development in former territory, but before proposed visit takes place it will be necessary to arrange for Article 7 of Treaty with Sheikh to be brought into at least partial operation and also that position of Sheikh vis-a-vis Ibn Saud should be cleared up. If company are still desirous to send mission and you concur, arrangements should be made for a suitable officer to visit Sheikh to investigate political position and obtain latter's concurrence as to Article 7 and proposed mission. As regards Trucial Coast I am doubtful how far it is necessary or desirable to consult or inform Petty Rulers concerned and I am content to leave you to decide this in direct consultation with Government of India. In any communications which may be made to the Sheikh of Qatar or the Trucial Chiefs no attempt must be made to disguise the true objects of the mission.

AMERY.

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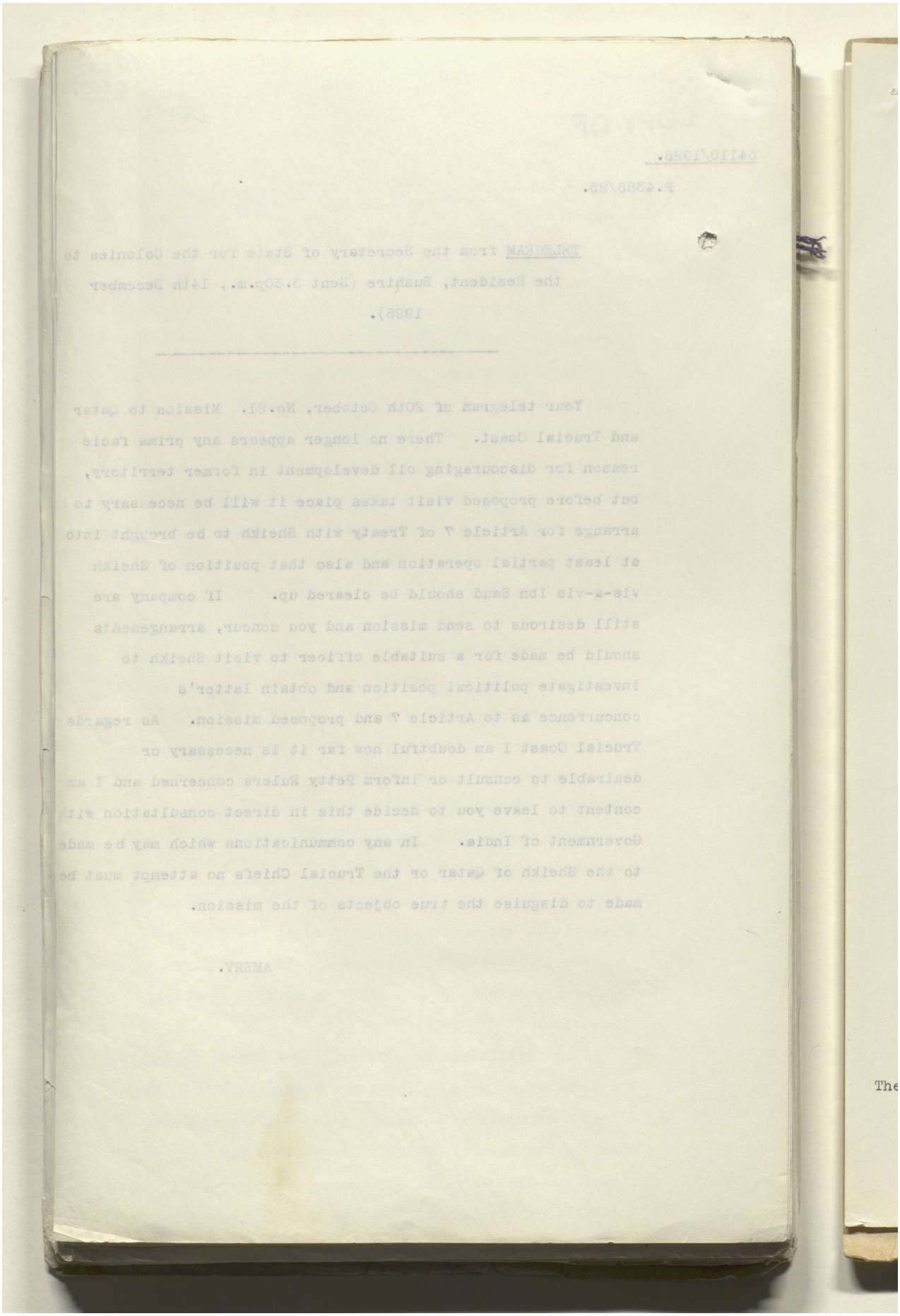

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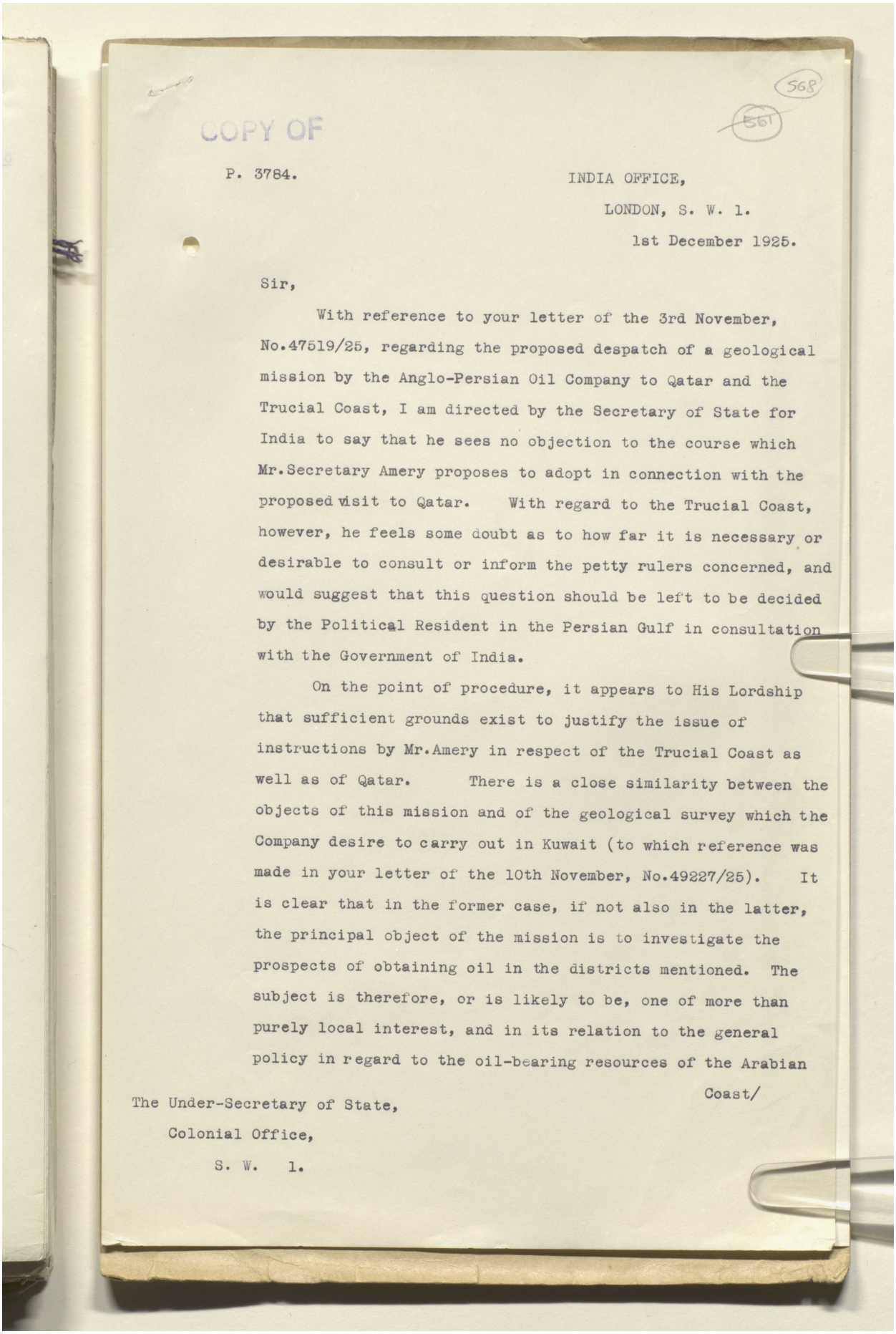

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P. 3784.

INDIA OFFICE,
LONDON, S. W. 1.
1st December 1925.

Sir,

With reference to your letter of the 3rd November, No.47519/25, regarding the proposed despatch of a geological mission by the Anglo-Persian Oil Company to Qatar and the Trucial Coast, I am directed by the Secretary of State for India to say that he sees no objection to the course which Mr.Secretary Amery proposes to adopt in connection with the proposed visit to Qatar. With regard to the Trucial Coast, however, he feels some doubt as to how far it is necessary or desirable to consult or inform the petty rulers concerned, and would suggest that this question should be left to be decided by the Political Resident in the Persian Gulf in consultation with the Government of India.

On the point of procedure, it appears to His Lordship that sufficient grounds exist to justify the issue of instructions by Mr.Amery in respect of the Trucial Coast as well as of Qatar. There is a close similarity between the objects of this mission and of the geological survey which the Company desire to carry out in Kuwait (to which reference was made in your letter of the 10th November, No.49227/25). It is clear that in the former case, if not also in the latter, the principal object of the mission is to investigate the prospects of obtaining oil in the districts mentioned. The subject is therefore, or is likely to be, one of more than purely local interest, and in its relation to the general policy in regard to the oil-bearing resources of the Arabian Coast/

The Under-Secretary of State,
Colonial Office,
S. W. 1.

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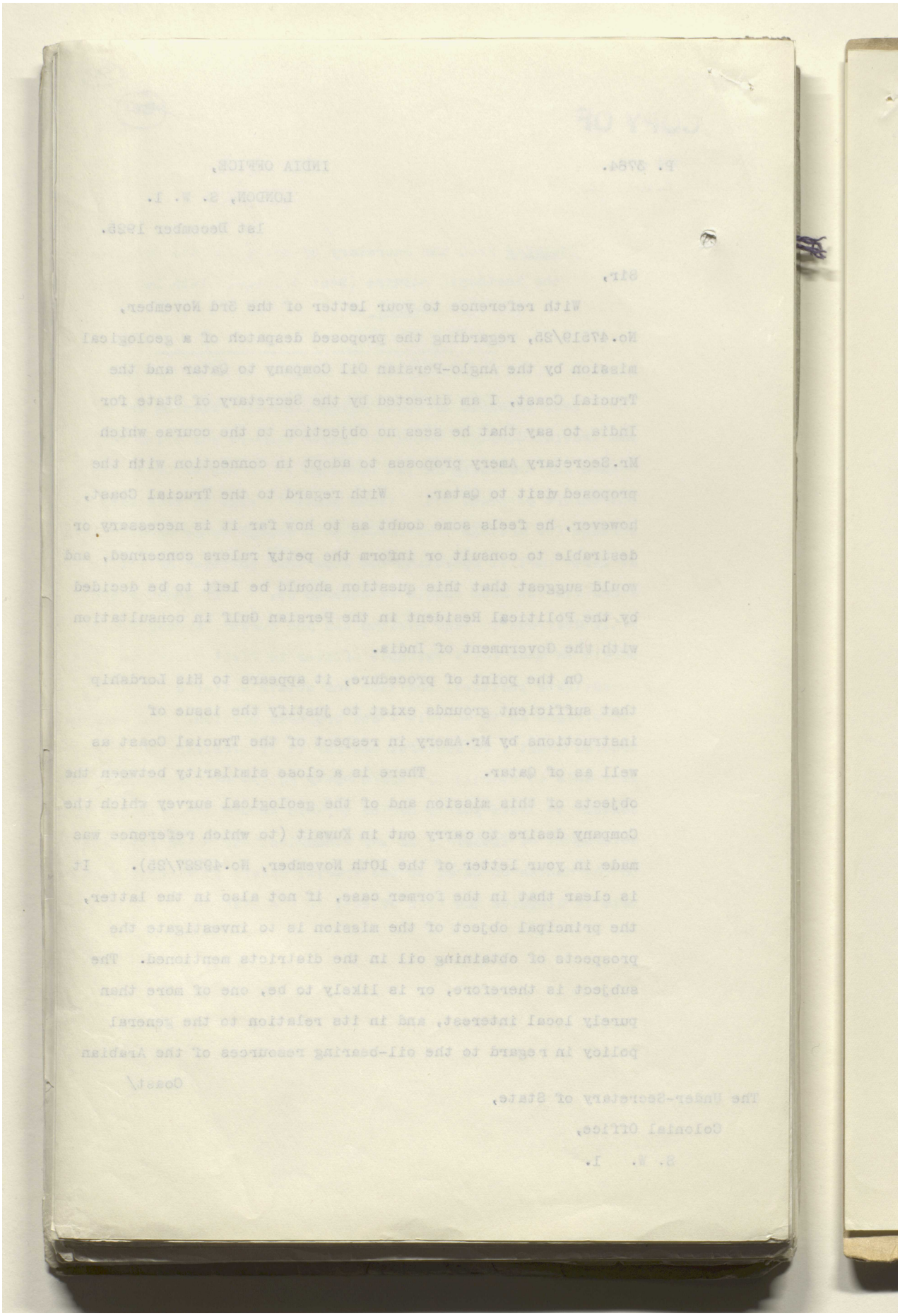

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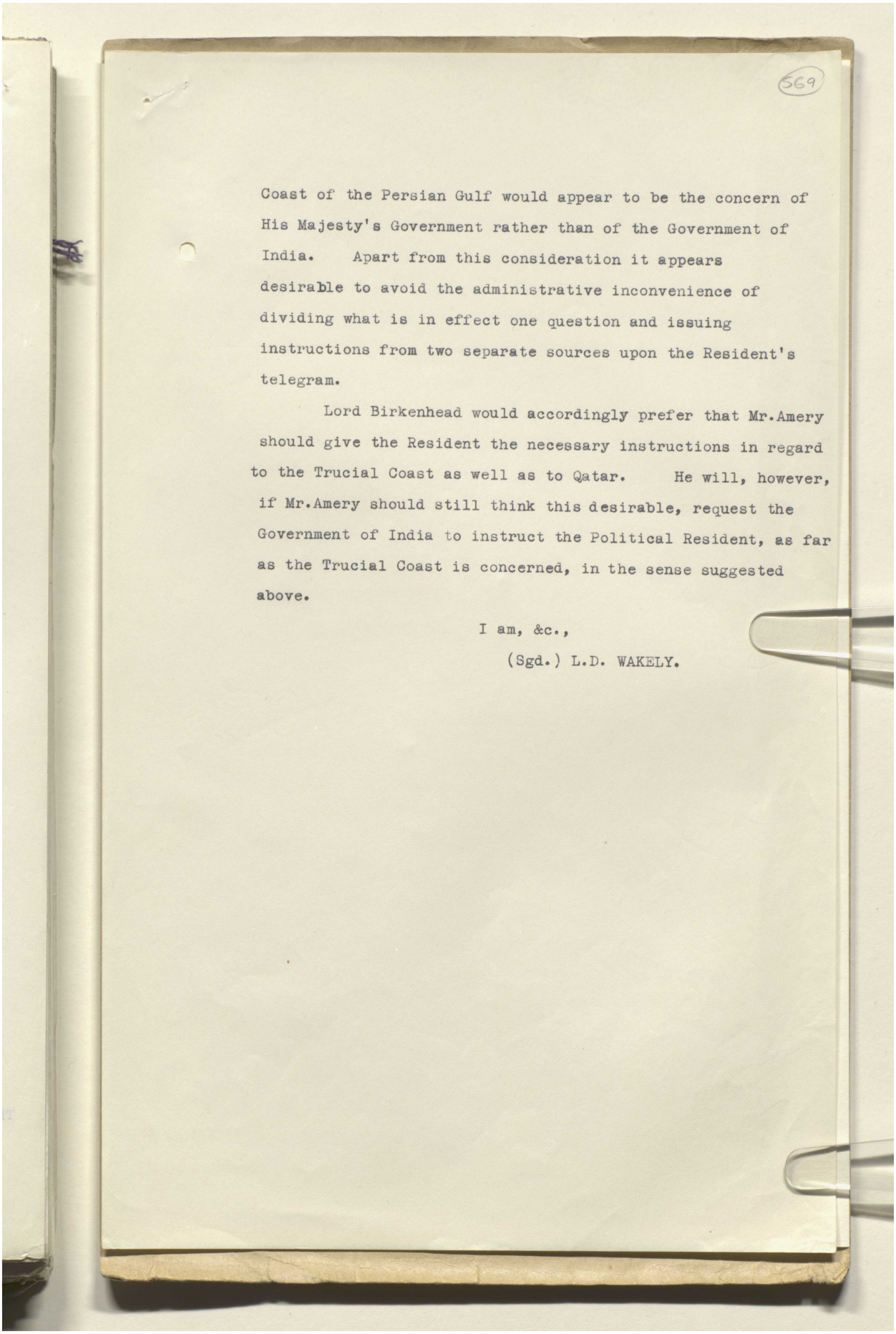

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Coast of the Persian Gulf would appear to be the concern of His Majesty's Government rather than of the Government of India. Apart from this consideration it appears desirable to avoid the administrative inconvenience of dividing what is in effect one question and issuing instructions from two separate sources upon the Resident's telegram.

Lord Birkenhead would accordingly prefer that Mr.Amery should give the Resident the necessary instructions in regard to the Trucial Coast as well as to Qatar. He will, however, if Mr.Amery should still think this desirable, request the Government of India to instruct the Political Resident, as far as the Trucial Coast is concerned, in the sense suggested above.

I am, &c.,

(Sgd.) L.D. WAKELY.

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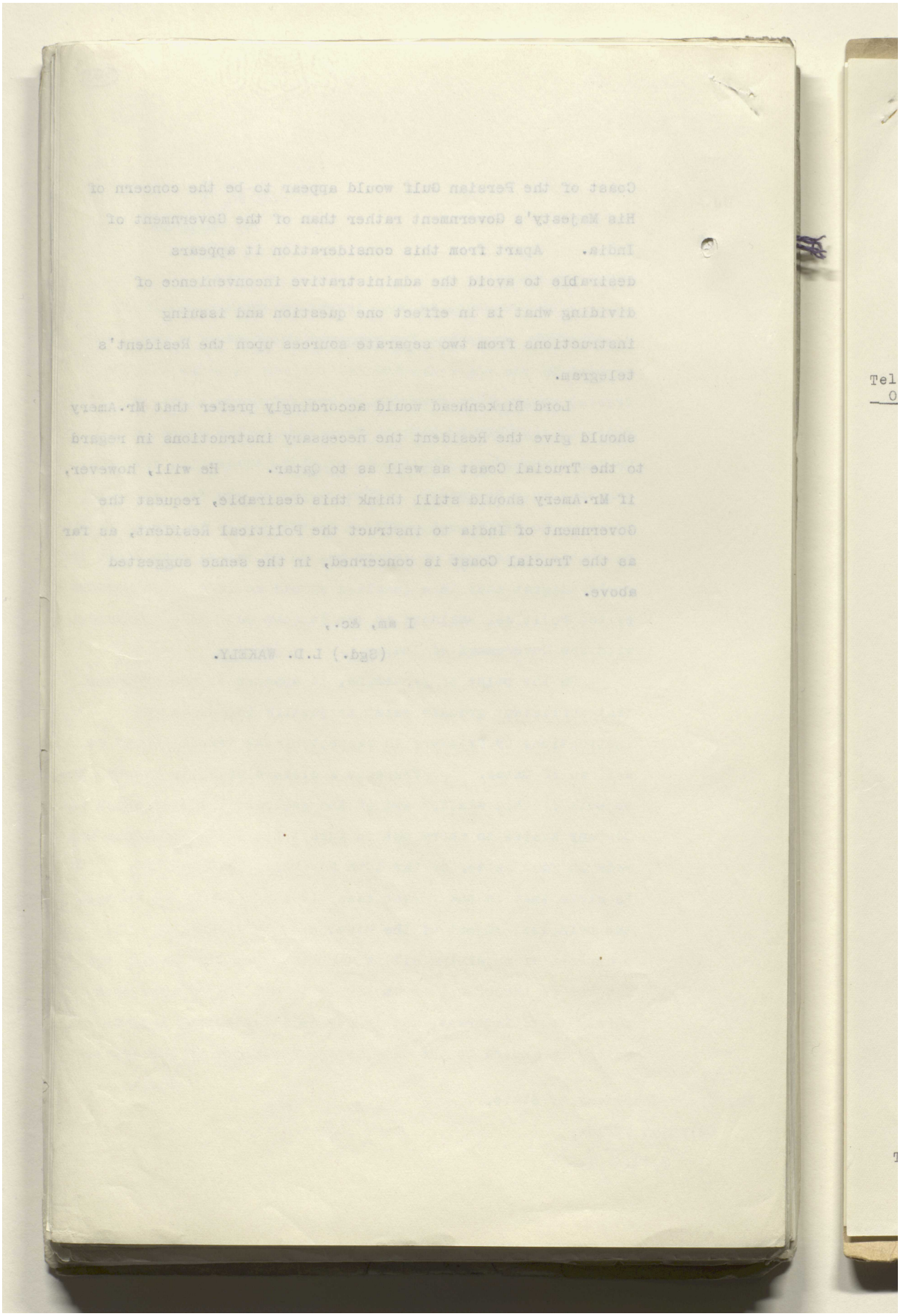

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P.3784/1925.

Downing Street,

No.47519/25. 3rd November, 1925.

Sir,

With reference to your letter No.P.5003 of the 22nd of January, 1924, I am directed my Mr. Secretary Amery to transmit to you, to be laid before the Earl of Birkenhead, the enclosed copy of a telegram from the Political Resident in the Persian Gulf in regard to the Anglo-Persian Oil Company's proposed mission to Qatar and the Trucial area.

Telegram 20 Oct.

2. Mr. Amery desires me to say at once that it would, in his opinion, be most undesirable to sanction the grant of permission for British geologists to visit the territories in question without first obtaining the permission of the Rulers concerned, or to attempt to disguise from these Rulers the real objects of the intended journey.

3. As regards the Trucial coast, however, the matter appears to be one which is principally for Lord Birkenhead's decision. According to the information in Mr. Amery's possession, the influence of Ibn Saud does not extend to the Trucial Oman, and as such decisions as may be reached in the present case are unlikely to re-act upon Arabian politics in general, or upon the relations of His Majesty's Government with Ibn Said in particular, Mr. Amery's interest in the question is confined to its importance in regard to the oil resources of the area, and does not extend to the political aspect. In this connection I am to invite His Lordship's reference to paragraph 4 of Mr. Thomas's despatch to the Resident of the 15th of April, 1924, a copy of which accompanied the letter from this Department No.46597/23 of the 19th April, 1924. So far as the commercial aspect is

THE UNDER SECRETARY OF STATE,
POLITICAL DEPARTMENT,
INDIA OFFICE.

involved/

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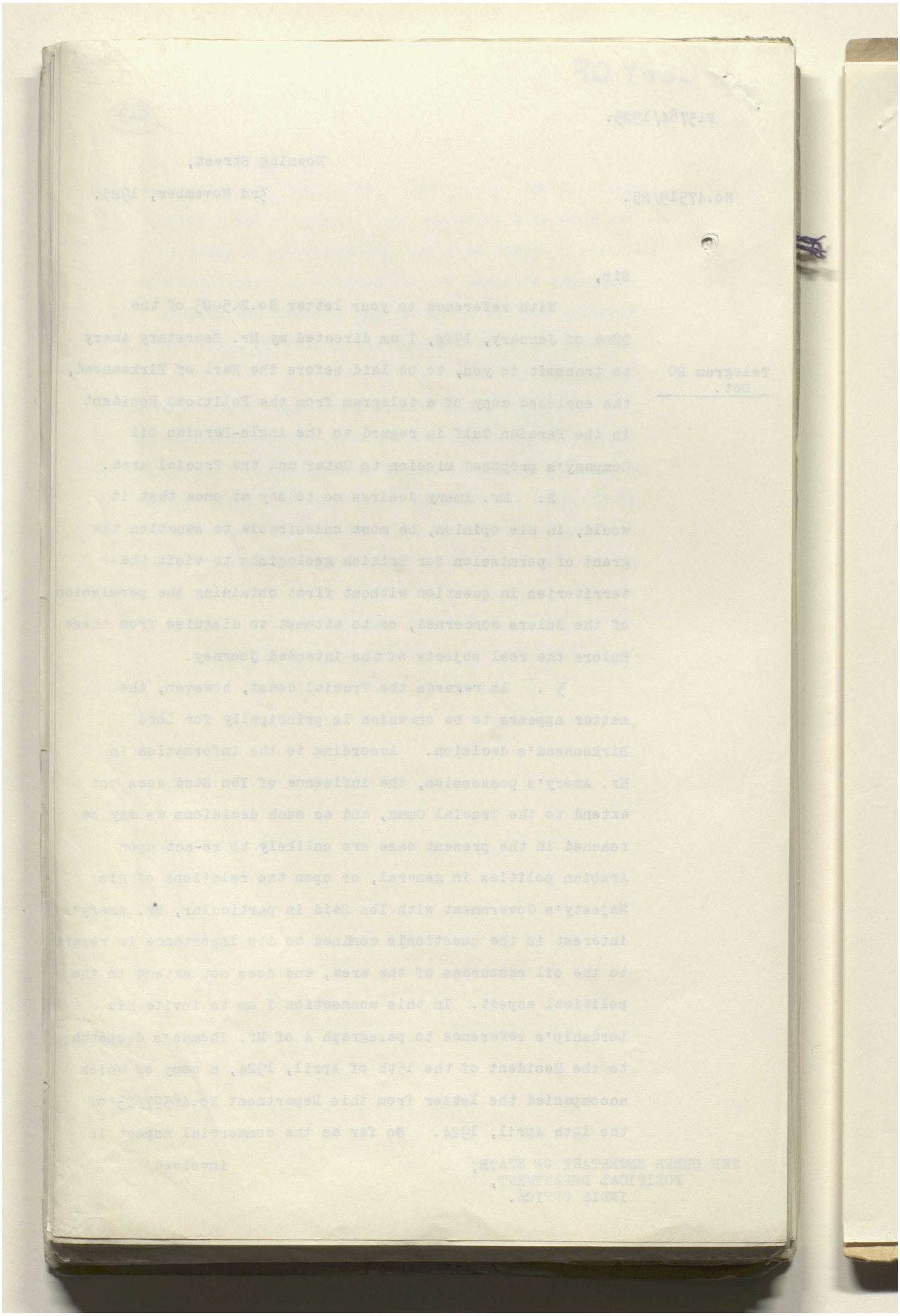

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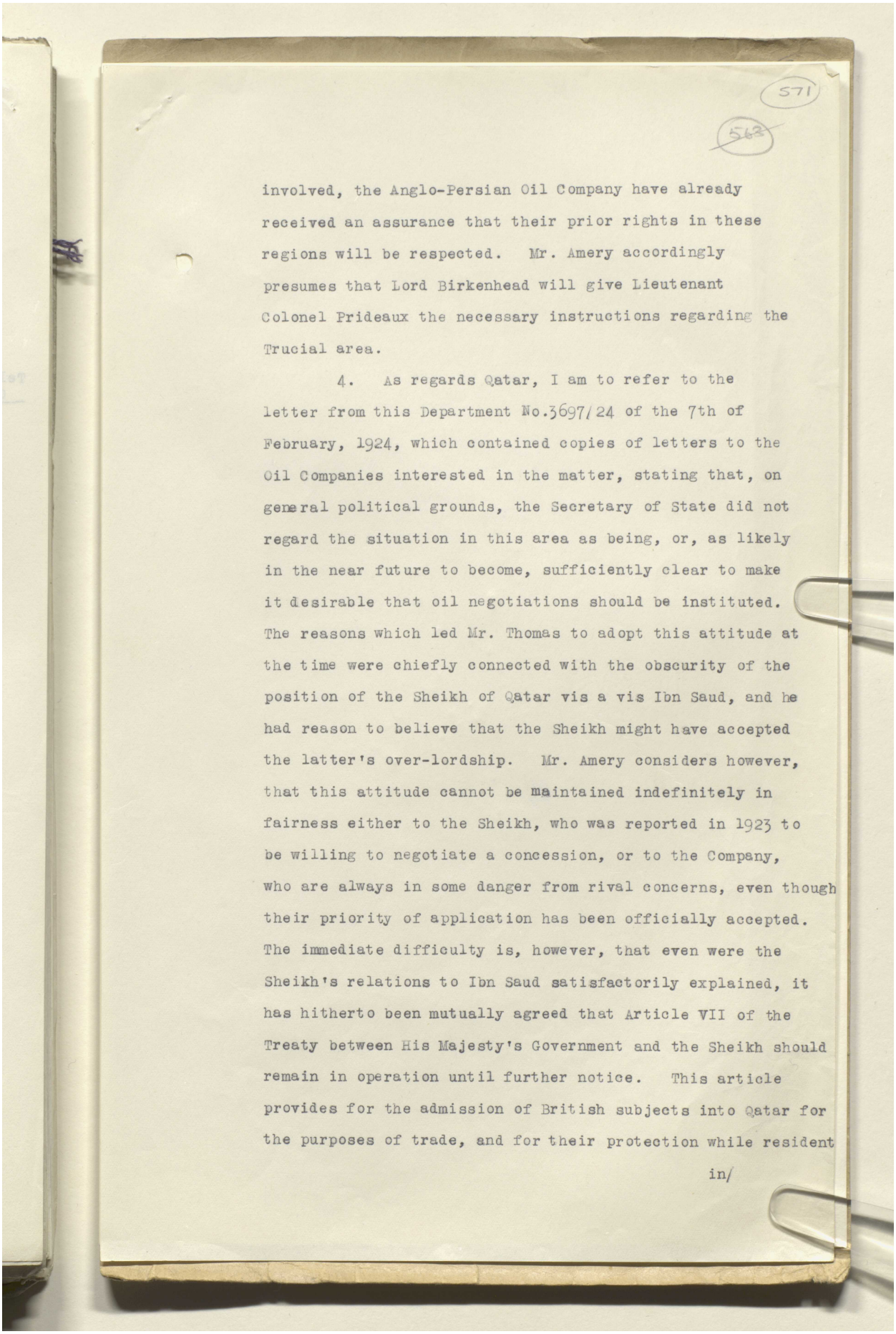

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involved, the Anglo-Persian Oil Company have already received an assurance that their prior rights in these regions will be respected. Mr. Amery accordingly presumes that Lord Birkenhead will give Lieutenant Colonel Prideaux the necessary instructions regarding the Trucial area.

4. As regards Qatar, I am to refer to the letter from this Department No.3697/24 of the 7th of February, 1924, which contained copies of letters to the Oil Companies interested in the matter, stating that, on general political grounds, the Secretary of State did not regard the situation in this area as being, or, as likely in the near future to become, sufficiently clear to make it desirable that oil negotiations should be instituted. The reasons which led Mr. Thomas to adopt this attitude at the time were chiefly connected with the obscurity of the position of the Sheikh of Qatar vis a vis Ibn Saud, and he had reason to believe that the Sheikh might have accepted the latter's over-lordship. Mr. Amery considers however, that this attitude cannot be maintained indefinitely in fairness either to the Sheikh, who was reported in 1923 to be willing to negotiate a concession, or to the Company, who are always in some danger from rival concerns, even though their priority of application has been officially accepted. The immediate difficulty is, however, that even were the Sheikh's relations to Ibn Saud satisfactorily explained, it has hitherto been mutually agreed that Article VII of the Treaty between His Majesty's Government and the Sheikh should remain in operation until further notice. This article provides for the admission of British subjects into Qatar for the purposes of trade, and for their protection while resident

in/

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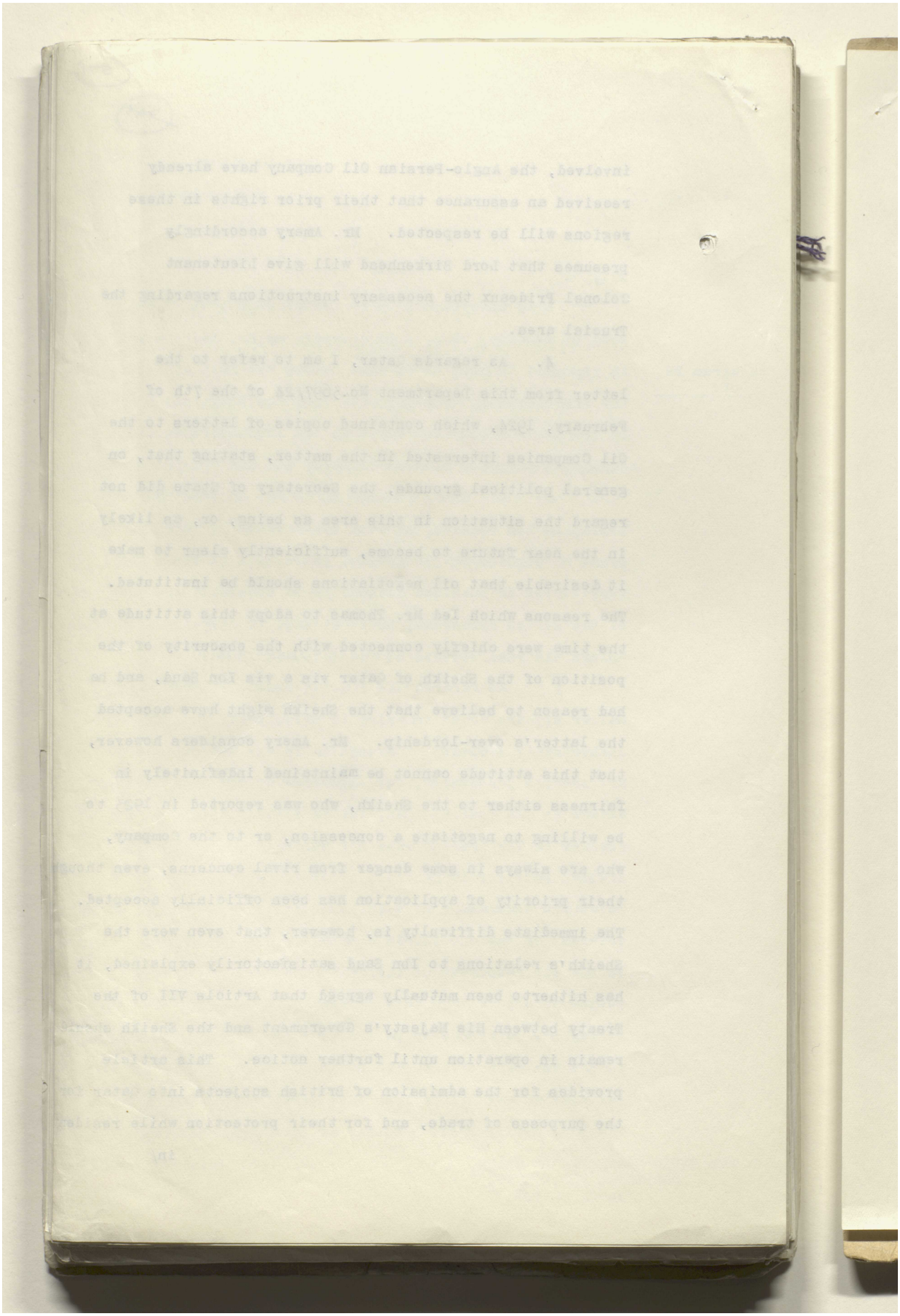

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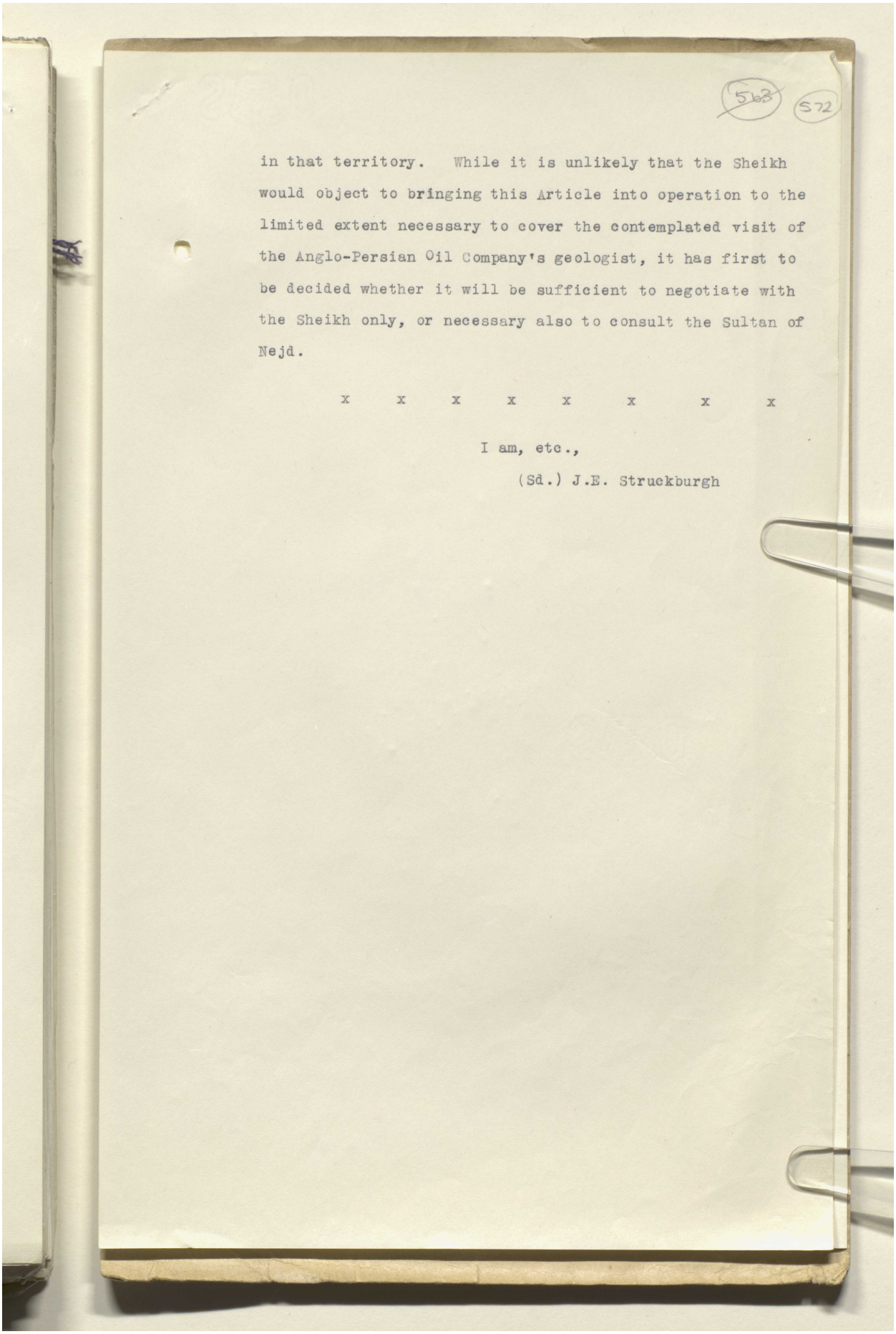

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in that territory. While it is unlikely that the Sheikh would object to bringing this Article into operation to the limited extent necessary to cover the contemplated visit of the Anglo-Persian Oil Company's geologist, it has first to be decided whether it will be sufficient to negotiate with the Sheikh only, or necessary also to consult the Sultan of Nejd.

x x x x x x x x

I am, etc.,

(Sd.) J.E. Struckburgh

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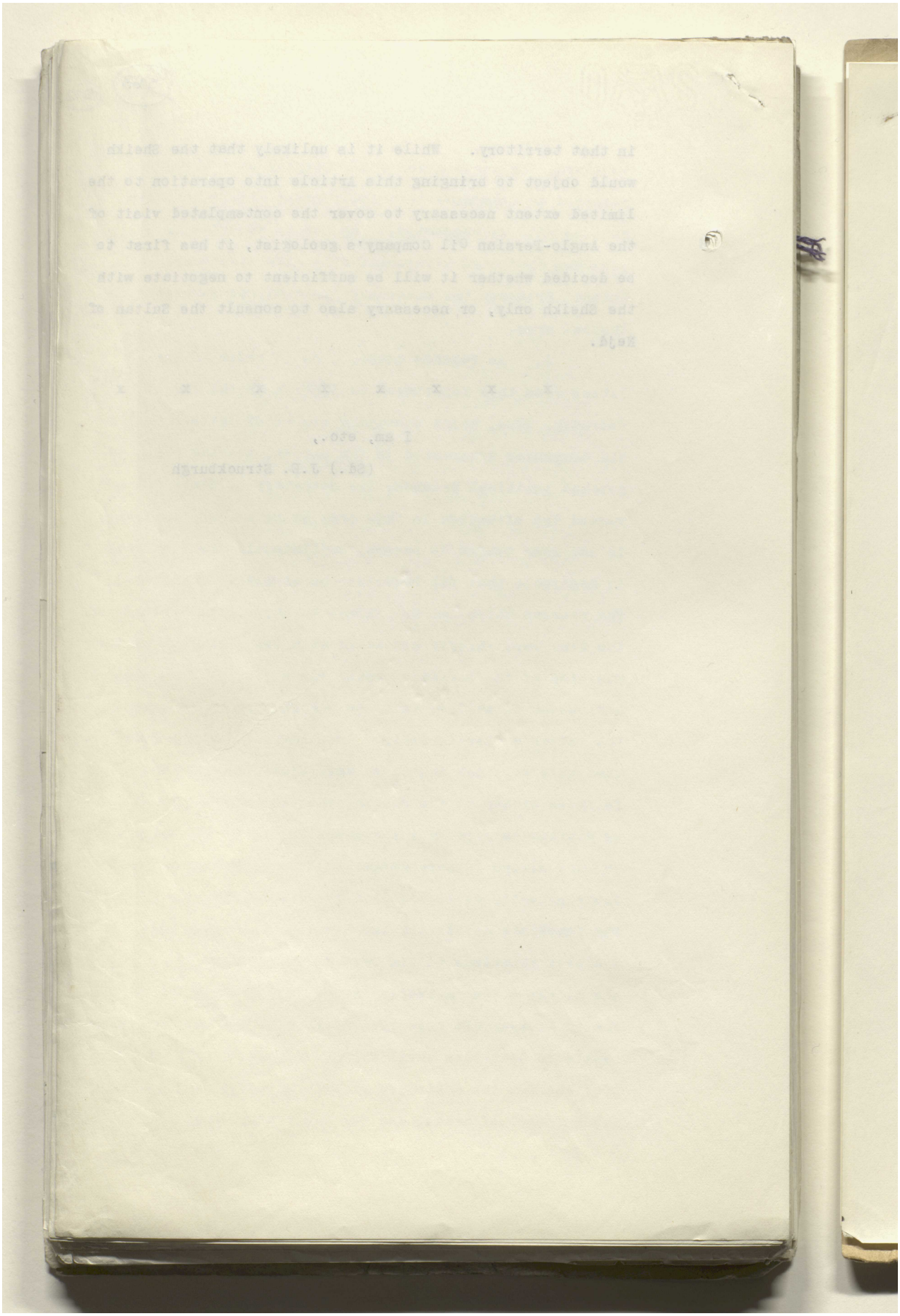

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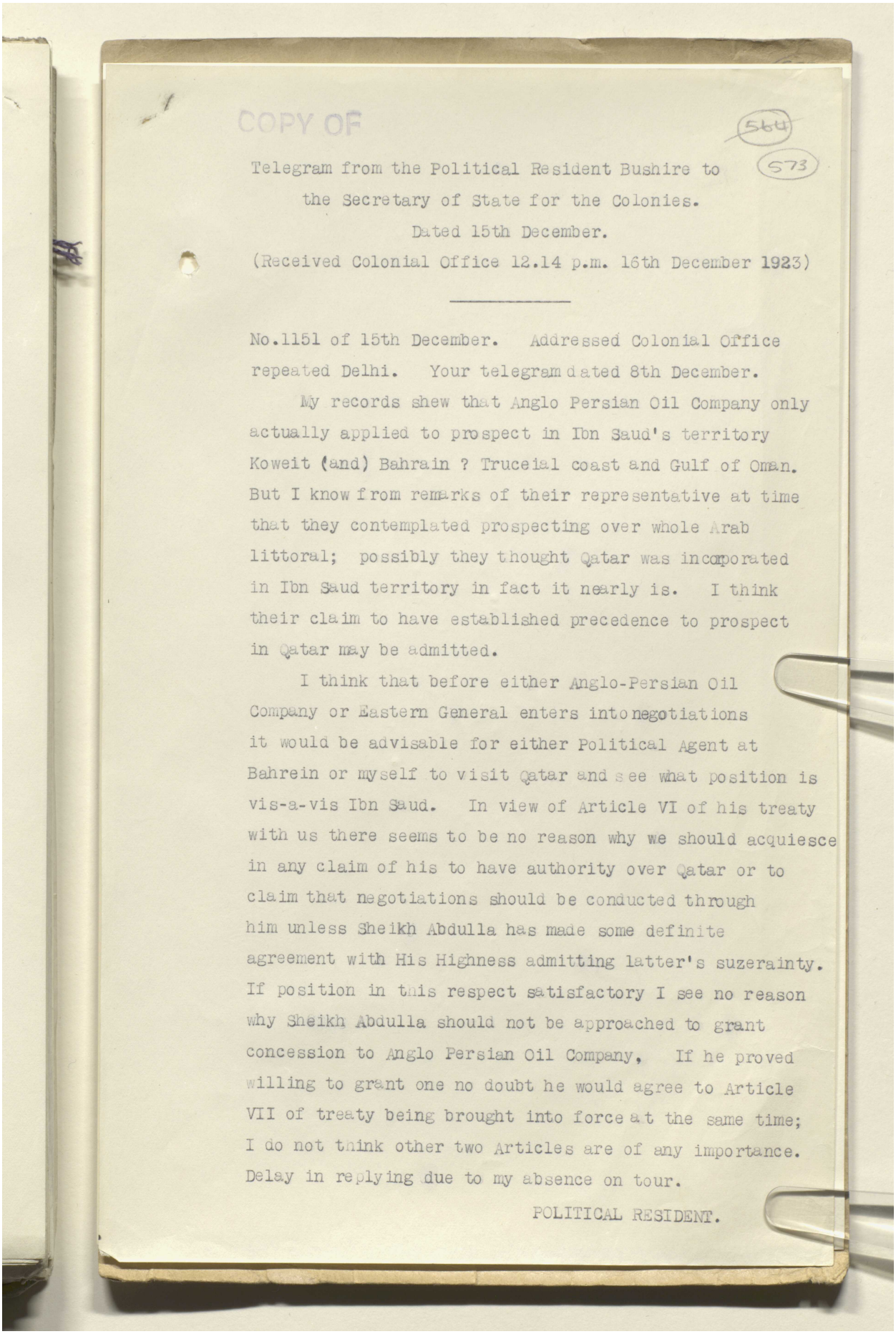

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Telegram from the Political Resident Bushire to
the Secretary of State for the Colonies.
Dated 15th December.
(Received Colonial Office 12.14 p.m. 16th December 1923)

No.1151 of 15th December. Addressed Colonial Office repeated Delhi. Your telegram dated 8th December.

My records shew that Anglo Persian Oil Company only actually applied to prospect in Ibn Saud's territory Koweit (and) Bahrain ? Trucial coast and Gulf of Oman. But I know from remarks of their representative at time that they contemplated prospecting over whole Arab littoral; possibly they thought Qatar was incorporated in Ibn Saud territory in fact it nearly is. I think their claim to have established precedence to prospect in Qatar may be admitted.

I think that before either Anglo-Persian Oil Company or Eastern General enters into negotiations it would be advisable for either Political Agent at Bahrein or myself to visit Qatar and see what position is vis-a-vis Ibn Saud. In view of Article VI of his treaty with us there seems to be no reason why we should acquiesce in any claim of his to have authority over Qatar or to claim that negotiations should be conducted through him unless Sheikh Abdulla has made some definite agreement with His Highness admitting latter's suzerainty. If position in this respect satisfactory I see no reason why Sheikh Abdulla should not be approached to grant concession to Anglo Persian Oil Company, If he proved willing to grant one no doubt he would agree to Article VII of treaty being brought into force at the same time; I do not think other two Articles are of any importance. Delay in replying due to my absence on tour.

POLITICAL RESIDENT.

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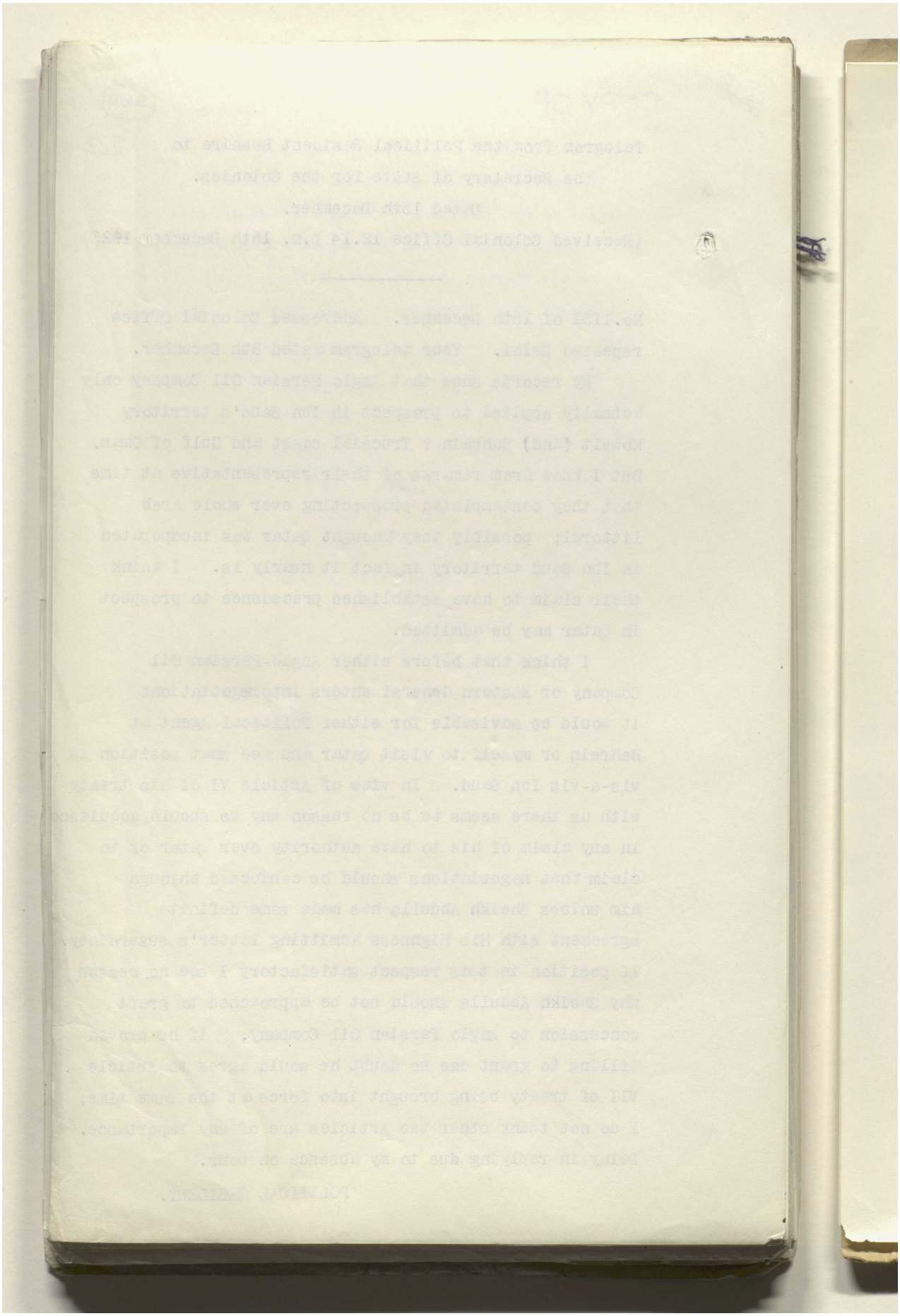

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TELEGRAM from the Secretary of State for the Colonies
to Resident, Bushire.
(Sent 3.30 p.m. 8th December, 1923)

Your telegram of 21st September No.838 Qatar (1) Anglo-Persian having learnt of Eastern General's application have now applied for concession to which they claim to have established prior claim in virtue of application made in their letter of 24th December, 1921, copy sent you in India Office letter of 30th June, 1921. Application in question only referred to Muscat Trucial Chiefs Bahrein Koweit and Nejd no specific mention being made of Qatar. Nevertheless on reconsideration I think it is clear that it was intended to cover whole Arab Littoral and it appears from your despatch of 8th September to Government of India and your telegram of 9th September 1921 to Muscat that you read it as doing so. In view of obvious intention of Snglo-Persian and similarity between treaty position of Qatar and Trucial chiefs I propose unless you have any objection to admit their claim.
(2) May I assume that objections to Eastern General's application cited in your telegram of ?21st 22nd September apply equally to Anglo-Persian?

Grant of concession in any case appears impracticable while articles 7, 8 and 9 of 1916 Treaty with Qatar remain inoperative and I presume that present moment is not favourable for attempt to induce Sheikh to give effect to those articles.

Addressed Resident Bushire Repeated Government of India.

DEVONSHIRE.

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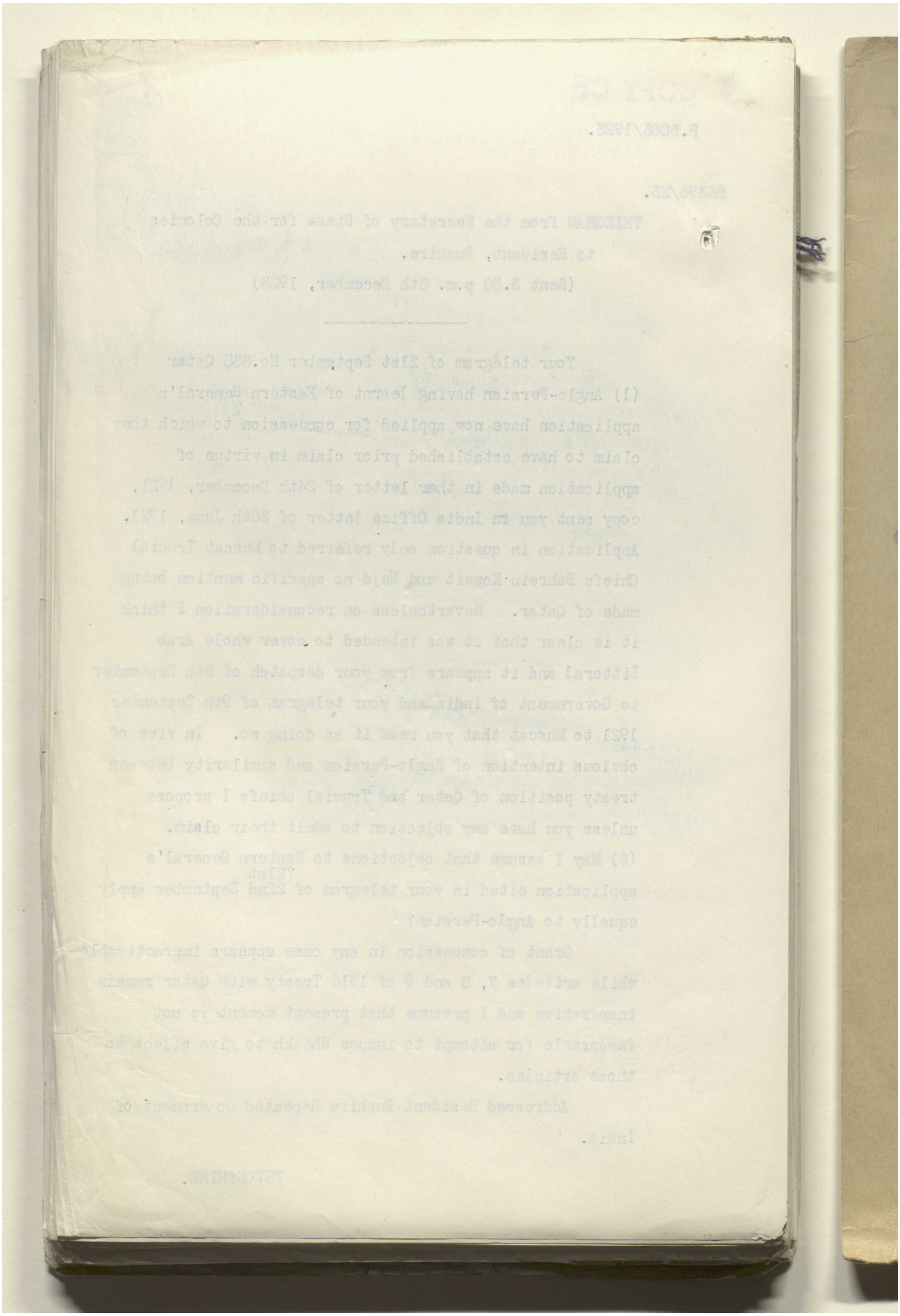

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POLITICAL AND SECRET DEPARTMENT.

P. 4440 1930.

SUBJECT:

Baluchistan: Escape of absconding offenders from Persian Baluchistan into British territory.

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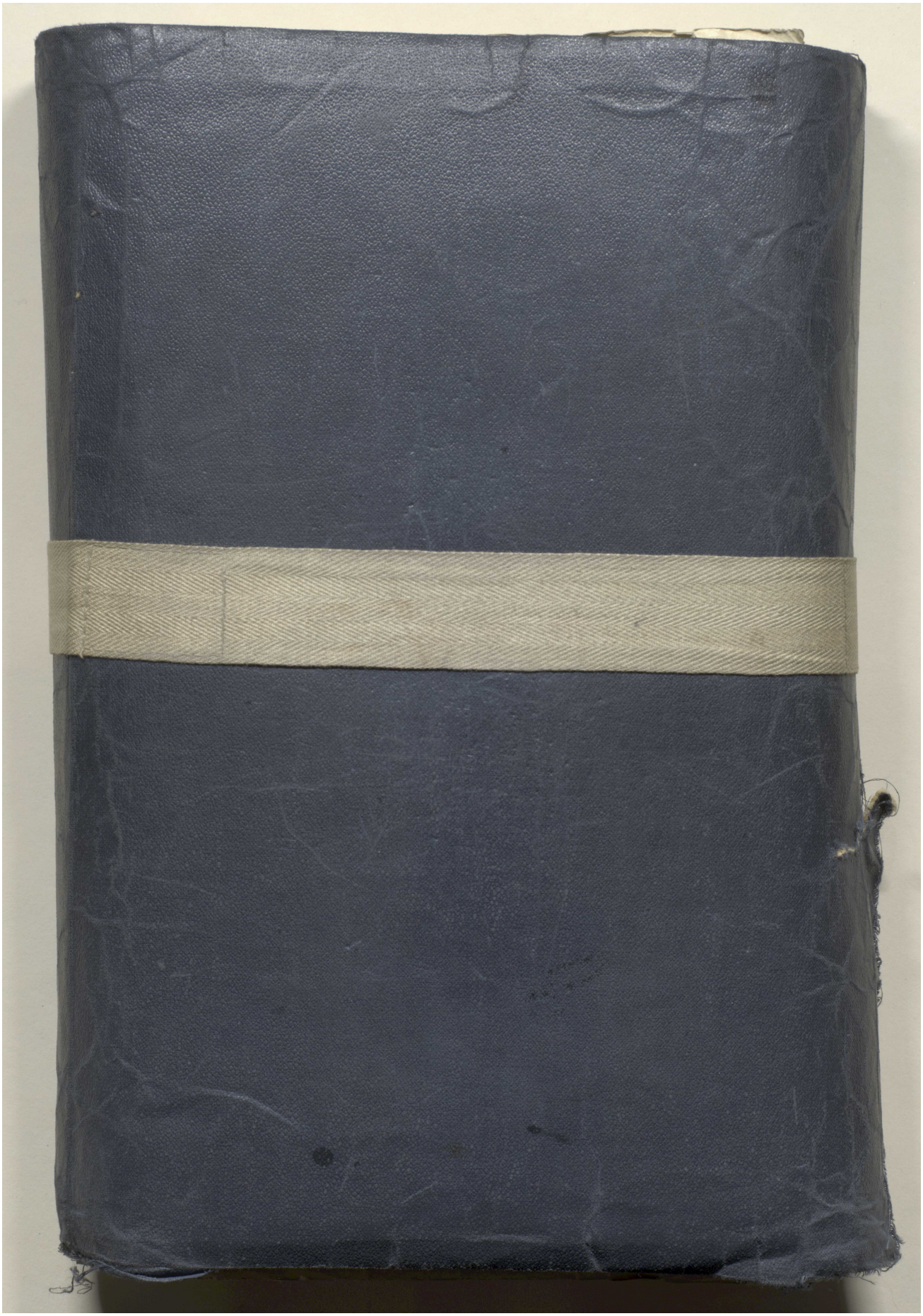

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