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Note: 11/14/57: Called General Cutler's office and asked if they wanted these memos returned to them -- replied that we could file them in this office. October 28, 1957

GENERAL CUTLER:

In connection with the attached memorandum of my conversation with Mr. Whittaker, you may be interested in the following information which I have already made available orally to Mr. Dearborn:


1. Mr. William Burt of the local law firm of Martin and Burt, telephoned my office on October 15 to state that a representative of the Seaboard Company or the Hannah Company would be calling your office concerning Yemen. He stated that one or the other of these companies was considering picking up the concession of the Yemen Development Corporation, but that the payment due on November 2 left them practically no time to investigate the company.

No representative of either company did actually call your office.

2. Mr. Burt volunteered to me on October 25 that the Seaboard Company had decided not to buy the Yemen Development Corporation, on the grounds that the funds required to put the Corporation on its feet properly were too large for them to meet. They decided not to consider putting in a smaller amount which they felt would preserve the concession for a time, but would not be enough to satisfy the Yemen Government over the longer term.

Mr. Burt stated that the Standard Oil Company of Indiana was very interested in purchasing the Corporation. He said Mr. Tom Sunderland of Standard's Chicago office, who he described as Vice President and General Counsel, was in Tulsa meeting with the exploration subsidiary (Pan American) of Standard of Indiana. The subsidiary, which was drawing up its entire future exploration program, was to decide on Wednesday, October 30, whether it wanted to include exploration in Yemen. If so, Standard would approach the Yemen Development Corporation with an offer to purchase the controlling interest.

I do not know Mr. Burt and did not believe it appropriate for me to do anything with the above information other than report it to you and Mr. Dearborn. Presumably, judging from Mr. Whittaker's dejected attitude on Friday, he did not have knowledge of the above development.


Bromley Smith

State Department review completed

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Handwritten initials
October 28, 1957

MEMORANDUM FOR GENERAL CUTLER

Mr. Wallace S. Whittaker called to see you on Friday to bring you up to date on developments in connection with the Yemen Development Corporation. When he learned that your schedule would not permit you to see him, he came to my office and made the following points:

1. A payment of \$150,000 is due November 2 under the terms of the Corporation's concession with Yemen. Failure to pay on the due date will result in loss of the concession.
2. Although payment of the installment due next Saturday would avoid automatic cancellation of the concession, approximately \$1 million is required for Corporation expenses over the next few months if the Corporation is to pursue explorations in Yemen to an extent which would forestall the loss of the concession by action of the Yemen Government on grounds that the Corporation is not seriously engaged in exercising its rights.
3. The Corporation, if it were in a position to undertake an expanded program of exploration, would be able to obtain from the Yemen Government a coastal strip of the country which formerly was held by a West German concession. The best oil prospects for the area may lie in this coastal strip. There is no other free world power holding a concession in Yemen.
4. The U.S. Government, despite strenuous efforts extending over many months, has never stated whether it believes the continuation of the Corporation's concession in Yemen is important to the national security. The future of the Corporation has two aspects: (a) the personal loss of a relatively small amount of money put in by a group of private investors whose motives included personal gain, as well as a patriotic interest in insuring the continuance of a U.S. corporation in an area which appears to be attractive to the USSR; and (b) the belief by people not connected with the Government, but knowledgeable because of their interest in the Corporation, that Yemen is of vital interest to the U.S. - the loss of which to the Soviet Union would be of great importance - the regaining of which would be a project costing the U.S. Government many millions of dollars. As to the latter aspect, the record of the Government's action is not satisfactory. (This is Mr. Whittaker's opinion.)

The problem of Yemen will be resolved by events rather than by conscious action of the U.S.

Bromley Smith
Bromley Smith

cc: Mr. Dearborn