

Complaint

86 F.T.C.

IN THE MATTER OF
PAULEY PETROLEUM, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT AND SEC. 8 OF THE
CLAYTON ACT

Docket C-2693. Complaint, July 17, 1975—Decision, July 17, 1975

Consent order requiring a Los Angeles, Calif., energy company, among other things to cease permitting any individual to serve on its board of directors if such individual is or would be at the same time a director of General American Oil Company of Texas.

Appearances

For the Commission: *Roger B. Pool.*

For the respondent: *Donald M. Wessling, O'Melveny & Myers, Los Angeles, Calif.*

COMPLAINT

The Federal Trade Commission, having reason to believe that the above named respondents have violated the provisions of Section 8 of the Clayton Act, as amended, and Section 5 of the Federal Trade Commission Act, and that a proceeding in respect thereof would be in the interest of the public, issues this complaint, stating its charges as follows:

PARAGRAPH 1. Respondent General American Oil Company of Texas (General American) is a corporation organized and existing under and by virtue of the laws of the State of Delaware, maintaining its principal place of business at 5646 Milton St., Dallas, Tex. At all times relevant to this complaint, General had capital, surplus, and undivided profits aggregating in excess of \$12 million. In 1972 General had revenues of approximately \$58 million.

PAR. 2. Respondent Pauley Petroleum, Inc. (Pauley) is a corporation organized and existing under and by virtue of the laws of the State of Delaware, maintaining its principal place of business at 10000 Santa Monica Blvd., Los Angeles, Calif. At all times relevant to this complaint, Pauley had capital, surplus, and undivided profits aggregated in excess of \$1 million. In 1972 it had revenues of approximately \$28 million.

PAR. 3. In 1974 and for some years previously, Mr. Paul A. Conley served simultaneously as director of Pauley and General American. On or about Oct. 31, 1974 Mr. Conley resigned from Pauley's board of

directors having been notified of the Commission's intention to issue a complaint in this matter.

PAR. 4. The business of respondents General American and Pauley encompasses, but is not limited to, exploration, production, and sale of crude petroleum and natural gas.

PAR. 5. (a) General American and Pauley by the nature of their business and location of operation are competitors of each other with respect to the exploration, production, and sale of crude petroleum and natural gas.

(b) The elimination of competition by agreement or otherwise between General American and Pauley would hinder, foreclose, and restrain competition or tend to create a monopoly in the exploration, production, and sale of crude petroleum and natural gas.

PAR. 6. (a) The activities referred to in Paragraph Four are performed by corporate respondents in various States of the United States and products of those services are sold and distributed in many other States of the United States.

(b) General American and Pauley each engages in commerce as that term is defined in the Clayton Act and the Federal Trade Commission Act.

PAR. 7. The director interlock, as hereinabove alleged, constitutes a violation of Section 8 of the Clayton Act and Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondent named in the caption hereto with violation of the Federal Trade Commission Act, and the respondent having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of sixty (60) days, and having duly considered the comment filed

thereafter pursuant to Section 2.34(b) of its rules, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, in the form contemplated by said agreement, makes the following jurisdictional finding, and enters the following order:

1. Respondent, Pauley Petroleum Inc. (Pauley), is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 10000 Santa Monica Blvd., Los Angeles, Calif.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I

It is ordered, That Pauley Petroleum Inc. (Pauley), its successors and assigns, do forthwith cease and desist from permitting any individual to serve on its board of directors if such individual is or would be at the same time a director of General American Oil Company of Texas.

II

It is further ordered, That Pauley shall, within thirty days after service of this order, and annually for a period ending five (5) years thereafter, request from each member of its board of directors a written statement which discloses the name, business, and location of operations of each other corporation of which such member is also a director, exclusive of any corporation in which Pauley controls, directly or indirectly through subsidiaries, more than 50 percent of the voting stock; exclusive of any corporation which derives annual gross revenues of less than \$1 million from the exploration, production and sale of natural gas and crude petroleum; and exclusive of any corporation not engaged in "commerce" as defined in Section 1 of the Clayton Act as amended or Section 4 of the Federal Trade Commission Act.

III

It is further ordered, That for a period ending five (5) years after service of this order, Pauley shall, at least thirty (30) days prior to any directors' meeting at which one or more directors will be elected or the mailing of proxy statements for any shareholder meeting at which one or more directors will be elected, request from each person who is

being considered as a member of the board of directors, but has not been a member of the board of directors during the previous year, a written statement which discloses the information described in Paragraph II.

IV

It is further ordered, That for a period ending five (5) years after service of this order, Pauley shall not permit on its board of directors any person who fails to submit a written statement pursuant to Paragraphs II and III or any person who is a director of another corporation named in response to the statements required pursuant to Paragraphs II and III when said statement reveals or when a reasonably diligent investigation would reveal to respondent that such other corporation is a competitor of Pauley by virtue of its business and location of operation in the exploration, production or sale of crude petroleum or natural gas. If compliance with Paragraphs I and IV requires any member of Pauley's board of directors to resign or to be removed from the board of directors of either Pauley or such other corporation, Pauley shall be allowed a reasonable period of time within which to take any legal or other steps which are necessary to secure compliance with this order.

V

It is further ordered, That Pauley notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent which may affect compliance obligations arising out of this order, such changes to include, but not be limited to, dissolution, assignment or sale resulting in the emergence of a successor corporation.

VI

It is further ordered, That respondent Pauley shall, within thirty (30) days after service upon it of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order, and shall within sixty (60) days submit copies of those lists provided by all current directors of Pauley pursuant to Paragraphs II and III designating all other corporations of which they are directors.

Complaint

86 F.T.C.

IN THE MATTER OF

KERR-McGEE CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT AND SEC. 8 OF THE
CLAYTON ACT*Docket C-2694. Complaint, July 17, 1975—Decision, July 17, 1975*

Consent order requiring an Oklahoma City, Okla., energy company, among other things to cease permitting any individual to serve on its board of directors if such individual is or would be at the same time a director of Oklahoma Natural Gas Company.

Appearances

For the Commission: *William A. Horne.*

For the respondent: *J. Randolph Wilson, Covington & Burling,*
Wash., D.C.

COMPLAINT

The Federal Trade Commission, having reason to believe that the above-named respondents have violated the provisions of Section 8 of the Clayton Act, as amended, and Section 5 of the Federal Trade Commission Act, and that a proceeding in respect thereof would be in the interest of the public, issues this complaint, stating its charges as follows:

PARAGRAPH 1. Respondent Kerr-McGee Corporation is a corporation organized and existing under and by virtue of the laws of the State of Delaware, maintaining its principal place of business at Kerr-McGee Center, Oklahoma City, Oklahoma. At all times relevant to this complaint, Kerr-McGee Corporation had capital, surplus, and undivided profits aggregating in excess of \$1 million. In 1972, Kerr-McGee Corporation had revenues in excess of \$679 million.

PAR. 2. Respondent Oklahoma Natural Gas Company is a corporation existing under and by virtue of the laws of the State of Delaware, maintaining its principal place of business at 624 S. Boston Ave., Tulsa, Okla. At all times relevant to this complaint, Oklahoma Natural Gas Company had capital, surplus, and undivided profits aggregating in excess of \$1 million. In 1973, it had revenues in excess of \$133 million.

PAR. 3. Until or about July 10, 1974, and for some years previously, Dean A. McGee served simultaneously as a director of Kerr-McGee Corporation and Oklahoma Natural Gas Company. On or about July 10, 1974, Dean A. McGee resigned from the board of directors of Oklahoma