Whit

ASHLAND OIL BOARD OF DIRECTORS

March 18, 1993

Attached is a copy of the annual report. Inside the front cover is a brief description of its operating divisions. (The Divisions include just about everything at dead bullseye in Clinton's Btu tax.) At the paper clip, you will find a picture and identification of the Board Members.

John Hall is still holding out against the Btu tax, and you need to hit them hard on working with us to get eight Democrats to join us. There are two Texans on the Board -- Jack Blanton, Pres. of Eddy Refining in Houston and Jim Vandeveer, CEO of Vantex Enterprises (Oil and Gas Producer) of Dallas -- who can help hold Krueger's feet the fire. If we then get Shelby, we need only six Democrats. One Board Member is from Tennessee, Michael Rose of Memphis, who is CEO of The Promus Companies. He could work Harlan Mathews (it would be great to have Sasser's colleague vote against this).

Some may be college buddies or have some other connection to a Democrat -- they need to use those connections now.

Attached are copies of a target list of 9 of the 22 Democrats up for reelection and 18 others, for a total of 27 Democrats worth at least talking to in an effort to find the few we need to kill the proposal.

Just yesterday, you met with CEOs of companies representing various industries who are at risk under the Btu tax. Most seemed to have one thing in common -- their Washington offices had told them not to fight the Btu tax, that it was a done deal. Well, a lot of those in the Washington offices are Democrats and the rest of them who are saying this just don't know what they are talking about!

Clinton Administration officials are telling those of you in business that there will be a price for opposing them. We need to let them know there will be a price for opposing us. Remember, there are 22 Democrats and only 12 Republicans up for reelection in 1994.

SPEAK

Thurs, March 18

1025 Conn Ave, NW

Ashland

ASHLAND OIL, INC. • P.O. BOX 391 • ASHLAND, KENTUCKY • 41114 • PHONE (606) 329-3333

late am

JOHN R. HALL
Chairman and
Chief Executive Officer

March 3, 1993

The Honorable Robert Dole
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

We greatly appreciate your taking the time to visit us regarding the Administration's proposed energy taxes. We look forward to having additional discussions with you in the future.

The Board of Directors of Ashland Oil, Inc. meets six times per year. The last time the Board met in Washington, D.C. was in 1987, and you were kind enough to join us for a few minutes and give a presentation. We would be honored if you could find time late in the morning or for lunch on March 18 to visit with our Board again. The meeting will be held at our Washington office which is located at 1025 Connecticut Avenue, N.W. Suite 507, and we would be happy to provide transportation. We have in mind thirty minutes for an update that only your expertise and insight can provide.

Brenda Fleming of our Washington office is coordinating the schedule of the Board meeting, and she will be in touch with your scheduling assistant soon.

Yours truly,

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John R Hall

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BOB DOLE
KANSAS

United States Senate

OFFICE OF THE REPUBLICAN LEADER

WASHINGTON, DC 20510-7020

March 9, 1993

Senator Dole,

Attached is the letter of invitation from John Hall, Ashland Oil, to speak to their Board of Directors on Thurs, March 18, between 10:00-12:00 Noon at 1025 Conn Ave, NW. I have also attached your schedule for that day. Do you want to speak?

_______ will speak at 10:00 a.m.

_______ will speak at 10:45 a.m.

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_______ regret due to hectic schedule

yvonne

TO: Senator Dole
FR: Kerry

RE: Meeting with Ashland Oil Board of Directors
Thursday, March 18 at ~~10:00~~ 9:45 a.m.

*You will be meeting with approximately 20 members of the Ashland Oil Board of Directors.

*You met with them previously in 1987.

*They see this as a conversation between you and the Board. Maybe 5 minutes or so of informal opening remarks on current events, and then Q&A. attached

*Based in Kentucky, Ashland Oil is the 52nd largest industrial company in the United States. It is one of the nation's largest independent refiners, and a major supplier of petroleum products (including Valvoline products). In addition, Ashland is the largest North American distributor of chemicals and plastics, and, through equity interests in two coal companies, it ranks among the nation's top coal producers.

*Many members of the Kentucky delegation, including Senator McConnell, will meet with the group on Thursday.

*Board members of interest:

*John Hall, Chairman and CEO of Ashland Oil
*Frank Carlucci
*James Farley, Chairman and CEO of Mutual of New York
*Edmund Fitzgerald, retired Chairman and CEO of Northern Telecom
*Patrick Noonan, President of The Conservation Fund

*Would you like Whit to accompany you to meeting?

__________Yes

__________No

March 12, 1993

M E M O R A N D U M

TO: SENATOR DOLE

FROM: NINA OVIEDO

SUBJECT: **BTU ENERGY TAX**

The following summarizes current law, the President's proposal, and some statistics from API.

CURRENT LAW

Current law does not impose a broad based energy tax. Excise taxes are imposed on motor fuels used for highway transportation, special motor fuels used in motor boats, diesel fuels used in trains and aviation fuel used in noncommercial aviation. Excise taxes also are imposed on coal from domestic mines and on crude oil received at domestic refineries and petroleum products entered into the U.S. Except for the motor fuels tax, these excise taxes are relatively minor revenue items.

For the most part, the revenues are deposited in various trust funds to finance specific Federal public works, environmental, or benefit programs. The motor fuels tax also has a deficit reduction portion (2.5 cents per gallon) that is not dedicated, but is retained in the General Fund.

PRESIDENT'S PROPOSAL

Rates. The President's proposal imposes an excise tax on fossil fuels (coal, oil, natural gas) at a basic rate of $.257 per million Btus. It also includes a supplemental tax on oil -- .342 per million Btus.

Fuels Covered. The tax would also be imposed on alcohol fuels (ethanol and methanol produced for fuel use), hydro and nuclear generated electricity and on imported electricity. Additionally, the tax would be imposed on imported taxable products at a rate equal to the average tax imposed equivalent domestic products. All tax amounts would be indexed for inflation after 1997.

Exemptions. Nonconventional fuels (solar, geothermal, biomass and wind), exported taxable products and non-fuel uses of fossil and alcohol fuels, including coke and feedstocks, would be exempt.

Collection Points. The collection point for the tax would be the refinery for oil, the pipeline for natural gas, the minemouth for coal, the production facility for alcohol fuels and utility for hydro- and nuclear generated electricity and the importation point for imported electricity and imported taxable products. Exemptions and credits would be provided for nonfuel use and exports.

Effective Date. The Btu tax is phased-in. Beginning July 1, 1994 -- one-third the rate specified. Beginning July 1, 1995 -- two-thirds the rate; and the full rates beginning July 1, 1996. The supplemental tax on oil would be delayed in the case of home heating oil.

REPORTS FROM API

The following are some key points noted by API.

- When fully phased-in, the BTU tax would reduce the nation's gross domestic product by some $35 billion a year and cost American some 700,000 jobs.

- The Administration has estimated that the tax will raise $22 billion a year when fully phased-in on July 1, 1996. API says that the estimates are far too low. Americans use 6.2 billion barrels of oil annually -- API estimates that oil alone would raise $21.5 billion.

- U.S. industries and workers would become less competitive, especially energy-intensive industries such as steel, aluminum, lumber and agriculture.

- The differences that consumers and industries of different regions would pay are considerable. The average impact of the BTU tax ranges from $652 a year for a four-person household in the Southwest to $390 a year for a Mid-Atlantic family.

TREASURY PLANS

A14 THE WALL STREET JOURNAL MONDAY, MARCH 15, 1993

A Campaign For Energy Tax

Bentsen to Name Oil Firms That Support Clinton, Single Out Opponents

By RICK WARTZMAN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Seeking to bolster support for the energy tax, the Treasury is about to wage a campaign naming the large oil companies that endorse President Clinton's economic plan, while singling out those that oppose it.

Treasury Secretary Lloyd Bentsen is expected to announce soon that **British Petroleum** Co. is backing the economic program, which includes a levy on a variety of forms of energy. Right after Mr. Clinton unveiled his economic plan last month, **Atlantic Richfield** Co. said it was on board. Shell Oil Co., a subsidiary of **Royal Dutch/Shell Group**, says that while it has some concerns about the impact of the energy tax, it also supports the overall Clinton proposal.

At the same time, Mr. Bentsen will point to the American Petroleum Institute, a trade group, as a strident opponent of the president's plan. Treasury officials said the secretary – a Texan and longtime friend of the oil industry – also plans to publicly reproach companies such as **Exxon** Corp. and **Mobil** Corp. for their opposition.

The aim of this strategy is to give lawmakers from energy-producing states the comfort that they can vote for the Clinton package while knowing that major players in the industry are behind them. Those companies opposed to the plan, meanwhile, will be portrayed as the kind of "special interests" that the president warned would attempt to stand in his way.

A BP spokesman confirmed the company's backing, saying that "we think it's important . . . to bring about deficit reduction."

An Exxon spokesman said the company believes the administration should look first at more spending cuts and only then pursue a levy that's broader than an energy tax. Representatives of the petroleum institute and Mobil couldn't be reached.

Treasury officials said discussions are continuing with **Chevron** Corp., **Amoco** Corp., **Unocal** Corp., **Du Pont** Co.'s Conoco division and **Phillips Petroleum** Co. to determine their positions.

The effort to divide and conquer the oil industry emerged as senior officials from the Treasury and other parts of the administration sought to figure out exactly how the energy tax would be applied. Their goal is to have the details finalized and approved by President Clinton by the end of this week.

Among the thorny issues that have to be resolved is precisely where to impose the tax on natural gas.

Mike German, senior vice president with the American Gas Association, said talks with Treasury officials led members of the trade group to believe that the tax would be collected at the connection point between the pipeline and the local utility. But a Clinton adviser said last weekend that the administration was still struggling over how to ensure that the utilities could pass the tax on to consumers.

The problem is guaranteeing that such a pass-through would be approved by state regulators. Moreover, applying for a rate increase could open up utilities to other questions about their cost structure, including whether they are adequately accounting for current low interest rates. "Every time you go into a rate case, you roll the dice," said Michael Foley, director of financial analysis for the National Association of Regulatory Utility Commissioners.

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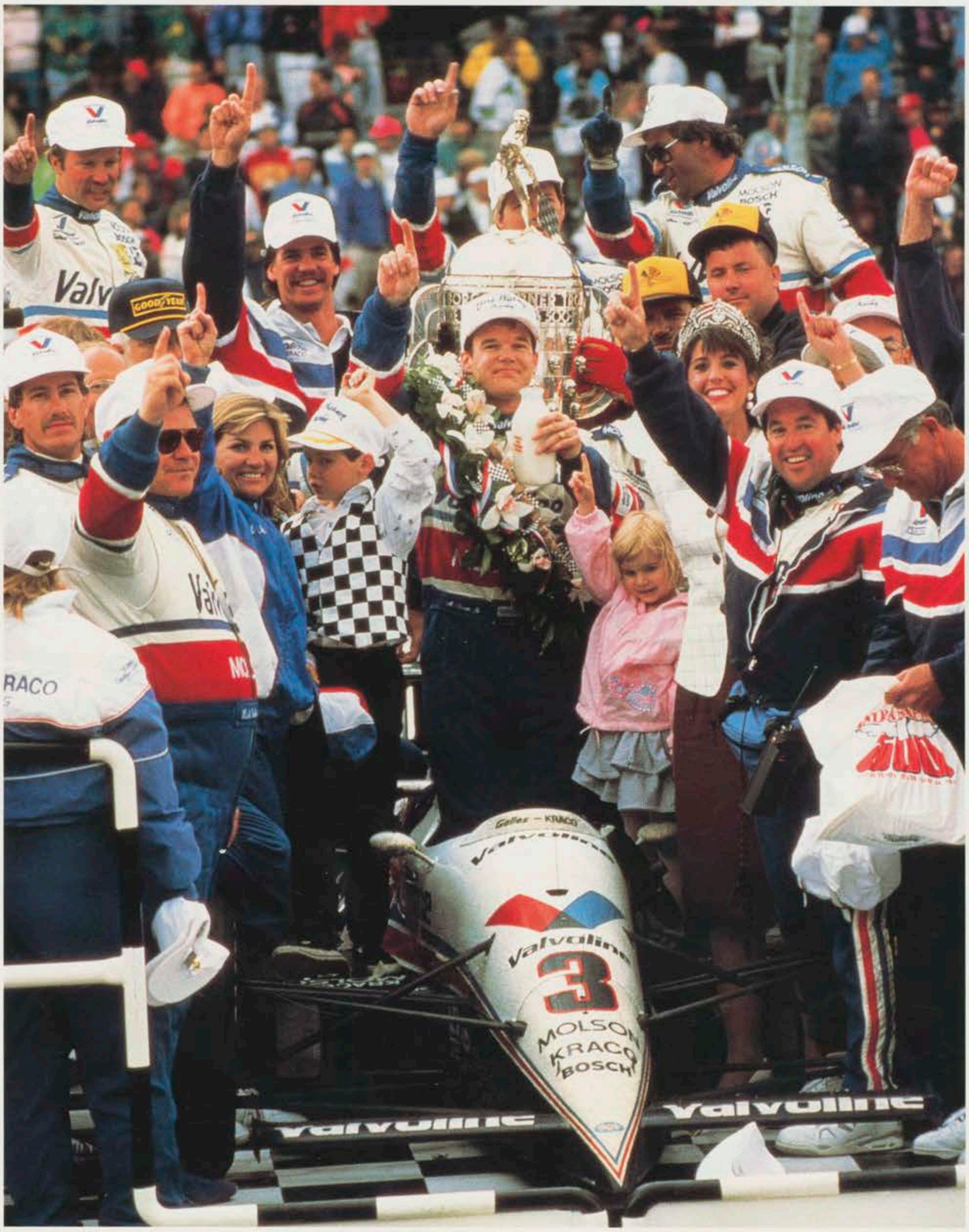

MEETING THE CHALLENGE