

OCCIDENTAL PETROLEUM CORPORATION

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ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

September 6, 1980

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

Dear Mrs Thatcher

As discussed with you yesterday, one action that could be taken by your Government that would encourage additional investments in the United Kingdom insofar as investing cash flows now being generated or to be generated from North Sea oil and gas production would be to eliminate the so called "ring fence" provision in the Oil Taxation Act of 1975. This provision precludes the matching of profits and losses of onshore and offshore activities for purposes of the Corporation Tax or the Petroleum Revenue Tax.

Understandably your Government would not wish to incur sizeable tax revenue losses by permitting existing onshore and offshore activities to be combined for tax assessment purposes, but the Oil Taxation Act of 1975 could be amended to provide that investment in new energy related projects which commence to trade after 1981 could be treated as an extension of the offshore activity and the first year write-off for such new capital investment onshore could be made against corporate taxes assessed against current oil and gas production.

It would not be necessary in our view to provide any uplift on such investment nor would it be necessary to change any other Petroleum Revenue Tax provisions. Your favourable consideration of this request shall be most appreciated and in my view could result in some substantial additional investments being made in the United Kingdom over the next several years.

Sincerely yours

Armand Hammer

Dr Armand Hammer