Department of Justice

FOR IMMEDIATE RELEASE AT
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The Department of Justice today charged Texaco, Inc. -- the nation's leading oil refiner and marketer -- and an independent refiner which is the largest non-major source of gasoline to independent operators, with entering an agreement which restrains the sale of gasoline to independents.

Attorney General Elliot L. Richardson said the civil antitrust suit was filed in U.S. District Court in Manhattan, where Texaco has its headquarters.

The suit claimed that an agreement between Texaco and Coastal States Gas Producing Company, of Corpus Christi, Texas, unreasonably restrains the sale of gasoline and fuel oil in violation of Section 1 of the Sherman Act.

The suit also charged that the agreement violates Section 7 of the Clayton Act, in that it may substantially lessen competition or tend to create a monopoly by allowing Texaco to acquire Coastal's assets and operations.

Assistant Attorney General Thomas E. Kauper, in charge of the Antitrust Division, said there has been a marked decline in the number of refined product supply sources available to independent marketers, who traditionally compete on the basis of price, due to mergers and acquisitions in the industry.

OVER

Coastal States has been dependent upon the major oil companies for its crude oil, and, since 1971, has experienced difficulty in obtaining a sufficient supply, the complaint said.

The suit alleges that under the agreement:

-- Coastal States will sell refined petroleum products from its Corpus Christi, Texas refinery to Texaco in amounts increasing from 14,400 barrels per day in 1973 to 106,000 barrels per day in 1976;

-- Coastal States will purchase crude oil from Texaco, at Texaco's option, in amounts increasing from 16,400 barrels per day in 1973 to 121,000 barrels per day in 1976;

-- Texaco may, at its option, exchange foreign crude oil for domestic crude oil with Coastal States; and

-- Texaco may, at its option, purchase Coastal's refinery at Corpus Christi, which has a crude oil capacity of 135,000 barrels per day.

By its agreement with Coastal States, Texaco has conditioned the sale of crude oil upon Coastal's agreement to sell substantial amounts of refined products to Texaco, the suit claimed.

It is alleged that this deprives Coastal of the right to sell refined products to others -- including independents -- and deprives competitors of Texaco of the opportunity to buy substantial amounts of refined products from Coastal States.

OVER

Acquisition of Coastal's refinery business would foreclose such independent marketers from a substantial supply source, the complaint said, and also would eliminate competition between Texaco and Coastal States in the manufacture and sale of No. 2 fuel oil.

Mr. Kauper said that the complaint asks the court to dissolve the Texaco-Coastal agreement and to enjoin Texaco from selling crude oil to anyone on the condition that Texaco be given preference as a customer for refined petroleum products.