The original documents are located in Box 48, folder “1975/07/09 - American Petroleum Institute Officials” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

IKARD

MEETING WITH T. ICHARD
CHARLES DIBONA & MR. SPAHR
(American Petroleum Co.)
WEDNESDAY, JULY 9, 1975
JMC's Office
5:15 p.m.

June 19, 1975

JMC:

Frank Ikard, President of American Petroleum has written you in the attached requesting a meeting with you on Thursday, June 26, or Friday, June 27th to discuss the spiraling growth of Gov't reporting requirements of the energy industries.

He is requesting that Charles DiBona, Exec. Vice President of the Institute and Charles Spahr, Chairman of Standard Ohio and Chairman of the Institute accompany him.

✓ Schedule me to meet with the above three guys. + Dunham Leach Duval

___Not at this time

___Other_____________

p

Very tentative 3:00 Friday June 27, 1975

Peter Mark

833-5587

AMERICAN PETROLEUM INSTITUTE

1801 K STREET, NORTHWEST WASHINGTON, D. C. 20006

Frank N. Ikard
PRESIDENT

June 17, 1975

Mr. James M. Cannon
Assistant to the President
for Domestic Affairs
The White House
Washington, D. C. 20500

Dear Mr. Cannon:

In recent years the spiraling growth of Federal Government reporting requirements of all business, in particular the energy industries, have been an increasing burden.

While we know you are aware of this, I would appreciate an opportunity on Thursday, June 26 or Friday, June 27, to discuss this problem with you. In addition, I would like to discuss with you matters relative to the advancement of the Administration's energy program.

Charles DiBona, Executive Vice President of the Institute and Charles Spahr, Chairman of Standard Ohio and Chairman of the Institute, may accompany me. Their participation would be determined by the date and time of the meeting.

Sincerely,

Frank Ikard

HOLD

AMERICAN PETROLEUM INSTITUTE
1801 K STREET, NORTHWEST
WASHINGTON, D. C. 20006

Peter M. Mark
ASSISTANT TO THE PRESIDENT

April 16, 1975

Mr. Warren Hendriks, Jr.
Deputy to the Director
Domestic Council
The White House
Washington, D. C. 20500

Dear Warren:

As a result of the repeal of the depletion allowance, the American Petroleum Institute has been developing a document which would outline some of the issues which we feel must be addressed and resolved if the industry is to have a chance to provide sufficient energy to meet this country's needs. Accordingly, I am sending you a rough draft of such a document; and most of Mr. Ikard's remarks will be drawn from the text of the attached.

As I indicated to you on the phone, I think that Mr. Ikard will wish to review with Mr. Cannon the role that the Domestic Council will play in formulating and advancing the Administration's energy program.

With kind regards,

Peter

Peter M. Mark

Attachment

AMERICAN PETROLEUM INSTITUTE
1801 K STREET, NORTHWEST
WASHINGTON, D. C. 20006

Peter M. Mark
ASSISTANT TO THE PRESIDENT

4-17-

Dear Warren

Thank you for attempting to arrange a meeting between Frank and Jim Cannon sometime during the week of April 28 - May 2.

I will be travelling on business until about June 1st, but when I get back, I would like to get together and visit with you — partly about business but more importantly, I would like for us to know each other better. I'll be back in touch —

As ever,

Peter

Jeanne

Do you want to hold for future reference when they want to come in again. To my understanding all is pretty well turned off for now.

J

4/29/75

Doug Bennett.

Ekard - President met
Marsh. / Schlede / Hill / Rourke.

Ekard / Sandler / Mark /

out of that mtg.
Bennett our energy guy.

Mark badging Bennett.

letter to

trying to justify their existence.

#1
#2 don't do a thing on Hill.
Never up there.
Want us to bail them out.

Bad for Pres

Bastards. - don't do any of the
duty work - not in
trenches

REVISED

MEMORANDUM

I. Background

It is in the public interest to accelerate the development of domestic energy supplies to meet consumer needs. The capital funds to do this have been jeopardized by a long series of governmental actions -- the 1969 cut in depletion; controls which have held the price of natural gas, "old" crude oil and refined products well below market-clearing levels; a four-year delay in the Alaskan pipeline; an inadequate OCS leasing program; and fuel penalties imposed by environmental controls.

This year's tax bill, which eliminates depletion for all but the smallest oil and gas producers and limits the application of the Foreign Tax Credit for oil companies, further damages the industry's capability by reducing available capital funds by $2 to $3 billion.

Various other proposals are pending which would adversely affect the ability to generate and attract capital -- and thus to increase U.S. energy supply:

1. The Administration's "windfall profits" tax would take an additional $3 billion in the first year from available investment funds.

2. Congress is considering imposing additional heavy tax penalties on the industry's domestic and foreign operations.

3. Congress is considering legislation to effectively preclude decontrol of oil prices and/or to roll back present prices.

4. Congress is proposing to place intra-state natural gas prices (now uncontrolled) under FPC cost-based controls.

5. Proposals to require desulfurization of gasoline would siphon off billions of dollars in capital funds.

II. Industry Capital Needs and Earnings Propects

It is estimated that the industry must invest an average of some $40 to $50 billion annually in this country over the next decade if the nation's petroleum energy needs are to be met. Historically, earnings have fallen far short of the level needed to generate this amount of capital funds. In 1974, earnings barely reached such levels, and oil companies expanded their capital budgets accordingly.

Even before passage of this year's tax legislation, it had been widely recognized that 1975 earnings were likely to decline substantially below 1974 levels. Since passage of the tax bill, many companies have indicated they will be compelled to reduce sharply their planned 1975 expenditures for exploration and development. (See Appendix A.)

III. Effect of These Policies on Industry and Consumers

Unless remedial steps are taken, the following developments can be predicted with some degree of certainty, despite the best efforts of the industry:

1. Diminishing supplies of domestic crude oil and natural

gas.

2. Increasingly heavy reliance on costly and insecure imports of crude oil.

3. The need to turn to more costly substitute forms of energy (LNG,SNG).

These developments, in turn, will have an increasingly damaging impact on our energy-based economy. As the effect becomes evident, there will arise a demand from more and more members of Congress for further intrusion of government into the energy picture -- a trend already evident in proposals for Federal chartering, Federally-funded exploration programs, Federal Oil and Gas Corporation, public utility control of the industry, and outright nationalization of the industry.

A similar scenario can readily be applied to other segments of the private enterprise economy: (1) impose step-by-step constraints on an industry's ability to operate; (2) contend that private enterprise has failed to meet the public's needs; and (3) demand that government take over.

IV. What Can Be Done to Remedy the Situation?

The only way to turn this situation around is to:

1. Decontrol the price of crude oil and refined products -- either immediately or over a short time frame. This would be in the public interest because it would make possible the generation of

needed cash flow to accelerate exploration for added supplies.

2. Remove FPC controls over new natural gas production and phase out the controls over flowing gas.

3. Permit the market mechanism, rather than rigid bureaucratic controls, to allocate supplies.

4. Abandon or substantially modify the proposal for a "windfall profits" tax. Unless prices are decontrolled, there will be no "windfall profits".

If prices are decontrolled and it is felt that some form of tax is necessary, it should contain a liberal plowback provision (to encourage investment in exploration, production, transportation, refining and other energy-related activities); it should take into account the unusually high impact of inflation on oil and gas development costs and the cost effect of 1975 tax increases on the industry; and it should self-destruct over a brief time frame.

V. The Oil Import Problem

A major long-term objective should be to reduce our reliance as a nation on foreign oil imports, particularly from insecure sources, and to weaken the stranglehold of the OPEC cartel. In moving towards this objective, however, we should be careful not to move so precipitously as to disrupt the U.S. economy.

The imposition of rigid quotas on imports over a short time frame could have adverse effects on employment and the nation's recovery from recession. It would be preferable to rely on increasing energy supplies in this country and in other widely-dispersed areas of the world, coupled with programs designed to encourage the wise and economical use of energy.

The pending proposal to have all imports channeled through a Federal purchasing agency would be counter-productive. It would disrupt the supply and distribution systems under which crudes of varying specifications are efficiently made available to domestic refineries. Moreover, by substituting a single government purchasing agency for the present hundreds of competitive purchasers of imported oil, it would tend to strengthen and perpetuate, rather than weaken, the OPEC cartel.

# # #

4/11/75

APPENDIX A

New York Times - March 28, 1975

"James E. Lee, president of the Gulf Oil Corporation, said that Congress's action 'flies in the face of our national goal of increasing domestic energy supplies and ignores the national need to develop secure sources of foreign oil. Loss of the depletion allowance will result in increased United States dependence on foreign crude oil, while the foreign tax law will lessen American control of that oil.'

"Mr. Lee said Gulf would cut back on capital spending this year if the new tax bill were approved by President Ford. He said that loss of the depletion allowance would reduce Gulf's cash flow by $100 million in 1975."

"Lawrence Goldstein, senior economist of the Petroleum Industry Research Foundation, said, 'Elimination of depletion on old oil will reduce secondary and tertiary recovery of oil from old wells, which is essential if the United States is to increase its output of domestic petroleum. '"

Wall Street Journal - March 28, 1975

"In Bartlesville, Oklahoma, Phillips Petroleum Co. said that the loss of the depletion allowance would cut its 1975 profit $35 million and that this 'would reduce our activities to find and develop energy supplies.'"

"Estimating that loss of depletion will slash this year's profit $60 million, Continental Oil Co. said it plans to curtail its 1975 capital spending."

"For one independent oil-and-gas producer, Consolidated Oil & Gas Inc., of Denver, loss of the depletion allowance will reduce cash available for drilling new wells $55,000 to $60,000 a month, a spokesman said. This would amount to some $700,000 a year, or the cost of one to three new oil wells, he added."

"Cockrell Corp. of Houston, a privately held medium-sized oil-and-gas producer, will have to cut its drilling expenditures between 25% and 30% because of higher tax costs, Ernest H. Cockrell, executive vice president, said."

"'Our tax bill will go up by 20%, which will reduce the money available for plowback into exploration,' said a spokesman for Quintana Petroleum Corp. of Houston. 'Our exploration program could be cut by as much as 50%, and I don't think we would be the exception. A lot of other companies will do the same thing.'"

"Said another independent oil producer: 'The removal of the depletion allowance could cut our cash flow by one-third to one-half for purposes of drilling.'"

Wall Street Journal - April 3, 1975

"H.J. Haynes, chairman of California Standard, said the elimination of the oil-depletion allowance and other provisions of the new law will reduce the company's net income and available cash about $90 million this year and more than $100 million next year.

"He also said the company will reduce its investments and operations because of the law, but he didn't cite any figures.

"'We are immediately undertaking a review of all of our planned expenditures to determine those that can be reduced, deferred or eliminated.' Mr. Haynes said. 'These include expenditures for oil and gas exploration, plant investments, operating costs, material and services from other companies, aid to education and charitable contributions.'

"...Mr. Haynes said the anticipated reduction in net income this year and next year represent more than 25% of the company's domestic earnings last year. He said the company last year was '$250 million short' of its cash requirements for its U.S. expenditures. 'This shortfall had to be covered by cash from our foreign operations.' he added.

"Mr. Haynes said the tax law will further 'impair' the company's U.S. cash position as well as reduce cash available from foreign operations."

Petroleum Intelligence Weekly - April 7, 1975

"Loss of the allowance is expected to cost the industry at least $1.6- to $1.7-billion a year in direct taxation, but reduction of financing ability could swell the loss of funds to $3-billion . . . Exxon figures it'll cut its capital for reinvestment by $200-million, or 15% of budgeted U.S. capital and exploration outlays. Continental says it expects to pay $60-million more in taxes and lose another $30-million in financing ability, for a total $90-million - 10% of its planned capital outlays. . . And Texaco, which last month estimated its Jan.-Feb. 1975 earnings at $151-million (apart from inventory profit), now trims that back 37% to $127-million because of lost depletion."