The original documents are located in Box C18, folder "Presidential Handwriting, 4/14/1975" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

OK

File

THE WHITE HOUSE

WASHINGTON

April 14, 1975

MEMORANDUM FOR: MIKE DUVAL

FROM: JERRY H. JONES

Would you please take a look at the attached material and let me know if you think any further action is required. It was handed to the President by Red Blaik.

Thank you.

Jerry -

No. I have followed up with

① arranged a meeting (last week) w/ Olkahoma + Houston independants (including Bill Blaik) at FEA

② I am going down to visit w/ Bill Blaik in Olkahoma to see his operation 1st hand.

③ Seidman + Zarb fully briefed.

Mike

Dad –

The government drove us out of the feed lot business with legislation & regulations that broke the industry, now according to a Gorman Smith, acting assistant administrator for regulatory programs they are about to drive the Independent Oil Producer out of business

Bill

Oklahoma Daily

John Causten Currey

Federal Efforts to 'Capture' Oil Profits Can Damage Nation

LAST JANUARY, an Oklahoma City independent oil producer and attorney, Samuel Anderson, wrote President Ford urging that the U.S. government not impose more taxes on the domestic oil industry. He also protested the use of the phrase "windfall profits" as applied to those in his position, noting that artificial price limits set by government had held back domestic exploration and increased our dependence on foreign oil.

It was the kind of letter many in the oil business have sent off toward Washington, wondering if anyone would ever read the facts cited. The letter was shunted by the White House to the Federal Energy Administration for reply. That reply contained a shocker, when it finally arrived six weeks later.

Gorman C. Smith, acting assistant administrator for regulatory programs, wrote the reply. He noted that one of the President's proposals calls for decontrol of domestic crude oil prices in the near future.

"One of the reasons for decontrol is to provide incentive for increasing domestic oil production and exp'oration of new sources of supply," Smith wrote. That, of course, is what the oil people have been saying we ought to do.

DUE IN GREAT PART WITH
OIL LEGISLATION

But then came the shocker: "Perhaps the term 'windfall tax' should not apply to royalty owners, but the purpose of this proposed tax is to capture excess profits that might grow out of price decontrol," the letter added. "This effort is aimed at capturing 88 per cent of such profits."

The first thing to remember when reading such a statement is that the term "excess profits" is defined by those who know their way around the Washington maze but know absolutely nothing about profits and losses or the oil business.

To such bureaucrats, any increase in operating income to an oil company or an independent oil producer is excess. Most such Washington sages do not know exactly what an oil or gas well looks like. They were selected to work in the Federal Energy Administration because they were "clean"—meaning they had no taint of experience in the business, and thus no prior knowledge of its problems and operations.

Such virginity is not a virtue. Decisions about the tax burden to be imposed on those engaged in the risky search for new sources of supply ought to be made by those who know what is involved, including the fact that operating income from oil and gas can go up and down like a roller-coaster.

Many now at the FEA know absolutely nothing about the business they are so eagerly writing regulations to control. Most have never seen an oil well. They do not know where the money to drill wells in new areas comes from, or how much it takes. They do not know what the chance is that a well will produce oil at all. Their minds are made up and they do not want to be distracted by facts that may not fit their preconceived notions.

If that sounds like a strong indictment, it is intended to be just that. But the future supply of energy in this country may depend on the recommendations of such "experts" whose expertise is derived from reading polemics in such publications as Playmate or Rolling Stone.

Any tax aimed at "capturing" (that term reflects a state of mind itself) 88 per cent of any income permitted by the resumption of market pricing is a confiscatory tax. It is far worse than anything proposed by the unlamented King George III. It almost guarantees that we will run short of new oil.

3/27/75

4/3/75 Price established in Mid-sixties

E. H. B.

FTC ACTION PROHIBITS RENEGOTIATION

Unbelievable

Independents Protest Ruling

A Federal Power Commission ruling prohibiting drilling companies from renegotiating prices for gas produced from new or worked-over wells in acreage previously dedicated for interstate shipment drew a protest from the Oklahoma Independent Petroleum Association Wednesday.

The association board contended the March 7 ruling of the commission in a case brought by Panhandle Eastern Pipe Line Co. and its Trunkline subsidiary prevents operators from exploring for and developing new reserves of natural gas.

The board met in Tulsa Tuesday.

Panhandle and Trunkline asked for the ruling covering acreage previously dedicated for interstate delivery of gas following the federal commission's establishment of a rational price of 51 cents per thousand cubic feet for newly found natural gas.

The federally regulated price for gas from the leases was 18 cents per thousand feet under an existing contract. The commission said any gas developed and produced would remain at the 18-cent rate.

The commission reversed itself, the independent oil association said, from its previous position that natural gas found and developed from new drilling or workover of old wells would be open for price negotiation.

Hal Gibson, executive director of the oilmen's association, said the commission's decision had already caused cancelling of drilling of 180 new gas wells in Oklahoma and Texas.

He said one drilling company had lost contracts to drill five wells.

The board also registered its opposition to legislation in Congress that would set a national price of 75 cents per thousand feet for newly found gas, but would impose federal control over intrastate pricing and distribution of the gas.

It also opposed a bill by Sen. Henry Jackson, D-Wash., that would establish federal allocation of natural gas.

Robertson left this with me - Of course this is a very serious problem as the Oklahoma papers daily editorialize.

U. S. ENERGY POLICY -- CRITICAL DECISIONS

I. Review.

Self-sufficiency. -- The U. S. cannot approach short-term or long-term energy self-sufficiency without a greatly expanded oil and gas exploration effort.

-- Independent oil and gas producers have been and are the backbone of the U.S. exploration industry -- they drilled 85.2% of the 1974 domestic exploratory wells (onshore and offshore), and all data show they are primarily responsible for finding the large, new domestic reserves of oil and gas.

II. Current Legislation.

Tax Reduction Bill of 1975. -- The just-enacted provision repealing percentage depletion severely jeopardized the ability of independent producers to stay in business. As a result of the adverse effects of this legislation,

-- independent producers are reducing their 1975 exploratory budgets by 25% to 45%;

-- the weekly active drilling rig count is down; and

-- many independent producers are seriously considering the sale of their reserves and withdrawal from further exploratory efforts.

III. Pending Legislation.

Windfall Profits Tax. -- Since the total cash flow of independent producers is traditionally reinvested in further exploratory drilling, any additional taxes paid to the Treasury by independent producers would result in a direct reduction of domestic exploratory drilling.

-- If a windfall profits tax is a political necessity to Congress, a 100% plowback credit for independent producers is essential to keep them in business.

Decontrol of Oil and Gas. -- Price controls on oil and natural gas are plainly counter-productive to our need for greater domestic supplies. Extension of FPC jurisdiction and price control to intrastate natural gas would serve only to remove from production reserves made available by the higher prices payable on the intrastate market.

IV. Administration Policy.

Recognition of the Plight of Independent Producers. -- A clear Administration policy recognizing the dominate role independent oil and gas producers play in our domestic exploration effort and the danger of their extinction as a viable competitive industry is essential in view of the pending legislation and the almost punitive mood of Congress concerning the entire oil and gas industry.

-- The U. S. has vast unproven domestic reserves of oil and gas which can be made available at current energy price levels if governmental policies do not destroy the independent producer, the mainstay of our exploratory industry.

1. Windfall profit tax without 100% plowback for independent producer will force independents out of business. This is absolute.

   a. No need for windfall profit tax since profitability of independents is in fact declining.

   b. Independents are in critical need of vast amounts of new capital in order to develop new reserves. Without a reasonable return on invested capitol, there is no possible way for the independent to secure the required capitol.

2. If windfall profit tax is political requirement, then 100% plowback must be available to the independent producer.

Corbin Robertson the Chm. of Quintana Oil the second largest Independent in U.S came to Palm Desert Friday. His late father-in-law Cullen gave Houston Univ. 200 Million dollars. Quitona is the 2nd largest Independent in U.S & has a budget of 30 million for 1975 drilling.

I talked to Mike Duvall & he saw the two tax experts who were with Robertson in Los Angeles.

Undoubtedly Duvall got an ear full of the seriousness of the problem if Congress passes the energy bill as now proposed. Robertson said Woodcock is calling the shots of Common Cause & their

determination to rule & ruin the Oil Industry has bee established.

4/8/75

THE WHITE HOUSE
WASHINGTON

Don R

Reed Black gave
me this.
His two sons are
in oil drilling business.
Info - no answer.

Dad –

The government drove us out of the feed lot business with legislation & regulations that broke the industry, now according to a Norman Smith, acting assistant administrator for regulatory programs they are about to drive the Independent Oil Producer out of business

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President Gerald Ford

EARL H. BLAIK
73-165 FIDDLENECK LANE
PALM DESERT, CALIF. 92260

RICHARD P. CULLEN
ATTORNEY AT LAW

480 DENVER CLUB BUILDING
DENVER, COLORADO 80202

303-825-9147

THE WHITE HOUSE

WASHINGTON

Date 4/8/75

TO: DON RUMSFELD

FROM: JERRY H. JONES

For your information.

THE WHITE HOUSE

WASHINGTON

April 14, 1975

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FROM: JERRY H. JONES

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Thank you.