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Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

NAVAL PETROLEUM RESERVES

The Naval Petroleum Reserves were created between 1912 and 1921. Presidents Taft, Wilson, Coolidge and Harding established the petroleum reserves by withdrawal of relatively small but selective acreages of domain to be administered by the Navy as an assured defense fuel supply. Congress placed these Reserves under authority of the Secretary of the Navy on June 4, 1920.

The four reserves are summarized below.

NAVAL PETROLEUM RESERVE NO. 1
ELK HILLS, CALIFORNIA

BACKGROUND

On September 2, 1912, President Taft, by Executive Order, set aside 38,072 acres of land in the Elk Hills area of Kern County, California, as Naval Petroleum Reserve 1. This area is 110 miles from Los Angeles and about 30 miles from Bakersfield. In the 1940's, the Reserve was enlarged by Executive Order to 46,095 acres with the government owning 37,554 acres and Standard Oil Company of California (the only private owner) owning 8,541 acres. The Navy and Standard entered into an initial Unit Plan Contract in 1944 for the cooperative exploration, development and operation of all lands in the Reserve. Under this contract, Navy is entitled to approximately 80% of any production and Standard is entitled to about 20%.

CURRENT STATUS

The recoverable reserves are estimated to be:

Oil - in excess of 1 billion barrels
Natural gas - 1.5 trillion cubic feet

There are currently approximately 1,000 wells with a capability of producing 160,000 barrels of oil a day. With a maximum production effort, this area could be producing 300,000 barrels per day by 1977 and perhaps 400,000 in 1979.

Although Congress has not passed a production bill for Elk Hills, it has appropriated funds, following the embargo, for the Navy to institute a substantial development program. This includes an FY '75 appropriation of \$42.7 million and the Navy is planning on \$68.5 million in the FY '76 Budget. Wells are being drilled at a rate of seven per month, utilizing five drilling rigs. By September, there will be eight rigs working on the Reserve, completing 15 wells per month.

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STATUS OF LEGISLATION

The President submitted legislation to Congress on January 30, 1975, asking for immediate production of Elk Hills under Navy control. Production would be disposed of as follows:

- . Sale on open market or exchange for refined products used by Defense Department.
- . Replenishing of Defense stocks.
- . Storage in a National Strategic Petroleum Reserve.

The revenues from the production sales would be deposited in a special fund in the Treasury to be used for:

- . Further exploration, development, maintenance and production of all naval petroleum reserves.
- . Acquisition, construction, filling and maintenance of the National Strategic Petroleum Reserve.

The House Armed Services Committee has not yet held hearings but plans to do so early in April. Representative Melcher has introduced a bill which would switch jurisdiction from the Navy Department to the Interior Department.

In the Senate, Senator Hatfield has introduced a bill similar to the Melcher bill. Other bills have been introduced by Senators Jackson and Cannon. The Senate Interior and Armed Services Committees have held joint hearings.

NAVAL PETROLEUM RESERVE NO. 2
BUENA VISTA HILLS, CALIFORNIA

Since the precise amount of oil in NPR-1 was unknown when set aside in 1912, a second reservation of 30,180.69 acres in the Buena Vista Hills of Kern County, California was recommended after discovery of oil in this area in 1910. This proposed withdrawal was immediately adjacent to a part of the southern boundary of NPR-1. President Taft created Naval Petroleum Reserve No. 2 by an Executive order dated December 13, 1912.

During the period 1920-1923 all Government lands in NPR-2 were leased by the Secretary of the Interior to private operators under provisions of the Acts of February 25, 1920 (Mineral Leasing Act) and June 4, 1920 (Naval Petroleum Reserve Act). Subsequent to the Executive order of March 17, 1927, however, administration of all such leases were returned in control of the Navy.

NPR-2 is fully developed and is producing at a commercial rate. It has proven reserves of 15.6 million barrels of oil. Navy's share of the production is currently 647 BOPD as royalty.

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NAVAL PETROLEUM RESERVE NO. 3
TEAPOT DOME, WYOMING

President Wilson's Executive Order of April 30, 1915 designated the Teapot Dome area in Wyoming as Naval Petroleum Reserve No. 3. Unlike the two reserves in California, all of the acreage here was owned by the Government and there were, therefore, none of the problems created by the presence of private holdings.

On April 7, 1922, NPR-3 was initially leased. On December 31, 1927 all of the producing wells on the NPR-3 were shut-in. The field remained shut-in until the period 1951-1953 when an exploratory program was initiated; thereafter it was shut-in until 1958 when an offset drilling program was instituted to protect against drainage by adjacent operators.

There are presently 150 wells on NPR-3 with the capability to produce 2,000 BOPD. There are known reserves of 42.5 million barrels of oil. The present production is 327 BOPD.

NAVAL PETROLEUM RESERVE NO. 4
ALASKA

On February 27, 1923, President Harding signed Executive Order No. 3797A designating an area of 37,000 square miles in the northern part of Alaska as Naval Petroleum Reserve No. 4. Virtually none of this area had ever been explored, but oil seepages had been reported indicating the existence of large hydrocarbon deposits.

There are currently proven reserves in NPR-4 of 100 million barrels of oil and it is estimated that NPR-4 contains 10 to 33 billion barrels.

The abbreviated table below provides pertinent statistics on the Naval Petroleum Reserves system:

| | <u>Proved Reserves</u> | | <u>Estimated New Reserves</u> | | <u>Area</u> |
|--------|------------------------|---------------|-------------------------------|----------------|--------------|
| | <u>MM/bbls</u> | <u>MM/Mcf</u> | <u>MM/bbls</u> | <u>MM/Mcf</u> | <u>Acres</u> |
| | <u>Oil</u> | <u>Gas</u> | <u>Oil</u> | <u>Gas</u> | |
| NPR #1 | 1,009.6 | 1,180 | 482 | 300 | 46,095* |
| NPR #2 | 15.6 | NA | 0 | 0 | 30,181* |
| NPR #3 | 42.5 | 8.0 | 0 | 0 | 9,481 |
| NPR #4 | 100.1 | 160.6 | 10,000-33,000 | 60,000-192,000 | 23,680,000 |

* Contains both Government and private titled land. NPR-1 is under a Unit plan with the Standard Oil Company of California who participates in the amount of 20%. SOCAL also operates NPR-1 under contract to the Department of the Navy.

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