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HR 49
HR 5633

HR 5919
52173

Bill signed (ceremony)
April 5, 1976



Naval Petroleum Reserves Alternatives

HR-49

1. Management by Department of the Interior:
 - Principal resource management agency which considers production, environment and conservation objectives of the Nation.
 - Extensive experience and expertise supervising oil and natural gas exploration, development and production Federal lands for 100 years.
2. Requires competitive bidding of contract, lease or operating agreement.
 - Terms and conditions subject to disapproval by either house of Congress for 60 days.
3. No production limitation for NPR 1, 2 and 3 other than good management.
 - Thereby reduces dependency on foreign oil by 300,000 BPD, *OR MORE*
 - Use for military and civilian needs and for strategic stockpile.
4. Equal opportunity for majors and independents.
5. All income to Treasury--no "special fund."
 - Congress retains full control over the use of the receipts.
6. The full volume of all new oil is dedicated to the U. S. economy.

HR-5919

1. Management by Navy:
 - Principal agency for military activities at sea, not land or resource development.
 - NPR activity has always been low priority within Department of Defense.
 - Agency is poorly equiped to handle environmental and conservation problems.
2. Limits production to 200,000 BPD for three years, *From RESERVES # 1, 2,*
3. Limits disposition of production exclusively to benefit of armed forces.
4. All income to "special fund" earmarked for:
 - Naval Petroleum and Oil Shale Reserves.
 - Pipelines and shipping terminals within and outside the Reserves.



Five



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM : Frank Zarb

SUBJECT: House Naval Petroleum Reserve Legislation

The House is scheduled to take up in concurrent debate both the Armed Services Committee (H.R. 5919) and the Interior Committee (H.R. 49) bills authorizing NPR development and production. Debate is scheduled for Wednesday, but probably will not take place until Thursday at the earliest, depending upon the progress of the Ways and Means Committee energy bill on the floor this week.

Background

As you know, the Hebert bill places more restrictions on NPR development than we would like.

- ° NPR production would be limited to 200,000 barrels per day for only a three-year period. The Navy estimates this to be a maximum of 122 million barrels.
- ° While exploration and development of the Alaskan Reserves is authorized, production would be contingent upon future Congressional authorization.
- ° Action on a Strategic Petroleum Reserve (Military) is restricted to a study to be submitted within one year.
- ° Funds from the sale of NPR production would be used only to explore and to develop NPR's 1, 2, and 3, and only to explore NPR-4 in Alaska. There is no commitment or link to fully produce Alaska or to implement both the Civilian and Military Strategic Reserve Systems.



The Melcher bill would transfer the NPR's, along with other Federal lands, to the Secretary of the Interior for development. It would authorize unlimited production of NPR's 1, 2, and 3, subject to a 60-day Congressional veto. However, the Melcher bill does not provide for a special fund or for a Strategic Storage System. A Committee floor amendment would allow you to place up to 25% of this production into a Strategic Storage System. It would also authorize the exploration of NPR-4, but full development would require further Congressional authorizations.

Current Status

Last month, at your request, Rogers Morton and I met with Congressman Hebert to discuss the Administration's support of the Armed Services Committee bill. At that time, Mr. Hebert appeared amenable to changing his bill in the following ways:

1. Allow NPR production of 300,000 barrels per day and delete the three-year time limit.
 - ° Elk Hills currently could produce 300,000 barrels per day; this would increase if, as expected, additional reserves are found with an all-out development program.
 - ° Unlimited Elk Hills production is needed to increase domestic production in the short term, as well as to fund both Alaskan development (which could provide up to two million barrels of oil per day by 1985) and the Strategic Reserve System.
 - ° Even though it will take one to two years to construct sufficient pipeline capacity to accommodate full Elk Hills production, we need full authorization at this time to adequately plan for the Strategic Reserve System.
2. Alaskan NPR-4 exploration, development and production, with the provision that such production would take place only after a comprehensive plan would be submitted to Congress.



- ° If we are going to make a commitment to fully develop and produce NPR-4, we must not be put in the position of having to go back to Congress to ask for additional legislation.
 - ° Because of the long lead times involved in bringing these reserves on line, it is necessary to have the authority to explore and to develop NPR-4 as soon as possible.
3. Special Fund. The proceeds of NPR production would go into a special fund which would be used to explore, develop and produce all of the NPR's (including Alaska) and to finance both the Military and Civilian Strategic Reserve Systems.
- ° A special fund would link the Elk Hills production with a Strategic Petroleum Reserve Program, thus assuring that the NPR oil would be replaced with a system which would provide adequate protection to the country in times of emergencies (up to three million barrels of oil per day).
 - ° Congressman Hebert is concerned that such a Special Fund not be the sole source of funding for NPR and Strategic Reserve development and that other monies be appropriated. This should pose no problem, as at least initially the proceeds from NPR production would not be sufficient to fund the entire program.

Recommendation

I believe that with these changes, H.R. 5919 would come close to approximating Title I of your Omnibus Energy Bill. It would be most helpful, therefore, if you could contact Congressman Hebert in order to obtain his active support in implementing the terms of our understanding, probably in the form of committee-sponsored floor amendments. We would, of course, be willing to assist the Committee in drafting the appropriate language amendments. If he fails to agree, we should indicate that we might be forced to accept the Melcher bill, with appropriate amendments.



(SCHLESINGER)

WASHINGTON (UPI) -- AS THE LAST AMERICANS WERE BEING EVACUATED FROM VIETNAM TUESDAY, DEFENSE SECRETARY JAMES SCHLESINGER SAID THAT THE LONG U.S. WAR EFFORT HAD "FAILED," BUT HE SAID THE ATTEMPT HAD NOT BEEN WITHOUT PURPOSE.

SCHLESINGER THUS BECAME THE FIRST INCUMBENT OFFICIAL OF ANY ADMINISTRATION TO BOLDLY LABEL THE WAR A FAILURE.

IN A MESSAGE ADDRESSED TO 2.1 MILLION MEMBERS OF THE ARMED FORCES, SCHLESINGER SAID: "IT WILL BE STATED THAT THE WAR ITSELF WAS FUTILE. IN SOME SENSE, SUCH MAY BE SAID OF ANY NATIONAL EFFORT THAT FAILS."

"YET OUR INVOLVEMENT WAS NOT PURPOSELESS. IT WAS INTENDED TO ASSIST A SMALL NATION TO PRESERVE ITS INDEPENDENCE IN THE FACE OF EXTERNAL ATTACK AND TO PROVIDE AT LEAST A REASONABLE CHANCE TO SURVIVE."

"THAT VIETNAM SUCCUMBED TO POWERFUL EXTERNAL FORCES VITIATES NEITHER THE EXPLICIT PURPOSE BEHIND OUR INVOLVEMENT -- NOR THE IMPULSE OF GENEROSITY TOWARD THOSE UNDER ATTACK THAT HAS LONG INFUSED AMERICAN POLICY," SCHLESINGER SAID.

THE DEFENSE SECRETARY HEAPED PRAISE ON THE MEN IN UNIFORM. "UNDER CIRCUMSTANCES MORE DIFFICULT THAN EVER BEFORE FACED BY OUR MILITARY SERVICES, YOU ACCOMPLISHED THE MISSION ASSIGNED TO YOU BY HIGHER AUTHORITY," HE SAID. "I SALUTE YOU FOR IT."

UPI 04-29 04:43 PED

UP-120

(ELKHILLS)

WASHINGTON (UPI) -- LEGISLATION TO ALLOW PRODUCTION FROM THE ELK HILLS NAVAL PETROLEUM RESERVE IN CALIFORNIA WAS PULLED BACK TUESDAY BECAUSE OF CHARGES THAT IT MIGHT RESULT IN ANOTHER TEAPOT DOME SCANDAL.

REP. B.F. SISK, D-CALIF., A MEMBER OF THE HOUSE RULES COMMITTEE, WITHDREW THE BILL SHORTLY BEFORE THE HOUSE WAS TO OPEN DEBATE ON THE MEASURE.

SISK, WHO SUPPORTS THE BILL, SAID HE WAS PULLING IT BACK TEMPORARILY BECAUSE OF "FALSE INFORMATION" BEING CIRCULATED ABOUT THE LEGISLATION.

THE MEASURE, AS APPROVED UNANIMOUSLY BY THE HOUSE INTERIOR COMMITTEE, WOULD TRANSFER JURISDICTION OVER ELK HILLS AND ANOTHER NAVY RESERVE IN ALASKA TO THE INTERIOR DEPARTMENT.

THE KEY SPONSORS OF THE BILL -- REPS. ALPHONZO BELL, R-CALIF., AND JOHN MELCHER, D-MONT. -- WERE ANGERED BY A LETTER SENT TO MEMBERS BY CHAIRMAN MELVIN PRICE OF THE HOUSE ARMED SERVICES COMMITTEE IN WHICH HE RECALLED THE TEAPOT DOME INCIDENT OF THE 1920'S.

THE REFERENCE WAS TO A CASE IN WHICH INTERIOR SECRETARY ALFRED FALL WAS FINED AND SENT TO PRISON FOR ACCEPTING A BRIBE FROM A PRIVATE OIL COMPANY FOR LEASES IN THE GOVERNMENT-OWNED TEAPOT DOME OIL FIELD IN WYOMING.

TO TRANSFER JURISDICTION OVER ELK HILLS TO THE INTERIOR DEPARTMENT, PRICE SAID, WOULD BE "TO PUT THE FOX IN CHARGE OF THE CHICKEN COOP."

BELL, IN A "DEAR COLLEAGUE" LETTER TO OTHER HOUSE MEMBERS, CALLED PRICE'S LETTER "A SCURRILOUS ATTACK" ON THE BILL.

BELL SAID IT WOULD BE "STUPID" TO LEASE THE ELK HILLS FIELD TO PRIVATE COMPANIES AND PROMISED TO OFFER AN AMENDMENT ON THE HOUSE FLOOR EXPRESSLY FORBIDDING SUCH LEASING.

BOTH SISK AND BELL SAID THEY EXPECTED THE BILL TO COME UP AGAIN NEXT WEEK, WHEN PRICE AND REP. F. EDWARD HEBERT, D-LA., THE FORMER CHAIRMAN OF THE ARMED SERVICES COMMITTEE, ARE EXPECTED TO MAKE A FIGHT TO SUBSTITUTE THEIR OWN BILL FOR THE BELL-MELCHER BILL.

THE BILL APPROVED BY THE ARMED SERVICES COMMITTEE WOULD RETAIN NAVY JURISDICTION OVER ELK HILLS.

MEANWHILE, IT WAS REPORTED THAT PRESIDENT FORD HAD SWITCHED HIS SUPPORT FROM THE BELL-MELCHER BILL TO THE ARMED SERVICES COMMITTEE BILL.

BELL SAID HE WAS "VERY UNHAPPY" ABOUT THE SWITCH AND HAD TRIED -- UNSUCCESSFULLY SO FAR -- TO REACH FORD TO DISCUSS IT WITH HIM.

UPI



THE WHITE HOUSE
WASHINGTON

November 15, 1974

TO: ✓ GENE AINSWORTH
VERN LOEN
FROM: *Glenn*
Glenn Schleede

Here is Morton's letter on
the Naval Petroleum Reserves.
It wasn't cleared by anyone
outside Interior.

file

Attachment





United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

OCT 18 1974

Dear Mr. Chairman:

I have considered H.R. 16800 as reported by the Subcommittee on Public lands and particularly section 204(d) of the bill, which would authorize the Secretary of the Interior to establish national petroleum reserves.

This Department has discussed the provisions of this bill with the Committee several times; and I will not repeat the concerns we have with some of its provisions. However, we have not dealt specifically and in detail with section 204(d); and my purpose in writing this letter is to convey to you our position on this section.

We believe that adoption of this section, as amended in the attachment, would provide for the accomplishment of the objective set by President Ford in his Economic Message of October 8, 1974: "priority action to increase energy supply here at home requires... responsible use of our naval petroleum reserves in California and Alaska."

Let me briefly emphasize the most important reasons why we must promptly provide for the responsible development of our naval petroleum reserves:

A. This nation now imports about 6.2 million barrels of oil a day at an annual outlay for imports of approximately \$23 billion. Continued reliance upon these imports is unsound from the point of view of our foreign relations and our national security. In view of the greatly increased price for imported oil such imports contribute to inflation. Even if the money we pay is "re-cycled" into our economy, at some point, real resources--such as grain, steel, and manufactured items--will have to be exported to redeem this \$23 billion a year, thereby increasing the competition for, and the price of, real resources here at home.

B. This is both an immediate and a long-term problem. In the immediate future we must adopt all practical conservation measures, but we must also take all practicable steps to increase our domestic supply of oil and gas. In the intermediate and longer term we must, of course, continue conservation measures and develop alternative energy sources; but for the next 10 to 20 years there can be no doubt but that we must also strive to increase our domestic supply of oil and gas. During this period our national policy

must account for the probabilities that our demand will continue to grow, though hopefully at a lessened rate, and that our supply will continue to dwindle, because our existing fields are getting old and secondary and tertiary recovery technology is not likely to reverse this trend.

C. Naval Petroleum Reserve No. I, Elk Hills in California, constitutes the only immediately available source for increasing our domestic supply of petroleum. This field contains an estimated 1.5 billion barrels of oil; and within two months it could be producing over 160,000 barrels a day. Within two years it could be producing at a maximum efficiency rate of about 270,000 barrels a day. 160,000 barrels a day would reduce by about \$640 million a year the amount we must pay for imported oil. Production from Elk Hills as well as other federal lands, or private lands--is available to meet military requirements under the provisions of the Trading with the Enemy Act, which act was not in existence at the time the naval petroleum reserve was established.

D. Naval Petroleum Reserve No. IV, in Alaska, is estimated by the Geological Survey to contain between 10 and 33 billion barrels of potential future reserves of oil and from 55 to 111 trillion cubic feet of natural gas. It will take at least 8 to 10 years to explore, develop, and construct delivery systems for this area at a cost which would be well over the \$15 to \$20 billion required for Prudhoe Bay. However, there is no way to avoid these time delays and costs; they must be incurred before this oil and gas can be made available to our economy, or even to the military. The important point is that we should begin this effort as soon as possible. Again, this oil and gas, and all other domestically produced oil and gas, will be available to meet our national defense needs as required. Rather than reduce the amount of oil available to meet national defense needs for the next 10-20 years, therefore, development of Pet IV will actually increase the amount available for this purpose.

To illustrate, during World War II the military consumption of oil was the highest in history at about 1,600,000 barrels of oil per day. Domestic production is presently about 8,600,000 barrels per day. Therefore, when the military demand was greatest, it amounted to 18.6% of present domestic production. Present military consumption is around 600,000 barrels per day or 7% of present domestic production. Development of Naval Petroleum Reserve No. IV would significantly reduce these percentages. And, in the longer run, as oil shale technology develops, the Navy should have an additional source of domestic oil as it is able to rely upon our vast oil shale reserves to meet defense requirements.

E. Increased OCS production and increased emphasis on secondary and tertiary recovery of known reserves do not provide an adequate basis for meeting our projected requirements of oil and gas in the next 10 to 20 years. Secondary and tertiary recovery may avoid decline in production of old fields which would otherwise occur, but assuming no significant technology improvements, these methods will not dramatically increase production from existing fields over current levels. Total U.S. offshore production, including state and federal water, is now approximately 2 million barrels of oil per day. Even if we meet the greatly expanded and accelerated leasing programs we have discussed with the Committee for 1975 and beyond, we will probably not increase OCS production by more than 2 to 3 million barrels of oil a day by 1985. Thus, even with emphasis upon these sources, our dependence upon imported oil will continue and indeed increase in the years ahead, unless we turn to all available potential sources of oil and gas, including the naval petroleum reserves. I do not think, therefore, that we should delay in providing for the development of Pet IV, as section 204(d) would require as it is now drafted. Rather, we should decide now, that the area should be developed on a rational and practical basis to meet our over-all national objectives.

As your Committee has recognized, existing law is inadequate to provide for the full development and production of Elk Hills or for the exploration, development, and production of Pet IV. Under existing law, the Secretary of the Navy must find, and the President must agree, that production from a Naval Reserve is "required for the national defense;" and no production can take place pursuant to such a finding unless both Houses of Congress agree by Joint Resolution. Moreover, a simple termination of the Naval Reserve status of these areas, even if possible, would not provide an adequate base for their exploration, development and production because the lands would again become public lands subject to the provisions of the Mineral Leasing Act. Under that Act, the land cannot be leased competitively; and, for land in Alaska, 90% of the revenue would go to the State of Alaska rather than to the Treasury of the United States.

Congress has appropriated over \$60 million in FY'75 for exploration and development, as well as operations and maintenance in Elk Hills and Pet IV. The Navy has announced its intention to let contracts for a 10-year exploration program in Pet IV. I believe that under section 204(d) of H.R. 16800, it would be possible and desirable for the Departments of Interior and Defense to promptly agree upon a program for fully developing Elk Hills and bringing its production on line within the framework of the Navy's existing program. However, I do not believe that we should await a 10-year exploration program, at the public's expense.

before providing for the full exploration, development, and production of Pet IV. Several reasons convince me that the most practicable alternative for Pet IV is to open it for exploration, call for nominations and hold lease sales pursuant to regulations along the lines of those that now apply to the OCS:

- (a) Such an approach should bring the area into production faster than any other.
- (b) Competitive lease sales with a fixed royalty (or some other competitive system) would produce substantial revenues for the Federal Treasury.
- (c) Any system of exploration and development which relies upon appropriated funds is not advisable in a situation such as this, where the program will take many years to implement and the costs will be extremely high.

For all of these reasons I would be in favor of the adoption of a provision such as section 204(d) if that section is amended in the manner reflected in the attachment to this letter.

Sincerely yours,

[sgd] Rogers C. B. Morton

Secretary of the Interior

Honorable James A. Haley
Chairman, Committee on Interior
and Insular Affairs
House of Representatives
Washington, D. C. 20515

Attachment

Sec. (a). For the purpose of meeting the total energy needs of the Nation, including, but not limited to, national defense, the Secretary of the Interior is authorized to establish national petroleum reserves on any reserved or unreserved public or acquired lands of the United States (except lands in the National Park System and, after December 31, 1983, the National Wilderness Preservation System). No reserve that includes all or part of an existing naval petroleum reserve shall be established without prior consultation with the Secretary of Defense, and, when so established, the portion of the naval reserve included in the national petroleum reserves shall be deemed to be excluded from the naval reserve. A national petroleum reserve may be established and developed pursuant to this Act sixty days after the Secretary of the Interior has given notice to the Congress of his intent to create such a reserve unless either the House of Representatives or the Senate adopts a resolution of disapproval; days on which either the House of Representatives or the Senate is not in session for three consecutive days or more shall not be counted in the sixty days of notice. Any notice of intent to develop a reserve shall explain in detail the proposed method of development, and the need for developing the oil and gas resource in order to meet the total energy needs of the Nation. The notice shall also inform the Congress of any land or resource uses that such development would preclude.

(b) The land within a reserve established under section 1 may be developed pursuant to the Mineral Leasing Act, as amended (30 U.S.C. §§181-287), or the Mineral Leasing Act for Acquired Lands (30 U.S.C. §§351-359) except that: (i) all leases shall be issued competitively and subject to the provisions applicable to competitive leases; and (ii) the Secretary may extend the life of a lease when the lessee shows to the satisfaction of the Secretary that development of the leased lands would not be economic because of the lack of pipelines or other means of transporting oil or gas produced from the lease, and that the lack of such means of transportation is the only reason that development is being postponed; and (iii) all revenues from leases of land within a national petroleum reserve shall be deposited in the Treasury to the credit of miscellaneous receipts and shall not be subject to disposition under section 35 of the Mineral Leasing Act, as amended (30 U.S.C. §191).

(c) Lands included in a national petroleum reserve shall not be subject to selection by any State in satisfaction of any grant previously made or to selection or conveyance under the Alaska Native Claims Settlement Act (43 U.S.C. §§1601-1624). The lands in a national petroleum reserve shall be subject to the approval of the Secretary of the Interior for use for other purposes, including the issuance under the Mineral Leasing Act and the Mineral Leasing Act for Acquired Lands of leases for minerals other than oil and gas, as long as such uses do not prevent the use of the lands for oil and gas leasing.

94TH CONGRESS
1ST SESSION

H. R. 49

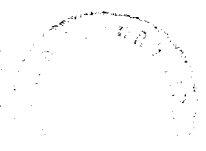
IN THE HOUSE OF REPRESENTATIVES

JANUARY 14, 1975

Mr. MELCHER introduced the following bill; which was referred to the Committee on Interior and Insular Affairs.

A BILL

To authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Secretary of the Interior is authorized to establish
4 on any reserved or unreserved public lands of the United
5 States (except lands in the National Park System, the
6 National Wildlife System, and the Wild and Scenic Rivers
7 System, and the National Wilderness Preservation System
8 and primitive and roadless areas in the national forests now
- 

1 under review for inclusion in the Wilderness System in
 2 accordance with provisions of the Wilderness Act of 1964),
 3 national petroleum reserves the development of which needs
 4 to be regulated in a manner that will meet the total energy
 5 needs of the Nation, including but not limited to national
 6 defense.

7 SEC. 2. No reserve that includes all or part of an
 8 existing naval petroleum reserve shall be established with-
 9 out prior consultation with the Secretary of Defense, and
 10 when so established, the portion of the naval reserve in-
 11 cluded shall be deemed to be excluded from the naval
 12 reserve.

13 SEC. 3. (a) The oil and gas reserves in the contiguous
 14 forty-eight States established pursuant to this section may
 15 be developed under terms and conditions prescribed by the
 16 Secretary of the Interior sixty days after notice is given to
 17 the Congress (not counting days on which either the House
 18 of Representatives or the Senate is not in session for three
 19 consecutive days or more) if neither the House of Repre-
 20 sentatives nor the Senate adopts a resolution of disapproval.
 21 Any such proposed plan shall explain in detail the method
 22 of development proposed, and shall provide for develop-
 23 ment and transportation of the oil consistent with public
 24 interest and to give opportunity to the smaller or independ-
 25 ent oil producers and refining companies to utilize the

1 crude oil production. Any such proposed plan by the Secre-
 2 tary shall also explain the relative need for developing the
 3 oil and gas resource in order to meet the total energy
 4 needs of the Nation, compared with the need for prohibit-
 5 ing such development in order to further some other public
 6 interest.

7 (b) The Secretary of the Interior is hereby authorized
 8 and directed to explore for oil and gas production on public
 9 lands in the State of Alaska except lands in the National
 10 Park System, the National Wildlife System, and the Wild
 11 and Scenic Rivers System, and the National Wilderness
 12 Preservation System. The Secretary shall submit to Con-
 13 gress within two years a plan of development which shall
 14 not become effective unless authorized by an Act of Congress.

94TH CONGRESS
1ST SESSION

H. R. 49

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By Mr. MELCHER

JANUARY 14, 1975

Referred to the Committee on Interior and Insular
Affairs

THE WHITE HOUSE
WASHINGTON

NETA:

PLACE IN PENDING
FILE — LET TAKE A
LOOK AT THIS ON JAN. 31.

CMS.

NETA 1-31-75

Nothing new on this on
1-31-75 + will have to await
how the H. handles number
energy bill. ~~for~~ No need to hold
in pending, pls. Else.

THE WHITE HOUSE
WASHINGTON

Date 1-20-75

TO: MAX F.

FROM: VERN C. LOEN *VC*

Please Handle _____

For Your Information _____

Per Our Conversation _____

Other: *what about
Alaska delegation?
And Ketchum? Al Bell?*

THE WHITE HOUSE

WASHINGTON

January 20, 1975

MEMORANDUM FOR: BRENT SCOWCROFT

THRU: MAX FRIEDERSDORF *M.F.*
VERN LOEN *VL*

FROM: CHARLIE LEPPERT *CL*

SUBJECT: Briefing for Congressmen on NPR's

Rep. Bob Wilson, the Ranking Minority Member on the Armed Services Committee and the Chief Counsel Frank Slatinshek both have indicated that a briefing on NPR's is not advisable at this time and should await the decision on the Chairman and election of Members to the Committee.

After the question of the Chairman has been decided and Members elected to the Committee I will follow up with another request for a briefing of the Members on the NPR's.

cc: Bennett

January 20, 1975

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cc: Bennett



THE WHITE HOUSE
WASHINGTON

DATE: 1-13-75

TO: ~~Herb~~ C L

FROM: Max L. Friedersdorf

Please handle ✓ Done 1-16-75
See memo.

Please see me _____


For your information _____

Other



THE WHITE HOUSE
WASHINGTON

January 13, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: BRENT SCOWCROFT 
SUBJECT: Briefing for Congressmen on NPR's

With respect to your memoranda at Tabs A and B on the issue of Naval Petroleum Reserves, we believe that it would be preferable for FEA, along with Interior and DOD, to conduct the briefing.

A



*Send for staffing
(if books up)
143*

THE WHITE HOUSE
WASHINGTON

January 7, 1975

MEMORANDUM FOR: MAJOR GENERAL BRENT SCOWCROFT
THRU: MAX L. FRIEDERSDORF *M.C.*
FROM: VERN LOEN *VL*
SUBJECT: Alaska Petroleum Reserve No. 4

Rep. Don Young, R-Alaska, and Senator Stevens were upset about attached Wall Street Journal article of today's edition.

They favor exploration only of Alaskan #4 for now. Fear production will affect Alaskan Pipeline.

Congressional courtesy would seem to dictate that they be briefed and concur in decision. Otherwise they can give us a peck of trouble.

We will be glad to coordinate.

Sen Gravel shld b briefed separately.



1-7-75

Accord on Developing Naval Oil Reserves Is Reached by Ford, Key Congressman

By BURT SCHORR

Staff Reporter of THE WALL STREET JOURNAL

agreement currently requires—and thereby gain access to a larger percentage of valuable

1-7-75

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Staff Reporter of THE WALL STREET JOURNAL

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*Staff (G back
up) V*

143

THE WHITE HOUSE
WASHINGTON

January 8, 1975

MEMORANDUM FOR: MAJOR GENERAL BRENT SCOWCROFT
THRU: MAX L. FRIEDERSDORF *m. b.*
FROM: VERN LOEN *VL*
SUBJECT: Elk Hills Naval Petroleum Reserve

Rep. Bill Ketchum, R-Calif., would also like a report on the accuracy of the Wall Street Journal article, which I sent to you on January 7, on the Elk Hills Naval Petroleum Reserve in his district.



THE WHITE HOUSE

WASHINGTON

March 10, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF
THRU: VERN LOEN
FROM: CHARLES LEPPERT, JR. *CLJ.*
SUBJECT: Naval Petroleum Reserves

Attached for your information is a copy of the letter from the Chairman of the House Armed Services Committee to the Chairman of the House Interior Committee raising a jurisdictional objection to the Interior Committee's reporting of H. R. 49, a bill to authorize the Secretary of the Interior to establish on certain public lands of the U. S. national petroleum reserves.

cc: Doug Bennett
Jim Cannon
Glenn Schleede
John Hill

CHARLES E. BENNETT, FLA.
SAMUEL S. STRATTON, N.Y.
RICHARD H. ACHORD, MO.
EUGEN M. NEDZI, MICH.
WILLIAM J. RANDALL, MO.
CHARLES M. WILSON, CALIF.
ROBERT L. LEGGETT, CALIF.
FLOYD V. HICKS, WASH.
RICHARD C. WHITE, TEX.
BILL NICHOLS, ALA.
JACK BRINKLEY, GA.
ROBERT H. (BOB) MOLLIDAN, W. VA.
DAN DANIEL, VA.
G. V. (SONNY) MONTGOMERY, MISS.
HAROLD BUNNELS, N. MEX.
LES ASPIN, WIS.
RONALD V. DELLUMS, CALIF.
MENDYL J. DAVIS, S.C.
PATRICIA SCHROEDER, COLO.
ABRAHAM KAZEN, JR., TEX.
ANTONIO B. WON PAT, GUAM
BOB CARR, MICH.
JIM LLOYD, CALIF.
LARRY MC DONALD, GA.
THOMAS J. DOWNEY, N.Y.

U.S. House of Representatives

COMMITTEE ON ARMED SERVICES

Washington, D.C. 20515

NINETY-FOURTH CONGRESS

MELVIN PRICE, CHAIRMAN

BOB WILSON, CALIF.
WILLIAM L. DICKINSON, ALA.
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ROBERT W. DANIEL, JR., VA.
ELWOOD H. (BUD) HILLIS, IND.
ANDREW J. HINSHAW, CALIF.
RICHARD T. SCHULZE, PA.
FRANK M. SLATINSHEK, CHIEF COUNSEL

March 3, 1975

MAR 4 REC'D

Honorable James A. Haley
Chairman
Committee on Interior and Insular Affairs
House of Representatives
Washington, D. C.

Dear Mr. Chairman:

I have learned that H. R. 49, a bill to authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves, has been favorably reported by the Subcommittee on Public Lands of your Committee. That bill would authorize the Secretary of the Interior to include within the national petroleum reserves the existing Naval Petroleum Reserves.

As you know, House Rule X, Clause 1 (c)(4), grants this Committee jurisdiction over the conservation, development and use of Naval Petroleum Reserves. That jurisdiction was reaffirmed as recently as last October, when the House adopted H. Res. 988. In view of the exclusive jurisdiction of this Committee, I respectfully submit that the action taken by the Subcommittee on Public Lands clearly exceeded its jurisdiction and that of the Interior Committee. Accordingly, I request that the Interior Committee specifically exclude the Naval Petroleum Reserves from the provisions of the bill when it is presented for Committee action. I would also appreciate it if you would call this matter to the attention of the membership of your Committee by having this letter read when H. R. 49 comes before the Committee.

In the event that the Interior Committee approves the bill without specifically excepting the Naval Petroleum Reserves from its provisions, I request that this letter be made a part of the Interior Committee report on the bill.

Sincerely,


Melvin Price
Chairman

MP/jlr

cc: Members, Committee on Interior and Insular Affairs

March 10, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF
FROM: BOB WOLTHUIS
SUBJECT: Elk Hills

Charlie Leppert had been working the problem with Congressman Bell and consequently I had him call Bell back this morning. As might be expected, Bell is pressuring the administration to change its position and support his bill and the similar Hatfield bill on the Senate side that would transfer the Elk Hills Naval Petroleum Reserve from Navy to the Interior Department.

There is also a Melcher bill in the House Interior Committee which is quite similar to Bell's bill and he is asking the administration to support one or the other.

Bell requested that OMB and Treasury testify in support of the Hatfield and Bell legislation.

He expressed some irritation to Charlie that the Administration had not yet changed its official position.

RW:jg

✓ bcc: ~~Charlie Leppert~~



RED TAG

File

THE WHITE HOUSE
WASHINGTON

March 11, 1975

MEMORANDUM FOR:

MAX FRIEDERSDORF

THRU:

VERN LOEN *VL*

FROM:

CHARLES LEPPERT, JR. *CLJr.*

SUBJECT:

Conversation with Rep. Al Bell (R-Cal.)
on Naval Petroleum Reserves

Pursuant to your request I returned Congressman Bell's telephone call to you on Monday, March 10. Mr. Bell wants the Administration to come out in support of his bill transferring jurisdiction of Naval petroleum reserves to the Interior Department. If the Administration cannot come out and endorse his position then he expects the Administration to do something more positive toward his position or state that the Administration will take no position and it's up to the Congress to decide the issue. *P's prin*

Bell claims that Senator Hatfield has introduced his identical bill in the Senate and that when hearings are held shortly he will expect OMB and Treasury to testify in support of transferring jurisdiction of Naval petroleum reserves to Interior.

Bell indicates that there are some agreements struck between the Armed Services Committee and the President. The first agreement is to the effect that the President has made a deal for the vote of southern Democrats on Armed Services on the veto of oil import fees. The second is an agreement within the Executive Branch to the effect that the Navy has agreed to open up Elk Hills and Pet 4. Bell says that the Navy does not intend to keep that agreement and merely intends to permit drilling and exploration and then cap the holes. This is the reason Bell contends that Standard Oil of California wants out of its contract with the Navy at Elk Hills, i. e. the Navy is not going to open Elk Hills for the production of oil.

Bell further contends that the President and the Administration had better start supporting some of their own people or that the President's going to lose their support. He is tired of supporting the Administration and getting nothing in return.



Max, it is imperative that we get a definitive call on this for Bell as soon as possible. The House bill will be on the House floor by March 17. The Senate will probably have a hearing and then accept the House bill and send it on to the White House before the Easter recess if the Committee jurisdiction question does not stop it.

cc: Doug Bennett

THE WHITE HOUSE

WASHINGTON


March 11, 1975

TO: JOHN CARLSON
BILL KENDALL
MAX FRIEDERSDORF
VERN LOEN
MIKE DUVAL
JIM CAVANAUGH
JOHN HILL

FROM:  Glenn Schleede

For your information

Attachment

bcc: ~~Charles Leppert~~ 
Roy Niemela

This is the guidance that was provided to Administration witnesses at 10:20 this morning who are testifying before the Senate Interior Committee on the Naval Petroleum Reserves legislation: "The President has not changed his position on his legislative proposal dealing with the Naval Petroleum Reserves. He still feels strongly that there should be immediate production from Elk Hills and immediate actions on the further exploration and development of other reserves. This is his primary goal.

With respect to whether the responsibility for the reserves should be in Navy or transferred to Interior, the President's recommendations are reflected in his legislative proposal. If the Congress has a better solution that will still permit achieving the primary goal, the President would accept its judgment on this jurisdictional issue. Again, the goal is production and the President believes it is up to Congress to act on the matter without further delay."

THE WHITE HOUSE

WASHINGTON

March 17, 1975

MEMORANDUM FOR:

GLENN SCHLEEDE

FROM:

CHARLES LEPPERT *CLP*

SUBJECT:

Naval Petroleum Reserves

Attached is a copy of the Melcher bill, H.R. 49, transferring jurisdiction of naval petroleum reserves from the DOD to Interior as amended and reported by the House Committee on Interior and Insular Affairs on Thursday, March 13, 1974.

bcc: Bennett

Lybair

"That in order to develop petroleum reserves of the United States which need to be regulated in a manner to meet the total energy needs of the Nation, including but not limited to national defense, the Secretary of the Interior is authorized to establish national petroleum reserves on any reserved or unreserved public lands of the United States (except lands in the National Park System, the National Wildlife System, the Wild and Scenic Rivers System, the National Wilderness Preservation System, areas now under review for inclusion in the Wilderness System in accordance with provisions of the Wilderness Act of 1964, and lands in Alaska other than those in Naval Petroleum Reserve #4).

SEC. 2. No national petroleum reserve that includes all or part of an existing naval petroleum reserve shall be established without prior consultation with the Secretary of Defense, and when so established, the portion of such naval reserve included shall be deemed to be excluded from the naval petroleum reserve.

Upon the inclusion in a national petroleum reserve of any land which is in a naval petroleum reserve on the date of enactment of this act, any equipment, facilities, or other property of the Department of the Navy used in operations on the land so included and any records, maps, exhibits, or other informational data held by the Secretary of the Navy



in connection with the land so included shall be transferred from the Secretary of the Navy to the Secretary of the Interior who shall thereafter be authorized to use them to carry out the purposes of this Act.

The Secretary of the Interior shall assume the responsibilities and functions of the Secretary of the Navy under any contract which now exists with respect to activities on a naval petroleum reserve to which the United States is a party.

SEC. 3. (a) The oil and gas in the national petroleum reserves in the contiguous forty-eight states established pursuant to this section may be developed under terms and conditions prescribed by the Secretary of the Interior. The Secretary of the Interior shall use competitive bidding procedures with prior public notice of not less than 30 days of the terms and conditions for any contract, lease, or operating agreement for development and production of oil and gas from a national petroleum reserve. Such terms and conditions and also plans for the development of each area of the national petroleum reserves shall be published in the Federal Register, but shall not become effective until sixty days after final notice has been published and submitted to the Congress (not counting days on which either the House of Representatives or the Senate is not in session for three consecutive days or more) and then only if neither the House of Representatives nor the Senate adopts a resolution of disapproval. Each proposed



Plan of development and each amendment thereof shall explain in detail the method of development and production proposed, shall provide for disposal and transportation of the oil consistent with the public interest, and shall give full and equal opportunity for development of or acquisition of, or exchange for, the oil and gas by qualified persons including major and independent producers or refiners alike. Each proposed plan of development by the Secretary shall also explain the relative need for developing the oil and gas resources in order to meet the total energy needs of the Nation, compared with the need for prohibiting such development in order to further some other public interest.

(b) Any oil or gas produced from such petroleum reserves, except such oil or gas which is either exchanged in similar quantities for convenience or increased efficiency of transportation with persons or the government of an adjacent foreign state, or which is temporarily exported for convenience or increased efficiency of transportation across ports of an adjacent foreign state and reenters the United States, shall be subject to all of the limitations and licensing requirements of the Export Administration Act of 1969 (Act of Dec. 30, 1969; 83 Stat. 841) and, in addition, before any oil or gas subject to this section may be exported under the limitations and licensing requirement and penalty and enforcement provisions of the Export Administration Act of 1969 the President must make and publish an express finding that such exports will not



diminish the total quality or quantity of oil and gas available to the United States and are in the national interest and are in accord with the Export Administration Act of 1969.

Part long in report not talking about ref. Capacity

(c) The Secretary of the Interior is authorized to enter into contracts for the sale of oil and gas which is produced from the National Petroleum Reserves and which is owned by the United States. Such contracts shall be issued by competitive bidding, they shall be for periods of not more than one-year's duration, and in amounts, ^{which in the opinion of the Secretary will not} ~~not~~ exceed those which can be effectively handled by the purchasers.

(d) The Secretary of the Interior is hereby authorized and directed to explore for oil and gas on Naval Petroleum Reserve No. 4 and he shall report annually to Congress on his plan for exploration of such Reserve: Provided, That no development leading to production shall be undertaken unless authorized by Congress.

(e) Any pipeline which carries oil or gas produced from the national petroleum reserves shall be subject to the common carrier provisions of Section 28 (r) of the Mineral Leasing Act of 1920, (41 Stat. 449), as amended (30 U.S.C. Section 185), regardless of whether the pipeline crosses public lands.

Steger - to strike carrying price

SEC. 4. Oil and gas produced from Naval Petroleum Reserve No. 1 shall not be subject to the depletion allowance provided in Section 613(b) of the Internal Revenue Code of 1954 (26 U.S.C. 613 (b))."

(Rumels) Lost 10-14

(f) The Sec of Int shall not discriminate Same revenue to all States at 2% given to State with highest %

GENERAL FORD LIBRARY

AUTHORIZING THE SECRETARY OF THE INTERIOR TO ESTABLISH ON CERTAIN PUBLIC LANDS OF THE U.S. NATIONAL PETROLEUM RESERVES THE DEVELOPMENT OF WHICH NEEDS TO BE REGULATED IN A MANNER CONSISTENT WITH THE TOTAL ENERGY NEEDS OF THE NATION AND FOR OTHER PURPOSES

MARCH 18, 1975.—Ordered to be printed

Mr. HALEY, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany H.R. 49]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 49) To authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Page 1, beginning on line 3, strike out all after the enacting clause and insert in lieu thereof the following:

That in order to develop petroleum reserves of the United States which need to be regulated in a manner to meet the total energy needs of the Nation, including but not limited to national defense, the Secretary of the Interior is authorized to establish national petroleum reserves on any reserved or unreserved public lands of the United States (except lands in the National Park System, the National Wildlife Refuge System, the Wild and Scenic Rivers System, the National Wilderness Preservation System, areas now under review for inclusion in the Wilderness System in accordance with provisions of the Wilderness Act of 1964, and lands in Alaska other than those in Naval Petroleum Reserve #4).

SEC. 2. No national petroleum reserve that includes all or part of an existing naval petroleum reserve shall be established without prior consultation with the Secretary of Defense, and when so established, the portion of such naval reserve included shall be deemed to be excluded from the naval petroleum reserve.

Upon the inclusion in a national petroleum reserve of any land which is in a naval petroleum reserve on the date of enactment of this act, any equipment, facilities, or other property of the Department of the Navy used in operations on the land so included and any records, maps, exhibits, or other informational data held by the Secretary of the Navy in connection with the land so included shall be transferred from the Secretary of the Navy to the Secretary of the Interior who shall thereafter be authorized to use them to carry out the purposes of this Act.

The Secretary of the Interior shall assume the responsibilities and functions of the Secretary of the Navy under any contract which now exists with respect to activities on a naval petroleum reserve to which the United States is a party.

SEC. 3. (a) The oil and gas in the national petroleum reserves in the contiguous forty-eight states established pursuant to this section may be developed under terms and conditions prescribed by the Secretary of the Interior. The Secretary of the Interior shall use competitive bidding procedures with prior public notice of not less than 30 days of the terms and conditions for any contract, lease, or operating agreement for development and production of oil and gas from a national petroleum reserve. Such terms and conditions and also plans for the development of each area of the national petroleum reserves shall be published in the Federal Register, but shall not become effective until sixty days after final notice has been published and submitted to the Congress (not counting days on which either the House of Representatives or the Senate is not in session for three consecutive days or more) and then only if neither the House of Representatives nor the Senate adopts a resolution of disapproval. Each proposed Plan of development and each amendment thereof shall explain in detail the method of development and production proposed, shall provide for disposal and transportation of the oil consistent with the public interest, and shall give full and equal opportunity for development of or acquisition of, or exchange for, the oil and gas by qualified persons including major and independent producers or refiners alike. Each proposed plan of development by the Secretary shall also explain the relative needs for developing the oil and gas resources in order to meet the total energy needs of the Nation, compared with the need for prohibiting such development in order to further some other public interest.

(b) Any oil or gas produced from such petroleum reserves, except such oil or gas which is either exchanged in similar quantities for convenience or increased efficiency of transportation with persons or the government of an adjacent foreign state, or which is temporarily exported for convenience or increased efficiency of transportation across ports of an adjacent foreign state and reenters the United States, shall be subject to all of the limitations and licensing requirements of the Export Administration Act of 1969 (Act of Dec. 30, 1969; 83 Stat. 841) and, in addition, before any oil or gas subject to this section may be exported under the limitations and licensing requirement and penalty and enforcement provisions of the Export Administration Act of 1969 the President must make and publish an express finding that such exports will not diminish the total quality or quantity of oil and gas available to the United States and are in the national interest and are in accord with the Export Administration Act of 1969.

(c) The Secretary of the Interior is authorized to enter into contracts for the sale of oil and gas which is produced from the National Petroleum Reserves and which is owned by the United States. Such contracts shall be issued by competitive bidding, they shall be for periods of not more than one-year's duration, and in amounts which, in the opinion of the Secretary, shall not exceed those which can be effectively handled by the purchasers.

(d) The Secretary of the Interior is hereby authorized and directed to explore for oil and gas on Naval Petroleum Reserve No. 4 and he shall report annually to Congress on his plan for exploration of such Reserve: *Provided*, That no development leading to production shall be undertaken unless authorized by Congress.

(e) Any pipeline which carries oil or gas produced from the national petroleum reserves shall be subject to the common carrier provisions of Section 28 (r) of the Mineral Leasing Act of 1920, (41 Stat. 449), as amended (30 U.S.C. Section 185), regardless of whether the pipeline crosses public lands.

PURPOSE

H.R. 49 proposes to authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes.

EXPLANATION AND NEED

The bill seeks to accomplish three things:

First, to authorize the Secretary of the Interior to establish national petroleum reserves on the public lands.

Second, to authorize the Secretary to prepare plans for development and production of oil and gas on such reserves in the lower forty-eight states, subject to Congressional acceptance of any production plan.

Third, to direct the Secretary to explore for oil and gas on the 22 million-acre Naval Petroleum Reserve No. 4 in Alaska, and to report his findings annually to Congress. However, the bill expressly prohibits the Secretary from allowing any leasing, development, or production from this Alaskan reserve until further action by Congress.

Potential Oil and Gas Production on Public Lands

H.R. 49 proposes that public lands heretofore set aside as Naval Petroleum Reserves may be reviewed by the Secretary of the Interior. After consultation with the Secretary of Defense he is authorized to establish national petroleum reserves, which may include all or part of a Naval Petroleum Reserve. Subsequently the Secretary of the Interior is authorized to propose to Congress a plan for the development and production of any area within a national petroleum reserve. Such proposed plans would take effect 60 days after publication in the Federal Register unless rejected by either body of Congress.

The potential 300,000 barrels per day of production from Elk Hills could replace a like amount of imported crude oil. At current prices this would reduce our balance of payments deficit by about \$1.3 billion and return to the U.S. Treasury approximately \$1.0 billion per year.

Committee Jurisdiction

Jurisdiction over public lands in the House of Representatives is the responsibility of the Committee on Interior and Insular Affairs. H.R. 49 deals with establishing national petroleum reserves on any reserved or unreserved public lands, with certain specified exceptions. These exceptions are lands in the National Park System, National Wildlife Refuge System, Wild and Scenic Rivers System, Wilderness Preservation System and lands under review for inclusion in the Wilderness System, and lands in Alaska except those in Naval Petroleum Reserve No. 4.

Naval Petroleum Reserves are public lands set aside by Executive Order and used for a specific purpose. Their development and production for their oil potential is covered by statute (10 U.S.C. 7421, *et seq.*). Under the House Rules, this statute puts them under the jurisdiction of the House Committee on Armed Services.

Any production of oil and gas for other than national defense purposes from a Naval Petroleum Reserve requires an act of Congress because current law limits production from these reserves to national defense needs. This has been interpreted to mean a declaration of war. H.R. 49, by authorizing a naval petroleum reserve to be included in a

national petroleum reserve, would lift these restrictions on production and would permit the reserves to be developed in order to meet the total energy needs of the nation, including but not limited to national defense.

Similar bills, i.e., H.R. 11840 and H.R. 16800, were introduced in the 93d Congress. After extensive hearings held by the Subcommittee on Public Lands, the substance of H.R. 11840 was approved by the Subcommittee as part of the broader Public Land Policy and Management Act, H.R. 16800. However, no final Committee action was taken on this legislation in the 93d Congress.

The Committee is aware of the jurisdictional overlapping of H.R. 49 insofar as the Naval Petroleum Reserves is concerned. A letter from the Honorable Melvin Price, Chairman of the Armed Services Committee, on this question is included as a part of this report, together with the response of the Chairman of this Committee. This Committee believes that the urgent national need for immediate action to produce more domestic oil and natural gas weighs heavily against any further delay through duplicating this Committee's hearings and consideration. Debate on amendments or a substitute for H.R. 49, offered on the House Floor, could give the House an opportunity to decide on a policy for establishment and development of national petroleum reserves on the public lands. If this is done without further delay, domestic petroleum production could be increased by 160,000 barrels per day in less than six months, and 300,000 barrels within a year according to administration officials.

The Committee respectfully notes that the House Armed Services Committee's Investigating Subcommittee held hearings on Elk Hills on October 17 and 18, 1973, during the 93d Congress. They recommended that the reserve only be put in readiness for military use. This Committee is not insensitive to the views and prerogatives of the Committee on Armed Services; however, the Members strongly urge immediate consideration of H.R. 49 by the House. It is in this format that H.R. 49 as well as the position of the Armed Services Committee together with the President's recommendations in his Energy Independence Act of 1975, can be fully and adequately debated and considered.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., March 3, 1975.

(Letter from Chairman of Committee on Armed Services to Chairman of Committee on Interior and Insular Affairs)

HON. JAMES A. HALEY,
Chairman, Committee on Interior and Insular Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I have learned that H.R. 49, a bill to authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves, has been favorably reported by the Subcommittee on Public Lands of your Committee. That bill would authorize the Secretary of the Interior to include within the national petroleum reserves the existing Naval Petroleum Reserves.

As you know, House Rule X, Clause 1(c) (4), grants this Committee jurisdiction over the conservation, development and use of Naval Petroleum Reserves. That jurisdiction was reaffirmed as recently as last October, when the House adopted H. Res. 988. In view of the exclusive jurisdiction of this Committee, I respectfully submit that the action taken by the Subcommittee on Public Lands clearly exceeded its jurisdiction and that of the Interior Committee. Accordingly, I request that the Interior Committee specifically exclude the Naval Petroleum Reserves from the provisions of the bill when it is presented for Committee action. I would also appreciate it if you would call this matter to the attention of the membership of your Committee by having this letter read when H.R. 49 comes before the Committee.

In the event that the Interior Committee approves the bill without specifically excepting the Naval Petroleum Reserves from its provisions, I request that this letter be made a part of the Interior Committee report on the bill.

Sincerely,

MELVIN PRICE,
Chairman.

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., March 7, 1975.

(Letter from Chairman of Committee on Interior and Insular Affairs to Chairman of Committee on Armed Services)

HON. MELVIN PRICE,
Chairman, House Committee on Armed Services, Room 2120, Rayburn Building, Washington, D.C.

DEAR MR. CHAIRMAN: H.R. 49, the bill to which you refer in your letter of March 3, has been scheduled for consideration by the Full Committee at our next regular meeting, Wednesday, March 12, at which time I assume the members will be aware of your position since you provided them with copies of your letter to me.

As to propriety of considering this legislation, we can only operate under the assumption that we have jurisdiction over a matter that has been referred to us by the Speaker. The bill of course provides that no petroleum reserve that includes an existing Naval Petroleum Reserve can be established without prior consultation with the Secretary of Defense.

At such time as any report on this bill is drafted, your request that your letter be made a part of that report will of course be considered.

Sincerely,

JAMES A. HALEY,
Chairman.

Historical Need for Naval Petroleum Reserves Has Changed

In the first quarter of this century four Naval Petroleum Reserves were created from public lands to assure that, in time of war, the Navy's ships would have adequate petroleum supplies. Naval Petro-

leum Reserve No. 1 at Elk Hills (established in September 1912); Naval Petroleum Reserve No. 2 (established in December 1915) at Buena Vista are both in California. Naval Petroleum Reserve No. 3 (established in December 1912) is Teapot Dome in Wyoming. Naval Petroleum Reserve No. 4 consisting of 22 million acres located on the north slope of the Brooks Range in Alaska was established in February 1923. Of the first three reserves, only Elk Hills, with 1.5 billion barrels, has any appreciable reserve.

The Defense Production Act of 1950, as amended, adequately protects the nation's defense needs. Under the terms of that Act, the President is authorized to assign priorities to any defense-related contracts or orders, including all fuels. The nation's entire supply of fuel could be immediately reserved and held for military use if necessary the minute the President establishes such a priority. Therefore, a reserve controlled by the Navy, but limited to use only during time of war, has lost the significance it once had.

Each of the three reserves in the lower forty-eight states is adjacent to other producing areas. Due to past and present production Buena Vista has been virtually depleted, with a reserve of only 51 million barrels remaining. Reserves in Teapot Dome are estimated to be only 50 million barrels. The relative insignificance of the amount of oil remaining in these two reserves make them reserves for the Navy in name only.

The case at Elk Hills is different. It can be put into production within sixty days. Production of 160,000 barrels per day could be obtained in less than six months and the reserve is capable of production of 300,000 barrels per day within one year. The Committee notes that this amount represents approximately 40 percent of the President's goal of reducing U.S. dependence on foreign crude imports by 800,000 barrels per day within one year. The total reserve is estimated to be 1.5 billion barrels of oil and over 1.2 trillion cubic feet of natural gas.

Drainage From the Elk Hills Reserve

Navy and Interior officials, private geologists and petroleum engineers, alike, all agreed in testimony that drainage from a partially developed petroleum field is difficult and sometimes impossible to prevent. Navy, in 1974, and again in February of this year, testified there was some drainage from Elk Hills. In this regard, two actions are now being litigated between the Navy and private oil companies to prevent further drainage through production from wells outside of the boundaries of the reserve.

To prevent such drainage, the Navy must either enjoin the production of oil on the adjoining lands outside of the reserve, or attempt to "jawbone" agreements with private interests to slow down production from, or vacate, active wells, or drill offset wells within the reserve and commence their own production. H.R. 49 would permit a production plan subject to Congressional approval. Such a plan would not only permit production within the reserve but would also free up production from wells on adjoining lands outside the reserve now enjoined by court action, thus ending the current litigation. This would mean an additional production of 20,000 barrels per day of oil by private companies on private lands now foreclosed by court order.

Joint U.S. and Standard Oil of California Ownership of Elk Hills Reserve Oil and Gas

The Elk Hills reserve is in joint ownership and, as a result of this, a unit plan contract between the Navy and the Standard Oil Company of California allocates 79 percent of the ownership to the Federal government and 21 percent to Standard. Since production ceased following World War II, standby maintenance has been provided for the existing wells through an operating agreement between the two parties which designates Standard as the operator of the field. However, the terms of the operating agreement permit its cancellation by either party. On February 14 of this year, Standard notified the Navy that it was exercising its right of cancellation.

Whether the Navy or another Federal agency manages Elk Hills, any new operating agreement must be negotiated with another company. Navy has testified that the unit plan contract and the operating agreement with Standard are equitable. The unit plan contract would remain in effect under any plan of production.

Known reserves of gas in Elk Hills exceed 1.2 trillion cubic feet which would become available for sale as oil production proceeded. There appears to be little need to stress the existing natural gas shortage in the Nation.

Protection of the Public Interest and Assuring Opportunity for Independent Oil Refiners to Have Equitable Access to Oil Produced on a National Petroleum Reserve

H.R. 49 provides that any plan of production proposed by the Secretary of the Interior from a national petroleum reserve in the lower forty-eight states can become effective only after being published in the Federal Register and submitted to Congress for 60 days during which time either body of Congress may veto it by adopting a resolution of disapproval. Any plan of production proposed by the Secretary can develop and produce such reserves either through a Federal agency, or by contracting or leasing with a private company on the basis of competitive bidding only.

The need for variation in any proposed production plans is evident because of the variations in conditions and circumstances of the petroleum reserves and supplies. As was pointed out previously, a reserve such as Teapot Dome has little oil left, requiring secondary treatment to recover the remaining oil, while Elk Hills permits primary production in several proven zones.

In any production plan, H.R. 49 requires that the small independent oil refiners, or purchasers of natural gas, have equitable opportunity to buy the product in amounts suitable to their needs, through purchase contracts limited to a year's duration. It also provides that any pipeline carrying oil or gas produced from a national petroleum reserve must be operated as a common carrier, thus assuring accessibility of the pipeline to the small independent companies. These protections are intended to guarantee small independent companies a viable opportunity to participate in the benefits of production from such national petroleum reserves.

Oil or gas produced from a national petroleum reserve cannot be exported under H.R. 49, except under the limitations and licensing

requirements of the Export Administration Act of 1969 and, in addition, unless the President makes a finding that such sale to a foreign country is in the national interest.

Potential of Naval Petroleum Reserve No. 4 in Alaska

The Committee finds that early exploration for oil and gas in Naval Petroleum Reserve No. 4 is essential. H.R. 49 directs the Secretary to undertake such exploration. However, production is out of the question for a number of years due to a lack of transportation. There are other matters to be considered before Congress makes a final judgment on the production of oil and gas contained in this reserve. These lands may have substantial values, including recreation, wildlife and other mineral deposits, in addition to any oil and gas.

Current oil development in Alaska is principally in the Prudhoe Bay area. That field involves leases issued by the State of Alaska to private oil companies and will pay royalties to the owners of the land. There could well be other fields found as extensions to the Prudhoe Bay field or in other areas of Alaska which could be developed under existing law and regulations and would return substantial revenues to the Federal government as well as to the State and the natives.

Exploration by the Navy within Naval Petroleum Reserve No. 4 is presently proceeding at a snail's pace. Navy has only two exploratory wells on this year's schedule, although they have programmed 24 more over the next 7 years at an estimated cost of \$382 million. Little is known of the potential oil or gas reserves in Naval Petroleum Reserve No. 4. Estimates range as high as 20-30 billion barrels of oil, but the Committee recognizes that these are little more than preliminary estimates until additional exploration has been accomplished.

Transportation facilities for oil or gas from this reserve will not be possible for at least five years and probably longer. The Trans-Alaskan Pipeline will begin operation in mid-1977, but any connection to it or expansion of it by looping to carry more than the oil produced in the Prudhoe Bay field is a major construction effort that would require another two to four years beyond 1977. A pipeline to carry natural gas from the North Slope of Alaska would require even more time.

It is vital to the national interest to assess the amount and location of potential oil and gas available in this 22 million acre reserve. There is the possibility of finding other minerals and there are wildlife and many other values on this large tract of public land that will have to be considered. For example, an area on the western side of the reserve is an historic and current calving ground of the Arctic caribou herd. The northeastern coastal plain area is considered to be the best waterfowl nesting area on the North Slope. Finally, lands in and adjacent to the Brooks Range are highly scenic. These areas should all receive consideration in any plans for development. In the Committee's opinion, the Secretary of the Interior is best qualified to make judgments regarding these other values.

The Department of the Interior administers more than 300 million acres of public land in Alaska. Some of this land is yet to be selected by the Natives and the State as permitted in the Alaskan Native Claims Settlement Act and the Alaska Statehood Act. Much of the

other public land in Alaska may be designated as wilderness, wild and scenic river, wildlife refuge, national park or national forest lands.

The Committee believes Congress must determine policy for this vast area of our largest State, and it believes also that the Department of the Interior should be guided by new law concerning public land policy. Certainly, the Navy should not retain exclusive jurisdiction over 22 million acres of Alaska public lands in the guise of an essentially unexplored petroleum reserve.

H.R. 49 would direct a more sensible and logical approach to the consideration of all of the public lands by integrating the management of Naval Petroleum Reserve No. 4 into the Department of the Interior. That Department could then determine the oil and gas potential on this reserve, together with its other values. Congress should determine all the relative values, including continuation of all or parts of it as a national petroleum reserve.

Meanwhile, production from proven reserves in the lower forty-eight States could proceed subject to Congressional review of the production plans.

BUDGET ACT COMPLIANCE

Under the provision of Rule X, clause 3 (b), and clause 1 (e) (3) (c), and sections 308(a) and 403 of the Congressional Budget Act of 1974, the Committee recognizes that some costs will be incurred as a result of the enactment of H.R. 49 (see Current and Five Subsequent Fiscal Year Cost Estimate), but it notes that the income will far exceed the costs.

CURRENT AND FIVE SUBSEQUENT FISCAL YEAR COST ESTIMATE

Pursuant to Rule XIII, Clause 7, of the Rules of the House of Representatives, the Committee estimates the cost to be incurred by the Federal Government during the current and the five subsequent fiscal years as a result of the enactment of this legislation would be as follows:

This bill would mean production of oil and gas from national petroleum reserves within the contiguous 48 states subject to a plan developed by the Secretary of Interior which would come before Congress for 60 days and be subject to a veto by either body. The Committee estimates that outlays for developing plans by the Secretary would not exceed \$2 million per year.

The bill also directs the Secretary of the Interior to explore for oil and gas on Naval Petroleum Reserve No. 4 in Alaska and report annually to Congress on his findings but does not allow any production. The Committee estimates that the Secretary of the Interior will expend nothing during the current fiscal year for exploration of this area, but up to \$50 million may be spent in each of the succeeding five fiscal years. However, it must be pointed out that these costs could vary considerably depending on the Secretary's findings as presented in his annual report to the Congress and on the determination by Congress of the Secretary's actual needs for exploration in Naval Petroleum Reserve No. 4. Even without enactment of H.R. 49, Navy estimates exploration costs of \$382 million over the next seven years. Cost estimates for H.R. 49 substantially replace Navy's projected costs.

U.S. receipts from sale of oil and gas produced from National Petroleum Reserves would most likely offset these expenditures many times over.

OVERSIGHT STATEMENT

Pursuant to Rule X, clause 2(b) (1), the Subcommittee on Public Lands conducted oversight related hearings during its hearings on H.R. 49. While the Subcommittee did not find that existing laws were implemented in a manner inconsistent with the intent of Congress at the time they were enacted, it did conclude that conditions and circumstances had so changed that new legislation was necessary and desirable. Based on this conclusion, the Subcommittee recommended and the Committee on Interior and Insular Affairs agreed (by a vote of 32 to 0) that the national interest demanded the development of new policy with respect to Federal oil and gas reserves.

No recommendations were submitted to the Committee pursuant to Rule X, clause 2(b) (2).

COMMITTEE CONSIDERATION

In the 93d Congress hearings were held on H.R. 11840 and related measures on December 18, 20, 21, 1973; on January 17, 22, 25, 28, 29, 1974; on February 4, 5, 28, 1974; and on March 14, 15, 1974—a total of 13 Committee Hearings.

In the 94th Congress the Subcommittee on Public Lands met to hear and consider H.R. 49 on February 6, 21 and 28, 1975. After discussing the matter on February 28 the Subcommittee revised the legislation and reported it favorably to the Full Committee on Interior and Insular Affairs. On March 13, 1975, the Committee on Interior and Insular Affairs ordered the measure favorably reported, as amended, to the House by a vote of 32 to 0.

DEPARTMENTAL REPORT

While no formal report was received from the Department of the Interior or the Department of Defense on H.R. 49, testimony was taken by the Subcommittee on Public Lands from both Executive Departments. Generally, the Administration spokesmen testified that their Energy Independence Act of 1975, a more general measure, is recommended. That legislation contains a provision similar to H.R. 49 which aims towards the ultimate development of the Naval oil reserves by the Navy Department. H.R. 49 modifies that approach by allowing the Secretary of the Interior to establish National Petroleum Reserves, including Naval Petroleum Reserves under certain circumstances, and to utilize the expertise available to him to explore and develop those reserves under the terms of the legislation.

While the Administration spokesmen indicated a preference for the proposal, as transmitted, it was clearly understood by the Members of the Committee that the Administration strongly recommends action by the Congress to assure the immediate production of the Elk Hills area. If the Congress concludes that a solution different from the one transmitted is more appropriate, the Administration is not expected to reject it on a jurisdictional basis.

THE WHITE HOUSE
WASHINGTON

March 24, 1975

TO: ~~CHARLIE LEPPERT~~

FROM: Glenn Schleede

Attached in accordance with
our conversation.

POINT PAPER
ON THE EFFECTS
OF THE TRANSFER OF THE
NAVAL PETROLEUM RESERVES
FROM NAVY TO INTERIOR

1. America's independence will be imperiled.
2. Its citizens lives will be needlessly risked.
3. Its treasury will be denied billions of dollars.
4. Its progress on the exploration and development of the reserves will be delayed.
5. Its oil companies will make huge unearned profits.
6. It will be embroiled in another sensational scandal.

The four Naval Petroleum Reserves located at Elk Hills and Buena Vista Hills in California, Teapot Dome in Wyoming and on the North Slope of Alaska, contain oil fields of 1 billion, 30 million, 42 million and 100 million barrels of proven reserves, respectively.

As reliable domestic petroleum production continues to plunge and insecure, foreign imports continue to surge, America's very existence could depend on the vast untapped reservoirs of oil contained in the Naval Petroleum Reserves.

Oil is as necessary as blood in war! Without sufficient supplies of fuel mechanized armies are foot soldiers, air forces are grounded and navies are dead in the water.

The real value of the Naval Petroleum Reserves is not their market value which is measured in dollars but their security value which is measured in lives.

If Naval Petroleum Reserve No. 4 contains 33 billion barrels of oil, as estimated by the United States Geological Survey of the Department of the Interior, and if the price of oil is 10 dollars per barrel the current market price; then the oil contained in Naval Petroleum Reserve No. 4, alone, may be worth 330 billion dollars.

Under present law, if Naval Petroleum Reserve No. 4 were taken from the protective custody of the Navy and turned over to the Interior Department to be leased out to the oil companies under the Mineral Leasing Act:

the oil companies would receive	87½%,
the State of Alaska would receive	11¼%,
and the United States Treasury would receive	1¼%

of the amount or value of each barrel of oil removed or sold.

(See 30 U.S.C. § 191)

Each of the 220 million Americans could thus own a share of the Naval Petroleum Reserve No. 4 estimated alone to be worth \$1,500.00. Most Americans will probably take exception to the dissipation of the reserves by the Department of the Interior and their exploitation by the oil companies.

It would be the height of folly for the United States to give away the immense quantities of oil in the Naval Petroleum Reserves and then buy back the same oil at stiff prices for use in the defense of the nation.

During the past two years the price of oil including that contained in the Naval Petroleum Reserves has advanced by a factor of four. Thus the federal government has profited greatly by continuing to maintain its reserve policy.

Turning the Naval Petroleum Reserves over to the oil industry through the conduit of the Interior Department has been attempted unsuccessfully in the past. The result was the catastrophic Teapot Dome scandal; a monument to political graft, bribery and corruption at the highest levels of government, which, it appears, is about to be repeated.

Inflation is not the first ploy utilized in attempting to take over the reserves, only the most recent in a continuing series. During the preceeding decade, other timely gambits have included: the reduction of the balance of payments in 1965, the environmentally acceptable avoidance of oil spills in the Santa Barbara Channel in 1968, the compensation of the Alaska Natives in 1971, and the alleviation of "energy crisis" in 1973.

In 1953, the outer continental shelf lands were transferred from Navy to Interior. In 1974, more than 20 years later, the Atlantic and Pacific outer continental shelves remain virtually unleased and undeveloped.

Interior is at least five years behind Navy in planning for the exploration and development of the Naval Petroleum Reserves and at least two years behind Navy in execution.

Congress has already funded two years of Navy's program. Alterations at this time will lead to further delay.

The Navy does not contribute to political campaign funds oil companies do.

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 \$69.5 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>Oil</u>	<u>MM/Mcf</u> <u>Gas</u>	<u>MM/bbls</u> <u>Oil</u>	<u>MM/Mcf</u> <u>Gas</u>	<u>Acres</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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