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MEMORANDUM FOR: THE VICE PRESIDENT March 28, 1975

FROM: DR. EDWARD TELLER

(Dictated by phone)

We have investigated the possibility of establishing oil storage capacity in the United States within a few months. We find that for approximately one billion dollars we can establish a storage of approximately three to four hundred million barrels of oil which is equivalent to imports of three to four months of oil from Arab countries. The details are as follows: Big tankers are available and are in fact underutilized. The total space available can carry or store approximately one hundred eight-five million barrels. An additional capacity of one hundred sixty four million barrels is under construction. Part of this capacity will have to be used to transport excess oil to the United States or other safe places so as to make the oil available to us. Part of this capacity could be actually used for storage with filled-up ships lying at anchor for instance in the Caribbean. Rental of such storage space will cost thirty-five cents per barrel per month or four dollars per barrel per year. To buy the ships will cost well in excess of ten dollars per barrel.

One may recommend that buying or renting space and buying the corresponding oil should start at once. If it is done too readily, the prices would of course increase. Approximately one hundred million barrels may be available as oil stored in ships at the end of three to six months.

Approximately one hundred fifty million barrels of oil could be stored in existing salt mines. This corresponds to less than one third of the volume of operational salt mines and this space could be made available without disrupting the salt industry. The storage would be available near the Gulf of Mexico in the vicinity of good pipe lines. The expense would not exceed two dollars per barrel. The space could be made available in three to six months.

In the same general neighborhood a volume that could store fifty million barrels could be made available in salt wells. This also could come on line in three to six months. The cost could be one dollar and twenty-five cents per barrel.

The total amount so far would be three hundred million dollars of storage which is what we can recommend at this time together with the recommendation to initiate action at the earliest possible date.

An additional hundred million barrels of storage space could be made available by washing out salt domes. This again would be in the same neighborhood. A massive program is under consideration at the moderate price of one dollar per barrel stored. This program will take years. Rapid action on one hundred million barrels will probably cost three dollars per barrel. The space could be made available in six to nine months. Disposal of the brines in the gulf will create a minor environmental problem.

Adding the last item we arrive at a total of four hundred million dollars.

Hundreds of millions of additional barrels could be probably stored in abandoned mines (limestone, coal, lead, potash, sulfer and other). The availability appropriate use and expense will be looked into next week.

Storage of oil in open resevoirs could be constructed in three months for one hundred million barrels at one dollar per barrel. Environmental problems (for instance due to the dispersal of oil by extremely strong winds) could be quite serious.

Other oil possibilities, in steel tanks, concrete tanks, cavities created by nuclear explosions or in existing oil wells have been considered but do not look promising for the near term.

In connection with the actions recommended above, it would make good sense to press for the reopening of the Elk Hills Reservoir (█████ Naval Petroleum Reserve #1). In three months we could obtain one hundred thirty thousand barrels per day at an approximate cost of two dollars per barrel. Known opposition to this action may be overcome in the present emergency.