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[filed 5/26/75]

THE PRESIDENT HAS SEEN. *js*

THE WHITE HOUSE  
WASHINGTON  
May 24, 1975

MEMORANDUM FOR: THE PRESIDENT  
FROM: DON RUMSFELD

Attached is a letter from John E. Swearingen,  
Chairman of the Board of Standard Oil. He  
phone me and specifically wanted you to  
see it.

Attachment

*I have Rog Morton  
& Frank J. Talked with  
John S. K*

**Standard Oil Company (Indiana)**

200 East Randolph Drive  
Post Office Box 5910A  
Chicago, Illinois 60680  
312-856-6300

John E. Swearingen  
Chairman of the Board

May 23, 1975

The President  
The White House  
Washington, D. C. 20500

Dear Mr. President:

The United States is at war--not a shooting war but an economic war with nations comprising the Organization of Petroleum Exporting Countries (OPEC). Our country can have no economic or military security while we are dependent on others for one-third of our oil and one-sixth of our total energy supply. Solving our energy problems will require both conservation of what we have and obtaining new supplies under our own control--especially new supplies.

Securing new supplies will be costly and time consuming. We now import about 6 million barrels of oil a day at a cost of \$25 billion a year. Bringing into use 1.5 million barrels a day from a known oil field in Alaska will cost about \$10 billion and take another 2-3 years. Producing 1 million barrels a day from shale will cost about \$20 billion and take perhaps 10 years. Producing another 300 million tons/year of coal (50% increase over 1974) will cost about \$10 billion and take about 10 years. Nuclear power, solar energy and other exotic sources can not be expected to pick up the load in this century and capital costs will be higher than for fossil fuels.

In the face of these alternatives we are like a man sitting in the world's biggest poker game but refusing to look at his hole card. Our hole card in the energy game is conventional oil and gas from our continental shelf. But we have not looked at our hole card to see whether we have an ace or a deuce--whether we are playing the energy game from strength or from weakness.

Less than 5% of the nation's continental shelf has been leased and explored for oil and gas deposits. Few, if any, wells have ever been drilled off the East Coast, off Southern California, in the Gulf of Alaska, or in the Bering Sea. We don't know whether these areas contain oil or gas or not. A program to drill 50 exploratory wells on the best known prospects in these areas would cost no more than \$500 million and could be accomplished in about 3 years with proper federal support for access to shore bases and critical materials. If any of the wells were found productive, they could be shut in until environmental, ownership and other questions could be settled--but at least we would have good information upon which to base our future energy policy, whether that policy involved conventional oil and gas, coal, shale oil, or trading with the OPEC nations.

A program to assess the oil and gas prospects of our offshore acreage could involve the following steps:

1. Call for nominations in the normal manner for 5,760 acre leasehold blocks in all the frontier areas.
2. Based on nominations and the indicated interest on the part of the industry, the government would select several prominent structures in each area and offer these for bid under the present cash bonus-fixed royalty system.
3. Winning bidders would accept an obligation to drill a minimum of one well on each structure within one to three years, depending on the area.
4. No commercial production of oil or gas, if discovered, could be undertaken without a specific exploitation permit which would be withheld by the Federal government until environmental and other questions are resolved.

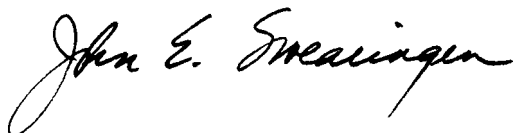
I believe the U.S. oil and gas industry would respond quickly and favorably to this program. Having Interior do the exploratory drilling would raise serious problems of manpower, Congressional appropriations, rig availability, work competence, and future viability of the private oil and gas industry.

If our country embarked on such a program immediately, it would provide a new initiative for our domestic energy program. It would also convince the Europeans and Japanese--as well as the OPEC nations--that we are serious about coming to grips with our energy problems.

The Department of Interior has announced a schedule to offer large spreads of exploration and production leases in virtually all of the prospective offshore frontier areas by the end of 1976. This program, however, will be subject to obstruction and delay from environmentalists and others opposed to oil drilling and production in the ocean areas, especially in California and along the East Coast. The proposed exploratory drilling program could be readily explained to the public and thus minimize or eliminate many of the objections to the current plan.


I would be happy to discuss this matter or develop these ideas further with you or anyone you care to designate.

Respectfully yours,



THE WHITE HOUSE  
WASHINGTON

Date May 26, 1975

TO: DON RUMSFELD  
FROM: JERRY H. JONES 

For your information.