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THE WHITE HOUSE
WASHINGTON

August 27, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON
FROM: JIM CONNOR 
SUBJECT: Contract for Sale of Crude Oil from
Naval Petroleum Reserve

The attached material was returned in the President's outbox with the following notation:

"Have Rog Morton and Frank Zarb seen and do they approve? I have signed contingent on their concurrence."


Please follow-up with necessary action.

cc: Don Rumsfeld

Go R. Lenoir 9/8/75

THE WHITE HOUSE
WASHINGTON

August 29, 1975

MEMORANDUM FOR: JIM CONNOR
VIA: JIM CANNON 
FROM: MIKE DUVAL
SUBJECT: NPR Contract (NOD-10067)

Rog Morton and Frank Zarb both personally have concurred in the approval of this contract.

THE WHITE HOUSE

WASHINGTON

August 22, 1975

MEMORANDUM FOR THE PRESIDENT

FROM:

PHIL BUCHEN

T.W.B.

SUBJECT:

Approval of Contract for Sale of Crude
Oil from Naval Petroleum Reserve

Your approval is required by 10 U.S.C. 7431, subparagraph (3) for any contract to sell crude oil from the Naval Petroleum Reserve. The statute also requires consultation with the Committees on Armed Services of the Senate and House of Representatives. The enclosures document that this consultation has occurred and that the Attorney General has approved the contract.

I, therefore, concur in the recommendation of the Acting Secretary of the Navy that you approve the attached contract by signing at the places indicated.

*Have Roy Morton & Frank
Zarb seen & do they approve?
I have signed contingent on their
consent.*

ACF

THE WHITE HOUSE

WASHINGTON

August 22, 1975

MEMORANDUM FOR THE PRESIDENT

FROM:

PHIL BUCHEN *T.W.B.*

SUBJECT:

Approval of Contract for Sale of Crude
Oil from Naval Petroleum Reserve

Your approval is required by 10 U. S. C. 7431, subparagraph (3) for any contract to sell crude oil from the Naval Petroleum Reserve. The statute also requires consultation with the Committees on Armed Services of the Senate and House of Representatives. The enclosures document that this consultation has occurred and that the Attorney General has approved the contract.

I, therefore, concur in the recommendation of the Acting Secretary of the Navy that you approve the attached contract by signing at the places indicated.



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20350

8 AUG 1975

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

Dear Mr. President:

James
RL
This letter transmits a proposed contract for the sale of crude oil from Naval Petroleum Reserve No. 1 for your consideration and approval pursuant to 10 U.S.C. 7431.

Award of Contract NOd-10067 between the United States of America and Beacon Oil Company was made after public sale held in compliance with 10 U.S.C. 7430. The contract price for the crude oil under the contract is "crude base price" (as defined in Article 5 of the contract) plus 25.25 cents a barrel. "Crude base price" is substantially equivalent to the average of prices posted for similar crude oil in a number of fields in the vicinity of Naval Petroleum Reserve No. 1.

The term of the contract is for a period of one year effective on the date when approved by the President of the United States and renewable for a period of one year upon agreement of the parties.

The crude oil sold under Contract NOd-10067 will necessarily be produced for the purposes of protection, conservation, maintenance, and testing of Naval Petroleum Reserve No. 1. Under these circumstances, it is considered to be in the best interests of the United States to produce and sell the oil. Should Congress enact legislation authorizing production from Naval Petroleum Reserve No. 1 and specifying how the production is to be sold, such direction can be complied with without violating this contract.

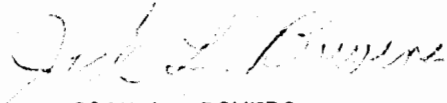
The contract was approved as to legality by the Attorney General, and the consultations required by 10 U.S.C. 7430 with the Armed Services Committees of the Congress have been completed. That approval and the completion of consultations are evidenced by enclosures (2), (3), and (4).

My execution of this contract on behalf of the United States was based on the conclusion that it is in the public interest. All necessary steps preliminary to your approval have been accomplished.



Accordingly, it is recommended that you sign each copy of enclosure (1) and return them to the Navy Department. Enclosures (2) through (4) may be retained for the White House files should these be desired.

Respectfully yours,



JACK L. BOWERS
Acting Secretary of the Navy
For Naval Petroleum and Oil Shale Reserves

Enclosures:

- (1) Three executed originals of Contract No. N0d-10067
- (2) Photocopy of Attorney General opinion of July 7, 1975
- (3) Photocopy of ltr from Chairman, SASC of July 18, 1975
- (4) Photocopy of ltr from Chairman, HASC of July 23, 1975

Contract N0d-10067

APPROVAL BY THE PRESIDENT OF THE UNITED STATES

I, GERALD R. FORD, President of the United States of America,
on the _____ day of _____, 1975, do hereby approve the
execution of the foregoing contract by the Acting Secretary of
the Navy For Naval Petroleum and Oil Shale Reserves.

Ent
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Office of the Attorney General

Washington, D. C. 20530

JUL 7 1975

RECEIVED

JUL 8 9 44 AM '75

DEPARTMENT OF JUSTICE
WASHINGTON, D.C.

The Honorable J. William Middendorf II
Secretary of the Navy
The Pentagon
Washington, D. C. 20350

Dear Mr. Secretary:


In his letter of June 6, 1975, Acting Secretary for Naval Petroleum and Oil Shale Reserves, Jack L. Bowers, requests an opinion as to the legality of Contract NOD-10067 for sale to Beacon Oil Company during a one-year term of crude oil to be produced from Naval Petroleum Reserve No. 1 (Elk Hills, California).

The Acting Secretary states that the crude oil is necessarily produced for the purposes of protection, conservation, maintenance, and testing of the Reserves, and that in these circumstances it is in the best interests of the United States to produce and sell the crude oil. These conclusions, which are necessary for the lawfulness of the sale, are of course not within my competence to evaluate and I accept them as correct for purposes of this opinion. The provisions of the present contract are substantially the same as those of Contracts NOD-9922, 9923, and 9263 for the sale of crude oil from the Reserve. For the reasons stated in the Department's letter of June 8, 1959, on Contract NOD-9263, I am of the opinion that the present contract contains the provisions required by law, and that the Secretary is authorized to enter into it, subject to consultation with the Committees on Armed Services and the approval of the President.

As you are aware, a federal district court in California has recently held that the Federal Energy Administration's regulations are applicable to sales of petroleum from Naval Petroleum Reserves. Amendments No. 1 and No. 2

to the present contract are designed to take account of that decision. With their inclusion, I am of the opinion that the contract does not violate the court's order and would be lawful even if the court's view of the Federal Energy Administration's authority were applied to this contract.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. H. Levi".

Edward H. Levi
Attorney General

Encl
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United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, D.C. 20510

July 18, 1975

Honorable Jack L. Bowers
Acting Secretary of the Navy
Department of the Navy
Washington, D. C. 20350

Dear Mr. Secretary:

Reference is made to your letter of June 6, 1975, regarding a contract between the United States of America and the Beacon Oil Company. This matter required consultation with the Congress.

This is to advise that consultation has been accomplished and there is no objection to the proposed contract.

Sincerely,


John C. Stennis

Encl
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...NT, LA.
... E. BENNETT, FLA.
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U.S. House of Representatives

COMMITTEE ON ARMED SERVICES

Washington, D.C. 20515

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July 23, 1975

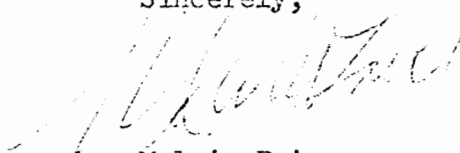
3 Honorable Jack L. Bowers
Assistant Secretary of the Navy
(Installations and Logistics)
Department of the Navy
Washington, D. C.

Dear Mr. Secretary:

Your letter of June 6, 1975 requested consultation proceedings with this Committee on proposed contract N0d-10067 for the sale of crude oil from Naval Petroleum Reserve No. 1 to Beacon Oil Company. Under Section 7430 of Title 10, United States Code, consultation between the Navy Department and this Committee was accomplished on July 22, 1975.

The House Armed Services Committee offers no objection to the contract.

Sincerely,


Melvin Price
Chairman

MP/dpr