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*file
1/23/76*

THE WHITE HOUSE
WASHINGTON

January 31, 1976

MEMORANDUM FOR: JIM CONNOR

FROM: *Glenn Schlee*
GLENN SCHLEEDE

SUBJECT: TALKING POINTS ON PROPOSED CALL
TO CONGRESSMAN MELCHER ON NAVAL
PETROLEUM RESERVE LEGISLATION

The more that I looked at this problem the more shaky the whole proposition became. There may still be some basis for a telephone call and I have prepared a standard proposal on the remaining basis. I wouldn't recommend sending it forward though until you're aware of some of the background.

1. John Hill tells me that Frank Zarb talked with the President about making calls on both NPR legislation and natural gas legislation, and that the President asked Frank to get talking points in.
2. There is some question as to the merits of a call in speeding up action:
 - a. John Hill feels that it would give John Melcher the basis for trying to get Conferees together sooner and get agreement.
 - b. Interior staff indicated that the only hold up was the inability of the Armed Services Committees conferees to meet with the others until after the Lincoln Day recess because of schedule conflicts -- and this couldn't be changed. Also all parties were committed to get together right after the recess.

A quick check with Charlie Leppert indicated that he believed Interior's assessment was correct but he got me in touch with Bill Schafer of House Interior staff (lead staff man on the bill) to be sure. Schafer confirms Interior's assessment. He said that he fully expected that agreement would be reached within a week or two after the recess.

3. There is a jurisdictional fight underway between FEA and Interior on the whole issue:



- a. FEA--with some help from friends on Senate Interior committee ended up with a paragraph in the Energy Policy and Conservation Act (signed by the President on 12/22/75) requiring a study by June 30, 1976 on NPR 4 -- to be done in cooperation with Interior and Navy. FEA doesn't think Interior will move fast enough on development and production of
 - b. Interior Department staff don't believe FEA has any particular competence with respect to NPR-4 and object to the fancy footwork (as Interior sees it) leading to the requirement for the FEA-led June 30 study. John Melcher doesn't particularly like FEA's involvement either (this goes back to strip mining). Result: strong possibility of a provision in the NPR legislation coming out of conference that would wipe out the requirement for an FEA-led study and require instead that Interior do a study by next January.
 - c. This little dispute lies behind the words that were suggested for the telephone call that would have had the President coming out, in effect, for the FEA-led study. On merit that might be best, but I don't believe that we should:
 - involve the President in this dispute.
 - suggest that this point be made in a telephone call without first checking with Secretary Kleppe.

(John Hill agreed and backed off when I confronted him with this.)
 - d. Interior staff have suggested the view that Secretary Kleppe might very well take the position that he doesn't need help from FEA on the whole NPR-4 matter and, further, if its being transferred to Interior, he would want all the responsibility--not just part of it.
4. The other talking points suggested in the Zarb submission and the OMB comments are too obscure, I believe, to warrant getting the President involved. (Hill now agrees).
 5. You may want to consider whether the proposal should go in without a formal check with Secretary Kleppe. I haven't made such a check but will if you wish. My guess is that the answer might be negative.
 6. Conclusion: The proposal -- even stripped to its essentials is marginal.

TAB A - TELEPHONE CALL PROPOSAL
TAB B - BACKGROUND PAPERS



A

THE WHITE HOUSE
WASHINGTON

Talked
2/3/76

RECOMMENDED TELEPHONE CALL

TO: Congressman John Melcher

DATE: As soon as possible

RECOMMENDED BY: Frank Zarb

PURPOSE: To stimulate early action on an acceptable Naval Petroleum Reserves bill

BACKGROUND: Conferees representing the House and Senate Interior and Armed Services Committees have been meeting to come up with a compromise bill. They have agreed on agency jurisdiction with Reserves 1, 2 and 3 (Elk Hills, Buena Vista and Teapot Dome), which are to be produced, remaining with Navy; and Reserve 4 (Alaska) transferred to Interior. The bill does not authorize production from NPR-4. That must await some reports, plans and future legislation. A few other issues remain to be resolved.

Frank Zarb feels that a telephone call to Congressman Melcher would help speed up Committee action.

TOPICS OF
DISCUSSION:

1. I understand that the Conference Committee on the Naval Petroleum Reserves has reached tentative decisions and is close to final action. I hope you can complete work soon so that the three NPR's can help in reducing our dependence on foreign oil.
2. My understanding from Frank Zarb and others is that the Committee is coming up with a good bill and that only a few problems remain.
3. The jurisdictional split between Navy (NPR's 1, 2 and 3) and Interior (NPR-4) sounds like a good solution to a very sticky problem.
4. The question of common carrier status for pipelines out of Elk Hills (NPR-1) is another difficult problem because of the need to get



maximum competition in the sale of oil without causing the companies owning pipelines to withdraw from competition. I understand that Committee staff is working on language to deal this problem.

(Background only: The problem here is that most of the pipeline capacity for moving Elk Hills oil is owned by the major oil companies. Some fear this will limit competition and freeze out small and independent companies. On the other hand, a requirement that pipelines moving oil from Elk Hills be declared common carriers may be viewed by the owners as so potentially dangerous to the status of their pipelines that they would withdraw completely--reducing competition and leaving a severe shortage in pipeline capacity and reducing production.)

5. Frank Zarb, Tom Kleppe and their staffs stand ready to work with you and the other Conferees to help find solutions.



*Advised Zarb's office
called made 407*

B



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

January 29, 1976

OFFICE OF THE GENERAL COUNSEL

MEMORANDUM FOR: James E. Connor
Secretary to the Cabinet

FROM: Eric J. Fygi
Deputy General Counsel

SUBJECT: Talking points for call to John Melcher on the
Naval Petroleum Reserves Legislation

John Hill asked that I convey to you his comments on the OMB suggestions for revision of the talking points we prepared for the President's call to John Melcher regarding the conference committee action on Naval Petroleum Reserves legislation.

Our comments on the OMB recommended alterations, which are enumerated below, are as follows:

Paragraph 2, Point 1 (Jurisdiction): - OMB recommends adding a discussion of the applicability of the Mineral Leasing Act to NPR-4 production. While we agree that it would not be desirable for that Act to apply for such production, it is premature to make this point in the context of this legislation because neither bill in conference would authorize or otherwise address the issue of production from NPR-4. We believe it would be more appropriate for the Administration to reaffirm its opposition to the application of the Mineral Leasing Act to NPR-4 in a context that would not be so susceptible to conveying the appearance that the President is unfamiliar with the reach of the legislation now at issue. Accordingly the OMB revision should not be adopted.

Paragraph 2, Point 2 (Special Fund): - The OMB changes would revise our assessment of the special fund provision to "not acceptable" from "acceptable," and would add observations concerning transfer of surplus proceeds in the fund to the



Treasury,*/ and exclusion of NPR lease bonus bid payments from the special fund.

Evidently the latter two items prompted the "not acceptable" characterization. The authority to remit surplus monies from the fund to the Treasury as miscellaneous receipts would be desirable, but in this context seems more of a technical defect; it is unlikely that there will be a surplus, given the fiscal implications of the Strategic Petroleum Reserve legislation, a point which OMB has previously made.

The point about exclusion of NPR-4 proceeds from the fund is not appropriate, however, because the technical approach of this bill [removing NPR-4 from the reach of title 10 of the United States Code] precludes NPR proceeds from being affected by the special fund established by this legislation.

For these reasons, we believe the OMB suggestions should not be adopted.

Paragraph 2, Point 3 (NPR-4 Production and Study): - OMB recommends not mentioning this point, since the study "could create more problems than it solves." We believe it is extremely important that the President mention this study and its active status, because the legislative tactics of authorizing NPR-4 production require completion of such a study. There is a distinct possibility that those members who are reluctant to authorize NPR-4 production might seek, in this bill, to preempt the existing statutory authority for this study in order to reduce the likelihood of its prompt completion.

Given this background, not mentioning this point would be inimical to the President's goal of prompt authority for NPR-4 production, and we believe it most important that the President include this item in his discussion with Melcher. Accordingly, this point should be retained as we originally proposed.

Paragraph 3, Point 1 (NPR Pipeline common carrier status): - Both bills in conference would impose some sort of common carrier status on any pipeline which carries NPR oil. The Senate Conferees understand that this could result in pipelines not carrying NPR oil (because of the "taint" of any NPR

*/ As drafted, the OMB comment refers to "[e]xcept" funds, but the context seems clear that what was intended was a reference to "excess" funds.



throughput making a pipeline a common carrier for all crude), and have suggested instead that such pipelines should transport NPR oil under common carrier limitations only as to other NPR crude. While not as much as we would like, this language would be superior to the original language and probably would not severely limit the amount of NPR oil the pipelines would carry.

Since it is beyond the scope of the conference to delete the common carrier provision, the FEA point would express preference for the better of the two germane provisions.

Accordingly, we recommend use of the FEA-drafted talking point on common carrier pipelines, substantially as originally proposed.

Paragraph 3, Point 2 (Pricing Formula for NPR Oil): - The only substantive change proposed by OMB to the FEA discussion is to add the statement that the Secretary of the Navy should not be provided the responsibility for "any allocations of NPR production."*/ While we do not particularly object to such a position, the issue is not nearly as significant as making sure the price for NPR crude does not count in calculating the composite ceiling price required by the new energy bill. Since the FEA text is clearer as to this point, we believe it is preferable to the OMB revision.

* * *

There are two further technical changes which should be made to John Hill's original draft. First, the reference to the NPR-4 study should indicate that it will be submitted by June, rather than December, because the new energy bill requires its submission on the earlier date.

Second, the discussion of common carrier status for pipelines compares a new version of the Senate provision to that of the original House bill. This might be clarified by insertion of the word "redrafted" before the term "Senate provision" on line two of the item discussing this issue.

*/ As drafted the OMB paper omitted the word "not," so that its text appeared to recommend placing this responsibility in Navy. The drafter of the OMB paper advised us by telephone, however, that they do not want Navy to allocate any NPR oil, and the OMB paper inadvertently stated otherwise.



NPR-4 DEVELOPMENT

Section 164 of the recently enacted Energy Policy and Conservation Act (EPCA) directs FEA, in cooperation and consultation with the Secretary of the Navy and the Department of Interior, to submit to Congress within six months (June 1976) a written report recommending alternative procedures for the exploration, development, and production of NPR-4. The report shall also include recommendations for protecting the interests of the Alaskan natives and private industry participation.

There is a potential conflict with this legislation and the NPR legislation currently being considered by the House-Senate Conference Committee (H.R. 49). That legislation would transfer NPR-4 to the Department of Interior no later than October 1977, but would not authorize development or production at this time. It also directs the Secretary of Interior, in consultation with the State of Alaska and such federal agencies as the President may designate, to submit to Congress a development plan and proposed legislation by April 1, 1977. As with the EPCA study, the plan shall include economic and environmental impact assessments and shall specifically consider interests of the Alaskan natives.

There are indications that certain members of the NPR-4 conference (primarily the Interior Committee Conferees) are attempting to write into the legislation language which would preempt the EPCA-directed study. While the Secretary of Interior will have ultimate responsibility for NPR-4 development, it does not necessarily follow that it should have the sole responsibility for considering all of the relevant options for development and production of the oil reserves.

1. The deadline for the H.R. 49 study is almost one year after that specified in EPCA legislation. It is important that Congress be given all relevant options regarding NPR-4 development as soon as possible, given the fact that the country vitally needs speedy development of these potentially large reserves (up to 30 billion barrels). These would include suggestions from total government to total industry development. It would also be completed in time to perhaps influence the 1976-1977 exploration program.
2. Pursuant to the H.R. 49 study the Department of Interior would not be required to cooperate with and consult with the Department of the Navy, as would be the case of the EPCA-directed study. Over the past year in which NPR development has been extensively discussed within the Administration, FEA has established an excellent working relationship with the Department of the Navy and would be better able to draw upon its NPR-4 expertise.



3. Past experience has indicated that in many cases the Department of Interior has failed to complete various resource development studies on time and has often not fully considered all relevant options. Given the fact that any study involving Alaskan development must fully address all considerations in order to meet expected Congressional resistance to authorizing NPR-4 production, it is essential that this study be as comprehensive as possible.
4. The FEA study pursuant to EPCA does not preempt the Interior study under H.R. 49. It would serve a useful purpose in highlighting many of the relevant issues to Congress in an earlier timeframe and would allow Congressional reaction to some of the possible approaches. The Interior study, on the other hand, would specifically recommend one particular option and specific implementing legislation.
5. FEA has already extensively analyzed NPR-4 development in its Project Independence Evaluation System (PIES), which is a comprehensive regionalized model which forecasts the state of the Nation's energy system over the next five to fifteen years. The impact of NPR-4 production has been seen to be critically dependent not only upon reserves and production strategy, but also upon the following factors:
 - The price of imported oil.
 - Import arrangements for Canadian gas.
 - Petroleum import-export exchange agreements.
 - TAPS capacity, including looping and second pipeline alternatives.
 - Jones Act restrictions.
 - Alaskan natural gas pipeline alternatives.
 - Oil and gas price deregulation strategies.
 - Pacific OCS leasing policy.
 - Oil and gas development in other Western areas.
 - Synthetic fuels development.
 - Conservation and demand management measures, particularly in the Pacific regions.



The PIES System can provide for rapid simultaneous analysis incorporating these inter-relationships and other variables.

6. FEA has already commenced work on the EPCA-directed study and has been in direct consultation with both the Navy and Interior regarding the scope of work. The tentative tasks outlined are:
 - Collect all background data, including market demand and effects on other Alaskan oil and gas development.
 - Define alternate production efforts to maximize the value of the reserves, specifically analyzing the distribution of the costs and risks to both the government and private industry and the infrastructure necessary for production and marketing.
 - Evaluate NPR-4 exploration plans.
 - Assess environmental and socio-economic impacts.
 - Evaluate alternate means of achieving government goals, the options to include complete government program and various lease-bonus, royalty and profit sharing arrangements.



OFFICE OF MANAGEMENT AND BUDGET
ASSOCIATE DIRECTOR
FOR NATURAL RESOURCES, ENERGY AND SCIENCE

DATE 1/28

TO : Trudy

FROM: ~~James L. Mitchell~~/Fran Rhodes

Attached are OMB comments on Mr. Zarb's talking points. I typed them for easier reading, but I have also attached a copy of the handwritten material in case you have any questions.



DO NOT USE FOR PERMANENT RECORD INFORMATION

Make it clear Administration opposes NPR-4 being subject to Minerals Leasing -- some ambiguity in draft bill at present.

1. OK
2. I have no major problems with some of the tentative decisions reached by the Conference Committee, even though some of them might be strengthened.
 - The jurisdictional split between Defense (NPRs 1, 2 and 3) and Interior (NPR-4) is a good solution to a sticky problem. I understand that NPR 4 will not be subject to the provisions of the Minerals Leasing Act (which would require 90% revenue sharing with the State of Alaska and not allow competitive leasing) and the conference^{report} will so indicate.
 - The creation of the Special Fund for NPR proceeds that can be used to further develop the NPRs, build the Strategic Storage System included in the recently signed Energy Policy and Conservation Act, and fill the storage system is not acceptable. I think the language should conform to my original proposal. Our ability to use the fund for NPR-4 and the Strategic Reserve System could be made more explicit. Except funds should be transferred to the Treasury. Any NPR-4 lease bonus payment should be excluded.
 - Omit -- not worth mentioning. FEA's near-term study could create more problems than it solves. Study due 6/30/76.
3. Two other problems that I think should be resolved include:
 - Oppose common carrier status for pipelines out of NPR-1: I think this provision should be dropped in that it reduces competition for the oil and could reduce NPR-1 revenues by several hundred million dollars.
 - Sale of oil from the NPRs should occur at the highest possible price as tentatively decided by the Conference, but should also be exempt from the composite price. Also, the Secretary of the Navy should be given responsibility for any allocation of NPR production. If it is not excluded, NPR oil will drive down the price of oil paid in other fields and reduce production accordingly. This could be a particular problem for oil owned by the State California.
4. OK.



TALKING POINTS FOR CALL TO
CONGRESSMAN JOHN MELCHER

CONFERENCE COMMITTEE ON NAVAL PETROLEUM RESERVES

1. I understand that the Conference Committee on the Naval Petroleum Reserves has reached tentative decisions and that it is close to final action. I hope you can complete your work as soon as possible in order to allow the NPRs to start making their contributions to reducing our dependence on foreign oil.
2. I have no major problems with some of the tentative decisions reached by the Conference Committee, even though some of them might be strengthened.

- The jurisdictional split between Defense (NPRs 1, 2 and 3) and Interior (NPR-4) is a good solution to a sticky problem. *I understand that NPR 4 will not be subject to the provisions of the Mineral Leasing Act (which would require 90% revenue from oil sharing with the state of Alaska and not allow competitive leasing) and the report indicates the creation of the Special Fund for NPR proceeds that can be used to further develop the NPRs, build the Strategic Storage System included in the recently signed Energy Policy and Conservation Act, and fill the storage system, is acceptable, although I think the language regarding FEA's and Interior's ability to use the the fund for NPR-4 and the Strategic Reserve system could be made more explicit. *Express funds should be transferred to the Treasury. Any NPR-4 lease bonus payments should be included.**
- Although I would like to see NPR-4 production authorized in this legislation, I realize that this would be out of scope. I am prepared to complete the study that is required by the new energy act regarding NPR-4 and submit it to Congress by December. *This study, which is already underway by FEA, Interior and DoD, should provide the basis for an expeditious solution to the question of NPR-4 production.*

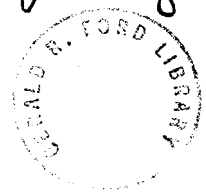
3. Two other problems that I think should be resolved include:

- *Agree* Common carrier status for pipelines out of NPR-1: I think ~~the~~ *should be handled* Senate provision is best in that it allows *reduces* ~~more~~ *could reduce* companies to compete for the oil and keep the ~~the~~ *revenues by several hundred million dollars.* NPR-1 production from forcing cutbacks in other fields.
- Sale of oil from the NPRs should occur at the highest possible price as tentatively decided by the Conference, but should also be exempt from the composite price. *Also the* ~~the~~ *Secretary of the Navy should not be given respons for any* allocation of NPR production.

*Make it clear
Adm opposes
NPR-4 being
subject to MPR
leasing - some ambiguity
in the bill
present.*

*Not worth mentioning
FEA's near term
study could
create more
problems that
it solves*

Study due 6/30/76



~~control formula in the new energy act.~~ If it is not excluded, NPR oil will drive down the price of oil paid in other fields and reduce production accordingly. This could be a particular problem for oil owned by the State of California.

4. Most important, however, is the need to complete action on this legislation now. There is no reason for delay. Frank Zarb is prepared to work with you and others to do whatever we can to speed this bill along.



Date: January 27, 1976

Time:

FOR ACTION:

Max Friedersdorf
Jack Marsh
Jim Lynn

cc (for information):

RECEIVED
JAN 27 10 59 AM '76
J. Edgar Hoover
IMMEDIATE OFFICE
OF THE DIRECTOR
C.I.B.

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, January 28 Time: 10 A.M.

SUBJECT:

Frank Zarb's memorandum of 1/26/76
Talking Points for Call to John Melcher
Regarding Conference Committee Action
on Naval Petroleum Reserves Legislation

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
For the President

469-2

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FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

January 26, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB 

SUBJECT: Talking Points for Call to John Melcher
Regarding Conference Committee Action on
Naval Petroleum Reserves Legislation

As you recall the Senate passed a bill that authorized production from NPR's 1, 2 and 3 but retained jurisdiction of all of the NPR's (Including No. 4) in Defense. The House passed similar legislation, but transferred jurisdiction of all of the NPR's to the Department of the Interior. Both bills would require separate authorization for the production of NPR 4 pending completion of a comprehensive study.

The Conference Committee established to resolve House-Senate differences has reached tentative decisions on all elements of the final bill except some minor points. They are ready, in my view, to hold their final meetings and report back to both houses for final action. All that is needed is for them to give the Conference Report priority attention and commit themselves to finishing this Conference in an expeditious manner. A phone call from you to John Melcher, Chairman of the House delegation, should help expedite the process. If you agree, I have attached talking points for the phone call.

Attachment



TALKING POINTS FOR CALL TO
CONGRESSMAN JOHN MELCHER

CONFERENCE COMMITTEE ON NAVAL PETROLEUM RESERVES

1. I understand that the Conference Committee on the Naval Petroleum Reserves has reached tentative decisions and that it is close to final action. I hope you can complete your work as soon as possible in order to allow the NPRs to start making their contributions to reducing our dependence on foreign oil.
2. I have no major problems with some of the tentative decisions reached by the Conference Committee, even though some of them might be strengthened.
 - The jurisdictional split between Defense (NPRs 1, 2 and 3) and Interior (NPR-4) is a good solution to a sticky problem.
 - The creation of the Special Fund for NPR proceeds that can be used to further develop the NPRs, build the Strategic Storage System included in the recently signed Energy Policy and Conservation Act, and fill the storage system is acceptable, although I think the language regarding FEA's and Interior's ability to use the the fund for NPR-4 and the Strategic Reserve system could be made more explicit.
 - Although I would like to see NPR-4 production authorized in this legislation, I realize that this would be out of scope. I am prepared to complete the study that is required by the new energy act regarding NPR-4 and submit it to Congress by December. This study, which is already underway by FEA, Interior and DoD, should provide the basis for an expeditious solution to the question of NPR-4 production.
3. Two other problems that I think should be resolved include:
 - Common carrier status for pipelines out of NPR-1: I think the Senate provision is best in that it allows more companies to compete for the oil and keep the NPR-1 production from forcing cutbacks in other fields.
 - Sale of oil from the NPRs should occur at the highest possible price as tentatively decided by the Conference, but should also be exempt from the composite price



control formula in the new energy act. If it is not excluded, NPR oil will drive down the price of oil paid in other fields and reduce production accordingly. This could be a particular problem for oil owned by the State of California.

4. Most important, however, is the need to complete action on this legislation now. There is no reason for delay. Frank Zarb is prepared to work with you and others to do whatever we can to speed this bill along.






THE WHITE HOUSE
WASHINGTON

Glen -

Here is the original version -
I think you need it to make sense
out of it.



Trudy Fry



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

January 26, 1976

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THE WHITE HOUSE
WASHINGTON



1/31

Trudy:

Connie in Marsh's office just called and said if it is not too late that Marsh approves of Zarb's talking points to Melcher.

S.

Trudy
JC
9:10
2/2
1/31
talk to Eleanor --
apparently Zarb may be
pulling a fast one.
S.

THE WHITE HOUSE
WASHINGTON

*Trudy - Eleanor says
Glenn will get to
this after he does something
for Cannon - E.C. didn't
believe Glenn as Jim
was at*

Sara -

Only thing I know of that might
come up outside of the outbox
is the thing that Glenn is working on - *this will probably*
wait til mo.

Jim is coming in so I am sure he
will discuss it with him --- Here
are all the papers.

Sara

Have a great time in Bermuda -

Trudy



THE WHITE HOUSE
WASHINGTON

Trudy,

FYI - the original of this has gone to Glenn Schleede to "sort out" at Jim's request. Cavanaugh knows about it. Glenn will get back to us.



E.

1/29

*Sent original to
Glenn so he had
complete story - 1/30*

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: January 28, 1976

Time:

FOR ACTION:

cc (for information):

- Frank Zarb
- ✓ Max Friedersdorf
- Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: As soon as possible

Time:

SUBJECT:

OMB Revisions Made to Frank Zarb's Talking Points
 for Call to John Melcher Regarding Conference
 Committee Action on Naval Petroleum Reserves
 Legislation.

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Since the revisions are major -- thought you should review. and Frank, possibly change your talking points.

Friedersdorf - OK
Zarb - see changes



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
 For the President

Date: January 28, 1976

Time:

FOR ACTION:

Frank Zarb
 Max Friedersdorf
 Jack Marsh

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: As soon as possible

Time:

SUBJECT:

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 for Call to John Melcher Regarding Conference
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ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks


REMARKS:

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 James E. Connor
 For the President

1. OK
2. I have no major problems with some of the tentative decisions reached by the Conference Committee, even though some of them might be strengthened.
- The jurisdictional split between Defense (NPRs 1, 2 and 3) and Interior (NPR-4) is a good solution to a sticky problem. I understand that NPR 4 will not be subject to the provisions of the Minerals Leasing Act (which would require 90% revenue sharing with the State of Alaska and not allow competitive leasing) and the conference ^{report} will so indicate.
 - The creation of the Special Fund for NPR proceeds that can be used to further develop the NPRs, build the Strategic Storage System included in the recently signed Energy Policy and Conservation Act, and fill the storage system is not acceptable. I think the language should conform to my original proposal. Our ability to use the fund for NPR-4 and the Strategic Reserve System could be made more explicit. Except funds should be transferred to the Treasury. Any NPR-4 lease bonus payment should be excluded.
 - Omit -- not worth mentioning. FEA's near-term study could create more problems than it solves. Study due 6/30/76.
3. Two other problems that I think should be resolved include:
- Oppose common carrier status for pipelines out of NPR-1: I think this provision should be dropped in that it reduces competition for the oil and could reduce NPR-1 revenues by several hundred million dollars.
 - Sale of oil from the NPRs should occur at the highest possible price as tentatively decided by the Conference, but should also be exempt from the composite price. Also, the Secretary of the Navy should be given responsibility for any allocation of NPR production. If it is not excluded, NPR oil will drive down the price of oil paid in other fields and reduce production accordingly. This could be a particular problem for oil owned by the State of California.
4. OK.

Make it clear Administration opposes NPR-4 being subject to Minerals Leasing -- some ambiguity in draft bill at present.



TALKING POINTS FOR CALL TO
CONGRESSMAN JOHN MELCHER

CONFERENCE COMMITTEE ON NAVAL PETROLEUM RESERVES

1. I understand that the Conference Committee on the Naval Petroleum Reserves has reached tentative decisions and that it is close to final action. I hope you can complete your work as soon as possible in order to allow the NPRs to start making their contributions to reducing our dependence on foreign oil.
2. I have no major problems with some of the tentative decisions reached by the Conference Committee, even though some of them might be strengthened.
 - The jurisdictional split between Defense (NPRs 1, 2 and 3) and Interior (NPR-4) is a good solution to a sticky problem.
 - The creation of the Special Fund for NPR proceeds that can be used to further develop the NPRs, build the Strategic Storage System included in the recently signed Energy Policy and Conservation Act, and fill the storage system is acceptable, although I think the language regarding FEA's and Interior's ability to use the the fund for NPR-4 and the Strategic Reserve system could be made more explicit.
 - Although I would like to see NPR-4 production authorized in this legislation, I realize that this would be out of scope. I am prepared to complete the study that is required by the new energy act regarding NPR-4 and submit it to Congress by December. This study, which is already underway by FEA, Interior and DoD, should provide the basis for an expeditious solution to the question of NPR-4 production.
3. Two other problems that I think should be resolved include:
 - Common carrier status for pipelines out of NPR-1: I think the Senate provision is best in that it allows more companies to compete for the oil and keep the NPR-1 production from forcing cutbacks in other fields.
 - Sale of oil from the NPRs should occur at the highest possible price as tentatively decided by the Conference, but should also be exempt from the composite price

control formula in the new energy act. If it is not excluded, NPR oil will drive down the price of oil paid in other fields and reduce production accordingly. This could be a particular problem for oil owned by the State of California.

4. Most important, however, is the need to complete action on this legislation now. There is no reason for delay. Frank Zarb is prepared to work with you and others to do whatever we can to speed this bill along.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: January 27, 1976

Time:

FOR ACTION:

cc (for information): Jerry Jones

Max Friedersdorf

Jack Marsh

✓ Jim Lynn

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, January 28

Time: 10 A.M.

SUBJECT:

Frank Zarb's memorandum of 1/26/76
Talking Points for Call to John Melcher
Regarding Conference Committee Action
on Naval Petroleum Reserves Legislation

ACTION REQUESTED:

___ For Necessary Action

For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

For Your Comments

___ Draft Remarks

REMARKS:

Jim Lynn - changed attached



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
For the President

Date: January 27, 1976

Time:

FOR ACTION:

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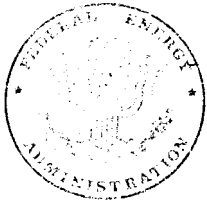
REMARKS:



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~~_____~~
James E. Connor
For the President




FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

January 26, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB 

SUBJECT: Talking Points for Call to John Melcher
Regarding Conference Committee Action on
Naval Petroleum Reserves Legislation

As you recall the Senate passed a bill that authorized production from NPR's 1, 2 and 3 but retained jurisdiction of all of the NPR's (Including No. 4) in Defense. The House passed similar legislation, but transferred jurisdiction of all of the NPR's to the Department of the Interior. Both bills would require separate authorization for the production of NPR 4 pending completion of a comprehensive study.

The Conference Committee established to resolve House-Senate differences has reached tentative decisions on all elements of the final bill except some minor points. They are ready, in my view, to hold their final meetings and report back to both houses for final action. All that is needed is for them to give the Conference Report priority attention and commit themselves to finishing this Conference in an expeditious manner. A phone call from you to John Melcher, Chairman of the House delegation, should help expedite the process. If you agree, I have attached talking points for the phone call.

Attachment



TALKING POINTS FOR CALL TO
CONGRESSMAN JOHN MELCHER

CONFERENCE COMMITTEE ON NAVAL PETROLEUM RESERVES

1. I understand that the Conference Committee on the Naval Petroleum Reserves has reached tentative decisions and that it is close to final action. I hope you can complete your work as soon as possible in order to allow the NPRs to start making their contributions to reducing our dependence on foreign oil.
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 - The jurisdictional split between Defense (NPRs 1, 2 and 3) and Interior (NPR-4) is a good solution to a sticky problem.
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 - Although I would like to see NPR-4 production authorized in this legislation, I realize that this would be out of scope. I am prepared to complete the study that is required by the new energy act regarding NPR-4 and submit it to Congress by December. This study, which is already underway by FEA, Interior and DoD, should provide the basis for an expeditious solution to the question of NPR-4 production.
3. Two other problems that I think should be resolved include:
 - Common carrier status for pipelines out of NPR-1: I think the Senate provision is best in that it allows more companies to compete for the oil and keep the NPR-1 production from forcing cutbacks in other fields.
 - Sale of oil from the NPRs should occur at the highest possible price as tentatively decided by the Conference, but should also be exempt from the composite price



control formula in the new energy act. If it is not excluded, NPR oil will drive down the price of oil paid in other fields and reduce production accordingly. This could be a particular problem for oil owned by the State of California.

4. Most important, however, is the need to complete action on this legislation now. There is no reason for delay. Frank Zarb is prepared to work with you and others to do whatever we can to speed this bill along.



THE WHITE HOUSE
WASHINGTON

January 29, 1976

MEMORANDUM FOR: JAMES E. CONNOR

FROM: MAX FRIEDERSDORF *M.F.*

SUBJECT: OMB Revisions Made to Frank Zarb's
Talking Points for Call to John Melcher
Regarding Conference Committee Action
on Naval Petroleum Reserves Legislation

The Office of Legislative Affairs concurs with suggested revisions.



THE WHITE HOUSE

WASHINGTON

January 27, 1976

MEMORANDUM FOR: JAMES E. CONNOR

FROM: MAX FRIEDERSDORF *M.F.*

SUBJECT: Frank Zarb's memorandum of 1/26/76
Talking Points for Call to John Melcher
Regarding Conference Committee Action
on Naval Petroleum Reserves Legislation

The Office of Legislative Affairs concurs with subject talking points.

