The original documents are located in Box 15, folder “Energy - Naval Petroleum Reserves” of the John Marsh Files at the Gerald R. Ford Presidential Library.

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Attached is a brief news analysis, prepared by Dr. Annunziata, of published discussions, speculations and suggestions on the oil "shortage" problem. This analysis points up some important and provocative aspects of oil prices, production, distribution and available reserves.

Harry Zubkoff
Chief, Executive Agency Service (SAF/AAR)
USE OF ELK HILLS NAVAL PETROLEUM RESERVE TO HELP RELIEVE US PETROLEUM "CRISIS"

Since the October 1973 Arab-Israeli war, there has been considerable public discussion, much of it confusing, concerning the existence and causes of a US and Western petroleum "crisis." Many statements, including recent Administration ones, have seemed to suggest the view that the "crisis" is due to "Middle Eastern" boycotting and pricing policies, and that even Western military action might be warranted to change those policies.

In contrast to that view, there has been a less prominent, but apparently persistent, view coming from oil-producing countries, particularly in the Middle East, from European countries, and from American Congressional and other public opinion. That view maintains that:

1) There is no "real" petroleum crisis, certainly not in the United States, if not throughout the West. The United States currently produces domestically about 70% of what it consumes and could produce more from currently accessible private and government-owned reserves, if their development were not arbitrarily withheld. Naval Petroleum Reserve No. 1 (Elk Hills, Calif.) contains about 1.4 billion barrels of petroleum and could readily produce 200,000 barrels per day within a short time. Naval Petroleum Reserve Nos. 2 (Buena Vista, Calif.) and 3 (Teapot Dome, Wyo.) have a total production capacity of only 13,000 barrels per day and are therefore of limited value. However, Naval Petroleum Reserve No. 4 (Alaska), which the Geological Survey has estimated to contain up to 33 billion barrels of petroleum, could produce up to 10 million barrels per day if developed over the next 10 years. Moreover, these four Naval Petroleum Reserves are supplemented by reserves which are controlled by the Department of the Interior. Yet, recoverable resources in the four Naval Petroleum Reserves alone come close to the current proven recoverable oil in all domestic oilfields -- about 39 billion barrels. Also, the Navy estimates that its three Naval Oil Shale Reserves in Colorado and Utah contain, at 10 gallons of oil or more per ton of shale, about 26 billion barrels of oil. Furthermore, these Naval Oil Shale Reserves comprise only about 1.8% of the

PREPARED BY THE AIR FORCE (SAFIA) AS EXECUTIVE AGENT FOR THE DEFENSE DEPARTMENT TO BRING TO THE ATTENTION OF KEY PERSONNEL MATTERS WITHIN THEIR OFFICIAL RESPONSIBILITIES. NO OTHER USE OF THIS ANALYSIS IS AUTHORIZED.
Federally owned oil shale lands, and the remaining 98.2% are administered by the Department of the Interior. In addition, there are vast quantities of commercially developable petroleum in the continental United States, as well as offshore, whose development is not being sufficiently forwarded; but the economics of maintaining current market and price levels seems to govern the quantity of oil released for domestic consumption rather than the quantity of oil available in this country, or the prices asked for by the OPEC countries. Indeed, the real problem is that the US may end up having a great surplus of oil over the next decade as other sources of energy are developed, unless it prudently develops and consumes some of its enormous petroleum reserves at a measured rate.

2) The atmosphere of "crisis" has been deliberately contrived by the international petroleum corporations. In an effort to increase their profits, they have systematically restricted their exploration, refinement, and distribution of petroleum over at least the last five years. Since October 1973, they have sought to attribute their contrived "shortage" and their accompanying price increases to the coincident movement on the part of certain "Middle East" oil-producing countries to share more equitably in the large profits of the international petroleum corporations, and to use their petroleum resources for greater international economic leverage. Although "Middle East" frequently translates into "Arab" oil-producing countries, Iran is not an Arab country, as frequently implied; only 1% of US petroleum imports come from Arab countries, which amounts to about 1.5% of total US consumption; the "boycott" of October 1973 was readily circumvented and compensated for by imports from other producers; and the increasing petroleum prices began before October 1973 and were stimulated by the international petroleum corporations, part of whose profits the oil-producing countries, led by non-Arab producers such as Venezuela, Canada, and Iran, subsequently decided to participate in. While the West Europeans and Japan rely upon foreign petroleum imports for about 70% of their petroleum needs, they attribute any petroleum "crisis" (which they view more in terms of prices than shortages) less to the policies of "Middle Eastern" oil-producing countries than to a general world inflationary situation, to other non-Middle Eastern oil-producing countries, and to the policies of the major international petroleum corporations.

3) US government officials, including key ones in the Executive and Legislative branches, have cooperated with the international petroleum corporations' endeavor. International oil corporation interests have filtered into such agencies as the Federal Energy Administration, and successfully lobbied against legislation aimed at windfall profits taxes; price rollbacks; eliminating depletion allowances and foreign tax credits; antitrust action; oil corporation activities in conjunction with foreign oil-producing countries; increasing profit margins; and complete government examination of oil corporations' records concerning their reserves, drilling, refining, and distribution. Similarly, these international petroleum
corporations are lobbying for deregulation of natural gas prices. The argument that allowing oil corporations to charge for their products whatever the "free" market will pay, on the grounds that such profit incentives will encourage the corporations to explore and refine more petroleum, is invalid. Depletion allowances and foreign tax credits were supposed to be such incentives, but the corporations pocketed the profits and still contrived the present "shortage" to increase even further their profits. Petroleum prices will not go down if left to the corporations' determination. There is now and will be adequate petroleum in the US, and indeed the West, "as long as the price is right." What is needed are strong government antitrust action, price rollbacks, and true competition in the petroleum marketplace.

One suggestion which has been made to relieve the "crisis" (whether real or contrived) is for the US government to begin full production at the Elk Hills Naval Petroleum Reserve, which would considerably increase US domestic petroleum production almost immediately. Such production would 1) relieve the pressure of demand on the apparent current "shortage," and thus tend to bring down the price of domestic and foreign petroleum; and 2) further reduce US imports of foreign petroleum, if desirable, particularly if its prices are not reduced to below the cost of domestically produced petroleum.

The Administration favors opening up Elk Hills for increased petroleum production. It would turn over all the Naval Petroleum Reserves to the Department of the Interior and open them up to bids for leasing contracts with commercial corporations. Elk Hills, in particular, would be developed by a formula whereby the government would receive 80% of all the oil extracted by the commercial manager. Part of the government's oil would be sold on the commercial market for domestic consumption, and the proceeds from those sales would be used to further develop the government's Alaska Reserve. The remainder of the Elk Hills production would be used to build a "strategic" reserve to be stored underground in salt-dome reservoirs.

However, opponents of this plan include Congressman F. Edward Hébert (D. La.), Chairman of the House Armed Services Committee, who would like to continue to maintain these reserves under control of the Department of Defense, to be used "for strictly defense emergency needs." The Administration and other response to this objection is that there is no more urgent need for the country to develop these reserves than now. While the quantity of oil which the US might require in an "emergency situation" has never been precisely determined or adequately prepared, the Navy is sitting on enough oil to double the amount of the entire US domestic recoverable total. Meanwhile, DoD needs for oil will probably be reduced over the next decade as dependence on nuclear and other forms of energy are developed, and these vast reserves could eventually go unused as the country shifts to other forms of energy use. A national policy with regard to the development and use of the country's four Naval Petroleum Reserves and three Naval Oil Shale Reserves has remained essentially static since their
establishment in 1912. The policy remains basically one of "conservation" in the event of an emergency need for national defense. Production at the reserves for national defense has been authorized by Congress only once, during World War II, when Petroleum Reserve No. 1 was authorized to provide 65,000 barrels per day. There seems to have been little adjustment in policy as the quantity of the reserves has become to be known as much greater than originally thought, as nuclear and other forms of energy have been sought to substitute for oil, as projected war situations have changed since World War I, and as the national and international situation of oil supply and demand have affected the national economy. Rather than waiting for an emergency situation where all US sources of imported oil might be suddenly cut off (highly unlikely, since the US now gets oil from 26 different countries, the Arab boycott affected only 5% of its imports, and was overcome by increased imports from other countries without too much difficulty), the US should think in terms of using its reserves in a measured way to bring down the costs of oil and foreign dependence. While Naval Petroleum Reserve No. 1 is being used, Reserve No. 4 would be developed and would be more than adequate for future "national emergencies." One estimate of a national emergency need is some 2 million barrels per day, all of which could be diverted from civilian consumption even if the plentiful government reserves were not at full production capacity.

Other opponents to the Administration plan for opening up Elk Hills petroleum production fear that any commercial leasing of these reserves might redound to a further windfall to the international petroleum corporations in the area which would do the drilling, refining, and distributing. The current management of Elk Hills is regulated by a 1944 contract with Standard Oil of Southern California, which also owns 20% of the 45,000-acre reserve. If production at the reserve is undertaken for any reason other than "wartime emergency," SOCAL could commercially exploit its one-fifth of the reserve. SOCAL would gain further since it owns the primary pipeline leading out of the reserve and most of the refining capacity in the area. SOCAL has already been charged with draining oil from underneath government property through means of boundary zone drilling and production. Shell Oil also would accrue some benefit from a contract for "excess" oil production at Elk Hills. These objectors would insist at least on a carefully considered re-negotiation of any contract for the commercial exploitation of Elk Hills, if not on complete government ownership of pipelines, refineries, and even the 20% of Elk Hills which SOCAL now owns, so as to prevent monopolistic profiteering by major international petroleum corporations. The management contract with SOCAL is in fact up for renewal in 1976.

Another option has been suggested for the use of Elk Hills, which might satisfy the objections both of those who wish to assure that the reserves will be available for national defense and of those who wish to prevent windfall profits to commercial companies leasing the reserves: the US government could exploit the reserves itself, by creating a federal
oil and gas corporation to undertake production, refining, and distribution, and which would also serve as a "yardstick" to gauge oil-firm profits. However, such an endeavor might be considered as competition with the private petroleum corporations and as government interference with the "free" petroleum marketplace. The commercial oil companies might not appreciate competition from the government in the production of oil, and would not want the government flow of oil on the market to cause a surplus situation which would cause domestic oil prices to go down again. However, rather than enter into direct commercial competition with the private petroleum corporations, such a government endeavor at Elk Hills could produce petroleum for the sole consumption, for example, of the Department of Defense. Current Defense Department petroleum consumption is estimated to be about 600,000 barrels per day (about 3.5% of total US petroleum needs). The estimated 200,000 barrels per day of petroleum which could be produced at Elk Hills for the next 15 to 20 years would satisfy about one-third of the Defense Department's current level of consumption. That total approximates the amount which the Defense Department currently imports from worldwide foreign sources. It also approximates the amount which the United States as a whole imports from Arab countries, and would further mitigate any attempted boycott of these or other foreign imports. In addition to causing a lowering of domestic and foreign petroleum prices, and reducing US reliance, particularly defense reliance, on foreign petroleum, such a government petroleum operation for Defense Department consumption would free more domestic and foreign petroleum for civilian consumption. If the government operation at Elk Hills proved successful, and conditions continued to warrant it, the eventual 10 million barrels-per-day capacity of Reserve No. 4 also could be produced by the government corporation, to satisfy total Defense Department needs, to reduce further US foreign oil imports (currently at 5.5 million barrels per day), or to be stored for national emergency use. Meanwhile, there would still remain other substantial government and private petroleum reserves, while other sources of energy continued to be developed.
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October 2, 1974

CONGRESSIONAL RECORD - S 17995

THE OLD SELL GAME

Mr. ABDOREZIK. Mr. President, Mr. Robert Sherrill, a noted scientist and author of the recent book, "The Old Shell Game," has written a highly interesting article in the October issue of Penthouse, Sherrill's article, "The Old Shell Game," is an expose of the scare campaigns by the major oil companies, campaigns which the companies used to keep the public in the dark.

Sherrill pulls no punches. The major oil companies after every so-called shortage of gasoline, were more powerful, more concentrated, and more able to exert their will on the country.

This article, should be read by all those who do not understand the enormous economic and political power of the oil companies run by a few multinational corporations.

Mr. President, I ask unanimous consent that these be printed in the Record.

The basic no objection, the article was ordered to be printed in the Record, as follows:

[From Penthouse magazine, October 1974]

THE OLD SELL GAME

(By Robert Sherrill)

In mid-July, 1974 the Senate Foreign Relations Committee held a weighty antitrust deposition by charge seven of the world's largest oil companies, including Shell Oil Company of America (the Shell Oil Company, Standard of California, Standard of Indiana, Shell, Standard of Ohio, and Mobil) to be an unwise monopolization of the oil production, leading to higher prices and limiting supplies to create a gasoline shortage, and reaping excessive profits.

Such actions as these do not foster a loosening of the oil industry's stronghold on the world. However, most certainly, the above legal fight will be cranked up in court for many years before coming to an unending ending in compromise.

Percentages of these motions may indicate that a desperate public is at last beginning to wake up to the fact that it cannot go on playing the game of supply-and-demand in the petrol production. The bill that the public pays happens to be beginning—just beginning, in a fierce way. We are slowly recurving to the control of the government around the world. That would indeed be a radical change from the past.

For fifty years the major international oil companies have been the masters of the United States, and recruited public opinion against any government regulations that would make the calculations by a series of fear campaigns that have been going on.

Since the 1920s, when only one out of every seven Americans owned a motorcar (compared to one per two Americans today), the national economy and the public comfort have depended on oil automobiles. This has provided a perfect context for industrial blackmail, and the oil industry has selected the opportunity, not only to obtain higher prices but also to have the Department and the Justice Department in their dirty work—by collusion if at all possible, or the price while the, per owners have long been richly subverted by motorhome and gasoline advertising, has, with very few exceptions, flayed along with the industry.

An accusation like this will be offensive to most Americans, of course, because it implies that they are not doing as well as enough of more profit of the secrecy. For years the oil companies have run an "oil crisis" in the proper perspective. There have been other "crises" in our history. As for the one the oil companies have been running on the public.

For example, in 1920, during World War I and had just converted her navy from coal to oil, as it was absolutely vital that her supply chain not be interrupted. Only Britain—and France, too, for that matter— had the shipbuilding might to produce the oil needed to keep these ships in the water. The oil companies were quick to point out the many billions of dollars of oil that were being used, and to do so at the cost of a picture of scarcity. The public was allayed. In 1914, after the World War I, oil, monarch of world oil at the time, supplkyed all the petroleum needs of the United States (which has always been in the industry's pockets), announced that the United States was on the verge of a (last 3.5 billion barrels of oil reserves—scarcely enough to last out the year 1920. If the country had no more oil, Old Oil had clearly become a precious commodity.

When the word came in 1920, the oil companies ran a scare campaign that the public would not do, in the United States. And the United States—first to support the companies continued another war. This time, they persuaded the U.S. Geological Survey to announce that domestic oil supplies would not last. This did not happen. That is what happened in 1920. During the war, oil companies claimed that the price of oil was too high, and that the public was interested in reaping excessive profits.

There being no real legitimate argument for similar reasons, this past campaign was aimed at the nation's feverish way—to be fearful. Americans today), the United States—was reaping excessive profits.

The only objection to this was that the public was interested in reaping excessive profits.

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be guaranteed that their fear campaign would work—when they were ready to launch it.

As part of their planned long-range strategy, the oil industry also returned to build enough refineries in the 1960s to take care of future demands (more than half a dozen major refineries, over 50,000 barrels-a-day capacity) were built in the U.S. The industry magnates, Oil & Gas Journal, applauded this period euphemistically as "a bad in construction to let demand catch up with a bit." Moreover, not one new domestic refinery was built in the last four years, though consumption was soaring.

Meanwhile, however, the international giants were pouring money into overseas refineries and overseas retail outlets. They were, in short, rearranging their operations in such a way that when they put the U.S. market into a vice, they would go on operating at their usual pace in other countries.

The ultimate blow to the theory of the market was in Europe and Japan.

Let's pause a moment to recapitulate. Up to this point, we have seen the major international oil companies build toward the oil crisis by shutting down their refineries and retail outlets in some countries, and by cutting back on producing oil in others. But a little, very seldom make a million-calorific. And in 1971, six of the Middle East, and this amount could easily be back occurred the tanker crisis by the major companies were shoveling.

For example, Standard of California, many industries in the world, and they very seldom make a million-calorific. The tanker crisis by the major companies were shoveling.

By the early 1960s they were selling only about 10 percent of their products here. By the end of the decade, this figure was, in point of fact, a lie. We were getting only 10 percent of crude oil and petroleum products from the Persian Gulf area. But that 10 percent was the market.

Furthermore, the embargoed Middle East oil could easily be made up from other sources. The available oil from the Middle East was not so important because "about half of the non-communist world's crude oil production outside of North America, Europe, and the Far East is already being shipped to U.S. refineries," as the Houston Business School Energy Project, and other oil-rich kingdoms of the Persian Gulf area's announcement that they would embargo oil to the United States and the Netherlands because those two nations were dealing with Israel.

At once the Nixon administration and the oil companies declared an emergency. They said we would shortly be starving for oil. The market was the nation to another. The Shah of Iran (where the Consortium had offered the price went so far as to let demand do without. "The Shah told TV Interviewer in the Interview that the U.S. was also being housed. Consequently, the war started within a few months after the oil embargo program, started in 1959, ended. If the war hadn't come up, the oil companies would have had a hard time selling up an excuse to keep Middle East oil out of the U.S.). The Shiek of Saudi Arabia, Kuwait, and other oil-rich kingdoms of the Persian Gulf area's announcement that they would embargo oil to the United States and the Netherlands because those two nations were dealing with Israel.

The Netherlands, supposedly being embargoed, wasn't suffering at all. Jack Bar, a press aide for the city of Rotterdam, Europe's largest oil port, told reporters in January, "Personally I think the whole thing is a hoax."

The oil embargo of Iran (where the Consortium still had seven big fields closed down) had been called a "phony" by many reputable sources, including the Arabian American Oil Company, whose top ten oil companies were pumping 18 percent of the world's production outside of North America, Europe, and the Far East. The United States' total dependence on Middle East oil was only 6 percent. Standard, Texaco, Gulf, Standard of California, and U.S. companies like British Petroleum and Shell were already switching to non-OPEC countries now using non-arab oil, thereby driving the Middle East offshore.

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In 1974, Senator Hubert H. Humphrey, chairman of the Senate Antitrust Subcommittee, announced that oil and gasoline price rises during the previous year alone had cost consumers $85 billion and that the new Administration would do nothing to stop it. The government would take a hard line against the oil companies and might take over the industry. The tanker crisis by the major companies were shoveling.

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Elk Hills Supply Should Be Tapped Instead

L.A. Times Oct 13, 1974

BY ALPHONZO BELL

Elk Hills' reserves in Kern County. This major oilfield has not been adequately developed by the Navy. Justification for the President, the most logical cause of production, should begin as quickly as possible.

Elk Hills was the nation's first Naval petroleum reserve. It was established in 1912 and has been sat on its oil by the Navy since then. Now is a clearly favorable time for the Navy to do something with its one to three billion barrels of oil. Otherwise, they will not be able to convert the oil to gasoline at the rate needed to bypass the committee which has been resistant to any offshore drilling sites in the United States. Moreover, it is obvious that in case of a security threat, the Navy could not use its oil without going through a major decision. At full production, Elk Hills would have 300,000 barrels of production. Even during World War II, production at Elk Hills for example, would have been many economic considerations. Full production should begin as quickly as possible.

The most logical economic proposals are being discussed among his emergency jurisdiction. Secretary of the Interior Morton has been frustrated by vigorous efforts to cut the payments deficit by $1 billion a year. Federal leasing proposals have been frustrated by vigorous efforts to cut the federal offshore oil leasing proposals for the Army, the Air Force, or the Coast Guard. As a practical matter, the Navy has resisted any offshore drilling sites in the United States. It is not clear that the agency can adequately consider all the prospects of national oil policy. These include the one to three billion barrels of oil in Elk Hills and Alaska.

Elk Hills: Should Oil Be Shared?
Reserve Is Needed For Civilian Use

ALPHONZO BELL
Statement By Congressman Bell

MERYL COMER: In the scramble to find and develop alternate sources of energy, a demand today by California Congressman Alphonzo BELL that the Navy stop hoarding oil supplies in its Elk Hills, California petroleum resource.

ALPHONZO BELL: The Navy does not need those reserves. Absolutely not. In the first place you must recognize that we in the nation have 11 million barrels a day of production in this nation. Then the requirements of the military under the most extreme need would be no more than two million barrels a day. We have 11 million barrels a day.

So the Navy would obviously get off the top, top priority in any oil that was available to the nation. The civilians would come last. So the military gets the first priority anyway.

I appreciate that there's only 300,000 barrels a day that we could probably get from there within three years. But nevertheless the important thing to remember is that this affects our balance of payment to the tune of $1 billion a year. In other words, just multiply it out. Three-hundred thousand barrels a day at $10.00 a barrel, it comes out $1 billion a year. And that's a lot of money that the United States can use right now in our balance of payments.

In addition to that there's a tremendous amount of energy when you think about 300,000 barrels a day, that's a lot of oil. For example, California today is buying Arab oil at about 250,000 barrels a day. With Elk Hills production you would have to -- you would be able to eliminate all of that Arab oil production that we're buying today in California.
3. L.A. Times has doubts about "shortage;" favors using Elk Hills before proceeding to environmentally questionable offshore drilling.
4. Sen. Magnuson (D. Wash.), Chairman of Senate Committee on Commerce, blames international corporations for price rises. Rejects deregulation of natural gas as further "blackmail" by oil companies to gain higher prices.

Natural Gas and the Trade Bill
Washington Post Dec. 9, 1974
Columnist Nick Thimmesch berates Administration "silly" statements about possible use of force on Middle East oil-producing countries. Says OPEC price rise began before October 1973, and were led by Iran and Venezuela, not Arab countries. Furthermore, most US imported oil comes from Canada, Venezuela, Nigeria and Iran. Arabs unfairly "stereotyped." Japan and Europe don't indulge in such frightening speculation.
6. Kissinger’s talk of force over oil criticized by Europeans and Congressmen.

Kissinger’s Talk of Force Over Oil Stirs the Germans

Le Monde seized on Mr. Kissinger’s remarks about force, and his criticism of European “hospitality” toward foreign oil, to suggest that Americans would go to war in support of Israel. “That?” and answered his own question by saying, “If there were no possibility the Americans would go to war in support of Israel, our relations with the United States would be reduced to the level of a spoon with a fork.” Representative Henry Reuss, Democrat of Wisconsin, said it was “immoral” for Mr. Kissinger to suggest that there was no possibility the United States would go to war in support of Israel. He said that the American people bowed their heads in sorrow at the death of Yitzhak Rabin, the late Prime Minister of Israel, and now they were about to end his life and support the war in the Middle East.”

**FEDERAL ENERGY ADMINISTRATION**

**Daily Average Of**

*U.S. Petroleum Imports (33% of U.S. demand)*

Week of August 30 to September 5, 1974

<table>
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<tr>
<th>COUNTRY</th>
<th>% OF CRUDE IMPORTED</th>
<th>% OF REFINED IMPORTED</th>
<th>% OF TOTAL IMPORTED</th>
<th>% OF TOTAL U.S. DEMAND</th>
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<td>Tunisia</td>
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<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>33.0</strong></td>
</tr>
</tbody>
</table>

(3,752,000 barrels/ (1,806,000 barrels/ (5,558,000 barrels/day) (17,674,000 b/d)

**ANALYSIS**

* Only 33% of our oil needs are imported.

* Venezuela, Nigeria, and Canada provide over 50% of those imports.

* We buy directly from Arab countries only 5% of our crude imports, 1% of our refined imports, and only 3% of our total imports. This is only 1.7% of our total oil needs. Some of the oil we import from other countries may come indirectly from Arab countries, but those sources were not necessarily cut off by the boycott.

* The price increases on our oil imports are not a result only of Arab action, but Venezuela, Nigeria, Canada, and Iran are perhaps even more responsible.
8. Iran defends its price rises. Says "during the course of two decades when the international oil companies were reaping profits exceeding several hundred percent, the oil producers were forced to accept a depressed price for oil arbitrarily set at $2.17 in 1947 and reduced to $1.79 by the year 1971." During that period of time the price of world commodities (which Iran must import) rose 300 to 400 percent.

Wash. Post Jan. 5, 1975

As far as the question of oil prices it is sufficient to point out that during the course of two decades when the international oil companies were reaping profits exceeding several hundred percent, the oil producers were forced to accept a depressed price, for oil arbitrarily set at $2.17 in 1947 and reduced to $1.79 by the year 1971. During that period of time the price of world commodities rose by 300 to 400 percent. Is it the contention that the industrialized world should continue to export inflation and prosper on the basis of cheap energy while oil producers are deprived of the right to make maximum and intelligent use of their natural resources. This reminds me of the saying that whatever is mine is mine and whatever is yours is negotiable. It would be regrettable if this philosophy served as the yardstick for the conduct among nations. Iran with a population of more than 32 million people and an unlimited absorptive capacity is cognizant of its new responsibilities. It has not only devoted its increased revenues to restoring the greatness of its ancestors but has earmarked 7 per cent of its GNP to aid to a variety of countries in the world. Here, it might be worth noting that the U.S. assistance abroad despite its trillion dollar GNP is less than one half of 1 per cent. In this regard, one should mention the several hundred per cent increases in the price of sugar, vegetable oil, wheat, cement and other products. As my sovereign has repeatedly stressed, the price of oil should be linked to an index of between 20 to 30 basic commodities. It is wishful thinking to expect that the price of oil which has affected inflation in the West by no more than 1 to 1 1/4 per cent will fall while the prices of world commodities are rapidly increasing. In this connection, it is now reported that Secretary of State Henry Kissinger is agreeable to Iran's proposal to establish such a linkage between the prices of oil and other commodities.

Ardeshir Zahedi, Ambassador of Iran.
9. Administration proposal to have Elk Hills commercially developed opposed by Hebert for "national emergency" reasons on the one hand, and by others because of fear of commercial windfall profits.
Should U.S. develop Navy’s oil reserves?

By Guy Halverson and Monty Hoyt
Staff correspondents of The Christian Science Monitor

Washington
Defense Requirements Come First

JOHN E. MOSS

the taxpayers; one that has re-
Navy Maps Big Oil Development for Elk Hills

By Bill Rintoul
Oil Correspondent

The Elk Hills field is not fully explored, and the de-
Navy's Oil Reserves Spur Struggle Atop Capitol Hill

By PETER J. BERNSTEIN

(Times-Picayune National Service)
How oil firms move in on U.S. reserve

By Bruce Ingersoll

Sun Times Bureau

On Oct. 10, they met with President Ford to line up administration support for Melcher's bill that would turn the naval reserves over to Morton and permit commercial development.
Accord on Developing Naval Oil Reserves Is Reached by Ford, Key Congressman

By BURT SCHORR
Staff Reporter of The Wall Street Journal

WASHINGTON. - President Ford furthermore has indicated that it would accept the kind of revisions Mr. Hebert has in mind.
Ford plan to use Elk Hills oil reserve runs into continuing Hebert opposition

By STEPHEN E. NORDLINGER
Washington Bureau of The Sun
Mist -
For 10:15 -
D. J. T.
February 3, 1975

MEMORANDUM FOR: FRANK ZARB
FROM: JERRY H. JONES
SUBJECT: Naval Petroleum Reserves

Your memorandum to the President of January 18 on the above subject has been reviewed and the following notation was made:

-- Shouldn't we get House and Senate Committee Chairmen and ranking Minority down? Should we include Hebert as well as Price, the Chairman? What do Jack Marsh and Max think?

Please follow-up with the appropriate action.

Thank you.

c: Don Rumsfeld
Jack Marsh
Max Friedersdorf
Mike Duval
Warren Rustand
March 24, 1975

MEMORANDUM FOR:  RUSS ROURKE
FROM:  JACK MARSH
SUBJECT:  ELK HILLS

On the forthcoming visit to California, on Saturday the President plans to stop by the Elk Hills petroleum reserve area which is controlled by the Navy, for inspection. You should be aware that the President is very concerned that the Navy is dragging their feet in developing these petroleum reserves.

I would like for you to devote some time this week to working on this project, and this would include the following:

a.  Background statement on Elk Hills.
b.  Current status of its management and development.
c.  The status of the Navy plans to bring it on stream.

I suggest that you go over to the Pentagon and meet with those Defense officials responsible for this, to include: The Assistant Secretary of Defense, Arthur Mandell, who handles logistics; Secretary of the Navy, Middendorf; and Assistant Secretary of the Navy for Logistics, Jack Bowers. I do not believe it is necessary to meet with the senior uniformed officials of the Navy inasmuch as this is a logistics problem which is being handled on the civilian side principally.

You might discuss this with me further to develop a plan on what you will be doing.
MEMORANDUM FOR: JACK MARSH
FROM: CHARLES LEPPERT, JR.
SUBJECT: Status of Naval Petroleum Reserves Legislation (Elk Hills)

The House of Representatives on July 8, 1975 passed by a vote of 391-20, H. R. 49, authorizing the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves for development and regulation consistent with the total energy needs of the nation. H. R. 49 was reported by the House Committee on Interior and Insular Affairs.

On the same day, the House, by a vote of 102-305 rejected H. R. 5919, as a substitute for H. R. 49. H. R. 5919 was the bill reported by the House Committee on Armed Services and supported by the Administration.

Also on July 8, the Senate passed by a vote of 91-0, S. 677 which authorized the creation and maintenance of strategic reserves of crude oil and petroleum products to insulate the nation against future interruption of oil imports. Creation of a similar reserve system was requested by the Administration in the omnibus energy bill sent to the Congress in February 1975. S. 677 was reported by the Senate Interior and Insular Affairs Committee.

During the Senate debate on S. 677, Senator Howard Cannon, Chairman of the Senate Armed Services Subcommittee dealing with naval petroleum reserves agreed to consider a bill permitting some production from the naval petroleum reserves for use in creating a national strategic reserve. Thereafter, the Senate passed S. 2173.

The Senate on July 29, by a vote of 93-2 passed S. 2173 authorizing the creation of a national strategic petroleum reserve and providing for limited production from naval petroleum reserves. The Senate then took up H. R. 49, struck everything after the enacting clause and substituted the provisions of S. 2173 as passed by the Senate. S. 2173 was reported by the Senate Committee on Armed Services.
S. 2173, as amended and passed by the Senate has been sent to the House of Representatives. S. 2173 is now pending at the desk before the Speaker of the House awaiting action of the House. As of August 1, 1975, the House had taken no action on S. 2173. The House may disagree and ask for a conference and appoint Conferees, amend S. 2173 and return it to the Senate or refer S. 2173 to a Committee of the House.

The chief differences between H. R. 49, as passed by the House and S. 2173, as passed by the Senate are as follows:

- H. R. 49 provides for unlimited production from naval petroleum reserves and transferred jurisdiction to the Department of Interior from Defense.
- S. 2173 sets a maximum efficient rate of production from each reserve of 350,000 barrels per day for a period of five (5) years and retains jurisdiction of the naval petroleum reserves in the Department of Defense.

cc: Bill Kendall
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cc: Bill Kendall
February 28, 1976

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: JACK MARSH

The President asked for a status report on Elk Hills, which Bob prepared.

I believe it would be helpful if a member of your House staff could follow-up on this measure this week. The President is most anxious to get this through.

Many thanks.

cc: Bob Wolthuis

JOM/41
MEMORANDUM FOR:  
JACK MARSH
FROM:  
ROB WOLTHUIS (RW)
SUBJECT:  
Status of Elk Hills Legislation

The staffs of the House Interior Committee and the Senate and House Armed Services Committees have been meeting on the Elk Hills legislation. The Committee negotiations have been making some progress. The Conferees themselves have not been meeting in formal session.

The hang-up remains jurisdiction over Pet-4 in Alaska. Congressman Melcher (D-MONT) is holding out for Interior Department exploration, development and funding at Pet-4. The Armed Services people, especially Eddie Hebert and Howard Cannon are still holding out for Navy control over Pet-4 exploration.
March 1, 1976

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN

FROM: CHARLES LEPPERT, JR.

SUBJECT: H.R. 49, Naval Petroleum Reserves

Attached is a copy of H.R. 49, the Naval Petroleum Reserves Production Act of 1976, indicating the remaining issues to be decided by the Conferees.

It is anticipated that the remaining issues can be decided in one more meeting of the conferees which at this time is not scheduled but is expected to take place this week.

Attachment

cc: Jack Marsh
H. R. 49

IN THE SENATE OF THE UNITED STATES

JULY 9 (legislative day, JULY 7), 1975
Received
JULY 29, 1975
Considered, amended, read the third time, and passed
[Insert the part printed in italic]
MARCH 1, 1976
Reported by Mr. ____________, with an amendment to the title

AN ACT

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 Representatives of the United States of America in Congress assembled,

2 That this Act may be cited as the "Naval Petroleum Reserves Production Act of 1976".

J. 67-107—1
TITLE I—NATIONAL PETROLEUM RESERVE IN ALASKA

DEFINITIONS

SEC. 101. As used in this title, the term "petroleum" includes crude oil, gases (including natural gas), natural gasoline, and related hydrocarbons, oil shale and the products of such resources.

DESIGNATION OF THE NATIONAL PETROLEUM RESERVE IN ALASKA

SEC. 102. The area known as Naval Petroleum Reserve Numbered 4, Alaska, established by Executive order of the President, dated February 27, 1923, except for tract Numbered 1 as described in Public Land Order 2344, dated April 24, 1961, shall be transferred to and administered by the Secretary of the Interior in accordance with the provisions of this Act. Effective on the date of transfer all lands within such area shall be redesignated as the "National Petroleum Reserve in Alaska" (hereinafter in this title referred to as the "reserve"). Subject to valid existing rights, all lands within the exterior boundaries of such reserve are hereby reserved and withdrawn from all forms of entry and disposition under the public land laws, including the mining and mineral leasing laws, and all other Acts: Provided, That, the Secretary may (i) make dispositions of mineral materials pursuant to the Act of July 31, 1947 (61 Stat. 681), as amended (30 U.S.C. 601), for appropriate use by Alaska Natives and (ii) make such dispositions of mineral materials and grant such rights-of-way, licenses, and permits as may be necessary to carry out the responsibilities authorized by this Act: Provided further, That the Secretary of the Interior is authorized to convey the surface of lands properly selected on or before December 18, 1975, by Native village corporations pursuant to the Alaska Native Claims Settlement Act. All other Acts and actions heretofore taken reserving such lands as a Naval Petroleum Reserve shall remain in full force and effect to the extent not inconsistent with this Act.

TRANSFER OF JURISDICTION

SEC. 103. (a) Jurisdiction over the reserve shall be transferred by the Secretary of the Navy to the Secretary of the Interior as soon as practical, but not later than October 1, 1976. (b) With respect to any activities related to the protection of environmental, fish and wildlife, and historical or scenic values, the Secretary of the Interior shall assume all responsibilities as of the date of the enactment of this title. As soon as possible, but not later than the effective date of transfer, the Secretary of the Interior may promulgate such rules and regulations as he deems necessary and appropriate for the protection of such values within the reserve. (c) The Secretary of the Interior shall, upon the effective
date of the transfer of the reserve, assume the responsibilities and functions of the Secretary of the Navy under any contracts which may be in effect with respect to activities within the reserve.

(d) On the date of transfer of jurisdiction of the reserve, all equipment, facilities, and other property of the Department of the Navy used in connection with the operation of the reserve, including all records, maps, exhibits, and other informational data held by the Secretary of the Navy in connection with the reserve, shall be transferred without reimbursement 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 title.

(e) On the date of transfer of jurisdiction of the reserve, the Secretary of the Navy shall transfer to the Secretary of the Interior all unexpended funds previously appropriated for use in connection with the reserve and all personnel ceilings assigned by the Secretary of the Navy to the management and operation of the reserve as of January 1, 1976.

ADMINISTRATION OF THE RESERVE

Sec. 104. (a) Except as provided in subsection (e) of this section, production of petroleum from the reserve is prohibited and no development leading to production of petroleum from the reserve shall be undertaken until authorized by an Act of Congress.

(b) Any exploration within the Utukok River, the Teshekpuk Lake areas, and other areas designated by the Secretary of the Interior containing significant subsistence, recreational, fish and wildlife, and historical or scenic values, shall be conducted in a manner which will assure the maximum protection of such surface values to the extent consistent with the requirements of this Act for the exploration of the reserve.

(c) The Secretary of the Navy shall continue the ongoing petroleum exploration program within the reserve until the date of the transfer of jurisdiction specified in section 102(a).

Prior to the date of such transfer of jurisdiction the Secretary of the Navy shall—

(1) cooperate fully with the Secretary of the Interior providing him access to such facilities and such information as he may request to facilitate the transfer of jurisdiction;

(2) provide to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives copies of any reports, plans, or contracts pertaining to the reserve that are required to be submitted
to the Committees on Armed Services of the Senate and
the House of Representatives; and
(3) cooperate and consult with the Secretary of the
Interior before executing any new contract or amend-
ment to any existing contract pertaining to the reserve
and allow him a reasonable opportunity to comment on
such contract or amendment, as the case may be.
(d) The Secretary of the Interior shall commence further
petroleum exploration of the reserve as of the date of transfer
of jurisdiction specified in section 102(a). In conducting this
exploration effort, the Secretary of the Interior—
(1) is authorized to enter into contracts for the
exploration of the reserve, except that no such contract
may be entered into until at least thirty days after
the Secretary of the Interior has provided the Attorney
General with a copy of the proposed contract and
such other information as may be appropriate to de-
termine legal sufficiency and possible violations under,
or inconsistencies with, the antitrust laws. If, within
such thirty day period, the Attorney General advises the
Secretary of the Interior that any such contract would
unduly restrict competition or be inconsistent with the
antitrust laws, then the Secretary of the Interior may not
execute that contract;
(2) shall submit to the Committees on Interior and
Inland Affairs of the Senate and the House of Repre-
sentatives any new plans or substantial amendments to
ongoing plans for the exploration of the reserve. All plans
submitted to such committees pursuant to this section shall
contain a report by the Attorney General of the United
States with respect to the anticipated effects of such plans
on competition. Such plans or amendments shall not be
implemented until sixty days after such plans have been
submitted to such committees; and
(3) shall report annually to the Committees on Interior and Inland Affairs of the Senate and the House
of Representatives on the progress of, and future plans
for, exploration of the reserve.
(e) Until the reserve is transferred to the jurisdiction
of the Secretary of the Interior, the Secretary of the Navy
is authorized to develop and continue operation of the South
Barrow gas field, or such other fields as may be necessary, to
supply gas to the native village of Barrow, and other com-
munites and installations at or near Point Barrow, Alaska,
and to installations of the Department of Defense and other
agencies of the United States located at or near Point Bar-
row, Alaska. After such transfer, the Secretary of the In-
terior shall take such actions as may be necessary to continue
such service to such village, communities, installations, and
agencies at reasonable and equitable rates.
STUDY OF THE RESERVE

Sec. 105. (a) Section 164 of the Energy Policy and Conservation Act of December 22, 1975 (89 Stat. 871, 889), is hereby amended by deleting in the first sentence “to the Congress” and by inserting in lieu thereof “to the Committees on Interior and Insular Affairs of the Senate and House of Representatives”.

(b)(1) The Secretary of the Interior, Administrator of the Federal Energy Administration, in consultation with the State of Alaska, together with representatives of such other executive departments or agencies as he may deem appropriate, shall conduct a study to determine the best overall procedures to be used in the development, production, transportation, and distribution of petroleum resources in the reserve. Such study shall include, but shall not be limited to, a consideration of—

(A) the alternative procedures for accomplishing the development, production, transportation, and distribution of the petroleum resources from the reserve, and

(B) the economic and environmental consequences of such alternative procedures.

(2) The Secretary of the Interior Administrator of the Federal Energy Administration shall make semiannual progress reports on the implementation of this subsection to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives beginning not later than six months after the date of the enactment of this Act and shall, not later than one year after the transfer of jurisdiction of the reserve, and annually thereafter report any findings or conclusions developed as a result of such study together with appropriate supporting data and such recommendations as he deems desirable. The study shall be completed and submitted to such committees, together with recommended procedures and any proposed legislation necessary to implement such procedures not later than January 1, 1980.

(e)(1) The Secretary of the Interior shall establish a task force to conduct a study to determine the values of, and best uses for, the lands contained in the reserve and for the lands adjacent to and near the reserve, taking into consideration (i) the natives who live or depend upon such lands, (ii) the scenic, historical, recreational, fish and wildlife, and wilderness values, (iii) mineral potential, and (iv) other values of such lands.

(2) Such task force shall be composed of representatives from the government of Alaska, the Arctic slope native community, and such offices and bureaus of the Department of the Interior as the Secretary of the Interior deems appropriate, including, but not limited to, the Bureau of Land Management, the United States Fish and Wildlife Service, the United States Geological Survey, and the Bureau of Mines.
The Secretary of the Interior shall submit a report, together with the concurring or dissenting views of any non-Federal representative of the task force, of the results of such study to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives within three years after the date of enactment of this title and shall include in such report his recommendations with respect to the value, best use, and appropriate designation of the lands referred to in paragraph (1).

**ANTITRUST PROVISIONS**

**SEC. 106.** Pursuant to the provisions of section 105(b)(2), if the Congress enacts legislation authorizing development leading to production in the reserve, then:

(a) At each stage in the formulation and promulgation of any terms and conditions, plans of development or amendment thereto, and rules and regulations, and at each stage in the entering and making of contracts and operating agreements relating to the development, production, or sale or exchange of petroleum in or from the reserve, the Secretary of the Interior shall consult with and give due consideration to the views and advice of the Attorney General of the United States.

(b) All plans, reports, and proposals submitted to the Congress by the Secretary of the Interior under this title or pursuant to legislation authorizing development leading to production shall contain a report by the Attorney General of the United States on the anticipated effects upon competition of such plans, reports, and proposals.

(c) No contract or operating agreement may be made or issued relating to the development, production, or sale or exchange of petroleum in or from the reserve until at least thirty days after the Secretary of the Interior notifies the Attorney General of the proposed contract or operating agreement. Such notification shall contain such information as the Attorney General may require in order to advise the Secretary of the Interior as to whether such contract or operating agreement would create or maintain a situation inconsistent with the antitrust laws. If, within thirty days, the Attorney General advises the Secretary of the Interior that a contract or operating agreement would create or maintain such a situation, the Secretary of the Interior may not make or issue that contract or operating agreement unless he thereafter conducts a public hearing on the record in accordance with the Administrative Procedure Act and finds therein that such contract or operating agreement is necessary to effectuate the purposes of this title and any legislation authorizing development leading to production, that it is consistent with the public interest, and that there are no reasonable alternatives consistent with this title and any legislation authorizing
development leading to production, the antitrust laws, and
the public interest.
(d) Nothing in this title or any legislation authorizing
development leading to production shall be deemed to
convey to any person, association, corporation, joint ven-
ture, or other business organization immunity from civil
or criminal liability, or to create defenses to actions, under
the antitrust laws.
(e) As used in this section, the term “antitrust
laws” means—
(1) the Act entitled “An Act to protect trade and
commerce against unlawful restraints and monopo-
lies”, approved July 2, 1890 (15 U.S.C. 1 et seq.), as
amended;
(2) the Act entitled “An Act to supplement ex-
isting laws against unlawful restraints and monopo-
lies, and for other purposes”, approved October 15,
1914 (15 U.S.C. 12 et seq.), as amended;
(3) the Federal Trade Commission Act (15 U.S.C.
41 et seq.), as amended;
(4) sections 73 and 74 of the Act entitled “An Act
to reduce taxation, to provide revenue for the Gov-
ernment, and for other purposes”, approved August 27,
1894 (15 U.S.C. 8 and 9), as amended; or

(5) the Act of June 19, 1936, chapter 592 (15 U.S.C.
13, 13a, 13b, and 21a).

AUTHORIZATION FOR APPROPRIATIONS
Sec. 107. (a) There are authorized to be appropriated
to the Department of the Interior such sums as may be neces-
sary to carry out the provisions of this title.
(b) If the Secretary of the Interior determines that there
is an immediate and substantial increase in the need for
municipal services and facilities in communities located on
or near the reserve as a direct result of the exploration and
study activities authorized by this title and that an unfair
and excessive financial burden will be incurred by such com-
munities as a result of the increased need for such services
and facilities, then he is authorized to assist such communities
in meeting the cost of providing increased municipal services
and facilities. The Secretary of the Interior shall carry out
the provisions of this section through existing Federal pro-
grams and he shall consult with the heads of the departments
or agencies of the Federal Government concerned with the
type of services and facilities for which financial assistance is
being made available.

TITLE II—NAVAL PETROLEUM RESERVES
Sec. 201. Chapter 641 of title 10, United States Code,
is amended as follows:
(1) Immediately before section 7421 insert the following new section:

"§ 7420. Definitions

"(a) In this chapter—

"(1) 'national defense' includes the needs of, and the planning and preparedness to meet, essential defense, industrial, and military emergency energy requirements relative to the national safety, welfare, and economy, particularly resulting from foreign military or economic actions;

"(2) 'naval petroleum reserves' means the naval petroleum and oil shale reserves established by this chapter, including Naval Petroleum Reserve Numbered 1 (Elk Hills), located in Kern County, California, established by Executive order of the President, dated September 2, 1912; Naval Petroleum Reserve Numbered 2 (Buena Vista), located in Kern County, California, established by Executive order of the President, dated December 13, 1912; Naval Petroleum Reserve Numbered 3 (Teapot Dome), located in Wyoming, established by Executive order of the President, dated April 30, 1915; Naval Petroleum Reserve Numbered 4, Alaska, established by Executive order of the President, dated February 27, 1923 (until redesignated as the National Petroleum Reserve in Alaska under the jurisdiction of the Secretary of the Interior as provided in the Naval Petroleum Reserves Production Act of 1976);

"(3) 'petroleum' includes crude oil, gases, (including natural gas) natural gasoline, and other related hydrocarbons, oil shale, and the products of any of such resources;

"(4) 'Secretary' means the Secretary of the Navy;

"(5) 'small refiner' means an owner of a refinery or refineries (including refineries not in operation) who qualifies as a small business refiner under the rules and regulations of the Small Business Administration;

"(6) 'maximum efficient rate' means the maximum sustainable daily oil or gas rate from a reservoir which will permit economic development and depletion of that reservoir without detriment to the ultimate recovery;".

(2) Section 7421(a) is amended—

(A) by striking out "of the Navy";
(B) by striking out "and oil shale";
(C) by striking out "for naval purposes" and inserting in lieu thereof "for national defense purposes";
and
(D) by striking out "section 7428 hereof" and inserting in lieu thereof "this chapter".

(3) The text of section 7422 is amended to read as follows:

"(a) The Secretary, directly or by contract, lease, or otherwise, shall explore, prospect, conserve, develop, use, and operate the naval petroleum reserves in his discretion, subject to the provisions of subsection (c) and the other provisions of this chapter: Provided, That no petroleum leases shall be granted at Naval Petroleum Reserves Numbered 1 and 3.

"(b) Except as otherwise provided in this chapter and particularly subsection (c) of this section, the naval petroleum reserves shall be used and operated for—

"(1) the protection, conservation, maintenance, and testing of those reserves; or

"(2) the production of petroleum whenever and to the extent that the Secretary, with the approval of the President, finds that such production is needed for national defense purposes and the production is authorized by a joint resolution of Congress.

"(c)(1) In administering Naval Petroleum Reserves

Numbered 1, 2, and 3, the Secretary is authorized and directed—

"(A) to further explore, develop, and operate such reserves;

"(B) commencing within ninety days after the date of enactment of the Naval Petroleum Reserves Production Act of 1976, to produce such reserves at the maximum efficient rate consistent with sound engineering practices for a period not to exceed six years after the date of enactment of such Act;

"(C) during such production period or any extension thereof to sell or otherwise dispose of the United States share of such petroleum produced from such reserves as hereinafter provided; and

"(D) to construct, acquire, or contract for the use of storage and shipping facilities on and off the reserves and pipelines and associated facilities on and off the reserves for transporting petroleum from such reserves to the points where the production from such reserves will be refined or shipped. Any pipeline in the vicinity of a naval petroleum reserve not otherwise operated as a common carrier may be acquired by the Secretary by condemnation, if necessary, if the owner thereof refuses to accept, convey and transport without discrimination and
at reasonable rates any petroleum produced at such reserve. With the approval of the Secretary, rights-of-way for new pipelines and associated facilities may be acquired by the exercise of the right of eminent domain in the appropriate United States district court. Such rights-of-way may be acquired in the manner set forth in section 258(a) of title 40, United States Code, and the prospective holder of the right-of-way is 'the authority empowered by law to acquire the lands' within the meaning of that section. Such new pipelines shall accept, convey, and transport without discrimination and at reasonable rates any petroleum produced at such reserves as a common carrier. Pipelines and associated facilities constructed at or procured for Naval Petroleum Reserve Numbered 1 pursuant to this subsection shall have adequate capacity to accommodate not less than three hundred and fifty thousand barrels of oil per day and shall be fully operable as soon as possible, but not later than three years after the date of enactment of the Naval Petroleum Reserves Production Act of 1976.

"(2) At the conclusion of the six-year production period authorized by paragraph (1)(B) of this section the President may extend the period of production in the case of any naval petroleum reserve for additional periods of not to exceed three years each—

"(A) after the President requires an investigation to be made to determine the necessity for continued production from such naval petroleum reserve;

"(B) after the President submits to the Congress, at least one hundred and eighty days prior to the expiration of the current production period prescribed by this section, a copy of the report made to him on such investigation together with a certification by him that continued production from such naval petroleum reserve is in the national interest; and

"(C) if neither House of Congress within ninety days after receipt of such report and certification adopts a resolution disapproving further production from such naval petroleum reserve.

"(3) The production authorization set forth in paragraph (1)(B) of this subsection, in the case of Naval Petroleum Reserve Numbered 1, is conditioned upon the private owner of any lands or interests therein within such reserve agreeing with the Secretary to continue operations of such reserve under a unitized plan contract which adequately protects the public interest; however, if such agreement is not reached within ninety days after the date of enactment of the Naval Petroleum Reserves Production Act of 1976 the Secretary is authorized to exercise the authority for condemnation conferred by section 7425 of this chapter.".
The first sentence of section 7423 is amended by deleting “of the Navy” and “or products”.

Section 7424 is amended—
(A) by deleting “of the Navy” in the text of subsection (a) preceding clause (1);
(B) by deleting “and oil shale” in subsection (a)
(1) in the text preceding subclause (A); and
(C) by deleting “in the ground” in clause (1)(A)
of subsection (a).

Section 7425 is amended by deleting “of the Navy”.

Section 7426(a) is amended by striking out “the Secretary of the Navy” and inserting in lieu thereof “Subject to the provisions of section 7422(c), the Secretary”.

The first and second sentences of section 7427 are amended by striking out “of the Navy”.

Section 7428 is amended by striking out “within the naval petroleum and oil shale reserves shall contain a provision authorizing the Secretary of the Navy” and inserting in lieu thereof “within Naval Petroleum Reserve Numbered 1 and the oil shale reserves shall contain a provision authorizing the Secretary”.

The first sentence of section 7429 is amended by deleting “of the Navy”.

The text of section 7430 is amended to read as follows:

(a) In administering the naval petroleum reserves under this chapter, the Secretary shall use, store, or sell the petroleum produced from the naval petroleum reserves and lands covered by joint, unit, or other cooperative plans.

(b) Notwithstanding any other provision of law, each sale or exchange of the United States share of petroleum shall be made by the Secretary at public sale to the highest qualified bidder, for periods of not more than one year, at such time, in such amounts, and after such advertising as the Secretary considers proper and without regard to Federal, State, or local regulations controlling sales or allocation of petroleum products.

(c) In no event shall the Secretary permit the award of any contract which would result in any person obtaining control, directly or indirectly, over more than 20 per centum of the estimated annual United States share of petroleum produced from Naval Petroleum Reserve Numbered 1.

(d) Each proposal for sale under this title shall provide that the terms of every sale or exchange of the United States share of petroleum from the naval petroleum reserves shall be so structured as to give full and equal opportunity for the acquisition of petroleum by all interested companies, including major and independent oil producers and refiners alike. When the Secretary, in consultation with the Secretary of the Interior, determines that the public interests will be served by the
sale of petroleum to small refiners not having their own ade-
quate sources of supply of petroleum, the Secretary is author-
ized and directed to set aside a portion of the United States
share of petroleum produced for sale to such refiners under
the provisions of this section for processing or use in such
refineries except that—

"(1) none of the production sold to small refiners
may be resold in kind;

"(2) production must be sold at the maximum price
permitted by law, or if no law so provides, at a cost of
not less than the prevailing local market price of com-
parable petroleum;

"(3) set-aside portion may not exceed [20] 25 per
centum of the estimated annual United States share of the
total production from all producing naval petroleum re-

serves; and

"(4) notwithstanding the provisions of subsection
(b) of this section, the Secretary may, at his discretion if
he deems it to be in the public interest, prorate such
petroleum among such refiners for sale, without competi-
tion, at the maximum price permitted by law, or if no
law so provides, at not less than the prevailing local mar-
ket price of comparable petroleum.

"(e) Any petroleum produced from the naval petroleum
reserves, except such petroleum 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 conven-
ience or increased efficiency of transportation across parts of
an adjacent foreign state and enters the United States,
shall be subject to all of the limitations and licensing require-
ments of the Export Administration Act of 1969 (Act of
December 30, 1969; 83 Stat. 84) and, in addition, before
any petroleum 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 find-
ing that such exports will not diminish the total quality or
quantity of petroleum available to the United States and that
such exports are in the national interest and are in accord
with the Export Administration Act of 1969.

"(f) During the period of production or any extension
thereof authorized by section 7422(c), the consultation and
approval requirements of section 7431(a)(3) are waived.

"(g)(1) At each stage in the formulation and promul-
gation of any terms and conditions, plans of development
or amendment thereto, and rules and regulations, and at
each stage in the entering and making of contracts and
operating agreement under this chapter the Secretary shall consult with and give due consideration to the views and advice of the Attorney General of the United States.

"(2) No contract or operating agreement may be made or issued under this chapter until at least thirty days after the Secretary notifies the Attorney General of the proposed contract or operating agreement. Such notification shall contain such information as the Attorney General may require in order to advise the Secretary as to whether such contract or operating agreement would create or maintain a situation inconsistent with the antitrust laws. If, within thirty days, the Attorney General advises the Secretary that a contract or operating agreement would create or maintain such a situation, the Secretary may not make or issue that contract or operating agreement unless he thereafter conducts a public hearing on the record in accordance with the Administrative Procedure Act and finds therein that such contract or operating agreement is necessary to effectuate the purposes of this chapter, that it is consistent with the public interest, and that there are no reasonable alternatives consistent with this chapter the antitrust laws, and the public interest.

"(g) The Secretary is authorized to execute contracts for the sale of the United States share of petroleum, but no such contract or operating agreement may be executed until at least thirty days after the Secretary has provided the Attorney General with a copy of the proposed contract or operating agreement and such other information as may be appropriate to determine possible violations under, or inconsistencies with, the antitrust laws. If the Attorney General advises the Secretary that a contract or operating agreement would unduly restrict competition or be inconsistent with the antitrust laws, then the Secretary may not execute that contract or operating agreement.

"(h) Nothing in this chapter shall be deemed to confer on any person immunity from civil or criminal liability, or to create defenses to actions, under the antitrust laws.

"(i) As used in this section, the term 'antitrust laws' means—

"(1) the Act entitled 'An Act to protect trade and commerce against unlawful restraints and monopolies', approved July 2, 1890 (15 U.S.C. 1 et seq.), as amended;

"(2) the Act entitled 'An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes', approved October 15, 1914 (15 U.S.C. 12 et seq.), as amended;


"(4) sections 73 and 74 of the Act entitled 'An Act
to reduce taxation, to provide revenue for the Government, and for other purposes, approved August 27, 1894 (15 U.S.C. 8 and 9), as amended; or


"(j)(1) Any pipeline which accepts, conveys, or transports any petroleum produced from Naval Petroleum Reserves Numbered 1 and Numbered 3 shall accept, convey, and transport without discrimination and at reasonable rates any such petroleum as a common carrier. Every contract for the sale of any petroleum owned by the United States which is produced from such reserves shall, before being executed by the Secretary, contain provisions implementing the requirements of the preceding sentence if the contractor owns a controlling interest in any pipeline or any company operating any pipeline, or is the operator of any pipeline, which carries any petroleum produced from such naval petroleum reserves.

The Secretary may promulgate rules and regulations for the purpose of carrying out the provisions of this section and he, or the Secretary of the Interior where the authority extends to him, may declare forfeit any contract, operating agreement, right-of-way, permit, or easement held by any person violating such rules and regulations. This section shall not apply to any natural gas common carrier pipeline operated by any person subject to regulation under the Natural Gas Act or any public utility subject to regulation by a State or municipal regulatory agency having jurisdiction to regulate the rates and charges for the sale of natural gas to consumers within the State or municipality.

"(2) Nothing in this chapter shall be deemed to repeal, in whole or in part, section 28(r) of the Mineral Lands Leasing Act of February 25, 1920, as amended (30 U.S.C. 185 (r)), nor to limit or change the status under the provisions of section 28 of such Act (30 U.S.C. 185) of any pipeline heretofore constructed on public lands.

"(k) The President may, at his discretion, direct that all or any part of the United States share of petroleum produced from the naval petroleum reserves be placed in strategic storage facilities as authorized by Public Law 94-163 or that all or any part of such share be exchanged for petroleum products of equal value for the purpose of placing such products in such strategic storage facilities."

(12) Section 7431 is amended—

(A) by inserting "(a)" immediately before "The Committees";

(B) by striking out "or oil shale" in clauses (1) and (2);

(C) by striking out "and oil shale" in clauses (2) and (3);

(D) by striking out "oil and gas (other than royalty
oil and gas), oil shale, and products therefrom" in clause (3) and inserting in lieu thereof "petroleum (other than royalty oil and gas)"; and

(E) by adding at the end thereof the following new subsection:

"(b) (1) During the period of production authorized by section 7422(c), the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives any new plans or substantial amendments to ongoing plans for the exploration, development, and production of the naval petroleum reserves.

(2) All plans submitted to the Congress pursuant to this section shall contain a report by the Attorney General of the United States with respect to the anticipated effects of such plans on competition. Such plans or amendments shall not be implemented until sixty days after such plans have been submitted to such committees.

(c) During the period of production authorized by section 7422(c), the Secretary shall submit annual reports as of the first day of the fiscal year to the Committees on Armed Services of the Senate and the House of Representatives, and such committees shall cause such reports to be printed as a Senate or House document, as appropriate. The Secretary shall include in such reports, with respect to each naval petroleum reserve, an explanation in detail of the following:

1. The status of the exploration, development, and production programs;

2. The production that has been achieved, including the disposition of such production and the proceeds realized therefrom;

3. The status of pipeline construction and procurement and problems related to the availability of transportation facilities;

4. A summary of future plans for exploration, development, production, disposal, and transportation of the production from the naval petroleum reserves; and

5. Such other information regarding the reserve as the Secretary deems appropriate.

Section 7432 is amended to read as follows:

§ 7432. Naval petroleum reserves special account

(a) There is hereby established on the books of the Treasury Department a special account designated as the 'naval petroleum reserves special account'. There shall be credited to such account—

(1) all proceeds realized under this chapter from the disposition of the United States share of petroleum;

(2) the net proceeds, if any, realized from sales or exchanges within the Department of Defense of refined petroleum products accruing to the benefit of any com-
ponent of that department as the result of any such sales
or exchanges;
"(3) such additional sums as have been, or may be
appropriated for the maintenance, operation, exploration,
development, and production of the naval petroleum
reserves;
"(4) such royalties as may accrue under the provi-
sions of section 7433; and
"(5) any other revenues resulting from the opera-
tion of the naval petroleum reserves.
"(b) Funds available in the naval petroleum reserve spe-
cial account shall be available for expenditure in such sums as
are specified in annual appropriations Acts for the expenses
of—
"(1) exploration, prospecting, conservation, develop-
ment, use, operation, and production of the naval petroleum
reserves as authorized by this chapter;
"(2) production (including preparation for produc-
tion) as authorized by this chapter, or as may hereafter
be authorized;
"(3) the construction and operation of facilities both
within and outside the naval petroleum reserves incident
to the production and the delivery of crude petroleum and
derivatives, including pipelines and shipping terminals;
"(4) the procurement of petroleum for, and the con-
struction and operation of facilities associated with, the
National Strategic Petroleum Reserve authorized by
Public Law 94-163; and
"(5) the exploration and study of the National Pet-
roleum Reserve in Alaska as authorized in title I of the
Naval Petroleum Reserves Production Act of 1976.
"(c) the budget estimates for annual appropriations from
the naval petroleum reserves special account shall be prepared
by the Secretary and shall be presented to the Congress by
the President independently of the budget of the Department
of the Navy and the Department of Defense.
"(d) Contracts under this chapter providing for the ob-
ligation of funds may be entered into by the Secretary for a
period of five years, renewable, at the option of the Secretary,
for an additional five-year period; however, such contracts
may obligate funds only to the extent that such funds are
made available in annual appropriations.”.
(14) Section 7433(a) is amended by striking out “of
the Navy”.
(15) Section 7433(b) is amended by striking out “and
oil shale”.
(16) Section 7434 is amended by striking out “and oil
shale”.
(17) Section 7435(b) is amended by striking out “of the
Navy”.

(18) Section 7436 is amended by deleting "of the Navy, subject to approval of the President."

(19) Section 7438 is amended by striking out "Secretary of the Interior" wherever it occurs and inserting therefor "Administrator of the Energy Research and Development Administration"; and by striking out "of the Navy".

(20) The table of sections at the beginning of such chapter is amended—

(A) by inserting immediately before

"7431. Jurisdiction and control."

the following;

"7430. Definitions."

and

(B) by striking out

"7432. Expenditures; appropriations chargeable."

and inserting in lieu thereof the following:

"7432. Naval petroleum reserve special account."

Amend the title so as to read: "An act to establish a National Petroleum Reserve in Alaska under the jurisdiction of the Secretary of the Interior, to direct the production of petroleum from the Naval Petroleum Reserves, and for other purposes.".
AN ACT

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.

JULY 9 (legislative day, JULY 7, 1975)
Received
JULY 29, 1975
Considered, amended, read the third time, and passed
MARCH 1976
Reported with an amendment to the title