The original documents are located in Box 33, folder "Outer Continental Shelf, 1976: Leasing Legislation (3)" of the Glenn R. Schleede Files at the Gerald R. Ford Presidential Library.

File OCS

AGD

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September 23, 1976

I am writing, at the suggestion of [redacted] to bring to your attention recent Congressional actions on the OCS bill, S. 521, which, in my opinion, have put to rest many, if not all, of Secretary Kleppe's concerns with the legislation as expressed in his letter of June 8, 1976, to Mr. Rhodes. It is my understanding that the Secretary detailed nine specific problems. I hope the following analysis will be helpful to your evaluation of the present state of those issues.

First, it is claimed that citizen suit provisions will broaden the chance for nuisance litigation. The bill does provide for citizen suit procedures. However, these procedures are the exclusive remedies for certain citizen actions, e.g., challenges to leasing programs, exploration, development and production plans. Under current law, a wide variety of legal remedies would otherwise be available to citizens. Moreover, section 23(a)(1)(A) would authorize citizen suits against governmental agencies only to the extent permitted by the eleventh amendment. I think that the net effect of these provisions will be to reduce citizen suits.

Second, objection was made to "forcing use of new, untested bidding systems." The fact is that all but one of the "new" systems have been in use for years by States and many foreign countries. Indeed, the United States is the only country that places virtually total reliance upon the cash bonus bidding system, which, at least, results in an inefficient utilization of capital and dimunition of competition. The point is that the S. 521 alternatives are not "new" or "untested." The reason the bill requires the Secretary to use alternatives to cash bonus bidding, is clear. Since 1953, Interior has had the option of royalty bidding, but that system has been used only once, in 1974 on 10 tracts. If alternatives are not mandated, cash bonus will remain the order of the day ad infinitum.

Third, it was alleged that lease cancellation provisions were "vague." A reading of those provisions in S. 521 shows that this problem has now been corrected by very specific language. See S. 521, sections 5(a)(2) and 25(g),(i).

Fourth, concerning the problem of revealing proprietary data to States where confidentiality could not be assured, S. 521 now specifically provides that "The Secretary shall prescribe regulations to (1) assure that the confidentiality of privileged information...will be maintained," and that "no such information will be transmitted to any affected State or any Regional Advisory Board unless the lessee, or the permittee and all persons to whom such permittee has sold such information under promise of confidentiality, agree to such transmittal." S. 521, section 26(c).

Fifth, it was stated that the bill gives "Governors a veto over leasing where national defense or overriding national interest is not involved." Assuming that this criticism may have been correct as to some version of the OCS bill, the conferees have now settled it to the contrary. Section 19 explicitly states that the Secretary's determination that a Governor's or Advisory Board's recommendations are not consistent with national security or overriding national interests "shall be final and shall not, alone, be a basis for invalidation of a proposed lease sale or proposed development and production plan...unless found to be arbitrary or capricious."

Sixth, the conferees have also resolved the criticism that the legislation creates confusion by assigning regulatory responsibility for the same duties to as many as three agencies at the same time. See September 20, 1976, Cong. Rec. at page H 10608 (Explanation of amendment 21).

Seventh, review by the Attorney General and/or FTC before issuance of a lease is still required. However, it should be noted that virtually identical provisions in several other statutory schemes have not resulted in significant delays.

Eighth, the joint Federal/State leasing procedures are still in the bill. However, these are in no way counterproductive measures and do not give States "control" over any Federal offshore lands. The procedures simply create a mechanism for Federal/State cooperation for offshore areas where the location of geological structures indicates that drilling authorized by one governmental body without coordination with the other could result in "drainage" of resources from lands of the governmental entity that had not yet authorized similar drilling. The provision only requires the Secretary to offer the Governor of the relevant State the opportunity to lease such properties jointly. And, if the Governor accepts the offer, Federal laws and regulations would control. If the Governor declines the offer, the Secretary may go ahead with leasing as usual. S. 521, section 8(f).

Finally, it appears that the Secretary opposed the requirement that prelease exploratory drilling permits be issued. This objection was taken because the provision "opens the door to Federal takeover of exploration on the OCS." Although the bill does require the Secretary to seek qualified applicants from private industry to conduct exploratory drilling at least once in every frontier OCS area, the House report on H.R. 6218 (House number for S. 521) makes it very clear that what is envisioned is the drilling of a stratigraphic test well - a procedure which has been used in the past under existing law. You may recall that this type of "exploratory work" was done on the Atlantic Shelf earlier this year by an oil and gas industry consortium of 31 companies. In any event, there is no authority whatsoever in the bill for the Federal government to go any farther, i.e., develop and/or produce the resources.

I should add that there are several more favorable features to S. 521, but, unfortunately, the constraints of this communication do not permit this presentation here. One item, for example, that has received strong support from coastal states, is the oil spill liability provisions of Title III. If I may be of further aid to you regarding S. 521, please do not hesitate to contact me.

Very truly yours,

Frederick Moring

Frederick Moring
Counsel for
Associated Gas Distributors

NATIONAL OCEAN INDUSTRIES ASSOCIATION

1100 Seventeenth Street, N.W. Washington, D.C. 20036

WHITE PAPER

RE: NOIA'S POSITION ON S. 521

AMENDMENTS TO THE OUTER CONTINENTAL SHELF LANDS ACT

S. 521 -- OUTER CONTINENTAL SHELF LANDS ACT AMENDMENTS OF 1976 -- MUST NOT BE APPROVED.

APPROVAL OF S. 521 WILL:

... Deprive the American people of 3.1 billion barrels of domestic oil by 1985 at a value of $64.5 billion.

... Create deficit of $19 billion annually in America's balance of payments.

... Increase imports to 64% of consumption by 1985.

... Make Americans pay $136 billion per year, by the end of 1985 for foreign oil.

... Greatly increase inflationary pressures.

... Decrease exploratory oil and gas drilling offshore by 40% within two years.

... Idle at least 31 more movable drilling rigs which cost between $775 million and $1.55 billion.

... Cause an estimated loss of over 500,000 vitally needed jobs.

... Deprive the taxpayers of over $3 billion during 1977-1978 in OCS bonus payments.

... AND FOR WHAT?

Read on . . . .

WHITE PAPER

RE: NOIA'S POSITION ON S. 521

AMENDMENTS TO THE OUTER CONTINENTAL SHELF LANDS ACT

The National Ocean Industries Association (NOIA) which represents a large majority of companies involved in the commercial development of the oceans' resources hereby states its position as being entirely opposed to enactment of S. 521 (Outer Continental Shelf Management Act of 1975) and the House Amendments thereto (Outer Continental Shelf Land Act Amendments of 1976).

The Association's 289 member companies, whose activities extend to almost every phase of the offshore and ocean industries from oil and gas operations to marine transportation and production of fish meal, unanimously denounce both versions of this proposed legislation because either poses a serious threat to the economy of the United States. S. 521, if enacted, would ensnarl the offshore oil industry in red tape of unprecedented scope and establish excessive governmental controls over an industry which until now has operated safely and efficiently throughout the entire world.

Careful studies carried out separately by a number of NOIA member companies indicated that the result of enacting this legislation would be to force a large number of healthy and vital companies into bankruptcy. These bankruptcies could include a variety of companies engaged in such activities as offshore drilling, geophysical exploration, commercial diving, offshore engineering and construction, energy-oriented shipyards, and catering to mention a few. The economic consequences would extend to many banks, insurance companies, major shipyards, machine shops, steel producers and fabricators, and the thousands of companies that supply ocean-oriented companies. Some economists and consultants estimate that over 500,000 tax-paying employees will be forced to join the ranks of the unemployed as their jobs are destroyed by S. 521.

The major oil companies, we assume, are the intended targets of this latest effort by some members of the Congress to further regulate and harass the industry. Those companies will undoubtedly be damaged, but the smaller, independent oil companies may be entirely shut out; and the very existence of many businesses in the industrial fields mentioned in the above paragraph, will be so seriously disrupted as to make their survival highly questionable. It is the small businesses which will be hurt the most.

INFLATIONARY EFFECT ON THE ECONOMY

As bad as this legislation is on business, the worst consequence will be to the average U.S. citizen, who incidentally probably knows almost nothing about S. 521 and who would have great difficulty in understanding its convoluted provisions and disastrous economic effects.

Because of the deliberate delays expressly built into S. 521, the potential petroleum production which will not be available to the American people will increase rapidly to a rate of 2.1 million barrels per day by 1985. This additional decline in domestic production will have to be made up by increased imports from foreign sources. This fact alone will increase America's annual balance of payments deficit by at least $19 billion with a concomitant serious adverse impact on the purchasing power of the average wage-earner's salary.

Another startling statistic is that the oil this legislation would not allow to be produced in the 8-years to the end of 1985 would total 3.1 billion barrels. The value of that lost production at anticipated prices is $64,500,000,000 (64.5 billion dollars). Since there are no other alternative sources, America would be forced to obtain its supplemental energy requirement from OPEC. By the end of 1985, including the additional deficit caused by S. 521, the United States will be exporting approximately $136 billion per year to pay for imported foreign crude oil. No one in the Congress we know of has offered any solutions for coping with such an enormous out-flow of capital and the evergrowing balance of payments deficits. Several economists will agree that the most probable government action will be to monetize the deficit, as has been done in the past to the extent of $90 billion to date. This simply means printing more paper money, thereby further deflating the value of the dollar (from present values) by the difference in our material exports and our dollar exports to offset energy imports.

Yet if such a large volume of exports of machinery, farm products, technology, and other goods and services is built up and sustained, the economy will be poorer in real value by the dollars spent overseas for petroleum.

Even this dire observation is made a little more optimistic because it assumes the major oil companies will be able to obtain the enormous risk capital and various foreign permits required to operate abroad and their stockholders will approve the necessary investments under the very unstable economic environment provided by this legislation. Without question, small independent oil companies would find it even more difficult to undertake the enormous risks and would very likely be prevented from participation in foreign ventures.

ONE POSSIBLE RESULT - CREATION OF A GOVERNMENT-OWNED OIL PRODUCING AGENCY

S. 521 creates such serious additional financial risks and operating roadblocks to offshore energy exploration, development, and production that it is doubtful a well-managed company would be willing or able to participate in future OCS operations. If the compani. are thus prevented from meeting future energy needs, it could bring about a situation, intended or not, causing the establishment of a government-owned energy producing agency as the only entity able to operate offshore. In such event, some of the present political forces in the Congress would attempt to rationalize their activities as being the only course of action available to meet the need. To this feeble rationalization, some of the general public may respond, "So, what if we have to get the federal government to do it, other governments have their own oil producing agencies and seem to be doing okay."

NOIA would like to refute this damning attitude by the provable statement that there is absolutely no government-owned oil producing agency established in the world today which approaches the efficiency and operating expertise of U.S. oil companies. Domestic companies have been forced to excellence, in both technology and management, by our highly competitive private enterprise system. In all cases, nationalized oil agencies' costs of performance are unusually high and their to-consumer cost is without exception much higher than those same costs paid by consumers in the U.S. It would be virtually impossible in this country to approach even the relatively poor performance of some of the better government-owned oil agencies abroad, since they operate under much more autocratic systems and the labor unions are also government-controlled and directed. It is unlikely American labor unions would be able to function in a U.S. government-owned agency any better than in the postal system or in the Tennessee Valley Authority.

HOW S. 521 CAUSES DELAYS

S. 521, either the Senate or House version, is an unnecessarily long and involved piece of legislation which is difficult, if not impossible, for the average person to understand and which NOIA maintains has almost no positive or beneficial purpose. The only results of its enactment will be to further delay, impede, and perhaps actually halt development of this nation's much needed offshore energy resources.

At the present time the implementation of the 1953 OCS Lands Act provides 70 procedural steps which must be taken between leasing and production of any offshore tract which taken together with the actual work usually takes 5 to 7 years before the oil starts coming ashore. S. 521 (House version) proposes to add 45 new procedural steps on top of these 70 steps which will increase the presently required time to production by a minimum of 24 months for a total of from 7 to 9 years.

This potential delay has been carefully documented and visualized in a flow chart which shows the step-by-step additions that will be made to established procedures by S. 521 (House version). This chart was reprinted for the Congress and the public in the study prepared by the Congressional Research Service, Library of Congress, entitled "Effects of Offshore Oil and Natural Gas Development on the Coastal Zone." (Printed for use of the House Ad Hoc Select Committee on the Outer Continental Shelf, 94th Congress, 2nd Session, March 1976). This chart clearly shows the additional two-year delay is unavoidable even under the most expeditious and error-free transition from the beginning steps to the point of actual production. This absolute minimum of two-year delay is based on the premise that no civil suits are entered; there are no State permit denials; and there are no State refusals to approve the particular lease exploration and/or development program. It also assumes the Interior Deparmtnet does not cancel or take over the lease as it will be able to do at any time under the proposed new law.

The enormous additional cost to find, develop, and produce oil from offshore leases under the prescribed format provided by S. 521 must, of course, be added to the product price to be paid by you -- the consumer.

EFFECT ON EMPLOYMENT

This artificially created slow-down in offshore oil production caused by enactment of S. 521 will also cause widespread unemployment throughout the industry and the general economy.

A comprehensive evaluation by NOIA, based on very conservative assumptions, indicates that offshore exploratory and development drilling will within two years decrease by at least 40% as a direct result of the additional delays structured into S. 521. This is a minimum figure and translates into a reduction of 31 operating offshore exploratory rigs from the present level of 82 rigs operating in U.S. waters. Since each such rig will normally drill five wells per year, the reduction of 31 operating rigs means that 155 exploratory wells per year will not be drilled.

Carrying this extrapolation forward and using the average discovery rate of 1-in-9 as experienced offshore U.S. during the past five years, approximately 17 discoveries per year will not be made which otherwise would very likely be made under the present law. Usually two or more delineation wells are drilled by mobile rigs following a discovery to evaluate and determine reservoir extent. Therefore, if 17 discoveries are not made, at least an additional 34 evaluation wells will not be drilled. After evaluation of a discovery, a production platform is ordered, which is customized to accommodate to the environmental conditions, such as climate, water depth, and the number of wells needed to drain the reservoir. Usually 12 to 14 months are required from the day the platform is ordered until the installation is complete. After the platform is installed, a unitized rig is installed on the platform to drill production wells. So here again, 17 or more platforms will not be installed and a rig-year of work for each platform, a minimum, will not be required. One may see how the adverse economic impact escalates rapidly.

Many other phases of offshore development will be affected, including transportation of people to and from offshore rigs; logistical support; specialized services such as welders, casing crews, fishing tool experts, catering crews required to feed and quarter on each rig; drilling rig crew requirements; offshore structure and pipeline construction crew; and the list could go on and on. Considering also the onshore support employment -- which is estimated by some oil companies to be 150 onshore jobs for each offshore job, it may be said that a reduction of 48 rigs (31 exploratory plus 17 development) can cause a loss of more than 25,000 jobs. Enactment of S. 521 will also have a serious, adverse impact on the very large employment of people involved in the annual production of $1.8 billion (1976 figures) worth of hard goods manufactured onshore and transported to dockside for use in offshore operations. Here a reduction of 40% in offshore drilling will produce a loss of an estimated 288,000 jobs. Since the Chamber of Commerce of the United States estimates that each primary job supports an additional 2/3rds of a job (1973 figures), and adding the employment generated by the actual production of oil estimated by the major oil companies to be 1 job for each 44 barrels of actual production obtained per day, the total loss of jobs which would be caused by this legislation could be more than 500,000. These figures do not even take into account the many thousands of jobs in jeopardy because they depend on oil or gas for continued operation.

At a time when the U.S. desperately needs to create new jobs to cure our excessive unemployment situation, we can not afford to lose this large number of jobs because of enacting ill-advised, unnecessary, and destructive legislation such as S. 521. There is no question that such a loss would affect the total economy in a most depressing manner.

EFFECT ON LENDING INSTITUTIONS

Another serious consideration in this discussion is the adverse effect on banks, insurance companies and other lending institutions. The present underoccupancy of mobile drilling rigs which has already produced over 50 idle rigs worldwide, with another 76 under construction (at an average capital investment of more than $25,000,000 each), would be further aggravated by the non-use of the additional 48 rigs as indicated by our evaluation. This would bring the total idle rigs to 98, with still 76 under construction. Without question, the hugh capital outlay furnished by lending institutions would be seriously jeopardized.

DOES U.S. NEED S. 521

When S. 521 was first conceived and written, one of its alleged purposes was to afford the affected coastal States a means of getting more information on the onshore impacts of the oil exploration, production, transportation in order to help prepare the way for onshore facilities necessary to store, refine, transport, and distribute offshore production and so the States could influence policy decisions in this field. It was also intended to provide for the fixing of liabilities for cleanups and damages resulting from oil spills. Both of these purposes have now been adequately covered by new legislation namely the Coastal Zone Management Act (recently signed into law) and the Oil Spill Liability Act (moving through the Congress). The remaining provisions of S. 521 are not traceable to existing problems, or to any bothersome extra legal facets not presently and adequately covered by regulation or by statute.

Another claim of the proponents of this legislation is that the government is the owner of the property and should receive a larger share of the revenue resulting from offshore production. In refutation of this claim, consider the following facts. Since OCS energy production began the total value of that production has been about $23.2 billion through 1975. Of this total yield, 86% or $19.95 billion has been paid to the federal government in bonuses, royalties, and rentals, while only 14% or $3.24 billion has been retained by industry, from which investments and operating costs have been paid. However, the industry has not yet even recovered all its investments and costs because the industry still has a deficit of $9.7 billion as a result of exploration and development costs. Industry sources project (and hope) that by the time of total depletion, the companies will obtain an overall rate of return of 7%. This projected rate of return is far below that generally considered as being necessary to attract the required capital to continue offshore efforts and is lower than the rate of return now being obtained from the other segments of oil industry operations. The inescapable conclusion is that there is no equitable way to further increase the percentages of the federal government's share since there simply is no economically feasible way to decrease industry's share without absolute nationalization.

Under present laws and regulations, complete and exhaustive safety measures and preventive devices are now in operation to control all known pollution hazards. In addition, there are penalties so severe as to preclude any untoward occurrence resulting from lack of serious and prudent efforts of everyone involved offshore. However, even without these regulations, laws, and penalties, the industry has a most exemplary record of trouble-free and environmentally acceptable operations. With the addition of new controls and required new technological improvements over the past five years, little more can be expected from this legislation to further insure ocean environmental protection and the safeguarding of coastal areas.

Therefore, unquestionably, S. 521 is an unneeded, unworkable, and unwarranted piece of legislation, which can only be justified by those persons who are unresponsive to the greater needs of our country. It appears to NOIA that in attempting to hamper and restrict the so-called oil industry giants, the proponents of S. 521 have almost missed the in target entirely and have hit the general public and the other businesses which are directly involved in trying to meet the nation's urgent energy needs and which have been given no consideration at all.

CONCLUSION -- NOIA POSITION

The National Ocean Industries Association believes that industry and government now recognize the impossibility of total U.S. energy independence in the foreseeable future (1990) and, therefore, have been reconciled to the necessity for some imports of petroleum to supplement our inability to produce the required energy. However, both government and industry, as well as the man on the street, know the amount of the imports must be held to the lowest possible level. In 1970, imports accounted for 20% of consumption at a time when domestic production was at its peak. The present level is in excess of 40% and estimates are that imports may increase to 54% by 1985. For the Congress to deliberately increase this deficit production to 64% -- which will occur as a result of enacting S. 521 -- is illogical to say the least and certainly contrary to the national interest. Even under the most fortuitous of circumstances, the standards of living and lifestyle of our people are going to be materially affected, and to further emphasize the degradation by approving this unnecessary legislation is unquestionably counterproductive and a serious disservice to the American people who deserve more from their Congress.

Therefore, NOIA and its members urge every recipient of this position paper to join with us in resisting the passage of S. 521 -- Amendments to the Outer Continental Shelf Lands Act -- by the Congress with all the means at our disposal.

Should this unfortunate bill be passed, the President must be urged to veto it in the public interst.

When the President vetoes S. 521, we must insist that the Congress sustain the veto; and, in the future, consider the broader needs of America while viewing OCS energy development.

United States Senate
COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
WASHINGTON, D.C. 20510

September 20, 1976

MEMORANDUM

TO: Senators Fannin, Hansen, McClure, and Bartlett

FROM: David P. Stang Dave

RE: O.C.S.

Attached is a tally sheet relevant to the floor vote coming up on the O.C.S. bill conference report. The "certain" list consists of those Senators who voted against the O.C.S. on the floor last year plus Senators Johnston, Long and Hansen who are now against it. The primary targets consist of those Senators who did not vote on the O.C.S. last year and whose sympathies may be expected to be with us. Secondary targets are those who voted for the bill on the floor last year but may be persuaded to switch. The same rule applies to the tertiary targets, but the likelihood of their switching is more remote.

Also enclosed is a list of political arguments why vetoing the bill is good for President Ford.

It is suggested that you Senators may want to divide up the target list among you for contacts prior to the floor vote on the conference report which is expected to take place early next week.

In the event that you wish to conduct extensive educational debate in order to force cloture, I am arranging to have prepared a number of floor statements.

cc: Secretary Kleppe
Joesph Sherbourne Jenckes, V, Esq.

S. 521 CONFERENCE REPORT

	Certain	Primary Targets	Secondary Targets	Tertiary Targets
	Bellmon			
	Bentsen			
	Johnston	Eastland	Allen*	Nunn*
	Long	Stennis	Byrd (Va.)*	Talmadge*
	Bartlett	Baker	McClellan *	Percy*
	Brock	Curtis	McGee*	Scott (Pa.)*
	Buckley	Goldwater	Montoya*	
	Dole	Scott (Va.)	Beall*	
	Fannin		Domenici*	
	Garn		Fong*	
	Griffin		Pearson*	
	Hansen			
	Helms			
	Hruska			
	Laxalt			
	McClure			
	Stevens			
	Taft			
	Thurmond			
	Tower			
	Weicker			
	Young			
TOTAL	22	6	9	4

Total Number of Targets 19

NOTE: Asterisk indicates voted for S. 521 on Senate Floor July 30, 1975

WHY VETO OF S. 521 IS GOOD FOR PRESIDENT FORD

1. The bill delays OCS development forcing greater dependence on imported oil.

2. East coast oil imports amount to nearly 90% of consumption.

3. The crude and oil products landed on the east coast are transported mainly by tanker.

4. Tankers account for nearly 35% of marine pollution.

5. Offshore platforms are responsible for less than 2% of marine pollution.

6. Had the President signed the bill, it would have forced greater dependence on foreign oil and substantially greater marine pollution as a result of transporting the imported foreign oil in tankers.

7. Increasing oil imports merely plays into the hands of the Arabs who gain political leverage comensurate with the degree to which the U. S. becomes dependent on imported oil.

8. Increasing oil imports also adds to the balance of payments burden. As an example, Iran presently exports oil to the U. S. at a rate of 4 million dollars a day or 1.5 billion dollars a year. Every day of delay in OCS production accrues to the economic and political benefit of Iran and the Arabian states whose shipments of oil to the U.S. are growing at an even faster rate than Iran's.

9. The present rate of unemployment in New England and other Atlantic coast states would be aggravated by the enactment of the OCS bill. That bill would cost jobs for U. S. citizens. Foreign employees produce foreign oil. U. S. employees produce domestic oil.

10. The OCS bill, if enacted, would actually cost losses of jobs in the Gulf Coast OCS areas of Louisiana and Texas. The legislation would provoke delays which would force lay offs of not only oil company employees but of the hundreds of service companies which are hired to perform all kinds of services on the Gulf area outer continental shelf.

11. There is nothing in the OCS bill needed to assist in the OCS development program. The Coastal Zone Management Act amendments provided for federal aid to impacted coastal states to compensate them for the effects of off-shore production. That Act was the only legislation needed. Furthermore, the provisions of the OCS bill would exacerbate rather than facilitate OCS development.

Proposed OCS Lands Act Amendments:

Prescription for disaster

ZAPATA
CORPORATION

Reprinted from VIVA, Zapata Corporation employee magazine

1976

Proposed OCS Lands Act Amendments:

Prescription for disaster

The United States Congress is considering passage of a law which would have devastating effects on a far-reaching basis. It should concern you, as an employee, a taxpayer, and a consumer.

The bill (Senate S-521 and HR-6218) is called the Outer Continental Shelf Lands Act Amendments (OCSLAA) of 1976. If enacted, it would ensnarl the offshore oil industry in red tape of unprecedented scope, and would establish governmental control over an industry that until now has operated responsibly and successfully over the entire world.

The bill would waste billions of American taxpayer and consumer dollars, weakening the nation's economy and substantially increasing its dependence on foreign oil. Moreover, the bill poses one of the most dangerous precedents yet, setting the stage for continuous, monumentally disruptive legal battles and Big Brother interference in many sectors of private industry.

At this writing, passage of the legislation by both houses of Congress appears likely. Therefore, it is vital that President Ford veto the measure, and that Congress sustain his veto.

Disaster in the making.
The OCSLAA bill is a highly complicated, convoluted piece of legislation that is difficult for anyone to fully comprehend. Intensive analysis by a number of independent groups, including economists, industry and governmental experts, reveals a number of points which are among the most significant. They do not by any means represent all of the bill's shortcomings.

Consider the following possible results of this proposed legislation.

□ *One-half million jobless.* Economists and consultants estimate that over one-half million taxpaying employees of those companies involved in some facet of the offshore industry could lose their jobs immediately. This does not take into account the impact on jobs in other businesses and institutions which support companies in the industry.

□ *Two million barrel decline in daily domestic oil production by 1985.* Projected domestic crude oil production would decline as much as two million barrels per day by 1985, and natural gas production would decline as much as one trillion feet per day, as a result of this law.

□ *38% decline in offshore drilling rig utilization by 1979.* The legislation would cause 38% more drilling rigs to be idle in the U.S. by 1979, in addition to those already without work.

□ *Four years delay added to total development cycle.* As a result of procedures in the proposed legislation, an additional four years delay would be necessary in the cycle—two years delay in the present bid-lease phase, and two years additional delay in the exploration-production phase. This would raise the total elapsed time necessary from initial paperwork to production on a given tract of offshore acreage to as long as *11 years*, assuming no serious legal complications took place to further delay progress.

□ *9% increase in oil imports projected for 1985.* Experts estimate that the oil imports, which have been projected for 1985 at 55%, would be at least 64% with the new legislation.

□ *$19 billion increase in oil-related balance of payments outflow by 1985.* Additional purchases of foreign crude would add an extra $19 billion burden to the U.S. balance of payments outflow, making oil-related outflow a total of $140 billion in 1985.

OCSLAA: Intentions and reality.
This legislation was conceived and originally written with the intention of providing the affected coastal states with a means of controlling the onshore impact of oil exploration, production and transportation and the onshore facilities necessary to store, refine, transport and distribute offshore production. It was also intended to provide for the determination of liabilities for cleanups and damages resulting from oil spills.

Both of these requirements now have been adequately covered under the Coastal Zone Management Act (signed into law), and the Oil Spill Liability Act (pending) which came from other sources.

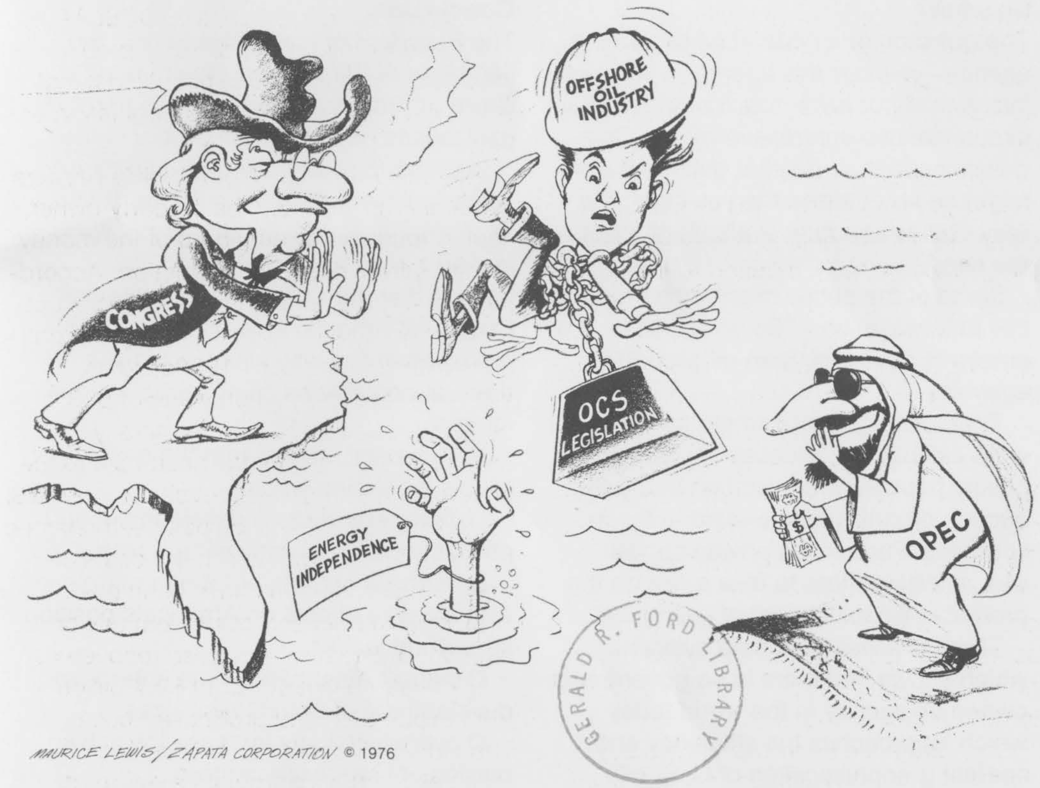
The remaining provisions of OCSLAA are not traceable to any existing problems, or to any other significant legal matters not presently covered by regulation or law.

The only major claim of the bill's backers is that the government, as property owner, should receive a larger share of the money resulting from offshore production. According to the government's own figures, since production began on the U. S. Outer Continental Shelf in the early 1950s, it has yielded a total production value of $23.2 billion (through 1975). Of this total yield, 86% or $19.95 billion has been paid to the government in bonuses, royalties or rentals, while 14% or $3.24 billion has been retained by the industry, from which the costs of capital and operations have been paid.

All investments and costs from this production to date have not been recovered. The industry has a deficit of $9.7 billion from exploration and production costs. The industry hopes that, by the time of total depletion, it can obtain a return of 7% profit, which is far below that necessary to attract the capital needed to continue offshore exploration efforts. This capital is being obtained from other segments of industry operations. The obvious conclusion of this analysis is that there is no way to further increase the percentages of the government's share since there is no way to further decrease the industry's share.

Industry is functioning under present laws to prevent all known pollution hazards—the measures and preventive devices are complete and comprehensive. The penalties which accompany these laws are so severe that every serious, prudent effort is being made to prevent any pollutive occurrence. Even without these recently instituted laws, the industry has had a strong record of trouble-free operations. With the addition of the new controls and technological improvements over the past five years, there is little more which can be accomplished by law to further ensure protection of the ocean environment and coastal areas.

Target: Big Oil. Victim: Everyone.
From all appearances, this legislation is



part of a number of measures pursued by Congress in recent years with the intention of hampering, restricting, curbing or breaking up the major oil companies.

The American oil industry includes more than 10,000 U.S. oil producers, nearly 100 gasoline marketers, and legions of contractors and suppliers. What Congress failed to see in the OCSLAA is that the handful of "majors" will be less affected than the many other large and small businesses directly involved and not considered.

Further, such confusion and economic dislocation will be created by this law—which was originally designed to benefit the special interests of the coastal states in new petroleum active areas—that these states would be far better off without the law.

Specific problem areas.
There are several specific provisions of the Outer Continental Shelf Land Act Amendments which are cause for concern. We will touch briefly on just a few considerations.

Environmental impact.
Normally, the chain of events necessary in the extraction of OCS petroleum involves several years—including exploration, development, production and transportation. The present OCS Lands Law, with the National Environmental Policy Act (NEPA), provides for an orderly decision-making and review process which has successfully encouraged investment and allowed for evaluation of onshore impact and formulation of long-term federal and industry planning.

The proposed OCSLAA would separate the exploration part of the sequence from the subsequent development, production and transportation phases. It would require the filing of two separate environmental impact statements instead of the present one. The second statement is supposed to allow the coastal states time to plan for anticipated onshore impact following a successful discovery. However, the delays it creates have the opposite effect.

It is quite possible that a company which made a discovery would not have its second environmental impact statement accepted for some reason, making the future of the project at that point uncertain. By the time the review procedure had been pursued and plans modified, a considerable delay would have taken place—interrupting both the planning and financial stability of the oil companies and their contractors, as well as that of the affected coastal communities.

Lease cancellation.
Also included in the bill are new provisions for cancellation of the lease on a given acreage at any stage of exploration or development, without providing for adequate compensation to the lessee for costs or the value of any petroleum discovered.

This provision increases the risk for OCS lessees, and causes potential bidders to further discount the value of each lease offered in the future. The provision is also retroactive—applicable to non-producing leases sold in all years before the OCSLAA would be enacted. This feature would violate the basic legal principle of sanctity of contracts, and introduces a dangerous "Russian Roulette" precedent applicable to all long-term Federal contracts, regardless of industry.

While it protects a lessee's right to sue for proper compensation if his lease is cancelled, the OCSLAA also allows reimbursement of only the bonuses and direct costs in such cases. Even though the lessees might suffer cancellation of the lease for reasons beyond their control, they would receive nothing for the value of any oil and gas discovered.

The bill also forces cancellation of a lease if the development and production plan cannot be made consistent with an approved state coastal zone management program. In effect, this gives coastal *states* a form of veto power over oil and gas development/production activities in *Federal* territory.

Federal on-structure drilling.
One provision in the presently proposed OCSLAA calls for "on-structure" drilling prior to any lease sales. Under this program, either the government or private industry would be required to drill one well on a given geological structure, at a site designated by the Secretary of Interior, before acreage covering that structure could be leased.

(continued on next page)

Prescription for disaster *continued*

A single well is not sufficient to determine either the presence or absence of commercial amounts of petroleum on a given structure. Therefore, that well will not provide the government sufficient information about an area to determine its true potential. It is unlikely that much exploration of this type would be done by private companies, no matter what size, if they have no lease or assurance that they will be permitted to develop any resources they discover.

In the Senate version of the bill, taxpayers dollars would fund projects by a number of companies, under the control of the Federal government, to analyze potential exploration areas. Using the data and findings of these companies, the government would subsequently dictate the sites and timing of drilling on any leases, even though these leases would be privately held.

The specter of Federal oil.

The more the provisions of the OCSLAA are investigated and analyzed, the more observers reach a common conclusion: If this law is enacted, and upheld by the Supreme Court as constitutional, it will go a long way toward the creation of a government-owned oil company, perhaps eventually with sole proprietorship over the natural resources offshore America.

In our opinion, this will not be a noble experiment. Because of the way in which government must operate, it will be far less efficient, and far more expensive for the government to conduct these operations than for private industry. Further, it will cost the American consumer more money for the end product.

This is contrary to the free enterprise system which has evolved over the past 200 years. The American taxpayer will be forced to assume the enormous financial risk of the exploratory process now being borne by private industry, without the expertise and technological resources which American oil companies have used to find and develop most of the Free World's petroleum reserves.

So what?

The question of a Federal oil-producing agency—whether this agency is created intentionally or is the result of accidental circumstances unforeseen by our Congressmen in their present deliberations—might be rationalized then as being the only course of action available to meet the need.

Some of the public might respond to this rationalization—"So what? Other governments have their own oil-producing agencies."

These foreign government oil agencies were established because no efficient private petroleum exploration and production organizations existed in those countries. Further, no private capital was available there to take a risk on the profitable establishment of such firms.

There is a wealth of data available which shows that there is *no* government-owned oil agency in the world today which approaches the efficiency and operating sophistication of U. S. oil companies. In all cases, nationalized oil agencies' cost performances are unusually high, and the cost of their finished products to the consumer is *without exception much higher* than the costs paid by U.S. consumers.

Tough competition under the American private enterprise system has forced domestic oil companies to develop high quality technology and management, in order to survive.

History shows irrefutably that no government oil-producing agency could approach the performance of America's private oil companies.

Our present system.

The present system of offshore leasing and development under the 1953 OCS Lands Act has been in successful operation for 23 years. It has been upheld numerous times by Federal courts. While cumbersome, it is supported by government and industry leaders, who accept its design. It affords strong environmental controls and some flexibility, and provides a fair return for American taxpayers.

Conclusion.

The President of the United States, the Secretary of the Interior, the entire offshore oil industry and numerous trade organizations have gone on record in their opposition to provisions of the OCSLAA.

We believe that this is an issue of vital significance, which should not be overlooked by the American public. We believe that the Outer Continental Shelf Lands Act Amendments cannot be compromised in any way which will make them acceptable as being in the national interest.

In summary, we feel that the enactment of this legislation would:

☐ delay exploration, development and production of domestic energy resources.

☐ increase imports of foreign petroleum with adverse effects on America's position as a world leader.

☐ disrupt American private enterprise development of natural resources.

☐ overwhelmingly increase the stifling burdens of regulatory excess.

America's energy policy, with the related economic and foreign policies, is one of the most important keys to our future. It needs to be carefully made and consistently applied to reach long-term objectives. Above all, this policy should not be undermined by ill-conceived compromises made for political expediency in an election year.

What you can do.

We urge you to express yourself on this vital issue. Write or wire President Ford, and urge him to veto the bill. Write or wire your Senator and/or Congressman and urge him or her to sustain the President's veto, or to vote against the bill if another opportunity arises.

If you have any questions, would like further information or reprints of this article, please write:

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O.C.S.

AtlanticRichfieldCompany

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Louis F. Davis
Vice Chairman of the Board

September 9, 1976

The Honorable William T. Coleman
Secretary of Transportation
Department of Transportation
400 Seventh Street, N.W.
Washington, D. C. 20590

F16

Dear Secretary Coleman:

I have followed the progress of the Outer Continental Shelf Lands Act Amendments of 1976 (S. 521/H.R. 6218) with a great deal of interest and concern. My Company has submitted comments to both the Senate and House Committees which were considering these bills during the course of their development. Several of our corporate officers, including myself, and other Company representatives, have made repeated visits to those Members of Congress and their staffs instrumental in fashioning this legislation to provide information on the complexities of the issues addressed, the problems raised by the provisions, and the resulting impact upon the Nation. I am convinced that enactment of this legislation is contrary to the public interest, and I urge your support of a Presidential veto of this Act in the event of final Congressional approval.

The Federal Outer Continental Shelf lands are among the last major frontier areas remaining under United States jurisdiction which might contain substantial accumulations of petroleum. Given the Nation's need for an increased domestic oil supply, it is imperative that this national resource be developed as rapidly as economically feasible in a manner compatible with protection of the environment. However, many provisions contained in the OCS Lands Act Amendments of 1976 will have serious negative impacts, delaying development of the oil and gas resources, thus increasing dependence on foreign supply, reducing the economic benefit derived by the public, placing serious strains on the U.S. balance of payments, and providing mechanisms which could lead to the formation of a Federal Oil and Gas Company with an inevitable reduction in competition, causing further reduction in discoveries of oil and gas.

Compared with the current procedures of the Department of the Interior, we estimate that the OCS Lands Act Amendments of 1976 would add at least an additional two years to the time required for OCS development, bringing the total to about seven years for a typical new OCS area. Enclosed is an API-prepared "flow chart" with the steps involved, and the time required, in bringing OCS oil to production with the additional steps mandated by the House version of S. 521 highlighted.

Atlantic Richfield Company will, of course, maintain its commitment to OCS development whether or not this legislation is enacted. However, prudent business practices dictate that the additional delays and attendant expenses associated with compliance be reflected in our bidding and in the results of our efforts. We expect the balance of the industry to be similarly affected.

Our analysis of the impact of enactment of S. 521/H.R. 6218 on Atlantic Richfield Company's OCS program reveals that the delays imposed by the legislation would significantly affect the results of our program compared with the expected results if conducted under current procedures of the Department of the Interior. The provisions of this legislation would cause some marginal prospects to become uneconomic for leasing and exploration by delaying the time when income could be expected following leasing and exploration expenditures. In other cases, leasing activities, reserve discoveries, and production would simply be deferred to a later period. Assuming an additional one-year delay of lease sales and one-year delay between exploration and development, our estimate of the combined impact on Atlantic Richfield Company's OCS program and its results during the crucial ten-year period, 1977-1986, would be as follows:

1. Reduce the number of OCS tracts purchased by almost 30%.

2. Reduce the total bonus we would expect to pay in OCS lease sales by at least 30% due to fewer sales and reduction in value caused by delay. Further reductions in bonus could be anticipated as the Secretary of the Interior employs the various alternative leasing systems contained in the legislation.

3. Reduce reserves that we expect to find by 1986 on tracts purchased in 1977-86 lease sales on the order of 25%.

4. Reduce the expected 1986 production rates from tracts purchased in the 1977-86 OCS lease sales by 55% to 60%.

Since a large portion of the Nation's future new supply of oil and gas is expected to come from the Outer Continental Shelf lands, decreased results, such as Atlantic Richfield Company anticipates, have serious implications for the achievement of the Nation's goal of an acceptable level of domestic self-sufficiency in energy. Clearly, as we fail to achieve this goal, increased imports of foreign oil will be required with the attendant undesirable balance of payments and national security implications.

It appears that a prevailing idea in Congress that the public is not receiving its fair share of OCS revenues has led to provisions in the legislation which would require on-structure drilling and alternate bidding systems. Careful analysis indicates this is not a valid concern. Since the beginning of federal leasing of OCS lands in 1953, the petroleum industry has expended some $33 billion ($18 billion in bonuses and $15 billion for exploration and development) while gross revenues from OCS production have reached only about $19 billion. Despite being in the red after 23 years of operation in the OCS, the industry obviously expects eventually to recover cost and show a profit. Even so, on a discounted cash-flow basis, the public (government) will have received some 80% of the revenues. There is an economic limit beyond which industry cannot pass if it is to remain healthy. A further increase in the government's share is precariously close to that point.

Atlantic Richfield Company stands ready to assist you in any way on this important issue. Please do not hesitate to call if we can be of service.

Sincerely,

Louis F. Davis

Louis F. Davis

Attachment

9-8-76

File

Political Misconceptions Concerning the Outer Continental Shelf (OCS) Lands Act Amendments - S. 521

Leasing Bill

#1 - FAIR MARKET VALUE

Taxpayers do not get a fair market value for OCS leases acquired by the oil companies ! FALSE!!

The latest OCS statistics published by the U. S. Geological Survey (1976) show that from 1953 through 1975 the total revenue to the government from bonuses, rents and royalties on OCS leases - was $19.9 billion. The total value of production has been $23.2 billion. This is 86% to government and 14% to industry not including an estimated $10 billion cost to the industry for exploration and development.

Instead of a ripoff by industry, it is a jackpot to the Federal Treasury in dollars and to the American consumer in helping satisfy their energy demands or needs. More (over 80%) of the money for the Land and Water Conservation Fund comes from OCS revenues. From this Fund all states receive grants for recreation and conservation projects. The remainder of government revenue goes to miscellaneous receipts of the Treasury Department which has the effect of reducing an equivalent amount of income taxes.

It is a fair market value because any qualified bidder with the men, materials and money can offer, in a sealed bid, what he believes a lease to be worth. Although there have been some notable differences between government and industry estimates of the value of a lease, they have averaged out about the same. The government rejects any bids which are below the government estimate of value. Competition creates the fair market value.

Political Misconceptions Concerning the Outer Continental Shelf (OCS) Lands Act Amendments - S. 521

#2 - ON-STRUCTURE DRILLING

Why shouldn't there be on-structure drilling prior to a lease sale so the government will know the quantity of the oil and gas available to determine its value?

Industry has drilled over 16,000 wells in the Gulf of Mexico during the past quarter century and still does not know for certain how much oil and gas is there. Some people mistakenly believe that drilling a small number of test holes "on-structure" in each frontier area accurately predict the amount of recoverable oil and gas. This politically-oriented "dip-stick syndrome" does not apply to the real world of geology where there are hundreds if not thousands of structures or traps where oil and gas may or may not be found.

Look at a map of producing oil fields onshore or offshore anywhere in the world. Are many of the fields large areas subject to a few test wells? NO!! In oil and gas producing regions, the fields are small, frequently disconnected dots or splotches more or less randomly scattered on a map. Current legislation is asking the Department of Interior to play "pin the drill rig on the polka dot."

Statistically, for U. S. offshore exploratory wells, only one well in about five becomes an oil or gas well and the cost is in the millions for each frontier well. Even though the odds are against it, suppose oil and gas is found before there is a lease sale. This would imply to the public that other nearby structures contain similar quantities. Experience has shown that only a casual relationship may exist between the oil and gas found in one structure compared to another nearby. Many realistic bids on nearby structures (or the entire frontier area) would be considered too low and commercial development would be prevented. On the other hand, distorted high bids based on the discovery would eliminate smaller companies from bidding. The public would not be protected and competition would be diminished.

Suppose that no oil and gas are present in a frontier area. The pre-lease exploratory drillers would not know this and the temptation to continue drilling wells looking for a discovery would be great. The more dry holes drilled, the lower the bids will be. The U. S. Treasury and the taxpayer lose. It is a loss of valuable time and money to the taxpayer and the consumer who are one and the same.

For one of many examples, there were 32 dry holes drilled in the North Sea. All governments and their contractors had given up except one private American company who made the first discovery. They didn't have to drill "one more hole", they wanted to. The rest is history.

The more normal situation is that, after leasing, several exploratory wells are drilled "on-structure" before there is a discovery. If, prior to a lease sale, several exploratory holes were drilled on-structure with no discovery, then at the lease sale the bids would obviously be very low.

By this legislation, the Department of Interior is placed in a compromising situation. They can't win and the taxpayer loses. Legislation now being considered is trying to force geology and commerce to fit within legislated boundaries which will diminish rather than enhance productivity.

Political Misconceptions Concerning the Outer Continental Shelf (OCS) Lands Act Amendments - S. 521

#3 - FEDERAL EXPLORATION

Federal exploration is the best way to really determine the amount of oil and gas reserves! FALSE!!

The American private enterprise oil and gas industry has always been the undisputed leader in the world. This has been due primarily to competitive incentives and motivation by reward. Before the OPEC cartel controlled foreign crude prices, the result was abundant low cost energy supplies and high economic efficiency.

Now the suggestion is made that we discard incentives and motivation. Now that oil and gas are harder and more expensive to find, we should plod along under bureaucratic guidance. A little federal exploration will be as bad as a lot of it.

By its nature, federal exploration or exploration by contract under federal control will:

- o Cause lengthy delays
- o Increase costs
- o Probably lower bids at lease sales
- o Provide only sketchy information at best
- o Lack competitive diversity
- o Be exposed to political pressures
- o Expand governmental functions
- o Create conflict of interest within one agency to explore for oil and regulate operations.

With these factors going against us, how is that going to help the situation?

Political Misconceptions Concerning the Outer Continental Shelf (OCS) Lands Act Amendments - S. 521

#4 - WHAT HAPPENS TO ALL THAT OCS LEASE SALE MONEY?

The Mid-Atlantic Oil and Gas Lease Sale (#40) recently caused headlines such as "Offshore Oil Bids Top $1 Billion." From 1953 through 1975, government has received $19.9 billion from lease sale bonuses, lease rents and production royalties. Add to this the $2 billion in lease sales during 1976 and this is a tidy sum. Where does it come from and where does it go?

Usually, part of the money an oil company (or other qualified bidder) bids is from retained earnings specifically for this purpose and part is borrowed from banks or other lenders.

Each bidder must include 20% of the amount bid and the remainder is paid after the lease is awarded. The money with rejected bids is returned to the bidders.

According to the OCS Act of 1953, all bonuses, rents and royalties paid to the U.S. government go to the Treasury Department and are credited to miscellaneous receipts. This money pays for government programs along with the general tax dollar unless specific receipts are for specific purposes.

One specific purpose is the Land and Water Conservation Fund which has received over $2 billion since 1965. Part of this Fund has been raised from entrance and user fees for federal recreational projects, surplus property sales and a motorboat fuels tax. If revenues from these sources are less than a $300 million ceiling, the remainder is contributed from the OCS receipts. More than 80% of the yearly $300 million now comes from OCS revenues to acquire and develop recreational facilities in all 50 states. OCS money has contributed $1.4 billion to the Fund. The Bureau of Outdoor Recreation maintains records of money granted and recreational projects developed or in progress for each state.

Political Misconception Concerning the Outer Continental Shelf (OCS) Lands Act Amendments - S. 521

#5 - LEGISLATED SEPARATION OF EXPLORATION AND DEVELOPMENT

The states do not have enough time nor information to plan for OCS development unless there is a legislated delay between exploration and development! FALSE!

- The coastal states serve on the Department of Interior OCS Advisory Board and the regional subdivisions.
- The coastal states serve on the Department of Interior OCS Environmental Studies Advisory Committee.
- The OCS leasing schedule is published years before the sale with adequate time for public hearing.
- Under the Coastal Zone Management Act of 1972 and the 1976 amendments, the coastal states receive planning money and grants and loans for "adverse impacts."
- The production and development plan must be certified to be consistent with the state plan.
- There is a natural delay of two to four years to custom build platforms and drill production wells.
- The states have access to non-proprietary geological and geophysical data for adequate onshore planning.
- A legislated delay between exploration and production serves no useful purpose.

OUTER CONTINENTAL SHELF (OCS) LEGISLATION - AN OVERVIEW

Situation:

- Domestic production of oil has been decreasing each year since 1970.
- Consumption has increased since 1974.
- U.S. economy is dependent on oil and gas for over 75% of our energy.
- Imports are rapidly increasing - over 40% of consumption.
- Unknown quantities of domestic oil and gas resources are available from the OCS.

Problem:

How can we expedite OCS oil and gas exploration, development and production with due regard to the coastal states and the environment?

Legislation Passed:

Coastal Zone Management Act Amendments of 1976 (PL 94-370) provides $1.2 billion in loans and grants to coastal states for energy planning and impacts. Also provides that OCS exploration, development and production plans be consistent with state plans giving the states a voice in OCS development.

Legislation Proposed:

Comprehensive Oil Pollution Liability and Compensation Act of 1976 (H.R. 14862) is before the Rules Committee. This bill establishes a fund for compensation from oil spill damage and the cost of the clean up.

Legislation in Conference:

The Outer Continental Shelf Lands Act Amendments of 1976 (S. 521) amends the OCS Act of 1953. Contrary to its findings and purposes, it does not expedite the production of oil and gas but rather significantly delays the process.

Effects of S. 521 if passed:

- Opens door to federal exploration.
- Require new 5-year leasing program.
- Require new regulations.
- Fragment federal administrative responsibilities.
- Mandatory on-structure drilling before leasing.
- Congressional review of rules and regulations.
- Encourage nuisance law suits.
- Require additional review by states.
- Does nothing to decrease dependency of foreign imports.

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H-232, THE CAPITOL
WASHINGTON, D.C. 20515

JOHN J. WILLIAMS
DENNIS J. TAYLOR
J. BRIAN SMITH
CLARA POSEY

June 9, 1976

IN REPLY
REFER TO:

Dear Republican Colleague:

Attached for your information is a copy of a letter from Secretary of the Interior Kleppe expressing his concern over provisions of H.R. 6218, the Outer Continental Shelf Lands Act. As you will note, he urges Members to oppose the bill.

Sincerely,

John J. Rhodes

John J. Rhodes, M. C.
Minority Leader

Attachment

5

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 8 1976

Dear Mr. Rhodes:

The House this week will be considering H.R. 6218, amendments to the Outer Continental Shelf Lands Act. I would like to call to your attention a few of the features of this bill which concern me deeply, and which I feel make it unacceptable.

Despite the contrary claims of the bill's supporters, in fact these amendments would drastically slow up the development of our best remaining domestic energy supply, Outer Continental Shelf (OCS) oil and gas. The main delaying features are these:

1 --citizen suit provisions which broaden the chance for nuisance litigation;

2 --forcing use of new, untested bidding systems on large acreages;

3 --reducing investment incentives by threatening lease cancellation under vague, one-sided criteria;

4 --handicapped firms doing exploration by requiring revelation of their proprietary information to States, where its confidentiality could not be assured;

5 --giving Governors a veto over leasing wherever national defense or overriding national interest is not involved;

6 --confusing the assignment of regulatory responsibility by giving the same duties to as many as three agencies at the same time; and

7 --requiring review of each lease, before it can be issued, by both the Attorney General and the FTC.

8 Delay, however, is only part of what this bill would mean. It would also grant rights to States over heretofore Federal lands, by making the State a "joint lessor" in the first three miles of Federal waters.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Perhaps most serious of all, by requiring issuance of permits for pre-lease exploratory drilling, it opens the door to Federal takeover of exploration on the OCS.

There are many other objections to this bill. I urge you to hold in mind that the OCS program is serving us well under present law. There is nothing in H.R. 6218 which is necessary to sound future leasing policy, and there is much in the bill which would be harmful.

The Administration is opposed to passage of H.R. 6218 and I hope you will oppose it as well.

Sincerely yours,

Thomas S. Kleppe
Secretary of the Interior

Honorable John J. Rhodes
U.S. House of Representatives
Washington, D.C. 20515