

**The original documents are located in Box 42, folder “1976/04/05 HR49 Naval Petroleum Reserves Production Act of 1976 (1)” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

**APPROVED**  
**APR 5 - 1976**

*4/5/76*

**ACTION**

**THE WHITE HOUSE**

**WASHINGTON**

**Last Day: April 13**

**April 3, 1976**

*Ceremony +  
Statement Issued  
Rose Garden 2:15pm  
4/5/76*

**MEMORANDUM FOR:**

**THE PRESIDENT**

**FROM:**

**JIM CANNON** *J.C.*

**SUBJECT:**

**H.R. 49 - Naval Petroleum  
Reserves Production Act of 1976**

*To archive  
4/6*

Attached for your consideration is H.R. 49, sponsored by Representative Melcher, which authorizes immediate petroleum production from Naval Petroleum Reserves 1 (Elk Hills - California), 2 (Buena Vista - California), 3 (Teapot Dome - Wyoming), redesignate Naval Petroleum Reserve 4 (Alaska) as the National Petroleum Reserve and transfers jurisdiction to Interior in June 1977.

H.R. 49 conforms to the objectives of the original Administration proposal, although the approach taken on certain provisions of the bill varies somewhat. The major features of the enrolled bill are outlined in the OMB enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), NSC Alan Greenspan, Jack Marsh and I recommend approval of the enrolled bill (Tab B) and the proposed signing statement (Tab C) which has been cleared by Bob Hartmann.

**Ceremony**

RECOMMENDATION

That you sign H.R. 49 (Tab B) at the Signing Ceremony scheduled for 2:15 p.m., Monday, April 5.

That you approve the signing statement at Tab C.

Approve

*J.C.*

Disapprove \_\_\_\_\_





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

APR 2 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 49 - Naval Petroleum  
Reserves Production Act of 1976  
Sponsor - Rep. Melcher (D) Montana

Last Day for Action

April 13, 1976 - Tuesday

Purpose

Authorizes immediate petroleum production from Naval Petroleum Reserves 1, 2, and 3; authorizes further exploration of Naval Petroleum Reserve 4.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval (Informally)
Department of the Navy	Approval (Informally)
Federal Energy Administration	Approval (Informally)
Department of Commerce	No objection (Informally)
Department of Justice	No objection (Informally)

Discussion

Your 1975 State of the Union Message set forth a comprehensive national program for achieving energy independence by reversing our growing reliance on imported petroleum. The legislation necessary to implement this program, the Energy Independence Act, was submitted to Congress shortly thereafter.

One of the significant actions in your energy program, title I of the Energy Independence Act, provided for increasing domestic petroleum supplies through



the use of the nation's Naval Petroleum Reserves (NPRs). Briefly, title I provided for the following:

- full development and production of NPRs 1 (Elk Hills - Calif.), 2 (Buena Vista - Calif.), and 3 (Teapot Dome - Wyoming).
- exploration, development, and production of NPR-4 (Alaska).
- above actions to be undertaken by the Secretary of the Navy upon Presidential authorization.
- the Government share of petroleum to contribute to both the National Strategic Petroleum Reserve and the public economy.
- proceeds derived from the sale of the government share to be credited to a National Strategic Petroleum Reserve Special Fund; these monies to be used to further explore, develop and produce the NPRs, to construct facilities on and off the reserves, and to construct and manage the National Strategic Petroleum Reserve.

H.R. 49, as enrolled, conforms to the objectives of the original Administration proposal, although the approach taken on certain provisions of the bill varies somewhat. Outlined below are the major features of the enrolled bill.

#### Naval Petroleum Reserves 1, 2, and 3

The Secretary of the Navy is directed to begin production within 90 days at NPRs 1, 2, and 3 at their maximum efficient rate consistent with sound engineering practice for a period of six years. Production can be continued for additional increments of three years if the President certifies that such production is in the national interest and neither House of Congress disapproves the action within 90 days.



The Secretary of the Navy is directed to provide storage and shipping facilities for NPR-1, within three years of enactment, to accommodate production of not less than 350,000 barrels of petroleum per day. Sales of the U.S. share of petroleum (about 80 percent) shall be made at public auction to the highest bidder for periods not to exceed one year. Up to 25 percent is set aside for sale to small refiners at prevailing market prices. The President may direct all or part of the U.S. share of petroleum production to be placed in a Strategic Petroleum Reserve directly or indirectly through exchange agreements.

The Secretary of the Navy must consult with the Attorney General on matters which may affect competition and may not sign a contract inconsistent with anti-trust laws. Pipelines serving the NPRs will be operated and maintained as a common carrier -- the Secretary could acquire by condemnation any pipeline which refuses to accept, convey, and transport without discrimination and at reasonable rates any petroleum produced at the NPRs. NPR produced petroleum would be subject to the Export Administration Act of 1969, and it could not be exported unless the President finds that such exports: (a) will not diminish the petroleum available to the U.S.; (b) are in the national interest; and, (c) are in accord with the Export Administration Act of 1969.

Proceeds from the sale of NPR production shall be credited to a Naval Petroleum Reserve Special Account which, subject to the appropriations process, shall be made available for: (a) exploration, development and production of NPRs 1, 2, and 3, and for exploration and study in regard to the National Petroleum Reserve in Alaska; (b) facilities incident to production and delivery of petroleum; and, (c) petroleum and facilities for the National Strategic Petroleum Reserve.



Naval Petroleum Reserve 4

NPR-4 (Alaska) is redesignated as a "national" petroleum reserve and is transferred effective June 1, 1977, to the Secretary of the Interior, who shall assume all administrative responsibilities formerly held by the Secretary of the Navy. Interior shall continue Navy's exploration activities and report annually to the Congress on further exploration plans. With respect to such exploration activities, review by the Attorney General is required to assure that exploration contracts are not inconsistent with anti-trust laws. Furthermore, if the Secretary determines that as a result of exploration activities, there is an immediate and substantial increase in the need for municipal services and facilities in communities located on or near the reserve, and that this would place an unfair and excessive financial burden on the affected communities, then he is authorized to assist such communities in meeting the costs of providing increased municipal services and facilities. Existing Federal programs are to be used in providing such assistance.

The President, no later than January 1, 1980, would be required to submit to Congress a development plan, together with appropriate legislation and economic and environmental impact assessments. Development plans are to be prepared in consultation with the State of Alaska and appropriate Federal agencies.

As can be seen from the above comparison, H.R. 49 meets most of the Administration's key objectives. Only one major non-conforming feature and several lesser provisions warrant being noted:

1. Production at NPR-4, the largest of the Naval Petroleum Reserves, is not authorized; however, a clear procedure is set forth to study and recommend to Congress the best way to develop, produce, transport, and distribute the reserve's petroleum resources. We believe this process can be carried out expeditiously and in a manner which will minimize any delays in achieving NPR-4 production.

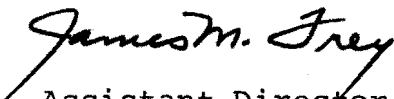


2. There are no provisions relating to the sharing between Alaska and the U.S. of NPR-4 revenues, and to the question of whether future leasing would be competitive or non-competitive. These issues will have to be closely examined at the time Congress acts to authorize NPR-4 production and the President will have an opportunity to offer his recommendations at that time. Billions of dollars are at stake because of the large production potentially available at NPR-4.

3. By adopting a resolution of disapproval, either House of Congress could veto the President's plan to extend production of NPRs 1, 2, and/or 3; such provisions have been consistently held by the Executive to be unconstitutional.

This legislation will increase the nation's domestic supply of petroleum by up to 300,000 barrels per day over the near term and it also enhances our ability to recover potentially vast reserves (up to 30 billion barrels) over the longer term.

A draft signing statement prepared by FEA has been forwarded directly to the White House for your consideration.

  
Assistant Director for  
Legislative Reference

Enclosure



4/13

Mr. J.

—

Kate







EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

DATE: 4-13-76

TO: Bob Linder

FROM: Jim Frey

Attached is the Defense views letter on H.R. 49, for inclusion in the enrolled bill file. Thanks.





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

7 APR 1976

Dear Mr. Lynn:

Your transmittal sheet dated April 2, 1976, enclosing a facsimile of an enrolled bill of Congress, H.R. 49, "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," and requesting comments of the Department of Defense, has been received. The Department of the Navy has been assigned the responsibility for the preparation of a report expressing the views of the Department of Defense.

The purpose of H.R. 49 is to reduce American dependence upon imported oil which now accounts for almost 40% of our requirements. This Act directs the Secretary of the Navy to commence within 90 days after the date of enactment the production of Naval Petroleum Reserves Nos. 1, 2, and 3 at the maximum efficient rate consistent with sound engineering practices for a period not to exceed six years. It will also establish a National Petroleum Reserve in Alaska formerly called Naval Petroleum Reserve No. 4, which will be under the jurisdiction of the Secretary of the Interior on June 1, 1977. While production from the National Petroleum Reserve is not authorized in the bill, the Act contemplates that Congress will consider and act upon the proposed development, plans, and legislation. Studies and reports of the reserve are authorized in this legislation.

Production from Naval Petroleum Reserves Nos. 1, 2, and 3 of which the U.S. share is approximately 80% will be sold at public auction to the highest qualified bidder. A further provision that up to 25% of that amount could be set aside for the benefit of small refiners is provided. The President may direct that any or all of the U.S. share may be placed in the reserves or exchanged for fuel to be stored. A special account "Naval Petroleum Reserves Special Account" is established on the books of the Treasury Department. This account is subject to the congressional appropriations process. It will be primarily funded by the sale of petroleum and other congressional appropriations. Funds will be available for exploration, development, and production of the Naval Petroleum Reserves for construction and operation of facilities both within and outside the Naval Petroleum Reserves incidental to the production and delivery of petroleum including pipelines and shipping terminals; the procurement of petroleum for the construction and operation of facilities associated with the Strategic Petroleum Reserve; and the exploration and study of the National Petroleum Reserve in Alaska. The budget estimates for annual appropriations from this account shall be prepared by the Secretary and shall be presented to the Congress by the President independently of the budget to the Department of the Navy and the Department of Defense.



The approval of this legislation would result in no increase in the budgetary requirements of the Department of Defense.

The Department of the Navy, on behalf of the Department of Defense, recommends the approval of H.R. 49.

Sincerely yours,

*Jack L. Bowers*  
**Jack L. Bowers**  
Assistant Secretary of the Navy  
(Installations & Logistics)

Honorable James T. Lynn  
Director, Office of Management and Budget  
Washington, D. C. 20503



To: J. Cunningham  
4-2-76  
5:30 P.M.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

APR 2 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 49 - Naval Petroleum  
Reserves Production Act of 1976  
Sponsor - Rep. Melcher (D) Montana

Last Day for Action

April 13, 1976 - Tuesday

Purpose

Authorizes immediate petroleum production from Naval Petroleum Reserves 1, 2, and 3; authorizes further exploration of Naval Petroleum Reserve 4.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval (Informally)
Department of the Navy	Approval (Informally)
Federal Energy Administration	Approval (Informally)
Department of Commerce	No objection (Informally)
Department of Justice	No objection (Informally)

Discussion

Your 1975 State of the Union Message set forth a comprehensive national program for achieving energy independence by reversing our growing reliance on imported petroleum. The legislation necessary to implement this program, the Energy Independence Act, was submitted to Congress shortly thereafter.

One of the significant actions in your energy program, title I of the Energy Independence Act, provided for increasing domestic petroleum supplies through



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 2

Time: 600pm

FOR ACTION: Glenn Schleede  
NSC/S  
Max Friedersdorf  
Ken Lasarus  
Alan Greenspan  
Jack Marsh

cc (for information): Jim Cavanaugh  
Ed Schmitts

Robert Hartmann  
George Humphreys

FROM THE STAFF SECRETARY

DUE: Date: April 3

Time: 1100am

SUBJECT:

H.R. 49 - Naval Petroleum Reserves Production Act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

K. R. COLE, JR.  
For the President

4/6

Mr. J. -

To be added to  
the file, pls.

Kate

NATIONAL SECURITY COUNCIL

April 3, 1976

MEMORANDUM FOR: JAMES CANNON

FROM: Jeanne W. Davis *JWD*

SUBJECT: Draft Signing Statement - Naval  
Petroleum Reserves Production  
Act of 1976 (H. R. 49)

The NSC Staff concurs in the draft signing statement - Naval  
Petroleum Reserves Production Act of 1976 (H. R. 49).



MEMORANDUM

NATIONAL SECURITY COUNCIL

April 3, 1976

MEMORANDUM FOR: JAMES CANNON

FROM: Jeanne W. Davis *JWD*

SUBJECT: H. R. 49

The NSC Staff concurs in H. R. 49 - Naval Petroleum Reserves  
Production Act of 1976.





4/7

To be added to the  
file, pls.

Kate

SIGN OFFS ON NAVAL PETROLEUM RESERVE SIGNING STATEMENT

JIM LYNN Jim Frey and Roy Niemela concurred in near final draft on Friday, April 2. Jim Mietus and Ed Miller reviewed final draft on Saturday, April 3.

SCOWCROFT Telephone concurrence received, 1:10 PM from Kathy in Jeanne Davis' office.

MARSH Concurred with suggested changes (attached) on April 2.

BUCHEN Schmults concurred with suggested editorial changes (attached) April 3.

FRIEDERSDORF Concurrence by telephone to Judy Johnston April 2.

ZARB John Hill concurred on behalf of Zarb. Comments attached. April 3.

HARTMANN Final version read to Doug Smith April 3.

SEIDMAN Concurrence from Roger Porter and Mr. Seidman's secretary - 1:20 PM April 3.

GREENSPAN Concurrence April 2 by John Davis and Milton Russell.

RESEARCH Signed off on final version 3:05 P.M. April 3.



Date: April 2

Time: 600pm

FOR ACTION: Glenn Schleede ✓  
 NSC/S  
 Max Friedersdorf  
 Ken Lazarus  
 Alan Greenspan  
 Jack Marsh

cc (for information): Jim Cavanaugh  
 Ed Schmults

Robert Hartmann  
 George Humphreys

FROM THE STAFF SECRETARY

DUE: Date: April 3

Time: 1100am

SUBJECT:

H.R. 49 - Naval Petroleum Reserves Production Act of  
 1976

## ACTION REQUESTED:

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

## REMARKS:

Please return to ~~Judy Johnston, Ground Floor West Wing~~

*Revised  
 approval  
 Schleede*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
 For the President

Date: April 2

Time: 500pm

FOR ACTION: James Lynn                   cc (for information):  
               Brent Scowcroft  
               Jack Marsh                   Frank Zarb  
               Phil Buchen                 Robert Hartmann  
               Max Friedersdorf         Bill Seidman  
 FROM THE STAFF SECRETARY             ✓ Alan Greenspan

DUE: Date: April 3

Time: 1100am

## SUBJECT:

Draft Signing Statement - Naval Petroleum Reserves  
 Production Act of 1976 (H.R.49)

## ACTION REQUESTED:

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

## REMARKS:

Please return to Glenn Schleede, Room 228 EOB



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
 For the President

X

Date: April 2

Time: 500pm

FOR ACTION: James Lynn  
Brent Scowcroft  
✓ Jack Marsh  
Phil Buchen  
Max Friedersdorf

cc (for information):  
Frank Zarb  
Robert Hartmann  
Bill Seidman  
Alan Greenspan

FROM THE STAFF SECRETARY

DUE: Date: April 3

Time: 1100am

SUBJECT:

Draft Signing Statement - Naval Petroleum Reserves  
Production Act of 1976 (H.R.49)

ACTION REQUESTED:

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

REMARKS:



Please return to Glenn Schleede, Room 228 EOB

*It is important to assure public that we will maintain an adequate supply to meet Navy + Defense needs, so it is understood that we are not*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
For the President

*Subverting purpose of original act of the 1970's*  
*JM*

DRAFT SIGNING STATEMENT - NAVAL PETROLEUM RESERVES  
PRODUCTION ACT OF 1976

In my first State of the Union Message more than a year ago I set forth a comprehensive and ambitious national program for achieving energy independence by reversing our growing reliance on imported oil.

Shortly thereafter, I submitted to the Congress my proposed Energy Independence Act of 1975, which contained thirteen specific programs to encourage energy conservation and to increase domestic energy production. One proposal called for utilization of our Naval Petroleum Reserves.

These Reserves were established over 50 years ago to guarantee an adequate supply of oil for the U.S. Navy. Today, these Reserves are of great importance to the whole Nation as a means of reducing dependence on imported oil. Imports now account for almost 40 percent of the petroleum we are using. We are even more dependent now than we were a little over two years ago when we experienced the disruption of an oil embargo.

For the immediate future, there are only a few steps that can be taken to increase domestic oil production. The development and production of the Naval Petroleum Reserves, principally Reserve Number One in Elk Hills, California, is the most significant.



I am therefore pleased to sign into law the Naval Petroleum Reserves Act of 1976.

This Act directs the Secretary of the Navy to commence production at the maximum efficient rate from the three Naval Petroleum Reserves located in California and Wyoming. The Act also establishes the fourth Naval Petroleum Reserve in Alaska as a National Petroleum Reserve and transfers the jurisdiction of it from the Navy to the Department of the Interior in June 1977. Production from the Alaskan Reserve is not authorized at this time, but the Act specifically requires that the President submit a development plan and appropriate legislation to the Congress. I shall submit appropriate measures as soon as practicable.

Production from the Naval Reserves is also an integral part of a Strategic Petroleum Reserve authorized in the Energy Policy and Conservation Act which I signed on December 22, 1975. Once established, the Strategic Reserve will provide for the storage of substantial quantities of petroleum and thus provide both a deterrent to future embargoes and a means to help withstand the effects of a future supply interruption.

When in full production the three Naval Petroleum Reserves in California and Wyoming could provide more than 300,000 barrels of oil per day. The U.S. share of this production, about 80 percent, may be sold at auction, and up to 25 percent of that amount could be set aside for sale to small



refiners. All or part of the U.S. share may, at the President's discretion, be placed in the Strategic Petroleum Reserve or exchanged for petroleum to be placed in the Reserve.

The Act also permits use of revenues from the sale of oil from the Naval Petroleum Reserve on further development of the Naval Petroleum Reserves, on the National Reserve in Alaska, and on the Strategic Petroleum Reserve.

This Act is an important step toward reversing our declining domestic production. We must take other steps. I again urge the Congress to act quickly on the other 17 major energy measures awaiting action which I outlined in my February 26, 1976 energy message. These measures will permit us to conserve energy and to increase domestic production. Congress must act on those measures so that we can achieve our National goals for energy independence.





Date: April 2

Time: 500pm

FOR ACTION: James Lynn  
 Brent Scowcroft  
 Jack Marsh  
 ✓ Phil Buchen  
 Max Friedersdorf

cc (for information):

Frank Zarb  
 Robert Hartmann  
 Bill Seidman  
 Alan Greenspan

FROM THE STAFF SECRETARY

DUE: Date: April 3

Time: 1100am

SUBJECT:

Draft Signing Statement - Naval Petroleum Reserves  
 Production Act of 1976 (H.R.49)

## ACTION REQUESTED:

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

## REMARKS:

Please return to Glenn Schleede, Room 228 EOB

Please note suggested editorial changes at page 2.



Edward C. Schmults

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
 For the President



DRAFT SIGNING STATEMENT - NAVAL PETROLEUM RESERVES  
PRODUCTION ACT OF 1976

In my first State of the Union Message more than a year ago I set forth a comprehensive and ambitious national program for achieving energy independence by reversing our growing reliance on imported oil.

Shortly thereafter, I submitted to the Congress my proposed Energy Independence Act of 1975, which contained thirteen specific programs to encourage energy conservation and to increase domestic energy production. One proposal called for utilization of our Naval Petroleum Reserves.

These Reserves were established over 50 years ago to guarantee an adequate supply of oil for the U.S. Navy. Today, these Reserves are of great importance to the whole Nation as a means of reducing dependence on imported oil. Imports now account for almost 40 percent of the petroleum we are using. We are even more dependent now than we were a little over two years ago when we experienced the disruption of an oil embargo.

For the immediate future, there are only a few steps that can be taken to increase domestic oil production. The development and production of the Naval Petroleum Reserves, principally Reserve Number One in Elk Hills, California, is the most significant.



I am therefore pleased to sign into law the Naval Petroleum Reserves Act of 1976.

This Act directs the Secretary of the Navy to commence production at the maximum efficient rate from the three Naval Petroleum Reserves located in California and Wyoming. The Act also establishes the fourth Naval Petroleum Reserve in Alaska as a National Petroleum Reserve and transfers the jurisdiction of it from the Navy to the Department of the Interior in June 1977. Production from the Alaskan Reserve is not authorized at this time, but the Act specifically <sup>calls upon</sup> ~~requires that~~ <sup>to</sup> the President submit a development plan and appropriate legislation to the Congress. I shall submit appropriate measures as soon as practicable.

Production from the Naval Reserves is also an integral part of a Strategic Petroleum Reserve authorized in the Energy Policy and Conservation Act which I signed on December 22, 1975. Once established, the Strategic Reserve will provide for the storage of substantial quantities of petroleum and thus provide both a deterrent to future embargoes and a means to help withstand the effects of a future supply interruption.

When in full production, the three Naval Petroleum Reserves in California and Wyoming <sup>could</sup> provide more than 300,000 barrels of oil per day. The U.S. share of this production, about 80 percent, may be sold at auction, and up to 25 percent of that amount could be set aside for sale to small



refiners. All or part of the U.S. share may, at the President's discretion, be placed in the Strategic Petroleum Reserve or exchanged for petroleum to be placed in the Reserve.

The Act also permits use of revenues from the sale of oil from the Naval Petroleum Reserve on further development of the Naval Petroleum Reserves, on the National Reserve in Alaska, and on the Strategic Petroleum Reserve.

This Act is an important step toward reversing our declining domestic production. We must take other steps. I again urge the Congress to act quickly on the other 17 major energy measures awaiting action which I outlined in my February 26, 1976 energy message. These measures will permit us to conserve energy and to increase domestic production. Congress must act on those measures so that we can achieve our National goals for energy independence.



Note to Schleede -

Attached are copies of the NPR signing statement and the fact sheet. I have made a number of suggested changes, some of which make the statement less technical and none of which add anything to the statement. Nothing is hard to come by. I would suggest that the speechwriters work on it -- focusing on the ~~fact that~~ significance of signing 300 plus barrels into production, and the need to sign bills X ~~with~~ with the same ~~impact~~ or comparable impact if we are to achieve energy self-sufficiency. They might also compare the 300 plus barrels ~~to~~ per day to X nuclear power plants, X million or billion dollars that will not leave this country to foreign coffers, etc.

J. Hill



Date: April 2

Time: 500pm

FOR ACTION: James Lynn  
 Brent Scowcroft  
 Jack Marsh  
 Phil Buchen  
 Max Friedersdorf

cc (for information):

Frank Zarb  
 Robert Hartmann  
 Bill Seidman  
 Alan Greenspan

FROM THE STAFF SECRETARY

DUE: Date: April 3

Time: 1100am

SUBJECT:

Draft Signing Statement - Naval Petroleum Reserves  
 Production Act of 1976 (H.R.49)

ACTION REQUESTED:

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

REMARKS:

Please return to Glenn Schleede, Room 228 EOB

*Glenn Schleede*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
 For the President

DRAFT SIGNING STATEMENT - NAVAL PETROLEUM RESERVES  
PRODUCTION ACT OF 1976

In my first State of the Union Message more than a year ago I set forth a comprehensive and ambitious national program for achieving energy independence by reversing our growing reliance on imported oil.

Shortly thereafter, I submitted to the Congress my proposed Energy Independence Act of 1975, which contained thirteen specific programs to encourage energy conservation and to increase domestic energy production. One proposal called for utilization of our Naval Petroleum Reserves.

These Reserves were established over 50 years ago to guarantee an adequate supply of oil for the U.S. Navy.

Today, these Reserves are of great importance to the whole Nation as a means of reducing dependence on imported oil *and stemming the flow of dollars and jobs abroad.* Imports now account for almost 40 percent of the petroleum we are using. We are even more dependent now than we were a little over two years ago when we experienced the disruption of an oil embargo.

For the immediate future, there are only a few steps that can be taken to increase domestic oil production. The development and production of the Naval Petroleum Reserves, principally Reserve Number One in Elk Hills, California, is the most significant.



I am therefore pleased to sign into law the Naval Petroleum Reserves <sup>Production</sup> Act of 1976, *the sixth of my original 13 proposals that have become law.*

*later*

Vigorous

This Act directs the Secretary of the Navy to commence a <sup>program</sup> production at ~~the maximum efficient rate~~ from the three Naval Petroleum Reserves located in California and Wyoming. The Act also <sup>re-designates</sup> ~~establishes~~ the fourth Naval Petroleum Reserve in Alaska as a National Petroleum Reserve and transfers the jurisdiction of it ~~from the Navy~~ to the Department of the Interior in June 1977. Production from the Alaskan Reserve is not authorized at this time, but the Act specifically requires that the President submit a development plan and appropriate legislation to the Congress. I shall submit appropriate measures as soon as practicable.

✓  
✓  
✓

Production from the Naval Reserves is also an integral part of <sup>the</sup> Strategic Petroleum Reserve authorized in the Energy Policy and Conservation Act which I signed on December 22, 1975. Once established, the Strategic Reserve will provide ~~for the storage of substantial quantities of petroleum and thus provide both a deterrent to future embargoes and a means to help withstand the effects of a future supply interruption.~~ <sup>significantly offset</sup>

When in full production the three Naval Petroleum Reserves in California and Wyoming <sup>will</sup> ~~could~~ provide more than 300,000 barrels of oil per day. The U.S. share of this production, about 80 percent, may be sold at auction, ~~and up to 25 percent of that amount could be set aside for sale to small~~ <sup>for</sup>





refiners, <sup>or</sup> ~~all or part of the U.S. share may,~~ at the President's discretion, be placed in the Strategic Petroleum Reserve, <sup>either directly or through</sup> ~~or exchanges for petroleum to be placed in the Reserve~~

The Act also permits use of revenues from the sale of oil from the Naval Petroleum Reserve <sup>for</sup> further development of the Naval Petroleum Reserves, <sup>for</sup> the National Reserve in Alaska, and <sup>for establishment</sup> ~~on~~ the Strategic Petroleum Reserve. <sup>and</sup>

This Act is an important step toward reversing our declining domestic production. We must take other steps. I again urge the Congress to act quickly on the other 17 major energy measures awaiting action which I outlined in my February 26, 1976 energy message. These measures will permit us to conserve energy and to increase domestic production. Congress must act on those measures so that we can achieve our National goals for energy independence.

*Daniel J. Ford*



Glenn

Schleede

4/2  
This was attached  
to Bill's  
signing

Approved without  
change.

stamps  
names  
Glenn

John M. DAVIS  
Spec. Asst. to  
The CHAIRMAN  
Milton Russell (Energy)

No Changes Research - JP - 4/3/76 3.05 p.m.

In my first State of the Union Message more than a year ago, I set forth goals for regaining energy independence for the United States. I also outlined a comprehensive and ambitious national program needed to achieve our energy goals. The first goal is to reduce our growing reliance on imported oil.

We have launched energy programs that are possible within existing authorities and I have asked the Congress for the additional legislative authority that we must have. My proposed Energy Independence Act of 1975 contained thirteen specific programs to encourage energy conservation and increase domestic energy production. More recently, I sent to the Congress proposals dealing with nuclear energy, investment in energy facilities, and other measures needed to achieve our goals.

One of the original thirteen proposals was especially important because it permitted immediate action to produce more oil here in the United States. There are only a very few steps like this that are possible. Generally, it takes three years or more to bring new oil production on line.

Actions to increase domestic oil productions are critical because oil imports have grown to the point where they now account for almost 40% of the petroleum we are ~~now~~ using. We are even more dependent now than we were a little over two years ago



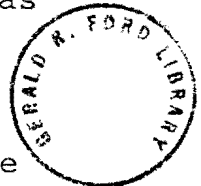
when we experienced the disruption of an oil embargo.

I am, therefore, pleased to sign into law today the Naval Petroleum Reserves Production Act of 1976 which puts in place one more element of our program to reduce dependence on foreign oil.

Q The Naval Petroleum Reserves had special importance when they were established over 50 years ago to guarantee an adequate supply of oil for the U.S. Navy. Today, the Reserves have even greater importance to the whole Nation because they can help reduce our dependence on imported oil and help stem the outflow of American dollars and jobs.

This new Act directs the Secretary of the Navy to commence a vigorous production program from the three Naval Petroleum Reserves located in California and Wyoming. The Act also redesignates the fourth Naval Petroleum Reserve in Alaska as a National Petroleum Reserve and transfers the jurisdiction to the Department of the Interior in June 1977. Production from the Alaskan Reserve is not authorized at this time, but the Act specifically calls upon the President to submit a development plan and appropriate legislation to the Congress. Work has already begun on those measures.

The new Act also makes it possible for production from the Naval Reserves to contribute directly to the creation of the Strategic Petroleum Reserve authorized in the Energy Policy and Conservation Act which I signed on December 22, 1975. Once established, the Strategic Reserve will provide both a deterrent to future embargoes and a significant means to offset the effects of any future supply interruption.



The Strategic Reserve will permit us to have needed petroleum much more readily available in the case of an emergency for our Armed Services and other critical national needs.

When in full production, the three Naval Petroleum Reserves in California and Wyoming will provide more than 300,000 barrels of oil per day. The development and production of Naval Petroleum Reserve Number One in Elk Hills, California, will make the biggest contribution.

The U. S. share of this production, about 80 percent, may be sold at auction and up to 25 percent of that amount could be set aside for sale to small refiners. At the President's discretion, all or part of the U. S. share may be used to build up the Strategic Petroleum Reserves. The Act authorizes use of revenues from the sale of petroleum for work on the Naval Petroleum Reserves, for the National Reserve in Alaska, and for the Strategic Petroleum Reserve.

This Act is an important step toward reversing our declining domestic oil production and it is another sign that we are making progress. ~~Four~~<sup>Four</sup> of my original 13 proposals were included in the Energy Policy and Conservation Act which I signed into law on December 22, 1975.

The Congress <sup>still</sup> ~~now~~ has before it 17 major energy proposals, including those remaining from the original 13 I submitted in January 1975 and others I have submitted since then. We need those measures to



conserve energy and to increase domestic production.

Congress must act on those measures so that we can achieve our national goals for energy independence.



THE WHITE HOUSE  
WASHINGTON

April 3, 1976

2577  
al ~~Russ~~  
Peters

NOTE FOR: DOUG SMITH  
FROM: GLENN SCHLEEDE  
SUBJECT: SIGNING STATEMENT FOR THE  
NAVAL PETROLEUM RESERVES  
ACT OF 1976

Here is a draft of a proposed signing statement. The original draft was prepared by FEA and I have modified it slightly to incorporate substantive comments from Interior, Navy and OMB.

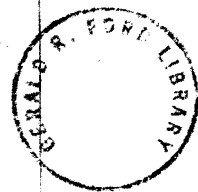
As I indicated late yesterday, the signing ceremony is scheduled for 2:15 p.m. on Monday.

Following your modifications, we'd like to be able to circulate this to senior staff this afternoon and then put it in final form early Saturday for dexing to Wisconsin.

A draft fact sheet is also enclosed for your information.

cc: Jim Cavanaugh  
Jim Frey - OMB  
Margaret Earl (for comments on Fact sheet)

P.S. We'll also need some talking points.



Date: April 2

Time: 500pm

FOR ACTION: James Lynn cc (for information):  
 Brent Scowcroft  
 Jack Marsh Frank Zarb  
 Phil Buchen Robert Hartmann  
 Max Friedersdorf  Bill Seidman  
 FROM THE STAFF SECRETARY Alan Greenspan

DUE: Date: April 3

Time: 1100am

SUBJECT:

Draft Signing Statement - Naval Petroleum Reserves  
Production Act of 1976 (H.R.49)

ACTION REQUESTED:

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

REMARKS:

Please return to Glenn Schleede, Room 228 EOB

*JS*  
*called to Mr. Schleede 1:30 P.M.*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
For the President



NAVAL PETROLEUM RESERVES PETROLEUM ACT  
OF 1975

---

JULY 24 (legislative day JULY 21), 1975.—Ordered to be printed

---

Mr. CANNON, from the Committee on Armed Services,  
submitted the following

## REPORT

[To accompany S. 2173]



The Committee on Armed Services, having had under consideration the question of production of the naval petroleum reserves, reports the following bill (S. 2173), to amend chapter 641, title 10, United States Code, relating to the naval petroleum reserves, and recommends that it do pass.

## PURPOSE OF THE BILL

The purpose of this bill is to amend chapter 641 of title 10, United States Code, to provide for the full exploration and development of the naval petroleum reserves and to permit limited production of Naval Petroleum Reserves 1, 2 and 3 with production being sold on the open market or placed in a strategic reserve, and for other purposes.

## NEED FOR THE LEGISLATION

Many persons have indicated that the current shortage of domestic oil and the consequent high levels of imports are the reason that the naval petroleum reserves should be produced. The Committee does not agree. The naval petroleum reserves are not going to solve the energy crisis; if Naval Petroleum Reserves 1, 2, and 3 were produced at capacity, their combined maximum output of perhaps 300,000 barrels of oil per day represents only about two percent of the approximately 15,000,000 barrels of oil that the United States now consumes each day. Rather, the Committee feels that limited production is prudent at this time for two reasons—(1) to fill a strategic reserve that more satisfactorily fulfills the role for which the naval reserves were originally intended, and (2) to defray the cost that would otherwise have to be borne by the taxpayer to get the naval petroleum reserves in a

state of readiness where they could produce at capacity in time of national emergency. The above reasons dictate the need for the legislation; the fact that some additional domestic oil will be pumped into the economy is an added bonus.

#### FORM OF COMMITTEE ACTION

The Committee on Armed Services held joint hearings with the Committee on Interior and Insular Affairs to consider S. 594, S. 618, S. 677, S. 1113, and S.J. Res. 13, all having been referred to either the Committee on Armed Services or the Committee on Interior and Insular Affairs or both, and pertaining to the questions of the production of the naval petroleum reserves and/or the creation of a national strategic reserve system. The complexity of the issues and the agreed Committee position which differed substantially from any of the legislation being considered, made it desirable to report an original bill.

#### BACKGROUND

##### *The Naval Petroleum Reserves*

There are four Naval Petroleum Reserves: Numbered 1, Elk Hills, Kern County, California; Numbered 2, Buena Vista, Kern County, California; Numbered 3, Teapot Dome, Wyoming (35 miles north of Casper, Wyoming); and Numbered 4, on the northern slope of Alaska, immediately to the west of the Prudhoe Bay commercial oil field. These Reserves were created between 1912 and 1923. Presidents Taft, Wilson, and Harding established the Petroleum Reserves by setting aside selected acreages to be administered by the Navy as an assured defense fuel supply. The Congress placed these Reserves under authority of the Secretary of the Navy by an act dated June 4, 1920 (41 Stat. 818). In addition, there are three Naval Oil Shale Reserves, established in 1916 and 1924. Numbers 1 and 3 are located in western Colorado and Number 2 is located in eastern Utah.

Naval Petroleum Reserve 1 at Elk Hills has been operated under a unit plan contract since 1944. The unit plan contract is with Standard Oil Company of California which owns approximately 20 percent of Elk Hills. This field, with approximately 1.1 billion barrels in proven reserves, currently has over 1,000 wells and the U.S. Navy five-year program envisions about 1,000 more wells. The current production capability is 160,000 barrels of oil per day. This could be expanded to approach 400,000 barrels per day with further development and exploration of the field assuming that there was no production during the development period.

Naval Petroleum Reserve 2 is fully developed and is producing at a commercial rate. It has a proven reserve of 15.6 million barrels of oil. Two-thirds of this Reserve is privately owned and one-third is U.S. owned.

Naval Petroleum Reserve 3 is unlike Naval Petroleum Reserves 1 and 2 in that all of the acreage is owned by the U.S. government. There are presently 150 wells on Naval Petroleum Reserve Number 3 with the capability to produce 2,000 barrels of oil per day. The proven reserve is 42.5 million barrels of oil.

Naval Petroleum Reserve 4 is also wholly owned by the U.S. government. For the most part it is unexplored and almost completely undeveloped. The reserve is estimated to contain from 10 to 33 billion

barrels of oil; however, only 100 million barrels have been proven. The Navy's exploration program in FY 1975 consisted of two exploratory wells and 3,500 miles of seismic exploration as part of a seven-year program for exploration and development.

##### *Existing Law*

Chapter 641, title 10, United States Code, deals with Naval Petroleum Reserves. Section 7422 grants the Secretary of the Navy exclusive jurisdiction and control of the reserves and directs him to explore, prospect, conserve, develop, use and operate those reserves.

The production of the reserves is limited to that which is necessary for protection, conservation, testing and maintenance. For any production beyond that, the Secretary of the Navy must find that it is needed for national defense, that finding must be approved by the President, and the production must be authorized by joint resolution of Congress.

#### EXPLANATION OF THE BILL

In developing this bill the Committee started from three basic premises. First, the naval petroleum reserves are an extremely valuable natural resource that should not be squandered. Second, the naval petroleum reserves are not now in a state of readiness that would permit them to be produced at their maximum rate and they should be brought to the best possible state of readiness at the earliest practical time. And finally, the concept of a strategic reserve that would have a quantity of oil that can be pumped to U.S. refineries at a rapid rate to offset import fluctuations is supported.

The Committee coordinated extensively throughout the drafting of this legislation with the Committee on Interior and Insular Affairs, and this bill is designed to complement S. 677, The Strategic Energy Reserves Act of 1975, which passed the Senate on July 8, 1975. On the other hand, in the event that S. 677 or some comparable legislation is not enacted this bill will stand alone.

The bill amends Chapter 641, title 10, United States Code as follows:

A new section 7420 is added which defines "national defense" for the purpose of permitting production from naval petroleum reserves and sets out a complete identification of the "naval petroleum and oil shale reserves." The term national defense is defined in broad terms which would permit the production of the reserves to partially offset a situation such as the Arab embargo of 1973. In addition, this section defines the terms "petroleum" to include all related products, and "Secretary" to mean the Secretary of the Navy.

Section 7422 is amended to add the authority for the Secretary to produce Naval Petroleum Reserves 1, 2, and 3. This production authority has several limitations.

First, production will not exceed the maximum efficient rate determined in accordance with sound oilfield engineering practices or 350,000 barrels per day whichever is less. The Committee realizes that Elk Hills is the primary contributor and will probably never reach a production rate that would cause the production of Naval Petroleum Reserves 1, 2, and 3 to approach the ceiling of 350,000 barrels per day, initially due to pipeline constraints and ultimately due to field capacity, but the Committee elected to constrain production at 350,000

barrels per day to convey the sense of the Committee that the reserves should not be pumped beyond their maximum efficient rate just to get the oil out.

Second, production is limited to five years. The Committee chose the five year limitation for several reasons. The primary reason was to demonstrate that the Committee is concerned that depletion of the reserves may not be in the best interest of national security. Reserves 1, 2, and 3 can be pumped for five years, and based on the known reserves (a conservative assumption, since additional exploration and development will undoubtedly prove additional reserves) there will still be over 700,000,000 barrels in the ground at the end of that period and a decision can be made at that time to either hold the remainder for national defense purposes or to enact additional legislation to permit continued production. Table I below is an estimate of the drawdown of the known reserves at Naval Petroleum Reserves 1, 2, and 3 based on this legislation.

TABLE I.—REMAINING RESERVES

[In thousands of barrels]

Calendar year end	NPR-1 <sup>1</sup>	NPR-2 <sup>1</sup>	NPR-3	Total
1975	960,000	1,560	42,500	1,023,930
1976	922,040	1,360	39,945	963,345
1977	881,000	1,178	32,280	914,458
1978	836,360	1,014	26,440	863,814
1979	763,360	868	22,790	797,018
1980	690,360	731	19,870	710,961

<sup>1</sup> Navy's share only. Total for NPR-1 is 1,200,000,000.

A five-year production period is expected to entice private industry to invest capital in ancillary facilities needed to market the production, and the Secretary is expected to exhaust this prospect before expending funds to acquire or construct ancillary facilities outside the naval reserve boundaries. One of the motivations behind authorizing production of the reserves is to generate revenues that will offset the costs of the remaining exploration and development at Naval Petroleum Reserves 1 and 3 and the exploration costs of Naval Petroleum Reserve 4. A five-year period should permit the completion of exploration and development at Naval Petroleum Reserves 1 and 3.

Third, the production at Elk Hills is contingent upon the Secretary reaching a binding agreement with Standard Oil Company of California, which owns approximately 20 percent of the Elk Hills field, that would protect the public interest and insure that Standard Oil Company of California abides by the intent of the current unit plan contract.

Finally, authority is given to the President to direct that oil, produced under the provisions of this act, be placed in a strategic reserve "as authorized by law". The intent of this provision is to permit the most economical development of a strategic reserve. The Committee expects that in making the determination to place all or a portion of the production into a strategic reserve a careful analysis of the economic implications will be made to insure that costs for both the strategic reserve and the naval petroleum reserves together are minimized. This provision is intended to complement S. 677 or similar legislation.

Section 7423 is amended to waive, for the period of production, the requirement that the Secretary consult with the Congress on every contract that affects the naval petroleum reserves. The Committee emphasizes that it does not intend to relax its oversight of the naval petroleum reserves, but during the period of production, it is anticipated that there will be hundreds of contracts and the consultation provisions could prove onerous and unnecessarily delay the production process and increase costs. In lieu of the consultation provisions, reporting provisions have been added, and again the Committee emphasizes that it is not relinquishing any of the Congressional control now maintained over the naval petroleum reserves.

Section 7430 retains the requirement that the sale of all production be by competitive bidding and is amended to preclude constraints on the sale of oil imposed by local, state or Federal regulations to insure that the taxpayer receives the maximum income from the sale of this valuable resource. The Secretary is expected to give every consideration to the small independents and to package his contracts so as not to preclude small independents from bidding.

Section 7432 is amended to establish a special account in the Treasury which will permit an accurate accounting for the execution of this legislation and will give the Secretary more flexibility in accomplishing the provisions of the bill. It is the Committee intent that the naval petroleum reserves be operated on a self-sustaining basis to the extent possible; that is, revenues from the sale of oil should be sufficient to offset all expenses associated with the naval petroleum reserves without requiring additional appropriations of Federal funds. Information provided to the Committee indicated that the naval petroleum reserves, assuming all production is sold, should operate at a "profit" after covering expenses for the duration of the production authorized. The obligation of any funds by the Secretary is subject to an annual appropriation provided by the Congress based upon a separate budgetary request.

Section 2 of the bill requires the Secretary to accomplish a study and make recommendation as to the best method for developing, producing and transporting oil from the Alaska reserve. This study is expected to provide the basis for further legislation that would deal exclusively with Naval Petroleum Reserve 4. The Committee feels that Naval Petroleum Reserve 4 may be too large to be federally developed and operated; the appropriated funds required to initiate production might approach \$20 billion and that is a task that might more properly be undertaken by the private sector. The Secretary, in developing his report, is expected to utilize the expertise and consult with other Federal agencies such as the Department of the Interior, the Federal Energy Administration, and the Environmental Protection Agency. The study is expected to recommend methods to transport the crude oil from the Alaska field to the refineries in the United States.

#### COST ESTIMATES

As stated previously, it is the Committee's intention that the costs associated with the production authorized by this legislation be offset by revenues derived from the sale of the production. The following table is an estimate of income versus expenses based upon this legislation:

TABLE II.—INCOME/EXPENSES

(In thousands of dollars)

Calendar year	Income <sup>1</sup>	Expenses				Total
		Overhead	NPR-1	NPR-3	NPR-4	
1976	400,715	8,000	148,000	19,300	54,700	230,000
1977	488,870	8,000	147,100	12,500	69,400	237,000
1978	506,440	8,000	120,900	12,800	47,800	189,500
1979	767,960	8,000	82,000	13,200	48,700	151,900
1980	760,570	8,000	20,000	12,000	22,800	62,800
Total	2,924,555	40,000	518,000	69,800	243,400	871,200

<sup>1</sup> Income computed at \$10 per barrel which should be a conservative price.

There are, of course, many assumptions behind the above cost data. Production is presumed to start January 1, 1976 which is dependent on the date of enactment of this or similar legislation. The income column presumes that all the production is sold and would have to be reduced accordingly if a portion of the oil were placed in a strategic reserve at no cost. The costs shown for Naval Petroleum Reserve 4 are exploration costs only and do not consider development and production costs which the Secretary is asked to study as a separate issue. Production rates, which for the first few years are pipeline constrained, are shown in Table III.

TABLE III.—5-YEAR PRODUCTION DATA

(In thousands of barrels)

Calendar year	NPR-1		Yearly production		Total (Navy)
	Navy	Socal <sup>1</sup>	NPR-2	NPR-3	
1976	37,960	9,490	200	2,555	40,715
1977	41,640	10,260	182	7,665	48,887
1978	44,640	11,160	164	5,840	56,644
1979	73,000	18,250	146	3,650	76,796
1980	73,000	18,250	137	2,820	76,057

<sup>1</sup> Based on 20 percent average as Standard Oil of California share.

## NOTES

NPR-1—Production for 1976, 1977, and first 9 months of 1978 based on pipeline capacities:

	Barrels per day
1976	130,000
1977	130,000
First 6 months	155,000
Last 6 months	185,000
1978	250,000
1979	250,000
1980	250,000
NPR-2—Estimated average daily production of Navy's royalty share only:	
1976	550
1977	500
1978	450
1979	400
1980	375
NPR-3—Estimate average daily production:	
1976	7,000
1977	21,000
1978	15,000
1979	10,000
1980	8,000

## DEPARTMENTAL POSITION

The legislation proposed by the Committee is similar to Title I of the Administration's proposed Bill, S. 594, The Energy Independence Act of 1975 in several key aspects.—(1) The Navy retains jurisdiction, (2) production is authorized, (3) a special fund to account for the receipts is established, and (4) the concept of a strategic reserve is supported. The major difference is that the Committee bill authorizes limited production under the philosophy that the naval petroleum reserves should not be completely depleted at this time.

The Department of Defense, of course, supports the Administration's bill. Their position was explicitly stated by Vice Admiral Train, Director of the Joint Staff, Office of the Joint Chiefs of Staff in testimony on April 9, 1975, before the House Armed Services Subcommittee on Investigations.

In summary the Joint Chiefs of Staff have stated:

They support the President's concept of a national strategic petroleum reserve (NSPR).

They continue to support early and full exploration of the NPR's (Naval Petroleum Reserves).

They consider that production from NPR's No. 1, No. 2, and No. 3 could be used to begin establishing the NSPR and to accelerate further exploration and development of NPR's No. 1, No. 3, and No. 4.

They recommend, however, that continued production from NPR No. 1 and release of any portion of NPR No. 4 to the domestic economy be contingent upon exploration of NPR No. 4 sufficient to determine what portion is, in fact, excess to the needs of national defense.

They further recommend that the need for production from NPR No. 1 be reexamined as soon as NPR No. 4 or other sources become available to support the Presidents' program.

The Federal Energy Administration indorsed the Committee legislation by letter which follows:

FEDERAL ENERGY ADMINISTRATION,  
Washington, D.C., July 24, 1975.

HON. HOWARD W. CANNON,  
Subcommittee on National Stockpile and Naval Petroleum Reserves,  
Committee on Armed Services, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: My staff and I enjoyed the opportunity to meet with you and your staff to discuss legislation which will authorize production of the Naval Petroleum Reserves. I appreciate the spirit of cooperation which was evidenced at that meeting.

As you will recall, Title I of the President's Energy Independence Act of 1975 would have:

1. Authorized production of NPR-1 (Elk Hills);
2. Authorized production of NPR-4 (Alaska); and
3. Established a Special Fund from the proceeds of NPR oil to develop and fill the Strategic Petroleum Reserves as well as finance further exploration, development, and production of the Naval Petroleum Reserves.

Your draft bill which we discussed would:

1. Authorize production of NPRs 1, 2, and 3 at a rate of 350,000 barrels per day for 5 years;
  2. Require the Department of the Navy to submit a proposal for development and production of NPR-4;
  3. Authorize the President to place the U.S. share of the reserves in strategic storage facilities; and
  4. Give the President needed flexibility to use NPR revenues to both finance exploration and development of the Naval Petroleum Reserves as well as the acquisition and construction of strategic storage reserve facilities.
- While we would prefer authorization of NPR-4 production and the absence of a 5 year limitation on NPRs 1, 2, and 3, I do feel that this bill would go a long way in advancing the President's national energy program, and urge its speedy enactment.

Sincerely,  
FRANK G. ZARB, *Administrator.*

#### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Rules of the Senate, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported.

##### EXISTING LAW

##### THE BILL AS REPORTED

#### CHAPTER 641.—NAVAL PETROLEUM RESERVES

- Sec.
- 7421. Jurisdiction and control.
  - 7422. Administration.
  - 7423. Periodic re-examination of production requirements.
  - 7424. Protection of oil reserves; contracts for conservation.
  - 7425. Acquisition by condemnation and purchase.
  - 7426. Cooperative or unit plans affecting naval petroleum reserve numbered 1.
  - 7427. Cooperative or unit plans in the naval petroleum reserves.
  - 7428. Agreement and leases: provision for change.
  - 7429. Re-lease of certain lands: lessee's preferential right.
  - 7430. Disposition of products.
  - 7431. Requirements as to consultation and approval.
  - 7432. Expenditures: appropriations chargeable.
  - 7433. Disposition of royalties.
  - 7434. Quarterly reports to Armed Services Committee.
  - 7435. Foreign interest.
  - 7436. Regulations.
  - 7437. Violations by lessee.
  - 7438. Exclusion of naval oil-shale reserves.

The analysis of such chapter 641 is amended—

(1) by inserting immediately before  
"7421. Jurisdiction and control."  
the following:  
"7420. Definitions."; and

(1) by striking out  
"7432. Expenditures: appropriations chargeable."  
and inserting in lieu thereof the following:  
"7432. Naval petroleum and oil shale reserve special account."

(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 and oil shale 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, on the north slope of the Brooks Range, established by Executive order of the President dated February 27, 1923; Oil Shale Reserve Numbered 1, located in Colorado, established by Executive order of the President dated December 6, 1916, as amended by Executive order dated June 12, 1919; Oil Shale Reserve Numbered 2, located in Utah, established by Executive order of the Presi-

dent dated December 6, 1916; and Oil Shale Reserve Numbered 3, located in Colorado, established by Executive order of the President dated September 27, 1924;

“(3) ‘petroleum’ includes crude oil, associated gases, natural gasoline, and other related hydrocarbons, oil shale, and the products of any of such resources; and

“(4) ‘Secretary’ means the Secretary of the Navy.”

Section 7421(a) is amended—

(A) by striking out “for naval purposes” and inserting in lieu thereof “for use of the Armed Forces”; and

(B) by striking out “section 7438 hereof” and inserting in lieu thereof “this chapter”.

§ 7421. Jurisdiction and control

(a) The Secretary of the Navy shall take possession of properties, inside the naval petroleum and oil shale reserves that are or may become subject to the control of and use by the United States for naval purposes, except as otherwise provided in section 7438 hereof.

(b) The Secretary has exclusive jurisdiction and control over those lands inside naval petroleum reserves numbered 1 and 2 that are covered by leases granted under sections 181-184, 185-188, 189-194, 201, 202-209, 211-214, 223, 224-226, 226d, 226e, 227-229a, 241, 251, and 261-263 of title 30, and shall administer those leases. As amended Oct. 11, 1962, Pub. L. 87-796, § 1(1), 76 Stat. 904.

§ 7422. Administration

(a) Except as otherwise provided in section 7438 hereof, the Secretary of the Navy, directly or by contract, lease, or otherwise, shall explore, prospect, conserve, develop, use, and operate the naval petroleum and oil shale reserves in his discretion, subject to approval by the President.

(b) The naval petroleum and oil shale reserves and lands outside naval petroleum reserve numbered 1 covered by contracts under section 7426 of this title, shall be used and operated for—

Section 7422 is amended by adding at the end thereof the following new subsection:

“(d) (1) In order to place certain naval petroleum reserves in a proven state of readiness to produce petroleum, the Secretary is authorized—

“(A) to explore, develop, operate, produce, and sell petroleum, from Naval Petroleum Reserves Numbered 1, 2, and 3 at a rate consistent with sound oil-field engineering practices but not to exceed three hundred and fifty thousand barrels of oil per day for

EXISTING LAW

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

(2) the production of petroleum, gas, oil shale and products thereof whenever and to the extent that the Secretary, with the approval of the President, finds that it is needed for national defense and the production is authorized by a joint resolution of Congress.

(c) The Secretary of the Navy may under subsection (a) develop the South Barrow gas field, naval petroleum reserve numbered 4, to supply gas to installations of the Department of Defense and other agencies of the United States located at or near Point Barrow, Alaska, the native village of Barrow, and other communities and installations at or near Point Barrow, Alaska. As amended Aug. 24, 1962, Pub. L. 87-599, § 1, 76 Stat. 401; Oct. 11, 1962, Pub. L. 87-796, § 1(2), 76 Stat. 904.

THE BILL AS REPORTED

a period not to exceed five years commencing ninety days after the date of enactment of this subsection; and

“(B) to construct or procure pipelines and associated facilities for transporting petroleum from Naval Petroleum Reserves Numbered 1, 2, and 3 to the points where the production from such reserves will be refined or shipped.

Any pipelines and associated facilities constructed at or procured for Naval Petroleum Reserve Numbered 1 pursuant to clause (b) of this paragraph shall have a combined delivery capability of not less than three hundred and fifty thousand barrels per day, and shall be fully operable within three years after the date of enactment of this subsection.

“(2) The production authorization set forth in paragraph (1) (A) of this subsection is conditioned upon the private owner of any lands within Naval Petroleum Reserve Numbered 1 agreeing with the Secretary to continue operations of such reserve under a unitized plan contract which adequately protects the public interest.

THE BILL AS REPORTED

“(3) The production of petroleum authorized under this subsection is not subject to the provisions of subsection (b) (2) of this section relating to Presidential approval or congressional authorization.”

§ 7423. Periodic re-examination of production requirements

The Secretary of the Navy shall from time to time re-examine the need for the production of petroleum or products from oil shale for national defense when that production is authorized under section 7422 of this title. If he finds that the authorized quantity is no longer needed, he shall reduce production to the amount currently needed for national defense. As amended Oct. 11, 1962, Pub. L. 87-796, § 1(3), 76 Stat. 904.

“(4) 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 authorized by law 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.”

Section 7423 is amended by inserting “(a)” immediately before “The Secretary”; and by adding at the end thereof the following new subsection:

“(b) During the five-year period of production, authorized by subsection (d) of section 7422 the consultation requirements of section 7431 (3) are waived but the Secretary shall submit annual reports to the Armed Services Committees of the Senate and House of Representatives detailing—

“(1) the status of the exploration and development program at each of the naval petroleum reserves;

“(2) the production which has been achieved at each of the naval petroleum reserves pursuant to that authorization, including the disposition of such production and the proceeds realized therefrom;

“(3) the status of any pipeline construction and procurement authorized by such subsection (d);

“(4) the plans for any further exploration at Naval Petroleum Reserve Numbered 4.”

§ 7430. Disposition of productions

(a) The Secretary of the Navy in administering the naval petroleum and oil shale reserves under this chapter shall use, store, sell, or exchange for other petroleum or



refined productions, the oil and gas products, including royalty products, oil shale and products therefrom produced, from lands in the naval petroleum and oil shale reserves, including gas products from lands in the South Barrow gas field of the naval petroleum reserve numbered 4, and lands outside petroleum reserve numbered 1 covered by joint, unit, or other cooperative plans for the benefit of the United States.

(b) Each sale of petroleum, gas, other hydrocarbons, oil shale, or products therefrom, under this section shall be made by the Secretary at public sale to the highest qualified bidder at such time, in such amounts, and after such advertising as the Secretary considers proper. As amended Aug. 24, 1962, Pub. L. 87-599, § 2, 76 Stat. 401; Oct. 11, 1962, Pub. L. 87-796, § 1(6), 76 Stat. 905.

(5) Section 7430(b) is amended to read as follows:  
“(b) Notwithstanding any other provision of law, each sale of the United States share of petroleum or products therefrom, shall be made by the Secretary at public sale to the highest qualified bidder 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.”

(6) Section 7430 is further amended by adding at the end thereof the following new subsection:

“(c) Notwithstanding any other provision of law, no petroleum produced from naval petroleum and oil shale reserves may be exported from the United States, except those that are either (1) exchanged for equal quantities or value for convenience or increased efficiency of transportation with persons or the government of an adjacent foreign country, or (2) temporarily exported for convenience or increased efficiency of transportation across parts of an adjacent foreign country for reentry into the United States.”

14

Section 7432 is amended to read as follows:  
§ 7432. Expenditures: appropriations chargeable

(a) Expenses incurred by the Secretary of the Navy with respect to the naval petroleum and oil shale reserves shall be paid from appropriations made available for the purposes specified in this chapter.

(b) Expenditures necessary to carry out this chapter shall be made under the direction of the President, who shall submit estimates for those expenditures as prescribed by law. As amended Oct. 11, 1962, Pub. L. 87-796, § 1(8), 76 Stat. 905.

“§ 7432 Naval petroleum and oil shale reserves special account

“(a) There is hereby established on the books of the Treasury Department a special account designated the ‘naval petroleum and oil shale 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 or refined products;

“(2) the net proceeds, if any, realized from sales or exchanges within the Department of Defense of refined petroleum products accruing to the benefits of any component of that department as the result of any such sales or exchanges; and

“(3) such additional sums as have been, or may be, appropriated for the maintenance, operation, exploration, development, and production of the naval petroleum and oil shale reserves.

“(b) Funds available in the naval petroleum and oil shale reserve special account shall be available for expenditure in such sums as are specified in annual congressional appropriations Act for the expenses of—

“(1) exploration, prospecting, conservation, development, use, operation, and production of the naval petroleum and oil shale reserves as authorized by this chapter;

“(2) production (including preparation for production as authorized by the chapter, or as may hereafter be authorized;

15



EXISTING LAW

THE BILL AS REPORTED

“(3) the construction and operation of facilities both within and outside the naval petroleum and oil shale reserves incident to the production and the delivery of crude petroleum and derivatives, including pipelines and shipping terminals; and

“(4) the procurement of petroleum for and the construction and operation of facilities associated with any national strategic energy reserve system as authorized by law.

“(c) At the beginning of each fiscal year, the Secretary shall transfer to the Treasury of the United States as miscellaneous receipts any amounts in the naval petroleum and oil shale reserve special account determined by him to be in excess of projected requirements.

“(d) The budget estimates for annual appropriations from the naval petroleum and oil shale reserve 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.

16

“(e) Contracts under this chapter providing for the obligation of funds may be entered into by the Secretary only to the extent that funds have been appropriated therefor, and in no event may any contract be entered into for a period of more than five years, renewable, at the option of the Secretary, for an additional five year period.”

§ 7433. Disposition of royalties

(a) Any oil, gas, gasoline or other substance accruing to the United States as royalty from any lease under this chapter shall be delivered to the United States, or shall be paid for in money, as the Secretary of the Navy elects.

(b) All money accruing to the United States from lands in the naval petroleum and oil shale reserves shall be covered into the Treasury. As amended Oct. 11, 1962, Pub. L. 87-796, § 1(9), 76 Stat. 905.

Section 7433(b) is amended by adding immediately before the period at the end thereof the following: “and credited to the naval petroleum and oil shale reserve special account”.

SEC. 2. The Secretary of the Navy shall develop and submit to the Congress within one hundred and eighty days after the date of enactment of this legislation, a written proposal for the development and production of Naval Petroleum Reserve Numbered 4. The proposal will consider arrangements that will provide an incentive for participation by private capital consistent with the public interest.

17

## DEVELOPMENT OF CERTAIN NATIONAL PETROLEUM RESERVES

MARCH 23, 1976.—Ordered to be printed

Mr. CANNON, from the committee of conference, submitted the following

### CONFERENCE REPORT

[To accompany H.R. 49]



The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 49) 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, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

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

#### TITLE I—NATIONAL PETROLEUM RESERVE IN ALASKA

##### DEFINITION

*SEC. 101. As used in this title, the term "petroleum" includes crude oil, gases (including natural gas), natural gasoline, and other related hydrocarbons, oil shale, and the products of any 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; but the Secretary is authorized to (1) 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, (2) make such dispositions of mineral materials and grant such rights-of-way, licenses, and permits as may be necessary to carry out his responsibilities under this Act, and (3) 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 provisions of law heretofore enacted 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 on June 1, 1977.

(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 provisions 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 civilian 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 Utkok River, the Teshekpuk Lake areas, and other areas designated by the Secretary of the Interior containing any significant subsistence, recreational, fish and wildlife, or historical or scenic value, 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 103(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 amendment 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 103(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 determine 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 Insular Affairs of the Senate and the House of Representatives any new plans or substantial amendments to ongoing plans for the exploration of the reserve. All such plans or amendments 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 or amendments on competition. Such plans or amendments shall not be implemented until sixty days after they have been submitted to such committees; and

(3) shall report annually to the Committees on Interior and Insular 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 at reasonable and equitable rates to the native village of Barrow, and other communities 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 Barrow, Alaska. After such transfer, the Secretary of the Interior 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 (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 President shall direct such Executive departments and/or agencies as he may deem appropriate to conduct a study, in consultation with representatives of the State of Alaska, 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 President 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.

(c) (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, taking into consideration (A) the natives who live or depend upon such lands, (B) the scenic, historical, recreational, fish and wildlife, and wilderness values, (C) mineral potential, and (D) 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.

(3) The Secretary of the Interior shall submit a report, together with the concurring or dissenting views, if any, of any non-Federal representatives 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. Unless otherwise provided by Act of Congress, whenever development leading to production of petroleum is authorized, the provisions of subsections (g), (h), and (i) of section 7430 of title 10, United States Code, shall be deemed applicable to the Secretary of the Interior with respect to rules and regulations, plans of development and amendments thereto, and contracts and operating agreements. All plans and proposals submitted to the Congress 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 and proposals.

#### AUTHORIZATION FOR APPROPRIATIONS

SEC. 107. (a) There are authorized to be appropriated to the Department of the Interior such sums as may be necessary 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 communities as a result of the increased need for such services and facilities, then he is authorized to assist such communities in meeting the costs of providing increased municipal services and facilities. The Secretary of the Interior shall carry out the provisions of this section through existing Federal programs 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); Oil Shale Reserve Numbered 1, located in Colorado, established by Executive order of the President, dated December 6, 1916, as amended by Executive order dated June 12, 1919; Oil Shale Reserve Numbered 2, located in Utah, established by Executive order of the President, dated December 6, 1916; and Oil Shale Reserve Numbered 3, located in Colorado, established by Executive order of the President, dated September 27, 1924;

"(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; and

"(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 7438 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; except that no petroleum leases shall be granted at Naval Petroleum Reserves Numbered 1 and 3.

"(b) Except as otherwise provided in this chapter, 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 the Act of February 26, 1931, chapter 307 (46 Stat. 1421; 40 U.S.C. 258(a)), and the prospective holder of the right-of-way is 'the authority empowered by law to acquire the lands' within the meaning of that Act. 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 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 subsection 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, in the case of each extension, to determine the necessity for continued production from such naval petroleum reserve;

"(B) after the President submits to the Congress, at least one hundred eighty days prior to the expiration of the current production period prescribed by this section, or any extension thereof, 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."

(4) The first sentence of section 7423 is amended by deleting "of the Navy" and "or products".

(5) 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).

(6) Section 7425 is amended by deleting "of the Navy".

(7) 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".

(8) The first and second sentences of section 7427 are amended by striking out "of the Navy".

(9) 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 2 and the oil shale reserves shall contain a provision authorizing the Secretary".

(10) The first sentence of section 7429 is amended by deleting "of the Navy".

(11) 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 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 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 persons, 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 adequate sources of supply of petroleum, the Secretary is authorized 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 a cost of not less than the prevailing local market price of comparable petroleum;

"(3) the set-aside portion may not exceed 25 per centum of the estimated annual United States share of the total production from all producing naval petroleum reserves; 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 competition, at not less than the prevailing local market 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 convenience or increased efficiency of transportation across parts of an adjacent foreign state and reenters the United States, shall be subject to all of the limitations and licensing requirements of the Export Administration Act of 1969 (83 Stat. 841) 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 finding 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) Prior to the promulgation of any rules and regulations, plans of development and amendments thereto, and in the entering and making of contracts and operating agreements relating to the development, production, or sale of petroleum in or from the reserves, the Secretary shall consult with and give due consideration to the views of the Attorney General of the United States with respect to matters which may affect competition.

"(2) No contract or operating agreement may be made, issued, or executed under this chapter until at least thirty days after the Sec-



retary 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 may create or maintain a situation inconsistent with the antitrust laws. If, within such thirty day period, the Attorney General advises the Secretary that a contract or operating agreement may create or maintain a situation inconsistent with the antitrust laws, then the Secretary may not make, issue, or 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;

“(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 Government, and for other purposes’, approved August 27, 1894 (15 U.S.C. 8 and 9), as amended; or

“(5) sections 2, 3, and 4 of the Act of June 19, 1936, chapter 592 (15 U.S.C. 13a, 13b, and 21a).

“(j) Any pipeline which accepts, conveys, or transports any petroleum produced from Naval Petroleum Reserves Numbered 1 or Numbered 3 shall accept, convey, and transport without discrimination and at reasonable rates any such petroleum as a common carrier insofar as petroleum from such reserves is concerned. Every contract entered into by the Secretary for the sale of any petroleum owned by the United States which is produced from such reserves shall 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 any such rule or regulation. 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.

“(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 sections 151 through 166 of the Energy Policy and Conservation Act or that all or any part of such share be exchanged for petroleum of equal value for the purpose of placing such petroleum 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 subsections:

“(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 or substantial amendments 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 or amendments on competition. Such plans or amendments shall not be implemented until sixty days after such plans or amendments 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.”.

(13) 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 component of that department as the result of any such sales or exchanges;

"(3) such additional sums as may be appropriated for the maintenance, operation, exploration, development, and production of the naval petroleum reserves;

"(4) such royalties as may accrue under the provisions of section 7433; and

"(5) any other revenues resulting from the operation of the naval petroleum reserves.

"(b) Funds available in the naval petroleum reserve special account shall be available for expenditure in such sums as are specified in annual appropriations Acts for the expenses of—

"(1) exploration, prospecting, conservation, development, use, operation, and production of the naval petroleum reserves as authorized by this chapter;

"(2) production (including preparation for production) 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 petroleum, including pipelines and shipping terminals;

"(4) the procurement of petroleum for, and the construction and operation of facilities associated with, the Strategic Petroleum Reserve authorized by sections 151 through 166 of the Energy Policy and Conservation Act; and

"(5) the exploration and study of the National Petroleum 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 obligation 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(a) 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" wherever it occurs.

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

(A) by inserting immediately before

"7421. Jurisdiction and control."

the following:

"7420. Definitions."

(B) by striking out:

"7432. Expenditures; appropriations chargeable."

and inserting in lieu thereof the following:

"7432. Naval petroleum reserve special account."

And the Senate agree to the same.

HOWARD W. CANNON,  
JOHN C. STENNIS,  
STUART SYMINGTON,  
SAM NUNN,  
GARY HART,  
HENRY M. JACKSON,  
LEE METCALF,  
FLOYD K. HASKELL,  
STROM THURMOND,  
WILLIAM L. SCOTT,  
ROBERT TAFT, JR.,  
CLIFFORD P. HANSEN,  
DEWEY F. BARTLETT,

Managers on the part of the Senate.

JOHN MELCHER,  
HAROLD T. JOHNSON,  
PHILLIP BURTON,  
HAROLD RUNNELS,  
GEORGE MILLER,  
MELVIN PRICE,  
CHARLES E. BENNETT,  
JOE SKUBITZ,  
SAM STEIGER,  
WILLIAM L. DICKINSON,  
F. EDWARD HÉBERT,  
JOHN F. SEIBERLING,  
DON YOUNG,

Managers on the part of the House.



## JOINT STATEMENT OF THE COMMITTEE OF CONFERENCE

### INTRODUCTION

The Committee of Conference on the bill (H.R. 49) which involves the establishment of a National Petroleum Reserve in Alaska under the jurisdiction of the Secretary of the Interior and the production of petroleum from the naval petroleum reserves by the Secretary of Navy, met seven times to resolve the differences between the House bill and the Senate amendment. In addition, many hours of informal negotiations were involved in reaching agreement on the text of the legislation explained below. This revised text is in the form of a complete substitute for the two different versions approved by the House and Senate.

### COMPARISON OF MAJOR ISSUES AND FINAL RECOMMENDATION

The differences between H.R. 49 as passed by the House and as amended by the Senate are so great as to make a side-by-side comparison impractical. The two versions of the bill sought to achieve somewhat different objectives through different agencies. However, both bills sought to solve a long-existing issue of great national importance, *viz.* how the petroleum resources owned by the United States government in the public lands reserved for the four naval petroleum reserves can best serve the public interest.

### OBJECTIVE

The House version of H.R. 49 authorized the Secretary of the Interior to establish a system of national petroleum reserves on the reserved and unreserved public lands of the United States (with certain stated exemptions). Under the House bill, lands in the naval petroleum reserves could be included in this new system after consultation with the Secretary of Defense and thereby be excluded from the naval petroleum reserves. In the forty-eight contiguous States development and production of petroleum in the new national petroleum reserves was to be undertaken by the Secretary of the Interior either directly or through competitive bidding procedures.

The Senate amendment, on the other hand, authorized production from these Naval Petroleum Reserves 1, 2, and 3 under the jurisdiction of the Navy for a period of five years with the objectives of (1) assuring the readiness of the reserves to produce in the future and (2) using the proceeds from the sale of the petroleum produced to permit complete development of the reserves and to partially offset the costs associated with a strategic energy reserve system designed to store an immediately available quantity of petroleum for emergency use. During the period of production authorized in the Senate

bill, the House objective of increasing domestic petroleum production would be realized.

In reaching a compromise the Committee of Conference agreed to leave jurisdiction for Naval Petroleum Reserves 1, 2 and 3 with the Secretary of Navy, and to require him to take steps to bring these reserves into immediate production. Under the compromise, petroleum at the three reserves is to be produced at the maximum efficient rate for a period of six years, with provisions for an indefinite number of extensions for periods of three years each under specified circumstances.

### NAVAL PETROLEUM RESERVE NO. 4

The House version of H.R. 49 would have established a national petroleum reserve encompassing Naval Petroleum Reserve No. 4; thus abolishing it as a naval reserve. It also required the Secretary of the Interior to continue exploration of the reserve and report progress annually to Congress, but it required further Congressional authorization before any development leading to production could be undertaken. In addition, a study was to be made by the Secretary of the feasibility of developing delivery systems with respect to any oil and gas which may be produced and a task force was to be established to review all of the resource values of the lands and report its recommendations to the Congress.

The Senate amendment would have retained jurisdiction over this area in the Secretary of Navy. It contemplated the continuation of the current exploration program by the Secretary of Navy and provided that the Federal Energy Administration would conduct a 180-day study regarding alternatives available for the exploration, development, and production of NPR #4. The study by the Administrator of the Federal Energy Administration was later incorporated into the Energy Policy and Conservation Act (Public Law 94-163).

The Committee of Conference agreed that all of the lands in NPR #4 should be transferred to the Secretary of the Interior, except for the surface of lands necessary for the Naval Arctic Research Laboratory near Point Barrow, Alaska. Unlike the immediate transfer implicit in the House version however, the Committee recommends that the transfer take place on June 1, 1977, after the two affected agencies have had a winter season to work together in the field to insure the smooth transfer of jurisdiction and to minimize the lost time in the ongoing exploration program. The Committee agreed to language to establish a task force, under the direction of the Secretary of the Interior consisting of representatives of Alaska, the Alaska Natives, the Bureau of Land Management, the U.S. Fish and Wildlife Service, the U.S. Geological Survey, the Bureau of Mines, and such other agencies as the Secretary may deem appropriate, to review the overall resource values in the area. A second study provision agreed upon requires consideration in depth of alternatives for the development, production, transportation and distribution of petroleum in the reserve under the direction of the President, in consultation with the representatives of the State of Alaska. The 180-day FEA study, authorized by Public Law 94-163, which is now underway, is to be completed and will be transmitted directly to the Committees on Interior and Insular Affairs of the House and Senate.

## COMPETITIVE SALES AND SMALL REFINERS

In H.R. 49 as approved by the House, the Secretary of the Interior was directed to use competitive bidding procedures in the sale of any petroleum from the reserves. In addition, he was to structure such sales in a manner which would allow all companies—majors and independents alike—to offer viable bids. Particularly, with respect to petroleum produced at Elk Hills, the House version limited the total amount which any person or company could directly or indirectly control to not more than 20 percent of the production from that field in any one year.

The Senate amendment required the United States share of the petroleum to be sold by the Secretary of Navy to the highest qualified bidder at such time and in such amounts as the Secretary of Navy considered proper and it also required such sales to be structured so as to allow all interested companies to have a full and equal opportunity to acquire the petroleum and required it to be offered in blocks small enough to allow small refiners to bid on the oil tendered. It specifically provided that such sales might be made without regard to Federal, State or local regulations controlling sales or allocation of petroleum products.

The Committee of Conference recommends that all sales of petroleum by the Secretary of Navy be made at such time and in such amounts as he deems proper to the highest qualified bidder for periods of not more than one year. It also requires that each sale be structured to give full and equal opportunity to all companies. Furthermore, it prohibits the sale of more than 20 percent of the estimated Federal share of petroleum produced from Elk Hills to any buyer in a single year. To promote competition and to assist small refiners not having adequate sources of supply of petroleum, the Secretary is authorized to set aside up to 25 percent of the estimated Federal share of production from the reserves for sale to such refiners or, in his discretion, to prorate such petroleum to such refiners for sale at not less than the prevailing local market price.

## ANTITRUST PROVISIONS

With respect to provisions involving possible restraints on competition, the House-approved bill required the Secretary of the Interior to consult with the Attorney General at each stage in the formulation of plans and rules or regulations, and at each stage in the entering into of contracts or operating arrangements. In addition, all plans submitted to the Congress were to contain a report by the Attorney General on the anticipated effects of these upon competition. Furthermore, the Secretary was to be prohibited from entering into any contract until the Attorney General was given an opportunity for review to determine if the contract would create or maintain a situation inconsistent with the antitrust laws. If the Attorney General were to find it inconsistent with the antitrust laws or incompatible with the public interest, then the Secretary's recourse was to be through public hearings and a separate finding.

While the Senate amendment contained no comparable provisions, the Committee of Conference agreed that antitrust protections would

be desirable; consequently, the Committee has included antitrust provisions in both titles of the legislation. With respect to production from Naval Petroleum Reserves 12 and 13, before the Secretary of the Navy may promulgate any rules and regulations, finalize any plans of development, or execute any contracts for the development, production, or sale of petroleum from the reserves, he must consult with the Attorney General and give due consideration to his advice on matters which may affect competition. The Secretary is also prohibited from making any contract until thirty days after he has notified the Attorney General of his intention. If the Attorney General advises that the contract may create a situation inconsistent with the antitrust laws then the Secretary is precluded from executing it. Furthermore, the Secretary is required to include in all plans submitted to the Congress, a report by the Attorney General with respect to the anticipated effects of such plans on competition.

With respect to the National Petroleum Reserve in Alaska (formerly Naval Petroleum Reserve No. 4), the Secretary of Interior is authorized to enter into contracts for the exploration of the reserve, but at least thirty days before executing such contracts, he must submit them to the Attorney General for review to determine whether or not they are consistent with the antitrust laws. If within thirty days the Attorney General determines that they are not consistent, then the Secretary is precluded from proceeding to finalize the contract. If development leading to production is authorized at the reserve, then, unless Congress provides otherwise, the antitrust policies applicable to production of the naval petroleum reserves are to be applied to production from the National Petroleum Reserve in Alaska.

## COMMON CARRIER PROVISIONS

Both the House bill and Senate amendment contained provisions dealing with the operation of pipelines from the naval petroleum reserves. As enacted by the House, any pipeline carrying petroleum from the national petroleum reserves was to be operated and maintained as a common carrier and the Secretary of the Interior was to have the authority to make necessary rules and regulations to carry out this provision. Any violation of such rules and regulations could result in the Secretary voiding any contract, operating agreement, right-of-way, permit or easement granted by him. In addition, the Secretary was authorized to acquire or construct pipelines in the vicinity of any national petroleum reserve in order to assure the transportation of petroleum from such reserves to refinery points or to points connecting with common carrier pipelines.

The Senate amendment was comparable, except that it dealt only with the naval petroleum reserves in California and, in line with its approach to the bill, instead of placing the authority in the Secretary of the Interior, it placed the responsibility with the Secretary of the Navy. To assure the transportation of the petroleum produced from Naval Petroleum Reserves 1, 2 and 3, it authorized the Secretary to construct or procure pipelines and associated facilities, and such facilities at Elk Hills were to be capable of transporting not less than 350,000 barrels of oil per day within three years after the enactment of the legislation.

In reconciling these differences, the Committee of Conference took note of the fact that some, and perhaps most, of the present pipelines which would be involved under this legislation are already common carriers under the terms of the Mineral Leasing Act of 1920. But the recommended language attempts to deal with all of the foreseeable possibilities:

*First*, any pipeline which accepts or transports any petroleum from Naval Petroleum Reserves 1 or 3 must accept and transport petroleum from these reserves as a common carrier;

*Second*, any purchaser of petroleum from such reserves must agree, by contract, to transport any petroleum from these reserves as a common carrier if he owns a controlling interest in a pipeline, or if he owns a controlling interest in a company which operates a pipeline, or if he is the operator of any pipeline carrying petroleum produced from these reserves;

*Third*, if adequate transportation facilities are not otherwise available, the Secretary of Navy may construct or acquire them or contract for the use of them;

*Fourth*, if a pipeline in the vicinity refuses to transport petroleum from these reserves as a common carrier, then the Secretary may acquire such pipeline (by condemnation, if necessary); and

*Fifth*, if new pipelines are constructed on rights-of-way acquired by the government, then these pipelines are to be common carrier pipelines.

The Committee of Conference accepted the Senate approach with respect to pipeline facilities for production from Elk Hills which requires the Secretary to have available adequate capacity to accommodate not less than 350,000 barrels per day within three years after the date of enactment of this legislation. In addition the recommended language authorizes the Secretary to promulgate such rules and regulations as may be necessary to carry out the provisions of section 7430, title 10 United States Code, and to take appropriate action in the event of violation thereof.

#### STRATEGIC STORAGE AND NAVAL PETROLEUM RESERVES SPECIAL ACCOUNT

The Senate amendment provided that the President could direct that all or part of the Federal share of petroleum produced from the naval petroleum reserves could be placed in a strategic storage facility. In addition, it authorized the establishment of a special account in the Treasury to which all revenues from the sale of petroleum and proceeds from other activities associated with the naval petroleum reserves were to be credited. From this account, funds were to be appropriated for activities at the reserves, construction of necessary pipelines or other facilities, and procurement of petroleum for the national strategic energy reserve system.

In comparison the House language established a special fund in the Treasury to receive the proceeds realized under the legislation from the sale of oil and gas from the national petroleum reserves. Monies in the fund were to be appropriated for the purchase of petroleum for storage in the national strategic petroleum reserve, when authorized by law, and for the development and production of Naval Petroleum Reserves 1, 2, and 3.

The Senate amendment also contained the complete authority establishing a strategic reserve system. Since approval of H.R. 49, by the House and Senate, the Energy Policy and Conservation Act, providing for the establishment of a strategic reserve, has been enacted into law. In recognition of this fact, the Committee of Conference approved a modified approach which authorizes the President to place *all* or *any* part of the petroleum produced from the naval petroleum reserves in the authorized strategic storage facilities or exchange it for petroleum of equal value to be so stored.

It was agreed that there should be established a special account in the Treasury consisting of revenues derived from the disposition of petroleum from the naval petroleum reserves, the proceeds from internal sales of petroleum within the Department of Defense, appropriations made by Congress for such reserves and any royalties or other revenues derived from the operation of such reserves. This special account is not to be the exclusive source of funds for the conduct of activities authorized by this Act, but monies credited to it are to be available as offsetting receipts to reduce outlay requirements for (1) the Secretary of the Navy in connection with expenses incident to the operation of the naval petroleum reserves, (2) the Secretary of the Interior in connection with exploration and study costs associated with the National Petroleum Reserve in Alaska, and (3) the Administrator of the Federal Energy Administration in connection with the procurement of petroleum for, and construction and operation of facilities associated with, the Strategic Petroleum Reserve. The conferees were aware that anticipated receipts would not offset the outlay requirements of all three of the agencies eligible to utilize the funds, and the President, in all likelihood, will find it necessary to apportion the available monies between the three agencies. The conferees expect the Budget Committees to consider all of these funds under the "Natural resources, environment, and energy functional" category.

#### CONGRESSIONAL OVERSIGHT

Both versions of H.R. 49 provided for oversight responsibilities to be vested either in the Interior and Insular Affairs Committees (under the House language) or in the Armed Services Committees (under the Senate language). The Committee of Conference agreed that continued Congressional oversight over all aspects of the implementation of this legislation would be important. Since Naval Petroleum Reserve No. 4 in Alaska is to be transferred to the Interior Department, the Committee is recommending that all contracts, plans, reports, etc. involving this area be referred directly to the Committees on Interior and Insular Affairs. Similarly, since the other reserves are to remain under the administrative jurisdiction of the Secretary of the Navy, all such contracts, plans, reports, etc. dealing with them will be directed to the Committees on Armed Services.

#### SECTION BY SECTION ANALYSIS

##### TITLE I—NATIONAL PETROLEUM RESERVE IN ALASKA

Sec. 101 defines the term "petroleum" to include crude oil, gases of all kinds (natural gas, hydrogen, carbon dioxide, helium and any

others), natural gasoline, and related hydrocarbons (tar sands, asphalt, propane, butane, etc.), oil shale and the products of such resources.

SEC. 102 provides that, except for surface of the lands in Tract 1 as described in Public Land Order 2344 which are being used for the Naval Arctic Research Laboratory, all of the public lands whether previously reserved or unreserved within the exterior boundaries of Naval Petroleum Reserve No. 4 as established by Executive Order 3797A of February 27, 1923, will be transferred to the administrative jurisdiction of the Secretary of the Interior from the Secretary of the Navy, but Federal agencies conducting authorized activities not inconsistent with the Act may be permitted to continue such activities to the extent they do not interfere with the administration of the land by the Secretary. All lands within this new "National Petroleum Reserve in Alaska" are statutorily withdrawn from all forms of entry and disposition under the public land laws and mining and mineral leasing laws. It is the specific intent of this provision that all lands be explicitly excluded from the provisions of the Mineral Leasing Act of 1920.

The intent of this section is to insure that all of the lands within the exterior boundaries of the reserve remain withdrawn from all uses inconsistent with the purposes of this legislation. The statutory withdrawal includes *all* lands within the boundaries of the 1923 Executive Order in order to override the unexpected interpretation of that order by the United States Court of Appeals for the Ninth Circuit in *Arnold v. Morton*. Express recognition is given to certain existing uses, e.g., the continued operation of the South Barrow gas field. Inasmuch as the Alaska Native Claims Settlement Act authorized native village corporations to select certain Federally owned land in Alaska, including the right to apply for surface rights within the Naval Petroleum Reserve until December 18, 1975, this legislation authorizes the Secretary to convey such surface interests if the selections were made on or before that date, but in no event does the legislation authorize the disposition of the subsurface mineral estate within the national petroleum reserve to any person or group, except for mineral materials (e.g., sand, gravel, and crushed stone, which for the purpose of this legislation are considered to be a part of the subsurface mineral estate) which the Secretary may permit to be used for maintenance or development of local services by native communities or for use in connection with activities associated with administration of the reserve under this Act.

SEC. 103 provides that jurisdiction over Naval Petroleum Reserve No. 4 shall be transferred to the Secretary of the Interior on June 1, 1977, at which time it shall be redesignated as the National Petroleum Reserve in Alaska. Responsibility for the protection of the natural, fish and wildlife, scenic and historical values of the area is vested in the Secretary of the Interior immediately upon enactment of this Act so that any activities which are or might be detrimental to such values will be carefully controlled. When complete jurisdiction over the reserve is transferred on June 1, 1977, the Secretary of the Interior will assume all rights and obligations incurred under contracts executed by the Secretary of the Navy with respect to activities in the reserve.

To make this transfer of jurisdiction orderly, the legislation requires that all equipment, facilities, and property associated with explora-

tion of the reserve be transferred by the Secretary of the Navy, without reimbursement, to the Secretary of the Interior and provides that any unexpended funds previously appropriated for use in connection with the reserve be transferred to the Secretary of the Interior for use in connection with the reserve as intended by the Congress when such appropriations were made. In this connection the legislation also transfers the civilian personnel ceilings assigned to the management and operation of the reserve to the Interior Department. It is not expected that non-civilian Navy personnel will transfer to the Department of the Interior, but it is intended that the number of positions allocated to the management and operation of the reserve will continue at approximately the same level after the transfer takes place so that activities at the reserve will continue at least at their current level.

SEC. 104 makes it absolutely clear that only exploration is authorized at the National Petroleum Reserve in Alaska. After the studies are completed and transmitted to the Congress, as required by the legislation, then the Congress will determine how future development and production will take place. Until authorized by the Congress, there will be no production of petroleum from this reserve, except for a limited quantity from the South Barrow gas field which is essential to the Native village of Barrow and other communities and installations near Point Barrow.

The legislation makes it clear that the Secretary may designate certain areas—including specifically the Utukok River area and the Teshekpuk Lake area—where special precautions may be necessary to control activities which would disrupt the surface values or disturb the associated fish and wildlife habitat values and related subsistence requirements of the Alaska Natives.

It is the intention of this provision to immediately authorize the Secretary to require that the exploration activities within these designated areas be conducted in a manner designed to minimize adverse impacts on the values which these areas contain. While "maximum protection of such surface values" is not a prohibition of exploration-related activities within such areas, it is intended that such exploration operations will be conducted in a manner which will minimize the adverse impact on the environment.

To this end, the Secretary is expected to take into consideration the needs of resident and migratory wildlife and to schedule exploration activities in a manner which, and at such seasons as, will cause the least adverse influence on fish and wildlife. In scheduling exploration activities in such an area the Secretary should take steps to minimize any adverse effects on native subsistence requirements and associated fish and wildlife values. Specifically, he should conduct exploration activities in these areas during times of the year when the caribou calving season and the nesting and molting seasons of the birds can be avoided.

While this provision suggests that certain areas should receive special consideration, the Members of the Committee of Conference do not mean to imply that the Secretary should ignore the environmental ramifications of exploration activities in other areas. On the contrary, it is expected that the Secretary will take every precaution to avoid unnecessary surface damage and to minimize ecological disturbances throughout the reserve.

Until the actual transfer of the reserve to the Department of the Interior, the legislation requires the Secretary of the Navy to continue the ongoing exploration program within the reserve. In other words, the Members of the Committee of Conference agreed that since the Secretary of the Navy is to continue administration of this reserve until June 1, 1977, he should move forward on the exploration program which for fiscal year 1977 envisions the drilling of five exploratory wells and the completion of approximately 3,000 miles of seismic surveys.

There is every reason to believe that he will be able to cooperate with the Secretary of the Interior in carrying forward the exploration program and the Members of the Committee of Conference expect them to work together for the full season prior to the transfer so that a continuity of operations without lost time will be assured.

Since the Secretary of the Interior is required to assume responsibility for the conduct of operations under contracts negotiated by the Secretary of the Navy, after June 1, 1977, it is expected that all new contracts or amendments to existing contracts after enactment of this legislation will be closely coordinated between the two Secretaries. The Committee of Conference did not give the Secretary of the Interior a veto power over such contracts or changes, because it is generally understood that no new contracts are anticipated in the foreseeable future and because it is recognized that in the interests of good management, the Secretaries would establish a responsible and reasonable working relationship which will protect the public interest in the activities within the reserve.

Once the transfer is effected, the legislation authorizes the Secretary of the Interior to enter into contracts which he deems necessary to carry out the exploration activities contemplated. Such contracts are to be reviewed by the Attorney General for their legal sufficiency and consistency with the antitrust laws. The Secretary is precluded from entering any contract which the Attorney General determines would unduly restrict competition or be inconsistent with the antitrust laws. For the purposes of adequate oversight over such proposed actions, the Secretary is required to transmit all plans, or substantial amendments to plans, to the Committees on Interior and Insular Affairs of the House of Representatives and Senate and to report annually to such Committees on the progress of, and future plans for, exploration of the reserve.

Public Law 93-153, which modernized the law relating to rights-of-way over Federal lands and authorized the Trans-Alaska oil pipelines, included a specific requirement (section 403) that the Secretary of the Interior take affirmative action to assure that no person would, on the grounds of race, creed, color, national origin, or sex be excluded from activities carried out under authority of Title II of that Act. The Committee of Conference expects both the Secretary of the Interior and the Secretary of the Navy to follow the principles set out in section 403 of P.L. 93-153 in implementing H.R. 49.

The legislation specifically authorizes the Secretary of the Navy to develop and continue the operation of the South Barrow gas field in order to supply gas at reasonable and equitable rates to the nearby villages and facilities near Point Barrow. Once the transfer of the reserve is effected, the Secretary of the Interior is authorized to take all

necessary actions to continue such service, including the development of additional fields, if necessary. The Secretary is not expected to amortize the investment in this field, on the contrary he is expected to set the rates for this service at a level which is reasonable from the point of view of the Federal Government and equitable from the point of view of the users.

The equitable rate should take into consideration the special conditions which exist in this area. The Committee recognizes that this is an isolated area in an Arctic environment where the source and supply of energy is critically important. Certainly, the village of Barrow should never be charged a rate exceeding the rate charged other users. On the contrary, the Secretary should take into consideration the average disposable income of the residents of the village and other factors in determining what the "equitable rate" might be and could, in fact, determine that a rate lower than the rate for other users should be charged on the basis of equity.

Sec. 105 deals with the study of the reserve. First, it provides that the study authorized by the Energy Policy and Conservation Act of December 22, 1975, will be completed and transmitted to the Committees on Interior and Insular Affairs. This study should be useful in identifying promising alternatives for more detailed consideration in the study called for by section 105(b). In addition, the President through appropriate executive departments or agencies and in consultation with the State of Alaska shall make a detailed study of the petroleum resources in the reserve to determine the best procedures for the development, production, transportation and distribution of such petroleum resources. In developing this study the President is to consider alternative procedures for the development and production of the reserve and the economic and environmental consequences of each. Periodic reports on the implementation of this study provision and annual reports of his findings and conclusions will be transmitted to the Committees on Interior and Insular Affairs of the House of Representatives and the Senate. The study is to be completed no later than January 1, 1980.

In addition the legislation provides for the creation of a task force to conduct a study to determine the values of, and best uses for, the lands within the reserve. This study differs from the President's study discussed above in that it is a comprehensive review of all resource values, other than petroleum, which the lands within the reserve contain. In addition to considering the importance of this area to the natives who depend upon this area for subsistence, this task force is directed to consider the natural, scenic, wildlife, and wilderness values which it contains as well as the potential for minerals, other than petroleum, and other values. The task force is to include representation of various interested Federal agencies, a representative of the State of Alaska and a representative of the Arctic Native Slope Community, the latter to be selected jointly by the affected native corporation, borough and villages. It will be the responsibility of the Secretary to prepare and submit the report of the task force, together with his recommendations, to the Committees on Interior and Insular Affairs within three years after enactment of H.R. 49, but it shall contain the concurring or dissenting views of any non-Federal representative who submits his views in writing to the Secretary within 30 days after



the Secretary announces his intention to forward the report as required by the legislation. It is not intended that either study authorized by this Act should preclude any action by either Secretary which this legislation otherwise authorizes.

SEC. 106 provides that if the Congress enacts legislation authorizing development leading to production, then the Secretary shall consult with the Attorney General in formulating regulations, developing plans, and on all contracts or operating agreements relating to development, production or sale of petroleum from the reserve to be sure that they are consistent with the antitrust laws. While this provision would become applicable if the Congress authorizes production at the reserve, this section is not intended to delay or interfere in any way with the exploration program or to preclude any geologic, geophysical, seismic or other activity necessary to carry out the purposes of this Act.

SEC. 107 authorizes the appropriation of such sums as may be necessary to carry out the provisions of this title and provides that, under certain circumstances, the Secretary may aid affected communities experiencing substantially increased needs for municipal services and facilities as the direct result of the exploration and study activities authorized by the legislation. Before implementing this provision, the Secretary is required to consult with the other Federal departments or agencies to determine what financial aid is otherwise available.

#### TITLE II—PRODUCTION OF NAVAL PETROLEUM RESERVES

SEC. 201 is a series of amendments to chapter 641 of title 10 of the United States Code—i.e. the chapter dealing with the naval petroleum reserves.

Amendment 1 adds a new section to the chapter defining the following terms:

“National defense” includes not only military emergencies, but also economic emergencies such as the one which occurred during the Arab embargo of 1973.

“Naval Petroleum Reserves” are defined to include the four existing petroleum reserves and the three oil shale reserves, but Naval Petroleum Reserve No. 4 in Alaska is included in this definition only until it is transferred to the Secretary of the Interior on June 1, 1977, when it is to be redesignated as the National Petroleum Reserve in Alaska in accordance with the provisions of title I of the Act.

The term “petroleum” is defined exactly the same way as in title I.

“Maximum efficient rate” implies that production shall be conducted in a manner which will assure the most efficient development to maximize ultimate recovery of petroleum from the reservoir. The Members of the Committee of Conference recognize that the Secretary of Navy retains, under the unit plan contract at NPR #1, the full and absolute power to determine the rate of development, as well as the volume and rate of production consistent with the objectives of this Act and do not intend to alter or limit this power by the use of the term “economic development” in this definition.

To eliminate any possible confusion over the term “small refiner”, the legislation incorporates, by reference, the standards applied by

the Small Business Administration in qualifying a refinery as a small business refiner.

Amendment 2 makes some technical changes in the chapter and provides that the naval petroleum reserves are to be used for defense purposes, except as otherwise provided by the terms of this legislation.

Amendment 3 completely revises section 7422 and requires the Secretary to produce the petroleum in Naval Petroleum Reserves 1, 2 and 3. He is authorized either to produce such petroleum or to have it produced under a contractual arrangement. Petroleum leases are a permissible arrangement only at Naval Petroleum Reserve No. 2 (Buena Vista), where such leases presently exist.

Generally, in the past the naval petroleum reserves have been used and operated only to the extent that such production was found necessary by the Secretary, with the approval of the President, and then only when authorized by a joint resolution of the Congress. But the change incorporated in this amendment *directs* the Secretary to promptly commence the production of petroleum from these reserves at the maximum efficient rate and to continue such production for a period of six years. During this period, the Secretary is to sell or otherwise dispose of the United States share of production.

The Secretary is authorized and directed to construct, acquire or contract for the use of storage or shipping facilities. The Secretary is expected to exhaust every possibility of utilizing private facilities or of encouraging private enterprise to construct facilities before he undertakes construction or condemnation of any facilities outside the reserves. If necessary, the Secretary may condemn any pipeline not operated as a common carrier if the owner refuses to carry, without discrimination and at a reasonable rate, any petroleum produced at such reserve. In addition, if new pipelines are necessary, rights-of-way may be acquired by the use of condemnation under Federal statutory authority, but such pipelines must be operated as common carriers. At Naval Petroleum Reserve No. 1 (Elk Hills) pipelines and associated facilities capable of carrying 350,000 barrels of oil per day are required to be available not later than three years after the date of enactment of this legislation. This provision was included in the Act in order to assure the availability of adequate facilities to promptly transport petroleum from Elk Hills and maintain production at the maximum efficient rate of production for the field.

As already noted, production of petroleum at the naval petroleum reserves is to commence 90 days after the enactment of this legislation. After six years of production, the reserves will again be shut-in unless the President takes steps to extend the operations. To accomplish this, he must first assess the current and prospective need for petroleum and determine the necessity for continued production, then he must submit to the Congress the report of this assessment together with a certification that he has determined that continued production is in the national interest. Following receipt of the report, unless either the Senate or House of Representatives expressly disapproves further production, it will be extended for three years. Additional extensions of three years each can be accomplished by following the same procedures.

There is no intention to negate the provisions of the existing unit plan contract at Elk Hills and the language specifically provides for

the continuation of operations under that contract if the owner of the private interest agrees. It is intended that there will be a formalized agreement to this effect within 90 days after the enactment of the legislation. Failure to reach such an agreement could result in the acquisition of the outstanding private holdings if the Secretary deems such action necessary in order to protect the public interest.

Amendment 4 merely makes some technical changes to make section 7423 conform to changes being made in Chapter 641.

Amendment 5 also makes some technical changes in the Chapter, but it contains one significant substantive revision. Under existing law, the Secretary of the Navy is required to consolidate and protect Federal oil lands by contracting with private owners and lessees of lands within or adjacent to naval petroleum reserves to conserve oil and gas "in the ground." As recommended by the Committee of Conference, the Secretary may continue to contract with such private parties for the wisest conservation and development of the petroleum in the reserves, but he is not required to keep it in the ground. In fact, the intention of the provisions of the legislation is to assure the development of petroleum in the reserves at the maximum efficient rate for the six-year period of production authorized or any extension.

Amendment 6 makes a technical change in section 7425 to conform to the definitions contained in the legislation.

Amendment 7 makes it clear that the Secretary may make contracts for joint, unit or cooperative plans for exploration, prospecting, conservation, development, use or operation within the Elk Hills reserve, but in making such contracts he is required to pursue the objective of this legislation, *viz.* to develop Elk Hills so that production will achieve the maximum efficient rate at the earliest possible time.

Amendment 8 conforms existing law to the changes made in the definitions section of this legislation.

Amendment 9 makes it clear that in the future petroleum leasing procedures shall be appropriate only within Naval Petroleum Reserve No. 2 (Buena Vista).

Amendment 10 makes a technical change to conform to the definitions section of this legislation.

Amendment 11 deals with some of the most critical issues of the proposed legislation. Specifically it deals with the following matters related to the production of petroleum from the naval petroleum reserves:

#### 1. *Storage of Petroleum*

The Secretary is directed to "use, store, or sell" the petroleum produced at the reserves. In agreeing to this provision, the conferees recognized that some use of some of the products of the reserves might be required in connection with operation and production activities. For example, gas produced from the reserves could be used for power generation or reinjection, but this authority does not extend beyond the authority to use these products in connection with activities directly related to production of the naval petroleum reserves. Except as authorized for strategic storage in subsection (k), it is intended that the storage authorized is limited to storage incident to the sale of petroleum and should not exceed more than is necessary to handle normal fluctuations in marketing volumes. Under subsection (k), the Presi-

dent may arrange, either directly or through exchange, to store all or any part of the petroleum produced at the reserves in the strategic storage facilities authorized by Public Law 94-163.

#### 2. *Sale of Petroleum*

All sales of petroleum by the Secretary are to be made at public sale to the highest qualified bidder after appropriate public notice. Such sales contracts shall be for periods of one year or less and are required to be structured in such a manner as to give all companies—majors and independents alike—a "full and equal opportunity for the acquisition of petroleum" from the reserves. In no event, may more than 20 percent of the Federal share of production of petroleum from Elk Hills be acquired by a single purchaser (i.e. any person as defined in Title I of the United States Code). By providing that sales may be made by the Secretary "without regard to Federal, State or local regulations controlling sales or allocation of petroleum products", it is intended that the sales of petroleum from the reserves will continue to be at the highest bid price regardless of the current or previous distinction between "old" and "new" oil and would not be subject to Federal laws establishing ceiling or composite prices for first sales of domestic crude oil.

The Committee recognized that in effecting sales to ensure the limitations of no more than 20 percent to one person and in considering a small business set aside the Secretary will have to estimate his production for the following year and package his contracts accordingly. The Secretary is not expected or required to terminate contracts if he finds that actual production varies substantially from his estimates, but he will have to account for such variation in his reports to Congress and adjust appropriately for future sales.

#### 3. *Small Refineries*

As mentioned above, the Secretary is required to structure bids in such amounts as to allow all potential qualified purchasers to bid on the Federal petroleum to be sold. In addition the Secretary, after consulting with the Secretary of the Interior, may find it in the public interest to set aside up to 25 per cent of the estimated Federal production from the reserves for small refiners not having an adequate source of supply of petroleum of their own. In making such a set-aside, the Secretary may prorate such petroleum among small refiners, without competitive bids, but such petroleum must then be sold at the prevailing local market price for comparable petroleum. The legislation specifies that the Secretary, in making any sales under the set-aside provision, must require the processing or use of the petroleum in such small refineries and must prohibit the small refiners from re-selling the petroleum prior to processing it.

#### 4. *Antitrust Provisions*

Before finalizing any rules and regulations, plans of development, contracts or operating agreements relating to the development, production, or sale of petroleum, the Secretary is required to consult with, and consider the views of, the Attorney General. In agreeing to this provision, the Committee of Conference recognized that such consultation will be effective only if the Secretary, in good faith, seeks the advice and counsel of the Attorney General when he is in the early stages of such proceedings so that he may have the benefit of his views

on matters which might affect competition before finalizing the policies and provisions of such regulations or contracts. In any event, the legislation requires all contracts and operating agreements to be forwarded at least thirty days before their execution, together with such additional information as he may require, to the Attorney General. If, within the thirty days period, the Attorney General advises the Secretary that such contract or agreement may create or maintain a situation inconsistent with the antitrust laws, then the Secretary is precluded from executing the contract or operating agreement. In the absence of such an adverse finding by the Attorney General within thirty days, the Secretary may proceed to finalize the agreements.

#### 5. Common Carrier Provision

In order to assure the transportation of the petroleum produced from Naval Petroleum Reserves Numbered 1 and 3 (i.e. Elk Hills and Teapot Dome), the Committee of Conference agreed to a revised common carrier provision which provides:

(1) that if pipelines are used to carry any petroleum from these reserves, they must accept such petroleum produced from them without discrimination and at reasonable rates;

(2) that every contract for the sale of any Federal petroleum must require the purchaser, if he is the owner of a controlling interest in any pipeline, the owner of a controlling interest in any company operating a pipeline, or the operator of a pipeline which carries petroleum from such reserves, to transport petroleum from such reserves without discrimination and at reasonable rates as a common carrier.

These provisions are not intended to make such pipelines "traditional" common carriers as provided under other laws nor should they be construed to require the transportation of any petroleum regardless of the source. Instead, the intent of the provision is to require only the transportation of petroleum from the specified reserves whenever the pipeline involved is not otherwise operated as a common carrier, and then only when the pipeline carries some production from the reserves or is controlled by some person (person, association, corporation, joint venture, or other business organization) who has contracted with the Secretary of Navy for the purchase of petroleum produced from such reserves.

To aid in the enforcement of this provision, the Secretary of the Navy is authorized to make rules and regulations to carry out the provisions of the section. Whenever any person violates any such rule or regulation, the Secretary may take appropriate action to cancel any contract, operating agreement, right-of-way, etc. which he may have issued. Furthermore, he may request that the Secretary of the Interior, acting on behalf of the United States, to void any contract, right-of-way, permit, or easement which he may have issued to such person in accordance with authority granted to him insofar as it applies to these reserves. The purpose of this enforcement procedure is to assure compliance with the rules and regulations which the Secretary of the Navy is expected to issue.

#### 6. Exportation of Petroleum

Except for petroleum which may be exchanged in similar quantities with persons or the government of an adjacent foreign state or which

is temporarily exported for convenience or increased transportation efficiency across international boundaries, petroleum from the naval petroleum reserves may be exported from the United States *only* in compliance with the Export Administration Act of 1969 *and then only* if the President makes and publishes an express finding that such exports will not adversely affect the supply of petroleum for the United States, that such exports are in the national interest, and they are in compliance with the Export Administration Act of 1969.

#### 7. Consultation Requirements

For the duration of the production period—i.e. the initial 6 years and any additional 3 year extensions—the requirement that the President must approve and the Committees on Armed Services must be consulted on contracts for the sale of products is waived.

Amendment 12 involves the consultation requirements mentioned immediately above. As long as production continues at any or all of the reserves under section 7422(c) of title 10 of the United States Code, the legislation provides for special reporting procedures for new plans or substantial amendments to existing plans relating to exploration, development, production, disposal and transportation. If, on the other hand, it is determined, either by the President or by Congressional action, that continued production of these reserves is not necessary, then after the fields have been shut in, production and sale of petroleum may be reinstated only after compliance with the approval and consultation requirements of section 7422. The other transactions specified would be subject to these same requirements after production is once discontinued.

While production is underway, the Committees on Armed Services of the House and Senate will maintain careful scrutiny over plans for the exploration, development and production program. These plans are required to contain a report by the Attorney General as to their anticipated effects upon competition and are not to be implemented until 60 days after being submitted to the Committees. The provision requires the same of "substantial amendments" which are left to the discretion of the Secretary to determine; however, as a guideline, any plan that is amended to change the execution time by a year or more or any plan which experiences a 25 percent or more change in funding is considered, by the conferees, as involving a substantial amendment.

In addition while the reserves are being produced, annual reports are to be submitted to the Committees detailing the status of the program, the production level and its disposition, and future plans for the reserves.

Amendment 13 establishes a special account in the Treasury into which all proceeds from the disposition of petroleum from the naval petroleum reserves will be deposited. From this "naval petroleum reserves special account" funds will be appropriated, as needed, by the Congress for continued activities at the naval petroleum reserves, for construction and operation of facilities incident to production and the delivery of such petroleum to shipping terminals, for the procurement of petroleum and facilities needed for the National Strategic Petroleum Reserve, and for the exploration and study of the National Petroleum Reserve in Alaska authorized by this Act. Budget estimates involving this account are to be submitted as an independent entry in the President's Budget.



Amendments 14, 15, 16, 17, 18 and 20 make technical changes in the chapter to conform with other provisions in this legislation.

Amendment 19 updates section 7438 by substituting the Administrator of the Energy Research and Development Administration for the Secretary of the Interior as the chief administrator of the Rifle, Colorado, oil shale research facility—an administrative change that has already taken place.

HOWARD W. CANNON,  
 JOHN C. STENNIS,  
 STUART SYMINGTON,  
 SAM NUNN,  
 GARY HART,  
 HENRY M. JACKSON,  
 LEE METCALF,  
 FLOYD K. HASKELL,  
 STROM THURMOND,  
 WILLIAM L. SCOTT,  
 ROBERT TAFT, JR.,  
 CLIFFORD P. HANSEN,  
 DEWEY F. BARTLETT,

*Managers on the part of the Senate.*

JOHN MELCHER,  
 HAROLD T. JOHNSON,  
 PHILLIP BURTON,  
 HAROLD RUNNELS,  
 GEORGE MILLER,  
 MELVIN PRICE,  
 CHARLES E. BENNETT,  
 JOE SKUBITZ,  
 SAM STEIGER,  
 WILLIAM L. DICKINSON,  
 F. EDWARD HÉBERT,  
 JOHN F. SEIBERLING,  
 DON YOUNG,

*Managers on the part of the House.*

