MEETING OF

THE NATIONAL PETROLEUM COUNCIL

Grand Ballroom

ANA Hotel

2401 M Street, Northwest

Washington, D.C.

Friday, June 21, 1996

The Council came on for meeting, pursuant to notice, at 9:06 a.m.

BEFORE:

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P R O C E E D I N G S

[9:06 a.m.]

MR. FULLER: If everybody would take their seats, it would be appropriate to get underway.

Good morning, everyone. I hope you enjoyed last evening. I had a very good time myself. And we expect to have a very interesting and, in some ways, very different meeting this morning, with the dialogue that's going to take place with the folks on my right and the folks on my left here, and we'll get to that in due course.

First, by way of opening the meeting, as is our custom, the check-in outside the room will serve as the official attendance record, and assuming nobody objects, we will dispense with the calling of the roll.

Before we begin, I would like to thank our 50th Anniversary Committee for a great celebration last evening and also thank Dan Yergin again for his remarks. Dan -- I know I saw him here. How about some applause for a great --

[Applause.]

MR. FULLER: At the suggestion of the 50th Anniversary Committee and with Dan's assistance, we are going to commission a monograph that details the Council's government-industry cooperation from its origins in World War II up to the present time. This project should be completed shortly after the first of the year and all of our members and our guests will receive a copy as a remembrance of last evening.

Also, before we begin, I would like to read a letter from President Clinton that memorializes our 50th anniversary, and I quote, "Warm greetings to all of those gathered in our nation's capitol to celebrate the 50th anniversary of the National Petroleum Council. I am delighted to join you in marking this occasion."

"As we prepare to meet the challenges of the next century, expanding economic growth and opportunity must remain at the forefront of our national agenda. For the last half century, the National Petroleum Council has played an invaluable role in this endeavor, advising the Federal Government on significant oil and natural gas issues and cultivating the essential private-public partnerships that are so vital to our nation's growth."

"The oil and gas industry is a crucial component of our nation's economy and the National Petroleum Council can be proud of its tireless efforts to advance this important field, energizing the marketplace and employing thousands of hard-working Americans with high tech, well paying jobs. The oil and gas industry strengthens the potential for innovation and prosperity for our entire nation."

Co-Chair Coordinating Committee, Secretary O'Leary wrote to the Council, stating that she was forming an interagency working group. In addition, she requested the Council to provide, as soon as possible, a list of top priority issues for the consideration of the interagency group.

The Coordinating Subcommittee, which I chaired, for the Committee on Future Issues was called back into action to assist in this follow-up activity. Based on the work developed during the course of the future issues study, the subcommittee prepared a list of 18 potential issues that might be appropriate for the interagency group to address.

Three criteria were used in screening topics for this list; first, was it a policy or regulatory issue; second, did it significantly affect industry competitiveness; and, third, did it require coordinated consideration or action by the government.

Write-ups of each issue were sent to all Council members, who were asked to select the five that they considered to be the most important. Members were also provided an opportunity to submit write-in issues and to indicate their willingness to provide staff to discuss specific issues with the interagency group.

The prioritized list of issues that resulted from this poll was presented to the Secretary by the Council in the January

1996 report, Issues for Interagency Consideration, a supplement to the NPC's Future Issues report, a copy of which is before you this morning. It's the green report.

The chart on page 3 of the report shows the prioritized list, which ranks the issues by the percentage of respondents selecting each. Three issues clearly stand out as the most important to the Council members; regulation of consumer fuel choice, cumulative impact of regulations, and access to resources.

As you know from recent communications and this meeting's agenda, the interagency group wishes to discuss these three important issues with the Council this morning.

Due to the breadth of sub-issues, including under-regulation of consumer fuel choice, today's discussion of that issue will be focused on the aspects relating to reformulated fuels. To assist the discussion, the agenda in front of you provides a cross reference to the page numbers for the write-ups of each of these three issues in the supplemental report.

With that brief background, I will stop to answer any questions members may have at this time. I will also be available to answer any clarifying questions during the discussion with the interagency working group.

Any questions?

[No response.]

"I salute the men and women of the National Petroleum Council. Your devotion to public service and committed efforts have sustained this enduring legacy during every Administration since President Truman requested its establishment at the end of World War II."

"As the American economy continues to grow and change, each of you can take pride in knowing that your vision and leadership are helping to build a brighter, more prosperous future for generations to come."

"Best wishes for a memorable anniversary celebration and much continued success. Bill Clinton."

I would now like to formally introduce to you, and for the record, participants at the head table. We will formally introduce the Interagency Working Group Panel on my left and the NPC Member Panel here on my right in just a moment when we get into our next agenda item.

First, on my left, is Dennis Hendrix, our Vice Chair. To Dennis' left is our Co-Chair, the Secretary of Energy, Hazel O'Leary. Next is Charles Curtis, Deputy Secretary of Energy. And on my far left is Marshall Nichols, the Executive Director of the Council.

Madam Secretary, we're honored to have you, Charlie and a number of your management team and others from the Administration here this morning.

We will now begin our discussion of the plans and progress of the Interagency Working Group. We are honored to have a number of the group's members here today to participate in this discussion. As you may recall, the Council's report on future issues was the genesis of this group. Therefore, I have asked Larry Smith, who chaired the study's coordinating subcommittee, to provide a brief review of this part of the committee's work.

Larry?

MR. SMITH: Thank you, Larry. I am pleased to present a brief background on the Council's reports on future issues. As you will recall, last August, the Council approved the report, Future Issues of U.S. Oil and Natural Gas to 2020.

A principal recommendation in that report called for government to improve the process by which it coordinates policies affecting the oil and gas industry. We all know that many different departments and agencies make policy decisions that affect our industry. The report noted that improved coordination would provide an opportunity to better resolve conflicting policies, with a fuller understanding of energy's role in the economy and the impact of policy measures on our industry.

Further, the report suggested that such coordination might be achieved through a working group of high level government officials. Last fall, following discussions with the Council's

MR. SMITH: If not, thank you.

MR. FULLER: Thank you very much, Larry, for that background. I'd like to take a moment to review the process we will use today. The four primary objectives of the discussions between the interagency group and the Council are to hear about the interagency group's organization and progress, to have a dialogue on the three issues we rated as the most important, to air any additional issues that have arisen in priority over the past six months or are altogether new, and, finally, to hear about plans for where the interagency group intends to head in its future activities and how we can help.

As I mentioned, we have two panels that will participate in the discussion; one, the interagency group, and another from the Council membership.

The plan is for an interagency member to be the lead discussant for each issue and an NPC panel member to be the initial respondent. Council members on the floor will also be invited to participate. Our hope is that this will lead to a productive interchange of concerns, as well as ideas for solutions on these important issues.

We fully recognize that such issues cannot be resolved in a morning's discussion, but believe that this is an opportunity to lay the framework for collaborative progress toward solutions.

The NPC panel consists of Vic Beghini, President, Marathon Oil Company, who will provide views on the regulation of consumer fuel choice; Keith Bailey, President and Chief Operating Officer of the Williams Companies, who will provide views on the cumulative impact of regulations; Joe Foster, Chairman, President and Chief Executive Officer, Newfield Exploration Company, who will provide an offshore operator's perspective on the access to resources issues; and, George Alcorn, President of Alcorn Exploration, for the on-shore perspective.

Charlie Curtis, Deputy Secretary of Energy, will lead the interagency panel and will report on the group's formative stage.

Charlie, would you like to introduce your panelists and bring us up to date on the activities of the interagency working group?

MR. CURTIS: Thank you, Larry. It was good to be reminded last night by Dan Yergin, eloquently as he did remind us that this is truly a vital industry that has played a vital role and continues to play a vital role in our economy. And it is also good to be reminded of the 50-year history by which this Council has informed the work of government to improve its coordination, and, of course, that is the essential kernel of the recommendation for the establishment of the working group and that is the organizing premise of our activities in bringing together various agencies of government at a high level to provide an avenue by which this industry can share its priorities and its concerns and we can provide a better opportunity that government's response is intelligent, informed and effective.

Not surprisingly, we have decided to try and concentrate on the low-hanging fruit so that we might have some early successes and build confidence into this process.

We have responded to the NPC's recommendation of concern that the EPA's proposal to expand the toxic release inventory program would be very costly and of questionable benefit to all. We have, I think, fairly said, informed the interagency agency process with these views. There has been a very constructive dialogue and although I cannot report today results, let me just say I am filled with optimism that this has been an effective dialogue, and I expect that word will come in the very, very near future on it.

The NPC also recommended that the Department of Energy play a larger role in the interagency considerations of unilateral international sanctions. That, I'm happy to say, we have done. Our purpose, of course, is to provide not only energy security impacts, but also individual company impacts. That information is in the interagency process. It is considered and weighed.

Of course, it is not determinative of impact or result, but it is underway and, I think, much more effectively so than in the past.

Third, the NPC expressed concern with the price forecast that had been developed by our Energy Information Administration, believing them far out of line with industry forecasts. I think this problem has been fixed. The Energy Information Administration's last annual forecast made important corrections in price, particularly in the out-year figures for natural gas, and I believe it is generally better aligned with industry judgments of the future than it has been historically.

Also, the NPC recommended that the DOE work with EPA and CEQ to better ensure that initiatives already underway, plus others that may come on-line, would add to a coherent framework for environmental regulation. Now, I have to acknowledge that that is probably the most challenging of all the recommendations that we've undertaken and I can only report that this is a construction work in progress. But to add coherency to this pattern of regulation, the Department has scheduled an environmental conference on energy and environment in September. Pat Godley will address this in her remarks, but this will be a, I think, if properly carried out, an important step down the road to gain that coherency that we all, both those in government and those who are responsive to government, we all hope for.

Panel discussion will address the three top priority or most vital issues, which are the regulation of consumer fuel choice, cumulative impact of regulations, and access to resources. We're going to juggle the schedule a little bit and start with Pat Godley, who is our Assistant Secretary for Fossil Energy at the Department, and she will address the cumulative impact of regulations; followed by Bob Armstrong, the Assistant Secretary for Land and Minerals Management, he will address the access to resource issue.

We then expect to be joined by Mary Nichols, who will address the regulation on consumer fuel choice, with particular focus, of course, on reformulated gasoline. Then it is our intention to, as we conclude each of these sections of discussion, we will then entertain new issues from the floor so that we are sure that we have a contemporary view of what your priorities and concerns are, and that contemporary view is assuredly part of our process. And we will conclude with Elgie Holstein, who is the Special Assistant to the President on the National Economic Council, who has played an extraordinarily important role in the victories that we have achieved with the Alaskan North Slope and also the deport of royalty relief and has also played a very constructive role on a victory we have not yet received on royalty fairness. So Elgie will wrap it all up for us and that, Mr. Chairman, is what we propose to do.

With that in mind, then, may I introduce Pat Godley, our Assistant Secretary for Fossil Energy, who will start us off. Thank you.

MS. GODLEY: Thank you, Tom. I want to add my congratulations to the National Petroleum Council on their 50th anniversary of contributing to the welfare of the people of this country.

I'm addressing the cumulative impact of regulations issue, which is issue B in the book that you have before you of the issues that were prepared for the consideration of the working group by the NPC Council in the supplemental report. This issue appears on page 6 of that book and I will, just to focus my comments, turn to what the NPC has asked us to consider, very briefly.

The issue is introduced with a comment that or a observation that there is a lack of coordination in developing regulations to meet a policy goal. Individual agencies and even sub-agencies and work groups develop regulations separately, resulting in industry being nickeled and dimed to death. So that is the beginning of this issue and the presentation of the issue in the words of the report given to us.

And then the NPC asked us to consider two separate courses of action; one, addressing near-term priorities; dialogue with industry experts to solve the listed examples of duplicative regulation problems and to identify additional existing duplicative regulations. The second course of action recommended included long-term structural changes to create a mechanism to prevent the promulgation of overlapping and duplicative regulations by Federal and/or state agencies.

So when I was asked to begin the discussion on the issue of duplicative regulations, I really jumped at the chance. Even though DOE is not a regulator, per se, the Department should and does take a role to help facilitate changes in burdensome regulations and to help inform the process so that we can prevent issuance of new regulations and make sure the regulations that are issued are needed, are effective, and are least cost in their impact on energy industries in general.

So I wanted to take this role to introduce this discussion and, more importantly, I can report successes and progress in our efforts in responding to these recommendations by the NPC.

The first example on page 6 addresses OSHA's process safety management and EPA's risk management programs, saying that they are essentially duplicative. I know that Mary will be telling you later about some success in this program. The issue really began in response to the chemical release tragedy in Bophol, India some time ago. Congress, as you know, amended the Clean Air Act to require risk management programs.

EPA's rules would have included oil and gas exploration and production activities in the activities that were subject to that rule-making and I think that you will hear some good news from Mary as a result of a rule-making that was, in fact, issued yesterday. Again, this being EPA's issue, I don't want to steal the thunder, but it's something that I think will be good news to this industry, something that API estimated would save 90 percent of costs that would have been assigned to the industry as a result of these rules otherwise.

So I think you will hear some good news in the success on that score in direct response, after a long process, and the result really of true interagency, true industry input and concerted input into the rule-making process. So that will be a success that she can check off on that list.

The other bullets on page 6 -- and I should have mentioned that I was asked to spend only five minutes. Each of us were asked to speak only five minutes to allow additional input from NPC members, as well as the panel. So I'm trying to fit a lot in in a short period of time.

The other bullets on page 6 identify really broader areas in which there is overlapping jurisdiction among agencies and are creating some duplicative regulations and impact doublecounting with respect to industry compliance; not just among Federal agencies, I might point out, but as between Federal and state agencies, as well. This includes the issue concerning OPA-90, Clean Water Act water discharge permits, waste regulations, and naturally occurring radioactive materials.

Because these are listed in more general terms, what we have decided to do is to really get a hold and target the specific overlapping problems, where duplication is hurting and where it's costing the industry significantly. We are going to undertake -- we're already in the process of sending out questionnaires on the internet and others through IPAA, API, through the National Petroleum Refiners Association, through the Interstate Oil and Gas Compact Commission, Texas Railroad Commission, Independent Producers Association of the Mountain States, California Independent Producers Association, and the member companies of the NPC, as well, will be receiving these surveys, and they're short and not burdensome, to help us identify exactly where these duplications are occurring so that we can address them with specificity.

The culmination of that effort will occur at a conference that DOE is sponsoring in September, September 24 through the 27th, in Albuquerque, New Mexico. It is a conference on the petroleum environmental conference, environmental issues and solutions in exploration, production and refining.

A big part of that conference has to do with technological advancements that can help the industry drive down the cost of environmental compliance, while still addressing environmental issues. So part of it will be a technological conference that we are engaging industry members in. But also at this conference we will be having a workshop that will address, in particular, overlapping environmental regulations and potential solutions.

So in the context of that workshop, which will be attended not only by members of industry who sign up to come to the workshop and participate, but also decision-level authorities from principal agencies listed in the policy issues document; EPA, Department of Transportation, Mineral Management Service and OSHA, other agencies. Senior level officials will be participating in this workshop, having the benefit of the analysis of the issues that we have collected, the very specific examples of overlapping issues and regulations, and then coming up with a path forward to address those issues in a comprehensive and meaningful, effective way.

So that is the specific activity that we are undertaking to move forward; identify with specificity what we're talking about, what's hurtful, what's burdensome, and come up with a plan to identify those in particular.

You will hear about other successes as other of our panel members speak, successes that may not necessarily involve interagency duplication of efforts, but where we really have taken on the challenge given to us by the NPC that Charlie summarized. Then we'll be able to get the benefit of your input, as well.

Thank you very much.

MR. FULLER: Pat, thank you for those very forthcoming remarks. I would like to call on Keith Bailey to respond from the NPC side.

MR. BAILEY: Obviously, the subject of regulation and the cumulative impact is a subject that could occupy a lot of time and we certainly appreciate the efforts to date, but let me make a couple of observations.

As we have examined the work to date, it would appear to us that the focus has been primarily on issues that deal with the access to the primary energy resource and that the net could be cast much wider because there are significant regulation impacts that address the industry downstream and that all interrelate in terms of our ability to do what we would need to do in order to fully develop and commercialize the resources that we're developing.

But what I did, after I was called Wednesday afternoon, was asked our Washington office if they could help me a little in terms of better understanding the cumulative impact of regulation on the industry, because I felt confident that there would be material readily available to do that, and they did.

What I would like to do is just very briefly, sort of illustratively respond, and then Marshall suggested that I also more specifically respond with some anecdotal examples that are specific to our company.

The illustrative response is this file, which our office accumulated over the last 24 hours, all of which are detailed documents that speak very specifically to the impact of regulation on the industry. In visiting with the lady in our office that compiled this, she said she knew that I wouldn't want to read the thousand-page report that she also found, because this was brought to the hotel last night and I went through it after the dinner.

So it strikes me that there is ample material already available that does provide great detail as to the impact of regulation on our industry, and, again, that is such a massive subject and I appreciate that it's difficult to approach comprehensively. But I commend this type of material and the other material that has been developed to your group's consideration.

The specific anecdotal example that was suggested to me is the construction of a pipeline that we built from southwestern

Wyoming to California, and I think it illustrates another dimension of regulation that is important, because while the duplicative regulation that you described is certainly an issue, I think the industry also, in many respects, is differentially regulated versus other industries.

We, in the mid 1980s, determined that there was a significant interest in building a pipeline and, sort of coincidentally, we also felt that there was a business opportunity to build a fiber optic system and go into the long distance business. We started those two projects literally in the same month.

Fifteen months after making the commitment and the decision to go into the business, we had a fiber optic network in place and operating. Nine years after the indication of interest from customers, we had a pipeline in and operating. We estimate that in terms of the pipeline, we probably added $100 million of non-productive cost to it in order to comply with all the various regulations and conditions that were imposed and that was, coincidentally, the cost of building the fiber optic system.

The reason I think this is a good example is because we followed virtually an identical route from southwestern Wyoming to California and then used virtually identical construction techniques.

And another sort of piece of anecdotal evidence that highlights the kind of issue I'm talking about was the ground-breaking ceremony that we went through when we initiated construction of the pipeline. As we were taking our guests out to the ground-breaking site, following the defined route that we had to follow, at 15 miles an hour in order to avoid desert tortoises, we were struck by the fact that they were setting up the beer stands and the viewing stands for the road rally that was going to take place the next day afternoon, and it was not a 15-mile-an-hour road rally.

We had very stringent limitations because of concerns over the well being of the desert tortoise and in the construction, we had very stringent limitations as to how many desert tortoises we could impact. We were also struck by the fact that a housing development that was in the route of the pipeline, the Fish & Game people took 100 desert tortoises off of the housing development site in order to facilitate the housing construction and then attempted to have an adopt-a-tortoise program. No one took them up on it, so they euthanized them.

We were limited, on a 800-mile pipeline route, to, I think, a total of 50. So, again, those are examples that, in my mind, highlight a second dimension of the issue; that our industry is not only subject to regulations that overlap and, in some cases, are duplicated among agencies, but we certainly are subject to regulations, as well, that treat us differentially to other uses of the land or the resources that we try to access.

MR. CURTIS: Pat, do you want to respond briefly to that?

MS. GODLEY: Sure. I think that it's hard to change a regulatory structure in a hurry. I think that one of the things I found coming out of industry into a government job, and I think this is probably true for everyone on this panel, is you come in with great expectations and understanding of the difficulties faced by the industry on issues that are raised by the government and thinking I'm going to go in there and do something to fix it.

What I have found, and I'll just speak for myself, is that, of course, it's easier said than done, but second is that there are a number of competing interests on our Federal Government of various interest owners, and all of those interests need to be addressed.

That doesn't mean that we can't fix the kinds of problems that we can identify with specific regulations, and you have to start with something specific to address. What are the regulations that, at least in the way this issue is framed in the context of the issues study itself or the issues report, how can we target -- what are the regulations we need to target? How do we identify specifically site-by-site the regulations we need to change, as well as the approach to regulation.

I think what you'll hear from Mary, again, and I think Elgie will address it, as well, one way that we're seeking to change the approach to regulation that EPA is adopting is under two initiatives. One is the XL initiative and one is the common sense initiative. In each case, those initiatives are offering a new way, trying out new ways to implement environmental regulations in particular; for example, in the XL initiative, EPA is willing to wipe the regulations off the books for a particular company or a particular segment of the industry that will come in and say we can meet specific regulatory standards or levels of requirements, we can meet these goals, but let us come up with the way that we can do it, the most cost-effective way to do that.

And when the companies come in with that, develop the way to do that and give EPA a way to check to make sure that those standards are being met, EPA will then relieve that company or that sector from the regulations that are on the books that may be cost burdensome or not the way to go about it for that particular company or industry.

But changing the way we regulate is not an overnight process. It's something that's hard. It's been there on the books a long time. It's there, in some cases, as a requirement of Congress. So it will take a long time to do it.

I think that the good news is that we're focused on it. The good news is that we have the information we need on the broader things we need to change.

Going back to the specific issue, issue B, on cumulative impact of regulations and the recommendations there, what we need to act on them is to find out specifically which ones are at issue, so we can get them off the books or get half of them off the books the way that EPA is going to be doing in the context of the first one.

So that would be my response.

MR. CURTIS: Can I add just one thing to that response? Because I think Keith makes an excellent point. We have focused on, in the initial stage, the primary resource, the downstream problems are very severe. I think we should acknowledge that there is a differential standard that this industry is burdened by. Our governmental processes have, over time, felt the license to impose more on this industry than it has on others, and those are both very legitimate points to make and we should take those on board, as the Vice Secretary says, and take responsibility for them.

One of the things, though, that we are trying to do -- and I just want to sharpen one point that Pat made --is we're trying to get very specific identified things to fix and then fix them and develop a culture of process that makes sure -- that's outcome driven -- that makes sure that we just don't gather together another addition to that file folder, which, in probably very persuasive terms, outlines the problems, but does not engage action to solve those problems.

Those reports, I've seen them over the years, I saw them in part of my sordid past at the Federal Energy Regulatory Commission, those reports are very well done, but they have been unavailing, probably because they ask comprehensive solutions to what is a comprehensive problem.

So what we're trying to do here is pick out some specific targets and develop a culture of success when we can get outcomes. But your points are well made. We'll take them on board and this is undoubtedly something, Larry, the rest of the Council would like to contribute to.

MR. FULLER: Yes. Are there other members of the panel over here or anybody in the audience who would like to address the issue that's just been discussed here about cumulative impact of regulations? That's a rather dangerous question, I know. There are other tortoise stories, I'm sure.

MR. CURTIS: You know, the Department of Energy is a regulated entity and down in Nevada, we're dealing with the desert tortoise and you talk about differential burdens. The Department of Energy is probably regulated more severely than other participants in that desert region.

MS. GODLEY: Larry, if I could just -- it's difficult to come up with -- there's so much to talk about, I think, in this area that it's hard to do it in the context of a meeting like this. But I want to reiterate my invitation, and we will be contacting each of the member companies, to have folks from your companies participate in this conference in September in Albuquerque. So you will be receiving something in writing on that.

But that is an opportunity, for those in your companies who are familiar and work with these issues every day, to help, to come and tell us about it, come and tell the IOGCC about it, and help us reach toward solutions for these very specific problems that are addressing your companies every day.

MR. FULLER: Very well said. Are there any other further comments or questions on this issue? We'll then proceed to the next one, seeing no comments, but please feel free.

[No response.]

MR. FULLER: Okay. Charlie, let's go on to the second one.

MR. CURTIS: Next up is Bob Armstrong, who is the Assistant Secretary for Lands and Minerals at the Department of Interior. Bob?

MR. ARMSTRONG: Thank you. Welcome to Washington on the longest day of the year. I'm frequently asked what I like about

Washington and on this day, I can say maybe you can play a little golf after we get through working.

But I would like to tell you about the access to public lands, and it's the Bureau of Land Management and the Minerals Management Service together are responsible for about 22,000 producing leases, involving about 3,100 operators. Combined, the on-shore and off-shore leases cover about 62 million acres.

We take a great deal of pride in the contribution these operations make to our nation's domestic energy supply; about one-third of U.S. natural gas production and about one-fifth of U.S. crude oil production. These resources are critical to the U.S. economy and we must continue their production, while maintaining the high standards of safety and environmental protection.

It is not inconsequential that the combined value of these resources produce $4 billion every year. This is the second largest income production, except for the income tax.

As far as access to off-shore resources, I'm sure that my predecessors would agree with me that the issue of access to resources, both on-shore and off-shore, has been more vexing and generated more heated debate than any other. It started, I guess, with James Watt leasing everything on the off-shore. The Congress responded, as they sometimes do, by going to our appropriation and you began to get moratorium and we were boxed in till we are in the present situation.

Our approach is to make resources available in those areas which the oil and gas industry has a well established record of operations and acceptance by local government and the public and while pursuing a longer-term strategy, moving from confrontation to cooperation in areas where there is strong public sentiment against all off-shore oil and gas operations.

Although this strategy may not work as quickly as some would like, I believe it offers the best hope of resolving some of these impasses. The proposed five-year oil and gas lease program for 1997 to 2002 includes one lease sale in 2001 in a portion of the eastern Gulf of Mexico planning area. This area encompasses near-shore blocks off Alabama and blocks located in deeper water off Alabama and more than 100 miles off Florida.

This proposal is consistent with Alabama's desire to share in the benefits of the new OCS leasing and development and Florida is continuing opposition to OCS activity within 100 miles off of its coast. We are working on this. Governor Chiles said, at one time, he said "I don't believe in off-shore leasing anywhere within 100 miles off our coast," and that kind of got a smattering of applause, and then the next time he tried it and got a little more applause, and the said "We just really kind of worked into it."

Well, that's really not good enough. We would like to work with them, particularly over the Norfolk trend, out from Mobile, and we have some discoveries out there that may be productive. But we're still working on a cooperative basis with those people to ensure that there is ecosystem protection, but that we might be able to get into that area a little farther.

I don't need to tell you that the Gulf is hot. We have leased 40 percent of the leased acreage in the last three lease sales that we have had. Each one has been bigger, the last one culminating with deep water royalty relief with approximately -- well, it's not approximately, it's $521 million, nearly half a billion dollars leased in that lease sale.

So we're eager for this to come on board and we will work on it. In Alaska, we have a sale in the North Sea, in Beaufort, actually, and that will go on -- we think it's -- it's presently in operation and we should lease that in September. We're deferring the Cook Inlet sale because we have a problem with the governor, which we think we might work out and I'm going to Seattle to work with some of the governor's staff and see if we can't do Cook Inlet. The problem is that the Alaskans want to lease their land in Cook Inlet, but they don't want us to lease our land in Cook Inlet. So this is kind of a problem that we're going to have to work on.

Let me turn a little bit to on-shore resources. At the end of 1995, the BLM was administering 36.5 million acres of Federal oil and gas leases. About 19,000 of the 57,000 leases administered by BLM were in a producing status, with more than 63,000 producing wells. Royalty revenues from these leases produce over 500 million per year and 50 percent of those revenues go to the respective states.

In 1995, BLM offered leases in competitive lease sales to over six million acres of public land, receiving bids on over two million acres. The BLM also approved roughly 2,000 drilling permits.

Now, you all hear, and you do hear, of the hard ones and the bad ones, but basically we are leasing and issuing applications for permits to drill on the majority of the leases that we have. One of the challenges that BLM faces is to balance oil and gas development on public lands with statutory requirements to properly manage other resource values which are often present on the same lands.

These values often include other minerals, fish and wildlife habitat, forests, livestock grazing, and recreational use. And as most of you know, the west is filling up. So we have a competing bunch of use for the lands, but it's not uncommon for conflicts to arise between oil and gas development and any one of several other resources.

The challenge for us to assure that the nation's publicly owned oil and gas resources are made available to the American people, while assuring the protection of the other assets on these lands for the American public. This is what conflict over access often arrives.

Now, despite the conflicts that do arise, consequences of these competing interests, in fact, only occur in a small proportion of off-shore leases. In many western states, where interest in oil and gas on public lands is high, BLM has made large acreages available for leasing and development. Each of the years that I have been in the office, we have engaged in leasing more and more land in all of the western states than we did in the year before I was in office, and we're proud of that. But there are lots of things that come into play after the leases are put out.

Despite the wide availability of public lands for oil and gas leasing, the conditions under which access is granted is sometimes controversial and in order to assure protection of other resources, as I alluded to earlier, leases and drilling permits also contain conditions or stipulations to protect the resources. But we're working on trying to avoid unnecessary stipulations and we're trying to get those stipulations diminished where it's possible.

In opposing such restrictions, the BLM is sometimes criticized by operators for imposing owners restrictions, while conservationists criticize the bureau for not taking sufficient steps to protect the environment. We are looking for better ways to balance these competing values and that is to assure public access to oil and gas resources, while protecting the public interest.

One place we are doing this is within the Green River Basin of southwestern Wyoming. The public land within the Green River Basin holds great potential for significant natural gas development. The BLM has projected between 6,000 and 11,000 new gas wells drilled during the next 15 years. At the same time, the region holds important environmental values, wildlife values in particular. We have established the Green River Advisory Council, and this is a group of industry and environmental communities and state and local government officials.

I wasn't roundly applauded for putting this into place, but the plain fact was that every time you had a big application for permits to drill, you had the environmental people that were filing lawsuits and what we've got now, and I talked to the state director yesterday, is you have a working group that's beginning to really see some progress. And I believe that if you get the people on the ground together and working these areas, that you really are finding that people work things out.

If you don't get them together, they just shoot at each other across the river and we don't get anything done.

But I believe that we took some risk in establishing this panel, but it's my understanding that there is going to be some good progress that's going to emerge from this process.

Building consensus at the local level among various stakeholders to resolve conflict over these issues is how we're going to be doing business in the future. I don't know of any way other than to try to get people together and work out. This is time consuming and it's often frustrating, but since Americans more and more are concerned about the aesthetic and recreational and wildlife values of our public lands, they're going to have to develop confidence that oil and gas development can be done in a manner that does not impair these values, and I think we can do these things.

MR. FULLER: Very well said, Bob. Now, we have actually two respondents, from the off-shore and on-shore perspectives, Joe Foster and George Alcorn, and I don't know which one of you wants to go first, but fire away.

MR. FOSTER: I'll go first. Just in contrast to the 62 million acres that Bob mentioned that's under lease on Federal lands now, there's over 266 million acres of off-shore lands that are unavailable due to Congressional moratoria. These moratoria over the years have extended not -- extend beyond just keeping the new leases off the market, but also prohibiting pre-lease activities and other activities which might permit a reasonable analysis as to whether or not lands in specific areas ought to be offered for lease.

I think I know enough about the way mother nature works to know that somewhere on that 266 million acres, there are substantial quantities of oil and gas that could be found in developing in areas which are not environmentally sensitive. So it's very unfortunate that these acres not available and that the review procedures for getting them available are also hamstrung.

But I also know enough about the way Washington works to know that this is not going to happen overnight. I certainly recognize the difficulties that Bob pointed out and I, therefore, applaud the short-term plan which is being pursued to extend the leasing into the eastern Gulf from the central and western Gulf areas, and I think that's something that the industry ought to be very cooperative and very supportive of and we certainly think it -- you know, we know that it's an adjoining producing area. We know that operations have been conducted there in the past in both off Alabama and Florida, and that's something that ought to have a very strong emphasis. To take it one step at a time, that's clearly the appropriate first step, in our judgment.

But there are other issues with respect to access that I think need to continue to have emphasis. In the central and western planning areas, the Gulf of Mexico, it's important that we continue to have very wide lease sales; it's important that minimum bids be kept low enough so that acreage does get in the hands of the operators that are willing to drill; and, it's important that regulations be in place that encourage acreage turnover and encourage independence, as well as in larger companies, to bid and to drill in the Gulf of Mexico, because we've got to have leases to drill and we've got to drill to find oil and gas.

I think there's at least one issue of access that goes beyond the leasing policy itself, and that is the Oil Pollution Act of 1990. The legislation, as written, would keep many independents, including Newfield, from operating in the Gulf of Mexico. And I know that, Bob, I saw later, you wrote recently to one of the Congressional committees urging action on OPA-90. I think the compromise has pretty much been reached among the House and the Senate, but no action has been taken to get OPA-90 amended. To me, that's an access issue, as well, because you need independents in the Gulf of Mexico.

Thank you.

MR. ALCORN: I was visiting recently with Bruce Babbitt about this issue and he said "Alcorn, I don't care what you say, your industry is excessive and that's the way I feel about it and I'm not going to change my mind."

And I said, "Bruce, the issue is access, not excess." And I think that that's one of the problems that this industry has with government. It's understanding what the issues are all about. Dan Yergin pointed out last night that 50 years ago, there were seven million barrels or so produced in this world. Today, there's 70 million and soon to be 90 million barrels a day. Now, that roar that we hear out there, ladies and gentlemen, is the market talking and the market says it's a good time to produce more oil and gas and not less and access to Federal lands can be important to that end, and that's whether it's Alaska or Arizona or anywhere in the west, anywhere where we have Federal lands, that can be important to this future.

Now, the Secretary knows what these issues are and Charlie does and Kyle, and certainly Patricia. Bob Armstrong knows them very well and the industry is knowledgeable about all these issues and we're working on specific things that include how we pay royalties and duplications of responsibilities between states and Federal, and we're working on a blueprint that covers a lot of these issues, kind of puts them all into a basket and whether it's multi-use issue or cost effective regulations. There's a lot of those things that we're working on.

But back to the market, the market says that this country wants to use more oil and gas and I will promise you that if we have the kind of cooperation that is being illustrated today between this government and this industry, we can give it to them.

MR. CURTIS: Bob, would you want to offer just a short comment?

MR. ARMSTRONG: Well said. I can't add to that. We're trying and we'll keep trying and we're going to make some progress.

MR. FULLER: Very good. Are there any other comments from other members of the panel or from the floor on the access issues? I know there are lots of folks out there that have some considerable interest and concern in that arena and while we don't have a lot of time, we sure do have time for a comment or two and I'd be delighted to have anybody in the audience raise their hand and ask a question or make an assertion about the access issues, which were so high on the poll of concerns of the membership of the NPC. Yes?

MR. KELLY: I'm Paul Kelly, with the Rowan Companies. Bob Armstrong is Chairman of the OCS Policy Committee and I've done a lot of work with him on trying to move OCS. The comment I wanted to make to Bob is while we all support finding good common sense ways to make our industry more accepted to those who have been opposing us in some of the areas, to arrive at common sense conflict resolution, we have to be careful about something that's going too far.

In the case of lower Cook Inlet, we have a -- we've already had a regional task force recommend leasing that area in the next five-year plan. Also, the sale has not been returned by the state as being inconsistent with the state's energy plan.

MR. ARMSTRONG: That's correct.

MR. KELLY: So I think from an industry standpoint, we find it very disheartening that that sale is not held. So we know that there is some strong political opposition from one of the groups, but we hope that they stand tough and get that sale to go forward. There really does not seem to be a logical reason to oppose it.

Likewise, in the case of Florida, the 100-mile limit opposed by Governor Chiles is so arbitrary, I hate to see an agency like NMS following that guideline. So we hope we can find a way to work with that, too, so that we can have some more leasing.

MR. ARMSTRONG: I quite agree. We're going to Seattle to work on that issue, on Alaska, and we'll know something after a couple of weeks, I would think.

And let me say this; when the governor -- and you're right, he hadn't found it inconsistent with the coastal management plan. When Bruce Babbitt and I went to see Senator Mikulski, he asked us about this and the predictable answer that Bruce Babbitt had, and it was predictable, was he didn't have any feeling about Cook Inlet, that he wasn't going to -- so he was going to send some of us up there and talk to them and see if we couldn't work something out.

He is not opposed to this, but we'll just have to see what works out and we'll probably have a sale in conjunction with the state sale. That would be my guess.

Now, I don't know what to do with Governor Chiles except to go see him and keep working. Let me say that on the general overall Florida situation, I think we stay out of the coral down south. It's never been popular. But I think that there is room for us to make some progress on the Norfolk trend and that's what we're going to try to do, and we do have some experience with success. So we'll just keep inching that one along.

That's about all I can tell you right now. And I also appreciate everything that your committees have done to help us with this. Very helpful.

MR. FULLER: Any other comments or questions on the access issue?

MR. BEGHINI: Larry, I might just make one comment.

MR. FULLER: Yes, Vic.

MR. BEGHINI: You know, the happiest day of somebody's life sometimes is when they get the lease and that's immediately followed by the saddest day of your life when you find out how long it's going to take before you can turn to the right on it.

I am really pleased to see the improvement made and the advances made in the Green River by this advisory council, but I think one of the places that we would really like to see the help is when we have a state and a Federal obligation that we have to go through, we really would not like to see the Federal entity that gave us the lease 400 yards behind us. We'd like to see you standing right next to us and we'd like to see you representing all of the Federal agencies, because at times, BLM turns left, Fish & Wildlife turns right, and we find ourselves caught in the middle between two agencies.

And we get into these battles where, on-shore as well as off-shore, but particularly on-shore, in the west, it would really be nice to have you right next to us when we go to the state and that you all speak with one voice.

MR. ARMSTRONG: And the difficulty that we have with all of this is NEPA and I won't deny it. I mean, we spend more of our time on NEPA qualifications and answers and that's the difference between us and the states, basically, because they don't have NEPA. This involves all the things that you can imagine involving fish and wildlife.

But we're better and one of the things that Green River Basin Advisory Committee is going to do is work on streamlining NEPA qualifications so that we get quicker answers, and so we'll work on it and I hear you.

MR. FULLER: Okay. Why don't we go on to the next issue. That's a very helpful discussion.

MR. CURTIS: I'm pleased that Mary Nichols has joined us. Mary is the Assistant Administrator for Air and Radiation at EPA and has agreed to come and discuss the regulation of consumer fuel choice. Mary?

MS. NICHOLS: Thank you. It's a pleasure to be here. This is my first meeting with this group. I'm pleased to have been appointed to represent EPA on the Council and I'm looking forward to further discussion. I think the objectives that you set for yourselves, and I had the chance to look over the issues for interagency consideration, are really the important issues for us to be talking about with the industry as a whole.

What I have brought with me today is just an update on the progress at the other end of the pipeline, with one of my favorite products, reformulated gasoline. We looked over the issues that had come out of the last meeting and I wanted to just update you on our progress on addressing those issues that had been identified and then certainly will welcome questions.

First of all, as I understand it, the group had raised concerns concerning the opting-in and opting-out to the reformulated gasoline program, and we are aware of the concerns in the industry about clarity and about not creating any unnecessary incentives for states to change their minds about this program given the somewhat rocky start that we had to rolling out reformulated gasoline.

We are, at EPA, currently working on two regulations to establish opt-out procedures for states that were not required to be in the program, but that voluntarily opted in. The first rule, which we expect to have signed within a couple of weeks, establishes the procedures for opting out of the program for Phase I reformulated gasoline, which, in most cases, requires a 90-day lead time, and it also finalizes opt-outs for some of the counties that had previously petitioned, at the very beginning of the program, to opt out, some of the counties in Maine, New York and Pennsylvania.

The second rule that we're working on is specifically designed to address opt-out procedures for Phase II of reformulated gasoline. This action is going to require that the states determine by the end of 1997 whether areas that had volunteered to be in the program intend to remain in the program after the year 2000. The state will then be required to stay in the program for a specific period of time and we're looking at a period through the year 2003 to provide market stability to the industry so that people can recoup the investments that we recognize are very substantial in moving into Phase II of reformulated gasoline, but, at the same time, acknowledge the fact that areas will be coming into attainment and may not wish to continue in the program.

We also are dealing with the issue of opting in for areas that are allowed to opt in under the Clean Air Act. We have up to a year whenever a state requests to opt into the program and there is some additional leeway on that if there are some supply problems. There's a significant lead time for opt-in approvals because you have to go through a full rule-making process in order to formally require reformulated gasoline in an area where it wasn't mandatory.

In all, I would have to say that we are generally pleased with the progress that has been made in terms of gaining public acceptance and support for this program, despite some initial localized areas of concern when the program first began. We have made it through the last year with no major flurries of excitement on this program.

The Administration, as I think most of you know, did a very broad interagency review on some of the health effects and fuel economy and other issues that were raised about the product. It was then submitted to review by the National Academy of

Sciences' National Research Council and got a very good review back from that body. We do have some additional areas where we will be continuing to look in our winter oxygenated fuels program at the effectiveness of that program. But in terms of reformulated gasoline, as a whole, and the oxygenates that are being used in that program, there is now, I think, a very broad understanding that this is a product which is beneficial overall. So we're very, very pleased with that.

Another issue that was raised that I know is of concern to many people is the issue of how we achieve a greater degree of consistency or at least coordination between California reformulated gasoline and the Federal reformulated gasoline program. When EPA was developing its regulations, the agency recognized that the California requirements would be at least as stringent in terms of air quality protection as the requirements for the Federal reformulated gasoline program and acknowledged that California's enforcement would be sufficient, so that there was no need for any additional Federal action to assure compliance with California standard.

So the final regulations allowed California refiners to be exempt from any Federal enforcement requirements where there would be duplication and overlap.

More recently, in consultation with the California Air Resources Board and some of the refiners in California, we have developed a number of other areas where we felt there was potential for overlap and duplication that we felt we could address to try to simplify the compliance process, and we are continuing to work on that issue quite intensively with the Office of Enforcement to make sure that no one who was in compliance with their state requirements will be getting into trouble with our requirements.

The last point and in some ways, I think, the most important is the issue of where we're going with the second phase of reformulated gasoline, and specifically the requirement for a reduction in emissions in nitrogen oxides. In December of 1995, the API petitioned EPA, asking us to reconsider the Phase II NOx requirement in this program, which is scheduled to go into effect in the year 2000.

In the petition, the API raised a number of issues with respect to the cost and the air quality benefits of this program that essentially duplicate issues that were raised during the rule-making on reformulated gasoline, as well. However, we believe that it's appropriate to take a look at new information that has come about over the last few years, both on the cost side and on the air quality side, and we are planning to respond formally to the API petition by the end of this year, by the end of 1996.

We have a Federal Register notice which is due to be published any day now that essentially lays out the contents of the API petition and asks for comment on it. We believe that we are in a position to receive and to evaluate any information that people may wish to bring forward, both on the cost side and on issues about effectiveness of NOx, particularly benefits and disbenefits for ozone control. We have also, in a startling reversal of the normal practice, actually EPA has funded DOE to do an update of its analysis on the costs of the Phase II NOx standards. So we're hoping for some assistance from our colleagues, using their expertise on the cost side.

So I think that pretty much covers where we are on those issues at this point, and I'd be happy to answer any questions when the time comes.

MR. FULLER: Good. Thank you, Mary. Vic, would you like to respond, please?

MR. BEGHINI: Thank you, Larry. There's no doubt the role transportation fuels play in this country's economic growth and there is also no doubt about the emotional response of the general public when the price of these fuels rise in what is perceived to be an abnormal fashion.

And while the price of corn has doubled recently and received no notoriety, the gasoline spike received a much different reaction. To begin, let me speak for the industry in thanking DOE particularly for stating that in their view, that the gasoline prices were market-driven events and not, in their opinion, due to some nefarious act.

Unfortunately, government has proceeded down the same path that it always has, and perhaps Senator Moynihan said it best when stating "It's a longstanding tradition to investigate the oil industry when prices go up."

While the EPA this morning has addressed two important issues dealing with the regulation of consumer fuel choice, there are many others which require further dialogue to reach a conclusion. These conclusions must be based upon sound science and having an economic parameter associated with them. And I am very pleased to see that EPA is going to bring added certainty into the RFG opt-in and opt-out. I hope industry will continue to have opportunities to further impact some of these decisions.

Obviously, as a refiner, over the last five or six years, our investments regarding fuels-related issues have reached billions of dollars and when we look at the money that will be spent for issues now on the table, it will approach another $10 billion. When you look at that from any perspective, you would find that these kinds of numbers begin to put the refining industry in a critical cash flow situation. And the only thing worse, in my opinion, than rising crude oil imports would be rising product imports. I think if this country becomes more dependent upon products and the refining capability is undermined, this will be 180 degrees out of step with its economic growth.

The subject of duplication in state and federal EPA clean air requirements is another issue that must move forward. EPA's actions in California are to be commended, but this is really just the tip of the iceberg. We all know that EPA, at the federal level, must continue to devolve authority to the states. Everyone in the industrial arena currently must deal with both levels in nearly every event, often with differing conclusions.

Again, the mission of the EPA should be to develop consensus kinds of policies, which can then be handled at state levels, while federal involvement is retained for those issues which have broad regional and multi-state actions.

There are several items on the burner which place an added burden on a manufacturer of transportation fuels and you mentioned one this morning, and that is the Phase II proposed NOx reduction. That is a very costly burden for the refining industry and I truly do hope that there is sound science and an economic case made for any change in that.

Adjustments regarding ozone and particulate matter, NOx and VOC emission standards for heavy-duty diesel vehicles, fuel mandates, national fuel standards, they will all have a heavy bearing on capital costs and increased fuel costs, which will exceed 4.3 cents a gallon, which became a very magical number here in the last month.

Our industry already has an image problem. That was very well addressed in the Future Issues. One of the things that I believe government must do is when you promulgate regulations, I think you must step forward and also become an effective communicator of what the cost of those regulations are to consumers in prices and cents per gallon; something the consumer can truly understand.

Also, our elected officials have given us much of our current gasoline headaches and I suggest that, in some forum, we get them involved in the process much earlier.

The interagency group can serve a very valuable role in reaching a government as opposed to a department kind of position, and I believe we're off to a good start. I am particularly pleased to see the September conference come about. I think that's got an opportunity to get a lot of rough water made smooth.

But really where we need to go is we need to get a political response to things that happen that is measured, that the real goal is to benefit both the environmental and the economic outlook of the country with these kinds of regulations.

That's my comments, Larry.

MR. CURTIS: Let me say thank you, Vic, for those comments. Mary, I don't know whether you want to amplify on any part of your remarks.

MS. NICHOLS: Only to say that I agree with your comments, particularly about the need when you do change fuels to communicate with the public about the cost and the benefits of the program and to gain as much local understanding as you can. I think we found after there was some upheaval, for example, in the State of Maine over reformulated gasoline, that when the governor went out and did a community-based process to try to get people to look at what the options were for addressing their air quality problems as the public was demanding action on air pollution that they reached a consensus that reformulated gasoline was something that they wanted and needed to use. And I think we need to be doing more of that and supporting those kinds of activities.

MR. CURTIS: I just wanted to add one comment. I think, Vic, that your focusing on the broad policy implications of the threat to the nation's refinery capacity is a very important issue that we have to be more focused in attending to.

Implicit in this whole regulatory program, of course, is the introduction of an added brittleness in the product market. The capacity to, in essence, serve the lower 48-states is constrained somewhat by introducing variability in product.

That, again, I think, has very significant implications for price volatility that we have seen a public response to, just this last spring. And the implications of that I don't think are well enough understood, and this is an important point as well.

MR. FULLER: Very good. Are there any further comments on the fuels issue, either from the gentlemen to my right here, the panelists, or certainly anybody from the membership here who would like to comment on that issue? I know nobody is at all emotional about this issue. So I'm sure everything will be done in a calm and measured fashion, but I'd be delighted to have any comments that anybody from the audience has about this particular issue; in particular, not only identifying problems, and we know there are plenty of those, but also how can we go about the process in a different way to try to avoid some of these problems.

Comments from the floor? I know there are at least two or three of my friends out there who are interested in this issue.

[No response.]

MR. FULLER: Okay. It sounds like we covered that one. Other fora are very much involved in dealing with the fuels issue and continue to be as time goes on.

I think that completes the three issues and I think Charlie has a question or a comment.

MR. CURTIS: At this point, we were going to try and open it up to new issues. We are planning another meeting of our interagency folks in two weeks time and as I mentioned in my opening remarks, it is obviously important for us to be relevant to assuredly understand your contemporary view of priorities and issues. If there are new matters that have not been captured in the list of 18 that you wish to make sure we're attending to, this would be the opportunity to raise them.

I think that is a question broadly put to the panels, as well as the audience.

MR. FULLER: Are there any panel members or anybody from the audience who would like to either raise brand new issues or comment on others? The green book has the list there and, of course, those were elicited from the membership.

Are there any other issues that any of you would like to raise at this point? George, yes, please.

MR. ALCORN: About a little more than a year ago, Lew Ward was asked to investigate the image of this industry and the study that was done recognized that this industry has an image problem and a lot of people are working on that. It seems like it's now even evolved to where it's not just image, but it's the reputation of this industry and there are people working on a process and a plan to where we might be able to improve that reputation, and I just wanted to bring that to your attention.

It's going forward; no conclusions made, but a lot of people in the industry are cooperating on how to go about it.

MR. FULLER: Good. Any other comments or questions?

MR. FOSTER: Just one, Larry. I would just mention that the fourth most important issue on the minds of the people of this group was the expensing of geological and geophysical expenditures. That's an item that could stimulate exploration and could stimulate supply and is definitely worthy of consideration and the kind of attention these other issues have received.

MR. NICHOLS: Did you all also have a comment, Dick and Keith?

MR. BAILEY: I would add one suggestion. It's a little difficult to frame, but Charlie is certainly very familiar with it. With all the changes that have taken place in the natural gas pipeline regulation, one of the concerns I have is still the inordinate amount of time that it takes to be able to respond commercially to the needs of the customers. The industry revolves around the pipelines that have been deregulated.

The demands of the customers, I think, require a much more rapid response capability and we continue to have a fairly tedious and complicated process of being able to site facilities, build facilities, provide services, and I think that merits some examination.

MR. FULLER: Okay. Very good.

MR. CURTIS: Keith, I agree with that entirely. I think part of the problem that the Federal Energy Regulatory Commission is having is that the decisional process is still much stickier than it needs -- it has to be much more responsive to accommodate the dynamic of this market.

I think there could be fair consideration given to whether the Congress needs to revisit the fundamental structure of Section 7 of the Natural Gas Act, given the dynamic of this market. This is something that, of course, was on the legislative agenda about four years ago and it just kind of passed away. I think that needs to come back and some careful thought be given to that. So I agree entirely with that comment.

If I might, Mr. Chairman, ask Elgie Holstein, who is the Special Assistant to the President at the National Economic Council, to just give some observations, on his window on this process and his participation in it.

MR. HOLSTEIN: Thank you, Charlie, and good morning, ladies and gentlemen. I was struck by George Alcorn's comment that one of the most critical ingredients in having a successful partnership is to have government officials who have a keen understanding of the industry with which they're involved -- and I, having been involved with energy issues for a couple of decades now, I'd have to say, and I hope I'll be forgiven for exploiting this opportunity, that I don't think that there has been a leadership team at the Department of Energy that has come anywhere close, up to this point, to the expertise and knowledge of your industry than the one we have in place now.

I think that the proof of that is really in the way in which -- just one little anecdote -- the way in which the interagency working group itself came together, demonstrating the savvy of the leadership team that Secretary O'Leary has gathered. The secret, up to now, technique that was used to cut through the bureaucratic red tape that would normally prevent us from coming together, bringing together senior Administration officials to pull together a group like that.

So I will divulge how that worked. We got a phone call, senior people at the Office of Management and Budget, Mary Nichols, Bob Armstrong and others, from Pat Godley and Pat cut right to the chase. She said, "I'm going to buy you lunch at a fancy Washington restaurant and I'd like to talk to you a little bit about energy policy." And I think most of us just heard the first half of that sentence and sure enough --

MS. GODLEY: And it was expensive, let me tell you.

MR. HOLSTEIN: And sure enough, people flocked to the meeting. The only disappointed folks were those who ran a little late and missed the first course. But that's the way the interagency working group came together promptly and came together, I think, with a keen understanding that we need to grapple with the issues a complex government has to deal with and has to deal with often in different fora, under different sets of regulatory regimes, and through different organizational processes.

The interagency working group's activities, I think, very much reflect and are in harmony with the President's overall agenda for how to address economic growth and jobs creation in this country, and it's a recognition that I think goes, once again, very much to the heart of the way this industry works. It's a recognition that American business and the American worker in the post Cold War era is increasingly competing in an international environment.

This, of course, has been true of the energy industry for many years, but it is an accelerating process with respect to much of the rest of the American society, work force and corporate sector, and a transition that, for many elements of those sectors, present great challenges and economic dislocations.

Nonetheless, the President's strategy for addressing that transition includes some of the things that are the underpinnings of our interagency working group's formation; for example, the reduction of international barriers or barriers to international trade. In the beginning, you heard mention of the ban on Alaskan oil exports, a ban in place for 23 years, a ban that created dislocations, a ban that depressed prices to producers and depressed energy production in California and the State of Alaska, and which I think stood out as a sore thumb, a holdover, if you will, from the '70s when America was just sort of getting used to the idea that energy was an issue you had to think about at all.

The President's strong commitment to addressing that issue nonetheless took a huge interagency effort, and I will describe that briefly in a moment.

The second component to the President's economic strategy is to find new ways -- new ways to approach the process of government interaction with the industry, new ways to approach the process of regulation. And you heard Pat describe the common sense initiative and Project XL, which the President likes to describe as a set of pilot projects under which, if we can -- if the industry can find a way and demonstrate a way to meet the same objectives of the regulation, we can throw the rule book away.

Admittedly, these are experiments that are just getting underway, but they reflect a fundamental philosophical change in thinking. But I think they also reflect something else, which is something that you couldn't have said 20 years ago, which is that American industry itself has come to the conclusion that you can have economic growth and environmental protection at the same time and indeed that protection of the environment makes good business sense.

The third area in which the President's commitment to addressing this transition to the global economy underscores the work of the National Petroleum Council and the interagency working group is the determination on the part of the Administration to stimulate and work as a cooperative partner in the development of new technologies. And I don't have to tell this group how important new technology has been to the revival of the domestic oil and gas industry in the United States.

And lastly, the reinvention of government. The program managed on a day-to-day basis by the Vice President and near and dear to the heart of President Clinton and which has, though not many people know this, will, by the end of this year, have resulted in a reduction in the size of government to a level not seen since John Kennedy was President.

That's been accompanied by a new approach to the existing set of regulations we already have on the books; that is to say to take some of the core concepts you've heard discussed here today, the principles of sound science, of elevating the role of cost in making judgments about regulations, and in putting a special focus on the impact of regulations on small business.

These are all components of a regulatory philosophy that I think represents an evolution in the relationship between government and regulated entities that's very much in keeping with the transition to a global economy.

And I might note that the continuing leadership -- the continuing lead that the United States enjoys worldwide in productivity, I think, will be -- can only be bolstered by the types of underlying elements that I have just described. In fact, when we look at other industrial countries around the world, we see them, in many cases, much more straightjacketed than even some of the worst horror stories we can concoct around here as societies in addressing this transition.

So I think it's fair to say that the President is committed to continuing that lead and maintaining that lead and one way to do it is to address the transition through a new approach to regulation.

Now, we have had, I think, in the area of energy policy, some great successes. And I want to stress my view that in some cases, and Alaskan oil exports is one of them, these are issues that are not new. They've been around for long time. Twenty-three years the Congress has debated whether or not to lift the ban on exports of Alaskan oil; whether or not to provide incentives for new and particularly difficult areas. This, of course, is represented in the royalty relief provisions that passed the Congress last year.

And legislation we hope to see enacted very soon and that the Administration had worked on very hard, and Bob Armstrong has devoted a tremendous amount of personal energy to, and that's the royalty fairness and simplification legislation, which we hope will take some important steps in the direction of giving more certainty, essentially laying out new rules of the road for the relationship between the Minerals Management Service and the oil industry.

In the case of the Alaskan oil export issue, we are talking, of course, about an issue, though while it's been around for a long time, isn't one that the average member of the public is intimately familiar with. Yet, it took something like 12 different Federal agencies and offices to come to terms with different aspects of that policy. How can that possibly be true?

Let me just give you a quick idea. Obviously, the Department of Energy was involved because they were a prime mover in getting the Administration to revisit that policy. The Department of Interior was involved because of the fact that the Trans-Alaska Pipeline crosses Federal lands, and this was oil to be exported that came through that pipeline.

The Environmental Protection Agency was involved because of the possible change in emissions patterns and, of course, the potential concerns or the concerns over potential impacts that grew out of the Exxon Valdez incident. At the Department of Commerce, there were not one, but two offices involved, the Bureau of Export Administration, which issues export licenses, and the National Oceanographic and Atmospheric Administration, which has responsibility for the tremendously valuable fisheries up in Alaska.

The Department of Transportation was involved because of concerns about tanker traffic and tanker routes. The State Department and the U.S. Trade Representative Offices were involved because of the steady stream of foreign dignitaries that we had trooping over to the White House to express their concerns about how the requirements would be attached to the legislation protecting U.S. maritime jobs. And the list goes on from there, because there were multiple offices within the White House.

That kind of story demonstrates the need for the sort of interaction that I think is underway through the interagency working group process that you have recommended and that Secretary O'Leary has made a reality.

I think that the story that we heard about the pipeline, though it's anecdotal, is very much the kind story that reminds us we have to keep at this job. I heard a very similar story a year and a half ago when I was meeting with a small group of industry representatives out in Denver, where they unfolded a map and showed me an oil field in the State of Wyoming and talked about their difficulty, one particular company's difficulty in permitting and how many years it had taken them to get it done.

It's difficult for us to know whether these were aberrations or whether they represent, as Charlie suggests in the pipeline story, underlying policy issues and regulations and statutes that need to be revisited.

So I'd like to make a suggestion, for example, on the pipeline story, that it would be tremendously useful if you would write that up in a case study in which you tell us exactly what happened and how it happened and over what period of time and who was involved and give us your suggestions on how we could have made it work more smoothly, and let's see if it suggests, as we take a look at the details of it, if it gives rise to suggestions for new policy initiatives, to revisit some problems that maybe need a fresh look by the Administration or, as Charlie indicated, by Congress.

Let me close, ladies and gentlemen, by complimenting you and congratulating you on your 50th anniversary and also expressing my appreciation and the appreciation of the

Administration for bringing your issues to the fore and for working with us through this interagency group. I think it's bound to continue to be a success and I want you to know how committed we are to it.

MR. CURTIS: Thank you. Mr. Chairman, I think we've had a pretty full and fair discussion and perhaps no further remarks at this point are appropriate. Let us just conclude this discussion with the obvious recognition that this is a beginning. We're going to make this a very outcomes-oriented process and indeed it is, as I used the phrase earlier, construction work in progress, but we're going to build this building one brick at a time.

Thank you

MR. FULLER: And I'd like to thank the Secretary and certainly Charlie. And I hadn't heard Patricia's story about the dinner, but I'm delighted with that one.

MS. GODLEY: Creative government.

MS. FULLER: But certainly Patricia and all the folks on the left here for beginning this process and I certainly want to thank our panelists on the right, as well. I really do want to thank Larry Smith and his panel, the NPC panel that put together this overall activity.

I think it's terribly important that we maintain and increase the momentum here. I think there are lots of initiatives that have started this general sort over the years and I think that it's up to us and the industry to take advantage of the very forthcoming attitudes that are being demonstrated here by our friends from government. So let's not let this one die, because I think it's terribly, terribly important.

The other thing I wanted to add that came out of the future issues study, I sent to all of the Council members a package of examples of how member firms, individual firms, including my own, are using the findings of that future issues report to communicate with constituencies, be that employees, customers, stockholders and that kind of thing, and I think that is related to the comment that George made earlier on that there are some overall industry initiatives coming out of API, the IPAA and others. But I also think that individual companies, large and small, without spending a lot of money, can reach a pretty substantial audience with a general story about what the industry does and how important it is, and that's why I would recommend to you, when you receive that package, you take a look at it and see if there are any ideas that you can use to get out to your constituencies, as well.

I would like to take the authority of the Chair to declare a five-minute break, if I might do that. Three hours is a long time. Please, don't anybody leave, because I'm going to introduce the Secretary for her remarks and then we'll have an election.

[Recess.]

MR. FULLER: Ladies and gentlemen, if you'd take your seats, please. Close the doors. For a group like this, I think it shows amazing discipline to be able to get back in a relatively short period of time and I really do appreciate it, because we have some important things to move on to here in this meeting.

I think that was a terrific exchange of views there and it was suggested to me by one member that we have one of these panels once a year to keep this process going, to keep the energy level up and some understanding. I think that's a suggestion that perhaps my successor can take to heart as we go forward.

It gives me great pleasure to introduce the Secretary of Energy, Hazel O'Leary. She has talked to this group on many occasions. We've always been delighted to hear her perspectives. Without further ado, I'd like to ask Hazel to come and to address the group.

SECRETARY O'LEARY: Thanks, Larry. The good news is that I have a talk, but I have no intention of reading it. I'm going to table it. I have a few comments and may begin by congratulating this group -- not merely for the extremely important occasion that was celebrated last night and the elegance and class and good humor in which it has been done, but the work that you've done as a Council serving this Secretary of Energy and this Administration.

As I heard the exchange among and between the panel for industry and this extraordinary interagency panel on behalf of government, I had several fleeting thoughts that I need to share with you.

The first is that all of -- if this is the outcome from three-and-a-half years of working together, it is an extraordinary outcome and an extraordinary beginning, and I want to just touch a few points. As Elgie and his very elegant and poignant discussion of what it takes to coordinate within this Administration or any Administration for outcomes that are common sense to the industry or the U.S. economy and the public and its environment, you got the feeling, and I surely did, although I know it perhaps in more dreary and painful detail than you do, that anything that gets moved in government involving oil and gas takes a lot of good will, tremendous tenacity, and some sense of common vision.

That common vision, in my view, in fact, has come out of this Council and I want to remind you, first of all, without going through all the remarks that I will table, without going through what I called early on the oil and gas initiative, which is really our commitment to you, and to remind you of the two pieces of legislation now passed requiring your efforts and this elegant interagency effort, and finally reminding you that, yeah, I think we'll get the next piece of the legislation as well. But those were early on commitments that were made to you under Ray's leadership.

And now to take it a step further and to compliment you on the futures issues study, which really has been the blueprint for the work that's now ongoing. I want to also compliment you, but chide you for being so polite during the exchange of the panel. It makes me very proud of my team, Charlie and Patricia and our interagency crowd, that you were so extremely polite. George ought to be our model, a little fire in his belly as he was talking.

I suggest, Mr. Chairman, recognizing that the gavel will be passed on to someone else, that what we really need to get after, and perhaps the September conference is the opportunity, is to roll up our sleeves and really have at it, with specific examples that Patricia has pleaded for. Charlie, with clear outcomes identified at that September meeting, with time tables, so that it can drive us.

In many ways, it occurs to me that this is my valedictory speech or talk to this very honored Council and it reminds me of what's wrong with the government. Three-and-a-half years at it, we finally got it right, we understand the issues that we need to work on because you have told us. We've got the interagency mechanism oiled as well as it could possibly be. I now understand that I owe Patricia a great debt of thanks and probably money for the lunches she brought, but nonetheless the model is in place.

And what I am well aware of is that as we come to September, in the heat and the craziness of the election, we're liable not to focus, my commitment to you is that I will be focused, our team will be focused. But more importantly, what I fear clear in the outcomes for the election and that our team will be represented before you, that we will lose our momentum on this issue.

And wouldn't it be awful, then, Larry, to start all over again with a new team, to have to educate them and get this interagency piece oiled and ready to go. We need to make certain that that doesn't happen. We need to make certain that that doesn't happen from my side and Charlie's side. We own a bit of that. So we commit to the continuing relationship at the table, but suggest that maybe that table ought to be inner circle and we ought to roll up our sleeves and get at the examples, and I think that September is the time to do that.

I want to put down several other markers very quickly. One of them is to briefly talk about the international agenda of this Administration and the privilege and the honor that we have had to represent this industry in international arenas. I want to remind you all, and by way of doing that, remind others that along with other cabinet officers in this Administration, I will be off to Moscow on or about the 14th of September to continue pushing those energy agenda items that are so important to expanding your international work.

I want to also remind you that in Bolivia, on the first of August, the Energy and some Environmental Ministers of the 34 nations attending the first Summit of the Americas, who have intended to work on opening the marketplace in all of our hemisphere for energy investment and joint venture partnership, will take place and many of you are planning to attend. I encourage that attendance because I believe that these are opportunities that we must continue to pursue.

My two final comments have to do with the future. This is not by way of lobbying, because Lord knows I'm not able to and someone will quickly pass an act that likely will make even this very delicate and politic, with the inappropriate small P, request likely very difficult to do in the future. What we have become aware of and subject matter of both the September and January conferences that Patricia will be spearheading is the value of the technology that drives this industry, keeps costs as low as possible while we try to reduce them in the regulatory framework.

If you've ever cared about this, then you really need to engage very deeply with your elected officials to make certain that the issue I discussed at last night's dinner, and that is the continuing shrinkage of the funds in support of research and development to help both explore and bring to market and certainly address some of the refinery issues, continues to be at the top of the agenda for the Congress of the United States of America.

If you feel strongly about that, I hope that you will act on it. It is a very important season. We have had some victories in this past week with some real leadership, bipartisan leadership in the Congress of the United States. These will continue to be important issues and I hope that you will let your voice be heard.

The last thing I want to talk about really has to do with this partnership that I believe started in a very tentative way. I'm so extremely proud of the leadership from the industry side and my colleagues. I have to mention Kyle, because he's not here. Kyle has been more focused on the business of threading the needle through the interagency to move all of our agenda items. For Charlie, who keeps his eye on the mark and brings the team together. To Elgie, who is left here, I told him personally that he among all has been the glue for the Administration to pull us together on these issues.

We're on the right course, I believe. We can get there. The final point I want to make to you, in case it has not been obvious, is that I do not believe that anything has been accomplished -- anything that has been accomplished in the past three-and-a-half years could have been accomplished without a Department of Energy.

You have heard, in the description that Elgie outlined and moving just two pieces of legislation, the tough hurdles to identify all of the people within the many agencies who have agendas that may not necessarily reflect our agenda, and I want to express it. That is an agenda for sustainable energy development and we know it can and should happen.

As you reflect upon those facts and the extraordinary work of Patricia and other individuals who work for her, think on that, because likely that question will be put to you in a season or two to come.

I trust that this is not my final opportunity to have a discussion with you or to see further progress -- not merely on the collegial identification of issues to be worked, but real outcome and resolution. And as Charlie has well indicated, likely this will be low-hanging fruit first, but nothing breeds success like success and also nothing breeds success like understanding the road map to move through this exotic government, that at every step of the way has been -- each one of these agencies and offices has been created because someone thought the work needed overseeing.

We're in a position, under the leadership of President Clinton, who has a real sense of what it takes to get government working. I'm reminded that some of the first words I heard out of his mouth had to do with outrage because an unknown agency was represented in an appeals court, with three separate lawyers representing three separate offices, and then just to make things a little more confusing, by an additional two separate other cabinet agencies.

I will tell you that in the first months of our Administration, one of the agencies that he was raging about was the Department of Energy and the point he was making was that we were all in court with our separate briefs and no one represented a single point of view for the U.S. Government. He thought that that was rather tawdry.

What we have learned, of course, is that sometimes that's important to do at the beginning of resolving an issue, which is where we are with this process now established, and we need to get better on key and on point. We need that to happen. We want to continue this job that we have had to represent the interests of the United States of America, which is so strategically tied to yours because you are strategically tied to us.

I don't have a speech. I will never have a speech again likely. This is good work and we need to continue it. I am prepared to invest my personal time to continue this process. Thank you very much.

[Applause.]

MR. FULLER: The Secretary has agreed to take some questions. Again, although you've been a little bit shy so far today, I'd be delighted to have anybody come up with questions for the Secretary, because I know you would like to engage her in some dialogue. Questions from the audience.

[No response.]

SECRETARY O'LEARY: They want to vote.

MR. FULLER: They want to get me out of here, I think. We do have a couple of administrative matters to deal with, as I've indicated. The first, and an important one, but I assure you a report without major issues, is the report of the Finance Committee. John Hall, who chairs the Finance Committee, is overseas today and is unable to be here. Therefore, Cary Maguire will present the committee's report. The committee met this morning. Cary?

MR. MAGUIRE: Thank you, Mr. Chairman. The Finance Committee met this morning to review the financial status of the

Council and we met with representatives of Ernst & Young, our independent outside auditors, to review their audit for the calendar years '94 and '95.

Based on this review, I'm pleased to report to you that our accounting procedures and controls received high marks and the financial condition of the Council is strong. I would also like to mention that we met with the auditors privately and asked them if they had any concerns that we needed to be aware of, and they had none.

I would also like to say that my experience has been that we have a very fine staff in Marshall Nichols and his associates and I think that the Council books and records are kept in a very fine fashion.

Next, we reviewed the 1996 expenditures to date. As you will recall, at our August '95 meeting, we recommended and you approved a budget of $2,818,000 for calendar 1996. Based on our review, the budget provides adequate 1996 funds, to be responsive to the Secretary's comments this morning, and also for the monograph on the Council's 50-year history. Therefore, we do not recommend any changes to the calendar year 1996 budget.

Also, we discussed member contributions for calendar 1996. Once again, at the August 9 meeting, we recommended and you approved holding member contributions to the same level as 1995.

I'm sure you're pleased to hear that. We also do not recommend any changes to this amount.

For the 21 new members, the Finance Committee also wants to welcome them and since we do not have data from most of you, in the next couple of weeks, you will receive a worksheet which will allow you to figure your recommended contribution for 1996.

Since you were asked to serve in May and this is your first meeting, the Finance Committee recommends that you be asked to contribute only one-half of the normal amount that the recommendation contribution would be for the calendar year.

We have about a 96 percent level of contributions, which is a high level. We'd like to get it 100 percent.

Finally, we recommend that Ernst & Young be reappointed as our independent outside auditors for 1996. They've done a fine job for us and we'd like to recommend their continuance.

Thank you, Mr. Chairman. That completes our report, if there are no further questions.

MR. FULLER: Thank you. May I have a motion to approve the report of the Finance Committee? Second. Any discussion or questions about the report of the Finance Committee? We're in pretty good shape. There's money in the bank. All those in favor.

[Chorus of ayes.]

MR. FULLER: Those opposed.

[No response.]

MR. FULLER: Thank you very much, Cary, for taking over for John Hall. As you know, John Hall has announced his plans to retire at the end of this year. In addition to lots of key assignments throughout the industry over his 20-year association with the Council, John has chaired the NPC Finance Committee for the last 11 years and I have personally found it to be a great comfort to have the sharp eyes of John Hall looking over the finances of this great organization and I know you will join me in thanking him for his service.

Our next report is from the NPC Nominating Committee. Frank Pitts is standing in for Collis Chandler, who is the committee's chair. As you heard last evening, Collis is recovering from a operation and is doing extremely well.

So if I might ask Frank to come up and present the report of the Nominating Committee.

MR. PITTS: The National Petroleum Council Nominating Committee has agreed on its recommendations for NPC's officers and chairs and members of the agenda and appointment committees of the Council, as well as the five at-large members of the NPC Co-Chairs Coordinating Committee.

On behalf of the committee, I am pleased to offer the following nominations. NPC Chair, Dennis Hendrix; NPC Vice Chair, Joe Foster. For the Agenda Committee, we recommend the following as members; Wayne Allen, Bob Allison, Vic Beghini, Collis Chandler, Ken Derr, Dick Farman, Bob Fri, Frank McPherson, John Miller, Jack Murphy, with Phil Carroll serving as the Chair.

For the Appointment Committee, we recommend the following as members; George Alcorn, Roger Beach, Bob Campbell, Steve Chesebro, George Davidson, Bob Palmer, Bobby Parker, Lee Raymond, Lou Ward, Irene Wischer, with Leighton Steward serving as Chair.

In addition, we recommend the following as the at-large members of the Co-Chairs Coordinating Committee; Truman Arnold, Keith Bailey, Mike Bowlin, Lou Noto, and Ken Yergin.

This completes the report of the Nominating Committee and on its behalf, I move that the above slate be elected until the next organizational meeting of the Council.

Thank you.

MR. FULLER: Thank you, Frank, for that report. We have the motion. Is there a second to that motion? I hate to ask this, but pursuant to Robert's rules, are there any nominations from the floor?

[No response.]

MR. FULLER: Seeing none. Those in favor say aye.

[Chorus of ayes.]

MR. FULLER: Those opposed say nay.

[No response.]

MR. FULLER: Congratulations to you, Dennis, for your election and I'm sure you'll enjoy your period of time in office as I have. This is no time for a long valedictory, but I would like to say just a couple of things.

One of the major issues, speaking personally, about the NPC is not the greatness of its membership nor its involvement with the government, but rather the lasting effect of some of the hard work that goes on here and whether or not it -- the great studies and work that's done really has an impact going forward.

And as one leaves an office, one is always retrospective in terms of I wonder whether anything has been done over the last two years that's in any danger of having an impact going forward.

I think the two major pieces of work that were done really in the last year or so were the study on R&D needs that Wayne Allen headed, which has not been mentioned except by inference here this morning. In that particular case, I have the conviction that there is, in fact, a good deal of activity going on; that the work that identified the talents and opportunities within the National Labs has been made available to the industry and the industry is taking account of that, and I can testify, with respect to my own company, that we do have a fair amount of activity going on with the National Labs.

It's not entirely clear whether it would not have gone on without this report, but I think it increased our interest in the visibility of the talents that are available there. I admit, pursuant to what the Secretary was saying before, that when one does have a certain amount of valuable activity going on of that sort, ones does take a little different view of the budgetary process and the support that's required from the government side for the expenditures.

We have also heard a good deal this morning about the future issues report which Phil Carroll and his associates did such a great job on. There are, I think, at least two aspects of that that have the real potential for carrying on beyond my two years as Chairman of the organization. One you've seen a really good example of this morning, and that is the interagency group. I think it's up to the industry and not just the leadership of the NPC, but the industry generally to make sure that the momentum -- first of all, that the concept remains in place and also that the momentum continues.

The world is full of initiatives, as we've all seen within our own companies, that start with a great fanfare and do not continue for one reason or another, and I think we should look at it as the NPC members' responsibility, not the government's responsibility, to assure that we feed them with enough exciting issues and concerns and with enough specifics so that they can sink their teeth into them, that that does continue to be a valuable activity.

The other aspect of it is what's been called the image or the reputation of the industry. There are several aspects of that and my own view is that there are going to be some very interesting and worthwhile activities within the industry that arise out of that. There already are. Some of these activities might very well have existed, again, without the particular report, but I think the report provides impetus to it.

You're all aware, I imagine, or most of you are, that the API and the IPAA have a joint study going on right now to expand the ideas that the IPAA has put into practice in Oklahoma to such great effect, with the idea of considering what can be done to improve the reputation of the industry, which is, in my view, a relatively complex task. But in terms of the ideas to get gotten across, it's merely a matter of communicating what we all know to be fact. The issue is not hiring a PR firm to paper over our infirmities, but rather simply to get across the greatness of this industry and what it does for the United States.

There are other activities of that sort and, again, I would encourage all of you to take a look at this material that you'll be getting and if you are not communicating with your associates, shareholders, customers and others, along the lines suggested by the future issues report, I think you're missing at bat. I really think between what individuals and companies do, plus what the industry, on an overall umbrella basis, might do, that there is a potential over the next few years for us to get across what we all know to be a great story about the industry and, therefore, change the perceptions and perhaps some of the impacts that we see in this city and elsewhere around the United States.

I would also like to compliment the Administration on one very major area, and the Secretary alluded to it earlier on. Ron Brown's passing was a great blow in many ways and certainly a great tragedy of the Administration. It has really been also a tragedy as far as my own company is concerned, and I think others of you share that, in that Ron was a really great ambassador for our company and for others in wandering around the world, helping us to gain only our fair competitive advantage in certain areas around the world. Baku is one and there are others. And certainly Secretary O'Leary is also to be complimented for the kind of support that she and her associates have given us. I know Bill White has spent a lot of time, Charlie has spent a lot of time, and I really do appreciate what's been done there.

It really is true, as I heard earlier on this week in another forum, that this Administration has been very strong, in my opinion, in helping business outside the United States and I think it's terribly important that that relationship continue, because we are in a competitive battle out there, as you all know, and sometimes our competitors from outside the United States get an advantage that's not available to us unless we can bring to bear the strength and good will of our government.

Finally, I would like to thank all of the membership and also, very importantly, Marshall and his great staff for the support that they have given to me and to all of us over the last two years, and I would also like to thank the Secretary and Charlie and all of the folks that have helped us so much in the Department of Energy over that period of time.

So thank you very much for allowing me to Chair this great organization for two years. I look forward to continuing to participate under Dennis' leadership.

Let me ask you, are there any further matters to come before the house? Any other questions or comments by the assembled membership?

MS. GODLEY: Mr. Chairman, I neglected to mention one of the follow-on activities of the Council. There was a question of industry to provide more immediate access to the National Laboratory system. We have developed an interactive program on the internet that allows that and there is a model of that program available.

MR. FULLER: Very good. Thank you, Pat. Anything else to come before the house? Yes.

FROM THE FLOOR: We're going to be working with the Administration. I want to congratulate the Secretary for the particular job between the Administration and the industry.

MR. FULLER: Very nicely said.

[Applause.]

MR. FULLER: Do I hear a motion to adjourn? Second. All those in favor.

[Chorus of ayes.]

MR. FULLER: We are adjourned. Thank you very much.

[Whereupon, at 11:32 a.m., the meeting was concluded.]