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DEPARTMENT OF INTERIOR

NATIONAL PETROLEUM COUNCIL

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Sixty-Fourth Meeting of the
National Petroleum Council

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NATIONAL PETROLEUM COUNCIL

Sixty-fourth Meeting

Senate Room
Statler-Hilton Hotel
Washington, D.C.
Thursday, March 4, 1971

The sixty-fourth meeting of the National Petroleum Council was convened at 9:05 o'clock, A.M., Mr. E.D. Brockett, Chairman, presiding.

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P R O C E E D I N G S

MR. BROCKETT: The sixty-fourth meeting of the National Petroleum Council will please come to order.

May I take this opportunity to welcome all Council members, both old members and new members. May I begin by introducing the members at the head table to you: On my left, Mr. Vincent M. Brown, Executive Director, National Petroleum Council; Mr. H. A. True, Vice Chairman of the Council; Dr. Wilson A. Laird, Director, Office of Oil and Gas. Now, on my right, Mr. Gene P. Morrell, Deputy Assistant Secretary for Mineral Resources; the Honorable Hollis M. Dole, Assistant Secretary of the Interior for Mineral Resources; and finally, I would like to extend a most cordial welcome to our distinguished new Government Co-Chairman, the Honorable Rogers C. B. Morton, Secretary of the Interior.

(Applause.)

MR. BROCKETT: As you know, Mr. Secretary, we are an industry advisory body created by one of your predecessors to assist you in all matters relating to oil and gas, about which you seek our advice. The men that you see assembled in this room today represent unique Government-industry cooperation, an experiment begun nearly 25 years ago, which has proved itself successful time and time again. These men appointed to the

Council by the Secretary of the Interior come here as leaders of industry, who when they enter this room set aside the business of their company and consider matters of far-reaching importance both to the nation and the world.

At the next Council meeting, we will be celebrating, in July, an anniversary which represents a quarter of a century of service to our nation. We were founded in 1946 and have been able to transcend the bounds of partisan politics and render significant service in five administrations, regardless of party affiliations. I believe that this speaks highly of the role that the Council has played in an advisory capacity to the Interior Department, and the caliber of men you and your predecessors are, that have been selected to serve on the Council. The role that the Council can and should play has expanded greatly over the last several years. In the past we have welcomed the challenge of the Interior Department each time it was given to us. We will continue to respond to these challenges by willingness to give of our time and assembling the finest talents available to provide the best results possible in assisting you.

We have been working on three separate studies during this past year for the Department of Interior, each having very timely significance: a report on environmental conservation,

the oil and gas industries will provide you with a comprehensive study of environmental conservation problems as they relate to the petroleum industry.

When the report is complete, we trust it will provide the Government with pertinent facts, the eight officials who are charged with making policy decisions involving control and regulations which may affect oil and gas operations. Later on this morning we will also be discussing our supplemental report on petroleum resources on the ocean floor, requested by the Interior Department last fall. The report will provide you with an analysis of the August 3, 1970 draft of the United Nations Convention on the International Seabed area proposed by the United States. In addition to this, Mr. Secretary, as you know, we are also preparing for you an extensive report on the energy output in this nation, projecting our needs to the Year 2,000. I am especially pleased we have been able to assemble a wide range of some 200 experts across the country to work on this complex study.

We have been most fortunate in drawing from this expertise not only of the oil and gas industry but all of the other energy-oriented industries as well.

Before I turn the meeting over to you, Mr. Secretary, I would like first to pay tribute to the members of the three

committees who have done such an outstanding job this past year, the members of the main committee and subcommittees and the task groups and certainly the National Petroleum Council staff itself. I would like to say that you all have done an outstanding job. The Council and its work continues to be a source of great pride to me and I am sure to you.

And now, gentlemen, I would like to present to you the distinguished Secretary of the Interior, the Hon. Rogers C.B. Morton.

(Standing ovation.)

THE HON. ROGERS C.B. MORTON: Mr. Chairman, my colleagues, gentlemen of the National Petroleum Council, I am a little bit in the shape one of my former constituents was in when he appeared in court not too long ago in my former Congressional District, and he had a cast on one leg and had a bandage around his head and had his arm in a sling and was on crutches and he was seeking compensation for an accident that had occurred. The judge looked at him and said, "Hiram," he said, "How do you feel?" and he said, "Judge, I just feel God awful. I just don't think I can make it." And the judge looked down at his papers and said, "I don't fully understand that because when the State Trooper asked you how you felt after the accident, you said you felt fine. He says, "Judge, it was this

way. I was going home, working on my brother's place, I had my mule and wagon and was going down the road trying to get home before dark and this big semi-trailer truck jack-knifed and knocked me off the road. I was on one side of the road and my mule and wagon were on the other side. Pretty soon I woke up and saw this light going around and around and around and saw that Trouper get out of the car and he walked over to where my mule was lying, and he says, "God! That mule is in bad shape," and pulled out his 45 and shot her right through the head. He came over to my side of the road looked down at me and said, "How do you feel?" I said, "Hell, I feel fine."

(Laughter).

I made the mistake of going to the doctor yesterday. I know the pharmaceutical industry is in damngood shape this morning. I don't know about the oil industry.

First, let me say this, gentlemen. It is a great pleasure for me to participate here in what is my first meeting of the National Petroleum Council which I have the great privilege of co-chairing. As a member of the House Interior and Insular Affairs Committee for six years I was periodically kept advised of the Council's many contributions to the knowledge of the petroleum industry that has proved so valuable to the Department of the Interior. One of the most urgent concerns of

this Department -- is the development of adequate supplies of energy in the forms and of the quality that will be needed in our continued growth as a nation.

The problem of energy supply has received considerable attention over the past year. It is due to receive a great deal more in the future. Much of the attention has been and will continue to be focussed upon the impact of energy production, transport, processing and use, upon the environment. This is quite apart from the upsetting aspects of an impending energy scarcity. Related to our concerns about energy and those of the environment are other troubling issues. We complain about the high cost of energy, but the truth is that we are not yet allocating all the proper costs to energy production and use that should be charged to these functions. We fret about energy scarcity, even while we proceed to waste it in tremendous volumes. We are witness to this waste and imagine that if it somehow could be eliminated we might reduce our levels of energy consumption. Yet the whole thrust of our society is oriented toward economic expansion and growth as a matter of pure survival. This would in any event suggest a steady expansion of energy consumption, even if optimum efficiency were possible. I don't believe there is any question or doubt about that. Our connected horsepower, so to speak, of each man, woman and child in this

country will inevitably increase.

I cannot pretend that what I have to say here is particularly new. However, I do think it might be useful if I were to touch on the interaction between energy production and use, and the environment in which these operations must be conducted.

Let me begin by underscoring the grave problems that the nation is facing in obtaining an adequate and reliable energy supply. I regard these problems as having equal urgency and importance as those having to do with environmental degradation. The almost certain outlook is for increased real costs of energy, for a narrowing of the consumer's range of choice among fuels; for mounting dependence upon foreign sources, and with all of this the prospect for possible interruption to essential energy supplies is always with us. The nation's entire capacity to act in a crisis may become restricted by its dependence on energy sources over which it has no control.

The problem of energy scarcity is being exacerbated by the actions that are taken to rescue and preserve the environment. The fact that high-sulfur industrial fuels can no longer be burned in many metropolitan areas, or that the siting of nuclear power plants is being delayed by months or years due to the objections of surrounding communities is quite obviously

going to affect energy demand and supply. On the other hand, concerned citizens point to accidents and spills occurring in the case of oil, some of them absolutely unconscionable, as evidence that there is no way that an extractive industry can operate without damage to the environment.

The blowout which polluted the Santa Barbara Channel in 1969 is cited as an unfortunate accident by the petroleum industry. Although the nation had two decades of experience in offshore operations, industry was ill prepared to cope with that incident. Other accidents followed -- the most recent just a few days ago in the Gulf of Mexico about 100 miles from shore. I am told, however, that each of these accidents could have been avoided. As unfortunate or damaging as each incident may be the cumulative effect, however, alienates more and more citizens from the primary objectives of this industry. It becomes more and more difficult for them to accept those assurances so frequently given that technology is well enough advanced permit more rapid development of the Outer Continental Shelf.

As a result of the spills and other damage to the environment, a view has developed over the years that resource development and environmental preservation are somehow basically incompatible.

I would submit that, far from the two objectives

being incompatible, there is a large area of common interest between them.

We are in a period which will require steadily increasing amounts of energy to meet the legitimate needs of a nation concerned about making life more attractive for its citizens. The goals of urban restoration, of building new towns, of cleaning up our rivers, and streams and lakes and seashores, of creating parks and recreational areas, of doing something significant about the transportation mess -- these will all demand prodigious amounts of energy. Add to this the need for caring for a population that will go on growing for the next few decades no matter how successful we are in slowing down the birth rate. Add the fact that the minerals on which our economy depends grow increasingly more difficult to extract, requiring in turn continually greater amounts for mining and processing. Add, lastly, the thought that the consumption of energy fuel is final. The amount of iron, copper, zinc, lead, or aluminum on the earth is the same as it was a million years ago. All we do with these elements is to scatter them about. But our oil, gas, and coal are consumed only once, and the the stored energy of millions of years vanishes forever.

Thus my point is that energy is undervalued, and because it is undervalued, we waste it. Far from being

costly, energy has been so cheap that we have been nothing less than profligate in our use of it. It is no wonder that a Credibility Gap has opened between the solemn warnings we issue about energy scarcity and the condition of energy abundance so plainly implied by our actions.

If energy were correctly valued -- if we were required to pay its full cost -- then there is good reason to expect that we might be more prudent about using it. And if we were more prudent about using energy, at least we could begin to reduce its unnecessary costs. Until now we have been paying only those costs that found their way onto the supplier's books -- and these have not been the true costs by any manner of means. They did not include the coal miner's foreshortened life, the choking plume of the power plant's smokestack; the photochemical smog that envelopes our major cities; the beaches fouled by ballast washings from passing ships.

Now, because we have finally achieved the measure of concern for our environment that we should have summoned years ago, these social costs are going to be charged to the proper accounts. Those who benefit from the production and consumption of energy will be asked to pay the full tab, and for the first time the user will have some feel for the true cost of the energy he consumes. It may not be a very pleasant discovery,

but at least he will know and can allocate his disposable income more perceptively than he has been able to do up to now. The environment will be accorded the measure of protection and restoration that intelligent conservation practice demands, and the market mechanism will be able to perform more efficiently its job of allocating resources according to the valid choice of the consumer.

The proper costing of energy is one belated correction that is in the process of being made. Another equally important reform is at long last receiving the critical attention it has long deserved. The Office of Oil and Gas recently catalogued the Federal Government agencies that have some responsibility for oil and gas management. The count comes to 61, including 9 Executive Departments, 8 independent agencies, and 13 Congressional Committees. And these concern only oil and gas management! Year by year, and layer by layer a jury-rig, inchoate hodge-podge of special-purpose organisms has been built up to handle energy problems as they have arisen. Coordination is difficult. Common purpose is absent. Duplication and mutual interference are frequent.

These administrative anachronisms are not confined to energy alone, but plague the whole field of Federal responsibility for natural resources. The President's solution is contained

in his proposal to establish a Department of Natural Resources using the present Department of the Interior as a core. The President's clear intent is to create the administrative mechanisms necessary to achieve the unity of effort and purpose that has been lacking in the discharge of the Federal Government's resource responsibilities. I earnestly solicit your support for this essential re-ordering of our structure for dealing with energy questions. It is so urgently needed.

Meanwhile, Congress has already acted in its own way to encourage a more orderly approach to the development of our domestic resources, including energy resources. The Mining and Minerals Policy Act of 1970 has as its stated objective to foster and encourage private enterprise in the development of the minerals industries, minerals resources, the reclamation and disposal of mineral wastes, and the expansion of mining, mineral, and metallurgical research. Among its provisions, this law makes the Secretary of the Interior responsible for carrying out its provisions and requires him to include in his annual report to the Congress a review of the state of the domestic minerals industries. The law thus provides an annual review of all mineral energy sources, and in so doing requires us to consider them all in their relationships to one another. I welcome this expression of interest by the Congress, and pledge

the fullest cooperation by the Department of the Interior in carrying out the terms of the Mining and Minerals Policy Act.

These actions, needed and constructive as they are, nevertheless reflect the increasing involvement of government in the affairs of private business. The increasing numbers of our society and the growing complexity of its operations make this unavoidable, and the outlook is for a steadily increasing degree of interdependence between the public and private sectors of our economy.

If we accept this as a premise, then it is obviously in everyone's interest to assure that the actions taken by government benefit from the wisest counsel and the most complete and accurate information that can be assembled. And it is here that I return to the vital role that the National Petroleum Council has played for nearly twenty-five years, now, in providing that kind of counsel and that kind of information to the nation.

I applaud your past and current achievements, and here wish to state that I regard the Council's ongoing study of the United States Energy Outlook as the most significant undertaking in which your membership has ever been involved. It is by all odds the most massive effort the Council has ever focussed upon a single request from the Department of the Interior. It is of critical importance to the development of a sound and sensible

policy on energy, and to the essential public understanding and support that will be required for such a policy to work.

Looking toward the end of this century, as your committees are being required to do, there are few things indeed that we can be sure of. But one of them is that the demand for energy will increase enormously, and with it the problems of producing it and distributing it where it is needed. To those who have some degree of responsibility for these functions, both in government and in industry, these problems will present a challenge that can only be met by the free flow of communications, the continuance of an attitude of mutual respect and trust, and a willingness to work together for the good of the Nation - all the elements in fact that are now contained in the prized relationship that has existed between the Council and the Department of the Interior since 1946. I could wish for no more than that this relationship continue to be as productive and harmonious in the future as it has been in the past.

To all of you, I say again that I am delighted to be associated with your prestigious and public-spirited group, and I look forward to continuing the long and valued association between the Council and the Department of the Interior that has been one of the brightest spots in the history of government-industry relations in our country.

Thank you very much

(Applause)

MR. BROCKETT: Thank you, Mr. Secretary, for those most inspiring and one might say challenging remarks. We are all looking forward to working with you in the future and receiving your guidance and leadership on Council matters.

Gentlemen, as you know, during the past year the Council lost one of its most distinguished members, Mr. Jacob Blaustein, a charter member of the Council with long-time service on our Agenda Committee. For the purpose of presenting a memorial resolution, may I call upon Mr. Jake Hamon.

MR. HAMON: Mr. Chairman, Mr. Secretary, Members of the Council:

The members of the National Petroleum Council note with a deep sense of loss and sorrow, the passing on November 15, 1970, of one of their most distinguished members, Jacob Blaustein.

Philanthropist, humanitarian, statesman and industrialist, Jacob Blaustein sought and achieved the qualities of human leadership and understanding that are sought by so many, yet achieved by so few. Born in Baltimore, Maryland, on September 30, 1892, Jacob was the co-founder with his father of the American Oil Company. He also served as a director of the Standard Oil Company of Indiana and a number of other business corporations. A distinguished career as a businessman

and diplomat for five United States Presidents brought him eight honorary degrees and nationwide recognition.

Jacob Blaustein was a charter member of the National Petroleum Council, having served continuously from its founding in June 1946. Just as he excelled in the business and world community, Jacob gave his all for the work of the Council. He served with distinction on numerous committees and study groups and was a long-time member of the Agenda Committee.

Today the members of the Council pause to pay tribute to the memory of Jacob Blaustein, a leader in the petroleum industry. The contribution that he made to our work and his knowledge of the oil and gas industries, placed him high in service to his country. We are saddened by his passing, yet we profess a strong debt of gratitude for the service that he rendered to us. We extend to his wife, Hilda, and to his family our sincere and abiding sympathy.

NOW, THEREFORE, BE IT RESOLVED, on this 4th day of March 1971, in the City of Washington, D.C., that this Resolution be entered upon the permanent records of the Council, and an appropriate copy thereof be delivered to the family of Jacob Blaustein as a remembrance of the affection and respect which we shall always have for him.

I move the resolution be adopted.

MR. BROCKETT: Gentlemen, in accepting this resolution, I ask that you rise for a moment of silence.

(Standing moment of silence.)

MR. BROCKETT: Thank you.

Now, may I turn the meeting over to Mr. Vincent Brown for the purpose of approving the minutes of the last meeting and checking on the attendance.

Mr. Brown.

MR. BROWN: Gentlemen, as you know, we always hold meetings of the National Petroleum Council in Department of the Interior quarters or in the Departmental Hall. Neither of these facilities were available and that is why we are meeting here today, which is unusual.

You received copies of the minutes of the last Council meeting held in July, sometime ago. Could there be a motion for their adoption?

(Motion made and seconded.)

MR. BROCKETT: It has been moved and seconded to accept the minutes. All in favor?

(Chorus of "ayes.")

MR. BROCKETT: Opposed?

(No response)

MR. BROWN: Gentlemen, we're not going to take the

rollcall. Most of you checked in on the official list outside the door here. If you did not do so, would you write your name on a slip of paper and give it to Wiley or one of our staff people, and they'll check you in and this will appear in the minutes which will be forthcoming.

MR. BROCKETT: Thank you, Mr. Brown. We will now move to the portion of the meeting during which we will receive the reports of the Chairman of our three current committees. First may I call on Mr. John G. McLean, Chairman of the Committee on U.S. Energy Outlook, for a progress report.

MR. McLEAN: Mr. Chairman, Members of the Council:

In January 1970, the Secretary of the Interior asked the National Petroleum Council to undertake a study of the petroleum outlook in the Western Hemisphere projected into the future as near to the end of the century as feasible. He stated that the Council's report should include ranges of probable outcomes and should emphasize areas where federal oil and gas policies could affect the long-term energy posture. The Secretary's letter of August 31, 1970, supplemented this request and asked that the NPC emphasize oil and gas in the Western Hemisphere, but also take into full account of the influence of other energy forms.

In response to this request, the NPC's Committee

on the U.S. Energy Outlook was formed, with the Hon. Hollis M. Dole, Assistant Secretary, Mineral Resources, as the Government Co-Chairman; Vincent M. Brown as Secretary; and the following Vice-Chairmen: Mr. M. Wright, Oil; Howard Boyd, Gas; Dean McGee, Other Energy Resources; and John Kelly, Government Policies.

Because of the complexity of the study, a relatively intricate set of committees has been developed. In addition to the Main Committee, there is a Policy Committee which can act on critical policy matters without assembling the Main Committee. Mr. A.W. Tarkington is Chairman of this Committee and its membership consists of the Hon. Hollis M. Dole as Co-Chairman, the four Vice-Chairmen of the Main Committee, and the Chairman of the Coordinating Subcommittee.

There are four principal working committees. These committees and their Chairmen are as follows: W. T. Slick for Oil, Sam Smith for Gas, Jack Roach for Other Energy Resources, Nick Dumbros for Government Policies. The coordination of the activities of these working committees is accomplished through the Coordinating Subcommittee. It is chaired by Warren B. Davis, with Gene P. Morrell, Deputy Assistant Secretary for Mineral Resources, as Government Co-Chairman, and Vincent Brown as Secretary. The other members of this Committee are the four Working Subcommittee Chairmen and the

Chairman of the Energy Demand Task Group. The work of the Oil Subcommittee is divided among three task forces: one on Demand, one on Supply, and one on Logistics. The work of the Gas Subcommittee is likewise divided among three task forces, Demand, Supply, and Transportation. In addition, a joint task group on Capital Requirements serves both the Oil and the Gas Subcommittees. The Other Energy Resources Subcommittee is divided among five task forces; for Coal, Nuclear, Oil Shale, Tar Sands, and New Energy Forms.

We have determined that it is feasible to make specific forecasts through 1985, and we plan to do so. Additionally, we will comment on general trends beyond 1985 to the year 2000. One meeting of the Policy Committee has been held and it was determined that the initial case or "model" to be studied would be a forecast of our energy requirements and supplies, assuming that government policies continue essentially in their present form. After that initial case is completed, other cases, which assume various changes in government policies, will be studied.

We have established a timetable that will enable us to complete the initial case in May 1971 and permit us to give an interim report to the Secretary of the Interior on these results by the middle of this year. Completion of the work

on the other cases is anticipated by December 1, 1971, and accordingly we should be able to turn over a completed report to the Secretary by July of 1972.

One of the many problems encountered so far in making this study deserves a brief comment. We have engaged Battelle Northwest to assist us in establishing estimates of the overall U.S. energy requirements, by market use sectors and geographical areas. Battelle is making an analysis, to be completed this month, of several independent energy studies prepared not only by oil companies but also other companies and agencies. These organizations are voluntarily cooperating with Battelle in this endeavor. In this manner, Battelle will assist us in arriving at energy requirement estimates by fuels for each market demand sector without any of our committee members engaging in discussions which might raise legal problems.

I don't think we have solved all of the problems associated with making such a difficult and complicated study. In fact, I am certain that we have not yet encountered all of the serious problems; but this study is an important one and I am confident that we can and will solve the problems as they arise. At the present time I am pleased to report that the study is progressing well and we are essentially on

schedule. I believe that we will complete it in a timely manner and trust that it will be of genuine service to the Secretary of the Interior.

MR. BROCKETT: Thank you very much, Mr. McLean.

Gentlemen, this has been a progress report. No action is required by the membership of the Council this morning. However, if any of you have questions regarding the study, I am sure that John would be pleased to entertain them.

Are there any questions, gentlemen?

Thank you.

I would now like to call on Mr. Cecil Olmstead, who will lead the discussion on the supplemental report of the Committee on Petroleum Resources under the Ocean Floor. Mr. Olmstead is Vice President, Texaco, Incorporated.

Mr. Olmstead.

MR. OLMSTEAD: Thank you, Mr. Chairman.

Distinguished members of the National Petroleum Council, distinguished representatives, friends:

The National Petroleum Council has been concerned for several years with all aspects of the matter of petroleum resources of the seabeds under the oceans. A speech in the 1967 General Assembly of the United Nations by the Representative of Malta focused the attention of the international

community upon the mineral resources of the ocean floor. 24

The Maltese Representative referred to an enormous potential revenue to be derived from these resources and proposed that it be devoted to the common betterment of mankind and that the development of these resources beyond the limits of national jurisdiction be conducted under international authority.

The General Assembly of the United Nations in December of 1967 established an Ad Hoc Committee to examine "the question of the reservation exclusively for peaceful purposes of the sea-bed and the ocean floor, and the subsoil thereof, underlying the high seas beyond the limits of present national jurisdiction, and the use of their resources in the interests of mankind."

In January of 1968, the Department of the Interior requested the NPC to prepare a comprehensive study dealing with all aspects of the development of the petroleum resources of the ocean floor including the matter of the definition of the continental shelf.

In March of 1969, this Council approved and published the initial Report on Petroleum Resources Under the Ocean Floor. The report, in your folder, submitted for your consideration today is a Supplemental Report to the

original report on Petroleum Resources Under the Ocean Floor.

The original report presented a comprehensive and detailed study of the energy outlook for the United States, the prospects of petroleum accumulations under the ocean, the technology and economics of offshore oil and gas exploration and production, and the law governing existing jurisdiction over petroleum resources of oceanic areas as it had developed both under conventional and customary international law. The basic conclusion reached in the 1969 NPC Report was as follows:

"It is the firm and carefully considered conclusion of the National Petroleum Council, an industry advisory body to the Secretary of the Interior, representing virtually the entire American oil and gas industries, that the United States, in common with other coastal nations, now has exclusive jurisdiction over the natural resources of the submerged continental mass seaward to where the submerged portion of that mass meets the abyssal ocean floor and that it should declare its rights accordingly

"This matter is extremely vital and involves basic principles and long-range implications

concerning the well-being of this Nation and of all its peoples. The National Petroleum Council feels that it has a continuing responsibility to emphasize, as it has from time to time in the past, that adequate petroleum resources are of major consequence to the economy and the security (in its broadest sense) of this Nation. The resources of this country, which do indeed include the resources of that part of our continent beneath the waters, are a great and priceless heritage. The oil and gas resources in these submerged portions of our continent may well prove to be larger than those remaining on the land. These strategic and valuable resources could well be the means of maintaining far into the future this Nation's essential self-sufficiency and avoiding the vulnerability inherent in dependence on foreign energy sources."

A little over a year after the Council's 1969 Report, May 23rd of last year to be exact, the President of the United States issued a Statement on U.S. Oceans Policy. A copy of this statement is included as an appendix to the report I referred to earlier. The essential points of this policy are as follows:

Adoption by all nations as soon as possible of a treaty under which they would renounce all national claims over the natural resources of the seabed beyond the point where the high seas reach a depth of 200 meters and agreement to regard these resources as "the common heritage of mankind."

Establishment of an international regime for the exploitation of these resources which would provide for (1) the collection of substantial mineral royalties to be used for international community purposes, particularly economic assistance to developing countries; and general rules (2) to prevent unreasonable interference with other uses of the ocean; (3) to protect the ocean from pollution; (4) to assure the integrity of the investment necessary for such exploitation; and (5) for peaceful and compulsory settlement of disputes.

Continuing with the President's statement, agreement that coastal nations act as trustees for the international community in an international trusteeship zone comprised of the 'continental margins' beyond a depth of 200 meters off their coasts, in return for which each coastal state

would receive a share of the international revenues from the zone in which it acts as trustee and could impose additional taxes if these were deemed desirable.

Agreement on international machinery to authorize and regulate exploration and use of seabed resources seaward of "the continental margins."

The President expressly stated his belief that it was neither necessary nor desirable to try to halt exploration and exploitation of the seabeds beyond a depth of 200 meters during the negotiating process which may take some time. Instead, he called on other nations to join the United States in an interim policy under which:

1. All permits for exploration and exploitation of the seabeds beyond 200 meters would be issued subject to the international regime to be agreed upon, but the regime should accordingly include due protection for the integrity of investments made during the interim period.

2. A substantial portion of the revenues derived by a state from exploitation beyond 200 meters during this interim period should be turned

over to an appropriate international development agency for assistance to developing countries.

He planned to seek appropriate Congressional action to make such funds available as soon as a sufficient number of other nations indicated their willingness to join nations in this interim policy.

On August 3, 1970, the United States Delegation presented at the United Nations Sea-Bed Committee in Geneva, Switzerland, a draft of a proposed United Nations Convention on the International Seabed Area. The August 3 Draft Treaty was designated as a working paper.

In a letter dated August 5, 1970, the Hon. Hollis v. Dole, Assistant Secretary of the Interior for Mineral Resources, requested the National Petroleum Council to undertake a careful study of the August 3 Draft Convention which he pointed out, as did the cover sheet of the August 3 Draft, does not necessarily represent the definitive views of the United States Government.

Mr. Dole requested that particular attention be given to Articles 26 and 73 of the Draft. With respect to Article 26, he presented the following question:

"Article 26 leaves partially undefined the seaward edge of the trusteeship zone. In the interest

of preserving for exclusive United States use all of the natural resources contained in the submerged land continent, would you suggest a means of defining that point on the submerged land continent beyond which the likelihood of finding petroleum and natural gas resources is highly remote?"

With respect to Article 73, Mr. Dole refers to the Statement by the President on U.S. Ocean Policy, outlined before, and concludes that implicit in the President's Statement was the desire that exploration and exploitation of natural resources beyond the 200-meter isobath should continue unabated pending ratification of a seabed treaty. In that regard Mr. Dole asks the NPC to

"evaluate Article 73 and provide any suggestions you may have regarding revisions which would contribute to ensuring the President's desires concerning present and near future leasing on the outer continental shelf beyond 200 meters."

In response to Mr. Dole's letter, your Chairman requested the NPC Petroleum Resources Under the Ocean Floor Technical Subcommittee to prepare the study. This 19-member committee, consisting of experts from all the various segments

of the industry, has been ably chaired by Dr. Hollis Hedberg of Gulf Oil Corporation and by Mr. Robert E. Ebel of the Interior Department Office of Oil and Gas, as co-chairman. The Technical Subcommittee was assisted by a Legal Task Force.

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By way of additional background, recent activities in the United Nations point up the importance of an official statement by the National Petroleum Council of its position regarding the August 3 Draft Convention. On December 17 last year, the U.N. General Assembly adopted a resolution convening in 1973 a Conference on the Law of the Sea. The convening of such a Conference emphasizes the need for a careful evaluation of the United States position for that Conference, including a thorough analysis of the August 3 Draft and its relationship to the national interests of this country. The NPC analysis of the Draft Convention which is the subject matter of this Report is intended to serve as a contribution to the development of that position.

The Main Committee has reviewed the Supplemental Report and recommends your approval. A copy of that report is before you. The highlights of that report in brief are as follows:

The August 3 Draft Treaty fails to provide

appropriately for the interests either of coastal states or of the larger international community:

First, it would unnecessarily compel coastal states to yield their existing rights to continental margin seabed mineral resources and receive in return only an ill-defined status of "trustee" of those resources.

Secondly, it calls for an interim arrangement for outer continental shelf mineral development pending conclusion of the treaty which would not provide the necessary assurances to the potential investor to encourage further development.

Thirdly, it would impose operating conditions and financial terms which would deter rather than encourage development of seabed resources following its adoption.

The Supplemental Report of the NPC reassets the conclusion reached in the 1969 Report and recommends that the United States retain its rights to mineral resources of the seabed of the continental margin beyond the 200-meter isobath. The Report endorses the following five principles enunciated in the President's Statement of May 23rd with respect to these resources. They are:

" . . . substantial mineral royalties to be used for international community purposes,

particularly economic assistance to developing countries."

Second, prevention of "unreasonable interference with other uses of the ocean."

Third, protection of "the ocean from pollution."

Fourth, assurance of "the integrity of the investment necessary for such exploitation," and

Fifth, provision "for peaceful and compulsory settlement of disputes."

The Supplemental Report concluded that the basic principles and objectives of the President's Statement can be secured consistently with the Nation's continuing effective control of the vital and necessary oil and gas resources of its offshore continental margin, and with this purpose in view recommends as follows:

The United States and other coastal states should not renounce but rather should retain jurisdiction over the seabed and subsoil mineral resources to the outer edge of the submerged continent or island. And to ask other nations to renounce those rights in return for the ill-defined and uncertain status of trustee would probably seriously prejudice the President's objective of securing

his five points.

Second, leases, licenses or concessions issued by the coastal states for mineral exploration or development in the area of the continental margin during the interim period pending conclusion of the treaty should remain unaffected by such a treaty when it becomes effective except to the extent of agreed standards regarding the President's five points.

Third, seabed mineral resources of the oceans lying beyond the limits of coastal state jurisdiction should be subject to treaty provisions which would place these resources under international jurisdiction and subject to an agreed International Authority. The treaty should make appropriate provision for the disposition of revenues from this area.

Fourth, the line of demarcation between the coastal state's area of mineral resource jurisdiction over the submerged continent or island and the international area beyond should be recognized as lying within an agreed reasonable zone oceanward of the base of the continental or insular slope. Precise boundaries should be determined promptly.

Fifth, the proposed treaty, while dealing specifically with the seabed mineral resources, should reaffirm and guarantee all other freedoms of the high seas, and other uses of the seabed.

Although Mr. Dole in his request letter asked the NPC to give an article-by-article analysis of the August 3 Draft Convention, the fundamental approach of the Draft and your committee's basic differences with it made an article-by-article analysis inappropriate. Secretary Dole's letter, however, requested additionally specific comments on Article 73 which deals with provisions relating to the interim period concerning investments made in the International Seabed Area prior to the coming into force of the Convention. The Report concluded that this Article does not provide satisfactory assurance of the integrity of investments made during the interim period. It is pointed out that acceptance of the recommendation that coastal states retain mineral resource jurisdiction over the outer continental margin would obviate the problem for development in that area and would require only:

Assurance that any additional financial obligations under the terms of the later treaty would be those of the coastal state, not of the lessee or concessionaire, and

Assurance of the reasonableness of international standards established by the other four points of the President's Statement.

Secretary Dole also pointed out that Article 26 of the draft treaty leaves partially undefined the seaward edge of the trusteeship zone.

In this connection he asked:

"In the interest of preserving for exclusive United States use all of the natural resources contained in the submerged land continent, would you suggest a means of defining that point on the submerged land continent beyond which the likelihood of finding petroleum and natural gas is highly remote?"

The principal objection to Article 26 is the procedure for delineating the precise boundary of the seaward limits of coastal state controls by a line based on changes in bottom gradient beyond the base of the slope. The NPC Supplemental Report favors the arrangement suggested in the Council's 1969 Report whereby each coastal state would draw its own outer boundary, defined by straight lines connecting coordinates of latitude and longitude, within a boundary zone of prescribed width extending oceanward from the base of the

continent or insular slope.

In answer to the question posed by Secretary Dole, the Report states that there is no point on the submerged continent beyond which it can be consistently stated that the likelihood of finding petroleum and natural gas is highly remote. Reasonable prospects of oil and gas accumulations in many places extend out to the edge of the submerged continent and for long distances beyond.

Mr. Chairman, a treaty that would require the United States to transfer to an international authority its present jurisdictional rights to the mineral resources of its continental margin and receive in return the limited rights of a "trustee," which would also empower that international authority to compel coastal states to suspend their operations on their continental margins could not but seriously erode the effective control of the United States over these vital petroleum resources in the years ahead.

Mr. Chairman, this concludes the summary of the Supplemental Report. //

MR. BROCKETT: Thank you very much, Mr. Olmstead.

Mr. Abernathy?

MR. ABERNATHY: Mr. Chairman, inasmuch as the Chairman of that Committee is not in a position to make a motion,

I move that this report, the adoption by and acceptance by the NPC since it is based on an extension of and consistent with the originally adopted report of the NPC in 1969.

MR. BROCKETT: Thank you, Mr. Abernathy.

Is there a second?

(Second.)

MR. BROCKETT: Are there any questions or discussion?

All in favor of adopting or approving the Supplemental Report, signify by saying "aye."

(Chorus of "ayes.")

MR. BROCKETT: Opposed?

(No response.)

MR. BROCKETT: Thank you very much.

Now we will hear from Mr. W. W. Keeler, Chairman of the Committee on Environmental Conservation, the Oil and Gas Industries, reporting on an extremely difficult assignment given under his leadership.

MR. KEELER: Thank you, Mr. Chairman.

Distinguished members of the Government, NPC members, guests: Many of you were, I am sure, present at the meeting of the Council in January of last year when I first reported the basis for the study on environmental conservation which my Committee was charged to prepare and the

general coverage which we felt would best respond to the request for study accepted by the Council. The Committee on Environmental Conservation--the Oil and Gas Industries has now essentially accomplished its charge. However, since some of the key members of the Council have changed, it might be well for me to review that charge and our approach to the problem.

Even prior to the time that I was asked to undertake the study, I could not help but notice the emphasis placed by both the U.S. Department of the Interior and the National Petroleum Council on the importance of conserving our nation's environmental values and the emphasis that the Department placed on calling upon the Council to supply information and ideas to help resolve the environmental problems we face.

The Interior Department demonstrated its faith in the Council by officially requesting in April 1969 that we undertake a study of air and water pollution by petroleum facilities and fuels and the impact of pollution control efforts on industry operations. The request went on to say that this study should reflect the efforts to assure that all pertinent facts are placed before the government officials charged with the making of policy rules involving pollution

control regulations which may affect oil and gas operations.

The Council accepted this request, recognizing the importance, complexity and timeliness of the subject to be studied, and the Committee on Environmental Conservation--the Oil and Gas Industries was formed to accomplish this task. In chairing this Committee, I have been fortunate in having the active participation of some 25 Council members on the Committee, as well as the assistance of a select 24-member Coordinating Subcommittee, chaired by Mr. Leo A. McReynolds, Director, Petroleum Products and Environmental Conservation, Phillips Petroleum Company. The Co-Chairman of this Committee was Mr. Gene P. Morrell, Deputy Assistant Secretary, Mineral Resources, U.S. Department of the Interior; the Vice Chairman of our Committee on Air was John E. Swearingen, Chairman of the Board, Standard Oil Company of Indiana; the Vice-Chairman of Water and Land Studies was Mr. J. Howard Marshall, II, Chairman of the Board of the Great Northern Oil Company; the Secretary to that Committee was Mr. Vincent M. Brown, Executive Director of the National Petroleum Council.

The Co-Chairman of the Coordinating Subcommittee was Dr. Wilson M. Laird, Director of Oil and Gas, U.S. Department of Interior; the Secretary was Edmond H. Fairington, ^{Assistant Secretary} consultant to the National Petroleum Council.

Now, from the beginning of our task--you know, it's amazing to me how dry your throat can get the morning after you've wetted it down so well the night before-- (laughter)--from the beginning of our task, my Committee felt the need to put requirements for energy and for achieving environmental quality in the proper perspective; also that the manner and extent to which the oil and gas industries fit into the attainment of adequate energy supply and satisfactory environmental standards should be made clear. Decisions by the Government on environmental improvement are too important, both to the general public and to the oil and gas industries, to be made hastily or without a full understanding of the need for and the effects of such decisions.

Even at that early stage of our investigation, it was also obvious that there were many facets to the perspective we sought to achieve and that the acquisition of factual information and its presentation in a credible fashion would be one of the most difficult tasks faced by the Council. At the outset, therefore, your Committee decided on certain points of emphasis and also limitations for the study, in order to clarify the scope and depth of our effort and to keep it within reasonable bounds. For example, we have given

relatively great emphasis to the economic aspects of environmental conservation, and to an examination of the adequacy of knowledge on which to base a decision.

Because an understanding of the industries' technical and operational complexity and operations is important, we have gone into some detail on these aspects in our coverage of sources of pollution and the ways to control it. We have covered not only petroleum industry operations, but also the particular complex problems of utilization of petroleum products. Finally, we have dealt comprehensively with the legal factors of environmental policies, encompassing not only domestic, but also existing international laws, regulations, and proposals for the future.

To keep the study within reasonable bounds, we decided to exclude examination of pollution which may be caused by the processing of chemical feedstocks into chemical end products or by utilization of chemical end products. This area of study is of concern to the chemical industry and beyond the competence of the membership of this Committee. Also, while we have recognized all potential sources of pollution dangers from industry operations and from consumption of oil and gas products, we limited extensive study only to those potential sources of relatively great concern.

Now, after a year and a half of effort, Mr. McReynolds' Subcommittee has completed its review and presented to my Committee a summary volume, designated as Volume I, which we have here (holding document aloft), which contains policy conclusions and a digest of the complete report of the Subcommittee. Now, Part One of this summary volume, the policy portion of the overall report, was approved by my Committee at a meeting yesterday afternoon. It will cover 19 pages when published but it has been distributed to you in a larger draft form for ready reference.

Part Two of Volume I is entitled "Summary of Volume II." It contains ten chapters and constitutes the comprehensive coverage, though in summary form, requested by the Department of the Interior. Part Two has been approved by the Committee subject to editing. It will be sent to the Council by mail for approval.

The complete report, including Volume II, will require more time-consuming editorial effort because of the size of Volume II. However, I expect that it will be published sometime this coming summer and therefore be available in a timely fashion to the wide variety of persons, in government and the public sector, who may benefit from its detailed coverage. Incidentally, that Volume II is just about that

thick(demonstrating) and it's amazing to me that this Coordinating Subcommittee was able to complete all this work and still retain their sanity, because there are some real discussions and arguments that can come up in preparing anything as voluminous as that.

Now, I'd like to turn your attention back to Part One of Volume I. As I indicated earlier, this is the policy portion of the overall report and contains some 26 primary conclusions grouped into the three categories of (1) general law and regulatory policy, (2) the economics of environmental conservation and (3) the specific environmental concern for air, water and land pollution. Since this represents the key comments and conclusions extracted from the entire report, I propose to ask Mr. Leo McReynolds, whose Coordinating Subcommittee prepared the basic information, to review these conclusions for you in a summary fashion. At the conclusion of his review, I will ask for discussion, and will then move for Council approval of this portion of the report.

However, before Mr. McReynolds starts his review, I would like to read to you the summary conclusion of the report:

SUMMARY CONCLUSION

It is the conclusion of the National Petroleum

Council, an industry advisory body to the Secretary of the Interior, representing virtually the entire American oil and gas industries, that these industries are conscious of their significant responsibilities for environmental conservation and are sincerely dedicated to a continuing and effective approach to the solutions to those environmental problems which lie within their purview.

The oil and gas industries are well aware of the environmental problems resulting from the conduct of their various operations of production, refining, storage, transportation and marketing of products, and also outside these industries, from the use of their products. Real progress has been made in defining these problems and developing solutions to them, but, nevertheless, problems remain. Continuing progress will be required to improve standards and to develop more advanced technology and better operating practices and equipment to achieve improved environmental quality.

The oil and gas industries face a requirement to provide to the society of which they are a part vital energy in a manner consistent with environmental conservation, recognizing that the costs involved are those of society. We are confident that these industries will continue

to do their part, including full cooperation with government and with the general public which they serve, so that the requisite environmental standards can be developed and met, consistent with providing the nation with its necessary energy.

I would like now to call on Mr. Leo McReynolds.

MR. McREYNOLDS: Thank you very much, Bill.

Mr. Chairman, Co-Chairman, I will certainly not attempt to give you everything that is in our conclusion section here. After an appropriate forward and introduction, we do get right into a series of 26 conclusions and I would like simply to highlight these conclusions for you.

The first conclusion is under our law and regulatory policy. The first conclusion is that the role of Government should be to prescribe workable standards of air, water and land quality to be maintained and in general to lead to private initiative the means whereby the standards will be achieved.

Our second conclusion which I think is quite an important one is as follows: where a cooperative approach to the solution of an environmental problem serves the public interest, the Executive Branch should clarify the extent of cooperation that is consistent with the intent

of present antitrust laws, and if necessary seek enactment of such further legislation that would be advisable to authorize the most effective means of dealing with such problems. Now, enlarging upon that particular conclusion, one of the comments we have is that in a few situations, it may be that the best interest of society would be served if competitors or complementary industries were permitted to obtain information on a voluntary basis or jointly take action regarding modification of products or procedures in the public interest. For example, where environmental hazards exist, such cooperation may be the most feasible measure to shorten the time for correction.

Our third conclusion is that the United States should not pursue a policy of precluding or delaying exploration and development of the potential petroleum resources of its submerged continental margins. Then we enlarge upon that and recognize some of the pollution problems.

We also tie in with No. 3, Conclusion No. 4, which is related, conflicting jurisdiction of authority in and among governments with respect to offshore pollution hamper control and enforcement and should be effectively resolved. We point out that present laws divide jurisdiction and authority with respect to offshore spills between three

Federal agencies: The state of the union as well as other nations are also involved in this whole matter.

(With respect to the portion dealing with economics, our Conclusion No. 5 states that determination of environmental quality standards should, among other things, take into account the cost benefit factor to society and the impact of that factor upon our economy.

(Conclusion No. 6 states that when environmental quality does not meet the prescribed standards, the constantly moving limits of technology and economics should be taken into account in setting realistic and stable timetables for achievement of the desired quality. In enlarging upon this, we point out that there is an inevitable period of time involved in planning, financing and implementing measures and in a number of instances for developing the necessary technology to comply with the prescribed environmental standards. Thus it is essential that after standards are determined and the time period fixed for compliance, industry be able to rely upon the resulting schedule and not be subjected to continual and exceedingly costly schedule revisions.

(Conclusion No. 7 is that the inevitable cost associated with environmental conservation and pollution control must be borne by society. An approach is needed which will achieve

environmental objectives at the lowest net cost to society and in a fashion which will maximize current benefits at that time, so that the cost incurred may be met on as current a basis as practicable.

Conclusion No. 8, imposition of economic penalties is not an effective means of attaining optimum environmental conservation. Now, enlarging upon this particular conclusion we mention the proposed lead and sulfur tax, and state that in fact this type of charge on fuel composition suffers from the further complication of selecting for assessment a particular aspect of the technical interrelationship between fuels on the one hand and on the other, the vehicles or stationary plants for which they are designed.

Such a charge would unnecessarily project the Government into the free market competitive process, thus limiting the initiative of individual manufacturers to develop more effective means of emission control. Proposals to apply charges to the sulfur content of heating fuels or to lead additives in gasoline may well in practice contribute nothing to environmental conservation and could even forestall progress now underway.

No. 9 states that if required, regulations for reduction of lead and gasoline should be planned realistically

to provide for such reductions as are necessary to reach practical emission goals at a minimum overall cost to the public.

Then we go into specific environmental concerns, the first group dealing with air. We point out that the most serious air pollution problem for the petroleum industry results from the use and in some cases the inefficient use of petroleum products to produce energy for expanding standard of living and increasing population.

The next conclusion discusses emissions from vehicles. We point out that hydrocarbon and carbon monoxide emissions from vehicles are trending down after having reached peaks in the 1965-68 period. Major emissions will start down in 1973 and other particular automotive emissions will start down in 1976. Advanced emission control systems will be the principal power unit for automobiles for the foreseeable future.

Conclusion No. 12 deals with SO_2 from petroleum products which constitutes about one-fifth of the sulphur dioxide in the United States. We include under the discussion of this conclusion the statement that stack gas desulfurization is not expected to be a significant factor in reducing SO_2 from large electric power generating plants before late in this decade. These processes hold promise of allowing large fuel consumers to use high-sulfur fuels.

Conclusion No. 13 deals with the emissions from stationary sources, particularly hydrogen oxide, hydrocarbons, and carbon monoxide.

Our Conclusion No. 14 deals with some of the refinery air pollution control techniques which have been developed.

No. 15 mentions problems of storage, transportation and marketing operations.

No. 16 mentions the problems of light and noise but does point out that we are controlling these problems in our refineries to an increasing extent.

Conclusion No. 17, the basic conclusion reads, "Petroleum industry research, on both a cooperative and an individual company basis, has led to an understanding of atmospheric chemistry and contributed to the development of technology for controlling emissions from both mobile and stationary sources."

We go on to mention the research work being done by the American Petroleum Institute, the research work being conducted jointly by the automobile and petroleum industry, with the assistance of Government through the Coordinating Research Council, the Air Pollution Research Advisory Committee of that Council. Also we mention the inter-industry

sponsored research going on, on control of vehicle emissions.

We also state in this connection that within the framework of antitrust laws, cooperative research by the petroleum industry will continue in the future with related industries and Government. Major specific needs for such research include a number of items which are detailed.

Conclusion No. 18, based on scientific studies on a global aggregate basis, air pollution is not a serious problem, although in many urban industrialized areas, it has reached serious proportions. Studies involving international cooperation are needed to define the global effects of air pollution, particularly from man-made sources.

Then we start in to conclusions relating to water and land.

No. 19 deals with oil spills. Oil spills that have occurred during drilling and production operations offshore have resulted from uncontrollable natural causes or from accidents occasioned by equipment failures or human error. The potential hazard of such spills can be minimized but cannot be entirely eliminated.

No. 20, although significant progress has been achieved, even more advanced and more widely used standards, practices and facilities are needed for the prevention and

control of oil spills from petroleum marine transportation and transfer operations, whether upon the high seas or upon U.S. coastal and inland waters.

We also point out in connection with this particular item that Government as well as private industry have a vital role in prevention of mishaps. Improved transportation support services, such as weather forecasting and navigational aids and improved ship lanes would assist to minimize such accidents.

No. 21, specific well-staffed and well-equipped oil spill control centers are needed and should be established in strategic areas of high pollution potential.

No. 22, technology is not presently available to control major oil spills under conditions of strong currents or heavy seas. Where conditions permit, containment and mechanical recovery of spilled oil often provides the most effective method of oil spill control.

Among the various comments under this item here we say much research is needed on containment and recovery methods at sea and considerable effort is underway.

No. 23, the preponderance of evidence does not support the thesis that permanent damage has been done to marine life and the environment by oil spills.

No. 24, the petroleum industry recognizes that refinery operations are a potential source of pollution and has taken positive steps for many years to reduce such pollution, and then we detail some of the steps which have been taken.

No. 25, considering the volume of materials handled, land pipeline transportation of hydrocarbons is a minimal source of pollution.

No. 26, improper disposal of used lubricating oils and other wastes from marketing operations is a potential source of pollution, although not a major one at present because of industry effort to ensure proper disposal procedures.

Well, these, gentlemen, are the specific conclusions backed up by the comments which are in the document before you. These were reviewed in detail by Mr. Keeler's Committee yesterday, and they had a number of very constructive suggestions to make, which have been incorporated in this particular document which you have before you.

Before I sit down, Mr. Keeler, I would like to say that it's been a privilege and a real challenge to work on this very interesting assignment. I appreciated the very capable assistance from our good Government Co-Chairman of the Coordinating Subcommittee, Dr. Wilson Laird, the

excellent help from the staff, and the tremendous cooperation which I have received from the members of my Committee.

Thank you.

MR. KEELER: Fine. Before you sit down, I also want to ask, gentlemen, do you have any comments or questions that you'd like to raise on the report?

There being none, Mr. Chairman, I move the approval of Volume I, entire Volume I, by the National Petroleum Council as presently prepared. Volume II will be mailed to the members at a later date, and at that time we will ask for approval of Volume II.

MR. BROCKETT: Thank you very much, Mr. Keeler.

You have heard the motion. Is there a second?

(Second)

MR. BROCKETT: Any questions?

All in favor, please signify by saying "aye."

(Chorus of "ayes.")

MR. BROCKETT: Opposed?

(No response).

MR. BROCKETT: Thank you very much, Mr. Keeler and Mr. McReynolds.

Gentlemen, it is apparent that the Council has been very busy this past year. Again I congratulate you

and the Committee on the work that has been completed and the efforts that have been exerted.

Gentlemen, in the past year the budget and financial problems of the Council have been handled on a rather informal basis by the National Petroleum Council Chairman, Executive Director, with varying assistance from key Council members. Due to the increasingly complex studies necessitating larger staff and operating funds, I have established in February a small budget committee to work with the Chairman and the permanent staff on these matters.

Members of this Committee include: Mr. Dean McGee, Chairman; Mr. Howard Boyd, Mr. Allen Calvert, Jr., Mr. John G. McLean and Mr. John G. Winger. The Committee met yesterday on budget matters for the purpose of presenting a report on that meeting. In the absence of the Chairman, Mr. McGee, I'd like to introduce Mr. Howard Boyd.

MR. BOYD: Mr. Chairman, Members of the Council, as Mr. Brockett has indicated, a budget committee has been created to deal with the mundane affairs of the Council in the matter of finances. I have been requested in the absence of Mr. Dean McGee who I'm happy to report is satisfactorily recovering from a recent disability, to report on the meeting, the first meeting of the Committee held yesterday afternoon.

This Committee reviewed the financial affairs of the Council as of the end of the first half of the present fiscal year, and studied what are the estimated needs for the balance of the present fiscal year. We took into account the magnitude and complexity of many of the reports that are presently the subject of study and we've come up with the estimate for reasons that have been outlined here, principally by Mr. McLean, dealing with the necessity to employ outside assistants in the form of Battelle. There will be a deficit as of the end of the year of some \$225,000, and the Budget Committee is of the opinion steps should be taken to fund this deficit. The Committee has recommended that a request be made to the membership to voluntarily contribute to the funding of this deficit on the basis of a percentage that bears the same relationship as the contributions to the initial budget that were made.

I move, Mr. Chairman, that the proper officers of the Council be authorized to implement the recommendations of the Budget Committee.

MR. BROCKETT: Thank you, Mr. Boyd.

Is there a second?

(Second)

MR. BROCKES: Any discussion? Any questions?

Gentlemen, those in favor, signify by saying

"aye."

(Chorus of "ayes.")

MR. BROCKETT: Opposed?

(No response)

MR. BROCKETT: Thank you very much, Mr. Boyd.

I feel it is important that the National Petroleum Council be adequately funded so it may continue to be of service not only to the Department of Interior, Secretary of the Interior, but to the nation as well, and I thank you for approving this budget this morning.

Secretary Dole, do you have any remarks or comments you would like to make at this point in time?

SECRETARY DOLE: Well, Mr. Chairman, I have no additional instructions or anything of that order, but I would like to congratulate you and your Vice Chairman and members of the Council and members of your study committees for the hard work and important work that you have performed for the Department of Interior this past year.

I am sure that Secretary Morton is looking forward to the continued cooperation and the excellent and outstanding assistance that you have provided other Secretaries, and I do wish to express my personal thanks to you for all the

work, help, and time you have taken and the rest of the membership for attending these meetings.

Thank you very much.

(Applause)

MR. BROCKETT: Thank you, Mr. Secretary.

Gentlemen, that concludes our formal agenda this morning. Is there any further business to be brought before the meeting?

MR. FOX: Mr. Chairman, I would like to ask a question and, depending upon the answer to the question, I'd like to make a suggestion. The question is, and it is directed to Mr. Brown primarily, do you have any record at this meeting of the new members of the Council?

MR. BROWN: Are you referring to the memberships in the Council, the appointments that will go out in June, effective July 1, 1971?

MR. FOX: Yes. The new members beginning in this fiscal year.

MR. BROCKETT: Last summer.

MR. BROWN: Oh, yes, we have a complete record.

MR. FOX: No, I mean at this meeting. The point is we have quit calling the roll, of which I thoroughly approve, but I do think it would be nice for the new members to be recognized so that we can welcome them as new members

to the Council. If we can't do that at this meeting, I suggest we do it at the next.

MR. BROCKETT: I agree with you.

Do you have the list with you, Vince?

MR. BROWN: I could do it from the roster right there, yes.

MR. BROCKETT: We are a little ahead of time. I think it would be well to take time to go through and recognize the new members of the Committee. When your name is called, would you please rise?

MR. BROWN: Mr. Jack D. Berry, President, Thomas N. Berry & Company, Stillwater, Oklahoma.

(Mr. Berry rose. Applause.)

MR. BROWN: Mr. Homer Best, Jr. from Jackson, Mississippi. I don't have the attendance here--is Mr. Best present? (No response)

Is W. T. Cannon, the new President of the National Tank Truck Carriers of Lansdowne, Pennsylvania here?

(Mr. Cannon rose. Applause.)

MR. BROWN: Mr. C. Fred Chambers from Houston, Texas.

(Mr. Chambers rose. Applause.)

MR. BROWN: W. B. Cleary, President of Cleary Petroleum Corporation, Oklahoma City.

(Mr. Cleary rose. Applause.)

MR. BROWN: W. P. Clements, Jr.

(No response)

MR. BROWN: Donald L. Crockett, President Crockett Oil Company, Joplin, Missouri.

(Mr. Crockett rose. Applause.)

MR. BROWN: Is Mr. David F. Dorn here?

(No response)

MR. BROWN: Mr. Emison of Oskey Gasoline & Oil Company, Minneapolis?

(Mr. Emison rose. Applause.)

MR. BROWN: Ross R. Floyd, Jackson, Mississippi.

(No response)

MR. BROWN: The new President of the National Oil Jobbers Council, Leo D. Guttman.

(Mr. Guttman rose. Applause.)

MR. BROWN: The new President of the American Association of Oil Well Drilling Contractors, H.B. Harkins.

(Mr. Harkins rose. Applause.)

MR. BROWN: The new Chairman of the Board of Consolidated Natural Gas, Herbert C. Johnson?

He's not here.

MR. BROWN: John Kaneb.

(No response)

MR. BROWN: Theodore Law, Chairman of the Board,
Falcon Seaboard, Inc., Houston, Texas.

(Mr. Law rose. Applause.)

MR. BROWN: Is Mr. McCord present?

(No response)

MR. BROWN: Cary Maguire, Maguire Oil Company,
Dallas?

(Mr. Maguire rose. Applause.)

MR. BROWN: Reese Milner, Milner Oil Company,
Beverly Hills?

(No response)

MR. BROWN: Mr. T.B. Pickens, Jr.?

(No response.)

MR. BROWN: Howard Stover?

(No response)

MR. BROWN: Thomas F. Stroock, Casper, Wyoming?

(Mr. Stroock rose. Applause.)

MR. BROWN: Mr. A. W. Winter, President, National
Petroleum Refiners Association?

(No response)

MR. BROWN: Mr. Chairman, I believe from memory I
have covered them all. Did I miss any new members since the

last Council meeting?

MR. DUNLOP: Bob Dunlop, Sun Oil you missed.

MR. BROWN: Indeed I did. Mr. Bob Dunlop, Chairman of the Board, Sun Oil Company.

(Applause)

MR. BROCKETT: Gentlemen, welcome to the membership of the National Petroleum Council and thank you, Mr. Fox, for reminding us of something we should do.

Gentlemen, I'd like to acknowledge the presence of the press during our entire meeting today, and I'd like to thank them for being with us. There will be a press conference in this room immediately following adjournment of this meeting.

Is there further business?

MR. HARTLEY: Mr. Chairman, one comment and one question. I was a little sorry that the Secretary made reference to Santa Barbara, since there were so many other places he could have selected, but the question I have, Mr. Chairman, since we do have a little time--

MR. BROCKETT: Do you want to make a speech?

MR. HARTLEY: No, I thought it would be interesting to find out from the gentlemen working on the energy problem since they told us this morning they're going to

predict this pretty accurately in terms of between now and 1985, I'd like to know whether the base case they are preparing, whether they will assume the Alaskan Pipeline is or is not approved between now and 1985?

MR. McLEAN: Mr. Chairman, I think I'll call on Warren Davis, Co-Chairman of the Coordinating Subcommittee.

MR. BROCKETT: Mr. Davis?

MR. DAVIS: I think the answer to Mr. Hartley's question is that the Oil Subcommittee that is working on this particular matter is, like most of our Committees, I think, going to be inclined to be optimistic about these matters and assume that where there's reasonable doubt, we expect that the sound and reasonable thing would be done. I think the answer to Mr. Hartley's question is that the estimates we make will anticipate a reasonably early approval of this pipeline.

MR. BROCKETT: Any further questions, gentlemen? If not, we stand adjourned.

(Whereupon, at 10:50 o'clock, a.m. the meeting was adjourned.)