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SANTA BARBARA CHANNEL

DEPOSITORY

HEARING

BEFORE THE

SUBCOMMITTEE ON

MINERALS, MATERIALS AND FUELS

OF THE

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION

ON

S. 1951

A BILL TO TERMINATE, AND TO DIRECT THE SECRETARY OF THE INTERIOR AND THE SECRETARY OF THE NAVY TO TAKE ACTION WITH RESPECT TO CERTAIN LEASES ISSUED PURSUANT TO THE OUTER CONTINENTAL SHELF LANDS ACT IN THE SANTA BARBARA CHANNEL, OFFSHORE OF THE STATE OF CALIFORNIA; TO EXPLORE NAVAL PETROLEUM RESERVE NUMBERED 4, AND FOR OTHER PURPOSES

S. 2339

A BILL TO ESTABLISH THE SANTA BARBARA CHANNEL FEDERAL ENERGY RESERVE

NOVEMBER 13, 1973

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SECRET

MEMORANDUM FOR THE DIRECTOR, FBI

RE: [Illegible]

[Illegible text]

SANTA BARBARA CHANNEL

TUESDAY, NOVEMBER 13, 1973

U.S. SENATE,
SUBCOMMITTEE ON MINERALS, MATERIALS AND FUELS,
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 3110, Dirksen Office Building, Hon. Lee Metcalf, chairman, presiding.

Present: Senators Metcalf [presiding], and Bartlett.

Also present: Jerry T. Verkler, staff director; and D. Michael Harvey, special counsel.

Senator METCALF. The subcommittee will please come to order.

OPENING STATEMENT OF HON. LEE METCALF, A U.S. SENATOR FROM THE STATE OF MONTANA

Ever since the famous oil well blowout in the Santa Barbara Channel in January 1969, the future development of the oil and gas resources under the channel has been a matter of great concern throughout the United States, particularly in California. The Committee on Interior and Insular Affairs has held hearings on legislation concerning the Santa Barbara situation in both the 91st and 92d Congress. No law was enacted.

The senior Senator from California, Mr. Cranston, has introduced a bill designed to resolve the many unanswered questions—the Santa Barbara Channel Federal Energy Reserve Act, S. 2339. President Nixon has also proposed legislation dealing with the Santa Barbara situation, S. 1951.

The President has repeatedly urged the Congress to enact this bill. He most recently repeated his plea in his special state of the Union message on September 10. Indeed, the President has criticized the Congress for failing to enact his proposal. In view of this history, the subcommittee will be particularly interested to hear the administration's testimony this morning, which I understand will indicate that they no longer want their proposal enacted.

The bills will be incorporated in the record at this point and the previous report and the November 12 report of the Department of Interior will be incorporated also.

[The texts of S. 1951 and S. 2339 with the departmental reports referred to above follow:]

93^d CONGRESS
1st SESSION

S. 1951

IN THE SENATE OF THE UNITED STATES

JUNE 6, 1973

Mr. JACKSON (for himself and Mr. FANNIN) (by request) introduced the following bill; which was read twice and referred to the Committee on Interior and Insular Affairs

A BILL

To terminate, and to direct the Secretary of the Interior and the Secretary of the Navy to take action with respect to certain leases issued pursuant to the Outer Continental Shelf Lands Act in the Santa Barbara Channel, offshore of the State of California; to explore Naval Petroleum Reserve Numbered 4, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That effective on the date of enactment of this Act all of the
- 4 following described leases, and all rights thereunder issued
- 5 pursuant to the Outer Continental Shelf Lands Act in the
- 6 Santa Barbara Channel, offshore of the State of California,

1 shall terminate and the United States shall be vested with
2 all of the right, title, and interest in said leases:

P-0179	P-0174	P-0171	P-0238	P-0230	P-0213	P-0219
P-0176	P-0173	P-0169	P-0232	P-0222	P-0201	P-0211
P-0178	P-0170	P-0167	P-0237	P-0206	P-0228	P-0220
P-0175	P-0172	P-0199	P-0231	P-0229	P-0234	P-0212
P-0177	P-0168	P-0198	P-0223	P-0221	P-0227	P-0200

3 SEC. 2. (a) The holder of any lease terminated pursu-
4 ant to this Act shall be entitled as the sole method for the
5 recovery of just compensation for the lease or leases so
6 terminated to bring an action against the United States in
7 the United States District Court for the Central District of
8 California within one year after the date of enactment of
9 this Act. Said court is expressly vested with jurisdiction of
10 any action so brought without regard to the amount of the
11 claim therein. Trial of any such action shall be to the court,
12 without a jury.

13 (b) The amount of any judgment in any such action or
14 of any compromise settlement of such action and any interest
15 accruing thereon shall be certified to the Secretary of the
16 Interior by the Department of Justice.

17 SEC. 3. (a) There is hereby created in the Treasury of
18 the United States a special account which shall be known as
19 the petroleum reserve account from which payments shall be
20 made in accordance with the provisions of this Act. In order
21 to provide the funds for the petroleum reserve account, the
22 Secretary of the Navy is directed to offer for sale on the open

1 market under such competitive bidding procedures as he may
2 establish, the United States share of the oil and gas extracted
3 from Naval Petroleum Reserve Numbered 1 pursuant to the
4 provisions of this Act and to pay the funds realized from such
5 sale into the United States Treasury. In each year, sales pro-
6 ceeds equal to the Government's receipts from Naval Petro-
7 leum Reserve Numbered 1 during the twelve calendar months
8 immediately preceding enactment of this Act shall be credited
9 to the general fund and the remaining sales proceeds shall be
10 credited to the petroleum reserve account. Any sums remain-
11 ing in the petroleum reserve account after the payments
12 authorized by subsection (b) have been made shall be trans-
13 ferred to miscellaneous receipts of the Treasury, and there-
14 after the funds realized under this subsection shall be paid into
15 miscellaneous receipts of the Treasury.

16 (b) There is hereby authorized to be appropriated out
17 of the petroleum reserve account to the Secretary of the
18 Interior, the Secretary of the Navy, the Secretary of the
19 Treasury, and the Attorney General, to remain available
20 until expended when so authorized in appropriation Acts,
21 such sums as may be necessary to:

22 (1) enable the Secretary of the Interior to pay
23 judgments, compromise settlements, and interest there-
24 on, as certified by the Attorney General under section
25 3 hereof;

1 (2) enable the Secretary of the Navy to carry out
2 petroleum exploration on Naval Petroleum Reserve
3 Numbered 4, Arctic North Slope, Alaska;

4 (3) reimburse the general funds of the Treasury
5 for any lost royalties, as determined by the Secretary
6 of the Interior, resulting from a reduction of existing
7 production from existing oil and gas leases on Federal
8 lands caused by production of oil and gas from Naval
9 Petroleum Reserve Numbered 1 under the provisions
10 of this Act; and

11 (4) carry out the functions and responsibilities
12 required of the Secretary of the Interior, the Secretary
13 of the Navy, and the Attorney General under the pro-
14 visions of this Act.

15 (c) In the event the funds in the petroleum reserve ac-
16 count are not sufficient to pay any amount so appropriated
17 there is authorized to be appropriated to the Secretary of the
18 Treasury for advance to the petroleum reserve account out of
19 any money in the Treasury not otherwise appropriated such
20 funds as may be necessary for such payments. The Secretary
21 of the Treasury shall be reimbursed for such advances from
22 funds paid into the petroleum reserve account in accord-

1 ance with this Act, with interest thereon, at such rates as
2 may be determined from time to time by the Secretary of the
3 Treasury.

4 SEC. 4. Without regard to the provisions of chapter 641,
5 title 10, United States Code, the Secretary of the Navy is
6 authorized and directed to produce by whatever means he
7 deems necessary sufficient oil from Naval Petroleum Reserve
8 Numbered 1 to fulfill the requirements of section 3 hereof.
9 The Secretary of the Navy is also authorized to renegotiate
10 and modify existing contracts relating to production of oil
11 from said reserve in such manner as may in his judgment
12 be necessary or advisable to enable such increased production.

13 SEC. 5. There is hereby created a national energy re-
14 serve on the Outer Continental Shelf in the Santa Barbara
15 Channel, offshore of the State of California, under the juris-
16 diction and control of the Secretary of the Interior. The said
17 national energy reserve shall be made up of the land subject
18 to the leases terminated pursuant to this Act, plus the land
19 subject to waived lease P-0235 and the following described
20 land as shown on the official Outer Continental Shelf leasing
21 map, channel islands area map numbered 6B, approved
22 August 8, 1966, and revised July 24, 1967, as—

CALIFORNIA

Official Leasing Map, Channel Islands Area Map Numbered 6B

Block	Description
50 north 66 west.....	All.
50 north 67 west.....	All.
51 north 65 west.....	Northwest quarter of the northwest quarter.
51 north 66 west.....	All.
51 north 67 west.....	All.
51 north 68 west.....	All.
51 north 69 west.....	All.
51 north 70 west.....	East half and east half west half.
52 north 64 west.....	All Federal portion thereof.
52 north 65 west.....	All Federal portion thereof.
52 north 66 west.....	All Federal portion thereof.
52 north 67 west.....	All Federal portion thereof.
52 north 68 west.....	All Federal portion thereof.
52 north 69 west.....	All Federal portion thereof.
52 north 70 west.....	All Federal portion of east half and east half west half.
48 north 69 west.....	All.
47 north 69 west.....	All Federal portion thereof.
46 north 69 west.....	All Federal portion thereof.
47 north 68 west.....	All.
46 north 68 west.....	All Federal portion thereof.
47 north 67 west.....	All.
46 north 64 west.....	All Federal portion thereof.

- 1 The national energy reserve shall be available for lease only
- 2 as determined by the President and under such terms and
- 3 conditions as he may prescribe in accordance with existing
- 4 law.

93d CONGRESS
1st Session

S. 2339

IN THE SENATE OF THE UNITED STATES

AUGUST 3, 1973

Mr. CRANSTON introduced the following bill; which was read twice and referred to the Committee on Interior and Insular Affairs

A BILL

To establish the Santa Barbara Channel Federal Energy Reserve.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Santa Barbara Channel
4 Federal Energy Reserve Act".

FINDINGS

5
6 SEC. 2. The Congress hereby finds and declares that--
7 (1) the Santa Barbara Channel is a unique area;
8 (2) hazards may exist in offshore oil and gas pro-
9 duction posing a serious threat of pollution of coastal
10 waters;

1 (3) such pollution has occurred in the Santa Bar-
2 bara Channel of California;

3 (4) present drilling and production methods and
4 unsightly drilling rigs constitute environmental and navi-
5 gational hazards which threaten the Santa Barbara
6 coastline and its submerged lands sanctuary, including
7 the offshore islands;

8 (5) while continued exploration for potential oil and
9 gas reserves is consistent with the development of a
10 sound national energy policy, there exists a need for a
11 production moratorium in the Santa Barbara Channel
12 until a drilling or production technology has been estab-
13 lished that can insure maximum environmental protec-
14 tion; and

15 (6) it is therefore in the national interest to post-
16 pone oil and gas production and to create a Federal
17 energy reserve in the Santa Barbara Channel until such
18 adequate technology is established and proven.

19 ESTABLISHMENT OF SANTA BARBARA CHANNEL FEDERAL
20 ENERGY RESERVE

21 SEC. 3. The area of the Outer Continental Shelf, as de-
22 fined in the Outer Continental Shelf Lands Act, in the Santa
23 Barbara Channel off the coast of California is hereby estab-
24 lished as the Santa Barbara Channel Federal Energy Reserve
25 (hereinafter referred to as the "reserve"). Such reserve shall

1 be subject to the provisions of this Act and to the Outer Con-
2 tinental Shelf Lands Act to the extent consistent with this
3 Act.

4 SUSPENSION OF PRODUCTION IN RESERVE

5 SEC. 4. (a) Except on leases described and as provided
6 in section 5, all production of oil and gas in the reserve is
7 suspended but nothing in this Act shall prevent the continued
8 exploration for oil and gas in the reserve.

9 (b) Such suspension shall be terminated by the Secre-
10 tary of the Interior, after consultation with the Administrator
11 of the Environmental Protection Agency and the Secretary
12 of the Department in which the Coast Guard is operating,
13 and finding by the Secretary that—

14 (1) oil spill containment and recovery technology
15 adequate for Santa Barbara Channel sea conditions and
16 the rate of flow historically associated with major oil
17 blowouts (of one thousand barrels per day or more) has
18 been developed, and made available;

19 (2) independent oil consultants of national reputa-
20 tion concur that the characteristics of the specific geo-
21 logical formation to be drilled and produced do not pre-
22 sent unusual hazards and indicate sufficient stability for
23 drilling and production without the danger of causing an
24 oil blowout from the ocean floor;

25 (3) the technology of the offshore drilling provides

1 the optimum in pollution prevention for the specific
2 geological formation to be drilled;

3 (4) underwater completion and production tech-
4 niques have been perfected and demonstrated at another
5 location to be safe and effective;

6 (5) the location of the drilling site offers no naviga-
7 tional hazards;

8 (6) the reliability of a proposed drilling or produc-
9 tion technology has been established and demonstrated to
10 be safe and effective;

11 (7) environmental impact recommendations are
12 filed by appropriate Federal agencies or advisory boards
13 in compliance with the reporting requirements of the
14 National Environmental Policy Act of 1969; and

15 (8) public hearings on these matters have been
16 held in Santa Barbara, California.

17 (c) The Secretary is authorized to extend the primary
18 term on each lease on which production is suspended pur-
19 suant to this section for—

20 (1) the period of the suspension pursuant to this
21 section; and

22 (2) for an additional period equal to the time re-
23 maining on the primary term of such lease on the date
24 of enactment of this Act.

25 During the period of suspension the Secretary shall waive

1 all of the rentals and drilling deferment payments with
2 respect to such lease.

3 (d) Notwithstanding the preceding provisions of this
4 section, the President may terminate the suspension pro-
5 vided for in this section, for such period as he may prescribe,
6 upon determining that a national emergency in oil and gas
7 supplies necessitates such termination for such period.

8 PROVISIONS WITH RESPECT TO CERTAIN LEASES

9 SEC. 5. (a) The Secretary is authorized under such
10 terms and conditions as he may prescribe to unitize all or any
11 part of the following described leases in the reserve, if he
12 finds such action is necessary or desirable to prevent or mini-
13 mize oil spillage, leaks, or other pollution:

14 P-0241,

15 P-0240,

16 P-0166.

17 (b) The Secretary shall not permit the erection of any
18 further platforms within the leases described in this section
19 unless necessary to prevent oil leakage, not otherwise con-
20 tained, and where no other methods are feasible. No such
21 platform shall be authorized unless pursuant to a recom-
22 mendation made by the Secretary in accordance with the
23 provisions of section 4 relating to findings under that section
24 and such provisions shall also apply to recommendations
25 under this section.

1 (c) The Secretary shall provide for and require the or-
2 derly removal of all platforms within the leases described in
3 this section when he finds that they can be replaced by under-
4 water drilling or production units which comply with the
5 provisions of clause (4) of section 4 (b) of this Act.

6 (d) At such time as the Secretary determines that no
7 further drilling or production is required in leases P-0240 and
8 P-0241 to prevent or minimize oil spillage, leaks, or other
9 pollution, he shall report such fact to Congress.

10 (e) The Secretary shall suspend production on the lease
11 designated as PRC-3150 pursuant to section 3 of this Act at
12 such time as the State of California terminates the lease desig-
13 nated as PRC-3150, granted by such State, with respect to
14 adjoining lands in the Carpinteria oilfield.

15 TAX CREDIT FOR CERTAIN SUSPENSION COSTS

16 SEC. 6. The holder of any lease on which production is
17 suspended pursuant to this Act shall be allowed a credit to-
18 ward any tax imposed on such holder pursuant to subtitle A
19 of the Internal Revenue Code of 1954 for any taxable year
20 in an amount equal to the interest, at a current fair market
21 rate on such holders investment in such lease, for the period
22 of such suspension during such year.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

NOV 12 1973

Dear Mr. Chairman:

This responds to your request for the views of this Department on S. 1951, a bill "To terminate and to direct the Secretary of the Interior and the Secretary of the Navy to take actions with respect to certain leases issued pursuant to the Outer Continental Shelf Lands Act in the Santa Barbara Channel, Offshore of the State of California; to explore Naval Petroleum Reserve Numbered 4, and for other purposes," and S. 2339, a bill "To establish the Santa Barbara Channel Federal Energy Reserve."

We recommend that neither bill be enacted at this time.

Both bills constitute responses to the unfortunate oil blowout that occurred on a Federal lease in the Santa Barbara Channel in January, 1969. S. 1951, the Administration bill, would terminate certain leases seaward of the California State Oil Sanctuary in the Channel and certain others shoreward of scenic Channel islands. The area covered by these leases and certain others would be placed into a national energy reserve under the jurisdiction of the Secretary of the Interior. Holders of terminated leases would be authorized to sue the United States. Their compensation would come from the proceeds of sale of Federal oil and gas extracted from Naval Petroleum Reserve Numbered 1. In addition to compensating leaseholders, such proceeds could be utilized to explore Naval Petroleum Reserve Numbered 4.

S. 2339 takes a different approach to the Santa Barbara situation. This bill would create a larger Federal reserve out of the entire area of the Outer Continental Shelf, as defined in the Outer Continental Shelf Lands Act, in the Channel. Except for three producing leases which would be unitized, if necessary to prevent pollution, all production of oil and gas in the reserve established by the bill would be suspended; however, continued exploration for oil and gas in the reserve would be permitted. This suspension would be terminated by the Secretary of the Interior if, after consultation with the Administrator of the Environmental Protection Agency and the Secretary of the Department in which the Coast Guard was operating, he made findings that: (1) adequate oil spill containment and recovery technology had been developed and made available; (2) independent consultants concurred that there was no danger of oil blowouts from the ocean floor; (3) the technology of offshore drilling provided the optimum in pollution prevention;



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(4) underwater completion and production techniques had been perfected and tested; (5) the location offered no navigational hazards; (6) the reliability of the proposed drilling or production technology had been established and tested; (7) environmental impact recommendations had been filed; and (8) public hearings had been held in Santa Barbara, California. The Secretary of the Interior would be authorized to extend the terms of leases involved in the suspension so that they would not be impaired. The bill authorizes the President, in the event of a national emergency, to lift the suspension of oil and gas production in the Channel. Finally, the bill grants a tax credit to holders of suspended leases. This credit would be equal to the interest, at a current fair market rate on such holder's investment in such lease, for the period of such suspension during the taxable year involved.

Our recommendation that neither bill be enacted stems from our conviction that changing circumstances since the Administration proposal was formulated require that the Santa Barbara situation undergo thorough reconsideration including the preparation of a new environmental impact statement on all facets of oil production in the channel.

The first new factor that has emerged since the Santa Barbara proposal was first formulated is an energy shortage of substantial proportions. In the last few months, the anticipated shortage has been seriously aggravated by the Arab-nation embargo on oil shipments to this country. It now appears that this embargo will deprive the nation of from 2 million to 2.75 million barrels of oil per day. The higher figure constitutes about 45 percent of our daily imports and 15 percent of our daily consumption. The impact of the embargo will be distressingly evident before the end of this month, and this acute phase will last as long as the present disturbance in world oil trade patterns continues. Even if normal trade relations are resumed, oil will remain in scarce supply and will be available only at prices unheard of as recently as 3 months ago. This action has caused the evaporation of whatever lead time we may have had in solving our energy problems. Moreover, it is likely that the embargo will set a precedent, that we will have to cope with the ever-present threat of oil shortages caused by purely political considerations.

California, where oil that might be produced from the Santa Barbara Channel would probably be utilized, is also experiencing an energy problem. A recent report by the Resources Agency of the California Department of Conservation predicts a severe statewide shortage of natural gas--and thus greatly increased reliance on oil--by 1975.

The second new factor that has entered into the picture since 1969 is improved procedures and technology governing oil production in Outer Continental Shelf Lands. The offshore regulations of the Geological Survey have been extensively revised to define more clearly the responsibility of lessees and the authority of the Survey's Regional Supervisor over OCS operations; to exercise tight control over drilling, production, and waste disposal; and to require equipment fully adequate for the safe conduct of operations. Much stress has been placed on the development of redundancy or "fail-safe" devices and procedures that provide for safety when another device or procedure has failed.

To make sure that these regulations and orders are fully observed, we have developed a comprehensive review system. All work plans and proposed activities must be reviewed in advance and approved before work proceeds. Each operator is also required to develop and file a satisfactory pollution contingency plan. And as part of the review process, proposed actions that may have a significant effect on the environment are carefully assessed. If it is determined that such an action may have a significant effect, an environmental statement is prepared following procedures under the National Environmental Policy Act. We have also instituted a field inspection system which not only helps to ensure compliance with regulations and orders but provides information useful in identifying points of weakness in equipment or procedures and in the development of corrective measures.

During the last two years we have had three studies undertaken on our behalf--one by analysts from the National Aeronautics and Space Administration, another by a panel of the Marine Board of the National Academy of Engineering, and one by a systems analysis team of the Geological Survey--to identify additional means of improving the safety of offshore operations. As a result of the recommendations of these groups, we are now in the process of developing a failure-reporting and corrective-action system, an information exchange system, a means to assure better training of personnel, a better identification of research and development needs, and several other procedures and programs that will add to our collective ability to conduct safe offshore operations.

In addition, a review committee on safety of OCS petroleum operations has been established to advise the Director of the Geological Survey on policies and procedures related to safety, pollution control, and environmental protection. This group has been established under the auspices of the Marine Board of the National Academy of Engineering and is composed of experts in various engineering and scientific fields. Finally, earlier this month the American Petroleum Institute published Specifications and Recommended Practices for the Subsurface Safety Valve (storm choke) to assure manufacturing standards and proper sizing procedures for certain well conditions. We envision the incorporation of these standards into our own regulations.

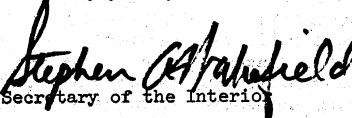
The early results of these more stringent requirements and advances in technology are encouraging: the amount of oil spilled during routine production operation in the Gulf of Mexico has been reduced by a third.

Having considered these factors, we have determined that our Santa Barbara proposal should be reconsidered. One of the vehicles for doing this will be the National Environmental Policy Act. Signed into law by President Nixon on January 1, 1970, this Act established carefully thought-out procedures and policies which have governed all subsequent Federal decision-making having environmental ramifications. When the results of our study process are in, we will reexamine our proposal and communicate our decision to the Congress. Given the energy shortage that is now upon us, we believe that such a reexamination is strongly in the national interest.

Accordingly, we recommend that no Santa Barbara bill be enacted until our reevaluation has been completed. We believe, nonetheless, that one aspect of S. 2339 should be discussed, even in advance of that reevaluation. Whereas S. 1951 would place in reserve only a limited portion of OCS lands in the Channel, S. 2339 would place the entirety of OCS lands in the Channel in reserve. In light of the energy crisis with which we must contend, the greater extensiveness of this bill may be a luxury which we cannot afford. This doubt becomes even stronger when we recall that S. 2339 would result in closing a seaward area to oil and gas production when there is no assurance that the shoreward area will not be put to such production. It is difficult to see how this arrangement would protect the environmental values in the Santa Barbara Channel.

The Office of Management and Budget has advised that further study of this situation has the support of the Administration.

Sincerely yours,


Assistant Secretary of the Interior

Hon. Henry M. Jackson
Chairman, Committee on
Interior and Insular Affairs
United States Senate
Washington, D.C. 20510



United States Department of the Interior

APR 18 1973

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

Dear Mr. President:

Enclosed is a proposed bill "To terminate and to direct the Secretary of the Interior and the Secretary of the Navy to take actions with respect to certain leases issued pursuant to the Outer Continental Shelf Lands Act in the Santa Barbara Channel, offshore of the State of California; to explore Naval Petroleum Reserve Numbered 4, and for other purposes."

We recommend that the proposed bill be referred to the appropriate committee for consideration and that it be enacted.

The rationale for this proposed bill is best understood in light of a brief outline of pertinent events in the history of oil and gas development in the Santa Barbara Channel. When lands beneath the Santa Barbara Channel were recognized to be rich in oil deposits concern for the environment led the State of California, in 1955, to declare 16 miles of scenic coastline a sanctuary, closed to all oil exploration and development. The State waters on either side were open to petroleum development. The first Federal lease in the Santa Barbara Channel was issued in 1966, followed by 71 more leases in 1968. At the time of the oil well blow-out of January 1969, oil was being produced from fixed platforms on two Federal leases. Immediately following the blow-out the Secretary of the Interior initiated a sweeping review of the Department's management program in the Channel. The Department's regulations and operating orders and the Channel's geology and environment were subjected to intensive scrutiny in this review process. At the same time, a second major action was taken. An order was signed which converted the existing two-mile buffer opposite the Santa Barbara State Oil Sanctuary into a permanent ecological preserve. Until this order was signed, the area, which covers 21,000 acres, had no special legal status.

The Department's concern for the environment of the Santa Barbara Channel area was reinforced with the enactment of the National Environmental Policy Act of 1969, 42 U.S.C. §§4321-4347 (NEPA), which directed all Federal agencies to use all practical means to improve their programs in light of the policies set out in NEPA and, to the fullest extent possible, to interpret and administer their policies, regulations, and laws in accordance with policies expressed in NEPA. Acting under this congressional mandate, the Department prepared environmental impact statements on exploratory drilling and on two applications for fixed drilling and production platforms in the Santa Barbara Channel.

The Department's geologic and environmental analysis initiated following the blow-out led to conclusions which, in light of the subsequent enactment of NEPA, required that the Department review the implications of operations on existing leases. Moreover, in the course of this review the Department also considered the existing energy crisis and the present pressing need for oil and natural gas. As a result of this review, it has been determined, on a balancing of all national interests, that the overall benefits to the Nation from the establishment of a National Energy Reserve as this bill provides, would outweigh any anticipated benefits which would come from permitting the present development of oil and gas deposits pursuant to these leases. Such a National Energy Reserve would complement both the Federal Ecological Preserve and the adjacent buffer zone and would protect the unique environmental and recreational qualities of the Santa Barbara Channel and the four Channel Islands, which during the 92d Congress were included in a proposal to establish a Channel Islands' National Park.

Several bills covering the Santa Barbara situation have been introduced during the previous two Congresses, but none of them has been enacted. With this background in mind, we turn to an explanation of this bill, which is virtually identical to past proposals by this Department on the same subject.

The bill provides that 35 of the Federal leases in the Santa Barbara Channel will be terminated and the area covered by them, as well as certain other adjacent areas, will be included in a National Energy Reserve. The reserve will be available for lease only as determined by the President. Thus, while continuing to permit production from the geological structure damaged by the 1969 blow-out which underlies adjacent leases, the bill would prevent immediate development of strategic areas of the Channel which are subject to many of the same geological problems recognized after the 1969 blow-out and which lie close to areas widely recognized for their environmental and recreational qualities.

The bill provides a method for payment of compensation to the holders of the leases terminated by its provisions. The amount of compensation would be determined by the United States District Court for the Central District of California in suits initiated by the lessees.

To pay judgments, as certified by the Department of Justice, the proposal would create a Petroleum Reserve account, to be funded with proceeds from the sale of oil extracted from Naval Petroleum Reserve Numbered 1, California. In the event the Petroleum Reserve account proved insufficient to satisfy outstanding judgment and compromise settlements, the bill

authorizes an appropriation to enable the Secretary of the Treasury to advance funds to satisfy such judgments and compromise settlements, with the Petroleum Reserve account subsequently reimbursing the Treasury for such advances.

The bill would authorize the Secretary of the Navy to sell enough oil and gas from Naval Reserve Numbered 1, to provide funds sufficient, as far as possible, to pay the claims arising from terminated leases and certain related expenses. In addition, as a means of exploring the potential oil and gas deposits in Naval Petroleum Reserve Numbered 4, the bill would authorize the Secretary of the Navy to sell sufficient oil and gas from Naval Petroleum Reserve Numbered 1 to provide funds for that purpose.

While considering this bill, the Congress should be aware that in conjunction with a similar Departmental proposal introduced during the 92d Congress, the Secretary suspended operations on the same 35 leases included in the present proposal for the duration of the 92d Congress and extended their lease terms for a period equal to the period of suspension. A similar suspension and extension order was issued by the Secretary concurrently with the transmittal of this proposal to Congress. However, the legality of the Secretary's action in this regard during the 92d Congress was challenged by lessees in the case of Gulf Oil Corporation, et al. v. Morton, now before the Court of Appeals for the 9th Circuit, and a companion case now before the District Court for the Central District of California, Humble Oil Corporation, et al. v. Morton. The District Court in the Gulf case ruled against the validity of the Secretary's suspension and extension order, holding that by so acting he was exceeding the scope of his authority, under the Outer Continental Shelf Lands Act of 1953, 43 U.S.C. §§1331-1343, to suspend leases in the interest of conservation.

This Department, through the Department of Justice, is appealing this decision of the District Court. We maintain that the 1971 suspension was in the interest of conservation and that the Secretary has authority under the Outer Continental Shelf Lands Act to extend the terms of leases so suspended. As the Department will continue to maintain this position until a final judicial determination is made otherwise, favorable action on this proposal would be consistent with existing executive department interpretation of the Secretary's authority.

We believe that the proposed bill recognizes and protects the important environmental values of this area of the Santa Barbara Channel, offers an equitable mechanism for determining and paying just compensation to the lessees, and preserves the resources involved.

In support of a similar Departmental proposal introduced in the 91st Congress, President Nixon stated:

" . . . This proposal for Santa Barbara illustrates our strong commitment to use of offshore lands in a balanced and responsible manner . . . This recommendation is based upon the belief that immediate economic gains are not the only, or even the major way of measuring the value of a geographic area. The ability of that area to sustain wildlife and its capacity to delight and inspire those who visit it for recreation can be far more important characteristics. This proposal recognizes that technology alone cannot bring national greatness, and that we must never pursue prosperity in a way that mortgages the nation's environment."

The Office of Management and Budget has advised that this proposal is in accord with the President's program.

Sincerely yours,



Acting Secretary of the Interior

Honorable Carl Albert
Speaker of the House
Washington, D.C. 20515

Enclosure

SECTIONAL ANALYSIS OF PROPOSAL

Section 1 terminates several named leases, all rights to which are vested in the United States.

Section 2 provides the method of recovery for leaseholders, via an action in the U.S. District Court for the Central District of California. The Department of Justice shall certify the judgments awarded to the Secretary of the Interior for payment.

Section 3 creates in the U.S. Treasury a Petroleum Reserve account from which payments are to be made in accordance with the Act. The account will be funded by the sale of U.S. oil and gas extracted from Naval Petroleum Reserve Numbered 1. In addition to compensating leaseholders pursuant to section 2 of the Act, this account may be used to carry out petroleum exploration of Naval Petroleum Reserve Numbered 4, Artic North Slope, Alaska; to reimburse the general funds for losses occasioned by any reduction in existing oil and gas production on Federal lands caused by production from Naval Petroleum Reserve Numbered 1; and to enable the various Federal agencies involved in the Act to carry out their functions. This section also authorizes the Secretary of the Treasury to make advances to the Petroleum Reserve account.

Section 4 authorizes the Secretary of the Navy to produce sufficient oil from Naval Petroleum Reserve Numbered 1 to meet the requirements of section 3.

Section 5 creates a national energy reserve in the Santa Barbara Channel under the jurisdiction of the Secretary of the Interior.

A B I L L

To terminate, and to direct the Secretary of the Interior and the Secretary of the Navy to take action with respect to certain leases issued pursuant to the Outer Continental Shelf Lands Act in the Santa Barbara Channel, offshore of the State of California; to explore Naval Petroleum Reserve Numbered 4, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That effective on the date of enactment of this Act all of the following described leases, and all rights thereunder issued pursuant to the Outer Continental Shelf Lands Act in the Santa Barbara Channel, offshore of the State of California, shall terminate and the United States shall be vested with all of the right, title, and interest in said leases:

P-0179	P-0174	P-0171	P-0238	P-0230	P-0213	P-0219
P-0176	P-0173	P-0169	P-0232	P-0222	P-0201	P-0211
P-0178	P-0170	P-0167	P-0237	P-0206	P-0228	P-0220
P-0175	P-0172	P-0199	P-0231	P-0229	P-0234	P-0212
P-0177	P-0168	P-0198	P-0223	P-0221	P-0227	P-0200

SEC. 2(a). The holder of any lease terminated pursuant to this Act shall be entitled as the sole method for the recovery of just compensation for the lease or leases so terminated to bring an action against the United States in the United States District Court for the Central District of California within one year after the date of enactment of this Act. Said court is expressly vested with jurisdiction of any action so brought without regard to the amount of the claim therein. Trial of any such action shall be to the court, without a jury.

(b) The amount of any judgment in an such action or of any compromise settlement of such action and any interest accruing thereon shall be certified to the Secretary of the Interior by the Department of Justice.

SEC. 3(a). There is hereby created in the Treasury of the United States a special account which shall be known as the Petroleum Reserve account from which payments shall be made in accordance with the provisions of this Act. In order to provide the funds for the Petroleum Reserve account, the Secretary of the Navy is directed to offer for sale on the open market under such competitive bidding procedures as he may establish, the United States' share of the oil and gas extracted from Naval Petroleum Reserve Numbered 1 pursuant to the provisions of this Act and to pay the funds realized from such sale into the United States Treasury. In each year, sales proceeds equal to the Government's receipts from Naval Petroleum Reserve Numbered 1 during the twelve calendar months immediately preceding enactment of this Act shall be credited to the general fund and the remaining sales proceeds shall be credited to the Petroleum Reserve account. Any sums remaining in the Petroleum Reserve account after the payments authorized by subsection (b) have been made shall be transferred to miscellaneous receipts of the Treasury, and thereafter the funds realized under this subsection shall be paid into miscellaneous receipts of the Treasury.

(b) There is hereby authorized to be appropriated out of the Petroleum Reserve account to the Secretary of the Interior, the Secretary of the Navy, the Secretary of the Treasury, and the Attorney General, to remain available until expended when so authorized in appropriation Acts, such sums as may be necessary to:

(1) enable the Secretary of the Interior to pay judgments, compromise settlements, and interest thereon, as certified by the Attorney General under section 3 hereof;

(2) enable the Secretary of the Navy to carry out petroleum exploration on Naval Petroleum Reserve Numbered 4, Arctic North Slope, Alaska;

(3) reimburse the general funds of the Treasury for any lost royalties, as determined by the Secretary of the Interior, resulting from a reduction of existing production from existing oil and gas leases on Federal lands caused by production of oil and gas from Naval Petroleum Reserve Numbered 1 under the provisions of this Act; and

(4) carry out the functions and responsibilities required of the Secretary of the Interior, the Secretary of the Navy, and the Attorney General under the provisions of this Act.

(c) In the event the funds in the Petroleum Reserve account are not sufficient to pay any amount so appropriated there is authorized to be appropriated to the Secretary of the Treasury for

advance to the Petroleum Reserve account out of any money in the Treasury not otherwise appropriated, such funds as may be necessary for such payments. The Secretary of the Treasury shall be reimbursed for such advances from funds paid into the Petroleum Reserve account in accordance with this Act, with interest thereon, at such rates as may be determined from time to time by the Secretary of the Treasury.

SEC. 4. Without regard to the provisions of chapter 641, title 10, United States Code, the Secretary of the Navy is authorized and directed to produce by whatever means he deems necessary sufficient oil from Naval Petroleum Reserve Numbered 1 to fulfill the requirements of section 3 hereof. The Secretary of the Navy is also authorized to renegotiate and modify existing contracts relating to production of oil from said reserve in such manner as may in his judgment be necessary or advisable to enable such increased production.

SEC. 5. There is hereby created a national energy reserve on the Outer Continental Shelf in the Santa Barbara Channel, offshore of the State of California, under the jurisdiction and control of the Secretary of the Interior. The said national energy reserve shall be made up of the land subject to the leases terminated pursuant to this

Act, plus the land subject to waived lease P-0235 and the following described land as shown on the official Outer Continental Shelf Leasing Map, Channel Islands Area Map Numbered 6B, approved August 8, 1966, and revised July 24, 1967 as:

CALIFORNIA

Official Leasing Map, Channel Islands Area Map
Numbered 6B

Block	Description
50 north 66 west-----	All.
50 north 67 west-----	All.
51 north 65 west-----	northwest quarter of the northwest quarter.
51 north 66 west-----	All.
51 north 67 west-----	All.
51 north 68 west-----	All.
51 north 69 west-----	All.
51 north 70 west-----	East half and east half west half.
52 north 64 west-----	All Federal portion thereof.
52 north 65 west-----	All Federal portion thereof.
52 north 66 west-----	All Federal portion thereof.
52 north 67 west-----	All Federal portion thereof.
52 north 68 west-----	All Federal portion thereof.
52 north 69 west-----	All Federal portion thereof.
52 north 70 west-----	All Federal portion of east half and east half west half.
48 north 69 west-----	All.
47 north 69 west-----	All Federal portion thereof.
46 north 69 west-----	All Federal portion thereof.
47 north 68 west-----	All.
46 north 68 west-----	All Federal portion thereof.
47 north 67 west-----	All.
46 north 64 west-----	All Federal portion thereof.

The national energy reserve shall be available for lease only as determined by the President and under such terms and conditions as he may prescribe in accordance with existing law.

Senator METCALF. Our first witness this morning will be the senior Senator from California, who is the sponsor of S. 2339. We also have Charles M. Teague, Congressman from California, and Stephen A. Wakefield, who have other engagements this morning, as indeed, I have, because the pipeline bill is on the floor.

We are delighted to have Senator Cranston with us this morning. He has a leader in this struggle to get effective legislation for the Santa Barbara Channel.

**STATEMENT OF HON. ALAN CRANSTON, A U.S. SENATOR FROM
THE STATE OF CALIFORNIA**

Senator CRANSTON. Thank you very much. I appreciate your arranging this hearing and I appreciate your interest in this problem and your kind words about the efforts I and others have been making.

Senator METCALF. Senator Cranston, you know that the administration has changed position on the administration's bill?

Senator CRANSTON. So I understand.

Senator METCALF. I wonder if, during the course of this hearing, you would take advantage of your oral presentation to address yourself to that matter?

Senator CRANSTON. I am not certain what their new position is, so perhaps I should comment in writing after I have a chance to examine it.

Senator METCALF. Very well.

Senator CRANSTON. The issue before this committee is one of extreme importance. The future of oil in the Santa Barbara Channel, the resolution of this issue, will have a fundamental impact not only on Santa Barbarans and Californians, but also on all citizens in the Nation.

It is clear we are now deep in the midst of an energy crisis of unanticipated proportions. The root cause of this crisis is a long-developing imbalance between energy supply and demand. We have all seen this imbalance worsening and have foreseen a growing potential for shortages of fossil fuels. Many of us in Congress, and particularly this committee have been developing programs to cope with this growing crisis. But the supply-demand imbalance has suddenly and seriously been exacerbated into a crisis which each of us must face this winter, in part because of the success of the oil export embargo imposed by the Arab oil-producing nations. And with or without a continuation of the oil boycott, I am one who believes that America will continue to feel the pinch of energy shortages for many summers and winters to come.

Americans can no longer blandly consume energy as though it were water in a rainstorm. Comprising only 6 percent of the world's population, the United States can no longer consume 30 percent of the world's energy. We must take decisive steps now to curb our ever-increasing appetite for energy and trim the fat from our energy diet, especially in the short run, but also in the long run. We must make some significant changes in our way of life—utilize mass transit and carpools instead of single occupant automobiles, for example. And we must commit the considerable human, technological and financial resources of this great Nation toward solving our energy supply problems and developing more efficient ways of utilizing the supplies we do have.

As part of our efforts to achieve a sane national energy policy, it is essential that we, in Congress, take the necessary steps to resolve, at long last, the question of oil in the Santa Barbara Channel.

My bill, S. 2339, as revised, is the only bill before the Senate designed specifically to resolve this controversy within the context of a serious domestic energy crisis. It would do this by allowing continued exploration for oil and gas—and that is the major change that I have made in the legislation since last year—but prohibiting any new production until our offshore production technology is sufficiently improved to assure environmental protection within the channel. It would designate the channel as the Santa Barbara Channel Federal Energy Reserve.

S. 2339 is a modification of what I proposed in S. 1219 and S. 373 of the 91st and 92d Congresses, respectively. Many valid objections to these bills were raised by members of this committee as well as by other individuals and groups. S. 2339 is an attempt to take these objections into account, to meet them, and to preserve the environment of the channel within the context of an energy crisis that grows more serious each day.

The Santa Barbara Channel is bound on the north and east by the shoreline of Santa Barbara and Ventura Counties, on the south by the Channel Islands of San Miguel, Santa Rosa, Santa Cruz, and Anacapa, and on the west by the open waters of the Pacific Ocean. The east-west length of the channel is approximately 70 miles, the north-south width is 25 to 30 miles. The total area is about 1,750 square miles. About 1,300 square miles, or 75 percent of the channel are more than 3 nautical miles from the shorelines of the mainland and the Channel Islands, and is administered by the Federal Government under the provisions of the Outer Continental Shelf Lands Act. As of January 1, 1973, about 40 percent of the Outer Continental Shelf portion of the channel was held by 69 oil and gas leases issued by the Bureau of Land Management, U.S. Department of the Interior. My bill is concerned with these 69 leases.

The Santa Barbara Channel region is unique in several respects. First, during the last several decades, the socioeconomic structure of Santa Barbara changed from a traditional agricultural economy to an amenity-oriented economy in which esthetic considerations became vital. By the Roosevelt era, Santa Barbara was well established as a resort community. Since then, the economy was diversified by adding higher education and light industry—primarily research and development—to the resort and retirement sector. In short, the Santa Barbara economy is a service-oriented forerunner of a late 20th-century economy, which would leave behind both traditional agricultural structures and heavy industrial metropolitan ones.

Second, the geology of the channel is fragile and unique. The ocean floor forms a topographic and structural basin with an east-west axis. It contains numerous major and minor faults aligned with the structural trend. The general area is seismically quite active; over 600 earthquakes were recorded in or near the channel between 1934 and 1967. Two severe quakes have occurred—one in 1925 with a Richter magnitude of 6.3, and a second in 1941 with a magnitude of 5.9. Future seismic damage can certainly be expected in the channel.

Geological Survey Professional Paper No. 679 studied in detail the instability of the channel's geology. The paper said that because oil was so close to the surface and the cap rock covering was so porous, the Santa Barbara Channel was unique of its geological type in California.

The presence of oil in the channel has long been apparent. Shallow oil reservoirs at or near the surface in the Santa Barbara region, which is subject to frequent earthquakes, crustal rupture and oil seeps, have leaked oil for millions of years. Sweeping oil and tar were utilized by the Indians that once lived along the shoreline of Santa Barbara, and later to light the lamps of the nearby San Fernando Mission in 1850.

Some oil has been produced within the California 3-mile limit since early in this century. During the 1960's, as oil production accelerated on State lands, it was feared that oilfields under the Federal lands might be adversely affected. A big State lease sale in 1966 was accompanied by the sale of the first Federal lease. Exploration on the Federal offshore lands increased dramatically after 1966. According to estimates at the time, the industry spent \$100 million on 150 test holes which indicated that as much as 1.5 billion barrels of crude petroleum lay under the Federal portion of the channel.

On February 6, 1969, at the Biltmore Hotel in Los Angeles, the Bureau of Land Management presided over a major lease sale. It turned out to be the Nation's record lease sale, subsequently superseded only by bidding for the treasures of Alaska's North Slope. On that day, for 71 tracts, high bids were accepted totaling nearly \$603 million. Ill-fated tract 402, where the Union Oil blowout would occur within the year, brought a bonus of \$61 million—a new record price of \$11,373 per acre.

Somewhere lost in the business of tallying these bonuses were the foreboding facts that of the 71 tracts on which bids were accepted, only three were in less than 100 feet of water. Seventeen were in depths exceeding 1,000 feet.

On Tract 402, Union Oil Co. proceeded with plans to drill a total of 63 wells from platform A, for itself and three partners—Mobil, Gulf, and Texaco. Platform A was mounted like a gigantic spider in 180 feet of water, with its legs rammed into the sea floor despite the presence of gas bubbles and oil seeps, indicating an unstable geology.

The fifth in platform A's 63 wells was begun January 14, 1969. The well was designated A-21. In the early morning hours of January 28, drilling had approached A-21's primary target, a pocket of pressurized petroleum at about 3,500 feet below the ocean floor. Shortly before noon, underground jolts shook the drilling rig and despite the crew's efforts to prevent it, a geyser of oil erupted 100 feet high. Working frantically while enveloped in a hydrocarbon mist, the crew was able to cap the geyser. All was quiet for 7 minutes. Then about 200 yards off the northeast corner of platform A, the sea belched forth a boil of poisonous natural gas, forcing the crew to scramble into lifeboats and head for shore. In a then strangely quiet sea, tremendous volumes of crude oil began to float up and surround platform A. The Santa Barbara spill had begun.

Within 2 days, it was estimated that as much as 2.1 million gallons of oil had been spewed out. By this time, the slick covered 32 square

miles. By the 3d day, it covered 115, by the 8th day, 660 square miles of the channel were coated and 100 miles of shoreline were contaminated. The rate of flow during this period was estimated to be as high as 5,000 barrels per day. The spill continued through the spring and summer. Before it finally abated, a tremendous amount of oil had been spilled into the waters of the channel. The U.S. Geological Survey placed this figure at 10,000 barrels. The President's Panel On Oil Spills estimated the amount at somewhere between 23,800 and 71,500 barrels. The estimate of the California Resources Agency ranged from 5,000 barrels to 160,000 barrels. Whatever the actual amount really was, it was more than we could afford environmentally and economically. And the looming question remains: When will it happen again?

The Santa Barbara spill was characterized at the time as a final turning point for reappraising the national interest in allocating priorities between conservation and exploitation. Today, we are faced with yet another critical turning point in this appraisal process: The impact of the energy crisis. Both have in common a clear demonstration of the foolhardiness of recklessly and ruthlessly exploiting our resources in order to appease the constantly growing energy appetite of America.

This hearing marks a vital step toward making a public policy decision about the role to be played by the Santa Barbara Channel in resolving the energy crisis. In making this decision, there are certain broad parameters that must be taken into consideration.

First and foremost, we must curb the fantastic growth rate for energy consumption in this country. We cannot support an annual growth rate of 4 to 6 percent as has been the case in the past.

Second, we must utilize our energy far more efficiently than previously.

Third, we must identify the extent of our domestic energy reserves, so that we can develop those we need in an orderly manner.

Fourth, we must immediately step up our research and development programs for new sources of energy, particularly the promising fields of solar and geothermal energy.

And fifth, we must establish a national energy policy which maximizes energy conservation and energy efficiency, encourages the rapid development of new sources and supplies, and deposits a rational and orderly scheme for the production of existing fossil fuel reserves in a manner that is consistent with environmental protection.

Within this framework, the oil reserves of the Santa Barbara Channel should be fully explored and identified. But they should not be produced until we have exhausted other less risky domestic resources, and certainly not until our production and cleanup technology is sufficiently advanced that the soundness of our environment is not unduly threatened. That is the intent of S. 2339.

In closing, I would like to make some specific comments about my proposed bill and to suggest several changes in its language.

First, section 4(d) on page 5 should be changed by deleting the words "in oil and gas supplies" where they appear after the words "national emergency" on line 6. This was a drafting error which imparts a meaning that is not my intent. Clearly, we are at this very moment experiencing a national emergency in oil and gas supplies, and I do not intend for the Santa Barbara Channel oil to be produced in the

absence of better technology except under the most serious of natural emergencies—the actual state of war declared by Congress.

Second, with respect to the tax credit provision in section 6, I wish to make clear my intention that the tax credit would apply to the leaseholder's total investment, but that such investment would not include the value of the unproduced oil.

Finally, I would like to point out a typographical error on page 6, line 11. Where "PRC-3150" first appears in subsection (3), it should be deleted, and "P-0166" inserted in lieu thereof.

Mr. Chairman, the need for this legislation is urgent. As the committee may know, a draft environmental impact statement regarding the Santa Ynez Unit within the channel has been released and public hearings have been completed. The unit operator, Exxon, proposes to erect an initial drilling platform in 850 feet of water, the deepest offshore drilling platform in the world. I urge that this production be postponed, at least until such deepwater drilling technology has been perfected and proven elsewhere.

Certainly the channel should be preserved until we have utilized two other sure sources of petroleum: Elk Hills Naval Petroleum Reserve, and the oil and gas of Alaska's North Slope. The proven reserves at Elk Hills are somewhere in the neighborhood of 1 billion barrels of oil. Furthermore, this oil is of a rather low-sulfur content, an extremely important consideration for the protection of air quality, and particularly with the new reports of serious sulfur pollution which may result from the catalytic converters to be installed on all 1975 cars in California. I believe that Elk Hills should be opened up on a limited basis, perhaps for 3 years, at a rate of 100,000 to 200,000 barrels per day in order to provide crude to bring to capacity the independent refineries of California and to provide fuel to the fuel-starved electric utilities. It makes far more sense to me to utilize a portion of the Elk Hills reserve before we risk serious pollution for the Santa Barbara Channel and the southern California coastline.

And certainly the decision as to whether to go ahead with the Santa Ynez production should be postponed until after we begin receiving Alaskan oil. That should be within 3 to 4 years. And all indications are that the North Slope field, which has proven reserves of 9.6 billion barrels of oil, is actually substantially larger. If we utilize Elk Hills in the meantime, we may find that the North Slope will negate any need to develop the oil in the channel.

Mr. Chairman, in closing I would like to suggest that if, in the final analysis, mankind is going to be able to survive on this planet, then we must respond to the energy crisis before us with careful surgery, not with band-aids. We must seek solutions that are consistent with maintaining a quality environment—one which we will be proud to pass on through the generations. Let us not make hasty and unwise decisions while in the midst of the crisis, only to find in the end that we have irreversibly created an unhealthy and hazardous environment as the tradeoff for an extra 5° on our thermostats this winter.

Thank you.

Senator METCALF. Thank you, Senator Cranston, for a very able and informative statement.

I believe that this hearing has been postponed five times, at least four times. Earlier in the year we had a different situation than confronts us now. In your outline of some of the programs that should be adopted, this committee and other committees of the Senate and, indeed, other committees of the Congress, have worked out and have before us several of those energy bills that you have outlined. I am sure that in some form, perhaps a revised form, that they will rather speedily pass.

One of those includes the development of Elk Hills, as you have suggested. I am impressed by your statement that perhaps we should exhaust some other energy sources before we go into this rather risky business of drilling for oil in Santa Barbara.

What do you mean by continued exploration?

Senator CRANSTON. I think we should permit core drilling and whatever else the oil companies wish to do to determine what is there, where there is oil, and to the best of their ability, how much. But we should not start production drilling until we have done the other things that I have outlined here. Most of all, until the state of the art for underwater drilling, particularly in such deep places, is further developed than it now is. Until there has been some other experiment in the great depth that Exxon proposes to pursue now, and until underwater completion has been developed so there need not be those unsightly derricks above the sea level, and finally when the state of the art, in terms of reducing the threats of leaks, spills, and cleaning them up when they happen, has been further developed.

Senator METCALF. Is it your opinion that the Santa Barbara situation geologically is a unique situation and we should have special legislation for offshore drilling in the Santa Barbara Channel?

Senator CRANSTON. Yes; I believe because of the great instability, which is unchallenged by anyone, at the bottom of the sea there, the threat of earthquakes, there are frequent earthquakes there, and like factors, it requires a specially careful approach there. Also the fact that it is one of the most beautiful parts of the world, enjoyed not only by Californians but by people from all over the world. That is another reason to take extraordinary steps to protect it.

Senator METCALF. Senator Cranston, this subcommittee is going to have a continued interest and concern in the Santa Barbara problem. In view of the legislation that is pending and in view of the administration witnesses that are going to succeed you, I am going to probably call for another hearing later on to explore the change in the situation.

I am very grateful to you for coming here this morning and helping us on these preliminary areas that have developed since the hearings in the last Congress.

Senator Bartlett, do you have anything to ask of Senator Cranston?

Senator BARTLETT. No, sir, I do not. Thank you.

Senator METCALF. Thank you very much, Senator Cranston.

Senator CRANSTON. Thank you very much, gentlemen.

Senator METCALF. The next witness is an old friend from the House of Representatives, Congressman Charles Teague.

Congressman Teague, we are delighted to have you here and it was a great pleasure to serve with you in the House, and I am pleased to have you over here as a witness on this side.

STATEMENT OF HON. CHARLES M. TEAGUE, A U.S. REPRESENTATIVE FROM THE STATE OF CALIFORNIA

Mr. TEAGUE. That has been quite a few years ago, Mr. Chairman.

I am Congressman Charles M. Teague. My congressional district includes both the city and county of Santa Barbara, Calif.

I appreciate this opportunity to appear before your subcommittee and reaffirm my support for legislation to protect the Santa Barbara Channel from serious oil pollution. Consistent with the President's November energy message, leases in the most ecologically sensitive and geologically fragile portions of the channel would be set aside in reserve for a future emergency.

So soon after most Americans have realized for the first time the seriousness of our energy shortfall, it may be difficult to imagine further deterioration in our energy situation, but this committee is, of course, especially mindful that the development and application of new energy technology is a task of many years. During the interim period our relations with other countries will certainly undergo change. We hope these changes will be for the betterment of ourselves and our neighbors, but we must consider the possibility of conflict as well. And, it seems to me, protect ourselves against that possibility by holding in reserve fuel resources that can be extracted only at extraordinary risk to the natural environment. Should some unforeseen event tip us into further imbalance of energy supply and demand in 3 or 5 years, then I think there will be no question but that responsible leaders and citizens will be willing to waive environmental safeguards which we are still able to preserve today, safeguards we can and should maintain today.

The subcommittee has before it already a substantial record related to proposals to protect the Santa Barbara Channel from the kind of massive despoilation which was visited upon its seas, the wildlife which populated it, and the beaches adjoining it, as a consequence of the platform "A" blowout. Hearings of the subcommittee at which I testified in May of 1970, as well as the oversight hearings held pursuant to S. Res. 45 by the full Senate Interior Committee last year, provide volumes of scientific and factual data concerning biological and geological conditions in the channel and offshore industry practices before and since the 1969 spill.

Your time is certainly too valuable for me to attempt to retrace those steps and I would be the last one to claim any credentials of special expertise in such areas. Therefore, I wish only to bring to your attention two more recent contributions to our knowledge of risks and safeguards in offshore oil production.

The Marine Board of the National Academy of Engineering review of "Outer Continental Shelf Resource Development Safety," dated December 1972, listed 19 recommendations to Government for reducing the hazards of offshore oil and gas production, and directed two additional recommendations jointly to Government and industry. The Comptroller General's report of this year, "Improved Inspection and Regulation Could Reduce the Possibility of Oil Spills on the Outer Continental Shelf," cites additional weakness in our present safety regulatory framework. No doubt, some steps have been taken to respond to these deficiencies, but, suffice to say, independent engineering

inspection and investigation reveal some substantial basis on which to question the public regulations claims concerning the safety of OCS operations.

Some salient features of the legislation pending before this committee are deserving of special attention during this energy crisis period:

(1) The legislation requested by the administration, S. 1951, and I am in the same position as Senator Cranston. I don't know what change has been made in the legislation. I am assuming no change has been made, does not terminate all Federal leases in the Santa Barbara Channel. The energy reserve which would be established pursuant to this legislation would consist of areas directly seaward of the Santa Barbara Oil Sanctuary established in State waters, and a buffer zone surrounding the Channel Islands Monument. This legislation does not preclude exploitation of the previously undeveloped Santa Ynez unit of leases. I agree completely with Senator Cranston, greater caution should be shown in granting permits for deepwater drilling north of Santa Barbara. The most substantial oil reservoirs in the channel are estimated to lie in this area, northwest of the energy reserve contemplated in S. 1951. The Interior Department is in the process of assessing the environmental impact of a development plan for this area and, while I have personally urged a cautious approach to development, nothing in the administration bill would delay completion of development plans.

(2) If the President's recommendation for the use of immediately available oil from Naval Petroleum Reserve No. 1 at Elk Hills, Calif., is implemented, it makes sense that the proceeds of such sales be dedicated rather than be paid into the general fund. S. 1951, the only administration proposal currently on the Hill to open Elk Hills, dedicates revenue from the sales to two purposes—establishment of the Santa Barbara Reserve and exploration of Naval Petroleum Reserve No. 4 in Alaska.

(3) While it is inconceivable to me that our strategic fuel reserves would be depleted to the point that our destroyers at sea would be without fuel, some fear that overproduction from Elk Hills would incapacitate our Armed Forces. Production should be limited and reserves in the Santa Barbara Channel should be established to offset sales from Elk Hills.

(4) In an effort to find some solution to the impasse over the role of oil development in the channel since the 1969 blowout, I have introduced several measures which would continue the production and exploration moratorium, already established administratively, legislatively until certain conditions are met. However, I feel that termination of these critical leases provides for a more just disposition of the problem of compensation for companies deprived for 4 years already of rights to exploit leases in which they have invested heavily.

As you undoubtedly know, Mr. Chairman, at the time former Secretary of Interior Udall granted these leases, there were no requirements for environmental studies. Had there been, I am sure this problem that Senator Cranston mentioned of the earthquake problem condition in that area would have played an important part in Secretary Udall's decision, and I have heard him state publicly that he feels that was the greatest mistake he made while he was in office, granting those leases.

Senator Cranston has introduced legislation which I fully support which would offer alternative approaches to resolving this very stubborn issue. His bill has much to recommend it, but I believe his own testimony has already offered a better argument for your favorable consideration than anything I could offer at this time.

I know I speak for my constituents in Santa Barbara in expressing again, my gratitude for your attention to this important issue. Thank you.

Senator METCALF. Thank you very much, Congressman Teague, for your statement and for coming over here this morning. I realize how busy you are over in the House of Representatives, on the floor, and in your own committees. Thank you for helping us on this important matter.

You do have a bill in the House of Representatives, a companion bill to Senator Cranston's?

Mr. TEAGUE. No, we have not. I have not introduced it, but if this committee chooses to report out that bill I would promptly either introduce an identical bill or—

Senator METCALF. Has the administration bill been introduced in the House?

Mr. TEAGUE. Yes.

Senator CRANSTON. By whom, by the committee chairman?

Mr. TEAGUE. The late John Saylor and myself, H.R. 7500.

Senator METCALF. Do you know what the status of that bill is?

Mr. TEAGUE. Yes, Mrs. Mink, the chairman of the subcommittee handling the matter, is holding hearings in Santa Barbara this week on that bill and other related bills.

Senator METCALF. It is very difficult to make inquiries that probably should be made in view of several of the things that have happened, Congressman Teague, which you are aware of as well as I. The fact that both the House and the Senate have acted in part on several of these energy bills, including yesterday, the Senate voted a rather substantial bill and you passed in the House yesterday the so-called Alaska Pipeline bill, the right-of-way bill. These are answers to some of the energy problems. We don't know about Elk Hills. Congressman Moss, the other day in the record, likened the Elk Hills program to a glorified "Tea Pot Dome," which is a delicate situation with me because Senator Walsh was a Senator from Montana.

Mr. TEAGUE. I respectively disagree with my friend, Congressman Moss. I would like to offer for the file, if not the record, a response to Congressman's Moss's allegations.

Senator METCALF. Was that printed in the Congressional Record?

Mr. TEAGUE. Yes.

Senator METCALF. For the file, both Congressman Moss' remarks in the Congressional Record, which he sent over to the committee, and your response, Congressman Teague, will be incorporated. But it will not be printed in here because it has already been printed.

Senator Bartlett.

Senator BARTLETT. You mentioned, and I certainly don't disagree with what you said, that we had taken some steps. But I think it is personally very significant that the only step that I am aware of that has been taken to increase supplies has been the vote on the Stevens-Gravel amendment to legislate the Alaskan Pipeline.

Mr. TEAGUE. For which I voted, Senator.

Senator BARTLETT. Good. I appreciate that. We had a pretty close go of it here in the Senate.

Senator METCALF. I would say it couldn't be any closer, a tie vote.

Senator BARTLETT. No. But I am very disappointed in the bill we reported out yesterday, which will be reported out, I guess, today, that in dealing with the problems on an emergency basis of the shortage, that we are guaranteeing rationing and no effort to solve the supply problem. I think the American people deserve more than that.

I think that they can rough it and take it and set their thermostats down low, as I am sure you have, and I have. They can accept gasoline rationing, but I think they only want to do that if they see a program or a plan to solve the problem. And there is no program or plan in this bill to solve the problem, as I think the chairman will agree.

This blowout that took place, the Union Oil Co. well, I have been informed that this happened because Union Oil Co. was following the Federal requirements of completion and operating the well and did not follow, did not have to, but did not follow the State requirements, which were more stringent and more demanding. I understand that there were many companies, when they operated farther out and were under the Federal control, that still used the State standards because they were more demanding and more realistic to the hazards involved. Am I correct in this?

Mr. TEAGUE. That is my recollection. I am not entirely sure, and I wouldn't want to make this a positive statement, but I am not entirely sure that in this case the Union Oil Co. completely complied with even the Federal standards.

Senator BARTLETT. I am not either. I am really asking all this as a question. But what I am trying to bring out, Mr. Chairman, is that the State standards were more stringent, more restrictive than the Federal standards. I think since this happened the Federal standards have been upgraded and made more stringent on operators.

I might ask you, in your opinion, do you feel that the present State requirements are adequate for the job?

Mr. TEAGUE. At the moment, the State is not drilling and I am not sure how far the jurisdiction of the State would go when we get beyond the 3-mile limit. But there is a State moratorium on and there are no wells being drilled in State waters.

Senator BARTLETT. Has there been a determination that the State standards are inadequate to be used by the Federal Government?

Mr. TEAGUE. I am not aware of any. I have no information on that.

Senator BARTLETT. It would seem that if the standards, Federal standards, are still inadequate that proper procedures could be taken. But it is my understanding that, although certainly there is a hazard to drilling anywhere, whether it is on land in Oklahoma or in water in the gulf or wherever, that there can be standards established which can insure safe operations in most every situation and reduce any likelihood of spills. Is this your opinion?

Mr. TEAGUE. I think Santa Barbara might be an exception due to the fact that it is so earthquake prone. I know there are earthquakes in Alaska, too, of course, but we have frequent earthquakes in California and in this area particularly. Fortunately, we have not had a

severe one for several years, but we never know when one might happen.

There is another point that I would like to make very briefly. When the Alaska pipeline is completed and we start bringing down oil from Alaska in supertankers, the people in the Santa Barbara area really are almost as concerned about the danger of those tankers running into oil platforms as they are of further spills. This is another problem we have.

Senator BARTLETT. And I think, too, Congressman, isn't it true that there is more spills from tanker operations than there ever has been from drilling in water?

Mr. TEAGUE. I have been told that is the case. The Santa Barbara Channel is narrow and it is treacherous. It is a dangerous stretch of water.

Senator BARTLETT. Do the drilling engineers take a position that the tendency of earthquakes in the Santa Barbara Channel raises the hazard sufficiently so that drilling should not take place, or do they take the position that drilling can take place with certain techniques used?

Mr. TEAGUE. I think probably without exception the engineers that are employed by the oil companies would say that it can take place without danger. There are certain independent engineers who hold different views.

Senator BARTLETT. Are there any other independent engineers that hold views consistent with the oil company views?

Mr. TEAGUE. There may be, I am not sure. But these hearings that the House committee is holding in Santa Barbara this week will be devoted almost entirely to local witnesses and I am sure we will have some illuminating testimony on that subject.

Senator BARTLETT. Congressman Teague, is there a pattern of faults lying and extending in the Santa Barbara Channel or near the Santa Barbara Channel?

Mr. TEAGUE. Yes, there is, and with the permission of the Chairman, not, of course, for the record, but for your files, we do have a map which indicates those faults, and I would like to offer it.

Senator METCALF. Please do. We would be delighted to have the map.

I was going to ask Mr. Wakefield for such maps as he has. I now do, and I will not have to do it later. Your map will also go into the file.

Mr. TEAGUE. I think it is his map, too. It is the same map, I believe.

Senator BARTLETT. Congressman Teague, in your mind does the hazard exist where earthquakes are a strong possibility or a strong probability, if the faults are not crossed with drill pipe or with casings? In other words, if the hole going down to the producing horizon does not cross a fault, is there still a hazard to a spill in your mind occasioned by the earthquake probability?

Mr. TEAGUE. I really don't feel qualified to answer that. I am not a geologist and I don't know. That was one of the troubles in the original blowout, that the casing did not go down as far as experts now concede it should have.

Senator BARTLETT. Have earthquakes ever played any part in an oil spill in the Santa Barbara Channel?

Mr. TEAGUE. Not to my knowledge. The last heavy, really heavy, very severe earthquake which killed scores or hundreds of people and demolished a third of Santa Barbara was back in 1923 before the wells were there.

Senator BARTLETT. Congressman, thank you very much for your answers and your testimony. I know more about it.

Mr. Chairman, thank you.

Senator METCALF. Again, thank you. It is a personal pleasure to have you appear before us.

Mr. TEAGUE. Thank you very much, Mr. Chairman.

Senator METCALF. The next witness is Secretary Wakefield. Mr. Wakefield is going to enlighten the students at Hofstra University and he has to catch a plane at 11:30. We will do our best to accommodate him.

STATEMENT OF HON. STEPHEN A. WAKEFIELD, ASSISTANT SECRETARY FOR ENERGY AND MINERALS, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY PETER KELSEY, OFFICE OF SOLICITOR; KING MALLORY, DEPUTY ASSISTANT SECRETARY FOR ENERGY AND MINERALS, DEPARTMENT OF THE INTERIOR; AND RUSSELL G. WAYLAND, CHIEF, CONSERVATION DIVISION, U.S. GEOLOGICAL SURVEY

Mr. WAKEFIELD. Mr. Chairman, I am pleased to be here to discuss S. 1951 and S. 2339. Our position is that neither bill should be enacted at this time. Rather, we propose to undertake a thoroughgoing review of the Santa Barbara situation, including environmental impact statements on the ramifications of developing the oil and gas in the channel. This means that the Administration is reconsidering one of its own proposals.

Three developments occurred since that proposal was first formulated which make such a review essential. First is the energy crisis which this country is facing today, second is the enhancement of the Department's capability for regulation of Outer Continental Shelf operations, third is the improvements in offshore drilling and production technology since 1969 that have been developed by the oil industry.

I would like first to touch upon the considerations that went into this Department's earlier thinking on the Santa Barbara situation and then to explain the subsequent developments which have led us to reevaluate the problem.

The January 1969 blowout on one of the Federal leases in the Santa Barbara Channel was a traumatic event, both for an administration that had just taken office, and for a Nation whose environmental consciousness was beginning to awaken. It was a time for decisive action. Immediately after the blowout the Secretary of the Interior took two major steps to forestall further accidents. First, he initiated a sweeping review of the Department's management policies in the channel, as

well as an intensive study of the geology and environment of the channel itself. Second, he converted a 2-mile unleased "buffer zone," opposite an area of the channel which the State of California has set aside as a State oil sanctuary, into a permanent Federal ecological preserve.

The outcome of the Department's review of the situation was the decision that a careful balance must be struck between oil development and preservation of environmental values in the Santa Barbara Channel. To that end, we submitted a proposal to the 91st Congress which would have terminated certain leases in the channel and created a National Energy Reserve out of the area which they covered. We revised this proposal in the 92d Congress by adding more leases to the total which would be terminated. We revised it again slightly for this Congress. Operations on the leases recommended for termination have been suspended during the last two Congresses.

The basic rationale for the administration's approach to Santa Barbara oil development has been to complement environmental decisions made by the State of California. That State has concluded that a certain portion of the channel is of paramount environmental value and has set it aside as a sanctuary. We considered the proper Federal role in this case to be to accommodate ourselves to that conclusion and to place the areas seaward of the State sanctuary and shoreward of the scenic Channel Islands into a Federal reserve.

We are not repudiating that decision at this time. It may remain to this moment the correct one. We believe, however, that there are factors, not present when the decision was first made which call it into question. It is on the basis of these factors that we intend to take another hard look at the administration proposal, and I would like to discuss them in some detail.

The first new factor that has emerged since the Santa Barbara proposal was first formulated in the energy shortage which was already building to substantial proportions even before the Arab-nation cut-offs of last month. These interruptions add a new dimension to the basic problem. It now appears that the embargo will deprive us of from 2 to 2.75 million barrels of oil per day. The higher figure constitutes about 45 percent of our daily imports and 15 percent of our daily consumption. The impact of the embargo will be distressingly evident before the end of this month, and this acute phase will last as long as the present disturbance in world oil trade patterns continues. Even if normal trade relations are resumed, oil will remain in scarce supply and will be available only at prices unheard of as recently as 3 months ago. This action has caused the evaporation of whatever leadtime we may have had in solving our energy problems. Moreover, it is likely that the embargo will set a precedent, that we will have to cope with the ever-present threat of oil shortages caused by purely political considerations.

The plight of California is particularly serious. It has been hard hit by natural gas curtailments, and even before the Arab actions in October there was an estimated deficiency of 55,000 barrels a day of crude oil in the San Joaquin Valley and Los Angeles Basin areas. The Arab embargo has increased this shortage by one-quarter of a million barrels a day. This unexpected action has greatly intensified an already serious problem in California.

Thus, we have a very different backdrop for a Santa Barbara decision today from the one we had in 1969 or even earlier this year, before war in the Middle East further disrupted our patterns of energy supply.

It is worth pointing out that one of the steps the administration has taken to attempt to meet the energy crisis relates to our Santa Barbara proposal. On November 7, 1973, the President transmitted to the Congress a proposed joint resolution which would find that there is a national defense emergency and approve production of 160,000 barrels of oil per day from Naval Petroleum Reserve No. 1. We hope for quick enactment of this legislation, which would also provide for exploration and development of all the naval petroleum and oil shale reserves. We shall, therefore, give particular attention in our reconsideration of S. 1951 to that provision which would pay for terminated leases out of funds derived from development of Naval Petroleum Reserve No. 1.

The other new factors that have entered into the picture since 1969 are improved procedures and technology governing oil production in Outer Continental Shelf lands. The offshore regulations of the Geological Survey have been extensively revised to define more clearly the responsibility of lessees and the authority of the Survey's area oil and gas supervisor over OCS operations; to exercise tight control over drilling, production, and waste disposal; and to require equipment fully adequate for the safe conduct of operations. Much stress has been placed on the development of redundancy or fail-safe devices and procedures that provide for safety when another device or procedure has failed.

To make sure that these regulations and orders are fully observed, we have developed a comprehensive review system. All work plans and proposed activities must be reviewed in advance and approved before work proceeds. Each operator is also required to develop and file a satisfactory pollution contingency plan. And as part of the review process, proposed actions that may have a significant effect on the environment are carefully assessed. If it is determined that such an action may have a significant effect, an environmental statement is prepared following procedures under the National Environmental Policy Act. We have also instituted a field inspection system which not only helps to insure compliance with regulations and orders but provides information useful in identifying points of weakness in equipment or procedures and in the development of corrective measures.

During the last 2 years we have had three studies undertaken on our behalf—one by analysts from the National Aeronautics and Space Administration, another by a panel of the Marine Board of the National Academy of Engineering, and one by a systems analysis team of the Geological Survey—to identify additional means of improving the safety of offshore operations. As a result of the recommendations of these groups, we are now in the process of developing a failure-reporting and corrective-action system, an information exchange system, a means to assure better training of personnel, a better identification of research and development needs, and several other procedures and programs that will add to our collective ability to conduct safe offshore operations.

In addition, a review committee on safety of OCS petroleum operations has been established to advise the Director of the Geological Survey on policies and procedures related to safety, pollution control, and environmental protection. This group has been established under the auspices of the Marine Board of the National Academy of Engineering and is composed of experts in various engineering and scientific fields. Finally, early this month the American Petroleum Institute published specifications and recommended practices for the subsurface safety valve—storm choke—to assure manufacturing standards and proper sizing procedures for certain well conditions. We envision the incorporation of these and additional standards into our own regulations.

The early results of these more stringent requirements and advances in technology are encouraging: the amount of oil spilled during routine production operation in the Gulf of Mexico has been reduced by one-third.

I might also add, Mr. Chairman, that during 1972 and thus far 1973, we have not had a major oil spill on the Outer Continental Shelf.

Having considered these factors, we have determined that our Santa Barbara proposal should be reevaluated. One of the vehicles for doing this bill will be the National Environmental Policy Act. Signed into law by President Nixon on January 1, 1970, this act established carefully thought-out procedures and policies which have governed all subsequent Federal decisionmaking having environmental ramifications. When the results of our study process are in, we will reexamine our proposal and communicate our decision to the Congress. Given the energy shortage that is now upon us, we believe that such a re-examination is strongly in the national interest.

Accordingly, we recommend that no Santa Barbara bill be enacted until our reevaluation has been completed. For that reason I have not included in this statement a full discussion of the two bills before us today. I would like to point out, however, one aspect of S. 2339 which this Department seriously questions.

Whereas S. 1951 would place in reserve only a limited portion of OCS lands in the channel—basically those seaward of the State sanctuary—S. 2339 would place the entirety of OCS lands in the channel in reserve. In light of the energy crisis with which we must contend, the greater extensiveness of this bill may be a luxury which we cannot afford. This doubt becomes even stronger, I believe, when we recall that S. 2339 would result in closing a seaward area to oil and gas production when there is no assurance that the shoreward area will not be put to such production. It is hard to see how this arrangement would protect environmental values in the Santa Barbara Channel.

This concludes my statement.

Senator METCALF. Thank you very much, Mr. Wakefield.

Mr. Secretary, I am going to make a list of questions, in view of the time problem which you have and I want to accommodate you. I am informed that you have failed to respond to some of the things, especially the letter to Governor Love.

Mr. WAKEFIELD. In connection with this testimony, Mr. Chairman?

Senator METCALF. No, in connection with previous testimony that was submitted to the committee.

Mr. WAKEFIELD. In connection with Santa Barbara or another matter?

Senator METCALF. Here is the letter to Governor Love. It is from Chairman Jackson in connection with Naval Reserves and S. 1586, and Naval Petroleum Shale Reserves. This was written on September 5, 1973. I am only calling it to your attention. This was a letter directed to you by Senator Jackson on behalf of the entire committee when we were considering S. 1586, the Premium Reserves and Import Policy Act of 1973. I am only calling your attention to the fact that it has not been answered.

Mr. WAKEFIELD. This is a letter to Governor Love. I don't know if I received a copy, but I will be pleased to look into it.

Senator METCALF. If you don't have it, would you try to get a response?

Mr. WAKEFIELD. Yes.

Senator METCALF. I have a letter, as chairman of this committee, I have written to the Secretary and you have partially responded to it. But you have not responded in detail, especially to the first question: "What is the relationship of the proposed legislation, that is, S. 1951, and S. 2339, to proposed plans by the Department of Interior and the State of California for resumption of drilling on existing leases or near the Santa Barbara Channel?" In view of the fact that we have a new position as far as the administration is concerned, that is an especially important question. Your new position as to resumption of drilling, and as to proposed lease sales on the Outer Continental Shelf.

Would you comment on Congressman Moss' charge about Naval Petroleum Reserve No. 1 at Elk Hills.

Mr. WAKEFIELD. We are looking into it. He has sent a letter to us on that and we are in the process of developing a response. I believe the Navy is the key in that.

Senator BARTLETT. Could you repeat the charge?

Senator METCALF. The charge was made in a speech in the Congressional Record that this was—the title of the speech was "Teapot Dome Revisited," and Congressman Moss charges that this would mean inordinate windfall profits of what, \$42 million to the Standard Oil Co. of California. Other windfall profits to others, Atlantic Richfield. \$24 million to Atlantic Richfield, and a drainage of our reserves, and so forth.

Perhaps another witness that is coming along could respond to that question. Is Mr. Bowers here?

Mr. WAKEFIELD. I don't believe he is coming, but we can submit for the record a detailed answer.

Senator METCALF. Congressman Teague has responded to that in the Congressional Record. But in view of the fact that yesterday Senator Bartlett, we had some provisions for Elk Hills and the use of the other reserves in legislation that was reported by this committee, I think that a matter of immediacy is involved in some urgency in answering Congressman Moss.

Mr. WAKEFIELD. Let me only say a great many of the charges he made were predicated upon a Shell contract which they presently have with the Navy, and my understanding is that that contract is cancellable upon 10 days' notice. I don't think the Congressman understood that and I think that would vitiate a good deal of his argument, but we can submit a detailed response which is being developed at this time, and I will be pleased to do so.

Senator METCALF. Very well. I do want to accommodate you. The administration, Senator Bartlett, has been most accommodating to this subcommittee. We have scheduled this hearing at other times and have had to postpone it on short notice and they have been very accommodating in coming up today.

At this time, while Congressman Teague is still here, both Senator Cranston and Congressman Teague will have an opportunity, before the record is printed and completed, to comment on the revised position taken by the administration insofar as S. 1951 is concerned. We welcome any comment and that will be incorporated in the record as a part of your statement and as a part of Senator Cranston's statement.

Do you have any response to that, Congressman Teague?

Mr. TEAGUE. I do not, but I would be very grateful if I could have a copy of your questions to the Secretary and a copy of his answers.

Senator METCALF. You will be copied in on all material and all responses before we ask you to make a final comment. Very well. Senator Bartlett.

Senator BARTLETT. Thank you, Mr. Chairman.

Secretary Wakefield, I want to cooperate, too. When should we stop?

Mr. WAKEFIELD. If I can leave at 11, I believe I can make my flight, Senator.

Senator METCALF. I am sorry I did not leave you very much time.

Senator BARTLETT. You were very generous, Mr. Chairman. That is adequate time. What I might do, if it is agreeable with the chairman and you, Mr. Secretary—I really have several questions—if you could try to give me a short answer and where you would prefer to provide further information, to add that later, which would be incorporated in the record.

Mr. WAKEFIELD. Very well.

Senator METCALF. Please do. We are delighted to have as much in the record as possible and it might be helpful if we have longer answers to some of your questions.

Senator BARTLETT. Mr. Secretary, what are the reserves, potential reserves in the immediate area and further on out in the Outer Continental Shelf?

Mr. WAKEFIELD. As far as the 35 leases that are the subject of S. 1951, there has only been one successful exploratory well drilled, so we are talking more in terms of potential reserves—875 million barrels of oil and 435 billion cubic feet of gas in that area.

Senator BARTLETT. Would you, in your opinion, believe that additional exploratory efforts could be productive? In other words, that it is a very likely area for additional reserves?

Mr. WAKEFIELD. There have been a great deal of discoveries in adjacent tracts, so I would assume there would be that likelihood.

Senator BARTLETT. Mr. Secretary, what is the record of drilling offshore in comparable areas around the world, including the North Sea and off our coast as far as success—successful completions without pollution?

Mr. WAKEFIELD. As far as our Outer Continental Shelves are concerned, I believe there have been something in the neighborhood of 16,000 wells drilled offshore in the United States and there have been,

I believe, 4 accidents that posed significant threats to the environment, the principal one, of course, being the Santa Barbara blowout of 1969.

Senator BARTLETT. Has that resulted in far less pollution from oil than the pollution caused by tankers?

Mr. WAKEFIELD. Considerably less, and I might also add that to my knowledge there is no evidence of any permanent damage to the environment by any of the accidents, including the Santa Barbara spill of 1969.

Senator BARTLETT. What success has there been in the North Sea?

Mr. WAKEFIELD. I don't have that information but Dr. Wayland of the Geological Survey may have. If not, we would be pleased to furnish something for the record.

Mr. WAYLAND. The success ratio in the 8 wells that were drilled in the 35 leases was 1 in 8.

Mr. WAKEFIELD. He wanted to know about oil spills in the North Sea.

Mr. WAYLAND. No, we don't have that.

Mr. WAKEFIELD. If we could furnish that for the record we would be pleased to do so.

[The information requested was not received in time to be included in the record.]

Senator BARTLETT. Congressman Teague, in his fine testimony, said, and I will quote:

Should some unforeseen event tip us into further imbalance of energy supply and demand in 3 or 5 years, then I think there will be no question but that responsible leaders and citizens will be willing to waive environmental safeguards which we are still able to preserve today.

With your knowledge and your opinion of the present shortage and with your knowledge of oil and gas operations which require considerable leadtime for development of an area to reach its potential and to develop the pipelines necessary to carry that product to a refinery and build a refinery, if needed, would you be of the opinion that we are at that point now that Congressman Teague mentions in his statement, referring to an imbalance of energy, severe imbalance of supply and demand?

Mr. WAKEFIELD. Let me add my belief that we can and have proven that we do not have to give up environmental safeguards to produce in the Outer Continental Shelf. I would hope at no point do we come to the situation where we have to say the environment will have to take a back seat, because I believe we can drill and produce in a satisfactory way. We, of course, don't know how long the Middle East situation will last, but regardless, even if it were over today, we are in an imbalanced situation. Inventories have been drawn down and we have several million barrels of oil that will never be made available to us or anyone in the world. So we are in a strong imbalance situation, not only domestically, but in the world, and it is something that is likely to last for months, if not for years.

Of course, as you know, we have considerable domestic shortage of production, lessened demand, and this is certainly one of the areas where we could get development most promptly.

Senator BARTLETT. In other words, your answer amounts to this: That you do not favor waiving environmental safeguards under any condition, if we do not need to waive them?

Mr. WAKEFIELD. That is correct.

Senator BARTLETT. But that we do have a very critical supply and demand situation which we would need to pay attention to?

Mr. WAKEFIELD. That is correct, Senator.

Senator BARTLETT. I notice in your letter of November 12 to the chairman, that you mention a great number of studies that have taken place and studies that have been made by the Department or reviewed by the Department and "having considered these factors" and other information that "we have determined that our Santa Barbara proposal should be reconsidered." What is your Santa Barbara proposal?

Mr. WAKEFIELD. Our proposed Santa Barbara legislation would provide for a national energy reserve in these 35 places, and we think it should be reconsidered in light of additional evidence to us since the time it was first proposed.

Senator BARTLETT. This would call for development of these leases on a standby basis.

Mr. WAKEFIELD. What we propose to do is prepare an environmental impact statement insofar as development of and production of these 35 leases is concerned and upon completion of that we would indicate to Congress what our position is, whether we should proceed to allow the leases to develop and produce on these leases.

Senator BARTLETT. Are you embarked on this course now?

Mr. WAKEFIELD. No; we haven't commenced. Given our record on how long it normally takes us to comply with the National Environmental Policy Act and court decisions thereunder, I would say 1 to 1½ years would be the approximate time.

Senator BARTLETT. My knowledge in this area is rather limited, but it seems to me that the administration is moving rather slowly to effect a resolution. Do you agree with that statement?

Mr. WAKEFIELD. I don't believe so, Senator Bartlett, in light of the legal constraints under the National Environmental Policy Act that we must meet before we can permit developmental drilling.

Senator BARTLETT. What has been the reason for delaying an environmental impact study in relation to drilling up to now?

Mr. WAKEFIELD. The reason up until now was because our proposed legislation was to create a national energy reserve out of these 35 leases and not develop them. That position is now being reexamined.

Senator BARTLETT. And you have not come to a conclusion yet?

Mr. WAKEFIELD. No; and we won't until we complete the environmental impact statement.

Senator BARTLETT. When will that be?

Mr. WAKEFIELD. About 1 to 1½ years. This must be the prelude under the law before any developmental drilling could take place. So I believe at this point we are proceeding as rapidly as we could under the law.

Senator BARTLETT. And there has not been any delay up to now since the oil spill?

Mr. WAKEFIELD. Well, it depends on how you define "delay." In terms of what the prior position was, that is certainly not a position to move toward development at any near time in the future.

Senator BARTLETT. Mr. Secretary, I notice that Senate bills 1951 and 2330 would place in reserve a limited portion of the Outer Continental Shelf lands in the channel, or all of them, in reserve. For this reserve to be readily available it would require full development, would it not?

Mr. WAKEFIELD. For it to be available in the same context that say Elk Hills is available, yes, it would.

Senator BARTLETT. So to have a so-called reserve that is just potential would not provide any immediacy in reaction to a shortage that occurs or might occur in the future?

Mr. WAKEFIELD. Not unless it were developed, that is correct.

Senator BARTLETT. If it is developed, and I am not familiar with the two bills, but if it were developed, the occasions for oil spills would exist perhaps to a greater degree, would it not, if it were developed and was sitting idle as a reserve, not producing? Would it not have a greater tendency to have an oil spill because of a longer term of life and the opportunity for more corrosion activity to take place on the pipe, which might provide holes, than it would if it were developed and produced in a normal way, protecting the oil and gas in place from the conservation point of view? That is, using good conservation practices in production? Is that correct?

Mr. WAKEFIELD. I have heard that theory. I am not a geologist or petroleum engineer so I don't know if I can comment on it from that side, and perhaps Dr. Wayland, who is a geologist, could comment on that.

Mr. WAYLAND. Senator, I think we would have to agree that there is an increased risk with an idle offshore field for the reasons that you suggested.

Senator BARTLETT. It is my understanding in Elk Hills that they make a continual check of producing wells, Mr. Chairman, and on occasion must run remedial pipe strings to safeguard just this kind of problem and that the risks would be enhanced rather than diminished by the proven reserve capable of meeting production.

Mr. Secretary, I apologize. I have gone about 3½, 4 minutes over. I am going to stop right here and I thank you very, very much.

Mr. Chairman, thank you.

Senator METCALF. Mr. Secretary, I have one question.

You, on behalf of the administration, urged the committee to take no action on either bill?

Mr. WAKEFIELD. Yes.

Senator METCALF. In your testimony to Senator Bartlett you said that no action will be taken by the administration until the environmental impact statement is received. If no action is taken do we have the assurance of the administration that there will be no leases issued until you have evaluated the program and we have an opportunity to pass legislation in view of the additional information you supply?

Mr. WAKEFIELD. The 35 leases we are talking about have already been leased, so the question is not lease but development. Certainly, thereafter the Congress would have an opportunity to act, I would think, on these bills.

Senator METCALF. We still have before us the Cranston bill and we still have before us the situation that concerns all of us.

Congressman Teague and Senator Cranston have testified. While we all want to accommodate your new point of view and changing conditions and so forth, we still want assurances from the administration, if that accommodation is made, that we don't have a blizzard of leasing or something of that sort because we have failed to pass the necessary legislation that has been urged upon us.

Mr. WAKEFIELD. There will be no further leasing. Our decision would be whether to permit developmental drilling and that decision would be communicated to you before the drilling commences.

Senator METCALF. I think both Congressman Teague and Senator Cranston have suggested that continued developmental drilling be made. I don't want to suspend or drop these hearings and drop the consideration of this important matter unless I have some assurances that we will have a chance to act on it after your reevaluation.

Mr. WAKEFIELD. If I could, Mr. Chairman, the administration's bill, S. 1951, refers only to the 35 leases that have already been leased. Senator Cranston's bill, I believe, refers to the entire Santa Barbara Channel. In my testimony we oppose that bill as being too broad in any event. Insofar as S. 1951 is concerned, yes, after we have completed our environmental impact statement, we will transmit to Congress our decision before we take any further action.

Senator METCALF. And we will be given a reasonable opportunity to pass on that legislation?

Mr. WAKEFIELD. Yes, Mr. Chairman.

Senator METCALF. Thank you very much.

Senator BARTLETT. Mr. Chairman, could I read one question and ask it be answered later? Why would you advocate selling the oil out of Elk Hills on the one hand and establishing a national energy reserve out of the 35 leases in Santa Barbara? Wouldn't this be swapping one reserve for another, Elk Hills for Santa Barbara, which has only potential reserves?

Mr. WAKEFIELD. Of course, we are reassessing that entire position now in light of the current situation. The thought at the time was to change one reserve for another.

Senator BARTLETT. Mr. Secretary, we have kept you longer than I promised. You will be forgiven if you drive more than 50 miles an hour.

Mr. WAKEFIELD. Thank you very much.

[Subsequent to the hearing the following information was received:]

NOVEMBER 28, 1973.

HON. ROGERS C. B. MORTON,
Secretary of the Interior,
Washington, D.C.

DEAR MR. SECRETARY: During the recent hearings on S. 1951 and S. 2339, which deal with oil and gas development in the Santa Barbara Channel, Assistant Secretary Wakefield agreed that the Department would notify this Committee if a decision was made to permit developmental drilling on existing Federal leases in the Channel. The purpose of this notification is to give the Committee an opportunity to review the situation before actual drilling begins.

S. 2339 would affect the entire Santa Barbara Channel, not just the 35 leases covered by S. 1951. I am aware that the holders of 17 leases in the Santa Ynez Unit wish to initiate production, and that the Department has prepared a draft environmental impact statement on this activity. In view of the fact that S. 2339

includes the area covered by the Santa Ynez Unit, I believe that the Committee should be given advance notice of any Departmental decision to allow production. I appreciate your cooperation very much.

Sincerely yours,

HENRY M. JACKSON,
Chairman.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., December 6, 1973.

HON. HENRY M. JACKSON,
*U.S. Senate, Committee on Interior and Insular Affairs,
Washington, D.C.*

DEAR MR. CHAIRMAN: In response to your letter of November 28, I believe that Assistant Secretary Wakefield's statement at the recent hearings was in reference only to developmental drilling on the 35 leases covered by S. 1951. However, in view of your interest in obtaining notification of any Departmental decision to allow production from the Santa Ynez unit, we will be most pleased to advise you in advance of any such decision.

Sincerely yours,

JOHN C. WHITAKER,
Acting Secretary of the Interior.

Senator BARTLETT. We are adjourned.
[Whereupon, at 11:10 a.m., the hearing was adjourned.]

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