5. SALE OF U.S. OIL RESERVES

Background

The energy policy of the present administration includes the continued overproduction and sale of oil reserves from the Elk Hills Naval Petroleum Reserve to meet current revenue needs. These oil reserves are being sold at rates as much as $9 per barrel below the market price, costing taxpayers approximately $300,000 daily and pouring up to 75,000 barrels of crude oil into a market already glutted with excess oil.

The Department of Energy's (DOE) own inspector general has reported that oil production at Elk Hills Naval Petroleum Reserve has exceeded that field's maximum efficient rate of production of the past seven years, resulting in a loss of from 45 to 65 million barrels of recoverable reserve oil, a figure comparable to 10 percent of the total amount of oil in the Strategic Petroleum Reserve. Contracts for the sale of this reserve oil include clauses that permit the federal government to terminate these sales at its convenience.

Legislation introduced by Representative Philip R. Sharp (HR 4843) and by Senators Lloyd Bentsen and Malcolm Wallop (S 2375) calls for the cancellation of existing contracts for the sale of oil from Elk Hills Naval Petroleum Reserve and a drastic reduction in oil production at this site.

Recommendation

Continued progress toward energy self-sufficiency remains essential both to the strategic and economic interests of the nation and the southern states. The Southern Legislative Conference, noting that the U.S. Department of Energy has already cut production at Elk Hills Naval Petroleum Reserve by 20,000 barrels per day, strongly encourages DOE to continue its efforts to determine and enforce an engineering-based maximum efficient rate of production and to restructure its oil pricing and sales procedures.

Further, the Southern Legislative Conference urges the administration to reconsider its policy of depleting our nation's oil reserves at a reckless pace, thereby threatening our petroleum reserves, wasting them in times of non-emergency and costing taxpayers hundreds of millions of dollars in lost revenues.

Adopted by the Southern Legislative Conference on July 16, 1986.

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