

44
In 8/4
91-27

1019

KANSAS STATE UNIVERSITY LIBRARIES

91-27
In 8/4
91-27

INTERSTATE COMPACT ON OIL AND GAS (11th Extension)

GOVERNMENT
Storage

HEARING BEFORE THE SUBCOMMITTEE ON COMMUNICATIONS AND POWER OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

ON

H.J. Res. 506 and S.J. Res. 54

JOINT RESOLUTIONS CONSENTING TO AN EXTENSION AND
RENEWAL OF THE INTERSTATE COMPACT TO
CONSERVE OIL AND GAS

NOVEMBER 4, 1969

Serial No. 91-27

Printed for the use of the
Committee on Interstate and Foreign Commerce



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1969

37-488 O

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

HARLEY O. STAGGERS, West Virginia, *Chairman*

SAMUEL N. FRIEDEL, Maryland	WILLIAM L. SPRINGER, Illinois
TORBERT H. MACDONALD, Massachusetts	SAMUEL L. DEVINE, Ohio
JOHN JARMAN, Oklahoma	ANCHER NELSEN, Minnesota
JOHN E. MOSS, California	HASTINGS KEITH, Massachusetts
JOHN D. DINGELL, Michigan	GLENN CUNNINGHAM, Nebraska
PAUL G. ROGERS, Florida	JAMES T. BROYHILL, North Carolina
LIONEL VAN DEERLIN, California	JAMES HARVEY, Michigan
J. J. PICKLE, Texas	ALBERT W. WATSON, South Carolina
FRED B. ROONEY, Pennsylvania	TIM LEE CARTER, Kentucky
JOHN M. MURPHY, New York	G. ROBERT WATKINS, Pennsylvania
DAVID E. SATTERFIELD III, Virginia	DONALD G. BROTZMAN, Colorado
BROCK ADAMS, Washington	CLARENCE J. BROWN, Ohio
RICHARD L. OTTINGER, New York	DAN KUYKENDALL, Tennessee
RAY BLANTON, Tennessee	JOE SKUBITZ, Kansas
W. S. (BILL) STUCKEY, Jr., Georgia	FLETCHER THOMPSON, Georgia
PETER N. KYROS, Maine	JAMES F. HASTINGS, New York
BOB ECKHARDT, Texas	
ROBERT O. TIERNAN, Rhode Island	
RICHARDSON PREYER, North Carolina	

W. E. WILLIAMSON, *Clerk*

KENNETH J. PAINTER, *Assistant Clerk*

Professional Staff

JAMES M. MENDER, Jr.

WILLIAM J. DIXON

ROBERT F. GUTHRIE

SUBCOMMITTEE ON COMMUNICATIONS AND POWER

TORBERT H. MACDONALD, Massachusetts, *Chairman*

LIONEL VAN DEERLIN, California	JAMES T. BROYHILL, North Carolina
FRED B. ROONEY, Pennsylvania	JAMES HARVEY, Michigan
RICHARD L. OTTINGER, New York	DONALD G. BROTZMAN, Colorado
ROBERT O. TIERNAN, Rhode Island	CLARENCE J. BROWN, Ohio

CONTENTS

	Page
Text of House Joint Resolution 506 and Senate Joint Resolution 54-----	2
Report on—	
House Joint Resolution 506:	
Bureau of the Budget-----	7
Federal Power Commission-----	8
State Department-----	7
Interior Department-----	6
Senate Joint Resolution 54:	
Federal Power Commission-----	8
Interior Department-----	7
Statement of—	
Interior Department:	
Meyer, Dr. Richard, Office of Oil and Gas-----	10
Melich, Mitchell, Solicitor-----	10
Interstate Oil Compact Commission:	
Byrd, Richard C., general counsel-----	13
Docking, Robert B., chairman (as read by Richard C. Byrd)-----	13
Pickle, J. J., a Representative in Congress from the State of Texas-----	9
Additional material submitted for the record: Report of the Attorney General, pursuant to section 2 of the joint resolution of December 11, 1967, consenting to an Interstate Compact to Conserve Oil and Gas—April 1969-----	19

THE HISTORY OF THE UNITED STATES

OF THE

18

The history of the United States is a story of the growth of a nation from a small group of colonies to a great power. It is a story of the struggles of the people to establish a government of their own, and of the triumphs of the American spirit. The story begins with the first settlers, who came to the New World in search of a better life. They found a land of opportunity, but also of hardship. They fought for their freedom, and they won. They built a nation that was based on the principles of liberty and justice for all. The story continues through the years of the American Revolution, the War of 1812, and the Civil War. It tells of the growth of the nation, and of the challenges it has faced. It is a story of the American people, and of the great things they have accomplished.

The history of the United States is a story of the growth of a nation from a small group of colonies to a great power. It is a story of the struggles of the people to establish a government of their own, and of the triumphs of the American spirit. The story begins with the first settlers, who came to the New World in search of a better life. They found a land of opportunity, but also of hardship. They fought for their freedom, and they won. They built a nation that was based on the principles of liberty and justice for all. The story continues through the years of the American Revolution, the War of 1812, and the Civil War. It tells of the growth of the nation, and of the challenges it has faced. It is a story of the American people, and of the great things they have accomplished.

INTERSTATE COMPACT ON OIL AND GAS (11th Extension)

TUESDAY, NOVEMBER 4, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMUNICATIONS AND POWER,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2322, Rayburn House Office Building, Hon. Torbert H. Macdonald (chairman of the subcommittee) presiding.

Mr. MACDONALD. The subcommittee will come to order.

This morning the Subcommittee on Communications and Power has before it for hearing two joint resolutions, House Joint Resolution 506, which I introduced, and Senate Joint Resolution 54. Both of these resolutions would grant the consent of the Congress to an extension and renewal of the interstate oil and gas compact to September 1, 1971.

The Interstate Compact to Conserve Oil and Gas was originally approved by Congress in 1935 for the purpose of conserving these irreplaceable natural resources. Since then extensions and renewals of the compact have been continuously granted by Congress. The Interstate Oil Compact Commission is a cooperative advisory body created by the compact. The Commission is composed of representatives of the member States and has continuously functioned under that authority.

The membership of the Commission now is made up of the 29 principal oil producing States. Four States, Georgia, Oregon, Idaho, and Washington, are associate members of the Commission, in that, although they do not now produce appreciable quantities of oil and gas, the prospects are good that they will soon do so.

The compact enables the signatory States to work together voluntarily to develop and improve conservation programs and eliminate wasteful practices, while at the same time preserving the rights and responsibilities of each of the separate States.

Congressional consent to the compact is, of course, required by our Constitution (Art. I, sec. 10, clause 3) which provides in pertinent part:

"No State shall, without the consent of Congress * * * enter into any agreement or compact with another State * * *"

It is my understanding that the Senate already has as of October 13 adopted Senate Joint Resolution 54.

(The text of H.J. Res. 506 and S.J. Res. 54, and departmental reports thereon, follow:)

[H.J. Res. 506, 91st Cong., 1st Sess., introduced by Mr. Macdonald on Mar. 3, 1969, and S.J. Res. 54, referred to the Committee on Interstate and Foreign Commerce on Oct. 14, 1969, are identical as follows:]

JOINT RESOLUTION Consenting to an extension and renewal of the interstate compact to conserve oil and gas

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the consent of Congress is hereby given to an extension and renewal for a period of two years from September 1, 1969, to September 1, 1971, of the interstate compact to conserve oil and gas, which was signed in the city of Dallas, Texas, the 16th day of February 1935, by the representatives of Oklahoma, Texas, California, and New Mexico, and at the same time and place was signed by the representatives, as a recommendation for approval to the Governors and Legislatures of the States of Arkansas, Colorado, Illinois, Kansas, and Michigan, and which prior to August 27, 1935, was presented to and approved by the Legislatures and Governors of the States of New Mexico, Kansas, Oklahoma, Illinois, Colorado, and Texas, and which so approved by the six States last above named was deposited in the Department of State of the United States, and thereafter was consented to by the Congress in Public Resolution Numbered 64, Seventy-fourth Congress, approved August 27, 1935, for a period of two years, and thereafter was extended by the representatives of the compacting States and consented to by the Congress for successive periods, without interruption, the last extension consented to by Congress by Public Law Numbered 90-185, Ninetieth Congress, approved December 11, 1967, being for the period from September 1, 1967, to September 1, 1969. The agreement to extend and renew said compact for a period of four years from September 1, 1967, to September 1, 1971, duly executed by representatives of the States of Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah, West Virginia, and Wyoming, has been deposited in the Department of State of the United States, and reads as follows:

“AN AGREEMENT TO EXTEND THE INTERSTATE COMPACT TO
CONSERVE OIL AND GAS

“Whereas, on the 16th day of February, 1935, in the City of Dallas, Texas, there was executed ‘An Interstate Compact to Conserve Oil and Gas’ which was thereafter formally ratified and approved by the States of Oklahoma, Texas, New Mexico, Illinois, Colorado, and Kansas, the original of which is now on deposit with the Department of State of the United States, a true copy of which follows:

“‘AN INTERSTATE COMPACT TO CONSERVE OIL AND GAS

“‘ARTICLE I

“‘This agreement may become effective within any compacting state at any time as prescribed by that state, and shall become effective within those states ratifying it whenever any three of the States of Texas, Oklahoma, California, Kansas, and New Mexico have ratified and Congress has given its consent. Any oil-producing state may become a party hereto as hereinafter provided.

“‘ARTICLE II

“‘The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

“‘ARTICLE III

“‘Each state bound hereby agrees that within a reasonable time it will enact laws, or if the laws have been enacted, then it agrees to continue the same in force, to accomplish within reasonable limits the prevention of:

“‘(a) The operation of any oil well with an inefficient gas-oil ratio.

“‘(b) The drowning with water of any stratum capable of producing oil or gas, or both oil and gas, in paying quantities.

“‘(c) The avoidable escape into the open air or the wasteful burning of gas from a natural gas well.

“(d) The creation of unnecessary fire hazards.

“(e) The drilling, equipping, locating, spacing or operating of a well or wells so as to bring about physical waste of oil or gas or loss in the ultimate recovery thereof.

“(r) The inefficient, excessive or improper use of the reservoir energy in producing any well.

“The enumeration of the foregoing subjects shall not limit the scope of the authority of any state.

“ARTICLE IV

“Each state bound hereby agrees that it will, within a reasonable time, enact statutes, or if such statutes have been enacted then that it will continue the same in force, providing in effect that oil produced in violation of its valid oil and/or gas conservation statutes or any valid rule, order or regulation promulgated thereunder, shall be denied access to commerce; and providing for stringent penalties for the waste of either oil or gas.

“ARTICLE V

“It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

“ARTICLE VI

“Each State joining herein shall appoint one representative to a commission hereby constituted and designated as “The Interstate Oil Compact Commission”, the duty of which said commission shall be to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas, and at such intervals as said commission deems beneficial it shall report its findings and recommendations to the several States for adoption or rejection.

“The Commission shall have power to recommend the coordination of the exercise of the police powers of the several states within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said states, and to recommend measures for the maximum ultimate recovery of oil and gas. Said Commission shall organize and adopt suitable rules and regulations for the conduct of its business.

“No action shall be taken by the Commission except: (1) by the affirmative votes of the majority of the whole number of the compacting States represented at any meeting, and (2) by a concurring vote of a majority in interest of the compacting States at said meeting, such interest to be determined as follows: such vote of each State shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half-year to the daily average production of the compacting States during said period.

“ARTICLE VII

“No State by joining herein shall become financially obligated to any other State, nor shall the breach of the terms hereof by any State subject such State to financial responsibility to the other States joining herein.

“ARTICLE VIII

“This compact shall expire September 1, 1937. But any State joining herein may, upon sixty (60) days notice, withdraw herefrom.

“The representatives of the signatory States have signed this agreement in a single original which shall be deposited in the archives of the Department of State of the United States, and a duly certified copy shall be forwarded to the Governor of each of the signatory states.

“This compact shall become effective when ratified and approved as provided in Article I. Any oil-producing State may become a party hereto by affixing its signature to a counterpart to be similarly deposited, certified and ratified.”

"Whereas, the said Interstate Compact to Conserve Oil and Gas has heretofore been duly renewed and extended with the consent of the Congress to September 1, 1967; and

"Whereas, it is desired to renew and extend the said Interstate Compact to Conserve Oil and Gas for a period of four (4) years from September 1, 1967, to September 1, 1971:

"Now, therefore, this writing witnesseth:

"It is hereby agreed that the Compact entitled 'An Interstate Compact To Conserve Oil and Gas' executed in the City of Dallas, Texas, on the 16th day of February, 1935, and now on deposit with the Department of State of the United States, a correct copy of which appears above, be, and the same hereby is, extended for a period of four (4) years from September 1, 1967, its present date of expiration, to September 1, 1971. This agreement shall become effective when executed, ratified, and approved as provided in Article I of the original Compact.

"The signatory States have executed this agreement in a single original which shall be deposited in the archives of the Department of State of the United States and a duly certified copy thereof shall be forwarded to the Governor of each of the signatory States. Any oil-producing state may become a party hereto by executing a counterpart of this agreement to be similarly deposited, certified, and ratified.

"Executed by the several undersigned states, at their several state capitols, through their proper officials on the dates as shown, as duly authorized by statutes and resolutions, subject to the limitations and qualifications of the acts of the respective State Legislatures.

"THE STATE OF ALABAMA

"By GEORGE C. WALLACE, Governor

"Dated: Aug. 11, 1966

"Attest: MRS. AGNES BAGGETT, Secretary of State (Seal)

"THE STATE OF ALASKA

"By WILLIAM A. EGAN, Governor

"Dated: July 13, 1966

"Attest: HUGH J. WADE, Secretary of State (Seal)

"THE STATE OF ARIZONA

"By SAMUEL P. GODDARD, Governor

"Dated: March 8, 1966

"Attest: WESLEY BOLIN, Secretary of State (Seal)

"THE STATE OF ARKANSAS

"By ORVAL E. FAUBUS, Governor

"Dated: May 3, 1966

"Attest: KELLY BRYANT, Secretary of State (Seal)

"THE STATE OF COLORADO

"By JOHN A. LOVE, Governor

"Dated: January 13, 1966

"Attest: BYRON A. ANDERSON, Secretary of State (Seal)

"THE STATE OF FLORIDA

"By HAYDON BURNS, Governor

"Dated: June 28, 1966

"Attest: TOM ADAMS, Secretary of State (Seal)

"THE STATE OF ILLINOIS

"By OTTO KERNER, Governor

"Dated: January 24, 1966

"Attest: PAUL POWELL, Secretary of State (Seal)

"THE STATE OF INDIANA

"By ROGER D. BRANIGIN, Governor

"Dated: May 31, 1966

"Attest: JOHN D. BOTTOREFF, Secretary of State
(Seal)

"THE STATE OF KANSAS

"By WM. H. AVERY, Governor

"Dated: December 1, 1965

"Attest: PAUL R. SHANAHAN, Secretary of State
(Seal)

"THE STATE OF KENTUCKY

"By EDWARD T. BREATHTITT, Governor

"Dated: 6-6-66

"Attest: THELMA L. STOVALL, Secretary of State
(Seal)

"THE STATE OF LOUISIANA

"By JOHN J. McKEITHEN, Governor

"Dated: November 22, 1965

"Attest: WADE O. MARTIN, Jr., Secretary of State
(Seal)

"THE STATE OF MARYLAND

"By J. MILLARD TAWES, Governor

"Dated: October 10, 1966

"Attest: LLOYD L. SIMPKINS, Secretary of State
(Seal)

"THE STATE OF MICHIGAN

"By GEORGE ROMNEY, Governor

"Dated: 5/19/66

"Attest: JAMES M. HARE, Secretary of State
(Seal)

"THE STATE OF MISSISSIPPI

"By PAUL B. JOHNSON, Governor

"Dated: April 27, 1966

"Attest: HEBER LADNER, Secretary of State (Seal)

"THE STATE OF MONTANA

"By TIM BARCOCK, Governor

"Dated: Feb. 14, 1966

"Attest: FRANK MURRAY, Secretary of State
(Seal)

"THE STATE OF NEBRASKA

"By FRANK B. MORRISON, Governor

"Dated: Jan. 31, 1966

"Attest: FRANK MARSH, Secretary of State (Seal)

"THE STATE OF NEVADA

"By GRANT SAWYER, Governor

"Dated: June 17, 1966

"Attest: JOHN KOONTZ, Secretary of State (Seal)

"THE STATE OF NEW MEXICO

"By JACK M. CAMPBELL, Governor

"Dated: 11-8-65

"Attest: ALBERTA MILLER, Secretary of State
(Seal)

"THE STATE OF NEW YORK

"By NELSON A. ROCKEFELLER, Governor

"Dated: Nov. 28, 1966

"Attest: JOHN P. LOMENZO, Secretary of State
(Seal)

"THE STATE OF NORTH DAKOTA

"By WILLIAM L. GUY, Governor

"Dated: Dec. 19, 1966

"Attest: BEN MEIER, Secretary of State (Seal)

"THE STATE OF OHIO

"By JAMES A. RHODES, Governor

"Dated: July 25, 1966

"Attest: TED W. BROWN, Secretary of State (Seal)

"THE STATE OF OKLAHOMA

"By HENRY BELLMON, Governor

"Dated: November 15, 1965

"Attest: JAMES M. BULLARD, Secretary of State
(Seal)

"THE COMMONWEALTH OF PENNSYLVANIA

"By WILLIAM W. SCRANTON, Governor

"Dated: Sept. 16, 1966

"Attest: W. STUART HELM, Secretary of the Commonwealth (Seal)

"THE STATE OF SOUTH DAKOTA

"By NILS A. BOE, Governor

"Dated: Sept. 26, 1966

"Attest: ALMA LARSON, Secretary of State (Seal)

"THE STATE OF TENNESSEE

"By FRANK G. CLEMENT, Governor

"Dated: 4-18-1966

"Attest: JOE C. CARR, Secretary of State (Seal)

"THE STATE OF TEXAS

"By JOHN CONNALLY, Governor

"Dated : October 11, 1965

"Attest : CRAWFORD C. MARTIN, Secretary of State (Seal)

"THE STATE OF UTAH

"By CALVIN L. RAMPTON, Governor

"Dated : April 11, 1966

"Attest : CLYDE L. MILLER, Secretary of State (Seal)

"THE STATE OF WEST VIRGINIA

"By HULETT C. SMITH, Governor

"Dated : July 14, 1966

"Attest : ROBERT D. BAILEY, Secretary of State (Seal)

"THE STATE OF WYOMING

"By CLIFFORD P. HANSEN, Governor

"Dated : Jan. 18, 1966

"Attest : THYRA THOMSON, Secretary of State (Seal)"

SEC. 2. The Attorney General of the United States shall continue to make an annual report to Congress, as provided in section 2 of Public Law 185, Eighty-fourth Congress, for the duration of the Interstate Compact to Conserve Oil and Gas as to whether or not the activities of the States under the provisions of such compact have been consistent with the purposes as set out in article V of such compact.

SEC. 3. The right to alter, amend, or repeal the provisions of the first section of this joint resolution is hereby expressly reserved.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., June 2, 1969.

HON. HARLEY O. STAGGERS,

Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the views of this Department on H.J. Res. 506, a joint resolution "Consenting to an extension and renewal of the interstate compact to conserve oil and gas."

We recommend enactment of the joint resolution.

H.J. Res. 506 would approve an extension and renewal of the Interstate Compact to Conserve Oil and Gas for a period of 2 years, changing the expiration date from September 1, 1969, to September 1, 1971.

The Compact was approved originally by six member states and presented to the Congress in 1935. It was approved by the Congress at that time, and it has been extended periodically with an increasing number of member states. The compact was last extended from September 1, 1967, to September 1, 1969 (Public Law 90-185). The present agreement which has been executed by 29 states would extend the compact to September 1, 1971.

The articles of agreement state that "The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause. It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations."

In 1935, the Interstate Oil Compact Commission was established to carry out the objectives of the compact. The Commission provides a forum for discussion of oil and gas conservation practices and related problems and for study of state conservation laws, regulations, and administrative procedures. Considerable information of value in conservation of oil and gas has been developed and disseminated by the Commission through its technical and specialized committees and its various publications.

Extension of the compact, as provided for by the resolution, would be in the national interest.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

RUSSELL E. TRAIN,
Under Secretary of the Interior.

DEPARTMENT OF STATE,
Washington, D.C., June 9, 1969.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of March 7 forwarding copies of House Joint Resolution 506 concerning renewal of the Interstate Compact to Conserve Oil and Gas. Since this is a matter which falls within the jurisdiction of the Department of the Interior, and the Department of the Interior has also been asked to comment on House Joint Resolution 506, the Department of State has no additional comment to make.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, JR.,
Assistant Secretary for Congressional Relations.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 11, 1969.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of March 7, 1969, inviting the Bureau of the Budget to comment on H.J. Res. 506 entitled "Consenting to an extension and renewal of the interstate compact to conserve oil and gas."

The Bureau of the Budget would have no objection to the enactment of this measure.

Sincerely yours,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., October 31, 1969.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the views of this Department on S.J. Res. 54, a joint resolution as passed by the Senate, "Consenting to an extension and renewal of the interstate compact to conserve oil and gas."

We recommend enactment of the joint resolution.

S.J. Res. 54 would approve an extension and renewal of the Interstate Compact to Conserve Oil and Gas for a period of 2 years, changing the expiration date from September 1, 1969, to September 1, 1971.

The Compact was approved originally by six member states and presented to the Congress in 1935. It was approved by the Congress at that time, and it has been extended periodically with an increasing number of member states. The compact was last extended from September 1, 1967, to September 1, 1969 (Public Law 90-185). The present agreement which has been executed by 29 states would extend the compact to September 1, 1971.

The articles of agreement state that "The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause. It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations."

In 1935, the Interstate Oil Compact Commission was established to carry out the objectives of the compact. The Commission provides a forum for discussion of oil and gas conservation practices and related problems and for study of state conservation laws, regulations, and administrative procedures. Consider-

able information of value in conservation of oil and gas has been developed and disseminated by the Commission through its technical and specialized committees and its various publications.

Extension of the compact, as provided for by the resolution, would be in the national interest.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

RUSSELL E. TRAIN,
Acting Secretary of the Interior.

FEDERAL POWER COMMISSION,
Washington, D.C., November 3, 1969.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of October 15, 1969 for Federal Power Commission comments on S.J. Res. 54, a joint resolution consenting to an extension and renewal of the interstate compact to conserve oil and gas.

S.J. Res. 54, as passed by the Senate, October 13, 1969, is identical to H.J. Res. 506, as introduced in the House on March 3, 1969. On June 3, 1969, in response to your request, the Commission submitted its report to the Committee favoring adoption of H.J. Res. 506. As noted in that report, the last two-year extension of the Compact expired September 1, 1969. Please consider the attached Federal Power Commission report on H.J. Res. 506 as the Commission's report on S.J. Res. 54. Three copies of that report are enclosed.

Sincerely,

JOHN N. NASSIKAS, *Chairman.*

FEDERAL POWER COMMISSION,
Washington, D.C., June 3, 1969.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request of March 7, 1969 we enclose three copies of the report of the Federal Power Commission on the subject bill.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

LEE C. WHITE, *Chairman.*

Enclosure.

FEDERAL POWER COMMISSION, REPORT ON HOUSE JOINT RESOLUTION 506,
91ST CONGRESS

A BILL Consenting to an extension and renewal of the interstate compact to conserve oil and gas

H.J. Res. 506 would grant the consent of Congress to the extension and renewal for a period of two years from September 1, 1969 to September 1, 1971 of the Interstate Compact to Conserve Oil and Gas.

The Interstate Compact to Conserve Oil and Gas was originally approved by Congress in 1935 for the purpose of conserving these irreplaceable natural resources. Extensions and renewals of the Compact have been continuously granted by Congress, with the current 2-year extension period running to September 1, 1969.¹ The Interstate Oil Compact Commission created by the Compact is composed of representatives of the member States, and has continuously functioned under that authority.

The Compact enables the signatory States to work together voluntarily to develop and improve conservation programs and eliminate wasteful practices, while at the same time preserving the rights and responsibilities of each of the separate States.

¹ P.L. 90-185, Dec. 11, 1967, 81 Stat. 560-566.

Section 11(b) of the Natural Gas Act [52 Stat. 827; 15 U.S.C. 717j (b)] requires the Federal Power Commission "to assemble and keep current pertinent information relative to the effect and operation of any compact between two or more States heretofore or hereafter approved by the Congress, to make such information public, and to report to the Congress, from time to time, the information so obtained together with such recommendations as may appear to be appropriate or necessary to promote the purposes of such compact." In accordance with this provision of the Gas Act, the Federal Power Commission has maintained a continuing interest in the Interstate Oil Compact Commission, has been represented at its meetings, and has kept informed of the Compact Commission's work. The Power Commission's annual reports to Congress describe the functioning of the Interstate Oil Compact Commission and our relationship to the work of that body. (See *FPC Forty-eighth Annual Report* (1968), p. 64.)

The Interstate Oil Compact Commission, which is a regular source for statistical information, is increasing its efforts in gathering more meaningful gas data. This data is not only helpful in our regulatory work but could be useful in connection with a prospective national gas survey.

The Power Commission has consistently given its support to the Interstate Oil Compact Commission when the extension of the latter's basic authority has been before the Congress. We believe continuance of the Compact organization is important to the conservation of the Nation's natural gas supplies, and that the Compact Commission's program should be continued and fully supported. We favor adoption of H.J. Res. 506.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

LEE C. WHITE, *Chairman*.

Mr. MACDONALD. The first witness this morning is the Honorable J. J. Pickle, a member of the full committee.

STATEMENT OF HON. J. J. PICKLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PICKLE. Mr. Chairman, I want to thank you for allowing me to express myself and my district on the legislation affecting the interstate compact on oil and gas.

Texas, as you know, is one of the leading oil producers in the world, so my interest is well founded.

In 1967, when this subcommittee set into motion the 2-year provisions of the interstate oil compact, we heard testimony that the compact would prove to be a vehicle for orderly use of petroleum and a method of receiving maximum benefit from the oil economies in several States.

This testimony holds true 2 years later. There have been no abuses whatsoever. Earlier, there was a dark specter raised that this compact would make the temptation too strong to set and control prices. However, I believe you have heard from the former Attorney General that this is not the case.

When this committee, in 1967, amended the original resolution to provide for a 2-year extension instead of the 4-year extension, this action was taken solely in recognition that there would be forthcoming a report from the Attorney General.

It was not an expression of the committee aimed at impairment of any of the terms of the compact, other than that a further consent of the Congress would be required beyond September 1, 1969. We have now had the report from the Attorney General and I can see no reason to delay granting this extension today. Thank you for granting me the privilege of presenting this statement.

Mr. MACDONALD. Thank you Mr. Pickle.

Our next witness is Mr. Mitchell Melich, Solicitor, U.S. Department of the Interior.

STATEMENT OF MITCHELL MELICH, SOLICITOR, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY DR. RICHARD MEYER, OFFICE OF OIL AND GAS

Mr. MELICH. Mr. Chairman, and members of the committee, I appear here before you to testify concerning S.J. Res. 54 which passed the Senate October 13, and H.J. Res. 506, joint resolutions to consent to an extension and renewal of the Interstate Compact to Conserve Oil and Gas. Dr. Richard Meyer from the Office of Oil and Gas is with me in case the committee desires any questions answered with respect to the Compact.

The resolutions would approve an extension and renewal of the Interstate Compact to Conserve Oil and Gas for a period of 2 years, changing the expiration date from September 1, 1969, to September 1, 1971.

The Compact was approved originally by six member States and presented to the Congress in 1935. It was approved by the Congress at that time, and it has been extended periodically with an increasing number of member States. The Compact was last extended from September 1, 1967, to September 1, 1969, by the act of December 11, 1967 (81 Stat. 560). The present agreement which has been executed by 29 States would extend the Compact to September 1, 1971.

The articles of agreement state that—

The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause. It is not the purpose of this compact to authorize the States joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

The Interstate Oil Compact Commission is the administrative agency established to carry out the functions of the Compact. The Commission is composed of the Governors of the member States who have authority to appoint an assistant called an official representative. Committee members, appointed by the Commission undertake research on petroleum resources, scientific and technological advancements in production, secondary recovery and pressure maintenance, leasing, physical and underground waste, and regulatory practices.

Petroleum is one of our most vital natural resources. The responsibility of producing this irreplaceable resource without waste rests upon the oil and gas producing States and the Federal Government. The Interstate Oil Compact Commission, acting as an interstate advisory committee, furnishes facilities for the States, by cooperative action, to perform this obligation in the public interest.

As a result of a suggestion by the Department of the Interior to the Interstate Oil Compact Commission, the Governors' special study committee, which was a special committee appointed to objectively study the conservation regulations of the oil producing States, issued a publication entitled "A Study of Conservation of Oil and Gas." Studies such as this demonstrate that the Interstate Oil Compact

Commission is the most logical body through which various State governments may work to develop a solution of their many common problems.

More recently, the Commission volunteered its support of and co-operation with the Federal interagency statistical program for which the Department of the Interior has been given the lead responsibility. The offer was gratefully accepted, and to implement its proposal, the Commission appointed a statistical subcommittee of its energy resources committee to assist the Department of the Interior in its development of the Federal petroleum statistics program. Representatives of the Commission and the Department have been in continuous communication, and a productive relationship has been established.

The Interstate Oil Compact Commission has played a very prominent role in the substantial progress that has been made in oil conservation, and we believe that the extension of the compact, as provided for by the resolution, would be in the national interest.

That is all, Mr. Chairman.

Mr. MACDONALD. Thank you very much, Mr. Melich for coming before us this morning.

Do you have any questions, Mr. Ottinger?

Mr. OTTINGER. I have no questions.

Mr. MACDONALD. Mr. Broyhill?

Mr. BROYHILL. I have just one or two questions.

The Interstate Oil Compact Commission is made up of the Governors of the States or their representatives. The individual States which are members of this Compact Commission bear the costs of the Commission, is this correct?

Mr. MELICH. Yes.

Mr. BROYHILL. What relationship does the Interior Department have with the Interstate Oil Compact Commission? Do you have any oversight authority or do you have a representative who works with the Commission in any way?

Mr. MELICH. We haven't, except the fact that we do administer part of the oil program and because it is a natural resource we, of course, are vitally concerned with the development of the oil industry.

Dr. Meyer may have some further comment.

Dr. MEYER. The Assistant Secretary for Minerals, Secretary Dole, is the Interior Department's observer at the meetings of the compact. His alternate is the director of the Office of Oil and Gas, but Secretary Dole's position is the same as that of the representative of Federal Power Commission, Justice Department, and the others, merely as observers.

Mr. BROYHILL. Thank you.

Mr. MACDONALD. Mr. Melich, 2 years ago, as you know, we were delayed in holding hearings on this matter because the Department of Justice did not file its report. It came in very, very late after a good deal of prodding by this subcommittee.

I didn't see anything in the record about a report this year.

Mr. MELICH. Mr. Chairman, I can't speak to that because I am not familiar with what was happened. Maybe Dr. Meyer knows.

Do you have any information on Justice's position?

Dr. MEYER. The Justice Department has filed a 1969 report approving the compact.

Mr. MELICH. They filed it with the Senate committee. You say one has not been filed with your committee?

Mr. MACDONALD. If it has, I have not seen it.

Dr. MEYER. I believe you have a copy of it now or will shortly have it.

Mr. BROYHILL. Mr. Chairman, according to the Senate report on this bill—the report states that a report from the Attorney General was submitted to the Congress on April 8, 1969.

Mr. MACDONALD. I see that they submitted it, but I don't know to whom. I will just take counsel's word that if we don't have it, we will get it.

(The report referred to appears on p. 19.)

Mr. MACDONALD. Speaking of getting reports from the various departments, it is usually a little difficult. I was wondering if either of you gentlemen had any information about the cabinet task force on quotas report. Do you know where that is?

Mr. MELICH. It's under study.

Mr. MACDONALD. Who is studying it now?

Mr. MELICH. The task force. I know that Secretary Hickel had a meeting within the past week for 1 entire day in which the oil import question was discussed. In my discussions with him about it, they hope soon—and I don't know what soon means, Mr. Chairman—to have some recommendations.

Mr. MACDONALD. We had a similar problem with the President's Task Force on Communications. They spent a lot of money and a lot of time with high-powered think tank type people putting it together, and it practically took an act of Congress to get it blasted out of wherever it was. We kept getting the same answer that you gave, "It's under study."

It is not under study in your wing of the Department anyway?

Mr. MELICH. No; it isn't.

Mr. MACDONALD. Has it been reported out by the Commission to the Secretary? Do you know?

Mr. MELICH. Secretary Shultz is the Chairman of that task force, and Secretary Hickel is on it. I forget which other Cabinet members serve.

Mr. MACDONALD. Do you think that when it is released, that we can get some copies sent up to us?

Mr. MELICH. Mr. Chairman, as far as the Solicitor's Office is concerned, you are certainly entitled to them. I don't know whether we will have control of the distribution of them, but I will pass this on to Secretary Hickel.

Mr. MACDONALD. If anybody reads the record of the hearing, I would like to point out that we wouldn't mind having some staff memorandums to accompany it, if you will point that out.

Mr. MELICH. Yes, sir.

Mr. OTTINGER. Mr. Chairman.

Mr. MACDONALD. Mr. Ottinger.

Mr. OTTINGER. Am I correct in assuming that the compact that we are involved with here today has nothing whatsoever to do with setting import quotas?

Mr. MELICH. That is correct.

Mr. MACDONALD. This was an aside to the Department. We are not honored by having the Department before us too often, and I thought I wouldn't let this opportunity go.

Mr. MELICH. We understand that.

I will certainly convey this message, Mr. Chairman, to the Secretary.

Mr. MACDONALD. Thank you very much.

Thank you, Doctor.

Mr. MELICH. Thank you.

Mr. MACDONALD. The next witness is Mr. Richard C. Byrd, general counsel of the Interstate Oil Compact Commission, of Oklahoma City. Welcome to the committee.

STATEMENT OF RICHARD C. BYRD, GENERAL COUNSEL, INTERSTATE OIL COMPACT COMMISSION

Mr. BYRD. Thank you, Mr. Chairman.

I am Richard C. Byrd. I live in Ottawa, Kans., and I do have the title general counsel of the compact.

I have with me a statement prepared by Gov. Robert B. Docking of Kansas, who is presently chairman of the compact. I have distributed those statements and attached to them is a copy of the Attorney General's report which you just inquired about. The statement is fairly short. I would be glad to read it, if I may.

Mr. MACDONALD. Please proceed as you see fit, Mr. Byrd.

STATEMENT OF HON. ROBERT B. DOCKING, GOVERNOR OF KANSAS, CHAIRMAN, INTERSTATE OIL COMPACT COMMISSION (AS READ BY RICHARD C. BYRD)

My name is Robert Docking and I am chairman of the Interstate Oil Compact Commission. My residence is in Topeka, Kans. I am appearing in support of Senate Joint Resolution 54.

With the discovery of enormous fields in the 1920's and early 1930's, the need for an interstate oil compact became obvious. The situation turned into a national problem so acute that the States of Oklahoma and Texas found it necessary to declare martial law in the oilfields. The congressional Cole committee, in 1934, after thorough investigation of the situation, said:

We strongly urge upon the oil-producing States the adoption of State compacts to deal with the problems of production of petroleum with which individual States are powerless to cope * * * A State compact * * * is the solution of those problems of petroleum production which cannot be solved with modification of the "law of capture" and other legislation operating within State boundaries.

Almost immediately—in December 1934—Governor-elect E. W. Marland, of Oklahoma, called a conference of representatives of the oil-producing States. As a result of this conference, a meeting was held in Dallas, Tex., in February 1935.

The interstate compact to conserve oil and gas was first signed at this meeting in Dallas on February 16, 1935, and subsequently approved by Congress the same year. Until 1943, successive renewals, with congressional consent, were for 2-year periods. Thereafter, Congress gave its authorization at 4-year intervals until 1967, at which time the compact was extended for 2 years.

The membership of the Interstate Oil Compact Commission now consists of 29 oil-producing States: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah, West Virginia, and Wyoming.

In addition to these States, Georgia, Idaho, Oregon, and Washington are associate members. An associate member is a State not now having oil and gas production, but having prospects for such production.

The purpose of the compact is best expressed by the language of the compact itself. Article II states, "The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause."

Article VI states that it is the duty of the commission "to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas," and to report "its findings and recommendations to the several States for adoption or rejection."

In 1955, when Congress agreed to the extension of the compact, an amendment was added requiring the Attorney General to report annually to Congress as to whether or not the compact was living up to article V of the compact, which says,

It is not the purpose of this compact to authorize the States joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

The Attorney General has made eight reports following this directive. In each of these reports the Attorney General has found nothing to criticize in the manner in which the compact has lived up to articles V and VI in the charter of the Interstate Oil Compact Commission. He has not found any examples where the compact has violated these two particular items. Until his report of April 1969, the Attorney General has also reported on different facets of the oil industry wherein he did have some criticism, but none of the criticism was directed at the Interstate Oil Compact Commission.

In 1963, following the exchange of correspondence between Secretary of the Interior Stewart L. Udall, and the chairman of the Interstate Oil Compact Commission at that time, Gov. Matthew E. Welsh, Governor Welsh called a meeting of the executive committee. At this meeting, he stated that it had always been the purpose of the compact to study conservation and conservation programs that would increase the ultimate recovery of oil and gas. Governor Welsh stated:

For some time, the Executive Committee of the Interstate Oil Compact Commission has been discussing the role of the commission, its achievements, its future objectives and obligations—and the appropriate manner of presenting these matters. The appointment of a committee composed of Governors of some of the member States of the Interstate Oil Compact Commission would serve as an excellent vehicle for this purpose and I am pleased that the Secretary of Interior, by this letter dated April 4, 1963, indicates he is in accord with this approach.

At this special meeting, the chairman was authorized to appoint a committee of Governors to conduct the study suggested by Secretary of the Interior Udall. This committee was appointed immediately, and consisted of the following Governors of member States: Gov. Matthew E. Welsh, Indiana, chairman; Gov. Otto Kerner, Illinois; Gov. John Anderson, Jr., Kansas; Gov. Jimmie H. Davis, Louisiana; Gov. Jack M. Campbell, New Mexico; Gov. Henry Bellmon, Oklahoma; Gov. John Connally, Texas; and Gov. Clifford P. Hansen, Wyoming.

This special study committee met and asked the standing committees of the commission to pursue this study vigorously. After 2 years of continuous work by the special and standing committees of the commission, the completed study, containing hundreds of pages of voluminous material, was given to a three-man editing committee made up of top men in their field in the oil and gas industry. This group put all the material together that had been assembled by the committees of the commission into one volume, which was approved at the meeting of the Interstate Oil Compact Commission in December 1964. This study is said to be the most comprehensive study on oil and gas conservation that has ever been published. It has been distributed not only in the United States but to conservation departments in many foreign governments. It is considered as a text and is used as an authority by many that are interested in oil and gas conservation.

I am sure it will be of interest to you to know that the compact is financed entirely by voluntary State contributions. It does not accept advertising in any of its publications, nor does it accept any money from individuals, corporations, companies, or organizations. It is purely an endeavor and accomplishment of the States.

In Oklahoma City, the commission has its own office building that was contributed by the State of Oklahoma. There are six full-time employees. Our agency is proud to say that it has always stayed within its budget—in fact, it has been able to build up a reserve fund from the State contributions. As is true of the special study report of Governors, previously referred to, we are proud that most of the work of the commission is done by its standing committees. These committees are composed of the outstanding men in their professions. All of this work is done voluntarily and without charge to the commission.

Many technical reports have been issued by the commission based upon the work of the standing committees. A recent report on pollution and disposal of materials was issued and was available when the recent studies on water pollution were begun. This study has been available to all of those who are now in the detailed work of the protection of fresh water both above and below ground.

There have been five publications on which the production cost was so high we found it necessary to make a charge. In each instance, however, the charge was less than the actual cost.

I feel sure that, through its work, the Interstate Oil Compact Commission deserves some credit for the new laws that have been passed in recent years. It is interesting that the oldest producing State in the Union, where oil was first discovered—namely, Pennsylvania—passed a conservation law in 1962. Also, Kentucky, one of the older producing States, passed a conservation law in 1962. Within the last 5 years, New York, Ohio, Idaho, and Iowa have passed conservation laws that are almost identical with the suggested law prepared by the legal

committee on the Interstate Oil Compact Commission. There has been considerable progress by the States in modernizing their laws, rules, and regulations. As a result of these new laws the States have encouraged wider spacing of wells so as to eliminate unnecessary wells.

We think that Alaska was most fortunate when, as a territory, it adopted the suggested oil and gas conservation law as recommended by the Interstate Oil Compact Commission.

The members and staff of the Interstate Oil Compact Commission have always been ready to offer assistance to any agency where they may be helpful. There are now a number of studies which the compact has actively participated in with the Oil and Gas Division of the Department of the Interior, the Bureau of Mines of the Department of the Interior, the American Petroleum Institute, and the American Gas Association. All of these cooperative studies when finished, I believe, will be of great value to the conservation agencies and to the petroleum industry and the United States.

We believe that the report of the Attorney General in April 1969, tells the complete story of the Interstate Oil Compact Commission for the first time. Members of the staff of the Attorney General spent many weeks in the offices of the Interstate Oil Compact Commission going through the files and records, which were all made available to them to prepare this report. Members of the staff of the Attorney General have also attended all of the meetings of the commission and practically all of the meetings of the executive committee since they were assigned the duty of reporting upon the activities of the Interstate Oil Compact Commission. We think that this report is so well prepared and makes such a complete study of the activities of the compact that we are attaching a copy hereto for the record. (See p. 19.)

It has always been the purpose of the members of staff of the Interstate Oil Compact Commission to live carefully within the charter agreed to by Congress, particularly articles V and VI of the charter. I can promise you that the staff is always available to anyone to whom they can be of assistance on any problem pertaining to oil and gas conservation.

Mr. Chairman, that concludes Governor Docking's statement.

Mr. MACDONALD. Thank you, Mr. Byrd.

Mr. BYRD. Thank you, sir.

The compact, as the chairman stated, is an organization of States. It is a voluntary organization, has no enforcement or police power of its own.

It is merely a device through which technical and current information to upgrade conservation practices is distributed among the States.

The compact is self-supporting as far as finance is concerned. The States are assessed based on the amount of production that each State has as compared to the total production in the United States. Our present budget amounts to about \$100,000 a year. We have always operated in the black. In fact, we have a reserve fund which is used to finance certain studies that we have been requested to make.

The latest one was the request we received from the Secretary of the Interior several years ago to make a complete study of State conservation laws.

As the chairman has pointed out, the Senate has passed a companion resolution which is Senate Joint Resolution 54. Actually, the authority of the compact expired September 1, however, we have continued

to operate. We have had one executive committee meeting since then.

We are very anxious, of course, that we became again legitimized, and would urge the committee to act as soon as possible in getting this legislation out.

If any of the members of the committee have any questions regarding the operations of the compact or anything concerning it, I would be glad to answer them.

I want the record to clearly show that the answers are mine and not Governor Docking's.

Mr. MACDONALD. Yes, sir.

Mr. Ottinger?

Mr. OTTINGER. No questions, Mr. Chairman.

Mr. MACDONALD. Mr. Broyhill?

Mr. BROYHILL. I have no questions, Mr. Chairman.

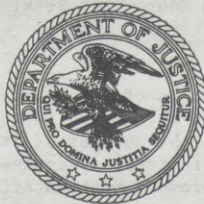
Mr. MACDONALD. I think I ought to make clear for the record that it is not lack of interest on the part of this subcommittee that we have not, 2 years running now, been able to hold hearings and keep you legitimate from September on, but, as I am sure you know, the full committee has been meeting at great length on matters of great importance, equally as important as this, and we have a rule of the committee that when the full committee is in session the subcommittees can't meet. Therefore, I hope you will explain that to the members of the compact, that it is not lack of interest in any regard.

Secondly, I think that I should point out at this point in the record that the report of the Attorney General, John N. Mitchell, dated April 1969, will be made part of the record at this point.

(The report referred to follows:)

REPORT
OF THE
ATTORNEY GENERAL

Pursuant to Section 2 of the Joint Resolution of
December 11, 1967, Consenting to an Interstate
Compact to Conserve Oil and Gas



April 1969

INTRODUCTION

This report is submitted pursuant to the Joint Resolution of December 11, 1967, 1/ extending Congressional consent to the Interstate Compact to Conserve Oil and Gas for a period expiring September 1, 1969. This extension for only two years, instead of the four-year period for which the underlying Compact is to be effective, was intended to permit further hearings before longer extension is granted. 2/ Also for this purpose, the current extension directs that the Attorney General report "whether or not the activities of the States under the provisions of such compact have been consistent with the purpose as set out in article V of such compact." 3/

1/ 81 Stat. 560 (1967).

2/ H.R. Rep. No. 912, 90th Cong., 1st Sess. (1967).

3/ Article V states:

It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

Seven reports have been filed under an identical requirement, save for the date prescribed, contained in the last three previous Compact extension resolutions, 69 Stat. 385 (1955), 73 Stat. 290 (1959), and 77 Stat. 145 (1963). The first four reports were filed as of September 1, 1956, September 1, 1957, September 1, 1958 and September 1, 1959; one report was filed May 15, 1963 under the 1959 Joint Resolution; and three have been filed in June, 1964, May, 1965, and September, 1967.

This Department has undertaken an extensive study of the available materials dealing with the Compact, its history, its formation and its operations. This study is founded, first of all, on a comprehensive examination of the files and records of the Interstate Oil Compact Commission at its headquarters office in Oklahoma City, Oklahoma. The survey covered the period from 1957 to the present, the last such file search by this Division having been undertaken late in 1956. These files include the basic credentials of the Compact; records of its Commission, Executive Committee and other committee meetings and transactions; the work of the headquarters office; and file copies of correspondence between Governors and Official Representatives and among committee and subcommittee members on Compact work in the intervals between Commission meetings.

The study is also based on presence by Department staff at regular Commission meetings during the eleven-year survey period, as well as most Executive Committee meetings. In this effort additional information was obtained from innumerable conversations with persons associated with the Compact, and from continuing familiarity with Compact Commission publications. Finally, of course, over this period there have been various investigations of particular industry and governmental action in closely related areas.

Questions relating to the Compact's aims and operations seem to have been occasioned more by the context in which the Compact originated than by the terms of the Compact itself. Thus it is appropriate to preface review of the Compact's relevant terms with

a brief outline of the development of conservation practices within the individual States and of the forces leading to the Compact's adoption. The report then analyzes in detail the structure and operations of the Interstate Oil Compact Commission and the degree of oil industry influence on its work. Finally, the report discusses the relationship of the Compact and the work of its Commission to the competitive problems in the oil industry.

I

THE INTERSTATE COMPACT TO
CONSERVE OIL AND GAS

A. Background to the Compact

Unlike the general course of the conservation movement as to renewable natural resources, stressing both preservation and use, conservation of oil has emphasized "orderly use". Those States with substantial oil resources have from the first taken the lead in steps to attain this orderly use, to maximize the benefit to the local economies from these natural resources. Their efforts go back to the early years of this century, first as individual efforts, and only comparatively recently with any common discussion of mutual problems.

Crude oil is a pollutant; produced unwisely and without controls it will create hazards to personal safety and to the environment both above and below ground. Moreover, in place it is highly fluid, under intense pressures; it will drain quickly from beneath one surface property to another, if a well bore on adjoining property, by active production, releases the formation pressure. Under the judicial "rule of capture"--rewarding with title the producer who first "captured" the oil by production--each new discovery was a mad scramble by adjoining owners to tap the underground reservoir before the oil was drained away or underground pressures completely dissipated. Such wild spurts of production, wholly without regard to maximum recovery or availability

of crude oil transportation facilities, were basic characteristics of the producing industry's "boom-or-bust" atmosphere from 1859 to comparatively recent times.

These conditions created enormous problems of public safety and water and ground pollution. They also engendered vast physical waste of the oil from above-ground loss and from early abandonment of underground resources through premature dissipation of reservoir pressures.

Beginning as early as 1909 the growing oil-producing States of the Southwest and Mid-continent, led by Oklahoma and Texas, initiated tentative steps to control existing conditions. As these gradually developed, these acts came to include measures to ensure health-and-safety; to curb physical waste; to protect the correlative rights of property-owners against unwarranted underground drainage; to foster incentives to new discoveries and to ensure that producers could profitably market their oil. As knowledge of reservoir engineering increased, controls broaden to ensure a proper use of underground pressures. And as a part of their efforts, some States began restricting production to estimates of market demand, allocating production quotas to individual wells. Undertaken first on an individual pool basis, as a direct answer to rule-of-capture races, the practice eventually spread state-wide. 4/

4/ The development of conservation legislation in each oil-producing State is traced in Mineral Law Section, American Bar Association, Legal History of Conservation of Oil and Gas, A Symposium (1938) and Mineral Law Section, American Bar Association, Conservation of Oil and Gas, A Legal History, p. 19 et seq. (Murphy ed. 1948).

First initiated by various States early in the century and continued to the present, these measures came to be known as conservation laws and regulations. The States individually enacted these requirements in exercise of police power, to regulate development of their own resources. When questions ultimately arose whether State regulation of markets, as part of this resource regulation, unduly burdened interstate commerce, the Connally Hot Oil Act 5--an extension of N.R.A. operations in early New Deal days--provided both Federal acquiescence to State action and additional enforcement of State regulation in key areas.

By the turn of the 1930's the production race reached new heights and market prices new lows, with a series of huge new discoveries culminating in the gigantic East Texas Field of 1931. The Governors of Texas and Oklahoma finally proclaimed martial law to curb the flow of "hot oil" produced in violation of State efforts at control. During this period the Federal Oil Conservation Board, the Oil States Advisory Committee and other groups grappled with the price and conservation problems of the flood of oil production. The principal proposals reflected the view that overall market stabilization and the "fair prices" which would follow were essential to long-range conservation. As a medium of control, these proposals envisioned a regional organization

5/ 49 Stat. 30 (1935), 15 U.S.C. §715-715m. See *infra*, p. 14.

of States--whose recommendations each State would agree to follow--to forecast total domestic demand and allocate quotas to each State and local producing area. This central agency would also bring about uniform conservation laws in each State and arrange with the Federal Government a coordinated reduction of oil imports.

The brief New Deal experiment in total control under the N.R.A. Petroleum Code set State and industry opinion against any element of Federal control beyond enforcement of State regulation and supervision of imports. Thoughts turned again to the idea of a powerful interstate compact, allowing the community of oil-producing States to impose controls both intrastate and interstate. A series of meetings of oil-State Governors and their representatives in 1934-1935 set the stage. ^{6/} But the present Interstate Compact, though initially proposed for this purpose, turned out to be something quite different.

6/ For the most detailed treatment of both of the work of the Oil States Advisory Committee and the Compact's formative meetings, see Interstate Oil Compact Commission, The Compact's Formative Years, 1931-1935 (2d ed. 1968).

B. Negotiation of the Compact

The three meetings in 1934-1935 were attended in all by Governors or representatives of eleven States. Conflicting views as to what a Compact should embody crystallized around Governors Marland of Oklahoma and Allred of Texas. The former proposed the substantive features previously advocated, including joint Federal-State coordination of domestic production and imports. The latter had very different ideas.

Governor Allred reflected the views of those now adamantly opposed to any Federal participation in regulation of domestic production, and he asserted the right and power of the individual State to control the development and marketing of this resource. It was especially clear that he was opposed to granting authority to any agency outside Texas--either Federal or interstate--to decide the conditions and limits of that State's production.

At that time the Texas statute specifically excluded the concept of "economic waste" as a basis for production limitation, though the Texas agency had in fact exerted market controls as part of its general regulation. ^{7/} Consequently, Governor Allred viewed any Compact language binding Texas to adopt market demand limitation as inappropriate. Though

^{7/} See Amazon Petroleum Corp. v. Railroad Commission of Texas, 5 F. Supp. 633 (E.D. Texas, 1934).

personally viewing this type of regulation as essentially for the purpose of stabilizing and fixing prices, he ultimately accepted language in the document which left it open to each State to define "physical waste" as it chose, and to include or omit market control provisions as it pleased.

The preponderance of its oil production made Texas' participation essential to any compact to be formed, and Governor Allred's views carried great weight. Though most other conferees seem to have favored a different program, the compromise draft of a compact very largely reflected his basic stand. It was adopted unanimously on February 16, 1935 and remains unchanged today. ^{8/}

Thus the Interstate Compact to Conserve Oil and Gas, as adopted, contemplated that each State would be left free to assert whatever authority it might derive from other sources, but the Compact itself neither granted nor limited authority for conservation regulation. It consists of eight articles, with the first and last merely providing for new members and giving technical details on ratification. Articles II through V, setting forth its aim and the responsibilities assumed by the States, clearly reflect Governor Allred's position. Article II states simply that the purpose of the compact "is to conserve oil and gas by the prevention of physical waste thereof from any cause."

^{8/} An analysis of the conflicting views in these formative meetings is in Murphy, The Interstate Compact to Conserve Oil and Gas: An Experiment in Co-operative State Production Control, 17 Mississippi Law Journal 314 (1946).

Under Article III, each compacting State agrees to enact or maintain laws to produce a minimum of physical waste, by curbing six specified forms of waste: inefficient, excessive or improper use of reservoir energy, with specific reference to preservation of proper gas or water pressures; venting or wasteful burning of gas from a natural gas well, or creation of unnecessary fire hazards; and drilling, equipping, locating, spacing or operating wells so as to bring about physical waste or loss in ultimate recovery. But the Article also states that its enumeration should not be construed to limit the scope of authority which any State might assert. In short, the States under their own authority are to enact and administer their own conservation laws and regulations to the extent that sources of authority other than the Compact might permit; they here agree only to a minimum of laws to prevent the most egregious forms of waste, which were within normal State authority to control. Article IV is a corollary under which each compacting State agrees to provide stringent penalties for waste of gas or oil, and also to deny access to commerce for oil produced in violation of its conservation laws and regulations. The latter phrase, though stated broadly and generally, was apparently intended only to apply to the "conservation laws and regulations" described above in Article III. To authorize or require an enactment of penalties for violation of market controls, for example, would be wholly inconsistent with the intent carefully expressed in Article V below.

Article V incorporates Governor Allred's insistent condition that any compact agreed on must disavow any purpose "to authorize States

joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation. . . ." As noted above, he equated market demand regulation at least with stabilizing and fixing prices, if not with the rest of the disclaimer. As read with Article III, this form of control is thus implicitly and explicitly excluded from the conservation measures binding the States under the Compact. But as the caveat in Article III and the Governor's earlier statement make clear, these provisions do not prevent any State from using such a control system under its own authority.

Article VI establishes an Interstate Oil Compact Commission, with each State appointing one representative. It is carefully detailed that the Commission shall take no action by the States represented at a meeting except by majority vote and also a concurring vote of a majority in interest, to be determined in proportion to each State's share in the average daily oil production of all the compacting States. This provision also was obviously intended to protect Texas' interests in Compact affairs, its preponderant production giving it close to a veto power over any Commission action. The new Commission was to explore improved means to bring about conservation and the prevention of physical waste and to report its findings and recommendations to the several States for their individual adoption or rejection. It also was given the power to recommend measures for the maximum recovery of oil and gas, and to recommend "the coordination of the exercise of the police powers of the several States within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said States. . . ."

This last provision was the only remaining echo of Governor Marland's proposed creation of a powerful central agency.

Article VII makes evident the tenuous nature of the terms binding the compacting States. It provides that no State by joining in the Compact shall become financially obligated to any other States. As for breach of Compact terms by any State, it merely provides that this shall not subject such State to financial responsibility to the other compacting States. Moreover, any State joining the Compact may withdraw, under Article VIII, simply on 60 days notice.

It is clear that this Compact not only falls far short of earlier proposals for a central agency to control oil production, but in fact provides neither machinery, nor power to coordinate State action. First, there is no Federal participation nor any coordination of oil imports associated with the plan. Again, the Compact does not provide for a uniform system of conservation laws among the States; its thrust is in the opposite direction. Each State, agreeing to conserve oil and gas by prevention of physical waste, binds itself only to enact laws to prevent certain generalized kinds of waste. But the substance and form of such laws are nowhere specified; each State is free to adopt whatever policy measures it deems best. And while the Commission established under the Compact may make recommendations on conservation practices, each State is explicitly left free to adopt or reject them in whole or part as it sees fit.

Finally, the Compact Commission is given no power to estimate national demand and allocate appropriate production quotas for individual States. It has been argued that the grant of power to recommend coordination of police power to promote maximum ultimate recovery foreshadowed the ultimate institution of such a system. ^{9/} But in its thirty-year history no such action has ever been taken by the Commission.

The document adopted by the State conferees was clearly recognized as a compromise, and a temporary one. However, by March 13, 1935 the required State ratifications had been secured and in August President Roosevelt recommended its approval by Congress. As a temporary device, it was approved on August 27, 1935, with consent pointedly limited to two years. ^{10/} Its passage through the House, in particular, clearly indicated a congressional intent to consider this merely as a stop-gap measure pending enactment of a comprehensive statutory pattern. ^{11/} But no such legislation has eventuated and this Interstate Compact, unchanged through the years, has been periodically renewed by Congress to the present. ^{12/}

^{9/} Id., at 335.

^{10/} Pub. Res. No. 64, 74th Cong., 1st Sess. (1935).

^{11/} H.R. Rep. No. 1801, 74th Cong., 1st Sess. (1935); 79th Cong. Rec. 14583 et seq.

^{12/} A more detailed treatment of early State conservation activity, the background to the Compact's evolution, its drafting and approval is found in Att'y Gen., Report Pursuant to Section 2 of the Joint Resolution of July 28, 1955, Consenting to an Interstate Compact to Conserve Oil and Gas 27-54 (1956). For a recent discussion, see Lovejoy and Homan, Economic Aspects of Oil Conservation Regulation 33-47 (1967).

Coincident with the Compact in timing and concern with production control was the Connally Hot Oil Act. As we have seen, the Compact binds the States to limited action in defined spheres and provides no authority for State action in these or any other conservation areas. But essential to the purposes and any effectiveness of the Compact was the firm establishment of an effective basis for individual State production regulation. Just prior to Compact negotiations the validity of State production controls had been sustained. However, serious challenge was still pending to the temporary Federal statute, section 9(c) of the National Industrial Recovery Act -- the Connally Amendment -- under which Federal assistance was given to stop the movement in interstate commerce of oil produced in violation of State controls, an area the States individually were powerless to reach. In the midst of the Compact negotiations the Supreme Court declared this legislation an unconstitutional delegation of legislative power.

Quick action was taken to reenact it on a firmer basis; the Connally Act was hastily introduced and enacted within six weeks, just a week after conclusion of the Compact negotiations. Like its predecessor, it provided for Federal assistance in prohibiting the interstate movement of "contraband" oil. But unlike its predecessor, it also made a specific finding that such contraband obstructed and unduly burdened interstate commerce; moreover, section 4 implicitly acknowledged that the State production controls to which the Act was conjoined could also unduly burden such commerce, and provided a Federal regulatory

remedy for such eventuality. Thus, in retrospect the Connally Act provided a firm base for State conservation action, particularly market demand regulation, against later challenge of its constitutionality under rapidly expanding concepts of the reach of the Commerce Clause. 13/

As in the case of the Compact, the Connally Act was also regarded as a standby expedient pending a more complete Federal regulation system. It was enacted as temporary legislation, and for a time was periodically renewed for the same effective periods as the Compact. In 1942, however, it was finally enacted as permanent legislation.

13/ Production limitation under Texas law was upheld in Amazon Petroleum Corp. v. Railroad Commission of Texas, 5 F. Supp. 633 (E.D. Texas, 1934). In the companion case, Federal regulation in this area under section 9(c) of the Recovery Act was struck down as beyond the scope of the Act, 5 F. Supp. 639 (E.D. Texas, 1934). On appeal this decision was reversed, Ryan v. Amazon Petroleum Corp., 71 F. 2d 1 (CCA 5, 1934). In a further appeal the Supreme Court on January 5, 1935 declared section 9(c) itself unconstitutional, Panama Refining Co. v. Ryan, 293 U.S. 388 (1935). The replacement measure, the Connally Hot Oil Act, was enacted on February 22, 1935.

It is not suggested that the constitutionality of State market demand laws and regulations depends entirely on the Connally Act. However, the existence of this expression of Federal policy, together with the actual and potential Federal regulatory operations under it, have since served to forestall any attacks under the Federal constitution on such State legislation. For more detailed discussion on this Act and its significance see Att'y Gen., Third Report Pursuant to Section 2 of the Joint Resolution of July 28, 1955, Consenting to an Interstate Compact to Conserve Oil and Gas 15-30 (1958).

Meanwhile, the original Compact was ratified by the six States of Colorado, Illinois, Kansas, New Mexico, Oklahoma and Texas, and the Interstate Oil Compact Commission was organized and began operations in September, 1935. Since then Compact membership has grown to 29 States and 4 associate member States. California is the only major oil State which has never joined. Only two other producing States, each with negligible output, are not now members.

II

THE INTERSTATE OIL COMPACT COMMISSION

After 1935 the over-riding concern for stabilization of production and markets continued -- though the necessary corollary of "fair prices" was no longer mentioned by State bodies -- but active efforts were undertaken individually by the oil-producing States. The assembled States in the Compact confined themselves to its more limited purposes. The Compact Commission has engaged in educational and promotional efforts in behalf of conservation, while its committees in the main have undertaken research studies in technical areas to improve waste prevention and reservoir management.

The structure of the Commission and its detailed operations can most conveniently be reviewed against the framework of its by-laws. 14/ These comprise 10 articles in all, dealing with the Commission, its meetings, rules and procedures, officers and committees. They also concern the Commission's headquarters office, its finances, Federal representation, new membership and by-law amendments.

In brief, the Commission is to be composed of one representative from each compacting State, to be selected as the State may determine.

14/ The Commission's early by-laws were brief and general, as befitting an organization that was small and still tentative. Subsequent revisions were principally amplification in detail and rearrangement in form made necessary by an expanding organization. In 1953, with the Commission at nearly its present size, the by-laws were modernized to essentially their present form. The few scattered later amendments have affected only minor details of operations.

The Commission is to be a fact-finding and deliberative body, exercising only the extremely limited powers and performing the relatively few duties provided in the Compact. It is to conduct studies to bring about conservation, the prevention of physical waste of oil and gas, and the wide acceptance and use of the best conservation practices, and to recommend individual State action thereon. At least two meetings are to be held each year at times and places determined by the Commission, with special meetings called by the chairman or the majority of the Commission. At each regular meeting there are to be at least two sessions, a general session and a business session, with Commission administrative affairs considered and acted upon only during the latter.

The officers are to be a chairman, first vice-chairman and second vice-chairman, who must be members of the Commission; an executive secretary and any other officers established by the Commission need not be members. These officers are elected at the last meeting in each year for an annual term. The chairman performs the usual duties of chairman of a deliberative body. The executive secretary is to record the proceedings of the Commission and its Executive Committee, give requisite notice of meetings, carry out policy directives, supervise programs and activities, and be in immediate charge of the Commission's administrative staff in its headquarters office. This office maintains the official files and records of the Commission, the records and reports of all committees, and such legal, statistical, engineering and other information as may be helpful in an oil and gas

conservation program. All Commission records are open to the public.

The by-laws establish necessary committees to serve the Commission. Foremost is an Executive Committee, normally composed of the representatives of eleven member States, elected annually at the last meeting each year. However, any other Commission member present at one of the Executive Committee meetings is also to be considered a member of that Committee. With The Commission chairman presiding, this committee has full power and authority to act for the Commission on executive matters. The by-laws also provide for a By-laws Committee, a Resolutions Committee, and a Nominating Committee, with all members appointed by the Commission chairman, and such other standing and temporary committees as the Executive Committee may establish. The Commission chairman, with the consent of the Executive Committee, appoints the chairmen of these committees, while each compacting State appoints such members as it may desire.

The standing committees meet at each regular Commission meeting and at other times on the call of their chairmen, with the members present constituting a quorum. Each State is entitled to one vote in each committee. The by-laws also set forth the format for committee reports to the Commission, prescribing that any reports requiring affirmative Commission action must first be submitted to the Executive Committee. No committee action on findings, resolutions or recommendations shall constitute the action of the Commission until it receives Commission approval after such submission. The chairmen of all standing committees are to meet periodically as the Council of Committee Chairmen,

to coordinate the work of committees and their programs at the regular meetings.

Finally, the by-laws provide that the expenses of the Commission shall be paid from voluntary contributions by the compacting States, with the Executive Committee preparing each year an estimate of the Commission's expenses for the coming year. Non-voting representation at Commission meetings is granted to advisory committees of non-profit oil and gas associations, to Federal agencies with oil and gas responsibilities, and to potential producing States on an associate membership basis.

A. Membership in the Commission.

Although the by-laws provide that each State's representative is to be selected as the State may determine, it is traditional to consider the State Governor as its formal member on the Commission. However, each Governor is asked to designate a person, known as the State's Official Representative, to act with and for him in Compact affairs. Seven Governors presently have also officially appointed an associate to the Official Representative. Thus the Governors and Official Representatives from member States perform the executive functions of the Commission.

The Governors of the 33 States bring varying degrees of familiarity and personal interest to Commission work. Over our survey period a few Governors have had personal backgrounds in oil production or associated businesses. Those from the larger producing States necessarily have gained general familiarity with the oil industry and

its regulation from their executive duties and earlier political experience. In the main, the principal contribution of the Governors, necessarily, has been to lend open support to Commission activity by their presence at Commission meetings.

Such gubernatorial attendance varies, as it obviously must considering the busy schedule of a State's Chief Executive. Successive Governors of the major producing States, as Texas, Oklahoma, Louisiana, New Mexico and Kansas, are frequently in attendance, and serve most often as Commission chairman. Many member States are rarely or never represented by their Governors, unless a Commission meeting should be held within the State. But a surprising number of member State Governors do attend--on occasion as many as ten, more usually four or five.

Though Governors may on occasion attend a specially important committee meeting, their Compact activities are usually limited to the general sessions and the business session. Aside from Commission meetings, the responsibilities of a Governor not then serving as Commission chairman involve deciding his State's policy on forthcoming Commission action, and appointing an Official Representative 15/ and delegations to the various committees. Though required annually, a Governor's original appointments--with perhaps some additions--are usually continued in subsequent years. Occasionally, however, a Governor may be asked to serve actively on some extraordinary committee, as discussed below in the case of the Governors' Study Committee.

15/ Governors of three States, all with negligible or no production of oil and gas, presently have not seen fit to appoint Official Representatives.

Official Representatives obviously take a more active part in Compact activities and have greater familiarity with oil production and regulatory affairs. Of the thirty Official Representatives and seven associates serving in 1968, all but two are from the State government bodies dealing with oil problems, or are in the oil and gas industry or connected with it as private attorneys. Nineteen are full-time State officials or employees, while seven of the ten coming from the industry are in the ranks of independent producers. Four of those associated with the industry also serve as members of part-time State commissions regulating oil and gas production or mineral development. In any event, all Official Representatives, regardless of personal affiliations, are considered as State officials for Compact Commission purposes. In many States, indeed, appointment to this post involves an official executive order by the Governor, taking an oath of office, or some other formality usually required for assumption of State office.

Whether or not their Governors are present, these representatives regularly attend all Commission meetings or provide a substitute in their occasional absences. Some double as members of one or more standing committees. They also advise their Governors on policy positions and committee appointments, and attend Executive Committee meetings from time to time, even when their States are not members of that body. 16/

16/ At the September, 1968, Executive Committee meeting, for example, there were twenty-three Official Representatives or their substitutes present. This was admittedly an unusually large turnout for this eleven-State committee, but the February, 1968, meeting saw almost as many States represented.

B. Commission Meetings

Two regular meetings of the Interstate Oil Compact Commission are scheduled each year, a Midyear Meeting customarily held in June and an Annual Meeting in December. Meeting sites are scheduled for as long as two years in advance, in response to invitations by Governors of compacting States. Meetings are usually in turn among the larger producing States, depending on the facilities available, with no State hosting a meeting too frequently. Occasionally, one may be held in such a comparatively small oil State as Pennsylvania or Florida.

Regardless of site, the procedure for each meeting is standard. The afternoon before the opening is devoted to registration, ^{17/} with perhaps committee or informal subcommittee gatherings also scheduled, or an evening reception. The first full day is devoted to committee meetings, with each committee having an executive session to follow progress on current study projects or other pending business. This may be accompanied by a prepared program of speakers, a panel discussion on some appropriate subject, or a general forum on new developments. In recent years several committees have been combining on joint programs for a large afternoon session, aimed at accommodating those whose technical interests span more than one committee's activities.

The following day features the meeting's first general session. It is a carefully scheduled program of prepared speeches, including the chairman's progress report and addresses by guest speakers. These

^{17/} Registration fees include a sum to defray the cost of the traditional Commission Banquet.

are usually well-known specialists or leading figures in industry and government, State or Federal. After an occasional open forum, as a concluding feature, the day's activities end with the Commission's formal banquet.

On the final day there is a second general session, followed by the Commission's business meeting. The former consists essentially of reports on their proceedings by committee chairmen. The business session includes approval of completed committee studies; discussion and vote on resolutions or other committee reports requiring approval; consideration of Commission finances and expenditures; reports on general pending business; selection of future meeting sites and other routine housekeeping business. During the survey period, Commission action has never required the dual system of voting prescribed in Article VI of the Compact. It would appear the usual practice, long before a matter comes to a Commission vote, to compromise differences or shelve a potentially controversial issue for further study. Consequently, with little active or heated discussion, most items on the agenda receive unanimous approval.

Registrants at Commission meetings, fluctuating with the season and attractiveness of the meeting place, range from 300 to 400 people, on the low side, to highs of 600 to 700. Besides Commission members, its committees and staff, these include wives, members of the press, and interested observers from industry, trade association groups and State, Federal and foreign government agencies.

Between these regular meetings supervision of Commission activities is entrusted to its annually-elected Executive Committee of eleven member

States. The original six compacting States and the major producing State of Louisiana are invariably represented, with other member States elected in a rough rotation. However, an Official Representative of any State appearing at its meetings has the same right to participate and vote as an elected member. As noted above, a number of such representatives do attend the meetings.

Although formerly more frequent, Executive Committee meetings are now held twice a year, usually in February and September. They may be held at a location to suit the convenience of the current Commission chairman or occasionally in another State at the invitation of its Governor. But most usually these meetings convene at the Commission's headquarters office. They are comparatively brief one-day affairs, identical in format and content with the business sessions at full Commission meetings. Attendance is swelled by presence of a few industry or government observers and by the chairmen of the Compact committees, who usually schedule their meetings as Council of Committee Chairmen in conjunction with the Executive Committee.

C. Compact Committees

The by-laws provide for establishment of certain specific committees, and such other standing and temporary committees as may be deemed necessary. Aside from the Executive Committee, those specified are the By-laws Committee, the Resolutions Committee and the Nominating Committee.

Each year three Official Representatives are appointed to constitute a By-laws Committee. The committee does not meet regularly during

Commission meetings or otherwise, but only when it is felt that consideration should be given to possible by-law amendments.

The Resolutions Committee sits at each regular meeting, however, to consider all resolutions intended for the full Commission. In practice, since it is required that committee action shall not constitute full Commission action until after submission to the Executive Committee, the Resolutions Committee appointees each year are the Official Representatives of the States then constituting the Executive Committee. Thus the Resolutions Committee is merely the Executive Committee wearing another hat. Actually, most of the resolutions merely express appreciation for a meeting's success or condolence over a Compact personality's death. The remainder deal with other aspects of oil or gas problems, frequently including memorials expressing the collective attitude to various federal actions, especially on oil import controls or natural gas regulation.

A small Nominating Committee composed of Official Representatives is appointed prior to the Annual Meeting to consider nominations for Commission officers and membership on the Executive Committee for the following year. It has long been customary to nominate a Governor as chairman and particularly active Official Representatives from various States as first vice-chairman and second vice-chairman. These nominations are adopted without question by the full Commission. The new chairman, in addition to presiding at Commission and Executive Committee meetings, is responsible for setting meeting dates and providing for

notices; appointing the obligatory committees 18/ and the chairmen of standing and temporary committees; 19/ making formal notification of appointment to committee members chosen by their Governors; and on occasion representing the Interstate Oil Compact Commission before some other body. Formerly, the chairman also had personal supervision of the Commission's expenditures, stemming from his required counter-signature on the Executive Secretary's monthly payments of current expenses. However, the cumbersome procedure of counter-signing checks was discarded within the last year.

The Compact's standing committees perform much of the substantive work of the Commission. As noted, the Governor of each compacting State appoints to these committees such members as the State may desire. A few States do not appoint members to any standing committee. A few others have their Official Representative, with perhaps one or two others, serving as members of all the committees. But most States appoint one or more members to all or almost all of these committees. In addition, the two oil-producing Canadian Provinces of Alberta and Saskatchewan, which maintain official observers at Compact Commission

18/ Another obligatory committee, though not so specified in the by-laws, is the Finance and Publications Committee, which advises the Commission on the Compact's expenditures and income from State contributions as well as the costs and revenues of Commission publications. In 1968 this committee was, in effect, yet another example of the Executive Committee wearing another hat, its membership including all the current Executive Committee members plus one other Official Representative.

19/ Some standing committee chairmen, however, are reappointed year after year. Under their own rules, other committees annually elect their own chairmen on a rotational basis and this designation is usually honored by the Commission chairman.

meetings, also appoint individuals to serve on a number of committees as non-voting members.

The size of State delegations to each committee varies considerably. Where oil production and its regulation is of minor importance, only one member from the State may be appointed to each committee. On the other hand, a few States have as many as ten members on a Committee viewed as important. In general, it could be said that some of the largest producing States appoint the most numerous delegations while most of the States with small production maintain a modest list of appointees. In any event, a State is entitled to but one vote in the deliberations of each committee.

The by-laws also provide that a standing committee shall meet at the call of its chairman, aside from its regular sitting at full Commission meetings. In actual practice, however, these rules see little use. Much committee work is undertaken initially by appointed subcommittees, where differences can usually be compromised. Deliberations before the full committee are so nearly unanimous that rarely is there need for the strict voting requirement. Similarly, the size of standing committees usually makes it impracticable to call full committee meetings at special times, though special meetings of subcommittees are not infrequent.

The chairmen of all standing and temporary committees meet periodically as the Council of Committee Chairmen. This group works to coordinate the studies of the various committees, both to prevent duplication of effort and to enable experts from one committee to

assist another in some relevant aspect of a project. The committee also coordinates the plans and programs of all the committees for future Commission meetings.

Except for the Energy Resources Committee, organized in 1965, all the present standing committees were established back in the 1940's. Each has done constructive work for conservation in its highly technical field. The continuing function of the Engineering Committee, for example, is to keep the Commission apprised of the latest scientific advances in oil production. It has published a book on fundamental geology and sound conservation practices in oil and gas production. It has also prepared compilations and summaries of such conservation practices and reservoir engineering principles. A subcommittee is currently engaged in updating an IOCC pamphlet, "Principles of Petroleum Conservation." The committee presently includes 60 members from 27 States and two Canadian Provinces.

The Legal Committee is by far the largest, with 96 members from 30 States and the two Canadian Provinces. It has prepared comprehensive model oil and gas conservation statutes, with alternative provisions to suit individual State policies for or against various conservation practices and market demand regulation. Various provisions have been adopted by many States in drafting or amending their conservation laws. In addition to many legal studies on conservation, the committee prepares and publishes, with the Mineral Law Section of the American Bar Association, an annual report on new State legislation, regulations, administrative practices and orders, and judicial decisions affecting conservation.

Thirty States and the two Provinces appoint a total of 53 members to the Public Lands Committee. It interests itself in the various conservation problems arising from oil and gas production on State and Federal-owned lands. The committee studies for the Commission proposed public land legislation, and is presently following closely the work of the U.S. Public Land Law Review Commission.

The Regulatory Practices Committee inquires into development of appropriate standards to be used in State regulation of oil and gas production. In addition to numerous miscellaneous studies on regulation, it has prepared comprehensive sets of model rules and regulations and uniform reporting forms for the guidance of State regulatory bodies. The committee, which now includes 66 members from 29 States and the two Provinces, is currently completing a revised version of these model rules.

The Commission's Research Committee studies the results of applied conservation in various States in such areas, for example, as bottom-hole pressures, gas-oil ratios, well spacing and underground storage. It collects from State conservation bodies and disseminates to them information on such technical subjects for their mutual benefit. Now comprising 55 members from 29 States and one Province, the committee has just published a comprehensive report on subsurface disposal of industrial waste, stemming from its concern with underground disposal of oil field brines.

The Secondary Recovery and Pressure Maintenance Committee has 63 members from 25 States and two Provinces. This committee through the

years has encouraged more widespread use of secondary recovery methods to obtain much higher percentages of oil in place from the Nation's reservoirs. It collects current statistics on secondary recovery and pressure maintenance projects, promotes legislation to permit such projects, and coordinates with other interested organizations in various special studies on the subject. The committee keeps current a survey of unitized and cooperative projects in this country and, with the National Stripper Well Association, publishes an annual survey on the number and production rates of such marginal producing wells.

Now with 40 members from 26 States, the Energy Resources Committee was established after the work of the Governors' Study Committee to keep current the statistical series from that committee's extensive report and to ascertain what improvements have been made in the conservation laws, regulations or policies of the States in response to its recommendations. The committee has also undertaken studies of the energy requirements of the United States and the oil productive capacities of the various States. It is the principal vehicle for the Compact Commission's cooperation with the Federal Government in development of improved oil industry statistics.

Among temporary committees during the survey period the most noteworthy was, of course, the Governors' Study Committee (1963-1964). It was established at a special Executive Committee meeting in April, 1963, at the initiative of the Commission chairman, the Governor of Indiana, in response to a request from the Secretary of the Interior. This

high-level committee of eight Governors, 20/ aided by their Official Representatives, undertook a comprehensive analysis of State conservation laws and regulations, supported by the most extensive factual reports and statistics yet assembled on all aspects of industry operations relating to conservation. The committee worked through the Council of Committee Chairmen and was supplied with voluminous masses of factual material organized and prepared by all the committees. Its report was issued at the end of 1964 and published as a Compact Commission book, A Study of Conservation of Oil and Gas in the United States (1964). This work absorbed most of the energies of the Commission and its standing committees for more than a year. 21/

Another temporary committee of note was the Oil Imports Committee (1957-1959), formed to study the effects of Federal import policy on State conservation when the Government was initiating its voluntary oil import program, which was converted in 1959 to the present Mandatory Oil Import Program. The Commission chairman, the Governor of Oklahoma, appointed an Oklahoma independent oil producer to head the study; other

20/ Actually, nine in all, since a new Governor of Louisiana took office during the course of the study. The other Governors were those of Indiana, Illinois, Kansas, New Mexico, Oklahoma, Texas and Wyoming.

21/ Actually, the standing committee work on this project was accomplished with unusual speed, stemming from rigid deadlines enforced by the Governors' Study Committee chairman. Normally, the pace of committee studies is much more leisurely. Projects of any size often take from two to three years from inception to completion. This is attributable to careful work standards, the felt need for full committee discussion as work progresses, the infrequency of the semi-annual committee meetings, and the difficulty of coordinating subcommittee member schedules to arrange more than a few intervening group work sessions.

members were also largely drawn from this segment of the industry. The committee produced several interim reports on the development of import policy and on various industry factors affecting the influx of imports. These evoked considerable controversy within the Compact. Some were uneasy because the independent producer viewpoint on imports evidenced in these reports reflected adversely on major company importers, with whom they were associated. Others felt that the study's analyses of factors affecting imports went beyond the scope of the Commission's conservation concern. Finally, after disagreements the committee's chairman resigned in 1959 and the committee itself was dissolved without final report soon after. It is significant that early the following year the Commission affirmed a policy to confine chairmanship of committees to Governors, Official Representatives or full-time State employees. ^{22/}

Nevertheless, the Imports Committee continued to have an influence on Compact affairs. Its former chairman's suggestion in the press that the Commission make a study of the methods of allocating production in the various States was adopted in February, 1960. Under the co-chairmanship of a Governor and an Official Representative, a temporary committee of State employees and Official Representatives was established -- three members from market demand States, three from others -- as a Committee to "Study Equality of Opportunity of Oil Production by the Sovereign Producing States." Unwittingly, the Commission, which usually guards

^{22/} For a few years afterwards there was one exception made to this policy, in the case of the Legal Committee.

zealously against the possibility, had opened a serious controversy.

In the long evolution of regulatory tools to suit their own interests and local conditions, the individual oil States had developed strongly-held and divergent policy views for or against market demand limitations; on desirable patterns of well-spacing; on voluntary and compulsory unitization of reservoir production; and on a number of other control techniques among conservation practices. Moreover, the leading industry elements within each State had adapted operations and expenditures in crude oil exploration, development, production and purchasing to these policies and had built up vested interests in their continuance. Even beyond conservation questions, however, each State had fundamentally divergent economic interests at stake: each was a jealous rival of the other producers for what it deemed its appropriate share of the total industry expenditure in development and production and in crude oil markets. This area of conflict the new committee was proposing to open as it sought means to fulfill its assignment.

The committee, later reorganized and made a subcommittee of the Regulatory Practices Committee in December, 1960, came to see its aim as ascertaining what was each State's "fair share" of production and what effect each technique in its regulatory arsenal had on obtaining that share. Others saw the study's logical extreme as laying bare each State's regulatory practices to evaluate whether they were the most modern and efficacious in strict conservation terms or outmoded practices preserved principally to promote an unwarranted share of the market for itself.

The group never really went farther than the threshold question of

determining the statistics required to support its work. The types and sources of data projected as needed had far-reaching implications, even to the unprecedented step of seeking otherwise unavailable information directly from the industry. Meanwhile feelings of dissent swelled to open controversy. Some feared the committee's activities were leading toward the allocation of production by the Compact, forbidden by its terms. The forces of conflicting policies among the States, and within the industry as well, broke to the surface. At one point press reports suggested that some States, notably Wyoming, were about to withdraw from the Compact; and, finally, at an uncharacteristically heated Commission meeting in December, 1961, involving the Regulatory Practices Committee and an extraordinary Executive Committee session, the group was dissolved and the study abandoned.

Another temporary committee of the period, commonly called the National Fuels Policy-Area Pricing Committee, was in some ways a predecessor of the Energy Resources Committee. It was established in 1961 to advise the Commission on a pending national fuels policy study under a Congressional committee. At this time the Federal Power Commission, under its Supreme Court mandate to regulate producer prices in the natural gas field, was undertaking its first steps to regulate on an area-price basis. Studies of this matter were added to the committee's responsibilities. During its active life through 1962 the committee followed developments in both fields. In its continuing series of recommendations the committee deplored the need for a fuels policy study and expressed opposition to any type of study which might

lead to "end-use" controls, though urging Compact Commission cooperation to insure statistical accuracy. Later, however, it commended the completed study, when it appeared that the report gave favorable consideration to the problems of oil as part of the energy economy. As for FPC gas regulation, the committee expressed opposition to Federal regulation of producers, urging legislation to repeal the effect of the Supreme Court ruling, but felt that meanwhile the concept of area price regulation was a step forward in conservation.

D. The Headquarters Office

In a Commission with a new Governor-chairman each year and with many new Official Representatives and committee members at each turnover in State administration, a principal element of continuity is the Executive Secretary and his headquarters office. The headquarters of the Compact were once housed in the Oklahoma State Capital. But in 1953 that State deeded land on its capital grounds and erected a building to be owned by the Commission.

Under the Executive Secretary this building and its headquarters staff functions as the administrative arm of the Commission. The staff makes the innumerable preliminary arrangements necessary to set up Commission meetings, Executive Committee meetings and special subcommittee meetings; provides notice of meetings and reservations for those attending; and carries out various tasks in response to the policies, orders, and directives of the Commission and the Executive Committee. The headquarters building serves as repository for the Commission's essential files and records, and its specialized library. It also serves as the

focal point for collection of masses of information and statistics on oil production and conservation laws, policies and practices. This enables the headquarters to provide staff support on Compact committee study projects and to perform directly the Compact's promotional work to the public on conservation matters.

The staff consists of the Executive Secretary, a Director of Technical Services, three secretaries, and a printing assistant. The building maintains a small reproduction facility to handle the numerous publications of the Commission. These include the Oil and Gas Compact Bulletin, presenting the proceedings, general session addresses, committee reports, and individual State reports at each regular meeting of the Commission; the Committee Bulletin, containing the speeches and papers presented at committee meetings; Compact Comments, a monthly newsletter on activities of the Commission and conservation news in the member States; the Commission's Annual Directory; its annual legal report; and the annual stripper-well survey. Commission publications also include the special studies undertaken by its committees, a few books, and miscellaneous pamphlets on oil conservation. Much of this material is distributed free of charge by the headquarters office. The office also supervises the free distribution of an educational film on oil conservation produced by the Commission.

All finances are handled by the headquarters office. The organization is funded by annual contributions appropriated by the member States. During the survey years the bulk of these contributions have come from Texas and Oklahoma, each contributing \$25,000 annually. In

1968 Louisiana agreed to raise its contribution to this level. Most of the States contribute much less, but very few give no support. These contributions enable the Commission to operate within an annual budget of \$110,000. This includes, among miscellaneous items, the expenses of Commission meetings; staff salaries and travel expenses; normal upkeep of the headquarters office and additions to its extensive library; and publication, freight and postage expenses. In addition, as an outgrowth of its donation of the headquarters land and building the State of Oklahoma makes a further annual appropriation for maintenance of grounds, equipment and building and to cover the expenses of its Governor and Official Representatives on Compact Commission business.

E. Industry Influence on the Commission

The Interstate Oil Compact Commission is formally an organization of State Governors and their representatives. In practice, the organization views itself as an association of State oil and gas regulatory agencies. From our viewpoint, therefore, it is relevant to appraise the degree of industry participation and influence on deliberations of this association.

It is not surprising to find individuals from the oil industry participating in the Commission's work. The individual States have always seen a degree of interaction between the industry and the regulatory agency, a cross-fertilization of ideas and expertise necessary to make State regulation practicable and effective. Moreover, there is also a concurrence of interest between the State and the local industry. In its own self-interest an oil-State desires to foster the health and

development of the industry and thus realize the maximum benefits in tax revenue and employment from its natural resources.

Thus, concern over industry participation in the affairs of the assembled States involves something more. In the first place, it can safely be said that no financial influence is exerted on the Compact Commission. As noted above, Commission operations are funded entirely from member State contributions, and no financial assistance is accepted from any outside source. Nor does the Commission accept any advertising for its various publications.

True, industry sources may sponsor a Commission meeting social hour and one or two major companies may operate hospitality suites. But these are mere courtesy gestures and are, indeed, the only occasions when oil companies as such make a corporate appearance in Compact affairs.

Most of the Compact's substantive work comes from its committees, and it is among committee members that industry influence must be sought. Of course, these members are appointed by their Governors as individuals, not ostensibly as representatives of the State, the industry or the public. But it would be unrealistic to conclude that the comparative weight in committee accorded to views of a member associated in a responsible position with a giant integrated oil company is not affected to some extent by that association.

Another aspect of industry influence involves what direction influence might take. The industry shares some common interests with the State, but beyond that point the interests of independent producers, sellers of crude

oil, sharply differ from those of integrated companies, which produce and purchase oil for their own refineries and transport it largely in their own pipelines. As prior reports of the Attorney General have made clear, the operations of this latter group are of primary competitive concern. Another possibly separable interest here is of those not in the industry but associated with it as consultants, attorneys, suppliers or service organizations. Depending on their clients, these interests may parallel those of independent producers or of integrated companies or of neither fully.

Our study has attempted a rough analysis of industry influence in current Compact work in terms of committee membership, supplemented by appraisal of attendance and participation. Since the Compact's Annual Directory, in accordance with Commission policy, lists non-governmental committee members only by address and not business affiliation, it has been necessary to trace independently the present personal associations of all such members. The results are set forth in Table I below. It includes every committee member appointed through September, 1968, to serve during that year. 23/

The category of part-time State officials includes such obvious examples as Official Representatives from industry or associated with it, who also serve as committee members, as well as members of State regulatory bodies whose duties are known not to require full-time positions. Where the outside affiliations of such persons have been ascertained,

23/ This necessarily includes a handful of committee members who have died or resigned since their appointment.

Table 1 - 1968 I.O.C.C. Standing Committee
Membership, by Affiliation

Committee	State Government		Oil and Gas Industry				Total members
	Officials & Employees 1/	Part-time Officials	Educational Institutions 2/	Integrated Companies 3/	Independent Producers 4/	Other	
Energy Resources	16	4	1	8	7	6	40
Engineering	24	4	5	10	12	7	60
Legal	30	9	3	20	3	36	96
Public Lands	28	6	-	2	10	6	53
Regulatory Practices	33	10	1	7	15	3	66
Research	33	6	4	3	6	2	55
Secondary Recovery and Pressure Maintenance	23	7	2	4	23	3	63
Total Membership 5/	187	46	16	54	76	63	433

1/ Includes for convenience 3 Federal Government employees.

2/ Excluding those primarily considered State officials and employees.

3/ This category comprises the so-called "major companies" and other large and partially integrated companies, including those primarily gas companies.

4/ For convenience, this also includes a tiny handful of small independent refiners and marketers.

5/ Including 20 duplications by part-time officials on individual committees.

they are also listed in the Table. To this extent the tabulations of each committee add to more than the total membership. The category "Other" includes members whose affiliations could not be ascertained or were found to be unconnected with either Government or the oil and gas industry.

Total membership figures can only be suggestive; duplication exists in listing part-time State officials, and also from a certain number of members serving on more than one committee. Thus the number of individuals on all Compact committees is somewhat less than the 433 listed. Nevertheless, the totals indicate the clear preponderance of full-time State personnel appointed to Compact affairs. In contrast, the number of members from the major integrated companies and other integrated firms is comparatively minor.

In individual committees the figures are more revealing. There, the only element of duplication -- part-time State officials with known industry affiliations -- is nowhere statistically significant. Except for the Legal and Secondary Recovery Committees, full-time State officials or employees and those from educational institutions, mostly State universities, comprise about one-half the membership of each committee. When the number of those appointed and serving in a part-time capacity as State officials is added, the preponderance is even more marked. Only on the Legal Committee are members from integrated companies a distinct numerical force. Only there do the private industry and its associates make a clear majority. 24/ On the whole, the

24/ Even here, however, that preponderance derives from the 36 private attorneys associated with the industry, whose interests and sympathies must be accounted as mixed. Some have backgrounds with State regulatory agencies, others with major companies; some have as clients the major companies, others primarily independent producers.

membership list reveals a basic framework of State officials, fleshed out by expertise from industry and the universities.

But membership does not tell the whole story. More important is continuing attendance at Commission meetings and willingness to work actively on committee projects. As with any organization, actual attendance is regularly far less than the membership rolls. In Compact meetings, a member's occasional absence may be explained by a heavily-loaded work schedule, the inconvenience and unattractiveness of the meeting site, or the routine look of its scheduled program. Again, temporary budgetary retrenchment by a State agency or private company may have foreclosed reimbursement of his meeting expenses. In cases of recurring non-attendance a member may have lost interest in the activities of his committee, or a Governor and his Official Representative may have simply misjudged the interest and willingness to serve of an appointee.

Attendance at the 1968 Midyear Meeting in Mobile, Ala., though admittedly on the low side of the Compact Commission average, may serve to illustrate the problem. The Legal Committee, largest in the Compact, had only 26 of its 96 members present. The smallest committee, Energy Resources, operated with 16 out of 40 members at the Meeting. The Regulatory Practices Committee, due to receive and discuss final sub-committee reports on its updated model rules and regulations, had a better record. Almost half of its 66 members arrived at Mobile.

Registration at Commission Meetings does not ensure attendance at committee meetings. With so many committees sitting simultaneously, a member sometimes may skip his own in favor of another meeting with a

more attractive program. For the same reason, those with multiple committee membership often cannot attend more than one, usually that in which they have greatest personal or professional interest. In such case, it cannot be supposed these members will participate too actively on the other committees in the detailed work between meetings. Other members, too, may be ready to attend and participate in committee during Commission meetings, but may be unable or unwilling to find time for the drudgery of intervening committee projects.

In any event, active committee work ultimately boils down to a hard core of individuals, considerably smaller than suggested by the Compact's Annual Directory. Along with the entire membership, this hard core gradually changes over the years with new appointees under succeeding State administrations. 25/ Though some new Governors may make appointments rather arbitrarily, most seem to follow standard Compact appointment policies of their States. Depending on the committee, they will choose delegations of mostly State members; mostly associated with industry, with appropriate representation to each segment; or, more usually, a mixture of both.

In this hard core during the survey period the industry proportion, and that from the major integrated companies, 26/ is rather larger than

25/ Some committee members are reappointed again and again by new Governors, however, because of their key positions in the State government or a record of very active work in Compact affairs.

26/ For one thing, committee members from major companies rarely miss meetings because of difficulties with travel expenses. Again, Compact meetings always have high priority on the work schedules of such members whose company duties directly involve dealings with State regulatory agencies on conservation and production allowable matters.

membership figures suggest. But this participation is still not so extensive or central as to give rise to concern. Committee support for the Governors' Study Committee, certainly the most intensive and perhaps the most important work done by each standing committee in recent years, is suggestive on this point. The Engineering, Legal, Regulatory Practices, Research and Secondary Recovery Committees each appointed key steering committees to collate data collected by other members and draft the committee's assigned section of factual material. Including occasional replacements, these steering committees totalled 32 members -- 18 State officials and employees, two from universities, one from the Commission's headquarters staff, and the remaining eleven from the industry or independent consultants to it. 27/

On the subjective appraisal of active committee participation, those whose membership lists are preponderantly government-based remain so; those few whose composition is more industry-oriented seem no more so. Since Compact policy now puts all committee chairmanships in the hands of full-time State personnel, it is clear that the industry, particularly its major company segment, does not control committee affairs. Beyond

27/ A different group produced the final report of the Governors' Study Committee in a meeting at Santa Fe, in November, 1964. The work included final editing of the factual sections and finishing the draft of the Governors' own portions of evaluation, summary and conclusions. The group comprised the Governor of Indiana (chairman of the Governors' Study Committee) and the Governor of New Mexico (then I.O.C.C. chairman), eight Official Representatives, two Commission staff aides, and five industry members including a special three-man Editing Committee. Of these five, three were from large companies, a fourth the president of the most prestigious petroleum consultant firm in the world, and the fifth in private practice, often called the dean of conservation attorneys.

that, file records and surveillance appraisals of details of committee operations indicate that participation by these elements is not so extensive as to exert undue influence thereby.

III

CONCLUSIONS

In the pre-Compact era, as we have seen, an important objective among measures in the name of conservation was limiting over-all production to existing demand. The goal was to stabilize production levels over time and maintain prices in crude oil markets.

This stabilization goal has been realized to a considerable extent in subsequent years, but not through the Compact. The original proposals for control had envisioned an interstate agency under an interstate compact as a medium for central production control. But the Compact, born in 1935 after the present regulatory system had developed, was much more modest in scope. Instead, production stabilization has been realized -- without any central control -- in a balance resulting from the individual regulatory action of various oil-producing States, exercising control powers derived from sources other than the Compact, indeed antedating it. The major factors had been set in motion by individual State systems of regulation and enforcement and their growing acceptance by the producing industry. This was buttressed by Federal enforcement action under the Connally Hot Oil Act and Federal regulation of oil imports, initially by tariff imposition and more recently under the Mandatory Oil Import Program.

Some of the larger producing States, though not all, tightened or instituted market demand regulation of production, a principal factor in market stability. Texas had been the principal influence

in limiting the scope and authority of the Interstate Compact, firmly denying as a goal the prevention of "economic waste" which could bind the States to joint market demand regulation. But, with its large share of domestic capacity under State-wide market controls, it has contributed most heavily to the stabilization effort.

In these affairs, the Compact itself played only a peripheral role. Organized as binding the States only to laws of their own devising to curb specified forms of waste above-ground and in reservoir management, it established a Commission of limited powers and no authority over its member States, essentially a research and educational agency with no authority or responsibility for the State efforts at market control. Operating within those narrow limits the Commission has collected and widely disseminated information and statistics on techniques and programs to avoid physical waste and achieve proper reservoir engineering. Parts of the model laws and rules and regulations developed by committee work have been adopted in various States, thus realizing without compulsion some measure of the old pre-compact proposal for a uniform pattern of State conservation laws. As noted above, people from or associated with the industry have participated actively in Compact committee efforts. But this participation is not so extensive as to seriously imperil the basic State-government orientation of committee work.

Aside from committee work, Commission meetings have served as open forums for discussion of general conservation matters and problems

of government and industry. Perhaps of equal importance, these meetings have enabled regulatory personnel from different States to meet informally and exchange views on mutual problems, or to make personal contacts with opposite numbers in other States or in the industry as sources of aid if a novel problem should arise. Efforts initiated by the Department of the Interior to take advantage of the Compact's focal position with State agencies have used its Commission as a vehicle for exchange of data and views on mutual Federal and State information problems in the field of oil and gas. As its work continued, the Compact Commission has for these reasons acquired a growing influence that, while difficult to quantify, makes it a force in the development of State regulatory practices.

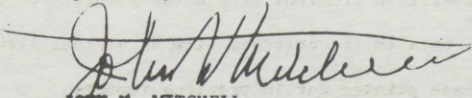
In the final analysis, the role of the Compact within the complex structure of State and Federal oil legislation appears on detailed review to have been unobjectionable. This conclusion is, however, not to be taken as a statement that other activities of the individual compacting States in the field of oil conservation, taken under authority other than the Compact, with related Federal action, do not contribute to competitive problems within the industry on oil supplies and prices. Nor is this an inconsistent view, as various Attorneys General since 1955 have pointed out in previous reports.

Each report since 1955 has dealt with aspects of industry performance in relation to elements of State and Federal roles in oil conservation, and with the Compact itself as one part of the entire

field. These reports have consistently reflected the view that there are serious questions as to the competitiveness of the petroleum industry's performance at important levels and that the interaction of State and Federal controls over oil supply, in total, does inhibit the effect of competition to regulate the supply and price of oil and oil products. But this conclusion has not been directed to the Compact itself, which possesses no regulatory power; as to it, the reports, after mentioning the Compact Commission's current activities, have merely noted its continuing role as a forum for study and discussion on conservation and a convenient focal point of Federal-State liaison.

I conclude, with my predecessors, that the present governmental structure affecting oil supply for purposes allied to conservation requires careful reexamination to insure more effective market competition, restrained to the least degree compatible with other public interest requirements. But termination of the Compact would not significantly change the basic competitive effects of current government regulation, though it would adversely affect State and Federal efforts at conservation in those areas most constructive and uncontroversial.

Respectfully submitted,



JOHN N. MITCHELL
Attorney General

Mr. MACDONALD. Do you have any questions, Mr. Brotzman?

Mr. BROTZMAN. No, thank you.

Mr. MACDONALD. Thank you very much.

All witnesses having been heard, I declare the hearing closed.

(Whereupon, at 10:25 a.m., the subcommittee adjourned.)

○

Mr. M. J. D. [illegible]
[illegible]
[illegible]
[illegible]
[illegible]

240 GRA. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.

100 IN. 100 IN. 100 IN.