

Exclusive report

The independent oil-men: an endangered species?

by William Engdahl

The 12,000 "independent oil producers" across the nation some of whom gathered recently in Denver for the Midyear Meeting of the Independent Petroleum Association of America are in a state of total war with an adversary that most of them only dimly comprehend. That fact struck me most sharply in conversations I had with numerous independents and in the speeches delivered at the meeting. Many were worried about the "Russian problem." Most had no strategy to meet the attack being waged on them—the primary explorers and producers of new domestic oil and gas reserves—by the majors and the Carter administration.

I had met many of these same independents, members of the nation's largest organization of independent producers, last November at their annual meeting. At that time, the attempt to stop passage of the Windfall Profit Tax Act of 1980 was the key subject of discussion. Now, six months later, the Windfall Profit Tax is law and on the drawing boards are a number of systematic assaults against energy development, including a new bill by liberal Arkansas Senator Dale Bumpers. That bill, S.1637, is part of the move being undertaken by the Carter administration to ensure that the vast potential for domestic oil and gas exploitation remains undeveloped.

These oilmen are angry about the latest government incursions on energy production, and rightly so. But while the troops for Carter's war on energy are assembling, these independents, many of them World War II veterans, are reminiscing about past battles or planning retirement from the fight.

Carter's Windfall

The Denver meeting focused on two themes: the Windfall Profit Tax Act of 1980 and the Bumpers bill, S.1637.

First, the Windfall Tax. Peyton Yates, a leading and outspoken independent from New Mexico, told *EIR* that the impact of this excise tax will mean "gross revenue cuts of 25-50 percent from January 1980." He added that "what will drop is anticipated drillings, sharply" as independents fail to accumulate the capital to launch

further costly exploration. "You can't take \$227 billion out of any industry in this country" and not have a severe impact, Yates told me. The administration bill, imposing an exceedingly complex three-tier classification for all kinds of oil, is the largest single revenue package in U.S. history.

Wyoming's Republican Senator Malcolm Wallop addressed the more than 1200 oilmen at the Denver meeting on how the fight evolved in the Congress. Beginning with Carter's proposal in April 1979 to raise \$5 billion over three years, the tax emerged last Christmas from the joint Senate-House conference committee in the form of a \$227.7 billion tax at the wellhead on oil production in the country. Wallop correctly noted that "to date nobody has heard what Carter plans to do with the ... new dollars his tax would raise." What is known is that it will *not* go to ensure an increased supply of nuclear, oil or gas development. Wallop also noted that "it is time for some real soul-searching about the Windfall debacle, because the forces that achieved your defeat on the Windfall tax are ready to move on percentage depletion, intangible drilling costs, competitive oil and gas leases and a range of sorry ideas."

What Wallop prescribed, however, was a foolish party line of changing the Democratic majority that has controlled Congress for 40 years. He failed to note some of the Republicans' complicity. One example is in order: the major oil companies. The battle against the tax was lost last fall when the bipartisan "liberal" coalition successfully split "big oil from little oil" by amending the bill to give certain "windfalls" to the multinational oil majors at the expense of domestic independent producers. The boards of these major companies, Exxon, Shell, Texaco, Gulf, are all *directed by a* "Republican" blue-blood group, many of whom sit on the New York Council on Foreign Relations along with the likes of William Buckley, Henry Kissinger and David Rockefeller. This is the same crowd who years ago drafted the policy of "controlled economic disintegration" using energy as the strategic choke point to force industrial collapse.

What did the "Republican" majors get for their "compromise" on the tax bill?

Exxon & Co. dropped their political opposition to the bill last fall when their friend Russell Long, the Senate Finance Committee chairman from Louisiana, succeeded in getting two plums. First, most Alaskan oil is *exempt* from the tax altogether. Second, a little-noticed amendment was added removing the 1962 Trade Expansion Act authority of the President to arbitrarily pass import quotas. The latter is the basis of the current congressional challenge to Carter's \$10 billion oil import fee. Both provisions have devastating implications: The Alaskan production is dominated by British Petroleum and its subsidiary, SOHIO with ARCO, Exxon and other members of the consortium. This "windfall" to BP will further their ability to "price war" their way into an increasing share of the American market. In addition, the majors got a concession on certain "old oil" now being reclassified as "upper tier" under the new tax. As one knowledgeable independent pointed out, it is the majors who own "huge quantities" of this tax-exempt oil. Once the majors had secured these concessions, they dropped their opposition and the bill's legislative architects set about ensuring the demise of domestic energy production under the guise of "taxing the windfall gained from domestic price decontrol." Although they have a necessary joint relationship with the major companies, the independents, especially since the Seven Sisters moved into the Middle East, have been left with the burden of exploratory risk-taking in finding and producing domestic oil and gas. Last year, for example, more than 83 percent of new wells drilled or "wildcatted" domestically, were done by independents, not majors.

Bumpers' Rocky Mountain high

This brings us to the second major point: the attempt to choke off production by the independents in the vast Rocky Mountain region called the Overthrust Belt. Much of this is federally leased land which has become economical to explore under domestic price decontrol. Because there are vast energy resources here, it is potentially the fastest growing energy region in the country. Interior Secretary Cecil Andrus has used a contrived leasing scandal to force legislation through Congress which would prohibit independents from access to these oil-rich areas, leaving them for the larger majors to sit on while prices soar.

Just one day before the Denver conference, the Senate Committee on Energy approved the Bumpers bill, the Federal Oil and Gas Leasing Act of 1980 (S.1637). The bill now goes to the full Senate for a vote. IPAA head, C. John Miller labeled the Bumpers bill "a fraud" which would "virtually eliminate the great majority of independents as competitors for the frontier public lands areas and limit domestic oil and gas production, because it would limit the acreage available for leasing."

The IPAA Public Lands Committee said that S.1637 and the February Interior Secretary's suspension of

Who is 'big oil'?

Unlike the independent oil producers, whose future is tied to the exploration and production of oil and gas, the multinational oil companies are no longer oil-producing corporations per se. Since the early 1970s, they have been functioning as appendages of the major New York and London financial houses which run policy at the New York Council on Foreign Relations. A look at the corporate boards of directors reveals the following:

- Exxon numbers no fewer than 17 board members who are also members of the CFR, including chairman Clifton C. Garvin, who also is a director of Citibank in New York.

- Mobil's chairman Rawleigh Warner is a CFR member who also sits on the board of Chemical Bank in New York. Mobil's vice-president Herbert Schmertz, a CFR member, just received a leave of absence to serve as media director of the campaign of "oil's arch-enemy" Edward Kennedy.

- Texaco's chairman Maurice Granville is a CFR member who also sits on the New York Federal Reserve which authored Fed Chairman Volcker's top-down takeover of regional banks.

- ARCO's chairman, Robert O. Anderson, and president, Thornton Bradshaw, both sit on the CFR while funding and promoting environmental resource control from their Aspen Institute.

noncompetitive federal oil and gas leasing "pose a substantial threat to future availability of federal oil and gas leases" and "promises to remove substantial amounts of land from oil and gas leasing." They correctly note that the impact of the recent actions will hit independents "who hold or operate on over 80 percent of federal oil and gas leases." What they do not mention is the fact that it is "independent oilman" Robert O. Anderson and certain major oil companies that have funded the environmentalist operations creating this very threat.

Duke Rudman of Texas, a self-described "dedicated wildcatter" told *EIR* that moves such as the Windfall tax are "paralyzing me. I have been forced to curtail a considerable number of drillings ... There is complete confusion; nobody understands this bill. Nobody in the Department of Energy can tell me. I can't find a lawyer who can give me an answer ... I'm mad. We have too many gentlemen in our industry." Rudman described the untold "trillions of barrels of hydrocarbons waiting to be explored" but for the impact of these restrictive policies.