



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

file

December 14, 1973

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Dear Miss Furfari:

Thought you and your Member might be interested in seeing the enclosed copy of the letter Secretary Morton sent to every member of the Senate regarding passage of legislation to de-regulate natural gas prices.

Please let me know if I can be of any assistance to you (343-7261).

Sincerely,

Frank R. Wolf
Assistant to the Secretary
for Congressional Liaison

Miss Marguerite Furfari
Administrative Assistant to the
Honorable Harley O. Staggers
U. S. House of Representatives
Washington, D. C. 20515

Enclosure



DEPARTMENT of the INTERIOR

news release

OFFICE OF THE SECRETARY

For Immediate Release - December 10, 1973

SECRETARY MORTON URGES PASSAGE OF LEGISLATION
TO DE-REGULATE NATURAL GAS PRICES

Interior Secretary Rogers C. B. Morton today sent letters to every member of the United States Senate urging passage of the Administration's bill (S. 2048) to competitively price new supplies of natural gas in interstate commerce.

Secretary Morton said passage would help the United States to develop its indigenous energy resources "by allowing competitive market forces to determine the wellhead prices of new supplies of natural gas."

He said the United States "...desperately needs these resources to satisfy its energy needs and to help achieve its environmental goals."

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(A copy of Secretary Morton's letter is attached.)

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Dear Senator:

The United States must move ahead vigorously to develop its indigenous energy resources. One essential step toward achieving this goal is adoption of a more realistic method of pricing domestic natural gas. I strongly urge you to support the Administration's bill (S. 2048), which would allow competitive market forces to determine the wellhead prices on new supplies of natural gas.

Although there have been many causes of the natural gas shortage, it is inescapable that wellhead price regulation is its primary cause. Even today, 19 years after the Phillips decision and 12 years after starting the first area rate proceedings, producers are receiving firm, non-refundable prices in only two producing areas (Hugoton-Anadarko and Appalachia-Illinois). Producers are exposed to potentially large refunds on their sales in the five other major producing areas. Moreover, the average price per Btu being received by producers on interstate gas is approximately one-third as much as the price received for domestic oil and one-sixth as much as the price currently paid for imported oil and imported gas.

There is fairly wide agreement that the Federal Power Commission's regulation must be changed. The disagreement exists on what this change should be. I am firmly convinced that the quickest, most efficient and most effective solution to the natural gas shortage is to allow the competitive market system to set the prices on new supplies of natural gas. There is a consensus among academic economists that the natural gas producing industry is workably competitive, as witnessed by the testimony of a number of academicians before the recent Senate Commerce Committee hearings on natural gas. Concentration in the natural gas industry is substantially less than in the vast majority of industries in the United States.

In addition, history indicates that there is a strong and positive relationship between price increases and increases in drilling activity. In the decade of the 1950's, when prices were set by

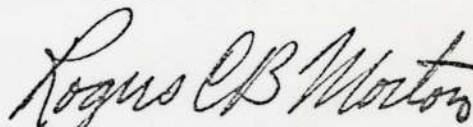
competitive market forces, the number of natural gas wells drilled nearly tripled. If the goal is to solve the natural gas problem, and to solve it in the shortest possible time and at the lowest reasonable price to the consumer, we must permit the marketplace to set prices on new natural gas supplies, as provided by S. 2048.

S. 2048 maintains the Federal Power Commission's authority over rates of flowing gas, and thus prevents "windfall" profits. It gives the Federal Power Commission authority over the rates charged industrial customers by the interstate pipelines so that these customers can be required to pay their fair share of the higher priced gas. It also provides safeguards against producers charging excessive rates during the period of transition while the current shortages are being eliminated.

I realize that there are some very strong views on the natural gas problem. It has been a highly emotional issue and one which has elicited heated debate. We must not, however, allow past positions or emotions to determine our present course of action. The United States has large undeveloped natural gas resources. It desperately needs these resources to satisfy its energy needs and also to help achieve its environmental goals. The surest way to stimulate the development of these resources at the lowest reasonable cost to the consumer is to rely on competitive market forces to set wellhead natural gas prices.

I strongly urge you to support S. 2048.

Sincerely yours,

A handwritten signature in dark ink, reading "Rogers C. B. Morton". The signature is written in a cursive, flowing style with a large initial "R".

Secretary of the Interior