

93^d CONGRESS
1ST SESSION

H. R. 6821

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 1973

Mr. STAGGERS (for himself and Mr. DEVINE) introduced the following bill;
which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To provide for the registration and regulation of oil and gas
programs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Oil and Gas Investment
4 Act of 1973".

5 TITLE I—REGULATION OF OIL PROGRAMS

6 FINDINGS AND DECLARATION OF POLICY

7 SEC. 101. (a) Upon the basis of facts disclosed as a
8 result of an inquiry by the Securities and Exchange Com-
9 mission, in connection with hearings held by committees of
10 the Ninety-first Congress, and facts otherwise disclosed and
11 ascertained, it is hereby found that oil programs are af-

1 fected with a national public interest, in that, among other
2 things—

3 (1) the dollar value of program participations is-
4 sued by oil programs represents a significant part of
5 the value of all securities offered, distributed, purchased,
6 paid for, exchanged, transferred, redeemed, and repur-
7 chased by use of the mails and means and instrumentali-
8 ties of interstate commerce;

9 (2) the principal activities of such oil programs—
10 investing, reinvesting, and trading in oil and gas interests
11 and exploring for and producing oil and gas—are con-
12 ducted by the use of the mails and means and instrumen-
13 talities of interstate commerce;

14 (3) oil programs are media for investment in the
15 national economy of a significant part of the national
16 savings and may have a significant effect upon the flow
17 of such savings into the capital markets; and

18 (4) the activities of oil programs, extending over
19 many States, their use of the instrumentalities of inter-
20 state commerce and the wide geographic distribution of
21 their investors, make difficult, if not impossible, effective
22 State regulation of such programs in the interest of
23 investors.

24 (b) Upon the basis of facts disclosed as a result of an
25 inquiry by the Securities and Exchange Commission, in

1 connection with hearings held by committees of the ninety-
2 first Congress, and facts otherwise disclosed and ascertained,
3 it is hereby declared that the national public interest and
4 the interest of investors are adversely affected—

5 (1) when investors purchase, pay for, exchange,
6 sell or surrender program participations issued by oil
7 programs without adequate, accurate, and explicit in-
8 formation, fairly presented, concerning the character of
9 such participations and the circumstances, policies and
10 financial responsibility of such programs and their
11 management;

12 (2) when oil programs are organized, operated,
13 managed, or oil and gas interests are selected, in the in-
14 terests of the managers of such programs, and in the
15 interests of underwriters, brokers, or dealers, rather than
16 in the interest of the holders of program participation of
17 such programs;

18 (3) when oil program participations are sold to in-
19 vestors without regard to the suitability of the invest-
20 ment for such investors;

21 (4) when oil programs are managed by irrespon-
22 sible persons and when the control of oil programs is
23 unduly concentrated through pyramiding or inequitable
24 methods of control;

25 (5) when oil programs, in keeping their accounts,

1 in computing repurchase prices of their program par-
 2 ticipations, in allocating costs and revenues, and in de-
 3 termining management compensation, employ unsound,
 4 confusing, or misleading practices, or are not subjected
 5 to adequate scrutiny;

6 (6) when oil programs become inactive, or change
 7 the character of their business, or when the control or
 8 management thereof is transferred, without the consent
 9 of the holders of program participations; and

10 (7) when oil programs or their managers operate
 11 without adequate assets or reserves.

12 (c) While recognizing that the national public interest
 13 involved in the exploration for and production of oil and
 14 gas has led to enactment of certain Federal tax incentives
 15 which oil programs make available to their investors, it is
 16 hereby declared that the policy and purposes of this title,
 17 in accordance with which the provisions of this title shall be
 18 interpreted, are to mitigate and, so far as is feasible, to elimi-
 19 nate the conditions enumerated in this section which ad-
 20 versely affect the national public interest and the interest of
 21 investors.

22 GENERAL DEFINITIONS

23 SEC. 102. (a) As used in this title, unless the context
 24 otherwise requires—

25 (1) The term "affiliated person" of another person

1 means (A) any person directly or indirectly owning, con-
 2 trolling, or holding with power to vote, 10 per centum or
 3 more of the outstanding voting securities of such other per-
 4 son; (B) any person 10 per centum or more of whose out-
 5 standing voting securities are directly or indirectly owned,
 6 controlled, or held with power to vote by such other person;
 7 (C) any person directly or indirectly controlling, controlled
 8 by, or under common control with, such other person; and
 9 (D) any officer, director, or employee of such person.

10 (2) The term "area of interest" means a geographically
 11 described region in which an oil program or other person
 12 intends to conduct its oil and gas activities. The area of in-
 13 terest of an oil program shall not include less than all of any
 14 known producing geologic structure, or oil or gas field which
 15 is contained in the description of such area of interest: *Pro-*
 16 *vided*, That the foregoing shall not prohibit an area of interest
 17 from excluding any lands adjacent thereto which are within
 18 an inland body of water or the coastal waters of the United
 19 States or any State.

20 (3) The term "assessment" means any additional
 21 amounts of capital which an investor may be called upon
 22 to furnish beyond the subscription price.

23 (4) The term "assignment" includes any direct or in-
 24 direct transfer or hypothecation of a contract or chose in
 25 action by the assignor, or of a controlling block of the assign-

1 or's outstanding voting securities by a security holder of
 2 the assignor; but does not include an assignment of partner-
 3 ship interests incidental to the death or withdrawal of a
 4 minority of the members of the partnership having only a
 5 minority interest in the partnership business or the admis-
 6 sion to the partnership of one or more members who, after
 7 such admission, shall be only a minority of the members
 8 and shall have only a minority interest in the business.

9 (5) The term "bank" means (A) a banking institu-
 10 tion organized under the laws of the United States, (B)
 11 a member bank of the Federal Reserve System, (C) any
 12 other banking institution or trust company, whether incor-
 13 porated or not, doing business under the laws of any State
 14 or of the United States, a substantial portion of the business
 15 of which consists of receiving deposits or exercising fiduciary
 16 powers similar to those permitted to national banks under
 17 the authority of the Comptroller of the Currency, and which
 18 is supervised and examined by State or Federal authority
 19 having supervision over banks, and which is not operated
 20 for the purpose of evading the provisions of this title, and
 21 (D) a receiver, conservator, or other liquidating agent of
 22 any institution or firm included in clause (A), (B), or (C)
 23 of this paragraph.

24 (6) The term "broker" as used in section 103 (c) (4),
 25 means any person engaged in the business of effecting trans-

1 actions in oil and gas interests for the account of others. As
 2 used elsewhere, "broker" means any person engaged in the
 3 business of effecting transactions in securities for the account
 4 of others.

5 (7) The term "Commission" means the Securities and
 6 Exchange Commission.

7 (8) The term "company" means a corporation, a part-
 8 nership, an association, a joint-stock company, a trust, a fund,
 9 or any organized group of persons whether incorporated or
 10 not; any receiver, trustee in bankruptcy or similar official or
 11 any liquidating agent for any of the foregoing, in his capacity
 12 as such.

13 (9) The term "control" means the power to exercise
 14 a controlling influence over the management or policies of a
 15 company.

16 (A) Any person who owns beneficially either di-
 17 rectly or through one or more controlled companies,
 18 more than 25 per centum of the voting securities of a
 19 company shall be presumed to control such company.

20 Any person, other than an officer, who does not so own
 21 more than 25 per centum of the voting securities of any
 22 company shall be presumed not to control such company.

23 (B) A natural person shall be presumed not to be
 24 a controlled person within the meaning of this title.

1 (C) Any manager of an oil program shall be pre-
2 sumed to control such program.

3 (D) An officer of a company shall be presumed to
4 control such company.

5 (E) Any such presumption may be rebutted by evi-
6 dence, but except as hereinafter provided, shall con-
7 tinue until a determination to the contrary is made by
8 the Commission by order either on its own motion or
9 on application by an interested person. If an application
10 filed hereunder is not granted or denied by the Commis-
11 sion within sixty days after filing thereof, the determina-
12 tion sought by the application shall be deemed to have
13 been temporarily granted pending final determination
14 of the Commission thereon. The Commission, upon its
15 own motion or upon application, may by order revoke
16 or modify any order issued under this paragraph when-
17 ever it shall find that the determination embraced in
18 such original order is no longer consistent with the facts.

19 (10) The term "convicted" includes a verdict, judg-
20 ment, or plea of guilty, or a finding of guilt on a plea of
21 nolo contendere, if such verdict, judgment, plea, or finding
22 has not been reversed, set aside or withdrawn, whether or
23 not sentence has been imposed.

24 (11) The term "cost", when used with respect to prop-
25 erty in section 118 (a), means the sum of the price paid by

1 the seller for such property, attorneys' fees, title insurance
2 or examination costs, brokers' commissions, filing fees, re-
3 cording costs, transfer taxes, if any, and like charges con-
4 nected with the acquisition of such property; bonuses, rentals,
5 and ad valorem taxes paid by the seller with respect to such
6 property to the date of its transfer to the buyer; all costs
7 and expenses, if any, reasonably and properly allocable to
8 the property paid by the seller prior to the date of the transfer
9 of such property to the buyer, except costs of drilling wells
10 which are not commercial producers; interest on funds used
11 to acquire or maintain such property; and such portion of
12 the seller's direct and indirect overhead and administrative
13 expense for exploration, geological, land, engineering, draft-
14 ing, accounting, legal, and other services allocated to the
15 property in accordance with generally accepted accounting
16 practices. When used with respect to services in section 118
17 (g), "cost" means the expense incurred by the seller in
18 providing such services. As used elsewhere, "cost" means
19 the price paid by the seller in an arm's-length transaction.

20 (12) The term "dealer" means any person regularly
21 engaged in the business of buying and selling securities for
22 his own account, through a broker or otherwise, but does not
23 include a bank, insurance company, or investment com-
24 pany, or any person insofar as he is engaged in investing,

1 reinvesting or trading in securities, or in owning or hold-
 2 ing securities, for his own account, either individually or
 3 in some fiduciary capacity, but not as a part of a regular
 4 business.

5 (13) The term "director" means any director of a
 6 corporation or any person performing similar functions with
 7 respect to any organization, whether incorporated or unin-
 8 corporated, including any natural person who is a member
 9 of a board of trustees of a company created as a common-
 10 law trust.

11 (14) The term "equipment" includes machinery, tanks,
 12 tubing, pipe, pumps, and scientific instruments used in con-
 13 nection with the exploration for or drilling or production
 14 of oil or gas.

15 (15) The term "force majeure" means an act of God,
 16 strike, lockout, act of the public enemy, war, blockade, public
 17 riot, insurrection, lightning, fire, storm, hurricane, flood, ex-
 18 plosion, blow-out, governmental restraint, or any other
 19 cause not within the control of the manager.

20 (16) The term "interstate commerce" means trade,
 21 commerce, transportation, or communication among the sev-
 22 eral States, or between any foreign country and any State,
 23 or between any State and any place or ship outside thereof.

24 (17) The term "issuer" means every person who (A)
 25 issues or proposes to issue any security, or has outstanding

1 any security which it has issued and (B) permits or holds
 2 itself out as permitting its beneficial owners to take into
 3 account, in computing their individual Federal income tax,
 4 their shares of such person's income, deductions, credits, de-
 5 preciation, depletion, intangible drilling and development
 6 costs, or similar items.

7 (18) The term "lend" includes a purchase coupled with
 8 an agreement by the vendor to repurchase; The term "bor-
 9 row" includes a sale coupled with a similar agreement.

10 (19) The term "manager" of an oil program means
 11 (A) any person who regularly provides services to an oil
 12 program or selects a person who regularly performs services
 13 for such oil program; and (B) any other person who pur-
 14 suant to contract with a person described in clause (A)
 15 regularly performs substantially all of the services undertaken
 16 by such person described in clause (A); but does not include
 17 such persons as the Commission may by rules and regula-
 18 tions or order determine not to be within the intent of this
 19 definition.

20 (20) The term "means or instrumentality of interstate
 21 commerce" includes any facility of a national securities ex-
 22 change.

23 (21) The term "officer" means a president, vice presi-
 24 dent, treasurer, secretary, controller, and any other person
 25 who performs for an organization, whether incorporated or

1 unincorporated, functions corresponding to those of a policy-
2 making nature performed by the foregoing officers.

3 (22) The term "oil and gas interest" means any oil or
4 gas royalty or lease, or fractional interest therein, or certifi-
5 cate of interest or participation or investment contract relative
6 to such royalties, leases or fractional interests, or any other
7 interest or right which permits the exploration of, drilling
8 for, or production of oil and gas or other related hydrocarbons
9 or the receipt of such production or the proceeds thereof.

10 (23) The term "operating entity" means any oil pro-
11 gram all of the outstanding program participations of which
12 are directly owned by a registered oil program and through
13 which such registered oil program conducts all or a signifi-
14 cant part of its business.

15 (24) The term "participation" means a security issued
16 by a person which, but for the provisions of section 103 (b)
17 or (c) of this Act would be a program participation.

18 (25) The term "person" means a natural person or a
19 company.

20 (26) The term "principal underwriter" of or for any
21 oil program, or of any security issued by such program,
22 means any underwriter who as principal purchases from such
23 program, or pursuant to contract has the right (whether
24 absolute or conditional) from time to time to purchase from
25 such program, any security for distribution, or who as agent

1 for such program sells or has the right to sell any such se-
2 curity to a dealer or to the public or both, but does not
3 include a dealer who purchases from such program through
4 a principal underwriter acting as agent for such company.

5 (27) The term "production in paying quantities" means
6 an oil and gas interest which has been brought into produc-
7 tion in such quantity as to enable the recovery of costs, plus
8 a profit.

9 (28) The term "production purchase program" means
10 an oil program which proposes to invest substantially all
11 of its initial capital in oil or gas interests in producing prop-
12 erties.

13 (29) The term "program participation" includes a se-
14 curity issued by an oil program which represents or corre-
15 sponds to (A) a limited or general partnership interest in
16 an oil program organized as a limited partnership; or (B) a
17 share or participation in an oil program organized as a joint
18 venture or partnership; or (C) stock in an oil program orga-
19 nized as a corporation; but such term "program participa-
20 tion" shall not include any interest possessed by a manager
21 of an oil program under a management agreement by reason
22 of being a manager, or short-term paper of such a program.

23 (30) The term "promoter" of an oil program or a pro-
24 posed oil program means a person who, acting alone or in
25 concert with others, is initiating or directing, or has within

1 one year initiated or directed, the organization of such
2 program.

3 (31) The term "property" means any tangible or in-
4 tangible property, except equipment and related supplies
5 and writings which evidence ownership of program partic-
6 ipations.

7 (32) The term "prospect" of an oil program means an
8 area in which such program owns one or more oil or gas
9 interests, which is geographically defined on the basis of
10 geological data by the manager of such program and which
11 is reasonably anticipated by such manager to contain at least
12 one reservoir of oil or gas. Such area shall be enlarged or
13 contracted on the basis of geological data, to define the
14 productive limits of such reservoir.

15 (33) The term "prospectus", as used in sections 113
16 (b), 120 (a), 132 (b), and 133 of this Act means a written
17 prospectus intended to meet the requirements of section
18 10 (a) of the Securities Act of 1933. As used elsewhere,
19 "prospectus" means a prospectus as defined in the Se-
20 curities Act of 1933.

21 (34) The term "repurchaseable program participation"
22 means any program participation issued by an oil program
23 the terms of which provide for the repurchase, redemption,
24 or other payment of such participation by any person, in
25 cash or other consideration, in whole or in part, upon pre-
26 sentment by the holder thereof or otherwise.

1 (35) The term "reorganization" means (A) a reorga-
2 nization under the supervision of a court of competent juris-
3 diction; (B) a merger or consolidation; (C) a sale of 75
4 per centum or more in value of the assets of a company, ex-
5 cept a sale in the ordinary course of business solely of future
6 production pursuant to a production purchase contract; (D)
7 a restatement of the capital of a company, or an exchange of
8 securities issued by a company for any of its own outstanding
9 securities; (E) a voluntary dissolution or liquidation of a
10 company; (F) a recapitalization or other procedure or trans-
11 action which has for its purpose the alteration, modification,
12 or elimination of any of the rights, preferences, or privileges
13 of any class of securities issued by a company as provided in
14 its charter or other instrument creating or defining such
15 rights, preferences, and privileges; (G) any exchange of
16 securities by an oil program or a company which is not an oil
17 program for securities issued by a registered oil program; or
18 (H) an exchange of securities issued by a company for out-
19 standing securities issued by another company or companies,
20 preliminary to and for the purpose of effecting or consummat-
21 ing any of the foregoing.

22 (36) The term "reservoir" means an accumulation of
23 oil or gas in a separate geological structure.

24 (37) The term "sale", "sell", "offer to sell", or "offer
25 for sale", includes every contract of sale or disposition of,
26 attempt or offer to dispose of, or solicitation of an offer to

1 buy, a security or interest in a security, for value. Any secu-
 2 rity given or delivered with, or as a bonus on account of,
 3 any purchase of securities or any other thing, shall be con-
 4 clusively presumed to constitute a part of the subject of
 5 such purchase and to have been sold for value.

6 (38) The term "sales load" means the difference be-
 7 tween the price of a security to the public and that portion
 8 of the proceeds from its sale which is received by the issuer,
 9 less any portion of such difference deducted for trustee's or
 10 custodian's fees, insurance premiums, issue taxes, or admin-
 11 istrative expenses or fees which are not properly chargeable
 12 to sales or promotional activities.

13 (39) The term "security" means any note, stock, treas-
 14 ury stock, bond, debenture, evidence of indebtedness, cer-
 15 tificate of interest or participation in any profit-sharing agree-
 16 ment, collateral-trust certificate, preorganization certificate or
 17 subscription, share, investment contract, voting-trust certifi-
 18 cate, certificate of deposit for a security, fractional undivided
 19 interest in oil, gas, or other mineral rights, or, in general,
 20 any interest or instrument commonly known as a "security",
 21 or any certificate of interest or participation in, temporary or
 22 interim certificate for, receipt for, guarantee of, or warrant
 23 or right to subscribe to or purchase, any of the foregoing.

24 (40) The term "short-term paper" means any note,
 25 draft, bill of exchange, or banker's acceptance payable on

1 demand or having a maturity at the time of issuance of not
 2 exceeding nine months, exclusive of days of grace, or any
 3 renewal thereof payable on demand, or having a maturity
 4 likewise limited; and such other classes of securities of a
 5 commercial rather than an investment character, as the
 6 Commission may designate by rules and regulations.

7 (41) The term "state" means any State of the United
 8 States, the District of Columbia, Puerto Rico, Guam, Amer-
 9 ican Samoa, the Virgin Islands, or any territory of the United
 10 States.

11 (42) The term "supplies" include tools and materials
 12 required in connection with the operation of equipment.

13 (43) The term "underwriter" means any person who
 14 has purchased from an issuer with a view to, or sells for an
 15 issuer in connection with, the distribution of any security,
 16 or participates or has a direct or indirect participation in any
 17 such undertaking, or participates or has a participation in
 18 the direct or indirect underwriting of any such undertaking;
 19 but such term shall not include a person whose interest is
 20 limited to a commission from an underwriter or dealer not
 21 in excess of the usual and customary distributor's or seller's
 22 commission. As used in this paragraph the term "issuer"
 23 shall include, in addition to an issuer, any person directly or
 24 indirectly controlling or controlled by the issuer, or any per-
 25 son under direct or indirect common control with the issuer.

1 When the distribution of the securities in respect of which
2 any person is an underwriter is completed such person shall
3 cease to be an underwriter in respect of such securities or
4 the issuer thereof.

5 (44) The term "unit, unit operating, communitization,
6 or pooling agreement" includes an agreement whereby small
7 tracts sufficient for the granting of a well permit under ap-
8 plicable spacing rules are combined and jointly operated and
9 an agreement providing for the combination of separately
10 owned rights in a common producing reservoir and the joint
11 operation thereof.

12 (45) The term "voting security" means any security
13 presently entitling the owner or holder thereof to vote for
14 the election of directors of a company. A specified percent-
15 age of the outstanding voting securities of a company means
16 such amount of its outstanding voting securities as entitles
17 the holder or holders thereof to cast such specified percent-
18 age of the aggregate votes which the holders of all the out-
19 standing voting securities are entitled to cast.

20 (b) No provision of this title shall apply to, or be
21 deemed to include, the United States, a State, or any political
22 subdivision of a State, or any agency, authority, or instru-
23 mentality of any one or more of the foregoing, or any cor-
24 poration which is wholly owned by any one of the foregoing,
25 or any officer, agent, or employee of any of the foregoing

1 acting as such in the course of his official duty, unless such
2 provision makes specific reference thereto.

3 DEFINITION OF OIL PROGRAM

4 SEC. 103. (a) As used in this title the term "oil pro-
5 gram" means any issuer which—

6 (1) is or holds itself out as being engaged primar-
7 ily, or proposes to engage primarily, in the business of
8 owning, holding, trading, investing or reinvesting in oil
9 or gas interests, or in the business of exploring or drill-
10 ing for or producing oil or gas or receiving such produc-
11 tion or the proceeds thereof;

12 (2) is engaged or proposes to engage in the busi-
13 ness of owning, holding, trading, investing, or reinvest-
14 ing in oil or gas interests, or in the business of exploring
15 or drilling for, or producing oil or gas, or receiving such
16 production or the proceeds thereof, and owns or proposes
17 to acquire (A) oil or gas interests or (B) other assets
18 used in connection with exploring, drilling or producing
19 oil and gas, or receiving such production or the proceeds
20 thereof having a value which exceeds 40 per centum of
21 the value of such issuer's total assets on an unconsoli-
22 dated basis.

23 (b) Notwithstanding paragraph (2) of subsection (a),
24 the following person is not an oil program: Any issuer which
25 the Commission, upon application by such issuer, finds and

1 by order declares to be primarily engaged in a business or
 2 businesses other than that of owning, holding, trading, or
 3 investing or reinvesting in oil and gas interests or that of
 4 exploring or drilling for or producing oil and gas or receiving
 5 such production or the proceeds thereof. The filing of an
 6 application under this paragraph in good faith by an issuer
 7 other than a registered oil program shall exempt the appli-
 8 cant for a period of ninety days from all provisions of this
 9 title applicable to oil programs as such. For cause shown,
 10 the Commission by order may extend such period of exemp-
 11 tion for an additional period or periods. Whenever the Com-
 12 mission upon its own motion or upon application, finds that
 13 the circumstances which gave rise to the issuance of an order
 14 granting an application under this subsection no longer exist
 15 the Commission shall by order revoke such order.

16 (c) Notwithstanding subsection (a), none of the fol-
 17 lowing persons is an oil program within the meaning of this
 18 title:

19 (1) Any issuer all the participations of which are di-
 20 rectly or indirectly owned by a company which is not an oil
 21 program within the meaning of subsection (a) or is ex-
 22 cepted from such definition by subsection (b).

23 (2) Any issuer whose outstanding participations are
 24 beneficially owned by not more than thirty-five persons
 25 (exclusive of persons described in clauses (A), (B), (C),

1 in paragraph (4) of this subsection) and which is not
 2 making and does not presently propose to make a public
 3 offering of its participations. For the purposes of this para-
 4 graph, beneficial ownership of participations of such issuer
 5 by a company shall be deemed to be beneficial ownership
 6 by one person; except that, if such company (other than
 7 a corporation) owns 10 per centum or more of the outstand-
 8 ing participations of the issuer, the beneficial ownership
 9 shall be deemed to be that of the holders of such company's
 10 outstanding securities, unless the value of all participations
 11 of oil programs owned by such company does not exceed
 12 5 per centum of the value of its total assets.

13 (3) Any person primarily engaged in the business of
 14 underwriting and distributing oil and gas interests issued by
 15 other persons, selling such interests to customers, and acting
 16 as broker with respect to such interests, or any one or more
 17 of such activities, whose gross income normally is derived
 18 principally from such business and related activities.

19 (4) Any issuer, all of whose outstanding participations
 20 are owned by persons each of which (A) is primarily
 21 engaged in the business of drilling for, producing or re-
 22 fining oil or gas or investing in or holding any interests
 23 or rights which permit the exploration for or production of
 24 oil or gas or the receipt of such production or the proceeds
 25 thereof, or (B) is a registered oil program, or (C) has

1 been found by the Commission upon written application not
2 to require the protection provided by this title (which find-
3 ing shall be effective until rescinded).

4 (5) Any issuer which is an association created by unit,
5 unit operating, communitization, or pooling agreement,
6 formed to explore for or produce oil or gas in a defined
7 area substantially all of whose members owned an interest
8 in such area prior to the formation of such association, pro-
9 vided that the purpose of such formation is not to evade
10 the provisions of this title.

11 (6) Except as provided by rules and regulations as
12 the Commission may prescribe in the public interest and for
13 the protection of investors, any issuer of direct fractional
14 undivided interests in oil or gas rights in specified properties
15 who (A) has complied with the requirements for registra-
16 tion under the Securities Act of 1933, or (B) is entitled to
17 rely upon regulation B under the Securities Act of 1933 and
18 has complied with all of the requirements thereof.

19 CLASSIFICATION OF OIL PROGRAM

20 SEC. 104. (a) For purposes of this title, oil programs
21 are divided into repurchase and nonrepurchase programs,
22 defined as follows:

23 (1) "Repurchase program" means an oil program which
24 is offering for sale or has outstanding any program participa-

1 tion which is repurchaseable by any person in accordance
2 with section 109 (b) of this Act.

3 (2) "Nonrepurchase program" means any oil program
4 other than a repurchase program.

5 (b) Oil programs are further divided into diversified and
6 nondiversified programs, defined as follows:

7 (1) "Diversified program" means an oil program which
8 (A) holds or invests in or proposes to hold or invest in oil
9 or gas interests, explores or drills for or proposes to explore
10 or drill for or produce oil and gas, receive such production or
11 proceeds thereof on at least five separate prospects; (B)
12 spends or proposes to spend no more than 50 per centum of
13 its net capital on any one prospect; and (C) has a net worth
14 of at least \$250,000 on the date it commences operations.

15 (2) "Nondiversified program" means any oil program
16 other than a diversified program.

17 EXEMPTIONS

18 SEC. 105. (a) The Commission, by rules and regulations
19 upon its own motion, or by order upon application, may con-
20 ditionally or unconditionally exempt any person, security or
21 oil or gas interest or transaction or any class or classes of
22 persons, securities, oil or gas interests, or transactions, from
23 any provision of this title or any rule or regulation there-
24 under, if and to the extent that it determines that such exemp-

tion is necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this title.

(b) If, in connection with any rule, regulation or order under this section exempting any oil program from any provision of section 106 of this Act, the Commission deems it necessary or appropriate in the public interest or for the protection of investors that certain specified provisions of this title pertaining to registered oil programs shall be applicable in respect to such oil program, the provisions so specified shall apply to such oil program as though such oil program were a registered oil program.

TRANSACTIONS OF UNREGISTERED OIL PROGRAMS AND OF CERTAIN OTHER ISSUERS

SEC. 106. (a) No oil program organized or otherwise created under the laws of the United States or of a State, unless registered under section 107 of this Act, shall directly or indirectly—

(1) offer for sale, sell, or deliver after sale, by the use of the mails or any means or instrumentality of interstate commerce, any security or any interest in a security, whether the issuer of such security is such oil program or another person; or offer for sale, sell, or deliver after sale any such security or interest, having reason to believe that such security or interest will be

made the subject of a public offering by use of the mails or any means or instrumentalities of interstate commerce; (2) purchase, redeem, retire, or otherwise acquire or attempt to acquire, by use of the mails or any means or instrumentality of interstate commerce, any oil or gas interest, or any security or any interest in a security, whether the issuer of such security is such oil program or another person;

(3) control any oil program which does any of the acts enumerated in paragraphs (1) and (2) of this subsection;

(4) engage in any business in interstate commerce;

(5) control any company which is engaged in any business in interstate commerce.

The provisions of this subsection (a) shall not apply to transactions of an oil program organized before the date of enactment of this title which are merely incidental to its dissolution.

(b) No manager of or underwriter for any oil program, unless such program is registered under section 107, or exempt under section 105 of this Act, shall directly or indirectly—

(1) offer, sell, or deliver after sale, by use of the mails or any means or instrumentality of interstate

1 commerce, any security or any interest in a security
 2 of which such oil program is the issuer; or offer for
 3 sale, sell, or deliver after sale any such security or inter-
 4 est, having reason to believe that such security or inter-
 5 est will be made the subject of a public offering by use
 6 of the mails or any means or instrumentality of inter-
 7 state commerce;

8 (2) purchase, redeem, or otherwise acquire or at-
 9 tempt to acquire by use of the mails or any means or
 10 instrumentality of interstate commerce, any security or
 11 any interest in a security of which such oil program is
 12 the issuer; or

13 (3) sell or purchase for the account of such oil pro-
 14 gram, by use of the mails or any means or instrumental-
 15 ity of interstate commerce, any oil or gas interest, or
 16 any security or interest in a security, by whomever
 17 issued.

18 The provisions of this subsection (b) shall not apply to
 19 transactions which are merely incidental to the dissolution
 20 of an oil program which was organized before the date of
 21 enactment of this title.

22 (c) No promoter of a proposed oil program, and no
 23 underwriter for such a promoter, shall make use of the mails
 24 or any means or instrumentality of interstate commerce,
 25 directly or indirectly, to offer for sale, sell, or deliver after

1 sale, in connection with a public offering, any preorganization
 2 certificate or subscription for such an oil program.

3 (d) No oil program, unless organized or otherwise
 4 created under the laws of the United States or of a State,
 5 and no manager of underwriter for such a company not so
 6 organized or created shall make use of the mails or any means
 7 or instrumentality of interstate commerce, directly or in-
 8 directly, to offer for sale, sell, or deliver after sale, in connec-
 9 tion with a public offering, any security of which such oil
 10 program is the issuer. Notwithstanding the provisions of this
 11 subsection and of section 107 (a) of this Act, the Commission
 12 is authorized upon application by an oil program organized
 13 or otherwise created under the laws of a foreign country, to
 14 issue a conditional or unconditional order permitting such oil
 15 program to register under this title and to make a public
 16 offering of its securities by use of the mails or any means
 17 or instrumentalities of interstate commerce, if the Commission
 18 finds that, by reason of special circumstances or arrange-
 19 ments, it is both legally and practicably feasible effectively
 20 to enforce the provisions of this title against such oil program
 21 and that the issuance of such order is otherwise consistent
 22 with the public interest and the protection of investors.

23 (e) It shall be unlawful for any issuer which is not
 24 defined as an oil program in section 103 (a) of this Act
 25 or is excluded from such definition by section 103 (b)

1 of this Act, but which engages or proposes to engage di-
 2 rectly or indirectly in the business of owning, holding,
 3 trading, investing, or reinvesting in oil or gas interests, or
 4 exploring, drilling for or producing oil and gas or receiving
 5 such production or the proceeds thereof, and spends or pro-
 6 poses to spend more than \$500,000 during any twelve-month
 7 period in such business—

8 (1) to make a public offering of any security of
 9 which it is the issuer, or

10 (2) if such issuer has more than thirty-five bene-
 11 ficial owners of its securities, to engage in any business
 12 in interstate commerce,

13 unless such issuer conducts all of and only such business
 14 through a separate legal entity which is registered and other-
 15 wise regulated as an oil program under this title. For the
 16 purposes of paragraph (2), beneficial ownership shall be
 17 determined in the same manner as provided in section 103

18 (c) (2) of this Act.

19 REGISTRATION OF OIL PROGRAMS

20 SEC. 107. (a) Any oil program organized or otherwise
 21 created under the laws of the United States or of a State
 22 may register for the purposes of this title by filing with the
 23 Commission a notification of registration in such form as the
 24 Commission shall by rules and regulations prescribe as
 25 necessary or appropriate in the public interest or for the pro-

1 tection of investors. An oil program shall be deemed to be
 2 registered upon receipt by the Commission of such notifi-
 3 cation of registration.

4 (b) Every registered oil program shall file with the
 5 Commission, within such reasonable time after registration
 6 as the Commission shall fix by rules and regulations, an
 7 original and such copies of a registration statement, in such
 8 form and containing the information and documents as the
 9 Commission shall by rules and regulations prescribe as neces-
 10 sary or appropriate in the public interest or for the protec-
 11 tion of investors, including:

12 (1) a recital of the policy of the registrant in re-
 13 spect to each of the following types of activities, such
 14 recital consisting in each case of a statement whether the
 15 registrant reserves freedom of action to engage in activi-
 16 ties of such type, and if such freedom of action is re-
 17 served, a statement briefly indicating, insofar as is prac-
 18 ticable, the extent to which the registrant intends to en-
 19 gage therein: (A) The classifications as defined in sec-
 20 tion 104 of this Act, within which the registrant proposes
 21 to operate; (B) The borrowing of money; (C) The
 22 making of loans to other persons; (D) The making of
 23 assessments; (E) The purchase or sale of securities of
 24 other issuers (other than securities which are oil or gas
 25 interests); and (F) The purchase or sale of real estate

1 (other than oil and gas interests) and commodities or
2 either of them;

3 (2) a recital of all policies of the registrant, not
4 enumerated in paragraph (1), which are changeable
5 only if authorized by vote of the holders of program par-
6 ticipations or which the registrant deems matters of
7 fundamental policy;

8 (3) a description of the area of interest (A) of
9 registrant, (B) of other oil programs, registered or not
10 registered, controlled by manager of registrant, (C) re-
11 served by manager or controlling person of manager for
12 itself; and

13 (4) a description of any class or classes of program
14 participations which have been issued by registrant and
15 any class or classes of such participations which regis-
16 trant proposes to issue.

17 (c) The Commission may make provision, by permis-
18 sive rules and regulations or order, for the filing of the fol-
19 lowing, or so much of the following as the Commission may
20 designate, in lieu of the information and documents required
21 pursuant to subsection (b):

22 (1) copies of the most recent registration state-
23 ment filed by the registrant under the Securities Act of
24 1933 and currently effective under such Act, or if the
25 registrant has not filed such a statement, copies of a

1 registration filed by the registrant under the Securities
2 Act of 1934 and currently effective under such Act; and

3 (2) a report containing reasonably current informa-
4 tion regarding the matters included in copies filed pur-
5 suant to paragraphs (1) and (2), and such further in-
6 formation regarding matters not included in such copies
7 as the Commission is authorized to require under sub-
8 section (b) of this section.

9 (d) If it appears to the Commission that an oil program
10 has failed to file the registration statement required by this
11 section or a report required pursuant to section 126 (a)
12 or (b) of this Act, or has filed such a registration statement
13 or report but omitted therefrom material facts required to
14 be stated therein, or has filed such a registration statement
15 or report in violation of section 125 (b) of this Act, the Com-
16 mission may notify such oil program by registered or certi-
17 fied mail of the failure to file such registration statement or
18 report or of the respects in which such registration state-
19 ment or report appears to be materially incomplete or mis-
20 leading, as the case may be, and may fix a date (in no event
21 earlier than thirty days after the mailing of such notice)
22 prior to which such oil program may file such registration
23 statement or report or correct the same. If such registration
24 statement or report is not filed or corrected within the time

1 so fixed by the Commission or any extension thereof, the
 2 Commission, after appropriate notice and opportunity for
 3 hearing, and upon such conditions and with such exemptions
 4 as it deems appropriate for the protection of investors, may
 5 by order suspend the registration of such oil program until
 6 such registration statement or report is filed or corrected, or
 7 may by order revoke such registration if the evidence
 8 establishes—

9 (1) that such oil program has failed to file a regis-
 10 tration statement required by this section or report re-
 11 quired pursuant to section 126 (a) or (b) of this Act,
 12 or has filed such a registration statement or report but
 13 omitted therefrom material facts required to be stated
 14 therein, or has filed such a registration statement or
 15 report in violation of section 125 (b) of this Act; and
 16 (2) that such suspension or revocation is in the
 17 public interest.

18 (e) Whenever the Commission, on its own motion or
 19 upon application, finds that a registered oil program has
 20 ceased to be an oil program, it shall so declare by order and
 21 upon the taking effect of such order the registration of such
 22 oil program shall cease to be in effect. If necessary for the
 23 protection of investors an order under this subsection may
 24 be made upon appropriate conditions, including registration
 25 under the Investment Company Act of 1940, if such pro-

1 gram, after deregistration under this title, would be an in-
 2 vestment company as defined in that Act. The Commission's
 3 denial of any application under this subsection shall be by
 4 order.

5 (f) For the purpose of preventing duplicative filings,
 6 the Commission by rules and regulations or order may con-
 7 ditionally or unconditionally exempt any operating entity
 8 of a registered oil program from any of the provisions of
 9 this section or any rules or regulations thereunder, if and
 10 to the extent such exemption is necessary or appropriate in
 11 the public interest and consistent with the protection of
 12 investors.

13 INELIGIBILITY OF CERTAIN PERSONS

14 SEC. 108. (a) It shall be unlawful for any of the fol-
 15 lowing persons to serve or act in the capacity of employee,
 16 officer, director, manager, or principal underwriter of any
 17 registered oil program, or affiliated person of such manager
 18 or principal underwriter:

19 (1) any person for whom it is unlawful to serve in
 20 the capacities enumerated and for the reasons specified
 21 in section 9 (a) (1) of the Investment Company Act
 22 of 1940; or

23 (2) any person who within ten years has been con-
 24 victed of any felony or misdemeanor arising out of such

1 person's conduct as an underwriter, broker, dealer, or as
2 manager or affiliated person or salesman of any oil pro-
3 gram or as affiliated person of any such manager.

4 (b) The Commission may, after notice and opportunity
5 for hearing, by order, prohibit conditionally or uncondi-
6 tionally either permanently or for such period of time as
7 in its discretion shall deem appropriate in the public interest,
8 any person from serving or acting as an employee, officer,
9 director, manager, or principal underwriter of a registered
10 oil program or as an affiliated person of such manager or
11 principal underwriter, if such person—

12 (1) has willfully made or caused to be made in any
13 registration statement, application or report filed with
14 the Commission under this title any statement which
15 was at the time and in the light of the circumstances
16 under which it was made, false or misleading with re-
17 spect to any material fact, or has omitted to state in any
18 registration statement, application, or report any mate-
19 rial fact which was required to be stated therein; or

20 (2) has willfully violated any provision of the Se-
21 curities Act of 1933, the Securities Exchange Act of
22 1934, the Investment Company Act of 1940, the In-
23 vestment Advisers Act of 1940, or of this title, or of any
24 rule or regulation under any such Acts; or

25 (3) has willfully aided, abetted, counseled, com-

1 manded, induced, or procured the violation by any other
2 person of any of the Acts or rules or regulations enumer-
3 ated in paragraph (2).

4 (c) Any person who is ineligible, by reason of subsec-
5 tion (a), of this section, to serve or act in the capacities
6 enumerated in that subsection, may file with the Commis-
7 sion an application for an exemption from the provisions of
8 such subsection. The Commission shall by order grant such
9 application, either unconditionally or on an appropriate tem-
10 porary or other conditional basis, if it is established that the
11 prohibitions of subsection (a), as applied to such person, are
12 duly or disproportionately severe or that the conduct of
13 such persons has been such as not to make it against the pub-
14 lic interest or protection of investors to grant such application.

15 OFFERS OF EXCHANGE; REPURCHASES; ASSESSMENTS

16 SEC. 109. (a) It shall be unlawful for any registered oil
17 program or any manager or principal underwriter for such oil
18 program, or any affiliated person of any such program, man-
19 ager, or principal underwriter, to make or cause to be made
20 any offer to the holder of a program participation of such
21 program to exchange such program participation for a se-
22 curity of another company or for any other consideration,
23 unless—

24 (1) such offer is made after the expiration of two
25 years after such program commenced operations;

(2) such offer is made to all holders of program participations of such program;

(3) such offer, if made to the manager or principal underwriter, or any affiliated person of such manager or principal underwriter, is on a basis not more advantageous to such manager, principal underwriter or affiliated person than to holders of program participations;

(4) the value of the security or other consideration offered is at least equivalent to the value of the program participation; and

(5) the terms of such offer, the basis of valuation, and such other information as the Commission by rule or regulation may specify, are filed with the Commission at least thirty days prior to the consummation of such exchange and transmitted to holders of such program participations: *Provided*, That such information need not be filed with the Commission or transmitted to such holders (A) if such offer is made by means of a registration statement meeting the requirements of the Securities Act of 1933 or (B) if the security offered is exempted by section 3 (a) (10) of the Securities Act of 1933 and an offering circular containing substantially the same information required by this paragraph is filed with the Commission and delivered to each such holder.

(b) It shall be unlawful for a registered oil program,

or any manager or principal underwriter of such program, or any affiliated person of such manager or principal underwriter, to sell any program participation issued by such program which is or purports to be repurchaseable, unless—

(1) such repurchase may be made only after the expiration of two years after such program commenced operations; except that a repurchase of a program participation by a production purchase program may be made when such program has fully invested the proceeds of the sale of such participations;

(2) the person obligated to make such repurchase is not a registered oil program;

(3) such repurchase may be made only in cash and in an amount equal to the value of such participation;

(4) any person obligated to make such repurchase and any person obligated by contract to furnish such person the funds to make such repurchase maintain a combined net worth at least equal to 15 per centum of the amount of program participations such person may be obligated to repurchase in all registered oil programs.

For the purposes of this subsection (b), the value of any oil or gas reserves, determined in the manner provided in subsection (d) (1) (A) of this section, owned by a person obligated to repurchase may be used in computing the net worth of such person.

(c) No person who is obligated to repurchase any program participation issued by a registered oil program pursuant to subsection (b) and no such program or its manager shall suspend the right of repurchase or postpone the date of satisfaction upon such repurchase for more than seven days after the date specified for repurchase, except—

(1) for any period during which an emergency exists as a result of which disposal by the person obligated to repurchase of sufficient assets to meet its obligations is not reasonably practicable; or

(2) for such other periods as the Commission may by order permit for the protection of holders of program participations.

The Commission may by rules and regulations determine the conditions under which the emergency described in paragraph (1) shall be deemed to exist within the meaning of this subsection.

(d) For the purposes of subsections (a) and (b) of this section:

(1) The term "value" of program participations of a registered oil program means the fair value of oil and gas reserves and other assets of such program determined in accordance with the following procedure:

(A) The present worth of future net revenues attributable to oil and gas reserves of such program shall

be determined by an independent petroleum engineer within one hundred and twenty days of the date proposed for the exchange or of the date upon which repurchase is to be made, with such supplemental revisions to update such determination as may be necessary to reflect any material changes. The person obligated to make the exchange or repurchase shall discount future net revenues in good faith to arrive at the present worth of dollars to be received in the future, and such present worth shall be discounted by such person in good faith for risk to arrive at fair value.

(B) The fair value of other assets of such program shall be determined in good faith by the person obligated to make the exchange or repurchase.

(2) The term "value" of securities of a company for which market quotations are readily available means the market value of such securities.

(3) The term "value" of securities of a company for which no market quotations are readily available means the fair value of such securities as determined in good faith by the person obligated to make the exchange or repurchase.

(e) It shall be unlawful for any registered oil program to issue any program participation which (1) provides for mandatory assessments upon the holder thereof which exceed 15 per centum of the initial subscription price; or (2)

1 provides for any penalty or forfeiture of the holder's inter-
 2 est in such program for failure to pay any assessment,
 3 whether such assessment is mandatory or optional. With
 4 respect to a failure to pay a mandatory assessment, "penalty
 5 or forfeiture" means the loss by the holder of a program
 6 participation (i) of any interest in such program or in any
 7 of such program's properties in excess of 300 per centum of
 8 the amount of such unpaid mandatory assessment, or (ii) in
 9 the event of any legal action to collect any such unpaid
 10 assessment, of any amount in excess of such unpaid assess-
 11 ment and such actual damages to the program caused by
 12 the failure to pay such assessment as may be awarded in a
 13 judgment against such holder. With respect to a failure to
 14 pay an optional assessment, a "penalty or forfeiture" means
 15 any loss by the holder of the program participation of any
 16 interest in such program or in any of such program's prop-
 17 erties, other than reduction of such holder's interest in the
 18 oil program to the ratio of his capital contribution.

19 FUNCTIONS AND ACTIVITIES OF OIL PROGRAMS

20 SEC. 110. (a) It shall be unlawful for any registered
 21 oil program and any company or companies controlled by
 22 such oil program to hold, purchase or otherwise acquire any
 23 program participation issued by any other oil program and
 24 for any oil program and any company or companies con-
 25 trolled by such program to hold, purchase, or otherwise ac-

1 quire any program participation issued by any registered
 2 oil program.

3 (b) It shall be unlawful for any registered oil program,
 4 any principal underwriter therefor, or any broker or dealer
 5 registered under the Securities Exchange Act of 1934, know-
 6 ingly to sell or otherwise dispose of any program participation
 7 issued by such registered oil program to any other oil pro-
 8 gram or any company or companies controlled by such other
 9 oil program.

10 (c) Notwithstanding subsection (a), a registered oil
 11 program may hold, purchase, or acquire the program par-
 12 ticipation of one or more operating entities: *Provided, how-*
 13 *ever,* That the prohibitions in subsection (a) shall apply to
 14 any such operating entity.

15 (d) It shall be unlawful for any registered oil program
 16 and any company or companies controlled by such oil pro-
 17 gram to hold, purchase or otherwise acquire any security
 18 issued by or any other interest in the business of an invest-
 19 ment company, as that term is defined in the Investment
 20 Company Act of 1940.

21 (e) Notwithstanding subsections (a) and (b), a reg-
 22 istered production purchase program may hold, purchase or
 23 otherwise acquire a program participation issued by any
 24 oil program: *Provided,* That such production purchase pro-

1 gram is not required to pay any sales charge or management
2 fee by reason of holding, purchasing, or acquiring such
3 participation.

4 CHANGES IN FUNDAMENTAL POLICY

5 SEC. 111. (a) Every registered oil program shall include
6 in the instrument pursuant to which it is organized the recit-
7 als of policy and information required by section 107 (b) of
8 this Act to be set forth in its registration statement.

9 (b) No registered oil program, unless authorized by the
10 vote of the holders of a majority of its outstanding pro-
11 gram participations, shall—

12 (1) change its classifications as defined in subsec-
13 tion (a) or (b) of section 104 of this Act, except
14 with respect to such subsection (b), a change in
15 classification from diversified to nondiversified resulting
16 from a force majeure;

17 (2) borrow money, make loans to other persons,
18 make assessments, purchase or sell securities of other
19 issuers (other than securities which are oil and gas in-
20 terests), purchase or sell real estate (other than oil and
21 gas interests) or commodities, except in each case in
22 accordance with the recitals in its registration statement
23 in respect thereto;

24 (3) deviate from any policy recited in its registra-
25 tion statement pursuant to section 107 (b) (2) of this

1 Act or deviate from its area of interest described pur-
2 suant to section 107 (b) (3) of this Act;

3 (4) issue any program participation not specifically
4 described pursuant to section 107 (b) (4) of this Act; or
5 (5) change the nature of its business so as to cease
6 to be an oil program, except pursuant to the dissolution
7 of such program.

8 (c) A change in the policies of an operating entity of a
9 registered oil program shall be deemed to be a change in the
10 policies of such registered program with respect to such
11 operating entity.

12 (d) Nothing contained in this section shall affect any
13 limitations of liability to which the holders of program par-
14 ticipations of a registered oil program would otherwise be
15 entitled under the laws of any State.

16 (e) For the purposes of subsection (b), a program par-
17 ticipation of a registered oil program shall have equal
18 voting rights with every other outstanding program
19 participation.

20 SIZE OF OIL PROGRAMS

21 SEC. 112. No registered oil program and no principal
22 underwriter of such program shall make a public offering
23 of program participations issued by such program unless—

24 (1) the net worth of the manager of such program

1 meets the requirements of section 113 (a) of this Act;
 2 and
 3 (2) provision is made in connection with and as a
 4 condition of the registration of such participations under
 5 the Securities Act of 1933 which in the opinion of the
 6 Commission adequately insures that (A) such program
 7 will not commence operations until cash or subscrip-
 8 tions for such participations are received in an amount
 9 equal to at least the greater of \$250,000 or such other
 10 amount established by such program; (B) that arrange-
 11 ments will be made whereby any proceeds so paid in,
 12 including any sales charges, will be placed immediately
 13 in an account with a bank pursuant to section 118 (h)
 14 of this Act and will be refunded promptly to any sub-
 15 scriber without any deduction, in the event that the
 16 proceeds or subscriptions so received by such oil pro-
 17 gram do not equal the minimum amount required in
 18 clause (A) of this paragraph within ninety days after
 19 the date specified in the registration statement for com-
 20 mencement of operations of such program; and (C)
 21 that the offering of program participations of such pro-
 22 gram or of any other program with the same manager
 23 shall terminate for any period of time during which the
 24 net worth of such manager fails to meet the requirements
 25 of section 113 (a) of this Act.

MANAGEMENT AGREEMENTS

1 SEC. 113. (a) (1) It shall be unlawful for any person
 2 to serve or act as manager of a registered oil program
 3 unless the net worth of such person at all times is at least
 4 equal to the greater of (a) \$250,000, or (b) the lesser of
 5 \$1,000,000 or 5 per centum of the total capital contributions
 6 made by the holders of program participations issued by all
 7 registered oil programs, of which such person is a manager,
 8 organized during the two-year period immediately preceding
 9 the determination of such net worth.
 10 (2) The value of reserves of oil, gas, and other min-
 11 erals determined in the manner provided in section 109
 12 (d) (1) (A) of this Act, owned by a manager and the net
 13 worth of any guarantor of such manager's obligations to or
 14 for the oil program to the extent of the amount guaranteed
 15 may be used in computing the net worth of such manager.
 16 (3) If more than one person acts or serves as manager
 17 to a registered oil program, the net worth requirements of
 18 subsection (a) may be met by aggregating the net
 19 worth of such persons in accordance with such rules and
 20 regulations the Commission shall adopt which are con-
 21 sistent with the intent of this subsection.
 22 (b) (1) It shall be unlawful for any person to serve or
 23 act as manager of a registered oil program, except pursuant

1 to a written contract, which contract, whether with such
 2 program or with the manager of such program has been
 3 approved by the vote of the holders of a majority of the
 4 outstanding program participations of such program, and

5 (A) precisely describes the basis for the calculation
 6 of all compensation to be paid thereunder;

7 (B) precisely describes the allocation of costs and
 8 revenues between holders of program participations
 9 and the manager or the basis upon which such allocation
 10 is to be made;

11 (C) provides, in substance, for its automatic ter-
 12 mination in the event of its assignment, unless a contract
 13 with the assignee is approved within ninety days of such
 14 assignment by the vote of the holders of a majority of
 15 the outstanding program participations. If such approval
 16 is not obtained, the oil program shall be dissolved in
 17 accordance with the provisions of the instrument pur-
 18 suant to which it is organized, and the manager shall con-
 19 tinue to be responsible for the operations of such
 20 program until the time such program is deregistered
 21 pursuant to section 107 (c) of this Act. Such program
 22 shall be dissolved and liquidated as of a date determined
 23 by the manager, but not later than sixty days after the
 24 start of the taxable year of such program next following
 25 the date of such assignment;

1 (D) provides, in substance, that any material
 2 change in the terms of any such contract must be ap-
 3 proved by the vote of the holders of a majority of the
 4 outstanding program participations of such program.

5 (2) For the purposes of this subsection (b), a pur-
 6 chaser of a program participation of a registered oil program
 7 in connection with the offering of program participations of
 8 such oil program, shall be deemed to have approved any
 9 such contract, the material terms of which are set forth in
 10 the prospectus by which such security is offered.

11 (c) Nothing contained in this section shall affect any
 12 limitations of liability to which holders of program participa-
 13 tions of a registered oil program would otherwise be entitled
 14 under the laws of any State.

15 (d) For the purposes of subsection (b) of this section,
 16 a program participation of a registered oil program shall have
 17 equal voting rights with every other outstanding program
 18 participation.

19 LOANS

20 SEC. 114. (a) It shall be unlawful for any registered oil
 21 program to lend money or other property to any person, di-
 22 rectly or indirectly, if—

23 (1) the policies of such oil program, as recited in
 24 its registration statement and reports filed pursuant to
 25 this title, do not permit such a loan; or

1 (2) such person is a manager, principal underwriter
2 of such program, or an affiliated person of such manager
3 or principal underwriter.

4 (b) Nothing in this section shall be deemed to pro-
5 hibit—

6 (1) a payment of money to a manager, principal
7 underwriter, or affiliated person of either to be used to
8 discharge an obligation of such program in a case in
9 which (i) the borrower incurs or has incurred an obliga-
10 tion in connection with operations of the program, (ii) it
11 is not possible in advance to allocate the proportional ob-
12 ligations of the program and such borrower, (iii) it ul-
13 timately appears that the proceeds of such loan have
14 been used to discharge an obligation of such borrower
15 and (iv) such loan is repaid within forty-five days after
16 such proportionate obligations are determinable;

17 (2) the proceeds of a loan of money from being
18 used for the benefit of such program in a joint venture,
19 partnership or sharing arrangement otherwise permitted
20 by this title; or

21 (3) such program advancing money through its
22 manager, principal underwriter or affiliated person of
23 either in connection with a joint venture, copartnership
24 or other sharing arrangement provided that the joint ven-
25 ture, copartnership, or other sharing arrangement in-

1 strument provides for reimbursement to the program
2 within forty-five days of such advance.

3 PERIODIC PAYMENTS OR INSTALLMENTS

4 SEC. 115. (a) It shall be unlawful for any registered
5 oil program to issue any program participation, the pur-
6 chase price of which is payable in installments—

7 (1) unless such installments, after the initial pay-
8 ment required by the terms of the offering, are re-
9 quired to be made in not more than three payments
10 and to be paid in full no later than twelve months from
11 the date that such program commences operations;

12 (2) if such security provides for any penalty or
13 forfeiture of the holder's interest in such oil program
14 for failure to pay any installment. For the purposes of
15 this subsection "penalty or forfeiture" shall have the
16 same meaning as penalty or forfeiture as used with re-
17 spect to mandatory assessments in section 109 (e) of
18 this Act.

19 (b) The sale of a program participation issued by an
20 oil program, the purchase price of which is payable in install-
21 ments in compliance with subsection (a) of this section,
22 shall not be deemed to be an extension of credit by any
23 person for the purposes of the Securities Exchange Act of
24 1934, nor shall the distribution of such a security involve
25 an arrangement for the extension of credit for such purposes.

REORGANIZATIONS

SEC. 116. (a) Any person who proposes any plan of reorganization of any registered oil program shall—

(1) file with the Commission at least thirty days prior to the proposed date of such reorganization a copy of such plan and any deposit agreement relating thereto;

(2) file with the Commission at least ten days prior to its use any proxy, consent, authorization, power of attorney, ratification, instrument of deposit, or instrument of dissent in respect of such plan if or to the extent that such documents shall not already have been filed with the Commission.

(b) Any district court of the United States in the State of incorporation of a registered oil program or any such court for the district in which such company maintains its principal place of business, may enjoin the consummation of any plan of reorganization of such program upon proceedings instituted by the Commission (which may so proceed upon behalf of holders of program participations of such program, or any class thereof), if such court shall determine that any such plan is not fair and equitable to all holders of such participations.

(c) Nothing in this section shall in any way affect or derogate from the powers of the courts of the United States

and the Commission with reference to reorganizations contained in the Bankruptcy Act.

PROXIES

SEC. 117. It shall be unlawful for any person, by use of the mails or any means or instrumentality of interstate commerce or otherwise, to solicit or to permit the use of his name to solicit any proxy or consent or authorization for any change in the recitals of policy contained in the registration statement of a registered oil program or for any change in the program agreement or management agreement of such oil program in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest and for the protection of investors.

TRANSACTIONS WITH AFFILIATED PERSONS

SEC. 118. (a) (1) It shall be unlawful for any manager, promoter, or principal underwriter of a registered oil program, or any affiliated person of such manager, promoter, or principal underwriter to purchase property from or sell property to such program, except under the following conditions:

(A) In the case of a sale of property to such program, such sale is made at cost unless the seller has reasonable grounds to believe that cost is materially more than the fair market value of such property, in

1 which case such sale shall be made for a price not in
2 excess of its fair market value.

3 (B) In the case of a purchase of property from
4 such program, such purchase is made at fair market
5 value unless the buyer has reasonable grounds to believe
6 that cost is materially higher than fair market value,
7 in which case such sale shall be made for a price not
8 less than cost. This subsection shall not apply to trans-
9 actions among oil programs by which property is trans-
10 ferred from one to another in exchange for the
11 transferee's obligation to conduct drilling activities on
12 the property transferred or to joint ventures among such
13 oil programs, provided that the compensation arrange-
14 ment of the manager and each affiliated person in each
15 such oil program is the same as, or is reasonably cal-
16 culated to be, the same.

17 (2) Every registered oil program shall file annually
18 with the Commission and transmit to holders of program
19 participations a report of all purchases and sales subject to
20 paragraph (1) of this subsection. Such report shall contain
21 such additional information and documents as the Commis-
22 sion may by rule or regulation prescribe.

23 (b) (1) Prior to the expiration of a period of three
24 years from the date on which a registered oil program has
25 spent and charged to the accounts of the holders of program

1 participations of such programs an amount of money equal
2 to the purchase price of such program participations, less
3 the sales load thereon, it shall be unlawful for any manager
4 of a registered oil program, or any controlling person of
5 such manager, to engage directly or indirectly in the drilling
6 for oil or gas or to retain or acquire any oil or gas interest,
7 for the account of such manager or controlling person, in
8 the area of interest of such oil program in a manner which
9 unfairly discriminates against such oil program in contraven-
10 tion of such rules and regulations as the Commission may
11 prescribe for the purpose of limiting or preventing such
12 unfair discrimination in the exploration for and development
13 of oil and gas interests by such manager or controlling
14 person.

15 (2) For the purposes of paragraph (1) of this sub-
16 section it shall not be deemed unfair discrimination if a
17 manager of a registered oil program or any controlling
18 person of such manager, after expenditure of the purchase
19 price of the program participations, drills for oil or gas or
20 holds or acquires any oil or gas interest within the area
21 of interest of such program on a separate geological pros-
22 pect, provided (A) that the prospects upon which the oil
23 program has drilled or owns an interest have been ade-
24 quately delineated as determined by the Commission upon
25 application so as to reasonably demonstrate that the activi-

ties of such manager or controlling person are on separate geological prospects; or (B) such manager or controlling person files with the Commission an undertaking, on such form as shall be prescribed by the Commission for the purpose, that such manager or controlling person is no longer engaged in the oil program business.

(c) In addition to subsection (b) of this section, it shall be unlawful, during the existence of a registered oil program and before it has deregistered, for the manager of such program or any controlling person of such manager to acquire, retain or drill for its own account on any oil or gas interest on any prospect upon which such program possesses an interest. If the geographical limits of a prospect are enlarged to encompass any interest held by such manager or controlling person, such interest shall be sold to such program in accordance with the provisions of subsection (a) (1) (A) of this section and any net income received by the manager or controlling person shall be paid over to such program.

(d) Unless otherwise provided in this section, no manager of a registered oil program or controlling person of such manager shall be deemed to own any oil or gas interest or to be engaged in the drilling for oil or gas for his own account—

(1) solely by reason of his participation or interest

in an oil program, provided, such oil program is registered under this title; or

(2) if the manager or controlling person retains the same proportionate interest in all properties upon which the oil program owns an interest or conducts its activities and such manager or controlling person is obligated to participate with such program in the exploration and development of the property on a cost basis proportionate to its retained interests in such properties.

(e) Nothing contained in subsection (b) or (c) of this section shall apply to—

(1) the acquisition by a manager of a registered oil program or controlling person of such manager of any oil or gas interest which is at the time of acquisition producing oil or gas in paying quantities, or to subsequent development thereof by such manager or controlling person, unless such oil program is primarily engaged or proposes to become so engaged in similar acquisitions; or

(2) to the development of any oil or gas interest which on the effective date of this title any manager of a registered oil program or controlling person of such manager of an oil program is bona fide exploring or developing for its own account.

(f) It shall be unlawful for any manager or controlling

1 person of a registered oil program to participate in or other-
 2 wise hold any interest in such oil program (including any
 3 right to receive compensation, directly or indirectly, as man-
 4 ager of such oil program) if such program (hereinafter in
 5 this subsection, referred to as "the second program") is en-
 6 gaged in drilling for oil or gas within twenty-five miles of a
 7 prospect which is being drilled, or was drilled at any time
 8 during the preceding three years, by another oil program in
 9 which such manager or controlling person had a participation
 10 or interest (for the purposes of this paragraph, "the first pro-
 11 gram"), unless the participation or the interest is the same
 12 as or is reasonably calculated not to exceed the participation
 13 or the interest of such manager or controlling person in the
 14 first program; provided that the limitation contained in this
 15 subsection shall not apply after expenditure of the purchase
 16 price of program participations in the first program if the
 17 prospects upon which such program has drilled have been
 18 adequately delineated, as determined by the Commission
 19 upon application, so as to reasonably demonstrate that the
 20 second program's activities are on separate geological
 21 prospects.

22 (g) (1) It shall be unlawful for any manager, or prin-
 23 cipal underwriter of a registered oil program, or any affli-
 24 ated person of such manager or principal underwriter to
 25 render to such program any services (other than administra-

1 tive and similar services pursuant to a management agree-
 2 ment or services pursuant to an underwriting agreement),
 3 including those of field geologists, engineers and drilling
 4 services, or to sell or lease to such program any equipment or
 5 related supplies, unless—

6 (A) such manager, principal underwriter, or af-
 7 filiated person is engaged, independently of such pro-
 8 gram and as an ordinary and ongoing business, in
 9 rendering such services or selling or leasing such equip-
 10 ment and supplies to other persons in the oil and gas
 11 industry in addition to oil programs in respect of which
 12 such person, principal underwriter, or affiliated person
 13 serves or acts in such capacities;

14 (B) such services, equipment, or supplies are nec-
 15 essary and appropriate in the ordinary course of such
 16 program's business;

17 (C) the compensation, price, or rental therefor is
 18 competitive with the compensation, price, or rental of
 19 any other person who is engaged in the business of ren-
 20 dering comparable services or selling or leasing compara-
 21 ble equipment and supplies which could reasonably be
 22 made available to such program; and

23 (D) notwithstanding subparagraph (A) of this
 24 paragraph (1), if such person, principal underwriter, or
 25 affiliated person is not engaged in a business within the

1 meaning of subparagraph (A) of this paragraph (1)
 2 then such compensation, price, or rental shall be at the
 3 cost of such services, equipment, or supplies to such
 4 person, principal underwriter, or affiliated person or at
 5 compensation, price, or rental competitive within the
 6 meaning of this paragraph (1), whichever is less, or at
 7 compensation, price, or rental established by competitive
 8 bidding.

9 (2) Every registered oil program shall file annually
 10 with the Commission and transmit to holders of program
 11 participations a report of all purchases of services and pur-
 12 chases and rentals of equipment and supplies subject to para-
 13 graph (1) of this subsection. Such report shall contain such
 14 additional information and documents as the Commission
 15 may by rules and regulations prescribe.

16 (h) Every oil program shall place and maintain its
 17 cash and securities (other than oil and gas interests) in a
 18 bank segregated from the account and assets of any other
 19 person and such assets shall only be removed upon the sig-
 20 nature of two officers of the manager, subject to such rules or
 21 regulations as the Commission may prescribe. The Commis-
 22 sion may require, by rules and regulations or orders for the
 23 protection of holders of program participations, that any af-
 24 filiated person of the manager or a registered oil program
 25 who may, singly or jointly with others, have access to the

1 funds or other assets of any registered oil program either
 2 directly or through authority to draw upon such funds or
 3 assets, be bonded by a reputable fiduciary insurance com-
 4 pany against larceny and embezzlement in such reasonable
 5 minimum amounts as the Commission may prescribe.

6 (i) No instrument pursuant to which a registered oil
 7 program is organized or administered shall contain any pro-
 8 vision which protects or purports to protect any director or
 9 officer of a manager of such oil program against any liability
 10 to the program or the holders of program participations to
 11 which he would otherwise be subject by reason of willful
 12 misfeasance, bad faith, gross negligence or reckless disregard
 13 of the duties involved in the conduct of his office.

14 (j) No contract or agreement under which any person
 15 undertakes to act as manager of, or principal underwriter for,
 16 an oil program shall contain any provision which protects or
 17 purports to protect such person against any liability to such
 18 oil program or the holders of its program participations to
 19 which he would otherwise be subject by reason of willful mis-
 20 feasance, bad faith, or gross negligence in the performance of
 21 his duties, or by reason of his reckless disregard of his obliga-
 22 tions and duties under such contract or agreement.

23 SUITABILITY; DISTRIBUTION OF OIL PROGRAM SECURITIES

24 SEC. 119. (a) A securities association registered under-
 25 section 15A of the Securities Exchange Act of 1934, by rules

1 adopted and in effect in accordance with such section and sub-
 2 ject to all provisions of such section applicable to rules of such
 3 association, may prescribe:

4 (1) standards of suitability for investment in a
 5 registered oil program by investors; and

6 (2) requirements relating to the content and filing
 7 with such association of sales literature to be used in con-
 8 nection with the distribution of program participations
 9 of registered oil programs;
 10 in each case in order that distribution of oil program partici-
 11 pations be carried on in a fair and equitable manner consistent
 12 with the protection of investors.

13 (b) Such a securities association may also, by rules
 14 adopted and in accordance with such section 15A, and not-
 15 withstanding the provisions of subsection (b) (8) of such
 16 section but subject to all other provisions of such section ap-
 17 plicable to the rules of such association, prohibit its members
 18 from purchasing, in connection with a primary distribution
 19 of program participations issued by a registered oil program,
 20 any such program participation from the issuer or from any
 21 principal underwriter, (1) unless at a price equal to the price
 22 at which such program participation is then offered to the
 23 public less a commission, discount, or spread which is com-
 24 puted in conformity with methods, and within such limita-
 25 tions in relation to such public offering price, as such rules

1 may prescribe in order that the price at which such program
 2 participation is offered or sold to the public shall not include
 3 an excessive sales load but shall allow for reasonable sales
 4 loads to investors; and (2) unless the distribution of such
 5 program participation is consistent with the rules and regu-
 6 lations of such association adopted pursuant to subsection (a)
 7 of this section.

8 (c) Such a securities association may further adopt rules
 9 in accordance with such section 15A, and subject to all provi-
 10 sions of such section applicable to rules of such association,
 11 which prescribe:

12 (1) a classification system for the various methods
 13 of compensating management of registered oil programs
 14 and allocating costs and revenues between investors and
 15 management; and

16 (2) definitions of terms used by registered oil pro-
 17 grams to describe such compensation and allocation
 18 in each case in order to give investors the opportunity to
 19 make meaningful comparisons of the management compen-
 20 sation arrangements of registered oil programs, and otherwise
 21 to protect investors.

22 (d) (1) The Commission may make such rules and
 23 regulations pursuant to section 15 (b) (10) of the Securities
 24 Exchange Act of 1934 as are appropriate to effectuate the
 25 purposes of subsections (a), (b), and (c) of this section

1 with respect to the distribution of registered oil program
 2 participations by broker-dealers subject to regulation under
 3 section 15 (b) (8) of such Act: *Provided*, That a broker-
 4 dealer may file with the Commission at any time a notice
 5 of election to comply with the rules prescribed pursuant to
 6 subsection (a), (b), or (c) by a national securities asso-
 7 ciation and thereafter the standards prescribed by such
 8 rules of such association shall be applicable to such broker-
 9 dealer, and the rules of the Commission as hereinabove au-
 10 thorized shall thereafter be inapplicable to such distributions.

11 (2) The Commission may make rules and regulations
 12 applicable to registered oil programs, principal underwriters
 13 of, and dealers in, the program participations of any regis-
 14 tered oil program, whether or not members of any securities
 15 association, to the same extent, covering the same subject
 16 matter, and for the accomplishment of the same ends as
 17 are prescribed in subsections (a), (b), and (c) of this
 18 section in respect of the rules which may be made by a
 19 registered securities association governing its members. Any
 20 rules and regulations so made by the Commission, to the
 21 extent that they may be inconsistent with the rules of any
 22 such association, shall so long as they remain in force super-
 23 sede the rules of the association and be binding upon its
 24 members as well as all other underwriters and dealers to
 25 whom they may be applicable.

1 (e) In addition to the authority given by subsection
 2 (d), the Commission may abrogate, in whole or in part,
 3 the rules of any securities association adopted pursuant to
 4 subsection (a), (b), or (c) of this section in the manner
 5 provided by section 15A (k) (1) of the Securities Exchange
 6 Act of 1934.

7 (f) If any provision of this section is in conflict with
 8 any provision of any law of the United States in effect on
 9 the date this section takes effect, the provisions of this sec-
 10 tion shall prevail.

11 (g) No registered oil program shall issue any program
 12 participation for (1) services; or (2) property other than
 13 cash or readily marketable securities.

14 (h) No registered oil program shall issue any program
 15 participation to the public at a price less favorable than the
 16 price paid by the manager of such oil program or any affili-
 17 ated person of such manager for any other program partici-
 18 pation issued by such program.

19 REGISTRATION OF SECURITIES UNDER THE SECURITIES
 20 ACT OF 1933

21 SEC. 120. (a) In registering under the Securities Act
 22 of 1933 any program participation of which it is the issuer,
 23 a registered oil program in lieu of furnishing a registration
 24 statement containing the information and documents spec-
 25 ified in schedule A of such Act, may file a registration

1 statement containing the following information and docu-
2 ments—

3 (1) such copies of the registration statement filed
4 by such company under this title, and of such reports
5 filed by such company pursuant to section 126 of this
6 Act or such copies of portions of such registration state-
7 ment and reports, as the Commission shall designate by
8 rules and regulations; and

9 (2) such additional information and documents
10 (including a prospectus) as the Commission shall pre-
11 scribe by rules and regulations as necessary or appro-
12 priate in the public interest or for the protection of
13 investors.

14 (b) The exemption provided by paragraph (11) of
15 section 3 (a) of the Securities Act of 1933 shall not apply
16 to any program participation of which a registered oil pro-
17 gram is the issuer, except a participation sold or disposed
18 of by the issuer or bona fide offer to the public prior to the
19 effective date of this title. The exemption provided by sec-
20 tion 4 (3) of the Securities Act of 1933 shall not apply to
21 any transaction in a program participation issued by a regis-
22 tered oil program if any other program participation of the
23 same class is currently being offered or sold by the issuer or
24 by or through an underwriter in a distribution which is not
25 exempt from section 5 of such Act.

LARCENY AND EMBEZZLEMENT

2 SEC. 121. Whoever steals, unlawfully abstracts, unlaw-
3 fully and willfully converts to his own use or to the use of
4 another, or embezzles any of the moneys, funds, securities,
5 credits, property, or assets of any registered oil program
6 shall be deemed guilty of a crime, and upon conviction
7 thereof shall be subject to the penalties provided in section
8 144 of this Act. A judgment or conviction or acquittal under
9 the laws of any State shall be a bar to any prosecution under
10 this section for the same act or acts.

FRAUD

12 SEC. 122. (a) It shall be unlawful for any oil program,
13 or any such manager of such oil program, or any affiliated
14 person of such manager by use of the mails or any means or
15 instrumentality of interstate commerce, directly or in-
16 directly—

17 (1) to employ any device, scheme, or artifice to
18 defraud any investor or prospective investor in any such
19 oil program;

20 (2) to engage in any transaction, practice or
21 course of business which operates as a fraud or deceit
22 upon any investor or prospective investor in any such
23 oil program; or

24 (3) to engage in any act, practice or course of
25 business which is fraudulent, deceptive, or manipulative.

(b) For the purposes of this section, the Commission, by rules and regulations, may define, and prescribe means reasonably designed to prevent, the acts and practices prohibited in paragraph (1), (2), or (3) of subsection (a) of this section. In addition, for the purposes of this section, "oil program" shall mean any oil program registered under this title and any issuer excepted from the definition of oil program by virtue of paragraphs (2) and (6) of section 103 (c) of this Act.

MISLEADING NAMES

SEC. 123. (a) It shall be unlawful for any person, in issuing or selling any program participation of which a registered oil program is the issuer to represent or imply in any manner whatsoever that such participation or company has been guaranteed, sponsored, recommended, or approved by the United States or any agency or officer thereof.

(b) It shall be unlawful for any person registered under any section of this title to represent or imply in any manner whatsoever that such person has been sponsored, recommended, or approved, or that his abilities or qualifications have in any respect been passed upon by the United States or any agency or officer thereof.

(c) No provision of subsection (a) or (b) of this section shall be construed to prohibit a statement that a person or program participation is registered under this title, the Securities Act of 1933, or the Securities Exchange

Act of 1934, if such statement is true in fact and if the effect of such registration is not misrepresented.

(d) It shall be unlawful for any registered oil program hereafter to adopt as part of the name or title of such oil program, or of any program participation of which it is the issuer, the words "mutual fund", "investment company", or any other word or words which the Commission finds and by order declares to be deceptive or misleading. The Commission is authorized to bring an action in the proper district court of the United States or United States court of any territory, or other place subject to the jurisdiction of the United States alleging that the name or title of any registered oil program, or of any program participation which it has issued, is materially deceptive and misleading.

(e) It shall be unlawful for any person, in issuing or selling any program participation of which a registered oil program is the issuer, to represent or imply in any manner whatsoever that an investment in a participation of an oil program is similar to or otherwise comparable to an investment in an investment company registered under the Investment Company Act of 1940.

FILING OF DOCUMENTS WITH COMMISSION IN CIVIL

ACTIONS

SEC. 124. (a) Every registered oil program which is a party and every affiliated person of such oil program and every affiliated person of the manager of such oil program

1 which is a party defendant to any action or claim by a regis-
 2 tered oil program or a program participant thereof in a de-
 3 rivative or representative capacity against an officer, di-
 4 rector, or manager of such oil program or affiliated person
 5 of such manager, shall file with the Commission, unless al-
 6 ready so filed, (1) a copy of all pleadings, verdicts, or
 7 judgments filed with the court or served in connection with
 8 such action or claim, (2) a copy of any proposed settlement,
 9 compromise or discontinuance of such action, and (3) a copy
 10 of such motions, transcripts, or other documents filed in or
 11 issued by the court or served in connection with such action
 12 or claim as may be requested in writing by the Commission.

13 (b) If any document referred to in clause (1) or (2)
 14 of subsection (a) of this section—

15 (1) is delivered to such oil program or party de-
 16 fendant, such document shall be filed with the Commis-
 17 sion not later than ten days after the receipt thereof; or

18 (2) is filed in such court or delivered by such com-
 19 pany or party defendant, such document shall be filed
 20 with the Commission not later than five days after such
 21 filing or delivery.

22 DESTRUCTION AND FALSIFICATION OF REPORTS AND

23 RECORDS

24 SEC. 125. (a) It shall be unlawful for any person, except
 25 as permitted by rule, regulation, or order of the Commission,
 26 willfully to destroy, mutilate, or alter any account, book, or

1 other document the preservation of which has been required
 2 pursuant to section 127 (a) or 126 (f) of this Act.

3 (b) It shall be unlawful for any person to make any un-
 4 true statement of a material fact in any registration state-
 5 ment, application, report, account, record or other document
 6 filed or transmitted pursuant to this title or the keeping of
 7 which is required pursuant to section 127 (a) of this Act. It
 8 shall be unlawful for any person so filing, transmitting, or
 9 keeping any such document to omit to state therein any fact
 10 necessary in order to prevent the statements made therein,
 11 in the light of the circumstances under which they were
 12 made, from being materially misleading. For the purpose
 13 of this subsection, any part of any such document which is
 14 signed or certified by an accountant or auditor in his capacity
 15 as such shall be deemed to be made, filed, transmitted, or kept
 16 by such accountant or auditor, as well as by the person filing,
 17 transmitting, or keeping the complete document.

18 PERIODIC AND OTHER REPORTS

19 SEC. 126. (a) Every registered oil program shall file
 20 annually with the Commission such information, documents,
 21 and reports in such form and containing such information
 22 as the Commission by rules and regulations shall prescribe
 23 as necessary or appropriate in the public interest and for
 24 the protection of investors.

25 (b) Every registered oil program shall file with the
 26 Commission—

1 (1) such information and documents (other than
2 financial statements) as the Commission may require,
3 on a semiannual basis, to keep reasonably current the
4 information and documents contained in the registra-
5 tion statement of such oil program filed under this
6 title; and

7 (2) copies of every periodic or interim report or
8 similar communication containing financial statements
9 and transmitted to any class of holders of such oil pro-
10 gram's program participations, such copies to be filed
11 not later than ten days after such transmission.

12 Any information or documents contained in a report or
13 other communication to holders of program participations
14 filed pursuant to paragraph (2) of this subsection may be
15 incorporated by reference in any report subsequently or con-
16 currently filed pursuant to paragraph (1) of this subsection.

17 (c) Every registered oil program shall transmit to the
18 holders of its program participations, at least semiannually,
19 reports containing such information and financial statements,
20 or their equivalent, as of a reasonably current date, as the
21 Commission may prescribe by rules and regulations for the
22 protection of investors, which reports shall not be mislead-
23 ing in any material respect in the light of the reports
24 required to be filed pursuant to subsections (a) and (b) of
25 this section.

1 (d) Every registered oil program which issues a pro-
2 gram participation which provides for any assessment shall
3 transmit to its program participants prior to making any
4 such assessment report containing such information and
5 financial statements as the Commission may prescribe by
6 rules and regulations for the protection of investors.

7 (e) Financial statements contained in annual reports re-
8 quired pursuant to subsection (a) of this section, if required
9 by the rules and regulations of the Commission, shall be
10 accompanied by a certificate of independent public account-
11 ants and independent petroleum engineers. The certificate
12 of independent public accountants shall be based upon an
13 audit not less in scope or procedures followed than that
14 which independent public accountants would ordinarily make
15 for the purpose of presenting comprehensive and depend-
16 able financial statements, and shall contain such information
17 as the Commission may prescribe by rules and regulations
18 in the public interest or for the protection of investors, as
19 to the nature and scope of the audit and the finding and
20 opinion of the accountants.

21 (f) The Commission may, by rules and regulations
22 or order in the public interest or for the protection of
23 investors, require accountants, auditors, and independent
24 petroleum engineers to keep reports, work sheets, and other
25 documents and papers relating to registered oil programs for

1 such period or periods as the Commission may prescribe, and
 2 make the same available for inspection by the Commission
 3 or any member or representative thereof.

4 (g) No registered oil program shall be subject to the re-
 5 porting or registration requirements of the Securities Ex-
 6 change Act of 1934 with respect to any program participa-
 7 tion of such a program.

8 ACCOUNTS AND RECORDS

9 SEC. 127. (a) Every registered oil program and every
 10 manager of such a registered oil program shall maintain and
 11 preserve for such period or periods as the Commission may
 12 prescribe by rules and regulations, such accounts, books, and
 13 other documents as constitute the record forming the basis
 14 for financial statements required to be filed pursuant to sec-
 15 tion 126 of this title, and of the auditors certificates relating
 16 thereto.

17 (b) All accounts, books, and other records, required to
 18 be maintained and preserved by any person pursuant to sub-
 19 section (a) of this section shall be subject at any time and
 20 from time to time to such reasonable periodic, special, and
 21 other examinations by the Commission, or any member or
 22 representative thereof, as the Commission may prescribe.
 23 Any such person shall furnish to the Commission, within
 24 such reasonable time as the Commission may prescribe,
 25 copies of or extracts from such records which may be pre-

1 pared without undue effort, expense, or delay, as the Com-
 2 mission may by order require.

3 (c) The Commission may, in the public interest or for
 4 the protection of investors, issue rules and regulations pro-
 5 viding for a reasonable degree of uniformity in the account-
 6 ing policies and principles to be followed by registered oil
 7 programs in maintaining their accounting records and in
 8 preparing financial statements required pursuant to this
 9 title.

10 (d) The Commission, upon application made by any
 11 registered oil program, may by order exempt a specific
 12 transaction or transactions from the provisions of any rule
 13 or regulation made pursuant to subsection (c) of this sec-
 14 tion, if the Commission finds that such rule or regulation
 15 should not reasonably be applied to such transaction.

16 CONFORMANCE OF EXISTING OIL PROGRAMS

17 SEC. 128. Oil programs which have commenced opera-
 18 tions prior to the effective date of this title shall be subject
 19 only to such provisions of this title as the Commission shall
 20 by rules and regulations declare applicable thereto. In adopt-
 21 ing such rules and regulations the Commission shall give
 22 appropriate consideration to the purposes fairly intended by
 23 the policy and provisions of this title, the protection of
 24 holders of program participations, and the difficulty in adapt-

1 ing existing oil programs to the provisions hereof. No oil
 2 program which has commenced operations prior to the effec-
 3 tive date hereof shall be subject to the provisions of section
 4 104, 112, 113, or 119 of this Act.

5 EXEMPTION FROM INVESTMENT COMPANY ACT OF 1940

6 SEC. 129. (a) No oil program which is registered or
 7 required to register under this title shall be deemed to be
 8 an investment company as that term is defined in the In-
 9 vestment Company Act of 1940, nor shall any such oil pro-
 10 gram be subject to any of the provisions of that Act.

11 (b) No manager of an oil program shall be deemed to
 12 be an investment adviser as that term is defined in the In-
 13 vestment Advisers Act of 1940, nor shall any such man-
 14 ager be subject to any of the provisions of that Act.

15 STUDY OF OIL PROGRAMS

16 SEC. 130. The Commission may make studies and
 17 investigations of oil programs, to determine their sizes,
 18 types, and the locations and nature of their activities and
 19 obtain such other data and information as may be reason-
 20 ably necessary for the Commission to implement and ad-
 21 minister the policies and provisions of this title. The
 22 Commission shall make public from time to time its findings
 23 and recommendations resulting from such studies and
 24 investigations.

1 REINVESTMENT OF INCOME OR CASH FLOW

2 SEC. 131. (a) No registered oil program shall require
 3 any holder of any program participation issued by such
 4 program to reinvest such holder's share of such program's
 5 income or cash flow in any other oil program.

6 (b) Nothing in subsection (a) of this section shall be
 7 interpreted to prohibit a registered oil program from making
 8 available to the holders of its program participations an
 9 optional plan for reinvestment of such holders' shares of
 10 such program's income or cash flow in another registered
 11 oil program: *Provided*, That, prior to any such reinvest-
 12 ment, each holder of such program participations is furnished
 13 a prospectus of such other program and complete information
 14 on the amount of income or cash flow to which each such
 15 holder is entitled.

16 TAX RULING OR OPINION

17 SEC. 132. It shall be unlawful for any registered oil
 18 program to conduct any business or to make a public offering
 19 of its program participations unless it has obtained a tax
 20 ruling from the Internal Revenue Service or an opinion of
 21 counsel (which may contain reasonable qualifications, as-
 22 sumptions, and conditions) that investors in such program
 23 will obtain the Federal tax results described in the prospectus
 24 of such program.

1 RULES AND REGULATIONS; PROCEDURES

2 SEC. 133. Subject to the provisions of the Federal Regis-
3 ter Act and the Administrative Procedure Act, rules and
4 regulations of the Commission under this title, and amend-
5 ments thereof, shall be effective upon the date and in the
6 manner which the Commission shall prescribe in such rules
7 or regulations.

8 ORDERS; PROCEDURES FOR ISSUANCE

9 SEC. 134. (a) Orders of the Commission under this title
10 shall be issued only after appropriate notice and opportunity
11 for hearing. Notice to the parties to a proceeding before the
12 Commission shall be given by personal service upon each
13 party or by registered mail or certified mail or confirmed
14 telegraphic notice to the party's last known business address.
15 Notice to interested persons, if any, other than parties may
16 be given in the same manner or by publication in the Federal
17 Register.

18 (b) The Commission may provide, by appropriate rules
19 or regulations, that an application verified under oath may
20 be admissible in evidence in a proceeding before the Com-
21 mission and that the record in such a proceeding may con-
22 sist, in whole or in part, of such application.

23 (c) In any proceeding before the Commission, the
24 Commission, in accordance with such rules and regulations
25 as it may prescribe, shall admit as a party any interested

1 State or State agency, and may admit as a party any rep-
2 resentative of interested program participants or any other
3 person whose participation in the proceeding may be in the
4 public interest or for the protection of investors.

5 RULES, REGULATIONS, AND ORDERS; GENERAL POWERS OF
6 THE COMMISSION

7 SEC. 135. (a) The Commission shall have authority from
8 time to time to make, issue, amend, and rescind such rules
9 and regulations and such orders as are necessary or appro-
10 priate to carry out the provisions of this title, including rules
11 and regulations defining accounting, technical, and trade
12 terms used in this title, and prescribing the form or forms in
13 which information required in registration statements, appli-
14 cations, and reports to the Commission shall be set forth. For
15 the purposes of its rules or regulations, the Commission
16 may classify persons, securities, and other matters within its
17 jurisdiction and prescribe different requirements for different
18 classes of persons, securities, or matters.

19 (b) The Commission, by such rules and regulations or
20 orders as it deems necessary or appropriate in the public in-
21 terest or for the protection of investors, may authorize the
22 filing of any information or documents required to be filed
23 with the Commission under this title, the Securities Act of
24 1933, or the Securities Exchange Act of 1934, by incorporat-
25 ing by reference any information or documents theretofore or

1 concurrently filed with the Commission under this title or any
2 of such Acts.

3 (c) No provision of this title imposing any liability
4 shall apply to any act done or omitted in good faith in con-
5 formity with any rule, regulation, or order of the Commission,
6 notwithstanding that such rule, regulation, or order may,
7 after such act or omission, be amended or rescinded or be
8 determined by judicial or other authority to be invalid for any
9 reason.

10 HEARINGS BY COMMISSION

11 SEC. 136. Hearings may be public and may be held be-
12 fore the Commission, any member or members thereof, or
13 any officer or officers of the Commission designated by it, and
14 appropriate records thereof shall be kept.

15 ENFORCEMENT OF TITLE

16 SEC. 137. (a) The Commission may make such inves-
17 tigation as it deems necessary to determine whether any
18 person has violated or is about to violate any provision of
19 this title or of any rule, regulation, or order hereunder, or
20 to determine whether any action in any court or any pro-
21 ceeding before the Commission shall be instituted under this
22 title against a particular person or persons, or with respect
23 to a particular transaction or transactions. The Commission
24 shall permit any person to file with it a statement in writing,
25 under oath or otherwise as the Commission shall determine,

1 as to all the facts and circumstances concerning the matter
2 to be investigated.

3 (b) For the purpose of any investigation or any other
4 proceeding under this title, any member of the Commission,
5 or any officer thereof designated by it, is empowered to ad-
6 minister oaths and affirmations, subpoena witnesses, compel
7 their attendance, take evidence, and require the production
8 of any books, papers, correspondence, memorandums, con-
9 tracts, agreements, or other records which are relevant or
10 material to the inquiry. Such attendance of witnesses and
11 the production of any such records may be required from
12 any place in any State or in any territory or other place
13 subject to the jurisdiction of the United States at any des-
14 ignated place of hearing.

15 (c) In case of contumacy by, or refusal to obey a
16 subpoena issued to, any person, the Commission may invoke
17 the aid of any court of the United States within the juris-
18 diction of which such investigation or proceeding is carried
19 on, or where such person resides or carries on business, in
20 requiring the attendance and testimony of witnesses and
21 the production of books, papers, correspondence, memo-
22 randums, contracts, agreements, and other records. And such
23 court may issue an order requiring such person to appear
24 before the Commission or member or officer designated by
25 the Commission, there to produce records, if so ordered, or

1 to give testimony touching the matter under investigation
 2 or in question; any failure to obey such order of the court
 3 may be punished by such court as a contempt thereof. All
 4 process in any such case may be served in the judicial dis-
 5 trict whereof such person is an inhabitant or wherever he
 6 may be found. Any person who without just cause shall
 7 fail or refuse to attend and testify or to answer any lawful
 8 inquiry or to produce books, papers, correspondence, memo-
 9 randums, contracts, agreements, or other records, if in his
 10 or its power so to do, in obedience to the subpoena of the
 11 Commission, shall be guilty of a misdemeanor, and upon
 12 conviction shall be subject to a fine of not more than \$1,000
 13 or to imprisonment for a term of not more than one year,
 14 or both.

15 (d) Whenever it shall appear to the Commission that
 16 any person has engaged or is about to engage in any act or
 17 practice constituting a violation of any provision of this
 18 title, or of any rule, regulation, or order hereunder, it may
 19 in its discretion bring an action in the proper district court
 20 of the United States, or the proper United States court of
 21 any territory or other place subject to the jurisdiction of
 22 the United States, to enjoin such acts or practices and to
 23 enforce compliance with this title or any rule, regulation,
 24 or order hereunder. Upon a showing that such person has
 25 engaged or is about to engage in any such act or practice,

1 a permanent or temporary injunction or decree or restrain-
 2 ing order shall be granted without bond. In any proceeding
 3 under this subsection to enforce compliance with section 106
 4 of this Act, the court as a court of equity may, to the extent
 5 it deems necessary or appropriate, take exclusive jurisdic-
 6 tion and possession of the oil program or programs involved
 7 and the books, records, and assets thereof, wherever located;
 8 and the court shall have jurisdiction to appoint a trustee,
 9 who with the approval of the court shall have power to dis-
 10 pose of any or all of the program's assets, or, if it appears
 11 that such course would be more advantageous to the holders
 12 of program participations of such program, to operate the
 13 program's business, subject to such terms and conditions as
 14 the court may prescribe. The Commission may transmit such
 15 evidence as may be available concerning any violation of
 16 the provisions of this title, or of any rule, regulation, or
 17 order thereunder, to the Attorney General, who, in his dis-
 18 cretion, may institute the appropriate criminal proceedings
 19 under this title.

20 COURT REVIEW OF ORDERS

21 SEC. 138. (a) Any person or party aggrieved by an
 22 order issued by the Commission under this title may obtain
 23 a review of such order in the court of appeals of the United
 24 States within any circuit wherein such person resides or has
 25 his principal place of business, or in the United States Court

1 of Appeals for the District of Columbia, by filing in such
 2 court, within sixty days after the entry of such order, a writ-
 3 ten petition praying that the order of the Commission be
 4 modified or set aside in whole or in part. A copy of such
 5 petition shall be forthwith transmitted by the clerk of the
 6 court to any member of the Commission, or any officer thereof
 7 designated by the Commission for that purpose, and there-
 8 upon the Commission shall file in the court the record upon
 9 which the order complained of was entered, as provided in
 10 section 2112 of title 28, United States Code. Upon the filing
 11 of such petition such court shall have jurisdiction, which upon
 12 the filing of the record shall be exclusive, to affirm, modify,
 13 or set aside such order, in whole or in part. No objection to
 14 the order of the Commission shall be considered by the court
 15 unless such objection shall have been urged before the Com-
 16 mission or unless there were reasonable grounds for failure
 17 so to do. The findings of the Commission as to the facts, if
 18 supported by substantial evidence, shall be conclusive. If
 19 application is made to the court for leave to adduce additional
 20 evidence, and it is shown to the satisfaction of the court that
 21 such additional evidence is material and that there were
 22 reasonable grounds for failure to adduce such evidence in the
 23 proceeding before the Commission, the court may order such
 24 additional evidence to be taken before the Commission and
 25 to be adduced upon the hearing in such manner and upon

1 such terms and conditions as to the court may seem proper.
 2 The Commission may modify its findings as to the facts by
 3 reason of the additional evidence so taken, and it shall file
 4 with the court such modified or new findings, which, if sup-
 5 ported by substantial evidence, shall be conclusive, and its
 6 recommendation, if any, for the modification or setting aside
 7 of the original order. The judgment and decree of the court
 8 affirming, modifying, or setting aside, in whole or in part,
 9 any such order of the Commission shall be final, subject to
 10 review by the Supreme Court of the United States upon cer-
 11 tiorari or certification as provided in section 1254 of title
 12 28, United States Code.

13 (b) The commencement of proceedings under subsec-
 14 tion (a) of this section to review an order of the Commis-
 15 sion issued under section 107 (d) of this Act shall operate
 16 as a stay of the Commission's order unless the court other-
 17 wise orders. The commencement of proceedings under sub-
 18 section (a) of this section to review an order of the Com-
 19 mission issued under any provision of this title other than
 20 section 107 (d) of this Act shall not operate as a stay of the
 21 Commission's order unless the court specifically so orders.

22 JURISDICTION OF OFFENSES AND SUITS

23 SEC. 139. The district courts of the United States and
 24 the United States courts of any territory or other place sub-
 25 ject to the jurisdiction of the United States shall have juris-

1 diction of violations of this title, or the rules, regulations, or
 2 orders thereunder, and, concurrently with State and terri-
 3 torial courts, of all suits in equity and actions at law brought
 4 to enforce any liability or duty created by, or to enjoin any
 5 violation of, this title or the rules, regulations, or orders
 6 thereunder. Any criminal proceeding may be brought in the
 7 district wherein any act or transaction constituting the viola-
 8 tion occurred. A criminal proceeding based upon a viola-
 9 tion of section 125 of this Act, or upon a failure to file a
 10 report or other document required to be filed under this
 11 title, may be brought in the district wherein the defendant is
 12 an inhabitant or maintains his principal office or place of
 13 business. Any suit or action to enforce any liability or duty
 14 created by, or to enjoin any violation of, this title or rules,
 15 regulations, or orders thereunder, may be brought in any
 16 such district or in the district wherein the defendant is an in-
 17 habitant or transacts business, and process in such cases may
 18 be served in any district of which the defendant is an inhabi-
 19 tant or transacts business or wherever the defendant may be
 20 found. Judgments and decrees so rendered shall be subject
 21 to review as provided in sections 1254, 1291, 1292, and
 22 1294 of title 28, United States Code. No costs shall be
 23 assessed for or against the Commission in any proceeding
 24 under this title brought by or against the Commission in any
 25 court.

1 ANNUAL REPORTS OF COMMISSION; EMPLOYEES OF THE 2 COMMISSION

3 SEC. 140. (a) The Commission shall submit, in its an-
 4 nual report to the Congress covering the work of the Com-
 5 mission for the preceding year, required by section 80a-45
 6 of title 15, United States Code, such information, data, and
 7 recommendations for further legislation in connection with
 8 the matters covered by this title as it may find advisable.

9 (b) For the purposes of this title, the Commission may,
 10 subject to the civil service laws, appoint such attorneys, ex-
 11 aminers, and other experts, and such other officers and em-
 12 ployees as are necessary in the execution of the functions of
 13 the Commission and fix their salaries in accordance with the
 14 Classification Act of 1949.

15 INFORMATION FILED WITH COMMISSION

16 SEC. 141 (a) The information contained in any regis-
 17 tration statement, application, report, or other document
 18 filed with the Commission pursuant to any provision of this
 19 title or of any rule or regulation thereunder shall be made
 20 available to the public, except information subject to section
 21 552 (b) of the title 5, United States Code. It shall be unlaw-
 22 ful for any member, officer, or employee of the Commission
 23 to use for personal benefit, or to disclose to any person other
 24 than an official or employee of the United States or of a
 25 State, for official use, or for any such official or employee

1 to use for personal benefit, any information contained in any
2 document so filed or transmitted, if such information is not
3 available to the public.

4 (b) Photostatic or other copies of information contained
5 in documents filed with the Commission under this title and
6 made available to the public shall be furnished any person
7 at such reasonable charge and under such reasonable limita-
8 tions as the Commission shall prescribe.

9 VALIDITY OF CONTRACTS

10 SEC. 142. (a) Any condition, stipulation, or provision
11 binding any person to waive compliance with any provision
12 of this title or with any rule, regulation, or order thereunder
13 shall be void.

14 (b) Every contract made in violation of any provision
15 of this title or of any rule, regulation, or order thereunder,
16 and every contract heretofore or hereafter made, the per-
17 formance of which involves the violation of, or the continu-
18 ance of any relationship or practice in violation of, any
19 provision of this title, or any rule, regulation, or order there-
20 under, shall be voidable (1) as regards the rights of any
21 person who, in violation of any such provision, rule, regula-
22 tion, or order, shall have made or engaged in the perform-
23 ance of any such contract, and (2) as regards the rights of
24 any person who, not being a party to such contract, shall
25 have acquired any right thereunder with actual knowledge

1 of the facts by reason of which the making or performance
2 of such contract was in violation of any such provision, rule,
3 regulation, or order.

4 LIABILITY OF CONTROLLING PERSONS; PREVENTING

5 COMPLIANCE WITH TITLE

6 SEC. 143. (a) It shall be unlawful for any person, di-
7 rectly or indirectly, to cause to be done any act or thing
8 through or by means of any other person which it would
9 be unlawful for such person to do under the provisions of this
10 title or any rule, regulation, or order thereunder.

11 (b) It shall be unlawful for any person without just
12 cause to hinder, delay, or obstruct the making, filing, or
13 keeping of any information, document, report, record, or
14 account required to be made, filed, or kept under any pro-
15 vision of this title or any rule, regulation, or order thereunder.

16 PENALTIES

17 SEC. 144. Any person who willfully violates any provi-
18 sion of this title or of any rule, regulation, or order hereunder,
19 or any person who willfully in any registration statement,
20 application, report, account, record, or other document filed
21 or transmitted pursuant to this title or the keeping of which
22 is required pursuant to section 127 (a) of this Act makes any
23 untrue statement of a material fact or omits to state any ma-
24 terial fact necessary in order to prevent the statements made
25 therein from being materially misleading in the light of the

1 circumstances under which they were made, shall upon con-
 2 viction be fined not more than \$10,000 or imprisoned not
 3 more than two years, or both; but no person shall be con-
 4 victed under this section for the violation of any rule, regu-
 5 lation, or order if he proves that he had no actual knowledge
 6 of such rule, regulation, or order.

7 EFFECT ON EXISTING LAW

8 SEC. 145. (a) Except where specific provision is made
 9 to the contrary, nothing in this title shall affect (1) the juris-
 10 diction of the Commission under the Securities Act of 1933,
 11 the Securities Exchange Act of 1934, the Public Utility
 12 Holding Company Act of 1935, the Trust Indenture Act of
 13 1939, the Investment Company Act of 1940 or the Invest-
 14 ment Advisors Act of 1940, over any person, security, or
 15 transaction, or (2) the rights, obligations, duties, or liabili-
 16 ties of any person under such Acts.

17 (b) Nothing in this title shall affect (1) the jurisdiction
 18 of any other commission, board, agency, or officer of the
 19 United States or any State or political subdivision of any
 20 State, over any person, security, or transaction, insofar as
 21 such jurisdiction does not conflict with any provision of this
 22 title or of any rule, regulation, or order hereunder, or (2) the
 23 rights, obligations, duties or liabilities of any person under
 24 State law, insofar as such law does not conflict with any pro-

1 vision of this title or of any rule, regulation, or order here-
 2 under.

3 SEPARABILITY OF PROVISIONS

4 SEC. 146. If any provision of this title or any provision
 5 incorporated in this title by reference, or the application of
 6 any such provision to any person or circumstances, shall be
 7 held invalid, the remainder of this title and the application
 8 of any such provision to person or circumstances other than
 9 those as to which it is held invalid shall not be affected
 10 thereby.

11 EFFECTIVE DATE

12 SEC. 147. The provisions of this title shall become
 13 effective

14 TITLE II—AMENDMENT TO THE INVESTMENT 15 COMPANY ACT OF 1940

16 SEC. 201. Section 3 (c) (9) of the Investment Company
 17 Act of 1940 (15 U.S.C 80a-3 (c) (9)) is hereby repealed.

93D CONGRESS
1ST SESSION

H. R. 6821

A BILL

To provide for the registration and regulation of oil and gas programs, and for other purposes.

By Mr. STAGGERS and Mr. DEVINE

APRIL 10, 1973

Referred to the Committee on Interstate and Foreign
Commerce