

**[12/10/79-Not Submitted-DF]**

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THE WHITE HOUSE

WASHINGTON

December 10, 1979

~~Hold~~  
DF per  
Stu

NOTE TO RICK HUTCHESON

FROM: KITTY SCHIRMER/STU EIZENSTAT

RE: Action Item -- Duncan memo on Heavy Crude Oil

After consultations with Dan Tate and Gene Godley (our key windfall tax person at Treasury), we recommend holding off on Presidential action on the Executive Order on heavy crude oil decontrol until after the Senate has completed action on the windfall profits tax. There is, therefore, no reason to send this memo in to the President until the time that we want him to act on the E.O. DOE is aware of this and has no problems.

cc: Eliot Cutler  
Kathy Reid  
Dan Tate

THE WHITE HOUSE  
WASHINGTON

12/5/79

Per Kitty Schirmer

Stu and Tate agree that this  
should wait until after  
the windfall profits vote -  
next week.

↑  
Frank Moore  
concur w/ kitty

ID 795420

T H E W H I T E H O U S E

WASHINGTON

DATE: 05 DEC 79

FOR ACTION: LLOYD CUTLER

STU EIZENSTAT

FRANK MOORE

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

AL MCDONALD

JACK WATSON

CHARLIE SCHULTZE

*-no comment*

SUBJECT: DUNCAN MEMO RE DEFINITION OF HEAVY CRUDE OIL

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM FRIDAY 07 DEC 79 +

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ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
FOR APPROPRIATE HANDLING
LAST DAY FOR ACTION

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

ACTION  
FYI

<input checked="" type="checkbox"/>	VICE PRESIDENT
	JORDAN
<input checked="" type="checkbox"/>	CUTLER / <i>Hansen - work w/0213</i>
	DONOVAN <i>to prepare for Order</i>
<input checked="" type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	MCDONALD
<input checked="" type="checkbox"/>	MOORE
	POWELL
<input checked="" type="checkbox"/>	WATSON
	WEDDINGTON
	WEXLER
	BRZEZINSKI
<input checked="" type="checkbox"/>	MCINTYRE
<input checked="" type="checkbox"/>	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE



THE SECRETARY OF ENERGY  
WASHINGTON, D.C.

December 4, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: CHARLES W. DUNCAN, JR.  
SUBJECT: DEFINITION OF HEAVY CRUDE OIL

*CWJ*

On August 17 you issued an Executive Order decontrolling heavy crude oil having a specific gravity of 16.0° or less, as an incentive for the production of our enormous reserves. You instructed DOE to determine whether to decontrol heavy oil further.

Based on our analysis, including comments received at public hearings, I recommend that decontrol extend to oil having a specific gravity of 20.0° or less. This would stimulate domestic production, reduce foreign dependence, help our balance of payments, and be perceived abroad positively. A proposed amendment to your Executive Order is attached.

About 700,000 bbl/day of current production between 16° and 20° would be decontrolled. This would be decontrolled by October 1981 in any event under the phased decontrol program. Immediate decontrol would accelerate production rather than increase significantly the amount of heavy crude oil that will be recovered. It would result in about 140 million barrels additional between now and 1986 (with an offsetting loss thereafter). Daily production would increase by about 65,000 bbl/day in October 1981 and peak at 130,000 bbl/day in 1983. (See attached graph.)

There will be an initial increase of about .3 cents per gallon in petroleum product prices and about .03 percent per year to the CPI.

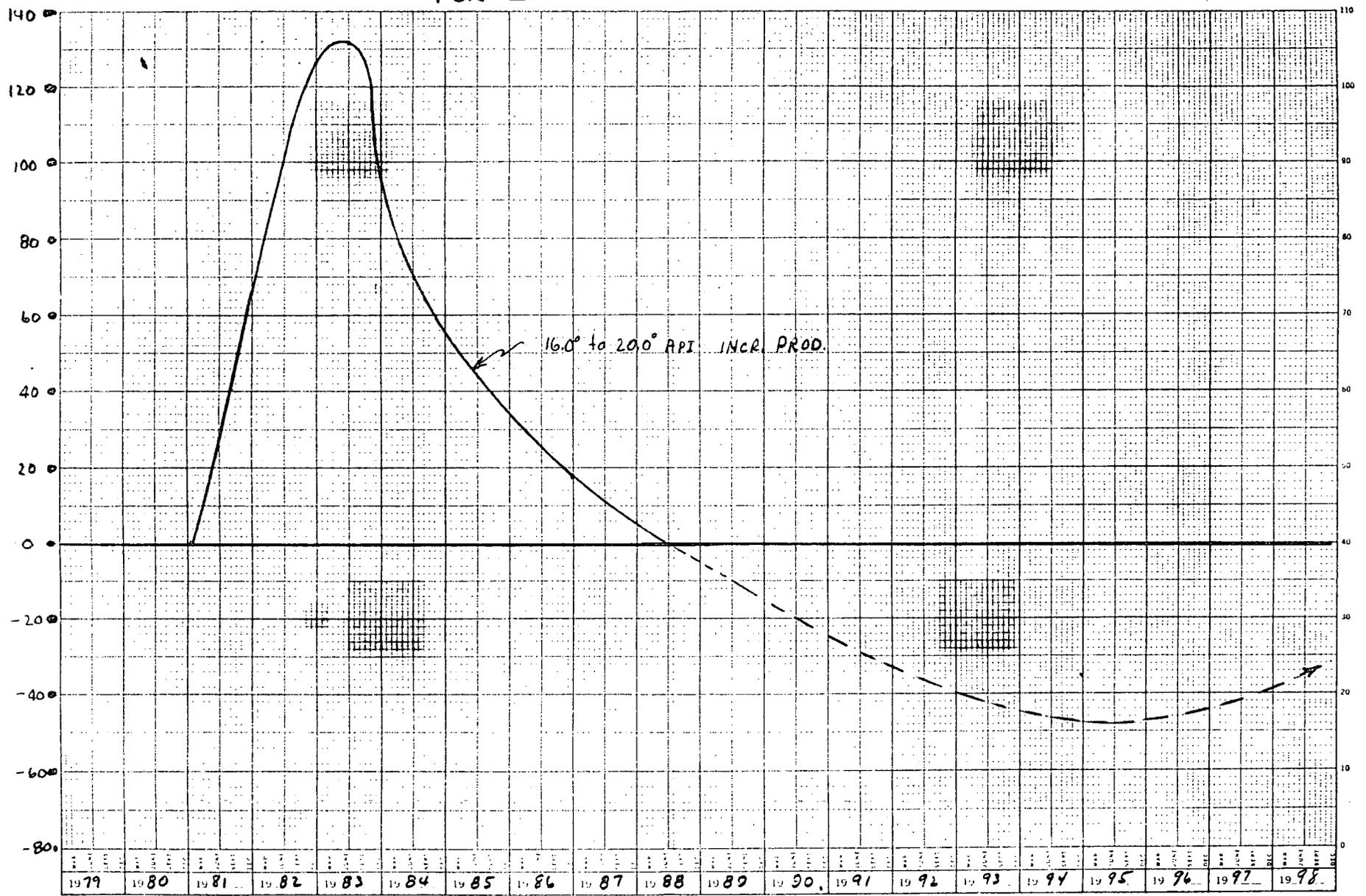
(I do not recommend an exemption of production in the 16.0-20.0° range from the windfall profits tax, because production is economic even if subject to the tax. This is not inconsistent with our position favoring such exemption of heavy oil below 16°, since the latter is more costly to produce.)

Amendment to Executive Order 12153

By the authority vested in me as President by the Constitution and statutes of the United States of America, including the Emergency Petroleum Allocation Act of 1973, as amended (15 U.S.C. 751 et seq.), Executive Order No. 12153 is hereby amended by deleting Section 1-102, renumbering Section 1-103 as 1-102, and deleting in Section 1-101 the figure "16.0° API" and inserting in lieu thereof "20.0° API."

PROJECTED INCREMENTAL PRODUCTION RESPONSE  
 FOR EXPANDED HEAVY OIL DECONTROL: 16.0° API TO 20.0° API

PRODUCTION: THOUSAND BARRELS PER DAY.



3300 PSC - 10/11/81 - 10/11/81  
 The Curtis Energy Services Co.