

MMS OFFSHORE GULF OF MEXICO

ORAL HISTORY PROJECT

Interviewee:

J. ROBINSON WEST

Date:

November 18, 2002

Place:

Washington, D.C.

Interviewer:

Tyler Priest

Code: MMS014

Keywords: Exp, MMS, Gov

Bio

Robin West received his B.A. from University of North Carolina and his J.D. from Temple University. He served in the Ford Administration on the White House staff (1974-76) and as the Deputy Assistant Secretary of Defense for International Economic Affairs (1976-77). During 1977-1980, he was a first vice president of Blyth, Eastman, Dillon & Co., Inc., an investment banking firm. He then served in the Reagan Administration as Assistant Secretary of the Interior for Policy, Budget, and Administration (1981-1983). He played a major role in conceiving of and implementing the new five-year leasing plan for federal OCS areas and in the shift to area-wide leasing in the Gulf of Mexico. He also spearheaded the organizational reform of the OCS program, consolidating functions in a single Minerals Management Service. In 1984, he founded The Petroleum Finance Company, which has become a very influential consulting firm for the international oil and gas industry.

Summary

A fascinating and insightful discussion of the reform of federal offshore leasing policy under Secretary of Interior James Watt in the early 1980s. Talks about how the old leasing policy was creating mounting dissatisfaction in that it created unnatural and unnecessary scarcity by limiting the number of blocks up for lease. Discusses the unfair and inaccurate public perception of the oil industry and its safety and environmental record offshore, as well as the extremist views of the "sagebrush rebels" who wanted to open up every coastline to leasing. Covers the internal battles over area-wide leasing. Mentions problems for federal leasing caused by coastal zone management regulations. Interesting discussion of assumption of risk by coastal communities for offshore development and lack of appropriate compensation. Some information on James Watt, Donald Hodel, specific environmental groups and oil industry executives involved in debates over reforming the OCS program.

TP: This is an interview with J. Robinson West. The date is November 18, 2002. The interviewer is Tyler Priest. Why don't we just start off with a little biographical information and how you came to this whole business?

JRW: I came to this business inadvertently. I had been in the Ford Administration at the White House and at the Pentagon. When Carter was elected, I then went to New York and worked in investment banking. I was interested in coming back to the Administration, but I was really interested in a different position. For various reasons, there was a lot of competition for this position because it was quite powerful.

I didn't get that and I was thinking, well, I'd probably just leave and go back to New York. I had been working on the transition and, in fact, on the Interior Department because I thought I could work on the Interior Department good faith because I had not the slightest interest in the Interior Department. I had no conflict. Jim Watt was coming in. He had surrounded himself with a number of people who were fairly doctrinaire Sagebrush rebels, who really did not know much about Washington. Don Hodel, his undersecretary, had run the Bonneville Power Administration. But they wanted someone who knew their way around Washington for this position of assistant secretary for Policy, Budget and Administration.

Originally, I was not very interested but Watt said, "Bob, before you turn the job down, why don't you find out what it does." What I found buried inside it was the Offshore Oil Policy Office. It was one of the things that really intrigued me. So, I took the job and was in the job from really the start of the Reagan Administration through to the summer of 1983. I worked very closely, initially with Watt and Hodel. Over time, as we will discuss, Watt and I had some differences on things - one of them being area-wide leasing.

The position also of assistant secretary for Policy, Budget, and Administration was unusual in that basically, the secretary and the then undersecretary, had virtually no staff. And all of the processes relating to anything, whether it was policy budget or administrative matter in the department came through me and went up to the secretary. So, I pretty much saw everything and was involved in everything. It was actually a wonderful job. I was 34 years old when I started and so, it was a very, very exciting time.

TP: You joined the Interior during a period when the whole OCS program was . . .

JRW: Under review.

TP: Under review and sort of under siege.

JRW: You have to go back in time to remember that this is when there had been the oil shock in 1979 . . . oil was a big deal. There was the blowout of Ixtoc in the Bay of Campeche. So, it was a question of safety. Oil companies themselves, they had so much money, they didn't know what to do with it. They were very bitterly unpopular and they communicated their situation often very poorly. Also, you were coming off the Carter Administration which was frankly more pro-environment and anti-development. You had a Democratic Congress. And so, the net effect was it was not a very friendly environment, and the media was against it.

When we came in, there were a lot of strikes against it. That being said, in fairness to the professionals in the department, they sensed that the structure of the program was wrong. By having such a limited number of blocks made available through a very political process, the effect was that you were creating an unnecessary and unnatural scarcity.

TP: Relatively small blocks compared to say, the North Sea, right?

JRW: Yes. There were small blocks and you could not aggregate large plays very easily. The other thing is, is that a lot of people did not understand how the leasing system worked and what a bonus bid really was. It was a right to look.

That is all it was. And that you had to get permits for everything - the drilling, for everything. The bonus bids were calculated on the excess profits. And so, you had a time when oil prices were high, the oil companies literally had more money than they knew what to do with, we were creating a shortage . . .

One of the things that had happened during the 1970s was that most of the big oil provinces in the world had been nationalized, and that these oil companies that had all this money from high oil prices, had nowhere to reinvest. The U.S. offshore was one of the few places in the world where they could reinvest. What happened in the 1980s, what really led to the collapse of the oil markets, the price of oil was, on the one hand, you had low economic growth and on the other hand, you had basically the North Sea, the North Slope, and the Bay of Campeche broke the back of OPEC. But there were really few outlets for the industry capital. We were getting enormously high bonus bids. When the bids were opened, we would just burst out laughing. And often, the bids . . . when I asked the economists how could they come up with such a number, you had to either believe in one hundred dollar oil or fields the size of Ghawar, which is the biggest field in the world.

TP: And also incredible success in exploration. Bright spots sort of reduced the risk of exploration, so that contributed.

JRW: Sure, it fueled it but also, part of it was the oil companies in 1981, capital was a

free good. They just did not know what to do with it. They had no real capital management. They were pouring money into exploration. That is where they were making it. I remember walking down the hall with a Democrat, a congressman who did not like oil companies much, but the head of E&P from an oil company I passed in the hall on the way to a hearing. He had this phalanx of people around him. He looked like the president of some small country going down the hall. The congressman asked who the hell that was. I explained. They just shook their head. Part of the reasons for the unpopularity of the program was the unpopularity of the industry.

That being said, it was clear that the structure was wrong, that there was potential in the Gulf, and that it was not being captured, and that we wanted to try and increase production in the United States. I mean, people were still very scared about oil prices and believed they were going to go up a lot. So, you had a bad system and you had a need for oil in an industry that was looking for outlets for their capital.

The other thing is that there is a huge difference between the perception of the industry and the actual safety record of the industry. I spent a lot of time going through the safety records and the amount of money that was being spent in terms of environmental research and trying to manage these things the big companies realized, and this was 20 years ago, they realized even then that kind of reckless

environmental approach was just going to be bad for business. So they were trying to operate this business properly and the service companies were trying to do that. And again, the companies were not particularly concerned with cost. They had tons of money. I mean, if you found something, you had to be a real moron not to make money out of it.

TP: It seems to me that they really started taking care of those issues after about 1970. They had Santa Barbara in 1969, and then Shell and Chevron had a couple of big platform fires in 1970. But it was after that. So, in the early 1970's, I think their environmental and safety records really began to improve.

JRW: Absolutely. I think they did improve and I think that . . . by the early 1980s, they had built a good record, but they had not gotten any credit for the record. If you go through the files, you will see that the guy who covered the Interior Department for the *New York Times* was a man named Phillip Shabekoff. I spent a lot of time with Phil trying to explain the program and not surprisingly, the program was pilloried in the *Times*. But then, he and I were visiting some rig or platform there and we were talking. I said, "Phil, since 1969, we have produced about four billion barrels of oil offshore. And 1969 was important because that was when the Santa Barbara blowout happened. I said, "how many barrels do you think have been lost from loss of well control from 1969 to the present. I don't know. I believed the number, I am not sure, but as I recall, the number is 974.

And he said, "Do you mean 974,000?" I said, "No, 974."

Phil checked the number, and after that, Phil never wrote a bad article about the program. So, one is the perception of the program was unfortunate, and the oil industry communicates itself very poorly.

TP: Well, Ixtoc was such a big disaster, and the oil was washing up on Padre Island.

JRW: That was a mess. That was not the U.S. but that was a distinction without a difference. But then you get into the actual mechanics of the program. The leasing staff in Interior had done a lot of work on this. There was the thought of having area-wide leases, and basically trying to . . .

TP: Where did the idea come from within Interior? Do you know? Or is it something that was just developed over . . .

JRW: It was developed over time, and I think there was the logic that said we were, in some respects, creating shortages and creating artificial scarcity. But I think beyond that, what we were trying to do was, in terms of having companies actually be able to get their hands on whole structures which became so important to the development of the Gulf.

TP: The Shell guys were always complaining about checkerboarding in the Gulf.

JRW: Yes, so we were trying to avoid that. There was a debate. When Watt and some of the industry people who he was close to came in and said, "all right, we are going to open up everything," and that is when World War III began. I argued that there were some basins you want to open up, but other than that, why get in fights with people? And I asked Watt one day, I said, "Do you mean you want to offer acreage up to three miles off the coast of New Jersey? This is what you want to do?" He said, "Yes, I want to do it." I said, "There isn't any oil there." He said, "I don't care. I just want to show them." I said, "Well, you want to show them what?" There was a big debate raged. Part of this debate was just pure politics; that there were people who did not want to have the environmentalists or others somehow in any way dampen down the industry or constrain the industry at all. So, part of it was a desire to be able to look everywhere for oil, and part of it was to have people to be unfettered; that any control was bad, any influence from the environmentalists was bad. And we had raging debates on this. The person who was kind of on team with us was Carol Dinkins. We spent many, many hours arguing about what to do.

I remember I had known Bill Simon from my New York banking days, and Bill came in to see Watt because he had been the energy czar at one point. I almost fell off my chair when Bill said, "Well, you know, we ought to just give these

leases to the oil companies." I said, "Well, why would you do that, Bill? They pay us fourteen billion dollars a year," or something like that. He said, "Well, to just get government out of the way." That was sort of Watt's view, too.

TP: I heard somewhere that after taxes, offshore leasing is the second largest source of revenue.

JRW: It is. Particularly back then. It was a big money generator. I used to get calls from OMB, from my counterpart, OMB, because they were very alarmed at what Watt might do. Frankly, if Watt went ahead and proposed some of these things that were not what was anticipated under the Mineral Lands Leasing Act, then they would clearly fly in the face of some other laws. And the whole program would come to a grinding halt. So, I felt that I was sort of being squashed between some of these antigovernment types who wanted to open up everything and the environmentalists. I thought if either had complete sway, they would destroy the program because it was simply not what was anticipated under the law or was not practical from a geological, operational standpoint.

So, we went through a very acrimonious process. We were challenged a lot in Congress. We had some very testy hearings.

TP: Mainly with coastal state senators?

JRW: Some coastal state senators and one of the factors which affected the program and to which no one paid much attention was Coastal Zone Management. States like Pennsylvania and New York would get into the act and their governors and representatives had no knowledge. They were very cavalier in how they approached it. Their knowledge was very shallow. They would weigh in on the stuff, which was too bad, because I believe that the offshore program was really a very responsible program with a very good record, but it was visible, involved a lot of money, and there had been messes in the past. So, we collected a lot of enemies along the way through the implementation of Coastal Zone Management.

TP: I know California was where the big battle over Coastal Zone Management was.

JRW: Sure. There were battles over that and also, you had Jim Watt, who was the antithesis of everything these people believed in. This is what Jim believed. So, it was a difficult situation. But if you go through the record, we got it in the Federal Register.

TP: Who were the most oppositional environmental groups? Was it the Sierra Club?

JRW: Yes.

TP: Was it more national or local groups?

JRW: Well, there was the five-year plan posed by groups like the Sierra Club. Actually, the group I found that was one that was pretty responsible to deal with was the Natural Resources Defense Council. There was a woman named Sarah Chasis then who . . . I didn't mind if people opposed me, but I bitterly resented if people opposed me and they didn't know what the hell they were talking about. They were just trying to score points. I think that, again, the offshore program was so visible and Watt was so visible. But this was just good for increasing membership at the Sierra Club as opposed to really trying to do something constructive. And I felt, at least in those days, that NRDC was one group that knew what the hell they were talking about, and I respected them for that.

TP: I want to ask you about the five-year program. What about the industry? There was not total agreement within the industry on what the reforms in the leasing program should be. You had all these proposals for different kinds of bidding, and it seemed like some of the smaller companies wanted to experiment with other kinds of bidding other than cash bonus, such as royalty bidding . . .

JRW: More commitment, that kind of thing.

TP: Did you find it difficult dealing with the various . . .

JRW: Well, under the five year plan, as I recall . . . I mean, it has been 20 years! I recall that there was the option to use some of those were in the plan. But the question was then what kind of mechanism would you use in each sale? This is the way I remember it and I may be wrong but I got guidance from the Office of Management Budget very clearly that thank you very much, they wanted the money up front. They weren't interested in these other workout kinds of situations.

TP: And the major offshore players preferred that too.

JRW: Yes, sure. I mean, basically that kept a lot of the little guys out. But the other thing is that one of the advantages of the money up front was the government did not want to share the risk and in work commitment or something like that. If a company couldn't perform, the government was, in a sense, stuck; whereas, if it was a cash bonus, you got the money up front. If you didn't perform in a set period, you simply relinquished it. End of story. So, that was one of the reasons we avoided that.

But the fact of the matter is, offshore, except in shallow water, this is a game for large well-capitalized companies. Exploration anywhere should not be thinly capitalized, particularly in the offshore. And the deeper the water, the more

capital, and the longer the lead times. That is just fundamental to this business.

TP: The five year plan. I was looking back at some coverage of this whole period and you were quoted as saying it was the most extensive analytical project ever undertaken in the history of the department.

JRW: Oh, certainly in the department, but I am not sure that is saying much. There were tens of thousands of hours and millions of dollars were spent analyzing this. It was done very carefully.

TP: And you started this before the program was consolidated?

JRW: Oh, yes. The MMS was a bureaucratic afterthought. And the five year plan, creation of the MMS was really . . . you had policy was in my office; you had the geological survey involved; you had the Bureau of Land Management involved. But we also had this problem, quite a separate problem, which was just a shambles in the government. This was in royalty collection.

TP: There were some charges of mismanagement of the royalties by the USGS Conservation Division.

JRW: Yes, I mean, to say it was mismanagement is an understatement. It was gross

mismanagement. Frankly, the way the department ran that, it would be as if you had a trash can in the lobby and people came in at any hour of the day or night and did or did not put cash in. You didn't know who put what in and how much it was, and whether that was the right number. You couldn't record whether that actually paid it or not.

TP: Was this a longstanding procedure?

JRW: Longstanding procedures, other indifference . . .

TP: Because they felt they were making their money on the cash bonus?

JRW: But they didn't get the money at all. The bonus bids went directly to the Treasury. The department didn't get to keep them. I mean, we weren't running the department on a P&L basis. These royalty receipts were . . . it was a shambles, and there are still claims going on with the . . .

TP: They went to the Treasury, too?

JRW: Well, they did, but no one was promoted on whether more royalties went or the level of enforcement or anything like this. Furthermore, you then got into, which is still going on now, this question about Indian claims, Indian royalties. The

Indians were treated so shabbily under all of this.

TP: So, it was not just collection of royalties offshore but collection of royalties from all over?

JRW: Yes, it was a problem everywhere. And that was the Linowes Commission. That is what the Linowes Commission was really set up to do and to deal with.

TP: Was that set up before you came to office?

JRW: No, the Linowes Commission, we put that together in 1982 or something like that. It was really a separate effort from the five year leasing, but it affected it. One of the things that I was also fairly interested in was there was a section called Section 8G, I believe it was Section 8G, of the OCS Lands Act which was sharing of revenues from common pools with the States.

TP: This was from the amendments in 1978?

JRW: 1978, I believe. One of the real weaknesses of the program, and it is a weakness to this day, is that money may go to the states, but the coastal communities don't see any of it. So, they bear the risk, if there is any, even if there is a remote possibility of spills, of fishermen being disrupted, of potential dangers to tourism,

on the one hand. On the other hand, they don't get any money. So, why would anybody in any state be in favor of this? So, I tried to get it . . . I wanted my fictional ocean county . . . I wanted the state senator from Ocean County to get a high school named after him, and to square off against the folks in the Coastal Zone Management office and the state capital. Some came in topsiders . . . [PAUSE] . . . to engage coastal communities. And I think, to this day, one of the weaknesses of the program is that whatever risks are born by coastal communities and whatever benefits, basically they go to the states and to the nation as a whole. I don't think that is appropriate risk sharing.

We had a chance to get this settled but David Stockman and Bennett Johnson did a deal as part of the 1982 budget reconciliation or something like that. There was a couple of billion dollars in dispute between Louisiana and the Feds. I wanted to try and get that redistributed to coastal communities but it was just taken away without any thought.

TP: I think it goes back to the old Tidelands dispute.

JRW: Oh, yes. But I think this really is an important issue.

There was a moment, and we had a lot of meetings and really tried hard on it, but it didn't work.

TP: I suppose you run into political interests at the state level.

JRW: Oh, yes, there is that and frankly there were some environmental groups who and stated the last thing they wanted was to have incentives to coastal communities. They didn't want that. You know, and then there are people who, let's face it, irrespective of the merits of the program, don't want the program to succeed. It is just that simple. That was very frustrating. I thought there were reckless people on both sides of this program who endangered it.

TP: That is interesting. When I talked to some of the Shell people, they tried to make the case - as far as in the government's interest, as far as revenue collection from the OCS program is concerned - that it would be much better off trying to maximize the royalty revenues than trying to bring down the cash bonus. At least that was the case made by Shell.

JRW: It didn't get very far for a very simple reason: The Feds like money on the barrel head. As you pointed out, this is one of the big after the tax system and we were generating in bonus bids, \$13-\$14 billion a year. This was in 1981 dollars. So, in 2002, it is like \$30 billion. That is a lot of money. They needed it then. I mean, the government was running big deficits. So, this was a big deal. And again, for the Feds, don't forget that there is a question of allocation of risk. And it was the

companies that bore the risk. If the companies are prepared to bear the risk, why on earth would the Feds change it? I mean, you don't do things just to be nice.

TP: Another issue that came up in the five year plan was the tract evaluation process. Can you talk a little bit about that? There was discussion about fair market value for tracts; how do you determine this, and is the fair market just the highest bid or is it some other formula?

JRW: Well, it has been a long time since I have thought about the fair market value issue. There was a school of thought that there is a market and it will bid in the market. Now, part of the problem with that was that for certain companies, there was a market. For other blocks, there was a case where if you got some blocks, other blocks surrounding it were basically worthless. But if you got the key central blocks in a play, you controlled the play. The surrounding blocks were much more valuable to you than to anybody else. And there was a lot of game theory. There was a lot of money involved in this. There was a lot of strategizing in all of this.

Generally, the vast majority of the bids were accepted. There were a couple of bids that the USGS got a little wrong, too. I think there were some of the Atlantic lease sales that we rejected some bids on which, in retrospect, we should have taken simply because nothing was ever found! But one of the problems that some

people in the oil industry used to mention is that the geological survey basically had the capability of the small oil company without production. And then, how good were these guys? After you see what the capabilities of the big companies are and the resources, I mean, the government simply can't compete with that. I personally feel that generally, the market prevailed, and I don't think the fair market value question did a lot of harm. I mean, sure, in some blocks, probably, in retrospect, but generally, there was adequate competition and the market worked. There were some blocks where the high bid and the next high bid was over \$100 million. Now remember, that is the excess profit! That is a hell of a lot of money! And don't forget, you assume that that is \$100 million excess profit, but that is profit discounted after production began and brought forward.

TP: And also, assuming that the price of oil is going up to \$60, \$70 a barrel.

JRW: Yes. I don't think fair market value did much harm. There was a lot of huffing and puffing about that. There was a very pompous, self-important congressman who was a chairman named Sid Yates. He hated the oil industry. He was a congressman from Chicago. He and his people were very insulting when I would testify. They said this was a giveaway to the oil industry. I saw him afterwards one time at the National Gallery of Art, and I went up to him when I had left government. I said, "Gee, Mr. Chairman. I am waiting for an apology from your committee." He stared blankly and said, "What are you talking about?" I said,

"Well, I know that you want to correct any factual errors you might have made. Obviously, you bring a level of professionalism and seriousness, as I am sure the committee members do as well. And he started blankly and said, "Oh, yes. Of course. Of Course." I said, "You realize, of course, that on using the bidding system we have, we've got the highest rate of take of any government on earth because we sold a lot of worthless acreage to the companies. And I know that you would want to set that record straight, Mr. Chairman. So, I look forward to receiving the apology from the committee." Well, very few people had ever asked Sid Yates for an apology. Surprise, surprise, I didn't get it.

The problem was, again, that there was always money sloshing around. When you get to oil, there is always a conspiracy theory. When you get into fair market value, maybe these guys are playing some game and they are getting something worth \$1 billion for \$5 million or something. In my experience, there were some very, very important assets that were created, but I don't think very many of them were stolen.

TP: And these companies are so secretive with each other.

JRW: They are bitter rivals.

TP: The bitterness, for example, between Shell and BP and with the offspring of

Standard Oil, they were all fiercely competitive.

JRW: Well also, in the early 1980s, success in lease sales and who got what, "mine is bigger than yours," is a fairly basic concept in the oil industry. And who did what in lease sales was one way of calculating size, shall we say, and the manly virtues. So, I think it was a very competitive situation.

TP: IT could not have been foreseen in the early 1980s, but opening up broad planning areas led to deep water acreage development. The majors then moved off the shelf and the smaller companies then got some choice tracts.

JRW: It didn't exist. No, I would argue the OCS program in the Gulf of Mexico was how governments ought to work. There was a proposal that there should be American National Oil Company. People occasionally took up that stupid idea. It would have been a terrible idea. But basically, the market worked. Companies high-graded their portfolios. There were other smaller companies. The cost structure was different. They could make money. And so, I think the process has worked very well.

TP: When you were contemplating reform during the five year plan, did you look at other offshore leasing programs in different countries, like in the North Sea?

JRW: That is one of the things about the U.S. government. I was absolutely shocked when I got in there to realize that the way companies look at this is what is called total take, and that is, how much do they pay to the government in taxes, in royalties, in bonuses in anything you can think of, whereas, the Treasury Department and the Interior Department never spoke to each other. They never tried to coordinate taxes and royalties and things like that; they were just in their little silos. They didn't talk to each other. They were suspicious of each other; whereas, there are other governments, notably, the U.K. government, which would manipulate taxes and royalties to optimize activity there as much as possible. We didn't do that and I think we probably missed some opportunities.

TP: Was this just a function of decentralized federal government?

JRW: I think it is a case of uninformed bureaucrats who didn't care and were terrified that someone would take their power away from them. I deal with governments all over the world and this is how it works. So, these guys just didn't know anything about the rest of the world. They just weren't particularly interested.

TP: I talked to John Rankin who had been the regional OCS guy down in New Orleans for years, but even back in the 1960s when the offshore was a fairly going business and the OCS office, he said there were only 30 people staffing the entire program.

JRW: The Interior Department is a very inward-looking domestic operation. It always was. As they looked at this, it remained as such. But that being said, I think that the result was pretty damned good.

TP: What was the clinching moment when area-wide was going to be adopted? Were there court challenges?

JRW: There were court challenges, but along the way, there were the internal battles that I was so much involved in. The question is whether you open up everything or whether you focus on certain basins. That really was the key question because I think the program was unsupportable if you opened everything. It was called area-wide leasing, but actually, it wasn't area-wide leasing because we deleted areas where there were basically no nominations, no expressions of interest. And then, for certain environmental reasons, we took some of the areas out areas out around Garden Banks or certain islands off California. And there were whole areas such as three miles off the coast of New Jersey, but nobody had any interest in it. So, why put it in? Why even start the fight? And so, we withdrew and the industry was able to focus on the areas of prospectivity. And there is, I think, a real logic to that which I think was sound, but again, the political screaming matches that took place.

There were certain people in the oil industry who were very unhelpful. And the service industry wanted to go everywhere. They didn't want to be constrained. Obviously what they wanted was the maximum possible demand for their services everywhere. Well frankly, if they had gotten their wish, then the whole program would have collapsed.

TP: Because of the opposition to opening up California?

JRW: Well, opening up California, or the East Coast, either one. Since I was the person who had to go testify on this most of the time, I would have to go and explain why you want to go into some of these areas when there was no oil. It just didn't make any sense to me. But, to me, that was the key hurdle, and once that logic was established, I always thought the program was . . .

TP: Because there was this wildcatter mentality. Probably not so much in a major company. They know where they can make money, where they can't, and which areas are geologically prospective, but there are smaller companies and those in the services business who want to go everywhere.

JRW: Well, they want to go everywhere. But there is also the notion that they don't want any "blankety-blank-blank" bureaucrats telling them where they can't go. It is not the American way. As I say, I think if they would have had their way, it

would have destroyed the program. But there were very acrimonious battles in this.

TP: And it shifted from calling for nominations to calling for information?

JRW: Yes.

TP: So, companies weren't nominating tracts? You were just gathering information on what . . .

JRW: On what kind of expressions of interest or indications of potential prospectivity. We didn't want to have any more fights than we needed. As I say, I think it would have killed the program.

TP: I am still sort of looking for the genesis of this reform. Who do you give the responsibility for . . .

JRW: The staff. For me, the people I listened to. I considered myself the bureaucratic battler because essentially, I was lined up against some of Jim Watt's people who, again, were true believers and felt it was immoral, they felt it was literally immoral and unpatriotic for a government bureaucrat to tell anybody what to do. To me, there were key people who helped me in this. There was Heather Ross,

who was my deputy. She didn't stay too long. There was Al Powers who ran the offshore leasing office, and a woman named Carolita Kallaur. Chris Oynes, for example, was a junior analyst. These people are terrific people, they were very knowledgeable, and they were very hard-working. They were trying to do the right thing. They were career Interior Department employees. Some of the true believers - Watt's Sagebrush rebels - they worked hard at trying to whack these people if they could - get them fired or transferred to Slobovia or whatever. I felt it was my job to protect them.

TP: They were there before you?

JRW: They came in with Watt. They were after the career people. You had to give answers based on the law or the fact. But for some of these characters, their arguments were largely emotional. The career people understood the law, and they understood the facts. And they were much more expert in it than I was, but I was pretty good at making a case. The other person who I found was very fair-minded and who was very reasonable was Don Hodel. He became a critical link for me in all of this. The two people I probably worked the most closely with were Don Hodel and Carol Dinkins. What I found was what most people did not find; outside a rather small circle, they did not find offshore leasing policy to be one of the most gripping policy issues of the day. That being said, for me, it was a lot of fun and it was very exciting, but it was very intense.

TP: I am surprised that the Sagebrush rebels didn't get one of their own appointed to your position.

JRW: Well, they realized the error of their ways later. Watt is a very, very bright man. He had enormous energy. He was deeply interested in the subjects. That being said, Jim hadn't read a lot of history and had difficulty placing things in context. He organized things in a way that was very different than mine. He saw everything in very confrontational terms - in black and white. And government, really, is like that. So, he made a lot of enemies. But he had people around him who were eager to do his bidding. Their arguments were unfreighted with fact. This related to things like the Park Service and all kinds of things that got everyone so cranked up. But at any rate, the reason I got the job initially was that Watt wanted someone who understood Washington and how to make Washington work. That I understood very well. I was the only one of the senior presidential . . .

End of Side 1

Side 2

TP: Where are you originally from?

JRW: Pennsylvania. I had a nice relationship with Hodel who had Watt's confidence throughout all this.

TP: Did Hodel succeed Watt?

JRW: No, he ran as secretary of Energy, and then he came back later as secretary of Interior. It became very acrimonious. I was on my honeymoon in Italy and some of Watt's people . . . I can't remember, but there was some great nefarious plot afoot. They were trying to take certain responsibilities away and everything.

TP: From your office?

JRW: From me and my office. Fortunately, I had a lovely honeymoon and I really couldn't care less! It is a long time ago now, but the amount of yelling and screaming and front page stories and congressional hearings . . . there was a lot of yelling and screaming. But as is often the case, God is in the details. As I said, my job was to kind of be the bureaucratic champion of people who really knew the program. And I think we were able to create a very good program. We really

transformed the program.

TP: Improved it so it would survive.

JRW: Improved it, yes, and protected it. You know, there were some people that were trying to make statements about other things that, in the process, would have destroyed the program.

TP: Watt left in 1983, is that right?

JRW: I left in June of 1983 and he left in the fall of 1983. I was asked if I wanted to come back in a more senior position later.

TP: Did you see your work as being done at that point?

JRW: Yes, basically, once the five-year plan was done. There were two areas that I was really interested in: the five-year plan and a program that is called restoration improvement of the parks, where we put over one billion dollars into the parks. The parks were just collapsing. And there were, again, some very irresponsible people who said they loved the parks. So, they kept adding parks but they never bothered to add any more money to take care of the parks, so that the big parks, the crown jewels, were just being destroyed. But that is another subject.

So, I had a wonderful time and people were very nice to me.

TP: Do you think had Watt stayed in power, he could have still undermined the program?

JRW: No, because the train had left the station. We had put a program structure in place, and that was how we were going to run it.

TP: Did you get support from other parts of the administration outside of the Interior or was this mainly just an Interior battle?

JRW: Well, it was Justice and Interior. Owenby would occasionally weigh in. I would call him and say, "If you want this thing to collapse, just let these guys do their worst because if they do, they will kill it." And so occasionally they would kind of weigh in a little bit, but they never really understood the program very well.

EPA was involved a little bit. Commerce a bit because of Coastal Zone Management, but it was really Interior, Justice, and the Hill. And then, outside, legal challenges that were made. There was a very good lawyer named Ed Bruce. You will see he was the lawyer in a number of these cases. He is at Covington

and Burling here in Washington. He can take you through the litigation. He was on the industry side but he was a very smart and very serious lawyer.

TP: Did you deal with people from the industry?

JRW: I dealt with the industry all the time. Charlie Blackburn was the one who tried to really work with us and to help us understand what the pros and cons were, what was reasonable, and what was not reasonable. Some of these other guys would come in like potentates with vast entourages and they would lecture us about what they wanted and leave. It wasn't very helpful. Generally, I had made it a rule that I never wanted to see anybody from the Washington office because they didn't know anything about the substance of the program. I knew the politics better than they did, thank you very much! I found that Blackburn was an excellent kind of person to talk to and debate. Charlie was very smart. He would sit down with my junior analyst and myself and we would really have at it, which I really appreciated. We learned things and I think we could make our points.

At some of these other place, the head of E&P would meet with me but there couldn't be junior staff who was there or they wouldn't acknowledge them in a meeting. It was ridiculous. I mean, it was corporate bureaucracy at its worst. I don't think the industry helped themselves much in this. They didn't make a good case for this program and they have never made a good case for their program.

TP: Was the AIP involved in this at all?

JRW: Well, they were huffing and puffing the way they used to for things. They would go and talk to the Louisiana and the Texas and Oklahoma delegation, who were supportive, but they would have been supportive of anything. The National Ocean Industries Association were enthusiastic cheerleaders, but again, they had some fairly narrow constituencies or there were certain people who were in various oversight committees, but it was all pretty predictable.

The problem was nobody got to the Congress as a whole, and nobody got to the media as a whole to make the case for the program. Why? Frankly, under Cecil Andrus, it had been quite a successful program. And the Andrus people wanted to change the program. Then, we changed the policy. But simultaneously, the technology changed because if you are using 1970s technology, even if you had more acreage, it was open in deeper water. There was not a hell of a lot you could have done with it. Everything kind of worked in parallel. And I think that essentially the government responded in creating a marketplace. The offshore program was, at least in those days and I believe in constant dollars to this day, the largest nonfinancial auction in the world.

TP: It certainly was.

JRW: If you go back to these telecom licenses and things like that, again, if you put \$81 to \$81, this was bigger.

TP: I know you said that the MMS was sort of an afterthought to all of this but it did streamline a lot of the leasing site functions in one agency and gave the industry the single point of contact.

JRW: Yes, and a greater level of professionalism and focus and everything. No, the MMS was a logical follow on, but what really drove the creation of the MMS was royalty management. It wasn't leasing.

TP: This has been very helpful. You have given me some interesting stories. Are there any other stories or anecdotes that you have that could help us sort of dramatize this history? I know it has been 20 years!

JRW: It has been 20 years. In retrospect now, there used to be a lot of yelling and screaming about this. There was a lot of acrimony, and a lot of misinformation.

TP: I could see that reading the news coverage.

JRW: Oh, yes.

TP: It would benefit from hindsight . . .

JRW: I think we were right. I think what we did was right. And I think that it worked.

TP: You don't see as much challenge to it these days, even from the environmentalists.

JRW: That is the other point: the industry really did a pretty good job.

TP: Especially now when there is concern about building \$1 billion platforms.

JRW: It worked. I found that the Interior department has all the cache of the post office in Washington. When you go out west, things change. I think that is why I am in this business to this day. This was the most intellectually exciting . . .

TP: So, you had no background in oil and gas?

JRW: No.

TP: You were in the Defense department.

JRW: Yes, the Defense department. Anyway, I found it and I have always found it to be just a terribly exciting, dynamic business. All business, in one way or another, is about management of risk. But the risks in this were enormous. I found that in terms of both the oil companies and the service companies, even if I disagreed with some of these guys, I have always admired their appetite for risk. If they fail, if they have a dry hole, they would dust themselves off and go on. They are perennial optimists.

TP: Those companies lay a lot on the line. I remember the Shell guys who first had to go to their board with a \$1 billion platform. That was a tough sell!

JRW: I know. It is huge. It really is an exiting . . .

TP: And then there is the service industry. I never understood why anyone would want to get into that business because of the cyclical swings.

JRW: Oh, it is a terrible business, but that being said, I think that there is the scale of the equipment. I go back to “mine is bigger than yours!” This was just about as big as it gets! It is just an exciting world and an exciting business. I think some people in the service business, they loved all the stuff, and the stuff is really pretty amazing.

TP: Oh, yes. Well, I don't want to take too much of your time.

JRW: Is that what you want?

TP: Yes. Thank you very much.

THE END