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TRANSCRIPT OF PROCEEDINGS

Before The

NATIONAL PETROLEUM COUNCIL

DOCKET No.-----

In the matter of-----Conference-----

Place-----Washington, D.C.

Date-----30 January 1951

Pages-----1 thru 110

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Date 8/26/52

From the Files of the
National Petroleum Council

Record: Council Meeting (Transcript)

Date of Record: January 30, 1951

Report adopted at meeting of (Date) _____

Statement or Speech at meeting of (Date) _____

EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

C E R T I F I C A T E

This is to certify that the attached proceedings before the United States Department of the Interior in the matter of:

Agency: **Petroleum Administration for Defense**

Name of Case: **Meeting**

Place: **Washington, D.C.**

Date: **30 January 1951**

were had as herein appears, and that this is the original transcript thereof for the files of the Department.

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by *Judd Kahn*

HUDSON:

C O N F I D E N T I A L

NATIONAL PETROLEUM COUNCIL

Room 5160

South Interior Building

Washington, D. C.

30 January 1951

The Council was called to order at 10:00 a.m., by
Mr. Walter S. Hallanan, Chairman (presiding).

HUDSON:

C O N F I D E N T I A L

NATIONAL PETROLEUM COUNCIL

- - - - -

Room 5160

South Interior Building

Washington, D. C.

30 January 1951

The Council was called to order at 10:00 a.m., by
Mr. Walter S. Hallanan, Chairman (presiding).

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P R O C E E D I N G S

CHAIRMAN HALLANAN: The Council will please come to order.

Gentlemen of the Council: We have met here this morning in response to the request of the Secretary of the Interior that the members of the 1950 Council should continue until the appointment of a new Council for 1951 has been made. We meet in response to that request.

So this will be considered as a continuance of the 1950 Council, and the same organization will continue until the new Council is appointed.

The Secretary will please call the roll.

MR. BROWN: As I call the name of the member, if there is an alternate present, will he please rise and give his name for the record.

Mr. Adams?

MR. JOPLIN: Mr. Joplin.

MR. BROWN: Mr. Anderson?

MR. ANDERSON: Here.

MR. BROWN: Mr. Ashton?

MR. ASHTON: Here.

MR. BROWN: Mr. Baker?

MR. BAKER: Here.

MR. BROWN: Mr. Max Ball?

MR. MAX BALL: Here.

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MR. BROWN: Mr. Munger T. Ball?

(No response)

Mr. Barton?

MR. BARTON: Here.

MR. BROWN: Mr. Blaustein?

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Blazer?

(No response)

Mr. Blodget?

MR. BLODGET: Here.

MR. BROWN: Mr. Boyd?

MR. BOYD: Here.

MR. BROWN: Mr. Brazell?

MR. BRAZELL: Here.

MR. BROWN: Mr. Bridwell?

MR. BRIDWELL: Here.

MR. BROWN: Mr. Russell Brown?

MR. RUSSELL BROWN: Here.

MR. BROWN: Mr. Burns?

MR. HAYES: I represent Mr. Burns.

MR. BROWN: Mr. Cowden?

MR. GRANT: Grant for Cowden.

MR. BROWN: Mr. Crocker?

MR. CROCKER: Here.

MR. BROWN: Mr. Cummins?

MR. CUMMINS: Here.

MR. BROWN: Mr. Davenport?

MR. DAVENPORT: Here.

MR. BROWN: Mr. Davies?

(No response)

Mr. DeGolyer?

MR. DeGOLYER: Here.

MR. BROWN: Mr. Donnell?

MR. DONNELL: Here.

MR. BROWN: Mr. Dow?

MR. DOW: Here.

MR. BROWN: Mr. Downing?

(No response)

Mr. Drake?

MR. DRAKE: Here.

MR. BROWN: Mr. Dressler?

(No response)

Mr. Duke?

(No response)

Mr. Dunnigan?

(No response)

CHAIRMAN HALLANAN: Mr. Norman Meyers is the proxy or alternate for Mr. Dunnigan.

MR. BROWN: Mr. Falck?

MR. FALCK: Here.

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MR. BROWN: Mr. Follis?

(No response)

Mr. Fores?

MR. FORES: Here.

MR. BROWN: Mr. B. C. Graves?

MR. B. C. GRAVES: Here.

MR. BROWN: Mr. B. I. Graves?

MR. B. I. GRAVES: Here.

MR. BROWN: Mr. Hallanan?

CHAIRMAN HALLANAN: Here.

MR. BROWN: Mr. Hamon?

MR. HAMON: Here.

MR. BROWN: Mr. Hardey?

(No response)

Mr. Hargrove?

(No response)

Mr. Harper?

MR. HARPER: Here.

MR. BROWN: Mr. Hartman?

MR. HARTMAN: Here.

MR. BROWN: Mr. Hilts?

MR. HILTS: Here.

MR. BROWN: Mr. Holman?

MR. SUMON: John Sumon.

MR. BROWN: Mr. Hulcy?

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(No response)

Mr. Jacobsen?

MR. JACOBSEN: Here.

MR. BROWN: Mr. Johnson?

(No response)

Mr. Jennings?

MR. HARDING: Harding as alternate.

MR. BROWN: Mr. Chas. Jones?

MR. CHAS. JONES: Present.

MR. BROWN: Mr. J. P. Jones?

(No response)

Mr. W. Alton Jones?

MR. W. ALTON JONES: Here.

MR. BROWN: Mr. Keck?

MR. R. E. JOHNSON: R. E. Johnson.

MR. BROWN: Mr. Lerch?

MR. ROBINSON: J. French Robinson.

MR. BROWN: Mr. Lovejoy?

MR. LOVEJOY: Here.

MR. BROWN: Mr. Maguire?

MR. MAGUIRE: Here.

MR. BROWN: Mr. Majewski?

MR. MAJEWSKI: Here.

MR. BROWN: Mr. Markham?

MR. MARKHAM: Here.

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MR. BROWN: Mr. Marshall?

MR. MARSHALL: Here.

MR. BROWN: Mr. Mattei?

(No response)

Mr. McCollum?

MR. NEPTUNE: Neptune for McCollum.

CHAIRMAN HALLANAN: I might say Mr. McCollum was expecting to be here but was unable to get away from Houston on account of weather conditions, and phoned me this morning to that effect.

MR. BROWN: Mr. McGowen?

(No response)

Mr. Meece?

MR. MEECE: Here.

MR. BROWN: Mr. Mosher?

(No response)

Mr. Nielson?

(No response)

Mr. Niness?

MR. NINESS: Here.

MR. BROWN: Mr. Parten?

A VOICE: Mr. Parten was caught last night with the weather in Houston also. I talked with him about 6:30.

MR. BROWN: Mr. Peck?

(No response)

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Mr. Pogue?

MR. POGUE: Here.

MR. BROWN: Mr. Porter?

(No response)

Mr. Pyles?

MR. PYLES: Here.

MR. BROWN: Mr. Reitz?

MR. O'HARA: O'Hara for Mr. Reitz.

MR. BROWN: Mr. Richardson?

MR. RICHARDSON: Here.

MR. BROWN: Mr. Ritchie?

(No response)

Mr. Robineau?

MR. MEYERS: Meyers.

MR. BROWN: Mr. Rodgers?

MR. RODGERS: Here.

MR. BROWN: Mr. Rodman?

MR. RODMAN: Here.

MR. BROWN: Mr. Rowan?

(No response)

Mr. Shannon?

(No response)

Mr. Skelly?

MR. SKELLY: Here.

MR. BROWN: Mr. Smith?

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MR. SMITH: Here.

MR. BROWN: Mr. Spencer?

MR. SPENCER: Here.

MR. BROWN: Mr. Streeter?

MR. STREETER: Here.

MR. BROWN: Mr. Sutter?

MR. SUTTER: Here.

MR. BROWN: Mr. Taylor?

MR. TAYLOR: Here.

MR. BROWN: Mr. Thompson?

MR. THOMPSON: Here.

MR. BROWN: Mr. Vandever?

(No response)

Mr. Vockel?

(No response)

Mr. J. Ed. Warren?

MR. J. ED. WARREN: Here.

MR. BROWN: Mr. W. K. Warren?

MR. W. K. WARREN: Here.

MR. BROWN: Mr. Wescoat?

MR. WESCOAT: Here.

MR. BROWN: Mr. Williams?

MR. WILLIAMS: Here.

MR. BROWN: Mr. Wilson?

MR. WILSON: Here.

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MR. BROWN: Mr. Zehrung?

(No response)

Mr. Zoller?

MR. ZOLLER: Here.

CHAIRMAN HALLANAN: I would say that, from the view of the general weather conditions, we have an excellent attendance of the membership of the Council. The question now, gentlemen, is the approval of the minutes of the meeting of December 5, 1950. These minutes were mailed to the members on January 2, 1951.

What is your pleasure?

A VOICE: I move the approval.

A VOICE: Second.

CHAIRMAN HALLANAN: It has been moved and approved that the minutes of the meeting of December 5, 1950, be adopted. All in favor indicate by saying "aye."

(General response: AYE.)

Contrary, no?

(There were none.)

Unanimously ordered.

We will now have the report of the Secretary-Treasurer.

MR. BROWN: During the year 1950 our total receipts were \$82,611.15. Our total disbursements were \$81,263.68, leaving net receipts over disbursements of \$1,347.

We had a balance at the beginning of the year of

H10 \$1,379, leaving a balance in the general fund at the end of the year of \$2,727 over disbursements, with the trans-^{include}fer of \$13,000 to the reserve fund, leaving a balance in the net fund of \$50,000.

CHAIRMAN HALLANAN: You have heard the report. Are there any remarks?

(There was no response)

If not, it will be received and filed.

Pending the arrival of Secretary Chapman, who is scheduled to be with us at 10:30, I desire to recognize at this time Mr. Jacobsen, to present the report of the Agenda Committee.

MR. JACOBSEN: Yesterday three letters were received from Mr. Stewart addressed to Mr. Hallanan, dealing with subjects on which Mr. Stewart would like this Council to prepare studies and reports.

The first letter, dated January 29, reads as follows:

"Preliminary studies of the Petroleum Administration for Defense indicate that in the event of war there will be need for a significant increase in the availability of petroleum products to meet military and civilian requirements. This increase would require large quantities of capital and materials.

"The magnitude of these quantities is not

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known and it is important that the Government have authoritative data from which to estimate them for general defense planning purposes.

"For present purposes, it should be assumed that (1) the required ultimate expansion should be of the magnitude of a million barrels daily of various products over the average of those produced during the period November 1, 1950, thru January 31, 1951, (2) that all of this expansion is to be in the Western Hemisphere, and (3) that the proportionate production of the principal petroleum products should be the same as the average proportionate production of such products for the calendar year 1950. It would be most helpful if the estimates could be presented in increments of one quarter of a million barrels per day.

"Therefore, it is requested that the National Petroleum Council make a study of the capital and materials requirements for increasing the availability of petroleum products by one million barrels per day in increments of one quarter of a million barrels per day, and that the Council report thereon together with such recommendations as it deems appropriate.

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Sincerely yours,

/s/ H. A. Stewart

Director"

The Agenda Committee's report on this item is as follows:
Under date of January 29, 1951, Mr. H. A. Stewart, Director of the Oil and Gas Division of the Department of the Interior, addressed a letter to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, requesting that the Council make a study of the capital and materials requirements for increasing the availability of petroleum products.

As provided in the Articles of Organization of the National Petroleum Council this letter was considered at a meeting of the Agenda Committee, held on January 29 in Washington, D. C., at which it was unanimously agreed to recommend to the Council the appointment of a committee to make the study as requested by Mr. Stewart.

The second letter from Mr. Stewart to Mr. Hallanan, also dated January 29, reads:

"During recent months, there have been repeated local spot shortages of liquefied petroleum gas. Since it is possible that the situation may become increasingly acute, the matter is under study in the Petroleum Administration for Defense.

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"The interim report on liquefied petroleum gas submitted by the Council's Committee has been of much value, but certain additional information is necessary.

"It is requested that the National Petroleum Council make a study and report as soon as possible on the demand for liquefied petroleum gas by States for the months of December 1950 and January 1951.

"The Supply and Transportation Division of the Petroleum Administration for Defense will be available for consultation in connection with this matter.

Sincerely yours,

/s/ H. A. Stewart

Director"

The Agenda Committee's report on that item is as follows: Also, under date of January 29, 1951, Mr. Stewart addressed a letter to Mr. Hallanan, requesting that the Council make a study on the demand for liquefied petroleum gas by States for the months of December 1950 and January 1951.

As provided in the Articles of Organization of the Council this letter was considered at a meeting on

114 January 29 in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council that a committee be appointed to make the study as requested by Mr. Stewart.

The third item reads as follows:

"In view of the central importance of manpower in defense planning for essential industry and the Armed Forces, it is of high importance that the manpower requirements of the petroleum and gas industries be accurately determined. Only then can this essential segment be fitted into the overall plan for most effective use of the Nation's manpower.

"It is requested, therefore, that the National Petroleum Council make a study and present facts regarding manpower requirements of the petroleum and gas industries together with such recommendations as are found to be appropriate.

Sincerely yours,

/s/ H. A. Stewart

Director"

The Agenda Committee's report is as follows: Under date of January 29, 1951, Mr. Stewart addressed a letter

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to Mr. Hallanan, requesting that the Council make a study regarding manpower requirements of the petroleum and gas industries.

As provided in the Articles of Organization of the Council this letter was considered at a meeting of the Agenda Committee, held on January 29, 1951, in Washington, D. C., at which it was unanimously agreed to recommend to the Council the appointment of a committee to make the study as requested by Mr. Stewart.

That is the Agenda Committee's report. I move its adoption.

A VOICE: Seconded.

CHAIRMAN HALLANAN: It has been moved and seconded that the report of the Agenda Committee be adopted. Are there any remarks? (There was no response)

If not, all in favor indicate by saying "Aye."

(General response: AYE.)

Contrary, no?

(There were none.)

The report is unanimously adopted.

I would like at this time to present Mr. Hugh A. Stewart, Director of the Oil and Gas Division, to comment, if he desires, on these specific requests or on any other subject, Mr. Stewart, that you think maybe would be of interest to the Council.

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MR. STEWART: The Petroleum Administration for Defense is beginning to get its studies underway to determine where we need additional information to size up the information currently available, and we are beginning to pick out the soft spots in our defense armor.

One of the items that has caused us a lot of trouble in the last two or three weeks, by which I mean we have had numerous complaints and requests for us to do something about it, is the supply of LPG gas for domestic use here throughout the country.

That is largely a problem of distribution, and that ties directly into tank cars. That is the source of this request that we get. The consumptive demand data by states for the months of December and January just passing will give us a guide for figuring into the future and will give us some statistical support with which we can redouble our efforts to assure the manufacture of high pressure tank cars.

It is strictly statistical and it will be a considerable burden on the committee that will be appointed, but it will fill in information which we now do not have available and do not get from the regular Bureau of Mines type of report.

On the other two questions, we have had continuous reference in one place or another within the Government, from the military, the NSRB, and from our own studies, to indicate

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that in the event of an all-out emergency or the event of war we are going to be considerably short of the required amount of petroleum capacity to meet the essential civilian and military requirements, even under severe rationing.

All the studies to substantiate the figure of the supposed shortage are not far enough along to be of any real value. But constantly bobbing up in the discussions is this figure of 1,000,000 barrels. You can call it 1,000,000 barrels of products, 1,000,000 barrels of crude, 1,000,000 barrels of this or that; but it would appear to be some such figure.

Since we have no way of knowing what the future holds, we don't know what kind of preparations we can make for this greatly increased demand; and we considered it advisable to get from this Council in some detail their views and opinions on just what such an expansion would mean from the standpoint of materials which are currently short and from the standpoint of the capital investment required to give us the increase; that is, the increase in refining capacity, the increase in transportation capacity to get crude to the plants and increase in productive capacity.

That is, over and above any productive capacity or transportation capacity that we now have.

The third letter has to do with the manpower problem. That letter is phrased in broad language, but it is intended to bring out all of the information that the Council Committee

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can get together to furnish the type of statistical data and the proofs that will be necessary if P.A.D. is to properly support industry's claim for the deferment of manpower in our discussion with the military and with the Selective Service Board.

That is a double-jointed problem which you men know even better than I. You have got currently the inroads of orders to your reserve officers through your reserve personnel -- not all officers, but reserve personnel. A good many of those men are in critical positions. That is true clear through in every phase, every segment, of the industry.

The other will be the normal draft. While the normal draft as yet doesn't give any indication of making severe inroads, at the same time you have got within the draft ages young technicians who are the source of your technical staffs and your specialized staffs as we go one year after the next, and we have got to have sufficient information so that we can try to give you the support necessary to assure the deferment of an essential operating group.

I think that covers the problems in general, and the committees appointed, and any of the subcommittees, will be welcome in the respective divisions of P.A.D, so that your groups will get the thinking of our specialists and so that the efforts can be channeled along the most productive lines.

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Two of these questions have wide ramifications, and it will be possible to follow many a blind alley in the preparation of information. If the questions are discussed in detail with our people, I think probably the joint efforts can be channeled much more effectively. Thank you.

CHAIRMAN HALLANAN: Mr. Stewart, there may be some questions which some members of the Council would like to ask. Dr. Wilson?

MR. WILSON: There seemed to be a discrepancy between what you just said about this expansion and the letter. You spoke about an expansion above present capacity, but the letter says an expansion of the order of a million barrels daily of various products over the average of those produced during the period November 1, 1950, thru January 31, 1951.

We still have some unused capacity. Therefore if we are talking about expansion over the amount produced during those periods, the first quarter million barrels would probably cost practically nothing.

But if you are talking about an expansion above present capacity, as you said verbally, then you would start having to build right away.

MR. STEWART: This book figure that you have for the cushion between the actual running of the past three months and the theoretical capacity, that cushion isn't

H20 anything like as big as the figures themselves would indicate.

The refiners throughout the country have been running upwards of 6,300,000, 6,350,000 a day; and we have technically a capacity of 6,750,000.

Now, that is a technical figure, and I don't think for a minute that it represents calendar day production. So we have a deficiency and it amounts to supplying a million barrels a day more capacity.

That is one of the questions we have got where the Council Committee will get with our program staff and resolve the details, so that they can be effectively attacked.

MR. WILSON: It would certainly be foolish to start building from the ground up when you do have that capacity. There are still a lot of refiners shut down. They are not very efficient ones, but they could run and have run in the not too far distant past.

The actual figure you want is above the amount produced in December and January, and it is up to the committee to find how much of that shut-down capacity could be operated and what it would take to put it into operation, I presume.

MR. STEWART: We, of course, appreciate any comments or any recommendations that the committee would like to make.

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MR. WILSON: The other thing that the committee will need to visualize pretty clearly is how you would like to have that refining capacity divided among different areas. If it is going to be largely located in the coastal regions, the transportation problem is quite different from what it is if it is going to be spread fairly in proportion to present capacity over the refining divisions. I think the committee would appreciate some comment or later advice on that score.

MR. STEWART: That likewise is one of the points that I think the committee can get clearly established in the discussions with our program planning division.

There is another angle in this. The country is supposed to have an excess productive capacity of a sizeable amount, and there is an argument as to whether it is 300,000 or 500,000 or 800,000 barrels a day. The Council now has a committee making that specific study.

But in the discussions that the committee can have with P.A.D. groups, the exact goal can be arrived at in the discussions by mutual agreement and then the methods of attacking it worked out most efficiently.

Like today, we are figuring we have got to have a million barrels a day more oil available, or the equivalent of a million barrels a day of products in crude oil, and have that additional capacity available and available on long pull,

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not available for a momentary push.

CHAIRMAN HALLANAN: Mr. Jacobsen?

MR. JACOBSEN: Some of the points I wanted to make have been referred to here, at least in part; and they were discussed rather in detail yesterday at the Agenda Committee meeting.

First, the letter refers to the amount of capital that is required, and some people raised the point as to whether by that was meant capital on which the industry would call on the Government to supply.

Well, we got that cleared up. That is not the case. When capital is spoken of, it is the amount of capital that will be needed, and the industry itself can say how much of it it will supply, or if it has got to rely on the Government. But it is all-over capital and is not limited to the capital the industry might expect the Government to supply. Is that correct?

MR. STEWART: Right.

MR. JACOBSEN: Then I will confine my remarks only to include production, which is all I have to say about the refining end.

You touched lightly on a thing that is of considerable importance in connection with it, and that is the period for which we might be expected to maintain this million barrels extra capacity. If it were just a question of reach-

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ing an additional million barrels capacity for one month, and if we could then let it slide down, it would require very much less capital and very much less material obviously than if we are expected to maintain a million barrels additional indefinitely.

Now, as I take it, what you have in mind is the maintenance indefinitely of that additional million barrels, not for one month or six months or a year, but as a steady diet.

MR. STEWART: Right.

MR. JACOBSEN: Then I also take it that when you say an extra million barrels, then you don't mean just an additional million barrels at MER production; but you would like some cushion beyond that.

MR. STEWART: Correct.

MR. JACOBSEN: In other words, if today we have an additional producible capacity of whatever the figure might be, but call it half a million barrels, you would not like that half million barrels extra. What you have in mind is what will it take to get a million barrels and still have the same leeway -- if it is half a million barrels -- we would still have some leeway in the way of a cushion between actual current production at the moment and the MER's. Is that correct?

MR. STEWART: That is substantially correct.

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MR. JACOBSEN: Those are things which the committee would have clearly understood before they can prepare the report. Of course, as you say, they will confer with you to find out exactly what we have in mind; but some of the points, and particularly the one of maintaining that million barrels extra indefinitely, is quite important, both in terms of capital and in terms of steel and so on.

CHAIRMAN HALLANAN: Are there any other questions in connection with this?

MR. B. I. GRAVES: Could I ask if military requirements are being taken care of fairly well today?

MR. STEWART: We have two from the military here who can answer those questions directly. As we understand it, they are being satisfactorily met at the moment.

CHAIRMAN HALLANAN: Gentlemen of the Council, I know you share the feeling that I do in the pleasure of greeting the Secretary of the Interior at our meeting here this morning. I know that he is encouraged to observe this very fine attendance on the part of the membership of the Council.

We are here, Mr. Secretary, in response to your request that we continue to function as the 1950 Council until certain matters which have given you some concern and anxiety are cleared up. This attendance is the answer to your request, I think.

I know there is a very definite bond of sympathy from

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this Council as to the problems that you have been going through. We know that you have not had any easy road to travel in working out the organization of P.A.D., and the many other related matters that have come to you in the wake of our national emergency development.

I do want to say to you that this Council certainly appreciates in the fullest the order which you have signed defining the status of P.A.D. We know that there were a lot of problems that you encountered in the development of that final order.

In any event, Mr. Secretary, this Council is going to be patient with you, as you have been patient with us on many occasions. We are anxious to cooperate as we have in the past. We want to be at your service and to do everything to contribute our part in the tremendous problems of national emergency that lie ahead.

We know that nothing has happened in the development of the emergency program that has in any way minimized the importance of petroleum in our over-all situation.

I present, gentlemen, the Secretary of the Interior, the Honorable Oscar Chapman.

SECRETARY CHAPMAN: Good morning, gentlemen. I just had a long-distance phone call a minute ago from J. R. Parton, who said he was ice bound in Houston. I just could not believe it. Then I looked over and here is Bill Boyd from

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Texas. I know there was some misconnection somewhere. He must have been in New York. He was not in Houston.

That illustrates, gentlemen, that with the weather problem involved, the attendance here this morning indicates your intense interest in following this program and trying to keep it on the track and trying to make your contribution in this great emergency that we are in.

I want to make only an explanation regarding this order that I have just signed, and I do appreciate your patience in allowing the time to elapse that we have before having the better clarifying order that we have had. But there has been one thing that probably some of you did not know, and which I was not free to discuss generally.

I knew that there was going to be some change in the top order of the organizations in the whole defense picture, and I didn't just want to issue an order every other week in the Federal Register. So I have tried to get along with the order we had for the time being until I thought the final order of clearance at the top was all completed.

That has been completed and the authority delegated. Yesterday I did sign this order setting up this organization, and I want to say to you that I tried to set this organization up as nearly as it was possible to do so lately on a pattern that you had in P.A.W.

Now, I did that because of two things: First, my

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somewhat casual but a little bit closer than just casual contact with that organization during its existence; and the tremendous success that it had, which I think was one of the most successful war agencies that was carried on during the war. I think the P.A.W. was one of the most successful agencies in the Government.

Having those two things in mind, I tried to pattern this as nearly as possible after that in its organizational form. That, I think, has been done. Remember that we are operating under a 1950 Defense Act, in which the law is somewhat slightly different from the one that P.A.W. is operating under. But you will find, I am sure, that this order will carry out in the terms of our necessity for organization all the things that we need to have done.

I mention that only as a matter of explanation for some of the delay. Some of it was fully intentional and with full knowledge, because I did not want to have to issue too many orders, and I kept waiting to issue what I hope is the final order on this thing, and I think it is. I think it is the final order.

Now I only have one or two other things that I want to bring to your attention this morning. You have many questions you probably want to ask, and I am sure I do not have the answers, but at least we can discuss them.

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I want to apologize to the Admiral for walking in at the time you were making your explanation. He has been so kind in cooperating with this Department, I always feel apologetic when I walk in on a man like that when he is working hard trying to explain something and discussing something with a group. It always looks like to me somebody is trying to be a prima donna or something. I don't like it.

One other thing that I wanted to call to your attention, only for your information, is that I have sent a communication to the Attorney General looking to clarify the status of this Council under the Defense Act. I hope to have some answer from him very shortly. I will be having a conference with him this week to talk with him.

I do not know what the answer is going to be, but I would suggest to you people to let's leave it rest for a little while and let us wrestle with that with the Attorney General from the Governmental level a little bit until we see how we come out. And let's see how we can get it clarified, if I can, regarding the question of the status of the Council, its chairmanship, and so on.

I am not too disturbed about it. I think we can get it worked out. If not exactly as we have it, at least in a form that I think will be satisfactory to you; and

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I am just waiting first, not making any commitments, until I hear from the Attorney General. I would suggest that if you people in your own minds would just let that matter rest a little bit with us until we see what we can do with it. I believe -- I should not say I believe; at least I am hopeful that when I wrote the letter -- we might get a clarifying position that will at least help us.

I am certain we will get that. Whether we will get all I have asked for or not, that is to be seen. We will wait and see.

The other thing I wanted to call to your attention, I have had many requests by the gas people, particularly those in the distribution side of this, to want a separate council and administration. I have just this week written letters to about thirty members of that industry inviting them to become members of a separate council from this Council, which means a separate gas council from the Petroleum Administration Council here.

Now, they have not had an opportunity to respond to my letter yet, and therefore I want to leave that question open until I find out what they wish to do regarding my proposal, which I have made to them in a letter. I hope they will accept my suggestion for a separate council and make it on that basis.

Now, some of you may say, "Well, if you are going to

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set up a separate gas council, will you retain any gas people on the Petroleum Council?"

Yes, I would think you would, because you have your producers of gas that fall in the category of operations of this kind. So I think there would be some on it, anyway.

Now, I just pass that on to you because it will be discussed by some of you members and the gas people are very much interested in it. I know that, those in the distribution side, and wanting to know what is going to be done. They have my communication by this time, and they will have time to reflect on it and give me their answer, I hope, very soon.

I think that is going to work its way out. All of these problems are problems to us, until we sit down together and begin to work out the details so we can find answers to a lot of them. I think that one is going to be answered in the same way that we have many others, by sitting down and talking it out and planning in a practical way what can be done.

I do not want to do something here that is impractical just to carry out some preconceived idea of mine or anybody else's. I want to do the thing that can practically carry forward the work that you people are doing. I know the gas people are perfectly sincere in their position, as I know you are in yours. But I have some problems, too,

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that I have to ask you to be patient with and let us work them out together. With that, I know we can.

There is another thing that has come to my attention by several members of the industry. The order that was issued recently concerning the octane gasoline, there has been some criticism, or should I say some objections, to the order; and it has been said that they have been fearful that I might penalize in that order some of the small refineries that would be incapable of transforming, I presume, to making the necessary aviation gasoline and certain other technical things that I personally don't know a thing about. But they are raising some problems.

Now, I only say to you that I do not believe that is going to be as serious as some of them think it is, and I want to give you only this assurance, that with Mr. Brown, I am going to carefully scrutinize any order on that question; and I would not knowingly issue any order that I thought would penalize one section of the industry as against another.

And I am certain that Mr. Brown would not either. I give you that assurance that we are going to scrutinize it very carefully; but in the final analysis, if I decide that we have got to still get the aviation gasoline, that is the only way it can be done, I am going to sign the order.

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Now, I know you have got plenty of time to eat on my neck later, but we are just going to have to do it. We have got to get certain things done. But I am going to do it with my assurance to you that I will do everything within my power to keep from issuing any order that is going to penalize a segment of the industry. And I know you do not want to do it either, and I know that Bruce Brown does not want to do it.

I want to say to you I never worked with a man that seems to have a deeper sense of responsibility for the other fellow's interest than Bruce Brown has, and in his talks with me and in working with me, and in his daily conversations, I have never found a man more deeply concerned about the other fellow's interest and dealing with it than he has been in trying to work out these orders.

So I want to say to you gentlemen on that score, I am confident you are not going to have too much concern about it. Sure, some of you are going to be put to inconvenience and maybe some extra expense. If in the final analysis that is what has to be done, we cannot help it. But we are going to do the best we can to alleviate any hardships on anybody and are going to drive to our objective, and we must get this production. That we want to do.

I want to add one more thought on this production. I am anxious to see us continue all exploration that is

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possible for the development of oil and gas. I think we need it. I think we are going to need it even more than we do now, and I am interested in the policies in the Department of the Interior as such to give encouragement to continued exploration, and with the hope that some of you will even put more money in some of these areas and continue your investigation and exploration work. I want to see that go forward because I feel it is needed in the final analysis.

Now I could talk to you for quite a while over many other things, but I raise just these two or three problems. Some of them, I think, are on the way to being solved, and some of them are on the way to at least discussion; and I think we can find a way to meet them.

Now, one more reference to the chairmanship and to the status of this Council. I again ask you: Let's leave that for a little while to see how I come out with the Attorney General. I have lost a few rounds, but I have won a few. And let's wait and see how this one comes out. We certainly won't be any worse off when I get through than we are now. So let's see how it comes out.

MR. HAMON: Mr. Secretary, I apologize for injecting a question here, or request. We were discussing, when you came in, the necessity for increasing the nation's production. I come from the producing segment of the industry, and represent on the Council the Mid-Continent Oil and

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Gas Association, which is in the mid-continent area.

I quite concur in your belief that production must be increased and exploration must be maintained. We have been laboring and willingly laboring and are willing to labor with material and manpower shortages. I think the price freeze is fine, although as a producer that is almost heresy. But we want to help out in the defense effort.

But, Mr. Secretary, we can't continue exploration and development if we are hamstrung in the depletion allowance. Now, the Secretary of the Treasury is going to make a recommendation to the Ways and Means Committee in a few days on the Treasury's policy.

It is just vital, it is essential, it is a historical allowance, that we have gotten in the oil business; and I am wondering if it is possible at all for you to convey to the Secretary of the Treasury that the defense effort will be seriously impeded if we are to be hamstrung and our attention is to be diverted with a fight on our depletion allowance, which is historical and necessary.

Now, it means simply this, Mr. Secretary. The big companies can stay in business. They would have to have perhaps \$1 a barrel more, or 5 cents a gallon at the filling station. But we independents who are not incorporated would simply be destroyed. We would be out of the picture, and I want to request of you earnestly, Mr. Secretary, that

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at the higher levels you present our case for us.

Thank you, sir.

SECRETARY CHAPMAN: Let me make this answer to you.

I would not publicly say to this group here today that I am going before the Secretary of the Treasury or that I am going before the President or anybody else and ask that they lower or that they raise your present 27 percent depletion allowance.

I am only going to say this: I have had the opportunity on more than one occasion, and many times I have done the very best I could to represent the interests of this industry, in which I thought I was representing the interests of my country when I did it. I still believe that, and I want to say that I do not think I have hurt your cause in the inter-councils when I have had a chance to consult with them.

I will not say to you that I am going to recommend to Secretary of Treasury Snyder that he make no change in that at all. I will just simply say wait until we get through with Congress and let's see what happens. So I don't want to make a statement on that particular point.

If there are any other questions, I will be glad to make some reply to them.

MR. JACOBSEN: The question I was going to ask is being covered by the Secretary right now. I want to point out that as we all know, not infrequently we will find

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various sections of the Government, each in looking out for its own particular field of interest, working to some extent at cross purposes. The work that Jake Hamon referred to here about this depletion allowance is one. You could name a good many others.

Those things are natural and unavoidable because you have a good man in charge of a certain Government and he looks out for the interest of his department.

What I wanted to ask the Secretary was this, whether in cases where there is such a conflict and where we find that the action of one section of the Government would work contrary to the purpose the Secretary has expressed, namely, to do everything to promote the search for and development for oil, we might call on him and enlist to the extent he can give it to us his cooperation on our side, even though it might mean taking a stand against some of his colleagues in the cabinet?

SECRETARY CHAPMAN: There are no newspapers present, I hope. I have done that, with all I know how.

MR. JACOBSEN: Fine. We beg of you to do it again.

SECRETARY CHAPMAN: I have done it to the best of my ability I think I possess to do it. I may have done it inadequately, but I have done it.

I realize this, you have got to recognize the fact that the Secretary of the Treasury's business is to raise taxes

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to pay our bills. So he isn't going to overlook any of us, whether it be this industry or some other industry. But I will not go up on the Hill to testify publicly on this issue at this time.

I may change my mind later, but as of this moment I won't.

MR. JACOBSEN: That means, of course, when the time comes we might ask you to give us an hour to explain our side of it, because when it comes, without going into details, when the Secretary of the Treasury says he can gain so many millions of dollars by cancelling the depletion allowance, he is talking through his bonnet, because the Government would lose in other respects a very substantial portion of what they would collect here.

For instance, just to cover one point, the provision of cheap gasoline, that is very largely due to the depletion allowance, and has provided both the Federal and State governments with an ideal taxation vehicle; and they have collected more money by way of taxing gasoline than they could possibly have collected from the oil industry.

But we need'nt go into details.

SECRETARY CHAPMAN: Not meaning to be facetious with your argument at all, but if we follow to the logical conclusion of what you are saying to its ultimate end, you wouldn't collect any taxes. You would just continue on the

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widespread base. You would continue spreading the base, but nobody would be collecting. So somewhere you have got to cut it off now.

I want to give you a chance at any time we may need that, and I will listen to anyone who wants to talk about that, because that is a very serious question to the industry. I realize it, and when I raised the question to you a moment ago about the need for this country for production, we need more production; we need more exploration work being done; and that argument has been as forcibly presented as I know how to make it, the fact that exploration and development needed to be carried forward, and I did not want to see anything that would hamper or curtail that interest in that direction.

CHAIRMAN HALLANAN: Mr. Secretary, I think Mr. Majewski has a question.

MR. MAJEWSKI: I don't want to do any apple polishing, but I do want to say I think the Council appreciates what you have done on this order that you have just signed in getting it in the form in which you have gotten it. I think the Council is unanimous in its opinion, and I for one, speaking for myself and for fellows like myself, think you did a grand job.

I think, too, that if you are left alone for a little while on this other question, maybe you can resolve that

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favorably. I too believe that we should do nothing to upset what you are now doing. But when you need some of us, you know we can help you.

I used to be in these rounds that you win and lose. You know, sometimes you can do that with the help of the way you set up the ring. And having had some experience, some of us, in getting slugged a little, maybe we can help you.

I do like particularly one thing you said about this octane order. It bothered me. Some of the statements, wellintended by people on last Thursday who said that there was discrimination in the order, I think were bad for the industry, particularly when the industry spends on the one hand \$1,500,000 for oil industry information; and then it comes to a public hearing and it says there is discrimination in an order.

I think that is bad organization on the part of the industry. But I have heard you say today and previously that any order that is put in, and everybody admits you need this stockpiling of lead, that as soon as the job has been completed the order will be rescinded and that there will be no orders issued unless they are necessary.

I am particularly pleased at what you said about that, and I think that answers the charge of discrimination -- an order in effect only so long as it is needed to accomplish

H40 the specific defense job.

I am glad I came here, even though it was icy, to hear what you had to say.

SECRETARY CHAPMAN: Thank you, Mr. Majewski. I do hope you appreciate the fact that you are a large industry, and I know you do; and it would be impossible to try to issue an order that wouldn't have some adverse little effect on somebody somewhere. You are only human, and I try to put myself in that same category as being human, too.

I may make some mistakes, and probably will. But I want to be certain that those mistakes are made in behalf of the fellow who thinks he is going to be hurt, if it is possible to protect him.

Now, I have no preconceived prejudices against anybody, against any part of the industry that I want to penalize by any order. I want to assure you that. I do not care whether it is some fellow I agree with or disagree with. I am never going to sign an order with anything of that in my mind.

I am not going to sign any orders I sign -- and I know I am speaking for Bruce Brown when I say this; he wouldn't either -- except it is for the final interest of our country; and this is the only way we can get this stuff done.

Now, that is the way I intend to follow it, and I hope

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that no one gets hurt in it. And Mr. Majewski is correct, we have stated before as a policy, and I say it again, that none of these orders, we hope, will ever be permanent. We want to eliminate them as fast as circumstances will permit, so that you get back to your normal competitive position on your own, without any interference. That is, after all, the best goal for anybody and the best approach for anybody.

That is what I am trying to do the best I can. Are there any other questions?

If not, I have got some fellows on public power and private power on a little argument with me in a few minutes. I had better go up and listen to them. You boys at least are all on the same side.

You mentioned one thing here about your need that I want to make reference to, the question of steel and the allocation of steel requirements. I think Mr. Brown has got some information on that that he can give you, later information that he can be more in detail to give you some information about, than I can; and I want to ask Bruce to tell you about that. He can give you the pretty accurate picture.

As a matter of fact we are coming along in pretty good shape on that. I think from his report to me we are going to be all right on that before we get through. That is where you fellows help. As Mr. Majewski said, if we set the ring, we can win this thing. You boys can certainly

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help set a ring.

I want your help on these things, and we will need it from time to time in different areas. So make your interests known. You see, after a while these fellows get used to seeing me and they get also kind of tired of me; and if we have some new faces coming around, new interests, even if they are saying the same things I have said, you say them differently. And they begin to attract interest in this fellow and it helps an awful lot.

I know when Bill Boyd used to go around here in this town talking to fellows about some of the petroleum interests, the day before I had talked to them, I didn't even get a smile off their face; when Bill gets through with them they give him everything he wants.

So I am going to leave it to you folks, men like that, to help me set this ring. We are going to win this fight. We have got to win in the interests of the people; and you folks are not only interested in your industry, but you are interested in the end result of what we are going to get -- and that is the security for our country.

I believe we are going to get it. I am very pleased this morning that I think things are moving along as far as they have gone, Mr. Hallanan; and I think we are doing all right. Give me a few more days on this Council program and I will see what we can do with it.

(Applause)

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CHAIRMAN HALLANAN: Admiral Biggs, do you mind answering Mr. Graves' question at this time? This is a good time to take it up.

ADMIRAL BIGGS: Yes.

What we have found, gentlemen, on the immediate supply is that we are doing pretty well. Now, one of the curses of this business, both from your side and mine, is that about the time we think that we have a pretty good, at least medium-range plan, there is a succession of brush fires that break out all over the place.

We had, as you know, a very tight situation on the aviation gasoline set-up. You are all very well acquainted with that. You did a wonderful job on it. As previously predicted, at times I am being accused of not taking what is offered. But cheer up. Again, as I told you last time, there is that old saying in the Navy, "There will be liberty at 4:30 this afternoon, but there will be no boat." When you are on board ship seven miles from the shore, that does not work very well.

We got the gasoline, and then we discovered that we had a transportation shortage, not only in tankers, but in tank cars and various other media to get items to the av-gas specs. So we built a large fire under Bruce, and the first thing he knew, instead of worrying about aviation gasoline supplies, he was in an ever-reducing circle, which

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almost became a spin, to get tankers. So we went into the tanker business in a big way. And I want to take this opportunity to congratulate the PAD because they were the first people to get a voluntary agreement about anything approved under the National Defense Act of 1950 by our good friends in the Department of Justice. One Dean Hodges by name, who as a member of N.P.A.B. has had certain unvarnished remarks made to him concerning the transportation of petroleum, had been pretty well educated. So he got run over by a couple of trucks here and there, including my side of the fence.

We think that we have the tanker situation under control. We have a voluntary agreement to do something about it.

We have a great tendency in the military as well as in industry to get all excited about one particular item, and as somebody said about Admiral Mahan, when the admiral was inspecting his ship, the admiral inspecting the ship of Mahan asked, "Where is the captain?" The answer was, "The captain is down in his cabin writing a book." And the old man said, "And he has this mess as a ship?"

Well, it is a funny thing. Nobody remembers the name of the admiral who inspected that ship, but everybody remembers Admiral Mahan.

So there are two sides to this argument.

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Now, we started looking out the window about aviation gasoline, and all of a sudden we woke up in the cold, gray dawn and took a look at our stocks of Navy special, and then everybody in the vicinity of me and the Pentagon did three outside loops and landed in front of my desk, and it had been none of my damned business up to then, because it was a service operational problem, and I am a planner by trade.

However, it became our personal responsibility to find out what had happened to the navy special fuel oil stocks in a critical area. So not taking any part in operations, we pulled a shortstop catch on a bunch of tankers and we turned them around and hit Pearl Harbor with them, and sent them back, without their getting back to the Coast. That is one way of doing it.

Those are the things that we have to do and the things that enter into whether or not the military requirements are being met.

Now, how many extraordinary and terrific backflips do you have to do to make sure that the military requirements are being met? It was not the fault of the industry; it was not the fault, necessarily, of ourselves that we get caught short every once in a while in one of these things. That hits us on one of my pet party lines on this whole deal. We are not proceeding, gentlemen, to

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ride Mrs. Astor's plush horse in the case of an all-out emergency, not any more. Therefore, we not only must think in terms of this oil barrel of ours and how to increase it, but we have to think of an over-all energy and transportation balance.

With all this hocus-pocus and general bull, the requirements are being met. We would be surprised, pained and disillusioned if the oil industry did not meet them. We always have done it somehow. We are trying our damndest to do all that we can to make that job as easy for you as possible by doing a little extra-curricular activity of our own.

I did not mean to give you a lecture, but I usually do. So you are used to it. If anybody has any specific questions, I shall be glad to answer them.

MR. B. I. GRAVES: Admiral, is it possible to work out any plan of having the military accept offers more quickly? We find that instances of delay we bid on a piece of business and we have to produce it; we have to put up a bond when you want the oil. It may go on a month or two and then another bid will come in. We cannot bid on that if we are going to be awarded any business under the other offer.

We realize the emergency and the difficulty, but if it would be possible to speed up the acceptance of

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offers -- we are all short of storage, and we cannot hold the oil -- anything that could be done to assist in that regard I think would be greatly appreciated by the industry.

ADMIRAL BIGGS: Captain Trippe is here from the Purchase Agency, and I think I can speak for him. I am sure that everything possible will be done to speed that up.

Now, we have problems, too, you know, similar to the Secretary of the Interior. We have some very excellent legal boys in the contracting business. We cannot go out and tell our two lawyers as you gentlemen may, "Look, you two birds draw up this agreement and bring it into the two bosses here and maybe we will approve it," because there is more fine print per square yard of appropriation bills than anything else. That is one of the things which gradually creeps in. We do, however, have quite a number of people working, I think, with Captain Trippe and his organization to try to speed that up, and they have a set of instructions, I hope -- and if they have not, they will probably get them -- that we know all of the places in the damned book where it says, "No." Now, for God's sake, find a place where it says "Maybe."

MR. MAJEWSKI: I have a question that bothers me, and that is, with this price-fixing thing that is now in vogue, will the military or the government insist that

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av-gas and component parts come under this price-fixing stabilization agreement that is in vogue? That thing bothers me.

Maybe you are not the fellow to answer it. I understand that the definition of a small producer is 30,000 barrels a day or under. But if those are small fellows and they are asked to bid on component parts, you are not going to get any bids if we are going to have to go through all the travail we went through in 1943, 1944 and 1945, and damned near lost the war fighting it.

ADMIRAL BIGGS: I think you have been in that battle, Bruce.

MR. BRUCE BROWN: I will pinch-hit for the admiral. I do not think either of us knows the answer.

I think the prices on all these products will be policed, and they should not go up unless the increase is thoroughly justified. This price freeze has hit us, and there is no answer for you today

Mr. Preisman was invited. If he is here and has a different answer, I should like to hear it. But I think he will have the same one.

Is Mr. Preisman here?

CAPTAIN TRIPI: No, he is not here.

We have specifically requested that av-gas be exempted.

CHAIRMAN HALLANAN: Captain, I think you had better

come up front, if you will, please.

CAPTAIN TRIPI: We have specifically requested that av-gas be exempted from price controls. Now, whether that will apply or not, I do not know. But I think they are going to honor our request. And the reason is obvious, that we would like to feel that that will not be the weak point. Mr. Judd, of ASA, is in agreement with that unofficially. Now, whether that will transpire or not, we do not know.

MR. MAJEWSKI: Can you touch on the component part business, captain? That is important to me.

CAPTAIN TRIPI: No, sir, I cannot.

Concerning these delays that were mentioned in taking advantage of these av-gas offers, I am afraid that I do not quite understand the nature of them, unless they are delays which are occasioned by the fact that we have to obtain clearance for every transaction in excess of \$100,000.

Let me go back. You know that we are a joint agency for the Army, Navy and Air Force. The only reason that I am the executive officer at this period is that it is the Navy's turn to take the office. An Army colonel had it before me, and the next man will be an Air Force man.

Now, for purposes of expediency through location and other reasons, we are at the moment operating under the

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Navy's purchasing procedure. Therefore, whenever we have a purchase in excess of \$100,000, the office of the Secretary of the Navy has to clear that and give us clearance.

The purpose of that originally was to compare, in the case of a large transaction, the price we are obtaining with other prices on similar deals, so that there would be no question of discrimination, or one service offering more favorable terms. That usually takes quite a bit of time, because it is difficult for the people in the office of clearance to ascertain whether gasoline at 22 cents a gallon is a fair and reasonable price, whereas just last month we paid 18 cents for it. We have to explain why.

We do that in conjunction with the PAD. Such marginal deals are referred to the PAD, and if they certify that the deal is fair and reasonable, and we certify that it is, the chances are that it will go through. But as Admiral Biggs said, these people want to be shown. They are from Missouri.

So those are the only delays that I know of. If there are any other things that are causing delays, we would like to know specifically.

CHAIRMAN HALLANAN: Captain, do you think that is the bottleneck that Mr. Graves had in mind?

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CAPTAIN TRIPI: That is the only thing that I can think of. If there is anything else, we would like to know, because we are in the position of grabbing all the av-gas we can, and we would be very glad to have about 4,000,000 barrels more, which Admiral Biggs will tell you about.

CHAIRMAN HALLINAN: Thank you, captain.

ADMIRAL BIGGS: On this business, one of the surest ways to get action we have found is this. If you read some of the classified correspondence that has been exchanged between Bruce Brown and myself, you would think we were mortal enemies. Now, the reason for that type of correspondence is this. I whisper in his ear, "Look. I need a lever to pry a couple of guys loose. So you wrote me a letter and give me particular hell."

So then I can take that in my little hot hand and rush around the Pentagon.

MR. JACOBSEN: Did you draft the letter that you wanted provided you?

ADMIRAL BIGGS: Not always. But at least he has a chance to clear it before he signs it.

Now, of course, we will beef like the devil if the oil industry comes in and says, "Look, what is the matter with you birds? You are screaming for this and screaming for that, and you don't take this and you don't take that,

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ditty box. Just give us a good unvarnished goose and a nice, sharp stiletto."

We get enough of those. Every now and then something gives.

Now, I do not have to explain a kindergarten procedure like that to you people. I hope not. That is the way business has been done, I think, for a long time, especially when you are dealing with governmental red tape in operation.

The av-gas proposition has two very tough facets from our standpoint: First is the product. We are getting the product. We just got a purchase order last week from the Air Force for 4,000,000 barrels additional, divided 1,500,000 of 115 and 2,500,000 of 100. Now, where did we get that? The Petroleum Committee submitted a report to the Joint Chiefs of Staff inviting attention of the Joint Chiefs of Staff to the fact that certain requirements of reserve stocks of gasoline that the Air Force and the Navy specifically were supposed to have were what we considered at very low ebb. And we thought something ought to be done about it.

The Air Force and the Navy had been trying to get obligation authority and trying to get appropriations to buy the gasoline and to lease the storage or to build the storage to put it in, but they had not been doing very well.

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Some of the local comptrollers -- you have those -- took it out here and there and said, "We will just take \$25,000,000 or \$50,000,000 of this out, because we do not think you will need it next week."

Now, strange as it may seem, the report that went in from the Petroleum Committee to the Joint Chiefs of Staff got the Joint Chiefs of Staff all excited, which it was intended to do. So they sat down and wrote a red-hot letter to the Secretary of Defense and the Chairman of the Munitions Board, and said, "What is the matter with you birds? Why don't you get these guys in business so that they can get the stuff that we have told them they should have?"

So the letter comes back from the Secretary of Defense, and down through the Chairman of the Munitions Board, and it comes back to my desk, and they ask, "What are you going to do about it?"

But in the interim the Secretary of Defense had released certain obligation authority and certain funds for storage and gasoline, until all of a sudden we discover that we need 4,000,000 barrels of av-gas in addition. We knew it all the time. But that is the reason for the latest requirement, to try to meet at least the essential reserve level that we consider as the minimum.

When you go from 48 groups of aircraft to 95, gentlemen,

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and you have to get up a reserve, that reserve makes about 14 knots, and the aircraft is liable to make 300 miles an hour. So you have to start earlier with aviation gas.

Now, how much of an impact that will be and how much we can get, we are trying to determine from PAD. We have good reports from the industry on what they can do, and it is up to us, I think, between us, to try to tell you gentlemen other things that we think ought to be done next and make it as reasonable a program as possible.

We are getting along all right. We have nervous prostration every now and then, and recover eventually, we hope.

MR. B. C. GRAVES: Admiral, it is a little difficult for me to understand how there can be a transportation shortage for the military. The military should be satisfied first, in my estimation. And if there is a transportation shortage, it would be a civilian transportation shortage. That is my thought in the matter. And I just want to get myself straight, because I cannot understand your frequent reference to a transportation shortage for the military.

MR. MAJEWSKI: Off-shore, he is talking about, I think, and not on shore.

ADMIRAL BIGGS: Our principal transportation shortage

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was in obtaining tankers, and as you are well aware, we sent out proposals, and not even Barkis was willing.

MR. B. C. GRAVES: I understand that better. Thank you.

MR. MAJEWSKI: I would like to ask a question that bothers me, if you are going to have this 4,000,000 barrels more of av-gas. Some people have gone to the proper departments for certificates of necessity for accelerated amortization, and after they look at this thing, you can get one for two bits; you can get a 100 percent amortization. And if it is for \$1.50, you get whatever the guy you are dealing with sets, maybe 75 percent or 85 percent.

I did not understand the law to say that. Maybe it does give the fellow who finally issues and approves, that right. But I think if you are going to get the maximum amount of contribution from the smaller refiners, 30,000 barrels and below, somebody is going to have to sign those accelerated certificates of necessity for 100 percent. And I am wondering if this is not the time to enlist the aid of all good men, whether they are Republicans or Democrats, in the Government service.

I was a little bit mortified about this terrific red tape that you speak of, Admiral. I know it does not occur where you are. But on shore you could turn around

and speed that equipment much faster -- turn it around -- than it is moving.

But I am not going to criticize today on that. I want some information to pass out to the little guy that asks you, "What about this 70 percent or 80 percent discretion, or 50 percent in some cases?"

I think that is unfair. If you have on the statute books a law that says you are going to permit accelerated amortization for war purposes, there should be no five percent guy in between cutting you off, if it takes a five percent guy to get you the 100 percent amortization. That is the kind of thing that people do not understand in the field. I would like a little clarification. Maybe you or Bruce could give it.

ADMIRAL BIGGS: I am in a beautiful position on that, Barney. I don't know a damned thing about it.

MR. MAJEWSKI: Do you know where we could find out, Mr. Chairman?

CHAIRMAN HALLANAN: I think that Bruce will know about it.

ADMIRAL BIGGS: I think that you will hear about that later. Now, of course, you appreciate that you make 20 percent on your money or better with a five-year amortization program; so you ought to be interested in this refining capacity.

MR. MAJEWSKI: We are.

CHAIRMAN HALLANAN: Thank you very much, admiral.

(Applause.)

CHAIRMAN HALLANAN: Gentlemen, I think it was the day after Thanksgiving, the day of the heavy snow, that Bruce Brown was persuaded to come to Washington and become Deputy Petroleum Administrator. I think he came with his eyes wide open, that he was not going to lie in a bed of roses. On the other hand, I do not think that he had an idea that he was going to have to walk through Gethsemane day and night, which he has had to do most of the time that he has been here.

Nevertheless, throughout the industry there has been a great confidence in the development of the Petroleum Administration for Defense because we have confidence in the ability, integrity and leadership of Bruce Brown. He has been engaged in the development of a staff that I know has attracted your attention, and I know that the committee on Government personnel, of which Mr. Alton Jones is the chairman, has given complete cooperation in trying to provide suitable and acceptable and capable industry men for the important assignment.

I know it would be interesting to all of you to have the opportunity this morning to have Bruce review just what has been done and where we are and where we are going.

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And with the signing of the order of yesterday, which clarifies the position of the division and the Department, certainly we can look forward to greater impetus from now on in this emergency assignment.

MR. MEECE: Mr. Chairman, is there a copy of that order available?

MR. JACOBSEN: Mr. Chairman, I do not know if we are quite through with the three requests of Mr. Stewart. Will you come back to that a little later?

CHAIRMAN HALLANAN: We will come back to that later on.

MR. JACOBSEN: Thank you.

CHAIRMAN HALLANAN: I now present Mr. Bruce Brown, the Deputy Petroleum Administrator.

(Applause.)

MR. BRUCE BROWN: First I would like to comment in a little more detail on some of the things the Secretary told you. Some of the aside questions I had, indicated that that might be appropriate, particularly with respect to the subject of gas. In his extemporaneous remarks, he continued to refer to the distribution of gas. He did not emphasize the transmission of gas.

In World War II, the Petroleum Administration for War had the responsibility for the production of natural gas, and I think the conveyance of it in gathering lines

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over to where the long-distance transmission lines began to take it to the customers. Responsibility for the transmission and distribution of gas rested in an Office of War Utilities in the War Production Board. At this go-around, the original responsibilities as split up by the President in his first Executive Order under the Defense Production Act, gave Secretary Chapman the defense responsibility with respect to electric power which had been in the Office of War Utilities and with respect to gas. And his order creating the Petroleum Administration gave to PAD the responsibility which he had received for gas; and this order which is the second amendment, that is being distributed now, continues that situation, in which the Secretary the responsibility not only for petroleum but for gas. And that responsibility includes production, transmission, distribution, and it also includes manufactured gas.

Some of the important elements of business that are engaged in the transmission and distribution of gas sought to have a separate gas administration for defense established under Secretary Chapman, with a separate deputy administrator responsible to him. That is what the Secretary was alluding to this morning, when he said that after conferences with the Council, he had again reached the conclusion that the full responsibility for gas

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production, transportation and distribution should rest in this same agency, this Petroleum Administration for Defense.

So he wrote a letter to the people who belonged to the National Defense Committee of the American Gas Association who had been talking to him and told them that he was still of the same mind, but that he would be happy to have organized a separate gas advisory council responsible to him, and since he has insisted that I should be his deputy on all of these things, that means to the Secretary and myself.

He has written to these gentlemen, and they have not had an opportunity to reply. That is what he was telling them. If in his judgment after getting the replies, he still feels the same way, he is proposing to set up as a separate advisory body to the Petroleum Administration for Defense a group of those individuals who are interested in the transmission and distribution of gas.

He also meant to imply that if that plan went through satisfactorily, he felt that the National Petroleum Council should continue about as at present, because the National Petroleum Council has had representation from those people who are interested in producing natural gas.

Now, without getting into the detail about who was appointed to the council and as to the fairness of the

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representation, what he was saying was that the National Petroleum Council would continue with the same type of representation that it had before, with gas production on it, and he would set up a separate advisory council on the transmission and distribution of gas. And he is very hopeful that he will get a favorable response, and that we will be able to staff the PAD in such a way as to have an adequate group of expert people here to handle for the Government those problems that are peculiar to the transmission and distribution of gas.

According to this order, he has delegated to me all the defense authority that he possesses in the fields of petroleum and gas, subject to my counselling with him as I should. So that would be under me, and would be an integral part of the Petroleum Administration if that plan is worked out.

The Secretary also was twisted this morning, as probably all of you noticed, on the octane order, which was originally advocated by a lot of people to help make aviation gasoline, but which was being presented to the industry not on that basis at all, but because of the relative shortage of tetraethyl lead. I will refer to that later. But he was twisted on that, as I know you noticed.

As far as this meeting today is concerned, I notice

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that it is a little more comfortable meeting than some have been. One of the ways I am getting hell down here is because I have insisted on that. There are a lot of Government agencies that are vexed with me this morning because we asked rather pointedly that they limit their attendance at this meeting to one or sometimes two people. Some of the people who wanted to come out of their interest in it we said could not come at all, and I know your chairman has been trying to police the industry of this, so that we can cut down the size of these meetings to fit this room.

Now, there is universal opposition to moving out of this room. Everybody I have talked to about going to an auditorium, or some place like that, says, "No, you can't do that." Well, we have no other alternative except just to cut down the size of the meetings. We do not want to cut out the counsellors; we do not want to cut out the essential Government representatives. But we have to restrict it. I hope you like it, because I am getting quite a lot of pasting because of it. However, there is a chair for everybody here today. I am not made about it, but I just want to call attention to the fact that you can all sit down today. It has not been true for the last three or four meetings.

I do not want to duplicate anything I said at the

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last Council meeting, but I do want to refer to some additions to our staff that have occurred since I last addressed you.

We have a very competent director of production from the independent side of the family, Mr. Dick Lawton.

Will you stand up, Dick? (Applause.)

Now, this gentleman's papers have not cleared, so that this is illegal, but I am going to reduce the size of the Council by one man, because we are getting a very prominent independent refiner, to be Director of Refining, Mr. Reid Brazell. (Applause.)

Dean Hodges has already had a bouquet from Admiral Biggs, but I do not believe he was in office when you last met. Our director of Supply and Transportation, Mr. Hodges. (Applause.)

We have added also since I last met with you an assistant director in the Program Division, Bob Sears. I do not think he is here, because we have had to restrict this meeting too much. But he is here working.

The last time, I mentioned to you and introduced to you the director of my Program Division, Mr. Burrill. He might stand up again. Maybe there was somebody that was not here before. (Applause.)

Mr. Frank Watts is going to address you when I finish, so that I will not introduce him at the moment.

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We have had uniformly favorable and cooperative response from industry. I have yet to be turned down on a man that I have asked for. I am very grateful for that. I wish I could mention the very excellent staff that is being acquired here, but it would take too much time, and I have not prepared enough notes to be sure that I would not omit someone. But the Materials Division is particularly well staffed now.

I have also to make informally an announcement that will have to be deferred as far as the press is concerned for a few days, that I have made my deals to get two assistant deputies, one in charge of domestic industry operations and one in charge of foreign operations. Mr. Al Frame, vice-president of the Military Petroleum Advisory Board, has consented to take the position of assistant deputy in charge of domestic operations.

Mr. Frame, will you stand up? (Applause.)

He is selling his house and moving to Washington, God bless him.

After a great deal of thought and after contact with the military and the State Department and with the industry, I am very happy to be able to say that the Secretary has not only approved Mr. Frame, but he has approved Mr. C. Stribling Snodgrass to be our top man on foreign matters, probably with the assistant deputy's rank. Strib

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was here all through World War II. He was associate director of the big foreign division, and when it was split into three divisions, Strib became director of the Foreign Refining Division. He is affiliated with the Bequel Corporation. He is going to give that up and come back here and try to lead us in our rat-race in Washington with all the other agencies of government that want to have something to do with oil abroad.

Now that the PAD Amendment No. 2 has been issued, I hope very soon to be able to announce the general counsel. I think you all know who he is going to be. We had to wait for this order and one other thing before we could persuade him to come and get him here. Also, I think that by February 15th, Elmer Batzell will be here as finance counsellor, full time. He is working as a consultant now.

Mr. Parten, who was ice-bound in Houston, and Mr. Marshall, who was not, have continued to be towers of strength. I introduced them facetiously to somebody the other day in a back office, saying, "This is the foundation upon which this edifice is created."

They are responsible for PAD Amendment No. 2, for the letter to the D.J. and many other things, too numerous to mention here. I could not have moved at all without their support. Howard has been here practically as much

as I have. J. R. has been here for two and a half weeks at a time, and the industry, if they like what they got, certainly owes a deep debt of gratitude to them.

Also I have some more news which I think is good.

I do not think the man I am talking about likes it too well.

But we just could not lose Admiral Biggs in this mess.

He was due to take over a squadron, or something or other,

and one Secretary wrote to another Secretary. Thank

goodness he is going to be here with us a while longer.

(Applause.)

We hope it does not interfere with your distinguished career in the Navy, admiral.

ADMIRAL BIGGS: It will get along.

MR. BRUCE BROWN: But at least you are making a lot of friends.

The Secretary has appointed Mr. Searles, of Arizona, as a special consultant to him. Mr. Searles is concerned with all the defense agencies, more perhaps with the others than with PAD. But I invited him to attend this morning.

Would you mind standing up, Mr. Searles, so that they can see you? (Applause.)

We are getting along very nicely, gentlemen.

The immediate problem that we have on staffing I only want to allude to now. I do not think it is worth while

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to discuss it here. But we are sort of at a dead end on manpower. We very much need a competent man to head our manpower activities, and the first trial I made at it failed, not because of any unwillingness on the part of the man or on account of the unwillingness on the part of his company, but because of health. We have one man already at work here as a manpower analyst, but we very much need a top man in the manpower field. We are going to try to put our heads together and figure out what to do about it, and I understand that later the Agenda Committee will have a manpower question to present to the Council, which I also understand the Council wants presented to it.

On the octane order, I want to give you two or three facts on it. In the first place, as the Secretary said, no decision has been reached. One point that has been brought out is that "We didn't have to consider this until we were in the second year of World War II."

One thing, gentlemen, is the fact that the tetra-ethyl lead situation is in worse shape than it was in World War II.

The second thing is that it has been argued that if we drop octanes, there would be a run on premium gasoline. Now, consider this fact. This is quite different from what it was in World War II. The national average on

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premium gasoline is 2.44 cc's of lead per gallon. The national average of house brand gasoline contains 2.06. So there is not so much difference in the loading of gasoline as between premium and regular with tetraethyl lead as there used to be.

I mention those things merely to guide any thinking that you might wish to do on the subject.

I think that is all I have to say, Mr. Hallanan.

MR. MEECE: Bruce, is it not true that in most plants, premium uses less?

MR. BRUCE BROWN: No. The national average is 2.44 to 2.06.

MR. MEECE: I understand the national averages. But don't they use less in the premium than they do in the house brand?

MR. BRUCE BROWN: It varies. Some of the most potent manufacturers use the largest amounts of lead, and some that you do not think would use a lot, use a lot.

I would be glad to answer questions raised by any party to what I said.

CHAIRMAN HALLANAN: Are there any questions, gentlemen?

(No response.)

CHAIRMAN HALLANAN: Is there anything further that you want Mr. Jones' committee to do that it has not done?

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MR. BRUCE BROWN: We are dreaming up some transportation requests for Mr. Jones' committee. I have already alluded to this manpower matter.

I forgot to say -- excuse me, but we all have our pet topics -- I have not mentioned mine. Mine is space. There are sections of little old PAD which have only about 100 people where we are concentrated to the extent of 57 square feet per employee. The average is slightly less than 100, about 94. We have not staffed a foreign division; we have not staffed any divisions to handle transmission and distribution of gas. We have not any place for lawyers to sit. We are in a mess.

Thanks for listening.

(Applause.)

CHAIRMAN HALLANAN: Thank you very much, Mr. Brown.

The problem of critical materials was passed over by Mr. Brown, and we have Mr. Frank Watts with us this morning, who is director of materials of PAD, and I take pleasure in presenting the old experienced hand in the problem of materials, who made a conspicuous record of success during World War II, Mr. Frank Watts.

MR. WATTS: Thank you, Mr. Hallanan.

Little did I realize when in April, 1944, I last appeared before the Petroleum Industry War Council, that today I would be appearing before the National Petroleum

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Council in the same capacity.

I want to express at this time my appreciation and Bruce Brown's appreciation to you gentlemen for having made it possible for us to staff PAD's Materials Division with people who are unusually capable, many of whom are experienced in PAW, but all of whom you recognize as being extremely well qualified to assume and discharge their duties and responsibilities.

Herb Hanson, formerly from the Superior Oil Company, is administrative assistant, and arriving today. Phil Cox, formerly a consulting engineer, is now heading up our Foreign Materials Branch, and acting assistant director.

Charlie Reichert arrived as of this morning, formerly with the National Supply Company, and is heading up our Production Branch.

Charlie Webber, formerly with Sun Oil Company, is heading up our Natural Gas, Gas Transmission and Gas Distribution Branch of the Materials Division.

O. E. McClatchey, formerly with the Barnesville Oil Company, which is more recently called Sun-Ray, is heading up our Transportation Branch.

Roy Wilson, formerly with the Sinclair Oil Company, is heading up our Refining Branch.

George Oiler, formerly with Parkersburg Rig and Reel

Company, is heading up our Petroleum Equipment Manufacturers Branch.

Earl Strewe, formerly of the Recreation Department of the Department of the Interior, is heading up our Accounting and Statistical Branch.

Branch Chiefs of the Construction and Marketing Branches have not yet been selected and appointed, but will be by the time there is need for capable men to head up those two branches.

We have analysts and expeditors available to serve the industry, however, in both of those branches and in each of the other branches.

During the period just ahead of us, I think we can anticipate that there are going to be, speaking from the national economy level, a rather unusual number of dislocations, materials-wise. Some of them are going to be rather acute. Some of them are going to approach a rather chaotic condition. Now, that period of dislocation, in my opinion, with respect to some materials, at least, is going to be more acute than even during World War II. But the period of dislocation -- call it chaotic or call it a period of confusion, if you want -- is again, in my opinion, going to be much shorter. In other words, we are going to resolve problems much more quickly than was possible last time.

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There is on the part of defense and civil agencies in Washington a great deal more anxiousness on the part of everyone to roll up his sleeves and help resolve problems affecting our defense program and our civilian economy.

Now, one of the reasons, of course, for present dislocations or present confusion is well known to all of you. There is, of course, a sincere effort being made on the part of labor and on the part of small business and some on the political level, to maintain civilian economy at as near as possible the 1949-1950 level. Actually, the cut-backs in their consumption of materials, have been, as disclosed by the automobile manufacturers' news release, a short time ago, no more than about 20 percent.

Now, at the same time, we are moving rather actively forward with this country's defense, program, with the result that materials of the kind petroleum uses in large quantities are moving against DO's, or defense orders, at a rate varying with the size and shape of the material from somewhere around 25 percent up to 65 percent. Then there have been a number of directives issued, the freight-car directive, both American and Canadian, a couple of power directives, and one or two others, which, added to the defense orders, have taken away from

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the availability of materials a quantity that is much greater than the reduction in the use of materials by a civilian consuming program, with the result that there are industries of an essential nature, such as petroleum, that are caught in the squeeze between those two.

PAD recognizes fully that there is a very close relationship between the rate at which petroleum operations of all kinds can be carried forward and the availability of materials to those operations.

As Admiral Biggs and Bruce Brown and others have brought out here, there is recognized fully the importance of petroleum operations in our defense and other essential programs.

So in an effort to make materials available in sufficient quantities for petroleum operations, PAD, through its Materials Division, and in cooperation with the Operating Divisions and in cooperation with the National Production Authority and other agencies in Washington, has been seeking the cooperation of all in rolling up their sleeves and striving to get a job done and a job well done, of supplying materials in such quantities to carry on petroleum operations.

During this period ahead, of dislocations and confusion, whether it is a short period, as indicated, or whether it stretches out a little bit longer than we

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anticipate, the Material Division is in a splendid position to render spot assistance to petroleum operators needing spot assistance. That is, some item of material that is required to carry on operations in either of its branches.

I am very happy to say that the industry as a whole has been doing a good job, as they have been here for such a long period of time, of using their ingenuity and seeking cooperation and building up further the confidence of their established suppliers, and making it unnecessary for them to appeal to PAD's Materials Division for assistance, except in a relatively small number of cases, and whenever they have appealed, because the number in the over-all picture has been kept rather small, we have been able to expedite the delivery of materials required.

There is at the present time a P-98-B order being prepared. It is being prepared for two purposes. One is with respect to MRO, materials required for maintenance, repair and operations. We are dove-tailing that planned order into similar orders being prepared by the National Production Authority for use by other industries. Just how quickly that P-98-B for MRO might be released, I do not want to predict at the moment, but my guess is that it will not be in the too far distant future.

The next word or two I want to say is going to be

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with respect to the need for obtaining the cooperation and help of you gentlemen here and the companies whom you represent. Based on present plans, the controlled materials plan, similar to the one in use during the latter stages of the last emergency, will be formalized beginning the third quarter of this year, and quarter-by-quarter thereafter.

Now, if that does take place, then that means that by the first of May, PAD must be in a position to issue allotments of materials in a manner rather similar to that which was followed during the last emergency. And if that time-table is correct, then there is not a great lapse of time between today and May first, in order for PAD, working separately and with other Government agencies, to determine the availability of materials for petroleum operations with respect to defense and other needs.

PAD has been asked to prepare and to present the petroleum needs for materials in a breakdown similar to that followed during the last emergency, and with respect to all materials required for petroleum operations. It will be presented by PAD as an over-all program, but will be broken down in PAD, and the remaining program accompanied by the breakdown with respect to production, transportation, gas distribution and transmission, refining, and other phases of petroleum operations.

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We are going to try to use information that industry committees have already compiled, and we are going to try, beyond that, to proceed on a sampling basis to relieve the industry of as much details as possible. But through industry committees and through help other ways, it is going to be necessary for PAD, before March first, to have completed a preparation of petroleum requirements for materials for presentation to NPA and for release by NPA insofar as the controlled materials plan is concerned for the third quarter.

The information will be compiled by PAD in what PAD regards as being the easiest way on the part of everybody that will be effective and yet realistic.

There has not yet been a clear definition as to materials required for foreign operations, although two programs which I am going to mention place on PAD the primary responsibility of effecting equitable distribution of materials, not only in the domestic but in the foreign fields of operation.

This morning Mr. Brown received a telephone call informing him that the oil country tubular goods program, which PAD had been actively presenting and representing, beginning last November 6th, had been formalized to this extent, that commencing with the month of April, directives would be issued to the oil country tubular goods producing

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mills that would result in the producing of oil country and tubular goods for domestic/export at a rate of 1,880,000 tons a year, or 472,500 tons per quarter, and that the previously requested five-percent set-aside program primarily for wildcat drilling of completing wildcat wells had been cleared through directives to the mills.

Now, that means that commencing with the month of April, oil country tubular goods will be available through field stocks to operators requiring oil country tubular goods for the drilling or completing of exploratory wells or for such emergency uses beyond that as PAD can make available within a five-percent or about an 8,000 ton monthly program. And that will be continued month to month thereafter.

It was planned originally that that material flow through at mill level, but recent developments, or developments of this past week, make it possible to carry those stocks in the field where they will be available through normal channels of distribution. That is the five-percent program for the drilling and completing of exploratory wells and for such emergency uses beyond that as can be covered within an 8,000 ton a month program.

The remaining 95 percent, then, through the second quarter of this year will flow to the industry in the same general way that it is now, that is, through cooperation

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of the mills, the supply companies and the operators themselves.

Commence, then, with the third quarter of the year, and sufficiently in advance of that period, in order to enable petroleum operators to plan their programs and to enable PAD to effect an equitable distribution of oil country tubular material within this over-all allotment which I mentioned, the operators will present to PAD their drilling programs and against those will get allotments in a manner not too different from that of the last emergency, with the exception, however, that it is felt that for the time being, at least, there is no need of going to an M-68 control.

It is believed that through the cooperation of the units of the industry, State regulatory and governing bodies and PAD, a very equitable distribution of oil country tubular materials can be made available for use in petroleum operations without going to an end-use control.

That program will mean that on March 1st, we will ask petroleum operators to present to PAD, on a simple form that was prepared in cooperation with PAD by some consultants who were brought in here for the purpose of working with us, that information. That will mean that on March 1st, the petroleum operators will give their inventory position, or stock-on-hand position, to PAD on a form

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made available for their use. And that will cover unused materials, separated as to whether it is a drilling rig or whether it is on hand at a location other than a drilling rig.

Operators who have on hand material that is imported will prepare a separate form on that material only. And those forms will go in a separate drawer by PAD and will not be used, based on present plans, for anything other than information purposes.

In other words, what I am saying there is that there is no intention on the part of PAD to restrict the import of oil country tubular material, and operators who feel that they can justify the additional cost to import material should, in the mind of PAD, feel free to use that material and supplement the stocks that they obtained through their PAD allotments.

This program will also mean that during the month of March, the petroleum operators will present to PAD their oil country tubular goods requirements for the third quarter of the year. I will not go into details beyond that unless questions are asked, because I am afraid that more time than is available to me would be consumed in clearing up questions or in going into complete detail.

Press releases, however, will cover the whole program and will explain it in detail.

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Under this program, the production branch of the petroleum industry will be able to move without disruption, without dislocation, from this type of distribution of materials over into distribution through the controlled materials plan.

I am extremely happy, and I know Bruce Brown is, and Dick Lawton back there likewise, and others, of PAD, that we were able to give you that kind of assurance at this time that commencing with April no quantities of oil country tubular goods will be produced at rates directed by NPA which would be at rates appreciably greater than those at which oil country tubular material is now being produced, even including imported material and conversion material.

So although that fight has been a rough one, it is one that we are happy to say has been won through the cooperation of the National Production Authority and other agencies.

Mr. Brown asked that I speak a moment on materials for transportation and gas transmission and distribution. I mentioned that Charlie Webber was in our Distribution Section, heading up one phase of gas transmission, and that O. E. McClatchey was coming in to head up our Oil Transportation Division today. We are bringing in this week a man named Hopper, with the Washington Gas Light Company,

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who is unusually well qualified in the fields of natural gas and artificial manufactured gas distribution. So the Materials Division is staffed there with some men who are very, very capable insofar as transportation of materials is concerned.

It is quite evident that there is not going to be the mill capacity in this country to produce tubular material at anything that approaches the rate at which a wide range of operators would like to use those materials or would like to acquire and use those materials. So the problem on the part of PAD working with industry groups is going to be a broad one and one that we are going to have to approach with an open mind in order to effect the most equitable distribution possible of the rolling capacity, or the tubular goods producing capacity, of this country.

The mills producing oil country tubular goods, of course, do not produce, in the over-all picture, line pipe or tubular goods of the kind that I last spoke of. So all of us have some rather rough days ahead of us insofar as line pipe is concerned, and we have some days ahead of us that present problems that we are going to have to approach with an open mind, and again roll up our sleeves and try to get the job done in a manner that will result in using the minimum amounts of steel to move

to obtain the maximum in the way of petroleum and its products.

Thank you.

CHAIRMAN HALLANAN: Are there any questions?

MR. ED. WARREN: I want to ask you about the five percent going into the field stocks. How will that be distributed?

MR. WATTS: The operator, on a rather simple form which we have prepared, will disclose to PAD how he is to use that material. Then that form will go back to him if approved, and that will become a check for him to use against one of the supply stores that will have the material in stock and against which he can get the material.

Now, if it is a wildcat operation, we will say, and it is unfortunately a dry hold and thereby the material is not used and stays there in the stock, then he will return that check, uncashed, to PAD, so that PAD can keep this turn-over of 8,000 tons a month moving in the most productive channels.

As I said before, to the extent to which it is not required for exploratory operations, it will be made available for protecting drilling operations or other emergency requirements.

MR. ED. WARREN: This 1,880,000 tons for oil country

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tubular goods, will that be allocated and produced, in your mind, or will there have to be some differences between that and line pipe, and adjustments made?

MR. WATTS: Directives are now being issued or have already been issued, to mills which produce virtually nothing other than oil country tubular goods for their production at an annual rate. And that annual rate would total 1,880,000 tons, or 472,500 a quarter. Now, that would include export as well as domestic.

MR. ED. WARREN: I know this, that Mr. Watts and his staff have done everything possible to work out an equitable, simple program. But it is going to take a lot of voluntary effort, and I think whether it succeeds or not will depend in a lot of places on the way industry cooperates. I would like to make that statement.

MR. WATTS: We surely appreciate that statement. And I would like to amplify that by saying that to the maximum extent that the industry possibly can, if they will be realistic in presenting their requirements and in developing their programs and in seeking material out of the five percent emergency pool, we believe that PAD will then be in a position where there will be an adequate supply of oil country tubular material available.

So I appreciate very, very much that word from you, Mr. Warren.

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CHAIRMAN HALLANAN: Mr. Jacobsen.

MR. JACOBSEN: I would like to come back to Mr. Warren's question about five percent. I might say, I do not want to go into too much detail, because we could talk all day. But one of the things that I do not understand is this. Presumably it was within your request to start a wildcat with that 400,000 tons a month, but you cannot very well wait until you hit 10,000 feet and wait until this decision is made here and this improvement goes back again. So would you put in your requisition for the amount of casing that you may need when you start a wildcat on the expectation that it will be productive?

MR. WATTS: You would, Mr. Jacobsen. Then you would return to PAD that part of the check which you did not cash.

MR. JACOBSEN: Yes.

MR. WATTS: Maybe I should have made this point, Mr. Jacobsen, that it would be anticipated that material for exploratory wildcat purposes by most of the operators would be available to them through their normal quarterly allotment, and it is only to the extent that any operator had been unable through normal channels to get material for the drilling or completing of a wildcat that he would apply for material out of this five percent pool.

MR. JACOBSEN: Right. That last remark of yours clears

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up a doubt that I had, because I was going to ask you if all wildcats had to come out of that 8,000.

MR. WATTS: No, sir; only those for those operators who do not have a use history and have been unable to get material, or operators who have been unable to get material otherwise for that particular purpose.

MR. JACOBSEN: Right.

MR. BRUCE BROWN: There is an affidavit that they have to fill out. You have not mentioned that, Mr. Watts.

MR. WATTS: Yes. Mr. Brown mentions that that comes in in affidavit form.

MR. JACOBSEN: Right. But ordinarily a company that has been drilling for years and has the ordinary sources of supply would provide for their wildcat wells out of their ordinary requirements.

MR. WATTS: That is correct.

MR. JACOBSEN: Next, we would then present our requirements, as you have explained, for the third quarter, beginning in March.

MR. WATTS: In March for the third quarter.

MR. JACOBSEN: Right. And that will go to PAD for approval, will it?

MR. WATTS: That is right.

MR. JACOBSEN: On that, will we indicate where the wells are to be drilled, and the depth, and expected

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production, or what?

MR. WATTS: The form will be self-explanatory, and it will not tell you that you expect to drill a well 160 feet on the northwest corner of Aunt Mary's pasture, or anything like that. But as far as the producing areas and the average depth of the wells in those producing areas, or if the operator is only drilling in one field, then that information as to the number of wells and the approximate average depth, and that kind of general information will be included. But detailed information will not.

MR. JACOBSEN: I take it that PAD will be realistic in that. You know perfectly well the amount of guesswork that is unavoidably mixed up in that. You have just completed a wildcat well that bearly made a producer, and you have reason to expect that you have started an oil field; you will then tentatively provide for, say, 10 or 12 wells during the third quarter. You may find you do not need it. But PAD will not wait until you have a definitely proven location before they will approve those things?

MR. WATTS: No, sir.

MR. BRUCE BROWN: Mr. Watts, perhaps we should expand this affidavit a little bit. We are not talking about the 1,880,000 now, but this five percent pool for

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emergency use. In the fine print, I think it says six months or \$10,000. That is the reason why people will not ask for things out of that pool unless they really need them; right?

MR. WATTS: Right.

MR. JACOBSEN: Now, that second statement, of 10,000 tons, that is expected to be enough for the wells that the industry expects to drill, is it not?

MR. WATTS: That is correct. That is estimated to be sufficient to complete the drilling of 43,400 domestic wells and a supporting number of foreign wells.

MR. JACOBSEN: Right. Under those circumstances, of course, there will be no imports and there will be no conversions, because they are all much more costly.

MR. WATTS: We feel, Mr. Jacobsen, that operators who can justify the added costs of import material, the extent to which they can use that material --

MR. JACOBSEN: Over and above?

MR. WATTS: Over and above the domestic material in disclosing new reserves or proving up production, that they should be encouraged to bring the material in by import.

MR. JACOBSEN: Right. And just one more question. And I know you cannot do any more than express an opinion on this.

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on this.

Do you think it likely that the steel industry will deliver this, that the industry can count on it?

MR. WATTS: I do.

MR. JACOBSEN: Thank you.

MR. ED. WARREN: Don't you contemplate -- I know you did in your original plan -- a 10 percent cushion between this 85 and 95 to take care of unforeseen circumstances?

MR. WATTS: Now that you have raised the question, I will explain very briefly, PAD's first allotment against these applications will only be for 80 or 85 percent of the total available for domestic use, and then operators will be allowed two weeks following their receipt of that allotment to determine whether or not they can meet their drilling program or obligations within that allotment, and if they are unable to do so, they will have two weeks in which to appeal to PAD and present a supplementing story as to why they must have additional material. And then the 10 or 15 percent that had been held back will be distributed in the most equitable manner that it can be accomplished between PAD's production materials division to make up for that deficiency.

Now, that latter material may cost somewhat more than the other material because some of this oil country tubular steel is going to have to be obtained through

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conversions. We do not know yet the extent to which conversions will be necessary or the cost of those conversions. They have not yet been determined. But the costs will, however, not be as great as what conversions have cost in the industry.

MR. SKELLY: Mr. Watts, does this five percent allotment for wildcat wells apply to anybody that wants to drill a wildcat well? My idea is to bring in a flock of new operators, such as men in the movie business, and prize fighters and promoters of all kinds. They will take up almost this whole five percent unless you have some kind of formula there.

It seems to me that if Tom Jones is in the movie business and wants to drill a wildcat well, if he can get in on this five percent, you will have confusion you never dreamed of.

MR. WATTS: Of course, a lot of our petroleum operators in this country have fortunately started out just drilling one well which happened to prove to be a producing well.

MR. SKELLY: I understood it that way. This five-percent could easily be overdone by a lot of people that never saw a derrick.

MR. WATTS: We recognize that, and we believe that the forms and procedures we are providing will keep that down and keep it at a reasonable level.

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MR. SKELLY: There is another question that I want to ask.

That is a good, reasonable answer if you can make it work.

Where you get conversion pipe, a company or an individual like myself happens to buy some conversion pipe -- it is too damned high for me, but you might have to sometime to get in on a little of it -- is that charged against your regular supplier? I mean, if you have 1,000 tons on order from a regular supplier and you buy 500 tons from a conversion outfit, are you penalized on that? Will your regular supplier cut you off on that certain amount?

MR. WATTS: Conversion material, Mr. Skelly, is going to dry up of its own accord in the second quarter.

MR. SKELLY: I hope you are right, but I do not believe it.

MR. WATTS: Whether or not PAD comes forward with an oil country tubular goods program, because the supply of steel is tightening up rapidly to the point where billets and rounds are not going to be available for conversion.

MR. SKELLY: It sounds good, and if you can do that, you are going to be a hell of a popular fellow.

MR. WATTS: I would just like to say this, Mr. Skelly, that when James Watt assembled a few pieces of metal and

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first started the steam engine going, there were a hell of a lot of people that said it would not work. But it did. And the same thing can be said about the Wright Brothers and their first 212-foot flight. We are convinced it will work. And as this gentleman pointed out, with the cooperation of industry, it surely will work.

MR. SKELLY: I am inclined to have a little conference with you and Mr. Brown and this fellow.

CHAIRMAN HALLANAN: Mr. Hamon.

MR. HAMON: Frank, I think you are doing a great job. I think you and Dick Lawton and Bruce Brown are to be congratulated. I know how difficult it has been to get this program worked out.

I did want to clarify the procedure in my mind. Say you have been getting so many tons a quarter from your historical supplier, one steel mill or another; can you look up the past history, or for each quarter must you pretty well have your drilling program worked out?

MR. WATTS: Each quarter you must have your drilling program rounded out about as well as you did in the last emergency, Jake. And as far as what you have been getting from channels of supply, we are not going to ask that, but we are going to ask information on the rate at which you have been using oil country tubular material.

MR. JACOBSEN: But that starts in the third quarter?

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MR. WATTS: That is right.

MR. JACOBSEN: As regards the second quarter, we are on our own?

MR. WATTS: You are on your own. But bear this in mind, however, that because of these directives becoming effective with April, the production of oil country tubular material is going to be increased over and above previous indications, and thereby there is going to be a little freedom as to availability.

MR. JACOBSEN: But how will it work? We will send in our estimate for the third quarter, and the fourth quarter; it is approved by PAD. Then we take that approval and shop around among the supply houses to try to get what we want? Or how do we go about it?

MR. WATTS: Yes, because PAD will not issue more checks than there is money in the bank to draw against those checks.

MR. JACOBSEN: But will they issue the check on the particular bank?

MR. WATTS: No, sir. We will only give the operator an allotment or a check which he can go around --

MR. JACOBSEN: And he will shop around and see where he can get it?

MR. ALTON JONES: He is not supposed to cash the check, is he, Frank, until he needs the money?

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MR. WATTS: I think that you can anticipate that as soon as they get it --

MR. ALTON JONES: They will cash it?

MR. WATTS: They will start cashing checks.

MR. ALTON JONES: I want just to raise this question here. Jake comes in with a big program. I can see what his plan is now. For the third quarter, he is going to come in with a hell of a lot of affidavits and requisitions and stuff, and you are going to issue a lot of checks to him.

What I am worried about is that I know Jake well enough to know that he will run right to the bank to cash those checks the minute he starts putting in that wildcat. He will get all that pipe and put it in the warehouse. And then how the hell am I going to get it from him when I am really in need of it? That is bothering me some. I wonder if you would explain that.

MR. WATTS: We believe that there will be less material in the racks under this program in the over-all picture than there has been heretofore, but we believe that there will be a much more balanced distribution of that material than perhaps there has been heretofore. Now, all operators are going to receive those checks on the same day.

MR. ALTON JONES: Are you going to write those checks

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on the basis of the number of pieces of paper you have or the amount of money you have in the bank?

MR. WATTS: We are going to have to balance the number of pieces of paper and the figures shown in the lower right-hand corner with the amount of money in the bank.

MR. ALTON JONES: What I am worried about, Mr. Watts, is, how are you going to get that steel back from Jake that he has in his warehouse?

MR. WATTS: If Jake is going to swear that, and he is going to recognize this \$10,000 or six months, and if Jake has more material than Jake needs or Jake has been using or has found a use for, then Jake is not going to be able to get as much material.

MR. ALTON JONES: In jail and with a \$10,000 fine; that is the point I want to make.

MR. BRUCE BROWN: Could I interrupt now? You missed part of what he said. He told you, I think twice, that of this staff, some arrived yesterday, some arrive today, and some arrive tomorrow. This program does not go into effect until April. Now, for Heaven's sake, you all have people that can come and talk to Frank and his staff about details. I am afraid this is going to run on, and that other branches of the industry will not get any chance at all at this meeting.

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Make them come and see you.

MR. MAJEWSKI: I do have one question. A lot of fellows cannot come to see him. They have not got the carfare. They are like Bill Skelly; they are small fellows. But there are some really small fellows that cannot come. And April 1st has a habit of running on them in a hurry, and you will get the big beef from these fellows, not from the fellows who seem happy about this banking deal.

It sounds like a lot of red tape to me. Maybe it will work. When are these instructions going to be put in writing so that the guy in the street can see them?

MR. BRUCE BROWN: I am telling you, Barney, that the stuff is being organized.

MR. MAJEWSKI: When?

MR. BRUCE BROWN: This is only the 30th of January. Now, give us a chance.

MR. MAJEWSKI: I am going to get married in June, and, hell, I have it all figured out. It is a matter of moment.

MR. BRUCE BROWN: It is somewhat simpler than this problem.

MR. MAJEWSKI: I do not think so.

MR. WATTS: I believe it was only nine o'clock this morning that Mr. Brown received a telephone call that these

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two directive programs had been cleared. And Mr. Majewski, there just has not been the time from nine o'clock up to now to get words together of the type you have expressed a need for.

CHAIRMAN HALLANAN: That is very fine, Mr. Watts.

MR. WATTS: I will be very for any of you gentlemen, at Mr. Brown's suggestion, to come to my office or to get in touch with the Materials Division who are willing at all times to roll up their sleeves and help you folks get a job done.

Thank you.

CHAIRMAN HALLANAN: Thank you. (Applause.)

Mr. Dick Lawton, as director of production of PAD, do you have any comments to make on this matter?

MR. LAWTON: I do not know that I have, except that I am working closely with Frank on this thing.

The thing that we need out of you gentlemen is cooperation. I think I can speak for the smaller independents. The paper said that R. G. Lawton had gone to Washington and the PAD to represents the independents. That is not exactly true. But I know their minds. The independents will do their part. Nobody is going to over-order pipe, because if they do, as far as the production department is concerned, they will get back a letter instead of the pipe.

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CHAIRMAN HALLANAN: Mr. Dean Hodges, as director of transportation, do you have any comment?

MR. HODGES: This program that Mr. Watts has been discussing does not cover transportation materials. We are attempting to get our pipeline requirements, which is that part of the transportation materials program that we are directly responsible for, and also are working with the Defense Transport Administration with respect to other transportation facilities that they have under their wing.

I think probably the most important thing that we are undertaking now is to get started on a complete over-all transportation study. That we hope will enable us to document the petroleum industry's requirements for all transportation facilities in such a way that we can be sure we are going to get them to the full extent that steel can be made available for them.

CHAIRMAN HALLANAN: Mr. Russell Brown, as chairman of the Council's Committee on Steel Requirements, do you have any remarks on this?

MR. RUSSEL BROWN: Yes, Mr. Chairman. I think I should say a few words.

We have no supplemental report to make. The report I had hoped to be able to make to you was the one made by Frank Watts just a few minutes ago, as to a portion of

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this program. I do think you people ought to know, though, what is involved behind it. I think even with the elaboration of the statement he made, it still over-simplifies what has gone on.

After the last report, Bruce Brown said to me, "Frank Watts is coming over here, and I want you to go over that whole report you people have made with him."

We went over that. We found what the steel people's reactions were, and they were pretty bitter. Sometimes they thought we were asking for three or four times what we ought to have. So they challenged particular this production phase of the report, and Frank says, "Maybe we had better meet them on that now and take the others as they come along."

The evidence of what they did is in this report. They have approved the full amount that your committee recommended as being necessary. That does not mean that it was just that simple. For weeks, now, Bruce and Frank have been working practically every day. I do not know how many days they have devoted to this, but they have been working every day, and you people ought to know what it means, because the steel industry did not accept this very willingly, and we are going through the same thing with transportation and with the refining. You know how they jumped on some phases of transportation. They told

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us that we were asking for more steel for tankers than had been used in history, more steel for the repair of tankers than it takes to build the tankers, and stuff like that.

So each segment of your industry has been made available to Frank Watts and Bruce Brown. So our sub-chairmen are expected to be called in until your Council decides we should be disbanded. That is our situation.

I do think we ought to recognize fully, though, that this program that Frank Watts has just announced contemplates a lot of voluntary thinking. I believe that is more important than a forceful restriction imposed such as we had in M-68. I believe if we get behind it, we can get results.

We will keep alert here and be available for their department on call.

That is about all I have to say.

CHAIRMAN HALLANAN: Thank you very much.

Is there any further discussion of this subject, gentlemen, on the matter of material requirements?

(No response.)

CHAIRMAN HALLANAN: Mr. McCollum wired us this morning that unfortunately he would be unable to be here, and asked that Mr. Hines Baker submit an interim report of the committee on Oil and Gas Availability, of which Mr.

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McCollum is the chairman.

MR. BAKER: Mr. Chairman, all we can report is progress. The committee has outlined the scope of its work, and the three subcommittees have been set up. The first subcommittee is to study the near-term availability. It will undertake to set up a range of availability for each year, 1951 to 1955. The subcommittee has organized with regional subcommittees in all of the five districts, and hopes to complete its work by the first of April. Each of these subcommittees has been asked to bring in its data by the first of March.

The long-term availability subcommittee will concern itself with an effort to find out what prospects there are for additional crude oil and gas availability in the future, attacked from a philosophical standpoint rather than in an effort to set down in barrels the amounts at given times in the future, and will lay emphasis upon the importance of technology and of the American system in the bringing forth of added supplies of hydrocarbons in liquid and gaseous form, which, of course, involves technology and synthesis and refining.

I may say that the long-term availability subcommittee has divided its work into subcommittees, and has in mind an effort to get in a report at the same time.

The foreign subcommittee has perhaps a little simpler

problem, and will be prepared to report a little earlier, I understand. That work has been organized. We are shooting at an April 1st date for a tentative report.

CHAIRMAN HALLANAN: Thank you very much, Mr. Baker.

Mr. Reese Taylor, you have been named as the chairman of the Committee on Materials and Chemicals Requirements. I know you have had no opportunity to have a meeting of your committee, but I think it might be interesting to indicate to the Council just what you have outlined to be undertaken in this assignment.

MR. TAYLOR: We have not gotten very much outlined yet, Mr. Chairman. We have appointed members of the committee and members of the subcommittees, and are hoping tomorrow morning when we have our first meeting to learn from Mr. Watts just how we can best serve him with the information he needs most.

CHAIRMAN HALLANAN: You have had a fine response from those that have been asked to serve.

MR. TAYLOR: Yes. I believe all of the subcommittee members have been asked to be appointed.

The meeting is set for ten o'clock tomorrow morning.

CHAIRMAN HALLANAN: Mr. Stewart, do you want to amplify on the discussion that you had on the committee matters? Or had you concluded?

MR. STEWART: I think I had concluded. But I did want

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to emphasize one thing, going back to materials. I did not mention one thing that Dick Lawton was too modest to refer to.

This steel allotment that we now have set up for oil country tubular goods is confined to casing tubing and drill pipe. That allotment is considered adequate, and it is the Council committee's own estimate of the amount required to drill 43,400 wells, which is very close to the average the industry has drilled in recent times.

If we have enough steel to drill the number of wells that we normally have wanted to drill, nobody is going to be hurt, and questions that arise in the minds of one or another will be automatically taken care of. But the thing that Dick Lawton did not mention was that last week we had the representatives of the State regulatory bodies in here for a discussion to give them all the information that could be given to them on the problem and to solicit their thinking and their ways and means in which the steel could be used to the best advantage, and whereas under the present system, the present rules and regulations, the steel would drill this 43,400 wells, if the State regulatory bodies can work out ways and means in their own areas, it may be possible to get the same over-all benefit in development and in wildcatting from that amount of steel that would be perhaps equivalent not

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to 43,400 wells, but 46,000 or 48,000, or maybe 50,000 wells.

There has been a lot of emphasis so far in the discussions on this plan for oil country tubular goods. Russell Brown touched on that in the statement that because of the resistance we met with NPA on acceptance of the figures that we submitted, it became desirable to pick one project in which the steel could be readily identified, not only by our industry but by the steel industry, wrap it up in a package and put it through as an experiment, as a trial. The experiment has worked out successfully. And do not think for a minute that steel for transportation, all types of transportation, both of oil and of gas, and of LP, too, steel for refinery maintenance, repair and operation and for new construction -- those items of steel have not been overlooked, and preparations are far advanced to undertake to accomplish the same results on those requirements as we apparently have as of this morning on the oil country tubular goods.

That covers it.

CHAIRMAN HALLANAN: Are there any further questions?

MR. ALTON JONES: Mr. Chairman, may I ask a question?

Your program and request for steel, 1,880,000 tons, that has been allocated, did not contemplate, of course, the stepping up of production by 1,000,000 barrels, did it?

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MR. STEWART: No.

MR. ALTON JONES: So if you find it necessary to do that, then you are going to have to find out how much more steel you need, and that is one of the things you are inquiring about now.

MR. STEWART: That is one of the primary purposes of that request you mentioned.

MR. ALTON JONES: Here is one thing that troubles me a little. This 1,880,000 tons of tubular goods is about the total capacity of the tubular mills for that sort of thing. So we are going to have to have a little added capacity there, too.

MR. WATTS: That probably lacks about 60,000 tons.

MR. ALTON JONES: That is a leeway of about 60,000. But if you are going to work to the tune of another 1,000,000 barrels a day of production, that would disappear very fast, would it not?

CHAIRMAN HALLANAN: And the 43,000 wells which are contemplated will not give you the 1,000,000 barrels of extra production.

Are there any further remarks in connection with this matter?

MR. JACOBSEN: Not in connection with that, but in connection with the three items the Agenda Committee has. You referred to manpower. I just want to emphasize that

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it would be an extremely important thing, because some of us are beginning to feel the pinch of it very badly. Now, this particular request of Mr. Stewart asks only for a report on the situation, and I would like to urge on the committee that may be appointed for that, that they report as quickly as possible.

I am in hopes that not too far down the line we may have a committee such as the one we had during the last world war under the able chairmanship of John Lovejoy, who did a very good job on manpower.

CHAIRMAN HALLAHAN: That is right.

MR. JACOBSEN: And I hope that you will appoint John Livejoy, Mr. Chairman, for that committee.

MR. LOVEJOY: Mr. Chairman, you have a man on that committee now. Mr. Vandever is the chairman.

CHAIRMAN HALLAHAN: Mr. Vandever is ill, by the way.

MR. RUSSELL BROWN: Mr. Chairman, I would like to comment a little further on Mr. Stewart's suggestion, about this 1,000,000 barrels of cushion. It is going to involve some things that are a little more difficult than the stating of them. That same problem I have discussed for the past two or three years with people in the Defense Department, where they have indicated the desirability of having that cushion. I have tried to work out the

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answer to it.

That means, if you will look at it quickly, that one out of every seven wells of the ordinary producer is set aside in dead stock. That is the effect of it. And it is a pretty difficult thing. Normally we get the capital to drill our well from selling oil. That means that that barrel of oil does not produce any more capital. I do not know. I am not trying to answer it. I am just trying to raise some of the problems that will be involved in that study.

So when we go into raising it, I agree with the desirability, but when we go to doing it, it is going to raise some very difficult problems as to capitalization and how we can do it.

CHAIRMAN HALLANAN: And it would not be unrelated to the problem of depletion, by any means.

MR. RUSSELL BROWN: I was going to mention that as being an essential part of it.

CHAIRMAN HALLANAN: Yes.

Under our articles of organization, it is provided that the Chairman shall submit a budget for the ensuing year at the first meeting of the year. We have attempted to conduct the affairs of the Council on a very modest budget. I think the amount we expended last year was a little in excess of \$68,000.

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In that connection, I desire to recognize Mr. Alton Jones.

MR. ALTON JONES: Mr. Chairman, the status of the Council is a little indefinite, and the Secretary has asked that the members of the 1950 Council carry on and function until some questions of policy have been determined and the new Council, or advisory group, be appointed.

As the Chairman has indicated, our articles of incorporation require that the budget be considered and approved at the first meeting of the Council after the turn of the year.

I think for record purposes, we should now approve a budget, Mr. Chairman, and I would suggest that we expand it a little bit. The budget last year was \$70,000, and we spent \$68,263. In other words, we were within less than \$1,200 of the amount approved. There will be some additional expense, unquestionably. Just how much, it is too early to determine.

The Secretary, in reviewing the matter, has suggested that we add \$10,000 to the budget approved last year, or ask for a tentative approval of the budget of \$80,000 for 1951, assuming that we continue to function, and I believe we will.

I therefore move, sir, that the Council approve the budget of \$80,000 as the tentative operating basis for 1951,

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and that the assessments be made in accordance with the formula used last year.

MR. RUSSELL BROWN: Second.

CHAIRMAN HALLANAN: It has been moved and seconded that the budget for the Council be fixed at \$80,000.

All in favor signify by saying aye; contrary no; so ordered.

We have completed our agenda for this session. Is there any new business?

MR. JACOBSEN: What about the synthetic liquid fuel reports?

CHAIRMAN HALLANAN: Mr. Rodgers had nothing to report, and asked that the matter be deferred to a future meeting.

Is there any new business?

(No response.)

CHAIRMAN HALLANAN: If not, a motion to adjourn is in order.

It is so ordered.

(Thereupon at 1:00 p.m., the Council adjourned.)

