

OFFICIAL REPORT OF PROCEEDINGS

before the

PETROLEUM ADMINISTRATION FOR DEFENSE

of the

United States Department of the Interior

In the Matter of:

MEETING OF NATIONAL PETROLEUM COUNCIL

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

Date: **July 24, 1951**

WARD & PAUL

NATIONAL

{4266
4267
4268

OFFICIAL REPORTERS
1760 PENNSYLVANIA AVE., N. W.
WASHINGTON 6, D. C.

Reviewer R. L. Green

Date 8/26/52

From the Files of the
National Petroleum Council

Record: Council Meeting (Transcript)

Date of Record: July 24, 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>
Pages	_____	<u>57</u>	<u>102-110</u>	<u>88-90</u>	_____	_____
"	_____	<u>62-63</u>	_____	<u>90-93</u>	_____	_____
"	_____	_____	_____	<u>96</u>	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
Pages	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
			<u>Other</u>			
Pages	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____

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.

KEY
WLC

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR

----- :
MEETING OF NATIONAL PETROLEUM COUNCIL :
----- :

Room 5160, Dep't of Interior Building,
Washington, D. C.,
Tuesday, July 24, 1951

Met, pursuant to notice, at 10:00 a.m., Walter S. Hallanan,
Chairman, presiding.

PRESENT:

MEMBERS

- | | |
|---------------------|----------------------|
| H. T. ASHTON | WILLIAM M. KECK, JR. |
| HONES H. BAKER | JOHN M. LOVEJOY |
| MAX W. BALL | W. G. MAGUIRE |
| JACOB BLAUSTEIN | B. L. MAJEWSKI |
| PAUL G BLAZER | J. HOWARD MARSHALL |
| RUSH M. BLODGET | T. M. MARTIN |
| JOHN BOHANAN | A. C. MATTEI |
| RUSSEL B. BROWN | L. F. MC COLLUM |
| H. S. M. BURNS | BROWN L. MEECE |
| HOWARD A. COWDEN | GLENN E. NIELSON |
| STUART M. CROCKER | JOSEPH L. NOLAN |
| J. F. CUMMINS | LEE PARSONS |
| HORACE E. DAVENPORT | J. R. PARTEN |
| J. C. DONNELL | R. F. PIELSTICKER |
| FAYETTE B. DOW | JOSEPH E. POGUE |

PRESENT:

MEMBERS -- concl'd

WARWICK M. DOWNING

FRANK M. PORTER

J. FRANK DRAKE

L. T. POTTER

JAMES P. DUNNIGAN

E. E. PYLES

OTIS ELLIS

WALTER R. REITZ

EDWARD FALCK

SID W. RICHARDSON

E. T. FALLON

M. H. ROBINEAU

J. W. FOLEY

W. S. S. RODGERS

R. G. FOLLIS

ROLAND V. RODMAN

ROBERT L. FOREE

A. H. ROWAN

B. C. GRAVES

CECIL W. SMITH

WALTER S. HALLANAN

FRANK BAIRD SMITH

B. A. HARDEY

P. C. SPENCER

JOHN HARPER

CLARENDON E. STREETER

G. HILL

A. W. THOMPSON

HARRY B. HILTS

W. W. VANDEVEER

EUGENE HOLMAN

J. ED. WARREN

ALLEN JAMES

CLAUDE WILDER

A. JACOBSEN

ROBERT E. WILSON

B. BREWSTER JENNINGS

R. E. JOHLEN

J. P. JONES

Also present: J. V. BROWN, Secretary-Treasurer

PRESENT:

GOVERNMENT

Petroleum Administration for Defense

BRUCE K. BROWN, Deputy Petroleum Administrator

Personnel:

**GEORGE A. WILSON
JOHN BOATWRIGHT
C. S. SNODGRASS
ROBERT N. SEARS
A. P. FRAME
FRANK WATTS
CHARLES P. RATHER
RICHARD LAWTON**

ey:km

P R O C E E D I N G S

CHAIRMAN HALLANAN: The Council will please come to order.

The Secretary will call the roll.

SECRETARY BROWN: Gentlemen, as I call the roll and come to the name of a member who is absent and there is a representative here in his place, would you please rise and give your name for the record.

Mr. Adams?

MR. JOHLEN: R. E. Johlen.

SECRETARY BROWN: Mr. Anderson?

(No response.)

SECRETARY BROWN: Mr. Ashton?

MR. ASHTON: Here.

SECRETARY BROWN: Mr. Baker?

MR. BAKER: Here.

SECRETARY BROWN: Mr. Max W. Ball?

MR. MAX W. BALL: Here.

SECRETARY BROWN: Mr. Munger T. Ball?

(No response.)

SECRETARY BROWN: Mr. Barton?

MR. MARTIN: Here.

SECRETARY BROWN: Mr. Blaustein?

MR. BLAUSTEIN: Here.

SECRETARY BROWN: Mr. Blazer?

MR. BLAZER: Here.

SECRETARY BROWN: Mr. Blodget?

MR. BLODGET: Here.

SECRETARY BROWN: Mr. Boyd?

(No response.)

SECRETARY BROWN: Mr. Bridwell?

(No response.)

SECRETARY BROWN: Mr. Russel B. Brown?

MR. BROWN: Here.

SECRETARY BROWN: Mr. Burns?

MR. BURNS: Here.

SECRETARY BROWN: Mr. Cowden?

MR. COWDEN: Here.

SECRETARY BROWN: Mr. Crocker?

MR. CROCKER: Here.

SECRETARY BROWN: Mr. Cummins?

MR. CUMMINS: Here.

SECRETARY BROWN: Mr. Davenport?

MR. DAVENPORT: Here.

SECRETARY BROWN: Mr. DeGolyer?

(No response.)

SECRETARY BROWN: Mr. Donnell?

MR. DONNELL: Here.

SECRETARY BROWN: Mr. Dow?

MR. DOW: Here.

SECRETARY BROWN: Mr. Downing?

MR. DOWNING: Here.

SECRETARY BROWN: Mr. Drake?

MR. DRAKE: Here.

SECRETARY BROWN: Mr. Dressler?

(No response.)

SECRETARY BROWN: Mr. Duke?

MR. ELLIS: Otis Ellis.

SECRETARY BROWN: Mr. Dunnigan?

MR. DUNNIGAN: Here.

SECRETARY BROWN: Mr. Falck?

MR. FALCK: Here.

SECRETARY BROWN: Mr. Follis?

MR. FOLLIS: Here.

SECRETARY BROWN: Mr. Foree?

MR. FOREE: Here.

SECRETARY BROWN: Mr. B.C. Graves?

MR. GRAVES: Here.

SECRETARY BROWN: Mr. B.I. Graves?

MR. LEE PARSONS: Lee Parsons.

SECRETARY BROWN: Mr. Hallanan?

CHAIRMAN HALLANAN: Here.

SECRETARY BROWN: Mr. Hamon?

MR. WILDE: Claud Wilde.

SECRETARY BROWN: Mr. Hardey?

MR. HARDEY: Here.

SECRETARY BROWN: Mr. Hargrove?

(No response.)

SECRETARY BROWN: Mr. Harper?

MR. HARPER: Here.

SECRETARY BROWN: Mr. Hartman?

(No response.)

SECRETARY BROWN: Mr. Hilts?

MR. HILTS: Here.

SECRETARY BROWN: Mr. Holman?

MR. HOLMAN: Present.

SECRETARY BROWN: Mr. Hulcy?

MR. POTTER: L.T. Potter.

SECRETARY BROWN: Mr. Jacobsen?

MR. JACOBSEN: Present.

SECRETARY BROWN: Mr. Jennings?

MR. JENNINGS: Here.

SECRETARY BROWN: Mr. Johnson?

(No response.)

SECRETARY BROWN: Mr. Charles S. Jones?

(No response.)

SECRETARY BROWN: Mr. J.P. Jones?

MR. J.P. JONES: Here.

SECRETARY BROWN: W. Alton Jones?

MR. HILL: G. Hill.

SECRETARY BROWN: Mr. Keck?

MR. KECK: Here.

SECRETARY BROWN: Mr. Lerch?

MR. BOHANAN: John Bohanan.

SECRETARY BROWN: Mr. Leyendecker?

(No response.)

SECRETARY BROWN: Mr. Lovejoy?

MR. LOVEJOY: Here.

SECRETARY BROWN: Mr. Maguire?

MR. MAGUIRE: Here.

SECRETARY BROWN: Mr. Majewski?

MR. MAJEWSKI: Here.

SECRETARY BROWN: Mr. Markham?

(No response.)

SECRETARY BROWN: Mr. Marshall?

MR. MARSHALL: Here.

SECRETARY BROWN: Mr. Mattei?

(No response.)

SECRETARY BROWN: Mr. McCollum?

MR. MCCOLLUM: Here.

SECRETARY BROWN: Mr. McGowen?

(No response.)

SECRETARY BROWN: Mr. Meece?

MR. MEECE: Here.

SECRETARY BROWN: Mr. Mosher?

(No response.)

SECRETARY BROWN: Mr. Nielson?

MR. NIELSON: Here.

SECRETARY BROWN: Mr. Niness?

MR. FRANK BAIRD SMITH: Frank Baird Smith.

SECRETARY BROWN: Mr. Nolan?

MR. NOLAN: Here.

SECRETARY BROWN: Mr. Parten?

MR. PARTEN: Here.

SECRETARY BROWN: Mr. Pogue?

MR. POGUE: Here.

SECRETARY BROWN: Mr. Porter?

MR. PORTER: Here.

SECRETARY BROWN: Mr. Pyles?

MR. PYLES: Here.

SECRETARY BROWN: Mr. Reitz?

MR. REITZ. Here.

SECRETARY BROWN: Mr. Richardson?

MR. RICHARDSON: Here.

SECRETARY BROWN: Mr. Ritchie?

(No response.)

SECRETARY BROWN: Mr. Robineau?

MR. ROBINEAU: Here.

SECRETARY BROWN: Mr. Rodgers?

MR. FOLEY: J.W. Foley.

SECRETARY BROWN: Mr. Rodman?

MR. RODMAN: Here.

SECRETARY BROWN: Mr. Rowan?

MR. ROWAN: Present.

SECRETARY BROWN: Mr. Shannon?

(No response.)

SECRETARY BROWN: Mr. Skelly?

MR. PIELSTICKER: R.F. Pielsticker.

SECRETARY BROWN: Mr. Cecil W. Smith?

MR. CECIL W. SMITH: Here.

SECRETARY BROWN: Mr. Spencer?

MR. SPENCER: Here.

SECRETARY BROWN: Mr. Streeter?

MR. STREETER: Here.

SECRETARY BROWN: Mr. Sutter?

(No response.)

SECRETARY BROWN: Mr. Taylor?

(No response.)

SECRETARY BROWN: Mr. Thompson?

MR. THOMPSON: Here.

SECRETARY BROWN: Mr. Vandever?

MR. VANDEVEER: Here.

SECRETARY BROWN: Mr. Vockel?

(No response.)

SECRETARY BROWN: Mr. J. Ed. Warren?

MR. J. ED. WARREN: Here.

SECRETARY BROWN: Mr. W.K. Warren?

MR. JAMES: Allen James.

SECRETARY BROWN: Mr. Wescoat?

MR. WESCOAT: Here.

SECRETARY BROWN: Mr. Williams?

(No response.)

SECRETARY BROWN: Mr. Wilson?

MR. WILSON: Here.

SECRETARY BROWN: Mr. Zehring?

MR. FALLON: E.T. Fallon.

SECRETARY BROWN: Mr. Zoller?

(No response.)

CHAIRMAN HALLANAN: Gentlemen, I have the sad duty to announce to the Council since our last meeting Mr. Rankin P. Peck, who had been a member of this Council for several years, passed away on May 23, last. I desire at this time to recognize Mr. Majewski to present a resolution in memorial.

MR. MAJEWSKI: (Reading) "RESOLUTION IN MEMORIAM

"The National Petroleum Council records with a sense of deep regret the passing on May 23, 1951 of Rankin P. Peck, a member of the Council.

"Rankin Peck devoted many years of his life to an important segment of the petroleum industry representing retail marketers and rendering valuable assistance to the National Petroleum Council.

"Accordingly, it is resolved on this, the 24th day of July, 1951, that the National Petroleum Council, meeting in Washington, express its real appreciation of his work, acknowledging its loss upon his death and extending its sympathy to his family.

"Be it further resolved that this resolution be spread upon the minutes of the Council and a suitable copy thereof presented to his family."

I would like to move the adoption of this resolution in memorium by a rising vote.

(Rising vote.)

CHAIRMAN HALLANAN: The resolution is unanimously adopted.

For the information of the members of the Council I desire to have the Secretary read certain portions of a letter addressed to me by Mr. Stewart, the Director of the Oil and Gas Division, having relation to the matter of the membership of the Council for this year.

SECRETARY BROWN: Addressed to the Chairman, Mr.

Hallanan:

"As you know, the term of membership of the members serving on the National Petroleum Council during the calendar year 1950 was extended for an indefinite period of time. Since there will probably be only a couple of more meetings during 1951 the Secretary has decided to let the Council remain as it is composed for the remainder of the calendar

year.

"In view of the decision which has been made, you are advised that no action will be taken concerning a change in representation of the Petroleum Equipment Suppliers Association.

"The subject correspondence transmitted to Mr. Bruce K. Brown, Deputy Administrator, and the Petroleum Administrator for Defense by Mr. J.V. Brown in letter of July 5." And that was signed by Mr. Stewart, the Acting Director.

CHAIRMAN HALLANAN: Gentlemen, you received the minutes of the last meeting of May 9th of this year. What is your pleasure?

MR. MAJEWSKI: I move it be approved.

CHAIRMAN HALLANAN: It is moved that the minutes of the last meeting be approved. Is there a second?

MR. WESCOAT: Second.

CHAIRMAN HALLANAN: All in favor indicate by saying "Aye". Contrary "No". It is so ordered.

The report of the Secretary-Treasurer.

SECRETARY BROWN: Since the first of the year the total contributions received and other revenues have totaled \$93,253.92. The disbursements therefrom were \$52,104, making a difference between receipts and disbursements of \$41,149, added to the balance at the beginning of the year of \$2,727, leaves \$43,876 in the general fund at the end of June. Our reserve fund at that time totaled \$65,000.

CHAIRMAN HALLANAN: You have heard the report. Any comments?

If not, the report will be received and filed.

Mr. Jacobsen, may I ask you at this time to present the report of the Agenda Committee.

MR. JACOBSEN: Yes, sir.

Under date of May 28 Mr. Stewart, Acting Director of the Oil and Gas Division, addressed a letter to Mr. Hallanan, reading as follows:

WLC

"Dear Mr. Hallanan:

"This refers to the National Petroleum Council study on 'Capital and Material Requirements for Increasing Availability of Petroleum Products;' to the oral progress report of Dr. Robert E. Wilson, Chairman of the Committee making the study, and the discussion thereof at the meeting of the Council on May 9, 1951.

"The original request, addressed to you January 29, 1951, was for a study of the capital and materials requirements for increasing availability of petroleum products by one million barrels per day over the requirements of the base period of November 1950, through January 1951, in increments of one-quarter million barrels.

"The million barrel figure was chosen because of our conviction that increased production availability was very desirable in an amount of about one million barrels. In addition, since such an expansion would constitute a major effort extending from exploration through development, transportation, refining and storage, the requirements in capital and materials might be different than the requirements for smaller increments incidental to normal expansion.

"The discussion referred to above indicated that the Committee considered that there is currently available a minimum of 500,000 barrels per day excess producing capacity, and an equivalent excess useable refining capacity. It was pointed out, how-

ever, that additional transport and storage capacity would be required to move the additional crude oil available to the operable refineries and to enable those plants to operate at required rates.

"In view of this conclusion, you asked if I would consider modifying my original request of January 29, 1951, in a manner to permit the Committee to confine its study to the requirements for removal of bottlenecks in the 500,000 barrels per day existing excess capacity and for increasing availability by 500,000 barrels daily over January 1951, with an estimate of the cost in "Capital and Materials" of providing at least the following capacities under the three assumptions set forth below:

(a) 300,000 barrels daily of new oil production to be found, developed, transported, and refined in District III. The necessary refineries to be constructed at two theoretical locations on the Gulf Coast, selected to avoid areas of present congestion, and with new transportation facilities to move the crude oil to refineries.

(b) 100,000 barrels daily of new oil production to be found and developed in Alberta, Canada, with new refining facilities of comparable capacity to be constructed in the Pacific Northwest and with necessary new pipe lines to transport the crude oil from the fields

WLC 3

to the refineries.

(c) 100,000 barrels daily of new oil production to be found and developed in Venezuela, with necessary new transportation facilities for moving this new crude from the points of production to a refinery or refineries to be constructed on the East Coast of the United States.

"I can advise that such a study would meet the needs of the Government and the increments are sufficiently large to give adequate information on the capital and materials requirements for such expansion.

"It is understood that the Committee would not be making any recommendations with respect to a program, and would not pass on the validity of the increments suggested. It is understood, further, that normal expansion may not conform in any respect either as to the size of the increments or as to the geographic areas assumed. However, adequate and dependable information on the basis now requested should give the Government dependable data for use in estimating the capital and materials requirements for major expansions if required.

"I therefore request that the Committee on Capital and Materials Requirements for Increasing Availability of Petroleum Products proceed with its study on the basis outlined above and report thereon with such recommendations as may be deemed appropriate.

"Sincerely yours,

"H. A. Stewart, Acting Director."

That letter, in accordance with our procedure laid down in our Articles of Organization, was referred to the Agenda Committee for emergency action, and the members of the Agenda Committee were consulted upon the question of whether it should be recommended to the Council that a report be prepared in the terms suggested in Mr. Stewart's letter. The members of the Agenda Committee were unanimously in favor of taking such action. That was reported by me to Mr. Hallanan in a letter of June 8, copy of which is attached.

Then yesterday the Agenda Committee met and passed the following report:

"Under date of May 28, 1951, Mr. H. A. Stewart, Acting Director of the Oil and Gas Division of the Department of the Interior, addressed a letter (copy of which is hereto attached) to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, which is a revision of the request contained in his previous letter dated January 29, 1951, in which he requested that the Council make a study of the capital and materials requirements for increasing availability of petroleum products.

"Under the emergency provision of the articles of organization of the National Petroleum Council, Mr. A. Jacobson, Chairman of the Agenda Committee consulted the members of the Agenda Committee by telegraph and received their unanimous reply to the effect that the Agenda Committee recommend to the Council through its Chairman that the 'Million Barrel Committee'

proceed with the preparation of its report in accordance with the terms of Mr. Stewart's letter dated June 8, 1951. Chairman Hallanan was notified by letter dated June 8, 1951 (copy of which is hereto attached). The Committee is to report to the Council the results of its study as soon as possible.

"Respectfully submitted,

"A. Jacobsen, Chairman

Agenda Committee of the

National Petroleum Council

"Attachments"

I move the adoption of this report.

CHAIRMAN HALLANAN: You have heard the report of Mr. Jacobsen as Chairman of the Agenda Committee. He moved the report be adopted. Is there a second?

MR. MAJEWSKI: Second.

CHAIRMAN HALLANAN: Any comment?

All in favor say "Aye". Contrary "No". The report is unanimously adopted.

Gentlemen, I am expecting the Secretary of the Interior to arrive around 10:15, and I think before proceeding further with our agenda I shall wait a moment or two with the idea he will be with us before very long.

(After a short pause, Secretary Chapman entered the room, being greeted by a standing ovation.)

CHAIRMAN HALLANAN: Gentlemen of the Council, since our last

meeting here we have received from the Secretary of the Interior and the Petroleum Administrator for Defense, Mr. Chapman, what I consider a new birth of freedom for this Council. It is in the form of a directive that tells this Council that the Government of the United States desires that it carry on in the future as it has in the past.

I know that this directive was not brought forth without some real determined effort, and as Chairman of the Council, this morning I desire to repeat what I said to Secretary Chapman in a letter of June 8th in acknowledging this directive -- that I am certain that I bespeak for the whole membership of the Council and for the petroleum industry our grateful appreciation of your sincere and determined efforts to maintain the integrity of the National Petroleum Council.

Now, Mr. Secretary, I know that in doing what you did, and in going as far as you did in your efforts to preserve the Council and to continue its cooperative relationship with the Government as representatives of the petroleum industry, that you were prompted by a sincere conviction that this Council served as a useful vehicle for the public welfare of all the people of this country, and I think it is interesting to all of us to realize that since this Council was established in 1946 it has received from the Secretary of the Interior and the Director of the Oil and Gas Division 65 requests for the appointment of committees to make formal and thorough studies

of problems relating to the oil and gas business.

Growing out of these requests 202 committees and subcommittees have been appointed; 2,036 separate appointments have been made. These appointments represent 899 separate individuals, of whom 91 are currently active members of the Council, 67 are inactive or deceased Council members, and 741 are non-Council members, but those who have been called to cooperate because of their special knowledge of some of the problems we have been called upon to deal with.

There are 462 individuals now serving on active committees of the Council, of whom 81 are active Council members, 13 inactive Council members, and 368 non-Council members.

The Council has completed and presented to your department 93 different reports dealing with all and many phases of the petroleum industry upon which you have sought the advice of this Council. And at the present time at your request this Council is engaged in 13 active studies of petroleum products.

That is the record which we have made in cooperation with you, Mr. Secretary, and I want to express our great feeling of satisfaction that in your efforts to protect the integrity of this Council as an independent industry group you have been prompted by a feeling that we have served a useful public purpose.

I am glad to have you here this morning. I know there are others who want to express their appreciation for what you have

done in bringing this great team together and carrying on this work.

Mr. Majewski.

MR. MAJEWSKI: Mr. Chairman and Mr. Secretary:

We humans are quick to criticize the shortcomings particularly of our public officials. We are slow to give credit. We are prone sometimes to forget to give credit where credit is due.

I consider this opportunity a real privilege and a personal honor to tell you, Mr. Secretary and my fellow colleagues here assembled, that your service rendered in continuing the functions of this Government-industry team, which is called the National Petroleum Council, on the same basis that it has heretofore been functioning is really something to be proud of.

I am one of these fellows from the Midwest who appreciates that you have some skullduggery contend with in Government. I am the much maligned member of the School Board of the City of Chicago. They bitch about me every time I come up for appointment, but I am reappointed every five years in spite of the do-gooders in our great city. So I understand what you have to contend with in working out a thing of this kind, particularly when on the statute books are certain things that ambitious fellows, politicians, most of them, want to say that, "Oh yes, Oscar is falling into a great trap. Those greasy oil guys want to get him by the 'yengyang' and take him across the horizon."

That is a courage, Mr. Secretary, to keep this thing going and I will tell you why it is a courage.

These men represent a certain phase of this great industry. But out in the field when you wrote your letter, when you issued that directive, it was widely acclaimed, and I wish you could hear what I have heard over the past three weeks going about the country getting ready to go into business for myself. Thank God! That's the only way I can beat the Government out of the just taxes that are due them. (Laughter)

Now you did another thing that I want to pay you tribute before my fellow colleagues. Your masterful presentation on the question of steel for the oil and gas industry before the Senate Interior and Insular Affairs Committee should be read by everyone here. An oil man who is interested in the welfare of his country or a man in public service could not do better, not even in the tradition of Harold Ickes who was so widely acclaimed for the job he did with us in the past late war.

I am glad you appointed me to this Council. I am glad to serve a guy like you, because you are a real American, and I am going to continue to praise and work for you and with you because you are doing a real job in the interests of the people.

And not to foreclose anybody in this room -- I think this is a good time to get up. I want to be a cheer leader. Get up

and give him a hell of a big hand for a job well done for the American people.

(A rising ovation.)

CHAIRMAN HALLANAN: Major Hardey.

MR. HARDEY: Mr. Chairman, I would like to add my bit to Barney. I have been a member of this Council since its inception. I have enjoyed attending these meetings and working on its committees. Not in common with Barney, however, I don't very often get to my feet in this Council and make any remarks, but I feel impelled this morning to supplement Barney's remarks.

I can't remember of any meeting I ever attended of this Council that I have returned from that I didn't feel that some good had been accomplished. However, three months ago we came here with the dual purpose of listening to the President and some of his staff on some problems that he had. Our meeting was held under the sponsorship of the Secretary, and at the same time we attended a meeting of this Council. But the day previous to this dual meeting, a group of us, meeting up in the National Petroleum Council offices informally before the Agenda Committee meeting, were informed of what had transpired on the cabinet level about an interpretation of the functions of our committees and the functions of this Council itself. I then and there foresaw the end of the proper working of this Council. I knew that a good many of my colleagues felt the way I did. I was ready for a resignation,

Mr. Chairman, when, as and if this interpretation prevailed, because I didn't feel this Council could properly function, and I didn't feel its committees could properly work under improper leadership or incapable leadership. I could not foresee these committees and this Council headed by career men in Government who didn't know our problems as we think we know them.

But we were told by Major Parten and Howard Marshall there was a silver lining on the horizon, that the Secretary had promised to go over and appeal on the cabinet level for a re-interpretation of this regulation.

In common with Barney's thinking, I feel I am impelled today to enter into the record my personal observation on the high statesmanship, the tenacity of purpose, and the real guts displayed by the Secretary in trying to continue this as it had been in the past, and I here now, Mr. Secretary, say to you that having served under three secretaries previously, during the war and since that time, I would like to personally comment to you on the courage that you displayed in carrying this on on the level that you did.

I feel again now that we are embarking into a new area of accomplishment. I think that you didn't do us personally a favor, but I do think you did your Government and the industry which we represent, and the public interest a favor in doing what you did, sir. (Applause)

CHAIRMAN HALLANAN: Mr. Jacobsen.

MR. JACOBSEN: There are many things I had intended to say, but Barney first and then Major Hardey said everything I was going to say and said it much better. So there is only one phase of it I would like to discuss and one thing that I admired in the Secretary's attitude and action in this whole business. And that is that he did not compromise anywhere along the line.

I realize how difficult it must be for a man in the Secretary's position to stick to his guns when that involves getting into a scrap with his fellow members in the President's Cabinet. And the temptation that would have made any weaker man take a shorter cut by means of a compromise must have been present every step of the road you traveled -- well, how about finding some way of doing that which will look all right? How about doing this? It will be just about the same. Couldn't we do it this way? Couldn't we fix it up in some such manner that it will appear to be in the interest of the Council? And couldn't we do this and that? The temptation all along the line to give in to a short-cut and to save face must have been ever present.

One thing that I admired is the way you stuck to your guns the whole way through and did not accept compromise anywhere along the line.

While we are handing out bouquets, I want to again just supplement what Barney said, namely, we very greatly appreciate

your efforts to get us the steel that we need. And, incidentally, in connection with getting steel you displayed exactly the same spirit -- not compromise. You simply put it right down on the line and said, "No steel, no gasoline", and that is something that people can understand.

I particularly admire, as I just said, your spirit of non-compromise. You decided what would be the right course to pursue for the best of the country and you stuck to that without any deviation at all, and it takes a real man to do that.

(Applause)

CHAIRMAN HALLANAN: Mr. Wescoat.

MR. WESCOAT: Most of us are old enough to remember the 10-20-30 vaudeville shows where they always put on the acrobat at the close of the show in order to clear the house. I occupy that position this morning. (Laughter)

I would like to personally express my appreciation, not only for your directive which permits us to go ahead within the framework of the outline which you have established, but I more than appreciate the initials at the bottom where it says approved by the Attorney General. (Laughter)

I was not an indictee in Madison, but I was a witness for both the Government and for the defendant, which is a most unusual circumstance. I spent some four months up there trying to, with many others, convince the Court that after all we were not criminals in any sense of the word, we were just country

boys who had come to town, and we still had between our toes that universal remedy which is used on the farm for various purposes including skin diseases.

What you have done here, as these other gentlemen who have preceded me have said, has made possible a continuation of a working arrangement which historically, in my judgment, has been of great value to the industry, to the public as a whole. There is continuation, as has been said, I think will result in further benefits.

Your intestinal fortitude in doing this job for us will long be remembered, and I think it will pay off to you and to the public very large dividends. (Applause)

Porter
CHAIRMAN HALLANAN: Mr. Porter.

aley
1 (5)
s. km

MR. PORTER: Mr. Chairman, Mr. Secretary: I don't like to take Lee's acrobatic position away from him, but I do want to say a few words and express my personal appreciation and also that of a great many people who have been very much interested in the particular letter we have been discussing.

I live down in the Southwest, and while I spend a lot of time in New York, I go down there under the least provocation. And the people have been disturbed about the status of the Council and also about the PAD.

They wondered about -- some of them, as you know, were unhappy about pipe, and I have taken the time and put in the effort in telling them about the Council, telling them about the PAD, how you staffed it with top men of the industry. I am therefore particularly happy and was particularly happy when you reached your accomplishment with the Attorney General.

And to repeat a little bit -- why, your appearance the other day before the committee, your determination to present the industry's position, was greatly appreciated.

And for the benefit of some of these stalwart marketeers, such as Mr. Majewski, Mr. Marshall, I want to tell you, Mr. Chairman, that a couple of months ago we received the Secretary's acceptance to speak under the big tent at the API meeting in November. I hope you will all be present at that time. It was certainly a fine thing for him to do. I know he is busy. He has accepted other speaking engagements. But

ao 2 it just shows his interest and his desire to be helpful to the industry and to his country.

(Applause.)

CHAIRMAN HALLANAN: Mr. Warren.

MR. J. ED. WARREN: Mr. Secretary, I am the President of a trade association of oil and gas producers. We have in our membership a great number of very small men in the business. We feel that your action here will give us an opportunity of a voice that is very much needed in this defense effort, and I want to express our appreciation.

I want to go a little further on the PAD. One of our chief problems, as you know, is steel casing. The steel pipe situation has brought up a competitive demand for pipe. Everybody's idea of equity in the oil business is just you have a good, fair advantage.

(Laughter.)

MR. J. ED. WARREN: ^{TD} But I have never heard any complaint that this thing wasn't handled fairly for the little man as well as the large man, although they have never quite agreed on the methods of allocation, at times, of pipe.

We have a deep conviction that the industry and the progress of it depends on the ability of the industry. I think that you have that same feeling, and you have expressed it here, and I just wanted to give you an expression from our group.

Thank you.

SECRETARY CHAPMAN: Thank you.

(Applause.)

CHAIRMAN HALLANAN: Admiral Biggs.

ADMIRAL BIGGS: Mr. Chairman and Mr. Secretary, I would like to add a few tickets and flowers to this accolade.

Actually, of course, personally I have several things to hold against the Secretary -- one in particular, because I don't know but there is somebody else who has got a sea job that I might have got.

(Laughter.)

ADMIRAL BIGGS: From the Department of Defense standpoint we were just as nervous as you people were about the National Petroleum Council, and there is one thing certain, that as far as the Secretary, the PAD, and the National Petroleum Council are concerned, that you are the people who have succeeded in keeping us in out of the wet, literally and figuratively.

We have a member on the Program Adjustment Committee who, by the help of the Department of Interior and certain assistants, have been pretty carefully educated in this business concerning such items as steel, copper and aluminum, and other items.

So I would just like to add that on the Department of Defense side of this picture, Mr. Secretary, we thank you.

(Applause.)

CHAIRMAN HALLANAN: The Chair desires to recognize at

ao 4 this time the dean of this Council, Judge Warwick Downing.

(6) MR. DOWNING: Mr. Chairman, Mr. Secretary:

Ever since I have been connected with the oil industry I have been known as Judge, but this is the first time it was Dean. Thank you, Mr. Hallanan.

Why, all of us who have known Mr. Chapman couldn't expect him to do anything less than he has done, namely, a marvelous job. He comes from the West. He is our kind of people. He, by the way, comes from Denver, and don't forget it --

(Laughter.)

MR. DOWNING: -- where, with one exception, some mighty fine people grow.

In addition to that, Mr. Chapman took occasion to hold out to Mr. Warren of the IPAA, and not a great while ago, a statement of a voluntary nature, to the effect that he was going to help the independent who often needs help, and I think that is very much to his credit.

But really what I want to say is this: I think there is sort of a tinge here that what Mr. Chapman has done is for us. That isn't quite it. What Mr. Chapman has done is done for his country, for what is best, for what is right, and we in turn owe him that same spirit. In other words, in all that takes place here, or does take place, we should so far as possible -- not so far as possible, but follow that standard he has set and do that which is best for our country in this

to 5 time of great emergency.

(Applause.)

MR. HARDEY: Mr. Chairman, I don't like for Judge Downing to claim all the credit of the citizenship and everything for the Secretary. The Secretary married a Shreveport girl, and I have the feeling if the Secretary had lived down there with his wife in Shreveport he might have even voted the States Rights ticket last time.

(Laughter.)

CHAIRMAN HALLANAN: Mr. Secretary, it is your time.

SECRETARY CHAPMAN: You know I would be less than human if I didn't tell you that I have really enjoyed this. But I want to be frank with you and be perfectly honest about our approach to these problems, and I want to say to you first:

I had a very deep conviction and I had made a very deep decision in my mind when the Defense Mobilization Program was first outlined and developed, and that decision was that the oil industry was one of the essential industries of America if we intended to accomplish the objectives of our partial mobilization, and I mean essential in its fullest sense. That is what I meant. I really believe it, and I was sincere about it.

I agree with the gentleman who has spoken before, in the part in which he said I have not done you necessarily a favor, I have done the thing that I thought was to the best interest:

so 6 of the country. I honestly believe that this is an essential industry and without its successful operation we will not accomplish our goals, we cannot keep our schedules. I feel that we must do that if we are going to defend ourselves and protect ourselves as we all want to and as we will.

Now saying that, the rest of it was not so much a question of intestinal fortitude as it was I had just enough judgment before that decision arrived to get to come with me some awfully good men. When you have men around you like Bruce Brown advising you on a subject that I don't think there is a man in the room who knows any more than he does -- he may know more about some parts of it than he does, but when you put it all together I think Bruce Brown knows as much about the petroleum industry as any man I know. When you got men like that around and got men like Parton advising you, and riding -- don't forget he does both -- and Howard Marshall and Warwick Downing, you got a cross-section of opinion here, and of advice.

Then, too, if you have confidence in their integrity, and I certainly have, then you can begin to see the course you ought to follow and should follow.

I had made up my mind quite some time ago that this National Council should be retained in its present form as purely an industry council, and I mean an industry council. Many proposals were made to me about how to handle this Council

in order to comply with certain requirements of other departments of the Government.

One of those proposals that was made to me was to the effect that I could employ a WOC man and make him a Government man, and then make him chairman. Now, I said, "Isn't that nice? We can get the public beautifully with that. I can pick out a good man and name him a WOC man as chairman of this Council, and that is all he will have to do, and just be that. Now that will be the Government man."

When I got through ridiculing that proposal I never heard from it any more. It occurs to me that would be perfectly silly if you are attempting to have a purely industry council. And I am sincere when I say to you I wanted the advice of the industry, I wanted that advice, unhampered from any governmental restrictions or imposition on the part of the Government employees whatsoever.

I just can't believe that you would be stupid enough to try to violate the Antitrust law by coming here in the Interior Department and holding your committee meetings right here. If you want to do it, I am sure you will do it somewhere else. And if they catch you they will probably prosecute you, and I am going to help them. You are not that type of people. You are not thinking in that direction.

Now, no one thinks that anybody would be foolish enough to want to come and hold their meetings right here in the

8 Interior Building, in a Government building, in order to violate the law. And you have all got good lawyers, every one of you. You got good lawyers. You know when you are running up against the borderline cases on these antitrust questions. You wouldn't come in here to do that.

You have come here to advise us on how to run an industry in cooperation with the Government's responsibilities in this mobilization period. That is what you have done. I simply want to reciprocate to the extent that the Government will meet its responsibility in cooperation with you, and that I fully intend to do regardless of the consequences whatsoever.

I realize that I have been in government probably longer than the average person politically ought to be. I have been here 18 years in the top echelon of this department. I love the work in this department. I enjoy the field in which I serve. But I would not enjoy it if I had to live with a conscience that I had violated.

(7) I believe what I say to you. I believe what I said to my colleagues -- that you people are trying to do a good job. You are not using this Council as a device to avoid your responsibilities under the antitrust laws. I don't believe you are. Consequently, I am going to see, insofar as I am concerned, that you get the protection and the proper representation insofar as I am capable of giving it, that you are entitled to have from the Government's side of this team.

ao 9

This is teamwork. It is a team job. You cannot do it alone. The Government certainly cannot do it alone. In working together we are going to accomplish the things we are all interested in, the things that Barney Majewski said in that theatre in Los Angeles last November, and we are fighting to protect ourselves against the greatest menace on earth.

It was that speech that moved me stronger than anything I have had for a long time, that we had to move in coordination with each other and in confidence with each other to protect and safeguard the security of this country. In so doing I had determined already that the petroleum industry was one of those industries that had a top priority of essentiality in carrying out the objectives of the Mobilization Act itself. And if we intend to do the things and be protected against the warnings which Barney Majewski made to us last year, we have got to work together as a team and feel a sense of freedom that we are not working under the spotlight of being spied upon, or being guarded, because you are distrusted.

We are working together as a team because we believe in the security of our country. That's why we are doing it.

This will help you probably individually, but that's a secondary problem involved in this. It will help your country. That is the important, primary thing it will do. That is the important thing.

I have had my concern from time to time as to whether the

independents, the smaller operators, would be able to continue operation under the pressures of a defense mobilization program. I have talked to many of you people who operate larger concerns, and I have talked to many of the independent people, and I know their concern.

I also realize from the experience of the past that when you hit an emergency and a crisis it is usually the little man that is crushed out first. That seems to be the law of nature. But what we are attempting to do is to protect that little man insofar as we can, consistent with protecting the security of our country. That we will do. And we need to protect the little independents. They are your best assets. I know that you feel that as I do.

I appreciate what you have said this morning, but I want to warn you the fight is not entirely won. We have some rough road still ahead of us. We have some things to do yet, for what we have done can be undone.

I don't intend to let it be undone if I can help it, but we need to do a lot more than we have done to protect what we have done. We have made one accomplishment here that we are all proud of -- proud of the fact that we have been recognized in a status that we wanted.

Now, having been given that recognition, we still have other problems facing us that we have got to solve yet. We still have other conferences with the Attorney General, who has

the responsibility, gentlemen, for determining whether we are imposing and whether we are carrying too much emphasis on the violation of the antitrust laws under this Defense Mobilization program.

He has a serious responsibility. I would not for one moment be guilty of trying to belittle that responsibility. It is a serious one that he has. But we have more conferences that we will have to have with him concerning some more committees that we will need. We have more committees that I believe will be necessary to be set up before we are through. We may get what we want, or we may not. I am going to try to get the thing that I think and my advisers think will really work. That is what I want -- a thing that will work.

But when I get through with it, you don't often get initials on one like that (indicating) and get to approve your own paper. I am going to have it on the next one if I can.

Now, some of you have had dealings with these programs before and may or may not realize that is a very unusual signature on that document, because that is my own memorandum as written, and to have the approval of the Attorney General on it, I am very proud of it, naturally so, and by the same token we are not going to let him down. We are going to support the Attorney General's position and support him in his confidence that he believed we were going to do what we said we were going to do in this memorandum. That is what we are

going to do. We are going to follow it through.

But we have some more conferences to be held, gentlemen. We still have got to convince them of one or two more positions, particularly in regards to some more advisory councils and committees that we need to set up. That we will attempt to do.

But I am going to go back one step further to repeat what one of the gentlemen said a moment ago about the steel. Now, he said to you that I took all the credit, I am not taking credit for all the things you said here this morning. I take only one credit to myself. That is the fact that I did have the good sense to try to help get men around me like Bruce Brown to help advise me on these things and help work on them and carry them out, and he works day and night to carry them out.

For that I take some credit. The rest of it flows in a normal line of business.

But when I said to you that I had made a determination in my mind a long time ago of the essentiality of the oil industry, it was no problem for me to go before a Senate committee to say that you had to have so much steel to carry out your responsibility. And it is just as simple as we stated it. If you don't get steel, you are not going to meet your schedules, you are not going to meet the requirements that the military people are presenting to us. We cannot, Admiral, if we don't get it. You understand that better than most people

in your profession. We have got to have the steel to meet our requirements and meet our obligations.

You are being put under obligations in the public eye every day. I know some decisions we make will not be popular. I have long since said that I didn't become Secretary of the Interior in order to enter a popularity contest. But I do want to close my career as a good administrator for the benefit of the people, and if that can be done, I will be happy to close with that chapter.

But in regard to your steel, we have got to do more work in convincing other officials that we must have steel for the oil and gas industry in order to meet the obligations that are imposed upon you by the demands in this country caused from the Defense Mobilization Program. I intend to do everything within my power to present your case to the people, the Congress, in the Senate and the House, and to the other administrative officials of the Government, to see that they will eventually agree with us that we have got to have it. And if they don't, I intend to see that the public knows who is responsible. I am not going to leave the oil industry and myself holding the sack alone. If we don't get it, I want the public to know why we didn't get it and who is responsible.

(Applause.)

SECRETARY CHAPMAN: I know that these gentlemen have very serious responsibilities to carry out in their own positions

in government, and I would not for one moment impose upon them by trying to say that my position is the only right position and what you are determining here is absolutely wrong. But it is certainly an obligation on my part to present with all the force at my command what I believe, and sincerely believe, is the right position in regards to the requirements of this industry.

I do not believe that we have had a padded report which we have given the other officials of the administrative part of this government. I believe that has been an honest report. And believing that, I intend to fight for it to the bitter end.

I intend to see that we get everything we can out of it for the benefit of the whole country, and I believe in the end we are not going to get everything we want but we are going to get most of it. I think we are going to get as much of it as any other industry is going to get.

I probably should not refer to this here, but I am going to tell you that we had a problem with the power industry. The power industry was out back -- I thought too severely. I made an appeal from the decision of the original administrator in the case to Mr. Charley Wilson, who agreed with me that the outback was too severe if we intended to keep the schedule.

Now, I believe the power industry is on an equal par with this industry, and I make the same fight for them regardless of our difference of opinion between public and private power.

ao 15

I am talking about the industry. And I make the same fight for them -- we need the support of the power industry of this country, and I made the same fight for them and to the extent that they reversed their order and restored the cuts that they had made. Practically 90 per cent of the cut was restored to them. And I did it in all sincerity because I believe that industry is just as vital as any other in carrying out the obligations or the responsibilities of the mobilization program that we have placed before us.

In doing that I want to assure you it doesn't take so much courage as it does a lot of hard work to gather your facts and to be certain that you are right, and to be certain that you got your information correctly, and then go forward with it. And I want to say I have never worked with a group that have come up with information to me that have had to be reversed by later information changing the facts -- I have never worked with an organization or an industry that had to change its position less than you people. Because your Petroleum Administration for Defense have gathered their facts carefully and cautiously and have delivered them properly.

Now, please don't misunderstand me. I am in support 100 per cent of the Attorney General of the United States and his responsibility in carrying out the obligations of his office with regard to the antitrust laws of this country, but I am just as firmly convinced that this industry must have the steel

and a free hand to give us a purely industry advice, and I do not want it hampered by a Government employee as chairman of this Council.

Thank you, gentlemen.

(Applause.)

SECRETARY CHAPMAN: Gentlemen, would you just pardon me for coming back for that encore. I have Mr. Rose here from Casper, Wyoming. Many of you people in this business know him. He was just sworn in as Assistant Secretary of Interior. His assignment will be the Bureau of Mines and Geological Survey. I am happy to introduce him to you here this morning, and I want you to know him because in the future you are going to have a lot of dealings with him in the departmental programs, and I want you to know Mr. Rose.

(Applause.)

MR. ROSE: Mr. Secretary, as you mentioned, I was sworn in only yesterday to my new job. I think all of you realize here, who are from the oil industry, what a large department and bureaus that I have under me. I am going to be too wise to make any remarks pertinent to anything, except to say thank you.

(Applause.)

CHAIRMAN HALLANAN: Gentlemen, when this Council was originally organized its purpose was set forth in the following preamble:

ao 17

"The purpose of the National Petroleum Council is to advise or inform the Secretary of the Interior or the Director of the Oil and Gas Division with respect to any matter relating to petroleum or the petroleum industry submitted to it by or approved by the Secretary or Director."

In the directive of Secretary Chapman of June the 4th he brought in the scope of the Council's advisory functions in the following language:

"The Council shall act solely and exclusively in advisory capacity to me, both as Secretary of Interior and Petroleum Administrator for Defense, and to my representatives in the Department of the Interior and in the Petroleum Administration for Defense."

Now, last year we appointed a special committee to consider any matters necessary for any change of the Council's articles of organization. That committee was composed of Mr. Hines Baker as chairman, Mr. Russel Brown, Major Cosgrove, C. L. Harding, Mr. George Kegler, Mr. J. Howard Marshall, Major J. R. Parten, and that committee's report which was presented to the Council at our meeting on December 5, 1950, seemed to contemplate the very thing that has now happened under this directive.

It is now proposed that an amendment be submitted to our Articles of Organization, and under that procedure the amendment

so 18 will be considered and voted on at the next meeting of the Council.

In the meantime, I desire to recognize Mr. Baker, as chairman of the committee, to present the proposed amendment.

MR. BAKER: Mr. Chairman, in the report to which you referred the committee suggested appropriate language to authorize the Council to consider questions submitted not only by the Secretary of the Interior and the Director of the Oil and Gas Division but also by the Administrator, the Deputy Administrator. And that report was approved by the Council on December 5.

I would like to offer for a vote at the next meeting, for consideration at the next meeting, that the Articles of Organization of the National Petroleum Council be amended by adding at the end of numbered Paragraph 1 of the present Articles of Organization a new paragraph reading as follows: -- that would be right at the end of what Mr. Hallanan has just read.

"During the existence of the Petroleum Administration for Defense the National Petroleum Council shall have as an additional purpose to advise or inform the Administrator or Deputy Administrator of the Petroleum Administration for Defense with respect to any matters relating to petroleum or the petroleum industry submitted to it by or approved by the Petroleum Administrator for Defense or the Deputy Administrator."

I move the adoption.

CHAIRMAN HALLANAN: You submit that as an amendment?

MR. BAKER: Yes.

MR. MAJEWSKI: Second the motion.

CHAIRMAN HALLANAN: You have heard the proposal. There will be no formal action except the submission of it as an amendment to be voted on at the next meeting of the Council.

Gentlemen, I think there is a universal appreciation of the tremendous job that has been done in the defense mobilization effort by Mr. Bruce Brown and the organization that he has effected of the Petroleum Administration. I know that he has brought together, as expressed by Secretary Chapman, a group of men who have the complete confidence of the industry and who have come here to serve at great sacrifice personally.

Bruce Brown has given of his time and effort in a way that entitles him to the admiration of everybody. He has done a herculean task in perfecting the organization that has been assembled here and which has gotten down to the many basic problems that confront this mobilization effort.

I am glad to hear the Secretary express his high respect and his complete confidence in Bruce Brown's ability to do this job and what he was doing.

And, Bruce, we are all here anxious to do everything to lighten your burden, to make your job more successful than ever, and we realize that you have responded at a time and have assumed duties that were a tremendous job for anyone to contemplate.

ley(9)
dsml
S ao

m2 I know we would be very glad to hear you review all of the things that you have felt necessary to bring to our attention here at this time.

MR. BRUCE K. BROWN: Thank you, Mr. Chairman.

The staff of the Petroleum Administration for Defense is a reflection of the industry and certainly not a reflection on the industry.

I have gotten from Secretary Chapman this morning and from your chairman far too much credit, because to the extent that that operation has been successful, it has been the work of the assistant deputies and the division directors and the 250 people who are working with 55 square feet per person, without air conditioning, on Saturdays and Sundays and night shifts. The Production Division is over in a ballroom in a housing development in Arlington. It is the people that you have let me have that have done the work.

I hope sometime perhaps we can spend a little time in the Council talking about those people. I don't think we are prepared for it today. I think it is regrettable that we are not.

You will see some new faces here, new to some of you. Mr. Stuart tells me that there are few, if any, intruders in this meeting. This is a very large and packed room, but the people who are here are all without exception supposed to be here. In addition to the Council members and alternates we have some

dsm3
representatives of Congressional committees, some officials of the Interior Department, and quite a few of our P.A.D. people.

I am not going to introduce any of them, but since the Council meets only every three months I do want to review some of the personnel shifts that have gone on.

In our Production Division Millard Neptune, after serving about six months as Assistant Director, left to become President of the Platte Pipe Line Company, and Don Ties has succeeded him as Assistant Director of the Division.

In the Refining Division there have been no changes, and Tom Apjohn and his gang of aviation people have been here so long they are growing beards, and our Director of Refining, Mr. Reid Brazell who has been a tower of strength to us. Personally I am glad an independent refiner handled the tetra ethyl lead order instead of me. Mr. Brazell must leave soon and probably this is the last meeting that he will be with you as a bureaucrat. I suppose the next meeting he will be with you as a member of the Council again.

I am very happy to say we have persuaded Mr. Eugene Davis and the Shell Oil Company, and Gene has come down here and started to get his feet wet with Reid, and will take over about the first of September as the Director of the Refining Division.

In the Supply and Transportation Division Gene Hedges came here and worked some months with very little help except that that was given him by Mr. Boice who was already here, and

dsml4
 accomplished a very great many things. I am proud of the fact that PAD was able to keep its promise. We intend to keep them. We asked for Dene for six months, and at the end of six months Dene left. We got George Wilson, who is a veteran of the PAW and a member of the Military Petroleum Advisory Board here to take Dene's job, and we are happy about that.

Bill Hayes, who is Director of the Transportation Division, is here with us, and we have been fortunate in getting Mr. Hunter of Gulf to take over as the Assistant Director in Charge of Supply, and this fall and winter, gentlemen, I think it is going to be quite an active office.

In the Natural Gas Production and Processing Division, Charlie Webber worked so hard in the Material Division we promoted him. We had always intended to ask him to be Director of the Natural Gas and Processing Division anyway when we got an office, and Charlie became Director of that Division. I don't know whether Charlie will be here in that capacity at the time of the next Council meeting or not, but he at least promised me to stay here until we got a successor for him. So that is an impending change.

10) In our Materials Division we persuaded Mr. Watts of Humble Oil Company he should come here for six months. We were not able to discharge our promise and are very regretful of it, but the Material Division has taken about three months longer to develop than we hoped, with the CMP program coming in only the

3m5 first of October. So Frank has had to stay on here a good deal like reservists, when the Congress or the President decides, and when they think they are about to get out they find they have to spend another year in the service.

Frank, we are going to let out as soon as we can. It is supposed to be the first of October. And I am happy to say that Dick Morrison, who has been General Purchasing Agent for the Texas Company, is already on the job as the Deputy Director of the Materials Division and is learning the business from Frank and will take over when Frank retires.

Charlie Reichert has been a great strength to us. He was all through World War II in the oil tubular goods, director of FWA Materials. He came here very early in the proceedings, and Charlie is leaving soon.

We have not yet established the Distribution and Marketing Division, but I am happy to say I have got an office now for the Distribution and Marketing Division. It is an office that has got about 210 square feet, and one window, and normally we would have four or five people in such an office. But it's a vacant office. For the minute we have nothing there but a desk for the Director and a desk for his secretary, and when we get a Director and he gets a couple of people in we will be down to 55 square feet per person in that division too.

I am determined to get an independent marketer to be Director of the Distribution and Marketing Division. In the

oil industry there are more independents in the marketing end of the business than any other. The next most large group is in the Production Division. Thank God we have got a very fine man heading that division who isn't insisting on leaving before the next Council meeting. He is an independent. If he wears out we are going to get another. I hope to keep an independent on both ends of the system, both ends of the team, on production and distribution and marketing.

I would like to just talk informally about the structure of the Council. It is so hard to cover all these things by letters.

After discussing the matter of Council appointments with the Secretary, Mr. Hallanan and Mr. Stuart, it was concluded that we would not attempt to appoint a new Council until the end of the year. There was a question as to whether we should not appoint one the middle of the year now that we got whatever it is, a reprieve, but since the Council was set up and functioning and the dues have been collected, the people were used to coming, we don't have in mind reconstructing the Council until the end of the year. Then we will have a record where for one 2-year period the same Council has served. We will start over again as of January 1, 1952.

I am perfectly conscious of the fact that I wasn't here when Mr. Jacobsen reported. I know there was no questions asked of the Council this time. That does not represent any diminution

m7
of interest in having the Council work. It doesn't represent any lack of questions. The reason why we didn't ask any questions on the 24th of July is somewhat related to the topic the Secretary discussed at length before you. Soon after the first of August we can get plenty of work for the Council to do, I hope.

I am going to say just one more thing at the moment. I may think of some more conversation when the staff reports. But I do want to go very lightly over a topic of contention and great interest. I am not presenting it to the Council for its consideration, I am merely standing up in front of you and talking to you.

In the gas branch of the business we are expecting a great deal of difficulty this winter because we were not able to get a large pipe allocation in the third quarter, only 59 percent of the amount estimated that was actually needed to carry on and continue the construction of essential gas pipe line. I am not talking about new lines or new financing or new ideas, I am talking about finishing up lines that were under construction.

As a result of the inability to get pipe, we are anticipating shortages of gas in various areas during the winter. The degree of the shortage will depend partly on the weather and partly on defense plant load.

So, as you all know, we have under consideration in the gas branch the idea of issuing a limitation order. I am not

n8 going to discuss the details of it here except merely to say we got some very bad publicity on it, and the order we had in mind was not within a thousand miles of the first press report.

We thought, however, and I still think in certain areas it will be prudent to prevent the addition of too much bulk load on the gas transmission lines. I don't personally see how anybody can do anything about it except the gas branch because they know what the defense plant load is and are most apt to know which lines are going to be loaded.

We have had a series of hearings or meetings. We met first with a group of about 22 representatives of the gas companies, who will be on the firing line, that is the distributors of gas, to which the order, if issued, would apply. We met in a meeting as large as this but considerably more vocal with representatives of all the gas appliance manufacturers, and if anybody wants to know what has become of small business in this country, I am the guy who can tell you. They are all in the business of making gas furnaces. They each have an inventory of a quarter of a million dollars, about 3,000 of them. That is where some of this money is we keep worrying about.

(11) We have met with the representatives of the State regulatory bodies in the States which might be affected by this order, which included very few Western States.

We met yesterday with the Gas Industry Advisory Council. There is some infiltration. There are some members of this

79 Council who are members of the Gas Council and vice versa.

We have been asked by a number of representative oil and gas producers to have another meeting where we can hear what the gas and oil producers think about this order. I responded by telegram to those people who had approached me directly, saying that we would be happy to oblige and have a hearing but that we couldn't have it today. I had in mind that with only 91 people on the Council that we would gain little by discussing this limitation order with gas and oil producers, that the only way to achieve the result was to announce a hearing in advance and invite everybody that wanted to come to come to it.

In order to do that we would have to announce it four or five days in advance to give people an opportunity to come to Washington.

Now Saturday night, or Saturday morning at about 1:11 a.m. the House of Representatives of the United States passed its version of the Defense Production Act, which contains for our special benefit a paragraph which would prevent us from applying any restrictions.

I know no way of knowing what will happen in the conference between the Senate and the House, but I don't want to be in the silly position of inviting a bunch of oil and gas producers to come here next Monday to discuss and tell us what they think about an order when by that time the President may have signed the bill which makes such an order illegal. I have no way of

10 knowing when the conferees will finish, I have no way of knowing when the President will sign the bill. I am pretty sure he will have to sign whatever they give him. So we will have to delay any hearings of the oil and gas people on this gas limitation order until we find out what Congress is going to do.

I think that is all I have, Mr. Chairman. Thank you very much.

(Applause.)

CHAIRMAN HALLANAN: Gentlemen, one of the interesting points in these meetings is to have an up-to-date report on the military situation, which we always have from Rear Admiral Biggs, who is Executive Secretary of the Munitions Board, the Petroleum Division.

In the light of the world situation, Admiral Biggs, we would be very delighted if you would present your report at this time.

ADMIRAL BIGGS: Mr. Chairman and gentlemen:

I told you at the last meeting, I believe, I had two or three titles. You can use either one you want, and some of those you gentlemen use, why, use them among yourselves.

(Laughter.)

Our situation at the moment hinges on several things. The primary shortage that we have -- some day I hope I will quit using that word -- is in the coverage for our Navy special fuel oil supplies. At the present moment, for the next six months

dsml1

we are approximately 50 percent covered. I won't burden you with a lot of figures. They have been delivered to Bruce Brown and the boys, and we will work that out by the usual arm-twisting method.

The loss of the Abadan production of aviation gasoline has put us in a bit of a flap. There is only one thing I have to say about that. If you read the Chicago Journal of Commerce of yesterday, I believe, it ain't so.

MR. BRUCE K. BROWN: New York Journal of Commerce.

ADMIRAL BIGGS: New York Journal of Commerce. Well, at any rate, it was stated therein that the Defense Department was going to take on the proposition of taking care of some 18,000 barrels a day of aviation gasoline supplies to the world at large. Now my name isn't Kim. I am not the little friend of all the world. And I called up certain people and told them that was a maneuver of pressure tactics to get the Defense Department to bail out the earth on this aviation gasoline proposition.

In the first place it was impossible, and in the second place, that was the surest way in the world to get me personally to join His Majesty's loyal opposition.

So for what it is worth -- I don't know where that statement came from, but I know where it is going.

(Laughter.)

Recently we had a little difficulty in certain areas about

sml2 sulphuric acid. That we have always with us. There is vitalic about this oil business it seems at all times. But the present situation was that the boys woke up in the cold gray dawn and discovered because a copper plant had a strike we suddenly found ourselves short of sulphuric acid to make aviation gasoline in certain areas. I found that out at 7:00 o'clock on Thursday night. I got run over by a couple of trucks on Monday morning, and certain of my bosses were busy having a meeting, and I wound up in Secretary Rosenberg's office doing a bit of industrial relations.

Now one of the things that would help PAD and would help me, too, is that if your production is threatened in any particular area, we have kicking around the house in most areas what is know as a regional council under the aegis of the Secretary of Defense and the Munitions Board. These councils include the Procurement Officers and the Inspection Officers in these various areas. If you don't know where they are or who they are, you can get the necessary identification from the Munitions Board. One, Dr. Elliott Cassidy, is the chief of that particular division of the Industrial. They are actually called Procurement Councils so you may not recognize them. They have changed their names a couple of times. So if you want to ask about these regional councils, they are a good point of contact, where if you could alert them to any impending work stoppage which will affect your activities, it can be relayed directly to the

dsml3

Assistant Secretary of Defense, Manpower and Industrial Relations, Mrs. Anna Rosenberg; so that we will know in sufficient time to prevent things getting out of hand.

I think by getting one of our best looking Air Force Colonels and getting him properly dressed up we were able to move certain amounts of sulphuric acid through a picket line. I haven't heard of any riots, so I suppose he got it out as of yesterday. I figured that if by 5:00 o'clock last night the explosion hadn't occurred, why, everything was under control. That's as far as my information goes.

In the matter of the general coverage of our supply we have commitments to cover our aviation gasoline. There is some stress and strain on the combat gasoline still, but the fine print is not appearing at the bottom of the bids any more, as we discussed last time, concerning such minor items as tetra ethyl lead. The only real difficulty we foresee is one which the Petroleum Administration for Defense sees even more acutely, and that's the supply of the heavy fuel. That will hit all of us.

(12)

km

I am still doing business at the same stand until further notice. So that if there is any particular aches and pains that the purchase agency and ourselves can assist, why, that's our business.

I would like to repeat that I am delighted that the National Petroleum Council is remaining in its unalloyed purity

so that we can take our hair down every once in a while and tell each other a few of the more obvious facts of life.

(Applause)

CHAIRMAN HALLANAN: Gentlemen, any questions for Admiral Biggs about the military requirement situation?

ADMIRAL BIGGS: I might remark, in case of the cease-fire business, don't get too excited that the pressure is going off.

CHAIRMAN HALLANAN: Mr. McCollum, may I ask you now to present the report of the committee on oil and gas availability? I think that report has previously been distributed. I think it is in the hands of the members of the Council now.

MR. MC COLLUM: Mr. Chairman and gentlemen:

On December 1st last year Mr. Hugh Stewart of the Oil and Gas Division of the Department of the Interior asked this Council to make a study of present and probable future petroleum productive capacity and availability to the United States, including gas as well as liquid petroleum, foreign as well as domestic sources.

Now the work was divided into three main committees: one which was chairmanned by Mr. Hines Baker, to make a study of the short-range phase of the availability problem for the domestic picture. He set up this work through the appointment of five regional committees paralleling the old PAW districts, which studied oil and gas as well.

A second phase of it was undertaken by Mr. Suman as

km3

chairman of the committee which studied the short-range picture for the foreign end of the business. Both of these were four or five years, 1951 to 1955 inclusive.

The long-range phase was chairmaned by Mr. Max Ball. The two short-range studies are now complete. The long study is largely complete but not fully complete.

The report today is an interim report, and the papers which you have included in the transmittal letter, attached to which is the completed report for Mr. Baker, the short-term domestic report, and the completed return made by Mr. Suman, the short-term form report.

So these papers constitute an interim report. We hope by the next meeting we may submit a finished report on the whole subject.

Now for the sake of presenting with as much clarity as possible the great amount of very valuable information contained in these three reports, I have passed to you three or four sheets, and I think rather than reading my transmittal letter, which all of you I am sure will read later, if you will refer to those figures I can give you a picture of it quickly and concisely.

These figures are taken from the two reports.

One table number 1, title "Availability January 1951," at the top you will see listed crude oil, natural gas liquids and all oils on the lefthand column, but at the top divided by five

districts.

Then next at the right will be a group of columns that shows production, and still further to the right is the reserve capacities. These figures are for January 1951.

So the total availability is 7,300,000 barrels a day of production under MER's, and a production for the same time of 6,465,000 barrels, or a total reserve capacity of 8,035, barrels a day for the United States.

The next figure below under B shows similar information for the foreign areas. That includes the Western Hemisphere ex U.S.A., the Eastern Hemisphere ex the Russian-dominated countries. It shows for the Western Hemisphere 74,000 barrels a day reserve capacity, 70 of which is in Canada, and 131,000 barrels a day for the Eastern Hemisphere, of which 126,000 barrels a day are in the Middle East, totalling for the foreign, 205,000 barrels a day of reserve producing capacity. Adding all together you get a total reserve producing capacity of 1,040,000 barrels a day as of January 1951.

Now on the next page you will see broken down by areas the U.S.A., then the foreign ex U.S.A., and ex Russia, and its satellites, by years -- the next five years, '51 to '55, inclusive, the estimated producing capacity.

Over in the righthand column, as you see these are shown by years in the upper and lower ranges. In other words, the estimates were made, as I mentioned before, in the United

States by the five districts, and they had a lower and upper range. You see it varies at the end of the period from 7,789,000 barrels a day to 8,838,000 barrels a day for the domestic picture.

Below, for the Western and Eastern hemispheres, on the natural gas liquids, at the end of the period it's a low figure of 6,032,000 barrels a day, or a high figure of 7,079,000 barrels a day. Adding the natural gas liquids you wind up in the foreign fields at the end of the five years with 6,092,000 barrels a day in the lower or 7,039,000 barrels a day in the high. If you add the two, the domestic and foreign, this figure isn't on there, but you will get in the lower figure 13,882,000 barrels a day petroleum availability on the lower figure, and 15,977,000 barrels a day on the high figure.

Now if you will turn to the last page, table 4, you will see an estimate of the gas availability. As I mentioned earlier, Mr. Baker's committee in the domestic field studied both oil and gas.

Production in 1950 of gas, United States, in order of 6.9 trillion cubic feet. In 1951 you will see there is an estimated availability of between 8 trillion and 9.5 trillion cubic feet, which at the end of the period we will have roughly between 9.5 trillion cubic feet and 11.8 trillion cubic feet.

The report points out that the estimate of availability of gas is on the conservative side due to the fact that there is anticipated a lack of ample transportation.

Now, turning back to table 3, I would like to point out some things that have occurred historically with respect to availability reports.

In the latter part of 1948 the API completed availability reports for the next five years, 1949 through 1954. Now I might point this out -- that the availability on January 1, 1951, as I stated earlier, was 7,300,000 barrels a day. Now that is 670,000 barrels a day more than was predicted at the end of 1950 by the study made in 1948. Or to make it even more dramatic, the total availability estimated in the higher figure at the end of five years and in the report made in 1948 was 7,320,000 barrels a day, and yet in January 1951 we had an availability of 7,300,000 barrels a day, or just 20,000 barrels a day less than was predicted at the end of 1953 in the study made in 1948, showing, as has been observed before, that historically our estimates become more and more pessimistic as we get further into the future.

I would like to close these remarks by reading from the first page of the transmittal letter.

"Fundamental conditions which will permit the petroleum, oil and gas industry to achieve the records of the estimates which have been made up by the people who have made the studies. These estimates are predicated upon the continuation of a market reflecting changes in supply and demand with which a system of private competitive enterprise will prevail, the

maintenance of conservation practices developed by industry and state agency, and adequate supplies of material and manpower. The estimates further assume that field supplies for drilling and equipping wells will be no more than the levels estimated to be required for 1951 by the National Petroleum Council Committee on Petroleum Industry Steel Requirements, and that present Federal tax provisions and regulations with respect to petroleum production will continue."

Mr. Chairman, I submit the report.

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

Gentlemen, I regard this as one of the most comprehensive and vital reports that this Council has ever received, and I want to express our appreciation, and you will carry on to the next meeting.

MR. MC COLLUM: Yes, sir.

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

MR. ROBERT E. WILSON: I would like to ask with regard to table 4, natural gas, whether that availability assumes the uniform rate of production, or whether that allows for the variations that are almost inevitable between winter and summer demand?

MR. MC COLLUM: This estimate, Mr. Wilson, I assume has no bearing to demand. Is that right, Mr. Baker?

MR. ROBERT E. WILSON: In other words, this is the maximum

you could produce, say, for a month under MER?

MR. MC COLLUM: That is correct, excepting, as I explained, the figures are thought to be and stated to be on the conservative side, that this much minimum will be available.

MR. ROBERT E. WILSON: And how did that compare with the maximum rate of production in last January or February?

MR. MC COLLUM: I can't recite offhand, but production last year averaged 6.9 trillion cubic feet per day.

MR. ROBERT E. WILSON: The maximum peak must have been very close to this.

MR. MC COLLUM: I don't have the figure in mind. Do you have, Mr. Baker?

MR. BAKER: No, I don't.

MR. MC COLLUM: I don't know that figure, Mr. Wilson.

CHAIRMAN HALLANAN: Any other questions?

Thank you very much, Mr. McCollum.

This is an interim report and will be received by the Council pending the receipt of the final report.

MR. HARDEY: It is contemplated that the first part of this report be made available, of course, to the Oil and Gas Division, PAD, for their discretionary use and at the completion of the report the second phase of it be submitted at the next meeting?

CHAIRMAN HALLANAN: Exactly.

MR. MAJEWSKI: I would like to ask what circulation is

going to be made of this information. It is available to this Council, but is it available to the industry as a whole so that they can be benefited from it, and what will be the procedure of release to the industry?

CHAIRMAN HALLANAN: I asked Mr. Brown while Mr. McCollum was presenting the report whether there was any objection upon the part of the Petroleum Administration to the release of this report. He indicated that there was not, as far as the Department was concerned. But I did want to discuss with Mr. McCollum and Mr. Baker later as to whether or not they had any idea that the report should be restricted at this time or whether it should be given out.

MR. BAKER: I think not. I think it should be made available to the industry.

CHAIRMAN HALLANAN: You think it should be?

MR. BAKER: Yes.

MR. MC COLLUM: That subject has been brought up by members that worked on it, and I think, as Mr. Baker will tell you, the various regional committees that made their studies would like to have the studies of other regional committees. In addition to that I don't believe there is a dissenting voice of anyone on the idea of giving distribution of this as widely as you may see fit to do so. In other words, I believe constructive good will come out of the widest dissemination.

CHAIRMAN HALLANAN: My only thought about it was whether

or not there was anything of a military nature here that might be regarded as secret information. But apparently the Department doesn't look upon it in that fashion.

MR. MAJEWSKI: It seems to me like in this cold war you ought to give it to them.

MR. BAKER: Mr. Chairman, there was during the period of this preparation a suggestion that it be not publicized because it had not been approved by the Council. But now that it has been submitted by the Council, we can see no reason why it should not be made fully available.

CHAIRMAN HALLANAN: If that is your pleasure, we will see that it is given wide distribution through the machinery of the Council. I am very happy that is your decision because I think it is a very valuable report for the industry to have and for the public to have.

MR. MAJEWSKI: And more important I believe it shows that all of this information, the studies, contrary to what some people hold, there is a fixed opinion that we do distribute for the benefit of the American people this information, and it can be gotten no other way as accurately.

MR. BRUCE K. BROWN: Mr. Chairman, when you do release it, please put in the last paragraph on the first page of the letter of transmittal. Then you can do this if you get the steel.

MR. MAJEWSKI: That was the objective of publicizing it.

CHAIRMAN HALLANAN: Mr. McCollum, I would like to request

you and Mr. Baker at the adjournment of our meeting to remain here so you can be here when the press representatives come in so you can explain the report in detail.

MR. HARDEY: Mr. Ball is not ready yet?

MR. CHAIRMAN HALLANAN: No, Mr. Ball is not ready yet.

We will now proceed to the receipt of the report of the committee on capital and materials requirements for increasing availability of petroleum products. Dr. Wilson.

MR. ROBERT E. WILSON: Mr. Chairman, as brought out by the report of the Agenda Committee, we have the marching orders that we desire from Mr. Stewart, and the subcommittees, of which there are four, are at work. Two of them practically completed their work. Two have not. We expect to be able to give a full report on the matter at the next Council meeting.

I am asking the chairmen of the subcommittees to all try to get their reports in within a month. Then we will have a go-around between the different chairmen, and then finally draft a report for the main committee to consider, and have it three months from now.

CHAIRMAN HALLANAN: Thank you, Dr. Wilson.

I have a telegram from Mr. John Suman with reference to the progress being made by the Committee on Quebracho Requirements. Mr. Brown, will you read that telegram?

SECRETARY BROWN: Addressed to the Chairman.

"Following the summary of status of this Committee on

Quebracho Requirements of the Petroleum Industry of the National Petroleum Council.

"1. Have prepared and sent questionnaire to all known suppliers of tested quebracho substitutes.

"2. Have canvassed committee for report by areas of essential quebracho requirements.

"3. Have canvassed importers on quebracho imports for utilization in the oil industry over the past year.

"4. Have held meetings of the committee to review progress of work and lay plans for preparation of report.

"The report of the committee can be anticipated about the middle of September."

Signed by "John R. Suman."

CHAIRMAN HALLANAN: You have heard the telegram from Mr. Suman on the progress of the Committee on Quebracho Requirements.

Mr. Foley, are you prepared to present the report of the Committee on Synthetic Liquid Fuels Production Costs on behalf of Mr. Rodgers, the chairman of the committee? Mr. Foley.

MR. FOLEY: Mr. Chairman and gentleman, it was reported at the last meeting of the Council that considerable progress had been obtained on the study of synthetic liquid fuels production costs. Satisfactory progress continues to be made on all phases of the study. One meeting of the main committee and a considerable number of meetings of the subcommittees have been held since the interim report dated May 9, 1951. A recent

tabulation of the activities of our main subcommittee and its working subcommittees shows 45 committee members, 99 additional technical personnel involved, 490 meetings attended by all personnel and an estimated \$213,000 expended by the cooperating companies in this work.

In the previous report it was stated the cost of synthetic fuels as produced by three processes -- coal hydrogenation, coal gasification and fuel synthesis and shale oil refining -- would be established. In addition, for each of these basic processes, estimates would be made of the so-called first-plant cost and the industry-wide plant cost, that is the average cost for the necessary plants to provide 250,000 barrels per day production. Further, it is intended that a present day or established cost be developed and a future or optimistic cost which would allow for possible technological research improvements which might be forthcoming in the next five to 10 years would also be calculated.

It became evident, after several months of activity, that the time and work involved in preparing each separate case, and obtaining the necessary data from the Bureau of Mines and reviewing the results with the Bureau of Mines to clear up any major differences, necessitated reducing the number of cases to be included in the first report. The cases selected for presentation in the initial report, which will be available to the National Petroleum Council in October 1951, include only

the first-plant and industry-wide cases for the present day or established coal hydrogenation and shale oil processes. The future or optimistic cases for these processes and all of the cases for the coal gasification and fuel synthesis process are presently deferred but will definitely be included in a later report.

Therefore, in October of this year we will have the answer to four cases, and following that we will then have the answer to eight additional cases.

The status of the specific phases of the work is briefly as follows:

The Raw Materials group has essentially completed its assignment of establishing the availability of shale and coal for specific plant sites, and the cost and quality of these raw materials. Bureau of Mines and National Petroleum Council subcommittee members are essentially in agreement on availability, cost and quality of oil shale and western coals. The area of disagreement between the Bureau of Mines and the National Petroleum Council on the cost and quality of eastern coals has been narrowed sufficiently that the subcommittee members feel there is no justification for further attempts to reconcile the remaining minor differences.

The Process Committee has critically reviewed the Bureau of Mines processes and industry processes made available to the Bureau of Mines for coal hydrogenation and oil shale operations

and has now completed its assignment of calculating raw material requirements, equipment sizes, and other data needed for the cost estimates.

The Engineering Company, whose function it is to develop investment costs for plants and all offsite facilities, will have completed by August 1 the first-plant cost for both the coal hydrogenation and shale oil installations. The so-called industry cases will be completed by August 15.

The Economics Committee has been functioning for the past two months assembling and integrating the data from the raw materials, process and engineering groups to develop the final operating investment costs for synthetic fuel plants. It has nearly completed the hydrogenation case based on Rock Springs, Wyoming coal. A test or "dry run" is now under way on the shale oil case. This group expects to have its work completed on both the first-plant and industry-wide cases by September 1.

The subcommittee plans to convene for one week late in September to prepare a summary report. It is now expected that this report can be issued by October 15, 1951.

A final report covering the cases selected for presentation in the initial report can be issued by October 15, 1951.

Mr. Chairman, I submit the report.

CHAIRMAN HALLANAN: Thank you very much, Mr. Foley. This report will be received as a progress report from the Committee on Synthetic Liquid Fuels Production Costs.

At the last meeting of the Council we imposed a further assignment on our good friend Mr. Spencer, who is chairman of the Transportation Committee, who took on the additional matter of securing up-to-the-minute data on petroleum transportation through the truck census, census of trucks. Mr. Spencer, you probably have a verbal report to make at this time and we will be very glad to hear it.

MR. SPENCER: We have a progress report to make, Mr. Chairman. There is some detail in it. It is brief, but it contains some detail.

Unfortunately the chairman of your Transportation Committee brought the wrong glasses this morning. With your permission may I have our very efficient secretary, Mr. Dyer, read it?

CHAIRMAN HALLANAN: Mr. Dyer, will you come up please?

MR. DYER: Mr. Chairman and gentlemen.

CHAIRMAN HALLANAN: Mr. Dyer.

MR. DYER: At its May 9, 1951 meeting the National Petroleum Council directed its Committee on Petroleum Transportation to undertake a census of tank trucks as requested by Mr. H.A. Stewart, Acting Director of the Oil and Gas Division of the Department of the Interior in his letter of May 8, 1951 addressed to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council.

It was apparent that a census of tank trucks by local physical enumeration would be a costly, difficult project

involving long delay.

The Committee on Petroleum Transportation obtain a clearance through informal discussions with the Petroleum Administration for Defense and Mr. Jacobsen, the Chairman of the Agenda Committee, for a method of making the census which we believe will provide the requested information with the least expenditure of time, effort and money.

The tank truck census, under the supervision of Mr. Lee R. Cole, Chairman of the Subcommittee on Tank Truck Transportation, is being conducted on the following general lines of procedure:

First, private tank trucks in petroleum service. The data made available by the Bureau of the Census in its 1948 census of business are being used as a basis. The information will be brought up to date by acceptable statistical formula.

Second. Private tank trucks in the liquefied petroleum gas service. The census of private tank trucks in LPG service is being conducted by the Committee on Liquefied Petroleum Gas Availability, Transportation, and Materials Requirements, under the chairmanship of Mr. W.K. Warren.

Three. Private tank trucks in the chemical service. The census of private tank trucks in chemical service is being conducted by the Traffic Committee of the Manufacturing Chemists Association under the chairmanship of Mr. Julian C. Flaus.

Four. For-hire trucks in petroleum, chemical and LPG

service under the direction of Mr. Sam F. Ninnis, National Tank Truck Carriers, Inc., who is making a census of all for-hire tank trucks in the petroleum, chemical and LPG services.

The census of tank trucks and petroleum, chemical and LPG service is progressing with reasonable dispatch. The physical size of the task is such that it is not likely that the census can be completed and a suitable report prepared before mid-September.

Respectfully submitted, Mr. Chairman.

CHAIRMAN HALLANAN: You have heard the progress report to this committee. Thank you very much, Mr. Spencer.

MR. SPENCER: I will bring the right glasses next time.

CHAIRMAN HALLANAN: Mr. Burns, as chairman of the Committee on Underground Storage for Petroleum, are you ready to present a progress report?

MR. BURNS: No sir, I have no report, interim or otherwise, ready to present yet. "It is a very profound subject, obviously, and in process of setting up some technical subcommittees to study it. I hope that progress report, perhaps even an interim report might be ready for the next meeting of the Council."

CHAIRMAN HALLANAN: Well, I have been very pleased to note the organization that you are effecting on this committee.

MR. BURNS: Thank you.

CHAIRMAN HALLANAN: Gentlemen, I want to present at this time Mr. Hugh Stewart who is Director of the Oil and Gas

Division. (Applause)

MR. STEWART: Thank you, thank you.

With respect to these reports I want to express my own appreciation for the progress being made. The availability report, even in its present form, is going to be of real value to us.

Now, with respect to the million-barrel report, recently described as a 500,000 barrel report, and the synthetic liquid fuels report, we are very anxious to get those reports in. We are getting constant pressure for one or another subject having to do with synthetic liquid fuels. ODT and PAD and the Department of the Interior are in sound position to evaluate or pass on any of the proposals or discussions.

We have had to stall continuously, hoping that we would very shortly get these basic reports which would furnish industry data, industry information and industry thinking, on which we could make our own studies and try to arrive at some sound conclusion.

In connection with these remaining reports, I would urge that every effort be made to get them up and get them presented just as soon as possible.

Thank you.

CHAIRMAN HALLANAN: Mr. Brown, in our agenda we move now to the comments and reports of the Petroleum Administration for Defense Personnel, and I should like to ask you to present the members of your staff as you desire, and cover the field which

they will attempt to report.

MR. BRUCE K. BROWN: Is Mr. Bassel in the room?

MR. WOLF: Do you want him?

MR. BRUCE K. BROWN: I guess we will have to do without him. You stay here, please.

I omitted something that I intended to say a while ago. I didn't say anything about lawyers. You know Mr. Wolf, who is standing over there busily reading a document. Most of you know Mr. Bassel, who is off somewhere working for us probably about some material orders.

Is Mr. Gately in the room?

Is Mr. Tarver in the room, our Assistant General Counsel?

MR. WOLF: Lawyers are all busy, Bruce.

MR. BRUCE K. BROWN: Mr. Frissie, will you please stand up? He is a recent addition to our legal staff.

I am going to do something I should not do, which is anticipate, but since the Council only does meet every three months, I am going a little further in the matter of personnel.

This rat race -- and I speak advisedly -- started about the time the Defense Production Act started, and the ringmasters of it at first were Messrs. Parton, Marshall and Wolf and Bassel. Bassel was working with Hugh Stewart and Carroll Fentress trying to establish some sense in inter-agency relationships with NPA.

As I said before, Mr. Parton, Mr. Marshall and Mr. Wolf are

the architects of this edifice we have here. Mr. Wolf simply just stopped practicing law and started to work in late September, and he worked without compensation, and I mean without compensation, from September until I think it was Valentine's Day when we finally got him on the payroll. In the meantime there was a contribution without compensation. (Applause) We finally got him a job sheet written up and got him employed.

Many of you gentlemen in the room helped me persuade him.

This is not an obituary, but I do want to say a little bit more than I might otherwise in saying in all of the battle that we have had in the Interior Department to keep our autonomy Mr. Wolf has been the field marshal of it. We have gotten, perhaps, a bad reputation here because when we ran out of space the Interior Department negotiators gave up the service station that Mr. Spencer promised me and the ballroom at Colonial Village, and traded it with GSA for twice that much space.

We had 9,000 lined up ourselves. They said, "Well, we will give you 18,000 if you just give up that silly ballroom and that service station."

Well, the 18,000 square feet of space is in the SPAR barracks over here back of the Smithsonian Institute. Halls about half as wide as this room. The windows run from the floor to the ceiling there, with fan brackets, and the girls used to sleep there in the hot weather. But I didn't see how

we could use it as an office, and neither did anybody else, because you would die in there without the fans, and if the fans were going, the papers would blow.

They didn't get us to move over there. Northrup pulled the finest quip I have heard. He told the Under Secretary, "I think if you change the name, which is known as Esconoba Hall, to Independence Hall, the PAD would move over there willingly."

Mr. Wolf has been the field marshal of our fight for independence, and he has been the field marshal of our fight to get committees and counsels and things of that kind straightened out. Mr. Wolf is retiring, and I am awfully sorry he is retiring. But he is, and when you come back here again, Mr. Wolf will not be the Assistant Deputy Administrator and General Counsel. Mr. Bassel will be, and Elmer has promised he will be here for a year starting the 1st of September.

Here is Mr. Bassel now, General Counsel starting the 1st of September. I wanted you to know that before you went on with the staff reports, and if anybody has anything to say, Mr. Hallanan, I will sit down.

CHAIRMAN HALLANAN: I think you might call on the members of your staff at this time, Mr. Brown.

MR. BRUCE K. BROWN: We will just go ahead then with my remarks about Wolf and Bassel.

CHAIRMAN HALLANAN: All right.

MR. BRUCE K. BROWN: The Supply and Transportation Division,

which was started by Dean Hodges, and carried on by George Wilson, has completed, with the aid of a great many experts, captained by Don Boatwright, a massive petroleum transportation study. I would like to have Mr. Wilson discuss that, and I think Mr. Boatwright is here to discuss it in detail.

CHAIRMAN HALLAMAN: Mr. Wilson.

MR. GEORGE WILSON: Mr. Hallaman and gentlemen, I speak to you again in this room. It seems a bit like turning back the clock about five or six years. But as of today I am again strictly a freshman in the supply and transportation activity on behalf of PAD, having arrived here about three weeks ago.

Since the time of that arrival I have spent most of my time trying to reorient myself and familiarize myself with just who was doing what to whom and about which, and determining just the most immediate problems that a very limited staff might most advantageously devote their efforts to.

And in connection with the staff, before I get into the transportation study which is on the docket, I want to say that I have had splendid cooperation from several units of the industry that I have called upon to render immediate and effective assistance in the way of providing personnel. I don't think that I have had what might be termed a single turndown. I have had some postponements, if you will, but I think they were all based on proper and understandable cause.

The most immediate problem of the Supply and Transportation

Division has unquestionably been in the area of adequate materials, particularly for pipelines and storage projects.

In the realm of materials I think that the petroleum transport and storage end of the business has been pretty much the stepchild in the way of allocations to date. I won't go into detail of the controversy about that, but suffice it to say that up to now our estimates on minimum requirements for allocation of steel for line pipe and for tankage have been far in excess of available steel and promised steel for the fourth quarter.

Specifically, in the opinion of my division, based on identifiable projects which we were convinced possessed extreme merit and represented only a minimum of what should be done, if we were to move from points of production to refining centers and from refining centers to points of supply requirement, an allocation of some 465,000 tons of steel in the fourth quarter. On that requirement of 465,000 tons, our best efforts so far have yielded a conditional promise of about 230,000 tons, which is barely half, and that is still prospective and not actually in hand in its entirety.

So that it is apparent that our principal concern at this juncture is doing a better job of selling the essentiality of the requirements of the pipeline and related elements of the industry for material.

Now in order -- and bear in mind I am not being critical of anyone who is making the allocations or the like. They are

doing their dead level best, but it is a question of adequate proof on our part as a claimant.

Now to furnish the best sort of proof that we could, it was Dean Hodges' thought, and I think an eminently sound one, that we had to undertake a definitive survey of the requirements of this industry for transport and storage facilities of every sort. Now in order to undertake that survey Mr. Hodges assembled a group headed by Mr. Boatwright of the Standard of Indiana, and comprising perhaps a dozen particularly qualified men in their respective fields, who were employed as consultants by PAD in order that with governmental status they could work with certain information and could ask certain questions that otherwise couldn't be done.

They began that task in January of this year, and during the past week have completed it. The results are a study that I think is unique. It is comprehensive, and it has been reviewed as to each mode of transport with the respective subcommittees of Mr. Spencer's Committee on Transportation of the Council, and the benefit of such advice and suggestions as those gentlemen have been able to offer has been incorporated in the report.

I am sorry that it is not available for consideration to each of you gentlemen at this time, but the question of classification and security is still involved.

3. rmh

I am reasonably confident that we have met in the current edition of that report the requirements of the several agencies for declassification and, if my confidence is well founded, in the very near future, it will be reproduced and made generally available for distribution.

Without going further into the details of what the report shows or any more about how it was constructed, I would like to call on Mr. Boatwright, who is really the father of the report, with the assistance of his able associates, to tell you about the report.

His time is rather limited, but in broad outline he will attempt to tell you what the report comprises and what it seeks to show.

Thank you. (Applause)

MR. JOHN BOATWRIGHT. Mr. Hallanan and gentlemen: I have spent a great deal of time trying to figure out a way to boil this report down in the shortest possible time and still give you the essential facts of the findings of the analysis.

The Transportation Committee of the National Petroleum Council submitted its report in November of last year. That report evaluated the transportation facilities then available to handle the then-existing load of products. It performed an additional service, however. It emphasized the essentiality of a continuing flow of petroleum.

Secondly, it pointed out that a continuing flow depended

2 rmh

upon an association with facilities available. And third, it emphasized the fact that facilities for transporting of petroleum products involved considerable time to make them available. In the light of those findings, it was decided that this study would be undertaken. Mr. Brown and Mr. Hodges talked with me and we started the formation of the group and the analysis. I am not going to attempt to give you the major points of interest in the study except that I want to emphasize only the ultimate findings of the analysis. Remember this, gentlemen, please, that in a commodity distribution problem where you can produce more than the market will require, the level of the market determines the transportation facilities that must be made available. That constitutes the first bench mark that we must recognize in our analysis.

Second, the bench mark of tremendous importance following the size of the market is the availability of refining facilities to process and handle the crude and make available the finished products.

Our second bench mark, therefore, is refining capacity.

Our third bench mark of equal importance to the other two is the availability of raw products -- crude oil and natural gas liquids.

These three factors are tied together by transportation facilities. There is a flow of over three hundred million gallons of petroleum products originating from 460,000 wells

3 rmh

taken to the ultimate consumer daily by these transportation facilities.

I would like to give you just briefly the forecast of these three major bench marks that we must tie together with transportation facilities through 1952. All of these analyses were conducted through 1955. The 1955 portion of the analysis, however, because of its remoteness in point of time, is regarded purely as direction indicators and not as something that we must tie our transportation facilities to as of this time.

We recognize, however, the essentiality of transportation facilities adequate to move and handle this business through 1952.

In terms of United States petroleum demands, it is anticipated that the 1952 demand would be 7,623,000 barrels, or an increase over 1950 of 820,000 barrels daily.

The refining capacities anticipated a growth of 686,000 barrels of capacity.

United States available crude oil and natural gas liquids utilized in this analysis anticipates that the MER plus the natural gas liquid production during 1952 will be 1,792,000 barrels a day over the 1950 actual level.

These are the three bench marks that must be tied together with our transportation facilities.

I would like to take now the individual transport media and discuss them with you. The study covers truck transports

rmh

as the initial chapter on an individual transport facility. It indicates that in the over-the-road transportation of petroleum products there are two primary classifications that must be dealt with. The first of these is truck transport with two to three thousand gallon capacity, which are used to a large extent in in-town delivery, but none the less constitute a partial cushion that can be pressed into service during times of stress on the over-all transportation requirements.

- (2) The second classification is the semi-trailers and trailers in operation. The analysis shows that there are 10,862 straight trucks and 26,783 trailers and semi-trailers available for over-the-road petroleum service as of January 1st of this year. The analysis of the future work load through 1952 shows a required fleet expansion by the end of 1952 of trailers and semi-trailers of 5,555 units and 1,538 units of the straight trucks. Additional units to replace scrappage during the two years are estimated at 1,883 trailers and semi-trailers and 1,800 straight trucks.

There will be approximately 8,400 tractor units required during this period for fleet expansion and for replacement purposes.

Tank cars. Tank cars used in this study are classified into three broad classifications -- the general purpose car, which is used for the transport of petroleum and motor gasoline, kerosene, fuel oil, lubricants, etc. Then there are the

5 rmh
pressure cars that are utilized for the transport of LP gas and all others.

Our first task was to find the number of tank cars actually engaged in petroleum service by a complete review with the industry. We found this to represent 84,523 general purpose cars. That includes 3,500 general purpose cars on lease and in operation in Canada. There were 10,302 pressure cars in petroleum service at the beginning of 1951.

Again analyzing the work load required for 1952, we find that the construction requirements of tank cars for commercial petroleum services only during these two years are as follows. General purpose cars for fleet expansion, 2,000 units. Replacement of scrappage, 4,200 units. Pressure cars, fleet expansion, 4,700 units. Scrappage on the pressure cars because of the relative use of the fleet is regarded as negligible.

Pipe lines. Pipe lines obviously constitute one of the more significant and more detailed parts of the analysis. We classified pipe lines under three broad classifications. First, gathering. Second, crude trunks. Third, product pipe line.

The necessary expansion of lines as set forth in the report is based on the future oil demand, the refinery capacity and the availability of crude oil and defense consideration.

Pipe line needs during 1951 and 1952, I think, can perhaps only be summarized by my reading to you a list of the projects

6 rmh that are essential for the future handling of these three major projects. Please keep them in mind. No. 1 is that we must move MER. No. 2 is that crude oil must be available for maximum operation of oil refineries. No. 3 is that we must meet ample market needs.

I will give you briefly just the statement of the lines, but not name the lines. I shall name the areas with respect to these lines.

With respect to crude area gathering lines, the industry will require 180,000 tons of steel during 1951 and 1952. With respect to crude oil trunk lines, the completion of the line from Sheridan, Indiana, to Lima, requiring 23,600 tons of steel.

There is need for a cushion from Drumwright, Oklahoma, area to a junction in the vicinity of Kansas city for a line of approximately 150,000 barrels daily, requiring 90,000 tons of steel.

Junctions in the vicinity of Kansas City to Chicago, 65,000 tons of steel.

(3) West Texas to Drumwright, Oklahoma, 20,000 tons.

West Texas to East Texas and Beaumont, 130,000 tons.

West Texas to Houston, 125,000 tons.

Louisiana Gulf to Texas Gulf Coast, 55,000 tons.

Clearbrook, Minnesota, to St. Paul, if the refineries contemplated in that area are actually constructed, 18,000 tons.

Indiana-Ohio area to Central Michigan, 12,000 tons.

7 rmh. Barger, Texas, to Yale, Oklahoma, 22,000 tons.

Mississippi fields to Mobile, a project now in process,
10,500.

Wyoming to Wood River, Illinois, 188,000 tons.

Miscellaneous extensions of lines that we could not handle on an individual project basis, but were handled on the basis of mass transportation analysis, 116,000 tons.

Alberta, Canada, to Puget Sound area, 139,000 tons.

The product pipe lines will require 305 tons, giving a total of 1,499,000 tons of steel. That already recognizes utilization of second-hand pipe and salvage material. The 1,499,000 tons of steel is new pipe.

With respect to barges, equipment identified as barges in this report include all United States flagships operating on the Great Lakes other than tank ships under the 31,300 barrels capacity, and all self-propelled and non self-propelled barges. The inventory of barges as of July 1, 1951, shows a total fleet capacity of 19,668,000 barrels. Analysis of the future work loads that would be applicable to barges in 1951 and '52 result in a requirement for net expansion of 2,105,000 barrels of capacity between July 1, 1951, and July 1, 1952.

In addition to the fleet expansion, there will be a necessity of replacement due to obsolescence and scrappage of approximately 4,60,000 barrels of capacity.

Ocean tankers. This analysis required a deviation of the

8 rmh

analysis depending primarily on the domestic situation. The ocean tank analysis had to be a world balance. The study covers all tank ships in the world of 6,000 deadweight tons and over utilized in the world flow of petroleum products. The number of ships were first translated to T-2 equipment, enabling us to apply a standard unit.

The capacity of all tankers available for commercial petroleum trade was equivalent to 1,199 T-2's in 1952.

Construction programs indicate availability averaging 1,311 T-2's in 1951 and 1,416 T-2's in 1952. Prior to any allowance for obsolescence, world commercial petroleum tank ship requirements compare with those figures in 1951, which is 1,331.

May I repeat the probable availability for your comparison in 1951 is 1,311.

The requirements are 1,331 in 1951.

In 1952 the requirements will probably be 1,389, availability 1,416. There will be a tight situation on tankers during the winter of 1951 and 1952.

One of the major problems in connection with tankers is a problem of seasonal utilization, because your utilization in the winter months and because the basically tight situation problems will be encountered unless additional storage capacity is made available.

That brought us into the seasonal analysis of all our transport media and required that we analyze the storage capacity

9 rmh

(1)

requirement of this industry to permit the transportation facilities to be utilized to their greatest degree of efficiency the year round. I shall give you the summary of these and this represents only the total tankage that should be constructed during the years 1951 and 1952.

Clean products, 52,150,000 barrels.

Residual fuel, 5,500,000 barrels.

All other products, 3,300,000.

Crude petroleum, 24,300,000.

That adds up to 85,200,000 barrels. It will require 436,000 tons of steel.

In addition to the above requirements, 125,000 tons of steel are required for the construction of 2,000,000 barrels of storage for LP gas in the market.

I should like to emphasize that "In the market" aspect.

Construction of storage in the market will enable the efficient utilization of the transportation facilities and the tank cars, the pressure tank cars, that must be utilized, an increasing number of months during the year if we are to meet this particular need.

Now we have only partial Canadian requirements. They cover the tankage on the recommended crude oil line from Alberta to the Puget Sound line, plus the expanded storage needs of an existing movement of crude oil toward Eastern Canada. It represents 8,700,000 barrels of capacity and requires an addition

10 rmh

of 43,500 tons. Adding your total storage together, it will average 300,000 tons per annum.

The report on petroleum transportation presents the minimum requirements. It was impossible in this analysis to anticipate the totally new areas that must be covered by transportation facilities. Even as the report was in process, the Williston strike illustrated my point. This analysis does not plan transportation facilities for totally new developments that may be incurred. We simply could not do that. Consequently, the analysis by its very nature is on the conservative side.

Thank you very much. (Applause.)

CHAIRMAN HALLANAN. Thank you, Mr. Boatright.

There may be questions.

MR. JACOBSEN. That line from Alberta to Puget Sound, isn't that predicated on the finding of additional oil fields in Canada? Are you planning a line there with the existing fields?

MR. BOATWRIGHT. The problem of the construction of the line from Alberta to the Puget Sound area is an extremely difficult one, involving many considerations. The estimates of availability were predicated upon the material supplied to us by the Foreign Section of the estimated recoverable reserve now in existence, plus an anticipated discovery rate of 300,000,000 barrels of recoverable reserve per annum, produced at the rate of 7.2 per cent. Predicated on that series of information, 300,000,000 per year, 7.2 producible rate, results in an indicated

surplus or an indicated range from 120,000 barrels to a high of 190,000 barrels a day over the next five years.

MR. JACOBSEN. It is predicated on the finding of 300,000 additional barrels a year.

MR. BOATWRIGHT. That is correct.

MR. SPENCER. Mr. Chairman, as Chairman of the Transportation Committee, I would like to say a few words of commendation for this great effort on the part of Mr. Boatwright and his associates. Judge Wilson has said our full committee and all of our subcommittees have had an opportunity to attend previews of this report and to offer suggestions, make criticisms, if they wanted to. You listened here for 15 minutes, and I do not see how he condensed it in that short time. Our committees and subcommittees spent about 24 hours going over the same ground, and it really is a magnificent job. It leaves me with at least three distinct impressions, which I am sure you will share when you get an opportunity to see it.

First, it is a truly magnificent job, comprehensive and detailed. It is going to be one that will be of great value to the Government. ~~Once~~ outside of that, it is going to be of great value to the industry. I hope, George, you will not be unsuccessful in your efforts to free it for distribution within the industry. It is a great piece of work.

My second impression, which I am sure you will share, is the magnitude of the job that is going to face the industry to

12 rmh

carry the program out. That is going to be another responsibility.

My third impression is that it is going to take a ^{considerable amount} ~~hell of~~ a lot of steel and capital, also, to do the job, and I trust that neither will be in short supply.

Mr. Chairman, I think this work furnishes an outstanding example of the fruits of the right kind of cooperation between industry and Government, if the Secretary needed any proof, and I am sure he does not, that he is on the right track and has been on the right track as to the kind of a set-up he wanted to make a success of in mobilizing for war in the present situation in the petroleum industry. ^{He} He could not find a better exhibit for the purpose.

It will have great probative value.

I want to commend both Mr. Boatwright and all his associates for what I think is an outstanding accomplishment. (Applause.)

MR. MAJEWSKI. John is noted for putting in long hours and then summarizing very succinctly and to the point. Is there any doubt in the minds of these men that this will not be made available to the industry? A certain number of us have certain information about it. It seems to me the best preventative for rationing or talk of rationing for insufficient supplies in a certain area is pointed up in this report, and it also points up how to take care of that. The fullest light of day should be thrown on it and made available. I do urge, if there is any

33 rmh
(
idea that, for military security reasons, it can not be published, certainly, with the great strategy that we have in this industry, we can make those phases that are not military secrets available to the industry, and promptly.

This is what we have been waiting for. This is but another example of service to the people and will answer all of the second guessers in a forthright manner.

I want to commend the group headed by John. Of course, I am prejudiced about John. He comes from the Midwest. All good things, even grain, grow out there. I want to thank John and his group for the fine job they have done.

(
MR. JACOBSEN. I would like to ask Mr. Boatwright this question: You mentioned several specific pipe line projects and then you pointed out quite likely that there are developments at present, which are unforeseen, which will require steel for pipe lines. Of those specific projects which you mentioned, some of them, I dare say, should be built at once if the steel were available, and others would come farther down the line.

(
I am coming back to the Alberta-Puget Sound line. Even if the steel were available today, I dare say the Alberta line would not be built if it is predicated on further discoveries, as you rightly said.

You mentioned some other lines -- three or four of them -- which presumably would be built at once. Could you give them to us in line of urgency, assuming that the steel will be

14 rmh

available, and so on? Do you get my point?

MR. BOATWRIGHT. I certainly do get your point. It is an extremely sharp point, however.

I must confess that it is impossible to do the work on this without seeing relative merits to different products.

MR. JACOBSEN. That is exactly what I am getting at.

MR. BOATWRIGHT. I shall be happy to advise PAD my personal judgment. I should not like to take a position publicly on one project over another because some of these projects are projects which involve five different proposals for a line from the same area to the same destination. I could not say which of the five I would favor. I could say in terms of moving total MER or in terms of essentiality to supply 100 per cent of weighted refinery capacity which ones are musts on the early order of preference.

MR. JACOBSEN. Are there any others of the lines you mentioned that would fall in the same categories as the Alberta line, namely, being dependent upon further discoveries?

MR. BOATWRIGHT. All of these lines recognize the essentiality of moving MER plus the natural gas liquids as of the end of 1952. Even if we speak of West Texas, there is further development. The whole analysis is predicated on the achievement of 43,400 wells per year. If they do not achieve that much drilling, you won't need that much steel.

The only reason I gave particular reference to the Williston

15 rmh

area was because few areas may require new major trunk lines.

MR. JACOBSEN. Some of the lines will require further development in the sense of additional drilling in known fields.

(6) MR. BOATWRIGHT. Yes.

MR. JACOBSEN. Where others may be dependent upon new discoveries not yet made, which does put them in a different class.

MR. BOATWRIGHT. Yes. All of the domestic lines recognize further development of the present producing horizon as estimated by the initial Production Division of PAD in conjunction with the staff of the McCollum Committee and other sources, the regulatory bodies, but they all require development. They do not all require the degree of newness as does the Alberta-Puget Sound area.

MR. BAKER. I would like to ask Mr. Boatwright what the source of his estimate is on the availability for 1952. Is it based on the availability report of the McCollum Committee?

MR. BOATWRIGHT. The analysis of the availability of crude oil and natural gas liquids was predicated upon the three-fold course of inquiry. No. 1, Mr. Dick Lawton contacted each of the regulatory state commissions, secured their best evaluations.

No. 2, because the McCollum Committee analysis was not available at the time, arrangements were made with McCollum for the staff analyst working on this problem to work with the staff analyst working in his committee, and the results were achieved

16 rmh from that source.

No. 3, purely a statistical analysis of the production trends, plus a statistical projection, gave a third source of reference.

The analysis of the future availability falls at a midpoint in the work that we have used with the estimates of the McCollum Committee, between the high and the low estimates.

MR. BAKER. I was just going to say that this report is the result of the work of men who are best qualified in every area in the estimation of availability and ought not to be ignored in a study of this kind.

MR. BOATWRIGHT. They were not, and the estimates of availability that we have used, as I say, in area after area, will fall within the range of the load of the high as given by the McCollum Committee and in their staff work.

MR. ROBERT E. WILSON. I would like to suggest that copies of this be sent to Congressional committees that want a sample of the work done by the Council and the PAD, because I think it will be helpful in showing them what the industry is up against steel-wise and capital-wise.

CHAIRMAN HALLANAN. Barney, with regard to your inquiry as to the release of the report, the report of the Council Committee, of which Mr. Spencer was chairman, was adopted and made public last December. That was a projection of the transportation facilities then in existence. This report is a

17 rmh
PAD report and is subject to clearance through PAD. But I would think that Mr. Brown has in mind that, as soon as he can get clearance from the necessary Government agencies, he does plan to release this report in a printed publication. Is that correct, Mr. Brown?

MR. BRUCE BROWN. Yes.

MR. MAJEWSKI. That is the point I made earlier. If those two short term reports were released to the proper people -- when I talk about proper people, I mean wise distribution to the guys in Congress who are always thinking up something. I am referring to even those from my own state. Sometimes I am ashamed of the people who represent me. I tell them so. I tell them so, so this is nothing new. I am not talking behind their backs. But it seems to me that, when you get experts to produce material like the McCollum Committee has produced and the Spencer Committee on transportation has produced and now the PAD, those are refutable arguments. Then we get the right kind of a press -- and we need it damned badly at this time. That was the reason I was glad that Bob Wilson said we ought to give it to some Congressmen. I would like to deliver it in person to some guys I know.

MR. GEORGE A. WILSON. Further to the point Mr. Majewski has raised about getting it released, I am confident we will do so. The military people have channeled it through the Munitions Board and specifically Admiral Biggs' office has already given us

18 rmh

the clearance we have requested. There remains, however, a clearance from the several parts of the Bureau of the Budget that has to give such clearance. Being a cautious fellow, Barney, I hesitate to predict just when that can be bludgeoned through. We thought we would have gotten it 10 days ago. We haven't. But I think we will get it, because we have omitted in the editorial revisions that have taken place any reasonable clues, if you will, to a segregation of military as distinguished from other demands, and we think there is no reason whatsoever why it should not be given clearance. That is concurred in by the military, as witnessed by Admiral Biggs' clearance for release.

There will be a few days, though, before we have the answer. When we get the answer, it is our plan to have it printed by the Government Printing Office and through that medium made freely available to anybody who sends in his postcard and whatever tariff is required.

MR. BRUCE BROWN. \$1.25.

MR. GEORGE A. WILSON. Whatever tariff the Government Printing Office puts on it.

I would be curious to know what, in your opinion, would be the probable demand in terms of number of copies. That is a question we will be asked to make suggestions on.

stein(7)
fjs rjh

MR. MAJEWSKI: At a dollar and a quarter it will be tremendous. I am amazed what this effort has produced for a dollar and a quarter. Look at what tripe you read for \$4.00 from the Government. It is worth \$10.00 to any human being in the United States to know where this country is in respect to an essential industry in this matter of transportation.

MR. GEORGE A. WILSON: I would still like your guess on how many you mean when you say tremendous.

CHAIRMAN HALLINAN: We will get around to that.

MR. BRUCE K. BROWN: Mr. C. S. Snodgrass, the Assistant Deputy Administrator in charge of foreign oil operations, is going to report to you briefly on some of the Iranian situations as they affect us.

MR. SNODGRASS: Mr. Chairman and gentlemen of the council:

At your last meeting, on May 9, we discussed briefly the Iranian situation. It was a pessimistic picture and, unfortunately the pessimism has been darkly justified since.

At that time the events that had begun badly enough on March 7, when Premier Ali Razmara was assassinated because he opposed nationalization of the Anglo-Iranian Oil Company facilities, had worsened appreciably. Dr. Mohammed Mossadegh, chairman of the Majlis Oil Committee -- the Majlis is the lower house of Iran's parliament -- had just taken over as premier. His government was insisting that Anglo-Iranian's facilities had been nationalized as of March 20 and that there would be no retreat from that

nationalization. There has been, as you know, no retreat from this position.

At the time of your May meeting we were concerned about the need to make up some 7,000,000 barrels of petroleum production lost during strikes and disturbances of late March and early April. But by May the strikes had been almost completely ended, and the throughput at the Abadan refinery was near normal. Today that throughput is anything but normal, and no one knows when normal operation may be expected.

Since June 20 the masters of tankers presenting at Abadan to load crude or products have refused to sign receipts demanded by the Iranian government -- receipts that would acknowledge that material loaded was the property of the Iranian National Oil Company. The result is that shipments from Iran ceased.

As the storage tanks at Abadan have become filled, the refinery has been progressively shut down. The new catalytic cracking unit, which was kept on stream during the April disturbances, was shut down recently. At present the refinery is running some 70,000 barrels a day, less than 15 per cent of capacity, and this output is being channeled into limited internal uses in Iran itself and the balance is going to rapidly filling storage.

An equally far-reaching impact, of course, has been the loss of petroleum products to world trade. Since the June 20 shut-off of shipments, over 15,000,000 barrels of products have been lost

PA3
to international trade. Every day that shipments are withheld, a further loss of 485,000 barrels of products is sustained. After discounting local consumption and refinery losses, the deficit is about 660,000 B/D of crude equivalent.

Obviously these quantities cannot be lost to world trade without immediate serious results. In the long run the loss of Abadan, if it comes to that, undoubtedly could be made up by increasing refinery capacity elsewhere. But we are not dealing with only a long-run problem. We are dealing with the short-run problem of several severe shortages in the Eastern Hemisphere.

For example, aviation gasoline, essential to continued military and civilian transport aviation is already in short supply at various points in India and Pakistan. Unless alternate supply arrangements are made, practically all areas east of Suez may soon run out completely.

Bunker fuels are running low, dangerously so, even now in the Red Sea and Indian Ocean area. Soon the whole area east of Suez may be threatened. Bunker-fuel shortages, of course, might severely hamper naval operations and commercial shipping.

India consumes some 50,000 B/D of kerosene. The possibility that the Russians might try to supply this is obvious.

This is not a pleasant picture, but I believe it is a realistic one.

Yesterday's announcement that the Iranian government had offered new terms for possible negotiation is gratifying, mainly

because the gloom has been so profound.

Many of you are thoroughly familiar with the actions which PAD has taken towards making up supply deficiencies, for your companies are participating in the effort that is under way.

A Foreign Petroleum Supply Committee has been established under the recently approved "Voluntary Agreement relating to the supply of petroleum to foreign friendly nations."

Nineteen companies have been named to this committee and they have formally accepted.

An executive committee has been named, as have six sub-committees -- production, refining, supply and distribution, materials, bulk transportation, overseas liaison.

Mr. Stewart P. Coleman of the Standard Oil Company (New Jersey) is Chairman and Mr. A. C. Long of The Texas Company is Vice Chairman of both the Foreign Petroleum Supply Committee and the Executive Committee.

This committee, acting at the request of PAD, met yesterday and is recommending to Government a Plan of Action that may call for such steps as exchanges of products between areas, stepped-up crude oil production in certain countries, adjustments in refinery operations, and joint use of tankers and storage facilities overseas, without regard to ownership. After approval of the Plan of Action by appropriate Government agencies, the Foreign Petroleum Supply Committee will be called upon to recommend specific action which may aid in eliminating or alleviating shortages in

petroleum supply in foreign areas.

During studies and collection of data by the industry committees, and while awaiting approval of collective action by the U. S. authorities, the British owned companies which are mostly affected by the Iranian problem have purchased substantial volumes of products in the United States which for the month of July-August are slightly over 100,000 B/D. This quantity of purchases by no means is equal to the deficit. To offset completely the loss of Iranian oil, it appears that after all steps are taken to utilize excess crude supplies and refining capacity in all foreign areas, would require increased domestic crude-oil production of some 430,000 B/D, divided about 200,000 B/D of crude to replace imports from the Middle East which may be diverted to Europe and 230,000 B/D to be refined in the United States and products exported.

MR. BRUCE BROWN: Thank you, Mr. Snodgrass.

There must be some questions on that.

I suggest, instead of asking questions, we hear from Mr. A. P. Frame.

MR. FRAME: Mr. Chairman, gentlemen: As Mr. Snodgrass has said, there would be a serious impact on the domestic petroleum economy amounting to possibly somewhere between 400,000 and 450,000 barrels a day of crude and products if the entire deficiency created by the Abadan shutdown were to be met by this country. As also Mr. Snodgrass has said, a step that might be

36 taken would be to divert approximately 200,000 barrels a day of Middle East crude, which is now coming into the East Seaboard, retaining it in European refineries where there is adequate refining capacity to handle it, and to supplant this crude domestically with additional crude to be produced domestically.

The additional products, or if you will, deficiency, which is to be met, would amount to some 230,000 barrels a day.

The mere statement of those figures does not point up the problem which is created world-wide by this Abadan situation because the problem goes much further than that. Due to the peculiar nature of the products that have been removed from world trade by virtue of the Abadan Refinery shutdown, one of the problems is posed in this matter with regard to aviation gasoline. The Abadan Refinery produced about 18,500 barrels a day of aviation gasoline. Its production, of course, is cut off to a substantial extent. The only source world-wide to make up that quantity of aviation gasoline would be from the domestic United States. We, in PAD, believe that it would be possible over a period of time to increase the domestic production in aviation gasoline in order to make up this deficit. It poses, however, some serious economic problems. The additional aviation gasoline production which might be produced in this country would be, by its very nature, incremental production, high-cost production. The problem of paying for aviation gasoline produced as incremental production is serious. It involves the dollar-sterling

balance. It involves the practices and regulations of ECA. It does create very serious difficulties, none of which, to the best of my knowledge, have yet been satisfactorily met.

Another problem stems from the fact that historically the Abadan Refinery produced large quantities of residual fuel oil, almost 50 per cent of the production of the Abadan Refinery being in the form of residual. Since our domestic situation has been on the tight side for the past several months in regard to the production of distillates, it is difficult to see how very large quantities of residual fuel oil could be made available from domestic refineries.

The other problems of rather quickly dislocating our normal arrangement for the securing of crude oil by cutting off imported crude suddenly, replacing it with domestic crude, even if it were available, could and might seriously affect the relationships between private companies in crude exchanges, and so on.

So, without in any way attempting to paint too dismal a picture, I must say that the whole problem of Abadan, the Iranian situation, if thrown on our domestic economy, while I am sure it could be met, will pose a lot of problems requiring the assistance of the industry and great cooperation between the various Governmental agencies.

(8) MR. MAJEWSKI: About how much gasoline do you make a day out of the 400-some barrels of foreign crude you are talking about?

MR. FRAME: Could I answer it the other way around? The

48 Abadan Refinery made 87,000 barrels a day, shipped out, not including aviation.

MR. MAJEWSKI: We have a surplus of that much here in the United States. I am just going to mention it to you.

MR. JACOBSEN: I would like to ask a question. Perhaps nobody is in a position to answer it. What would be the best guess, in the event we get nowhere in Iran in so far as a settlement is concerned, and the refineries shut down or practically so, as to the ability of Russian and perhaps German technical personnel to be supplied who could reasonably soon get the thing going?

Can anyone answer that question?

MR. FRAME: Obviously, I cannot.

MR. BRUCE BROWN: No better than you can.

MR. JACOBSEN: That isn't much. What is the best guess, if any?

MR. BRUCE BROWN: Your opinion is as good as ours.

MR. JACOBSEN: Then you are sure hard up for an opinion.

MR. MAJEWSKI: I appreciate this picture, but I do not think it is as dismal as our friends here view it, because they have been a little removed from the foreign line. In this country -- I am talking about rationing again, which is something I always fear -- we have at least that much surplus. This is only 87,000 barrels of gasoline.

In residual fuel we are talking about a different thing. We can handle it by conversion.

Just for the record, I want to throw that in, so we do not have to think about rationing right at the moment. It is surplus gasoline which we have and fuel oil which can be converted to coal, and the coal outfits are begging for business.

MR. FRAME: There is no thought on the part of anybody in PAD that this Iranian situation will cause any rationing of any kind in the United States.

CHAIRMAN HALLINAN: That brought forth a very satisfactory answer.

MR. JACOBSEN: Even if that situation is met, as you said it could be met, it would certainly mean severe additional rationing in Europe, wouldn't it?

MR. FRAME: It will just run out. After all, we have lost, as Mr. Snodgrass has said, some 15,000,000 barrels of products in world supply already, no matter what steps are taken in the United States, and it will still take time to produce and deliver petroleum products. So in the very nature of things, I do not see how it is going to avoid running out of petroleum products in the Eastern Hemisphere.

MR. BLAUSTEIN: Thinking in terms of the world peace, the Iranian situation ought to be settled if it possibly can be.

MR. FRAME: I think that is a fair statement.

MR. BRUCE BROWN: Bob Sears, will you come forward, please.

Mr. Sears has been working for the Government one way or another for a long, long time. He was with PAW, then with the

110 Army-Navy Petroleum Board. Then he was a tower of strength to me in the Military Petroleum Advisory Board from 1947 until now. He came down when we started up the operation as Assistant Director of the program. He is soon to leave. So this is the last time you will see Bob in a Government capacity. He is going back from whence he came, in the Phillips Company.

Mr. Sears.

MR. SEARS: We have just completed another look ahead for the coming winter through the first quarter and I have been asked to discuss that and point out some of the pertinent figures.

Demand for petroleum in the second quarter of 1951 has continued at a relatively high level, up 11 per cent over the second quarter of 1950. For the first half of 1951 demand has exceeded the same period of 1950 by approximately 13 per cent. Military demands have increased in line with the mobilization program, and this trend is expected to continue.

In making a forecast of the last half of 1951 we are faced with an unknown factor of increased exports and/or reduced imports as a result of the Iranian situation. The effect of Abadan's shutdown was not really felt in this country until the beginning of the third quarter.

We believe it desirable to determine the petroleum outlook for the United States through next winter on the present mobilization basis. Only in this way can we ascertain the amounts of petroleum which will be available for export without upsetting the

domestic balance and causing shortages at home. Therefore, the following figures outlining the domestic situation do not reflect the higher demand and production levels which will result from Iran's petroleum shutdown, and they should be considered as the minimum. There are, however, some supply figures which can later be added to the domestic picture as presented to appreciate the full impact of Iran upon the domestic petroleum outlook.

Demand for the year 1951 is expected to be almost 10 per cent over the year 1950. The following demand increases in 1951 are estimated to occur in products:

Gasoline	12 per cent
Kerosene	6 per cent
Distillates	14 per cent
Residual	6 per cent
All Other Products	<u>10 per cent.</u>
Total	10 per cent

Exports increased considerably in the second quarter of 1951, reaching 425,000 B/D. It is now estimated that total exports for 1951 will be 335,000 B/D compared to 305,000 B/D in 1950.

On the supply side both crude production and crude runs in the second quarter were maintained at levels above those required. As a result, United States gasoline and distillate stocks on July 1 were higher than necessary. However, most of the excess is located in District 2, which has been operating its refineries near capacity. This high stock situation in District 2 may

PA12

partially correct itself due to the recent floods shutting down refineries and disrupting river and pipeline transportation.

Required crude production for the year 1951 should average 6,080,000 B/D which is approximately 100,000 B/D below current production. Total imports for the year are expected to average 930,000 B/D.

Total stocks at the end of 1951 will be somewhat higher than absolutely necessary, but with the unsettled world situation and the possibility of a cold winter, they will not be excessive.

Residual stocks are expected to be very tight -- to the extent that East Coast consumers with stand-by facilities will be encouraged to switch to coal. Any diversion of present United States residual imports to other areas would further darken the residual outlook.

Crude stocks are indicated to be approximately 255 million barrels at the end of 1951, which would provide little flexibility to the industry in the event of an emergency.

Refinery runs in the third quarter of 1951 are estimated to be 6,435,000 B/D, only slightly higher than in the second quarter. Runs of almost 6,500,000 B/D will be required in the fourth quarter.

Despite a lower per cent yield of gasoline, production in barrels during the second quarter this year was 355,000 B/D above the same period last year. Yields of the four major products in 1951 will not change much from 1950, but gasoline and residual

will be somewhat lower and the distillate cut will increase.

Demand in the first quarter of 1952 is expected to reach an all-time peak of 8,145,000 B/D, up 5.6 per cent over the same period in 1951. With increased natural gasoline production and higher imports expected, crude production of 6,200,000 B/D will be required. Crude runs in the first quarter of 1952 of almost 5,700,000 B/D are forecast, which will be 93 - 95 per cent of total refining capacity. Difficulty may be experienced in sustaining operations at this level. Residual is the only major product which now appears to be in a tight supply position during the first quarter of 1952.

Present production is approximately 100,000 B/D above that required when excluding the Iranian problem. It is estimated that for the last half of the year the U. S. could raise domestic crude production a maximum of 200,000 B/D over present levels to assist in the world-wide shortage caused by the shutdown in Iran. This would include the more than 100,000 B/D of abnormal exports currently being shipped to foreign countries from refinery production and stocks.

These operations would require domestic crude production of at least 6,350,000 B/D, which is near the total amount that can be produced and transported economically at present with existing pipelines.

Crude runs would have to be increased to approximately 6,500,000 - 6,600,000 in the last half of the year. Even greater

PA14
assistance will be requested from the U. S., but it is doubtful if much could be done and adequately take care of our domestic demand. The U. S. can offer less help in the first quarter of next year because of our peak domestic requirements.

Thank you.

CHAIRMAN HALLANAN: Any questions?

Thank you.

MR. BRUCE BROWN: Some years ago the Arctic explorer Steffanson proved that a man could stay alive by eating nothing but meat for a year. During the war the Navy and Army made many tests on human endurance. We have been making a test in PAD and we have found a man who can work 12 hours a day for seven months, seven days a week and still smile. It is our Director of Materials, Mr. Frank Watts.

(Applause.)

) km fls.

Waldstein:km
p. 9
Mr. Altizer

MR. WATTS: Thank you, Mr. Brown. You overlooked saying, however, that it was Aesop who deserves credit for the old saying that you can not stand an empty sack upright, and I am sure that many gentlemen in this room are in the same condition I am right now, having extreme difficulty standing upright.

I am confident that many of you gentlemen find yourself in the same condition, the same frame of mind as I often find myself, when we read in one magazine or in one news release a statement by someone who specializes in some field of economics or supply and demand problems to the effect that there is an adequate supply of steel or material of another nature or that supply and demand are approximately in balance or that supply and demand will soon be brought in balance, and then we read statements by others to the effect that supply and demand are even worse out of balance now than they were some time previous. So we can't help but end up today after reading conflicting statements of that kind in somewhat of a state of confusion.

For the past two weeks prior to last week, a series of meetings was held by the Steel Requirements Committee, by the Copper Requirements Committee and by the Aluminum Requirements Committee in an effort to appraise the needs for controlled materials -- steel, copper and aluminum -- by giving segments of the national economy, including the defense program, and through the different claimant agents, representing those

different groups, obtain a picture of their requirements. The result is that the beginning of last week saw the three committees, the Steel Requirements, the Aluminum Requirements and Copper Requirements committees come up with recommendations as to how supply and demand can be brought into balance, particularly with respect to critical sizes and shapes, and more particularly with respect to alloy steel and copper, which are the two items in shortest supply. Each claimant agent was then permitted to present their appeals to obtain adjustment one way or another. After the decisions had been made by these three separate committees, those appeals were heard. Last week the DPA Program Adjustment Committee held a series of meetings to consider the appeals of the different claimant agents. In industry language the DPA Program Adjustment Committee can be compared to an industry operating committee. Some of the appeals were resolved and at the end of that series of meetings, which consumed all of last week, recommendations came out of that committee for referral to the DPA Requirements Committee, which, in industry language, can be compared to the board of directors.

That committee, which again is made up of representatives of the different claimant agents, is this week holding a series of meetings. It met yesterday all day. It is meeting today all day. It broke up at one o'clock and will resume at three. It will meet again, if need be, all day tomorrow, with the

intention of coming out the day after tomorrow with a firm statement as to what, in the way of materials, will be available for different segments of the national economy, including the defense program and also including consumer durable goods -- automobiles, refrigerators, and so on, across the board.

PAD presented for the oil and gas industry for this country our requirements in so far as steel is concerned. I will not take the time to go into aluminum and copper. It stated that the requirements were 2,385,000 tons. Realizing that there was an insufficient plate capacity to produce all of the plate that was needed to meet the different needs of the country and supply enough for large diameter electric weld type, PAD, although presenting the requirements for 2,385,000 tons of steel, said that some way, somehow, in order to attempt to make a contribution toward bringing supply and demand in balance, it will distribute material in such a way in the oil and gas industries of this country that it can get by with 2,135,000 tons. That was a figure, then, that went into the Steel Requirements Committee. Similar figures went in to Copper and Aluminum Requirements committees in so far as copper and aluminum were concerned.

Coming out of the series of Steel Requirements and the DPA Program Adjustment committees was this recommendation, that there would be made available or could be made available for

domestic gas and oil operation against the 2,185,000 tons of steel 1,754,000 tons. PAD stated in rebuttal that it just is not going to be possible to carry on domestic oil and gas operations in the fourth quarter of this year, to which these figures refer, with no more than the 1,754,000 tons of steel, that a minimum of 1,862,000 tons will be required to avoid serious disruptions in oil-gas operations.

The decision as to whether it will be 1,862,000 or 1,754,000, or some figure in between, will doubtless be made the day after tomorrow.

Assuming that the 1,862,000 is the figure that is finally agreed to -- and bear in mind, please, that the gradual descent from the 2,185,000 to the 1,862,000 was an effort on PAD's part to help bring supply and demand for steel and other controlled materials in balance -- the steel for the fourth quarter of this year, indicated supply, will be 20,000,000 tons and against that there is a demand from claimant agencies, such as PAD, of 26,200,000 tons. So the problem all through this series of meetings has been to bring in balance, bring demand down in balance with supply, the 26,200,000 down to 20,000,000 tons.

That 1,862,000 tons will be divided approximately like this. 415,000 for oil country tubular goods, casing, tubing and drill pipe for domestic operations. That is an increase, of course, over the third quarter of this year, not a large

increase, but an increase.

675,000 tons will be steel plate. That is steel plate for electric weld pipe, steel plate for tankage, for refinery vessels, towers, and so on.

70,000 tons of structural steel for miscellaneous purposes.

450,000 tons of lined pipe other than the large electric weld pipe.

That makes a total of 1,610,000. The difference between that and 1,862,000 would be sheet and rod and bars and miscellaneous shapes of carbon alloy and stainless steel.

Regardless of whether it is going to be 1,862,000 or 1,754,000, supply and demand of materials with respect to oil and gas operations in the fourth quarter are going to be nip and tuck. It isn't only possible during that quarter, as it hasn't been possible recently and will not be possible in the third quarter of this year, for all operators to do everything they would like to do. It is only going to be possible to make materials available to carry on the most essential operations to fill the most urgent needs.

How necessary the present situation is with respect to supply and demand is a question for conjecture. Maybe it is a question for debate. But very serious effort is being made to bring over-all demand down in balance with supply. There is an extreme shortage of certain alloying materials. There is a very definite and extreme shortage of copper. There is

a modest shortage of aluminum. There is a shortage of the kind I mentioned in so far as steel is concerned. In the fourth quarter of this year it is planned that in carbon steel no more than 70 per cent of that used during 1950 will be made available for use by manufacturers of consumer durable goods. No more than 60 per cent of copper and 50 per cent of aluminum. So very definite effort is being made in the civilian economy in the consumer durable goods field to bring demand down to balance with supply of controlled materials in this country.

But again I repeat that we are going into the fourth quarter with a greater demand for materials than there is supply and it is going to impossible to carry on all the operations at the rate that the industry would like to move forward with them. There is no reason why the supply of oil country tubular goods will not be more than sufficient to drill at the rate of 43,400 wells. There is no reason why the supply of steel otherwise will not be sufficient to take care of the most essential needs, but it certainly will not be sufficient to take care of all of the requirements that the industry feels it should be supplied.

Thank you.

CHAIRMAN HALLANAN: Thank you, Mr. Watts. (Applause)

MR. BRUCE BROWN: Your Chairman being a production man was not content to leave it where Ed. Warren left it, with the very nice compliment he paid PAD on its distribution method, but

he suggests that we ought to hear from the man who is dishing out the short supply of oil country tubular goods, and I am pleased to introduce Mr. Dick Lawton. (Applause)

MR. LAWTON: We are at present engaged in making the fourth quarter allocations of tubular goods. I might give you some interesting figures. We do not have them complete, but out of 2614 applications, of which we think there are 3200 probable, we had a demand for 1,158,000 tons of tubular goods in the fourth quarter. That will probably go up to 1,500,000 tons. Out of that group of applications the operators said they wanted to dig 26,000 wells in the fourth quarter. That will probably go up to 30,000.

The big operators who dig 41 wells and over a year indicated an increased program of 38.4 per cent. The next group, from 12 to 40 wells per year, we considered were relatively honest, too. They just wanted a 40 per cent increase. The little ones wanted the balance.

It was pretty hard to fit a million and a half tons of demand at 26,000 or 30,000 wells demanded into 300,000 tons of tubular goods and 11,000 wells a quarter. But we believe that our formula is giving everybody their equitable share. We make some mistakes, but they are not bad ones and, if we make them, we are willing to correct them if you gentlemen will give the evidence.

We also know that in the third quarter we disturbed

customer relationships due to the maldistribution of pipe at the time this program started.

There were a lot of tickets that went to people who were not historically customers of either supply houses or mills. We also found in the inventories that the mills had been making too much large diameter pipe. The inventories were loaded with it. We had three meetings with various representatives of the mills, conferences with them, and I am happy to announce that in the fourth quarter we think there will be 10,000 tons more of 5-1/2-inch casing made by the mills than ever before. They are cooperating with us and cutting down on their larger sizes.

A six-months' interim report for 1951, just from fundamental statistics, might be appropriate. Mr. Watts' 5 per cent program was started up with the assistance of the association's advice and has raised wildcatting 25.1 per cent above the same six-months' period in 1950. The discovery rate of oil distant, and gas fields, is up 34.2 per cent from 679 wells last year. I should say 679 fields last year up to 912 fields this year. I think that is a remarkable achievement for the industry.

Another thing that is rather startling that is happening for the first time to my knowledge is that the average depth, in this six months, of the wells went from 3688 to 3797, over 200 feet. That may or may not continue. That shows the

trend and the need for longer production strings.

The total wells drilled in the first six months of 1950 amounted to 21,129. This year it amounted to 21,221. I can assure you from looking at the fourth quarter inventory reports as of June 15th for the allocation, that there is not a shortage of tubular goods in the United States to finish out this 43,400 well program with the allocations made in the fourth quarter.

I believe that is all.

CHAIRMAN HALLANAN: Thank you very much. (Applause)

Gentlemen, I want to express my great appreciation for this fine attendance at this meeting. We have had 55 members of the Council who answered to their names. Fourteen other members were represented by others.

It seems to me that this meeting has produced splendid results and I think there has been a very worth-while meeting of the Council from every standpoint.

I received a number of letters suggesting that we should probably forego this meeting during the hot months, but it did not seem to me that was a fulfillment of our obligation as members of this National Petroleum Council. We are set up and organized on the basis of holding quarterly meetings and when we realize that many men here are giving their constant time in Washington, it seems to me that the least we can do is to carry on with the schedule of meetings.

I called this meeting, realizing that it was a very

inappropriate time for people to come to Washington because of the excessive heat, but I am more than gratified by the response, and I think the results of the meeting have been most satisfactory.

The reports that have been forthcoming and the data that we have received, the information we have received, have represented a very fine contribution to the over-all picture, and I hope that you feel the same way, that you have not come to this meeting in vain. We have completed our agenda. Is there any new business for the Council to consider? Is there any member who has any new business?

MR. RUSSEL BROWN: I want to raise this question of where we are going to get oil to supply in case this demand is made upon us in accordance with your agreement to supply the Iranian deficit if we are going to have a continuing steel shortage. I am afraid we are going to run into a situation that may be embarrassing domestically with our own Congress if we fail to supply the domestic requirements. I hope, Mr. Brown, that your committee on that is taking that into consideration.

MR. BRUCE BROWN: Mr. Frame covered that topic and said about everything there was to say except he might have added that it is his particular job to see that the stuff that goes out balances what comes in. We are quite aware of the domestic situation. I am personally aware of it. I might say the President is aware of it because we told him about it.

111

We have tried to support the Eastern Hemisphere for foreign policy reasons. If there comes a cold winter and there is any shortage at all, everybody, including the companies who sold the stuff abroad, will tell their customers that the reason for it is our foreign policy. We are aware of that. We are also aware that it is difficult and practically impossible to move to deep water for refining and transshipment, or to move through the deep water the amounts of crude that Mr. Snodgrass and Mr. Frame were talking about. We are quite conscious of that.

CHAIRMAN HALLANAN: If there is nothing further, a motion to adjourn is in order, with the understanding that the next meeting of the Council will be held in the latter part of October.

MR. JACOBSEN: I so move.

(The motion was seconded.)

CHAIRMAN HALLANAN: The meeting is adjourned.

(Whereupon, at 1:45 p.m., the meeting adjourned.)