

DEPARTMENT OF THE INTERIOR

M E E T I N G

O F

N A T I O N A L P E T R O L E U M C O U N C I L

HELD AT

*Conference Rooms A and B,*

~~ROOM 5160, SOUTH INTERIOR BUILDING~~

*Departmental Auditorium Bldg.*

WASHINGTON, D. C.,

on

TUESDAY, JANUARY 29, 1952

WALTER S. HALLAHAN - CHAIRMAN

JAMES V. BROWN - SECRETARY-TREASURER

--

Lawrence Lacharity  
Officia Reporter  
631 Pennsylvania Ave., N.W.,  
Washington, D. C.  
EXecutive 1851

Reviewer R.L. Green

Date 8/26/52

From the Files of the  
National Petroleum Council

Record: Council Meeting (Transcript)

Date of Record: January 29, 1952

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>17-21</u>	<u>17-21</u>	_____	_____	_____	_____
"	<u>( Pages 83 - 90 allude to foreign materials, req. prod. etc.)</u>					
"	_____	<u>96</u>	_____	<u>94-95</u>	_____	_____
"	_____	_____	_____	_____	_____	_____
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	<u>Other</u>					
Pages	<u>161-165</u>	<u>(C.S. Snodgrass - Foreign Oil operations &amp; Abadan)</u>				_____
"	<u>167-169</u>	<u>(Allocations to foreign countries of steel for pipe line.)</u>				_____
"	_____	_____	_____	_____	_____	
"	_____	_____	_____	_____	_____	
"	_____	_____	_____	_____	_____	

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.

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1

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Cochran  
Miller

THE CHAIRMAN: The Council will please come to order.

Gentlemen, this is the first meeting of the newly-appointed Council of 1952. The Council begins the year with a membership of 101.

I believe you will all agree that this new meeting place is more commodious and we will probably have greater facility of action in this room and I hope, as the proceedings move along today we will be impressed with the move that we have made in coming to this larger room.

We did so with some reluctance because this council was born in the conference room of the Interior Department, but as the membership has grown and as the activities of the council have enlarged, and the representatives of government who are interested in our proceedings have indicated their wider interest in our proceedings and in our transactions here, the Secretary of the Interior and Mr. Bruce Brown and myself came to the conclusion that it was desirable to have a larger room for our meetings so we came to this conference room here in this building.

We have 22 new members of the council. I am anxious for them to know us as the old members and for us to know them.

As the secretary calls the roll and the names of the new members are called, and they respond, I am anxious

that they stand so that I may present them to the council.

The secretary will call the roll.

R O L L C A L L

ANDERSON, R. B.

ANDERSON, Robert O.

THE CHAIRMAN: He is a new member of the council and is a member of the Roswell Refinery of New Mexico.

Mr. Anderson, we are glad to have you here.

(Applause.)

ROLL CALL (Resumed)

ARNOLD, Charles H. (Not present)

BAKER, Hines H.

BALL, Max W.

BALL, Munger T.

BARTON, T. H. (Not present)

BERGFORS, Fred E.

THE CHAIRMAN: Mr. Bergfors is a new member of the council, president and treasurer of the Quincy Oil Company of Quincy, Massachusetts. We are delighted to have you as a member, Mr. Bergfors, and welcome you to the council.

(Applause.)

ROLL CALL (Resumed)

BLAUSTEIN, Jacob

BLAZER, Paul G. (Not present)

BLODGET, Rush M. (Not present)

BOYD, William R., Jr. (Not present)

BRAZELL, Reid

BRIDWELL, J. S. (Not present)

BROWN, Russell B.

BURNS, H. S. M.

COLLEY, Robert H.

THE CHAIRMAN: Mr. Robert H. Colley, will you please stand? Mr. Colley needs no introduction to this group.

(Applause.)

I bespeak the feeling of everybody here, Mr. Colley, that we are delighted to have you here as a member of this council.

ROLL CALL (Resumed)

COWDEN, Howard A. (Not present)

CRAIG, EARL M. (Not present)

CROCKER, Stuart M. (J. S. Phillips - representing)

THE CHAIRMAN: Is Mr. Phillips present?

MR. PHILLIPS: I am here on behalf of Mr. Crocker.

ROLL CALL (Resumed)

CUMMINS, J. F. (Otis Ellis - representing)

DAVENPORT, Horace E.

DeGOLYER, E. (Not present)

DONNELL, J. C., II

DOW, Fayette B.

DOWNING, Warwick M.

DRAKE, J. Frank

DRESSLER, John (Not present)

DUKE, Gordon

DUNNIGAN, James P.

ENDACOTT, Paul

THE CHAIRMEN: Paul Endacott, a new member of the council. Mr. Endacott, we are delighted to have you as a member of the council.

ROLL CALL (Resumed)

FISHER, Max M.

THE CHAIRMAN: Mr. Fisher is president and vice-president of the Aurora Gas Company of Detroit, Michigan.

(Applause.)

ROLL CALL (Resumed)

FOLLIS, R. G.

FOSTER, Clyde T. (Mr. Stambaugh - representing)

FRANKLIN, Harry K.

THE CHAIRMAN: Mr. Harry K. Franklin, secretary of the Twin Cities Gasoline Retailers Association of St. Paul, Minnesota, a new member of the council. We are delighted to have you as a member.

(Applause.)

ROLL CALL (Resumed)

GRAVES, B. C.

GRAVES, B. I.

HALLANAN, Walter S.

HARDEY, B. A. (Not present)  
 HARGROVE, R. H. (Not present)  
 HARPER, John  
 HARTMAN, I. W. (Not present)  
 HERLIHY, Fred W.

THE CHAIRMAN: Mr. Fred W. Herlihy who is president of the National Oil Marketers' Association of Orangeburg, South Carolina. We are delighted to have you, Mr. Herlihy.

ROLL CALL (Resumed)

HILL, Charles W.

THE CHAIRMAN: Mr. Charles S. Hill, president of the Rocky Mountain Oil and Gas Association of Colorado; a great member of this council and a great fighter for the oil industry. We are delighted to have you as a member.

(Applause.)

ROLL CALL (Resumed)

HILTS, Harry B.  
 HOLMAN, Eugene  
 HULCY, D. A. (Not present)  
 JACOBSEN, A.  
 JENNINGS, B. Brewster (Not present)  
 JOHNSON, Carl A. (Not present)  
 JONES, Charles S. (Not present)  
 JONES, J. P.  
 JONES, W. Alton



KECK, William M., Jr. (Mr. Johnston - representing)

LAWTON, R. G.

LERCH, Frank H., Jr. (J. French Robinson - representing)

LOVEJOY, John M.

LYNCH, John F.

THE CHAIRMAN: John F. Lynch, the president of the Natural Gasoline Association of America and also president of La Gloria Corporation, Corpus Christi, Texas. We are delighted to have you as a new member.

ROLL CALL (Resumed)

LYONS, Charlton H.

THE CHAIRMAN: Charlton H. Lyons, the new president of the Independent Petroleum Association of America, who succeeds Mr. J. E. Warren. We are pleased to have you as a member of the council.

(Applause.)

ROLL CALL (Resumed)

MACINTYRE, W. G.

MAJEWSKI, B. L.

MARSHALL, J. Howard (Not present)

MATTEI, A. C. (Not present)

MAYER, Fred M.

THE CHAIRMAN: Fred M. Mayer, president of the Petroleum Equipment Suppliers Association and also president of the Continental Supply Company of Dallas, Texas, a new member. We are delighted to have you, Mr. Mayer.

## ROLL CALL (Resumed)

MAYNARD, Nelson (Not present)

McCOLLUM, L. F.

McGOWEN, N. C. (Not present)

MOSHER, S. B.

NIELSON, Glenn E. (L. W. Lee - representing)

NINESS, S. F.

NOLAN, Joseph L.

PARTEN, J. R.

PAYNE, Bryan W.

THE CHAIRMAN: Mr. Bryan W. Payne, who is president of the Texas Independent & Royalty Owners Association and also president of Iowa-Payne Oil Company. We are delighted to have you as a member of this council.

(Applause.)

## ROLL CALL (Resumed)

PAYNE, William T.

THE CHAIRMAN: Mr. William T. Payne, who is president of the Mid-Continent Oil & Gas Association and also president of the Big Chief Drilling Company, Oklahoma City, Oklahoma. We are pleased to welcome you to the council.

(Applause.)

## ROLL CALL (Resumed)

POGUE, Joseph E.

PORTER, Frank M.

PYLES, E. E.

REITZ, Walter R.

RICHARDSON, Sid W. (Not present)

RITCHIE, A. S. (Not present)

ROBINEAU, M. H. (Norman Meyers - representing)

RODGERS, W. S. S.

RODMAN, Roland V.

ROWAN, A. H. (Not present)

SHANNON, R. S. (Not present)

SKELLY, W. G. ( voice - representing)

SPENCER, P. C. (Not present)

THE CHAIRMAN: Mr. Spencer is ill.

ROLL CALL (Resumed)

STREETER, Clarendon E.

TAYLOR, Reese H. (Not present)

THOMPSON, A. W.

TOLLETT, R. L.

THE CHAIRMAN: Mr. R. L. Tollett, the president of Western Petroleum Refiners Association; also president and general manager, Cosden Petroleum Corporation, Big Spring, Texas.

(Applause.)

ROLL CALL (Resumed)

VANDEVEER, W. W.

VOCKEL, Stewart M.

WARREN, J. Ed

WARREN, W. K.

WESCOAT, L. S.

WHITE, John H.

THE CHAIRMAN: Mr. John H. White, gentlemen, who is vice president and general manager of the Hewitt Oil Company, Charleston, South Carolina. We are delighted to have you as a member of the council and welcome you, Mr. White.

(Applause.)

ROLL CALL (Resumed)

WILLIAMS, Russel S.

WILSON, Robert E.

WRATHER, John (Not present)

THE CHAIRMAN: Mr. Wrather wires that he is detained and unable to be at the meeting on account of illness. John Wrather is a new member of the council from Longview, Texas.

ROLL CALL (Resumed)

WRIGHT, C. H.

THE CHAIRMAN: Mr. C. H. Wright, president of the Sunray Oil Corporation, Tulsa, Oklahoma. We are glad to have you here and welcome you here as a member of the council.

(Applause.)

THE CHAIRMAN: A quorum is present.

I would like at this time to call the attention of the council to the fact that our good friend J. Howard

Marshall is unable to be here today on account of illness. Howard Marshall has been seriously ill, but in talking with him yesterday afternoon he wanted me to convey a message that he was on the way to recovery and asked me to extend his felicitations and good wishes to all of the members of this group and to say to you that he has every confidence that he would be back at the council meeting at its next session.

I think Mr. Majewski, I will recognize you at this time to make a motion. Mr. Majewski.

MR. MAJEWSKI: Mr. Chairman, I would like to move that a fitting and appropriate resolution be adopted felicitating our absent member who has gone through a very serious illness and is now on the road to recovery.

I move the adoption and the forwarding of a telegram to be prepared by the Secretary.

(The motion was seconded.)

THE CHAIRMAN: All in favor signify by saying "aye." Opposed? The motion is unanimously adopted.

The next item of business is the approval of the minutes of the meeting of October 1st, 1951.

(It was moved and seconded that the minutes of the meeting of October 1, 1951 be approved.)

THE CHAIRMAN: It is so ordered.

The report of the Secretary-Treasurer.

THE SECRETARY: The receipts during 1951 totaled

\$94,101. The expenditures which were for expenses, \$74,547. We transferred \$15,000 to reserve, making a total withdrawal from the general fund of \$89,547. We had \$2727 on hand at the beginning of the year and this, together with the differences between receipts and disbursements, leaves us with \$7,280 in the general fund as of December 31st. The reserve fund stands at \$65,000.

THE CHAIRMAN: You have heard the report. It has been moved that it be adopted. All in favor indicate by saying aye. Contrary, no. It is so ordered.

Gentlemen, the photographer of the National Petroleum News has asked that he be allowed to make a photograph at this time and we will suspend for the moment while the photograph is being made.

(A short recess was taken.)

THE CHAIRMAN: Sixty-three members, gentlemen, have answered their names on the roll call.

The next order of business under our rules for the organization meeting is the appointment of a nominating committee for the purpose of recommending the election of officers of the council for the ensuing year.

The chair now recognizes Major Partan.

MR. PARTEN: Mr. Chairman, as is the custom, the nominating committee should be appointed to nominate the officers of the council for the coming year, and also re-

constitute the standing committees.

I move you, sir, that a committee of seven be appointed for that purpose.

(The motion was seconded.)

THE CHAIRMAN: It has been moved and seconded that a nominating committee of seven members be appointed for the purpose of recommending the officers and the members of the permanent committees of the council.

Are you ready for the question? All in favor indicate by saying aye. Contrary no. It is so ordered.

The chair will appoint Major Parten, Mr. Wescoat, Mr. Lovejoy, Mr. B. C. Graves, Mr. Donnell, Mr. Endacott, and Dr. Wilson as members of the nominating committee.

The chair now recognizes Mr. Jacobsen to present the report of the Agenda Committee.

MR. JACOBSEN: The report of the Agenda Committee is as follows:

There is only one item that came before us.

Under date of January 25, 1952, Mr. H. A. Stewart, Acting Director of the Oil and Gas Division of the Department of the Interior addressed a letter to Mr. Hallanan in which reference is made to a prior letter dated October 19, 1951 requesting the appointment of a committee to make a study regarding oil country tubular goods (copy of which letter is hereto attached).

The committee has requested further information regarding the exact scope of study which it is to undertake. Mr. Stewart's letter sets out four points to clarify the assignment given the Committee on Oil Country Tubular Goods.

As provided in the Articles of Organization of the Council, Mr. Stewart's letter of January 25, 1952 was considered at a meeting of the Agenda Committee on January 28th in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council that the Chairman of the Council advise the Committee on Oil Country Tubular Goods as to clarifications presented in Mr. Stewart's letter and modify his assignment to the Committee in accordance with the four points set forth in Mr. Stewart's letter.

Respectfully submitted,

A. Jacobsen, Chairman

Agenda Committee of the National  
Petroleum Council

(Attachment - 1)

C O P Y

UNITED STATES

DEPARTMENT OF THE INTERIOR

Oil and Gas Division

Washington 25, D. C.

January 25, 1952



Mr. Walter S. Hallanan, Chairman  
National Petroleum Council  
1625 K Street, N. W.  
Washington, D. C.

Dear Mr. Hallanan:

On October 19, 1951, I addressed a letter to you requesting that the National Petroleum Council appoint a committee to "make a comprehensive study to determine the most desirable range of sizes and weights for present needs in petroleum production operations and the relative proportion of each expressed in terms of footage and tonnage, and to report its findings with such recommendations as may be appropriate."

The Council approved the study and you appointed a committee to undertake it. Representatives of the committee met in Washington on January 8 and 9 for a discussion of the problem and to outline methods of procedure. Several representatives of PAD were present and participated in the discussions.

Some questions were raised as to the exact meaning of some of the words in the request; others as to the exact scope the inquiry should cover. It is therefore desirable to clarify certain points to assist your oil country tubular goods committee in its work Monday, January 28. These clarifications are as follows:

1. Drill pipe should be excluded because adequate information is available to PAD.
2. Exclude study of weight ranges within a given size.
3. Confine the study to domestic operations.
4. Report, by sizes, the percentage range in tonnage and footage considered to be the most desirable pattern for manufacture of oil country casing and tubing.

Sincerely yours,

/s/ H. A. Stewart

H. A. Stewart

Acting Director

I move the approval of the report.

(The motion was seconded.)

THE CHAIRMAN: You have heard the report of the Agenda Committee. It has been moved it be adopted.

All in favor of the adoption of the report of the Agenda Committee will indicate by saying aye; contrary no.

The motion is unanimously adopted.

In order that the chairman of the Committee on Oil and Gas Availability may have an opportunity to present his report earlier than had been provided in the agenda because of his needing to leave probably during the day, I

want to call now upon Mr. McCollum as chairman of this committee on Petroleum Productive Capacity, which represents one of the greatest contributions which this Council has made since its organization, to outline a summary of the conclusions of this committee and to indicate the probable time when the final report will be available for distribution.

I now present Mr. McCollum.

MR. MCCOLLUM: Mr. Chairman and gentlemen:

In December, 1950, Mr. Stewart, Director of the Oil and Gas Division of the Department of the Interior requested the National Petroleum Council to make a study of present and probable future petroleum production capacity and availability to the United States, including gas, as well as liquid petroleum, foreign as well as domestic sources.

On July 24th an interim report was submitted to this council on the short-range studies, both domestic and foreign, during the years 1951 to 1955, inclusive.

Subsequently, developments in the Middle East showed that availability increased at a more rapid rate than anticipated when the interim report was submitted and therefore revisions in the new report reflect those changes for the year 1951 and therefore vary slightly with the interim report I just mentioned.

In this filed report, the data shows that the total productive capacity of foreign areas, exclusive of the Russian-

dominated countries, was 4,703,000 barrels daily in January, 1951, and averaged 5,221,000 barrels daily for the full year of 1951.

Foreign availability of petroleum, it is believed, and shown in this report, by 1955, will range from 6,669,000 barrels a day on the low side to 7,427,000 barrels per day on the high side.

Since many of you do not have the interim report I referred to, I would like to point out that similar figures for the United States contained in the interim report indicate availability on January, 1951, of 7,300,000 barrels daily -- that is in the domestic field -- and a range in average availability during the year 1951 from 7,409,000 barrels a day to 7,566,000 barrels daily.

The committee estimated that the availability of petroleum in the United States may be expected to reach a figure in the range of 7,789,000 to 8,838,000 barrels daily by 1955.

Now, that top figure of 8,838,000 barrels daily, you will see, is roughly average -- the two figures roughly average one million barrels a day more than the January, 1951 figure of 7,300,000 barrels a day. That contemplates completion annually of 473,000 wells. Our distributing of the amount over the five years gives an increase in availability per day, per year, -- 250,000 barrels per day.

The two figures combined, domestic and foreign, show that there will be 12,300,000 barrels a day in January, 1951 and that for the full year 1951 availability was in the range of 12,630,000 barrels to 12,787,000 barrels daily.

The committee's projections for these areas indicate an availability in 1955 ranging from 14,458,000 barrels a day to 16,265,000 barrels per day.

We had hoped and anticipated that the full and complete report would be available for distribution today. However, yesterday at the final meeting of the main committee, certain editorial and typographical changes were made which prevented its being completed and ready for distribution today.

Now, one brief comment of a facetious nature. I have told you to judge the value of these reports by the thickness. This one is 11/16 of an inch thick and I understand is the thickest report submitted by any committee of the council, so it must be the most valuable.

Since we are unable at this moment to distribute the final copies, I would like to point out that the report is in three sections. Section 1 is "Introduction and Summary" and it attempts to bring into focus the basic principles and pertinent information in the report, both short range and long range, both domestic and foreign, for crude oil and gas availability.

It is for the "running reader" -- the fellow who

reads on the run.

The second section is the immediate outlook for supplies. That, in essence, is the summary or is the interim report revised for the domestic and foreign picture, both oil and gas.

The third section, the long-term prospects for petroleum supplies, attempts to look into the future and to predict what we might anticipate.

Now, this study has been made by -- I started to say "scores" -- hundreds of experienced oil men throughout the United States.

The committee appointed by the NPC undertook this job through the appointment of subcommittees on a regional basis, and men were put on these committees who had the most experience and who were the best qualified to advise on this subject. That pertains to the short-range and long-range pictures, domestic and foreign.

The studies, therefore, are a compilation of the views of the best informed people of the United States on this subject.

I wish I had time to read the conclusion of each section. Time will not permit and I am sure each will want to read a copy of this report.

Before going to the general conclusions, I would like to state that it is the recommendation of the

Availability Committee to the council that the report be printed and made available for distribution.

(The motion was made.)

MR. McCOLLUM: Mr. Chairman, I would be glad to read the conclusions.

I have the general conclusions from Section 1. Now, if you take the conclusion from Sections 1, 2 and 3, they are all incorporated in this conclusion here. However, if you wish the conclusions read from each section, the chairman of the committee will be glad to do so.

THE CHAIRMAN: I think so.

MR. McCOLLUM: It will not take very long.

On page 21 of the main report I shall read the conclusions of the summary.

Available supplies of oil and gas will continue to increase rapidly for the near future. Large quantities of oil and gas remain to be found in the United States and foreign countries. Techniques for refining and producing oil have improved greatly, are currently being improved and will continue to improve.

Increasing availability of petroleum can be counted on in the United States, and world-wide, provided reasonable economic incentives and a favorable climate for private investments are maintained.

Energy from other sources at attractive prices may

finally bring about a decrease in petroleum demand for any lack of prospects causes a decrease of available supplies.

Competition among fuels is the best way to supply our needs for energy at the lowest cost.

Now, that is the conclusion of the summary.

The committee says, in short, "The United States and the world can count upon increasing supplies of oil and gas, not only for the next few years, but for the foreseeable future, provided that reasonably economic incentives and a favorable climate for private investment prevails."

MR. WILSON: "Adequate materials" was inserted there, was it not?

MR. McCOLLUM: That is right.

On page 31 of the main report, the summary of the short-range study says that for the five-year period, 1946 to 1950, for petroleum liquids, there was produced 10.2 billion barrels of crude oil and natural gas liquids. There was an increase in crude reserves of all petroleum liquids of more than 6.5 billion barrels after replacing with new reserves the 10.2 billion barrels produced during the period.

There was an increased availability of all petroleum liquids to 7.3 billion barrels daily in January, 1951, and an estimated range of 7.409 to 7.566 thousand barrels daily for the year 1951, compared with production in 1946 of 5,074,000 barrels daily, which was then about the availability at



maximum efficient rates.

For natural gas there was produced 29.7 trillion cubic feet. There was an increase in crude reserves of natural gas of 37.8 trillion cubic feet after replacing new reserves, the 29 trillion cubic feet produced during the period.

There was an increase in net reduction of natural gas from 4.9 trillion cubic feet in 1946 to 6.9 trillion cubic feet in 1950. There was an increased availability to an estimated 8.1 to 9.5 trillion cubic feet annually in 1951.

Then we have the summary of the long-term prospects for petroleum supplies. The conclusions are as follows:

The study of the long-term prospects for petroleum supplies has dealt with two major issues. The forces which have made and will continue to make oil available, the prospects of oil supplies for the foreseeable future, and the following conclusions result from these studies:

We have today in the United States and in the world larger supplies and larger proved reserves of oil and gas than ever before. Our tools and techniques for finding and developing petroleum have greatly improved and continue to improve rapidly.

Competition has proved an extremely effective device for stimulating development of new resources and new processes which serve to supply us with fuels.

Economic forces of a free market continue to be the

best method of developing abundant fuel supplies at low cost to consumers.

Fuel supplies needed for national security, as well as economic progress are provided best by relying upon competition. There still exists excellent prospects for the development of ample new reserves of oil and gas in the United States and in foreign countries. We have the potential resources, the technology, and the economic framework for continuing to enjoy large supplies of fuel. The major threat to future oil supplies would be any interference with economic incentives which might act to prevent the normal developments that would otherwise occur.

Our prospects are good for the discovery of petroleum and for ample supplies of fuel generally for the foreseeable future.

That concludes generally, Mr. Chairman, a summary of the report. The report is finished, all but changing certain typographical errors and I recommend its adoption and so move.

MR. MAJEWSKI: I second the motion, Mr. Chairman, and in doing so I am heartened by the recommendation of the chairman of the committee that it will receive the wisest possible distribution. The value of this council, and particularly this committee, in the production of this report is indicated by the diversity of representation on this committee.

This is the only avenue to the industry that permits our having all interests -- we have some very fine associations in the industry -- but they are associations and represent various phases of this subject. This committee has introduced an interim report and if the final report is indicative of the quality and substance, this is of real value to the people of this country. I do not mean to the oil industry; I mean to the people and the government of this country.

I want to encourage the widest kind of distribution in educational and library sources, and particularly to the members of congress who every now and then say we ought to do something about the oil business. This is the answer, and I hope you give it the widest kind of distribution.

I think it should go forward not only to the committee members, but to the thousands of people who have worked with the committee. I take pleasure in seconding the motion.

THE CHAIRMAN: Mr. Majewski, I think we would be interested in having some further definition from you as to what you mean by "the widest possible distribution."

We run into the cost and later in the day this council will be called upon, of course, to consider a budget.

Now, a volume of this size in printed form and for the distribution which you evidently have in mind runs into a

considerable fund. I think before we reach the consideration of the budget that there should be some discussion of the width of the distribution. I am in perfect accord with it. I think this is a document that ought to be given to the country at large. It is the answer to the old cry that we are running out of oil or that we are threatened with an oil shortage. It should not only go to the congress, but to all the governors and members of the legislatures of the different states.

I do think this council should give consideration to the matter of cost to be involved because we operate, as you well know, on a very modest budget and, of course, a document of this size would require a considerable fund in its distribution.

MR. MAJEWSKI: Knowing Mr. Mac and his committee, I assume they have given the subject considerable study on how to do it without wracking the National Petroleum Council treasury and I am sure Mac will come up with the answer. If not, we ought to peddle it for a buck or two.

MR. McCOLLUM: Mr. Chairman, I have finished my report as chairman of this committee and I had in mind saying a few words.

THE CHAIRMAN: The motion is that the report of the Committee on Oil and Gas Availability be adopted. It has been seconded. All in favor signify by saying aye.

It is so ordered.

MR. BLAUSTEIN: With regard to item number five of this statement, "Energy from other sources at attractive prices may finally bring about a decrease in petroleum demand before any lack of prospects causes a decrease of available supplies," are particulars of that leasing given in the report?

MR. McCOLLUM: Yes. I don't know whether there is enough to satisfy you or not, but we have attempted to satisfy everybody without being too lengthy.

In the report is a mass of valuable information and the opinions of people whose opinion should be worth while. It doesn't represent Mac McCollum's opinion or any one other person's opinion here, but I think it is remarkable when you can get hundreds of oil and gas men scattered all over the United States and representing foreign countries who can come to conclusions as definitely as are expressed in this report.

If there is an authoritative report on this subject from my viewpoint it would be this report. Moreover, I would like to digress one moment and say that I think this council is indebted particularly to three men for their editorial work on this report; Dick Gonzolas, Mr. Buckley and Mr. Ball.

I want at this time to credit them for what they

have done.

The report, as written, does another thing. It brings into focus, or tends to place in a proper light, the effect of the economic forces of supply and demand upon the discovery of oil and upon the availability of oil, and the competition between fuels. That point, where it refers to the fact that other sources in competition may displace oil, that is clearly brought out in the report as I read it.

Now, I would like to add a little to what Barney said -- you stole some of my thunder, Barney -- and say that it was the recommendation yesterday of the Availability Committee that this report be printed and distributed. The method of doing it was not decided upon at all. I should suggest that it is up to the chair to appoint a committee to work on the matter because costs are involved.

Yesterday in our discussion mention was made that it could be printed, ten thousand copies, for \$2200. That won't do the job in the way we finally want it done, but I think we should appoint the committee to make a study and how you handle it from there on is a matter I think for the administrative head.

Thank you.

THE CHAIRMAN: You don't think ten thousand copies would be adequate, do you?

MR. McCOLLUM: I don't think so, at all. That would

just give you a measure of what it cost, but to print this with a cheap back and average type paper.

Jim, I think you had some discussions last night on what it would cost to do the job the way we would want it.

I am going to jump off the deep end and say we are talking about ten thousand dollars to print and distribute the number of copies wanted. You don't have to finance it out of the funds here. You can ask those people who write in for copies like the companies to pay for their own copies of it.

MR. WILSON: I would like to call attention to the fact that the way libraries operate, if you print a pamphlet, they can get it in one filing cabinet and it doesn't get too much attention. If you print it as a book, it gets into another filing cabinet and goes on the shelves and we would get more readership. I think the committee should take that into consideration in deciding what format this should have. It would not be a very thick book, but there is a good deal of advantage if it does not cost too much.

My suggestion would be that the committee look at this rather broadly and include some public relations experts to decide on what distribution it should have, and I think we would agree that the council should finance the printing basically and see that it is distributed to members of Congress, libraries and things of that kind.

After that has been determined upon, then the industry should be circularized. Every member of the council might get two or three copies gratis, but they would be encouraged to order copies, either for their own organizations, or for distribution to others, others to whom they would like to give a copy.

That part of it could be self-supporting.

THE CHAIRMAN: I think further that the expedition of the circulation of this report is highly important. I think it ought to be put out as promptly as possible, and with that in mind if there is no objection I would like to appoint a committee consisting of Mr. Max Ball, Dr. Wilson, Hines Baker and Mr. McCollum as a committee to draw up a plan for the printing and distribution of this report. Certainly the officers of the council will work with this committee.

I think we have a document that should be put out immediately and should be given the widest distribution. It is a document of great merit.

MR. MCCOLLUM: Mr. Chairman, would you name Mr. Baker chairman of that committee so it will have a head?

THE CHAIRMAN: I will be glad to do that.

Gentlemen, I am going to ask Mr. Follis, the vice-chairman, to take over pending the report of the Nominating Committee. Mr. Follis, the vice-chairman.

MR. FOLLIS: Gentlemen, the business before the



council is the election of officers and standing committees for 1952.

Major Parten, is the Nominating Committee prepared to report?

MR. PARTEN: We are, sir.

I would like to make this report of the Nominating Committee.

For chairman, Walter Hallanan.

(Applause.)

MR. FOLLIS: I think perhaps we should elect these individuals one at a time.

MR. PARTEN: I believe it has been customary here to name the slate and elect the slate if we could, as a slate. I would like to proceed that way.

For vice-chairman, Glenn Follis.

(Applause.)

For secretary-treasurer, Jim Brown.

(Applause.)

MR. WESCOAT: Mr. Chairman, I would like to second that. In doing so, I think I would be remiss if I did not make a few comments -- and I promise you they will be very brief. It has been my privilege over the years to be a member of various bodies, all of which have had presiding officers of one type or another -- in some cases "another."

In my association with this council, it has been

my privilege to watch our worthy chairman operate. He has done a magnificent job. He is a fine parliamentarian; he has a sense of judgment and timing. But back of all of that is the number of hours he puts in in days and weeks, as a matter of fact, on the job which in fact none of us know anything about. Any commendation which might come from this body would be weak compared to the amount of time that he spends in the job he has done. Therefore, in seconding Mr. Parten's nomination of that group, and particularly the chairman, I think it would be in order to give a rising vote of confidence in seconding the nomination and approving it.

(Standing applause.)

MR. PARTEN: I move that officers for the coming year be closed and that these officers be elected by a rising vote. Those in favor of the motion please say aye. Opposed say no. It is carried.

In passing, I meant to tell this group something about how this committee functioned. You know we were about to have a debate on this as to who should be officers for the coming year until photographers appeared and took our pictures and got us unified and we decided that last year's officers were pretty good, so we came in unanimously for the officers of last year.

I would like to add one word to what has been said by Lee Wescoat. I think a few of us appreciate fully how

much the officers of this council have to do and how much sacrifice they have to make to make this clock tick.

Perhaps those of us who have had experience as bureaucrats can better understand it because we have some knowledge of the number of times a day and number of times a week that these men are called upon for action and decisions.

I do want to add my word to what has been said complimenting the very excellent service you as officers have given this council and it is our earnest hope that you continue to serve for a long time.

(Applause.)

Mr. Chairman, the next matter for consideration is the report on the committee's recommendation for membership -- the reconstitution of the Agenda Committee for the coming year. There the committee recommends as chairman A. Jacobsen; as members of the committee, Hines Baker, Max Ball, J. Frank Drake, B. A. Hardey, W. Alton Jones, B. L. Majewski, Howard Marshall, A. C. Mattei, L. F. McCollum, and Russell B. Brown.

I move you, sir, that nominations be closed and that that slate be elected.

(The motion was seconded.)

MR. FOLLIS: It has been moved and seconded. All those in favor indicate by the usual sign. Opposed? It is carried.

MR. PARTEN: As members of the other standing

committee, your Nominating Committee comes forward with these names: This is the Appointment Committee: Frank M. Porter as chairman; as members, J. S. Bridwell, J. C. Donnell, II, B. Brewster Jennings, N. C. McGowen, E. E. Pyles, M. H. Robina Robineau, W. S. S. Rodgers, Roland V. Rodman, Reese H. Taylor and L. S. Westcoat.

I move you, sir, that nominations be closed and that committee be accepted for the ensuing year.

(The motion was seconded.)

MR. FOLLIS: All in favor? Opposed? It is so ordered.

THE CHAIRMAN: Gentlemen of the council, I want to thank you from the bottom of my heart for this further expression of your friendship and your confidence. I accept your assignment with the earnest purpose that we may carry on, in the high tradition of patriotic service as has marked the history of this council.

May I say to you in all sincerity that I would rather assess the faith and confidence of the men in this room than of any other group on earth.

In the light of the fact that I opposed certain third and fourth terms some years ago, I am somewhat embarrassed in taking over for a sixth term as chairman of this body, but my embarrassment is relieved to some extent by the fact that these are one-year terms.

In all seriousness, I approach the task of heading the council for another year with a profound sense of humility and responsibility.

The greatest satisfaction I think that comes to all of us, as the council begins its sixth full year of service in our cooperation with the government, is the knowledge that we retain our integrity as an independent and an autonomous body.

We possess complete liberty of action and expression within the framework of the original pattern established when the council was organized.

We have been able to maintain our integrity and our effectiveness, not only because of our own determination to work in an atmosphere of freedom, but because we had a real, courageous champion in the distinguished secretary of the Interior, the Honorable Oscar Chapman. He was willing to stand up and fight when this issue recently threatened our freedom of action as an industry group.

We all know that neither I nor any other member of this council would be presiding over this meeting this morning, if Secretary Chapman had not gone to the front in his effort to maintain the independence of this council.

We owe to him, I think a debt of gratitude for the great courage he displayed under fire.

(Applause.)

Not only has he given representation to every segment of the industry and the membership of the council to which Mr. Majewski has referred, but he has asked our industry to provide competent men from our industry to staff the Oil and Gas Division and the Petroleum Administration for Defense.

It is because we have had men here who are familiar with the problems of the oil industry, like Bruce Brown, Deputy Petroleum Administrator for Defense, and Hugh Stewart, Director of the Oil and Gas Division, and their predecessor, Ralph K. Davis, and Max Ball, who have directed the governmental staffs in this cooperative effort where we have had such a successful and worth while experience.

Secretary Chapman has at all times asked for the best talent in the industry and it has been forthcoming from the industry, even at great sacrifice.

As Mr. Brown prepares to leave soon his position as Deputy Petroleum Administrator, we are pleased that Secretary Chapman has called as his successor a man who has been a member of this council for several years, and who has the complete confidence of everyone in the oil industry, Mr. J. Ed Warren.

(Applause.)

We know that Bruce Brown's shoes will be capably

filled.

The oil industry went into this cooperative undertaking with the government, with the definite guarantee that we would not be asked to surrender any of our traditional freedom. We were all conscious that there necessarily is an unchartered twilight zone that could be safely explored only in an atmosphere of mutual trust and confidence. We of the industry have kept the faith, and thanks to Secretary Chapman, the government has carried out the terms of its mutual agreement in good faith.

The result has been that the bonds of mutual trust which have made possible the achievements of this counsel, and the reports which have come forth here from Mr. McCollum's committee this morning, that they are stronger than ever before today.

It is in that spirit of renewed confidence and respect that we approach the new and the serious problems of a national emergency.

We begin our sixth year with a full pride in the problem or in the job that we have been able to do. There has been no denial of any reasonable request from our government. In opening this first meeting of a new and larger National Petroleum Council, we give notice today that we are enlisted for an indefinite period of service. As long as the public interest demands, we shall give the full measure

of our devotion to the common cause of our country's welfare.

It is your job and mine, as members of this council, to continue to justify our freedom, to merit the confidence which the Secretary of the Interior and the others representing government have shown in this organization. We can say without immodesty, I think, that we have rendered a service that could not have been purchased at any price. The National Mobilization for Defense has brought added duties and responsibilities to the council. We have been made a part of the Petroleum Administration for Defense.

I do not think that this broadening of our scope of activity can be regarded in any other light than as a further impressive recognition of the value and the importance of the council's work. We have accepted these new obligations in the same spirit and with the same high resolve that we have responded to every other call from our government.

The National Petroleum Council's record in this cooperative effort with government is unprecedented and stands out today as an achievement which no other industry has in any respect equalled.

The best and most experienced minds and technological talent of the industry have been placed at the disposal of the government through the operating machinery of this council. To provide such information concerning many phases of the over-all problems of our national petroleum reserves and our



resources, which could not have been secured in any other way; this invaluable service represents a contribution freely given by an industry that is quite aware that no responsibility transcends that of giving every cooperation to the welfare of our country.

I think one reason for the success of the council is that it has enjoyed freedom within as well as from without. It has never been a one-man or a one-group proposition. No policy or action has been determined or established by any one segment of the industry. All are adequately represented on the membership and the views of every individual and every group have received full consideration.

This attitude, I think, has been reflected in the fact that practically every vote of this council has been unanimous. Few persons I think realize the extent of the scope and the work done by the council in its relatively short life. In the last five years, since our organization, 203 committees and subcommittees have been appointed to carry out and fulfill the requests of the Oil and Gas Division; 1900 separate appointments have been made to those committees. These appointments represent 902 individuals of whom 91 were active members of the 1950-51 council; 67 inactive or deceased members, and 744 non-council members.

At the close of 1951 there were 222 individuals serving on active committees of the council engaged in various

studies affecting the petroleum industry, and of whom 56 were active council members, two were inactive members and 164 non-members.

The council has completed and presented to the Department of the Interior 97 completed reports. It is currently engaged in six studies of important subjects relating to our national defense. Its machinery stands ready to carry out the additional assignments that will come from time to time.

The word "service" is sometimes used rather loosely these days, but we all know, and the nation knows, that the National Petroleum Council is one group that has served our country without stint. The members of this agency have given of their time and talent in helping to meet the problems of a great national emergency. They have literally at many times burned the midnight oil. They are no less soldiers in the cause of national defense than the men who are in the Armed Service.

In a personal way, may I say that it has been a delight and an inspiration to work with a group of men of outstanding achievement in their respective fields. Your wholehearted cooperation has immeasurably lightened the burdens of the chairman and your many personal courtesies have brought a satisfaction that comes from an association of what I regard as an all-American team.

Again I thank you and again I pledge that I shall give the best there is in me to the task that lies ahead.

(Standing applause.)

MR. JACOBSEN: You mentioned a moment ago maintaining the complete freedom of action and integrity of this council. I would like to call to the attention of the members that at a very critical period, not too long ago, two members of this council rendered most valuable service, and without their effort we might not perhaps be where we are today. That is Major Parten and Howard Marshall.

MR. MAJEWSKI: Mr. Chairman, if I could talk like you, I could get away with what I am going to say much better, but I like particularly what you said because you said you liked it.

Walter, these speakers like Parten and Wescoat who have silver tongues, somehow it goes with Republicans and Democrats alike, I notice -- the Democrat from the south who is touched with a bit of silver, when he said what a hell of a buy you were, and it also applies to that fellow Wescoat, who is still a violent Republican -- I think.

Walter, we are fond of you because you are a guy, a real man. In addition to doing a terrific job in yielding of your time and energy and your experience, you have administered the gavel as chairman of this council equal to anyone in the United States Senate or anywhere else. You have

been a non-partisan chairman who has rendered a terrific service to his country and to his industry.

I cannot remain seated, as much as I annoy some of my friends on the council, by talking too long -- I could not remain seated without expressing what is in the heart of every guy around this table on the council that, Walter, it looks to me like you are a perennial and may God bless and keep you so that we can elect you a dozen and more times, even though you are a Republican and a hell of a good one, they tell me. God bless you, fellow.

(Applause.)

THE CHAIRMAN: I thank you most gratefully.

MR. W. A. JONES: It appears that there is a revival going on in this town today. I suppose nobody has caused you more trouble than Majewski and now he has repented.

MR. MAJEWSKI: John has almost gotten me to vote his way this fall. Just a little push and I am in.

THE CHAIRMAN: Mr. Jones, while we are waiting -- I had hoped that the Secretary would be here before this time but while we are waiting would you give us an informal report on your personnel committee following up what I have indicated?

MR. W. A. JONES: I learned this lesson from Dr. Colley during the war. The effectiveness of the report is not to gauge it by its thickness, but by its brevity. My report will be very brief. As a matter of fact, Mr. Chairman, I have

no formal matters to bring before the council.

We do have in contemplation the replacement of a number of important spots in the GAP staff and it will be necessary to call a meeting of the personnel committee at a very early date, when the time has been fixed by the Deputy Administrator.

For the benefit of the new members of the council, may I say that the Personnel Committee of this National Petroleum Council does not undertake to preempt the prerogatives of the government authority in filling positions here at the PAD. At the time of the formation of the Petroleum Administration for Defense, Secretary Chapman turned to this council, the National Petroleum Council, who are independents, for assistance in staffing the organization he was putting together. The council appointed the Personnel Committee for that purpose.

Now, the Personnel Committee does not undertake to hire or fire men, or to select men for government. We do function in this way -- and I want to stress this, because it is important to the new members of the council, that they understand exactly what the function of the Personnel Committee is. PAD picks its own men and wherever possible the Deputy Administrator contacts that man directly and tries to secure his services. In some cases, for reasons personal and otherwise, the services of the man desired are not available.

It is then that the Deputy Administrator turns to the Personnel Committee for assistance. Sometimes that assistance resolves itself into what Admiral Biggs called an arm-twisting process.

I mean by that, when a man who is highly placed in a company is desired and he is not anxious to come to Washington to become a bureaucrat, or his company is not anxious to have him come, some pressures have to be put on the management or the top brass, and that is the function of this committee.

We do not preempt the prerogatives of government. We do not undertake to pack the staff, but we try to help them secure the men they want.

Now, by way of warning, some of you new members, you will probably be pressured now that you are available, and if you have any good men that you want to get rid of, we will be glad to receive their names. Probably those that you suggest we will not take and we will take the men that you want to keep most.

I want to say again that it will be necessary for this committee to meet at an early date with the Deputy Administrator in order to take care of some emergency replacements.

Thank you, Mr. Chairman.

(Applause.)

MR. PORTER: Mr. Chairman, in connection with the services that have been rendered by men of industry who have accepted willingly or, as Mr. Jones said, with a little arm-twisting in PAD, I think this council is very mindful of the fine service they have rendered. I am wondering if it would not be appropriate for the council, by proper resolution, as these men who have served their time go back into industry again, to express the appreciation and thanks of the council to each of them by proper resolution.

I have in mind at this time our friend Dick Lawton who has just left, Al Frame, George Wilson, and two or three others. I think Wallstrom and Ballan too. I, as a ex-officio member, if I may make a proposal of that kind, I would like to make it as a resolution.

MR. W. A. JONES: May I ask if it is intended to make a citation or a formal resolution?

MR. PORTER: A resolution or a formal citation.

THE CHAIRMAN: I think it would be entirely appropriate for this council to recognize the services of those men who have been with the department. If you would indicate your desire to submit a motion to appoint a committee to recommend such appropriate memorials or citations, I would be glad to submit it to the council.

MR. PORTER: I move that we appoint a committee to provide ways and means.

(The motion was seconded.)

THE CHAIRMAN: It has been moved and seconded that a committee of the council be appointed to give consideration to the preparation of appropriate resolutions, memorials or citations for those men from the industry who have come to Washington and rendered service to the government in this cooperative effort between the government and industry.

All in favor indicate by saying aye. Contrary, no.  
It is so ordered.

I will ask Mr. Follis to again resume the chair.

MR. FOLLIS: Gentlemen, we will have the report of the Synthetic Fuels Committee, Mr. Rodgers.



MR. FOLLIS: Off the record.

(Discussion off the record.)

MR. FOLLIS: On the record. Now, Mr. Rogers.

MR. ROGERS: As instructed by the National Petroleum Council at its October 31, 1951 meeting, the Committee on Synthetic Liquid Fuels Production Costs is proceeding to complete the study requested by the Secretary of the Interior. This involves a review of certain alternate procedures submitted by the Bureau of Mines on the coal hydrogenation and shale oil process. It also includes a complete estimate of the cost of producing synthetic liquid fuels by the coal gasification and Fischer-Tropsch process.

I am pleased to advise that satisfactory progress is being made by the various subcommittees on these studies. It has been necessary that members of the subcommittees hold several meetings with Bureau of Mines personnel and visit various demonstration plants to develop satisfactory process design data so that the subcommittees' cost estimates could be prepared. Additional meetings for this purpose will be required, particularly with respect to the coal gasification and Fischer-Tropsch process. Employees of some companies that heretofore have not participated in this investigation are being contacted in order to secure additional assistance to complete the assignment.

All of the studies are proceeding smoothly and rela-

tions between the Subcommittee and Bureau of Mines personnel at all levels continue to be harmonious.

At the October 31, 1951 meeting of the National Petroleum Council, immediately following the presentation of this Committee's report, the Bureau of Mines presented a report on Coal Hydrogenation. The subcommittee has made a complete and comprehensive analysis of the latest report of the Bureau of Mines dated November 19, 1951.

The subcommittee has submitted a summary letter with an attached memorandum concerning the results of its analysis and comparison of the Bureau of Mines' report with the National Petroleum Council's study. This letter and memorandum are included as a part of this Interim Report. I will read the summary letter and urge you, at your convenience, to study the attached memorandum.

January 29, 1952

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Mr. W. S. S. Rogers, Chairman

135 East 42nd Street

New York 17, N. Y.

Dear Sir:

Following your presentation of the report of the National Petroleum Council Committee on Synthetic Liquid Fuels Production Costs at the Council meeting on October 31, 1951, the Bureau of Mines distributed a new report entitled "Cost

Estimate for Coal Hydrogenation", dated October 25, 1951. At the same time Dr. Schroeder, Assistant Director of the Bureau of Mines made certain comments to the Council concerning the differences between the National Petroleum Council and the Bureau of Mines estimates of the cost of producing synthetic fuels. The Bureau of Mines report of October 25, 1951 was later superseded by a report dated November 19, 1951 titled "Cost Estimate for 30,000 B/CD Rock Springs, Wyoming Coal Hydrogenation Plant."

The attached memorandum discusses in some detail the differences which exist between the National Petroleum Council and the new Bureau of Mines estimates. It should be emphasized that the National Petroleum Council estimate is a result of the most intensive and detailed evaluation of synthetic fuels that has ever been made. The National Petroleum Council utilized personnel available in the industry with a tremendous amount of experience in the fields of research, development, engineering design, construction, operation, economic and cost analysis. Assistance was obtained from experts in many other industries, particularly the Coal Industry. It is unlikely that any figures developed in a sound evaluation would deviate significantly from those presented in the National Petroleum Council report.

The new Bureau of Mines report states that gasoline can be produced by the hydrogenation of coal for 12 cents per gallon. This is to be compared with a National Petroleum

Council figure of approximately 41 cents per gallon. The differences in costs result from the factors which are discussed below.

(1) Investment Cost:

The difference of 121.5 million dollars in investment cost is principally a result of the following. . .

(a) The Bureau of Mines estimated the cost of the plant facilities to be 47.5 million dollars less than the National Petroleum Council even though the Bureau of Mines plant had 11 per cent more capacity and included aromatic extraction facilities.

(b) The Bureau of Mines allowed 55 million dollars less for housing than did the National Petroleum Council.

(c) Allowance for working capital, start-up expense, and other capital charges was 19 million dollars less in the Bureau of Mines estimate.

The subcommittee has reviewed these differences in as much detail as possible from the scant information in the new Bureau of Mines report and is convinced that the National Petroleum Council estimates are realistic and represent values which would be involved in the actual construction of a commercial unit.

The Bureau of Mines questioned the validity of the National Petroleum Council assumption that the plant owners

should be responsible for the housing investment. When considering the risk involved in the coal hydrogenation process, considerable independent authority has concurred in the National Petroleum Council view that housing at Rock Springs would be a responsibility of the plant owner. It should be borne in mind that while the National Petroleum Council estimate called for the industry to assume the investment responsibility initially, it was, perhaps optimistically, assumed that the rental income would provide for maintenance of the housing and would recover 90 per cent of the initial investment for employee housing. The over-all effect of the housing charges on gasoline cost amounts to less than 10 per cent of the difference between the two estimates.

(2) Operating Labor and Maintenance Costs:

Dr. Schroeder commented at the Council meeting on the differences in the estimates of the operating personnel. Although the Bureau of Mines estimate was 60 per cent of the National Petroleum Council estimate, these differences in operating labor costs amounted to a difference in gasoline costs of less than one-half cent per gallon or less than two per cent of the difference between the two estimates. The National Petroleum Council estimate of operating labor was derived from a detailed study of commercial operations of as nearly the same nature as those involved in the coal hydrogenation operation as were available. The basis for the Bureau of Mines estimate of

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operating labor requirements is not in accord with comparable industry experience.

However, the largest error in operating costs made by the Bureau of Mines was its attempt to estimate maintenance labor as a ratio to operating labor. This correlation is basically unsound and has led the Bureau of Mines to seriously underestimate maintenance labor. The Bureau of Mines total maintenance, which it calculates to be equivalent to only 1.7 per cent on total investment, compares to the National Petroleum Council estimate of 3.9 per cent and is far below that found in commercial experience on comparable facilities.

(3) By-Product Credits:

The plant proposed in the latest Bureau of Mines report cannot be classified as a liquid fuels venture because the chemicals produced account for more than half of the total revenue. If this operation is to be justified on chemicals it must be evaluated versus alternate methods available for producing these chemicals.

Although the Committee has not had the opportunity to review the basis of the higher chemical yields used in the latest report, the Committee feels that the values assigned to the chemicals are high because of present prices in a defense-inflated market and insufficient freight allowance.

(4) Return on Investment:

The Bureau of Mines representatives have been very

critical of the method of financing used by the National Petroleum Council to establish a cost of gasoline. It should be sharply emphasized that manufacturing costs alone amount to 20 cents per gallon after full credit for by-products but without allowance for interest, income taxes, and return on investment. Since the value of gasoline is now about 12 cents per gallon, obviously there will be no profit to be applied to any capital, borrowed or equity. Accordingly, neither type of capital could be attracted to the venture. The calculation of financing costs by the Committee, based on the extremely low return of six per cent after taxes on total investment, is included only to establish a minimum selling price for comparison with the present price of gasoline.

It should be noted that, although the committee estimate of the cost of gasoline produced by coal hydrogenation is much higher than that from shale, the same group, following the same estimating policies, produced both figures.

**Conclusion:**

In conclusion the subcommittee is of the opinion that the revised report of the Bureau of Mines of November 19, 1951 has contributed nothing to indicate that cost of gasoline from coal hydrogenation should be lowered from 41 cents per gallon as reported by your committee. It appears that the Bureau of Mines greatly understated its operating, investment, and capital costs and at the same time overstated its product revenue,

resulting in a fictitious and misleading cost of gasoline.

It is again recommended that Bureau of Mines personnel use the procedure and factors developed in the National Petroleum Council studies as a basis for their calculations.

Respectfully submitted,

Subcommittee on Synthetic Liquid

Fuels Production Costs

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MR. BLAUSTEIN: The committee requested the Bureau of Mines to use the procedures and factors developed by the NPC studies.

MR. ROGERS: That was included in the original.

MR. MAJEWSKI: It is for the Chairman of the Council to ask that question of the Bureau of Mines through the Petroleum Administration. I think it is properly stated in the report. If we adopt the report, that suggestion will be conveyed through channels.

MR. FOLLIS: It may be moved and seconded that we adopt the interim report of the Synthetic Fuels Committee. All in favor indicate by the usual sign. Opposed? It is so ordered.

MR. BRUCE BROWN: I know from conversation with the Bureau of Mines people that in EBASCO that is concurred with many of the points raised by the study and the EBASCO point should be a good factual study in which the best data of both



Council and the Bureau of Mines will be used.

We are getting along pretty well with it. The idea of employing an outside engineering concern I think is a very good one.

MR. MAJEWSKI: Could I ask Mr. Brown a question. This report of the Synthetic Committee is available to EBASCO and they could reconcile differences?

MR. BRUCE BROWN: I made my announcement because of the pronounced difference between the reports. I thought there might be some reassurance if I said that the EBASCO report is proceeding and it did not appear that the original committee was out of line too much in their computations.

MR. FOLLIS: I will return the chair to Chairman Hallanan.

MR. MAJEWSKI: Could we talk back on that last report a bit? I think that this light of publicity should be shown on this report again. I do not see what kind of distribution is going to be made of this on an interim basis.

There is language in that report that ought to be made available and I think that through the press conference, with the aid of Mr. Rogers, it is given wide distribution after the conclusion of this meeting.

THE CHAIRMAN: I hope to have Mr. Rogers remain after the meeting so that he can discuss the report in detail with the representatives of the press, Mr. Majewski.

MR. ROGERS: We have a copy of a very brief news release here. We thought it would be better to have a brief one and come right to the point on the thing.

THE CHAIRMAN: You will be available for that?

MR. ROGERS: Yes.

MR. JACOBSEN: Didn't the Bureau of Mines, after their first report and their second one, admit that they made a serious mistake involving one of the chemicals involved in the scheme?

MR. ROGERS: Mr. Jacobsen, I do not know. They presented that report on the 31st of October and we were supposed to analyze that.

Then on the 19th of November, they presented one on that dry run that we had reported. That is at Rock Springs.

Now I do not know that there was any admission on their part that the first was inaccurate. Mr. Kemp, how about that?

MR. KEMP Mr. Jacobsen is substantially correct. The report discussed by Dr. Schroeder at the last meeting of the Council, discussed two presentations, one was the so-called Wyoming case and the other I believe was the Western Kentucky case.

In reviewing the information upon which the Western Kentucky case was based, the Bureau discovered that the chemical yields were probably in error. That has not yet been

firmly established. But in order to avoid any difficulty of that sort they withdraw that report or that section of the report and the one which was finally issued and made available to us for detailed study under date of November 19, as referred to in Mr. Rogers' report, did not include the Western Kentucky case. It was based solely on the Rock Springs, Wyoming, case.

THE CHAIRMAN: Are there any further comments on the presentation of this report?

Mr. Rogers, I hope you will be available after our adjournment so the report can be dealt with in the press conference.

We now pass to the Committee on Oil Field Tubular Goods, Mr. Russell Brown.

MR. RUSSELL BROWN: Your committee is not yet ready to give a finished report on this assignment. At first blush we thought it was a simple question, easily arrived at. We found we were entirely in error on that conclusion.

Therefore, the committee furnished men who are familiar with this type of work from their organizations, who came in here to explore the various means of arriving at what we thought was a sound conclusion, to be the basis of a report.

Each of the members of the committee supplied us with technical men, who have been in here on a number of occasions, exploring the possible means of arriving at a proper statement of this case.

After long and careful study, we came to three possible means of completing a report. One would be a survey based on the PAD data that is in their files. The objections the committee found to that was, No. 1, that it is a very voluminous job that would require a long study, and also require the additional judgment as to the correctness of it.

Also it was indicated that many of the requests on file in PAD were based on the current situation which would cause them to ask for materials, probably different from that which their judgment would indicate they should use.

Therefore, at a meeting of the committee, we decided to abandon that method. A second was a survey based on steel industry's information. We checked a great deal of that data and there again we came to the conclusion that the steel industry's information did not recognize many of the problems that had developed in our steel requirements and they had no sufficient data.

As a third and last alternate, the committee was confronted with the necessity for an industry survey. Recognizing the difficulties of that, we hesitated somewhat and the committee studied for sometime before coming to the final conclusion and therefore we make this interim report, at this time.

The committee met in Washington, D. C., on January 28, 1952 to review the report and recommendations of its working group as set forth in the attached minutes.

We have supplied you with the copies of that working group which you have before you.

The assignment of the committee, as approved by the Agenda Committee -- if you will turn to the material just given you, you will see the type of questionnaire that has been suggested. We believe, after careful study, that this has been reduced to the minimum. Hesitating as we naturally would, to sending out any questionnaire, we have carefully surveyed with the members of our committee, the possible reaction to such questionnaire, and have come to the conclusion that we could obtain the information required by submitting this questionnaire and then subsequent to the receipt of that, analyzing the returns and getting ourselves in a position to make a fair determination of the question submitted to us.

Mr. Chairman, we recognize the difficulty of any questionnaire being submitted to the industry as a whole, but we believe under the circumstances, if we are to remain in a materials control situation as we now are, that such questionnaire is justified.

Therefore, I move the adoption of the progress report, and I move the approval of the method of collecting this information through a questionnaire.

THE CHAIRMAN: Gentlemen, you have heard the interim report of Mr. Brown's committee on oil field tubular goods. Are there any questions in connection with the

questionnaire, or any other matter?

MR. BAKER: Mr. Brown, would you like to point out the manner in which the work is limited?

MR. RUSSELL BROWN: The new letter as submitted, eliminated the question of drill pipe because the committee found that there was sufficient information in PAD's records on that. It eliminated the question of the weights of the various types of pipe, because we figured if we could get the sizes and the character, that we could through this method correct that.

Was there any other question on that?

THE CHAIRMAN: Was there any other question, gentlemen? Mr. Brown moves the adoption of the interim report.

(The motion was seconded.)

THE CHAIRMAN: All in favor indicate by saying aye. Contrary, no.

(The motion was carried.)

MR. RUSSELL BROWN: We have found that it will be necessary to call upon the staff, or the employees from some of the members of our committee to assist us in completing this survey. So far we have had a very wholesome response to that and believe we will get sufficient. However, we may find it necessary to call upon someone from some of your organizations. If so, we will take it up with you in due time. Thank you.

THE CHAIRMAN: Thank you, Mr. Brown.

Mr. Burns, you have at this time the progress report of the Committee on Underground Storage?

MR. BURNS: Yes, Mr. Chairman.

THE CHAIRMAN: Mr. Burns, Chairman of the Committee on Underground Storage.

MR. BURNS: This is a very short interim report.

Obviously, the subject matter that our committee was asked to study is highly technical and because of that, we commenced by appointing a technical subcommittee under the manship of Mr. Hake of Gulf Oil Company. The members of my committee able to do so generally made available technical experts for that subcommittee. Those who were not able to do that cooperated by agreeing to the procedure.

The subcommittee has met several times and has met several times and has carried out many studies. I have met with them, and they have done an excellent job and within the next few weeks, they will have the report finished. It will not be quite as thick as McCollum's report but it may be equally profound.

For the moment, I would like to outline the headings under which the report will be drawn up.

First is the feasibility of constructing underground storage in different parts of the United States and the apparent relative importance of possible methods. We begin with the

salt cavities, existing mines and so on. They go into a great deal of detail on that and they will prepare maps showing parts of the United States suitable for such locations.

Secondly, they will discuss and investigate the factors that may influence the feasibility of the operations. In fact I should have said to begin with that this report could consist of one word as to the feasibility and the one word would be yes. There are a number of "but's" and they have been gone into. Engineering, chemical and other considerations have to be taken into account.

The third factor is the hazards that may be important in the matter of public safety. That is largely due to possible structural failure and the leakage of combustible gases.

Therefore, the point will be recommendations concerning ways of continuing the work that has been started by this committee.

As they assemble their information and go through the study, they come up against questions which must be answered by some form of research: Engineering, chemical and others. Some information is readily available and has been made available very generously, particularly by Mr. Sidney Richardson's company and some by the Standard Oil Company of New Jersey, on some of the possible contamination aspects.

However, it seems to me that this committee could not undertake physical research. It would be perhaps outside



the scope of the National Petroleum Council and the committee will come forward with some concrete suggestions as to how this work may be carried on.

That, Mr. Chairman, is all I have to say now.

THE CHAIRMAN: Are there any questions, gentlemen, that you wish to direct to Mr. Burns in connection with this subject? If not, Mr. Burns moves the adoption of the interim report. Is there a second?

(The motion was seconded.)

THE CHAIRMAN: All in favor indicate by saying aye. Opposed, No.

The report is approved. Thank you very much.

Mr. Dyer, in the absence of Mr. Spencer who is ill, as I understand it, I would like now to have you present the report of the Committee on Petroleum Transportation, the truck census phase of it.

MR. DYER: Mr. Chairman and members of the Council, your Chairman of the Transportation Committee, Mr. P. C. Spencer, asked me to express his very sincere regret that he cannot be with you here this morning. I am glad to report that he is feeling much better.

I would like to read Mr. Spencer's transmittal of this report to Mr. Hallanan, after which I will briefly summarize the report of the subcommittee:

In your letter of May 10th, 1951, you asked that the

Committee on Petroleum Transportation undertake the assignment of making a census of trucks in certain categories as requested by Mr. Hugh A. Stewart, Acting Director of the Oil and Gas Division of the Department of the Interior, in his letter of May 8th, 1951 (copy attached), which had received the approval of the Council's Agenda Committee and the Council.

As 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 obtained clearance through informal discussions with the Petroleum Administration for Defense, the Oil and Gas Division and the Chairman of the NPC Agenda Committee, Mr. A. Jacobsen, for a survey method which all concerned believed would provide the desired information with the least expenditure of time, effort and money.

The Tank Truck Census which has been limited by agreement to "over-the road" trucks was assigned to the Sub-Committee on Transport Trucks of which Mr. Lee R. Cowles is chairman. The roster of membership of the Sub-Committee on Transport Trucks is attached. The Sub-Committee followed the general lines of procedure set out below in obtaining the required information:

1. For-Hire Trucks (Covers common and contract carriers in the Petroleum, Chemical and Liquefied Petroleum Gas Service)

The census of all for-hire tank trucks in Petroleum, Chemical and LPG Service was made by National Tank Truck Carriers, Inc., under the direction of Mr. Sam F. Niness.

#### 2. Private Tank Trucks (Petroleum Service)

The data made available by the Bureau of Census in its 1948 census of business were used as the basis and the figures were brought up-to-date by accepted statistical formulae under the direction of Mr. Frank C. Perry of Atlantic Refining Company and Truck Transport Consultant to PAD.

#### 3. Private Tank Trucks (Chemical Service)

The The Census of private tank trucks in Chemical Service was conducted by the Traffic Committee of the Manufacturing Chemists Association, Inc., under the Chairmanship of Mr. Julian C. Sloss and the direction of Mr. C. W. Mayhood.

#### 4. Private Tank Trucks (Liquefied Petroleum Gas Service)

The census of private tank trucks in LPG Service was assigned to the Council's Committee on Liquefied Petroleum Gas availability, transportation and materials requirements under the Chairmanship of Mr. W. K. Warren. The status of this portion of the survey

is specified in the report of the Sub-Committee on Transport Trucks.

The report of the Sub-Committee on Transport Trucks is enclosed herewith. Since it appeared that the report of the Sub-Committee is responsive to the original assignment as subsequently modified in informal discussions (to which reference has already been made) and since the report contains purely factual data assembled by experts in the particular fields, the Committee on Petroleum Transportation has adopted the report of its Sub-Committee and herewith respectfully transmits that report as its own.

Because of the lack of responsible existing data, The Tank Truck Census assignment was an exceedingly complicated and difficult task. Grateful acknowledgment is made to the Chairman and members of the Sub-Committee on Transport Trucks, to Messrs. Niness and Sutherland of National Tank Truck Carriers, Inc., to Mr. Frank C. Perry and to representatives of the Bureau of the Census, Defense Transport Administration and Petroleum Administration for Defense who cooperated so generously in assembling the information. Without this assistance the information contained in the report could not have been obtained.

Respectfully submitted,

P. C. Spencer, Chairman

Committee on Petroleum Transportation  
National Petroleum Council

If there is no objection, Mr. Chairman, I will summarize, rather than read the report of the sub-committee.

1,063 for-hire carriers in the United States hauled almost 30 billion gallons of petroleum in the 12 months ending June 1, 1951, covering a total of approximately 817 million miles in that period according to a report adopted by the National Petroleum Council today. There were 23,153 private and for-hire general purpose tank trailers and semi-trailers operating June 1, 1951, with an average capacity of 5,225 gallons or a total capacity of 120,978,635.

It is the opinion of the subcommittee that if wartime measures were adopted, such as twenty-four hours per day operations, seven days per week, reciprocity as to various state laws and regulations, the freer use of interchange of operating rights, and the fleet maintained at its present size and kept in good operating condition, the existing carrying capacity could be increased approximately 35 per cent.

The tank truck census submitted by the Committee on Petroleum Transportation contains a "census" on tank trucks. The study was made in response to a request from the Oil and Gas Division of the Department of the Interior and was prepared by the Subcommittee on Tank Truck Transportation of which Lee R. Cowles, Standard Oil Company (Indiana), Chicago, Illinois is chairman. The subcommittee had the technical assistance and cooperation of representatives of Defense Transportation Admini-

stration, Bureau of Census, Petroleum Administration for Defense, National Tank Truck Carriers, Inc., Manufacturing Chemists Association, Inc., and motor carriers associations in each of the states and the District of Columbia.

The census includes (1) all for-hire tank trucks in petroleum, chemical and liquefied petroleum gas service, (2) private tank trucks in petroleum service and (3) private tank trucks in chemical service.

**For-Hire Tank Trucks:** The census indicates that the nation's for-hire tank truck fleet is owned and operated by 1,063 individuals or companies who operate 10,613 general purpose tractor-semi trailer units, 2,875 trains consisting of a straight truck and a full trailer or a tractor-semi and full trailer. These latter units are commonly known in the industry as double bottoms. This is a total of 13,488 general purpose units with a total carrying capacity of 73,024,635 gallons with a national average of 5,414 gallons each. Pressure equipment consisted of 140 units designed to operate at 100 lbs. pressure or less, 399 units designed to operate between 100 and 300 lbs. pressure, and 27 units designed to operate at pressures in excess of 300 lbs. for a total of 566 pressure units with a total water capacity of 2,580,252 gallons and an average capacity of 5,099 water gallons.

In the chemical tank trucks, the report reveals 135 sulphuric acid tanks, 27 muriatic acid tanks and 9 nitric acid

tanks built to conform with ICC Specification MC 310. The total capacity of this equipment is 567,888 gallons with an average capacity of 3,321 gallons. Other special equipment consisting of tanks built of stainless steel, aluminum and other material designed for the transportation of such commodities as hot asphalt, various chemicals, liquid sulphur, rubber latex, glue, caustic soda, totalled 1,381 units with a total capacity of 5,715,283 gallons with an average capacity of 4,139 gallons. This makes a total nation-wide for-hire tank truck fleet of 15,546 operating units of all types.

The information concerning operations revealed that this fleet has an annual mileage of 816,872,661 miles in petroleum service only, and transported during the 12 months ending June 1, 1951, 29,784,452 gallons of petroleum products.

**Private Carrier:** General purpose tank trailers and semi-trailers in petroleum service as of June 1, 1951, totalled 9,665 with an average capacity of 4,961 gallons and a total capacity of 47,954,000 gallons.

**Tank Trailer and Semi-Trailer Operated by the Chemical Industry:** General purpose equipment totalled 218 units with a total capacity of 392,672 water gallons and special equipment for hauling sulfuric acid tanks, muriatic acid tanks, nitric acid tanks and stainless steel or aluminum tanks and others such as heresite lined, nickel, rubber lined, etc., totalled 163 units with a total capacity of 362,530 water gallons.

There is a great abundance of data on chemical trucks and so on, that goes into such detail that I doubt very much that it would be useful to go over the data here.

In the appendices, which are labeled "a" through "h" which you will find in the rear of the report, there are some very excellently-summarized statements of trucks in the various categories.

Unless you think it is desirable, Mr. Chairman, I will not attempt to get into that data. It is in much detail.

I think it would serve no useful purpose since the report is being distributed and will be available for study it will take a great deal of study by competent people, really, to get a full grasp of those figures.

Mr. Lee R. Cowle, of the Standard Oil Company of Indiana who is Chairman of the Sub-Committee on Transport Trucks is here. Mr. Sam F. Niness, of National Tank Truck Carriers, who is a member of the Council, also is here. If there are any questions, either one of these gentlemen or both of them will be glad to answer them.

As the Chairman has just commented, this is the only real census, that is a sound, basic source of information on our over-the-road transport equipment.

The job was a gigantic one and if there is no objection, Mr. Chairman, I would like to ask Mr. Lee Cowles and Mr. Sam Niness to stand up and take a bow and let's give them a



hand. They did a splendid job.

(Applause.)

I ask that some member of the Council move the adoption of the report.

(The motion was made and seconded.)

THE CHAIRMAN: You have heard the motion.

Mr. Majewski, do you have a question?

MR. MAJEWSKI: Yes, I do have a question. The report is an excellent one and I hope that the Petroleum Administration for Defense will make full use of it.

An important point in this report was that if you could get some reciprocal relationships solved as to weights and carrying capacity, you could increase the total capacity by 35 per cent.

Most of the local distribution problems during an emergency, and particularly in the midwest, can be solved by that one point, on some prompt, reciprocal solution on weights and capacities.

This report will fall flat, as valuable as it is, unless the Petroleum Administration for Defense puts into motion machinery. There is a governmental thing; it is not for the industry to work out; it is a governmental thing. When PAD declares that this is a local dislocation in supply that can be solved by this, they ought to have a prompt contact with the Governors in order to not rescind but relax for a

temporary period of time, these laws.

Most of our problems in the Midwest can be solved by such a simple solution, but the Governors when you go to them say, "Well, the legislature is not in session and we cannot do anything about it."

This is the time to get the Governors' power to relax these very stringent weight regulations. I hope that the PAD does its job, like it always has in the past, take time by the forelock, get those Governors to work with their state legislatures now instead of after the emergency is over.

THE CHAIRMAN: In other words, to get some benefit from this report.

MR. MAJEWSKI: It is marvelous but worthless unless we get the Governors working.

MR. B. K. BROWN: This is only an emergency measure and Mr. Majewski would not care to interfere with states rights.

MR. B. C. GRAVES: I think we should be careful not to invade the province of the Defense Transportation Administration.

MR. MAJEWSKI: I was afraid of that. I am an oil peddler and my first duty is not to serve property on call but to serve the public. It is a defense agency, yes. I am sorry, but to hell with it. I want to get out that product.

MR. RUSSELL BROWN: I think Mr. Majewski has a good idea and I think we should be able to get along with them in

MR. NINESS: I believe the Defense Transportation Agency would welcome all the help it can get on these state barriers that operate against all traffic between states.

THE CHAIRMAN: The question is on the adoption of the report submitted by Mr. Dyer, and with the thanks to the gentlemen of the committee, are you ready for the question.

All in favor indicate by saying aye. Contrary, no. It is so ordered.

The report is unanimously adopted.

We had hoped that the Secretary of the Interior would be here before this time but I had a message that he is still before one of the committees of Congress, but expects to be able to come here very shortly.

Pending the arrival of the Secretary of the Interior, I would like at this time to introduce to the Council and to ask him to present any problems relating to military petroleum requirements, Brigadier General Alfred H. Johnson, who is Executive Secretary of the Munitions Board. General Johnson.

(Applause.)

GENERAL JOHNSON: Mr. Chairman and members of the Council, I want to at this time express the appreciation of the Department of Defense for the assistance given by the Council in our programs. I want to express my own personal appreciation as a newcomer to the petroleum industry government team for the help of the individual members of the Council and

the staffs of the organizations they represent.

In regard to petroleum requirements of the Department of Defense, my remarks must necessarily be very general first, because I am a newcomer and I do not know all the details.

Our requirements are going up. Budgetary limitations and actions now pending before Congress, of course, will have considerable to do with what money is available to buy petroleum products. We are anxious to buy as much as we can for the least amount of money.

The Aircraft Program is building up. The Army units are building up in strength and number. Navy activity and training programs are increasing.

Industry has not as yet felt the full impact of our jet plane production. Probably the first indication of an increase in jet fuel requirements of any appreciable order will come this year when the factories which were started in the last year to 18 months start turning out completed jet engines. Those demands will be an indirect military demand, in that usually the product will be purchased wholly in the vicinity of those plants.

Anticipate that that will start hitting industry in proportions which can be felt sometime in the latter part of this year.

We have been having trouble getting all the Navy special fuel oil for the Navy that they require. I understand

stand that that is not a problem of supply and demand, but has other factors involved.

We are troubled with seasonal requirements just as you are in the heating oil field. It might be of interest to note that in spite of the experience that the military have had in operations, we did not fully anticipate the heating requirement for our troops in Korea. We have been able to satisfy the requirements but they were more than we anticipated. There are troubles with other seasonal requirements and fluctuations which have an immediate and direct bearing at a particular time on transportation and availability.

We have had some trouble meeting our transportation requirements. The aviation gasoline used in the reciprocating engines is going up. The Air Force, I believe, is currently anticipating purchases in the current fiscal year. That is before June 1st, in order to more equally balance consumption in what we have previously purchased.

Those are all the comments I have.

THE CHAIRMAN: Are there any questions, gentlemen, you would like to direct to General Johnson in connection with the over-all military requirements?

You have no particular pains at the moment, as I understand it?

GENERAL JOHNSON: To date, you have satisfied the requirements of the military.

As I said, we have not been able to procure all the Navy special fuel oil that we anticipate using. Actually, no operations have been held up for lack of petroleum to the Department of Defense.

THE CHAIRMAN: Thank you very much, gentlemen.

(Applause.)

I would now like to call on Captain Tripi, who is the Executive Officer of the Armed Services Petroleum Purchases Agency. Is Captain Tripi here?

COMANDER MAJOR: I am Commander S. J. Major from the agency. Captain Tripi is unable to attend.

THE CHAIRMAN: Will you please come forward?

COMMANDER MAJOR: I do not think I can add much to what the General said.

I think General Johnson covered the procurement problems we have.

First of all, I would like to express Captain Tripi's regrets for not being in attendance here today. He has been many times in the past and has always expressed his appreciation for being able to talk to the members.

We find the supply situation tight, like everybody else. General Johnson has mentioned a couple of specific instances, but in general we have been able to meet our needs, largely through the extreme efforts and assistance of the Petroleum Administration for Defense, and of course the

continued cooperation of the industry.

THE CHAIRMAN: Are there any questions, gentlemen, of the Commander?

You are in pretty good shape, Commander.

COMMANDER MAJOR: Except for the items the General mentioned and the new requirements which we have not yet gone out to try to procure. As everyone knows, the emergency becomes more so every day and it is hard to predict what tomorrow will bring.

THE CHAIRMAN: Thank you very much.

(Applause.)

THE CHAIRMAN: I want to ask Mr. Bruce Brown at this time to take over, and discuss any matter he feels should be brought to the attention of the new Council, and also to introduce the new members and new directors of his staff.

MR. BROWN: "Addressing myself to the PAD people here, there are four of you I wish would come up to the head of the room here just to save the time of the Council.

"Mr. John Walstrom, Mr. George Ballou, Mr. Spahr, if he is here, and Mr. Dave West.

"I will go right on talking.

"I was very much pleased at Mr. Parten's remarks this morning. I think these men deserve some commendation from the Council.

"Of course, we issue our own honorable discharge certificates. If I thought of it I would have brought one over to show to you this morning. It caused a good deal of amusement.

"Some oil men have asked me for copies of it and I said, "There is only one way you can get a copy of that and that is to come down to PAD for a year, and I have not given out any other copies under any other circumstances.

"We have a number of shifts in process, here. I am not going to introduce all the men I am going to mention because some of them are going to speak but I will describe the shifts: Mr. Al Frame who has been Assistant Deputy in Charge of Domestic Operations, will leave the agency on the 1st of April. Prior to that time, we will put him in what Jim Collins called a transition point, I guess. He is going to be Associate Deputy to me.

"Al will be succeeded by Gene Davis who has been Director of Refining, and Gene Davis at that time will become Assistant Director in Charge of Domestic Oil Operations.

"Bill Keeler, of Philips, is due here on the 11th for service as a Director of Refining, replacing Gene Davis in that position.

"George Wilson, who has completed his term of service as the Second Director of the Domestic Supply and



Transportation Division, is here for the last time in the governmental capacity here today and I think his successor is with us, Charlie Spahr of Standard of Ohio is taking over.

"Dick Lawton has already been turned out to grass and turns up here as a member of the Council now, and his successor, Bob Foree, has been on the job since early December.

"George Ballou, who has been Director of the Foreign Refining Division will retire soon and will be replaced by Vaughn Ischie of the Sinclair Company. Mr. Ischie has not yet arrived but he will take over the Foreign Refining responsibility from Mr. Ballou.

"Mr. John Walstrom, who started our Foreign Supply and Transportation Division and who has done yeoman's service in this Eastern Hemisphere crisis, is about to retire and I am happy to be able to announce -- and I think this is an announcement -- that Mr. Dave West, who has been associated with him is going to succeed Mr. Walstrom as the Director of the Foreign Supply and Transportation Division.

"Some of these gentlemen I am not asking to speak but I wanted you to take a look at them. Mr. Walstrom is here. Will you please stand, sir.

(Applause.)

~~MR. BRUCE BROWN:~~ "Mr. Dave West, his successor.

~~Mr. West.~~

(Applause.)

~~MR. BRUCE BROWN:~~ Mr. George Ballou, the Director of the Foreign Refining Division.

(Applause.)

~~MR. BRUCE BROWN:~~ Mr. Spahr, who is about to succeed Mr. George Wilson as Director of the Supply and Transportation Division.

(Applause.)

~~MR. BRUCE BROWN:~~ In spite of this spirit of plenty, in the reports on the availability of oil and gas, and the very kind comments from the military, that all their wants have been satisfied, we have a couple of stringers in front of us here in supply situations. One of them is the East Coast heating oil situation, which I am later going to ask Mr. Frame to discuss, and the other is the residual situation which I am going to ask Mr. George Wilson to discuss.

" First, I would like to talk a little about programs. I cannot possibly keep up with all of the energetic news writers of the Petroleum press, now with all of the energetic staffs of all the trade associations. We have not got that many people down here and if we did have, we would not have any place for them to sit, so I am continuously somewhat embarrassed, partly by pre-announce-

ments before things have happened, that are not always entirely accurate, and partly by the fact that I cannot get official statements out to the industry as fast as they can think of things and interpret what we are going to decide when we decide something.

"However, I do want to talk about our program function which seems to be pretty widely misunderstood and to the detriment of the Petroleum Administration.

"I am just talking generally. There seems to be an idea abroad that PAD sets the standards of performance for the petroleum industry, domestic and abroad, and then by some mysterious governmental mechanism makes the industry do just those things that we decide they ought to do.

"Now it is a question of semantics, perhaps, but we use the word "program." When we use the word "program" we do not use the word we do "directive." A program is a guess at the mate of what we think is going to happen and not a scheme we have doped out as to what the industry is going to do.

"I would like to give a few illustrations of that.

"Generally, in our programs we have the responsibility for forecasting what is going to happen, or for announcing what we think ought to happen. In our programming work what we are trying to do is record and

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sift out what the industry is going to do according to our best information and put it all down on a piece of paper and see whether it balances out from the supply and demand standpoint or the material standpoint.

"Our programs are more properly, I think, work sheets, where we have put down the figures we have gotten from all sources as to what the industry is going to do. Always with that big assumption that materials are available to do it.

"Now in our supply and demand forecasts, for instance, conducted by our program division, we make the best estimate we can of what demand is going to be. Then we turn around and look at refining capacity and crude availability. If we think -- and thank goodness it has always been true -- that there does exist refining capacity and crude in order to meet a demand we think is going to occur, we put that down.

"That is how we get our forecasts of how much crude is going to be produced in the United States and how much refineries are going to run during 1953 or 1952. We get it by assuming that the industry will always satisfy the demand. We figure what the demand is going to be and we figure backwards what speed refineries have to run and how much crude oil will be required.

"If we did not have the crude oil or did not think

we had it, or did not have the refining capacity, we would show shortages on our forecast.

"That is how we get them. We get them by talking to other people, trying to figure what is going to happen and what you are going to do.

"Now on imports, we figure that the same way. We have to take into account what we assume to be the demand and what we assume refining runs will be and what we assume crude availability will be and then we talk to the people who are importing oil and we ask them how much they are going to import.

"There is no law against importing oil. All you have to do is pay a duty.

"There may be a lot of policies involved either collectively or in the individual companies but the net figure we get on imports is one we get by inquiry so we put it down. So that ourselves and you and everybody else will know what is probably going to occur.

"In all of these programs, the practical bottleneck thus far has been the availability of material. Take the subject of building oil wells. How do we get our figures for oil wells abroad? We get them by asking the companies who operate abroad, how many oil wells they are going to drill.

"Now they are fairly prudent in their figures. In

the figures on the oil wells they are going to drill, they do not try to persuade us to get oil company tubular goods. They try to get the availability of that.

"On the Mexican figures, the way we got the figure of 452 wells for 1952 in Mexico was by asking the authority, the Mexican Oil Company. We asked them, "How many oil wells are you going to drill?"

"Assuming they had the material, we put down the figure.

"On the domestic side, on the drilling of oil wells we have not been able to arrive at a figure by asking how many oil wells people were going to drill. We find that out each quarter. In the first quarter of the Controlled Materials Plan they were going to drill 112,000 oil wells. As Lawton got them in , it got down to 72,000 or 52,000.

"The limiting factor thus far in drilling oil wells in the United States has not been the programming of the companies as to how many oil wells they wanted to drill, it has been how much oil country tubular goods were they going to get to drill them.

"Our so-called program on domestic wells has not been any plan PAD has as to how many wells ought to be drilled but our estimate of how many would be drilled with the tubular goods that we thought were going to be available.

"We have presented to the Defense Production Admin-

istration -- in fact, we did it yesterday afternoon in between the Congressional hearing and the contact with the Council -- we have presented a request for a program determination for petroleum, domestic and foreign. Here is the confidential report written by the Program Division and here is the restricted letter, in which we are pointing out to the Defense Production Administration that at the present time, the availability of oil, the finished products that can be used, I am speaking of, in the United States and abroad, is, (1) insufficient in the event we have a major war, (2) controlled by the availability of materials, (3) we have been able, we think, to compute fairly accurately how much more activity there would be by the petroleum industry at home and abroad. How many more oil wells they would drill. How many more barrels a day of refining capacity they would build. How many total barrels of tankage for storage they would build and how many miles of pipelines they would build, if materials was not the bottleneck.

Now this particular approach to the petroleum problem was suggested by Mr. Dave Irwin, who was at the time a consultant to Mr. Wilson. Our supply-demand forecast indicated that in the event of a war there would be shortages of oil. He wanted to know first how much material he would have to have to eradicate those shortages. That amount of material was so enormous that they asked

another question. They said, "Well, how much more oil would be produced and refined and transported, or how much capacity for that do you think could be built up if the oil industry had the materials that it was willing to use. Spend its own money and take its own risks?"

"We tried to figure that out and the results are in this document that we sent to the Defense Production Administration yesterday, in which we have asked for a program determination by DPA to permit an expansion of the petroleum program, in the United States, in Canada, and abroad. Over an 18-month period starting July 1st, 1952, that was.

"Please understand, I do not know whether we are going to get these materials or not, with the materials shortage, but we have put in an estimate of what could be accomplished to get ready for a war, if the materials were available for the industry to use. That is the only assumption we make. No financing by Government, no regulations, no controls. Just what the industry would be willing to spend its own money on, if it could get the materials.

"Our figure is that in the sixth quarter, July 1st, 1952, through the end of 1953, the domestic industry would drill 80,000 wells over a year and a half. The foreign industry would drill 10,128. Our estimate is that the domestic industry would increase its refining capacity



at the rate of 475,000 barrels per day per year instead of around 300, and that foreign refineries would be constructed at an annual rate of 384,000 barrels. Now here is some more of this program conception. This is not any scheme that I have as to how many refineries ought to be built in the United States and how many should be built abroad. This is our estimate of what the industry wants to do if it gets the materials. This is private enterprise, free enterprise, investing stockholders' money and borrowing money. It turns out that way.

"There would be in that six quarters, 19,700 miles of pipe lines built in the United States, and 3,800 miles abroad. This is all oil.

"The tankage in the United States would be increased by 153 million barrels, and abroad, by 35 million barrels.

"There has been so much discussion about this in the technical press that I am just telling you, that is what is in the report. We cannot give you the report. It is a confidential document. That is our estimate of what the industry would do.

"Now our estimate can be wrong. However, our estimate on refining capacity is derived from the applications we have had for certificates of accelerated tax amortization.

"It is provided by the pressure we have to provide pipe for pipe lines.

"Our tubular goods figure is derived from the constant pressure we have to get more materials. That is our estimate. I do not know whether the program will be carried out or not. It probably will be in some part, because this matter has had very serious consideration by the National Security Council. The President himself presided at the meeting at which the Council approved the idea. We have yet to get the materials. In fact, I only asked for them yesterday.

"I can give you a few statistics here which will enable you to determine your own opinion as to how probable it is that we will get such a program.

"To implement the domestic program that I have been talking about, over-all, the enlarged program, would take 45 per cent more materials per quarter, steel, copper and aluminum, than was available for the domestic petroleum industry during the first year of the controlled materials plan. That is that period which started July 1st, 1951, and will end June 30, 1952, because allotments have already been made. It will take a 46 per cent increase.

"The Canadian program would take a 46.2 per cent increase and the steel that has been made available by the Canadian Defense Authority for the Canadian Petroleum

industry.

" The foreign program would take 36.3 per cent more materials, than made available in the first year of CMP for the foreign petroleum industry. The average of the 3.44 and a half per cent.

" Going back to the subject of oil wells, this enlarged program calling for 80,000 oil wells in the United States would be broken down, 60,000 development, 19,200 exploratory. Abroad, 6,108 wells, of which 5250 would be development and 858 would be exploratory.

" I do not have the Canadian breakdown but of the 5250, 82 per cent would be in the Western Hemisphere. Of the 858 exploratory wells, 69 per cent would be in the Western Hemisphere. I am not talking about what the American industry would do. I am talking about the whole industry to the extent it is supported by allocations from the United States. Actually, the steel usage by the foreign industry, both United States companies and foreign companies, the steel usage, it varies a little bit with the segments of the industry you are talking about. We say they ought to use 50 per cent foreign steel. They say all they can get is 30. It varies a lot with what you are after, what kind of steel.

" Now on our domestic program for drilling oil wells, the official figure was set at 43,400 for the year that just

passed. That was exceeded. Before we filed this expanded program with DPA, we had a target set for 45,000 oil wells. That sounds like a very small increase. What I never had the ability or time to explain was that we figured this thing on a quarterly basis. We knew there were not going to be any more materials available for oil country tubular goods in the first two quarters of 1952, so we had assumed only 21,700 wells in the first half but we hoped to get 23,300 in the second half which would have been an increase of seven per cent, but now we have a considerably expanded program, which we hope to persuade DPA to provide the materials for.

"I will call on Mr. Frame, please. Mr. Al Frame is making his last appearance as a bureaucrat before this council because by the time you next meet he will be back with Cities Service.

"I meant to pull my only joke before about bureaucrats, that the newest one is the hydromatic bureaucrat, which means the shiftless S.O.B.

"Al is not shiftless. He worked all day Saturday and all day Sunday and he is going to talk about East Coast heating oil."

(Applause.)

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MR. FRAME: Any expert who would talk about the heating situation on the east coast must be like the employee in the round house who was completely frustrated because he couldn't find a corner to pea in.

The heating oil situation on the Eastern Seaboard has presented a lot of problems to the Petroleum Administration. The problems stem from the fact that all the information available to PAD would indicate that there could, and should be, adequate quantities of heating oil to take care of the expected demand for heating oil on the Eastern Seaboard, assuming normal weather.

There was plenty of oil, there is plenty of oil, plenty of refining capacity, plenty of transportation. However, a new feature has been introduced into our economy -- new in recent years, in that we have economic controls which have seriously interfered with the normal transportation and distribution of heating oil.

The result has been because of the ceiling prices on heating oil and because of rapidly increasing transportation costs that one segment of the petroleum industry on the Eastern Seaboard has been economically unable to place firm orders for the supply of heating oil necessary to meet the demands of their consumers.

The result of that was brought to the attention of various people in government, both by industry and by

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ourselves, starting last fall. It was hoped and expected that whatever changes were necessary would have been made in time to permit the normal movement of heating oil.

Such changes were not made. As a result, it became evident to PAD, shortly before the first of the year, that there was a grave possibility of actual shortage of heating oil occurring on the east coast, if the weather was normal or colder than normal.

In order to determine the magnitude of such a possible shortage, the Petroleum Administration conducted a survey. The first survey went to the major producers and employers of heating oil for the Eastern Seaboard. The questions were fundamentally, what is your own situation with regard to heating oil?

The result of this survey made of the major refiner-suppliers, indicated that these refiner-suppliers would plan, in general, to live up to their full commitments for the supply of heating oil to their customers on the Eastern Seaboard.

Another study was made of the cargo buyers on the Eastern Seaboard and they indicated that they had been unable to acquire their full requirements of heating oil, and as far as they could tell, would not be able to acquire their necessary supplies.

The total indicated shortage of the survey was

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that if the weather for the balance of the heating season was normal, that there would be a shortage of about six million barrels of heating oil on the Eastern Seaboard.

The association made an inquiry of the major refiner-suppliers and asked them this question. If the Office of Price Stabilization will increase the ceiling price of heating oil by half a cent a gallon, on the average, will you agree to increase your production or procurement and deliver ten per cent additional heating oil above the commitments that you have already indicated that you intended to meet?

The reply to those telegrams was generally favorable.

We advised the Office of Price Stabilization of our findings and recommended that the step, as outlined, be entered into. The Office of Price Stabilization refused the request. They offered a suggestion that a modified transportation subsidy might be substituted in place of the increase in price ceilings as suggested, and recommended by the Petroleum Administration.

We are in the throes, today, of trying to develop a workable plan within some subsidy framework.

I would like to point out that in our opinion, such a plan will require the agreement of the Department of Justice, the Federal Trade Commission, the Office of Price

is-4 Stabilization, the Economic Stabilization Agency, the Defense Production Authority, to say nothing of agreement on the part of the industry, itself.

We hope that it will be possible to take the necessary steps to take care of this shortage.

I would be less than honest if I said that with the experience I have had in government, to expect those things to be done in the time that is remaining, would at least be one of the modern miracles of government in action.

Thank you. (Applause.)

MR. BRUCE K. BROWN: In an effort to be brief, he didn't say that tanker rights went up from one cent to three cents between July and December, of last year, and that is what the trouble is. The independent cargo buyers would be suffering an out-of-pocket loss of somewhere around two cents a gallon if they carried any oil in there.

We have another one that we don't know what to do about. At least I don't think we know anything to do about it. Mr. George Wilson, who is making his last appearance before you as the Director of Supply and Transportation Division, will tell you our troubles about residuals.

Mr. Wilson.

(Applause)

MR. WILSON: Mr. Chairman, and gentlemen. The situation on resid, is a rather anonymous one, I think,



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because until quite recently, I don't believe we anticipated that that would be our worse problem-child in this heating season.

In the first place, as doubtless most of you have recognized from the statistics, stocks of resid have compared favorably with last year, and actual demand, in terms of what was moving out -- speaking domestically now -- into consumption, was if anything, slightly under a year ago.

In a relatively short time -- not more than weeks and perhaps a little more than days, a situation has arisen that although stocks are still above this time a year ago, and there has not been really an abrupt change in consumption, domestically, we have many would-be purchasers of resid who can't buy.

I don't know just what are the total factors involved in that. The problem makes itself most acutely felt, though, in the matter of bunkers for ships. And quite ironically, a very large increase in the bunker requirements is attributable to the break-out of additional cargo ships from the reserve fleet, or mothball fleet, to haul coal to England and other European areas.

That seriously is the largest single provocation in it, but the number of vessels taken out of the mothball fleet upon completion of the present break out that has been authorized, will amount to something around nine hundred ships

is-6 that have come out of the mothball fleet since the start of the Korean episode.

That requires quite a lot of bunker oil.

During the past week or ten days, the National Shipping Authority has had numerous vessels, on the Eastern Seaboard, that can not obtain bunkers except after periods of several day's delay. That, of course, is a source of very considerable concern.

Now we have to look at what the prospects are, and what might be resorted to, to somewhat relieve this situation.

Considering the stock position and considering -- before I go into others, I might say that this is a very confused picture to actually find out what the facts are, because it is so completely interwoven with foreign requirements for resid, and unavailability of resid in normal foreign sources -- for example to put return bunkers in these same vessels -- that it is very hard to find out what the true balance and true deficit is.

But it appears that one source to be concerned about is the maintenance of at least the rate of residual export for domestic purposes that have been achieved in the past three weeks, or the first three weeks of January, I would say.

out the latest figure that we have, which shows improvement over the level of exports

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during the latter part of 1951. Three were abnormally low, due, of course, in large measure -- not completely -- to diversion to areas in past winters obtaining substantial supplies from Abadan.

Now if we maintain, or if we could increase -- and I rather doubt whether that is realistic -- the level of exports of resid that were achieved in the first three weeks of this year, and if we could get domestic refinery yield of resid back up to no more than it was during the same period last year, I think that we will be able to squeeze by.

Now that, of course, is dismissing fairly lightly the unsatisfied requirement in foreign sales, which is substantial.

The Foreign Supply Committee, at its meeting last week, estimated the world-wide deficit at a figure ranging between, as I recall it, about 130,000 barrels a day, to as high as 200,000 barrels a day, world-wide, excessive demand over visible supply for the balance of the year, 1952.

But, forgetting about that for the moment, I don't feel competent at all to go into the foreign side of it, and I think, (a) if we maintain exports for domestic purposes at where they have been for the past three weeks, if we could get domestic refinery yield back about where it was last year at this same time, which was several percentage points above the current yield, and if without resorting to a harsh

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type of enforced limitations on consumption, I think we will see our way through on it.

Now, the question is frequently asked, "well, are there not many industrial establishments, particularly the larger electric generating stations, that have been burning resid, that can readily convert to coal?"

I don't think that that is the answer. We have taken up with the Defense Electric Power Administration, one of our brother agencies, the question of how much resid relief could be obtained through conversion by those plants which are in a position readily to convert, that have the coal stockpiles and have the mechanical equipment to switch readily.

The answer seems to be that there is very little of that equipment which has not already moved over to coal.

One example, I mention as sort of a light matter, the largest plant that we know of that is said to be able to convert readily, and is still on oil, is one operated by the Navy down at Norfolk. Perhaps we can get a switch-over there. That would amount to 30,000 barrels a month of resid.

Outside of a little handful here and there, there seems to be little prospect for immediate help by changing those electric generating plants.

Now you might say, suppose Wilson is guessing all wrong and we can't get by on that basis, what do you do next? Well, whatever you do next gets a little bit farther, and how

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far is a question of degree, into the enforcement of governmental controls on consumption, a thing that I hope can be avoided.

The first thing, the least painless, and also only a shot in the arm sort of remedy that merely would buy you a little time, rather than any substantial relief, would be an inventory limitation on some of these plants.

That would buy you, perhaps, a few weeks time on some substantial consumers.

The next thing that you could probably do, would be go into actually enforceable conversion orders directed at resid consumers who do have the physical facilities to convert to alternate fuel, which, for practical purposes, would be coal.

Beyond that, I think you could enforce a limitation against the installation of any additional resid-burning equipment during the period. Past that, it is a matter of certainly months, and a matter of very substantial capital costs to achieve any additional conversion from resid to coal and I don't know who would pay the bill and I don't know who would be really the policeman to move out against varying units of industry of the multitudinous sort that that would have to work against, if you embarked upon it.

In short, I think that so far as the oil industry is concerned, the first two things that I mentioned are the

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only ones that are probably capable of offering real relief and that as to maintain exports for domestic purposes, at least as high as they have been in the last few weeks and to increase wherever possible percentage yields of resid.

That is the picture, Mr. Brown, as I see it.

MR. BRUCE K. BROWN: Thank you, very much.

I will defer to you, Mr. Hallanan.

THE CHAIRMAN: Gentlemen of the council, I know that everyone is glad, as I am, that the Secretary of the Interior has been able, finally, to get away from the conventional committee where he has been all of the morning, and that he has been able to come here to extend his greetings and admonitions to the members of this council of 1952.

Mr. Secretary, we have had a very worthwhile meeting. We have had some of the most interesting reports from various committees dealing with various subjects that have been assigned to them, and with which they have been called upon to deal.

As a matter of fact, some of these reports, like the one on the oil and gas productive capacity, I think represents the acme of contribution that could be made in this defense matter.

We feel that our record of this council speaks for itself, and as we enter into the sixth year of our existence, we realize that a lot of work has been done. At your request

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for information, we have appointed over two hundred committees to deal with different far-reaching subjects.

On those committees, approximately one thousand men of the oil industry have served.

Up to today, ninety-seven completed reports have been furnished to the government as a result of the activities of this council.

Now, Mr. Secretary, I want you also to know, that in our discussions here this morning, we are quite aware of the fact that this council has remained as a free and independent industry group, only because it had the courage to go to bat when the chips were down and to put up a real fight to maintain this council within the framework of its original organization and to continue its independence and autonomy.

We are deeply grateful to you because we believe that this cooperative effort which I think is so vital in our emergency years, is extremely important to the government and to the welfare of our country -- the welfare of all civilization.

We think that it represents an industry-achievement that is unparalleled in the history of this country.

We approach this sixth year with renewed confidence and determine to work with you more closely and energetically than we have in the past.

We are grateful for the personnel that you have

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given to represent the government and to work with this council. I know I bespeak the sentiment of every member when I extend to you our best wishes and say to you that we are delighted to have you here and I am happy to present you, at this time, to the council.

(The members arose and applauded.)

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The honorable secret

SECRETARY CHAPMAN: I assure you, the last meeting I just addressed, did not stand up.

I want to welcome all of you new members who are on the council today. This is your first opportunity to be with us. Particularly, I am talking to the new members, today.

We welcome you, and I want to welcome you in the spirit in which the rest of the members have been serving and working with the Department of the Interior, and helping us in our general program. Not just in the Petroleum field, but their contribution has been accross the board for the whole natural resource program. It has led us in many ways.

I thought a moment ago when Mr. Wilson finished his remarks, I had now heard everything, When he was out trying to canvass business for the coal industry. (Laughter)

Well, you know, necessity makes friends out of people sometimes, as well as other things.



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understanding, and trying to work with your competitor in this field.

As you know, the four major energies of our natural resources are problems that the Department of the Interior has to be concerned with. I am very happy to see the kind of spirit that is expressed here in Mr. Wilson's report.

I want to welcome you new members, today, on the basis of the fact that this is an independent council, it is an industry council. I, for one, want to keep it that way. I want it to be an independent council. I want the advice and help from you people as industry people who have the knowledge and the know-how of running the great oil industry of America.

For the government to attempt to step in to try to dictate or issue orders relating to a great industry that covers such an essential part of our whole industrial system would be so totally foolish and futile, if we were not doing it with the cooperative spirit and understanding of the industry itself, who knows how to run its business.

We have the same problems that you have in many respects, and we all have the same objective. We are looking to secure our country. We are looking to keep ourselves secure. We want to be protected from many evils of the day.

There are many things that we need security from.

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We need, first of all, an assurance within ourselves that we can adequately protect ourselves against any foreign mess. That I believe we can assure ourselves of. No red blooded American could ever agree to submit himself to the dominance of a foreign government with a philosophy that is so totally foreign to what you have been brought up under, under our Democratic system.

But to see you go further, and to work in such a cooperative spirit, with the whole, total industry of America-- and you are representative of one of the most vital links in America's security today.

In my conference I just held with the Interior Department's Appropriations Committee of the House -- and I want to say they have been most helpful to me, today -- as Gordon knows, I have just put in the last two hours talking with them. I had a long statement to read, but instead of reading it, I put it into the record without reading it, and then we talked and they asked questions for a couple of hours.

It was most helpful this morning. One of the things we talked about was the importance of petroleum in this field, in the field of the necessity of protecting America, and the essentiality of this industry.

They were very much interested, as indicated by the questions they asked this morning. I raise that particularly because the question was focused upon me, due to the fact

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they were talking about the fact that they thought that there might be a surplus of certain things in this world, if we went too far in developing certain commodities.

I used the oil industry as an illustration of how falsely I thought that philosophy would be. When, at the peak of the war -- and when you were using petroleum at its highest use that has been known up to that point -- most of us, and I am sure most of you in industry thought that when the war was over that your whole market would drop down to a lower level, or at least you thought it would drop from that high peak.

But instead of that, your record shows that there has been a continual incline all the way. Ever since it reached its peak in the war. Even when the war closed, instead of dropping off, need for petroleum products increased.

That proves and shows the essentiality of this industry to the productivity of America.

We can not maintain our productivity capacity or increase it if we do not maintain and continue the full development of the petroleum industry of this country.

And in doing that, this council is serving a vital cause. You are not only serving the interest of your industry which you represent, but you are serving the interest of every other businessman of America, just as much as if he were sitting here himself.

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I am happy today to welcome you new members into a group with which you are thoroughly acquainted in your business relationships, but you will also get acquainted with them in a new relationship of their working with their government in the terms of a free and independent committee, as an industrial committee, one which I want to keep just that way.

I know you people have been most generous in helping the Department, in helping me to find good men to run this industry. I would not presume to try to say to you that I knew where to find them all. I didn't.

But, I did know where to find the first man. And then when we started with Bruce Brown in this program, we started -- and as I have repeated again, today, to you -- we started with one of the men who had had experience in government in the last war, as well as his experience in his own industry. He knew the industry. He knew where the good men were.

Now I want to say perfectly frankly to you, he didn't hesitate to try to tap your good men from your companies, either. We didn't want your substitutes, because you can use them better than we can. We wanted your best men, because, if this job is done right, it will be not only better for the government and for the country as a whole, but you will get a special satisfaction out of it as an industry. Because, if this job is done like it should be done, it will be of

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great help to you as an industry, as well as a great security for the country as a whole.

You have given us good men. You have given us some of the best men in the country, which understands this petroleum industry.

I want to say -- and I pay my respects again here to Bruce Brown -- for the diligent and hard work he has put in in keeping this program moving ahead. (Applause)

Now I happen to be one of those who works a great deal by personality and relationship. We shouldn't do that, but we do. I think all of us, to a degree, do that. I probably do that a little bit more than some others.

When I learn to know a man and understand him and work with him, I hate to break in a new one, I don't care how good he is. I just like to keep working with a fellow I know.

That makes it very difficult because I realize Bruce has to return to his duties, and his own interests. He has sacrificed a great deal in being with us and I realize he has to go back. But before he worked out his own plan with me about returning, he came up with a good name of another man to take his place.

I am going to say this to you, perhaps at the expense of the luncheon we had that day with the new man. We had luncheon with the gentleman who is going to take

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his place -- and I know Ed Warren must be here someplace.

Well, I never talked with Mr. Warren particularly, before. I had seen him. I knew about him, and I had looked him up a little bit after they mentioned his name to me. But in our conversation that day, I found him to be just a rough and ready, rugged fellow, and he didn't give a damn. "This is what I am going to do, this is what you asked me to do, and this is what I want to do."

Well, I liked that very much. Then afterwards, I said to Bruce, "Now I like this fellow and I would like to have him with me, but there is one thing you are going to have to warn him about. He is going to have trouble getting in to see me whenever he wants to, but tell him how you do it, and then he can work it."

Bruce has a technique of getting in to me when he has to get something done, and get to me.

I don't mean to imply by that that I am so important I can't see people when they need to see me, but there are just a certain amount of demands on the office, and you can only divide yourself up to a limited extent. Bruce has a way of getting in when he has to get there.

I want Mr. Warren to feel the same way. I want him to feel that when he has to get in to see me, he can get in, and he can work his way in and doesn't have to be bashful or embarrassed about it at all. There is no need

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for apology on the part of a man who makes an effort to see me. Especially the man who has to do the job he has to do.

I have to rely on a man like Bruce Brown and Snodgrass, Al Frame and Stuart, here. I have to rely on those people. When I go before committees of Congress, I can't defend the program unless I am adequately briefed on the things that we have to do. I am not a petroleum expert, but I do know something about government, I think I know something about government's relationship to industry and to working with people.

But I can't sell the program to Congress unless I can have men like that who can give me the story, and the best way that I can absorb it, to get the facts so that I can relate them to Congress in my own testimony, and in my own way.

That I have tried to do, and I think we are coming out pretty well. I think we are going to be all right. So far, there have been no investigative hearings started on the Interior Department. Of course, you can give them more time. They have six months yet to go.

I mean that seriously. It is the good cooperative help of you people on this whole program that has been so useful and helpful to me as Secretary of the Interior, that I hardly know how to thank you for your great help in many

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ways, and this program here that you are working for today, on the petroleum defense program, is so essential to the whole program of the national defense, that its failure would mean total failure for this other program, because they could not succeed without it.

I am going to tell you just a little bit in confidence what another member of the Cabinet said to me this last week, just recently. I told Walter here about it. He said--

(Discussion off the record.)

(On the record.)

Secretary Chapman: Now, I just want to let you know that there are other people who would like to have this same thing, and I think they ought to have it. I want to be honest about it. I think they ought to have it. If we can't work together with an understanding of confidence with one another in this whole program, then it is going to fail because of our own lack of confidence in one another.

Now if you haven't got confidence in me, that I am going to **deal** fairly with your program, then you ought to look to some other place for your council and your program, and I ought to look somewhere else for my own workers. We have to work together in confidence on the things that we are doing. That is the thing I tried to convey to him, that that is the thing I thought ought to be done.



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I have several other council groups in the Department that I haven't been able to put across on this, and I wish that I could. I am going to make another supreme effort in a few days to put one of them across. I think they ought to have an independent council as advisory to me, who gives better service and better help -- and I don't want to be in the position of saying that I have an advisory council that is nothing but a part of my own staff organization.

I have staff. What I want is the information to be brought to that staff.

Now when he mentioned the number of reports that I had asked for a moment ago, I noticed a couple of you may have kind of grinned a little and said "well, he never would read all those reports."

Of course I can't. Don't make too many guesses on that, because some times I read a few of them. I have a staff that I know does read them. It is a guide for them and it is their funneling of that information in to me that counts in the long run. When I need it for my own testimony and for my own presentation, they have it for me. It is their operating day-by-day programs that needs these reports that you have been getting. It is that help that counts tremendously in making this whole program a success.

Again, I want to thank you all. I would have been

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here sooner had it not been for the committee on the Hill.

(Applause.)

THE CHAIRMAN: Gentlemen, I really believe that within thirty minutes, we could finish the business of this session.

I hope that it will meet with your approval that we go ahead and that way we can avoid a noon recess. If there is no objection, we will proceed to the conclusion of the agenda.

MR. MAJEWSKI: Mr. Wilson, for whom I have a great regard said that you could solve this situation of shortage of residual fuel oil in two ways.

One, by continuing exports of oil at a maximum, in time of war, or in an emergency.

Secondly, he said that we could convert to coal, for which the Secretary, who also has coal under his wing, was happy.

I just want to tell you that you are swimming in fuel oil. I don't know where you get your figures, but I know in the midwest, where we have a terrific refining capacity, we are swimming in fuel oil. You don't have to depend on imports of fuel oil. You don't have to depend on conversions to solve your problem. You have an economic problem that the man from the Navy just touched on lightly. You have a job of convincing somebody that the oil is here,

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but it is dislocated where you need it.

You are going to have to cut back some crude runs in this country. That is not your fault. And you put it beautifully, Bruce -- the heat you have been getting about your program, that is creating too much oil in the country and creating an economic waste.

I happen to know in my part of the country, we have too much being produced to meet the demand. Now if you need any demand any place, you have the supply in the mid-west.

I want to tell you that the way to get it is by just a little more transportation cost. We in the oil business there don't want more. We have reduced the price below the ceilings.

Now I don't like to have the record show that we are suffering for the want of oil and ought to convert to coal.

If I went back and let that go unchallenged, I should be chased out of the jobbing business. I am looking for business because we have too much oil. I want to be able to supply the Navy and other people, if you will take my arm, and let's go talk to some of the economic stabilizers.

MR. BRUCE K. BROWN: I know that. I concede everything you say. The last fellow who propositioned me on using of government funds for a transportation subsidy was Mike DiSalle.

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Now if anybody here knows any way to get a power installation in New England to buy resid from any former company, say out in the middle west, by tank car, I am all for him, but it is an economic matter.

I don't know what the answer is.

MR. MAJEWSKI: I don't recommend a subsidy. I think there are some people out there who can talk to Mike. And Mike is going anyhow.

Maybe the new man will listen.

MR. DUKE: ~~There was~~ a drop in the month of December and for the first three weeks in January, there was a rather sharp increase. Isn't that simply due to the beginning of 1952, the exporting companies would again be able to bring in at ten-and-a-half-cents, and before 1952 is over, I propose that the whole exports throughout the year would only be 10.5 cents.

Now if people who had exhausted that, which they had months and months ago in 1951, would have necessarily slowed down bringing in oil to the east coast ports where there would be a twelve cent price, and waiting until January first when it would be ten-and-a-half.

I think it would have a tremendous shortage for a period of time, on the north atlantic coast.

MR. RUSSELL B. BROWN: The companies who were importing, and who told the State Department in the hearings,

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that that difference was not considered in their exportation. So they must be wrong on that.

MR. BRUCE K. BROWN: It may be the Iranian situation.

MR. WILSON: Mr. Duke was speaking of the extreme latter part of 1951 and our remarks as to the level of exporting being low in 1951 was not restricted to the extreme end of the year.

If you will take it from July through December, you will find that resid exports any week during the period, I think, certainly any month, they will average more than 100,000 barrels a day below the same period.

MR. BRUCE K. BROWN: It was probably partly the Iranian situation.

MR. WILSON: Yes.

MR. WOLSTON: I don't think the duty has anything to do with it. Nearly all the companies exporting fuel oil today are importing that quantity which they have available. They have no more available.

They are there to complete the commitments on the east coast. The duty question doesn't have anything to do with the size of exports in January.

MR. BRUCE K. BROWN: Exports apparently come up in January, anyway.

MR. WOLSTON: Not because of the export duties.

MR. RUSSELL B. BROWN: I have a few questions I

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want to ask you.

MR. BRUCE K. BROWN: It is up to the Chairman of the Council, who insists on having half-day sessions.

I have all day and clear to the first of June.

MR. RUSSELL B. BROWN: I wasn't quite clear on that 80,000 wells, what period is that?

MR. BRUCE K. BROWN: July 1, 1952, to December 1, 1953. That is approximately six quarters.

MR. RUSSELL B. BROWN: That is an average of about 13,000 a quarter?

MR. BRUCE K. BROWN: It is 55,000 for 1953.

MR. RUSSELL B. BROWN: It will be a program, so we can take this and study it, such as your program for foreign operations.

MR. BRUCE K. BROWN: Probably at a later date, when DPA has had a chance to look at this thing.

MR. RUSSELL B. BROWN: What is the difference when you can not publish your foreign operations and can your availability?

MR. BRUCE K. BROWN: It corresponded to this figure of 45,000 wells for the United States for 1952, which was made up of two segments, one at the annual rate of 43-4, for the first half of the year, or 21,700, and then for the second half of the year, 23,300, for a total of 45,000 wells representing an increase between the first and second

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half of the year of 70 per cent.

MR. RUSSELL B. BROWN: Your foreign program did contemplate a material increase, the one you approved.

MR. BRUCE K. BROWN: That is right.

MR. RUSSELL B. BROWN: And that runs as high as 200 per cent?

MR. BRUCE K. BROWN: The one we published.

MR. RUSSELL B. BROWN: I thought that was published as approved. Was I right about that?

MR. BRUCE K. BROWN: Yes. It was approved.

MR. RUSSELL B. BROWN: In that, you did approve the statement they made that they were going to increase the exports. Does that contemplate that? Then I was wondering if we need all these wells if you are going to break it up into exports?

MR. BRUCE K. BROWN: As I tried to explain, the export figure there was a balancing figure derived by inquiring as to what the exports were going to be in 1952.

MR. RUSSELL B. BROWN: Now is your domestic program made up on what the domestic industry wants to do?

MR. BRUCE K. BROWN: Yes. With the exception of the fact that the number of wells we have been able to drill has been limited by the oil country tubular goods. The refining will be limited because we could only build 80 per cent of the refineries we authorized.

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MR. RUSSELL B. BROWN: In connection with this resid situation, I thought I should call your attention to one situation. I know of one very considerable field where the crude supply is far below the normal price for that kind of field.

There has been application for an increase and the Price Administration tells me informally, that they are not permitted to get any expression out of your office on price questions, or at least that they have gotten a negative one when they have approached you.

MR. BRUCE K. BROWN: Never have they talked to me. Not once have they ever talked to me about it. Thank God, but they haven't.

MR. RUSSELL B. BROWN: There is application on that field and a formal request made out and approved, but still they haven't made the increase, and that is a very large source of supply.

MR. BRUCE K. BROWN: Let me go into that question a minute, although it is indirect so far as the way your question is concerned, but I would like to make this statement.

When PAD was set up, and OPS was set up, the Secretary addressed a letter to the Price Administrator in which he outlined the relationships that had prevailed during World War II between Office of Price Administration, and



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Petroleum Administration for war.

Incidentally, if anybody is interested, those letters are printed in the appendices of the history of the Petroleum Administration for war.

He wrote to Mr. DiSalle and proposed the same type of relationship, prevailing in this period, as prevailed then, and Mr. DiSalle wrote back, in effect, agreeing that that was a good idea.

Now that relationship essentially is that we speak when we are spoken to.

We got out of line last week and spoke and got very badly chastised for it, when we thought we had to, on the heating oil situation on the east coast.

When we are asked for advice by OPS, we give it. We have had many, conferences with the Office of Price Administration's Petroleum staff. I haven't been into many of them myself, but they have been held by Mr. Badzell, Mr. Frame and others.

To the best of my knowledge and belief, we have never had a question addressed to us formally on the subject that you are discussing.

MR. RUSSELL B. BROWN: That is important. We may need your help and I want to know how to get it.

THE CHAIRMAN: Gentlemen, I do not want Mr. Brown or his staff to be pressed for time. In as much as it is

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a quarter of two, I suggest a recess for one hour.

As I understand, there is a cafeteria on the floor below where we may have food in this building.

If there is no objection, the council will recess for one hour.

(Whereupon, at 1:45 o'clock p.m., the meeting was recessed to reconvene at 2:45 o'clock p.m., the same day.)

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## AFTERNOON SESSION

2:45 p.m.

THE CHAIRMAN: The conference will please be in order. We will proceed with the Petroleum Administrator for Defense. Mr. Brown, will you introduce the directors?

MR. BRUCE K. BROWN: I would like to talk a little more, Mr. Chairman; I am not sure I satisfied my questioners. If we did not get all the questions answered about this program before noon, I submit to further questioning.

MR. RUSSELL BROWN: I was hoping that you would get that out in the open so we could all take a look at it.

MR. BRUCE K. BROWN: I couldn't do it until today, because I didn't get to DPA until yesterday. I was very fortunate in getting there the day I wanted to.

MR. RUSSELL BROWN: It was very helpful to us.

MR. BRUCE K. BROWN: I would like to mention particularly this release which I now understand was handed out to the members of the council this morning about the east coast heating oil situation.

You are either interested in that subject or not, depending on where you operate and what you do, but there were so many questions raised about PAD's responsibilities as a supply agency and its legal powers from the directive standpoint and about why we didn't appoint industry committees to do things.

The latter part of this statement is the first and,

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I hope, the last time that we have had to come out in writing on exactly where we stand on those things. I commend to your particular attention pages eight, nine and eleven, which are just as applicable to any other supply situation as they are to the east coast heating oil situation.

MR. HILTS: We hope the council realizes the extent of what this shortage may be, even after June first. What we have talked about is the first quarter of the year, but on June first we begin to assemble stocks to carry us over the next heating season. That has been the natural course of operating the oil business on the east coast.

Nobody, to my knowledge, visualizes things getting back to normal at this time or even before the middle of the summer.

Now, at New York harbor the cost of bringing in spot merchandise is about two and three-quarters cents as against a 95 point normal cost.

At Boston, from \$1.04 to \$3.13.

While the council at this time may not be able to get into this matter from an economic standpoint, it is just going to put the industry in a position, unless corrective measures are taken quickly, that we won't begin our stock build-up this coming spring and we will be faced with a very serious situation when we enter the season of 1952-53.

I think it might be well to inform the council just

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what brought about this situation.

Your paper very clearly indicates, Bruce, that the demand for diesel fuel is increasing tremendously. I think you used the figure of 98 per cent.

The supply of that fuel oil available for the Eastern Seaboard has been supplied by a handful of integrated companies who feel that they cannot continue forever to keep meeting this enormous increase that we have to fill on the east coast.

We have no fault with the non-integrated suppliers during that period. We feel we can go out and find other ways of getting supplies. That is our problem, gentlemen, and it is going to face you again in 1952, just as much as it is here in this last quarter.

Any help that we can be given, I think it would certainly be to the interest of the industry.

MR. BRUCE K. BROWN: Thank you, sir. I believe you have said something I might have said. I agree with you.

MR. HILTS: Don't you think it is going to be the same thing on the stock build-up?

MR. BRUCE K. BROWN: I think it is going to be worse.

MR. HILTS: I think it might be advisable, Bruce, on this subsidy program that you have mentioned, our people, the non-integrated supplier is dead set against subsidies. We don't want any subsidies. Nor do we think that the great

Standard Oil of New Jersey, or Shell, or anybody else, is going to take subsidies. We don't think that is the way to crack this situation.

For the balance of this year it seems it will run somewhere in the neighborhood of between 12 and 15 million dollars to do the job if it is done the way industry would normally do it, against a possible minimum of about six million dollars under your subsidy plan. Wouldn't that be somewhat in line with your own thinking?

MR. BRUCE K. BROWN: That \$6 million would be merely to move six days' supply.

MR. HILTS: You have the same thing to face in the beginning of your next heating season.

MR. WILSON: If they get to figuring on a subsidy, nobody will take on oil.

MR. BLAUSTEIN: Has OPS considered the next heating season?

MR. WILSON: Yes.

MR. BRUCE K. BROWN: We told them the effect of the subsidy would be to make the next heating season worse. In passing on to other topics, I was going to say that Mr. Lawton ceased to be director of production and Bob started. I may tell you how Bob got his job. Are you going to tell them that?

MR. FOREE: Yes.

I started on January 1st. I might not only be called new in the job, but might be called a boll-weevil.

PAD, I have heard it said, is maybe not following all the American customs. I know one customer that they are following. If you complain a little bit too much from the floor, they just make you chairman of the committee. That is what happened to me.

I have learned my lesson though, gentlemen. I will never do it again.

MR. BRUCE K. BROWN: You have your candidate lined up, too, haven't you?

MR. FOREE: Yes. For the second quarter we had a request for 980,000 tons of pipe. That is down a little bit from the first quarter, but it is still in keeping with Mr. Bruce Brown's program on how many wells the oil country wants to drill. We were unable to satisfy that.

Now, the regular mill production will be up thirty thousand tons in the second quarter. However, there will be a good deal of space that will have to be taken up by conversion if we are to use all the facilities. Just how much that figure is, I don't know; somewhere from 25 to 50 thousand tons.

PAD has come up with a plan for distributing conversion for the second quarter. You have already got your primary allocations back. With it went a letter explaining

m6 that you were to file a supplemental for regular mill tonnage and a supplemental marked "conversion."

That conversion pipe will be allotted on the basis of the now present standards.

Conversion allotments will not be subtracted from tonnage computed as available for distribution to such operators in the succeeding quarter.

I might explain that a little better, maybe. That is the lawyer's language. The result will be that if an operator uses conversion casing and tubing to increase his drilling program, he will be entitled to a larger normal allotment of steel in the subsequent quarter than he would have been if he had used no conversion steel. If, on the other hand, the operator does not use the conversion pipe but keeps it on hand and in the inventory then the conversion steel will be counted as a part of his inventory.

If you will bury the steel, you will be given credit for it on your drilling. If not, you will be charged just like you have been with your inventory.

Conversion tickets will be divided up, as I said, on standard procedure number two. These tickets will be mailed out to you shortly within the next three weeks. You will make your own deal for your conversion.

Thank you.

(Applause.)



m7 MR. BRUCE K. BROWN: We will follow with the statement by Mr. Morrison, Director of the Materials Division.

MR. MORRISON: Gentlemen, I am a little more optimistic than I was at the last council meeting. We are hopeful that this impetus of the new program that has been submitted will give us all of the increased materials that we have requested, and therefore our material worries will be over. That is what we hope for.

Actually, we are getting out back. We receive less allocation in the fourth quarter than we did in the third and less in the first than we did in the fourth and less in the second than we did in the first.

Actually, though, I believe that the materials situation is easing just a little. We see a little evidence here and there that leads us to think that sooner or later even without this accelerated program -- let us say without the accelerated program we might have been in much better shape in the third and fourth quarters.

With the accelerated program we don't know what we will do. Things are beginning to shape up a little better. For instance, the regular mill production of oil country tubular goods -- that is, new orders that they would book, that the mills would book, has increased steadily. In the fourth quarter it was 425,000 tons. In the first quarter it was 465,000 tons and in the second quarter, this year, it is

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492,000 tons.

We add to that this conversion steel, which is quite a problem.

Also we have another advantage which we are hopeful will begin to show results, and that is in the second quarter, Defense Production Authority did not earmark our program. In other words, heretofore they gave us a definite allocation of material and we must stay within those limits for the various segments. In the second quarter they gave us complete flexibility between all the operating segments of PAD with the exception of the oil field manufacturers, and we can juggle back and forth among ourselves between MRO and new construction.

In the basis of their determinations, we had to submit our MRO and construction separately and they allotted 97 per cent of the MRO in their preliminary basic determination within DAP, and allowed for the construction program roughly 68 to 69 per cent. But in the official program determination there were no restrictions placed on us.

Now, that gives us an opportunity. In fact, this afternoon in our Materials Requirements Committee meeting we have asked all segments of PAD to study their tickets and give us a report in the Materials Division as to just how many tickets they think that they can put in the reserve. That is, first and second quarter tickets and.

m9 particularly first quarter. There, where we have a program, whether it is a refinery program or whether it is the l.p. gas, or what it is, we will take those tickets and attempt to cash them. We think that the cashability of the tickets is increasing.

We have taken another step and that is that we have asked the operating divisions not to be so quick to re-validate material from the first to the second quarter and from the second to the third quarter; to give the Materials Division an opportunity to see if we can't place it.

Now, we are getting into a little bit of difficulty there because you will understand that there is a fringe area of high-cost material and as a purchasing agent you can imagine how it hurts me to say that we must disregard economics, but that is about what we are doing in the attempt to cash these tickets in the quarters in which they were issued. We get into not only conversion steel, but we get into first an area of freight dislocation; then you step into the conversion and you also have your warehouses, people who are accustomed to buying direct from the mills, they may find now they have to buy from a warehouse.

Those are the added costs that I say we disregard in an attempt to become current with our tickets.

On this conversion situation it is probably one of the least understood arrangements. It is not black market.

m10 There is nothing illegal about it, and while we dislike it, we are taking steps to attempt to reduce the premiums. I would like to just dwell on that for a minute so there can be some understanding of what conversion is.

For instance, Mr. Foree comes up with his accelerated program and according to his figures the requirements are 651,000 tons of oil country tubular goods in the third quarter. Well, there never has been anything like that made, in any way.

I come up with a figure of 530,000 tons, just 120,000 tons off. And yet if DPA can be influenced into instructing NPA to divert sufficient ingot steel into those mills who are capable of making anything round with a hole in it -- and I am speaking specifically of mechanical tubing, or anything else, I don't care what they call it -- just round with a hole in it -- the industry is willing to take the plain end and have it threaded and coupled in Houston, Dallas, California, any place where there is plenty of threading capacity and the coupling situation is not too tight, then you can get the 650,000 of oil country tubular goods. It is going to cost money. Some of these conversion deals they will start in with an ingot that has a book value, or an iron age published price value, in the neighborhood of \$50 a ton, \$52 a ton, depending on the type of steel, and you will end up paying \$90 a ton.

m11            You will pay another two or three dollars a ton freight from that ingot-producing plant to a blooming mill. You will take a 25 per cent loss on the crop. You will move it from the blooming mill to a piercing mill and you will end up with pipe that cost in the neighborhood of \$250 to \$275 a ton in some instances.

              Those are legitimate costs that are approved by the Office of Price Administration. That is your conversion. You can call it anything you want to.

              We have dragged our feet a little bit in this first quarter purposely, letting some of this conversion go by the board because we don't like the idea of PAD encouraging conversion. The mills who are the finishing mills of oil country tubular goods are not receiving sufficient steel to keep their mills operating. So if we could dig up steel and add a third shift and produce another five or ten thousand tons a month, I think the industry needs it. But we have taken the calculated risk of taking it easy and letting some of this conversion die on the vine in the hope that they will find some other medium of getting that steel into the finished product we want at a price of, in the neighborhood, a fifty per cent advance.

              We have tried for some weeks now to try to work out a plan whereby conversion steel could be divided equitably.

              Prior to October 1st we did not need tickets, so that

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anyone who wanted to buy conversion steel could buy it. As soon as we had tickets that meant PAD was in the picture.

Personally -- and this isn't PAD now; this is my personal opinion and I haven't been able to sell it -- the man who buys conversion steel is entitled to some type of an incentive. I don't care whether he is talking about oil country tubular goods or whether he is talking about pipe lines or what he is doing. I think basically he is entitled to an incentive.

Bob Foree has come up with an answer now that is pretty good. In other words, he allows the use of conversion steel without being applied against your allocation. That is the incentive.

Now, it is possible -- we had another thought that may or may not have worked, but it had some merit to it, and that was that production would give conversion steel in the first quarter and then charge it against their allocation in the third quarter. Then a man had a chance to take a calculated risk. At least he had a bird in the hand and he might hopefully think that oil country tubular goods would be more plentiful in the third quarter and he could stand a cut in his third quarter allocation to offset what he took in the first.

I think this production we have come up with now is a better deal and with a couple of quarters of experience we

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may find that it will work.

We have these other deals; DPA saddled us with something that I think is wrong this last time, for the second quarter go-round. They saddled us with a conversion of 50,000 tons of plate pipe and 25,000 tons of oil country tubular goods.

I attempted to obtain an additional 75,000 tons of tickets in addition to our regular allocation, but they think that they are going to take this steel and spread it around among the smaller segments of industry who cannot use conversion and saddle PAD with the conversion. We are trying to squirm out of that now. I don't know how successful we will be. I think we will be all right.

On oil country tubular goods it will work itself out.

We are trying another scheme, particularly under the theory if you can give a man some incentive you might be able to move some of this conversion steel that is being offered to us, and there is plenty being offered that cannot be made into oil country tubular goods; it can be made into tank plate or line pipe or something like that. If a project could be completed say in the first quarter as against a third and possibly for the quarter completion through normal allocations from PAD, you may have the added incentive of the earlier completion of the project to offset your premium

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that you are paying for the steel.

The reason for the influx of steel now is because the automobile manufacturers' historically used in the neighborhood of one hundred thousand to one hundred fifty thousand tons of conversion steel a quarter. The consumer durables, such as refrigerator manufacturers and stove manufacturers, used another fifty per cent of the remaining -- that is another 25 per cent; fifty per cent of the remaining -- and the oil industry historically used the other 25 per cent of the total or fifty per cent of the remaining.

We are now being offered steel which represents this one hundred thousand tons that the automobile industry took. It is expensive. It is not too good. The quality in some instances is not good, but we are hopeful that by getting that together and putting it in a place where it can be used -- for instance, if it turns out to be strip steel, we may be able to offer it to a man who wants a products line, where it wouldn't stand the higher pressures of a big oil line, and the plates are not wide enough to take a big line, or we may be able to convert it into storage for tankage, or things like that.

But invariably when you move into that area you can look for quite an appreciable increase in price because all of the area within your economic surroundings of your purchasing has been used up. So between the combination of the conversion



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steel, between the combination of helping industry cash their tickets, even though it costs them a little more money, and trying to discourage, if at all possible, this free re-validation of tickets, we hope to come into the third quarter even. If we can do that and get anything like the steel that we require, our troubles should be pretty well over.

Thank you.

MR. RUSSELL BROWN: Would you care to make any comment on the possibility of increased capacity for oil country goods, in the steel mills? Do you have any encouragement on that? I hear reports of it, but I don't know.

MR. MORRISON: Yes, again if I don't get any comments from the back of me I will say something because we don't agree on that either. Some people are optimistic and some people are not optimistic.

The present production -- pattern-wise 27 per cent of the oil country tubular goods was in five and a half and under. With all of the conversion steel and all of the imported steel being made five and a half and smaller -- some 7 inch, but for the most part five and a half -- we think that percentage has stepped up to about 32 or 33 per cent. It almost is up there in an ideal pattern; almost. This is only surmise because you just can't lay your hands on any figures.

The production, as I said, has increased -- the

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mills are going to take 492,000 tons of regular. As the mills take that increased regular production of 492, as against 465 and 424 in previous quarters, the finished capacity for the conversion steel is beginning to be taken up so that you have to watch out, and you have to deduct some of the conversion.

I always thought there was 50,000 tons of conversion available. I believe with this 492,000 tons of regular production that the conversion steel will drop to probably thirty thousand tons.

There is an element of mechanical tubing, and mechanical tubing that can be made in five and a half inch O.D. The physical characteristics are good enough for casing. They can be taken out plain end and threaded by industry and it should show an appreciable saving over the ordinary conversion.

There are some of those steps being taken in that now and some of it will be stocked as mechanical tubing in the field warehouses.

Now, under the M-6 stocks or other than oil country tubular goods, they do not have to have any tickets. I am leading up to how we guess as to how much we can come ahead. So we will add another ten thousand tons for that.

I put a maximum for the balance of 1952 of 530,000 tons.

m17 We talked about that Republic mill in Chicago that is supposed to come in in August. It will come in sometime in the third quarter according to the latest evidence I have. But they are going to run on line pipe. They are going to break that mill in on line pipe. They hope, maybe, that they will have some oil country tubular goods in the fourth quarter of 1952.

Their production will be in the neighborhood of fifty thousand tons a quarter so we may be able to figure then by the end of this year on an additional 25,000 tons in the fourth quarter of oil country tubular goods.

Then we have the Lone Star mill which Mr. Force contends will come in in the end of this year. I say it will come in in the middle of next year. So I put ten thousand tons on that in the third quarter of 1953 and then boosting it by 25,000 tons from then on.

The Colorado Fuel and Iron, I put them in the fourth quarter of 1953. I may be pessimistic. However, I don't see where we will receive, by the end of 1953 I believe the production of oil country tubular goods, instead of being 500,000 tons a quarter now, will be raised to legitimate production of 600,000 tons by the end of 1953 in my opinion.

MR. LYONS: What makes possible the acquisition of ingots by individuals and companies and converting them into oil country tubular goods, as against acquisition by the

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mills of those same ingots and the converting of them into oil country tubular goods.

MR. MORRISON; Let us be specific now. I don't like to mention names, but I guess you have to if you want to be specific. Let us talk about the corporation, or J. & L. or any of the major producers of oil country tubular goods. Let us say they have a finishing capacity of ten thousand tons a quarter that is not being used. You can understand that as they get out back and military requirements come up they keep getting out back and they have a blooming mill down or something else and they end up with finishing capacity.

They have a published price schedule that is set and established and that is uniform by all their competitors. Their ingots cost them, according to their books, \$39 a ton for the ingots. Their tube rounds cost them probably another -- I don't know, give them \$10 a ton; give them \$50 a ton for a tube round, ready to pierce. They can buy that tube round from Copperweld, who are manufacturing probably -- and I am just making a guess at this -- probably fifty to sixty per cent of all the conversion steel -- they do not have any finishing capacity themselves. They pay Copperweld \$124 a ton for that semi-finished round, ready for piercing and their cost is probably in the neighborhood of \$50 or \$60 a ton.

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You can understand they could go out and do it and we have been working on NPA. We contended if they took all the ingot capacity, when they chalk up their available material, then therefore they should be willing to direct that premium steel into the mills. Then let the mills go to NAP and get authority to charge two prices. But I can well understand the mill's reluctance to publish -- they cannot stand with a uniform price and for ten per cent of the business, which varies and fluctuates according to the operations of the mills, they just feel they cannot live with the two, three, four, five price bracket in there.

I believe that is the answer to it and I believe it is understandable too. I don't believe you can ask a big corporation to go out on the basis of catch-as-catch-can and then charge whatever they are allowed to, different prices all the time, because you are a customer and I am a customer. Who are they going to give that pipe to? You or I? They are in trouble all the time. I just do not think they can do it and NPA, on the other hand, they are not only very reluctant, they are absolutely refusing, they have refused, with the exception of one or two instances, to direct high-prices steel into an integral mill.

Now, we have other premiums. We were talking about A. O. Smith. They haven't operated more than fifty per cent for the last two or three or four years, I guess.

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Stuck Brothers in Kansas City or St. Louis have an arrangement over a period of years where they established themselves as an M-6 warehouse and carried in stock plates from Granite City. Therefore, having been established with M-6 stock of plates they are allowed their out-of-stock price and Granite City cannot make sheared plates to the full extent of their raw steel capacity so they have a surplus of -- I don't know just what you call them -- they are Chinamen. Their edges are rough and raw and their sheets are not to dimension but they sell that to Stuck who is set up as a warehouse and they sell it to a customer who puts it in A. O. Smith and makes pipe out of it with quite a loss on scrap and conversion charge.

THE CHAIRMAN: Are there any other questions, gentlemen?

MR. BRUCE K. BROWN: Thank you.

Excuse my comment, but from what the Secretary said, and what Mr. Pete Jones said, and what our chairman said is so well illustrated by the last five minutes of conversation, how would you like to have somebody, a GS-13 or 14 detailed from the Civil Aeronautics Authority or Reclamation Service running the pipe business? Does that fellow sound like he knew about pipe or doesn't he?

MR. RUSSELL BROWN: It is very helpful, I will say that.

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MR. BRUCE K. BROWN: We have to keep people who know the business coming into this agency as long as we have to know the agency.

Now, here is a refiner who knows refining. Mr. Davis.

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MR. DAVIS: I do not have very much to take up your time with today. I will comment briefly on a few things of interest to you.

Mr. Brown has mentioned the expanded program that we are undertaking, which in terms of barrells of capacity and refining, is equivalent to 475,000 barrells per day, beginning July 1st, 1952. That is the objective to which all of our efforts are being directed.

At the present, I must say that we are falling even short of our present program, which as you will recall from previous discussions on this subject, was outlined last year at 1 million barrells of refining capacity over a period of three years. That is at the rate of 330 odd thousand barrells per day.

For the first and second quarters we are hardly able to maintain that rate and since that rate is no greater, if as great -- and probably slightly less -- than the normal growth without the demobilization aspect, we are not gaining ground very rapidly.

We hope with the approval of this program to be able to release many of the projects which we are now holding for lack of materials or lack of program.

At the present time we have recommendations or proposals from industry for materials to the extent of 170,000 barrells per day, which we are unable to act upon



because of the lack of materials in the second and third quarters.

As materials become available to us by whatever form, those projects are being processed as rapidly as possible but I believe the figure at the last meeting of this group was 200,000 barrells a day, so we have not made very much progress since then.

As you have already learned, our allocation for the second quarter was approximately the same as the allocation for the first quarter, so we have been barely able to hold our own.

We have one program which is just getting under way, that of production HVI lubricating oils. We have an approved determination that the expansion of lubricating oil should be 15,000 barrells per day. That is HVI oils.

At the present time we have in our possession proposals from industry amounting to 5,000 barrells per day capacity, so there is room in this program and we are ready to act upon additional capacity, in HVI lub oils, to the extent of that program of 15,000 barrells per day.

On tax amortization, the total 15,000 barrells per day will be recommended.

As I indicated on the refining capacity, we are still suffering from lack of materials, but we would act

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to the PAD 26's for materials just as rapidly as we can get the materials to proceed with those expansion projects.

I think that is about all on the general refining program.

I might comment briefly on some of the products problems and particularly shortages as they affect the refining division.

Our good friends in the military this morning let you off rather lightly and I think it was perhaps an optimistic view of the general supply situation, particularly with respect to navy special fuel oil, and aviation gasoline.

Most of you know from the press that we are faced with a very severe shortage of navy special fuel oil in the first six months of this year, amounting to almost 5.5 million barrels during the first half of the year from the Gulf and East Coast area.

That fuel oil is going to have to be supplied from that area; it isn't available elsewhere, and the mechanics and procedures by which it will be obtained are being worked upon now and will be undoubtedly issued very shortly.

On aviation gasoline we have, for the first time in several months, been in a comparatively comfortable position for the month of January. You will recall in the fall we were suffering from a deficit of some twenty thousand or 25,000 barrels a day due in part to the Iranian shortage

m2 and in part to the increased military requirements, but as of the first of this year and for the month of January our program has been approximately in balance.

There are two reasons for this: One, the operation of PAD Orders 3 and 4 has added significant new production to the total available for distribution. Number two, the military services have not yet given the industry their full requirements for the first half of this year. That has been due to budget limitations which have restricted the asking inquiries to the amount of fuel which they had funds available to buy.

It is now expected that within the next few weeks additional funds will be available and they will be asking industry for a significant increase in aviation fuels for the last five months of this six months period.

We therefore believe that there is going to be a continuation of the rather acute shortage of aviation gasoline for the first half of this year, certainly, and as General Johnston indicated this morning, with the increase in equipment using aviation gasoline, that will likely continue upwards for the rest of this year and 1959.

To offset that we expect to have new producing capacity, but it looks like it is going to be a continuation of pressure to get more production in order to satisfy the constantly-growing requirements.

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I would like to add one more comment in regard to the things of interest to the refining division and that is concerning tetraethyl lead.

About a year ago the preparation was made for the first restriction on tetraethyl lead which went into effect on March 1, 1951. Since that time there has been an accumulation of tetraethyl lead in storage in the hands of the manufacturers, to serve as a reserve supply in case of emergency.

We went through several periods of crises on the tetraethyl lead supply position in the last six months due primarily to a shortage of metallic lead. It now appears that, due to the stabilizing of the world supply of lead, there will be sufficient raw material available to operate the manufacturers' facilities at substantially the capacity of during the first half of this year.

Therefore, we are considering what needs to be done about PAD Order No. 1. At the present time it looks like it will be reissued in approximately its present form with perhaps some relaxation in the allowable tetraethyl lead for motor gasoline in the ensuing period. The extent of that is not possible to determine at the present time until all the estimates have been completed and we can, with reasonable assurance, determine that the program will continue on that basis and as far as we can see it has.

There is no possibility, if we continue to build

m3 a stockpile of tetraethyl, that the control on tetraethyl lead can be discontinued. The objective of the stockpile is no less important now than it was some time ago. It is a feeling in PAD that we must continue to provide for an adequate reserve of tetraethyl lead and that the only way that can be done under present conditions is by a reasonable limitation on the use of motor gasoline.

I think that is all.

(Applause.)

MR. BRUCE K. BROWN: Mr. Elmer Badzell is Assistant Deputy Administrator and General Counsel, but he doubles in brass. He is Finance Counsellor today.

George Gibson, our Finance Counsel, is helping the Turkish Government pick out which refinery it wants to build and there have been some complaints in the accelerated tax amortization and Mr. Badzell will discuss that with you.

MR. BADZELL: This subject is always somewhat a technical one. It is important, however, today because it has something directly to do with the refining program especially, and the general accelerated programs that have been discussed here before.

It bears both upon the financing aspect and the materials aspect. The particular problem arises out of recent changes in DPA policy. That is the policy of the Defense Production Administration, which is the agency that actually

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issues certificates of necessity.

Until very recently it has been our position -- and I think it is an accurate position of most of the agencies -- that the materials processing, that is, the approval of projects and the use of materials therefor -- and accelerated amortization with two distinct and separate subjects. This arose out of the fact that at the very outset of the accelerated amortization program there was no materials mechanism in effect. There was no CMP plan; there was no way of obtaining priorities on a project basis.

Accordingly, while the necessity certificates were processed within the framework of a proposed program such as this one million barrels that has been discussed, they were processed on the assumption that materials would be available and would be forthcoming to complete those projects in a timely manner.

We were aware that this assumption was not correct and as time was going on during the summer, it was becoming increasingly less correct because materials were getting tighter and tighter. But in the absence of the more formal mechanism of granting priorities on a project basis, there was no other assumption that could be made.

Now, the DPA has set up two policies. The first policy is that until materials have been made available or have been set aside for the completion of a proposed

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project, a necessity certificate for that same project will not be issued by DPA.

The second policy is that if a person commences construction on a project prior to the issuance of a necessity certificate, or a letter of intent to issue a necessity certificate, no necessity certificate or accelerated amortization will be granted to that project.

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Now that last has been a policy which has been announced several times, and the date has been postponed from time to time. It was scheduled to go into effect February 1 but as of the middle of January, the DPA came out with an announcement that two weeks' notice would be given prior to the effective date of that latter policy. As of today, no two weeks' notice has been given, so that at least it is two weeks from today. But it could go into effect at any time.

Because of these two developments, it has been necessary for PAD to revise somewhat its processing procedures, both with respect to the PAD 26's -- that is the materials application on the one hand, and the Necessity Certificate Application on the other.

It has also been necessary to go to DPA and try to reach a firm understanding with DPA, that where we have approved materials and the project has gone forward, DPA, on the other hand, will promptly and without delay bring forth the Necessity Certificate that is companion to it.

This is quite a chore, since as all of you know who have filed Necessity Certificates, DPA has been a way behind in its processing. We have had in DPA for some months a listing of what we consider projects that should go forward without delay, and only now is DPA beginning to complete that list.



We do think, however, as a result of conversations in the last two weeks, coupled with the fact that we offered them both professional and secretarial assistance, as short as our staff is, that we may have prevailed upon DPA to move petroleum projects forward with considerably more rapidity than they have been doing in the immediate past.

In order that these policies not interfere with the speed of the program -- especially the accelerated program, it is absolutely essential that DPA undertake much more rapid processing than they have recently done.

We have done a couple of other things in connection with this. We have sent a letter generally explaining this, to all the individuals who have filed Necessity Certificates.

Another letter explaining this relationship and pointing out that one portion of the PAD 26 is no longer applicable, will be sent in the near future. The portion to which I refer is Section 5 of the form where there is a statement that the processing of Necessity Certificates and materials applications is unrelated. Perfectly obviously, that is not the case any longer.

We, I think, will also be in a position to supply NPA with a complete listing of all pending projects upon which construction is likely to commence, or upon which it has commenced in the immediate past, or the immediate future.

We are requesting DPA, on those listings, promptly to issue the Necessity Certificates which are sitting in DPA so that there will be no hesitancy on the part of the operator, in going forward with his construction program.

Thank you.

(Applause.)

MR. BRUCE BROWN: Mr. Snodgrass, the Assistant Deputy in Charge of Foreign Oil Operations is going to make strictly extemporaneous speech. I do not know whether you all noticed as I did with some amusement last week when there was a slip-up in the Office of Price Administration and the Public Relations Department handed out copies of an extemporaneous speech to be made by one of the men the next day.

(Laughter.)

All of the men who have spoken previously had some previous warning. At the Chairman's suggestion, I have demanded that he come up here and Mr. Snodgrass is going to talk to you on foreign oil operations.

MR. SNODGRASS: The work of the Foreign Branch in the PAD continues to revolve about the efforts in making up the deficiencies due to the loss of Iranian supplies. The work of our industry committee, the Foreign Petroleum Supply Committee, and its subcommittees, continues to be devoted solely to that purpose.

It has been rather interesting that to look at the activities of these foreign industry groups in that past few weeks, where there have been pointed out again shortages which now we say are due to the loss of Abadan. It was due to the loss of Abadan and the loss of Iranian crude oil products but also I might add to the very large increase in foreign consumption, particularly in Western European areas, during this past year of heavy rearmament.

Starting about two weeks ago, the various sub-committees, Production, Refining, Statistical and others, went to work on what appeared to be a rather serious shortage of residual fuel oils.

As a preface to the resolution of this committee which I should like to read to you in a moment, I might just remind you that although Abadan as one refinery, contributed some seven per cent of the world's petroleum products, it contributed 10 per cent of the total fuel oil consumption, at the time it went out.

It was produced one-half of all the aviation gasoline that was made outside of the United States or, putting it another way, it produced one-third of all the aviation gasoline which was consumed outside the United States. Hence, it is no wonder that these recurring shortages -- I might add continuing shortages come first as aviation gasoline and then residual fuels. At the moment, the residual fuel position is, as the Supply Committee puts it "Serious and Urgent" and the Aviation Gasoline situation is not easy, although stocks are being maintained in foreign areas at a relatively low level. I would say on the average about half the stocks in terms of days of supply.

Yesterday, a resolution was adopted by the Executive Committee and telephoned down to the Administrator and if I may, I would like to read the resolution as it was written:

"WHEREAS the Foreign Petroleum Supply Committee has, at the instance of the Petroleum Administrator for Defense, given consideration to the question as to the adequacy of fuel oil supplies during the first and second quarter of 1952;

"NOW THEREFORE BE IT RESOLVED that the Administrator be informed (1) there is a serious shortage of fuel oil available to friendly foreign nations that has been brought about by the loss of Abadan's production of some 210,000 barrels per day; since Abadan closed, supplies of foreign

fuel oil production elsewhere abroad have been increased to the greatest extent practicable under existing conditions

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I might interject there, that the last tally which was made showed that the average gasoline output of the British and American refineries in the foreign circuit was just about 22 per cent.

"--There is still a deficit between foreign fuel oil supplies and requirements that has already produced a dangerous drain upon inventories and it is likely to increase to an estimated 100,000 to 150,000 barrels per day. This shortage has been aggravated by an unanticipated increase in requirements of fuel oil in the amount of approximately 65,000 barrels per day, which is required to bunker ships that the United States Government has found it necessary to place in commission for the purpose of carrying supplies required by the Defense Effort of the friendly free foreign nations. At least one-half of this 65,000 barrels per day is required to bunker these ships at U. S. Ports before they can sail for foreign ports, where they will require additional and continuing bunker oil supplies --"

And if I may interject again there, it is hoped that these ships will not have to take on return-voyage bunkers and thence deprive them of that much cargo, which in effect is "coal to Newcastle."

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"--BE IT FURTHER RESOLVED that the Administrator be informed of the serious and urgent nature of this deficiency in foreign fuel oil supplies and that the committee regrets that in view of the circumstances there does not now appear to be any additional measures that the Committee can take further to reduce the deficiency of foreign fuel oil supplies to a point where all essential needs can be met."

It is rather a negative report, but from the information available to us, we believe it to be a realistic one.

I think that is it.

MR. BRUCE BROWN: Are there any questions, Gentlemen?

(Applause.)

MR. BRUCE BROWN: Thank you, Mr. Chairman, and thanks for listening.

MR. BALL: I wonder if you could tell us what the outlook is for gasline pipe.

MR. BRUCE BROWN: You are not in the right council, Max. We talk about that in the Gas Industry Advisory Council.

In the third and fourth quarters of 1951, PAD in the sub-allocations of materials between the several branches and divisions laid great stress on line pipe for gas, to try to put the lines under construction in the best possible shape before the current winter.

Of course, for gas transmission, you cannot use small diameter line pipe. There are a good many product

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lines for oil built from eight to sixteen inches and they are very useful and efficient lines, but when you get to gas you automatically get up into the big diameters. The thing that held back the production of large diameter line pipe for either oil or gas wasn't just the general shortage of steel, but the specific shortage of plate from which large diameter line pipe could be made for oil or gas. Many of the defense-impelled needs for steel, such as the ship-building program and the military program itself, were users of plate.

In the first and second quarters of 1952 -- because while we have not gotten to the second quarter; you gentlemen aren't in it, but we live in it; we have already made our allocations of steel for the most part for the period expiring June 30, 1952 -- for the first and second quarters of 1952 we have stressed line pipe for oil lines.

I would imagine that if no more materials became available for PAD's distribution to the domestic oil and gas industries, that in the future quarters, the allocation between gas and oil would approximate the allocation that we made recently in the first and second quarter of 1952, which would mean it would be an awful long while before a lot of gas lines got finished.

Now coming back to our expanded petroleum plan, that had nothing to do with gas transmission and distribution directly, but in submitting the program to the Defense Produc-

tion Administration, we pointed out that in the domestic field, and to a very considerable extent -- perhaps as much as 20 per cent or 30 per cent -- oil and gas are in fact interchangeable, and if they propose to give the oil people more steel by taking it away from the gas lines, they were not doing anything. It might be pleasing the oil people, but over-all, they would not be accomplishing a useful purpose.

We will try, in PAD, in our persuasion with DPA, to at least hold the line for the gas industry, and try to keep a flow of materials to them that is at least as good as what they have had in the past year of CMP.

You didn't ask the question, but there is so much misunderstanding of it that I want to take a sentence more to again state for everyone else who is listening, that PAD gets the steel allotments for domestic industry, both oil and gas, directly from the Defense Production Administration, but that is not true of foreign matters.

Stating the thing from the conclusion, back, what finally happens is that the Defense Production Administration makes a gross allocation of steel for the Office of International Trade to some foreign countries, and to the Mutual Security Administration as to other foreign countries. Just a hunk of steel. That is for everything; power plants, toys, anything at all.



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Now as much as we have been able to do is get them to earmark that part of the total allocation of steel for foreign countries as is intended to apply to the petroleum program. It is that amount of steel which has been determined as necessary to implement the petroleum program abroad that has been agreed to by Defense, State, OIT, and so forth.

In Canada, the size differs only in the words that you use. In Canada, there is no barrier to the export of materials to Canada, but the Canadian Government gets a total allocation of steel from the United States which it in its wisdom decides how it will distribute.

There is a Canadian Division of NPA that handles that relation. As far as the Canadian oil program is concerned, again the program is in effect screened or approved by this group of agencies, including PAD, who are interested in foreign oil, but the disposition of the steel rests with the Canadian Government.

An illustration will suffice: I have read in the papers and I know nothing more about it, but I believe it is true. That the Canadian Defense authorities have decided to allocate 28,000 tons of their steel that they are getting for the second quarter to large diameter line pipe for the trans-mountain pipeline, which the Canadians --an all-canadian route, carrying Canadian oil to Canadian

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refineries, and approved by all Canadian authorities, which they have approved -- and I gather from reading the papers that they are going to allot 28,000 tons of their steel so that the large diameter pipe which is needed in the mountain passes and the other most difficult parts of the route can be laid during the summer season this year.

Perhaps I could have said it more briefly: The prospects for expansion in gas are not good.

MR. VANDEVEER: Mr. Chairman, I know we are all awfully tired, but I must make a brief reference to that very energetic talk that Barney made this morning. I am sorry he isn't here. It refers to residual fuel. This may be of some interest to the people in PAD.

Residual fuel is backing up in certain parts of the Central West. It is only backing up, in my opinion, for the same reason that Harry over here was talking about, the reason that they are short on the New England or along the Atlantic Seaboard. For the last couple of weeks, or three weeks, now, residual fuel is being delivered to the steel mills in the Ohio Valley by bargeloads and by river equipment. At the present time, there is a surplus of barges and river equipment. The rate was formerly about three cents per ton mile. Today, it is down to two cents per ton mile and the fuel is moving up from the Gulf Coast into the Ohio Steel Mill area and the Ohio Valley, due to the fact that the tanker rates

are such that it can't be delivered around to the points where Harry is talking about and it is finding a market in the Central West, which is depressing a residual market and backing up fuel in the refineries in that area.

Bruce, I think it is exactly the same situation that you have again, may I say, on the Atlantic Seaboard, which is working in reverse, due to two things; the rate down by the tankers, and the lower rate on all river equipment.

THE CHAIRMAN: Is there any further comment, gentlemen?

These reports which we have listened to this afternoon, with profound interest -- I regret that many of the members of the Council seem to have taken it for granted that this session would be very short this afternoon -- have represented the reports of the Directors of the Defense Agency of the Petroleum Administration.

Fundamentally and primarily, of course, the Council is tied to the Oil and Gas Division of the Department of the Interior. We have, of course, had our authority broadened to include our council as an advisor to the Defense Agency, while that agency is in existence but we must not overlook the fact that primarily we are tied to the Oil and Gas Division of the Department of the Interior as an advisory group.

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Mr. Stewart is director of the Oil and Gas Division and I should be very glad, Mr. Stewart, this afternoon, to have you make any comment on any of the reports or any of the activities, or give us the benefit of any suggestions that you have at this time.

MR. STEWART: Mr. Hallanan, it is now four o'clock. You have heard a lot of comment and you have heard a lot of talk. Today, the work is all channeled to the PAD, because PAD is the emergency agency responsible for the Petroleum Mobilization.

Sitting as I do, though, a little on the fence -- because I am a much more confirmed bureaucrat than Bruce is, by virtue of almost a year's seniority, I find it rather interesting to watch the way these men come into PAD with one or another line of thinking and then when they get a view of the problems with which they have to contend, their talking seems to change. You have a fine example in Mr. Bob Forcee.

I have been very much interested in this availability report. I have tried to watch its preparation. I read it last night. That report is making another contribution to our national thinking with respect to oil and gas.

At the previous session of the Council, we had the Synthetic Fuels report submitted. You didn't receive the big section on details because the entire synthetics re-

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port was about five inches thick. They didn't brag about that, but Mr. McCollum seemed to think his one-inch report was something. Basically, they are both good. They are both sound and are really worthwhile contributions.

At this session, we didn't ask the Council to undertake any new programs or any new studies. The problems that are more pressing are ones that we couldn't seem to think the Council could or would touch. Besides, the Council we know already has other studies underway that will fill their program for the next meeting or two, and I think they can well get by without further requests.

I have but one other comment and that is with respect to the questionnaire that the Tublar Goods Committee is now permitted to send out. That is of the nature of a Consumer Preference survey. It was an attempt on a part of the Committee to get the outline of the pattern of oil field casing and tubing that you men planning in that field would really like to have. Please preach the Gospel to the men at home to fill that questionnaire out and fill it out just as completely and conscientiously as they can, and turn it in promptly. Thank you.

THE CHAIRMAN: Thank you very much.

Gentlemen, as we move to the conclusion of our program, I want to ask for consideration of the tentative or

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proposed budget for 1952. We have given earnest consideration to the matter of our budget requirements for this year. We have a larger council. Of course, these activities are growing, but we have always prided ourselves on carrying on this work on a very modest financial basis. In submitting the budget today, which carries an increase of only \$5,000 over last year, I think we have made a record of prudent spending and watching the dollars very carefully, and I think with the work that this Council has turned out, the great volume of it, that we can say that the funds have been very cautiously expended.

Now Mr. Brown, would you submit the budget to the Council for its consideration.

THE SECRETARY: The total amount of the budget that we propose to you now for the current year, is \$85,000. Last year, your budget was \$80,000. In proposing this budget, we were not aware of the proposed printing that was discussed here this morning, and I don't know what we can do about that at the moment, and I have no idea what that committee may decide.

If there are any details of the budget that you would like for me to deal with, I will be glad to do so.

It is made up of a pay roll of \$41,000. That is up \$2,000 over last year. We have five full-time people on the staff and occasional spare-time workers, particularly

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when we are preparing for Council meetings. Our meetings and travel expense, \$9,000, that is \$500 up from last year.

Postage is the same as last year; \$2,000;

Telephone-Telegraph is the same as last year; \$3,000.

Rent is the same as last year, \$7,500, subscriptions, again, \$1,500, as last year.

The Printing and Supplies we were very optimistic about. I cut it down \$1,500. Apparently that isn't going to work.

Employee and Other Insurance, \$6,000. Our Miscellaneous, \$3,000; Furniture and Equipment, \$2,000, up \$500 over last year. The total is \$85,000.

May I for a moment, for the benefit of the new members, say that it is our custom to send out a letter to each member after the early part of the year, soliciting a subscription. You will get that in due time.

MR. RUSSELL BROWN: Is your budget sufficiently flexible that if this committee wants to come in and print this booklet, you can handle it? I am very much concerned about that. What would be your procedure? How would you handle that? Is your budget flexible enough to take care of it if the Committee approved it?

THE CHAIRMAN: It depends on what the range of distribution is.

MR. RUSSELL BROWN: It is such that we need not delay that printing if the Committee decides on it, and we

could handle the budget at the next meeting?

THE CHAIRMAN: That is right. This is in accordance with the rules of the Council that we fix the budget for the year at this meeting.

MR. RUSSELL BROWN: Mr. Chairman, I want to commend you on the amount of work you get done within your budget. Therefore, I would like to move the approval of the proposed budget.

(The motion was seconded.)

THE CHAIRMAN: It has been moved and seconded that the proposed budget be approved. Are there any remarks? If not, all in favor indicate by saying aye. Contrary, no. It is so ordered.

Is there any new business? I should be delighted if any members or the old members of the Council have any comments to make about this meeting or the future meetings or any suggestions that they think may be helpful in the coordination of our program of activities.

MR. BALL: There is a budget matter which has just been discussed. I think I am the only member here of that committee appointed this morning about the distribution of the McCollum Report.

It is the general feeling, I think, that the Council expressed here this morning, or the general feeling of



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the committee as expressed yesterday afternoon, that there should be very wide distribution and that the distribution should be in a form that will be attractive.

In other words, a book, for instance, will stand on a library shelf and get a lot more attention than a pamphlet which is put in the library file.

The thing we want is to have attention called to this. We want it to be read by students. We want not only students at institutions, but students in international affairs.

Supposing this committee you appointed this morning should come up with a recommendation of something that costs \$10,000, where do we stand? Can the Council go ahead with it?

THE CHAIRMAN: The Council will go ahead with it and we will find a way through the budget or through some conservation of other expenditures to meet it.

The National Oil Report was given wide distribution but that was just a plain binding. Although we had wide distribution of this report.

MR. BALL: I have no personal feeling on whether it should go out as a book in cloth binding, or whether it should go out as a pamphlet. I express no preference on it, but I just wanted to get an idea of the limits within which this Committee will have to think in its recommendations.

**THE CHAIRMAN:** You and Mr. McCollum and Baker are the papas of this report and I will leave it to you as to how you want it dressed up.

Is there any new business? If not, a motion is in order to adjourn.

(It was duly moved and seconded that the meeting adjourn and the motion was unanimously carried.)

**THE CHAIRMAN:** I now declare the meeting adjourned.

(Whereupon, at 4:10 p.m., the meeting adjourned.)

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