

DEPARTMENT OF THE INTERIOR

TRANSCRIPT OF PROCEEDINGS

In the Matter of:

NATIONAL PETROLEUM COUNCIL MEETING

Date: December 9, 1952

ALDERSON REPORTING COMPANY

OFFICIAL REPORTERS

308 NINTH ST., N. W. WASHINGTON, D. C.

NA - 1120 - 1121

DEPARTMENT OF THE INTERIOR

NATIONAL PETROLEUM COUNCIL MEETING

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DECEMBER 9, 1952

Conference Room A and B
Departmental Auditorium
Washington, D. C.

The Council met at 10:00 a.m., pursuant to notice,
Walter S. Hallanan presiding.

CHAIRMAN HALLANAN: The Council will please come
to order.

Mr. Secretary, would you call the roll?

MR. BROWN: Mr. R. B. Anderson?

MR. R. B. ANDERSON: Present.

MR. BROWN: Mr. Robert O. Anderson?

MR. ROBERT ANDERSON: Present.

MR. BROWN: Mr. C. H. Arnold?

MR. ARNOLD: Present.

MR. BROWN: Mr. Hines H. Baker?

MR. BAKER: Present.

MR. BROWN: Mr. Max W. Ball?

MR. MAX W. BALL: Present.

MR. BROWN: Mr. Munger T. Ball?

MR. MUNGER T. BALL: Present.

MR. BROWN: Mr. T. H. Barton?

(No response)

MR. BROWN: Mr. Fred E. Bergfors?

MR. BERGFORS: Present.

MR. BROWN: Mr. Jacob Blaustein?

MR. BLAUSTEIN: Present.

MR. BROWN: Mr. Paul G. Blazer?

MR. BLAZER: Present.

MR. BROWN: Mr. William R. Boyd, Jr.?

MR. BOYD: Present.

MR. BROWN: Mr. Reid Brazell?

MR. BRAZELL: Present.

MR. BROWN: Mr. J. S. Bridwell?

MR. BRIDWELL: Present.

MR. BROWN: Mr. F. W. Brigance?

MR. BRIGANCE: Present.

CHAIRMAN HALLANAN: Mr. Brigance, would you please rise? I desire to present a new member of the Council, Mr. Brigance of Fort Worth, Texas, who is a newly elected president of the American Association of Oil Well Drilling Contractors. We welcome you to the Council, Mr. Brigance.

(Applause)

MR. BROWN: Mr. Bruce K. Brown:

MR. BRUCE K. BROWN: Present.

MR. BROWN: Mr. Russell B. Brown?

MR. RUSSELL B. BROWN: Present.

MR. BROWN: Mr. H.S. M. Burns?

(No response)

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

I don't think Mr. Coleman is here, but is Mr. Sehmman in the room?

MR. FRED SEHMANN: Present.

MR. BROWN: Mr. Robert H. Colley?

MR. COLLEY: Present.

MR. BROWN: I forgot to announce that if there are any alternates in the room for a member who is absent, please rise and give his name.

Mr. Howard A. Cowden?

MR. McCULLY: Bruce McCulley, alternate.

MR. BROWN: Mr. Stuart M. Crocker?

MR. CROCKER: Present.

MR. BROWN: Mr. John F. Cummins?

MR. CUMMINS: Present.

MR. BROWN: Mr. Horace E. Davenport?

MR. DAVENPORT: Present.

MR. BROWN: Mr. E. De Golyer?

MR. DE GOLYER: Present.

MR. BROWN: Mr. J. C. Donnell, II?

MR. DONNELL: Present.

MR. BROWN: Mr. Fayette B. Dow?

MR. DOW: Present.

MR. BROWN: Mr. Warwick M. Downing?

MR. DOWNING: Present.

MR. BROWN: Mr. J. Frank Drake?

MR. DRAKE: Present.

MR. BROWN: Mr. John Dressler?

(No response)

MR. BROWN: Mr. Gordon Duke?

MR. DUKE: Present.

MR. BROWN: Mr. James P. Dunnigan?

MR. DUNNIGAN: Present.

MR. BROWN: Mr. Paul Endacott?

MR. ENDACOTT: Present.

MR. BROWN: Mr. Max M. Fisher?

MR. FISHER: Present.

MR. BROWN: R. g. Follis?

MR. FOLLIS: Present.

MR. BROWN: Mr. Clyde t. Foster?

MR. STANBUL: Alternate for Mr. Foster.

MR. BROWN: Mr. Stark Fox?

MR. FOX: Present.

MR. BROWN: Mr. Harry K. Franklin?

(No response)

MR. BROWN: Mr. H. B. Gernert, will you please rise?

Gentlemen, I desire to present the newly elected president of the Rocky Mountain Oil and Gas Association, Mr. Gernert. We welcome you to the Council. (Applause)

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

MR. B. C. GRAVES: Present.

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

MR. B. I. GRAVES: Present.

MR. BROWN: Walter S. Hallanan?

MR. HALLANAN: Present.

MR. BROWN: Mr. B. A. Hardey?

MR. HARDEY: Present.

MR. BROWN: Mr. R. H. Hargrove?

(No response)

MR. BROWN: Mr. I. W. Hartman?

MR. HARTMAN: Present.

MR. BROWN: Mr. Harry B. Hilts?

MR. HILTS: Present.

MR. BROWN: Mr. Eugene Holman?

MR. HOLMAN: Present.

MR. BROWN: Mr. D. A. Hulcy?

(No response)

MR. BROWN: Mr. A. Jacobsen?

MR. JACOBSEN: Present.

MR. BROWN: Mr. E. Brewster Jennings?

MR. JENNINGS: Present.

MR. BROWN: Mr. Carl A. Johnson?

(No response)

MR. BROWN: Mr. Charles S. Jones?

(No response)

MR. BROWN: Mr. Mason B. Jones?

(No response)

MR. BROWN: Mr. W. Alton Jones?

MR. W. ALTON JONES: Present.

MR. BROWN: Mr. William M. Keck, Jr.?

MR. JOHNSON: Mr. Johnson, alternate.

MR. BROWN: Mr. Richard Gray Lawton?

MR. LAWTON: Present.

MR. BROWN: Mr. F. H. Lerch, Jr.?

MR. ROBINSON: Mr. Robinson, alternate.

MR. BROWN: Mr. John Locke?

(No response)

MR. BROWN: Mr. John M. Lovejoy?

MR. LOVEJOY: Present.

MR. BROWN: Mr. John F. Lynch?

MR. LYNCH: Present.

MR. BROWN: Mr. Charlton H. Lyons?

MR. LYONS: Present.

MR. BROWN: Mr. William G. Maguire?

(No response)

MR. BROWN: Mr. B. L. Majewski?

MR. MAJEWSKI: Present.

MR. BROWN: Mr. J. Howard Marshall?

MR. MARSHALL: Present.

MR. BROWN: Mr. A. C. Mattei?

MR. MATTEI: Present.

MR. BROWN: Mr. Nelson Maynard?

(No response)

MR. BROWN: Mr. L. F. McCollum?

MR. COSGROVE: Mr. Cosgrove, alternate.

MR. BROWN: Mr. N. C. McGowen?

(No response)

MR. BROWN: Mr. S. B. Mosher?

(No response)

MR. BROWN: Mr. Glenn E. Nielson?

MR. NIELSON: Present.

MR. BROWN: Mr. S. F. Niness?

MR. NINESS: Present.

MR. BROWN: Mr. J. L. Nolan?

MR. NOLAN: Present.

MR. BROWN: Mr. J. R. Parten?

MR. PARTEN: Present.

MR. BROWN: Mr. Bryan W. Payne?

MR. BRYAN W. PAYNE: Present.

MR. BROWN: Mr. William T. Payne?

MR. WM. T. PAYNE: Present.

MR. BROWN: Mr. Joseph E. Pogue?

(No response)

MR. BROWN: Mr. Frank M. Porter?

MR. PORTER: Present.

MR. BROWN: Mr. E. E. Pyles?

(No response)

MR. BROWN: Mr. Walter R. Reitz?

MR. REITZ: Present.

MR. BROWN: Mr. Sid. W. Richardson?

(No response)

MR. BROWN: Mr. A. S. Ritchie?

MR. RITCHIE: Present.

MR. BROWN: Mr. M. H. Robineau?

MR. ROBINEAU: Present.

MR. BROWN: Mr. W. S. S. Rodgers?

MR. RODGERS: Present.

MR. BROWN: Mr. Roland V. Rodman?

MR. RODMAN: Present.

MR. BROWN: Mr. A. H. Rowan?

(No response)

MR. BROWN: Mr. A. W. Scott, will you please rise?

Gentlemen, I desire to present a new member of the Council, Mr. A. W. Scott, who is the newly elected president of the National Petroleum Association, and president of the Wolf's Head Oil Refining Company of Oil City, Pennsylvania. We welcome you to the Council, and will you please come forward and take a seat, Mr. Scott. (Applause)

Mr. R. S. Shannon?

MR. SHANNON: R. S. Shannon, Jr., alternate.

MR. BROWN: Mr. W. G. Skelly?

MR. FREEMAN: Mr. Freeman, alternate.

MR. BROWN: Mr. P. C. Spencer?

MR. SPENCER: Present.

MR. BROWN: Mr. Clarendon E. Streeter?

MR. O'HARA: Mr. O'Hara, alternate.

MR. BROWN: Mr. Reese H. Taylor?

MR. TAYLOR: Present.

MR. BROWN: Mr. Roy J. Thompson?

MR. THOMPSON: Present.

CHAIRMAN HALLANAN: Mr. Roy Tompson, will you please rise? Gentlemen, I desire to present Mr. Roy J. Thompson of Chicago, newly elected chairman of the National Oil Jobbers Council. We welcome you as a member of the Council. (Applause)

MR. BROWN: Mr. R. L. Tollett?

MR. TOLLETT: Present.

MR. BROWN: Mr. W. W. Vandever?

MR. VANDEVEER: Present.

MR. BROWN: Mr. S. M. Vockel?

MR. VOCKEL: Present.

MR. BROWN: Mr. William K. Warren?

MR. WARREN: Present.

MR. BROWN: Mr. L. S. Wescoat?

MR. WESCOAT: Present.

MR. BROWN: Mr. John H. White?

MR. WHITE: Present.

MR. BROWN: Mr. Russell S. Williams?

(No response)

MR. BROWN: Mr. Robert E. Wilson?

MR. WILSON: Present.

MR. BROWN: Mr. John Wrather?

MR. WRATHER: Present.

MR. BROWN: Mr. C. H. Wright?

MR. WRIGHT: Present.

CHAIRMAN HALLANAN: "Certainly I would get the impression that nothing has happened to lessen the interest in the work of this Council because I take it that this is perhaps the largest attendance that we have ever had of any meeting of the Council. I am delighted at this showing of your interest.

Gentlemen, since our last meeting I have the sad duty of informing the Council of the passing of one of our beloved and very outstanding members, Mr. Charles S. "Red" Hill, who passed away at Chicago during the meeting of the API. Mr. Hill was an enthusiastic member of the Council. He was an outstanding oil man, and a great leader of this association. We shall miss him greatly from our deliberations.

At this time I should like to recognize Mr. P. C. Spencer to present an appropriate memorial on the passing of

one of our beloved members. Mr. Spencer, will you please come forward? //

MR. SPENCER: Mr. Chairman, I am not sure, I don't even have an estimate on the average age of our Council members, but I am sure they are all getting on. One of the eternal certainties of life is death, and it happens to all of us. It happened here to a very fine man, one of the finest men I ever knew. So I am very happy and very honored to have the opportunity to present this memorial to him.

// The National Petroleum Council records with profound sorrow the death on November 10, 1952 of Charles Sumner Hill, independent oil operator of Denver, Colorado, and a valued and highly respected member of the National Petroleum Council.

Born in Harrisburg, Pennsylvania, Charles S. Hill resolved early in youth that the West was the land of opportunity and he went to Wyoming where for many years he was connected with the Union-Pacific Railroad. After a distinguished record of service with the United States Army in World War I, he returned to Wyoming where he assisted in organizing the American Legion and held the post of First Departmental Commander of the Legion in Wyoming.

Long convinced of the oil producing possibilities of the Rocky Mountain area, he entered the oil industry as an independent producer in 1923. He was an enterprising

wild catter and is credited with the discovery of several new fields. He was a Director of the American Petroleum Institute and of the Independent Petroleum Association of America, serving as Colorado Vice-President of the latter organization in 1951. On November 1, 1952, his two year term of office as president of the Rocky Mountain Oil and Gas Association expired.

He extended his interests into other fields and over the years developed at his ranch near Estes Park, Colorado, one of the country's outstanding herds of Aberdeen Angus cattle.

Ever the champion of the independent oil producer whom he considered the backbone of the American oil industry, he labored diligently and unselfishly to protect his rights and encourage his opportunities.

His warm and colorful personality, enthusiasm, untiring energy and loyal friendships will be long remembered and treasured by the industry he served so long and so well.

The National Petroleum Council extends to his sorrowing family and friends its sincere sympathy. "

Thank you very much, Mr. Chairman.

CHAIRMAN HALLANAN: The Chair recognizes Mr. Glenn Nielson, who seconded the resolution proposed by Mr. Spencer. Mr. Nielson?

MR. NIELSON: "I likewise am pleased of the

opportunity to add my personal endorsement to the splendid memorial given here for Red, because there was only one Red Hill. I have known him for some 10 or 12 years, since we started in the oil business. I worked with him in the early days of the Rocky Mountain Oil and Gas Association becoming reactivated, and during that period, I think I can very truthfully say that some of the most pleasant times, the associations that I had, were with Red. He was a staunch friend, he was a worthy opponent. He was a free enterpriser, first, last and always, and he exemplified what free enterprise can do by being up once and being active in the oil industry and being closed out and starting from the very bottom and coming back again to make a wonderful recovery and a name for himself.

I think he had more friends in and out of the government than any man that I have been associated with. When I returned from the API, where we received the sad news of his death, I started emptying my correspondence. Next to the last letter that I picked up was a letter from Red Hill in which he made an expression of appreciation to me personally, and went on to say that to him the greatest experience and satisfaction of all that he had done in life was the host of friends that he had met and made and worked with in the oil industry. I just wish that I had brought that letter with me to have read his expression to you, which I

think was most worthy of repeating at this time.

I am most happy to endorse this resolution to Red."

MR. DOWNING: I believe he worked himself to death in his zeal for the welfare of the oil industry and the American people. He simply died of overwork and I know his work was for the welfare of the oil industry.

CHAIRMAN HALLANAN: May I ask for a rising vote?

(The resolution was adopted by a rising vote)

CHAIRMAN HALLANAN: You have received a copy of the minutes of the last meeting of the Council of July 29, 1952, which was mailed to the members on August 29. What is your pleasure?

Mr. Jones moves the approval of the minutes.

MR. JONES: I do.

CHAIRMAN HALLANAN: Is there a second?

(The motion was put to a vote and carried)

CHAIRMAN HALLANAN: It is so ordered.

Next is the report of the Secretary of the Treasury.

MR. BROWN: This covers the 11 months ended November 30th. It doesn't cover last night. The receipts were \$110,957 in the 11 months and we spent during that time \$94,367. We had on hand at the beginning of the year \$7,280, leaving us a balance to help out last night \$23,870. The reserve fund remained at \$65,000.

MR. JONES: I move the approval of the report.

CHAIRMAN HALLANAN: I might say, for the information of the Council, that this is the first time that we have probably exceeded our budget, but it has been due to the fact that we have had some extraordinary expenditures during the time. I think, Mr. Brown, if I recall the report of the oil and gas availability which was extensively circulated, went into an item of something in excess of \$15,000, and we have had some other abnormal expenditures during the year. It has been moved that the report of the Secretary-Treasury be approved.

(The motion was put to a vote and carried.)

CHAIRMAN HALLANAN: It is so ordered.

The Chair recognizes at this time, Mr. Jacobsen. Will you please come up, Mr. Jacobsen.

MR. JACOBSEN: Under date of December 2, 1952, Mr. H. A. Stewart, acting director of the Oil and Gas Division of the Department of the Interior, addressed a letter to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, requesting that a committee be appointed to make a study of the petroleum productive capacity of the United States as of January 1, 1953. I shall read the letter.

"Dear Mr. Hallanan:

"The National Petroleum Council has made several reports on the available petroleum productive capacity of the United States. The most recent of these reports

'Petroleum Productive Capacity', dated January 29, 1952 has been found valuable, and of great assistance to the Federal Government and particularly to the Petroleum Administration for Defense.

"It is desirable now to have up-to-date figures on present productive capacity of crude oil and of natural gas liquids. Therefore, it will be appreciated if the Council will again make an up-to-date study of the petroleum productive capacity of the United States as of January 1, 1953, the information to be made available as soon as practicable.

"Sincerely yours, /S/ H. A. Stewart."

As provided in the Articles of Organization of the Council this letter was considered at a meeting of the Agenda Committee on December 8, 1952 in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council the appointment of a committee to make a study as requested by Mr. Stewart and to report to the Council as soon as practicable.

I move the adoption of this report.

MR. JONES: Seconded.

CHAIRMAN HALLANAN: You have heard the report of the Committee on the Agenda. It has been moved that the report be adopted. All in favor of so doing say aye.

(The motion was put to a vote and carried.)

CHAIRMAN HALLANAN: The report is unanimously adopted.

Mr. Wescoat, I know that you want to leave as soon as you may be able to, and at this time I should like to call upon you to present the report of the Committee on Petroleum Storage Capacity.

MR. WESCOAT: // Mr. Chairman and Gentlemen, this is the third report of such a committee, previous reports having been made in March 1948, and June 1950. The figures which you have before you are as of March 31, 1952. They compare in general content with the reports previously made with the exception that there has been a breakdown of the figures for the East Coast area in the three subdivisions, the Illinois, Indiana and Kentucky area into four divisions, and the Pacific Coast area into two subdivisions. Practically one hundred per cent of the total stocks reported at the Bureau of Mines are covered by the questionnaires returned in the NPC survey. The totals, you will note, show that as of March 31, 1952, 98 per cent of the crude survey figures were returned, 97.4 of the clean products, and 99.7 per cent of the residuals. So that we have a very full coverage. The total crude figures are 423 million barrels of tankage, which does not include 18 billion barrels of producers leased stock. This comes from last night. The clean products, 443 million, and the residuals 106 million.

"This third similar report, since March 1948, confirms that at first roughly only about one-half of the total storage capacity can be utilized, and preserve the necessary flexibility of operation in the industry.

"Second, the stocks which are unavailable because of use as pipeline filler or otherwise in transit and working stocks, necessary to insure flexibility to refinery operation amounts to about 65 per cent for crude oil, 40 per cent for clean products and residuals, and the average about 45 per cent overall.

"The total storage capacity would have increased about 10 per cent from June 30, 1950 to December 31, 1952, which figures partially are estimated. However, the increase in clean storage is 27 per cent, whereas residual storage is about the same at both dates and crude storage is actually decreasing a little over two per cent. I have given you those figures which make a total, as of December 31, 1952, of 972 million barrels of storage as against 886 million barrels on June 30 of 1950.

"None of the figures in the report cover so-called secondary inventories, and secondary storage capacity. However, there is no available for the first time current and comparable year ago figures, monthly, on secondary inventories, and a copy of these monthly reports can be obtained from the Bureau of the Census, Department of Commerce, at

Washington. None of the figures in the report include stocks of storage capacity, if any, in the hands of the military. //

I move the adoption of the report, Mr. Chairman.

CHAIRMAN HALLANAN: This is the final report?

MR. WESCOAT: That is the final report.

CHAIRMAN HALLANAN: Are there any questions, gentlemen, which you wish to direct to Mr. Wescoat?

DR. WILSON: I have one, Mr. Wescoat. The figures of total U.S. storage capacity in column 6, indicates a decline between that and December 31. I would say it is a little surprising. Is that due to conversion of other uses, do you think?

MR. WESCOAT: It undoubtedly is, Bob, yes. We have gotten in this report a very full and comprehensive set of figures and it is surprising to note the shift in some of the stocks in various areas.

Incidentally, in passing, before I forget it, I would like to give Fred Van Covern and his associates the full credit for this report because as usual they did all of the work. You will find also a very substantial increase in storage in the like products on the North Atlantic Seaboard, which of course is anticipated. We know that that has been going on for some time.

CHAIRMAN HALLANAN: Any other questions, gentlemen?

It has been moved that the report be adopted. All in favor say aye.

(The motion was put to a vote and carried)

CHAIRMAN HALLANAN: It is so ordered.

Mr. Wescoat, thank you and your associates very much.

Next will be the interim report on the Committee on Submerged Lands Productive Capacity.

MR. WESCOAT: The two subcommittees have been appointed and have been functioning for a matter of 90 days, 60 to 90 days, one on the California area, the other in the southwest. I believe that practically all of their information is now assembled, and will be put into final form, and we hope, Mr. Chairman, to be able to make a final report to the committee at its next meeting when, as and if held.

CHAIRMAN HALLANAN: Thank you very much for that interim report also, Mr. Wescoat.

Mr. Jennings, are you ready at this time to present the report of the committee on Bunker C Fuel Supply?

MR. JENNINGS: Yes, sir.

Mr. Chairman and Gentlemen, this report on Bunker C Fuel Oil is very long, and voluminous. I would be happy to read it through in its entirety, but I think I can perhaps shorten the presentation of it somewhat. If any of you, though, want extended discussion of any phase, I will be very

glad to enter into that when I have completed the presentation.

// The report starts out by dealing with the supply situation as it was changed over the period 1946 through 1951. In 1951 the supply of residual fuel oil in the United States amounted to 1,627,000 barrels a day, about 270,000 barrels above what it was in 1946. That was an increase of about 20 per cent.

// The next section of the report deals with the economics on the yields of crude. In the section on supply, it was pointed out that in general we have not increased the supply anything like as much as one would expect from the increase in total runs, and of course the reason is that the yields of fuel have gone down.

// There is a section here dealing with the economics and why that has been so. It points out that the gains and runs have been in response to the greatly increased demands for gasoline, dissolutes and specialties and that the efforts of the refiners has been to increase their make of those products and minimize the make of residual. It points out that historically the price for residual fuel has been appreciably lower than for the other products, and in fact for many years it has been lower than the price of the raw material, crude oil.

// The change in yields over the period is commented

on and it is broken down by districts. But overall, the yield of fuel oil has gone down in that period from 20.4 per cent to 19.7. There is one interesting point made here, it is not one of great importance but it is nevertheless interesting, and that is that one reason for the reduced yield of fuel oil is probably to be found in the increase in gravity in the countries crude stream as run to refineries. It would appear that in average domestic production and imports, that the change in gravity has been about .6 degree, or six-tenths degree.

There is a section here which discusses the effect of refining processes on yields, and it points out that refining processes developed in recent years have been aimed, so far as quality is concerned, to the upgrading of products and quantity-wise toward the reduction of residual fuel or yield.

It again deals with this matter of the price of fuel oil in relation to the price of crude oil, and that whereas in 1946 residual fuel sold at approximately 96 per cent of the price of crude oil, at the well head, in 1951 it had dropped to 72-1/2 per cent of that figure.

It should be pointed out that although there has been a constant and successful effort to reduce residual fuel oil yields, refiners can, by various operational changes, but with only minor equipment changes, increase residual fuel

oil yields to almost any level desired. That, of course, would be at the expense of production of other products.

The report then goes on to review the trends in demands, and I think I might read in full this section so far as it deals with the country as a whole.

United States domestic demand for residual fuel oil in the postwar period has been highly erratic. Although demand in 1951 was almost 17.5% above that in 1946, annual changes in the five-year period range from -3.7% to +11.6%. This is readily understandable as this product has a high sensitivity to changes in industrial production, whether caused by economic conditions or strikes. The influence of strikes, although sometimes obscured by other factors, particularly in reviewing national and annual figures, has been significant. The monthly and regional data accompanying this report will reveal the effects of such important work stoppages as the coal strikes of April 1946, March 1948 and September 1949; the steel strikes of January 1946 and October 1949; and the shipping strikes during the fall of 1946 and 1948. In addition, demand has been influenced by such diverse factors as a competition from Diesel fuel oil, coal, and natural gas, price relationships, variation in temperatures and precipitation, military requirements, and the availability of coal, both here and abroad. The yearly record of U. S. domestic demand is as follows.

Analizing domestic demands by principal categories of end-use (Table V), it will be seen that, despite the erratic pattern existing from year to year, only two general types of use - railroad and oil company fuel - showed a loss in 1951 versus 1946. The downward trend for railroads has been persistent and reflects extensive dieselization of equipment. The volumes used as oil company fuel have fluctuated rather widely and, while influenced somewhat from year-to-year by changes in runs to stills, displacement by gas also has been influential in contributing to the pattern and has kept consumption from rising along with refinery throughout.

The other section goes into more detail as to these changes in end uses, and I don't think it is necessary for me to read that detail. There is a section here on the trend in exports of fuel oil, and while the percentage changes in that demand have been very high, nevertheless, the total figure is very small in relation to the overall demand.

The next section of the report deals with these demands trends, district by district. I don't think I will read all of those, but I think I would like to read the section which deals with the inland area, districts 2 and 4, where I think at the present time there may be the most interest in this problem.

Demand for the product in this area has exhibited the most consistent upward trend in the country, having shown only

one small decline for the period reviewed. Use by smelters-mines-manufacturing has been in first place throughout 1946-51. It has shown a strong and fairly consistent trend, and has increased by more than twice the amount of the loss in railroads. Even in the business dip of 1949, the smelters, etc. category showed an increase, although a very modest one, in the use of residual fuel. Use for heating purposes rose over 60% in 1951 vs. 1946. Utilities shipping and military uses have been negligible in these districts.

"I might add that the period covered in this statistical study only runs through 1951, and of course in the year 1952 there has been a very considerable reversal in this trend that is declined in this report here. Whether it is temporary or will be of longer range probably remains to be seen. The report goes on to call attention to the local problems that are faced by many interior refiners who are far removed from a flexible heavy fuel demand. The smaller drop in tributary railroad or industrial consumption necessitates states shipping residuals considerable distances at higher freight rates before the refiner can reach a substantial market with any degree of demand flexibility. This in turn causes rather sharp fluctuations in refinery prices which tend to be more severe than in areas where flexible demand outlets exist. The deceleration of railroads causing heavy declines in heavy fuel sales have been particularly

severe on the interior refiner. There is then a table showing the fluctuation demands over this period.

"Further on in the report there is a section on the position of fuel oil in the energy market. That is purely a factual section, and I don't think it is necessary for me to read it unless somebody wants me to.

"Another section deals with the price relationships of residual fuel to other fuels, and there again I think it is rather a factual section. It is interesting in showing the rather wide fluctuations that have occurred between the relative price of fuel oil and coal, and how those changes have always resulted in similar changes in demand. In other words, when fuel oil has been in relatively a tight and short supply and the price has gone up, it has been a relatively short time before there has been sufficient conversion to coal to bring the price of fuel oil down again."

I might read this part here that deals with natural gas.

"In the past few years, natural gas supplies have made significant strides in the direction of enlarging their share of the energy market. However, no long term comparison is believed to be significant. The major reason is that natural gas has not been freely available in the large industrial regions of the northeast and north central states for more than a short period of time. Indeed, as recently as the past winter

or two, natural gas has had to be cut off from industry uses as far west as Illinois. In the southwest, natural gas has been much cheaper than residual and has found ready markets even in refineries themselves. No direct effect on fuel oil supplies or prices seems evident, however, because of the ability of the Gulf Coast refiner to move his residual by tanker to other coastal markets. Up to now, California residual has found markets in the northwest, in the east, and in foreign markets of the Pacific during the period of greatest expansion of the West Texas-California natural gas transmission line. A current shortage in crude oil supplies in California must delay evaluation of long-term natural gas effects, since the California refiner is now undertaking a fuel oil reduction program to increase supplies of gasoline and light fuels at a minimum incremental requirement for crude oil.

// The conclusion which must be drawn from the data available is that while natural gas has increased its markets substantially in the postwar period, its direct effect on the ability of the industry to sell fuel oil is not as clear as in the relationship of fuel price to coal price in the east, and the necessity for the California refiner to reprocess residual into lighter products for the west. The recent sharp drop in sales to the gas utilities shows the effect of natural gas taking over this market. In this connection, it might be

expedient to recall that Table I indicates that District V is the only major area where residual supplies were substantially the same in 1951 as in 1946.

The next section of the report deals with the seasonal variation in demand and supply, and again is a factual section which, although quite interesting, I don't think it is necessary for me to read in detail. That concludes the various sections of the report. There are a lot of statistical tables that follow toward the end. //

CHAIRMAN HALLANAN: Gentlemen, this is a very comprehensive report and I know it represents a tremendous amount of research and study. I want to congratulate Mr. Jennings, the chairman of the committee, on the splendid job which the committee has done in responding to the request of the Secretary for information on this supply. Now, this report is before you. I know Mr. Jennings would be glad to answer any questions that he may be able to and the report is now open for frank and full discussion.

MR. ROBINEAU: Mr. Chairman and Mr. Jennings, I would like to say to start with that I agree that this is a very fine report. There has been a great deal of work spent on it. The trends indicated and the information is certainly going to be valuable to everybody.

I would like to speak, however, to the enlargement of one section in your report. I have only read it through

briefly once, and there may be other things that I would like to talk about later. But at the present time it is on page 10, the paragraph where you refer to the severe problem of the Inland interior refiner because of the fuel oil situation, the oversupply situation, and the loss of market in his area.

In reading the report in its entirety, this paragraph, I feel, is, while it covers the situation in one way, so brief that it gets lost in the overall wealth of statistics and other information to where the impression is that I received from reading it was that everything is all right in the industry in so far as fuel oil is concerned, that it is not too far out of line.

I personally don't feel that that is the case. I recognize and admit that my own ox is being gored, and by my my own I mean not only my own company but other independent refiners who refine more crude oil than they produce, and I am talking about the margin, the effect that this has on their operating margin. I don't know what the reason for this situation in the interior is, but I think it is a very serious situation. I think it has existed for a year and I think it is getting steadily worse. I don't see any immediate outlook for improving. Maybe a little temporary improvement will be this winter due to season, but in the long pull it looks like a very serious problem for the industry.

It is certainly serious for us. I think it is a combination of reasons. I think our government regulations, OPS ceilings on refined products, with the price of fuel oil dropping and the moving margin, it is something that is not ordinary to the operations. Usually there are offsetting adjustments in prices that cant be met at the present time.

In reading the report, I noticed that you point out that districts 2 and 4, since I think 1946, if I remember the date, had an increase in production of residual fuel oil, Bunker C, of about 70,000 barrels a day. In addition there has been a loss of market. I don't know what the sum of those two is, but I am sure it is a serious figure. And in districts 1 and 3 the increase in supply is about 200,000 barrels a day, of which, if I read the report correctly, practically all of it comes from imports. I think that poses a serious question, certainly one that a small company like mine doesn't know the answer to, but it is something for the industry to study. I realize that good, sound, practical business reasons are behind that situation, that undoubtedly residual fuel oil can be imported for less money than they can bring the surplus supplies from the interior to places where they are needed.

There is the Venezuelan situation, and we have to worry about what is going to happen when Iran comes back in and other situations that I know nothing about. Nevertheless,

the years I have spent in the industry as a small operator I have always found the heads of our companies and industry sympathetic to the problems of the small fellow within the limits of good business.

I have also enough confidence in their judgment of where there is a will there is a way. The primary thing I am talking about, besides this particular paragraph, is to try to create some interest first in the seriousness of the situation and second to create the will that something be done about it. Whether it is a question of import tariffs or whether it is a question of securing trainload rates or what the answer is, I don't know. But I am sure if this industry will sit down and study it, there can be some compromise solution to at least protect the interior refiner.

In talking about the interior refiner I am not only talking about our independent refiners but some large companies. I am sure Bob Wilson's Standard of Indiana, I am sure Continental, Ponca City and Denver, I am sure Mr. Jennings, your Kansas and Casper refiners all feel the seriousness of this situation. I don't think that we can have a strong industry unless every segment of the industry is strong and can stand on its own marketing, refining, transportation and production. I don't think we can have a strong industry unless each geographical section is also operated on a sound basis within itself.

That is not the case for the interior right now. I mean by interior such as two and four and Northern Texas. I understand recently in California we are beginning to see some surplus fuel oil stocks which are going to affect the operation. The seriousness from the standpoint of my small plant, and I assume in principle this works with others, is that a year ago we got a dollar seventy-five for fuel oil, today we get a dollar ten. That means 15 cents a barrel on our yields of fuel oil reduction in operating margin. Naturally that comes off the net profit. Your expenses are there as before, in fact they are higher. We have had four or five labor raises, we have had increases in transportation, both railroad and truck, we paid more for our steel. I notice that when the steel industry had some labor loss or other costs, they managed to get into the situation and get it passed on to the public in the proper proportion. I notice recently the coal industry is able to do that. It seems to me the oil industry should be able to protect its whole operation. By that I mean each segment, if they have the will to do so.

I think it is an important thing, not only selfishly, but it is an important thing from the government standpoint, from the standpoint of security. Certainly, the refiners we are talking about in the interior are the ones that are dispersed in such a way that in case we have war that they are the ones we need to be operated on a sound basis the

day war comes. We are not located where we can be bombed out as quickly as the large refiners on the east and west coast. Therefore, I think it is an important thing that our problem be given consideration.

Mr. Jennings, whether it is a question of receiving your report and then making some addition or how else it should be done mechanically, I would like to offer you my plea that some consideration be given to bringing out as many of these things as I mentioned that could properly be brought in the report so that people reading it quickly don't get the impression that everything is all right in the fuel oil part of the industry because in my opinion it is not.

MR. JENNINGS: If I could comment briefly on Mr. Robineau's remarks, I would like to make these observations. I don't disagree at all with anything Mr. Robineau said. We have refiners out in that area and we know what the fuel oil problem is. Certainly, neither under the request that we received from Bruce Brown or under the authority we had from the agenda committee would we have been authorized to make any suggestion as to how these problems should be corrected. So I think you will all agree we couldn't say anything about that in the report. If you wish to have the matter emphasized to a greater degree than it is, I would have personally no objection to doing that. I think the

report is pretty good as it is, but it may not be in sufficient length. It does make the point that that inland area is lacking in these flexible outlets which, of course, the Atlantic Seaboard has in considerable volume through the converted utilities plants and other power generating plants that switch freely back and forth depending on price.

A very small cut in price will achieve a substantial increase in demand. The point is made in the report, it perhaps can be emphasized to a greater degree. That would perhaps be better for you.

CHAIRMAN HALLANAN: Mr. Majewski?

MR. MAJEWSKI: In this report there is no question about the reporting of big value, but it stops in mid-air when it gives us the statistical facts of what happens. If you can't do anything because we are restricted, Brewster, and we are, as a member of the agenda committee and as an original member of the Council I know that we have very definite restrictions on looking into the future which might be construed in violation of our charter to do business. This situation is a serious one. It is serious because we are hamstrung.

Robineau, who represents the independent refiners association is speaking for them because there is no way for him to help himself. You point up the fact that there is suffering in two and four economically and what he points out

from a national defense point of view, the dispersal of plants in the inland is an important reason why we are here as a council, in my opinion.

Now, then, if we didn't have these restraining things, it seems to me the oil business is the only one that suffers. Now that I am meeting my own payroll instead of using stockholders' money, I looked up recently that we had three wages to the teamsters. God bless the teamsters, I am for them. I used to be a teamster myself, and a good one, a mule skinner. So I know something about the teamster ends, both ends of the mule.

Now, what we need if we can't go any further in this report, and I am glad we have the Secretary of the Interior with us, we should have the courage today to introduce a decontrol recommendation on prices from the well to the consumer, and then we wouldn't need to have any section on two and four to tell us that we are in a bad fix from a national defense standpoint, and economically too.

Now what I would like to do, I say the report is excellent, I don't want to fuss with it, I am a member of the committee, I think it is great reading, but it leaves us hanging suspended -- Well, I can't use the word I want to use because we have some gentlemen here and a couple of ladies, but it leaves us suspended in mid-air, so it hurts.

You know what I mean by that. Now, what we ought

to do today, and I can't phrase the thing like I want to, because my back hurts me and I wasn't kicked by a horse, but I can't say what I want to say in the words. But you can appoint a chairman to make a presentation of a decontrol resolution to Oscar Chapman today.

Look, they have decontrolled by presidential edict any price control in the coal business. They have done it in the steel business. What are we so hesitant about? Why do we have to wait until April? I am a democrat who had some sense on November 4 because I was, like a lot of people, upset. I was upset because with my own dough and with the guys that are working with and for me, we are going in the red, not the pink, and we are going there because we can't operate our business without interference from the government in oil when there is no interference in competing fuel.

What we should do today, Mr. Chairman, and without clearing the aisles, get some of these linguists we have around here that can write these things on submerged lands, that can write them on what the productive capacity of this great industry is, get some of those fellows that have that ability. I wish I had that command of the English language and the ability to write like they do. They could write out a resolution that Oscar could take in good grace, forgive me for calling you Oscar. I don't want to call you "X".

After last night's pleasant interlude with a

great fellow, I would like to give to him as our last official act with him the proper kind of a decontrol resolution that he could present, which may sound funny as anything to some of you. I am making a plea to be able to live just a little bit longer to find out if the new thing is going to work any better than the old. I have to have out of the way this price business and then I will take care of myself, and so will Robineau in 2 and 4 and so will the guys he is fighting for.

We don't want to be put in the position of fighting with our brethren on the East Coast that have a lot of flexibility. They say imports give them the flexibility they need. We don't even have navigable streams which we are trying to make navigable in the west. But can't we get a committee on our motion, Mr. Jennings, appointed to get us this decontrol resolution and tack it on this? If I knew parliamentary law like some senators, I would hang this on an appropriation bill so nothing would operate until I got the thing to cure it.

Now, couldn't we do that? Is that an undue plea, Walter, and Brewster, and Oscar? Is it? Let's face up to the thing. This report is wonderful, but it says to the public, "Everything is hotsy-totsy," and it is like hell. We are burning up in our own fuel oil, if you know what I mean. So I would like to make the motion for an appointment of

a committee that can put an amendment to this report asking the decontrol of all prices from the well to the consumer.

MR. JENNINGS: Mr. Chairman, could I say a word? I think I ought to yield to the Chairman of the Agenda Committee in just a minute. But I would suggest that if there is any thought of having a decontrol motion, with which I am completely in favor, in fact we all voted for one in Chicago, as I recall it, at the API meeting, it seems to me it would be more appropriate to have that a separate item rather than include it in this report, if my fellow committeemen would accept that suggestion.

MR. MAJEWSKI: I think that is fine, if you don't pass this one and give it a lot of publicity. Let's hold up this one until we see what happens to that decontrol thing. I am a good horse trader.

MR. RUSSELL BROWN: Just one item in connection with what Barney said. They ran into this same situation on the East Coast, you will recall, and they were pressed down with the ceilings. So Mr. Warren or some of them made an amendment, got an amendment through allowing a higher price, gave them more freedom in which to operate. The effect of that was that the ceilings were raised 30 cents. That developed the operations until now the consumers actually are able to buy it cheaper than it was under the old ceiling of \$2.50. It just shows freedom of operation is as important to the

consumer as well as it is to these refiners, because they can manage their business better.

CHAIRMAN HALLANAN: Mr. Jacobsen. Are you speaking for the report now before the committee?

MR. JACOBSEN: I am speaking to Barney's suggestion. I am all for decontrol completely, and I am not a constitutional lawyer in regard to our setup of this council. But my understanding is that we can't handle it that way. The Council is set up as I understand it to deal with subjects that are referred to it by the Secretary of the Interior, or the Chief of the Oil and Gas Division or the Deputy Administrator of Petroleum. If it goes through that channel, it is then referred to the agenda committee. But, I do not believe this council can act on a resolution as proposed by Barney. I would like to ask Hines Baker, who is our constitutional expert, if I am right or not.

CHAIRMAN HALLANAN: Mr. Baker?

MR. BAKER: I don't pose as any expert, but I think the articles of organization very clearly state what Mr. Jacobsen has just stated as the procedure outlined.

CHAIRMAN HALLANAN: The Chair will so hold as a matter of procedure under our organization, under our by-laws. The question, gentlemen, is on the adoption of the report of the committee entered by Mr. Jennings. You have moved the adoption of the report?

MR. JENNINGS: I think I may have omitted to, but I do so now.

MR. MAJEWSKI: I would like to ask this question. I don't think I am wrong. It is a matter of time. We have both the deputy and the Petroleum Administrator. What are we putting a muzzle on them for? They might want to express an opinion favorable to what we are suggesting. They can speak it or write it. It doesn't say in our by-laws that we must receive a written communication from them. Nowhere does it say that it must be written. So I ask now, Mr. Chairman, that we, in the most condescending, friendly way, ask Oscar what his view on the subject is, and then maybe the agenda committee can go to work. Listen, it is worth money to adjourn this thing until some time this afternoon or evening to act on what Oscar says, if he says it favorably.

CHAIRMAN HALLANAN: The question before the Council at this time is upon the adoption of the report. Mr. Majewski, I think it would be in order if you so wished to defer action upon that motion until a later time so that the matter would retain its position on our agenda. That might accomplish what you have in mind. But I do not want to deviate our procedure from consideration of the pending proposal.

MR. MAJEWSKI: Then I will stick to procedure. I will second Robineau's motion.

CHAIRMAN HALLANAN: I don't recall one.

MR. MAJEWSKI: At the conclusion he said -- you were shaking hands with two men.

CHAIRMAN HALLANAN: Did you make a motion?

MR. ROBINEAU: No, sir, but I will be glad to move that the report be received and tabled for further consideration.

CHAIRMAN HALLANAN: The report be what?

MR. ROBINEAU: Received and tabled for further consideration.

CHAIRMAN HALLANAN: You have heard the question, that the report be received and that further consideration be deferred until a later time.

MR. JONES: I think the motion is on tabling the resolution.

MR. MAJEWSKI: I would like to second his motion, because he has asked for an opportunity to present to the chairman of the fuel oil subcommittee pertinent data that he says should be incorporated in this report. And I think we ought to defer to the request in seconding the motion because if the report goes out now, as an interim report, it will be read and anything that follows will be like the caboose on the train, standing without oil.

Now, that is what I want to second. We don't want to in any way table his motion, but we want to receive it subject to no release, as I understand it, so that we can

have an opportunity to amend it. We are not obstructionists.

CHAIRMAN HALLANAN: Well, I take it that the adoption of the report would become a finality as far as the action of the council is concerned and unless there was a motion that no publicity be given to it it would be in order that it be made public. But Mr. Robineau, as I understand it, moves that the report be received and that action on it be deferred until a later time.

MR. ROBINEAU: Yes, sir.

CHAIRMAN HALLANAN: Today?

DR. WILSON: Yes, sir. Well, if there is something that can be done to correct that thing that I am objecting to today:

CHAIRMAN HALLANAN: The question is upon Mr. Robineau's motion which has been seconded by Mr. Majewski. Are you ready for the question?

DR. WILSON: Isn't that an amendment to the motion that we accept the report?

CHAIRMAN HALLANAN: Yes, sir.

DR. WILSON: It is a separate motion to the amendment.

Speaking to the amendment, it seems to me the report should not be held up. It is true it doesn't give as much space to the troubles of the district 2 refiners. We are certainly among them. But it does emphasize that:

"Severe local problems are faced by many interior refiners who are far removed from a flexible heavy fuel demand. A small drop in tributary railroad or industrial consumption necessitates shipping residual considerable distances at high freight rates before the refiner can reach a substantial market with any degree of demand flexibility. This causes rather sharp fluctuations in refinery prices which tend to be more severe than in areas where more flexible outlets exist. Dieselization of railroads reflecting declines in heavy fuel sales has been most severe on the interior refiners."

It is all there. I think in having your press conference it might be well to emphasize that, particularly. But I don't see that simply padding this out into three pages is going to make a better report of it. It seems to me the thing to do is to present this. I think as far as tacking on a decontrol resolution, we are in a place where the industry isn't charging what they are permitted under decontrol. Of all of the places to attach a decontrol, I think this is not appropriate, because prices of heavy fuel are below the ceilings. I am for decontrol, I think Oscar knows we are for resolution. I don't think a resolution would help very much.

CHAIRMAN HALLANAN: Mr. Jennings, as I understand it, you would have no objection to amplifying this matter referred

to in a statement to the press or in broadening it?

MR. JENNINGS: I feel a good deal as the Captain of the Missouri must have when he was aground on that sand bank off Norfolk. Having listened to this discussion, I think perhaps I could make a suggestion that might prove acceptable to the other members of my committee, and perhaps to the council as well. This report here, which I might add was prepared by a very competent subcommittee but also reviewed by all of us, is limited in its statistical information primarily to the period ending with the end of 1951. I see no reason why we shouldn't take cognizance of the present situation as it exists, particularly in this middle west area at the present time. I don't know whether technically we should limit our observations to the date as of which we received the request from the Administrator or whether we should properly include observations up to the date we rendered the report. I would assume it would be proper to do the latter, subject to the expert, Mr. Hines.

MR. BAKER: I don't recall just how the submission is stated.

MR. JENNINGS: Well, we get these requests as of the date, you see, as of the date the Administrator requests, and we work on the problem and make our report as to the date. Personally, I can see no valid reason why we shouldn't deal

with the time up to the present. It seems to me if we could add to this report another paragraph in that portion of it, calling attention to the present serious situation in districts 2 and 4, that that would cover the primary points that Mr. Robineau has in mind and which Mr. Majewski has in mind.

MR. MAX BALL: Mr. Chairman, I call attention to the fact that the request from the Deputy Administrator says among the things desired summarize the trend of domestic manufacturing, importation, and individual types of usage of Bunker C fuel oil, commencing with the 1946 period and continuing through 1952.

MR. JENNINGS: But you can't deal with the future, Max. You see, that is what the agenda committee passed on, and they modified that to read to the present.

Now, it just depends on what you construe as the present. I would consider we are in the present. I do not feel we are living in the future nor in the past.

MR. JACOBSEN: I would like to say that the present today is different from the present several months ago, and I would think they would go down to date.

MR. ROBINEAU: Mr. Chairman, Mr. Jennings' suggestion would be satisfactory to me or the additional one, when it is given to the press, that that is accentuated so there is a pickup.

CHAIRMAN HALLANAN: You withdraw your amendment?

MR. ROBINEAU: I withdraw it.

CHAIRMAN HALANAN: The question is, gentlemen, on the adoption of the report as submitted by Mr. Jennings. Are you ready for the question? All in favor --

(The motion was put to a vote and carried)

CHAIRMAN HALLANAN: The report is unanimously adopted with gratitude and thanks.

MR. MAJEWSKI: Mr. Chairman, I don't want Bob Wilson to go away, if he has to go in a hurry, and not knowing the economics to the refining business, if he is an expert, but if he says this will be of no help in removing the controls on fuel oil because we are selling below ceiling -- Yes, Bob, there are solutions that could be worked. Did it ever occur to you that we might raise the gasoline price, the diesel oil price, heating oil prices? You have been too far removed. You have been in that ivory tower. We know if you removed the price, we would help ourselves and we wouldn't have to ask anybody, and we would take care of the market maker in this district, too.

MR. BLAUSTEIN: Aren't we discussing price matters here that shouldn't be discussed here? I don't think we ought to get into that subject to the extent that we are now being carried.

CHAIRMAN HALLANAN: We are moving to the next order

of procedure. " I am very happy to see that the Secretary looks so hale and hearty this morning after that work-out we gave him last night. It is almost repetitious, Mr. Secretary, to go into the tributes again which we paid you last night. I know that you had a fine evening, and we certainly enjoyed the opportunity to pay tribute to you for your fine cooperation with the industry and with this Council. While this may be your last official meeting with us, I know that we can depend upon your counsel and support in the future.

I am glad, now, gentlemen, to present to you the Secretary of the Interior, the Honorable Oscar Chapman. "

(Applause)

" SECRETARY CHAPMAN: Well, it was time for a recess after Barney's speech, anyway. You needed the stretch.

Gentlemen, this probably being my last official meeting with this Council, I am compelled to say to you again, as I tried to express to you in my words many times before, I think this morning sitting here for these few minutes brought very forcefully to me the importance and needs for this Council, to let every segment of the industry have an opportunity to express itself. Obviously, in a complex economic system that we have, and dealing with a large industry as this is, some segment of the industry is bound to be hurt occasionally while the other segments may not. I think that is vital and important, that every group have

an opportunity to express themselves and to ask for your help in relieving the pressure that may be upon them for the moment. I think this morning's conference, itself, has proven to me that the real need for such a council, and also it proved to me this morning that you are on guard to stay within the sphere of your authority and discuss the matters that you are authorized to discuss, and to be careful above them.

Let me make this one suggestion. I believe you have adequately handled it, and without any suggestion from me. But only for the sake of clarity, with your position and mine, and to give adequate opportunity for any one that feels that there is any need for doing so, if you appoint a committee of three or five to discuss that subject with me tomorrow or the next day, I will be glad to discuss it with you. But I don't think this is the place where I should discuss it, or you, as far as that is concerned.

I will be glad to meet with a committee you would select to discuss it. If you want the agenda committee, that is fine, with your chairman. But I am saying that only as an extra precaution, so that if you feel there are any merits in your suggestion and that you want to pursue it a little further, you may. But if you don't, it is perfectly all right with me. Bear this in mind, that an outgoing secretary has to be very careful in any major decisions because it is

very easy to be misunderstood that you are either trying to put your successor on the spot or you are trying to get something accomplished at the last minute that you have been wanting to do for a long time. It makes it very difficult for a secretary under these circumstances to make too many important decisions without subjecting himself to that kind of misunderstanding. I want to assure you gentlemen here that I have no desire whatsoever to do anything, to make any decisions, that would subject my successor to any embarrassment whatsoever. This is one department that I want to leave as totally non-political as I have tried to conduct it. I would do nothing to embarrass my successor. Therefore, concerning many decisions that I would normally make in the course of my duties, I am refraining from making them. But there are others I am making because I feel the need and the necessity, and the subject matter it covers, requiring the decision, and I am making them with the full expectation that I may be criticized, but you take that if you are in public office. You don't let it worry you too much. Having said that, there is another phase of this program of yours that I intend to take action on. I want to see the work of the Department continued on through just as if we were not going to be changed, and let the new Secretary make whatever changes he deems desirable in his own mind. But I intend to re-appoint the council this coming

week. I feel that the council ought to be reappointed as a continuing program of the Department, and the new secretary has a full authority to do what he wishes about it when he comes in. Therefore, unless there are some serious objections by you, I wish to reappoint the council as a continuing business of the Department, and the Petroleum Administration.

I want to take just a moment this morning to say to you again, and repeat what I said last evening. You certainly did have a lot of patience to take all evening for a program as that last night. Naturally, I enjoyed it as any man would. My voice is a little better this morning than it was last night. My heart is the same. I deeply appreciate it, and I wish to express that to you. I want to say this morning it is dangerous to single out individuals for special commendation when all of you have been so wholeheartedly in support of the program and have given so much of your time to help make a workable program and then make it work. I deeply appreciate it, but I feel like I would be remiss in my duties and in what I consider I am honor bound, if I didn't say that I don't believe we could have ever gotten this program off with as good a start as we did if I hadn't had the opportunity to discuss this whole thing with men who had experience during the last war in handling a similar problem. When we started out on this program, I immediately had the advice and consultation of such men as

Marshall, who had worked in the program before, and also Bruce Brown and Ralph Davies, men who had been active in the government side of the program as well as their working actively in the industry. Those men, as my consultants in the very beginning, advised me on the procedures and what they thought was wise to do, and they championed what I thought was a cause not for the industry alone but for the government and the people as a whole. Following that advice of those gentlemen, they strenuously stayed with it, and at times I know I was annoying to them. But when you are having to educate a crusader, you have to be a little patient, and they were patient. They worked with me day after day. The program, I think, has proven the value of their services. But one of the greatest values that they contributed in this program was the men they recommended to me to appoint. I don't believe we could have served the country over and found a more appropriate man better fitted and particularly at this time to have come to this program as the deputy administrator than Bruce Brown. Every one of you have known him in the industry, and you have known about his ability. But the thing that I was deeply impressed with is he had had experience previously with the Petroleum Administration for War, and therefore it was not hard for him to find his way around in this maze of government procedure. He very quickly found it and his ability to work with people,

his ability to work with other departments other than just the Interior and the Petroleum Administration, proved such a valuable service that it is difficult for me to explain to you what it meant. And then, before he left, he brought in a man to me, whom I had only known by name. I knew of his reputation, but I did not know him as to his personality and his ability to work with people. But he brought his successor to take his place, a man that has proven so outstanding and helpful in these circumstances.

It is most difficult for business people sometimes to come to Washington and work with government agencies. I deeply appreciate the completely unselfish devotion that Ed Warren has given to this job. I think he has done a very outstanding job. He has been so successful and so helpful. I am going to give you a comment that was made by two senators, one a Republican and one a Democrat, when we were asked as a department to come before that committee and discuss the defense program as it was carried on by the Secretary of the Interior. Each of the deputy administrators and the administrator were present at that hearing. Each one was called upon, after I made a few opening remarks to the Senate Committee, to discuss his field of operation and make some comment about it. Every one of those men made a presentation of their problem. I later had two of those senators, the chairman and the ranking member of the committee, say to

me that that was the most intelligent presentation that had ever been presented before their committee by any group from the government. That is a compliment that I deeply appreciate. They so intelligently presented the problem to the committee that it drew such comments as that. It makes you feel that you haven't too much to worry about, if you keep men of that caliber working with you. And, needless to say, that would not have been possible had not the industry itself helped search its ranks for the right type of people and the people of ability.

Now, I honestly don't believe that you have tried to dump off on the PAD some of the men that you are carrying because you like them. You didn't do that. You gave me men with ability, and that is why this program has been so successful. It is to your credit that you did search and give me competent people. I think of not only these two gentlemen, but the other leaders that are helping with PAD today. Those men have given an outstanding service. I think we have established here beyond any question of doubt in anyone's mind that there is an area of cooperation between industry and government that can be successfully carried out and adequately carried out to the benefit of all of the American people, not just as a benefit to an industry. I believe this experiment, if we want to term it an experiment, has gone to such a stage of development that it is going

to be a real influence in other parts of the government in trying to work harder in carrying out a good government and industry relationship.

I have long sought for a better relationship with the industries that I have had to deal with in the department. I want to say this to you, in spite of the differences that they may have, any particular subject or any particular philosophy I have, the power industry has been working extremely well with me, and I appreciate their cooperation. I say that to you because I think this council has had a great influence on the other industries that are working with me. I think that influence is decidedly felt. They have begun to understand that I really meant what I said. When this council was first meeting, if you remember, I said that it would be my desire that we take no action that would do anything to change the competitive position of the industry in the least. I hope that we haven't. I have certainly tried in my own mind to follow that philosophy or that thinking, that we do nothing under this war emergency that would change a competitive position, by any action of ours.

Now, this being the last official meeting, I want to say to you that I do hope you will continue as a council, and that you will also cooperate with my successor and give him every bit of help you can. He is going to need it. Any

new man coming into an office which has such widespread jurisdiction as the Department of the Interior, very few people understand the wide jurisdiction and authority in the Department of the Interior as such. You are working with an agency, you as the Petroleum Administration and you as an industry, working with an agency of Government that represents an appropriation of \$600 million, and an employment roll of approximately 60,000 people. You are taking care and working with people in all of the phases of the natural resources of this country. I think the scientific work that is being done by the Bureau of Mines would be a lasting monument to the people like you who have given support to the programs and encouragement and to those men within Bureaus that try to carry it out. And the Geological Survey needs no commendation from me. Its work and outstanding record are known to all of you.

I would like to move over for another phase of this work that many of you only see in segments, but I will put it together for you with a bird's eye view to show you how and why the Department has grown over the years. I will use this one only as an illustration of that fact. A government is really the servant of the people and should never be misconstrued for anything else. That ought to be kept always in mind. I do not believe that a government should do for people the things that it can legitimately do for itself. But

But there are many areas in which the government can help all of the people. I will give you this one example to show you the great growth of that department that you have been associated with and have been so helpful with.

In 1928, when we had a great Secretary of the Interior from Colorado, Dr. Work, the report of the Park Service that year was most intriguing and so significant. The report went something like this, reporting to congress and to the public:

We have an appropriation of three million, and we have 47 parks and monuments, and our visitation to the parks in 1928 was three million people.

Just think, three million dollars' expenditure for the Park Service, three million people visited parks, and 47 parks. Today we have 147 parks and monuments and 36 million dollars appropriation, and 40 million people visited the parks last year. That gives you an example of the growth of service to the people by the government, and the people taking advantage of it and using it for their benefit, mostly for outdoor recreation for their families. Those are the things that you have been contributing to. Those are the things that you have supported. I could go across the board and give you the growth of the other bureaus the same way. It is very simple to say that bureaucrats in Washington, when they once get their foot on the ground you can't get

them out, and they want to expand their domain. That is perfectly natural. Every man likes to expand his domain of operation, if he can. I have no objection to it, see nothing wrong with it, if it is within the sphere of merits on his program, and, can the people afford it.

You have to discuss those things strictly on the merits of the projects as they are presented. I simply pass that on to you. I could name other bureaus that have operated in the same kind of way that you could approve completely. I don't believe any one here will disapprove of that program of park service when you think that 40 million people visited the national parks and monuments during one year.

Gentlemen, that does not include visitation to state parks that each state has. That is almost twice as many as the federal parks. I only say that to you because I want you to have a bird's eye view of a great department you are working with, and this department has jurisdiction over so many different things that have no relation, functionally, to each other. Sometimes you wonder if it was not a department thrown together by the left-overs of other departments. That is not quite true. If you examine its more carefully, you will find that there is a fundamental principle of conservation of resources that has been guiding the development of the department for many, many years. You will find that is the strong relationship of these functions, their conservation

features. Both the natural resources and the human resources.

You people wonder sometimes what happens or becomes of your royalties that you pay on oil leases and mineral leases on public lands. I will tell you some of the things that happen to it.

I mentioned the fact that we have an appropriation of \$600 million. We collect in round numbers approximately \$200 million in royalties and other fees that is turned in to the general treasury. That is reappropriated by Congress for whatever purposes it sees fit. That will give you some idea of what is done with your royalties that are collected by the department. That is where it goes. We have no revolving funds, gentlemen, in which we collect fees and then re-spend it. There is only one minor one in the Department created by law, and that is a very minor one, one in which I think every man in this room would support if he knew about it. That is one in the Fish and Wildlife Service in which we have the stamp sale for sportsmen and that fund is a revolving fund that is used for management and expansion of game preserves.

There are some cases where you are not exactly happy about game preserves because there is a smell of oil over on the inside, and I know that is a problem to you in some areas. It has been a serious problem with me as to how far I can go to allow the use of an area different from the

purpose that congress created the area. Remember, every fish and wildlife preserve and every national park and monument is created separately by separate act of congress, not by the department or by the administrative branch. That is the only fund in which we have a revolving feature, and in view it is not reappropriated.

However, we report to congress upon its use as to what has been done. I have kind of wandered astray this morning a little bit in order to kind of close with you in your mind here what I think is a great department that you people have given wonderful support to, one that not only myself but my predecessors have appreciated, and I know my successor will deeply appreciate your support for the general program of the Department as well as the specific program on the petroleum field itself. When I was talking about the advice that I got from these gentlemen a moment ago, I also wanted to tell you there is another gentleman that never hesitated to give me his advice, almost like a father to me, and that is my friend Warwick Downing. He has written me letters, and frankly if I didn't know him I would have gotten terribly irritated. But knowing Warwick Downing I would say "there is nothing to do but let's sit down and try to work this out, because this will not be the last letter. There will be another one, so let's go to work on it now." He has been so sincere in his position, even when

we differed. He was persistent in presenting his point of view, and in correspondence that I have had with him, it is really phenomenal. He has been very patient with me and I appreciate it. He has given me wonderful advice and he has helped me on numerous occasions when it was a little difficult to go to certain people and ask their advice. He has been most helpful and I want to pay that tribute to him this morning as an old friend who has helped me over the years, and he is going to help us all for a long time yet.

You people, I know, have many things on your agenda that you want to discuss, and I will not monopolize more of your time except to say to you this has been a wonderful association and again I leave with no regrets in the world except the fact I will miss this association. Any man would. But I move on to the next phase in life. That is the way life goes. I enjoy it, I wouldn't have it any other way. //

Thank you.

(Applause)

CHAIRMAN HALLANAN: The Chair recognizes Mr. Majewski to present to the Council a resolution. Mr. Majewski.

MR. MAJEWSKI: The tears in my eyes are because I have a slight infection which you kind of accelerated a little bit, Oscar. You know, a guy talking can accelerate these infections in your eye so that you kind of weep on the letters.

This resolution was presented last night on the occasion of the dinner to the Secretary of the Interior and Petroleum Administrator, but to legally get it before you, we have to do it again, and I love the privilege of doing it.

Besides, I wrote it.

"Whereas, the Honorable Oscar Littleton Chapman has carried forward to new achievements the pattern of industry-government cooperation as applied to the urgent problems of assuring adequate supplies of petroleum and its products during the great period of rebuilding the nation's military strength and whereas, under his guidance the government and the oil and gas industry working together have adequately met all military and civilian demands for petroleum products, without rationing, and with a minimum of government regulation, and, whereas the impress which Oscar Littleton Chapman has made upon every segment of the oil industry and through our industry upon every American is so deep, so warm and so personal as to make his retirement from the office of Secretary of the Interior and Petroleum Administrator of Defense the occasion of this splendid outpouring of expressions of the respect and affection in which he is universally held, and, whereas, this affection and respect come to him because of his integrity, impartiality, and sterling leadership in administering the affairs of his office in the national interest.

"Now, therefore be it resolved, that we convey our best wishes and appreciation to Oscar Littleton Chapman, for his inspiring leadership and wish him many active and fruitful years in his future private and public life by adopting this resolution.

"This resolution with a rising vote as indicative of our highest esteem, and be it further resolved that this resolution be inscribed on the permanent records of the national Petroleum Council, and that a suitably engraved copy be presented to Oscar Littleton Chapman, a real American."

I move the adoption of the resolution, Mr. Chairman.

CHAIRMAN HALLANAN: It may have a standing vote, please, of the Council.

(Applause)

(The resolution was adopted by a rising vote)

SECRETARY CHAPMAN: I want to thank you gentlemen very much. I appreciate it. May I make one correction in case it was misunderstood. I didn't mean that the Council necessarily would be reappointed man for man, but that the Council will be appointed. Some of the members may not wish to remain, but the Council will be appointed immediately.

Thank you so much.

(Applause)

CHAIRMAN HALLANAN: Gentlemen, the Council is

honored this morning by the presence of a distinguished representative of the government, Mr. Edward F. Bartelt, Fiscal Assistant Secretary of the Treasury, who desires to express the appreciation of the Treasury Department for the industry's record in connection with the War Bond sale and its cooperation with the Treasury Department in its bond activities. I have the pleasure of presenting at this time Mr. Bartelt. (Applause) //

MR. BARTELT; "Mr. Chairman, members of the National Petroleum Council, I appreciate very much the honor which has been accorded me this morning to be the personal representative of Secretary of the Treasury Snyder. In giving recognition to the outstanding volunteer services which have been rendered by your industry, the members of this Council, and its chairman. I do not have a formal speech to make. Secretary Snyder said, however, that I should make it very clear to you that he regrets that his absence from the city today makes it impossible for him to do this job himself. But he does want all of you to know how deeply he appreciates the help which you have given to the Treasury over a long period of years, particularly in the promotion of the United States Saving Bonds program among the employees in your industry.

Mr. Snyder was here, I believe, on the 29th of July, and asked you if you would not conduct a special drive to

further stimulate the sale of savings bonds to your employees. You have done a wonderful job. You are, I understand, the outstanding industry to promote savings among your employees through what is called the stock sharing promotion plan, as I understand it. We deeply appreciate what you have done. I will not attempt to tell you about the savings bond program. I realize how busy you are from the discussions which I have just heard. You, I know, like other Americans, have many disagreements as to the various policies that the government conducts, the things that it does, but I believe there is one program on which we can be in agreement.

I think that the savings bonds program is common ground on which all Americans can unite in the interest of our country. I have come here today particularly to give recognition to the chairman of your Council, Mr. Walter Hallanan, to the members of the council who are present here today, and to Mr. Swensrud, who headed up this special drive which Secretary Snyder asked your industry to undertake in his address of the 29th of July.

I am here to present citations and silver medallions in recognition of this service. I couldn't pass, however, without also saying that we also appreciate the help we have received from Mr. Brown, your secretary-treasurer, and the Secretary of the Interior, Mr. Chapman, and the Deputy Administrator, Mr. Warren, and his assistant Mr. Stewart.

I now would like to proceed, with your approval, to the presentation of these citations and medallions on behalf of Secretary Snyder and the Treasury Department. //

CHAIRMAN HALLANAN: Colonel Drake, would you represent Mr. Svensrud at this time.

MR. BARTELT: Colonel Drake, I am very sorry that Mr. Svensrud is absent from the city. I have for Mr. Svensrud a citation, and also a medallion in recognition of the services which he has rendered for the United States Treasury Department in this program. I appreciate your accepting this on his behalf.

COLONEL DRAKE: Mr. Chairman, may I just say one word in accepting this in behalf of Sidney, that it is a great regret that he had to be in the West at this time and could not be here. But it was a great pleasure for him to serve in this very important work. And, Mr. Chairman, I would like to say one more thing, to you, Mr. Bartelt, as representative of the Treasury Department:

This response of our industry is but one more illustration of the way in which it has always responded in any important work whenever the United States government has called upon it to do something.

MR. BARTELT: I now have the honor to present a citation to the National Petroleum Council on behalf of the Secretary of the Treasury, and the Treasury Department. I

believe Mr. Hallanan is to accept this citation on behalf of the council.

CHAIRMAN HALLANAN: Thank you, very much, Mr. Secretary. I only want to repeat what Colonel Drake stated, that this is another indication of the responsiveness of this industry whenever it has been called upon by the government to do a patriotic service. This shall have a prominent place in the offices of the National Petroleum Council, as an expression of our willingness to assist.

MR. BARTELT: I have one more presentation that I would like to make to your chairman. He has been very helpful in this program, and Secretary Snyder has asked if I would present to Mr. Walter Hallanan, your chairman, this silver medallion in recognition of his very fine services to the Treasury Department and the Savings Bond program.

CHAIRMAN HALLANAN: Thank you very much. I appreciate that.

(Applause)

CHAIRMAN HALLANAN: Gentlemen, you have heard the statement made by Secretary Chapman that it was his intention to continue this Council, and that the appointments will be announced before the expiration of the terms at the end of the Calendar year. Of course we are going through a transition period, we do not know exactly what lies ahead or what may be the future policies of the new administration. But never-

theless, I think we must assume that this is a continuing body, and we will continue to have responsibilities before us in this cooperative effort with government. In that connection we just always be aware of the fact that the personnel problem in relation to the functioning of PAD is a very vital one.

I have had some discussions with Mr. Jones, as Chairman of that committee, and I should like to call upon him at this time to review, generally, what the committee has in mind for its consideration. Mr. Jones.

MR. W. ALTON JONES: Mr. Chairman, my report is brief. As the chairman has indicated, we had some preliminary discussions yesterday on the matter of what problems would confront the personnel committee when, as and if we are reconstituted as the National Petroleum Council and assuming that the Petroleum Administration for Defense will be continued in the new administration.

"I think both of those things are likely. I can't speak with any authority, of course. I assume that the Council will be continued and also that the Petroleum Administration for Defense will be continued for some period of time. Perhaps it will be streamlined, to some extent, as the pressures are lifted here and there. I know, in discussing the matter with the Deputy Administrator that he has definitely in mind that possibility, the streamlining of his

organization, and keeping it abreast of the trends which we see ahead.

Now, as was outlined in the beginning, WPAD, the personnel committee undertook to fix a term of service for men who were requested to come here to act in PAD capacities, so that they would not get a "from now on" assignment, so to speak. We found it much easier to convince a man that he should give a year or 18 months of his time, if he felt at the end of that time there would be a rotation and somebody substituted for him.

We also instituted under the recommendation of Bruce Brown the program of trying to bring in a successor to a man whose term of service was about to expire a couple of months in advance so he could learn the ropes and take over with a minimum of confusion. That has worked admirably, and we find that we are prepared to recommend the continuation of that policy.

Now, within the matter of the next six months, we will have to consider the replacement of the Deputy Administrator and, before that, by March perhaps, we will need to consider the replacement of the Assistant Deputy Administrator, whose term of service is about to expire. I would like to ask at this time, Mr. Chairman, that the members of the personnel committee convene immediately after the Council adjourns this afternoon, so that we can discuss some of these

programs, in tentative form and be prepared to report back to you at the next meeting. //

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

The Council will receive at this time an interim report of the Committee on Use of Radio and Radar, presented by Mr. Joseph Keller, the Secretary of the Committee.

Mr. Keller.

MR. KELLER: Thank you, Mr. Chairman.

Mr. Chairman and Gentlemen, a committee on Radio and Radar was appointed at the July 29 meeting of the Council and we organized our first meeting in connection with the API at Chicago on November 12. I am happy to report to you that the committee has been appointed, that the working assignments have been made, that the date scheduled for the first draft of the report has been set for January 12, 1953, and I believe that we will have a very comprehensive report for you at the next meeting of the Council. I would like to say to you that radio is a new subject so far as the National Petroleum Council is concerned. As a matter of fact, it is a new tool in the petroleum industry, a new way that we have for finding and refining and transporting and producing petroleum products. It is a very fascinating one, however, and I think it might come as some surprise to most of you to know that although the petroleum radio service was just authorized by the Federal Communications Commission in May

of 1949, that already there are over 22,000 stations within the petroleum radio service alone. It gives you some indication of the tremendous growth in this particular field.

I would like to say to you also that one of the great new tools of the industry, so far as radio pipeline operation is concerned, is the microwave facilities which are being used along pipelines. Today we have over 15,000 miles of both oil product and natural gas pipeline being served by these very ingenious microwave systems. Upwards of 20 million dollars has already been invested. In that connection we are getting up some statistics in connection with the theater television hearing to be held in January, and I was surprised to note that in spite of the large investment so far that less than five per cent of the pipeline mileage of the United States is now served by microwave communication.

That will give you some idea of the extent and the growth which is possible in that particular field. I would like to just take one minute to apprise the Council of the first challenge which has been made of frequencies which have been assigned to the petroleum radio service by other services. The theater television group which represents the Motion Picture Association and the Motion Picture Exhibitors of America, is proposing a closed circuit television service which will come to the theaters all over the country, and they are proposing to use the frequencies which are now being

used by the petroleum radio service for our pipeline communication systems. We are presenting and preparing a very comprehensive defense of those frequencies. We need the support of the petroleum administrator for defense, which I am sure will be forthcoming, and we need the general understanding of the industry of the importance of this particular subject.

Theater television service does not have anything to do with the ordinary broadcast television service which you get in your homes, but it has to do with the transmission of closed circuit television, like the prize fights, which are distributed to theaters all over the country, and they propose a much more ambitious program than that.

I suppose Mr. Majewski will have torn allegiance when he was to choose between adequate communications for the petroleum industry and seeing Notre Dame in a theater somewhere playing a football game. Nevertheless, it is extremely important.

Just one more second to mention also another thing which is of great importance to you as an industry, and we are hoping on Thursday for the cooperation of the military in this respect, having to do with a continuation of the use of shore and frequencies which we use in radio exploration in the gulf of Mexico. Those frequencies are used also by the military for surface communications. We are trying to convince them of the importance of the continuation of

those frequencies and we hope to have something successful to report to you at your next meeting.

I thank you. (Applause)

CHAIRMAN HALLANAN: This Council, gentlemen, has always been keenly alert to the matter of military petroleum requirements. It has been a subject that has been continuously before us at all of our council meetings, and I now am happy to present Brigadier General Alfred H. Johnson, Executive Secretary of the Munitions Board, to discuss the subject of military petroleum requirements.

GENERAL JOHNSON: Mr. Chairman, members of the Council: It is always a pleasure to come before you briefly at your regular meetings and deal with the members individually on military matters. I accept the opportunity to express for the Department of Defense the appreciation and never-failing interest shown by the National Petroleum Council in petroleum problems of the military.

In so far as petroleum requirements for fiscal year 1953, those have been made known to industry by the Armed Services Petroleum Purchasing Agency, and bids have been opened and negotiations are now under way to cover those requirements. At this time the only serious deficit we have in covering our fiscal year 1953 requirements are in the grade 115/145, Av gas. This serious shortage has been with us for some time, and at the present time we anticipate it

will continue for a year or two in the future.

Our requirements are increasing, as has been forecast, and you have been informed. Every available estimate that we have at the present time indicates that in 1954, fiscal year 1954, the military requirements for Grades 115/145 Av gas will go up 20 to 25 per cent over the current requirements. This has been necessitated by increased operational activity, increased training and the necessity, in some instances, to provide strategic reserves to carry out the mission of the Department of Defense.

In other fields of petroleum requirements, the industry has been able to meet them without stress. Requirements for motor gasoline, diesel fuel, Navy special fuel oil, have not increased as fast as some of the aviation fuel requirements.

In the present Korean situation, the coming of winter, our requirements for low grade diesel have gone up, but I have been assured that industry is able to take care of it. In the jet fuel field, we anticipated the fiscal year 1954 the requirements for JP-4 and other jet type fuels will just about double what they were this year.

In the Navy and the Air Force the effect of our increased production of jet aircraft is coming into being, and increased training and operation of those jet aircraft will continue to raise the demand of jet fuel for some time

to come. This is not occasioned by any drop in Av gas requirements, however. The Army, the Air Force, and the Navy continue to use more and more Av gas along with increased jet fuel. The Army in particular is using more helicopters, low speed aircraft, for their close logistic support and for the long range transport aircraft. If there is one thing I must emphasize, it is the Aviation gasoline, particularly octane 115/145. For reasons which you undoubtedly know, there has been a lag in the expansion of the output facilities, and to obtain the minimum quantities required by the military and civilian operators, we have been informed that we would have to resort to the purchase of increased quantities of incremental cost gasoline, because the normal economic supply has not been available.

We have resorted to some marginal procurement. I should like to emphasize to industry and to the members of the Council, the necessity for expediting your aviation gasoline, expansion projects, and to assure you that the Department of Defense will do everything possible to assist industry and petroleum administration in their activities along the lines of expediting the whole output expansion program. I know that you will hear more from members of PAD on this Av gas problem, and I will leave it there.

Before closing I want to express my appreciation on a point of industry-government cooperation which I have just

had the pleasure of enjoying. I was privileged to participate in a small mission to the oil facilities in certain countries in the Middle East, and I know that many of the members of the council represent activities which have interests in that area. I want to say that we were welcomed with open arms, shown everything, and given the most gracious and comprehensive tour of all of the activities. Those areas out there are important to us because they are important to our friends and they represent, from the defense point of view, a vital link in the security of this nation and the rest of the friendly nations in the free world. I know that Mr. Warren, the Deputy Administrator for Petroleum administration, likewise appreciated and will undoubtedly express to the interests we visited, his appreciation as I will, for the warm welcome received in that area.

Thank you very much. (Applause)

CHAIRMAN HALLANAN: Are there any questions which any member would like to direct to General Johnson?

Thank you very much, General, for your statement.

We now move to the presentation of the activities of the Deputy Petroleum Administrator. I have the pleasure now of presenting a man who has been so successfully directing the far-flung activities of this important branch of government, the Deputy Petroleum Administrator, Mr. Ed Warren.

(Applause)

MR. WARREN: Mr. Chairman, Gentlemen of the Council: General Johnson failed to tell you that we stopped at Paris overnight, headed for the Middle East, and I was reminded of talking to Judge Downing here a year or two ago, and he had been in Paris. He said he had seen the Follies Bergere. I said what else did you see in France while you were there. He said "What else is there to see?"

I know that time is getting short, and we would like to present our PAD program before adjourning for lunch, and I am going to proceed with taking up a minimum of time.

I would first like to introduce, however, some of the new staff members coming to PAD. Mr. Emmett Vaughey from Jackson, Mississippi, of the firm of Vaughey and Vaughey, independent producers, is in here as deputy to the Director of Production, and will succeed Bob Foree on the first of January. Mr. Vaughey. (Applause)

Mr. Henry Waskowski, of the Magnolia Petroleum Corporation of Dallas, succeeding Mike Brenner, as Assistant Director of Production. Mr. Waskowski. (Applause)

If Mike Brenner is in the room, I would like to have him stand up. He has been here for over a year and is going to return to his company, the Shell, when Mr. Waskowski takes over. (Applause)

As assistant Director of Refining, replacing Mr. Granville, we have Mr. Richard Gibbons of the Cities Service

Company. (Applause)

And if "Butch" Branville is here, I would like to have him stand up. (Applause)

// I know it has been brought out here several times that there is considerable concern and speculation as to what will happen to the defense effort and what will happen to PAD specifically. I do want to bring out that this defense effort, of course covers considerable territory, that the PAD is only a part of that program. In the general pattern and policies that are adopted by the new administration, I know you will have to consider what will happen to the other defense agencies such as ODM and NPA and what the administration will do in that regard. We have had programs. Programs are established on the basis of the known conditions and on the strategic situations that you assume. Back in 1950 and 1951 the imminence and danger to our security was such that the programs set up were, I think, perhaps ambitious. Now that we have achieved a part of those programs, there can be a stretch out. For example, in the number of wells, we make an assumption on wells. If we had the same productive capacity above current production percentage-wise we had in World War I, it would mean the drilling of wells in the range of 60 and 65 thousand wells.

We have to make an assumption on wells, however, that we can not in the event of war have a cessation of drilling

activities, which we did have in the last war. I think it is very important that the Council and the industry recognize, if we should have a war, the drilling development must go along at the pace that we are currently having. While I was over in the Near East, Mr. Davis was acting deputy director. I have only been back two days. The program that we have today was arranged by Mr. Davis. I am going to call on Mr. William Simon, assistant Deputy Administrator and General Counsel for PAD to give you his idea of defense legislation. //

Mr. Simon.

MR. SIMON: "Mr. Chairman, members of the Council and Gentlemen: I have been asked to speculate on what the incoming congress is likely to do with legislation relating to controls. My assignment is to discuss what I think the congress will do, not what I would do nor what I would recommend to it.

There are three possibilities: First the congress may continue controls in substantially their present form. Secondly, the congress may eliminate all controls on their current expiration, which is April 30, for price controls, and June 30 for materials controls. Thirdly, congress may take a somewhat middle-of-the-road course of extending the legislative authorization for controls on what we might call a stand-by basis, to eliminate their current imposition but to give the administration the power to re-impose controls

if they should arise. While the future of controls will depend to a great extent on economic conditions during the next three to six months, there are certain factors not likely to change that can not be overlooked, and that will have an important bearing on the decision the new administration will have to make. Inflation is one of the problems with which the administration must be concerned in the national interest, for it would be unfortunate if an inflationary spiral were to continue unabated. But deflation is an even greater problem, for the new administration, because we can not afford to cure our economic ills through a business recession. The defense budget for the coming fiscal year is estimated at \$40 billion. There are additional contract authorizations to the military previously authorized by the congress. Probable defense spending in the calendar year 1953 will be roughly \$50 billion.

It is unlikely that so substantial a sum of money can be spent by the military without the possibility, although not necessarily the certainty, of unnatural strains on our economy. It is also possible that expending of this will create short taxes in varying degrees for some products.

By late spring or early summer carbon steel may be sufficiently plentiful, that the order takers will again have to revert to being salesmen. But this doesn't mean that steel will be plentiful in all of its shapes and forms. Present

indications are that heavy plate, certain types of structural steel, and oil country tubular goods will continue to be in tight supply even after steel supplies generally have caught up with or even passed the demand.

Although the new congress will undoubtedly view controls as something to be dispensed with at the earliest possible moment, I somewhat doubt that it will deny the new president the power to deal with scarcities of critical materials or rising prices if the need therefor should arise.

Many of the responsible officials of the Office of Price Administration now feel that the liquidation of that agency is being accelerated and that its virtual but not complete dismissal is soon to occur. Many commodities are now being decontrolled because prevailing prices are substantially below ceilings. This is not true of petroleum, and OPS seems to oppose decontrol for petroleum prices. Present petroleum ceilings, of course, result in part from the industry's consciousness in holding the price line in the fall of 1950. The congress will no doubt recall what happened to prices generally in the interval between September 8, 1950 when the Defense Production Act was passed, and January 26, 1951 when the President imposed price controls. In many industries it was a vigorous race to see how high it could get the prices before controls were imposed, and eventually they were certain would soon happen.

The price of wool almost trebled, and clothing prices rose accordingly. As a result, clothing is today selling well below ceiling and has recently been decontrolled. The oil industry did not materially raise its prices in the fall of 1950. Its prices were at economically realistic levels when controls were imposed and this accounts for the fact that petroleum products are not now selling substantially below ceiling prices.

In a competitive free enterprise economy, business men must remain free to price their goods as they choose, and to sell to those customers with whom they want to do business. The counter-argument, however, is that when an international emergency introduces artificial economic factors into the economy of the nation, the executive branch of the government must have the power to prevent undue dislocations to the economy as a result of that emergency.

If there were a continuing shortage of, for example, oil country tubular goods, it would be natural competitive business conduct for the mills to distribute their regular mill production to those buyers who had been their most valued historical customers. But it might result in inadequate supplies of pipe to the small producers and wild catters who have traditionally discovered a substantial portion of this nation's crude oil reserves. Regardless of the economic effect might well be the result in action by the congress and

not to everyone's liking to protect that smaller segment of the economy. These considerations might reasonably lead to the conclusion that the 83rd Congress will extend the defense production act for another year in modified and watered down form to provide for stand-by controls. Such legislation will probably provide some authorization to the president to control prices whenever there is a threat of undue inflation.

Whether this be on a selected basis as to particular commodities or on an overall basis tied to statistical price indices, such as those of the Department of Labor or the Department of Commerce, will undoubtedly be the subject of serious congressional consideration. It is not unlikely that a stand-by agency will remain in existence to act promptly whenever the need arises, for price or material controls, and thereby to avoid a repetition of the results of the four months' delay in imposing price controls in the fall of 1950.

It seems reasonable also to conclude that there will be an extension of legislative authorization for the President to allocate or extend priorities for the materials that are in short supply. However, I believe that either by legislative or administrative restriction those controls will only be applied to materials, the demand for which exceeds the supply, and a substantial portion of which material

is either directly consumed by the military or is consumed in industries that are deemed essential to the military or atomic energy programs.

These are but prognostications, and my crystal ball is no better than any one else's. While there will no doubt be a very great reduction in the area covered by controls, and perhaps their complete elimination from current practice, it might be a mistake for industry to look for complete elimination of the legislative authorization for controls in the year 1953. It is certainly reasonable to expect a substantial diminution in controls and an elimination of all those that are not necessary to the stability of the economy.

I know that the mere existence of legislative authorization for controls will cause many business men to fear their abuse.

I would like to close by saying that it goes without saying that the best law ever drafted will not work if it is badly administered, and good administrators will make even poor legislation workable. //

Thank you, sir. (Applause)

MR. WARREN: Thank you, Mr. Simon.

Before calling on Mr. Davis, I wanted to tell the Council that we have under appraisal the organization of PAD and with the idea that when needs for certain parts of the

organization do not continue, we will make the change. The agency has been shrunk from 330 people to less than 300 in the last three months, and we are constantly making studies depending on the needs.

Mr. C. Eugene Davis, Assistant Deputy Administrator in charge of domestic petroleum operation, who is acting as Deputy Administrator in my absence, will now present to you Mr. Keeler, Mr. Bateman and Mr. Foree, with respect to certain domestic problems.

Mr. Davis. (Applause)

MR. DAVIS: Thank you, Mr. Warren.

// Mr. Chairman and members of the Council: In talking about PAD in a presentation to you people, we are always confronted with a rather typical decision, whether to try to tailor a program to finish up at a reasonable time, around one or one-fifteen, or whether to do the program on the basis that we think would be of most interest to you regardless of length and have a noon recess. We tried it both ways, and this time we have endeavored to confine the program to the length which would permit adjournment relatively soon now. We have not prepared a discussion for you in certain fields like heating oils and the details, more details, of our devious programs and general supply position and so forth, because those subjects, we felt, were not particularly active now and in the interest of

a relatively short program we have not seen fit to include those in our agenda.

It has been recognized by most of you that since before the National Political Conventions in July, the Washington scene has been one of great confusion, accompanied by uncertainty and indecision in many quarters. This is not necessarily the fault of any individuals or groups of people, but reflects the kind of democracy in which we function. For several months most all of the problems of Government have been colored by political considerations and it can be appreciated that the difficulties of administration of the Defense Program during this period have been compounded.

The results of the national election of November 4th determined that there shall be a change in the administration of Government for the next four years but, if anything, further increased the confusion that exists during the period of transition from one administration to the next. In the Petroleum Administration for Defense we are doing our utmost to consider the justification of our existence in the light of the present status of our responsibilities to Government and industry and the basis needs of our country in preparing for the eventual all-out war. There is a great deal of publicity and thought being given to decontrol of this and decontrol of that, lower taxes, housecleaning, etc., but

but it is apparent that very little is likely to be done in that regard for several months.

If we accept the philosophy underlying the present mobilization effort as being sound, from a standpoint of international politics, our judgment of what needs to be done need not be colored by partisan politics or other extraneous considerations. On the basis of estimates of petroleum requirements, in the event of all-out war, we have developed, with the aid of industry and through the Defense Production Administration, certain expansion goals, which have been established as objectives for the short term, meaning through the calendar year 1953. To refresh your memory of these goals, they are as follows for the domestic petroleum industry:

New wells drilled, 50,000 in last half of 1952, 55,000 in 1953.

Refinery expansion, 8,750,000 B/D in being or projected at the end of 1953.

Natural Gasoline, 1,132,000 B/D in being or projected at the end of 1953.

Oil Pipe Lines, 19,700 miles of new construction by the end of 1953.

Tankage (new capacity), 153,000,000 by the end of 1953.

These goals were established in the light of estimated wartime requirements and our appraisal of what the industry

would build without Government assistance, other than accelerated tax amortization. It is now apparent from the experience of the past few months that we are likely to fall considerably short of these goals. Just how much cannot be given at this time. We have not previously advised the industry of the status of our programs because for the past two months we have been engaged in completely reviewing our studies of the wartime requirements. In the early part of next year we expect to be able to advise you of revised programs that seem necessary if we are to meet the requirements of mobilization.

It is appropriate to say that present indications are that the size of the goals in several categories will be smaller for the current period but will be established for a longer period, including the years 1954 and 1955.

For the past three weeks, talk of decontrol has been growing like wildfire and it is quite likely that 1953 will see substantial changes in the organization and direction of mobilization effort, but it should be kept in mind by all members of the National Petroleum Council that premature dissolution of the work of PAD can create the very conditions in the relations between Government and industry that the formation of PAD was expected to avoid. It may even be said that the problems involved in the dissolution of the present method of operation under so-called peace time conditions are even

more difficult from the standpoint of preserving a sound working basis of industry-government cooperation than was the creation of the organization in 1950. I would also urge the desirability of the industry continuing its willingness to provide adequate staff replacements during the coming year or as long as PAD remains in existence. Our staff has already been reduced substantially and further adjustments will undoubtedly be made to correspond to the work-load as it develops, but until dissolved, the need for competent staff will be as important as ever. From all indications, the Aviation gasoline shortage will be with us at least until the early part of 1954, and, in that connection Mr. W. W. Keeler, Director of the Refining Division, has some remarks which will be of interest to you.

Although the subject of materials availability and decontrol is, as previously stated, subject to considerable uncertainty at the moment, you will be interested in a few remarks on that subject by Mr. Harris Bateman, Director, Materials Division.

Mr. Foree, Director of the Production Division has for the past few weeks been engaged in ^{/a}running fight with the NPA and the steel industry on the subject of Oil Country Tubular Goods and the lack of adequate mill capacity to meet the requirements. Mr. Foree is scheduled to leave the agency to return to private industry very shortly but I am

am sure he will be long remembered for his forthright approach to this problem, particularly in certain quarters.//

Mr. Keeler.

MR. KEELER: // Mr. Chairman, members of the National Petroleum Council, and guests: I would like to go into a little more detail in the operation problem that General Johnson touched upon.

" Gentlemen, I am sure that you did not expect this meeting to proceed very far without someone from PAD describing to you the critical need for more alkylation capacity and more current production of aviation gasoline.

It would indeed be unfortunate if continued exposure to such remarks has made you even partially immune to an understanding of "avgas sickness." We contracted this disease early in World War II, had a brief recovery (rather abruptly) on VJ day, and then had a relapse with Korea in 1950. Our pains were greatly intensified with the loss of aviation gasoline from Abadan in 1951, and a crisis was only narrowly survived during the refinery work stoppage in May of this year when we lost a third of our avgas production.

Where do we stand now? We have a firm construction program which we believe will enable industry to meet expanding requirements during the present preparedness program. Some part of the total production will continue to be higher than normal cost gasoline. We believe that there are other

financially attractive locations where additional alkylation units will therefore be built and operated for the production of normal cost aviation gasoline.

As late as last spring we had expected that completion of the new facilities now under construction would alleviate the tight supply situation before the end of this year. Since that time increased demands on the part of both military and civilian users of aviation gasoline, along with a delay in completion of new facilities, has caused us to forecast a continued tight supply situation for at least the next year and a half. From our past experience we can conclude only that revisions in aviation gasoline requirements have almost always been upward and production figures almost always downward. The demand for civilian aviation gasoline will of course depend upon economic factors, and the demand by our military forces will likewise depend upon the money which they have available and desire to use for the purchase of aviation gasoline. Both of these demands are therefore subject to change which can and have upset existing supply and demand balances. Right now the balance has swung to the point where the shortage forecast for the next year and a half is in the range of 6,000-10,000 B/D of equivalent Grade 115/145. PAD believes that this shortage must be overcome in order that essential supplies can be made available for both civilian and military uses.

Except on the West Coast, there feed stocks are in short supply, alkylation units are running essentially at capacity. We hope to get about 2,000 B/D of additional 115/145 through more costly utilization of remaining alkylation capacity in other sections of the country. The remaining shortage can be made up largely through the blending of improved quality base stocks and high cost aromatics including toluene, xylene, ethyl benzene and benzene-toluene mixtures. Production of additional aviation gasoline in this manner will be costly, with some production of avgas costing about double the normal Gulf Coast price. At the same time it is considerably cheaper than other procedures such as catalytic retreating, thermal retreating, and other processes which would be required to maximize production in wartime. We do not as yet know the extent of demand which the military will make against this potential high cost production. However, as this situation clarifies PAD will be requesting more refiners to cooperate in this program. At the same time we are convinced that the stated military demands reflect a real defense need, and that the delays in purchasing this material are occasioned by a very real problem in availability of funds.

The military services are naturally concerned over the increasing costs of their purchase of aviation gasoline, while most of the commercial avgas, both domestic and export

continue at controlled normal prices. It has been PAD's position, aside from any basic issues involved, that the situation does not warrant the establishment by government of the complicated mechanism which would be required to allocate higher costs to all users. At the same time we maintain that the petroleum industry can at extra cost produce the aviation gasoline demands of all users without undue hardship to any segment of the economy. For this reason, barring unforeseen developments in the world situation, we do not foresee a need for allocation of civilian aviation fuels.

This is what you can do to help keep this situation from reaching a point where drastic action will be necessary:

1. Make sure that your alkylation unit is doing all it can. If you need outside feed stocks PAD stands ready to help you find them. Sometimes alkylation units stand idle or operate at reduced capacity while cat crackers are down for turn-around. Perhaps this can be avoided.

2. If you don't have an alkylation unit, but can supply BB fractions or butylene polymers, let PAD know, since additional stocks are needed.

3. If you can produce high quality base stocks, let us know. We are particularly anxious to obtain high 3 C octane components such as catalytic reformed stocks. The production of such materials may assure a year-round outlet

for some of your gasoline production.

4. Take another look at your various other possibilities for increasing avgas production. There is always room for improvement.

5. Take a close look at your completion schedule for alkylation units and supporting facilities. PAD will assist wherever possible in giving you materials assistance especially when some particular items may be holding up completion of the job.

This about completes our story on the current avgas situation. Now what about our wartime picture? Industry is now building or preparing to build enough capacity to meet the initial wartime aviation gasoline requirements which were anticipated only a year ago. Most of this has been done without benefit of the alkylation facilities contract which was described to you last July. The trouble is that the wartime requirements have been increased, and we are now short 30--40,000 B/D for a minimum. We think that the industry will find it desirable to build some of this capacity for their own economic reasons. In the interest of national security we urge you to proceed promptly on any such projects, whether they be new units, rehabilitation, or bottleneck removal jobs. We believe that you will find that the expansion which you now have underway will be needed for some years to come for the production of aviation gasoline, and that your

investment in these facilities will be justified. At the same time we cannot accurately forecast the economic picture for the full additional capacity which must be built to protect against an emergency, since future developments may show even higher peacetime requirements that we now anticipate. You have not utilized the alkylation facilities contract to any great extent in the substantial expansion program which you have undertaken. Its provisions obviously were not attractive to you and were not needed to induce you to go ahead with the projects.

The phase of expansion which we are now after, the extra wartime capacity, will require a somewhat different approach. In cooperation with the ASPPA, PAD is attempting to establish a realistic and practical approach to this problem which will get the job done by Industry. The basic approach will be to obtain the necessary flexibility in the contracts to permit working out mutually acceptable arrangements with refiners, but of course with all concerned playing under the same house rules. It is PAD's belief that the job can be accomplished in this manner. We intend to continue our efforts in this direction until a procedure is worked out which will get the necessary capacity under construction.

This is what you can do now to help further this program:

1. Start construction promptly on any alkylation expansion which you have in your long range program.
2. Look over your present facilities and initiate bottleneck removal programs.
3. Take another look at your refineries to determine whether you can justify additional alkylation units from your own economic considerations.
4. Take a look at any other locations where feed stocks for alkylation will be available. It appears likely that some of you will be asked to construct alkylation units, at Government's risk, at some of these locations.

Thank you. (Applause)

MR. DAVIS: Mr. Keeler is making his last appearance as director of Refiners, and I assure you his absence will be felt and he will be missed. I mentioned a moment ago that the materials situation was very confused, and the subject of decontrol was kicked hither and yon. But I would like to ask Mr. Harris Bateman, Director of the Materials Division, to make a few remarks on that subject. Mr. Bateman.

MR. ^{Harris} BATEMAN: Mr. Chairman, Gentlemen, Decontrol of materials has again become an active subject. I thought you would like to know what is being said here about it and to learn what is being planned for the future.

You probably know that decontrol plans were being made just before the steel strike and when the strike came

any plans for decontrolling steel were shelved. Until now, nothing further has been done toward decontrolling the other two controlled materials - copper and aluminum - as presumably the situation on these did not warrant it.

A plan under discussion in June has been revised to bring it up to date and it is being seriously considered by the Washington agencies at this time. The plan was developed by a group in the Defense Production Administration, headed by Mr. Truppner.

A meeting of the Government's Production Policy Committee was held December 1, Mr. H. H. Fowler, head of the Office of Defense Mobilization presiding, to discuss decontrol, and in particular the Truppner Plan, and another plan proposed by the steel industry. In brief, the Truppner Plan contemplates extending existing controls until the first of July, next year, but modifying them substantially after that. Beginning then, both military and Atomic Energy Commission requirements would be handled by a controlled materials plan, such as we have now, but everyone else would be from under controls except where shortages required special allocation or priority help. There are a lot of details written into the plan, such as open ending in the first and second quarters to allow anyone to buy mill production not covered by CMP tickets; also, under what conditions a shortage would be recognized and controls put on

material involved, and the like. However, you can appreciate that the Truppner Plan in substance will continue the framework of controls, so that they can be put back into effect generally, in case of need. It will guarantee that the Military and Atomic Energy Commission will get what they need but at the same time hold them to an approved program, and, in addition it proposes a means for taking care of unusual shortages.

The Truppner Plan contemplates, of course, that Defense legislation will be enacted extending controls beyond June 30, when the present act is due to expire. It is the prevailing opinion here that this will be done.

In sharp contrast, the Steel Plan, which was worked out by the Steel Industry Advisory Committee, proposes that formal controls, as we now have them, will be terminated at the end of the first quarter. In the second quarter, steel mill production directives, the set-asides for military and Atomic Energy Commission, and special Assistance procedures would be continued for as long as the Advisory Committee recommended. Presumably these control devices could be continued indefinitely but the apparent expectation is that they would be dropped by July 1, if not before. In other words, the steel industry wants to get back the control of its business and have the controlling done at home rather than here in Washington. In this way the users of steel would be on their

own and it would be up to each to make his own arrangements to obtain supplies.

In the Production Policy Committee meeting both the Truppner and the Steel Plans were discussed, with the Truppner Plan receiving generally favorable comment, although a number of revisions were suggested. If the sense of that meeting prevails, it is apparent that some controls are wanted and will be continued, at least until the end of the second quarter, 1953.

At the conclusion of the meeting Mr. Fowler asked Mr. Truppner's group to revise its plan to take into account the suggestions for changes that met with approval in the meeting. The revised plan is then to be circulated among the agencies and, if accepted without comment, it will be passed along to the new Administration for such action as it cares to take. This seems to me to be a logical decision in that the new Administration will assume the problems of defense in a very short while and should be allowed to make its own decision on the future of controls. It is generally agreed that it is unnecessary to take any action on decontrol prior to January 20, even if controls were to be dropped, say, at the end of the first quarter. On the other hand, if controls were dropped now it would be most laborious and a slow process to put them back into effect, if the new Administration wanted this done.

So you can see the question of decontrol is still in the air and will be a subject for conversation and planning for some time to come. It is therefore important for us in PAD to know what the sentiment of the petroleum industry is on the subject. In order to ascertain that sentiment, Mr. Foree, who will speak next, held a meeting yesterday with oil and gas association representatives in regard to continuing oil country tubular goods controls.

In the meantime we are going ahead to work out, in the regular manner, material requirements for the petroleum industry in the second quarter of 1953. Tentative figures were given out by DPA yesterday, which indicate that we will get less than stated requirements, but about the amount granted in the third quarter of this year, which is the last full quarter we have had. Reductions will probably be made in tubular goods and in large diameter line pipe to bring the allotments in line with probable mill production. These reductions will be substantial because the expected demand far exceeds the supply. Other materials may be reduced in quantity nominally, but programs should not be much affected.

Thank you. (Applause.)

MR. DAVIS: Bob Foree has been carrying on a running fight with anyone who will fight with him on the subject of oil country tubular goods. I would like to ask Bob to talk to you on that subject now.

MR. FOREE: Thank you, Mr. Davis.

Mr. Chairman, ladies and gentlemen, I really had something to fight about. This tubular goods matter will require all of your time, if you do any good, and I haven't been able to do any good in a year.

We had a meeting, that is the one that Mr. Bateman referred to yesterday, with 20 representatives of 22 oil and gas associations from all over the United States. We asked them to come in to talk about the desirability and feasibility of decontrol of oil country tubular goods. I can truthfully say that they were all in favor of decontrol in principle, and some of them decontrol period. They, just a few of them, wanted to wind it up yesterday. The meeting lasted about like the council's meeting, and it started about ten o'clock and I think it wound up about one-thirty. We had a few visitors from NPA there who I have been sparring with for some time, trying to find out what the capacity was to make tubular goods in the United States. They were somewhat helpful.

I think we got over to them that there was a shortage of oil country tubular goods.

Now, what they will do about it, I don't know. There were a few suggestions that came out of the meeting. One was by an industry man. He suggested that the way to cure the oil country tubular goods was to build a mill with the

capacity of a million tons a year of line pipe, and thereby relieve the seamless mills of the line pipe that they are now making. I don't know that the industry is interested in that, but with capacity that we now have, as I estimate it, with the line pipe that is being made and will continue to be made in these seamless mills, I see no chance of balance between demand and supply in tubular goods in 1953.

That is, of course, based on your continuing to drill wells, even at the rate you did in 1952. There were representatives of the major companies and they expressed themselves that the majors both thought it desirable to decontrol this time and that it was feasible. Those representing the independents, quite a few of them thought that they would put a lot of if's in it, if the emergency stockpile is continue, if the supply and demand is in balance, if Eisenhower doesn't come back with plans for increased activity. The independents, a lot of them, expressed fears that they might not be able to get as much pipe with the free as they are now getting. I believe the meeting wound up, the general consensus of the meeting was, that we delay the matter for some time, talking about it in the near future.

There were three objections to that, however. There was a preponderance in favor of waiting until the new administration comes into being, and taking a better look at the demand and the supply.

Now, I will give you a little run-down on the first quarter, the first quarter of 1953, as far as new tubular goods production is concerned, is no better than the third quarter or second quarter of 1952. In fact, it is just a little less. There will be available to the domestic industry in the first quarter of 1953 casing and tubing in the amount of 359,565 tons. That is electric weld and seamless pipe. Added to that for the first quarter will be spiral weld in the amount of 3,875 tons, lap-weld at 10,850 tons, plain end mechanical tubing, 13,825 tons, and 30,000 tons out of M-6-A stock.

This material got into M-6-A stocks because of the fact that third quarter orders did not take up all of the time of the mills during the fourth quarter. I think there was an average loss of 80 days which left about ten days supply of time, and that material was moved into the M-6-A stocks and has been allocated in the first quarter.

The total allocation for the first quarter is 418,115 tons. I don't think the 30,000 ton withdrawal of M-6-A stocks can be repeated. I hope that the plain end mechanical tubing will be repeated. I hope it will be increased.

As I mentioned, the first quarter will be a little lighter than the third or second. That was due primarily to the Pittsburgh steel company's eliminating from their plants

their big seamless mill. That mill is being torn down and moved to another location, and it will be in operation probably in the first quarter of 1954. In as much as this is my last report to you, gentlemen, and although I took this job under duress a year ago, it has been a pleasure to serve your needs. My work with you in staffing, you have been very cooperative, very cooperative. You have cooperated in every respect and helped me in every respect. My judgment of the oil industry and the men of the oil industry has always been that they are tops. My experience in dealing with them on their applications quarterly has confirmed that judgment.

There have been very few in the oil industry who have tried to misuse or pressure the production division of PAD. It has been a pleasure to serve under Bruce Brown and under Ed Warren. I would recommend that any that you might send to PAD in the future, their experience in PAD will profit them and profit you.

Now, if the Production Division of PAD this year has functioned as it should have, the credit of it goes to those men who are working in the Production Division, 17 men from your various companies. They average 15 years in the oil business. They have done a marvelous job in hard work, in integrity and honesty.

I thank you, Mr. Chairman. (Applause)

MR. DAVIS: I think it is time now to ask you

members of the Council if you would like to direct any questions to the work of PAD.

CHAIRMAN HALLANAN: I think that is true, and the Chair recognizes Mr. Russell Brown.

MR. RUSSELL BROWN: Mr. Davis, I have been very much interested in the report of your men. You have apparently a very capable group of men talking to another capable group telling them mostly of our failings. I mean, we can't make the production program which you set up, which I am happy you announced, we can't get the aviation gas, we are not doing quite the refining business we should, and we can't get the steel we should.

I wonder if price controls serve any useful purpose in your judgment.

MR. DAVIS: With respect to the programs that we have developed, we have had three occasions in the history of PAD that I recall where price control was a significant factor in our work.

MR. RUSSELL BROWN: You mean it helped you?

MR. DAVIS: Would you like me to name them?

MR. RUSSELL BROWN: I am not talking about history. But I am talking about this time.

MR. DAVIS: You mentioned drilling. Oil country tubular goods has been in very short supply ever since PAD came into existence. There are two principal factors in the

drilling of wells for 1952.

MR. RUSSELL BROWN: I am speaking of price controls on oil industry products.

MR. DAVIS: I am coming to that by trying to explain the relation of our program, which I thought the question was, to prices. Oil country tubular goods: There have been two things that happened this year. First, we had the steel strike and second there hasn't been enough capacity, apart from the strike, to satisfy the demand for the drilling of wells.

Now, had it not been for the steel strike, there is every reason to believe that the rate of drilling for the first quarter of this year, which was approximately 50,000 wells per year, would have continued at that rate. But in answer to a question on that, I think not.

MR. RUSSELL BROWN: You think at this time it is serving a useful purpose; price control, that is?

MR. DAVIS: That is a question which, of course, deals with the stabilization of the economy and, so far as the work of the Petroleum Administration for defense, whenever price is interfering with the work of PAD in discharging its responsibility, we have endeavored to take action in regard to it.

MR. RUSSELL BROWN: That raises the question I was getting to. You are not going to get your drilling program

finished as you scheduled it, in my judgment, unless you do have price controls off. Now, I am wondering what would enterfere with your office, because it is the responsible office on production of petroleum, of recommending that the controls be taken off of petroleum. That is what I am getting around to.

MR. DAVIS: Well, Ed, do you want to help me out on this?

MR. WARREN: "Well, First, I want to say this, that I , like Bob Foree and many others, get my principal source of income from production. In fact, all of it, except my government check. I, as President of the IPAA, was a strong advocate for increasing the price of crude on the basis of the equities involved, and the fact that we were producing more of our oil. But when I came into PAD I assumed another role, and I might say I divorced myself from my business interests and I felt that I had to take a balanced look at the entire program. I looked at our job. As a matter of fact, on all of these price matters I have tossed the ball to the rest of the organization on account of my previous association. I don't mind stating personally that as far as price controls are concerned, I think in the petroleum industry that the imposition of controls probably unbalances the situation as much as if they were removed, and some of our supply problems would be much less. But speaking for the agency, we have

certain delegated responsibilities, and those responsibilities have to do with supply. There have been three occasions when we had immediate shortages in which we can point to prices. The mere fact that we say that prices are too low or not correct doesn't mean that anything will be done about it.

Mr. Putnam's department in OPS has that responsibility. I have felt, as far as oil country tubular goods were concerned, when 20 per cent of the pipe put in the ground last year was high cost pipe, ranging over 20 per cent more per ton, that we still have within the industry a high desire to drill wells. That hasn't been true in California and we have so indicated that. But as far as the price situation is concerned, we have tried to preserve our situation in government in such a way that we couldn't be criticized.

When there is a price situation which was interfering with supply, our responsibility, we have gone to bat. But I might tell you that we have been criticized, and other agencies have been, and while we are certainly soliciting one industry's support, we are still trying to do a job for the government and trying to get along. I don't know beyond that what I can say, except when price is interfering that we go over there. If we had the responsibility of price, I think that would be something else, too.

Are there any questions?

MR. RUSSELL BROWN: The question I asked was, does price control help you in your program?

MR. WARREN: As far as PAD program is concerned?

MR. RUSSELL BROWN: Yes.

MR. WARREN: My answer to that would be no.

MR. RUSSELL BROWN: Then the next question may I ask you, and I was interested in your statement, we had spent extra prices for casing and tubular oil country goods. If they had more money might there not be more of that done to get these wells drilled? You are not getting your wells drilled.

MR. WARREN: Well, Russell, I said 20 per cent. That is coming from foreign. Bob can give you those figures on foreign and conversion. It is our feeling that they spent \$350 per ton in casing. I think that is dropping off and I think the condition may be changing. But it will be a matter of degree and a very hard one to make.

MR. BRIGANCE: Mr. Warren, I would like to pose a question. Yesterday in this meeting it was brought out that we had 350,000 tons of idle mill capacity, of which 85 per cent was TNC finishing capacity. Do you think that if, dealing with price control rules, the mills were permitted to increase their tonnage prices, say, \$5 a ton or whatever was necessary, that that 350,000 tons would not become available to this industry and get away from some of our

imports and some of our so-called conversion?

MR. WARREN: Well, of course, on conversion pipe, there haven't been any controls except as to cost of the conversion when conversion pipe has been up to a hundred dollars a ton over mill pipe on the average. But I am not certain on your figures on capacity. I want to tell you this oil country tubular goods capacity is the most confusing problem I have ever tried to tackle. We have a study that has been made by NPA right now, that was mentioned yesterday, that will have something to do with that. Bob, do you know of any excess capacity as far as pipe is concerned, and do you know of the man that would take care of it?

MR. FOREE: I think there is approximately 200,000 tons of excess capacity but it would be conversion pipe, and it would be plain end, most of it would be. I think that is in the Gary mill of the National Tube Foundry.

MR. BRIGANCE: This was from the steel industry yesterday. I assumed that that gentleman knew what he was talking about, when he called numbers. He also said that 85 per cent of that was the TNC capacity. That followed the question, and I may be out of line being a freshman member of this body, by injecting this at this time, but to me if we are going to drill wells, we are going to have to have materials. Of course, realizing that we have to have something to drill those wells with, first. But when that number was

brought out, it was so astonishing to me, that in the shortage of such a critical material for a defense program, to permit that condition to exist, if we had to give them a little more money per ton.

MR. FOREE: Let me say I have been nine months trying to push that figure out of them and I have to have a little time to analyze it. It has taken nine months to get that figure. I am sure part of that is conversion. I know 200,000 tons of conversion space is on the Gary Mill at this time. But whether it could be threaded or not, I don't think it could. I am going to try to get a breakdown of that 300,000 tons and try to get a breakdown of all of the rest of it. Maybe we can get a look at this thing and put that to work. But that is what we are trying to do.

CHAIRMAN HALLANAN: Any further questions, gentlemen?

MR. WARREN: I think that sums up our PAD presentation here today, I want to thank you for listening so attentively. I believe that within the next month or two that the policies regarding the future PAD will be pretty well resolved.

Mr. Chairman, I will change the meeting back to you.

(Applause)

CHAIRMAN HALLANAN: Gentlemen, this meeting today is a little bit off schedule from what we have previously followed. It is a meeting which ordinarily would have been

held, and the activities of a good many of those in public life as well as members of the council, I deferred the meeting of the council, after consultation with the Secretary of the Interior, until after the great referendum of November 4, and later to avoid conflict with other meetings such as the API.

Under our articles of organization it is provided that the Council shall hold an organization meeting annually, immediately after their appointment to membership on the Council, and with that provision, we have been previously meeting in the latter part of January, following the appointment of the new Council. But I should like to ask for your thoughts and reactions to the suggestion that instead of calling a meeting of the Council so promptly in January, which is the time that the new administration will be coming in, and new policies will be in the course of formulation, I would like as a continuing officer in the interim to defer a calling of the meeting of the new Council at least until March. I think by that time we will, of course, have had some definite views as to what the attitude of the new administration will be with relation to the Council and to the matter of controls and other things which have been discussed here today. I would like to ask whether or not that would meet with the approval of the Council. //

MR. MATTEI: I so move.

MR. ALTON JONES: I would suggest that we move it

subject to the call of the Chair. It seems to me, Mr. Chairman, we will leave it to your discretion.

CHAIRMAN HALLANAN: It might be, of course, that something would come up that we would like to call it later or earlier.

MR. MAJEWSKI: The Secretary said he was going to appoint a council, not necessarily any of us, but I assume that the law of averages will show some of you will be on it. But I think it is pretty nice, and we don't want to embarrass the new Secretary of the Interior, that on behalf of the Council you tender to him the resignations of all of the appointees so he will not be embarrassed. He might want some other Joes on here, and I think it is pretty smart leaving it to you to tender on behalf of the Council the resignations of all members appointed so he is not embarrassed, along with leaving in your hands the time for a suitable meeting. He is going to appoint a Council, he said, today, for the year 1953, and I don't want to be in a position, being still a Democrat, of voting sensibly, of embarrassing a new secretary.

MR. JACOBSEN: I don't think it will embarrass the new secretary, but I think it might embarrass the old one, if he appoints you on Monday and you quit on Tuesday. Let's have the next call for March, if you like, but have it on the understanding that the Chairman could call us, if he so

wants.

CHAIRMAN HALLANAN: The Chairman, of course, will exercise that right in any respect. But I did want to advise the Council as to the change of schedule from what it has previously been, and the reason therefor.

MR. MAJEWSKI: I agree with that entirely.

CHAIRMAN HALLANAN: It seems to me it would be of very little use for us to come here the latter part of January with the new administration coming on, that we would rather take a little more time to find out what course we are going to travel. If there is no objection to that, the Chair will consider that that is the wish of the Council.

Mr. Majewski, I would think it would be embarrassing, and certainly I would not assume the authority to present the resignation of any appointed member of the Council, but I do have in mind that after the new secretary has taken over, that I shall arrange an appointment with him, to sit down and discuss the situation with him, about the Council, as to his views about the functioning of the Council, and then have that opportunity to give the Council the information.

MR. MAJEWSKI: I believe it is a little presumptuous on my part or anybody else's part, thinking we might be appointed.

CHAIRMAN HALLANAN: Secretary Chapman suggested this morning that he might desire to talk informally with

some members after the adjournment of this meeting. I would like to suggest an informal committee of Mr. W. K. Warren, Mr. Russell Brown, Mr. Majewski, Mr. Howard Marshall, and Major Parten, to call on him after the adjournment of the Council and discuss with him any matter which may be appropriate.

Now, gentlemen, that concludes the agenda for this meeting. We have been shooting at 1:30 as an hour for adjournment. You will bear in mind that Mr. Jones wishes to have a meeting of the Committee on Government Personnel, a short meeting back in that corner, Mr. Jones?

MR. JONES: It will be very brief, and I understand one other gentleman is going to be here for Dr. Wilson.

CHAIRMAN HALLANAN: Mr. Jennings, I am certain that the press, of course, would be interested in having some report on your committee's report on the Bunker C fuel situation. Do you wish that to be deferred until a later time, until you have an opportunity to amplify the paragraph which Mr. Robineau referred to? I know they will wish to talk to you about that report, and I would like to know what you want to say to them.

MR. JENNINGS: I spoke a little while ago to Mr. Brown and suggested that if the press asked about it they simply be told that an amendment had been suggested from the floor, and that that report would be made public within

a matter of ten days.

CHAIRMAN HALLANAN: The report will be released at a later time?

MR. JENNINGS: Yes.

CHAIRMAN HALLANAN: Is there any further business, gentlemen, before we adjourn?

MR. GERNERT: On this committee that you have just appointed, I would like to make one comment in behalf of some of the independent operators in the Rocky Mountain area. This critical situation in fuel oil in district 2 and 4 is not only having an effect on market situations, but is certainly having an effect on the price of crude oil in the Rocky Mountain area. As you know, probably 60 or 70 per cent of the reserves in the State of Wyoming was low gravity group, and selling crude oil at 19 to 21 gravity which was different from the prices in district 2 and 4. There have been several examples where due to this situation, and contracts have been in effect, we have in the spirit of cooperation have had to consent to cuts in our crude oil prices. A lot of the oil at the present time was being sold at \$1.10 a barrell, for that reason. That is why we think it does have a bearing on the production end of it as well as the market.

MR. BAKER: This suggestion the gentleman makes raises a real question on the appointment of this committee. I don't believe that, frankly, the appointment of a committee

to discuss what the Secretary suggests or anything about that line, is in order, because our articles or organization contemplate that the Secretary shall submit his questions to the Council, and that the matters shall be before the agenda committee and shall be presented to the Council itself for action. It isn't contemplated that the business of the Council be conducted by the committee this morning to discuss matters with the Secretary. Therefore, it seems to me that a committee of this kind is really -- I don't know what it will do, but if it does what the Secretary is suggesting, then it is outside the articles of organization of the council.

CHAIRMAN HALLANAN: Mr. Baker, following the suggestion that the Secretary might desire this committee to meet with him informally, to discuss some of the matters which he may have in mind, bearing upon a wide field, and which might later result in an inquiry being directed to the Council, this committee isn't appointed to deal with any specific matter. It is only to talk to him informally. It might be about the make-up of the new council, it might be about any varied number of things. But I see no objection to the committee going to sit down and talk to the Secretary on some things that he may wish to submit formally to this group, through the procedure set up in our articles of organization.

MR. BRUCE BROWN: I wasn't as attentive as I perhaps

should have been, and I don't know what the record will show, but my distinct impression of what the Secretary meant was that we wanted to talk to the agenda committee. If the secretary wants to talk to the agenda committee, I am sure he wants to oblige them.

MR. JACOBSEN: That was not the case. I wonder if I may suggest this. You name the committee and state in the record that if they are agreeable to accept that charge, fine, but they do not represent the Council. They speak to the Secretary in a private capacity, and make it a matter of record that they do not appear as representing the Council.

MR. BAKER: Mr. Chairman, that is just the point. If the members of the industry want to meet with the Secretary, well, that is all right, it is perfectly all right for him to call on anybody he wants to call on for advice. But I don't believe that under the machinery we have established here, that it is appropriate to appoint a committee to visit with the Secretary. Mr. Jacobsen's point that they are not acting for the Council makes it all the more reason why the Council shouldn't appoint them.

MR. BLAUSTEIN: I didn't understand him to say that he wanted to meet with the committee. I rather understood him to say that based on the discussion that had taken place, he would be receptive to having them meet with him. That is

the way I understood it.

CHAIRMAN HALLANAN: Some of the members of the Council have interpreted that to mean that they would be invited to come and talk with him informally. Of course, I appreciate exactly what Mr. Baker has in mind, but I disagree that there would be any transgression of this in view of the fact that this secretary is retiring, and this is his last meeting before the Council, and if some of the members want to go and sit down and talk with him informally about some of the problems, I frankly do not believe it would be a violation of our rules of organization.

MR. MAX BALL: Mr. Chairman, would it solve the difficulty to use a little different words, and for you to say that instead of you saying "I appoint a committee," I would suggest that if anyone is going from the group to talk to the Secretary, so and so and so be included in the group.

CHAIRMAN HALLANAN: In response to his invitation, Well, I am perfectly willing to change the language.

Mr. Majewski, what is your feeling about it?

MR. MAJEWSKI: My feeling is that we are ducking the point. I expected Hines to say this, and I expected him before he got up to say it. The man said he didn't want to discuss this subject here, but if you wanted to discuss it with him up in his office, we could do it. He didn't say he would agree. He was very wary at this time of doing

anything. I assume if he wanted to find out about the submerged lands, you would convey to him somehow that you wanted to talk about it. I know how some of these things get on the agenda, but does it all come because he thinks of them? No, sir, it is suggested to the fellow. I want to be a practical man. When you suggest submerged land, when you suggest productive capacity, then don't take such an affront when you are suggesting this. I think I know about that charter in the council, I was one of the guys that helped write it. But every time we begin talking about it, when the rug cutting starts taking place, you know what we do with it? That old charter is waving at us that we can't do it. I am going back and deal with the Republicans again.

CHAIRMAN HALLANAN: Is there any further discussion?

Mr. Jones moves we adjourn?

MR. JONES: I do.

(The question was called for, and the motion was put to a vote and carried.)

. . . . Adjourned at 1:40 o'clock p.m. . . .