

TRANSCRIPT OF PROCEEDINGS

In the Matter of:

NATIONAL PETROLEUM COUNCIL MEETING

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NATIONAL PETROLEUM COUNCIL MEETING

Washington, D.C.

May 28, 1953

The National Petroleum Council met at ten o'clock a.m., in Hearing Rooms A and B, the Departmental Auditorium, Washington, D.C., Walter S. Hallanan, Presiding.

PRESENT:

Robert O. Anderson

Hines W. Baker

Max W. Ball

Munger T. Ball

Paul G. Benedum

Fred G. Bergfors

Jacob Blaustein

F. W. Brigance

Bruce K. Brown

Russell B. Brown

M. D. Bryant

H. J. Hayes

(Alternate for H.S.M.Burns)

Robert A. Colley

PRESENT - continued

Howard A. Cowden

Stuart M. Crocker

John F. Cummins

J. C. Donnell, II

Fayette B. Dow

Warwick M. Downing

Wesley E. Downing

Sidney Swensrud

Otis Ellis

James P. Dunnigan

Paul Endicott

Irving Goldman

R. G. Follis

A. A. Stambaugh

Hial B. Gernert

B. C. Graves

B. I. Graves

Walter S. Hallanan

Claude Brown (Alternate for Jake Hamon)

George J. Hanks

B. A. Hardey

R. H. Hargrove

John Harper

PRESENT (Continued)

Harry B. Hilts.

D. A. Hulcy

A. Jacobsen

B. Brewster Jennings

W. Alton Jones

Paul Kayser

Roger Johnson (Alternate for Wm. Keck)

Richard Gray Lawton

J. Sales Leach

John M. Lovejoy

John F. Lynch

Charlton Lyons

L. F. McCollum

Edward Paul (For W. G. Maguire)

B. L. Majewski

J. Howard Marshall

M. R. McArthur (for Glen Maynard)

S. F. Niness

Jack Cox (For Maston Nixon)

Ralph Booker (For J.F. Nolan)

John F. O'Shaughnessy

J. R. Parten

Wm. T. Payne.

Frank M. Perry

PRESENT - continued

- Joseph M. Pogue
- Frank M. Porter
- Walter R. Reitz
- Elmer Batzell (For M.H. Robineau)
- J. French Robinson
- Roland V. Rodman
- Don O'Hara (For A. W. Scott)
- P. C. Spencer
- Clarendon E. Streeter
- Reese H. Taylor
- Roy J. Thompson
- W. W. Vandever
- S. M. Vockel
- William K. Warren
- L. S. Wescoat
- John H. White
- Robert E. Wilson

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CHAIRMAN HALLANAN: The Council will please come to order.

Members will please take their seats.

I think I should state that when Jim Brown and I consulted about the date for this meeting we also consulted the almanac and we selected a date when we knew we were going to have this kind of Washington weather. So I want the proper credit for it.

The Secretary will please call the roll.

SECRETARY BROWN: Mr. Anderson?

MR. ANDERSON: Here.

SECRETARY BROWN: Mr. Baker?

MR. BAKER: Here.

SECRETARY BROWN: Mr. Max W. Ball?

MR. MAX W. BALL: Here.

SECRETARY BROWN: Mr. Munger T. Ball?

MR. BALL: Here.

SECRETARY BROWN: Mr. Barton?

Mr. Benedum?

MR. BENEDUM: Here.

SECRETARY BROWN: Mr. Bergfors?

MR. GERGFORS: Here.

SECRETARY BROWN: Mr. Blaustein?

MR. BLAUSTEIN: Here.

SECRETARY BROWN: Mr. Blazer? Mr. Boyd?

Mr. Brazell?

Mr. Bridwell;, Mr. Brigance?

MR. BRIGANCE: Here.

SECRETARY BROWN: Mr. Bruce K. Brown?

MR. BROWN: Here.

SECRETARY BROWN: Mr. Russell Brown?

Mr. Bryant?

MR. BRYANT: Here.

CHAIRMAN HALLANAN: Mr. Bryant, will you please stand? I want to introduce to the Council a new member. Please come up here, Mr. Bryant, an old friend of mine and a new member of the Council who is the new President of the Texas Independent and Royalty Owners Association from San Antonio. (Applause)

SECRETARY BROWN: As I proceed with the roll if there is an alternate present for a member, would he be kind enough to give his name so we can have it for the record?

Mr. Burns?

MR. HAYES: F. J. Hayes, Alternate for Mr. Burns.

SECRETARY BROWN: Thank you, sir.

Mr. Coleman?

Mr. Colley?

MR. COLLEY: Here.

SECRETARY BROWN: Mr. Cowden?

MR. COWDEN: Here.

SECRETARY BROWN: Mr. Crocker?

MR. CUMMINS?

MR. CUMMINS: Here.

SECRETARY BROWN: Mr. DeGolyer?

Mr. Donnell?

MR. DONNELL: Here.

SECRETARY BROWN: Mr. Dow?

MR. DOW: Here.

SECRETARY BROWN: Mr. Warwick M. Downing?

MR. DOWNING: Here.

SECRETARY BROWN: Mr. Wesley Downing?

MR. DOWNING: Here.

SECRETARY BROWN: Mr. Drake?

MR. SWENSRUD: Sidney Swensrud.

SECRETARY BROWN: Thank you.

Mr. Duke?

MR. ELLIS: Otis Ellis.

SECRETARY BROWN: James P. Dunnigan?

MR. DUNNIGAN: Here.

SECRETARY BROWN: Mr. Endacott?

MR. ENDACOTT: Here.

SECRETARY BROWN: Mr. Fisher?

MR. GOLDMAN: Irving Goldman, alternate.

SECRETARY BROWN: Thank you.

Mr. Follis?

MR. FOLLIS: Here.

SECRETARY BROWN: Mr. Fox?

Mr. Gernert?

MR. GERNERT: Here.

SECRETARY BROWN: Mr. B. C. Graves?

MR. GRAVES: Here.

SECRETARY BROWN: Mr. B. I. Graves?

MR. GRAVES: Here.

SECRETARY BROWN: Mr. Hallanan?

MR. HALLANAN: Here.

SECRETARY BROWN: Mr. Hamon?

MR. BROWN. Claude Brown for Mr. Hamon.

SECRETARY BROWN: Mr. Hanks?

MR. HANKS: Here.

SECRETARY BROWN: Mr. Hardey?

MR. HARDEY: Here.

SECRETARY BROWN: Mr. Hargrove?

MR. HARGROVE: Here.

SECRETARY BROWN: Mr. Harper?

MR. HARPER: Here.

SECRETARY BROWN: Mr. Hartman?

Mr. Hilts?

MR. HILTS: Here.

SECRETARY BROWN: Mr. Holman?

Mr. Hulcy?

MR. HULCY: Here.

SECRETARY BROWN: Mr. Jacobsen?

MR. JACOBSEN: Here.

SECRETARY BROWN: Mr. Jennings?

MR. JENNINGS: Here.

SECRETARY BROWN: Mr. Johnson?

Mr. Charles S. Jones?

Mr. Mason Jones?

Mr. W. Alton Jones?

MR. W. ALTON JONES: Here.

SECRETARY BROWN: Mr. Kayser?

MR. KAYSER: Here.

SECRETARY BROWN: Mr. Keck?

MR. JOHNSON: Roger Johnson for Mr. Keck.

SECRETARY BROWN: Mr. Lawton?

MR. LAWTON: Here.

SECRETARY BROWN: Mr. Leach?

MR. LEACH: Here.

SECRETARY BROWN: Mr. Lovejoy?

MR. LOVEJOY: Here.

SECRETARY BROWN: Mr. Lynch?

MR. LYNCH: Here.

SECRETARY BROWN: Mr. Lyons?

MR. LYONS: Here.

SECRETARY BROWN: Mr. McCollum?

MR. MCCOLLUM: Here.

SECRETARY BROWN: Mr. McDowell?

Mr. McGowen?

Mr. Maguire?

MR. PAUL: Edward Paul for Mr. Maguire.

SECRETARY BROWN: Mr. Majewski?

MR. MAJEWSKI: Here.

SECRETARY BROWN: Mr. Marshall?

MR. MARSHALL: Here.

SECRETARY BROWN: Mr. Mattei?

Mr. Maynard?

Mr. Mosher?

Mr. Nielson?

MR. McARTHUR: M. R. McArthur for Mr. Nielson.

SECRETARY BROWN: Thank you.

Mr. Niness?

MR NINESS: Here.

SECRETARY BROWN: Mr. Nixon?

MR. COX: Jack Cox, representing Mr. Nixon.

SECRETARY BROWN: Mr. Nolan?

MR. BOOKER: Ralph Booker for Mr. Nolan.

SECRETARY BROWN: Mr. O'Shaughnessy?

Mr. Parten?

MR. PARTEN: Here.

SECRETARY BROWN: Mr. William Payne?

MR. PAYNE: Here.

SECRETARY BROWN: Mr. Perry?

MR. PERRY: Here.

CHAIRMAN HALLANAN: Mr. Perry, will you please rise? I wish to present to the Council a new member, Mr. Fran, M. Perry who is the President of the Natural Gasoline Association of America of Bartlesville, Oklahoma.

We are glad to have you as a member of the Council. (Applause)

SECRETARY BROWN: Mr. Pogue?

MR. POGUE: Here.

SECRETARY BROWN: Mr. Porter?

MR. PORTER: Here.

SECRETARY BROWN: Mr. Pyles?

MR. REITZ: Here.

SECRETARY BROWN: Mr. Richardson?

Mr. Ritchie?

Mr. Robineau?

MR. BATZELL: Elmer Batzell for Mr. Robineau.

SECRETARY BROWN: Mr. Robinson?

MR. ROBINSON: Here.

SECRETARY BROWN: Mr. Rodman?

MR. RODMAN: Here.

SECRETARY BROWN: Mr. Rowan? Mr. Scott?

MR. O'HARA: Mr. Don O'Hara for Mr. Scott.

SECRETARY BROWN: Mr. Shannon?

Mr. Skelly?

Mr. Spencer?

MR. SPENCER: Here.

SECRETARY BROWN: Mr. Staples?

Mr. Streeter?

MR. STREETER: Here.

SECRETARY BROWN: Mr. Thompson?

MR. THOMPSON: Here.

SECRETARY BROWN: Mr. Vandever?

MR. VANDEVEER: Here.

SECRETARY BROWN: Mr. Violette?

Mr. Vockell?

MR. VOCKEL: Here.

SECRETARY BROWN: Mr. Warren?

MR. WARREN: Here.

SECRETARY BROWN: Mr. Wescoat?

MR. WESCOAT: Here.

SECRETARY BROWN: Mr. White?

MR. WHITE: Here.

SECRETARY BROWN: Mr. Wilson?

MR. WILSON: Here.

SECRETARY BROWN: Mr. Wrather?

CHAIRMAN HALJANAN: I would like to inform the

members of the Council that one of our members, Mr. John Wrather has written me that he is unable to attend this meeting because of two operations he had to undergo during the last several months because of some difficulty with his vision. I want to express to the Council his regret that he is unable to come. I hope it may be the wish of the Council that we may send him a telegram hoping for his early recovery.

(The motion was moved and seconded and carried.)

SECRETARY BROWN: Mr. Wright?

CHAIRMAN HALLANAN: Gentlemen, the minutes of the last meeting held on February 26, 1953 were mailed to the members some weeks ago. What is your pleasure?

(A motion was made to approve the minutes of 2-26-53 which was seconded and carried.)

CHAIRMAN HALLANAN: Next order of business is the Report of the Secretary-Treasurer, Mr. Brown.

SECRETARY BROWN: We have received since the first of the year up to and including yesterday contributions of \$107,275.

We transferred during that period from the reserve fund \$6,000; publications and other receipts \$89, a total of \$113,364 revenue that we received in.

The disbursements during the period were \$34,869.

Leaving net receipts over disbursements of \$78,494 so far this year.

We had at the beginning of the year \$7,998, leaving us now in the bank \$86,492 and we have in the Reserve Fund \$59,000.

CHAIRMAN HALLANAN: You have heard the report. Are we ready for the question?

(Motion was made, seconded and carried to accept the report of the Secretary-treasurer.)

CHAIRMAN HALLANAN: We now move to the order of business to receive reports of Special Committees.

Mr. L. F. McCollum is Chairman of the Committee on Petroleum Productive Capacity.

Mr. McCollum.

MR. L. F. McCOLLUM: Mr. Chairman and Gentlemen, attached to the reports which will be circulated to you in a moment is a chart that corresponds to the table No. 6 on page 23 of the report entitled "Petroleum Productive Capacity" by the NPC in January, 1952. This tabulation brings down to date as of the last of last year and of January this year the productive capacity and the production for the United States. In Mr. Stewart's letter of December 2, 1952 he stated: "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 data in that tabulation was prepared in a manner substantially the same as that used in preparing the report which all of you are familiar with.

Now when you turn to the tabulation, you will find that on the last of last year or at that time when Mr. Stewart requested this, the availability in the United States of crude oil totals daily 7,465,000 barrels; natural gas liquids 694,000 barrels, or a total availability from January, 1953 of all oils of 8,159,000 barrels.

That represents an increase incidentally of 859,000 barrels per day since the preparation of the last report. The production for the same period, January, 1953 daily average was 7,204,000 barrels.

Now by way of digression I might point out to you gentlemen who will recall that I believe the first availability report was made by the API, a committee of the API, in 1948, at that time some concern was expressed over the future availability of petroleum supplies.

A number of committees were chosen, representing the industry all over the United States and in their efforts to make these estimates they finally hit upon what they called a low and a high figure, the minimum of which might be expected in the future and a maximum. There was a lot of argument whether or not we could hit even the minimum figure and there is a lot of argument whether we could hit the

maximum figure. Those committees were composed of pessimists and optimists. Minor Jamison reminded me yesterday of the comparison of a five years with the estimate of five years ago and I will just recite the figures to you.

The estimate for this period, in other words, January, 1953, made five years ago was that the availability of total petroleum liquids would be, the high figure, mind you, 7,200,000 barrels a day. We find actually that the performance is some 900,000 barrels a day higher than the highest figure included in the API availability report made five years ago. Again emphasizing as a historical fact the industry is prone in estimating the figure as to what it can do, it is prone to estimate on the low side.

The last paragraph of the letter, transmittal letter I should like to read:

"It must be recognized, however, that the necessary expansion of petroleum productive capacity will require unremitting exploration and drilling activities. As has been stated many times in the past, the continuing provision of adequate supplies of petroleum, for civilian and defense purposes, will require 'reasonable economic incentives, adequate materials, and a favorable climate for private investment.'"

Mr. Chairman, that constitutes the Committee's report.

CHAIRMAN HALLANAN: Are there any questions, gentlemen, that you desire to submit to Mr. McCollum in connection with this report? Mr. Brown, do you have any questions?

You have heard the report submitted by the Chairman of the Committee? What is your pleasure?

(The report of the committee was unanimously adopted.)

CHAIRMAN HALLANAN: The report is unanimously adopted. Thank you very much, Mr. McCollum, for this fine job you have done. You and your committee.

Gentlemen, I now call on Mr. Wescoat, the Chairman of the Committee on Submerged Lands Productive Capacity.

This report represents a stupendous job that has been done in the preparation of the data, and research that has been made in connection with this report. I think it brings up to date the important factors relating to the offshore developments. I think it is a report of which this Council may well feel proud and a report that will have great and important use in the years that lie ahead as the development of this area takes place.

Mr. Wescoat.

MR. L. S. WESCOAT: Mr. Chairman and Gentlemen, the Chairman's statement with respect to the amount of work necessary

to complete this last section of the report on which a preliminary report was made in February I think will be quite obvious to you when you have had an opportunity to go through the report itself.

I might say in passing, Mr. Chairman, that I do not know of any other industry which would so freely turn loose the type of information which is shown in here and evidences the reason for our request for the further time to complete this part of the study.

As usual in a case of this kind the Chairman of the main committee does not do too much work. I think it is fitting that I should give you the names of the chairmen and vice chairmen of these groups who really have done this job, Floyd Bryant of Standards of California and Ernie Pyles of Monterey for the California Subcommittee study and Emerson Chester of Magnolia and Ben Bell of the Gulf in the Gulf Companies and they had with them the best oil brains for this purpose in those two sections of the country.

There was a great difference in the types of reports needed in order to outline fully the varying conditions at issue in the California Section and the Southwest Gulf Companies. Therefore the report consists of the basic report and those two reports of the subcommittee as exhibits which are really the report "X", the explanation. I think we should give Jim Brown and his staff a bouquet for the fine

job they have done in the last forty-eight hours in getting out this report which was amended and therefore required in a large part reproduction.

The studies contained herein will be of invaluable use to the Interior Department and to such companies as are hardly enough to operate in this area after reading the comparative costs of the two types of operation. I think one fellow said why are we such morons as to go out and operate in this Gulf area after we read these cost figures? I have not figured that out yet myself though we are out there. This is a supplemental report on the technological phases of the submerged lands requested by Mr. Stewart of the Oil and Gas Division.

He indicated that there was a vast difference in the magnitude and character of these operations with respect to the on-shore areas and requested that authoritative study be made of the availability of the off-shore reserves in terms of technological aspects.

Such studies have been made in the two areas indicated.

In accordance with the request, the studies by this Committee have been limited to a five-year period of time and based on the assumptions set forth by Mr. Stewart. It should be emphasized again that five years is an inadequate period in which to evaluate the contribution to future

supplies of oil and gas of a major new province, such as the offshore area.

Exploration and drilling within five years are likely to be more important in locating resources for future development than in providing immediate availability.

In connection with the request that this study be made without regard to ownership or title, it should be noted that the Committee has found it necessary to make the following assumptions:

(1) Existing leases will be confirmed;

(2) Additional leases will be granted on a basis which will encourage exploration and development of the entire offshore area and

(3) remaining unsettled questions regarding jurisdiction, leasing and other matters will be resolved satisfactorily and promptly. If these matters are not resolved promptly the estimates of availability that may be developed in a five-year period of time should apply from the date on which operations can be again carried on freely throughout the area rather than from today.

The request for this study deals with "Offshore submerged lands."

As the definition of the shore line is a controversial question, this committee has not attempted to define precisely where the offshore area begins.

Nor has the committee attempted to determine what per cent of the estimated available production will be from the area of the shelf restored to the states, or from the area of the shelf placed under the jurisdiction and control of the United States by the submerged Lands Act. It has, however, excluded from its estimates of availability production from fields considered to be in inland protected waters in Louisiana, such as Breton Sound, Main Pass, Rabbit Island, and South Pass, and from wells in California that are producing from beneath submerged lands but are located onshore or on piers.

The Committee estimates that as of January 1953 about 9,000 barrels daily were being produced in that part of the Gulf Coast which is offshore beyond question, exclusive of about as much more production at Breton Sound, Main Pass, Rabbit Island, and South Pass.

In addition, offshore availability in the Gulf Coast in January 1953 included some 1,500 barrels daily of natural gas liquids and between 100 and 135 million cubic feet daily of natural gas from producing wells connected to pipelines.

Outlook for Availability: While the entire continental shelf area of the United States, comprising 278,000 square miles, may be considered a prospective petroleum province, existing economic and technology limits prospective

drilling within the next five years to water depths of about 60 feet. At the present time, it seems probable that drilling in submerged offshore areas within five years will be limited almost entirely to about 14,000 square miles off the coasts of Texas and Louisiana covered by water depths up to sixty feet and to about 300 square miles off the southern coast of California, extending to the fifty foot water depth contour. Some exploration may be undertaken in deeper waters or in other areas of the continental shelf within the next five years, but the problems involved in such ventures will probably restrict their significance in so far as development of availability is concerned during the next five years.

About thirty per cent or more of the wells drilled may be expected to be dry holes. The remaining oil and gas wells drilled in submerged offshore areas might increase availability by about 70-100,000 barrels daily of crude oil and natural gas liquids and 600-800 million cubic feet daily of natural gas by the end of five years with the average success.

Such drilling activity would represent a resumption of the operations that were brought virtually to a halt in 1950 by the controversy between the Federal Government and the states over the offshore lands.

In addition to drilling operations in areas that have already been explored, there will be further exploration and drilling under satisfactory conditions for offshore operations.

In California, petroleum developments beneath submerged lands have been limited thus far to those that can be conducted by directional drilling from shore and piers extending from shore. Existing state laws in California have not permitted drilling of wells on offshore platforms, although there has been some offshore exploration. It is estimated that around 100,000 barrels daily of availability might possibly be developed from submerged offshore areas of southern California within five years after state laws are modified to permit offshore drilling and after all questions relating to offshore operations are satisfactorily resolved. No estimates have been made of the amount of gas that might become available in this offshore area, as attention will probably be concentrated on developing oil production during the first five years of operation and availability of gas will probably be dependent upon whether a major gas field is discovered.

The request for this study included an inquiry with respect to the amount of availability that might be developed "if a critical and immediate need develops for national security reasons."

The committee has considered this request but is unable to provide a numerical answer. The determining factors with respect to operations under emergency conditions will be the size and quality of proved undeveloped offshore locations at the time, but this cannot be predicted in advance. In the opinion of the committee, the estimates submitted herein are probably a good measure of the availability that may be developed within five years under either normal circumstances or emergency conditions.

Assuming adequate economic incentives, adequate supplies of materials and manpower, confirmation of existing leases, the granting of additional leases following satisfactory solution of the controversy over submerged lands, and freedom of operators to explore and develop this area, it is estimated that there might be developed with average success an availability from offshore submerged lands of about 170,000-200,000 barrels daily of crude oil and natural gas liquids and 600-800 million cubic feet daily of natural gas in five years of opportunity for experienced operators to conduct offshore activity freely under satisfactory conditions. These estimates are exclusive of production from California wells now producing from beneath submerged lands but located onshore and on piers and of production from wells in protected inland waters along the Gulf Coast.

Because of the time required to study and evaluate

a major new petroleum province of the size and importance of the submerged offshore area, it is the opinion of this committee that the major contribution of the submerged offshore area to the nation's supplies of oil and gas will come beyond the five-year period which it was requested to study. Drilling after the five-year period should increase availability rapidly because of additional development on discovered fields, improved techniques and later discovery and development resulting from continued exploration.

Potential petroleum resources of the continental shelf have been there for countless years without value to anyone. How valuable they can be made in meeting petroleum requirements will depend on the ingenuity exerted and success realized in finding and developing offshore oil and gas at costs competitive with those on land. In any event, great amounts of capital will have to be risked in exploration and drilling and in the case of discoveries, additional sums will have to be spent in carrying on producing operations and paying royalties over many years. These investments and expenditures may be more or less than the value of the oil and gas produced. The idea that the gross value of probable ultimate production is a measure of the worth of offshore petroleum resources is erroneous and should be avoided. Technological limitations may mean that only a part of the potential offshore resources will ever be

developed.

Even with respect to the part developed, the expenditures for exploration, drilling, production, and royalties will offset the gross income from production and determine whether and how much net income is realized as a return on the risks taken and the investments made in off-shore operations.

Respectfully submitted, Mr. Chairman. (Applause)

If there are any questions I will be glad to answer any that I can.

CHAIRMAN HALLAHAN: This report comes to you, of course, overnight. I know that you have had very little opportunity to study it. It represents a tremendous amount of work that has been given to the preparation of it. Mr. Wescoat has summarized the conclusions of the committee in a very comprehensive way. Are there any questions which any member of the Council would like to ask in connection with the report of this committee which is the final report of the committee?

MR. WESCOAT: Yes, it is the final report of the committee.

CHAIRMAN HALLAHAN: Are there any questions?

MR. HARDEY: I would like to ask as a matter of policy whether the data in this report would be restricted or open for publication?

MR. STEWART: This will be open.

This information was wanted very badly to provide officials with the basic facts comparing offshore drilling problems with onshore. I want to take this opportunity to compliment Mr. Wescoat and the committee for completing an excellent report and giving us an astonishing amount of usable data.

CHAIRMAN HALLAHAN: Thank you, Mr. Stewart.

MR. SPENCER: Mr. Chairman, may I say that I have not had a chance to read this entire report but I think it is an example of the benefit of cooperation between an industry and government and I think it is a very fine example of that relationship.

CHAIRMAN HALLAHAN: Are there any other remarks?

MR. MAJEWSKI: Mr. Chairman, I believe that it should be given the usual wide distribution as the Council has done with several other documents of this importance such as the one Mr. McCollum referred to in his presentation.

This should be printed and distributed as widely as possible because it corrects many erroneous impressions existing in the halls of Congress and in the minds of the public generally and we should give it the fullest and widest distribution without further delay. I move that.

CHAIRMAN HALLAHAN: The question at the moment, though, is upon the adoption of the report.

(Adoption of the report was moved, seconded and unanimously carried.)

CHAIRMAN HALLAHAN: Mr. Wescoat, the report is unanimously adopted.

Now, Mr. Majewski, what is your motion? That the report be given wide publicity?

MR. MAJEWSKI: That it be printed in the same form that the document on the productive capacity was printed and distributed widely not only through government channels but through the channels of the Council itself and I so move.

CHAIRMAN HALLAHAN: You have heard the motion.

MR. LOVEJOY: That, of course, is subject to its being agreeable to the Departments of the Interior?

In scanning this report hurriedly I do not see any names on there except Mr. Wescoat's. It seems to me in a study of this nature you should include the names of the main committee and subcommittee that probably did most of the work. I think it would add to the weight of the report and with no reflection on Mr. Wescoat. It should contain those names.

CHAIRMAN HALLAHAN: Mr. Lovejoy, that is a very fine suggestion. We will see that that is done in the finalizing of the report.

This was gotten out in one night and it represents

a great volume of work as you can well understand.

I agree that the names of all those who have had any part in the preparation of the report should appear in the report.

MR. JONES: Mr. Majewski's motion was to the point it should be given the same distribution we gave to the availability report.

I wonder if the secretary-treasury could tell us the item of cost.

SECRETARY BROWN: I wanted that opportunity. Thank you. I want to raise an objection to the wide distribution. However, I am your servant and it will get the distribution you want.

Now as to your question, Mr. Jones, we distributed 35,000 copies of that petroleum productive capacity report. It cost us nearly \$15,000.

I hope you will take into consideration the budget problem involved. It will cost more than that to do this job and we did not provide for it in the budget. I may say this, however, if it will help you in considering this motion, in view of the drawing content and maps, pictures, and so forth, we could not reproduce the pictures but you have another report coming that is equally as large. We have found you are getting beyond our equipment and facilities and I have

installed a new equipment, a multilith, that cost us \$2500.

We can handle this stuff in any volume now. I think actually if you will inspect it for its workmanship it is as good as can be produced. It was produced in our office. We can distribute widely and whenever the the facilities to do it any number of copies if we can do it in this manner with a nicer cover. If that type of reproduction is satisfactory we can handle any job but if you print it then will you take care of the budget matter please?

MR. JONES: May I suggest, Mr. Chairman, that Mr Wescoat's committee recommend to the Council the form in which this report should be distributed. I think you will accept that as an amendment to your resolution? I think the printing is unimportant as a detail but the important thing is to get the report in the hands of enough people.

CHAIRMAN HALLAHAN: I agree with Mr. Majewski that this report is of such a character and bears upon a matter which is of tremendous interest to all the people and about which there is so much misunderstanding that we should take every opportunity that we can to see that this report reaches those people whom it should reach. If Mr. Majewski is willing to leave the matter in the hands of the Chairman and the Secretary I assure him we will work out a process of distribution which I think will meet

what he has in mind.

MR. MAJEWSKI: I have the utmost confidence but don't get penurious. In my state I have a Senator named Douglas. He says there are "skillions" in this thing and I know he is a Professor of Economics, I want to remind you I have to have some information and I would like to see Wescoat's name displayed prominently on this so people in the Midwest can answer Douglas and a guy named Humphrey.

I say this advisedly. Why do we talk about \$20,000 a day when this document, you could not produce this for a million dollars if you hired people on the government pay roll?

The information would not be available. So why not open up and give the people of America the benefit of a document that you could not buy with money? Let's not get chicken about this.

MR. WILSON: I believe it should have wide distribution. I point out, however, there are a great many technical details that to give wide distribution to the full report with all technical details would probably be self-defeating because a great many people would say that is too big to do.

I have great confidence in the Chairman and Secretary getting the most value for the industry and government out of this but I would suggest that consideration also be given to printing a condensed version, this

summary is not quite enough, but a condensed version that would give the essential features to the average individual and this detail version to a relatively small number that want to know the full detailed facts.

MR. WESCOAT: I would like to confirm what Dr. Wilson said. There are many technical details in here which in my judgment would not be of interest to the public at large. I think, if it were edited to the point where the main factors could be readily understood it would be much more useful than to attempt to put out the entire report.

I also would like to say all these names were intended to be in this report and they have been inadvertently omitted. It was turned in on that basis but through the speed with which we had to get this out I presume they were dropped.

CHAIRMAN HALLAHAN: Mr. Majewski--

MR. MAJEWSKI: I am agreeable to any procedure that will get it into the hands of the public.

CHAIRMAN HALLAHAN: Mr. Majewski moves that the report be adequately publicized and distributed to the public. Is there a second?

MR. JONES: I will second it.

CHAIRMAN HALLAHAN: Are we ready for the question? All in favor signify by saying "aye." Opposed. It is

carried.

CHAIRMAN HALLAHAN: The motion is unanimously adopted.

Mr. Secretary, we kept you up pretty late last night. You do not show any apparent effects of it this morning. We are glad to have you here this morning to see your Council in action. As I said last night we do not always agree upon a lot of policies but when the Government asks us to do a job, which is represented in this request, we answer that call and we put to work the best minds and the best talents of the industry in providing that answer. We are very proud of what this Council has been able to do during the past six years since it was organized.

I think it may be of general interest to the Council as well as to you, Mr. Secretary, that some of our other industry leaders are looking with a good deal of jealousy upon what we have been able to accomplish here.

Just a few weeks ago I had a call from Admiral Morrell, head of Jones and Laughlin, who said that the steel people had decided that they needed an agency such as the National Petroleum Council to effectuate some of the very same things we have been able to do in a policy of cooperation with the government. He asked me if it would be satisfactory to come down and talk about the National Petroleum Council. He and some of his associates on the committee came to my office.

We discussed the situation very frankly. I went over with him our articles of organization, gave him a resume of the activities that we had pursued, the wide range of subjects which had been covered in our various reports, and he said they were tremendously impressed.

The Committee is now at work trying to work out something for the steel industry along the same line that we have pioneered here with in the Petroleum industry. It gives us an opportunity to feel that our work here has been appreciated and that other industries feel the necessity of following the same course that we have pioneered as the Petroleum Industry.

We have a fine attendance here this morning of our group, men from California to Massachusetts representing all segments of the industry.

We are happy to have you here. You were not able to spend much time at the meeting in February because I know the press of official duties which are upon you, but here this morning we are delighted to have you here to sit with us and we are most happy to hear from you, Secretary McKay, at this time.

Mr. McKay. I am very happy to be here particularly at a time when you are considering a report on the submerged lands because I have taken quite a beating myself on that.

Of course I get paid to be called names and, don't worry, I have been called name.

I am in charge of the Give-a-way program some people say and one of the submerged lands, they do not say submerged lands, they say "tidelands oil thieves," I believe that is the title they assigned to me because I supported the law as finally passed because I thought in my opinion I do not see any justice on the other side at all.

I just want to say a word, I, too, am very happy at this Association and am amazed as Edward Warren pointed out the various presidents of various oil companies sitting in this room so I am not amazed, I know the work you have done, but I think it is wonderful when the heads of big organizations can sit down with the idea of working out cooperatively with the Federal Government.

I happen to be a private enterprise man and I am very glad that I spent my entire life in business. As a matter of fact, when I think back, since October 31, 1942, when I wangled my way back in the army I have only spent two years in my business at that time, and I am lucky to have a business left.

Some people say if I stay away permanently it will run better.

I am proud of the fact I live off the profit of the business.

This administration, of course, is called various names but it is usually considered a business administration and I hope it stays that way but I want to remind all the men in business and industry that we are on trial. I feel sold on the business people of this country that they will not ask for more than their share, what is the right and just thing for the good of America.

But some people do not feel that way. It is customary among various groups of our economy that when they get in the saddle they ride too rough. I am confident business and industrial people realize those sentiments and will occasionally have to make a sacrifice in the interest of their government and all the people.

They are doing that. They must remember that some of the men and women are making sacrifices in Korea today. I stood in a reception line yesterday for two hours with the President and the Cabinet and I was amazed at some of the injured men that came by. In World War I and II those kinds of fellows did not survive. They just died.

We are all making sacrifices, we have to. We are in a very critical situation. The thing that irritates me sometimes about our people is that they become excited and scared. There is no need to be frightened. If they just go back to the plain simple things that made this country the envy of all the countries in the world and keep our feet on the ground and not

get excited we will be all right.

But some people seem to get excited. Sure we must be concerned about the future of our country because we are in a mess financially and otherwise and it is very critical but let's not get excited and frightened. There is nothing to be frightened about.

I am sure all of us that have faith in this country and faith in the institutions and faith in each other and faith in the Divine Creator that placed us here we do not need to be afraid of anything.

I had a prepared speech that is intelligent and I had better read that to you now that I have said what I had in mind.

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STATEMENT OF THE HONORABLE DOUGLAS MCKAY

For the past several weeks there has been considerable debate on those provisions of the Simpson Bill to extend the Reciprocal Trade Agreements Act which would limit imports of crude oil and residual fuel oil. The nature of the issues and the merits of the arguments are well known to all of you.

I testified before the Committee on Ways and Means of the House of Representatives in opposition to those provisions of the Simpson Bill which would place statutory limitations on crude oil and residual fuel oil imports into this country. I testified in opposition to those provisions because I felt that their enactment into law would be more harmful to the over-all economy of the country than the benefits to be derived.

So that you may understand more fully my position, I want to quote you the following sentences from my testimony:

"I recognize the importance of domestic petroleum production to national defense and the contribution it makes to the national economy and that of the oil-producing states. I also realize that the petroleum industry is unique in that discovery and development of new reserves constitute a major and vital activity of the industry. Oil and gas produced must be replaced by a vigorous and progressive search for new reserves or the Nation's ability to produce

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petroleum would rapidly deteriorate.

"I recognize how important it is that the strength of the domestic industry be maintained. To maintain this strength requires an economic climate that promotes the competition, progress, and technological development that has brought the industry to its present high degree of capability. The domestic industry today is undergoing a period of readjustment. The rate of growth in demand has leveled off after the rapid gains which followed the Korean outbreak. At the same time the expansion of supply has brought about a more normal reserve capacity. Demand is now dropping seasonally at the close of a warm winter. Domestic production has been reduced in recent months, and there should be a corresponding cut in imports. There is evidence that already the industry is effecting such adjustments."

My belief that the industry, acting individually, will effect such adjustments in the level of imports is based upon faith that the individual interests of each importing company will lead to that desirable level of imports necessary to preserve the health of the domestic industry and the security of this nation more readily than can be achieved by resorting to undesirable and inflexible statutory restraints.

I am hopeful that those companies importing crude oil or products will show industrial statesmanship in this important matter and that each company, acting individually and wholly on its own individual judgment, will exercise that restraint in respect of imports necessary to the health and security of the nation.

I have discussed this matter with President Eisenhower and the National Security Council. I can say to you that President Eisenhower concurs in these views.

It is a pleasure to be here, gentlemen.

I look forward to continually working with this organization because I am very proud of it. If, at any time, you have any suggestions for the betterment of the Department of Interior and your organization, please feel free to call upon us.

I understand they are trying to find a fellow to fill Ed's shoes and I understand they have some good ones. We want a good one because he has done a good job.

I again want to pay my respects to Ed Warren and the splendid job he has done.

Thank you. (Applause)

CHAIRMAN HALLAHAN: Thank you very much, Mr. Secretary. I hope as this council meets from time to time that we may be privileged to have your attendance. I assure you it adds greatly to our deliberations to have you sit in with us. I hope we can arrange a mutually convenient time for these meetings so you can be with us.

Gentlemen, last January we lost one of the most valuable members of this Council. But we did not lose him from any standpoint of national service. When the New Administration came in to power I think every member of this Council felt a sense of personal delight and personal reassurance that the President had gone to the Great State of Texas and had selected Bob Anderson as Secretary of the

Navy.

He is here this morning in his official capacity. We are glad to have him and greet him as one who has sat at our Council tables and has given of his fine mind and his talents to the problems of the petroleum industry, who has had a strikingly successful career as an oil man and as a public servant and I know he has a bright spot in the national picture.

He has been called to a service of great responsibility at this critical time in the history of the world in directing the Navy of the United States. We are all pleased to have him with us and I take great pleasure in presenting one of our former members and our good friend, Secretary Anderson. (Applause)

STATEMENT OF THE HONORABLE ROBERT B. ANDERSON

UNITED STATES SECRETARY OF NAVY

Secretary Anderson. I did not come this morning for the purpose of making any statement or speech but for the purpose of availing myself of the opportunity of seeing at one time so many of my great and beloved friends whom I now have the infrequent opportunity of visiting with.

I remember and shall always remember most pleasantly my service not only on the National Petroleum Council but the privilege of associating with all the men in this room who I am sure are as fine a group of men as I have seen assembled

with the national interest at heart and a group of people in whom in your relationship with them you can have a complete and unswerving confidence that they are trying to decide the problems in the best interests of the nation.

I also wanted to pay my high tribute to Ed Warren, which I was not able to do last evening except by letter. I think all of you know what a magnificent job he has done but no one will ever know the long hours and effort and personal sacrifice he has made in accomplishing a job like this except those of you who are members of the Council and have served in like positions.

I also want to say how pleased I think you should be to have the privilege of working with Secretary McKay. I think I know the general philosophy of the members of the Council and its collective judgment and I have come to know Mr. McKay in the past several months and can say to you that your philosophy in the belief in competitive enterprise system of the United States and his concur in all particularities.

I should like to mention one thing about our problems of defense. I was told by one of my friends recently that they thought most of the trouble we got into in Washington was when some fool came up with the idea he was supposed to do his duty. We, in the Department of Defense believe that it is our responsibility to keep this country strong, keep it strong enough if possible to avoid war, and

keep it strong enough, if war can not be avoided, to win the war.

We believe, however, we must keep it strong within the framework of a competitive system of economy which is not a platitude but is the American way of life. We believe that the first strong line of defense of any democratic society is a dynamic capable system of economy operated by the competitive system.

That is the basic policy we are trying to pursue. It is not always a pleasant thing to try to save money. You can never quite remove from any community of people or from humanity itself the desire of having a large portion of the money spent in their own home town. I was interested recently in a visit to Naples and talking with Admiral Carney, he told me this story about his wife.

He said while he was a young lieutenant his wife was told if she would come to New York one of their friends knew some people in the wholesale business and they could buy some clothes and furniture very cheaply and would have a great many bargains. Since they were struggling on a young lieutenant's salary Mrs. Carney decided to go along. In a few days the young lieutenant received a telegram saying substantially "the bargains are not as good as I expected. I have to buy twice as much to make the trip pay."

I have great confidence in this team of Americans that President Eisenhower has assembled to direct the destinies of this government. I have never known a more dedicated, a more sincere group of men and women in my life. I feel that it is an honor and a privilege to work with them.

I can give you the assurance that we, in the Department of Defense, will be ever trying to make our country stronger and stronger but at the same time we will be trying to preserve that way of life for which our boys now and in the past have fought and died for.

It is really a pleasure and a privilege to be here with you again. (Applause)

MR. RUSSELL BROWN: I want to refer to the problem of imports and there is a problem. I wanted to say that problem was created because of the government in industry. I was one of the supporters of the provision you referred to in the Simpson Bill. That bill is designed to limit the effect of government in this industry. I thought you ought to know that side of the picture before you leave. It is not a desire to get more government in industry but it is designed to create a limit beyond which government can not go in destroying an industry.

CHAIRMAN HALLAHAN: Gentlemen, in the development of the new Administration that came into office just a little more

than 120 days ago new people and new faces appeared on the official horizon.

The Department of the Interior is an immensely responsible and far-reaching department.

Secretary McKay has made a classification of the category of duties within that department. He has called as an Assistant Secretary of the Interior in Charge of the Mineral Resources a man of distinction, a man of fine background of experience, with whom we as representatives of the petroleum industry will deal directly in the years ahead.

I am delighted that he has come over to sit in with us this morning and to have an opportunity to observe the activities and the working of our Council in our teamwork with the Government. I desire to introduce at this time and want you to know a man with whom we will deal very actively as assistant Secretary of the Interior, Mr. Felix Wormser.

MR. WORMSER: Mr. Chairman, Mr. Secretary and Friends, I thought I could slip in this room inconspicuously this morning and learn how you conduct these council meetings. For many years I have heard of the brilliant work that the Council has done in cooperation with Government.

I was delighted that your chairman mentioned the fact that other industries are toying with the idea of

copying your system. As a matter of fact one of the first things that I did when I received my appointment was to try to find out just why you operated so successfully and to see if there was not something we could copy in copper, lead, coal, or what-have you. That is why I tried--I am glad as a matter of fact, to be here this morning.

I am a neophyte in the oil industry. I found myself last week in Tulsa breaking the ice as it were and I was really submerged by the hospitality I received, coming there as a complete stranger and knowing only one person there in the audience. Today I am glad to see I have more friends, Mr. Lovejoy is here, whom I have known for years and there are others here, which makes me feel more and more at home. I hope as time goes on to know more of you intimately so that we in the Interior Department can serve you to the best of our ability. My esteemed boss has outlined from time to time some of the fundamental principles to which we, in the Interior Department are dedicated.

I was glad to see Secretary Anderson emphasize them again. I would much prefer at this time to sit down and with the simple request that you be indulgent and judge us by the record.

I can tell you it is a great pleasure to be here with you, to listen to your deliberations, to pledge you our full cooperation and also to tell you that my area, my office,

is also 100 per cent dedicated to free enterprise.

Thank you. (Applause)

CHAIRMAN HALLAHAN: The next order of business I want to call upon Mr. Endacott to submit a progress report at least of the committee on oil and gas exploratory and development requirements.

I think that committee has been organized and is proceeding with its assignment, and Mr. Ednacott, do you have a report to make at this session of the Council?

MR. PAUL ENDACOTT: Mr. Chairman and Gentlemen of the Council because this assignment was only recently given to the committee for which I spoke I have only a very few remarks to make. The assignment as you can surmise from the title is very broad and it embraces the requirements of manpower and materials for the three phases of the industry engaged in explortation, drilling and producing of oil and gas. We have attempted to organize this committee on a basis which will reach the objectives in the most efficient way and still get an adequate and effective answer and in so doing we have so far worked through a coordinating committee but now we are ready to launch forth out on the firing line and I ask your cooperation as we have had it so completely to date in our efforts to try to get this information together for whatever emergency use it may ever be called upon to be

used.

We hope it shall not be but we are ready to contact you and we assure you we are going to try to utilize all of the work that has been done to date in the way of manpower and materials requirements, whether that information is in the hands of the governmental agencies, the Council, the industry, or any place else.

Thank you very much. (Applause)

CHAIRMAN HALLAHAN: Thank you very much. We proceed now to the report of the Committee on Use of Radio and Radar.

The report will be submitted by Mr. Littell.

MR. LITTELL: I will endeavor to summarize this report briefly. One of the prime concerns when this committee was formed was the thought that radio frequencies used by the industry would basically be reserved for the military. The petroleum industry and in turn the National Security and Defense will be disastrously affected if the industries use of radio channels were impaired in any way.

The essentiality of the petroleum industry's use of radio was recognized and confirmed by the National Communications Conference held in Washington by the Federal Civil Defense Administration. At that time it was clearly established that the present petroleum industry radio communications

facilities were not to be disturbed in any way and that they would be permitted to continue to operate under industry control even in a national emergency.

There has been some concern as to the extent to which the oil and gas industries are presently using radio facilities basically reserved to the military. The facts are that except for the limited use of three Shoran frequencies, all of the radio frequencies now used by the industry are non-military frequencies. At the present time, the military recognizes the essentiality of petroleum industry use of radio to such an important degree that it is unlikely that this use would be disturbed by the military even in a national emergency.

The report contains detailed and specific information pertaining to the history of radio, history of the use of radio and radar and treats radio usage of each branch of the industry as a separate subject. There is also a section devoted to the National Petroleum Frequency Coordinating Association which describes the function of that association in recommending radio frequencies to be used by licensees of the Petroleum Radio Service. The Petroleum Industry has, with its characteristic foresight, organized a central committee on radio facilities within the framework of the Division of the Transportation of the American Petroleum Institute. This committee includes broad

representation of all phases of the use of radio and radar and has accomplished significant results in its handling of industry radio problems. I would like to make mention of the recommendations of this committee so that they will be understood if any questions arise we might be able to answer them.

Physical limitations. The physical limitations of the radio spectrum and the evergrowing demand for frequencies to serve the communication needs of an expanding economy, make competition for spectrum space ever keener and more pressing. Radio is a dynamic, rather than a static field. Protection of the petroleum industry's stake in radio demands constant vigilance. The use of radio and radar by the petroleum and natural gas industry has become so comprehensive that it is no exaggeration to state that the industry is dependent upon these facilities to a critical degree in all of its operations.

This report outlines, somewhat in detail, the use being made in many important fields of petroleum industry operation. The frequencies now available for use are listed and a detailed description of the uses being made of them is included. Based upon the careful study and consideration given this subject by the Committee, we desire to submit herewith the following pertinent recommendations:

1. The National Petroleum Council should continue

to give careful study and consideration to the industry's radio and radar uses and to make further reports on this matter from time to time as significant radio developments affecting the industry's operations occur.

2. The appropriate governmental agencies having an important interest in these matters should be fully informed of the industry's needs in this field and of the manner in which radio enables this industry to provide for the national defense and to serve the public welfare.

3. All radio matters of industry-wide concern should be left in the capable hands of the American Petroleum Institute's Central Committee on Radio Facilities, whose record of accomplishment in this field cannot be surpassed.

4. All companies using or contemplating using radio in their operations should participate in the work of the Central Committee on Radio Facilities, through representation on that committee.

5. The National Petroleum Radio Frequency Coordinating Association is in need of competent engineering to assist in frequency coordination work and all companies should make personnel who have the qualifications for such work available for this purpose.

6. It is important that the industry itself be fully apprised of the extensive use being made of radio facilities within the industry and that all levels of the

industry comprehend the essentiality of such usage.

That summarizes the recommendations. At this time I would like to point out that we have received fine cooperation from the Federal Communications and Bureau of Safety and Special Radio Services particularly in providing radio frequencies for our use.

The Commission showed wide and intelligent appreciation of the industry's problems in the past and continued cooperative effort through the committee's organization can be expected to assure sound solution of our future problems.

Thank you.

CHAIRMAN HALLAHAN: Thank you, Mr. Littell. Are there any questions in connection with the report you have just heard? This represents a tremendous amount of work, Mr. Littell, upon the part of your committee.

Mr. Littell moves the adoption of the committee's report.

Is there a second?

(The motion was seconded and carried.)

CHAIRMAN HALLAHAN: The report is unanimously adopted.

General Fred H. Johnson, United States Air Force, Chief Office of Petroleum Programs Munitions Board and Chairman of the Munitions Board Joint Petroleum Committee.

General Johnson.

GENERAL JOHNSON: Mr. Chairman, Members of the Council, it is always an honor and a privilege to participate in your discussions here and to observe the function of this Council. I assure you the Department of Defense gets an awful lot out of the reports and information which come to us through your counsel. I want to take this opportunity to express my own personal appreciation for the work of Ed Warren as Deputy Petroleum Administrator.

I probably have had more intimate contact with Ed than anyone else in the Department of Defense and I can tell you that he certainly has an understanding of industry and although sometimes our views are not exactly comparable, we seem to get the job done and I cannot think of a finer man to work with.

Our staffs are cooperating continuously and we don't hold anything back one way or another. It is rather excess talking to follow the able Secretary Anderson of the Navy and I cannot add much to his comments.

I can assure you that the new administration in the Department of Defense from Secretary Wilson on down through each department are going to be assured and assure themselves that they get the maximum use out of the money available for the maximum of national security.

Petroleum is no exception. If they can find ways

and means of improving the efficiency in which we spend our money assigned to petroleum they are going to do it.

We have already had indications of their interest in that field. I might say that they are checking up, as far as I know have uncovered no fields where major savings in the taxpayer's dollar--they have gone into our methods of procurement, our organization and have so far seen fit to make no radical changes.

I do not foresee any radical changes in the future.

However, they are certainly not leaving any stone unturned to find out if we cannot get more power and more speed and more efficiency and more national security for less money.

Petroleum along with everything else.

Probably in their review of the National Security Program there may be some changes in the over-all rate or schedule of defense expenditures.

If there are, there will be some effect in the petroleum portion of those defense expenditures. It is too early to clearly define the pattern that those changes might take. Certainly they are not going to be radical in the near future.

Colonel Brown of the Armed Services Petroleum Purchasing

Agency will refer for you in detail to some of the experiences he has had during the last fiscal year and will give you more detailed information on our fiscal year 1954 outlook.

That is all and thank you very much. (Applause)

CHAIRMAN HALLAHAN: Thank you, General.

Colonel Douglas R. Brown, United States Air Force, Executive Officer of the Armed Services Petroleum Purchasing Agency.

Colonel Brown, may you come forward at this time, please, sir?

COLONEL BROWN: Mr. Chairman and Members of the National Petroleum Council, of course it is always a pleasure for me to appear here because you gentlemen are practically my bread and butter. Without you I do not have any business.

The Armed Services Petroleum Purchasing Agency is going to be a build business.

Before I discuss the new fiscal year however I would first like to dwell a few moments on fiscal year 1953 which ends at the end of June, 1953, as you know.

All in all, we have been extremely successful in this year 1953 fiscal 1953 in contracting for our entire requirements with the exception of approximately a half million barrels of 115-145. I think that it should be recognized that the meeting of this 115-145

requirement was a very difficult job.

Had it not been for people like Ed Warren and General Davis and Ray Jackson and other members of DPAD it would have been practically impossible because much of it was high cost incremental fuel which required expensive transportation of components from plant to plant and actually industry, I believe was not necessarily favorable toward producing some of it.

They did it in an effort to help the military and through the cooperation of people like PAD. We would like to close the deficit we have of this half million barrels by June 30 if possible, by placing this quantity under contract even though delivery can not be expected in this fiscal year. We could take delivery in fiscal 1954 if necessary.

In so far as that product is concerned which is already under contract we are more than anxious that it be delivered so that we can have it in actual inventory in possession of the military by the end of the fiscal year 1953.

Now that is going to be difficult in some cases. There is considerable slippage on contracts. We would like for you to take a look at that picture and see if you can get as much of it out for us as possible. It is no good to us unless it is in our inventory. If industry, on the other hand, experiences delivery on the part of the

military departments in taking this product when it is ready in your refineries we would like to be so informed in order that we might make arrangements to expedite its lifting.

build

As can be noted by the build I mentioned, which will be available for procurement in 1954, there is a substantial increase in total product requirements.

It is almost all the way across the board. In 115-145 grade which has been the critical item, we have an increased requirement of 5 million barrels over fiscal 1953.

Offers received from industry against the increased program are extremely encouraging at this time. It is anticipated that very little difficulty will be experienced in fiscal year 1954 in meeting most of the requirements.

Part of this probably is because we will not have to do as much converting from 100-130 to grade as we did this year and because many of you have geared your production to meet heavier requirements.

In my last presentation before you gentlemen I asked that you consider the military as one of your regular customers and plan your production schedules accordingly. Your response has been most gratifying as reflected by the fact that you did meet all our demands for 1953 with the exception of 115 which is understandable

and the fact that you are prepared to meet the increased demand for fiscal year 1954.

Another matter I believe is worthy of discussion in addition to the procurement for 1954 is the alkalation program. In previous sessions with the Council the need for expanded alkalation facilities was expressed with both the military and the Council.

As a result of your efforts considerable program has been made in promulgating and starting an alkalation facility construction.

Much of this activity has been performed by industry without benefit of the five-year Government Guaranty contract. This is most encouraging to the ASPPA not only from the standpoint that much of industry is performing this task on their own, their own funds, but also because of the interest shown by many companies in the Government contract which is offered by ASPPA.

In this connection we had previously discovered that many companies indicated a desire to construct alkalation facilities but were limited on capital which could be used for this purpose.

This obstacle has now been overcome by a new plan whereby immediate reimbursement can be offered to the refiner to cover this construction cost from Government funds.

Under this alternate facilities contract plan the

contractor will retain legal title to the facility but will hold such title for the benefit of and subject to the interests of government. The funds advanced will be recouped by Government in part through savings in the output and gas sales prices and through disposition of plants facilities.

In the purchase price the Government will save the portion of the normal sales price which would constitute depreciation and interest on the investment. Further government savings will be effected through a reduced allowance for profit, management, and contingency.

In the event government does not require product, the refiner would be permitted to operate the plant for his own account.

Recommend reimbursing government an appropriate charge, use charge based on government's investment.

Whenever the plant is not operated the Government will reimburse the refiner the cost of standby. This alternate plan does not supplant the original capacity alkalation facilities underwriting plan which affords greater earnings to the refiner in the sales price and accelerated tax amortization and provides other significant advantages to the refiner.

In respect to this program we have since the last meeting signed one contract which will give us fifteen hundred barrels a day.

We have another one at the present time, it may be signed today, my people are at the company working now.

We have other active prospects who are making surveys on their plants to enter into these contracts which appears it will give us approximately 7 or 8 thousand barrels additional.

As you know we have a 31,000 barrel goal so we have quite a bit to go.

In this final meeting with you gentlemen in fiscal 1953 on behalf of the ASPPA I would like to leave this thought.

The ASPPA has experienced the biggest year of its life. More product has been bought and more product has been delivered on a world-wide basis.

We have shipped approximately 50 and 60 per cent of the total tonnage that military has moved in overseas areas, petroleum has been an awful big item.

No fighting force has lacked fuel at any time irrespective of this big requirement.

This has been made possible primarily through the cooperative efforts of you gentlemen who belong to this Council

Thank you very much. (Applause)

CHAIRMAN HALLAHAN: One of the important matters before the Council at this time is the recommendation of personnel particularly as a successor to the Deputy

Petroleum Administrator, Mr. Ed. Warren.

This matter is in the hands of a committee of which Mr. W. Alton Jones is the Chairman.

This committee has been giving a lot of attention to this very important problem. I hope Mr. Jones at least can make a progress report to the Council at this time.

MR. W. ALTON JONES: Mr. Chairman, as you know and most of the members know, Ed Warren's term of service is finished on the first of July and to be sure he was not held over past that deadline he has engaged passage to the North Cape for the second of July so it is incumbent upon the committee to find a successor.

That successor has been suggested or the group of men have been suggested by the PAD and we are endeavoring to nail one of them down.

I had hoped, Mr. Chairman, at this time to be able to report that we had a successor but unfortunately I can't so report. It is of the highest importance that we keep the standards of personnel up to previous levels if possible. I know it is going to be difficult to find a man to do a job such as Ed Warren has done and as Bruce Brown before him did but we have a man lined up who we think will measure up. There is, of course, a tendency on the part of many men asked to come here now that feel we are in the liquidation stage of PAD.

They do not like to come in to the atmosphere of liquidation. Some in an emergency or out-and-out war would feel a duty and the request was more or less a demand but now they are able to put up an argument, you do not need me, you are about to close it up.

I do not know anything that justifies that conclusion and I know most of us who have given consideration to the problem would agree it would be tragic if we do not supply the high class personnel for the PAD that they need to carry on. I think it is particularly important with the new administration some members of whom have not had the chance to acquaint themselves as they will ultimately with our industry.

Mr. Wormser has said that many of the new men here who are highly competent are not familiar with the personnel, the organization, and the petroleum business, and it is especially important that we provide them with the help they need from industry.

I mean by that first class and top flight executive personnel. If some of you mean are asked to give up first class men please remember it is just as much a continuing obligation now as it was when we were in the fighting war in the forties and in the Korean situation in its early stages. I am sorry, Mr. Chairman, I cannot report definitely that we have a man but I hope before the week is out that

we will have a candidate or at least a replacement for Mr. Warren and we might put him on notice now that we could get him a reservation on a later ship in case of our failure.

CHAIRMAN HALLAHAN: He is going to miss the coronation anyway.

Ed, we really are trying to make it so that you can get away on the second of July, first of July. If you have to do that, this will be the last meeting of the Council in which you will appear as the Deputy Petroleum Administrator for Defense.

I am sure, however, that you will be back as a member of the Council in the near future and welcome you there.

You will always be one of us. Now, Mr. Warren, I would like to turn the meeting over to you with the idea of your presenting such members of the staff of PAD whom you think should make a report on matters for the information of the Council and then for the conclusion of your remarks, Mr. Warren.

MR. WARREN: After the dinner last night I went home and told my wife, I wish you had been there, you do not know what a hell of a guy you have been living with. And she said "don't kid me."

We have a number of the staff that are leaving within the next month and I would like to introduce them to you.

I am sorry that time will not permit or we really do not have problems of sufficient importance for them to discuss them with you.

Is Mr. Richard P. Walsh here? Mr. Walsh has left has left PAD about two months ago as Director of the Natural Gasoline Division.

Mr. Emmett Vaughey who has been director of the Domestic Production Branch, an Independent from Jackson, Mississippi, is leaving on July 1.

I would like to have Mr. Vaughey stand up. (Applause)

Another man who will be departing soon has been director of Information and I think that everybody that has had any connection with him knows that he has done a splendid job. He came in to PAD with very little knowledge of the oil industry, he absorbed it very quickly, his relations with the press and with the policy that we have had in PAD of living in a glass bowl, I think Bryant Putney has done an outstanding job and I would like to have Bryant stand if he is here. Mr. Putney. (Applause.)

I do not know whether he is here with us today but he was at the banquet last night, the Director of the Marketing Division which we abolished some two or three months

ago, Mr. William H. Midwinter,

Mr. J. Arthur Kelley who is Associate Chief Counsel left last week. Is he here?

Mr. Barrett Herr, I am sure he is not here, assistant director in the gas--he was director in the gas branch of PAD.

Is Mr. Herr here?

Is Mr. Alan Cullman here? I know the next three men, Mr. Charles J. Hedlund who has been director of the program division and is returning to his company on June 15 who has done an outstanding job for PAD and represented PAD on the Petroleum Planning working staff of NATO.

Mr. Hedlund. (Applause)

Following Richard Nelson as director of Materials and coming from Bartlesville, Oklahoma the Cities Service Oil Company, we had Mr. Harris Bateman who has been with us now almost a year and is leaving on July 1. Mr. Bateman. (Applause)

Among the assistant directors who will be leaving soon is Mr. Byron E. Francis of the Natural Gas Division, Mr. Francis. From the Legal Division, Assistant to the Chief Counsel, Mr. Harry W. Frazee. (Applause)

For the Materials Coordinator Mr. Roy M. Fly. (Applause)

This man left about a month ago to return to his

company, he was assistant director of domestic supply and transportation. Mr. Giallorenzi. (Applause)

Coming from my home town and from the Humble Oil Company to serve as assistant director and Acting Director of the Natural Gasoline Division is my good friend Harold Hensley. (Applause)

Mr. Hugh R. Lamberth who has taken another position in Government but was assistant director of the Materials Division.

I do not know whether Hugh is here or not.

Mr. Paul Shea, Assistant Director of Supply and Transportation Division is leaving shortly, Mr. Shea. (Applause)

Mr. Earl L. Struwe, also has left to take another position in government, assistant director in the materials division.

The Acting Assistant Deputy Administrator that took the place of Mr. Howard Noyes who is returning to his company on July 1 is Mr. Oscar W. Morton. (Applause)

I do not believe Howard Noyes is here today.

Coming from CIO Oil Field Workers Union, a man who has been with us over a year and a half who has participated in all our committee meetings and attended all of them and who has really brought to the group a lot of understanding and who I said last night that everybody who has come in

contact with him has the utmost respect is Carl Mattern who is leaving in the next two days.

Mr. Mattern. (Applause)

I guess he already left.

The next three men who are leaving this coming month I am going to call on for a few words. First I would like to call on Mr. William Simon, Chief Counsel who will leave on June 30. I might say that the Secretary kind of refers to him as "Mr. Brains" and I will go along with this. Mr. Simon.
(Applause.)

MR. SIMON: Mr. Chairman, Ladies and Gentlemen: I have discussed the status of the Defense Production Act which expires June 30, 1953 at the last two meetings of the Council. As you know the Defense Production Act is the basis for all of the statutory authority of PAD. It is my purposed now to bring you up to date. Last week the Senate passed a bill which would extend the Defense Production Act for two years from June 30, 1953.

The provisions of existing law with respect to the employment of -without-compensation personnel, voluntary agreements and other so-called housekeeping provisions remain unchanged.

The provisions of existing law with respect to the allocation and granting of priorities for the distribution of materials remain substantially unchanged.

As passed by the Senate the bill would restrict authority to allocate materials to meeting the needs of the military, the Atomic Energy Commission and directly related activities.

This means that FAD can not after June 30 allocate materials unless they are related to military or Atomic Energy needs or unless a critical material essential to the National Defense so scarce that National Defense needs can not be met without creating a significant dislocation of normal distribution.

Authority under the Defense Production Act to control wages and prices expired on April 30, 1953. The bill as has been passed by the Senate authorizes a 90-day freeze over wages and prices in the event of a declaration of war or a national emergency declared by the Congress.

Further the bill would deny the administration the authority to exempt any specific item from a freeze.

The House committee is now holding hearings on the bill as passed by the Senate. Except for the possible or perhaps probable elimination of all the provisions relating to wage and price controls, which relatively are of little value because of the restrictions in the Senate Bill, it is not currently anticipated that the House will make any substantial changes in the bill as passed by the Senate.

It has been a great pleasure and a high privilege to have

served as assistant deputy administrator and general counsel of the Petroleum Administration for Defense and in leaving I take great pride in having served with some of the most able people of this great industry.

Thank you. (Applause)

MR. WARREN: Mr. J. E. Brantly who many of you know very well is leaving to go down and build a place on his Florida plantation on the first of June.

Mr. Brantly has been a member of the Petroleum Planning Committee of NATO, has been assistant deputy in charge of foreign operations, has certainly done a splendid job in PAD and I would like to ask Mr. Brantly for just a few remarks.

I really did not give him any warning of this.

(Applause)

MR. BRANTLY: Mr. Warren, Mr. Chairman, Members of the National Petroleum Council, Guests, particularly those who are members of PAD, I am leaving tomorrow after having served a tour of duty of some 13 months. During that period I have had the pleasant privilege of attending several of these meetings and I should like to compliment the National Petroleum Council on the magnificent work that it is doing, a most important work.

It has been a privilege to serve with PAD for several reasons, first, I have had the opportunity of serving my government at a time when some service was needed, some

assistance needed by someone.

I have had the privilege of serving the industry at the same time.

It has been a great pleasure and a privilege to have served with the very fine organization of which PAD is composed.

The majority of them or at least a great number are from industry, many sent here by the organization of which you gentlemen are the heads.

There are also many who are civil servants whose careers lie in Government.

I find them all equally intelligent, industrious, and with one thing in mind and that is the service of their country.

PAD has worked most effectively as a liaison organization between industry and government but at the same time it has been very definitely a member of government and not industry. It has been astounding to me how men who have given their lives to industry, some of them 30 years or more, and yet in this organization with which I have been associated they are government men, they are not industry men. That is something of which our government and our industry can be extremely proud in that men can push their personal interests in the background, their interests of their lives in the background and serve those interests of the people as a whole.

Mention has been made of the importance of the National Petroleum Council not only for the Petroleum industry but for other industries--that is, similar organizations.

I am thoroughly in accord with that and have been for a great period of time but I am going a little further. I believe that organizations of the type of PAD are important in government. Industry organizations that are passed over to Government in a brief rotating period that will serve government and will be in a position to smooth out many of the misunderstandings that do occur and will occur in an increasingly complicated system of government and industry.

That is not government control of industry, gentlemen. That is industry working in government and working with government.

I am leaving the industry now as Ed has said after some 35 years of service. I am going out on the pasture. I have been turned out to graze now. But in passing I should like to express one more appreciation and that is of having served with Ed Warren. Ed and I have been friends for many years but when you serve close to a man for 12 or 13 months as I have you know much more about him than you could ever know from casual friendships and I should like to say that every complimentary remark that

was made of Ed last night and today is fully justified and many more.

Thank you, gentlemen. (Applause)

MR. WARREN: I wish I could make a speech like Ned Brantly. I would have used it last night.

The next man is Mr. C. E. Davis who has been with PAD for a longer period than anybody else from Government first as a director of the Domestic Refining Branch, secondly as assistant Deputy in Charge of Domestic Operations and more recently the last four or five months as Associate Deputy and who has brought to PAD an intimate knowledge with a background of a world of experience of refining problems and product procurement problems.

I would like to ask him to talk to you now somewhat about the expansion goals and perhaps a little about alkalation. Mr. Davis. (Applause)

MR. DAVIS: Mr. Warren, Mr. Chairman, Members of the Council and Guests: Before I shave in the morning every day my beard gets longer and grayer and I am beginning to think that I am practically doomed for life but I have been informed that I am going to be sprung this June and I am looking forward to an early return to industry.

It has been a very gratifying experience; I have enjoyed every minute and every month of it and I can almost say every year of it now. It is something that I am sure

I will treasure for many years, All the Associations with the members of the council, the people, that have been made both in government and in industry which come to very few people--I have enjoyed them all.

Consequently I consider it indeed a great privilege for having had the opportunity to work as I have in the several jobs in PAD.

Mr. Warren suggested that I should review for you some of the programs and the status under those programs. I propose to make it quite brief since I know most of it will probably sound familiar to you from press releases and things that we have already issued.

But I would like to start by taking about the expansion of natural gas first. We have as a whole 1,040,000 barrels per day of Natural gas liquids established early in 1951 which calls for an increase of 193,000 barrels per day. As of June 30 we will have completed 74,000 barrels per day of that objective increase in capacity but by December 31 we will have completed to a total capacity of 1,050,000 barrels per day which is 10,000 barrels per day over the established goal, with a probability of some slippage it looks to be almost exactly the objective.

In the supply and transportation area, for pipelines we have a total objective of 185,000 miles of pipeline

of which 19,700 miles represents the established goal for the period ending this year.

We are considerably short of that and I think Mr. Warren will talk some more about the goals in general.

I would say as of December 31 our accomplishment under the goal by increased capacity will represent 8400 miles of new capacity against a total of 10,056 miles of new K capacity which has been authorized and is under progress.

In the tankage installations we have as an objection 153 million barrels of total tankage. That would increase the total available tankage in the country to 1,250,000,000 barrels and of that 13 million barrels has been completed as of April 30.

As of December 31, the completion figure will rise to 77,750,000 barrels and a total of 90,600,000 barrels has been approved and is under construction and will be completed in later months.

In the refining area we have as of December 31 an objective or goal of 8,300,000 barrels per day of total refining capacity.

As of now we estimate the assured capacity on December 31, 195 as 8,99,000 barrels per day. We have the end objective of 8,800,000 barrels per day against which we have commitments and construction in progress of 8,463,000

barrels per day.

It will be indicated that that will be somewhat short of the total estimated as to be completed at the end of the program. Benzene and toluene are subjects in which PAD has expanded their programs and both of those are substantially completed.

In the benzene construction we had a goal of 130 million gallons per year which represented the larger part of the total goal established on that particular product. And in toluene we had 102 million gallons per year and a goal for end completion.

Assured projects under construction are completed will fill the benzene goal almost on the nose and exceeds the toluene goal by approximately 50 million gallons a year.

A lot of people have commented from time to time on PAD's lube oil program. Most of it has not been very complimentary. We have established a wartime program for lubricating oils which would indicate the necessity for having an additional 28,000 barrels per day of FVI capacity over the amount now available.

Coming at a period where there is adequate lube oil capacity for the all-foreseeable demands short of war that goal has caused some comment. I want to point out to clarify the position of PAD in this respect, which I can do by just referring to the press release we issued at the time this

goal was referred to, In February, 1953.

"This is a capacity more than sufficient, referring to the present existing capacity, to meet both domestic and export demands under present conditions of defense mobilization.

"The 182,000 barrels a day capacity would not be adequate in the event of an all-out war."

That was established as available for new construction for the purpose of allocation of materials and the availability of accelerated tax amortization and was considered as a desirable goal in the event of war.

Now we have the same type of thing in alkalation capacity. We have in view alkalation capacity estimated to be adequate to supply the requirements of military and commercial aviation short of war when the program as now established has been completed.

We have not enough capacity to meet the requirements in case of war. So there again we have a goal for alkalation capacity which is considered of much greater importance because there is no alternative. I say much greater importance than lube oil. There is no alternative in the availability of aviation except through the use of alkalate.

This goal of 30,000 barrels per day Colonel Brown referred to in his talk to you is being pushed as rapidly as possible with the use of the facilities contract and

encouragement of all of us to expand wherever possible to reach this final objective. Only recently this program has been referred to the president and the National Security Council of which he is chairman and they have endorsed it strongly as being a necessary objective if we are going to prepare in this important field of requirements.

Finally in construction, rather in production, our level of drilling, of course is running about the same as last year. As of May 16 we had completed 17,191 wells which is only 9/10ths of one per cent drilled last year at this time.

That is in spite of the fact that there is more than 250 less rotary rigs active or 9 per cent less than last year.

CHAIRMAN HALLAHAN: What period did that cover?

MR. DAVIS: As of May 16.

CHAIRMAN HALLAHAN: May 16?

MR. DAVIS: Yes, May 16. It can also be noted that in spite of that same number of wells, the number of dry holes has increased by .3 per cent during the same period. With the same number of wells drilled as last year we are completing 5.5 per cent oil wells.

All this is an indication it is becoming more difficult to find it, it has to be drilled more often to get it. Oil country tubular goods are essentially as forecast at the last meeting of the Council, stilltight, tubular production

is ahead.

Production is up for the third quarter and suppliers have given indications that the fourth quarter will also be very full.

That concludes a brief review of the status of our programs and expansion, and so forth.

I would like to close by adding my small bit to the many fine things that have been said about Mr. Warren. I for one have found him to be extremely helpful, a tower of strength and a fine friend, and I welcome the opportunity to be here with him. (Applause)

MR. WILSON: I think I would like to express on behalf of the Council particular appreciation of the job Dean Davis has done. He has worked in a variety of assignments, he stayed longer than he agreed to stay because he was hard to replace.

I am sure I speak the sentiments of everyone here.

CHAIRMAN HALLAHAN: May we have a rising vote of appreciation. (Applause)

MR. WARREN: We have one other man who is leaving shortly that I failed to introduce before, Mr. Richard L. All-britain. (Applause).

Reading this list I am afraid many of you may get the impression that we are going out of business. We have

reduced the organization compatible to the responsibilities that we have remaining.

We do not know what we will have in the way of a budget. Our budget has been sent over and we have made representatives before the Bureau of the Budget. Then it will have to go to Congress. But on July 1 we are shooting for a staff of 78 people of which 20 will be with OCS from Industry.

I am not going to review those responsibilities. We took it up at the last Council meeting and there has been very few changes since that time.

Roughly we have this matter of alkalation facilities and aviation gasoline procurement, the matter of the program division carrying on the various studies, we have the work in the foreign divisions on the voluntary agreement which incidentally will probably be very much restricted to just that area of aviation gasoline and export quotas are based on and then we still have the matter of accelerated tax amortization, all the projects within the industry that come within that jurisdiction are processed by PAD and recommendations are made. Besides that there is the regular work carried on in peacetime by the oil and gas division.

In looking over the availability report, I feel that it is perfectly sound from the standpoint of making

a comparison like it was made in previous years but I do want to point out one thing, the difference between availability and January production is not the same as the average production during the year.

The difference in requirements or demand between, maximum differences, between seasons runs as high as 800,000 barrels per day. We are anticipating that on the basis of our crystal ball gazing, there will be a demand over the year of around 6,400,000 barrels per day plus 650,000 barrels in gasoline which would give us on the average a million one hundred thousand barrels.

I know you can put several interpretations on that but I thought I would bring that point out.

It has been brought out many times how much oil do we need for security? Well, really there is not any answer to that that can be put out in tens of barrels or hundreds of barrels.

Security really means the availability of products at the place where they are needed and it takes availability of refining capacity of transportation and also crude oil in order to make products available.

Again we have to make assumptions and assumptions are based on judgment of what we will need in the way of requirements which largely come from the military and when we will need it and how we will need it and where we will need

it. To point out the importance of critical--if we knew we were going to have war within six months on a certain date there is not any question that we would have to change our economy tomorrow and get right down to the point of bending all our efforts in preparing for that war. That was more or less the assumption in 1950. We were pointing towards a time-of-danger period.

As you all know, the present administration's judgment on criticality is that we are preparing for an age of peril or an era of peril rather than a particular day.

That makes a big difference because it means that the Civilian economy can not be disrupted as much as it would be in an all-out war preparati

Another thing I want to bring out is this matter of expansion goals. Dean Davis touched on it and I want to review how they were first established. They were not established for the Petroleum Industry alone but they were established in every basic industry, steels, chemicals, everything that had something to do with our economy.

They were established by the various agencies that had the jurisdiction of those various industrial responsibilities. These goals really only have one purpose in PAD. One of them was to set something that would be relative with the expansion of other industries so the net effort of the defense effort would be somewhat in line.

They were set up not as a program but as a means of determining the relative amount of steel that petroleum ought to get say with other industries, the railroads, the steamships, or other industries that demanded steel.

Really, and I think Bruce Brown brought this out, that the goals were not a program. They were something that they shoot at and they were used as a basis of relative importance.

I am bringing this out because we have had this 55,000-well figure put out many times and that was our goal. It was the thing we used before the Steel Requirements Committee in order to get the share of steel that we feel the Petroleum Industry should have. The same way in pipeline. We have had a goal that was almost double what construction was and it shows how unrealistic sometimes these goals can become.

As a matter of fact in pipeline we had the natural gas branch and supply and transportation on the other side competing for the same type of materia. and it was hard for you to keep down either one of their goals because they were out in a trading position.

We feel, without subsequent difficulties, or government controls or allocations that the real long range security of our country as far as petroleum is concerned is to keep up the competition and the enterprise of the industry itself and that those goals will be more or less

established on that basis.

I want to refer to Secretary McKay's remarks and that is the matter of imports. I really was going to make quite a statement on this but I decided not to. But at this time when there are adjustments in the industry we feel that the imports should be curtailed along with domestic production but in calling for industrial statesmanship it has to come from both sides.

It is a matter of some tolerance in achieving that goal. I really do not have anything else to add. This just a short shot-gun expression. I want to again say that for the PAD group it has been one of my greatest pleasures to serve on the team of people who are as capable and objective as they have been during this past year. Thank you very much. (Applause.)

CHAIRMAN HALLAHAN: Well, again, Mr. Warren, let me say to you that as oil men we are proud of the leadership that you have given to PAD. It has set a high mark for your successor to follow. We are proud of you.

I should like after adjournment to request the Chairmen of the Committees which have reported here this morning, Mr. McCollum and Mr. Wescoat and Mr. Littell, to remain over with me for a little while as we review these reports with the representatives of the press and you will also have members of your staff remain, Mr. Warren, for that

press conference.

We have completed the agenda for today's meeting. Is there any new business?

MR. JACOBSEN: The only new business I can think of is to express the great pleasure of the Council that the Distinguished Chairman has gotten over his accent as well as he has.

CHAIRMAN HALLAHAN: Thank you.

MR. WILSON: Mr Chairman, I would like to ask Mr. Warren, he made no particular reference to a continuation of the Facilities Security Branch. In connection with some other work I have been doing I am impressed with the fact that the Facilities Security risk is just as great as ever both from possible sabotage on a surprise basis or possibility of atomic attack which would be certainly devastating to an oil refinery. It seems to me good work has been done and information secured and reports made should not be lost to the industry.

Is there any plan to carry it on in PAD and have a skeleton organization that could get into action in a hurry if necessary, or would it be possible to transfer some of that organization and activity to the API? You can't answer directly but you might discuss it with Mr. Porter.

MR. WARREN: I am going to ask Mr. Davis to talk to that.

It has been his responsibility of plant security and refineries and terminals and storage, those have been the chief areas in petroleum that needed attention. Mr. Davis.

MR. DAVIS: I thought I had just resigned but I am glad to talk about security almost any time.

As you have indicated it is one of the most important things there is with respect to continuity of operations in time of war.

There have been a number of agencies in Washington that have concerned themselves with security. In 1951 PAD undertook the development of a manual of Principles of Plant Security and completed that manual I believe about April, 1952.

That manual is still in the hands of the Facilities Protection Board which is an arm of the Department of Commerce and which has been assigned the over-all responsibility for plant security.

Also there has also at the same time been considerable confusion rampant in the whole field in so far as security is concerned almost to the point where we have become quite discouraged that anything constructive would be developed from the standpoint of security as a whole.

With the appointment of Mr. Parkman as the new assistant secretary of Commerce who will be in charge of all

non-military aspects which will include security in all its phases, we believe that the matter will begin to take a more concrete form and we will begin to see some developments that will be of help to the industry.

We have taken this position: That the manual has been prepared, it is ready for use, all it needs is publication.

In so far as the petroleum industry is concerned--the task force group from the industry that worked on it did a good job and did fine work. It has been complimented from one end to the other but it has not been issued. The stumbling block has been the impasse that was encountered in the Facilities Protection Board whereby they have been trying to require something general for all industry from this one which was detailed and designed for petroleum.

We believe the emphasis is going the other way now and from indications of the last few days it looks like the new group will recognize responsibility in industry as being placed on the industry and its government claimant agency which in that case would be PAD for handling the problems and issuing the materials specifically applicable to the particular industry.

Now to be more specific in respect to your question, what is PAD going to do about it, at the moment we

have the manual prepared and it is on the shelf, an organization is in skeleton form and can be activated on rather short notice, and for the present we plan to play it by ear until the rest of the field is somewhat more clarified and see whether or not then we can move into it further with respect to oil.

I have been debating whether or not there is not a place for AFI. They did some very valuable work in late 1949 and 1950 in bringing together all the available information from World War II and that has been most helpful in reaching the stage we now have.

I would say it would probably be better to wait until we have seen a little further development in the new approach to it in government before any appreciable amount of additional work is done.

MR. WILSON: As I understand it, the manual has never been issued even to members of the industry except the members of the committee.

MR. DAVIS: It is still what we call the fourth draft.

MR. WILSON: It seems to me with all the effort and energy the industry put into it it is the least we can get is copies made available to the refining branch of the industry which is most in jeopardy. I think there is a general tendency to relax and think, maybe things are getting better.

I call your attention to a few salient facts about this atomic bomb hazard. We bombed Japan for a year intensively almost every day that the weather was good, in the last six months whole fleets of planes were going over and bombing, yet half of the deaths in Japan were caused by two atomic bombs.

A second fact we do not stop to think about was the fact that battle of Britain was won by knocking down two per cent of the planes every night. It was effective on the basis of 2 per cent attrition because the bomb loads carried were so relatively minor and the damage they could do not much greater than the cost of the planes themselves.

Can you think how much good a two per cent or even 20 per cent defense against atomic bombs is going to be in this country? True, we have a great superiority in the numbers of bombs and methods of delivery but the Soviets have a great number and I think our entire advantage in number of bombs and methods of delivery is offset by the fact that we won't spring a surprise attack on the Russians and they would spring one on us if they think they can make a knockout blow.

Unless they are convinced the knockout blow will be unsuccessful we may wake up and have it some morning.

MR. DAVIS: I believe more attention is going to be given to that from now on.

MR. BRUCE BROWN: Do you think it would help to have this Council pass a resolution urging the Government to release this to industry now without further delay?

MR. DAVIS: I think so.

MR. STREETER: I so move.

CHAIRMAN HALLAHAN: Will you spell out your resolution a little more, Mr Brown?

MR. BRUCE BROWN: Simply that it is the sense of this Council that the Council call on the Government as Advisory Council to release to us this Security Manual written for us so we may have it without further delay.

It has been there since 1951.

(The motion was seconded and carried unanimously.)

CHAIRMAN HALLAHAN: The resolution is adopted.

Any further new business, gentlemen?

Mr. Ball, I think you told me you had a message from my old friend Admiral Bates.

MR. MUNGER BALL: Mr. Chairman and Members of the Council, I do have a message that will be of interest to you.

During the middle of April it was my privilege to have been the guest of the Secretary of the Navy, Mr. Anderson on an inspection tour of six days to Pearl Harbor to review the Navy installations at that point.

During my stay at Pearl Harbor on a number of occasions I was happy to have been with Admiral Bates whom you

recall was the military petroleum procurement representative for this Council.

Admiral Bates is very happy in his new assignment and responsibility as Chief of Logistics of the Entire Pacific area. I know you will be happy to know in a rather informal meeting I had with Admiral Radford at that time, chief of Pacific area and since Joint Chief of Staffs, was very complimentary of Admiral Bates' ability. Admiral Bates asked that I convey to the members of the Council his best wishes and regards which I am happy to do at this time.

(Applause)

CHAIRMAN HALLAHAN: If there is no further business a motion to adjourn is in order.

(The motion was made, seconded and carried.)

(At 12:30 p.m. the Council adjourned.)