

**DEPARTMENT OF INTERIOR**

**TRANSCRIPT OF PROCEEDINGS**

**In the Matter of:**

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**NATIONAL PETROLEUM COUNCIL MEETING**  
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**Date**           **December 3, 1953**  
**Place**          **Washington, D. C.**

**ALDERSON REPORTING COMPANY**  
Official Reporters  
306 Ninth St., N.W. Washington, D.C.  
NA 8-3406-3407

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DEPARTMENT OF INTERIOR

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 NATIONAL PETROLEUM COUNCIL MEETING :  
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Departmental Auditorium,  
 Conference Room A,  
 Washington, D. C.,  
 Thursday, December 3, 1953.

Met, pursuant to notice, at 10:00 a.m.

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P R O C E E D I N G S

CHAIRMAN HALLANAN: The Council will please come to order.

The Secretary will call the roll.

MR. BROWN: Mr. Anderson?

Mr. Baker?

Mr. Ball?

MR. CHEEK: Rex Cheek.

MR. BROWN: If there are other alternates, when I call the member's name would the alternate please rise and give his name for the record?

Mr. Munger T. Ball?

Mr. Barton?

Mr. Benedum?

MR. BENEDUM: Here.

MR. BROWN: Mr. Bergfors?

MR. BERGFORS: Here.

MR. BROWN: Mr. Blaustein?

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Blazer?

MR. BLAZER: Here.

MR. BROWN: Mr. Bovaird?

MR. BOVAIRD: Here?

MR. BROWN: Mr. Boyd?

Mr. Brazell?

MR. BRAZELL: Here.

MR. BROWN: Mr. Bridwell?

Mr. Bruce K. Brown?

Mr. Russell Brown?

MR. RUSSELL BROWN: Here.

MR. BROWN: Mr. Bryant?

Mr. Burns?

MR. BURNS: Here.

MR. BROWN: Mr. Chipman?

MR. CHIPMAN: Here.

MR. BROWN: Mr. Coleman?

MR. COLEMAN: Here.

MR. BROWN: Mr. Colley?

MR. COLLEY: Here.

MR. BROWN: Mr. Cowden?

Mr. Crocker?

Mr. Cummins?

MR. FENICHELL: Here for Mr. Cummins.

MR. BROWN: Mr. DeGolyer?

Mr. Donnell?

MR. DONNELL: Here.

MR. BROWN: Mr. Dow?

Mr. Downing?

MR. DOWNING: Here.

MR. BROWN: Mr. Wesley Downing?

MR. WESLEY DOWNING: Here.

MR. BROWN: Mr. Drake?

MR. DRAKE: Here.

MR. BROWN: Mr. Duke?

MR. DUKE: Here.

MR. BROWN: Mr. Dunnigan?

MR. DUNNIGAN: Here.

MR. BROWN: Mr. Endacott?

MR. ENDACOTT: Here.

MR. BROWN: Mr. Fisher?

MR. McCLURE: H. O. McClure, Jr.

MR. BROWN: Thank you.

Mr. Flenniken?

MR. FLENNIKEN: Here.

CHAIRMAN HALLANAN: Mr. Flenniken, will you please  
rise?

Gentlemen, I desire to introduce to you at this time  
a new member of the Council, W. W. Flenniken, President of the  
Rocky Mountain Oil and Gas Association. We are glad to have  
you with us as a member of the Council.

MR. FLENNIKEN: Thank you.

MR. BROWN: Mr. Follis?

Mr. Foster?

MR. STANBAUGH: Stanbaugh for Mr. Foster.

MR. BROWN: Thank you.

Mr. Fox?

MR. FOX: Here.

MR. BROWN: B. C. Graves?

MR. B. C. GRAVES: Here.

MR. BROWN: B. I. Graves?

MR. B. I. GRAVES: Here.

MR. BROWN: Mr. Hallanan?

MR. HALLANAN: Here.

MR. BROWN: Mr. Hamon?

Mr. Hanks?

MR. HANKS: Here.

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MR. BROWN: Mr. Hardey?

MR. HARDEY: Here.

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

MR. HARGROVE: Here.

MR. BROWN: Mr. Harper?

MR. HARPER: Here.

MR. BROWN: Mr. Hartman?

Mr. Hilts?

MR. HILTS: Here.

MR. BROWN: Mr. Holman?

MR. HOLMAN: Here.

MR. BROWN: Mr. Hulcy?

Mr. Jacobsen?

Mr. Jennings?

MR. JENNINGS: Here.

MR. BROWN: Mr. Johnson?

Mr. Charles S. Jones?

Mr. W. Alton Jones?

MR. ALTON JONES: Here.

MR. BROWN: Mr. Kayser?

MR. KAYSER: Here.

MR. BROWN: Mr. Keck?

MR. JOHNSON: Roger Johnson for Mr. Keck.

MR. BROWN: Mr. Kellogg?

Mr. Lawton?

MR. LAWTON: Here.

MR. BROWN: Mr. Leach?

MR. FOLEY: J. Foley for Mr. Leach.

MR. BROWN: Mr. Lovejoy?

Mr. McCollum?

MR. COSGROVE: J. J. Cosgrove for Mr. McCollum.

MR. BROWN: Mr. McDowell?

Mr. McGowen?

Mr. Maguire?

MR. MORTON: Alternate for Mr. Maguire, O. W. Morton.

MR. BROWN: Thank you.

Mr. Majewski?

MR. MAJEWSKI: Here.

MR. BROWN: Mr. Marshall?



MR. MARSHALL: Here.

MR. BROWN: Mr. Mattei?

MR. MATTEI: Here.

MR. BROWN: Mr. Maynard?

Mr. Mosher?

Mr. Nielson?

MR. NIELSON: Here.

MR. BROWN: Mr. Niness?

MR. NINESS: Here.

MR. BROWN: Mr. Nixon?

Mr. Nolan?

Mr. O'Shaughnessy?

Mr. Parten?

MR. PARTEN: Here.

MR. BROWN: Mr. Perry?

MR. PERRY: Here.

MR. BROWN: Mr. Pogue?

Mr. Porter?

MR. PORTER: Here.

MR. BROWN: Mr. Pyles?

Mr. Reitz?

MR. O'HARE: Donald O'Hare for Mr. Reitz.

MR. BROWN: Mr. Richardson?

Mr. Ritchie?

Mr. Robineau?

MR. ROBINEAU: Here.

MR. BROWN: Mr. Robinson?

MR. ROBINSON: Here.

MR. BROWN: Mr. Rodman?

MR. RODMAN: Here.

MR. BROWN: Mr. Rowan?

MR. ROWAN: Here.

MR. BROWN: Mr. Scott?

MR. SCOTT: Here.

MR. BROWN: Mr. Shannon?

Mr. Skelly?

Mr. Spencer?

MR. SPENCER: Here.

MR. BROWN: Mr. Staples?

MR. PARSONS: Parsons as alternate for Mr. Staples.

MR. BROWN: Thank you.

Mr. Taylor?

Mr. Thompson?

MR. THOMPSON: Here.

MR. BROWN: Mr. Vandever?

MR. VANDEVEER: Here.

MR. BROWN: Mr. Vaughey?

MR. VAUGHEY: Here.

MR. HALLANAN: Mr. Vaughey, will you please rise?

Gentlemen, I desire to introduce a new member of the

Council, Mr. William M. Vaughey, the new President of the Independent Petroleum Association of America. We are glad to have you with us.

MR. BROWN: Mr. Violette?

Mr. Vockel?

MR. VOCKEL: Here.

MR. BROWN: Mr. Warren?

MR. J. ED WARREN: Here.

MR. BROWN: Mr. William Warren?

MR. WILLIAM WARREN: Here.

MR. BROWN: Mr. Wescoat?

Mr. White?

Mr. Wilson?

MR. WILSON: Here.

MR. BROWN: Mr. Windfohr?

MR. WINDFOHR: Here.

CHAIRMAN HALLANAN: Mr. Windfohr, will you please stand?

Gentlemen, I desire to introduce Mr. Robert F. Windfohr, new President of the Mid-Continent Oil and Gas Association. We are delighted to have you here as a member of the Council, Bob.

MR. BROWN: Mr. Wrather?

MR. WRATHER: John M. Wrather for Mr. Wrather.

MR. BROWN: Thank you.

Mr. Wright?

CHAIRMAN HALLANAN: Gentlemen, the members of the Council received copies of the minutes of the last meeting of the Council held September 29. What is your pleasure? It has been moved and seconded that the minutes of the meeting of September 29 be approved. All in favor indicate by saying aye? Opposed?

So ordered.

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

MR. BROWN: The receipts since the first of January for contributions, publications and others, \$112,485.<sup>93</sup> The disbursements in that period, \$89,791.<sup>49</sup> leaving a total receipts in excess of disbursements of \$22,694.<sup>44</sup> We had on hand at the beginning of the year \$7,998.<sup>26</sup> That leaves a balance on hand at the present time of \$30,692.<sup>70</sup>

The reserve fund remains at \$77,000.

CHAIRMAN HALLANAN: Any remarks? If not, the report will be received and filed.

We have for submission to the Council this morning the reports of three special committees appointed to deal with particular subjects assigned to them for study upon the request of the Secretary of the Interior. The first committee is that which was named by the Council or authorized by the Council on Federal Lands Oil and Gas Policy, Mr. A. C. Mattei, Chairman.

I now ask Mr. Mattei to present the report of his committee. Mr. Mattei.

REPORT OF THE NATIONAL PETROLEUM COUNCIL'S COMMITTEE  
ON FEDERAL LANDS OIL AND GAS POLICY

by  
MR. A. C. MATTEI, CHAIRMAN

MR. MATTEI: I would like to wait until the report has been passed out, if I may. In brief, I would like to say that I as the Chairman and the main committee did not have to work too hard because I appointed a working subcommittee of young men from the industry who had been working on this problem for the last year or so.

The net result was in my opinion a good report, and I hope it will have your approval.

The report is so lengthy I do not intend to read all of it. I will try to touch the highlights so you will understand what the problem is we are trying to meet. The problem briefly is that there has been for many years past a conflict between the mining laws and the Mineral Leasing Act laws that are now on the books.

The Department here has tried to wrestle with the problem, and there seemed to be no solution that was possible without passing additional laws. Last year the problem arose in another fashion. It arose as between the Atomic Energy Commission and the uranium claimants and those seeking leases or making applications for leases on the public domain.

The problem fell into the lap of the various associations, and it was worked out by a law that I think proved satisfactory to the oil people and the uranium operators as well. That left the mining laws as such in conflict with the Leasing Act the same as it had been before.

As you know, the Secretary asked this Council to have a committee appointed to study this problem. The problem has been studied, and I am very happy to make a report to you that I think will be acceptable.

In the first instance I would like to say that inasmuch as this is the report of this Council, no effort was made to get the approval, prior approval, of the mining interests in the various parts of the country. However, from conversations held with mining people as individuals and not as groups we found a fairly general acceptance of the idea of dual use of the properties involved.

There are many problems here where we find the obstruction is one in which mining claims that have gone to patent create no unusual problems since the full ownership of the oil and gas has passed to the mining claimant. We are here primarily concerned, however, with unpatented mining claims, whether located before or since the adoption of the 1920 Mineral Leasing Act. For present purposes no distinction is necessary as between lode or vein claims and placer claims, since both preclude the issuance of an oil and gas lease on

the land.

The following are some of the particulars in which unpatented mining claims obstruct oil and gas development of the public lands or, for that matter, any mineral or other development or utilization of the lands by anyone other than the mining claimant himself:

1. Their Unlimited Duration and Ease of Perpetuation.

Upon recording his location notice, supported by discovery of a valuable mineral deposit -- which may consist of no more than rock, gravel, sand, clay, pumice of similar substances -- the mining claimant becomes entitled to immediate and exclusive possession of the land, with the exclusive right to obtain outright title to the land (subject to certain qualifications not here involved) by patent from the government. The claimant and his heirs and successors may maintain these rights indefinitely, since there is no obligation to ever apply for a patent and no rights are lost by failing to do so.

To maintain these exclusive rights and keep all others from legally using the land, the claimant need not actually occupy and work the land, beyond performing labor or making "improvements" in the modest amount of \$100 each year, an obligation which Congress has excused in 14 of the years during the 1932-1950 period. Furthermore, the claimant loses no rights by failing to do this annual work beyond exposing his claim to a new location by some other locator, should this

happen before the claimant resumes work on the claim.

The claimant is required by law to record an affidavit of his annual labor or improvements, but he loses no rights in his claim by failing to do so. If he has recorded his affidavit (whether or not the work was actually or fully performed), anyone asserting nonperformance of the work must prove that it was not done.

2. Their Substantial Immunity from Forfeiture or Termination.

The government cannot forfeit or terminate a mining claim for failure to do the annual labor or improvement work, unless this question comes into issue when the claimant applies to the government for a patent.

In general, the only grounds on which the government can act to cancel a mining claim are for lack of the initial discovery prerequisite to the location of the claim, fraud or other defect, or that the claimant has abandoned the claim. Ordinarily, however, unless these issues are raised by a third party, such as an adverse mining claimant, they do not come before the government until, if ever, the claimant or then owner of the claim applies for a patent.

If the mining claim is an old one (and many of them date back prior to 1900), the difficulties in the way of an adverse claimant furnishing convincing proof of nondiscovery are obvious. Equal, if not greater, difficulties are present



in any attempt to prove that the claim was abandoned. This is primarily a question of whether the claimant intended to abandon it, and the evidence of the intention must be clear. The Secretary of the Interior has ruled: "Lapse of time, absence from the ground, or failure to work it for any definite period, unaccompanied by other circumstances, are not evidence of abandonment."

3. The Difficulty of Determining Their Existence, Location, Extent and Validity.

The mining claim comes into being and can be perpetuated as an unpatented claim (for however many years) without any participation or knowledge on the part of the Federal government, since the claimant is required to record his location notice and annual work or improvement affidavits only in the office of the County Recorder or Mining District under State laws. He is under no obligation, nor is there any procedure set up, to notify the Federal government of the location, existence or status of the mining claim unless and until he applies to the Interior Department for a patent. Thus, the Interior Department, having no record of outstanding unpatented mining claims, may, and sometimes does, issue oil and gas leases which turn out to be invalid because the land was subject to an unpatented mining claim which did not appear on the Department's records.

A prospective oil and gas operator will, of course,

examine the local County records for indications of outstanding mining claims on the land. However, many difficulties are found to be present here. Irregularities and informality in entering and indexing, and even in maintaining the instruments in an accessible public place, may result in an outstanding mining claim escaping detection. Furthermore, a mining location may be made by reference to natural objects or permanent monuments, which seldom permits identification of the land with respect to the public lands surveys, so that precise location and extent of the claim is often difficult, if not impossible, to determine.

Even when the local records disclose the existence and adequately show the location of the mining claim, they will disclose nothing from which the present validity of the claim may be determined. At the most they will contain statements that the initial discovery was made and that the annual labor or improvement work was done. To endeavor to determine the facts, the prospective oil and gas operator must conduct an extensive and costly inspection of the land itself, often necessitating geological investigation, and locate and make inquiries of any persons who might have knowledge of the facts. If the claim is old, all visible evidence of work may well have been obliterated, so that the absence of visible evidence cannot in itself be relied upon as establishing that the claim was not validly located or has not been properly maintained.

Furthermore, it may be impossible to locate the parties who might have knowledge of the facts, and frequently they will have been long deceased.

If all investigations indicate that the mining claim might still be valid, the heirs or other present owner of the claim will have to be located, if possible, and dealt with, e.e., "bought out," and at nuisance value prices, even though the land is unused. If the investigations indicate that the claim may be reasonably demonstrated to be invalid, a calculated risk must be taken as between "buying out" the claim if the present owner can be located, or, on the other hand, disregarding the claim in reliance upon being able to defeat it should it ever be asserted.

From the foregoing you can see the problem and the difficulties in the putting together of lease blocks for drilling in the United States. It is for the reasons above that the committee has come to some pretty definite conclusions, and I would like to jump over to the conclusions at this point because they are most important.

The conditions described in this report could be remedied by the following legislative action:

1. Amend the mining laws to expressly exclude from all mining claims hereafter located and their ensuing patents, and reserve to the United States, the oil and gas and other Mineral Leasing Act Minerals, together with adequate rights to

use the land for all operations contemplated by the Mineral Leasing Act.

2. Amend the Mineral Leasing Act to provide that mining locations may hereafter be made and pursued to patent under the mining laws for any mineral now subject to location under those laws, with adequate rights to use the land for mining purposes, notwithstanding that at the time of location the lands are subject to an oil and gas lease or application, or are known to be valuable for oil or gas, subject, however, to the exclusion and reservation to the United States of all Mineral Leasing Act minerals and rights to use of the land as suggested under 1 above.

3. Implement the foregoing legislation by providing for the multiple use and development of the same tract of public land by lessees and permittees under the Mineral Leasing Act and by mining claimants and patentees under the mining laws, under appropriate regulations promulgated by the Secretary of the Interior.

4. Provide adequate and expeditious procedures under which the owner of any unpatented mining claim on land which is not being occupied and diligently worked for the development of valuable mineral deposits, may be required to establish the validity of his claim, failing which the oil and gas deposits in the land will be wholly free of any rights or interest under or by virtue of the mining claim and shall be disposable solely

pursuant to the Mineral Leasing Act, including any lease heretofore or hereafter issued pursuant to that Act.

In the opinion of your subcommittee and the committee, legislation in the fields suggested would adequately reconcile the conflicting scope and operation of the mining laws and the Mineral Leasing Act for the purposes of the oil and gas industry and the mining industry, and in the best interests of the United States, and would result in increased development of the oil and gas resources of the public lands without infringing any of the proper benefits now accorded the mining industry by the mining laws or retarding development of mineral resources under those laws.

Mr. Chairman, I move that this report be adopted.

CHAIRMAN HALLANAN: Gentlemen, you have heard the report presented by Mr. Mattei. Are there any remarks?

MR. NIELSON: Mr. Chairman, I would like to have the privilege of seconding that recommendation both because I am a member of the committee and also because we are presently having some rather expensive experience resulting from these conflicting claims. I think this would certainly solve the situation, and I think it is a very wise recommendation.

CHAIRMAN HALLANAN: You have heard the motion that the report of the committee be adopted by the Council. All in favor indicate by saying aye? Contrary, no?

The report is unanimously adopted.

Mr. Mattei, thanks to you and the committee.

MR. MATTEI: Thank you.

CHAIRMAN HALLANAN: Gentlemen, last February I received a request by letter from the Petroleum Administration for Defense that the Council authorize the appointment of a committee to enter into the study of the minimum requirements for manpower, materials and equipment for the exploration and development of oil and gas in accordance with the necessity of national security.

This is one of the largest over-all orders which the Council has attempted. I appointed a representative committee, a committee representing all groups of the oil and gas industry. I asked Mr. Paul Endacott to serve as Chairman of this committee. I know of no committee that has engaged in more far-reaching research and activity in connection with the assignment that was given to it.

As a result of the many months of study, research, and investigation, we have before us today the finalized report of the Committee on the Oil and Gas Exploration, Drilling, and Production Requirements. It is a valuable document for the Government and for the industry as well. I should like now to ask Mr. Endacott as Chairman of this special committee to present the report.

Mr. Endacott.

REPORT OF THE NATIONAL PETROLEUM COUNCIL  
COMMITTEE ON OIL AND GAS EXPLORATION,  
DRILLING AND PRODUCTION REQUIREMENTS

by  
PAUL ENDACOTT, CHAIRMAN.

MR. ENDACOTT: Mr. Chairman, gentlemen of the Council, and guests, I am not going to attempt to give you all there is in this report because I think the only way that you will be able to gain the substance from it is to review it directly from the text. However, there are a few things that I might be able to say which may assist you in making such a review.

Mr. Hallanan has told you about the assignment generally, and you can see that it was rather a complex one and rather a broad one. We found it in many places rather nebulous. That is about the only excuse the committee can give you for having delayed this report for about nine months from the time it was assigned to us last February.

3 What we tried to do in preparing this report was to substantiate all the data that we were able to obtain and present the report in a rather narrative style so that it would be readily understood by anyone who might not even be very familiar with the method of operation in the oil industry.

Now first of all we realize that the use to which this report might be put and was really the immediate reason for its request was for different applications in security planning. However, we tried to prepare it in such a way that

it could be put on the shelf and taken off in case any emergency should arise where it might be needed, and although we did not attempt to exhaustively run down every phase of this thing, we tried to put a signpost and enough information to point the way to the rest of the information that might be needed on occasion.

I think that this committee has done a very good job, and I can say that because I myself did not have anything to do with the actual details of collecting this data. I was surprised myself when I saw what they had brought in because in my 30 years in the oil business I found out that I had learned in that period very little about what really composes the reasons for requiring the kinds and amounts of materials and manpower that the industry does use.

I think when you get into some of the sections of this report you will feel the same way that I did about it. There are certain parts of it, particularly the section on exploration where the data has been gathered together for the first time so far as we are able to tell.

Now we had the help of many organizations in getting that information, and I think that there is much more yet to be done, but we have a start on it. We thought that was far enough to go at this particular time. Also in the section on drilling we found that there was much information that needed to be gathered together that unfortunately was lacking; that previously during emergency resulted in very costly experiences to the



oil industry.

Now I think that the highlights can be found in the summary of this report which starts with page 7, but rather than read that I think it would be better just to briefly point out a few of the figures. Now the real significance of this report does not lie in the total figures, unfortunately. The figures in total are of interest and impressive, but the composition of those figures I think is the significant part of this report.

Now as to materials, first of all, we used all the information we could obtain as a result of the PAD experience in that field. We found that in 1952, which was the base year assigned to us, and as you may recall, we were instructed to obtain the figures for 1952 and for ten per cent level of drilling above that basis.

We found that the PAD for the categories for which they were claimant agency needed 3,191,000 tons of steel mill products for the oil industry. Now that did not include general steel items that are used by all industry but did cover the specialized items. We found out it was totally impossible to gather together all the general items that were common to most industries, and no effort was attempted to do that.

It was found that two-thirds or 2,106,000 tons of steel products required was in the form of tubular goods. The factor for steel on drilling for each thousand feet of depth

turned out to be 11.3 tons on checks from different directions. We called attention to this point, although this report is geared to 1952, and a level 10 per cent above changes may occur in the technology or in the industry or as time passes and a different level of operations will develop, and it will be necessary at whatever time this information may be used to conform it with conditions that prevail at that time.

However, that 11.3 tons seems to be the figure that is reliable for the present.

In 1952 there were 2,642 rotary rigs and approximately 1,500 cable tool rigs in operation to drill the wells drilled in that year. It is estimated that at a 10 per cent higher level no new cable rigs would be in operation, but all of the increased operation would be in the rotary rig, and it would take up  $\frac{1}{3}$  3,000 rotary rigs roughly and that the materials required for that level of operation would practically directly increase in proportion, 10 per cent.

At the 1952 level it is estimated that 450 rotary rigs will have to be replaced every year. Now to equip and maintain the wells, equip those that are completed, maintain those in operations, you have 464,000 oil wells to consider and 66,000 gas wells. The variety of equipment that calls for materials there I will not give you any of the totals, but you can find some of the details in the report itself.

We found particularly that there were many points

that should be brought out that did not deal especially with volume of materials; that is, warning signs that were based on experiences of World War II and the Korean emergency, such things as the disaster that occurred when too great a substitution for high alloy steels was made which resulted in increased amounts of steel being required and delays occurring and production actually being lost.

So all through this report the committee has tried to point out in a way that may aid in avoiding similar mistakes. There are no further comments on the materials.

A few words about the manpower section. 1952 was found to show that 311,000 people were engaged in the exploration, drilling, and production phases of the oil industry. At a 10 per cent greater level it is estimated that 332,000 workers would be required. To maintain the 1952 drilling rate of 46,000 wells, it is necessary to operate 650 seismograph crews and 100 gravity meter crews. 42,000 persons of this total were engaged in exploration. Of this total 11,000 were geologists, 4,000 were scouts and landmen.

It is of interest to note that the trends in the industry are in some cases developing probably more rapidly than we are inclined to think. For instance, back in 1940 as compared to today, there were just one-fourth as many seismograph crews being used. So that is something that is indicative of the trend that will have to be adjusted for in any future use.

Another thing, along the same line whereas in 1940 only one out of every ten of the wells drilled was a wildcat or exploratory well, in 1952 one out of four were in that category.

Now in the drilling phase of the manpower we found that there were 95,000 persons engaged in the drilling operations in 1952, and all through the study it became very evident that we should call attention to the highly technical nature of that field because it is pertinent to the use to which this report probably would be put.

The penetration of technology in the oil industry occurred in most recent years as compared to other industries and probably you have in the oil industry a higher percentage of young personnel. Furthermore, the use of equipment is so great per man in the oil industry, the amount of work produced by an individual is high in proportion to other individuals, and therefore the individual becomes much more important, particularly these technical employees.

Now in the production phase of the industry we found that in 1952 there were 165,000 workers engaged. That will have to be adjusted each year, considering new wells, and those which are abandoned. There is an estimated increase of about 3 per cent in the number of wells each year that have to be manned.

In the direct producing operations there were 136,000 employees out of this 165,000. In the indirect there were 3,065

and 26,000 persons engaged in affiliated services and supplies, those who rendered specialized services to the producing branch in which they are listed in the report, a great number of them. That was a very difficult thing to get hold of because it hadn't been done before, and there are so many of them, so many varieties -- independent contractors rendering services to the producing end of the oil industry.

In the gas-producing phase we found that there are about 66,000 gas wells to be manned and an estimate of manpower required was 9,000.

I think I should tell you who the people were who were primarily responsible for this report. You will find them listed in the front, but we found it necessary in breaking down this job to have several subdivisions. First of all, we broke it into two parts, materials and manpower, and then three divisions, one for exploration, one for drilling, and one for production.

So we had a committee representing each of those groups on that committee. On that committee were Jim Donnell in charge of exploration, William Payne on drilling, and Clarence Wright of Sunray on production. Vandever, who has previously reported to the Conference on Manpower, reported for manpower, and Russell Brown on materials.

Now the actual work, as you know, was done by usually these young fellows that are very able and aggressive, and we

certainly had a group in this one. We have three of them today here in case you have any questions. I would like to have those fellows stand because they really did the job. We have our good friend Minor Jameson of the Independent Petroleum Association on the materials phase, Mr. Ralph Hoitsma of The Standard Oil Company of Ohio on manpower, and as Secretary to our main committee and our various subcommittees, Robert N. Sears of Phillips Petroleum Company.

(Applause.)

That is all I have to say, Mr. Chairman. I move the report be adopted.

CHAIRMAN HALLANAN: Are there any questions, gentlemen? Dr. Wilson?

4 DR. WILSON: Mr. Endacott, under your summary on page 7, Paragraph No. 2 where it reads, "Oil country tubular goods requirements for use in oil and gas wells represented 2,106,000 short tons of steel, or approximately 66 per cent," may have been misunderstood. That might seem to imply that they claimed 34 per cent more than they needed. I think if you said, if you just add the word "steel" after the total I think it would clarify.

MR. ENDACOTT: It was intended to mean that of the total steel, two-thirds was in the form of tubular.

QUESTION: (Defense Transportation) Mr. Chairman, I am in Defense Transportation, and I would like to make a comment.

I want to give this assurance, that on your land transportation such as tank trucks and tank cars and on some of your storage requirements we are conscious of your needs as this committee is with respect to your production and drilling requirements and are preparing complementary statistics to take care of the transportation needs of this industry in the event of any mobilization emergency.

I have one side observation, this report, as I scan it, doesn't take into account any of your storage requirements incident to production.

MR. ENDACOTT: It takes up to the tank batteries on the leases and separators.

QUESTION: I would assume that PAD is making ancillary studies on storage. It is a matter that I personally was glad to delegate to the PAD at the opening of this mobilization effort. I might add, Mr. Chairman, if I may, that our cooperative working together has been very happy indeed throughout this mobilization effort.

CHAIRMAN HALLANAN: Any other questions or comments on the report submitted by Mr. Endacott? Mr. Endacott moved the adoption of the report of the special committee. Is there a second? All in favor will indicate by saying aye? Contrary, no? The report is unanimously adopted.

Gentlemen, you will recall that at the last meeting of the Council we received through the approval of the Agenda

Committee a request from Mr. Stewart as Acting Deputy Administrator of the Petroleum Administration for Defense, a request that the Council after appropriate study give its advice as to the type, functions and staffing of a normal peacetime organization dealing with petroleum and gas activities, having in mind that the termination of the Petroleum Administration for Defense was approaching and that we would soon face the situation with regard to turning to a peacetime organization.

The study was assigned to a special committee of which Mr. Brewster Jennings is Chairman. I might say that the reason this meeting of the Council was called as early as it was in this month was because the recommendations of this committee might be given effect as of the termination of the calendar year if the recommendations were viewed with favor by the Secretary of the Interior.

The report is now ready for your consideration. Mr. Jennings, Chairman of the Committee.

**REPORT OF THE NATIONAL PETROLEUM COUNCIL'S COMMITTEE  
ON GOVERNMENT OIL AND GAS ORGANIZATION  
by  
B. BREWSTER JENNINGS, CHAIRMAN.**

**MR. JENNINGS:** Mr. Chairman and members of the Council, I think you probably all have copies of this report in your hands by now. I don't think it is necessary for me to read all of this report. I would like just to comment on the way it is put together and then read you the recommendations



which come at the end.

The report first reviews briefly what the Petroleum-Government relationship was in World War II, recites the post-war change which resulted in the appointment, creation, of the Oil and Gas Division, the MPAB and the National Petroleum Council. Then it reviews what happened subsequent to the outbreak of war in Korea and it summarizes the present situation that we have, and then we conclude with a number of recommendations which I would like to read.

The first recommendation:

1. Experience has shown that there should be a principal point of contact and cooperation between the Government and the petroleum industry. Because of the knowledge which the Department of the Interior has gained in oil and gas matters over the past decade, it is recommended that this responsibility should continue to lie in the Department of the Interior.

2. The Committee recommends that the Oil and Gas Division and the Military Petroleum Advisory Board be reactivated, that the National Petroleum Council be continued and that, should the Government desire the FPSC to continue, it would be advisable to have the Voluntary Agreement relating to it amended.

3. The Oil and Gas Division of the Department of the Interior should have reassigned to it those functions which were transferred to the Petroleum Administration for Defense by

Interior Order No. 2602 dated December 1, 1950. The Oil and Gas Division will thus reacquire all of its original functions, functions sufficiently broad without further amendment, in the opinion of the Committee, to enable the Oil and Gas Division to operate effectively. The reactivated Oil and Gas Division should not be empowered to exercise broad directive powers under the Defense Production Act of 1950. It would, nevertheless, be available to advise the Secretary of the Interior and other parts of our Government on oil and gas matters including those under the Defense Production Act.

While the Committee expresses no opinion on the size of the staff which the Oil and Gas Division will require upon its reactivation, it wishes to emphasize once again the desirability of staffing the Oil and Gas Division with personnel of sufficiently broad experience in matters affecting the oil industry to enable our Government to obtain sound advice in developing policy on oil and gas matters.

4. The Military Petroleum Advisory Board should be reactivated as the industry group which is available to advise Government on the military aspects of oil and gas. It is important that the personnel of the Military Petroleum Advisory Board and its various committees be recruited from among individuals who are experts in their given fields in the petroleum industry.

Since MPAB serves the Department of Defense as well

as the Department of the Interior, the appointments to membership on MPAB should also be signed by both the Secretary of Defense and the Secretary of the Interior. The appointments to membership on the MPAB committees and panels should also be signed by appropriate Defense and Interior Department officials.

It is recommended in making appointments to MPAB that a rotation system be put into effect so that at all times there will be individuals serving on the Board, its panels and committees who have had previous experience in MPAB work.

5. The National Petroleum Council should be continued as the industry group which is available to advise the Government on all problems relating to oil and gas except those which are particularly concerned with military matters.

6. If it is decided that the Foreign Petroleum Supply Committee should be continued, it would be advisable to have the Voluntary Agreement Relating to Foreign Petroleum Supply, dated May 1, 1953, amended. There are numerous provisions in that Agreement which appear to be dependent upon the continued existence of the Petroleum Administration for Defense. In general, it is recommended that the authority and functions of the various PAD officials thereunder be transferred to the Assistant Secretary for Mineral Resources in the Department of the Interior.

7. In the event that our Government desires industry advice on special oil and gas problems not within the purview

of the NPC, MPAB or FPSC, additional industry committees should be appointed by the Secretary of the Interior. If other agencies are to be served by such industry committees, appointments to membership thereon should be signed both by the Secretary of the Interior and the head of such other agency.

I move that the report be adopted, Mr. Chairman.

CHAIRMAN HALLANAN: Are there any questions or comments that the members desire to direct to Mr. Jennings?

MR. BOVAIRD: I notice in the report that it is silent in regard to the Materials Division of Petroleum Administration for Defense. From experience in previous times it seems to us that the recommendations, it would be well to include the recommendation that the Materials Division be continued under the Petroleum Council where it has always been when they needed it. We feel rather keenly that should you need it again it will have to be weeded out of the Department of Commerce as a result of no recommendation by this Council.

I know there are men in this room, Ed Lawton and Bruce Brown, that have had experience with this, and it was a valuable asset when it was needed. I also know Mr. Stewart and Mr. Fentress of the Government have directly worked with it. I know our Association is rather concerned that it again fall back into the Department of Commerce where we are a rather captive industry.

CHAIRMAN HALLANAN: Any comment you wish to make on

that suggestion, Mr. Jennings?

MR. JENNINGS: I would like to comment briefly on that. It is a point that we did not consider at our committee meetings; it was not raised by anybody. I talked with Mr. Bovaird this morning briefly about it, and I would like to have Ed Warren or Dick Lawton or some other people more familiar with this than I am comment also, but I would like to make this one observation.

What we are doing now is recommending as to what we ought to have under peacetime conditions when there is no emergency. In substance, our report recommends a return to the status quo as it was prior to the Korean episode. The Department of Commerce, as I understand it, has broad responsibility for manufacturing enterprises in general.

Many of the materials that the oil industry uses are made by companies which also make other things. In other words, they come within the broad area of manufactured articles. I would rather doubt that the Government would want to see a broad segment of the manufacturing industry taken out from under the broad supervision of the Department of Commerce.

We have the same potential conflict, it seems to me, with the Shipping Authority, which also at the moment is in the Department of Commerce. Our procedure in the past has been to solve those conflicts by prevailing on the agency directly responsible to delegate to the petroleum agency, in other words,

the PAW or the PAD, the authority to determine the use to which those various services are put, and I rather think that in the long run that is perhaps the sounder way to go at it than to attempt to get these big additional segments of the industry directly under the supervision of the Department of the Interior.

CHAIRMAN HALLANAN: Mr. Warren, do you have any comments on the suggestion made by Mr. Bovaird?

MR. ED WARREN: I might comment to this extent, that PAD, as Mr. Jennings brought out, operated in the allocation of materials on the delegation from NPA and after the materials problem, controls, had been removed they withdrew that delegation. I think the thing that concerns Mr. Bovaird is the fact that he has been getting inquiries from some place in the Department of Commerce asking for questionnaires and perhaps the appointment of an advisory committee, which I really don't understand.

I don't know where there is any problem in material right now which would mean that there should be Government intervention. I think it is pretty well established, or it was, with the Administrator of NPA in the event of another national emergency where there was an allocation of materials that allocation should be done by oil men and in the Petroleum Defense Agency.

It may be that somebody on the current PAD staff knows

about the situation that is disturbing him. I have no knowledge of it.

CHAIRMAN HALLANAN: Mr. Lawton, do you have anything to add to what Mr. Warren said?

MR. LAWTON: I think Ed covered it very thoroughly. It was one of the major problems we had from December until we made our first allocation in PAD, a duplication of authority and duplication of effort, and this questionnaire indicates this same thing is raising its head. I think it was agreed that the only practical place for this claiming of materials and distribution of the same materials due to the fact that times change from week to week, and you put your materials a little over here and a little over here, and it would not function under Commerce.

It took a long time to kill that thing when we were coordinating with them in the early days. If it is starting again and it gets established over there, then when the time comes you will have some trouble. That is about the only observation I have.

MR. BOVAIRD: One more comment.

CHAIRMAN HALLANAN: Yes.

MR. BOVAIRD: The point we are trying to make is that you have in the Oil and Gas Division now that responsibility, and you would have to dig it out by going back to the Department of Commerce. We are not asking for staff or personnel;

we think materials is going to work out without it, but we do have a letter from the boys in the Defense Services Administration of the Department of Commerce, and we as yet have not fostered that because of the desire to remain with our kinfolk in the Oil and Gas Division here, and feeling that if the recommendation was made these administrators would not have to again dig it out.

CHAIRMAN HALLANAN: In other words, you want to stay where you are?

MR. BOVAIRD: That is right. We feel that a recommendation would probably keep us there rather than let us drift back to the Department of Commerce.

MR. DUKE: These amendments, Brewster, to this Foreign Petroleum Supply, the amendments wouldn't concern the agreement itself but rather the contact point and its views?

MR. JENNINGS: That is correct. That is the only reason for that observation.

MR. ALTON JONES: About the material, it seems to me what the Jennings Committee has tried to do is to recommend the procedure or the machinery that should be set up to carry on the proper relations between the oil industry and the Government in peacetime. I think it is based on the assumption that we would have no material crisis with which to deal.

In the event of another emergency or impending emergency, I agree that the material phase of the problem would



again come to the front, but I don't think it is present now. It seems to me it might be appropriate to have the Jennings Committee consider that, but that the conclusion would be that until there was some emergency neither the Department of Commerce nor the Petroleum Administration -- there have been relations between the petroleum industry and the Government through the years.

CHAIRMAN HALLANAN: That is set forth?

MR. DUKE: That is set forth. I don't think that would apply to the range of materials, and I think that is probably why your committee didn't go into it specifically.

MR. JENNINGS: I would like to make this specific comment. I do not have with me a copy of the report of another committee that I happen to be Chairman of made in 1949, I believe it was, as to what the procedure ought to be if an emergency developed. I am almost certain that this problem is dealt with in that report.

MR. DUKE: But you were dealing with a different problem then, Brewster; you were thinking what you should have in the event of an emergency.

MR. JENNINGS: That is correct. It would be my suggestion that so long as there is no emergency and there is no problem you could kind of let nature take its course and rely on what is in that report to take care of it.

MR. DUKE: I remember the previous report, but it

pointed up the changes that were necessary with a new emergency. I think they would apply with equal force today if another one comes along.

MR. JENNINGS: It dealt with a lot of these things like shipping.

MR. HOLMAN: Mr. Chairman, the spirit of this report is such that all we do here is attempt to set up a basis upon which there can be cooperation between industry and Government, using the Secretary of Interior as the focal point, but certainly not denying other Departments if they want advice from the oil and gas industries in anything.

I think this would indicate that if an emergency should arise, we would aid in any way we can in helping coordination of that effort. I would think if you provided the things that are not needed right now in some detail it would be better handled at the time.

MR. MAJEWSKI: What Mr. Holman just said, doesn't No. 7 provide for that very purpose? It says: "In the event that our Government desires advice, industry advice, on special oil and gas problems such as materials not within the purview of the NPC, MPAB, or FPSC, additional industry committees should be appointed by the Secretary of the Interior."

Wouldn't it be natural that the Secretary of the Interior would delegate that maybe to the National Petroleum Council or some committee? It seems that No. 7 covers what you

want to do.

MR. JENNINGS: I think that is right. That No. 7 is put in there in anticipation that some other agency of Government might want precisely what the Defense wanted, and we handled through the MPAB. This is a kind of catch-all division; it would provide for advice to the Department of Commerce, Department of State, and any other department.

MR. MAJEWSKI: And through the Secretary of the Interior in the over-all function.

MR. JENNINGS: That is correct.

CHAIRMAN HALLANAN: The assumption that we are going back to a peacetime cooperative organization carries with it the further assumption that there are no emergency problems such as material, but if those arise then the way is open to meet them as we have in the past.

MR. JENNINGS: That is correct.

CHAIRMAN HALLANAN: You have heard the report. Any further remarks? All in favor of adoption say aye? Contrary, no?

The report is unanimously adopted.

Gentlemen, we are honored this morning by a visit from our distinguished boss, the Secretary of the Interior.

I am sorry you weren't here earlier, Mr. Secretary, to hear some of these preceding reports, but I know you will have an opportunity to be advised about them. There have been

some very important matters dealt with here this morning, and I am glad you had an opportunity to hear the discussion that arose in connection with the report dealing with the new reorganization. We would be delighted to hear from you.

Gentlemen of the Council, the Secretary of the Interior, Mr. McKay.

(Applause.)

STATEMENT OF HONORABLE DOUGLAS MCKAY,  
SECRETARY OF THE INTERIOR.

SECRETARY MCKAY: Mr. Chairman and gentlemen, I am very glad to be present here this morning in order to pay my respects to this organization. I don't think there is anything I can add to your program because all of you know much more about the petroleum business than I do, but I have a very high regard for this organization and the splendid work you have been doing and the cooperation between business and Government, particularly in some of the problems that confront us every day and more so in an emergency like we have been going through.

I would like to add that Joe LaFortune made arrangements, it seems like yesterday but probably it was six or eight weeks ago, but we visited Texas and Louisiana and the offshore operations. We also took along technical people, Felix Worsner and others, because apparently we will have a big job in the offshore operations.

We are going into it carefully, and we hope to do it

right.

I was amazed, and I said to some of the people I thought it was a hard way to get rich to dig down in offshore operations. It was an inspiration to me to see you fellows put in \$1 million in a platform on an LST. Business Week was telling about some fellow in Texas who builds a barge and then goes out and sinks it.

I want to assure you that the Department believes that we have a tremendous business for the United States Government in providing the machinery for leasing this property offshore beyond the historic limits of the State boundaries, so we are doing our best to set up the machinery to do a good job.

In passing I would like to say that we have had some headaches in the past few weeks, and some of them have been transferred to me. Many people have called me up about petroleum quotas. Mid-Continent has been hollering about things. I don't get very excited over them. I recognize that we are going through a transition period, but this country must above all things be prepared to defend itself. That is the first requisite of all Americans, to be able to defend this country, and I think we will all agree that we will stay here and die to the last woman and child before we surrender our freedom.

So it becomes a delicate situation. We must have some imports in time of emergency because, as you well know, the percentage of petroleum products compared to the rest of

the world and also we have the fact that there aren't enough to provide the particular gas for fighting a war. However, it just looks to me like the same thing, that as soon as we business people get in a little jam we have been used to going and hollering to Uncle for some help.

I am not very friendly to that procedure myself because I think we ought to take it easy and help ourselves. I recognize what you will say; that oil importers and industry can't get together because of Mr. Brownell and the Sherman Anti-Trust Law. I am a small businessman; I am an automobile dealer. Right now my people back home, my sons-in-law, they are getting a liberal education in private enterprise. They have been there about seven years, and they have seen money roll in there more than we are entitled to under a restricted supply.

We can sell merchandise, have been doing it, with no discount and people standing in line. In fact, you almost had to have an appointment to buy an automobile. As a result, some of those folks in the automobile business got a little ruthless. You remember when you bought a car you had to have a trade-in that they took in at a low price. Then you bought a car that was loaded like a Christmas tree, and you knew they were lying when they said that was the way it came from the factory.

Some folks took advantage of that situation; there are always those kind of people in a situation like that. I

say to my in-laws that I think the majority of them are good, conscientious automobile people, good merchants. They are not trying to rob anybody; they are trying to render a service and incidentally make a profit along the way. But the first reason for being in business is to have some fun. That is why I didn't like the postwar thing, I was kind of glad to become a bureaucrat because I was sitting there and alibi-ing to people because I couldn't get them an automobile.

It isn't a very satisfactory way of doing business. I met my son-in-law up in Oregon just a couple of months ago, and I asked him how business was, and he said, "It is terrible." I said, "How much money did you lose?" He said, "Didn't lose any money, but it is terrible."

I said, "Son, I used to work all year trying to make that much money." Now they aren't making that much money. I said to my wife that that is a fine education to those youngsters; that it isn't a honeymoon in business. In other words, businessmen just don't sit in an office and get rich.

I want to call your attention to the fact that I am not one of those who wants to get to the Government and get some licensing laws and come to the State Legislature and get licensing laws. I will admit back in the early thirties when I was a State Senator I wanted one of those laws. I have kind of changed my mind. I think we ought to take it easy.

I notice one company cut down on imports; I notice

another company cut down on imports. You people in industry know a lot more about it than I do, more than Government does, and I am sure more than Congress knows about it, and I am sure that if you give them time the thing will adjust itself.

I do not expect to get excited and hysterical about things. I believe in the future of this country, and I personally don't think we are headed for a depression, but we have to have some adjustment.

Right out in my own State or Oregon the lumber boys are having an adjustment, but there was a sawmill under every tree, and we can't go along that way. This country was built by free enterprise by people taking chances, not having it made to order for them. I expect it to continue that way.

If there is any question that you would like to take up with us, or Joe LaFortune, he is an oil man himself, do so. PAD we think has rendered a great service, but when the time comes that there is no job for them to do we will let Joe go home. We want to be prepared to start it again because we are living at a very critical time.

I read the paper every morning to see what happened yesterday, and sometimes I am surprised that nothing happened because nothing has happened. It is an interesting time to live because I can't plan very far ahead. I was interested in Mr. Watson of the IBM talking to a friend of mine the other day. He said, "I envy the young people of today with the



opportunities they have." There was a smart man; he didn't sell those machines. He rented them.

When I came back to the Army after 23 years they did a good job for IBM. They had all the Form 20's and Form 66's. I used to wonder how Napoleon ever won a battle without a mimeograph. Times have changed from the time when we were in in 1917; we didn't have mimeograph machines and didn't get into so much trouble.

I merely say that in passing because Mr. Watson said personally that there are more opportunities for a young man today than when we started. Of course, all us old fellows feel the same way. This country isn't going haywire; this country is going to continue. If you look at the figures you will find we have very little unemployment.

Henry Wallace was writing a book about 60 million jobs. We have 63 million jobs now without Henry Wallace. I think that is an improvement because I don't want the Government regulating jobs for me. If I can't make a living for myself I will starve. Perhaps at this point I had better shut my big mouth and go home.

Just in conclusion, I might say that I have a great admiration for the petroleum business. Any time I ever put a couple of dollars in a well it was a duster. I even put some money out in shale oil out in Colorado. The only kind of oil I will buy now is one of those good companies, you know the

6 ones I mean, any of them. Of course, I used to have some in Joe's company once for appreciation, and it went up, too. But I have been a great admirer of the oil fraternity. When I go down and look at that offshore property I am amazed at the men who have the guts to put that kind of dough in that kind of deal.

Then when I think they have to drill nine holes to get one good one, it is beyond me. Of course, the opposition will tell you about the depletion. Sure, you have depletion on there; you should have. But I want to say again that you folks have demonstrated private enterprise and the ability under the right conditions to go out and sink your money into things for the benefit of America.

I spoke to some mining men the other day, and I called attention of the mining people that I think their exploration probably needed some revisions, and they might take a look at the chapter in this business, the oil business. Perhaps in the mining business we are still following horse-and-buggy procedure. So in the present day you folks have set the standard for all people in exploration.

I know very well you folks will work out your own salvation if Government will keep its nose out of your business.

It has been a pleasure to be here and see you again. And another thing, any time any of you fellows have something

to say to us we will be glad to hear it. You ought to read some of my mail. So don't pull any punches.

(Applause.)

CHAIRMAN HALLANAN: I want to introduce to the Council at this time Mr. Felix Wormser, the Assistant Secretary of the Interior in Charge of Mineral Division. Mr. Wormser has followed the work of this Council very closely, and we are delighted to have him here this morning. Mr. Wormser.

STATEMENT OF HONORABLE FELIX WORMSER,  
ASSISTANT SECRETARY OF THE INTERIOR  
IN CHARGE OF THE MINERAL DIVISION.

MR. WORMSER: Mr. Chairman, gentlemen, again it gives me great pleasure to appear before you. It all contributes to my education about your problems. I find that these reports that you have prepared over the years have been of inestimable help to me, and I can just imagine *what* they do for others in Government who have to impinge themselves upon your problems.

I know this going down to the outer continental shelf with the Secretary a few weeks ago, I don't think I could possibly have obtained the picture I did if it hadn't been for the guidance of that magnificent report covering the problems the people have to contend with in that area.

I am delighted to see today that Mr. Mattei has given deep thought with his committee to the problems of conflict and property rights where the miners and oil men are after the same piece of ground. I think that that problem will

be satisfactorily settled. Of course, being a mining man, I am glad that the areas of conflict can't be too common because after all the mines are found where you have igneous rocks and intrusives, and the oil is found generally where you have largely sedimentary.

So I can't anticipate too much conflict, but it is a great help to have such thought put on this problem in an effort to find a solution which will keep everybody happy.

Now there is nothing that I can add to what the Secretary has given you about his fundamental philosophy. I have only been down here a few months, but it is really a thrilling experience to see the thinking that is going on in the direction of what I for one at any rate conceive is a sound fundamental thoroughgoing American economic philosophy, which, if you can put it in one sentence, is that we want our freedom, we want free enterprise, and we want the door of opportunity kept open for our children just as it has been for us.

It has been a great source of relief to me, and it probably is to you to have no Government official that I know of who has taken the platform any place in the United States so far and referred to the selfish interests, the greedy corporations, Wall Street, and so forth. There has been no invective.

On the contrary, there is a sincere desire to work with all the industries in the United States to help solve

their common problems and to do it in a way that will be in the fundamental interest of our great country. I know now that your PAD is folding up or is about to fold up; we in the Interior Department in the regular line agencies will probably have a little bit more work thrown upon us.

I know it will probably involve my office in still closer cooperation with you. I welcome it, and I welcome the opportunity to stand before you from time to time and to exchange views with you.

Again I want to express the great help all of your deliberations have been to me and how I look forward in the future to working with you still more closely.

(Applause.)

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

Last July when Ed Warren terminated his services as Deputy Petroleum Administrator, Mr. Jones' Committee on Government Personnel was able to bring here as his successor Mr. Joe LaFortune. He has worked most earnestly and sincerely in the problems that he inherited in connection with the administration of PAD, and I know that I bespeak the sentiment of everyone here this morning when I express to him our very deep gratitude for his service at a time when it was greatly needed and when the industry needed somebody to carry forward in the administrative staff of PAD.

Now that the skies are brightening and it would appear that there are no serious emergency problems and that PAD may be extinguished, we feel that Joe LaFortune has done a splendid job in achieving the concluding part of a great service to the Government, and inasmuch as this will be the last meeting of the present Council and probably the last meeting before the expiration of PAD, I want to take this opportunity to thank Joe LaFortune on behalf of the Council and the petroleum industry and ask him to speak to us at this time.

(Applause.)

STATEMENT OF J. A. LaFORTUNE,  
DEPUTY ADMINISTRATOR,  
PETROLEUM ADMINISTRATION FOR DEFENSE.

MR. LaFORTUNE: Thank you very much, Mr. Hallanan, and members of the Council, ladies and gentlemen. It is true that I have been here just a very short time. It is likewise true that I have enjoyed my work. It has been entirely new, but very interesting as well as educational. I have a definite feeling that my knowledge has been broadened considerably by taking this responsibility.

It has been interesting from the point of view of the contacts that I have made, the men that I have met, even this morning having breakfast with Senator George Malone, spending some time with Secretary McKay; that represents part of my experience day to day, week to week, and month to month. That is what it has been.

Being in close contact with you gentlemen has been another very fine experience.

I have a few words to say here that will probably represent the last remarks that I may have to make before you. I realize that it is going to take probably during the month of January and probably February before I will have finished my task in the PAD. I am very anxious that when the transition takes place we do it in the right way. I don't believe that we should have any small skeleton organization that will not function properly.

I think that the Oil and Gas Division and the MPAB should operate very efficiently. In order for it to operate efficiently it must be properly manned. Industry, I know, will be called upon to supply that necessary talent. I trust that you will continue to supply it just like you have in the past. Certainly the caliber of the men who have represented and worked for the PAD has been outstanding, and that has been another fine experience working with that particular type of individual.

They have all been high class, all fine executives, and all willing. I sincerely hope that industry will respond when the request comes to staff MPAB and the Oil and Gas with the necessary efficient help.

Here is a thought I would like to leave, that in staffing MPAB it is going to take time for clearance; that will

average two or three months on any new man sent by industry to be on the MPAB. Now at the present moment we have one report coming up which is going to call for additional staffing with the Oil and Gas Division; it is the 435 report, and the Office of Defense Mobilization is expecting some report from us about March or April, so between now and then industry will be called upon to give us some help so that that report can be properly taken care of.

When I came into the job of Deputy Administrator of the Petroleum Administration for Defense on July 1 of this year I knew, of course, that many of the functions and activities of PAD had been fully discharged and that through the cooperation of the industry in supplying top-flight personnel they had been well done.

The problems in connection with the supply of materials were behind us. Controls on all materials, except nickel-bearing steel alloys, had been revoked. Price controls had ended on April 30. In general, the outlook was favorable. Well drilling was progressing at a rate slightly above the record-breaking rate of 1952.

Incidentally, this is not in my paper, but you might be interested in knowing that Ed Swanson told me the other day that there has been a well drilled every 37 minutes since the first well drilled in 1859. It is quite an interesting fact.

Construction of pipelines for oil and for gas was



continuing almost on schedule. New refinery construction, although still somewhat hampered by slow delivery of materials, was progressing satisfactorily. Demand for products was continuing high. It was not increasing as rapidly as in the previous two years, but it was still increasing.

My predecessor, Mr. J. Ed Warren, handed over to me a well-staffed and smooth-working organization which had been streamlined to reduce it to the size of organization considered necessary to continue those functions and responsibilities which were still pressing PAD. The most urgent of these, of course, was the supply of products for the Military, of which the supply of high octane aviation gasoline was the most troublesome. Stated military requirements for the fiscal year commencing July 1, 1953, were increased above the requirements for the previous fiscal year. This increase in indicated requirements caused us concern for a time, but it soon became apparent that the production rate for military avgas was reaching a figure about equal to the actual capability of the Military for lifting the fuel.

The Military had a problem of insufficient storage as there were delays in the completion of military storage facilities caused by slow deliveries of steel tankage to storage facilities which were planned or under construction. As a result, fuel scheduled for military use was backing up at the refineries. PAD and Military consideration of this

problem resulted in the suspension of PAD Order No. 3 last October. You will recall that the order required that alkylate and other components of high octaine aviation gasoline could not be used for the manufacture of ordinary motor fuel, but had to be channeled into the aviation gasoline supply. During November it became apparent that the refining industry could meet all current military requirements for the first six months of 1954, even if PAD Order No. 3 was revoked. This was the last of the six PAD orders outstanding and, in line with PAD policy, it was revoked on December 1, when defense mobilization requirements permitted.

PAD is continuing to give the Military advice and assistance in determining the reasonable cost of aviation gasoline produced at higher cost for this incremental quantity of supply. Likewise, we continue to assist the Military in the negotiation of facilities contracts for manufacture of alkylate for military aviation gasoline. It would appear now that this phase of PAD's work, together with that done in pricing, is about finished and probably will not be needed much longer.

Applications for certificates of necessity for accelerated tax amortization continue to come in from the Office of Defense Mobilization to the extent of perhaps 20 per month. These applications cover refining facilities, including alkylation plants, natural gasoline plants, pipelines for oil and for gas, and for storage of products. In addition to these

new applications, PAD is receiving and processing over 20 requests per month for time extensions and for scope amendments. Scope amendments are requested by the builder whenever the project itself is modified or whenever actual cost of the project differs significantly from the estimate set out in the original application. All of these forms of application must be analyzed in the appropriate operating division and recommendations with respect to them prepared and returned to the Office of Defense Mobilization.

I should mention that the provision for accelerated tax amortization is in the Revenue Act and not in the Defense Production Act, although the granting of certificates is a function of the Office of Defense Mobilization, and work on these applications must be continued as long as the provision is available to the oil and gas industry.

One of PAD's most important duties is the preparation of wartime world-wide petroleum supply-demand studies carried on in collaboration with the Military and used by the National Security Council in its planning. This type of study has been carried on by the Program Division of PAD. The Foreign Petroleum Supply Committee has been very helpful in the accumulation of data on foreign petroleum supply and demand by countries. The over-all information prepared by the Program Division also serves as a basis for wartime petroleum demand and supply studies carried on by the Petroleum Planning Committee

of the North Atlantic organization.

Wartime studies are made for the National Security Council. We are advised that another request will be made early next year. It is anticipated that it will be prepared along the same lines as the previous studies of that type. The Office of Defense Mobilization periodically requests other petroleum and gas studies relating to national security.

I might mention here that in talking with them yesterday they are still anxious and hopeful that a pipeline previously discussed in the last meeting here may become an actuality in some way, shape, or form. It is their earnest wish that we give that our consideration, thought, either as an individual or as a company or as a group to the possibility of having a line built that will transport crude oil in the event of an emergency.

Our counsel has recommended the reactivation of the Oil and Gas Division as a successor agency to PAD. It has likewise recommended the continuation of the National Petroleum Council and the reactivation of the Military Petroleum Advisory Board. I am sure your report and recommendations will be very helpful to the Secretary.

Regarding the termination date of PAD, I had hoped all along that we would be able to wind up the agency by no later than the end of this year. However, after reviewing all the problems involved I do not think this is now possible. I

assure you that I shall recommend to the Secretary the termination of PAD at the earliest possible date.

In connection with the transition to an Oil and Gas Division I want to emphasize to you the problem of staffing the reactivated successor agency. It is not only necessary to restaff, but I think we will find it necessary to secure some funds to carry it on. We may be able to get by the first six months of next year, and we may not. We were not allotted the full amount, as you probably know. We are trying to do the best we can with the present amount.

7 Whether we can continue with a very successful Oil and Gas Division and the necessary men that would be required to do the work remains to be seen. So it is possible we may have to make a trip or two up to see this fine Secretary of the Interior that we have whom I have enjoyed meeting and getting better acquainted with. He is really the type of man that we have all wanted as Secretary of the Interior, and now we have him.

Many of you may not remember that the technical staff for the Oil and Gas Division PAD consisted of only six technical experts. As I look ahead, the Oil and Gas Division will require additional technical personnel to make it the effective organization it should be. I am sure you will give the Oil and Gas Division your cooperation in recruiting the technical experts it will require.

Gentlemen, I thank you.

(Applause.)

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

May I introduce at this time Colonel G. H. Montgomery, Acting Staff Director of the Petroleum Logistics Division of the Office of the Assistant Secretary of Defense to discuss the problem of military petroleum requirements. Colonel Montgomery.

MILITARY PETROLEUM REQUIREMENTS

By

COLONEL G. H. MONTGOMERY, USA,  
ACTING STAFF DIRECTOR,  
PETROLEUM LOGISTICS DIVISION,  
OFFICE OF THE ASSISTANT SECRETARY  
OF DEFENSE (SUPPLY AND LOGISTICS).

COLONEL MONTGOMERY: Mr. Chairman and gentlemen, General Johnson asked me to express to you gentlemen his regrets at not being able to be present this morning. He is busily engaged being oriented into his new job as the Director of the Joint Logistics Plans Group of the Chiefs of Staff. He said he would still have an interest in petroleum as he has a petroleum staff or group within his new directorate which primarily is concerned with the petroleum aspects of mobilization or emergency war plans.

I thought perhaps you gentlemen might be interested this morning in a brief as to what is happening under the re-organization in the Department of Defense petroleum-wise. Mr. C. S. Thomas, the new Assistant Secretary of Defense, Supply, and Logistics, recognizing that petroleum was more or less

unique and did not fit into his functional type organizational concept, made the decision to supersede the old Munitions Board Joint Petroleum Committee and Munitions Board Office of Petroleum Programs with a Petroleum Logistics Division.

The functions of that division were to be confined to development of Department of Defense policy and procedures on petroleum matters to the coordination of the activities, the balance of his office, the balance of the Office of Secretary of Defense, and the military departments on petroleum matters.

It is a peculiar thing, petroleum seems to cut across the whole Department of Defense, and as a result anything that pertains to petroleum is to be referred to our office. We formerly performed quite a number of operational functions and in the main and insofar as possible those have been transferred to the Armed Services Petroleum Purchasing Agency since they now have been expanded to be our operational group.

We also transferred personnel from our staff who had been performing these operational functions.

Our staff at the present time will consist of some 21 people, 9 officers and 12 civilians, so you can see that we will be able to do relatively little work and are going to have to depend to a major degree upon the MPAB when it comes to development of supply-demand studies to meet our emergency war plan and mobilization plan requirements.

Now it has usually been customary for us as soon as possible to give you gentlemen some sort of indication as to our requirements for the coming fiscal year. I have some preliminary estimates at the present time which I would like to emphasize are very preliminary. It appears as though our requirements for all products will be just about the same as for this fiscal year.

When I speak of this fiscal year, that is the year ending July, 1954 with the exception of jet fuel. We presently estimate that jet fuel purchases for the fiscal year 1955 will increase by 34 per cent. It is interesting to note that the aviation gasoline requirements are not decreasing as some people thought they would with the increase in the use of jet fuel; they are remaining just about the same.

There will be in ground products a very nominal increase, perhaps 5 per cent. That also will apply to Navy special fuel oil.

I would like to take this opportunity to express our thanks to industry for the wonderful job they have done for us on aviation gasoline. When I came into the job as the deputy to Admiral Bigges some almost three years ago, that was our primary concern and remained so up until very recently. We spent the majority of our time, PAD has I know, in emphasizing the aviation gasoline program, and we certainly appreciate how well industry has responded.



I thank you.

(Applause.)

CHAIRMAN HALLANAN: Thank you.

On the matter of military petroleum procurement Colonel Douglas R. Brown, Director of the Armed Services Petroleum Purchasing Agency. Colonel Brown.

MILITARY PETROLEUM PROCUREMENT

by

COLONEL DOUGLAS R. BROWN, USAF,  
DIRECTOR, ARMED SERVICES PETROLEUM  
PURCHASING AGENCY.

COLONEL BROWN: Mr. Chairman, members of the Petroleum Council, I am proud to be here today; it affords me the opportunity to express my sincere appreciation to you and PAD for a job well done.

Through your concerted efforts, you have greatly contributed toward solving military petroleum problems which appeared so serious and almost impossible only a short time ago. In fact, you have performed your job so well that on the eve of PAD's dissolution ASPPA has no major problems. This is the first time I can ever remember the ASPPA being in this position, and it isn't by sheer accident.

You have expanded production and refinery capacities. You have built alkylation facilities. You have stored product for us when we were short on storage. You have cooperated in every manner possible to help us secure additional storage. You have shown extreme patience when the military departments,

for reasons of military exigency, have been unable to lift product as per contract agreement.

When Commander Major made his presentation to you at your last meeting, he indicated there was some possibility that requirements of high octane aviation fuel needed for the last half of this fiscal year ending 30 June 1954 might be filled with some difficulty. His statement was based partially on the fact that PAD Orders 3 and 4 would be cancelled, which could result in less product being offered to the Armed Forces. He was also taking into account an estimated increase of approximately three million barrels of high octane fuel over the first half-year requirements.

In the meantime, and prior to our going to industry for our last half fiscal year requirements, unexpected offers for high octane aviation gasoline were made in substantial quantities. When we did go out with a request for offers to cover the amount still required for the last half, industry response was surprising in that we had almost 30 per cent more coverage than we needed. We found it nearly as difficult a problem to turn down offers as we formerly had in encouraging industry to supply us.

It has been a nice turn-around, and in fact the embarrassment has been mostly to those companies who historically supplied us and who depended to a great degree on Government business.

It would appear that the industry is now over-produced on high octane gasoline for peacetime consumption; however, I believe the next fiscal year will show production and consumption pretty much in balance. This conclusion is based on the fact that over 30 per cent of this year's requirements were purchased as incremental or high cost fuel which industry produced as a result of military request.

I know in many instances the industry did not want to produce this product; they did it as a matter of helping the military.

We need to fill our requirements next year on normally produced product. Then, too, we believe that the removal of PAD Orders 4 and then 3, allowing for a reduction of lead in aviation fuels, and the use of alkylate for products other than aviation fuel, will reduce the quantities of product offered to the Armed Services. Some companies are already planning to convert alkylate to motor gas manufacture to increase octane rating.

Of course, in the race for octane increases in motor gasoline there probably are a lot of companies who would have to revert to alkylate instead of catalytic reforming.

Insofar as other products are concerned, we have encountered a competitive market, as you probably are all very much aware. This has permitted us to engage in formal competitive bidding for our bulk fuels requirements of Navy special

fuel oil, motor gas and diesel fuel. Needless to say, you have more than met our requirements on these products for the balance of this fiscal year ending 30 June 1954. On jet fuel, we have continued purchases for the balance of this fiscal year on a negotiated basis, but believe that there is sufficient supply to allow us to fill our requirements for next fiscal year on an advertised bid basis. We have already been adequately covered on our requirements for this next six-month period.

It will appear that we will then be on a formally advertised basis for all products in the agency with the exception of high octane fuel.

Now I would like to dwell for a moment on the new concept of the alkylation program. As you are aware, we have discontinued aggressive action to secure alkylation facility expansion. This came about as a result of a new PAD survey which reflected more current and potential capacity than had been revealed before.

At the same time, there was a slight reduction in the military requirements brought about by a "new look" at our mobilization plans by the Joint Chiefs of Staff. There is only a short gap between industry's refining capacity and military mobilization requirements. It has been decided that the ASPPA will continue to negotiate Government alkylation contracts, both under-written and reimbursable type, with those companies that are interested. This will be on a very limited

scale, some of it in cases of strategic need, none of it will be on an uneconomical basis.

Also this gap, as you probably already know, is very small; it is 8,000 barrels a day. It is felt that the gap between requirements and production can be filled by those companies desiring alkylation expansion.

In connection with this alkylate program, I would like to take this opportunity to thank those companies that offered to construct alkylation facilities with the realization that it would be uneconomical and would have to be placed in immediate stand-by for emergency use only. It points up again the real concern and desire by the oil industry to do its share in preparing for a national emergency, in some instances at the expense of their own economy.

I would like to elaborate for a moment on Colonel Montgomery's remarks in connection with the new responsibilities taken over by ASPPA from the Petroleum Logistics Division of the Office of the Secretary of Defense.

No doubt your primary concern in this move is how it may affect your relationship with the ASPPA.

First, I would like to assure you that no changes are anticipated in the procurement aspects with the exception that some improvement may be expected as a result of combining the programming with the procurement programs. We will be in possession of facts and figures which will promote better

planning for procurement. Advance estimates of military requirements are determined in the programming, and many of your companies use these figures in your planning.

In the future, we will be working directly with your committees on fact gathering, concerning exploration, drilling, production, refining and processing, transportation, storage and marketing.

The establishment of these new functions in the Agency will provide for a mutual exchange of information and assistance for the benefit of both industry and the military. Accordingly, your planners and economists may feel free to call upon us at any time.

CHAIRMAN HALLANAN: Thank you very much.

(Applause.)

Gentlemen, through the recent years of our national defense era the Oil and Gas Division, which has been the peacetime organization of the Department of Interior, has remained intact and has been presided over by Mr. Hugh Stewart as its very competent Director. Its activities have, of course, been coordinated with the Petroleum Administration for Defense, but now as we face the future and the evident return to our relationship with the Oil and Gas Division, we look to Hugh Stewart with confidence, a feeling of personal friendship, because of his close association with the petroleum industry over a period of many years.

I would like at this time to call upon Mr. Hugh Stewart.

STATEMENT OF HUGH STEWART,  
DIRECTOR, OIL AND GAS DIVISION,  
DEPARTMENT OF INTERIOR.

MR. STEWART: Gentlemen, the factor of the feature of this termination of PAD which has so occupied our attention over the past several weeks, one part of it that has been of great concern to me has been the development of a smooth and effective transition from the duties and functions of PAD to the duties and functions of a normal peacetime Oil and Gas Division.

The Secretary of the Interior under the delegations to him under the Defense Production Act has certain responsibilities with respect to oil and gas. The termination of PAD will not terminate the delegations to the Secretary of those responsibilities so long as the Defense Production Act of the Defense Mobilization Program is in progress.

Some features of the responsibility have been fully discharged, as Joe LaFortune commented a few minutes ago. You have just heard from Colonel Brown as to the avgas problem. Those are serious problems that cause him a headache. They are well behind us.

In setting up a transition organization, however, it is going to be necessary for us to give close consideration to the remaining responsibilities placed on the Secretary under

defense mobilization. In addition to setting up all of those normal peacetime functions of an advisory nature and of a liaison with industry on both oil and gas pre-PAD, the Oil and Gas Division had a total technical staff of six people. That included Ed Swanson, Carl Fentress, and myself.

The remaining problems and the increased problems coming out of the Petroleum Administration for Defense and out of the continued effort of the Office of Defense Mobilization to maintain a high base for mobilization, those increased problems are going to require that the permanent Oil and Gas Division have some additional qualified experts who can properly interpret and properly advise on their respective portions of the industry and Government problems.

Now it is not going to be an easy matter to recruit the high-grade individuals which your committee has recommended for all of this work. In the transition period it seems to me that whether PAD can be terminated at the end of December or the end of January or the end of February is not so important as making it clear that for the transition period which I think will run for the balance of this fiscal year, we will have to retain some of those high-grade technical men with whom you have heretofore supplied us who are now serving without compensation.

We note a great tendency on all of their parts to figure that the moment PAD termination is announced, the



deadline set forth, they are going to be long gone. Well, I know that you executives are rather anxious to get some of those individuals back on the job. I think we are going to have to ask forbearance on your part and on the part of some of these men to the extent that they are absolutely essential.

DR. WILSON: Can you keep a man on the WOC basis?

MR. STEWART: I think on the defense production basis we can at least for the balance of this fiscal year. That is one of the problems among a good many others that the lawyers are going to have to resolve and on which we haven't yet got final decision.

I know that we can look forward to just exactly as high grade cooperation from the industry and from the men in the industry as PAD has had and as the Oil and Gas Division had pre-PAD, but because of the increased responsibilities under the present conditions, the cold war conditions, if you will, we are going to have to have probably more help than we ever had before.

Your committee has recommended reactivation of the Military Petroleum Advisory Board. That is, I think, an absolute necessity, and I think it should be done at the earliest time possible. We have one little problem, however, under the executive order of April 15 of this year with respect to security clearance. Each man handling sensitive material has to have security clearance following a field check.

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Mr. LaFortune referred to that. He commented that it might take two or three months to get it. Some of us are not so optimistic that we can get the final report and clearance in that short a time. We are having experience with some that drag out to four and five months. Now we have available a number of men who do have presently security clearance, and those men are of the caliber needed for a Military Petroleum Advisory Board.

We have some additional men on whom we probably can get the Secretary to grant temporary clearance, men of the caliber that we want, or men who automatically should get the clearance and get it without any question. However, this Military Petroleum Advisory Board can only function through the very active and able committees who have previously carried on the actual work in statistics and recommendations.

We will have to have clearance on each man who is a member of any of those committees and who will in the nature of his work handle sensitive material. We fortunately have a number of men already cleared under the Military Fuels Advisory Committee and the Technical Committee working with the larger committee. Those men, however, are altogether in the refining phases.

We have two or three men who have been cleared for the type of work that is required in so much of the military wartime supply studies. We probably do not have sufficient men

cleared for that.

One of the largest remaining jobs that we have to do either in PAD or in the Oil and Gas Division is to maintain the study of the wartime petroleum supply-demand problems which build into the military planning and into the war plans or defense plans of the National Security Council. We expect another call for that sort of study early next year. That study takes time; it takes a lot of work.

PAD does not have the staff now that is necessary. We are making every attempt to try to get a committee lined up which can take on that sort of work. However, it may cause some delay in final liquidation or final termination of PAD.

The Office of Defense Mobilization is continually asking for studies of one nature or another, some of which we can handle without too much difficulty, some of which we probably can pass to the National Petroleum Council, and some to the Military Petroleum Advisory Board or its panels as we get them set up. Without having too clear a picture of what these may be, I personally am reluctant to set up as of today a positive termination date.

We have been figuring, in line with Mr. LaFortune's thinking, that we could set December 31 as that deadline. I doubt now whether we can make it quite that early.

Going back to the early part of this program, this agenda, I want to compliment the three committees for what

appears to me to be excellent reports. I have had just a cursory look at the reports themselves and have listened to the comments made by the three Chairmen. I am sure that the report of Mr. Mattei's Committee on the Minerals Leasing Act and mineral laws conflict will certainly be helpful not only to the Secretary of the Interior and to the Departmental staffs who deal with that problem, but I think it will probably be helpful to the Congress.

One thing that seems to me to be particularly important in this report is that it appears to represent the consolidated thinking of those segments of the industry who faced the particular problems arising out of that conflict of interest.

The report of Mr. Endacott's Committee on material and manpower requirements would appear to fill the large gap that PAD had in the necessary base information for proper presentation of both material and manpower requirements to the appropriate agencies when and as another emergency might arise. This will give us a base which can be readily kept up to date or brought up to date, and because of the exhaustive survey it should be of great value to us.

The last report, having to do with the successor agency, I personally appreciate it because it is an expression of confidence not only in PAD as it has worked, but in the old Oil and Gas Division, and from my own contacts with the Oil

and Gas Division work pre-Korea, I believe that it has a function where if we can keep it properly staffed it will be decidedly in the national interest and which will give us an opportunity to supply the information and advice which the Secretary of the Interior will continue to need.

Now in that looking ahead I can see where we are going to have to call on the National Petroleum Council for many more reports than it has been called upon during the past three years. PAD was able with its large staff to handle many jobs which we didn't need to pass on to the Council. Now I am sure there are going to be additional jobs, additional information upon which we will desire advice and assistance, and I know we will get just exactly what we ask for.

I think that covers the comments that I will make right now. Thank you, gentlemen.

(Applause.)

CHAIRMAN HALLANAN: Gentlemen, you have heard these reports, you have heard the statements of the representatives of the Government, the representatives of the military. Our agenda is completed, and I now want to invite the fullest and most frank discussion from members of the Council on any subject which they desire to speak upon.

The meeting is now open for the discussion of any new business or any old business which may seem desirable to take up at this time.

MR. DUKE: Walter, may I ask if there is an intention to recreate the National Petroleum Council? I read in the oil trade papers some such consideration.

CHAIRMAN HALLANAN: I didn't get you.

MR. DUKE: Something in respect to the necessity to again have the National Petroleum Council set up, not simply re-appointed.

CHAIRMAN HALLANAN: This committee recommended the continuance of the National Petroleum Council.

MR. DUKE: That I know, but I understand from reading the trade papers that there was some consideration to having it redesignated by President Eisenhower.

CHAIRMAN HALLANAN: As to that I know nothing.

MR. JENNINGS: I saw that item in the trade journals which I am sure you refer to, and I can't imagine any basis for that article. The only change made in the rules governing the Council were simply the addition of PAD as an agency for which it functioned, and we don't see any need of making any change in the Council set-up.

MR. DUKE: That answers my question, Walter.

CHAIRMAN HALLANAN: Dr. Wilson?

DR. WILSON: As we approach the end of another year I think we want to express our appreciation for the services of the Chairman under very difficult conditions last year. He has continued to give a lot of time and attention to the work.

We appreciate it, and naturally we hope you will be able to continue.

(Applause.)

CHAIRMAN HALLANAN: I want to exchange bouquets with Dr. Wilson and call attention of the Council to the fact that he has never missed a meeting of the Council. He has a perfect attendance record, and we salute you, Dr. Wilson.

(Applause.)

CHAIRMAN HALLANAN: I also want to express regret today that one who also had that record, our good friend Mr. Jacobsen who had a perfect attendance record, was unable to be here today, but it was because of circumstances over which he had no control, but he assured me that this will be the only meeting that he will miss. I know that we all miss Al Jacobsen, Chairman of the Agenda Committee.

Mr. Spencer?

MR. SPENCER: Mr. Chairman, following Dr. Wilson's remarks I would like to say that some time ago we had a dinner in honor of our Chairman, and in addition to the dinner we collected a fund to have an oil portrait made of our Chairman. I have heard mutterings going on in different quarters: When is the Chairman's portrait going to be completed? Has the Chairman of the Dinner Committee and the Chairman of the Portrait Committee, have they absconded with the money?

MR. B. I. GRAVES: Mr. Chairman, I counted it the

other day, and it is still all there. The problem, Mr. Spencer, with the Chairman is to get him to select an artist. There was one selected, and unfortunately he passed on. Walter has had a little accident, and we hope now -- as a matter of fact, he promised this morning that he would tend to the matter so that we can spend the money.

CHAIRMAN HALLANAN: I am getting a little apprehensive about that fund myself. Before the adjournment of the meeting I should like to ask Mr. Mattei, Mr. Jennings, and Mr. Endacott to remain with me a few minutes after the adjournment for the press conference because some of these newsmen ask questions that I can't answer after the conferences.

Is there any further comment, or does anyone have any remarks? Mr. Jones moves we adjourn. All in favor will indicate by saying aye? So ordered.

(Whereupon, at 12:35 p.m., the meeting of the National Petroleum Council was adjourned.)

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