

DEPARTMENT OF THE INTERIOR

TRANSCRIPT OF PROCEEDINGS

In the Matter of:

NATIONAL PETROLEUM COUNCIL

Date: May 5, 1955

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NATIONAL PETROLEUM COUNCIL

MINUTES OF MEETING

HELD AT

CONFERENCE ROOMS A - B, DEPARTMENTAL AUDITORIUM

WASHINGTON, D. C.

ON

MAY 5, 1955

OFFICERS

CHAIRMAN

Walter S. Hallanan, President  
Plymouth Oil Company

VICE CHAIRMAN

R. G. Follis, Chairman of the Board  
Standard Oil Company of California

SECRETARY - TREASURER

James V. Brown, Secretary-Treasurer  
National Petroleum Council

P R O C E E D I N G S

9:30 a.m.

CHAIRMAN HALLANAN: The Council will please come to order.

Gentlemen, this meeting of the Council has been called for a later date that would ordinarily be the case, but it was made necessary by the fact that we were anxious to have the representatives of the Government, Secretary McKay and Assistant Secretary Wormser here, and in addition to that, there were some Committees still engaged in assignments that had been previously given to them and their reports had not been brought up at the time. In any event, it is not the purpose to change the regular schedule of having these meetings on each quarter and I anticipate that the next meeting of the Council will be during the last week in July.

The Secretary will please call the roll.

SECRETARY BROWN: Gentlemen, as I come to the name of a member who is absent and there is someone here as an observer in his place, will you kindly rise and give your name for the record, please?

Mr. Anderson?

MR. ANDERSON: Here.

SECRETARY BROWN: Mr. Baker?

MR. BAKER: Here.

SECRETARY BROWN: Mr. Ball?

Mr. Barton?

MR. BARTLES: F. W. Bartles, alternate, from  
Brewster-Jennings.

SECRETARY BROWN: Thank you, Mr. Benedum?

MR. BENEDUM: Here.

SECRETARY BROWN: Mr. Bergfors:

MR. BERGFORS: Here.

SECRETARY BROWN: Mr. Blaustein?

Mr. Blazer?

MR. BLAZER: Here

SECRETARY BROWN: Mr. Brazell?

Mr. Bridwell?

MR. BRIDWELL: Here.

SECRETARY BROWN: Mr. Bruce Brown?

MR. BRUCE BROWN: Here.

SECRETARY BROWN: Mr. Russell Brown?

MR. RUSSELL BROWN: Here.

SECRETARY BROWN: Mr. Burns?

MR. BURNS: Here.

SECRETARY BROWN: Mr. Chipman?

MR. CHIPMAN: Here.

SECRETARY BROWN: Mr. Coleman?

MR. COLEMAN: Here.

SECRETARY BROWN: Mr. Cowden?

Mr. Crocker?

Mr. Cummins?

Mr. Donnell?

MR. KENNEDY: Harold Kennedy.

SECRETARY BROWN: Mr. Dow?

MR. DOW: Here

SECRETARY BROWN: Mr. Downing?

MR. DOWNING: Here.

SECRETARY BROWN: Mr. Wesley Downing?

MR. WESLEY DOWNING: Here.

SECRETARY BROWN: Mr. Duke?

MR. PARKMAN: Parkman, representing Mr. Duke.

SECRETARY BROWN: Mr. Dunbar?

Mr. Dunnigan?

Mr. Durkee?

MR. DURKEE: Here.

SECRETARY BROWN: Mr. Endacott?

Mr. Fisher?

MR. McVIE: McVie, for Mr. Fisher

SECRETARY BROWN: Mr. Flenniken?

Mr. Follis?

Mr. Foster?

Mr. Fox?

Mr. B. C. Graves?

MR. B. C. GRAVES: Here.

SECRETARY BROWN: Mr. B. I. Graves?

MR. B. I. GRAVES: Here.

SECRETARY BROWN: Mr. Hallanan?

CHAIRMAN HALLANAN: Here.

SECRETARY BROWN: Mr. Hamon?

Mr. Hanks?

MR. PIERCE: W. R. Pierce.

SECRETARY BROWN: Mr. Hardey?

MR. HARDEY: Here.

SECRETARY BROWN: Mr. Harper?

MR. HARPER: Here.

SECRETARY BROWN: Mr. Hartman?

Mr. Hearin?

MR. HEARIN: Here.

SECRETARY BROWN: Mr. Hilts?

MR. HILTS: Here.

SECRETARY BROWN: Mr. Holman?

MR. ROTHMAN: Brad Rothman.

SECRETARY BROWN: Mr. Hulcy?

MR. HULCY: Here.

SECRETARY BROWN: Mr. Jacobsen?

MR. JACOBSEN: Here.

SECRETARY BROWN: Mr. Jones, Charles Jones?

Mr. W. Alton Jones?

MR. HILL: Hill, for Mr. Alton Jones.

SECRETARY BROWN: Mr. Kayser?

MR. KAYSER: Here.

SECRETARY BROWN: Mr. Keck?

Mr. Keeler?

Mr. King?

MR. KING: Here.

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

Gentlemen, I desire to present a new member of the Council, Mr. Alwyn P. King, Jr. of Houston, Texas, the new President of the Texas Independent Producers and Royalty Owners Association. We welcome you to the Council, Mr. King.

. . . Applause . . .

SECRETARY BROWN: Mr. Lawton?

Mr. Leach?

Mr. Ludwig?

Mr. McCallen?

Mr. McCollum?

MR. MCCOLLUM: Here.

SECRETARY BROWN: Mr. McDowell?

Mr. McFarland?

MR. FAULKNER: H. B. Faulkner.

SECRETARY BROWN: Mr. McGowen?

Mr. Maguire?

Mr. Majewski?

MR. MAJEWSKI: Here.

SECRETARY BROWN: Mr. Marshall?

MR. MARSHALL: Here.

SECRETARY BROWN: Mr. Mattei?

Mr. Maynard?

Mr. Milligan?

MR. WESCOTT: Wescott, representing Mr. Milligan.

SECRETARY BROWN: Mr. Moncrief?

Mr. Mosher?

Mr. Naff?

MR. KANE: Walter Kane, for Mr. Naff.

SECRETARY BROWN: Thank you.

Mr. Nielson?

MR. NIELSON: Here.

SECRETARY BROWN: Mr. Niness?

MR. NINESS: Here.

SECRETARY BROWN: Mr. Nixon?

Mr. Nolan?

MR. NOLAN: Here.

SECRETARY BROWN: Mr. O'Shaughnessy?

Mr. Parten?

MR. PARTEN: Here.

SECRETARY BROWN: Mr. Pogue?

Mr. Porter?

Mr. Reitz?

MR. ELLIS: Ellis, for Porter.

SECRETARY BROWN: Mr. Richardson?



Mr. Ritchie?

MR. RITCHIE: Here.

SECRETARY BROWN: Mr. Robineau?

MR. GATZELL: Mr. Gatzell for Mr. Robineau

SECRETARY BROWN: Mr. Robinson?

MR. ROBINSON: Here.

SECRETARY BROWN: Mr. Rodman?

Mr. Rowan?

Mr. Scott?

Mr. Skelly?

Mr. Spencer?

MR. SPENCER: Here.

SECRETARY BROWN: Mr. Staples?

Mr. Supplee?

MR. STOSE: C. W. Stose, for Mr. Supplee.

SECRETARY BROWN: Mr. Swensrud?

MR. SWENSRUD: Here.

SECRETARY BROWN: Mr. Taylor?

MR. TAYLOR: Here.

SECRETARY BROWN: Mr. Vandeverer?

MR. VANDEVEER: Here.

SECRETARY BROWN: Mr. Vaughey?

MR. VAUGHEY: Here.

SECRETARY BROWN: Mr. Violette?

Mr. Vockel?

MR. VOCKEL: Here.

SECRETARY BROWN: Mr. Ed Warren?

MR. ED WARREN: Here.

SECRETARY BROWN: Mr. William Warren?

Mr. Weil?

MR. WEIL: Here.

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

Gentlemen, I desire to present a new member of the Council, Mr. Albert H. Weil, who is President of the Natural Gasoline Association of America. Mr. Weil is from Shreveport, Louisiana and we are happy to welcome you as a member of the Council, Mr. Weil.

MR. WEIL: Thank you.

. . . Applause . . .

SECRETARY BROWN: Mr. White?

MR. ELLIS: Otis Ellis, for Mr. White.

SECRETARY BROWN: Mr. Wilson?

Mr. Windfohr?

Mr. Wrather?

Mr. Wright?

CHAIRMAN HALLANAN: A quorum is present, gentlemen.

You received on February 15 copies of the last meeting of the Council of January 25. Are there any comments or corrections? If not, may we have a motion to have approval?

It has been moved and seconded that the minutes of

the January meeting be approved. All in favor, indicate by saying aye? Contrary, no? So ordered.

We move now to the report of the Agenda Committee. Mr. Jacobsen, would you please come forward?

MR. JACOBSEN: On May 4, Mr. Carroll D. Fentress, Acting Director of the Oil and Gas Division of the Department of Interior, wrote the following letter to Mr. Hallanan:

"Dear Mr. Hallanan:

"On January 26, 1950, the National Petroleum Council's Committee on Petroleum Industry Manpower submitted a report giving the results of a nationwide survey of petroleum industry manpower. This survey included an estimate of the manpower engaged at that time in the industry, classified by functional divisions of the industry, occupations and skills, and geographical areas. This report also included information on the number of males engaged in jobs requiring at least a year's replacement training, number of male employees who were members of the Armed Forces Reserve or National Guard units and the number of male employees over 35 years of age.

"On May 9, 1951, the National Petroleum Council's Committee on Oil and Gas Industry Manpower made a second report on the manpower requirements of the petroleum and gas industries. This second study brought up to date the

report of January 26, 1950.

"At the request of the Departments of Defense and Interior, the Military Petroleum Advisory Board is currently undertaking a study of the wartime manpower requirements of the petroleum industry. The previous peacetime manpower reports of the National Petroleum Council are of great assistance in this study. Although the current Military Petroleum Advisory Board study will be completed in the near future, it is anticipated that periodically thereafter, the Government will require additional studies of the wartime manpower requirements of the petroleum and gas industries. The peacetime employment in the oil and gas industries, as reflected in the National Petroleum Council studies, is the basis of the Military Petroleum Advisory Board wartime studies.

"In view of the importance of manpower in defense planning for the essential oil and gas industries and for the Armed Forces, the manpower requirements of these industries should be frequently brought up to date.

"Because there has been significant expansion in the oil and gas industries since the last manpower survey was made by the National Petroleum Council, it is requested that the National Petroleum Council bring up to date the previous study and prepare a report thereon together with such recommendations as the Council may

appropriate. It is requested that this new study include estimates of manpower engaged on July 1, 1955 in the petroleum and gas industries, classified by functional divisions of the industries, occupations, skills and geographical areas.

"Sincerely yours,

"/s/ Carroll D. Fentress

"Carroll D. Fentress

"Acting Director."

"Under date of May 4, 1955, Mr. Carroll D. Fentress, Acting Director of the Office of Oil and Gas, Department of the Interior, addressed a letter (copy of which is attached hereto) to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, requesting that the Council undertake a survey of the petroleum industry manpower, bringing up to date its previous study of January 26, 1950, which was last brought up to date on May 9, 1951. It was also requested that this new study include estimates of manpower engaged on July 1, 1955 in the petroleum and gas industries, classified by functional divisions of the industries, occupations, skills and geographical areas.

"As provided in the Articles of Organization of the Council this letter was considered at a meeting of the Agenda Committee on May 4, 1955 in Washington, D.C.,

at which meeting it was unanimously agreed to recommend to the Council the appointment or reactivation of a Committee to make the study as requested by Mr. Fontress in his letter of May 4, 1955, and to report to the Council.

"Respectfully submitted,

"A. Jacobsen, Chairman

"Agenda Committee."

I move the adoption of that report.

CHAIRMAN HALLANAN: Any remarks, gentlemen? You have heard the motion.

I think, Mr. Jacobsen, it might be well to call attention to the fact that in this latest request by the Department, it embraces a manpower study in the gas industry whereas the previous requests have been on petroleum?

MR. JACOBSEN: Yes.

CHAIRMAN HALLANAN: But that has been gas only to the city gate.

All in favor of the adoption of the report will indicate by saying aye? Contrary, no? The report is unanimously adopted.

Gentlemen, we have with us this morning General White of the Office of the Assistant Secretary of Defense. General White has some other engagement with other groups this morning.

I know you are anxious to hear him and in connection with what he is going to say to us I want to impose upon the members of the Council and our guests absolute confidence. This is an off-the-record statement that must be considered in relation to national security and I hope that it will be treated with the strictest confidence. I present Brigadier General W. W. White.

(The remarks were made off the record.)

CHAIRMAN HALLANAN: Are there any questions, gentlemen, in relation to what General White has had to say this morning?

Thank you, General.

. . . Applause . . .

We also have with us this morning the acting director of the Armed Services Petroleum Purchasing Agency, the successor to Colonel Gilliam, who has been with us a good many times, and I now desire to present to the Council on his first appearance Colonel Carlton G. Shead, Acting Director, Armed Services Petroleum Purchasing Agency.

5 COLONEL SHEAD: "Mr. Chairman, and Gentlemen, I would like to correct an impression there, I am not the successor to Colonel Gilliam and merely pinch-hitting for Colonel Gilliam while he is in Europe on important petroleum matters. Prior to his departure, he asked me to express his regrets in not being present with you today. At your last

*Colonel Carlton G. Shead  
acting Director  
Armed Services  
Petroleum Purchasing  
Agency.*

January meeting, General Gilliam proposed that representatives of industry meet with ASSPA to discuss mutual problems. We had such a conference at ASSPA on the 25th of February. About 50 industry representatives met with us and the questions they posed gave us a very lively and instructive session. A number of administrative problems were presented and were either answered at the meeting, or will be resolved shortly. The main problem area seems to be the open-end contracts. For strictly military products in small containers we are now considering that these contracts should be usually for firm quantities for one year instead of the six months that we now contract for. This we feel will offset the underliftings, which seems to be the main complaint.

" For boat contracts, the military departments feel that the solution is to monitor their requirements more closely. This problem will be under continued study by ASSPA and the military departments. This meeting of the industry with ASSPA was very helpful to us and we hope that it benefitted industry. Whenever conditions change to such an extent that a similar exchange of ideas would be mutually beneficial, we would certainly favor another meeting.

" I brought with me this morning a chart which represents our procurement program for fiscal year 1956 in comparison with fiscal year 1955. We are able to give you a much more definite picture than we were able to give you at the last



meeting. The total volume is approximately 245 million barrels of oil products, including lubes and greases, compared to 225 million barrels during the present fiscal year. The big increase, as you can see from the chart, is in jet fuel, from 31 percent to 38 percent of all products. Percentages of avgas, diesels and heavy residuals are relatively unchanged. The major decrease was in Mogas, as you can see from the chart. One point should be noted, these are world-wide military requirements, they include interplane requirements, ships' bunkers and the so-called regional requirements for post camps and stations; therefore, they will not match up with individuals' invitations for bids and requests for proposals, particularly since many of these overlap from one fiscal year to the next. However, we hope that these figures presented here this morning will be of some help to industry planners in watching trends of military petroleum requirements.

I believe that is all I have to say, except that I am very glad to be here. "

**CHAIRMAN HALLANAN:** Are there any questions you desire to ask of Colonel Shead?

**MR. MAJEWSKI:** " I do not have a question, but I was at that meeting that Colonel Shead referred to and that Colonel Gilliam and his associates staged, and that was one of the finest pieces of public relations and industrial relations between government and industry that it has been my

pleasure to participate in and witness. I think that the Council should express by proper resolution its warm appreciation and encouragement of that sort of industry-government cooperation, and I so move.

CHAIRMAN HALLANAN: Will you prepare it?

MR. MAJEWSKI: I have not prepared it yet, but if you let me do it I will do it warmly and effusively.

CHAIRMAN HALLANAN: Under those assurances, may I have a second? All in favor indicate by saying aye? Contrary, no? It is unanimously passed. We shall await the effusive resolution.

Thank you very much, Colonel.

COLONEL SHEAD: Thank you, sir.

. . . Applause . . .

CHAIRMAN HALLANAN: Gentlemen, the next order of business is the report of the Committee on Oil and Gas Emergency Defense Organization, which will be presented by Mr. Bruce K. Brown, Acting Chairman of the Committee. This is one of the very few meetings that Dr. Wilson has been unable to attend, but there is a conflict with the annual meeting of Standard Oil of Indiana and he has been unable to be here.

Mr. Brown?

MR. BRUCE BROWN: Mr. Chairman, with your permission, I am going to cover both of these copies. They are a little easier to follow if I cover them at the same time.

**CHAIRMAN HALLANAN:** Will you indicate what both of them are?

**MR. BRUCE BROWN:** There is being passed out to you now two large volumes, the gray one and the green one. The green one, it is my hope the Council will approve the expenditure already made for reproduction, some \$700 and accept the document. The gray one is labeled "third draft" but there are a thousand copies that can be put out without that word "draft" if this disaster planning manual is accepted by the Council. I am not proposing that you approve these massive documents, but merely that you accept them.

I will go into the history of this thing. The green manual precedes the gray one in point of time. The green manual represents work that was done by a group of industry experts on safety, fire prevention, security and sabotage back in 1952 during the life of the Petroleum Administration for Defense. The thing never got published before and here it is finally. I will refer to that more later.

Now, to come over to the Council Committee on Oil and Gas Emergency Defense Organization, which some 20 members of the Council are on, most of them are present here, including myself, more than a year ago a preliminary report of that committee was submitted orally and in writing by Dr. Wilson before a meeting of the Council. It dealt generally with the opinions of the Committee adopted by the Council as to the

significant things that should be done by government and by industry in preparation for the type of holocaust that might occur if we are attacked from the air by atomic bombs. At the end of the report of January 14, 1954, the Committee said that this preliminary report does not cover two items of importance which some other industries, notably the steel and chemical industries, have covered in their reports. These are first recommendations as to methods of providing continuity of company operations in the event of a disaster. Second, recommendations as to advance preparations which might reasonably be made to reduce damage and facilitate the rehabilitation and so forth, in the event of disaster. So if the Council wants that work done, a subcommittee should be appointed. The Council approved the idea of doing that work in this Committee and approved the appointment of subcommittees, and the subcommittees were appointed. There are two such subcommittees, the Chairman of one of them is Mr. Mangelsdorf of New Jersey and the Chairman of the other is Mr. Arner. They are both here and later I am going to ask them to speak to you briefly about the work.

The Committee on Continuity of Operations, subcommittee on the Continuity of Operations, consists of 15 persons, with Mr. Mangelsdorf the Chairman. Generally speaking, these individuals were vice presidents or general managers in manufacturing and refining companies. There were one or two presidents of subsidiary companies in there and they worked on

the method of providing continuity of operations in the event of disaster.

The other Committee on Advance Preparations to Facilitate Rehabilitation, headed by Mr. Arner of Sinclair, has about 15 members, each from a different company, and they are generally general managers of manufacturing or heads of engineering safety and fire prevention personnel departments.

When Dr. Wilson spoke to you before, he said that in connection with the preparation of the manual these committees were then working on it, that is, this gray one, their attention had been called to the fact that the Facilities Security Manual, which had been put together during PAD days had never been published and they recommended that it be published, and a committee was appointed by the Chair of three persons to try to move that one on. The Council had, a couple of years ago, resolved a principal to do that, but this time there was a Committee named to do something about it and I was named chairman of that Committee.

Now, back in the days of PAD when they were working on security of industrial installations from sabotage attack, the jurisdiction of PAD was not exclusive in the field of security, it was not in World War II, for that matter. This time it was vested over to the National Security Council, and there was a plant protection council board created and there was a task force from industry drawn to prepare anti-sabotage

and security manuals. One was from the steel industry and the Iron and Steel Institute subsequently published it. Many of you have seen it, there were some 20,000 copies published. In the case of oil work Mr. Bill Boyd, III, was director of the Facilities Security Division of PAD at the time, and he called together a group of industry experts to try to prepare an oil industry security manual. That was done and then it got lost in the limbo of bureaucracy in the very numerous organizations that had something to do with this, none of them having exclusive responsibility, and it just never got printed. Mr. Stewart, responding to the pressures that the Council had put on the Oil and Gas Division to get this thing printed had some informal negotiations in the government and finally reported that he had been advised that it will be satisfactory with everyone if it is published, not as an official document of government, but for what it was, a manual that had been prepared for that purpose. So it has been prepared in some 700 copies and here it is. It says on the inside, "This manual was prepared by a task force of the Petroleum Administration for Defense, published by the National Petroleum Council as a service to industry and government." Now, there is no conflict between these two documents, they compliment each other. One is a plant level manual about how to maintain a secure operation. This one is disaster planning. In fact, these two subcommittees

of the Wilson Committee met and resolved that there was no conflict and that both were needed. I have here their report on that subject.

What I would like to do eventually here, just as quickly as I possibly can is recommend to the Council that you approve the printing and distribution of this document, you accept it and approve the payment of the printing of it and that you accept this document on disaster planning. But, before we go further, I would like to have the chairmen of the two subcommittees which put together this very remarkable manual come up here separately and tell you a little bit about the work that went into it. First, I want to call on Mr. Mangelsdorf, who is the Chairman of the Subcommittee for Maintaining Continuity of Operations. Mr. Mangelsdorf, will you come up, please?

MR. MANGELSDORF: Mr. Chairman and Gentlemen, as Mr. Brown says, we are talking about the gray manual at this time. I think a resume of the subject matter could best be obtained by reviewing the index because the manual is quite comprehensive and covers a large number of subjects. Therefore, I will not try to review the subject matter presented in this manual but, at Mr. Brown's suggestion, will outline briefly the thinking that went into it and the type of discussion that took place in its preparation.

These two subcommittees were appointed by Dr. Wilson

on September 21 and then a meeting was held in his office on October 22 with the chairmen of the two subcommittees present. Then a briefing session in Washington was arranged, which was attended by the full membership, or their alternates, of the two subcommittees and we were briefed by representatives of the Department of Defense and representatives of the Oil and Gas Division. After that morning meeting in Washington, the two subcommittees met jointly and discussed the plans for the preparation of the manual. At that time, the Committees were advised of the existence of a draft of what now is the green manual that Mr. Brown mentioned and copies of that were made available to the two subcommittees so that, as Mr. Brown says, we had that draft before us in preparing this rather overall or comprehensive manual that is represented by the gray book. Questionnaires were sent out to all members of the subcommittee asking for their comments, using as a base for starting, this manual prepared by the Iron and Steel Institute. That manual was thought to be about the best available manual at the time and it was used as a basis to start from. We had written comments and suggestions from a large proportion of the members of the Committee and the task force then using those comments prepared the first draft which was circulated on March 25. Comments on that draft were requested and again we had active participation on the part of the membership and a second draft was prepared which was reviewed then in detail



at a meeting of both subcommittees on April 22.

So that the manual as presented has had the consideration of capable representatives of the oil and gas industry.

I should mention that the gas industry people actively participated in the preparation.

Now, this manual in itself is intended to provide a comprehensive review of the problem and in suggesting solutions, emphasis is given to solutions that have been worked out and are in effect by individual companies. No one company has applied all the techniques or the approaches that are mentioned in the manual, but this is a compilation of things that are largely being done by someone in the industry. We have avoided any reference to inter-company action with the exception of a discussion of mutual disaster, mutual aid, arrangements among industries in a given area, the pooling of fire-fighting facilities, foam, hose, and so forth.

The manual avoids any inference of its recommendations being mandatory, in fact it avoids it being in the form of a recommendation. Rather, the solutions suggested are those that might be applied by individual companies in formulating their own plans.

I think that is about all.

MR. BRUCE BROWN: Thank you.

Mr. Arner, Chairman of the Committee on Advance

Preparation. I would like to have him come up and tell you about that.

MR. ARNER: Mr. Chairman and gentlemen:

Mr. Mangelsdorf has covered this morning pretty well the meetings that were necessary to accumulate and get the information together that is in the gray manual that has been given to you this morning.

Our committee in Chicago, which consisted of about 16 members from representative oil companies all over the country, had certain meetings and from these meetings we were able to work out the assignment Dr. Wilson had given us. After the meeting in Washington that Mr. Mangelsdorf has mentioned, we split up the contents, or the chapters that are in this manual and our committee in Chicago was given the administration on the plant level, personnel, communications, medical and rehabilitation. That was our assignment. Now, we contacted most government committees and authorities to get the information on these particular subjects, the medical end. The medical end in this book was, and it is quite interesting, was received from the civil defense at Battle Creek. We were very appreciative and certainly every company, every industry that we went to to get this information, was quite helpful and certainly gave us every bit of information that we wanted.

Now, this book, Disaster Planning for the Oil and Gas

industry, is a check-list of ideas and suggestions. It is intended to help individual companies in formulating a program of their own based on their own local needs and capabilities. It embraces suggestions based on the experience of other companies in working out such a plan and utilizes all the material available from Government and civic agencies interested in this problem. Many references are cited for more detailed study on specific subjects and an extensive appendix gives tables, charts and examples and documents that may be useful.

This has been a revelation to me, this trying to get this thing together and I assure you that if you will take the time to peruse the manual I think it can be of great help to the oil industry. Thank you.

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

Mr. Arner's last comment suggests one to me that I intended to make before. This gray manual that he has been talking about is, in my opinion, worthy of the attention of the head of every oil industry operation. I mean it is worth his personal reading, because by reading it he will get some ideas as to who in the organization he heads ought to undertake some of these things, or ought not to undertake them. He will get an idea about what people in his organization besides himself ought to look at that. On the other hand, this green volume, security principles, should be read, in my opinion, primarily by the plant manager. He is the fellow

that can do or not do the things that are there. I realize he is taking orders from headquarters about facilities security, among other things, but this relates to principles for companies and this relates to physical things in physical industrial installations.

Incidentally, the Chairman asked me to express some suggestions about the distribution of these two documents and I will consequently do that before I move their acceptance by you. My thought would be that the Council should simply authorize the secretary-treasurer to send out 500 of each of these to the 500 companies that he thinks it would do the most good. That is of course to each of the Council members having one of these too. Then we wait and sit back and see what the demand is for both of the volumes and, of course, more can be produced if necessary. That would leave, if you sent out 500, and counting about 100 for the Council here, that would leave about 100 in government which I think we ought to turn over to the office of oil and gas and that would leave some in the National Petroleum Council to meet mail inquiries. If these are popular documents, we can always have some more printed. As you can see, this was a mimeographed job and was kindly done by Mr. Mangelsdorf's group and does not represent any cost to the Council.

I would say again that the distribution of this  
*gray*  
great document would be exactly what you are looking at except

the word "draft" would be taken off.

With all that preliminary, Mr. Chairman, if it is appropriate, I will first move that the Council accept this security manual and approve the cost of reproducing it which, as I said, was some \$742 and approve the distribution of it by the Council.

MR. MAJEWSKI: I second that motion with the addition that we thank the members of the committees that did the job.

MR. BRUCE BROWN: I accept the amendment.

CHAIRMAN HALLANAN: You have heard the motion of Mr. Brown, acting chairman of the committee, and I want Mr. Brown to add my word of commendation to this very wonderful job that had been done.

Are there any comments further with respect to the distribution of this report?

MR. BRUCE BROWN: Let us stick to the agreement first.

CHAIRMAN HALLANAN: On the principles of safety. All in favor, indicate by saying aye? Contrary, no? So ordered.

MR. BRUCE BROWN: Mr. Chairman, as acting chairman on the Committee of Oil and Gas Emergency Defense Organization, I move that the Council accept this Disaster Manual and permit its distribution by the secretary-treasurer as suggested.

MR. MAJEWSKI: I second the motion.

CHAIRMAN HALLANAN: You have heard the motion, all

in favor indicate by saying aye? Contrary, no? Unanimously adopted.

MR. BRUCE BROWN: Mr. Chairman, if I may have just a minute more on the question of the continuity of the Committee on oil and gas emergency defense organization, there was a question raised as to the subcommittee that got this together should not be held together to amend it from time to time, but I am not going to make that recommendation, because I think it has been council tradition that we can always call them back if we need them again and it is not at all likely that it would need to be done soon. On the other hand, Dr. Wilson's committee has not rendered any final report, only a preliminary report, so I would assume that this would be a part of the final report whenever that committee is discharged, which I assume is not going to be today.

CHAIRMAN HALLANAN: Well, at least I think that in the absence of Dr. Wilson, the report of your subcommittee should be accepted, and we shall wait until the next meeting.

MR. BRUCE BROWN: Thank you, sir.

CHAIRMAN HALLANAN: Thank you very much, Bruce.

Gentlemen, we move now to the report of the Committee on Petroleum Productive Capacity, Mr. McCollum, Chairman. Mr. McCollum?

MR. MC COLLUM: Mr. Chairman and gentlemen, on July 14, 1954, Mr. Hugh A. Stewart, Acting Director, Oil and Gas Division,

United States Department of the Interior, in a letter addressed to you, stated:

"It is desirable that Government have more recent information on the productive capacity of crude oil and natural gas liquids. Therefore, it will be appreciated if the National Petroleum Council will undertake to make another study of the U. S. availability and production of petroleum, as of July 1, 1954, furnishing the data, by the PAD Districts, on availability of crude oils, natural gas liquids, and all oils; similar data on production; and on the reserve producing capacity."

Pursuant to this request, which is attached as Exhibit A, a Committee was created to assemble the requested data. The data for the districts were compiled by separate subcommittees, made up essentially of the same individuals who so ably performed similar services in connection with the two prior NPC availability studies. The procedures used were similar to those under which data were compiled as at January 1, 1951 and January 1, 1953, respectively.

The estimates of petroleum availability determined by the Committee are shown in Exhibit B, together with the production and indicated reserve productive capacity in July 1954.

The Committee estimates that the availability of crude oil and natural gas liquids in July 1954 was 9,096,000

barrels daily, an increase of 937,000 barrels daily from the previous estimate as of January 1953. As shown by the following summary, the estimated rate of increase in availability from January 1953 to July 1954 was considerably more rapid than in the earlier period from January 1951 to January 1953, principally in District 3 and in District 4, where substantial additional pipeline capacity provided larger market outlets.

**U. S. PETROLEUM AVAILABILITY, THOUSAND BARRELS DAILY**

	<u>Annual Rate of Change</u>				
<u>Crude Oil</u>	<u>Jan. 1951</u>	<u>Jan. 1953</u>	<u>July 1954</u>	<u>Jan. 1951 Jan. 1953</u>	<u>Jan. 1953 July 1954</u>
District 1	54	49	43	- 2	- 4
District 2	1,083	1,238	1,380	78	95
District 3	4,161	4,686	5,224	262	359
District 4	350	394	561	22	111
District 5	<u>1,079</u>	<u>1,098</u>	<u>1,123</u>	<u>9</u>	<u>16</u>
Total Crude Oil	6,727	7,465	8,331	369	577
Gas Liquids	<u>573</u>	<u>694</u>	<u>765</u>	<u>61</u>	<u>48</u>
All Oils	7,300	8,159	9,096	430	625

The availability of crude oil has been affected recently by important technological developments as well as by the more rapid rate of development drilling. In the years 1951 and 1952, oil well completions at the rate of 23,450 annually were sufficient to offset the decline in capacity of old wells and to add to crude oil availability



annually some 369,000 barrels daily. In the following eighteen months oil well completions at the rate of about 26,900 annually were estimated to offset the decline in capacity of old wells and to add to crude oil availability at an annual rate of 577,000 barrels daily. The rate of increase in availability was more rapid than the rate of increase in oil well completions. This difference in rate of increase is considered to be due in large part to technological factors. Among such factors are: pressure maintenance operations in some new fields, water flooding and gas injection for secondary recovery in some older fields, and the increasing use of formation fracturing techniques to stimulate the rate of production of wells.

The rate at which oil may be recovered efficiently from proved reserves has been increased by the more rapid rate of development drilling and the technological factors mentioned above. In the long-run, availability will also be influenced by the rate of discovery and development relative to production.

The reserve capacity figures for all petroleum liquids, shown in Exhibit B as 2,212,000 barrels daily, represent the difference between availability and production in July 1954. Production and, consequently, reserve productive capacity are both affected by seasonal factors, inventory changes and also by the level of imports. July is normally a month of relatively low demand compared with January when

peak winter requirements occur, thus materially affecting reserve productive capacity. The following summary illustrates these problems by comparing demand, production, imports, availability, and reserve capacity in January 1954 and July 1954:

Thousand Barrels Daily

	<u>Jan. 1953</u>	<u>July 1954</u>	<u>Change</u>
Demand	8,643	7,485	-1,158
Stock Change	<u>- 287</u>	<u>+ 438</u>	<u>+ 725</u>
Required New Stock	8,356	7,923	- 433
<b>Imports</b>			
Crude Oil	616	724	+ 108
Products	<u>518</u>	<u>314</u>	<u>- 204</u>
Total	1,134	1,038	- 96
<b>Production</b>			
Crude Oil	6,551	6,242	- 309
Gas Liquids	<u>653</u>	<u>642</u>	<u>- 11</u>
Total	7,204	6,884	- 320
Domestic Availability	<u>8,159</u>	<u>9,098</u>	<u>+ 937</u>
Domestic Reserve Capacity	955	2,212	+1,257

It will be noted that seasonal factors made demand, production and product imports lower in July 1954 than in January 1953. By January 1955 petroleum demand in the United States was 9,301,000 barrels daily, some 24 percent higher than in July 1954, indicating the extent to which demand can fluctuate in a short period of time. The effect of such

fluctuations on reserve productive capacity is obvious. The table tells you a lot.

The increase in domestic availability of all oils from 8,159,000 barrels daily in January 1953 to 9,096,000 barrels daily in July 1954 demonstrates the ability of the petroleum industry to carry forward the active discovery and development of domestic resources. These resources are needed to meet increasing petroleum requirements and to provide a margin of spare capacity for national security. With favorable economic circumstances and incentives the industry should be able to continue providing the domestic availability so necessary for economic progress and national security.

Respectfully submitted,

L. F. McCollum, Chairman

NPC Committee on Petroleum

Productive Capacity (1954)

Mr. Chairman, I submit the report and move its acceptance.

CHAIRMAN HALLANAN: Gentlemen, you have rheard the report as submitted by the Chairman, Mr. McCollum. Are there any questions in connection with the report?

MR. SWENSRUD: It seems to me that there are some aspects of this report that I think should be commented on a little bit. I was going to comment a little later, but since the report has now been produced or distributed, this may be

the better time.

It seems to me that there is a certain lack of clarity about the question of how long we could continue to produce at this particular rate. As far as I can understand from talking with Mr. McCollum, this rate at which we are said to be able to produce is only the rate at which we could produce at this particular moment, and that is the way the thing is measured. There is no criticism of that except that I think perhaps it overlooks the fact that we might not be able to continue to produce at that rate, as is sometimes assumed by those who read the report.

CHAIRMAN HALLANAN: Of course, the assignment of the Committee was to report on the current.

MR. SWENSRUD: My comment would be rather to the people of the Department of Interior, if they are trying to estimate how much reserve producing capacity we have on a somewhat sustained basis, then they ought to ask the committee how long they can continue to produce at this rate. The thing that bothers me is that this report shows that since the previous report only a year and a half earlier, there was an increase in the rate of productive capacity of something like 11 percent, which would be an annual rate of about 7.7 percent. At the same time, the reserves from which this oil must be produced, as determined by a committee of the American Petroleum Institute following the procedure that has been followed for

many, many years showed an increase last year of only one and a quarter percent. Now then, it seems to me that somewhere it ought to be pointed out that this productive capacity is going up at a much faster rate than the reserves are increasing. I took the figures for Texas, which actually showed a decrease in its reserves last year, as many people know, and yet it produced at only about two-thirds the rate at which this committee would say that Texas could produce. If Texas had produced at the rate set forth in this report, or the part of it that is reasonably attributable to Texas, the State of Texas last year would have had a decrease in its reserves of something over 800 million barrels. Now, it seems to me that those are facts that ought to be pointed out here and not merely give the situation as of a particular day, because we all know about decline curves in the oil business, and much of this increased productive capacity, as pointed out in this report, comes not from increase in reserves necessarily, but from the more rapid development of our reserves due to additional drilling and improved methods of extraction such as water and hydro-cracking. We all know we can increase the productive capacity, but at the same time you leave off some of the facts it seems to me, and it seems to me that we are using up our reserves that much more rapidly, and therefore we could not continue at such a rate as long as if your methods were slower. It is a little bit like saying how fast could you

seltzer out of a seltzer bottle. You could get it out faster by the number of spigots. It seems to me that this committee ought to be asked to express itself on how long we could continue to produce at these rates.

This is all directed to emergency thinking and I think if we get into an emergency, we ought to be thinking in terms of a few years instead of just literally. I do not mean to say you could not produce at this rate more than a day, but literally that is the measure, I think.

How much can a given well produce at a given time, and from then on it presumably starts down. Of course, if we discover more oil, that may bring it up, but the reserve figures and discovery figures do not indicate that we would be able to sustain this high level of production.

MR. MC COLLUM: Mr. Chairman, I would like to reply as Chairman of this Committee appointed by you as a result of the request from Mr. Stewart, to say that the people who prepared this report have a tremendous amount of knowledge on the petroleum industry, particularly the producing branch, but I do not think that the question brought up by Mr. Swensrud was involved in our assignment. Had it been, we certainly would have taken those points into consideration and included them in this report. I am sure that in that statement I am supported by every member of my Committee. A mere reading again of the quote in the first page of the Committee report

I think will explain fully why the report was submitted as is, because it is in compliance with the request Mr. Stewart cleared with the Agenda Committee, this Committee appointed by you in keeping with the request and the rules. Therefore, I think certainly that the comments and any reply are not germane to the assignment of this Committee. Not that the knowledge was not available to the group that worked on this, but they are not a part of this report, according to the opinion of the Chairman and I think every member of his Committee.

Mr. Baker, you were vice chairman and worked on this probably more than I did.

MR. BAKER: Mr. Chairman, I would like to make one comment on Mr. Swensrud's remarks. He is quite right that with improved technology as we point out, the rate at which these fields can produce is increased. The fact that I think you do not have in mind is that this report relates to the capacity to produce within maximum efficient rates. We could produce very much greater quantities of oil than are set out here in this report, but it is based on production at maximum efficiency rates at that time. I do not know whether the Committee would ever be able to try to say how long the rate set out could be maintained, because even when you produce at maximum efficient rates in these fields, the rates are reduced with age. The important points that this Committee and its predecessors have tried to get at is the rate at which they can

produce under those production practices, and that is the figure set out here and it is not merely a figure under which they could produce on a given day as a matter of potential. For example, East Texas Field, which is considered probably here at 350,000 barrels a day for a brief period of time, could produce considerably over a million barrels a day. We did not take anything like that into account. We took into account the maximum efficient rates. 11/11

MR. COLEMAN: We in the IPAD have conducted our own studies along this line and I happen to have been chairman on that Committee of Productive Capacity. The inference that was raised here, it seems to me, was that if we drill no more holes there would be a reduction in productive capacity, but if you are going into that subject, you will have to treat it as an additional report, as I see it, because then you will have to go in and study what you think the future rates of drilling will be and additions to productive capacity to maintain a certain productive capacity. We have used a decline rate of about 8.1 percent per year on the wells that are now in production in calculating the rate of decline in productive capacity, which I think probably is pretty close to what this Committee used. We have also used an average figure of 39.8, I believe, for productive capacity of the average wells brought in during the course of a year. So these reports usually do take into account such factors,



but if you consider that all the wells in the United States, all the new drilling, would cease immediately, of course we know there will be a decline. So I think, as Mr. McCollum says, the objection is not germane to this particular report.

CHAIRMAN HALLANAN: I take it that this is not an objection, Mr. Swensrud, that you are just making a comment?

MR. SWENSRUD: I certainly was not criticizing the Committee, because under the assignment, I think they did exactly what was asked that they do. I am only pointing out that the productive capacity is decreased and you have to take the figures and apply them, had they produced at this rate throughout all of last year and then the reserves would have gone down.

MR. JACOBSEN: I want to ask Mr. Swensrud a question. Are your remarks directed toward trying to prove that we need more imports?

MR. SWENSRUD: No. I think there is a certain discrepancy, or if it is not explained we might get the wrong impression from this report.

MR. JACOBSEN: Yes. But you do not mean that we need more imports, do you?

MR. SWENSRUD: We are not discussing imports.

MR. JACOBSEN: I am just asking a polite question.

MR. SWENSRUD: I am only interested in this report.

MR. JACOBSEN: I would like to make one remark with

respect to the reference that has been made to the reserve producing capacity, or excess producing capacity, whatever you call it. I want to point out that that is very much a factor of imports. Suppose that for the sake of argument we were to raise our imports by 2 million barrels a day next week? Then all reserve capacity would automatically go up 2 million barrels a day. Suppose, for the sake of argument, that all imports were to stop next week? Then we would not have excess capacity. The excess capacity, as we call it, or reserve capacity, is largely a sort of balancing that goes up and down.

M. MC COLLUM: Mr. Chairman, I did not intend to say anything more, but you folks put a job on me. There is a factor involved of the use of the term "reserve productive capacity" and it has become very misleading. I think Mr. Jacobsen illustrated very dramatically, and we might consider that in the future.

MR. JACOBSEN: I would like to make this point. The Government, I take it, is primarily interested in the excess reserve capacity from the point of view of national security, which means that it would be something which could be turned to in case of war, but in case of war imports will most certainly be interfered with and the very excess capacity we are relying on will evaporate the first day of the war, so it will not be there when we need it.

**CHAIRMAN HALLANAN:** The question is, gentlemen, upon the adoption of the report submitted by Mr. McCollum. Are you ready for the question? We have a second.

All in favor of the adoption of the report will indicate by saying aye? Contrary, no? The report is unanimously adopted.

*Introduction of Hon. L. M. R.*

Gentlemen, we will interrupt the progress of our agenda here at this time. I know that it is most heartening to me as a member of this Council to feel the genuine and absorbing interest in our work which is reflected in the attitude of the Secretary of the Interior, the Assistant Secretary of the Interior in charge of mineral resources, and the whole staff of our Government contact people. I know that Secretary McKay has been around the country, he has been out in the Tidelands and seen the operations there. He has been before a good many of our state groups within the last several weeks. He comes from a section of the country where oil is not paramount, but he has, in assuming the duties of the Secretary of Interior, recognized the vital part that petroleum plays in our Nation's economy and in our Nation's welfare and defense. I know he is always interested in our studies, in the efforts that we are making to render full account of our stewardship as representatives of the industry and in our efforts to cooperate in every respect with the Government on these problems that are continuously arising and

will continue to arise during the time that we are threatened with outside trouble, or with internal trouble as well. He has done us the honor to come here this morning. I know he has many commitments, but I know that you are delighted and pleased to have him here, as I am. He has served as a member of the President's Cabinet Committee in the study of fuel oil resources and I am very happy to present to you at this time, the Secretary of the Interior, Honorable Douglas McKay.

. . . Standing Applause . . . .

SECRETARY MC KAY: // Mr. Chairman and gentlemen, I am very happy to be here. There is nothing that I can add to your program, because you each individually know a great deal more about the oil business than I do, but I just might make some observations and also I like to attend your meetings because I am very proud of this Association and the cooperation that exists between the petroleum industry and the government; that is as it should be.

// I heard the President say one time, I think it was the first meeting I ever attended, and there was a group of farmers in his office one day. This was early in 1953 and we had not gotten the chairs warmed up yet. He said to these fellows that if there was one word that described what was needed most in America, it would be cooperation. So I say that I am very proud of the petroleum industry for the

cooperative spirit that has existed in their organizations working with us in the Federal Government. It needs to continue.

"First of all I want to say that I am very much disturbed over the possibility of any further Federal regulation of business. I resent very, very strongly Government interference with business. We have been successful in this Administration in removing price controls, as you remember, and we settled the question of offshore oil and various things and we just want to stay away from Government interference because this country was built by free enterprise, initiative and courage on the part of individuals, and not by the Federal Government telling them what they could do, except in emergencies. But in order to eliminate the possibility, I just want to point out two things to you this morning: Number one, the question of oil imports. I have in my hand, and I have not read it for a long time, but this is a committee of which I was a member. At that time it was appointed and it was called the Cabinet Committee on Energy Supplies and Resources, but they changed the name of it to the Presidential Advisory Committee. I think you are familiar with what we said in there, but I would just like to refresh your mind a little bit on imports. I do not know whether I should take the time to read it to you. Are they all familiar with it, Mr. Chairman?"

CHAIRMAN HALLANAN: "Take whatever time you wish."

SECRETARY MC KAY: "Here is a part of what we said:

*Pringle*  
"The Committee believes that if the imports of crude and residual oil should exceed significantly the respective proportion that these imports of oil bore to the production of domestic crude oil in 1954, the domestic field situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and discovery of new sources of supply.

"In view of the foregoing, the Committee concludes that in the interests of national defense, imports should be kept in the balance recommended above. It is highly desirable that this be done by voluntary individual action of those who are importing, or those who become importers of crude or residual oil. The Committee believes that every effort should be made, and will be made, to avoid the necessity of governmental intervention.

"The Committee recommends, however, that in the future if the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954, appropriate action should be taken.

"The Committee recommends further that the

desirable proportionate relationships between imports and domestic production be reviewed from time to time in the light of industrial expansion and changing economic and national defense requirements.

"In arriving at these conclusions and recommendations, the Committee has taken into consideration the importance to the economics of friendly countries of their oil exports to the United States, as well as the importance to the United States of the accessibility of foreign oil supplies, both in peace and war."

"Of course, in times of emergency, overnight we would be shut off from those except in the North American continent and European. The thought I want to leave with you is just this: I am told, and I have not had a chance to look this report over. You know we have to go to banquets and this was the U. S. Chamber of Commerce last night and it was eleven o'clock when I got home. The report, I am told, which I am going to study and of course I have some bright boys that do the studying for me, technicians, the indications are that even since this report was rendered that imports of oil have increased. It seems to be very definitely that the oil industry, the importers, are just asking for trouble. You see, there are bills in Congress now asking for regulation of imports. Of course, you have both the coal people and part of the petroleum industry that are badly affected. I do not think the coal

industry is affected as badly as they think, but the difficulty is that conditions have changed, natural gas and dieselization of locomotives has taken away about a third of their market.

"The thought I wanted to leave with you is to urge you all I can that the industry voluntarily watch it very carefully unless they want to be regulated, because there are plenty of people on the Hill that would be very glad to pass such bills. That is the thing I am concerned about, number one.

Number two, of course I think it is within the power of the industry itself to take care of. I recognize the difficulty of the Sherman Anti-Trust Act. The second thing is that you do not have the direct answer to it, and that is of natural gas. I will just read you one paragraph in there, one sentence, rather, that is in the report.

"We believe the Federal Government should not control the production, gathering, processing or sale, of natural gas prior to its entry into an interstate transmission line."

I think that is very sound. Now, continuing,

"The interstate transmission of natural gas by the interstate transmission lines and the subsequent sale of such gas for resale is a public utility function, and should be under the regulation of the Federal Power Commission."

"In other words, because it is a legalized monopoly in interstate commerce and that is the function of the Federal



Power Commission to regulate it. But the gathering of gas before it enters the pipeline is strictly a local concern. Now the only thing that we admit in our report is that we exercise due respect for competition. If they are paying 10 cents for gas down there, that is the market price and they should not go out and pay 30 cents, naturally. But as long as it is on a competitive basis it should not be under the regulation of the Federal Government, because you know we have plenty of regulation now. You have to have 10 percent of your office staff filling out forms for the people in Washington. This gas situation is in a little dangerous state on the Hill at the present time because some people have aroused the consumers to the view that it is liable to take away their low costs on gas. It is ridiculous. I had a press conference in Chicago the other day. It was the Gas Heat Institute, the fellow who sells the burner of fuel oil. Some of these newspapermen jumped on me about natural gas. I said, "Look, I saw one the other day where the cost to the consumer was \$2.24 in Boston and the cost somewhere else was 11 cents. So how could they be priced out?"

"They said, 'These poor people will go out and buy stoves for their kitchens. If you change the price, they will have to change that.'"

"I said, 'That is so much applesauce.'" But that is the story that gets around on the part of some of the people

that like to tell stories, that this Administration favors big business versus the little people. That is the thing that we have to contend with in this thing, that the propaganda goes out that the consumer is about to be robbed and it is absolutely ridiculous, as you know.

" Well, that is just a couple of points I wanted to make to you. I just do not know at the moment what can be done, but the import of oil is a serious thing.

" I want again to express appreciation for your cooperation and tell you again that we want to continue to have an open-door policy in the Department of the Interior. Anytime any of you folks have any problems you are welcome to come and talk to us, or write us a letter, or send a wire. I should not encourage that because we get 6,000 or 8,000 a day now. You know, some people are very stupid, it seems to me, they write me a dirty letter and tell me what a crook I am, and then ask for a favor. Nobody in the oil business does that, but there are some who do. I cannot promise you that we will always agree with you, but you do not always agree with yourselves, as a matter of fact, and that is as it should be. However, I want to say that we will always agree to give you a fair hearing. Any time anybody does not do that in the Department, you let me know; that is the thing this Administration stands for, and we shall continue to stand for it. You know, I put 35 years in the automobile business

but I guess I cannot count very well in the last few years, because in the last twelve years I have only been with my business two years and some say it runs better without me. You know, I am an independent businessman, but I have my fingers crossed when I say that because I am a creature of the General Motors Corporation. I am as successful as they allow me to be. I used to look at this business as though it were a crap game. You leave all your money on the blanket and you lose it, but if you ever get out of debt and have five years of good business, take the money and run.

" You know what happened to me? I got twelve years in a row and you know what I did with the money? I built buildings. Now they say that my rent is too high. Anyway, the buildings are paid for and the only fellow who tells me how much the rent is is the Bureau of Internal Revenue.

" I am still surprised that I have this business and that it is still in the black, because it is highly competitive. None of you fellows are sympathetic with the automobile dealers because they were tough to deal with right after the war. I told the automobile dealers out in Iowa the other day. I was out there on some other business but I talked to them. I said that you know we spend 50 years in the automobile business trying to raise the ethics so that we might be admitted socially a little above a pool room or card sharp, and we just got up there and we are now throwing it away, by the tactics of

the automobile business in the last few years. I have not seen anybody out selling merchandise, they are selling terms and long-trades and that is the fastest way I know of to go broke. I did it once. It is tough. In 1932 when credit got bad, they brought the cars back so fast you could not even open the front door, let alone the finance company.

" I want to say in closing that it is a great business. We of course in the automobile business are allied with your business. There is no more fascinating business in the world than the automobile business and there is no more aggressive group in the world than the people who make up the automobile business and the petroleum business. They have been aggressive. Sure, they had a bunch of wild birds at first, they had to be to go into that kind of business. But we fellows went out and took chances. I sold automobiles in the 1920's when it was a question of whether they would run or not. Times have changed. There is no business in the history of man, in my opinion, that has shown the resourcefulness, initiative and courage and the drive that the automobile business has shown and that the petroleum business has shown. Our job is to continue to make people dissatisfied with the merchandise they are using tomorrow. As long as there are 60 million jobs or more, and there will be a few more now. Some of the boys are trying to make us believe that there is a great unemployment situation. I want to remind you that back in the days when

we had another President, he made a speech that it is normal in this country to have 56-to 57 million jobs and to have 3-to 5 million unemployed, and he said also that it might be a good thing, a little competition.

" I want to remind you that we have 60 million, plus working today and roughly about 3 million unemployed. We have to create more jobs because the working force is increasing constantly. The number of people is increasing about 2 million a year. So it takes people like the petroleum business and the automobile business with foresight to go out and plow profits into new ideas, new plants, and so forth, so as to sell more merchandise. That is the only way we are going to make it, in my opinion.

If they will just leave us alone, leave business alone, we can do it. If you get a little too rough, we have to clip you once in awhile, but it is much easier to clip business once in awhile. But when government gets big it is pretty tough to clip government. I believe that the future of this country depends upon what we all do in business and in government in the next few years, because we are at the turning point as to whether we will return to the basic philosophy that made this country great, free enterprise and opportunity. There are a lot of people who want to change it in the name of other things, such as security, and so forth. We have to have some security, but there is no such thing as

financial security. So I think the things you do and I do, will tell just how the people are going to live in this country one-hundred years from now. I am very much impressed because I have seven grandchildren. It has been nice seeing you.

*Introduction - J. Wormsor*  
 . . . Applause . . .

CHAIRMAN HALLANAN: Gentlemen, as we come to Washington to these meetings and as we live our daily lives, I think all of us have a sense of confidence in the honesty and integrity of the Administration in public affairs in Washington. There has been a great and a very wholesome development of sentiment that the outstanding people have answered the call to come here and to give at great sacrifice their very best to the administration of public affairs. We have a very outstanding example of that in the gentleman whom I am going to present at this time, the Assistant Secretary of the Interior in charge of mineral resources. Secretary Wormsor is an outstanding man in the mining industry, recognized as an eminent engineer, great student. He is the author of many publications dealing with these mining problems. He came down here at the instance of the President and accepted an assignment in this very important field of activity. It has been very delightful to have the opportunity of working with him as Chairman of the Council and with his staff. I know that he was anxious to remain here for this meeting today

because he is scheduled to leave. He made that schedule in order to be with us. He is scheduled to leave this afternoon to go to the Far East and Continental Europe, an important governmental assignment, but I want you to know that he has great interest in the work that we are doing here. We are always glad to have him here. He is a prudent counsellor and advisor. I know that as he goes ahead on this foreign mission, that he carries our best wishes. In the meantime, I take pleasure in presenting him to you to comment upon any phase of our activities that he may desire to comment upon. Secretary Wormser.\*

*Hon. Felix W.*

MR. WORMSER: "Mr. Chairman and gentlemen, again it is a great pleasure and privilege to appear before you and to express my appreciation for the work the Council is doing. I do not think it can be better exemplified than by an examination of the reports which you have already seen here today and I understand others are to come. They are of deep interest and of enormous value to the Government in the discharge of its responsibility.

I was delighted to hear the Secretary make one observation which I think epitomizes the philosophy of this Administration, namely, to keep Government intervention in markets and commodities to the minimum. These were not his exact words, but that was the impression that he gave. How right he is because when you do have government intervention

in commodities you sooner or later are courting trouble. Certainly we do not need to go any further than to look at what predicament agriculture finds itself in today when you see one of the results that has obtained. It has been my observation that very often -- not too often to be sure -- some businessmen come down to Washington and deliberately court Government intervention in markets. At times I may have made myself unpopular or unpleasant in counselling them not to do so. I had a good illustration of that just a few weeks ago and I might take a moment to tell you about it.

It just happens that I was drawn into this because in my sphere of activity I do cover other minerals besides fuels. I found that some of my friends in the copper industry and in the steel industry were down here suggesting and recommending, as a matter of fact, that the Government institute or expand its controls over the export of scrap materials from the United States. Now these controls were advocated not to prevent the flow of these scrap materials behind the Iron Curtain, which is of course something we will all subscribe to, but to prevent the drain of scarce materials from the United States and to curb inflation. It seemed obvious to me that if you are going to institute scrap controls to curb inflation, you are just toying with the problem. The place to curb inflation is in the Treasury of the United States, or if you are going to demand commodity controls, you will have



to control them from stem to stern. You cannot discriminate among industries. At any rate, that is the position I have taken. I think that the air is being clarified and I am delighted to debate the subject with any businessman who has the philosophy that controlling an industry because he happens to be in a momentary pinch is the way out of his problem and that was the philosophy that I found was really at the heart of these scrap controls. There was a momentary squeeze in copper and there was a momentary squeeze in scrap steel. To ask the Federal Government to step in and relieve you of that little pressure seemed to me wrong and especially when you have so many people imbued with the philosophy of Government controls, it seems to me it is almost devastating in its implications if industry comes down here and asks the Government to relieve it of a momentary hardship by instituting discriminatory controls or even broad-scale controls. So much for that.

I was delighted also to hear the Secretary make a few brief comments on the gas situation. There are an awful lot of vital issues before the American public today. I think this gas decision is one of the most fundamental. I am not going to take time to expound my philosophy about it, because it has all been admirably expressed, I believe, in the Cabinet Committee's report. I sum it up by my feeling that this case would never have arisen if natural gas were transported in

freight cars, just like coal or other materials. Just because a certain method of distribution is indulged in here, we have this question of commodity control and if we institute commodity control on one commodity, it would be very easy to see it spread to other commodities. So much for that.

I thought I would tell you also in a few minutes what happened to your welcome report on the Rifle Oilshale Station. That was an excellent report. We gave a lot of study to it in the Department. We came to the conclusion it was a sound recommendation and we were ready to act on it. We kept other Government agencies advised as to our position and we found, however, that this report, as you may know, generated quite a bit of hostility, or objection. It came from the Hill, as you might expect. That did not dismay me because after all, you do find in Government it is one thing to start projects, but it is quite another thing to try to stop it, or even abandon it. The question was, were we on a sound tack? One of the objections that was made was that well, you say industry is ready to take hold. We do not believe it. So I was very much relieved when Mr. Taylor came to my office and assured me that he meant business so far as taking over his interest in Union Oil and subsequently backed up his statement to me with a press release from his own headquarters. I found, however, that besides objection from the Hill and some of our good friends in Colorado, and

elsewhere, good friends of ours, that there was objection from the Navy Department. They felt we ought to carry on. Well, all the facts were presented to Congress and they were presented to Budget so they would be thoroughly advised of what developments had ensued.

Then, rather unexpectedly a very serious cave-in of the mine occurred. One of the Senators told me facetiously he thought it was a fortuitous cave-in. Nevertheless, the accident happened. We studied it very carefully because we felt that after all one of the most important keys to the successful operation of an oil shale plant is the mining method you use. We felt that if this mining method that had been devised so far and been used for several years, had a defect, we ought to do more work and we were justified in spending the taxpayers' money to solve it. Again, we communicated our plans to Budget, the Congress and to the Navy Department and at the present moment, the question as to the final disposition of this plant is in the lap of Congress. It may very well be that a supplemental appropriation will be given the Department to carry on this oil shale experiment work. I hope so. I have changed my own feeling about it because I do not think we are justified in walking away from this with the job not completed and when I say not completed, I mean in a position where industry can step in and we can say, "Well, we have done the pioneer work, now you take over."

So that is where we stand today, and I cannot tell you, of course, what Congress' final disposition will be of this matter, but I do hope now we will be able to carry on until we have solved this problem.

I might say in passing that we have already engaged the services of several distinguished engineers, mining engineers, the best we could find to give us their guidance and counsel in redesigning our mining methods. So much for oil shale.

I think I have spoken longer today than I generally do. I do not want to take up too much of your time. I do want to leave one thought with you and that is that not only in this Cabinet Advisory Committee that worked on energy, I had the honor of participating in a good many of those deliberations, and I was tremendously impressed with the sincerity and devotion to the responsibility that these cabinet officers had for this task. I also participated in Secretary McKay's mineral policy statement. I do not know how many of you read it. You may feel it is a little bit out of your field. I would suggest you read it, if you have never done so, because the policy report is so broad it seems to me it could be applied to your own industry, as well as to others. I merely bring it to your attention because it does express one fundamental thought which I am sure animates the Administration because the President has approved this report, namely,

we do want a strong, vigorous and efficient mining industry, or mineral industry, in the United States.

I may close by citing my own feeling and I am sure it is the Secretary's, we want to do everything we can to keep the petroleum industry strong, vigorous and efficient. Thank you.

. . . Applause . . .

**CHAIRMAN HALLANAN:** And thank you very much, Secretary Wormser.

Well now, we have the report of Mr. Niness, as Chairman of the Committee on Tank Truck Transportation. Mr. Niness?

**MR. NINESS:** Mr. Chairman and gentlemen, your Tank Truck Transportation Committee on the Census of tank trucks reports progress. We have to wait on the Bureau of the Census for their figures. As we told you at the last meeting, the Bureau of Census is including all of the tank trucks in the country, except those owned by the for-hire industry. Therefore, we are making, you Committee is making, this part of the survey through the Natural Petroleum Council. We sent out 1215 questionnaires identical to the Bureau of Census questionnaire and as of May 2 we have back 960, leaving only 255 to still obtain. We are going to work on these 255 and I believe we have a fine return so far.

The Bureau of the Census advised us some months ago

that they would have their figures for us by mid-summer. However, the other day they advised us that the report would not be available to us now until this fall. Therefore, as soon as we are able to get their figures we can compile ours and your Committee can complete their assignment.

CHAIRMAN HALLANAN: Thank you very much, Sam.

Gentlemen, you are familiar with the fact that the Committee was appointed to deal with the subject of Petroleum Imports and Mr. Jake Manon was named Chairman of that Committee. Mr. Hines Baker was Vice Chairman. Mr. Hamon is away, he is in Europe and the report will be presented by the Vice Chairman, Mr. Baker. Mr. Baker?

MR. BAKER: Mr. Chairman and gentlemen, I regret very much that Jake Hamon is not here to present this report. I think he did an outstanding job in getting the Committee together and holding it together with our noses to the grindstone until we got out a report. He made a very real contribution to the discussions and the thinking and the conduct of the meetings.

This report which you will have in your hand is composed of the Committee's report itself and a report of the technical subcommittee. This report of the technical subcommittee is attached as Exhibit B to the Committee's report and is a very excellent analysis of the facts regarding the whole subject of the relation to imports.

I would like to call attention to the fact that this particular technical subcommittee's report is divided into five sections. Following the introduction, it is the first section which deals with the volume, the destination, origin, excise tax rates in connection with petroleum imports, with a number of tables that show the information under those sub-heads.

Beginning on page 12 of the appendix of that report is the second section dealing with the relation of imports to domestic operations with the summaries and tables that show the relationship of the United States demand and supply, the percentage of total supply that comes from domestic sources and from imports, the relation of petroleum imports to U. S. production and demand and a number of other relationships that are of importance in the consideration of this question.

The third section begins on page 28 and deals with residual fuel oil imports and the competitive fuels with residual oils.

The fourth section begins on page 37 and contains a comparison of domestic and foreign producing operations with a number of supporting tables there showing those relationships.

On page 44 begins the fifth section of that report dealing with domestic petroleum reserves, productive capacity, production, exploration and drilling with a number of tables

and charts that show those various relationships.

I commend this technical subcommittee's report to you for careful reading and study and as a handy reference work to show the various relationships that are involved in the consideration of this import problem and the relationship to the domestic industry. The report itself is embraced in about 14 pages. That may seem rather long to read, but I think I would like to read most of it, because it is impossible to appreciate the conclusions that come at the end unless one follows the factual presentation on which these conclusions are primarily based.

On January 24, 1955, Assistant Secretary of the Interior Felix E. Wormser requested that the National Petroleum Council make a study of petroleum imports, including the effect thereof upon the domestic economy, the domestic industry, and the national security, and formulate such recommendations thereto as the Council may deem appropriate in the light of present conditions. This request is attached as Exhibit A.

Pursuant to that request, this Committee was created to make a factual study of the matter of petroleum imports. It was instructed to confine its report to findings of facts and not to suggest plans or programs in view of the competitive aspects of the problem. A Technical Subcommittee was subsequently appointed to assemble facts pertinent to



this study. The report of the Technical Subcommittee, attached as Exhibit B, was adopted as part of the report of this Committee, and served as the basis of the findings set forth herein. These findings deal largely with the postwar period, and particularly with the developments that have occurred since 1950 when reports on this subject were adopted in January and July 1950 by the National Petroleum Council.

**I. A Perspective of Postwar Petroleum Demand and Supply.**

Petroleum imports must be considered in relation to the total picture of demand and supply (See Exhibit B, page 16), as summarized below:

**U. S. Petroleum Demand and Supply, Thousand Barrels Daily**

<u>Year</u>	<u>Total Demand</u>	<u>Domestic Supply</u>			<u>Imports</u>			<u>% of Total Supply</u>
		<u>Crude Oil</u>	<u>Gas Liquids</u>	<u>Total</u>	<u>Crude Oil</u>	<u>Refined Products</u>	<u>Total</u>	
1946	5331	4751	323	5074	236	141	377	6.9
1950	6812	5407	499	5906	487	363	850	12.6
1954	8108	6346	681	7027	656	396	1052	13.0
<b>Change</b>								
1946								
1954	2777	1595	358	1953	420	255	675	
<b>Avg. Annual</b>								
% Change	5.4%	3.7%	9.8%		4.2%	13.7%	13.8%	13.7%

In general the period 1946-1954 was one of increases in demand, domestic production and imports, except that crude oil production had to be decreased in 1949 and 1954. Imports

increased at a faster rate than demand or domestic supply. They provided about one-fourth of the additional new supply and increased their share in total new supply from 6.9 percent in 1946 to 13.0 percent in 1954.

Important changes in the domestic fuel economy not the result of imports were also taking place postwar, particularly the increased use of natural gas and the conversion to diesel engines which caused a sharp decline in the railroad use of both coal and residual fuel oil. (See Exhibit B, pages 14, 26, 27, 29 and 34). The magnitude of these two changes between 1946 and 1953 in terms of fuel oil equivalents was 1,941,000 and over 1,000,000 barrels daily, respectively (Exhibit B, page 29), based on the heat content of the various fuels without respect to the efficiency of their use. The increase of imports was 657,000 barrels daily in the same period. So you see the relationship of those changes and the growth of imports.

Numerous other economic variables have affected the postwar period, including the following: (1) A general inflation of substantial magnitude, (2) the deficiency in well completions during World War II, (3) a rapid increase in petroleum demand in 1946-48 and again 1950-51 at the time of the Korean incident, (4) the decrease in domestic output of residual fuel oil, (5) the need for outside supplies of light crude oil in the West Coast area since 1950, (6) the reduction

of import excise duties on petroleum effective at the beginning of 1953 and (7) the discovery and development of reserves at a more rapid rate abroad than in the United States.

The numerous changes in the general economy and the technologic and economic developments affecting the fuels economy and the petroleum industry make it extremely difficult to isolate and evaluate the magnitude of the effect of imports. The following analysis is presented in response to the assignment to this committee with the aim of being informative but also with full recognition of the limitations inherent under the circumstances.

## II. Relation of Petroleum Imports to Domestic Operations.

The relation of imports to domestic petroleum operations has become more important as the margin between domestic productive capacity and actual production increased since 1948. This margin ranged between 781,000 to 1,083,000 barrels daily on an annual average basis in 1949-1952 and then increased to more than 2,000,000 barrels daily by 1954. This report which Mr. McCollum gave this morning shows 2,220,000 approximately. It has been affected by the relative rate of growth in domestic productive capacity and demand as well as by imports.

In the years 1946-48, when there was relatively little margin between domestic productive capacity and production, imports accounted for 6.9 percent to 8.0 percent of the new

petroleum supplies of the U. S. from domestic sources and imports. By 1950 they represented 12.6 percent of the U. S. new supply and by 1954 they represented 13.0 percent. The increase in position since the previous reports on this subject in 1950 has been in crude oil while the relation of product imports to total new petroleum supply has decreased slightly. Of the increase in total new supply between 1946 and 1954, the principal components supplied the following proportions: domestic crude oil, 60.7 percent; domestic natural gas liquids, 13.6 percent; imported crude oil, 16.0 percent; and imported products, 9.7 percent.

Petroleum imports increased from 377,000 barrels daily in 1946 to 850,000 in 1950 and to 1,052,000 in 1954. Of the amount imported in 1954, about 63 percent was crude oil, 33 percent was residual fuel oil, and 4 percent was other refined products. The increase in imports since 1950 of 202,000 barrels daily has been almost entirely in the lighter crude oils of 25° gravity API or above (159,000 barrels daily) and residual fuel oils (42,000 barrels daily).

Western Hemisphere countries (principally Venezuela, the Netherlands West Indies, and Mexico) supply practically all of the petroleum products imported to the United States and about 62 percent of the crude oil. Imports of crude oil from the Eastern Hemisphere began in 1947, reached a level of 260,000 barrels daily in 1953, and declined to 251,000 barrels

daily in 1953, and declined to 251,000 barrels daily in 1954.

About 90 percent of the petroleum imports are to the East Coast. In the East Coast district, foreign crude accounted for 56.8 percent of the crude runs to stills in 1954 and residual fuel oil imports accounted for 46.8 percent of the residual fuel oil supply. The amount of domestic oils refined in the East Coast area decreased from 527,000 barrels daily in 1946 to 444,000 barrels daily in 1954, a decrease of 16 percent, while total runs to stills in the area increased from 758,000 barrels daily in 1946 to 1,029,000 barrels daily in 1954, an increase of 36 percent.

Petroleum imports to the West Coast on a steady basis began in 1951, increased to 79,000 barrels daily in 1953, and declined to 54,000 barrels daily in 1954.

Data in the report of the Technical Subcommittee were presented on an annual basis through 1954. In order to provide information as current as possible, it may be noted that statistics available from the Bureau of Mines for January and February and estimates based on preliminary weekly data reported for March indicate an increase in the first quarter of 1955 compared with the same period a year ago of about 550,000 barrels daily or 6.4 percent in demand, about 485,000 barrels daily or 6.8 percent in domestic production of all petroleum liquids, and about 235,000 barrels daily or 21.3 percent in imports. Subsequent developments during the year

may materially alter the relative changes for 1955 from the experience in the first quarter.

### III. The Effect of Imports

You will recall that we were asked to look at the effect on the domestic economy, the domestic industry and the national security.

#### A. On the domestic petroleum industry.

In considering the effect of imports, it is necessary to distinguish between residual fuel oil, which is used chiefly for industrial purposes in competition with other fuels, and crude oil that competes directly with domestic production in supplying a variety of refined petroleum products.

Technological changes in refining and in railroad transportation together with economic pressures incident to the lower price of residual fuel oil relative to other refined products have combined to bring about a downward trend in the yield of residual fuel oil from domestic refinery crude runs since 1946. As a result, the supply of residual fuel oil from domestic sources was less in 1954 than in any other year since 1942 in the area east of District V (which is the West Coast area). (See Exhibit B, Page 31). Increased imports and some receipts from District V, which were substantial in 1949 and 1950, brought about some rise in total supply in the

United States, excluding District V, until 1950, after which total supply remained relatively constant through 1953 and decreased in 1954. Total supply and demand for residual fuel oil in 1954 were less than in 1950 on the East Coast (See Exhibit B, Page 33), and in the area east of District V (Exhibit B, Page 31). These circumstances indicate that imports of residual fuel oil have operated largely to fill the gap between the demand that existed and available domestic supplies.

A different situation has existed with respect to crude oil, as indicated by the statistics in Table A following:

In this table you will notice that we show the crude reserves of petroleum in millions of barrels for each year from 1940 to 1954, with the change in amount and annual average change in percent. We also show in thousands of barrels daily the estimated productive capacity of petroleum liquids, the production of all liquids and the total demand, and then we show the margin between the productive capacity and production and the margin between productive capacity and demand in amounts and in percentages, and then show the total imports. I will not show that in detail, but it is a very interesting table. I invite your attention to it. I will point out that the annual average change in percent of our proved reserves have increased in this period from 1948 to 1954

by 4.4 percent a year on the average. Our estimated productive capacity has gone up 7.3 percent a year. Our production of all liquids has gone up 2.9 percent. Our total demand has increased 4.7 percent on the average a year. Our imports have increased 12.7 percent a year on the average during that period. The increase in crude oil imports has not been due to any lack of domestic productive capacity since 1948. You will note in looking at the estimated productive capacity that it has gone up year by year from 1940 on through 1954 and has been increasing every year since 1948. In the two years that a downward adjustment in crude oil production was required, 1949 and 1954, crude oil imports increased. The changes in crude oil in these two years were as follows: in 1949 production decreased 474,000 barrels daily and imports increased 68,000 barrels daily; in 1954 production decreased 112,000 barrels daily and imports increased 8,000 barrels daily, although there was a downward adjustment of crude oil imports to California in 1954 of 27,000 barrels daily. That simply indicates that production in this country was going down at a substantial rate and imports were going up during those two years. Apart from small volumes of specialty crudes, these changes have had the effect of taking the place of crude oil that could have been supplied from domestic sources and of increasing the extent of the downward adjustments in domestic crude oil production in 1949 and 1954.



One result of supplying part of the increased demand with imported crude oil instead of domestic production is to decrease the current income and rate of return on domestic producing operations and to increase the current income and rate of return on foreign producing operations. The significance of this development will depend upon its influence on the rate of domestic exploration, drilling, and development of new reserves and productive capacity. Thus far, the number of wells completed has continued a long-term upward trend to a new record in 1954, and there has been only a slight decline in the average number of active geophysical and core drilling crews in the past two years. Domestic productive capacity has increased more rapidly than domestic demand since 1948. The estimates of petroleum reserves summarized in Table A, however, show a growth in proved reserves at a slower rate than the rise in demand since 1948.

In summary, the most apparent effect of the increase in imports on the domestic petroleum industry is to reduce the rate of return on its operations.

#### B. On the Domestic Economy:

Apart from the effects on the domestic petroleum industry discussed above, we are unable to evaluate the net effect of the 1954 level of imports on the domestic economy. About all that can be said with certainty on this score is that crude oil imports that take the place of domestic crude oil

tend to have effects which operate in different directions, as follows:

(1) By reducing the funds available to domestic producers for exploration and drilling, they affect the use of steel and other materials, the employment in industries supplying and servicing domestic drilling and producing operations, and the current tax receipts of the states whose production is directly affected; and

(2) By providing dollar exchange to foreign countries for the purchase of other commodities and services, they create outlets for employment in the industries that benefit from the additional foreign trade.

#### C. On National Security

There is general agreement as to the paramount importance of domestic resources for national security. The views of the National Petroleum Council on this matter are already on record in the statement on "A National Oil Policy for the United States." This statement starts with the fundamental principle that:

"The national security and welfare require a healthy domestic oil industry."

It contains also the following section on imports:

"The nation's economic welfare and security require a policy on imports which will encourage exploration and development efforts in the domestic industry

and which will make available a maximum supply of domestic oil to meet the needs of this nation.

"The availability of petroleum from domestic fields produced under sound conservation practices, together with other pertinent factors, provides the means for determining if imports are necessary and the extent to which imports are desirable to supplement our oil supplies on a basis which will be sound in terms of the national economy and in terms of conservation.

"The implementation of an import policy should, therefore, be flexible so that adjustments may readily be made from time to time.

"Imports in excess of our economic needs, after taking into account domestic production in conformance with good conservation practices and within the limits of maximum efficient rates of production, will retard domestic exploration and development of new oil fields and the technological progress in all branches of the industry which is essential to the nation's economic welfare and security."

The statement on "A National Oil Policy" also recognizes the relation of foreign oil to national security in the following terms:

"The participation of United States nationals in the development of world oil resources is in the

interest of all nations and essential to our national security . . .

"Oil from abroad should be available to the United States to the extent that it may be needed to supplement our domestic supplies. The availability of oil outside of the United States, in places well situated to supply our offshore requirements in time of emergency, is of importance to our national security . . .

"American interests today participate widely in international oil development. Conditions should be fostered that will further this participation but not to the extent that this involves preferential treatment of operations abroad at the expense of the domestic industry."

Circumstances existing through 1954 have not thus far kept domestic exploration and drilling from increasing. Even so, proved domestic reserves have not kept pace with the growth of demand. To the extent that imports exceed the level needed to supplement our domestic supplies and operate to retard domestic exploration and development, they have an influence contrary to the nation's economic welfare and security.

#### IV. Conclusion.

Petroleum imports and their relation to domestic production have been the subject of discussion and study

within the industry for years. The National Petroleum Council itself dealt with the problem of imports in detail and outlined a policy and principles with regard thereto in "A National Oil Policy" quoted from above. The facts disclosed in the Technical Subcommittees' Report and the findings of fact in this report need to be measured by the policy and principles stated in "A National Oil Policy."

After full study of its Technical Subcommittee's report, and after full discussion of all the pertinent factors since the last reports of the National Petroleum Council on the subject in January and July, 1950, the Committee on Petroleum Imports reports the following conclusions:

1. The continued increase in imports of crude oil coupled with a decline in exports of crude oil and its products has damaged in varying degrees segments of the domestic oil industry.
2. Further increased of imports without regard to the principle of only supplementing the domestic production of crude oil and its products will seriously damage the domestic oil industry and thus affect the domestic economy and the national security.
3. Fair and equitable relationships have not prevailed between total imports of crude oil and total demands for oil in the United States during periods of excess availability of domestic oil for U. S. consumption. Fair and equitable

relationships should obtain at all times between total imports of crude oil and its products and total demand for oil in the U. S.

After these conclusions, you will note that there are a series of asterisks there and the Committee concluded that it should call attention to the report of the Cabinet Committee in this language.

The petroleum import question has been considered by government appointed groups. The latest of these was the President's Cabinet Committee on Energy Supplies and Resources Policy, which had the matter under study for several months. The report of the Cabinet Committee was released on February 26, 1955 subsequent to the appointment of this Committee by the National Petroleum Council. The Cabinet Committee report recognizes the problem of imports in relation to domestic production, to the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense, and to the incentive for exploration and discovery of new sources of supply, and makes specific suggestions for dealing with this problem. That report is worthy of careful study and consideration by all who are interested in this problem and its solution.

Respectfully submitted,

Jake L. Hamon, Chairman

Committee on Petroleum Imports

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

CHAIRMAN HALLANAN: There has been a second. You have heard the report of the Committee and the motion that the report be adopted. Are there any remarks?

MR. SWENSRUD: I would simply like to make the same point that I made before, that it seems to me many of the conclusions in this report are based on this question of how much productive capacity we have in this country and the suggestion that whenever the National Policy Committee report that you refer to here suggests that whenever oil imports supplant domestic production, then they are undesirable. It seems to me that the measure of supplanting has become to be the question of whether we have an excess of capacity greater than the imports. At the present time, we are said to have an excess capacity of 2 million barrels a day. Our imports are 1 million barrels a day, or a little more. By that reasoning, we would need no imports at all. For that reason, I do not feel that I could quite go along with the conclusions of the report based on that reasoning.

Also it seems to me the question of whether injury has yet occurred is one that we would have done well to avoid simply subscribing to the Cabinet Committee's report for the future imports must be held down. I think we must all agree with that. But it did not seem to me that we had the evidence before us to show injury of a substantial character. No doubt.

individula producers have been injured, in their own judgment, and perhaps, actually. But I did not think that we had before us evidence that showed injury in the national sense, weakening the productive capacity of this country on such things, which was sufficient to warrant that conclusion that injury or damage had already occurred. The fact was that last year we drilled more wells than every before and more exploration was done, money spent on it than ever before and at the time of our meeting, production was higher than ever before. I do not think those things spell out a weakened situation.

The main point that I would make is that it seems to me so much of the conclusions are based on this question of productive capacity which I do not think is quite right, it is a little misleading.

MR. MAJEWSKI: I did not intend to say anything about this because the Committee had deliberated and Mr. Baker in his modest style failed to state that we had sweat, blood and tears, and whatever Churchillian phraseology we could use. We did all of that. But in view of what Mr. Swensrud has said, I want to read into the record at this time a statement made or read at the meeting by Mr. Salliday for Mr. Wilson, which answers his point that he made and I feel I am compelled here to introduce in the record this statement. I told Bob Wilson I was going to do it and he said, "You do not do it with my permission, but I do not know how I can



stop you," and he does not. This is the statement of the National Petroleum Council, Committee on Imports, by R. E. Wilson.

"The National Petroleum Council's Committee on Petroleum Imports has been charged with making 'a factual study of the matter of petroleum imports, including the effect thereof on the domestic industry, the domestic economy, and national security.'

"Our view is that imports of crude oil into the United States have reached the point where they are a menace to the continued healthy development of domestic production.

"The stated national policy regarding oil imports, affirmed only this month by the President's Advisory Committee on Energy Supplies and Resources policy, is that imports should supplement rather than supplant domestic production.

"Imports have gotten out of that kind of balance. For some years imports have supplanted domestic production rather than having supplemented it.

"Today more than one barrel in 10 of the crude oil processed in the United States is imported. In 1954, for the first time in five years United States production showed a decrease over the previous year. One causative factor was the rising pressure of imports.

"The effect of imports is demonstrated in the case of Texas, the leading producing state in the nation. During the period 1951-1954 when Texas was cutting back allowable producing days from 277 to 194 or 30 percent, imports of crude oil into the United States increased from 491,000 to 656,000 barrels daily, a gain of 165,000 barrels per day, or 34 percent. At the same time, Texas production of crude oil and natural gas liquids declined from 3,065,200 to 3,058,900 barrels per day, a reduction of 6,300 barrels daily.

"A continuation of imports at anything like the present scale is not in the national interest. Available forecasts indicate no reduction. The effect can only be to reduce incentives to find and produce oil in this country.

"About 40 percent of our imported crude oil comes from the Eastern Hemisphere. This is a particularly vulnerable source of supply should we be dependent on it in the event of a national emergency.

"Americans must depend upon Western Hemisphere production of crude oil. There is no need for the growing flood of imported oil with an efficient domestic reserve producing capacity at present time of approximately 2 million barrels daily. If there were no imports of crude oil at all the domestic industry is presently

capable of meeting demand, while still maintaining a production cushion of well over a million barrels a day.

"Our answer should at least comply with the recommendations of the President's Advisory Committee on Energy Supplies and Resources Policy, which stated that imports of crude oil and residual fuel oils should not exceed significantly the respective and relatively large proportions that such imported oils bore to domestic production of crude oil in 1954."

I would like to introduce this into the record because it answers all of Mr. Swensrud's points and of course the Standard of Indiana is a large, a very large, domestic oil producer and a significant part in our economy, particularly in the great Midwest and the Rocky Mountains where I come from.

MR. BAKER: Mr. Chairman, I would like to make this observation on Mr. Swensrud's comments. You look at page 8 of the report and I think you will find one of the fact findings on which the Committee arrived at a conclusion and that is that the increase in crude oil imports that has been taking place has not been due to any lack of domestic productive capacity since 1948; that we have had the capacity to produce it during all of that time and that in the two years when we have had to make very drastic adjustments downward in this country to meet the lower demand or to offset inventory accumulations, the imports have gone up and the Committee concluded that fact

together with a detailed consideration of the areas in which these changes were occurring and the effects on them that that was something that resulted in an injury to the domestic economy; that it damaged the domestic economy, the degree of damage being different to different segments of the industry and it so found. I would like to say this, that the Committee worked for a number of hours on these conclusions after it made its factfindings and there was a great deal of discussion and a free interchange of factual information and analysis of the Technical Subcommittee's report. I think everybody had every opportunity to express his views and those views were all fully considered and had their effect upon the final wording of these conclusions which I suppose were not entirely satisfactory to everybody, maybe not even entirely satisfactory to anybody, but represented a very earnest effort on the part of the members of the Committee to arrive at a sound conclusion that could represent the considered thinking of the group. Of course, Mr. Swensrud has a right to have his opinion, but I would like to point out that when these conclusions were voted on and adopted, he was silent on this point and the Committee had a right to assume, I think, in making the report that the conclusions were acceptable to him. There was, I thought, a great deal of time consumed and the Chairman was very generous, I think, in insisting that we stay there whatever length of time was necessary to arrive at sound

conclusions and to get the full considered opinions of everybody, and the facts that everybody wished to present. So the conclusions that were arrived at were based not only on this Technical Subcommittee's report and on the findings here, but on the consideration of the things that had occurred since. It represents, therefore, a very considered view of a thoughtful committee that worked very hard on this matter over a period of nearly two and a half days in a single session.

MR. ELLIS: Otis Ellis. I am appearing here today instead of a member, Mr. John H. White.

CHAIRMAN HALLANAN: Mr. Ellis, I have a letter from Mr. White which I am going to bring to the attention of the Council because there are some matters of parliamentary procedure involved in it which we shall have to recognize.

MR. ELLIS: That is what I was going to call attention to.

CHAIRMAN HALLANAN: Gentlemen, when the Council authorized appointment of this Committee, as Chairman I consulted with the Chairman of the Appointment Committee and at that time we attempted to recognize all elements of the industry, all different viewpoints and all segments of the industry in the makeup of this committee. Among the members of the committee appointed was Mr. White of the National Oil Jobbers Council, who was a member of the National Petroleum Council. He was appointed as a member of this Imports

Committee. No, I am not aware whether Mr. White attended the meeting of the Committee.

MR. BAKER: No, he was not present at the Committee meeting.

CHAIRMAN HALLANAN: But just a few moments ago I had handed to me a letter signed by Mr. White which I should like to read. It is addressed to me as Chairman of the National Petroleum Council.

"Dear Mr. Hallanan:

"Due to a previous commitment I will be unable to attend the May 5, 1955 meeting of the National Petroleum Council. I have requested and received permission from the Council's Secretary-Treasurer for Mr. Otis H. Ellis to attend and appear at this meeting in my behalf. This is to advise that Mr. Ellis has my full and complete proxy to speak and vote on all matters which come before the Council in my name as fully and as completely as if I were attending in person. I have requested Mr. Ellis to deliver this letter to you, together with the attached statement of my objections to the report of the Committee on Petroleum Imports and with the further request that Mr. Ellis read this statement to the Council during the discussions on this report.

"Your favorable consideration of my request will be appreciated."

I think we are all familiar with the fact that under our Articles of Organization nobody but members of the Council are permitted to vote on any matter. We have interpreted that at all times to mean any expression on the Floor, but in our desire to extend courtesy to the members of the Council who could not be here, we have followed the practice of permitting observers without vote, or without the right of voice, to appear as representatives of those members of the Council who could not appear.

Now, in the letter which I have received in which Mr. White attempts to designate someone as a proxy, of course, that goes entirely beyond anything that has been provided for in the organization of this Council and I should be compelled to rule, unless the Council desires to overrule me, that this request is out of order. Under our Articles, the only procedure that I see that could be followed would be for Mr. White, as a member of the Committee, to present to the Chairman of the Committee his statement of objections to this report and that would be the ruling of the Chair, unless the members of the Council would vote otherwise, would have to take. Is there any comment? I want to be entirely fair, but I recognize that we must follow the rules under which our organization is established.

Mr. Ellis, I see no way that Mr. White could clothe you with the power of a proxy because it is contrary to the

rules under which this Council is organized.

MR. ELLIS: It certainly would not be Mr. White's intention, nor would it be mine, to try to make an issue of the rules of the Council, Mr. Chairman. I have tendered this morning to Mr. Baker a copy of Mr. White's objections. I do not intend to make an issue of it. I would be glad to provide a copy of Mr. White's objections to the report wherein Mr. White gives his reasons for his inability to appear at the Committee meeting in Dallas which reasons, incidentally, were communicated to the Chairman in advance of the meeting and in addition thereto, Mr. White submitted to him a letter containing suggestions as to certain matters which he hoped and felt the Committee should go into. I will not make an issue of it, Mr. Chairman, and I want to assure the members of the Council that it was not Mr. White's intention and certainly not mine in appearing in his behalf to raise the old battle, the issue of oil imports. His remarks are directed specifically to the report itself, not as to the issue of whether oil imports should be restricted or not. Both he and I recognize that that is not involved.

CHAIRMAN HALLANAN: Thank you.

I think in view of the statement made in the letter that the Secretary-Treasurer had told Mr. White that Mr. Ellis would attend and appear at this meeting in his behalf that probably Mr. Brown would want to clarify that to indicate just



what was said in that statement to Mr. White.

SECRETARY BROWN: Just so that there will be no misunderstanding about my assuming authority that I do not have, I would like, if it is permissible, to read the letter that I wrote to Mr. White.

"I regret very much that you are unable to attend the meeting of the National Petroleum Council on Thursday, May 5. We shall be happy to have Mr. Otis Ellis attend the meeting in your absence.

"While it has never been necessary to apply Article 11 of the Council's Articles of Organization, I assume that both you and Otis understand that 'only members of the Council shall have the vote at a meeting thereof. . . .' I only mention this at this time because of your membership on the Imports Committee and the fact that that report is being presented at this meeting. I have no idea what may develop in regard to that report.

"We are always glad to have Mr. Otis Ellis in attendance at our meetings in your absence, or whomsoever you may designate."

MR. <sup>Boyd</sup>BOYD: William Boyd. May I make an observation, Mr. Chairman? For the benefit of those who perhaps do not know me --

CHAIRMAN HALLANAN: This is William <sup>Boyd</sup>Boyd.

MR. <sup>Boyd</sup>BOYD: I have been a part of this listening

audience and have enjoyed being a member of the Council now for a year and a half. I cannot help but make this observation in defense of the merits of the report that has just been submitted to this Council, because I was a member of that Import Committee that went to Dallas. I cannot help but say, and incidentally, Mr. Swensrud was too. My comments, Mr. Swensrud, are certainly impersonal, but I cannot help but say this, that I respect your right to disagree with the conclusions, that is your right and I cannot but help question the time and place that you have selected, however, to do it, for this reason. That group down there was a good cross section of the industry. We knew when we went in there to discuss this question of imports it was a controversial one and for very legitimate reasons there could not help but be a difference of opinion. Notwithstanding, we had a Chairman in the person of Jake Hamon who with a mailed fist made it clear to us that he wanted us to give careful consideration to the seriousness of the subject and to in an objective and analytical way attempt to come up with some conclusions. I know for one that I felt it was a little bit Utopic that we could hope to all be completely satisfied with any end results that might be attained by taking that method, but it was the proper procedure.

First of all, we reviewed the objectives of the Committee appointed as to what we were directed to accomplish,

Then we gave careful study to the report that the Technical Subcommittee had provided us with and again I, for one, thought that it was a very worthwhile document. Without it I do not know how we could have gotten into the real meat of the problem. Therefore, we proceeded virtually line by line and paragraph by paragraph and certainly point by point, to review and debate the questions that would naturally arise from the discussion. The final result was that in that meeting it was handled in just the way it should be handled. We were given the right to object just as fully and as violently as we might care to to any conclusion offered by someone else, but that was the time and place for the debate; that Committee appointed by Mr. Hallanan, I think numerically numbered about 28. I was impressed with the fact that there were only three or four that for their own reasons could not find it possible to attend. Certainly there was nothing stacked in that deck. Everyone who had a viewpoint was represented, or had an opportunity to be represented.

So, in the discussion and the conclusions that were reached, if they were unanimous and did not have unanimous approval, then anyone present by not at that time so stating, by their silence, or by their implication, certainly manifested that they were approving it. For that reason I say that this is not a debating society and I do not intend to make any more speech than I have up until now, if this is

a speech, but the facts and figures, I think, should be permitted to speak for themselves. Either the problem exists, or it does not exist. If the import problem, then we certainly, a lot of us, are wasting our time, and I mean all of those in this room. I think factually we should rely on the conclusions reached by the report and I heartily subscribe to it.

CHAIRMAN HALLANAN: Mr. Baker?

MR. BAKER: One more statement. As has been said here, this report was worked out over a period of two and a days. The first day was spent in trying to analyse the report of the subcommittee and a group of factfindings that the Chairman suggested should be considered. At the end of that day a drafting group was sent out to reduce to writing as near as could be the concensus of thinking on the subject that day. They came back with a report the next morning which was gone over line by line and paragraph by paragraph and was adopted -- that is, with changes of one kind or another that were made. The substance of what the report ought to have been adopted except for two things remaining. One was the effect on the national security and second, the matter of conclusions. At the end of Tuesday, the second day, the Chair appointed a drafting group to submit a writing on national security and also asked the original drafting group composed of the Secreatry and the Chairman of the Technical Subcommittee to reduce again to form those things

that had been voted on and agreed on during the day on Tuesday. These conclusions were voted on on Tuesday and there was no dissenting vote on any portion of the conclusions except one dissenting vote on the third conclusion.

On the third day, the group on national security turned over to the original drafting group their suggested draft on national security and they embraced that in a report which was considered the next morning and approved by unanimous vote of all those present. In the meantime, some people had left and we did not have full representation on the third day, but we did have practically full representation on the second day when the substance of everything was approved except some changes in wording.

Now, Mr. White was not present at the meeting. Mr. Ellis has given to me a few minutes ago a four-page memorandum here setting out his objections to the report. As Acting Chairman of the Committee, I certainly see no objection to making available to the members of the Council this report, either by reading it now, these objections, or making them available later, as desired. I should certainly think there should be no disposition on anybody's part to cut off full opportunity for every member of the Council to express his views with regard to the report.'

CHAIRMAN HALLANAN: " Mr. Baker, I think if you will permit me, that is a matter for your determination as Chairman

of the Committee, whether or not you desire to present it."

MR. BAKER: "Unless there is some objection, I really would like to read this to the members."

MR. MAJEWSKI: "I think the Committee ought to have an opportunity to study each phase of objection, which will keep us here for a couple of days because once you read this report it is contrary to the report we had, and you will get debate here and I am trying to keep my mouth shut. If we keep opening the thing up, we will be here to doomsday. I suggest you send it around to the Council and if they want to reconsider their action at the next meeting, they can do so."

CHAIRMAN HALLANAN: "The Committee's report is made. It is final and has been approved. I instructed the Chairman to present it. The only question here is whether or not in the consideration of the report by the Council it would like to hear the objections of a member of the Council who is absent from the meeting."

MR. MAJEWSKI: "I do not have any objection if you open up the whole thing. That is what I want you to do. If you do that we will be here forever. I am suggesting to you that you cannot put in a record of objections without giving some of us an opportunity, who took the time to go to Dallas at our expense, and you know we lost many things we wanted there, Mr. Baker, some of us. As you know very well, I had to make an apology, I lost my temper once or twice. Hell, let's

not do that all over again, my blood pressure won't take it."

. . . Laughter . . .

(A general demand from the membership for "question")

CHAIRMAN HALLANAN: "Mr. Ellis?"

MR. ELLIS: "Maybe I can help clarify the record a little bit. I think I appreciate what Mr. Baker is getting at there. He wants to be sure that no one could insist that a member's objections were not given full consideration before a vote and I think I appreciate your intention in that. It is not Mr. White's intention, and it certainly is not mine in appearing here in his behalf to open up new arguments or to create any furor in this Council on this report. I have some additional copies here that are available to the members if they would like to have them passed out. We are not asking Mr. Baker, nor will you be criticized, nor will the Council, for your failure to take up the time of the Council to read Mr. White's objection. I think I have faced enough crowds to see the temper of this one, and nobody is trying to cram anything down anybody's gullet. I may be a lever-mouth at times, but I hope I am not a damn fool at all times. Mr. White's purpose was to place on record his objections and it was no intention to disrupt the operation of this Council. As a member, he felt he had that right. As I stated before, the objections are directed to the report itself, not to the issues involved, which are of course debatable as between

members. I have some extra copies which, if you would like to pass out, Mr. Baker, we may do so, if they want to look at them. If they do want to look at them, all right, and if they do not want to, all right, but I am sure neither Mr. White nor myself would criticize you. You have made the gesture and that is adequate for his purpose. "

CHAIRMAN HALLANAN: "The question is, gentlemen, upon the adoption of the report, as submitted by Mr. Baker. All in favor indicate by saying aye? Opposed, no? "

(Several no's were recorded.)

MR. PARTEN: "Mr. Chairman, as much as I dislike it, I find myself in disagreement with the conclusions of this report. While I know that if we debated it probably for the next six hours we would not change a vote in this room, I will pass the matter by simply requesting respectfully that I be recorded as voting no and in doing so, I would like for it to be well understood that I thoroughly acknowledge the monumental piece of work that has been done by this Committee. The factual part of this report I think is something that is very worthwhile and would be most useful to the industry, as well as to the Government. I want it to be known that I am not left in a pleasant attitude of having to disagree with what is very clearly the majority opinion of this group. Thank you.

MR. MARSHALL: "Mr. Chairman, for somewhat the same reasons as Mr. Parten has expressed, I want to be recorded as



voting no. My particular reason is because I feel in terms of the conclusions of this report that those conclusions will be used, no doubt inadvertently insofar as the drafters of the report are concerned either now or in the future, to urge Federal regulation of imports of crude petroleum and its products. I do not think we ought to have that and I fear that this report not in terms of its facts, but in terms of its general tone, will be so used and it is for that reason that I ask to be recorded as voting no. <sup>11</sup>

CHAIRMAN HALLANAN: <sup>11</sup> Mr. Parten decides to be recorded no. Mr. Marshall decides to be recorded no. <sup>11</sup>

The report is adopted.

MR. MAJEWSKI: <sup>11</sup> I would like to make one statement in the absence of Mr. Hamon. Mr. Baker said what a terrific job was done by the Chairman of the Committee. I would like to have the privilege of introducing a formal resolution now, having it adopted now, complimenting Mr. Hamon on his great sacrifice and stick-to-it-iveness and also to commend the Technical Subcommittee headed by Dr. Gonzales for really presenting a monumental historical job that I think has much value. I should like to move adoption of that resolution.

CHAIRMAN HALLANAN: There has been a second. All those in favor, indicate by saying aye? Contrary, no? So ordered.

MR. HARPER: May I be recorded as voting no?

**CHAIRMAN HALLANAN:** Mr. Harpor is recorded as voting no.

Are there any other members who desire to be recorded in the negative? Mr. Swensrud, do you desire to be recorded in the negative?

**MR. SWENSRUD:** Yes.

*here*  
**CHAIRMAN HALLANAN:** Is Mr. Ed. Warren here, Vice Chairman of the Military Petroleum Advisory Board?

Gentlemen, you probably have noticed that there has been a change of the Oil and Gas Division and the Office of Oil and Gas has been substituted. The reason why that has been done I am not entirely familiar with, but I do recognize that in our Articles of Organization, our cooperative work is tied in pretty well with the Oil and Gas Division and if somebody will make a motion that I may appoint a committee of three to review our Articles and come up with such recommendations as may be desirable, I would like to entertain a motion to that effect.

**MR. BRUCE BROWN:** I so move.

**CHAIRMAN HALLANAN:** Mr. Brown has so moved and it has been seconded. Those in favor indicate by saying aye? Contrary, no? So ordered.

I would like to appoint Mr. Hines Baker and Mr. Howard Marshall and Mr. Russell Brown as a committee of three to review what amendemnts may be necessary to effectuate that.

Ed Warren, do you have a report to submit to us in connection with the Military Petroleum Advisory Board and its activities?

*J. Ed. Warren - MPAB*

MR. WARREN: I am sorry I was out of the room when you called on me.

It is very short. Bill Keeler asked me to make a report, he is Chairman of the Military Petroleum Advisory Board and could not be with us today. Actually, I think General White covered most of the things that could be said to the Council. I might say that Mr. Keeler and Mr. Davis and a few of them had a junket around the country and had meetings in Chicago and Salt Lake, Houston, Washington, San Francisco, where they briefed with the Military the various different committees on the work of the Military Petroleum Advisory Board. The Board itself is composed of 27 members and they have been appointed, or were this last year, in terms of one-year, two years and three years. The one-year term people will be going out in June and new appointments will be made. The idea is to alternate the group as they come along.

There is only one other point, and that is the matter of appointing the different committees for the various panels. They all have to be cleared for security purposes and many of them are on a stand-by basis. The fact that they have, it takes time to clear them and does not mean that there

is immediate work for them. I think there has been a feeling among them in industry that all these committee appointments means that there will be a vast amount of work that they will have to do, but the work will come along as it is needed, and they will be in a position of clearance where they can do it.

Outside of those remarks, Mr. Chairman, I have nothing further.

CHAIRMAN HALLANAN: Thank you, Mr. Warren, *Mr. Warren - Council member*  
Gentlemen, Mr. Hugh Stewart, Director of the Oil and Gas Division, is in South America at this time on some Government assignment and Mr. Carroll D. Fentress, the Assistant Director, is now acting in the capacity of Oil and Gas Director. I know we would be very happy to have any message that Carroll desires to bring to the Council.

MR. FENTRESS: *Carroll Fentress*  
Thank you, Mr. Chairman, and members of the Council. I want to express to you, Walter, and the members of the Council, Mr. Stewart's regrets that he is unable to be here today. He is at the Petroleum Committee Meeting of the International Labor Organization at Caracas at the present time.

Since we have last met, we have had several changes in staff in our small office. Mr. Jack Pawlin, who was with us since 1949, has left us to join Sinclair. He has left a big gap in foreign production matters. Mr. Allerick has left us and has gone back with the Phillips Petroleum Company. We

are very fortunate, however, in having Mr. John Lovett, who was with Standard Oil Company of Indiana, join us on refining matters. Is John present? If so, I would like to have you meet him.

Each year about this time we have been informing you of our fiscal situation. I am happy to report this year that both committees of Congress, both the House and the Senate, have reported out the sum which we requested, namely, \$250,000 for the activities of the Office of Oil and Gas and \$140,000 for the Connally Act. We all hope that the House and the Senate approve their reports.

One matter which was not raised this morning, which I want to answer however, and I am sure it is because Dr. Wilson was not present. Dr. Wilson asked at the last Council meeting where we stood on the appointment of committees which had been recommended by his committee -- that is, committees out in the field. This matter was referred to the Solicitor's Office in the Department of the Interior by Mr. Stewart some time ago to determine whether or not there existed authority within the Government to make such appointments. I checked yesterday afternoon expecting a question on the matter, and having done the work, I want to answer the question. I understand that the Solicitor expects to report to us, Bruce, within the next week, so I hope we can give you an answer very shortly.

I would also like to stress one of Mr. Brown's

remarks, the importance to management of this great gray book that was given to each of you today. We in Washington who are charged with responsibilities on security planning may be overly impressed with the significance of this, but I assure you that if that unfortunate event occurs of an enemy attack, that the recommendations contained in this document will go far to assure a continuing supply of oil for the country and for the Armed Forces.

I would like again to suggest that every person in top management take the time to read that report.

General White this morning mentioned to you a matter concerning the relative vulnerability of different types of tankage. We realize that to make any of the changes as suggested by his remarks, will cost money. However, I want to stress the importance of General White's remarks and it is my understanding that very shortly we will have the ball tossed to us to see what we can get you folks to do about it. So I am just warning you, you will hear more about it from us later, and we would appreciate your looking into it. It is a matter of serious concern.

Walter, I would like to comment on the excellent reports today and express on behalf of Mr. Stewart his appreciation for this excellent work. Thank you, gentlemen. "

CHAIRMAN HALLANAN: Thank you.

. . . Applause . . .

**CHAIRMAN HALLANAN:** Gentlemen, I am going to ask Mr. Brown to present briefly a request that has come to us from the Census Department about a matter in which they are interested in relation to the industry. Will you cover it briefly, Jim?

**SECRETARY BROWN:** You may recall some years ago, probably four years ago, this Council urged the taking of a census which would cover this industry. Mr. Niness also remarked this morning that the work of his Committee is being held up in regard to the census which is now being taken. Robert Burgess, director of the Bureau of the Census, writes to us that he would like this Council to remind the members that that census is being taken. They would like your help and cooperation in getting in the questionnaires that they have sent out to the entire petroleum industry. Since it ties in with some of the work this Council is doing, I invite you, on behalf of Mr. Burgess, to extend your cooperation in getting those questionnaires in.

**CHAIRMAN HALLANAN:** Any new business?

**MR. NIELSON:** Mr. Chairman, would it be in order to call attention to the dedication of the Engineering and Research Building of the Asphalt Group this afternoon at 2:30 at the University Campus and the Board of Regents and Board of Directors of the Asphalt Institute. They would be delighted to have anyone come that could be there, and there

is a dedication dinner there tonight at the Shorhan Hotel  
at 6:30.

CHAIRMAN HALLANAN: Any further business, gentlemen?  
I would like to ask Mr. Hines Baker, Mr. McCollum, to remain  
with me for a press conference after this adjournment.

A motion to adjourn is in order.

(Whereupon, at 12:50 p.m., the meeting was adjourned.)