

OFFICIAL REPORT OF PROCEEDINGS

Before The

DEPARTMENT OF THE INTERIOR

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Docket No. ....

In the matter of NATIONAL PETROLUUM COUNCIL MEETING

Place Washington, D.C.

Date 28 September 1956

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NATIONAL PETROLEUM COUNCIL MEETING

C O N F I D E N T I A L

Room 5160

Department of Interior Building

Washington, D. C.

Friday, September 28, 1956.

The Council met, pursuant to notice, at 9:30 o'clock a.m., Room 5160, Department of Interior Building, Friday, September 28, 1956, Mr. Walter S. Hallanan, Chairman.

MR. HALLANAN: The Council will please come to order.

The Secretary will call the roll.

MR. BROWN: Mr. Anderson.

Mr. Baker.

MR. BAKER: Here.

MR. BROWN: Mr. Ball.

Mr. Barton.

Mr. Benedum.

Mr. Bergfors.

MR. BERGFORS: Here.

MR. BROWN: Mr. Blaustein.

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Blazer.

MR. WELLS: Everett Wells for Paul G. Blazer.

MR. BROWN: Thank you, Mr. Wells; and if there are other individuals here representing a member who is absent, as I come to that name kindly rise and give your name for the record.

Mr. Reid Brazell.

Mr. J. S. Bridwell.

MR. WATTS: I am Wayne Watts. I am representing J. S. Bridwell.

MR. BROWN: Mr. Bruce K. Brown.

MR. BROWN: Here.

MR. BROWN: Russell B. Brown.

MR. BROWN: Here.

MR. BROWN: Mr. Robert W. Carney.

MR. CARNEY: Here.

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

Gentlemen, I desire to introduce a new member of the Council, and a pretty good-sized fellow. Mr. Carney is the President of the Independent Oil Men's Association of New England.

We are glad to welcome you to the Council, Mr. Carney.

MR. CARNEY: Thank you.

(Applause.)

MR. BROWN: Mr. Charles A. Chipman.

MR. CHIPMAN: Here.

MR. BROWN: Mr. James Comerford.

MR. COMERFORD: Here.

MR. BROWN: Mr. Howard A. Cowden.

A VOICE: Mr. Brown, I am representing him.

MR. BROWN: Mr. Cummins.

Mr. Curry.

Mr. Donnell.

MR. PARRIOTT: I am James Parriott, representing  
J. C. Donnell.

MR. BROWN: Thank you, Mr. Parriott.

Mr. Dow.

MR. DOW: Here.

MR. BROWN: Mr. Downing.

MR. DOWNING: Here.

MR. BROWN: Mr. Duke.

MR. DUKE: Here.

MR. BROWN: Mr. Dunnigan.

MR. DUNNIGAN: Here.

MR. BROWN: Mr. Clint Elliott.

MR. ELLIOTT: Here.

MR. BROWN: Mr. Rainey Elliott.

MR. ELLIOTT: Here.

MR. HALLANAN: Mr. Elliott, will you please rise,

sir?

Gentlemen, I desire to present another new

member of the Council, Mr. Rainey Elliott, President of the Petroleum Equipment Suppliers Association, of Tulsa, Oklahoma.

We are happy to welcome you, Mr. Rainey Elliott.

MR. ELLIOTT: Thank you.

(Applause.)

MR. BROWN: Mr. Endacott.

MR. ENDACOTT: Here.

MR. BROWN: Mr. Fisher.

MR. FISHER: Here.

MR. BROWN: Mr. Follis.

Mr. Foster.

MR. SAUER: Mr. Sauer representing Mr. Foster.

MR. BROWN: Mr. Fox.

Mr. Goggin.

MR. GOGGIN: Here.

MR. HALLANAN: May I ask you to rise, please, sir?

Another new member of the Council is Mr. George T. Goggin, President, Independent Refiners Association of California, of Paramount, California.

We are happy to welcome you.

(Applause.)

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

Mr. B. I. Graves.

Mr. Walter S. Hallanan.

MR. HALLANAN: Here.

MR. BROWN: Mr. Jake L. Hamon.

MR. HAMON: Here.

MR. BROWN: Mr. Hanks.

Mr. B. A. Hardey.

MR. HARDEY: Here.

MR. BROWN: Mr. John Harper.

MR. HARPER: Here.

MR. BROWN: Mr. Hartman.

Mr. Hawley.

MR. HAWLEY: Here.

MR. BROWN: Mr. Herrmann.

MR. HERRMANN: Here.

MR. HALLANAN: Mr. Herrmann, may I ask you to  
rise, sir?

Gentlemen, I desire to present Mr. Herrmann, a  
new member of the Council, who is President of the Texas  
Independent and Royalty Owners Association.

We are happy to get you as a member, Mr. Herrmann.

(Applause.)

MR. BROWN: Mr. Hilts.

Well, he was here a little while ago.

Mr. Hulcy.

Mr. Hunter.

MR. HUNTER: Here.

MR. BROWN: Mr. Jacobsen.

MR. JACOBSEN: Here.

MR. BROWN: Mr. Jennings.

MR. NICKERSON: E. L. Nickerson for B. B. Jennings.

MR. BROWN: Mr. Charles Jones.

Mr. W. Alton Jones.

MR. JONES: Here.

MR. BROWN: Mr. Kayser.

Mr. Keck.

MR. JOHNSON: Roger Johnson for Mr. Keck.

MR. BROWN: Mr. Keeler.

MR. KEELER: Here.

MR. BROWN: Mr. Lawton.

MR. LAWTON: Here.

MR. BROWN: Mr. Leach.

Mr. Ludwig.

Mr. Lyons.

Mr. McCollum.

MR. PARKINTON: Mr. Parkinton for Mr. McCollum.

MR. BROWN: Thank you.

Mr. McFarland.

Mr. McGowen.

Mr. Maguire.

MR. MAGUIRE: Here.



MR. BROWN: Mr. Majewski.

MR. MAJEWSKI: Here.

MR. BROWN: Mr. Marshall.

MR. MARSHALL: Here.

MR. BROWN: Mr. Mattei.

Mr. O. B. Maxwell.

MR. MAXWELL: Here.

MR. HALLANAN: Mr. Maxwell, would you please  
rise, sir?

Gentlemen, I desire to present another new member  
of the Council, Mr. O. B. Maxwell, President of the National  
Tank Truck Carriers, Inc., of Cincinnati, Ohio.

We are pleased to have you here as a new member,  
Mr. Maxwell.

MR. MAXWELL: Thank you.

(Applause.)

MR. BROWN: Mr. Milligan.

MR. CAMPBELL: Mr. Campbell for Mr. Milligan.

MR. BROWN: Mr. Moncrief.

Mr. Mosher.

Mr. E. Dale Mount.

MR. MOUNT: Here.

MR. BROWN: Mr. George T. Naff.

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

MR. BROWN: Thank you, Mr. Kane.

Mr. Nielson.

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

MR. BROWN: Thank you.

Mr. Niness.

MR. NINNESS: Here.

MR. BROWN: Mr. Nixon.

Mr. Nolan.

MR. NOLAN: Here.

MR. BROWN: Mr. O'Shaughnessy.

MR. O'SHAUGHNESSY: Here.

MR. BROWN: Mr. Parten.

MR. PARTEN: Here.

MR. BROWN: Mr. Pague.

MR. POGUE: Here.

MR. BROWN: Mr. Porter.

Mr. Powers.

MR. POWERS: Here.

MR. BROWN: Mr. Rathbone.

MR. HOLMAN: Holman for Mr. Rathbone.

MR. BROWN: Thank you.

Mr. Richardson.

Mr. Ritchie.

Mr. Robineau.

MR. ROBINEAU: Here.

MR. BROWN: Mr. Rodman.

MR. RODMAN: Here.

MR. BROWN: Mr. Rowan.

Mr. Skelly.

Mr. Spencer.

MR. DYER: A. B. Dyer for Mr. Spencer.

MR. BROWN: Mr. Staples.

MR. STAPLES: Here.

MR. BROWN: Mr. Supplee.

MR. WEBB: L. A. Webb for Henderson Supplee.

MR. BROWN: Mr. Swensbrud.

MR. SWENSBRUD: Here.

MR. BROWN: Mr. Taylor.

Mr. Vandever.

Mr. Violette.

Mr. Vockel.

Mr. J. Ed Warren.

Mr. William K. Warren.

MR. WARREN: Here.

MR. BROWN: Mr. Weil.

MR. WEIL: Here.

MR. BROWN: Mr. Whaley.

Mr. White.

MR. WHITE: Here.

MR. BROWN: Mr. Wilson.

MR. WILSON: Here.

MR. BROWN: Mr. Windfohr.

Mr. Wood.

MR. WOOD: Here.

MR. BROWN: Mr. John Wrather.

MR. HALLANAN: I, gentlemen of the Council, have the profoundly sad duty to announce officially to the members of this Council that, since our last meeting, Mr. Stewart M. Crocker, a beloved and valued member of this Council, passed on. He has been one who has contributed immeasurably to the work of the Council as he did in private industry.

I should like at this time to recognize Mr. Alton Jones to present a resolution in memoriam of Mr. Stewart M. Crocker.

MR. JONES: This is a resolution, Mr. Chairman, in Memoriam of Stuart M. Crocker:

"WHEREAS, Stuart Miller Crocker, prominent American, a beloved and valued member of the natural gas industry, passed away on September 3, 1956, thus turning the last page in a life story of fifty-eight years of useful and devoted service to the people, industry and government of America; and

"WHEREAS, Stuart Crocker gave generously of his time in active participation in the

cooperative program designed to serve both his country and industry, serving as a member of the National Petroleum Council ever since its organization in June, 1946; and

"WHEREAS, by the passing of Stuart Miller Crocker, his friends and colleagues, as well as the entire American oil and gas industry, have suffered the deep personal loss of his friendship, his unfailing ability, and constant devotion to duty;

"THEREFORE, BE IT RESOLVED, by the members of the National Petroleum Council, in meeting assembled at Washington, D. C., this 28th day of September, 1956, that this resolution be spread upon the records of the Council as a memorial and tribute to its faithful and devoted member and that an engrossed copy thereof be sent to his widow, Mrs. Helen C. Crocker, as an expression of the Council's profound sorrow and heartfelt sympathy to his family."

I move the adoption of the resolution.

MR. HALLANAN: May I ask a rising, standing vote, please, of the Council?

(The assembly stood.)

MR. HALLANAN: Gentlemen, you have received

copies of the Minutes of the last meeting of the Council.

What is your pleasure?

MR. WILSON: I move its adoption.

MR. HALLANAN: It has been moved and seconded that the Minutes be approved. All in favor say aye; all opposed no.

MR. MAJEWSKI: When was the last meeting?

MR. HALLANAN: January 24th.

MR. MAJEWSKI: That disqualifies all the members of this Board.

MR. HALLANAN: Well, we won't raise that technical issue at this moment.

(Minutes approved.)

MR. HALLANAN: Mr. Jacobsen, have you an agenda for the Committee?

MR. JACOBSEN: We did call a meeting of the organization yesterday, as we have done in the past, without having had anything in the way of advance notice, because frequently things come up at the last moment, and in order to be able to render prompt service we were ready for it. We were ready yesterday and nothing came up, so the meeting adjourned.

MR. HALLANAN: You have heard the report of Mr. Jacobsen.

Gentlemen, we do expect the Secretary of the

Interior to visit with us sometime during the morning.

There was a meeting of the Cabinet called at nine o'clock this morning which required his presence. The exact time of his arrival here we are not capable to anticipate. But we have had assurance that he will come to this meeting just as soon as he is able to leave his Cabinet meeting.

Inasmuch as it has been several months since the Council has met, and a lot of important water has been going over the dam in the meantime in our international situation, I am happy that we have the Assistant Secretary of the Interior here this morning, and also the Director of the Oil and Gas Division.

Before going into the routine hearing of Committee Reports, which are ready for submission at today's meeting, I should like to present Mr. Wormser, the Assistant Secretary of the Interior, and also Mr. Stewart, Director of the Oil and Gas Division, for a general review of the situation as they see it at this time.

I present the Assistant Secretary of the Interior: the Honorable Felix Wormser.

(Applause.)

MR. WORMSER: Mr. Chairman, and gentlemen:

I must apologize first of all for the congestion here. I am sorry we didn't have larger facilities for your comfort.

In the second place I am sorry also that this conflict with the Cabinet meeting happened. But I am sure the Secretary will get over here as promptly as the Cabinet meeting will permit.

It also seems that the oil industry and probably other industries are continually faced with extremely thorny problems, and we have got one of course today that faces all of us; namely, this Suez situation.

It is a source of great comfort to me and I know it is to the Department as a whole, and to the Administration, that over the years we have effected such close cooperation with your industry.

I am delighted from what I have seen of the various committees that have worked to help plan for any eventuality, to see the thoroughness and the dispatch with which they have operated, and the feeling of confidence they have given us that, no matter what is ahead, we will have your complete cooperation.

It is a great pity, to me, that in the world today -- and it has been true for a good many years, I am sorry to say, you have situations arise constantly where in the last analysis what is at stake is: will men adhere to the promises they have made. Will they adhere to their contractual obligations?

We have undoubtedly in the world today a lot of what you can brutally term immorality. It is excused at



times on the ground of the public welfare or what-not. But to me it is shocking, and we have a comparable situation like that today. I am hopeful that through the good offices of Secretary Dulles and others, it may prove to be solved in such a way that it will restore confidence in the promises that men live by.

I am in hopes that before the day is over we will have an officer of the State Department here to give you some of the background which you may already possess, but coming from his lips directly, probably, and providing an opportunity for you to ask him questions, it may help somewhat to enlighten you a bit further, although I may say, just from reading the newspapers, if you read them as assiduously, you have about all that is to be known of this present crisis.

I don't, in anticipation of this visit, I am not going into this background. I do, however, want to express my deep thanks, not only to the Council but to these various committees on which some of you have served, for the wonderful support you are giving us. Nobody is better qualified to give you an account of how we are set up and how we are functioning than the Director of Our Oil and Gas Division, H. A. Stewart, who has been working constantly with the two committees that have been set up to guide us through this present crisis.

Mr. Chairman, if I may suggest that Mr. Stewart will outline for the Council some of the work of the committees, that that might perhaps be a good basis for our discussion.

Thank you very much.

(Applause.)

MR. HALLANAN: Mr. Stewart.

MR. STEWART: I have got two or three apologies to make. To begin with -- and I might as well get through them -- one, Secretary Wormser has already commented on; that is, since we have this particular meeting of the Council in this room, that is it. It is a room we have long since outgrown. But because of the problems we had in fixing on a date, we delayed too long to get a reservation on the usual meeting rooms down in the Interdepartmental Auditorium, and although I tried to swing a little Interior weight, it wasn't quite enough to push Agriculture out of the room. They were set up with people gathered from all over the country -- pretty much as near all over the country as we are. So we have to put up with this situation for today, and I trust that from here on we will be able to have our meetings scheduled long enough in advance that we can be sure of getting that space.

Another apology that I have got to make is that I have got to make this statement: we have had to delay

so long in having a meeting of the Council, there have been any number of reasons for that. We had a new Secretary move in last May, and we have had many repeated attempts to get a meeting lined up. Here at the end of September we have succeeded.

However, in that length of time, and particularly since the first of August, we have had repeated meetings. Some are still going on today in New York. That is, in which the Council members or some of their technical staffs have been continuously involved.

I will undertake at Secretary Wormser's suggestion to give you a run-down on the situation as it developed and as we now see it, and particularly the operations that have gone on in this Oil problem. But expanding on what Secretary Wormser said, I think that this has proven to everyone in Government that in the Government industry team, that we have a valuable and most available to us through the National Petroleum Council -- and the military control -- that we are in a position to analyze and meet practically any petroleum emergency which may arise, and that we are in the position to supply to those who need it, basic information and sound data, a sound basis for all of their planning.

We may have had some people in government who were a little skeptical of the real need for this sort of government-industry cooperation. If there was such skepticism it has been completely dissolved.

Now to give you a run-down on what has happened, the steps that have been taken, the problems we have met, you know that Colonel Nasser, the President of Egypt, nationalized the Suez Canal in an announcement made July 26th. Before that, for a matter of some four months, we in the Office of Oil and Gas had a feeling that there was enough unrest in the Middle East that we should have some appraisal of what an interruption in Middle East oil flow might mean to our overall national defense problems.

We began our reviews and made our first study in March of this year. We didn't anticipate Colonel Nasser's move, but when he did move then the Administration, through its planning, threw itself into high gear, and since oil was the biggest element in Suez traffic, some 65 or 66 per cent of the traffic through the canal is oil, the impact could conceivably be very great on particularly the European oil economy, and any severe dislocation of European petroleum supplies would have a severe economic effect in Western Europe, and that, in turn, would have perhaps even a disastrous effect on our country's defense programs. So we were very much interested, I can assure you.

Now we had a voluntary agreement which related to foreign petroleum supplies. That agreement was first designed, set up to meet the crisis when the Iran government nationalized the petroleum sources in Iran, and in effect

shut down the operations of the Abdan Refinery. That was during the Korean War, and of course it was a matter of real consequence in the overall program at that time.

This voluntary agreement was set up which consisted of, in the beginning, some twenty-one American oil companies who had important operations in foreign areas. The operation is under that voluntary agreement, and under the plan of action which was established, proved to be very effective in solving the European requirements as a result of the Abdan dislocation.

As time went on that voluntary agreement was severely criticized in some circles and the Department of Justice was very much concerned about it as a continuing peace-time mechanism. However, they and we recognized that with the defense production act changed as it had been, prohibiting the establishment of any new voluntary agreements, it was absolutely necessary to maintain, at least in standby, the voluntary agreement relating to foreign petroleum operations.

This was done. But there was a far cry from the freedom of action permitted under the plan of action established during the Abdan crisis, and the activities of that committee permitted under the amended voluntary agreement.

Well, we considered that the first thing neces-

sary was to set up under the voluntary aid was a plan of action, that that plan of action as a subsidiary voluntary agreement of course would have to have the approval of the Government, which means approval in the Department of Interior, in the Office of Defense Mobilization, and the Department of Justice.

On Friday -- I am going to use the first person now for a few moments, because I think I can emphasize what I am going to try to say better -- I called Stewart Colman, who had been Chairman of the Foreign Petroleum Supply Committee under the voluntary agreement, and who under the modified agreement I had to succeed as the government chairman.

I called Stewart Colman and asked him if he could get a group of attorneys together, in New York, to meet on Tuesday. I think I called Stewart on Friday. I said I wanted to discuss with them a plan of action which would permit the solution of any problem that might arise in the foreign field.

On Wednesday I brought back from New York a draft of that agreement. It was a rough working draft. It was worked pretty extensively here in our own department, in O.D.M., and at Justice. There were lots of questions raised and a lot of them answered; and then the problem came up of determining whether or not the foreign petroleum supply

committee would formally accept that draft and submit it as a recommendation to the government.

We had another meeting on the following Tuesday, and at that meeting the draft was re-worked to eliminate some of the inconsistencies and inaccuracies that were in the first rough draft.

Tuesday night I brought copies of it back to Washington. At nine thirty the next morning they were on Dr. Fleming's desk. Dr. Fleming and his legal counsel went over it with representatives from our solicitor's office, and copies were immediately sent to the Department of Justice.

There were still some points that needed to be ironed out and they were ironed out. I called for some attorneys from New York, I called in the morning and they came in at two o'clock in the afternoon, to explain some of the problems that they saw that made certain modifications, certain future modifications in the agreement, necessary.

We had those discussions, and Friday night at seven o'clock, by dint of keeping the Undersecretary of the Interior here to sign the official letters, official request, Dr. Fleming kept his staff standing by to receive it and to issue the necessary letters of invitation to join the new committee, and keeping the Chairman of the Federal Trade Commission away from a dinner engagement, holding the Department of Justice staff available, and keeping the Attorney

General himself at home where he was dressed and ready to go out to dinner, we got approval clear across the board, and that was on August tenth.

Now we talk about this teamwork between industry and government. I can assure you that when the crisis was facing us we got some marvelous teamwork within the government. That helped immeasurably in getting our base set.

Now as a result of the approval of the plan of action, and the formal establishment of the Middle East emergency committee to deal with any problem in the interruption of the flow of oil in the Middle East, it became necessary of course for the committee to immediately set up a series of subcommittees.

These committees were supply and distribution; the Tanker Transportation; Pipelines; Production; Refining; and Statistical; and most of those subcommittees immediately went to work to put together the variety of the current information that was essential to furnish a basis, first on which to determine how much impact there would be in event of a dislocation, where that impact would fall, and how it could be met.

Of course it was immediately apparent that the biggest problem was in Tanker Transportation capacity, and a large part of the work as a fact revolves around that



one problem.

Incidental to that problem -- and really a major factor in it -- was the fact that today the world's tanker threat is almost thoroughly occupied. Tanker rates are strong and have been all summer as a result. We are going into the winter heating season, when the flow of fuels is on the up-grade, and the tanker requirements normally stiffen. Well, they have been stiff all summer.

The subcommittee and the committee, and the work that we did with them, made it apparent that in order to get the maximum transport capacity out of the tanker fleet, if the Suez Canal was closed, and if the supplies of petroleum to Europe were to be maintained in anything like the rate that was forecast as the requirements for this winter, the maximum use would have to be made of tankers, and the only way that that maximum use could be made would be to shift as many tankers as necessary into the shorter U. S. Gulf Coast, Caribbean, contrasted with any thought of taking the tankers around the Cape of Good Hope.

At the same time a number of tankers, a reasonable volume of movement, would have to continue around the Cape of Good Hope.

When we began to get some clarification in the problem of probable requirement on the Western Hemisphere

as a result of that tanker problem, we began to figure where we would get it in this country and how we could get it and how quick we could get it -- how quick it could be made available at the tanker terminals.

We called the military terminal advisory board in on August 21, and proposed to that board two questions. At that time we didn't have our problem impact figures too well in mind. But we proposed to the military advisory board two questions: one, could the United States produce five hundred thousand barrels a day of crude, above that crude which had been produced in July; could it produce eleven hundred barrels a day of crude oil over and above the July rate.

MR. WILSON: 11,000?

MR. STEWART: One million and something.

Then, how much crude could be transported by normal transportation facilities and delivered at the tidewater terminals?

We asked the board to please have a report ready for us by the first of September. Well, we found that we would up not getting it and began to get some elements of it, but we finally didn't get it until the meeting -- what date was that? -- until the 20th of September, and that is when we got it.

Now we framed this request to the board with

those two figures as a bracket, as a range, and we had no particular doubt that the five hundred thousand barrels a day of extra production could be readily available. We were not too much concerned about the million one hundred thousand. But we were concerned about the transportation capacity to deliver that to the Gulf and how quick we could get that flow underway.

Now I think at this point it would be well for me to inject the comments on some complaints and questions that I have received from members of the Council as to why this particular study wasn't pitched to the National Petroleum Council. We had considered doing just that very thing. But in view of the pressure we were under -- and bear in mind we are running against a September 15th deadline for a possible crash -- we figured that we couldn't get the Council moving fast enough, that we would have too much trouble getting the Council together in a crash meeting on projects that were as continuous as those with the moment; and we did have the Military Petroleum Advisory Board readily available with a much smaller group, and that Board had some of the basic data already in hand as part of their material or earlier studies.

In view of the fact that we had to get it done quickly, and it had to be tailored to a small area, we

pitched it to the board and we limited it in the initial phase to a study of transport, produce ability and transport reducibility from those states nearest to the Gulf and those areas which had pipeline capabilities.

I come back to this particular problem after I get through with the Suez. But I wanted to inject that at this point. But I will come back to it.

We had some information coming in continuously, in the latter part of August, and in early September, to indicate that we might reach a breaking point on September fifteenth. We couldn't see why it would come particularly -- we couldn't be sure it would come, but we had to be prepared for whatever did come and just hope and pray it wouldn't come.

Well, the Suez Canal Company called out his pilots, or they relieved the pilots of further responsibility to the Company, as of September 14th, and the Canal was Mr. Nasser's to do with what he could.

In the meantime we were still building our background of information and continued to carry on. By that time we had a pretty clear indication that if the Canal closed we might have to supply as much as eight hundred thousand barrels -- seven hundred fifty thousand barrels certainly -- from the Western Hemisphere, and the major

portion of that impact would be on the United States. First, if we have it; second, if we have the capacity capability to move it one way or another.

Then the problem came up of whether or not any sudden call on those southern producing states which had the largest potential reserves would cause any problem to the State regulatory bodies. One thing that bothered us particularly was the fact that some areas of -- some areas in Texas, say -- you have reserve producing capacity and have no pipeline connections or limited pipelines out there. Other areas that have the producability do have ample pipeline outlet. We wondered whether or not the fact that we might have to call on the industry to push the production up and it might be necessary to draw heavily from three or four fields which had not only producability but had the transportation outlet available, whether that would cause problems.

As a result of the various questions that come to our minds, we asked the regulatory bodies of Texas, Oklahoma, Louisiana and New Mexico to send representatives in for a discussion, and I gave them a fully a run-down on the problem, as best I could, and then discussed with them this problem of producability and these problems of: "Could we do this? -- and how fast could they do it?"

Well, it worked out very nicely. They assured us that they had the producability which we already were reasonably sure of; but that they could move very fast if it became necessary.

Now I told them that as far as we could see here, that if there was a sudden crisis in the Middle East it might take two weeks to realign tanker operations, and that might even be a little bit optimistic under two weeks; that the European economy had probably a measure of thirty days supplies in storage, either crude or products, and that there was a certain number of loaded tankers en route to Europe which would tend to fill the gap; that in two weeks we might begin to get some tankers flowing to the Western Hemisphere, that the entire movement might be established in a month, and that in that period of time we could get our domestic operations realigned and get a flow of extra oil production to the coast.

These regulatory boards assured us that in general they could have their work done in two weeks. Certainly a month would be ample. We jointly agreed that under all of the factors we weren't under any particular pressure from those angles because of the real impact not hitting short of about six weeks after the crisis had actually happened.

Now our Middle East committee has not yet got all its basic figures together, because those figures include

not only the requirements of Europe but the requirements of other parts of the free world where, which are dependent to no small degree on Middle East petroleum sources.

We also have the problems of supplying South America, and those supplies are largely drawn from Venezuela. Some of it does come in from the Middle East.

Well, the flow of oil to the countries of the free world, aside from Europe, had to be pretty well protected; and it appeared that the impact, to the extent there was impact, would have to fall on western Europe. Any severe impact there would of course be disruptive to their economy and it would interfere with our national defense programs, as I said before. But the impact would necessarily be focused on Western Europe.

Now in the course of these studies we included phase two of the problem which was the possible interruption of the flow of oil through the pipeline systems taking oil to the eastern Mediterranean. We have the Iraq Pipeline system coming out of Iraq, and the tap line coming up out of Saudi Arabia. Those two systems were moving something over eight hundred thousand barrels of oil a day; and the haul from the eastern Mediterranean, the tanker haul, to the places required in the Mediterranean and in Western Europe, was the shortest haul of the whole series.

MR. WILSON: They have been at capacity, however,

right along?

MR. STEWART: They have been at continuous capacity right along, with no interference. We had to assume that if things got bad enough the Arab influence would interrupt that flow. That would mean the setting up of a condition of a supply which the Western Hemisphere simply couldn't meet, with the facilities now available. It would mean with the present tanker fleet and those tankers that are coming off of the lathes, that the impact on the Western Hemisphere would be something over two million barrels. Statistically it figured out two million one hundred thirty thousand barrels.

While we think we have a surplus producing capacity in excess of two million barrels -- and I took occasion last week in a Press Conference to brag about having two million two hundred fifty thousand, none of us know how long that will last. I personally am not too sure that the two million two fifty is a sound figure. There are problems involved in it that need some investigation. But regardless of that we don't have the internal transportation capacity to put two million-odd barrels of extra crude on the Seaboard and to do it promptly and to do it during the period we might have this Middle East interruption. Because none of us believe -- or I have heard no one indicate and



I certainly don't believe -- that that interruption could last very long. Consequently, we have been figuring four or five or six months' trouble.

Now as the time has gone on the Canal is still operating. The last information I had indicated that there was perhaps a twenty per cent less ships going through the Canal in the past week or ten days than there had been in July. Whether that is somewhat seasonal, or whether it is a result of re-routing of some ships around the Canal, I don't know. We are trying to find out. But if the ships going through are essentially all tankers, or if the tanker movement through is essentially what it had been, the interruption in the flow as of now is of no consequence. I have hopes that as we go along that, after this present flare of temper dies down, and that people using the Canal -- both government and industry -- can get together and work out some satisfactory solution that will eliminate that Suez crisis. If it does, that will be wonderful.

If, however, we go into prolonged interruption in the Canal efficiency, which in my mind could most probably come about with a lack of maintenance of the Canal, with the Canal standing up as it seems to have a habit of doing -- standing up -- the Canal's efficiency might gradually deteriorate over a period of time or several months, and that would have nothing to do with the matter of pilots,

nothing to do with the Egyptian operation of the Canal, except that they would be up against it in the normal maintenance.

Well, we have got to look ahead there and see what we may face in gradual interruption of petroleum supplies to Europe, gradual slow petroleum starvation in Europe, and whether and to what degree the United States will have to move into the field to try to bolster the European petroleum supplies and the European petroleum economy.

Now I don't know how many of you have been following the various economic reports that have come out of Europe in the past several months. Many of you perhaps have never seen them or never heard of them. But in Europe it has become very obvious that coal production, while not declining, is barely holding the producing rate that it developed and maintained post-World War II. There is no increase, or a very, very modest increase, and as a result the expanding industrial economy of all of the Western European countries is depending on energy on petroleum.

Now that dependence has taken two forms, and that raises a serious problem in the supplies of crude. The big demand in Europe is for heavy fuel. Secondary demand for the lighter fuel -- the Diesel oils and what we generally group as distillates.

Then there is the gasoline demand. Well, the

gasoline demand is very seriously curtailed all over Europe. It is curtailed by the imposition of very high taxes.

When I was over there in June and July, I spotted lots of pumps, I asked lots of questions, and it made very little difference where you were, the gasoline would translate into prices of seventy-five to eighty-five cents, and some of the newer premium gasolines were higher than that.

Most of that extra cost is not too much different from the refinery here, and most of that cost is imposed by government taxation. That is partly to revenue and partly to curtailed consumption. They could curtail imports, and by doing that they curtail their foreign exchange problems, and they have it most beautifully involved -- the most beautifully involved series of economic problems, most of which I have never heard of, that you can imagine. But they still have this demand for fuel as energy to meet their industrial requirements that are rising. That is running some thirteen per cent now, and it is forecast continued on a very much straight-line rise over the next six or eight years.

The organization of European economy has a series of energy committees -- oil is one. That committee completed a report in, I think it is just complete, as a matter of fact. It was a previous energy report that was

completed and published in June, but the petroleum report, I don't know whether it is even yet off the press. I have reviewed the draft copies of it.

The petroleum requirements are going to go up, and, still up, up, and up, and they are going to hold somewhere in that thirteen to fifteen per cent rate.

Now that means that if Europe is to be kept strong and if our oil needs are to be kept strong enough to do the portion of the free world's work that seems necessary in meeting the overall communist threat, the European economy has to be maintained. They have got to have this oil to maintain it. And in periods of emergency it looks like we are going to have to do our best to contribute our oil to meet any serious deficit, in spite of the fact that it would be a grave matter to use it or for us to simply drain off more of our reserves, more of our lifeguard blood, in order to give them a shot in the arm. But it has to be done, done it will have to be.

I think that covers the Suez problem and the work we have been doing, about as well as I can make it in this length of time.

Now I want to go into this matter I touched on, of why we pitched the particular study to the MPAB, and in the minds of some people we were ignoring the Council.

MR. BLAUSTEIN: May I ask a question just at that point?

Has there been any indication from the top countries of what Iraq topline were, that they might stop a flow of oil? Has there been any indications along those lines?

MR. STEWART: The indications have been to the contrary, to the extent there have been indications. As I understand it the only indications that I know of is that if the Western powers take any overt action against Egypt, the Arabs in those transit countries might undertake to sabotage or disrupt the pipeline flow. But there is no current indication that that is or apt to happen or that perhaps it would be allowed to happen.

MR. BLAUSTEIN: It seems to me Syria was a little more definite than that in some of their statements, some of their politician statements, that if we started shooting our way through Suez they would close the pipeline.

MR. STEWART: Oh yes. Then we have the Arab oil union, under stimulus from the Cairo labor unions; they proceeded to call a strike, on the lines through Syria, the Syrian Government moved in, and the boys didn't come to work at seven o'clock this morning but at one o'clock they were all back, -- back under rather positive instructions to stay on the job and keep the line moving. So you can read

anything you want, and you can assume anything you want. But I am not too much concerned provided there is no overt action in an outright attack on Egypt.

I can assure you that that is a thing Secretary Dulles has been working on continuously, to try to keep things calm and to keep some of the more impetuous from launching into something that might be mighty hard to live by.

MR. WILSON: You didn't give a figure as to how much we could move by seaboard, how much extra crude could be moved.

MR. STEWART: We can move by pipeline in the neighborhood of six hundred thousand barrels a day through existing facilities. That might be upped another fifty. But to go above the six hundred we would undoubtedly have to have recourse in some areas to tankers, where the fields of producing capacity and there are no adequate pipeline connections. Then there would have to be a use of barges, and the barges or barge systems would have to be pretty up there or pretty much readjusted to give us the maximum available use by barge.

MR. WILSON: Tank trucks?

MR. STEWART: Definitely, some of it close to the Gulf would have to be moved by tank truck. So that to reach anything like seven hundred fifty or eight hundred

thousand barrels, we would have a lot of extraordinary transportation problems to meet, and those problems are not all together statistical. It involves contracts; it involves costs; and then a lot of other matters. So far we have given consideration primarily to capability and have not worried about just how some of the economic matters would have to be handled.

MR. WILSON: Thank you.

MR. RUSSELL BROWN: Is there any plan yet to facilitate that transportation, Mr. Stewart? Has there been worked out any plan in detail as to how to step it up?

MR. STEWART: We have quite a pipeline flowing to the government, on just exactly what can be done and where it would need to be done in order to have the movement set up inside of three weeks. But we are not figuring on any long-pull stuff because we are trying to limit our planning to say a six-months' basis.

MR. HALLANAN: Are there any other questions?

MR. BROWN: Mr. Chairman --

MR. HALLANAN: Mr. Brown.

MR. BROWN: In World War II and early in the Korean War, the other agencies in Washington were concerned with industry at first, but were occasionally kind enough to express admiration at the fluency with which the Interior Department handled oil and gas matters, and the answer was

that there was no substitute for the business. I have asked Mr. Stewart in this job since 1940 -- and I think he is entitled to great credit. I think he has made a marvelous report.

(Applause.)

MR. HALLANAN: Are there any other questions which you wish to propound to Mr. Stewart, gentlemen?

MR. DUKE: One, Walter: is there any plan used for permanently dealing with alternatives to the Suez in the event of this occurrence?

MR. STEWART: No plans have been formulated. But a wide variety of plans have been, points have been raised and plans are under investigation. They range from the building of super-super tankers to the building of large pipelines out of the Middle East to the Mediterranean. There may be more. But I don't think any angle is being overlooked.

But when I think of a plan I think of a possible plan for action, and not a plan to put on the shelf. There is a little difference there. But we are looking at every possible way to move oil.

MR. MAJEWSKI: Well, Mr. Stewart, you have got to have the Suez Canal. I mean, this long-range thinking doesn't square up with six month's planning. So you have just got to face up to it, you have got to have the Suez



Canal if you are going to take care of Western Europe.

It seems to me that we are wasting time in propounding questions about substitutes for the Suez. Hell, I will be dead, and I expect to live a little while.

MR. STEWART: I have dwelt on every possible suggestion as a substitute, and the next question was what would that substitute cost; and who would have to put up the money? Those substitutes are all expensive.

MR. MAJEWSKI: I am on your side. But these questions about a substitute, my goodness, it is like killing my twelve kids. What am I going to substitute for them? It could be a long job of discussion there, and this is even a more lengthy job than that. I think that what Bruce Brown said, what you are doing is terrific; and I think we ought to go on with the meeting now instead of planning substitutes. Because you find young fellows like Gene and Jake back of me -- and I don't like that.

MR. BLAUSTEIN: I have a feeling that we must do everything possible to keep the Suez working. I think it would be folly for us not to recognize that the Navy has an emergency there for which we must get equipped to meet. Now I have never done it, and I have never known this country ever to fail in doing anything when it has to do it. I don't think it is a thing that we really relish, but I think it is so big we have to study and be prepared to meet it if

need be.

MR. MAJEWSKI: You misunderstood. I want the Suez Canal to operate, and I want the State Department and everybody to work out a situation that is peaceful as it can be worked out. You misunderstand me. I am sorry.

MR. BROWN: It doesn't depend on that.

MR. MAJEWSKI: No, you have to work with people, you can't kick people around, whether it be Nasser or Joe Blow.

MR. BROWN: Yes, but we would be foolish not to take it into account that we might lose it, as much as we might want or fight to keep it.

MR. MAJEWSKI: You are a pretty brilliant fellow but I don't know how you can supply Western Europe without the Suez Canal -- Nasser or no Nasser, and I think I should say that I don't think the guy is such a chump, either.

MR. BLAUSTEIN: I hope that notion doesn't get over to Nasser.

MR. MAJEWSKI: Don't you think he knows that?

MR. BLAUSTEIN: I don't think it is a fact.

MR. HALLANAN: Well gentlemen, may we have Mr. Stewart pursue his discussion, and then we will open it up for further discussion?

MR. MAJEWSKI: I thought you wanted questions.

MR. HALLANAN: Well, we were getting a little beyond the stage of questions.

MR. MAJEWSKI: I was going to debate that point, too.

MR. STEWART: I will shift now to another phase.

That is, this matter of request to the Council for reports. We have had this long lapse since the January meeting, and in this past three months we in the office of oil and gas have been concentrating on this current emergency, and we have been picking up what information we could get, and get quick, to meet our present needs. We have been giving very limited thought to long-range problems.

But we do have a long-range problem. In the year 1954 the increase in crude oil reserves over the previous year, and counting the production during the year, was very modest. The increase shown on its January 1, '55, on January 1, '56 was still lower. We have been watching the discoveries during this year, and it doesn't appear to me that the discovery rate for the year '56 will be very much different from the discovery year or rate in the year '55 or '54.

Now our producing rate is rising, and it will continue to rise, and what it will prove to be for this year is still open to some question. But I think it will be or will crowd seven million two, and for next year it will

undoubtedly, under normal conditions, be seven million five or six, and that is without encroaching on Mr. Russell Brown's little jurisdiction on imports. I am talking about what we will undoubtedly do domestically.

Along with the rise in producing rate, we have had pretty much of a leveling in our accrual of new reserves, and whether that is temporary or whether it will go on, whether we are reaching our peak of oil finding or whether this is one of those temporary lulls pending the discovery of some new very prolific areas, I don't know, and I am not undertaking to predict.

But from our position here, where we have got to look down the road petroleum-wise more than this month or next year, it does give me cause for concern.

There is another element in this. We built up statistically an estimate of our overall oil activity, and we measure that against some months' production and we have a certain reserve or excess capacity.

Now in the past two or two and a half years we have had a tremendous application of that new technological practice of formation fracturing by the use of liquid, oil or water or mud or what. It would appear that that technological practice has been very effective in bringing into production fields or pools which may have been known but were under question or un-commercial, or new finds that in

the old practices it would not have been commercial but now they are.

If this formation fracturing runs somewhat analagous to the results of shooting in the old hard sands and limes, or the results of acidizing in limestone, the productivity of individual wells may decline with great rapidity and reach some stable stripper stage and reach it at an earlier period in the well's life. It may be that additional formation fracturing or something will tend to prolong it, prolong the producing rate, and it may not. But how much of our parent productivity, as of now, is dependent on the initial assumptions made with respect to these tremendous number of wells that have been drilled using the formation fracturing, I don't know, and it gives me some cause to wonder whether our statistical figure -- call it two million and a quarter if you wish -- whether that is sound, and how long can we count on it. Three months?

At the present time we are assuming we can go three or four months without any question. But could we go six months, or could we go a year?

And if we were able to drill no additional wells how long could we count positively on having how much oil?

Now along with all of this is the fact that each year the number of wells drilled in this country has risen. Some three or four thousand wells. If we can follow the

curves produced from the oil and gas journal's figures it would look like we are scheduled now to drill somewhere in the neighborhood of sixty thousand wells this year.

Well, sixty thousand wells is a lot of well. It is a lot of footage and it is a lot of steel put in the ground. If that is not productive of substantial rule, and if our accruals are to some large degree tied up in these formation fracturing fields, where do we stand looking down the road?

Now I am going to try to frame a question, a request to the Council, for a report, and have that prepared and presentable at the next meeting of the Council, and in presenting it I want to make it just as broad a question as I can and one that the Council can consider and give us some advice, some ideas, some thinking, as to how it will look down the road.

The Council can't make projections in some ways. In others they are perfectly free. But to the extent they can I think that the time has come when we have got to call on the best intelligence in the industry to give us the best appraisal of where we stand, with respect to our petroleum reserves and our near-future petroleum situation, the five-year situation plan.

I don't know whether it would be desirable to project it still farther. There are too many assumptions

that will have to be made.

Now on that one-third practical matter, and I believe we have taken advantage today of what I consider to be a captive audience -- that is what I understand the politicians have been doing -- and I am talking far more than I have ever talked before this Council, and a lot more than I have any desire to. But over the several months we have built up a lot of things that normally would have been taken up with the Council in much smaller doses.

The Department of Interior has now completed the procedures for the recruitment under the present laws of an executive reserve. With that done, we are in the position to now undertake to recruit that executive reserve. I was rather cool to the whole idea as having any real practical value to the oil and gas mobilization problems, because we have demonstrated, and we do have a National Petroleum Council, we have a Military Advisory Board, we have our Gas Industry Advisory Council, and through these various groups we do have what amounts to either first-range executive reserve or we have got the men who can provide that reserve and do it very abruptly.

Bruce Brown went through that back in the Fall of 1950, and oil and gas was organized and working effectively, because I was in a position to watch it, months before any other industry groups were really

organized. That could be done again.

But when we went through this operation exercise alert in 1956, that war-game affair in the last of July, it became very apparent to those who were participating that while we had a top structure, a top organization, and a skeleton representing it, that it looked good, and it showed that it would function very satisfactorily. We had a head; we had no body, and we had no feet, and that element -- the having no feet -- is the problem that Dr. Wilson in his emergency committee has been hammering on for two years.

We think now that we have a way in which we can provide both the body and the feet for the emergency organization itself.

For the grass roots we believe that we can work with and through civil defense to make sure that the immediate supply problems in the local areas, particularly in the disaster areas, in the event of a bombing, will be met from local resources, by the men in those local areas who know what is there and know how to handle the problem, and those men will, under the present thinking, be the committees set up by civil defense, but those committees will be the individuals whom we will have built into our executive reserve, to the extent the individuals are willing to so join, and that the normal work that they will do in their civil defense



training will be adequate training for any future in the executive reserve.

Now we have got to have -- if you call that defeat, that is defeat so far as the civilian problem is concerned -- we have got to have the body, we have got to have the original organizations, and of course we have got to have the top organizations. I don't think any of us are foolish enough to assume that a Hugh Stewart, who happens to be Director of Oil and Gas at that time -- or Joe Smith, if he happens to succeed me -- will be exempt from obliteration in a bomb-drop that happens to hit Washington. We can't count on individuals, and we can't count on a central nucleus here. We have got to count on an overall, trained, executive reserve, and that reserve spread through the country and it includes men from various segments of the industry, from all areas of the country, and men of a wide range of capacities.

Now I am telling you this because just as soon as we can get a breathing spell from trying to figure out the Suez situation, we are going to launch into an aggressive, recruiting campaign, for the executive reserve. I think if any of you have any thoughts on the matter, not to fill in at this meeting today, but if you have any thoughts, ideas or suggestions, I will certainly be glad to get them by letter, say, so that as we do get our campaign going we

can make it as realistic as possible and make it as little of an imposition on the men in industry as we know how to do it.

Now Walter, I think I have said everything I have had any occasion to, and maybe some more.

MR. HALLANAN: Well, now, do you wish to answer any questions?

MR. STEWART: I will answer any questions I possibly can.

MR. HALLANAN: Now Mr. Majewski, do you have any more questions?

MR. BLAUSTEIN: I yield to the chairman.

MR. BROWN: Mr. Brown, how about yielding a little to me.

MR. HALLANAN: Very well. We all recognize you, I am sure.

MR. LAWTON: It has been a pleasure to be a member of the Council. I am Russell Brown's assistant, Mr. Stewart, I am one of the independent operators.

MR. STEWART: I think I have heard of you.

MR. LAWTON: On the bottom of IPA's statement it says that there is no security. I think that is what you said this morning.

Now I am a little bit alarmed -- not particularly that we can't do the job, because we can and we always have

here in this country -- but I was reading Fortune the other night in the bathtub. It said in there we are out of order. It just flatly stated that we have got to go over here and take care of the Suez, and we've got to do this and that.

I go down to Dallas and I get on an aeroplane and I pick up Newsweek. We are going to have gas ration. It says that -- question mark. Now that is propoganda.

The international dollar has got no conscience. It is a lot of dust, and there is a certain amount of oil to produce here in the United States; that amount is down, or cost is up. We Independents have got to have some money to give to people to find the oil.

I know very well that it takes a few more wells and a few more feet of hole and a few more wildcats to get this thing going. Hell, everybody knows this.

But now somebody is off-base, and maybe some of the top gentlemen of the industry -- and I don't mean anything personal in this -- but you may be associating too closely with that international dollar, you had better get away from it and think of your country a little bit.

Now what it does to us I don't care. But these gentlemen here, the Army and the Navy, have got it here in the United States. There is no security in foreign oil.

Now Stewart did a good job of reporting but is off-base on the last part of his report. If we are given

the money, the money will come from our ability to sell our part of the oil, in the only good market in the United States, and the independent industries will furnish you majors the oil.

MR. WILSON: Mr. Chairman, I must confess with regard to this executive reserve, I am a little cool to this as compared with the alternative that we set up more than two years ago.

Now our emergency organization of committees in different parts of the country is fully capable of handling the problem on a decent, rationalized basis, there is your executive reserve. Why don't we get it and get out of the clutches of the civil defense?

You realize today, if bombs drop tomorrow, each State's civil director would run around to the refineries and tell us what to do. Now that is a hell of a way to run the oil industry.

MR. STEWART: That is one of the reasons it has taken us so long to get down to where we felt we had a clear-cut plan that we felt we could put through.

MR. WILSON: That is our executive reserve. If you set that up, you've got it.

MR. STEWART: It is not as easy under law to set it up that way as we would like to have it.

MR. WILSON: The government is just asleep on

its feet in doing the job that needs to be done.

MR. STEWART: Well, to avoid the contingency that you are talking about, we have an excellent working arrangement and a plan which we hope to have -- an agreement which we hope to have concluded between us and civil defense.

We have the cooperation of the State Civil Defense agencies that they will turn the oil problem over to us, regardless of what it is, and they are eagerly and thoroughly aware of the fact -- at present at least -- that they could not touch the refineries, the main storage.

MR. WILSON: Under the law that is what they are supposed to do.

MR. STEWART: Under the law they are authorized to, but they know they can't do it, it is beyond their capability, and they are thoroughly glad to have us move in and set up some framework which will be closely coordinated with their operations and has to be on the local level, but one that will work. I think we have got the answer to our problem.

MR. FENTRESS: Dr. Wilson, I would like to ask the privilege of adding a couple of comments on that point, and that is this: during May and June of this year we spent two members of our staff out to five of the seven regional offices of the Civil Defense -- the United States is divided into seven regions -- and the regional offices are

still what amounts to a federal agency. They also visited the majority of the States in each of those five regions. We gathered from that survey, which was a brief one, admittedly, that the States have awakened to the fact that you can't capture all the facilities within a State -- you can't capture them and operate them solely for the benefit of that State.

Every State is a have-not State for something, and most of them are a have-not State so far as oil is concerned. We were very pleased that they are beginning to recognize that.

Two years ago we first started worrying about this. The other philosophy was predominant, Dr. Wilson, then. As a result of that we have prepared -- and it is now in the Secretary's office -- a proposal which we hope the Federal Civil Defense will send out to the regions and to every State to every State, to the effect that we, or our successors, rather, the wartime petroleum and gas agency, will have sole responsibility for all petroleum operations up to what amounts to retail distribution; that the Civil Defense in the disaster areas obviously will take the part of what amounts to the rationing agency during the time of the emergency, the initial period of the emergency, and will distribute at the retail level.

But as I say, that we would have the sole

responsibility up to and distribution to that point. On gas, that will or would be up to the city gates, that they would be responsible within the city gates. If, as we hope, Dr. Wilson, our next shot on this problem is to get that out to the States and then go back again -- and it does take periodically going back to the States to keep that idea sold and keep that philosophy impeded in the hearts and minds of the people in the States and locals.

MR. WILSON: Are you going to set up a decentralized emergency thing, such as they recommended?

MR. FENTRESS: That executive reserve which Mr. Stewart mentioned, as I understand it now -- and you can correct me if you wish -- our plan included setting up on the reserve list people who would be the oil agency in time of war at the local level, and who would move in, and it includes some people who probably wear two hats -- Civil Defense and an Oil Agency hat.

MR. STEWART: Then above that, a regional, and above that, a top agency, the national agency.

MR. FENTRESS: What it amounts to is we are substituting the words "executive reserve" for "committees" because of the legal situation. It would be the same people doing the same job.

MR. MAJEWski: What I am getting out of this is that Bob Wilson is improving in adjectives with emphasis when

he says " a helluva way" -- that is what it sounds like.

MR. RUSSELL BROWN: Let's get back to producing capacity. I want to compliment him on his final study with coming up with what I think is a more realistic figure of two and a quarter million.

The point I am making is that he is uncertain and he is hesitant and he is not very happy with the conclusion.

This Council has a committee and has maintained it for studying productive capacity. They have made a good report. That ought to give him confidence if he lacks that.

Why doesn't the Council go back again with this fine committee and bring it up to date so he will have the assurance he needs to have in the position he has?

MR. HALLANAN: You are referring to the McCollum committee?

MR. RUSSELL BROWN: Yes, one of our best committees.

MR. HALLANAN: Yes.

MR. RUSSELL BROWN: And then in addition to this, this question of moving to the market, there is a question of mis-use. If we don't have any need to move to market, the transportation system falls into mis-use. If you find it after you get able to use it, your transportation system will be kept up-to-date. So I think another study on that



may give you more assurance.

MR. HALLANAN: Thank you.

Gentlemen, we have with us this morning two distinguished representatives of the Defense Department.

I know you will be interested in hearing their situation from the standpoint of military petroleum requirements.

I would like at this time to present Major General L. E. Cotulla.

MR. COTULLA: Mr. Chairman, and gentlemen of the council:

I think the interest of the Defense Department in the work that has been carried on under the sponsorship of the Office of Oil and Gas in the past few months is quite obvious.

Needless to say, we in the Defense Department have been following it very closely and have been participating in those studies to the extent that we could contribute anything to those studies.

I think historically it has been the practice of the office that I represent -- Petroleum Logistics, and my predecessors in that office -- to come before you at your meetings and give you a brief run-down of the military requirements.

You have got a long schedule ahead of you this

morning, and I have a plane to catch with not too many minutes so far to spare, so I am not going to give you very much in the way of military requirements.

Perhaps Admiral Lattu will touch upon them in his remarks to you. Suffice it to say the military requirements for the current fiscal year are up slightly. We, as you know, habitually take somewhere better or between in the neighborhood of five per cent. That is the military requirements represent about five per cent of the country's off take. That isn't across-the-board by any manner of means because we use a large percentage of some products and a smaller percentage of others.

I believe the last estimate for this current year is something of the order of a quarter of a billion barrels. Up slightly from last year, the increase being for the most part in the jet fuels. I think you can anticipate that your jet fuel requirement will continue to increase. I don't think there will be any significant change in the aviation gasoline requirements, although they may too go up to a certain extent.

Gentlemen, it has been something over six years since I last came before the National Petroleum Council. I return, as Mr. Stewart referred to, I returned from Europe a little over six months ago, and have since that time been in the Office of the Director of Petroleum Logistics of the

Defense Department, taking over from a gentleman whom I am sure you all remember quite well -- Chick White. Let me say this, that I am very happy to again be identified with the petroleum industry and to have the opportunity to come before you at your meetings.

I look forward to the opportunity to say something to you the next time you meet.

Thank you very much.

(Applause.)

MR. HALLANAN: Thank you, Major General, and we are hoping to have you back with us.

I would also like to introduce at this time, as a representative of the Military Petroleum Procurement Division, Rear Admiral Lattu, Executive Director, Military Petroleum Supply Agency.

Mr. Lattu.

MR. LATTU: Thank you.

Mr. Chairman, and gentlemen:

It is a pleasure for me to be here today.

Now there have been a lot of questions asked the last two or three months. People have asked me: "What is this Single Manager for Petroleum?" And "When is your organization taking over from the Armed Services Purchasing Agency?" And "Where is your office going to be located?"

Also, they have asked: "Who is this old Admiral who is getting mixed up in petroleum?"

Well, nature has been pretty good to me. I don't feel old too often.

Now to save you a lot of time I am going to pass out two pamphlets. The first one will give you Secretary of Defense Wilson's directive setting up Single Manager Plan for various commodities.

The second paper in this pamphlet is my child, dated July 24, which gives you a picture of my new responsibility. You will note in there that the Secretary of the Navy, the Honorable Thomas, is a Single Manager. I am his Executive Director. He has delegated these responsibilities of the Single Manager down to the Chief of the Bureau of Supplies and Accounts, who in turn has delegated it to me.

In essence the Single Manager Plan is very similar to military transportation system, and military air transportation system, as well as sea transportation system.

There are considerable responsibilities given to the old, such as standardization, cataloging, and various other coordination functions. We estimate that our procedures and organizations will be approved, let's say, within a month. They have to be approved by the Army, Navy, Air Force, and Department of Defense. If things go well,

sometime early in November the military petroleum supply agency will take over all the personnel, military and civilian in the present organization.

ASPPA will be dis-established on that date. I don't anticipate any major changes in the relationships between the departments or with industry. The present director over there, will be my executive officer. Some of the officers shall I say who I have already picket out are over there working, so it will be a very smooth transfer of functions to the new organization.

We will stay in the same location that we are today: that is, in the Yards and Docks Building.

Now General Cotulla mentioned some of the requirements. You will also receive this copy of the report, which is their annual report, put out by the organization. You read this on your way home, pass it around to your company, it will give you the trend of procurements and requirements.

You will note that there are over a billion dollars of purchases, and we estimate there will be about a billion one hundred next year. Our requirements in jet have definitely gone up approximately three per cent. In barrels from 223-billion to 250-billion -- pardon me, 240-billion. The rest of the products are relatively stationary.

I have heard nothing but outstanding remarks in

regards to the splendid cooperation given by industry to the present organization, to the military department. I assume that the same cooperation will be given to me, therefore I anticipate no problems in the future.

From this conference I also assume that you gentlemen are not bashful. Therefore, don't help yourself to hesitate to tell me if any problems may crop up. I want to know about them, and the best place to put those problems is right to me, because I believe in looking into problems and solving them, taking action.

My motto of the past has been "Service to the Fleet." All I have to do to that now is to add, "Service to the Air Force and to the Army."

As you know, my job is to keep the oil and other petroleum products flowing to meet the three services' requirements so that the planes, the tanks and the ships are ready when they are called on.

Thank you.

(Applause.)

MR. HALLINAN: Are there any questions, gentlemen, which you would like to address to Admiral Lattu? Any questions at all?

Thank you very much for this very fine brochure, Admiral, I am sure we will find it very interesting.

We now pass, gentlemen, to the report of Special

Committees.

The first committee today is the Committee on Oil and Gas Industries Manpower - Mr. W. W. Vandever, Chairman.

In the absence of Mr. Vandever, who was unable to come today, the report will be presented by Mr. George Dempster.

Mr. Dempster, will you come forward, please?

Mr. Dempster, gentlemen, is Chairman of the sub-committee that did a great deal of work in the preparation of this report.

(Applause.)

MR. DEMPSTER: Mr. Chairman, and members of the Council:

Mr. Vandever asked me to stand in for him in his absence, to really help in any discussion. The report has already been submitted to the Council in June, and I would suggest that, to the Council, that perhaps the reading of it be waived and go directly to any points of discussion.

If that is agreeable, Mr. Chairman?

MR. HALLANAN: Yes, sir.

MR. DEMPSTER: Then I would like to just repeat that the report has been prepared along the lines that Mr. Vandever reported in October, to the Council, and that is we have avoided a questionnaire except for a small one to

the national natural gas industry. We have promoted the use of, second, largely by-products from government.

This means that right today this can be brought up very quickly today, with perhaps no more than a six months' lag in data.

The actual numbers I think do not need repeating here, other than to point out that they are an attempt to put down employment of people who are in operations and maintenance, the people who carry on the business today, and not those who are engaged by the industry on the basis of contracts or for construction.

As you know, our industry uses contract services to a considerable extent. Those services do other jobs. They build buildings and pave streets and do all kinds of construction. To the extent that our employment is larger, you must bear in mind that that factor is missing.

API very kindly helped the committee in its study by including in a questionnaire on research expenditures, a question about manpower in this field, and we have the results of that report, to repeat, seven people out of every hundred in our industry has a scientific or engineering background. So to the extent that any shortage exists in any one of those kinds of skills, we stand to suffer proportionately.



Because construction manpower could not be determined on an accurate basis, it would have been more of a shock basis if we had attempted to do it, a procedure was set up for the military petroleum advisory board to get five as they need them.

I should like to mention that such agencies and associations as the Pipeline Constructors, Contractors' Association, and the National Constructors' Association, and the Drilling Associations have all indicated to meetings of this executive committee that whenever the question or problem is ready they will help out.

Included in the report is a list of critical occupations, together with descriptive material as to how our industry operates, what the components are, its objectives, how it works together. We hope that government can use this as a means of telling every facet that there are components that are essential, there are people who are needed, and money and materials is not the only thing that does the job.

There is one recommendation from the committee to you, and that is that if the government is interested in continuing studies of this kind -- and if the industry itself is interested in having an inventory from time to time of its employment -- then it is possible to continue to do this with a minimum of burden, no questionnaires, if we all

sort of see that the people who do the reporting -- which is required, it is statutory -- sort of take a little time and analyze that the division of manpower is allocated to those branches of the industry that were interested in knowing about it.

Again, such associations as the API or Natural Gas Association, various kinds of associations, they issue annual reports from time to time about barrels of things that they do, and I think they might just add a few things about the people who do it in the way of numbers and maybe the quality of skills needed.

Mr. Vandever I know would say that the results have been discussed with government informally, and gentlemen I now just submit this for our discussion or approval.

Thank you.

MR. HALLANAN: Thank you, Mr. Dempster.

Gentlemen, you have received copies of this report which is now before you. The question is upon the adoption of the report of this committee on manpower.

Are you ready for the question?

MR. RUSSELL BROWN: Yes. I move its adoption.

MR. HALLANAN: Mr. Brown moves the adoption of the report. Is there a second?

MR. MAJEWSKI: Second.

MR. HALLANAN: The report is unanimously adopted, with thanks of the committee, Mr. Dempster.

(Report adopted.)

(Applause.)

MR. STEWART: Mr. Chairman, right here, I would like to make the comment that this thorough-going report, which has been presented today, is going to be of a great deal of value to us in all of our work with other government agencies and in our supplying of sound manpower requirements to the Office of Defense Mobilization, so that our critical manpower will be appropriate, or our critical need for manpower will be appropriately recognized in an emergency.

MR. HALLANAN: Yes.

Dr. Wilson, may we have now the report on Oil and Gas Emergency Defense Organization?

MR. ROBERT W. WILSON: The committee on oil and gas emergency defense organization, which made its report two years ago to which I have already referred to it an inquiry coming from the Oil and Gas Division regarding the emergency use of certain things in wartime of the communication facilities of the petroleum and gas industries.

The Oil and Gas communications facilities undoubtedly would be of some supplemental value in the full network of communication, in the event of emergency, which

might ordinarily destroy our facilities. But to have them grabbed by FCC and other government agencies, and put into something else, is going to interrupt something far more important.

In other words the most important and the only quick use that can be made of these facilities is to keep the oil pipelines running and the oil drilling running and all the other things that depend on these.

However, by advance planning and careful coordination we can undoubtedly make some of those facilities available for other purposes. Your committee used the usual expedient of getting a subcommittee which knew a lot more about it than the main committee, and while the main committee has not actually had a meeting to review this, I have circulated a memorandum to the main committee to see if there is any criticism.

I want to introduce Mr. Collett who is of the Atlantic Refining, who has been Chairman of the Committee, and Mr. Keller as Secretary, I think they have drawn up a nice report, and in view of the fact that many of us are not familiar with many of these facts I have asked him to give a substantial summary of the report, reading certain important parts of it, if you will, Mr. Collett.

MR. COLLETT: Thank you, Dr. Wilson.

The first meeting of our subcommittee was held

in Washington on June 5th, 1956.

At that point there was a general idea generated as to the direction out here that our study should take, and as a result a preliminary draft based on that outline was prepared and there was a subsequent meeting in Kansas City on August 2nd where a final draft was prepared and submitted to our committee later for their review and re-

I shall read from the report of full approval. is not long and I believe it can best be explained because it in itself it to you: the substance of

"It is the considered view of your subcommittee, composed of communication experts trained in providing the essential in wire and radio facilities, to petroleum natural gas industries, that there would be way, the industry's private and means of utilizing communications facilities to fulfill some of the emergency communication requirements of the Department of Interior as requested.

"While your subcommittee deems such an arrangement feasible and even desirable in some instances, in facilitating the common defense effort, it should be noted that such a program would require much advance planning and could only

be done at a considerable expenditure of time and money. Although the basic facilities required for such an adaptation already exist in many parts of the country, much planning and some construction would be necessary in other sections. In general, however, the basic facilities exist in areas where the potential need would be greatest.

"The implementation of such a program must be done in such a manner that it would not interfere with the essential day to day operations of these facilities by the petroleum and natural gas industries, since the needs for such communications facilities would increase materially in any national emergency. The proposed plan should also include the leased wire circuits now used by these industries but which are not now included in any effective priority schedule for use under emergency conditions.

"It is not feasible, or desirable, at this time to outline a detailed plan of operation. Your Subcommittee does recommend, however, the appointment of a National Petroleum Emergency Communications Director in the new petroleum war

agency, if one is created, who will have full responsibility in making certain that there will be no interference to essential petroleum radio or wire facilities, that they are not closed down or taken over by any other government agency and who would also have the responsibility of then integrating the government's needs in this area with the industry's use of its own private facilities."

The idea here is to have an organization paralleling the defense organization proposed by Dr. Wilson, but working within the framework of that organization, for communication purposes.

"There should also be appointed, in whatever regional organizations be created, a similar Regional Petroleum Emergency Communications Director with responsibility for carrying out the same functions at the regional and state levels, since he will be more intimately acquainted with the local needs. The national and regional Directors would then have close liaison with an Emergency Petroleum Communications Committee to be selected from existing groups in the petroleum and natural gas industries such as the Central Committee on Radio Facilities of the

American Petroleum Institute, the Communications Committee of the American Gas Association, the National Petroleum Radio Frequency Coordination Association and the Petroleum Industry Electrical Association."

MR. HALLANAN: May I interrupt you just a moment? There seems to be an important call for Mr. William Allen of the Maritime Commission.

Pardon me.

MR. COLLETT (continuing): "If this were put into effect, it would be of maximum usefulness to the Office of Oil and Gas and would minimize possible after effects of attack damage to commercial common carrier communications, since those remaining would be overloaded with high priority messages with the result that many important petroleum and gas messages would be delayed or not sent. Thus, such an emergency communications plan would be desirable to both the government and the industries in coordinating their common efforts in this important area of national defense.

"The development and activation of any plans for emergency petroleum communications should await the future plans of emergency of the National Petroleum Council's Committee on



Oil and Gas Emergency Defense Organization.

The planning for emergency communications would then be coordinated and integrated with that Committee's overall emergency defense planning. This would assure maximum cooperation and efficiency."

While there have been a number of studies made within this Council to show the role played by Communications in our day to day operations, it is my feeling that there is a very definite lack of complete information on the role communications plays in our operations today, and would be played to a greater extent in an emergency situation.

To give you an idea, back after the war our communications consisted primarily of wire. Since then we have expanded greatly in radio.

At the end of the war there was upwards of two thousand radio transmitters. Today there is over forty-one thousand transmitters. At the end of the war the communications consisted primarily of wire; today they consist along the pipelines of many thousands of miles of microwave. Interrupt those facilities and you have interrupted your petroleum activities. Let them be taken over by any organization or preempted in any way or closed down by regulation and you have seriously interrupted your facilities.

"From this brief outline, it is apparent

that the petroleum industry's use of wire and radio private communications systems is very great. The petroleum industry, and in turn, the national security and defense would be disastrously affected if the industry's use of wire and radio channels were impaired in any way. The essentiality of the petroleum industry's use of radio was recognized and confirmed by the National Communications Conference held in Washington by the Federal Civil Defense Administration. At that time it was clearly established that present petroleum industry radio communications facilities were not to be disturbed in any way and that they would be permitted to continue to operate under industry control even in a national emergency.

"It is timely that this matter is now being studied by the Council, since elaborate plans to control emergency communications are now being formulated by the Federal government, based upon the results of the 1856 Operation Alert exercise, made public on July 26, 1956, at the close of the week's test of the national's telecommunications facilities as a part of the broad study in which it was assumed that 76 key target areas had

suffered atomic destruction. It was reported that all types of communications were under constant surveillance by a team of industry and government officials gathered at the relocation site of the Office of Defense Mobilization.

"Within twenty-four hours after this exercise began, the Defense Mobilizer named a War Communications Administrator and re delegated to him the communications powers of the President under the Communications Act of 1934, as amended. This war communication's administrator then assumed his full responsibilities as Chief War Communications officer, including the assigning of radio frequencies to government radio stations, directing restoration of wire and radio communications, suspending or amending the rules of the Federal Communications Commission, as necessary, closing or seizing radio or wire communications facilities and authorizing their use or control by any Federal Agency in order to assist the uninterrupted flow of essential communications.

"Actually, the Office of Oil and Gas of the Department of the Interior, in asking this special study of the communications facilities of the petroleum and natural gas industries, has antici-

pated by many months the critical problems created in providing these communications in the event of another emergency.

"Your Subcommittee wishes to emphasize that, while it is not making any recommendation for immediate action at this time, this matter is of grave importance and should be given continuing study and review, so that these essential radio and wire communications facilities will be permitted to make their maximum contribution to victory in another war. The measure of performance by the petroleum industry in the next war may well determine the success of our Nation in such a struggle, just as it did in the two great world wars in this century.

"It should also be pointed out that the degree of performance in petroleum communications may determine in a critical measure, in turn, this industry's contribution to ultimate victory.

"This Subcommittee stands ready to be of any assistance to you at any time and we shall be happy to follow out any further directions you may wish to issue to us as your overall emergency defense planning progresses."

MR. WILSON: I would like to move its adoption.

MR. MAJEWSKI: Second.

MR. HALLANAN: All in favor indicate by saying aye; contrary no.

The report is unanimately adopted.

(Report adopted.)

MR. WILSON: Mr. Chairman, there is another matter about which I wrote to you and I believe Mr. Stewart.

There is a committee, an inter-agency committee to classify industries according to their essentiality to a war effort. That essentiality is important for two things: first, whether you can get priorities; and second, so that you can get deferments for men in reserve.

We are not classified as an essential industry. How they reason that is beyond me, in view of the absolutely vital importance in event of war of the petroleum industry.

The only answer I have been able to get from the Secretary of Commerce's office is that the military have reported they had no trouble in getting supplies from us, and therefore we are not essential.

I would like to have any comments.

MR. HALLANAN: Mr. Stewart, I think we have had enough discussion. Will you comment on that?

MR. STEWART: Mr. Fentress has a comment that I think will explain it.

MR. HALLANAN: I think it is worthy of comment.

MR. FENTRESS: I am very happy that Dr. Wilson has raised this question. The question really boils down into two parts. First, I would like to speak briefly on the current lists, and there are two. First, one of essential activities, and the other of essential occupations.

The present two lists surely were released March second, 1955. The purpose of the lists are to assist in the distribution of manpower between the Armed Forces and that required by industry for defense production and for the civilian economy.

The lists are used by the Department of Defense in making determinations for requests for delay on the part of reservists, reserve officers and enlisted reserves, who have been called to duty, and are also used by the local draft boards of the Selective Services System for the purpose of making occupational deferment.

The lists which were issued in March, 1955, were a drastic revision of the list which were in existence throughout the Korean conflict, and with the result of recommendations of inter-agency advisory committee on essential activities in critical occupations who report to the Secretaries of Commerce and the Secretary of Labor.

Now to explain why the petroleum industry is not on the list today. The following criteria were used to determine the eligibility of activities to be included on

the current list of essential activities. To qualify the activity had to be one in which, first, it was necessary to the defense program or to the basic health, safety or interest.

Obviously petroleum qualified for that. But it had a second criteria that it had to meet: in addition the activity had to be inadequate to meet defense and civilian requirements because of manpower shortages and for which the future manpower supply is not reasonably assured.

Under these criteria only ten activities in the United States are shown on the current list, and practically all instances they include only industries that produce, does it need to be said, specialized items for the military.

For example, there is one called "Ship and Boat Engineering," but it is limited to the engineering and design of ships and boats and their components for military purposes -- and no other purpose.

There is another on production and maintenance of aircrafts and parts, and it is limited to the production of maintenance and so forth and component parts. The list in existence today, and in use today, is essentially limited to the production of specialized military end items, with a couple of exceptions.

One of the exceptions is very important to this industry, and I am sure you manpower people are familiar with

it. On the list is an item called "Research and Development Services," and the definition under that includes basic and applied research, exploration and development projects, including processed development of direct concern to the national health, safety or interest.

It is our opinion that the technical personnel -- not all, but the majority of the personnel -- of the petroleum industry fall within that category.

MR. WILSON: Even though it is not an essential industry -- quote?

MR. FENTRESS: Yes sir, that is our understanding.

At the time this list was revised the question was raised with our office, under the criteria given us, our conclusion was that the petroleum, just as steel, copper, aluminum, and hundreds of other industries did not qualify under the criteria.

I would also like to point out that the lists are in no way binding on either the draft boards or the Department of Defense but are sent as guides to them.

Now there is one point where the shoe is beginning to rub in connection with these lists, and it is not only in connection with this industry but to a number of industries. The military have instituted the six months' service program, and it is my understanding that these lists are used in connection with determining eligibility for that



program as compared to the two-year program. Therefore, government is beginning to receive from industries which are considered essential in wartime, increasing pressure to add them to the list so that they, in turn, can use this to assist them in recruitment. That is a problem.

Now I would like to, still staying on the current list, go back to the criteria which you used for the second list; that is the essential occupations list, where they determine it whether you are a chemist, or what have you. They are as follows:

"(1) Under the foreseeable mobilization program an over-all shortage of workers in the occupation exists or is developing which will significantly interfere with effective functioning of industries and activities.

"(2) A minimum accelerated training time of two years (or the equivalent in work experience) is necessary to the satisfactory performance of all the major tasks found in the occupation.

"(3) The occupation is indispensable to the functioning of the industries or activities in which it occurs."

On the following lists are following occupations which may be of interest to you: Chemists, professional engineers of all kinds, foremen, geologists, geophysicists,

Jig-and Template Makers, Instrument repairmen, Mathematicians, Microbiologists, patternmakers, Physicists, tool and die designers and tool and die makers, amongst others.

There must be only thirty occupations only on the current list.

Now I would like to move into the second part of this story, and this is the part that has not been released to the public generally: in addition to the current list there are in existence two standby lists, whose sole purpose are to be standards to be used should an emergency occur tomorrow.

On the standby list there is the following listing: Petroleum, Natural Gas, Coal, and Petroleum and Coal Products -- Petroleum exploration and drilling; production of petroleum, natural gas, natural gasoline, and liquefied petroleum gas; petroleum refining; production and processing of coal and coke.

I would like to say this, that since Dr. Wilson has raised the question, I concur wholeheartedly that the definition as it stands on the standby list, is not complete, as it should be.

For example, petroleum pipeline transportation is not included. It should be included. However, I would like to also say this, that that is exactly the same wording that was used during the Korean Conflict on the list and it

was incomplete at that time. But I concur, Doctor Wilson, that it should be corrected.

I would like to call your attention to another document, just as there is a standby list for essential activities, there is a standby list for essential occupations. A clue to that standby list of essential occupations can be found in a document issued January 1956, by United States Department of Labor, called: "List of Critical Occupations for Screening the Ready Reserve."

There is a remarkable resemblance between the two lists. I need say no more, on the standby list, and occupations.

Also, I would like to say briefly that the manpower shortage report which the Council approved today, if you will notice in the back end of that, there is a list of what amounts to essential occupations in the petroleum industry with comments on training periods and definitions of the occupations which will be extremely useful to us in our current review of the standby list of essential occupations.

Now Dr. Wilson's letter raising this question could not have been more timely. About the same time, Dr. Wilson, we received through the Department's representative on this inter-agency committee, a request to review the two standby lists -- not the current ones -- the two standby lists, and that is currently in our office and we will review

both the definitions for the petroleum activity and the occupations.

Now the documents that the Council issued today will be invaluable from the occupational lists.

If there are any questions I will be glad to try to answer them for you.

MR. HALLANAN: Any questions, gentlemen, in that connection?

MR. WILSON: I am particularly happy to know about the standby list. I couldn't get any information on that. The best information I could get is that you would have to bring up the case before the Agency and wait to find out whether or not you are essential. I still think it is a poor name for a group of industries. If we are not an essential industry, I don't know who is.

MR. HALLANAN: This clarifies it.

MR. FENTRESS: I agree with you wholeheartedly and there is no question but what oil is essential to industry.

MR. HALLANAN: Thank you very much, Mr. Fentress.

Now from the committee on Underground Storage, a special committee of which Mr. Burns is Chairman, Mr. Burns is unable to be here today because of illness but has transmitted an interim report to Mr. Brown, which I would like to have submitted, with a letter. I think you might read the

letter, Mr. Brown.

MR. BROWN: Mr. Burns addressed his letter to me here, saying:

"Dear Jim:

"I have just got out of bed from a bad attack of some flu bug, and since my doctor will not allow me to travel until next week I am afraid that I will not be able to attend the N.P.C. meeting on Friday, September 28. Please present my apologies to Chairman Hallinan.

"The work on Underground Storage has been slowed up a good deal by the transfer of Ben Hake, Chairman of the Technical Subcommittee, to Bolivia so we are nowhere ready yet with the final report; however, I enclose a short interim report which I would be grateful if you would present to the meeting just to let them know the subject has not been forgotten."

Now I will read the Interim Report. It is addressed to:

"Chairman, National Petroleum Council.

"When your Committee on Underground Storage issued its last report on April 22, 1952, it noted that through the normal operation of individual initiative there would probably be so much

development of underground storage in the immediate future that a subsequent study would be mainly a record of achievement by the industry rather than a survey of possibilities and feasibility. Such has indeed proved to be the case, because the current study by our Technical Subcommittee shows that underground storage for liquid petroleum products now totals over 25,000,000 barrels versus some 7,000,000 in 1952. The trade journals also contain almost daily accounts of progress in underground storage.

"The Subcommittee is finding that, as might be expected, the expansion is principally to handle LPG, and such new storage has been constructed largely by washing out cavities in salt structures. There has, however, been a significant increase in storage of LPG in mined cavities. This more expensive storage is the result of industry's incentive to store transportation, as well as product, in areas close to the market but where salt structures are not available. As to the storage of less volatile hydrocarbons, the only project of significance (in industry and exclusive of government) is the storage of heating oil in a quarry at Wind Gap, Pennsylvania.

"Besides collecting data on type, location, and capacity of underground storage, our Subcommittee, by means of a questionnaire, is also compiling industry's experience on the following technical aspects of underground storage:

Selection and Design; Construction; Contamination, Deterioration and Alteration; Operation and Maintenance.

"The Subcommittee has divided itself into appropriate groups to investigate each of these aspects," -- and then he outlines the nature of that organization and its several subcommittees, each dealing with those aspects I have just read.

He goes on to say this:

"The Subcommittee members have been meeting informally in small groups to discuss their technical data and to decide on procedure in preparing their report. A meeting of the full Subcommittee with the government and industry advisers is scheduled in Washington on October 23 in the N.P.C. conference room. Not too long thereafter the Subcommittee expects to come up with its finished report covering all the aspects outlined above. It will incorporate the experience of industry, as reported in the questionnaires,

plus the latest engineering advice of the technical people on the Subcommittee.

"I might add that the excellent report on underground storage issued by the Interstate Oil Compact Commission in April of this year has added greatly to our over-all knowledge of this subject and, in particular, as to the geologic feasibility of underground storage in each of forty-two States. Our Subcommittee is not, of course, duplicating this report but rather is using it as a reference work."

Now that is signed H.S.M. Burns, Chairman.

MR. HALLANAN: We will receive that as an Interim Report, gentlemen, from Mr. Burns.

(Interim report received.)

MR. HALLANAN: I would not want this meeting to come to a close, gentlemen, without calling attention to the loss of a man who had been a great and a guiding influence in the early days of the formative organization of the Council. I think all of you knew him personally, Mr. George Kegler, who passed away just a few weeks ago.

George Kegler, while never a member of the Council, was one who contributed his fine talent and outstanding mind and legal knowledge to the development of the Articles of Organization under which this Council was



established back in 1946; and during the succeeding years he has been one upon whom we looked with great confidence for our guidance, and I know we miss him as a friend of the Council and also as a close personal friend.

In tribute to one who has meant so much to us, may I ask a rising vote while we reflect on the passing of George Kegler?

(The Council stood.)

MR. MAJEWSKI: Does this contemplate you sending an appropriate tribute or resolution to his family?

MR. HALLANAN: I had in mind the appointment of Mr. Jacobsen, with whom Mr. Kegler worked so closely, to prepare an appropriate resolution for just the idea that you have suggested.

Mr. Jacobsen, can you accept that assignment?

MR. JACOBSEN: Yes.

MR. HALLANAN: Is there any new business to come before the Council?

(No response.)

MR. HALLANAN: We will have the report of the Secretary-Treasurer, and then a motion to be made in connection with that.

MR. MAJEWSKI: While he is looking through his papers I would like to suggest that you now ask Admiral Dresher, who recently resigned as Head of the Armed Service

Petroleum Agency, to rise so we can do what we have done in the past with the capable people who have rendered such a great service to their government, and also to this industry. I think you should ask him to rise so we can duly give him the mitt.

MR. HALLANAN: Admiral, will you rise?

(Applause.)

MR. BROWN: As to the financial report, the receipts since the first of the year from contributions, publications and other sources, \$107,019, which went into the general fund from which we disbursed \$96,195.

We started out the year with \$33,488. That leaves us with \$45,052 in the general fund.

We have a reserve fund of which I have made a slight addition, bringing it up to \$149,000, all of which or most of which is in government bonds.

Now there is one other matter in connection with our finances. We have done all of our business with one bank. Occasionally we get a little heavy there. If it meets with your approval, I would like to have authorization, someone to move the authorization, that the Secretary-Treasurer might open and maintain an account with the American Security and Trust Company here in Washington, and one with the National Bank of Washington, here in Washington.

A VOICE: I so move.

MR. HALLANAN: I think, Mr. Brown, you might amplify that by saying you might get a little interest on our deposit.

MR. BROWN: That was the general idea.

MR. HALLANAN: You have heard the motion. There is a second. All in favor say aye; opposed no.

MR. MAJEWSKI: I suppose you are going to reduce the impact of the burden on each other, because we have got all of this money backing up? You have that in mind.

MR. BROWN: We have done that to some extent.

MR. MAJEWSKI: Oh, declare a dividend? Okay.

MR. BROWN: I have been hearing a lot about crisis around here. So I think it is time we transfer this fund.

MR. HALLANAN: The meeting is open for new business, and I invite you to discuss it at this time, any of the new members.

We hope the Secretary of the Interior will arrive here just most any minute. If there is no new business, I suggest that we take a recess for five minutes.

(Short recess.)

MR. HALLANAN: The Council will please come to order.

Gentlemen, this is another milestone in the history of the National Petroleum Council. Today, for the third time in the Council's ten-year existence, we meet under

the leadership of a new Secretary of the Interior. It has been our privilege to serve his three immediate predecessors and to give them the full measure of our devotion to the common cause of serving our country. Here and now we pledge to him the same fidelity we gave to them. We look forward to continuing our work under his direction with the same high degree of pleasure and satisfaction that we had in working with preceding Secretaries.

Mr. Secretary, may I tell you that the National Petroleum Council and, through it, the entire petroleum industry is ready to serve you and, through you, the Government of the United States. Throughout the Council's existence it has had no other purpose. It has no other now. I may say very frankly that if the time should ever come when this body should unwisely seek to depart from its scrupulous observance of the limitations properly placed upon its activities, that will mark the day when it has outlived its usefulness. Happily, that day is not in sight or anticipation.

This Council is not a policy making organization. It does not even make recommendations to the Secretary of the Interior or to any other official or department of the Government. It is but a channel through which there may be made available to Government the best talent of the oil industry and all of their information and knowledge upon any

given subject. This Army of technological experts is not mobilized except upon call of the Government and then it strictly limits its work to the fulfillment of specific requests from the Secretary of the Interior. This is a service which the Government could not buy at any price, and it is made available without one penny of expense to the taxpayers. We have promptly answered every request of Government as transmitted through your predecessors, Mr. Secretary, and I am happy to inform you today that we are now enlisted under your command for an indefinite period of service.

This vast Army, made available through the Council, is indeed a reserve corps as essential to national defense as our military reserve groups. It can be called into action as quickly as they can, and its service will be no less vital to the protection of our country.

We know, Mr. Secretary, that as a result of your service in the Senate, in the Department of Defense and at the White House, as a highly valued assistant to the President of the United States, you are familiar with the purposes of the Council and have a broad picture of its service to the country. It is neither necessary nor desirable, therefore, that we trespass upon your time in that respect, but I am sure you would want a brief capsuled report upon the manner and extent of the oil industry's contribution to government through this organization.

Let me repeat that we are here only to serve. This Council can be disbanded overnight and it can be called into service within the same time. If it has not performed a useful function, then it ought to be demobilized. If it has served faithfully and well, its continuation is not only justified but is of the utmost importance to the public welfare. We submit that the record speaks for itself.

We have not sought to publicize the activities of the Council and as a free result I am sure that there are very few persons, even among the best informed, who realize that through the Council no less than 10,000 of the best equipped representatives of the oil industry have been brought into the service of Government. Insofar as that goes, over the life of the Council 237 of its members have worked indefatigably upon committees appointed in response to requests for information from the Secretary of the Interior. Exactly 1,271 industry representatives who are not members of the Council have served on subcommittees in mobilizing and consolidating the detailed facts and figures about given subjects. They, in turn, have called upon at least 10,000 others who have given freely of their time, knowledge and experience in assembling the necessary information. The Government has asked for the best talent in the industry and it has been forthcoming even at great sacrifice.

In the last ten years, 272 committees and sub-

committees have been appointed to carry out the requests of the Oil and Gas Division of the Department of the Interior. Also, 3,166 separate appointments have been made to those committees, and through them the Council has completed and presented to the Department of the Interior, 126 reports upon many phases of the over-all problems of our petroleum resources. This information could not have been obtained in any other way.

We are all conscious that the word "service" has been used so often and frequently so loosely that it has lost much of its meaning. We submit, however, that this record demonstrates the worth of the National Petroleum Council and the dedication of its members. They are no less soldiers in the cause of national defense than the members of the armed forces.

We are delighted, Mr. Secretary, that this meeting could be held at a time when you could sit with us and observe the deliberations of the Council. We want you to know most intimately of the workings of our organization. We are proud of what we have done and we want to continue this record of public service under your leadership.

We are very happy that the new Secretary comes to his most important place in Government with a record of service in both the Executive and Legislative branches of Government and of outstanding success in private industry.

This gives him a broad background possessed by few men and eminently qualifies him to evaluate the relative importance of each of the essentials of our national existence and to fit each into its proper place in the present day confused and changing world picture.

We are especially delighted that he is here to speak to us. I am very pleased to present the distinguished Secretary of the Interior, Honorable Fred A. Seaton.

MR. SEATON: Mr. Chairman, and members of the Committee of the National Petroleum Council. You ought to be more careful of that standing and applauding in front of a new Secretary of Interior, although I must admit I enjoyed it.

I am so relatively new at this altitude, that when you stood, I thought for a horrible moment or two you were getting ready to leave the room.

(Laughter.)

The introduction given me by my old friend and most-times political ally -- upon rare occasions we have differed somewhat about the procedure at Republican Conventions, but that is not our habit, I guess, Walter -- it intrigues me a little bit.

I thought that I might tell you the thing that popped in my mind when he tells you men what a great public servant I had been and what generous promise I had for the



future.

It concerns a personal incident in my own family and I hope you won't mind my passing it on to you, because it was a very, very good lesson to me. I am sure I shall remember it as long as I am alive, and it will be a good memory for me in the years to come and a good moral lesson.

It has to do with my thirteen year old daughter, Chrissie. Now I suspect that there are plenty of you in the room who have either had thirteen-year old daughters or will have or may now have, and if so, if you have had that experience, you know that is the age in a young girl's life when almost anything can happen and oftentimes does.

This particular incident concerns Chrissie and her attendance at church and Sunday School.

Shortly after the Seaton family returned to Washington in September of '53, we affiliated with a small neighborhood church in the area in which we then lived. Chrissie and the other children were promptly taken down by Mother Seaton and enrolled in the Sunday School.

On those somewhat rare occasions when I was in the city and Mrs. Seaton made the proper representations -- and you husbands here know wives have the habit of doing that, so far as church is concerned -- I joined the church.

About the time I moved from the Department of Defense to the White House Chrissie had graduated a little

bit in her reading, and she didn't confine all of her attentions to the comic section and the race horse news. She began to read other news items in the paper, and she got herself somewhat impressed with the number of times she saw it appear in print that the President and Mamie were quite devout in their religious beliefs and no matter where they were on Sundays, they always attended church.

She announced to her mother she felt, at thirteen, and as the daughter of a man in this Administration, she felt she should also go to church, and she did, and was very regular in her attendance.

On one of those somewhat rare occasions when I was in town on Sunday, the whole Seaton family was in church, and the Pastor took that occasion to read a group of youngsters' names who had been faithful.

The name of Chrissie Seaton, age thirteen, was mentioned in that list.

Well, you know how parents are, as Mrs. Seaton and I sat back and basked in the reflected glow of admiration of our little blonde daughter, just at that time I realized with some horror that Chrissie was on her feet.

I suppose to be perfectly fair to Chrissie as the daughter of a man who never passed up a chance to address a public gathering, it was just a little too much of a temptation for her.

Well, first she thanked the preacher, and for that we were profoundly grateful, and then she said -- and I am sure you can quote it verbatim, it is engraved on my memory in indelible ink, she said:

"Since my Daddy has left the Department of Defense to go to the White House to again be an advisor to the President, I thought I ought to pray for my country every chance I got."

(Laughter.)

Well, you see, it could have been worse, because the congregation broke out into laughter just as you have. But there was one horrible split second of eternity when I was sure that the whole congregation would bow its head in unison and also pray for me.

Now I realize that you have had a long and busy morning here, and that you have many things to attend to in a personal and professional way, and I shan't take much of your time.

First, I should like to say that I want to apologize, sincerely, for not having been able to join you in your deliberations today as had been originally intended.

I am not sure whether your Chairman has told you or not, but the President decided to have a Cabinet Meeting this morning, and it lasted all morning, and since I felt somewhat outranked in that situation I didn't feel

that I ought to say to him that I couldn't attend the Cabinet meeting which he felt was important enough to call in the first instance.

That explains my absence. I have just now returned to the building.

I would like to say this to you: while I understand there are some people on Capitol Hill who seem to be somewhat critical of this body and the work it is doing, that has been brought to my attention on one or two occasions by way of correspondence, and I might say by some personal lecturing, I should like to assure you that so far as I am concerned -- and so far as my associates in this Department are concerned -- so far as the President is concerned, and I feel sure so far as the country is concerned, that no one of us or none of us join in that feeling of criticism.

Now as you know perfectly well, I am a brand new Secretary of the Interior. The sad part of that is that I have much, much more to learn about the activities of this Department than I presently know. What is even sadder is, that some of the things which I think I know today may very well turn out not to be so tomorrow. But we shall do the best we can.

However, in that short period of time I have had, it has been impressed very deeply on my consciousness that you men who are members of this Council have not only

presently done a magnificent job for the best interests of your country, but that you have always done a magnificent job to the best of your individual and collective ability while you have been in existence.

I should like to say further that, in this present situation which confronts us -- and you know to what I refer, I am sure -- that it would have been very, very difficult if not impossible, indeed, for either this Department or your Government to have gotten this far in its planning and in its preparation for a crisis or crises, which may or may not come, depending upon the fortunes of fate, had it not been for the magnificent help which this Government and this Department has received, from those of you who are in this room today and some others who could not be present.

Now I don't know whether it means too much to you or not, because you are busy men, you have a great many responsibilities, many of them, and many of them of a financial and moral and of a governmental nature.

But if it does make any difference, I should like to have you know that those of us who are intimately concerned with the work you are doing, who have at least some superficial knowledge of the lengths to which you have gone, the time which you have given, and the effort you have put forth, are deeply, deeply grateful to you, for what you have done in the past, what you are doing today, and what

We are quite certain you shall do in the tomorrows to come.

Now that is all I have to say except again I am sorry I couldn't be here as I had hoped to be.

I am delighted to see in this room more men than I thought I would know, personally. I hope the day will come when I shall know each one of you personally, and other than that, thanks, very very much, for being here.

(A pplause.)

MR. HALLANAN: Mr. Secretary, we are very grateful to you. We understood the reason why you were unable to be with us this morning. We knew that you had this call to sit in with the Cabinet.

We are delighted with those remarks which you have given us, and may I, on behalf of the membership of the Council, express again to you our great desire to serve you and to serve the Government in any way you may need us.

Gentlemen, we have reached the conclusion of our agenda. A motion to adjourn will be in order.

MR. MAJEWSKI: I so move.

MR. BLAUSTEIN: Seconded.

MR. HALLANAN: It has been moved we adjourn. All in favor indicate by saying aye; opposed no.

The Council is now adjourned, gentlemen.

(Whereupon, at 12:35 o'clock p.m., the Council stood adjourned.)