

MINUTES OF PROCEEDINGS

OF THE

BOARD OF DIRECTORS

OF THE

AMERICAN

ASSOCIATION

BEARD
to

NATIONAL PETROLEUM COUNCIL MEETING

THURSDAY, OCTOBER 3, 1957

Washington, D. C.

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 Department of the Interior October 3, 1957

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The National Petroleum Council meeting convened at 9:30 a. m., October 3, 1957, in the Departmental Auditorium of the Department of Commerce, Washington, D. C., Walter S. Hallinan, Chairman, presiding.

CHAIRMAN HALLINAN: The Council will come to order.

The Secretary will please call the roll.

MR. BROWN: Mr. Abernathy.

MR. ABERNATHY: Here.

MR. BROWN: Mr. Anderson.

MR. ANDERSON: Here.

MR. BROWN: Mr. Earl Baldrige.

MR. BALDRIDGE: Here.

CHAIRMAN HALLINAN: Mr. Baldrige, will you please rise.

Gentlemen, I desire to introduce a new member of the Council, Mr. Earl Baldrige, of the Champlin Oil and Refining Company.

(APPLAUSE)

MR. BROWN: As I proceed to call the roll, if there are individuals here as alternates or observers or a member, and if a member is not present, will that person kindly arise and give his name so we may have it for the record.

MR. BROWN: Mr. Ball.

MR. CAMPBELL: Douglas Campbell.

MR. BROWN: Mr. A. F. Barrett.

MR. BARRETT: Here.

MR. BROWN: Mr. Barrett, will you please rise.

Gentlemen, I desire to introduce another new member of the Council, Mr. A. F. Barrett, President of the Rocky Mountain Oil and Gas Association. We are happy to have you with us, Mr. Barrett.

(APPLAUSE)

MR. BROWN: Mr. Benedum.

MR. BENEDUM: Here.

MR. BROWN: Mr. Bergfors.

MR. BERGFORS: Here.

MR. BROWN: Mr. Blaustein.

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Blazer.

MR. BLAZER: Here.

MR. BROWN: Mr. Brazell.

MR. BRAZELL: Here.

MR. BROWN: Mr. Bridwell.

MR. BRIDWELL: Here.

MR. BROWN: Mr. Bruce K. Brown.

MR. BRUCE K. BROWN: Here.

MR. BROWN: Mr. Russell B. Brown.

MR. RUSSELL B. BROWN: Here.

MR. BROWN: Mr. Burns.

MR. PRICE: W. D. Price, representing Mr. Burns.

MR. BROWN: Thank you, Mr. Price.

Mr. Orville S. Carpenter.

(No Response.)

MR. BROWN: Mr. Comerford.

MR. COMERFORD: Here.

MR. BROWN: Mr. Cowden.

MR. MCCANN: I am Wayne McCann, representing Mr.
Cowden.

MR. BROWN: Thank you, Mr. McCann.

Mr. Crawford.

MR. CRAWFORD: Here.

MR. BROWN: Mr. Cummins.

MR. CUMMINS: Here.

MR. BROWN: Mr. Morgan J. Davis.

MR. DAVIS: Here.

CHAIRMAN HALLANAN: Mr. Davis, will you please
rise.

Gentlemen, I also have the pleasure of presenting
another new member of the Council, Mr. Morgan J. Davis, Presi-
dent of the Humble Oil & Refining Company.

Mr. Davis, we are happy to have you with us.

(APPLAUSE)

MR. BROWN: Mr. Donnell.

MR. DONNELL: Here.

MR. BROWN: Mr. Dow.

MR. DOW: Here.

MR. BROWN: Mr. Downing.

(No Response.)

MR. BROWN: Mr. Duke.

MR. DUKE: Here.

MR. BROWN: Mr. Dunnigan.

MR. DUNNIGAN: Here.

MR. BROWN: Mr. Elliott.

MR. ELLIOTT: Here.

MR. BROWN: Mr. Endacott.

MR. ENDACOTT: Here.

MR. BROWN: Mr. Fisher.

MR. FISHER: Here.

MR. BROWN: Mr. Follis.

MR. FOLLIS: Here.

MR. BROWN: Mr. Foster.

MR. FOSTER: Here.

MR. BROWN: Mr. Fox.

MR. FOX: Here.

MR. BROWN: Mr. Goggin.

(No Response.)

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

MR. B. C. GRAVES: Here.

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

MR. B. I. GRAVES: Here.

MR. BROWN: Mr. Grimm.

MR. GRIMM: Here.

CHAIRMAN HALLANAN: Mr. Grimm, will you please rise.

Gentlemen, I wish to introduce another new member of the Council, Mr. Frank L. Grimm, President of the National Tank Truck Carriers, Incorporated.

Mr. Grimm, we are happy to have you with us.

(APPLAUSE)

MR. BROWN: Mr. Hallanan.

MR. HALLANAN: Here.

MR. BROWN: Mr. Hamon.

(No Response.)

MR. BROWN: Mr. Hardey.

MR. HARDEY: Here.

MR. BROWN: Mr. Harper.

MR. HARPER: Here.

MR. BROWN: Mr. Hartman.

(No Response.)

MR. BROWN: Mr. Hawley.

(No Response.)

MR. BROWN: Mr. J. J. Hedrick.

MR. HEDRICK: Here.

CHAIRMAN HALLANAN: Mr. Hedrick, will you please rise.

Gentlemen, Mr. J. J. Hedrick, President of the

Independent Natural Gas Association of America.

Welcome, Mr. Hedrick, as a new member of the Council.

(APPLAUSE)

MR. BROWN: Mr. Hilts.

(No Response.)

MR. BROWN: Mr. Hulcy.

(No Response.)

MR. BROWN: Mr. Hunter.

MR. HUNTER: Here.

MR. BROWN: Mr. Jacobsen.

MR. JACOBSEN: Here.

MR. BROWN: Mr. Jennings.

MR. JENNINGS: Here.

MR. BROWN: Mr. Jones.

(No Response.)

MR. BROWN: Mr. Paul J. Jones.

MR. JONES: Here.

CHAIRMAN HALLANAN: Gentlemen, a former member of the Council who has come back to us again as President of the Pennsylvania Grade Crude Oil Association, Mr. Paul J. Jones.

Glad to have you back, Mr. Jones.

(APPLAUSE)

MR. BROWN: Mr. W. Alton Jones.

(No Response.)

MR. BROWN: Mr. Kayser.

MR. KAYSER: Here.

MR. BROWN: Mr. Keeler.

MR. KEELER: Here.

MR. BROWN: Mr. Harry J. Kennedy.

MR. KENNEDY: Here.

CHAIRMAN HALLANAN: Mr. Kennedy, will you please rise. Gentlemen, you all know this man, Mr. Harry J. Kennedy, President of the Western Petroleum Refiners Association.

We are glad to have you with us, Mr. Kennedy, as a new member of the Council.

(APPLAUSE)

MR. BROWN: Mr. Grover Kilgore.

MR. KILGORE: Here.

CHAIRMAN HALLANAN: Mr. Kilgore, will you please rise.

Gentlemen, I am happy to introduce a new member of the Council, Grover Kilgore, President of the Petroleum Equipment Suppliers Association.

Happy to have you with us, Mr. Kilgore.

(APPLAUSE)

MR. BROWN: Mr. Lawton.

MR. LAWTON: Here.

MR. BROWN: Mr. Long.

MR. FOLEY: I am Mr. J. W. Foley, representing Mr.

Long.

MR. BROWN: Mr. Ludwig.

MR. LUDWIG: Here.

MR. BROWN: Mr. Lyons.

(No Response.)

MR. BROWN: Mr. McCollum.

MR. MCCOLLUM: Here.

MR. BROWN: Mr. McFarland.

MR. FORD: Douglas Ford of Dallas, representing Mr.
McFarland.

MR. BROWN: Thank you, Mr. Ford.

MR. McGOWEN.

(No Response)

MR. BROWN: Mr. Maguire.

(No Response.)

MR. BROWN: Mr. Majewski.

MR. MAJEWSKI: Here.

MR. BROWN: Mr. Marshall.

MR. MARSHALL: Here.

MR. BROWN: Mr. Mattei.

(No Response.)

MR. BROWN: Mr. Milligan.

MR. MILLIGAN: Here.

MR. BROWN: Mr. Moncrief.

(No Response.)

MR. BROWN: Mr. Mosher.

(No Response.)

MR. BROWN: Mr. Nielson.

MR. MACARTHUR: Mr. M. R. MacArthur, for Mr. Nielson.

MR. BROWN: Thank you, Mr. MacArthur.

MR. BROWN: Mr. Niness.

MR. NINESS: Here.

MR. BROWN: Mr. Nixon.

MR. NIXON: Here.

MR. BROWN: Mr. Nolan.

MR. NOLAN: Here.

MR. BROWN: Mr. Jerome J. O'Brien.

MR. O'BRIEN: Here.

CHAIRMAN HALLANAN: Mr. O'Brien, will you please
rise.

Gentlemen, I desire to present another new member
of the Council, Mr. Jerome J. O'Brien, President of the Texas
Independent Producers and Royalty Owners Association.

Glad to have you with us, Mr. O'Brien.

(APPLAUSE)

MR. BROWN: Mr. O'Shaughnessy.

MR. O'SHAUGHNESSY: Here.

MR. BROWN: Mr. Parten.

MR. PARTEN: Here.

MR. BROWN: Mr. Pogue.

MR. POGUE: Here.

MR. BROWN: Mr. Porter.

MR. MORRIS: Mr. J. E. Morris, representing Mr.
Porter.

MR. BROWN: Thank you, Mr. Morris.

Mr. Powers.

MR. POWERS: Here.

MR. BROWN: Mr. David Proctor.

MR. PROCTOR: Here.

CHAIRMAN HALLANAN: Mr. Proctor, will you kindly
rise.

Gentlemen, I desire to present Mr. David Proctor,
Executive Vice-President of the Gulf Oil Corporation as a
new member of the Council.

Mr. Proctor, we welcome you to the Council.

(APPLAUSE)

MR. BROWN: Mr. Rathbone.

MR. MORGAN: Mr. Cecil Morgan, representing Mr.
Rathbone.

MR. BROWN: Thank you, Mr. Morgan.

Mr. Rather.

(No Response.)

MR. BROWN: Mr. Richardson.

(No Response.)

MR. BROWN: Mr. Ritchie.

MR. RITCHIE: Here.

MR. BROWN: Mr. Robineau.

MR. MEYERS: Mr. Robert Meyers, representing Mr.
Robineau.

MR. BROWN: Thank you, Mr. Meyers.

Mr. Rodman.

(No Response.)

MR. BROWN: Mr. Rowan.

(No Response.)

MR. BROWN: Mr. Spencer.

MR. DYER: Mr. J. E. Dyer, representing Mr. Spencer.

MR. BROWN: Thank you, Mr. Dyer.

Mr. Staples.

MR. PARSONS: Mr. Lee Parsons, representing Mr.

Staples.

MR. BROWN: Thank you, Mr. Parsons.

Mr. Supplee.

MR. WEBB: Mr. L. A. Webb, representing Mr. Supplee.

MR. BROWN: Thank you, Mr. Webb.

Mr. Taylor.

(No Response.)

MR. BROWN: Mr. George T. Tennison.

(No Response.)

MR. BROWN: Mr. Vandever.

MR. VANDEVEER: Here.

MR. BROWN: Mr. Violette.

(No Response.)

MR. BROWN: Mr. Vockel.

MR. VOCKEL: Here.

MR. BROWN: Mr. J. Ed Warren.

MR. WARREN: Here.

MR. BROWN: Mr. W. K. Warren.

MR. W. K. WARREN: Here.

MR. BROWN: Mr. Whaley.

MR. WHALEY: Here.

MR. BROWN: Mr. White.

MR. AIKEN: Mr. John Aiken, representing Mr. White.

MR. BROWN: Thank you, Mr. Aiken.

Mr. Wilson.

MR. WILSON: Here.

MR. BROWN: Mr. Windfohr.

(No Response.)

MR. BROWN: Mr. Wood.

MR. WOOD: Here.

MR. BROWN: Mr. Wrather.

MR. WRATHER: Here.

MR. BROWN: Mr. George S. Young.

(No Response.)

CHAIRMAN HALLANAN: Gentlemen, we thank you for
being present here today.

We will proceed to dispose of the agenda.

We have before us the matter of approval of the minutes of the last meeting of the Council, held on March 7, 1957. What is your pleasure in regard to the approval of the minutes of the last meeting?

FROM THE FLOOR: I move it be approved.

FROM THE FLOOR: I second the motion.

CHAIRMAN HALLANAN: It has been moved and seconded that the minutes be approved. All in favor indicate by saying Aye. The contrary, No. So ordered.

Gentlemen, I have the sad duty of conveying to you officially the very discouraging news of the passing of two of our members since the last meeting of the Council. Mr. Charles A. Chipman who was President of the Pennsylvania Grade Crude Oil Association and, Mr. William G. Skelly, founder, Past President, and Chairman of the Board of the Skelly Oil Company.

At this time we will recognize Mr. Dow, to present an appropriate resolution in relation to the passing of Mr. Chipman.

MR. Dow.

MEMORIAL RESOLUTION

TO

CHARLES A. CHIPMAN

BY FAYETTE B. DOW

Charles A. Chipman, a member of the National Petroleum Council since 1953, died in Florida on March 7 of this year. Chip, as he was known to his many friends, was born in Clayville, New York in 1891. He attended public schools in Yonkers, New York and later graduated from Alfred University. He settled in Bolivar, New York where he became engaged in the production of oil from the Bradford and Allegany fields.

Chip could never countenance the belief that man was born to die but rather that man was born to live. His unselfish participation in civic affairs and activities other than his business are monuments to that belief. He was a trustee of Alfred University, President of his local School Board and an influential member in his church. These interests coupled with a Christian home had a profound influence on the lives of those with whom he lived and associated. Always willing to contribute his share in the efforts of associations related to his business, he became President of the Pennsylvania Grade Crude Oil Association in 1953 and ably served in that capacity until his death.

He was a director of the New York State Oil Producers Association and the American Petroleum Institute. He willingly gave to this Council his time and effort whenever it was asked. The National Petroleum Council relinquishes with regret his fine fellowship and unselfish services and shares with his

family the loss of a good father and a public spirited citizen.

"THEREFORE, BE IT RESOLVED, by the members of the National Petroleum Council, in meeting assembled at Washington, D. C., this third day of October, 1957, 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. Donna R. Chipman, as an expression of the Council's profound sorrow and heartfelt sympathy to his family."

Mr. Chairman, I offer the resolution and move its adoption.

FROM THE FLOOR: I second the motion.

CHAIRMAN HALLANAN: Gentlemen, may I ask for a rising vote.

(Whereupon, a rising vote was given.)

CHAIRMAN HALLANAN: We will recognize Mr. Paul Endacott, to present the memorial resolution in behalf of Mr. William G. Skelly.

MEMORIAL RESOLUTION

TO

WILLIAM GROVE SKELLY

BY PAUL ENDACOTT

William Grove Skelly, founder, Past President, and Chairman of the Board of Skelly Oil Company, departed this life

on April 11, 1957.

He was one of the last great pioneers in the development of the American oil and gas industry. Born in Erie, Pennsylvania on June 10, 1878, he took his first job as a tool dresser in Oil City, Pennsylvania in 1894. He worked and learned and pioneered his way across Indiana, Illinois, Kansas, North Texas and Oklahoma. With the opening of the El Dorado, Kansas oil pool, William Grove Skelly became one of the Mid-Continent area's largest independent oil producers. In 1912 he established permanent resident in Tulsa, Oklahoma; seven years later he organized Skelly Oil Company, the coordination of production, pipeline, refining, and marketing activities that led Skelly Oil Company to its high place in the industry.

In William Grove Skelly there was embodied those characteristics of leadership which mark the course of the American petroleum industry. As an industrial and civic leader in his community, his State and in the Nation, his imprint on events was indelibly written. Withal, he bore himself humbly, learning much from others and transmitting that which he learned into counsel and achievement for the enlargement of this chosen industry and the enhancement of the public welfare.

We recall especially his work as an oil producer, discovering and developing reserves which contributed importantly to the national needs, in time of crisis; his long service

in the associations of oil and gas operators which were formed to provide cooperative approach to the solution of industry problems, particularly his devotion to the war effort through the Petroleum Industry War Council.

He was an industrial statesman whose integrity, industry, homely philosophy and good humor added dignity and wisdom to all the important petroleum councils; his eyes were always focused on goals of improvement of basic principles for the conduct of the petroleum industry. To him progress in the petroleum industry was best expressed in the betterment of human relationships, and the scientific development of all phases of said industry, for the benefit and comfort of mankind.

In our vast industry of conflicting interests and different opinions, he has woven into the fabric of our industrial and political statesmanship a sustaining cord of integrity that has gone so far to maintain this body in its determination to be of ultimate service to the American people and our form of government and way of life.

He was early marked for leadership in the business he loved. He was a dynamo of energy and the milk of human kindness generated in him a sincere love for people. Whilst accumulating his share of the world's goods and a respected position . . . he also acquired and valued above all something more important . . . countless friendships. William Grove Skelly's name meant oil to millions of Americans across the

Nation. For still millions of others his name was synonymous with Tulsa and Oklahoma, as a philanthropist, humanitarian, and great civic leader.

William Grove Skelly was a man of many titles . . . all deserved because he earned them . . . founder, director, trustee, committee member, national committeeman, award winner, organizer, president, partner, and "Man of the Year." Whatever the title was, the credo was the same . . . get the job done.

He founded the International Petroleum Exposition in 1923 and was its president since its inception.

His active and enthusiastic support was lent to innumerable causes as an expression of his interest in his fellow man, particularly young people. His love for the Nation's youth was exhibited in many tangible ways. He was active in the 4-H clubs and the FFA vocational training clubs, and a member of both.

Friends, associates, business competitors, and political foes all agree that William Grove Skelly's passing heralds the end of the era of rugged individualism in the oil industry--he will be long remembered as one of our truly great oil men--because oil was his business.

AVE ATQUE VALE!

St. Ignatious Loyola must have had Bill Skelly in his mind when he composed the following Prayer:

Dearest Lord, teach me to be generous;
 teach me to serve Thee as Thou deservest;
 to give and not to count the cost, to
 fight and not to heed the wounds, to
 toil and not to seek for rest, to labor
 and not to ask for reward, save that of
 knowing I am doing Thy Will.

BE IT HEREBY RESOLVED on this third day of October, 1957, that the National Petroleum Council, meeting in Washington, D. C. does record with profound sadness its sense of great loss at the passing of our co-worker, William Grove Skelly, and its deep and heartfelt sympathy with the members of his family, and BE IT FURTHER RESOLVED that this Resolution be engrossed upon the permanent records of this Council and that an appropriately engrossed copy thereof be presented to Mrs. Skelly and family.

CHAIRMAN HALLANAN: Gentlemen, you have heard the memorial resolution. May I ask for a rising vote.

(Whereupon, a rising vote was given.)

CHAIRMAN HALLANAN: Mr. Jacobsen, Chairman of the Agenda Committee, do you have any report to submit to the Council at this time?

MR. JACOBSEN: No subject has been submitted nor studied by the Department of the Interior.

The Agenda Committee has called no meetings and con-

sequently there is no report.

*Introduction of Seaton
Honorable Fred A. Seaton
Secretary of the Interior
Waller's. Hallanan*
Chairman
CHAIRMAN HALLANAN: ~~Thank you, very much.~~

Gentlemen, we are delighted this morning to have with us at this opening session the Honorable Fred A. Seaton, Secretary of the Interior. I am aware of the fact that he is pressed for time and has other commitments at the Pentagon this morning and that being so, we are going to change the routine of the agenda at the moment because I know the Secretary is anxious to speak to us on some of the matters that are very important which are being considered by him and his Department.

Gentlemen, I have the pleasure of presenting our boss, the Honorable Fred A. Seaton, Secretary of the Interior.

~~Mr. Seaton.~~

(APPLAUSE)

~~REMARKS OF~~

THE HONORABLE FRED A. SEATON
SECRETARY OF THE INTERIOR

start
SECRETARY SEATON: Mr. Hallanan, members of the National Petroleum Council, you know as a long-time participant in these meetings, sitting here while the roll is being called, I was thinking that it was something that would hardly make front-page news and I think you will agree with me. Sometime ago, however, I got in to the habit of listening and thinking while the roll was called as to who was there and what some of the names were. This morning was somewhat interesting to me,

while the Jones boys were present as usual in a group of this size there wasn't anything very surprising about it, but I did prick up my ears a bit when the name of Nixon and Nolan was called. I'm sure if the Senator had been here at the time he would have done likewise.

I think the high point of all the roll calls I have observed while being a member of different organizations was one where the President of the Association used the same sort of procedure you used this morning, and it was where a Mr. Blunt arose and announced he was there as a substitute for Mr. Sharp. I hope you will forgive me for that, but it did happen.

(LAUGHTER)

Once again I am delighted to welcome the members of the National Petroleum Council to Washington.

It is only right, of course, that I recall some things to your mind and you know, of course, last Winter, in the interest of national security, the oil industry and the Federal Government were together concerned with the oil lift to Europe. That emergency they successfully met. The plan of action under which the oil lift operated was terminated but the voluntary agreement relating to the petroleum, the foreign petroleum supply is still in effect, however.

It has, as you very well know, to main purposes.

The first is to provide a mechanism by which private industry can help the Government meet emergencies existing out-

side the United States that adversely affect our national mobilization and defense of which the Suez crisis was an example.

The second purpose is to enable private industry to help the Government gather facts about foreign petroleum operations for use in defense planning. Because of the value of this information the Government intends to continue to use the Foreign Petroleum Supply Committee set up under the voluntary agreement. Now, we do not attempt to downgrade the importance of that.

It does recall to mind a delightful story going around the country about three tobacco farmers. These three fellows were about to lose another tobacco crop due to the drought and other natural causes and about the only thing they could do under the circumstances was exactly what they did, they returned to the barn belonging to one of them and got out a jug and began to drink and discuss their miseries--this could have happened in West Virginia but, as a matter of fact, it didn't, it was in South Carolina--these three farmers talked and talked and drank and drank and as they were getting pretty well along and getting pretty far down in the jug, the wife of the host came across the yard going out to get some kindling to start the fire in the kitchen stove and when her husband saw her he turned to the fellows and said, "You know, marriage is very, very wonderful and tomorrow just as soon as I get my crop

sowed I think I will buy Mirenda a new stove." The second fellow said about the same thing about his wife and said he would buy her a washing machine. He didn't go so far as to say he would buy her an electric washing machine but one of those hand-operating varieties that worked better than the one she had.

And, they turned to the third fellow and asked him what he was going to do and he said you had better pass me the jug again I ain't out of debt yet.

(LAUGHTER)

To go to a subject not quite so pleasant and I know I need not tell you the question of oil import is very much in the news.

Earlier this year the director of the Office of Defense Mobilization asked the oil importing companies to give him a forecast of the volume of crude oil they proposed to import in the first six months after the end of the Suez emergency. The news which he received convinced him that the proposed level of imports threatened to impair the national security, and he so informed the President.

Subsequently, as we all know, the President appointed a special cabinet committee to investigate the crude oil imports. The Secretary of Commerce was the chairman. I was a member.

This committee intensively studied the import problem and delivered its recommendations to the President last July 29th.

In the judgment of the committee the planned rate of import of foreign oil was at such a high level in relation to domestic production that exploration and development in the country were in danger of being impaired. The committee concluded that we must follow a policy which will permit reasonable imports, would encourage domestic exploration for and development of additional oil sources, additional sources of petroleum.

The committee therefore recommended an import level be set and voluntary oil import program be established.

This recommendation was adopted.

Under the policy, with assistance from the Office of Defense Mobilization, the Department of the Interior was charged with the responsibility for administering the program. Captain Matthew V. Carson, USN, is serving as my special assistant and program administrator and I know you will hear from him later on in this meeting.

As you know, under this program, crude oil importers are asked to limit their oil imports to the level recommended by the committee. The success of the voluntary oil imports program depends on the willingness of the importers to comply. Personally, I believe that the plan will work. Its failure could give rise to alternatives which I do not like to contemplate any more than you do.

As I see them, those alternatives three. No action at all which I consider the least likely. The imposition of manda-

tory controls by a Presidential order or controls put into effect by the congress.

At the March meeting of the National Petroleum Council the Department of the Interior requested it to make five basic studies. I understand that the final reports on some of the studies are before the Council for consideration at this meeting and that the others are well under way. As these reports cover a wide range of oil and gasoline activities I am sure they involve a great deal of work on the part of your executives and technical staffs.

The information you are furnishing the Government is, in addition to its other values, basic to a revaluation of oil and gas capabilities in the event of war.

The Office of Defense Mobilization, the Department of Defense, and the Department of the Interior have underway a new worldwide petroleum supply and survey on which to base security plans to meet any foreseeable international emergency and much of the survey is being carried on by the Military Petroleum Advisory Board.

Now, we hope for continued cooperation with the Government.

I again want to express my sincere appreciation for being allowed to speak to you and I want to thank all of you.

(APPLAUSE)

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

We are very grateful to you for being with us this morning.

Following the remarks that you have made and the subject with which you have dealt, it seems to me that it is entirely appropriate at this time to introduce the man who is in charge of the administration of the voluntary imports program and I now present to the Council, Captain Matthew V. Carson.

Captain Carson.

(APPLAUSE)

Start
~~REMARKS OF~~

CAPTAIN MATTHEW V. CARSON, JR., USN

ADMINISTRATOR OF VOLUNTARY IMPORTS PROGRAM

CAPTAIN CARSON: Thank you very much Mr. Hallanan.

Mr. Secretary, distinguished members of the National Petroleum Council, it is indeed a pleasure and privilege for me to appear before you today.

Secretary Seaton has gone now, so I can tell you this about him.

The other day he said, suppose that you are faced with introducing someone and instead of saying he is my capable assistant in whom I have the utmost confidence and what not, he says something like this: He is no good so-and-so, I rule the day I ever saw him but I am stuck with him and that is that. I was sort of reminded of a story where one man of considerable property died and unfortunately left no will but he did leave a

widow and about seven children. So often happens there was quite a family dispute as to the division of the property. The poor widow was so discouraged that she decided to leave for about a year. She took a trip around the world and she hoped upon her return the children would have arrived at some agreement.

When she got off the train in the town one of her sons met her and of course her first question was, "Have you settled the estate?" and he said, "No, Ma, you know we haven't. Sometimes I wish Pa had never died."

And I feel certain that at times the Secretary of the Interior wishes there had been no oil imports program and that a certain Navy Captain was commanding a dog team down in Antartica.

You know when I was selected for the job they told me one of the qualifications which you have is a working knowledge of the industry. I can assure you since I embarked on this enterprise it has meant a lot of work. How much knowledge has been involved I do not know, but there was one qualification that they should have added and that is I think the administrator should be at least an amateur meteorologist because I can assure you that I follow very closely the long-range forecast about what sort of weather we are going to have.

As to where we are today that is history. You gentlemen are very well acquainted so I won't go into it except

very briefly.

I heard Mr. Jerome O'Brien, a new member of your association, say not long ago statistics were about as interesting as a stale loaf of bread, but sometimes they are useful in illustrating a point.

I would like to refer to the latest tabulation of figures that we received from the importing companies, showing the actual imports in August of this year and their estimate in imports for the succeeding five months. I think it is interesting to see, of the established importers, the six companies, in October they will import the total of 457,400 barrels as compared with the cabinet's committee recommendation of 493,000 barrels over the year ending June 30, 1958. So, I think the progress in that direction has been exceptional and I think all of you must agree with me it has been. I think those persons and those companies are to be complimented for the cooperation which they have shown to the Government in making this a success.

Now, the total, when we consider the new importers as well as the established importers, will run about 50,000 barrels a day during the last months of this year over what the cabinet's committee had recommended. I would like to call to your attention this fact, that almost all of the 50,000 barrels is represented by overage program by two companies, Tidewater and the Standard Oil Company of Indiana. These two companies,

amongst others, have filed petitions with the administrator for relief from the allowances established by the committee for those two companies. Hearings have been had as you know, and early this week a decision was announced that, in my opinion, as administrator, they had not shown such a case of inequity and hardship that would warrant release.

Now, if those two companies along with some others whose cases are still under consideration should decide to abide by the decision of the Administrator in the case, then the total will come down right in line with the cabinet committees recommendation. I think the industry as a whole and the individual companies are to be congratulated upon their work in this respect.

There is one thing I want all of you to know, that is I have nothing to do with the success of the program. The success is up to the individual companies concerned and so far they have certainly shown a desire to cooperate with the Government. They have shown a sense of responsibility to the country as a whole on this very important matter.

As to the future, I am very much aware of the popular song which you probably heard a year or two ago about "The Future is Not Ours to See. What Will Be Will Be," so I have some hesitancy in treading on the grounds of the future but since I am not a fatalist, since we are men endowed with a free world, since we live under the form of government that we do, I feel

that we can, as individuals, to a great extent shape our own destinies. So I do believe that, judging by the experience that we have had in the program so far, realizing the responsibility of the persons who are in the oil industry, I have no hesitancy in saying that I think the program in the future will be a complete success.

I have directed my remarks mostly to the importing companies. There is another side of the picture.

It has become increasingly apparent to me because of the volume of correspondence, telegrams, statements, that are being received in Washington that there are a great deal of, shall we say, impatience on the part of some of our domestic producers with the success of the program. There have been cries for strict and immediate mandatory controls. Personally, believing in free enterprise as I do, I think that mandatory controls would be about the worse thing that we would want to see and I do not believe they are going to be necessary. However, as some of our domestic producers, some of our independent producers do not restrain themselves a little bit and give the program an opportunity to work we may find ourselves straddled with such a thing.

I would like to mention this, even today and the days of the wonder drugs, the miracle drugs, if you have a case of pneumonia or blood poisoning you can start taking streptomycin or terramycin or penicillinⁱⁿ or whatever it may be, but after the

first shot you do not get up and walk out of your hospital bed. It takes a little time for the effects to be felt. And, in this program, it is going to take a little time for the effects to be felt and I would expect with my limited knowledge that about the earliest that we could find it was having a direct effect would be probably the first quarter of next year.

Now, I do not think that is anything to be dissatisfied with.

Even if we had mandatory controls, based upon somewhat the same formula as the cabinet committee has employed, I think you would not feel the effects any sooner.

So, as to the domestic producers, I would like to ask they exercise a little patience and a little strength and I think their cooperation as well as the cooperation of the importing companies will assure the success of this most vital program.

There is one other thing that I think is worthy to be called to your attention and that is there may be some indication of a rash of what we might call new importers, those who are not now importers at all nor have imported in the past, but because they believe it may be a lucrative field to enter or because they recently found production or had hurt the production overseas and there is going to be a continuing pressure. I am afraid for those people to start importing. Certainly no American and no American company should be excluded entirely from

that field. It is a field of legitimate private enterprise, but there to, I think some restraint should be exercised.

We all realize that the program as now laid down is not one which will last indefinitely. If my information is correct, and I am sure that it is, in the years to come we must have increasing volume of imports as our expanded economy and population reach new heights it is extremely unlikely that, barring any fabulous and unexpected development of new reserves in this country, that it will become necessary to import increasing amounts of foreign crude oil into this country.

So, during the interim period I consider mostly in the nature of a withholding action until the domestic industry can get readjusted, and a reasonable balance of imports to domestic demands can be achieved. That reasonable balance will undoubtedly vary from time to time.

So, as to the new importers, I would like for them to exercise some restraint and not rush into the field solely because it appears that it is a good thing to do because others are doing it.

The oil industry, of course, is a very individualistic aggressive industry. It is made up of those kind of people, but at the same time I think they have a gregarious group of people. I think you can probably call to mind many examples of that. I have seen down in Texas, for instance, some very poor land that nobody would pay 50 cents an acre for and somebody

decides to do a little exploring and starts a well and all the other oil companies in the area that may have for years ignored it suddenly are bitten with a fever--this fellow is here, there must be something there--and they start in also. Some of the prices paid for the off-shore leases off the coast of Louisiana and Texas to me were rather astounding in their prices because I think that perhaps proven production could have been bought up on dry land at the prices that were sometimes paid just for the foundries and rentals, but some company started in and others followed suit.

Again, the people engaged in exploration and they had never considered that sort of thing before. We have independent as well as major companies around the world from Paraguay, Pakistan, Spain, Lybia, Ethiopia, Guatemala, Haiti, Jamaica, Cuba, as well as Venezuela and there again I think it is because, not only perhaps the lure of more return on the investment but because of the gregariousness and despite the individuality of the people in the oil industry.

As I mentioned earlier, of the first three cases that had been heard the decision was rendered early this week and I expect to have the text of the decision in the hands of these companies certainly by the beginning of next week. It was not, in any of the cases, an easy decision to reach. The other four cases that have been heard, I expect to be able to announce a decision on them to file and have the text of the decision in the

hands of the respective companies toward the end of next week.

Let me say again, I appreciate, Mr. Chairman, the opportunity to appear before you and if we can have in the future, as we have had in the past, the cooperation of not only the importing companies but of the domestic industry in giving this thing a chance to work, I am sure that its success will assured.

Thank you very much, gentlemen.

(APPLAUSE)

*Introduction of Senator Joseph P. O'Mahoney
by
Honorable Senator
Walter S. Hallanan*

CHAIRMAN HALLANAN: Captain Carson, may I say to you that we are deeply appreciative of your very informative discussion with us this morning.

Gentlemen, it is the policy of the National Petroleum Council to invite the widest attendance at our meetings by representatives of the various departments and agencies of the Government and also by members of Congress. It is heartening to us to find this manifestation of interest in our meetings as reflected in the excellent attendance of the representatives of the various Government agencies.

Well, Congress is not in session at this time we are delighted that there is an outstanding member of the United States Senate who has followed the problems of the petroleum industry with great interest and who has followed the deliberation of this Council with tremendous interest. Senator Joseph O'Mahoney is our visitor this morning and I am happy to present him

to the Council at this time.

The Honorable Senator Joseph O'Mahoney.

(APPLAUSE)

REMARKS OF

THE HONORABLE JOSEPH C. O'MAHONEY

A UNITED STATES SENATOR FROM THE STATE OF WYOMING

SENATOR O'MAHONEY: Chairman Hallanan and members of the Council, as I listened to Captain Carson make his statement to you and refer to, I think, a song that we cannot very well look into the future, I was reminded of the carving upon one of the pediments of the Archives Building. The Archives Building lies between Pennsylvania Avenue and Constitution Avenue. It is the structure in which the archives of the Nation have been stored and the architect sought to make appropriate reference to the meaning of the function of the building.

One day several years ago, shortly after it was built, while the cab service in Washington was under pressure and the cab drivers were required to take more than one passenger, I was riding up Pennsylvania Avenue to the Capitol in a cab with a lady who was evidently a tourist. As we passed the Archives Building she saw one of the inscriptions on the impediments and it said, "What is Past is Prologue." She leaned forward and touched the cabbie on his back and said, "Driver, can you tell me what that means?" and he looked around at her and said, "Well, Madam, I think that means you ain't seen nothing yet."

I am happy to be here because I like to call on old friends and I have had a very pleasant relationship with the National Petroleum Council, with its chairman and other members with whom I have come in contact.

In my function as a member of the Senate and as a member of the committee having to do with the petroleum industry I have sought always to promote this spirit of cooperation which guides you, and which the Department of the Interior through its very able Secretary, and through Captain Carson, who has taken over the administration of this voluntary imports program, and they have all shown a great spirit of cooperation.

It is not my intention this morning to make a speech here but my thoughts after reading this morning's paper about the speech which was made before the United Nations yesterday by Ahmad Shukary, the representative of Saudi Arabia. I was reminded of the fact that blood is not only thicker than water, it is also thicker than oil.

Up in the Senate, on the Senate side of the Capitol, we have a television room where programs are prepared by members of the Senate and sent out to their respective states and there is a large globe which illustrates the geographical nature of the problems that confront us. I wish I had such a globe here this morning, to point out to you the false notion which some people in the country have today, that if a Third World War comes it will be a war on a foreign soil, which is utterly with-

out basis by the plain facts with which we are confronted.

These facts prove that if there is a Third World War it will, in all probability, be waged upon this continent.

You have heard the reports from Russia, of the Soviet success, the alleged success, in completing the construction of an inter-continental ballistic missile that can travel accurately through a range of 5,000 miles. That means nothing unless you also recall that the Soviet bases for launching these missiles are situated just across the Bering Straits in Siberia, and just to the other side of the North Pole in Northern European Russia. The bases are there. The missiles are said to be there. If they are launched, 5,000 miles from those bases or within easy firing distance of the industrial center of the United States.

All you have got to do to realize how important this is, is to recall the stories you have read in the press about the orders given to the Sixth Fleet to concentrate at the very eastern end of the Mediterranean. You know that it is alleged that Soviet Russia is seeking an outlet upon the Mediterranean Sea through Syria. Yesterday Aumad Shukary declared that we should not be concerned about Soviet Russia sending arms to Syria because, as he put it, the Western world, including the United States, is breaking up the relationship which we have sought to build with the Middle East and the people of the Middle East. This was a shocking statement to the State Depart-

ment of the United States because our policy has been to insure our relationship with the Arab world.

The Eisenhower Doctrine was intended to be a declaration to the world that the United States would protect the three Arab countries from attack by Soviet Communism.

Of all the friends in the Middle East that we thought we had, Saudi Arabia and King Saud was perhaps the leader, and it has not been a year since he was here in Washington, dined by the Executive authorities of this Government and in the presence of the great leaders of this industry which you represent. King Saud recently visited Syria and then he returned to his own Saudi Arabia and the next day came the dispatches from the Middle East that Saudi Arabia troops were marching toward the Gulf of Aquaba.

I do not pretend to see into the future but it seems to me it should be clear this means only one thing, that the Arabian nations are coming together with a greater unanimity of opinion with respect to their attitude toward Israel.

With this development over there and with the geographical facts I have cited about the proximity of attack from over the North Pole, and the situation in the Mediterranean and the Middle East, I think that it must be incumbent upon all of us who are concerned with the preservation of the United States of America and its population, to make certain that the production of liquid fuel and other energies in the country shall be

our first consideration.

We cannot begin to think as a people that we can look to the future and the danger of war in the fond hope that our source of fuel will of necessity be where able, official, diligent, and patriotic explorers have found it at low cost, by arrangements which they have made with the Government of foreign countries. We cannot with success depend upon the actions of any Government of any country. We must depend absolutely upon the action of the Government of our country and it is for that reason that today I appear here and second the suggestion, the suggestion both of the Secretary of the Interior and Captain Carson, that the petroleum industry and its leaders cooperate with what your Government will endeavor to do to solve this great problem that is before us.

You are dealing primarily with the Executive but you must remember, even though Congress is only the third and last alternative, suggested by Secretary Seaton for the establishment of an import plan, the regulation plan, not control, nevertheless the Congress is a vital part of the Government of the United States. We ask cooperation also with the Congress.

Mr. Chairman, I am very grateful to you for the opportunity to renew my respects to you and to your organization.

Thank you very much. *stop*

(APPLAUSE)

CHAIRMAN HALLANAN: Thank you very much, Senator O'Mahoney.

DR. WILSON: Mr. Chairman, in view of the remarks by Captain Carson, requesting cooperation from the various companies, I would like to restate our intention that while we were disappointed with the decision and it was denied us, the relief, to which we thought we were entitled, we intend to cooperate with the program as stated at this hearing.

(APPLAUSE)

CHAIRMAN HALLANAN: Captain Carson, do you wish to make an acknowledgement of Doctor Wilson's remarks?

CAPTAIN CARSON: I thank you very much, Doctor, and I want to say in arriving at the decisions, they were not easy, but they were not arrived at because I thought no matter what the decision might be that one or two companies might not cooperate; they were not based on that sort of reasoning.

I will say this, I never had any real doubt in my mind that whatever the decision might be your company would not cooperate as it has in the past with the Government on this matter.

Please accept my sincere appreciation and thank you, Sir.

(APPLAUSE)

CHAIRMAN HALLANAN: Gentlemen, I desire to present at this time an Interior Department representative to the United Nations Conference on proposed changes in international laws of the sea and relation to off-shore development, Mr.

William M. Terry, who has an interesting message to present to the Council.

Mr. Terry.

(APPLAUSE)

REMARKS OF
WILLIAM M. TERRY
OFFICE OF INTERNATIONAL RELATIONS
UNITED STATES FISH AND WILDLIFE SERVICE

MR. TERRY: Gentlemen, I have a problem to lay before you which is somewhat different than the problems you have considered in the past. I will get to it without delay.

The nations of the world will meet in Geneva, Switzerland, next February to consider some changes in international law. These changes are of great interest to the Department of the Interior and, we think, of great interest to the petroleum industry. The conference will deal with the law of the sea, and it will take up and possibly reach decisions on such questions as the extent of national jurisdiction over the continental shelf, national rights to explore and exploit the mineral resources in the shelf, fishing rights on the high seas, and the broad question of the freedom of the seas.

The Fish and Wildlife Service, Bureau of Mines, Geological Survey, Bureau of Land Management, and the Office of Oil and Gas, all under the Department of the Interior, are concerned with changes in international law. Each has responsi-

bilities which could be seriously affected by decisions made on these questions. It seems clear that the United States petroleum industry, which has interests in the mineral resources of the continental shelves off the coasts of many countries, could also be seriously affected by the decisions of the conference. The Department of the Interior wishes therefore to place this issue before you and obtain your advice.

The meeting at Geneva has been called by the General Assembly of the United Nations upon the recommendation of the International Law Commission. It will convene in Geneva in late February 1958 and is expected to continue its deliberations for two months. The United States Government is at the moment developing positions on the questions which will arise. I propose to take a few minutes to discuss the background of the conference, and the issues which we believe will be of interest to the petroleum industry. You have all been given a copy of the articles of law on the continental shelf drafted by the International Law Commission. We would like you to study these and give us your comments.

The International Law Commission is an agency of the United Nations. It was created in 1947 and consists of experts in international law selected from various parts of the world. Its members serve in a personal capacity, that is to say, they do not represent governments. The Law Commission was directed by the General Assembly to examine the entire field of inter-

national law with a view to codification of the law, and where desirable, progressive development of it. After some study, the Commission decided that the law of the sea was most amenable to codification, and since 1951 has devoted much of its attention to this problem. It has dealt with other problems, such as arbitral procedures and the law of treaties.

The law of the sea is, of course, a broad field, including such matters as the extent of territorial waters, piracy, the right of innocent passage, the immunities of public vessels, the conservation of fisheries, the continental shelf, and many others. The Law Commission found that with regard to some of these matters the law was clear and widely accepted; in others the law was vague or it was either nonexistent or in the process of development. Leaving aside those areas in which little question existed, the Commission gave immediate attention to the areas which the law was uncertain, nonexistent, or being developed, for example, fisheries, the continental shelf, and contiguous zones.

In its report to the General Assembly in 1953, the Law Commission submitted eight draft articles which, in its view, constituted a suitable codification of international law on the continental shelf. The articles resulted from the Law Commission's examination of international practice on the matter and a study of the comments of a number of governments, which were submitted to the Commission at its request. The draft

articles in essence reflected the views of the United States on the question, views which were made public in the Presidential Proclamation of 1945, the so-called Truman Proclamation. The articles defined the shelf, gave to the adjacent coastal nation sovereign rights for the purpose of exploring and exploiting the natural resources of the shelf, provided that such rights should not affect the status of the waters above the shelf or the airspace above such waters, and contained provisions regarding undue interference with navigation and fishing, and the settlement of disputes.

Although the United States was in general agreement with these articles, many nations had difficulty with them. In addition, because they were associated with articles concerning fishing and contiguous zones, on which there was little agreement among nations, the General Assembly returned the matter to the Law Commission with instructions to submit no further draft articles until it was prepared to deal with the entire body of the law of the sea.

At its 1954 session, the General Assembly, after giving further thought to the matter, directed the Law Commission to submit a report on the entire body of the law of the sea in 1956. The Law Commission complied with this directive and submitted to the General Assembly at its 1956 session a report containing some seventy draft articles constituting a codification of the law of the sea. In submitting its report,

the Law Commission pointed out that the subject was a complex one and that there was by no means unanimity of agreement among nations on the draft articles; and recommended that the General Assembly convene a conference of plenipotentiaries to deal with the matter.

After some debate, the General Assembly adopted the recommendation of the Commission and directed the Secretary General to convene such a conference, and it will be the one in Geneva in February 1958. It was doubtless the thought of the Commission and the General Assembly that from such a conference might come one or a series of multi-lateral treaties containing the essence of the draft articles.

So much for history. Let me turn now to the articles on the continental shelf, which appear in the latest report of the Law Commission, 1956, and comment briefly on each. I might begin by saying that like the first draft prepared in 1953, these articles, in essence, reflect the United States views. They are different in a number of respects from the 1953 draft, but broadly speaking they are in line with our past thinking. They offer some practical difficulties. But these no doubt can be solved.

Article 67 defines the continental shelf as the seabed and subsoil of the submarine areas adjacent to the coast but outside the area of the territorial sea, to a depth of 200 meters (approximately 100 fathoms), or, beyond that limit,

to where the depth of the superjacent waters admits of the exploitation of the natural resources of the said areas. You will note that the Commission has departed from the geological concept of the shelf. It has done this deliberately, after much soul searching, for two reasons: 1. The Commission recognized that the 200-meter limit would meet current needs, but thought it desirable to anticipate technological developments which would permit exploitation of the seabed beyond this depth, exploitation which would not differ significantly from that carried on within the 200-meter depth; 2. The Commission did not wish to differentiate between the continental shelf, as understood in the geological sense, and other submarine areas where the depth would permit exploitation in the same way as if there were a shelf. The use of this flexible outer limit raises some practical difficulties in connection with the establishment of boundaries between States situated opposite to one another across a body of water. You will note also that the shelf begins at the outer limit of the territorial sea. Thus the Law Commission is speaking of that area which the United States has referred to as the Outer Continental Shelf in the Outer Continental Shelf Lands Act (67 Stat. 462).

Article 68 provides that the coastal nation exercises sovereign rights over the continental shelf for the purpose of exploring and exploiting its natural resources. The Commission's language here may give the legal purist some difficulty. He may

take the view that sovereign rights are sovereign rights, and if substantially qualified they are no longer sovereign rights. The difficulty which the Commission has sought to solve by this language was that of giving the coastal nation enough jurisdiction or control to enable it to explore and exploit the resources, but at the same time ensure that this jurisdiction or control would not extend to the water above the shelf or the air above the water. The exact meaning of the term "natural resources" raises some difficulties, but fortunately not for petroleum people. In its commentary to Article 68, the Law Commission makes clear that it has always considered the mineral resources to be among the natural resources of the shelf. The question arises from differing views as to how many of the living marine forms are so considered. This question, of great interest to the fishing industry and the Fish and Wildlife Service, is under careful study and it does not seem profitable to occupy your time with a discussion of it.

Article 69 provides that the rights of the coastal nation over the continental shelf do not affect the legal status of the superjacent waters as high seas, or that of the airspace above those waters. It requires no comment.

Article 70 provides that subject to its right to take reasonable measures for the exploration of the continental shelf and the exploitation of its natural resources, the coastal nation may not impede the laying or maintenance of submarine

cables on the continental shelf. The intent of the Commission is to make clear that while the coastal nation may regulate the laying or maintenance of cables, it may not prohibit such activity. In connection with this article, the Commission gave some thought to a similar provision for pipelines. For reasons which are mentioned in its commentary, and because it felt no current need, it did not refer expressly to pipelines.

Article 71 elaborates somewhat on the right granted in Article 68 and places some limitations upon its exercise. It provides that the exercise of the right must not result in unjustifiable interference with navigation, fishing or the conservation of the living resources of the sea; that with certain limitations, the coastal nation may construct and maintain installations on the shelf in the exercise of the right, and establish safety zones at a reasonable distance around such installations; it provides that such installations shall not have status as islands; that such installations may not be established in narrow channels or where interference may be caused in recognized sea lanes; and finally that due notices must be given of any such installations constructed and permanent means for giving warning of their presence maintained.

Article 72 deals with the establishment of boundaries of the continental shelf between adjacent nations or nations situated opposite one another across a body of water. The difficulties involved will become apparent immediately.

Article 73 provides for referral of disputes arising under these articles to the International Court of Justice unless agreement is reached upon another peaceful method of settlement.

In this brief review, I have attempted to do no more than highlight the Law Commission's recommendations in such a manner that their impact upon the interests of the United States petroleum industry will be apparent. The articles deserve the most careful study. The Department urges that you give them your attention at an early date and submit such comments and suggestions as you may have to Mr. H. A. Stewart, Director, Office of Oil and Gas.

If it is wished, we will be happy to discuss the articles with individuals or small groups while you are here in Washington.

Thank you, Sir.

(APPLAUSE)

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

At the last meeting of the Council we had a good amount of subjectivity development in the military defense program, and at this time we will pass to the report from the military agency and the Chairman is happy to recognize General L. E. Cotulla, Staff Director, Petroleum Logistics Division, Office of Assistant Secretary of Defense.

General Cotulla.

(APPLAUSE)

REMARKS OF

MAJOR GENERAL L. E. COTULLA, USA

STAFF DIRECTOR, PETROLEUM LOGISTICS DIVISION

OFFICE OF ASSISTANT SECRETARY OF DEFENSE

GENERAL COTULLA: Thank you, Mr. Chairman.

Gentlemen, I note with some dismay that I am scheduled to talk about military requirements. Let me say this very briefly, that I am naturally reluctant to rush in where two of the preceding angels fear to tread, namely, taking a look at the future and I am not about to for a number of reasons which are quite apparent to all of you, I know.

The military requirements for the future are somewhat unsettled at the present time. So, if you will permit me to appear before you at some time in the future, perhaps at your first meeting after the first of the year, perhaps at that time I will be able to give you a little clearer picture as to what is taking place, but for the moment I'm going to have to beg off.

I wish it to be clearly understood, however, that I am not pleading the Fifth Amendment in this particular case.

(APPLAUSE)

CHAIRMAN HALLANAN: For the Military Petroleum Procurement, we have with us this morning Captain Charles A. LaFarge, United States Navy, Deputy Executive Director of

the Military Petroleum Supply Agency.

Captain LaFarge.

(APPLAUSE)

REMARKS OF

CAPTAIN C. A. LAFARGE, SC, USN

ACTING EXECUTIVE DIRECTOR OF THE MILITARY PETROLEUM
SUPPLY AGENCY

AT THE MEETING OF THE NATIONAL PETROLEUM COUNCIL
IN WASHINGTON, D. C. ON 3 OCTOBER 1957

CAPTAIN LAFARGE: Mr. Chairman, gentlemen.

Admiral Lattu, the Executive Director, who usually represents the Military Petroleum Supply Agency at these meetings, is on the West Coast attending the Quartermaster Association Convention in San Francisco, so I have the pleasure of being here today.

Prior to preparing these remarks, I looked over a number of those made by my predecessors, and have found that, in general, they had something positive, and often something quite useful to say--sound program figures, future requirements, forecasts, demands for new products, and so forth. I too have searched for something valuable to say but to my embarrassment, I find that I am confronted on every hand with cutbacks, underliftings, cancellations, open end contracts, the Buy American Act, and the offshort procurement of jet fuel. With all this list, I have by no means touched even the hem of the

garment of these unattractive subjects. Reassured, however, that I am not treating them in any light vein.

We in the military are only too conscious of their tremendous significance--to you, to the industry, and not the least important, to us, who inevitably feel the impact of what affects the industry.

We have to solve the problems, and having solved them, to live with the solutions. We are not in business for the short haul. On the contrary, we expect to continue for a long time to come, the exceptionally fine relationships which have for many years existed between the petroleum purchasing agency of the military and that most vital and essential of today's industries--petroleum. The problems affect the military just as much as they do the industry --they are ours, and we cannot solve them within water-tight compartments, but by mutually working out those solutions which reflect the mutual benefit.

Many of the problems stem from a limitation on obligations, which is another way of saying that the Services--Army, Navy, Marine Corps, and Air Force--must reduce expenditures. Consequently, manpower is reduced, so are purchases, installations are affected, and all industry feels the impact. In Petroleum certain special problems are paramount--tankers are still at sea, refinery runs cannot be changed overnight, you cannot create tankage where none exists. We are just as

conscious of these problems as you are, and the military services are, to a man, aware of the situation and doing everything possible to minimize the shock. We have coordinated cutbacks, we have distributed as equitably as we can the remaining requirements both to small business and to the majors, and we are leaving nothing undone which can in any way alleviate hardship.

On the positive side, the Military Petroleum Supply Agency, has already sent a group to the West Coast to discuss mutual problems with industry. We plan, if this trial proves practical and valuable, to continue and expand the practice.

Furthermore, we have plans for a larger meeting of the Agency and industry, and the Services. There have already been indications from the industry that such a meeting would be welcome.

As I have said earlier, we are not in any short haul business. We have been buying and distributing and consuming petroleum for some time now, and we will be associated with you in industry for the years to come. We will do our utmost to make those years mutually satisfactory.

Thank you.

(APPLAUSE)

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CHAIRMAN HALLANAN: Mr. Milligan, are you ready to present the report of the Committee on Petroleum Storage Capacity?

MR. MILLIGAN: Yes.

CHAIRMAN HALLANAN: Mr. Milligan is the Chairman of that Committee.

We will now hear the report of the Committee on Petroleum Storage Capacity.

REPORT OF THE
COMMITTEE ON PETROLEUM STORAGE CAPACITY

R. L. MILLIGAN, CHAIRMAN.

MR. MILLIGAN: Chairman Hallanan, fellow members, and guests:

This report of the Committee on Petroleum Storage Capacity has been prepared as a result of the affirmative action taken by the Council at its March meeting, in response to a recommendation of the Agenda Committee in connection with a communication dated March first from Mr. H. A. Stewart, Director, Office of Oil and Gas, U. S. Department of the Interior. That communication requested another periodic study of the above ground storage capacity in the United States for crude oil and the principal petroleum products, as well as a re-appraisal of the portion of these products normally reported in inventory but unavailable.

This is the fifth such survey conducted by Petrole

Storage Capacity Committees of the Council -- the first having been made in 1948.

As in previous reports of your Committee, it was again thought desirable to relate this analysis to some previously reported actual inventory situation. It again chose March thirty-first as the reporting date because of the obvious desirability of determining inventory and storage relations at this seasonal turn in the operations of the industry.

The response to the requests which the Committee sent out for information was again extremely gratifying. The range was from approximately 96 per cent of all of the gasoline reported by the Bureau of Mines as in storage on March thirty-first last, to almost 99 per cent of the distillate fuel oil in storage at that time.

I will not attempt to present many of the details of the report. I can assure you, however, that it would be well worth any time that you or the members of your staff may care to spend on study of the comparisons included, and in the trends of the various items that go to make up the unavailable inventories of our industry over the nine-year historical period of these surveys.

Touching on a few of the highlights and beginning with the crude oil section which analyses 97 per cent of all of the crude oil reported by the Bureau of Mines, except producers' stocks, the study group found:

CRUDE OIL

(1) That the total storage capacity assigned to crude oil on March thirty-first last, amounted to slightly more than 415 million barrels and that this storage contained 173 million barrels of crude indicating that assigned capacity was 42 per cent full.

In contemplating the seeming low ratio of total storage capacity to the amount in tanks of approximately 42 per cent as shown in the report, your Committee again stresses the point that in no sense can the difference between actual inventories in tanks and related storage capacity be taken as an indication of available storage space. The flexibility this ratio indicates has had to be established in order to provide for the large seasonal variations in demand, and must remain if normal operations are to prevail and if the necessary supplies are to be delivered to consumers efficiently and on schedule.

(2) That out of a total 226 million barrels of crude inventories reported in the survey only 68 million, or about 30 per cent, are available for shipment.

In other words, about 70 per cent or 158 million barrels of all of the crude oil normally reported as in inventories, excluding producers' lease stocks, are tied up in the industry's far-flung operating system and represents the minimum necessary to assure continuous processing, handling and blending of the various types of crude oil, and have to

remain in the system if the industry is to operate efficiently and well. Of the total amount unavailable pipe line fill alone is slightly more than 47 million barrels. Another 39 million also included in the unavailable figure above is necessary to assure continuous operations of these lines if serious operating difficulties are not to be encountered.

CLEAN PRODUCTS

In all previous surveys of storage capacity, clean products -- gasoline, kerosine and distillate fuel oils -- were surveyed as a group. The well-known interchangeability of clean storage between and among these products was one of the primary reasons for proceeding in that fashion. However, the recent request of the Office of Oil and Gas asked that these products be studied separately. This was done, but, so that the continuity of previous reports might not be disturbed, this survey also groups these three into a clean products total, and makes the indicated long-term comparisons on that basis.

The details of the returns revealed:

(1) That 560 million barrels of storage were assigned to this group as of March thirty-first last. Gasoline storage capacity was about 55 per cent full on the date indicated; kerosine 41 per cent, and distillate fuel oil 38 per cent. In contemplating these figures it should be kept in mind that gasoline storage was near its seasonal high on the survey date while kerosine and distillate fuel oils were approaching their seasonal

lows.

(2) That of total "Clean Products" inventories of 294 million barrels reported in the survey 104 million barrels or 35 per cent were unavailable. This ratio has declined continuously during the nine year period. However, the actual volume of unavailable stocks has increased 28 million barrels or something over one-third. Specifically, pipe line fill is now 15 million barrels, an increase of 10 million barrels during the nine year period and pipe line operating requirements are 11 million barrels, an increase of 5 million barrels, an increase of 5 million barrels in the same time span. The increased requirements of other transportation media, manufacturing and marketing facilities account for the remainder of 12 million barrels of the increase.

RESIDUAL FUEL OIL

Similar comparisons are included in the report on residual fuel oil. These reflect the trends with respect to that product as they generally have been in the past nine years.

About 38 per cent of total reported inventories are unavailable while 62 per cent could be shipped as against current demands or held as part of required seasonal build-up. Storage capacity on the reporting date, which includes about 29 million barrels of reservoir storage in California and 50 thousand in the Arkansas-Louisiana Inland District, was only 36 per cent full -- again indicating the need of complete

flexibility of movement.

GENERAL

Again it may be said, as in all previous reports by the Committee on Petroleum Storage Capacity, that the industry must maintain what may appear to represent very large storage capacity in comparison with the actual inventories contained therein. This relationship, based on nine years of these studies, indicates the necessity of maintaining total storage capacity of more than two barrels for each barrel of actual inventory.

Also interesting to those not familiar with the details of our operations is the large amount of reported inventories that the industry has to carry as unavailable in its widespread producing, refining, transportation and marketing facilities in order to do the job. These unavailables, from the point of view of crude oil, total about 70 per cent of reported inventories. For the four major products the range of unavailables to total inventories -- in the case of kerosine is about 33 per cent, residual fuel oil ratio of unavailables to total is 38 per cent, with distillate fuel oil 34 and gasoline 36 per cent.

The Committee's report carries full details, by Bureau of Mines Refining Districts, for crude oil and each of the principal products, all of the individual items of unavailables, with some of the more important districts broken up into

smaller segments thereof. The report also includes, in considerable detail, comparisons with all previous reports running back to that of 1948.

The figures do not include any inventories or storage capacity, if any, in the hands and control of the military.

I wish to pay tribute to the Committee, composed of Fred E. Bergfors, Sr., of The Quincy Oil Company; H. S. M. Burns, Shell Oil Company; James P. Dunnigan, The Lazy Oil Company; R. G. Follis, Standard Oil Company of California; Harry B. Hilts, of New York; J. Howard Marshall of Signal Oil and Gas Company; Roland V. Rodman of Anderson-Prichard Oil Corporation; W. K. Whiteford of Gulf Oil Corporation, and W.W. Vandever, Vanson Production Corporation.

I want to pay tribute and appreciation to our subcommittee, composed of: John W. Boatwright of Standard Oil Company of Indiana; Austin Cadle of Standard Oil Company of California; Richard J. Gonzalez of Humble Oil & Refining Company; C. V. Horkey of The Pure Oil Company; W. F. Kirk of the General Petroleum Corporation; A. J. McIntosh of Socony Mobil Oil Company, Inc., and the secretary of the committee, W. J. Arnold.

I wish to ask Mr. Fred Van Covern, Chairman of this subcommittee, to stand, and I would like to introduce him to the Council.

Mr. Van Covern.

. . . Applause . . .

MR. MILLIGAN: This report is respectfully submitted, Mr. Chairman.

CHAIRMAN HALLANAN: May I pay tribute to the Chairman, Mr. Milligan, for your part, too.

MR. MILLIGAN: Thank you.

CHAIRMAN HALLANAN: You heard the report of the Special Committee on Petroleum Storage Capacity. We move that the report be adopted. What is your pleasure?

FROM THE FLOOR: So move.

FROM THE FLOOR: Second.

CHAIRMAN HALLANAN: All in favor of the adoption of the report, indicate by saying "Aye."

Contrary "No."

The report is unanimously adopted.

Gentlemen, while he has arrived at a little later hour than Secretary Seaton, Senator O'Mahoney and Captain Carson, we nevertheless are happy to have another member of a very important Government team, who has a very direct relationship to some of the important problems of the petroleum industry. I think this is the first appearance that we have had before the Council from Dr. Gordon Gray, the Honorable Gordon Gray, Director of the Office of Defense Mobilization.

Dr. Gray, your predecessor was with us on several

occasions. This is a regular meeting of the National Petroleum Council, a group appointed by the Secretary of the Interior to advise the Government on all problems related to petroleum.

This is your first meeting. We are happy to have you here.

Gentlemen, I desire to introduce Dr. Gordon Gray.

REMARKS OF

THE HONORABLE GORDON GRAY, DIRECTOR,
OFFICE OF DEFENSE MOBILIZATION.

DR. GRAY: Mr. Chairman and gentlemen:

I am very pleased to have this opportunity to make my first appearance before the Council and with the Council. I am grateful for the invitation and for the opportunity. I extend my apologies for finding it necessary to come at this hour instead of somewhat earlier.

I have mixed emotions about an observation that I would be just about to make, and that is sometimes I wish that oil problems were the only things I had to deal with, and sometimes I wish I did not have anything to do with them. So I cannot say that I devote all of my time to this kind of thing.

I was interested in the Chairman's reference to me as a member of the Administration team, and I think that is an appropriate and accurate reference.

When I think of team work I am reminded of the story that Lewis Strauss has told publicly and perhaps I hope may not

be known to all of you, about the man and wife who were noted widely for their domestic felicity.

They were the envy and awe of all the neighbors, because it was wellknown they never had a quarrel, were always serene and calm and placid in their household and at all times.

One day one of the neighbors asked the husband how they managed this.

"Well," he said, "when we were first married we made an agreement which we have observed to the letter through the years and everything has been very happy."

His friend asked him what the agreement was, and he said, "Well, we early decided that my wife would make all the little decisions and I would make all the big ones, and we have meticulously observed that formula."

So his friend wanted to know, of course, what he meant by little decisions and big decisions.

And he said: "My wife decides how fast we are going to have to pay off the mortgage on the house and how much will be budgeted for clothes and entertainment. She selects the doctors. She decides where the children will go to school, decides whether we will try to be a one-automobile family or a two-automobile family. She makes all those little decisions.

"I decide whether we should invite Red China to be a member of the United Nations or not, -- that kind of decision."

. . . Laughter . . .

We try to move in harmony and concert, and I believe we do.

When I became the Director of the Office of Defense Mobilization, I knew very little about the oil industry, and I do not pretend now to know a great deal, but I have, of course, of necessity learned a few things. Some of my teachers are here present, and with whom I have spent a collective total of many hours in the process of education.

If you will indulge me another pleasantry, I will say that my understanding of the oil business is just about like the story of Professor Einstein who was sought for a very long time very eagerly by an ambitious Washington hostess who wanted him as an exhibit at one of her dinners. He finally, I think, out of worry, accepted the invitation.

He hardly got into the house when she sat him down and said, "Now, Professor, I would like for you to explain your theory to my guests in just a few words, if you will."

And he said: "Madam, I prefer to tell you a story. Perhaps this will satisfy you."

He said, "One day I was walking down the street with a blind man, a friend of mine, and I said to him: 'I think I would like a glass of milk.'

"And the blind man said: 'What is milk?'"

Einstein said: "Milk is a white liquid."

The blind man said: "Liquid I know. But what is white?"

Einstein replied that white is the color of a swan's feathers.

The blind man said: "Feathers I know. But what is a swan?"

Einstein said: "A swan is a bird with a crooked neck."

The blind man said: "Bird I know. But what is crooked?"

Einstein took the man's arm and bent it like this (indicating) and said: "Your arm is now crooked."

The blind man said: "Now I understand what milk is."

. . . Laughter . . .

I believe that there have been those who have spoken to you this morning on the subject of the importation of crude oil. I think I would not try to add too much to what I have a notion they may have said to you except to say that in my official capacity I think I am entitled to express the fervent hope that the plan which the Special Cabinet Committee recommended to the President and which he approved and which has been presented to the industry will succeed. I see very difficult possibilities should it fail.

I express in my position of having a residual policy responsibility -- perhaps the word "residual" is unfortunate --

. . . Laughter . . .

-- a remaining policy responsibility; as you know, under the

recommendations of the Cabinet Committee, I have not been divested of interests which are continuing in the oil situation.

I think I should make it clear, if it is not already clear to you, that the Director of the Office of Defense Mobilization is not a member of the Special Cabinet Committee which has taken on the familiar name, I think, of the Weeks Committee. This is proper and quite understandable when, in effect, under the legislation involved, the investigation which the President must make is in a sense an investigation of the certification of the Director of the Office of Defense Mobilization; whereas the committee is kind enough to keep me informed and we have almost constant and daily relationships with those who are administering the program, I am not a member of that committee. I retain my interest and concern and must, under the law, and under the President's action,

I would say, if I may, just for a moment or two, a word about mobilization preparedness, which is my principal responsibility in my job. Many of the activities I engage in are contributory and in many cases seem almost peripheral to the question of mobilization preparedness. But the reason that my office is interested in the oil situation, for example, is to make certain that in the event of an emergency, whether it be a limited emergency or the worst kind of catastrophe we can face that the country has the necessary resources to fight, survive and fight again if necessary.

I would leave in this general area, then, one thought with you, if I may: that is, that I think that all of us are perhaps too prone to think of mobilization preparedness in terms of world war II and a Korea-type emergency. This is necessary because our planning must visualize the possibility of limited aggression, peripheral wars, local action, however you choose to describe it. But, unhappily, also in the present state of world affairs, we must conceive of a possibility of nuclear war, perhaps even resulting from surprise attack.

This is a situation in which our country has never found itself in the past, and we have been in international hostilities. We have not really been threatened with devastation of our people and resources as we might in the kind of era we now find ourselves.

Whereas, I think I can report to you that our measures for the continuity of the Federal government, our planning, our facilities for the maintenance of the continuity of the Federal government are in fairly satisfactory shape -- that is to say, with any kind of warning the Federal government could relocate, could attempt to put into action our plans for emergency war agencies and things of that sort; nevertheless, no longer can we be sure that whatever effectiveness the Federal government might have in place it may be ineffective as far as the field is concerned, that is, country-wide.

3 So I ask that not only as you think in terms of the nation's preparedness, but as you think in terms of the preparedness of the activities in which you are professionally engaged, that you remember that we have only begun to scratch the surface, I think, in doing the kind of planning that would be necessary to meet a truly chaotic situation.

We ask the cooperation of industry, of course, as we go about seeing to prepare for that kind of an eventuality.

I think I should like to conclude these informal observations to you with a word about industry-government cooperation. I think that on many occasions I have expressed my own philosophy as to this matter and it simply is that in order to get ahead in the kind of complex society in which we live now there must be industry-government cooperation. This has manifested itself, of course, many times between the oil industry and the Federal government. I have in mind in recent times the Middle Eastern emergency committee, which we think was a successful and necessary operation. I must frankly confess that the operations of that committee or perhaps the philosophy underlying it has been criticized in some quarters, and I suppose none of us would assert perfection for anything we have done, but this was an effective measure of industry-Government cooperation.

I also think in terms of the Military Petroleum Advisory Board, which not only has been of tremendous assistance

to the Federal Government and its various agencies in discharging their responsibilities, but which I believe has a tremendous potential for future assistance.

Recognizing that there are ground rules under which we must all live and as to that I suppose that both you in the industry, and we in the government, are in the hands of the lawyers to a very considerable extent, recognizing that there are ground rules which must be observed, nevertheless I hope that we can continue, what seems to me, has been the fine cooperation between this entity in which I am now serving and the entity which is the oil industry.

I think we are in for real trouble if we do not maintain and support this cooperative endeavor.

I know many of you personally, I know of your service to your country in various capacities, and I said once at an MPAB meeting that the earliest instruction, however had in the oil business, came when I was in law school a good many years ago, and here present is my instructor, known to all of you, I guess, Howard Marshall, an old friend and co-student in law school, and then my education, as I say, has been furthered in these recent months.

I would like to say, as a closing observation, what I said to some individuals here present as I talked with the officials of importing companies back in the summer, that I learned in these talks, and I had approximately twenty inter-

views with various people -- I learned to respect the officials of this industry. I found by and large that this is the executive group in the industry who are a pretty hard-hitting group. I found them intelligent, frank, and absolutely clear in expression of their views. I said, as some of you will remember, that I understand now why, by and large, the oil industry has been a successful one. I think it has intelligent, able leadership. I hope this intelligent, able leadership will continue to be an enlightened leadership.

I am grateful for your patience.

. . . Applause . . .

CHAIRMAN HALLANAN: Dr. Gray, we are very thankful to you for coming, and we hope we may be favored with your presence at a future meeting.

DR. GRAY: I will look forward very much to being with you, Mr. Chairman.

CHAIRMAN HALLANAN: We are very happy to have had you.

DR. GRAY: Thank you very much.

CHAIRMAN HALLANAN: Mr. William Warren, Chairman of the Committee on Availability of Liquefied Petroleum Gas.

Mr. Warren, are you ready to present your report?

MR. WARREN: Yes, sir.

CHAIRMAN HALLANAN: The Committee on Availability of Liquefied Petroleum Gas.

REPORT OF THE
COMMITTEE ON AVAILABILITY OF LIQUEFIED PETROLEUM GAS

WILLIAM K. WARREN, CHAIRMAN.

MR. WARREN: Mr. Chairman and gentlemen:

This report has been prepared pursuant to action of the National Petroleum Council at its meeting on March 7, 1957 in approving recommendations of its Agenda Committee with reference to requests contained in a letter dated March 1, 1957 from Mr. H. A. Stewart, Director, Office of Oil and Gas, United States Department of the Interior, to Mr. Walter S. Hallanan, Chairman.

Preparatory to obtaining the data necessary for completion of this Committee's report, the Chairman requested each Committee member to suggest an individual in his own company -- or in another company if he so desired -- for appointment to a Technical and Statistical Subcommittee.

Following replies to this request, the Chairman appointed the six suggested individuals to that Subcommittee.

A questionnaire was designed to determine expected changes in liquefied petroleum gases availability for the year 1957, and to determine the quantity of liquefied petroleum gases that could be made available under two assumed conditions in the event of a national emergency, that would necessitate the lifting of proration of crude oil and natural gas production. Those two assumed conditions were:

1. Maximum availability through present facilities.
2. Maximum availability through facilities which would be expanded to recover as much as possible from the available gas supply.

The widespread mailing of this questionnaire form was greatly facilitated through cooperation of the Bureau of Mines, which supplied its mailing list used in connection with its statistical data gathering.

Industry response to the survey was excellent. The information requested was received from companies operating almost 100 per cent of total industry capacity as of the end of 1956.

The data was assembled into three tables showing, by districts, by products, and by type of plant, the actual 1956 production as reported by the Bureau of Mines, anticipated changes in liquefied petroleum gases productive capacity in 1957, and the probable availability under the above two conditions in the event of a national emergency.

The more interesting indications of the survey findings are:

(1) Capacity availability of liquefied petroleum gas and the principle liquefied petroleum gas products could increase during 1957 by the gallonages shown below. This is a measure of the increased capacity to produce liquefied petroleum gas at new and at present plants and is not a dependable

indicator of the actual increase which might be expected in liquefied petroleum gas production in 1957.

**Anticipated U. S. Increase
in LP-Gas Productive
Capacity in 1957**

(000's of Gallons)

Total All LP-Gas	<u>816,619</u>
Propane	517,954
Butanes	234,642
Iso Butane	40,001

(2) Maximum availability through present plant facilities under emergency conditions as shown below could be substantially greater than present production and with expanded plant facilities the reports indicate that liquefied petroleum gas availability could be increased by more than 81 per cent.

Emergency LP-Gas Availability
(1) (2)

	Present Plant (000's of Gallons)	Expanded Plant (000's of Gallons)
Total All LP-Gas	<u>12,189,542</u>	<u>15,383,003</u>
Propane	6,053,409	7,361,547
Butanes	3,036,404	3,992,842
Iso Butane	582,682	866,597

(3) Liquefied petroleum gas availability in 1957 will increase in all but one of the thirteen refining districts, but the amount of increase will vary from less than 5 per cent

of 1956 production in four of the districts to more than 20 per cent of 1956 production in another four of the districts.

(4) Under emergency conditions the greatest potential increase in availability over present actual production would be in the Texas Inland, Texas Gulf Coast and Oklahoma-Kansas-Missouri refining districts.

(5) Under both normal and emergency conditions availability of all individual liquefied petroleum gas products would increase, with the exception of butane-propane mixtures.

(6) Under normal conditions the larger increase in liquefied petroleum gas availability would be at refineries, but under emergency conditions the larger increase would be at natural gas liquids plants.

The Committee wishes to include in this report an expression of its sincere thanks to the industry for its splendid cooperation, and to the Technical and Statistical Subcommittee for its excellent handling of this difficult assignment.

I move the adoption of this report.

CHAIRMAN HALLANAN: You have heard the report, gentlemen, as presented by the Chairman, Mr. Warren. It has been moved the report be adopted.

Are there any remarks?

Is there a second?

FROM THE FLOOR: Second.

CHAIRMAN HALLANAN: All in favor of the adoption of the report as presented by the Chairman will indicate by saying "Aye."

Contrary "No."

The report is unanimously adopted, with thanks to the Committee, and thanks to you, Mr. Chairman.

MR. WARREN: Thank you.

CHAIRMAN HALLANAN: We move now, gentlemen, to the matter of receiving a Progress Report from Mr. Clyde Foster, Chairman of the Committee on U. S. Petroleum Refinery Capacity.

Mr. Foster.

PROGRESS REPORT OF THE
COMMITTEE ON U. S. REFINERY CAPACITY

MR. CLYDE T. FOSTER, CHAIRMAN.

MR. FOSTER: Mr. Chairman, members of the Council, and guests:

I regret that this report is not complete, although you have in the writing distributed to you the report in the form which it will be ultimately submitted less, however a summation of the statistical figures.

This committee was appointed by the National Petroleum Council on March 29, 1957, to study and develop statistics on United States refinery capacity.

The original request from Mr. H. A. Stewart, Director

of the Oil and Gas Division, Department of the Interior, asked the National Petroleum Council to "ascertain the U. S. petroleum refinery capacity by principal refining areas as of January 1, 1957, showing anticipated increase in capacity resulting from facilities now under construction or facilities the construction of which has been announced... In addition to crude oil throughput, information on thermal and catalytic cracking, thermal and catalytic reforming, hydrogenation and alkylation, both aviation and motor, should be included."

As we all know, significant technological advances in recent years have enabled domestic refiners to produce a larger proportion of higher quality products. Knowledge of the capabilities of U. S. petroleum refineries, according to Mr. Stewart's request, is essential to an evaluation by the government of petroleum supply in peace or war.

A Working Subcommittee was appointed on May 28 to study the request and develop the necessary statistics. Members of the Committee and Working Subcommittee are listed in Appendix I of the writing which has been circulated to the Council.

The Subcommittee met in Washington on July 26. At the Committee's request, Messrs. C. D. Fentress and L. G. Rodgers of the Office of Oil & Gas; J. V. Brown and V. Brown of the National Petroleum Council; J. G. Kirby of the Bureau of Mines; and Mr. Fred Van Covern of the American Petroleum Institute, were also present.

After extended discussion, the Subcommittee arrived at several conclusions which may be summarized as follows:

First, that the purpose of the study is to provide a portion of the data needed by the Military Petroleum Advisory Board in making a broad wartime emergency study requested by the Departments of Defense and Interior. In making its study, the Military Petroleum Advisory Board addressed a questionnaire to refiners requesting capacity statistics not considered part of the study requested by the National Petroleum Council. It became important, therefore, to define the scope of the Council's survey so as to avoid duplication of effort and the placing of an unnecessary burden on refiners.

Second, that the starting date of the survey should be moved from January 1, 1957 to March 31, 1957 to correspond to the starting data for the Council's Committee on Petroleum Storage Capacity.

Third, that survey dates, July 1, 1958 and July 1, 1959, should be substituted for the phrases "showing anticipated increases in capacity from facilities now under construction or facilities the construction of which has been announced," in the original Committee assignment. It was felt that such definite dates would be less confusing to refiners in filling out the questionnaire, which is attached to the writing circulated to you. In addition, July 1, 1959 corresponds to the request date for the Military Petroleum Advisory Board

capacity survey previously referred to.

Fourth, that the statistics should be gathered on an individual refinery basis and be combined into principal geographic refining areas. Refining areas are to be defined as Bureau of Mines refining districts, with East Coast, Indiana-Illinois-Kentucky, Minnesota-Wisconsin-North and South Dakota, and West Coast Districts broken down into sub-districts. Within a district or sub-district, figures are to be tabulated for capacity on tidewater.

Fifth, that the American Petroleum Institute definition of operable refining capacity is to be used. The details of this definition are included as part of the attached questionnaire.

Sixth, that the survey results are needed by Department of the Interior on November 1, 1957.

The Subcommittee prepared the attached questionnaire with the assistance of the Refining Technical Subcommittee of the Military Petroleum Advisory Board. Questionnaires were mailed to all refiners in the United States prior to August 15. As of September 30th, 74 per cent of the questionnaires sent to the 265 companies concerned had been returned. These replies include 93 per cent of the refineries and 99 per cent of the throughput capacity reported by the Bureau of Mines as of January 1, 1956.

The Committee expects to have the capacity figures

tabulated and in report form by October 31. Since it is important to have the survey results available to the Department of the Interior by November 1, a final report with the actual figures missing has been prepared and approved by the Subcommittee and Committee. Copy of such report is included in the writing which has just been given you.

Since the actual figures will speak for themselves, I have been authorized by the Committee to present a resolution to the Council at this time authorizing delivery of the final report, including statistics as to capacity, to the Department of the Interior on November 1.

Before doing so, I would like to express the appreciation of the main Committee, as well as that of Mr. Keeler as Chairman of the Military Petroleum Advisory Board, for the splendid work done by Chairman McConnell and the other members of the working Subcommittee. I also wish to acknowledge the Committee's indebtedness to Messrs. H. A. Stewart and C. D. Fentress of the Office of Oil and Gas for their invaluable help in defining the scope of this work and to Mr. J. V. Brown of the National Petroleum Council for his efforts in securing and compiling the necessary basic information.

Mr. Chairman, I move approval of the progress report just submitted, together with instructions to the Committee to deliver the final report in the form shown, including statistics as to capacity, to the Department of the Interior on or before

November 1, 1957 with the further instruction that such report be submitted to the Council for review and final approval at its next meeting.

Thank you.

FROM THE FLOOR: Second.

CHAIRMAN HALLANAN: Gentlemen, the effect of the resolution submitted by Mr. Foster is to give the Department the access to the final report of the committee prior to its adoption by the Council. The final adoption would ordinarily come at the first meeting of the Council next year. Under our rules of procedure, I see no objection to the adoption of the resolution proposed.

MR. FOSTER: Thank you.

CHAIRMAN HALLANAN: It has been moved and seconded that the resolution read by Mr. Foster be adopted.

Are you ready for the question?

All in favor indicate by saying "Aye." Contrary "No."

(Unanimous)

Thank you very much, Mr. Foster, for the very outstanding job you have done for the Committee.

Mr. Stewart, you will then have access to this report.

MR. STEWART: Yes, sir, very well.

CHAIRMAN HALLANAN: The report of the ^{Committee on} Petroleum Productive Capacity, Mr. McCollum, chairman.

REPORT OF THE
COMMITTEE ON PETROLEUM PRODUCTIVE CAPACITY

MR. L. F. McCOLLUM, CHAIRMAN.

MR. McCOLLUM: On March 1, 1957, Mr. H. A. Stewart, Director of the Office of Oil and Gas of the United States Department of Interior, addressed a letter to the Chairman of the National Petroleum Council requesting the following information:

(1) the productive capacity of the United States for crude oil and natural gas liquids as of January 1, 1957

(2) the length of time this petroleum productive capacity could be sustained without drilling

(3) the estimated rate of decline of productive capacity assuming no further drilling

(4) the number of wells that must be drilled to maintain this productive capacity, and

(5) the effects of technological developments on the relationships between reserves and petroleum productive capacity.

Pursuant to this request, the Committee on Petroleum Productive Capacity (1957) was appointed. Separate subcommittees were appointed for the five producing districts in the United States. These subcommittees consisted principally of the engineers and geologists who worked on prior studies on productive capacity

for the National Petroleum Council. They represented all segments of the producing industry from small operators to the largest companies. Because of the magnitude of its task, the District 3 (Southwest) Subcommittee established additional subcommittees of its own. The district subcommittees called upon hundreds of specialists with particular knowledge about the reservoir conditions and productive capacity of the principal fields. Numerous meetings were held to discuss and review the findings on productive capacity.

The estimates prepared by the subcommittees as of January, 1957, are comparable with the previous availability studies prepared for the National Petroleum Council as of January, 1951, January, 1953, and July, 1954, and are shown in the tabulation below. A comparison with previous estimates is set forth in Table 1.

Productive Capacity, Thousand Barrels Daily
Natural Gas

District	Crude Oil	Liquids	All Oils
1. East Coast	37	14	51
2. Mid-Continent	1,591	135	1,726
3. Southwest	6,613	589	7,202
4. Rocky Mountain	615	16	631
5. West Coast	<u>1,011</u>	<u>91</u>	<u>1,102</u>
Total	9,867	845	10,712

I think it would be worthwhile if you would turn to

Table 1 further back in the report.

(Table 1 referred to is as follows:)

MR. McCOLLUM: In Table 1 there is a comparison again by districts of the figures covered by this report, January, 1957, and for three previous reports made in January, 1951, January, 1953, July, 1954, and then the figures which I just read on the previous page, showing on the right, the annual rate of changes from 1951 to 1953, an increase of 430 thousand barrels daily; 1953 to 1954 report 625 thousand barrels daily; and from the 1954 to the 1957 report, an increase of 646 thousand barrels daily. This was put in by your Committee in order to show you trends of increase in productivity.

Now, turning back to 1957 report, you see there that the productive capacity for barrels daily is down between crude oil and natural gas liquids. The total productive capacity for January, 1957, for crude oil is 9,867,000 barrels. The figure for natural gas liquids for the same period is 845,000 barrels daily. The two added together are 10,712,000 barrels daily.

As shown above, the productive capacity of petroleum liquids at wells and plants in January, 1957, was 9,867,000 barrels daily of crude oil and 845,000 barrels daily of natural gas liquids. The Committee wishes to emphasize the fact that its estimates deal only with the quantities that could be produced at wells and plants regardless of whether sufficient transportation facilities exist to permit actual realization

of such production. It is known from experience early in 1957, that transportation facilities in a number of fields, particularly in Texas, are not adequate to handle the full productive capacity. Therefore, it must not be assumed that all of the oil producible in the United States can be made available to markets on short notice.

The current study indicates an increase in productive capacity since July 1954 of 1,536,000 barrels daily for crude oil and 80,000 barrels daily for natural gas liquids. The annual rate of increase in productive capacity for all petroleum liquids was 646,000 barrels daily in the past thirty months, compared with 625,000 barrels daily in eighteen months between January, 1953 and July, 1954. In other words, the growth in productive capacity since July 1954 has apparently continued at a rate approximately the same as that experienced in the period January 1953 to July 1954.

In January, 1957, production was 7,480,000 barrels daily of crude oil and 826,000 barrels daily of natural gas liquids. The margin between productive capacity and production was 2,387,000 barrels daily of crude oil and 19,000 barrels daily of natural gas liquids, compared with respective margins in July 1954 of 2,089,000 barrels daily and 123,000 barrels daily. The amount of this margin is determined by fluctuations in production. The variation in production in recent years has been at least 250,000 barrels daily between the low and high

months, and in 1957 there has already been a variation of about 800,000 barrels daily between the peak in March and the low point in August. Because the fluctuations in production bring about such changes in the margin between it and productive capacity, measurement of the reserve capacity for a single month is of limited significance.

The productive capacities stated above cannot be sustained under ordinary circumstances for more than a brief period without drilling. The depletion of reserves by production brings about a normal decline in productive capacity which varies with reservoir conditions in different fields. In some fields with water drive and pressure maintenance facilities, and full productive capacity estimated as of January, 1957, could be sustained for a considerable period of time. In other fields, the ability to produce will decline almost immediately. In case of an emergency, sufficiently grave to preclude the drilling of enough wells to maintain productive capacity, projects for additional water injection and other means of increasing productive capacity could be undertaken in some fields, thereby offsetting part of the decline that would be experienced in the remaining fields during the first year of such an emergency. A large proportion of these projects could be placed in operation with little delay.

It is difficult to estimate with reasonable accuracy the extent of the decline in productive capacity if there were

no drilling, because the petroleum industry has had no experience with such a situation. Subject to this reservation, the Committee estimated that the decline in productive capacity in the first year might be in the order of 735,000 barrels daily, or about 7.5 per cent, if production were at full capacity, not full capacity but full measure.

The Committee assumes that a drastic curtailment, or a temporary complete discontinuance, of drilling activity would be caused solely by acute shortages of steel. Curtailment of drilling would have serious immediate effects, and no less serious after effects, on the productive capacity because of the inevitable loss of trained drilling crews to other emergency activities. Therefore, in the event of an emergency, careful attention should be paid to the variations in the levels of productive capacity with the view of assuring to the petroleum industry adequate supplies of steel and other essential materials in order to:

- (1) carry on the necessary maintenance work on existing wells (such work calls for constant replacement of worn-out or damaged casing, tubing, rods and other well and lease equipment)
- (2) permit the full realization of existing capacity at wells and plants through installation of additional power and pumping equipment;
- (3) permit the carrying out of projects for addition-

al water injection and other means of maintaining or stimulating production; and

(4) permit maintenance of drilling activity at levels sufficient to offset the decline and provide adequate petroleum supplies for a prolonged emergency.

The district subcommittees have made estimates of the number of wells that would have to be drilled in 1957 to maintain the productive capacity estimated at the beginning of the year. These estimates are necessarily based on past experience and on the assumption that wells drilled in the future would achieve reasonably comparable results.

It must be recognized, however, that changes in the proportion of productive wells to dry holes and changes in the quality of the successful wells can alter materially the amount of drilling required to maintain productive capacity. Therefore, the Committee believes that its reply to this part of Mr. Stewart's inquiry is best expressed as a range. If the recent favorable experience in development of capacity should continue, the district subcommittees estimate that operations at capacity might be sustained by the drilling of about 41,000 wells. On the basis of experience during World War II, however, when the drilling of an average of 22,500 wells a year in the period 1942-1945 was just sufficient to offset the decline resulting from production of 4,300,000 barrels daily, it might take in excess of 50,000 wells to maintain a capacity of

9,867,000 barrels daily of crude oil. It is the conclusion of the Committee, and the Committee assumes that, to which all agreed, it would probably require 41,000 to 50,000 wells a year merely to maintain productive capacity.

Parenthetically, I might mention, that the American Association of Oil Well Drilling Contractors represented on this Committee agreed with this figure but would prefer to have seen it probably higher, probably 50,000 instead of a range.

As noted in Mr. Stewart's letter, changes have taken place in the relation between the nation's productive capacity, as estimated by the National Petroleum Council, and reserves of crude oil and natural gas liquids, as estimated by the American Petroleum Institute and the American Gas Association. The relation between productive capacity of natural gas liquids and reserves depends principally on the capacity of gas processing plants and on the production of gas. It has changed only slightly during recent years. The present estimated productive capacity would represent annual withdrawals equivalent to 5.2 per cent of proved reserves compared with 4.9 per cent in 1951. A more significant change in the relation of productive capacity to reserves has occurred in crude oil, which is set out in Table 2 and summarized as follows --

Table 2 is as follows:)

MR. McCOLLUM: You might want to turn one moment to Table 2 in the back of the report, in which by years and by regions we have given the estimated reserves, the estimated productive capacity, and then have expressed on annualized productive capacity per cent of reserves basis, the result, which you can just see for a moment: that in 1951 the per cent was 9.7; in 1953 it was 9.7 again; in 1954 it was 10.4, and in this report, for 1957 it was 11.8.

That is briefed a little more, as follows:

<u>Date of MPC Study</u>	<u>Crude Oil Productive Capacity Thousand Barrels Daily</u>	<u>Crude Oil Reserves Million Barrels</u>	<u>Annualized Productive Capacity as Per Cent of Reserves</u>
Jan. 1, 1951	6,727	25,268	9.7
Jan. 1, 1953	7,465	27,961	9.7
Jan. 1, 1954	8,331	29,253(1)	10.4
Jan. 1, 1957	9,867	30,435	11.8

(1) Average of reserves at beginning and end of year 1954.

For the United States as a whole, productive capacity has increased more rapidly than proved reserves, with the result that annualized productive capacity has increased in the past four years from 9.7 per cent to 11.8 per cent of reserves; stated in other terms, the ratio of reserves to annualized productive capacity has declined from 10.3 to 8.5 years during the same period.

It may also be noted from Table 2 that there is a wide variation in the relation of productive capacity to reserves among the districts and even in the same district over a period of time. In Districts 1 and 5 the percentage relation has declined since 1951, whereas in Districts 3 and 4 the relation has increased but is still below the level for District 2 and below the demonstrated relation of production to reserves in District 2 during 1948. These variations reflect changing conditions as to the average age of fields, changing production practices and varying degrees of application of new technological developments.

It is impossible to determine quantitatively the contribution of any one or all of the several major technological developments on the nation's productive capacity. Some of these developments and the manner in which they affect the relation between productive capacity and reserves are discussed briefly in the following paragraphs.

Multiple completion of wells permits simultaneous production from two or more productive strata through a

single well. Prior to this development, it was customary to defer production from one stratum until the other had been depleted. An increasing number of wells have been completed to produce from multiple zones in recent years.

Hydraulic fracturing of producing formations in new wells frequently increases the productive capacity by a significantly greater proportion than it increases economically recoverable reserves. Further, the successful application of fracturing treatments has led to the drilling of many new wells in and around old marginal producing areas. The quicker and more assured payout induces operators to invest the necessary capital for this type of development, which makes oil rapidly available that might otherwise never be produced.

Water floods, pressure maintenance projects and other recognized means of stimulating or maintaining production rates frequently add proportionately more to productive capacity than to economically recoverable reserves.

The cumulative effects of these technological developments on productive capacity are frequently immediate and obvious. These developments usually contribute in some measure to increases in economically recoverable reserves, but such contribution is not immediately reflected in the reserves estimates.

Improved technology and more intensive development of proved reserves now enable the domestic oil industry to

produce its reserves at a higher rate than in World War II. This fact should prove of value in any emergency. It does not, however, permit any relaxation of the industry's efforts to find and develop enough new reserves to enable the industry both to keep pace with the steady growth in peacetime demand for petroleum and to maintain, at the same time, sufficient reserve capacity for any sudden emergency.

Mr. Chairman, I would like to add here one other word. This is the fourth such study that has been made by this Council, and I have had the pleasure of being Chairman I believe of all four of the committees that made this study and I have had the pleasure of having work with me as Vice Chairman on all except the last one, Mr. Hines Baker, and all of you know what a great workman he has always proved to be. This year we had help of the very successful Executive Vice President of the Humble Oil and Refining Company, Mr. Morgan J. Davis, who did a very good a job as Mr. Baker, and we assume he may have been doing Mr. Baker's work before. I leave the thought that if this body ever sees fit to have another study made that Mr. Davis would make a hell of a good Chairman.

I move the adoption of the report.

FROM THE FLOOR: Second.

CHAIRMAN HALLANAN: You heard the report of the Petroleum Productive Capacity Committee as presented by Mr.

McCollum and the tribute to Mr. Davis which we recognize and your nomination of Mr. Davis as Chairman of the next Committee also.

What is your pleasure? It has been moved that the report be adopted. All in favor indicate by saying "Aye."

Contrary, "No."

The report is unanimously adopted.

Many thanks to you, Mr. McCollum, for a long period of faithful and loyal and efficient service.

MR. McCOLLUM: Thank you.

CHAIRMAN HALLANAN: Mr. Bert Graves, Chairman of the Committee on Petroleum Transportation, is prepared, as I understand it, to present a progress report.

Mr. Graves.

PROGRESS REPORT OF THE

COMMITTEE ON PETROLEUM TRANSPORTATION

MR. B. I. GRAVES, CHAIRMAN.

MR. GRAVES: Mr. Chairman and gentlemen:

This will be a brief report from the Transportation Committee on Petroleum Transportation Facilities. In other words, this will be an interim report.

The study on transportation facilities is approximately 80 per cent complete, and the final report we hope will be available in November.

The work of the committee was divided into five sub-

committees and three of the subcommittees have completed their report: The Committee on Pipe Line Transportation, which was headed by C. S. Mitchell, the Committee on Tank Cars by Mr. B. C. Graves, and the Committee on Barge and Lake Transportation by Mr. A. C. Ingersoll, Jr.

Reports of the other two subcommittees on tank cars, which was headed by Mr. Sam Ninness and on OPG Facilities for Transportation by Mr. George Bends are well under way.

When the final report is ready, which we hope will be ready or should be ready next month, the Transportation Committee report, we feel, will be a very complete and valuable report.

I would like to offer as a resolution one similar to the one made by Mr. Foster that when this information is available next month and pending the formal meeting and approval by the National Petroleum Council, we would have permission to submit the report to Mr. Stewart of the Oil and Gas Division. So I would like to offer that as a resolution for approval.

CHAIRMAN HALLANAN: You heard the resolution proposed by Mr. Graves, which follows the pattern set by Mr. Foster.

FROM THE FLOOR: Second.

CHAIRMAN HALLANAN: All in favor of the adoption of the resolution indicate by saying "Aye." Contrary "No."

So ordered.

Thank you very much, Mr. Graves.

Gentlemen, at our meeting last March, Mr. Stewart, the Director of Office of Oil and Gas gave us a very large assignment of requests for special study. We have had here presented here today three final reports of these study committees and two progress reports which have been fairly well completed.

Mr. Stewart, you had an opportunity to hear the reports that were presented and the progress reports will be in your hands soon, and we are now pleased to have you speak to the Council on these committee reports and any other matters to which you may refer.

Mr. Hugh Stewart.

REMARKS OF

MR. HUGH A. STEWART, DIRECTOR,

OFFICE OF OIL AND GAS.

MR. STEWART: Chairman Hallahan and gentlemen:

In the quick review that I made of these three final reports, I believe that you have provided our office and the Government with probably the broadest base we have yet had for use in our security planning with relation to oil.

The storage report is of particular interest to me at the present moment because we are dealing with and studying the storage problems of the Organization for European Economic Cooperation in Europe. Storage there is very much in their minds as a result of their troubles through the Suez crisis.

We will get out of this report, I hope, details and a clear understanding of what we have, what there is available, what there is usable in a way that we have not had it in the past.

We have followed the work of the Transportation Committee and particularly of the Pipe Line Subcommittee, and the report that they have almost completed is not only put up in a complete form, very similar to this storage report, but in addition it follows the practice of setting out flow charts which will make the information clearly understandable and will make our job in discussing the reports and transport capabilities with the other Government agencies a lot easier.

These reports, as I outlined to you last March, were set up as a basis for what amounted to an industry-wide inventory of capabilities broken down by the various segments of the industry. They were to serve as a foundation on which the Military Petroleum Advisory Board could base its work in the long range wartime petroleum and gas survey which, of course, will be world-wide.

I think that the work, coordinated as it has been with some of the committees and panels and committees of the MPAB, will prove of extreme value to them. It will have eliminated most if not all of the possible duplication, and I think it will facilitate the Military Advisory Board's work very greatly.

You listened to Dr. Gray comment on the importance he attached to the Military Petroleum Advisory Board in these wartime petroleum studies. He grasps that problem and that importance just as much as we do. He himself has been trying to figure a way to make a better, a sounder analysis of our petroleum security than he understood had ever been made.

We had the opportunity not long since to outline to him just what these studies were that are in process and just what we expected to get out of this study of the Military Petroleum Advisory Board. It was just exactly what he had been hoping could be set up, and I can assure you that he will give that work his full backing.

Incidentally, I appreciate the resolution of the Council to release these two reports to us which are not yet formally submitted so that we have them for use yet this fall. We appreciate that very greatly, and I can assure you we will use them in the spirit in which they were submitted.

We did not set up any new request for the Council for this meeting.

First, we had presented to you what amounted to a pretty heavy chore when we gave you the five requests last March. We will have to review and analyze these reports to get a little clearer understanding of whether or not or to what extent we should ask for new information or new studies. I do not want to ask for studies merely to ask for them, in

other words, to keep this Council busy. We do not have to do that. But I do want to ask for studies, reports and information that are needed and pertinent.

At the moment, the only subject that I think we might have asked for today would be on steel requirements, but I was reluctant to make that request until we had had a chance to review the Council's report on productive capacity and the other segments of the industry to get a little better understanding on our own part of just exactly what we might need by way of information and what we should ask for the Council to perform.

Inasmuch, gentlemen, as there seems to be a little conflict of interest around here, and I know there is some conflict in schedules, I think that this will be all that I will have occasion to mention at this present time, except I do want to thank you for the prompt and very extensive coverage you gave us in these reports that you have submitted.

Thank you.

. . . Applause . . .

CHAIRMAN HALLANAN: Gentlemen, the Secretary of the Council, Mr. Brown, has been asking your cooperation as members of the Council as well as those who have previously served as members of the Council in the assembling of photographic material and biographical data which he hopes to embrace in an appropriate album, giving the biographical sketch of those who

have served as members of this Council from the beginning.

Mr. Brown, you might want to supplement what I had to say by telling the members what you have in mind and also present the report of the Secretary-Treasurer.

REMARKS AND REPORT OF
THE
SECRETARY-TREASURER

MR. JAMES V. BROWN

MR. BROWN: With regard to the album, my original thought was to merely maintain in our office a historical record both in the way of biographical data and your photographs. We find 254 individuals have served or are serving this Council as members; 168 have responded on our request, leaving some 86 that I would be happy to hear from in order that we might make this project 100 per cent.

In sending out these requests, the response has been, I feel, very excellent, and we have received some thoughts from those returning their data that perhaps it would be nice and some actually expect that we may publish a bulletin or a book which would contain these duplications of these photographs and the information that was sent.

I told you when I requested these photographs that everything would be maintained strictly within our office unless you gave us permission to expand on that. I hesitate to ask that permission but as I received these requests, I believe that there is a general feeling that it would be a good idea

for us to develop a brochure. If that meets with your approval, I would like to have that approval from the Council. And I so move that in due time that be published and made available to all the members.

With regard to our finances, you have been kind enough to send me, during the year, some \$99,000. I have been spending that money, of course, and have spent \$61,000. We started out with about \$25,000. So we are left at the moment with \$62,000 which we feel will carry us through this year. Our reserve funds are unchanged during the year.

CHAIRMAN HALLANAN: You heard the report of the Secretary-Treasurer. If there is no comment the report will be filed.

I should like to request the Chairmen of the Special Committees who have submitted their reports this morning as well as the Chairmen of the Working Subcommittees who may be present to remain with me here for a few minutes after the adjournment of the Council in order that we may meet the members of the Press who will be coming in presently and who may desire to ask some additional questions about these reports.

Gentlemen, I hope you feel this has been a worth while meeting of the Council, certainly I feel so, as reflected by the attendance, the fine representation we had, and particularly at this time when certainly we have many problems that

involve cooperation with the Government as an industry.

It seems to me that we should be impressed with what has been said here this morning by those who speak for the Government as to the great importance of the continuance of that cooperation.

It seems to me that the Council obligations have been presented here in a way that certainly cannot be evaded.

Is there any new business?

MR. B. I. GRAVES: Mr. Brown, I have a question.

MR. JAMES B. BROWN: Yes?

MR. B. I. GRAVES: On these photographs, do you want a photograph as of today, or do you want one when you joined the Council?

MR. J. B. BROWN: My request was whatever photograph you would like to present. I will not expand on that.

MR. HARDEY: Are we going to take action on the request for the brochure?

CHAIRMAN HALLANAN: Yes.

Will you make a motion?

MR. HARDEY: I move they be authorized to publish a brochure.

CHAIRMAN HALLANAN: You heard Major Hardey's motion that Mr. Brown be authorized to prepare a brochure of the members of the Council.

FROM THE FLOOR: Second.

CHAIRMAN HALLANAN: All in favor, indicate by saying "Aye."

Contrary "No."

So ordered.

If there is no further business, a motion to adjourn is in order.

FROM THE FLOOR: So move.

FROM THE FLOOR: Second.

CHAIRMAN HALLANAN: So ordered.

. . . Whereupon, at 12:15 o'clock p.m.,
the meeting adjourned . . .

