

BEFORE THE
UNITED STATES DEPARTMENT OF INTERIOR
(Office of Oil and Gas)

MEETING OF NATIONAL :
PETROLEUM COUNCIL :
----- :

Tuesday, October 20, 1959
Conference Rooms A & B,
Departmental Auditorium
Washington, D. C.

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Tuesday, October 20, 1959

The Council met at 9:30 o'clock a.m., Mr. Walter B.
Hallanan presiding.

PRESENT:

- MR. WALTER S. HALLANAN (Chairman)
- MR. ROBERT O. ANDERSON
- MR. MUNGER T. BALL
- MR. R. B. LAUGHLIN (Alternate)
- MR. PAUL G. BENEDUM
- MR. FRED E. BERGFORS
- MR. J. S. BRIDWELL
- MR. RUSSELL B. BROWN
- MR. ORVILLE S. CARPENTER
- MR. WILLIAM J. CARTHAUS
- MR. H. C. JOHNSON (Alternate)
- MR. L. A. CRANSON

MR. MORGAN J. DAVIS
MR. N. G. DUMBROS (Alternate)
MR. FAYETTE B. DOW
MR. WARWICK M. DOWNING
MR. GORDON DUKE
MR. PAUL ENDACOTT
MR. R. G. FOLLIS
MR. E. B. MC CONNELL (Alternate)
MR. W. J. GOLDSTON
MR. B. C. GRAVES
MR. B. I. GRAVES
MR. RUSSELL H. GREEN
MR. B. A. HARDEY
MR. JOHN HARPER
MR. I. W. HARTMAN
MR. CASH B. HAWLEY
MR. HARRY B. HILTS
MR. G. B. HUNTER
MR. A. JACOBSEN
MR. HARRY C. JONES
MR. J. PAUL JONES
MR. HOWARD BOYD (Alternate)
MR. AUGUSTUS C. LONG
MR. L. F. MC COLLUM
MR. J. HOWARD MARSHALL

MR. R. L. MILLIGAN

MR. MILES MILLS, SR.

MR. ALBERT L. NICKERSON

MR. S. F. NINESS

MR. JOSEPH L. NOLAN

MR. G. A. OLSEN

MR. J. R. PARTEN

MR. J. E. MOSS (Alternate)

MR. M. J. RATHBONE

MR. C. PRATT RATHER

MR. RALPH O. RHOADES

MR. M. H. ROBINEAU

MR. ROLAND V. RODMAN

MR. DAN JONES (Alternate)

MR. STEINEGER (Alternate)

MR. D. T. STAPLES

MR. HENDERSON SUPPLEE, JR.

MR. HARRY THORSON

MR. W. W. VANDEVEER

MR. S. M. VOCKEL

MR. J. ED WARREN

MR. EVERETT WELLS

MR. JOHN H. WHITE

MR. HOWARD D. WHITE

MR. J. THEODORE WOLFE

Steineger

MR. JOHN WRATHER

MR. F. W. BATTEN (Alternate)

MR. JOSEPH ZEPPA

CHAIRMAN HALLANAN: Gentlemen, the Council will please come to order. Will the members come forward and take their seats. The Secretary will call the roll.

MR. BROWN: Gentlemen, as I call the roll, if there is some individual present as an observer for a member who cannot be here this morning, will that individual rise and give his name so that the reporter may catch it for the record?

Thank you. Mr. Anderson.

MR. ANDERSON: Here.

MR. BROWN: Mr. Baldrige.

(No response)

MR. BROWN: Mr. Ball.

MR. BALL: Here.

MR. BROWN: Mr. Barrett.

(No response)

MR. LAUGHLIN: Is that A. F. Barrett?

MR. BROWN: That is A. F. Barrett, sir.

MR. LAUGHLIN: R. B. Laughlin representing Mr. Barrett.

MR. BROWN: Thank you, Mr. Laughlin.

Mr. Benedum.

MR. BENEDUM: Here.

MR. BROWN: Mr. Bergfors.

MR. BERGFORS: Here.

MR. BROWN: Mr. Blaustein.

(No response)

MR. BROWN: Mr. Brazell.

(No response)

MR. BROWN: Mr. Bridwell.

MR. BRIDWELL: Here.

MR. BROWN: Mr. Bruce Brown.

(No response)

MR. BROWN: Mr. Russell Brown.

MR. RUSSELL BROWN: Here.

MR. BROWN: Mr. Burns.

(No response)

MR. BROWN: Mr. Carpenter.

(No response)

MR. BROWN: Mr. Carthaus.

MR. CARTHAUS: Here.

CHAIRMAN HALLANAN: Mr. Carthaus, would you please rise,
sir?

Gentlemen, I desire to present a new member of the Council,
Mr. William J. Carthaus, who is President of the Western
Petroleum Refiners Association. We are glad to have with
the Council, Mr. Carthaus.

MR. CARTHAUS: Thank you.

(Applause)

MR. BROWN: Mr. Clark.

(No response)

MR. BROWN: Mr. Comerford.

MR. JOHNSON: H. C. Johnson representing him.

MR. BROWN: Thank you, Mr. Jonson, Mr. Cowden.

(No response)

MR. BROWN: Mr. Cranson.

MR. CRANSON: Here.

MR. BROWN: Mr. Cummins.

(No response)

MR. BROWN: Mr. Davis.

MR. DAVIS: Here.

MR. BROWN: Mr. Donnell.

MR. DUMBROS: N. G. Dumbros.

MR. BROWN: Thank you, Mr. Dumbros, Mr. Dow.

MR. DOW: Here.

MR. BROWN: Mr. Downing.

MR. DOWNING: Here.

MR. BROWN: Mr. Duke.

MR. DUKE: Here.

MR. BROWN: Mr. Dunnigan.

(No response)

MR. BROWN: Mr. Endacott.

MR. ENDACOTT: Here.

MR. BROWN: Mr. Fisher.

(No response)

MR. BROWN: Mr. Follis.

MR. DUMBROS: N. G. Dumbros representing Mr. Fisher.

MR. BROWN: Thank you, Mr. Dumbros.

Mr. Follis.

MR. FOLLIS: Here.

MR. BROWN: Mr. Foster.

MR. MC CONNELL: E. B. McConnell representing Mr. Foster.

MR. BROWN: Thank you, Mr. McConnell.

Mr. Fox.

(No response)

MR. BROWN: Mr. Goldston.

MR. GOLDSTON: Here.

CHAIRMAN HALLANAN: Mr. Goldston, would you please rise, sir? I desire to present, Gentlemen of the Council, a new member, Mr. W. J. Goldston, who is President of the Mid-Continent Oil & Gas Association. We are delighted to have you here, Mr. Goldston.

MR. GOLDSTON: Thank you.

(Applause)

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

MR. B. C. GRAVES: Present.

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

MR. B. I. GRAVES: Here.

MR. BROWN: Mr. Green.

MR. GREEN: Here.

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.

MR. HARTMAN: Here.

MR. BROWN: Mr. Hawley.

MR. HAWLEY: Here.

MR. BROWN: Mr. Hilts.

MR. HILTS: Here.

MR. BROWN: Mr. Hulcy.

(No response)

MR. BROWN: Mr. Hunter.

MR. HUNTER: Here.

MR. BROWN: Mr. Jacobsen.

MR. JACOBSEN: Here.

MR. BROWN: Mr. Charles S. Jones.

(No response)

MR. BROWN: Mr. Harry Jones.

MR. HARRY JONES: Here.

CHAIRMAN HALLANAN: Will you please rise, Mr. Jones?

Another new member of the Council, gentlemen, Mr. Harry C. Jones, the newly elected President of the Texas Independent Producers and Royalty Owners Association. We are glad to have

you here.

MR. HARRY JONES: Thank you, sir.

(Applause)

MR. BROWN: Mr. J. Paul Jones.

MR. J. PAUL JONES: Here.

MR. BROWN: Mr. W. Alton Jones.

(No response)

MR. BROWN: Mr. Kayser.

MR. BOYD: Howard Boyd representing Mr. Kayser.

MR. BROWN: Thank you, Mr. Boyd.

Mr. Keeler.

(No response)

MR. BROWN: Mr. Lawton.

(No response)

MR. BROWN: Mr. Long.

MR. LONG: Here.

MR. BROWN: Mr. Ludwig.

(No response)

MR. BROWN: Mr. McClure.

(No response)

MR. BROWN: Mr. McCollum.

MR. MC COLLUM: Here.

MR. BROWN: Mr. McGowen.

(No response)

MR. BROWN: Mr. Maguire.

(No response)

MR. BROWN: Mr. Majewski.

(No response)

MR. BROWN: Mr. Marshall.

MR. MARSHALL: Here.

MR. BROWN: Mr. Matthewman.

(No response)

MR. BROWN: Mr. Milligan.

MR. MILLIGAN: Here.

MR. BROWN: Mr. Mills.

MR. MILLS: Here.

MR. BROWN: Mr. Moncrief.

(No response)

MR. BROWN: Mr. Nickerson.

MR. NICKERSON: Here.

MR. BROWN: Mr. Nielson.

(No response)

MR. BROWN: Mr. Niness.

MR. NINESS: Here.

MR. BROWN: Mr. Nixon.

(No response)

MR. BROWN: Mr. Nolan.

MR. NOLAN: Here.

MR. BROWN: Mr. Odom.

(No response)

MR. BROWN: Mr. Olsen.

MR. OLSEN: Here.

CHAIRMAN HALLANAN: Mr. Olsen, will you please rise?
Gentlemen, I desire to present Mr. G. A. Olsen, President
of the Independent Refiners Association of California, Inc.
We welcome you to the Council, Mr. Olsen.

MR. OLSEN: Thank you.

(Applause)

MR. BROWN: Mr. O'Shaughnessy.

(No response)

MR. BROWN: Mr. Parten.

MR. PARTEN: Here.

MR. BROWN: Mr. Pogue.

(No response)

MR. BROWN: Mr. Porter.

MR. MOSS: J. E. Moss representing Mr. Porter.

MR. BROWN: Thank you, Mr. Moss.

Mr. Prior.

(No response)

MR. BROWN: Mr. Rathbone.

MR. RATHBONE: Here.

MR. BROWN: Mr. C. Pratt Rather.

MR. RATHER: Here.

MR. BROWN: Mr. Rhoades.

MR. RHOADES. Here.

CHAIRMAN HALLANAN: Will you please rise, Mr. Rhoades?

Mr. Ralph O. Rhoades, gentlemen, a newly elected member of the Council succeeding Mr. David Proctor.

Mr. Rhoades is with the Gulf Oil Corporation. We are happy to have you as a member of the Council, Mr. Rhoades.

(Applause)

MR. BROWN: Mr. Ritchie.

(No response)

MR. BROWN: Mr. Robineau.

MR. ROBINEAU: Here..

MR. BROWN: Mr. Rodman.

MR. RODMAN: Here.

MR. BROWN: Mr. Rowan.

(No response)

MR. BROWN: Mr. Simpson.

MR. JONES: Dan Jones representing Mr. Simpson.

MR. BROWN: Thank you, Mr. Dan Jones.

Mr. Spencer.

MR. STEINEGER: Mr. Steineger representing Mr. Spencer.

MR. BROWN: Thank you, Mr. Steineger.

Mr. Staples.

MR. STAPLES: Here.

MR. BROWN: Mr. Supplee.

MR. SUPPLEE: Here.

MR. BROWN: Mr. Taylor.

(No response)

MR. BROWN: Mr. Thorson.

MR. THORSON: Here.

CHAIRMAN HALLANAN: Gentlemen, I desire to present Mr. Harry Thorson, a new member of the Council, Independent Oil Producer of Newcastle, Wyoming. We welcome you to the Council, Mr. Thorson.

MR. THORSON: Thank you.

(Applause)

MR. BROWN: Mr. Vandev eer.

MR. VANDEVEER: Here.

MR. BROWN: Mr. Violette.

(No response)

MR. BROWN: Mr. Vockel.

MR. VOCKEL: Here.

MR. BROWN: Mr. Warren.

MR. WARREN: Here.

MR. BROWN: Mr. Webber.

(No response)

MR. BROWN: Mr. Wells.

MR. WELLS: Here.

MR. BROWN: Mr. John White.

MR. JOHN WHITE: Here.

MR. BROWN: Mr. Howard White.

MR. HOWARD WHITE: Here.

MR. BROWN: Mr. Wilson.

(No response)

MR. BROWN: Mr. Windfohr.

(No response)

MR. BROWN: Mr. Wolfe.

MR. WOLFE: Here.

MR. BROWN: Mr. John Wrather.

MR. JOHN WRATHER: Here.

MR. BROWN: Mr. Young.

MR. BATTEN: F. W. Batten representing Mr. Young.

MR. BROWN: Thank you, Mr. Batten.

Mr. Zeppa.

MR. ZEPPA: Here.

MR. BROWN: Thank you.

CHAIRMAN HALLANAN: A quorum is present and we are ready to proceed with the transaction of business of the Council. I should like for the record to state the presence of the Co-Chairman of the Council, Captain Matthew Carson.

Gentlemen, you have received the minutes of the last meeting of January the 27th, 1959. What is your pleasure?

VOICE: I move we approve it as mailed out.

VOICE: Seconded.

CHAIRMAN HALLANAN: All in favor indicate by saying "aye."

(Chorus of ayes)

CHAIRMAN HALLANAN: Contrary, no.

(No response)

CHAIRMAN HALLANAN: It is so ordered.

RESOLUTION IN MEMORIAM - SID W. RICHARDSON
by J. S. Bridwell

CHAIRMAN HALLANAN: It is my sad duty at this time to announce to the Council the death of one of our very beloved and very respected members, Mr. Syd W. Richardson. The Chair appointed a Memorial Committee consisting of Mr. Windfohr, Mr. Hamon, and Mr. Bridwell.

Mr. Bridwell will now present the Memorial Resolution.
Mr. Bridwell.

Mr. Bridwell. Mr. Chairman, I regret that the Chairman of this committee is out of the country. He is in Europe, and the other member of the committee is in Japan. I do not think they are over there looking for oil. I think they are just on a pleasure trip. They are a little late getting their vacation this summer, so I will have to make the report or have the pleasure of making the report.

"WHEREAS, the National Petroleum Council, in regular meeting, duly assembled, has noted with profound sorrow the death of its singularly faithful, effective and devoted member, Sid W. Richardson, of Fort Worth, Texas, and desires to commemorate Mr. Richardson's passing with an acknowledgment of his faithful service in the interest of the Council and to the Petroleum Industry; and,

"WHEREAS, the service of Sid W. Richardson to the National Petroleum Council covers the greater part of its existence, and accordingly, the period during which the Council achieved its greatest contributions and rendered its greatest service to the United States of America and the Interest of Petroleum Conservation for future generations; and,

"WHEREAS, Sid W. Richardson, as was typical of his character and philosophy of life, unselfishly contributed his vision, energy and guidance to the Council's programs and accomplishments, and in so doing, greatly enhanced the stature of the Council and its achievements; and,

"WHEREAS, Sid W. Richardson embodied and epitomized that pioneering spirit, inherent optimism and willingness to risk time and fortune, which characterized the great age of the oil industry, when the oil industry constituted a great personal fraternity of men who backed their word and judgment with all their resources, and thus represented its highest tradition, but at the same time, Mr. Richardson had both the courage and the wisdom to maintain pace with the rapidly changing economic and technological developments within the Industry, and to accept and sponsor its programs of conservation and improvement; and,

"WHEREAS, the Council recognizes that it has lost the services of a wonderful and unique man - one who never employed his resources in any cause of oppression or vindication, but

rather one who, in life as in death, consistently regarded himself as a trustee for the good of his countrymen, and one who, despite vicissitudes of fortune, remained the same strong and willing friend and modest, considerate human being, all to the result that the Council and the Industry have not only lost one of their champions, but also their warm, generous and personal friend.

"BE IT FURTHER RESOLVED: That an appropriately reproduced copy of this resolution of appreciation, embossed with the seal of this Council, be presented to Mr. Richardson's family, as a token of the esteem and regard of his colleagues on the Council, and their appreciation for his services."

This resolution is not signed by Mr. Windfohr or Mr. Hamon, but will be as soon as they return to the country.

I move its adoption.

CHAIRMAN HALLANAN: Gentlemen, may I ask for a rising vote on the adoption of this resolution?

(All rose)

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

CAPTAIN MATTHEW V. CARSON, DIRECTOR, OFFICE OF OIL AND GAS, DEPARTMENT OF THE INTERIOR, AND CO-CHAIRMAN, NATIONAL PETROLEUM COUNCIL

CHAIRMAN HALLANAN: The Chair recognizes at this time the Co-Chairman of the Council and Director of the Oil and Gas Division, Captain Carson, who has some remarks and comments to make at this time.

CAPTAIN CARSON: Thank you very much, Mr. Chairman.

Members of the Council, it is a great pleasure to be here with you today. It marks my first attendance as Co-Chairman of this great organization, and I want to say personally it is a great sense of personal satisfaction to see the Council again meeting and performing the work which we all recognize as being so important to us as a nation.

The Secretary of the Interior would have been here. He sends his regrets but at the present time he is out in the far-flung islands of the Pacific inspecting the trust territories which have in effect been mandated to the United States and it is part of his responsibility to make an annual inspection of those areas.

Mr. Chairman, I have one thing to call to the attention of the Council, and with your permission, I will read this letter. It is to the Chairman of the National Petroleum Council from the Co-Chairman.

The subject is: Transcripts of Meetings.

"The Departmental Regulations respecting committee management was recently amended. The amended regulations provide in part as follows:

"Minutes of Meetings: Summary minutes shall be kept of all committee meetings. Copies of such minutes shall be made available to all committee members and made a part of the official records for the committee subject to examination

in connection with the periodic review of all committees provided in 309 Departmental Manual, Section 2.9. The documents establishing departmental, interdepartmental and advisory committees shall specifically provide that no verbatim transcripts of committee meetings shall be made. In the case of existing committees where the articles of organization or other documents establishing the committee require a verbatim stenographic transcript of meetings, the representative of the Department shall make known this policy to the committee and request advice as to whether changes should be made in the documents establishing the committee.'

"The policy with respect to verbatim transcripts reflects a Government-wide policy designed to provide freedom of discussion at committee meetings. Pursuant to this provision of the regulations, the agenda of the next meeting should include an item under policy with respect to verbatim transcripts with a view to seeking the advice of the Council as to whether changes should be made in the articles of organization, Article 16 of which provides in part:

"'A stenographic transcript of the proceedings of the Council will be made available to and kept in custody of the Secretary or Co-Chairman.'

"Attached is a draft of the proposed amendment which would adopt a policy with respect to the Council." Signed, M.

V. Carson, Jr.

Mr. Chairman, under the Articles of Organization, a change cannot take place in such articles except at a regular special meeting called for that purpose and upon 30 days' notice to the Council, so at the present time, I ask that this request lay on the table and it be placed on the agenda at the next meeting of the committee for consideration at that time. Thank you very much, sir.

CHAIRMAN HALLANAN: I hope we have made it clear to the members of the Council that under our original Articles of Organization establishing the Council, that it is specifically provided that a transcript of all the proceedings of the meetings shall be kept, and that is a provision of our Constitution. To eliminate that would necessitate an amendment to our Articles of Organization.

Personally, I have always felt, and I continue to feel, that the transcript of our proceedings is a very dependable and reliable document and one that affords the Council a certain degree of protection and security against any possible charges that might be made without foundation, and while we propose to submit this amendment to the consideration of the Council for action at the next meeting, I hope it will be made clear that this is a provision of our Constitutional Articles of Organization and would necessitate a departure from that original provision. In any event, it will be taken up at the next meeting of the Council.

REPORTS OF COMMITTEES

CHAIRMAN HALLANAN: We will have the reports of committees.

Mr. Jacobsen of the Agenda Committee, are you ready to report?

AGENDA COMMITTEE - A. JACOBSEN, CHAIRMAN

MR. JACOBSEN: Yes, sir.

The report of the Agenda Committee of the National Petroleum Council, Meeting held October 19, 1959.

Pursuant to the call of a meeting of the Agenda Committee of the National Petroleum Council made by the Committee's Chairman, Mr. A. Jacobsen, in his wire to the members on October 2, 1959; and with the approval of the meeting and its agenda having been obtained from Captain Matthew V. Carson, Government Co-Chairman of the Committee, confirmed by his letter of October 16, 1959 at 3:30 p.m., in the office of the National Petroleum Council in Washington, D. C.

Under date of September 30, 1959, Honorable Elmer F. Bennett, Acting Secretary of the Interior, addressed a letter (copy of which is attached hereto) to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, requesting the National Petroleum Council to make a thorough study of the maintenance supplies and process chemicals needed for continuance of petroleum refinery operations under short-range emergency conditions.

As provided in the Articles of Organization of the Council

this letter was considered at a meeting of the Agenda Committee on October 19, 1959 in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council the appointment of a committee to make the study as requested to the Council the appointment of a committee to make the study as requested by Mr. Bennett in his letter of September 30, 1959, and to report to the Council. The Committee should not suggest plans or programs but should confine its report to findings of fact.

In a second letter dated September 30, 1959, addressed to Mr. Walter S. Hallanan by Hon. Elmer F. Bennett, Acting Secretary of the Interior (copy of letter attached hereto) it was requested that the Council prepare a report of proved crude oil reserves by year of discovery of each field through 1954, using the API estimates of crude oil reserves as of December 31, 1959, as a base and crediting such reserves back to the year of discovery. It was also requested that the drilled and undrilled proved acreage data as of December 31, 1959, be included, if feasible.

As provided in the Articles of Organization of the Council this letter was considered at a meeting of the Agenda Committee on October 19, 1959 in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council the appointment of a committee to make the study as requested by Mr. Bennett in his second letter of September 30, 1959, and to

report to the Council. The Committee should not suggest plans or programs but should confine its report to findings of fact. The Agenda Committee recommends that the Committee to be appointed to make this study be particularly requested to make such comments, clarifications and explanations as may in their opinion be necessary or advisable for the proper understanding and evaluation of the report.

I might say a couple of words in explanation of this last sentence where we recommend that the Committee to prepare this report should make comments, clarifications and explanations. The reason is this, or the reasons, because there are several: A report giving solely statistical information without any explanations, even although the statistics be as good as they can be prepared, is likely to be misleading, for a number of reasons. For one thing, there is the complication of the lag frequently of a good many years between the finding of a field and its full development. There there are further complications introduced by so-called extensions and estimates. Take a specific example. Take Spindle Top. If I am right, Spindle Top was found in 1901, but it was 30 years or more after that that the flank production was found, which if I remember correctly amounted to more than the original discovery. Now, then, which is the year of discovery? Will all of Spindle Top be credited to 1921 or will the flank discovery be considered as a separate discovery, as I think it

was?

You could find lots of other cases where a field has been pretty well developed in the shallow horizon. Then after a number of years somebody goes ahead and drills 2,000 feet deeper and gets a deeper horizon, which is in effect a new discovery, but it is still the same field. Those questions as to what criterion is to be applied with respect to crediting the discovery to a given year introduces some complications that should be covered by explanations.

Then there is also the element of secondary recovery. In the earlier years of the industry of course we did not have it at all. Secondary recovery with advanced technology is becoming more and more important, and there is the question of how that is to be dealt with in the report. It was for that reason that the committee, after very full discussion yesterday, decided to add this last sentence recommending that the committee give whatever explanations and clarifications they deem necessary in order that the report may be as intelligently appraised and evaluated as possible.

Before submitting this report for approval, I would like to state for the record that we had the pleasure at our meeting yesterday of the presence of our Co-Chairman, Captain Carson, who gave us his advice and suggestions and who has also approved this report which I now submit to you for approval.

I move the adoption.

VOICE: Seconded.

CHAIRMAN HALLANAN: You have heard the report submitted by Mr. Jacobsen, gentlemen. Are there any comments?

All in favor of the adoption of the report will indicate by saying aye.

(Chorus of ayes)

CHAIRMAN HALLANAN: Contrary, no.

(No response)

CHAIRMAN HALLANAN: The report is unanimously adopted.

COMMITTEE ON PETROLEUM STORAGE FACILITIES (1959) -

R. L. MILLIGAN, CHAIRMAN

CHAIRMAN HALLANAN: May we have from Mr. Milligan a progress report from the Committee on Petroleum Storage Facilities.

Mr. Milligan.

MR. MILLIGAN: Gentlemen, at a meeting of the National Petroleum Council held in Washington, January 27, 1959, it adopted a report of the Agenda Committee recommending the appointment of a committee to undertake a study of petroleum storage facilities in the United States having a capacity of 25,000 barrels at one location, with a breakdown of crude oil and refined products storage capacity. This was in response to the request by the Honorable Elmer E. Bennett, Acting Secretary of the Interior, prompted by possible emergency needs of the Office of Civil and Defense Mobilization. In response to this action, the Committee on Petroleum Storage Facilities was formed, and a Technical Subcommittee appointed,

of which Fred Van Covern of the American Petroleum Institute is Chairman. Approval in respect of the personnel of this subcommittee was received in April. It assembled in Washington on the 27th and 28th of that month. A technical group has devised and the committee has adopted the necessary forms and instructions. These consist of one for the general use of petroleum companies and another for pipeline companies. The latter are being requested to report all such tankage served by them or connected to their lines irrespective of ownership, except that at refineries. It was felt that this separation more adequately would meet the Government's request that all tankage at a single location in excess of 25,000 aggregate barrels be reported.

The problems involved in the connection of the detail requested have proven to be substantial and time-consuming. But all questionnaires were made by August 19th.

The Technical Subcommittee has spent a considerable amount of time ascertaining that all oil and pipeline companies which would, in all likelihood, have the indicated minimum of storage at a single location have been included in the list to which the requesting letters and forms have been sent.

The country was divided among the members of the committee for the purpose of gathering this data and a total of approximately 1350 firms have been contacted. When an adequate amount of data has been gathered, the Subcommittee will be

reassembled to review the information supplied, determine that all companies contacted have reported and to review the extent. It will be necessary to check on a state-by-state basis the completeness of the coverage. The Subcommittee will then prepare a report of its findings, and it is hoped that this work can be completed early in 1960.

CHAIRMAN HALLANAN: Thank you very much, Mr. Milligan. You file that as a progress report. The report will be received in the interim and made a part of the record of this Council's proceeding.

COMMITTEE ON THE USE OF RADIO AND RADAR (1959) -

MORGAN J. DAVIS, CHAIRMAN

CHAIRMAN HALLANAN: The progress report from the Committee on the Use of Radio and Radar, Mr. Morgan Davis, Chairman.

MR. DAVIS: Mr. Chairman, Members of the Council, gentlemen: This is an interim report, as you know, on the work of the Committee on the Use of Radar and Radio (1959). This Committee was constituted by the National Petroleum Council and was requested by Mr. Elmer F. Bennett, Acting Secretary of the Interior, who asked that a committee be created to review its previous reports and recommendations in this specialized field, to make a current study concerning the use of radio and radar in the petroleum and natural gas industries and to submit a report thereon, together with such recommendations as the National Petroleum Council deems appropriate.

The Committee met on July 23rd, 1959, and September 8th, 1959. An editorial subcommittee met September the 24th and 25th, 1959. The final rough draft has been submitted to all of the committee members for study and comment in advance of the final meeting, which is planned to be held on November 8th, 1959, at which time this report will be put into final form. The main body of the report will consist of 18 sections which provide the basis for eight recommendations. At this point, Mr. Chairman, I would like to say that the members of this committee that you provided me with have been the most diligent and hard-working group of men that I have ever worked with in industry, and I appreciate very much the privilege of working with them.

I propose this morning to give you a summary of the final rough draft, and then to briefly go through the recommendations. It is a short report, and with your permission, I will read it.

The National Petroleum Council Committee on Use of Radio and Radar has carefully reviewed the present use of radio and radar in the oil and natural gas industry, examined the probable future needs and studied the problems which pose threats to the industry's continued effective use of radio and radar. On the basis of this study, nine recommendations are offered for most serious consideration. These recommendations concern vital and sometimes urgent problems. They are given on pages R-1 to R-3 of this report. To support these

recommendations, Section 1 quotes oil and natural gas statistics which, although they should be familiar to members of the industry, may be surprising to many members of Government and the public. Likewise, statistics are reported on the growth of the use of radio by the oil and natural gas industry that may be surprising even to the members of the industry themselves. The privilege of using radio and radar effectively is not automatically granted to an industry. This privilege is acquired only by great effort, proof of need and demonstration of real benefit to the public.

The price of maintaining this privilege is eternal vigilance. The effort is demonstrated by the history given in Section 2, a description of the industry organizations, which provide the necessary vigilance, is given in Section 3.

The most serious challenge to the industry's continued effective use of radio is the growing intensity of competition for radio channels, that is, for spectrum space. There is a definite immutable upper limit to the possible utilization. Technological improvements will increase the efficiency of radio spectrum utilization, but the demand is expected to increase at a rate more rapid than the efficiency increases. This problem is not peculiar to petroleum radio or even industrial radio. It affects broadcasters, Government users, communications, common carriers, all alike. The problem is clearly recognized in high Governmental circles and will

receive intensive study. It is essential that petroleum radio needs be adequately presented in such studies. This question is considered in Section 4.

The petroleum industry has complex relationships with communications common carriers. Section 5 outlines some of the resultant problems. The oil and natural gas industry constitutes one of the major user groups of communications common carriers and relies on them to a very important extent, but other communication needs of the petroleum industry are best served by communication systems within the sole and direct control of the user.

Such private systems, however, lead to competition for frequencies with the communications common carriers.

Section 6 discusses another area of vital problems. These are both problems that now arise in planning for national defense and those that would arise in the case of actual war.

Detailed plans are necessary and will require the expenditure of considerable time and money. The agency responsible for regulating all radio use except by the Federal Government is the Federal Communications Commission. Section 7 briefs some of the recent dockets of the FCC and discusses their impact on the oil and natural gas supply. Two relatively new developments are certain to result in an increase in the rate of growth of petroleum radio and radar uses. These are automation and off-shore operations described in Sections

8 and 9. The statistics on petroleum radio use in Section 1 gives an idea of the magnitude of the industry's needs, but to understand the true role of radio, it is necessary to consider in some detail the actual applications.

The final 9 sections, Sections 10 through 18, cover each phase of the oil and natural gas industry's operations, exploration, drilling, producing, transportation, refining and marketing on land, sea and in the air.

Each phase is keyed in an important manner to the use of radio. Safety and efficiency are greatly enhanced by this usage. Some operations would be impractical without radio.

Now, to the recommendations. Radio is daily becoming a more essential aid to safety, a more important economic tool, a greater convenience, a greater source of enlightenment and entertainment and a more important component of military planning and operation. This ever-growing demand, coupled with the physical limitations of the radio spectrum, results in more and more vigorous competition for use of the available frequencies. Technological advances will permit more efficient utilization of the spectrum, but the growing demand will surely outstrip the increases in efficiency.

The oil and natural gas industry has adopted radio as a tool to a far greater extent than most persons realize. Usage of radio is an essential element of all of the industry's operations.

In light of the vigorous competition for use of the

radio spectrum, the industry must maintain constant vigilance to protect its legitimate position in radio. The industry must see that its radio needs are well understood by the industry itself, by the public and by all governmental agencies concerned with radio matters.

Based on the detailed study reported herein, the committee recommends: One, that the Secretary of the Interior have additional studies of the petroleum industry's use of radio and radar prepared at intervals of two to three years. This recommendation is based on the fact that there has been a substantial increase in the use of radio and radar generally by industry, and a great increase in usage by the petroleum industry specifically since the last National Petroleum Council Report on January 1st, 1955.

Furthermore, there have been outstanding technological advances which have affected the use of radio and radar since that date. Additional growth and usage and further improvement in applied technology are certain.

Two, that all appropriate Governmental agencies concerned either with petroleum industry problems or general utilization of radio be fully informed of the importance of the petroleum industry's use of radio and radar to the public welfare and national defense.

Three, that any Congressional or Executive committee or Commissions studying the problems of radio utilization

or radio spectrum allocation be fully informed of the petroleum industry's usage of radio and radar and of its national importance.

Four, that Governmentally-instigated plans for the cooperative use of the petroleum industry private communications systems by Government agencies in times of emergency when normal communication channels are unavailable should be based on adequate and timely planning. Such planning will require a considerable expenditure of time and money. This planning should insure both effective Governmental usage and the continuity of the usage by the petroleum industry for its vital needs. Safeguards should be provided to avoid excessive or unplanned governmental usage. This might be done by the appointment of national and regional petroleum emergency communications directors acting within the Office of Oil and Gas of the Department of Interior.

Five, that a vigorous effort be made to make the public aware of the need for an allocation of frequencies which gives proper weight to the importance of each radio usage and its relationship to public welfare and national defense.

The assistance of the American Petroleum Institute Committee on Public Affairs and other petroleum trade organizations with Washington contacts should be enlisted.

Six, that all companies in the petroleum industry be informed as to the importance of radio regulatory matters

if they are to have continued and efficient usage of radio and radar. They should be urged to cooperate fully with the American Petroleum Institute's Central Committee on radio facilities and the National Committee on Utilities of Radio.

Seven, that all licensees in the petroleum radio service fully support the work of the National Petroleum Radio Frequency Coordinating Association, and that all licensees make available qualified engineering personnel to aid in the coordinating work of the Association.

Eight, that contact be maintained at an appropriately high level with representatives of the communications common carriers to assure mutually helpful understanding between the two groups.

As I stated at the beginning, Mr. Chairman, we expect the final report to be completed on November 8th, at which time it will be sent to your office here in Washington.

Thank you.

CHAIRMAN HALLANAN: Thank you very much, Mr. Davis, for that interesting interim report.

COMMITTEE ON NATIONAL EMERGENCY OIL & GAS MOBILIZATION-

J. ED WARREN, ACTING CHAIRMAN

CHAIRMAN HALLANAN: Gentlemen, we pass now to the matter of the report of the Committee on National Emergency Oil & Gas Mobilization. Last January the 21st, the Chairman of the Council received a letter from the Acting Secretary of

the Interior from which I quote as follows:

"The Office of Civil and Defense Mobilization has, as you know, delegated to me the responsibility for planning and directing federal activities designed to assure adequate supplies of petroleum products and natural and manufactured gas in event of a national emergency. Our current defense plans do not overlook the possibility of massive nuclear attack upon the continental United States, and I am enclosing a proposed plan drafted by the Office of Oil and Gas for handling petroleum and gas under such conditions. You will appreciate of course that implementation of the plan of the complexity and magnitude envisaged would require the utmost cooperation of every segment of the petroleum and gas industries with the Government.

"The plan provides for the establishment of stand-by petroleum and gas emergency organization that would be activated in the event of an actual or imminent attack on the United States. It is therefore requested that the Council advise us as to the names and industry affiliation of persons for each of the key positions in the emergency national and field organizations qualified to discharge the responsibilities of each of these key executive positions and be available to become full-time Government employees in event of a national emergency.

"It would also be appreciated if the Council would review

the plan and submit such comments and recommendations as it deems appropriate for consideration in possible future revisions of the plan.

"I will very much appreciate and welcome the Council's early report on these matters which are all-important in planning for the security and defense of our nation."

Having in mind that in the review of this plan and the recommendations of key personnel for the positions to be filled in the event of emergency, I appointed every member of this Council as a member of this committee, either of the General Committee or as a member of the Regional Committee, of which there were seven regional organizations.

This report, comprehensive as I feel it is, was mailed to you, a copy of this report was mailed to you some week or ten days ago, with the purpose of giving you an opportunity to study it and be prepared to comment on it at this meeting.

I hope that you have had opportunity to do so. I have asked the Assistant to the Chairman of this Committee, Mr. Ed Warren, to present the report of the Committee, and at the conclusion of Mr. Warren's report, I hope we will have general comment from the membership of the Council as to whether or not you think the report is adequate, proper or complete, or any criticism you may have to make of it.

The Chair now recognizes Mr. J. Ed Warren to present

the report.

MR. WARREN: Mr. Chairman, Members of the Council, as Mr. Hallanan has just stated, the request that came from Honorable Elmer Bennett was for a study in two parts. One of them was to review a proposed plan of the Office of Oil and Gas for handling petroleum and gas during a national emergency, and the second request was for the selection of names that had the ability to fill certain specific job requirements in case of a national emergency. With reference to the second request, the Agenda Committee, in recommending to the Council that this study be made, commented that the number of names should not be limited, that any approach that is made to the individual should be made through the Government, and of course the Government would not be obligated in any way to take the Council's recommendations of names for these particular positions.

The Regional Committees as set up by Mr. Hallanan were chairmaned by Region No. 1, and these are OCDM, Office of Civilian Defense Mobilization Regions, Region No. 1 by Mr. P. C. Spencer, Region No. 2, J. C. Donnell II, Region No. 3, C. Pratt Rather, Region No. 4, Red Brazell, Region No. 5, Bruce K. Brown, Region Nos. 6 and 8, Glenn E. Nielson, and Region 7, D. T. Staples.

I know, having served in the Region 1 committee, that these regional committees did a tremendous amount of work in not

only reviewing the plan, but also in reviewing the personnel that might be available in the industry in case we did have a national emergency.

The report itself is divided into, I would say, two sections.

One of them is the General Committee's recommendations and suggestions with reference to the plan, and then following that are the various recommendations made by each region.

I would like to call your attention to page 7, the comments on the proposed plan.

"The Committee on National Emergency Oil and Gas Mobilization has reviewed the Proposed Plan of the Office of Oil and Gas For Handling Petroleum and Gas During a National Emergency dated January, 1959. At the outset, we wish to point out that the subject for the Committee's consideration is quite broad and that a report on it could be extremely elaborate in detail. Therefore the Committee feels it unwise to attempt detailed suggested changes or revised wording, but confines itself to comments general in application. Further detailed comment is contained in the reports of the Subcommittees attached hereto.

"The concensus of this committee is that the 'Proposed Plan' in general is well considered and contains many workable provisions. However, the Plan has certain fundamental defects which, if not altered, could defeat the desired result of maximum

supplies of oil and gas in the event of a national emergency or war. Oil and gas are presently supplying over two-thirds of the total energy demands in the United States. The petroleum and gas supply problems, in this Nation, in the case of emergency, historically have presented multiple complications. It is therefore recommended that the Plan for Mobilization of the Oil and Gas Industries and Government Operations thereof during a national emergency, be revised to provide for the following:

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1. National Administration of Plan

The intricate problems of petroleum production, transportation, refining and distribution can be successfully handled and regulated to the extent necessary in a national emergency only by a specialized vertical rather than a general horizontal governmental organization. This principle is given recognition for the most part in the Plan. However, based on the experience of World War II, and because of the importance of oil and gas in an emergency, attended by the multiple complications in its supply during a disaster, this Committee recommends that the Plan specifically provide that all oil and gas operations under the Plan be handled by the Department of the Interior, but organized so that the Secretary of the Interior, at Cabinet level, be the Administrator with authority to report directly to the President of the United States.

The mechanical operations of the Emergency Organization for the Handling of Petroleum and Gas During a National Emergency should be in charge of a competent Deputy Administrator of wide oil and gas experience, reporting directly to the Administrator.

2. Representation at OCDM Level

The National Administrator (The Secretary of the Interior) or his Deputy Administrator, and each Regional Administrator under the Proposed Plan, should be direct representatives of the oil and gas industry on the Civil and Defense Mobilization Board.

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3. Legal Considerations

(a) To carry out the program contemplated by the Proposed Plan in the event of an actual emergency will require cooperative efforts under government supervision by many units in the oil and gas industries. Such efforts, if they are to be effective, must receive prompt clearance from the Department of Justice under statutes authorizing the granting of immunity from anti-trust prosecution. Establishment of proper authority and procedure for obtaining such clearance expeditiously is essential.

(b) It is recommended that the Plan set forth explicitly, in advance, an adequate legal basis for implementing emergency plans and conducting the activities described in the Plan, in all its levels of operation, federal, state, local and foreign.

(c) While it is recognized that the executive reservists will, in event of an emergency, automatically become full-time employees of the Department of Interior, and thus ostensibly preclude anti-trust problems at that time, it is suggested that their legal status during peace-time, while on a "stand-by" basis, should be more clearly defined in the Plan, and their protection assured, particularly with respect to the conflict of interest statutes. Only industry personnel appointed to key positions in the stand-by emergency organizations as "WOC's" under Section 710(b) of the Defense Production Act can advise, consult, or act on matters pending before the Department of

Interior. Personnel appointed as Executive Reservists under Section 710(e) of that Act may only receive training for future assignments in key positions in the event of an emergency, and may not advise, consult, or act on any matter pending before any department or agency of the Government. These restrictions may restrain an early implementation of an effective stand-by organization, oriented and trained to handle a sudden nuclear emergency.

4. Jurisdictional Boundaries of Authority

(a) It is essential that the authority and jurisdiction of federal, state and municipal (local) authorities in connection with the handling of oil and gas in an emergency be studied and clearly defined in the Plan. The Plan should provide for and define the nature of coordination between all branches of the Federal Government with the Emergency Oil and Gas Organization. The jurisdiction and role, if any, of agencies such as the Federal Power Commission, the Interstate Commerce Commission, etc., should be precisely stated.

(b) The Plan contains numerous references to state and local authorities, but fails to delineate precisely the functions, coordination of activities and responsibilities, and the jurisdictional boundaries of the Regional Petroleum Headquarters on the one hand, and such state and local agencies on the other. In addition, Annex 4 of the National Plan for Civil and Defense Mobilization points out that the statutes of

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many of the States are currently inadequate for full performance of some of the functions assigned to the States and localities by the National Plan. This would seem to require consideration in the petroleum emergency plan, which is predicated in part on the existence and functioning of state and local agencies to handle certain oil and gas matters at local level.

(c) It is noted that the Plan fails to define the extent and nature of military authority, and its relation to the oil and gas organization. It is anticipated that the military will have certain extensive authority and responsibilities in relation to home defense and plant protection. Proper coordination with the emergency oil and gas organization would be essential. Should the military take over control of an area in which oil and gas operations are being carried on, it is recommended that, subject to such over-all control of the military, the emergency petroleum organizations under the Plan continue primarily responsible for oil and gas operations.

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(d) It is assumed that, in the event of an emergency, appropriate inter-agency committees would be promptly established in order that all government agencies dealing with oil and gas might have such activities properly coordinated.

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5. OCDM Geographical Regions and the Petroleum and Gas Industries

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The proposed Plan divides the country into 8 regions to conform to similar boundaries established by the Office of Civil and Defense Mobilization. These regional boundaries and headquarters do not coincide naturally or historically with those of the oil and gas industries. The location of persons expert in the petroleum and gas industries; the statistical data; the flow of products and the natural markets do not coincide with the OCDM Regional areas. Bureau of Mines data are predicated on former PAD Districts which were the same as the PAW Districts. The regions as established in the Plan are not conducive to a smooth operation of petroleum and gas emergency problems. The reports of the separate Subcommittees attached herewith show some specific examples which indicate the problems visualized within those regions, pointing up the necessity for special consideration in establishing the boundaries and headquarters through the country best suited to the insurance of adequate supplies of petroleum products and gas during the emergency. If the OCDM Regions, as currently defined, are inflexible, consideration should then be given to the development of a pattern for reconciling petroleum and gas statistics, which are now based on the PAD concept, with the proposed OCDM concept.

6. Activation and Implementation of the Plan

The text of the Plan refers to "national emergency," "limited war," and "general war." It is essential that the

Plan specifically cite the conditions under which it is to become activated, and under which of the above conditions, defining what is meant by each term. In the event of a chaotic nuclear emergency, accompanied by total disruption of communications in some areas, it is necessary that executive oil and gas reservists know whether or not the Plan is in effect, and if so, what authority they have to deal with oil and gas matters.

In addition, organization of the appropriate means of handling oil and gas problems as set forth in the Plan might better be described by dividing the over-all operations into three possible phases; first, some areas almost certainly would be put under martial law. The Plan should describe how such areas should be administered in relation to military cooperation during this period; second, other areas will immediately swing into operation on a regional basis; and, last, the National Organization will be formed to administer on a national basis. The Plan might therefore be divided into the three following segments; spelling out the functions, authority, and activities of the emergency organizations during each phase:

- (a) Original survivorship
- (b) Regional operation
- (c) National operation

7. Functional Lines of Organization

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(a) The typical organization charts for the regional and national emergency oil and gas organizations, as contained in the Plan, are, in general, set up along appropriate functional lines paralleling those of the industry. However, it is suggested that there is little connection between "manpower" and "materials," which areas of responsibility are combined under the Plan. It is recommended that separate divisions for these two subjects be established. In addition, it is felt that matters pertaining to natural gasoline might better be placed under the Director of Production than under the Director of Refining.

Consideration might well be given to the production and distribution of liquefied petroleum gas in connection with the Plan, on the regional and national level. It is not clear as to how this end of the industry comes into focus and representation under the Plan. It is suggested that LP-Gas Coordinators be appointed to assist the respective applicable offices created under the Plan.

(b) By the very nature and composition of the Plan, methods and channels of communication will be key factors in its successful operation. However, communications, in the event of nuclear attack, would be one of the first facilities seriously disrupted or totally destroyed. The Committee points out that no provision or mention has been made in the Plan relative to communications. We recommend therefore that

the Plan be revised to provide for a Director of Communications, both on the regional and national level, who would be responsible for, and coordinate, the serious communications problems which would arise. Reference is made in this connection to the National Petroleum Council's Report on Oil and Gas Communications Facilities adopted by the Council on September 28, 1956.

8. Terminology in the Plan

The Committee calls attention to the comments of its Subcommittees suggesting clarification or definition of various terms used in the Plan such as "storage" (oil vs. gas); "transmission lines"; "city gates"; "major industry customers," etc. It is recommended that the Plan itself be prefaced by a glossary of terms detailing the definition of all terms as used in the text of the Plan.

9. Natural Gas

Additional comments and specific language changes relative to handling of natural gas are proposed in the Subcommittee reports attached hereto. It is recommended that proper recognition be given in the Plan to the value of underground gas storage, the multiplicity of interconnections that do or can exist between major pipe lines, the integration of the distribution utility's gas-making facilities into the overall supply picture, and the recognition of inter-dependency of one Region upon another for emergency action during any critical period.

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Mr. Chairman, those are the general recommendations that were made with reference to the proposed plan. The second request by the Secretary of the Interior with reference to suggestions or roster of names and company affiliations of people who had the qualifications for the specific jobs needed in a national emergency, these names, as I understand it, have already been presented to the Department of Interior, and we have here the numbers. I think it might be of interest. There was a total of 868 names that went to the Department of Interior. The nominees for the regional field organization there was 490, nominees for emergency national headquarters organization, 351, making a total of 841.

This breakdown on names is on page 17 of the report, if anybody is interested. I think Mr. Hallanan, perhaps some of the regional Chairmen or some of the other members of the Council may have some comments. I will turn it back to you.

CHAIRMAN HALLANAN: In the first instance they may have some questions to direct to you, Mr. Warren. Are there any questions which you wish to direct to Mr. Warren in connection with the report?

Thank you very much, Mr. Warren.

Gentlemen, you have heard the presentation of this very important report. The Chair would like to invite comments from the members as to what reaction they have about it, what their feeling is about it and whether or not they feel that

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a competent, realistic job has been done, and whether or not you feel that the report embraces in its recommendations all that is necessary to cover the points which were developed by Mr. Warren.

Mr. Rathbone, do you have any comment to make on the report?

MR. RATHBONE: Maybe I had better come up front here.

CHAIRMAN HALLANAN: Yes.

MR. RATHBONE: It seems to me, Mr. Chairman, that the report of the committee points out very clearly that while its plan that has been prepared is comprehensive in many ways, it does have some very serious defects in it. Now, actually, as I understand it, this committee has not attempted to redraft or revise the plan which was prepared by the Government. They simply pointed out a number of areas where they feel it is very essential that some basic change in the plan be made. Whether the suggestions and points that are made in this report are adequate for the Government people who are working on this plan to take these comments and redraft the plan and meet most of these suggested changes or not I think is an open question. I would say off hand it would be a very difficult job for them to do that.

It seems to me that really the question that we have to face is whether it would be helpful to the Government and desirable in order to make this matter progress as fast as

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possible to appoint, let's say, an advisory drafting committee from the Council to work with the Government in more detail and more depth, let's call it, than has been done by this committee that has simply reviewed this plan.

Such an advisory drafting committee working in detail with the Government could then bring into the Government's redraft of this plan all of these various points that have been touched on by Mr. Warren's report.

I do not know whether this is a thing that you will want to consider or not. I simply offer it as one suggestion that comes to my mind as to how this thing can be pushed ahead faster.

Basically, it seems to me that we face a little bit different situation in the future emergency than we have had in the past.

During World War II we are all very familiar, of course, with the organizational pattern that was set up to handle the oil and gas problems of our country in collaboration and cooperation with the military, and the other government bodies.

I believe it is fair to say that it works very, very well. I think that we all feel, and I believe the Government feels, too, that our industry did a top-flight job in meeting the tremendously complicated and vital problems that occurred during World War II.

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During subsequent emergencies such as the Korean War, and so forth, we have also worked pretty well with our Government. I believe that the feeling now is that the next time we are going to have a considerably different situation than that which we have had in past emergencies. It is pretty obvious, it seems to me, without attempting to be a military expert, that we are probably going to have a very serious and chaotic situation arise very promptly where a more detailed and leisurely organizational pattern will not serve the purpose at the beginning. The OCDM, as I understand it, is charged with the responsibility by our Government of meeting this first emergency situation that may well arise. It will have to be met under the most adverse conditions and probably be met by improvisation, local authority, local action.

Following that, if we are still here and able to pick up the pieces, we may have a longer range problem to deal with. I am quite sure as this committee's report points out, that the longer range problem in our industry can best be handled in very much the same sort of a pattern that we have handled it in the past, that is, the vertical type organization, well-staffed and organized pretty much in the same way that it has been in the past, going right up to cabinet level. I do believe it is going to be essential to have some delegation of authority over our industry at a more local

level in the early stages of whatever happens to us in the next conflict.

This is where the OCDM and possibly the military step into the picture in a much quicker and different way than has occurred in the past emergencies.

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So that we cannot look, I think, at the same pattern we have had in the past to handle our industry problems with the Government and for the benefit of our country, but I am quite sure that we ought to have a pattern which utilizes to the maximum extent that we can the principles and the organizational pattern that have proven to be so effective in the past emergencies we have had to face.

I think that is about all I have to say.

CHAIRMAN HALLANAN: Thank you very much, Mr. Rathbone, and I think your suggestion about the appointment of an advisory committee to follow up in the redrafting of the plan is worthy of consideration.

Mr. McConnell, do you have any comment?

MR. MC CONNELL: Mr. Jacobsen wants to speak for me.

MR. JACOBSEN: I just want to say with regard to Mr. Rathbone's suggestion of a committee appointed to sit down with the Government and actually work out the details, it would require some pretty careful legal looking over.

CHAIRMAN HALLANAN: Yes.

MR. JACOBSEN: I am not a lawyer, but it is one thing

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I believe for a committee appointed by the Council in response to a request by Government to offer general suggestions and recommendations. It is something different to sit down with Government and actually collaborate with them in writing out and spelling out the rules to govern us.

I would like to raise this question as to whether in case it is desirable to go ahead with a committee of that kind, whether that committee should not be picked by the Government as individuals whom the Government would like to sit down and discuss with them as individuals rather than a committee representing this counsel.

I think there is a legal question that we should take a good look at.

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CHAIRMAN HALLANAN: All of this is producing constructive comment which I know that the representatives of the Government who are here will be glad to consider, and your point is very well taken, Mr. Jacobsen. It is certainly one that we would want to look into very carefully.

Mr. McConnell; do you have anything to add?

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MR. MC CONNELL: Nothing more than to perhaps emphasize one of the points Mr. Rathbone made; that is, it seems to me this is of sufficient importance that the matter ought to have consideration rather -- I will not say hurriedly, but without delay.

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CHAIRMAN HALLANAN: Mr. Long.

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MR. LONG: I don't think I have anything to add, Mr. Chairman. I would endorse everything that Mr. Rathbone has suggested. I think that the Government has made this report and we have more or less criticized it and now we ought to get together and see how we can work it out. As to the legal entanglements, since I have had a little experience with legal entanglements lately, I wouldn't let that worry me too much. I think we have got to get on with the job.

CHAIRMAN HALLAMAN: Mr. Nickerson.

MR. NICKERSON: I have nothing to add. I agree very strongly with what has been said. I think that the jurisdictional unclarity at state level and below alone is enough to make the present plan unworkable.

CHAIRMAN HALLAMAN: Mr. Wolfe, from the standpoint of the gas industry, do you have any comment to make particularly on this report?

MR. WOLFE: Mr. Chairman, only to say that several sections of this report were drafted with the cooperation of quite a few gas men and they bring out the fact that there are some differences in the problem that you have with oil and those that you have with gas that you have to fully recognize.

Generally speaking, I believe it is an excellent report and I am highly in favor of it being turned over to the

Government.

MR. HAWLEY: I note that there are many comments to the proposed plan from each region, and I think in the final draft of the plan there are very fine comments to be taken into consideration.

I am sure that will be done and I believe if that is done thoroughly that we will come up with an excellent job.

I notice that in every region those comments have been made.

CHAIRMAN HALLANAN: Yes, they are being passed along to the Oil and Gas Division with the report. Any other comments, gentlemen?

MR. WARREN: Mr. Chairman, I think the committee was very competent in its assignment to make suggestions and recommendations that the Government might incorporate into the future revisions of the plan.

I think it was felt that if there was a request to join with the Government it would have to come from the Government as far as working on a specific plan.

CHAIRMAN HALLANAN: Major Parten, have you had an opportunity to consider this report?

Do you have any comments?

MR. PARTEN: Yes.

I have had occasion to work with Subcommittee 5 on this report, and I can only add, Mr. Chairman, that I am thoroughly

in accord with the statement which was made by Mr. Rathbone. I recognize the value of reservations that you have made, Mr. Jacobsen.

I do think that any further step by this Council by men in industry should come as a result of a request from the Government of the people who have had a chance to go over this report.

Let me say this: All of us who were involved with the Oil and Gas Administration during World War II are most conscious of the complications that will arise, that inevitably arise in any emergency. We are all impressed by the fact that the next time those complications will be multiplied many times because of the weapons which are now available and which have never been available before.

So in the light of this, it seems to me that the Government would be well advised to recognize that and that the people who are going to be responsible to produce the oil and gas that is going to be required in that emergency must be recognized for the soundest possible advice and guidance during the development of the plan which is put on the table available for use when that time arrives.

Certainly, as Mr. Rathbone says, we won't have as much time next time as we had before.

Thank you.

CHAIRMAN HALLANAN: Mr. Staples?

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Mr. Staples is Chairman of Region No. 7.

MR. STAPLES: I do not have anything to add to the report generally submitted, Mr. Chairman. I would say this, though: That under a massive nuclear attack such as contemplated by this plan, that the number of men available for this is going to be extremely limited. I do not think the plan should contemplate a very broad and extensive operation like we generally set up in Government organization during peacetime.

My own reaction to the plan was that it was inclined to be a little too broad. I think it divided the country up into eight or seven districts instead of the original five.

I think you are multiplying your problems by having such a broad base rather than having it more limited, because when you do have this massive nuclear attack, you are not going to have many men available to be spread around to a lot of divisions.

CHAIRMAN HALLANAN: Mr. Rodman, do you have any comment to make?

MR. RODMAN: I believe not.

CHAIRMAN HALLANAN: Mr. Endacott.

MR. ENDACOTT: Mr. Chairman, I haven't anything particularly. There was one phase that has been called to my attention. There is one activity in the petroleum industry, liquefied petroleum gas is a very mobile organization. It is probably too

late for the gas distribution petroleum business, that this might be given a niche in here that would prove out to be valuable to have it set up.

CHAIRMAN HALLANAN: Mr. Pratt Rather, Chairman of the Regional Committee No. 3.

Mr. Rather, do you have any comments at this time?

MR. RATHER: I think there is quite a bit impressed with Mr. Endacott. Consideration might be given to a national group to handle that, with very, very close coordination.

CHAIRMAN HALLANAN: Any other comment, gentlemen?

Captain Carson, before we vote on this report, do you have any comments with respect to it that might be interesting to the members of the Council?

CAPTAIN CARSON: Mr. Chairman and members of the Council, I have not had an opportunity to study this report in detail, but I do know that it will be extremely valuable to us. We knew that when we put it up to you gentlemen for study that you were the best qualified to spot the weaknesses in the plan and perhaps as said by Mr. Warren, some fundamental defects which would render the plan ineffective in time of emergency.

Unlike Mr. Jacobsen, I am a lawyer, but I am not working at it, and this legal question is something that I cannot determine today, but it would be my impression perhaps that while the Government would welcome, I am sure, the advice and

the further advice that we can get in a revision of this plan, I believe that probably the request should come from the Government to individuals in the industry to help us with this job, and I am sure that we can count on that cooperation if that request is made, which I feel that it will be done.

The discussion that has been had here today as well as the comments of the subcommittees will also be extremely valuable to us, and I do not want to overlook the importance of the second part of the report in which you screened and nominated responsible and competent people in the industry to fill these key jobs both in the field and in the national headquarters.

My sincere thanks to you for what I think was a job very well done.

Thank you.

CHAIRMAN HALLANAN: If there are no further remarks, the question before the Council is upon the motion of Mr. Warren that the report be formally adopted.

Is there a second to that motion?

VOICE: Second.

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

(Chorus of ayes)

CHAIRMAN HALLANAN: Contrary, no.

(No response)

CHAIRMAN HALLANAN: The report is unanimously adopted.

We are delighted, gentlemen, to have with us this morning Mr. Robert L. Finley, Deputy Assistant Director for Fuels and Energy, of the Office of Civil and Defense Mobilization.

Mr. Finley.

STATEMENT OF MR. ROBERT L. FINLEY, DEPUTY ASSISTANT
DIRECTOR FOR FUELS AND ENERGY, OFFICE OF CIVIL
AND DEFENSE MOBILIZATION

MR. FINLEY: Mr. Chairman, Mr. Co-Chairman, Gentlemen: Governor Hoegh, the OCDM Director, is extremely sorry that he cannot be with you this morning. He has had a long-standing commitment today which kept him out of town. For my part it is a privilege to be here, and I would like to talk very, very briefly about the relation between some of our work and the projects on which you have already reported or are about to report.

With respect to oil and gas, the functions of OCDM and of its delegate action agency of the Department of Interior really fall into two categories. One is to insure so far as possible that in wartime there will be supplies of oil and gas available to meet all essential demands, and secondly, to establish an organization which will be capable of applying effective management to such resources as there are during the emergency. Of course, with respect to the first, the provision of an adequate supply, the study which you are

undertaking on storage capacity is closely related. If we know what we have to begin with, we are then in the good position to decide the best position we can be in, anyway, subject to all the uncertainties, what we may need and what additional effort we should make to increase supplies, relocate supplies, and so forth.

With respect to the second of these aims, the provision of adequate and capable management in wartime, the two reports which you talked about or there is really one report, Mr. Warren's report on the plan and the executive reservists who are going to put it into effect, whatever the provisions are are of course of enormous value to all those people who are engaged in mobilization readiness in this field of petroleum and gas.

I know that my superiors are extremely appreciative of the work which you gentlemen are doing. With respect to these emergency executive reservists, they of course will be the medium for meeting the emergency at the local level at a time when there may be a complete interruption of communications. In the period prior to the emergency, we would look to them to provide the information and instruction which would link our regional government with the states and the localities, and after the emergency begins, we would expect them to provide this operational direction of oil and gas in their several regions, and the staff would be

md15 the principal staff officers of the OCDM regions or the Governors or the states or the localities, whichever it may be.

One cannot help being extremely sympathetic with the position which you gentlemen take that you have greater need of a vertical organization in wartime.

On the other hand, I think that that may lose sight -- I don't know enough about it -- it may lose sight of the fact that in a chaotic condition which you have recognized in your report, there may be a need for a local organization which will require strength at that local level or state level which will somehow or other be incompatible with or at least with this vertical organization. I think no one doubts that when the Federal Government has been able to re-establish its control, that at that time this vertical organization with the Department of Interior and its agents exercising operational control all the way down the line is going to be the right solution and will be the one which is adopted.

Just one more word. You may have heard about the so-called national plan which our agency has been getting out. This plan is accompanied by a number of annexes, so-called. One of these is an annex on energy and minerals, and it includes a piece on petroleum and gas, another one on electric power, another one on solid fuels and another one on minerals, which doesn't

happen to be within our jurisdiction.

Now, the petroleum gas one is a matter which we have worked on with the Office of Oil and Gas for months.

It is in effect about the same thing as the plan which you have been shown except that the plan is somewhat more detailed, particularly with respect to the organization from within Oil and Gas.

This annex has been sent out to a great many people. We have had comments from the states, from different agencies like the Federal Power Commission and the State Department, the Defense Department. No two people seem to have exactly the same view as to what we should do about this, and I do not relish the idea of trying to get some kind of an agreement. I feel, though, very appreciative of the many shortcomings of this plan that it is better to get out some kind of a plan than to wait around indefinitely and having got it out try to improve it as time goes on.

In any case, I am sure that the comments which you gentlemen have made in your report are going to be of great value to us in making our plan more workable and practicable and useful if we ever have to put it into effect.

Thank you very much for letting me talk to you.

(Applause)

CHAIRMAN HALLANAN: Thank you very much, Mr. Finley, and I hope you will convey our wishes to the Governor and we

hope that we will have the opportunity of having him before the Council.

As I said last night introducing him at the little dinner party, we are very happy to have back with us an old and very dear friend, Admiral Biggs. Vice Admiral Biggs was with the Council over a considerable number of years, and we have learned to have great respect for him. He retired from active service last year, but recently has been called back by his superiors as Director of the Petroleum Logistics Policy, in the Department of Defense, and I am happy to welcome him here this morning.

Admiral, I know everybody will be glad to hear from you at this time.

STATEMENT OF VICE ADMIRAL BURTON B. BIGGS, USN, RET.

DIRECTOR, PETROLEUM LOGISTICS POLICY, OASD (S&L)

DEPARTMENT OF DEFENSE

ADMIRAL BIGGS: Mr. Chairman, Captain Carson, Members of the Council, guests: I suppose I am in the same position as the gentleman who retired and then went back to work, and somebody asked him why. He said because he had been a complete failure in the honeydew business, "Honey, do this; Honey, do that."

(Laughter)

Now, the last seven years I have been out of this end of the oil business. I was one of your main customers after

I left here in 1952, and went out to Korea to see if the stuff we had been trying to find was arriving and found I was responsible then for distributing it. I discovered that it worked.

I might say at the outset that the petroleum industry has bailed me out of some of the tightest spots I have ever been in in this man's Navy or any other organization, particularly in June, 1950. I was sitting around rather fat, dumb and happy when everything -- when the roof came off. And by the efforts that had been made by the oil industry, we knew two things: First, we knew that aviation gasoline was going to be our No. 1 pain; second, we knew where the components for making aviation gasoline were and we also knew where the excess manufacturing capacity was.

So all we had to do was to get them together. As you gentlemen remember, we were called all manner of names during that operation, blackmailers was one of the milder terms.

Now, the oil section of the Department of Defense at the present moment has been raised one number in the echelon and made a directorate. I report to Secretary McGuire and his Deputy Assistant directly. Also, I am expected, if the fire gets a little too hot, to be a direct advisor to Mr. Gates, Deputy Secretary of Defense. There has been very little change in the music. I notice a slight variation in the

lyrics of this business. The barbershop chorus seems to be slightly further out of tune, unfortunately, for some reason.

I do not think, however, that the legal departments of the Government or the legal departments of the industry are prepared to take the responsibility of my not having some sort of a readiness plan. Some of the changes which have happened start in North Africa.

We talk about Algeria, Libya nowadays, which happens to be on the west end of the Suez Canal. Instead of struggling to get a product, we are struggling to get rid of it. We have even gone to the point where they insist we put perfume in the diesel oil. In fact, I notice an experiment in the recent Petroleum Week where they are doing that.

Now, if we can resurrect Violet Mylo cigarettes and get the Teamsters Union to smoke them, we will really be in business.

(Laughter)

In this Government-industry relationship, you are all very well acquainted with the Military Petroleum Advisory Board. We have it still, but it is moribund. It is a bit inactive. That was brought about by the peculiarities of, one, the production Act of 1955, which made no provision for voluntary agreements. But in the course of human events, the voluntary agreement for the Foreign Petroleum Supply

Committee was left in commission.

What we are attempting to do at this moment is to get ourselves in a position so that we can make classified studies as we did before with the Military Petroleum Advisory Board.

Now, there are a number of legal body blocks in that setup according to the best lawyers in the industry. But I have stated to various and sundry people again that I do not think those same legal experts are prepared to take the responsibility for our not having a readiness plan and a method of cooperating among ourselves. If they are, I am perfectly willing to retire from the auction.

But I will make it my personal business to explain why I am left out in left field without a glove. This has been stated in those same words both to industry and Government, including the Antitrust Division. Our last classified study was 1953, that is, the data dates back to '53. As a result, with all of the changes that have come about in the location of production, the growth of hydrogenation in our refineries, the changing complex of applications of various products to various engineering items, we must per force and as early as possible get back to the point where we can make highly classified studies, which was the reason for the establishment of a specific board or committee for that purpose.

We do not propose to quit trying to do this. There has been a meeting with the Department of Justice, the Department

of Interior, the Office of Civil Defense and Mobilization and the Department of Defense, and with the Chairman, Vice Chairman and the Panel Chairmen of the MPAB, at which it has been proposed that we establish a readiness subcommittee under the legal umbrella of the Foreign Petroleum Supply Committee. I have been informed by those gentlemen that they will give us lots of advice. They will guarantee that it will be lousey, but they will give it to us; it being that way on account of the legal limitations of Section 11 of the voluntary agreement.

However, a readiness subcommittee of a type regardless of the lashings that are on them like the old seven half hitches on a hammock, when I was a midshipman, there are ways of getting them loose. Therefore, tomorrow morning we will meet with the Foreign Petroleum Supply Committee members and lay it on the line what we are trying to do, and once more the only thing I can ask is I have to be bailed out again, and you gentlemen in cooperation with the Government are the only people who can do it.

Thank you.

(Applause)

CHAIRMAN HALLANAN: The next order of business is the report of the Secretary-Treasurer, Mr. Brown.

REPORT OF SECRETARY-TREASURER

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MR. BROWN: We started the calendar year with \$54,500 in our general fund. We had been overly careful in the previous year due to uncertainties and so on, but some of that had to be spent this year.

During the year contributions and other items from publications and so on totaled \$98,700. We have spent so far this year \$68,400.

That leaves in our general fund some \$84,800 at the present time.

Again, there are many items that have been authorized that have not been completed, and some of that will be necessary. We maintain our reserve as before, \$137,000.

CHAIRMAN HALLANAN: Any questions?

If not, the report will be received.

Mr. Marshall, do you have anything?

MR. MARSHALL: Mr. Chairman, the Secretary-Treasurer's report to some of us yesterday when we were sitting around the Council Office talking, brought to our minds that the Secretary-Treasurer himself and this Council have been going along for about 12 years. Some of us are wondering what, if anything, ought to be done in relation to provision for pensions and retirements for people like the Secretary-Treasurer. I'm not suggesting for a minute that we want him to retire, but even though he looks kind of young, I think

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that he is gradually getting along, and most of us know in our own companies that unless we face these problems as we go along, we allow it to run until it comes up to the time when our key people are retiring, we find it pretty expensive because we have not taken care of it before. I would like to make the suggestion that the Chair establish or appoint a committee to give some consideration to what the Council ought to do with relation to provision for the ultimate retirement of key personnel like our friend the Secretary-Treasurer.

CHAIRMAN HALLANAN: Is there a second to the motion?

(Chorus of seconds)

CHAIRMAN HALLANAN: It has been moved and seconded that a committee of--how many, Mr. Marshall?

MR. MARSHALL: I should think two or three would be enough, Mr. Chairman.

CHAIRMAN HALLANAN: -- a committee of three be appointed to cooperate with the Chairman in outlining a plan for retirement of key employees of the Council. All in favor of the motion will indicate by saying aye.

(Chorus of ayes)

CHAIRMAN HALLANAN: Contrary, no.

(No response)

CHAIRMAN HALLANAN: It is unanimous. The Chair will appoint Mr. Marshall, Mr. Jacobsen and Mr. Follis, the Vice

Chairman, as members of that committee.

Is there any new business?

NEW BUSINESS

CHAIRMAN HALLANAN: Mr. Duke.

MR. DUKE: I have a few comments. They are not very lengthy.

CHAIRMAN HALLANAN: I do not believe you can be heard very well. Will you come forward?

MR. DUKE: Mr. Chairman, and Mr. Co-Chairman, there are some matters relating to oil tankers that are concerning some departments of the Government and some segments of the industry, and it was thought that this Council of Government-Industry body might be an appropriate place to offer some helpful suggestions on it, and there was some consideration given to how to bring it before the Council.

Since it isn't on the agenda and was not brought before the Council, it won't be discussed, and my question, therefore, was if you would be good enough for the benefit of new members and to refresh the memory of some old members, as to how a subject that is considered perhaps appropriate, and this Council could be helpful, is properly brought before the Council so perhaps at the coming meeting when the problem will probably still be with us, this problem might be put on the agenda.

There seems to be, Walter, perhaps two different methods.

I am not going to try to refresh the membership here, their memory as to how it gets before us, but perhaps you could do it much better if you would, please.

CHAIRMAN HALLANAN: Mr. Duke, if you desire to propose a subject for consideration, under the rules you may submit it at this meeting and in the course of events, the Chairman would submit it to the Secretary of the Interior, the Director of Oil and Gas, for their further consideration, and with their recommendation as to whether or not they wish to have Council action upon the matter. But that would be as far as we could go at this meeting today.

MR. DUKE: Yes, I understand. Then I would like, in order to get the subject perhaps under consideration, Walter, to request that.

CHAIRMAN HALLANAN: Do you have it in writing, Mr. Duke?

MR. DUKE: I do not. Should I, Walter?

CHAIRMAN HALLANAN: May I suggest that it be submitted in writing.

MR. DUKE: Very good.

CHAIRMAN HALLANAN: You submit it to me in writing.

MR. DUKE: Thank you. And Walter, while you are on your feet, please, in addition to an industry member, which I understand, what procedure do the Government agencies that might be concerned, what procedures do they follow to get a subject before the Council that they might consider this

Council helpful?

CHAIRMAN HALLANAN: I will have to submit that question to Captain Carson as to what procedure should be followed.

MR. CARSON: The request, as in the case of the reports of the committees, which you were considering today, stem from a request of the Secretary of the Interior to the Chairman of the Council that they undertake a certain study, and of course, that is first referred to the Agenda Committee. The Agenda Committee can make its recommendations pro or con to the Council and the Council finally acts upon whether or not it wants to consider the matter.

MR. DUKE: Thank you, Walter.

CHAIRMAN HALLANAN: You submit it in a letter to the Chairman of the Council.

Is there any other new business?

If not, a motion to adjourn is in order.

VOICE: Move we adjourn.

CHAIRMAN HALLANAN: All in favor indicate by saying aye.

(Chorus of ayes)

CHAIRMAN HALLANAN: Contrary, no.

(No response)

CHAIRMAN HALLANAN: Thank you very much, gentlemen.

(Whereupon, at 11:30 o'clock a.m., the meeting adjourned.)