

Vol. 1

OFFICIAL REPORT OF PROCEEDINGS

BEFORE THE

**DEPARTMENT OF THE INTERIOR**

In the Matter of:

**MEETING OF**

**NATIONAL PETROLEUM COUNCIL**

**February 7, 1961**

Washington, D. C.

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**MEETING OF**

**NATIONAL PETROLEUM COUNCIL**

**Tuesday, February 7, 1961**

**Conference Rooms A and B**

**Departmental Auditorium**

**Washington, D. C.**

## TUESDAY MORNING SESSION

February 7, 1961

... The National Petroleum Council met in Conference Rooms A and B, Departmental Auditorium, 14th Street and Constitution Avenue, N.W., Washington, D. C., at nine-thirty o'clock, Walter S. Hallanan, Chairman, presiding ...

MR. HALLANAN: Gentlemen, the Council will please come to order.

The Secretary will proceed to call the roll. There are a good many new members of the council here this morning, and I should like the opportunity to introduce them as their names are called, so may I ask the new members of the council, when their names are called, to please rise so that I may have an opportunity to formally introduce them to the council.

MR. BROWN: Gentlemen, as I read or call the roll and come to a name of a member and that member is not present, but an alternate or observer has been requested to sit in in his place, will the individual, the observer, please rise and give his name so we may have it for the record?

MR. HALLANAN: Will you hold it just a minute, Mr. Brown?

I understand Senator Metcalf is with us this morning, and one of our Congressman friends. If they are in the hall, I would like to ask them to come forward and sit at the front table.

Senator Metcalf and Congressman Friedel, will you please come forward, gentlemen?

Proceed, Mr. Secretary.

MR. BROWN: Mr. Leonard L. Aitken.

✓ MR. AITKEN: Present.

MR. HALLANAN: Gentlemen, I desire to introduce a new member of the council, Mr. Leonard L. Aitken, President of the Rocky Mountain Oil and Gas Association, of Denver, Colorado.

We are delighted to have you with us, Mr. Aitken.

MR. BROWN: Mr. Anderson?

✓ MR. ANDERSON: Here.

MR. BROWN: Mr. Baldrige? Mr. Ball?

✓ MR. BALL: Here.

MR. BROWN: Mr. Banks?

✓ MR. BANKS: Here.

MR. BROWN: Mr. Perry R. Bass?

✓ MR. BASS: Present.

MR. HALLANAN: Gentlemen, I desire to introduce Mr. Perry Bass, an independent oil producer of Fort Worth, Texas.

We are happy to have you on the team, Mr. Bass.

MR. BASS: Thank you, sir.

MR. BROWN: Mr. Benedum?

✓ MR. BENEDUM: Here.

MR. BROWN: Mr. Bennett? Mr. Bergfors?

✓ MR. BERGFORS: Here.

MR. BROWN: Mr. Bjork?

✓ MR. BJORK: 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. E. D. Brockett?

MR. HALLANAN: Is Mr. Brockett here?

MR. BROWN: He was here last night.

Mr. BROWN? Mr. Buck?

✓ MR. BUCK: Present.

MR. BROWN: Mr. Carpenter? Mr. Carthaus?

✓ MR. CARTHAUS: Present.

MR. BROWN: Mr. Comerford?

MR. MURDY: My name is R. J. Murdy. I am representing  
him.

MR. BROWN: Mr. Donald L. Connelly?

✓ *Connelly*  
MR. HALLANAN: Gentlemen, I desire to introduce to  
the council Mr. Donald L. Connelly, President of the Mid-  
Continent Oil and Gas Association, of Houston, Texas.

We are happy to have you with us, Mr. Connelly.

MR. CONNELLY: Thank you, Mr. Chairman.

MR. BROWN: Mr. Copeland? Mr. Cowden? Mr. Cranson?

Mr. Cummins? Mr. R. W. Curtis? Mr. Davis?

MR. REISTLE: I am Carl Reistle, representing Mr. Davis.

MR. BROWN: Mr. Donnell?

MR. DUMBROW: I am Mr. Dumbrow, and I represent him.

MR. BROWN: Mr. Dow?

✓ MR. DOW: Here.

MR. BROWN: Mr. Downing?

✓ MR. DOWNING: Present.

MR. BROWN: Mr. Duke?

✓ MR. DUKE: Here.

MR. BROWN: Mr. Dunnigan?

MR. BATZELL: I am Homer Batzell, representing Mr. Dunnigan.

MR. BROWN: Thank you. Mr. Endacott?

✓ MR. ENDACOTT: Here.

MR. BROWN: Mr. Fawcett? Mr. Fisher?

MR. KENNEDY: I am Mr. Kennedy, representing Mr. Fisher.

MR. BROWN: Mr. Follis?

✓ MR. FOLLIS: Here.

MR. BROWN: Mr. Fox?

✓ MR. FOX: Here.

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

✓ MR. HAMON: Here.

MR. BROWN: Mr. Hardey?

✓ MR. HARDEY: Here.

MR. BROWN: Mr. Harper?

✓ MR. HARPER: Here.

MR. BROWN: Mr. Hartman? Mr. Hawley?

✓ MR. HAWLEY: Here.

MR. BROWN: Mr. Hope?

MR. JAMISON: I am Miner Jamison, representing Mr.

Hope.

MR. BROWN: Mr. Paul N. Howell?

MR. HALLANAN: Gentlemen, I desire to introduce to the council Mr. Paul Howell, of San Antonio, Texas, who is President of the Howell Refining Company.

We are pleased to have you as a member of the council, Mr. Howell.

✓ MR. HOWELL: Thank you.

MR. BROWN: John G. Hurd? Mr. Harry A. Jackson?

MR. HALLANAN: Gentlemen, I desire to present Mr. ✓ Harry Jackson, President of the American Petrofina Company.

We are happy to have you on the team, Mr. Jackson.



MR. BROWN: Mr. Jacobsen?

✓ MR. JACOBSEN: Here.

MR. BROWN: Mr. Elliott Johnson? Mr. W. E. Johnson?

Mr. Charles Jones? Mr. J. Paul Jones?

✓ MR. J. PAUL JONES: Here.

MR. BROWN: Mr. W. Alton Jones? Mr. Kayser?

MR. BOYD: I am Howard Boyd, appearing for Mr. Kayser.

MR. BROWN: Mr. Keeler? Mr. Lawton? Mr. Long?

MR. FOLEY: I am J. W. Foley, for Mr. Long.

MR. BROWN: Mr. Ludwig? Mr. McClure?

✓ MR. McCLURE: Here.

MR. BROWN: Mr. McCollum?

✓ MR. MCCOLLUM: Here.

MR. BROWN: Mr. McGee? Mr. Maguire?

MR. MORTON: I am Oscar Morton, for Mr. Maguire.

MR. BROWN: Thank you, Mr. Morton. Mr. Majewski?

✓ MR. MAJEWSKI: Present.

MR. BROWN: Mr. Marshall?

✓ MR. MARSHALL: Here.

MR. BROWN: Mr. Millard?

✓ MR. MILLARD: Here.

MR. BROWN: Mr. Don H. Miller? Mr. Milligan?

MR. CAMPBELL: Douglas Compbell, for Mr. Milligan.

MR. BROWN: Thank you, Mr. Campbell. John J. Moran?

✓ MR. HALLANAN: Mr. Moran, we are happy to greet you

as a member of the council.

Gentlemen, I desire to introduce Mr. John J. Moran, who is President of the American Association of Oil Well Drilling Contractors, of Wichita Falls, Texas.

MR. BROWN: Mr. W. E. Mueller? Mr. Nickerson?

✓ MR. NICKERSON: Here.

MR. BROWN: Mr. Nielson?

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

MR. BROWN: Thank you, Mr. MacArthur. Mr. Niness?

✓ MR. NINESS: Here.

MR. BROWN: Mr. Nixon? Mr. Nolan?

MR. BOOKER: Al Booker, for Mr. Nolan.

MR. BROWN: Thank you, Mr. Booker. Mr. O'Shaughnessy?

✓ Mr. Ed Parkes?

MR. HALLANAN: Gentlemen, I desire to introduce to the council the new member Mr. Ed Parkes, of Shreveport, Louisiana, who is President of the United Gas Corporation.

We are happy to have you, Mr. Parkes.

MR. BROWN: Mr. Parten?

✓ MR. PARTEN: Here.

MR. BROWN: Mr. Pogue? Mr. Porter?

✓ MR. PORTER: Here.

MR. BROWN: Mr. Potter? Mr. Rathbone?

✓ MR. RATHBONE: Here.

MR. BROWN: Mr. C. Pratt Rather? Mr. Ritchie?

✓ MR. RITCHIE: Here.

MR. BROWN: Mr. Robineau?

✓ MR. ROBINEAU: Here.

MR. BROWN: Mr. Rodman? Mr. Rowan? Mr. Shoemaker?

✓ MR. SHOEMAKER: Here.

MR. BROWN: Mr. Smith?

✓ MR. SMITH: Here.

MR. BROWN: Mr. Monroe E. Spaght?

MR. HALLANAN: Gentlemen, I know we are all happy to welcome to this council the new President of the Shell Oil Company, Mr. Monroe Spaght.

We are happy to have you here, Mr. Spaght.

✓ MR. SPAGHT: Thank you very much, sir.

MR. BROWN: Mr. Charles E. Spahr? Mr. Spencer?

✓ MR. SPENCER: Here.

MR. BROWN: Mr. Staples?

✓ MR. STAPLES: Here.

MR. BROWN: Mr. Supplee?

✓ MR. SUPPLEE: Here.

MR. BROWN: Mr. Jonn E. Swearingen?

✓ MR. SWEARINGEN: Here.

MR. HALLANAN: Gentlemen, I desire to present Mr. John E. Swearingen, President and Chief Executive Officer of the Standard Oil Company of Indiana, a new member of the council.

John, we are certainly happy to have you on the team.

MR. SWEARINGEN: Thank you.

MR. BROWN: Mr. Taylor? Mr. Thorson?

✓ MR. THORSON: Here.

MR. BROWN: Mr. Vandever? Mr. Richard L. Vockel?

MR. HALLANAN: Gentlemen, Mr. Richard L. Vockel, who is Vice President of the Waverly Oil Works Company, of Newark, Ohio, and who is a worthy successor to his distinguished father who served since the organization of this council.

We are happy to have you and welcome you to the council, Mr. Vockel.

✓ MR. VOCKEL: Thank you, sir.

MR. BROWN: Mr. Warren? Mr. Webber?

✓ MR. WEBBER: Here.

MR. BROWN: Mr. Wells?

✓ MR. WELLS: Here.

MR. BROWN: Mr. Whaley?

✓ MR. WHALEY: Here.)

*Mr. Whaley was present  
at the meeting in 1900  
started to organize*

MR. BROWN: Mr. Howard White?

✓ MR. HOWARD D. WHITE: Here.

MR. BROWN: Mr. John White?

✓ MR. JOHN H. WHITE: Here.

MR. BROWN: Mr. Whiteman?

✓ MR. WHITEMAN: Here.

MR. BROWN: Mr. Windfohr?

✓ MR. WINDFOHR: Here.

MR. BROWN: Mr. John Wrather? Mr. Young?

MR. BATTLE: I am Fred Battle, representing Mr. George Young.

MR. BROWN: Thank you, Fred.

A quorum is present, Mr. Chairman.

MR. HALLANAN: A quorum is present and the council will now proceed to the transaction of the business before it.

Since our last meeting, gentlemen of the council, I am sorry to advise that one of our distinguished and beloved members has passed on, Mr. Harry Hilts, of New York. He has been a member of the council for a great many years.

The Chair recognizes at this time Mr. John Harper to present a memorial. Mr. Harper?

RESOLUTION IN MEMORIAM  
TO  
HARRY B. HILTS  
PRESENTED BY  
JOHN HARPER

MR. HARPER: The National Petroleum Council records with profound sorrow the death of Harry B. Hilts on May 15, 1960, at his home in Pipersville, Pennsylvania.

Harry Hilts was born on January 7, 1896, and was brought up in Baltimore. After completing two years of law school, he went to work in an oil company to help support his family. The oil business occupied him for the rest of his career. For some years he worked for Mr. O. D. Robinson in the New York City office from which he covered territory from Maine

to Arkansas. In 1935 he went with Cities Service as a tank car salesman. Then after that he entered a partnership to market gasoline through a chain of service stations in New York City.

Finally in 1941 he proposed that he become the First Secretary of the Empire State Petroleum Association, at whatever rate of remuneration his services proved to warrant.

His imaginative leadership built up a strong organization, notable for its integrity, constructive criticism, and sound intra-industry relations.

He bristled with ideas and gained acceptance of many of his suggestions by his own membership, by executives of the large, integrated oil companies, and by Senators and Congressmen.

Harry Hilts served loyally and proudly on this council from 1948 until the day of his death.

THEREFORE, BE IT RESOLVED by the Members of the National Petroleum Council, at its meeting in Washington, D. C. this seventh day of February, 1961, that this resolution be spread upon the records of the Council as a memorial and tribute to its faithful and devoted member, and that a copy thereof be sent to his widow, Mrs. Hazel L. Hilts, as an expression of the Council's profound sorrow and heartfelt sympathy.

MR. HALLANAN: Mr. Harper, do you move the adoption of the resolution?

MR. HARPER: Yes, sir.

MR. HALLANAN: May I ask for a rising vote, gentlemen?

... Rising Vote ...

MR. HALLANAN: Gentlemen of the Council, we are honored this morning with the presence of representatives of the legislative arm of the Government whom we always welcome here in the deliberations of the Council.

I should like at this time to introduce Senator Metcalf, of Montana. (Applause)

At the same time I want to introduce Congressman Friedel, of the great State of Maryland. (Applause)

APPROVAL OF MINUTES OF  
MEETING OF MARCH 22, 1960

MR. HALLANAN: The minutes of the last meeting of the Council were mailed to the members some time ago.

Are there any objections?

If not, may we have a motion of approval of the minutes of the last meeting?

MR. RATHBONE: I so move.

MR. HALLANAN: It is moved and seconded that the last meeting of the Council be approved. All in favor indicate by saying "aye"; contrary, "no."

It is so ordered.

I anticipate the arrival of the Secretary of the Interior most any time, but pending his arrival, I am going to pass along to the report of the Agenda Committee.

Mr. Jacobsen, will you please present the report?

REPORT OF AGENDA COMMITTEE  
BY  
A. JACOBSEN

MR. JACOBSEN: 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 January 17, 1961, and with the approval of the meeting and its agenda having been obtained from Captain Matthew V. Carson, Jr., Government Co-Chairman of the Committee, confirmed by his letter of January 19, 1961, the Agenda Committee met on February 6, 1961, at 3 p.m. in the office of the National Petroleum Council in Washington, D. C.

Under date of December 19, 1960, the Honorable Fred A. Seaton, Secretary of the Interior, addressed a letter, a copy of which is attached to this report, to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, requesting the Council to create a committee or committees to undertake a thorough study to determine the petroleum and gas transmission lines, crude oil and petroleum products pipelines, inland waterways barges, tank cars and tank trucks.

In connection with the study of petroleum and gas pipelines, it was also requested that information be submitted to the Government on individual pump station or compressor station locations by latitude and longitude.

As provided in the Articles of Organization of the Council, this letter was considered at the above-mentioned



meeting of the Agenda Committee at which meeting it was unanimously agreed to recommend to the Council the appointment of a committee or committees to make the study as requested by Secretary Seaton and to report to the Council. The committee or committees should not suggest plans or programs, but should confine reports to findings of fact.

In a second letter dated December 19, 1960, addressed to Mr. Walter S. Hallanan by Secretary Seaton, a copy of which is attached hereto, the Secretary requested that the National Petroleum Council undertake a study to determine production capacity as of January 1, 1961, actual 1960 production, raw materials requirements, purchased electric power requirements, manpower requirements and plant location by latitude and longitude, of all petrochemical facilities in the United States owned or operated by petroleum and gas companies or in petroleum facilities.

As provided in the Articles of Organization of the Council, this second letter dated December 19, 1960, was considered at the above-mentioned meeting of the Agenda Committee at which meeting it was unanimously agreed to recommend to the Council the appointment of a committee to make the study of petrochemicals as requested by the Secretary, and to report to the Council.

The Agenda Committee recommends that because of the great complexity of the subject, the committee to be appointed

should confer thoroughly with representatives of the Department of the Interior so as to define the exact scope of the study and determine the manner in which the committee can best comply with the request of the Department of the Interior. The committee should not suggest plans or programs, but should confine its reports to findings of fact.

This is respectfully submitted, A. Jacobsen, Chairman of the Agenda Committee, and I move the adoption of the report.

... The motion was duly seconded ...

MR. HALLANAN: Gentlemen, you have heard the report of the Agenda Committee as submitted by Mr. Jacobsen.

Are there any remarks?

It has been moved and seconded that the report be adopted. All in favor indicate by saying "aye"; contrary, "no."

The report is unanimously adopted.

Gentlemen, we are very pleased that at this first meeting of the National Petroleum Council of the year 1961 that we are honored with the presence this morning of the distinguished new Secretary of the Interior.

This Council is moving into its 15th year of existence. It was organized in June of 1946, and the first membership appointed by Secretary Krug under the authority of an executive order issued by the President of the United States. That executive order called attention to the fact that there was a great need for an industry-government team to serve in peacetime

to the same extent that the petroleum industry war council served the country during World War II.

We have served through four Secretaries of the Interior, Secretary Krug, Secretary Oscar Chapman, Secretary McKay, Secretary Seaton, and finally, we are here now today under the jurisdiction of Secretary Udall.

I think that I may say to the new Secretary that the members of the Council representing the oil and gas industry have accepted their responsibilities with a spirit of patriotic challenge. They have looked upon this as an opportunity to serve their Government at a time when we are in a cold war, and the devoted energies, studies and time given by the membership of this Council to the request of the Federal Government will go down in a historic page.

We feel that we have blazed the trail on industry-government cooperation in a way that sets a very high mark. It is rather remarkable to look back over these 14-1/2 years and recognize the fact that during that time the National Petroleum Council, through its organization and through its committees, has completed final or interim studies on 142 different subjects covering all phases of the oil and gas industry which are related to the problems of national defense.

I know that we feel we have done a worth-while job, and I know that we wish to pledge to the new Secretary our continued loyalty and devotion to the problems of our government.

We want to continue the same high performance that we have done in the past.

In introducing Secretary Udall this morning to you, I want to say to him that it is our wish to carry on in the future under him as we have in the past under his predecessors.

I take pleasure, members of the Council, in introducing the new Secretary of the Interior, the Honorable Stewart Udall.

(Applause)

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ADDRESS OF  
THE HONORABLE STEWART L. UDALL  
SECRETARY OF THE INTERIOR

SECRETARY UDALL: Thank you very much, Mr. Hallanan.

I have some prepared remarks, but I am basically an off-the-cuff-type speaker, and I will read my remarks later because I put considerable thought into them, but I wanted to say a few other things to you by way of perhaps revealing a thing or two about myself, and by way of getting acquainted.

*Stewart* It has been my experience, in my brief career in public service, that there is only one sure way of being successful, at least in the limited sense that people understand you, and that is to be completely direct, completely candid, and completely straightforward in all your dealings with your constituents, and with the public, and with the people that you serve with, whether it is in the Congress or in the Executive Department.

I know I have weaknesses, and I imagine some of them will become apparent shortly, but I hope that one weakness which you will not discover in your dealings with me is a lack of candor, or a lack of straightforwardness, or a lack of honesty, according to my lights, as I see the issues that face you and this great industry.

I have spent considerable time in the past few weeks in attempting to recruit people from your industry to assist me in some of the tasks that I have; in fact, I have an announcement or two to make on that score this morning.

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I have encountered something that disturbed me a bit. I have talked to people about it and I want to talk to you about it for just a moment today, as a preface to my remarks.

There is a school of thought -- in fact, it almost reaches the proportion of being an old wives' tale -- that there is one industry in this country, ~~and it is~~ the petroleum industry, that has no public spirit, and that the people in this industry are somehow under a cloud and cannot be asked or should not be asked to serve in public capacities in this or in any other administration.

I take issue with that myth, or whatever it is, and I have taken issue with it in arguing with several people that I was trying to draw into Government service. As a matter of fact, I said to them that I see no reason why, despite the fact that as far as some people are concerned, the people in the oil industry are narrowminded, ~~and only~~ <sup>only</sup> concerned with their own welfare, and lack public spirit, -- I know of that myth, but I want to say to you that I think that the time has come for some of the people from your ranks, and I know there have been notable contributions and I hope there will be under me, so that we can dispel this once and for all, to redeem the oil industry just the way that Jim Forrestal and Bob Lovett and a lot of other people redeemed Wall Street.

There was a time, you know, when no one from Wall Street could serve in Washington, because the cry would go up

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that there was something afoot. So I want it understood, because I have not been on my job long -- who was it, Mark Twain, the famous old saying of "Familiarity breeds contempt"; but Mark Twain added something to it. He said that familiarity breeds contempt and children.

But I want to say to you that as far as I am concerned, in the dealings that I have had thus far with people in your industry, familiarity has bred respect, and I want to announce this morning that I am most pleased on two counts.

One is that a prominent member of this council, and one who is widely known and respected in your ranks, Major J. R. Parten, has agreed to come with me as a consultant for several weeks, to help me sort out my thinking and to get to the bottom of some of the problems and to lay out a program for you. (Applause)

I only met the Major a few days ago, but he comes highly recommended to me from several quarters, and, as you know, he has served with many Secretaries. If he was good enough for Harold Ickes, he is good enough for me, I am sure.

It gives me great satisfaction also, and some of you may know of this -- indeed, the President himself may have an announcement to make on this at the White House within the next day or so -- to make a further announcement.

One of the very serious problems that we face in this country, a problem we have not really tackled with the type of

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vigor and imagination that has been needed, is the problem of our first Americans, the Indian people. Some time ago I attempted to secure the services of another prominent man within your industry who came with me here this morning, Bill Keeler, to be the Indian Commissioner, and because of his commitments and all he did not feel that he could take the job on a permanent basis, but he and his company very generously have agreed to loan him to me.

They are going to pay him. I do not have to pay him, so he is free. What advice he gives me comes out of his heart. He has agreed to serve me for 90 days without pay as the chairman of a committee that I am attempting to set up to establish new Indian policies and to, I hope, reorganize and revise the operations of the Indian Bureau.

I think this is typical of the type of public spirit that does exist in your ranks. I understand, incidentally, that Bill knows a little about the oil industry. I might even snatch a little advice from him on oil problems, too, on the side, although we will have him quite busy. But it does give me pride and pleasure to announce that he has agreed to serve with us.

In fact, I think the President of his company is here. I am hoping to get him so involved that we will keep him for maybe six or nine months, so the Phillips Company had better brace themselves. (Applause)

Stop



r5

Incidentally, we hear a lot about consultants these days, and no one seems to know what a consultant is. I guess we will find out. It reminds me of the story of the young Vassar girl who went West to one of our ranches and began asking detailed questions about the operations of the ranch and its livestock, and it finally became quite embarrassing, some of the questions.

Everybody avoided her, but one old cowboy. Finally she cornered him one day and asked one of the questions that she had not been able to get an answer to. She said, "What is a gelding?"

"Well, ma'am," he scuffed the ground a little bit, and he said, "I guess you would say a gelding is a horse that runs with a herd, but on a consulting basis only." (Laughter)

So I mean no offense to Major Parten or Bill, but that is, I submit, one definition.

Now to my prepared remarks.

I come not as a stranger to this meeting, nor even as your guest. We are standing today on common ground and I am happy to be counted as one of you. Some of us are friends, some of us have had the pleasure of meeting the first time last evening, but all of us are bound together by a mutual responsibility for the social, economic, and political impact of the petroleum industry on the affairs of our nation and on the world.

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I trust we are here because we have accepted this responsibility, are prepared to meet it in common, and in doing so are ready to make the fullest possible use of this council.

I am here to give you my word on this and to ask for yours. And may I say in passing, do not be surprised if the new Secretary and his advisors give this council new assignments and new responsibilities.

fj  
fls

fj fls russ

In his inaugural address, President Kennedy uttered these stirring words: "Ask not what your country will do for you, ask what you can do for your country."

A few days later in his message on the State of the Union, the President said, "I here pledge myself and my colleagues in the Cabinet to a continuous encouragement of initiative, responsibility and energy in serving the national interest."

Thus, in asking your help today, I am acting on the direct counsel of a President, my President and yours, who has solemnly committed me to an open mind and to an open door.

You may call this cooperation if you wish. I think it amounts to much more. These are times which demand much more than mere cooperation between the private and public sectors of American enterprise.

Communism, if you recall, began as a demand for equality. It promised to divide the wealth and to give political power to the downtrodden. But, to many of its early converts, the appeal of Communism lay in its promise to followers that they would take part in a selfless crusade for humanity. The promise was a false one, and has been exposed by history time and time again. That it succeeded so well, and still persists is due largely to default by defenders of free institutions.

Nevertheless, I believe that Communism is losing this

ideological battle, that its appeal today is based largely on the ancient argument for tyranny that is more efficient than freedom for providing material benefits. This, too, is a false argument. But no matter what price we place on freedom, it is not an irrelevant argument, not to the great numbers of people in Asia and Africa, and Latin America, where many of you people operate today, who are now living at intolerable economic levels.

The United States is perfectly capable of demonstrating to the world that our economic system is efficient, is unique, that it is flexible, that it is the servant and not the master of the open society in which we live. Such a demonstration, however, calls for more than cooperation by business and government. It demands a substantial identity of purpose, and a zeal to weld together common interests.

The petroleum industry is part of the core of America's economic and military strength. It is pivotal to the welfare of cohesion of the free world. We in the government know its importance. We recognize its complexities. We respect those who direct it. I am confident that for your part, you appreciate the inescapable involvement of government in the industry. We must have national policies on oil and gas, and these policies must be determined by public bodies which weigh the public interest in the scales.

The Department of the Interior is the principal policy-making agent in this sphere. Its responsibilities will grow rather than diminish, I would guess, in the coming years. There are, I suppose, some who wish this were not so, who believe the industry can solve its own problems, and that accepting any governmental association with the private sector of the economy is letting the camel nose into the tent.

Despite what I have said about the Communist challenge, I appreciate this thinking and regret that it has so little to do with reality. However, recent events demonstrate conclusively that there are simply no alternatives to government as an auditor of the industry, as its shield in foreign affairs, and as guardian of the national interest.

The true problem for us is to develop the machinery that will permit government to carry out efficiently its balance wheel function without usurping those of business. All that is required by the government for its regulatory role at home and its representative role abroad. This knowledge is by the very nature of our system found in the private sector. This is as it should be. I feel, as you do, that government should not, would not, and could not, assume any function that is properly a business one. Yet, there are many occasions when substantial information and advice from the private sector must be available to government for the interest of the nation, and, hence, for the interest of the industry.

This need becomes critical in dealing with the monolithic states that recognize no division between public and private sectors. I believe those who have created and who continue this Council understood the problem well, for here in the National Petroleum Council we have an ideal bridge for the two-way traffic of ideas and information between government and industry. The bridge may need a few improvements, but it is structurally sound and it is capable of carrying far more traffic than it does now. Our job is to improve its approaches, and work has already begun on the government side.

I cannot promise that the government will accept all recommendations put forward by the industry, or that our views on a given subject will always coincide with yours. This is not what a government department is for. But I can promise that your views will always be welcome, and your facts and figures put to use.

Again, as President Kennedy said last week, let it be clear that this Administration recognizes the value of daring and dissent, and that we great healthy controversy as the hallmark of healthy challenge.

I opened these remarks by saying we are here on common ground. I am earnest about that, and effective immediately, I am designating myself as co-Chairman of the National Petroleum Council. I will look upon this as a challenge and an

opportunity for achievement and responsible action, as great as any duty that I may perform as Secretary of the Department of the Interior. I will attend the meetings whenever possible, and in those cases, I hope there will not be many. When I am unable to be present, my duties will be assumed by a senior official in the department. I trust the industry will show a concern with the Council equal to my own. This is a time in America for great expectations. Let us share them.

May I just close with one final comment? There are only so many hours in the day, I have found, to my sorrow, recently, and yet I have spent some of those hours talking with groups of you, with some of your spokesmen. I intend to continue to make it a policy, wherever I can, to talk with people who hold all points of view within your industry. I think it is one of my functions. The more that I am available, the more deeper that I get involved, the better I can perform my official duties and functions. I can assure you of only one thing in that regard, and that is that I shall always try to be open-minded, to hear all sides, and I assure you, also, that I will not be afraid of making decisions. If the decisions are hard, I shall make them with the greatest of fairness and the greatest of vigor that I can command. This, I make as a promise to you.

I am delighted to meet all of you, and I look forward to our association in the future. Thank you.

(Standing applause.)

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

We appreciate not only your visit, but those very fine remarks which you have made in approval and in continued vision of the work of this Council. We hope to be able to respond in the spirit which you have reflected here this morning, and that under your leadership as Secretary of the Interior this organization will continue to fulfill its patriotic responsibilities.

Gentlemen, I would like at this time to present some other representatives of the Department and of the Government, and the legislative branch, who are here. Under Secretary James Carr is the first gentleman.

Will you please stand?

Next is Assistant Secretary John Carver.

Will you gentlemen please come forward as I call your names?

Gentlemen, I desire to present to the Council Under Secretary Carr.

(Applause)

Next I desire to present the Assistant Secretary, Mr. John Carver.

(Applause)

Senator Jack Miller is also present this morning, gentlemen.

Will you stand?

(Applause)



The Chair wishes to recognize at this time from the agenda Mr. Dave Staples for the purpose of making a motion.

APPOINTMENT OF NOMINATING COMMITTEE  
AND ELECTION OF OFFICERS AND STANDING  
COMMITTEES FOR 1961

MR. STAPLES: I move the appointment of a Nominating Committee to select officers and committee members for the ensuing year.

MR. HALLANAN: Is there a second, gentlemen?

... The motion was duly seconded ...

MR. HALLANAN: It has been moved and seconded that a Nominating Committee, that five members of the Council be appointed to recommend the election of officers and members of the agenda and appointments committee for the ensuing year. All in favor indicate by saying "aye"; contrary, "no."

The resolution is adopted.

The Chair will appoint Mr. Staples as Chairman, Mr. Al Nickerson, Mr. Perry Bass, Mr. Henderson Supplee, and Mr. Jacob Blaustein.

The Committee may retire at its pleasure.

We now proceed to the report of special committees. The first report is that of the Committee on Proved Petroleum and Natural Gas Reserves and Availability, to be presented by Mr. L. M. McCollum, the Chairman.

**REPORT OF THE COMMITTEE ON PROVED PETROLEUM  
AND NATURAL GAS RESERVES & AVAILABILITY**

**L. F. McCOLLUM, CHAIRMAN**

**MR. McCOLLUM:** Mr. Chairman, distinguished guests,  
gentlemen:

This report will be in the form of a progress report.

The National Petroleum Council Committee on Proved  
Petroleum and Natural Gas Reserves and Availability is presenting  
the report.

In the fall of 1959 and the spring of 1960, the  
Department of Interior requested that the following studies  
be undertaken:

First, the proved reserves of crude oil by P.A.D.  
districts arranged according to the year of discovery of each  
field.

2. The proved reserves of natural gas and natural gas  
liquids prepared on a similar basis.

3. The drilled and undrilled proved acreage in 1954  
and 1959 if feasible, and

4. The productive capacity of crude oil, natural gas,  
and natural gas liquids.

After reviewing these requests, the National Petroleum  
Council agenda committee recommended to the National Petroleum  
Council that these studies be undertaken, and committees were  
appointed and the studies are under way. I was appointed general

chairman with two vice chairmen, Mr. Morgan Davis on oil and Mr. N. C. McGowan on gas.

Yesterday I had a very cutting remark from a dear friend of mine, Mr. Majewski, who said Mack was the only chairman who had not done any work. Maybe that was right, but the vice chairmen didn't work either.

Mr. Stewart Buckley was assistant to the vice chairman on oil and Mr. Ed Parkes on gas.

After a few other introductory remarks, I would like to turn the meeting over to those two gentlemen, because they can tell you how the report was put together and what is in the report as of this moment.

In order to develop this necessary data, subcommittees also were appointed. I might tell you that well over 200 experienced oil and gas men worked together for many months in putting together the information that the Government has requested.

In this respect, I need not remind you that will be the fifth report made by the National Petroleum Council on productive capacity of crude oil and natural gas liquids associated with the production of oil. The proved reserves of crude oil by PAD districts was made once before, I believe, in 1944. This will be the first report by the NPC on this subject. The proved reserves of natural gas and natural gas liquids has never been prepared before. The drilled and unproved acreage in 1954 and 1959 as requested has never been

prepared before. Your committee found that this was not feasible. Therefore, we can not report upon that request. However, as I mentioned earlier, the productive capacity of crude oil and natural gas, and natural gas liquids, has been prepared for other than the natural gas section. We were told by the Government that these reports were needed because of the importance of these subjects. We were told that at the time that the agenda committee considered these requests, and we had an opportunity of working with the Government people during the preparation of these reports, particularly Mr. Charles Moore, who was co-chairman with me in this study, and Mr. Fred Lott, of the office of Oil and Gas. The report which you will receive today is a progress report. Your committee had hoped to complete this report and deliver it to you today. We found this was absolutely impossible.

At our last meeting, the last meeting of your committee on January 13, we found certain desirable discussions and alterations, so the report today is in finished form in so far as figures are concerned but not in so far as the completed text is concerned. It is hoped there will be two presentations, one of oil and one of gas, and there will be the necessary discussions. Then they will be referred back to your committee on reserves availability of oil and gas, and later put together and submitted to the Chairman for his final handling.

With that preliminary introduction, I would like to now say that the report will be presented in two sections, one by Stewart Buckley on the oil side, and the other by Ed Parkes on the gas side. I would like to ask Mr. Buckley to present the oil portion of this report at this time.

MR. HALLANAN: Please come forward.

Mr. Secretary, we are sorry you have to leave us, but we understand the circumstances.

Mr. McCollum, will you present the matter and introduce Mr. Buckley?

MR. MCCOLLUM: I scarcely need to introduce to you Mr. Stewart Buckley, with the Humble Oil and Refining Company, who has been around making these studies for many years, and who has probably been in on all five of the previous studies. Now he is in on this one, as well as putting together the two reports.

MR. BUCKLEY: Mr. Chairman and Gentlemen: With your indulgence, I will not attempt to read this morning the draft of the report that had been prepared, but try to cover for you in more informal fashion exactly what we have done, what difficulties, if any, we have run into, and the matters that have given some concern to the committee, and I will attempt to explain to you why, and then give you the factual conclusions as to the data.

The study on crude oil was in basically two parts. One

dealt with reserves or discoveries, the other dealt with availability. The availability part gave us no trouble because similar studies on productive capacity for crude oil have been conducted since 1951 by similar committees. The problem really concerned the study of reserves. Basically we were asked to take the API reserves as of the end of 1959, which stood at 21.7 billion barrels, and re-cast those reserves and reconstruct a history crediting these reserves or their discoveries back to the individual fields and to tabulate the results according to the discovery dates of those individual fields.

The committee did not have direct access to the API files, which underlay these results, so then it was necessary to spend some time going to similar sources and compiling from scratch the equivalent of the API reserves at the end of 1959.

Before they could be re-cast to the discovery years of the individual fields, it was necessary to convert these to a discovery basis.

In essence, the 31 billion 700 million barrels of reserves at the end of 1959 represented the remaining reserves from a total crude oil discovered since the beginning of the industry of some 94.3 billion barrels, of which 62 billion barrels have been produced.

So it was necessary to convert back to the 94 billion discoveries.

We was asked by the Interior Department to terminate this study as of the end of 1954 rather than carry the study forward to 1959. The NPC subcommittees, those for whom I am speaking this morning, found that of the total of 94 billion barrels discovered at the end of 1959, some 91 billion barrels could be credited to the fields discovered through the period ending in 1954. There are some real difficulties with this crediting reserves back to the discovery year of an individual field and then compiling totals for those years as if in fact these reserves existed at that time.

This is more than an exercise in arithmetic. It creates some impressions which the subcommittee felt were false and misleading in many respects. For this reason, the subcommittee has given a great deal of time and effort in so phrasing the report as to point out the possible pitfalls in interpretation and the difficulties which one might encounter in attempting to interpret these results, because the results seem to say something which the subcommittee feels is not true.

In order to help that, I have prepared some charts which I think will illustrate to you the reservations the committee has had about the use of these results and the need for, in the committee's report, a thorough discussion of the items to be avoided in order to prevent or at least to minimize the possibility of reaching erroneous conclusions from this tabulation. So it is that aspect of the reserves part that I would

like to illustrate for you in these charts.

I have tabulated here - and I hope you could see these. But the industry is accustomed, and has been for years, to estimates of remaining reserves prepared by the American Petroleum Institute, and I might mention that before the American Petroleum Institute began in 1936 to prepare a systematic review of remaining reserves, there was a group known as the API committee of 11 which made a reserves determination in 1925. The Federal Oil Conservation Board made a similar estimation in 1926. So we do have an earlier point of an estimate of reserves on the basis to which the industry has become accustomed through the API reports.



MR. BUCKLEY: Basically, in the reporting system all the additions to reserves in any given year, whether recognized by extension drilling or by revisions of prior estimates or revisions of recovery through improved recovery producers, are books in the year in which they have become recognized as proved. This shows a continuous history of a rise in reserves from the early 1920's on to the 31.7 billion barrels of reserves remaining at the end of 1959.

A study similar to that that this committee has undertaken was done by the PAW at the end of 1954. The PAW took the API reserves at the end of 1954 and went through this arithmetic, accrediting the discoveries back to the initial dates of discoveries of the individual fields, and tabulated those results as if the reserves recognized, for example, in a field discovered in 1918 were, in fact, recognized in 1918.

This is not true. This creates an illusion that in the early years we had much higher reserves than were in fact reported, reaching a peak at some time prior to the date of the study, and that reserves thereafter were falling off.

This particular rise and the falling off is an inherent and essential characteristic type of reporting of data.

The point I wish to illustrate here is that although in 1926, for example, we recognized as proved to draw on for productive capacity some five or six billion barrels of reserves, this method of crediting discoveries retroactively back to those

years creates the impression that at that time we in fact had some 12 billion barrels of reserves.

The essential point that I hope I can make clear to each of you is that these imputed reserves did not in fact exist in those years. Much of the oil credited is from depths which were not even drilled in those years, from reservoirs which were not even discovered, from secondary recovery and other techniques which were not then employed, and in no sense were these the reserves existing in those years.

When the NPC subcommittees restudied this as of the end of 1959 we, of course, found that through later evaluation, further extension and further improvements in recovery, we are forced now to recognize that on the basis by which we at the end of 1959 evaluate these reserves, we credit still more oil to these earlier years.

So, again we create the illusion of very high past discoveries and a falling off in reserves as we approach the present. This falling off is an inescapable fact because we credit it to the more recent years only that limited amount of oil which we are now able to recognize, and without the benefit of the hind sight upward revisions which will come in the future years.

So a study of this sort, to be done correctly, would have to recognize for the more recent years an imputation of future discoveries by way of revisions and extensions of the

fields already discovered.

Now, if we would take a comparison of the study by the PAW in 1954, by the NPC 15 years later, and then attempt to see what would this picture show 15 years from now, when the more recent fields have had the benefit of further revisions, we would indicate that as of the end of 1954 we would have imputed some remaining reserves of 75 billion barrels. This is in no sense the reserves.

The subcommittee has felt that this kind of a picture is so misleading that it would be grossly inaccurate, it would be more detrimental than helpful, to report these figures on this imputed type of crediting as if they were reserves.

(Chart)

Mr. BECKLEY: The reason for this peculiar behavior is that if in any year we discover a new field, we recognize at that time only a very limited amount of oil creditable to that field. We depend basically on the extensions and revisions as the field is drilled up in order to recognize its size.

What perhaps some of us have not appreciated fully is that the size of the field, if we start with the unit figure discovered in a particular year, that the size continues to grow. It grows at a rather high rate and it grows for a longer period of time.

What this means is that the fields we have discovered in the past continue to comprise a very large reservoir for further extensions and revisions, as we discover more reservoirs on the same fields, and as we over the years improve our recovery procedures.

So this growth is a continuing growth from all past discoveries. But by the same token, the more recently discovered fields do not have the comparative benefit of the full imputation of the final growths that we may expect in hindsight to have seen in future years.

The basic element I want to get over with this chart is that the evaluation of a field continues to grow for many years, and it is this growth which does not level out to a fixed and finite value that makes it difficult ever to know what are the reserves in a particular field or how much oil is in that

field. We don't know when we discover it. We evaluate it at any given period of time. We assign to it a progressively increasing number. We don't know how much oil is in the field. All we know is a particular estimate at a particular time, and that estimate will be subject to change as years roll by.

In order to avoid the illusion created by tabulating these things as if they were remaining reserves, the subcommittee felt it would be preferable to convert these entirely over to the discovery basis. So this chart is prepared on the basis, as will be reported in the committee's report, to show the discoveries imputed, again, retroactively, to these fields, but it gives a different type picture.

Remember that the API recognizes discoveries in the year in which they are estimated as proved.

Again, we are taking the API cumulative discoveries of some 94 billion barrels at the end of 1959, crediting them retroactively to the discovery dates of the individual fields, and arriving at a reconstructed discovery history, which gives to the fields discovered in the earlier years the benefit of many years of revisions, and denies these revisions to the fields in more recent years. So even this basis has in the very substantial distortions, and in the more recent years by no means does this recognize the total amount of oil discovered in those fields but only that amount thought to be in them, proved recoverable, at the end of 1959. So, again, if we compare the API record with the PAW reconstructed method, the NPC

reconstructed method, we get a consistently changing answer, and, again, if we would impute forward the revisions we could expect to see over the next 15 years, and if these revisions over the next 15 years were comparable, percentagewise, to those that occurred over the 15 year period between the NPC study and the PAW study, this dotted curve would represent then a further extension which, by 1975, we might recognize as being creditable to the fields discovered in these earlier years.

That would indicate a total in 1975 of some 125 billion barrels of oil creditable to fields discovered prior to the end of 1954.

Again, this is not the final answer. We perhaps would not know the final answer until the year 2000. This would be merely one more point of evaluation.

The whole point at issue, and the point that has caused some reservations in the minds of the committee, is if we take the supposition that in connection with long-range studies this particular set of data prepared by our NPC subcommittee is to be useful in that connection, depends on the connotations of the word "useful."

If some people are under the impression that we can merely take this single set of data and that that then gives us a true and representative history of the discovery of oil in this country, the subcommittee feels that that is not true, that this single set of data is merely one point in time in

observation and a misleading representation because earlier years have the benefit of more years of revisions than the later years. If this is to be useful in connection with the appraisal of the long-range outlook for crude oil in this country, the subcommittee feels it essential to recognize these limitations, that this is one of a series of observations which one might make over a period of time, and the only positive usefulness of it is in contributing to the recognition of the changes which must in the future take place from re-evaluation of these particular fields.

This is part of the future oil we would hope to recognize in later years as proved. It does give us a feeling of confidence that a very large volume of future revisions can be expected to come from the fields already discovered over and above the fields that might be discovered in the future. The subcommittee felt it was not within the scope of its assignment to project forward the future oil discoveries in the United States, but within the charge of the subcommittee to confine its observations to findings of fact and explanations thereof. The difficulties at present are solely in how to phrase the committee's report in such manner as to point out precisely the limitations of these data which will be reported and the pitfalls one might encounter if attempting to take this picture alone as representative of the discovery history.

The committee proposes to handle this point by explaining

as thoroughly as is possible the limitations of these data and how they reflect only one point of observation, and to point out the necessity for, in any long range study, the recognition of future revisions as well to these particular fields.

That is what has held up, frankly, the subcommittee's report, in attempting to do a thorough job of pinpointing and spelling out these limitations.

The availability part of the report has been fairly straightforward. The subcommittee found that the productive capacity of the oil wells in the United States on January 1, 1960, was some 10,585,000 barrels. Crude oil production has been at the level of about 7 million barrels a day, and this represents a very substantial productive capacity over and above productive level. The rate of increase in productive capacity since the last study by this subcommittee in January 1957, the rate of growth in productive capacity, has fallen off. It was about half of what it was for the prior three-year period.

The subcommittee has also undertaken, at the request of the Department of the Interior, to estimate what the decline would be in productive capacity if there were no drilling or if there had been no drilling after January 1, 1960, and what level of drilling would be required in order to offset that decline and maintain productive capacity constant.

On the basis that we would be producing at productive



capacity of some 10,585,000 barrels a day, it was estimated by the subcommittee that if there were no drilling at all literally, productive capacity would decline over a two-year period at about the rate of something like 800,000 barrels a day.

In order to maintain productive capacity while drilling at this rate, it would be necessary to complete annually in the U. S. some 20 to 25 thousand oil wells.

I am sure you will recognize that in order to get some 20 to 25 thousand oil wells, it would be necessary to drill annually some 40 to 50 thousand wells, because the oil wells represent only about half.

A part of this oil would have to come, of course, from new fields as well as continued drilling in old fields. This estimate is based on the supposition that we would continue over such period to drill wells in about the same geographical proportion as we have in the past, in the same areas we have in the past, about the same proportion of wildcat drilling as in the past, and that in effect the average well would continue to contribute in the same fashion that it has over the prior observations.

Just to give you some estimate of what that means by way of drilling, we drilled over the last ten years in the United States some 500,000 wells, or about 50,000 wells a year. The rate of drilling picked up to 58,000 wells in 1956, and fell off to some close to 47,000 wells in 1960.

The average for the 10 years lay between 50 and 51 thousand. What this means is that to maintain productive capacity while producing at productive capacity, it would require about this level of drilling.

This level of drilling was accompanied and included in the totals by some 10 to 11 thousand wildcat wells a year, and along with the oil wells some 4400 gas wells a year. So 20 to 25 thousand oil wells would require some 40 to 50 thousand total wells, including wildcat wells, dry wells, gas wells and service wells in order to maintain this availability.

In the report, this availability will be shown by PAD districts as per request.

I think the only other item of particular interest is that the growth in availability for the last three years was confined almost entirely to what is called PAD district 3, which is the Gulf Coast area. Productive capacity did not increase materially in the other four districts, the east Coast, Mid-continent, Rocky Mountain or Pacific Coast.

That concludes my report.

MR. McCOLLUM: Thank you, Stewart.

Gentlemen, I think it might be well at this time, before we go to the other part of the report, to permit questions.

MR. KEELER: I was wondering, in connection with the productive capacity, if the figure takes into account the trans-

portation facilities in to the limitations for the maximum productive rate.

MR. BUCKLEY: Mr. Keller, the productive capacity is the productive capacity of the wells and reservoirs. It does not recognize limitations which we know exist, the surface of the ground, and in transportation to use this oil. So in no sense should we consider this quantity as the availability in the sense of available to the consumers. There would be limitations of salt water disposal facilities and facilities for handling casing head gas in the fields, as well as transportation, and other bottlenecks before such oil could be used in these quantities. But this is a measure of, you might say, the resource availability, the present state of development of the oil fields and reservoirs.

MR. McCOLLUM: Mr. Buckley, doesn't that same answer apply to that same question if applied to gas availability?

MR. BUCKLEY: I am sure Mr. Parkes will point out that even more, so does this question apply to the availability or productive capacity of the natural gas and natural gas liquids? I think it necessary at this stage, although the industry has been accustomed to use the words productive capacity and availability as if they were synonymous, to state that I think the committee has finally been forced to recognize that there is a difference and a very important difference between productive capacity which we are employing here as a

measure of what can come out of the ground, and availability which, in a more restricted sense, should measure what can we end up using. They are different. This measures productive capacity only.

MR. McCOLLEUM: Are there any further questions?

If not, I would like to ask Mr. Ed Parkes, President of the United Gas, if he would present the gas section of this report.

MR. PARKES: Gentlemen, from the standpoint of natural gas, and talking about the way in which the reserves were determined, we have little to add to the presentation that Mr. Buckley has so aptly given you. Unfortunately, we do not have prior studies to make the comparisons that he made. This is the first time that a natural gas study has been made, to the best of our own knowledge, in which the reserves are thrown back to the date of discovery. So we can't give you specific charts that are as graphic as Mr. Buckley's. We did find, though, from all of the knowledge of the members of our various sub-committees, that the same facts hold true, that in gas, just as in oil, we are extending and adding reserves to fields as much as 35 and 40 years old today. The reserves that we have used in this study are the same reserves that appear -- that is, the same basic data -- that appears in the AGA-API annual report of reserves.

In completing the study, we found that there had been

discovered up to date, that is, up until 1954, 419 trillion feet of gas in the United States. Of that, there remains some 260-odd trillion feet still in the ground today. The rest of it has been produced. We found as to natural gas liquids being natural gasoline, condensate, which comes with gas from gas wells, as well as the gases that come off with the production of oil, some 10 billion barrels. When we get to productive capacity, we find a situation which is a little bit even more complex and more difficult to understand, or, rather, to comprehend, the difference between productive capacity and availability, as this study started out on the word availability, and as was suggested by Mr. Buckley, we had to drop the word availability, and we had to go to productive capacity. We have determined productive capacity on the basis of the ability of the wells to produce within legal restrictions but with no restriction whatsoever from the standpoint of pipeline capacity, compressor capacity, or market requirements.

We find that from non-associated gasoline, and that means the gas that is not produced in conjunction with oil as distinguished from associated gas, which is gas produced normally from a gas cap, or from wells which are classified as gas wells in an oil field, and from solution gas, which is, of course, the gas dissolved in the oil, we find that from the non-associated gas or what we commonly call dry gas wells, at January 1, 1960, there was a productive capacity of 51 billion

feet per day. We estimated that that would decline to 46 billion feet by January 1, 1962, assuming production at the same rates that existed in 1959.

Please note the distinction there, that we did not assume production at the full rate, as Mr. Buckley did in determining the decline in productive capacity, because of the more difficult problem of finding a place to put it. There was no place to put the gas, so we felt that the best the picture would be to give you the decline based on production at the present rates.

Now, in addition to those figures on gas from non-associated reservoirs, we found that there was some 21 billion feet of gas produced along with oil, from associated and solution reservoirs. That is dependent entirely upon the rate of production of oil. The figure of 21 billion assumes the production of oil at the 10 million barrel figure that Mr. Buckley reported.

We found that that same figure, again tying to the oil reserves, would decline to some 19 billion feet by 1962. These are all per day.

As a sidelight on the thing, we also determined the peak demand as best we could get it on the peak day in 1959. We found that to be some 46 billion feet. From that, with 51 billion feet of gas from non-associated reservoirs alone, there is more gas, apparently, than is being used. That is true. But in the same thing that Mr. Buckley found, the excess is substantially

all NPA District 3. I have to give a word of caution on that particular angle.

You would think that with that much excess capacity there would be plenty of places to lay a pipeline to, or there would be plenty of gas for everybody. But actually you are going to find shortages of gas in different areas of the United States. You may even find shortages of gas in local areas in District 3 because of the lack of pipelines and facilities and appropriate markets to economically justify the getting of the gas to it.

Likewise, natural gas liquids, and we have availability figures on natural gas liquids, coming to a total of 1,800,000 barrels a day, that is productive capacity again at the well.

There are not enough gasoline plants or other facilities available to get that out today. To use that, there have to be material extensions in gasoline plant facilities to use it. It also assumes at the same time the production of natural gas at these maximum rates, and it assumes the production of oil at the maximum rates. We did not estimate the number of wells required for two reasons:

1. There was apparently enough gas to supply reasonably well the present demand, and, two, there were not places to drill the wells in the areas which were short. So there would be no point in drilling additional wells for the maintenance of demand in an area where you had an excess capacity.

The comments of Mr. Buckley with respect to the mis-interpretation of the figures are totally applicable to gas in exactly the same way.

Briefly, that is the picture on gas. If there are any questions, I would be glad to try to answer them.

MR. McCOLLUM: Are there any questions that you want to ask Ed while he is here?

If not, let's give Ed a hand. (Applause)

Mr. Chairman, that completes the presentation of the two main segments of this report. These two subcommittees will finish writing the report as soon as possible, making it as clear as they possibly can. It will then go back to your main committee. We anticipate it will be in your hands some time in early March for further disposal.

We wanted to bring this data here today because it is available to the government available to a lot of people in the industry, and we felt it should also be made available to you now rather than wait until the next meeting, which will be later in the summer.

Thank you, Mr. Chairman.

MR. Hallanan? Thank you very much, gentlemen.

Mr. McCollum has presented this as a progress report of a special committee. It has been very interesting to have the supplementation by Mr. Buckley and Mr. Parkes. It is planned that when this report is finalized, which will probably be within



the next few weeks, that we will mail a copy of the report to each member of the Council for study and for approval so that it can take its normal course of procedure in being presented to the Government as a final report.

It isn't necessary for me to say the great amount of work that has been put into this study reflects itself in the figures and in the statements that have been presented on this occasion.

The next report is the report of the Committee on Petroleum Refinery Maintenance and Chemical Requirements, to be presented by Mr. Everett F. Wells, Chairman.

COMMITTEE ON PETROLEUM REFINERY MAINTENANCE  
AND CHEMICAL REQUIREMENTS - EVERETT F. WELLS,  
CHAIRMAN

MR. WELLS: Mr. Chairman, distinguished guests, and gentlemen: I am pleased to present the final report of the Council's Committee on Petroleum Refinery Maintenance and Chemical Requirements. Your committee met yesterday afternoon in the offices of the Council and approved the final report for submission to the Council. Since the period of this study covers beginning the latter part of 1959, I will read a brief history of the activities of the committee, the approaches, and a few of the significant conclusions.

In the fall of 1959, Honorable Elmer F. Bennett, Acting Secretary of the Department of the Interior, requested Mr. Hallanan, Chairman of the National Petroleum Council, appoint a committee to make a thorough study of the maintenance and

supplies and processed chemicals needed for the continuation of petroleum refinery operations on a self-sufficient basis under shorta-range emergency conditions.

On April 4, 1960, Captain M. V. Carson, Jr., Director of the Office of Oil and Gas, requested that the original study be expanded to include natural gasoline plants. The agenda committee of the Council, through its report on October 19, 1959, which was unanimously adopted by the Council at its meeting on October 20, 1959, recommended that a committee be appointed to undertake the study as requested by the Department of the Interior.

Pursuant to this action, Mr. Hallanan, in December 1959 appointed the committee on Petroleum Refinery Maintenance and Chemical Requirements.

Mr. Harry Jacobs, Office of Oil and Gas, was designated Government co-chairman of this committee by Captain Carson.

Subsequently, on August 16, 1960, Mr. Thomas A. Post was appointed government co-chairman, succeeding Mr. Jacobs.

At the request of the chairman, Mr. Hallanan appointed a technical subcommittee to determine the best method of obtaining the data asked for by the Government, to gather and compile such data, and to report back to the committee.

The technical subcommittee drafted a questionnaire and sheet of instructions designed to collect the desired informa-

tion. The appropriate forms were mailed to 450 companies in the United States owning or operating refineries and natural gasoline plants.

Returns were received from 392 companies, supplying information on 284 refineries and 492 natural gasoline plants.

A review of the reports received shows that the capacity reported represents over 98 per cent of the total United States capacity for both refineries and natural gasoline plants. These returns from practically all of the refining and natural gasoline capacity in the Nation indicate the fine cooperation received from the oil and gas industries.

The questionnaires sent out by the subcommittee were designed to obtain information with respect to the following:

The extent to which refineries and natural gasoline plants would be limited in the production of finished and unfinished petroleum products in an immediate possible attack or disaster period by plant inspectors of maintenance, materials, or processed chemicals.

With reference to maintenance materials, identification of those items kept in less than three months supply at plant locations and location of normal sources of supply of these materials.

with reference to processed chemicals, the normal requirements, inventories and location of supply sources.

In connection with the data contained in this report,

the subcommittee made the following assumptions:

All companies contacted were requested for the purpose of this survey to assume that their plants would have continued access to normal supplies of crude oil and natural gas in an emergency. In addition, companies were asked to assume that the continued operations of their plants would not be limited by any inability to dispose of either finished or intermediate products. With reference to maintenance materials requirements, reporting companies were to assume that no abnormal periodic facility turn-around would be undertaken in any post attack period of short duration.

The subcommittee points out that many plants are dependent on outside sources of electric power, water, and so forth. Data obtained through this survey assumes sustained, adequate operations of these utilities.

In determining limitations due to maintenance supplies, it was assumed that plant operations would not be limited by lack of processed chemical supplies, likewise, in determining limitations due to chemical supplies, it was assumed that plant operations would not be limited by lack of maintenance supplies.

The report indicates that only a small percentage of total refinery capacity would be limited to less than 13 weeks production, if restricted to in plant inventories of maintenance supplies. For example, only about ten percent of the

total productive capacity for liquid petroleum gas and aviation gasoline, about 6 per cent of the total of motor gasoline, diesel fuel, distillate fuel oil, residual fuel oil and asphalt capacity, and only about 4 per cent of jet fuel capacity would be limited.

However, as regards natural gasoline plants, the situation was quite different in that about 40 per cent of the capacity of those plants producing propane, butanes, lower vapor pressure natural gasoline, and about 26 per cent of those producing condensate, would be limited to less than 13 weeks production.

Many maintenance materials carried in less than 13 weeks supply were found to be generally available in less than 5 days delivery time.

The results of the survey show that a very substantial portion of the United States refining capacity would be limited to less than 90 days operation if restricted to in plant inventories of processed chemicals during an emergency.

It appears that under these conditions we could expect about 98 per cent of the estimated capacity of those refineries producing motor gasoline, premium and regular, might be limited. 93 per cent of those producing aviation gasoline, and about 70 per cent of those producing jet fuel, distillate fuel oil and residual fuel oil would be limited.

For those limited plants producing gasoline, it is

estimated that their production would be equivalent to about 15 days of fuel production of normal quantity and quality.

The equivalent days of production for other products from limited plants would be greater. Certainly essential chemicals carried in limited inventory in relation to normal use are tetra-ethyl lead, sulphuric acid, catalysts, and sodium hydroxide.

The operations of natural gasoline plants under the same conditions would be somewhat less limited by processed chemicals.

About 65 per cent of the capacity of these plants producing condensate would be limited to an equivalent of 35 days of full production, and about 60 per cent of those producing propane, butanes, and most grades of natural gasoline would be limited. It is very difficult in a brief report of this nature to give you an accurate picture of the value of the information that is contained in this report.

In my opinion, as the report is used not only by the Government agencies and departments with responsibilities in this field, but also by suppliers and our own industry, the information will become increasingly valuable.

Your committee feels that the report contains information not previously available that will be valuable both in the defense planning and in emergency situations. It should facilitate estimates on the availability of petroleum products

in a post war attack, or disaster period, when transportation is seriously disrupted.

In any type of emergency, it will be of great value by providing a guide for allocation of manpower, raw materials, and transportation priorities, to assure continuance of vital petroleum refining and natural gasoline plant operations.

I am sure it is apparent to you and not a surprise that the major portion of the work done on this project has been done by our very capable technical subcommittee. It was the only subcommittee that the committee had. It was small numerically but large in capacity, ability -- and particularly capacity -- for hard work.

I would like to read the names of the industry and government representatives. From industry, Mr. Robert B. Beatty, Superintendent of Engineering, Maintenance and Construction, Tidewater Oil Company, Mr. R. M. Cash, Manager of Operations, Manufacturing Department, American Oil Company, Chicago; Carson Fitzpatrick, Assistant Maintenance Superintendent, Great Northern Company, St. Paul; R. D. McCrumb, Director of Refining, Consumers Cooperative Association, Kansas City, Missouri; Max B. Tolan, Manager of Engineering, Seconoy Mobiloil Company, Beaumont.

As indicated previously, Mr. Harry Jacobs was government co-chairman of our committee until August of 1960, at which time he was succeeded by Tom Peet. Those gentlemen were

also co-chairmen of our main committee as well as the technical subcommittee.

Vincent Brown was secretary of both the committee and its technical subcommittee, and was certainly a sparkplug in moving the results of this study along.

The committee wants to thank all of those people personally, and certainly the companies that made their services available so generously.

It should be pointed out, too, that the compilation, the preparation of questionnaires and the compilation of the information, and the analysis of the results, was all accomplished in our national Petroleum Council office here in Washington with the help and assistance of Jim Brown and Vincent and the very capable staff. The committee is very proud of the fine job done for us.

Mr. Chairman, I would like to move that this final report be accepted by the Council.

MR. HALLAHAN: Gentlemen, you have heard the report as submitted by Mr. Everett Wells, the Chairman.

Mr. Wells, may I express to you our gratitude for this very tremendous job which you and your associates have done in presenting and concluding this report. It is one of the most comprehensive and voluminous reports that has ever been presented to the Council. I know that it represents a lot of real hard work.



MR. WELLS: Thank you.

MR. HALLANAN: The question is on the adoption of the report. Mr. Wells has moved the adoption. Is there a second?

... The motion was regularly seconded ...

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

The report is unanimously adopted.

For the past three and a half years, gentlemen of the Council, we have had the benefit of the sympathetic cooperation and understanding of the director of the Office of Oil and Gas, Captain Carson. He has been a great source of strength to the Council as co-chairman, a position which he has filled with the finest distinction and credit. I am now happy to resent the co-chairman and the Director of the Office of Oil and Gas, Captain Matthew Carson.

REMARKS OF CAPTAIN MATTHEW V. CARSON,  
 USN, DIRECTOR, ~~PETROLEUM LOGISTICS POLICY~~  
~~OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE~~  
 (SUPPLY AND LOGISTIC POLICY) DEPT. OF DEFENSE

CAPTAIN CARSON: Thank you, Mr. Chairman.

It has always been for me a pleasure to share the rostrum with you at the meetings of the National Petroleum Council. <sup>stand</sup> I think that the remarks of Secretary Udall today have demonstrated in what high regard the Council is held by the Department of the Interior, by the Government, and particularly by his personal designation of himself as co-chairman of this

great body.

So today marks, in effect, my last appearance in my capacity as co-chairman, and I thought that I would take this opportunity to say a few words about the work of the Council.

To the many valuable reports that have been made by the Council over the last 14-1/2 years has been added another one today, the one that you have just heard explained by Mr. Everett Wells on maintenance and chemical requirements for refineries and natural gasoline plants. We have also heard the preliminary progress report, you might say, on the reserve studies, so ably presented by Mr. Buckley and Mr. Parkes.

It occurred to me that it might be of interest to the Council to know what use is made by the Government of the reports submitted by it, and to know that such reports are not just filed and forgotten.

For example, I want to refer briefly to two reports recently made by the Council. <sup>A</sup> A little more than a year has passed since the Council submitted its report on the national emergency oil and gas mobilization. I believe that members will be interested in a short review of our activities in this field.

Not all of the points raised by the Council's review of our proposed plan for handling petroleum and gas during a national emergency have been acted upon. Until our regional

representation, later referred to, is stronger, it is not feasible to develop uniform practices and patterns for relationships between Federal, State and local authorities discussed under the jurisdictional boundaries of authority.

And neither has a decision been made as regards representation for the emergency petroleum and gas administrators on the <sup>C</sup> civil and <sup>D</sup> defense <sup>SM</sup> mobilization <sup>B</sup> boards.

Nevertheless, the organizational structure of the emergency <sup>P</sup> petroleum and <sup>G</sup> gas <sup>A</sup> agency has been substantially altered in line with the Council's comments. Most of the Council's <sup>re</sup> recommendations under functional lines of organization have been incorporated in the charts, showing the revised organization of the <sup>E</sup> emergency <sup>P</sup> petroleum and <sup>G</sup> gas <sup>A</sup> agency referred to in annex 33 to the National Plan for <sup>C</sup> Civil <sup>D</sup> Defense and defense mobilization.

As you perhaps know, <sup>P</sup> part 2 of this annex is the basis of the Government's planning to meet essential requirements of petroleum and gas in a national emergency. We have revised the charts of that agency to provide, first, a communications division; second, a coordinator for L. P. G.; third, a new division for <sup>Petrochemicals</sup> petrochemicals; fourth, incorporation of natural gasoline with petroleum production instead of refining; five, staff office status for programming; six, staff office status for both manpower and materials; and seven, the <sup>re-alignment</sup> re-alignment of the gas divisions to reflect the growing importance of that

great industry.

Moreover, both national headquarters and regional office organizations of the emergency petroleum and gas agency have been streamlined for efficiency of operation and flexibility in administration. Through briefing conferences conducted jointly by the Office of Oil and Gas and the Office of Civil and Defense Mobilization, and next, <sup>E P 2 A</sup> 33 has been discussed with the OCDM regional offices, with state and local civic defense officials, and with representatives of the oil and gas industries, in seven of the eight regions comprising the United States.

From these sessions have come many useful suggestions for clarifying the petroleum and gas section, and making it a more practical guide to government policies for oil and gas mobilization.

<sup>turning</sup> Now, turning to the Executive Reserve, for a moment, since receiving the Council's list of names of persons in the petroleum and gas industries, considered well qualified for membership in the petroleum and gas executive reserve, 73 appointments have been made. Two of these have since resigned. Thirteen are pending, and negotiations are being <sup>C</sup> conducted with 11 others regarding membership.

Recognizing our probable need for further assistance in this area, the Council arranged to continue in existence its regional <sup>committees</sup> committee's established under the <sup>C</sup> Committee for national <sup>Y M</sup> emergency oil and gas mobilization. This was fortunate for us

in oil and gas since we have already called on the Council for additional names of potential reservists, and expect to make other requests in the future.

As we now visualize the personnel and the personnel requirements, we expect that perhaps 750 reservists will be required altogether, assuming that we would have a principal and two alternates for each position. While progress may seem somewhat slow to you in appointing these executive reservists, it must be realized that from two to four months are required for processing the appointment of a <sup>reservist</sup> redervicer, and the field investigator for a security clearance for each reservist costs \$360, a substantial sum in the aggregate.

First of all, the Civil Service Commission is contacted to ascertain if the prospective reservist is already committed to some other government agency, and then, informal, on-the-ground inquiries are made by a member of our office as to the prospective candidate's standing in his community, the qualities of leadership, interest in mobilization planning, and so forth.

The professional suitability is assumed from the recommendations of the NPC. If the impression is favorable, and generally it is, the individual is invited to accept a commission in the reserve, and permission is requested of his employer for him to participate in the defense mobilization program of the Office of Oil and Gas.

Assuming affirmative responses, both from the individual and from his employer, a field investigation is made for security clearance, which accounts for most of the processing time, and the candidate is then ready for appointment by the Secretary of the Interior.

Under the procedures now being formulated, each reservist will be sent a form and affidavit of appointment. These papers will provide for automatic induction <sup>into</sup> to government service in the event of a national emergency.

Petroleum and gas reservists receive basic information <sup>re:</sup> relevant to mobilization planning and are kept current regarding reserve personnel changes, new planning bases, and up-to-date concepts regarding the emergency resources management.

Several reservists participated in the 1960 <sup>operation</sup> alert as representatives or observers of the Office of Oil and Gas at the various OCDM regional offices, and on May 23 and 24 of 1960, 30 of these reservists came to Washington where they attended the national training conference of the National Defense Executive Reserve and were briefed at the Office of Oil and Gas <sup>regarding</sup> our mobilization activities.

Realizing the budgetary limitations on the Office of Oil and Gas and staff and field offices, the Office of Civil and Defense Mobilization is making available funds for the employment of oil and gas representatives at the regional OCDM offices where they will carry on their mobilization

activities in the field, assist in building up the executive reserve, act as advisors on petroleum, gas and petro-chemicals to the OCDM regional directors, and work closely with the state and local officials responsible for meeting emergency oil and gas requirements.

The first of these representatives, Mr. Henry Willis, has been assigned to Harvard, Headquarters of Region 1, for about ten months. Two more, Mr. J. N. Stranford and Mr. A. E. Sweeney entered on duty respectively at Denver, Colorado, and Denton, Texas, on January 30, this year, and such representatives are now being processed for assignment also to Region 4 at Battle Creek, Michigan, and Region 7 at Santa Rosa, California.

We have made broad experience in the petroleum and gas business a prime consideration in selecting our field staff, and we are confident that with their help we shall be much further along with our oil and gas defense mobilization program by the end of this year.

The organization charts of the emergency petroleum and gas agency, and the reproduction of an article in the Oil Daily representing our current thinking of actions that might be taken at various governmental levels to meet essential petroleum and gas requirements during a national gas emergency, may be obtained from the Office of Oil and Gas upon request.

The second report recently made by the Council, to which

I referred, is that submitted on March 22, 1960, relating to petroleum storage facilities. The prime objective of this study was to provide the Government defense agencies with the precise location, by <sup>longitude</sup> ~~longitude~~ and latitude, and the capacity of each facility.

In preparing this report, the Council mailed questionnaires to 1,355 companies and received 1,246 responses. On June 14, 1960, the Council had furnished the Office of Oil and Gas with copies of the completed questionnaires. There were 2,705 individual questionnaire sheets received, listing 3,223 individual <sup>storage</sup> ~~storage~~ locations. The Council specifically requested the exact location of a facility, either by ~~a~~ longitude or latitude, or by distance and bearing from some fixed point.

<sup>and</sup> About 50 per cent reported by latitude and longitude ~~and~~ the remainder reported by town, city, street address, and river or harbor location, or so many miles from some identifiable point.

The Office of Oil and Gas has been processing the questionnaire sheets to verify the latitude and longitude, where given, and to establish the geographical coordinates where it was not given.

This, of course, is a job of some magnitude, and is both exacting and time consuming. Fortunately, the U. S. Geological Survey topographic maps, scale of 1 to 24,000, and 1 to 62,500,



which cover most of the United States, show most of the storage tanks by a symbol. These maps are used in conjunction with the county maps, the city street maps, navigational charts, and so forth, in solving the cross word puzzle for the exact location.

In many instances, however, despite all of this, correspondence will be necessary with some of the reporting companies. The vast mass of data supplied by the reporting companies represents a very greater service. For instance, some 74 pipeline companies reported, one of which returned 58 sheets representing 68 facilities; Another, 56 sheets, representing some 88 facilities, and of the producing companies, one reported 156 facilities; another 186 facilities; and so on.

All of the data, when verified, will be transferred to electronic tape, and one use will be, of course, for rapid damage assessment in the event of nuclear attack.

When the ground zero of a burst is known, and an estimate made of the capacity of the weapon, rapid appraisal can be made of the effects of the blast on storage facilities *within* within range of the bomb. But this use is only one to which it can be put. The known location and *Capacity* capacity of the storage facilities will be *invaluable* invaluable in marshalling these resources in any emergency, even though short of nuclear war.

It is expected that reports will be made regularly of the use to which the studies, made by the NPC, are being put.

As I say, Mr. Chairman, and members of the Council, this marks my last appearance as your co-chairman, and I want to express to all of you what a rare privilege and honor and pleasure it has been to be able to serve with such a great, great group. *Staples*

Thank you very much.

(Applause)

MR. HALLANAN: Captain Carson, may I tell you that I bespeak the sentiment of the unanimous membership of the Council when we say to you that it has been a privilege and a pleasure to work with you as co-chairman of the Council. You have had a very fine cooperative attitude in the projects we have assumed, and you have been extremely helpful in accomplishing the aims of the Council at all times.

Is the Chairman of the Nominating Committee ready to submit his report?

MR. STAPLES: Mr. Chairman, after a soul-searching meeting, the Nominating Committee unanimously places in nomination the following names for election as officers and standing committees of the National Petroleum Council.

Officers:

Walter S. Hallanan, Chairman; R. G. Follis, Vice-Chairman.

Agenda Committee:

A. Jacobsen, Chairman

Paul Endacott

B. A. Hardey

W. Alton Jones

Jake L. Hanon

B. L. Majewski

J. Howard Marshall

L. F. McCollum

J. R. Partem

M. J. Rathbone

P. C. Spencer

**Appointments Committee:**

Frank M. Porter, Chairman.

J. S. Bridwell

J. C. Donnell, II

Augustus C. Long

C. Pratt Rather

M. H. Robineau

Roland V. Rodman

D. T. Staples

Henderson Supplee, Jr.

Reese H. Taylor

Robert F. Windfohr

Mr. Chairman, I place these names in nomination and move that the Secretary be instructed to cast one ballot for the election of nominees as reported.

MR. HALLANAN: Will you put the question to the Council?

... The motion was regularly seconded ...

MR. STAPLES: Gentlemen, I move that these names be placed in nomination and that the nominations be closed.

I further move that the Secretary be instructed to cast one ballot for the election of those nominees reported.

MR. HALLANAN: Put the question.

MR. STAPLES: All in favor of this resolution signify by saying "aye"; contrary, "no."

It is carried.

MR. HALLANAN: That is the easiest election we have had for a long while.

Thank you very much, gentlemen, for this further expression of your confidence. We shall try to carry on with the same fidelity and interest and purpose that we have in the past.

I now call on one of our old friends and supporters, Vice Admiral Burton B. Biggs, Director of the Petroleum Logistics Policy, Office of the Assistant Secretary of Defense, Supply and Logistics Policy, Department of Defense.

REMARKS OF ADMIRAL BURTON B. BIGGS, USN,  
DIRECTOR, PETROLEUM LOGISTICS POLICY, OFFICE  
OF THE ASSISTANT SECRETARY OF DEFENSE (Supply &  
Logistics Policy) DEPARTMENT OF DEFENSE

ADMIRAL BIGGS: Mr. Chairman and gentlemen: The Secretary of Defense and the Assistant Secretary now have asked me

to express their regrets for not appearing at part of this meeting, but hope that they will be at some future one.

Incidentally, the Assistant Secretary, Installations and Logistics, is a new title, and the responsibilities of that particular secretariat include the responsibilities previously assigned to the Assistant Secretary of Properties and Installations and the duties of the Assistant Secretary, Supply and Logistics. So we have one instead of two.

I think it is a good change. Whether it is based on the old Chinese proverb that the beginning of wisdom is to call things by their right names, I don't know. But I have a feeling it is.

The Petroleum Directorate is under this assistant secretary of installations and logistics, and we are closely identified with the deputy for requirements and planning, readiness planning, which is all to the good, from my standpoint.

Tomorrow there will be a meeting of the Foreign Petroleum Supply Committee to try to complete the plans for a readiness subcommittee under that committee, and I hope it can be organized with as little bloodshed as the change in the Department of Defense was effected. That may be a doubtful statement. However, for the 1001 time I must state again that the industry's government planning must be strengthened, legal opinions and attitudes for and against notwithstanding.

At the present time, we are faced with the proposition

of proceeding with a set of tools that many people designated as blunted. However, we are faced with the proposition of operating with the tools that we have. It may be possible in the coming months to obtain the services of some expert tool dressers, to sharpen them up. Tool pushers are a dime a dozen in this business. The availability of the No. 1 tool pusher is practically unlimited. But the tool dresser boy is the fellow that we want to see. Once we have him, and have him operating in the proper fields, it is altogether possible that the drilling speed will be stepped up a bit.

One final point: It has been brooded about that the oil industry has a number of pressing problems, foreign and domestic. It is an interesting corollary that these problems parallel, cross-cross, and generally get wound up with similar problems in government.

As the Secretary of the Interior stated a short time ago, now is the appointed time to get this oil business on a high level in government so it can have continuing attention, and so that the relationships can be conducted in an atmosphere where action follows discussion. I suggest you get with it, gentlemen.

(Applause)

MR. HALLANAN: Thank you very much.

May I ask Mr. Stillman of the Department of Commerce to come forward?

Gentlemen, we have with us this morning a special representative of the Secretary of Commerce, Secretary Hedges, Mr. John Stillman.

We're happy to have you here at this stage in our meeting and will be pleased to hear from you.

REMARKS OF JOHN STILLMAN,

DEPARTMENT OF COMMERCE

MR. STILLMAN: Secretary Hedges, Mr. Chairman, designated me to represent him here today, and I appreciate the opportunity of listening to this very interesting program. The Secretary regrets his inability to attend, and asks me to express to each of you his personal greetings.

As you know, he has come to Government from industry, and besides being oil men you all, of course, are also business men and are interested in general business problems and the trends of the economy. Therefore, Secretary Hedges wants you to know that, as he said on television on the Dave Garroway show this morning, one of the main jobs of our Department is to interpret the views of commerce and industry within the walls of Government.

The Commerce Department stands ready to help you in every way which does not fall within Interior's jurisdiction, both through our Washington offices and in the field, and in particular, of course, we offer you the services of the business and defense services administration, the BDSA. Many of you had

contact with the old NPA when you had a tight time on pipe and oil field supplies back during the Korean war. We also provide facts for economic forecasting from the Census Bureau, the Office of Business Economics, as well as services from the Patent Office, the Weather Bureau and the Coast and Geodetic Survey.

We welcome any suggestions on the subject of how any of these departments or offices of our department can serve you better. We are going through studies in all these bureaus now, and Secretary Hodges would welcome any suggestion where any of these agencies of the Department could be more helpful to you, in your marketing, your production or in any other aspect of your business.

In the spirit of Secretary Udall's remarks this morning, we, in turn, would like you to help us implement the program of the President.

I refer in particular to yesterday's balance of payments message which he sent to Congress. Those companies here in the retail distribution end of the oil business can help us in attracting foreign tourists to this country. Perhaps by printing multi-lingual road maps, providing touring information to incoming foreigners, and preparing brochures, perhaps, to send to our embassies and foreign trade fairs abroad.

Then on the gold flow problem itself we hope you will keep in mind in all your business decisions involving your overseas affiliates and foreign companies and in export-import



policies the gold problem.

As the President said yesterday, in 1960 we had a balance of payments deficit of 3.6 billion dollars.

Again I want to thank you for the privilege of being here. I enjoy the meeting very much.

(Applause)

MR. HALLAHAN: Thank you very much. We hope you will be with us again.

May I introduce at this time Rear Admiral O. P. Lattu, Executive Officer of the Military Petroleum Supply Agency.

REMARKS OF ADMIRAL O. P. LATTU, SC, USN,  
EXECUTIVE OFFICER, MILITARY PETROLEUM  
SUPPLY AGENCY, DEPARTMENT OF DEFENSE.

ADMIRAL LATTU: Mr. Chairman and gentlemen. Fourteen and a half years ago I understood that this NPC Council was formed to help the government. The military petroleum supply agency is a younger agency. A month ago it was four years old. This morning we are having distributed to you my fourth annual report of our operations.

I would like to highlight a few points in this and then make a few remarks. One of the first things you may notice is that we are procuring petroleum to the value of about one billion one hundred million dollars in the last four or five years. The 1962 budget that the President submitted, which has not been changed to date, also provides for one billion for

petroleum/

Looking ahead the next three years, which is at the end of this report, we find that we are probably on a steady level now, with still some increase in JP-4 consumption, a little decrease in AV-gas, and you probably will note in here, and you probably will note in here that our heavy fuel has gone down. But I believe that was merely for a one-year period, or 18 months, perhaps, when we bought some Navy special on the West Coast in the exchange for some crude.

That probably will go back to what it used to be. Barring any unforeseen incidents, which have happened in the past, and with a cold war we don't know where it is going, we predict that things will be about the same for the next three years. No one can see three years in advance. We might have SAC air alerts.

The fifty-three transport planes which have been ordered to be bought and things of that sort might increase it, and then again to compensate for this, there might be some decreases here and there. So if you will just bear in mind that this is a horseback estimate and don't hold me to it, we hope the things will come along in the next three years the way we predict them.

Four years ago at my agency 63 per cent of our buying was by formal advertising. During these four years, we have increased our formal advertising to 90 per cent. Some of this, of course, is due to the loosening of the market that was tight

four years ago.

We hope to continue improving this and have our negotiations down to practically nothing. We still do negotiate our overseas procurements, and some of our service contracts. We consider these competitive negotiations, not the negotiations which congress points at sometimes as being non-competitive.

Our small business program is going along very well and we will continue to keep it rolling at the current level. For the last four years, we have averaged about 200 million dollars of small business contracts. This is 23 per cent of our total procurements in this area.

For the last two years we have also been looking into possible electronic data processing and computer work in some of our bid evaluations. We hope in the next two weeks we can prove the feasibility of this particular tool to help us in the future. We are running today simultaneously with our hand evaluation a computer evaluation of our judgment P-4 contracts which we hope to award in the next month.

One of the biggest savings that we hope to have from this is to condense this time element. It takes us today approximately nine months when the requirements start flowing into the various military agencies and then into us, and it takes us four months to complete our cycle of procurement. That is a long time. If we can work that down to a couple of months the requirements will be better, firmer, and the

industry will get a look at our requirements and be able to give us better estimates of what they can give us, and we hope that all of this will smooth our path for the future.

This electronic computer is not an easy subject so my mathematicians tell me. We have 100 companies bidding, for instance, we have 300 destinations, and we have 4500 transportation rates.

All of these must be put in formulas and pumped into this machine. This morning I checked briefly with Big Tom, as we call him, in the jet award, and asked him how he was coming along. Well, he said, there were a few things, for instance, where the small business on the West Coast put up some very high bids, so the computer, of course, getting this information fed into it, was delivering products all the way from the Gulf Coast and the Caribbean all the way up to Alaska.

Of course, on those later awards when we give them we use a cut-off price. There has been an example when the computer moved it up the Mississippi River, even, and via barge and tanker to a lot of other activities. So the input must be accurate. Otherwise, of course, the results are no good.

Our allocation facilities expansion program which started in 1953, due to the scarcity of AV-gas during the Korean War is just about completed. We have six of the original nine contracts completed. Two more will complete in June of 1962,

and the third one expires in 1965.

Now, if during these periods of times we find that these are uneconomical, we certainly won't hesitate to close them down.

On our projected and dispersed storage facilities program of the last two years, we have awarded eight contracts. The ninth one should be awarded within a week. The total of these nine contracts will run about 5 million barrels of additional storage, most of it for the Air Force. This is scattered throughout the United States to take care of various strategic locations. As far as I know, there will be no future procurements of this kind, but, again, you never know.

We have been directed by the President and the Department of Defense to take a good look at all of our contracts and see what we can do, the military petroleum supply agency, towards stopping this flow of gold. You may have seen in the newspapers some comments to the effect that we have been checking with the companies that we do overseas business with, with the possibility of receiving payment in surplus commodities. We have looked into this. It is legal. It is feasible. But we are doing nothing until the new administration, the Department of Agriculture, Treasury and others, take a good look at this and give us some guidance.

On November 11, the Attorney General made a report on my agency to the President, the Senate and the House of Repre-

sentatives. I am not so sure that this is still on the street or has been printed by the printing office. They have, of course, been looking at us for a long time, not only people over my shop, but they get copies of all of our contracts. So for years they have been taking a good look at us.

As a whole, I believe we came off very clean. You perhaps have already read the newspaper comments on this report. I would like to just make one other additional remark, or two.

First, they undress us completely. There is a lot of statistics in there that I would never have released to the industry or to the public. There was one particular chart at the end that bothered me first because it showed all the locations of the refineries and all the military terminals. I thought "Well, we must be giving our enemies all of this information very quickly."

But after looking into it, I think that this information probably is available in different forms but not in one paper, and they do not give the longitude and latitude. So I am not so sure they can pinpoint this information. But there is a lot of good information, and all the oil industries that do business with us should take a good look at this. I think some of you people will learn from it.

There are some remarks in there that pertain to the oil industry as a whole.

Last, I would like to state that I enjoyed Secretary Udall's very refreshing remarks. I have heard some comments at the API meetings, too, from various members, that the oil industry ought to get up and speak for themselves. From my four years' experience I can honestly state that the cooperation of the oil industry with our military problems have been outstanding, not only during crises such as the Lebanon, Suez, Formosa and Congo crises, but today on our day to day problems. We have a lot of them. They may not get to you, but, believe me, the people in your outfits down below have broken their necks on week-ends or any other time to get us the information and have an answer.

The other day I saw a rush calling out for some diesel oil. They sent it out Friday. I saw the dispatch. I checked on the thing Monday and asked my people, "How do you expect the people in New York to get this message, even? How do you expect them to have awards in here today, with all the snow down there? They are not even in the office."

It showed up that some people in Los Angeles got it and some people in New York didn't get it. I told them let's give them an extra day and take a look into it, despite the emergency. We have had trouble in New York with some of the small oil companies delivering bads. The snow is bad and maybe their equipment isn't enough. We have had to go to other people to take care of the matter because some of the installa-

tions wanted it immediately for their quarters. So with all of these problems, today and night, any week and so forth, I want to thank the industry for the wholehearted cooperation we have received in the last four years.

Thank you.

(Applause)

MR. HALLAHAN: Thank you very much, Admiral. We appreciate those remarks.

Mr. Marshall from the Special Committee on Pension and Retirement, are you prepared to present a report?

REPORT OF PENSION & RETIREMENT COMMITTEE

J. HOWARD MARSHALL, CHAIRMAN

MR. MARSHALL: One of sorts, Mr. Chairman.

I guess it has been about a year since Walter nominated three of us to survey the field as to what the Council ought to do with respect to that few of its employees who have had the kind of years of service that in most of our companies lead to some sort of pension benefits. I wouldn't have to tell the Council that there are as many ideas as to how this sort of thing ought to be done as there are insurance companies, pension trusts, and lawyers to look at it.

While it seems like a simple problem, most of you undoubtedly know from wrestling with it in your own companies, it isn't quite as simple as it looks. Probably some of the most difficult features of the thing relate to the manner in



which you do it so the employees in question do not receive the income as ordinary income in the year in which the benefit vests, which is, of course, an impolite way of seeing that he gets practically nothing out of it.

The committee has circulated among its members various plans which we have had our own company pension people look at. Fortunately under the good direction of Jim Brown, there are not a lot of people that we have to be concerned about. The committee at this moment is not prepared to recommend some specific plan even if we had it. We would have to clear it through the internal Revenue Bureau before we would be sure that it did not fall into some tax pitfall. Because I for one am concerned about allowing this thing to be delayed too far, I would like to propose and move that the Council refer this matter to the Chairman of the Council with authority to put into effect a plan for employees with appropriate length of service, the Chairman to consult with this committee to whatever extent he deems desirable.

I would like to get the thing moving, and on this technical subject this seems to me the best way to do it. I so move.

... The motion was regularly seconded ..

MR. HALLANAN: All in favor of Mr. Marshall's motion will indicate by saying "aye"; contrary, "no."

It is so ordered.

We will now have the report of the Secretary-Treasurer as to the Council's finances.

REPORT OF SECRETARY-TREASURER AND  
APPROVAL OF 1961 NPC BUDGET

MR. BROWN: On the matter of receipts and disbursements during the calendar year ending December 31, 1960, the receipts and contributions, publications, and other sources total <sup>\$</sup>106,566. We spent during the same period of time \$106,398.

I might say that in those expenditures are the items of cost of new furniture and fixtures, and office remodeling that has taken place during the year to bring our headquarters back up to what we feel you men would like to have, and hope that those of you who can spare the time might drop by and see what we have done. We had at the beginning of the year \$59,019. That means that as of the end of the year we had in the general funds of the Council \$59,187. Our reserve fund did not change during the year, fortunately. It is mostly invested in Government bonds, and one bank deposit, and the cost of those bonds and the bank deposit represents \$137,000.

Mr. Chairman, that is the receipts and disbursements report.

MR. HALLANAN: I have discussed the 1961 budget with Mr. Brown, and we recommend the budget of \$100,000, which was the same amount as the Council approved last year. We spent a little bit more to that due, as Mr. Brown said, to some extra

furnishings which were provided at the Council offices, but we feel we can live this year within the same budget as we had last year. If we may have a motion for the approval of the budget for 1961 of \$100,000, we can vote on it.

... The motion was duly seconded ...

MR. HALLANAN: It has been moved and seconded that the 1961 budget be fixed at \$100,000, All in favor signify by saying "aye"; contrary, "no."

It is so ordered.

Is there any new business?

MR. BROWN: Mr. Chairman, I would like to have a resolution from this Council to authorize in the absence of the Secretary-Treasurer -- I might want to take a vacation, which I haven't had such opportunity to do -- it will be a short one -- the signing of checks or other orders drawn on the Council funds by the Assistant Secretary-Treasurer, whom I trust you will designate.

MR. HALLANAN: May we have such a motion?

... The motion was regularly seconded ...

MR. HALLANAN: It has been moved and seconded that in the absence of the Secretary-Treasurer, the Assistant Secretary Treasurer be authorized to sign checks on the Council's funds.

All in favor indicate by saying "aye"; contrary, "no."

It is so ordered.

Is there any further business?

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

... A motion was made, regularly seconded, put to a vote and carried ...

MR. HALLANAN: We are now adjourned.

Thank you very much for your presence.

... Adjourned at 12:15 ...