

OFFICIAL REPORT OF PROCEEDINGS
BEFORE THE
U.S. DEPARTMENT OF THE INTERIOR

NATIONAL PETROLEUM COUNCIL

Docket No. _____

In the matter of ~~ANNUAL MEETING~~ _____

Place Washington, D.C.

Date November 28, 1961

Pages 1-59

MILLER COLUMBIAN REPORTING SERVICE

Official Reporter

931 G STREET, N. W. WASHINGTON 1, D. C.

METROPOLITAN 8-1405

JV
Our attendance records for NPE meeting show 52 members present. A quorum requires 56 members.

Strangely enough the official transcript shows 57 members present. However it is in error inasmuch as the following individuals were not actually there:

1. Paul Benedum
2. Howard Cowden
3. Warwick Downing
4. B. J. Gravis
5. W. W. Keller
6. L. T. Patter

In addition, the transcript fails to show J. E. Swearingen, who was present.

C O N T E N T S

	<u>Page</u>
1	
2	
3	5
4	7
5	17
6	
7	11
8	
9	
10	24
11	
12	26
13	
14	41
15	
16	46
17	
18	50
19	56
20	
21	
22	
23	
24	
25	

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MEETING OF THE
NATIONAL PETROLEUM COUNCIL

Tuesday, November 28, 1961

The Council met at 9:30 a.m., Walter S. Hallanan,
Chairman, Presiding.

PRESENT:

Walter S. Hallanan, Chairman

James V. Brown, Secretary-Treasurer

Vincent M. Brown, Assistant Secretary-Treasurer

Robert O. Anderson

Grove Lawrence, Alternate

Perry R. Bass

Paul G. Benedum

Fred E. Bergfors, Sr.

Eskil I. Bjork

Jacob Blaustein

Reid Brazell

J. S. Eridwell

Bruce K. Brown

E. O. Buck

William P. Clements, Jr.

James Comerford

D. L. Connelly

George R. Copeland

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

- 1 *ND* Howard A. Cowden
- 2 John F. Cummins
- 3 Morgan J. Davis
- 4 J. C. Donnell II
- 5 Fayette B. Dow
- 6 *ND* Warwick M. Downing
- 7 Preston Sutton, Alternate
- 8 Harold Kennedy, Alternate
- 9 Larry H. Gall, Alternate
- 10 Paul Endacott
- 11 Thomas J. Fountain, Jr.
- 12 B. C. Graves
- 13 *ND* B. I. Graves
- 14 Russell H. Green
- 15 Walter S. Hallanan
- 16 Jake L. Hamon
- 17 John Harper
- 18 I. W. Hartman
- 19 Alvin C. Hope
- 20 Paul N. Howell
- 21 *ND* William Keeler
- 22 W. H. Larkin
- 23 Max R. Lents
- 24 *J* K. W. Foley, Alternate
- 25 H. M. McClure, Jr.

MILLER COLUMBIAN REPORTING SERVICE
 Official Reporter
 931 G STREET, N. W. WASHINGTON 1, D. C.
 ALL REPRODUCTION RESERVED
 COPYRIGHT 1961 BY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

- L. F. McCollum
- D. A. McGee
- B. L. Majewski
- J. Howard Marshall
- Don H. Miller
- Mr. Campbell, Alternate
- Glenn E. Nielson
- S. F. Niness
- Joseph L. Nolan
- Mr. Barnett, Alternate
- J. R. Parten
- Frank M. Porter
- no* L. T. Potter
- A. S. Ritchie
- M. H. Robineau
- A. H. Rowan
- Dane Hodges, Alternate
- Clyde Foster, Alternate
- P. C. Spencer
- Mr. Ransford, Alternate
- See name* James Johnstone, Jr., Alternate
- Richard L. Voekel
- J. Ed. Warren
- Everett F. Wells
- W. C. Whaley

MILLER COLUMBIAN REPORTING SERVICE
 Official Reporter
 931 G STREET, N. W. WASHINGTON 1, D. C.
 ALL REPRODUCTION RESERVED
 COPYRIGHT 1961 BY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Howard D. White

John H. White

S. D. Whiteman

MILLER COLUMBIAN REPORTING SERVICE
Official Reporter
931 G STREET, N. W. WASHINGTON 1, D. C.

ALL REPRODUCTION RESERVED

COPYRIGHT 1961 BY

P R O C E E D I N G S

1
2 THE CHAIRMAN: Gentlemen, the Council will please
3 come to order.

4 The Secretary will please call the roll. There are
5 several new members of the Council who have been appointed
6 since the last meeting, and as their names are called and if
7 they are here for today's session, I should like to ask them to
8 stand so I can introduce them to the members of the Council.

9 Please proceed.

10 (At this point Mr. James V. Brown, Secretary-
11 Treasurer called the roll, and the members of the Council
12 present were as indicated above.)

13 THE CHAIRMAN: Gentlemen, we are losing the services
14 at the end of this year of one of the members of the Council,
15 Mr. F. C. Spencer, who is retiring as chief executive officer
16 of his company, the Sinclair Oil Corporation. I do not want
17 this opportunity to go by without telling you, Mr. Spencer,
18 how wonderful it has been to have you as a member of this
19 Council, how great it has been to have your immediate response
20 at every call that has been made upon you, and to express
21 our gratitude for your work with the Council and to wish you
22 Godspeed.

23 (Applause)

24 THE CHAIRMAN: Mr. B. C. Graves, would you stand,
25 please? I want to acknowledge your great contribution to the

1 work of the Council. I know you are retiring, and you will not
2 be with us again after the first of the year, but I want to
3 take this opportunity publicly to express our gratitude to you
4 for the great contribution you have made to the success of this
5 organization. Godspeed to you.

6 (Applause)

7 MR. GRAVES: Thank you.

8 THE CHAIRMAN: Gentlemen, at this time I want to pre-
9 sent the Co-Chairman of the Agenda Committee, the Assistant
10 Secretary of the Interior, Mr. ^{John} (George) Kelly. I am not calling
11 upon him to make any remarks at this time, but I want to present
12 him. I think most of you know him as a practical independent
13 oil man out in New Mexico. He has come here to do his part
14 for the Government in a great national emergency, and I want
15 to present at this time Mr. ^{John} (George) S. Kelly, the Assistant
16 Secretary of the Interior in Charge of Mineral Resources.

17 MR. KELLY: Thank you, Mr. Hallanan. I am not the
18 map-making Kelly. I am John M. Kelly, the map ruining Kelly,
19 I probably should say.

20 MR. MAJEWSKI: So the names are all in order now, your
21 name is Hallanan, I take it, and not Hallahan.

22 THE CHAIRMAN: The next order of business is the
23 approval of the minutes of the meeting held on February 7,
24 1961, which were mailed to the members a good many months
25 ago.

1 MR. HAMON: I move they be approved without reading.

2 (The motion was seconded.)

3 THE CHAIRMAN: It has been moved and seconded that
4 the minutes be approved without reading. All in favor say
5 "aye."

6 (All say "aye.")

7 Opposed?

8 (No response)

9 THE CHAIRMAN: In view of the fact that we held our
10 last meeting on February 7, 1961, I think it perhaps may be
11 in line for some explanation to be made as to the reason for
12 their being no meeting in the interim. I covered the reasons
13 pretty thoroughly in a letter sent to the members on September
14 7th, but I think it appropriate at this time to add to that
15 letter by saying that the fact that we haven't had any meetings
16 doesn't mean that the Council hasn't been actively engaged in
17 the pursuit of their studies which were authorized at the
18 February meeting. The truth of the matter is that the Council
19 is carrying the largest workload that it has from its inception.

20 We have had to add two new members to our permanent
21 staff, and these studies, the study on transportation involves
22 an enormous amount of work, as well as the study on adequacy
23 of petrochemical development, and I think the recommendations
24 that will be made today that will flow from the Agenda Committee
25 will probably constitute two additional very voluminous

1 assignments for the Council to undertake.

2 Mr. Vincent Brown, would you elaborate on that for a
3 moment.

4 MR. VINCENT BROWN: Gentlemen, it has been the
5 privilege of Jim Brown and myself to work closely with Walter
6 Hallanan and you, as well as many capable and hard-working oil
7 and gas technicians in your companies and the industry, for
8 several years. May we of the NPC staff take this opportunity
9 to thank you for your time, cooperation and patience. The
10 calibre of technical men you make available to Council working
11 groups is living testimony of the high esteem in which you hold
12 the purpose and objectives of the Council.

13 May I point out a significant development which has
14 come about in the NPC Committee work beginning with 1959.
15 Seven comprehensive studies have been undertaken by the
16 Council since 1959, five of which are completed and two of
17 which are still under way. These include highly detailed
18 studies on National Emergency Oil & Gas Mobilization, Storage
19 Facilities, Maintenance and Chemical Requirements for U.S.
20 Refineries and Natural Gasoline Plants, Use of the Radio
21 Spectrum, and Proved Discoveries and Availability of Crude
22 Oil and Natural Gas. The overall transportation facilities
23 study and the petrochemicals survey is well into the working
24 stage.

25 In all these projects we would like to call your

1 attention to the four following points that represent somewhat
2 of a departure from our work in the earlier years of the
3 National Petroleum Council:

4 First, each of these studies were requested by the
5 Department of the Interior in order to provide the Department
6 with accurate, comprehensive, and detailed factual information
7 on the facilities and capabilities of the oil and gas indus-
8 tries. Interior requested this data primarily to help it
9 fulfill its responsibilities under the National Plan for Civil
10 and Defense Mobilization.

11 Secondly, the subject matter in five of the seven
12 studies mentioned had never been previously undertaken by the
13 Council; and no previous studies ever set forth comparable
14 detail on exact geographical locations, capabilities, and types
15 of facilities within the industry.

16 Thirdly, as you know, we have been working under
17 revised committee procedures since January, 1959. This has
18 brought about the personal attendance at most committee and
19 subcommittee meetings of a member of the Council staff. In
20 addition, it is our policy to restrict the handling, analysis,
21 and tabulation of individual company data to the N.P.C.
22 staff in order to preserve the confidential nature of such
23 detail and to afford the ultimate degree of legal protection
24 to everyone in the collection of such material.

25 Fourthly, the volume of the survey work involved

MILLER COLUMBIAN REPORTING SERVICE
Official Reporter
991 G STREET, N.W. WASHINGTON, D. C.
ALL REPRODUCTION RESERVED
COPYRIGHT 1961 BY

1 (e.g. we have at present five different sets of questionnaires
2 sent out to an aggregate of 11,000 companies) has prompted us
3 to install, this year, partial electronic data processing
4 equipment at the Council office.

5 Now, our purpose in mentioning the somewhat changed
6 nature of the N.P.C. work is to indicate that these far-reach-
7 ing studies inherently demand a longer period of time for
8 completion, both on the part of the Committees, as well as your
9 Council staff. This frequently, in turn, results in longer
10 intervals between Council meetings. During these intervals, I
11 think you will agree, the Council, itself, is really hard at
12 work, in the field, in Committee operations, and in staff
13 detail. We are, I believe, in light of the greater precision
14 of the finished product, obtaining for the Department of the
15 Interior the information it requests as fast and as accurately
16 as possible.

17 It is a pleasure to speak to you. It is the wish of
18 your Council staff to be, at all times, as cooperative and
19 helpful to you as all of you have been to us. Please call upon
20 us whenever we can be of assistance to you.

21 THE CHAIRMAN: Thank you very much.

22 Gentlemen, is Mr. Larry O'Connor, of the Federal
23 Power Commission in the room? Please stand up, and won't you
24 come up, Mr. O'Connor and sit with us up here? We are glad
25 to welcome you up here at the Council table. Gentlemen, Mr.

1 O'Connor, of the Federal Power Commission.

2 (Applause)

3 THE CHAIRMAN: The Chair recognizes at this time the
4 distinguished and newly elected Chairman of the Board of
5 Directors of the American Petroleum Institute to present the
6 final report of the Committee on Proved Petroleum and Natural
7 Gas Reserves and Availability.

8 This report, as you remember, was sent to the members
9 of the Council after the last meeting, but it is now in order
10 for the Council to adopt it as a whole. Mr. McCollum.

11 MR. MC COLLUM: Gentlemen, this report by me today
12 will be more in the form of a post mortum, because on February
13 7th of this year the Report on Proved Discoveries and Productive
14 Capacity of Crude Oil and Natural Gas and Natural Gas Liquids
15 in the United States was rather finally presented, with certain
16 suggested modifications, which were made at a meeting. Those
17 suggestions have been taken into account and modifications have
18 been made, and the final report has been submitted.

19 Because there are some new members of the Council, I
20 shall go through this and briefly review the report and present
21 some of the highlights for you.

22 The productive capacity of crude oil, natural gas
23 liquids, and natural gas in the United States on January 1,
24 1960, were estimated to be:

25 Crude Oil 12,384,600 barrels daily

1 Natural Gas Liquids 1,799,600 barrels daily

2 Natural Gas 71,504,000 thousand cubic feet daily

3 Now, these estimates represent the peak rates at
4 which oil, natural gas, and natural gas liquids could be pro-
5 duced, on January 1, 1960, from existing fields and wells.

6 The study provides information on the maximum potential pro-
7 ductive capacity of the nation's oil and gas fields during an
8 all-out mobilization effort, rather than actual availability
9 at the present time. Availability during normal peacetime
10 conditions is influenced by (a) the adequacy of surface
11 facilities for handling, processing, storing or transporting
12 oil and gas and (b) by existing governmental regulations.

13 The present study indicates an increase of crude oil
14 productive capacity since January 1, 1957, of 718,000 barrels
15 per day. This represents on an annual basis an increase from
16 1957 to 1960 of 238,000 barrels per day. The Committee also
17 made two other estimates: (a) The decline in productive
18 capacity which would occur over a two-year period if all drilling
19 were to cease. (b) The number of wells necessary to maintain
20 the estimated productive capacity of January 1, 1960.

21 The report presents historical tabulations of proved
22 discoveries of crude oil, natural gas, and natural gas liquids
23 in the United States summarized by PAD districts. These tabula-
24 tions do not represent new and original findings by the Council
25 Committee with respect to remaining U.S. reserves, but in

1 essence are a recasting of known reserves according to the
2 discovery years of the fields to which the reserves are
3 attributed.

4 The report provides estimates of total expected
5 recoveries from fields discovered through 1954. Now, these
6 estimates include both past production and remaining proved
7 reserves and are based upon field size and past performance,
8 as such factors were known at the beginning of 1960, and give
9 the following results:

10	Crude Oil	91,424,672 thousand barrels
11	Natural Gas Liquids	10,408,958 thousand barrels
12	Natural Gas	419,052,526 millions of cubic feet

13
14 The Committee emphasizes that periodical estimates of
15 recoverable reserves from the average field usually increase
16 several fold over the estimate made at the end of the original
17 discovery year. Such estimates continue to increase from various
18 causes for a great many years.

19 The Committee interprets its findings as showing the
20 following:

21 1. The estimated proved recovery from newly discovered
22 fields, when estimated at the end of the original discovery
23 year by present industry concepts and methods, represents only
24 a small fraction of the hydrocarbons that will ultimately prove
25 to be recoverable.

1 2. The aggregate of all fields discovered, from newly
2 discovered ones to those a century old, represents an enormous
3 base for future additions to reserves through further extensions
4 and revisions.

5 3. The rate of discovery of new fields, and the rate
6 of increase in estimated additions to reserves of existing fields,
7 are inseparably related to the intensity of the effort expended
8 in the search for oil, in both exploratory and development
9 drilling, and in technologic development and its application
10 through improved recovery methods. The intensity of such
11 activities depends, in turn, on the needs reflected in growth in
12 demand, and on economic incentives.

13 Two printings of the report on proved petroleum and
14 natural gas reserves and availability have been made. These
15 total 1,600 copies, of which 1,200 copies have been distributed
16 so far. About 300 copies went to members of the NPC, and each
17 individual who served on the working subcommittees. Approxi-
18 mately 300 copies went to the Department of the Interior and other
19 Government agencies, such as Navy, Department of Defense, Federal
20 Power Commission, and the Senate Interior Committee.

21 The balance of the copies distributed were requested
22 directly by colleges and universities, banking and insurance
23 firms, members of the oil and gas industry, and representatives
24 of other industries, such as electrical, chemical, and steel.
25 Other requests were from foreign governments and corporations

1 of Japan, India, Canada, Venezuela, England and France.

2 In all, over 100 men served directly in the preparation
3 of this report. For the most part, they were engineers and
4 geologists with many years of experience in appraising problems
5 of this nature. Also, information was obtained locally through
6 the generous cooperation of many producers, pipeline companies,
7 and gasoline plant operators, both large and small. The con-
8 certed effort and good judgment of these people were incorporated
9 into the Committee's report.

10 The overall effort was divided into two working
11 groups. The Vice Chairman of the Main Committee who headed up
12 the crude oil side of the study was Mr. Morgan J. Davis,
13 Chairman of the Board of Humble Oil & Refining Company. Mr.
14 N. C. McGowen, Chairman of the Board of United Gas Corporation,
15 was responsible for the activities involving natural gas and
16 natural gas liquids. Mr. Stuart Buckley of Humble Oil &
17 Refining and Mr. Ed Parkes of United Gas headed the Coordinating
18 Subcommittees for crude oil and natural gas-natural gas liquids,
19 respectively. I want to thank these men for their diligent and
20 thoughtful assistance.

21 The mission of the Committee on Proved Petroleum and
22 Natural Gas Reserves and Availability has been accomplished.
23 I move that the Committee's report, which was discussed before
24 this group last February prior to its release in May, be
25 formally adopted at this time.

1 I further move that this Committee be dismissed.

2 THE CHAIRMAN: It has been moved that the report of
3 the Committee be adopted as a finality and that the Committee
4 be discharged from further responsibility. Is there a
5 second to the motion?

6 (The motion was seconded)

7 THE CHAIRMAN: All in favor say "aye."

8 (All say "aye.")

9 Opposed?

10 (No response.)

11 THE CHAIRMAN: The report is unanimously adopted,
12 with many thanks and gratitude to you, Mr. McCollum, for an
13 able job.

14 Gentlemen, at our last meeting on February 7th,
15 Secretary of the Interior Udall had just come into office a
16 short few days before. He addressed us on that occasion, and
17 in the meantime I want to say while we have not had any formal
18 meetings in the meantime the train of cooperation that has
19 existed all the way through between the Government and the
20 National Petroleum Council has continued harmoniously and with-
21 out interruption. We are happy that he has returned safely
22 from Japan, and I am pleased that he has come here this morning
23 in his position not only as Secretary of the Interior, but as
24 Co-Chairman of the Council.

25 I now present the Secretary of the Interior.

1 (Applause)

2 MR. UDALL: Thank you very much, Walter. It is nice
3 to meet with a group that doesn't get intself involved in contro-
4 versy. I don't see on the agenda any proposal here to any
5 statute or any differing with former members of the organization,
6 so I am happy to meet under such noncontroversial circumstances.

7 As the Chairman has indicated, my first meeting with
8 you and appearance before you some ten months ago, I was green
9 as grass. I probably still am. I have come along in this
10 intervening period as a result of having to become deeply
11 involved in an understanding of your problems and policies
12 and solution of some of these problems to get rather thoroughly
13 indoctrinated into some of the very complex problems that the
14 petroleum industry in this country has, and there have been
15 moments when I thought I was wiser and some when I thought I was
16 sadder, but all in all it has been a very interesting experience.

17 But I do want to say one thing, and I want to pay a
18 brief tribute here today to one of my men, and I am sure it
19 will fall on ears that will be receptive. I think that I have in
20 my Assistant Secretary, John Kelly, a man whose judgment is
21 about as sound on matters of public policy as anyone that it
22 has been my privilege to work with in Government, whose
23 integrity has the ring of truth in everything that he does, and
24 I think that both I as Secretary of the Interior and you
25 as the petroleum industry are most fortunate in having a man

1 such as John Kelly to work closely day in and day out and to
2 keep an eye on your problems, and he is in my opinion doing a
3 tremendous job.

4 (Applause)

5 I just want to make a few general remarks today, and one
6 is that one of our constant concerns with your industry, this
7 industry that is so vital in terms of providing the energy
8 requirements not only of our country, but of the Free World, that
9 we not only understand your problems, but that we do what we can
10 in the limited way the Government affects and touches your
11 industry in terms of enabling you to compete better with
12 strengthening your capacity to conduct your activities not only
13 in the marketplace in this country, but in the world market-
14 place.

15 You are going to hear a great deal--there has been
16 something in the paper almost every day. It is going to
17 increase rather than diminish--about our entering a new era
18 of world trade, and it is very plain to many of us that unless
19 our country can lead the way towards new trade patterns in the
20 world that our world leadership will falter, and I think this
21 is one of the simple truths that we are confronted with.

22 Of course, the petroleum industry has always been a
23 leader in the field of international trade. You people have
24 invested more, you have done more in the past two or three
25 decades in terms of engaging in international trade operations,

1 engaging in investing American monies in the development of
 2 the petroleum potential, of further flung countries around the
 3 globe than almost any other, and so you know already because
 4 of your experience and leadership the importance of this point
 5 which I make here today.

6 But I would like to say that as near as we can do it--
 7 and this is what Secretary Kelly and I have made our goal--we
 8 shall attempt to harmonize the needs of our country in terms
 9 of long term objectives with the immediate needs of the industry
 10 in terms of our own economy and our own markets.

11 This is going to require adjustments from time to time.
 12 It is going to require a flexible approach, I think, on behalf
 13 of everyone, but nevertheless this is one of the last segments
 14 of our industry and our economy that I would expect to want to
 15 provide a breakthrough or that would hold back in terms of
 16 meeting the future whatever it has to hold.

17 *referred* *to* It has been customary for the members of this Council
 18 to view the broad aspects of petroleum thoughtfully as part of
 19 your daily lives as businessmen. Hence you are fully conscious
 20 as are officials of the Government of the importance and
 21 instant ramifications of the problems that we have, economic
 22 problems and political problems in the world today, and there
 23 are big and significant changes taking place, as we all know.

24 I refer, of course, to the well publicized develop-
 25 ments such as the highly successful common market in Europe.

1 Who would have anticipated this development even five or ten
2 years ago? The prospective entry into that market of the United
3 Kingdom has been a recent development, and the attendant changes
4 that must take place relative to the British Commonwealth of
5 Nations, and the rapid advance of Soviet oil into Free World
6 markets that is causing many of us concern, and the continuing
7 liquidation of the colonial system that is proceeding at rates
8 so rapid that many have been astonished. We have deep concern,
9 of course, about all of these problems.

10 It seems to me that a prime lesson for us in all of
11 these rapid changes is the realization that the United States,
12 although an important partner in the Free World economy, must
13 live in a political and economic climate that is being greatly
14 altered by forces that are not within our control. Hence, we
15 must study these forces, their implications, the pressures
16 developing, and the imponderables that accompany them with
17 an objective mind and a serious purpose to understand them in terms
18 of United States interest. Our competitive position must be
19 maintained and strengthened within our fast changing surroundings.
20 This means that we can neglect at our peril the constant effort to
21 improve our levels of cost of output of goods and services, vis-a-
22 vis the strong competitive units that are gaining momentum
23 overseas.

24 With respect to petroleum specifically, the respon-
25 sibilities of this Department are focused upon conservation

1 and security. I need not remind you that these are both closely
2 related to foreign trade. We have for a number of years been
3 losing our export markets in petroleum while experiencing the
4 mounting pressures since World War II to import more oil into this
5 country. The imports problem must of course be viewed in the
6 context I have suggested above which inherently requires a
7 flexible approach to reflect significant new trends and in-
8 fluences. Our imports policy should be always consistent as far
9 as possible with broad trade policies of this country, and
10 compatible with our worldwide economic and political objectives.

11 In our planning for security, significant progress has
12 recently been made to permit the organization again of a group of
13 industry experts to analyze and appraise problems of petroleum
14 supply and demand in emergency, with particular reference to the
15 needs of the Department of Defense. Secretary Kelly will refer
16 more specifically to this development.

17 The importance of rapid changes taking place in the
18 Free World--indeed, in the whole world--cannot in my opinion be
19 overemphasized in connection with making our future plans
20 because the foundation structure of the world is in an era of
21 change as never before in our history. Thus a broad coordination
22 of thinking and effort must be achieved to effectively meet our
23 responsibilities. This is fully as important in the field of
24 petroleum as in any other, as you know. Many of us in the past,
25 even some today, have had the tendency to view petroleum

1 problems with a rather detached concentration upon this industry.
2 This is surely not a valid approach in the present circumstan-
3 ces. The word "interdependence" has perhaps been too widely
4 used recently but whether we like it or not, the problems of
5 oil are entwined with broader problems everywhere. The task of
6 appraising and finding solutions for these problems becomes more
7 difficult with time. We must all work together in mutual
8 understanding, patience, and tolerance in the knowledge that an
9 enlightened approach, although difficult and perhaps time-
10 consuming, is the only one that can be acceptable as our course
11 to wise policies.

12 It has been said that "the past is prologue." In our
13 forward-looking democracy, the private citizens in this room are
14 in a position to make great contributions in the vital field
15 of petroleum toward grasping for the Free World the limitless
16 opportunities of the future.

17 It is a real pleasure to meet with you again here
18 today, and it will be, I am sure, rewarding for me to partici-
19 pate in your deliberations.

20 Thank you very much.

21 (Applause)

22 THE CHAIRMAN: Gentlemen, I regret to advise that
23 Mr. Alfred Jacobson, who has been Chairman of the Council's
24 Agenda Committee for a great number of years, and who in that
25 capacity has performed distinguished service to the industry

1 and to the Council is unable to attend this meeting today. He
2 asked me to convey his greetings to the Council and his regrets
3 that he couldn't be here. He has been hospitalized three or
4 four times for surgery of the retina of an eye, and while he
5 is on half duty at his office now the doctor would not permit
6 him to come to this meeting.

7 I think if the Chairman may suggest it that on behalf
8 of the Council I might send a telegram of greeting to him and
9 best wishes and hope for his speedy recovery.

10 (The motion was made, seconded and carried.)

11 THE CHAIRMAN: It will be so done.

12 In Mr. Jacobson's absence, we have designated Mr.
13 Howard Marshall as the Acting Chairman of the Agenda Committee.
14 Mr. Marshall, are you prepared to present your report?

15 MR. MARSHALL: Mr. Chairman, as you know, the Agenda
16 Committee met early this morning with Assistant Secretary
17 Kelly, and I understand from looking at Mr. Brown up here
18 it will be about five minutes before we have completed the typing
19 and preparation of the Committee's report. So if I could ask
20 for a short postponement, I would appreciate that.

21 THE CHAIRMAN: That will be fine. I had the impres-
22 sion that it had been placed in your hand, Mr. Marshall.

23 MR. MARSHALL: About five minutes, I guess.

24 THE CHAIRMAN: Mr. O'Connor, we feel that you are at
25 home among us, and being more formally connected with the oil

1 and Gas Industry as a member of the Federal Power Commission,
2 we will be certainly interested in any observations you have
3 to make to the group at this time.

4 MR. O'CONNOR: This is an unexpected privilege to be
5 asked to say a few words to you people, many of whom I have
6 known my entire adult business life.

7 It is customary, I think, in the Federal Power Commis-
8 sion to preface each remark by saying that you speak only for
9 yourself and not for the other Commissioners. Since my remarks
10 are not prepared, I am going to say that what I say now I
11 think I speak for all of the Commissioners.

12 In the short time that I have been there I know that
13 the Chairman and Commissioners Morgan and Ross certainly have come
14 to this Commission knowing the great responsibility that they
15 have undertaken to try to help in the problems of this industry
16 and do something for them on a national basis. I know that
17 each of these Commissioners are directing a tremendous amount
18 of their time to the problems of this industry, and I feel that
19 what time I have spent there, what time I have been out in the
20 industry, that the climate for solution to our problems, I believe,
21 is better than it has been at any time since 1950, I would
22 say.

23 I know that if the solution is going to rest in the
24 ability of reasonable people to direct their attention to our
25 problems, if the knit pickers on either side are going to insist

1 on getting their way, I don't think our problems will ever be
2 solved, but I really thoroughly believe I can assure you people
3 today that the present Commissioners are going to do their best.
4 They are men of high intellect and integrity, and I think we are
5 going to do a good job for you. Thank you.

6 (Applause)

7 THE CHAIRMAN: Pending the report of the Agenda
8 Committee, we will pass now to the Progress Report of the
9 Committee on Oil and Gas Transportation Facilities to be pre-
10 sented by Mr. Dene Hodges, Assistant to the Chairman of that
11 Committee. Mr. Hodges.

12 MR. HODGES: Mr. Chairman, Mr. Secretary, Gentlemen:
13 The following subcommittees have been established and active
14 since last July: The Subcommittees on Gas Pipeline Transporta-
15 tion, Inland Waterways Transportation, Petroleum Pipeline
16 Transportation, Tank Car Transportation and Tank Truck Trans-
17 portation.

18 The subcommittee on Tank Car Transportation found it
19 possible to use data already on file with the American Railway
20 Car Institute and the Association of American Railroads. As a
21 result, their report has already been completed. It shows the
22 availability of tank cars by type and capacity.

23 While the Subcommittee on Inland Waterways Transporta-
24 tion was able to obtain a complete listing of equipment from
25 United States Coast Guard data, it is necessary to review the

MILLER COLUMBIAN REPORTING SERVICE
Official Reporter
931 G STREET, N. W. WASHINGTON 1, D. C.
ALL REPRODUCTION RESERVED
COPYRIGHT 1961 BY

1 list to eliminate tank vessels in other than petroleum service.
2 This study is underway. The final report will show the type
3 of equipment by location and by capacity.

4 The detailed information required with regard to oil and
5 gas pipelines requires the use of questionnaires. 85 question-
6 naires have been sent to interstate and intrastate gas transmis-
7 sion companies and 250 questionnaires to the companies operating
8 either or both product and crude pipelines. In addition, all
9 of these companies have been asked to show the exact location
10 of all of their facilities on a set of U.S. strategic maps.
11 The subcommittees will then transpose the individual systems
12 onto a master set of these maps. The information required with
13 regard to pipelines is rather great. We have been asked for
14 location of river crossings, location of pump stations and com-
15 pressor stations, type of prime mover, whether or not they are
16 automated, what is, the extent of manning required, and various
17 other data.

18 The last census of for-hire carrier trucks was made in
19 1954, and there has been no census of private carrier trucks.
20 It was felt that a nose count was desirable, and accordingly
21 the Subcommittee on Tank Truck Transportation has mailed some
22 9,000 questionnaires. Approximately 8,000 of these have been
23 sent to private tank truck operators.

24 All three of these last subcommittees face a substan-
25 tial amount of work after replies to the questionnaires are

1 received. A prompt response from everyone receiving these
2 inquiries is necessary to an early completion of the project.
3 Any assistance you can give in this regard will be greatly
4 appreciated. At best, reports from these three subcommittee can-
5 not be expected until after the first of the year, but it is
6 hoped that a complete report can be made to the Council early
7 in 1962.

8 I should like to add that the Council staff has pro-
9 vided valuable guidance and assistance in the work that has
10 been done to date. Thank you.

11 THE CHAIRMAN: Thank you very much, Mr. Hodges.

12 Mr. Bruce K. Brown, Chairman of the Committee on
13 Petrochemicals, are you prepared to make a progress report, Mr.
14 Brown?

15 MR. BRUCE BROWN: Mr. Chairman, Mr. Secretary,
16 Gentlemen:

17 On December 19, 1960, the Secretary of the Interior
18 made his request of the Council for a report on petrochemicals
19 and this was considered at a meeting of its Agenda Committee
20 on February 6, 1961. The question, as proposed, requested the
21 Council to undertake a study to determine production capacity as
22 of January 1, 1961, actual 1960 production, raw materials require-
23 ments, purchased electric power requirements, manpower require-
24 ments, and plant locations by latitude and longitude of all
25 petrochemical facilities in the United States owned or operated

1 by petroleum and gas companies, or for petrochemicals made in
2 petroleum facilities.

3 There is no one agreed-upon definition for the word
4 "petrochemical", but for our purposes we can assume that it means
5 chemicals produced from petroleum hydrocarbon raw materials.
6 But the word "chemical" isn't too easy to define precisely.
7 For example, "butylene" is regarded as a chemical by some
8 companies and in some uses; whereas in an orthodox refining
9 operation it is just a hydrocarbon. Further, under any
10 definition, petrochemicals are produced by many companies that
11 are not classified for governmental purposes as "petroleum
12 companies" or "gas companies."

13 These anomalies were recognized by the Agenda
14 Committee. I quote the following from its minutes.

15 "Consider discussion developed with respect to this
16 request for a petrochemicals study. It was the concensus of the
17 Committee that the industry would not object to giving volume
18 information. However, Mr. Pollis pointed out that the line
19 between petrochemical facilities owned or operated by the oil
20 industry, and those owned or operated by the chemical industry,
21 was extremely difficult to distinguish. He emphasized that,
22 unless the government could define this line carefully, the
23 committee to make the study might find itself moving into an
24 overall chemical survey, to which the chemical industry might
25 have some objections.

MILLER COLUMBIAN REPORTING SERVICE
Official Reporter
931 G STREET, N. W. WASHINGTON 1, D. C.
ALL REPRODUCTION RESERVED
COPYRIGHT 1961 BY

1 Captain Carson stated that basic information on petro-
2 chemical production capacity in the oil and gas industry was
3 needed to permit the Office of Oil and Gas to discharge its
4 mobilization planning function in this field. He noted that
5 the term "petrochemicals" is not at present well defined as to
6 exactly what products are included. The Department of
7 Interior's responsibility in this field covers only petro-
8 chemicals produced "by petroleum and gas companies or in
9 petroleum facilities." He commented that the problems of exactly
10 what compounds should be covered and avoidance of duplicate
11 reporting could best be handled by a committee appointed by the
12 Council. He assured the Agenda Committee that a government co-
13 chairman would work very closely with the committee undertaking
14 the petrochemical study."

15 The Agenda Committee did approve the making of the
16 study, but with an admonition which I quote:

17 "Because of the great complexity of the subject, the
18 Committee to be appointed should confer thoroughly
19 with representatives of the Department of the Interior
20 so as to define the exact scope of the study and
21 determine the manner in which the committee can best
22 comply with the request of the Department of the
23 Interior."

24 On April 19, 1961, a Petrochemicals Committee of 19
25 Council members was appointed by Mr. Hallanan with myself as

1 Chairman. In June a Technical Subcommittee of 14 chemical
2 experts was appointed with T. L. Cabbage, Vice President of
3 Phillips Chemical Company, as its Chairman. The Subcommittee
4 held two meetings in the Council offices, first on July 11-12,
5 and finally on September 19, 1961. The Government Co-Chairman,
6 Mr. Maurice Webster, and I attended the meetings, and we were
7 greatly helped by the attendance, as informal observers, of
8 certain chemical experts of the Department of Commerce.

9 The Subcommittee compiled a list of 86 specific
10 chemicals manufactured by oil and gas companies which currently
11 move in trade and are manufactured to qualities meeting commer-
12 cial specifications for chemical use. It gave consideration to
13 the most practical procedures for collecting the information
14 requested on raw material, manpower and electric power require-
15 ments in a form that would avoid great detail and might be truly
16 useful to governmental authorities. In this work it had the
17 help of the Office of Oil and Gas and the approval of its
18 Government Co-Chairman, Mr. Webster.

19 On November 22 a printed questionnaire designed to
20 adduce the desired information was mailed to 285 refining
21 companies and 183 natural gasoline plants over the signature of
22 Mr. Cabbage, Subcommittee Chairman. The 285 refining companies
23 actually include about fifteen chemical manufacturing companies
24 in which a petroleum or gas company has an interest of 50 percent
25 or more.

1 The letter transmitting the questionnaire said:

2 "The information requested by the Government will be
3 vital to bring order out of chaos during any post-
4 attack or disaster period. Your cooperation in complet-
5 ing and returning these questionnaires promptly will
6 be deeply appreciated since the task of compiling the
7 information and preparing the necessary disaster plans
8 are of urgent importance.

9 "All data and information furnished by you will be
10 kept strictly confidential, except that it will be avail-
11 able to Governmental Defense Agencies for use in
12 classified studies. All processing and tabulating of
13 quwstionnaires will be done by the Council staff after
14 coding the filled in forms. Only industry group totals
15 will appear in the final report of the Subcommittee.
16 In no event will data be reported on chemicals manu-
17 factured by less than three producers."

18 The questionnaire was put together after many hours
19 of skilled work by the Subcommittee and the Council staff--at
20 Washington meetings and in the offices of its members. I think
21 they did a good job of coping with a somewhat nebulous problem,
22 eliminating complexities and non-essentials and preparing a
23 pattern of inquiry which should produce for the Interior Depart-
24 ment the basic information which it requires to discharge its
25 mobilization responsibilities. Of course, any report based

1 on our questionnaire will tell only part of the total story.
2 It will remain for the Department of Commerce to follow through
3 with a similar study of petrochemical manufacturing by companies
4 falling in its jurisdiction. Unless that is done the whole
5 petrochemical picture will not be available.

6 THE CHAIRMAN: Thank you very much, Mr. Brown.

7 Mr. Marshall, are you now prepared to present the
8 report of the Agenda Committee.

9 MR. MARSHALL: Gentlemen, as the Chairman has already
10 explained to you, I am merely pinch-hitting for the Chairman
11 of the Agenda Committee, Mr. Jacobson, and I am sure you regret
12 as much as the Committee does that he can't be with us here
13 today.

14 I submit the following report on behalf of the
15 Agenda Committee:

16 Pursuant to the call of the meeting of the Agenda
17 Committee of the National Petroleum Council made by the
18 Committee's Chairman, Mr. A. Jacobson in his wire to the members
19 on November 13, 1961, and with the approval of the meeting,
20 and its agenda having been obtained from the Honorable John M.
21 Kelly, Assistant Secretary of the Interior, and Government
22 Co-Chairman of the Committee, confirmed by his letter of
23 November 20, 1961, the Agenda Committee met on November 27,
24 1961 and again on November 28th at 8:30 a.m. in the offices
25 of the National Petroleum Council in Washington, D. C.

1 Under date of November 20, 1961, the Honorable John
2 M. Kelly addressed a letter, a copy of which is attached to this
3 report, to Mr. Walter S. Hallanan, Chairman of the National
4 Petroleum Council, requesting the Council to undertake a
5 comprehensive study indicating the relationship between useable
6 inventory and storage capacity of crude oil, natural gas, liquids
7 and major petroleum products. I don't believe that it is
8 necessary for me to read Secretary Kelly's letter. I think it
9 is sufficient to say that what this asks us to do is to bring
10 ^{up} ~~down~~ to date similar reports prepared by the Council in 1948,
11 1950, 1952 and 1957.

12 As provided in the articles of organization of the
13 Council, this letter was considered at the above-mentioned
14 meeting of the Agenda Committee, at which meeting it was
15 unanimously agreed to recommend to the Council the appointment
16 of a committee to make the study as requested by Secretary
17 Kelly and to report to the Council. The Committee undertaking
18 the study should not suggest plans or programs but should confine
19 reports to findings of fact.

20 Now, under date of November 28, 1961, the Honorable
21 John M. Kelly addressed a letter, copy of which is attached hereto,
22 to Mr. Walter Hallanan, Chairman of the Council, requesting the
23 Council to make a factual study of the effects on the free world
24 of the exports of petroleum from the Soviet bloc together with
25 such comments and conclusions as are deemed appropriate.

ALL REPRODUCTION RESERVED

MILLER COLUMBIAN REPORTING SERVICE
Official Reporter
931 G STREET, N. W. WASHINGTON 1, D. C.

COPYRIGHT 1961 BY

1 With the Council's permission, I think it might be well for me
2 to read this letter from Secretary Kelly. It reads as follows:

3 "Dear Mr. Hallanan:

4 "The Department of Interior views with concern
5 the growing shipments of petroleum from the Soviet
6 bloc to the Free World. Because of the varied but
7 widespread impact of these shipments upon Free World
8 nations and upon international relationships between
9 the United States and other nations, it is greatly
10 in the interests of national security for this
11 situation to be better understood.

12 "Accordingly, the National Petroleum Council
13 is requested to make a factual study of the effects
14 on the Free World of the exports of petroleum from
15 the Soviet bloc, together with such comments and
16 conclusions as are deemed appropriate.

17 "Sincerely yours,

18 John M. Kelly,

19 Assistant Secretary of Interior."

20 As provided in the Articles of Organization of the
21 Council this letter was considered at the above meeting of
22 the Agenda Committee, at which meeting it was unanimously
23 agreed to recommend to the Council the appointment of a
24 committee to make a study as requested by Secretary Kelly and
25 to report to the Council. The committee undertaking the study

1 should not suggest plans or programs, but should confine reports
2 to findings of fact.

3 Respectfully submitted, J. Howard Marshall, Acting
4 Chairman of the Agenda Committee.

5 Mr. Chairman, I move you that the Council approve the
6 report of the Agenda Committee.

7 THE CHAIRMAN: You have heard the motion. Is there
8 any comment? The Chair recognizes Mr. Majewski.

9 MR. MAJEWSKI: I would like to make some comment, and
10 I would like to go up there.

11 MR. MARSHALL: Barney, it is always a pleasure to
12 yield to you.

13 MR. MAJEWSKI: This subject introduced by the Acting
14 Chairman of the Agenda Committee on this very vital question
15 needs, I think, a little explanation from some of us who have
16 been thinking strongly about it.

17 The Soviets--all of ^{the} ~~their~~ foreign trade of the Soviet
18 Union, including trade in oil, is a state monopoly. Being
19 an American, I object to that. It is a power ^{ful} weapon, an
20 instrument of Soviet national policy, and its avowed goal
21 to impose Communism on the rest of the world.

22 The Soviets--I have to watch this carefully. They
23 now write everything out when I make a little talk here because
24 sometimes my fellow members criticize me when I skip over the
25 next sentence because it is hell and damnation to the devil, the

1 Communists, and, of course, I have to be considerate to our
 2 people in international trade, I don't follow up their mess
 3 kit with the governments that they deal with because in inter-
 4 national trade you don't deal like you do here at home. You
 5 deal with governments, and very important governments.

6 The most effective weapon of the Soviets is oil ^{agents} in
 7 this all-out offensive, in that they help the USSR to gain
 8 economic and political control over both oil consuming and oil
 9 producing countries and to disrupt the structure of international
 10 trade with the destruction of the free private oil industry
 11 being their primary target, Here and abroad we are not without
 12 a threat also.

13 I remember oil coming--I have been in this business,
 14 I was going to say racket, but as I get older I clean up my
 15 language a bit, I remember when a cargo of foreign oil came
 16 to Detroit. I don't know how many people remember that, but
 17 an American citizen brought it in and brought it in because it
 18 was so cheap, and God knows it was cheap then here in this
 19 country, but they brought in foreign oil, and if you don't remember
 20 it, it was the Sunnyside Service Station Company of Detroit.
 21 Never mind the seller, he is dead, that brought the oil here.

22 But the Soviet trade is political trade, It cannot
 23 be considered or treated like normal commercial business. It
 24 employs techniques of economic aggression and duress which are
 25 not available to the international oil trade, and certainly not

1 available to the Americans in the oil business--dumping,
2 barter, government to government agreements, discriminatory pricing
3 and exclusion by ~~first~~ of all competition from their home
4 markets. You have got about as much chance to get into the
5 oil business in Soviet Russia as a snowball has in hell, and
6 being a Catholic I know that there isn't much room for snow in
7 hell. The devil hands out a little snow, but it is a different
8 kind. It is a mental snow.

9 Free enterprise on its own cannot compete with the
10 kind of competition that is offered, especially when it is backed
11 by the entire resources of the Soviet bloc. The nature of
12 the threat posed by Soviet oil in the nature of its weapons
13 limiting the export of this oil is an international problem
14 affecting our national security, as well as that of the Free
15 World, which cannot be solved by the American industry, both
16 international and here, and it can only be solved by the
17 government, and I am happy that the Secretary of the Interior
18 and his staff have the awareness that this is so.

19 So they come with this agenda item to the industry to
20 produce the facts, if there be any, and there are a multitude of
21 facts on this subject, and I commend the Secretary for his
22 awareness.

23 Now, delay cannot be brooked in this matter. This
24 is not a thing that you can do, like bringing the storage up
25 from 1955 or 1956 to date. This is on fire, and it has to be

1 dealt with with fire department agility and energy. So my
2 compliments to the Government. We have shown, I think, our
3 spirit in offering our competent people on committees. These
4 committees have always been representative of all segments of the
5 industry. No one could complain about the composition of the
6 committees. Every viewpoint is covered, and I assume without
7 asking the question that such will be the composition of the
8 committee. I have faith in the Appointments Chairman, that he
9 has a great awareness of this point, and without talking about
10 it and asking you to do it, Frank, I know we will get an
11 Appointments Committee that is well represented in all segments of
12 the industry here and abroad.

13 I might give you one more item. In urging that we hurry
14 up to do this job, I don't mean that it will be done carelessly,
15 but there has been a multitude of facts gathered, and all we are
16 going to do is accumulate and compile them, and tender them to
17 the Interior Department, which is the agency with which we deal
18 on oil in our governmental setup.

19 I want to give you just three little items, and I
20 usually talk an hour on the subject when I am all steamed up,
21 but this time I will be through in two minutes.

22 The free competitive basis of international trade has
23 been under an attack to which it is highly vulnerable, as an
24 instrument of the USSR's stated aims to dominate the world,
25 Soviet exports are not subject to economic forces which

1 determine the free movement of labor, capital and other
2 resources in the rest of the world. On the contrary, Soviet
3 exports, whether of oil or other products, are merely part of a
4 program to gain economic and political control over free coun-
5 tries. The prices of Soviet exports are determined not by
6 objective economic considerations alone, but by communistic pol-
7 itical goals as well.

8 In the case of oil, the Soviets employ a two price
9 system, a high price to those satellite markets over which they
10 have succeeded in gaining ^{Control} an--I am afraid--permanent control,
11 unless something is done about it, and economically low prices
12 to those countries which it seeks to control. As an example
13 this is published by the Russians themselves. They have been
14 forcing the satellite countries to pay \$3.02 per barrel for
15 oil they were selling to Free World nations for \$1.89.

16 Furthermore, the Soviets almost exclusive use of
17 bilateral and barter trade, and emphasis on government to govern-
18 ment agreements, destroy the free multi-lateral foundations of
19 trade which the Free World has marked so hard to achieve.

20 Now, this Free World commerce and institutions,
21 with their non-political foundation and emphasis on fair com-
22 petition, are ^{now} easy prey to the politically oriented and state
23 controlled trade of the communists.

24 Now, I will just give you one more example, and then
25 I will sit down. // For example, private industry cannot compete

ALL REPRODUCTION RESERVED

MILLER COLUMBIAN REPORTING SERVICE

Official Reporter

931 G STREET, N. W. WASHINGTON 1, D. C.

COPYRIGHT 1961 BY

1 with the kind of pricing practices that enable the Soviets to
2 sell oil at prices which will not cover even the royalty and
3 tax payments which the industry pays on Middle East crude oil
4 or to provide petroleum to Cuba without regard to price or
5 cost, ^N nor can the industry enter into bilateral barter arrange-
6 ments such as the one whereby the USSR accepted the output
7 of Italian industries to find markets for its oil, and where pri-
8 vate industry strives to cooperate in the realization of
9 national political and economic objectives it cannot long
10 survive if it were to operate continuously at a loss.

11 Moreover, the Soviet oil industry, with an absolutely
12 protected internal market, no competition within their own
13 home grounds and no firmly established investments outside the
14 Soviet bloc, is not exposed to competition from free world oil
15 companies.

16 I don't think after you study this and get the
17 report to the Interior Department, where we can only do it
18 through the Interior Department to the other government
19 departments affected, but if a policy is not decided on by this
20 Government we are in a hell of a fix, and I am not only
21 interested in the oil business--that is my livelihood--but
22 I am the father of twelve kids and thirty-four grandchildren,
23 and green flags on the bellies of three of the kids expected
24 within the next six months. So with me it is more than oil,
25 and I don't think we ought to waste a lot of time over how is

1 this going to affect the domestic oil industry. We will work
 2 out the oil industry. We are in a pretty tough fix ourselves,
 3 but we will work that out, but don't let's invite the Soviets to
 4 behead us. I don't like to be beheaded, particularly being of
 5 Polish extraction, by Russians. Thank you.

6 I would like to second your motion now, if I might.

7 THE CHAIRMAN: Is there any discussion?

8 Are you ready for the question?

9 All in favor of the adoption of the report of the Agenda
 10 Committee will indicate by saying "Aye."

11 (All say "aye.")

12 Contrary, "no."

13 (No response)

14 THE CHAIRMAN: The report is unanimously adopted.

15 Thank you very much, Mr. Acting Chairman.

16 May I inquire if Mr. McDermott, the Deputy Director
 17 of the Office of Emergency Planning, is in the room?

18 MR. PINEY: He wasn't able to be here.

19 THE CHAIRMAN: Do you expect him at all?

20 MR. PINEY: No, he sent word recently he would not be
 21 here.

22 THE CHAIRMAN: Now, after Barney Majewski has orated
 23 like he has on a matter very vital to your heart, Mr. Assistant
 24 Secretary, and given such an enthusiastic approval, may I
 25 suggest now that we will be glad to hear from you in connection

1 with anything you have to say to the Council.

2 MR. KELLY: Thank you, Mr. Chairman and Mr. Secretary.
3 It is pretty hard to follow Barney. One thing Barney didn't
4 mention, he is half Irish, too. So the 100 percent Irish, I don't
5 think could compare with the half Irish and half Polish. So,
6 Barney, I am not going to try to compete with you, but I do
7 want to emphasize from the standpoint of Interior some of the
8 thoughts that you did throw out.

9 The request that Interior made this morning to the
10 Agenda Committee that the Council take on the factual study of
11 the effects of the Soviet economic penetration is one that
12 I would like to hear reemphasized, the seriousness that we give
13 to the Soviet penetration, the threat of the Soviet economic
14 penetration. Also, we would like to emphasize, Mr. Chairman,
15 and if possible ask your cooperation in having the Committee
16 appointed as soon as possible, having a good solid working
17 committee appointed as suggested by Barney; that the committee
18 go to work as soon as possible after its appointment to
19 prepare and present to the Secretary the factual information
20 and data that they come up with. The issue is urgent. We in
21 Government consider it urgent, and we know from the tenor of the
22 remarks made at the Agenda Committee meeting and also Barney's
23 remarks here this morning, that you in industry also consider
24 this one of the most serious and urgent problems facing us today.

25 THE CHAIRMAN: Mr. Kelly, it is my idea we may get

1 together and agree upon a chairman for this committee before
2 we get away today.

3 MR. KELLY: Fine. I will be glad to work with you and
4 Mr. Porter and we will see what we can come up with.

5 I should like to touch briefly upon two items of
6 national security, both of which require the continued high
7 degree of cooperation which we have learned to expect from this
8 Council and from the petroleum industry as a whole.

9 First, the necessity for a competent industry advisory
10 group to assist in peacetime in the assessment of worldwide de-
11 mand and supply of petroleum under various assumed conditions
12 of emergency.

13 As you all know, the Military Petroleum Advisory Board
14 did this job, and did it very well, from 1947 through 1957.
15 Some of you here today served on MPAB and can recall the
16 tremendous amount of brainpower that can be brought to bear by
17 an advisory group of this highly specialized type when they
18 tackle a problem. However, as you know, the MPAB ran into the
19 possibility of antitrust implications and since 1957 has been
20 inactive.

21 A proposal was initiated by Interior in 1959 to
22 extend the scope of the Foreign Petroleum Supply Committee
23 under the Voluntary Agreement authorized by the Defense
24 Production Act, so that the FPSC could cover worldwide petrol-
25 eum activities and render assistance of the type previously

1 provided by the MPAB. This resulted in the establishment by the
 2 Secretary of the Interior of a Readiness Subcommittee of the
 3 FPSC on December 19, 1960. This Subcommittee was not activated
 4 due to technical and legal difficulties raised by the May 8,
 5 1956 amendments to the Voluntary Agreement.

6 Mindful of the international situation and of the
 7 urgent need for industry advice in planning, Secretary Udall and
 8 the staff of the Department of the Interior, with a great assist
 9 from the Defense Department, pursued the matter further. I believe
 10 that soon we will again have the benefit of high-calibre industry
 11 assistance in dealing with the problems of petroleum planning
 12 for defense. The Voluntary Agreement has been further amended,
 13 with the blessing of the Departments of Defense, Interior and
 14 Justice, so as to insure antitrust immunity and to provide the
 15 collective action under Government supervision which is so vital
 16 to this type of work.

17 Invitations have gone out to 22 companies to partici-
 18 pate in the activities of the Voluntary Agreement as presently
 19 amended. Thirteen companies have already accepted. I am sure it
 20 will not be long before the others respond.

21 These companies will be asked to provide technical
 22 experts to serve on a special subcommittee of the FPSC which
 23 will assist the Office of Oil and Gas in making the complex
 24 studies needed for national defense planning. We shall then
 25 be ready to start on a highly classified study already requested

MILLER COLUMBIAN REPORTING SERVICE
 Official Reporter
 931 G STREET, N. W. WASHINGTON 1, D. C.
 ALL REPRODUCTION RESERVED
 COPYRIGHT 1961 BY

1 by the Department of Defense.

2 Now, the second item of national security relates to
3 the status of Interior's Executive Reserve Program. At the
4 regional level there are now available ninety key people from
5 the ranks of the petroleum and gas industries ready to be
6 called upon if the need arises. As of yet no appointments from
7 industry have been made of individuals to serve in the National
8 Headquarters Executive Reserve. We plan to remedy this very
9 shortly. It is quite likely that those appointed will have to
10 spend some time here in Washington, probably as WOC employees of
11 the Department of the Interior, in order that coordinated plans
12 for petroleum preparedness can be significantly strengthened.

13 I am sure that when the call goes out, the petroleum
14 industry will respond, as it always has in the past, and that
15 together we shall continue to maintain our national petroleum
16 resources in a state of readiness against emergencies.

17 Mr. Chairman, that concludes my report.

18 THE CHAIRMAN: Are there any questions which any
19 member would like to direct to Mr. Kelly?

20 MR. BRUCE K. BROWN: I would like to comment very
21 briefly when Secretary Kelly is through. I don't wish to ask
22 him a question.

23 THE CHAIRMAN: Any further questions or comments?

24 MR. BRUCE BROWN: I was hoping I could get this out
25 before Secretary Udall left. That is the reason I interrupted.

1 It will take me two minutes.

2 I am taking the privilege of an old hand, and I hope
3 it won't be thought ill of, but I am very happy to see the
4 creative way in which the Interior Department executives are
5 undertaking these oil problems, and I would like to make a
6 comment and suggestion. I would like to make it publicly in
7 front of the Council members, although it is directed to the
8 Government.

9 Traditionally the Secretary of the Interior selects
10 his own advisory group and appoints individuals to the
11 Petroleum Council for one year terms. Theoretically at least
12 the group is selected freshly each year, and changes do take
13 place from time to time.

14 Now, because many of the people who belong to the
15 Council are very busy in many activities, we can well appreciate
16 that each member can't come to each meeting, so the tradition
17 has been established that when a member is not present he can
18 appoint someone to represent him, but not to vote. But we
19 seldom vote, or at least we very seldom have anything but an
20 affirmative vote. I think that is fine.

21 But there has not been, due to the changing in the
22 Administrations, the changing of the people that are responsible
23 for this thing, in my opinion there has not been enough firmness
24 used by the Government in insisting that if a man accepts a
25 Council appointment he comes.

1 So I would like to recommend to you and Assistant
2 Secretary Kelly, in the presence of my associates here, that
3 one thing you could do to stir up this Council would be really
4 apply the rules. Now, just exactly what the rules are, whether
5 a man should be able to skip how many meetings, or whether he
6 should have to come to half the meetings in a year, it doesn't
7 make any difference, but you would do much better and the
8 Council will be a better organization if you just appoint
9 people who were willing to come.

10 Thank you, sir.

11 THE CHAIRMAN: Mr. O'Brien, who is the Director of the
12 Oil and Gas Division, is unable to be here today, but we do have
13 with us the Assistant Director, Mr. Fred Lott, the Assistant
14 Director of the Office of Oil and Gas. Mr. Lott, do you have
15 any comment to make?

16 MR. LOTT: Mr. Chairman, ^(LARRY) O'Brien sincerely regrets
17 the necessity for his missing this meeting. He found it
18 necessary to be out of the country at this time.

19 Secretary Udall has suggested a number of the
20 significant developments in our changing world that must be
21 studied and given weight in arriving at advantageous national
22 policies for petroleum and Assistant Secretary Kelly has
23 discussed late developments in two key areas of petroleum
24 planning for security with which the Office of Oil and Gas is
25 directly concerned. In view of the longstanding interest of

1 this Council in the work of our small organization, it seems
2 useful to review our current activities and some of those are
3 in prospect.

4 First, I should like to refer to an aspect of direct
5 industry assistance to government that, although of great
6 importance, is not often discussed. In the years since World
7 War II it has been our observation that the men from industry
8 who have worked with us upon Government problems have rapidly
9 acquired a breadth of view that amounts to a reorientation of
10 much of their thinking that can be attained in no other way.
11 They have taken satisfaction in this broadening process and
12 acquired an increased respect and sympathy for those of us who
13 strive to adhere to an objective judgment of the complex and vital
14 issues that frequently must be faced. As a result the value to
15 the nation of these men is greatly enhanced. When they return
16 to their careers in industry they become our greatest
17 advocates and supporters among their colleagues. This attitude,
18 of course, pays real dividends in terms of our work and is most
19 gratifying to us who remain in Washington.

20 As you know, organized help by the industry has been
21 curtailed for some years. This Council has remained a bulwark
22 of strength but as the cold war tensions have continued, the
23 need for comprehensive defense studies of the MPAB-type has
24 been keenly felt. The clearance recently obtained to estab-
25 lish an effective industry group under the Voluntary Agreement

1 related to Foreign Petroleum Supply is thus a welcome break-
2 through after a protracted period of frustration. The values to
3 be realized will include not only the difficult analyses to be
4 made of defense problems but importantly the reopening of
5 channels of communication between industry and government
6 people, with attendant personal contacts and growth of mutual
7 understanding of each others problems and how best to solve them
8 in the interest of all.

9 We like to regard the mission of the Office of Oil and
10 Gas as primarily to provide a staff with sound knowledge of the
11 oil and gas industry, its basic problems and capabilities, and
12 to utilize that staff to clarify and interpret those elements
13 to best serve the government's needs. In this capacity we are
14 repeatedly called upon as consultants by other departments of
15 government to study and report upon oil and gas problems. For
16 the Departments of Defense and State alone we have made more
17 than twenty such reports during the past year. Material
18 assistance of a technical and analytical nature has been given
19 also on a continuing basis to the Office of Emergency Planning,
20 the Department of Commerce, and other agencies. Recent
21 emphasis has been upon the development of as valid a view as
22 the present state of knowledge will permit of the long-range
23 relation of the United States petroleum resource to our fuels
24 needs, and upon the problems created by Soviet initiatives to
25 capture important petroleum markets in strategic parts of the

1 Free World. The Office is assisting also with part of the
2 fuels and energy study being made for Senator Anderson's sub-
3 committee.

4 We enjoy the essential support of expert advice as
5 needed, either from qualified experts or from the resources of
6 groups in the industry such as this one. The process results
7 in a pool of knowledge and information that we feel is progres-
8 sively more useful to the Nation and to the industry. We take
9 great personal satisfaction in the knowledge that the quality of
10 our work is widely recognized and appreciated by those who
11 require it.

12 The breadth of concern here and abroad over energy
13 problems and policies is evident from the activities of many
14 groups, both private and government. The need for better under-
15 standing and clear thinking seems more urgent today than in any
16 recent time. These developments are reflected in requirements
17 on the Office of Oil and Gas for more definitive studies of
18 various aspects of petroleum supply and demand, of the signifi-
19 cance of economic trends, and greater activity in the broader
20 phases of defense planning, and in organization for civil
21 defense.

22 In view of current conditions and the necessity for
23 adequate staff work in support of the policy officials as they
24 face the shifting currents of our time, a modest expansion in
25 the Office of Oil and Gas is proposed in the next fiscal year.

MILLER COLUMBIAN REPORTING SERVICE
Official Reporter
931 G STREET, N. W. WASHINGTON 1, D. C.
ALL REPRODUCTION RESERVED
COPYRIGHT 1961 BY

1 An enlargement of our capabilities for both analytical and
2 technical evaluation is an obvious need.

3 Thank you, Mr. Chairman.

4 THE CHAIRMAN: Thank you very much, Mr. Lott, for
5 your remarks.

6 Gentlemen, this Council since its early organization
7 has worked very closely with the Military arm of the Govern-
8 ment, and one of those who has for a good many years been liaison
9 between the Military and this Council is our good friend Admiral
10 Biggs. He is here this morning in the capacity of Director,
11 Petroleum Logistics Policy, Supply and Logistics Policy,
12 Department of Defense. We will be glad to hear from you,
13 Admiral Biggs.

14 ADMIRAL BIGGS: Thank you, Mr. Chairman.

15 In view of the announcements that the Chairman made a
16 short time ago when he introduced certain members of the
17 Council who were retiring, I don't know whether the same thing
18 will happen to them that happened to me, but they would start
19 over on something similar. I came back to the same job.
20 In view of the fact that I attended the first meeting of the
21 National Petroleum Council in 1946 as the Deputy Executive
22 Officer of the Army and Navy Petroleum Board, and have been
23 in and out of this business ever since, perhaps I had better
24 join Mr. Graves and Mr. Spencer here. We will all go fishing,
25 especially inasmuch as Secretary Kelly just announced it

MILLER COLUMBIAN REPORTING SERVICE
Official Reporter
931 G STREET, N. W. WASHINGTON 1, D. C.
ALL REPRODUCTION RESERVED
COPYRIGHT 1961 BY

1 looks like we are going to have a counterpart of MPAB back in
2 existence. I think this would be a good time to retire.

3 The value of the reports of the National Petroleum
4 Council to the Department of Defense is very hard to put a
5 proper estimate on, because of their extreme value. As a general
6 rule they are quite general in character, but they form the
7 basis on which we can ask embarrassing questions to the
8 Department of the Interior and I think Secretary Kelly is begin-
9 ning when the flood of things signed by me or my boss is going
10 to stop. Well, I might tell him they won't.

11 We recently formed an ad hoc group in my shop con-
12 sisting of members from all the military departments, the
13 Research and Development outfit in OSD, to try to hold down the
14 number of petroleum products being placed in the supply system.
15 We have succeeded fortunately in getting three departments,
16 including the Marine Corps, to state that they will have
17 overseas only one kind of aviation gasoline, 114-145.

18 Now, to you gentlemen that sounds like it should have
19 been easy, but if you tried to get 80 octane cleared in Okinawa
20 in 1945 that was the first beginning of standardization. Also,
21 if you had been chief engineer of the destroy^{er} that the front
22 end of it after World War 1 was built in Queenstown and the aft
23 end of it was built in the United States, and half of the front
24 end of this boat was British standard and the stern was American
25 standard, you become a devotee of standardization in 1921.

1 Recently the Council made a report on critical process
2 chemicals, which was one of the best I have seen in many years.
3 The net result in the Department of Defense was to shake our
4 back teeth loose, and some of those world shaking remarks were
5 these; that cracking catalysts, that you have 23 days in the
6 average refinery, some less and some slightly more. You also
7 have twelve days supply of sulfuric acid. I know I have
8 seen trucks hauling into refineries and have asked the man if
9 that truck quit running how long would you run, and he said
10 five days.

11 I got into trouble in 1950 because of a copper strike
12 in Montana. It practically stopped the production of aviation
13 gasoline in Salt Lake Refinery, because he was the guy who
14 pulled the sulfur out of copper and made sulfuric acid for the
15 refinery in Salt Lake Refining. We got a beautifully dressed
16 Colonel of the Air Force out of the Supply Depot at Ogden,
17 put him on a boxcar with a representative of the union, and went
18 in and got 200 tons of sulfuric acid in order to keep the place
19 running.

20 Another interesting thing that we have noticed is that
21 the supply of drum inventory in most places in the refining
22 industry is about twelve days. Five gallons are about eight
23 or quart cans are about eight. I don't know whether you are
24 going to make the investment to increase this or not. You
25 probably won't. However, I will keep talking about it.

1 The other thing that we are very much interested in
2 at the moment in the Department of Defense is the ancient and
3 honorable wheeze. Now you can all go to sleep. You have heard
4 this one before, and I am back on the middle distillate horse.
5 It just so happens that the heating oil demand in 1950 was
6 approximately 650,000 barrels a day, as of the end of 1960
7 it was 1,095,000, in spite of the fact that the equivalent
8 gas used to be in 1957 100 odd to 760,000 barrels equivalent heat-
9 ing oil, and in 1960 it was 1,985,000, but the good old middle
10 distillate is still taking a beating. Your aviation commercial
11 at the present moment is running about 105,000 barrels a day
12 in kerosene. It is not the virgin kind necessarily that we
13 talked about in 1946. However, it is expected according to
14 the Aviation Industry Association's estimate to go to 260,000
15 barrels a day by 1965. To my mind that estimate is conserva-
16 tive.

17 Now, we only want a matter of 400,000 now and then,
18 350 or 400. That is peacetime, gentlemen. I used to figure
19 an F-6, F-45 uses 75 gallons per engine hour. We have
20 engines nowadays that can burn 1200 without exerting themselves.
21 We have some that average a matter of four or five hundred just
22 in an ordinary course of human events. You pull her ears back
23 and she might do 5,000 an hour for those eight engines. So
24 what are we going to do about it?

25 You remember back in 1949 that I made certain well-

1 chosen remarks about allocation units. Some of you gentlemen
2 came to me for a certificate of necessity to get steel to build
3 a refinery, and if the company was big enough we looked at it
4 and got extremely curious as to where the alkyl unit was
5 because it seemed it would be extremely difficult to get steel
6 unless there was an allocation unit in the place. That was a
7 matter of mild black mail perchance, but nevertheless it
8 worked.

9 Now, what we have got to do, it seems to me--and
10 I am not a refinery expert or anything else in that line, as
11 you gentlemen are well aware, but we have to get some kind of a
12 hook up that will make economical high test gasoline during
13 peacetime and then give it a slight tickle and slow it down
14 or cool it off or change its nature somehow so that it will
15 make high quality middle distillates. So now we have got more
16 allocation than they can use. People haven't started drinking
17 it yet, but I am sure that the oil industry would like to
18 develop some sort of a cocktail with it.

19 And just a few words about this Soviet business. Now
20 there is more to this than just the business of selling oil at
21 a dollar a barrel f.o.b. the Black Sea, because as my old
22 friend Barney just pointed out awhile ago the Ethiopian in
23 this piece of lumber is the fact that the Soviet is getting
24 the industry in these countries dependent upon them for a
25 market. For what? Forty inch pipe, diesel engines, valves,

1 pumps--they seem to have considerable trouble meeting their
2 commitments in certain countries where consumer goods are the
3 trade item on the barter business. They have fallen down in
4 their deliveries, but at the same time they are putting the
5 pressure on anybody with whom they have an industrial equipment
6 deal.

7 Now, you don't have to have a blueprint to see what
8 that indicates. I want to express my appreciation to the
9 Council for all the help they have been to me, and I am sure
10 that as we get organized on this other business you will decide
11 that maybe you will be crying "Help." Thank you very much,
12 Mr. Chairman.

13 THE CHAIRMAN: Thank you, Admiral.

14 (Applause)

15 THE CHAIRMAN: We now have the report of the Secre-
16 tary-Treasurer of the Council, Mr. Brown.

17 MR. JAMES V. BROWN: From the beginning of January to
18 the end of October, we received from you members contributions
19 plus other revenues, including earnings on our savings
20 accounts and so on, \$110,922. We have spent so far up to the
21 end of October \$91,001. We began the year with \$19,920 in our
22 general funds. Therefore, the balance in the general fund
23 at the present time was \$8,205. We will perhaps exceed our
24 budget some this year.

25 I think you have heard some explanations of how we

1 have expanded our workload and that will account for that.
2 The general reserve that I have been able to hang onto is an in-
3 vestment of \$81,500. Its present value is \$93,154. We have
4 a reserve set aside for special purposes. The Chairman may
5 give you some idea on that. This is an investment of \$68,500
6 or a value of \$73,225. That is the report on the finances,
7 Mr. Chairman.

8 THE CHAIRMAN: You have heard the report, gentlemen.
9 Are there any comments? If not, it will be filed.

10 I am delighted to see one of our former senior
11 members of the Council, Dr. Wilson here.

12 DR. WILSON: Now a junior member.

13 THE CHAIRMAN: Now a junior member. Dr. Wilson had
14 the record of not having missed a meeting of the Council, as
15 I recall, when he retired from his position in the industry and
16 took over in private industry. Doctor, won't you have a few
17 words to say for us? I am sure that the members of the Council
18 would be delighted to hear you. Dr. Robert E. Wilson.

19 (Applause)

20 DR. WILSON: I don't think I have very much to say.
21 I am still in the energy business and still of the same opinion
22 as previously with regard to the fact that atomic energy is
23 no real threat to the oil business. I haven't changed that
24 opinion and am doing what I can to promote the atomic energy
25 business for I feel it is sound and helpful to the whole

1 economy, but I don't believe in building power plants just to
2 build power plants.

3 (Applause)

4 THE CHAIRMAN: Is Congressman Frank Ikard here?

5 Please come forward, Congressman. I want to present you to the
6 members of this Council because you are going to be on our team
7 here.

8 Gentlemen, I want to present the distinguished
9 Congressman from Texas, Congressman Ikard, who is still a Member
10 of Congress, but who will shortly become Executive Vice Presi-
11 dent of the American Petroleum Institute. Congressman Ikard.

12 MR. IKARD: Thank you very much, Mr. Chairman. It
13 is a pleasure to be here this morning, and I am looking
14 forward to my association and greater activity with the
15 industry, and I am here this morning more to learn, Mr. Chair-
16 man, than to do anything else.

17 MR. BRIDWELL: Mr. Chairman, I want you to recognize
18 he is from Wichita Falls, Texas.

19 THE CHAIRMAN: That is right, and he is a friend of
20 Joe Bridwell's.

21 For the record I desire to say at the February 7th
22 meeting of the Council this year the Chairman of the Council
23 was authorized to put into effect a pension plan for those key
24 employees of the Council with the appropriate length of
25 service.

1 On May 1, 1961, on behalf of the Council I executed
2 an agreement with the Secretary-Treasurer providing him with
3 suitable pension benefits to commence upon his retirement.
4 Sufficient Council funds have been set aside in reserve to
5 enable the Council to meet its obligations under this pension
6 arrangement.

7 Gentlemen, we have finished the agenda. Is there any
8 new business?

9 MR. ANDERSON: We would like to make a study here
10 today that is rather unusual in its nature as it deals with a
11 foreign government, and it has occurred to me that if the industry
12 is to do this as a joint effort that such a document might be
13 of considerable use to the Soviet Union, and during the prepara-
14 tion and at least until such time as the document can be
15 reviewed it should be treated as a highly confidential matter.
16 Certainly this has implications over and above the industry,
17 and it just seems to me that if all of the people who are here
18 are to cooperate to the fullest that the document should be
19 protected to the greatest possible degree.

20 THE CHAIRMAN: Thank you very much.

21 MR. MAJEWSKI: May I make a remark on that? This is
22 going to be within the province of the Secretary of the
23 Interior and his staff and several government departments, and
24 I don't think you are going to suggest putting a confidential
25 muzzle on a public officer, because hell nothing is a secret

1 anymore. I mean the Russians haven't been working in the
2 dark. They have been knocking us off economically for a long
3 time, and I am talking about Americans. They know all of
4 this now. Hell, they initiated it. They know all about
5 our competition over in the foreign markets. So I don't go
6 for my friend from New Mexico who wants to be cautious with
7 the Russians. I want to give them every gun. They already
8 got it at our head.

9 THE CHAIRMAN: Are there any further remarks?

10 Is there any new business?

11 If not, a motion to adjourn is in order.

12 All in favor say "aye."

13 (All say "aye".)

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