

OFFICIAL REPORT OF PROCEEDINGS
BEFORE THE
DEPARTMENT OF THE INTERIOR

OFFICE OF OIL AND GAS

In the Matter of:

MEETING OF THE NATIONAL PETROLEUM COUNCIL

Tuesday, July 16, 1963

Washington, D. C.

WARD & PAUL, INC.

OFFICIAL REPORTERS

917 G STREET, N. W.

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and Gas

in the matter of: MEETING OF THE NATIONAL PETROLEUM COUNCIL

PLACE - Washington, D. C.

DATE - July 16, 1963

were held as herein appears, and that this is a copy
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WARD & PAUL, Inc.
Official Reporter

By


Wayne Birdsell, Secretary

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

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MEETING OF THE NATIONAL PETROLEUM COUNCIL :
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Conference Rooms A and B,
Interdepartmental Auditorium,
Constitution Avenue, between
12th and 14th Streets, N. W.,
Washington, D. C.
Tuesday, July 16, 1963

Met, pursuant to notice, at 9:30 a.m., R. G. Follis,
Chairman of the Council, presiding.

PRESENT:

- R. G. FOLLIS (Chairman)
- ORVILLE S. CARPENTER (Vice Chairman)

AGENDA COMMITTEE:

- A. JACOBSEN
- BRUCE K. BROWN
- PAUL ENDACOTT
- JAKE L. HAMON
- L. F. MC COLLUM
- B. L. MAJEWSKI
- J. HOWARD MARSHALL
- J. R. PARTEN
- M. J. RATHBONE
- JOHN E. SWEARINGEN
- J. ED WARREN

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APPOINTMENT COMMITTEE:

- J. C. DONNELL, II
- J. S. BRIDWELL
- HAROLD DECKER
- GEORGE F. GETTY, II
- FRANK N. IKARD
- AUGUSTUS C. LONG
- C. PRATT RATHER
- M. H. ROBINEAU
- ROLAND V. RODMAN
- HENDERSON SUPPLEE, JR.
- ROBERT F. WINDFOHR

- - -

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P R O C E E D I N G S

1
2 THE CHAIRMAN: Gentlemen, we will come to order. I
3 wonder if more of you Council members or their substitutes
4 would move down here, a little closer. It seems to be a little
5 bit top heavy in back there.

ROLL CALL

and

INTRODUCTION OF NEW COUNCIL MEMBERS

6
7
8
9 THE CHAIRMAN: We will have the roll call now, please.
10 I might say that when we come to the name of a new member, it
11 is our custom to pause and to ask that new member to stand up
12 and introduce himself, and in that way we will have an oppor-
13 tunity to become acquainted a little bit more quickly. And if
14 you are here as an alternate for a member, would you please
15 give your name as well as the name of the member for whom you
16 are substituting?

17 (Whereupon, the roll call was taken by Secretary-
18 Treasurer Vincent M. Brown.)

APPROVAL OF MINUTES OF LAST MEETING - MARCH 22, 1963.

19
20 THE CHAIRMAN: Gentlemen, we have the minutes of the
21 last meeting which have been distributed. I would like to call
22 your attention to the fact that there is a note on those
23 minutes referring to the fact that we had the unique situation
24 last time of not having a quorum and we polled the committee
25 in the Council who overwhelmingly endorsed the actions of the

1 Council at the last meeting. That note is part of the minutes.

2 Would someone care to move approval of that?

3 MR. MAJEWSKI: I so move.

4 THE CHAIRMAN: Is there a second?

5 MR. VANDEVEER: I second the motion.

6 THE CHAIRMAN: It has been moved and seconded. All
7 those in favor please say "aye."

8 (Chorus of "ayes.")

9 THE CHAIRMAN: Thank you.

10 APPOINTMENT OF NOMINATING COMMITTEE

11 THE CHAIRMAN: This is our organization meeting,
12 gentlemen, as you know. At my request, Secretary Kelly has
13 appointed a committee on organization similar to the committee
14 that we had last year, and which can act not only as a
15 nominating committee but also as a consultative committee to
16 me on any matters that come up throughout the year involving
17 the Council.

18 I would like to read off the names of the members of
19 the committee that Secretary Kelly has appointed:

20 Mr. Jake L. Hammon, Chairman; Jerome J. O'Brien, Co-
21 Chairman; Bruce K. Brown; L. F. McCollum; J. Howard Marshall;
22 M. J. Rathbone; C. Pratt Rather; M. H. Robineau; Roland V.
23 Rodman; John E. Swearingen; and J. Ed Warren.

24 I would like to ask that committee to excuse themselves
25 and take into consideration preparing nominations for the

1 officers and standing committees of the Council. Will you
2 do that, Mr. Hamon?

3 MR. HAMON: Yes, Mr. Chairman.

4 REMARKS OF THE CHAIRMAN ON THE BUDGET
5 OF THE COUNCIL

6 THE CHAIRMAN: Another item of business that will come
7 up today is our budget and, as you gentlemen know, in changing
8 from a calendar year basis to a fiscal year basis, we were
9 obliged to ask for a subscription budget to cover the last
10 six months of the year. Now we will have to ask for a
11 budget for the fiscal year which runs from July to July.

12 I might say that the budget that we are asking for is
13 the same as the budget we had last year and the individual
14 assessments to the companies will be identical with last
15 year's budget.

16 So I think, as a result of some trimming, that Mr.
17 Vincent Brown has been able to do in his expenses despite the
18 fact that we have lost a couple of rather high-paying
19 organizations, we nevertheless will be able to get along on
20 the same financial basis that we had for the last several
21 years.

22 Mr. Brown will submit the budget later in the meeting.

23 REMARKS OF JOHN M. KELLY,
24 ASSISTANT SECRETARY OF THE INTERIOR FOR MINERAL RESOURCES

25 THE CHAIRMAN: I would now like to call on our Co-

1 Chairman, Mr. John M. Kelly. Mr. Secretary.

2 MR. KELLY: Thank you, Mr. Chairman. The Secretary was
3 called to the White House for a meeting this morning, Mr.
4 Chairman, as he explained to you, and we hope that he will be
5 with us a little later, perhaps around 10:30.

6 He has actually the message from the Department and I
7 would like to defer quite a few of the remarks from the
8 Department to wait upon the Secretary. If by any chance he
9 is not able to be with us then, Mr. Chairman, with your
10 indulgence, I would like to read his statement.

11 At this time I would -- I was just handed me, Mr.
12 Chairman, a note from the President of the United States as
13 follows:

14 "Dear Mr. Chairman:

15 "The National Petroleum Council has made a
16 vital and constructive contribution to American
17 economic strength. The exigencies of World War II
18 demonstrated the need for close cooperation and
19 coordination between the Government and the
20 petroleum industry. This led to the creation of
21 the National Petroleum Council. The Council has
22 served the nation well. Their many objective
23 studies, such as those on oil and gas transportation
24 facilities, petroleum storage facilities and the
25 important studies on the impact of oil exports to

1 the Soviet bloc added greatly to our working
2 knowledge in the energy field. On this, the
3 Fiftieth meeting of the Council, I extend my
4 best wishes for your continued service in the
5 national interest.

6 "Sincerely,

7 "John F. Kennedy, President."

8 This, I think, is a very nice compliment to the Council,
9
10 Mr. Chairman.

11 I would like to, Mr. Chairman, make one short comment:
12 that this is the first meeting of the Council in the current
13 fiscal year and this meeting, as you know, marks a new
14 beginning and I hope the end of the free-and-easy transition
15 period by which our rules of action were adjusted to the
16 standards prescribed by the President for industry groups.

17 The concrete evidence of mutual interest in the con-
18 tinuation of reflective Government-industry teamwork continues,
19 as is demonstrated here today by the interest and the atten-
20 dance shown at this meeting.

21 The Council did, Mr. Chairman, as you know, at the last
22 meeting accept a very difficult and complex task in the field
23 of defense planning. We have had two meetings with the
24 chairman of that committee, Mr. Nickerson, and work is going
25 ahead quite well currently on the committee. At the committee
level subcommittees have been set up and qualified experts

1 from industry are now proceeding with the systematic develop-
2 ment of the study.

3 This work, of course, involves other Government agencies,
4 both Federal and state, as well as elements of the industry.

5 The Office of Oil and Gas will assist their full
6 strength in coordinating the efforts, especially with the
7 other Government agencies, both Federal and state agencies.
8 Mr. O'Brien has appointed Mr. Ricker as Co-Chairman and Mr.
9 Ricker is developing the information on the Government level
10 that Mr. Nickerson feels he needs to proceed with his study
11 of the defense planning.

12 The reports of the committees on manpower and material,
13 of course, are going to be submitted today. I hope that
14 members of the National Petroleum Council will comment on them.
15 Quite a bit of work has gone into them. They do give us
16 new tools to support our security planning.

17 We have with us today two gentlemen from the military
18 that I would like to introduce: Major General William O.
19 Senter of the Air Force, who has been designated to succeed
20 Admiral Burton Bates as Director of Petroleum Logistics Policy;
21 General, will you stand up? We welcome you to the Council
22 and hope that you will give us your support and we in turn
23 will pledge our support to you on your logistics policy.

24 I heard last night that this is now a six-star job, and
25 I express a little bit of surprise but they explained to me

1 that the Major has three stars and the Vice Admiral has three
2 stars and, so, adding them together, this is now a six-star
3 job that we have here with us.

4 The other gentleman we have is from the Navy, Rear
5 Admiral Lewis Bryan, Deputy Director of Logistics under the
6 Joint Chiefs of Staff. Admiral, will you stand up and be
7 introduced?

8 Mr. Chairman, that is all my report at this time.

9 THE CHAIRMAN: Thank you, Mr. Secretary.

10 REMARKS OF HONORABLE ED EDMONDSON,

11 UNITED STATES CONGRESSMAN FROM OKLAHOMA.

12 THE CHAIRMAN: Now, gentlemen, we have the Honorable
13 Ed Edmondson, Congressman from Oklahoma. Congressman
14 Edmondson was with us last night. He was introduced to the
15 Council. And I think, Congressman, you have heard quite a
16 little about the Council last night and there is nothing more
17 I could say by way of introduction, I believe. Will you just
18 go ahead, please?

19 REPRESENTATIVE EDMONDSON: Mr. Follis, Mr. Secretary,
20 members of the Council, and guests:

21 I think I probably ought to begin by expressing my
22 very deep appreciation for the invitation to take part in this
23 Council meeting. Particularly I appreciate also the oppor-
24 tunity to speak before several captive Oklahomans in this
25 crowd.

1 I notice Mr. Endacott of Bartlesville; Mr. Carpenter
2 from Cushing; Mr. Hamon, whom I am going to reinstate as an
3 Oklahoman for the purpose of these remarks, formerly an
4 Ardmoreite; Mr. Rodman and others. It is certainly good to
5 see a number of Oklahoma members interested in the work of
6 this Council.

7 I may begin by saying that I really have only one claim
8 to fame as a speaker, and no claim at all as an expert in
9 this field.

10 The only claim I have as a speaker is that one of my
11 boys staked out for me some years back. We have four boys
12 and a little girl at home and only one of them has ever really
13 demonstrated any keen interest in politics. That is our
14 second oldest boy who, when he was three years old, asked his
15 mother if he could have some of these campaign cards that
16 everybody who is a candidate for office has always along with
17 him.

18 And I was running then for county attorney back home and
19 she gave him just a few cards and told him to stay right at
20 home and not to go out of the block, "I don't want you cross-
21 ing any streets."

22 She sat down on the porch and watched him go down a
23 number of houses in our block. Pretty soon he came back.
24 All the cards were gone and he had a pocket full of change.
25 He had been selling them for a penny apiece. (Laughter)

1 So I knew then that he had a very keen interest in
2 politics, but I didn't really get any kind of a claim through
3 fame out of him until two years after that.

4 In the year 1952 I made my first race for Congress. The
5 gentleman who had held this spot I now occupy became too
6 ill to run again and so I was the candidate and, as most of
7 the Democratic candidates down in Oklahoma do, once they
8 have been nominated they get out and speak for the ticket.

9 And in 1952, our unfortunate ticket at that time was
10 a gentleman named Stevenson and a gentleman named Sparkman,
11 and we were campaigning across eastern Oklahoma with some
12 fiddlers that Frank Ikard knows will draw a crowd better in
13 the Southwest than most anything else -- now it is guitars,
14 I think, but at that time it was fiddlers.

15 And we had a pretty good crowd collected at a little
16 town out west of my home town of Muskogee and I was speaking
17 for the ticket and this five-year-old Drew was along with me.
18 He was still keenly interested in politics and after I had
19 completed my speech for the Democratic ticket, from Stevenson
20 and Sparkman to the local candidate for justice of the peace,
21 Drew tugged on my coattail and he said, "I would like to talk"
22 -- he was five years old.

23 So I held the microphone down and said, "Folks, there
24 is a young Democrat here who has a few words of wisdom for
25 you and I think he would like to say hello to you."

1 And I held the microphone down and Drew took the microphone
2 and he got a fiendish look in his eye and he said, "Ladies
3 and gentlemen, vote for Ike." (Laughter)

4 This was the first claim that I ever had to fame as a
5 speaker, because the press picked it up and publicized the
6 fact that my five-year-old boy wasn't being a regular that
7 fall and he apparently set a trend in Oklahoma, we went for
8 Ike in a big way.

9 My own day-to-day first-hand experience with the
10 petroleum industry is very largely confined to the consumption
11 of some of your higher octane products. That may be little
12 experience, but I assure you that with two teen-age boys out
13 driving the family automobile, that the consumption is
14 considerable. So I do have some knowledge of the field and
15 of the going prices, as a pretty good consumer of your
16 products.

17 In addition, as a representative of a great oil state,
18 and one in which we are still proud to claim the title of
19 the oil capital of the world, I am very deeply interested in
20 the welfare of this major American industry and to take a
21 very great pride in all of its achievements.

22 The selection of a topic to talk about, however, to
23 a group of experts as distinguished as yourselves, rally
24 presented me with quite a problem. There is very great
25 danger, probably, there of carrying coals to Newcastle or,

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1 to get a phrase more appropriate to this audience, piping oil
2 to Oklahoma, and I hope that I do cover a subject or two of
3 common interest to you gentlemen of the industry, to those
4 who have a governmental interest in your industry and to those
5 of the legislative branch of our Government.

6 I think the first area of common concern is one in
7 which we for a long, long time had a traditional governmental
8 interest, is the proper development of our nation's natural
9 resources. This, of course, is the very essence of your
10 business. It is something in which all of you are experts
11 and have devoted the major portion of your lives to.

12 It is also true that our Government since its early
13 days has encouraged private enterprise in this field of the
14 development of our natural resources. I call to mind a
15 phrase that dates back to the early days of our republic and
16 one that was very dear to the heart of one of the greatest
17 Americans I have ever had the privilege of knowing, and I
18 think one of the greatest friends that the petroleum industry
19 has ever had, the Honorable Sam Rayburn of Texas, who caused
20 to be placed above the Speaker's stand in the House of
21 Representatives these words of the great Daniel Webster:

22 "Let us develop the resources of our land,
23 call forth its powers, build up its institutions,
24 promote all its great interests, and see whether
25 we also in our day and generation may not perform

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1 something worthy to be remembered."

2 This was the admonition of Daniel Webster more than
3 100 years ago. I think it is a pretty good admonition for all
4 of us today.

5 In the oil industry, the misunderstood and much maligned
6 depletion allowance has been the most effective way, in my
7 judgment, that the Government has promoted development of one
8 of our greatest natural resources. Aside from its basic
9 fairness, the wisdom behind the allowance, to my mind, is
10 confirmed by the industry's continuous, world leading progress
11 and development.

12 Recently, Congress has taken further steps to assist
13 the proper development and conservation of some of our
14 natural resources. In 1959, it articulated a National
15 Minerals Policy, not to be confused with the National Fuels
16 Policy, which was deemed necessary for the National Security
17 and the welfare of the people of the United States. It was
18 the sense of Congress, as expressed in this resolution, which
19 is known as House Concurrent Resolution 177 of the 86th
20 Congress, that the Government should foster and encourage
21 the maintenance and development of:

- 22 1. a sound and stable domestic mining and mineral
23 industry;
- 24 2. the orderly discovery and development of domestic
25 mineral resources and the reserves on Federal, state, and

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1 privately-owned lands, and

2 3. Mining, mineral, metallurgical, and marketing
3 research to promote the wise and efficient uses of domestic
4 metal and mineral resources.

5 Since the adoption of this policy, Congress has taken
6 several steps to attempt to implement portions of it.

7
8 In 1961, Congress authorized the creation of the Office
9 of Coal Research, to assist that industry in finding new
10 ways to utilize our vast coal resources. While some have been
11 concerned about the direction of some of the coal research
12 projects, I do not believe that there is an attempt here to
13 discriminate against oil. Daniel Webster advised us "to
14 promote all the country's great interests." Coal is surely a
15 great interest -- a great producer and a great employer. I
16 believe it to be within the public interest to assist that
17 industry in achieving fuller employment of its men and
18 resources.

19 In petroleum, all of you are familiar with recent legis-
20 lative steps to assist your industry. The Helium Conserva-
21 tion Program has been established to assure an adequate supply
22 of helium for future national needs. In my judgment,
23 this program is a good example of a constructive, common
24 sense relationship between business and government in the
25 field of conservation of our vital resources.

Heretofore, our limited reserves of helium were wasted

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1 daily as little or not effort was made to extract it from
2 fuel gas on the market. Now private companies under contract
3 with the Government will extract about 62.5 billion cubic
4 feet of helium from fuel gas, part of which will go to meet
5 current growing needs, the greater part to go into Government
6 storage. What was once a total loss is now saved for future
7 use.

8 Of even greater long-term importance to the oil industry
9 and to the nation is the oil shale research and development
10 program. The program now under consideration calls for the
11 leasing of Government land to private companies seeking
12 economic ways to convert shale into oil when our other
13 reserves diminish to the point where this becomes necessary.
14 The possibilities for this project are tremendous: the
15 United States has the largest known oil shale reserves in the
16 world, containing some 1.1 trillion barrels, a figure which
17 dwarfs our other known reserves. Clearly this program is in
18 the national interest.

19 Here, I should like briefly to mention the philosophical
20 problem always present when the Government participates in
21 economic development.

22 Certainly, this is a philosophical problem that is
23 deserving of keen study by all of us with legislative re-
24 sponsibility.

25 Just how much government participation is good? And
when does government participation become unhealthy or
stifling? How much is consistent with our time-tried and

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1 vital principles of free enterprise? Programs by which the
2 Government aids the petroleum industry, in my view, thus far
3 have been well within the bounds of discretion and of common
4 sense.

5 To its very great credit, however, the industry relies
6 upon self-help whenever possible. Expenditures in oil
7 research are enormous, but the industry has elected to conduct
8 the great bulk of its research with private funds.

9 Incidentally, we have right in Bartlesville, Oklahoma,
10 one of the greatest laboratories engaged in research in the
11 entire world today and I think it has a working relationship
12 and partnership with the Government installations which is a
13 very healthy thing and a very fine thing.

14 In 1960, less than 3 per cent of the research carried
15 out in the petroleum field was financed through the Govern-
16 ment. In the oil shale projects now under consideration, a
17 project of national importance yet without promise of
18 immediate profits, private industry would provide most if not
19 all of the funds. Such reliance on self-help has been in the
20 finest tradition of American free enterprise.

21 And I see we have just had come into the hall a
22 gentleman that I had looked about to see in vain when I was
23 recognizing Oklahomans in the audience, and certainly my
24 good friend Russell Brown is an Oklahoman for whom I have the
25 very highest regard and I have even higher regard for his

1 brother who, when they tried to knock my name off the
2 ballot back about ten years ago, successfully defended me in
3 court on a demurrer -- so the Brown family certainly are long-
4 time friends of mine.

5 Another area of common concern to all of us is the
6 Russian oil offensive. Both the Congress and the country, in
7 my opinion, owe a debt of very great gratitude to this Council
8 for the expert and comprehensive documentation which it has
9 supplied to the nation of the character and extent of this
10 threat. I have had the opportunity to look through the two
11 volumes which you published as evidence of your studies in
12 this field. I do not believe there has been a more effective
13 documentation of the tactics being used by the Russians in
14 connection with their economic offensive and on the way in
15 which they manipulate price and manipulate supply to serve
16 their political and economic goals, than this particular
17 document. I would not be surprised but what it proved to
18 be in the long run one of the finest steps in our own
19 counter-offensive in the Cold War that have been taken in many
20 years, and for your part as members of the Council in the
21 preparation of that document and the expertness which you
22 brought to that study, for that I think every member of
23 Congress and every member of the American public owes a debt
24 of gratitude to the members of this Council.

25 From the Council's study, we learn that the Soviet Union,

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1 which only recently has been a net importer of petroleum,
2 has now captured a substantial share of the free world oil
3 market. We also learn that this increase in exports has been
4 facilitated by Western supplies of oil field equipment,
5 pipelines, and tankers. The motives of the Russians -- as
6 always -- are difficult to follow. One must be their need for
7 foreign trade credits. Oil accounts for about 25 per cent of
8 these. Political motives appear elsewhere, for instance, in
9 Ceylon and India, and are always possible anywhere. Frustra-
10 tion of private enterprise is a third likely motive.

11 The Council's study expressed the fear that the amount
12 of Soviet bloc oil exports -- 610 thousand barrels daily in
13 1961 -- would continue its steep climb to reach a million
14 barrels daily by 1965. I understand that several intervening
15 factors have lowered current estimates. The European
16 satellites are now an "energy deficit area" and a drain on
17 Russian resources. Russian production has been hampered by a
18 scarcity of equipment suitable for the discovery and develop-
19 ment of new fields. Russian coal and gas production is low
20 and consequently petroleum must take up the slack. Secretary
21 Udall reports that current evidence tends to indicate that
22 1965 exports to the West may be somewhat less than the one
23 million barrels once thought feasible.

24 Still without conclusive answers are several questions
25 posed by Secretary Udall:

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1 1. How fast will the Russian oil reserves be developed
2 or new discoveries made productive?

3 2. How much of the productive capacity thus created
4 will be used for exports to Eastern Europe, Cuba, and
5 Communist China?

6 3. How much will be available for export to Western
7 markets?

8 I understand that the Council may soon up-date the original
9 study to find answers to these questions. And I believe that
10 Secretary Kelly announced last night that it will be done.

11 If so, it will be a service to the nation. Meanwhile,
12 it still seems to be a sound policy for the Government to
13 discourage excessive dependence by Western countries on
14 Soviet oil supplies and to discourage Western sales to the
15 Soviets of production and transportation equipment which would
16 facilitate the Russian export trade. I hope this Council will
17 lend its influential support to the continuation of this
18 policy.

19 A third area of common concern is the threat of
20 Castroism in Latin America. There can be no question of the
21 danger of Red Cuba's "aggressive subversion": More than 1500
22 Latin American agents are being trained this year of 1963
23 for subversive activities in their home countries; Castro's
24 radio stations beam a continuous barrage of Hate America
25 propaganda throughout Latin America; acts of terror and

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1 violence occur almost daily. Clearly, both American national
2 security and the security of American investment abroad are
3 at stake.

4 Venezuela, an oil producer of Texas proportions, is a
5 prime target for Castro's "aggressive subversion." In May,
6 Communist terrorists attacked an American military mission,
7 attempted to intimidate and humiliate our personnel there,
8 and desecrated the American flag. This followed the burning
9 of two American-owned warehouses. More recently, saboteurs
10 have blown up an oil pipeline for the fourth time in the last
11 few months.

12 I am sure that there are quite a few in this audience
13 who are well acquainted with those events.

14 Within the Congress itself, extensive committee investi-
15 gations and hearings have been conducted to assure full
16 understanding of the nature and extent of this danger. Our
17 Government is taking action. The United States -- when
18 requested by the Latin American countries -- now assists in
19 the special training and equipping of effective internal
20 security forces. Other measures are being taken within our
21 missions and embassies to counter Castro's terrorism. Before
22 there can be continuing economic or social progress in Latin
23 America, there must be more effective internal security in
24 the area.

25 For the long term, we are relying on the Alliance for
Progress. We are committed to the idea that Communism

1 cannot thrive in a democracy where the people experience
2 current social and economic betterment and have reasonable
3 expectations for more of the same in the future.

4 Private American investment will play an important role
5 in the future of Latin America. No single industry has a
6 more important role to play than oil which is responsible for
7 a major share of the more than 8.5 billion dollars invested
8 in Latin America. In connection with Latin American invest-
9 ment, I like the viewpoint expressed by one of the spokesmen
10 for your industry, Mr. J. R. White, of Standard of New Jersey

11 A prospective investor in Latin America should be
12 precisely as alert for risks -- and for opportunities
13 -- as he would be in any other area. He should not
14 take counsel of his fears or be deterred by imaginary
15 dangers. Latin America has a long way to go and, --
16 like the rest of us -- a lot to learn. It can
17 certainly experience setbacks and upsets along the
18 way. But it is also an area of enormous potential
19 and accelerating growth.

20 I have also been impressed by the example of business states-
21 manship recently cited by Mr. Teodoro Moscoso, of the
22 Alliance for Progress, who saluted an American oil company
23 with these words:

24 For almost two decades, it has fostered Venezuela's
25 educational and cultural development by training its

1 own workers and through the Creole Foundation supports
2 numerous projects outside the petroleum industry. Last
3 year, it founded the Creole Investment Corporation, a
4 wholly-owned subsidiary with a working capital of ten
5 million dollars whose objective is to make minority
6 equity investments in business ventures outside the
7 oil industry. It has stimulated economic diversifi-
8 cation and invested to date more than four million
9 dollars in fourteen enterprises hiring over 1200 people
10 and contributing to the employment of an estimated
11 5,000 additional Venezuelans.

12 Sound investment practice and enlightened management outside
13 the United States as well as on home territory, are two ways
14 by which the Oil Industry can help the United States as well
15 as itself.

16 In concluding these remarks, which I am certain have
17 been over long -- I am never very much disturbed when folks
18 in the audience look at their watch, but when they start
19 shaking their watch, I know I have been talking a little bit
20 too long.

21 I would like to list quickly the three major common
22 concerns which I consider serious:

23 1. The proper development of our nation's natural
24 resources

25 2. The Russian Oil offensive.

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1 3. The Castro threat to our National security and the
2 security of our foreign investment.
3 Success in these three areas will require for a long time to
4 come the closest cooperation between the Government and the
5 Oil industry.

6 I know that there are some folks around here that think
7 that it is foolish to talk about cooperation today and who
8 think that cooperation is running into some rocky shoals.
9 But in this connection I think the best rebuttal to that
10 view is the presence in this room of the distinguished leaders
11 of one of America's most important and major industries. Your
12 presence and your constructive participation and the deliber-
13 ations of this Council certainly -- certainly here, I am
14 guilty of piping oil to Oklahoma, when I talk to your gentle-
15 men about cooperation. The National Petroleum Council itself
16 is a living symbol of fruitful and constructive cooperation
17 between Government and the oil industry.

18 Thank you very much.

19 (Applause.)

20 THE CHAIRMAN: Thank you very much, Congressman.

21 REPORTS OF COMMITTEES OF THE
22 NATIONAL PETROLEUM COUNCIL
23 REPORT OF AGENDA COMMITTEE

24 BY A. JACOBSEN,

25 CHAIRMAN

THE CHAIRMAN: Now, if we can turn to our committee work,

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1 the first committee that we would like to receive a report
2 from is the Agenda Committee. Mr. Jacobsen.

3 MR. JACOBSEN: Mr. Chairman:

4 The Agenda Committee has the following report to present
5 at this meeting:

6 Pursuant to the call of a meeting of the Agenda Committee
7 of the National Petroleum Council made by the Committee's
8 Chairman, Mr. A. Jacobsen, in his wire to the members on
9 June 28, 1963, and with the meeting and its agenda having the
10 approval of the Hon. John M. Kelly, Assistant Secretary of
11 the Interior, and Government Co-Chairman of the Committee, the
12 Agenda Committee met on July 15, 1963, at 4:00 p.m., in the
13 office of the Council in Washington, D. C.

14 Under date of June 28, 1963, the Hon. John M. Kelly
15 addressed a letter (copy of which is attached hereto) to
16 Mr. R. G. Follis, Chairman of the National Petroleum Council,
17 requesting the Council to make a factual study of the infor-
18 mation which has become available on the subject since
19 submitting, on October 4, 1962, its report on the "Impact of
20 Oil Exports from the Soviet Bloc," and to make other comments
21 or conclusions that are deemed appropriate.

22 "Dear Mr. Follis:

23 "The 'Impact of Oil Exports from the Soviet Bloc'
24 is a subject of continued importance and concern to
25 the Department of the Interior. In an effort to keep

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1 abreat of these activities, we request the National
2 Petroleum Council to appoint a committee to update
3 its report on this subject which was submitted by
4 the Council to the Secretary of the Interior on
5 October 4, 1962.

6 "The various phases of this report which should be
7 updated include but are not limited to the following:

- 8 1. Energy production and consumption in the
9 Soviet Bloc.
- 10 2. Petroleum Prospecting activities, discoveries,
11 production rates and plans in the Soviet Bloc.
- 12 3. Refining and transportation developments.
- 13 4. Oil exports to the Free World and intra-
14 bloc movements.
- 15 5. Other aspects of East-West Trade with
16 particular reference to the export of
17 petroleum equipment and technology to the
18 Bloc.

19 "It is recommended that the National Petroleum Council
20 make a factual study of the information which has
21 become available since the report of October 4, 1962
22 was submitted, and make other comments or con-
23 clusions that are deemed appropriate.

24 "Sincerely yours,

25 "John M. Kelly

"Assistant Secretary of the Interior."

1 As provided in the Articles of Organization of the Council,
 2 this letter was considered at the above-mentioned meeting of
 3 the Agenda Committee, at which meeting it was unanimously
 4 agreed to recommend to the Council the appointment of a
 5 committee to make the study as requested by Secretary Kelly,
 6 and to report to the Council. In complying with Secretary
 7 Kelly's request for appropriate comments or conclusions the
 8 committee undertaking the study should not suggest plans or
 9 programs.

10 Respectfully submitted,

11 A. Jacobsen, Chairman

12 Agenda Committee

13 Mr. Chairman, I move the adoption of this report.

14 MR. MAJEWSKI: I second the motion.

15 THE CHAIRMAN: Gentlemen, you have heard the motion and
 16 the second. Question. All those in favor say "aye."

17 (Chorus of "ayes.")

18 Opposed?

19 (No response.)

20 So ordered.

21 Thank you, Mr. Jacobsen.

22 REPORT OF COMMITTEE ON

23 MATERIALS REQUIREMENTS FOR OIL AND GAS EXPLORATION

24 DRILLING AND PRODUCTION

25 BY F. H. RHEES

THE CHAIRMAN: Now, gentlemen, we have the report of the

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1 Committee on Materials Requirements For Oil and Gas Explo-
2 ration Drilling and Production. In the absence of Mr.
3 Steiniger, the Chairman, Mr. R. H. Rhees, the Chairman of the
4 Working Subcommittee, will present the report. Mr. Rhees.

5 MR. RHEES: Mr. Chairman, Mr. Secretary:

6 On behalf of Mr. E. L. Steiniger, Chairman, I make the
7 following report of the Committee on Materials Requirements
8 For Oil and Gas Exploration, Drilling and Production.

9 On September 26, 1962, Assistant Secretary of the Interior,
10 John M. Kelly, requested the National Petroleum Council to
11 make a thorough study and to prepare a report on the current
12 annual requirements for oil country tubular goods, including
13 gas industry needs and of other steel products which, in the
14 opinion of the Council, are important enough to include in
15 this study. Also, that the committee should comment on the
16 possible extent of substitution of plastic pipe under
17 emergency conditions.

18 This request was accepted by the Council and parent and
19 working subcommittees duly appointed. Mr. E. L. Steiniger
20 was designated Chairman of the parent committee and Mr. F. H.
21 Rhees, Chairman of the Subcommittee. Mr. John Ricca of the
22 Interior Department was appointed Co-Chairman of each of the
23 Committees and Mr. Vincent M. Brown, Secretary.

24 Because oil and gas exploration and production encompasses
25 such a vast variety of materials and supplies, in order to

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1 pinpoint what was desired to be covered by the study, dis-
2 cussions were held between the subcommittee and the government
3 and it was determined that the study would include:

4 All equipment and materials; i.e., tubular
5 goods, equipment, supplies, et cetera, necessary
6 in the exploration of oil and gas reserves in
7 the United States; including current annual
8 requirements for geophysical drilling, lease
9 operations and field oil and gas processing
10 facilities.

11 With this determination of the scope of the study, a more
12 descriptive name for the committee appeared desirable. Accord-
13 ingly, it was changed to:

14 "Committee On Materials Requirements For Oil And
15 Gas Exploration, Drilling and Production (1962)"

16 Both the parent and working subcommittees are large. This was
17 necessary in order that:

- 18 1. All segments of the industry be included - gas and
19 oil production, exploration, drilling suppliers;
20 and independents, small and large companies.
- 21 2. Specialists in production, petroleum engineering,
22 drilling, purchasing, et cetera, participate in
23 the study, and
- 24 3. All geographical areas of the country be represented.

25 With these all-inclusive committees, the most precise infor-

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1 mation has been obtained and set forth in the report. To
2 facilitate use of the report, it has been divided into the
3 following major areas of operations:

4 Section I - Exploration Equipment and Materials.

5 " II - Drilling Equipment and Accessories.

6 " III - Well Servicing Equipment and Materials,
7 Including Workover Rigs.

8 " IV - Tubular Steel.

9 " V - Surface and Subsurface Production Equip-
10 ment and Materials.

11 " VI - Field Oil and Gas Processing Facilities
12 and Materials.

13 Certain statistical data covering the past ten years with
14 respect to oil and gas drilling, production, number of wells,
15 geophysical crews, footage drilled and number of rigs has been
16 set forth to provide a background for the estimates for
17 current requirements. Then, with respect to each of the major
18 classes of the materials reported upon, there is a dis-
19 cussion and explanation of the reasoning behind the estimates.

20 In this manner the material requirements can readily be
21 understood and, more importantly, the report can be brought
22 up to date more readily and accurately whenever desired.

23 The report itself is brief but does contain the data
24 requested and because of its brevity, will perhaps more
25 likely be read and better understood.

1 Mr. Steiniger recommends the receipt of this report and
2 its adoption by the Council.

3 THE CHAIRMAN: You have heard the motion. Are there
4 any questions that anyone would like to ask?

5 (No response.)

6 MR. JACKSON: I move it be accepted.

7 MR. MAJEWSKI: Second it.

8 THE CHAIRMAN: You have heard the motion. Question.
9 All in favor say "aye."

10 (Chorus of "ayes.")

11 Opposed?

12 (No response.)

13 THE CHAIRMAN: So ordered.

14 Now, I believe that Mr. Steiniger's committee has com-
15 pleted its assignment. Is there a motion to dismiss the
16 committee?

17 MR. JACKSON: I so move.

18 MR. MAJEWSKI: Second it.

19 THE CHAIRMAN: You have heard the motion and the second.
20 Question. All those in favor say "aye."

21 (Chorus of "ayes.")

22 Opposed?

23 (No response.)

24 So ordered, the committee is discharged.
25

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REPORT OF COMMITTEE ON PETROLEUM AND GAS INDUSTRIES
MANPOWER REQUIREMENTS

MORGAN J. DAVIS, CHAIRMAN

THE CHAIRMAN: Now, we have the report on the Committee on Petroleum and Gas Industries Manpower Requirements, of which Mr. Davis is the Chairman. Mr. Davis.

MR. DAVIS: Mr. Chairman, Mr. Secretary, Congressman Edmondson, members of Government, gentlemen:

The Department of the Interior has requested the Council to make several manpower studies in the past. The last previous one was issued in May of 1956. The report presented here today is in response to the October 3, 1962, request from the Department of the Interior for the Council to make a thorough study of domestic manpower requirements as of July 1, 1962, throughout the petroleum and gas industry, expressed in percentages by skills within standard industry classifications and reported by Defense regions.

This request indicated that the information was needed in order to complete a general study which had been requested by the Department of Defense.

The report now presented is the most detailed study of petroleum and gas industry manpower requirements which has yet been compiled by the committee and the report appears in two basic parts.

The first section presents a thorough study of the going

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1 level of work force employed in the petroleum industry as of
2 mid-1962, stated by functional divisions and showing the
3 percentage distribution of skills, ^E estimates of manpower
4 engaged in various primary construction and contract services
5 are also included.

6 The second section of the report contains a detailed
7 selective listing of key occupations representative of the
8 skills important for continuity of petroleum and gas oper-
9 ations, and the availability of essential products.

10 We on the committee think that this key occupations list
11 will also be extremely helpful to Selective Service officials
12 in the event of another emergency, because it will give a
13 much clearer picture to such officials as to the people who
14 are essential for the carrying on of activities of the
15 petroleum and gas industries.

16 Attention is drawn to the summary table on page 18 of the
17 report. On this particular page I think you will find
18 condensed most of the important data of the report.

19 You will note that the mid-1962 level of employment in
20 the oil and gas industries is estimated to be 850,100
21 employees engaged in operations and maintenance; 219,300 of
22 which represent contract service work force, and an additional
23 force of about 44,800 employees were estimated to be engaged
24 in the construction of selected major projects.

25 In line with the Government's wishes as they were inter-
preted by us and concurred in by our Co-Chairman, the study

1 covers domestic employment by major functions, which excludes
2 all service stations and gas distribution beyond the city
3 gates, that is, within the city gates. We had a little dis-
4 cussion of this terminology, but we are talking about within
5 the city gates.

6 Only United States flag ocean tanker fleet personnel
7 were included.

8 On page 16 is an estimate of the employment of females
9 in the subject industries representing about 11.5 per cent
10 of the regular work force.

11 Also on page 16 and 17 is an estimate of the number of
12 scientists and engineers in these industries, indicating
13 about 6.7 per cent of the total work force. It should be
14 noted that as of mid-1962 there were about 40,100 natural
15 scientists and engineers employed in the primary and operating
16 divisions of the industry. ^{and} additional 9,200 scientists
17 and engineers were estimated to be engaged primarily in
18 research and development conducted by petroleum and gas
19 companies, including petrochemical and government R&D
20 contracts.

21 Attention is drawn to pages 19 and 20 as an example of
22 the report's detail for the functional divisions. You will
23 note that the manpower has been estimated by defense regions
24 and on page 47 you will find a map for your ready reference
25 on this distribution.

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1 As indicated in the methodology section, the percentage
 2 distribution of major skills was obtained from special United
 3 States Census regional tabulations and these have been
 4 matched to the defense regions on a best-fit type of basis.

5 Attention is drawn to pages ⁴⁹38 and ⁵⁰39 as an example of
 6 the factor estimating of construction manpower involved in
 7 the 1962 refinery facilities. ^{expansions}The members who are primarily
 8 interested in manufacturing, I am sure, will find that
 9 profile of much interest. It was furnished to us through
 10 the courtesy of Standard of California.

11 The characteristics of on-site and off-site refinery
 12 construction manpower requirements are shown in Appendix F,
 13 pages 49 and 50, (actually, of this exhibit that I was re-
 14 ferring to, rather than pages 38 and 39.)

15 I call your attention to the second section of the report
 16 which is the part beyond the yellow divider and which gives a
 17 list of key occupations, which includes the dictionary of
 18 occupational titles and codes or definitions references.
 19 This section lists some 500 occupations which are important
 20 to the petroleum and natural gas operations. It is a con-
 21 siderable expansion of the Council's 1956 listing. It includes
 22 general descriptive material with respect to the major
 23 activities of these industries as well as a more detailed
 24 outline on each functional and sub-functional occupational
 25 group.

1 The inclusion of central and principal office job titles
2 and personnel descriptions is new.

3 This section has been of considerable interest to a
4 number of government divisions which are charged with manpower
5 responsibilities in the event of national emergency, (as I
6 mentioned a while ago, and particularly we think it will be
7 of particular interest to Selective Service people.)

8 On page 4 of the report we have made some suggestions
9 and recommendations with reference to any future question-
10 naires which may be sent out either by the study groups of
11 the National Petroleum Council or by certain other govern-
12 mental groups who may send out questionnaires on other subjects.
13 We think that by so doing and by including questions with
14 reference to personnel that we can establish some bench marks
15 which will be useful in further studies which are designed to
16 update this present study.

17 As I mentioned at the March meeting, I would like to
18 comment at this time on the extremely diligent and skilled
19 handling of this subject by the Working Subcommittee. We were
20 most fortunate in being able to secure the services of Mr.
21 George Dempster, who is the organizational adviser of the
22 Shell Oil Company, Special Assistant to the President, and he
23 and his committee of experts, whom I would like to name here:

24 Mr. R. F. Baldaste, from the Standard Oil Company of
25 Indiana; Mr. Bass from Gulf Oil Corporation; Mr. Dailey from

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1 Humble; another Mr. Dailey from Tidewater; Lawrence Gail from
2 the Independent Natural Gas Association of America; Mr.
3 William B. Harper of A.P.I.; Mr. L. D. Phillips, Phillips
4 Petroleum Company; Mr. Piersol of Standard Oil Company of
5 California; Clyde Port of Mobil Oil; and Mr. Frederick M.
6 Roberts of The Atlantic Refining Company, and Mr. Burton
7 Wiand of Cities Service Company.

8 Mr. Frederick Lott, incidentally, of the Government, was
9 our Co-Chairman, both as to the main committee and as to the
10 Working Subcommittee. Mr. Lott and his group were most co-
11 operative in assisting in the progress of this work.

12 The Working Subcommittee has done this rather monumental
13 job, if I may say so, in record time, and I would like for you
14 to know how much the main committee appreciates their work.

15 I believe Mr. Dempster is here this morning and I would
16 like to ask Mr. Dempster to stand up, please. Mr. Dempster.

17 Thank you.

18 (Applause.)

19 Going on with the report, it should be noted that the
20 estimates of manpower requirements are as of a specific date,
21 that is, mid-1962. We should also take into account the fact
22 that manning practices in the industry are at the present time
23 changing rather rapidly and this limitation with respect to
24 1962, mid-1962 data base certainly must be recognized by users
25 of this report.

1 The report also, of course, in this connection indicates
2 that emergency manning would not necessarily follow too closely
3 peacetime practices in manning but, at the same time, we think
4 that this will be a very useful guide in trying to determine
5 what emergency manning practices might be.

6 Mr. Chairman, that concludes my report. I would like to
7 move the adoption of the report and I would like to ask that
8 if the report is accepted that our committee be discharged.

9 THE CHAIRMAN: You have heard Mr. Davis's motion. Is
10 there a second?

11 MR. VANDEVEER: Second.

12 THE CHAIRMAN: We have a second. Is there any question?
13 Does anyone have any question they would like to ask Mr.
14 Davis?

15 (No response.)

16 THE CHAIRMAN: If not, all of you in favor, please say
17 "aye."

18 (Chorus of "ayes.")

19 THE CHAIRMAN: And, Mr. Davis, did you move that your
20 committee be dismissed?

21 MR. DAVIS: Yes, sir.

22 THE CHAIRMAN: Is there a second?

23 MR. HAMON: I second that.

24 THE CHAIRMAN: It has been moved and seconded. All of
25 those who approve will please say "aye."

(Chorus of "ayes.")

1 THE CHAIRMAN: So ordered.

2 We, Mr. Davis, want to express the appreciation of the
3 Council for the fine job that your committee has done. Thank
4 you very much indeed.

5 MR. DAVIS: Thank you.

6 REPORT OF THE COMMITTEE ON EMERGENCY PREPAREDNESS

7 FOR THE PETROLEUM INDUSTRY

8 BY J. ED WARREN

9 THE CHAIRMAN: Now, we have the report of the Committee
10 on Emergency Preparedness For The Petroleum Industry, which
11 I understand will be an interim report and in the absence of
12 Mr. Nickerson, Mr. J. Ed Warren is to give that interim
13 report.

14 Mr. Warren, are you prepared to give an interim report
15 on that?

16 MR. WARREN: Yes, sir.

17 Mr. Chairman, Mr. Secretary, gentlemen:

18 This report is Mr. Nickerson's report. He asked me to
19 deliver it because he could not be here, and I will read the
20 report. It is a progress report by the Chairman of the
21 Committee on Emergency Preparedness For The Petroleum
22 Industry.

23 Pursuant to the action of the National Petroleum Council
24 at its meeting on March 22, 1963, a Committee on Emergency
25 Preparedness for the Petroleum Industry was established by

1 the chairman of the Council on May 14, 1963, composed of
2 eighteen members under the chairmanship of A. L. Nickerson.
3 The Committee on Emergency Preparedness for the Petroleum
4 Industry held its initial meeting on Friday, June 14, 1963,
5 at the Department of Interior. The members received back-
6 ground information from officials of the Department of
7 Interior as to the reasons for requesting the study at this
8 time, and obtained additional details as to the scope of the
9 assignment. The Committee received a highly informative
10 briefing on the current concept of modern warfare and mobili-
11 zation readiness from officials of the Departments of Defense
12 and Interior, as well as the Office of Emergency Planning.

13 The Committee decided that the assignment could be best
14 carried out by forming two subcommittees. One subcommittee
15 would make a comprehensive review of an outline developed by
16 the Office of Oil and Gas, covering information which should
17 be available in convenient form to the Emergency Petroleum
18 and Gas Agency in the event of a national emergency. This
19 review would serve as the basis for a series of manuals and
20 operating instructions. The other subcommittee would be
21 responsible for producing a prototype company survival plan
22 to serve as an example of what preparations an oil or gas
23 company should undertake to achieve mobilization readiness in
24 the event of a national emergency. In addition, this sub-
25 committee would review the Disaster Planning and Security

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1 principles manuals for the oil and gas industries, published
2 by the Council in May, 1955.

3 The subcommittee responsible for reviewing the Govern-
4 ment's plans for the operation of the petroleum industry in
5 the event of a national emergency, which will be called the
6 Subcommittee for "Emergency Petroleum and Gas Administration
7 Manuals," has been approved by Secretary Kelly, and the
8 members have been appointed by the chairman of the Council.
9 The membership is as follows:

10 Charles F. Scott, Chairman - Socony Mobil Oil Co., Inc.

11 Elmer Batzell - Mayers & Batzell

12 Henry G. Corey - Continental Oil Co.

13 Luke W. Findlay - Standard Oil (N. J.) Co.

14 Joe T. Innis - Northern Natural Gas Co.

15 Paul E. Owens - MacMillan Ring Free Oil (NPRA)

16 Robert E. Roehl - Cities Service Co.

17 Emmett A. Vaughey - Vaughey & Vaughey (IPAA)

18 The second subcommittee is in the process of formation.
19 Mr. W. L. Ingraham of Standard Oil of California has accepted
20 the chairmanship. The membership of the subcommittee is now
21 being completed. Formal approval of the committee and its
22 membership by Secretary Kelly is expected before the end of
23 July.

24 Both subcommittees expect to hold their initial meetings
25 very soon when material will be distributed to the members

1 and the assignments will get under way.

2 Mr. Chairman, that is Mr. Nickerson's report. It cer-
3 tainly does not call for any action at this time.

4 THE CHAIRMAN: Thank you, Mr. Warren.

5 REMARKS OF HONORABLE STEWART L. UDALL,

6 SECRETARY OF THE INTERIOR

7 THE CHAIRMAN: Gentlemen, our Co-Chairman, the Secretary
8 of the Interior, the Honorable Stewart L. Udall, is with us
9 now. Mr. Secretary.

10 SECRETARY UDALL: I got to visit with most of you last
11 evening and I think you are aware of the fact that I was
12 delayed in being here at the beginning of the meeting this
13 morning because I had to be at the White House where we were
14 reviewing with a great deal of interest the old Passamaquoddy
15 tidal power project. I am not saying this is a competitor of
16 oil on the energy markets, but it is a very interesting
17 development and one that the President commented upon this
18 morning.

19 Before I begin, however, I want to pay a little personal
20 tribute to someone who is known to most of you for his kind-
21 ness and thoughtfulness and who we think has been a model
22 public servant, and that is our friend Wiley Whisman. Wiley
23 has served with the Council since its inception and I think
24 that his service has always been of the highest character,
25 and I even scribbled a little personal note for Wiley -- I

1 wonder if he is here -- there he is, sitting over here, I
2 just want to present this to him.

3 (Applause.)

4 We continue to get many very fine comments from the
5 other people in Government concerning the activities of the
6 Council and many favorable comments on the excellence of the
7 report on material requirements and the industry manpower
8 requirements study. They are indicative of our readiness to
9 do whatever task is necessary for our country and it has
10 impressed me over and over again with the vital importance
11 of the petroleum industry.

12 I think it was no accident at all that when the big
13 confrontation occurred last October that the first showdown
14 occurred between American flag ships and an oil tanker that
15 the Soviet Union was sending to Cuba.

16 I noticed that last Sunday in the New York Times there
17 were some charts comparing the relative strength and power
18 of the United States and the Soviet Union and that other
19 country which is in the news quite a bit lately -- and this
20 has been good news -- that is, Red China.

21 The chart that interested me most and that I thought was
22 the most significant related to the petroleum production of
23 the three countries, because this, as you know better than I,
24 is a pretty good way -- the energy way is probably the most
25 accurate way of the measure of the strength and power capacity

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1 of any country and this, I think, underscores the importance
2 of the work of the Council.

3 Certainly there have been many significant things that
4 the Council has done over the years. I think that the study
5 of the Soviet Union industry in its own capacity and its
6 projected outlook has been one of the most useful and most
7 significant things that the committee has done in a long time
8 and I want again to commend those who participated in that
9 study.

10 There have been many significant developments -- you are
11 all familiar with them -- in the international aspects and
12 in the domestic aspects of the petroleum industry. I think
13 certainly all of us heaved a deep sigh of relief and
14 considered that a very striking piece of work was done in
15 Tokyo just a couple of months ago on the Indonesian problem
16 which was settled, and it does seem to me that this is the
17 type of thing that is going to help the most to promote
18 stability, because if the people in one part of the world
19 can reach agreements which will produce a situation which can
20 continue and which is good all the way around for our industry,
21 for our country and for other countries, I think this kind of
22 statesmanship is going to increase world stability and it is
23 going to enable us to work our resources on an international
24 basis more and more.

25 The more I dig into my job, the more I am struck with the

1 fact that one of the big, significant developments which the
2 petroleum industry in this country probably contributes to
3 more than any other industry, has been what I would call the
4 international energy dependence and I think this is not only
5 a very helpful development in terms of economic prosperity
6 for all people, but I think it is a very hopeful development
7 in terms of having a very peaceful and stable world, because
8 the more interdependent countries are, the more they work
9 together on matters that involve the development of mineral
10 deposits, petroleum deposits, or on any matter concerning
11 natural resources.

12 This, I think, is something that should be welcomed and
13 is a promising development. It means, of course, however,
14 that we have to have intergovernmental relations. We have
15 got to have stable agreements that can enable us to move
16 forward in work of this kind.

17 When you realize that the 6 per cent of the people in
18 this country, when you realize what a high standard of
19 prosperity we have and that we use and consume in our great
20 industries over 30 per cent of the entire raw material
21 production of the world, you can see that we both have a
22 measure of the responsibility that we have worldwide and
23 you have a measure also of our interrelationships with other
24 countries.

25 I was told by my science advisor not long ago that in

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the mining schools in this country today, in the graduate mining schools there are more foreign students than American students. This also is a significant development. It indicates more and more this resort to interdependence.

And, of course, the fact that the American oil industry has gone abroad and has provided technology and has provided risk capital and has done the real pioneering work in many continents, in many countries, this, I think, is part of this broad picture and I think, again, that despite the problems that we have from time to time, this has helped to tie the Free World together more than we admit.

So I want again to say to you that I am more and more impressed, myself, with the importance of this Council and with its work and we are looking forward to working with you on the domestic side of some of the very interesting problems that are coming up, such as the oil shale problem, the problems with regard to developing those reserves, we have those problems in my own Department and we will have responsibility for administering those programs.

I am delighted to be with you here today and I hope that you have another successful meeting, gentlemen.

(Applause.)

REPORT OF JEROME J. O'BRIEN,
DIRECTOR OF OFFICE OF OIL AND GAS,
DEPARTMENT OF THE INTERIOR

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1 THE CHAIRMAN: Well, gentlemen, we have a report from
2 Mr. O'Brien, Director of the Office of Oil and Gas of the
3 Department of the Interior. Mr. O'Brien.

4 MR. O'BRIEN: Mr. Chairman, members of the Council, and
5 guests:

6 On behalf of the Office of Oil and Gas, I wish to
7 welcome the new members of the Council and tell you that we
8 will look forward to working with you in the duties that have
9 been assigned you.

10 As beneficiary and custodian of the vast amount of work
11 which the Council has prepared in the past, we wish to express
12 our appreciation to the Council and its committees and its
13 working subcommittees for the valuable findings of fact and
14 the compilations of data which they have presented to us.

15 The reports which you have prepared and submitted today
16 on manpower requirements and material requirements together
17 with your emergency preparedness report, will help us in
18 making a comprehensive analysis of our emergency plan.

19 The study which you have accepted today on the impact of
20 the Soviet Union oil will help us in our world-wide pro-
21 gramming.

22 We appreciate it and are very grateful for the work this
23 Council has done for us in the past and will look forward to
24 maintaining this friendly cooperation in the future.

25 Thank you.

(Applause.)

1 REPORT OF THE NOMINATING COMMITTEE,
2 AND ELECTION OF NATIONAL PETROLEUM
3 COUNCIL OFFICERS AND STANDING COMMITTEES

4 THE CHAIRMAN: Now, I wonder if Mr. Hamon is prepared to
5 give the report of the nominating committee.

6 MR. HAMON: Yes.

7 THE CHAIRMAN: Mr. Vandever, will you take the Chair?

8 MR. VANDEVEER (Acting Chairman): Gentlemen, we are
9 ready now for the report of the nominating committee.

10 MR. HAMON: Our committee met with the Co-Chairman,
11 Mr. O'Brien, and we were unanimous in our appreciation of the
12 fine Chairman that we have in Mr. Follis, and so we desired
13 to nominate him for the Chairman of the National Petroleum
14 Council for next year.

15 I won't move that. I will go on down the list and, of
16 course, because he made such a short speech last night, we
17 decided to renominate Mr. Orville S. Carpenter as Vice
18 Chairman.

19 As Chairman of the Agenda Committee, our Nominating
20 Committee felt very fortunate that Mr. A. Jacobsen, the
21 Chairman, has consented to serve again. He has been a tower
22 of strength on this committee for a good many years and we
23 certainly appreciate his willingness to accept this chairman-
24 ship again.

25 And we want to renominate the other members of the
Agenda Committee, who are:

1 Bruce J. Brown, Paul Endacott, myself, L. F. McCollum,
2 B. L. Majewski, commonly known as Barney Majewski, J. Howard
3 Marshall, J. R. Parten, M. J. Rathbone, John E. Swearingen,
4 and J. Ed Warren.

5 We nominate as Chairman of the Appointment Committee,
6 Mr. J. C. Donnell, II. Mr. Donnell tells me that he has done
7 very fine work on this committee. (Laughter.) And I relayed
8 that to my committee this morning and we decided to move
9 his reelection. We want to nominate the other members:

10 Mr. J. S. Bridwell, Harold Decker, George F. Getty, II,
11 Frank N. Ikard, Augustus C. Long, C. Pratt Rather, M. H.
12 Robineau, Roland V. Rodman, Henderson Supplee, Jr., and
13 Robert F. Windfohr.

14 I move that these be placed in nomination and that the
15 nominations be closed.

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

18 MR. VANDEVEER: Gentlemen, you have heard the report of
19 the Nominating Committee. Are there any other nominations
20 from the floor?

21 (No response.)

22 MR. VANDEVEER: If there are none, what is your choice?
23 I am sure that along with Mr. Donnell, that every one of them
24 has done a grand job.

25 All in favor of this Nominating Committee's report say

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1 "aye."

2 (Chorus of "ayes.")

3 MR. VANDEVEER: Contrary, no.

4 (No response.)

5 MR. VANDEVEER: The "ayes" have it.

6 MR. HAMON: Mr. Vandever, I don't know whether we are
7 to be discharged or not. (Laughter.)

8 MR. VANDEVEER: The Nominating Committee is discharged.
9 (Laughter.) (Applause.)

10 REMARKS BY THE CHAIRMAN

11 THE CHAIRMAN: Well, gentlemen, I think that the message
12 that Secretary Kelly read to us this morning from the
13 President of the United States speaks for itself. I certainly
14 could not agree more, that this Council is an important thing,
15 not only for the nation but for the oil industry and that it
16 is a privilege to serve on it. And being privileged to serve
17 on it, needless to say, it is doubly a privilege to be in
18 the position of Chairman, to the extent that in doing so one
19 can be useful to the Council.

20 I assure you that I will make every effort to do that.

21 REPORT OF THE SECRETARY-TREASURER,

22 VINCENT M. BROWN

23 THE CHAIRMAN: Now, gentlemen, we have the report of the
24 Secretary-Treasurer, Mr. Brown.
25

1 MR. BROWN: Before I report on the finances and for the
2 record, I called the roll at the beginning of the meeting.
3 Would any members that came in after that time please stand
4 and give your names for the record.

5 MR. RITCHIE: I came in late. A. S. Ritchie.

6 MR. BROWN: Thank you, Mr. Ritchie.

7 Are there any others?

8 (No response.)

9 MR. BROWN: Thank you.

10 As of January 1 of this year there was a balance of
11 \$27,253 in the general operating fund. Per Chairman Follis'
12 letter to you of January 18, confirmed by your action at the
13 Council meeting on March 22, an amount of \$60,000 was budget-
14 ed for National Petroleum Council operations for the period
15 January 1 to June 30, 1963.

16 During this six-month period our total receipts from
17 contributions and other sources amounted to \$62,316. Operat-
18 ing disbursements totalled \$59,892. An additional \$9,427
19 was disbursed out of the general fund to complete the J. V.
20 Brown annuity purchase. So, the balance in the general
21 operating fund on June 30 was \$20,250.

22 The value of bonds constituting the contingent reserve
23 now totals \$65,000, reflecting a decrease due to discharge of
24 the annuity purchase authorized by you at the last meeting.

25 We expected a budget for the new fiscal year 1964, which

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2 is the period July 1, 1963, to June 30, 1964. The budget of
3 \$120,000 was authorized by you for calendar year 1962 and
4 as I noted, \$60,000 was budgeted for the first half of this
5 year.

6 We, of course, are continuing activities on a steady
7 basis. We are also feeling the impact with you of increased
8 costs in our operations. However, we have, we think, through
9 Mr. Follis' able leadership, streamlined our operations and
10 we see no increase in the budget for the full fiscal year
11 will be needed.

12 Accordingly we suggest for your consideration and approval
13 that an amount of \$120,000, the same as 1962, be authorized
14 as the budget for Council operations for the fiscal year
15 1964.

16 Thank you.

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THE CHAIRMAN: You have heard the report. Is there a motion to approve?

(Motion was duly made and seconded for approval.)

THE CHAIRMAN: It has been moved and seconded. All those in favor please say "aye."

(Chorus of "ayes." The motion carried.)

THE CHAIRMAN: Well, gentlemen, that is our agenda. Secretary Kelly has a few words he would like to state before we adjourn.

SECRETARY KELLY: If my arithmetic is correct, I think there are 62 members present which constitutes a quorum for this meeting. I would like at this time to recognize the other Government agencies that cooperated with us in the Council and have observers here this morning.

I was not able to recognize them at the beginning because of the fact that the registration was not complete. At this time, however, we have with us as observers Mr. Robert Day who is the Special Assistant for Defense Activities of the Office of the Secretary, Department of Interior.

We also have Mr. Henry Rubin, Chairman, Oil Import Appeals Board.

Mr. Charles Stoddard, Director of Bureau of Land Management.

Mr. Marling Ankeny, Director, Bureau of Mines.

Mr. Carl C. Anderson, Chief of the Petroleum Division,

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1 Bureau of Mines.

2 We also have Mr. J. Cordell Moore, Administrator, Oil
3 Import Administration.

4 And then from Mr. O'Brien's office, we have just about
5 your entire office staff here.

6 From the Department of Commerce we have General Lyon,
7 who is the Deputy Director of the Office of Emergency Transport -
8 tion and also Donald Sham, Director of the International
9 Commodity Agreements and Studies Staff.

10 Mr. J. L. Farrell who is the Mobilization Officer from
11 the Department of Defense, along with the General and the
12 Administrators I introduced earlier.

13 We have several members from the Logistics Staff,
14 ^{Raymond O.} Commander Kellam, Eugene Bowler, Lieutenant ^{J.S.} Witucki, Victor
15 Gruder, Herbert Blair and R. T. Matthews from Petroleum
16 Logistics Policy, Office of Assistant Secretary.

17 From the Department of Justice we have William Lamont,
18 who has attended just about all the Petroleum Council meet-
19 ings as the representative of that Department.

20 From State, we have the new Chief of Fuels and Energy
21 Division, Andrew F. Ensor.

22 From Agriculture we have Clyde F. Clark, Defense
23 Activities Staff, and from CIA we have Dr. ^{John} Hoyt and Hugh
24 Lamberth.

25 From Treasury we have William Diehl, who is a Special

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Assistant to the Secretary.

From the Federal Power Commission we have our old friend Lawrence J. O'Connor, Commissioner, who used to be Director of the Office of Oil Import Control.

From the Office of Emergency Planning we have Mr. Derow, Energy and Water Resources Division.

From the Hill, we have two staff counsel, Mr. Spira, from the Select Committee on Small Business, and Stewart French, General Counsel on Interior and Insular Affairs.

I thank you, gentlemen, for being with us and joining with us in the preparation of reports for the Council.

THE CHAIRMAN: Thank you, Mr. Secretary.

We have the press outside and they would like to come in and get any report that any of the Council may wish to give that will be of interest.

I wonder if the Chairmen of the Committees which reported would please wait and make themselves available to talk to the press.

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

(Whereupon, at 11:15 o'clock a.m., the Council adjourned.)

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