

52nd mtg.

7/28/64

OFFICIAL REPORT OF PROCEEDINGS

BEFORE THE

[REDACTED]

UNITED STATES DEPARTMENT OF THE INTERIOR

[REDACTED]

Docket No. _____

In the matter of NATIONAL PETROLEUM COUNCIL

Place Washington, D. C.

Date JULY 28, 1964

Pages 1-103

MILLER COLUMBIAN REPORTING SERVICE

Official Reporter

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

METROPOLITAN 8-1405

The Reporter
did not get all
of Mr. Majewski's
remarks !!!

UNITED STATES DEPARTMENT OF THE INTERIOR
NATIONAL PETROLEUM COUNCIL

DEPARTMENT OF THE INTERIOR AUDITORIUM
18TH AND "C" STREETS, NW
WASHINGTON, D.C.

TUESDAY, JULY 28, 1964 - 9:30 A.M.

PRESENT:

HON. STEWART L. UDALL, SECRETARY OF INTERIOR,
CO CHAIRMAN

A. JACOBSEN, CHAIRMAN OF
THE BOARD

HON. JOHN M. KELLY, CO-CHAIRMAN

EX OFFICIO

EX OFFICIO

R. S. FOLLIS, CHAIRMAN
NATIONAL PETROLEUM COUNCIL

ORVILLE S. CARPENTER, VICE
CHAIRMAN

§ § §

BRUCE K. BROWN

B. L. MAJEWSKI

PAUL ENDACOTT

J. HOWARD MARSHALL

JAKE L. HAMON

J. R. PARTEN

L. F. MC COLLUM

M. J. RATHBONE

B. L. MAJEWSKI

J. ED WARREN

JOHN F. SWEARINGEN

SECRETARY

VINCENT M. BROWN
SECRETARY-TREASURER

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1 CHAIRMAN FOLLIS: GENTLEMEN, THE MEETING WILL COME
2 TO ORDER, PLEASE.

3 OUR CO-CHAIRMAN, SECRETARY UDALL, HAS AN IMPORTANT
4 MEETING ON THE HILL. HE IS APPEARING AS THE FIRST WITNESS OF
5 THE GOVERNMENT ON AN IMPORTANT SENATE HEARING WHICH STARTS
6 VERY SHORTLY SO I WOULD LIKE TO ASK OUR CO-CHAIRMAN TO
7 ADDRESS THE MEETING NOW, BEFORE WE CALL THE ROLL.

8 HONORABLE STEWART L. UDALL

9 SECRETARY OF THE INTERIOR

10 HON. UDALL: THANK YOU VERY MUCH, AND I APOLOGIZE
11 FOR HAVING TO INTERRUPT THE REGULAR BUSINESS THIS MORNING,
12 BUT SECRETARY FREEMAN AND I HAVE TO SIT SIDE BY SIDE ON A
13 VERY VITAL BILL BEFORE THE SENATE COMMITTEE IN A FEW MINUTES
14 AND THEREFORE, I DID ASK FOR THE PRIVILEGE OF SPEAKING AT THE
15 BEGINNING OF THE MEETING.

16 THIS, I THINK, IS AN IMPORTANT MEETING; IT IS
17 IMPORTANT BECAUSE NOT ONLY OF THE IMPORTANT AGENDA YOU HAVE
18 BEFORE YOU AT THIS TIME, BUT THIS IS A TIME OF THE CHANGING
19 OF THE GUARD, AND I WILL DISCUSS THAT IN A MOMENT.

20 I WANT, BEFORE I BEGIN HOWEVER, TO ANNOUNCE WE
21 HAVE A NEW ADDITION TO THE FAMILY IN THE DEPARTMENT, OF PARTI-
22 CULAR INTEREST TO ALL OF YOU. MANY OF YOU MAY HAVE KNOWN HIM,
23 BECAUSE HE HEADED UP THE NAVY DEFENSE DEPARTMENT'S PETROLEUM
24 EFFORT DURING THE SUEZ CRISIS. WE HAVE BEEN ABLE TO TWIST
25 BOB MC NAMARA'S ARM AND GET HIM OVER HERE IN THE OFFICE OF
OIL AND GAS.

1 I WOULD LIKE TO INTRODUCE ADMIRAL LATTU.

2 ADMIRAL LATTU, WOULD YOU STAND UP?

3 (APPLAUSE)

4 I AM SURE YOU WILL FIND HIM KNOWLEDGEABLE IN THIS
5 VERY VITAL PETROLEUM FIELD. I HOPE THAT THOSE OF YOU WHO
6 DON'T KNOW HIM WILL GET ACQUAINTED.

7 I ALSO WANTED, BEFORE I GO INTO MY REMARKS, TO
8 PAY A TRIBUTE TO BOB FOLLIS FOR HIS LEADERSHIP DURING THE LAST
9 TWO YEARS. I THINK THAT THIS HAS BEEN A PRODUCTIVE PERIOD FOR
10 THE COUNCIL. I KNOW THAT WE IN THE DEPARTMENT HAVE LEANED
11 HEAVILY ON HIS ADVISE AND COUNCIL AND IT IS RARE THAT YOU SEE
12 SOMEONE WHO VAULTS IN A POSITION OF LEADERSHIP, THAT VOLUNTARILY,
13 ON HIS OWN MOTION, GIVES UP HIS POWERS OF OFFICE. HE IS, I
14 THINK, IN ONE SENSE, THE AUTHOR OF THE IDEA THAT MAYBE THE CHAIR=
15 MANSHIP OUGHT TO ROTATE AND APPARENTLY, THE NOMINATING COMMITTEE
16 AGREES WITH HIM AND APPARENTLY ALSO, WE ARE GOING TO CONTINUE
17 TO HAVE HIS SERVICES IN AN IMPORTANT CAPACITY, BUT I DID WANT
18 TO SAY TO HIM THAT I THINK HE HAS SERVED ABLY AND WELL AND I
19 WANT HIM AND ALL MEMBERS OF THE COUNCIL TO KNOW THAT WE
20 APPRECIATE THIS VERY MUCH.

21 WE, AS IS CUSTOMARY, HAVE SEVERAL "HOT" QUESTIONS
22 BEFORE US AS A DEPARTMENT WITH REGARD TO POLICY IN THE FIELD
23 OF PETROLEUM AND SOME OF THOSE ISSUES, I WANTED TO MENTION THIS
24 MORNING.

25 OF COURSE, ONE OF THE FACETS, ONE OF THE PROBLEMS
THAT WE ARE ALL CONFRONTED WITH, IS BOTH A CHALLENGE TO ALL

1 OF US, AND IT ALSO, IN SOME SENSE, HOLDS OUT THE BIG HOPE
 2 FOR THE FUTURE, EVEN FOR THOSE WHO ARE NOT PROSPERING QUITE AS
 3 MUCH AS THEY WOULD LIKE. IT IS THE TREMENDOUS GROWTH THAT
 4 WE ARE GOING TO UNDERTAKE IN THIS COUNTRY, THAT WE ARE CON-
 5 FRONTED WITH. WE ARE RIGHT IN THE MIDDLE OF IT, ONE MIGHT
 6 SAY, AND THE EXTRAORDINARY THING OF COURSE IS IN TERMS OF
 7 ENERGY -- OUR ENERGY NEEDS. GROWTH DOES NOT TAKE PLACE AT
 8 THE RATE THAT POPULATION TAKES PLACE, OR AT THE RATE THAT
 9 SO MANY OTHER ITEMS OF ECONOMIC ADVANCE TAKE PLACE, BUT RATHER
 10 AT A GROWING, AND AN INCREASING RATE.

11 PRESIDENT JOHNSON HIMSELF REMINDED US A FEW DAYS
 12 AGO -- I AM QUOTING HERE -- "THE REMAINDER OF THIS CENTRY,
 13 URBAN POPULATION WILL DOUBLE. CITY LAND WILL DOUBLE AND WE
 14 WILL HAVE TO BUILD HOMES, HIGHWAYS, AND FACILITIES EQUAL TO
 15 THOSE BUILT SINCE THIS COUNTRY WAS FIRST SETTLED. THIS IS DURING
 16 THE NEXT 36 YEARS OF THIS CENTURY. WE WE MUST IN EFFECT, RE-
 17 BUILD THE ENTIRE URBAN UNITED STATES."

18 THIS IS ONE MEASURE OF THE CHALLENGE THAT WE ARE
 19 CONFRONTED WITH. OF COURSE, IT IS WITH THAT PICTURE IN MIND
 20 THAT WE CONFRONT ALL OF OUR PROBLEMS, YOU ON THE PRIVATE
 21 ENTERPRISE SIDE AND WE, HERE, WITH THE RESPONSIBILITIES THAT
 22 WE HAVE HERE.

23 ONE OF THE SPEAKERS TODAY, VERNON MAC KENZIE OF
 24 PUBLIC HEALTH SERVICE, HAS A TOPIC OF PARTICULAR PERTINENCE
 25 IN THIS REGARD. I KNOW WE WILL BENEFIT FROM HIS DISCUSSION
 OF AIR POLLUTION CONTROL, AND THE RECENT ENACTMENT OF LEGIS-

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1 LATION AFFECTING THIS VITAL SUBJECT.

2 I THINK IT IS THE CONCERN OF THE PEOPLE IN THIS COUNTRY
3 -- THINGS LIKE WATER POLLUTION AND AIR POLLUTION. I HAVE TALKED
4 TO THE COUNCIL BEFORE, ABOUT THE STRONG FEELING WE HAVE IN THE
5 DEPARTMENT; THAT FROM THE POINT OF VIEW OF THE COUNTRY AS A
6 WHOLE, AND OUR TOTAL ENVIRONMENT IN THIS COUNTRY, THAT PEOPLE
7 MORE AND MORE ARE GOING TO DEMAND WHAT I THINK ONE MIGHT
8 CALL THE CONSERVATION APPROACH, AND I THINK THOSE INDUSTRIES,
9 THOSE INDIVIDUALS WHO ARE GOING TO SERVE THEIR COUNTRY BEST,
10 ARE THOSE WHO ARE ABLE TO SEE THAT THIS CONSERVATION APPROACH
11 IS USED, NOT ONLY IN THE DEVELOPMENT OF A PARTICULAR RESOURCE,
12 BUT IN THE RELATIONSHIP OF THAT RESOURCE TO ALL OTHER RE-
13 SOURCES, AND PARTICULARLY TO THE ENVIRONMENT IN WHICH PEOPLE
14 LIVE, BECAUSE I SENSE A FEELING IN THIS COUNTRY, OR A DEMAND,
15 THAT IS GROWING WITH HIGHER AND HIGHER STANDARDS OF WHAT
16 PEOPLE WANT, IN TERMS OF LIVING QUALITIES, IN TERMS OF A
17 TOTAL ENVIRONMENT FOR PEOPLE TO LIVE IN.

18 I WAS NOTICING WITH INTEREST WHAT IS HAPPENING
19 FOR EXAMPLE, IN NEW YORK CITY ITSELF, WHERE I THINK, ALONG
20 WITH LOS ANGELES, THEY ARE MORE CONCERNED WITH AIR POLLUTION
21 THAN ANY OF THE OTHERS; IT IS SORT OF A WAVE OF THE FUTURE
22 IN TERMS OF THE PROBLEMS THEY HAVE TO WRESTLE WITH AND I
23 THINK THE FACT THAT LAST DECEMBER, CONGRESS DID ENACT MAJOR
24 AIR POLLUTION LEGISLATION, THE HEALTH, EDUCATION AND WELFARE
25 PEOPLE ARE EMBARKING ON A NEW ENDEAVOR HERE, TO HELP RESOLVE
THIS PROBLEM AND THIS IS SIGNIFICANT IN TERMS OF WHAT IT

1 REVEALS WITH REGARD TO CHANGING STANDARDS IN OUR COUNTRY,

2 OF COURSE, SOMETHING LIKE THIS COVERS NOT ONLY
3 THE PETROLEUM INDUSTRY, BUT THE AUTOMOTIVE INDUSTRY AND
4 OTHERS, AND THESE ARE THE PROBLEMS THAT WE MUST WRESTLE WITH
5 AND I THINK -- I WOULD LIKE TO HOPE AND I SEE SO MANY EVIDENCES
6 ALREADY -- THAT THIS IS TAKING PLACE; THAT THIS BIG AND VITAL
7 ENERGY, INDUSTRY, CAN TAKE THE LEAD, NOT ONLY IN PROVIDING
8 ENERGY, BUT IN DOING ITS BUSINESS IN SUCH A WAY THAT IT IS
9 A LEADER IN CONSERVATION AS WELL.

10 WE ARE GLAD ALSO TODAY, THAT ED MC DERMOTT, THE
11 DIRECTOR OF THE OFFICE OF EMERGENCY PLANNING, IS HERE TO
12 COMMENT ON THE VERY EXCELLENT REPORT ON EMERGENCY PREPAREDNESS
13 THAT ALBERT NICKERSON AND HIS PEOPLE PREPARED, WHICH WAS
14 PRESENTED, YOU WILL RECALL, AT OUR LAST MEETING.

15 I WANT TO DISCUSS TWO OR THREE OTHER THINGS THAT ARE
16 OF MAJOR IMPORTANCE BEFORE THE DEPARTMENT AT THE PRESENT TIME.

17 ONE CONCERNS THE DEVELOPMENT THAT IS EMERGING IN
18 THE OIL-SHALE AREA; AND I THINK THAT ALL OF US THAT HAVE
19 GIVEN THOUGHT TO THIS RESOURCE, WHO HAVE HAD A LOOK AT THIS
20 AS A NATIONAL PROBLEM, REALIZE THAT WE ARE ON THE EDGE OF
21 A NEW ERA IN THIS COUNTRY. I THINK WE ARE GOING TO SEE
22 A TREMENDOUS EMERGENCY^E IN THE NEXT TEN TO TWENTY YEARS, OF
23 A WHOLE NEW SUPPLY OF PETROLEUM IN THIS COUNTRY, AND THE FACT
24 OF THE MATTER IS THAT A RESOURCE OF THIS MAGNITUDE AND IT IS
25 THE EXTENT AND THE DIMENSIONS OF THIS RESOURCE, AS ALL OF
YOU KNOW, WHO HAVE TAKEN AN INTEREST IN IT AND HAVE STUDIED

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IT, IS SO ENORMOUS, THAT THIS CONSTITUTES UNQUESTIONABLY,
IT SEEMS TO US, ONE OF THE GREAT RESOURCES OF THE WORLD,
AND WITH THE UNITED STATES HAVING THIS AS A RESERVE THAT NO
ONE ELSE HAS, I THINK THIS GIVES A HOPE OF NATIONAL STRENGTH
IF THIS RESOURCE IS USED WISELY, THAT NO OTHER COUNTRY NOW
POSSESSES AND WE HAVE, SOME FEEL THAT WE ARE MOVING TOO
SLOWLY IN DEVELOPING NATIONAL POLICIES.

I WANT TO MAKE IT VERY PLAIN THAT WE ARE MOVING
DELIBERATELY. I DON'T THINK WE ARE MOVING SLOWLY, IN MY
OPINION, BECAUSE ONE OF THE REASONS THAT -- IN VIEW OF THE
HISTORY OF WHAT HAPPENED IN THE PAST -- ONE OF THE REASONS
THAT THERE HAVE BEEN SO MANY ROAD BLOCKS, AND THAT THIS
DEVELOPMENT HAS BEEN SLOW IN MOVING FORWARD, IS THAT BIG
MISTAKES WERE MADE IN THE PAST. I THINK YOU KNOW THAT THE
ORDERS THAT WERE ISSUED BACK IN THE LATE '20S AND '30S
WERE A DIRECT OUTGROWTH OF THE TEAPOT DOME BUSINESS IN THE
'20S, AND AS FAR AS WE ARE CONCERNED IN THE DEPARTMENT, WE
WANT NO WHISPER OF A TEAPOT DOME OR ANYTHING RESEMBLING IT,
AND WE HAVE APPOINTED, WE THINK, A VERY HIGHLY QUALIFIED
AND EMINENT ADVISORY BOARD.

MANY OF YOU, I AM SURE, KNOW OR KNOW OF THE PEOPLE.
I WILL MENTION THEIR NAMES.

WE HAVE TWO DISTINGUISHED MEN WHO HAVE IN RECENT
YEARS, HELD DOWN TWO OF THE MOST IMPORTANT EMBASSIES IN THE
WORLD: GENERAL JIM GAVIN, AND DR. KENNETH GALBRAITH FROM
HARVARD.

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ORLO
DR. ... CHILD'S OF THE COLORADO SCHOOL OF MINES,

ONE OF THE OUTSTANDING YOUNG SCIENTISTS IN THIS FIELD.

BYRON ROCK, OF SALT LAKE, A PUBLIC SERVANT.

MILO PERKINS, WHOM MANY OF YOU KNOW, AN OUT-
STANDING FORMER GOVERNMENT SERVANT.

BEN COHEN, WHO IS ONE OF THE OLD HANDS HERE IN
WASHINGTON; AND DR. JOSEPH FISHER, WHO IS THE HEAD OF THE
RESOURCES FOR THE FUTURE.

WE ASKED THIS GROUP TO HELP US, TO PROVIDE US, AND
REASON WITH US, SOME BROAD GUIDELINES FOR POLICY AND I SHOULD
LIKE TO SAY WE HAVE ALREADY ASKED FOR COMMENTS FROM INDUSTRY
WITHIN THE PAST SIX OR EIGHT MONTHS, BUT IF THERE ARE ANY
OF YOU THAT HAVE FURTHER THOUGHTS THAT YOU WOULD LIKE TO COM-
MUNICATE TO ME, THROUGH THIS ADVISORY BOARD, I AM ACTING AS
CO-CHAIRMAN OF THE ADVISORY BOARD IN THE COMING MONTHS; WE WOULD
CERTAINLY WELCOME YOUR VIEWS BECAUSE A RESOURCE OF THIS MAGNI-
TUDE COULD HAVE A TREMENDOUS IMPACT ON YOUR INDUSTRY.

IT IS OUR PURPOSE IF POSSIBLE, TO PHASE IN ITS
DEVELOPMENT SO THAT THERE IS A MINIMUM OF DISRUPTION AS FAR
AS THE EXISTING ENERGY ECONOMY IS CONCERNED, AND AT THE SAME
TIME, WE WANT TO BRING THIS RESOURCE TO FRUITION AND DEVELOP-
MENT IN SUCH A WAY THAT IT SERVES THE NATIONAL MAXIMUM INTEREST.

THINGS ARE ALREADY HAPPENING BECAUSE OF COURSE,
PART OF THE OIL-SHALE RESOURCE IS ALREADY IN PRIVATE OWNERSHIP,
AND IS SUBJECT TO IMMEDIATE DEVELOPMENT PLANS.

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1 THE OIL-SHALE CORPORATION, WHICH INCLUDES SOME OF
2 THE PETROLEUM COMPANIES PARTICIPATING IN IT, IS MOVING FORWARD
3 WITH A PILOT REBORT PROGRAM, WITHIN RECENT MONTHS, WE HAVE
4 ACTIVATED -- REACTIVATED -- THE RIFLE PLANT, AND SEVERAL
5 OF THE COMPANIES REPRESENTED HERE ARE PARTICIPATING IN THAT
6 RESEARCH VENTURE. SO THAT THIS IS GOING TO MOVE FORWARD.

7 AS I SAY, OUR CONCERN IS THAT WE WANT TO BE CON-
8 SERVATIVE IN APPROACHING THIS PROBLEM WITHOUT AT THE SAME
9 TIME, MOVING SO DELIBERATELY THAT PEOPLE CAN SAY THAT WE ARE
10 NOT MOVING AHEAD.

11 I THINK THE WAY IT DEVELOPS, THE WAY THAT IT EMERGES,
12 THE WAY THAT IT IS DOVE-TAILED IN OUR OVERAL ENERGY ECONOMY,
13 IS A GREAT CHALLENGE AND IT IS ONE WHERE WE NEED THE BEST
14 THINKING THAT WE CAN GET IN THE COUNTRY WITH REGARD TO THIS.
15 SO I AM SURE THERE IS GOING TO BE -- YOU ARE GOING TO HEAR
16 MORE ABOUT THIS IN THE FUTURE. THERE IS GOING TO BE A GREAT
17 DEAL OF DISCUSSION IN THE MONTHS AHEAD WITH REGARD TO POLICY
18 IN THIS FIELD.

19 WE ARE ALSO LOOKING FORWARD WITH INTEREST, AS I
20 KNOW YOU ARE, TOO, TO THE INTERSTATE OIL COMPACT COMMISSION'S
21 REPORT ON OIL AND GAS CONSERVATION POLICY.

22 THERE HAVE BEEN ENCOURAGING REPORTS DRIFTING OUT
23 OF THE COMMISSION'S DELIBERATIONS AND I HOPE THAT THE REPORT
24 WARRANTS THE OPTIMISM THAT WE HAVE HEARD.

25 ALLOW ME TO SAY ONE FINAL MATTER, ON WHAT IS EVEN
A MORE CONTROVERSIAL SUBJECT, AND THAT IS THE OIL IMPORT

1 PROGRAM AND OUR OIL IMPORT POLICIES, AND I AM SURE THAT IN
2 THE COUNCIL ITSELF, THERE ARE DIFFERENCES OF OPINION ON THIS
3 SUBJECT AND THERE HAS BEEN A LOT OF DISCUSSION IN RECENT
4 WEEKS ABOUT THIS PROGRAM, AND I WOULD SIMPLY LIKE TO SAY,
5 BECAUSE SOME RATHER DRASTIC SOLUTIONS AND CHANGES HAVE BEEN
6 PROPOSED; AND CERTAINLY, I WANT TO MAKE IT PLAIN THAT WE ARE
7 NOT -- AND OUR MINDS, I THINK, ARE ALWAYS OPEN TO IMPROVEMENTS
8 IN A PROGRAM OF THIS KIND DUE TO CHANGES THAT TAKE PLACE; DUE
9 TO THE SIZE AND THE COMPLEXITY OF THE PROGRAM ITSELF -- I
10 THINK IT IS INEVITABLE THAT THERE IS ALWAYS ROOM FOR IMPROVE-
11 MENT. BUT I DO THINK THAT WHAT IS MOST IMPORTANT IN THE
12 MONTHS AHEAD, AS NEW POLICIES ARE CONSIDERED, IS THAT WE
13 APPROACH THIS THOUGHT WITH AN EMOTIONAL APPROACH; NOT WITH
14 AN APPROACH THAT WOULD RESULT IN A GREATER DEGREE OF CONTRO-
15 VERSY WHICH MIGHT OR MIGHT NOT THROW LIGHT ON THE SUBJECT,
16 BUT I THINK WE NEED A DISPASSIONATE ANALYSIS OF ALL OF THE
17 FACTS WHICH CONCERN THIS PROGRAM, AND SINCE THIS PROGRAM
18 DOES HAVE AN IMPACT ON INDUSTRY AS A WHOLE, I THINK WE NEED
19 TO TAKE A ROUNDED VIEW, AS MUCH AS POSSIBLE, OF THE OVERALL
20 PROBLEM, AND THIS IS WHAT WE ARE TRYING TO DO NOW. THIS IS
21 WHAT WE ARE GOING TO TRY TO DO IN THE MONTHS AHEAD BECAUSE
22 OF OUR REALIZATION, AND THIS IS A PROGRAM THAT IS FOUNDED
23 ON AND BASED ON -- IT IS THE ONLY LEGAL BASIS FOR IT -- THE
24 NATIONAL SECURITY INTEREST THAT WE FORMULATE AND ADMINISTER
25 AND CARRY OUT A PROGRAM WHICH DOES INDEED, SERVE THE NATIONAL

1 SECURITY INTEREST, AND I THINK WE NEED -- WE ARE ALL GOING TO NEED
2 ALL THE SOBER THINKING AND ALL OF THE BEST THINKING THAT WE
3 CAN GET FROM ALL OF YOU AND FROM THOSE WHO ARE NOT IN THIS
4 ROOM TODAY ON THIS PROBLEM.

5 SO I FELT WE SHOULD DISCUSS THESE PROBLEMS WITH
6 YOU, FRANKLY, TODAY.

7 I SEE WE HAVE A FINE AGENDA. IF THE SENATORS WILL
8 LET ME BREAK AWAY QUICKLY, I WILL BE BACK BEFORE THE MEETING
9 IS OVER.

10 THANK YOU.

11 (APPLAUSE.)

12 CHAIRMAN FOLLIS: WE WILL NOW PROCEED WITH THE
13 REGULAR ATTENDANCE AND HAVE THE ROLL CALL.

14 I MIGHT SAY FOR THE BENEFIT OF THE NEW MEMBERS --
15 THE NEW MEMBERS CALLED -- WE WILL PAUSE IF YOU WILL STAND. I
16 WOULD LIKE TO INTRODUCE YOU TO THE COUNCIL.

17 MR. BROWN: IF YOU ARE HERE REPRESENTING A COUNCIL
18 MEMBER, AS THEY CALL THE COUNCIL MEMBER'S NAME, WOULD YOU
19 STATE YOUR NAME FOR THE RECORD.

20 ROLL CALL AND INTRODUCTION OF NEW COUNCIL MEMBERS

21 MR. BROWN: MR. ABERNATHY.

22 MR. MARTIN: I AM APPEARING FOR MR. ABERNATHY.
23 MY NAME IS TOM MARTIN.

24 MR. BROWN: MR. BALDRIDGE?

25 (NO RESPONSE)

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MR. BROWN: MR. BASS?

(NO RESPONSE)

MR. BROWN: MR. BEESON?

MR. BEESON: HERE.

MR. BROWN: MR. BENEDUM?

MR. BENEDUM: HERE.

MR. BROWN: MR. BERGFORS?

MR. BERGFORS: HERE.

MR. BROWN: MR. BLAUSTEIN?

MR. DUNBAR: S. C. DUNBAR APPEARING FOR MR. BLAUSTEIN.

MR. BROWN: MR. BOYD?

MR. CUMMINGS: CUMMINGS FOR MR. BOYD.

MR. BROWN: MR. BRAZELL?

(NO RESPONSE)

MR. BROWN: MR. BRIDWELL?

MR. BRIDWELL: HERE.

MR. BROWN: MR. BROCKETT?

MR. WILD: DONALD WILD FOR MR. BROCKETT.

← CLAUDE

MR. BROWN: BRUCE K. BROWN?

MR. BRUCE BROWN: HERE.

MR. BROWN: BRUCE? GEORGE H. BRUCE?

MR. BRUCE: HERE.

MR. BROWN: MR. BUCK?

MR. BROWN: HERE.

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MR. BROWN: MR. BURLINGAME?

MR. BURLINGAME: HERE.

MR. BROWN: MR. BURNETTE?

MR. BURNETTE: HERE.

CHAIRMAN FOLLIS: G. WILSON BURNETTE, PRESIDENT
OF THE NATIONAL TANK TRUCK CARRIERS, INC. WELCOME TO THE
COUNCIL.

MR. BURNETTE: THANK YOU.

MR. BROWN: MR. CARPENTER?

MR. CARPENTER: PRESENT.

MR. BROWN: GEORGE R. COPELAND?

(NO RESPONSE)

MR. BROWN: J. C. DONNELL, II?

MR. DONNELL: PRESENT.

MR. BROWN: FRANK O. ELLIOTT?

(NO RESPONSE)

MR. BROWN: PAUL ENDACOTT?

MR. ENDACOTT: HERE.

MR. BROWN: R. G. FOLLIS?

MR. FOLLIS: HERE.

MR. BROWN: ROBERT L. FOREE?

MR. FOREE: HERE.

MR. BROWN: STARK FOX?

(NO RESPONSE)

MR. BROWN: PAUL N. GAMMELGARD?

MR. GAMMELGARD: PRESENT.

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MR. IKARD: HERE.

MR. BROWN: MR. JACKSON?

MR. JACKSON: HERE.

MR. BROWN: A. JACOBSEN?

MR. JACOBSEN: HERE.

MR. BROWN: CHARLES S. JONES?

(NO RESPONSE)

MR. BROWN: J. PAUL JONES?

MR. J. P. JONES: HERE.

MR. BROWN: W. W. KEELER?

MR. KEELER: HERE.

MR. BROWN: ALFRED A. KILTZ?

MR. KILTZ: HERE.

CHAIRMAN FOLLIS: ALFRED A. KILTZ OF MT. VERNON,
INDIANA.

WELCOME TO THE COUNCIL, SIR.

MR. KILTZ: THANK YOU.

MR. BROWN: WALTER J. LEVY?

MR. LEVY: HERE.

MR. BROWN: AUGUSTUS C. LONG?

MR. LONG: HERE.

MR. BROWN: CECIL F. LOOMIS?

MR. LOOMIS: HERE.

CHAIRMAN FOLLIS: CECIL E. LOOMIS, CHAIRMAN OF THE
BOARD, THE COLUMBIA GAS SYSTEM, INC.

WELCOME TO THE COUNCIL, SIR.

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MR. LOOMIS: THANK YOU, SIR.

MR. BROWN: D. K. LUDWIG?

(NO RESPONSE)

MR. BROWN: H. M. MC CLURE, JR?

MR. MC CLURE: HERE.

MR. BROWN: L. F. MC COLLUM?

(NO RESPONSE)

MR. BROWN: D. A. MC GEE?

MR. KELLY: KELLY ON BEHALF OF MC GEE.

MR. BROWN: W. G. MAGUIRE?

MR. MAGUIRE: HERE.

MR. BROWN: B. L. MAJEWSKI?

MR. MAJEWSKI: HERE.

MR. BROWN: J. HOWARD MARSHALL:

(NO RESPONSE)

MR. BROWN: DON H. MILLER?

MR. MILLER: HERE.

MR. BROWN: R. L. MILLIGAN?

MR. MILLIGAN: HERE.

MR. BROWN: WARREN A. MORTON?

MR. LAUGHLIN: LAUGHLIN FOR MR. MORTON.

MR. BROWN: CHARLES H. MURPHY, JR.?

(NO RESPONSE)

MR. BROWN: A. L. NICKERSON?

MR. NICKERSON: HERE.

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MR. BROWN: GLENN E. NIELSON?

MR. NIELSON: HERE.

MR. BROWN: S. F. NINESS?

MR. NINESS: HERE.

MR. BROWN: ED PARKES?

MR. PARKES: HERE. *B. B. Rubel*

MR. BROWN: J. R. PARTEN?

(NO RESPONSE)

MR. BROWN: L. T. POTTER?

MR. POTTER: HERE.

MR. BROWN: M. J. RATHBONE?

MR. RATHBONE: HERE.

MR. BROWN: C. PRATT RATHER?

MR. RATHER: HERE.

MR. BROWN: CARL E. REISTLE, JR?

MR. REISTLE: HERE.

MR. BROWN: A. S. RITCHIE?

MR. RITCHIE: HERE.

MR. BROWN: M. H. ROBINEAU?

MR. ROBINEAU: HERE.

MR. BROWN: ROLAND V. RODMAN?

(NO RESPONSE)

MR. BROWN: A. H. ROWAN?

(NO RESPONSE)

MR. BROWN: A. C. RUBEL?

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(NO RESPONSE)

MR. BROWN: THOMAS J. SCOTT?

MR. SCOTT: HERE.

MR. BROWN: FORREST N. SHUMWAY?

MR. SHUMWAY: HERE.

CHAIRMAN FOLLIS: FORREST N. SHUMWAY, PRESIDENT,
SIGNAL OIL AND GAS COMPANY.

WELCOME TO THE COUNCIL, SIR.

MR. SHUMWAY: THANK YOU.

MR. BROWN: MONROE E. SPAGHT?

MR. HAYES: FRANK HAYES FOR MR. SPAGHT.

MR. BROWN: CHARLES E. SPAHR?

MR. SPAHR: HERE.

MR. BROWN: E. L. STEINIGER?

MR. STEINIGER: HERE.

MR. BROWN: HENDERSON SUPPLEE, JR.

MR. SUPPLEE: HERE.

MR. BROWN: JOHN E. SWEARINGEN?

MR. FARRELL: R. J. FARRELL FOR MR. SWEARINGEN.

MR. BROWN: PAUL E. TALIAFERRO?

MR. TALIAFERRO: HERE.

CHAIRMAN FOLLIS: PAUL E. TALIAFERRO, PRESIDENT,
SUNRAY OX OIL COMPANY.

WELCOME TO THE COUNCIL, SIR.

MR. TALIAFERRO: THANK YOU.

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MR. BROWN: E. H. TOLLEFSON?

MR. TOLLEFSON? HERE.

CHAIRMAN FOLLIS: E. H. TOLLEFSON, PRESIDENT,
CONSOLIDATED NATURAL GAS COMPANY.

MR. BROWN: H. A. TRUE, JR.

MR. JAMESON: JAMESON FOR MR. TRUE.

MR. BROWN: W. W. VANDEVEER?

(NO RESPONSE)

MR. BROWN: RICHARD L. VOCKEL?

MR. VOCKEL: HERE.

MR. BROWN: H. F. WAGNER?

MR. WAGNER: HERE.

MR. BROWN: J. ED WARREN?

(NO RESPONSE)

MR. BROWN: EVERETT F. WELLS?

MR. WELLS: HERE.

MR. BROWN: JOHN H. WHITE?

(NO RESPONSE)

MR. BROWN: S. D. WHITEMAN:

MR. WILSON; ROBERT WILSON FOR MR. WHITEMAN.

MR. BROWN: I. GEER WILCOX?

MR. WILCOX: HERE.

MR. BROWN: ROBERT F. WINDFOHR?

(NO RESPONSE)

MR. BROWN: JOHN G. WINGER?

MR. WINGER: HERE.

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MR. BROWN: THAT COMPLETES THE TAKING OF THE ROLE.

CHAIRMAN FOLLIS: GENTLEMEN, WE SUBMITTED THE MINUTES OF THE LAST MEETING, AND THEY SHOULD ALL BE DISTRIBUTED.

IF THERE ARE NO QUESTIONS, WOULD SOMEONE MOVE APPROVAL OF THE MINUTES OF THE LAST MEETING?

MEMBER OF AUDIENCE: SO MOVED.

MEMBER OF AUDIENCE: SECOND.

CHAIRMAN FOLLIS: ALL IN FAVOR?

(AYES)

CHAIRMAN FOLLIS. SO ORDERED.

NOW, SINCE THE LAST MEETING, I REGRET TO REPORT THAT WE HAVE LOST ONE OF OUR WARM FRIENDS AND CHARTER MEMBERS, WARWICK M. DOWNING.

MR. NIELSON HAS PREPARED A RESOLUTION, A MEMORIAL, WHICH I WOULD LIKE TO ASK HIM TO READ.

RESOLUTION IN MEMORIAM TO WARWICK M. DOWNING

MR. GLENN E. NIELSON: THE MEMBERS OF THE NATIONAL PETROLEUM COUNCIL WITH A SENSE OF THE MOST PROFOUND SORROW, NOTE THE PASSING ON APRIL 21, 1964 AT THE VENERABLE AGE OF EIGHTY-NINE, OF A DEAR AND CLOSE COLLEAGUE, A BELOVED FIGURE IN THE OIL INDUSTRY, WARWICK M. DOWNING.

WARWICK M. DOWNING WAS BORN IN ^{MACOMB} ~~MALECOM~~, ILLINOIS, JANUARY 16, 1875. HE WAS OF ^{QUAKER} ~~QUAKER~~ ANCESTRY, AND DURING HIS LIFE, HE REMAINED TRUE TO THE HIGH IDEALS AND INTEGRITY OF THE AMERICAN HERITAGE HE REPRESENTED.

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1 HIS COLORFUL LIFE HISTORY IN THE WORLD OF BUSINESS,
2 LAW, AND PUBLIC AFFAIRS, BEGAN AS A REPORTER AND LAW STUDENT
3 WHILE HE WAS ATTENDING THE UNIVERSITY OF MICHIGAN SCHOOL OF LAW
4 FROM WHICH HE GRADUATED IN 1895. WHILE FIRST A NEWSPAPER-
5 MAN, THEN A DISTINGUISHED ATTORNEY BY TRAINING AND TRADE, HE
6 WAS WITHOUT QUESTION A PUBLIC SERVANT BY DEVOTION.
7

8 EARLY IN HIS LIFE HE RESOLVED TO DEDICATE AT LEAST
9 TEN PERCENT OF HIS TIME TO DO THE BEST HE COULD TOWARD AC-
10 COMPLISHING SOMETHING NOTABLE AND WORTHWHILE FOR THE PUBLIC
11 WELFARE.

12 WARWICK DOWNING SUCCEEDED IN ACHIEVING HIS NOTE-
13 WORTHY GOAL.

14 A CITATION AWARDING HIM AN HONORARY DOCTOR-OF-LAW
15 BY THE UNIVERSITY OF DENVER IN 1959, WHICH WAS ENTERED IN
16 THE CONGRESSIONAL RECORD, CONFIRMS HIS ACHIEVEMENTS. IN PART,
17 THE CITATION READS:

18 "HERE IS A MAN MOST TRULY REPRESENTATIVE
19 OF THE AMERICAN WAY OF LIFE; INALTERABLY
20 COMMITTED TO THE BURDENS OF COMMUNITY RES-
21 PONSIBILITIES OTHERS MIGHT SHIRK; ANSWERING
22 EACH CALL TO SERVICE WITH ENTERPRISE, EN-
23 THUSIASM, AND DIRECTNESS, WITH KINDNESS,
24 TOLERANCE AND UNDERSTANDING. ACCEPTING
25 NO RECOMPENSE AND SEEKING NO REWARD OTHER
THAN THAT WHICH IS EVER TO BE FOUND IN

1 "DEVOTION TO DUTY AS ONE SEES IT."

2
3 WARWICK DOWNING DEARLY LOVED THE MOUNTAINS. THE
4 ACHIEVEMENTS IN WHICH HE TOOK MOST PRIDE, CONSISTED IN THE
5 ESTABLISHMENT OF THE DENVER MOUNTAIN PARKS AND PLAYGROUND
6 SYSTEM.

7 HE HAS BEEN ENDEARINGLY REFERRED TO AS THE FATHER
8 OF THE MOUNTAIN PARKS, BOULEVARDS AND PLAYGROUNDS OF DENVER.
9 THE DESERVING TITLE SPEAKS VISION AND ABILITY.

10 AT A TIME WHEN AUTOS WERE FEW AND MANY OF THE DENVER
11 CITIZENS ATTEMPTED TO KILL WHAT THEY TERMED THE FOOL IDEAS OF
12 SPENDING THEIR MONEY IN THE MOUNTAINS, WARWICK DOWNING CARRIED
13 THE LEAD IN GETTING ACROSS THE MOUNTAIN PARKS AND PLAYGROUNDS
14 IDEA.

15 THESE NOW MAKE UP THE CITY'S SUPERB SYSTEM OF PLAY-
16 GROUNDS, PARKS, GARDENS AND BOULEVARDS.

17 THOSE OF THE OIL INDUSTRY HAVE RECOGNIZED AND
18 APPRECIATED HIM FOR HIS UNSWERVING AND ACTIVE LOYALTY TO
19 OIL INTERESTS AND FOR HIS ARTICULATE OPPOSITION TO INCREASING
20 GOVERNMENTAL CONTROLS AND UNJUST TAXATION.

21 HE WAS RECOGNIZED DESERVINGLY AS AN EXEMPLARY PRODUCT,
22 AN ABLE PROPONENT OF THE FREE ENTERPRISE SYSTEM.

23 IN ADDITION TO HOLDING POSTS AS CHAIRMAN, DIRECTOR,
24 AND MEMBER OF MANY CITY, STATE AND NATIONAL BOARDS, HE HAS
25 THE DISTINCTION, UNIQUE IN THE OIL INDUSTRY, OF HAVING SERVED
SIMULTANEOUSLY AS A DIRECTOR AND EXECUTIVE COMMITTEE MEMBER

1 OF THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA;
2 A DIRECTOR OF THE ROCKY MOUNT OIL AND GAS ASSOCIATION;
3 A MEMBER OF THE INTERSTATE OIL COMPACT COMMISSION; CHAIRMAN
4 OF THE OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF
5 COLORADO; AND DIRECTOR OF THE AMERICAN PETROLEUM INSTITUTE.

6 WARWICK DOWNING SERVED AS A MEMBER OF THE NATIONAL
7 PETROLEUM COUNCIL FROM ITS ORGANIZATION IN 1946; AN OUTSTAND-
8 ING RECORD OF 18 YEARS OF SERVICE IN THE WORK AND PURPOSE
9 OF THIS BODY. THAT PURPOSE HAS BEEN COOPERATION BETWEEN
10 THE PETROLEUM INDUSTRY AND THE UNITED STATES GOVERNMENT, IN
11 THE INTEREST OF THIS NATION'S WELFARE AND SECURITY.

12 TODAY, THE MEMBERS OF THE COUNCIL PAUSE TO PAY TRIBUTE
13 TO THE MEMORY OF A DEDICATED SERVANT OF THE AMERICAN PEOPLE;
14 A DISTINGUISHED ATTORNEY; A LAWYER; PROTECTOR OF THE
15 FREE ENTERPRISE SYSTEM AND OF THE OIL INDUSTRY, AND AN ESTEEMED
16 FRIEND. WITH OTHERS, WHOSE LIVES HE BENEFITTED, WE JOIN IN
17 MOURNING THE LOSS; IN PAYING TRIBUTE TO THE MEMORY OF THIS
18 GREAT AMERICAN AND IN EXTENDING TO THE MEMBERS OF THE FAMILY,
19 OUR DEEP AND SINCERE SYMPATHY.

20 NOW, THEREFORE, BE IT RESOLVED ON THIS 28TH DAY
21 OF JULY, 1964, THAT THIS RESOLUTION BE ENTERED UPON THE
22 PERMANENT RECORDS OF THE COUNCIL, AND THAT AN APPROPRIATE
23 COPY THEREOF, BE DELIVERED TO THE FAMILY OF WARWICK MILLER
24 DOWNING, AS A REMEMBRANCE OF THE LOVE, ADMIRATION AND RESPECT
25 WHICH WE SHALL ALWAYS HAVE FOR HIM.

1 CHAIRMAN FOLLIS: YOU HEARD THE RESOLUTION,
2 I SUGGEST WE ACCEPT IT BY A RISING VOTE.

3 (UNANIMOUS RISING VOTE)

4 CHAIRMAN FOLLIS: WE HAVE THE RECORD OF THE AGENDA
5 COMMITTEE BY MR. JACOBSEN.

6 AGENDA COMMITTEE REPORT
7 BY
8 A. JACOBSEN, CHAIRMAN

9 MR. JACOBSEN: PURSUANT TO A CALL OF THE MEETING
10 OF THE AGENDA COMMITTEE OF THE NATIONAL PETROLEUM COUNCIL
11 MADE BY THE COMMITTEE CHAIRMAN, A. JACOBSEN, IN HIS TELEGRAM
12 TO THE MEMBERS OF JULY⁸ 1964, AND WITH A MEETING AND THE
13 AGENDA HAVING BEEN APPROVED BY THE HONORABLE JOHN M. KELLY,
14 ASSISTANT SECRETARY OF THE INTERIOR, AND CO-CHAIRMAN OF THE
15 COMMITTEE, THE AGENDA COMMITTEE MET ON JULY 27, 1964, AT
16 3:30 P.M., IN THE OFFICE OF THE COUNCIL.

17 ON THE DATE OF JULY 1964, THE HONORABLE JOHN M.
18 KELLY ADDRESSED A LETTER TO MR. R. ^{G. FOLLIS} ~~A. FOLEY~~, CHAIRMAN OF THE
19 NATIONAL PETROLEUM COUNCIL, REQUESTING THE COUNCIL TO PREPARE
20 A STUDY TO ASCERTAIN THE CRITICAL MATERIALS REQUIRED FOR THE
21 OPERATION OF PETROLEUM REFINERIES UNDER EMERGENCY CONDITIONS.

22 A COPY OF THAT LETTER IS ATTACHED TO THIS REPORT.

23 AS PROVIDED IN THE ARTICLES OF ORGANIZATION,
24 OF THE COUNCIL, THIS LETTER WAS CONSIDERED AT THE ABOVE
25 MEETING OF THE AGENDA COMMITTEE AT WHICH MEETING IT WAS
UNANIMOUSLY AGREED TO RECOMMEND TO THE COUNCIL, THE APPOINT-

1 MENT OF A COMMITTEE TO MAKE THE STUDY AS REQUESTED BY
2 ASSISTANT SECRETARY KELLY, AND TO REPORT TO THE COUNCIL.

3 IN COMPLYING WITH ASSISTANT SECRETARY KELLY'S
4 REQUEST FOR APPROPRIATE COMMENTS AND RECOMMENDATIONS, THE
5 COMMITTEE IN UNDERTAKING THE STUDY, SHOULD NOT SUGGEST PLANS
6 OR PROGRAMS.

7 RESPECTFULLY SUBMITTED, A. JACOBSEN, CHAIRMAN
8 OF THE AGENDA COMMITTEE.

9 MR. CHAIRMAN, I MOVE THE ADOPTION OF THIS REPORT.

10 CHAIRMAN FOLLIS: YOU HEARD THE MOTION.

11 MEMBER OF THE AUDIENCE: SECOND.

12 CHAIRMAN FOLLIS: ALL IN FAVOR?

13 (AYES)

14 CHAIRMAN FOLLIS: OPPOSED?

15 (NONE)

16 CHAIRMAN FOLLIS: IT IS SO ORDERED.

17 THANK YOU, MR. JACOBSEN.

18 REMARKS OF R. G. FOLLIS, CHAIRMAN
19 NATIONAL PETROLEUM COUNCIL

20 CHAIRMAN FOLLIS: NOW, THE NEXT ORDER OF BUSINESS
21 IS A REPORT OF THE NOMINATING COMMITTEE BUT BEFORE I ASK MR.
22 MILLIGAN TO STEP FORWARD, I WOULD LIKE TO MAKE A COMMENT
23 OR TWO, ON THESE TWO YEARS THAT I HAVE SERVED IN THIS CAPACITY
24 AS CHAIRMAN OF THE COUNCIL.

25 START →

 TWO YEARS AGO, YOU REMEMBER, THERE WAS CONSIDERABLE
 CONCERN AMONG ALL OF US, AS TO THE EFFECT OF THE PRESIDENTIAL

1 ORDER RELATING TO ADVISORY COMMITTEES, WHICH HAD BEEN PUT
2 OUT AND WHICH WE FEARED MIGHT HAVE A DETRIMENTAL OR A DEBILITATING
3 EFFECT ON THE COUNCIL.

4 IT SEEMS TO ME THAT THE TWO YEARS THAT HAVE PASSED,
5 HAVE CLEARLY ESTABLISHED THAT THOSE FEARS WERE GROUNDLESS. THE
6 COOPERATION WHICH WE HAVE HAD FROM OUR CHAIRMAN, AND CO-
7 CHAIRMAN, SECRETARY UDALL, AND OUR ACTING CO-CHAIRMAN, JOHN
8 KELLY, HAS BEEN SUCH THAT I DON'T THINK THE COUNCIL HAS EVER
9 HAD TWO YEARS IN WHICH WE HAVE HAD GREATER COOPERATION,
10 GREATER COORDINATION, AND MORE CHALLENGE TO THE ACTIVITY
11 THAN WE HAVE HAD IN THESE TWO YEARS UNDER THIS NEW FORM OF
12 ORGANIZATION.

13 I THINK PERHAPS THE FACT THAT THE DEPARTMENT OF
14 THE INTERIOR AND THE OIL INDUSTRY HAVE BEEN IN CLOSE ASSOCIA-
15 TION THROUGH TWO WARS AND SOME 25 YEARS, HAVE GIVEN AN UNDER-
16 STANDING OF THE PART OF BOTH SIDES, AS TO THE PROBLEMS
17 OF THE OIL INDUSTRY, AND ALSO, AS TO ITS IMPORTANCE AND VITAL
18 NEED TO THE COUNTRY, THAT HAVE MADE THIS RELATIONSHIP EASY,
19 COMMUNICATION GOOD, AND CERTAINLY, THE INDIVIDUAL DETERMINATION
20 OF THE GENTLEMEN IN CHARGE OF THE DEPARTMENT OF THE INTERIOR,
21 HAS BEEN USED TO DO EVERYTHING POSSIBLE TO MAKE THE COUNCIL
22 A USABLE AND VALUABLE ADJUNCT OF THE SOCIETY.

23 I THINK IF WE LOOK, FOR EXAMPLE, AT THIS LAST
24 FISCAL YEAR, YOU MIGHT SAY THAT WE HAVE COMPLETED FOUR REPORTS;
25 ONE SPECIAL REPORT; AND RIGHT NOW, WE HAVE FOUR ADDITIONAL REPORT

1 IN THE MILL, AND THOSE ARE IMPORTANT REPORTS.

2 SOME OF THEM ARE CONSIDERABLY LARGER IN THEIR
3 CONTENT THAN THE PETROLEUM INDUSTRY, GOVERNMENT RELATIONS.
4 FOR EXAMPLE, WE ALL KNOW THE WIDE CIRCULATION AND THE WIDE
5 EFFECT THE RUSSIAN REPORTERS HAD, NOT ONLY HERE, BUT THOSE
6 OF US WHO GO TO EUROPE, FOR EXAMPLE, RUN INTO THE RUSSIAN
7 REPORT CONTINUOUSLY. I AM SURE IT IS HAVING ITS INFLUENCE
8 ON THE THINKING ON THE COMMON MARKET AND OTHER PLACES, AS WELL
9 AS IN THE UNITED STATES.

10 MR. NICKERSON'S REPORT ON DEFENSE PLANNING, HAS
11 ALREADY -- THE FIRST EDITION -- HAS BEEN ORDERED TO THE
12 EXTENT OF 75,000 COPIES AND I AM SURE THAT THE SPECTRUM OF
13 THE USE OF THOSE 75,000 COPIES WOULD BE CONSIDERABLY MORE THAN
14 JUST OUR RELATIONSHIP BETWEEN THE GOVERNMENT AND THE OIL
15 INDUSTRY.

16 SO THE WORK OF THIS COUNCIL IS NOT ONLY BEING
17 CALLED FOR BUT IS BEING USED IN WAYS THAT HAVE REAL SIGNIFI-
18 CANCE IN THE AFFAIRS OF OUR COUNTRY AND I CANNOT HELP SAYING
19 THAT THE MEMBERS OF THE COUNCIL HAVE RESPONDED TO THAT IN A
20 WAY THAT CERTAINLY CAN MAKE ANYONE WHO HAS ASSOCIATED WITH
21 OUR INDUSTRY, PROUD OF OUR INDUSTRY.

22 THIS YEAR, FOR EXAMPLE, I APPOINTED 166 PEOPLE
23 IN VARIOUS COMMITTEES OF THE COUNCIL. IN NO CASE DID I
24 HAVE A REJECTION. IN NO CASE DID I HAVE A PERSON DECLINE TO
25 TAKE THE CHAIRMANSHIP OR A SUBCOMMITTEE CHAIRMANSHIP OR ANY OTHER

1 APPPOINTMENTS OF REAL WORK, AND I DON'T HAVE TO TELL YOU THE
2 NUMBER OF NIGHTS THAT PEOPLE HAVE WORKED ON COMMITTEES, PREPARING
3 THESE REPORTS, INCLUDING LAST NIGHT, AND THAT ALSO GOES TO
4 THE STAFF.

5 VINCENT BROWN AND HIS STAFF HAVE GROOVED IN AND SHOWN
6 A FLEXIBILITY AND A WILLINGNESS TO MAKE THESE THINGS GO, SOME-
7 HOW, REGARDLESS OF TIME, AND I NEVER DARED TO ASK HIM WHAT THEY
8 DO AROUND COUNCIL TIME IN THE WAY OF OVERTIME, BECAUSE I AM
9 NOT SURE WHAT THE LAW SAYS, OR ANYTHING ELSE. ALL I KNOW IS
10 THAT THESE FELLOWS JUST GET IT DONE.

11 SO, GENTLEMEN, I DO THINK WE HAVE A COUNCIL THAT
12 WE CAN BE PROUD OF, AND THAT WE CAN ALL FEEL THAT, IN CONTINUING
13 AND WORKING FOR IT, WE ARE PART OF SOMETHING THAT IS REALLY
14 CONSTRUCTIVE AND WORTHWHILE.

15 NOW, I WOULD LIKE TO ASK MR. MILLIGAN TO PRESENT
16 THE REPORT OF THE NOMINATING COMMITTEE, AND ASK MR. BRUCE
17 BROWN TO TAKE THE CHAIR.

18 REPORT OF NOMINATING COMMITTEE

19 BY

20 R. L. HILLIGAN, CHAIRMAN

21 MR. MILLIGAN: MR. CHAIRMAN, FELLOW MEMBERS OF THE
22 COUNCIL AND GUESTS.

23 YOUR NOMINATING COMMITTEE WAS APPOINTED BY
24 CHAIRMAN R. G. FOLLIS AT THE LAST MEETING OF THE NATIONAL
25 PETROLEUM COUNCIL ON MARCH 19, 1964.

THIS COMMITTEE WAS COMPOSED OF THE FOLLOWING:

1
2 PAUL G. BENEDUM; JACOB BLAUSTEIN; BRUCE K. BROWN;
3 J. C. DONNELL II, CHARLES S. JONES; L. F. MC COLLUM; B. L.
4 MAJEWSKI; J. R. PARTEN; C. ~~Z.~~ ^{P. RATHER} ~~REISTLE~~; M. H. ROBINEAU; E. L.
5 STEINIGER; W. W. VANDEVEER; J. ED WARREN; AND ROBERT F.
6 WINDFOHR ^{and} ~~FOR~~ YOUR CHAIRMAN.

7 PURSUANT TO THE APPOINTMENT OF THE COMMITTEE, THE
8 MEMBERS WERE INFORMED WITH RESPECT TO THE FUNCTIONS AND DUTIES
9 OF THE COMMITTEE.

10 A MEETING OF THE COMMITTEE WAS HELD IN NEW YORK
11 CITY ON JUNE 16, AT WHICH TEN OF THE FIFTEEN MEMBERS WERE
12 PRESENT, TOGETHER WITH CHAIRMAN R. G. FOLLIS
13 AND MR. N. G. DUMBROS, WHO ACCOMPANIED MR. J. C. DONNELL II
14 AND WHO ACTED AS SECRETARY OF THE MEETING.

15 THE COMMITTEE REGRETFULLY RECEIVED REQUESTS FROM MR.
16 FOLLIS THAT HE BELIEVED IN THE PRINCIPLE OF ROTATING THE
17 CHAIRMAN OF THE COUNCIL AND DID NOT WISH TO HAVE HIS NAME
18 CONSIDERED FOR RENOMINATION; FROM MR. A. JACOBSEN THAT HE BE
19 RELIEVED AS CHAIRMAN OF THE AGENDA COMMITTEE; AND FROM MESSRS.
20 B. L. MAJEWSKI AND J. R. PARTEN, THAT THEY NOT BE RENOMINATED
21 AS MEMBERS OF THE AGENDA COMMITTEE.

22 THE COMMITTEE UNANIMOUSLY DECIDED TO PLACE THE NAME
23 OF JAKE L. HAMON IN NOMINATION AS CHAIRMAN OF THE COUNCIL.

24 THE COMMITTEE ALSO UNANIMOUSLY DECIDED TO PLACE THE
25 NAME OF J. C. DONNELL II IN NOMINATION AS VICE CHAIRMAN
OF THE COUNCIL.

THERE WAS CONSIDERABLE DISCUSSION REGARDING ROTATION.

1
2 IN THE MEMBERSHIP OF THE AGENDA COMMITTEE. THE CONSENSUS OF
3 OPINION WAS THAT FORMAL ROTATION WOULD TEND TO ELIMINATE THOSE
4 WITH THE EXPERIENCE SO VITAL TO THE FUNCTIONING OF THIS
5 COMMITTEE AND THAT IT WOULD BE BEST LEFT TO FUTURE NOMINATING
6 COMMITTEES TO PROVIDE SOME DEGREE OF ROTATION.

7 THE COMMITTEE DECIDED TO PLACE THE NAME OF R. G.
8 FOLLIS IN NOMINATION AS CHAIRMAN OF THE AGENDA COMMITTEE
9 AND THAT THE AGENDA COMMITTEE BE COMPOSED OF THE FOLLOWING:

10 JACOB BLAUSTEIN; HOWARD BOYD; BRUCE K. BROWN;
11 PAUL ENDACOTT; A. JACOBSEN; L. F. MC COLLUM; J. HOWARD
12 MARSHALL; M. J. RATHBONE; JOHN E. SWEARINGEN; J. ED. WARREN.

13 PLEASE NOTE THAT MESSRS. JACOB BLAUSTEIN AND HOWARD
14 BOYD WERE UNANIMOUSLY NOMINATED TO FILL THE VACANCIES CREATED
15 BY THE RETIREMENT OF MESSRS. B. L. MAJEWSKI AND J. R. PARTEN.

16 THE COMMITTEE ALSO DECIDED TO PLACE THE NAME
17 OF FRANK N. IKARD IN NOMINATION AS CHAIRMAN OF THE APPOINTMENT
18 COMMITTEE AND THAT THE APPOINTMENT COMMITTEE BE COMPOSED OF
19 THE FOLLOWING:

20 J. S. BRIDWELL; GEORGE F. GETTY, II; AUGUSTUS C.
21 LONG; ROBERT L. MILLIGAN; C. PRATT RATHER; M. H. ROBINEAU;
22 ROLAND V. RODMAN; HENDERSON SUPPLEE; H. A. TRUE, JR., AND
23 ROBERT F. WINDFOHR.

24 BEFORE I MAKE THESE NOMINATIONS, I WOULD LIKE TO
25 EXPRESS MY PERSONAL APPRECIATION OF THE OPPORTUNITY OF WORKING
WITH THIS COMMITTEE, WHICH WAS A DEDICATED COMMITTEE, AND
THEY WERE WILLING AND ABLE AND READY TO WORK, TO DO THE WORK

1
2 OF THEIR COMMITTEE AND DISCHARGE THE RESPONSIBILITIES WELL
3 AND EXPEDITIOUSLY.

4 THE COMMITTEE RESPECTFULLY SUBMITS THE ABOVE REPORT
5 AND I MOVE THE ACCEPTANCE OF THIS REPORT, AND CONSEQUENTLY
6 THE NOMINATION OF THE FOLLOWING:

7 JAKE L. HAMON, CHAIRMAN OF THE COUNCIL;
8 J. C. DONNELL II, VICE CHAIRMAN OF THE COUNCIL;
9 R. G. FOLLIS; CHAIRMAN OF THE AGENDA COMMITTEE;
10 FRANK N. IKARD, CHAIRMAN OF THE APPOINTMENT
11 COMMITTEE, AND THE PERSONNEL OF THE COMMITTEES AS READ
12 BEFORE.

13 CHAIRMAN BROWN: MR. FORREE?

14 MR. FORREE: MR. CHAIRMAN, QUITE OFTEN ONE IS SAID
15 TO BE IN HIS OWN COMMUNITY, NULL AND VOID. IN THIS CASE OF THE
16 NOMINEE OF THE CHAIRMANSHIP OF THE NATIONAL PETROLEUM COUNCIL,
17 WE DO NOT HAVE THAT SITUATION WITH JAKE L. HAMON.

18 I AM ONE THAT CAN TELL YOU FROM PERSONAL EXPERIENCE,
19 THAT HE HAS WON THE HONOR AND RESPECT OF HIS FELLOW MAN IN
20 DALLAS, TEXAS.

21 MR. HAMON IS A PART OF THE SEGMENT OF THE OIL INDUSTRY.
22 HIS EFFORTS WILL BE FAIR, EQUITABLE, TO ALL CONCERNED. I THINK
23 HE WILL ADD TO THE WELFARE OF THIS NATION; THE PEOPLE, THE
24 GOVERNMENT OFFICIALS, AND ALL SEGMENTS OF THE PETROLEUM INDUS-
25 TRY.

I SECOND THE NOMINATION. THANK YOU.

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CHAIRMAN BROWN: OF THE WHOLE LIST?

MR. FORREE: OF THE WHOLE LIST.

CHAIRMAN BROWN: MAY I HAVE ANOTHER MOTION, OR ARE THERE OTHER NOMINATIONS?

(NONE)

CHAIRMAN BROWN: IN THE ABSENCE OF ANY DISCUSSION, I WILL PUT IT TO A VOTE.

WILL YOU ACCEPT THE MOTION AND THE SECOND OF THE LIST READ BY THE CHAIRMAN OF THE NOMINATING COMMITTEE?

ALL THOSE IN FAVOR PLEASE SAY "AYE".

(AYES)

CHAIRMAN BROWN: OPPOSED?

(NONE)

CHAIRMAN BROWN: THE MOTION IS CARRIED.

CHAIRMAN FOLLIS: THANK YOU, MR. BROWN.

MR. HAMON, AS THE NEW CHAIRMAN AND MR. DONNELL, AS THE NEW VICE CHAIRMAN, PLEASE TAKE OVER THE MEETING.

(APPLAUSE)

CHAIRMAN HAMON: MR. CO-CHAIRMAN AND MEMBERS OF THE COUNCIL. I AM VERY HONORED TO BE SELECTED BY THE NOMINATING COMMITTEE AS YOUR CHAIRMAN. I WANT TO GO BACK INTO A LITTLE HISTORY.

I WAS ON THE WAR BOARD WHICH SERVED FROM PEARL HARBOR ON, AND THEN WHEN PEACE CAME AND THE NATIONAL PETROLEUM COUNCIL WAS FORMED, I WAS SKEPTICAL OF THE RESULTS THAT MIGHT

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1 BE OBTAINED AND SO FOR A YEAR OR SO, I DECLINED MEMBERSHIP
2 ON IT, UNTIL I BECAME IMPRESSED WITH THE FINE WORK THAT THE
3 COUNCIL WAS DOING, AND SO I BECAME A MEMBER OF THE COUNCIL,
4 THANKS TO EMPLOYMENT BY THE SECRETARY OF THE INTERIOR.
5

6 I THINK THAT THIS HAS BEEN AN EXCELLENT EXAMPLE OF
7 GOVERNMENT AND INDUSTRY COOPERATION. CERTAINLY, WE HAVE
8 SERVED THROUGH MANY SECRETARIES OF THE INTERIOR AND ASSISTANT
9 SECRETARIES; AND I FEEL THAT THE COUNCIL HAS MADE A RECORD
10 THAT IT CAN BE PROUD OF, AND WE HAVE ALWAYS ENJOYED THE
11 FINE COOPERATION OF THE INTERIOR DEPARTMENT.

12 IT IS WITH REGRET THAT I NOTE THAT MR. JACOBSEN
13 IS NOT GOING TO SERVE AS CHAIRMAN OF THE AGENDA COMMITTEE.
14 I THINK HE IS ONE OF THE GREATEST FIGURES IN THE OIL INDUSTRY
15 BUT I AM RELIEVED TO SEE THAT HE IS GOING TO SERVE ON THE
16 COMMITTEE AND I AM FURTHER DELIGHTED TO SEE THAT MR. FOLLIS
17 WILL BE THE CHAIRMAN OF THE AGENDA COMMITTEE.

18 WHILE I AM ON THE SUBJECT OF MR. FOLLIS, HE IS A
19 VERY MODEST MAN. I RENT A HOUSE OUT IN SAN FRANCISCO EVERY
20 SUMMER AND I KNOW HOW MUCH THE CITIZENS OF SAN FRANCISCO
21 RESPECT HIM AND LOVE HIM. HE IS ONE OF THE MOST HIGHLY
22 REGARDED MEN IN SAN FRANCISCO THAT IT IS POSSIBLE TO BE.

23 OF COURSE, HE MODESTLY SAYS THAT THAT IS BECAUSE
24 HE BROADCASTS FOR HIS COMPANY, THE GAMES OF THE GIANTS, BUT
25 THAT IS NOT TRUE, OF COURSE. HE HAS WORKED VERY HARD ON
THE COUNCIL BOTH IN RE-ORGANIZING ITS INTERNAL AFFAIRS, AND

1
2 COOPERATING WITH THE SECRETARY AND THE ASSISTANT SECRETARY
3 IN GETTING IT BACK ON THE RAILS WHEN IT LOOKED AS IF IT WAS
4 DERAILED WHEN HE TOOK OVER.

5 I THINK ALL OF US OWE HIM A DEBT OF GRATITUDE FOR
6 THE FINE, UNSELFISH SERVICE THAT HE PERFORMED FOR THE
7 INDUSTRY.

8 I DON'T KNOW OF ANYTHING ELSE THAT I CAN SAY. I
9 WILL TRY TO BE A GOOD CHAIRMAN. IF I AM NOT, DON'T HESITATE
10 TO CRITICIZE ME. I AM USED TO THAT. I AM MARRIED AND SO
11 IT WON'T BOTHER ME AND I WILL BE GLAD TO HAVE IT.

12 NOW, I DON'T KNOW WHETHER OUR VICE CHAIRMAN WANTS
13 TO MAKE ANY REMARKS OR NOT. HE TOLD ME HE ONLY WANTED TO
14 TALK ABOUT 45 MINUTES, SO I AM GOING TO CALL ON MR. DONNELL.

15 (APPLAUSE)

16 MR. DONNELL: I CAN MAKE IT A MUCH SHORTER PERIOD
17 THAN THAT.

18 I WANT TO SAY TO THE MEMBERS OF THE COUNCIL I
19 THINK YOUR SELECTION OF CHAIRMAN HAMON IS AN EXCELLENT ONE.
20 IT WILL BE A PLEASURE FOR ME TO SERVE WITH HIM AND TO HELP
21 HIM DIRECT THE AFFAIRS OF THIS BODY.

22 (APPLAUSE.)

23 CHAIRMAN HAMON: THE CHAIR WILL RECOGNIZE MR.
24 MAJEWSKI.

25 MR. MAJEWSKI: MINE IS A VERY PLEASANT ASSIGNMENT,
ONE THAT I ACCEPTED WITH A GREAT DEAL OF PLEASURE.

1 WHEN THE PEACE TIME GOVERNMENT-INDUSTRY PARTNERSHIP
2 WAS SUGGESTED BY NONE OTHER THAN THE PRESIDENT OF THE UNITED
3 STATES, MR. TRUMAN, HE SAID, TO THE SECRETARY OF THE INTERIOR:

4 "YOU SHOULD, THROUGH SUCH OFFICE AS YOU DESIGNATE,
5 SERVE AS THE CHANNEL OF COMMUNICATION BETWEEN THE FEDERAL
6 GOVERNMENT AND THE PETROLEUM INDUSTRY. I THEREFORE SUGGEST
7 YOU ESTABLISH AN INDUSTRY ORGANIZATION TO CONSULT AND ADVISE
8 WITH YOU." HARRY S. TRUMAN.

9 THE SECRETARY AT THE TIME, WAS JULIUS ^{KRUG}CREW, AND
10 BEFORE PRECEDING TO THE ESTABLISHMENT OF THE COUNCIL OF
11 COURSE, HE CONSULTED WITH THE OFFICES OF THE DEPARTMENT OF
12 JUSTICE, WHICH WE ARE EVER MINDFUL OF.

13 ATTORNEYS GENERAL COME AND GO BUT THEY GIVE US
14 MUCH FOOD FOR THOUGHT.

15 WHILE THIS HAS BEEN AN EXCELLENT, COOPERATIVE
16 SETUP, IT COULD ONLY FUNCTION THAT WAY, BECAUSE THE RULES
17 WERE SET UP. THE SECRETARY WROTE THIS:

18 "IT WOULD BE THE DUTY AND FUNCTION OF THE NATIONAL
19 PETROLEUM COUNCIL TO ADVISE OR INFORM THE SECRETARY OF THE
20 INTERIOR, OR THE DIRECTOR OF THE OIL AND GAS DEPARTMENT --
21 DIVISION -- WITH RESPECT TO ANY MATTER RELATING TO PETROLEUM
22 OR THE PETROLEUM INDUSTRY SUBMITTED TO IT BY THE SECRETARY
23 OR DIRECTOR, AND", HE WENT ON TO SAY THAT IT COULD RAISE
24 THINGS ON ITS OWN MOTION.

25 I HAVE BEEN A MEMBER OF THE COUNCIL SINCE ITS
INCEPTION, AND IT HAS RAISED NOTHING ON ITS OWN MOTION; KNOW-

1 BETTER IN ADVANCE, ALTHOUGH THEY HAVE THE RIGHT TO MAKE
2 SUGGESTIONS.

3 NOW, THE BLOOD STREAM COMES FROM A HEART THROB
4 IN THE ORGANIZATION CALLED THE AGENDA COMMITTEE.

5 THE AGENDA COMMITTEE, SINCE 1950 -- JANUARY -- HAS
6 BEEN HEADED BY A VERY ABLE YOUNG FELLOW NAMED ALFRED JACOBSEN.
7 NOW, BECAUSE HE IS HERE RIGHT NOW, AND WILL RAISE HELL WITH
8 ME IF I CONTINUE TO LAUD HIM, IN PERSON, I WILL JUST TELL
9 YOU THAT HE, IN THE ADMINISTRATION OF THE AFFAIRS OF THE
10 AGENDA COMMITTEE, HAS RULED WITH A GENTLE BUT VERY FIRM
11 HAND; NO DEVIATION FROM THE COURSE. THE COURSE AND THE
12 RULES WERE SET UP AND WE LIVED UP TO THEM AND HE SAW TO IT.

13 HE HAS NOW CHOSEN TO RELAX. WELL HE HAS GOT
14 QUITE A RELAXING PROBLEM IN BOLIVIA AND OTHER PLACES, BUT
15 I DO WANT TO SAY THIS. THE FORMAL RESOLUTION WILL DO IT
16 MUCH BETTER, BECAUSE I WILL HAVE THE ASSISTANCE OF THE
17 CARDINAL ARCH BISHOP AND SOME PROTESTANT THERE, TOO, BUT WE ARE
18 GOING TO GIVE HIM -- AT THE HANDS OF THIS COUNCIL TODAY --
19 THE COMMENDATION -- RESOLUTION OF COMMENDATION AND APPRECI-
20 ATION FOR A TREMENDOUS JOB DONE; KEEPING OUT OF THE TOILS OF
21 THOSE THAT WOULD NOT CAUSE US HARM, AND YOU KNOW, THE OIL
22 INDUSTRY IS KIND OF SUSPECT ANYHOW, IF I MIGHT SAY SO.
23 IN 58 YEARS, I FOUND OUT THAT I HAVE BEEN INDICTED ONCE,
24 RAISED HELL WITH MANY TIMES, BUT NEVER JACOBSEN.

25 SO I WILL HAVE ALL THE FITTING WORDS, WITH THE AID

1 OF TWO APPOINTEES, BY MR. HAMON, OUR NEW CHAIRMAN, AND WE WILL
2 EMBOSS THE RECORD THE RESOLUTION ON THE RECORD, TO THE COUNCIL.
3 IT WILL BE FITTING, AND THEN WE WILL SEND IT TO HIM; BUT
4 WE MUST FIRST GET YOUR AUTHORITY TO DO IT AND I NOW MOVE
5 THAT YOU AUTHORIZE THE PRODUCTION AND ENDORSEMENT OF THIS
6 RESOLUTION OF COMMENDATION AND APPRECIATION BY A TREMENDOUS
7 GUY WHO HAS DONE A TERRIFIC JOB FOR THIS INDUSTRY IN THIS POST.

8 CHAIRMAN HAMON: IS THERE A SECOND TO MR. MAJEWSKI'S
9 MOTION?

10 (SECONDS)

11 CHAIRMAN HAMON: ALL IN FAVOR SIGNIFY BY SAYING
12 "AYE".

13 (AYES)

14 CHAIRMAN HAMON: OPPOSED?

15 (NONE)

16 CHAIRMAN HAMON: THE MOTION IS CARRIED.

17 THANK YOU.

18 MR. JACOBSEN: I WANT TO EXPRESS MY GREAT APPRECIATION
19 TO BARNEY FOR THEM KIND WORDS, AND ALSO MY APPRECIATION
20 TO THE MEMBERS OF THE COUNCIL FOR PASSING THE RESOLUTION.

21 I WOULD LIKE TO SAY A COUPLE OF WORDS ABOUT THE
22 AGENDA COMMITTEE, PARTICULARLY, AND THE COUNCIL IN GENERAL.

23 I HAVE BEEN A MEMBER OF THE COUNCIL SINCE ITS
24 INCEPTION, AND LIKE BARNEY, I WAS WITH THE PREDECESSOR ORGANIZA
25 TION, THE PETROLEUM WAR COUNCIL -- WHATEVER NAME IT WAS.

1 WE DID NOT SET IT UP; IT WAS SET UP BY THE ORDER
2 OF THE PRESIDENT, BUT WHEN THE INTERIOR REPRESENTATIVES
3 DRAFTED THE RULES THAT WE THOUGHT WE WOULD NEED FOR OUR OWN
4 SELF PROTECTION, WE BORE IN MIND THAT QUITE A FEW REPRESENTA-
5 TIVES OF THE INDUSTRY FOUND OUT VERY MUCH TO THEIR DISCOMFORT
6 AND TROUBLE, THAT COMPLYING WITH THE REQUEST OF ONE
7 GOVERNMENT DEPARTMENT, DID NOT INSURE FREEDOM FROM ATTACK BY
8 THE JUSTICE DEPARTMENT, AND I REFER OF COURSE, TO THE MADISON
9 CASE.

10 IT WAS DETERMINED, THEREFORE, THAT THE COUNCIL
11 SHOULD HAVE THE PRIVILEGE OF DECLINING TO DEAL WITH THE
12 MATTERS WHICH WE THOUGHT MIGHT GET US INTO TROUBLE WITH THE
13 JUSTICE DEPARTMENT, OR WE MIGHT CONSIDER FOR ANY OTHER REASON
14 TO BE UNDESIRABLE FOR US TO DEAL WITH.

15 IN ORDER TO ACHIEVE THAT OBJECTIVE, AN AGENDA
16 COMMITTEE WAS SET UP AND THAT AGENDA COMMITTEE IS SORT OF A
17 SCREENING COMMITTEE, THAT LOOKS OVER THE REQUESTS MADE BY
18 THE GOVERNMENT AND DETERMINES WHETHER IN THEIR OPINION, IT
19 IS A PROPER SUBJECT FOR CONSIDERATION BY THE COUNCIL, OR NOT.

20 THE AGENDA COMMITTEE CANNOT ORIGINATE ANYTHING;
21 CANNOT -- HAS NO INITIATIVE, ANY MORE THAN THE COUNCIL HAS.

22 DURING THE YEARS, I DON'T REMEMBER HOW MANY, BUT
23 WE HAVE PROBABLY RUN INTO HUNDREDS OF REQUESTS WE HAVE HAD
24 FROM THE GOVERNMENT FOR REPORTS, AND IN THE VAST MAJORITY
25 OF CASES, THEY HAVE BEEN QUITE SIMPLE. WE HAVE BEEN ABLE
TO SAY, RIGHT OFF THE BAT, "SURE, THIS IS ALL RIGHT."

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THERE HAVE BEEN QUITE A NUMBER OF CASES, THOUGH,
WHERE, IN THE FORM IN WHICH THE REQUEST WAS MADE, THERE WERE
CERTAIN DEFECTS THAT MIGHT GET US INTO TROUBLE. SO, IN THOSE
EVENTS, INSTEAD OF JUST SAYING, "NO, WE DON'T THINK WE CAN DO
THAT", WE HAVE CONFERRED WITH THE PROPER GOVERNMENT OFFICIALS
IN THE INTERIOR DEPARTMENT, AND HAVE WORKED OUT WITH THEM,
MANNERS OF GIVING THE GOVERNMENT WHAT IT WANTED, BUT REQUESTED
IN A FORM THAT MIGHT NOT BE OPEN TO THE OBJECTIONS THAT WE
MIGHT HAVE HAD TO THE REQUEST IN THE ORIGINAL FORM.

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IN OTHER WORDS, OUR PURPOSE ALL ALONG, HAS BEEN TO
BE AS MUCH HELP AS WE COULD, TO THE GOVERNMENT. THERE HAVE
BEEN SOME CASES WHERE THE GOVERNMENT WANTED -- AND LEGITIMATELY
WANTED -- CERTAIN INFORMATION WHICH WE FELT COULD NOT VERY
WELL BE GIVEN BY THE COUNCIL AS A BODY, AND WE HAVE IN THOSE
CASES, FREQUENTLY SUGGESTED TO THE GOVERNMENT, "WELL, YOU CAN
PROBABLY GET THE INFORMATION YOU WANT, IF YOU WILL CONSULT
INDIVIDUALLY WITH DIFFERENT COMPANIES, BUT WE CANNOT ACT ON
IT AS A COUNCIL."

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IN OTHER WORDS, BEING ALIVE TO THE FACT THAT OUR MISSION
IN LIFE, AS A COUNCIL, IS TO BE OF ASSISTANCE TO THE GOVERNMENT,
WITH ADVICE, IN RESPECT TO MATTERS WHERE OUR ADVICE IS SOUGHT,
WE HAVE GONE AS FAR AS WE COULD AND I AM SURE WE WILL CONTINUE
TO GO AS FAR AS WE CAN, TO BE OF ASSISTANCE TO THE GOVERNMENT
IN EVERY WAY.

I HAVE FOUND THAT THERE IS A MISAPPREHENSION, QUITE

1 WIDE SPREAD, IN THE INDUSTRY, WITH RESPECT TO THE POWER OF
2 THE COUNCIL.

3 I HAVE SEEN THE OIL JOURNALS, FOR EXAMPLE. "WELL,
4 WHY DOESN'T THE PETROLEUM COUNCIL DO THIS AND SO," AS IF WE
5 HAD EXECUTIVE POWER. WE DON'T HAVE IT AND WE SHOULDN'T HAVE IT.
6 WE CAN BEST SERVE GOVERNMENT IF WE STAY WHERE WE ARE, NAMELY
7 AS A BODY OF THE INDUSTRY WITH THE VAST RESOURCES OF
8 INFORMATION IN BACK OF US, WHICH THE GOVERNMENT CAN GET, AND
9 WHICH WE CAN SUPPLY TO THE GOVERNMENT IN RESPONSE TO THEIR
10 REQUESTS FOR SPECIFIC REPORTS, AND I AM QUITE SURE THAT IS
11 THE WAY THE COUNCIL WILL CONTINUE TO OPERATE.

12 THANK YOU, GENTLEMEN.

13 (APPLAUSE.)

14 CHAIRMAN HAMON: NEXT WE WILL HAVE THE REPORT
15 ON THE FINANCES AND A COUPLE OF ACTIONS ON THE NATIONAL
16 PETROLEUM COUNCIL BUDGET FOR 1965.

17 MR. VINCENT BROWN.

18 REPORT ON FINANCES: ACTION ON NPC BUDGET
19 FOR FISCAL YEAR 1965: BY VINCENT BROWN.

20 MR. BROWN: ON JUNE 30, 1963, THE CASH BALANCE IN
21 THE GENERAL OPERATING FUND WAS \$20,213. DURING THE FISCAL
22 YEAR 1964, WE TOOK IN FROM ALL SOURCES A TOTAL OF \$120,373,
23 96% OF THIS CAME FROM THE MEMBERS OF THE COUNCIL, IN THE FORM
24 OF ANNUAL CONTRIBUTIONS TO THE BUDGET.

25 IN FISCAL 1964, DISBURSEMENTS FOR BASIC OPERATING
EXPENSES WERE \$107,470; SPECIAL COMMITTEE PROJECTS COST AN

1 ADDITIONAL \$24,316 FOR A TOTAL OUTLAY IN FISCAL '64 OF \$131,786.
2 THERE WAS A TRANSFER OF \$5,000 FROM THE CONTINGENT RESERVE
3 WHICH WAS MADE TO HELP MEET UNBUDGETED NET EXPENSES TOTALING
4 \$8,800.

5 ACCORDINGLY, AT THE CLOSE OF THE FISCAL YEAR ON
6 JUNE 30, 1964, THERE WAS A BALANCE OF \$5,000 IN THE GENERAL
7 OPERATING FUND, AND \$60,000 IN THE CONTINGENT RESERVE FUND.

8 THIS BEING THE FIRST MEETING OF THE COUNCIL IN THE
9 NEW FISCAL YEAR, WE SUBMIT AT THIS TIME, A BUDGET FOR YOUR
10 CONSIDERATION AND AUTHORIZATION, IN ORDER TO COVER COUNCIL
11 OPERATIONS IN THE FISCAL YEAR 1965. THE BUDGET AMOUNT SUGGESTED
12 BY YOUR OFFICERS IS \$132,000 FOR THE PERIOD JULY 1, 1964 THRU
13 JUNE 30, 1965. FOLLOWING APPROVAL OR ACTION BY YOU TODAY
14 OF A NEW BUDGET, LETTERS REQUESTING YOUR INDIVIDUAL CONTRIBU-
15 TIONS WILL BE SENT TO YOU IN EARLY AUGUST.

16 THAT COMPLETES MY REPORT, MR. CHAIRMAN.

17 CHAIRMAN HAMON: MAY I HAVE THE MOTION FOR THE
18 APPROVAL OF THE BUDGET?

19 MEMBER OF AUDIENCE: I SO MOVE.

20 CHAIRMAN HAMON: IS THERE A SECOND?

21 MEMBER OF AUDIENCE: SECOND.

22 CHAIRMAN HAMON: ALL THOSE IN FAVOR, SIGNIFY BY
23 SAYING "AYE".

24 (AYES)

25 CHAIRMAN HAMON: OPPOSED?

(NONE)

1 CHAIRMAN HAMON: THE MOTION IS CARRIED.

2 NEXT, WE WILL CALL ON OUR ALTERNATE CO-CHAIRMAN,
3 THE HONORABLE JOHN M. KELLY, ASSISTANT SECRETARY OF THE
4 INTERIOR.

5 HON. JOHN M. KELLY, ASSISTANT SECRETARY
6 OF THE INTERIOR FOR MINERAL RESOURCES.

7 HON. KELLY: THANK YOU, MR. CHAIRMAN, AND MAY I
8 CONGRATULATE YOU AND THE VICE CHAIRMAN ON YOUR ELECTION, AND
9 ALSO THANK MR. FOLLIS AND MR. CARPENTER FOR THE SERVICES
10 THEY HAVE RENDERED IN THE LAST TWO YEARS, WHEN THEY WERE
11 OFFICERS OF THE COUNCIL.

12 THEY WERE MOST HELPFUL TO THE DEPARTMENT AND THE
13 RECORD, I THINK, PROVES THAT IN THE WONDERFUL REPORTS
14 THAT WE HAVE SEEN ISSUED IN THE PAST TWO YEARS.

15 I WOULD AT THIS TIME, LIKE TO ACKNOWLEDGE THE
16 PRESENCE OF OTHER GOVERNMENT PEOPLE THAT ARE HERE WITH US.

17 THE DEPARTMENT OF THE INTERIOR OF COURSE, IS
18 FULLY REPRESENTED, UNDER THE ABLE LEADERSHIP OF OUR NEW
19 DIRECTOR, ADMIRAL LATTU, IN THE OFFICE OF OIL AND GAS.
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1
2 WELCOME, GENTLEMEN. I HOPE YOU WILL ENJOY THE
3 MEETING AS MUCH AS WE IN THE DEPARTMENT OF THE INTERIOR WILL.

4 THE SECRETARY IN HIS REMARKS GAVE ME A LITTLE OPENING
5 THAT I DID NOT THINK HE WOULD. AS A MATTER OF FACT, AT THE
6 END, HE ADDED A LITTLE BIT TO HIS PREPARED COPY, AND THAT
7 WAS HIS COMMENTS ON THE STUDY THAT THE DEPARTMENT IS UNDER-
8 TAKING ON THE GENERAL HEALTH OF THE OIL INDUSTRY.

9 I THINK, IF YOU WILL RECALL, ALMOST THREE YEARS
10 AGO, IN A STATEMENT BEFORE THE INTERSTATE OIL COMPACT COM-
11 MISSION, I POINTED OUT THAT "THE OIL AND GAS INDUSTRIES IN
12 THE UNITED STATES ARE FACED TODAY WITH A SERIES OF MAJOR
13 PROBLEMS." I WENT ON TO SAY THAT, "THIS IS NOTHING NEW -- THE
14 HISTORY OF THE INDUSTRY HAS BEEN CHARACTERIZED BY PROBLEMS.
15 THE NEW ELEMENT, AND THAT WHICH GIVES RISE TO CONCERN, IS
16 THE APPARENT INABILITY OF THE INDUSTRY TO DEVELOP WORKABLE
17 SOLUTIONS TO THE DIFFICULTIES WITH WHICH IT IS CONFRONTED."

18 IN THE MONTHS THAT HAVE PASSED SINCE THAT APPEARANCE
19 THERE HAVE BEEN GROWING EVIDENCES OF THE OCCUPATION ON THE PART
20 OF THE INDUSTRY WITH THE UNDERLYING PETROLEUM EQUATION, BUT
21 LITTLE IN THE WAY OF REAL ACTION TO DEAL WITH THE PROBLEM HAS
22 BEEN FORTHCOMING FROM INDUSTRY MEMBERS.

23 AS YOU MAY KNOW, THE DEPARTMENT OF THE INTERIOR HAS
24 RECENTLY INITIATED A COMPREHENSIVE STUDY OF THE CURRENT
25 POSITION OF THE DOMESTIC PETROLEUM INDUSTRY FOR USE IN
FORMULATING PETROLEUM POLICIES. WE REGARD THIS STUDY AS ONE

1 OF THE MORE IMPORTANT CONSEQUENCES OF PRESIDENT JOHNSON'S
2 DELEGATION TO SECRETARY UDALL OF RESPONSIBILITY FOR OIL POLICY
3 IN THE EXECUTIVE BRANCH.

4 WE ARE FORTUNATE IN HAVING IN THE NEW DIRECTOR OF
5 THE OFFICE OF OIL AND GAS, ADMIRAL LATTU, A MAN OF RECOGNIZED
6 ABILITY. I HAVE ASKED ADMIRAL LATTU TO TAKE THE LEAD WITHIN
7 THE DEPARTMENT IN THE STUDY NOW GOING FORWARD. IN THIS
8 ASSIGNMENT, THE ADMIRAL IS DRAWING UPON THE EXPERIENCE AND IN-
9 FORMATION AVAILABLE IN THE BUREAU OF MINES, THE GEOLOGICAL
10 SURVEY, AND THE OIL IMPORT ADMINISTRATION, AS WELL AS THE
11 OFFICE OF OIL AND GAS. IN ADDITION, WE ARE UTILIZING DATA
12 COLLECTED BY OTHER AGENCIES OF THE FEDERAL GOVERNMENT AND
13 WILL, IN TIME, TURN TO INDUSTRY SOURCES FOR INFORMATION NOT
14 OTHERWISE AVAILABLE TO US.

15 THE STUDY IS BEING UNDERTAKEN FOR THE PURPOSE OF
16 DEVELOPING THE BASIC FACTS AS THEY APPLY TO THE INDUSTRY. WE
17 ARE ENTERING INTO THIS EXAMINATION WITHOUT ANY PRECONCEPTIONS
18 AS TO THE OUTCOME. WE PROPOSE TO PROVIDE AS MUCH ILLUMINATION
19 AS POSSIBLE ON A SUBJECT WHICH HAS BEEN CHARACTERIZED IN
20 RECENT MONTHS BY HEAT RATHER THAN LIGHT.

21 THE STUDY WILL COVER THE ENTIRE RANGE OF FACTORS
22 BEARING ON PRICES AND COSTS IN THE PETROLEUM INDUSTRY IN THE
23 UNITED STATES. I WOULD LIKE TO POINT OUT SOME OF THE QUESTIONS
24 THAT THE STUDY WILL SEEK TO ANSWER.

25 WE ARE BEGINNING BY DEFINING THE POSITION OF THE
DOMESTIC PETROLEUM INDUSTRY IN THE ENERGY ECONOMY OF THE UNITED

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1 STATES AND OF THE WORLD. THERE HAVE BEEN MAJOR CHANGES
2 IN THIS POSITION OVER THE PAST TEN OR FIFTEEN YEARS. IT IS
3 ESSENTIAL, BEFORE WE DETERMINE THE DIRECTION IN WHICH WE
4 WILL PROCEED, TO KNOW PRECISELY WHERE WE ARE. THE STUDY WILL
5 POINT OUT, AND TO THE EXTENT POSSIBLE, QUANTIFY THE MAJOR
6 SHIFTS IN THE DEMAND FOR PETROLEUM SINCE 1960, AND THE
7 REASONS THEREFOR. WE KNOW THAT THE RATE OF INCREASE IN DEMAND
8 FOR PETROLEUM PRODUCTS, AND IN TURN FOR CRUDE OIL, HAS UNDER-
9 GONE A MAJOR CHANGE IN RECENT YEARS. DURING MUCH OF THE PERIOD
10 SPANNING THE 1940'S AND 50'S, DEMAND FOR PETROLEUM WAS
11 RISING AT A RATE WELL IN EXCESS OF THAT WHICH CHARACTERIZED DEMAND
12 FOR ENERGY AS A WHOLE. ANNUAL INCREASES IN DEMAND OF FIVE AND
13 SIX PERCENT WERE THE RULE RATHER THAN THE EXCEPTION DURING
14 THIS PERIOD. IN RECENT YEARS, THE RATE OF EXPANSION OF
15 PETROLEUM DEMAND HAS BEEN MUCH CLOSER TO THE RATE OF INCREASE
16 FOR TOTAL ENERGY IN THE U. S. ECONOMY. IN SHORT, AN INDUSTRY
17 THAT WAS ORIENTED TO ANNUAL GROWTH OF FIVE-TO-SIX PERCENT
18 IS IN THE PROCESS OF ADJUSTMENT TO AN ANNUAL GROWTH RATE OF
19 TWO-AND-A-HALF TO THREE PERCENT. THE STUDY WILL ATTEMPT
20 TO DEFINE THE EFFECTS ON THE STRUCTURE OF THE INDUSTRY OF
21 THIS SIGNIFICANT VARIATION.

22 FROM AN EXAMINATION OF THE VARIOUS ELEMENTS OF
23 DEMAND WHICH BEAR UPON THE HEALTH OF THE PETROLEUM INDUSTRY,
24 THE STUDY WILL TAKE UP THE CHANGING PATTERN OF SUPPLY. IT
25 WILL CONSIDER VARIATIONS IN REGIONAL PATTERNS OF PRODUCTION,
AND THE EFFECT OF THESE VARIATIONS ON OLDER PRODUCING AREAS.

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IT WILL ANALYZE THE IMPACT OF IMPORTS ON DOMESTIC PRODUCTION AND ASSESS, INSOFAR AS POSSIBLE, THE RESULTS TO DATE -- AND OVER THE FORESEEABLE FUTURE -- OF THE OIL IMPORT CONTROL PROGRAM.

THE NETWORK OF OIL PIPELINES HAS BEEN EXTENDED IN RECENT YEARS TO COVER ALMOST ALL PORTIONS OF THE UNITED STATES. THIS DEVELOPMENT HAS FACILITATED THE INTERSTATE MOVEMENT OF CRUDE, AS WELL AS OF PRODUCTS. IT HAS TENDED TO EVEN OUT THE DIFFERENCES WITHIN THE U. S. PETROLEUM MARKET, REDUCING PREMIUMS AND ELIMINATING PENALTIES THAT FORMERLY HAD BEEN ASSOCIATED WITH GEOGRAPHY. AT THE SAME TIME, THE DEVELOPMENT OF A PIPELINE SYSTEM WHICH KNITS TOGETHER ALL REGIONS OF THE UNITED STATES, HAS UNDENIABLE ADVANTAGES FROM THE STANDPOINT OF SECURITY. WE WISH TO OBTAIN MUCH BETTER KNOWLEDGE THAN WE NOW HAVE OF THE ROLE THAT PIPELINES ARE PLAYING IN THE CURRENT SITUATION OF THE INDUSTRY.

THE STUDY WILL ASSESS THE EFFECTS OF OTHER MAJOR CHANGE IN SUPPLY ELEMENTS. FOR INSTANCE, IT WILL ANALYZE THE EFFECTS ON THE INDUSTRY'S STRUCTURE AND PRICING PATTERNS THAT STEM FROM THE APPARENT TENDENCY TOWARD INCREASING CRUDE SELF-SUFFICIENCY ON THE PART OF MAJOR CRUDE PURCHASERS.

THE STUDY, THEN, WILL GO ON TO ANALYZE THOSE MORE SUBTLE BUT NONETHELESS FUNDAMENTAL CHANGES IN THE STRUCTURE AND INTERNAL BALANCE OF THE INDUSTRY THAT ARE DERIVED FROM TECHNOLOGICAL ADVANCES. IT WILL, FOR EXAMPLE, PROVIDE A

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1
2 CLEAR STATEMENT OF THE IMPACT OF CHANGING REFINERY TECHNOLOGY
3 ON GROSS DEMAND FOR CRUDE AND, EQUALLY IMPORTANT, THE IMPACT
4 OF THESE CHANGES ON THE DEMAND FOR PARTICULAR TYPES OF CRUDE
5 FROM THE PARTICULAR AREAS. IT WILL ASSESS, INSOFAR AS THE
6 DATA ARE AVAILABLE TO US, THE RELATIONSHIP OF CHANGING REFINERY
7 TECHNOLOGY TO PRICING OF SPECIFIC TYPES OF CRUDE.

8 IT IS APPARENT THAT THE ADVANCES IN REFINERY
9 PRACTICES HAVE HAD THEIR MOST OBVIOUS MANIFESTATION IN
10 DECLINING YIELDS OF RESIDUAL FUEL OIL. THEY HAVE HAD LESS
11 APPARENT BUT PERHAPS EQUALLY IMPORTANT IMPLICATIONS WITH
12 RESPECT TO THE QUALITY REQUIREMENTS FOR REFINERY FEED STOCKS.
13 TO THE EXTENT THAT THESE TECHNOLOGICAL ADVANCES IN REFINERY
14 PRACTICES BEAR ON THE OVERALL POSITION OF DOMESTIC PRODUCERS,
15 WE SHALL SEEK TO OBTAIN CLEAR INDICATIONS OF THE FULL RANGE
16 OF THEIR EFFECTS.

17 ADVANCES IN TECHNOLOGY HAVE NOT BEEN LIMITED TO
18 THE REFINING SEGMENT OF THE INDUSTRY. WE HAVE NOTED,
19 WITH CONSIDERABLE CONCERN, THE SHARP REDUCTION IN EXPLORATORY
20 ACTIVITY OVER RECENT YEARS. AT THE SAME TIME, WE SEE THE
21 FINDING-RATE FOR NEW RESERVES HAS NOT KEPT PACE WITH CHANGES
22 IN THE LEVEL OF EXPLORATORY DRILLING. CLEARLY, THERE ARE
23 ELEMENTS AT WORK WHICH ARE TENDING TO MAKE EXPLORATION MORE
24 EFFECTIVE NOW THAN IN EARLIER PERIODS. WHAT ARE THESE
25 ELEMENTS? HOW CAN WE QUANTIFY THEIR EFFECT? TO WHAT DEGREE
SHOULD DECLINING ACTIVITY IN THIS FIELD BE REGARDED AS OF

1 NATIONAL CONCERN?

2 WE WILL ALSO PAY CLOSE ATTENTION TO THE EFFECTS OF TECH-
3 NOLOGY ON DEVELOPMENT DRILLING. WHAT ARE THE IMPLICATIONS FOR
4 THE INDUSTRY AS A WHOLE OF DEEPER WELLS, FASTER PENETRATION
5 RATES, AND MULTIPLE COMPLETIONS--AND HOW ARE THESE FACTORS
6 AFFECTING THE STRUCTURE OF THE INDUSTRY?

7 THE TECHNOLOGY OF SECONDARY RECOVERY APPARENTLY
8 IS UNDERGOING SOMETHING OF A REVOLUTION. THE STUDY WILL ATTEMPT
9 TO WEIGH THE EFFECTS OF THE EXTENSION OF SECONDARY RECOVERY
10 TECHNIQUES ON THE VARIOUS ELEMENTS OF THE PRODUCING INDUSTRY.
11 IN THIS CONNECTION, I MIGHT NOTE THAT I PERSONALLY WAS SURPRISED
12 TO LEARN, IN THE COURSE OF OUR RECENT DISCUSSIONS WITH REPRESENT-
13 TATIVES OF THE INDUSTRY IN DISTRICT V, OF THE EXTENT TO
14 WHICH THE NEWER SECONDARY RECOVERY TECHNIQUES HAVE EMERGED
15 AS MAJOR FACTORS IN PRODUCTION ON THE WEST COAST. IT MAY WELL BE
16 THAT REFINEMENT OF TECHNIQUES FOR RECOVERY OF PETROLEUM FROM
17 FIELDS NOT PREVIOUSLY AFFECTED IS HAVING A PROFOUND EFFECT ON
18 THE INDUSTRY'S STRUCTURE. WE MAY LEARN, FOR EXAMPLE, THAT
19 MANY FIRMS HAVE BEEN SHIFTING INVESTMENT FROM EXPLORATORY
20 DRILLING TO SECONDARY RECOVERY OPERATIONS AS A MEANS OF IM-
21 PROVING THEIR RESERVE POSITIONS. IF SO, THIS DEVELOPMENT
22 WILL HAVE MAJOR RAMIFICATIONS FOR VARIOUS ELEMENTS OF THE
23 INDUSTRY.

24 ANOTHER MANIFESTATION OF TECHNOLOGY HAS BEEN THE
25 ABILITY OF THE INDUSTRY TO EXPAND PRODUCTION WHILE AT THE
SAME TIME REDUCING ITS LABOR REQUIREMENTS. THIS FACTOR, IN

1
2 MY VIEW, IS AN ESSENTIAL CHARACTERISTIC OF ANY INDUSTRY
3 THAT IS TO SURVIVE AND GROW. THE RECENT SUCCESSES OF COAL,
4 FOR EXAMPLE, ARE ATTRIBUTABLE ALMOST ENTIRELY TO THE ABILITY
5 OF THE INDUSTRY TO APPLY TECHNOLOGY IN THE FORM OF MECHANIZA-
6 TION TO ITS PRODUCTION AND TRANSPORTATION PROBLEMS. WE INTEND,
7 THEREFORE, TO EXAMINE THE EFFECTS OF TECHNOLOGY ON EMPLOY-
8 MENT IN THE INDUSTRY.

9 THE STUDY WILL BE DIRECTED PRIMARILY TO AN ANALYSIS
10 OF THE POSITON OF THE PRODUCING SEGMENT OF THE INDUSTRY. IN
11 ITS COURSE, HOWEVER, WE WILL CONSIDER VARIATIONS IN THE PATTERN
12 OF PRODUCT PRICING. I AM PERSONALLY CONCERNED WITH THE EXTREME
13 VOLATILITY OF THE PRICES OF PETROLEUM PRODUCTS AT THE RETAIL
14 LEVEL. THIS CONCERN STEMS PRIMARILY FROM THE POTENTIAL
15 EFFECTS OF THE RADICAL SWINGS WHICH CHARACTERIZE SOME PETROLEUM
16 MARKETS ON THE ABILITY OF CRUDE PRODUCERS TO MAINTAIN THE
17 POSITION THAT THE SECURITY INTERESTS OF THE UNITED STATES
18 DICTATE, BUT ALSO FROM THE VERY POOR IMPRESSION OF THE INDUSTRY
19 THAT CONSUMERS RECEIVE WHEN THEY ARE SUBJECTED TO MAJOR
20 VARIATIONS IN PRICE. WHILE PRODUCT PRICES WILL NOT COMPRISE
21 A MAJOR PORTION OF THE STUDY, THEY ARE, NONETHELESS, ONE OF
22 THE MORE IMPORTANT ELEMENTS AFFECTING THE OVERALL HEALTH
23 OF THE INDUSTRY.

24 ANOTHER MAJOR AREA FOR EXAMINATION COVERS THE
25 EFFECTS OF GOVERNMENT POLICIES ON THE PRODUCING INDUSTRY. I
HAVE ALREADY MADE MENTION OF THE FACT THAT THE STUDY WILL EMBRACE

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CONSIDERATION OF OIL IMPORTS AND, IN TURN, THE OIL IMPORT CONTROL PROGRAM. THERE ARE SEVERAL OTHER AREAS, HOWEVER, THAT HAVE MAJOR IMPLICATIONS FOR THE INDUSTRY. AMONG THESE ARE TAX POLICY. FROM TIME TO TIME I HAVE HEARD STATEMENTS TO THE EFFECT THAT, BECAUSE OF THE TAX STRUCTURE, IT MAY BE MORE ATTRACTIVE TO SELL RESERVES IN PLACE THAN TO PRODUCE THEM. IF SO, THE TAX TREATMENT OF THE PETROLEUM INDUSTRY COULD BE A MAJOR INFLUENCE IN THE DECLINE IN THE NUMBER OF INDEPENDENTS WITHIN THE INDUSTRY. WE WILL WORK WITH THE DEPARTMENT OF THE TREASURY IN DEVELOPING DATA IN THIS AREA.

YET ANOTHER AREA OF FEDERAL POLICY WHICH BEARS DIRECTLY ON THE WELL-BEING OF THE INDUSTRY IS OUR ADMINISTRATION OF THE FEDERAL LANDS AND OF THE OUTER CONTINENTAL SHELF LANDS. POLICIES IN THIS FIELD WILL BE EXAMINED FROM THE STANDPOINT OF THEIR INFLUENCE ON THE STRUCTURE AND COMPOSITION OF THE INDUSTRY.

DURING THE COURSE OF THE STUDY WE SHALL ALSO INQUIRE INTO THE ADEQUACY OF PETROLEUM RESERVES FROM THE STANDPOINT OF THE NATIONAL SECURITY AND WILL UTILIZE THE RESULTS OF THE WORK NOW IN PROGRESS BY THE NATIONAL PETROLEUM COUNCIL IN DELIVERABILITY AND PRODUCIBILITY OF THE INDUSTRY. IN THIS CONNECTION, I THINK IT IS IMPORTANT TO NOTE THAT, DESPITE THE DECLINE IN EXPLORATORY ACTIVITY THAT I MENTIONED ABOVE, RESERVES CONTINUE TO BEAR A FAIRLY CONSTANT RELATIONSHIP TO PRODUCTION. NOT ONLY WILL THE VOLUME OF RESERVES BE CONSIDERED IN THE STUDY, BUT THE DISTRIBUTION OF THESE

1
2 RESERVES AMONG VARIOUS ELEMENTS OF THE INDUSTRY WILL BE
3 CONSIDERED AS WELL. I HAVE SEEN INDICATIONS THAT THE RESERVE
4 POSITION OF THE LARGER FIRMS IN THE INDUSTRY DIFFERS SIGNI-
5 FICANTLY FROM THAT OF THE SMALLER COMPANIES. WE WILL ATTEMPT
6 TO ASSESS THE EXTENT AND SIGNIFICANCE OF THIS APPARENT VARIA-
7 TION.

8 THE LISTING OF TOPICS THAT WILL BE COVERED IN THE
9 COURSE OF THE DEPARTMENT'S EXAMINATION OF THE POSITION OF THE
10 DOMESTIC PRODUCING INDUSTRY WHICH I HAVE PROVIDED IS NOT
11 EXHAUSTIVE BY ANY MEANS. WE INTEND TO COVER ALL OF THOSE
12 ELEMENTS OF THE CURRENT ECONOMIC AND TECHNICAL SCENE WHICH
13 HAVE SIGNIFICANT BEARING ON THE PROBLEM. IN THE COURSE OF TIME,
14 WE WILL NEED THE ASSISTANCE OF ALL SEGMENTS OF THE INDUSTRY
15 TO FILL GAPS IN THE INFORMATION POSSESSED BY THE GOVERNMENT.

16 THE GOAL OF THE STUDY IS TO DEVELOP A CLEAR AND
17 OBJECTIVE ASSESSMENT OF THE CURRENT SITUATION AND OUTLOOK OF
18 THE DOMESTIC INDUSTRY.

19 TOO OFTEN IN THE PAST THREE YEARS, I HAVE HEARD THE
20 ENTIRE RANGE OF PROBLEMS CONFRONTING THE INDUSTRY BLAMED ON
21 THIS OR THAT SINGLE ELEMENT. IN MY VIEW, THE POSITION OF
22 THE INDUSTRY IS COMPLEX, AND ANY DIFFICULTIES WHICH IT MAY BE
23 EXPERIENCING STEW FROM COMPLEX CAUSES.

24 WE WILL NOT SEEK TO JUSTIFY THROUGH THIS STUDY
25 ANYTHING THAT WE HAVE DONE OR ANYTHING THAT WE MAY DO. RATHER,
TO THE BEST OF OUR ABILITY, WE WILL MAKE A DISPASSIONATE

1 /ASSESSMENT OF THE FACTS AS THEY EXIST. IN THIS EFFORT, WE
2 WILL CONTINUALLY BE AWARE OF THE INTEREST OF PRESIDENT
3 JOHNSON WHO HAS STATED THE SITUATION QUITE WELL:
4

5 "THE CHALLENGE OF A MODERN SOCIETY IS TO
6 MAKE THE RESOURCES OF NATURE USEFUL AND
7 BENEFICIAL TO THE COMMUNITY."

8 THANK YOU, MR. CHAIRMAN.

9 (APPLAUSE)

10 CHAIRMAN HANON: THANK YOU, MR. KELLY.

11 WE WILL NEXT HEAR A REPORT FROM THE VICE CHAIRMAN
12 OF THE COMMITTEE PROVED PETROLEUM AND NATURAL GAS RESERVES AND
13 AVAILABILITY, MR. CARL E. REISTLE, JR.

14 FINAL OR PROGRESS REPORTS OF COMMITTEES OF NPC

15 COMMITTEE ON PROVED PETROLEUM AND NATURAL GAS
16 RESERVES AND AVAILABILITY

17 BY

18 CARL E. REISTLE, JR., VICE CHAIRMAN

19 MR. REISTLE: MR. CHAIRMAN, I AM PLEASED TO REPORT
20 TO YOU THAT THE ORGANIZATIONAL PHASE OF THE COMMITTEE ASSIGNMENT
21 HAS BEEN COMPLETED, AND THE APPOINTMENT OF ITS TWO WORKING
22 COMMITTEES. WE ARE FORTUNATE TO HAVE, NOT ONLY A DISTINGUISHED
23 COMMITTEE, BUT ALSO SUBCOMMITTEES HEADED BY MEN WHO ACTIVELY
24 PARTICIPATED IN THE 1961 STUDY.

25 AT THAT TIME, MR. STUART E. BUCKLEY WAS CHAIRMAN
FOR CRUDE OIL AND MR. B. H. GIBBS WAS ASSISTANT TO THE CHAIRMAN
FOR GAS AND GAS LIQUIDS.

FOR THIS STUDY, THESE TWO GENTLEMEN WILL EACH CHAIR

1 THE SAME COMMITTEES.

2 WE ARE ALSO FORTUNATE TO HAVE MR. FRED ^{LOTT}~~LAUGHT~~ AS
 3 GOVERNMENT CO-CHAIRMAN AND MESSRS. C. L. MOORE AND J. ^{J.}~~A.~~ SIMMONS
 4 AS GOVERNMENT CO-CHAIRMAN OF THE WORKING ^{Sub} COMMITTEES^S

5 THE WORK ASSIGNMENT OF THIS COMMITTEE IS MERELY TO
 6 UPDATE THE 1961 STUDY ON CRUDE RESERVES, AND AVAILABILITY.
 7 IN ORDER THAT THE WORK BE CARRIED OUT IN A MANNER SUITED TO
 8 MEET THE GOVERNMENT'S NEEDS, AN INFORMAL CONFERENCE WAS HELD
 9 IN WASHINGTON ON JULY 14, 1964.

10 IN ADDITION, REAR ADMIRAL LATTU, THE NEW DIRECTOR
 11 OF THE OFFICE OF OIL AND GAS WAS PRESENT. THOSE ATTENDING
 12 INCLUDED THE CHAIRMAN, VICE CHAIRMAN, ASSISTANT TO THE
 13 CHAIRMAN, AND THE SECRETARY OF THE COMMITTEE AND THE GOVERNMENT
 14 CO-CHAIRMAN OF THE COMMITTEE AND ITS TWO SUBCOMMITTEES.

15 MESSRS. BUCKLEY AND GIBBS OUTLINED THE PROCEDURES
 16 THEY PROPOSED TO FOLLOW IN GATHERING THE INFORMATION REQUESTED
 17 BY THE GOVERNMENT, AND THESE PROCEDURES HAVE BEEN PUT IN WRITING
 18 AND SUBMITTED TO THE DEPARTMENT OF THE INTERIOR FOR LEGAL REVIEW.

19 THE WORK OF COMPILING THE DATA WILL PROCEED AS SOON AS
 20 THE PROCEDURES HAVE BEEN APPROVED BY THE GOVERNMENT.

21 IT IS ANTICIPATED THAT THE RESULTS OF THE WORK OF
 22 THE TWO SUBCOMMITTEES CAN BE PLACED IN THE HANDS OF THE MAIN
 23 COMMITTEE FOR STUDY BEFORE THE END OF THE YEAR. IF THIS IS
 24 ACCOMPLISHED, THE REPORTS SHOULD BE READY TO SUBMIT TO THE
 25 COUNCIL FOR APPROVAL SHORTLY THEREAFTER.

THAT IS MY REPORT, MR. CHAIRMAN.

1 CHAIRMAN HAMON: THANK YOU.

2 I NOTICED, IN COMMENDING THE VERY FINE WORK OF OUR
3 FORMER CHAIRMAN, I NEGLECTED TO MENTION THE VICE CHAIRMAN. I
4 MUST SAY THAT MR. CARPENTER HAS ATTENDED ALL THE COMMITTEES
5 AS AN EX OFFICIO MEMBER. HIS ADVICE AND COUNCIL HAVE BEEN
6 EXCELLENT. THE COUNCIL CERTAINLY OWES HIM A DEBT OF GRATITUDE
7 FOR HIS UNCEASING DEVOTION TO THE TASKS THAT HE PERFORMED.

8 I WILL NOW CALL ON HIM IN HIS ROLE AS CHAIRMAN
9 OF THE COMMITTEE ON EMERGENCY FUEL CONVERTIBILITY.

10 MR. CARPENTER.

11 (APPLAUSE.)

12 COMMITTEE ON EMERGENCY FUEL CONVERTIBILITY

13 BY

14 ORVILLE S. CARPENTER, CHAIRMAN

15 MR. CARPENTER; THANK YOU FOR YOUR KIND WORDS, MR.
16 CHAIRMAN. I HAVE ENJOYED IT.

17 FOLLOWING THE REQUEST OF THE SECRETARY, THE APPROVAL
18 OF THE AGENDA COMMITTEE, THE COUNCIL AT ITS MEETING ON THE 19TH
19 OF MARCH APPROVED THE APPOINTMENT OF A COMMITTEE TO EXPLORE
20 APPROACHES TO THE PROBLEM OF EMERGENCY FUEL CONVERTIBILITY
21 IN THE NATIONAL ECONOMY, EXCLUDING ELECTRIC UTILITY GENERATING
22 STATIONS.

23 IN MAY OF THIS YEAR, MR. FOLLIS APPOINTED A COM-
24 MITTEE OF 21 MEMBERS OF WHICH I WAS DESIGNATED AS CHAIRMAN
25 AND MR. JOHN RICCA, ASSISTANT DIRECTOR FOR PROGRAMMING,
OFFICE OF OIL AND GAS, DESIGNATED AS THE GOVERNMENT CO-CHAIRMAN,

1 AND COUNCIL SECRETARY-TREASURER, MR. VINCENT BROWN, IS SECRETARY
2 OF THE COMMITTEE, TO ASSIST IT IN RESEARCHING THE SUBJECT
3 OF EMERGENCY FUEL CONVERTIBILITY AND TO EXPLORE WHAT BASIC
4 INFORMATION IS AVAILABLE.

5 THE COMMITTEE DETERMINED THAT A SMALL BUT REPRESENTA-
6 TIVE WORKING GROUP WOULD BE NEEDED.

7 ACCORDINGLY, ON JUNE 16, 1964, CHAIRMAN FOLLIS
8 APPOINTED A 16-MAN TECHNICAL SUBCOMMITTEE UNDER THE CHAIRMAN-
9 SHIP OF MR. W. GIBBS OF MARATHON OIL COMPANY.

10 THE GOVERNMENT CO-CHAIRMAN IS MR. H. J. BARTON,
11 DOMESTIC PETROLEUM PROGRAM SPECIALIST IN THE OFFICE OF
12 OIL AND GAS.

13 THE SUBCOMMITTEE IS SO CONSTITUTED, AS TO HAVE AS
14 ITS REPRESENTATIVES, SIX PEOPLE FROM GAS TRANSMISSION DIS-
15 TRIBUTION COMPANY; SIX FROM PETROLEUM COMPANIES AND THREE
16 FROM OIL OR GAS TRADE ASSOCIATIONS.

17 THE OFFICERS OF BOTH THE MAIN COMMITTEE AND SUB-
18 COMMITTEE MET INFORMALLY TO DISCUSS THE STEPS TO BE TAKEN.
19 IT WAS FELT THAT THE FIRST STEP WOULD BE TO ASK THE SUB-
20 COMMITTEE TO REVIEW AND ADVISE THE MAIN COMMITTEE AS TO
21 (1) WHAT DATA IS AVAILABLE WITH RESPECT TO FUEL CONSUMING
22 UNITS HAVING EXISTING CONVERTIBILITY FEATURES; AND (2)
23 WHAT CATEGORIES OF FUEL CONSUMERS MIGHT BE ADVANTAGEOUSLY
24 STUDIED.

25 THE CHAIRMAN OF THE TECHNICAL SUBCOMMITTEE HAS

1 CALLED THE FIRST MEETING OF HIS GROUP TO BE HELD JULY 30. IT
2 IS ANTICIPATED THAT THE SUBCOMMITTEE WILL MAKE A PROGRESS
3 REPORT TO THE COMMITTEE ON ITS PRELIMINARY RESEARCH AND
4 FINDINGS BY OCTOBER 1.

5 THANK YOU.

6 CHAIRMAN HAMON: THANK YOU, MR. CARPENTER.

7 NEXT WE WILL HEAR THE REPORT OF THE COMMITTEE ON
8 EMERGENCY PREPAREDNESS FOR THE PETROLEUM INDUSTRY, BY ITS
9 CHAIRMAN, MR. A. L. NICKERSON.

10 COMMITTEE ON EMERGENCY PREPAREDNESS FOR THE
11 PETROLEUM INDUSTRY

12 BY

13 A. L. NICKERSON, CHAIRMAN

14 MR. NICKERSON: MR. CHAIRMAN, GENTLEMEN.

15 TODAY I PRESENT THE SECOND REPORT OF THE COMMITTEE
16 ON EMERGENCY PREPAREDNESS FOR THE PETROLEUM INDUSTRY.

17 THIS REPORT, IF ACCEPTED BY THE COUNCIL, COMPLETES
18 THE WORK OF THIS COMMITTEE.

19 THE ORIGINAL ASSIGNMENT TO THE COMMITTEE FROM THE
20 CHAIRMAN OF THE COUNCIL WAS IN TWO PARTS. THE FIRST PART OF
21 THE ASSIGNMENT CONCERNED ITSELF WITH IMPROVING PETROLEUM AND
22 GAS INDUSTRY EMERGENCY PLANNING.

23 THE COMMITTEE WAS ASKED TO PRODUCE A PROTOTYPE SURVIVAL
24 PLAN, THE COMPANIES COULD USE AS A GUIDE TO MINIMIZE LOSS OF
25 PERSONNEL/FACILITIES UNDER POSSIBLE NUCLEAR ATTACK.

IN ADDITION, THE COMMITTEE BROUGHT UP TO DATE IN-
FORMATION THAT WOULD HELP INDUSTRY REHABILITATE DEVASTATED

1 FACILITIES IN THE EVENT OF AN ATTACK.

2
3 A TWO VOLUME REPORT REPRESENTING THE COMMITTEE'S
4 REPORT WAS APPROVED BY THE COUNCIL AT ITS LAST MEETING.

5 THE SECOND PART OF THE ASSIGNMENT CONCERNS THE
6 ADEQUACY OF GOVERNMENT EMERGENCY PLANNING TO INSURE ADEQUATE
7 SUPPLY OF PETROLEUM AND GAS, TO MEET MILITARY AND ESSENTIAL
8 CIVILIAN NEEDS IN A NATIONAL EMERGENCY.

9 THIS WORK INVOLVED A REVIEW OF THE NATIONAL PLAN
10 FOR EMERGENCY PREPAREDNESS AND AN EXAMINATION OF THE DEFENSE
11 PRODUCTION ACT OF 1950, AND THE CIVIL DEFENSE ACT OF 1950,
12 FROM WHICH DERIVES THE AUTHORITY OF THE PRESIDENT TO ACT IN
13 THE INTEREST OF NATIONAL DEFENSE.

14 SOME 18 PRESIDENTIAL EXECUTIVE ORDERS HAVE AS-
15 SIGNED SPECIFIC EMERGENCY PLANNING RESPONSIBILITIES TO
16 VARIOUS FEDERAL DEPARTMENTS, AND AGENCIES, INCLUDING AN
17 ORDER DEFINING THE RESPONSIBILITIES OF THE SECRETARY OF THE
18 INTERIOR, WITH RESPECT TO OIL AND GAS. ALL OF THESE DOCUMENTS
19 WERE EXAMINED TO DETERMINE WHERE CONFLICTS MIGHT EXIST, THAT
20 WOULD HANDICAP EFFECTIVE EMERGENCY OPERATION OF PETROLEUM
21 AND GAS FACILITIES.

22 GOVERNMENT OFFICIALS RESPONSIBLE FOR EMERGENCY
23 PLANNING IN THESE DEPARTMENTS AND AGENCIES WERE CONTACTED,
24 AND FORMER OFFICIALS AND THE PREDECESSOR EMERGENCY AGENCIES,
25 P.A.W. AND P.A.D. WERE INTERVIEWED.

THE COMMITTEE WAS ASKED TO REVIEW PARTICULARLY, THE

1 ORGANIZATION ESTABLISHED BY THE SECRETARY OF THE INTERIOR,
2 TO DEAL WITH HIS DEFENSE RESPONSIBILITIES FOR PETROLEUM AND
3 GAS AND TO SUGGEST ANY CHANGES THAT COULD IMPROVE THE EFFECTIVE
4 UTILIZATION OF PETROLEUM AND GAS RESOURCES FOR PURPOSES OF
5 NATIONAL SURVIVAL AND RECOVERY.
6

7 THE REPORT BEING PRESENTED TODAY, FOR YOUR APPROVAL,
8 COVERS THE SECOND PART OF THIS ASSIGNMENT.

9 BEFORE DEALING WITH THE REPORT, I WISH TO TOUCH UPON
10 THE ASSUMPTIONS ON WHICH THE EMERGENCY ORGANIZATION IS
11 STRUCTURED.

12 IT IS IMPOSSIBLE TO PREDICT WITH ASSURANCE, EITHER
13 THE NATURE OF AN ENEMY'S INTENTIONS, OR HIS SPECIFIC ATTACK
14 OBJECTIVES. A LIMITED NATIONAL EMERGENCY MIGHT DEVELOP
15 SHORT OF ACTUAL HOSTILITIES OR, A NUCLEAR ATTACK COULD OCCUR
16 INVOLVING ENORMOUS AND WIDESPREAD DESTRUCTION.

17 DESPITE THE UNCERTAINTIES IN ANY PLANNING FOR
18 NUCLEAR ATTACK, THE FUNDAMENTAL ASSUMPTION IS THAT THERE
19 WILL BE SURVIVING RESOURCES, HUMAN AND MATERIAL, TO APPLY
20 CONSTRUCTIVELY TO THE TASK OF REHABILITATION.

21 THE EMERGENCY ORGANIZATION OF THE GOVERNMENT OF
22 PETROLEUM AND GAS PROVIDES THE NECESSARY FLEXIBILITY TO MEET
23 THIS RANGE OF CONDITIONS.

24 THE COMMITTEE IS VERY PLEASED WITH THE PLANNING
25 EFFORTS OF THE OFFICE OF OIL AND GAS. THE CREATION OF THE
EMERGENCY PETROLEUM AND GAS ADMINISTRATION ON AUGUST 28, 1963,

1 BY THE SECRETARY OF THE INTERIOR, HAS PROVIDED AN ORGANIZATION
2 KNOWN TO OTHER GOVERNMENT AGENCIES AS READY TO DISCHARGE THE
3 DEFENSE RESPONSIBILITIES OF THE SECRETARY IN THE EVENT OF A
4 CIVIL DEFENSE EMERGENCY.
5

6 THE COMPOSITION OF THE ORGANIZATION PROVIDES GEO-
7 GRAPHIC DECENTRALIZATION AND THE DELEGATION OF AUTHORITY NEEDED
8 TO COPE WITH THE RANGE OF THE EMERGENCY SITUATIONS.
9

10 THE PLANS FOR STAFFING SHOULD PROVIDE THE CAPABILITIES
11 NEEDED TO CARRY OUT THE JOB. OUR REPORT SUGGESTS NO MAJOR
12 CHANGES IN THE BROAD CONCEPT OF GOVERNMENT EMERGENCY PLANNING
13 FOR PETROLEUM AND GAS.
14

15 THE RECOMMENDATIONS THAT WE ARE MAKING, WE
16 BELIEVE, WILL IMPROVE WHAT IS ALREADY A GOOD JOB AND STRENGTHEN
17 THE PREPAREDNESS POSTURE OF THE GOVERNMENT AND THE PETROLEUM
18 AND GAS INDUSTRY.
19

20 THE NATURE OF THE COMMITTEE'S WORK REQUIRED VERY
21 CONSIDERABLE ASSISTANCE FROM REPRESENTATIVES OF MANY GOVERNMENT
22 BRANCHES; ESPECIALLY HELPFUL TO THE COMMITTEE WAS THE
23 ASSISTANCE RENDERED BY MR. JOHN RICCA, MY CO-CHAIRMAN, AND
24 MR. PAUL HOPPER, CO-CHAIRMAN OF THE SUBCOMMITTEE, BOTH WITH
25 THE OFFICE OF OIL AND GAS.

I ALSO EXPRESS MY APPRECIATION FOR THE DEDICATED
EFFORTS OF THE ABLE STAFF OF COUNCIL'S OFFICE, UNDER THE
COMPETENT LEADERSHIP OF THE COUNCIL'S SECRETARY AND TREASURER,
MR. VINCENT BROWN.

1
2 FINALLY, I THANK THE MANY MEMBERS OF THE INDUSTRY
3 WHO SERVED ON THE COMMITTEE; MOST ESPECIALLY I WISH TO
4 THANK MR. CHARLES F. SCOTT; THE MEMBERS OF HIS SUBCOMMITTEE,
5 WHO HAVE PREPARED THIS REPORT. THEY HAVE DEVOTED THEMSELVES
6 TO THEIR DELICATE AND IMPORTANT TASK WITH GREAT INDUSTRY AND
7 THOUGHTFULNESS.

8 I WOULD LIKE TO CALL UPON MR. SCOTT TO PRESENT THIS
9 REPORT TO YOU AND SIMPLY TO SAY THAT HE WILL PRESENT A FEW
10 SLIDES IF THE MEMBERS OF THE COUNCIL AND THEIR GUESTS CARE
11 TO ADDRESS THEMSELVES TO IT.

12 MR. SCOTT.

13 REPORT OF THE NPC - PETROLEUM AND GAS IN
14 A NATIONAL EMERGENCY

15 BY

16 MR. CHARLES F. SCOTT

17 MR. SCOTT: MR. CHAIRMAN AND MEMBERS OF THE COUNCIL,
18 THE FUNDAMENTAL OBJECTIVE OF EMERGENCY PREPAREDNESS
19 FOR THE PETROLEUM AND GAS INDUSTRY IS TO INSURE AN ADEQUATE
20 SUPPLY OF THESE COMMODITIES IN A NATIONAL EMERGENCY TO MEET
21 MILITARY AND ESSENTIAL CIVILIAN NEEDS. ALL EMERGENCY PLANNING IS
22 DIRECTED TOWARDS THIS SINGLE GOAL.

23 THE SECRETARY OF INTERIOR HAS A DOUBLE-BARRELLED
24 ACCOUNTABILITY IN ACHIEVING THIS OBJECTIVE. FIRST, HE IS
25 ACCOUNTABLE FOR INSURING THAT IN A NATIONAL EMERGENCY THE
NATION'S PETROLEUM AND GAS RESOURCES ARE ALLOCATED TO THE
VARIOUS SEGMENTS OF THE ECONOMY IN A MANNER THAT WILL BEST
SUIT THE NATIONAL INTEREST -- AND SECOND, HE IS ACCOUNTABLE AS

1 THE CLAIMANT AGENT FOR THE PETROLEUM AND GAS INDUSTRY TO
2 SECURE FOR THEM IN AN EMERGENCY THE CRITICAL MATERIALS, MAN-
3 POWER, AND TRANSPORTATION REQUIRED TO PRODUCE THE PETROLEUM
4 AND GAS NEEDS OF THE NATION.

5
6 THE SECRETARY HAS CREATED AN ORGANIZATION TO AC-
7 COMPLISH THIS JOB. IT HAS BEEN NAMED THE EMERGENCY PETROLEUM
8 AND GAS ADMINISTRATION. IT IS AN ORGANIZATION INACTIVE IN
9 PEACETIME--BUT ALERT TO ITS RESPONSIBILITIES IN A NATIONAL
10 EMERGENCY. THE PLANNING CONCEPT SURROUNDING THE CREATION OF
11 THIS ORGANIZATION IS SOUND. NAMELY--THERE SHOULD BE AN
12 ORGANIZATION IN BEING--MANNED ON A STANDBY BASIS--KNOWLEDGEABLE
13 AS TO ITS RESPONSIBILITIES--ARMED WITH THE TOOLS IT NEEDS TO
14 ACCOMPLISH ITS MISSION--AND AWARE OF ITS AUTHORITIES--IN
15 OTHER WORDS, AN ORGANIZATION READY TO MOVE INSTANTANEOUSLY
16 SHOULD THE ALERT BUTTON BE PUSHED.

17 IT IS TO THIS ORGANIZATION--EPGA--THAT YOUR COM-
18 MITTEE HAS ADDRESSED ITS ATTENTION. ITS EXAMINATION HAS
19 CENTERED ABOUT THE ANSWERS TO SIX KEY QUESTIONS:

20 A. IS THE ORGANIZATION WELL STRUCTURED TO
21 ACCOMPLISH ITS PURPOSE?

22 B. ARE THE RESPONSIBILITIES SO GROUPED THAT THE
23 NUMBER OF MANAGEMENT LEVELS ARE PROPER--AND THE SPAN OF
24 SUPERVISION ABOUT RIGHT?

25 C. ARE THE AUTHORITIES AVAILABLE TO DO THE JOB?
ARE THERE APPARENT CONFLICTS OF AUTHORITY?

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D. IS THE ORGANIZATION BEING MANNED WITH THE QUALIFIED PEOPLE AND HAVE NECESSARY TRAINING PROGRAMS BEEN ESTABLISHED?

E. WILL THE REQUIRED TOOLS BE AT HAND TO PULFILL THE MISSION? IN TERMS OF INFORMATION NEEDS -- MANUALS OF INSTRUCTION-- AND COMMUNICATION FACILITIES.

F. HAVE WORKING RELATIONSHIPS BEEN ESTABLISHED TO DEAL WITH PROBLEMS OF CROSS-JURISDICTIONAL NATURE--AND WITH MATTERS IN WHICH THE INTEREST IS COMMON TO MANY EMERGENCY ORGANIZATIONS?

SECURING THE ANSWERS TO THESE QUESTIONS HAS INVOLVED YOUR COMMITTEE OVER THE PAST YEAR IN VERY CONSIDERABLE RESEARCH INTO GOVERNMENT PLANNING. MANY GOVERNMENT OFFICIALS HAVE PARTICIPATED--ESPECIALLY MEMBERS OF THE OFFICE OF OIL AND GAS-- THE OFFICE OF EMERGENCY PLANNING--THE OFFICE OF CIVIL DEFENSE-- AND THE DEPARTMENT OF COMMERCE. WE HAD THE BENEFIT OF THE KNOWLEDGE OF FORMER P.A.W. AND P.A.O. OFFICIALS. IN ALL, SOME FIFTY ODD WORKING PAPERS WERE REVIEWED AND DISCUSSED DURING ELEVEN COMMITTEE MEETINGS.

THE DISTILLATION OF THIS WORK IS CONTAINED IN THE TWO BOOKLETS DISTRIBUTED TO YOU THIS MORNING. ONE IS AN ANALYSIS OF GOVERNMENT PLANNING FOR PETROLEUM AND GAS IN A NATIONAL EMERGENCY--AND CONSTITUTES THE FINDINGS OF YOUR COMMITTEE. THE OTHER IS A SUPPLEMENT. IT LISTS THE DATA AND INFORMATION WHICH YOUR COMMITTEE THINKS SHOULD BE ON HAND AT EPGA OFFICES FOR IMMEDIATE USE AT THE OUTSET OF AN EMERGENCY--

1 AND RECOMMENDATIONS AS TO THE FREQUENCY WITH WHICH THE DATA
2 SHOULD BE UPDATED. THE SUPPLEMENT ALSO CONTAINS THE RECOM-
3 MENDATIONS OF YOUR COMMITTEE AS TO THE KINDS OF INFORMATION
4 AND OPERATIONAL MANUALS THAT WOULD PERMIT EPGA TO FUNCTION
5 MOST EFFECTIVELY. A MANUAL OF ORGANIZATION FOR THE KEY POSI-
6 TIONS AT EPGA HEADQUARTERS HAS BEEN PREPARED.

7 THE CONCLUSIONS AND RECOMMENDATIONS OF YOUR COMMITTEE
8 ARE DESCRIBED IN PART ONE OF THE REPORT. I WILL SUMMARIZE
9 THESE VERY BRIEFLY.

10 ORGANIZATION STRUCTURE:

11 THE ORGANIZATION STRUCTURE OF THE EMERGENCY PETROLEUM
12 AND GAS ADMINISTRATION IS A GOOD ONE--IN GENERAL, IT FOLLOWS
13 THE PROVED ORGANIZATION CONCEPTS OF P.A.D., WHILE RECOGNIZING THE
14 NEED FOR GREATER FLEXIBILITY. THE LEVELS OF AUTHORITY FLOW
15 FROM HEADQUARTERS TO EIGHT REGIONAL ADMINISTRATORS, TO
16 FIFTY STATE ADMINISTRATORS, ON DOWN TO LOCAL ADMINISTRATORS
17 WHERE THESE ARE NECESSARY. THE FUNCTIONAL DIVISION OF WORK
18 FOLLOWS CONCEPTS GENERALLY USED BY INDUSTRY.

19 THE ORDER ESTABLISHING EPGA IS SILENT CONCERNING
20 THE RELATIONSHIP OF THE ORGANIZATION, WHEN ACTIVATED, TO
21 THE DEPARTMENT OF INTERIOR. YOUR COMMITTEE RECOMMENDS THAT
22 EPGA BE AN INDEPENDENT AGENCY HEADED UP BY A NATIONAL AD-
23 MINISTRATOR WHO WOULD BE THE SECRETARY OF THE INTERIOR. WE
24 THINK THIS ARRANGEMENT--WHICH PARALLELS P.A.W. AND P.A.D.--
25 PROVIDES THE FREEDOM FOR FLEXIBILITY AND IMPROVISATION THAT
WILL BE NECESSARY FOR SUCCESSFUL OPERATION.

1
2 THE EPGA ORGANIZATION STRUCTURE CONTAINS A LEVEL
3 OF MANAGEMENT--THE ASSOCIATE ADMINISTRATOR--WHICH YOUR
4 COMMITTEE FEELS COULD BECOME A BARRIER TO EFFECTIVE COMMUNICA-
5 TION. IT TENDS TO WEAKEN THE STATURE OF THE DEPUTY ADMINISTRATOR.
6 THE COMMITTEE RECOMMENDS THIS MANAGEMENT LEVEL BE DROPPED
7 FROM THE ORGANIZATION.

8 THE REGIONAL OFFICES OF EPGA ARE NOT IN THE MOST
9 CONVENIENT LOCATIONS FROM THE STANDPOINT OF INDUSTRY CON-
10 CENTRATION. BUT THE LOCATIONS WERE SELECTED BECAUSE THEY
11 ARE AWAY FROM STRATEGIC TARGET AREAS AND CLOSE AT HAND TO
12 CEP/OCD REGIONAL OFFICES. YOUR COMMITTEE ENDORSED THIS LOCATION
13 CONCEPT BECAUSE AN OVERRIDING NEED OF A REGIONAL OFFICE IN
14 AN EMERGENCY WILL BE COMMUNICATION WITH OTHER EMERGENCY
15 AGENCIES OF THE GOVERNMENT.

16 ORGANIZATION OF REGIONAL OFFICES SHOULD BE FLEXIBLE,
17 DEPENDING UPON THE PETROLEUM FUNCTION IN THE REGION THAT
18 APPEARS DOMINANT--THE REGIONAL ORGANIZATION SHOULD GIVE
19 EMPHASIS TO THIS FUNCTION IN ITS STAFFING. THE EXTENT OF
20 ACTIVATION OF REGIONAL OFFICES SHOULD DEPEND UPON THE
21 EMERGENCY CIRCUMSTANCES THAT PREVAIL--IT MAY NOT BE
22 DESIRABLE OR NECESSARY TO ACTIVATE ALL REGIONAL OFFICES
23 SIMULTANEOUSLY.

24 THE JURISDICTIONAL BOUNDARIES OF THE REGIONAL
25 OFFICES ARE NOT COMPATIBLE WITH THE FIVE DISTRICT BOUNDARIES
COMMONLY USED BY THE INDUSTRY. RATHER, THE BOUNDARIES COINCIDE

1 WITH OEP/OCD REGIONAL JURISDICTION. YOUR COMMITTEE ENDORSES
2 THIS BOUNDARY JURISDICTION AS BEING A PRACTICABLE WAY TO DEAL
3 WITH AN EMERGENCY SITUATION. THERE WOULD BE A HOPELESS MIRE OF
4 CONFUSION IF EACH INDUSTRY SOUGHT BOUNDARY JURISDICTION ALONG
5 LINES MOST CONVENIENT TO ITS NATURAL COMPOSITION. THERE IS
6 A NEED, HOWEVER, TO PROVIDE CROSS-BOUNDARY DELEGATIONS OF
7 AUTHORITY. FOR EXAMPLE, THE BOUNDARY LINE BETWEEN REGION 1
8 AND 2 DIVIDES THE REFINERY COMPLEX IN THE DELAWARE RIVER AREA,
9 AND QUITE OBVIOUSLY THE COMPLEX WILL HAVE TO BE LOOKED UPON AS
10 AN INTEGRAL UNIT IN DEALING WITH SUPPLY CAPABILITY.

11 RESPONSIBILITIES:

12 YOUR COMMITTEE URGES THAT THE POSITION OF DEPUTY
13 ADMINISTRATOR NOT BE FILLED ON AN "EX OFFICIO" BASIS. THE
14 DEPUTY ADMINISTRATOR SHOULD BE DESIGNATED THE CHIEF OPERATING
15 EXECUTIVE OF EPGA AND THE POSITION FILLED BY AN INDIVIDUAL
16 WHO HAS WIDE KNOWLEDGE OF PETROLEUM AND GAS OPERATIONS,
17 AND WHO HAS THE FULL CONFIDENCE OF INDUSTRY AND GOVERNMENT.
18 THE ULTIMATE SUCCESS OF EPGA WILL TO A LARGE DEGREE REST
19 ON THIS SELECTION.

20 YOUR COMMITTEE RECOMMENDS THAT OTHER KEY POSITIONS
21 IN EPGA ARE NOT FILLED EX OFFICIO. THE CRITERIA FOR SELECTION
22 OF CANDIDATES SHOULD BE QUALITY IN TERMS OF ABILITY, KNOWLEDGE
23 AND EXPERIENCE.

24 THE COMMITTEE NOTED THAT THE HEADQUARTERS OFFICE OF
25 EPGA WAS NOT PROVIDED WITH ITS SEPARATE AND INDEPENDENT LEGAL

1 AND FINANCIAL COUNSELORS. THE REVIEW OF THE P.A.D. ORGANIZATION
2 INDICATED THAT THERE WAS A CLEAR NEED FOR THESE STAFF
3 POSITIONS AND THE COMMITTEE RECOMMENDS THESE STAFF POSITIONS
4 BE INCLUDED IN THE TABLE OF ORGANIZATION.

5 THE COMMITTEE THINKS IT DESIRABLE THAT THE NATIONAL
6 ADMINISTRATOR AND THE DEPUTY ADMINISTRATOR HAVE A SECRETARIAT
7 TO PROVIDE THE MANY STAFF SERVICES NECESSARY TO COPE WITH THE
8 WIDE RANGE OF COORDINATING NEEDS OF THE ORGANIZATION. P.A.W.
9 USED SUCH A STAFF UNIT WITH CONSIDERABLE SUCCESS.

10 AUTHORITIES:

11 YOUR COMMITTEE CONSIDERED THE AUTHORITIES THAT
12 THE DEPARTMENT OF INTERIOR WOULD NEED TO HAVE WORKED OUT
13 IN ADVANCE OF AN EMERGENCY IF EPGA WERE TO ACT EFFECTIVELY
14 IMMEDIATELY UPON ACTIVATION. SPECIFIC SUB-DELEGATIONS OF
15 AUTHORITY SHOULD BE OBTAINED FROM THE SECRETARY OF COMMERCE
16 FOR PRIORITIES AND ALLOCATIONS POWERS OVER MATERIALS AND
17 SUPPLIES NECESSARY FOR PETROLEUM AND GAS OPERATIONS.

18 YOUR COMMITTEE THINKS EPGA COULD IMPROVE TANKER
19 SUPPLY CAPABILITY IF THE NATIONAL SHIPPING AUTHORITY WOULD SUB-
20 DELEGATE TO IT "SLATING" AUTHORITY. BY THIS, WE MEAN THE
21 PROCESS OF MATCHING THE DIMENSIONS AND SEGREGATION OF TANKERS
22 ALLOCATED TO IT WITH THE CHARACTERISTICS OF THE PETROLEUM TO
23 BE MOVED, AFTER TAKING INTO ACCOUNT LIMITATIONS OF CANALS AND
24 LOADING AND DISCHARGE PORTS.

25 YOUR COMMITTEE RECOMMENDS THAT THERE BE DEVELOPED
BEFORE AN EMERGENCY SIMPLE, SELF-ADMINISTERING REGULATIONS

1 FOR PROMULGATION BY EPGA IN AN EMERGENCY WHICH WOULD SERVE AS
2 GUIDELINES TO THE INDUSTRY IN HANDLING ITS CLAIMS FOR MATERIAL,
3 MANPOWER AND TRANSPORTATION. THE SUCCESS OF THE ORGANIZATION
4 WILL DEPEND UPON GETTING INDUSTRY BACK ON ITS FEET WITH A
5 MINIMUM OF PAPER WORK.

6 THE POWER TO REQUISITION NOW RESTS WITH THE PRESIDENT,
7 AND IT IS RECOGNIZED IT MAY BE USED FOLLOWING WIDESPREAD
8 DESTRUCTION, PARTICULARLY IF IT BECOMES NECESSARY TO CANNIBALIZE
9 DAMAGED FACILITIES IN ORDER TO CREATE PRODUCTIVE CAPACITY.
10 THE COMMITTEE RECOMMENDS THAT THE DEPARTMENT OF INTERIOR
11 WORK OUT ARRANGEMENTS TO INSURE THAT THOSE VESTED WITH
12 REQUISITIONING POWER FOLLOW PLANS THAT HAVE TECHNICAL FEASI-
13 BILITY.

14 THE COMMITTEE RECOGNIZED THAT THE PRIVATE ENTERPRISE
15 SYSTEM COULD BE DRASTICALLY ALTERED FOLLOWING WIDESPREAD
16 DESTRUCTION AND URGES THAT APPROPRIATE GOVERNMENT AGENCIES
17 GIVE THOUGHT TO THE PROBLEM OF RE-ESTABLISHING THE INDUSTRY
18 ON A COMPETITIVE BASIS FOLLOWING THE AFTERMATH OF A MAJOR
19 NUCLEAR ATTACK.

20 RECRUITMENT AND TRAINING.

21 YOUR COMMITTEE REVIEWED THE RECRUITMENT AND TRAINING
22 PLANS OF THE DEPARTMENT AND CONCLUDED:

23 EPGA SHOULD BE MANNED WITH THE MOST COMPETENT
24 PERSONNEL FROM INDUSTRY. IN ORDER TO MOTIVATE TOP QUALITY / INDUSTRY
25 PERSONNEL TO ACCEPT EXECUTIVE RESERVISTS POSITIONS IN THE

1 STANDBY ORGANIZATION, THE CONDITIONS OF EMERGENCY EMPLOYMENT
2 AND THE RESPONSIBILITIES OF THE INDIVIDUAL SHOULD BE DEFINED
3 MORE PRECISELY.

4 THE CONFLICT OF INTEREST STATUTES MAY HAMPER THE
5 EFFICIENT OPERATION OF EPGA BECAUSE THE STATUTES RESTRICT
6 EXECUTIVE RESERVISTS FROM PARTICIPATING IN DECISIONS OF A
7 GENERAL NATURE THAT MIGHT IN TURN AFFECT A PRIOR EMPLOYER.
8 YOUR COMMITTEE AGREES THAT RESERVISTS SHOULD DISQUALIFY THEM-
9 SELVES FROM PARTICIPATION IN ACTIONS WHICH WOULD ONLY AFFECT
10 A COMPANY IN WHICH A RESERVIST HAS A FINANCIAL INTEREST. BUT
11 ON THE OTHER HAND, THE RESTRICTIVE NATURE OF THE STATUTES
12 WILL CREATE PROBLEMS WHEN ACTIONS ARE REQUIRED UNDER EMERGENCY
13 CONDITIONS, YOUR COMMITTEE RECOMMENDS THIS PROBLEM BE
14 EXAMINED FURTHER BY THE OFFICE OF EMERGENCY PLANNING.

15 YOUR COMMITTEE URGES THAT THE RECRUITMENT AND
16 TRAINING OF EXECUTIVE RESERVISTS PROCEED MORE RAPIDLY. WE
17 SUGGEST THAT A SPECIFIC TIMETABLE BE DEVELOPED TO ACHIEVE
18 THE GOAL OF COMPLETED MANNING OF THE TABLE OF ORGANIZATION
19 OF EPGA WITH STANDBY STAFF.

20 INFORMATION AND COMMUNICATIONS:

21 THE SUPPLEMENT CONTAINS RECOMMENDATIONS ON INFORMA-
22 TION THAT SHOULD BE ON HAND AT EPGA HEADQUARTERS AND REGIONAL
23 OFFICES IN ANTICIPATION OF AN EMERGENCY, AND RECOMMENDS THE
24 FREQUENCY WITH WHICH THIS INFORMATION SHOULD BE UPDATED.

25 THE SUPPLEMENT ALSO CONTAINS SPECIFIC RECOMMENDATIONS
AS TO TYPES OF MANUALS THAT SHOULD BE DEVELOPED. PARTICULARLY,

1 WE THINK IT IMPORTANT THAT THE OIL AND GAS INDUSTRY BE MADE
2 MORE AWARE OF WHAT GOVERNMENT IS DOING IN THE AREA OF EMERGENCY
3 PREPAREDNESS, AND WE HAVE RECOMMENDED THAT A GENERAL INFORMATION
4 HANDBOOK BE PREPARED WHICH WOULD EXPLAIN THE OVER-ALL ROLE OF
5 EPGA AND ITS RELATIONSHIP TO THE OIL AND GAS INDUSTRY IN THE
6 EVENT OF AN EMERGENCY.
7

8 WE HAVE ALSO RECOMMENDED AN ORGANIZATION MANUAL BE
9 PREPARED DESCRIBING IN DETAIL THE ORGANIZATION STRUCTURE
10 OF EPGA AND THE PROVINCE AND FUNCTION OF EACH KEY POSITION WITHIN
11 THE ORGANIZATION. AS I MENTIONED EARLIER, WE HAVE DEVELOPED
12 IN DETAIL THIS MANUAL FOR THE HEADQUARTERS ORGANIZATION.

13 WE HAVE ALSO SUGGESTED THAT AN ADMINISTRATION
14 MANUAL BE PREPARED WHICH WOULD SET FORTH THE POLICIES DEALING
15 WITH THE ADMINISTRATION OF PERSONNEL, EQUIPMENT, BUDGETS,
16 FINANCES, ETC.

17 AND FINALLY, WE HAVE RECOMMENDED A SET OF OPERATIONS
18 MANUALS BE PREPARED FOR EACH FUNCTIONAL DIVISION WHICH WOULD
19 OUTLINE IN DETAIL THE RESPONSIBILITIES, PROCEDURES, AND
20 RELATIONSHIPS FOR EACH PARTICULAR FUNCTION.

21 YOUR COMMITTEE HAS SUGGESTED HOW INDUSTRY COULD
22 ASSIST THE DEPARTMENT IN THE COMPILING OF THIS INFORMATION
23 AND IN THE PREPARATION OF THE MANUALS.

24 ONE AREA THAT NEEDS FURTHER STUDY, AND IN FACT,
25 CONTINUOUS COORDINATION, IS THAT OF COMMUNICATIONS. THE KEY
TO THE EFFECTIVENESS OF EPGA WILL BE ITS ABILITY TO COMMUNICATE

1
2 WITH INDUSTRY AND WITH OTHER GOVERNMENT AGENCIES UNDER CONDITIONS
3 OF NATIONAL EMERGENCY. YOUR COMMITTEE RECOMMENDS THAT CLOSE
4 AND CONTINUOUS COORDINATION BE MAINTAINED BETWEEN GOVERNMENT
5 AND INDUSTRY IN DEVELOPING ADEQUATE COMMUNICATIONS CHANNELS
6 FOR EMERGENCY USE.

7 RELATIONSHIPS:

8 YOUR COMMITTEE REVIEWED THE RELATIONSHIPS THAT
9 SHOULD BE DEVELOPED IN THE PRE-EMERGENCY PERIOD AND DURING
10 A NATIONAL EMERGENCY TO ACHIEVE A SMOOTHLY FUNCTIONING ORGANIZA-
11 TION. CERTAIN RESPONSIBILITIES APPEAR TO OVERLAP THE JURIS-
12 DICTIONAL LINES OF OTHER FEDERAL AGENCIES. THE DEPARTMENT
13 OF INTERIOR, THROUGH AN INTERAGENCY COORDINATION COMMITTEE,
14 MAY WISH TO REVIEW THESE CROSS JURISDICTIONAL AREAS TO SEEK
15 WORKABLE SOLUTIONS. THE REPORT MENTIONS THESE GREY AREA RES-
16 PONSIBILITIES.

17 THE DEPARTMENT MAY WISH TO AGREE WITH OTHER FEDERAL
18 AGENCIES ON THE INTER-AGENCY COMMITTEES THAT SHOULD COME INTO
19 BEING TO DEAL WITH COMMON PROBLEMS ARISING FROM AN EMERGENCY.
20 THE REPORT SUGGESTS COMMITTEES THAT MIGHT COPE WITH THESE
21 KINDS OF MATTERS.

22 THERE MAY BE CONFLICTS OF AUTHORITY BETWEEN FEDERAL
23 AND STATE EMERGENCY PLANNING GROUPS IN DEALING WITH
24 PETROLEUM AND GAS MATTERS. WE THINK THESE RELATIONSHIPS
25 SHOULD BE CLARIFIED.

1
2 FINALLY, THE COMMITTEE CONCLUDED THAT PLANNING FOR A
3 NATIONAL EMERGENCY MUST BE CONTINUOUS TO MEET CHANGING ENVIRON-
4 MENTAL CONDITIONS. THERE SHOULD BE AN OPEN CHANNEL FOR CONSTANT
5 COMMUNICATION BETWEEN GOVERNMENT EMERGENCY PLANNERS AND INDUSTRY
6 EMERGENCY PLANNERS. YOUR COMMITTEE THINKS THAT THE PLANNING
7 EFFORTS OF BOTH GOVERNMENT AND INDUSTRY WILL BE VASTLY IMPROVED
8 IF THE SECRETARY OF THE INTERIOR CONSIDER ESTABLISHING A
9 STANDING COMMITTEE TO WORK WITH THE DEPARTMENT OF INTERIOR
10 IN HELPING TO COMPLETE MUCH OF THE UNFINISHED WORK.

11 IN SUMMARY, OUR CONCLUSIONS WERE AS MR. NICKERSON STATED
12 THE EMERGENCY PLANNING EFFORTS OF THE DEPARTMENT OF INTERIOR
13 TO DEAL WITH OIL AND GAS ARE BASED ON SOUNDLY CONCEIVED
14 PRINCIPLES OF ORGANIZATION.

15 THE CHANGES RECOMMENDED SHOULD STRENGTHEN THE
16 PREPAREDNESS POSTURE OF GOVERNMENT AND THE PETROLEUM INDUSTRY
17 AND INSURE THAT THE DEFENSE RESPONSIBILITIES OF THE SECRETARY
18 OF INTERIOR ARE DISCHARGED WITH A HIGH DEGREE OF SUCCESS.

19 THANK YOU.

20 MR. NICKERSON; MR. CHAIRMAN, I MOVE THE ADOPTION
21 OF THE REPORT.

22 MEMBER OF AUDIENCE: SECOND.

23 CHAIRMAN HAMON: ALL THOSE IN FAVOR?

24 (AYES)

25 CHAIRMAN HAMON: OPPOSED?

(NONE)

1 CHAIRMAN HAMON: IT IS SO ORDERED.

2 MR. NICKERSON, I WANT TO THANK YOU AND YOUR WORKING
3 SUBCOMMITTEE FOR A VERY SPLENDID AND COMPREHENSIVE REPORT,
4 WHICH I KNOW WILL BE A PERMANENT VALUE.

5 NEXT, I AM GOING TO CALL ON THE HONORABLE EDWARD
6 A. MC DERMOTT, DIRECTOR OF THE OFFICE OF EMERGENCY PLANNING.

7 HON. EDWARD A. MC DERMOTT, DIRECTOR
8 OFFICE OF EMERGENCY PLANNING

9 HON. MC DERMOTT: MR. CHAIRMAN, DISTINGUISHED
10 GUESTS, AND MEMBERS OF THE COUNCIL. I WAS PLEASED TO NOTE
11 THAT THE DEPARTMENT OF THE INTERIOR IS PAYING SERIOUS HEED
12 TO PRESIDENT JOHNSON'S ADMONITIONS FOR ECONOMY, IN THAT A
13 GOOD SHARE OF THE MEETING THIS MORNING HAS BEEN CONDUCTED
14 IN THE DARK.

15 I THINK THAT IS AS IT SHOULD BE. I AM VERY
16 IMPRESSED WITH THE REPRESENTATION AT THIS MEETING TODAY, AND I
17 KNOW OF NO RESOURCE AREA WITH WHICH WE DEAL IN EMERGENCY PRE-
18 PAREDNESS, THAT HAS THE QUALITY OF PRIVATE SECRETARY PARTI-
19 CIPATION, AND THE AND THE ADVISORY TALENT THAT HAS BEEN
20 ASSEMBLED IN THIS COUNCIL.

21 I THEREFORE, WELCOME THE OPPORTUNITY TO SPEAK TO YOU
22 BRIEFLY, AND I AM PLEASED TO PARTICIPATE IN THIS MEETING,
23 BECAUSE THE COUNCIL HAS BEEN A DRIVING FORCE IN A NATION-WIDE
24 EFFORT TO PLAN FOR THE MAXIMUM USE OF OUR PETROLEUM RESOURCES
25 IN AN EMERGENCY.

1 YOUR ANALYSIS OF GOVERNMENT PLANNING IN THE
2 PETROLEUM AND GAS INDUSTRY IS ONLY ONE INITIATIVE AMONG THE
3 MANY YOU HAVE TAKEN, WHICH HAVE A DIRECT BEARING ON OUR
4 NATIONAL SECURITY.

5 THE COUNCIL'S TECHNICAL REPORTS ARE ESPECIALLY
6 VALUABLE, BECAUSE NO SUCH CAPABILITIES EXIST WITHIN GOVERNMENT,
7 AND THE BASIC INFORMATION MUST COME FROM YOUR INDUSTRY.

8 IN MY THREE YEARS OF EXPOSURE TO EMERGENCY PLANNING,
9 I RUN ACROSS NUMEROUS REPORTS ORIGINATING WITH THE COUNCIL.
10 I CAN CONFIRM THE CHAIRMAN'S OBSERVATIONS, THAT THEY ARE AMONG
11 STANDARD REFERENCE WORKS IN EMERGENCY PLANNING.

12 THE REPORTS ON MANPOWER AND PRODUCTION AND REFINING
13 CAPACITY, THROUGH DISCOVERIES; STORAGE AND INVENTORY;
14 TRANSPORTATION; SOVIET BLOC EXPORTS AND THE LIKE ALWAYS
15 SEEM TO WIND UP ON MY DESK AS BACKGROUND MATERIAL FOR IMMEDIATE
16 DECISION.

17 I WAS PARTICULARLY IMPRESSED WITH YOUR EARLIER REPORT
18 ON EMERGENCY PLANNING FOR THE PETROLEUM AND GAS INDUSTRY,
19 WHICH IS AN EXCELLENT GUIDE TO INDUSTRY, FOR EMERGENCY
20 PLANNING.

21 I UNDERSTAND FROM THIS MORNING'S COMMENTS, THAT
22 FOUR MORE REPORTS ARE IN THE MILL AND IN THE AGGREGATE, THEN,
23 FOR THE SIZE OF YOUR STAFF, YOU ARE AN AMAZINGLY PROLIFIC
24 GROUP.

25 SO FAR AS THE REPORT UNDER DISCUSSION TODAY IS

1 CONCERNED, I HAVE REVIEWED IT ONLY IN DRAFT FORM. I WAS,
2 NEVERTHELESS, AGAIN IMPRESSED BY ITS THOUGHT PROVOKING CONTENT.
3 MR. NICKERSON AND MR. RICCA AND MR. SCOTT AND MR. HOPPER, AND
4 THE OTHERS WHO CONTRIBUTED TO THIS UNDERTAKING, DESERVE OUR
5 THANKS AND PRAISE FOR THEIR LABORS.

6 I WILL ADDRESS MYSELF TO THIS ANALYSIS OF GOVERNMENT
7 EMERGENCY PLANNING IN JUST A MOMENT.

8 AS A BACKGROUND FOR THIS DISCUSSION, PERMIT ME TO SAY
9 A FEW WORDS ABOUT THE OFFICE OF EMERGENCY PLANNING IN GENERAL,
10 AND THE CONCEPT OF O. D., R., THE OFFICE OF DEFENSE RESOURCES,

11 A STRUCTURE WHICH WE ENVISION, WOULD COME INTO
12 BEING IN THE EVENT OF A NATIONAL EMERGENCY. AS THE NAME,
13 OFFICE OF EMERGENCY PLANNING SUGGESTS, WE ARE ESSENTIALLY
14 A PLANNING AGENCY BUT WE DO HAVE SOME OPERATIONAL RESPONSIBILITIES
15 EVEN NOW. THESE INCLUDE SUPERVISION OF STOCK PILE PROGRAMS,
16 ADMINISTRATION OF FEDERAL DISASTER ASSISTANCE -- WITH ALASKA
17 A CONSUMING EFFORT AT THE MOMENT -- AND CERTAINLY, TELA-
18 COMMUNICATION ACTIVITIES ON BEHALF OF THE PRESIDENT.

19 UNDER THE TRADE EXPANSION ACT, PRESIDENTIAL
20 PROCLAMATION 3279, WE CONDUCT INVESTIGATIONS TO DETERMINE
21 THE EFFECT OF IMPORTS ON THE NATIONAL SECURITY. IN THIS
22 REGARD, WE MAINTAIN A MONTHLY SURVEILLANCE OF RESIDUAL FUEL
23 OIL PRICES, WITH WHICH YOU ARE UNDOUBTEDLY FAMILIAR.

24 IN ADDITION TO THESE OPERATIONAL RESPONSIBILITIES,
25 MANY OF OUR PEOPLE ARE PLANNING -- PLANNING IN ADVANCE FOR THE

1 POSSIBLE EMERGENCIES THAT COULD THREATEN THIS COUNTRY, RANGING
2 FROM COLD WAR TO LIMITED CONFLICTS, TO THE CONTINUING PERIL OF
3 NUCLEAR ATTACK.

4 THE GOAL OF OEP IS TO ASSURE THAT THE UNITED STATES
5 COULD WITHSTAND SUCH AN EVENTUALITY, MOUNT A QUICK RESPONSE,
6 AND EFFECT A SWIFT RECOVERY.

7 ABOVE ALL, WE MUST BE PREPARED TO MINIMIZE THE
8 CHAOS AND THE CONFUSION THAT COULD SMOTHER OUR SOCIETY IF
9 THERE WERE NO GOVERNMENT AUTHORITY TO GIVE DIRECTION.

10 WITH THIS SOBERING POSSIBILITY BEFORE US, WE
11 IMPLEMENT PROGRAMS TO ASSURE THAT EACH FEDERAL DEPARTMENT
12 AND AGENCY HAS CLEARLY DEFINED EMERGENCY RESPONSIBILITIES,
13 AND IS PREPARED TO EXERCISE THEM.

14 TO FACILITATE THIS WORK, WE CONTINUALLY ASSESS THE
15 RESOURCES OF THE UNITED STATES, MEN, MATERIAL, POWER SOURCES,
16 AND TRANSPORTATION FACILITIES, TO MEET THE DEMANDS OF BOTH
17 CONVENTIONAL AND NUCLEAR WAR.

18 AT OUR NATIONAL RESOURCES EVALUATION CENTER, WHICH
19 IS IN A PROTECTED FACILITY, WE TRANSLATE THIS INFORMATION INTO
20 COMPUTER MEMORIES, GETTING A MORE COMPLETE PICTURE OF OUR
21 COUNTRY WITH EACH ADDED BIT OF DATA.

22 SINCE EMERGENCY RESOURCE MANAGEMENT COVERS EVERY
23 FACET OF OUR SOCIETY, RESPONSIBILITY SPREADS TO MOST GOVERNMENT
24 AREAS. IN SHORT, THE PLANNING FOR EMERGENCY MANAGEMENT OF
25 RESOURCES, POST ATTACK, MUST ALSO TAKE INTO ACCOUNT THE
POSSIBILITY THAT MANY AREAS OF THE COUNTRY MAY BE FORCED TO

1
2 FEND FOR THEMSELVES, TEMPORARILY CUT OFF FROM CENTRALIZED
3 FEDERAL DIRECTION.

4 SO WE ARE WORKING WITH STATE AND LOCAL LEADERS
5 TO ASSURE THAT THEY ARE READY TO ASSUME FEDERAL OBLIGATIONS
6 IN RESOURCE AND ECONOMIC STABILIZATION FIELDS, IN CASE
7 COMMUNICATIONS SHOULD BREAK DOWN. WE CALL THIS COOPERATION
8 BETWEEN FEDERAL, STATE AND LOCAL LEADERS, THE COMPREHENSIVE
9 PROGRAM FOR THE SURVIVAL OF GOVERNMENT AND MANAGEMENT OF
10 RESOURCES.

11 I WILL NOT AMPLIFY ANY FURTHER. THIS INTERLOCKING
12 CONCEPT OF CONTROL AND DIRECTION IS THE KEYSTONE OF OUR
13 PRESENT PLANNING. WE REALIZE ALSO THAT OEP IS BY NO MEANS
14 THE END ALL OF EMERGENCY PLANNING. OEP AND THE BLUE PRINTS
15 FOR SURVIVAL IT SEEKS TO DEVELOP AND CONSTANTLY IMPROVE, IS
16 MERELY THE SHADOW OF AN ELABORATE CONCEPT THAT MUST ACQUIRE
17 SUBSTANCE SHOULD AN ATTACK BEFALL IT. IN OTHER WORDS, WE
18 NOT ONLY CONCEIVE PLANS, BUT WE ARE ALSO THE CRITICAL CUSTO-
19 DIANS OF GOVERNMENT-WIDE PLANNING. IT IS OUR RESPONSIBILITY
20 TO HAVE AT THE READY, ALMOST ANALAGOUS TO A SENTRY WALKING
21 OF POST, THE CONCEPT WHICH WOULD BE INVOKED IN TIME OF
22 EMERGENCY. SUCH A CONCEPT IS EMBODIED IN WHAT WE IDENTIFY
23 AS THE OFFICE OF DEFENSE RESOURCES.

24 THE OFFICE OF DEFENSE RESOURCES HAS A GENESIS DATING
25 BACK TO WORLD WAR ONE, AND MOST CLOSELY RESEMBLES THE KIND
OF STRUCTURE WE DEVELOPED DURING WORLD WAR II, WITH SEVERAL

1 IMPORTANT DISTINCTIONS,

2 FIRST, THERE WILL BE NO TIME AFTER AN EMERGENCY OCCURS
3 TO DEVELOP THE NECESSARY RESOURCE CONTROL MECHANISM.

4 SECONDLY, IT IS NOT LIKELY THAT OUR ECONOMY WOULD
5 REMAIN INTACT IN A MODERN NUCLEAR WAR.

6 THIRDLY, THIS MIGHT PROVE TO BE AN ADVANTAGE --
7 THE TECHNOLOGY OF DATA HANDLING HAS ADVANCED TO THE POINT
8 WHERE IT BECOMES BOTH NECESSARY AND FEASIBLE TO PLAN AHEAD,
9 TO PROGRAM AHEAD, AND PREPOSITION ASSIGNMENTS AHEAD OF ANY
10 EMERGENCY.

11 THESE MODERN TECHNIQUES ALSO PERMIT A CENTRAL
12 DESIGN FOR THE EFFECTIVE USE OF RESOURCES BEYOND WHAT WE
13 WERE ABLE TO ACHIEVE IN OUR EXPERIENCE WITH CONVENTIONAL
14 WAR.

15 IT IS OUR HOPE THAT THESE ADVANCES WILL AT LEAST
16 PARTLY OFFSET THE TREMENDOUS DIFFERENCE IN MAGNITUDE OF THE
17 PROBLEMS WE FACE TODAY.

18 HAVING ESTABLISHED THIS BASIC OBJECTIVE OF CENTRAL
19 CONTROL FOR RESOURCE MANAGEMENT.

20 LET ME REVIEW BRIEFLY THE GENERAL PROCEDURES
21 WHICH WOULD GOVERN THE OFFICE OF DEFENSE RESOURCES.

22 FEDERAL
23 AS THE/GOVERNMENT REGAINS OPERATIONAL CAPABILITY
24 FOLLOWING AN ATTACK, THE DIVERSE ELEMENTS OF OUR ECONOMY
25 WILL HAVE TO BE PULLED TOGETHER, UNDER CLEAR NATIONAL
DIRECTION. WE WILL HAVE TO PROCESS WHAT INFORMATION WE HAVE,
WITH AN EYE TOWARD FOUR-FOLD EMPLOYMENT OF OUR SURVIVING

1 RESOURCES.

2 WE MUST MEET ESSENTIAL CIVILIAN DEMANDS.

3 WE MUST SUSTAIN AND SUPPORT THE MILITARY EFFORT.

4 WE MUST BE PREPARED TO LEND WHATEVER ASSISTANCE
5 WE CAN TO OUR ALLIES AND WE MUST LOOK TO THE REBUILDING OF OUR
6 PRODUCTIVE CAPACITY.

7 THE ORDER OF LISTING HAS NO PARTICULAR SIGNIFICANCE.

8 IN MEETING THESE OBJECTIVES THE OFFICE OF DEFENSE
9 RESOURCES WOULD RELY UPON THE DEPARTMENTS AND THE AGENCIES
10 OF GOVERNMENT NOW CARRYING EMERGENCY PLANNING RESPONSIBILITIES
11 AS AN EXTENSION OF THEIR PEACE TIME FUNCTIONS, UNDER THE
12 EXECUTIVE ORDER DELEGATIONS GIVEN THEM BY THE PRESIDENT.

13 THE DIRECTOR OF THE OFFICE OF DEFENSE RESOURCES
14 IS RESPONSIBLE IN REPORTING TO THE PRESIDENT, AND WOULD PROVIDE
15 THE POLICY GUIDANCE AND DIRECTION NECESSARY TO ACHIEVE
16 PRESIDENTIALLY APPROVED OBJECTIVES.

17 THE RESPONSIBILITIES FOR THE DEVELOPMENT OF PROGRAMS
18 IN PARTICULAR RESOURCE AREAS, WOULD REST WITH THE PRESENT
19 FEDERAL DEPARTMENTS AND AGENCIES, OR OTHER NEWLY ESTABLISHED
20 EMERGENCY AGENCIES.

21 FOR EXAMPLE, MANPOWER PROGRAMS WOULD BE DEVELOPED
22 BY THE DEPARTMENT OF LABOR;

23 PRODUCTION BY THE DEPARTMENT OF COMMERCE;

24 PETROLEUM, GAS, AND ELECTRIC POWER BY THE DEPARTMENT
25 OF INTERIOR;

1 FOOD BY THE DEPARTMENT OF AGRICULTURE, AND SO ON. OVER
2 THIRTY DEPARTMENTS AND AGENCIES WOULD HAVE ASSIGNED OPERA-
3 TIONAL RESPONSIBILITIES AS THEY NOW HAVE ASSIGNED PLANNING
4 RESPONSIBILITIES.

5 THAT WORD OPERATIONAL IS CRUCIAL TO THE QUESTION.
6 HOW DOES THIS STRUCTURE DIFFER FROM THE OFFICE
7 OF EMERGENCY PLANNING AS IT IS PRESENTLY CONSTITUTED?

8 PART OF THE ANSWER IS REALLY A MATTER OF DEGREE.
9 INTENSIFICATION OF THE RESOURCE MANAGEMENT COMMISSION WOULD
10 OCCUR. THE STAFFS OF DELEGATED AGENCIES WOULD BE AUGMENTED
11 BY EXECUTIVE RESERVISTS IN INDUSTRY, AGRICULTURE, AND LABOR.

12 PERSONNEL IN ALL DEPARTMENTS WOULD BE SHIFTED IN
13 GREAT NUMBERS TO THE RESOURCE MANAGEMENT RESPONSIBILITY
14 AND AN ATTITUDE OF CONSUMMATE EMERGENCY WOULD PREVAIL; BUT
15 MORE THAN THIS. THE PRODUCT OF MANY YEARS PLANNING WOULD BE
16 PUT TO THE TEST. IT WOULD BECOME OPERATIONAL. THE CLAIMANT
17 AGENCY STRUCTURES WE ARE NOW DEVELOPING WOULD BE APPLIED.
18 THE PRIORITIES WE HAVE ESTABLISHED, WHICH WE CONTINUALLY
19 REVISE AND UPDATE, WOULD BE INVOKED. THE COMPUTER MEMORIES WE
20 HAVE STORED AT THE NATIONAL RESOURCE EVALUATION CENTER,
21 WOULD BE SUBJECT TO HEAVY DEMANDS. THEY WOULD BE ASKED TO
22 FURNISH US PICTURES OF OUR ECONOMY IN A SITUATION WHICH IS
23 NO LONGER HYPOTHETICAL.

24 TO BE SURE, ALL OF THE YEARS OF SEEMINGLY UNGLAMOROUS
25 PLANNING AND PLODDING THROUGH EXERCISES, WOULD BEAR THE FRUIT OF

1 SURVIVAL, AND HOPEFULLY, RAPID RECOVERY FOR A STRICKEN NATION.

2 THE CONCEPT OF THE OFFICE OF DEFENSE RESOURCES, HAS
3 VERY RECENTLY BEEN APPROVED BY PRESIDENT JOHNSON,
4

5 HE HAS URGED THAT WE "PROCEED WITH THE DEVELOPMENT
6 OF THE MEASURES NECESSARY TO BRING THIS AND RELATED PROGRAMS
7 INTO AN EARLY STATE OF STANDBY READINESS."

8 THIS BRIEF DESCRIPTION OF HOW WE EXPECT TO FUNCTION
9 UNDER THE STRESS AND STRAIN AND THE DEBILITATION AND DESTRUCTION
10 OF ACTUAL ATTACK CONDITIONS, THROWS LIGHT ON THE NATIONAL PET-
11 ROLEUM COUNCIL'S REPORT WHICH HAS JUST BEEN REVIEWED.

12 OBVIOUSLY, THERE IS A GREAT DEAL OF COMPATIBILITY
13 BETWEEN THAT REPORT AND THE BROAD CONCEPTS THAT ARE EMERGING.
14 WHILE I AM NOT PREPARED AT THIS TIME, TO PUT A SWEEPING STAMP
15 OF APPROVAL ON ALL THE SPECIFICS OF YOUR RECOMMENDATIONS, THEY
16 ARE CLEARLY CONSTRUCTED AND DOVETAILED TO OUR BROAD THINKING.

17 I NOTED WITH SATISFACTION THAT THE REPORT ASSERTS THE
18 NEED FOR A GOVERNMENT INDUSTRY PARTNERSHIP AND THAT IT CALLS
19 FOR AN EMERGENCY PETROLEUM AND GAS ADMINISTRATION, STAFFED
20 WITH INDUSTRY PERSONNEL, WHICH SECRETARY UDALL PLANS TO
21 ACTIVATE IN AN EMERGENCY.

22 I CONCUR COMPLETELY WITH YOUR RECOMMENDATION THAT
23 EFFORTS BE MADE TO MINIMIZE ANY DISTURBANCES TO THE
24 COMPETITIVE POSITIONS OF ALL COMPANIES. THE NEED TO BE
25 AS EQUITABLE AS POSSIBLE, MUST UNDERPIN ALL OUR PLANNING FOR
THE FUTURE AS IT DOES TODAY.

THE IDEA THAT EPGA BE ALLOWED TO SCHEDULE AND

*Paragraphs see Press Release - "In all candor etc
re: Judsep. Agency
left out."*

MILLER COLUMBIAN REPORTING SERVICE

Official Reporter

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1 COORDINATE TANKER MOVEMENTS WITHIN THE FRAMEWORK OF BROAD
2 ALLOCATION ASSIGNED BY A NATIONAL SHIPPING AUTHORITY,
3 CERTAINLY MERITS OUR MOST THOUGHTFUL CONSIDERATION.

4 THE OVERRIDING VETO, WHICH YOU SUGGEST THE
5 NATIONAL SHIPPING AUTHORITY RETAIN, APPEARS TO PROVIDE A
6 MECHANISM WHICH WOULD GIVE US THE COMPETENCE OF THE INDUSTRY
7 COUPLED WITH THE ULTIMATE GOVERNMENT DIRECTION.

8 THIS RECOMMENDATION WILL BE PUT UNDER REVIEW.

9 IN THIS REGARD ALSO, I WELCOME THE CONCEPT OF
10 HAVING EPGA - - DURING THE COURSE OF ITS PLANNING ACTIVITIES - -
11 LOCATED CLOSE TO THOSE GOVERNMENT AGENCIES WITH WHICH IT
12 WILL BE DEALING. PHYSICAL PROXIMITY TENDS TO DEVELOP A WORKING
13 RAPPORT. PLANS FOR FEDERAL OPERATION IN A POST ATTACK PERIOD,
14 ARE UNDER CONTINUAL REVIEW AND DEVELOPMENT, AND IT IS UN-
15 DOUBTEDLY DESIRABLE TO ACCOMMODATE YOUR PHYSICAL PLANS TO
16 THOSE DECISIONS.

17 YOUR SUGGESTION THAT THE EXECUTIVE RESERVISTS AUTO-
18 MATICALLY BECOME FEDERAL EMPLOYEES, UPON DECLARATION OF A
19 NATIONAL EMERGENCY, IS RIGHT IN LINE WITH OUR THINKING. WE
20 DO NOT EXPECT ANY PARTICULAR PROBLEMS ON THIS MATTER.

21 WHILE THE AUTOMATIC APPROACH IS NOT PRESENTLY
22 CONTEMPLATED BECAUSE A NATIONAL EMERGENCY CAN MEAN MANY THINGS,
23 WE FEEL THAT THE TIME CONSUMING ARRANGEMENTS CAN BE CONCLUDED
24 PRE-ATTACK, SO THAT RESERVISTS CAN ALMOST INSTANTLY BECOME
25 FEDERAL EMPLOYEES.

ALL IN ALL THEN, YOUR STUDY WAS BOTH PENETRATING

1 AND PROVACATIVE. ITS BROAD THRUST COINCIDES WITH CURRENT
2 PLANNING BY THE GOVERNMENT.

3 MY STAFF TELLS ME THAT THE REPORT WAS CAREFULLY
4 COORDINATED WITH REPRESENTATIVES IN ALL APPROPRIATE
5 GOVERNMENT DEPARTMENTS AND AGENCIES, INCLUDING THE OFFICE
6 OF EMERGENCY PLANNING.

7 PERHAPS WE CAN CREDIT THE MEETING OF MINDS WHICH
8 I HAVE EXPRESSED TO THIS CONSTRUCTIVE AND COOPERATIVE APPROACH,
9 WHILE WE MAY DIFFER ON DETAILS, WE HAVE ESTABLISHED A BASIS
10 FOR FUTURE ACTION.

11 I MIGHT SAY ALSO THAT THIS REPORT ON GOVERNMENT
12 EMERGENCY PLANNING, HAS VALUE TO US BEYOND THE FIELD OF PETRO-
13 LEUM RESOURCES. IN MANY RESPECTS, THE IDEAS ESPOUSED IN THIS
14 REPORT, CAN SERVE AS A MODEL FOR OTHER RESOURCE AREAS.

15 I SHALL CERTAINLY COMMEND YOUR REPORT TO THOSE
16 WORKING IN THESE FIELDS, AS A SPLENDID EXAMPLE OF HOW TO
17 TACKLE PROBLEMS OF UNPRECEDENTED COMPLEXITY IN A MEANINGFUL
18 AND INTELLIGENT WAY.

19 I SHALL ALSO GIVE CLOSE PERSONAL AND STAFF ATTENTION
20 TO THOSE RECOMMENDATIONS AND OBSERVATIONS WHICH RELATE TO
21 OUR RESPONSIBILITIES.

22 THANK YOU.

23 CHAIRMAN HANON: THANK YOU VERY MUCH.

24 WE WILL NEXT HEAR FROM VERNON G. MAC KENZIE,
25 CHIEF OF THE DIVISION OF AIR POLLUTION, UNITED STATES PUBLIC
HEALTH SERVICE.

VERNON G. MAC KENZIE, CHIEF, DIVISION OF
AIR POLLUTION, U. S. PUBLIC HEALTH SERVICE

MR. MAC KENZIE: MR. CHAIRMAN, MR. SECRETARY, MEMBERS
OF THE COUNCIL AND GUESTS.

I WELCOME THE OPPORTUNITY TO DISCUSS BRIEFLY WITH
YOU THE AIR POLLUTION PROBLEMS OF THE PETROLEUM INDUSTRY AND THE
NEW FEDERAL LEGISLATION ON AIR POLLUTION WHICH CAN BE EXPECTED
TO AFFECT PROFOUNDLY FUTURE TRENDS IN AIR POLLUTION CONTROL.

OUR INCREASING DEMANDS FOR MATERIALS AND ENERGY
COUPLED WITH POPULATION GROWTH AND URBANIZATION ARE PRIMARY
CHARACTERISTICS OF THE MODERN TECHNOLOGICAL SOCIETY IN WHICH
WE LIVE. ALONG WITH THE CONTINUOUSLY INCREASING STANDARD OF
LIVING WHICH OUR MODERN WAY OF LIFE PROVIDES COME SOME HIGHLY
UNDESIRABLE SIDE EFFECTS WHICH MUST BE DEALT WITH IF OUR
SOCIETY IS TO ENJOY THE FULL BENEFITS WHICH ARE POSSIBLE.
AIR POLLUTION IS ONE OF THESE. SINCE THE PETROLEUM INDUSTRY
PLAYS AN OBVIOUSLY IMPORTANT ROLE IN HELPING TO MEET THE CON-
TEMPORARY DEMAND FOR HIGH ENERGY PRODUCTION, IT IS TO BE
EXPECTED THAT IT ALSO HAS AN IMPORTANT ROLE TO PLAY IN MEETING
THE NATIONAL PROBLEM OF AIR POLLUTION.

LOOKING SUPERFICIALLY AT THE VASTNESS OF THE AIR
RESOURCE AVAILABLE TO THE ENTIRE COUNTRY, IT WOULD SEEM A
VIRTUAL IMPOSSIBILITY TO SERIOUSLY THREATEN IT, BUT ONLY A
SMALL PART OF THE TOTAL SUPPLY IS AVAILABLE FOR OUR USE IN ANY
SINGLE LOCATION. OVER ONE-HALF OF OUR POPULATION NOW LIVES ON
LESS THAN TEN PERCENT OF THE LAND AREA OF THE COUNTRY. FOR

1 THE MOST PART, SOURCES OF AIR POLLUTION ARE CONCENTRATED
2 WHERE PEOPLE ARE CONCENTRATED. FURTHERMORE, THERE IS EVERY
3 INDICATION THAT BY 1970, TWO-THIRDS OF OUR POPULATION AT THAT
4 TIME WILL LIVE IN THIS SAME LIMITED LAND AREA.

5 WE ARE ALREADY OVERBURDENING THESE PORTIONS OF THE
6 AIR RESOURCE AVAILABLE TO MANY OF OUR CITIES. FEW PEOPLE
7 REALIZE THE ENORMOUS MAGNITUDE OF THE QUANTITIES OF POLLUTANTS
8 BEING DISCHARGED TO THE ATMOSPHERE. IN ONE OF OUR LARGER
9 AMERICAN CITIES A WELL-KNOWN RESEARCH INSTITUTE HAS ESTIMATED
10 THE EMISSIONS OF POLLUTANTS AT 25,000 TONS DAILY -- COMPRISED
11 OF A GREAT VARIETY OF CONTAMINANT GASES AND LIQUID AND SOLID
12 AEROSOLS.

13 DESPITE DAILY AND SEASONAL VARIATIONS, THE AIR
14 SUPPLY AVAILABLE TO THIS CITY, AS TO OUR OTHER CITIES, IS
15 BASICALLY FIXED, AND THE ABILITY OF THE ATMOSPHERE TO DILUTE
16 AND DISPERSE POLLUTANTS IS LIMITED.

17 THE EFFECTS OF AIR POLLUTION ARE ALREADY SERIOUS.
18 THROUGH INJURY TO VEGETATION AND LIVESTOCK, CORROSION AND
19 SOILING OF MATERIALS AND STRUCTURES, DEPRESSION OF PROPERTY
20 VALUES, AND SO FORTH, IT COSTS OUR COUNTRY IN ECONOMIC DAMAGE
21 ALONE BILLIONS OF DOLLARS EACH YEAR. OF EVEN GREATER CONCERN
22 ARE ITS ADVERSE EFFECTS ON HUMAN HEALTH. RESEARCH CONDUCTED
23 OVER THE PAST SEVERAL YEARS HAS PRODUCED A GROWING BODY OF
24 EVIDENCE WHICH INDICATES THAT THE LONG-TERM EFFECTS OF EX-
25 POSURE OF COMMUNITY POPULATIONS TO ORDINARY CONCENTRATIONS

1
2 OF AIR POLLUTANTS ADVERSELY AFFECTS THE HEALTH OF MANY AND MAY
3 RESULT IN CHRONIC DISEASES, AND PREMATURE DEATH. AIR POLLU-
4 TION HAS BEEN LINKED WITH INCREASED MORTALITY FROM CARDIO-
5 RESPIRATORY CAUSES, INCREASED SUSCEPTIBILITY TO RESPIRATORY
6 DISEASE, AND INTERFERENCE WITH NORMAL RESPIRATORY FUNCTIONS.
7 SPECIFIC DISEASES ASSOCIATED IN ONE DEGREE OR ANOTHER WITH
8 AIR POLLUTION ARE EMPHYSEMA, CHRONIC BRONCHITIS, ASTHMA, AND
9 LUNG CANCER.

10 WHEN WE COMBINE THE THREAT TO HEALTH POSED BY
11 AIR POLLUTION AND THE ECONOMIC DAMAGES IT CAUSES, IT APPEARS
12 PATENTLY ABSURD TO MANY OF US THAT WE DO NOT PUT TO WORK
13 ALL OF THE PROCEDURES WHICH ARE NOW AVAILABLE FOR USE IN THE
14 CONTROL OF AIR POLLUTION. TECHNICALLY, PROCEDURES ARE AVAILABLE
15 BY WHICH THE MAJORITY OF AIR POLLUTANTS CAN BE CONTROLLED
16 OR PREVENTED, GENERALLY AT A LOWER COST TO THE PUBLIC THAN THE
17 ECONOMIC DAMAGE CAUSED BY THE POLLUTION. THERE ARE SOME IM-
18 PORTANT EXCEPTIONS TO THIS GENERALITY. NEVERTHELESS, NEITHER
19 THESE EXCEPTIONS NOR THE NEED FOR ADDITIONAL RESEARCH PROVIDE
20 JUSTIFIABLE REASONS FOR WAITING TO DO WHAT CAN BE DONE NOW.

21 2. POLLUTANT EMISSIONS FROM THE PETROLEUM INDUSTRY.

22 AIR POLLUTANT EMISSIONS ARE OF CONCERN FROM MANY
23 OPERATIONS OF THE PETROLEUM INDUSTRY -- PRODUCTION, REFINING,
24 STORAGE, DISTRIBUTION, AND PRODUCT USE. FORTUNATELY, THE
25 MAJORITY OF THESE EMISSIONS CAN BE CONTROLLED BY AVAILABLE
TECHNICAL PROCEDURES WHICH PREVENT THE POLLUTANTS FROM

1 REACHING THE OPEN ATMOSPHERE. HOWEVER, A FEW OF THE PROBLEMS
2 DESERVE SPECIAL MENTION.

3
4 PHOTOCHEMICAL OXIDENT TYPE AIR POLLUTION, ASSOCIATED
5 WITH POLLUTION BY HYDROCARBON GASES HAS BEEN OF INCREASING IM-
6 PORTANCE AND CONCERN IN THE LAST TWO DECADES. FIRST RECOGNIZED
7 IN LOS ANGELES, ITS EYE-IRRITATING AND VEGETATION-DAMAGING
8 EFFECTS NOW CAN BE OBSERVED IN AND NEAR ALL LARGE URBAN AREAS
9 WHERE IT IS LOOKED FOR IN THIS COUNTRY. IT HAS BEEN FULLY
10 DEMONSTRATED THAT THE UNDESIRABLE EFFECTS DERIVE PRINCIPALLY
11 FROM THE PRODUCTS OF CHEMICAL REACTIONS IN ATMOSPHERE BETWEEN
12 GASEOUS HYDROCARBONS AND OXIDES OF NITROGEN UNDER THE INFLUENCE
13 OF SUNLIGHT. THE PRINCIPAL SOURCE OF THE HYDROCARBONS IS
14 AUTOMOTIVE VEHICLE EXHAUST, BUT OTHER SOURCES, INCLUDING
15 EVAPORATION AT GASOLINE STORAGE AND DISTRIBUTION POINTS, MUST
16 BE CONSIDERED. CONSIDERABLE PROGRESS HAS BEEN MADE IN OUR
17 UNDERSTANDING OF THE PHOTOCHEMICAL POLLUTION PROBLEM AND IN
18 DEVELOPING MEANS FOR CONTROLLING EMISSIONS FROM THE PRINCIPAL
19 POLLUTANT SOURCE, THE AUTOMOBILE. ONE OF THE PRINCIPAL
20 MEANS FOR CONTROLLING AUTOMOBILE EXHAUST EMISSIONS, THE
21 CATALYTIC TYPE EXHAUST AFTERBURNER, IS MADE LESS EFFECTIVE
22 AND MORE EXPENSIVE IN USE BY THE PRESENCE IN THE VEHICLE FUEL OF
23 LEAD ANTI-KNICK COMPOUNDS, PRINCIPALLY TETRA-ETHYL LEAD. THE
24 OVERALL ECONOMIES OF THIS SITUATION NEEDS TO BE FURTHER EXAMINED.

25 ANOTHER TYPE OF POLLUTION OF CONTINUING CONCERN
TO THE PUBLIC HEALTH SERVICE IS POLYCYCLIC HYDROCARBONS.

1
2 THE RISING INCIDENCE OF LUNG CANCER IN THIS COUNTRY,
3 PARTICULARLY IN CITIES, EMPHASIZES THE NEED FOR ASSESSMENT
4 OF THE HEALTH IMPORTANCE OF AIR POLLUTED WITH POTENTIALLY
5 CANCERIGENIC SUBSTANCES. ANALYSES OF AIR SAMPLES FROM OVER 100
6 CITIES BY THE PUBLIC HEALTH SERVICE HAVE SHOWN 3-4 BENZPYRENE
7 -- A POTENT CANCERIGEN -- TO BE PRESENT IN CONCENTRATIONS
8 WHICH COULD RESULT IN HUMAN DOSAGES APPROXIMATING OR EXCEEDING
9 THAT FROM CIGARETTE SMOKING. IN THIS STUDY, THE HIGHER CON-
10 CENTRATIONS OF 3-4 BENSPYRENE APPEARED TO BE ASSOCIATED GENERALLY
11 WITH THESE AREAS IN WHICH COAL IS THE PRIMARY FUEL.

12 GAS EMISSION SAMPLES ALSO HAVE BEEN OBTAINED FROM
13 REPRESENTATIVE SOURCES, FOR QUANTITATIVE ANALYSIS OF ELEVEN
14 POLYCYCLIC HYDROCARBONS. THESE SOURCES HAVE INCLUDED INCINERATORS
15 REFUSE DUMPS, AUTOMOBILES, AND COAL, OIL, AND GAS-FIRED FURNACES
16 RANGING IN SIZE FROM HOME HEATING PLANTS TO LARGE ELECTRIC
17 POWER-GENERATING STATIONS. IN GENERAL, IN THE TESTS ON
18 FURNESSES, THE CONCENTRATION OF POLYCYCLIC HYDROCARBONS IN
19 STACK GASES TENDED TO DECREASE WITH INCREASE IN COMBUSTION
20 EFFICIENCY. THUS, SUCH EMISSIONS FROM GAS-FIRED UNITS WERE
21 RELATIVELY LOW IN THE SMALL AND MEDIUM SIZE UNITS TESTED;
22 EMISSION CONCENTRATIONS FROM OIL-FIRED UNITS WERE SOMEWHAT
23 HIGHER AND TENDED TO DECREASE WITH INCREASE IN UNIT SIZE.
24 THE GREATEST VARIATION AND HIGHEST VALUES OF POLYCYCLIC HYDROCARBO
25 EMISSION CONCENTRATIONS HAS BEEN OBSERVED IN COAL-FIRED UNITS.

THE OXIDES OF NITROGEN FORMED IN COMBUSTION PROCESSES

1 BY FIXATION OF ATMOSPHERIC NITROGEN ARE ALSO OF CONCERN AS
2 AIR POLLUTANTS, FIRST BECAUSE THEY THEMSELVES CAN CAUSE PHYSIO-
3 LOGIC DAMAGE, AND SECOND BECAUSE OF THEIR PARTICIPATION IN
4 ATMOSPHERIC PHOTOCHEMICAL REACTIONS WHICH PRODUCE AEROSOLS
5 AND HIGHLY TOXIC AND PLANT DAMAGING SUBSTANCES. CONSIDERABLE
6 MORE RESEARCH IS NEEDED ON MEANS FOR CONTROL OF THESE
7 POLLUTANTS.

8
9 OF ALL THE AIR POLLUTANT EMISSIONS FROM COMBUSTION
10 SOURCES, SULFUR DIOXIDE IS PROBABLY OF GREATEST CURRENT
11 IMPORTANCE. WHEN SULFUR-CONTAINING FUELS ARE BURNED, PRACTI-
12 CALLY ALL OF THE SULFUR IS OXIDIZED AND DISCHARGED IN THE
13 STACK GASES. IT IS EMITTED PRIMARILY AS SULFUR DIOXIDE GAS,
14 ALTHOUGH SMALL AMOUNTS OF SULFUR TRIOXIDE ARE ALSO PRESENT.

15 SULFUROUS POLLUTANTS ARE OF CONCERN BECAUSE OF
16 THEIR EFFECTS ON PEOPLE, VEGETATION, AND CORROSION AND OTHER
17 DETERIORATION OF MATERIALS. WITH RESPECT TO PRINCIPAL FORMS
18 OF SULFUR OXIDE POLLUTION, IT HAS LONG BEEN KNOWN THAT SULFUR
19 TRIOXIDE, OR ITS HYDRATED FORM, SULFURIC ACID, WHEN INHALED IN
20 APPROPRIATE PARTICLE SIZES, CAN PENETRATE DEEP INTO THE LUNG
21 AND EXERT MUCH GREATER DAMAGING EFFECT IN THE DEEP, DELICATE
22 AND PHYSIOLOGICALLY MORE IMPORTANT TISSUES THERE, THAN CAN
23 EQUIVALENT AMOUNTS OF SULFUR DIOXIDE WHICH ARE LARGELY
24 DISSOLVED IN THE FLUIDS OF THE UPPER RESPIRATORY TRACT.
25 SULFUR DIOXIDE GAS, IN DILUTE CONCENTRATIONS IN PURE AIR,
OXIDIZES TO THE SO_3 FORM AT VERY LOW RATE. THIS OXIDATION

1 RATE, HOWEVER, CAN BE INCREASED GREATLY BY CATALYTIC ACTION
 2 OF CERTAIN METALLIC SALTS COMMONLY PRESENT IN THE ASH FROM
 3 FUELS AND IN THE SUSPENDED PARTICULATES IN COMMUNITY ATMOS-
 4 PHERES. SUCH CATALYTIC OXIDATION OF SO₂ HAS BEEN DEMONSTRATED
 5 IN THE LABORATORY AND ALSO IN THE PLUMES OF POWER PLANT STACK
 6 GASES. THE RATE OF OXIDATION OF SO₂ IN SUCH PLUMES APPEARS TO
 7 BE RELATED TO ASH COMPOSITION AND TO ATMOSPHERIC HUMIDITY.

8
 9 LABORATORY STUDIES HAVE ALSO SHOWN THAT THE PHYSIOLOGIC
 10 EFFECTS OF SO₂ MAY BE GREATLY ENHANCED BY THE SIMULTANEOUS
 11 PRESENCE IN THE INHALED AIR OF CERTAIN PARTICLES OF SIZE AP-
 12 PROPRIATE TO DEEP PENETRATION OF THE LUNG. THE PRESUMPTION
 13 HAS BEEN THAT THE GAS IS ABSORBED ON THE PARTICLES AND
 14 CARRIED BY THEM DEEP INTO THE LUNG. THIS SYNERGISTIC EFFECT
 15 HAS BEEN OBSERVED BOTH WITH SOLID PARTICLES WHICH ARE
 16 OTHERWISE PHYSIOLOGICALLY INERT AND WITH PARTICLES OF
 17 SULFURIC ACID MIST. WHEN COMBINED WITH SULFURIC ACID MIST,
 18 SULFUR DIOXIDE APPEARS TO EXERT APPROXIMATELY THE SAME
 19 SEVERITY OF PHYSIOLOGIC EFFECT AS IF ALL THE SULFUR WERE
 20 PRESENT IN THE HIGHER OXIDATIVE STATE.

21 THESE RESEARCH DATA HAVE LED US IN THE PUBLIC
 22 HEALTH SERVICE TO THE PRESENT BELIEF THAT ALLOWABLE CONCEN-
 23 TRATIONS OF SO₂ IN COMMUNITY ATMOSPHERES SHOULD BE BASED ON
 24 THE ESTIMATED PHYSIOLOGIC EFFECT OF EQUIVALENT AMOUNTS OF
 25 SULFUR IN THE FORM OF SULFURIC ACID MIST. APPLICATION OF THIS
 TO COMMUNITY AIR POLLUTION CONTROL PRACTICES WILL LEAD TO A

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1 NEED FOR MORE STRINGENT CONTROLS OVER SO₂ EMISSIONS THAN HAS
2 BEEN THE CASE IN THE PAST. THE LOGIC OF THIS CONCLUSION IS REIN-
3 FORCED BY THE RESULTS OF EPIDEMIOLOGIC STUDIES.

4 WITH RESPECT TO PETROLEUM FUELS, MOST OF THE SULFUR
5 IS REMOVED FROM THE LIGHT DISTILLATE PRODUCTS SUCH AS GASOLINE
6 AND KEROSENE, BUT THERE ARE CONSIDERABLE AND VARYING AMOUNTS OF
7 SULFUR IN FUEL OILS USED FOR HEAT AND POWER. SULFUR PRESENT
8 IN THE ORIGINAL CRUDE OIL TENDS TO BE CONCENTRATED IN THE LOWEST
9 QUALITY FUELS WHICH ARE IN EFFECT THE RESIDUE LEFT OVER AFTER
10 THE PRODUCTION OF "REFINED" PETROLEUM PRODUCTS. RESEARCH
11 CONDUCTED TO DATE MAKES CLEAR THAT THERE ARE TECHNICALLY FEASIBLE
12 METHODS OF REMOVING SULFUR FROM SUCH FUEL OILS, BUT, BECAUSE OF
13 ECONOMIC REASONS, THESE METHODS ARE NOT GENERALLY EMPLOYED. IN
14 AN ATTEMPT TO DETERMINE TO WHAT EXTENT COST IS A REAL FACTOR
15 IN OBTAINING FUEL OILS OF LOW SULFUR CONTENT, THE DIVISION OF
16 AIR POLLUTION IS CURRENTLY SPONSORING A STUDY TO EVALUATE
17 THE ACTUAL COSTS OF REMOVING SULFUR FROM FUEL OILS THROUGH
18 THE USE OF ALREADY AVAILABLE TECHNICAL PROCESSES.

19 SEVERAL APPROACHES TO THE PROBLEM OF REMOVING SULFUR
20 COMPOUNDS FROM STACK GASES ARE ALSO UNDER STUDY IN THE UNITED
21 STATES AND EUROPE. FOR SEVERAL YEARS, THE BUREAU OF MINES,
22 THROUGH SUPPORT FROM THE DIVISION OF AIR POLLUTION, HAS BEEN
23 INVESTIGATING METHODS OF REMOVING SULFUR DIOXIDE FROM FLUE
24 GASES. THIS WORK HAS DEVELOPED A TECHNICALLY PROMISING PROCESS
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BASED ON ABSORPTION OF SO_2 ON PELLETS OF ALKALIZED ALUMINE. THE STUDIES HAVE BEEN CARRIED TO THE PILOT PLANT STAGE, WHEREBY THE PELLETS ARE ALLOWED TO FALL FREELY DOWN A COLUMN OF RISING FLUE GASES. THE SULFUR DIOXIDE BECOMES CHEMICALLY FIXED ON THE PELLETS, WHICH ARE SUBSEQUENTLY TREATED TO REMOVE THE SULFUR AND THEN REUSED. THIS PROCEDURE HAS BEEN SHOWN TO BE TECHNICALLY FEASIBLE, AND THE WORK WHICH IS NOW IN PROGRESS IS CHIEFLY CONCERNED WITH DETERMINING THE PROPER TEMPERATURE RANGES AND PELLET COMPOSITION TO ACHIEVE MAXIMUM CONTROL OF SULFUROUS EMISSIONS.

ANOTHER PROCESS UNDER STUDY JOINTLY BY BITUMINOUS COAL RESEARCH, INC., THE EDISON ELECTRIC INSTITUTE, AND THE ASSOCIATION OF EDISON ILLUMINATING COMPANIES INVOLVES THE CATALYTIC OXIDATION OF SULFUR DIOXIDE IN THE FLUE GASES TO SULFUR TRIOXIDE, WHICH IS THEN CONDENSED AND REMOVED AS SULFURIC ACID. THE ACID PRODUCED IS OF HIGH ENOUGH QUALITY TO HAVE MARKET VALUE; HENCE THE TECHNIQUE NOT ONLY WOULD SUBSTANTIALLY REDUCE SULFUROUS POLLUTION OF THE ATMOSPHERE BUT ALSO YIELD FINANCIAL RETURN THROUGH SALE OF THE ACID.

RESULTS OF STUDY OF A THIRD PROCESS HAVE RECENTLY BEEN REPORTED BY RALPH P. BOVIER, VICE PRESIDENT, PENNSYLVANIA ELECTRIC COMPANY. THIS WORK IS BEING DONE AT THE PENNSYLVANIA ELECTRIC COMPANY'S SEWARD GENERATING STATION IN COOPERATION WITH SEVERAL OTHER INDUSTRIAL PARTICIPANTS. IN ESSENCE THIS METHOD BEGINS WITH THE USE OF A HIGH EFFICIENCY ELECTROSTATIC PRECIPITATOR TO REMOVE UP TO 99.9 PERCENT OF THE

1 FLY ASH SOLIDS FROM THE GAS STREAM. THE SULFUR DIOXIDE IN THE
2 CLEANED GAS IS NEXT OXIDIZED CATALYTICALLY TO SULFUR TRIOXIDE.
3 COOLING OF THE GASES IN A HEAT EXCHANGER THEN CAUSES THE SULFUR
4 TRIOXIDE TO COMBINE WITH WATER VAPOR TO FORM SULFURIC ACID
5 MIST AND DROPLETS. THE ACID IS COLLECTED PARTLY IN THE HEAT
6 EXCHANGER AND MORE COMPLETELY IN AN ELECTROSTATIC MIST
7 COLLECTOR. MR. BOVIER'S REPORT INDICATES (1) THAT THE STUDIES
8 DEMONSTRATE CONCLUSIVELY THAT THE PROCESS IS FUNCTIONALLY
9 PRACTICAL FOR REMOVAL OF ABOUT 90 PERCENT OF THE SULFUR
10 DIOXIDE FROM THE FLUE GAS, (2) THAT USE OF THE PROCESS IN A
11 1,000,000 KILOWATT POWER STATION, OPERATING AT A 90 PERCENT
12 LOAD FACTOR AND BURNING COAL CONTAINING 3 PERCENT SULFUR,
13 WOULD BE ECONOMICALLY SOUND IN THAT THE VALUE OF THE RECOVERED
14 ACID WOULD BE MORE THAN THE OPERATING COSTS AND FIXED CHARGES
15 ASSOCIATED WITH USE OF THE PROCESS.

16 IN EUROPE, THERE ARE ALSO TWO PROCESSES REPORTED
17 TO BE UNDER PILOT SCALE STUDY. THE "REINLUFT" PROCESS
18 PILOTTED IN GERMANY AND ENGLAND, AND A PROCESS BEING DEVELOPED
19 BY STANDARD OIL COMPANY IN HOLLAND, BOTH USE AN ACTIVATED
20 CARBON CHAR TO REMOVE SULFUR DIOXIDE AND PRODUCE SULFURIC
21 ACID AS A BY-PRODUCT.

22 ALL OF THESE PROCESSES NOW UNDER STUDY FOR REMOVAL
23 OF SULFUR DIOXIDE FROM FLUE GASES SEEM TO BE TECHNICALLY FEASIBLE.
24 THE DECISIONS AS TO CHOICE OF PROCESS FOR APPLICATION WILL DEPEND
25 ON THEIR RELATIVE EFFICIENCY AND THE ECONOMICS OF THEIR USE.

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THUS, I THINK WE CAN STATE THAT ENCOURAGING TECHNICAL PROGRESS IS BEING MADE ON THE HITHERTO UNSOLVED PROBLEM OF PREVENTION OF SULFUR OXIDES EMISSIONS FROM THE COMBUSTION OF SULFUR-CONTAINING FUELS, BUT MORE NEEDS TO BE DONE TO INSURE GETTING ACTUAL CONTROL PROCEDURES INTO APPLICATION.

E. THE NEW FEDERAL CLEAN AIR ACT.

I WOULD LIKE NOW TO SAY A FEW WORDS ABOUT THE NEW FEDERAL CLEAN AIR ACT, ADOPTED BY THE CONGRESS IN DECEMBER 1963.

THIS ACT MARKS THE FIRST MAJOR CHANGE IN FEDERAL AIR POLLUTION LEGISLATION SINCE 1955, WHEN THE CONGRESS AUTHORIZED THE PUBLIC HEALTH SERVICE TO UNDERTAKE A MODEST PROGRAM OF RESEARCH AND TECHNICAL ASSISTANCE IN THIS FIELD. IN THE ENSUING TEN YEARS, CONSIDERABLE PROGRESS HAS BEEN MADE IN DEFINING THE CONTEMPORARY AIR POLLUTION PROBLEM IN THE UNITED STATES AND IMPROVING OUR TECHNICAL CAPABILITY FOR CONTROLLING AIR POLLUTION. THIS PROGRESS HAS NOT BEEN MATCHED, HOWEVER, BY PROGRESS IN THE ACTUAL CONTROL OF AIR POLLUTION. RECOGNITION OF THESE FACTS AND OF THE NEED FOR MORE EFFECTIVE FEDERAL ASSISTANCE IN THE STRUGGLE FOR CLEAN AIR PROMPTED THE FRAMERS OF THE CLEAN AIR ACT TO ADD A NEW DIMENSION TO THE FEDERAL PROGRAM.

WITH THE ADOPTION OF THE CLEAN AIR ACT, FEDERAL POLICY IN THE FIELD OF AIR POLLUTION CONTROL UNDERWENT SIGNIFICANT EVOLUTION. ALTHOUGH THERE WAS NO CHANGE IN THE VIEW THAT RESPONSIBILITY FOR THE CONTROL OF AIR POLLUTION RESTS PRIMARILY

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WITH STATE AND LOCAL GOVERNMENTS, THE FEDERAL GOVERNMENT RESPONDED TO A VERY REAL NEED BY EQUIPPING ITSELF TO AID STATE AND LOCAL CONTROL PROGRAMS MORE EFFECTIVELY AND TO STIMULATE THEM TO THE INCREASED LEVEL OF ACTIVITY CONSIDERED NECESSARY. THUS, THE PREAMBLE ADDS NEW DIMENSION TO THE FEDERAL ROLE WHEN IT STATES THAT "FEDERAL FINANCIAL ASSISTANCE AND LEADERSHIP IS ESSENTIAL FOR THE DEVELOPMENT OF COOPERATIVE FEDERAL, AND STATE, REGIONAL AND LOCAL PROGRAMS TO PREVENT/CONTROL AIR POLLUTION." THE PREAMBLE POINTS OUT THAT MOST OF THE NATION'S PEOPLE NOW LIVE IN URBAN AREAS, INCLUDING METROPOLISES WHICH SPRAWL ACROSS MUNICIPAL, COUNTY AND STATE BOUNDARY LINES, AND IT SPECIFICALLY MENTIONS MOTOR VEHICLES AS ONE OF THE MAJOR CONTRIBUTORS TO THE MOUNTING AIR POLLUTION PROBLEM.

THE CONGRESS HAS INSTRUCTED THE FEDERAL GOVERNMENT TO ASSUME THE RESPONSIBILITY FOR DIRECTLY AIDING IN THE DEVELOPMENT OF STATE, REGIONAL, AND LOCAL CONTROL PROGRAMS SUFFICIENTLY EQUIPPED AND EMPOWERED TO REVERSE THE TREND TOWARD EVER MORE POLLUTED AIR. TO BEGIN WITH, THE ACT CONTINUES AND EXPANDS THE AUTHORITY FOR THE ONGOING RESEARCH, DEVELOPMENT, AND TECHNICAL ASSISTANCE PROGRAMS OF THE DIVISION OF AIR POLLUTION. IT PLACES CONSIDERABLE EMPHASIS ON THE FACT THAT THERE IS STILL MUCH TO BE LEARNED IN THE TECHNICAL AND SCIENTIFIC SPHERES AND THAT THE FEDERAL GOVERNMENT HAS A RESPONSIBILITY FOR SEEING THAT THIS KNOWLEDGE IS DEVELOPED. THE SAME IS TRUE OF THE NEED FOR ADDITIONAL

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1 TRAINED PERSONNEL TO WORK IN THE FIELDS OF AIR POLLUTION
2 RESEARCH AND CONTROL.

3
4 AMONG THE IMPORTANT NEW AUTHORITIES PROVIDED BY
5 THE CLEAN AIR ACT IS THAT FOR PROGRAM GRANTS. BRIEFLY, THESE
6 GRANT FUNDS MAY BE MADE AVAILABLE TO STATE AND LOCAL AGENCIES
7 FOR THE PURPOSE OF DEVELOPING, ESTABLISHING, OR IMPROVING
8 AIR POLLUTION CONTROL PROGRAMS. FEDERAL FUNDS WILL BE
9 AVAILABLE ON A MATCHING BASIS -- TWO DOLLARS FOR EVERY ONE
10 FOR SINGLE JURISDICTIONAL PROGRAMS, AND THREE DOLLARS FOR
11 EVERY ONE FOR PROGRAMS OPERATING ON A REGIONAL BASIS. THE
12 OBJECTIVE OF THIS PROVISION IS NOT TO PARTICIPATE IN THE
13 MAINTENANCE COST OF ONGOING AIR POLLUTION CONTROL PROGRAMS
14 THROUGHOUT THE NATION, BUT RATHER TO STIMULATE STATE AND
15 LOCAL AGENCIES TO DEVELOP NEW PROGRAMS OR TO EXPAND EXISTING
16 ONES.

17 THE NEW CLEAN AIR ACT ALSO INCLUDES FOR THE FIRST
18 TIME, A LIMITED LEGAL REGULATORY AUTHORITY ON THE FEDERAL LEVEL
19 FOR ABATEMENT OF SPECIFIC AIR POLLUTION PROBLEMS. THIS
20 REGULATORY POWER IS CLEARLY INTENDED TO SUPPLEMENT THE
21 ABATEMENT POWERS OF STATE AND LOCAL GOVERNMENTS WITH RESPECT
22 TO TWO TYPES OF SITUATIONS:

23 FIRST: WITH RESPECT TO AN INTERSTATE PROBLEM IN
24 WHICH POLLUTION ARISING IN ONE STATE MAY BE ENDANGERING THE
25 HEALTH OR WELFARE OF PERSONS IN ANOTHER STATE, THE SECRETARY
OF HEALTH, EDUCATION, AND WELFARE, MAY, ON HIS OWN INITIATIVE

1 OR ON OFFICIAL REQUEST AS SPECIFIED IN THE ACT, INITIATE
2 FORMAL PROCEEDINGS FOR THE ABATEMENT OF THE POLLUTION AS
3 FOUND TO BE NECESSARY;

4 SECOND, WITH RESPECT TO A SIMILAR AIR POLLUTION
5 PROBLEM, BUT WHICH IS PURELY INTRASTATE IN NATURE, THE
6 SECRETARY MAY INVOKE SUCH FORMAL ABATEMENT PROCEEDINGS ONLY
7 ON OFFICIAL REQUEST FROM DESIGNATED OFFICIALS IN THE STATE
8 INVOLVED.

9 THESE FEDERAL REGULATORY POWERS ARE INTENDED TO
10 SUPPLEMENT THE STATE AND LOCAL AUTHORITIES (1) BY PROVIDING
11 A MEANS OF DEALING WITH INTERSTATE PROBLEMS WHICH ARE NOT
12 EASY AND SOMETIMES ARE IMPOSSIBLE TO REACH BY THE REMEDIES
13 AVAILABLE TO A SINGLE STATE, AND (2) PROVIDING TECHNICAL
14 AND OTHER ASSISTANCE FROM THE FEDERAL GOVERNMENT IN CASES WITH
15 WHICH, ALTHOUGH INTRASTATE IN CHARACTER, ARE DIFFICULT FOR
16 STATE OR LOCAL AUTHORITIES TO MANAGE. THE IMPORTANCE OF
17 THE INTERSTATE ASPECTS OF AIR POLLUTION IS HIGHLIGHTED BY
18 THE ESTIMATE THAT IN 1960 SOME 38 MILLION AMERICANS LIVED
19 IN SUCH INTERSTATE METROPOLITAN AREAS, INCLUDING NEW YORK,
20 CHICAGO, PHILADELPHIA, ST. LOUIS, AND OTHERS, BECAUSE
21 THESE MILLIONS OF PEOPLE HAVE NO DIRECT LEGAL CONTROL OVER
22 POLLUTION THAT REACHES THEM FROM AN ADJOINING STATE, THEY ARE
23 LITERALLY POWERLESS TO PROTECT THEMSELVES FROM THIS EN-
24 VIRONMENTAL HAZARD.

25 THE REGULATORY ABATEMENT PROCEDURE^S AUTHORIZED
IN THE ACT ARE VERY SIMILAR TO THOSE IN USE FOR SEVERAL

1
2 YEARS UNDER THE PROVISIONS OF THE WATER POLLUTION CONTROL ACT --
3 INVOLVING THE STEPS OF CONFERENCE WITH THE COGNIZANT OFFICIAL
4 AGENCIES, PUBLIC HEARING, AND FINALLY COURT ACTION. THE
5 PROCEDURE MAY OF COURSE, TERMINATE AT THE INITIAL OR SECOND
6 STEP OF THE PROCESS IF THE PROBLEM IS RESOLVED.

7 SEVERAL OTHER PROVISIONS OF THE CLEAN AIR ACT
8 REFLECT THE NEW AND EVOLVING FEDERAL AIR POLLUTION CONTROL
9 POLICY. FOR EXAMPLE, THE ACT DIRECTS THE DEPARTMENT OF HEALTH,
10 EDUCATION AND WELFARE TO DEVELOP AND PROMULGATE CRITERIA OF
11 AIR QUALITY FOR THE GUIDANCE OF STATE AND LOCAL AUTHORITIES
12 IN ESTABLISHING STANDARDS FOR SOURCE EMISSIONS AND AMBIENT
13 AIR. IN ADDITION, SPECIFIC DIRECTIVES ARE INCLUDED TO GIVE
14 PARTICULAR RESEARCH ATTENTION TO THE DEVELOPMENT OF EFFECTIVE
15 AND PRACTICAL DEVICES FOR CONTROLLING AIR POLLUTION. THE
16 ACT ALSO CALLS FOR THE FORMATION OF A TECHNICAL COMMITTEE ON
17 MOTOR VEHICLE POLLUTION, COMPOSED OF REPRESENTATIVES FROM THE
18 DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND THE AUTOMOTIVE
19 INDUSTRY, THE MANUFACTURERS OF MOTOR VEHICLE POLLUTION CONTROL
20 DEVICES, AND THE PRODUCERS OF MOTOR FUELS. THIS COMMITTEE
21 WILL REVIEW PROGRESS TOWARD EFFECTIVE CONTROL OF VEHICULAR
22 POLLUTION AND INDICATE SPECIFIC AREAS IN WHICH ADDITIONAL
23 RESEARCH AND DEVELOPMENT ARE NEEDED. THE SECRETARY OF HEALTH,
24 EDUCATION, AND WELFARE IS REQUIRED TO REPORT TO CONGRESS
25 PERIODICALLY ON THIS ASPECT OF THE AIR POLLUTION PROBLEM AND
RECOMMEND ANY NEW LEGISLATION THAT HE FEELS IS WARRANTED. THUS,

1 THE CONGRESS HAS INITIATED A PROCESS OF ALMOST CONTINUOUS
2 REVIEW OF THE MOTOR VEHICLE POLLUTION PROBLEM.

3 THE ACT RETAINS THE PREVIOUS DIRECTIVE THAT
4 FEDERAL FACILITIES SHOULD, TO THE FULLEST EXTENT POSSIBLE,
5 SEEK TO MINIMIZE OR ELIMINATE AIR POLLUTION FOR WHICH THEY
6 ARE RESPONSIBLE. IN ADDITION, THE NEW ACT AUTHORIZES THE
7 SECRETARY OF HEALTH, EDUCATION, AND WELFARE TO DESIGNATE
8 CLASSES OF POTENTIAL POLLUTION -- SOURCES FOR WHICH FEDERAL
9 AGENCIES WOULD BE DIRECTED TO OBTAIN PERMITS FROM HIM,
10 SUBJECT TO SUCH CONDITIONS AS HE MAY PRESCRIBE. THE SECRETARY
11 IS REQUIRED TO REPORT TO THE CONGRESS EACH JANUARY ON THE
12 STATUS OF THESE PERMITS AND THE COMPLIANCE WITH THEIR TERMS.

13 IMPLEMENTATION OF THE CLEAN AIR ACT AND DEVELOPMENT
14 OF THE NEW AND EXPANDED ACTIVITIES IT CALLS FOR ARE PROGRESS-
15 ING, ALTHOUGH THE CONGRESS HAS NOT YET APPROPRIATED FUNDS
16 WITH WHICH TO CARRY OUT THE PROGRAM DURING THE FISCAL YEAR
17 WHICH BEGINS ON JULY 1, 1964, SEVERAL STEPS HAVE BEEN TAKEN
18 TO LAY THE FOUNDATION ON WHICH THE NEW FEDERAL ACTIVITIES
19 WILL BE BUILT. THE PROGRAM GRANTS ACTIVITY IS PREPARING NOW
20 FOR THE TASK OF REVIEWING APPLICATIONS AND ASSIGNING PRIORITIES
21 FOR THE AWARDING OF GRANT FUNDS. AN ABATEMENT BRANCH IS
22 BEING FORMED WITHIN THE DIVISION OF AIR POLLUTION AS ARE OTHER
23 UNITS TO MANAGE THE FEDERAL PERMITS SYSTEM, AND THE DEVELOP-
24 MENT OF AIR QUALITY CRITERIA. THE PRESIDENT HAS ASKED CONGRESS
25 TO APPROPRIATE \$21,990,000 FOR THE EXPANDED FEDERAL AIR POLLU-

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1 TION CONTROL ACTIVITIES IN THE COMING FISCAL YEAR.

2 IT CAN BE SEEN THAT THE CLEAN AIR ACT HAS THE POTENTIAL
3 OF OPENING UP A NEW ERA IN THE EFFORT TO DEAL WITH THE PROBLEM
4 OF COMMUNITY AIR POLLUTION. THE ACT PUTS TO REST ONCE AND
5 FOR ALL THE QUESTION OF LOCAL VERSUS NATIONAL RESPONSIBILITIES
6 FOR THE CONTROL OF AIR POLLUTION. CLEARLY THERE IS A DUAL
7 RESPONSIBILITY. AIR POLLUTION CONTROL AT ITS SOURCE IS THE
8 PRIMARY RESPONSIBILITY OF THE LEVEL OF GOVERNMENT NEAREST
9 THE SOURCE. BUT IN THE LIGHT OF OUR INCREASING KNOWLEDGE
10 OF THE AIR POLLUTION PROBLEM AND THE BURGEONING COMPLEXITY
11 OF THE PROBLEM, THE FEDERAL GOVERNMENT MUST TAKE A HAND IN
12 CONTROLLING AIR POLLUTION WHEN AND TO THE EXTENT THAT LOCAL
13 AND STATE EFFORTS PROVE INADEQUATE. I AM NOT SPEAKING HERE
14 SOLELY OF ABATEMENT ACTION, FOR THE PROBLEM OF AIR POLLUTION
15 IS NOT GOING TO BE MET ADEQUATELY BY ABATEMENT PROCEEDINGS
16 AND COURT ACTION. THERE IS A TREMENDOUS NEED FOR COOPERATIVE
17 RESEARCH AND DEVELOPMENT AMONG GOVERNMENT AND INDUSTRY TO FIND,
18 APPLY, AND CONSTANTLY IMPROVE TECHNIQUES FOR POLLUTION CONTROL.
19 THE PETROLEUM INDUSTRY, AS ONE OF THE MAJOR SEGMENTS OF THE
20 AMERICAN ECONOMY AND AS A KEY ELEMENT IN THE OVERALL PICTURE
21 OF AIR POLLUTION AND ITS CONTROL, CAN MAKE AN INVALUABLE
22 CONTRIBUTION TOWARD REDUCTION OF THIS ENVIRONMENTAL HAZARD.
23 YOUR ACTIVITIES IN THE PAST HAVE BEEN OF GREAT VALUE, AND
24 I LOOK FORWARD TO STILL MORE ACCOMPLISHMENT IN THE FUTURE.

25 THANK YOU.

1 CHAIRMAN HAMON: THANK YOU, MR. MAC KENZIE.

2 I APPRECIATED YOUR REFERENCE TO THE EFFORTS OF THE
3 PETROLEUM INDUSTRY, MORE THAN TWENTY YEARS AGO WE RECOGNIZED
4 THE PROBLEM AND HAVE BEEN WORKING ON IT EVER SINCE, AND YOU M
5 REST ASSURED THAT WE WILL GIVE YOUR OFFICE EVERY COOPERATION.

6 I MIGHT SAY, IF YOU NOTICED THIS MORNING, THERE IS
7 NO SMOKING IN THE ROOM, AND THIS MANY OIL MEN AND NO SMOKING
8 IS AMAZING. THAT IS IN YOUR HONOR, SIR.

9 NEXT WE WILL HEAR FROM LT. GENERAL WILLIAM O. SENTER,
10 U. S. AIR FORCE, DIRECTOR FOR PETROLEUM LOGISTICS POLICY,
11 OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INSTALLATION
12 AND LOGISTICS), AND COMMANDER - DEFENSE FUEL SUPPLY CENTER,
13 DEPARTMENT OF DEFENSE.

14 LT. GEN. WILLIAM O. SENTER, U.S.A.F.
15 DIRECTOR FOR PETROLEUM LOGISTICS POLICY

16 LT. GEN. SENTER: MR. CHAIRMAN, AND SECRETARY
17 KELLY, MEMBERS AND GUESTS. THIS IS MY THIRD N.P.C. MEETING.
18 IT IS THE SECOND TIME I HAVE HAD A CHANCE TO SAY A FEW
19 WORDS, AND I ASSURE YOU THAT MY REMARKS TODAY WILL BE VERY
20 BRIEF.

21 I MENTIONED TO YOU IN THE MARCH MEETING, MY
22 RESPONSIBILITIES AT THE PENTAGON. THEY ARE TO ADVISE THE
23 SECRETARY OF DEFENSE AND THE INDIVIDUAL SERVICE SECRETARIES
24 AND THEIR STAFFS ON PETROLEUM MATTERS; AND SIMPLY STATED,
25 THIS MEANS THAT WE MUST INSURE THAT THERE ARE ENOUGH PETRO-
LEUM PRODUCTS FOR BOTH PEACE AND WAR.

1 LIKE SOME OF YOUR OTHER SPEAKERS, I PAY TRIBUTE
2 THEN TO THE WORK OF THIS COUNCIL AND I REPEAT THAT TRIBUTE
3 HERE TODAY. IT MAY COME AS NO SURPRISE TO YOU THAT WE WORK
4 VERY CLOSELY WITH THE DEPARTMENT OF THE INTERIOR, AND NATIONAL
5 EMERGENCY PLANNING, PLANNING FOR WARD, AND WE DO AN AWFUL
6 LOT OF STUDIES ON PETROLEUM SUPPLY REQUIREMENTS IN CASE OF A
7 NATIONAL EMERGENCY.

8 THE BACKGROUND MATERIAL THAT THE COUNCIL PROVIDES IS
9 INVALUABLE IN THESE STUDIES TO US, AND YOUR HIGH QUALITY REPORTS
10 ARE ALWAYS PROFESSIONALLY DONE AND OF GREAT HELP IN OUR MILITARY
11 PREPAREDNESS AND READINESS.

12 YOUR SOVIET STUDIES ARE STILL OUR BIBLES.

13 AGAIN, I WOULD LIKE TO STRESS HERE TODAY THAT WE
14 COULD NOT MEET TODAY'S PETROLEUM DEMANDS IN SOUTHEAST ASIA
15 AND ALSO AROUND THE WORLD, FOR THAT MATTER, WITHOUT THE HELP
16 THAT YOU PEOPLE GIVE US. WE DEPEND HEAVILY UPON THE INDUSTRY
17 AND UPON YOUR DISTRIBUTION SYSTEM AND I THINK THIS IS RIGHT.
18 IT IS IN LIEU OF BUILDING UP COSTLY AND DUPLICATIVE, MILITARY
19 OWNED AND MILITARILY RUN, SYSTEMS.

20 YOUR INDUSTRIES ARE PRODUCERS, ARE WHOLESALERS
21 AND IN MANY CASES, ARE TRANSPORTER AND YOU ARE TO BE CONGRATU-
22 LATED FOR HAVING A SYSTEM THAT WORKS SO VERY WELL.

23 ON THE FIRST OF THIS MONTH, I GOT ANOTHER HAT:
24 COMMANDER OF DEFENSE FUEL SUPPLY CENTER, WHICH UNDER ONE
25 NAME OR ANOTHER, HAS BUYING PETROLEUM PRODUCTS FOR THE

1 ARMED FORCES SINCE WORLD WAR II. UNDER THIS NEW ARRANGEMENT,
2 I AM NOT ALWAYS SURE WHICH HAT TO WEAR WHEN I TALK TO A
3 GROUP LIKE THIS. IN FACT, SOME DAY I MAY FIND MYSELF WRITING
4 UNACCEPTABLE DIRECTIVES TO MYSELF, AND PERHAPS UNACCEPTABLE
5 ANSWERS BACK.

6 THIS INCIDENTALLY IS THE FIRST TIME THAT THESE TWO
7 JOBS HAVE BEEN COMBINED.

8 I THINK ALL OF YOU KNOW THE DEFENSE FUEL SUPPLY
9 CENTER IS THE INDUSTRY'S BIGGEST CUSTOMER, BUYING NEARLY MORE
10 THAN A ^BMILLION DOLLARS WORTH OF PRODUCTS, AND THIS MAKES IT
11 THE FREE WORLDS BIGGEST SINGLE BUYER.

12 AGAIN, THE LAST FISCAL YEAR, OUR PROCUREMENT EXCEEDED
13 A BILLION DOLLARS FOR THE EIGHTH STRAIGHT YEAR, AND IN FISCAL
14 YEAR '64, THE TOTAL WAS \$1 BILLION 200 MILLION, WITH OVER-
15 SEAS PROCUREMENT AT 323.5 MILLION; DOWN 16 AND A HALF MILLION
16 FROM THE FAMILIAR \$340 MILLION OF FISCAL 1962.

17 THIS MAY MAKE SOME PEOPLE A LITTLE HAPPIER.

18 ABOUT A YEAR AGO WE WERE GIVEN THE ADDITIONAL
19 ASSIGNMENT OF BUYING CHEMICALS. THIS INCLUDES ABOUT 2,000
20 ITEMS SUCH AS ACETONE, ACIDS, SILICA JELL AND ALCOHOL. NOW,
21 THAT IS ETHYL AND DENATURED. UNFORTUNATELY, I FIND AFTER
22 I GET OVER THERE, THAT THE FOUR ROSES TYPES ARE EXCLUDED.

23 THIS ANNUAL CHEMICAL PROCUREMENT RUNS ABOUT \$20
24 MILLION.

25 AND IF I MAY SAY SO HERE, TO THIS GROUP, WE WERE ALSO

1
2 WE WERE ALSO GIVEN THE ASSIGNMENT TO BUY COAL. OUR PROCURE-
3 MENT RUNS ABOUT 3.8 BILLION TONS A YEAR, AND IT COSTS ABOUT
4 \$2L MILLION.

5 PETROLEUM PRODUCTS, HOWEVER, ARE FAR AND AWAY
6 OUR MAIN ORDER OF BUSINESS.

7 OVER AT THE DEFENSE FUEL SUPPLY CENTER, WE ARE
8 MANNED BY ABOUT 340 CIVILIANS, AND 24 OFFICERS OF VERY, VERY
9 FINE COMPETENT STAFF, DOING A VERY GOOD JOB.

10 WE ARE JOINTLY STAFFED AS THE MILITARY SAYS. THIS
11 MEANS THAT WE HAVE OFFICERS FROM ALL THE SERVICES. I CAN VOUCH
12 FOR THIS BECAUSE FOR THE FIRST TIME IN MY CAREER OF MORE THAN
13 31 YEARS, I AM BEING ADDRESSED AS ADMIRAL.

14 I WOULD LIKE TO SAY I WELCOME ADVICE AND HELP, NOT
15 ONLY FROM THE SMALL STAFF AT THE PENTAGON, AND THE BIG STAFF
16 AT THE FUEL CENTER, BUT ALSO FROM INDUSTRY AS A WHOLE; AND THAT
17 CERTAINLY MEANS YOU N.P.C. MEMBERS.

18 LONG AGO, I LEARNED THAT THERE ARE ALWAYS A
19 MINIMUM OF TWO SIDES TO A PROBLEM, AND QUITE OFTEN, MANY MORE.
20 WE ARE OF COURSE, OVER THERE, AND IN THE PENTAGON, STRIVING
21 TO ACCOMPLISH OUR MISSION, AND IN LINE WITH THAT GOAL,
22 YOU SHOULD KNOW THAT THE DOOR IS ALWAYS VERY WIDE OPEN.

23 THANK YOU VERY MUCH.

24 (APPLAUSE)

25 CHAIRMAN HAMON: NOW, I WILL MAKE THE SECOND
INTRODUCTION TO REAR ADMIRAL ONNIE P. LATTU, THE NEW DIRECTOR
OF THE OFFICE OF OIL AND GAS.

1
2 REAR ADMIRAL ONNIE P. LATTU, DIRECTOR
3 OFFICE OF OIL AND GAS

4 REAR ADMIRAL LATTU: MR. CHAIRMAN AND GENTLEMEN,
5 IT IS INDEED A PLEASURE FOR ME AGAIN TO PARTICIPATE WITH THE
6 NATIONAL PETROLEUM COUNCIL MEETINGS. I AM LOOKING FORWARD
7 TO A VERY INTERESTING AND BUSY ASSIGNMENT WITH INTERIOR'S
8 OIL AND GAS TEAM.

9 THE ASSIGNMENT ANNOUNCED THIS MORNING BY ASSISTANT
10 SECRETARY KELLY, WILL CERTAINLY GIVE ME THE OPPORTUNITY TO
11 LOOK INTO ALL THE FACETS OF THE OIL INDUSTRY. IT WILL BE
12 A CHALLENGE TO ALL OF US HERE IN THE INTERIOR DEPARTMENT,
13 TO GET THE JOB ON THE WAY AND DONE.

14 THE REPORT ON THE EMERGENCY PREPAREDNESS IS UNIQUE
15 AMONG THE MANY OUTSTANDING STUDIES THE COUNCIL HAS UNDER-
16 TAKEN FOR THE DEPARTMENT OF THE INTERIOR. SO FAR AS I
17 HAVE KNOWLEDGE, NO OTHER INDUSTRY GROUP HAS MADE SUCH A COM-
18 PREHENSIVE ANALYSIS OF THE PLANNING REQUIRED BY GOVERNMENT
19 AND INDUSTRY TO ENABLE MEETING ESSENTIAL REQUIREMENTS FOR ITS
20 PRODUCTS OR SERVICES DURING WAR TIME EMERGENCY.

21 I WOULD LIKE TO ADD A "WELL DONE" TO MR. NICKERSON
22 AND ALL HIS COMMITTEE MEMBERS.

23 WE IN THE INTERIOR, WILL TAKE A GOOD LOOK AT THIS
24 STUDY AND WE WILL CAREFULLY STUDY IT AND IMPLEMENT ALL THE
25 RECOMMENDATIONS.

THANK YOU.

(APPLAUSE)

1
2 CHAIRMAN HAMON: I HAVE THE FOLLOWING ANNOUNCEMENTS
3 TO MAKE.

4 IF ANY OF THE COUNCIL MEMBERS CAME IN LATE AND
5 MISSED THE ROLL CALL, WILL YOU PLEASE GIVE YOUR NAME TO VINCENT
6 BROWN AT THE CLOSE OF THE HEARING?

7 I WOULD ALSO LIKE TO HAVE MR. FOLLIS AND MR. IKARD
8 COME TO THE PLATFORM AFTER ADJOURNMENT, AND MR. NICKERSON
9 AND MR. CHARLES SCOTT, PLEASE COME TO THE PLATFORM AFTER
10 ADJOURNMENT.

11 NOW, IF THERE IS NO FURTHER BUSINESS TO COME BEFORE
12 THE MEETING -- UNLESS ANYONE HAS ANYTHING TO SUGGEST -- THE
13 CHAIR WILL ENTERTAIN A MOTION.

14 MEMBER OF AUDIENCE: I MOVE WE ADJOURN.

15 MEMBER OF AUDIENCE: SECOND.

16 CHAIRMAN HAMON: YES, THE HEARING IS ADJOURNED.

17 (WHEREUPON, AT 12:20 O'CLOCK, P.M., THE HEARING
18 WAS ADJOURNED.)
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