

DAVID

DEPARTMENT OF THE INTERIOR

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Meeting of the
NATIONAL PETROLEUM COUNCIL

9:30 a.m., Tuesday, 20 July 1965

Chairman: Jake L. Hamon,

Conference Rooms A & B
Departmental Auditorium
14th Street and Constitution Avenue, N. W.
Washington, D. C.

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P R O C E E D I N G S

MR. HAMON: The Council will come to order.

We will have the Secretary call the roll.

MR. BROWN: If you are here representing a Council member, when I come to his name please stand and give your name, if you are an alternate.

MR. BROWN: Mr. Abel.

✓ MR. ABEL: Here.

MR. BROWN: Mr. Abernathy.

✓ MR. ABERNATHY: Here.

MR. BROWN: Mr. Anderson.

✓ MR. ANDERSON: Here.

MR. BROWN: Mr. Robert O. Anderson.

*Not
Correct*

✓ MR. ^{SUPPLEE} ABEL: ^{Supplee} ~~Abel~~, representing Mr. Anderson.

MR. BROWN: Mr. Baldrige.

✓ MR. BALDRIDGE: Present.

MR. BROWN: Mr. Bass.

✓ MR. DURST: Roy Durst, representing Mr. Bass.

MR. BROWN: Mr. Benedum.

(No response)

MR. BROWN: Mr. Berqfors.

✓ MR. BERQFORS: Here.

MR. BROWN: Mr. Bible.

(No response)

MR. BROWN: Mr. Blaustein.

✓ MR. BLAUSTEIN: Present.

MR. BROWN: Mr. Boyd.

✓ MR. BOYD: Here.

MR. BROWN: Mr. Brazell.

✓ MR. BRAZELL: Present.

MR. BROWN: Mr. Bridwell.

✓ ✓ MR. MARTIN: Thomas A. Martin, representing Mr. Bridwell.

MR. BROWN: Mr. Brockett. *(was present)*

(No response)

MR. BROWN: Mr. Bruce K. Brown.

✓ MR. BRUCE K. BROWN: Here.

MR. BROWN: Mr. Bruce.

✓ MR. BRUCE: Here.

MR. BROWN: Mr. Buck.

✓ MR. BUCK: Here.

MR. BROWN: Mr. Burlingame.

✓ MR. BURLINGAME: Here.

MR. BROWN: Mr. Burrow.

(No response)

MR. BROWN: Mr. Copeland.

(No response)

MR. BROWN: Mr. Doan.

✓ ✓ DR. BEUDEL: A.P. Beutel, representing Herbert D. Doan.

MR. BROWN: Mr. Donnell.

✓ MR. DONNELL: Here.

MR. BROWN: Mr. Elliott.

(No response)

MR. BROWN: Mr. Endacott.

✓ MR. ENDACOTT: Here.

MR. BROWN: Mr. Fitchett.

✓ MR. FITCHETT: Here.

MR. HAMON: Mr Fitchett, will you please stand. As Mr. Fitchett is a new member of the Council, we want to welcome you to the Council.

(Applause)

MR. BROWN: Mr. Follis. *(was present later)*

~~(No response)~~

MR. BROWN: Mr. Foree.

(No response)

MR. BROWN: Mr. Fox.

✓ MR. FOX: Here.

MR. BROWN: Mr. Gammelgard.

(No response) *(was late)*

MR. BROWN: Mr. Getty.

✓ ✓ MR. MILLER: Vernon Miller, representing George F. Getty.

MR. BROWN: Mr. Goodrich.

✓ ✓ A VOICE: John, *→ Fr. Laford* representing Mr. Goodrich.

MR. BROWN: Mr. Graham.

✓ MR. GRAHAM: Here.

MR. BROWN: Mr. Haider.

✓ MR. HAIDER: Here.

MR. HAMON: Mr. Haider is chairman of the board of Standard of New Jersey. Will you please stand, Mr. Haider? He is a new member of the Council.

(Applause)

MR. BROWN: Mr. Hamon.

✓ MR. HAMON: Here.

MR. BROWN: Mr. Harper.

✓ MR. HARPER: Present.

MR. BROWN: Mr. Hartley.

✓ MR. HARTLEY: Here.

MR. HAMON: I believe Mr. Hartley, who is president of the Union Oil Company, is also a new member of the Council. He came clear from California.

Would you please stand, Mr. Hartley?

(Applause)

MR. BROWN: Mr. Hellums.

✓ MR. BAKER: Warren L. Baker, representing Mr. Hellums.

MR. BROWN: Mr. Hope.

✓ MR. HOPE: Here.

MR. BROWN: Mr. Howell.

✓ MR. HOWELL: Present.

MR. BROWN: Mr. Hurd.

✓ MR. HURD: Here.

MR. BROWN: Mr. Ikard.

✓ MR. IKARD: Here.

MR. BROWN: Mr. Jackson.

✓ MR. JACKSON: Here.

MR. BROWN: Mr. Charles S. Jones.

(No response.)

MR. BROWN: Mr. J. Paul Jones.

✓ MR. J. PAUL JONES: Here.

MR. BROWN: Mr. W. Tom Jones.

(No response)

MR. BROWN: Mr. Kantzer.

✓ MR. KANTZER: Here.

MR. HAMON: Will you please stand, Mr. Kantzer.

Mr. Kantzer is president of the Transwestern Pipeline Company. Will you please stand, Mr. Kantzer. Welcome.

(Applause)

MR. BROWN: Mr. Keeler.

✓ MR. KEELER: Here.

MR. BROWN: Mr. Kelly.

✓ MR. KELLY: Here.

MR. HAMON: John, will you please stand. We are pleased and honored to have you here.

(Applause)

MR. BROWN: Mr. Kiltz.

✓ MR. KILTZ: Here.

MR. BROWN: Mr. Levy.

(No response)

MR. BROWN: Mr. Loomis.

✓ MR. LOOMIS: Here.

MR. BROWN: Mr. Ludwig.

(No response)

MR. BROWN: Mr. McClure.

✓ MR. McCLURE: Here.

MR. BROWN: Mr. McCollough.

✓ MR. McCULLOUGH: Here.

MR. HAMON: Mr. McCullough, will you please stand.

This is E.H. McCullough, president of the Amerada Petroleum Corporation. Welcome to the Council.

(Applause)

MR. BROWN: Mr. McCollum.

✓ ✓ MR. SKINNER: Harold S. Skinner, vice president.

MR. BROWN: Mr. McCurdy.

✓ MR. McCURDY: Here.

MR. HAMON: Mr. McCurdy, will you please stand. Mr. McCurdy is president of Shell. He succeeds Monty Spaght on the Council and we welcome you.

(Applause)

MR. BROWN: Mr. McGee.

✓ MR. MCGEE: Here.

MR. BROWN: Mr. McGraw.

✓ MR. MCGRAW: Here.

MR. BROWN: Mr. Maguire.

(No response)

MR. BROWN: Mr. Majewski.

✓ MR. MAJEWSKI: Here.

MR. BROWN: Mr. Marshall.

✓ MR. MARSHALL: Here.

MR. BROWN: Mr. Mecom.

✓ MR. MECOM: Here.

MR. HAMON: Mr. Mecom, will you please stand.

Mr. John W. Mecom is an independent producer of
Houston, Texas.

Welcome to the Council.

(Applause)

MR. BROWN: Mr. Miller.

✓ MR. MILLER: Here.

MR. BROWN: Mr. Milligan.

✓ ✓ MR. CAMPBELL: Douglas Campbell, representing Mr.
Milligan.

MR. BROWN: Mr. Morton.

(No response)

MR. BROWN: Mr. Murphy.

✓ MR. MURPHY: Here.

MR. BROWN: Mr. Nickerson.

✓ MR. NICKERSON: Here.

MR. BROWN: Mr. Nielson.

MR. NIELSON: Glenn E. Nielson, Jr. *observed*

MR. BROWN: Mr. Niness.

(No response) ——— *was present*

MR. BROWN: Mr. Parkes.

(No response) ——— *was present*

MR. BROWN: Mr. Parten.

(No response)

MR. BROWN: Mr. Potter.

(No response)

MR. BROWN: Mr. Rambin.

(No response) ——— *was present*

MR. BROWN: Mr. Rather.

✓ MR. RATHER: Here.

MR. BROWN: Mr. Reistle.

✓ MR. REISTLE: Here.

MR. BROWN: Mr. Ritchie.

✓ MR. RITCHIE: Here.

MR. BROWN: Mr. Robineau.

Norman J. Mayo

A VOICE: Representing Mr. Robineau.

MR. BROWN: Mr. Rodman.

✓ MR. RODMAN: Here.

MR. BROWN: Mr. Rowan.

✓ MR. ROWAN: Here.

MR. BROWN: Mr. Scott.

(No response) — *was present - do to*

MR. BROWN: Mr. Shumway.

✓ MR. SHUMWAY: Here.

MR. BROWN: Mr. Smith.

✓ MR. SMITH: Here.

MR. HAMON: Mr. Smith, will you please stand.

I want to introduce Mr. William Wikoff Smith, president of the Kewanee Oil and Gas Company, one of the large independent companies, and I believe one of the oldest in the business.

Isn't that right, Mr. Smith.

MR. SMITH: Yes.

(Applause)

MR. BROWN: Mr. Spahr.

(No response)

MR. BROWN: Mr. Steiniger.

✓✓ CAPTAIN CARSON: Captain M.V. Carson, representing Mr. Steiniger.

MR. BROWN: Mr. Swearingen.

✓✓ MR. GUNNESS: Robert C. Guinness, representing Mr. Swearingen.

MR. BROWN: Mr. Taliaferro.

✓ MR. TALIAFERRO: Present.

MR. BROWN: Mr. Tollefson.

MR. MURDY: R.J. Murdy. *for Mrs. Tolleson*

MR. BROWN: Mr. True.

✓ MR. TRUE: Here.

MR. BROWN: Mr. Vaughey.

✓ ✓ MR. JAMISON: Minor S. Jamison.

MR. BROWN: Mr. Vockel.

(No response)

MR. BROWN: Mr. Von Hagen.

(No response)

MR. BROWN: Mr. Wadsworth.

✓ MR. WADSWORTH: Here.

MR. BROWN: Mr. Wagner.

✓ MR. WAGNER: Here.

MR. BROWN: Mr. Warren.

✓ MR. WARREN: here.

MR. BROWN: Mr. Wells.

✓ MR. WELLS: Here.

MR. BROWN: Mr. White.

(No response)

MR. BROWN: Mr. Whiteman.

✓ MR. WHITEMAN: Here.

MR. BROWN: Mr. Winger.

✓ MR. WINGER: Here.

MR. BROWN: Mr. Worley.

✓ MR. WORLEY: Here.

MR. HAMON: Mr. Worley, will you please stand.

I want to introduce Mr. Worley. He is president of the Natural Gas Processors Association.

Welcome to the Council.

(Applause)

MR. HAMON: I am going to ask Mr. co-chairman, the Honorable Stewart Udall, the Secretary of the Interior, to take the chair for a moment.

SECRETARY UDALL: We have one of my Cabinet colleagues with us this morning, and he is extremely busy, like most of us. We are going to let him give the first speech this morning and get on his way to other important business.

Ed Warren will introduce him in a moment, but I wanted to say just a word about him, both by way of introducing him to you, and introducing you to him, although I think many of you know Joe Fowler and know him well.

I thought I could say this morning, because I heard it not from him but from someone else, that he was going to be Time's cover boy this week. He tells me he has been displaced by Mars. He will probably appear later.

Joe is one of the most delightful colleagues that we have in the Cabinet, and certainly one of the ablest men, as he has demonstrated over the past four and a half years in the highest eschelons of government.

He has the manners and the appearance of a Virginia

gentleman, which he is, and behind that facade lurks a steel trap mind, and an ability to comprehend the most complex questions.

I just want to say to you, Joe, having given that brief introduction, I think we have here in the National Petroleum Council, which is an old and established institution in the Federal Government -- and which has its home tie with my own Department -- I think an industry which has a steel trap mind, which is one of the most daring and most venturesome industries in this country. As a matter of fact, if all the industrial segments did as well as this industry does in the world-wide picture, you would not have this balance of payments problem which you must be occupied with every day.

So I want to introduce you to these leaders of this fine industry.

If I have not said everything, I will now let Ed Warren make his introduction of the Secretary of the Treasury.

MR. WARREN: When Jake Hamon asked me if I would introduce Secretary Fowler, I said it would be a great pleasure and privilege, but I know it is far more appropriate for the Secretary of the Interior to introduce his colleague.

I think he said almost everything that can be said. I do recall however that when he was with the ODM, Director of the Office of Defense Mobilization, member of the Security Council, he appeared before this Council at that time. It was

about a week after the national election in 1952. The person who was presiding as chairman of the Council had been quite prominent in the news and television as the temporary chairman of the Republican Convention, and I remember Joe Fowler's remark when he came up here. He said, "My God, they have moved in and taken us over already." (Laughter)

But Mr. Fowler, as Secretary Udall has said, has had a distinguished career in government, and I think of particular interest to this Council, he has had quite a background in defense mobilization activities -- National Production Board -- and he has an understanding and appreciation of the processes and problems of industry and business, as well as those of government.

He is a wise and understanding man, but a man of conviction and accomplishment.

So I second his introduction, by introducing to you Secretary Fowler.

(Applause)

SECRETARY FOWLER: Secretary Udall, Chairman Hamon, and my old friend and colleague, Ed Warren. Ed has recalled to you already my appearance more than a decade ago before this Council under much different circumstances, and yet the problems still continue to be very much the same: the pursuit of peace, freedom and prosperity, not only at home, but on a world-wide basis.

It was my privilege to work with this great industry as Director of Defense Mobilization, and prior to that as Administrator of the Defense Production Administration, to work with Bruce Brown who is heading the Petroleum Administration for Defense, and then his successor, Ed Warren, who has given me this very generous introduction here.

Out of that recollection of thirteen years ago now, I know the capacity and the fire power of this great industry which was put to a test in both World War II -- I was with the War Production Board -- and again in 1950, 1951 and 1952 when preparations for what at that time seemed to be a much larger involvement in military affairs was indicated.

I think the fact that we went through a mobilization, painful as it was, the fact that we marshalled our resources, painful as that was, for war purposes, the fact that we built up the bone and sinew of a stronger national economy, and the fact that we graduated from that state of intensive preparation and mobilization into a force which has a readiness in being, so

to speak, as has characterized our posture since, has been a tremendous force for peace in the world since that time, and continues to be such today.

I want to talk to you today as an industry which plays a vital part in the continued growth of the greatness of the American economy, and the economy of the free world.

In countries abroad the growth of energy demand is even more rapid than our own. As a result, the free world consumption of oil and gas I am told by those well informed may well double in the next decade.

On the international front, therefore, as well as here at home, industry is growing vigorously, keeping always in the forefront technology, research, girdling the globe from the deserts of the Sahara to the North Sea, from Alaska to Australia, continuing research for new reserves to supply the world's needs.

I want to talk to you today of a subject which is related to this involvement of this industry in world affairs, and yet a subject which is not peculiar or special to this industry, but involves the general economy. It is a subject that, as Secretary of the Treasury, I have to live with everyday, and so therefore rather than come and talk to you about the matters that are queued to your own knowledge, I want to talk to you about a subject that involves us both.

We have heard a great deal in recent weeks about a

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similar search to the search you have always engaged in, a search for ways to insure ample reserves to supply the world's financial needs.

It is of that search and of our drive to obtain equilibrium in our international accounts which is designed to preserve and conserve the financial liquidity in the world that is represented by the existence of roughly \$27 billion held in the hands of foreign central banks and foreign private parties that I would like to speak to you about this morning.

No group could be more acutely aware than you are of how deeply interdependent, how closely linked are the American economy and the economy of the free world. Indeed it is upon the stability and soundness of the American dollar, as much as any other single factor, that the entire international monetary system is in accord.

An effective world monetary system is essential for sustained growth in world trade. These, as you well understand, are factors that underlie our own economic prosperity, as well as that of the entire free world.

Nor is their impact or their importance confined simply to the economics sphere of our ability to shoulder the burdens of world leadership, whether sought or not, economically, politically, militarily, which must rest as much upon the firm foundation of a strong dollar as upon any other aspect of national strength.

To ourselves, therefore, and to the world, the stability of the dollar, and of the world monetary system which the dollar so critically supports, is a matter of first importance. That is why the solution of our balance of payments difficulties, and the strengthening of our international monetary system, must be of deep concern to all of us in this country as well as to peoples of the free world.

On February 10 of this year, as you know, President Johnson set forth a program to bring our international balance of payments, our accounts, public and private, with other nations, into prompt and lasting equilibrium.

I know by glancing around the room that many of you here were present at some of the sessions that preceded and were contemporaneous with the announcement of that program, and that some of you are taking roles of leadership in the voluntary program that is a consonance.

That program reflected the President's clear recognition that we stood at a critical juncture in our drive to end our payments deficit, his unshakable resolve to remove all doubts about the determination of this country to put an end to its payments difficulties once and for all.

It was not that our underlying international position was weak or unsound, for it was fundamentally strong and growing stronger. Our record of recent years had shown a cost-price stability unsurpassed by any other country, a marked

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improvement in the competitive position of our products in world markets, a sharp rise in our private assets abroad in the form of plant, equipment, securities which had outpaced the rise in our liabilities to foreigners.

Furthermore, we enjoyed the world's most productive and efficient economy, the world's largest supply of gold, the world's strongest creditor position, the world's most favorable trade position, and finally, our progress over the prior four years had been both solid and substantial in dealing with this balance of payments deficit in the order of magnitude of roughly \$4 billion which had characterized the years 1960, 1959 and 1958.

We had gained \$900 million in our commercial trade surplus covering transactions not financed by Government, raising it to a record of \$3.7 billion in 1964. We had cut \$400 million in the net dollar outflow resulting from foreign aid. We had cut nearly \$700 million in net military outlays, despite rising costs, and additional demands of the Berlin situation.

There had been \$1 billion, six hundred million rise in our earnings in past foreign investment. So simply as a matter of arithmetic, these gains totalled together seemed to be enough, all else being equal, to have given us virtual balance in our payments last year, eliminating the pre-existing deficit of roughly \$4 billion that had preceded. But despite

these real and lasting gains, \$3.6 billion in so many areas of our balance of payments, other areas worsened.

As a result, we incurred a deficit in 1964 of \$3.1 billion, only \$800 million below the \$3.9 billion deficit for 1960.

Thus, after four years of strong and sustained effort, effort that had gained us substantial ground in many sectors of our balance of payments, our deficit still remained far too high, and our dollars were flowing abroad in far larger amounts than the rest of the world, particularly those countries in Western Europe, which had surpluses in their balance of payments, were willing to hold.

The main reason that our efforts of four years had not restored equilibrium to our international accounts was an accelerating outflow of nearly all types of private capital.

Last year that outflow rose to \$6.5 billion, up more than \$2 billion over the preceding year, and more than \$2.5 billion over 1960. That outflow, a good thing in and of itself, stemmed from several sources, including the very appropriate drive by American business to stake out a claim in the rapidly growing, and apparently highly profitable European markets.

But its prime source, the primary reason for this huge outflow, was the marked disparity that had long existed between European capital markets and our own, a disparity in size and in scope and in facilities that led borrowers in other

7 countries to tap our market for a large share of their capital requirements.

The United States had often called attention to this disparity and had urged its European friends to enlarge their capital markets, and to improve them, but their progress in that endeavor had simply not been large and rapid enough, and we had passed the point where we could sustain the huge drain of capital which that disparity entailed.

Indeed, we had passed the point where we could accept anything less than immediate and effective action to bring our international accounts into equilibrium, and to keep them there.

That required that we mount and maintain a comprehensive attack upon all sectors of our deficit.

President Johnson urged that attack in his February 10 Message to the Congress on the balance of payments. The heart of that message was the call to arms of American businesses and banks, a call to join voluntarily in a national drive to stem the outflow of dollars abroad, and thus to demonstrate to the world that not only the entire resources of the American Government, but all the might of the American business economy, of the American banking community, of the American public, are being brought to bear upon the balance of payments problem.

The response to that call has been excellent. The efforts of our banks and our businesses, the efforts of many companies represented here today, have gotten us off to a most

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encouraging start. After a bad showing in January, prior to the program, our balance of payments improved in February following the President's message, and produced a surplus in March, April, and May.

But let no one be deceived. We have begun to see daylight, but we have a long way yet to go before we reach it. The results thus far tell us we are headed in the right direction. They tell us that we have the weapons to win our payments battle if we have the will to wield these weapons with full force.

They tell us we have made a good beginning, but no more.

The big job is still ahead of us, the job of demonstrating that we can sustain equilibrium through extraordinary terms, and through the longer-term measures inaugurated since 1961.

In short, we must continue to apply with full force the extraordinary measures we have adopted until we can maintain payments equilibrium without them.

We must continue to apply them in full force until the results of our longer term measures place our accounts securely in equilibrium, results such as rising returns from past private investments abroad, our improved climate for domestic employment of capital at home, larger and better capital markets abroad, and growth in our trade balance which

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requires that we continue our excellent record of price stability.

There seem indeed to be some who think that through the last few months of progress we have ended our payments problem, or who think that it will suffice to reach balance for a relatively brief period of time, say, two or three quarters, or even a year.

If there are any who hold that view, let me remind them we have had deficits in our balance of payments for 14 out of the last 15 years, and particularly the deficits since the time of Suez have been meaningful, and not particularly desirable deficits, whereas prior to that time they were designed in part and planned to fill the so-called dollar gap.

These deficits have results in a large outflow of dollars to the rest of the world. Because there is world-wide confidence in the stability of these dollars, and because they are convertible into gold at the fixed price of \$35 an ounce, these dollars are widely used to finance international transactions, and other countries hold them along side gold in their official reserves.

Today these dollars, some 27 billion of them, account for a major share of the international liquidity that sustains the free world economy. Some 12 billions of these are in official reserves, while the remainder serve to support growing trade and investment.

Thus, to preserve the viability of the international monetary system as it exists today, the value and usefulness of these dollars must remain unquestioned throughout the world, and whatever changes might be introduced into that system, the dollar will have to continue to carry a heavy burden as a reserve currency.

If we allowed our deficits to continue, or lapsed back into prolonged deficits after a brief period of surplus, we would risk undermining world confidence in the dollar and impair its usefulness as a world reserve and leading currency. Dollars would return to our shores as claims for gold, thus depleting instead of supplementing world financial resources.

To prevent such a contraction in world liquidity and the widening circles of inflation and restriction that would surely follow, we must reach and maintain equilibrium in our payments as a matter of the highest priority, along with sustaining the economic advance that has lasted 53 months.

The paradox is therefore that the very increase in official foreign dollar holdings that fill so much of the need of world growth, which has thus helped support the growth in world trade, can no longer be allowed to continue if current international liquidity is to be protected. Yet without additions to the reserve dollars that our deficits have so long supplied, the world will need a new and assured source of growing liquidity to support growing world trade and investment.

It is to assure ample World liquidity for the years ahead that the United States, in cooperation with other leading financial powers, is seeking workable ways of strengthening and improving international financial arrangements.

For several years now the essential laying of technical groundwork has been underway, as the United States has joined with other major countries in comprehensive studies of the international monetary system, its recent evolution, its present effectiveness, and its future.

At the same time we have joined with other nations in materially strengthening the credit resources of the international monetary fund.

Last week these efforts entered a new phase, as I was privileged to announce with the authorization of President Johnson, that the United States now stands prepared to take part in an international conference on ways to improve world monetary arrangements. I was able to make that announcement because of the happy concurrence of three factors.

First, the United States balance of payments is moving toward equilibrium as we are demonstrating our determination to keep it that way. Therefore, the calling of such a conference is not, as would have been thought prior to this time, designed to bail us out of our own problem.

Second, a very substantial international consensus is now going to take shape that we ought to move ahead in

improving international monetary arrangements, not by discarding the system that has fueled the economic growth of the free world over the last twenty years, but by strengthening that system.

Third, the experts have now virtually completed the technical studies essential for a thorough understanding of the problem and its alternative solutions by those who must make the final decision.

In short, the way is now clear, and the time is ripe for the nations of the world to move into high gear in their joint efforts to assure ample financial resources for world economic growth.

As I stated last week in suggesting the conference, it can produce the fruitful and creative results that our future requires only if we enter it through the threshold of careful preparation and international consultation. It would not only be pointless but disastrous to hold such a conference without first being sure through prior agreement on basic points that it would produce measurable results.

The United States' suggestion is that the essential preliminary groundwork be laid by preparatory committee to be given its terms of reference at the time of the annual meeting of the International Monetary Fund scheduled in Washington during the week of September 27 of this year.

I also emphasize that the United States is not

wedded to this procedure or any particular timetable, particularly a rigid one, but we are convinced that now is the time to move beyond the plane of technical study, of merely informal international discussion, and to enter into a new phase of determined purposeful effort to move closer to the prospect of conclusive negotiations from which alone solution can emerge.

We are greatly encouraged by some of the response which our suggestion for an international conference has thus far received. The Japanese Government endorsed the suggestion through its Minister of Finance, with whom I had the pleasure of consulting during joint negotiations of the U.S.-Japan Committee on Trade and Economic Affairs held last week in Washington.

The British Government has also expressed its support through the Chancellor of the Exchequer, whom I met two weeks ago in Washington and with whom I exchanged views on international monetary affairs and other matters.

Last Friday I saw the first organizational meeting of the newly-formed Advisory Committee on International Monetary Arrangements, a panel of distinguished private citizens chaired by the former Secretary of the Treasury, Douglas Dillon.

With the help of these committees, and with the help of many others who will be consulted, including particularly many well informed members of Congressional committees,

negotiating strategy designed to achieve substantial improvement in international monetary arrangements thoroughly compatible with our national interest will be adopted.

We will be prepared both to advance our own proposals and to carefully consider and fairly weigh the merits of other proposals.

We are therefore moving ahead, and we are making progress, but we must be aware that the issues involved are complex, raise basic questions of national interest. It will not be easy to arrive at an international consensus which we must have for any workable reform of this international monetary system.

We can expect no overnight solution, but only patient exploration of the alternatives with our trading partners in a spirit of mutual cooperation.

As we move ahead, we will do well to remember that the existing international financial system has successfully financed an unparalleled expansion in world trade and payments.

We have done much in recent years to strengthen that system. The need now is not to start all over again, but to move once more to strengthen and improve the existing arrangements.

While we proceed solidly and surely toward international agreement on the problems of world liquidity, we in this country must keep ever before us the present pressing

need to protect the existing international payments system by maintaining a strong, sound, and stable dollar. That has been and remains the foremost task before us, and requires that we both bring other payments into equilibrium and keep them there. Only thus can we safeguard the existing system of world monetary arrangements, the system that has served the free world so well in the past, and upon which we must build for the future.

I appreciate very much the opportunity to be with you this morning and participate once again in this very important body.

I am very familiar with the tremendous contributions that you have made through this group in years past and look forward to further opportunities for a joint effort together.

(Applause)

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MR. HAMON: Thank you, Mr. Secretary. We are certainly honored to have you here, and appreciate your very fine address.

About 14 years ago I was president of the Texas Mid-Continent, and the Venezuelan Ambassador wanted to come to Dallas and meet the oil men, and it seemed to the State Department for some reason or other, being president of that association, I was the ranking man who should entertain him. They sent me a little book of protocol which told me where the Governor sat, and this and that, which was of great help.

I am sorry that I did not bring the book along this morning, because I am going to introduce a number of distinguished visitors who are here this morning as guests, and I don't know the protocol or the respective arrangements, so that if they will bear with my ignorance, I will do the best I can.

First, I would like to introduce Silvio O. Conte, the Honorable Congressman from Massachusetts.

(No response)

MR. HAMON: I had a note that the Congressman was here.

Next I want to introduce the Honorable James C. Langdon, Texas Railroad Commissioner.

(Applause)

The Honorable Byron Tunnell, Texas Railroad

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Commissioner.

(Applause)

✓ The Honorable James Mr. Menefee, Commissioner of
Conversation for the State of Louisiana.

(No response) *was present*

MR. HAMON: J.E. Fowler of the Governor's staff.

(No response) *not present*

✓ MR. HAMON: I want to also introduce the Speaker of
our House, the Honorable Ben Barnes.

(Applause)

MR. HAMON: I want to introduce the Honorable Boston
DeWitt, Attorney General of the State of New Mexico.

(Applause)

MR. HAMON: And Arthur Barbeck, Chief Engineer of
the Texas Railroad Commission.

(Applause)

MR. HAMON: I might say to the Texas Railroad
Commissioners who are present I am going to call on one of you
for a few remarks after Secretary Udall, who has to leave to
go up on the Hill, talks to us.

Now I am going to turn the platform over to Secretary
Udall.

SECRETARY UDALL: Thank you very much, Jake, and I
hope you will excuse me ^y dashing out when I finish, because I do
have to testify before a committee, and I am afraid that

preempts the rest of my time this morning.

I just have a few general comments to make, and then a few comments to make, as it were, on a matter of personal privilege.

I can report to you that we had in the Department all of my advisors on petroleum matters sit with me and Secretary Kelly in a consulting capacity. We had some very interesting discussions, wide-ranging discussions, for more than an hour yesterday with the Texas Railroad Commission members who have been introduced here this morning, and Mr. Menefee from Louisiana.

Our purpose of course in having these discussions is to discuss the whole range of mutual problems, attempt to coordinate our policies, particularly with regard to the Continental Shelf, with the problems and policies that people have in these two co-States that have such an important responsibility and relationship to the Continental Shelf.

I hope that out of these discussions will come very careful consideration of policy decisions and problems in the future.

I would also like to say we had a very interesting general discussion of the statistics report that is up-coming, and I think a very useful discussion with some of the members of the Council yesterday.

I have nothing further to report, other than to say

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with regard to the oil import program, the new program, in a general way we are moving ahead on schedule in the administration in formulating this program. We hope that we will emerge, and I believe we are going to emerge, with a more stable, more equitable program, and one that with minor changes will serve for the life of this Administration. I hope that we can have it ready for mailing in the near future, and I hope it will merit your support.

The matter of personal privilege that I wanted to ask your indulgence in this morning is to pay a personal tribute to a friend of mine, and a friend of most of you, who formerly was one of my righthand and most loyal lieutenants, and now sits with you as a member of the Council.

I refer of course to John Kelly. You will hear from John in a few moments, but I want to say a few personal things about this man because he has rendered very distinguished service to his country, and I think something should be said on occasions of this kind, because there was no one in my Department who came to government service beginning with the new Administration over four years ago who made a greater personal sacrifice than did John.

There was no one, on the other hand, who came to my Department who had had a wider experience in terms of public service, because some forget at times this was a man who began and who most of his life, or a major portion of his active life,

has been spent in various kinds of public service, both during the war, as a geologist in New Mexico, and in other capacities.

I want to say this about John because, although he was subject to unremitting criticism -- most of which I considered outrageous, because of the basic assumption that underlaid during his service in the Department -- he never complained to me about that. He went ahead and did his job, and I always found that he brought to his work a very broad-gauged outlook.

It was always his effort in terms of the various segments of the petroleum industry that he knew so well, in terms of the various mineral industries, in terms of the energy industries of this country, which have areas of competition, to take a balanced point of view, to point out all the different pros and cons on any policy question. He did this. He went down the middle of the road, and the interesting thing about his service -- and I want to say this in front of his friends -- is that to my way of thinking, despite many very vague and very general things that some of his critics said, I do not know that there was a single major decision that he made, that he participated in, that was severely criticized on the basis of bias, on the basis of a narrow view, or what have you.

So that he demonstrated, I think, once again that someone who had the type of background that he has had can not only serve efficiently, but can serve with distinction.

I wanted to pay him that tribute here today among his friends. I know you look forward to hearing from him.

We are going to miss his judgment, miss his friendship in the Department.

We wish him well. We know he is going on to higher and better things.

I just want to say that to you, John, here this morning.

(Applause)

MR. HAMON: Now I am going to call on the Honorable James Langdon, Texas Railroad Commission, to ask him if he won't make a few remarks to us.

MR. LANGDON: First I would like to say how deeply I appreciate on my own behalf, and on behalf of my colleagues, the invitation that was extended to us by both you, as the chairman, and Secretary Udall, as co-chairman, of the National Petroleum Council.

It is a distinct honor to be here, and I know that my colleagues share in my appreciation for this invitation.

Secretary Udall commented on our meeting yesterday. I think it was a very constructive meeting, one that I think will be helpful to the industry, not only in Texas and Louisiana, but throughout this nation.

I also would like to join with Secretary Udall in the praise that has been accorded to my personal friend, John

Kelly, who I also hate to see leave this Department, but I know whose service to the industry will continue.

I have no particular remarks to make in connection with the meeting itself. I do plan to attend and listen with interest to those better qualified to speak on the subjects that I know you have given much thought and attention to.

I have been particularly impressed, John, with your report that is a part of the folder that we have here. I think that will prove of considerable interest to everyone who is concerned with national defense planning, and it is I know a major concern of many of the people in this room who have been called upon for advice and counsel on petroleum matters and energy matters in the event of national emergency.

Thank you very kindly, Jake, for extending this invitation to us.

(Applause)

MR. HAMON: All of the members of the Council have been furnished with copies of the minutes of the last meeting. Unless I hear a request that they be read, I will consider you have all read them and it is not necessary.

(No response)

MR. HAMON: I have no remarks to make at the moment because I have to call upon the Nominating Committee to hear from them. I am nervous, and I wish Alvin Hope would give his report of the Nominating Committee.

Mr. Hope.

MR. HOPE: Chairman Hamon, fellow members of the National Petroleum Council, the Nominating Committee has really labored over these nominations.

I as chairman, joined by Mr. Earl Baldrige and Mr. Ed Parkes, desire to place in nomination the following officers:

Chairman: Jake L. Hamon; Vice Chairman, J.C.

Donnell, II.

The Agenda Committee: as Chairman: R.G. Follis.

Members: Jacob Blaustein, Howard Boyd, Bruce K. Brown, Paul Endacott, H.M. McClure, Jr., L.F. McCollum, J. Howard Marshall, Carl E. Reistle, Jr., John E. Swearingen, and J. Ed Warren.

Appointment Committee: Chairman, Frank N. Ikard.

Members: J.S. Eridwell, E.D. Brockett, George F. Getty II, R.L. Milligan, J. Howard Rabin, Jr., C. Pratt Rather, M.H. Robineau, Roland V. Rodman, Arch H Rowan, and H.A. True, Jr.

I now move the election of these gentlemen in the positions named.

MR. HAMON: Is there a second?

(The motion was seconded)

MR. HAMON: All those in favor, signify by saying aye.

(Chorus of ayes)

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MR. HAMON: Thank you.

I have no remarks to make, but I wondered if my Vice Chairman would care to make a few remarks.

MR. DONNELL: I don't believe so.

MR. HAMON: Now I am going to ask our Secretary, Vincent Brown, to give you the financial report of the Council.

Mr. Brown.

Mr. Brown: Since I took the roll, I notice that Mr. Brockett, Mr. Follis came in. Were there any other Council members who came in after the roll?

MR. SCOTT: Tom Scott, Boston.

MR. BROWN: Thank you, Mr. Chairman.

On June 30, 1964, the cash balance in the General Operating Fund was \$4,954. During the Fiscal Year 1965, that is July 1, 1964 to June 30, 1965, we took in from all sources a total of \$134,754 - 97% of which came from the members of the Council, in the form of annual contributions to the NPC operations.

In Fiscal 1965, disbursements for basic operating expenses were \$121,696 and special committee projects cost an additional \$15,835 for a total outlay of \$137,531.

Accordingly, at the close of the Fiscal Year on June 30, 1965, there was a balance of \$2,177 in the General Operating Fund. The Contingent Reserve Fund remains unchanged at \$60,000.

This being the first meeting of the Council in this current Fiscal Year, we submit at this time a Budget for your consideration and authorization to cover Council operations in the Fiscal Year 1966. The Budget amount recommended by your Officers is \$115,000 for basic operations and \$24,000 for special committee studies for a total suggested Budget of \$139,000. This includes an increase for Committees, allowing for the five projects now in progress.

Following action by you today on a new Budget, letters requesting your individual contributions will be sent to you within the week.

1 1 MR. HAMON: May I have a motion of approval of the forthcoming budget?

(The motion was made and seconded.)

MR. HAMON: It is so moved.

All those in favor of the forthcoming budget as outlined, signify by saying aye.

(Chorus of ayes)

MR. HAMON: Next I would like to call on Mr. Jack H. Abernathy, president, Mid-Continent Oil and Gas Association.

MR. ABERNATHY: Mr. Chairman, I am here to present a resolution of commendation to the Honorable John M. Kelly. This may be more of an anticlimax, John, after the remarks of Secretary Udall.

I think no one can add very much to that. However, the resolution is as follows:

"WHEREAS, the Honorable John M. Kelly of Roswell, New Mexico, has ably served the beneficial cause of the United States as Assistant Secretary of the Interior for Mineral Resources from April 5, 1961, to June 30, 1965, and

"WHEREAS, Secretary Kelly's tenure in office has been exemplary of the highest order of public service, dedication to duty, perceptive understanding, and administrative effectiveness, and

"WHEREAS, in his important policy position during

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two Administrations, the Honorable John M. Kelly has provided leadership that has markedly advanced the cooperation and understanding between government and the petroleum industry in dealing with problems of mutual concern and interest, and

"WHEREAS, Secretary Kelly has been a major force in promoting improved governmental policies relating to natural resources and in fostering sound objectives of resource development, conservation, and utilization, and

"WHEREAS, Secretary Kelly has fulfilled his challenging responsibilities with objective and knowledgeable understanding to the end that the petroleum industry, operating within the framework of our free enterprise system, has been able to strengthen its contribution to the national security and to better serve all segments of our economy, and,

"WHEREAS, the National Petroleum Council membership, in its collective role as counselor and adviser to the Secretary of the Interior in petroleum matters, is directly aware of the achievements in policy-making and improvements in administration attributable to the selfless endeavors of Secretary Kelly;

"NOW, THEREFORE, BE IT RESOLVED, that the members of the National Petroleum Council, assembled this 20th day of July, 1965, in Washington, D.C., take occasion --

First, to express to the Honorable John M. Kelly our regret over his departure from the high public trust he has fulfilled so well; Secondly, to convey our appreciation and respect for the patriotic service he has loyally rendered to his country; and Thirdly, to wish for him and his beloved family the fullest measures of future success and well-being, and

"BE IT FURTHER RESOLVED, that the National Petroleum Council membership cordially welcome the Honorable John M. Kelly to the Council as a member, duly appointed by the Secretary of the Interior, in which capacity his experience, knowledge, and integrity will continue to be available to the Council as we deal with problems of important consequence to our nation."

Mr. Chairman, I move the adoption of this resolution.

MR. HAMON: Is there a second?

(Motion was seconded)

MR. HAMON: All those in favor signify by standing up.

(There was a standing ovation)

MR. HAMON: Thank you, Jack.

The motion is carried, and now I am going to ask John to talk to us, please.

ASSISTANT SECRETARY KELLY: Thank you very much, Mr. Chairman. I also want to thank the Secretary for the kind

remarks that he made, but I want to tell everybody I really enjoyed the last four years up here in Washington. I enjoyed my job. I enjoyed working with the people in the Department of the Interior. I enjoyed working with the people in the other branches of our Federal Government. I certainly enjoyed meeting and working with the people in the various mineral industries that were under my line of authority. It was a stimulating four and a half years. I got much more out of it than I gave.

Mr. Hamon, as you know, before I had my resignation accepted, I had a little paper I was going to present at the meeting, and you and Admiral Lattu said you thought the members would like to hear it. It is I think a subject with which I did concern myself during my term of office, because I thought that, frankly, with the oil business becoming more and more internationally minded, and our American companies becoming more and more international in the scope of their operations, a governmental official should give it a little more attention than this problem had been given in the past.

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One of the most rewarding experiences one can have in Government service is the opportunity to work with the representatives of other nations in an area of common concern. I know this to be true of my own case, for I look back with a deep sense of satisfaction and achievement on my four years as the U. S. Delegate to the OECD Committees on which I served. It has been a deeply gratifying work; I have learned a great deal, and I believe that there are a number of things about the work of this unique and vital organization that would be of interest to you gentlemen of the National Petroleum Council.

In particular I wish to focus my remarks on the area of concern of the OECD's Special Committee on Oil; to discuss some of the problems with which it deals, and to review its achievements of the past and its outlook for the future.

To get over some familiar ground quickly, let me recount that in both Europe and Japan there has been a large order of economic expansion since the period around, say 1947-48, and that this expansion occasioned a very large increase in the consumption of energy which was supplied almost entirely by oil. Virtually all of the oil consumed in Europe and Japan has to be imported, and most of it comes from the Middle East. This, briefly, is the environment in which the OECD nations must work out the solutions to the energy problems with which they are concerned.

The recovery from the war and subsequent large expansion in energy use, plus the shift from Indigenous coal

to imported oil as the principal energy source brought a number of unique problems to the attention of the countries involved. There were problems that had to do with security of supply, coordination of transport, of trade terms and price and payments and all the other considerations that enter into the import picture. And, of course, there were the difficulties involved in getting all these war-devastated economies in running order once more. All of this had to be done simultaneously - in coordination, so there quickly arose a need for some kind of forum in which representatives of the Governments concerned could meet and work out solutions to their mutual problems.

The first antecedent of the present OECD Special Committee for Oil thus grew out of the Marshall Plan, as a subgroup of the Organization for European Economic Cooperation. As you may guess, the formal organizations developed for handling the many problems having to do with energy production and use in Western Europe evolved in a number of sequences which it is not my purpose to discuss here. Let me say by way of summarizing that the present organization for Economic Cooperation and Development has an Energy Committee, which coordinates the work of four technical committees in the energy field, namely oil, coal, electric power and gas.

The Oil Committee has grown in usefulness along with the growth in use of petroleum by the member countries of the OECD. As many of you know, from first hand experience, the

Committee proved extremely helpful in easing the dislocations caused by the Suez Crisis, the tanker shortage of the early 1950's and the precipitate shut-down of the Anglo-Iranian facilities in 1951. In addition to its obvious value in these crises, the Committee has, year in and year out, persevered in studying and offering solution to many problems of less urgency but of scarcely less importance. One of its most significant contributions has been that of compiling, standardizing, and publishing a great volume of statistical data on petroleum supply, demand, movement and trade applicable to the Member countries. In addition to the current statistical surveys, the Committee also publishes a bi-annual report summarizing the oil activity of the OECD Community, as well as a number of monographs on particular subjects. The most recent of the bi-annual reports, "Oil Today," was published last year. U. S. influence is present in the tenor of the report as well as the data presented.

The Oil Committee has traditionally devoted its attention to the major policy aspects of the various problems that presented themselves. In the early years of its activity, the Committee put heavy emphasis on the long term refinery expansion plans of the participating countries, with the object of drawing up a coordinated program of refinery construction and expansion. This was succeeded by a shift in the Committee's concern to other matters, particularly the availability of crude

oil, growing out of the threats to the security of access to Middle East oil between 1951 and 1956. The shock of the Suez events has left a legacy of pre-occupation with the security of oil which is still strongly reflected in discussions of European energypolicy.

Currently the Committee is considering the study of a number of issues which I will touch on briefly. One of the most intricate of these is the matter of long distance trunk oil pipelines. The multiplication of oil pipelines presents some new problems to Europe, and the need for comparable systems of regulations for the entire Western European area is obvious. There is, at the same time, however, a European tendency to treat the introduction of pipelines as competitive with established transportation systems, and then to adopt a protective attitude toward the latter. You can readily appreciate the need for a proper understanding of the true nature of pipelines and their special importance to the Oil Industry by the various nations who must depend upon their efficient operation, and why the issue is of current interest to the Oil Committee.

In another area of concern, the Committee has appointed a small working party to keep under constant review all considerations bearing upon sources of oil supply and its associated problems, especially those of transportation and diversification of sources, for what I would call the near-to-mid range future. Representatives of the European Economic Community

also participate in this review with members of the working party.

The scope of this study is a fair indication of the nature and extent of Western Europe's concern for its future supplies of energy. The experiences of Abadan and Suez are well remembered, and it is understandable that the matter of continuity of petroleum supply is a foremost concern of a community which produces only 6% of its requirements. The studies of the working party are designed to seek a thorough understanding of the problems and through this understanding, arrive at workable solutions.

The range of considerations which bear upon the European supply problem are the obvious ones that attend the discovery and production of oil in fairly remote areas that are not under the political control of the using countries. There are the questions of physical adequacy of both reserves and production capacity, and whether they will prove adequate to support the continually increasing demands of the market. Obviously, this is not what you could call a besetting problem for the present, but it is worth looking at for its long term implications. There are also considerations of transport adequacy, in particular the diminishing quality of flexibility posed by the increasing amount of oil carried in large, deep draft tankers limited in the number of ports they can enter. Beyond these questions of physical availability are those

relating to investment levels. Can, and will, the industry provide the necessary plant investment required to meet the market demands several years hence?

Overshadowing the purely physical and economic considerations is the possibility of adverse developments of a political or military nature which may result in significant decreases in the availability of oil or increases in cost.

The matter of remedies, if required, must necessarily wait on full analysis of the problems, and is thus reserved for attention later in the progress of the study. I think it is sufficient to say that whatever time is required for the study of solutions to the problems will be made available. It is in the character of this important study effort that nothing is being done in haste, that the objective is a thorough-going, patient review of all pertinent factors, and that the study will be as good a product as the group can possibly make it.

On another matter, the intensive exploration activity now going on in the North Sea is a subject of quite proper interest to the Committee, which keeps under continual study the search for an exploitation of oil and gas deposits in the West European area. Of these, of course, the North Sea is the hottest and currently the most promising.

Two relatively new factors in the European oil picture have drawn a recognition from the Committee that further study is needed. The rapidly growing importance of gas in the

energy markets of Europe, primarily from the Dutch discovery, but also including the import of liquified methane from North Africa, will have important effects upon the European economy. The even more rapid growth in recent years of the petrochemical industry merits much more attention than it has so far been given. Some of the largest and most modern petrochemical plants in the world are now being constructed in Western Europe -- a matter of more than casual interest I think to the U. S. oil industry. I hope that work will proceed rapidly on these several important study areas.

As an aid in keeping its membership informed of important developments in the world petroleum situation and to promote greater understanding between Member Governments of oil problems, the Committee has for the past few years arranged for special presentations on various aspects of the oil business. These presentations are made both by Member Governments and by oil companies, and consist of a quite detailed treatment of the policies, outlook, experience, and problems involved in the subject under study. They are subject to question and review by the other Delegates, and out of the discourse there generally comes an improved understanding of, if not agreement on, the matters being presented.

Although membership on the Oil Committee is confined to Government officials, they are advised at each meeting by industry representatives. One of my early problems was to get

U. S. company participation in an advisory role to the U. S. Delegate in the Committee Sessions. Fortunately it was possible to work out the necessary arrangements in cooperation with the Department of Justice and the Petroleum Advisory Committee was formed. There are eight members on the Committee, selected by the American Petroleum Institute from among the officials of companies with International operations, to serve one year terms. In addition to their consultative services here at home, they attend each of the meetings of the Oil Committee in teams of two, overlapping, so that one advisor is attending for the first time while the other is attending for the second and last time. Their advice covers a range from highly technical operating information to matters of broad national concern. It has been extremely helpful and productive, and I consider myself fortunate indeed to have had such competence available.

The Petroleum Advisory Committee and its members have been of particular assistance to the official U. S. Delegation in helping to prepare the presentations -- both company presentations and country presentations -- which have been such a valuable means of improving understanding among the various member nations in regard to petroleum matters. Presentations have so far been made by the Standard Oil Company of New Jersey and the Socony Mobil Oil Company, and a third company is tentatively scheduled for the next meeting of the Committee. Presentations

are, of course, not confined to U. S. companies. British Petroleum, Royal Dutch Shell and E. N. I. have given excellent accounts of their operations.

Year by year, and at times in painfully slow steps, it seems at times, we do make progress toward a better articulated relationship among our several countries in matters of oil policy. It has been a learning process all the way, for all of us. I for one have enjoyed it immensely, and I feel sure that those members of the petroleum industry who have participated in the Petroleum Advisory Committee feel similarly rewarded for their contribution of time and effort. The OECD, and the several committees which operate under it, including the Oil Committee, represent a unique and welcome mechanism for discussing certain common economic concerns. As such these committees supplement and reinforce the continuing diplomatic dialogue between individual nations and contribute to the more harmonious relationships of a Free World economic community which is growing increasingly more interdependent as each year goes by. I believe they deserve our continued enthusiastic support.

(Applause)

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MR. HAMON: Thank you, John, very much.

I am now going to call on my co-chairman, Admiral Lattu, to introduce the government guests.

REAR ADMIRAL LATTU: Mr. Chairman, and gentlemen, there are too many government guests to list them all. There are 20 here today from the Office of Emergency Planning.

There are representatives from the Congressional, from the Department of Defense, the Department of State, the Department of Justice, the Department of Health, Education, and Welfare, the Federal Power Commission, the Central Intelligence Agency, the Department of Commerce and Department of Agriculture.

I would just like to call on a few to stand, if they would not mind.

Justinus Gould, Counsel, House Select Committee on Small Business. (Applause)

Andrew Stevenson, Professional Staff Member, House Committee on Interstate and Foreign Commerce. (Applause)

We have Captain Lovell, Naval Petroleum and Oil Shale Reserves. (Applause)

Andrew Ensor, Director, Office of Fuels and Energy, State Department.

I saw him come in. Apparently he has left.

Lawrence J. O'Connor, Jr., who you all know.

(Applause)

Thank you very much for coming here, gentlemen.

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MR. HAMON: I would like the following gentlemen to remain and come up to the Chair at the conclusion of the meeting:

A.L. Nickerson, Jack H. Aberhathy, Michael Haider, Fred Hartley, and John G. Hurd.

Next I am going to call on Clyde McGraw. He is chairman of the Emergency Advisory Committee for Natural Gas.

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MR. McGRAW: Thank you, Mr. Chairman.

The President of the United States has promulgated a National Plan for Emergency Preparedness. The Secretary of the Interior is charged by Executive Order with the preparation and development of plans and programs designed to provide a state of readiness in petroleum and gas with respect to all conditions of National emergency.

The Office of Oil and Gas of the Department of the Interior has organized the "Emergency Petroleum and Gas Administration" -- we call it IPGA -- to administer this assignment.

Industry advisory groups have been appointed by the Secretary to advise and assist the Department in its plans to carry out this function. In addition to the National Petroleum Council's Committee on Preparedness for the Petroleum Industry and its Subcommittee for EPGA Manuals, the Secretary as of July 1, 1962 appointed an Emergency Advisory Committee for Natural Gas.

On May 13 of this year the Department of the Interior issued a press release announcing the publication of an Emergency Operations Manual for the Natural Gas Industry. This manual was the result of a joint effort of subcommittees of the Emergency Advisory Committee for Natural Gas which has been established by the Interior Department working with the Department's Office of Oil and Gas.

The Natural Gas Manual covers emergency procedures on only those facilities which connect gas supply sources to gas consumers but this segment of our industry is a very significant factor in defense planning.

Because of very high dispersal of facilities both for the production of natural gas and facilities for the transmission of natural gas to market, the ability to make simple repairs and restore service and the many interconnections between pipe line systems, it is believed that gas pipe line operations can be resumed in a comparatively short period of time, even after a massive bombing attack.

It is quite probable that gas markets would suffer to a greater extent than gas supply and transmission in case of an attack and a large quantity of natural gas would be available as a substitute supply of energy during the interval while other fuel sources were being restored.

We all know that the United States has a very considerable amount of retaliatory ability and should we ever be bombed and therefore retaliate, both our own and our enemy's resources will not be normalized for some time. The country which can restore its interior economy the soonest will have an important strategic advantage.

The Basic Policy stated in the manual "The National Plan for Emergency Preparedness" has for its keystone principle that we -- and I quote -- "continue a basically free economy and

private operation of industry, subject to government regulation only to the extent necessary to the public interest." The same manual in Chapter 10, entitled Fuel and Energy, further states -- I will quote again -- "although subject to emergency controls and regulations the provision of fuel and energy and the construction, operation, and maintenance of fuel and energy facilities would remain the responsibility of their owners and operators. In any national emergency the Federal Government would involve emergency control measures for fuel and energy only to the extent necessary to meet the requirements of the emergency." In other words, the responsibility for control and operation will remain in the hands of those who best know how to do the job. These quotations from the manual are not just a promise. They carry with them a definite responsibility for industry not only to cooperate with the Interior Department but also to institute on our own the necessary company-wide emergency procedures to implement the national plan, and to coordinate these procedures with the EPGA group in the Interior Department.

Just a word to tell you how the gas transmission industry is organized for an all-out national emergency. First, we have assumed that all normal communications will be disrupted for an indefinite period of time. Therefore we must depend upon the ingenuity of the individual and the effectiveness of previous emergency planning to restore operations. To this

end natural gas transmission systems have been divided into nine operating groups. These groups are based as nearly as possible on common gas supply areas and common market areas and disregard the boundaries of the eight Office of Emergency Planning regions, although they are each related to an EPGA regional office. It is planned to man the operating group offices with previously selected Executive Reservists who will operate autonomously under prearranged plans until communications have been restored. In an emergency Executive Reservists who have been assigned to gas operations at any of the eight EPGA Regions will proceed to these locations as soon as conditions permit. As restoration to normalcy progresses and communications are available to do so, the gas operating group offices will contact the regional offices to give and receive further information.

Each gas transmission company will prepare its own Emergency Operations Manual to provide for continuation of operations to the extent possible in each isolated location until coordinated activity becomes possible through the restoration of communications.

These plans assume, but do not specify details, that gas production will also be continued on an "as available" basis. Detailed planning for gas supply emergency conditions will be worked out between each pipeline and its individual suppliers.

In case of less than total emergencies, in which case communications are available, these plans can be partially activated or modified as conditions warrant. The National Plan for Emergency Preparedness issued in December 1964 provides that "State and local governments are responsible for civil defense operations within their jurisdictions." In the natural gas industry this is assumed to include most gas distribution matters. Under this assumption the gas distribution division of EPGA would principally have liaison duties between gas supply and transmission and distribution companies and local officials.

Plans are not yet complete with respect to the pipe lines' relationship with distribution companies, but these are progressing. Actual emergency operating procedures also have not been worked out between several of the pipe lines and gas producers. Neither have emergency communications plans been finalized. The subject of tele-communications, including those for oil and gas, are the responsibility of another committee. This is generally referred to as the NIAC Committee.

During the coming year our committee expects to recommend to the Department of the Interior the organizational pattern and functions of gas distributions divisions of the national and regional organizations with the EPGA and prepare a manual as a supplement to the gas transmission manual. The natural gas transmission pipeline maps which were compiled by members of our committee will be updated. We will also examine the

possible use of obsolete Titan and Atlas missiles silo pits for emergency purpose and we will make recommendations dealing with information and data required by the EPGA for the successful discharge of the responsibilities with regard to gas transmission and distribution.

These matters are all receiving attention and the Secretary of the Interior has reappointed the Emergency Advisory Committee for Natural Gas for another year. Our Committee expects to see a lot of Admiral Lattu and his staff during the next twelve months.

(Applause)

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(McGraw)

MR. HAMON: Thank you for a very excellent report.

I am going to turn the Chair over to Admiral Lattu to introduce the next speaker.

REAR ADMIRAL LATTU: Gentlemen, it is an honor and pleasure for me to introduce our friend. You have seen him here often. We hope he will keep coming here often to give us his story, Lieutenant General Oscar Senter.

. . . .
LIEUTENANT GENERAL SENTER: Mr. Chairman, it is always a privilege and honor to participate in these meeting with this Council. It hardly seems possible that four months have passed since we had our last meeting.

My remarks this morning will be brief, simply because security prevents very much discussion of our most important material operation, Viet-Nam.

Last March we talked about petroleum logistics in Southeast Asia^v. Also at that time I explained the Defense Department's overseas procurement, and this year's plan to return \$27 million in offshore procurement. This action was directed as a contribution to the U.S. balance of payments which Secretary Fowler talked about a little while ago, and I might say that this action, this \$27 million return, has been implemented and is almost complete.

Since our last meeting, and particularly during the last few months, dramatic military petroleum increases in requirements have had a profound effect on both of these

subjects, petroleumlogistics in the Far East and also procurement.

You know of course there is a steady build-up of ground and air forces in the Republic of Viet-Nam. Our Seventh Fleet is patrolling the South China Seas, and its aircraft strike North Viet-nameese targets. B-52's, refuelled by KCI-35 tankers, fly over 2,000 miles to this area to drop their bombs.

These and the many other supporting operations consume staggering quantities of petroleum products. ^{and} I would remind this audience that under today's operating conditions in the Southwest Pacific, a carrier of the Forestal class, and its aircraft, consumes 200,000 gallons of fuel each day. Resupply from distant refiners of just this one ship's daily requirements amount to 3.6 million ton miles of transportation.

A B-52 gulps 2500 gallons of fuel per hour, while a jet fighter, while its rate of consumption is about half as much, makes several strikes per day over short distances. Tanks, weapon carriers and trucks thirst for oil too. In fact, all modern forces require huge quantities of petroleum products for their operations.

Additionally we must insure the support of the civilian economy. This has become a more difficult task by the Viet-Cong introduction of roads, railroads, and barge traffic. South Viet-Nam and the military forces there continue to be

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supplied from the commercial contacts.

Since I talked to you last March, their requirements have leaped approximately 300 percent. Local oil company officials are feverishly trying to expand their storage facilities and equipment. At the same time, our own military forces are accelerating the development of supply bases along the coastal areas. These will include petroleum facilities for receiving, storing, and distributing bulk products.

Back to the Western Pacific area, during the month of June actual deliveries into the military bulk storage terminals, which you remember -- the Philippines, Guam, Okinawa, and Japan -- increased 65 percent over the average of the last six months. This surge was met by rescheduling of tankers loaded from military terminal stocks, diverting tankers sailing to other areas, chartering additional ships, converting at least one tanker to haul naval special in lieu of clean products, and arranging for contract tours to meet accelerated lift schedules.

With the high tonnage involved, the uncertainty of the tanker market, and the long distances, we were fortunate in having an existing pipe line with the quantity, quality and variety of products needed.

Now we are developing plans to support possible new surges in requirements of up to several hundred percent -- I am talking about the whole area.

Industry sources world-wide are being examined to develop supplies, both to the scene of requirements and in other areas of the world.

While military bulk storage and handling facilities in the Western Pacific -- the islands I spoke of -- are being expanded, to repeat an old cliché, the fighting man needs bullets, beans and petroleum.

I have indicated the road ahead points to greatly increased demands in the areas discussed. Without telling any more, I am sure you, the petroleum industry, have an excellent understanding and appreciation of petroleum's vital role in these operations. Of course with your help and support, I am confident we will meet all of our challenges successfully.

Thank you very much.

(Applause)

MR. HAMON: I am going to ask my co-chairman, Admiral Lattu, to make a few remarks.

REAR ADMIRAL LATTU: Thank you, Jake.

I would first like to thank Mr. Boyd, Orville Carpenter and Gibson Jaworek on the fine job they have done on this report, which you will hear later this morning. I know they have done an outstanding job. I have read the report over the week-end, and I have participated in some of the committee meetings.

It is a coincidence that yesterday I initialed a letter

5 to Mr. Moody where he sent a copy of a report to us, after sending a letter to OEP, suggesting that this type of study be made. So I am sure this report will be looked at very closely by Mr. Moody and his staff. It is an area we do not know too much about, and I know all the government activities are looking forward to this report and study.

Again, a job well done, and we are certainly happy to have this job done.

At the last meeting of the Council I spoke to the general subject of the work being done by the Department of the Interior looking toward increased readiness to deal with oil and gas problems in a national emergency.

Since the March meeting we have had the opportunity to test our degree of readiness in a number of areas. Members from industry and government participated in hypothetical general war conditions.

Without going into details, I can say that in my opinion -- shared by everyone with whom I have talked -- the organization, the plans, were basically sound. The procedures which have been laid down stood the test. We learned a great deal about what we had in hand, and we learned even more about what remains to be done. Some things are still subject to improvement, tightening up and fleshing out.

Above all, the Executive Reservists from industry performed in an outstanding manner under a strange environment -- both simulated and real -- in which they had to function.

They all have my profound admiration and my hearty congratulations on a job well done. I hope that an increasing number will be able to participate in this essential activity in the future.

I am confident that our emergency petroleum organizations are fast approaching a "Go" condition. This is reassuring to me, as I know it is to you, in the light of the present tense world situation. This improved state of readiness is a direct credit to our Executive Reservists in the petroleum industry who serve and train in our emergency petroleum and gas organization in order to be ready for their emergency responsibilities.

But it also reflects the spirit of understanding and cooperation of those senior company officials who made their subordinates available for these important duties. This is simply one more example of the willingness of your industry to make the necessary investment of time and talent to insure a stronger, better prepared America.

Let me turn now to some other items of possible interest. The Executive Reserve recruitment program is continuing at a good pace, with 166 appointments active and 62 being processed.

Among the latter, by the way, are the two remaining key positions of Regional Administrator for Regions 3 and 7. The selections have been made, the candidates have accepted,

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and the details of processing are being completed.

I want to add here a note of appreciation for the way in which the major companies have assisted our recruitment efforts by designating key officials with whom we can discuss our problems in this area. These individuals have been extremely helpful, and their assistance is most welcome. In addition to the potential 228 industry reservists, 19 Federal employees have been slotted to key positions in the EPGA organization.

In response to the Council's recommendation, we have begun a training and orientation program which has so far included a seminar for Regional Mobilization Representatives, Regional Administrators, and selected executive reservists in Regions 5, 6, and 7. There will be others in the future.

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Also pursuant to the Council's recommendation, my office has completed, or will complete shortly, an Administrative Manual for the Emergency Petroleum and Gas Administration.

Approximately 48 basic regulations covering Administrative services, Budget, Personnel, Property and Records Management, and similar topics, are being drafted and reviewed by personnel of my office.

In the field of industrial preparedness, our information is admittedly somewhat sketchy on the smaller companies and installations. Insofar as the large companies are concerned, we are encouraged by the knowledge that planning is well advanced, and that a large majority of them have fully developed plans to deal with disaster conditions and assure orderly recovery.

I would offer one more thought. Through all of

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history freedom has always been one of the rarest of treasures in man's inventory of social values. And because it is so rare, it commands a price that only a relatively few nations have been willing and able to pay. But there is a gross unevenness in the time and manner in which this price is paid, so that the true cost of a nation's freedom may be hidden for years in the seeming tranquility of peace, and only in war is the full bill presented for payment.

So it has been with us. This is not to say that we are not aware of the heavy commitments we have undertaken during the past several years of the Cold War. We are, and our investment has brought us a certain amount of time and a certain degree of security. But we are now being reminded almost daily that what we have so far paid has not been enough; that more will be demanded; that the price of our freedom in this jungle world is greater than we had previously thought.

For these reasons the efforts we are making toward increasing our readiness to meet the demands of a national emergency take on a deeper and more urgent meaning than we have given them up to now. We have planned and trained and conducted exercises within a context of assumptions and simulated conditions which were tolerable to us, I suspect, mainly because we knew they were assumptions and simulated conditions. But there is nothing at all simulated about the fact that Americans are dying today in Vietnam, and that others will die before the

issue is finally resolved in that unhappy country. The value of all our preparations must begin with a grasp of the essential connection between hypothesis and reality, and a willingness to accept the possibility that the one may at some time become the other.

It is with these thoughts that I ask your continued earnest attention to those matters of security and readiness, both at company and national levels of responsibility, which may make the difference between the survival or extinction of freedom in the world. Its price is very high, but its value is greater still.

(Applause)

MR. HAMON: Now I am going to call for the final report by the Committee on Emergency Fuel Convertibility, by Howard Boyd.

This committee has worked hard, and I believe is due our thanks for a very excellent report.

Howard.

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MR. BOYD: Mr. Chairman, gentlemen, back in March of 1964 our distinguished member, Mr. John M. Kelly, then acting as Assistant Secretary of the Interior, advised the Chairman of the Council that the Interior Department, fulfilling its responsibilities relating to emergency preparedness planning, had a recognized need to know the extent to which residential, commercial and industrial consumers of various types of fuel

could convert from one type of fuel to another in emergency situations. Mr. Kelly requested the Council to explore approaches to the problem of emergency fuel convertibility in the national economy and to advise as to the categories of fuel consumers that might be advantageously studied with reference to this subject.

I would like to digress at this moment to emphasize that it was the categories of fuel convertibility that this committee was asked to explore, and this report does not purport to be an exhaustive study of the extent to which those several categories can be subjected to emergency fuel convertibility.

However, in order to determine the categories that were worthy of further study, it was first necessary to make some preliminary determination of the extent to which these categories admitted of emergency fuel convertibility.

The Council accepted this assignment and the Committee on Emergency Fuel Convertibility was established in May 1964, with 21 members, then chaired by Mr. Orville Carpenter, whom I succeeded upon his retirement from the Council.

The following month a 16-man Technical Subcommittee was appointed under the chairmanship of Mr. W. Gibson Jaworek of the Marathon Oil Company, to assist the committee with this task.

That description of Mr. Jaworek's contribution to the merit of this report is a euphonism. I think that the

members of my committee would feel that I was remiss if I did not take this occasion to publicly acknowledge that the merit of this report in large measure is attributable to Mr. Jaworek's contribution.

I would like to summarize for you, briefly, the final report of the committee, complete copies of which you have all received this morning.

You will note that the report is presented in three major sections:

- (1) Ten principal findings and conclusions;
- (2) The body of the report stating the scope of the study and its assumptions and limitations; and containing the detailed findings; and
- (3) An appendix section containing statistical tables and other exhibits.

It is important to note that the Council, in agreeing to undertake this assignment, limited the scope of the study to physical facilities only, without regard to economics or the highly important question of availability of alternate sources of fuel supply. In addition, Interior's study request excluded inter-fuel convertibility existing at electric utility generating stations, since the Federal Power Commission is presently making a separate study of this area.

No information on the extent or feasibility of emergency fuel convertibility has been compiled since partial

studies conducted during World War II. This committee must report that it could uncover no data identifying convertibility potential directly. This study, then must be considered only as a first attempt to analyze the convertibility possibilities from other existing data and based upon the judgment and experience of the subcommittee and committee members.

Thus, while this report does not purport to be a comprehensive survey of the problem of the identification of fuel convertibility, it does provide background which can serve to pinpoint further areas of investigation if required by the Government for emergency planning purposes.

While there are many degrees of fuel interchangeability depending upon time, manpower and supplies available, for the purposes of this study "emergency fuel convertibility" was divided into two admittedly arbitrary types.

One was described as primary convertibility. This was designed to be a situation where the fuel consumer can change utilization of energy supplies easily within five days' time without any significant alteration of consuming equipment or the need for off-premises equipment or supplies.

And the second type, admittedly arbitrary, was described as secondary convertibility, and this was designed to be the situation where the limit of the period of time required for full conversion is extended to 30 days, and includes the provision that the consumer must make a minor

change to his consuming equipment which may necessitate some supplies from outside his premises.

With these assumptions and limitations the committee, in its report, defines the major categories of fuel consumers and summarizes the results of its thorough search for existing information and data on the existence of or potential for fuel conversion in these major categories. Next the committee examines the technical problems inherent in fuel convertibility.

Finally the committee reviews the quantitative and qualitative information it was able to develop on the emergency convertibility possibilities of industrial, commercial, and residential fuel users.

Most emergency convertibility was found to be in, as you might expect, industrial fuel usage for heat and power, particularly by the steel and allied metal industrial group, and by the petroleum and coal products group and the paper and allied products group.

Little likelihood of any "primary" conversion capability was found at small commercial or at residential establishments. However, a limited amount of "secondary" emergency convertibility does exist in those categories. It is estimated that not more than 5 percent of the total fuel usage in the residential and commercial category is readily convertible.

I would like to state, however, at this point that at least one member of our committee feels that a more exhaustive

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study of residential and commercial fuel convertibility potential is indicated, especially in the so-called hard-winter areas.

Within the industrial sector the use of fossil fuels for raising steam in boilers is the largest simple energy application, and by far the most significant source of emergency fuel convertibility. Through the cooperation of the American Boiler Manufacturers Association the committee estimates that 31,100 large industrial watertube boilers were in use on January 1, 1965, with a steam capacity of almost 1.3 billion pounds per hour. About 75 percent of the fuel requirements of these boilers is "primarily" convertible, with the remaining 25 percent of fuel requirements falling within this category of "secondarily" convertible.

Relying chiefly on the results of the survey of watertube boilers, the committee has estimated that under ideal conditions of continuing energy supply, the amount of fuel convertibility in the United States is in the order of 6,850 trillion^{on} btu's, of which two-thirds is "secondarily" convertible. This convertibility, then, represents about 70 percent of energy requirements by manufacturing companies for heat and power. This is equivalent, however, to only 40 percent of total industrial energy requirements which include fuel raw material uses.

In conclusion, may I reiterate that this report points

cut in detail the problems associated with the identification of emergency fuel convertibility. Despite these difficulties it was possible to make estimates of the degree of interchangeability and describe many of its technical and economic characteristics.

The material here compiled may be sufficient for the needs of preparedness planning envisioned in the initial request for this study. Should further identification of fuel convertibility be needed by the Department of the Interior, the committee feels this could best be accomplished by an unelaborate survey of large industrial boiler installations, thus canvassing a very large portion of convertible fuel quantities in the smallest number of equipment units.

An all-inclusive survey of all types and sizes of fuel consumers would probably be unrealistic, and the convertibility data obtained in such a procedure, other than from the large boiler installations, would be of only marginal value and relevancy to significant fuel convertibility in an emergency situation.

Mr. Chairman, I move the adoption of this report, and the discharge of this committee.

MR. HAMON: Is there a second?

(The motion was seconded)

MR. HAMON: All those in favor of the motion, signify by saying aye.

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(Chorus of ayes)

MR. HAMON: Thank you, Howard, for a very excellent report.

(Applause)

MR. HAMON: I am next going to call for progress reports of the various committee projects that the Council is undertaking at the request of the Interior Department.

First, the Committee on Effects of New Technology on the Petroleum Industry, Richard McCurdy, Chairman.

I realize Mr. McCurdy has just taken over the chairmanship of the committee, and it may be a little unfair to call on him, but I do so anyway.

.... MR. McCURDY: Mr. Chairman, you have already given the substance of my report. (Laughter)

Therefore, is it your pleasure that I actually read it, or shall I submit it?

MR. HAMON: Oh, read it.

MR. McCURDY: Thank you.

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copy
(McCurdy)

In January, 1965, the Honorable John M. Kelly, Assistant Secretary of the Interior, requested the Council to undertake a study of the impact upon petroleum industry operations of the many significant technologic advances made by scientists and engineers since World War II. Pointing to the desirability of Government being adequately informed in these highly specialized fields, the request specifically asked for an evaluation of the impact of new knowledge and procedures upon crude productive capacity, oil field recovery factors, refinery yields and product quality changes. The Council agreed to make this study at its meeting last March.

In keeping with this action, Chairman Jake L. Hamon, appointed a thirteen-man committee to undertake this assignment. Monroe E. Spaght, then President of Shell Oil Company, was named Chairman of this Committee while Henderson Supplee, Jr., The Atlantic Refining Company, was named Vice Chairman for Production and Charles E. Spahr of The Standard Oil Company (Ohio) was named Vice Chairman for Refining.

Because of Mr. Spaght's removal from Shell's New York City Office to their Office in London, Council Chairman Hamon requested me to take over as Chairman of the Committee in June. Accordingly, I will shortly discuss this matter with the officers of the Committee and with those Government officials concerned and we will begin to move forward on this challenging assignment as soon as practicable.

(Applause)

MR. HAMON: Next I want to call on Mr. A.L. Nickerson, chairman of the Committee on Emergency Preparedness For the Petroleum Industry.

MR. NICKERSON: Mr. Chairman, Council members, the Committee on Emergency Preparedness was formed in the spring of 1963, pursuant to a request by the ^{the then asset} Secretary of the Interior, to (1) update the 1955 National Petroleum Council study on ^{Disaster P} disaster planning ^{for the Oil and Gas Industries;} in the petroleum and natural gas industries; and (2) to prepare a report and make recommendations concerning a government study relating to industry operations after a national emergency has been declared.

^{two} Subcommittees were formed under W.L. Ingraham of SOCAL and C.F. Scott of Socony to deal with these matters. In July of 1964 both committees placed reports before the Council which were accepted. Subsequently the committees were discharged.

The Scott report, entitled "Petroleum and Natural Gas in a National Emergency" contained a number of recommendations to the Government, all of which were accepted by the Secretary of the Interior.

At the Council in March of this year Admiral Lattu, of the Office of Oil and Gas, reported on the status of these recommendations and a considerable degree of implementation that had already been achieved by the Government.

In his letter of November ²³ 1964 to the Chairman of

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the Council, the then Assistant Secretary of the Interior, John Kelly, requested the Council's further assistance in order to achieve -- and I quote -- "a pre-emergency readiness posture for the Emergency Petroleum and Natural Gas Administration".

end tape

He wrote: "The NPC has been requested to draft for Department consideration (1) a general information handbook about the EPGA, and (2) emergency operating instructions for use post attack."

Pursuant to this request, Chairman Hamon reactivated the Committee on Emergency ^{Preparedness for the Petroleum} Planning. *J. Hamon*

I can now report to the Council that that subcommittee has been formed under the chairmanship of T.W. Nelson, Sr., Vice President of Socony to handle this assignment.

Mr. Nelson's committee held its first meeting on July 8th. It has been briefed by a battery of government experts on civil defense and emergency planning, and it is hard at work on this important assignment.

That constitutes my report, Mr. Chairman.

MR. HAMON: Thank you very much.

(Applause)

MR. HAMON: I might add that Mr. Nickerson's initial report, to which he referred, was so excellent that the Defense Department ordered some 75,000 copies to be printed and distributed, and that Mr. Nickerson -- we drafted him for the

preparation of this report, so that you might say he has been in continuous service since 1963 on this matter.

I will next call on J. Howard Rabin, Jr., chairman of the Committee on Future Petroleum and Gas Producing Capabilities.

MR. RAMBIN: Thank you, Mr. Chairman, and members of the Council.

You will recall at its meeting on March 25 this Council unanimously approved the recommendation of the Agenda Committee to establish a special committee to study and report on future petroleum and gas producing capabilities in the United States to the year 1970. This action was taken in response to a request from the Honorable John M. Kelly, with a view to establishing projections of producing capabilities for both peacetime and emergency planning.

Accordingly, the Council chairman, Mr. Hamon, appointed a 20-man committee. We are fortunate that Mr. Brockett of Gulf Oil Corporation is serving as vice chairman for the crude oil side of the study, and Mr. W.G. Maguire, chairman of Panhandle Eastern Pipe Line Co., is serving as vice chairman for gas and natural gas liquids.

Mr. Kelly designated Mr. Frederick S. Lott, Assistant Director, Operations, Office of Oil and Gas, to serve as government co-chairman of the committee.

After consultations with the vice chairmen and with

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Mr. Lott and his colleagues, we have submitted to Mr. Hamon for necessary government approvals the proposed membership of two coordinating subcommittees.

One is for future crude oil producing capabilities, and the other is for future gas and natural gas liquid producing capabilities.

It is expected that this work will get underway probably now with the selection of these committees.

MR. HAMON: Thank you.

(Applause)

MR. HAMON: I will next call on Everett F. Wells, Chairman of the Committee on Materials Requirements for Petroleum Refining.

Mr. Wells.

..... MR. WELLS: Mr. Chairman and members of the Council, this is the second progress report of the Committee on the Materials Requirements for Petroleum Refining, and it will be brief.

As most of you know, in times of emergency the Emergency Petroleum and Gas Administration, under the U.S. Department of the Interior, has claimancy responsibilities for the materials needed to assure continued operation of the petroleum industry. In July 1964 the National Petroleum Council, at the request of the Department of the Interior, agreed to prepare a materials study of the refining segment of the

petroleum industry which could then serve as a standard against which the validity of claims could be measured.

The Committee on Materials Requirements for Petroleum Refining, consisting of 14 Council members, was appointed to undertake this detailed study. Subsequently, a 7-man technical subcommittee was assembled under the chairmanship of Mr. Roland A. Whaly, Vice President of my company, to analyze the problem and compile the necessary data.

I might say that Admiral Lattu is co-chairman of our committee, and he has taken a most active interest in the detailed work of the subcommittee.

The subcommittee met on March 18 and reached two conclusions:

1. That new refining facilities would be required to replace damaged or destroyed facilities under severe emergency conditions -- nuclear. In non-nuclear national emergency situations, either new or supplemental refining facilities would probably be required, also, in order to increase production capabilities for fuels.

2. That the scope of the assignment was, therefore, to develop detailed estimates of essential materials requirements for the essential refinery process facilities to meet refinery capacities from 10,000 to 150,000 barrels per day. This will provide prototypes reflecting the critical materials requirements for either an entire refinery, or parts thereof.

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The technical subcommittee submitted its recommendations to the parent committee with respect to its understanding of the scope of the assignment, certain basic assumptions it proposed to use, and how it planned to proceed.

The committee considered the suggestions from the subcommittee, and generally endorsed the approach as basically sound. The subcommittee has taken into account the comments of its parent committee, particularly relating to the proposed basic assumption, that there is a need to recognize a continued substantial demand for gasoline to meet both military and civilian transportation requirements in an emergency, even though increased refining emphasis will probably be placed on jet fuels, the middle distillates, and residual type fuels.

All subcommittee members agreed, at their second meeting on June 3, 1965, to proceed with individual assignments made at that time and to develop materials requirements on a process-by-process basis, thus enabling Interior or the EPGA to develop materials requirements for either a complete refinery or any component thereof.

Subsequent need for technical assistance has resulted in the addition to the subcommittee of Mr. R.V. Nutt, of American Oil Company's General Engineering Department. Our subcommittee chairman, Robert C. McCay, having completed his tour of duty as a member of the staff of the Office of Oil and Gas, has been replaced by his successor at the Office of Oil

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and Gas, Mr. Robert E. Wholgemuth, who was co-chairman of the subcommittee. We are happy to say that the Texas Company has made available Mr. McCay's services, which will be very helpful in carrying out the assignments of the ^{Sub}committee.

(Applause)

MR. HAMON: I will next call on Chairman McGee of the Committee on Updating the National Oil Policy.

Mr. McGee.

MR. MCGEE: Mr. Chairman, gentlemen, this first report for the Committee on National Oil Policy, which was formed several months ago, will be a short one.

The committee actually has just gotten underway with its work. A small planning group from the full committee has met with Chairman Hamon, and with Admiral Lattu, and has worked out a plan for identifying the elements that will be necessary to update the 1949 report on National Oil Policy, and also for assembling this information for consideration by the full committee.

A subcommittee to draft the final report, and to draft the suggestions that will be made to the full committee, is presently being formed. The National Oil Policy Committee is indeed fortunate in having a good sound basic document in the 1949 report as a base from which to start its studies, and I think by the next meeting of the Council, Mr. Chairman, we will be able to report substantial progress.

(Applause)

MR. HAMON: Now I will call on Admiral Lattu, at the conclusion of the new business, here, for an important announcement.

Before we get on to new business, I want to urge all of the members of the Council studying this national oil policy, if you have any suggestions, write to Chairman D.A. McGee. Do not write just a sentence saying this should be done, but outline fully your ideas on the subject for the help of D.A. McGee and his committee.

..... The next item of business is new business. Is there any new business to come before the Council?

CAPTAIN CARSON: I would like to address the Council regarding the statistics study.

MR. HAMON: Will you come forward, Captain, please?

I might say this is Captain Matthew V. Carson, Alternate for Mr. E.L. Steiniger, Sinclair.

Captain Carson.

CAPTAIN CARSON: Thank you, Mr. Chairman.

Mr. E.L. Steiniger, the chairman of the board of the Sinclair Oil Corporation, and a member of this Council, regrets that a very important board meeting precludes his being present here today, and he has requested me to represent him at this meeting and to express his concern with the petroleum statistics study which is now being carried on under the

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direction of the Bureau of the Budget.

Therefore I want to speak to you today for a few minutes to bring to your attention the importance that we believe this statistical study has to the industry.

Let me take just a moment to review very briefly the history of the study. It had its inception in 1961 with an interagency committee study on petroleum imports. This study led to the committee's conclusion in 1962 that -- and I quote -- "satisfactory information concerning petroleum reserves, productive capacity and deliverability and their expansionability under normal and emergency conditions is seriously lacking. Suitable cost information is even more seriously lacking. A great deal of fragmentary and sometimes contradictory data are available."

The original committee for the purpose of studying the question of petroleum imports expanded its activities beyond its original objectives in that this interagency committee recommended that the Bureau of the Budget, in cooperation with other Federal agencies, develop a proposal for a coordinated study to provide for additional petroleum data.

Pursuant to this recommendation a petroleum statistics study group, under the supervision of the Bureau of the Budget, was organized, and a draft report of this group, dated July 1, 1964, was circulated to the industry, and comments were asked for from the industry.

Then the Bureau of the Budget earlier released a so-called final report of the study group on this question of petroleum statistics, and we, as well as others, took exception to many of the provisions and implications of the report.

If the program outlined in the report is intended, as it should be, to assist the various departments and agencies in setting up a system of uniform reporting in the collation of statistical data, which the industry is now furnishing, we heartily applaud this effort. We admit that there is a serious lack of classification and definition in matters relating to producing capacity, petroleum reserves, and so forth. Undoubtedly this lack of uniformity and classification and definition should be resolved, and uniformity of terms and statistical summaries of industry operations is highly desirable.

However, in the study group report the entire scope of information to be required and enlarged upon does not seem to have this purpose primarily in mind. Rather it is directed in such a manner as to include cost and revenue data, and many more details which are not now included in the reports submitted by the industry.

Not only would this defeat President Johnson's directive and his desire to reduce so many reports and paper work required of business by the Government, but it would place an even greater burden on the industry to accumulate and report

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completely new and additional data.

Additionally this would further tend, we believe, to tear down the veil of protection that prevents economic data from becoming publicly available in this country as well as in other countries.

The study indicates that several agencies -- or perhaps one -- are really not familiar with the petroleum industry which might be charged with this proposed statistical gathering and compilation.

This could lead, we believe, to misunderstanding, misinterpretation, and faulty data.

To avoid this possibility, the Department of the Interior, we believe, is in the best position of all the Government agencies to bring about a uniformity of definition and information concerning the industry. It has in the past consistently collected more data on the petroleum industry, and is more familiar with it, than any other Government agency. Also, it has been designated by President Johnson to supervise and direct the Government's activities with respect to petroleum matters.

The Department of Interior, with the assistance of the industry, has demonstrated in the past its ability to provide the statistics necessary for the victorious conduct of two world wars, and Interior would have in the future through its own staff in the National Petroleum Council knowledge of full

and adequate personnel to continue this important work.

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We therefore see no reason why this important responsibility should now be shifted to some other agency.

In view of the foregoing, we expressly hope that the Department of the Interior will be the designated agency of the Government to coordinate and revise as necessary statistics pertaining to the oil and gas industry, and we further hope that if this is done, the Secretary of the Interior will enlist the aid of the National Petroleum Council in accomplishing this purpose.

For Mr. Steiniger, I wish to say we stand ready to cooperation to the greatest practical extent in this important undertaking, and we urge that the Council do the same.

MR. HAMON: I see Mr. Warren asking to be recognized.

MR. WARREN: All I wanted to do, Mr. Hamon, was report to Captain Carson and Mr. Steiniger that we endorse it.

It seems to me there are four points to be considered. It is certainly understandable if the Government feels a lack of statistical information, or conflicting information, that the industry should make every effort to assist in getting accurate, reliable, and needful information in the way of statistics.

I think a second point is, however -- and to me a very important one -- the statistics in themselves are not the all-important thing. A friend used to say figures don't

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lie, but there is a lot of romance in them. (Laughter)

Judgments and the analysis, and the evaluation of these things are really very important. We can all look back at studies that have been made under the best of assumptions by qualified people, and in the light of experience later it developed that they missed their mark considerably. That has not only happened in business, but in finance and other areas.

I think in the analysis of statistics and the trend, and the forecasting and things of that kind, the Government will be well advised to use the ^ocounsel and advice of industry, because -- let's face it -- it is only in industry where we have so many people who are well versed in all of the intricacies of the petroleum industry.

The next point I would like to make is to reaffirm the one that Captain Carson made, that in order to avoid conflicts this thing should not be scattered throughout the Government; it should be concentrated within the Interior Department, and they have the staff. Then the other agencies of Government can call on them.

If you put the physical statistics in one shop and the economics in another, there is going to be more conflict than we have at the present time.

I think, Mr. Chairman, that is all I have to say.

MR. HAMON: Is Carl Reistle in the room?

Carl, you are chairman of the statistics group.

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MR. REISTLE: I have very little to add to what Captain Carson and Mr. Warren has said.

I heartily subscribe to everything they have said.
I do fee --

MR. HAMON: Won't you come up to the microphone?
Maybe some people can't hear you.

MR. REISTLE: I doubt my remarks really justify this position.

While we are naturally concerned and somewhat frustrated with some of the remarks that were in the interagency report, I feel that we are indebted to this group for focusing our attention on the fact that there was some question in mind in certain branches of the Government that our statistics were not adequate for their purposes, and that we should do something about them.

I think those of us who were familiar with the statistical problems in our own companies and in trade organizations, recognize some of this, but we did not have quite the incentive to do something about it.

As chairman of a special study committee for API, it became very obvious there were some things that could and should be done to improve our communication about the facts of our industry and the Government's need for them.

It is also obvious that there is information desired that it is impossible to supply. The only method I know of is

using a crystal ball, and that has not been very helpful in my own particular company.

But nevertheless, after our study in the API, we reached the same conclusion, and the same recommendation that Captain Carson has made, and President Ikard indicated that in his letter to the Director of the Bureau of the Budget, that we thought the Department of the Interior was the logical agency, with its familiarity with the petroleum industry, and with the expressed desire of the President to place the responsibility for the petroleum in the Interior Department, which is of course a historical responsibility, and one certainly justified during our past emergency.

I feel strongly that this should be placed in the hands of the Department of the Interior, and I feel sure that the National Petroleum Council could play a great part in developing the definitions and a mutual understanding of the problems between industry and Government.

I think this would provide a liaison agency whereby the various agencies of government and the industry could discuss their problems, and we could improve and develop those statistics that would be helpful to the industry.

I strongly feel there are certain requests for information which are not justified, and while from time to time Congress might call upon industry for that type of information, I don't think it is necessary the industry should be

burdened with these on a regular basis.

Mr. Chairman, I hope that the Interior Department will be assigned this responsibility, and I certainly hope you will look favorably upon any request that might come from the Interior Department for the National Petroleum Council to participate in any study that might be needed.

MR. HAMON: I will recognize Minor Jamison since he asked to be recognized for a few remarks on this subject.

Minor, will you come up to the platform?

MR. JAMISON: When did I ask?

MR. HAMON: Excuse me.

MR. JAMISON: I was very pleased, Mr. Chairman and members of the Council, because I subscribe entirely to what Carl said. I would like to emphasize one point that I think or suggest the industry ought to keep in mind on this thing, and that is that those of us who work with figures particularly in connection with national policies on depletion of gas and all the other matters, have found that statistics are inadequate, and I would be hopeful that it would go to the Interior Department.

But I would also be hopeful that the industry itself would take it upon itself to do more in this field.

I think we have an obligation to recognize these inadequacies and do something to correct them.

MR. HAMON: I do not want to rule out any further

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discussion. I do want to say the organization of the Council is such that we cannot initiate studies. We can request of course of the Interior Department that we want to make a study, but it is subject to their approval, and I believe, Admiral, that in this case this is a joint agency study with the Bureau of the Budget, and until we are requested by the Interior Department, or until it is worked out that the Council could take it on, I think it has been very interesting listening to the discussion, and certainly, Carl, if we are asked to make such a study, I am sure that all of the members of the Council would be willing, as we always have been, subject to the limitations or the approval of the Agenda Committee -- to undertake such studies, but until we are asked to do so, and until the Interior Department feels free to do so, I think there is no use in our doing anything, and there is nothing we can do, Admiral, in my opinion.

Is that correct?

REAR ADMIRAL LATTU: That is correct.

MR. HAMON: Will you make the announcement that you wanted to make at this time?

REAR ADMIRAL LATTU: Usually the press is invited after these meetings, so I assume they are outside. I would like to have Mr. Donnell remain, John Kelly, Clyde McGraw, General Senter, and Howard Boyd for questioning.

In addition, the members of Howard Boyd's committee,

18 if they are here, we would like to take a picture of afterwards.

I might just comment very briefly on the subject which was brought up. The Interior Department had a study group which I chaired of the Geological Survey and Bureau of Mines on oil import policy. We have been working for months on this problem. We made our recommendation to the Bureau of the Budget. I understand all the other departments probably have also made theirs, and that in approximately two months the Bureau of the Budget will make a decision on what action will be taken on this report after they have reviewed all the departmental comments.

I will state after taking a good look at this -- and I read at least 60 or 80 letters from the various oil industry people who have commented -- this is a tremendous job -- looking ahead. It will involve the oil industry, the IOCC, and through every one the States that are in the oil producing business, in addition to all the Government activities.

It will be a lot of hard work, whatever the Bureau of the Budget recommends.

I have been in the business of statistics indirectly for years and years. I know that old statistics can be done away with. But people, unfortunately, like to have files. They like a lot of old statistics, and unless you do away with it -- I am sure every one of you in your own companies have had this

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experience.

So I hope you do not go away from here today thinking you are going to get a lot of new statistics and that is all. I think there is a good opportunity for a good group of people who are going to do this to take a good look at what we have today, what can be eliminated, and what can be improved upon. There is no reason why you cannot make some hay out of it while you are at it. But it is a tremendous challenge, gentlemen, believe me, whatever comes out of it.

MR. HAMON: Thank you.

I repeat at the conclusion of the meeting I would like to have Mr. Nickerson, Mr. Abernathy, Mr. Haider, Mr. Hartley and Mr. Hurd meet with me over in the corner.

There being no further business, the Council stands adjourned.

(Whereupon, at 12:00 o'clock noon, the conference was adjourned.)

end ajl