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DEPARTMENT OF INTERIOR

In the Matter of:

NATIONAL PETROLEUM COUNCIL

Place: Washington, D.C.

Date: March 1, 1966

Pages 1 thru 89

Volume I

HOOVER REPORTING COMPANY, INC.

Official Reporters

Washington, D. C.
546-6666

Baltimore, Md.
SAratoga 7-1331

DEPARTMENT OF THE INTERIOR

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NATIONAL PETROLEUM COUNCIL

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9:30 a.m., Tuesday, March 1, 1966

- - -

Chairman: Jake L. Hamon

National Petroleum Council
Departmental Auditorium
Conference Rooms A and B
Constitution Ave., N.W.
Washington, D.C.

C O N T E N T S

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P R O C E E D I N G S

CHAIRMAN HAMON: Gentlemen, the council will come to order please.

Mr. Brown, will you read the roll call?

MR. BROWN: Mr. Abel.

(No response)

MR. BROWN: Mr. Abernathy.

MR. ABERNATHY: Here.

MR. BROWN: G. M. Anderson.

(No response)

MR. BROWN: Robert O. Anderson.

MR. ANDERSON: Here.

MR. BROWN: Mr. Earl Baldridge.

MR. BLADRIDGE: Here.

MR. BROWN: Mr. Bass.

MR. BASS: Here.

MR. BROWN: Mr. Benedum.

(No response)

MR. BROWN: Mr. Bergfors.

MR. BERGFORS: Here.

MR. BROWN: Mr. Bible.

MR. BIBLE: Here.

MR. BROWN: Mr. Blaustein.

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Boyd.

(No response)

MR. BROWN: Mr. Howard Boyd.

A VOICE: I represent him.

MR. BROWN: Thank you. Mr. Brazell.

MR. BRAZELL: Here.

MR. BROWN: Mr. Bridwell.

(No response)

MR. BROWN: Mr. Brockett.

MR. BROCKETT: Here.

MR. BROWN: Mr. Bruce Brown.

MR. BROWN (Bruce): Here.

MR. BROWN: Mr. George Bruce.

MR. BRUCE: Here.

MR. BROWN: Mr. Buck.

MR. BUCK: Here.

MR. BROWN: Mr. Burlingame.

(No response)

MR. BROWN: Mr. Burrow.

MR. BURROW: Here.

MR. BROWN: Mr. Calvert.

MR. CALVERT: Here.

MR. BROWN: Mr. Chandler.

MR. CHANDLER: Here.

MR. BROWN: Mr. Citrin.

MR. CITRIN: Here.

MR. BROWN: Mr. Copeland.

(No response)

MR. BROWN: Mr. Doan.

(No response)

MR. BROWN: Mr. Donnell.

MR. DONNELL. Here.

MR. BROWN: Mr. Eckis.

MR. ECKIS: Here.

MR. BROWN: Mr. Elliott.

MR. ELLIOTT: Here.

MR. BROWN: Mr. Endacott.

MR. ENDACOTT: Here.

MR. BROWN: Mr. Fitchett.

(No response)

MR. BROWN: Mr. Follis.

(No response)

MR. BROWN: Mr. Foree.

MR. FOREE: Here.

MR. BROWN: Mr. Fox.

(No response)

MR. BROWN: Mr. Gammelgard.

MR. GAMMELGARD: Here.

MR. BROWN: Mr. Getty.

MR. GETTY: Here.

MR. BROWN: Mr. Goodrich.

(No response)

MR. BROWN: Mr. Graham.

MR. GRAHAM: Here.

MR. BROWN: Mr. Haider.

(No response)

MR. BROWN: Mr. Hamon.

MR. HAMON: Here.

MR. BROWN: Mr. Harper.

MR. HARPER: Here.

MR. BROWN: Mr. Hartley.

MR. HARTLEY: Here.

MR. BROWN: Mr. Hope.

MR. HOPE: Here.

MR. BROWN: Mr. Howell.

MR. HOWELL: Here.

MR. BROWN: Mr. Hurd.

MR. HURD: Here.

MR. BROWN: Mr. Ikard.

MR. IKARD: Here.

MR. BROWN: Mr. Jackson.

(No response)

MR. BROWN: Mr. Charles Jones.

(No response)

MR. BROWN: Mr. J. Paul Jones.

MR. JONES (J. Paul): Here.

CHAIRMAN HAMON: Excuse me, Vince. Reading the name of Mr. Howell reminds me that he is to be congratulated.

I just understand this morning that he has been made a Rear Admiral in the Supply Corps of the United States Naval Reserve.

So, stand up, Paul -- or Admiral.

(Applause.)

MR. BROWN: Mr. Kantzer.

(No response.)

MR. BROWN: Mr. Keeler.

MR. KEELER: Here.

MR. BROWN: Is Mr. Kantzer here?

A VOICE: Yes.

MR. BROWN: Thank you. Mr. Kelly.

MR. KELLY: Here.

MR. BROWN: Mr. Kiltz.

MR. KILTZ: Here.

MR. BROWN: Mr. Levy.

MR. LEVY: Here.

MR. BROWN: Mr. Loomis.

MR. HART: Represented by William C. Hart.

MR. BROWN: Thank you. Mr. Ludwig.

(No response)

MR. BROWN: Mr. McClure.

MR. McCLURE: Here.

MR. BROWN: Mr. McCollough.

(No response)

MR. BROWN: Mr. McCollum.

MR. SKINNER: Harold Skinner representing Mr. McCollum.

MR. BROWN: Thank you. Mr. McCurdy.

MR. McCURDY: Here.

MR. BROWN: Mr. McGee.

MR. McGEE: Here.

MR. BROWN: Mr. Majewski.

MR. MAJEWSKI: Here.

MR. BROWN: Mr. Marshall.

MR. MARSHALL: Here.

MR. BROWN: Mr. Mecom.

MR. MECOM: Here.

MR. BROWN: Mr. Miller.

MR. MILLER: Here.

MR. BROWN: Mr. Milligan.

(No response)

MR. BROWN: Mr. Charles Murphy.

MR. CALVERT: Charles Calvert representing Mr. Murphy.

MR. BROWN: Thank you. Mr. Nickerson.

(No response)

MR. BROWN: Mr. Neilson.

Rawleigh

MR. WARNER: ~~Welly~~ Warner representing Mr. Nickerson.

MR. BROWN: Mr. Nielson.

A VOICE: I represent Mr. Nielson.

MR. BROWN: Mr. Niness.

MR. SOUTHERLAND: Mr. Southerland representing Mr. Niness.

MR. BROWN:

MR. BROWN: Mr. Parkes.

(No response)

MR. BROWN: Mr. Parten.

MR. PARTEN: Here.

MR. BROWN: Mr. Potter.

(No response)

MR. BROWN: Mr. Rambin.

MR. RAMBIN: Here.

MR. BROWN: Mr. Rather.

MR. RATHER: Here.

MR. BROWN: Mr. Reistle.

A VOICE: I represent Mr. Reistle.

MR. BROWN: Mr. Ritchie.

(No response)

MR. BROWN: Mr. Robineau.

(No response)

MR. BROWN: Mr. Rodman.

(No response)

MR. BROWN: Mr. Rowan.

MR. ROWAN: Here.

MR. BROWN: Mr. Rutherford.

(No response)

MR. BROWN: Mr. Scott.

MR. SCOTT: Here.

MR. BROWN: Mr. Shumway.

MR. SHUMWAY: Here.

MR. BROWN: Mr. Smith.

MR. ROWLAND: V. A. Rowland representing Mr. Smith.

MR. BROWN: Mr. Spahr.

MR. SPAHR: Here.

MR. BROWN: Mr. Steiniger.

A VOICE: I represent Mr. Steiniger.

MR. BROWN: Mr. Strauss.

(No response)

MR. BROWN: Mr. Swearingen.

MR. SWEARINGEN: Here.

MR. BROWN: Mr. Taliaferro.

MR. TALIA[illegible]RRO: Here.

MR. BROWN: Mr. Tollefson.

A VOICE: I represent Mr. Tollefson.

MR. BROWN: Mr. Vaughey.

(No response)

MR. BROWN: Mr. Vockel.

MR. VOCKEL: Here.

MR. BROWN: Mr. Wagner.

(No response)

MR. BROWN: Mr. Warren.

(No response)

MR. BROWN: Mr. Wells.

A VOICE: I represent Mr. Wells.

MR. BROWN: Mr. White, Earl.

(No response)

MR. BROWN: Mr. John White.

MR. WHITE (John): Here.

MR. BROWN: Mr. Whiteman.

(No response)

MR. BROWN: Mr. Winger.

MR. WINGER: Here.

MR. BROWN: Mr. Worley.

MR. WORLEY: Here.

MR. BROWN: That concludes the roll call, Mr. Chairman, and there is a quorum present.

CHAIRMAN HAMON: You have all received copies of the printed minutes of the last meeting. Unless you want to have them read, I would like to have a motion approving them.

A VOICE: Motion to approve the minutes.

A VOICE: Second the motion.

CHAIRMAN HAMON: All those in favor of approving

the minutes and not reading, signify by saying aye.

(Chorus of ayes.)

CHAIRMAN HAMON: We have a full program this morning. I know this is going to offend many people, but I am not going to make any remarks at this time. I will transcribe them for the record, and Mr. Brown has no report to make to this meeting.

Now the Chair recognizes Mr. Harold McClure for nominations to fill the vacancy on the NPC Appointment Committee.

MR. McCLURE: Mr. Chairman, I would like to nominate Allen Calvert for the vacancy on the Appointment Committee.

A VOICE: I second.

CHAIRMAN HAMON: It has been moved and seconded that Mr. Allen Calvert be nominated to fill the vacancy on the Appointment Committee.

All those in favor signify by saying aye.

(Chorus of ayes.)

CHAIRMAN HAMON: Opposed?

(No response.)

CHAIRMAN HAMON: Is Mr. Calvert here?

MR. CALVERT: Yes.

CHAIRMAN HAMON: Congratulations, Mr. Calvert, for your first meeting, you got elected to something which is

a rare record around here; but since Mr. Calvert is president of the Independent Petroleum Association, why that could have had something to do with it -- I don't know.

MR. CALVERT: It must be a real record. You didn't ask me in advance.

(Laughter)

CHAIRMAN HAMON: I am now going to call on Mr. Arch Rowan to introduce the next distinguished speaker.

Mr. Rowan.

MR. ROWAN: Mr. Chairman, distinguished guests, members of the Council, our next speaker is a native Texan. He served his country with patriotic zeal during World War II and has been a distinguished public servant in peace time both at the national and state levels.

He is a successful businessman and believes in our free enterprise system of government. He believes in the rights of states as guaranteed by the Constitution, and he believes that whatever regulations our industry needs should be administered at the state level without undue interference by our Federal Government.

Those of us who know him and his charming wife attribute a great deal of his success to her.

Texas has produced many distinguished public servants, senators, members of the House, two speakers of the House, two Vice Presidents, and a President of the United States, and many

governors, but none have shined more brilliantly on our political horizon or been held in higher esteem and affection by her people than our present Governor.

He has an intimate knowledge of our industrial problems and can speak with sympathetic understanding and learning on their solutions; but he has chosen to talk on another subject today which concerns the welfare of all our people.

It is an honor and a pleasure to present to you the Honorable John Connally, Governor of the State of Texas.

(Applause)

GOVERNOR CONNALLY: Thank you very much. Please be seated.

Mr. Rowan, Mr. Secretary, distinguished members of this council, and guests. I hope I need not tell you that it is a great privilege for me to have this opportunity to address a few remarks to this distinguished gathering this morning.

Certainly there is no more distinguished group serving in an advisory capacity to any agency of this government than this. And the members of this council are admittedly the recognized leaders of this petroleum industry; and as such, you certainly need no reminder from me that you serve a highly useful purpose.

Our nation has in the past, is now, and will in the future benefit by wise use of such quasi-governmental industry advisory groups.

After accepting the most gracious and kind invitation

Start Connally

of Mr. ~~Jack~~ Jake Hamon to be with you today, I gave a considerable amount of thought to the topic of my remarks.

As Governor of the leading oil-producing state, and as immediate past chairman of the Interstate Oil Compact Commission, I have been deeply mindful of the trends and developments affecting the petroleum industry.

Frankly, it has been of concern to me that state regulatory authority has been under constant attack in recent years.

It concerns me that Federal Power Commission policies with respect to gas producers may ultimately restrict the development of adequate gas supplies for our expanding economy.

It concerns me that during the past decade of oil surpluses and growing imports, we may have jeopardized the reserve productive capacity so greatly needed if a dire emergency should arise. I note that this has been a topic of considerable examination by this Council.

It concerns me that we drilled only 41,000 oil wells last year -- 17,000 fewer wells than 10 years ago.

It concerns me that we drilled a thousand fewer wildcat wells last year than we did the year before.

All of these problems affect not only the industry itself, but also the security and well-being of our nation and the free world.

Today, however, there is a far greater threat to

security than the problems of a single industry. And while the subject is only remotely related to the purposes of your meeting, you as responsible leaders of government and business cannot help but be directly involved.

You and I know that oil and gas have fueled the industrial growth of this nation. Petroleum has been a prime factor in building the highest standard of living ever known. Some 96% of the energy expended in the United States is inanimate energy; machines perform where man's labor once performed.

Oil and gas, then, have provided the fuel for the machines of peace and war, an enormous responsibility most ably fulfilled.

But in this time of world conflict and strife, it is apparent that somewhere along the line there have been too many failures in fueling the human machine.

This nation became great because its people were endowed with those fibers of courage and strength and character which recognize no barriers and surmount all adversities.

No matter how many oil wells we drill, we cannot sustain the might of the American nation if these human fibers do not hold firm.

No matter how high a standard of living we reach, our lives will be wasted if we lose our desire to be free.

No matter what kind of machines we invent, our energy will wane if we compromise the principles which have brought us

this far in history.

I think it is fair to say that periodically in every nation's life, it must undergo a trial by fire. The United States survived a civil war which almost destroyed the Union. Great Britain, with its back to the wall, survived a rain of bombs from an enemy superior in every armament except moral fiber. Other countries have fared equally well, but many have miserably failed in time of crisis.

Since World War II the United States has undergone not one, but a series of such trials.

To our everlasting credit, we have thus far held firm.

When necessary for the national welfare, the diverse political thought of our free society has become united. Four Presidents -- three Democrats and a Republican -- have maintained a foreign policy based upon full preparedness, loyalty to our allies, swift and unrelenting opposition to aggression which threatens the peace anywhere in the world.

This was the policy which saved Greece and Turkey from communist domination. President Truman refused to compromise the sovereignty of these small nations, and today they are still free.

The Russians tried to starve us out of Berlin, and Mr Truman refused to budge. They tried to force us out again during the Kennedy administration. Still we refused to yield.

When South Korea was invaded from the north in 1950, President Truman's response was to commit American troops to the defense of our ally. It has been argued that we failed to achieve total victory in the Korean War, yet South Korea is still soverign and free, and its troops today fight side by side with the Americans and the Vietnamese in South Vietnam against another communist aggressor.

A few years later a communist takeover was threatened in Lebanon. President Eisenhower responded with American marines to prevent a conflagration throughout the Middle East. When the marines departed, Lebanon was still free, and today all of the countries of the Middle East are non-communist countries.

When the Russian missile sites were being built in Cuba, President Kennedy took this nation to the brink of war to secure their removal -- and the Russians backed down.

No one would claim we have been completely successful over the past 20 years, but to say that the course of American foreign policy is wrong is to deny the facts of history.

Now we are under fire again in South Vietnam, fulfilling the commitments of the Manila Pact of 1955, which established the Southeast Asia Treaty Organization.

Americans are there simply because the freedom of the Vietnamese from aggression is just as priceless as the freedom of the Greeks and the Berliners and the South Koreans.

Our position was made clear last July by President Johnson when he said:

"We do not seek the destruction of any government, nor do we covet a foot of any territory. But we insist, and we will always insist, that the people of South Vietnam shall have the right of choice, the right to shape their own destiny...And they shall not have any government imposed upon them by force and terror so long as we can prevent it.

"...As long as there are men who hate and destroy we must have the courage to resist, or we will see it all, all that we have built, all that we hope to built, all of our dreams for freedom--allswept away on the flood of conquest."

Now these are strong words, backed by strong deeds in keeping with the moral commitment of this nation.

The only politics involved were the politics of world peace--the motivation of American foreign policy during two decades of crisis.

No one expects every American to agree with the President's decisions. The fact that there is dissent separates us from the other great world force where dissent is not allowed--but where even writers who question their society are condemned to prison.

But in this war dissent has reached levels which shock most of the American people.

I don't refer now to the draft card burners, the

Viet Cong sympathizers, the left-wing fringe who have done all in their power to discredit their country in the eyes of the world.

I refer rather to those in high places who put expediency above commitment, publicity above restraint, and politics above unity.

A few days ago we saw on television the hearings of the Senate Foreign Relations Committee deteriorate into a public spectacle in which the President's top advisers were branded as warmongers for daring to say we were determined to defend South Vietnam from the aggression of Hanoi.

The bright eye of the television camera has so mesmerized a handful of United States Senators that they now want to dictate military strategy and tactics with neither the knowledge nor the authority to do so.

Article II of the Constitution makes the President the Commander in Chief of the Army and Navy and vests in him the executive power. The Supreme Court has interpreted this article as making the President the "sole organ of the nation" in the field of foreign affairs.

When debate exceeds all bounds of reason, it may be necessary to remind Hanoi and Peking that Senator Morse is not this man, and Senator Fulbright is not this man.

As strange as it seems, at a time when the communist world looks for every sign of weakness, every hint of discord,

every shred of propaganda material, some Americans are recklessly willing to oblige.

How especially strange that the brother of a man honored throughout the free world for his courage and his devotion to freedom should join in the public display.

Knowing full well the power of his name, but isolated from the complete facts and information he once knew, Senator Robert Kennedy volunteers the opinion that we should offer the Viet Cong a share of governmental responsibility in South Vietnam as a means of ending the conflict.

In effect, he proposes that we admit communists to the government we have been helping defend from aggression by those same communists. These are the people who last year murdered fourteen hundred village chieftains in South Vietnam, people who rule by terror reminiscent of the Nazi occupation in Europe, people who have already announced their intention to destroy the Saigon government in its entirety.

Challenged by Vice President Humphrey and others, the Democratic Senator from New York has tried to clarify his statements, but his intention remains the same.

The position of Hanoi and Peking needs no clarification. They have said firmly and repeatedly that they are not interested in appeasement and accommodation. They demand withdrawal and surrender.

Senator Kennedy further says we must set an objective that will not humiliate Hanoi in seeking negotiations. He uses as an example the conflict over the Russian missiles in Cuba, and contends that President Kennedy secured their removal in a way that did not require the humiliation of Nikita Khrushchev.

In my judgment it is a poor example to use. If I recall, John Kennedy's notice to Khrushchev was "get out or be thrown out."

This was hardly an accommodation to the Russians -- but they most certainly backed away.

It is difficult to assess the justification for the recent public statements of this handful of Senators.

In the gloomy days of 1938 and 1939, the voices of appeasement grew loud and effective. These voices feared World War II, and they were willing to make almost any concession to avoid it. In their blindness, they accommodated the forces of oppression, and those forces grew stronger and more brazen as the result of free men's weakness, until the world was plunged into the war it feared.

Whether history will repeat itself depends upon how well we learned that lesson and how willing we are to take human freedom from the realm of politics. And this freedom means not only our own, but also the freedom of a small country whose defense we guaranteed, and it is time that all of us in this nation recognize that the mantle of leadership for

the free world is now on the shoulders of these United States, and that our responsibility cannot alone be to freedom in our own land, but must even encompass the hopes of freedom throughout this world.

If the voices of these few who seek accommodation have led the communists to assume that these men speak the voice of the American people, then it's time that the voices of the majority be heard in saying, very simply but very firmly, that we know full well that reason does not dictate appeasement, nor accommodation; military strategy does not dictate appeasement, nor accommodation; that common sense does not dictate appeasement; that the lessons of history do not dictate appeasement, nor accommodation.

And let the majority say with equal firmness and clarity that this nation can have but one foreign policy and that the American people support the policy of the President of the United States in the conduct of our foreign affairs.

Let us inform the world that this nation has stiffened its resolve to seek peace with justice, that its word is its bond, that it has the character and the fiber to be the defender of freedom wherever it is threatened.

Perhaps it is time that we not only recall, but adopt and reaffirm, the words of Winston Churchill when he addressed the Canadian Parliament early in World War II:

"We have not journeyed all this way across the

centuries, across the oceans, across the mountains, across the prairies, because we are made of sugar candy."

Thank you very much.

(Applause.)

CHAIRMAN HAMON: Thank you very much, Governor, for that very fine address.

I am now going to call on my co-chairman and Honorable Secretary of the Interior Stewart Udall for some remarks.

(Applause.)

SECRETARY UDALL: Governor Connally, Jake, members of the council. It is a pleasure to be with you this morning. I am going to -- as I have to most of the time -- deliver my speech and run, although I was delighted that I got here, Governor, in time to hear your very straight-forward and air--clearing speech, and we are delighted to have you with us this morning.

I am leaving on a Presidential mission to West Germany before the day is out to look at natural resource problems, and therefore I am having a rather hectic day.

But between Jake and I we have arranged a very interesting program today, not only have Governor Connally with us, but we were scheduled to have Secretary Rusk. His schedule at this time of year, as you would understand, is extremely busy; and he begged off a few days' ago -- but next best from the State Department is Tommy Mann, who most of you know, who

not only understands the international picture, but I think has probably a better insight into the problems and the potential of this industry than almost anyone in town, so I am sure you will hear his comments with interest.

I can say to you that it is of real satisfaction to me to have him as a working partner on many matters at the State Department, and also to have someone like Governor Connally to look to and counsel with and advise with regard to matters that affect this industry, that concern not only his state, but all of the states that have responsibilities for oil matters.

This is an anniversary day and a very important one, and I want to make a few off the cuff comments concerning it.

This is the fifth anniversary -- or I guess sixth birthday, whichever way you say it -- of the big economic upward turn in this country.

Of course every day that the economy continues to move upward sets new records, and this of course is something that all of us in this administration take a great deal of pride in.

Our country is strong. The fact that we could carry on as we are a major military operation all the way around the world and can do this without upsetting the economic pace -- this is, I think, one of the great indications of the strength and the versatility of our economy in this country.

Of course the concern within the administration -- I know that we are all aware of this -- is that we not only continue this upward growth, not only continue it on a stable basis, but that if possible we avoid inflationary pressures; and this I think in the weeks and months ahead is going to be the crucial thing that concerns us.

I need not tell you, because you have read the press and you know of the President's day by day concern with regard to inflationary pressures. He reads the newspapers every morning, watching for indicators that might indicate that we aren't growing too fast and that inflation is endangering this steady strong growth that is so meaningful in terms of our present economic picture; and this is something that I hope all of you are conscious of.

I think we have had some splendid cooperation from leaders of industry in this country during this crisis period.

We have many commodities -- copper of course is an ultimate example in terms of world-wide supplies of very serious pressures and problems; but I think that the one thing that all of the people in government and industry I think have learned over this five year period of continued growth is, and that is if we are wise and if we show restraint at the right times and places that we can have what is really best for our country and best for the general economy of this country, and that is a steady solid upward growth so that we get away from the ups

and downs that have marked our economic progress in the past.

When you realize and you look at the gross national product that we enjoy today and that this annual increment that takes places, that if in this five year period we had had just one of the what were in the past customary recessons on the average of about every 24, 26 months, this dipdown would of course have taken the economy down with it; and we would not have had the steady growth that has meant so much to all of us.

It pleases me to see, reading the press, the contributions that this industry is making in so many different fields. This is an industry which it has been very versatile. It has been, as I have commented many times, one of the industries that is more inclined to take big risks than any other.

This has been one of the features of it. It has interested and fascinated me as a conservationist to read in the morning paper -- or was it yesterday morning -- about what some of the petroleum engineers and researchers are doing in Libya, restoring forests along the edge of the Mediterranean.

It is fascinating what can be done if we simply increase our knowledge and if we are ready to attempt new things in terms of resources.

Here is an example where the petroleum industry is restoring forests in what was once one of the world's fertile

areas, and of course this is only the beginning.

We have since our last meeting new leadership in the area that is of particular concern to you in my department. Cordell Moore of course was promoted to succeed John Kelly, and I am sure John will agree with me that he has fulfilled our best expectations in terms of carrying on the strong leadership that John provided as Assistant Secretary.

But in addition to that we have a new director of the Bureau of Mines. He is a scientist. He is getting is feet on the ground. We intent to strengthen the scientific capacity, research capacity of this Bureau, and I think that this revival and renewal is already underway and that you are going to be very pleased with some of the things that happen.

We also have a new director of the Geological Survey who is a fine and able and noted scientist, and we think he is also going to strengthen the capacity of that fine Bureau to deal with big problems.

But this year just ended has been a good one for the petroleum industry. It was a year of steady continued gains, with year-to-year increase in demand of 4.2 percent. This increase is greater than that of any year since 1956, which was influenced by the Suez Crisis. Most of the pickup in demand has been translated into gains in domestic production.

Liquid hydrocarbons enjoyed their first nine million barrel a day year. Marketed production of natural gas in

1965 reached 16.4 trillion cubic feet, reflecting a gain of 900 billion cubic feet -- 5.7 percent over the 1964 figure.

And more busy years lie ahead. Not only will our population continue to increase for the foreseeable future, but per capita usage of energy will continue its gradual increase as well.

It adds up to a complex of more homes and buildings heated, more vehicles driven, more plane-miles flown, more in fact of every kind of action and process that uses petroleum energy.

By 1980 we estimate that the United States will be using some 17 1/2 million barrels of oil and 65 billion cubic feet of gas daily.

These figures reflect gains of roughly 50 percent over present consumption levels, and distributed over a 15-year period they seem modest enough. But what they obscure is the enormous quantities of oil and gas we shall have to make available during those 15 years. If we think of oil and gas together as a single system, we will use more petroleum energy between now and the end of 1980 than we have used in all our previous history.

In the case of oil, if domestic sources continue to supply approximately the same relative proportion of our total demand for liquid hydrocarbons as they now do and if we elect to to the historic reserve-to-production ratio at 12:1, we will

have to add 83 billion barrels to our proved reserves between now and 1980. This begins with a requirement of 4.7 billion barrels for the year 1966, and ends with a need for 6.9 billion barrels for the year 1980, with a yearly average for the period of 5 1/2 billion barrels. This will not be easy.

In only one year -- 1951 -- has the industry been able to record a gross addition of as much as 4 1/2 billion barrels of liquid hydrocarbons to its proved reserves. Of more significance, the average of the yearly additions since 1955 has been 3.3 billion barrels.

For gas, under the same basic assumptions and choosing to maintain a reserve-to-production ratio of 18:1, we shall need to add 450 trillion cubic feet to our proved reserves. This is an average of 30 trillion cubic feet a year. At no time in its history has the petroleum industry ever added as much as 25 trillion cubic feet to its reserves of gas in any one year.

The average since 1955 has been 20 trillion. The meaning of these figures becomes even more clear if we compare our recent past experience with a comparable period of time in the immediate future.

Please understand me here. This is a hypothesis, not a forecast. Obviously, corrective action would begin to be applied long before matters got as serious as the figures I have just cited would indicate.

My point is simply that there is enough evidence at

at hand now to suggest strongly the need for us to consider more carefully than we have so far done the question of how our enormous future demands for petroleum energy will be supplied, and what corrective actions, if any, are indicated.

We all have a responsibility here whether we be in Government or in industry, to insure that the petroleum industry continues to contribute to the security and growth of the United States. This obviously includes assuring future adequate supplies of petroleum hydrocarbons on a freely competitive basis with other fuels.

And implicit in this responsibility is the generation of enough knowledge about what may reasonably be expected of the future so that sound decisions can be made and timely actions taken to provide this assurance of adequacy.

END SM
OA fls.

It is the peculiar function of Government--both Federal and State--to provide the economic climate within which the petroleum industry can efficiently perform the various operations of discovering, developing, transporting, processing , and marketing the petroleum resources of the Nation. The present size of the industry and its importance in the energy economy of the Nation are, among other things, a testament to the effectiveness with which Government has played its role in the past. They reflect specific choices, actions, and policies undertaken by public bodies over a wide range of administration, including taxes, conservation, imports,

and trade. By and large I believe they have been good choices and actions and policies.

It therefore seems to me that any inquiry that addresses itself to the matter of our future supplies of oil and gas must begin with an examination of this broad area of public responsibility.

With the thought that it is better to light one candle than to go on cursing the darkness, I have directed a high level group within the Department of the Interior to assess the prospects for continued adequate supplies of domestic petroleum energy to the Nation between now and 1980, and to identify actions which will be conducive to this end. The focus of the review will be the role of Government, and particularly that of the Department of the Interior as the Nation's principal resource management agency, in the orderly development of our Nation's petroleum resources over the coming 15 years.

I should like to say to those of you that have particular interest and ties with Interior, the vote of confidence that the President gave our Department yesterday when he sent to the Congress his first major reorganization proposal, that would transfer the water pollution program intact from the Health, Education, and Welfare Department to our Department. This, as I said in my press conference yesterday, is the most important Executive action that

has been taken in my five years as Secretary, to strengthen the mission and the role and function of my department. We are very proud of this. We hope the Congress approves it and we think we can do a much better job of tackling the water pollution problem if we have all of the management responsibilities centered in one department.

Because of its extensive scope, I visualize this particular effort as a survey rather than a definitive study. Its object will be to organize the field of inquiry, to evaluate present efforts, to isolate problems, to suggest possible solutions, and to point up areas where further data and study are needed. It is not going to cure all ills of the industry nor supply all the answers to the Government. It will, I certainly hope and expect, provide us all with a clearer perspective of what needs to be done to assure a continued adequate supply of domestic petroleum fuels. It is part and parcel of the continuing process of review and reappraisal that industry and Government must perform, part jointly, part separately, to be able to meet changing conditions and new developments. The group will make extensive use of the studies that have been done and are being done by the Council, for if what we do is to be valid and useful, it must have the benefit of the expert judgment of those intimately concerned with the matters reviewed.

The implication of the examples I used at the

beginning of my remarks is that our domestic position on oil and gas in 1980 may be substantially different from what it is now. The Survey Group's first task will be to carefully appraise the apparent trends which tend to lead to such a conclusion, and to supply a value judgment as to whether their own analysis confirms or refutes the need for concern. Given the limitations of the proved reserves' concept as a measure of potential oil and gas supply, such an assignment is very much more than making a few calculations leading to a simple "Yes" or "No" answer.

Should the Group find that there is cause for concern about our future supplies of domestic oil and gas after its review, it will be asked to look at possible remedies.

There are at least three avenues of approach, it seems to me, all largely concurrent; added discoveries of new deposits; additional recovery from known deposits; and the development of alternate fuel sources.

Discovery is a function of drilling, primarily exploratory drilling. And drilling, in turn, is a function of many things that include a wide range of economic and geologic conditions. Many reasons have been offered for the decline in exploratory drilling over the past 10 years: the price of crude and natural gas; excess producing capacity, and resulting stringent allowables; rising costs of operation;

diminishing average size of deposits found; competition from imports; diversion of drilling funds to more attractive ventures overseas; the declining numbers of independent operators; diversion to secondary recovery projects of funds that would otherwise go for exploration; the diminishing inventory of attractive drilling prospects; and the limitations of existing exploratory techniques. There are all kinds of reasons. Some are valid, some are specious. Some have varying degrees of application. It would be useful to know the real causes of the decline in exploratory drilling. Diagnosis is the essential first step toward treatment.

It would also be extremely useful, I feel, to have an analysis of the possible developments that hold promise of stimulating discovery of additional supplies of oil and gas. A recent circular published by the Geological Survey infers an additional 600 billion barrels of oil in place in this country that have not yet been discovered. It further states that only one-seventh of the volume of rock favorable to the occurrence of oil and gas has been adequately explored. The problem is how to explore intelligently and profitably these untested areas which through the normal process of selection represent the toughest prospects the industry has yet encountered.

What is the current state of the art in stratigraphy--and what advances can we reasonably expect in the next decade

or so? For the better part of a hundred years our main reliance has been on structures--because they were the only kind of trap we could find with any consistent degree of success. The result has been that as our finding and producing techniques got more efficient the average size of the structures they found and developed over the years got smaller, so that many areas are now thought to be thoroughly worked out. And if we confine our consideration to structures, perhaps this is true. But the biggest and best field ever found on this continent is an East Texas stratigraphic trap. How hard have we really pushed our technology aimed at locating this type of formation? Is there a need for additional research activity in this area? What effect would a technological breakthrough have on specific provinces?

Over the last 15 years we have seen the number of exploratory wells drilled annually go from 10 thousand to 16 thousand and back to 10 thousand while the success ratio remained virtually constant at 10 percent. This suggests that there is a dependable correlation between wells drilled and oil deposits found. But how much oil, as distinct from deposits, are we finding? Would an increase in exploratory drilling bring about a proportionate increase in new oil and gas supplies? If so, how could we determine it?

Going back one step, what levels of capital investment would be indicated to sustain such an increase in

exploratory drilling? Would substantial discovery bonus allowables encourage additional effort? And somewhere we must answer the question as to whether a conscious effort on the part of Government to make additional exploration economically attractive may turn out to be self-defeating. Accepting the premise of scarcity, we should be looking for large deposits that will add substantial quantities of oil and bas to our reserves. By improving the balance in favor of return as against cost and risk, would we not invite the drilling of a large number of otherwise submarginal prospects that contribute little to reserves but further increase our already large producing capacity? The answer to this would appear to be well worth knowing.

This excess crude productive capacity, among other things , has been cited as a factor discouraging exploration. But only Texas and Louisiana have any significant shut-in capacity, while exploration has lagged in most parts of the country--even in areas where crude is tight. We ought to have a better idea than we now do as to what will happen to this capacity, whether the gap between it and production will narrow with the normal increase in demand--whether in fact we may be approaching the limit of our capacity to produce known deposits. More particularly, we need to know whether the narrowing of this gap, with the consequent improvement of allowables will act primarily as an incentive

to exploratory or to development drilling. The current NPC study on productive capacity to 1970 should be of value in answering this question.

Deep horizons and the continental shelves represent extensive relatively unexplored provinces where oil and gas may be found, and in fact they have been found in gratifying quantities off Louisiana and to a lesser extent in West Texas. But at a cost per well of 10 to 30 times the average for the country, the ramifications of any sizeable amount of activity in this kind of drilling are extensive. We ought to have some idea of what they are, and of their impact upon the industry, for it will be great, indeed.

In the past 30 years the anticipated recovery factor for crude oil has gone from 15 to nearly 30 percent of the original oil in place, as the result of a variety of conservation practices, notably the emphasis on pressure maintenance and secondary recovery projects. The Committee on Secondary Recovery of the Interstate Oil Compact Commission has estimated that as of January 1962 an additional 16 billion barrels of crude oil would be economically recoverable through the installation of additional secondary recovery projects in known fields. If and when accomplished, this would raise the recovery factor to about 33 percent. The Committee further estimated that an additional 40 billion barrels are physically recoverable by newer recovery methods,

primarily thermal. The industry obviously thinks enough of the idea to put money into it. By the end of last year, steam injection projects were accounting for over 50,000 barrels a day of heavy oil production in California. How much more production can we reasonably look for from thermal recovery, including steam displacement and in situ combustion? It could make a difference of 10 points or more in our recovery factor, each point worth 3½ billion barrels of oil, based on the IOCC study.

There is no question that secondary recovery, which enjoys a favored status as to allowable production, has flourished as a profitable operation of the oil business. A full 30 percent of our total crude production -- over 2½ million barrels a day, comes from secondary operations. And the outlook is for it to increase. But in market demand states the rise in secondary production has apparently been at the expense of primary production. In Texas one barrel of secondary oil is now produced for each two barrels brought up by primary methods. In Oklahoma the ratio is four to five. To what extent has this situation tended to direct effort into secondary projects that would have been expended to explore for and develop new deposits? Moreover, secondary recovery does nothing to increase gas supplies, which can only be gotten by additional drilling.

Finally, there is the matter of substitutes and

alternatives. The energy business is vigorously competitive, and any consideration of its outlook over the next 15 years must reckon with the possibility that both gas and liquid fuels will be made in commercial quantities from both shale oil and coal. The extent of their entry into the energy market will depend upon their relative availability as expressed in costs to consumers, that are competitive with other forms. And here the crystal ball becomes cloudy indeed. Lacking cost data on the new processes, is there any other way by which we may arrive at realistic estimates of the share of the energy market that will be supplied by gas and liquid fuels from shale and coal? Would the value of the data be worth the effort expended to develop it?

Gentlemen, I have tried to outline at least some of the things we would like to know about the future possibilities for our domestic oil and gas supply. You will recognize that for every question I have asked there are a hundred more that need to be answered to give us the kind of understanding we need of this vital subjects. As I have said earlier we will never get all the answers; we will never know all the details because we are dealing with data that is knowable only to a degree extended into a future which is hardly knowable at all. But despite these limitations, we can certainly better the state of our existing knowledge and understanding of our problems, and our policy decisions will

the better for it.

I would simply like to say in closing that I think that because of the very favorable economic situation that exists today, it is a true figure of speech--the saying about economic matters--that a rising tide lifts all boats. It has been true certainly with this industry. It is true with almost every other industry in this country today. But our problem, it seems to me, is to be able to foresee and predict--we sitting at the Government level and above you people at the industry level--what type of research activity, what kind of investment patterns, what kind of leadership, is needed in order to be able to take care of our future national needs and to continue this steady, upward growth that is so vital today for America and the world.

Thank you, very much.

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CHAIRMAN HAMON: I will next call on the Honorable Cordell Moore to introduce the Government people who are attending the council meeting.

MR. MOORE: Thank you very much, Jake. Governor Connally.

It is a pleasure for me to welcome here today a great many people from Government, from the Department of Defense, Department of Labor, various other agencies of the Government, including, of course, the Congressional delegation.

I see Donald Jackson, Deputy Assistant Secretary of the Air Force, representing Secretary Quarles. Would you stand, please?

Commander Butterfield. I believe he replaced Captain Lovell. Is Commander Butterfield present?

(Applause.)

Bob Eplin, Office of Civil Defense. Bob, would you please stand.

(Applause.)

Virgil Couch, Director of Civil Defense for Industrial Participation.

(Applause.)

Stanley Moore, I believe is here, from the Deputy Assistant Secretary for Resources, representing the Secretary of Commerce. Did he leave? I guess he did.

William Letus, representing Under Secretary of

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Commerce for Transportation.

(Applause.)

Paul McCann, also for the Department of Commerce, Assistant Administrator for Industrial Analysis.

(Applause.)

Captain Irady, Chief of the Office of Program Planning, Maritime.

John G. Lapperty, Chief, Federal Welfare and Federal Resources Office of Emergency Planning.

(Applause.)

Federal Power Commission, I believe Mr. Ross is here with us for the first time.

(Applause.)

Carl Bagley said he was coming. And the Public Land Law Review Commission seems to be well represented here today with Jerry Muse.

(Applause.)

Mr. Nelson, Leo Nelson.

(Applause.)

Harry Hagerstein.

(Applause.)

We are glad to have for the Department of Agriculture, Miss Lucille B. Badge, representing the Secretary of Agriculture.

(Applause.)

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We also have from the Hill, I believe Heb Spyer is here. I saw him out here a moment ago.

(Applause.)

I also believe Jerry Berkler. Did I see Jerry come in ? Stuart French.

Paul Kruger is here. We are very glad to have you with us.

(Applause.)

It is a real pleasure to have you all with us today.

CHAIRMAN HAMON: I am next going to call on Bruce Brown to read the Agenda Committee's report in the absence of the chairman of that committee, Mr. Hollis.

Mr. Brown.

MR. BROWN: Gentlemen. Pursuant to the call of a meeting of the Agenda Committee of the Council made by the Committee Chairman, Mr. R. G. Follis, in his telegram to the members on January 19, 1966, and with the meeting and its agenda having the approval of the Hon. J. Cordell Moore, Assistant Secretary of the Interior and Co-Chairman of the Committee, the Agenda Committee met on February 3, 1966, at 11:00 A.M. in New York City.

Under date of February 1, 1966, Secretary Moore addressed a letter to Mr. Hamon, requesting the Council to undertake a study of the adverse effects of massive power failures

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on the oil and gas industries and to report their findings along with any recommendations for preventive measures which could be taken by industry and governments to reduce or eliminate any hazards to the petroleum industry and the public welfare.

As provided in the Articles of Organization of the Council, this letter was considered at the meeting and it was unanimously agreed to recommend to the Council the appointment of a committee to make the study as requested by Secretary Moore. In complying with Secretary Moore's request for recommendations for preventive measures, the committee undertaking the study should not suggest plans or programs.

Under date of February 1, 1966, Secretary Moore addressed a letter to Mr. Hamon requesting the Council's assistance and advice in formulating the role that should be given to the petroleum industry in connection with the President's Water for Peace Program. Mr. Moore requested the Council to study this avenue for cooperation and contribution and advise him of its conclusions by July 1, 1966.

If I may interrupt the report, this is a rather unusual thing. But necessary, I guess, under the circumstances, that here is one instance in which the Interior Department wants really prompt advice and help from the Council, because it wants a report within about three months from now.

As provided in the Articles of Organization of

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the Council, this letter was considered at the meeting of the Agenda Committee and it was unanimously agreed to recommend to the Council the appointment of a committee to make the study as requested by Secretary Moore. In complying with Secretary Moore's request for assistance and advice on this subject, the committee undertaking the study should not suggest plans or programs.

Mr. Chairman, that is the report of the Agenda Committee.

(VOICE:) I move the report be adopted.

CHAIRMAN HAMON: Is there a second?

(VOICE:) Second.

CHAIRMAN HAMON: It has been moved and seconded the Agenda Committee's report be accepted. All of those in favor signify by saying "Aye."

The report is accepted.

I might say, gentlemen, in connection with the Water for Peace report, that I have prevailed on the distinguished John Kelly to head this committee up. And we met with the Appointment Committee yesterday on both these committees and the members of the Council who have been approved by the Appointment Committee will shortly receive a letter from me notifying them of their various assignments.

At this time I am going to call on Lieutenant General W. O. Senter, to make a few remarks.

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General.

GENERAL SENTER: Mr. Chairman, Governor Connally, ladies and gentlemen. In your hand out, you have a chart entitled "Military Petroleum Deliveries." Later on in my remarks, I would like to refer to this chart if you will try to find it.

It wasnearly three years ago that I first appeared before this council. I had just assumed the Petroleum Policy job in the Defense Department, not long after I put on the second hat, the Commander of the Field Center.

In my short tenure, I became convinced of one thing--oil and national security are inseparable. This important commodity plays a dominant role in the defense of the country. As a strategic material, it is one of the items that is absolutely essential to our needs and always foremost in the minds of military commanders.

Looking to the future, our experts forecast with few exceptions, military equipment will derive energy from liquid petroleum and its products for many years ahead.

Because of this important role of oil and because of the interest of this Council in both oil and natural security, let me leave with you some observations of the past three years. Our national security objective remains the preservation of peace. In constance with this objective, our military goal is defense of ourselves and other free people throughout the world, as Governor Connally has brought out this morning before me.

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To do so, the military stands ready for future Cubas, Berlins, Lebanons, Congos, Koreas, and Vietnams. At the same time, it must be responsive to the threat of a nuclear attack.

Actually, the U. S. is involved in bilateral and multilateral defense commitments and agreements with some 40 nations of the free world and is determined to fulfill its pledges regardless of the difficulty or cost.

Therefore, since our forces must be prepared to initiate operations anywhere around the globe, military planning must be world wide in scope. We have no other choice. And the energy that supports the military machine must be planned with this in mind.

Moreover, the lessons of the past point to one inescapable fact, preparation for war is no longer the sole prerogative of the military. Preparedness is equally the responsibility of civilian agencies and industry representatives. Oil and gas rank of primary importance in this regard. This is why you are here today and this is why we in the military are so concerned with your work.

This is why I have participated in every meeting and have followed the work of this Council for the past three years. This is why I hope that on my leaving this close, profitable relationship will be continued.

Now, my Pentagon staff and I work daily with Admiral Lattu and the oil and gas people on matters of mutual concern.

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We keep abreast of progress made toward planning, staffing, and organizing the Emergency Petroleum and Gas Administration. We participate in classified studies made by the Office of Oil and Gas, in cooperation with the Petroleum Security Subcommittee of the Petroleum Supply Committee. We follow developments in the oil and gas industry.

We support and participate in Interior and industry petroleum planning efforts, because the military is dependent upon the results of these efforts. Also because in a larger sense we realize the objectives of such planning are essential to our national survival.

From hard and bitter experience, we have all learned the meaning of preparedness. In reviewing the results of all oil industry participation and preparedness planning, I am personally greatly encouraged. As an industry, it has accorded full and generous cooperation in both the company and on an individual basis. Studies prepared by this Council and other industry groups have helped advance the state of petroleum readiness.

If I may make one suggestion concerning Industry/ Government cooperation, I would urge industry to widen its role. Industry must be a full partner. As a full and equal participant, you should comment frankly, either through approved Council channels or as individuals on the progress made by the Government in carrying out its part of the planning efforts. It is

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important that all continually probe for planning deficiencies. If we don't find and correct weaknesses in advance of an emergency, our enemy is sure to find and exploit them.

Also, we must be careful to insure that the emphasis and effort are in the right direction. For example, a recent study shows that the Koreas, the Lebanons, and the Berlins have had little impact on total petroleum requirements for a modern military force. Thus, no real or significant impact on industry in supporting the strictly military effort.

Now if you will look at the chart that I just mentioned--it is entitled "Military Petroleum Deliveries." I would like to talk to this chart for a moment.

Actually, it almost speaks for itself, but there are a couple of important features. Look at the almost steady increase in "All Products" from 1949 through 1966. Notice how "Jet Fuel" has accounted for almost all of the total increase. With other products from virtually a plateau.

This increase in jet requirements is something that has given us concern of late. In the past our procurement solicitations have been over described. However, in the last invitation for domestic jet requirements, part of which represents procurement returned from overseas sources as a result of the balance of payments considerations, we are finding it difficult to get adequate coverage for we know some of the reasons for this such as increased commercial jet demand. We feel it is

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important and serious enough to call it to your attention.

Lastly, notice how little influence Korea, Lebanon, and Berlin have had on this over-all trend. Our experience in Vietnam is no different. In the past two years, our total world wide military requirements have not increased significantly over the normal year to year trend.

Now, what is the reason for this seeming paradox of a steady trend in the face of spasmodic military crises? First is the ever increasing thirst for oil of new weapon systems. The First Cavalry Division now operating in Vietnam, for example, consumes three times the fuel of a World War II or Korean division.

Similarly, the planes and ships of the 7th Fleet operating off Vietnam and the B-52 supported by KC135 refueling tankers requires many times the fuel of their predecessors. Second, and the really important key, is the fact that modern military forces whether on alert, training, or combat, consumes substantially the same quantities of fuel.

This is an interesting concept, one not generally understood. But the record over the past 15 years gives it a great deal of credibility. This doesn't mean that we haven't had problems in Vietnam. We have had plenty of them. But thus far, they have not involved obtaining adequate supplies from industry. Rather they have been problems of moving sufficient products into the area through inadequate port facilities, of

handling large quantities of fuel oil with insufficient storage capacity in country and of moving the product in country with an inadequate and hazardous road and rail system.

Our local war and contingency planning, therefore, must be directed not only on insuring sufficient supply, but also toward these essentially military problems of receiving, storing, and distributing in country.

While attempting to resolve these problems in Vietnam, we cannot forget or disregard our planning or other types of emergencies. For example, a general war, conventional or nuclear, poses different problems for the planner. Obtaining sufficient supplies undoubtedly will become a critical problem.

In this type of situation, the military must be prepared to work closely with Interior and with industry to obtain the product it requires. The military departments maintain sufficient stocks of petroleum to meet their requirements in the initial phase of general war. After thesestocks are depleted, however, we would be entirely dependent upon industry. And it is toward this situation that our Department of Defense--Interior--Industry Planning is primarily directed.

Because under these conditions, we will not have time to correct our short fall. We will be forced to operate with what we have and under the plans we have prepared in advance. At such a time the cost of incomplete or faulty preparation may indeed be great. It is a great deal of responsibility that

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mobilization planners in Government and Industry must carry. And, of course, it is a responsibility that we all hope will never have to be tested.

Thank you, very much.

(Applause.)

CHAIRMAN HAMON: Thank you, General, very much.

Now, I am going to call on the Honorable Cordell Moore, Assistant Secretary of the Interior for Mineral Resources.

MR. MOORE: Thank you, Mr. Hamon. Governor Connally, General Senter, Gentlemen.

I feel in many ways like a man who has been a guest many times of an exclusive club who has finally advanced to the status of Associate Member. I'm honored to be your Government Co-Chairman of the Agenda and Membership Committee, and Co-Chairman of the Council in Secretary Udall's absence. I have greatly enjoyed my contacts with the Council and its members over the past few months, and I look forward to many moore pleasant associations in the future.

For twenty years this Council has provided a vital link between Government and the petroleum industry, in peace and in war. It has contributed extensively to mutual understanding and cooperation between people in Government and people in industry who share the common responsibility of assuring that our Nation has the supplies of petroleum energy it needs. Its opportunities to contribute in the future are greater than they

have ever been since its founding, for the period ahead demands extensive efforts that are related both to war and to peace.

President Johnson has charged the American people with two great tasks: to defend the cause of Freedom abroad, and to build a Great Society at home. Both are costly and difficult. Both extend into the indefinite future. Both must be done, because they cannot be ignored, or avoided, or wished away. And both will require an enormous expenditure of energy, which for the most part will be furnished by petroleum.

There is accordingly, much work to be done in the future, but the Council's record of past accomplishment assures us that it can and will fully meet the demands which the future may place upon it, and that it will continue to make its essential contribution to our Nation and its people.

And now, it gives me the greatest pleasure to announce that Mr. Ted. W. Nelson, Senior Vice President of Socony Mobile Oil Company, has been appointed to the position of Alternate Deputy National Administrator of the Emergency Petroleum and Gas Administration. As Chairman of the Working Subcommittee on EPGA Manuals, Ted has given a great deal of his time and effort recently to this very important task--and I understand he has something to show us all a little later on in connection with the work of his committee. While we all fervently hope that Ted will never have to assume an active, full time role in his new EPGA position, I can still say that we in the Interior

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Department are awfully glad he took on the job. Ted, will you please stand up?

(Applause.)

Let me close by again noting my pleasure at the opportunity to work with you gentlemen on whose experience and judgment so much depends, and to express my appreciation and thanks to the officials of the Council and its working committees for the difficult, time-consuming, but highly important job they are doing in order that a vital resource may be most effectively placed at the service of the Nation.

Governor Connally, I did want to say to you I am delighted and honored that you would be here today and present your remarks. I enjoyed them very much.

(Applause.)

CHAIRMAN HAMON: Thank you, Cordell, very much.

Next, I am going to call on the Committee Reports. First is the report of the Committee on the National Oil Policy, under the distinguished chairmanship of Dean A. McGee, which has made remarkable progress. When this Committee was appointed, I didn't expect a report for another three to six months, based on the experience of the last committee that made the report in 1949.

However, Dean McGee is a master chairman. He had a very fine committee. He has competed his report and I am going to call on you, Dean. Incidentally, all of you members

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have had the report furnished to you by mail.

MR. McGEE: Mr. Chairman, Governor Connally, Gentlemen, since each member of the Council has been furnished a copy of the National Oil Policy Committee report, I shall read here today only the introduction, basic objective and principles, and the captions which very well summarize each of the ten major policy statements promulgated in the report.

But before doing so, I would like to second what the Chairman has just said. We have been blessed with a very fine committee, especially the drafts committee under the able and diligent chairmanship of Richard J. Gonzales, resolved the divergent industry views on matters of substance to be included in the report, and produced a draft which received very minimum revision by the full committee.

I. The Introduction. Long standing national interest in petroleum affairs reflects appreciation of many important factors. Outstanding among these are the strategic role of oil and gas for national security, the need for conservation of resources, and the vital contribution of petroleum in promoting economic progress.

Interest in petroleum policies has been stimulated in recent years by several developments. One of these, the high degree to which the United States relies on petroleum as a source of energy, reflects a long-term trend. Oil and gas now supply about three-fourths of the mineral fuels used in the United States,

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compared with about one-half in 1947 and about one-quarter in 1926. The impact of this change is evident in every aspect of American life, not only in transportation but also in agriculture, industry, and the home. More recently, the Federal government has become more deeply involved in oil through controls over imports and in gas through regulation of the prices at which producers sell gas to interstate pipelines. Also, as the owner of offshore leases on the Continental Shelf and of the largest acreage of shale lands, the Federal government must make decisions which will affect the development of domestic energy resources.

The preceding developments, as well as other changes which have occurred since the National Petroleum Council last formulated its statement of "A National Oil Policy for the United States," make timely a review of the broad Federal and state policies concerning petroleum that have developed through the years. Such review should serve a useful purpose by providing perspective and guidance as to sound policies for the years ahead until such time as unforeseen major developments require another review. Accordingly, this statement endeavors to summarize the objectives and key elements of sound policies for the United States with respect to crude oil, natural gas, and liquid and gaseous fuels that may be extracted from shales, tar sands, and coal, and with respect to all phases of petroleum operations from exploration through marketing.

II. Basic Objective and Principles. The fundamental

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objective of public policies dealing separately with petroleum should be to serve the general welfare by (1) assuring adequate supplies of oil and gas for national security, (2) encouraging ample supplies at reasonable prices for economic progress, and (3) promoting efficiency in all operations.

Two major principles should govern petroleum policies. First, private competitive enterprise should be relied upon and encouraged in all situations in which it can and does function effectively. In this business, as in most others, diversity of investment and effort best serves the public. Second, governmental regulations required for reasons of national security and conservation should interfere as little as possible with normal competitive forces that encourage efficient operations. If government regulations must be imposed, they should provide uniform and equitable treatment.

III. Major Policies.

1. National Security. A healthy and expanding domestic petroleum industry continues to be essential to the security of the United States and to the defense of the free world.

2. Imports. National Security and assurance of adequate long-run supplies at reasonable cost for consumers require limiting total petroleum imports, including products, to a level which will provide opportunity for and encourage expansion of all phases of domestic petroleum operations in

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keeping with increasing demands insofar as practicable.

3. Foreign Petroleum Operations. The United States should support equal opportunity for its nationals to participate in world petroleum operations, and should support the rights of its citizens to fair treatment in their operations abroad.

4. Conservation. State laws to prevent waste, to control pollution, and to protect correlative rights are necessary and desirable, are the appropriate way to deal with diverse local conditions, and should continue to be revised in keeping with improved knowledge.

5. Natural Gas Supply. Federal policies should encourage development of new gas supplies sufficient to keep pace with growing needs, and should avoid controls and uncertainty which interfere with that goal.

6. Competition. National policies should encourage competition among energy sources in the United States and diversity of effort by many individuals and firms in all facets of petroleum operations.

7. Taxation. Long-established differential tax provisions, such as those dealing with depletion and with intangible drilling costs, serve the public interest in economic progress and security by encouraging development of petroleum supplies and should be continued throughout the extractive petroleum industries.

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8. Development of Public Lands. Federal and state public lands, including shale lands, should be made available in an orderly manner for private development under the multiple use concept in order to encourage testing and development of new energy resources.

9. Government Research. Federal expenditures on energy research should be restricted so that they do not discourage or encroach on private research or interfere with market competition between the various forms of energy.

10. Industry-Government Cooperation. Industry and Government should continue programs for consultation and cooperation in the analysis of petroleum matters of public concern.

IV. Conclusion. The preceding policies, properly implemented and observed by industry and government, will provide the basic foundation on which private enterprise can build the innumerable activities required to assure adequate supplies of petroleum and of all forms of energy for the future.

Mr. Chairman, on behalf of the Committee, I would like to recommend this report to you.

CHAIRMAN HAMON: Is there a second to that motion?

(VOICE:) Second.

CHAIRMAN HAMON: All those in favor of the adoption of the Committee' Report may signify by saying "Aye.?

Opposed?

(None.)

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(Later: The following note of abstention from voting was received from John M. Kelly to Chairman Hamon, to be inserted in the record at this point:)

("With reference to the report prepared by the National Petroleum Council and entitled 'Petroleum Policies for the United States' which will be submitted at the Council meeting on March 1, 1966.

("As the Council was requested to undertake this review on January 12, 1965 by letter over my signature as the Assistant Secretary of the Interior, I feel that it would not be proper for me at this time as a Member of the Council to pass judgment on this review and wish to be recorded as abstaining from voting.")

CHAIRMAN HAMON: Now, it gives me great pleasure to recognize Mr. John Hurd to introduce the next speaker. Many of you gentlemen here have never heard of Laredo, Texas, although it is one of the largest cities in the United States and the most progressive according to the people who live there.

But we are fortunate in having John Hurd from Laredo and our next speaker happens to be from Laredo, too, as a happy coincidence. It wouldn't happen again in a lifetime.

John.

MR. HURD: Mr. Chairman, Governor Connally, members of the Council. The Chairman is always stealing my thunder. I had very carefully worked out an introduction which I thought

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could be based for a change upon an item of little known affairs and sometimes best left unknown.

However, he has gotten into the situation and I can only say that where many people have only thought of the city and locality to whic he referred, as the questionable synonym of the cowboy's lament, they very seldom think of its connection with the petroleum industry, and have never thought of it as the birth place of one of our fine statesmen.

As a matter of fact, as we were discussing the matter this morning, I asked our chairman if he recalled the fact that the honorable gentleman I have the privilege of introducing was in fact born on the streets or next to the streets of Laredo, and he acknowledged that he did not.

And I also pointed out that this is an area that is questionable sometimes as to its nationality. Most recently, in 1954, as the Governor probably remembers, we had one of our feast or famine affairs in South Texas. This time it was in the middle of a drought, but when the elements in northern Mexico provided us with the basis for a flood and the river was on one of its then normal rampages, and there was a small creek just north of Laredo, and the Rio Grande to get to that place makes one of its strange but notoriously confused turns where it makes a right angle and goes south for about four miles and then it makes another 90 degree turn and goes east for another four miles before it goes south again.

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There is a little creek right where that first turn occurs and as that river rose higher and higher and higher, the water backed up because of the bends in the river, and the creek started to fill up and for a period of 24 hours, Laredo was cut off from the United States.

And there was a question at that point, I think, as to whether the Mexican government should then throw quickly a new bridge across and take us back into their old domain, or hopefully let the water recede andleave us in the State of Texas. Since they did not make any great demand at that point, we are still part of Texas.

It is my pleasure to introduce the Honorable Thomas Mann, the Under Secretary of State for Economic Affairs. Tommy, as he is affectionately known to us in South Texas, graduated from Baylor University, graduated from the law school there, and practiced law in Laredo with his family firm for many years.

In 1942, he joined the Foreign Service. He has held many distinguished and responsible positions. He has been in the Embassy in Caracas, Venezuella. He has been Ambassador to Mexico. He has been Ambassador to Salvador.

As you now know, he is Assistant Secretary of State for Economic Affairs. It is my pleasure to introduce him to you at this time.

(Applause.)

(Off the record.)

CHAIRMAN HAMON: Mr. Secretary, you have been very kind and I want to thank you for throwing this open for question and answer. I think this has disabused the illusion that the State Department is so aloof the average American cannot come to grips with the problem and go to the State Department, because that isn't true.

And I think we are damn lucky to have a fine, intelligent, patriotic man like the Under Secretary, who has really done a magnificent job for his country, and I want to thank you.

(Applause.)

We will next have the report of the Committee on Materials Requirements for Petroleum Refining. Roland A. Whealy, Chairman of the Technical Subcommittee, will present that report.

Mr. Whealy.

MR. WHEALY: Mr. Chairman, members and guests of the National Petroleum Council. The Chairman of the Committee on Materials Requirements for Petroleum Refining, Mr. Everett Wells, very much regrets it is impossible for him to be here so that he might present this report this morning.

It is with a great deal of pleasure and with some pride that I as Chairman of the Technical Subcommittee in his behalf now have the opportunity of making presentation.

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In fulfilling the responsibilities assigned to the Secretary of the Interior by the President with respect to preparedness planning for the petroleum industry, there is a recognized need to know the critical materials requirements under emergency conditions including those conditions resulting from nuclear attack. This study deals with materials requirements for supplementing existing refining productive capacity or construction of new capacity. It is recognized that critical materials to maintain the existing refining capability will also be of prime importance under emergency conditions. It is felt, however, that this area was adequately covered and reported in the 1961 NPC Report on Maintenance and Chemical Requirements for U. S. Petroleum Refineries and Natural Gasoline Plants.

In order to supplement or to replace petroleum refining capacity, the petroleum industry is highly dependent on certain essential materials, including carbon and alloy steel, copper, aluminum, and non-ferrous alloys. These critical materials are subject to control and allocation in emergency situations by the Business and Defense Services Administration, U. S. Department of Commerce.

In an emergency, the Emergency Petroleum and Gas Administration under the U. S. Department of the Interior would have claimancy responsibility on behalf of the petroleum industry for materials, and a detailed study of critical

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materials requirements is necessary as a guide against which to measure the validity of claims. For this reason, the National Petroleum Council was requested to undertake this study.

This report is designed to give pertinent information for materials subject to such emergency controls as are necessary for the refining of petroleum. The results of the study are presented on a process basis with sufficient capacity range generally to represent crude throughputs of from 10,000 barrels per stream day to 150,000 barrels per stream day. In addition, critical materials requirements for refinery off-site and auxiliary facilities within their respective battery limits are considered.

The refining processes considered are crude distillation, catalytic reforming and feed preparation, catalytic cracking, delayed coking, hydrotreating, hydrocracking, hydrogen plant, and alkylation.

Off-site and auxiliary facilities considered are tankage and tank farm piping, steam generation, power distribution, antiknock additive mixing plants, cooling water towers, waste water separator and emulsion treating, instrument air, plant air, and fire protection.

Crude unit design was considered on the basis of processing both light and heavy crudes. Delayed coking was considered only for the residuum from the heavy crude. With respect to the sulfur levels of the crudes considered, it was

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assumed that the metallurgy involved should be defined as the minimum critical alloy required for a modern refining unit which would probably have to be modified as a specific corrosive situation might require. In most process capacity cases, actual unit materials requirements were used, modified as necessary in line with the foregoing general assumption. In a few of the capacity cases where actual unit data were not available, it was necessary to interpolate or otherwise estimate the materials requirements. It is believed, however, that the materials requirements for the processes considered are realistic and sufficiently accurate for planning purposes. These materials requirements are presented in terms as recommended by the Department of Commerce for claimancy purposes.

The types of processes and capacity ranges as presented were selected as representing logical possibilities for creating diverse refinery prototypes as particular circumstances might require. Accordingly, the critical materials requirements for either an entire refinery of desired crude throughput and considerable complexity or for only a single new or replacement unit may be estimated. Partial replacement and/or repair of a damaged unit would require on-site inspection and evaluation, but the total materials requirements of such a unit would be useful even in these cases in evaluating the validity of claims.

The processes considered in this report were chosen

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to provide a fuels oriented refinery output and, accordingly, no estimates were made for critical materials requirements for the production of lubricants, petrochemical precursors, asphalt, etc. Critical materials requirements for the production of these specialty products would of course also be of prime importance in the event of emergency conditions. These requirements, because of their nature, can best be studied as separate subjects.

Critical design, engineering and construction skills required to convert essential materials into processing facilities will also be of prime importance under emergency conditions. It is felt, however, that adequate analysis was given to this subject in the 1963 NPC Report on Petroleum and Gas Industries Manpower Requirements. Likewise, process chemicals and catalysts essential to sustaining operation of existing equipment would be of vital consideration in times of emergency, but it is felt that this area was adequately covered in the 1961 NPC Report on Maintenance and Chemical Requirements for U. S. Petroleum Refineries and Natural Gasoline Plants.

End

The credit for the preparation of this report is due to a small, well qualified subcommittee, the membership of which is made up of Robert Wohlgemuth, the Government Co-Chairman; Ralph Jackson of The Standard Oil Company of Ohio; D. R. Loper, Standard Oil of California; Robert C. McCay, Texaco; R. V. Nutt, American Oil; Joe O'Brien, Humble Oil; R. L. Tollett and

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E. B. McCormick of Cosden Oil & Chemical Company; Joe G. Wilson and George Walker of the Shell Oil Company; and of course the very capable secretary, Vincent Brown, and his staff.

On February 12, the proposed final report was placed in the mail to members of the Committee. Since that time, a few fine comments have been received, a number of which have been incorporated in this final report.

A number of the other Committee members have recommended the report be presented to this meeting. Mr. Chairman, we hereby submit this report for your consideration.

CHAIRMAN HAMON: Is there a second?

(VOICE:) Second.

CHAIRMAN HAMON: You have heard the very fine report. All those in favor of accepting it please signify by saying "Aye."

Thank you, very much.

The next report will be the Committee on Emergency Preparedness for the Petroleum Industry. Theodore W. Nelson, Chairman of the Subcommittee, will present that report.

Mr. Nelson.

MR. NELSON: Mr. Chairman, Governor Connally, Secretary Moore, and members and guests of the Council.

Many of you know the NPC Committee on Emergency Preparedness is headed up by Mr. A. L. Nickerson. Unfortunately, Mr. Nickerson was not able to be here today and my role is simply

to present this report for him.

START

The activities of the NPC Committee on Emergency Preparedness during 1965, represent a continuation and extension of the work that the Committee performed in 1963 and 1964. For this reason, I would like to begin this report with a brief review of this prior work.

The work was started in 1963, as a result of a request from the then Assistant Secretary of the Interior, John Kelly, who asked the NPC to give consideration to first, how the petroleum industry should prepare itself for an emergency, and second, what type of organization the Government should establish to work most effectively with the petroleum industry in a national emergency.

The Committee decided that the work requested by the Assistant Secretary could best be carried out by forming two working subcommittees; one a Subcommittee for Company Survival Plans with William F. Ingraham of Standard of California as Chairman; and the other a Subcommittee for EPG Manuals with Charles F. Scott of Mobil Petroleum Co. as Chairman.

The first subcommittee, the one for Company Survival Plans, concerned itself with planning industry activities that oil and gas companies should undertake to achieve mobilization readiness. This subcommittee completed its work in July of 1964, and presented its report entitled "Civil Defense and Emergency Planning for the Petroleum and Gas Industry" to the

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National Petroleum Council at that time.

This report was approved and the Government has distributed 75,000 copies of it during this past year. The emergency planning of your own company has in all probability either been based on this report or influenced considerably by it.

The other subcommittee, the one for EPGA manuals, concerned itself with the adequacy of the Government's plan of organization for an emergency and with the number and type of operating manuals that should be prepared in connection with that organization. This subcommittee also submitted a report in July of 1964, entitled "Petroleum and Gas in a National Emergency, an Analysis of Government Planning."

The report contained 31 recommendations as to how the Government might improve its plan of organization for an emergency. Some of these recommendations dealt with the organization itself, particularly its structure and the workload it should carry.

Other recommendations dealt with the techniques of staffing, recruitment, and training. Still others dealt with clarifying relationships with other Government departments so as to avoid conflicts of authority.

All of these recommendations were accepted by the Department the Interior, and action to carry them out either has been taken already or is well underway.

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The report also listed four basic types of instruction manuals that were considered necessary. First, a general information handbook for distribution to the industry and the public that would describe the Government program of emergency preparedness for petroleum and gas.

Second, an organization manual for EPGA personnel to describe the organization structure of EPGA and the responsibilities and authorities of key positions.

Third, an administration manual for EPGA personnel setting forth the details for administration of personnel, their salaries and expenses, procedures for preparing budgets, procurring equipment, et cetera.

And fourth, a series of operating manuals for individual divisions of EPGA, describing the duties of each key function and how these duties should be carried out.

In the spring of 1965, the Department of the Interior requested the National Petroleum Council to draft the general information handbook and the required series of operating manuals that I just mentioned. The request was subsequently expanded to include a review of the organization and administration manuals being prepared by the Office of Oil and Gas.

As a result of this request, the NPC Committee on Emergency Preparedness was reactivated under Mr. Nickerson's chairmanship, and a subcommittee for the preparation of EPGA operating manuals was formed to carry out the work involved.

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I have been serving as the chairman of that subcommittee.

The subcommittee started working on its assignment in July of last year. Since that time, a general information handbook about the EPGAhas been prepared and is now being published and preliminary drafts of ten operating manuals for the National EPG organization have been written. Copies of the information handbook are contained in the portfolios which have been distributed to you.

It looks like this, (Indicating). You will recognize it as being made up in the basic color, the shade of red that the Office of Oil and Gas has adopted for all of the manuals and publications dealing with the EPGA. We think that that handbook contains all of the pertinent information about EPGA and presents it in an interesting and attractive manner.

You will note the information is organized as answers to a number of questions about EPGAand its functions and relationships in events of national emergency. These questions include the following:

What Kind of Emergency Do We Face?

Why Make Plans Now?

What Basic Plans Have Been Made?

How Would the National Plan Work?

Would the Government Take Over Industry?

Who Would Run the Show?

How Would the Show Be Run?

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How Would EPGA Work?

How Would EPGA and the Industry Respond to a Nuclear Attack?

What Progress Has Been Made in EPGA?

What Should Oil and Gas Companies Do Now to Prepare for National Emergencies?

In addition to presenting information to answer these questions fully, the handbook includes a section on the qualifications and obligations of an Executive Reservist and a list of exhibits at the end of the handbook covering the Pre-Emergency Planning and Civil Defense Relationships, the Oil and Gas Federal-State Emergency Organization Relationships, the National and Regional EPGA organization charts, and the list of EPGA Regional Administrators and Office of Oil and Gas Regional Representatives.

The handbook has received enthusiastic response from officials of Government. The Office of Civil Defense is planning to print 75,000 copies of it and to distribute a large number of these through the Office of Oil and Gas and the National Petroleum Council.

We sincerely appreciate this strong interest and cooperation on the part of the OCD.

The most important part of the subcommittee assignment is, of course, the preparation of the operating manuals for the National and Regional EPG organizational units.

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This includes the National and Regional divisions for production, refining, supply and transportation, distribution and marketing, materials, manpower, communications and facilities security. In addition, the divisions of production, refining and supply and transportation are included in the National EPGA organization unit. The operating manuals for gas transmission and distribution are about the only ones we don't have to prepare and those are the responsibility of the Emergency Committee for Natural Gas.

As I indicated earlier, we have now prepared the first drafts of ten of the operating manuals for the National EPG divisions and these are being reviewed and discussed at the present time by a number of Government and industry people. It is our objective in preparing these manuals to emphasize the detailed duties and procedures of EPGA organizational units, also to be included are organization charts for EPGA divisions, and discussions of the functions, relationships, and administrative responsibilities for each of the divisions.

The procedures will provide for the identification of sources of needed data, the specific types of data required, the forms to be used in submitting data, and the frequency of data transmission. The procedures will also spell out how these data are used, by whom, in what time frames, so as to determine requirements, available supply, the balances between supply and demand, and the operating program for supply and allocations.

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Similarly, these data will relate to requirements for supporting resources, claimancy procedures, and suballocation by EPGA by supporting resources made available by other Government agencies.

In sum, the manuals will endeavor to lay down the what, who, when, where, and why, but more importantly, the how of each important operation involved in supplying petroleum products and gas to meet essential military and civilian requirements under conditions of national emergency.

While it is our objective to do a fairly detailed job of defining duties and procedures as we see them now, we recognize that the circumstances of an actual emergency are difficult, if not impossible, to predict and that many changes will undoubtedly have to be made in the procedures, perhaps even to start with. However, our philosophy has been that EPG will benefit from having available a series of suggested duties and procedures regardless of how much revision they may require.

Additionally, we feel details manuals of this type will be useful in training exercises for Executive Reservists. And, in fact, we would expect suggestions in changes from the duties and procedures from Executive and Reservists as they test the use of them from time to time in various exercises.

In addition to the ten operating manuals for the National EPG organization that we now have in draft form, we will have to prepare at least two more for the National EPGA

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organization and eight for the Regional EPGA organization. Preliminary drafts of some of the regional manuals are being worked on at the present time.

And then finally, there will be an analysis and review to be made of the EPGA organization manual and the EPGA administration manual now being written by the Office of Oil and Gas.

It is our objective to try and finish this work by the end of this year or earlier if possible. However, the writing of these operating manuals as you can appreciate, I am sure, is a tremendous undertaking. And it is not possible to predict a completion date accurately.

Perhaps our principal difficulty has been the resolution of the myriad of relationship problems. Those internally with EPGA. Those between EPGA and/or Government agencies, and those between the Federal and State emergency organizations. We have had to spend a great deal of time on these matters to date, and we will have problems still to solve in this area.

In closing, both Mr. Nickerson andI would like to extend our personal thanks and appreciation to the members of the Council for their fine cooperation in providing some very competent and conscientious people to work on this rather difficult assignment. With a group of this type, I am optimistic in spite of the many difficulties that we have encountered that

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we will be able to develop a series of operating manuals that will be an important and useful contribution to the EPGA.

End

Thank you, very much.

(Applause.)

(VOICE:) I would like to second the resolution and compliment Mr. Nelson and his staff. This expression "working subcommittee" means a lot of different things, but I think this is a real working, working subcommittee. That was a very good address.

CHAIRMAN HAMON: I couldn't agree with your more. And it is with pleasure that I put the motion that we approve this manual and also that we commend the working subcommittee. All in favor signify by saying "Aye."

The next Committee Report is by J. Howard Rambin on the Committee on Future Petroleum and Gas Producing Capabilities. This is a progress report.

Mr. Rambin.

MR. RAMBIN: Governor Connally, other Honored guests, Mr. Chairman, by way of review, on March 25, 1965, the Council approved the Agenda Committee's recommendation that a study and report initiated by the Assistant Secretary of the Interior, at that time the Honorable John M. Kelly, be undertaken to determine future petroleum and gas producing capabilities in the United States, to the year 1970.

The Committee on Future Petroleum and Gas Producing

Capabilities 1965, was formed, with the following assigned tasks:

Using previous NPC studies on approved discoveries and producing capacity of oil and gas as a basis, make projections to 1970 of producing capacity for crude oil and natural gas under both peacetime and emergency conditions.

After full consultation with the offices of the council of the Department of the Interior, and the members of the Committee, two coordinating subcommittees were formed--the coordinating subcommittee for future crude oil producing capabilities under the chairmanship of Mr. Henry L. Roscosky of Socony Mobile Oil Company, and the coordinating subcommittee for future gas and natural gas liquid producing capabilities under the chairmanship of Mr. C. Ed Turner of Phillips Petroleum Company.

The Committee and the coordinating subcommittees met in New York City on August 19, and reviewed the scope of the assignment as well as an outline for the investigation of the report. Subsequently, there have been several meetings of the coordinating subcommittees and working parties drawn from the respective memberships.

The coordinating subcommittees have adopted definitions of productive capacity for crude oil, natural gas, and natural gas liquid, which will be accompanied by an explanatory commentary in the report.

We have designated a drafting subcommittee which is to coordinate the material and draft the report based upon the analyses and studies of the crude oil and gas and natural gas liquid coordinating subcommittees.

Our target for submission of the report is the July 1966 meeting of the Council. Thus, the coordinating subcommittees have been requested to report to the Committee not later than June 1.

It is with deep regret that I report the passing of our friend and colleague, Mr. William G. Maguire of Panhandle Eastern Pipeline Company, who served as Vice Chairman of the Natural Gas Committee. He has been succeeded as vice chairman by Mr. Cecil E. Loomis, Chairman of the Columbia Gas System.

Mr. Frederick S. Lott, Government Co-Chairman of the Committee, retired from the Department of the Interior on December 31, 1965, and has been succeeded as Co-Chairman by Admiral Onnie P. Lattu, Director of the Office of Oil and Gas, Department of the Interior.

Mr. Chairman, that is our progress report.

CHAIRMAN HAMON: Thank you, very much.

I will now ask Mr. C. Pratt Rather to give the memoriam address for Mr. Maguire.

MR. RATHER: It is with regret I accept the assignment to introduce the Resolution in Memoriam to my companion in the pipeline industry, the Honorable William G. Maguire,

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sometimes referred to by his friends affectionaly as Mickey Maguire.

The members of the National Petroleum Council note with deep sense of sorrow, the passing on September 28, 1965, at age 79, of William G. Maguire, who was a member of this Council since its origination almost 20 years ago.

He was an ardent supporter of its activities and upheld its purpose. He was a leader within the petroleum and gas industries, an indefalible pioneer of the natural gas pipeline business, which he had served for over 35 years.

He became an active participant in the petroleum industry in 1929, at which time he began the pioneering work which resulted in the development and construction of long distance, high pressure natural gas pipelines from Texas and Kansas oil fields to the major cities in the Middle West.

Mr. Maguire was appointed Chairman of the Board and Director of Panhandle Eastern Pipeline Company in 1943, which position he held until his death. He was an active member of many committees of this Council and at the time of his death he was serving as vice chairman for natural gas of the Committee on Future Petroleum and Gas Producing Capabilities.

The loss of Mr. Maguire after long years of service to this council will be keenly felt by each member. His knowledge and understanding of the functions and problems of the entire gas and oil industry made his contribution one

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of great value to the industry and to the United States Government through this Council.

Now, therefor, be it resolved on this, the First day of March, 1966, that the deepest sympathy of the Members of the National Petroleum Council be extended to the family of William G. Maguire.

Be it further resolved that this resolution be entered upon the permanent records of the Council and that an appropriate copy thereof be delivered to his family as a token of the Council's appreciation and respect.

CHAIRMAN HAMON: Will the members of the Council please stand for a moment of silent tribute.

(Silence.)

Thank you, Mr. Rather.

I will next call for a progress report from Richard McCurdy, Chairman of the Committee on Effects of New Technology on the Petroleum Industry. Mr. McCurdy.

MR. McCURDY: Mr. Chairman, Governor Connally, Secretary Moore, Gentlemen. I have a brief progress report on our committee. Since the last Council meeting on July 20, our assignment has been discussed among the officers of the Committee and with Government officials concerned, to review the objectives of the study and to determine the form in which the work would be organized and presented.

Following that, one working subcommittee was

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organized and has begun work, and another subcommittee is in the process of organization.

With regard to the matter of objectives and form, after review of the background material available and the possible fields of utility of the final product, it was the consensus that there exist at least two needs to be fulfilled.

These are, first, a reasonably comprehensive statement on the advances that have been made in the last 20 years in such form as to provide authoritative reference work for those in a position to use them in and out of Government; and

And secondly, a condensed and nontechnical version which would attempt to convey in a readable and interesting way, the general significance of these developments to the public.

The work of the committee is accordingly being aimed at meeting these objectives. End

That, Mr. Chairman, is the report of our committee.

CHAIRMAN HAMON: Thank you, very much.

We will next hear from our hardworking director of the Oil and Gas Division, Mr. Lattu.

Mr. Lattu.

MR. LATTU: Thank you, very much, Mr. Chairman. Governor Connally, Gentlemen. Lattu Start

The events that have occurred since the last Council meeting have served to underscore the need for continued vigorous measures to upgrade our readiness to meet emergency

conditions. Today there are three times the number of American troops in Vietnam as there were last July. The President has asked for a supplemental funding of an additional $12 billion for defense purposes on top of a record $52 billion granted last summer. And the February draft call was more than double that of last July.

All this comes on top of a record boom that rounded out its fifth year last month, so that the expansion of our military effort in Vietnam is piled on top of an economy already straining to keep up with the demands for goods and services made upon it. We entered World War II with 10 percent of our labor force unemployed and a sizeable part of our plant not fully committed. When the Communists invaded South Korea, we were just emerging from the doldrums of 1949. But things are far different today.

It is, therefore, no wonder that business--including the oil business--is beginning to feel the pinch of material and labor shortages. We have already had calls from some companies stating that they were beginning to experience difficulty buying certain items such as automotive parts, instruments, and magnets. We are watching this situation closely in the Office of Oil and Gas, and I would ask that any of you whose companies are having problems now, or have problems in the future, please keep us advised.

Another symptom of the times is the preemptive

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claim that the Selective Service System may exercise to an increasing degree upon oil industry personnel. These instances are, of course, strictly a matter between the individual, his company, the local selective service board to work out. But, as in the case of material procurement problems, I ask that you keep the Office of Oil and Gas advised of the impact that the accelerated induction rate has upon your personnel and company operations so that we may better understand the problems it poses to the industry.

The quickening pace of operations in Vietnam has also forced a significant change in the order of priority of our emergency planning. In response to the President's directive of last September we are, along with all other affected Government agencies, concentrating our attention on achieving a more advanced state of readiness for limited war. We are by no means abandoning our planning against a nuclear emergency, but we have simply advanced the time table of what appears to be the more likely event at this time.

I would point out that the effort we are devoting to building up the capability of the Emergency Petroleum and Gas Administration is applicable to both types of emergency. Recruiting and staffing have been active, and we now have 329 individuals either assigned or whose applications are being processed for the 552 key EPGA positions we need to fill. This compares with 217 appointments active or in process last

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July. Counting our appointments in process, we have reached an over-all manning level of 63 per cent for these key positions. Within the national total, Region IV is outstanding with 98 per cent of its key billets filled, Region I (New York, New Jersey, New England) follows with an impressive 83 per cent filled. Region VI and Region II are almost tied with 73 per cent and 72 per cent respectively. The showing of these four regions is excellent and is a direct credit to the character of leadership shown by their Administrators and our Mobilization Representatives.

Our fine relationship with the Office of Emergency Planning continues to grow in mutual understanding and support. This year we have been fortunate to have additional funds at our disposal which enables us to have more Regional Executive Reserve conferences and to make better provision for our Regional units in terms of material and personnel support.

Two of these training conferences were held recently. The first was on January 18 in Denton, Texas, which is not only the Region V office, but also the alternate national headquarters. It was a highly informative meeting, and we were fortunate to have General Senter and some of his people there, who gave the conference a highly interesting and instructive presentation of the military petroleum planning process as it applied to meeting the requirements for operations in Vietnam. The second conference was held a week later in

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Albany, New York, in Region I. This was a two-day working session on problems of operating a Regional EPGA office, capped off by a tour of the Iron Mountain operations center maintained by Shell Oil Company and Standard Oil of New Jersey. While I had to leave before the tour, my people who stayed were tremendously impressed by these hardened underground facilities, and by the initiative and effort shown by these two companies to give themselves an emergency operating capability.

By the way, I will be there next Monday and Tuesday at one of the cermonies at this place.

We look forward to another successful conference next week in Region III in Clearwater, Florida, and to more, I hope, over the coming months.

So we are making definite progress in the grim business of preparing for the possibility of emergency operating requirements. We need to make a lot more. I hope that each of you will take back to his company the thought that the emergency petroleum capability of the Nation is no more than the sum of the capabilities of the individual companies that comprise the industry. The planning you do, and the people you assign to developing your own emergency readiness may be your most important commitment. The President has repeatedly emphasized the costs and the risks of the months that lie ahead. I can do no more than to urge you all to give close

and continuing attention to those actions which will increase your readiness to serve our country.

I might add one other remark. At the last meeting there was a lot of interest in the petroleum statistical report. I have sat in on several meetings of the A.P.I. tasks groups and they are going very well. People have been picked, and Mr. Ikard and the people who have selected these people deserve congratulations for the fine job they are doing.

We have not yet heard from our good friend Paul Kruger as to what the Bureau of the Budget is going to do, but I am hoping sometime in the near future we will have some action from them.

Thank you.

(Applause.)

CHAIRMAN HAMON: Will the chairmen of the committees who made the reports please come up to the desk at the end of the meeting for a press conference, to make themselves available for any questioning the press might have.

I might say all of you members of the Council are at liberty to stay and listen to a press conference, if you want to. They are always ably conducted by the various chairmen as is traditional.

Is there any new business to come before the Council?

If not, the Chair would like to hear a motion for

adjournment.

(Motion made to adjourn.)

CHAIRMAN HAMON: Seconded.

(Whereupon, at 12:10 o'clock p.m., the meeting was adjourned.)