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REPORT OF THE
NATIONAL PETROLEUM COUNCIL'S COMMITTEE
ON
GOVERNMENT OIL AND GAS ORGANIZATION

December 3, 1953

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REPORT OF THE NATIONAL PETROLEUM COUNCIL
COMMITTEE ON GOVERNMENT OIL AND GAS ORGANIZATION

Pursuant to the request of the Acting Deputy Administrator of the Petroleum Administration for Defense, Department of the Interior, the National Petroleum Council appointed a Committee on Government Oil and Gas Organization to report on the organization and functions of a normal peacetime organization to deal with oil and gas activities in the event the Petroleum Administration for Defense is liquidated. In response to this action your Committee on Government Oil and Gas Organization is pleased to report herewith.

A brief review of the record of government-industry cooperation as it has developed since 1941 is pertinent and will provide an informative background for the Committee's recommendations.

WORLD WAR II

On May 28, 1941 the President designated the Secretary of the Interior as Petroleum Coordinator for Defense and gave him certain "recommendatory" powers regarding petroleum matters. In December 1942 the President, by Executive Order, established the Petroleum Administration for War.

PAW usually attempted to achieve its objectives by persuasion rather than by directive. To enable it to act effectively as "the government petroleum agency" PAW developed a system designed to enlist the aid of the petroleum industry in meeting the large petroleum problems created by the war. A Petroleum Industry War Council

was created to advise PAW on national policies and programs. District committees were formed to deal with local problems and a Foreign Operations Committee was assigned broad questions relating to the supply and distribution of foreign petroleum. The chairman of each of these committees and the balance of their personnel were industry men who contributed their time and effort.

POST WAR

On May 3, 1946, just before PAW and PIWC were terminated, the President wrote the Secretary of the Interior, in part, as follows:

"I am in agreement with your views that steps should now be taken to assure coordination in peace-time of the Federal Government's many interests in petroleum, petroleum products and associated hydrocarbons.

"To the extent possible one agency must bear the primary responsibility for providing a focal point for leadership and information for the numerous agencies of the Federal Government dealing with petroleum. I, therefore, request that you undertake the initiative in obtaining coordination and unification of Federal policy and administration with respect to the functions and activities relating to petroleum carried on by the various departments and agencies. Where practicable and appropriate governmental activities relating to petroleum should be centralized and I ask that from time to time you submit to me for consideration proposals looking to the accomplishment of this objective.

"You should, through such office as you designate, serve as the channel of communication between the Federal Government and the petroleum industry, and as the liaison agency of the Federal Government in its relations with appropriate State bodies concerned with oil and gas. I have been impressed with the great contribution of government-industry cooperation to the success of the war petroleum program, and feel that the values of such close and harmonious relations between Government and industry should be continued. I, therefore, suggest that you establish an industry organization to consult and advise with you."

Accordingly, the Secretary of the Interior on May 6, 1946, created the Oil and Gas Division of the Department authorizing it, among other things, to assist the Secretary in carrying out the President's instructions to (a) coordinate and unify policy and administration in respect to the functions and activities relative to oil and gas carried on by the several departments and agencies of the Federal Government, and (b) serve as the channel of communications between the Federal Government and the petroleum industry. OGD had no power to issue directives.

At the outset it was made clear that direct contacts between the petroleum industry and other agencies of Government such as the Departments of State, Defense and Treasury would not be interfered with by the newly created OGD. In fact, OGD acted as a staff or advisory group within Government and as a point of contact between Government and the petroleum industry.

In June 1946 the Secretary of the Interior, with a view to promoting cooperation between the petroleum industry and the Government, requested some eighty industry executives to form an advisory committee. On September 26, 1946 the National Petroleum Council was established for this purpose and its own Articles of Organization were adopted.

During the post-war era, NPC advised the Secretary of the Interior and OGD on a host of problems. Some of NPC's more important contributions consisted of reports on (a) petroleum industry production, refining, transportation and storage capacities;

(b) military petroleum requirements; (c) petroleum industry requirements for steel and other materials; and (d) a "National Oil Policy for the United States." As events subsequently showed, one of the most important tasks of the NPC was the preparation in 1949 of a report on procedures and policies covering government-industry cooperation required in the event of another national emergency.

During peacetime or periods of partial mobilization actual military requirements for petroleum are relatively small, but it is essential that studies be carried forward continuously to evaluate the potential supply of all petroleum for wartime needs and to obtain technical information for the defense establishment. The logistics of wartime petroleum supply extend all the way from the producing wells through the refineries including the delivery of petroleum products overseas. It is essential that there be available to Government an experienced and informed industry consulting group capable of developing and analyzing practical alternative worldwide supply programs for such strategic plans as the military may have under consideration and for supplying such technical advice as may be required. Shortly after the organization of NPC it became apparent that that body, in view of the security problems which were involved, could not effectively carry out such studies. Accordingly, on March 29, 1947 the Secretary of the Interior, acting at the request of the military authorities, created a separate petroleum industry advisory group, the Military Petroleum Advisory

Committee (later known as the "Military Petroleum Advisory Board") to meet the need. The personnel of MPAB, as well as of its various panels and committees, was composed entirely of individuals actively at work in the petroleum industry.

KOREA

Upon the outbreak of hostilities in Korea, the Secretary of Interior was charged with the task of directing the petroleum defense build-up and in October 1950, acting on the National Petroleum Council's earlier recommendations submitted in January 1949, created the Petroleum Administration for Defense. PAD, in addition to undertaking to handle the petroleum problems created by the emergency, also took over the work of the Military Petroleum Advisory Board and most of the work of the Oil and Gas Division. Thereafter NPC amended its Articles of Organization to provide that NPC would render advice on petroleum matters to PAD at the latter's request and during its existence.

One of the early problems encountered by PAD was the worldwide dislocation of petroleum supplies brought about by the shutdown of petroleum operations in Iran. To meet this situation, there was promulgated under the Defense Production Act a Voluntary Agreement which provided for the creation of a Foreign Petroleum Supply Committee recruited from industry. This Committee has operated since its inception first under an Agreement dated June 25, 1951 and later under a new Voluntary Agreement which was approved as recently as

May 1, 1953. It is believed that the continued existence of the Foreign Petroleum Supply Committee has resulted from the insistence of the Defense Department which has a continuing concern that world petroleum supplies be maintained at satisfactory working levels and, therefore, requires the advice of FPSC on foreign oil capacity and supply.

SUMMARY OF THE CURRENT SITUATION

The Oil and Gas Division has never been discontinued although most of its functions have been assigned to the Petroleum Administration for Defense.

The National Petroleum Council continues to render advice to the Secretary of the Interior upon his request and, in addition, is also acting in an advisory capacity to the Secretary in his role as Administrator of the Petroleum Administration for Defense.

The Military Petroleum Advisory Board was created by an Order of the Secretary of the Interior which has never been revoked. The appointments to membership on the MPAB have all expired and all members of MPAB committees and panels have been discharged.

The Petroleum Administration for Defense continues to perform the functions assigned to it by the Secretary of the Interior on October 3, 1950.

RECOMMENDATIONS OF THE COMMITTEE

The Committee unanimously concurs in presenting the following recommendations in respect of the organization and functions of a normal peacetime organization to deal with oil and gas activities upon the eventual termination of PAD:

1. Experience has shown that there should be a principal point of contact and cooperation between the Government and the petroleum industry. Because of the knowledge which the Department of the Interior has gained in oil and gas matters over the past decade, it is recommended that this responsibility should continue to lie in the Department of the Interior.
2. The Committee recommends that the Oil and Gas Division and the Military Petroleum Advisory Board be reactivated, that the National Petroleum Council be continued and that, should the Government desire the FPSC to continue, it would be advisable to have the Voluntary Agreement relating to it amended.
3. The Oil and Gas Division of the Department of the Interior should have reassigned to it those functions which were transferred to the Petroleum Administration for Defense by Interior Order No. 2602 dated December 1, 1950. The Oil and Gas Division will thus reacquire all of its original functions, functions sufficiently broad without further amendment, in the opinion of the Committee, to enable the

Oil and Gas Division to operate effectively. The reactivated Oil and Gas Division should not be empowered to exercise broad directive powers under the Defense Production Act of 1950. It would, nevertheless, be available to advise the Secretary of the Interior and other parts of our Government on oil and gas matters including those under the Defense Production Act.

While the Committee expresses no opinion on the size of the staff which the Oil and Gas Division will require upon its reactivation, it wishes to emphasize once again the desirability of staffing the Oil and Gas Division with personnel of sufficiently broad experience in matters affecting the oil industry to enable our Government to obtain sound advice in developing policy on oil and gas matters.

4. The Military Petroleum Advisory Board should be reactivated as the industry group which is available to advise Government on the military aspects of oil and gas. It is important that the personnel of the Military Petroleum Advisory Board and its various committees be recruited from among individuals who are experts in their given fields in the petroleum industry.

Since MPAB serves the Department of Defense as well as the Department of the Interior, the appointments to membership on MPAB should also be signed by both the

Secretary of Defense and the Secretary of the Interior. The appointments to membership on the MPAB committees and panels should also be signed by appropriate Defense and Interior Department officials.

It is recommended in making appointments to MPAB that a rotation system be put into effect so that at all times there will be individuals serving on the Board, its panels and committees who have had previous experience in MPAB work.

5. The National Petroleum Council should be continued as the industry group which is available to advise the Government on all problems relating to oil and gas except those which are particularly concerned with military matters.

6. If it is decided that the Foreign Petroleum Supply Committee should be continued, it would be advisable to have the Voluntary Agreement Relating to Foreign Petroleum Supply, dated May 1, 1953, amended. There are numerous provisions in that Agreement which appear to be dependent upon the continued existence of the Petroleum Administration for Defense. In general, it is recommended that the authority and functions of the various PAD officials thereunder be transferred to the Assistant Secretary for Mineral Resources in the Department of the Interior.

7. In the event that our Government desires industry advice on special oil and gas problems not within the purview of the NPC, MPAB or FPSC, additional industry committees should be appointed by the Secretary of the Interior. If other agencies are to be served by such industry committees, appointments to membership thereon should be signed both by the Secretary of the Interior and the head of such other agency.

Respectfully submitted,

B. BREWSTER JENNINGS
CHAIRMAN
COMMITTEE ON GOVERNMENT
OIL AND GAS ORGANIZATION

December 3, 1953

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UNITED STATES
DEPARTMENT OF THE INTERIOR
Petroleum Administration for Defense
Washington 25, D.C.

September 15, 1953

Mr. Walter S. Hallanan
Chairman, National Petroleum Council
1625 K Street, N. W.
Washington, D. C.

Dear Mr. Hallanan:

Prior to the establishment of PAD at the time of the communist invasion of South Korea the Oil and Gas Division (which had succeeded the wartime Petroleum Administration for War) was the petroleum agency within the Department of the Interior. It dealt with the industry, both directly and through the National Petroleum Council. It dealt with the War and Navy Departments and, later, with the Department of Defense; being assisted in military petroleum planning matters by the Military Petroleum Advisory Board, a group of industry experts especially appointed for that purpose.

It now appears that the Petroleum Administration for Defense may not be needed subsequent to June 30, 1954. If no further crisis develops, this agency could properly be liquidated as soon as it has completed its emergency defense responsibilities. The long-range responsibilities and functions which still remain could be administered by a normal peacetime organization, such as the Oil and Gas Division. The Oil and Gas Division could take over the present relationship of the Petroleum Administration for Defense with the National Petroleum Council and, if desired by the Department of Defense, the Department of the Interior could re-establish a Military Petroleum Advisory Board on the same general basis that that organization functioned in 1947-50.

In order that the Secretary of the Interior may have the benefit of National Petroleum Council advice as to the type, functions, and staffing of a normal peacetime organization dealing with petroleum and gas activities, I would appreciate it if the NPC would undertake a study to determine the organization and functions it would consider appropriate and submit its report on the study, together with advice and recommendations deemed appropriate. Prompt undertaking of this study would be highly desirable and most welcome so that the Secretary of the Interior will have ample opportunity to consider the matter in his future planning.

Sincerely yours,

/s/ H. A. Stewart

Acting Deputy Administrator

