

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR

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TRANSCRIPT OF PROCEEDINGS

15TH MEETING

NATIONAL PETROLEUM COUNCIL

Room 5164,
Interior Building,
Washington, D. C.
January 26, 1950.

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EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

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P R O C E E D I N G S

CHAIRMAN HALLANAN: The Council will please come to order.

This is the first meeting of the new Council, and I hope that we may start with the rule that our meetings will begin promptly on the time indicated for the meeting.

The Secretary will call the roll. There are several new members of the Council. As their names are called, I hope they will rise, so that I may formally present them to the members of the Council.

MR. BROWN: Mr. Adams.

(No response)

MR. BROWN: Mr. Anderson.

(No response)

MR. BROWN: Mr. Ashton.

(No response)

MR. BROWN: Mr. Baker.

MR. BAKER: Here.

MR. BROWN: Mr. Max Ball.

(No response)

MR. BROWN: Mr. Munger Ball.

MR. BALL: Here.

MR. BROWN: Mr. Barton.

(No response)

MR. BROWN: Mr. Bero.

(No response)

MR. BROWN: Mr. Blaustein.

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Blazer.

MR. BLAZER: Here.

MR. BROWN: Mr. Blodget.

MR. BLODGET: Here.

MR. BROWN: Mr. Boyd.

MR. BOYD: Here.

MR. BROWN: Mr. Brazell.

MR. BRAZELL: Here.

MR. BROWN: Mr. Bridwell.

MR. BRIDWELL: Here.

MR. BROWN: Mr. Bruce Brown.

MR. BROWN: Here.

MR. BROWN: Mr. Russell Brown.

Mr. Burns.

MR. BURNS: Here.

MR. BROWN: Mr. Churchill.

(No response)

MR. BROWN: Mr. Cowden.

MR. COWDEN: Here.

MR. BROWN: Mr. Crocker.

(No response)

MR. BROWN: Mr. Cummins.

CHAIRMAN HALLANAN: Gentlemen, I desire to present a new member of the Council: Mr. John F. Cummins, President of the Cumberland Oil Company, Nashville, Tennessee. (Applause)

MR. BROWN: Mr. Davenport.

(No response)

MR. BROWN: Mr. DeGolyer.

MR. DE GOLYER: Here.

MR. BROWN: Mr. Donnell.

MR. DONNELL: Here.

MR. BROWN: Mr. Dow.

(No response)

MR. BROWN: Mr. Drake.

MR. DRAKE: Here.

MR. BROWN: Mr. Dressler.

(No response)

MR. BROWN: Mr. Duke.

(No response)

MR. BROWN: Mr. Follia.

(No response)

MR. BROWN: Mr. E. Graves.

MR. GRAVES: Present.

MR. BROWN: Mr. B. I. Graves.

MR. GRAVES: Present.

MR. BROWN: Mr. Hallanan.

CHAIRMAN HALLANAN: Here.

MR. BROWN: Mr. Hardey.

MR. HARDEY: Here.

MR. BROWN: Mr. Hargrove.

MR. HARGROVE: Here.

CHAIRMAN HALLANAN: Gentlemen, I desire to present to the Council Mr. Rex Hargrove of Shreveport, Louisiana, President of the Texas Eastern Transmission Corporation. We are glad to have you, Mr. Hargrove.

MR. HARGROVE: Thank you. (Applause)

MR. BROWN: Mr. Hartman.

CHAIRMAN HALLANAN: Gentlemen, this is Mr. I. W. Hartman, an independent oil producer of Michigan. We welcome you here, Mr. Hartman. (Applause)

MR. BROWN: Mr. Hilts.

MR. HILTS: Here.

MR. BROWN: Mr. Holliday.

MR. HOLLIDAY: Here.

MR. BROWN: Holman.

(No response)

MR. BROWN: Mr. Hulcy.

(No response)

MR. BROWN: Mr. Jacobsen.

MR. JACOBSEN: Here.

MR. BROWN: Mr. Jennings.

MR. JENNINGS: Here.

MR. BROWN: Mr. Johnson,

(No response)

MR. BROWN: Mr. Jones -- Charles Jones.

MR. JONES: Here.

MR. BROWN: Mr. J. Paul Jones.

MR. JONES: Here.

MR. BROWN: Mr. W. Alton Jones.

MR. JONES: Here.

MR. BROWN: Mr. Keck.

(No response)

MR. BROWN: Mr. Lerch.

(No response)

MR. BROWN: Mr. Lovejoy.

(No response)

MR. BROWN: Mr. Maguire.

MR. MAGUIRE: Here.

MR. BROWN: Mr. Majewski.

MR. MAJEWSKI: Here.

MR. BROWN: Mr. Markham.

CHAIRMAN HALLANAN: Gentlemen, I desire to introduce General Markham, the Acting President of the American Petroleum Institute. (Applause)

MR. BROWN: Mr. Marshall.

MR. MARSHALL: Here.

MR. BROWN: Mr. Mattei.

MR. MATTEI: Here.

MR. BROWN: Mr. McCollum.

MR. MC COLLUM: Here.

MR. BROWN: Mr. McGowen.

(No response)

MR. BROWN: Mr. Meece.

MR. MEECE: Here.

MR. BROWN: Mr. Mosher.

MR. MOSHER: Here.

MR. BROWN: Mr. Nielson.

(No response)

MR. BROWN: Mr. Niness.

(No response)

MR. BROWN: Mr. Nolan.

MR. NOLAN: Here.

MR. BROWN: Mr. Parten.

MR. PARTEN: Here.

MR. BROWN: Mr. Peck.

(No response)

MR. BROWN: Mr. Pogue.

MR. POGUE: Here.

MR. BROWN: Mr. Porter.

MR. PORTER: Here.

MR. BROWN: Mr. Pyles.

MR. PYLES: Here.

MR. BROWN: Mr. Reitz.

(No response)

MR. BROWN: Mr. Ritchie.

CHAIRMAN HALLANAN: Andy Ritchie, gentlemen, an independent oil producer of Wichita, Kansas. We are glad to welcome you to the Council, sir. (Applause)

MR. BROWN: Mr. Robineau.

MR. ROBINEAU: Here.

MR. BROWN: Mr. Rodgers.

(No response)

MR. BROWN: Mr. Rodman.

CHAIRMAN HALLANAN: Mr. Rodman, the President of the Anderson-Prichard Oil Corporation of Oklahoma City. We welcome you to the Council. (Applause)

MR. BROWN: Mr. Rowan.

MR. ROWAN: Here.

MR. BROWN: Mr. Shannon.

MR. SHANNON: Here.

MR. BROWN: Mr. Skelly.

(No response)

MR. BROWN: Mr. Smith.

CHAIRMAN HALLANAN: Mr. Cecil W. Smith, gentlemen. Mr. Smith is the Vice President of the Montana-Dakota Utilities Company of Minneapolis, Minnesota.

We welcome you to the Council. (Applause)

MR. BROWN: Mr. Spencer.

CHAIRMAN HALLANAN: Mr. Spencet is the President of Sinclair Oil Corporation. We welcome you to the Council, sir. (Applause)

MR. BROWN: Mr. Streeter.

MR. STREETER: Here.

MR. BROWN: Mr. Taylor.

MR. TAYLOR: Here.

MR. BROWN: Mr. Tompson.

(No response)

MR. BROWN: Mr. Vandever.

(No response)

MR. BROWN: Vockel.

CHAIRMAN HALLANAN: Mr. Vockel is President of the Waverly Oil Works Company. Mr. Vockel, we welcome you as a member of the Council. (Applause)

MR. BROWN: Warren -- Mr. Guy I. Warren.

MR. WARREN: Here.

MR. BROWN: J. Ed Warren.

MR. WARREN: Here.

MR. BROWN: Mr. W. K. Warren.

MR. WARREN: Here.

CHAIRMAN HALLANAN: Mr. W. K. Warren, Chairman of the Board and President of the Warren Petroleum Corporation of Tulsa, Oklahoma. We are glad to have you, Mr. Warren.

MR. WARREN: Thank you. (Applause)

MR. BROWN: Mr. Wescoat.

MR. WESCOAT: Here.

MR. BROWN: Mr. Williams.

MR. WILLIAMS: Here.

MR. BROWN: Mr. Wilson.

MR. WILSON: Here.

MR. BROWN: Mr. Zehring.

(No response)

MR. BROWN: Mr. Zoller.

MR. ZOLLER: Here.

CHAIRMAN HALLANAN: Have any members entered the room since the start of the roll call?

(No response)

MR. BROWN: I will get them as they come in.

CHAIRMAN HALLANAN: A quorum is present, gentlemen.

The first order of business is the approval of the minutes of the last meeting of the Council, held on October 25, 1949. These minutes were mailed to all members.

What is your pleasure?

(There was a motion for approval; duly seconded)

CHAIRMAN HALLANAN: It has been moved that the minutes be approved. All in favor indicate by saying "aye". Contrary, "no." It is so ordered.

We will now have the report of the Secretary-Treasurer.

MR. BROWN: During the calendar year 1949 our receipts from contributions were \$73,600; from other sources, sale of oil policy booklets, and so forth, \$1,554; our total is \$75,154.

Our total disbursements were \$67,048, leaving us \$8,105.75 over and above disbursements, from our assets. We had on hand at the beginning of the year \$30,273, making \$38,379. We transferred to a reserve account \$37,000, and there is on hand for current use \$1,379.

CHAIRMAN HALLANAN: You have heard the report. Do I hear a motion?

(A motion was made to approve, and duly seconded)

CHAIRMAN HALLANAN: It has been moved that the report be received and approved. All in favor indicate by saying "aye." It is so ordered.

Gentlemen, this being the first meeting of the new Council, the next order of business is the matter of election of officers, and the appointment of respective committees, of the Council.

MR. MATTEI: Mr. Chairman, I move that a nominating committee of five be nominated to select the officers and the proper committees.

(The motion was duly seconded.)

CHAIRMAN HALLANAN: You have heard the motion that a

nominating committee of five be named by the Chairman to recommend officers and committees of the Council. All in favor indicate by saying "aye". Opposed, "no".

It is so ordered. The Chair will appoint Mr. Mattie as Chairman, Mr. B. I. Graves, Mr. P. C. Spencer, Mr. Dick Shannon and Mr. Barton as the Nominating Committee.

MR. MATTEI: May I call the Nominating Committee outside for a meeting?

CHAIRMAN HALLANAN: Gentlemen, it is with a sense of the most profound regret that I announce to the Council the passing of one of our beloved colleagues, a great American, a mighty figure in the oil industry, and the friend of every member of this Council. It was a tragic moment in the lives of all of us when we heard the news that our close colleague and friend, George Hill, had been stricken while he was en route to this meeting of the Council last October.

We were hopeful of his recover, but a few days later he passed on. I think that George Hill's place in this Council will never be filled. The loss is an irreparable one. He was a guiding light and an inspiration in this Council from its organization, and every member looked to him for counsel and advice in the deliberations of every meeting. He has passed on to his reward.

The Chair appointed a Memorial Committee. I now call upon Mr. Hines Baker of Houston, Texas, to present a resolution

of Memorium in memory of George Hill.

Mr. Baker.

MR. BAKER: The National Petroleum Council records with profound sorrow the death on November 2, 1949, of George Alfred Hill, Jr., a member of the Council and Chairman of its Agenda Committee.

It recognizes with deep appreciation, however, the outstanding contribution made by George Hill to the work of the Council and his equally significant contribution to the war effort as a member of the Petroleum Industry War Council, as a member of the General Committee, and as Chairman of the Production Committee, of District III in the Petroleum Administration for War.

As a lawyer, George Hill had a deep understanding of and a profound respect for the American constitutional system. Brilliant in argument, outstanding in expression, he was conscientiously devoted to American principles. As a member of the War Council and as a capable and informed adviser to the Government negotiators of the proposed Anglo-American Oil Treaty, he rendered invaluable service to his country in time of emergency.

In peacetime, as a member of the National Petroleum Council and Chairman of its Agenda Committee, he gave freely of his time, effort, vision and foresight, working diligently to promote the success of the Council and the program of

government-industry cooperation.

He was an active leader in the oil industry, being President of Houston Oil Company and of Houston Pipe Line Company at the time of his death. He was a member of the Board of Directors of the American Petroleum Institute and of its Executive Committee, a former Vice President of Production, and was active in the affairs of other petroleum industry trade associations. In numerous capacities with other organizations and as an individual he gave of his boundless energy and keen intellect in the resolution of problems involving the welfare of his country, state and community and in the development of cultural, educational and charitable institutions.

Genial and warmhearted by nature, George Hill had a gracious and winsome personality and was esteemed by all those who came to know him and with whom he worked.

Accordingly, it is resolved that on this, the 26th day of January, 1950, the National Petroleum Council, meeting in Washington, express its genuine appreciation for his great contributions, record its profound sense of loss at his passing, and extend its sincere sympathy to his family and associates.

And it is further resolved that this resolution be entered upon the permanent records of the Council and a copy thereof be delivered to his family.

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

CHAIRMAN HALLANAN: Before the motion is put, I want to ask the Secretary to read a message from Mrs. Mary B. Hill to the Council.

MR. BROWN: It is addressed to the Council through the Chairman:

"The tribute of the Council and of the individuals who compose it to George have made us infinitely grateful and proud, both through his illness and now. He could have left us no finer heritage than the remembrance of his warm friendships in the midst of these past difficult years of world stress." It is signed by Mary B. Hill.

CHAIRMAN HALLANAN: Gentlemen, may I ask a rising vote?

(There was a rising vote of acceptance on the resolution)

CHAIRMAN HALLANAN: At the last meeting of the Council in October the Committee on Government Personnel was unable to submit its report because there had been no conclusion at the moment to the recommendations that had been made.

Gentlemen, it gives me great pleasure as Chairman of that Committee to submit today the report of the Committee on Government Personnel.

This report takes rather a novel form. It goes to the introduction of the new director of the Oil and Gas Division, Mr. Hugh Stewart, who was the unanimous recommendation of the Committee to the Secretary of the Interior. I am happy at this time to present to you Mr. Stewart, whom many of you know of, very well, who know his record and his reputation as

a leader in the oil industry for the past 30 years. He has a fine background of common sense, practical, hard-headed experience. I feel that the Government and the industry and the people of the country at this time are most fortunate to be able to call to public service a man of the caliber of Hugh Stewart.

I now present the new Director, Mr. Hugh Stewart.

(Applause)

MR. STEWART: If I had not been sitting right here so close, and heard every word he said, I wouldn't think he was talking about me. (Laughter)

Gentlemen, during the war and since, I had an opportunity to work on many of the subcommittees of the National Petroleum Council. During that time I developed some understanding of the type of work that the subcommittees were doing. I got an appreciation of the thinking of the men involved. I worked for a long time with Dick Shannon, who is one of the Council members, and here this morning.

I thought I knew something about the operation of the Council, and the way it functioned, but until I came to Washington I had no real knowledge of the way the Council functions and how effective its work has been, and I trust will continue to be.

I got here at a time that I thought was going to be nice and easy; that I would have two or three months to get my

feet on the ground. I wasn't in the office 30 minutes before I was notified that I was supposed to attend a State Department Committee Hearing on the British Sterling-Dollar problem. I stepped into that right then. It has been one problem after another ever since.

I have been astonished at the spread of the problems that the Oil and Gas Division has to face; the problems for which they have to try to work out an answer. In the attempts to analyze these problems, I have been brought into close contact with a great number of the men who devote so much time, energy of their own, and of their staffs, to these national problems.

I don't want to take a lot of time in telling you things that you gentlemen know a lot better than I, but I am greatly impressed with the functioning of the Council, and very much so with its importance to the country.

The degree of cooperation that the Government gets from you gentlemen as individuals and as a group is invaluable. Those of us in the Oil and Gas Division are trying to live up to our share of the responsibility and in so doing we are trying to coordinate the Government thinking, the Government activities with respect to oil; we are trying to translate that to you, and in turn we are trying to bring back and translate the oil industry problems to these various government agencies who are so greatly concerned.

I find that these responsibilities are much greater than I realized when "Cap" Krug first talked to me in Denver. I want to tell you that I deeply appreciate the honor that was extended to me in having my name considered as possible for this job as Director, and beyond that, I want to thank each and every one of you for the expression of good will that I have received; to assure you that on my part, and I can extend that just as sincerely from every individual in the Division, we appreciate it, and with the guidance and help that we get from you men I think we can continue to do the job that you have started, which is such an essential job in the economic and industrial life of this country.

Thank you. (Applause)

CHAIRMAN HALLANAN: Gentlemen, --

MR. JACOBSEN: May I suggest that the Council express its appreciation to Mr. Pentress?

CHAIRMAN HALLANAN: I was coming to that.

MR. JACOBSEN: Excuse me.

CHAIRMAN HALLANAN: I regret very much that the new Secretary of the Interior, Secretary Chapman, is unable to be here at this first meeting of the Council. We had thought that the date that was selected for this meeting was agreeable to his schedule, and convenient for him. However, some rearrangement in his schedule made it necessary for him to be out of Washington today. However, I do have a letter from him, and I would

suggest that the Secretary read the letter at this time:

MR. BROWN: (reading) "My dear Mr. Hallanan:

"I have your letter of January 3, notifying me of the first meeting of the National Petroleum Council for 1950 to be held here in Washington, Thursday, January 26.

"I appreciate your invitation to speak to the new Council, and I delayed answering to see whether I could rearrange my schedule. I did want to welcome the new Council, and I regret that this is not possible, as I am committed to attend and address a meeting in Nebraska that day. Mr. Stewart, of course, will be available.

"I intend to make every effort to attend the next Council meeting.

"Sincerely yours, Oscar L. Chapman, Secretary of the Interior."

CHAIRMAN HALLANAN: Following Mr. Jacobsen's suggestion, gentlemen, none of us are unmindful of the very fine character of service rendered by Mr. Carroll Fentress as Acting Director of the Oil and Gas Division during the interim. He at all times when Acting Director was cooperating with our Committee in trying to find a director. He carried on in a splendid and in a very high-minded way. I think it is appropriate that the Council now, on the motion of Mr. Jacobsen, express

its very warm appreciation of the cooperation and services of Mr. Carrol Fentriss as Acting Director.

(The motion was made and duly seconded)

CHAIRMAN HALLANAN: It has been moved and seconded. All in favor of the motion indicate by saying "aye." Contrary, "no."

Mr. Fentriss, do you have anything to say? (Applause)

MR. FENTRISS: I had not planned on making a speech. I had my crack at it the last two meetings of the Council. I do appreciate the confidence just expressed, and I certainly want to again give you my expression of appreciation for your help and cooperation during the period as Acting Director.

As Walter has said, it was my wish at the time I was appointed Acting Director that we get in a man with far more experience than myself in the oil industry, and we have been successful in that.

To be frank, I am tickled that Hugh has joined us. I want to assure you that I will continue to do everything I can, and will guarantee that Mr. Stewart will carry on the methods of operation and the lines of thought of his predecessors.

I don't know what else to say except "thank you", gentlemen. (Applause)

CHAIRMAN HALLANAN: Thank you, sir.

Gentlemen of the Council, we have a distinguished visitor here this morning, a man who is known from one end

of the country to the other, the father of the principle of conservation and a man whom I think is greatly to be credited with the fact that this country has larger reserves of oil and gas than at any time in the history of the country.

He has had the courage and conviction to blaze the trail in the development of a practical program of conservation. In these recent months, when the industry has been passing through a crisis, he has stood on guard in the protection of that principle to which his loyalty has always adhered.

I know we will all be delighted to have the privilege of hearing from Mr. Tompson of the Texas Railroad Commission.

Mr. Tompson. (Applause)

MR. TOMPSON: Walter, I will talk from here, if I may.

It is a great privilege to come here and be with such leaders of the oil industry. It is nice to see such men. I am glad to be here with you. I congratulate you men of the oil industry who have met the challenge under the profit system, free enterprise with the profit incentive, to fill the gap of shortage of oil by drilling and drilling and drilling until you have almost reached the point of diminishing returns; by drilling more and more holes to get more and more barrels out of each hole.

In Texas the average is now 17 barrels per day. We have trouble in reconciling 17 barrels average per day with rumors we hear of several thousand barrels per day in other

parts of the world.

I am happy to believe that statesmanship on the part of the importers will assert itself here in this meeting today; the company bearing the proud name of "Texas" lead off, followed by Shell and then Jersey. I do hope that others will come along and make the path easier for us.

It is very serious, gentlemen, when wells in Texas, in the East Texas Field, for example, are down 12 barrels per day. In February we will run 13 and 15 days -- 15 days, generally, for the 1647 fields in the State, 13 in East Texas. I don't know how we will keep on holding it down.

I do know that the market demand is the heart of our success. If we didn't have the market demand established in Texas, we would have to pass on. I do hope that California will be successful in their effort in passing the conservation law. If there is any help which we can give them, we tender it.

I bring greetings from the whole Commission. I do hope that you have a successful meeting. I am sure you will. What a proud thing it is that an industry can spend billions of dollars, as you have done since the close of World War II, when you were able to fill every oil demand of the war, and since then, at the expense of several billions you have drilled the wells and laid the pipe lines and built the refineries so that you are able to announce to the world that

you have a million barrels of surplus oil that are in a ready reserve; ready at the turn of a valve.

It may be that imports can't be turned on and off as you would a valve, as someone said before the Small Business Committee, that "we are able to turn the valves of production of nature's storehouse, to call on as needed."

I am glad to be here and see you men working. As I said to Russell Brown, "Here is democracy in action." I do hope the legislation will not be necessary to solve the problem of plenty. You have a plethora of oil. What a blessing it is to have plenty of everything. I am sure the business-like statesmanship exhibited here today will meet this challenge.

Thank you very much. (Applause)

CHAIRMAN HALLANAN: Gentlemen, this Council always invites and welcomes the privilege of having government officials, state officials, members of Congress, to sit in and participate in the discussions of our meetings. I am glad in this connection that we have with us this morning a member of the House of Representatives, who has always shown a great and devoted interest in the problems of oil and of the oil industry.

I would like to introduce and present to you, and ask him to say what he may say at this time, Congressman Oren Harris of Arkansas.

Congressman Harris. (Applause)

REPRESENTATIVE HARRIS: Mr. Chairman and gentlemen of the Council: Frankly, I came down here to listen and to observe, and not to attempt to make a speech.

I do appreciate Mr. Stewart's calling me and extending an invitation to sit in for a while, get a little different picture of another group in the discussions of the matters before it than the one that I have the opportunity and the privilege of sitting with on the Hill each day.

I am glad to be here. I want to commend you, Mr. Chairman, and the members of the Council, the entire oil industry, for the splendid effort that you have made and the work you are accomplishing, as you progress in what I think is one of the greatest industries in this great free-enterprise country of ours.

I want to commend the Department of Interior for its objective approach to the many problems that face the industry, in which the public has a tremendous interest, too. I am sorry the other members of the committee could not turn loose at this particular moment and come down and join with me.

I know that it is the desire of the oil industry to solve the problems -- the many, tremendous problems -- which which you are faced, and many that come from the active interest of the public itself; that it is your desire that you solve those problems adequately, appropriately, as you have in the past.

There is a great demand from many sources of this proposal or that proposal, of this program or that program. I can be only somewhat critical when I say -- I hope in a vein which you will accept -- the only criticism that I can make is that you have these meetings here, you work out these problems among yourselves and the producer, the processing and the distributing end, but very little information of the problems which which you deal ever gets down to the public in general, in order that they may understand these problems which mean as much to them as they mean to you.

As a member of the committee having jurisdiction over the petroleum industry I think I know what the feeling of some of the members of the committee are in their endeavor to do something to be sure that their consumer-public is protected. You have as much interest in the consumer-public as they do, and as much as I do, because if it were not for the public you wouldn't be in the business.

That would be the only suggestion that I have for you at this time; that these things that you discuss here, plans that you formulate, should not be held within the confines of your own group, as important as it is.

We had a demand for a great investigation, for instance, of the pricing situation out in Ohio. We had bills introduced. We had bills introduced from Maine, Massachusetts and from other sections of this country; pending before the committee today.

It was obvious that it was a problem with which the industry was dealing.

But the point I wish to make is that you should also let those on whom you depend in on some of these problems, and how they are being solved at their own interest level, and not merely the interest of the industry itself.

I am glad to be here and to participate for these few moments in this meeting as an observer. If in the position which I hold on the Hill I can be of any assistance, at any time, to the industry, I think you know what my fundamental feeling and principle and policy is. I have observed the oil industry from this particular point, and the progress it has made, since 1941 when I came to Congress. It was my very great privilege at that time to join the then Oil Committee, the same committee on which I now have the privilege of serving, on a trip throughout the Southwest, when your distinguished when your distinguished colleague and fellow oil-man, Bill Boyd over here, got his guitar and entertained us as we made these long trips.

So I have had the privilege of observing the industry now over a period of almost ten years. I know you have had great problems that have come out of the war. There have been some great demands on the industry and I think, if more information were available to those who make the demands, there would probably not be such a great deal of propoganda

going out over the country, which you gentlemen have necessarily received, to offset or at least to educate the public and those interested in order that you later will not be faced with these tremendous problems which are so difficult to overcome.

Thank you very much, Mr. Chairman, for giving me this privilege of speaking. (Applause)

MR. JONES (Presiding): We are very much pleased to have you here, Congressman Harris. We are particularly grateful for the suggestion you make of helping to bring about a better understanding on the part of the public of the problems that this industry faces. The great danger is that they outrun public understanding in their complexities. As they get larger, it is more and more difficult to interpret the functions and the services in words that the layman can easily understand.

Yet, our whole future depends upon that understanding. We appreciate the emphasis that you have placed on it. It is obligatory that we as an industry, as a Council and as individuals do the best we can to interpret our problems to those to whom in the last analysis we are really accountable.

Mr. Mattei, Chairman of the Nominating Committee, has returned, and we will receive his report.

MR. MATTEI: Mr. Chairman, you will observe that it didn't take us very long to come to a conclusion in our committee as to what we wanted to do, and as to the officers

whom we wanted for the ensuing year.

Yesterday it was suggested that I might make a motion, and if I did, I would become the Chairman of the Nominating Committee. As a result of that suggestion I said that I would be very happy to accept the Chairmanship of the Committee, with one proviso; that if we selected a certain man to become Chairman, that there would be no quibbling on his part, and he would accept.

The man about whom I am speaking has served this Council in a manner that I don't think any man in this room would judge to be other than being of the highest type. Walter has given up a great deal of his time, he has spent a lot of that time in Washington. I am sure that he has the confidence of every person with whom he comes in contact because he is straightforward in putting forth the problems of the industry and of this council.

Therefore, it is a great pleasure for me and for the Committee to select Walter Hallanan as Chairman of the Council. (Applause)

The other officer of the Council has not been consulted, but I am sure he will serve. Mr. R. G. Follis as Vice Chairman. (Applause)

The only committee selected by the Nominating Committee and recommended to you gentlemen is the Agenda Committee. For those new members on the Council and some of the older ones

who don't remember the setup I will say that the Agenda Committee is the committee which makes a determination of all new matters coming before this Council. It is set up as a committee to protect this Council and to advise the Council upon matters that it should take up, in order that the Council may not get off the original track upon which it was set, and become a tool of government or any other part of the industry.

It took considerable discussion among us, and it lasted almost a minute, when I suggested the name of the man whom I would like to see become the Chairman of the Agenda Committee. That man is Mr. A. Jacobsen of New York. (Applause)

Mr. Walter Hallanan is ex-officio member of this committee. Mr. Hines Baker, Mr. Max Ball, Mr. Walton Jones, Mr. B. L. Majewski, Mr. J. Howard Marshall, Mr. L. F. McCollum, Mr. J. Ed Warren, Mr. B. A. Hardey, Mr. J. F. Drake, Mr. Frank Porter, Mr. Joe Bridwell, Mr. B. B. Jennings, Mr. J. C. Donnell, II, Mr. N. C. McGowen, Mr. E. E. Pyles, Mr. M. H. Ribineau, Mr. W. S. S. Rodgers, Mr. L. S. Eescoat, Mr. Roland V. Rodman and Mr. Resse Taylor; and finally, I consented only under pressure to go on.

I place in nomination to the Council the names of Walter Hallanan as Chairman and Mr. Follis as Vice Chairman and Mr. Jacobsen as Chairman of the Agenda Committee, with the names I have just read, and move acceptance of the nominations as given.

(The motion was duly seconded)

MR. JONES (Presiding): Gentlemen, you have the report of

the Nominating Committee before you. As the gentleman from Texas said, the democratic processes work here. Does anyone wish to place other names in nomination? We will receive them at this time.

With one exception, I think the Chairman of the Nominating Committee has done a pretty good job.

The Chair will entertain a motion for closing of the nominations.

MR. MAJEWSKI: You overlooked one committee; there is also an Appointment Committee.

MR. JONES (Presiding): I hoped you would pass that, but you have discovered that Mr. Mattei reported the membership of both committees when he read the names of the Agenda Committee.

MR. MATTEI: I am sorry.

MR. JONES (Presiding): I will ask the Chairman to read it.

MR. MATTEI: I was mixed up on the committees. Mr. Jacobsen is Chairman of the Agenda Committee and Mr. Frank Porter is Chairman of the Appointment Committee. I didn't see this word "Appointment."

MR. JONES (Presiding): You understand, now, gentlemen, that the democratic processes are working.

MR. MATTEI: Thank you.

MR. JONES (Presiding): Thank you, Mr. Mattei.

For Agenda Committee:**A. Jacobsen, Chairman,****Walter Hallanan, Ex-Officio,****Hines Baker,****Max Ball,****Walton Jones,****B. L. Majewski,****J. Howard Marshall,****L. F. McCollum,****J. Ed Warren,****B. A. Hardey,****J. F. Drake, and A. C. Mattei.****For Appointment Committee:****Frank Porter, Chairman****Joe Bridwell,****B. B. Jennings,****J. C. Donnell, II,****N. C. McGowen,****E. E. Pyles,****M. H. Ribineau,****W. S. S. Rodgers,****L. S. Wescoat,****Roland V. Rodman,****Resse Taylor.**

I have a motion before the house that the nominations be closed, and that the Secretary be instructed to cast one ballot for the election of nominees as reported by the Nominating Committee. (The motion was duly seconded.)

Are you ready for the question? As many as are agreed, signify by saying "aye". Contrary, "no". It is so ordered.
(Applause)

MR. JONES: Mr. Hallinan.

MR. HALLINAN: Gentlemen of the Council, I deeply appreciate this expression of your confidence. In order to leave no suspense, I desire to say that I accept this further honor that you have bestowed upon me today. (Applause)

In assuming the duties of the Chairmanship for another year, I am not precluded, I assure you, by any desire to take on another job or to undertake any more responsibilities. It is only because I have a deep conviction with respect to the great importance of the work of this Council and I want to see it through to its fruition.

I am quite aware of the fact that there are some few in the petroleum industry who look upon the Council's existence as a threat to the independence and sovereignty of the oil industry. I quarrel with no one of sincerity of opinion, but I reject that order of thinking because I believe it has no basis of fact. Quite to the contrary, I am of the opinion that the existence of the Council and the continuance of its

activities within the limitations of its basic organization charter is the best insurance we can have to safeguard the freedom of the petroleum industry.

I do not believe any criticism point to a single action of the Council since its organization four years ago that has created one iota of jeopardy or threat to the personal independence or freedom of action of its members or of the industry. However, I am of the firmest belief that we can claim credit for achievements of real size in placing the petroleum industry in a favorable attitude before the Government and the public in its desire to meet every responsibility.

In the early days of the Council's organization, I felt very strongly that a refusal of the oil industry to accept in good faith the invitation of the government to join in this peace-time cooperation, would have brought serious reaction to the industry. More emphatically than ever do I now feel that it would have been a fatal blunder if the industry had not met this challenge in good faith.

We have had before the Council many problems requiring study and action which involved greater service to the users of petroleum. A great proportion of this has been of direct interest and benefit to the military services of the government as well as to civilian consumers. Every branch of government has found some value of service through the Council's activities. This has provided a foundation on

which our industry can build an ever-increasing service to the nation.

After four years of this peace-time experiment, I am distinctly proud of the record we have achieved. I do not think the benefits can be evaluated by any monetary yardstick. I think that through this experiment the oil industry has blazed a trail in Government-Industry cooperation that has created genuine admiration and a greater sphere of good will. Certainly, those in our industry who look upon the Council and its aims with suspicion and misgivings cannot point out anything we have lost.

If during the recent post-war years, when we experienced periods of critical shortages of petroleum supplies to meet our military requirements as well as the desperate need of certain areas of the country where the civil population was threatened with freezing, the oil industry had failed to give public manifestation of its desire to meet these emergencies in a thoroughly forthright way, I have no doubt in my own mind of what our status would have been today. The opportunity we have had to put effective "teamwork" into practical cooperative effort has been a vital contribution to the industry, the Government, and the people of the United States.

From the standpoint of demonstrating that the oil industry fully recognizes its public responsibilities and its vital link in the chain of national security, we have made a real contri-

bution. We are well ahead of any other basic industry in leading the way in this cooperative idea. And, aside from our achievements in this important sphere, I must emphasize the great advantage from an industry viewpoint, we have had in meeting around the Council table and having a forum to discuss in complete frankness the many problems which arise from time to time and which in one way or another draw public attention to the essential dependence of our whole economy upon petroleum.

Through the Council, the government has had the advantage of considered industry opinion, based upon study by those who are best prepared to analyze problems that continuously arise in our rapidly-changing economy. I consider it fortunate for the industry that we have had this opportunity to work together on those problems important to industry success and government welfare. Beyond the merit of the conclusions reached, this Council has no influence in determining any policy related to governmental action. It is proper to say that in no respect has the government attempted to impose programs of action through the Council.

Here in this Council room, the heads of the largest units of the oil industry have exchanged individual ideas and discussed problems which had a close relationship to those of the smaller units of the industry. We have had equality of voice and opportunity for free expression. We have had opportunity

to speak to each other candidly and to the government in all frankness. That is not afforded in any other organization of the petroleum industry. I think this has brought a greater degree of good will and a sympathetic understanding of the other fellow's problems. It has promoted better relations within the industry itself, and certainly a better understanding by representatives of the government of the intricacies and difficulties of the many problems which continuously confront the industry. A forum, national in scope, in which the large and small of the petroleum industry may participate with equal voice and through which they may express individual opinions on our industry problems, provides an invaluable opportunity.

It has been most gratifying to have the hearty commendation of the work of the Council expressed by Honorable J. A. Krug, under whose administration as Secretary of the Interior the Council was organized in June, 1946. Before his recent retirement, Secretary Krug made a public statement reviewing the activities of the Council, and I desire to quote briefly from the government official who was responsible for the creation of this body:

Secretary Krug said:

"The work of the Council has been effective and through the Council government agencies have been able able to obtain current, accurate information and helpful

advice on matters concerning petroleum. Composed of 90 members, it represents every functional and geographic division of the industry. It is made up of officials of large and small oil and gas companies, representatives of trade associations, individual producers, refiners, transporters, and marketing interests. One hundred and thirty-five industry leaders have served as members of the Council since its organization, and the roster of its committees has included a total of 1,376 outstanding individuals, drawn from all segments of the industry.

Since its formation, the Council has prepared and submitted 65 formal reports on information requested by the Government. These reports represent a sound, cooperative effort which has been of inestimable value to the nation, the industry and the public."

I am quite confident that the expression of Secretary Krug is also a fair reflection of the interest of his successor, Secretary Chapman, in seeing a continuance of the work of the Council carried on in the consideration of these problems relating to the petroleum industry and the national welfare.

I am certain that Secretary Chapman looks to the Council for the same cooperative response we have given to his predecessor.

Today, if we were called upon to meet an emergency of war, we would not face the delays of the past in the mobilization of the oil industry on a war basis. I refer to this by way of

illustration of the character of service this Council has been rendering in meeting the requests of Government. Through the Council machinery, the Government has been furnished a blue print for mobilization and action that is based upon the experience and judgment of those men who have the "know-how" to bring forth a plan to put our industry into high gear in the event we should face a war demand. This is just one of scores of tremendously important problems relating to national security with which we have dealt in a manner that has brought commendation from those who occupy positions of highest authority.

These decisions have been made with deliberation and in an atmosphere of candid discussion of every phase of a particular subject. They represent the conclusions of the best minds of the petroleum industry. I appraise these accomplishments of incalculable value, not only to the petroleum industry but to the people of the United States.

With the many critical problems we are facing today on every front and affecting every segment of the petroleum industry, I think we can all agree that at no previous time was there more real need for sincere and high-minded teamwork and cooperative effort than exists today. The industry is directly afflicted with acute problems that are usually associated with "growing pains". The mobilization of the oil industry to its highest peak of performance to meet the

enormous requirements of World War II was followed by a surprising economic contradiction of even greater demands that came with peace-time readjustment. We have been moving up-hill since 1941 at a stupendous pace. Now we are beginning to face another economic horizon that seems to bring problems of greater magnitude than we have known either in war or in peace. We are face to face with the problems that arise from over-development of potential crude reserves, both at home and in foreign fields -- and these must be dealt with very realistically if we are to maintain an orderly and healthy equilibrium.

As the Council opens its first session of a year of transcendent importance to the oil industry, may I express the hope that you who have been designated as the representatives of this great industry will consecrate yourselves to the obligation of giving your time and service unselfishly and with a sense of patriotic duty to the high purposes which this Council has assumed in the welfare and security of the American people.

For the petroleum industry to fail in this peace-time undertaking by reason of its unwillingness to cooperate with the government would, in my opinion, turn the clock back many years and leave the industry open to the most dangerous assault it has ever faced. For my part, I am unwilling to be deterred by criticism from any quarter in what I conceive to be a duty that involves our responsibilities not only by reason

of our association with the petroleum industry, but as patriotic American citizens.

It would be unthinkable now for the petroleum industry to turn back. We must meet the challenge of our time by giving a straightforward demonstration of our consciousness that we represent an industry that is indispensable in every phase of our American life. Through this Council, we have been given that opportunity. I have every confidence that as a working team, dedicated to a high order of service, we will meet any challenge that destiny may bring to our doorstep.

Thank you very much. (Applause)

CHAIRMAN HALLANAN: In the absence of the Secretary of the Interior, Director Stewart has a message to transmit to the Council.

Mr. Stewart.

MR. STEWART: The comment that Walter just made about the feeling of Secretary Chapman toward the National Petroleum Council is an insufficient statement of Secretary Chapman's feelings. He has several times expressed his own appreciation of the importance of the Council work and his whole-hearted support of the continuance of that work.

When we set up with him the date for this meeting he told me that he was going to make every effort to attend, that he was anxious to attend, so that he would express directly to you just what his feelings were. Much to our surprise, and our

consternation, we found that after the date was set and frozen his schedule interfered with his appearance, and he told me personally that he deeply regretted it. He wanted me to read a statement to you that, so far as a read statement can, will express his sentiments:

"I sincerely regret that my schedule could not be arranged for me to welcome the 1950 National Petroleum Council at its first meeting of the year. Since that was not possible, I have asked High A. Stewart, Director of the Oil and Gas Division, to give my message to you.

"Since the National Petroleum Council was created in June 1946, it has made many significant contributions of advice and assistance, not only to the Department of Interior but to other government agencies as well.

"With the knowledge of the Petroleum industry available through the Council, I shall be better able to discharge my public responsibility with respect to oil and gas matters. Through the Council, you will have a better appreciation and understanding of the problems of the Federal Government in coordinating and dealing with its many petroleum activities.

"There are pending before this Council several matters of utmost importance -- such as petroleum imports, the problem of providing a substantial domestic reserve productive capacity to be available in the event of an

emergency, and a study with respect to Federal oil and gas leasing -- on which your views and advice have been requested. In addition, others have been submitted to you for consideration. I trust that these matters will soon be disposed of by the Council and the final reports on them submitted.

"Knowing that you have much important business before you today, I have kept my remarks brief. Again, I am sorry not to be with you today. I will make every effort to attend the next Council meeting."

Thank you. (Applause)

CHAIRMAN HALLANAN: We move to the order of business that encompasses the Report of the Special Committees of the Council. The first report is that of the Committee on Petroleum Industry Manpower. Unfortunately, Mr. Vandever advises us that he would be unable to be present today, but the report has been completed, and will be submitted in brief form by the Secretary, Mr. Brown.

MR. BROWN: At one of the previous meetings, it was reported that some 25,000 questionnaires would be distributed throughout the industry in an attempt to obtain the basic information necessary to complete this survey. That work was carried out through the Office of the National Petroleum Council with the aid of the Committee on Manpower, and their report is as follows:

The Committee on Petroleum Industry Manpower, complying with the request of the Director of the Oil and Gas Division

of the Department of the Interior, as authorized by the National Petroleum Council, presents its report showing the results of the nation-wide survey on Petroleum Industry Manpower -- the scope and form of which survey was approved by the Council on April 26, 1949. The survey was conducted in accordance with procedures agreed upon with representatives of the National Security Resources Board and other agencies of the Federal Government.

The original assignment sets forth two problems:

Problem One: "To study and estimate, and report on the present manpower engaged in the industry, classified by functional divisions of the industry, occupations and skills, and geographic areas; desirable and practical classifications to be determined in consultation by the Committee with representatives of the National Security Resources Board, the Armed Services Petroleum Board, the Oil and Gas Division and other appropriate governmental agencies."

Mailing of questionnaires to Proprietors and Chief Executives, in the respective branches of the industry covered by the survey, stated July 25, 1949.

The survey was closed at the end of 1949 -- preliminary tabulations were completed at Council Headquarters and supplied to the members of the Committee prior to their meeting in Washington, D. C., January 19, 1949.

The preliminary tabulations summarizing the details

reported by the Petroleum companies were carefully reviewed and fully discussed.

Attached are the summary results of the participating companies. The committee estimates at least 70 percent of domestic crude production and refinery intakes are represented.

The total number of employees reported as of December 31, 1948 by the participating companies in the survey was 515,471; 51,615 female and 463,856 male. This count does not include employees or independent operators in the retail branches of the business and does not include any estimate covering employees of companies who failed to furnish data.

A description of each of the major activities has been included with this summary.

Three factors involving male employees and significant in the event of a national emergency have been separately tabulated:

a) The number of males engaged in jobs which the participating companies have individually estimated to require less than a year's replacement training, total 171,528 males, representing 37 percent of all male employees reported.

b) The number of male employees estimated or reported by the participating companies to be members of the Armed Forces Reserves and National Guard units, total 28,708 males which in this category represents 6.2 percent of all males.

c) The number of male employees under age 35 reported or estimated by the participating companies, total 185,111

males or 39.9 percent of all males engaged.

It was the opinion of the members present at the January 19 meeting that if the summary of the data received from reporting companies was acceptable to the representatives of the National Security Resources Board and other interested government agencies, no estimates would be undertaken to include employment in nonreporting companies, or projections to arrive at an estimated figure of total manpower engaged in the industry as a whole, or in its respective segments. The representatives of the National Security Resources Board and other governmental agencies present indicated the summaries presented, based on the factual data reported by participating companies, was acceptable for their respective requirements.

The representative of the National Security Resources Board requested that that agency be furnished a list of the reporting companies as an aid in determining the actual extent of coverage attained through the survey and to enable them to estimate industry totals for the items covered by the survey.

The committee recommends that the Secretary of the National Petroleum Council be authorized to furnish the National Security Resources Board such list, as they may require, for the purpose indicated, showing the names of the companies included in the summary and the City and State of their respective

principal offices.

The committee is very pleased with the response on the part of the industry.

I want to assure you there is no intention or desire that the government agencies obtain the details from the individual reports. They desire the names of the companies in order to enable them to determine by estimation what the entire manpower situation is in the country.

Problem (2) "To study and report as to the adequacy of currently available employment data for the functional divisions of the domestic petroleum industry and to recommend ways and means of overcoming such difficulties as may exist therein."

The committee has found that there is information on domestic petroleum industry employment available in government agencies.

That is, the Bureau of Labor Statistics which reports monthly data including employment statistics on: (a) producing and exploration adjusted by a sampling method, and (b) manufacturing adjusted by sampling method.

The samples are checked currently with data available from the State Unemployment Compensation Administrations.

The I.C.C. publishes complete employment data on interstate pipe lines.

It is the opinion of this committee that utilizing presently available statistics, together with the attached survey, adjusted to industry total, appears to provide acceptable

manpower data which can be adjusted by the sampling method, when necessary, for such purpose as was indicated in presenting the original request for manpower data to this committee.

I would like you to know that there has been prepared and is available a great deal of detailed material following, again of a summary nature, that is available and will be made available to the governmental agencies that requested this information.

The Council is prepared to meet any reasonable requests for detailed information.

I move the adoption of the report.

CHAIRMAN HALLANAN: You should know that this report represents a tremendous amount of detailed work, and we are under great debt to Mr. Vandewer and the committee, and to Mr. Brown, for the amount of time and effort that they have given to the assembling of this important data.

Is there a motion for the adoption of the report?

(The motion was made and duly seconded)

CHAIRMAN HALLANAN: Any remarks?

MR. GRAVES: This indicates that 3,966 companies have reported. Would you tell us approximately how many didn't report? Was it two or three percent?

I think this is a very valuable summary, and up to date information about the people in the petroleum industry. I was wondering how accurate it was.

MR. BROWN: That is probably in the neighborhood of eight

percent.

From the standpoint of numbers, that may appear rather small. There were approximately 25,000 questionnaires sent out. For example, 12,000 went to producers, and exploration and production. We got back 1,583 companies.

In manufacturing it ran something over 700 companies that were solicited. We have 176 returns.

In the marketing end, some 25,000 questionnaires went out; we have 2,296. From the standpoint of coverage, however, they represent in production and findings over 70 percent of the employment. It is a large coverage.

According to government representatives, we had Bureau of Labor statistics men present, it is probably one of the largest ever made in this industry. It had the largest response.

CHAIRMAN HALLANAN: Are there any further questions or comments?

You have heard the motion that the report be adopted. Is there a second?

(The motion was duly seconded)

All in favor indicate by saying "aye". Contrary, "no".

The report is approved and adopted.

The next order of business is the report of the Committee on Federal Oil and Gas Leasing, Mr. J. C. Donnell, Chairman.

MR. DONNELL: Mr. Chairman and members of the Council:

The Acting Secretary of the Interior on October 20, 1949, requested that the National Petroleum Council consider the matter of issuance of oil and gas leases by the Federal Government, with a view to expediting the granting of leases on Federal Lands and assuring a fair initial return to the Federal Government without undue burden upon applicants in the development of the country's petroleum resources. Following such request the National Petroleum Council appointed this Committee to make an appropriate study with respect to the issuance of oil and gas leases by the Federal Government on acquired and public domain lands under the Federal Leasing Acts, and report thereon to the Council with such recommendations as may be deemed appropriate. Pursuant to such action, this Committee has made a study of the subjects assigned to it and now makes its report. This report concerns the leasing of public domain lands and acquired lands of the United States but does not concern the leasing of tidelands or submerged lands.

In his letter of October 20, 1949, the Acting Secretary referred to certain proposals that had been offered for consideration which were (a) adoption of a combined offer and lease form in a single document as to noncompetitive leases under Section 17 of the Federal Oil and Gas Leasing Act; (b) requiring competitive bids whenever a "competitive interest" is evident with respect to wildcat lands, and (c) denial of

issuance of a noncompetitive lease if, at the time of issuance, the land covered thereby is within the known geologic structure of a producing oil or gas field, even though it was not within such known geologic structure at the date of application for lease.

As to combined offer and lease form; with respect to proposal (a) above mentioned, that is, adoption of a combined offer and lease form in a single document for noncompetitive leases, this committee believes that the principles and objectives sought to be achieved by this proposed change in the regulations are proper and should be supported. The change proposed by the Department of the Interior was set forth in detail on pages 6518 to 6522 of the Federal Register, October 26, 1949.

Although the public hearing scheduled for December 1 and 2, as mentioned in the Acting Secretary's letter, was postponed and has not been rescheduled, it is understood that this proposal is still under active consideration in the Department of the Interior and that steps will be taken to bring about this proposed change whether or not the hearing is rescheduled.

Although this committee believes that the principles and objectives sought to be achieved by this proposed change are proper and should be supported, some of the mechanics involved in the proposed method of issuing leases are somewhat burdensome and are not in furtherance of the objectives of the Department.

In view of the fact that the public meeting concerning

these proposals was postponed after notice of such meeting was published, it is suggested that the Department of the Interior again give trade associations and others an opportunity at a public hearing to express their views as to these proposed changes before finally adopting them.

The committee has given its particular attention to the manner of application for an issuance of noncompetitive leases, and apparently this has been in accordance with the desires of the Department in requesting the views of the Council. We have not attempted to set forth in detail in this report any objections that might be made to some of the substantive provisions as contained both in the old and the new lease forms. This report should, therefore, not be construed to indicate that the committee is entirely in accord with all of the provisions of the lease form.

As to competitive bids on unproven land; with respect to proposal (b) above mentioned, that is, the requiring of competitive bids whenever a "competitive interest" is evident with respect to wildcat lands, this committee is opposed to any change in the law or regulations which would require or permit the Department of the Interior to lease public domain or acquired land at competitive bidding in any instances other than those in which competitive bids are now required. The proposal that competitive bids be obtained whenever "competitive interest" is evident does not set forth

that objective standard which is desirable in dealings with governmental bodies; will be contrary to the present policy of Congress as evidenced in existing laws; will not expedite the granting of leases, but on the contrary will slow up such procedure and will not assure any greater return to the Government than the system of leasing now in use in conformity with well-considered Congressional policy and which has proven satisfactory and to the public interest since the adoption of the Mineral Leasing Act of 1920.

It is submitted that the existing policy of Congress has been wise, and to the best interest of the public in the development of the petroleum resources of the Nation, and that there have been no changes in fundamental principles and considerations which warrant any alteration in that policy.

The procedure of granting leases only upon competitive bidding will give an undue advantage to the large companies which have sufficient capital available for bidding and will work a hardship upon the small individual operators. In the Rocky Mountain Region, where the public domain lands constitute such a large portion of the prospective oil and gas lands available for development, a requirement of competitive bidding would force such a curtailment upon many small operators that they would be driven out of business, with a resulting very unfortunate effect upon our economic system. Experience has shown that in those instances where lands are disposed of only

by competitive bidding, as in the more attractive areas of the tidelands or submerged lands, University of Texas lands, and State of New Mexico lands, the small operators have been unable to participate in the oil and gas development.

The general policy involved in requiring competitive bidding for unproven lands is contrary to the entire spirit and purpose of the Oil and Gas Leasing Act and our general statutes governing the disposal of the public domain. The primary purpose of our Homestead Acts has always been to afford to all citizens an opportunity to participate in the development of the public domain, rather than the more limited purpose of deriving an immediate maximum amount of revenue for the government.

Competitive bidding would also be inequitable in its operation, inasmuch as it would require a party that has expended large sums of money in exploration, resulting in the location of a possible structure, to bid against parties desiring the lease for purely speculative purposes. Furthermore, under the suggested procedure, it would be extremely difficult to assemble a sufficient block of solid acreage for seismograph which now constitute the industry's principal method of exploration.

The carefully designed and very successful provisions of our present law, permitting seismograph operations on optioned blocks of leased acreage would be destroyed and rendered

ineffective by a requirement of competitive bidding.

The Department has presently, at the request of a Member of Congress, suspended the issuance of noncompetitive leases upon wildcat acquired lands except under circumstances largely directed to the necessity for immediate drilling thereon. This committee feels that such action is contrary to existing pertinent laws so that no regulation of the Department in such respect could be legally effective.

As heretofore indicated, the committee feels that the policy for noncompetitive leases for wildcat acquired lands, as well as wildcat public domain lands, should continue to be, as it has been in the past, the policy established by Congress. It follows that the Department should adhere to such policy established by laws as they exist, and not attempt to circumvent such laws nor anticipate a change in the laws which the Department may desire but which may or may not be effected. This suspension procedure should be rescinded immediately and noncompetitive leases on acquired wildcat lands issued promptly in due course in accordance with the existing laws.

As to substitution of date of lease for date of application as time for determining status of land; proposal (c) mentioned concerns the proposition that issuance of a noncompetitive lease should be denied if, at the date of issuance of such lease, the land covered thereby is within the known geologic structure of a producing oil or gas field, even though it was

not at the date of application for the lease.

As set forth in the Acting Secretary's letter above mentioned, the suggestion that has been made is "substitute the date of the lease issuance for the date of the application as the time for determining whether the lands to be leased are within the known geologic structure of a producing oil or gas field."

Whether this proposed change would require an amendment of the statutes or merely an amendment of the regulations, this committee is definitely opposed to such change. We do not believe that this proposed change would achieve any increased efficiency in the Department. Such change would be violative of the mineral leasing laws and of the spirit of fair business practices.

If noncompetitive leases are issued promptly upon application, either as a result of the proposed rule making as discussed as point (a) herein, or because of other increases in the efficiency of the Department of the Interior, then this third point would become of little or no importance because the status of the land would not have changed in the meantime.

A provision to the effect that an applicant should be denied his rights if discovery is made nearby after the date of his application would very definitely discourage development. Every such applicant would realize that the Department could withhold issuance of a lease until completion of a test well

in the area and then offer a least at public bid. No operator would be willing to incur expenditures for exploration and development without the certainty of holding sufficient acreage to warrant such expenditures.

This proposal is so much at variance with the principles of fairness and justice which should characterize the actions of the Department that your Committee is reluctant to believe that there is now any serious intention in the Department to insist upon this change in practices.

Your Committee desires to make certain general comments briefly with respect to Federal oil and gas leasing, and such comments appear to be in order because of the request by the Acting Secretary that the matter of issuance of Oil and gas leases by the Federal Government be fully considered.

After the 1946 amendment to the Federal Leasing Act, the Council was requested to and did make comments and recommendations concerning that act. One of the principal changes brought about by such act in the Federal Leasing procedure was the provision to the effect that an operator might hold exploratory options or shooting options on sizeable blocks of land for the purpose of geophysical examination, and with the definite assurance that he would be able to obtain operating rights (up to 15,360 acres in each state) upon the portion which should be found to be valuable. This amendment took into consideration the practical aspects of the oil and

gas business and the absolute necessity of certainty on the part of the operator that he would be able to obtain the acreage proven up by his expenditures of time and money. We are pleased to state that in our opinion this innovation, which first appeared in the 1946 Act, has proven to be successful. The wisdom of this provision has been amply demonstrated by an increase in geological and geophysical exploration on public land and by the discovery of valuable resources that were heretofore unknown. Whatever changes may be made in the present laws or regulations, it is believed that the rights of the operators to hold acreage for exploratory purposes, as herein mentioned, should be preserved, and it may well be enlarged.

Your committee was assigned its duties at a time when it was anticipated that a public hearing would be held in Denver, at which meeting these problems would be fully discussed. Although such hearing was postponed and has not as yet been rescheduled, your committee has believed that it was nevertheless its duty to study and report upon the questions submitted to it. Your committee expresses the hope that such hearing be held, and the National Petroleum Council be permitted to supplement its response to the Acting Secretary's letter with such studies, proposals and recommendations as may seem proper after considering and appraising the statements and arguments presented at such

hearing.

CHAIRMAN HALLANAN: You have heard the report as presented by the Chairman, Mr. Donnell. Are there any questions?

MR. DUKE: How do you decide, or the government, when it is noncompetitive? Who gets it, assuming that there are several people who might be equally entitled?

When there are several people offering on a piece of land, and it is a noncompetitive bidding basis, how does the government determine in that case?

MR. DONNELL: It is the first application.

MR. DUKE: The first received? Are there never times when two or three are received at the same moment?

MR. DONNELL: It might be coincident. Also, there is always a difference, because the application must be made in the local land office in the area. Whoever makes the application first, physically. I suspect it is possible that two applications might be received in the same mail.

MR. WASSERMAN: As you stated, the first application received in point of time gets the preference. But if we get some in the same mail together, we have to regard them as having come at the same time, and we decide the question by a drawing.

Where we have land that the Geological Survey tells us is known on a geological basis, we put them up for bidding. In many instances the bonus may be only a dollar per acre. There

it is decided by the highest cash bid, not by a drawing.

MR. WARREN: You have other lands where you put them up at a flat price of a dollar an acre. I ^{have} just bid on some. There were 700 bids. It was drawn by lot. They have still got my money.

MR. WASSERMAN: It might be the State of New Mexico.

MR. WARREN: It was United States Public Domain land.

CHAIRMAN HALLAHAN: Mr. Duke, does that answer the question?

MR. DUKE: Yes.

I have one other:

Have there been instances where various operators have the feeling that the drawing by the government is done for somebody with a better political connection, or are there ever such complaints?

MR. WASSERMAN: I don't have any such complaints.

MR. STEWART: Mr. Duke, in some 25 years' experience in applying for leases in the Rocky Mountain area where the majority of the land is federal land, I have found, right straight through, first the Department of Interior and then more recently the Bureau of Land Management, which has succeeded to the particular duties, has been as far as it is humanly possible for men to be, and that so far as I could detect, there was no measure of influence that ever affecting the issuing of those licenses.

MR. DUKE: I wasn't implying that there was. I wanted some information.

MR. STEWART: I wanted to give you that from my experience.

MR. BAKER: I would like to ask if it is the feeling of the committee that on these small, scattered areas acquired by the Government that this permit system that is applicable to the larger areas, is a feasible and practical way of leasing the areas, and if it will not result, actually, in tying up a large number of these tracts without any real development, and if it isn't a fact that under the present system your areas are not developed so well as they are on the competitive systems that have been invoked in those states?

The present system is a delay system. It seems to me that on these widely scattered small areas which constitute our acquired land, that we would be in much safer position if they were put up for competitive bids, rather than to have a broader permit system applied to these smaller areas.

MR. DONNELL: The feeling of the committee was that the present policy was preferable to the competitive bidding.

MR. BAKER: What is the approach by which they conclude that on these small, scattered lands?

MR. DONNELL: To be truthful, the committee devoted most of its attention to the public domain.

MR. BAKER: I can see that.

MR. JACOBSEN: In many places large areas will be acquired. How would you draw the line; if you had 2 different lines of procedure, would you take it on total acreage; where would you draw the line between the large areas that exist and the very small ones?

MR. BAKER: I haven't worked that out, Mr. Jacobsen, in my own thinking, but I can't help but feel that the permit system applied to the tremendous number of small tracts that have been acquired by the Government, in the last 20 years, present a picture that can't be satisfactorily taken care of by the old permit system, and we ought to have something better than that. The competitive bidding should answer for these areas.

MR. MATTEI: In answer to Mr. Baker, Mr. Chairman, it might interest you gentlemen to know that the Federal Government has up to two years ago acquired 155 million acres. Those lands are in all different categories. The land that Mr. Baker is referring to are those located in the southeastern states.

I spent about a year on that problem once, when I was examining surplus property, and although there are several small tracts, the great preponderance of that land is land acquired from lumber companies as cut-over stumpage areas, and the large part is acquired for parks and other purposes.

I know there are certain small tracts involved, but you just can't pass it along to Congress or have it administered

here and administered one part for large tracts and another part for large. I know in Mississippi and some of the southern states where I operate, we are having difficulty now in determining the leases issued where applications have been made for two and three years. I think that you just can't have a law for 160 acres, and another for a thousand acres.

I participated in the writing of both the laws now on the statute books, and we expect a great deal of time and study in trying to get those laws so there would be no opportunity any place for any skulduggery or unfair treatment.

I think the laws as they are now are very fair, and very good, and they have produced excellent results.

MR. BAKER: The thing I am thinking about is the vast numbers of tracts that have been acquired by foreclosure under the Land Banks. They have land all through our country that they have acquired by foreclosure. The government has taken over vast domains.

It seems to me that for those areas that certainly competitive bidding is more desirable.

MR. MATTEI: I am sorry to have to disagree, but the Federal Land Banks lands are not lands belonging to the Federal Government, but they belong to the Federal Land Banks. They can handle those lands any way they want. In the south they handle them one way. They can handle them as they see fit.

CHAIRMAN HALLANAN: They are acquired under foreclosure?

MR. MATTEI: Yes. They are not federal lands.

MR. ROBINEAU: On the question of Mr. Baker's, isn't it true that a large percentage of wildcat discoveries have been made by the individual or small independent operator or oil man, and wouldn't competitive bidding against the larger companies pretty well eliminate the chance for the little independent producer to get in?

MR. BAKER: I wouldn't think so. These areas are very large, and cover a wide expanse. They are acquired by independents, in effect by some competitive effort, all the way through the country.

CHAIRMAN HALLANAN: Mr. Brown.

MR. R. B. BROWN: In support of the committee's report, may I say this very question was for a long time before the House Public Lands Committee, they explored it very thoroughly, the very proposal and suggestion that Mr. Baker has made here, and after a long study of the problem they came to a conclusion which harmonized with the committee's report. I think that is the sound position. I think it is conducive to a more general development.

CHAIRMAN HALLANAN: Major Parten.

MR. PARTEN: Mr. Chairman, I don't know very much about the Federal Land leasing problem, but the University of Texas owns 2 million acres of land. I had something to do with the

institution of competitive bidding at that institution bank in 1935.

I think this statement at the top of page five, stating that competitive bidding rules out the small, independent operator cannot be sustained in fact. I don't think that the statement is necessary to the force of this report.

As a matter of fact, we took a great deal of pride in the writing of the University of Texas plan, it was to permit the independent operator to get in business, and I think it has, in a very fair way.

I would therefore suggest that, unless the committee has a particular reason for wanting to preserve that portion of the report, at the top of page five, that that reference to the University of Texas system be deleted.

MR. JACOBSEN: I think the committee had in mind a great many cases, Mr. Chairman, as Major Parten is aware, where very high prices have been paid for the Texas University Land. Very high.

One, I think, for \$1,000,000 for four sections. These were the points that the committee had in mind.

MR. PARTEN: At the same time, there are a number of instances where the independent operators have been able to function under that system. As an independent operator, who has bid on some of these lands, I have participated in them, I think on a whole that point cannot be sustained, because I

know of many instances where under that system an independent operator has asked that a wildcat block be put up in a certain area, and it has been put up, and he has had very little difficulty in getting it.

Now, here is another point that I would like to make in connection with that, and that is that the University of Texas probably works up during a unique system, that companies were permitted to shoot these public lands. We have gotten criticism for that. On that, it took some courage to institute that system.

Companies, as you know, are permitted to shoot university land. You have to get a permit. You are obliged to file a report showing the pattern of your shot; but it might be that three or four companies, or three or four individuals might like the same spot. So you might have a little heated argument.

I don't think that that point can be sustained in fact. I am cognizant of the cases that are referred to.

CHAIRMAN HALLAMAN: You think there are exceptions that don't justify the general allegation? There have been rare exceptions which do not justify this general statement?

MR. PARTEN: Yes.

MR. MATTEI: I would like to see the University of Texas deleted, Mr. Chairman, because the University of Texas cannot be put into the same category as the Federal Government, or

state lands. The national policy is, as it exists today with respect to the leasing of federal lands, that those lands are going to be leased upon a reasonable basis to encourage development. It is the national policy to do that. It is not the policy of government to make as much money as they can out of the leasing of these lands. The University of Texas, a private institution operated by the State of Texas is the one to make all the money they can, any way they can, whoever they hurt.

I don't think it makes any difference to the University whether they hurt a small land independent operator or not, in the bidding. They are interested in getting the money. You don't think there is any comparison between the University of Texas in the handling of these lands and the handling of Federal or state lands?

CHAIRMAN HALLAHAN: Do you speak in support of Major Parton's motion?

MR. MATTEI: I would like to leave the University of Texas out.

MR. STEWART: One comment that I would like to make, Mr. Chairman: The report mentions several times the hearings that were scheduled in Denver for December first and second, and which was postponed, and has not been rescheduled. I know from discussions here that the Bureau of Land Management is very anxious to have that hearing held, very anxious to get it under way, and bring out the discussions that would bear out

the point Mr. Baker and Mr. Parten make.

We have Mr. Wasserman here. He may be able to give us some idea of when that hearing may be rescheduled.

MR. WASSERMAN: I am very sorry, Mr. Stewart, but I have no information on the date that may be set for the hearing. I know the matter is under discussion.

MR. STEWART: I knew that Mr. Clausen and Mr. Bell have been working on that, and are very anxious to have it. That will give opportunity for a full discussion of many of these problems on which the Council Committee perhaps had insufficient information.

MR. MATTEI: I move we strike the entire sentence starting with "Experience has shown --" on page five.

CHAIRMAN HALLAHAN: Is that agreeable, Mr. Donnell?

MR. DONNELL: Yes.

CHAIRMAN HALLAHAN: You have heard the motion.

MR. R. B. BROWN: Could you serve the same purpose by saying "experience has shown in those instances where 'public' lands are disposed --". We are talking about public lands. The University of Texas lands are different. Then strike that part: "as in some"-- strike the rest of it.

MR. MATTEI: I would leave it all out.

MR. MAJEWSKI: Mr. Chairman, I am in favor of striking out the tideland business on page five, because on page one you say that report concerns the leasing of public lands, and

specifically does not concern the leasing of tidelands, so that should be out, on page five.

CHAIRMAN HALLANAN: Yes.

MR. MAJEWSKI: But by excluding any discussion by a committee on federal oil, and gas leasing, why you are excluding a discussion of leasing of tidelands or submerged lands. I would like to ask that.

MR. DONNELL: I think the reason for that is the title for those lands has not been determined.

MR. MAJEWSKI: Why don't we say so? The reason we aren't concerning ourselves with that is because the title to the land has not been settled.

I would like to see that in the report, just that way, or make this a report exclusive of that, because this concerns me greatly as a citizen of the United States.

This looks as if a big league deal and I would like, if you are going to talk big league, at this time leave us minor leaguers have a point or two. That is, let's deal with it in a forthright manner so that at this time this federal oil and gas leasing report does not concern itself with the leasing of tideland or submerged land, because the question of the title is in dispute, and that will be dealt with later.

I would like to suggest that an amendment in the report, for clarity only, be made to that effect.

CHAIRMAN HALLANAN: May we have your position stated again,

Mr. Mattei?

MR. MATTEI: I move that the first full sentence on page five be deleted, beginning with the words "Experience has shown --".

MR. PARTEN: I second the motion.

MR. HALLANAN: Mr. Brown made suggestion of amendment to that motion.

MR. BROWN: That isn't important. I wanted to show there was two different situations.

CHAIRMAN HALLANAN: Are you ready for the question?

All in favor indicate by saying "aye."

Contrary, "no".

That sentence will be deleted from the report.

Mr. Majewski?

MR. MAJEWSKI: I would like to amend the report to state on page 1 -- don't have the language, but in general terms the words "submerged lands", for the reason that the title to tidelands and submerged lands is in question, and that when that is settled, we will deal -- the Federal Oil and Gas Leasing Committee will deal with the subject in the same manner that they are dealing with the public domain manner.

MR. MATTEI: You have indicated that you don't know very much about the tideland situation. I am glad you admit it.

What would be necessary to make the statement that you

wish to make is that the Congress has not yet determined the policy with respect to those lands.

MR. BAKER: This committee is not a continuing committee.

CHAIRMAN HALLANAN: It has been suggested, Mr. Baker, of course, that is open to discussion, that in view of the fact that these further hearings will probably be held, and these hearings will develop very definitely with the submarginal subject matter of this report, that it would probably be well to accept this as an interim report, and continue the committee for any further report at a later time.

MR. MAJEWSKI: I would like to say, if an interim report will take care of this, I am always fearful of an interim report. Lots of things have happened to me in the interim.

I would like at this time, since you are dealing with a federal oil and gas leasing policy, and making a recommendation as an industry body, I think you ought to deal with it here, either say that you are not concerning yourselves, and why, or eliminate all reference to it, and put at the heading that this is federal oil and gas leasing, excepting leasing of tidelands or submerged lands.

MR. MC COLLUM: Doesn't the order exclude any reference to the subject that Mr. Majewski refers to?

MR. DONNELL: I believe the request of the Secretary was specifically on public domain. I don't think we have the right to consider that, anyway, under the Act.

MR. MAJEWSKI: We did on page five. We expressed an opinion.

MR. JACOBSEN: No; it was only for comparative purposes.

MR. MATTEI: That is stricken out now, anyway.

MR. MAJEWSKI: I haven't said anything very significant, but at a later date I think the Secretary should be asked to deal with the subject. If this is a formula that we are going to adopt, that should be done.

CHAIRMAN HALLANAN: Mr. Donnell, may I ask you your view as to whether or not this committee should be continued in view of the hearings that are scheduled at a later time?

MR. DONNELL: I think it may be well to continue it, at least, until the next meeting.

CHAIRMAN HALLANAN: Continue it until the hearings?

MR. DONNELL: At least until the next meeting of the Council in case there is a hearing held in the meantime.

CHAIRMAN HALLANAN: It seems to me that under the circumstances that that is desirable, rather than to face the necessity of appointing another committee.

Mr. Donnell moves the adoption of this report. With the understanding that the committee will submit a further report if that seems desirable at a later time.

MR. BLAUSTEIN: Was there indication that the discussion contemplated there would be no public hearing or merely that the time had not been set?

CHAIRMAN HALLANAN: As I understand it, the time had not been set.

MR. WASSERMAN: I have not sat in on any of the discussions with respect to the rescheduling of the hearing on this item. All the information I have is hearsay.

I understand there will be another conference on the matter next week. I assume that the conference will probably pass on the question of holding a hearing and if so, when.

MR. BLAUSTEIN: It involves not only the date, but if there is to be a hearing.

CHAIRMAN HALLANAN: Is that somewhat different from any information -- that is different from any former understand^{ing} of it.

MR. STEWART: In the discussions that I have had with Mr. Glayson, Director of the Bureau of Land Management, and his assistant, Mr. Bell, there was no question as to whether or not there wouldn't be a hearing. It was merely the question of when the hearing could be scheduled so that they could select a date at which the proper representatives from the Department could be present, and it is this intention to hold a hearing at the earliest possible time.

CHAIRMAN HALLANAN: I think that is the advice which we should follow.

All in favor of the motion for the adoption of the report indicate by saying "aye." Contrary, "no". It is

so ordered.

MR. MAJEWSKI: I would like to be recorded as passing my vote.

CHAIRMAN HALLANAN: Yes, sir.

Gentlemen, we have a full house here, and I want to ask if there are any members of the Council who have been unable to get chairs or seats? I think our first obligation is to see that the members of the Council have seats in the Council room.

Are there any members in the rear who have not been able to get seats? If so, we would provide them up front here.

The next report is the Committee on Liquified Petroleum Gas. Mr. W. K. Warren is the Chairman of that Committee.

Mr. Warren.

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Mr. WARREN: Your Liquefied Petroleum Gas Committee is not prepared to submit a final report at this time, but I would like to summarize briefly our progress to date.

After acceptances to serve on the reactivated Committee were received from those appointed by your Chairman, it was decided to follow the pattern of the original Committee by appointing sub-committees to bring up to date the demand, production and transportation data. These sub-committees were appointed as follows:

Transportation - B. C. Graves, Union Tank Car Co., Chairman.

Fayette B. Dow, National Petroleum Association.

G. D. Dowd, Tide Water Associated Oil Co.

J. R. Parten, Woodley Petroleum Co.

Production - K. W. Rugh, Phillips Petroleum Co., Chairman.

John F. Lynch, LaGloria Corporation.

J. H. Forrester, Stanelind Oil & Gas Co.

Joseph Miller, Humble Oil & Refining Co.

J. W. Vaiden, Skelly Oil Company

Demand - J. W. Foley, The Texas Company, Chairman.

A. R. Thomas, Shell Oil Co., Inc.

Arthur C. Kreutzer, Liquefied Petroleum Gas Association.

W. E. Huston, Republic Oil Refining Co.

The Chairmen of these sub-committees were requested to hold necessary meetings in order to prepare reports for consideration and summation by the whole Committee.

Mr. Graves informed me recently that his sub-committee has virtually completed its study of transportation facilities. He reported that the tank car fleet, for example, was increased by 2556 cars in 1948, and by 982 cars in 1949. This total net increase of 3538 cars, it was estimated provided additional annual carrying capacity of approximately 690 million gallons.

But that is about as far as Mr. Graves and his sub-committee can go until the data developed by the demand and production sub-committees is available for correlation with the transportation data.

Mr. Foley's Sub-committee on Demand has been busy gathering data from various sources, and held a meeting in his office in New York last Tuesday, preparatory to the work of drafting a final report. He has advised me that Mr. Thomas of his sub-committee has been transferred to Boston and that R. T. Goodwin has taken his place on the Committee.

The production picture is still a complex one, particularly in the face of price and lower crude oil allowables. Mr. Rugh and his Production Sub-Committee, accordingly are meeting this week to review their data to date, and to re-canvass the industry by questionnaire for whatever additional data they deem necessary to complete their report. It appears now that the Committee will

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have its final report ready for transmittal to your Chairman within the next two to three weeks.

CHAIRMAN HALLANAN: Thank you, Mr. Warren.

Are there any questions?

Any comment in connection with Mr. Warren's interim report?

(A motion to adopt the report was made, and duly seconded)

All in favor indicate by saying "aye." Contrary, "no".

Thank you very much.

MR. BROWN: We will mail a booklet to each member of the Council within the next day or two which includes the Articles of Organization as amended, which is the document or by-laws under which you carry on business; also the documents of establishing the Oil and Gas Division and the National Petroleum Council.

On a number of occasions I found us running around frantically to answer a sudden call as to how did the Oil and Gas Division come into existence, when, by what order, and likewise with regard to the National Petroleum Council.

So, we have included in here the letter of the President, the order establishing the Oil and Gas Division, and the release in regard to it, and the record with regard to the establishment of the National Petroleum Council by the Secretary of the Interior.

There is also a complete list of the 1950 membership.

There will be a list in here of the entire membership of this Council since its organization. The date on which they were appointed is included, and the date when they accepted the resignation or separation by death of members, or by other causes., so that it is a complete record of all those who have participated as members of the Council since its beginning.

With the list of current activities -- current active committees, a record of all reports that have been adopted, and the Chairman of these committees.

Since this morning we now know the officers of the Council and the new standing committees, we will be able to include those, so that this may go forward to your members within the next few days.

CHAIRMAN HALLANAN: I think you will find this of very great value, because it contains all of the relative data concerning the Council and its activities under one cover. We are very anxious to have it sent to all the membership, as soon as possible.

Gentlemen, we have next on the agenda the report of the Committee on Petroleum Reserve Productive Capacity, of which Mr. McCollum is Chairman.

I might say by way of preliminary comment that I do not think that when this request came to the Council that we had anticipated that this report would come at such a timely hour

as it has. The matter of depletions before the Congress, and other matters relating to the producing crude reserve capacity of the country, what we have, all those issues, I think this report represents a very important milestone in the development of the industry's record. I hope that you will give very careful attention to the presentation of this report.

Mr. McCollum.

MR. MC COLLUM Mr. Chairman and gentlemen: I will be brief.

While the report is being distributed, I might say this:

The agenda committee recommended this study last July, about the 27th. The committee to make the study was appointed on August first. We held our first meeting in Tulsa, on August 19, at which time I followed the somewhat effective practice of appointing a working subcommittee. Therefore, I had nothing more to do.

I was fortunate to get a good Chairman. He was Hines Baker. I want to pay tribute to the working committee which has done a major part of the work under my guidance, and under the guidance of the main committee.

The group worked very effectively. The report has been printed. Copies are available. I would suggest -- time does not permit going into it in detail here -- I would suggest that you read this thoroughly. I would say it is

the best report that can be obtained today on the subject which it covers. It is no doubt the most reliable that can be obtained.

I think, without going into detail in the report, we can turn to the last page, and I will read through and you can follow, if you will, the conclusions and in that way we will get the essence of the report in the shortest time spent.

We begin with number one

A substantial reserve crude oil productive capacity existed in 1949, amounting to 550,000 barrels daily average for the year and 700,000 barrels daily in December. If the excess of imports over exports for the year is taken into account, reserve capacity at the end of 1949 becomes one million barrels daily. Reserve productive capacity of the order of magnitude of one million barrels daily probably will prevail in the period 1950-53 in the absence of any new developments tending to upset the present outlook for supply and demand.

2. In case of an emergency, rationing should make available one million barrels daily of oil for emergency use, which would be as valuable for national security as reserve productive capacity of that amount.

3. In view of the foreseeable substantial reserve crude oil productive capacity, there appears to be no need for commercial scale production of liquid fuels from coal or

shale in the next few years. However, substantial quantities of synthetic liquid fuels can be made available from natural gas, coal and oil shale, when and if warranted by the prices of products from crude oil, or if required in a national emergency, given sufficient time and an adequate supply of materials.

4. The principal factors that operated to create reserve productive capacity in the past have been (1) aggressive competition in the search for oil, (2) a market reflecting changes in supply and demand, and (3) conservation practices developed by the industry and applied under state laws.

5. The changing value of production has stimulated adequate development to maintain reserve productive capacity in the face of greatly expanded demands and increased costs.

6. The development of reserve capacity calls for continued application, improvement and extension of state conservation laws and the encouragement of private enterprise in crude oil producing activities.

7. Policies which would hamper progress in maintaining substantial reserve capacity include any increased tax burdens on the production of oil, imports in excess of economic needs, the withholding of public lands from development, direct participation by the government in petroleum operations, and any government interference with price.

8. Sound leasing policies are necessary to the development of the potential capacity of the continental shelf and will have an important bearing on the establishment of reserve producing capacity.

9. Artificial controls intended to bring about the "planned" creation of reserve capacity would destroy flexibility and hamper the very adjustments that normally tend to create reserve capacity.

In support of what your Chairman said about the timeliness of this report, we recall comment made on the Hill to the effect that we were running out of oil, and now or soon would be in dire straits; relating to the third item above.

10. Creation of substantial reserve capacity in oil production is best achieved when the industry is allowed to continue functioning as it has in the past with a minimum of controls, other than state regulation for conservation purposes, and is encouraged by maintenance of a favorable economic environment.

This Committee was requested not to make plans or programs for providing a substantial domestic reserve producing capacity to be available in the event of an emergency. It wishes to express the conclusion, based on its studies, that no plans or programs are necessary or would help to achieve the desired result. The normal competitive operations of the industry, in a favorable economic climate, unhampered by new regulations,

will tend to bring about larger productive capacity that will provide a satisfactory margin of reserve productive capacity.

And now, reading from page one:

There is no secret formula for finding oil, nor any mystery about the industry's success in the past. The only secret is in the wisdom of our competitive incentive system. The Committee is confident that the petroleum industry will continue to build adequate reserves to meet future needs if a favorable economic climate prevails as in the past.

With that general summary, we submit the report for adoption.

(The motion was made and duly seconded for adoption of the report)

CHAIRMAN HALLANAN: Are there any questions or comments?

MR. DUKE: I don't like this item 2, in which it says in case of emergency, rationing should make available a million barrels a day; we can't live on rationing, but the public should not be expected in time of emergency, if we can foresee a way out, to be rationed a million barrels a day on its need and desires.

Should the public be asked to face the possibility of a million barrels a day rationing?

MR. WILSON: They might as well be told. They will have to face it.

MR. JACOBSEN: Furthermore, I don't think there is any man in the country who expects that we could escape rationing if we went to war. Not only of gasoline, but many other things. It is natural and understood and unavoidable.

MR. BAKER: I would point out that is simply a statement of fact; that we were asked to make.

MR. DUKE: It says in the summary that no plans or programs are necessary.

MR. MC COLLUM: To create productive capacity. No plans are necessary to create productivity or productive capacity. Our statement is merely a factual statement. Number one, there are 700,000 barrels a day in December, reserve productive capacity, which we thought would increase to a million, and the caution was put in there. Then we made a factual statement based upon the study that a million barrels additional should be available. Maybe it is a million and a half or 2 million. It could be if you cut it deep enough. We didn't recommend rationing. But we did make a factual statement.

CHAIRMAN HALLANAN: The question is upon the adoption of the report.

MR. R. W. BROWN: Mr. Chairman, I think this is probably the most helpful report the Council has had in years. I to compliment it altogether. I ask the question not/be critical, but to ascertain the position. I notice in the conclusion

no plans are necessary.

At the same time, under Section 6, you refer to the fact that it is necessary to have conservation programs or plans. Is that inconsistent with your conclusion?

MR. MC COLLUM: You refer to the second sentence in the last paragraph?

MR. R. W. BROWN: Yes.

MR. MC COLLUM: I have been questioned on that sentence before. Let me explain what the second sentence in the last paragraph means to say: namely, that no government planned or long-range planning was necessary to achieve or obtain this reserve productivity or reserve productive capacity.

MR. R. W. BROWN: That satisfies me.

MR. MC COLLUM: I think if there were objection that sentence could be dropped, if there were serious objection.

MR. JACOBSEN: I don't think there is conflict.

MR. MC COLLUM: I don't think so. It might be repetitious.

MR. JACOBSEN: You speak of the minimum control on the eastern state regulations for conservation purposes.

MR. MC COLLUM: Yes.

MR. HALLAHAN: Are you ready for the question?

All in favor of adoption of the report indicate by saying "aye". Contrary, "no". The report is adopted.

MR. JACOBSEN: It is a good report.

CHAIRMAN HALLANAN: Mr. Peck wishes to be recorded "no".

We move to the report, gentlemen, of the Committee on Proposed Petroleum Policy Council. Mr. J. Howard Marshall is the Chairman of that Committee.

Mr. Marshall.

MR. MARSHALL: Mr. Chairman, gentlemen of the Council, with regard to this particular report, I would first of all like to say that your committee was completely unanimous in its general views as to the policy which we believed the Council should adopt, or the position it should take, as regards this particular piece of proposed legislation.

I might say that agreements regards the position of the Council in the matter was a lot easier to obtain than a certain other committee on which the Chairman of this one has likewise been sitting over some of the last few days.

Since everyone is passing out the acknowledgments, I want acknowledge the assistance of Hines Baker. He was very helpful in putting together a lot of this material. Particularly I want to make reference to the very excellent work that Jim Brown, the Secretary, has done in putting the material together.

The committee and various members have also conferred and had helpful suggestions from Hugh Stewart and Carroll Fentress in considering the problem.

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One other thing I want to say about this by way of introduction: and that is that the only thing about which the committee had any concern in connection with this matter relates to taking any sort of a position that would even appear to be adverse to the position taken by our friend Oren Harris, the Congressman from Arkansas, who is Chairman of the Subcommittee of the Interstate and Foreign Commerce Committee dealing with oil.

Well, we all know that that committee over the years, and Mr. Harris particularly, both have demonstrated a great understanding of the problems of petroleum and the petroleum industry, and in general has been very helpful at all times in bringing to the attention of members of Congress and the public at large a real understanding of the problems of the oil business, and has always exercised responsible leadership in dealing with legislative problems relating to the oil industry.

I want to make this particular reference to the very high regard that all the members of the committee on this matter, and I am sure that I speak for the Council, when I say that I know that the members of the Council likewise hold both Mr. Harris and his committee in very high regard.

Walter Hallanan has whispered to me that he thinks I ought to read the report in full. It is pretty lengthy. I will not admit having thought of reading too little of it, except it the central portions, which deal with the quotations

and the basic documents establishing the Oil and Gas Division.

Other than that, if you will bear with me, I will read most of the report, shortening it as much as we can without losing its general content.

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MR. MARSHALL: Pursuant to the request of the Secretary of the Interior in his letter to the Chairman of the National Petroleum Council dated October 18, 1949, the Committee on Proposed Petroleum Policy Council presents its report and recommendations with respect to proposed legislation introduced in the House of Representatives as HR 6047, a bill "To establish a Petroleum Policy Council."

The Secretary, stated, regarding the "Bill"; that "the Department of the Interior has been asked to express its views on the measure" and added "the advice and counsel of the petroleum industry will materially assist the Department in reaching a position on this proposed legislation which is both practical and in the public interest."

ANALYSIS OF H. R. 6047

The proposed legislation creates in effect an independent agency to be known as a Petroleum Policy Council composed initially of representatives of the Interior, State and Commerce Departments, the National Security Resources Board and the National Military Establishment, and authorizes the appropriation of necessary funds. The President may add the participation of additional agencies or terminate participation of an agency as the interests of such agencies may increase or diminish. The Bureau of the Budget is a participating agency without the right to vote. Representative of the Department of the Interior is to act as Chairman.

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It (1) directs the Council to create an industry advisory panel, a State-Local panel and such other advisory panels as it deems necessary; (2) authorizes the appointment of an Executive Secretary and necessary staff, and authorizes the Council to employ such experts, assistants, special agents, examiners and attorneys as may be necessary; and (3) authorizes the Council to call on other agencies of government for information and assistance.

To aid in developing, clarifying, and coordinating national policies relating to maintenance of available supplies of petroleum products of satisfactory quality, at reasonable prices, the Council would coordinate, unify, clarify and recommend the formulation (for application at home and abroad) of petroleum policies affecting agencies of government relating to:

- (1) the development of the domestic petroleum industry in order to meet, to maximum practical extent, emergency petroleum requirements;
- (2) Western Hemisphere development;
- (3) World-wide development;
- (4) the furtherance of conservation;
- (5) the development of new sources of liquid fuels including Federal sponsorship of research and development of processes for their production from gas, coal, oil shale and tar sands;
- (6) stock piling;
- (7) the encouragement of exploration and development of public land;
- (8) fuel efficiency;
- (9) dispersal of refining facilities;
- (10) adequacy of tankers;
- (11) imports

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to supplement domestic supply consistent with the maintenance of a healthy domestic industry; and (12) development and maintenance of plans for an emergency petroleum organization in the event of a National emergency.

The Council (1) shall make recommendations to the appropriate agencies and to the President for the adoption and carrying out of policies, programs and procedures within limits of their authority, and agencies participating are required to carry out such recommendations to the extent of their authority;

(2) shall recommend to Congress the enactment of legislation necessary to effectuate the policies it may adopt;

(3) may consult with United States representatives to various international organizations, and shall recommend to the Department of State general policy directives for the guidance of such representatives;

(4) shall make annual reports to the President for transmission to Congress; also such special reports as it may deem advisable.

It will be seen that the proposed Petroleum Policy Council would replace the Oil and Gas Division as now established. The National Petroleum Council would be dissolved and various industry panels established, without control of their action

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by appropriate articles of organization as now provided by industry for the National Petroleum Council. The Petroleum Policy Council would have broad objectives in the formulation of policy, in compelling compliance therewith by all other departments and agencies of government, and in proposing legislation affecting the petroleum industry for the accomplishment of such broad objectives. The purposes stated are so broad and sweeping in terms as to make possible administrative interpretation and applications that may bring about unnecessary government control and regulation of operations of the petroleum industry. This might seriously impair the flexibility of the industry in supplying petroleum to the public under our competitive system, and is not in the public interest.

Oil and Gas Division and the National Petroleum Council.

Attention is called to the action of the President of the United States on May 3, 1946, bringing about the establishment of an Oil and Gas Division (May 6, 1946) in the Department of the Interior and the National Petroleum Council, a petroleum industry advisory group, June 18, 1946.

The Oil and Gas Division was created "to unify and coordinate federal policy and administration with respect to petroleum and to serve as the channel of communication between the Federal Government and the Industry." The National Petroleum Council was created "to continue government-industry

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cooperation -- important -- to the welfare and security of the Nation" and to advise the Secretary of the Interior and the Oil and Gas Division of the Department, on oil and gas matters.

In considering the assignment and developing its conclusions, the Committee has reviewed the testimony presented before the "Special Senate Committee Investigating Petroleum Resources" on June 17, 1946, at the hearings upon S. Res. 36 "On the newly established Oil and Gas Division of the Department of the Interior." Included in that record is the letter of the President of the United States to the Secretary of the Interior, May 3, 1946, recommending the establishment of an Oil and Gas Division and an Industry Advisory Council. Also included in the record are a copy of Administrative Order #2193, issued by Secretary Krug on May 7, 1946, establishing an Oil and Gas Division in the Department of the Interior; the Department of the Interior release of June 18, 1946, announcing the original appointment of members in the newly-established National Petroleum Council; and a copy of Mr. Krug's telegram of appointment to the Council members.

In his letter to the Secretary of the Interior terminating the Petroleum Administration for War, after commenting that it had "so successfully completed its war-time assignment," the President said:

"To the extent possible one agency must bear the

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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."

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Pursuant to the President's letter, the Secretary of the Interior established the Oil and Gas Division on May 6, 1946, by Order #2193 to:

1. Assist the Secretary in the execution of 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;
 - (b) Serve as the channel of communication between the Federal Government and the petroleum industry;
 - (c) Serve as liaison agency of the Federal Government in its relations with the appropriate state oil and gas bodies; and
 - (d) Review technological developments in the field of petroleum and synthetic hydrocarbon fuels and coordinate Federal policy with respect thereto.
2. Obtain and analyze information as to oil and gas matters in which the Federal Government has a proper interest and, in this connection, serve as the central federal clearing house for statistics, technical data, and other information relating to oil and gas.
3. Keep the Secretary informed with respect to the adequacy and availability of supplies of petroleum

and its products to meet the current and future needs of the Nation, and with respect to significant developments in the petroleum field, and make recommendations with respect thereto.

4. Develop proposals looking to the centralization of federal functions and activities relating to oil and gas in keeping with the President's letter.
5. Coordinate all oil and gas policies and activities in the Department of the Interior.

In organizing the National Petroleum Council, Secretary Krug, on June 18, 1946, stated: "The purpose of establishing the National Petroleum Council outlined by President Truman is to continue the government-industry teamwork that proved so important a factor in the success of the war program."

In the telegram of appointment of members, Mr. Krug said, "In view of the outstanding contribution which government-industry cooperation made to the success of the war petroleum program, it is important that the value to the welfare and security of the Nation of such close and harmonious relations between government and industry should continue."

The National Petroleum Council, at its first meeting, appointed a Committee to study the type of organization and the scope of authority and function of the council and the problems involved therein. The report of the Committee on organization to the National Petroleum Council was adopted

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by the Council at its meeting September 26, 1946, wherein it was resolved that "the National Petroleum Council can fulfill a useful function in petroleum industry relations with representatives of the United States Department of the Interior, Oil and Gas Division, in an advisory capacity."

Senator O'Mahoney, presiding at the hearing on the Oil and Gas Division on June 17, 1946, said, "The oil industry, generally speaking, has done a superb job of finding, developing and producing oil fields. It has done an excellent job of refining, transporting and distributing oil at progressively lower prices and of progressively better quality."

A lengthy discussion developed as the Senate Committee inquired into the purpose of creating the Oil and Gas Division, particularly with regard to distinction between policy and administrative action, both within the Division and in the National Petroleum Council. The Chairman said to Mr. Davies, then Director of the Oil and Gas Division, "I am questioning you about it (policy) because I want to get it clearly on the record that the Oil and Gas Division is operating in harmony with the principles laid down by the Secretary; and then when you talk of policy-forming by this new Oil and Gas Division, you do not mean by any stretching of the imagination to define policies without consultation with Congress."

And with regard to policy formulation in the National Petroleum Council, Chairman O'Mahoney said, "The distinction** is again between policy and administrative action. This Council, if it is advisory to the Oil and Gas Division, and to the Secretary of the Interior, could not have any functions save to advise the Secretary of the Interior with respect to the execution of powers conveyed to him by law of Congress."

At the conclusion of the Senate Committee Hearing, the Chairman said, "I feel that there is no need for our impeding the reorganization of government activity, or the coordination of the government departments at this time, since it is clear, first, that no new policies will be attempted to be established without recommendation to Congress; and second, that reorganization of the government departments can take place only in accordance with the Reorganization Act which means submission to Congress."

Representatives of governmental agencies and members of the petroleum industry present were invited to express their views as to whether they think an Oil and Gas Division in the Department of the Interior, with this Industry Council connected with it, can be helpful from their standpoint. Colonel Vogel, then with the Army and Navy Petroleum Board, indicated that while many problems require direct action with industry, in general the Armed Services contacts with the petroleum industry can be met through the Oil and Gas Division.

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Admiral Biggs, then with the Army and Navy Petroleum Board, said, "***there will be no clash of our interests with the Oil and Gas Division, and we believe that the Oil and Gas Division can add a good deal to this combination of circumstances to insure that we have a well qualified and readily available source of information from which we can get consolidated industry opinion."

The annual report of the Secretary of the Interior cites many of the accomplishments of the Oil and Gas Division since it was established.

The National Petroleum Council has made available, without cost to the government, the services of over 500 individuals including top executives, expert technical and professional personnel, skilled in the various phases of management and operation in the functional divisions of the domestic and foreign petroleum industry at national, regional, state and local levels. These individuals have served on one or more of the 100 committees appointed by the National Petroleum Council since its organization over three years ago, in response to the requests of the Secretary of the Interior or the Director of the Oil and Gas Division for studies and reports on various problems relating to petroleum in the public welfare and national security.

The work of the Council is carried on through committees. It was one of these committees which produced the National

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Oil Policy report. This report represented a new milestone in industrial statesmanship. It has been generally accepted in industry and government circles, as well as by the general public, as a declaration of basic principles that chart a sound course in the public interest.

In addition to the report of the Committee on National Oil Policy, there are included in the 100 or more reports which have been presented in response to government requests:

1. A report of the Committee on National Petroleum Emergency containing recommendations on "procedures and policies covering government-industry cooperation, which would best meet requirements of another national emergency should one arise."

2. The Council's Committee on Military and Government Petroleum Requirements was held in continuous service during a period of serious supply dislocations to make certain that our military and government petroleum requirements were supplied. The value of its service has been acknowledged by the military authority particularly during a prolonged strike against petroleum refineries on the West Coast in September of 1948.

3. Report of the Committee on Voluntary Petroleum Allocations Agreements. Under Public Law 395 and Executive Order #9919, acting in accordance with the Committee's recommendations, with the approval of the Secretary of the Interior and the Attorney General, the National Petroleum

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Council appointed Regional Committees who, in cooperation with government, state and local officials and industry groups, aided in preventing serious hardship among thousands of consumers of heating oil in areas of short supply during an unusually severe winter period following the War.

4. The Council's Committee on Petroleum Industry Steel Requirements, performed an outstanding public service and contributed valuable assistance to the representatives of government during the period of steel shortage.

5. Several studies have been made in which were developed considerable factual data on petroleum productive capacity; refining and storage capacity; petroleum transportation by tanker, rail, pipe-lines, barge and truck; availability of petroleum and petroleum products; petroleum imports; federal oil and gas leasing laws; and other problems of vital interest to the government, the public and the petroleum industry.

An extensive survey has recently been completed on Petroleum Industry Manpower, in response to a request to the Secretary of the Interior from the National Security Resources Board.

CONCLUSION

As a result of its study and analysis, the Committee concludes:

1. Experience during World War II through the employment

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of the Petroleum Administration for War and the Petroleum Industry War Council, and experience since the war through the employment of the Oil and Gas Division of the Department of the Interior and the National Petroleum Council, demonstrates that the coordination of activities within the departments of the government on oil and gas matters and full cooperation between government and the industry on such matters has been effected. This is in the public interest.

2. The effective results obtained by the employment of these agencies makes unnecessary the enactment of further federal legislation.

3. The creation of a Petroleum Policy Council with functions and authority provided for in HR 6047 is both unnecessary and harmful to the national interest. It would disrupt the procedure that has proven effective. The broad statement of purpose and of functions of such Council provides the opportunity for administrative interpretations and applications leading to a centralization of federal power and authority wholly unnecessary in the public interest and probably productive in the end of harmful results.

It is therefore suggested that the Secretary consider this report and recommend that the proposed legislation be not enacted because it is not in the public interest.

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Mr. Chairman, I submit the report of this committee for such action as the Council may care to take.

(The motion for adoption was made and duly seconded)

CHAIRMAN HALLANAN: You have heard the motion, duly seconded.

I want to ask the Director of the Oil and Gas Division before there putting the motion whether or not he has any comment to make upon the report which is made in response to the request of the Secretary of the Interior, or any other remarks pertinent to this matter.

Mr. Stewart, have you anything to add?

MR. STEWART: Without having had an opportunity to study this report, it would be presumptuous of me now to state whether the report answers the question or what sort of report the Secretary will make to the Congress in response to the Congress' request for a report, but I think this will be perhaps an appropriate time for me to state the policy of the Oil and Gas division, as I see it, and the policy to which, as the new director, I am fully committed.

The Oil and Gas Division, coming out of the Petroleum Administration for war, was first set up, first guided by Ralph C. Davies. Upon his retirement, Max Ball, who is here present, took over as Director, and cast the policy of the Division along the line that I have seen to be extremely effective, and that work carried on after Mr. Ball's retirement

by Bob Friedman and by Carroll Fentress, and to which I now succeed, I think has been extremely effective. I personally would not like to see an iron-clad, iron-bound governmental agency set up that would in any way tend to restrict the free exchange of information, of ideas and of opinions, that has been the history of this Council, and of the Oil and Gas Division.

Likewise, I think that the Oil and Gas Division can be most effective, most helpful, in continuing to perpetuate its program of study, of analysis, of explanation, and of persuasion; that we would lose effectiveness if we had any authority we don't have. We are not authorized to establish federal policy with respect to oil and gas. We don't want any authority to establish policy. All we need and all we want is the right to express our opinions, to offer advice to this agency or that within the government, to exchange ideas freely with industry and thereby get a voluntary coordination of thinking and of activities.

I believe that if we can continue to do the work in the way Mr. Davies, Mr. Ball, Mr. Freeman and Mr. Fentress have established it, and the procedure with which you gentlemen are fully familiar, I think that we will serve the very best possible national interest, and I want to assure you that on my part, I am dedicated to doing just exactly that. Thank you.

CHAIRMAN HALLAMAN: Mr. Brown

MR. B.K. BROWN: May I ask a question of Mr. Marshall?

In the conclusions you set up Section 2 as a separate section. I wonder if you are not thinking of that in connection with Section 1. I am concerned that this may get out of content and stand by itself.

I am sure you meant to apply that to matters in Section 1. What about that? Was there any way to correct that? I am concerned with it.

We have a bill out there to correct the natural gas act. If this were standing alone it would be an expression of the Council that isn't necessary.

MR. MARSHALL: By Section 2, you mean -- ?

MR. B. K. BROWN: In your conclusion.

MR. MARSHALL: You mean number 2?

MR. B. K. BROWN: Yes; where you say "the effective results obtained with the employment of these agencies makes unnecessary the enactment of further federal legislation."

You should tie that to the first section.

MR. MARSHALL: Supposing we said the enactment of federal legislation along these lines?

MR. B. K. BROWN: Just so you tie it to that particular thing; such as contained in this bill.

MR. MARSHALL: "This federal legislation."

MR. B. K. BROWN: Yes.

MR. BAKER: What they had in mind, really, was the creation of further agencies, makes unnecessary the enactment of further legislation, correcting "additional agencies." That is what was in mind by reference to the preceding Number One, which set up the agencies that had already been in existence.

I think the addition of that language might meet what you have in mind.

MR. B. K. BROWN: I don't like creating that "further agencies", because 20 years from now we might want them.

You might just say "of this legislation".

MR. MARSHALL: I think that would be the simplest thing.

CHAIRMAN HALLAHAN: Do you accept that suggestion, Mr. Marshall?

MR. MARSHALL: I will accept the suggestion, and I will accept it for the committee unless I hear dissent from the committee.

CHAIRMAN HALLAHAN: There is no objection.

MR. MARSHALL: Before we put the question, I do want the record to show again that insofar as the committee was concerned, all of us are firmly of the belief that Congressman Harris, in the introduction of this bill, was aiming only to be helpful, and not to take any action that would be detrimental to the people of the petroleum industry.

CHAIRMAN HALLANAN: The record will so indicate.

All in favor of the motion indicate by saying "aye".
Contrary, "no".

The report is unanimously adopted.

MR. PECK: I would like to have the record show that I withheld my vote until I get a further chance to study the report.

CHAIRMAN HALLANAN: The record will so indicate.

Gentlemen, it is now a quarter of one. Before suggesting a noon recess, I would like to ask Mr. Donnell, Mr. Warren, Mr. McCollum and Mr. Howard Marshall, Chairmen of the Committees whose reports have been submitted and acted upon this morning, to remain with me here and Mr. Stewart, because a large number of representatives of the press want to come in, and I would like to have them present when we review the action taken here this morning.

MR. MAJEWSKI: Before you adjourn, why not proceed? We can get through in 30 or 40 minutes.

CHAIRMAN HALLANAN: I thought, of course, that the next report might bring forth a considerable discussion.

MR. MAJEWSKI: You can always recess then.

CHAIRMAN HALLANAN: What is your pleasure?

Do you move that we continue, Mr. Majewski?

MR. MAJEWSKI: I so move.

(The motion was duly seconded.)

CHAIRMAN HALLANAN: It has been moved that we continue through the session and continue the order of business, which would mean that the next matter would be the report of the Committee on Petroleum Imports.

MR. MATTEI: Inasmuch as I have a committee meeting, Mr. Chairman, of the API at one o'clock, I would like very much if we could take a recess and come back.

CHAIRMAN HALLANAN: I think it would be a more orderly procedure, if we recessed at this time and got some fresh air and came back at 2:15.

MR. MAJEWSKI: The motion is before the house.

CHAIRMAN HALLANAN: I don't think we should go through. I will put down Mr. Majewski's motion.

MR. JACOBSEN: I move we adjourn until a quarter past one.

CHAIRMAN HALLANAN: That is too quick.

MR. MAJEWSKI: I want to withdraw my motion before the house, and will agree in the second.

CHAIRMAN HALLANAN: It has been moved that we recess until two o'clock. All in favor indicate by saying "aye."

Contrary "no".

It is so ordered.

(Whereupon, at 12:50 o'clock, the meeting was recessed until 2 p.m., of the same day)