

TRANSCRIPT OF PROCEEDINGS

In the Matter of:

NATIONAL PETROLEUM COUNCIL

Date: July 25, 1950

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

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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	<u>Other</u>					
Pages	<u>87-92</u>	<u>(Imports of foreign oil affecting domestic industry)</u>				
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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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C O N F I D E N T I A L

NATIONAL PETROLEUM COUNCIL

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WASHINGTON, D. C.

Seventeenth Meeting.

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Room 5160
South Interior Building,
Washington, D. C.
Tuesday, July 25, 1950.

The Seventeenth Meeting of the National Petroleum Council was convened at 9:40 o'clock a.m., Mr. Walter S. Hallanan, presiding.

PRESIDENT HALLANAN: The Council will please come to order.

ROLL CALL

The secretary will call the roll.

SECRETARY BROWN: Mr. Adams?

(No response)

SECRETARY BROWN: Mr. Anderson?

(No response)

SECRETARY BROWN: Mr. Ashton?

(No response)

SECRETARY BROWN: Mr. Baker?

(No response)

SECRETARY BROWN: Mr. Max W. Bell?

(No response)

SECRETARY BROWN: Mr. Munger T. Ball?

MR. MUNGER T. BALL: Present.

SECRETARY BROWN: Mr. Barton?

(No response)

SECRETARY BROWN: Mr. Bero?

(No response)

SECRETARY BROWN: Mr. Blaustein?

MR. BLAUSTEIN: Present.

SECRETARY BROWN: Mr. Blazer?

MR. BLAZER: Present.

SECRETARY BROWN: Mr. Blodget?

(No response)

SECRETARY BROWN: Mr. Boyd?

(No response)

SECRETARY BROWN: Mr. Brazell?

MR. BRAZELL: Present.

SECRETARY BROWN: Mr. Bridwell?

(No response)

SECRETARY BROWN: Mr. Bruce K. Brown?

MR. BRUCE K. BROWN: Present.

SECRETARY BROWN: Mr. Russell B. Brown?

MR. RUSSELL B. BROWN: Present.

SECRETARY BROWN: Mr. Burns?

MR. BURNS: Present.

SECRETARY BROWN: Mr. Churchill?

(No response)

SECRETARY BROWN: Mr. Cowden?

MR. COWDEN: Present.

SECRETARY BROWN: Mr. Crocker?

(No response)

SECRETARY BROWN: Mr. Cummins?

(No response)

SECRETARY BROWN: Mr. Davenport?

MR. DAVENPORT: Present.

SECRETARY BROWN: Mr. Davies?

(No response)

SECRETARY BROWN: Mr. DeGolyer?

MR. DeGOLYER: Present.

SECRETARY BROWN: Mr. Donnell?

MR. DONNELL: Present.

SECRETARY BROWN: Mr. Dow?

(No response)

PRESIDENT HALLANAN: Gentlemen, I have particular pleasure in presenting a new member of this Council, a pioneer in the oil industry of pioneers, a distinguished member of the bar, and a great American.

I welcome him, as I know you do, to this Council.

Judge Warwick Downing.

(Applause)

SECRETARY BROWN: Mr. Drake?

MR. DRAKE: Present.

SECRETARY BROWN: Mr. Dressler?

(No response)

SECRETARY BROWN: Mr. Duke?

(No response)

SECRETARY BROWN: Mr. Dunnigan?

MR. DUNNIGAN: Present.

SECRETARY BROWN: Mr. Follis?

MR. FOLLIS: Present.

SECRETARY BROWN: Mr. Foree?

MR. FOREE: Present.

SECRETARY BROWN: Mr. B. C. Graves?

MR. B. C. GRAVES: Present.

SECRETARY BROWN: Mr. B. I. Graves?

(No response)

SECRETARY BROWN: Mr. Hallanan?

PRESIDENT HALLANAN: Present.

SECRETARY BROWN: Mr. Hardey?

(No response)

SECRETARY BROWN: Mr. Hargrove?

MR. HARGROVE: Present.

SECRETARY BROWN: Mr. Hartman?

(No response)

SECRETARY BROWN: Mr. Hilts?

MR. HILTS: Present.

SECRETARY BROWN: Mr. Holliday?

MR. HOLLIDAY: Present.

SECRETARY BROWN: Mr. Holman?

MR. HOLMAN: Present.

SECRETARY BROWN: Mr. Hulcy?

MR. HULCY: Present.

SECRETARY BROWN: Mr. Jacobsen?

MR. JACOBSEN: Present.

SECRETARY BROWN: Mr. Jennings?

MR. JENNINGS: Present.

SECRETARY BROWN: Mr. Johnson?

(No response)

SECRETARY BROWN: Mr. Charles S. Jones?

(No response)

SECRETARY BROWN: Mr. J. P. Jones?

MR. J. P. JONES: Present.

SECRETARY BROWN: Mr. W. Alton Jones?

(No response)

SECRETARY BROWN: Mr. Keck?

(No response)

SECRETARY BROWN: Mr. Lerch?

(No response)

SECRETARY BROWN: Mr. Leyendecker?

(No response)

SECRETARY BROWN: Mr. Lovejoy?

MR. LOVEJOY: Present.

SECRETARY BROWN: Mr. Maguire?

MR. MAGUIRE: Present.

SECRETARY BROWN: Mr. Majewski?

MR. MAJEWSKI: Present.

SECRETARY BROWN: Mr. Markham?

MR. MARKHAM: Present.

SECRETARY BROWN: Mr. Marshall?

MR. MARSHALL: Present.

SECRETARY BROWN: Mr. Mattei?

(No response)

SECRETARY BROWN: Mr. McCollum?

MR. MCCOLLUM: Present.

SECRETARY BROWN: Mr. McGowen?

(No response)

SECRETARY BROWN: Mr. Meece?

MR. MEECE: Present.

SECRETARY BROWN: Mr. Mosher?

(No response)

SECRETARY BROWN: Mr. Nielson?

MR. NIELSON: Present.

SECRETARY BROWN: Mr. Winness?

(No response)

SECRETARY BROWN: Mr. Nolan?

(No response)

SECRETARY BROWN: Mr. Parten?

(No response)

SECRETARY BROWN: Mr. Peck?

(No response)

SECRETARY BROWN: Mr. Pogue?

MR. POGUE: Present.

SECRETARY BROWN: Mr. Porter?

MR. PORTER: Present.

SECRETARY BROWN: Mr. Pyles?

(No response)

SECRETARY BROWN: Mr. Rietz?

MR. RIETZ: Present.

SECRETARY BROWN: Mr. Richardson?

MR. RICHARDSON: Present.

SECRETARY BROWN: Mr. Ritchie?

MR. RITCHIE: Present.

SECRETARY BROWN: Mr. Robineau?

(No response)

SECRETARY BROWN: Mr. Rodgers?

MR. RODGERS: Present.

SECRETARY BROWN: Mr. Rodman?

MR. RODMAN: Present.

SECRETARY BROWN: Mr. Rowan?

MR. ROWAN: Present.

SECRETARY BROWN: Mr. Shannon?

MR. SHANNON: Present.

SECRETARY BROWN: Mr. Skelly?

MR. SKELLY: Present.

SECRETARY BROWN: Mr. Smith?

(No response)

SECRETARY BROWN: Mr. Spencer?

MR. SPENCER: Present.

SECRETARY BROWN: Mr. Streeter?

MR. STREETER: Present.

SECRETARY BROWN: Mr. Taylor?

(No response)

SECRETARY BROWN: Mr. Tompson?

(No response)

SECRETARY BROWN: Mr. Vandeverer?

MR. VANDEVEER: Present.

SECRETARY BROWN: Mr. Vockel?

(No response)

SECRETARY BROWN: Mr. J. Ed Warren?

(No response)

SECRETARY BROWN: Mr. Wescoat?

MR. WESCOAT: Present.

PRESIDENT HALLANAN: Gentlemen, I have the privilege of presenting Mr. White of Massachusetts, a new member of the Council.

(Applause)

SECRETARY BROWN: Mr. Williams?

MR. WILLIAMS: Present.

SECRETARY BROWN: Mr. Wilson?

MR. WILSON: Present.

SECRETARY BROWN: Mr. Zehrung?

(No response)

SECRETARY BROWN: Mr. Zoller?

MR. ZOLLER: Present.

PRESIDENT HALLANAN: And gentlemen of the Council, since last we met here, the clouds of war have been moving. We are living in epical days.

This Council was organized as a body to succeed the Petroleum Industry War Council and to assume the problems of cooperation with the Government in dealing with the important matters of petroleum during peace time. For more than four years we have carried on and have attempted to put our house in order for whatever the future might bring.

May I, at the opening of this session today, impose upon the members of this Council and the guests here a secrecy with respect to any repetition of those matters that may be discussed in today's session.

As we move into a different sphere, we know that the problem of national security is paramount, and the industry we represent is an industry that must be looked to by the Government to supply the essential ammunition of oil for whatever may come in the future. This Council is organized to meet that responsibility.

I am very pleased that at the opening of today's session we are honored with the presence of several distinguished men of the Government and of the Congress of the United States,

who have come down to speak to us at the opening of this session.

Presentation
 Gentlemen, I have great pleasure in presenting a man who has assumed a tremendous responsibility in the mobilization of our home front for this national emergency. He is a distinguished American who has served with great honor in the Government of the United States in the position of Secretary of the Air Force, and only sixty days ago assumed the more important and overwhelming responsibility of the Chairmanship of the National Security Resources Board.

It is very likely that we shall have much contact with him in the days that lie ahead. And I am very happy to present to the National Petroleum Council, Honorable Stuart Symington, Chairman of the National Security Resources Board.

Mr. Symington.

(Applause)

REMARKS OF HON. W. STUART SYMINGTON,
 CHAIRMAN OF THE NATIONAL SECURITY
 RESOURCES BOARD.

MR. SYMINGTON: Mr. Chairman, Secretary Chapman, Senator O'Mahoney, Senator Hunt, and gentlemen:

Oscar asked me to come down here to say something, and I will have to say it and run, because we have a meeting in my office with some other people. You will forgive me, then, if I don't stay.

There were just a couple of points that I wanted to

make, for what they are worth, about this new and unfortunate situation that has been developing.

The first is that it is the wish of the President in the days and weeks and months to come that we do not start up a lot of new agencies and have a lot of agencies superimposed upon other agencies. I was on the receiving end of that a lot last time, and to me it was inefficient and unnecessary, relatively so, in any case.

2 If the present agencies, therefore, are going to do the job, they are going to need in every way the full cooperation of industry. For example, the oil business of the United States is going to be handled by the Department of Interior. They are going to have the responsibility of it,

(Applause)

and therefore it is only fair that in order to carry out that responsibility they have the same authority that you all give the people that work for you.

Another thing is that if you need things to get oil, like steel, for example, it is going to be a joint problem of Mr. Chapman and myself to see that you get whatever is necessary in order to produce oil.

I have really nothing more to say, except that obviously a plan of this character can't possibly work if we are going to operate on this basis without a large measure of cooperation, because in a sense we are delegating an awful lot of

necessary work to industry itself.

I am sure if we do that we are going to receive from you, many of whom are my friends, one hundred per cent cooperation.

PRESIDENT HALLANAN: Mr. Chairman, I think this is an appropriate time to say to you that the oil industry of the United States is ready for mobilization to meet any national emergency.

(Applause)

We are ready to assume the responsibility of providing oil at the right time and at the right place, and with the continued cooperation of Government and industry in the matter of supplying materials and providing adequate manpower, this industry has every confidence that the essential needs of whatever emergency may develop can be supplied, without any serious impairment of our domestic economy.

Mr. Secretary, Mr. Assistant Secretary, and Senator O'Mahoney, that didn't just happen. We have been working on this job for almost five years.

We took over at the end of the last war. And the members of the Council, under the leadership of the Secretary of the Interior, have looked forward to a day when there might come to it a vital responsibility. Just as oil was vital in World War I and in World War II, we know that it will be even more vital in the war that might unfortunately involve our

country.

So the efforts that have been made around this Council table and through the membership of this Council by a coordination of effort and by the meeting of minds have been productive of a result of which we feel distinctly proud.

Whenever oil is mentioned, there is a man in the United States Senate whose name comes to us as a matter of course. He knows more, in my judgment, about the problems of the oil industry than any other man in public life today. That is because he has been a student of the problems of the oil industry. And gentlemen, I have great pride in presenting to you at this morning's session, a great American citizen, a distinguished United States Senator, the Chairman of the Interior and Insular Affairs Committee of the United States Senate, Senator Joseph O'Mahoney of the State of Wyoming.

(Applause)

REMARKS OF HON. JOSEPH O'MAHONEY,
A UNITED STATES SENATOR FROM THE
STATE OF WYOMING.

SENATOR O'MAHONEY: First, gentlemen, I must thank Walter Hallenan for that very good plug. I think I will put him on my Public Relations staff.

Senator Hunt and I, like Secretary Symington, have another assignment that is waiting for us. As a matter of fact, we stopped here this morning on our way to the Pentagon Building, where, with members of the Armed Services Committee

and the Appropriations Committees, we are to hear from the General Staff. So, like Mr. Symington, I will have to make my excuses and make a very brief statement, and then go.

I take my hat off to the oil industry. I was here, and I saw how the industry performed during World War II. I know that it will respond to any call that is made upon it. So I am not going to urge you to cooperate; I know you will, when the lines of cooperation are laid down.

But may I say to you just a word about the international situation as I see it? I do not claim any insight. I have no secret information. I have only the information which is available to all.

Stalin and his predecessors, Lenin, Marx, and Engels, have made their purposes just as clear by their written statements as Hitler made his purposes clear in Mein Kampf. The communist dictatorship is based upon the confident belief that the capitalistic system is outmoded, that it can not and will not work, that we, here in the United States, are bound to have an economic collapse. Their whole military policy is based upon that concept. You can go back to Marx and Engels for the first statement of this belief which I have just repeated. You will find it in the written works of Lenin, and you will find it in the written statements of Stalin. So there is no reason for us to be deceived now about Stalin, no more reason than there was for us to be deceived about Hitler.

We cannot do business with Stalin. But we have the task of demonstrating to the world that the system of opportunity and private property can and will work.

3

The opportunity is presented to us to make this proof. The Korean enterprise, in my judgment, is not the beginning of World War III, because the Russians, with their confidence that the capitalistic system is going to collapse, are not going to risk their own forces until the time comes when they can march in with ease.

Aggression was started in Korea in the conviction that the United States would write it off. The Russians felt that the abandonment of the South Koreans by the United States would have immediate effects in western Europe, by convincing the people of Western Europe that we would retire from Europe, too, when the going got tough.

Now, all the information that we have indicates that what has been done in Western Europe has tremendously improved the morale of France and Italy and Britain. It remains for us to continue our own way of production and co-operation.

There are greater markets in a world in which the standard of living is raised for all than anybody conceives. The oil industry itself knows what I mean, because every body in this room is well aware of the fact that the consumption of petroleum and petroleum products in the United States immediate-

ly after the shooting stopped reached unprecedented heights, and the people of America, in their peaceful ways, were using more of your products than were being consumed even at the height of the war.

And so, Mr. Hallanan and Mr. Secretary, I am very happy to be here at this meeting of yours, at a very significant moment in the history of America and of the world. And I know that the petroleum industry will do its part.

(Applause)

PRESIDENT HALLANAN: Gentlemen of the Council, I want to present Senator O'Mahoney's colleague, Senator Hunt of the State of Wyoming.

United States Senator Hunt.

REMARKS OF HON. LESTER C. HUNT,
A UNITED STATES SENATOR FROM
THE STATE OF WYOMING.

SENATOR HUNT: Thank you, Mr. Chairman.

Gentlemen of the Petroleum Industry, I, too, if I may please, will say just a word. We are now some twenty minutes late at our meeting over at the Pentagon. It is a real pleasure to meet you gentlemen this morning and to see that you are already giving thought to the problems that lie ahead.

I may extend just a word of congratulation to the people of the petroleum industry. I have lived right on top of it in my own county for nearly forty years. And

during some fourteen years, in the capitol building, it was my job to work with you people to see that oil produced on the thousands and thousands of acres of State land in Wyoming was produced in the right way, with conservation, proper public relations, and all that goes with it.

So I would only, this morning, have a word of congratulation to you, a word of appreciation, knowing that you are already on the job and giving this great task that lies before us the proper attention which you are giving it so early in the game.

I need not repeat the fact, of course, that oil is one of the greatest essentials in this coming conflict if it fully develops. You all know what finally slowed up Hitler's war machine. It was simply a lack of petroleum to fly his planes and do those other things that oil does.

And so, Mr. Chairman, again, congratulations to your group. You did a magnificent job in previous years. I know you will do that kind of a job again. And I think I can assure you on behalf of my colleague and myself that not only during this crisis ahead but at any other time when the two of us in the United States Senate can assist your industry, we are only too happy to do so.

I thank you, Mr. Chairman.

(Applause)

PRESIDENT HALLANAN: Gentlemen, the next distinguished

representative of Government whom I will present to you has had an opportunity during his public service to observe what the oil industry is capable of doing. He is not new to us or new to the problems of Government.

You will recall that at the outbreak of World War II this group or its predecessors gathered in this very chamber on the day Congress declared war. We met here at that time as a Council of National Defense, and the clouds were hovering over us at that time as ominously as they are now. We did not have the basic preparation to undertake the responsibilities of World War II, because we had never known or never experienced the opportunity for a cooperative effort with Government in working out problems of vital importance to our national security. So it was with some delay and some disappointments that we passed from that day, on December 6, 1941, to the organization of the Petroleum Industry War Council.

I think that record of the petroleum industry war council is emblazoned high in the industrial achievements of this country. The cooperation which we gave to the Petroleum Administration for War as an industry has stood out as a symbol of industry achievement never before accomplished in this country. And when war finally came to a close, a great problem presented itself, as to whether or not this industry should carry on in peace time.

Frankly, as you members of the Council know and as the Secretary knows, there was a sharp division of opinion within the industry as to whether that should be done.

But ultimately the decision came that there should be created, under the authority of Government, a National Petroleum Council; and that Council was appointed, in September 1946. From that date we have carried on our effort to meet the responsibilities which the Government gave us.

As to these men, Mr. Secretary, who compose the Council, under your appointment, I want to pay tribute to their diligence, their patriotism, their unselfishness, and their willingness to come here, paying their own expenses, and do what seemed to be the prudent and wise thing to do, in order that we might be prepared for whatever the future might bring.

We are not in the same position today in this hour of national crisis that we were in 1941. We have put forth our plans and formulas and have laid in your hands, Mr. Secretary, our recommendations as to what this industry can do and what it is quite willing to do in order to meet any responsibility.

You have appointed this Council. We are here at your service. We are here to meet the call of our Government. We believe that oil will be the vital factor in winning any ultimate war, as it was in former victories in war.

And so I say, Mr. Secretary, on behalf of the member-

ship of this Council, that it is a great pleasure to have you come here this morning. I know that you are weighted with great burdens at this moment. But I do not believe that there is anything more important for you to know than that this house of petroleum is in order, that we are ready to march, ready to meet any responsibility you give us.

Gentlemen, I present the Secretary of the Interior, Honorable Oscar Chapman,

(Applause)

REMARKS OF HON. OSCAR L. CHAPMAN,
SECRETARY OF THE INTERIOR.

SECRETARY CHAPMAN: I think your Chairman practically made my own remarks himself. However, it would be quite inappropriate if I did not state to you some of the things that are on my mind this morning.

First, I see in the audience here, and we have with us as our guest, Mr. Ed Falck, who is the Chief Assistant to Mr. Stu Symington in running the National Security Resources Board. Mr. Falck is with us here today, and I have asked him to spend as much time as he can at your Council meeting today.

I have ^{not} discussed the matter with your Chairman, Mr. Hallanan, and I may even invite him to be a member of this Council if he would consent. I want the Resources Board tied in with the operations of this Council, with the Advisory Group. That matter we will discuss at a later date, but I am

just thinking out loud with you.

First I may ask: There are no newspaper people in the room, I presume? Because I assume from what the Chairman first said that this meeting is entirely one that is off the record and one in which we want to feel free to speak our minds, because we are looking for answers to questions. If we had all the answers, we wouldn't be wasting the time for this meeting. We do not have all the answers. You don't, and neither do we in the Department. But between us, I believe we can find a lot of the answers. Your experience and our experience in the last war gave us a great advantage, in this meeting here today, and we are meeting here under a most unhappy outlook, shall I say, if nothing more, and for a future which we shall have to defend. But may I say that I have never known America or American people, whether they be business men or laboring men, to fail to face a fight for their convictions and their right of freedom. That is what we are fighting for today, our continued right of freedom. Without it, you wouldn't have any oil business, and I wouldn't have any rights or anything else.

It is needless for me to say to you how important your industry itself is during this crisis. It is important even in peace time. But it is even more important in the crisis facing your country today. As an industry, you are one of the crucial points, the focal points, of action that

will need to be taken. It will be through your industry, and through you, to whom we must turn for advice, that we will be able to meet the demands of not only the military but the domestic economy as well.

Therefore, I come before you this morning. And I want to say to you that I am perfectly willing to submit myself to any questions that anybody wants to ask. I am busy, and I have other business awaiting me upstairs, but there isn't anything in America more important than this cooperation and this work that you are doing here today. There isn't anything in Government or out of Government any more important.

5 I am perfectly willing to at least attempt to clarify any thoughts that you may have in your mind by answering any questions that you wish to put. But I want to say to you that you know the importance of your industry and how we have classified it in the Department and in the Administration generally.

You has heard what Mr. Symington said about it himself.

And I want to make one further comment. When your Chairman introduced Senator O'Mahoney as knowing more about the industry than any man in the public life, I just want to say that I honestly believe Senator O'Mahoney is more familiar with the oil industry than any man living, in or out of public life. He has studied, and he has worked long and arduous hours, to

familiarize himself with details of your business. And I know that because of my contacts with him, I just don't believe there is any other man living who has any more information about the total oil picture than Senator O'Mahoney,

(Applause)

I want to give you one further point of emphasis, as to the importance which we have placed on your position in this time of crisis. The Oil and Gas Division, as you know, had some little problem before the Senate Committee regarding the language in that bill. I still hope to get it out in conference, I have no assurance yet that I will, but I am still hoping to get that language clarified in conference so that there will be no doubt about the Oil and Gas Division's position. But whether it is clarified or not, it is going to still operate, either under that name or something else; because we are going to operate it,

(Applause)

and we have the authority to operate it.

(Applause)

Second, it is of such nature and of such importance that I have assigned Assistant Secretary Davidson to devote a major portion of his time as Assistant Secretary to keeping in close relationship to the oil groups and the oil divisions of the Department of the Interior as well as with the industry. I have asked him to devote a great deal of his time to keeping

say that I am going to be in consultation with the Attorney General this week, to discuss this very question with him. How far we can go in working out some, shall I say, exceptions to the rules in the matter of operations, if you want to put it in those terms, I do not know, but I will discuss that matter with him. I know that is a matter that you are naturally concerned about, and I know that you have always had concern as to that question, not only now but in the first world war and in the second world war. Particularly in the second world war you were concerned as to your cooperation, about how far that cooperation went before it became a violation of the antitrust laws.

Now, it is not a simple one. Marshall, here, probably knows more about it than any man in America. He can tell you more in two minutes than a lot of us could without a time limit about how far you can go as an industry representative without getting into direct violation of the antitrust laws.

Now, how far the Justice Department will go with us in making some expression of agreement with us so that you may operate within a limit of freedom without being in violation, I don't know. I don't know how far they feel they can go. That I am going to discuss with the Justice Department during this week.

PRESIDENT HALLANAN: Any other questions?

MR. RUSSELL BROWN: There are two questions that are of considerable concern to the producing branch of the industry.

I hope you have an opportunity, in your capacity, to confer with the other governmental agencies on this. It is the question of not permitting the group that provide steel for the oil field operations to divert it to something else, beyond the necessities of the situation.

We do recognize that some will be so diverted. The other is that in all of our scientific work -- and there is a lot of it in exploratory and well development activity -- we have a lot of highly specialized scientific men, and many of them are young men.

The question of manpower will become very important to our continued operation.

I am not asking a question. I am just bringing this out so that those two ideas will be with you in your conferences. And I sincerely trust they will be.

SECRETARY CHAPMAN: Russell, you have asked a very pertinent question there, one which I think the industry is going to have to have some serious thinking on. Because, as we move further and further into this crisis, the manpower situation, particularly among your highly skilled and trained people, becomes a very serious problem to you.

Mr. Falck's office, under Mr. Symington, is discuss-

ing the question of manpower, its allocation, and its location. It is discussing that and will have authority to deal with the question to a certain extent under the present law.

Under the new law, I don't know how much more additional authority they will have to deal with it, but they will have some.

Secondly, let me say this to you. I know we get peeved at individuals now and then, and we think, "Well, I wish that guy was out of my hair. If I could get him out of the way, I would do a lot of things." But I am going to tell you something. You remember two or three years ago when you were discussing steel? You remember who it was that got his neck stuck clear out with the other Government officials? It was Davidson, here. He wrote a letter to the Secretary of Commerce, as Assistant Secretary of the Interior, in which he didn't pull any punches about the needs of the oil industry, and that they had to be met now. He pointed up his case in that letter, and he consistently followed it up, to the point that I know he harassed them. I know they didn't like it. But nevertheless you finally got your steel.

Now, that is another one of the reasons I have assigned Secretary Davidson to this problem. You are going to need some help in more than one area here. You are going to need help in the sense of proper coordination between the getting of steel and the getting of the proper skills and man-

power. Those are the things you are going to need.

I point this up, because it is one of the things that you are going to run into almost instantly, and I am sure you will have difficulty with it very soon. The natural gas people have already been to see me in committee and have visited me this morning.

Most of you are natural gas people as well as oil. I know that. But the natural gas people like to separate themselves once in a while. So they came to me in a separate group to ask if they couldn't get my help in getting steel for some pipe lines up in New England.

First I suggested they had to have the approval of a little commission known as the Federal Power Commission before I could do anything about that. They are working on that idea now. I just point that up to you. It isn't all simple and easy, and we don't go straight down the road with a law that says we are going to do this. You have to relate it to all the other problems of industry and Government. And those are some of the things that you relate them to.

Incidentally, I saw Congressman Keogh come in here a moment ago. Where did he hide? He hid somewhere. I want you to stand up and let the folks see you, Congressman Keogh.

(Applause)

He is not a member of this Council. I didn't even know he was here. But that is all the more to his credit. He

came in here to learn something about the problems and the troubles you are dealing with. I appreciate it when a Congressman walks in here unannounced and unknown to anybody, and just walks in here alone to listen to this conference. I know he has committees in the Congress he ought to be attending this morning. But he felt the importance of what you are doing here today, and he came in here to try to get some information.

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For that, Congressman Keogh, I not only thank you and express my appreciation, but I know the other members of this Council will.

If there are any other questions, I will be glad to try to answer them.

DR. WILSON: Pursuing further what Mr. Suman said, I am convinced, and I think the last war proved, that voluntarily the industry can do a far better job than can be done by legislation or rigid controls. And the industry wants to do the job. But take a simple matter like meeting Government requirements, which are going to be a burden on us. Every man in the industry wants to do his fair share, but there is always doubt whether what is asked of you is more or less than your fair share. Only by sitting down and getting together and analyzing the situation can you do anything like that. And yet we don't dare do a thing like that, in view of the present attitudes.

Take the proposition of handling any shortage situation. You remember last time we were only able to operate in meeting the demands of a very cold winter by virtue of the Taft law then in operation. We were very careful in staying within that, and we had a lawyer on any committee that had anything to do with it. It was extremely important. Now I don't believe we have such protection.

Suppose it should be necessary to put some limit on octane. We have taken a great many of the octane constituents and put them in to upgrade the gasoline, in this competitive thing. We couldn't possibly put in limitations unless we had some sort of clearance.

So there are many concrete problems of that kind that will be before us in a few weeks.

SECRETARY CHAPMAN: I think Howard Marshall, here, worked on that committee, if I am not mistaken, in 1941 or '42. I think he worked on that committee in consultation with the Attorney General at that time, and I think he raised almost identically the same questions that you have raised here this morning. They are the type of questions that you need to have some answers to. They are the type of questions that you want to know how far your cooperation goes before it becomes a violation.

I appreciate that, and I will have to repeat again that I can not answer it. I don't know whether the Attorney

General can this morning. But if he had some advice and help from this Council, he could do a better job of answering it by the end of the week.

Marshall worked on that question, and I keep referring to him, because I know what he did with respect to that, and many other things, in working in this petroleum industry program. He is familiar with it as a lawyer; and not only as a lawyer, but he is familiar with it as an operator, as to what can be done in that field.

I wish Howard Marshall would be giving some thought to the questions I ought to ask the Attorney General this week. I intend to see him and talk to him after Thursday as to this very problem. I don't know how to amplify that, except to say that I can't answer it without having had such a discussion.

DR. WILSON: I just wanted to give you some concrete problems which we are going to meet in the near future.

SECRETARY CHAPMAN: I remember it was those same problems that we were faced with before.

Now I don't think you are going to recommend that we, per se, lift the antitrust laws for any industry. But we are going to try and find a place of operation within the limits of the law so that you will not be bound unnecessarily and so that you will feel assured and not that you are violating the law when you do what the Government is asking you to do.

Are there any other questions, gentlemen?

I appreciate this opportunity of coming in here this morning. I know you folks don't want to hear any speeches.

But I have asked, as I said again, Mr. Ed Falck to sit in for as much time as he can spare today to meet with this Council. I am thinking out loud now, ^{and} I have ^{not} spoken with your Chairman about the possibility of appointing him as an advisory member of the Council for the purpose of closer coordination with the higher echelons of the Government, who will have considerable authority in dealing with the problems that we will be dealing with.

Second, you have Assistant Secretary Davidson, whom I have asked to remain with you during the session today, and stay with you entirely during the day if he can.

With that, I am going to cut out any more oratory, and if there are any questions that come up later, I am going to come back and do my best to answer them for you.

(Applause.)

PRESIDENT HALLANAN: Gentlemen, I desire to present at this time, Mr. Falck, who is an Assistant to Mr. Stuart Symington, Chairman of the National Security Resources Board, and who has a very close interest in the program of the oil industry in connection with the mobilization of industry generally.

Mr. Falck, we are delighted to have you here and

hope that you will meet with us as often as we come.

Mr. Falck?

REMARKS OF EDWARD FALCK,
NATIONAL SECURITY REOURCES
BOARD.

MR. FALCK: There are a great number of people in the room who know a great deal more about this mobilization than I do. Admiral Biggs is right in front of me here, and I see a lot of people from the PAW that I had experience with when I was in the War Production Board on the last go-round.

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I have, over at the Security Resources Board, Charlie Rainor as Chief Petroleum Adviser. I think most of you know him.

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We have an extremely small organization. We don't expect to expand it. We have established very effective working relationships with the Munitions Board, through Admiral Biggs. We hope to establish closer relationships with the Military Petroleum Advisory Board than we have had in the past.

We are working very closely with the Oil and Gas Division, with Hugh Stewart, and with the Department of the Interior, and we are going to try to use the NSRB not to duplicate functions or to overlap personnel or to establish a little bureaucratic empire of our own, but solely for the purpose of coordinating some of the tough decisions where conflicts arise between one major program and another.

I know that the oil industry is very anxious that the

Government not take it over. You see a lot in the National Petroleum News and other publications of the industry about that. I can say that there is nothing that I have seen in Washington that indicates any desire on the part of anybody to take over the oil industry, and certainly there is nothing like that in either the Department of the Interior or the Security Resources Board.

Thank you very much.

(Applause)

PRESIDENT HALLANAN: Gentlemen, in the scheme of things, in a great, far-flung organization such as the Department of the Interior, with its tremendous ramifications of responsibility, it is highly important that there should be a breakdown of authority such as Secretary Chapman has indicated to you this morning.

It was only a few days ago that the announcement came that he had named the Assistant Secretary, Mr. Girard Davidson, as Assistant directly in charge of the activities of the Oil and Gas Division. Mr. Davidson was born down in Louisiana. He practiced law down there, and that is where he had his first contact with the oil industry. He learned the hard way. He has been a student of Government and a student of the oil industry. And I am happy to have the pleasure of presenting to you at this time, the Assistant Secretary of the Interior, Honorable Girard Davidson.

(Applause)

REMARKS OF HON. C. GIRARD DAVIDSON,
ASSISTANT SECRETARY OF THE INTERIOR.

Mr. Davidson: Thanks, Mr. Chairman.

I think Secretary Chapman is correct, that you have had enough speeches today. So I don't propose to make any. All I do want to say is this: that I feel very keenly the responsibility that the Secretary has placed upon me of working with this industry in the tremendous job which we have to do in order to meet the requirements of this country.

This country has come a long way, giving us the highest standard of living of any nation in the world, and we have done it under our free enterprise system, and we are going to keep that free enterprise system going. We are going to keep it going in spite of our temporary disturbance in Korea. But in order to do that, we have got to be able to take care of any kind of contingency which might arise.

Therefore, I consider it not only just a duty but a pleasure to be able to work with you to see that this all-important industry gets the necessary things which it has to have in order to do its job for the military requirements and for the civilian economy.

Mr. Brown mentioned a little while ago the problems we had before in steel. Yes, I remember. I stuck my neck all the way out. But it was worth it. We got the steel for the oil industry at that time. And sometimes, talking off

the record, in government or in other places, you have to stick your neck way out, in order to get the thing which you know should come forth at the time. I am willing to go to bat to help you to get the things which are needed for our economy.

I have looked at the agenda for today. These are the problems which the industry has submitted to you on which we want the advice of the industry.

I want to make one other point, and that is that I hope during the ensuing months you will feel free individually and collectively to stop by my office, to give me a ring, and to talk to me about the problems facing the petroleum industry.

I see a number of my personal friends in this group, whom I have known for some time. As to those of you with whom I am not so well acquainted, I hope if you have any problems or anything that you think I should know about on the situation, which you do not think has otherwise come to my attention, you will feel free to bring it to my attention, because I want to do everything I can to assist you to assist the American economy.

Thank you.

(Applause)

PRESIDENT HALLANAN: Congressman Keogh, we are very pleased to have you here this morning. We know that you have followed the problems of the oil industry very closely, as a

Member of the House of Representatives.

I would like very much to have you come up here and say a few words to the members of the Council, if you will. We want the Members of Congress to know what is going on.

REMARKS OF HON. EUGENE J. KEOGH,
A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW YORK.

CONGRESSMAN KEOGH: Mr. Chairman, it is hard for a member of the legislative body to resist the temptation, even to talk.

PRESIDENT HALLANAN: Gentlemen of the Council, Congressman Keogh of New York,

(Applause)

CONGRESSMAN KEOGH: But actually, I am the modern prototype of that historical character who really did not come to talk. And I propose not to.

I was delighted to have the invitation to sit in. I am pleased to have been able to participate thus far. I propose to stay as long as I can, the better perhaps to inform and consult with my colleagues in the Congress so that we, too, will be a part of the team, the team in which your industry is so important, and the Department of Interior, too. We are always anxious to cooperate. And it is good to be here.

(Applause)

PRESIDENT HALLANAN: Gentlemen, to move along into

the sphere of the military: There is a little different picture before us than when we met last time. I want to again, before introducing Admiral Biggs, emphasize the importance of the confidential discussions that take place in this meeting. I urge upon you that you not discuss with the press or any one else those matters that are brought before us, because of their relation to the problems of national security.

We are faced today with the request for the reactivation of several committees that have to do with the war effort. One of those committees is the Committee on Military Supply. That presents an immediate problem to us. And we are very happy to have this morning Rear Admiral Biggs, Chief of the Petroleum Division of the Munitions Board.

I present at this time to the Council, Admiral Biggs.

(Applause)

REMARKS OF REAR ADMIRAL B.B. BIGGS,
CHIEF OF PETROLEUM DIVISION,
MUNITIONS BOARD.

ADMIRAL BIGGS: The Council was very fortunate in their last meeting, because they didn't get me inflicted upon them; but they are stuck with me now.

I might remark, before I get into this business of the intimate details of our present situation, in connection with the question which Mr. Brown brought up in relationship to the supplies for the production of oil, that in the Munitions Board they have what they call an Allocation Manual, and the

military services have an arrangement whereby they can go out and make an agreement with various production plants for various items, and they sign an agreement -- it is tentative, of course; it is no contract -- that a certain part of this production is allocated for a particular purpose.

By various means we have succeeded in getting written into that manual that where a man is a historical supplier of specific items for the production of petroleum and its products, those commitments will not infringe upon his historical supply position. But if he is negotiated with to produce specific military items, it will be on the basis of expanded facilities, which will not infringe upon his historical position.

That is a general principle which we have worked with the Material Resources Section of the Board on, and with the National Security Resources Board.

In fact, I had the president of the Cameron Iron Works in my office just the other day talking about some specific item. A lot of you are well acquainted with that particular matter. So much for that. That is what little I know about it.

The present situation that we are faced with, talking now in connection with the fiscal year 1951, which began on the first of July, 1950, is that as to our aviation gasoline requirements, which you are pretty well acquainted with, at the present time it is indicated that between the first of

August and the first of December, our demands for 100/130 gasoline will be somewhere in the neighborhood of 29,000 barrels a day. Our requirements for 115/145 will be of the order of 42,000. That makes a total of 71,000 barrels a day. It is estimated that by December 1951, that demand will rise to 50,000 barrels a day of 100/130 and probably 71,000 115/145.

DR. WILSON: What date was that?

ADMIRAL BIGGS: By December 1951; in other words, during the second half of fiscal '51.

DR. WILSON: That would be a part of fiscal '52?

ADMIRAL BIGGS: Yes. That is correct. I beg your pardon.

DR. WILSON: Then the figures are fifty and what? I got the first two, but I wanted the second set of figures.

ADMIRAL BIGGS: It is 50 and 71.

We have done this. We called the Chairman of the Refining Committee of the MPAB yesterday and gave him the general information and informed him that we were calling in turn the District Refining Chairman of the five PAW districts. That has been done.

The questions that have been presented to the refining chairman are:

1. Can your district meet the requirements?

Of course, we took this total and broke it down by districts.

If not, how much are you short?

If they can meet the requirements, will there be any surplus in your district? And what is the general refiner layout that would be expected to produce?

Those answers will probably be in by telephone.

And this is an unusual proposition: we told them the telephone was collect.

(Laughter)

Those answers will probably be in, then, as to what the refining chairman can find out about the situation,

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Now, in connection therewith, as you gentlemen know much better than I do, this thing that is the big question is: how much alkalite production have we, and how much alkalite production will it take to meet the normal civilian demand, to meet the rubber program, and to meet the increased aviation gasoline program?

I am informed by sources usually considered reliable that the alkalite production at the present moment is somewhere in the neighborhood of a hundred thousand barrels a day. How much of that is aviation grade or how much of it is borderline, I don't know.

There will probably be somewhere in the neighborhood of a six thousand barrel a day increase in butylenes for synthetic rubber. That is also a crystal-ball estimate.

But to revert to the previous remark that all

Intelligence officers use: "The source is considered reliable."

It would, on an offhand glance, indicate that your alkalite requirement could be of the order of 122,500 barrels a day. There are various assumptions in there, as to how much of it is going into motor gasoline and how much of it is going various other places. That, gentlemen, is approximately the situation at the moment.

Colonel Cotulla will be able to give you, and will give you in a very few minutes, the immediate shortage that he is faced with in the matter of cargoes for immediate procurement.

At the present moment, we have no strain on other products. We do have yet to determine a little more definitely our immediate requirement and projected requirement for jet fuel.

As Ed Swanson suggested, as additional ships come out of mothballs, and as ships make trips like the Boxer recently made, you burn a lot of oil that way. But at the present guess, I personally don't feel that you are going to get into an immediate bind on that particular subject.

Also, our stocks of Navy special fuel and diesel are considerably healthier than some of the other products.

One of the requirements on this aviation gasoline, one of the items in the aviation gasoline picture, is the fact that the sudden impact stripped down some of our stocks

rather drastically, and we are in the position of having to build those back up and add to them.

So this does not represent a direct military consumption requirement, but there is a considerable item of stock building in there, and stock replacement.

I think you gentlemen would agree that a stock building and stock replacement program at this particular moment is just as important as getting the gasoline in the airplane as of this morning. At least, we so consider it.

PRESIDENT HALLANAN: Gentlemen, are there any questions on this aviation gasoline, which you desire to propound to Admiral Biggs?

MR. WESCOAT: Is there any comment on toluene, at the moment, Admiral?

ADMIRAL BIGGS: At the moment, no. The toluene and the aromatics for the rich side of the mixture have not, to my knowledge, been so tight as the lean side on the alkali end. We have to depend on the alkali production for the lean side of the mixture. We have the Air Force with a cruising range requirement which looks at the lean mixture with also a combat requirement in mind, when you pull the throttles all the way back, and naturally the man who is flying an airplane off of an 800-foot deck of which he can use 600 wants to be very certain that that 145 is in it when he starts. I just express in passing that those are the reasons why both

people want both sides of that rating.

To date I know I have not gone into it too deeply on the rich side of the mixture, but the indications are that we are in fairly good shape at the moment.

DR. WILSON: There is quite a good bit of pressure from the chemical industry to convert some of the hydro forming into benzol manufactures, against toluene.

Do you have any opinion, or has the Munitions Board made any analysis, of which is most important to the war effort of those two?

ADMIRAL BIGGS: No, I can't answer that directly. We have had a number of people for the past month struggling with the toluene and particularly the benzene background of the cumenes; the whole thing being tied up.

But as to the benzol to make the toluenes, I haven't a decent answer to that, no, sir. However, we are in the process now of getting together with the Material Resources people on both the toluene and the benzene question.

MR. FENTRESS: I think I may add a word to that, Admiral, if I may.

The National Security Resources Board and the Munitions Board are considerably concerned over benzene in case of an emergency. The place where the pinch will come in that is making chemicals for synthetic rubber production.

You may recall the last time considerable emphasis

was placed on that, so there is a definite conflict where you folks in industry are concerned, and it is something that we, in Government, will have to consider, as to which is the most important.

DR. WILSON: But it is the same conflict on the butadienes as on the benzol.

ADMIRAL BIGGS: And at the present time there are two technicians in my place who are working with the technical people of the Rubber Reserve and the Munitions Board and the NSRB to find a degree of criticality, as well as where we might recommend a balance.

11 MR. JENNINGS: Admiral Biggs, you spoke about the total requirement of alkalite being perhaps a hundred thousand barrels a day.

Would you like to enlarge on that statement a bit? As of what time were you speaking? And does that contemplate that some alkalite would continue to go into motor gasoline, or does it not?

ADMIRAL BIGGS: That includes a considerable allowance. As to the gas that we have put together, here, at the moment, the total requirements now for alkalite approximate six thousand barrels a day for increased rubber production.

MR. BRUCE BROWN: That is butylene.

ADMIRAL BIGGS: Well, it has that effect.

DR. WILSON: If that is the volume of butylenes,

it would be twice that volume of alkalite.

ADMIRAL BIGGS: The Government program will require an additional 6,000 barrels of butylene.

DR. WILSON: Which will cut out roughly twelve.

ADMIRAL BIGGS: It is about a 2 to 1 ratio.

The increased avgas production --and that covers more or less the next six months, the estimated requirement-- would require somewhere in the neighborhood of 26,500.

MR. BRUCE BROWN: Do you have some more figures on that?

ADMIRAL BIGGS: There is 75,000 a day for normal aviation gas and rubber activities, and an allowance of about 15,000 a day for motor gasoline. Whether that is 10,000 a day for motor gasolines or twenty-five, I am sure I don't know.

So if you take those six months and multiply by two, you are going to come out with approximately 128.5, using those figures. That is 6,000 butylenes, if you count it as 12,000 alkalite.

I think those mathematics might be a little dangerous, however, because if you take out the 6,000 butylenes you can't add it in as an alkalite requirement; so you are liable to get a bit tangled on your mathematics. But it is somewhere, as we see it at the moment, in excess of the present production. That is the item. Just how much, you gentlemen are much

better qualified to determine than I.

DR. WILSON: The butylenes, for the most part, for that amount, can and should come from plants that don't have alkalation plants. If you could send them to the rubber plants, that would be the sound thing to do.

ADMIRAL BIGGS: Of course, most of the gentlemen who are operating rubber plants right now have the situation, in a lot of cases, that the rubber plant is hooked on to the light ends department and goes right on over. At least, in
12 the couple I have seen it worked that way.

PRESIDENT HALLANAN: Any other questions, gentlemen?

Thank you very much, Admiral.

Colonel Cotulla, Executive Officer of the Armed Services Petroleum Purchasing Agency, had some matters to present with respect to immediate shortages.

Colonel Cotulla?

REMARKS OF COLONEL I. E. COTULLA,
EXECUTIVE OFFICER, ARMED SERVICES
PETROLEUM PURCHASING AGENCY.

COLONEL COTULLA: Gentlemen, after all the expressions we have had this morning, I am a little ashamed to come up here and lay my relatively insignificant problem before you.

However, you appreciate that in my particular job, my problem concerns the very material facts of life; not so much what is going to come up next year, or December 31, 1951, but the problem that faces us between now and the first of

September, let us say, or a little later on.

I, too, have some figures, here. There may be a slight discrepancy -- I don't think it is serious, if there is -- between some of the figures that I will give you and those given you by Admiral Biggs. That can be explained and is explained by the fact that Admiral Biggs works the other side of the street. He gets his figures largely from the basis of flying hours and the programs that they have in mind, as well as several plans which are in the offing.

On the other hand, most of my data comes from direct requests from the Departments or from the overseas areas. And of late there have been a number of changes in those requirements. People have not stayed hitched too well on this program.

Incidentally, I would like to review just for your information very, very briefly what the program was as of the first of July, or, we will say, the twenty-fifth of June, and what it is as we see it at the moment.

As for the total requirements, I am going to just run down the line on these commodities which we classify as bulk fuels. And this has no relation, Dr. Wilson, to the post, camp, and station requirement, which is a vexing sort of a problem.

DR. WILSON: The what?

COLONEL COTULLA: The post, camp, and station

problem for the various and sundry activities. But these are more or less bulk requirements, where we piggy-back things around in tankers, and so on.

As of the twenty-fifth of June, our requirements so far as we knew them for this current six months, for the period ending the thirty-first of December 1950, for the next six months, were three and a half million barrels.

Now, since that time, we have added requests from the overseas theaters to take care of stocks in various areas, including those overseas, and to take care of the anticipated increased consumption and activity throughout both United States and overseas areas, of two and a half million barrels. Excuse me. I always insist on coming over here without my glasses, and then I have a time. That is 2,900,000 barrels.

DR. WILSON: In addition to the three million five hundred thousand?

COLONEL COTULLA: Yes, sir. I want to hasten to add this. All of the basic requirements are the requirements as they existed as of 25 June, and they have been covered contractually.

COLONEL DRAKE: What does that include?

COLONEL COTULLA: All of them, Colonel Drake. In other words, we had no shortages so far as industry was concerned. All of our requirements were met. This particular one I am discussing at the moment, sir, is the grade 115/145

aviation gas.

As I said, we have anticipated added requirements to the extent of 2,900,000. So we come up with roughly a 6,500,000 figure for the balance of this year.

DR. WILSON: You say that is all fuels?

COLONEL COTULLA: No, sir, that is Grade 115.

As of the moment, I have contractual commitments to the extent of 4,300,000 barrels; so I am roughly two and a quarter million barrels short of meeting my requirements as we see them now for the balance of this year.

On the Grade 100 aviation gasoline, our basic requirement, going back to 1 July was 5,400,000 barrels. To that, we find we have an added requirement of 1,300,000 barrels. So the total requirement, as of today, appears to be 6,700,000 barrels. We have contractual commitments for 5,700,000 barrels, and we are looking for a million barrels, or will be very shortly.

The increase in the 9198 and in the Grade 80 aviation gasoline, has been just insignificant; 25,000 on the Grade 91 and 118,000 on the Grade 80. Both of those requirements have been met, so we have no shortage in those particular products at the moment.

On the jet fuel -- and this is J.P.1 and not J.P.3 -- we were looking at 3,200,000 barrels for this six months period before the uproar started.

MR. BRUCE BROWN: That is kerosene fuel, isn't it?

COLONEL COTULLA: Yes, sir.

To that we have to add the requirements brought about by the current disturbance, which apparently are about 750,000 barrels.

COLONEL DRAKE: That is a total of what?

COLONEL COTULLA: A total of roughly four million barrels, sir, 3,973,000.

I have covered 3,400,000 barrels under present contractual arrangements with various companies, and I am shy between 5 and 6 hundred thousand barrels.

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You might be interested in the other fuels which we touched upon a while ago.

The motor gasoline picture remains essentially unchanged. Now, don't misunderstand me. There undoubtedly will be a change in it, but it just hasn't hit yet. That remains currently at somewhat over three million barrels for this six months' period, and we seem to be well taken care of there. We have no shortages.

We have had an increase in the diesels, to the extent of 800,000 barrels. Our present requirement is about 3,900,000 barrels, and we lack coverage of above 300,000 barrels of that. I don't anticipate any difficulty in getting that fuel. In fact, I think we decided yesterday or the day before to go out on a formal advertisement for that

fuel.

On the Navy special fuel oil, which is a considerable item as far as volume is concerned, our previous requirement was 14 million barrels, and we have had an increase in that requirement to date of 2,900,000 barrels.

We covered 900,000 barrels of that only recently on the West Coast, and within the next day or perhaps two days we will go out and attempt to get an additional million barrels on the West Coast and an additional million barrels on the Gulf East Coast.

I don't think that there is going to be any particular strain there.

That relatively modest increase in the Navy special, as Admiral Biggs mentioned, probably is subject to change later on. There isn't quite as much anxiety about the Navy special fuel, because of the fact that stocks are relatively ample; that is, compared to the available storage.

DR. WILSON: You mean Navy stocks are?

COLONEL COTULLA: Yes.

DR. WILSON: Industry stocks are low.

COLONEL COTULLA: Yes, I am speaking definitely only of the Navy; not for industry at all.

That brings me back to the principal point for me being here. I have between now and the first of September-- that is, for August; which is a rough deal -- a need of roughly

700,000 barrels of Grade 115 avgas and about 3 cargoes, or 350,000 to 400,000 barrels, of Grade 100,000 aviation gasoline.

DR. WILSON: You mean for delivery during August?

COLONEL COTULLA: No, that is the total requirement that I am going to need.

Of that total, I have gotten commitments to the extent of about half of the Grade 115, and I am actually short -- and I am here with a large tin cup, as I told some of you last week, and I will be very grateful if you will, as you go out, dump your cargoes in there, and we will discuss them -- to the extent of about 450,000 barrels of Grade 115, which I need between now and the first of September. And that is a rough one. I am quite aware of that.

COLONEL DRAKE: In other words, the 700 was the amount you got covered. You still need how much?

COLONEL COTULLA: I need about 450,000 barrels, Colonel Drake.

COLONEL DRAKE: That is 115?

COLONEL COTULLA: Yes, sir.

DR. WILSON: You said you had about half covered, which would be 350. Was it 350, or 450, that you need?

COLONEL COTULLA: I need 450.

DR. WILSON: Then you aren't half covered.

COLONEL COTULLA: Not quite, sir.

COLONEL DRAKE: But on the hundred, how much more do

you need?

COLONEL COTULLA: On the Grade 100, I am short one cargo, 130,000 barrels.

DR. WILSON: There is still a discrepancy, Colonel. You said you had something over 300,000 out of the seven, and you need 450.

COLONEL COTULLA: Yes, sir. I am rounding off these figures.

The actual figures are 780,000 barrels, and what I have covered is 320, and the balance is 460, sir.

COLONEL DRAKE: That is 115?

COLONEL COTULLA: Yes, sir, that is Grade 115 aviation gasoline.

Now, in September, we, of course, will have some added requirements as a part of this general increase of 2 million barrels which we anticipate we will need between now and the thirty-first of August. The rough part about it is that the impact is early in the game, and thereafter the peak more or less smooths out, and I will need a couple of extra cargoes a month of Grade 115 in September, October, November, and so on.

That is the problem that we are confronted with. I have discussed it with a number of representatives of companies along the East Coast, and some by telephone on the West Coast. The story is strikingly similar for all of them.

COLONEL DRAKE: May I ask a question, Colonel?

COLONEL COTULLA: Yes, sir.

COLONEL DRAKE: Out of this 460 that you need in August, of 115/130, how much of that is on the East Coast, and how much on the West Coast? Is it all East Coast?

COLONEL COTULLA: The bulk is on the East Coast. I need one cargo on the West Coast, sir.

COLONEL DRAKE: Of which?

COLONEL COTULLA: Of Grade 115.

COLONEL DRAKE: That is rather important to know, isn't it?

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COLONEL COTULLA: And the balance of the 115 is on the U. S. Gulf.

COLONEL DRAKE: And your hundred is all on the East Gulf?

COLONEL COTULLA: The hundred is again one cargo on the West Coast. That is where I need that.

COLONEL DRAKE: Then it is all out there.

COLONEL COTULLA: That is correct. All of the 100 is needed on the West Coast.

But we can make arrangements, sir, if we get the product offered in the U. S. Gulf, to get it to the location we would prefer to have it, without bothering you people on that, I believe.

This, I am going to make very brief. It is my swan

song here this morning.

MR. FENTRESS: Before you get to that, do you have any shortage in J.P.3?

COLONEL COTULLA: I asked about that, about what had happened to it. It is a very quiet product right at the moment. We had 1,800,000 barrels as a requirement, which was covered, and there has not been any additional request come in for J.P.3.

Now, I suspect that the reason for that is that most, if not all, the jet planes that are in the active areas at the moment have not been modified to take J.P.3, and the additional requirements are in J.P.1. And, of course, as you know, by the papers, at any rate, there has been a considerable impetus that has been placed on the shipment to the active areas of additional fighter aircraft that are powered by the conventional reciprocating engines and not by jets, because of the fuel capacity of the jets. So I don't anticipate that we will have any great upswing for the immediate future in the jet fuels.

ADMIRAL BIGGS: You might have some upswing in J. P. 3 after the first of January.

COLONEL COTULLA: Oh, yes. Again, I am breaking this off on a small bite, on the picture between now and the thirty-first of December; and to be frank, I won't guarantee that tomorrow morning this picture will remain the same. I don't

for the end product. And again I would like to mention in that connection that we recognize the fact that where you have to come up with this product in a relatively short time, possibly securing components from other companies, there is added expense in connection with the manufacture of the product. And we are perfectly willing to recognize that and contract for it accordingly.

Bear in mind that it is your dollars that I am spending. And at least I hope I don't have to write off somebody's addition to a plant on the first couple of cargoes of gasoline that come along.

We are not going to attempt to hold you to the pattern established by our procurement of last May or June, for example. If you have added expenses, we expect to reimburse you for those.

MR. SWANSON: What is the longest period you can contract for on the basis of supply? A year?

COLONEL COTULLA: Mr. Swanson asked what was the maximum length of time that we could contract for petroleum products.

As you know, most of our contracts are on a six months' basis, because we get our requirements on that, and it seems to be about as long as you can expect any one to stand hitched on a contract with prices bouncing up and down the line. And that works for us, too, of course. So we can

frequent intervals, to announce that in my personal opinion, the industry not only could but would take care of the needs of the military, certainly in the early stages of any emergency, without any great difficulty.

I am leaving this present jaunt very, very shortly. That pleased smile on my face may be visible from way in the back of the room. And I would like to go out without having been made out to be --

VOICE: An optimist?

COLONEL COTULLA: That is a charitable word. I was going to use something else, but I will accept the amendment.

DR. WILSON: Is there room in the picture for things like tank car shipments of alkali and other components to coastal places for assembly, or don't you feel you need to go that far yet? Interior refineries, of course, have scattered them out, so that it is not very readily available to the Coast, but it can be done in an emergency.

COLONEL COTULLA: Dr. Wilson, I don't believe that is in the picture right at the moment.

You appreciate, of course, that we contract for the end items. I hoped that after the industry committee, which I had assumed in the absence of anything else would probably be reestablished, got into gear, such problems as the question of components, swapping, here, there, and the other place, could be handled by industry, and that we would be able to contract

contract for at least a year. In fact, I have one contract, as most of you know, that extends over a period of five years. However, that is financed in a little different way from the normal run of affairs. I would say for all practical purposes a year's contract is perfectly feasible. However, normally, we do contract for a period of somewhat less than that, usually six months.

Are there any other questions?

PRESIDENT HALLANAN: Any questions, gentlemen?

Thank you very much, Colonel.

COLONEL COTULLA: Thank you. And thank you very much for letting me come over and be here and talk to you during the past two years.

(Applause)

PRESIDENT HALLANAN: Gentlemen, the Military Petroleum Advisory Board was set up some years ago to deal strictly with the problems of military emergency. They worked closely with the Council, and we have attempted to cooperate with that organization.

Mr. Bruce Brown is the Chairman of that Board, and I would like to now call upon Mr. ^B Brown for the report of the Military Petroleum Advisory Board.

REPORT OF BRUCE K. BROWN,
CHAIRMAN, MILITARY PETROLEUM
ADVISORY BOARD.

MR. BRUCE K. BROWN: Just a word about the ordinary activities of the Board.

In the last ten days or so, Mr. Hallanan's office mailed each member of the Council a document which contains a manual of procedure of our Board and lists the various committee men that are at work.

I noticed some perplexity on the part of some members this morning when Admiral Biggs referred to referring something to the Refining Committees. He was talking about the Refining Committees that the Military Board has set up under its Refining Panel; and each of you has a copy of that pamphlet and can see who they are, but I can tell you before you look that we picked those lists by going back over the PAW records and reappointing the people who had served in the PAW's when they were still existing, or a reasonable facsimile of them.

We had a meeting at Houston a couple of weeks ago, where we invited all of the District 2 and 3 people working with us to sit in with us so that they could have a better appreciation of the type of work we were going to do.

I would like to devote some time this morning to a topic that has already been discussed by Admiral Biggs and Colonel Cotulla, implementing what they said a moment ago.

What I have to say is not as optimistic as the general impression you may have received up to date.

First, as far as the estimates of requirements are concerned, Admiral Biggs gave them to you. In the last half of this current calendar year, the Armed Forces will need 29,000 barrels a day of 100/130 gasoline, and 42,000 barrels a day of 115/145. Those are the figures the Admiral gave you. I mention them again, because I want to emphasize something else he said. That is that seventeen months from now it is estimated that those requirements will rise about 75 per cent. The requirement for Grade 130, instead of being 29,000 barrels a day, will be 51,500. The requirement for Grade 145, instead of being 42,000 barrels a day, will be 70,800.

DR. WILSON: Are you assuming a war?

MR. BRUCE BROWN: No, I will not say that.

Now, I know as well as some of my associates on the Board, who are my associates on the Council, the basis of those estimates. That is not for a major war at all, gentlemen. That is just to activate enough units to replace those that will have to be committed in Europe. It is just for storing, not stockpiling, but just the strategic storage the forces should have had all along, that we recommended two years ago and the Congress finally shook loose the money for. I am not saying those are the total requirements. I am merely trying to tell you that in my opinion these are reason-

able requirements. There is nothing funny about them. They are not too big, and nobody has added 30 per cent all along the line to get them. Those "are them". That is what they are.

Now, several of you, most of you I know, are bored as the devil with this refining stuff, and some of you are vitally interested.

I am going to try to give you some figures, to answer some of the questions asked Admiral Biggs. You are all welcome to take them down.

You remember the Chairman's admonition that this is a confidential session today, and I will give you as few figures as I can.

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The first thing I am going to give you is the requirements for aviation gasoline, civilian and military, as they existed prior to the invasion of South Korea. In other words, that is what we might call a normal 1950 demand of the military and the civilian. It is like this:

For the civilian use, Grade 130, which is airlines, the demand was at the rate of 46,500 barrels a day. Now, remember, the airlines use only 3 cc's of tetraethyl lead, which means that in the current peace time conditions our aviation fuels committee estimates that that was made up, that 46,000 barrels a day was made up, to the extent of about 90 per cent of this alkalite that we are talking about. That

is the first demand. 46,500 civilian Grade 130; and add to that the military demand for Grade 130, which was 27,600 barrels a day. Now, that has 4 and 6-tenths cc's of lead in it, and the best our committee could do on a hurried estimate was that it probably averages about 70 per cent alkalite.

COLONEL DRAKE: What percentage was the other?

MR. BRUCE BROWN: Ninety was the first.

Now, the third military demand, pre-Korea, for Grade 145 avgas, was 13,500 barrels a day.

COLONEL DRAKE: Just repeat that again, Bruce.

MR. BRUCE BROWN: 13,500 Grade 145 military demand, 4.6 cc's of lead, and there's an argument about how much alkalite is in it, but it is sort of in the order of 90 per cent or above. That was the pre-Korean situation.

In the hurried estimates that we have made, that we will have to perfect, it appeared that there was actually being put into avgas, civilian and military, by our industry, pre-Korea, 70,000 barrels a day of alkalite. And we have estimated, or guessed, that there is between 10 and 20 thousand barrels a day of alkalite that is being put into the motor gasoline to raise the octane number.

We estimate that the total actual production in the country in recent months has therefore been of the order of 90,000 barrels a day.

Some people argue with you that it has been 80 and

some people argue with you that it has been a hundred, and we don't know. But that is an educated guess, that it has been about 90,000 barrels a day.

That was the situation pre-Korea. And I will take up the post one in a minute. But now I want to go back to history.

During World War II, the American industry had 56 alkalation units running, and the maximum capacity of those units was about 170,000 barrels a day to alkalite.

We estimate there is between 30 and 35 and 40 available today. In other words, of those 56 units, some have been diverted to chemicals, some have been cannibalized, and some have been sold as junk. We estimate there are 35 to 40 that are available.

Those are not all running full capacity. In other words, people aren't charging all the butylenes and iso-butanenes or propylenes to them that they could if they had to. They are just running at the capacity that it is the pleasure of the Committee to set to meet the demand that exists. We just guess, and again we will have to check this, that those units could make maybe as much as 115,000 barrels a day of alkalite. And if we want any more than that, we will probably have to build some plants.

Now coming back to the Post-Korean situation. And these conclusions I am giving you are from our Air Corps

Subcommittee. They are based on the figures that Admiral Biggs and Colonel Cotulla gave you. Any discrepancies to the contrary notwithstanding, that is. I know they are based on the same figures, because they came out of the same office the same day.

We will need 104,000 barrels a day of alkalite during the second six months of 1950 to make avgas. That may be contrary to some impression some of you may have gotten from something that has been said. 104,000 barrels a day to make avgas, not to go into motor gas.

DR. WILSON: During what time?

MR. BRUCE BROWN: The first six months of 1950. That is not making any allowance for alkalite going into motor gas.

That, I repeat, is more than, apparently, the plants could make if they were running full. It is much more than is being made. And it is still much more than could be available for avgas.

DR. WILSON: I don't see that it is more than they could make if they were running full. You said 104.

MR. BRUCE BROWN: 104 is needed for avgas.

Now add what goes into mogas, and you get a figure that is bigger than the indicated capacity.

DR. WILSON: But that is not just military.

MR. BRUCE BROWN: Of course, that is the big factor,

because in the pre-Korea episode, the civilian use of avgas was more than half the total use of 100 octane avgas.

DR. WILSON: There was one question I had.

This Air Transport service, to which the lines have loaned equipment: is that counted as part of the civilian demand, which will go up, or is that in the increased military requirement?

ADMIRAL BIGGS: I don't know the exact answer to that, because I don't know how much diversion there has been. But they are using, I suspect, military stock in certain ones of them overseas.

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MR. BRUCE BROWN: I would like to go ahead. I am not reaching any conclusion. I am only trying to give you facts, facts as we see them. And in the differences between 80 and 90, or 122 or 124, in those things we will have to refine, may lie the solution to these problems.

In other words, when you are dealing with rough figures, when you are dealing with them one way you can be all wrong, and reading them another way you can be all right; and, frankly, I don't know the answer. There has been some reference to sticking one's neck out, and I am going to stick mine out, now, gentlemen.

If we do have to have 104,000 barrels a day of alkalite to meet the avgas demand, here is one thing that could be done. There is no authority for doing anything, but

guarantee that it will remain static longer than the time it takes me to walk across the street.

I would like to call your attention to one other thing, and that is that this is where I came in. Two years ago, when I came over on this present job, in 1948, you will recall, we were having certain minor difficulties in connection with the supply to the military. That particular time, as I recall the figures, our Grade 115 requirements were of the order of a million and a half barrels for a six months' period. But I very distinctly remember the Air Force requirement for Grade 1 octane aviation gasoline for the second half of 1948, and those requirements were 9,600,000 barrels, very nearly 2 million barrels a month. The combined requirements represented, that is, Grade 115 and Grade 100, for the six months' period two years ago, were roughly twelve million barrels. And these requirements are just about 12 million, maybe 13 million, something between 12 and 13 million barrels.

We staggered by that particular period, thanks to the Industry Committee, and everything was taken care of in pretty good shape.

I have every reason to expect, and, to paraphrase some of the remarks made by those who preceded me here, I feel quite sure they will be taken care of.

I have, as some of you know, stumped this part of the country for the past two years, jumping on my soap box at

one thing that could be done would be to make the commercial air lines use 4.66 cc's of lead in their avgas. Now, that would have the result of being able to add some diluents and thus increase the total production of avgas. It would be a terrible burden on a struggling industry, because it would increase their maintenance costs and probably increase the hazard of air travel somewhat. But that is one thing that can be done.

Another thing that can be done is to quit putting alkalite in civilian gasoline; because the 10 or 20 or whatever it is thousand barrels a day that is going into premium gasoline could be used in avgas.

If we were in a period of war, with regulation, it would be fairly simple for somebody to simply say, as was said in World War II, that you can't put any alkalite in civilian gasoline. That would leave some units of the industry in an awful state, because it would make them unable to produce competitive quality premium gasoline, and if it didn't do anything else, it would increase the lead load.

Now, there has been agitation in the corridor, and there will be more -- I am not attempting to squelch it -- about meeting this military demand by regulating octane numbers. As I said, I am not attempting to squelch it. I only want to speak my piece while I am up here. I only want to point out that while that may be necessary if we get into

a worse situation, the immediate effect wouldn't be to make one drop of avgas. It would merely be to permit some people to divert it into avgas without getting into such a bad situation vis-a-vis their competitors who don't use alkalite in civilian gas.

But what I want to stress while I am up here is that whatever is done above octane numbers or about diverting alkalite into aviation gasoline isn't going to solve the problem. It will solve the problem perhaps that Colonel Cotulla is talking about, but it won't solve the problem a year from now, when these requirements have gone up some more.

The only way that problem can be solved is what Dr. Wilson was hinting at in his questions. You simply have to make more butylene. When you can make it, you have to put it in alkalation units and make alkalite out of it. And you have to make base stocks by modification of refining operations, which will make more aromatic base stocks, because we will run into that problem next year, when you will need aromatics. And when you divert crackers to the job of re-treating, you cut the refining capacity of the country.

So somebody else said, "This is where I came in." And this is where we all came in. And we are back in it, gentlemen, just where we were in '41.

PRESIDENT HALLANAN: Are there any questions, gentlemen, on this avgas matter, or any other matter?

Is there any question of Mr. Brown?

Thank you very much.

Gentlemen, I desire to present Mr. Hugh Stewart,
Director of the Oil and Gas Division.

Mr. Hugh Stewart.

(Applause)

REMARKS OF HUGH A. STEWART,
DIRECTOR, OIL AND GAS DIVISION.

MR. STEWART: Gentlemen, following up Bruce Brown's comments and some that Dr. Wilson made, we are well aware of this problem of supplying the alkalites, if you want to give a name to that one constituent, but we have problems on several of the constituents, that are going to be intricate and rather difficult to solve. Some of them probably can't be solved by the industry alone.

In the first place, Bruce commented repeatedly that he didn't know the answers. I think we have a way in which we can get the answers. We can't get them for the Council as a whole. But with the concurrence of Admiral Biggs, we can ask questions of the Military Petroleum Advisory Board's committees, particularly the Committee on Aviation Fuels, and in the answers that they can give us to those questions we will be in better position to decide what can be done and what should be done.

I think that by going that route as an interim procedure we can probably meet a lot of the basic requirements that we are facing. That is a point we will take up and carry

through later.

MR. BRUCE BROWN: May I interrupt, please?

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There is one more thing I forgot to say. I said I was going to stick my neck out. I didn't, as far as I intended to do it. The industry can always do things better for itself than it can by being told what to do. There is something that can be done to help Colonel Cotulla, or rather his immediate problem, and that is really simple. That is if the people who had a little extra quality could sell the base stock and put it in mogas, maybe we could get up some of the requirements to stave off this thing. I have said it.

PRESIDENT HALLANAN: Gentlemen, within the past week I received from the Secretary of the Interior a letter requesting the reactivation of several committees whose functions were more or less related to the war effort.

Under our procedure, those requests were passed to the agenda committee for its consideration.

I now ask Mr. Jacobsen to present the report of the Agenda Committee.

Will you please come up here, Mr. Jacobsen?

REPORT OF THE AGENDA COMMITTEE

A. JACOBSEN, CHAIRMAN.

MR. JACOBSEN: Secretary Chapman has written the National Petroleum Council under date of July 21, 1950, as follows:

"My dear Mr. Hallanan:

"In view of the situation this country is facing and the importance of oil and gas to the national security and defense and to the maintenance of our essential civilian economy, the joint efforts of the Government and the petroleum industry are necessary to assure that we will have adequate information and be properly prepared to meet the oil and gas requirements of any emergency. Therefore, I am placing before you the following matters on which I should appreciate immediate study and advice:

"1. The Department of Defense, through its Armed Services Petroleum Purchasing Agency, has already consulted the Oil and Gas Division concerning additional emergency requirements of some petroleum products. In order to be prepared to give prompt assistance on matters with respect to fulfilling the Federal Government's military and other essential requirements for petroleum products, I request that the Committee on Military and Government Petroleum Requirements be reactivated immediately.

"2. Steel may again be scarce because of the increased rate of production of military equipment and supplies. Therefore, I request that the Council make a thorough study of the oil and gas industries essential steel requirements and provide complete information and such recommendations as it may deem appropriate with respect to quantities and kinds of steel required by the

American oil and gas industries in the United States and abroad to maintain an adequate supply of petroleum and products to meet the Nation's essential needs in any emergency.

"3. Oil production is increasing rapidly and refinery operations are now at an all time high. The Council is requested to bring up-to-date the previous studies made of the oil transportation systems and facilities, including tankers, barges, tank cars, tank trucks, and pipe lines, and to analyze these facilities and to make recommendations for any expansion required to assure the adequacy of the Nation's transportation facilities. Particular attention should be given to new producing areas with advice as to whether and where additional pipe line facilities may be required.

"4. In response to a request of April 5, 1948, from the Director of the Oil and Gas Division, the Council created a committee to study and submit reports and recommendations on storage capacity for crude oil and products. The Council submitted a report on October 15, 1948. I now request that the report be made current and that, in bringing the report up-to-date, information and data be provided on present and proposed crude oil, clean product, and black oil (product) storage capacities, including primary and secondary storage, but excluding

the small jobber, consumer, and service station storage, with a breakdown by location of storage with relation to its principal transportation, that is by deep water, inland waterway, pipe line, rail, and tank truck, each given by PAW Districts and principal areas within PAW districts. It would be most helpful if the data showed the storage capacities not available, such as tank bottoms and pipe line fills.

"Sincerely yours,

/s/ Oscar L. Chapman

Secretary of the Interior."

The letter was duly transmitted to your Committee by Mr. Hallanan and the Committee considered the problems outlined by the Secretary, at a meeting held in the offices of the Council on July 24, 1950.

The National Petroleum Council recognizes the gravity of the present international situation and is confident that given the necessary materials, manpower and freedom of action, the petroleum industry will again -- as in past emergencies -- adequately perform its job of satisfying to the full the military and essential civilian demands for petroleum. Your Committee believes that factual studies of the problems outlined in the Secretary's letter of July 21, 1950, will be of great aid to Government and to the petroleum industry in assuring the delivery of adequate supplies of petroleum to the

right place at the right time. In the light of these considerations your Committee recommends, with respect to the problems presented in the Secretary's letter that:

Problem 1 - The Council's Committee on Military and Government Petroleum Requirements be reactivated. Such Committee should ascertain the facts and report to the Council the requirements of the Armed Forces and other Government agencies and should make such recommendations, not involving industry plans, programs or allocations, as may appear helpful in having such requirements duly met.

You are all aware, of course, gentlemen, that this safeguard in respect to not presenting plans, programs, or allocations, ties up with this antitrust question which has already been discussed today.

Problem 2 - The Council's Committee on Petroleum Industry Steel Requirements be reactivated. Such Committee should ascertain the facts and report to the Council the essential steel requirements (quantities and kinds) of the American oil and natural gas industries in order that these industries may be able to maintain an adequate supply of petroleum and products (including natural gas) to meet the Nation's needs. It is suggested that steel requirements be reported separately as between domestic and foreign.

Problem 3 - The Council appoint a Committee on Petroleum Transportation. Such Committee should ascertain the facts regarding all petroleum transportation facilities, including tankers (ocean and lake), barges, tank cars, over-the-road transport trucks and pipe lines and report to the Council concerning the adequacy of such facilities to meet the Nation's needs. Such Committee should make such recommendations, not involving industry plans, programs, or allocations, as may appear helpful in assuring the adequacy of such facilities.

Problem 4 - The Council's Committee on Petroleum Storage Capacity be reactivated. Such Committee should bring its report of October 15, 1948, up-to-date in the detail requested in the Secretary's letter dated July 21, 1950, ("proposed storage" being interpreted to mean storage expected to be completed during 1950) and submit such report to the Council. Such Committee should not attempt to study or suggest minimum working level stocks or recommend any industry plans, programs, or allocations.

In recommending the reactivation of committees, your Committee does not intend to suggest the membership of such committees. Members should be appointed to such committees in accordance with the usual procedure.

I might add that the last paragraph was put in there for the sake of making it quite clear that when the Agenda

case, I asked our secretary, Mr. Brown, to go over all of the requests that we had received and to summarize the action on them. Mr. Brown advises me that not counting the requests that we have just dealt with, the Agenda Committee had passed on forty-nine requests from the Department of the Interior for the Oil and Gas Division.

Of those forty-nine, the Agenda Committee acted favorably on forty-one, leaving eight.

Of those eight, however, there were five cases where the Agenda Committee, while turning down the request, suggested to the Government that the information required was available, and better available, from other sources.

There was another request, I recall, very early in the game when we were asked to appoint a sort of over-all and catch-all committee, which would be on the look-out for anything of interest affecting the oil industry. The Agenda Committee turned that down, but with the recommendation that special committees be appointed to deal with these cases that came up.

Now, if we add the four requests that we have just dealt with, we get a total of 53 requests, of which we have acted favorably on 45, leaving 8. And as to those 8, we made helpful suggestions, or better suggestions perhaps, as to where the information could be obtained, in the case of five; therefore leaving a turn-down of three out of fifty-three.

Committee recommended the activation of a certain committee, that didn't necessarily mean that we meant that the same committee, the same individuals, are necessarily to be appointed; because the authority to appoint the committee rests with the Chairman, after consultation, I think, with the Appointment Committee.

I move the adoption of this report.

(The motion was duly seconded from the floor.)

PRESIDENT HALLANAN: You have heard the Report of the Agenda Committee.

It has been moved and seconded that the report be accepted.

All in favor will kindly indicate by saying "Aye."

(General response: "Aye.")

PRESIDENT HALLANAN: Contrary, "No."

(No response)

PRESIDENT HALLANAN: The motion is carried and the report is accepted.

MR. JACOBSEN: Mr. Chairman, while I have the floor, I want to take two minutes for something else.

At the last meeting, a member of this Council, Mr. Dunnigan, made the remark that he thought that the Agenda Committee had been too strict in passing on requests from the Secretary of the Oil and Gas Division, in that we were doing too much turning down. To get the facts of the

And I don't think that the Secretary of Interior, or the Oil and Gas Division, has much to complain about on that.

(Applause)

PRESIDENT HALLANAN: Gentlemen, I think we are all conscious of the very critical situation which the country faces at this hour. And in that connection, there have been brought to my attention by the Department, two matters which seem quite significant, with respect to the activities of this body.

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The first matter is the need which has been suggested for more frequent Council meetings because of the necessity to obtain advice on important problems more promptly than in the past. Under our Articles of Incorporation, this Council is constituted to meet on a quarterly period basis, and our meetings have been four times a year since our organization started.

There is provision, however, that the Chairman of the Council may call, on his own responsibility, a special meeting at any time.

There is also the provision that the Chairman must call a meeting within ten days upon the written petition of twenty-five members of the Council.

So I think that for the immediate future at least, the matter of the special meeting can be taken care of whenever that requirement may become urgent.

We appreciate very much your taking up these questions, which we submitted on very short notice to you. Because we felt that this is some of the basic information that we have to have in order to do the job which we should do and which we want to do for the petroleum industry as a part of our entire national defense effort.

As to the second suggestion, I have no comments at this time, because I have had no chance to really think about it.

Mr. Stewart?

MR. STEWART: With respect to the first point, of more frequent meetings, we realize the burden that already you men have assumed in coming here four times a year. In raising the question with Mr. Hallanan, my thought was that you should have it in mind, be thinking about it, and be alerted to the fact that you may have to come oftener.

I would hope that for this interim period between now and the big crisis, which I hope never does come, the quarterly meetings, with continuous work, or prompt work at least, on the part of your Committees, will put us in position to be fully advised.

As to the second point, as to whether or not the Council's basic organization should be modified to bring it back more or less under the same sort of a structure as the old PIWC, that is a question that the legal staffs will have to think over and give us some advice on. Because you men

Now, the other matter submitted to me is the desirability of having a legal group review the organization structure of the National Petroleum Council under our present Articles of Organization, and an exchange of correspondence with the Department of Justice to see whether changes should be made in the light of the present situation.

In other words, we are on notice that we may be called upon to meet more often, and we may be called upon to meet in the discharge of matters on a different basis, than we have been up to this time.

These suggestions are entirely predicated on the possibility that we may face a real war situation.

I want the members of the Council to be thinking about the latter suggestion, as to whether or not it would be appropriate for us to appoint a committee to review our situation, as to what changes should be made in the light of the changing order of things.

Mr. Davidson, would you care to speak on this matter?

MR. DAVIDSON: I don't think so, Mr. Chairman, at this time; as this is the first I have heard of the suggestions.

I do hope that the Council will be on the kind of flexible basis which the Chairman has indicated, because I am sure that as we get further into this situation we will want you to come into session and to help advise us on certain questions which are then presenting themselves to us.

who went through the FWC work know what the restrictions were, what the requirements were, and what had to be set up to meet the needs.

Today, all we are asking is that you think about those, and if the time comes when you have to go back under a War Council, you will be prepared to give us the advice and help necessary.

Thank you.

PRESIDENT HALLANAN: I want to call at this time for the Report of the Committee on Synthetic Liquid Fuels Production Costs.

REPORT OF THE COMMITTEE ON SYNTHETIC LIQUID
FUELS PRODUCTION COSTS

W. S. S. RODGERS, CHAIRMAN.

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MR. RODGERS: Mr. Chairman, the subcommittee that was going to study these costs met on the eighteenth. They have an appointment with the Bureau of Mines on the thirty-first. I told the chairman, Mr. Graham, at the first meeting-- I was present in the first part of it -- that we would like a report in a reasonable length of time. I suggested maybe they could do it in three months, that is, by the time of the next meeting. He said no, that they would want more time. He indicated he thought they could report on the twenty-fourth of January of next year. He and the other members say that there are a lot of figures to assemble, and they want to do a

job on it. So I will have nothing to report except an interim report in the October meeting, and the final report I hope to give you in January.

PRESIDENT HALLANAN: Dr. Boyd, would you care to comment?

DR. BOYD: I have no comment, Mr. Chairman.

We are prepared to talk to the Committee on the thirty-first of July, and we have our information pretty well assembled, pretty well worked out, and it will be available to the Committee.

We are anxious to hear the report.

PRESIDENT HALLANAN: Thank you.

Gentlemen, it is now almost twelve-thirty, and perhaps a recess is in order.

MR. SUMAN: Mr. Chairman, I am on the agenda, and my report won't take more than three minutes.

DR. WILSON: Mr. Chairman?

PRESIDENT HALLANAN: Dr. Wilson.

DR. WILSON: There is one question I would like to ask before we adjourn, because we will probably be having some discussions.

Can any one say what the status of the lead supply is, in light of the increased demands for military and other purposes?

Does that appear to be adequate or is it short?

PRESIDENT HALLANAN: I will now call for the Report of the Committee on Petroleum Imports, Mr. Frank Porter, Chairman.

REPORT OF THE COMMITTEE ON PETROLEUM IMPORTS

FRANK PORTER, CHAIRMAN.

MR. PORTER: Mr. Chairman, in connection with this report, I have addressed a letter of transmittal to you, reading as follows:

"Pursuant to the request of the Secretary of the Interior of April 21, 1950 that the National Petroleum Council continue the study of petroleum imports, and in accordance with the recommendations of the Agenda Committee of May 4, 1950 that the Committee on Petroleum Imports consider the matter subject to the same limitations as outlined by the Agenda Committee on July 17, 1949, your Committee has again studied the question of petroleum imports and herewith again submits its reports, which was unanimously adopted on Monday, July 24, 1950.

"In line with your suggestion, the Statistical Committee was continued, with Mr. John Boatwright as Chairman. Certain basic material was submitted to the Committee by the Statistical group on June 5, and on July 6, the drafting subcommittee, of which Mr. J. Howard Marshall was Chairman, met for the purpose of preparing a draft of a report for consideration by the Committee.

I am speaking of tetraethyl lead.

Can any one tell us whether, in considering our problems, that is considered to be a bottleneck, or whether it is regarded as adequate?

PRESIDENT HALLANAN: Mr. Brown, can you shed any light on that inquiry?

Mr. Bruce Brown?

MR. BRUCE BROWN: Not without getting into an argument with Jim Boyd. Because I asked Admiral Biggs to speak for himself, and asked some other people yesterday. And as I understand it, both the Ethyl Corporation and the Duponts are running all out right now. It is a question of capacity, in making the tetraethyl lead. I understand duPont has a new unit coming in in October.

Admiral Biggs tells me some lead has been stockpiled, but they have slowed down the stockpile.

If we can judge from our past experiences, the amount of lead we will need for this military aviation we will now see wouldn't exhaust the lead stockpile, but when we go into the civilian end, heaven knows what is going to happen there.

DR. BOYD: There is some difficulty now as to what happens to supplies of lead. Unless your requirements of tetraethyl more than quadruple, there are not going to be many difficulties.

and the extent to which such imports supplemented coal and other fuels in short supply for industrial purposes, it is believed that such imports constituted a contribution to both the national economy and the national security.

"To the extent that such imports may have restricted or depressed domestic refiners' market for residual fuel oils or restricted or depressed the market for domestic crude oils from which such fuel might have been derived, it must be recognized that residual imports have an adverse impact upon these segments of the domestic petroleum industry."

On April 21, 1950, in view of the continued increase of total imports, and the continued decrease of exports, Secretary of the Interior Chapman requested the Council to "continue the study of petroleum imports with a view to formulating such recommendations with respect thereto as may be deemed appropriate." The Agenda Committee of the Council recommended that the Petroleum Imports Committee, acting in accordance with the scope of its original limitations not to recommend or suggest plans or programs, give further study to the matter of petroleum imports and to report the results of its study to the next meeting of the Council. It is the view of the Committee that no limitations have been placed on its authority to state such conclusions as it may draw from its findings of fact.

A report of the Statistical Subcommittee, submitted on June 5, 1950, to members of the Committee, showed that during the first quarter of 1950 total imports averaged approximately 800,000 barrels a day, an increase over the daily average for 1948 and 1949. Exports for the first quarter of 1950 were 264,000 barrels a day, about 24 per cent less than during the comparable period in 1949. The report disclosed that domestic production of crude oil and natural gasoline during the first quarter of this year averaged 5,402,000 barrels a day, 70,000 barrels a day under the average for 1949. The report revealed that stocks of crude oil and refined products in the United States had been reduced at the rate of 580,000 barrels a day during the first quarter of 1950.

The basic question involved in petroleum imports should be clearly understood. First, there is no issue of a complete embargo or barrier against imports of either crude oil or residual fuel oil. Historically imports of both crude and fuel oil have had a place in the operations of the petroleum industry. The problem is simply whether or not imports are excessive and harmful to the oil industry, the national economy and national safety. This question applies to both crude oil imports and imports of residual fuel oil.

The Committee was originally requested to make a study of the effect of petroleum products, on the domestic industry, the domestic economy and the national security.

The Report of the Statistical Subcommittee is not attached as a part of this report, but copies are available and may be had upon request to the secretary of the Council."

This is the report:

21 The initial request for consideration of the matter of petroleum imports by the National Petroleum Council was made June 14, 1949, by the then Secretary of the Interior Krug. Pursuant to that request, this Committee was created and on October 25, 1949, it submitted an Interim Report to the Council, consisting of a summary of the findings of the Statistical Subcommittee together with a copy of the Statistical Subcommittee's report. On January 26, 1950, it submitted to the Council a further report stating that a study of the matter led the Committee to the conclusion that:

"(1) The sharp increase in imports of crude oil and its products, coupled with the continuing decline in exports of crude oil and its products, has hurt the domestic oil industry.

"(2) If imports continue to increase without regard to the principle of only supplementing the domestic production of crude and products -- they will seriously damage the oil industry and thus adversely affect the national economy and the national security."

The Committee further found that existing British

government trade exchange control practices were "eliminating American oil companies from the international oil trade." The Committee held that such practices had a bearing upon petroleum imports into and exports from the United States thereby affecting "the domestic industry, economy and security of this country." It was believed that "the United States government should take steps to permit American oil companies to compete in the international oil trade free of the insurmountable obstacles presented by the present trade and exchange control discriminations arbitrarily imposed by the British government."

In its January 26, 1950, report to the Council, the Committee stated: "that imports of residual or heavy fuel oils have supplied, over a long period, a substantial part of the market for this product along the Atlantic Seaboard and that they have an established place in the industry's operations." The Committee also found that:

"During the years 1948 and 1949 expanding markets for heavy residual oils in the North Atlantic and New England States, which have been supplied in a large part by residual imports, might not have been supplied by the domestic industry in the absence of such imports.

"To the extent that such imports supplemented the ability of the domestic industry to supply this market

Continued study of the matter leads the Committee to the conclusions that:

1. Fair and equitable relationships should obtain between total imports of crude oil and its products and the total demand for oil in the United States during periods of excess availability of domestic oil for U. S. consumption.

2. Imports of crude oil and its products if increased beyond the limits of supplementing domestic production will adversely affect the domestic industry, the national economy and national security. Over the short term, the recent change in the international situation may make advisable a rapid rebuilding of our inventories and a renewed effort to develop a greater immediate domestic excess producing capacity. In the light of these short term considerations the Committee finds that the present situation calls for no immediate action. It is, however, recommended that the relationship between imports and domestic demand be again considered if the present trend changes.

3. Data on import expectancy and actual imports should be made available as promptly as those covering domestic crude oil production and refinery operations. To this end it would be helpful if:

(a) The Secretary of the Interior, through the

Bureau of Mines, obtained monthly from each importing company its estimate of the amounts of crude oil and each petroleum product which it expects to import during each succeeding three months period and the total of such estimates as to crude oil and each of the products separately were published in the Monthly Petroleum Forecast of the Bureau of Mines.

(b) The Bureau of Mines used the above information on imports when preparing its Forecast of Crude Oil Demand by States.

(c) There be gathered by some agency of the petroleum industry and made public weekly import statistics covering crude oil, and each of its products. Such data should be issued each week for the previous week, showing also the daily average for the preceding four weeks.

Mr. Chairman, that is the report of the Imports Committee. And in connection with our studies, we did have available yesterday a very interesting chart showing the trends in demand, supply, and inventories. I think we have all been furnished with a copy of it. I think it is a very commendable piece of work and merits study by the members of the Council.

I want to thank, at this time, the Statistical Committee, its Chairman, Mr. Boatwright, and also the Drafting Committee, which was headed by Mr. Marshall.

I move the adoption of the report and the discharge of the Committee.

(The motion was duly seconded from the floor.)

PRESIDENT HALLANAN: Are there any remarks on the report of the Committee on Petroleum Imports?

Are you ready for the question?

All in favor of the adoption of the Committee's report will indicate by saying "Aye."

(General response: "Aye.")

PRESIDENT HALLANAN: Contrary, "No".

(No response)

PRESIDENT HALLANAN: The report is unanimously adopted.

Mr. Fentress, the Assistant Director of the Oil and Gas Division.

MR. FENTRESS: Gentlemen, in the report which you have just heard there are certain recommendations that the Department of the Interior, through the Bureau of Mines, collect statistical data. Mr. Lott, who is in charge of that work, unfortunately, is unable to be here today, and asks me to tell you that he will be glad to collect the data as you have requested, with the complete understanding that the accuracy of the information which he obtains is entirely up to the response which he receives from industry, from you gentlemen.

PRESIDENT HALLANAN: Mr. Suman, are you ready to present the Report of the Committee on Quebracho Requirements of the Petroleum Industry?

REPORT OF THE COMMITTEE ON QUEBRACHO
REQUIREMENTS OF THE PETROLEUM INDUSTRY

JOHN R. SUMAN, CHAIRMAN.

MR. SUMAN: Yes, Mr. Chairman. If you will let me stand here, I will get it through in a few moments.

I doubt if there are 20 per cent here who know what "Quebracho" is, and I don't propose to tell them.

PRESIDENT HALLANAN: Your figure is probably a little high, John.

MR. SUMAN: The Committee that was appointed to study this thing made a study last year, and on April 27, we made a report. Some of the governmental agencies have requested some additional information on this subject. I might say that the imports into the United States of Quebracho are running about 50,000 tons a year, and the oil industry uses about half of that.

The question that was raised for additional information had to do with our statement in our report that we are using 25,000 tons of this material and 10,000 tons of substitute material. And we said in our report that if necessary the industry could either get along without this material or provide ample substitute material.

The other questions, I think, that were raised by the governmental agency will be answered by these remarks.

"It would be impossible to accurately estimate the quantity of Quebrach or substitute materials that would be required in the event of an emergency and the petroleum requirements materially exceed 6,000,000 barrels per day. This is due to the fact that the requirements for mud treating chemicals depend on where new fields are found and wells are drilled. The development of fields such as those in Scurry County, Texas, and the Canadian fields, for example, do not require any Quebracho or substitutes for drilling mud control. Wells drilled along the Gulf Coast of Texas, Louisiana, and Mississippi may require several tons of these drilling mud agents per well.

"It is estimated that three to six months would be required to develop the facilities for manufacturing all of the Quebracho substitute materials required by the petroleum industry. However, this should not result in a reduction in the number of drilling rigs in operation. It should be kept in mind that while Quebracho or some substitute material is often of valuable assistance in the drilling of wells, it is not an absolute requirement for the drilling and completing of oil wells. The oil industry does not maintain or plan to maintain a stock

of Quebracho to take care of its needs during a transition period involving a complete change over from Quebracho to substitutes. The soluble salts of meto and pyrophosphoric acid would be readily accepted by the industry in most areas as a 60 per cent Quebracho substitute in case of an emergency. We do not have any information on the phosphoric acid production capacity of the United States. However, during the last war phosphates were not in short supply to the oil industry and it is estimated that approximately 5,000 tons per year were used in drilling mud control.

"The 6,000 tons of calcium lignosulfonate now being manufactured is used largely by the oil industry. A very small percentage is used in finishing concrete. We have been informed that the 2,500,000 tons of the by-product raw material from which calcium lignosulfonate is manufactured would take care of the Quebracho requirements of the oil industry by several times. However, we do not have any information on the time and cost that would be involved in the development of plant facilities necessary to convert this waste material to a suitable product. The principal items of equipment required would be evaporation and grinding equipment.

"In regard to the quality of Quebracho extract used by the Petroleum industry, it has been found that the use

of premium grades of material is not justified.

"Plans of the Mid-American Company for the construction of a plant to extract 5,000 tons per year of tannin from the Yucatan tree in Mexico have been completed. However, the plant has not been constructed as of this date. We have been advised that this operation could be enlarged to an annual capacity of 10,000 tons without undue difficulty.

"Since the preparation of the report on Quebracho Requirements for the Oil Industry, there has been a wide adoption of the use of lime-base muds and this has resulted in a marked reduction in the amount of Quebracho or substitute materials required. Research effort generally is continuing and other sources of natural tannin are being investigated."

The inquiry also said that the General Petroleum Corporation in California was experimenting with a material called wine pumice; and we are advised by them that wine pumice is being investigated but has not been put to actual use by the General Petroleum Corporation.

I think that is an imposition, gentlemen, but Jim Brown wanted me to read this thing, and I am happy to accommodate him.

PRESIDENT HALLANAN: Well, we will know something about it now, John.

MR. SUMAN: I move the adoption of my report.

(The motion was seconded from the floor.)

Passed by voice

MR. STEWART: One comment on this report. The Inter-Department letter that has been issued sets up stockpiling requirements of Quebracho for the leather industry; and the purpose of the initial report, which Mr. Suman was in charge of, was to give this committee some idea whether they should make allowance for the desired requirements of the drilling industry.

In view of this report, the report he has just read, it seems quite likely that no allowance for the oil industry in stockpiling Quebracho will be made. They have taken no action as yet, and they have not indicated what their action will be, but in view of the remarks in Mr. Suman's report, it seems quite likely that no stockpiling provisions will be made by the Oil and Gas industry.

PRESIDENT HALLANAN: Mr. Suman has presented the report of the committee and moved its adoption, and the motion was seconded.

John, do you present that as a formal report?

MR. SUMAN: I might say that when this question came up, our Committee, I think, had been discharged. I am not sure. And when these questions were raised, we got this information by writing each one, and each one wrote back. It is not a report of the Committee, but it is a consolidation

of all the answers we have received.

PRESIDENT HALLANAN: I think in order to maintain our procedure and in order to pass it along to the Department, it should be considered as a report.

You have moved its adoption, and the motion has been seconded.

All in favor of the adoption of the report will indicate by saying "Aye."

(General response: "Aye.")

PRESIDENT HALLANAN: Contrary, "No."

(No response)

PRESIDENT HALLANAN: The report is unanimously accepted.

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Mr. Stewart?

FURTHER REMARKS OF HUGH A. STEWART,
DIRECTOR, OIL AND GAS DIVISION,
DEPARTMENT OF THE INTERIOR.

MR. STEWART: You gentlemen have heard a good many experts so far today, and there isn't a great deal left for me to bring up.

The keynote of this entire meeting has been preparedness, and you know what the situation is, and you are in a position to do anything necessary there.

One fact, though, that has concerned us, during the earlier part of this year, was the extreme draft on stocks and the extremely low levels to which so many of the stocks

were drawn. Crude oil stocks had a hard time getting above 240 million barrels. Heating oil stocks were low. The charts which Mr. Russell Brown has been kind enough to bring down show that the trend is beginning to be upward.

But I simply want to emphasize that as an industry you are going to have to watch these stock levels with great care, so that in event of a major emergency, or any weather emergency that we may have, we won't be too short.

Now, with respect to the reactivation of these Committees, which was requested and approved by your Agenda Committee and by your Council, you will note that there is a big interlock of basic information that runs through the steel report, the transportation report, and the storage report.

There is going to be another phase that ties in with the avgas problem and with potential refinery or plant construction.

I would urge that these committees get their work under way at the earliest possible moment, that they interlock the work of the individual groups with the several aspects of the problem, and, so far as steel is concerned, that they get in to us, at as early a moment as possible, the basic requirements that the industry is facing.

Steel is probably the shortest material that we have today, and it is quite possible that the situation will develop to the point where allocations of steel will be

required.

In that event, the petroleum industry will have to have a claimant agency here, and until something better is provided, OGD will set itself up as that claimant agency.

But to make itself effective and to do any real good for the industry, we are going to have to have very promptly the basic requirements.

On new metals and other new materials that are required, we are not asking today for any special studies, but I would urge that each company on its own account make its own study and get in position so that when and as the occasion arises the information can be brought in quickly and effectively.

A similar comment would apply to chemicals required, to construction equipment, to electrical equipment, to instrumentation, and everything else that is needed in the modern refinery.

Another problem that is going to face you and that we tried to formulate into some definite expression or some definite inquiry we could make to the Council is this problem of manpower. We are facing some sort of a draft. The industry today is very vulnerable in having so many reserve officers in important positions. Some of these officers are in high executive positions. Your technical staffs in the refining end and in the producing end, clear through to your geologists and your geophysicists, run a high percentage of

the young officer material, and those men are subject to call.

Over and beyond that, you are facing the problem of the over-all manpower draft. We asked the Council to prepare this manpower report, which was submitted in January, and we hope to be able to use that report as a foundation in any of the discussions we have here in Washington in the Government. We hope to be able to get regional consideration for certain lines of technical requirements. To what extent we will succeed remains to be seen. I don't think that the immediate draft on your technical men and reserve officers is anything like as serious momentarily as some people have been inclined to think. The present call would appear to be for something like 600,000 additional men.

Now, to provide for that increased manpower, the draft for reserve officers shouldn't be very great.

But you can look down the road just as well as I can, and you can see what we may be facing. So it is going to be highly important for you to make your own studies and have your information available, and if or when we do have a manpower claimant agency set up, we will be able to use the information to the best effect.

Now, as a result of published reports of some things that Isaïd and some things I was supposed to say, somebody in the Government was supposed to have a list of 200 names of

individuals in the oil industry that presumably I was going to point out, and in three days I was going to have them here in Washington. The story had some basis in fact, as all of you well know, because most of you went through World War II, and you were well acquainted with the PAW and its needs.

What I was trying to convey and what I did say, however, was that instead of being as short of time and as short of ideas as we were in 1941, we did have today an excellent basis upon which we could set up a potential PAW; that we had a list of men who were competent to fill certain positions; that we could put a finger on an individual man, or, as Bruce Brown said, a reasonable facsimile thereof, and get the staff that was needed.

I don't think there is any possibility that any such draft, if you will, is apt to be made, short of an all-out emergency, but in that event we are all in service anyhow.

Along with that, I want to leave this with you: that so long as the Oil and Gas Division has to carry the burden of informing the Secretary, and since you heard Mr. Symington say this morning that the problem of petroleum was to be placed on Secretary Chapman, the Oil and Gas Division is going to have to have some additional staff. We have a total of seven specialists today -- there are nine of us all together -- in the executive staff. We can't hope to cover the waterfront

with such a small number of men. We are going to have to have additional staff. Today we don't have either the approval for such an increase in staff, nor do we have the budget to pay them. It is quite possible that provisions for both will be made before too long. But when and as they are made, we will be calling on you for some men.

We figure that we may need an additional twenty to twenty-five men, and we will depend upon your assistance and your generosity in making sure that we get good men.

In this phase, we are not after the number one man. What we need primarily are up and coming juniors who can handle the figures and make the estimates and the forecasts that are required. Beyond that, gentlemen, I think I have nothing to say except that for what OGD we have, we are certainly thankful that we have this Council and its committees and the Military Petroleum Advisory Board and its committees to help us over a hump that otherwise neither we nor the Government could hope to cover in the time and to the degree of perfection that it is being covered and that I am sure it will be.

Thank you.

(Applause)

PRESIDENT HALLANAN: Mr. Russell Brown, Mr. Stewart has referred to the great importance of prompt action in connection with the report of this steel requirements committee. You did a magnificent job as Chairman of that

committee as it was originally created, and I shouldn't be surprised if you might turn up as Chairman again.

Now, do you have any comments to make to the Chairman on that important situation?

MR. RUSSELL BROWN: In that connection, probably whoever does handle the job will face a little more difficult job than we did before, because we are entering this period of time with steel already in short supply. I mean, it is evident all through the producing branch of the industry. I don't know about the rest of it.

As I understand it, we will have to get some pretty quick action this time; else there might be a failure of a fair statement of our position at the beginning of the war.

One reason we got into trouble the last time was the general assumption that all we needed to do to get oil was turn a valve; which was an unfortunate mental attitude for us to get into. This time we now recognize that, beginning with the last war and up to its highest point of production, we increased our production 27 per cent.

If we should face the same thing this time, we will be up against some real problems on steel.

Currently we are drilling about 140 million feet of hole a year, and that runs about 40,000 wells. To keep the present level up would mean that in the producing industry we would need about 2,840,000 short tons of steel. That is a

pretty considerable part of the total steel output. I anticipate we will need considerably more than that, but I am speaking now only of the current run.

24 So when this committee gets into action, I am afraid it will have to act pretty fast. The industry responded, the last time, and I think we had the most capable group of men I have ever seen on a committee.

I hope you people, in your companies, will recognize this problem if it comes up again and be just as willing to give of the best men you have.

There will be a few assumptions that we will have to work out early. Just as an illustration, what are your production goals? What do we want?

I don't think the industry can afford to say that. I think we will have to get that from Government. And when the Government gives us that figure, then the next assumption we will have to work out is: what period do you want us to cover?

It is a few things like that which will require an early calling of whoever works on this, to work out a few of these basic assumptions, and then we can move into our requirements pretty fast from then on.

PRESIDENT HALLANAN: Is there any question in connection with this subject?

MR. JACOBSEN: Where can we get some pipe, Russell?

MR. RUSSELL BROWN: That is a question I won't answer.

MR. ROWAN: How are you going to distribute it when you find out how much you are going to need?

Under the old committee they had Public Law 395, and the suggestion was made to the steel mills, and I think they did try to do it, to allocate it on some kind of an equitable basis. There is no allocation of it now whatsoever, and you don't have Public Law 395.

MR. RUSSELL BROWN: It would be unfortunate if we should find the accumulation of steel in hands that didn't need to use it. I think everybody in the industry would be sensitive to that. Because even if the steel industry responds and gives us the steel we require, if it is accumulated in spots where it isn't readily usable, we might then be faced with the necessity of some type of law, which I had hoped we could avoid.

I realize what you are talking about, and it could be troublesome. It may be that 395 will be necessary. I don't know.

MR. DAVIDSON: Of course, you gentlemen are familiar with the President's proposal that he has sent over to Congress and that has been introduced by Mr. Spence in the House, on which hearings are now going forward, which would permit allocations of materials which are basic to the military

strength and essential civilian uses; and to permit those allocations on a mandatory basis as distinguished from the old Public Law 395, the advisers in Government felt that that kind of power would be essential at least to have in reserve in order to be sure that critical materials such as steel would be channeled into those operations which would have to do with the successful prosecution of our Korean war and getting toed up.

MR. BLAUSTEIN: Would that cover allocations within an industry, or only to an industry?

MR. DAVIDSON: I think it is broad enough to do both.

DR. WILSON: Going into this three months between meetings, I wonder if you don't need more authority with regard to the appointment of committees and their reactivation, and taking other steps that might be necessary to help meet this war emergency.

Specifically, do you have authority between meetings to appoint committees that may be requested by Government and may be needed by the war effort? If not, it seems to me we ought to give you that authority for anything having to do with the emergency.

PRESIDENT HALLANAN: I only have power to appoint committees after the Council has approved the request.

DR. WILSON: Would it be in order to suggest that

PRESIDENT HALLANAN: It has been moved that when this meeting terminates today, it will recess subject to call of the Chairman at any date in the future he may designate.

All in favor, indicate by saying "Aye."

(General response: "Aye.")

PRESIDENT HALLANAN: Contrary, "no".

(No response)

PRESIDENT HALLANAN: It is so ordered.

MR. JACOBSEN: With regard to the question raised by Dr. Wilson, I want to read from the charter of this Council. It says that if an Agenda Committee report is favorable to Council consideration and is made at a time other than as specified in the preceding sentence, that is, in between meetings, then the report shall be made to the Chairman of the Council, and he may refer the matter in question to a committee for study and recommendation to the Council.

So the Chairman does have that authority now.

PRESIDENT HALLANAN: The point, though, Mr. Jacobsen, is that we have not had meetings of the Agenda Committee except in connection with meetings of the Council.

DR. WILSON: But you can have them.

MR. JACOBSEN: Yes, we can. And we did last time, when you weren't here.

PRESIDENT HALLANAN: At the last meeting?

MR. JACOBSEN: At the last meeting, yes. Then we

25 had a short term call. We had not been able to get a quorum of the Agenda Committee. Therefore I acted as prescribed in the charter.

Immediately after the meeting I consulted all of the members of the Agenda Committee by telephone and got their concurrence, and on the basis of that, rendered a report to you.

PRESIDENT HALLANAN: That is right.

MR. JACOBSEN: And that is the way it can be done again.

PRESIDENT HALLANAN: But the report is an interim report and has no stamp of finality until it is adopted by the Council.

MR. JACOBSEN: That is right.

MR. BLAUSTEIN: Is there any reason for delaying the consideration of an appointment of a committee of lawyers to consider the matter of structure and so on?

PRESIDENT HALLANAN: I threw that out today, Mr. Blaustein, for consideration.

MR. BLAUSTEIN: It just seems to me that we are going to be facing that question more and more all the time, and I am wondering whether that committee shouldn't be appointed. Or what do we do? Refer it to the Agenda Committee also for its consideration? Is that the procedure on that?

any committee request be referred to the Agenda Committee, and if they approve that, you have authority to appoint a committee to start work in between?

PRESIDENT HALLANAN: As a matter of fact, that was done.

MR. JACOBSEN: I think that is the way it is now.

MR. RUSSELL BROWN: If it would be out of order, I would like to defer to Howard on this, but in view of the fact that our basic organization is a matter of a three months meeting, would it be out of order for us to "recess"?

While I recognize that you can call us at any time, would it be out of order to recess this meeting subject to your call? Then we would be, in effect, in session all the time, subject only to your call. I mean, you could just recess today's meeting.

MR. DAVIDSON: From our standpoint, Mr. Chairman, we would certainly like to get these reports before any three months.

PRESIDENT HALLANAN: I think our situation is completely different from what it was when we set up the original plan,

I think, Russell, that might be a very good idea.

MR. RUSSELL BROWN: That would avoid the necessity of changing our basic structure.

COLONEL DRAKE: I second that motion, Mr. Chairman.

MR. JACOBSEN: I doubt it. I shouldn't think so.

PRESIDENT HALLANAN: The Agenda Committee is constituted for the consideration of requests that come to us from the Director of the Oil and Gas Division or the Secretary of the Interior. I don't think its authority would go beyond that.

MR. JACOBSEN: My thought on that subject, though, is, Mr. Blaustein, that I don't think now is quite the time. Let us wait and see how this police action is coming out in Korea and how everything is going to develop. We don't know yet.

If we should get into an all-out war, that is one thing. If we get a favorable turn of events in Korea, that is another one. And I think that the setup is ample for the scope of operations that we have now and which we are facing in the immediate future.

PRESIDENT HALLANAN: Well, would there be any harm for a committee to consider the matter? It doesn't mean that we are going to carry forward on it, but it seems to me that, as Mr. Stewart has suggested here, preparedness is the keynote.

MR. JACOBSEN: No harm can be done,

MR. RIETZ: Secretary Chapman specifically asked that we give thought to the very questions you brought up, to give him advice in going to the Department of Justice. So it

seems to me it would be perfectly in order for us to constitute such a committee to get that.

MR. JACOBSEN: And no harm can be done by that.

MR. BLAUSTEIN: It seems to me they will have to do a lot of preliminary studying. I think we ought to proceed.

I move the appointment of such a committee.

PRESIDENT HALLANAN: A committee of how many?

MR. BLAUSTEIN: I would leave that to the Chairman. I don't know how many would be required. Five, perhaps.

PRESIDENT HALLANAN: Would you state the motion in this way: that a committee shall be appointed for the purpose of investigating the present situation with respect to the organization of the National Petroleum Council and the desirability of any amendment that may be necessary to meet any future national emergency?

MR. BLAUSTEIN: I think that states it very well.

MR. JACOBSEN: I would like to have this added, if it is agreeable to the Council: that the members of that legal committee not be members of the Council. Because you don't have a whole flock of lawyers here. And our present charter says that, for instance, on the Agenda Committee, where we have to have lawyers, they need not be members of the Council. Is that agreeable?

MR. BLAUSTEIN: Yes, Mr. Chairman.

PRESIDENT HALLANAN: You have heard Mr. Blaustein's

motion. Is there a second?

(The motion was seconded from floor.)

PRESIDENT HALLANAN: All in favor of the motion, please indicate by saying "Aye."

(General response: "Aye.")

PRESIDENT HALLANAN: Contrary "No."

(No response.)

PRESIDENT HALLANAN: The motion is unanimously carried.

Gentlemen, is there any other matter of business?

MR. PECK: Mr. Chairman, this is on the question about the emergency moving to an all-out degree. I have made this request before, and I would like for the purpose of the record to make it again: that in the event that the situation worsens to the degree that allocation or rationing is required that will directly affect the retailer level, the National Council be properly represented on any committee that is promulgating rules or regulations.

I mention that for the record, because I realize that although we probably do it, you are concerned with such important things that it may be over, and if it is in the record, it will be a likely reminder.

PRESIDENT HALLANAN: Is there any further business?

MR. STEWART: Just one comment, please.

Under the Council's present structure, it can only

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act properly on questions put to it by the Secretary of the Interior or the Director of the Oil and Gas Division.

Now, I am sure the Secretary doesn't know all of the questions that should be asked, and I haven't caught up with too many of them myself.

So you men are facing problems in the industry, and you are at perfect liberty to bring them to us, and we would welcome your posing the questions to us, so that we can, through the proper channels, ask the Council for action. And we welcome any ideas or suggestions or questions that you want to bring in.

MR. MARSHALL: Mr. Chairman, my impression is that the charter of the Council provides that it may raise, on its own motion, any question that it thinks important, and may consider it, if that question has the approval of the Secretary or the Director of the Division.

MR. STEWART: All right. I stand corrected.

PRESIDENT HALANAN: In my effort this morning to facilitate our meeting and in order to accommodate the distinguished guests who had, I skipped over the matter of the approval of the minutes of the meeting of April 26, 1950.

(A motion for approval was made and seconded from the floor.)

PRESIDENT HALANAN: It has been moved and seconded that the minutes of the meeting of April 26 be approved.

All those in favor will indicate by saying "Aye."

(General response: "Aye.")

PRESIDENT HALLANAN: Opposed?

(No response)

PRESIDENT HALLANAN: The motion is carried.

Then we will have the report of the Secretary-Treasurer.

Mr. Brown?

REPORT OF THE SECRETARY-TREASURER

MR. JAMES V. BROWN: During the first six months of the year we have received from you members by way of contribution \$80,350. Other receipts brought the total receipts during the period up to \$80,752.

During the same six months we have disbursed \$38,477. We have a balance in the general fund at the present time of \$49,654.70.

We have exercised many economies and through that have built a reserve fund of \$37,000. With all the activities we have had, I am happy to have that balance.

PRESIDENT HALLANAN: You have heard the report of the Secretary-Treasurer.

(A motion for approval of the report was made and seconded from the floor.)

PRESIDENT HALLANAN: All in favor, indicate by saying "Aye."

(General response: "Aye.")

PRESIDENT HALLANAN: Opposed?

(No response)

MR. HOLLIDAY: If we are going to recess, I would like to have one or two words about this matter of reserve officers. I am just a little perturbed. I don't believe we can rely on the law of averages, that only a small proportion of them are going to be called, because some companies have a great many more in proportion than others, and the law of it may not be equitably determined.

I think that most of these reserve officers are men that went into the Reserve after the war. Among our technologists, especially in Refining, I don't think we have very many officers in the last war, because we got very liberal deferment for the technologists.

Two or three years ago, I guess it was, the Army wanted to set up a skeleton organization all over the country of people from the refineries, for some kind of a petroleum section in case of war, and they asked various refineries if they would furnish the men for the headingup of that organization, and as a result I think that some refineries responded very generously, and you will find a greater proportion of Reserve Officers in some refineries.

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I was quite perturbed to find that two-fifths of our company's technologists in the Refining Department are

Reserve Officers, unless they have gone in since.

Now, if we don't have any opportunity for distribution, they may come down on one particular refinery and practically incapacitate it to carry on this war program.

I am wondering whether the Oil and Gas Division, just as it is offering to be a voluntary claimant agency, would be a kind of a voluntary clearance, so that if this thing arises and particular refineries get an undue blow, they can operate as a clearing house and give the figures and show what would be a more equitable distribution.

ADMIRAL BIGGS: Mr. Chairman, may I make a couple of remarks along that line?

As you may suspect, my telephone has been doing antics on this question, and in trying to investigate the proposition I found, to my surprise, that at least one company I talked to had this to say. I asked them this: "What are the ranks of these people? Are they in the Army, the Navy, or the Air Force? What was their previous condition of servitude, and what was their specialty?"

He said, "Oh, I got thirty-seven per cent Reserve."

And that was officially that. The character of those gentlemen he did not know.

May I suggest this: that you make a careful survey of who these people are, with the basic assumption that you will have to give in some couple of departments, and there are

certain specific technologists that you will have to keep, and you will make up your own mind to a considerable extent as to the gentlemen that it is essential that you make a case of.

Now, let us hope that the service representatives who start putting the bite on you for these men will do it with a certain modicum of horse sense. And we will attempt, through -- I know that Sam Hill in the NSRB has been working on this for quite a long time. The Manpower Division of the Munitions Board has been working with him. And I certainly will assist Hugh Stewart, here, in getting the necessary message to Garcia, provided we know what that message is. And I believe that a certain amount of very careful personnel planning within your own companies will not only assist you but at least will give the rest of us a program. If you don't have a program for your own people, I have a hunch that the fellow that begins to issue orders will say, "Boys, it's too late for herpicide. I have a fire to put out."

PRESIDENT HALLANAN: Mr. Davidson?

MR. DAVIDSON: I merely wanted to impress on you the necessity of speed on these things, or we will find ourselves completely behind the eight ball.

On this steel board report, I am not making this as a recommendation, but I wonder if you would consider whether it would be advisable to possibly have two committees, one

dealing with the petroleum situation, including production, and the second on gas pipe lines. Because we have to hit them on two completely different methods of handling them, in trying to get this steel allocation, and certainly the figures need to come in in that way.

I do want to tell you how much we, in the Department, appreciate your coming in to work with us on this, and I assure you that as a claimant agency for steel and other things, we will go to bat on that right away as soon as we get the material from you.

Thank you.

MR. B. C. GRAVES: I think your transportation problem is just going to be a matter of steel. You are going to have to have more transportation facilities. I am convinced of that. Whether you get them or not depends upon whether or not you can get plate steel and these other critical pieces of steel. That is a cinch.

PRESIDENT HALLANAN: Is there any other order of business?

If not, a motion for recess is in order.

(A motion for recess was then made and seconded from the floor, and unanimously carried, whereupon, the National Petroleum Council recessed, subject to the call of the Chair, at 1:30 o'clock p.m., Tuesday, July 25, 1950.)