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TRANSCRIPT OF PROCEEDINGS

Before The  
NATIONAL PETROLEUM COUNCIL

DOCKET No.-----

In the matter of----- Conference-----

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Room 5160, South Interior Bldg.  
Place Washington, D. C.-----

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C O N F I D E N T I A L

NATIONAL PETROLEUM COUNCIL

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Room 5160  
South Interior Building  
Washington, D. C.

The Council was called to order at 10:05 a.m., by Mr.  
Walter S. Hallanan, Chairman, (presiding).

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P R O C E E D I N G S

MR. HALLANAN: Gentlemen, the Council will please come to order. The Secretary will call the roll.

MR. JAMES V. BROWN: Gentlemen, as I call the roll, any man who is here as an alternate or observer for a Council member will please rise and give his name. I do not have a record of all of the alternates who are present.

(The roll was called, and the following members responded:)

Adams, K.S.

Anderson, R. B.

Ashton, H. T.

Baker, Hines H.

Ball, Max W.

Ball, Munger T.

Barton, T. H.

Bero, John L. (represented by Otis H. Ellis, alternate)

Blaustein, Jacob

Blazer, Paul G.

Blodget, Rush M.

Boyd, William R., Jr.

Brazell, Reid

Brown, Bruce K.

Brown, Russell B.

Burns, H. S. M.

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Churchill, Warren S.  
Cowden, Howard A.  
Crocker, Stuart M. (represented by C. E. Loomis, alternate)  
Davenport, Horace E.  
Donnell, J. C. II (represented by Harold Kennedy, alternate)  
Dow, Fayette B.  
Downing, Warwick M.  
Drake, J. Frank (represented by S. A. Swensrud, alternate)  
Dressler, John (represented by Allen Fineman, alternate)  
Follis, R. G.  
Foree, Robert L. (represented by E. I. Thompson, alternate)  
Graves, B. C.  
Graves, B. I.  
Hallanan, Walter S.  
Hardey, B. A.  
Hilts, Harry B.  
Holliday, W. T. (represented by C. T. Foster, alternate)  
Holman, Eugene  
Jacobsen, A.  
Jennings, B. Brewster  
Johnson, Carl A. (represented by D. B. O'Neill, alternate)  
Jones, Charles S.  
Jones, J. P.  
Jones, W. Alton  
Keck, William M., Jr.



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Lerch, Frank H., Jr. (represented by J. French Robinson,  
alternate)

Leyendecker, Harry (represented by J. C. Hobday, alternate)

Maguire, W. G.

Majewski, B. L.

Markham, Baird H.

Marshall, J. Howard

Mattai, A. C.

McCollum, L. F. (represented by Millard Neptune, alternate)

McGowan, N. C.

Meece, Brown L.

Neilson, Glenn E.

Niness, S. F.

Parten, J. R.

Peck, Rankin P. (represented by Robert Freer, alternate)

Pogue, Joseph E.

Porter, Frank M.

Pyles, E. E.

Ritchie, A. S.

Robineau, M. H.

Rodgers, W. S. S. (represented by H. T. Klein, alternate)

Rodman, Roland V.

Rowan, A. H.

Skelly, W. G.

Spencer, P. C.

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Streeter, Clarendon E.

Sutter, T.

Taylor, Reese H.

Vandevaeer, W. W.

Warren, J. E.

Warren, W. K.

Wescoat, L. S.

Wilson, Robert E.

Zoller, H. E.

(The following members did not respond.)

Bridwell, J. S.

Cummins, J. F.

Davies, Ralph K.

DeGolyer, E.

Duke, Gordon M.

Dunningan, James P.

Hargrove, R. H.

Hartman, I. W.

Hulcy, D. A.

Lovejoy, John M.

Mosher, S. B.

Nolan, Joseph L.

Reitz, Walter R.

Richardson, Sid W.

Shannon, R. S.

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Smith, Cecil W.

Vockel, S. M.

Williams, Russel S.

Zehrunge, W. S.

MR. HALLANAN: Mr. Sutter, will you please rise. Gentlemen, I wish to present Mr. Sutter, president of the Petroleum Suppliers Association of Los Angeles as a new member. We welcome you, Mr. Sutter.

(Applause.)

MR. HALLANAN: Gentlemen of the Council, I congratulate you upon this splendid response to the call for this special meeting of the Council. I know that it was a short call, but I felt that if there was ever a time when the Council needed to show justification for its existence, that that time was the present.

I called you here for this special session today, which is in reality an adjourned session of the last regular meeting of the Council, because there seemed to be developing a number of extremely critical matters of vast importance and interest to the country and to the petroleum industry. I appreciate very deeply your response.

I think we have, as the program develops today, disclosures to make to you of matters of vital concern on which the Government seeks the advice of the Council and the industry, and on which we are anxious to give the

mm-6 Government advice and counsel.

I do wish to express profound regret for the death of one of the Council members since our last meeting, Mr. Joseph White of Boston, Massachusetts, who passed away a few days after our last meeting.

I should like at this time to appoint -- if there is no objection -- Mr. Birmingham, Mr. Fayette Dow, and Mr. B. I. Graves as a memorial committee to prepare an appropriate resolution for presentation to the Council later in the day.

The next order of business is approval of the minutes of the last meeting which were forwarded to you. Are there any corrections or comment?

A VOICE: I move they be approved.

A VOICE: Seconded.

MR. HALLANAN: All in favor indicate by saying Aye; contrary, No.

(A voice vote was taken.)

It is so ordered. The chair now desired to recognize Mr. Jacobsen as chairman of the Agenda Committee. Mr. Jacobsen, will you please come up?

MR. JACOBSEN: I can't get out of here.

The report I am going to read to you now, gentlemen, is being distributed. The Agenda Committee's report reads as follows:

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Mr. H. A. Stewart, Director of the Oil and Gas Division has written the National Petroleum Council a letter dated September 21, 1950, a copy of which is attached and reads as follows:

"Mr. Walter S. Hallana, Chairman, National Petroleum Council, Care, Plymouth Oil Company, 223 Fourth Avenue, Pittsburgh 22, Pennsylvania.

"Dear Walter: Today, the Aircraft Fuels Committee of the Military Petroleum Advisory Board reported that present offerings of high octane number aviation gasoline by the petroleum industry over the balance of the year 1950 failed to meet Military requirements by over three million barrels and that, although the industry is extending every effort to increase production, requirements cannot be met unless and until the industry is enabled to take and be protected in taking, with the assistance of the Government, the following actions:

"(1) Regulation of the use of butylenes and isobutane in order to operate alkylation units at capacity and furnish butylenes for rubber and chemicals.

"(2) Exchange alkylation feed stock components between refineries.

"(3) Have made available to the industry and

mm-8

regulate the use of tank cars to effect (1) and (2) above.

"(4) Convert polymerization operations to produce codimer.

"(5) Limit the use of polymer to feed stock for alkylation plants.

"(6) Obtain Government review and support of financing including supply, construction, reimbursement for exchange of components, abnormal freight charges, etc., and authorize accelerated amortization.

"Since, in my opinion, the above cannot be accomplished without overall coordination of production of aviation gasoline, I request that the National Petroleum Council advise me on ways and means to accomplish the above specifically including recommendations with respect to the type of organization and personnel necessary to do the job.

"Sincerely, (s) H. A. Stewart, H. A. Stewart,  
Director"

Now comes the report of the Agenda Committee. The letter was duly transmitted to your Committee by Mr. Hallanan and the Committee considered the problem outlined by the Director, at a meeting held in the offices of the Council on September 27, 1950.

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The Agenda Committee is of the opinion that it is proper and advisable for the National Petroleum Council to consider such subject, and recommends that a Council committee be appointed forthwith to review the request and make recommendations to this meeting of the Council thereon considering particularly the report of the Council's Committee on National Petroleum Emergency, adopted by the Council on January 13, 1949, which outlines principles and procedures that in the opinion of the Council are effective in supplying petroleum demands to meet national emergencies.

That is the report of the Agenda Committee and I move its adoption.

A VOICE: Seconded.

MR. HALLANAN: Are there any remarks?

(No response.)

MR. HALLANAN: You have heard the motion made by Mr. Jacobsen, Chairman of the Agenda Committee. All in favor of the adoption of the report as submitted will indicate by saying Aye; contrary, No.

(A voice vote was taken.)

MR. HALLANAN: It is so ordered.

In pursuance of the recommendation contained in the report of the Agenda Committee of the appointment of a committee to review the request of the Director of the Oil and Gas Division, the chair appoints at this time, and

mm-10

with the request that this committee attempt at the earliest possible time to go into session so that a report can be made later in the day, Mr. Brewster Jennings as chairman, Mr. W. Alton Jones, Mr. Spencer, Mr. Marshall, Mr. Russell Brown, Mr. Nielson, Mr. Wescoat, Mr. H. S. M. Burns, and Mr. Vandever.

Mr. Jennings, do you have in mind to indicate at this time when your committee may be brought together?

MR. JENNINGS: Mr. Chairman, I fortunately arranged to give a little lunch today at the Hay-Adams Hotel in case this happened. I would like to have the committee join me immediately after this morning's session adjourns, at Room 120 in the Hay-Adams Hotel.

MR. HALLANAN: Gentlemen, the immediate problem that has brought us to Washington today is the critical shortage of aviation gasoline. In preparing the agenda for this committee and for the Council session today, it seemed desirable that the whole membership of the Council should have a realistic picture of just what this shortage is.

In order to bring that forthwith to your attention so that it may have the interest of the Council in this session, I desire to present at this time Mr. Bruce Brown, chairman of the Military Petroleum Advisory Board, who will present the picture with respect to the aviation gasoline shortage. Mr. Bruce Brown.



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## STATEMENT OF MR. BRUCE BROWN

MR. BRUCE BROWN: Mr. Jacobsen in his report read to you the letter that Mr. Stewart, Director of the Oil and Gas Division, wrote to Mr. Hallanan, which in one page summarizes pretty well the type of industry operations that a certain group thinks will have to be conducted in order to meet the aviation gasoline situation.

I want to talk about the group for a minute, and then present its chairman. This refers to the Aircraft Fuels Committee of the Military Petroleum Advisory Board. Mr. Holaday, who is general manager of Socoxy Vacuum Laboratories, is chairman of that committee. In view of the importance of the subject matter, I thought I had better give you our bona fides and tell you who the other people were.

The Aviation Fuels Committee of the Military Petroleum Advisory Board, with Mr. Holaday as chairman, has the following individuals as members. These men are all -- without giving them by title -- either high in the manufacturing departments of the companies involved, or high in the research and technical activities of the companies involved. The following individuals join Mr. Holaday in his report to our Board. I will read the report that we made in a minute.

The Air Fuels Committee consists of: R. C. Alden,

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W. R. Argyle, John R. Bates, Paul G. Blazer, Marion W. Boyer, Reid Brazell, G. A. Davidson, C. E. Davis, A. T. Frame, R. C. Guinness, H. M. Smith, H. B. Wilde, and J. S. Worden.

The Military Petroleum Advisory Board met here last week to hear the report of this Aviation Fuels Committee. We had met previously and we have realized that the aviation fuel situation was getting tense. At a previous meeting in late July we concluded we would have to send out a questionnaire to all of the refiners refining 2500 barrels or more of oil a day to find out just what the aviation situation was. We did that through the auspices of the military.

The questionnaires were to be returned to Admiral Biggs. The questionnaires were returned. A subcommittee of the Aviation Fuels Committee reviewed the results and reported to the Aviation Fuels Committee. The report was of such a nature as to cause the Aviation Fuels Committee to make such recommendations as are included in Mr. Stewart's letter which you have in front of you.

The Aviation Fuels Committee reported to the full Military Board in this room last week. All the members of the Board are not refiners. All the Aviation Fuels Committee members are refiners. The Committee, 21 of whose members belong to this Council, heard this same story. I would like to read you their report to Mr. Stewart and

mm-13

Admiral Biggs, abbreviating it. It says we listened to the Air Fuels Committee and are attaching their report. The situation may be summarized:

While many of the refiners able to produce aviation gasoline have expanded or are planning to expand production of such gasoline, current production is insufficient to meet current needs and the survey indicates that future production will not be enough to meet future needs unless some extraordinary measures are taken. The Committee has pointed out that some of these measures will necessitate action by industry of the type which will require Government authority and assistance.

The Military Petroleum Advisory Board recommends to the Secretary of the Interior that the National Petroleum Council be requested to meet in emergency session to consider the findings of the Military Petroleum Advisory Board and its Aviation Fuels Committee, to the end that the most effective mobilization of the resources of the petroleum industry be obtained without delay.

The Military Petroleum Advisory Board further recommends that there be established an independent governmental agency, staffed with experts drawn from the petroleum industry, reporting directly to the Secretary of the Interior pursuant to the provisions of the National Defense Act of 1950, and vested with full authority to deal with all of

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the problems of meeting military requirements for aviation gasolines. Such regulation as may be necessary should continue in effect only so long as aviation gasolines for military use shall remain in short supply.

The Military Petroleum Advisory Board believes it would be remiss in its duty if it did not point out that the type of organization recommended above is the only one of the proved effectiveness, and which in World War II enabled the petroleum industry to increase its production of military aviation gasolines from less than 40,000 barrels per day to more than 600,000 barrels per day.

What we heard in the Military Board is military confidential. We are sticking our necks out and presenting it to you gentlemen here today. A lot of the data that my associates will talk about are highly important. Some of it isn't. But the whole thing would have to be in a confidential status, so I will ask that the minutes only show that we made a report on aviation gasoline.

I would like to introduce to you Mr. Bill Holaday, chairman of the Fuel Committee of the Military Advisory Board.

STATEMENT OF W. M. HOLADAY

MR. HOLADAY: Gentlemen, I imagine most of you will not be too enthused about this report. It will give you some of the facts we have been working with. I will give

mm-15

you a summary of the condition, and then we will give you some of the more detailed information which is back of this piece of brown paper up here. I would like to call to your attention that all of this information is confidential for two reasons, one for military, and the other one is that it is data which you have supplied to us from industry and that we do not believe it advisable to go into details of distributing such information.

The Military Petroleum Advisory Board's Aircraft Fuels Committee has, since its inception in 1947, been continuously studying the availability of reciprocating and jet aircraft engine fuels in time of emergency and has been analyzing these supply data in the light of demand situations representing such emergency conditions that have been presented by the Military. Aviation fuel availability under normal peacetime conditions has not been considered a proper field for NPAB activity. The present situation, we all realize, is neither fish nor fowl -- it is not considered an all-out emergency, nor can the present "police action" and defense preparations be considered "normal," particularly with reference to aviation fuel requirements.

The Council is aware of the fact that the demand for high octane number aviation fuel was beginning to exceed supply in July. A special committee under Mr. Jennings was established to effect an increase in production.

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Now, the reason or reasons for this difficulty in meeting demand has not been obvious, particularly in view of the fact that the industry produced 500,000 barrels per day of Grade 100/130 during the last war.

First, it should be understood that a single petroleum product -- aviation alkylate -- is fundamental requirement to all Grade 100/130 and Grade 115/145 aviation fuel production.

Second, the higher the quality of the fuel, the more alkylate must be used.

Third, the absolute quantity of alkylate required in a given formulation depends upon the octane number level of the other gasoline stocks used in conjunction with the alkylate.

Now, let's return to the World War II situation and analyze it with reference to these points. The 500,000 barrels per day of Grade 100/130 produced at that time contained roughly 1/3 alkylate, or 170,000 barrels. The 500,000 barrels also contained approximately 200,000 barrels of a high quality catalytically cracked base stock that was obtained by one of several extraordinary refining procedures such as two- and three-pass catalytic cracking, hydrogenation, or fractionation and acid treatment of catalytically cracked stocks. No Grade 115/145 was produced. Alkylation capacity was filled by extensive shipment of feed

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stocks from plants having no alkylation facilities having such alkylation facilities.

Today's situation is quite different. First, too production of Grade 100/130 contains, on the average, 2/3 alkylate -- as compared to 1/3 during the last war. The reason for this is that little or no high quality catalytic base stocks are being used since their preparation involves extraordinary measures -- expensive in terms of money, and tremendously upsetting as far as normal commercial operations go, since the preparation of suitable catalytic stocks would affect markedly crude running capacity and motor gasoline quantity and quality.

Second, nearly 50 percent of the military demand for high octane number fuel is for the higher quality Grade 115/145. This grade currently contains an average of 85 percent alkylate.

Third, alkylate production is well below the World War II level, although excess capacity exists. The reason for this is that a majority of the alkylation plants were built and expanded during the last war not on the basis of feed stocks that were available in the refinery where the alkylation unit was located, but rather on the basis of feed stocks that could be made available to it from outside sources.

Alkylation feed stocks are not currently being shifted

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among refineries to any great extent. Such movement of stocks also constitutes an extraordinary measure -- expensive in itself and affecting to some degree motor gasoline octane number quality and quantity.

To summarize, there are three basic factors which are currently preventing the petroleum industry from reaching the production levels for high octane number aviation gasoline attained during World War II: (1) the demand for a higher quality fuel -- Grade 115/145; (2) the absence of catalytically cracked base stocks which would have the effect of reducing alkylate requirement; and (3) lower alkylate production in spite of existing capacity because of the fact that no interchange of feed stocks is being practiced.

Now to return to the development of the current situation and steps that have been taken to balance supply and demand. Besides the formation and action of the Jennings Committee by NPS, the Oil and Gas Division requested that MPAS study the matter and recommend what steps should be taken if production were found to continue to lag behind demand.

An investigation made by the Aircraft Fuels Committee early last August did show that so-called normal production of aviation gasoline would not meet requirements. The recommendation was made, therefore, that the Secretary



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of the Interior request that refiners remove any alkylate used in motor gasoline blending and reserve it specifically for aviation use.

On the basis of requirements known at that time, it appeared that such action would be sufficient to meet the demand at least until the end of this year. However, three additional recommendations were made which could be carried out if and when requirements exceeded supply. These included:

- (1) The revision of commercial aviation fuel specifications to bring them in line with military specifications and thus conserve and extend the critical alkylate supply.
- (2) A request for the petroleum industry to manufacture and blend more aromatics in aviation gasoline in order that national alkylate production could be used to best advantage to make the most aviation gasoline, and
- (3) The suggestion that a considerable increase in production could be achieved by moving alkylation feed stocks and aviation gasoline components between refineries to utilize idle plant capacity and to obtain maximum aviation fuel production.

Arrangements were also made by the Aircraft Fuels Committee to resurvey the industry to establish production

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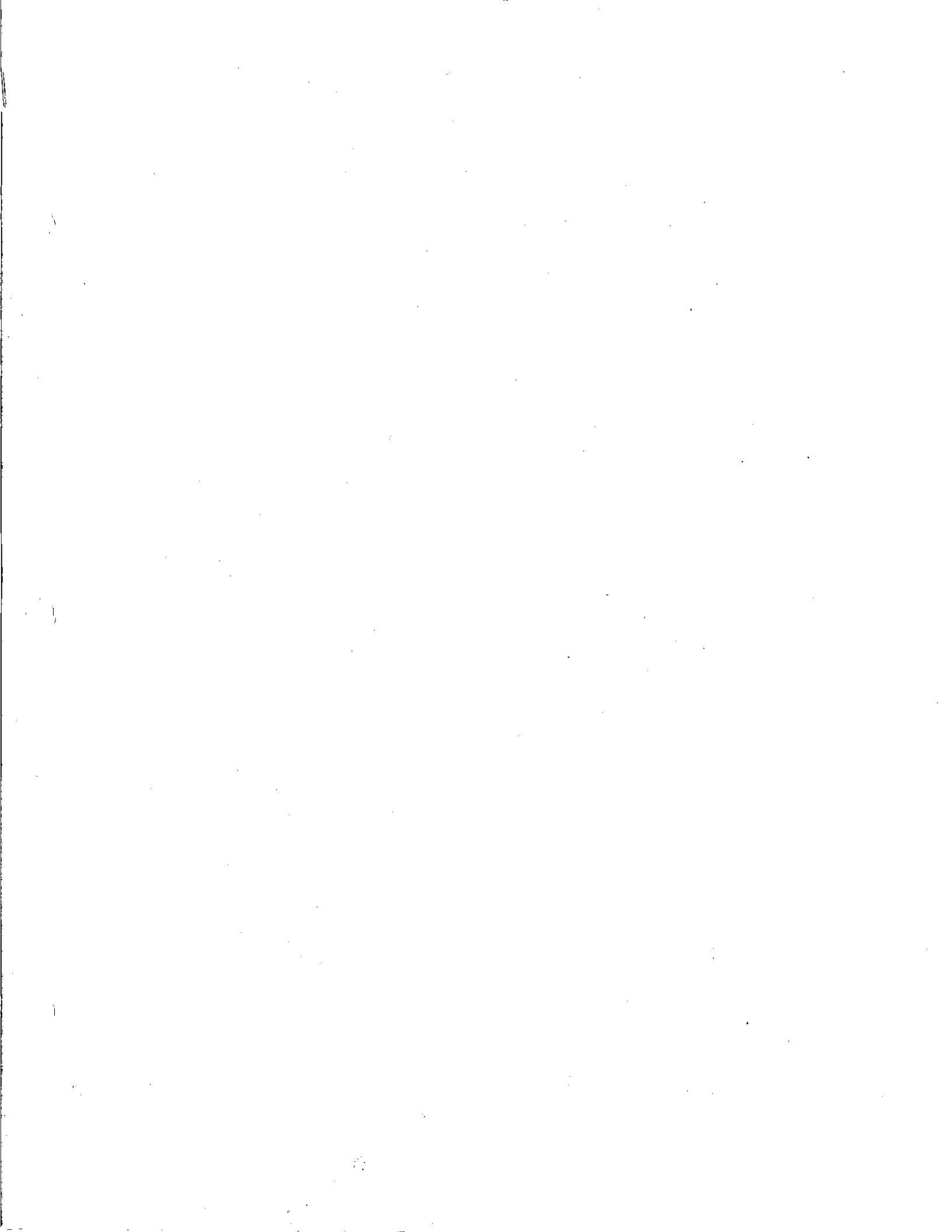
capacity not only on an all-out emergency basis as had been done previously, but also on an immediate basis.

In other words, the industry was asked what its current alkylate production was and was requested to establish in general what the timetable appeared to be to obtain maximum production levels with facilities currently in operation and those under construction or those authorized for construction.

The individual refiners were also asked to indicate what they could do on a self-contained basis and what production level could be obtained if it were assumed that alkylation feed stocks and certain high quality base stocks could be made available to them by shipping them in from outside sources.

As indicated previously, such transfers were essential to establish the high production levels accomplished during World War II. As many as 7500 tank cars were used at times to accomplish this stock transfer during the last war.

On August 31, the date that the questionnaire returns were due, the Military made known to the MPAB the fact that supplies were still markedly short and that requirements were going to be appreciably higher over the last four months of the year than had been previously anticipated. In other words, we get a new list of requirements, particularly during the last four months of the year, than had been



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given to us before.

It should be recalled that these supplies were short in spite of the fact that industry had by this time apparently removed some 15,000 to 20,000 barrels a day of alkylate from motor gasoline.

The questionnaire was submitted to 138 refiners operating 259 plants with a crude running capacity of 2500 barrels per day or higher. It was realized that a number of the smaller plants did not have facilities for finished components for high octane number aviation fuels, but many of them probably would be in a position to supply alkylation feed stocks. Replies were received covering 183 refineries.

Gentlemen, I apologise for sending out these questionnaires to you, but I do wish also to thank you for the wonderful cooperation that you have given us in answering these questionnaires.

To make things worse, we are sending you another one on Friday of this week, which is considerably more complicated than the last one. I would like to have Mr. Apjohn, as chairman of this subcommittee of our Aviation Fuels Committee, outline the details of this. We tried to break this down in an overall picture and present it by districts. We thought that by presenting it by districts, you could relate your own operation a little better than trying to look at it overall. All of this is confidential again.

mm-22

and we will remove these sheets one at a time so that we can present this story to you. Mr. Apjohn.

STATEMENT OF THOMAS APJOHN

MR. APJOHN: Gentlemen, the information requested on these questionnaires, you will realize, is in a great deal of detail and it should not be concluded that the information presented here today covers by any means all the information that was developed from these data.

It is the primary purpose of this discussion to present those figures which have a bearing on the immediate situation. Secondly, we do want to give you some picture of what can be done in 12 to 18 months after these presently-planned facilities and authorized facilities are completed, and after certain rehabilitation programs of communities that were in operation during World War II are carried out.

The essential data for the questions presently being considered have been set up in five charts. This chart presents a broad summary of the crude running capacity of those refineries answering the questionnaire, and also gives a broad summary of the potential Grade 115/145 production.

The first two columns give the crude capacity, both as it exists immediately and as it will exist 12 to 18 months from now when facilities are completed that are

mm-23

currently under way or authorized.

The 183 refineries that did report are capable of running 5,783,000 barrels per day of crude. This probably amounts to about 90 percent of the current available capacity. In 12 to 18 months that crude running capacity will be increased to 6,063,000 barrels per day. Crude in this initial summary table is the total Grade 115/145 that could be obtained (1) under an immediate situation, and (2) 12 to 18 months from now.

You will recall that Mr. Holaday said we also asked the industry to indicate to us how much they could produce to us on a self-contained basis, and how much could be produced if they could assume they could get outside stocks, alkylation feed stocks and base stocks. I want to point out that this "all-out" heading here means that these figures would be obtained only with some or all of the controls, Government authority and Government assistance what were available during World War II.

MR. WILSON: That "all-out 115/145" actually isn't the ratio that you would have. You would have a greater volume than that because a substantial part would be 100/130.

MR. APJOHN: That is right. The demand is for 115/130 and 115/145. If you made both grades your total volume would be higher than that total indicated.

MR. WILSON: That includes civilian requirements as

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well as military?

MR. APJOHN: That would cover civilian requirements as well as military.

Let's look at the immediate situation. On a self-contained basis the industry could produce 109,000 barrels per day of grade 100/130 finished fuel. Now, if they can go outside and can get alkylation feed stocks and other blending components, that production can be increased to 175,000 barrels per day immediately.

MR. BAKER: Does that mean that they have that capacity, or that they have the capacity plus these stocks around over the country?

MR. APJOHN: That means they have the capacity to make this much, they themselves, on a self-contained basis, do not have the stocks.

MR. BAKER: Is there available, in the country --

MR. APJOHN: That will be developed, sir. In 12 to 18 months the self-contained production goes up to 142,000 barrels per day, on a self-contained basis; with outside stocks, 246,000 barrels per day. You realize that in that 12 to 18 months they are going to complete catalytic cracking units that are apparently being build and are authorized to be built; they are going to rehabilitate a lot of equipment that was used in World War II that was converted to use for normal peacttime operations. Some of the alkylation

mm-25

units were robbed of parts for other uses when the alkylation requirement dropped immediately following World War II. Isomerization units were converted to other uses more profitable for peacetime operation. Those are the things that are going to happen in the next 12 to 18 months after controls have set in to get this production level to this point.

Repeating Mr. Holiday's statement, alkylate is the key component to the production level that can be obtained.



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This applies to 100/130 and 115/145. It seems essential that the present and potential alkylate production be investigated rather closely.

The second table gives pertinent information on alkylate availability. The first column indicates what current alkylate production is. It is based on a calendar day figure representing the last four months of 1950. We won't go over the individual district figures, but the total for the United States is about 108,000 barrels per day.

The rest of the table is set up as the previous one is on an all-out production capacity basis, what can be done immediately, what can be done 12 to 18 months from now, and within those two cases, what can be done on a self-contained basis and what can be done with outside stocks.

On a self-contained basis you will notice that the alkylate production would be about 105,000 barrels per day. That is lower than what they are doing right now and what the industry is doing right now. That indicates of course that there is a little bit of shifting of alkylation feed stocks to those plants that do have capacity.

On a self-contained basis immediately the production could be increased by 20,000 barrels to 127,000 barrels.

MR. WILSON: You said on a self-contained basis?

MR. APJOHN: I am sorry. With outside feed stocks.

MR. MEECE: Do the questionnaires indicate that that

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additional 20,000 barrels is available if it is shipped back and forth?

MR. APJOHN: Yes. I will prove that as I go along.

Summary figures representing country-wide alkylation production for 18 months from now indicate an even wider spread between self-contained operations and those brought about by the use of outside stocks, the figures being 124,000 and 171,000 barrels per calendar day, respectively.

In a subsequent analysis of the current supply and demand situation these figures representing immediate production will be used. Please keep them in mind, that we can make 127,000 barrels per day if we go outside for feed stocks to fill alkylation capacity.

The difference between this 104,760 and 127,000 represents what can be done with outside stocks and they specifically include the three materials: isobutane, butylenes and codimer. Factually, this amounts to just two components, since codimer is a selected polymer resulting from the joining of two butylene molecules in a polymerization operation.

A number of refiners have polymerization units that, under normal circumstances, are used to combined propylene and butylenes, producing a liquid product which has an extremely high blending octane number as a component in motor gasoline. When these polymerization units are operated on a selected feed stock consisting only of butanes and butylenes, the

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product, known as codimer, makes an excellent alkylation feed stock.

So the three things are important -- isobutane, butylene and codimers. Codimer is two elements in a liquid product rather than a gaseous one. Let us look at the three components across the country and establish the fact that there are sufficient available to make this 127,000 barrels a day for which there is a capacity in alkylation units.

This is an alkylation feed stock balance, considering the entire shipment transfer of feed stocks.

A VOICE: What you could do if you did --

MR. APJOHN: That is right. And to indicate that the stock are available.

In the immediate situation you can see that country-wide there is a slight excess of one of the components necessary: isobutane. There is a shortage of butylenes, per se. However, that shortage of butylenes can be more than made up by the codimer that could be made available. Actually, one barrel of codimer is equivalent to 1.2 barrels of butylenes. So that you could have left over here, after you supplied this requirement, some 7,000 barrels a day of codimer.

During the last war that codimer was hydrogenated to hydrocodimer which is an alkylytic equivalent. You will note, however, that there are substantial shortages in

jp4 District 3 and District 5. And the over-supply is in Districts 1 and 2. Therefore you can see immediately a transportation problem coming up in transferring those required stocks from 1 and 2 to 3 and 5, from the east coast and midcontinent area to the Gulf coast and the Pacific coast.

MR. WILSON: Does that allow for the synthetic rubber requirement of butylene?

MR. APJOHN: That is coming along and I will prove it does. It is nice to anticipate all these questions.

In the longer-range forecast there is a shortage of isobutane. We are not too concerned about that, however. We feel that that relatively small amount -- 3,300 barrels a day -- could be obtained either by installing a few butane splitters and natural gasoline plants or rehabilitating butane isomerization units.

We show up with a larger shortage of butylenes in the all-out picture, 12 to 18 months from now. We can more than make up this shortage by using codimer. Here again we have the same problem, 12 to 18 months from now, that you have today. An over-supply in Districts 1 and 2 and a shortage in Districts 3 and 5.

Now to come to your question, Mr. Wilson. When considering butylenes for alkylate, it is also essential that the availability for synthetic rubber also be considered. It

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will be recalled that there was competition during the last war for butylenes between 100 octane number gasoline and synthetic rubber. The next table indicates what the immediate situation is with reference to this competing demand. Questionnaire data indicated that refiners would, under emergency conditions, set aside 16,070 barrels per day of butylenes for the rubber program.

The indicated demand about January 1, 1951 is 19,500 barrels per day, so there is an indicated shortage of 3,400 barrels per day. You will recall on the previous chart that we have more than enough alkylation feed stocks to fill alkylation capacity. More than enough butylenes if we considered the use of codimer.

Now, it is possible to make up this 3,400 barrels a day shortage for the rubber program if we take butylenese from some refinery that has an alkylation unit and substitute those butylenes for the codimer. To state the facts bluntly, the rubber program can, according to the questionnaire, take care of the situation.

MR. ADAMS: That is based on your present capacity of butylene and synthetic rubber?

MR. APJOHN: That is right. The demands during the last war were not as high as 19,500. They have been apparently able to stretch those plants to produce more. This is the best figure we have on demand.

JF6

MR. WILSON: The other figures you had on the previous chart were after taking out this amount?

MR. APJOHN: They were, yes, sir. After taking out 16,070. They were not considered available as alkylation feed.

MR. WILSON: On your previous chart you showed the amount of codimer available. Actually that is available only by stopping present operations and switching it to codimer operations?

MR. APJOHN: That is right. It is codimer that could be made available. It is not available today.

MR. MAJEWSKI: Plus another thing, Bob, that has to be dealt with, and that is the curtailment of this unrestricted octane race on civilian gasoline. This codimer comes -- as I would like to point out and I am just chiming in now briefly -- the codimer comes from smaller refineries which did such a swell job of supplying it during the last war. It involves of course a little additional price, but further than that no little fellow can contribute his mite to this, and his important might, unless there is an immediate cessation of this octane race, because he even now can't meet what the ethyl gasoline corporation requirements are as a minimum, say, to compete on an active basis.

I hope you don't forget to deal with that, because to me, if you stop this octane race, most of your problems for

jf7

the present are over.

Will you deal with that, Tom? I just want to put that in.

MR. BRUCE K. BROWN: That is not part of the aviation fuel report that he is giving but certainly we are all free to deal with it and I am on your side of it. If you don't have unanimity you just don't have it. Let him say what we all agree to, first.

MR. MAJEWSKI: Just so you don't stop me later.

MR. APJOHN: Up to this point we have considered the amount of fuel that can be made available with government authority and assistance immediately, in 12 to 18 months from now. We have considered primarily the alkylate availability because that is the essential nub of the whole situation.

An analysis has also been made of the rate at which production can be increased over this 18 months period and it is practically a straight line rate of increase for the first 12 months when you approach pretty close to the maximum alkylate availability of 171,000 barrels per day.

Now let us make a comparison of what is being done in the way of producing high octane aviation gasoline and what is being requested by the military, to indicate the magnitude of the shortage that exists, and to define what should be done immediately to eliminate that shortage.

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MR. W. ALTON JONES: As to capacities, both present and in 12 to 18 months, you have taken into account only those new facilities now under construction?

MR. APJOHN: Or definitely authorized.

MR. W. ALTON JONES: You have not contemplated new?

MR. APJOHN: No.

A VOICE: Does that contemplate new reconversions?

MR. APJOHN: It does. Some rehabilitation programs are not contemplated, and that will not be done until they are told to do it.

MR. W. ALTON JONES: My question is as to whether it contemplated the addition of any new facilities.

A VOICE: Are those figures only C-4's, or C-4's and C-5's?

MR. APJOHN: Only C-4's. We have enough butylenes available. So we are not considering the use of C-3's and C-5's. This chart summarizes production and requirements. Three grades of high octane number fuel are considered for the analysis: Commercial 100/130; military, 100/130; and military, 115/145.

The first column after the grade represents what current production is. The commercial figures of 46,500, of 100/130, and the military figures of 42,900 for Grade 115/145, were obtained from the Armed Services Petroleum Purchasing Agency and represent offerings as of August 31, 1950.



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Our checking with that agency since that time indicates that they are essentially unchanged. There has been a little bit more offered, but these figures still are pretty good to represent the over-all picture.

We have set out the commercial 100/130 because commercial grades of aviation fuel currently contain from 3 to 4 millileters of tetraethyl lead per gallon, whereas military 100/130 and 115/145 contain 6 millileters of tetraethyl lead per gallon.

The requirement figures were developed by the Munitions Board Petroleum Division and are the figures that were given to us on the 31st of August. These were developed after quite extensive consultation with all the agencies involved in the purchase and use of high octane number fuels.

Comparison of the requirements with current production indicates there is a current shortage of 27,100 barrels per day over the period September through December. This analysis was started about the first of September, so we use the four months period.

It has been assumed of course that all commercial requirements will be met and that the military is going to be short.

A few comments about the demand figures would probably be profitable. They constitute a requirement for product for both immediate consumption and building terminal stocks to a

JF9

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safe level. A thorough analysis by MPAB revealed them to be very realistic. We would like to cite just one example of the poor terminal stock situation, upon which Admiral Biggs could give more details, indicating that the military is not in a good situation -- I think that is putting it mildly, isn't it, Admiral? -- from Japan through the back-up area for combat activities to territorial United States.

One horrible example within the United States is the fact that on August 31 the military had storage capacity of over 1,224,000 barrels. At that time they had 164,000 barrels in that tankage. Such a condition existing through practically the entire distribution system, it is obvious that steps should be taken immediately to put this stock position at a safer level.

Consequently the figures included in the demand column do include fuel to fill this terminal storage to one-half or one-third of the available capacity.

MR. MAJEWSKI: May I --

MR. W. ALTON JONES: By what date?

MR. APJOHN: December 31, 1950.

It appears that two steps should be taken immediately to overcome the present shortage of 27,000 barrels per day, 16,800 of which are Grade 100/130 and 10,200 Grade 115/145. The first is to institute the recommendation made by the Aircraft Fuels Committee that commercial fuel specifications be

jf11

brought in line with military specifications. As indicated here, the current commercial grades only have three to four millileters per gallon where the military has 4.6. Increasing the lead content to the military specification level of this commercial fuel should increase available supply of 100 octane number finished aviation gasoline by about 10,000 barrels per day.

The effect of such a change in specifications would be felt immediately. It is a good way to pick up 10,000 barrels a day tomorrow. It is just a change in the lead content of the commercial fuel. Steps are under way to accomplish that.

To overcome the balance of the shortage, approximately 10,000 barrels per day of additional alkylate production must be found. This means that current alkylate production would have to be increased from the present level of 108,000 barrels a day to about 118,000 barrels per day.

Referring back to the previous data you will recall that there is currently capacity to produce 127,000 barrels a day. However, to attain any part of that capacity we have to move feed stocks from districts 1 and 2, east coast and midcontinent area, to the Gulf and Pacific coasts. To accomplish this it appears that government authority and assistance will be required.

Since added expense is involved, and such movements will undoubtedly affect both motor gasoline quality and

jf12

quantity.

That is all that I am going to say about it, Mr. Majewski.

Further, it is estimated that some 600 to a thousand tank cars will be required to accomplish this transfer and half of these cars will have to be of the pressure type. Here again undoubtedly government assistance will be essential to obtain the cars, particularly the pressure type which are extremely short at the present time.

It should be stressed that these shortage figures are expressed in terms of barrels per day over a four-month period. That four-month period is September through December 1940. The shortages are cumulative, and since one month has passed during which nothing has been done to alleviate them, the steps recommended in this analysis are well on the conservative side as far as activity on the part of the petroleum industry is concerned.

In other words, this alkylate increment of 10,000 barrels per day should be increased by 25 percent on October 1, to be realistic, to fill the bill. The analysis of production and requirements was carried one step further on the basis of a 1951 demand that was estimated by the MPAB Aircraft Fuels Committee prior to the release of official estimates by the Munitions Board that were received late last week.

These MPAB estimates correspond roughly to the official

jf13

estimates for the first half of 1951. For the second half of 1951 the indicated demand is substantially higher than the figures shown here. On the basis of our MPAB estimated figures there is an indicated total shortage of 41,200 barrels per day over the present situation, 25,700 of which are Grade 100/130 and 15,000 are Grade 115/145.

To meet this shortage it has been calculated that outlet production must be increased over the present level by approximately 20,000 barrels per day to the level of 128,000 barrels per day.

Again our previous analysis would indicate that that much and more alkylation capacity will be available in 1951 but again it will be essential to move the feed stocks from the east and midcontinent area down to the Gulf coast and Pacific coast.

It is estimated that at that time somewhere between 1,500 and 2,500 tank cars will be essential. Again 50 percent of them are pressure type.

A VOICE: What is that number?

MR. APJOHN: 1500 to 2500 cars.

A VOICE: And the date?

MR. APJOHN: Let us say March 1951.

A VOICE: That doesn't include the adjustment in cars for rubber?

MR. APJOHN: No. There will have to be adjustment of

jfl4

rubber for the synthetic butylene program. I might say that the Aircraft Fuels Committee and Production Survey Subcommittee are not transportation experts. I did not have a transportation expert available. Those are estimates. You can see they are estimates by the wide range from 1,500 to 2,500 cars.

Although the balance of supply and demand for high octane number fuels has in this analysis been predicated largely on increasing alkylate production capacity, there are of course other routes to the same end. Increased production of aromatics has already been recommended to the industry.

The production of greater quantities of high quality catalytic stocks is another. In the majority of cases however alkylate production would appear to constitute less overall expense with reference to both monetary and production factors. Some agency should be available, however, to evaluate in a precise manner the alternate routes that can be made available to get the military what it wants.

Thank you.

(Applause.)



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MR. BRUCE K. BROWN: I know you have a lot of questions. I would like to have Admiral Biggs comment before you ask the questions. He has another side to this and his comments may answer the questions you would otherwise ask.

#### STATEMENT OF ADMIRAL BIGGS

ADMIRAL BIGGS: I am in about the same position as Mr. Jacobsen. I can't get out, either. In fact, I seem to be in the middle most of the time.

The situation described is not quite as dramatic, perchance, as it seemed to me, and I will admit that I don't get as much excited about it as some of the other people in the Pentagon were because I spent twenty-five months in the Pacific chewing my nails and wondering when the next tanker would arrive during World War II.

The situation in Japan, by accident, planning or other such, was such that when the Korean incident broke, there was in excess of 600,000 barrels of 100-octane gasoline in the Japanese storage. According to all reliable estimates that was considerably in excess of what might be expected to stop a police action.

The net result was that as soon as this thing started the first of July we made a quick resurvey of our stocks as best we could, our indicated consumption, and what we would do about it. I think this Council is very well aware of the situation we had on the 25th of July when we got the number one arm-

JW 2  
twister's committee together, headed by Mr. Jennings, to see what we could squeeze out of the industry in the way of additional supplies.

At that time we had an indicated shortage of 1,321,000 barrels of 100 octane, and 271,000 of 115. By the arm-twisting route we cut the knot. But in the interim several people had their mortality possibilities reduced by several years.

On the first of September, 1950, we called a meeting of the senior members of the Munitions Board Petroleum Committee and to that meeting I invited Mr. Bartlett, who was doing a bit of a twisting job for Colonel Drake, and Mr. High Stewart, and Mr. Apjohn, in order that it might be presented.

They saw what we were working with, and my committee would then be informed of what the industry was doing. At that time the situation looked bad and was becoming speedily worse. By the 8th of September, 1950 the terminal stocks -- that is, as of midnight -- we had been getting daily reports for a month -- on the 8th of September the terminal stocks in Japan were zero. All of the drum stocks had been decanted and there was three days' supply on the air stations.

The first cargo arrived at three o'clock that afternoon, of 130,000 barrels. Unless your nervous system has been exposed to that for a year or two, it is rather rough. That was the state of the Union on the 8th of September.

You say, What the devil has the military been doing about

JW 3

it? On the 14th of August, 1950, representatives of the Navy and Air Force, Bureau of Supplies and Accounts, Bureau of Aeronautics, the Purchasing Agent, and Wright Field, by invitation arrived in my office in the Pentagon and they arrived at nine o'clock in the morning. They got out of the place at a quarter to two.

In the course of human events they had made certain agreements to shift stocks, to rob Peter to pay Paul, and to come up with a cure temporarily for spot shortages. I was not in a position to issue any orders or any directives or to allocate the available supplies of gasoline. But the boys discovered that in order to get the door unlocked they had to make these unanimous agreements. That was the first move.

On the first of September, 1950, when we had this meeting I mentioned, there was a letter addressed to the Joint Chiefs of Staff and re-addressed by them to the Navy and the Air Force, inviting their attention to this condition, and pointing out that 115/145 would not be used except for those types of engines which absolutely required it for their operational activities. Furthermore, that they would use lower grades wherever possible. The Joint Chiefs of Staff also immediately established an allocation committee to allocate the available supplies to the services in order that there might be a definite division to see that we didn't have a lot of fat on one place and the other fellow was starving to death.

JW 4

The situation has improved a little in the 100/130. But they cut the ground out from under me at 8:30 this morning on the 115/145. I assure you, gentlemen, I don't know what the devil is going to happen between now and the 15th of October in that particular grade. We have certain extraordinary maneuvers that we expect to do that may tide us over. It is a spot condition. That does not mean that you have all the storages full.

You gentlemen are well acquainted with the fact that there were certain requirements of the Joint Chiefs of Staff that required certain reserve levels of supply; but it just so happens that if you don't have the storage nor the money to buy it, or you don't have the appropriation to buy the gasoline to put into storage, the chances are good that you won't have the gasoline. And that was where we stood.

We had twelve tankers on the west coast, we had graded our stocks on a balanced stock basis, by a simple maneuver of filling up the fellow who is farther away from you first and let the other boy worry about where he was going to get his operational stocks. Those tankers on the west coast were in a position to drive up and very neatly, and with great facility, exhaust all of the operational terminal stocks on the west coast.

That, gentlemen, is approximately the story.

(Applause).

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MR. BRUCE K. BROWN: I would like to make one other important report to you, again hoping to get all the facts out, and not intending to discourage discussion at all. I want to talk to you squarely on this controversial point that Mr. Majewski talked about.

When our Fuels Committee met to review these figures it debated which comes first, the chicken or the egg. Everybody agreed that steps such as Mr. Apjohn has outlined have to be taken if the need is going to be met. We couldn't figure any other way to do it except by regulations and government assistance.

Everybody agrees that if those steps aren't taken that the effect is going to be to mar the octane of motor gasoline. Now, the question is, which do you do? Do you issue all the instructions and mar the effect and hurt different people indiscriminately, depending on what the situation is, and then issue a directive to cut the octane of the motor gasoline? If you do it that way you know that you would get every drop of benefit because you don't let the octane come down until you have a place to put these components.

The other side of it is that you could issue the order, if the secretary cared to, restricting the octane of motor gasoline. If you didn't do anything else people might simply stop reforming and no drop of aviation gasoline might ever get into the program. That is what the discussion is about.

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None of the experts -- I don't believe there is one, I know there is none here -- we disagreed among ourselves, but there is no expert I know who doesn't say the octane of motor gasoline will have to come down if we do this.

The question is when do you do it and in which order do you do it? I would like to expose Mr. Holaday, Mr. Apjohn, Admiral Biggs, Mr. Frame, vice chairman of the board, and myself, to any questions that anybody has, and we will try, between us, somehow, to answer them. We won't argue, but we will try to answer them.

MR. KECK: Before you get away, looking at those 1951 figures, how much oil will it take?

MR. BRUCE K. BROWN: You are speaking of crude oil? There isn't very much crude oil as you can see.

MR. KECK: I mean the over-all requirements for civilian and military.

MR. BRUCE K. BROWN: Of aviation gasoline?

MR. KECK: No, crude oil. We are importing so much now. How much do we have to increase production?

MR. BRUCE K. BROWN: We are only talking about 50,000 to 60,000 barrels a day of total liquid petroleum. While there is some loss in refining, abstractly it is not a practical figure. You would say that all the crude oil we are talking about is maybe 80,000 to 100,000 barrels a day.

MR. MAJEWSKI: I had the benefit of sitting with these

JF3  
experts, being a member of your committee, last week. They are perfect on this aviation picture. They have it analyzed, in my humble opinion, as an amateur on these technical details, yet it comes down -- and I want to ask you this question and I want you to carry the ball on this motor gasoline: we are in a position today to recommend/<sup>to</sup>the industry if it were legally possible to do so -- and I wonder even about that.

We got up to this high octane figure illegally apparently because we can't reduce the octane unless we get some kind of government approval. So we must have got there, the inference, illegally by competitive methods. I don't quite understand that. That is beyond me.

So we must have a great big organization to legally bring down the octane that will permit the maximum production of these codimers, et cetera. That seems to me that since these fellows have done this grand job, and if only they were permitted -- it is restricted -- if this group were only permitted to hear what was done by them they would applaud them.

I want to offer a great big orchid on behalf of this counsel, having had the opportunity to hear them. They are sound, and they are desperate, to produce even the meager requirements for the last six months, and even the humble requirements for the 1951 period that I heard.

jf4

I think you ought to head in, Bruce, right into the question of these octanes. A lot of fellows here are experts on this question. I remember arguing this with Paul Blazer during the war in District 2. He showed me how we could get these codimers in a hurry if the little man would help. We won't -- why don't you just handle that in a hurry without a lot of monkey-doodling?

MR. BRUCE K. BROWN: Excuse me. Just at the point of your question Mr. Moladay asked one. What was your question? Excuse me, please.

MR. MAJEWSKI: I want to avoid all these monkey-doodling and ask you as an expert on this question, and being on my side of it, to just lead the discussion, because here in this room are fellows who are qualified to give you the answers to that, very simply and quickly, who don't fear to tread on some people's feet.

The octane reduction doesn't have to be as drastic as was in effect during World War II. It wouldn't hurt anybody but a half percent of the automobiles on the street today. So why don't you, as the moderator, and a favorable one, head right into this question?

MR. W. ALTON JONES: Before you answer that, while you are about it, also give this body an idea of what would happen if we rationed gasoline, say 10 percent. Would that help you out?



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MR. BRUCE K. BROWN: That is part of the argument. This gets awfully technical. I don't mind sticking my neck out. This is one thing we didn't do and Mr. Holaday called my attention to it.

We tried to present this picture fairly to the rubber program as well. I understand Mr. Hadlock of the rubber program is here. Does he have anything to say at this time?

MR. HALLANAN: Mr. Hadlock, will you come forward, please?

Mr. Hadlock is of the rubber reserve corporation of the Reconstruction Finance Corporation. We would be glad to hear your comments on this.

STATEMENT OF GERALD B. HADLOCK,  
RECONSTRUCTION FINANCE CORPORATION.

Mr. HADLOCK: The things that I intended more or less to cover have been pretty well taken care of in the development of the figures on the availability and the requirements of the rubber program. We in our own estimates have a requirement on our totaling GRS production of 19,600 barrels a day as against the figures that were presented here of 19,500. So we are hitting so close that we feel that our requirements are well cared for in the figures that have been developed.

What I would like to point out to you particularly -- and I am sure that is the same problem of the aviation gas program -- is just what our present situation is. Since

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July 6 we have had one directive after another to increase our GRS production to the point where we are now required to produce at the rate of 755,000 long tons per year. These directives began to flow at us in July. We are now in a position where we are bringing in copolymer plants, the increased capacity that we have reactivated, some of it will be available the first few days in October.

Additional units in the copolymer plants will be available the first of November. Others will be available in December, and on up until January 1. If I read the chart correctly, and understood correctly, the estimate of the requirement there was predicated upon 1951 availability and shortage.

We naturally differ a little bit on the shortage because I think the figures here were developed out of the over-all while we develop our shortage on the basis of what we have our fingers on, what is available to us.

Briefly, and in order to give you our story, we have capacity for production of GRS and I have told you we are under presidential directives to make -- and that is probably no greater demand on us than it is on military to get theirs, but nevertheless that is our job -- we have capacity to produce in the month of October, 34,500 long tons of GRS.

We have feed stocks for 31,000 tons. So therefore we are short 1700 barrels a day of normal butylenes and 580,000 barrels a day of butylene concentrate in order to get our

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production up and maintain it at the capacity of our copolymer facilities.

In November we have another plant coming in from which we expect to produce and can produce, if we have the feed stocks, an additional 6,000 tons of GRS per month. That again will make us short 2500 barrels a day of normal butylenes, and 1,000 barrels a day of butylene concentrates.

In December we still have another plant coming in, all of which have been reactivated under this program of getting our facilities back into operation, and we will need an additional thousand barrels of normal butylenes to take care of that facility. So that our production schedules, as they are set up throughout the remainder of this year, beginning with October, we naturally are anxious that some way be found to make butylenes available to us so that we can get our October production up to the capacity of the facilities.

In November, we are scheduled on the basis of our productive facilities, providing we have the feed stocks, for 35,000 long tons per month. And December, 48,700 long tons per month. Beyond that, going into the first of next year, I would anticipate that our program would be resolved in connection with the over-all program.

What I did want to bring to you and in connection with the request from the Department of the Interior that I give you a brief resume of our situation, I want to point out to

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you that our problem is immediate, too. It is here now, it is not next month, it is not the first of January, but it is the first of October. As a matter of fact, it is the 29th day of September.

MR. BAKER: Does that program involve reactivation of any alcohol plants?

MR. HADLOCK: I have not included reactivation of alcohol plants in there. We are directing that butadiene into copolymer plants which are being reactivated to utilize that butylene for additional production.

Our directives as they have come to us have been in the order of sequence where it first said "Make so much additional rubber." Namely, on July 6 we got a letter "reactivate facilities for the production of 70,000 additional long tons of GRS, and approximately 10,000 long tons of butyl."

We started in on that by opening the Houston butylene plant and the Natchez copolymer plant. The next one said "Open all copolymer and the requisites plants to utilize the butylene from those facilities."

Our next step was in the alcohol butadiene and the last step for more alcohol butadiene.

MR. HALLANAN: Are there any questions, gentlemen, of Mr. Hadlock?

(No response.)

MR. HALLANAN: Thank you very much.

JF9

MR. BRUCE K. BROWN: I would like to stop, because I have taken most of this meeting, and I know what will happen in the last ten minutes --

MR. MAJEWSKI: What will happen?

MR. BRUCE K. BROWN: To be very definite, in almost every case this seems to be true: if you issued a restriction on octane numbers, and did nothing else, you would be relying on the honesty and patriotism of the refiners if you intended to get any more aviation gasoline as a result.

In other words, a man who is cracking heavily and reforming, getting a lot of butylenes in his gasoline in order to meet competitive octane numbers, could simply quit reforming, at an economic advantage to himself. Unless he could sell those butylenes instead of making them and make some money, that is all he might do.

It is a terrifically complicated problem, different in each refinery and one on which our experts don't agree. You want me to stick my neck out. I will say that Mr. Stewart, after his discussion, asked me what I thought he ought to do. After all, this is not for us, this is for government. I told him that on balance -- which is Ralph Davies favorite expression -- restriction of octane numbers couldn't possibly hurt the aviation gasoline situation.

I am not talking about competition but just this aviation gasoline. Restriction of octane numbers couldn't

possibly hurt it. I felt confident it would help it a little and depending on the attitude of the industry it might help it quite a lot. That is really all you can say except to go through technical discussion after technical discussion, and every refinery is different and there is an answer to every argument.

But on balance, if you didn't have to make such high octane motor gasoline, I think you might produce some butylenes or codimer or something, and I think you would. That is why I thought the Secretary of the Interior might stick his neck out and issue an order. Whether he will I don't know.

MR. W. ALTON JONES: Would the restrictions or the reduction of these octane numbers to any reasonably low figure, solve the 27,000 barrels a day shortage that you are facing?

Mr. BRUCE K. BROWN: Not at all.

MR. W. ALTON JONES: What percentage would you say -- be generous now -- how far would you go in solving it? Would you solve two-thirds of it?

MR. BRUCE K. BROWN: I have to turn around and ask you, Mr. Jones, what would you do? Would you make some more butylenese available voluntarily to Mr. Hadlock? I don't know.

MR. W. ALTON JONES: I don't know, either, Bruce. What could we do? Let's be specific. What could we do? Let's

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assume that I would do everything I could, within reason. How far could you go in solving the problem?

MR. BRUCE K. BROWN: Would you mind if I referred that to the vice chairman who probably knows?

MR. W. ALTON JONES: I would rather you didn't because he works for me.

MR. FRAME: You have heard of a division of opinion on the experts on this question. I am on the other side of this problem from Bruce Brown. I agree of course that an increase in aviation gasoline production is going to have an effect -- have the effect, ultimately -- of reducing the quality of civilian gasoline. However, it seems to me that a step taken now to reduce the quality of civilian gasoline unless it were followed immediately with some governmental agencies which would be in a position to utilize the stocks that might be made available would be productive of very little, if any, additional aviation gasoline.

Mr. Brown asked Mr. Jones what would be the effect on his company if such a step were taken. I can answer that question. In our case, such a step would not make any additional aviation gasoline components available and that would be true in many, many cases. I do think, myself, that a proper step is to provide a mechanism for the transfer of components -- alkylation components -- between refineries. Once that step is taken then I think the question of the quality of motor

jfl2

gasoline will almost automatically solve itself. But I think first things should come first.

MR. W. ALTON JONES: While you are on your feet will you answer this question, without getting into a discussion among the experts? I notice that you and Bruce Brown are pretty far apart, like a couple of Siamese twins, usually. What would you think Bruce Brown thinks would be the net result of just a reduction in octane numbers alone? I couldn't get him to estimate it.

(Laughter.)

MR. BRUCE K. BROWN: That is fair enough. I will answer afterwards.

MR. W. ALTON JONES: I want to be perfectly fair about this. I feel that we have to get at the meat of this thing and not do something that won't solve the problem. If Barney's point is right that we need to resolute to reduce octane numbers, let's do it. I don't think that is the answer. I want to be sure that nobody else thinks so, if it isn't true.

MR. FRAME: In the air fuels committee which is composed, as Mr. Brown said, of some 12 or 14 men who are mostly vice presidents in charge of manufacturing of their various organizations, in that organization this question was brought up and there was a directly complete split between the various people there.



jf13

In other words, some of those members felt that such a step if taken would very quickly add additional aviation gasoline in some amount. Some of the rest of us thought it would have very little effect. The figures that have been mentioned are of this order: some of us feel that such a step would perhaps not add over a thousand barrels a day of aviation gasoline immediately to the production; some of the perhaps more optimistic ones, perhaps including Mr. Brown, would say it might go to the order of five or six thousand barrels a day.

MR. W. ALTON JONES: That is the top figure?

MR. FRAME: It becomes a matter of opinion, of course, because you are dealing with imponderables that are not capable of being added up.

MR. MAJEWSKI: Let me put my finger on the other important point which everybody seems to be afraid of. We can avoid all of this regimentation it seems to me if we deal with two things: if we reduce the octane number and then produce the component parts that are required for this by paying for them.

In this oil industry, and a free competitive system, you get technical naphthas for certain usages because the buyer is willing to pay what the product is worth, so if you take the cream out of a barrel of crude oil and call it codimer and a little person can produce it, pay him for it.

Jf14

That is what the services ought to be doing today instead of arguing about forming an organization. All you are talking about is to run these refineries which these small fellows have, and paying them what the product is worth, not an inordinate profit, as somebody was wailing because he was running for office, in my state, the other day, after they failed to pass the excess profits tax.

I say to you that you don't need any of this. If the military, who want 100 octane gasoline will pay for the co-dimers, and pay for the transportation of bringing them to the plants, where they can finish them, these ingredients and component parts into aviation gasoline. That is how simple it is.

The reduction of the octane value of civilian gasoline to levels where it won't hurt more than one-half percent of all the cars in the United States, and then pay for this very little bit of a product that is necessary but expensive to make. You can avoid building plants, you can avoid subsidizing this industry, and you can solve this problem for '50 and '51. That is how simple it is.

I don't want to get into any legal or technical discussions, but if the military will do its part and if the Interior Department will do its part by paying the price on the one hand for the ingredients that are necessary and reducing the octane level of gasoline to where it won't hurt

jf15

anybody to speak of, you wouldn't have to be down here today. That is how simple it is. I would like to have someone defy that one.

MR. WILSON: Mr. Chairman, I agree with Al Frame's statement that if you lower octane and don't follow it immediately by a method of assigning and redirecting these components in an intelligent manner to involve minimum transportation, that it will do little good. But it seems to me that the question is clearly that we should do both. In other words, we should reduce octane to create the background favorable to us, and then we should immediately set up whatever is necessary even if we do it on a loan basis before the regular organization can be set up.

The difficulty with Barney's stunt of saying "pay for it," is that the military after all are custodians of our funds, yours and mine. If they run wild and pay everybody what they ask, you will have a tremendous waste of money and more than that, a waste of transportation.

Another thing, this must be worked out by a committee of technical men who know, or a group of technical men who know the things, who can compare the costs of different methods of operation, and can say what is the proper step to take which will get the most gasoline at the minimum cost in the octane reduction.

I think there should be a reduction in civilian octane

jf16

number. That will make some available immediately and will create a background so that people who realize they have a little surplus of octanes will be much readier to fit into one of these plans.

MR. HALLANAN: Mr. Blazer?

MR. BLAZER: Dr. Wilson, I think, has given us the answer to the problem. It is not a question of reducing octanes for this program. I agree with Al Frame that just reducing octane levels wouldn't produce the aviation gasoline. I agree with him that this program is necessary, but I don't think this program can be implemented and carried out effectively unless the octane levels are reduced in addition.

There are a great many small refiners in the United States who still have only thermal cracking. They produce butylenes, they manufacture poly gasoline, and none of those refiners who have only thermal gasoline can produce a product today that meets even the minimum specifications of ethyl gasoline or premium gasoline without using polymer.

If you take their polymer away from them under this program you will have a political pressure that will upset your whole program. I think there is only one way to do it, and that is to put this program into effect and immediately thereafter reduce octane levels because it certainly is inadequate to take away from a small refiner those fractions which permit him to raise his octanes maybe from 84 up to 88 on it not over 10 or 15 percent of his production, and at the same time be per-

mitting major oil companies to sell 91 and 92 octane.

Monick  
Tape 5  
JW 1

It will be a great deal easier to get the little fellow to give up his small amount of polymer which is not large in the aggregate, but which is exceedingly important to him. There will be more of those small refiners hurt. And they have more significance politically than the major oil companies that have the catalytic cracking and that can get along under either program.

Thus I suggest a combination of the two. I agree with Al Frame on his conclusions. I agree with Barney Majewski that you have to level them. But I think you need both of them.

MR. W. ALTON JONES: It seems to me that after an hour of discussion here we will all agree on one thing, that this question of curing the shortage of aviation gas is not just a simple one. We just can't ring on the telephone and solve it. I don't believe it is going to be resolved by a council of a hundred members, either, because most of us are not qualified to decide on what the things are that need to be done. I think that Paul Blazer has enunciated what I believe is the solution, that we have got to leave this question ultimately to two things; first, a group of experts who can decide on all these things, and finally reconcile their views -- they usually do if they are given enough time --

A VOICE: I can't hear you.

MR. W. ALTON JONES: We have to leave this question first

to a board of experts to resolve the things that need to be done. In my speech of a moment ago of cutting octane numbers down, or reducing octane numbers and not solving the problem that was only to highlight the fact that this is not the exact solution to a 27,000-barrel shortage. This is only one of the things that has to be done. First we have to impress these experts to get together on the important things that have to be done in the order in which they should be done and secondly, this Council ought to undertake to set up a form of organization or urge the setting up of a kind of organization in the Department of Interior, whether another P.A.W., or whatever it might be, which can quickly bring about these things.

I think that is all this Council can do. As to how far the octane number should be cut, whether we should, and how fast we should go to the 4.6 doctoring of commercial aviation gas -- and believe me, there is going to be some resistance to that. I am sure many of you have already received complaints from aviation companies.

I have a long telegram from Eddie Rickenbacker complaining about this proposal to put 4.6 c.c.s of lead in his aviation gas. He said it will do two things -- of course it will be uneconomical, he can't afford it, and secondly, it will be unsafe. It threatens the safety of his passengers. Eddie may be a little bit emphatic on that. I guess the military has been using 4.6 for quite a while, haven't they, Admiral? I

JW 3

don't think they attribute many of their crashes to that.

On the economic side I can't argue at all. He has something that he has to face, that added maintenance will come along in using 4.6. What I am getting at is that all these voluntary activities that we carry on in peacetime, all this modus operandi of our private enterprise system doesn't exactly dovetail in time of emergency when we have a situation that is bad.

We produced 600,000 barrels of aviation gasoline at the end of the last war. "Where has it all gone", someone might say, like they are now saying "Where is the Korean Army?" We had 100,000 people the day before yesterday, and now we can't find them. Where are the 600,000 barrels? There are sixty-seven answers to it.

The catalytic facilities that were used to step up the high octane gas are being used for other purposes. If you want to cut down the runs on some of these catalytic crackers we would help solve the problem. That is another solution. But it seems to me that our problem here today is to do two things. Find a way if we can to help the Secretary of the Interior to set up the machinery by which these component parts of aviation gasoline can be moved from place to place, and the men paid for what they are entitled to be paid, in order to produce them, but just to resolute on one or two of the problems and go home will get us nowhere at all.

MR. HALLANAN: Mr. Brazell?

MR. BRAZELL: I would like to make a few comments. Take Barney's comments to get the military to pay for it. That is something we all know about. But it isn't quite that simple. They go to jail the same as we do, and so forth, if they don't follow their rules.

As far as the small refiners are concerned, they make most of the codimer that is made, in little plants scattered over the country. If we start out reducing octane numbers right now, suppose we cut it back a little bit. The public will get the idea that the gasoline you are putting out is not quite good enough and will start using ethyl gasoline instead of regular.

So your ethyl gasoline requirements go way up. The little man who gave up his codimer can't make ethyl. So he is in a bad fix. The other folks do. He is just hurt. So when you start reducing the octane number you have to recognize that you are going to have to limit the lead content of gasoline, otherwise the lead content would go up quite high. You are going to have to limit the percentage of ethyl gasoline that can be made, based on some previous records or something like that. If you were to reduce octane and let the little man keep his codimer and other things so that it would stay even, that wouldn't even solve the problem either because the codimer comes from the little fellow.



Speaking of these little people -- I happen to be one of them and know them fairly well -- I don't think that they would like to get in bad with the industry, and depend on the generosity of the major companies, and particular of themselves, because they know what would happen. They kind of like to have the blessing of the J.P. before that happens, so that if there are any results they can be called by name.

It seems to me that you have got to have a place for the little fellows to sell their codimer and get a reasonable price for it. They will have to go to some agency to work that out. Each fellow will have a different price, every one of them. They can figure it pretty good, and the fellow they are going to sell it to can figure pretty good. So you have to have somebody stand up and say "This is how much you can get", and "This is how much you have to pay." It will work out fine.

End  
Tape 5

MR. HALLANAN: Mr. Baker?

Monick  
Tape 6

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MR. BAKER: I was just going to make a point on procedure. This has been a very interesting and illuminating presentation. The problems are pretty well laid out here before us. It is obvious that they are not simple of solution.

We have a committee appointed to come in with a recommendation as to what the Council should do. I was just going to suggest that maybe we have reached a point where we could rely on that committee to lead us out of the wilderness and make a suggestion for its solution, and maybe pass on to other subjects.

MR. MAJEWSKI: Maybe I am confused, but maybe you fellows haven't been reading, have you? This has all been done for you, as I understand it. I see on the agenda that the Secretary is going to talk. I was here last week and I didn't understand that this was going to be done, but I understood that this was going to be done.

So I ask the fellow where we are. If this is going to be done, that has been announced, and it has precedence because it is the latest press release, over the other one, and in my shop if I release a press release at 5 o'clock it supersedes the one at 3 o'clock. I don't know about the Government.

I am confused, and if I am confused then I want to help this Korean situation. I don't want this to fall in our

Jan-2

lap.

Bob, I think it was unfortunate for you to say that the industry can't be trusted about the price it is going to ask for its product. Frankly, I think it can be trusted. A lot of little fellows made codimer and didn't charge an exorbitant price. And I know a lot of little men who, if they know of the noose which has been planned for them in this press release, will make the codimer for nothing. That is how serious this press release is to me.

I want to find out where we are headed. If we are headed in the right direction, then I don't want to make any more speeches. If we are not, then I will never quit talking; I will filibuster.

MR. WILSON: I object very strongly having words put in my mouth. I didn't say the industry couldn't be trusted and didn't imply that. But somebody has to figure out where is the most economical place to make it, from what refinery it should be taken and to what refinery it should be sent.

You can't just tell the military to go out and pay for things.

(At this point Secretary Chapman entered the room. (Applause.))

MR. HALLANAN: Gentlemen of the Council, I think the

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entrance of the Secretary of the Interior at this particular moment was very timely. I congratulate you on coming in at the proper time, Mr. Secretary.

I think it would be interesting to you, Mr. Secretary, to know that in spite of this very short notice we have the largest attendance of this Council in its entire history. <sup>Sixty-two</sup> Thirty-six members have answered to the roll call, and a great many of those who were unable to come because of the short notice have sent representatives to this meeting.

Four years ago this Council was created and appointed by the Secretary of the Interior for the explicit purpose of advising and counseling with the Government. We are here today, Mr. Secretary, for that purpose, to meet with you in this time of national emergency.

I am certain that there must come to every member of this group in this critical hour, as it comes to me, a sense of profound pride that the petroleum industry led the way in an effort to break down any barriers of misunderstanding between the Government and private industry, and we have given of our efforts both individually and collectively to cooperation with Government on a high level of industrial achievement.

Since we last met here, the <sup>Defense</sup> Emergency Production Act has been passed by Congress. Under that Act the supervision

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of the petroleum industry is vested in the Department of the Interior. I am sure that I express the sentiment of this Council when I say to you, Mr. Secretary, that we are glad that that is where it is. We think that is the proper place for it to be, and we are here to cooperate with you completely and to meet any demands that may be made upon us.

You were here during the last war, and during the days of P.A.W. I think it is appropriate at this time to recall that during those stirring days of the Petroleum Administration for War the assurance was forthcoming at all times from the Petroleum Administrator and from the Deputy that when the emergency was over, the oil industry would go back home, free, and no longer would there be any effort to maintain any semblance of regimentation or control.

That promise was kept. I think that we can ask for no less than that in this emergency. We are here to cooperate with all of our energy and with all of the patriotism that this great industry possesses.

But we do want, when the emergency is over, to have the assurance that this industry will maintain its fundamental freedom.

I think that one of the reasons -- and I would be less than candid if I failed to refer to it -- one of the

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reasons that there is a large attendance of this group is not only because of the recognition of the great emergency, but because there has been considerable anxiety and concern about rumors, reports, and releases which have given some uncertainty as to just what was ahead of us.

We think that the best way for the petroleum industry to do the job that lies before us is along the same lines of organization as we had during World War II. We think nothing succeeds like success. That experience of cooperation with the Government in World War II has been written down in the annals of our history as one of the outstanding successes of all time.

Larger responsibilities are ahead of us. The emergency of this hour is not in any respect comparable with what we had in World War II, but we know not what it may be tomorrow.

We are glad to have you come to us at this hour, Mr. Secretary. We hope that the whole situation can be clarified and that there can be a reassurance that this cooperative effort will go along in a way that everybody can be happy and everybody can feel that the best effort is being put forth.

I present to you at this time the Secretary of the Interior, the Honorable Oscar Chapman.

(Applause.)

*end*

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## STATEMENT OF SECRETARY OSCAR L. CHAPMAN

SECRETARY CHAPMAN: If I had not been working with so many of you oil people all through the past 17 years I would probably feel like the little boy who went to school. Teacher was drawing a lot of biblical pictures on the board. She finally drew one of Daniel in the Lion's Den. She said, "What reaction do you get from that," to the class. No one spoke up. Finally she said, "Johnny, what do you get?" He said, "It looks like that last lion over here in the corner isn't going to get much of a bite out of this guy."

If I hadn't worked with you all these years I might feel like that, but I don't this morning. I don't at all. I feel like we understand each other. I feel like we know what we want to do, and I feel like we know how to do it together.

I see Bill Boyd here this morning. You don't miss many good meetings like this.

I see Max Ball is back. How did you get back so quickly? I heard you were in Europe yesterday.

And Warwick Downing. I see him sitting here. If you want to fight, start talking about independence of the oil operators and he will work on you.

I feel just like coming before a group of men that I have worked with before in a different capacity from what

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I am at the present time. But I feel that we understand each other.

I have prepared this morning, very carefully, four pages that I am going to read to you. And it has been done not that I couldn't say it to you extemporaneously, but it is done so that there can be no mistake about what I have to say, and you will have the record clear. Then when I am finished anybody in this room can ask me anything that he wants.

I don't know anything about the oil business except what I picked up in the last 17 years. I don't know all about it, but what I don't know the rest of you know. What you don't know about it, you know that the other fellow does know.

We have asked you here as advisers to help us run this program. There are people sitting in this room who were invited just for this meeting. You have been invited, I want you to know, as guests of this Council and myself so that in the future you may be of help to us in advising us on certain problems that may come before us. For that purpose let me read the statement through. When I am finished I will be open for questions from anybody, including Boyd.

Gentlemen of the Council: One week ago today, we received from the Military Petroleum Advisory Board a



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report on the aviation fuels supply situation, which caused us serious concern here.

This report, compiled by some of the best experts in industry, indicates a temporary shortage of these fuels and contains recommendations of certain corrective steps to be taken.

This has caused me to ask Mr. Hallanan for this meeting of the Council for two major purposes: First, I thought it would be well for this Council to hear and appraise that report and, second, it is my desire to have a recommendation of the Council upon the kind and character of organization that will be required here to meet this and any other unforeseeable short supply situation.

I want to assure you that I am aware of the powerful production force of the oil and gas industry, so well demonstrated in World War II, as well as in the postwar era of accelerated demand.

It is my earnest belief that the most essential ingredient that has put the enormous power in the industrial production machine of this country has been the free play of competition.

It is clear to me that any aggressor nation today is afraid of our military power primarily because they respect and fear the industrial production power of this Nation.

Knowing as I do the inherent advantages of competitive

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enterprise to our general welfare, I want all members of this Council to know that it shall be my purpose, as Petroleum Administrator under the Defense Production Act, to so use the powers entrusted to me, as far as is humanly possible, to leave at the end of this emergency the same competitive relationships among the units of the oil and gas industry as exist today.

(Applause.)

I am fully confident that the oil and gas industry can, with reasonable governmental assistance, meet fully its responsibility of petroleum products supply for national defense in any emergency that might arise.

I expect to benefit by the experience of the last war, and therefore do propose the closest possible cooperation between Government and industry as the best means of meeting any supply program, however large, that may be called for.

I recognize that industry must do the actual job of supply. Ours here will be appointed to give to industry the necessary governmental assistance, to remove any road blocks, so to speak. But we shall employ the minimum of regulation by directive.

It is my earnest hope that as much as possible of this job be done by industry purely upon a voluntary basis. That will be up to you. (Applause) It will be up to you

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to determine how far you can go.

I am greatly pleased that Mr. Parten has agreed to serve as my consultant and chief adviser upon the creation and establishment of the necessary organization to handle the required Petroleum Administration. Is that clear?

(Applause.)

Now, if you don't like the press release that went out yesterday afternoon you should have had him here two weeks ago. Don't blame it on me.

I want you to know that so far he and I have agreed, preliminary to the establishment of any organization, upon two things:

First, we have agreed to seek the advice of this Council upon the kind of organization that is required in Government that most efficiently and effectively will produce the governmental assistance needed by industry to meet the tasks ahead.

Second, we have agreed that any organization established should be set up on vertical lines -- (applause.) I am going to make some qualifying statement on that in a minute. (Continuing) -- on vertical lines, as far as oil and gas are concerned, and that such administration should be headed by a deputy administrator who will report directly to me as Administrator. (Applause.)

Naturally, I will give to my Deputy of the Petroleum

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Administration the fullest possible cooperation and support in his necessary and extensive dealings with other governmental agencies.

There I am going to interpolate. We have agreed -- and I am sure that you would agree -- that you wouldn't undertake to assume the responsibilities that the President has handed to me, of five major responsible industry groups, to handle the problem of allocations, without a staff around me. You wouldn't expect me to do it. So I expect to appoint a staff to me, a lawyer of my own, Mr. Parten will have a lawyer of his own, or Mr. Stewart, whichever one I decide will be the Administrator when I get through here.

You will want your own economists, you will want your own requirements man, which you will have. But you certainly would not deny me the right and the opportunity to have a staff of my own to help coordinate the whole program the best I could of these other four major problems that I have to deal with.

Am I right or wrong?

VOICE: Right.

SECRETARY CHAPMAN: Now we go on.

You, of industry, will be looked to by us here to give assistance in the procurement of the necessary staff of experienced personnel that will be required. These

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staff men can only come to Government from industry because of the specialized training and experience required.

So with that, gentlemen, I leave with you these very important questions and shall await with interest the response of this Council. I shall be glad to hear any comment and to answer any questions which you may care to ask of me at this time on any question that you think I have any knowledge about.

(Applause.)

Are there any questions?

MR. HALLANAN: Gentlemen, this is the time. The Secretary is anxious to answer any questions dealing with this organization. Mr. Majewski?

MR. MAJEWSKI: My question is also a little bit of a statement. I had written something out. I hadn't intended to be here because I was here last week.

You said something about two weeks ago. Last Friday I understood we were headed in one direction, as a member of the Military Petroleum Advisory Board, and I understood that from Major Barton and my good friend Howard Marshall, how we were headed. And I thought we were headed in a pretty good direction.

Then I picked up from the "newsies" in Chicago yesterday this press release of yours, numbered 82806, which was released simultaneously with the one on the

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Major in which you were going to consult him on a National Oil and Gas Agency.

SECRETARY CHAPMAN: That is right.

MR. MAJEWSKI: You made a very fine statement, but you still leave me a little confused.

SECRETARY CHAPMAN: On what issue?

MR. MAJEWSKI: On the issue that you can have all the advisers you like. If you come out, if you satisfy me and a lot of little men like me -- you don't know me --

SECRETARY CHAPMAN: I knew a lot more about you than you think I do. And if you call yourself a little man, God help me!

MR. MAJEWSKI: I am six feet tall.

SECRETARY CHAPMAN: I knew your business.

MR. MAJEWSKI: What I want to ask you, in addition to what you said there, which was a very forthright statement, do I understand by that statement that you will create an organization such as was recommended by the Military Petroleum Advisory Board and which did this job that you acknowledged was so well done in the last war?

Then I don't care how many advisers you have because you are entitled to that.

SECRETARY CHAPMAN: Let me answer that by making a little speech, too: In the first place, I think the Petroleum Administrator for War did the best job of any

Jap-14

industry group in the country. I think the record bears that out. And I think they did.

But now you have come here, the same man has been asked, the same office has been asked to assume the same responsibilities, to some degree at least, under this new Defense Production Act.

The responsibility is handling petroleum again. But in addition to that he has been asked to handle minerals, solid fuels, and power. I don't intend for anybody, or any part of an organization, to be between the Deputy Administrator for Petroleum and myself. Is that clear?

(Applause.)

MR. MAJEWski: That is clear to me.

SECRETARY CHAPMAN: I don't intend it for anybody. The Deputy Administrator will work with me direct. I have no fear of the Deputy Administrator coordinating what is necessary to be coordinated, such as checking his budget with my budget officer or anybody else. Any man with common sense is going to do that anyhow. I wouldn't even have to put that in the release. It shouldn't have been in the release. It wouldn't have needed to have been.

Another thing that you are concerned about, perhaps, that is in that release -- and I will bring it up -- it is a question of what I call Minerals and Energy Administration.

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If the Petroleum Administration doesn't want to be included in that group it is all right with me.

MR. MAJEWSKI: It is good with me.

SECRETARY CHAPMAN: You have one thing at stake and I have another. You have your investment at stake in this oil industry; I haven't. But I have my reputation as an administrator at stake in government service. And I don't want to see it shot down the river any more than you do your investment.

You've got your investment at stake in this business, and you want to get it out. You have a right to get it out. I made a statement to this Council before, and I reiterate it this morning. I have gotten just a little bit tired of people talking about oil people with an odious remark with obvious intent to smear people just because they were in the oil business. I have had too much of that. I have heard too much of it.

I don't condemn every banker because we sent one to the penitentiary for stealing money. We did send some to the penitentiary. You don't condemn them all for that. I don't condemn all the oil people because some one of you may have improper practices that you may be carrying on.

I think you are just as ethical and just as honest in your practices, in your program, as is any other business.

I deal with you and I come before you perfectly open



Jap-16

handed. I stand by that release with the corrections made after I talked to Parton, who should have been here two weeks ago, and we discussed this release. I have to get something out. I still may have the Minerals Administration and Fuels Administration before I get through. I don't know what I will have when I get through.

I may not even have my head left when I get through. But I will start with something of that kind. If the Petroleum Administration wants to separate itself and doesn't want to coordinate at all with this other, and doesn't even want to be included in that title, I will take you out of it. Is that all right?

(Applause.)

MR. MAJEWSKI: I knew if you had written this present release that you would have said exactly what you said now. But you didn't write it, apparently.

SECRETARY CHAPMAN: I read every word of that. It was written at my instructions, every word of it. And I will tell you why. Because nobody had advised me anything different. Nobody had devised any techniques or any other machinery as to how to coordinate and run these five, instead of four, new areas.

You are tied up with Fish in this, by the way. You may not see it, but you are. No one had advised me how to

organization that could efficiently and effectively cut my responsibilities. So with my staff cut my own. I worked it out.

You want to pull out from that section of this don't want the title to include the Petroleum section, all right, you won't be in.

WEJWSKI: You are fine so far. May I say one

MARY CHAPMAN: Yes.

WEJWSKI: You are fine as far as you have gone, I have amended even what you said there, so I am satisfied that. You have clarified it, let me say.

Let me say one thing more: Our aims are identical.

MARY CHAPMAN: I agree. I think our aims are the same. Our objectives, the security of our country, whether you are working in Government or in your oil interests, I think they are all the same.

WEJWSKI: I agree with you. Secondly, you must understand I was one of those poor unfortunate people because

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of my grandchildren, aged 10, knows that Papa was at Madison, indicted by the Government. Don't feel squeamish about what we are afraid of. We have been fried and quartered, you see.

SECRETARY CHAPMAN: That was what I meant a moment ago when I said I was getting a little tired of people trying to smear oil people by just referring to them as being in the oil business, and by just that fact alone intimating maybe something is wrong, that per se there isn't anything wrong.

We are asking you to produce and we are going to ask you to develop and produce more oil than you have been.

End 6

MR. MAJEWSKI: I saw an article one of the fellows in our town was writing. There is a laugh in this. If you tie us up with the fisheries, you probably have in mind, says this man, getting from the whales in the Pacific the oil necessary to fuel these planes. That was the reason for establishing one claim.

This is the way the article reads. It is a laugh, but it is serious, serious to me, if true, because if the man claiming cans for putting up salmon, or the metal for those, is going to lose the war, let's eat the salmon uncanned. But you might need that metal, as I understand it, having kids in the war, to win.

End 6

I would like to have you say one thing more.

SECRETARY CHAPMAN: All right.

MR. MAJEWSKI: When it comes to claiming things for the oil industry, claim for every one of your five divisions, or four, claim hard for all of them. I will help you claim in my small way in Illinois.

SECRETARY CHAPMAN: Let me make a statement on that. I don't want to get into a position whereby the Interior Department has made an allocation to the Interior Department, and then I have to referee the amount of steel for the claiming agents for all of these groups. I am going to put the heat on Commerce, not Interior.

MR. MAJEWSKI: Right. I think you are getting smart as hell.

(Laughter and applause.)

SECRETARY CHAPMAN: I know my colleague, Secretary Sawyer, wouldn't appreciate that statement.

MR. MAJEWSKI: I say that from the heart.

SECRETARY CHAPMAN: I know you do. I want the full force and effect of this industry to be felt at the right place in Government. When we need steel or pipe or whatever you need. I want it felt. I don't want it mixed up with me canning some whale or anything else. I want the fishing industry to be protected and I am going to use all the powers at my command to protect it. I intend to do it.

mm-2

I think you have clarified for me, through your questions, exactly what I intend doing.

MR. MAJEWSKI: And you have for most of us here.

SECRETARY CHAPMAN: I hope I have cleared this thing up. Are there any further questions?

MR. HALLANAN: Mr. Jacobsen?

MR. JACOBSEN: Am I right in understanding that you will not only accept but you will welcome suggestions from this Council as to the kind of organization that should be set up for the purpose of most adequately enabling the oil industry to supply the oil products for the war?

SECRETARY CHAPMAN: Not only do I invite your suggestions as an organization, I am going to invite some of you men in to do it. I have to have the men from the industry, too.

MR. JACOBSEN: What worried a lot of us is that we were told by Mr. Hallanan and others at this meeting today that you would come before us and you would invite our suggestions in respect of the kind of organization to be set up, and we therefore naturally assumed that no steps would be taken in advance that would preclude your following our advice if you thought it good.

SECRETARY CHAPMAN: May I say to you that there have been no steps taken whatsoever that will preclude the advice from this Council on any subjects that this Council

mm-3

may want to bring to my attention that I want to accept to carry it into effect.

MR. JACOBSEN: Thank you, sir.

SECRETARY CHAPMAN: We understand each other. This is an advisory Council. I have a legal responsibility placed on me. With those two, we understand each other thoroughly.

MR. JACOBSEN: That is right.

SECRETARY CHAPMAN: What I want you to do is to keep Mr. Parten here.

MR. JACOBSEN: That is easier said than done. We tried that.

SECRETARY CHAPMAN: Instead of working on Commerce for a while, work on him.

MR. PYLES: Mr. Secretary, I am going to work immediately on you. I think you made the statement as Petroleum Administrator, wherever there are road blocks you will use your good offices to remove those road blocks. I think you also made the statement that you are going to ask this industry to produce more oil and to do more things. I am going to first talk about a specific part of the United States, and then I am going to make a request of you.

SECRETARY CHAPMAN: All right.

MR. PYLES: First I would like for you to know that I am president of the San Joaquin Valley Oil Producers

mm-4

Association, an independent organization in the San Joaquin Valley Association of California, and quite a large segment of our producing industry. In addition to that I am chairman of the Administrative Committee of the Conservation Committee of California Oil Producers, which represents 95 percent of the production of crude oil in California.

I may also advise you that in California we do not have a conservation law, and for many years in the past, on a voluntary basis, the Conservation Committee of California Oil Producers have done, and your records during the war will show that they did, a job equal, if not superior, to any other district in the United States under that system that has been developed.

Today we find all of the producers in the State of California under indictment by the United States Government in violation of the Sherman Anti-trust Law. I think in addition to that there are seven other companies in California that have also been indicted. We have a staff of forty people who, since this indictment, have done nothing but endeavor to compile the answers to questions that the Department of Justice has asked this Committee. There are 72 questions in number, and if you answer one, that requires the answering of 10 or 20 more.

We can do some good in this emergency. We are willing

mm-5

to do good in this emergency. But By God, we can't help out in this thing if, on one hand, you are asking us for help, and on the other hand our Government has us indicted so that we are scared to walk on the same side of the street.

While I am in Washington, I would like to ask you in your capacity as the Secretary of the Interior, who has been charged with this responsibility, if you would not -- and I would be happy to stay here as long as you would ask me to -- take this matter up with the proper parties, which I understand is the Attorney General of the United States, that so long as we are in war with the rest of the world, that you call off the dogs and when peace comes, if we want to fight among ourselves, let's fight when we are at peace, not when we are at war with the rest of the world.

I would like to ask you, and I would be happy to stay here and go with you, to see if I can't take back to the Producers of California, some word from you to the Attorney General that we are not the "s.b.s" that they tried to make out of us. We are good, true, honest American citizens. I would like to make that request.

SECRETARY CHAPMAN: Let me answer the first half of your speech. I don't blame you for making it. I have heard that same speech forty times, and it ought to be



mm-6

made. I know how you feel.

That is a question that has to be handled by the Attorney General and not the Interior Department. If you think that I am going to write a letter to the Attorney General and ask for blanket exemption for the oil industry, of the anti-trust law, no, I am not. But if you, as a Council, will get together and set up an area, and set up a specific problem which you have been asked to solve, and say that "We want to know first, before we do this, are we going to be indicted," I will present that to the Attorney General with all the force I have. I will do everything that I can. I will do everything to see that nothing that I ask you to do as Secretary of the Interior, or administrator of this program, will be the basis for any indictment or action against you as a company or individual.

But you have got to get together among yourselves and determine, first, the real questions that we want to ask the Attorney General. If you are asking me to present to the Attorney General a request for blanket exemption for the oil industry from the anti-trust Act, then I am not going to do it. In the first place, it is out of my province, it is not my business. The enforcement of the Anti-trust Law is in the Justice Department, not here. We have no part in the indictment of the companies of California. None whatsoever.

mm-7

Mr. Marshall had something to do with the indictment of the Madison case. He knows all about it. He worked with it. He can tell you the other side of it. You fellows know, I don't have to tell you, you know it yourself. You know all about it. You worked on both sides of this thing.

Now, I will do what I can to help take a specific request. Bill Boyd knows what I am talking about when I say this. He worked on this. I will take a specific request covering a specific question to the Attorney General to get exemption, to see that you are not held responsible under the Anti-trust Law for that particular thing that you are asked to do. That I will do.

MR. PYLES: Just briefly, and speaking again of the Conservation Committee, it is the entire end of the producing oil industry. The demands on California have been quite sizeable. The demands in our area are still quite large. As the Petroleum Administrator, you are going to ask that things be done that we are not in a position to do, because through the Conservation Committee the producers of 95 percent of all the oil in California are now under indictment.

SECRETARY CHAPMAN: Not a single oil man or company was indicted because of anything they did because of a request by the Interior Department under the War Production Act.

mm-8

MR. PYLES: That is not what I am asking.

SECRETARY CHAPMAN: That is directly to the point. Not a single individual in this room or out of this room was indicted because of anything they did at the request of the Interior Department, or Harold Ickes. Not a man. Am I right, Howard Marshall?

MR. MARSHALL: That is correct.

SECRETARY CHAPMAN: These are the boys who did it. They work with you. Your own men worked with you. Not a man was indicted. But they did not go to the Attorney General and get a blanket exemption from the Anti-trust Law, either. And I am not going to. But I will go, and I will go with all the force in my soul, to see that when we ask you to do something you are not persecuted for it.

MR. PYLES: I am asking you now to go back in behalf of the Producers of California on an indictment now for which we don't think there is any justification.

SECRETARY CHAPMAN: I will not touch it. Anything that goes to the Attorney General has to come from the Council. It will come from the Council as an advisory request from the Council. There is no use kidding each other. I won't kid you and you won't kid me. I won't mislead you by saying I will do something. There are certain things I won't do. And certainly I will do all in my power to help you. I

mm-9

think these men worked with me long enough to know that I will keep my word on that.

When you come up through the Advisory Council of this organization, and present to me in the proper form what you want me to ask the Attorney General, I will see if it is something that I think it is proper for me to do as Secretary of the Interior, and whether I can do it or not in the first place. I want your advice.

MR. CHARLES JONES: I would like to speak on the same question, if I may. I think what Mr. Pyles is asking is not that you shall do anything in connection with the California litigation which is not an indictment in a civil suit, it is to ask the Attorney General to defer for the moment the question of answering the litigation until such time as this war emergency is behind us.

I will give you a concrete reason. Perhaps the Council will join.

SECRETARY CHAPMAN: Give that reason to this Council and let it come up as a recommendation from the whole Council, not as a recommendation from a member of the Council, but from the whole Council.

MR. CHARLES JONES: I would like you to hear me.

SECRETARY CHAPMAN: Very well. I will hear you.

MR. CHARLES JONES: I also want Admiral Biggs to hear it. In my little shop, the company I work for, at the

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present time we are engaged in answering, from the Attorney General, some 250 separate interrogatories. That is requiring the major part of the time of the people who are responsible in our company for producing this vital 100-octane gasoline for which purpose this Council was assembled.

If we did not have to answer these law suits at this time, I think I could, with some reasonable degree of assurance, say to you and Admiral Biggs that my little company alone could take care of approximately 20 percent of this shortage between now and December 31, and that will be a real contribution to this effort.

SECRETARY CHAIRMAN: What you have said and what this gentleman has said, are questions that you have directed to me as individual members of this Council. Put those in the form of a request from the Council as a whole and let your Chairman present them to me. Let them come to me as from the Chairman.

I am sorry that I have to go. I have a Cabinet luncheon.

MR. BOYD: Can you delay it for a moment?

SECRETARY CHAIRMAN: Yes.

MR. BOYD: I want to talk to you and the Council for a moment. You know now what I meant when I said "duck soup."

SECRETARY CHAIRMAN: Yes.

MR. BOYD: Secondly, I am in retirement --

SECRETARY CHAIRMAN: You think you are, but you are not.

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MR. BOYD: I am not looking for any job. All I have to give is advice, and that is free. I have known you for a long time. You and I have been friends. You have made the kind of a statement this morning that I would have expected you to make. You are not a God-damned Communist, either.

SECRETARY CHAPMAN: Thank you, sir.

(Applause.)

MR. BOYD: You nevee were and you never will be.

SECRETARY CHAPMAN: Thank you, sir.

MR. BOYD: If you are, you are not the Oscar Chapman I know and have known for so long.

SECRETARY CHAPMAN: Thank you.

MR. BOYD: You know how the thing operated before. You know it was successful. You know it was a fine partnership. You know that we were jealous of the prestige and reputation of the Petroleum Administrator. You know perfectly well that this group of oil men without my help can work out the same sort of setup that will protect the interests of everybody concerned and will do the good job we did before, and all of us can still be patriots and go away and thank God that we did serve our country. Whenever you want to talk to me, you can do it. It won't cost you anything. But don't ask me to do any work.

(Applause)

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SECRETARY CHAPMAN: Thank you, Bill. I appreciate that. All you fellows know Bill Boyd, one of the hardest working men I think I have ever met in my life. He can get more done in five minutes than I can in a month. He is a hard-working man. In the first place, he knows what he is talking about, that is why he can get it done so easily.

He has been generous with me in the past and let me talk with him, and I have talked with him. I want to feel free to visit with you gentlemen and talk to you any time that I can. I do want you to come to me now as a Council advisory group. Mr. Parten is my chief consultant on this program. He, talking with you, will work out the kind of an organization that you think will best serve the purpose of the present law that we have to administer.

MR. BOYD: That is all anybody can ask for.

SECRETARY CHAPMAN: That is all I am asking. I don't retract anything in that press release. It is still there, until you give me something better.

MR. A. JONES: May I make an observation before Mr. Chapman leaves? First, I think your statement, Mr. Secretary, has been most satisfying and very forthright. I feel that in the question of trying to help determine the machinery by which this industry should function, we want

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to emphasize this point: these men here gathered perhaps think they know how to best set up the machinery, to get the best result. It isn't a question of being fussy, it isn't a question of being mixed up with a fish or John Lewis' department or anybody else. We think, and I think from what you said you think and Major Parten feels, that a vertical organization situation can be worked out here to take care of this.

I believe that is the best. It might not fit other industries. This is the most competitive industry that I know anything about, and I have had things to do with several. These men are so individualistic that they almost knock themselves out every morning before breakfast. They are tough, they are mean, and there have been times when I didn't think any of them were to be relied upon.

(Laughter)

After five years of struggling with them during the war, I find that they are the best lot of "s.o.b.'s" that I know anything about. I think you will find that when this chapter of history is written that you will get the same kind of cooperation that the "Old Curmudgeon" got and you will get the same kind of results that the "Old Curmudgeon" got. I think you are to be congratulated in having gotten Major Parten. I worked with him for five long years in the Petroleum Administration. Part of the



mm-14

time he was Director of Transportation. He is the best I know anything about. He is tough, too. He is also a competitor.

SECRETARY CHAPMAN: You are telling me. I know.

MR. A. JONES: I think he will handle this crowd and keep them from getting off the track. We had a law suit against all the petroleum industry, including California, in the last war. I don't believe anybody in this Council ever asked the "Carmudgeon" to have it dismissed. It is still there. The California companies won't let it be dismissed. They say it will interfere with the defense.

Mr. Charles Jones brought up the point that there may be something in it, that the presentation of this suit might interfere with some of their operations. If so, that can be brought before the Council. You can be advised of the point. I am sure even the Department of Justice doesn't want to interfere with the war effort. If it is a fact and true that Mr. Jones and Mr. Pyles and all the rest are so busy answering the Department of Justice that they can't produce 100-octane, I am sure we can tell you so and get out of it some way.

SECRETARY CHAPMAN: Thank you. I am sure this is a good point for me to introduce Major Parten. He knows everybody in the industry. You already know him. I will ask Major Parten to take over and let me leave. You work

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on him a while.

(Applause)

SECRETARY CHAPMAN: And don't forget Hugh Stewart. He didn't come up from the wilds, either. He knows something about the oil business himself.

Second, Mr. Parten comes as a member of this Council. He was a member of this Council, and is still a member. It took an awful lot of pressure to make him come in to give me some time as a consultant, I will tell you that. I will go into that later with you. Right now I want to turn him over to you.

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(Applause)

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MR. PARTEN: Gentlemen, anything that I can say here will be only an anticlimax to what the secretary said. I think he made it clear that it is his intention to call upon the oil and gas industry of this nation to do a job. He in his wisdom recognizes that the oil and gas industry, and only the oil and gas industry, can do that job.

I have said to the secretary on a few occasions that I have been privileged to talk with him about the problem of organization to meet this emergency, that there were two or three things that he could definitely count upon in dealing with oil men. There are a lot of things that I don't know about the oil industry, but there are a few things that I know well about oil men, and I have said that to the secretary. I think he fully appreciates it.

I have said the same thing to Jeff Davidson here, the assistant secretary, who has had the over-all responsibility for the oil and gas division in the Interior Department. In the first place, if you can convince the oil and gas people of this nation that you have an emergency problem to do, you first sell them on the idea that you have got a job to do, and then you set forth your willingness to do what is necessary governmentalwise in order to enable them to do that job.

There will be no looking back and there will be no regrets. On the other hand, I recognize that if any administrator in government on oil and gas should attempt to drive the

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oil industry 20 feet, he wouldn't get to first base. I am pleased to tell you that I think that Secretary Chapman fully appreciates that.

There is another thing that I have said many times. In addition to the know-how and in addition to the willingness to rise to the challenge of necessity in case of emergency there is a great deal of industrial statesmanship in the oil and gas business. And there is a great deal of that industrial statesmanship within the walls of this room.

*Start here*

"Gentlemen, there is no doubt in my mind that we have a serious job to do. I want to be utterly frank with you. I came down here about two weeks ago at the request of the secretary to talk about this problem. At that time I said "Mr. Secretary, you don't need a new organization to handle this problem. I think it can be done within the framework of the present oil and gas division with a few specialists here and a few specialists there." And I told several of my friends that in the oil industry later, asking their advice as to whether or not I was right or wrong.

I thought the problem could be handled that way. But when I got a look at that oil and gas picture, when Bruce Brown's Military Petroleum Advisory Board presented it the other day and I heard Admiral Biggs talk and heard authoritatively the things that you heard this morning and saw the possible confusion that would confront us before we got off on a solu-

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tion of the problem, I changed my mind and decided that probably we did need a separate agency setup to do this job similar to that that we had in the last war.

But notwithstanding, it was my advice to the secretary that "The first thing you should do is to call the council, your Advisory Council, and the National Petroleum Advisory Council, to Washington, let them hear the story, let them survey the gravity of the situation, let them appraise this situation, and then put upon the backs of that council the responsibility of giving us some advice on the kind and character of an organization that should be set up."

I am very pleased that the secretary has taken that course. It is my hope that out of this meeting today is going to come two things: that we are going to have a positive and concrete recommendation on the character and kind of an organization we should set up here, No. 1; and No. 2, that we are going to have some positive assistance from this council in the drafting of a capable deputy administrator to do this job.

I am here as adviser. I am going to do the best I possibly can, but I want the oil and gas men in this room to make up their minds that before they leave Washington they are going to come up with a concrete suggestion on who that deputy administrator is going to be, and after that of course the personnel problem will go on to several other levels.

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11 That deputy has got to be chosen. I hope that this council, Mr. Chairman, or if you see fit to delegate the responsibility to the committee on personnel that that committee take the job seriously and get something done about it before you leave here today, because this organization, whatever you say it should be, in the final analysis should be set up and set up now.

Thank you.

(Applause.)

MR. HALLANAN: Major Parten, I want to take this opportunity to say to you that I bespeak the unanimous sentiment of this council in expressing to you our individual and personal gratitude for what you have done in coming here and answering the call of Secretary Chapman as a member of this council, to cooperate with him in setting up the kind of an organization that we all feel is so essential if we are to put forth the best efforts of the industry in this national emergency.

11 With you, we can rally around. I am certain that we can meet the situation and that we can agree on a program of recommendations as to the kind of an organization and under your leadership we can also go out and get the men from the industry to staff the administration.

11 I don't know whether you have had the opportunity to read it, but I think it is appropriate that I should read to

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you what Major Parten said in accepting the responsibility as a consultant; and I quote it: "I am fully confident of the ability of the oil and gas industry to meet the tasks ahead, whatever they may be. Naturally, I am pleased that Secretary Chapman has already requested a meeting of the National Petroleum Council. This I regard as the first logical step to determine the kind of an industry government team which should be created to meet any emergency which we might face. It is obvious that the selection of a well-qualified deputy administrator for oil and gas will be the first step in setting up any organization which could be recommended by the National Petroleum Council."

That is your platform, Major, and we endorse it heartily.

Gentlemen, I now want to introduce to you the assistant secretary of the Interior, Mr. Jeff Davidson, who is in charge of the oil and gas division as the ranking assistant secretary. Mr. Davidson.

(Applause.)

STATEMENT OF C. GIRARD DAVIDSON,

ASSISTANT SECRETARY OF THE INTERIOR.

MR. DAVIDSON: Mr. Chairman, gentlemen: Anything I would say now would be a definite anticlimax. There are two points I want to make, however. One is that we in the Department -- Secretary Chapman and all the rest of us -- of course have complete confidence in Major Parten.

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You don't know what a struggle it was for the secretary, and higher, to get him here. I hope you all will see to it that he stays around. I know he has the confidence of the industry. He can do a terrific job.

As the Assistant Secretary for Mineral Resources, having responsibility for the Bureau of Mines and Geological Survey and the Oil and Gas Division, I want to pledge to Major Parten and to you, all of the services and the cooperation of all the normal agencies of this department. You are familiar with the Bureau of Statistics, handled in the Bureau of Mines, and the synthetic fuel program, and the work which the Geological Survey does in its minerals research, in its fuels and research branch and the oil and gas division. Those services are completely available to you.

We will staff, we will get ready to do the kind of job which you want from the other agencies of the Interior Department, to assist you in the kind of organization which you set up to carry forward the job which you have got in your hands.

Thank you.

(Applause.)

MR. HALLANAN: I should like to announce two additional members of the committee to review the plan of organization under the chairmanship of Mr. Jennings. I desire to appoint Mr. Reese Taylor and Mr. Harry Hilts as two additional members



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of that committee.

Gentlemen, if there is no objection and in order to give opportunity for the committee to go into its deliberations, I would suggest a recess at this time until 2:30.

(Whereupon, at 1:00 p.m., the conference recessed until 2:30 p.m.)

AFTERNOON SESSION

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(The conference resumed at 2:45 p.m., upon the expiration of the noon recess.)

MR. HALLANAN: The Council will please come to order.

I desire to recognize Mr. Spencer who will present an interim report of the Committee on Petroleum Transportation.

## STATEMENT OF P. C. SPENCER,

## PETROLEUM TRANSPORTATION COMMITTEE.

MR. SPENCER: Mr. Chairman, and members of the Council:

This is an interim report made from some notes I made last evening with respect to the progress of the Transportation Committee appointed during the month of August. When the Transportation Committee was appointed, August 2, 1950, it was given three specific assignments by the Council.

First, to ascertain and bring up to date the facts regarding all transportation facilities, including tankers -- ocean and lake -- barges, tank cars, over-the-road transport trucks and pipelines.

Second, to report on the adequacy of such facilities, to meet the nation's needs.

And third, to make such recommendations -- not involving industry plans, programs or allocations -- as may appear appropriate in assuring the future adequacy of such facilities.

In a previous transportation study the committee appointed

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five committees of transport specialists for transport trucks, barges, tank cars, tankers and pipelines respectively, under the chairmanship of outstanding transportation experts in the several fields. Taking advantage of this fact I called a meeting of the former chairman and worked out with them a tentative plan of organization and procedures and made appointments of subcommittees for the several methods of transportation mentioned above, and also for a sixth subcommittee, natural gas pipeline transportation, since it was the consensus that pipeline transportation could be dealt with more satisfactorily by treating petroleum and natural gas pipelines separately.

The chairman of the six subcommittees are: Barge and lake tankers, Harry A. Gilbert; Rail Tank Cars, Fred B. Dahl; Tankers, James P. Patterson; Trucks, Lee R. Coles; Natural Gas Pipe Line, J. French Robinson; Petroleum Pipe Lines, W. R. Finney.

As the Transportation Committee had not been furnished with specifications or a yardstick for the purpose of measuring the nation's needs -- and I quote the "nation's needs" -- particularly those of an emergency character, it was agreed that the first instance the subcommittees would undertake only the first assignment, namely, that of preparing an inventory of existing facilities.

As chairman I agreed to attempt a clarification of the

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second and third assignments in relation to the adequacy of transportation facilities to meet the nation's needs, to expedite the fact-finding work.

To avoid duplication it was also agreed that wherever practicable we would use pertinent factual data heretofore assembled by industry specialists or government agencies. In order that the Council may be fully informed with respect to the subsequent revision of the Transportation Committee's immediate task, I think it advisable for me to read my letter of September 6, 1950, to Chairman Hallanan, pointing up the situation confronting our committee and also a letter in response addressed to me by Secretary Chapman under date of September 12, 1950. These letters I believe speak for themselves.

The letter which I addressed to Chairman Hallanan as Chairman of the Transportation Committee reads as follows:

"The Council's direction to the current Transportation Committee sets forth three assignments:

- "1. To ascertain and bring up to date the facts regarding all transportation facilities, including tankers (ocean and lake), barges, tank cars, over-the-road transport trucks and pipelines;
- "2. To report on the adequacy of such facilities to meet the nation's needs; and

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"3. To make such recommendations (not involving industry plans, programs or allocations) as may appear appropriate in assuring the future adequacy of such facilities.

"As you know, I have appointed six subcommittees representing the various forms of transportation involved. The members of these subcommittees are now actively engaged in assembling the necessary information and data as to existing facilities with which to respond to Item 1 of our assignments, which is quite clear.

"There is considerable uncertainty and confusion, however, as to what the functions of our committee and subcommittees are intended to be with respect to Items 2 and 3. Obviously we can not report on the adequacy of existing petroleum transportation facilities 'to meet the nation's needs' and make recommendations to assure the future adequacy of such facilities without the use of some kind of a yardstick as to what our future needs are likely to be. Our conclusions in this respect must be based upon some estimates or assumptions as to the quantity and location of materials to be moved, as well as the destination to which they should be moved and the time of moving.

"In order to avoid duplications of effort and to expedite completion of its work, the Transportation

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Committee undertook through appropriate channels to obtain such relevant factual data as had heretofore been gathered by industry transportation experts for governmental agencies, particularly the National Security Resources Board. As we understand it the National Security Resources Board has agreed to make available certain data in respect of tankers and pipelines but subject to restrictions as to public distribution and disclosure. We also understand that NSRB contemplates that the NPC Transportation Committee studies will deal with peace time operations and not plans for National Defense. If our committee's studies are to deal only with peace time operations and not plans for National Defense then it is obvious that the committee's assignments should be re-defined.

"The suggestion has been made from within our committee that in lieu of any specific information as to extraordinary requirements the Transportation Committee should make certain assumptions as to possible emergency needs and then set out to what extent existing facilities are adequate to meet such needs and make recommendations accordingly.

We are quite prepared to make appropriate estimates as to future peace-time needs, but for reasons which you can fully understand I believe it would be quite unwise for

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the committee to make its own estimates or assumptions as to future war or defense needs.

"It seems to me that we urgently need clarification of the committee's assignments. If we are to determine the adequacy of petroleum transportation facilities 'to meet the nation's needs' we should have an appropriate definition of these needs. This clarification should come from governmental sources at a level where we can be assured that whatever we are called upon to do is properly integrated in the over-all program. As matters now stand it would appear that the only thing we may safely proceed to do is to make a current physical inventory of existing transportation facilities. That work is under way.

"I believe this is a subject matter of sufficient urgency to warrant your presenting the situation, as head of the National Petroleum Council, to the Secretary of the Interior for his consideration. If I can be helpful in the matter, please call on me."

Subsequent to delivering that letter to Chairman Hallanan, Chairman Hallanan and Howard Marshall and I discussed the subject with Mr. Stewart, Director of the Oil and Gas Division, and also with the Secretary of the Interior. Our discussions had not proceeded very far when it became obvious that the Director of the Oil and Gas Division and the

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Secretary himself were laboring under some limitations as to what they could say about future needs.

Hence, for the time being, the Secretary wrote this letter to me as Chairman of the Transportation Committee, and it does modify the immediate program of the Transportation Committee:

"Dear Mr. Spencer:

"Mr. H. A. Stewart, Director of the Oil and Gas Division, advises me that he and Mr. Carroll D. Fentress discussed with you, Mr. Hallanan, Mr. Dyer and Mr. Marshall, problems in connection with the report which your committee is preparing on the oil transportation facilities in accordance with my request of July 21, 1950, to Mr. Hallanan.

"I concur that, for the time being, the Council can meet the needs of the Department of the Interior by preparing a detailed report on the existing petroleum transportation facilities, and known projected increases in transportation facilities.

"It would be most helpful if your committee would include appropriate comments on probable transportation bottlenecks along with recommendations on appropriate means of eliminating them.

"I realize that in view of the present uncertainties your committee can not at this time go beyond obtaining



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the essential basic data as to existing and planned facilities."

The six subcommittees have been actively at work for several weeks. We have received initial reports from the tank cars and truck subcommittees. We have assurance that the reports of tank car and the barge subcommittees will be ready by October 2, 1950.

It will take them until about November 1, 1950, however, for the petroleum pipelines and natural gas pipelines subcommittees to complete the very thorough studies they have under way on existing pipelines as well as pipelines of the both types now on the planning board.

We shall complete our present fact-finding assignment as rapidly as possible and we shall be prepared to go forward with parts 2 and 3 of the original assignments just as soon as we have received the necessary specifications and instructions upon which to base our conclusions and recommendations.

May I interject there, with respect to the Secretary's request for our comments on any apparent bottlenecks, I requested our subcommittee chairmen to give me any information on that subject that they might have. From the knowledge that our subcommittee chairmen have with respect to future needs, emergency needs, there does not appear to be any apparent bottleneck or shortage in our transportation facilities at the moment with the possible exception of tank cars.

jfl6

Bear in mind none of these subcommittee chairmen have the information for instance with respect to aviation gasoline and its components as described to you this morning. That changes the picture very definitely and very quickly with respect to the adequacy of our existing transportation facilities to meet the nation's needs.

I say to you now, those who are in authority, if they want this transportation committee to do a good job -- and that is what we shall strive to do -- let us know as early as you can what needs we are to figure on, on some basis.

A meeting of the subcommittee chairmen has been called in New York on next Monday, October 2, for the purpose of coordinating their work so far as they have gone. This will be followed by a meeting of the full Transportation Committee in Washington on Wednesday of next week. I urge those of you who are members of this committee to make a special effort to attend and take part in this meeting.

MR. HALLANAN: Thank you, very much. Are there any questions of Mr. Spencer in connection with this interim report?

(No response.)

MR. HALLANAN: Thank you, very much, Mr. Spencer. I know you spent a lot of time on that.

End 7

Monick  
Tape 8

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MR. HALLANAN: Mr. Russell Brown. We will have the report of the Committee on Petroleum Industry Steel Requirements.

STATEMENT OF RUSSELL B. BROWN

GENERAL COUNSEL

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

WASHINGTON, D.C.

MR. RUSSELL B. BROWN: As chairman of the committee I am submitting the entire report. I shall not read it all, to your relief, I assure you. I think it is necessary that I read some of the preliminary parts as to bringing to the attention the basis and the assumptions we used in the preparation of this report.

I want to first, though, commend the industry for the fine willingness in making this available to us. This is a comprehensive job. It would have been a complete failure but for the fine group of people that were made available to us and the time they applied to it, that they have been working on it.

On March 16, 1948 the Committee on Petroleum Industry Steel Requirements of the National Petroleum Council completed its first study of the steel requirements of the American petroleum industry. The Committee remained active from March, 1948 to the early part of 1949, at which time the Committee was discharged because of the improved

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supply and demand situation in both the petroleum and steel industries.

International developments during recent months, combined with a high level of civilian and industrial activity, have resulted in increasing demands for steel products. Steel is essential to maintain adequate facilities for petroleum production, transportation, refining and distribution. The Committee has been reactivated, therefore, to study the petroleum industry's steel requirements in the light of current conditions.

In a letter dated July 21, 1950 to the Chairman of the National Petroleum Council, the Secretary of the Interior made the following request:

"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."

In response to this request, the Agenda Committee of the

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Council on July 24, 1950 recommended that:

"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."

In accordance with the recommendations of the Agenda Committee, the Committee on Petroleum Industry Steel Requirements was reactivated on July 25, 1950 and held its first meeting on August 2. At the August 2 meeting, the Committee's assignment was reviewed and the basic assumptions and methods of procedure for undertaking this assignment were agreed upon.

The objective of the Committee is to determine the steel required by the petroleum industry to maintain adequate supplies of oil and gas to meet the Nation's needs. In connection with this objective, the Director of the Oil and Gas Division, Department of the Interior, furnished the Committee with the following estimates of petroleum demand:

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## ESTIMATED U.S. PETROLEUM DEMAND

## DOMESTIC AND EXPORT

## BARRELS DAILY

1950 6,700,000 to 6,800,000

1951 7,000,000 to 7,100,000

1952 7,200,000 to 7,300,000

It is recognized that the above demands may not represent the Nation's petroleum needs under a wartime economy. As the determination of such wartime needs was beyond the scope of this Committee's assignment, steel requirements were based on the above estimates of demand furnished by the Oil and Gas Division.

The top range of these estimates indicate increases in total petroleum demand of 4.4 per cent in 1951 over 1950, and 2.8 per cent in 1952 over 1951. While this would represent a continuation of the normal growth in the use of petroleum, it should be noted that the top range of the average estimated 1951 consumption of 7,100,000 barrels daily compares with a 1941 consumption of 4,370,000 barrels per day - an increase of 2,730,000 barrels daily or 62 per cent during the past 10 years.

The top estimate for 1951 is 33 per cent larger than the total consumption during 1945, the peak year of World War II. These comparisons emphasize the growing importance of petroleum. A continual expansion of facilities,

jap 5

beyond any past levels, is necessary therefore in order to provide ever increasing quantities of oil and gas.

Procedure. In general, the methods of approach adopted by the Committee were the same as those used in preparing the 1948 report. Six subcommittees were appointed to cover the following functional divisions of the petroleum industry:

Domestic Oil and Gas Production

Domestic Oil Transportation

Domestic Refining

Domestic Marketing

Natural Gas Transmission

Foreign Operations (50% or more U.S. owned)

The membership of these subcommittees is attached as Exhibit A. The report covers steel requirements for each of these divisions for the following periods:

1950 First 6 months (actual)

Third Quarter

Fourth Quarter

Total Year 1950

1951 First Quarter

Second Quarter

Third Quarter

Fourth Quarter

Total Year 1951

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In 1950, the first 6 months is an actual report of the steel used. The third quarter and fourth quarter of the year 1950 will be that estimated as needed. We divide them up by quarters and then give you the total figures.

The steel requirements for each of these periods are the total quantities estimated as needed for use by the petroleum industry during each period. The figures are expressed in terms of steel mill products from which the finished tools and equipment used by the petroleum industry are fabricated.

The report therefore covers all uses of steel by the petroleum industry, whether purchased direct from the steel mills by petroleum operators or furnished indirectly from the mills through suppliers, fabricators or manufacturers for ultimate delivery to the oil industry in the form of tools and equipment.

The figures in this report, therefore, are not directly comparable with steel industry statistics covering shipments to the oil and gas industries.

This report covers requirements of the petroleum industry not only for steel products shipped and used as such, for instance line pipe and oil country goods, but also products made of steel, such as pumps, tankers, tank cars, etc.



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On the other hand, the steel industry shipment reports classify tonnage required for production of this latter type of equipment under the particular manufacturing industry involved.

Following are some important examples of this difference in classification concept: steel for tankers appears in steel industry statistics in the shipbuilding category; tank car tonnage appears in rail transportation; tonnage for buildings and tanks for service stations appears in non-residential construction; LPG consumer storage tank tonnage appears in contractor's products -- plumbing and heating; refinery construction tonnage may appear in many classifications such as oil and gas construction or jobbers, dealers and distributors, while the steel for machinery and equipment used in all phases of the petroleum industry may appear in several entirely different classifications, most of them under the machinery, industrial equipment and tools group.

Because of the above differences between this report and the published statistics of the steel industry, the Committee calls particular attention to the need to consider separately each segment of the estimated requirements in the light of these differences.

Although this report deals with the petroleum industry's steel requirements, it should be noted in connection with

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the steel tonnage for manufacturers serving the industry that these basic mill products cannot be converted to a form useful to the industry unless the manufacturing capacity of the petroleum equipment industry is preserved and maintained to serve the petroleum industry's needs.

It should also be pointed out that other materials such as non ferrous metals must be available to permit the effective use of steel. While the requirements for these other materials are beyond the scope of this Committee's assignment, they are essential in all phases of the industry.

As an example of this problem, an addendum report submitted by the working group dealing with steel requirements for LPG operations is attached as Exhibit D.

Following that, we have set forth the report as you have it and taken up the six segments and pointed out the manner in which we acted and the basis of the determinations.

Finally, you will find on page 14 a summary of the total steel requirements for the periods indicated.

I do not believe it is necessary here to read the detail of these, since you have them in your hand. That is our report.

MR. HALLAHAN: Thank you, Mr. Brown. This is a very comprehensive report, Mr. Brown. We are very grateful to you for the work that you have given to it and what you have done in the preparation of it.

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MR. RUSSELL B. BROWN: Thank you.

MR. HALLANAN: Are there any questions?

(No response.)

MR. HALLANAN: The report speaks for itself.

MR. STEWART: I assume there is a great deal of background material upon which the final summary is based, and I trust that that material will be made available somewhere here in Washington so that when and as we have occasion to go into specific detail it will be readily available. Is that correct?

MR. RUSSELL B. BROWN: In answer to that, that is correct, yes. I should also say, though, there is a great deal of that. As you know, the work sheets are very voluminous. Some of the assumptions on which we based our work might be difficult of understanding.

We have agreed, the various subcommittees have agreed, to hold themselves in readiness, to be called in in the event you need them for consultation or for appearance before committees in support of our requirements.

MR. HALLANAN: Gentlemen, it has been talked about and discussed in the press since the matter of the shortage of aviation gasoline has been projected, that consideration has been given to a change in the octane rating of civil and aviation gasoline.

We have been asked today by the Department to invite

Jap 10 Mr. D. W. Rentzel to speak to the Council with regard to the viewpoint of the Civil Aeronautics Board. Mr. Rentzel is at this moment the Administrator of the Civil Aeronautics Administration, but has within recent days been named Chairman of the Civil Aeronautics Board.

He is here to talk to us about the matter of this octane problem, and I take pleasure in presenting to the Council, Mr. Rentzel.

STATEMENT OF DELOS WILSON RENTZEL  
CHAIRMAN OF THE CIVIL AERONAUTICS BOARD

MR. RENTZEL: Mr. Chairman, gentlemen: I am appreciative of your time. I will try to make this very brief. I would like to bring to the attention of the Committee, however, the very serious nature of the aviation gasoline shortage and particularly emphasize the alarm with which we view a suggested reduction in the octane rating and increase in the lead content of aviation gasoline, particularly as applied to commercial airlines, since it does not affect particularly the smaller types of aircraft.

We understand that there is a serious shortage in aviation gasoline and it has been brought about principally by the Korean situation. We understand that that situation is likely to continue. It was suggested, I believe at a previous meeting, that by increasing the lead content of aviation gasoline from 3.0 cubic centimeters to 4.6 a saving

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of approximately 10,000 barrels of gasoline a day aviation gasoline - would result.

This, of course, in our opinion does not take into consideration a reduction in the safety standards and increase in the maintenance problem on aircraft engines, a definite increase in the overhead as far as the operating costs are concerned, a number of increased engine failures, and a number of increased precautionary feathering of engines which would in our opinion result.

It would also mean a reduction in the number of hours between overhauls which we would allow airlines to operate their engines.

We feel further that this would not be a complete saving. In our estimate of the situation, the net saving would not result in 10,000 barrels per day since increased consumption, which we conservatively estimate to be 5 to 10 per cent, would take up a substantial portion of that estimated saving.

We would like to call to the attention of the Committee further that this situation is not going to be a temporary one, and to urge consideration of a further reactivation of alkylate plants and other facilities necessary to produce more aviation gasoline.

As the air force of the military forces increase their numbers of aircraft from the present 48 groups up to 90 or

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perhaps even 100 groups in the immediate years to come, this shortage of aviation gasoline will continue to be increasingly severe. Of course the civil air operation will be further handicapped by that military requirement.

It is our understanding that approximately 50 per cent of the alkylate plants which were operating at the close of World War II are now in operation. We understand further that approximately 18 months will be required in order to reactivate some of these plants.

We would strongly urge that consideration be given to a reactivation of a number of these plants in order to increase the aviation gasoline capacity to higher octane capacity, and if possible the 18 months interval be reduced.

We further, without attempting to estimate where the increased aviation gasoline needs can be met, would certainly suggest at least the hope that other forms of fuel might be considered to meet this need.

I would like, in closing, Mr. Chairman, to point out that the aviation gasoline requirement of the commercial airlines amounts to only 7 tenths of 1 per cent of the total petroleum consumption. We feel that the importance of civil aviation and the safety factor involved interests all of you. Certainly we would hope that we would not have to take a reduction in safety standards.

We would hope further that the airlift possibility

Jap-13

that we may be called upon to meet, even though Korea may be closing out, may break out in other parts of the world, and the situation I would again like to mention is the fact that increased consumption is going to be the order of the day for the next several years in any event for both military and civil.

We hope the Committee will give our problem serious consideration. Thank you.

MR. HALLANAN: Thank you, Mr. Rentzel.

Gentlemen, are there any questions?

MR. BRUCE K. BROWN: Do you think it would be preferable to ration civilian aviation gasoline in this crisis downward, and have less of it in the next few months, rather than increase the lead content? We can do it that way.

Can you get along with less?

MR. RENTZEL: If we have to ration them, I would again like to exclude private aviation since they are not involved, they use standard brand automobile gasoline. I think the question is whether you should decrease the amount of automobile gasoline or ration the number of aircraft airline types of operations. Is that the question?

MR. BRUCE K. BROWN: No, it is not that question. We can't put motor gasoline in an airline aircraft. That is what you just said. I am wondering if you can get along with less gas until we can get this thing organized.

Jap 14

MR. RENTZEL: Of course, if we have to.

MR. BRUCE K. BROWN: Wouldn't that be preferable on a temporary basis, to use less gasoline in the civil airlines and keep it at 3 c.c.s, or would you rather run on 4.6 for a couple of months until we get organized?

MR. RENTZEL: You are asking only a temporary answer to the problem?

MR. BRUCE K. BROWN: Yes. You brought it up, and I am asking a question on it.

MR. RENTZEL: If it came down to a question - certainly I would decide on the side of safety any time. My answer to it is that I would prefer to see a reduction in the amount of gasoline rather than a reduction in the amount of safety any day. That is my job.

MR. ALTON JONES: Realizing the position taken by the airlines in Civil Aeronautics controls, the economies involved in air transportation will be greatly complicated by their increase to 4.6 c.c.s. Certainly your maintenance costs and everything else will go up, and the precautions that you have to take.

But do you really feel that the question of safety is a vital one here? As I understand it, the Armed Services are using 4.6 in all of their aviation gas, or substantially all of it. I know your first concern is one of safety. But do you think that is the primary factor involved here,



Jap-15

or is it economy?

MR. RENTZEL: No, sir, I think it is safety. I think the military will agree that they are accepting a reduction in the number of safe hours of operation of aircraft engines and that the maintenance costs will go up.

I again would like to point out that consumption will go up. I don't believe they deny that. I do think that they are in a position, of course, which we fully realize, that they must meet the existing emergency in Korea and to get gasoline they are going to do anything necessary to get it.

My point is simply that at least on behalf of the civil aviation part of the Government we are not prepared to take that reduction if we can avoid it. I am not saying that we won't take it. I certainly don't mean to say that. I say simply that if there are any other means available of making aviation gasoline under the present specifications available, we would certainly urge that it be considered.

I would say that if we have to take this lead content increase that we will issue the necessary instructions to reduce the number of hours between overhauls immediately, and to increase the maintenance.

MR. ALTON JONES: I think, as Mr. Brown pointed out, the question facing the petroleum industry at this time is one of timing. Time is of the essence. We are faced with

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an acute shortage now. I think the suggestion that the airlines use 4.6 c.c.s of lead is born of the fact that it is one that can be quickly effectuated.

The suggestions you make of building additional outlet plants we agree is sound; but it takes months, as you know, to do it.

I think Mr. Brown meant to emphasize the fact that if we had to do something immediately to get the services over the hump, that this 4.6 cc.s might be a temporary expedient. There is a problem that is going to have to be resolved in some organization here.

MR. RENTZEL: I fully realize that. I don't want to leave you with the impression that we are not going to be cooperative. We are just as interested in seeing the war in Korea successfully prosecuted as anybody else.

I was pointing out our problem from the safety point of view and to ask that the Committee give every consideration to increasing the supply of aviation gasoline.

This is not a temporary situation. It is one that is going to be increasingly difficult. We would hope that some means could be found. I would certainly hope that if the choice came between automobile fuel and aviation gasoline, we would decide on the side of aviation gasoline. That would naturally be my prejudice.

In view of the small percentage of petroleum products

Jap-17

which aviation gasoline represents, we would think that that consideration might be given. That is really the purpose of my trip here today.

MR. HALLANAN: Mr. Parten.

MR. PARTEN: Mr. Rentzel, I would like to ask a question. I would first like to comment on your question, Pete.

I have a mimeographed copy of a letter in my hand which I have received from General Milton Arnold, of the American Airlines Association. General Arnold would answer your question yes, if we have to cut commercial aviation gasoline 15 per cent, rather than put in more lead, let us cut it.

He has already answered it for me. This question is serious because it involves safety. It is not the dollars and cents involved. We may have to do a lot of things and waste dollars and cents in order to get the job done. The safety angle is important.

The manpower question is important when it comes to the question of how much more manpower you are going to have to have to service these engines.

The commercial aviation is doing yeoman work today not only for civilians but for the military, as we all know.

If you will permit me, I would like to ask the Secretary to read this letter which General Arnold has written. You might like to ask a question on it. I think

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this has been circulated.

MR. FENTRESS: I would like to ask a question. I am not sure that Mr. Rentzel understands, first, that a substantial volume of aviation gasoline is being supplied and has been supplied for a considerable time to the commercial airlines at 4. c.c.s of lead and not 3. They have been operating on that and apparently operating quite successfully.

Secondly, I would like to offer to Mr. Rentzel the services of our office because time will not permit this afternoon to go into the intricacies of refining operations on these alternate proposals which the airlines have suggested as means of making aviation gasoline.

I would be only too happy to go over with any member of your staff the reasons why this is practical.

MR. RENTZEL: I would be delighted to do so.

MR. HALLANAN: Dr. Wilson?

MR. WILSON: It seems to me there is a certain amount of confusion about this. You spoke of a reduction in octane and increase in lead content. As I understand it, there is no reduction in octane proposed. This letter speaks of reduction in volatility also. As I understand, there is no reduction in volatility proposed either.

MR. RENTZEL: Yes, sir, there is.

VOICE: To the military specifications.

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MR. WILSON: I don't know about a lot of these statements, as to frequency of overhaul, but I heard very much this same story at the beginning of World War II when we asked the military to go from 4 to 3.6. They visualized all kinds of things. They had a list that might have been written by the same fellow who wrote this as to what it would do to them.

When they got to using it they didn't have very much more trouble. True, they may have to clean the engines more frequently, but nowhere near the stories we heard.

To say this would increase fuel consumption by 15 per cent is, to my mind, ridiculous.

MR. RENTZEL: I didn't say that.

MR. WILSON. No, but this letter does. And it gives a lot of other figures. This has been very extensively used and even the commercial airlines, as Mr. Fentress said, have been using 4 c.c.s in many cases, and private airplanes.

I think this definitely gives an exaggerated opinion of the troubles.

MR. RENTZEL: I want to make one thing clear. I did not associate myself with the letter from the Air Lines. I am talking about my own people who I think are reasonable on aircraft engine operation, and what they say.

I think some of their claims are perhaps high, too,

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particularly as to gasoline consumption. It will be increased, and I think the military agree to that.

I do think the maintenance will definitely be increased, and I think the percentage of failures will definitely increase.

I would like to make it once again clear that if that is the only way we can meet the current situation, certainly we will go along with it. But I would hope that something could be done that would make a long-term solution to the problem which is going to get increasingly worse, possibly.

I think that was the main reason I wanted to bring it to the attention of this Committee. I further believe that while I am not arguing the point that they have not used 4.6, or 4.0 - I don't know which you meant

MR. WILSON: 4.4.

MR. RENTZEL: You are talking of 4.6 here as I understand it. I don't wish to debate that point. I simply say that if the situation can only be met in that fashion, we will have to take certain precautionary steps because that is our job. We will do so, and I am hoping that something more of a permanent nature can be resolved in the Committee here as part of the over all emergency situation we are faced with today.

MR. HALLANAN: Mr. Brown will read the letter. Then

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if you care to make any further comment, Mr. Rentzel, you may do so. It is on the same subject.

MR. JAMES V. BROWN: This is a letter signed by Milton W. Arnold, Vice President of Operations and Engineering, from the office of the Air Transport Association of America, dated September 27, 1950, addressed to Major J. R. Parten:

"Dear Major Parten:

"In accordance with your request to the airline industry today, we outline below the effects to the commercial airlines of a change of fuel specifications from the present type to the military type aviation gasoline.

"SAFETY

"Increase engine feathering in flight due to valve failures by approximately 300 per cent.

"Increase number of discontinued take-offs by about 100 per cent.

"Increase propeller blade fatigue failures due to one cylinder out by approximately 100 per cent.

"Increase torquemeter and propeller actuation mechanism malfunctioning by about 100 per cent.

"Increase excessive crankcase sludge deposits and bearing failures by about 50 per cent.

"Increase substantially over-all possibilities of major and potentially fatal accidents.

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**"MAINTENANCE**

"Reduce engine times between overhaul, depending on engine type, by 16-50 per cent.

"Increase spark plug removals by 65-75 per cent.

"Increase premature engine removals by about 75 per cent.

"Increase inventories of engines and spare parts by 20-25 per cent.

"Increase maintenance shop facilities and tools by about 20 per cent.

"Increase manpower requirements by approximately 20 per cent.

**"FUEL CONSUMPTION**

"Increase airline fuel consumption to assimilate higher lead and lower volatility by about 15 per cent and thus considerably nullify avgas production increase expected from the specification change.

**"AIRLIFT**

"Seriously reduce commercial airline airlift capacity for national defense.

**"ECONOMICS**

"Increase commercial airline fuel bills by about 15 per cent.

"Increase maintenance costs by approximately 20 per cent.





"In view of the seriousness of implications of

the proposed plan, we strongly urge that every possible avenue to reach the desired objective be explored.

"Reference is made to letter from the undersigned

on this subject, dated September 21, to Mr. H. A. Stewart,

Director, Fuel and Oil Division, Department of the

Interior, and also to the letter of September 22 from

Admiral Ramsey, president of Aircraft Industries

Association, to Mr. Stewart.

"Sincerely, Milton W. Arnold."

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End tape 8

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MR. HALLANAN: Do you have any further comment, Mr.

Rentzel?

MR. RENTZEL: Mr. Chairman, my only comment is that I don't fully agree with all the statistics employed. I want to make it again clear to the committee that I did not come here subscribing to all those details. I think generally the facts are simply that there will be some increased fuel consumption, there will be additional economic losses. There is no question of that. That is not what concerns me.

What concerns me more are the safety aspects itself which I will still maintain is a problem that we are concerned with, and I would like to again simply urge the committee to make this solution, whatever we have to come up with, as temporary as possible, and get a long-range plan that will take care of our requirements.

One thing again I would like to say: in regard to the operations of civil air, both in the present emergency and in the time of all-out war are going to be increased rather than decreased. I think all of us will agree to that. Our airlift possibilities are rather important to the military, too.

I believe that is all that I have.

MR. HALLANAN: We appreciate your coming, Mr. Rentzel, very much.

In connection with the report of the committee on steel

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requirements submitted by Mr. Brown as chairman, a few moments ago, I think there was some oversight, Mr. Brown, in moving that the report be adopted by the council.

MR. RUSSELL B. BROWN: I don't know whether the adoption is in order. I move that the Council accept it.

A VOICE: Second it.

MR. HALLANAN: It has been moved and seconded. Are there any further remarks?

MR. RUSSELL B. BROWN: We requested at the same time a suggestion as to the discharge of the committee, but in view of the fact that there are so many calls on the administration for support of this thing, we felt that for the time being we ought to keep the various members of the subcommittee available to the administration here to be called upon. That is the reason we did not include that.

MR. HALLANAN: If there is no objection, the committee will be continued for any further service. All in favor of the motion indicate by saying "aye"; contrary "no."

(A voice vote was taken.)

MR. HALLANAN: It is unanimously adopted.

MR. JENNINGS: I am ready to report.

STATEMENT OF B. BREWSTER JENNINGS, PRESIDENT,  
SOCONY-VACUUM OIL COMPANY, INC., 26 BROADWAY,  
NEW YORK 4, NEW YORK.

MR. JENNINGS: I might say that we didn't have time to

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have enough copies of this struck off for distribution to all the Council. I have a few extra copies available.

Pursuant to the request of the Director of the Oil and Gas Division, the National Petroleum Council appointed a committee to report on the type and form of organization which would be appropriate to deal with the emergency, as requested in the letter of September 21, 1950 from the Director of the Oil and Gas Division.

On January 13, 1949, the National Petroleum Council approved the report of its committee on National Petroleum Emergency. Your present committee has reviewed that report in detail and finds that though the present emergency is not as broad as the type of emergency contemplated in the report of January 13, 1949, the principles and procedures recommended in the report are still entirely valid and appropriate.

Your committee therefore recommends that in accordance with the principles of that report there be established an independent agency of government to deal with the problem described by the Director of Oil and Gas Division and such other problems affecting the petroleum industry as may develop from the present emergency.

Such agency should be staffed by a Deputy Administrator and other individuals drawn from the petroleum industry and should report directly to, and be directly under the authority of, the Secretary of the Interior. It should deal directly

jr4

with all other agencies of government that might be concerned with any aspects of the petroleum problems involved, and with the industry.

The agency should be a specialized vertical rather than a general horizontal governmental organization to deal with the internal problems of the petroleum industry involved. Your committee is convinced that any organization other than one of an independent and vertical character, reporting directly to the Secretary of the Interior could not successfully achieve its objectives.

The relationship of the agency to the industry should be cooperative. Such agency should not undertake management or operating functions.

The agency should be temporary and should cease to function just as soon as the emergency is over.

The present emergency will not require that the petroleum agency act in all of the fields referred to in the report of the committee on National Petroleum Emergency. Nevertheless, it should be organized and act along the lines recommended in that report in such fields as may be necessary to the solution of the current problems and from time to time broadened or modified as may be determined to be necessary to deal with such problems as may arise from the emergency.

I move the adoption of the report.

MR. W. ALTON JONES: Seconded.

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MR. HALLANAN: You have heard the report of the second committee. It has been moved and seconded that it be adopted. Are there any remarks?

MR. FENTRESS: Mr. Jennings, would you mind clarifying the sentence "such agency should not undertake management or operating functions?" That may have a different connotation in government circles than it does in industry circles, and that is the reason for the question.

MR. JENNINGS: I have in mind that I am only one of nine committee members. I think, in fact I am sure, that what the committee had in mind is that such an agency as is now created should function along the lines that the P.A.W. did in World War II.

Is that a general answer to your question?

MR. FENTRESS: Yes.

MR. HALLANAN: Mr. Pogue?

MR. POGUE: Mr. Chairman, the report, while speaking of cooperation with the industry, makes no reference to a mechanism for bringing that about. In World War II of course you had the petroleum administration for war. We have now the National Petroleum Council. I am wondering if the committee would care to consider the suggestion that that function as the liaison with the petroleum administrator, as the Council so functions. I think there is a gap in the report on that very essential point.

JF6

MR. JENNINGS: Mr. Pogue, the report that was brought out in January 1949 was very complete in all those respects. It was our thought that in reporting now it was unnecessary and would also be somewhat confusing, if we went into anything like the amount of detail that we went into, or that the committee of the Council went into in 1949.

I would like to point out this entire report is really based on the old one and doesn't change it in any way, shape or form. The point that you have in mind, I think, is covered in that.

MR. POGUE: I recognize that, Mr. Chairman, but I don't think that that point is quite a detail. I think it is a very essential aspects of any setup that might be established. Personally, I would like to see it mentioned in the shorter report.

MR. WILSON: You could cover it very simply if you wish to do so "the relationship of the agency to the industry should be cooperative" working through the National Petroleum Council.

MR. JENNINGS: Dr. Wilson, if we do that, that would contemplate the continuance of this Council as it now is. I think many of us have in mind that if the thing gets more serious and we have to go to an operation similar to what we had in World War II, it might be advisable to change the composition of this Council.



Jf7

That is another reason why I personally would like to leave the reference to that out of this report, if agreeable to you gentlemen.

MR. BLAUSTEIN: At our last meeting it was suggested that a committee be appointed to study the present setup of the NPC as to how it would fit into the new situation. Was that committee ever appointed to go into that?

MR. HANLON: It has not been.

MR. BLAUSTEIN: It doesn't come to this very question, whether the NPC as it is set up, thinking in terms of the Department of Justice and so forth, can be the agency to be this liaison? It would seem to me that that committee was to be a legal committee and ought to be appointed to go into that situation.

MR. BRUCE K. BROWN: I would like to speak in support of Mr. Jennings' position, simply to remind you that the petroleum committee war council was not the sole connection with industry during World War II at all. The petroleum administration committee, general committee, production committee, refining committee, all those things were essential.

If you were to mention this council, you would have just as good justification for mentioning the committees. Before you got through you would be in the State Department, the Maritime Commission, and everything else.

jf8

I urge that this report be accepted as it is intended as calling attention of the Secretary to the former report of the committee, and saying that we still think that. There is no end to where you would go if you tried to put it all in here.

MR. WILSON: Question.

MR. HALLANAN: You heard the motion for the adoption of the report as submitted by Mr. Jennings. All in favor say "aye"; contrary, "no."

(A voice vote was taken.)

MR. HALLANAN: The report is unanimously adopted.

MR. MATTEI: I have a question. I didn't raise the question on this report but I would like to propose a resolution that the oil industry not be included in any general agency setup by the government. It is not clear in this report.

MR. W. ALTON JONES: I think it is clear.

MR. MATTEI: It isn't spelled out enough for me.

MR. W. ALTON JONES: It is certainly intended to be.

MR. HALLANAN: I think if it is not spelled out it should be spelled out in the report we just adopted, Mr. Mattei.

MR. MATTEI: I don't find it spelled out in this report sufficiently.

MR. WILSON: It says "Such agency should be staffed by a deputy administrator and other individuals drawn from the

jf9

petroleum industry and should report directly to, and be directly under the authority of, the Secretary of the Interior."

It seems to me that it carries that view.

MR. MATTEI: I still haven't made my point clear. We could be in that position and still subject to a lot of things under this other agency if an order were put out. I would like to make it perfectly clear that we are an independent agency, and that that independent agency be not connected with any other agency of government except the Secretary of the Interior.

You talk about the committee that the Secretary talked about this morning and we could get steel requirements balled up with the fishing people, get steel requirements balled up with the coal people, and a lot of other things that I want to stay out of.

I want our independence to be independent and acting in an independent fashion under the Secretary of the Interior without any other entanglements.

MR. HALLANAN: What is your pleasure, gentlemen?

MR. MATTEI: I made a motion and the Secretary asked for that this morning.

MR. JENNINGS: Mr. Chairman; the point that you have raised, Mr. Mattei, was considered by the committee, certainly by some of us on the committee. It is our view that this

language in here is completely consistent with what you are saying. I don't think you can have an independent agency reporting to the Secretary of the Interior and have anything else but just what we all want to have.

MR. MATTEI: I will withdraw my motion, the record having been made.

MR. HALLANAN: Mr. Mattei, I can't realize the language that we would use in our motion to make it any stronger than it is in the report of the committee which the Council has just adopted.

MR. MATTEI: I wanted this to be a part of the record, and I am satisfied.

MR. HALLANAN: Gentlemen, I know that many of you are very much concerned about the problem of personnel, and that your organizations have been seriously invaded by the call on the reserves in the various branches of the military. Many inquiries have been addressed to the Council on this subject to try to determine just what policy could be worked out to find exemption for men of essential employment in the industry.

We have asked to come here today to discuss with the council and to answer any questions, Colonel Cassidy, who is the Assistant Director of Staff of Personnel Policy Board, in the Office of the Secretary of Defense. I take pleasure in presenting to the Council Colonel Cassidy.

Jr11

STATEMENT OF COLONEL CASSEIDY, ASSISTANT  
DIRECTOR OF STAFF OF PERSONNEL POLICY  
BOARD, OFFICE OF THE SECRETARY OF DEFENSE.

Colonel Cassidy: Mr. Chairman, gentlemen: I am glad that I am not following that obituary notice that was read on civilization a while ago, because Admiral Biggs said I may be offering myself up for the slaughter here today.

I took the liberty of bringing along some copies of the statement of the Department of Defense policy governing the delay in calling up reservists, and some related papers. Those of you who have not seen them may find them interesting and helpful in explaining the policy.

If I may I would simply like to read the one short paragraph which sets forth the purpose of the policy which will indicate that the policy was drawn for the purpose of keeping the essential requirements of the military and essential requirements of the rest of the national economy in balance.

The purpose as stated is:

"In an emergency the national interest may dictate that the ordering to active duty of some reservists be delayed temporarily. Some members of the civilian components are engaged in civilian occupations essential to activities critically necessary to the maintenance of the national health, safety or interest. Men with experience and skills in such occupations will be required

jf12

by the Armed Forces and by the civilian economy in numbers far exceeding the supply. The Department of Defense is interested in seeing that military manpower objectives for these critical skills are attained and, at the same time, that production and research, vital to the national military effort, are not seriously impaired by a sudden withdrawal of these critical skills from the civilian economy. Because the Department of Defense has these dual interests, the immediate military requirement in a national emergency for reservists possessing such skills must be weighed, balanced, and reconciled with the civilian requirements to the maximum extent possible in the interest of national security. "

The Department of Defense then went, as you know, to the Department of Labor, and asked what are the critical skills, those that will be in short supply in time of mobilization, and to the Department of Commerce and asked what are the essential activities which must go on.

We took both of those lists and they are appended to this statement of policy, and set up certain criteria which would generally require that somebody, before he would be considered for delay in being called to active duty, must be on either or both of those lists, or must be occupied in a key managerial job which was not envisaged in those lists, or be a student or research worker or something of that sort.

Jf13

I think the policy is all right. I think the policy is good, as a matter of fact. Our experience to date has demonstrated that it is pretty good. I think what you are concerned with is the operations under the policy.

The Department of Defense is so constructed as you very well know that the administration of the three separate military departments is the responsibility of the respective secretaries.

The policy leaves the implementation of it to the respective military departments. As you know, the military departments have been under considerable pressure for some time to build up strong and active reserve forces, and the Congress appropriated considerable sums to insure the accomplishment of that purpose. All of these reservists have been on the rolls of the military and under the assumption that they would be when the time came available for military service.

But the policy recognized the other requirements of the national economy, and so it was drawn and we put the policy between ourselves and what was considered to be the right of the military to call up people who had entered into a military contract, or who had been placed in a military status by action of the Congress.

I think that we can probably develop any questions which you have in mind if you will simply ask them, and I will try as best I know to answer your particular question, or if you

jfl4

will develop problems which you have, which have confronted you, maybe I can indicate some action which may help alleviate it.

MR. ROWAN: What about your draft boards?

COLONEL CASSIDY: The Department of Defense has no jurisdiction whatsoever over anybody who is not a member of the military department. That is General Hershey's responsibility.

MR. ROWAN: Is anybody telling General Hershey anything about this?

COLONEL CASSIDY: Yes, sir. As a matter of fact, this policy was developed as a result of a request of the Munitions Board, which is the outside contract agency in the Department of Defense, and National Security Resources Board is in this.

General Hershey's people were in this, and everything in the Department of Defense was in it.

MR. ROWAN: The reason I asked that question, the draft boards in Texas say that they are not taking orders from anybody, that they are going to draft them and put them in the services. They are not paying any attention to anything except what their needs are.

COLONEL CASSIDY: That is a matter that I will have to pass to General Hershey. That is his responsibility. That is the attitude of the men in the local boards.



established to keep those things in balance.

Security Resources Board is the national agency which is es-

COLONEL CASSIDY: May I say, sir, that the National

are deferring as reservists.

now that would cause a draft board to defer these men whom you

take him. We don't seem to have any regulations existing right

and came up for draft, the draft board would go ahead and

MR. ROWAN: But if he were not a reservist and driller

COLONEL CASSIDY: Yes.

recognize that classification and defer him.

make is that if he is a reservist and a driller, you would

MR. ROWAN: That is not the point I make. The point I

Service Act of 1948, is not susceptible to draft.

unit before that deadline date was set under the selective

member of a reserve unit, who became a member of the reserve

COLONEL CASSIDY: May I say, sir, that man who is a

but that the draft board would go ahead and draft him.

a driller and not call him in even though he were a reservist,

seems inconsistent that you in the Armed Services would defer

MR. ROWAN: The point that I want to make is this: It

better to the needs which develop through experience.

Hershey and with our own policy in an attempt to adapt it

We are working and we will continue to work with General

brought together because of the total impact on employers.

We understand of course that those two things must be

MR. HALLANAN: Mr. Foster?

MR. FOSTER: In the case of a particular employee considered essential by his employer to the successful carrying on of the war effort, through what channel, by what means, should the appeal be made or the case presented to the proper Governmental authorities to lay the foundation for some definite action in regard to that particular case?

COLONEL CASSIDY: If you will take one of these with you, sir, I think it will answer your question specifically. It indicates in all cases the first military contact to which that request for postponement is to be made. There are provisions for appeal through military channels in all cases. In the case of the Army, you go to the first organization command.

MR. FOSTER: As I understand it, our own membership followed the procedure that you have outlined. But we have not secured any action; or any decision as to whether or not the person was to be deferred.

COLONEL CASSIDY: That is an operational problem. Of course, as you know, despite the fact that the Korean situation may appear to be collapsing, we are still building up against the emergency needs. That is still going forward and we are still acting under emergency conditions. I think the departments are gradually -- in fact they are

pretty nearly in shape now -- to call up people under<sup>155</sup> a planned program. I think you will find, maybe upon your return, that they are already prepared to handle your request.

MR. MATTEI: If that isn't true, some of these outfits are going to get it bad.

COLONEL CASSIDY: Admiral Biggs probably brought this to your attention. The military are suffering now. The employers themselves and employees were perhaps delinquent. They would not respond to questionnaires. We have sent them out for the past four or five years and nobody replied to them. Today, in the military records, we don't know whether a man who yesterday was a private, has recently been educated and is today a lawyer or engineer. The records don't show that. The records have changed, but because people have failed to respond to those questionnaires the information is not up to date.

MR. MATTEI: If we, acting as a Council and individuals, would activate the units in our respective companies to do something about answering those questionnaires, that would be of material assistance?

COLONEL CASSIDY: Of great assistance, yes.

MR. MEECE: It says here "Initial deferments of reservists in critical occupations in essential activities may not exceed a period of six months, and no extension

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may be for more than a period of six months."

In other places I have had quite a little correspondence along these same lines. We come up to the question that deferments can be made only in the case of indispensable men. I take the position, with all due respect to Mr. Truman and Mr. Roosevelt, that there is no indispensable man. If a man dies you have to have somebody in his place.

We have a lot of men. It seems to me the criteria of whether or not a man is to be deferred is whether or not he is doing more for the nation's economy in the work he is doing than he would do as a private soldier. I had that same thing come up in the draft in World War II. On several occasions I had one of our key men deferred and bottled through not on the basis of dependency or anything else but solely on the thought that that man was worth more in the work he was doing than he would be in the Army as a draftee.

In that particular case the Appeal Board authorized the deferment every single time it came up. The local Draft Board drafted them, and we appealed immediately. In each case we convinced them that the man was doing more for the war effort than he would do as a draftee.

All through the regulations that I have seen we come up with the question of the indispensable man, and the question

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that he can be deferred only for six months. It seems to me that somewhere along the line we should give consideration as to whether he will do more for the war effort as a chemist or an operating man in work of that type than he would as a 2nd Lieutenant or filling out papers, or as an enlisted man somewhere else. If he is a key Reservist and you have trained him for certain things, there is certainly more reason for the Army to take him than would be the case otherwise.

But certainly in the draft setup, regulations should be worked out to characterize whether he is doing his work where he is, or whether he should be in the Army.

COLONEL CASSIDY: That was exactly the reason that the policy was drawn. It is just a question of --

MR. MEECE: Does this mean that a man could not be deferred more than 12 months? In other words, six months, and again six months, or can he be deferred continually?

COLONEL CASSIDY: Yes, sir. And even at the discretion of the service, if it develops that a man is more important to your service than he is to the military, they may put him in inactive reserve status. This six months thing, as somebody said a little while ago, in your own industry you can't make any predictions on what the requirements are going to be. Neither can we.

MR. BRUCE K. BROWN: Mr. Mattel asked an awfully good

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question. I think a lot of people would like to stir their reservists into answering questionnaires. You can't very well call them all together and say "Did you get a questionnaire"? Is there some standard questionnaire we can get them to fill out? If so, where is it?

COLONEL CASSIDY: May I make a suggestion which has been made before, I think, by Admiral Biggs. I think he made the same suggestion once before.

First, understand that as of now a very small percentage of the reservists are going to be called up. The effects are widespread. The policy says that no request for postponement will be entertained until the actual call comes. That was done advisedly. That was done to keep everybody from putting all his people on a list, sending the names in, and saying "We have to have them all deferred."

But if each of you locally would minimize your requirements, would take the people that you want to retain, and simply go to the local board -- make out a list and come up with a replacement program of your own, and then go to the first fellow in this chain of appeal and requests and say "If these people are to be called up, we are going to ask that these men be delayed."

MR. BRUCE K. BROWN: You have to do that for each of the services?

COLONEL CASSIDY: That is right. And everybody realizes

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that it is not only the individual's position many times which is of complete concern, but his part in a team, in a trained organization. If you take the replacement schedule down and say "I want this man deferred for these reasons, and here is my total problem so it can be understood," I think that that would help not only the military but yourself in your planning.

MR. MATTEI: Where would you go with that material?

COLONEL CASSIDY: To the place which is prescribed in this pamphlet, which is different for each one of the Departments.

MR. VANDEVEER: Mr. Chairman, in the early part of April, 1949, at the request of the NSRB to the Interior Department, to the National Petroleum Council, a committee was formed to make a study of the manpower of the petroleum industry. That committee was appointed on April 26, 1949. The final report of that committee was on January 26, 1950. Representatives in the NSRB, the Interior Department, the Army, the Navy, the Labor Department and others of Government attended these meetings. The committee labored for a good many months and we finally came up, after sending out a questionnaire -- and Colonel, we sent questionnaires to all phases of the petroleum industry, and it was well accepted when it comes to the number of men that were included.

We had a formula whereby the NSRB accepted it and we were told that this will be -- by the representatives of the NSRB who attended our meeting -- this will be accepted, and we were recommended to General Hershey, or whoever is down the line, in the event of an emergency.

That committee report was also in the records, and it will show that that was to be a yardstick whereby this same type and this same information would go into other industries. There was a great deal of work done on that. I happen to know, as I was chairman of that committee. And I would suspect probably if you gentlemen back here would all go back and read, maybe for the first time, these reports here, you have a pretty good yardstick whereby you can properly classify your personnel.

I am wondering what happened to all this. As far as I know it is a dead duck and has been since January 26, when it was turned in.

Colonel, I would like to present you with a copy of this report which I have in my briefcase, because it might be worth something to you.

COLONEL CASSIDY: Thank you very much.

(Applause.)

MR. FOSTER: It is my understanding, based on what has just been said, that as far as replacement schedules are concerned, it has no value except as throwing light upon



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the decision which might be reached as to a particular case of a particular employer after the man has actually received the call. Is that true, Colonel?

COLONEL CASSIDY: No. I would say the replacement schedule would be primarily for your own purposes.

MR. FOSTER: It has no value with any Governmental agency, is that true? Except as it might bear upon the point of whether John Jones, who has been called, is or is not to be taken into the service?

COLONEL CASSIDY: That narrows it down pretty much.

MR. FOSTER: What should it be narrowed to?

COLONEL CASSIDY: Have you any suggestions as to other uses to which that might be put as far as the military is concerned?

MR. FOSTER: We had hoped that some such broad pattern as had been developed by Mr. Vandveer's committee might be applicable in the case of individual employers as to given categories of employees, for example, in manufacturing.

COLONEL CASSIDY: Fine. All that does is to simply say "Here are the fellows we want postponed and here are the reasons." That is an attempt, as I understand it, to identify your own people. Is that right?

MR. VANDEVEER: Correct. By classifications.

COLONEL CASSIDY: By category, yes.

MR. FOSTER: It is only useful as evidence of retention

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of an appointment as it applies to a particular case where a call has been issued by a proper authority.

COLONEL CASSIDY: In other words, as I understand your question, it is: Is there any consideration given to such things as a blanket form?

MR. FOSTER: Yes.

COLONEL CASSIDY: No.

MR. FOSTER: To any category of employee as against an individual?

COLONEL CASSIDY: No, there is not. I can tell you that decision was made personally by Mr. Truman, that there would be no blanket deferment. And he said he would tell Mr. McGrath that, who had asked that a lot of his F.B.I. agents as a class be deferred.

MR. HALLANAN: Any other questions, gentlemen?

(No response.)

MR. HALLANAN: Colonel, we are very grateful to you for coming over. We appreciate it very much.

COLONEL CASSIDY: Thank you, Mr. Chairman.

MR. HALLANAN: Gentlemen, as we move along I wish to call your attention to a report of the special committee which was adopted this afternoon. I quote as follows:

"Such agency should be staffed by a deputy administrator and other individuals drawn from the petroleum industry, and should report directly to and be

directly under the authority of the Secy  
Interior."

We recommended an organizational setup. The  
that organizational setup is that it be staffed by pe  
men. I view it that we have crossed about one-half of t  
bridge. We have got to give consideration to the matter of  
getting the men which will be necessary to carry forth this  
organization. I should hope that the Council would give  
immediate consideration to whatever idea you may have, that  
we may discuss it frankly now while all the members are  
here.

I should hope that before this Council adjourns that  
either a committee should be appointed on Government personnel,  
or in some way suggestions should arise from the membership  
as to how this organization should be staffed.

MR. MATTEI: Mr. Chairman, I would like to offer a  
resolution that the Chairman be empowered to appoint a  
committee, any number that he so desires, from this Council  
to, in the first place, select a deputy administrator  
agreeable to Mr. Parten and to the Secretary, and that that  
same committee be authorized to go ahead after the deputy  
has been selected and get the men that the deputy wants  
to staff his organization.

MR. HALLANAN: You heard the motion.

A VOICE: Seconded.

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MR. HALLANAN: Any discussion? Mr. Jacobsen?

MR. JACOBSEN: Mr. Mattei covered what I was going to say, which was simply first to get the deputy administrator and then help him get the men that he wants.

MR. HALLANAN: If you are ready for the question, all in favor say Aye; contrary, No.

(A voice vote was taken.)

MR. HALLANAN: It is so ordered.

Admiral Biggs, in connection with the matter we have been discussing a few moments ago, I think there are some things you have to say to the Council. I would be glad if you would do so at this time.

ADMIRAL BIGGS: This is certainly a long-suffering outfit, believe me. You have been listening to me for the past year and a half. There are one or two little points I would like to stress before we finish.

One of them, I believe, was mentioned by the Chairman of the Aeronautics Board and that is that this Korean situation is not to be an end-all of this circus. Actually it was the fuse which lighted a chain of events. Number one in that chain of events was a doubling of personnel in the armed services, so authorized and partially appropriated for.

As a result, you have a continuing problem. Geared in with that was the speed of reactivation of airplanes and

mm-12

ships, and it developed an indication that mothballing of this equipment was pretty good, because you take them out of mothballs, sweep the sand out of them, disassemble them, wash them off, put them back together, and pour some gasoline in them and somebody can get in them and fly them.

Some of you gentlemen associated with contracting companies doing that kind of work have a very definite bit of information, better than mine, on what happened. That speeded up your requirements. In addition to the basic consumption that the new airplane has, per se, automatically and as a corollary the gasoline reserve level which you have to set up for that airplane is another additional requirement.

So you get fifty groups, seventy groups, ninety groups, or what have you, each time they burn so much gasoline for training, so much for putting it in shape, and so much reserve level in case you have to fight with it. I would like to remind you of that and as your build up of mobilization continues, Korea to the contrary notwithstanding, you will have this increasing requirement. Your requirement in Korea is only about 13,000 a day. So you can see what you are headed for.

I would like to finish this tirade with this: That had it not been for the action of the MPAN on the 13th and 14th of July, 1950, and the action of the National Petroleum

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Council on the 23rd of July, 1950, and the associated Government help that we received, we would damn well have run out of gasoline long before the 8th of September in Japan. And to my knowledge no airplane has failed to fly because of a lack of gasoline, to date. And it was the immediate action taken without the benefit of clergy, the Department of Justice, or Government control that that was effected. And we appreciate it sincerely.

(Applause.)

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MR. MALLANAN: The Chair recognizes Mr. Wescoat to present an interim report of the committee on Petroleum Storage Capacity.

STATEMENT OF L. S. WESCOAT, PRESIDENT,  
THE PURE OIL COMPANY, 35 EAST WACKER DRIVE,  
CHICAGO 1, ILLINOIS.

MR. WESCOAT: Mr. Chairman, I always hesitate to follow Admiral Biggs. William Jennings Bryan was called the orator of the platte. I think we will dub him the orator of Washington.

Your committee, Mr. Chairman, was directed to bring the tankage report of October 15, 1948, up to the present time, with some additions. We were to report on the present proposed crude oil, clean product, that is black oil, storage capacities, including primary and secondary storage, but excluding the small jobber consumer and service station storage, with a breakdown of storage with relation to its principal transportation, that is, by deep water, inland waterway, pipeline, rail and tank truck, each given by P.A.W. districts in principal areas within P.A.W. districts.

The data showed the storage capacity not available, such as tank bottom and pipeline fills. The committee appointed a subcommittee of statisticians and economists who promptly sent out the questionnaires, 95 percent of which had been returned.

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The 60-day period elapsing since the July meeting was inadequate to get all the information in because it does involve a great deal of work on the part of the people to whom those questionnaires are directed. We expect to have them all in by the 4th of October and it will then take approximately two weeks to tabulate the results, so that the report should be in the hands of the committee within 30 days.

However, the request with respect to secondary storage is sufficiently broad that it is doubtful whether or not the information originally obtained will cover that particular phase fully. Also, the request with respect to the classification by means of transportation would not be accurate in that the various storage points will have various transportation media.

Therefore we couldn't classify those accurately, but we believe the information as presented will be sufficiently indicative of the type of transportation one or more forms of which will be available. To that extent it will probably be sufficient for the purpose requested.

The report will be made available to the chairman of the committee immediately upon completion, and a formal report will be made at the next meeting if it is held 30 days thereafter.

MR. HALLANAN: Thank you, very much, Mr. Wescoat.

I desire to present Mr. Hugh Stewart, Director of the



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Oil and Gas Division.

STATEMENT OF HUGH STEWART, DIRECTOR,  
OIL AND GAS DIVISION.

MR. STEWART: Gentlemen, after everyone else has talked as fluently and effectively as you have heard so far today, there is very little left for me to say. I greatly appreciate the fact that the Council is going to give us advice on the type of organization, that the companies included are going to furnish the men, and that Mr. Parten and the Secretary will have advice, perhaps by selection or drafting, for a deputy administrator.

In that connection, since I am more or less in the caliber of a sergeant -- I had two corporals and four soldiers in my troop -- I can assure you that we will do our level best to take care of the high points, the most urgent points, between now and the time that you gentlemen get some reinforcements in here to take over.

However, we do have some things that have to start very, very promptly. You have heard of this aviation gas problem, you know the problem of exchange and transfer of components, and we have a lot of factors to work out with respect to those, and we have to do it now. We don't have the manpower to do it, or at least to do it satisfactorily, so I would certainly urge that you get some reinforcements in here promptly.

Thank you.

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(Applause.)

MR. HALLANAN: Gentlemen, on the committee which was just authorized a few minutes ago for the purpose of securing government personnel for the oil and gas division, the chair desires the announcement of the following committee: Mr. W. Alton Jones, Chairman; Dr. Wilson, Ed Warren, Mr. Mattei, Mr. Holman, Mr. Swensrud, Mr. Pollis, Mr. Marshall, Mr. Jennings, Mr. V. I. Graves, Mr. Rodgers, Mr. Rodman, and Mr. Blaustein. *James Baker was on Mr Hallanan list*

I hope, Mr. Jones, that it may be possible for you to have a meeting of your committee immediately following the adjournment of this council. We have gone as far as we can until your committee begins to function.

I hope if it becomes necessary that the committee may remain over tonight and give the kind of response and cooperation to Major Parten, Mr. Davidson and Mr. Stewart which will show that we mean business. We are here to give our cooperation and give it in a way that means that they can depend upon active support of this Council and the whole industry.

Do you have any comment, Mr. Jones, to make about your meeting of the committee and when you might meet? I know some members might want to leave earlier.

MR. W. ALTON JONES: Mr. Chairman, I am sure that none of us are deceived about the fact that the appointment of a committee on personnel doesn't solve this problem. I suppose

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that is one of the characteristics of an organization such as ours. We get together and face a problem, somebody appoints a committee, and the rest of you all go home and forget about it.

There are two things and only two things that I can think of at the moment that I want to emphasize. One is that we must quickly determine, or as quickly as possible determine, for the guidance of the committee, the status of the men who are going to be asked to come to Washington. I think there is a good deal to be done in that regard.

Most of you know that we have got to turn to perhaps the same group of men that helped staff the Petroleum Administration for War, because we haven't anybody else to look to to quickly implement an organization such as we are talking about.

Some of these men have already paid a severe penalty thinking in terms of their personal futures in offering their services and dedicating their services to the government. Some of them for five years or more spent most of their time in Washington. The parade in some cases went by, insofar as their own advancement and advancement in their companies was concerned.

I am sure that some of the men that we will ask to call back will face serious economic consequences. Part of that can be alleviated and one of the first subjects that I think

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the committee will need to consider is what kind of an arrangement we can work out with the agencies of government to define the status of these men.

One thought has occurred to me that perhaps they can be considered as consultants and not just hired government employees, and that the relationships with the companies from whom they will be drawn will not be completely upset, and their annuity status, or other status with their companies, will be destroyed by virtue of their leaving and coming down here in government service.

The second point is this: there is no doubt in my mind but what the petroleum industry has in its rank plenty of men to staff this organization. I know you fellows well enough to know that you don't give easily. You will start to think of reasons before you get home as to how and why you shouldn't give up so and so for a term of service.

I want you to think about your responsibility and the opportunity which this industry has in solving its own problems in this emergency. As far as I know, no other industry of the United States had the same chance as did the petroleum industry, of working out its own problem in the Second World War. That is the reason why I think we were able to do a reasonably good job, or I think the best job that was done by industry.

Now we are back at it again. Up to now the emergency is

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not as great. The draft in point of numbers will not be as severe, but each of you men here present will have to help in the solution of this problem.

Your committee of 6, 7 or 8 can't do it. I don't want to hear these old excuses "I served once before on a personnel committee and I got sick and tired of it." The excuses were all the same. So I ask that you consider your responsibilities and don't assume that this committee can beat its brains out trying to make talent where it doesn't exist.

There is just a certain amount of give and take in this business which we have all got to agree to. With your help it will help the men in this room. The business of staffing Mr. Parten's organization is not insurmountable, but without your help we can't do a thing about it.

Mr. Chairman, we accept the responsibility for this job with some hesitancy and reluctance, but with confidence, that we can get you fellows to do the job. I think perhaps if Mr. Parten is free, we will convene a meeting of the personnel committee following this session.

MR. HALLANAN: Thank you, very much.

Major, you have some remarks to make, I believe.

Mr. Parten: I fully appreciate the statement that Hugh made a while ago, that he has two corporals and three privates. I think he did a marvelous job with the manpower they had.

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I may say he had good privates and good corporals. We are now up against real steel in this problem. I can't begin to emphasize any too much the importance -- to the men appointed on this committee -- that they be prepared to keep their noses to the grindstone until we get a deputy administrator to do this job.

One of the reasons for the confusion that we have had already about this job is because we just hadn't decided on what kind of an organization it would take and who the devil was going to do the job. I am here on a part-time basis at the request of the Secretary of the Interior. I am going to be at your service. I am going to do my level best to help you get the proper man for this job.

But, gentlemen, it all goes back to the members of this committee, the members of the oil companies in this room. You have got to give up some men. As I visualize this thing, if we took a week to get that deputy administrator, it can have some very, very serious consequences.

I know Mr. Jones will welcome the suggestion of any member of this council as to men who might be willing to come down here to serve, and whom we might draft. If any of you have ideas on your minds on personnel, give them to us.

Mr. Jones has a good committee. I am expecting to work with him with a lot of pleasure.

Thank you.

MR.

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MR. W. ALTON JONES: I would like to make one more observation after that last remark. I remember very well helping to staff a personnel committee with their personnel problem in World War II. It was a common complaint among many of the oil companies and smaller companies particularly, that the staff was made up largely of large company men. There was some resentment on the part of small organizations.

I assure you that that wasn't because the personnel committee had any preference for large companies or big-company personnel. It was simply because we couldn't find them anywhere else.

This council, the National Petroleum Council, a large majority of the membership is made up of so-called small companies. I hope that the personnel committee will have the help of the so-called small companies. I don't know just what a small company is. I have heard several definitions, but none of them suit my book.

I hope you men who consider yourselves small companies will help in suggesting to the personnel committee available men who are competent to staff this organization. I am sure Major Parten would rather have them because he doesn't want to get mixed up with these big shots any more than he has to.

(Laughter.)

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MR. HALLANAN: Gentlemen, when I issued the call for this meeting just a week ago, there was a great deal of confusion, a great deal of anxiety about what was going to happen here in Washington. I am glad that I called this special meeting for today because I think we already see the fruits of clarification which have come from it. I know that there was a good deal of concern yesterday afternoon about the release that went to the newspapers, about the Energy Resources Administration set-up. I am very gratified to find this release which has been issued, and which seems to me points up the effectiveness of this meeting that the Council has had today with the Secretary of the Interior and the members of his staff.

May I read it briefly:

"Secretary of the Interior Oscar L. Chapman today directed that immediate steps be taken to establish an independent defense petroleum administration to administer the defense responsibilities respecting petroleum and natural gas delegated to the Secretary of the Interior by the Defense Production Act of 1950.

"Following a meeting with the National Petroleum Council at which he had recommended the creation of an independent organization to administer oil and gas defense matters, the Secretary said:



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"I have asked Mr. J. R. Parten, recently appointed as a consultant on the formation and development of a National Defense Petroleum Program, to proceed at once with plans and programs for the establishment of a Defense Petroleum Administration. This agency, under the operating direction of a Deputy Petroleum Administrator, will be an independent agency reporting to and taking directions solely from me as Petroleum Administrator. This vertical type of organization is consistent with the suggestions I have made to the National Petroleum Council and with the recommendations of that Council on organizational matters in the present emergency.

"The assignment of the Director of the present Oil and Gas Division of the Department of the Interior to a position within the framework of a proposed Minerals and Energy Administration is purely temporary and intended solely to fill the gap in time until a special organization for oil and gas can be developed and put into operation."

(Applause.)

MR. HALLANAN: It seems to me that we come to the close of this meeting with a completely satisfactory statement as to the objectives of the Secretary in this particular.

Now may I say that this, in reality, was an adjourned

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meeting of the regular meeting of July. The next regular meeting of the Council would ordinarily come during the latter ten days of October. I should think that by October, later in the month, it will be desirable to proceed and have the regular meeting of the Council. It seems to me that events are moving rapidly enough, that the Council wants to keep up with what is going on, and unless there is some change or some reason for change, you can look forward to the regular meeting of the Council within the latter part of October.

The agenda has been completed. We are not open for the consideration of new business. I would welcome any suggestions that the membership has about any future activities or any future matters for the Council to consider.

MR. SPENCER: Mr. Chairman, I have a brief question that I would like to ask Major Parten or Mr. Stewart. I think it is quite important. We certainly have made constructive progress here today. I think we have clarified many things to remove concern and anxiety. There is one thing remaining that still bothers me, particularly as chairman of the Transportation Committee, and that is that the Secretary of the Interior still does not have complete jurisdiction over the oil and gas industry.

A VOICE: Louder, please.

MR. SPENCER: One thing that bothers me is that the

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Secretary of the Interior still does not have complete jurisdiction over the oil and gas industry for war mobilization purposes.

As you recall, Mr. Chairman, when we were down here to discuss transportation matters early in September, they were in process of drawing the Executive Order distributing and delegating these powers. At that time, as the Executive Order was drawn, all of the transportation facilities of petroleum and natural gas were delegated, as I recall it, to the Superintendent of Car Service in the Interstate Commerce Commission. By heroic efforts of Major Parten and Howard Marshall, we were able to jar loose from the I.C.C. the pipelines, both oil and gas. But as I understand it there still reposes with the Superintendent of Car Service in the I.C.C. the tank cars, the barges, the transportation trucks, and even the storage facilities.

That, gentlemen, we can't operate in that way. I wonder if I could have a word from Major Parten, perhaps, or Hugh Stewart, to let us know what the status may be at this time, of the jurisdiction over the balance of our transportation facilities.

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MR. PARTEN: Mr. Chairman, I realize that that is a problem that we face. It doesn't make sense. I know those of us here on the ground didn't have a chance to say a word when the order delegating authority was about to be issued.

We all know in time of serious emergency these pipe lines and barges and Lake tankers really become plant facilities. Tank cars don't get exactly in the same category because they have to take their place in line with trains. There is no outside transportation that is involved with pipe lines serving oil-producing wells, manufacturing plants, and supply terminals.

It is my hope that we may get some clarification of that. Hugh just told me that as far as he knows, the status of the thing right now is as Mr. Spencer has stated. I think all of us recognize that something must be done about it before we finish this job.

MR. SPENCER: Is pipe line storage proposed in one place and pipe lines in another?

MR. STEWART: All storage is with the Car Service of the I.C.C. Anything that has to do with the handling of materials or shipment of personnel. We have recognized that as one of the most serious problems that we have to work out interagencywise.

We have made some contact toward starting negotiation

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for the proper delegation of authority to this Oil and Gas Administration. I hope within the next few days that we will be able to make some real steps forward on that.

MR. HALLANAN: Mr. Nielson?

MR. NIELSON: I don't know whether this thought has too much merit. I was visiting last night to Mr. Knudson, who was appointed to that position. Having known Mr. Knudson for some years I do feel that until such time as the relationship is worked out it would put a line of authority on transportation from this body to transportation.

I do believe a great deal of cooperation could be had from Mr. Knudson if somebody were working with him.

MR. HALLANAN: Mr. Spencer, it occurs to me that it would be appropriate, particularly from you as chairman of the Transportation Committee, to offer a motion for consideration of the Council, that it is the sense of the National Production Council that in the organization of the petroleum industry for this national emergency, it is highly essential that all transportation facilities relating to the handling of petroleum or petroleum products should be under the Secretary of the Interior as the Petroleum Administrator for War.

MR. SPENCER: I am very happy to offer such a motion,

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Mr. Chairman.

MR. BAKER: Would that include tankers?

MR. HALLANAN: Yes.

MR. STEWART: I wouldn't say tankers.

MR. SPENCER: I think we should exclude the tankers.

For certain jurisdiction purposes you should exclude tank cars.

The secretary of the Transportation Committee again tells me that the bible covers this very sufficiently, to wit, the January report of 1949 on how we should deal with these problems in an emergency. They deal with tankers, tank cars, very specifically as to what should be done. There again if we will merely follow out the wisdom of the past, the problem will be solved.

MR. ROWAN: Wouldn't you also include storage?

MR. HALLANAN: Yes.

VOICE: Wouldn't you include tank trucks, also?

MR. SPENCER: No.

VOICE: I want to call your attention to the difficulties involved. Tank cars are diversified in their use. The same tank car can handle molassas, gin probably, and alcohol, and gasoline. There is a real difficulty of allocating tank cars to industry.

I just want to point out that complication in trying to get tank cars under the jurisdiction of the Petroleum

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Administration. I would like to see it myself. I think there are difficulties.

MR. SPENCER: If there is no objection, I didn't get a second on my other motion; anyway, I would like to withdraw that and offer a motion that it be the sense of the Council that we subscribe to the principles laid down in the Jennings Report of January 1949 with respect to jurisdiction over transportation facilities.

MR. HALLANAN: You make that motion, that we subscribe to that and that is our position?

MR. SPENCER: And urge its adoption.

MR. HALLANAN: Mr. Ball?

MR. MAX BALL: Mr. Chairman, rising to second, I would like to suggest this modification: that we reiterate our subscription.

MR. MATTEI: Question.

MR. HALLANAN: You have heard the motion, and its second. All those in favor indicate by saying "aye"; contrary, "no."

(A voice vote was taken.)

MR. HALLANAN: It is so ordered.

If there is no further business, a motion to adjourn is in order.

MR. ALTON JONES: Mr. Chairman, I understand there will be a press conference after this meeting, in this room.

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MR. HALLANAN: Yes.

MR. ALTON JONES: Room 6071 has been made available to us for a meeting of the Committee on Personnel. I would like very much to have you up there right away. Some of the men have to get away.

VOICE: Mr. Chairman, before we leave I would like to have this Council place on the record a vote of appreciation for the work done by Mr. Parten and Howard Marshall.

MR. HALLANAN: You have heard the motion. All in favor indicate by saying "aye."

(A voice vote was taken.)

MR. HALLANAN: The motion is carried. The meeting is closed.

(Whereupon, at 4:45 p.m., the meeting was closed.)