

BEFORE THE
UNITED STATES DEPARTMENT OF INTERIOR
(Office of Oil and Gas)

MEETING OF NATIONAL :
PETROLEUM COUNCIL :

Departmental Auditorium
Washington, D. C.
Tuesday, March 22, 1960

WARD & PAUL

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Departmental Auditorium,
Constitution Avenue between
12th and 14th Streets, N.W.,
Washington, D. C.

Tuesday, March 22, 1960.

The Council met at 9:30 o'clock a.m., Mr. Walter B.
Hallanan, presiding.

PRESENT:

- MR. WALTER S. HALLANAN (Chairman)
- MR. ELMER BATZELL (for Robert O. Anderson)
- MUNGER T. BALL
- E. K. BENNETT
- FRED E. BERGFORS
- JACOB BLAUSTEIN
- REXFORD S. BLAZER
- J. S. BRIDWELL
- BRUCE K. BROWN
- E. O. BUCK
- MR. HAYES (for H. S. M. Burns)

ORVILLE S. CARPENTER

E. H. TOLIFSON (for James Comerford)

GEORGE R. COPELAND

HOWARD A. COWDEN

L. A. CRANSON

JOHN F. CUMMINS

MORGAN J. DAVIS

J. C. DONNELL

FAYETTE B. DOW

WARWICK M. DOWNING

E. VATSELL (for James P. Dunnigan)

PAUL ENDACOTT

CLYDE T. FOSTER

STARK FOX

W. J. GOLDSTON

B. C. GRAVES

B. I. GRAVES

RUSSELL H. GREEN

JAKE L. HAMON

B. A. HARDEY

JOHN HARPER

CASH B. HAWLEY

ALVIN C. HOPE

A. JACOBSEN

J. PAUL JONES

HOWARD BOYD (for Paul Kayser)

W. W. KEELER

MR. FOLEY (for Augustus C. Long)

W. L. McCLUSKY

L. F. McCULLOM

D. A. MCGEE

OSCAR MORTON (for William G. Maguire)

B. L. MAJEWSKI

J. HOWARD MARSHALL

MR. JAMESON (for R. L. Milligan)

ALBERT L. NICKERSON

MR. JAMESON (for Maston Nixon)

JOSEPH L. NOLAN

FRANK M. PORTER

MR. DAVIS (for M. J. Rathbone)

A. S. RITCHIE

MR. BATZELL (for M. H. Robineau)

A. H. ROWAN

W. M. SHOEMAKER

J. E. DYER (for P. C. Spencer)

D. T. STAPLES

HENDERSON SUPPLEE, JR.

HARRY THORSON

J. ED WARREN

EVERETT WELLS

J. M. SANG (for W. C. Whaley)

HOWARD D. WHITE

JOHN H. WHITE

S. D. WHITEMAN

WALLACE D. WILSON

JOHN WRATHER

MR. BATTEN (for George S. Young)

P R O C E E D I N G S

CHAIRMAN HALLANAN: The Council will please come to order.

May I ask the Secretary to call the roll. We have, Gentlemen, several new members of the Council. As their names are called, I should like to request that they rise.

(The Secretary called the roll.)

(The Chairman introduced each new member to the Council.)

CHAIRMAN HALLANAN: A quorum is now present, and the meeting is now ready to proceed with the consideration of the agenda.

The minutes of the last meeting of October 20 were mailed to the members of the Council some time ago. May we have a motion of approval?

(The minutes were moved and seconded.)

CHAIRMAN HALLANAN: It has been moved and seconded that the minutes of the meeting of October 20, 1959 be approved. All in favor indicate by saying aye.

(Chorus of "ayes")

Contrary no.

(No response)

So ordered.

Gentlemen, I have the sad duty to inform the Council of the death of one of our members since the last meeting --
Mr. William G. Violette, President of the Standard Oil Company of

Kentucky, who had been a member of this Council for several years. The Chair recognizes Mr. Everett Wells, to present a memorial resolution.

MR. WELLS: Mr. Chairman, gentlemen, we have lost a valuable and faithful member of this Council. He was a dear friend to many of you. His long and productive career in the oil industry began just after the beginning of the century, and stands as a tribute to him, and I am sure an inspiration to us all. It is my privilege to present this resolution in memoriam to Willis Gordon Violette by this Council.

"WHEREAS, the members of the National Petroleum Council in regular meeting assembled in Washington, D. C., this twenty-second day of March of 1960, have noted with profound sorrow the death of their devoted colleague, WILLIS GORDON VIOLETTE, a native Kentuckian, on December 24, 1959; and

"WHEREAS, through his participation in the work of the National Petroleum Council, as a member for 7 years, he has rendered thereby a service to the cooperative efforts between the petroleum industry and the Government of the United States and in turn to this Nation which he loved so dearly; and

"WHEREAS, WILLIS GORDON VIOLETTE was a beloved and respected member of the great American petroleum industry for 55 years during which time he rose from an employee of the Standard Oil Company of Kentucky in 1904 to President in 1945 and in recent years as Chairman of the Board. He was a

Director of the American Petroleum Institute and a member of the Board of Trustees of the National Petroleum Association; and

"WHEREAS by the passing of WILLIS GORDON VIOLETTE his countless friends throughout the petroleum industry have thereby realized the deep personal loss of his friendship, integrity and ability;

"NOW THEREFORE BE IT RESOLVED this Resolution be drawn to record the National Petroleum Council's sincere sympathy upon his departure from this life and it is directed that an appropriately reproduced copy of this Resolution be presented to MR. VIOLETTE'S family as a remembrance of the esteem and regard of his colleagues on the Council and their appreciation for his service."

Mr. Chairman, I move the adoption of this Resolution.

CHAIRMAN HALLANAN: May I ask for a rising vote, Gentlemen?

(The Council unanimously rose in approval.)

CHAIRMAN HALLANAN: Secretary Seaton is unable to be with us at this meeting this morning, being out of the city temporarily. But we are privileged to have as our guest the Under Secretary of Interior, the Honorable Elmer Bennett.

I take pleasure in presenting at this time the Under Secretary of Interior, Honorable Elmer Bennett.

(Applause)

STATEMENT OF THE HONORABLE EIMER F. BENNETT
UNDER SECRETARY OF THE INTERIOR

SECRETARY BENNETT: It is always a pleasure for the Secretary and for me to have the opportunity to welcome this group again. Secretary Seaton asked me to send to you his personal greetings. He has a prior commitment. In fact, he had the pleasure of going to Florida over the weekend to make a speech. And in view of our weather in recent months, I believe this was one trip he looked forward to with some pleasure.

I would like to call to your attention this morning a proposal of which I am sure many of you are aware which is now pending before the Congress. I believe that this proposal is one of great potential significance, and one of concern to the oil industry.

I refer to the proposal that a joint committee be appointed from members of Congress to develop a national fuels policy. Such an objective appears to have much to recommend it. But I submit in the content of the language used and some of the public discussion of this measure, it may be fraught with many undesirable or even dangerous aspects. It is the position of the Interior Department that to the maximum practicable degree, freedom of economic choice or, if you will, the free enterprise approach is to be encouraged in the national interest in the solution of competition

between sources of fuel energy.

We believe it to be in the interests of all of us, and I mean by that the American people at large, that nothing be done to restrict unnecessarily the right of free economic choice of American citizens generally. And, of course, this applies as well in the field of energy as in any other field of American economic endeavor.

There has been a good deal of speculation in the press about the possible relation of such a proposal to the philosophy of end-use controls of certain fuels. We in the Department have opposed in the past such a philosophy, and continue to believe that any action which might lead to the imposition of controls in an effort to solve a problem generated by economic competition between the sources of fuel should be very carefully excluded from our plans for the future.

As we know, the situation really is not one of scarcity or insecurity of fuel supply, but one of plenty.

(*) * By way of interpolation, I would like to add at this point that through American history, in the last three or four decades, we have had occasion to adopt the extreme measure of allocation of materials. But in every instance this was in a period of war emergency, and as quickly as possible at the end of the emergency it has been American policy to drop any such extreme regulation of American business.

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← This we believe is not on a par with the situation today. We believe there is no justification for anything as extreme as end-use controls over fuel sources.

Proposals that cause widespread concern because of their possible significance often have as their genesis a lack of understanding accompanying an incomplete knowledge of the facts.

In this connection, I wish to compliment most sincerely this particular council for its significant contributions to knowledge, both on the part of the government and of industry, with respect to our petroleum and natural gas resources.

Your studies in the past have significantly improved our understanding of this area and hence have contributed to the development of sound policy with respect to essential fuels.

At present, you are beginning new studies of our petroleum reserves and our capabilities to produce which, as will become evident this morning, I am sure, will include not only crude oil, but natural gas and the associated natural gas liquids.

Your endeavors will throw new light upon exploration and development performance through the years to come.

I urge upon you a full realization of the great significance of this work as we certainly do appreciate it. I wish as well to emphasize the high value we place upon your personal services in this regard. These studies represent a public service of the highest order, and I am certain your organized committees will look upon their work realistically as a

contribution to the security of the United States.

I wish you all God-speed in this work, as I know the Secretary does also. I know also that there is a widespread recognized need for just the type of studies that we are asking of you. Hence, I know you will proceed in the knowledge that your unique assistance is not only of value to the government, but of very significant advantage as well to your own colleagues in the oil and gas industry.

Thank you very, very much.

(Applause)

CHAIRMAN HALLANAN: Gentlemen, inasmuch as this is the organization meeting of the new council, the chair recognizes Mr. Warren to make a motion.

MR. WARREN: Mr. Chairman, I would like to make a motion that a nominating committee be appointed to consider and nominate names for officers in the ensuing year of the National Petroleum Council.

CHAIRMAN HALLANAN: You have heard the motion. Is there a second?

(The motion was duly seconded.)

CHAIRMAN HALLANAN: All in favor, indicate by saying "aye."

(Chorus of "ayes.")

Contrary, no.

(No response)

The motion is carried.

Mr. Jacobsen, do you have the report of the Agenda Committee

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REPORT OF THE AGENDA COMMITTEE

MR. JACOBSEN; Mr. Chairman, members of the Council, I submit the following report of a meeting of the Agenda Committee held yesterday.

Pursuant to the call of a meeting of the Agenda Committee of the National Petroleum Council made by the Committee's Chairman, Mr. A. Jacobsen, in his wire to the members on March 9, 1960; and with the approval of the meeting and its agenda having been obtained from Captain Matthew V. Carson, Jr., Government Co-Chairman of the Committee, confirmed by his letter of March 17, 1960, the Agenda Committee met on March 21, 1960 at 3:00 p.m., in the office of the National Petroleum Council in Washington, D. C.

Under date of March 9, 1960 the Honorable Elmer F. Bennett, Under Secretary of the Interior, addressed a letter, copy of which is attached hereto, to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, requesting the Council to prepare a report showing the productive capacity of the United States, both of crude oil and of natural gas liquids, as of January 1960, with projections for 1961 and 1962. Mr. Bennett also asked that the productive capacity be defined in terms of sustainability without drilling, for a given period such as one year, or, alternatively, in terms of the estimated rate of decline in productive capacity during

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such period.

On March 17, 1960, Mr. Bennett directed another letter to Mr. Hallanan, copy of which is attached hereto, supplementing his letter of March 9, requesting that the National Petroleum Council also undertake a study of the availability of natural gas upon the same basis as that outlined for crude oil and natural gas liquids.

As provided in the Articles of Organization of the Council these two letters were considered at the meeting of the Agenda Committee on March 21, 1960, in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council the appointment of a committee or committees to make the study both for crude oil and natural gas liquids as well as natural gas, as requested by Mr. Bennett in his letters of March 9, 1960 and March 17, 1960, and to report to the Council. The committee or committees should not suggest plans or programs but should confine reports to findings of fact.

In a second letter dated March 17, 1960, addressed to Mr. Walter S. Hallanan by the Honorable Elmer F. Bennett, Under Secretary of the Interior, copy of letter attached hereto, it was noted that the National Petroleum Council had previously agreed, on October 20, 1959, to prepare a report of proved crude oil reserves by years through 1954, in accordance with Mr. Bennett's request of September 30, 1959, and his

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supplemental letters of definition dated December 22, 1959 and February 5, 1960. In his new letter of March 17, Mr. Bennett requested the Council to expand the crude oil reserves study and prepare a report of proved reserves of natural gas and of natural gas liquids, compiled insofar as practicable on the same basis as the report of proved crude oil reserves.

As provided in the Articles of Organization of the Council this second letter dated March 17, 1960 was considered at the meeting of the Agenda Committee on March 21, 1960 in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council that the proved crude oil reserves study which the Council resolved to make on October 20, 1959 be expanded to include natural gas liquids. It was further agreed to recommend to the Council the appointment of a committee to make the study of proved reserves of natural gas as requested by Mr. Bennett in his letter of March 17, 1960, and to report to the Council. The committee should not suggest plans or programs but should confine its report to findings of fact. The Agenda Committee recommends that the committee to be appointed to make this natural gas reserves study be particularly requested to make such comments, clarifications and explanations as may in their opinion be necessary or advisable for the proper understanding and evaluation of the report.

I move the adoption of the report.

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CHAIRMAN HALLANAN: Gentlemen, you have heard the report of the Agenda Committee as submitted by Mr. Jacobsen. Are there any remarks, any discussion?

It has been moved that the report be adopted.

All in favor indicate by saying "aye."

(Chorus of "ayes.")

Contrary, no.

(No response)

The report is unanimously adopted.

The chair will appoint as members of the nominating committee Mr. Warren, as chairman, Mr. Munger Ball, Mr. A. S. Ritchie, Mr. B. C. Graves, and Mr. John Harper.

Gentlemen, this council has spent a good deal of effort and time in its cooperation with the Office of Civil and Defense Mobilization, headed by Governor Hoegh. You will recall that some months ago the Executive Reserve Group was established on the basis of the districts organized under the Defense setup. This is the first time we have had the pleasure of having the Director, Governor Hoegh, to meet with us.

I am pleased this morning that he is able to come here. I desire at this time to present Governor Hoegh, the Director of the Office of Civil Defense and Mobilization.

(Applause)

STATEMENT OF HONORABLE L. A. HOEGH, DIRECTOR
OFFICE OF CIVIL AND DEFENSE MOBILIZATION

GOVERNOR HOEGH: Thank you. Good morning, gentlemen.

I am pleased to participate in this meeting of the National Petroleum Council. This really is my first opportunity. I tried to make it some weeks ago and finally had to send a message down here to have read. I am only sorry, of course, that I have not had an opportunity to participate with you more in the past.

As you know, the Office of Civil and Defense Mobilization does have a vital interest in the industry-government cooperation exemplified so well by you, the select group of representatives of the petroleum industry.

I want to express my personal appreciation to each one of you -- you, who as a patriotic service, give of your time and effort to provide us with basic advice and with assistance.

The technical reports prepared by the Council are especially valuable because the information and the personnel required for the preparation of these reports are not readily, if at all, available in the government, and must be obtained from your industry.

I see on today's agenda that the council will be asked to give its approval to a petroleum storage report based on an industry survey recently completed by you at the request

of the Department of Interior.

I need not at this point emphasize that petroleum is the life blood, not only of the military forces, but also of the civilian economy in peace or war. This is particular true in a post-attack situation where human survival may well depend upon availability of fuel.

The results of this survey, when processed, will be placed on electronic tapes at our National Damage Assessment Center. There the high-speed computers will provide us with a quite national estimate of what storage capacity we have lost and what remains after an attack. This will enable us to plan for the proper management and use of the surviving major petroleum inventories.

I am told, however, by our friends in Interior, that some processing of the survey data remains to be done before it can be used as an input for the computers. They may ask for more assistance from you in completing this job. I sincerely hope that you will be able to help them out. I am quite confident that you will.

I also want to discuss briefly another important matter -- the creation of an Executive Reserve within Interior, in which you have played a major part. I refer to your furnishing the Department of Interior with a roster of names of persons within your industry qualified to discharge the responsibilities of key executive positions as full-time government employees in

the event of a national emergency. I know that the Department is diligently proceeding to make use of the list that you have submitted.

I was particularly interested in your views that since executive reservists as such may not advise, consult or act on any matters pending before any department of government, such limitations may restrain an early implementation of an effective standby organization. Perhaps a partial solution to this dilemma may be this. In addition to training a large number of people for emergency positions, to select from this group a smaller number of industry executives. They could advise the government in peacetime on all phases of mobilization planning for petroleum and gas, including the development of post-attack resource management. Maybe this could be accomplished by Interior appointing some of the selected reservists as WOCs, say at least one for each State and OGD region. This appointment would not affect the executive reserve status of the appointee, and would be invaluable to the government through creation of an effective standby organization.

As you know, our mission in the Office of Civil and Defense Mobilization is to protect life and property in the event of a nuclear attack by measures to prevent, minimize and repair injury and damage, and to mobilize resources and production.

Fulfilling this mission will involve every element of government, from federal to local, every segment of business

and industry, every responsible organization, and, properly, every citizen, every family in the nation.

The ability of governments at all levels to manage resources after attack will be the key to survival. Progress is being made in a nation-wide program to assist all governments to develop this capability. When fully developed, I am confident that we can say that we have another strong deterrent to war.

You, of course, are more directly concerned with the role of your industry in non-military defense. This relationship is in two parts -- industrial mobilization and industrial self-protection.

The Office of Civil and Defense Mobilization is responsible for directing and coordinating the development of policies, plans and readiness measures for the management of the nation's resources and production. We are in the process of converting into action a well-defined order of post-attack priorities to guide the use of the remaining resources, preparedness measures to deal with economic consequences of emergency mobilization, calculations of the capability of an entire industry to produce as distinguished from simple measurement of the damage done to the individual production facilities.

Now, we are constantly working to improve our mobilization readiness.

Therefore, I earnestly solicit your continued assistance and guidance and help. We know that it is needed.

Industry self-protection and survival have rather clear guideposts. I will review some of them very briefly.

Planning and organization for self help within industrial plants and other facilities. The objective here should be to perform the special services necessary to safeguard buildings and occupants in disasters.

Second, planning for evacuation of industrial plants, including care of employees in safe areas.

Third, designating the best shelter areas and improving them to the highest degree. Providing the best possible protection by strengthening existing structures.

Fourth, planning for continuity of management with the establishment of lines of succession for key management personnel. Selection and equipment of alternate headquarters. Provision of emergency financial systems and all other arrangements to continue operations after an attack.

Fifth, protecting vital records and documents, duplicating and safely storing all written descriptions of operations, manufacturing processes, engineering designs, local documents, personnel records and accounts.

Sixth, planning for emergency repair and restoration of your facilities.

Seventh, establishing a plant security system for prevention of sabotage and espionage.

Eighth, establishing industrial mutual aid associations

for civil defense.

Now, I am pleased to report that many industries have developed this preparedness capability. Last Tuesday I had an opportunity to visit one of the industrial plants at Pittsburgh, Pennsylvania, and there I observed personally excellent preparations, as I just previously outlined, fully prepared to do their part in case of an emergency.

Now, maybe I could state this over-all mission and objective more clearly by telling you a brief story.

Two gentlemen were playing golf. One had a 200 yard drive and the other one 175 yards. They walked out to their respective balls. The man with the 175 yard drive took out a No. 4 iron, took a terrific cut at the ball and it landed on the green. He felt real good.

The gentleman with the 200 yard drive was quite cocky. He went up to the ball, but there he say it was on an ant hill. He took a 4 iron, took a terrific cut at the ball and missed, and hundreds of ants flew through the air. He picked up a 3 iron, swung again, missed, and hundreds of ants flew through the air. Finally, there were only two ants left. One ant turned to the other and said, "You know, if we are to survive, we better get on the ball." (Laughter)

Now, I realize that this program is well known to you in the petroleum industry, and that many of these measures have already been taken by you in your industries. I hope,

however, that you will extend -- and now I want to assure you that if there is any way we can be of any help, we stand ready to assist you.

Again, I thank you for your contribution to the security of this great nation.

(Applause)

MR. WARREN: Mr. Chairman, may I ask the nominating committee to meet me out in the cloakroom, to get in a huddle on this chore you assigned us.

CHAIRMAN HALLANAN: Mr. Warren asks his colleagues on the nominating committee to meet him in the rear of the room. Will you please carry out his suggestion.

ACTION ON PROPOSED AMENDMENT TO ARTICLES OF

ORGANIZATION RE: TRANSCRIPTS OF COUNCIL MEETINGS

CHAIRMAN HALLANAN: Gentlemen, we have pending before the Council the matter of a proposed amendment to the Articles of Organization, the effect of which would be to eliminate transcript records of the proceedings of the Council meetings.

We have complied with the requirement that the members be given notification of this proposed amendment, and you have had it before you for more than the required thirty days.

What is your pleasure?

MR. JACOBSEN: Well, if nobody else is going to say something, I will.

Mr. Chairman, I think that for our own protection we

should endeavor to keep the present arrangement, which will preserve a verbatim record of everything that is said at these meetings.

We have had one or two occasions in the past when it was of great value to us to be able to prove exactly what was said.

In view of the stand taken by the Justice Department, particularly in that Tulsa suit, where some extraordinary deductions and assumptions were made regarding telephone conversations among heads of large companies, I shudder to think what they might charge us with if we did not have a complete record of what is said at this Council meeting.

I therefore hope that we can keep the present system of maintaining a complete record.

CHAIRMAN HALLANAN: You want to move that the proposed amendment be rejected?

MR. JACOBSEN: Be declined. I mean, after all, the proposal was put forward really with a view to facilitate all discussions and to help us. Now, personally I feel that it would have the opposite effect. I think that most of us would be rather more restrained in all expressions if there was no record than we are willing to be if there is a complete record.

Therefore, I would prefer to say "declined" instead of "rejected."

But the end point is the same.

MR. BROWN: I second the motion.

CHAIRMAN HALLANAN: The question is, gentlemen, if there is no further discussion, upon the adoption of this proposed amendment of our Articles of Organization. Are you ready for that question? All in favor indicate by saying "aye."

(Chorus of "ayes.")

Contrary, no.

(Chorus of "noes.")

I think perhaps there is some misunderstanding about the effect of the motion. If we adopt the motion, that means we change our Articles of Organization. If we reject it, the Articles of Organization remain the same.

Now, the Chair will put the question again.

All in favor of the adoption of the amendment say "aye."

(Chorus of "ayes.")

Opposed.

(Chorus of "noes.")

The "noes" seem to have it. The "noes" do have it.

The amendment is rejected.

MR. JACOBSEN: Mr. Chairman, I think there is some confusion here. I do not think the members understood what it was all about. Will you try again?

CHAIRMAN HALLANAN: The vote has been taken, and the chair has announced the decision, and the amendment has been rejected -- which leaves the Council the same position

as it was prior to the proposed amendment. In other words, we retain the transcript proceeding.

FROM THE FLOOR: Who proposed the amendment, Mr. Chairman?

CHAIRMAN HALLANAN: It was proposed by the Interior Department.

FROM THE FLOOR: What was the purpose of it?

CHAIRMAN HALLANAN: Well, it was a government policy with respect to advisory groups. And it was passed along to us for consideration, the same as other advisory groups.

FROM THE FLOOR: I certainly agree with Mr. Jacobsen. I do not think we can afford to go too far just for the sake of saving a little manpower and get off the established policy.

CHAIRMAN HALLANAN: The matter has been voted upon. The chair has announced the decision.

Senator O'Mahoney, we are pleased to have you here with us.

Gentlemen, we have with us one of our old friends. We are pleased to see him here. He has had a long and severe illness. It is heartening, Senator, to have you take the interest to come and join with us this morning.

I desire to present our good friend, Senator Joseph O'Mahoney.

(Applause)

STATEMENT OF HONORABLE JOSEPH C. O'MAHONEY
UNITED STATES SENATOR FROM THE
STATE OF WYOMING

SENATOR O'MAHONEY: Mr. Chairman, when I received an invitation from Captain Carson to attend this meeting, I did not believe it would be possible for me to be here. But I immediately determined that I would make a response to that very kind invitation, for which I am so grateful.

I am not here to tell you anything, but to express my confidence in the petroleum industry and to say that I think there never was a time greater than the present for the leaders of the industry, big and little, to give careful scrutiny to all the problems that face us.

What are we going to do with the future production of large quantities of petroleum in foreign lands where the cost of production is so much lower than it is in the United States because of a lower standard of living?

What are we going to do with the market of the United States in this period when the whole world faces a new era?

He indeed would be a very hardy man who would undertake to predict what the future may hold.

We do know this. We know that we are beyond the middle of the twentieth century. We know that technological progress, progress of all kinds, is proceeding much more rapidly than it ever was before; that great industries, and small industries,

are affected by what is happening and what may happen.

We know that Nikita Khrushchev was given an opportunity to appear in the United States and travelled from coast to coast on a speaking campaign. We know that he challenged the United States, its people and its leaders, to what he believed would be co-existence or economic warfare.

The conclusion from this must be inevitable, that we cannot look for the re-establishment of old habits. We are going into a new era, like it or not. It will be very different from what it has been in the past.

I come, however, to ask a few questions -- or one question.

In the monthly report of the Chase Manhattan Bank the other day, I saw a statement that demand in the last three months for the products of the petroleum industry has fallen sharply, while production of refined products has not fallen. What will the future be?

The automobile industry has resorted to the manufacture of small cars, using less and less gasoline. What will be the effect upon demand -- a question we must all answer.

And then, too, I saw in a national magazine a page advertisement issued by a great petroleum company, one of the largest producers in the whole world, which undertakes to say that the depletion allowance is a necessity for the biggest companies operating abroad, as much as it is for the small companies here.

Now, you will be prepared to make your statements to Congress about it. You know that there are many persons who know nothing of the government's need for revenue. I wonder if we all realize how great that need is.

Do you know that the amount of the interest upon the national debt is over nine billion dollars this year, fiscal 1960? And that President Eisenhower, in his budget message, told Congress that it will be \$200 million greater in 1961? Do you know that there is no single category, except the category of national defense, that exceeds that burden, that nine-billion-dollars plus, that the taxpayers must pay every year, for interest on the debt is greater than all the price supports that are paid to agriculture. It is greater than all the demand for expenditures for veterans' services.

The Congress and the executive department are demanding the closing of loopholes in taxation. Is this a loophole? You tell us. I will not tell you now. But I say I think that we could afford easily not to allow an incentive depletion allowance for the production of oil in the Sahara Desert, in the Middle East, in all those great areas where the production is greater by far than in the United States.

It was very kind of you to permit me to appear here. I thank you very much.

Do bring your ideas to Congress. And do not be afraid to bear in mind that we are entering this new era. Things have

changed. They are bound to change. We must look to the future.

Thank you.

(Applause)

CHAIRMAN HALLANAN: Senator, it is wonderful to have you here with us.

MR. HAMON: Mr. Hallanan, it is a very great honor to have the Senator here. I have known the Senator for a great many years. He has a distinguished record. I have a great appreciation of him as a great American.

Now, I am an independent producer. I do not operate abroad. However, Senator, just three or four days ago the Russian Oil Bureau announced that they had reduced their ratio of reserves to the United States from 11 to 1 to 2 to 1. Now, they are only behind 1 to 2, where they were behind 11 to 1.

As I say, I have no foreign oil, and no stock in any of the companies operating abroad. But it must be recognized that the hazards of searching for oil abroad are tremendous. They involve expenditures in the millions, and they must find an oil field of magnitude much greater than they find in the United States if they are to make a dime out of it.

We have the national companies of Italy and France. They have a large Communist party in both those countries -- some 40 per cent -- plus the fact that Russia is subsidizing and moving in every way that they can.

So that I would say that certainly it is vitally necessary

for the defense of our country for the depletion provisions in the income tax to be retained on the search for oil abroad.

I have no axe to grind, other than as an American citizen.

Thank you, sir.

MR. JACOBSEN: I would like to say just a few words as a tribute to Senator O'Mahoney.

I recall some years ago, perhaps ten or twelve now, Senator O'Mahoney headed a committee of the Senate that conducted a very exhaustive examination from beginning to end of the oil industry. The hearings extended over a year-and-a-half or two years. The results were published in, I think, about ten or twelve volumes. It was really a big job.

It was my pleasure to state so at the time.

I want to repeat here that I have never seen or heard of any Congressional investigation that was better conducted than the one by Senator O'Mahoney. It was completely fair. It was absolutely objective. And it ended up with a recommendation for a National Oil Policy which I think every true American could well subscribe to, and which certainly could not in any manner or form be designated as unfriendly to the oil industry. It was the result of a very painstaking and exceedingly capable and able job of investigation.

(Applause)

SENATOR O'MAHONEY: Mr. Chairman, I rise again to

acknowledge the statements of Mr. Hamon and Mr. Jacobsen.

I realize that there is much to be said on every side of this question of the depletion allowance. But I am very happy that Mr. Jacobsen has told you that in my attitude, my personal attitude, towards the industry, I sought only the facts not to prove a point that I had in mind.

Now, may I say to the group here that tomorrow the Public Lands Subcommittee of the Interior Committee will open a hearing on a bill that I have introduced to amend the Mineral Leasing Act. I sought last year to bring about an amendment of a rather broad character. But my stroke overtook me before I could conduct the hearings. And the result was that the bill was cut down substantially. But it did have an effect, I think, that was pleasing to the oil industry, because it made it possible for the industry to look forward to stabilization.

Now, in this new bill may I tell you, without stealing the show from my good friend Mr. Walter Downing, a member of the Compact Commission who I see here, it contains an amendment which may have the possibility of increasing in the United States the production of oil from beds of tar sands which are now being studiously scrutinized by some of the large companies. We may be indeed entering upon a new period of development which will allow the production of oil from sandstone and other rocks which are in the form of secondary recovery. Reports have been received by my committee

that more than 200 million barrels of oil remain to be recovered within the United States.

Maybe we are opening the door. I will do my best to see that that is done.

I thank you very much.

(Applause)

CHAIRMAN HALLANAN: Thank you, Senator.

The nominating committee is ready to submit its report.

Mr. Warren, would you please come forward.

REPORT OF THE NOMINATING COMMITTEE

MR. WARREN: Mr. Chairman, the nominating committee has met. We wish to place the following names in nomination.

The Agenda Committee. Chairman, A. Jacobsen -- and the following members of the Agenda Committee. Mr. Paul Endacott, Mr. B. A. Hardey, Mr. W. Alton Jones, Mr. Jake L. Hamon, Mr. B. D. Majewski, Mr. J. Howard Marshall, Mr. L. F. McCollum, Mr. J. R. Parten, Mr. M. J. Rathbone, Mr. P. C. Spencer.

On the Appointments Committee, the following names are placed in nomination. Mr. Frank M. Porter, Chairman, Mr. J. S. Birdwell, Mr. J. C. Donnell, Mr. Augustus C. Long, Mr. N. C. McGowen, Mr. M. H. Robineau, Mr. Roland V. Rodman, Mr. D. T. Staples, Mr. Henderson Supplee, Mr. Reese H. Taylor, and Mr. Robert F. Windfohr.

For vice-chairman, Mr. R. G. Follis.

For chairman, Mr. Walter S. Hallanan.

*
Slip

I place them in nomination.

Do I hear a second to that?

(The motion was duly seconded)

It has been moved and seconded. Any further nominations?

FROM THE FLOOR: What about the secretary?

MR. WARREN: The chairman appoints the secretary.

If not, all those in favor signify by saying "aye" to the names that were put in nomination.

(Chorus of "ayes.")

The names as nominated are duly elected.

(Applause)

REMARKS OF WALTER S. HALLANAN, CHAIRMAN

NATIONAL PETROLEUM COUNCIL

CHAIRMAN HALLANAN: Gentlemen of the Council, to have been elected as temporary chairman of the first National Petroleum Council, way back in 1946, was an unexpected honor which I prized very highly. To have been later chosen as the permanent chairman of that group was equally unexpected, and even more heart-warming. To be named today for the fifteenth consecutive year as chairman of an organization that has blazed a bright trail in an entirely new concept of government-industry cooperation in the public interest is truly a highlight in my life.

It is with the utmost sense of gratitude and humility that I acknowledge this renewed expression of your confidence.

Frankly, I am embarrassed, after these fifteen years. I have run out of material for acceptance speeches. I was conscious as far back as ten years ago that a bit of repetition was beginning to creep into these annual remarks. And as the years have passed, this redundancy has undoubtedly become even more noticeable to some of you than to me.

On this occasion, however, my mind goes back to that first temporary organization meeting in 1946 when a relatively small group of dedicated oil men answered a call from the President of the United States. I recall that we met in a small room in the Statler Hotel. It is even deeply more impressed upon my memory that we met in an atmosphere of doubt and uncertainty, of misgivings, and, I must say very frankly, some degree of suspicion, the echo of the infamous Madison crucifixion still rang harshly in our ears.

But we were confronted then with the challenge which we could not in good conscience turn out backs upon.

As we look back today upon a record of fourteen years of constructive achievement in the public interest, we feel that it is to the everlasting credit of the petroleum industry that it accepted that 1946 call from our government.

Today we are all aware that the National Petroleum Council was conceived in duty, born in patriotic purpose, and carried on under high scruple, integrity and dignity. The oil industry has cooperated with government because it was the right thing

to do. There was a job to be done. The industry was asked by the government to do it. And the industry has responded unselfishly and with dedication in meeting the challenge.

The National Petroleum Council and its organization could be an important secret weapon in any future war. It could be shifted overnight to a wartime basis. An industry organization has already been designated in every defense district to take over the vital problem of oil and gas distribution in the event of a national emergency. These key persons have been selected after careful screening, and their names are in the hands of the proper governmental authorities.

It must be remembered that in any atomic pushbutton war of the future, there will be no time to organize from the bottom up, as we did in the last World War. We recognize the Pearl Harbor of 1941 would be like child's play compared to the devastation of any sneak attack of today or tomorrow.

As far as it is possible for anyone to be prepared for a sudden emergency, the oil industry's house is in order. We are determined to keep it that way through our close government-industry cooperation.

We living today at a pace that would have been inconceivable even as late as two decades ago. The ever-increasing tempo of our material and social advance brings new and more complex problems to every door. We are made more conscious every day that we are all bound up together in this enterprise of maintainin

our free way of life. No one segment of the economy can evade or shirk its responsibilities without invoking a penalty upon all.

The oil industry has more than measured up to the unusual demands of this complex age. It has not been satisfied merely to hold the pace. It has moved out ahead, to blaze a bright new trail, into demonstrating that industry and government can work together in the public interest without surrender by either of one iota of sovereignty. The record that has been made will stand the most careful scrutiny and critical appraisal.

As an industry, we are proud of that record. We submit it before the bar of public opinion with full confidence that the verdict will come in the approval of the work that has been done.

We are equally confident of support of the industry's plan to carry on this patriotic effort to give its best for the protection of our national defense and public welfare.

In a personal way, the opportunity to work with the men who have made up the Council over these last 14 years has been one of the most delightful and rewarding experiences of my life. There have been many agonizing and frustrating hours, but the unwavering support and dedication of the members of the Council have immeasurably lightened the load.

While I have indulged in a nostalgic backward look this morning, we are all deeply conscious that this Council

faces up to new and greater responsibility in the years ahead. The need for the Council which existed in 1946 has been compounded ten-fold by the perils and complexities of ominous developments at the international level. It is gratifying to me to see the interest manifested in the work of the Council by those who represent all segments of the petroleum industry. We have never been unmindful of the fact that in this Council organization, men of high place, men of middle place, and men of lower place meet on a common level, and with equality of voice in the determination of the Council's policies and decisions.

This is the reason I am convinced that the Council's decisions have received such wide approval in the petroleum industry.

Due to the foresight and the unselfish advice of those who organized and created and carried on the work of the Council, we shall meet the challenge of today and tomorrow with the same resolute courage and steadfast purpose that we met the challenge in previous times of national crisis.

Thank you very much, gentlemen.

(Applause)

Gentlemen, we pass now to the reports of committees, special committees.

I ask now for the report of the Committee on the use of Radio and Radar, Mr. Morgan Davis, chairman. This report

has been mailed to the members of the Council in advance,
and you have had an opportunity to consider it prior to the
meeting.

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REPORT OF COMMITTEE ON USE OF RADIO & RADAR (1959)

BY MORGAN J. DAVIS

CHAIRMAN

MR. DAVIS: Mr. Chairman, gentlemen of the Government, members of the Council, it is a very real privilege for me to present to you this morning the report of the Committee on the Use of Radio and Radar created in response to the request of the Honorable Eimer F. Bennett, Acting Secretary of the Interior, on January 29, 1959, that the National Petroleum Council review its previous reports and recommendations in this highly specialized field, make a current study and submit a report with such recommendations as are deemed appropriate.

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My long-standing appreciation of the importance of radio and radar in our industry is even greater since I have learned more about it while participating in the work of this Committee. Our Committee feels a keen sense of responsibility to convey to you, and to the government, a concern which has increased after our study in this field.

You have each received a copy of the report. I hope that you have found an opportunity to read it.

This is the third National Petroleum Council Committee on the Use of Radio and Radar. When the first report was issued in 1953, the Petroleum Radio Service involved some 22,000 radio transmitters. Microwave systems were operated

by 22 different companies. By the time the second report was issued in 1955, the number of Petroleum Radio Service transmitters had increased to over 33,000.

Because of the many important changes in the radio picture since these two reports were issued and because they are now out of print, it was decided to make the current report self-contained.

To provide an abundant, uninterrupted supply of oil and natural gas requires activities of great magnitude on the part of the industry. These operations, often scattered and in remote areas, require constant communications. Radio and radar are often the best, and sometimes the only, possible means. The scale of these uses is indicated by the fact that in the Petroleum Radio Service over 700 users today operate over 44,000 radio transmitters other than microwave. In addition, 176 gas distribution companies operate nearly 18,000 such transmitters. Moreover these petroleum and natural gas users have in operation or planning stage nearly 27,000 miles of microwave systems incorporating 1200 stations.

With inevitable increases in costs of many petroleum industry activities, it is obvious that to remain competitive, more efficient and economical methods of operation in all phases of the industry must be found. This is leading to increased automation. An integral part of an automated system is the communications facility. Growth in scope and

Importance of automation in the petroleum industry will demand more and better communications facilities. Many situations will require private systems.

The history of radio in the petroleum industry extending back to the mid-1920's is essentially the story of the growth of usable radio spectrum space, in turn governed by technological developments in the radio art. The major advances during World War II led to an explosive growth of radio. In 1949, the petroleum industry brought about the creation of the Petroleum Radio Service for users engaged in prospecting for oil and gas, producing, refining and transporting by pipeline. Natural gas distributors became eligible in the Power Radio Service. The petroleum service companies and liquefied petroleum gas distributors are eligible in the Special Industrial Radio Service.

The privilege of using radio and radar effectively is not automatically granted to an industry. This privilege is acquired only by great effort, proof of need and demonstration of real benefit to the public. The price of maintaining this privilege is continuing vigilance as to the rights of the industry and public needs. A description of industry organizations which maintain this vigilance is given in Section 3 of the report.

Unfortunately there are physical limits to the number of radio transmitters that can be used. With a steadily and

rapidly growing demand for the advantages afforded by radio usage, there results an increasing intensity of competition for radio frequencies. There are international as well as domestic aspects. In the United States, the federal government has present rights to over a third of the vital bands from 25 mc to 890 mc. Of the portion remaining for non-federal uses, the largest assignment of frequencies in the United States is to the broadcasters, with TV and FM having the major share.

The communications common carriers are vigorous contenders for additional frequencies. Broadly stated, communications common carriers have as their goal the fulfillment of all communication needs. From time to time, however, they acknowledge some exceptions to this position. The petroleum industry's position has been that there is a proper field for communications common carriers and also a proper field for private communications systems. It is believed that neither should preempt the entire field. The user should have freedom of choice in most instances, for only he has both the knowledge and incentive to make the proper choice.

Continued vigilance is essential but also the petroleum industry should seek to maintain good relations with communications common carriers.

National defense aspects of radio are very important. Perhaps of most direct concern to the petroleum industry is the study

being made of possible emergency utilization of a part of petroleum radio facilities by various government agencies.

The use of radio by the petroleum industry, in common with all use except by the Federal Government, is controlled by rules and regulations of the Federal Communications Commission. Therefore the outcome of any action by the FCC is of vital importance to the industry. Two recent major actions were of unusually far-reaching importance.

A Report and Order in Docket 11866, concerning the microwave frequencies, was released on July 29, 1959. It establishes basic FCC policy concerning microwave usage. It substantially confirmed the position taken by the petroleum industry, by permitting broad microwave usage without regard to availability of communications common carrier service. However, since the decision was handed down, the communications common carriers have petitioned for a rehearing which, if granted, would postpone placing the decision into effect.

The hearing in Docket 11997, involving the general purpose segment of the spectrum, was concluded in late June 1959, but no decision is expected before late 1960.

Radio and radar play vital roles in the exploration, drilling and production phases of our industry. Some 650,000 producing wells are presently supplying our oil and gas. To maintain our supply, some 50,000 additional wells, including 11,000 to 12,000 wildcat wells, must be drilled each year.

Geologists and geophysicists must select locations for each of these wells. Drilling is a hazardous and complicated operation. Good communication is essential for efficiency and safety. Production operations, whether manual or automated, likewise have critical communication requirements. These operations are often conducted in areas remote from established communications systems. In many situations, this is true even when the site is in a relatively well-populated area. In such cases, private radio provides the most feasible and economical method of communication.

When these operations are conducted offshore, the remoteness and added hazards of wind and water and the constant transport of men and material by boat and helicopter vastly heighten the requirements for radio and radar.

The growth of pipelines has been very rapid. By the end of 1957, there were in the interstate network over 145,000 miles of crude oil, trunk and gathering, and refined product pipelines delivering nearly four and a-half billion barrels per year. Likewise in 1958, there were 217,000 miles of gas transmission and field gathering lines and 354,000 miles of gas distribution lines delivering over eight trillion cubic feet of natural gas per year.

Obviously these vast and widely dispersed operations require full time use of many types of communications facilities. Often they traverse areas where even today public communications

are difficult to obtain. Moreover the need for a reliable and flexible communications network under direct control is another reason why many pipeline companies have constructed, operated and maintained a major portion of their communications systems. Wherever feasible they also employ full period leased circuits. In the past 10 years pipeline companies have pioneered use of microwave radio relay systems to supplement or supplant wirelines because of their economy and greater reliability.

Unlike most other petroleum operations, refining operations take place in a well-defined concentrated area. Refiners, therefore, were somewhat slower than other branches in adopting radio. Today all major refineries and many smaller ones find radio an extremely valuable tool in its contributions to safety and in reducing costs. In times of emergency it is irreplaceable.

The most extensive use of radio in marketing is in natural gas distribution. The economic and safety contributions in this field are obvious. Over 17,700 transmitters are used in the work. Some 615 liquefied petroleum gas marketers also use radio.

The petroleum industry's first use of radio was on tankers. Now its vast fleet is fully equipped with both radio and radar.

The petroleum industry is a large user of business aircraft, both fixed wing and helicopter. In addition to conventional aircraft use of radio and radar for route control,

traffic control and navigation, petroleum aircraft have a number of specialized radio applications. These are involved in flying inspection of pipelines to detect leaks, offshore operations and airborne geophysics.

I hope this outline of the essential nature of radio and radar in every phase of the oil and natural gas industry has indicated the importance of our industry's continued efficient use of radio and radar. The most important step we can take to insure our position is to inform ourselves, our employees, the public and government as to the importance of the petroleum industry's use of radio and radar to our nation's economy and national defense.

To this end, your Committee submits for adoption its report "Petroleum Industry Use of the Radio Spectrum" and the following recommendations:

1. That the Secretary of the Interior have additional studies of the petroleum industry's use of radio and radar prepared at intervals of two to three years. This recommendation is based on the fact that there has been a substantial increase in the use of radio and radar generally by industry and a great increase in usage by the petroleum industry specifically since the last National Petroleum Council report on January 1, 1955. Furthermore, there have been outstanding technological advances which have affected use of radio and radar since that date. Additional growth in usage and further

Improvement in applied technology are certain.

2. That all appropriate governmental agencies concerned either with petroleum industry problems or general utilization of radio be informed fully of the importance of the petroleum industry's use of radio and radar to the public welfare and national defense.

3. That any Congressional or Executive Committees or Commissions studying problems of radio utilization or radio spectrum allocation be informed fully of the petroleum industry's usage of radio and radar and of its national importance.

4. That plans for cooperative use of the petroleum industry's private communication systems by government agencies, in times of emergency when normal communication channels are unavailable, should be based on adequate and timely planning. Such planning will require a considerable expenditure of time and money. This planning should insure both effective governmental usage and continuity of usage by the petroleum industry for its vital needs. Safeguards should be provided to avoid excessive or unplanned governmental usage. This might well be done by appointment of National and Regional Petroleum Emergency Communications Directors, acting within the Office of Oil and Gas of the Department of the Interior.

5. That a vigorous effort be made to make the public aware

of the need for an allocation of frequencies which gives proper weight to the importance of each radio usage and its relationship to public welfare and national defense. The assistance of the American Petroleum Institute Committee on Public Affairs and other petroleum trade organizations with Washington contacts should be enlisted.

6. That all companies in the petroleum industry be informed as to the importance of radio regulatory matters if they are to have continued and efficient usage of radio and radar. They should be urged to cooperate fully with the American Petroleum Institute Central Committee on Radio Facilities and the National Committee for Utilities Radio.

7. That all licensees in the Petroleum Radio Service fully support the work of the National Petroleum Radio Frequency Coordinating Association and that all licensees make available qualified engineering personnel to aid in the coordinating work of the Association.

8. That contact be maintained at an appropriately high level with representatives of the communications common carriers to assure mutually helpful understanding between the two groups.

Most of the members of our Committee are recognized experts in the communications field. All are highly qualified and each has participated enthusiastically in this work.

They have worked very hard and very conscientiously. I believe, in my experience, their efforts establish a record

for cooperation and sincerity of purpose in committee work. It has been a pleasure to be associated with them in these studies; I wish to convey to each of them my personal appreciation.

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

CHAIRMAN HALLANAN: Mr. Davis, may I, I am sure, express the sentiments of the members of the Council in telling you how much we appreciate your very interesting analysis of this report which you have presented. And that also goes for your colleagues on the Committee. We recognize that an outstanding job has been done on a very difficult and technical subject.

The motion, gentlemen, is for the adoption of the report of the committee.

Are there any remarks?

MR. MARSHALL: Mr. Chairman, in support of the very excellent report presented by Mr. Davis and his committee, I would like to offer this comment, because in days past I have had something to do with this same problem. One of the important points raised by the committee is precisely the same kind of an issue as Under Secretary Bennett pointed out here this morning in relation to a national fuels policy. Again and again, this industry watches the attempt of what is called the common carriers in the communications field to delimit the consumers' choice in the matter of what

communications they use. It always staggers me a little bit to observe people like the American Telephone and Telegraph Company, who we all know would take at least the theoretical position that freedom of choice and free enterprise are something eminently to be desired and a part of the American system, and then watch, on the other hand, attempts made through governmental regulatory bodies, whether it be the Federal Communications Commission or the Interstate Commerce Commission, or what-have-you, to get the regulatory bodies in effect to allocate them the business.

Sometimes we all find that the use of the long distance telephone lines or other methods of communications as consumers of communications is the cheapest and best way to do the job. In numerous other instances, we all find that a private communications system through the microwave or otherwise is the cheap and inexpensive way to do the job.

I was encouraged to see that the Commission had taken the position that Mr. Davis described, and anything that either the Interior Department, the Government, or members of this Council can do to support the Commission on the position and the stand that it has taken, is another blow for free enterprise and freedom of choice, this time in the communications field, not necessarily the coal business or the railroad business.

CHAIRMAN HALLANAN: Thank you, Mr. Marshall.

(Applause)

CHAIRMAN HALLANAN: Are there any further remarks, gentlemen?

The question is upon the adoption of the report as submitted by the chairman, Mr. Davis, of the Committee on Petroleum Industry Use of the Radio Spectrum.

All in favor indicate by saying "aye".

(Chorus of "ayes")

Contrary no.

(No response)

The report is unanimously adopted. We express our thanks again.

MR. DAVIS: Thank you very much.

CHAIRMAN HALLANAN: Another special committee report will now be received, the Committee on Petroleum Storage Facilities. This report will be presented this morning by Mr. W. J. Arnold, as Secretary, in the absence of Mr. Milligan, Chairman.

As in the case of the radio report, this storage facility report has already been mailed to the members in advance, and you have had an opportunity to consider it.

REPORT OF COMMITTEE ON PETROLEUM STORAGE FACILITIES (1959)

BY W. J. ARNOLD, SECRETARY

MR. ARNOLD: Thank you, Mr. Chairman.

The National Petroleum Council at its meeting ^{on} January 27, 1959, recommended that a Committee be appointed to undertake

a study at the request of the Secretary of the Interior to determine the petroleum storage facilities in the United States of, and in excess of, 25,000 barrels at any one location and to compile this data to show both crude and refined products storage, by states, and by counties within each state. It was also requested that each storage plant site be located specifically with respect to longitude and latitude, but that no compilation be made of the location data. All of this information is designed to assist the Office of Civil and Defense Mobilization evaluate petroleum storage for post-attack purposes under the National Supply Requirements Analysis Program for survival items established by that Agency.

Pursuant to the Council's recommendation the Committee on Petroleum Storage Facilities, 1959, was appointed on March 18, 1959, and a Technical Subcommittee was appointed on April 14, 1959. The report of the Committee is complete and is filed with the Council today.

As of March 31, 1959, the base date established for reporting to the Committee, there were 1,585,948,000 barrels of petroleum storage capacity in the United States at 3,109 petroleum industry locations. Of this total capacity 452,710,000 barrels were assigned to crude oil storage, and 1,133,238,000 barrels to storage of refined petroleum products. It is the judgment of the Committee that this represents at least 98 percent of all the petroleum storage capacity in the

United States at petroleum industry installations having an aggregate storage capacity of 25,000 barrels or more at any one location.

The data in the reports excludes crude oil producers lease storage, as well as liquefied petroleum gas and liquefied refinery gas underground storage. This underground storage has been made available to the Office of Civil and Defense Mobilization through another Council Committee report.

Storage facilities owned by the United States Government are not included in the foregoing figures, but they do include facilities owned by private companies and leased to the Government.

The Committee believes that the data it has obtained is the most comprehensive compilation ever made of storage facilities of the United States petroleum industry. The total capacity of 1,585,498,000 barrels reported is 415,197,000 barrels more than has been accounted for in other recent surveys. Of this difference 268,617,000 barrels is attributable to the extension of this study to include "jet fuel" and "all other products" whereas previous surveys were limited to crude oil and the so-called four major products. The total capacity for crude oil and the four major refined products, gasoline, kerosene, distillate fuel oil and residual fuel oil, of 1,317,331,000 barrels developed in the present study is 146,580,000 barrels greater than was reported in the previous

National Petroleum Council survey for crude oil on March 31, 1957, and by the Bureau of Mines for products on March 31, 1959. This increase is due in part to the fact that the present survey covers storage capacity of 25,000 barrels or more and includes both primary and secondary storage, whereas the Bureau of Mines survey included only shell capacity of storage at refineries and bulk terminals where terminal size was limited to 50,000 barrels or more. Also, it should be noted that this current survey cannot be directly compared with the National Petroleum Council's surveys of March 31, 1957 and earlier, inasmuch as they also covered only primary storage and did not include secondary.

In addition, it was requested that each storage plant site be located specifically with respect to longitude and latitude in degrees, minutes and seconds, for use of the Office of Civil and Defense Mobilization, but that no compilation be made of these data. While longitude and latitude could not be obtained in many cases, precise geographical locations in these or other terms such as township-section descriptions, landmark and mileage descriptions, waterway mileage marks, et cetera, was obtained for 85 percent of the sites reported, including all of those having very large aggregates of storage facilities. The remaining 15 percent showed street addresses, relationships to highway junctions or important landmarks from which it is believed that the desired coordinates can be calculated. As

stipulated in the Council's instructions no compilation of this data has been developed and it is now in the process of being made available to the Office of Civil and Defense Mobilization through the Department of the Interior.

Your Committee acknowledges with gratitude the fine cooperation of the industry and wishes to thank its Technical Subcommittee, under the Chairmanship of Fred Van ^CGovern, for the dispatch and high quality of effort it has displayed in preparing the report, and especially thanks Vincent Brown and members of the National Petroleum Council's staff for the completeness and excellence of the work they did in compiling the data from the questionnaires and preparing the summaries by states and counties.

Mr. Chairman, if it is in order, I in the name of Robert L. Milligan, would like to recommend the adoption of the report. *Slap*

CHAIRMAN HALLANAN: Thank you very much, Mr. Arnold, for a fine presentation.

Gentlemen, you have heard the report of the Committee on Petroleum Storage Facilities as presented by Mr. Arnold. Is there any discussion?

It has been moved that the report be adopted. Is there a second?

(The motion was seconded)

CHAIRMAN HALLANAN: All in favor indicate by saying "aye".

(Chorus of "ayes".)

Opposed no.

(No response)

The report is unanimously adopted, and with our gratitude

to the Committee for a fine job.

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Mr. McCollum, do you have a progress report from your committee on Crude Oil Reserves?

REPORT OF L. F. MC COLLUM, COMMITTEE ON
PROVED CRUDE OIL RESERVES

MR. MC COLLUM: Mr. Chairman, distinguished guests, members of this Council, my report will be short.

The progress we have made has been in inverse ratio to the length of my report, however. Being lazy by nature, I put a lot of people to work. In addition, I have had the assistance of a very able advisor in Mr. Davis. So at this moment we find ourselves well organized with regional chairmen and they with assistants to help them.

In addition, we have had the acquiescence of the authorities that be in changing slightly the committee setup. We substituted Mr. Buckley, Humble Oil, for a fellow in my company as, I believe we call it, assistant to the chairman, or secretary. He has served largely as a coordinating person to coordinate the work done by the various subcommittee and regional chairmen.

Additionally, since I believe this is the first time this Council has made a study on crude oil reserves, we have asked permission and received it to appoint, and we have gotten approval of this fellow to serve as advisor on reserves, Mr. A. I. Levison, who many of you know lives in Tulsa, Oklahoma. He is quite famous for his studies on reserves and is former president of the American Association of Petroleum Geologists.

There is scheduled a meeting in Houston of the regional chairmen and the coordinating group on the 13th of April. Ground rules have been devised. As I say, there are a lot of people working. The next meeting to pull things together will be the 13th of April.

We hope to submit the finished report to this Council at the fall meeting.

Thank you.

CHAIRMAN HALLANAN: Thank you very much, Mr. McCollum.

We know that your committee has a very large order, and I know it will be well tacked by your organization.

Mr. Wells, do you have a progress report from the Committee on Petroleum Refinery Maintenance and Chemical Requirements?

REPORT OF EVERETT F. WELLS, CHAIRMAN, COMMITTEE ON
PETROLEUM REFINERY MAINTENANCE AND CHEMICAL REQUIREMENTS

MR. WELLS: Mr. Chairman, representatives of the government, and members of the Council, I wish to submit this progress report on behalf of your Committee on Petroleum Refinery Maintenance and Chemical Requirements.

Pursuant to the action taken by the Council at its October 20, 1959 meeting, Mr. Hallanan, chairman of the Council, appointed a special Committee on Petroleum Refinery Maintenance and Chemical Requirements to make a thorough study of the maintenance supplies and process chemicals needed for a continuance of the petroleum refinery operations under short-term

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emergency conditions.

In order to obtain and correlate such data, the committee asked for and the chairman of the Council appointed a small technical subcommittee whose membership is as follows. Robert B. Battey, Superintendent of Engineering, Tidewater Oil Company; R. M. Cash, Manager of Operations, Manufacturing Department, Standard Oil Company of Indiana; Kerin Fitzpatrick, Assistant Maintenance Superintendent, Great Northern Refining Company, St. Paul; R. D. McCrum, Director of Refining, Consumers Cooperative Association, Kansas City; Max B. Tolin, Manager of Engineering, Beaumont Refineries, Socony Mobile Oil Company. The committee is chaired by Rollin A. Wailey, of the Ashland Oil and Refining Company. Our government co-chairman is Harry E. Jacobs of the Office of Oil and Gas. Mr. Vincent M. Brown is our secretary.

We are thankful to you folks who have made available such able representation on the working subcommittee. We are also grateful for the very competent and capable assistance of Vincent Brown and our National Petroleum staff.

The technical subcommittee held its first meeting on March 10, 1960, with all members present except one. The subcommittee at that meeting prepared a preliminary draft of a proposed questionnaire for gathering requested information. The request for information will include natural gasoline plants. In time of an emergency, the natural gasoline

plants could make a substantial contribution to the petroleum supply, not only because of their wide dispersion, but also because they are an important source of raw material for refineries.

The preliminary draft of the questionnaire is now in the hands of the individual members of the subcommittee for final approval, and we hope it will be transmitted soon to the full committee for their approval.

Thank you very much.

CHAIRMAN HALLINAN: Thank you, Mr. Wells.

We are very pleased that Captain Carson, the Director of the Office of Oil and Gas of the Department of Interior has been with us during our committee meetings yesterday and during the Council meeting this morning.

Captain Carson is the co-chairman of the National Petroleum Council.

I want to take this opportunity to express my appreciation of the fine and very loyal and outstanding cooperation we have had from him on all occasions. It has been a very happy privilege to work with him. He is completely in sympathy with the aims and purposes of this Council. I know that the members of the industry are appreciative of his efforts in his important position in the government service.

Captain Carson.

STATEMENT OF CAPTAIN MATTHEW V. CARSON, U.S.N.,
DIRECTOR, OFFICE OF OIL AND GAS, DEPARTMENT OF INTERIOR

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CAPTAIN CARSON: Thank you very much, Mr. Chairman, members of the Council. I would like to express to the Council my personal gratification and also that of the government in adopting the report of the Agenda Committee today and agreeing to undertake the additional work which has been requested of you by the Secretary of the Interior. I know that all of that, together with the work that you have done in the past, will continue to make a contribution to the industry and to government that cannot be gotten, I do not believe, from any other source.

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I think that the reports of your Petroleum Storage Committee and the report of the Committee on the Use of the Radio Spectrum are most excellent reports. Governor Hoegh has already touched upon the importance of the Petroleum Storage report. As Mr. Arnold has told you, it is the most comprehensive and undoubtedly the most accurate report that has ever been made in that field.

Because Governor Hoegh has already mentioned the importance of that in post-attack resource mobilization, I will not dwell on it any further, except to express again our appreciation to Mr. Milligan, to Mr. Arnold and all the members of the committee.

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Mr. Davis has given you already a report of the Committee on the Radio Spectrum. But at the expense of perhaps being a

little bit repetitive, I do think that this report is one that all of you should study and not just file and forget.

The report details the many applications in which radio and radar, including microwave, contribute to the industry's ability to provide the nation's petroleum requirements. These applications range from the transmission of seismograph data to the use of radio in the dispatching of tank trucks, and in between are the radio location of drilling sites, mobile radio in producing operations, remote control of pipeline pumping stations by microwave, refinery emergency damage control communications, radar on tankers, and of course many others.

In addition, the report describes a challenge to the petroleum industry to maintain a share of the spectrum adequate for its increasing needs.

The competition in this area from communications common carriers, broadcasters and other industrial users is intense, and developments in the area of emergency planning and their relationship to industry communication facilities are covered in this report, along with a discussion of the impact of the matters as Mr. Davis told you under consideration by the Federal Communications Commission.

Now, there are eight recommendations made by the committee. One reason particularly that I enjoin you to read it and study it carefully is because some of the recommendations are directed

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more at industry than they are at the government side.

However, I would like to say that with regard to Recommendations 2 and 3 -- and I will read them again to refresh your memory -- one is that the government agencies concerned should be informed of the petroleum industry's use of radar and radio, and Number 3 was that the congressional committees be informed of the industry's use.

With regard to these two recommendations, and because of the importance of this survey, the Office of Oil and Gas plans to send a copy of this report, accompanied by a personal letter which briefly outlines the material covered, to more than fifty individuals in government administrative and regulatory agencies, and to the appropriate congressional committees concerned with communication matters.

Regarding Recommendation 4, which had to do with the emergency plans providing for national and regional communications directors, I would like to say that the present emergency plan of the Office of Oil and Gas does not provide for the appointment of communications directors at national and regional levels. However, in view of this recommendation, we do intend to make such provisions in subsequent revisions of the plan and to select qualified reservists to fill these positions in accordance with the recommendations of the two National Petroleum Council committees.

Regarding the first recommendation, which was that a new

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study should be made at least every two or three years, we indeed are grateful for the excellent report of the committee under the able direction of Mr. Morgan Davis, and recognize the desirability of timely reviews of the increasing importance of radio and radar to the petroleum industry.

In the same manner, the storage report will be circulated to those in the government who have responsibility in those matters.

Thank you very much, Mr. Chairman, for this opportunity to appear.

(Applause)

CHAIRMAN HALLANAN: Thank you, Captain.

Gentlemen, we have the military arm of the government represented here this morning, and we are delighted, as we always are, to welcome them to the deliberations of the Council.

I now have the pleasure of presenting Admiral Biggs, Director of the Petroleum Logistics Policy of the Department of Defense.

STATEMENT OF VICE ADMIRAL BURTON B. BIGGS, USN, RET.,
DIRECTOR, PETROLEUM LOGISTICS POLICY, OASD (S & L)

DEPARTMENT OF DEFENSE

ADMIRAL BIGGS: Mr. Chairman, gentlemen, Secretary McGuire is somewhere between here and Boston, I believe, and Mr. LeBoutillier is somewhere between here and Nassau. So they asked me to express their regrets that they could not attend.

9 the meeting. I hope to get them stopped long enough pretty soon so that they may be able to do so.

I was rather reminded that the chairman and I were at that first meeting in 1946, and a gentlemen by the name of Colonel Vogel and I were in the middle of an exchange of pleasantries of letters before the Petroleum Council was formed. I have not had the honor or privilege of being here continuously for the last 15 years, but I seem to show up like the bad penny at regular intervals.

As to any remarks I might have of great moment, I am in very much the same position as the country preacher who took the precaution of not preparing his sermons, so that when he got up to speak, the devil himself did not know what he was going to say.

The cooperation with the government has been excellent, in my experience, and continues to be so. Sometimes it is a little slow-moving. Some of you gentlemen have a communication from the Office of Civil and Defense Mobilization concerning the ancient and honorable organization known as the Foreign Petroleum Supply Committee. We hope that your correspondence department will get around to it in the near future.

Now, naturally the chairman and I are both from the mountains of West Virginia, and we also have the Deputy Director of OCDM from that State. So among the three of us, we ought to be able to get these reports exchanged rather

quickly that you have made today. And of course Captain Carson and I were brought up in the same league, and we talk the same language. Sometimes we use different words, but they usually get cleared up.

On the communications report, I can assure this Council that I will get some extra copies and deliver it to the telecommunications boss of the Department of Defense, who at the present moment is trying to get a DOD communications system hooked up -- a general hook up of that nature, that you may have seen some notices on in the local print. So that we will try to get this before the working troops in order that it may be digested, and we can follow the standard government procedure that the Indians will tell the VIPs what to say.

I hope that we can keep the thing straight.

It is always a pleasure to meet with you gentlemen. I hope the mildness of my remarks will not disappoint you.

(Applause)

CHAIRMAN HALLANAN: Admiral, it is always a great pleasure to have you here. We feel very much at home with you back.

I now have the pleasure of presenting Rear Admiral Lattu. We are happy to have you here, Admiral.

STATEMENT OF REAR ADMIRAL O. P. LATTU, USN, EXECUTIVE
DIRECTOR, MILITARY PETROLEUM SUPPLY AGENCY, DEPARTMENT
OF DEFENSE

ADMIRAL LATTU: Mr. Chairman, gentlemen, the Secretary of the Navy, Mr. Franke, sends his regrets. He was out of the country. But he did appreciate very greatly the invitation to be here.

I have a few brief remarks I would like to make this morning.

First, we are passing out my Third Annual Report. I think you will find it quite interesting. You notice that there has been an increase in volume procurements this year. This trend has been going on now for ten years.

Now, looking at the future, I believe you have all read about the President's budget. In there there is a sum for procurement of petroleum. This runs about \$1.1 billion for this year and next fiscal year, which is through June 1961.

Now, I am not going to predict five years from now. I think Senator O'Mahoney made a good point. Cold war, future developments in weapons systems, budgets, and so forth, will dictate what will be after the next two years.

I personally feel, though, that from my contacts with the military, that we are going to have a lot of planes around here for the next five years, and that my agency will be in existence, buying petroleum, for the next five years.

Now, I would like to stress one point -- that our JP-5 requirements of the Navy are going up. Our attack carrier strike forces will need more procurement in the future.

In 1958 we bought -- fiscal 1958 -- five million barrels, and by 1964 the prediction is that procurement will be 20 million barrels a year.

This particular product is a little difficult to buy in quantity. Perhaps it has not been large enough to get some of you people interested in it. I hope you will take another look at it and offer products around the United States whenever we ask for it in the future.

Now, one other small point. We do a lot of inter-plane contracting all over the world. It has been very successful, and the companies that are involved have certainly given us all the cooperation every place in the world, wherever we have these inter-plane contracts. We rely on them a great deal, particularly outside the United States, in many countries. I am sure the President's visits around the world have pointed up this problem where some of the companies have had to fuel his airplanes.

There has been an item in the newspapers a while back that perhaps SAC may disperse some of its planes through various commercial airports. If this comes about, there will be more business at many commercial airports.

We have one problem which we of the military are working with, and that is these large tankers. They may be wonderful for transporting of crude, but they are certainly a headache for transporting refined products.

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We find the T-2 and T-5 very handy. And as you gentlemen know, money is tight. I doubt whether in the future the military can get sufficient money to enlarge their ports, deepen the water, build better piers, and build more storage. Therefore we are studying this problem. We hope to make a recommendation to MSTS sometime in the future as to what the services need in the future in the way of smaller tankers rather than large tankers.

If any of the companies here have made any studies in the use of smaller tankers, T-5, T-2, we certainly would appreciate copies of such reports.

Now, I want to take this opportunity to thank all of the industry members here for the excellent cooperation in the past. We have had valuable assistance, for instance, in our packaging committee, which meets quarterly and has many problems. Many of the companies are giving educational courses to the military. We have been working closely with some companies in the field of cleaning up our hydraulic fluids. They have got to be very, very clean, and the Air Force particularly insists on that. It is a big problem. It means practically you have to make it in a hospital, that clean.

I am confident that in the future the harmonious relationships which have existed between industry and the military will continue that way. Again, it is a pleasure to be here.

(Applause)

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CHAIRMAN HALLANAN: Mr. Marshall, as I understand it, your special committee is not yet ready to make its report.

MR. MARSHALL: That is right, Mr. Chairman.

CHAIRMAN HALLANAN: We will defer that until a later date.

Gentlemen, the report of the Secretary-Treasurer and the approval of the 1960 NPC Budget.

REPORT OF THE SECRETARY-TREASURER AND APPROVAL OF THE
1960 BUDGET

MR. BROWN: At the beginning of the last calendar year, ending December 31, 1959, we started off with \$54,599.94, which gave us \$100,796. Our expenditures during the calendar year were \$96,277, which left us with \$59,000 on hand in the general fund at the end of the year. Of course, we are spending out of that this year without yet receiving any contribution towards the current year's budget.

Our reserve fund remains in the neighborhood of \$158,000 at the end of last year.

We have things in store for which some of that will be needed.

As to a budget, Mr. Hallanan and members of the Council, we are now finding the demands on the Council office growing to such an extent that I must request this year a small advance in our budget to bring it up from what it has been in the past of \$85,000 -- I would like \$100,000 for the current calendar year.

CHAIRMAN HALLANAN: Gentlemen, last year's budget was fixed at \$85,000. We had a great volume of committee work to do during the year, and our total outgo was \$96,000. Mr. Brown recommends, and I join in the recommendation, that the budget for the ensuing year be fixed at \$100,000.

(A motion to increase the budget for the current calendar year to \$100,000 was made and duly seconded.)

CHAIRMAN HALLANAN: It has been moved and seconded that the budget for 1960 be fixed at \$100,000. Any discussion? All in favor indicate by saying "aye."

(Chorus of "ayes.")

Contrary, no.

(No response.)

So ordered.

Is there any new business?

CAPTAIN CARSON: Mr. Chairman, I just wanted to say this. With regard to Secretary Bennett's remarks, fifty copies of those are being made available here for distribution to the press, and 200 copies will be sent to the Council for distribution to the members if you so desire. In addition, of course, it will be sent out on the standard Department mailing list to the oil and gas industry.

Thank you, sir.

CHAIRMAN HALLANAN: We are very glad to hear that. I am sure each member will be very glad to have a copy of

Secretary Bennett's remarks this morning.

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A motion to adjourn is now in order.

(A motion to adjourn the meeting was made and duly seconded.)

We stand adjourned.

(Whereupon, at 11:50 o'clock a.m. the meeting was adjourned.)

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