

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

-----: :
MEETING OF NATIONAL : :
PETROLEUM COUNCIL : :
-----: :

Carlton Room, Sheraton-Carlton Hotel
923 16th Street, Northwest
Washington, D. C.

Tuesday, January 27, 1959

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

PRESENT:

- MR. WALTER S. HALLANAN (Chairman)
- MR. EARL BALDRIDGE
- MR. MUNGER T. BALL
- MR. DEES (Alternate)
- MR. PAUL G. BENEDUM
- MR. JACOB BLAUSTEIN
- MR. J. S. BRIDWELL
- MR. BRUCE K. BROWN
- MR. RUSSELL B. BROWN
- MR. MILLARD NEPTUNE (Alternate)
- MR. JAMES COMERFORD

MR. HOWARD COWDEN
MR. JOHN F. CUMMINS
MR. MORGAN J. DAVIS
MR. J. C. DONNELL
MR. FAYETTE B. DOW
MR. WARWICK M. DOWNING
MR. GORDON DUKE
MR. JAMES P. DUNNIGAN
MR. PAUL ENDACOTT
MR. R. G. FOLLIS
MR. CLYDE T. FOSTER
MR. STARK FOX
MR. B. C. GRAVES
MR. RUSSELL H. GREEN
MR. B. A. HARDEY
MR. JOHN HARPER
MR. CASH B. HAWLEY
MR. HARRY B. HILTS
MR. G. B. HUNTER
MR. A. JACOBSEN
MR. J. . PAUL JONES
MR. PAUL KAYSER
MR. W. W. KEELER
MR. RICHARD GRAY LAWTON
MR. AUGUSTUS C. LONG

MR. D. K. LUDWIG
MR. H. M. McCLURE, JR.
MR. L. M. McCOLLUM
MR. OSCAR MORTON (Alternate)
MR. U. HOWARD MARSHALL
MR. JOHN L. MATHEWMAN
MR. R. L. MILLIGAN
MR. MILES MILLS, SR.
MR. D. J. KELLY (Alternate)
MR. GLENN E. NIELSON
MR. S. F. NINESS
MR. JOSEPH L. NOLAN
MR. JOHN F. O'SHAUGHNESSY
MR. J. R. PARTEN
MR. FRANK M. PORTER
MR. W. T. POWELL
MR. FRANK O. PRIOR
MR. M. J. RATHBONE
MR. C. PRATT RATHER
MR. A. S. RITCHIE
MR. M. H. ROBINEAU
MR. A. H. ROWAN
MR. GORDON SIMPSON
MR. D. T. STAPLES
MR. HENDERSON SUPPLEE, JR.

MR. W. W. VANDEVEER

MR. J. ED WARREN

MR. J. M. MONAHAN (Alternate)

MR. JOHN H. WHITE

MR. LESTER A. WILSEY

MR. ROBERT F. WINDFOHR

MR. THEODORE J. WOLFE

MR. JOHN WRATHER

MR. GEORGE S. YOUNG

MR. JOSEPH ZEPPA

P R O C E E D I N G S

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CHAIRMAN HALLANAN: The Council will please come to order.

I should like, for the record, to show that due to the unavailability of a Government room of adequate size, that we are meeting here today in the Carlton Room of the Sheraton-Carlton Hotel, in Washington, D. C., under the direction of the Secretary of the Interior.

The secretary will please call the roll.

MR. BROWN: Mr. Anderson?

(No response)

MR. BROWN: Mr. Baldrige?

MR. BALDRIDGE: Here.

MR. BROWN: Mr. Ball?

MR. BALL: Here.

MR. BROWN: As I call the roll, and call the member's name, if he is not here, and he has directed or requested someone to be here in his place, will that individual please rise and give his name for the record?

Mr. Barrett?

MR. DEES: Here.

MR. BROWN: Mr. Benedum?

Mr. Bergfors?

Mr. Blaustein?

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Brazell?

Mr. Bridwell?

Mr. Bruce Brown?

MR. BRUCE BROWN: Here.

MR. BROWN: Mr. Russell Brown?

MR. RUSSELL BROWN: Here.

MR. BROWN: Mr. Burns?

Mr. Carpenter?

MR. NEPTUNE: Millard Neptune attending for Mr. Carpenter.

MR. BROWN: Thank you.

Mr. Clark?

Mr. Comerford?

MR. COMERFORD: Here.

MR. BROWN: Mr. Cowden?

Mr. Cranson?

Mr. Cummins?

MR. CUMMINS: Here.

MR. BROWN: Mr. Davis?

MR. DAVIS: Here.

MR. BROWN: Mr. Donnell?

MR. DONNELL: Here.

MR. BROWN: Mr. Dow?

Mr. Downing?

Mr. Duke?

MR. DUKE: Here.

MR. BROWN: Mr. Dunnigan?

MR. DUNNIGAN: Here.

MR. BROWN: Mr. Endacott?

MR. ENDACOTT: Here.

MR. BROWN: Mr. Fisher?

Mr. Follis?

MR. FOLLIS: Here.

MR. BROWN: Mr. Foster?

MR. FOSTER: Here.

MR. BROWN: Mr. Fox?

MR. FOX: Here.

MR. BROWN: Mr. Goggin?

Mr. B. C. Graves?

MR. B. C. GRAVES: Here.

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

Mr. Russell Green?

MR. GREEN: Here.

CHAIRMAN HALLANAN: Mr. Green, will you please rise?

Gentlemen, I have the pleasure of introducing a new member of the Council, Mr. Russell Green, President of Signal Oil and Gas Company, who succeeds our old friend Sam Moser.

We are happy to have you in the Council, Mr. Green.

MR. GREEN: Thank you very much.

MR. BROWN: Mr. Hallanan?

CHAIRMAN HALLANAN: Here.

MR. BROWN: Mr. Hamon?

Mr. Hardey?

Mr. Harper?

Mr. Hartman?

Mr. Hawley?

MR. HAWLEY: Here.

MR. BROWN: Mr. Hilts?

MR. HILTS: Here.

MR. BROWN: Mr. Hulcy?

Mr. Hunter?

MR. HUNTER: Here.

MR. BROWN: Mr. Jacobsen?

MR. JACOBSEN: Here.

MR. BROWN: Mr. Charles S. Jones?

Mr. J. Paul Jones?

MR. J. PAUL JONES: Here.

MR. BROWN: Mr. W. Alton Jones?

Mr. Kayser?

Mr. Keeler?

MR. KEELER: Here.

MR. BROWN: Mr. Kennedy?

Mr. Lawton?

MR. LAWTON: Here.

MR. BROWN: Mr. Locke?

Mr. Long?

MR. LONG: Here.

MR. BROWN: Mr. Ludwig?

Mr. Lyons? But I believe his successor might be in the room. No, I guess he is not here.

Mr. McClure?

Mr. McCollum?

MR. MCCOLLUM: Here.

MR. BROWN: Mr. McGowen?

Mr. Maguire?

MR. MORTON: Oscar Morton for Mr. Maguire.

MR. BROWN: Mr. Majewski?

Mr. Marshall?

MR. MARSHALL: Here.

MR. BROWN: Mr. Matthewman?

MR. MATTHEWMAN: Here.

CHAIRMAN HALLANAN: Will you please rise, Mr. Matthewman?

Gentlemen, I am pleased to introduce Mr. John L. Matthewman, a new member of the Council, who is President of the Independent Oil Men's Association of New England.

We welcome you to the Council, Mr. Matthewman.

(Applause)

MR. BROWN: Mr. Milligan?

MR. MILLIGAN: Here.

MR. BROWN: Mr. Mills?

MR. MILLS: Here.

CHAIRMAN HALLANAN: Mr. Mills, will you please rise?

Gentlemen, I desire to introduce as a new member of the Council Mr. Miles Mills, Sr., President of the National Oil Jobbers Council.

We welcome you to the Council.

(Applause)

MR. BROWN: Mr. Moncrief?

MR. KELLY: D. J. Kelly for Mr. Moncrief.

MR. BROWN: Thank you.

Mr. Nickerson?

Mr. Nielson?

MR. NIELSON: Here.

MR. BROWN: Mr. Niness?

Mr. Nixon?

Mr. Nolan?

MR. NOLAN: Here.

MR. BROWN: Mr. O'Shaughnessy?

MR. O'SHAUGHNESSY: Here.

MR. BROWN: Mr. Parten?

MR. PARTEN: Here.

MR. BROWN: Mr. Pogue?

Mr. Porter?

MR. PORTER: Here.

MR. BROWN: Mr. Powell?

MR. POWELL: Here.

CHAIRMAN HALLANAN: Will you rise, Mr. Powell?

Gentlemen, I am happy to present Mr. W. T. Powell, President of the Petroleum Equipment Suppliers Association of Dallas, Texas, a new member of the Council.

We welcome you to our group.

(Applause)

MR. BROWN: Mr. Prior?

MR. PRIOR: Here.

CHAIRMAN HALLANAN: Frank, will you please stand?

I have great pleasure in presenting one of our old friends, Mr. Frank Prior, a new member of the Council, gentlemen.

We are happy to have you here.

(Applause)

MR. BROWN: Mr. Proctor?

Mr. Rathbone?

MR. RATHBONE: Here.

MR. BROWN: Mr. Rather?

MR. RATHER: Here.

MR. BROWN: Mr. Richardson?

Mr. Ritchie?

MR. RITCHIE: Here.

MR. BROWN: Mr. Robineau?

MR. ROBINEAU: Here.

MR. BROWN: Mr. Rodman?

Mr. Rowan?

MR. ROWAN: Here.

MR. BROWN: Mr. Simpson?

MR. SIMPSON: Here.

CHAIRMAN HALLANAN: Judge, will you please rise?

Gentlemen, I desire to introduce Judge Simpson, the
President of the Independent Petroleum Association
of America.

We are glad to have you with us as a member of the Council.

(Applause)

MR. BROWN: Mr. Spencer?

Mr. Staples?

MR. STAPLES: Here.

MR. BROWN: Mr. Supplee?

MR. SUPPLEE: Here.

MR. BROWN: Mr. Taylor?

Mr. Tennison?

Mr. Vandeverer?

MR. VANDEVEER: Here.

MR. BROWN: Mr. Violette?

Mr. Vockel?

Mr. Warren?

MR. WARREN: Here.

MR. BROWN: Mr. Wells?

Mr. Whaley?

MR. MONAHAN: J. M. Monahan for Mr. Whaley.

MR. BROWN: Thank you.

Mr. John White?

MR. WHITE: Here.

MR. BROWN: Mr. Howard White?

Mr. Wilsey?

MR. WILSEY: Here.

CHAIRMAN HALLANAN: Mr. Wilsey, will you please stand, sir?

Gentlemen, I present Mr. Lester A. Wilsey, President of the National Tank Truck Carriers Association, who succeeds Mr. Frank Grim, a new member of the Council.

We extend our greetings to you, Mr. Wilsey.

MR. WILSEY: Thank you.

(Applause)

MR. BROWN: Mr. Windfohr?

MR. WINDFOHR: Here.

MR. BROWN: Mr. Wolfe?

MR. WOLFE: Here.

CHAIRMAN HALLANAN: Mr. Wolfe, please rise, sir.

Gentlemen, I desire to present Mr. Theodore J. Wolfe, President of the American Gas Association, of Baltimore, a new member of the Council.

We are happy to have you join us.

(Applause)

MR. BROWN: Mr. Wrather?

MR. WRATHER: Here.

MR. BROWN: Mr. Young?

MR. YOUNG: Here.

MR. BROWN: Mr. Zeppa?

MR. ZEPPA: Here.

CHAIRMAN HALLANAN: Mr. Zeppa, will you please rise, sir?

I desire to introduce Mr. Joseph Zeppa, a new member of the Council, who is President of the American Association of Oilwell Drilling Contractors, of Tyler, Texas.

We are happy to have you with us, Mr. Zeppa.

(Applause)

We have a good attendance this morning, gentlemen. I know we are all gratified for that.

Mr. Secretary Seaton, will you please come forward?

I know you are crowded for time this morning.

Gentlemen, the National Petroleum Council has had a prolonged vacation. But it is gratifying to see the Council again in session. I think I can say with assurance that representatives of the Government are pleased to have the Council here, and certainly I do feel confident that the great petroleum industry, which we are privileged to represent, is also pleased with the outlook that the Council will continue to function.

We have lost considerable time, but it has not been in vain. In December, 1957, as Chairman of the Council, I received a letter from the Secretary of the Interior in which he advised that in order to bring the Council's functions within the criteria of anti-trust restrictions, promulgated by the Department of Justice, certain far-reaching changes would have to be made in the procedures of the Council as prescribed by the articles of organization under which the Council was created in 1947. Some of these proposed changes were far-reaching and some sounded quite ominous. They would have radically changed the Council's organizational structure.

I did not call a meeting of the 1958 Council at the regular time, because I was convinced that there was overwhelming opposition within the membership of the Council to some of the proposed changes, and the Council would have faced a very serious threat of dissolution. That, I did not desire to happen. I felt it would be unfortunate for the Government, and equally unfortunate for the petroleum industry.

After consulting with a number of Council members, we decided to confer personally with the Secretary of the Interior and the Attorney General to determine if any basis for compromise could be effected that would provide substantial compliance with the criteria of the Attorney General and, at

the same time, maintain the integrity of the Council under its original concept. These negotiations continued over many months. At times it seemed hopeless, in arriving at any area of agreement. We were, however, not willing to abandon ship, because at all times we had the unequivocal assurance of Secretary Seaton and Attorney General Rogers that they appreciated the value of the Council as a Government industry advisory group, and they sincerely wished it to continue. They were cooperative at all times, having due regard for the position they had felt compelled to take. I requested several members of the Council to come to Washington to participate in these conferences, and I am deeply obligated to them for their counsel and advice.

Finally, we came down to a working subcommittee of the Council, consisting of Mr. Hines Baker, Mr. W. Alton Jones, Mr. J. Howard Marshall, and myself. This subcommittee is responsible for working out certain amendments to our articles of organization, which have been submitted to you for your consideration. These amendments are acceptable to the Government. Under this revised procedure, the Council will continue to function as a Government advisory group, and we believe these amendments will give protection to the Council and, at the same time, provide a satisfactory working arrangement for continued Government sponsorship.

This report, in detail, will be submitted to you later

in the session, and I, personally, urge your approval of the committee's report.

We are honored this morning to have with us Secretary Seaton, with whom I have worked over the past many, many months in our efforts to work out an arrangement for the continuance of the Council. And I am pleased to introduce the Secretary of Interior, Honorable Fred Seaton.

(Applause)

STATEMENT OF THE HONORABLE FRED SEATON

SECRETARY OF THE INTERIOR OF THE UNITED STATES

SECRETARY SEATON: Mr. Hallanan, and members of the National Petroleum Council. First let me say, if I may, Walter, that I very much appreciate the comments you have made about the attitude of cooperation which the Attorney General and myself and our associates took in working with you and your very fine committee in attempting to solve what at times, as you put it, seemed to be almost an impossible situation.

For my part, I want to say that I am personally and professionally, in the sense of being Secretary of the Interior, very grateful for the fact that your chairman, Mr. Baker, Mr. Marshall, Mr. Jones and others were so zealously faithful in cooperating and helping us to work this situation out.

Now, Mr. Chairman, whenever I listen to a roll call at a meeting of the National Petroleum Council, or review a

roster of your members, I must say I am always gratified and impressed by the depth of industrial experience which the Council represents.

I should also like to say that although I had hoped to be able to remain with you during your deliberations today, that the House Subcommittee on the Department of Interior Appropriations has requested, and "requested" in Washington is a mild way of putting it, that I appear before it this morning to discuss our budget for fiscal year 1960. Now, I may add this, parenthetically, if I survive that appearance this morning, I am to appear again this afternoon before the House Interior Committee for a further discussion of the Hawaiian Statehood matter.

In any event, if it is at all possible, I pledge you that I shall return to this meeting, which I consider to be exceedingly important to the Government and the good of the Nation.

In any event, some of my colleagues will be here for the entire session. When I say some of my colleagues, that includes Assistant Secretary Hardy of the Department of Interior, Mr. Ralph Fowler here, at my right, and others.

Now, to me, the all-important item on today's agenda is your consideration of the report of your special committee on the proposed amendments to the Council's Articles of Organization. The committee, as I said, has worked diligently

during the past year with the Attorney General and with me to bring about constructive changes which will satisfy the procedural requirements established by the Attorney General and the Department of Justice for Government industry advisory groups. Under these amendments, the valuable services which the Council has tendered the Government in the past can be resumed.

I sincerely hope that you will accept the proposed modification. And if they do have your approval, then I propose immediately to designate Captain Matthew V. Carson, the Director of the Office of Oil and Gas of the Department of Interior, as the Government co-chairman.

I also want to assure you that any liberalization of the criteria we are speaking about, any liberalization of the criteria in the future will, of course, immediately be made available to your organization.

It is my hope, also, that the Council will soon be able to renew its valuable and significant contributions to planning ways of assuring adequate supplies of petroleum and gas in the event of a defense emergency. In today's world, you and I both know we cannot ignore that possibility. While we all hope and pray that it will never happen, we must be prepared in case it does.

In this type of planning, as in a host of other ways, the National Petroleum Council can be of invaluable assistance.

And, so, to all of you gentlemen, my very best wishes for a successful session.

Thank you.

(Applause)

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

May we have a motion of approval of the minutes of the last meeting of the Council, please?

(Moved and seconded)

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

(Chorus of ayes)

Contrary?

(No response)

So ordered.

The Chair recognizes Mr. Bruce Brown.

MR. BRUCE BROWN: Mr. Chairman, in order to proceed with the business of organization of the Council, I move that a Nominating Committee of five persons be appointed by you.

CHAIRMAN HALLANAN: You have heard the motion, gentlemen, by Mr. Brown, that a nominating Committee of five be appointed to recommend to this Council officers and committee members for the ensuing year.

Is there a second?

(Seconded)

CHAIRMAN HALLANAN: All in favor of Mr. Brown's motion indicate by saying aye.

(Chorus of ayes)

Contrary?

(No response)

So ordered.

The Chair will appoint Mr. Brown as Chairman, Mr. Morgan Davis, Mr. Hunter, Mr. Rather, and Judge Downing.

We are delighted to have with us this morning one of our friends, a man whose ear is always attuned to the oil industry, its problems and its many-sided difficulties, who has had a long experience in his contact with the petroleum industry in all of its phases.

Senator, we are delighted to have you this morning, and we would be perfectly glad to have some remarks from you.

STATEMENT OF THE HONORABLE JOSEPH C. O'MAHONEY

A UNITED STATES SENATOR FROM THE STATE OF WYOMING

SENATOR O'MAHONEY: Thank you very much for this invitation. I notice the Chairman didn't specify any time which I might allot to these remarks. I have always told you in the past, when I have spoken here, and before other audiences, that there is no time limit on anybody in the United States Senate. So that when a Senator gets on his feet, there is no telling how long he will talk. You are taking the risk.

Well, again, I say to this group thank you for the

cooperation which the Petroleum Council has given to the Government, both the legislative and executive branches, in the past, for the solution of the problems which are confronting our country. I have had numerous conferences with the Executive Branch of the Government, with Secretary Seaton of the Department of the Interior, with the representatives of the Department of Commerce, about various problems affecting the oil industry. I am interested, as you are all interested, in the importation of oil from abroad. But in view of the fact that I am about this morning to attend the first meeting of the Joint Economic Committee, to review the President's Economic Report, it occurs to me that I might make one or two remarks here, while your committee is trying to make up its mind whom to nominate for the officers of the group, which will be of interest to you.

I have, in my papers here, some material I was working on last night. Among these documents which I took home last night to the apartment to read was the Federal budget in brief. The interest upon the National debt which the President estimates in his budget will have to be paid during fiscal year 1960 amounts to \$8,096,000,000. That is the highest figure in history. The interest on the National debt in 1953 was about \$6-1/2 million. In other words, the taxpayers of the United States must dig up, in fiscal 1960, beginning on the first of July, 1959, over \$8 billion to pay for the interest upon the

outstanding obligations of this Government. That amounts to 10-1/2 per cent of all the expenditures of the Federal budget.

Now, compare that with the expenditures proposed for the development of natural resources. They will amount to 2-2/10ths per cent of the total budget.

The thought that impresses me, and which I wanted to convey to you today, is this. We are spending out of the production of the people of the United States billions of dollars for the defense of this country and for the defense of free government in all the world. We have to dig up that money, because there is nobody else to do it. And if we are to pay the bill, it is going to be absolutely necessary, in my judgment, that we adopt a government policy by which we shall encourage the development of the natural resources in the United States. It is the use of those resources, the profit that may be made from them, that will help to pay the interest upon the National debt. It seems to me that is a perfectly simple matter.

But if we allow the importations of oil from abroad to increase year by year, necessarily we will impede the search for oil and the development of petroleum within the boundaries of the United States. More than that, if we allow importations from other nations and other continents to shut off development in the United States, we shall not only reduce the ability of the oil industry in the United States to pay income taxes

and corporation taxes to support the expenditures that the United States may carry on, but we may cause and will cause unemployment among the American workers who produce the oil from the ground and who work in the refineries.

Now, this Government of ours is a Government of people and for people, not necessarily for profit. It is a Government designed to maintain freedom for people. And we are trying to teach the world how the peoples of other countries may be free, free from the dictatorial management of communism. To my mind, there is only one way to do that, and that is to be able to show the world that we are maintaining employment, that we are maintaining production, that we are developing our natural resources and that we are not going broke while we try to save the world.

Yesterday morning, in the New York Times, I found a table for which I look every Monday morning, on the amount of Government obligations that must be met during the next year. These total more than \$80 billion -- more than \$80 billion of Government I.O.U.'s must be refinanced during the next 12 months. We are not raising taxes enough to pay those obligations off, because the expenditures that we are making for the defense of the United States and the economic aid of free nations throughout the world are so great that the National debt is increasing. Secretary Anderson appeared before the Senate Finance Committee in August last and asked for an

increase of the ceiling for the National debt. Congress gave it to him, with some reservations.

There are suggestions that it may be necessary to ask for another increase in that ceiling, because, according to the announcement of the Secretary of the Treasury, we are borrowing money for cash in the Treasury to meet incurring obligations. This is a fiscal situation that cannot be laughed at. It is a serious fiscal situation. And until we are certain that we are not going to be driven into a Third World War, we must be positively insistent upon making certain that the production of profit and the furnishing of employment and the development of natural resources in the United States shall continue.

The presence of Secretary Seaton at the table moves me to tell the Secretary that I shall hope to see him before the Committee on the Interior in the not too distant future, to go over with him a discussion which has been made by the Secretary of the Interior, that the United States should dispose of the oil resources in its acquired lands. I hesitate about approving a proposition of this kind, because I believe that this is no time for the United States to surrender capital resources. Nobody can tell what the future production of petroleum from the acquired lands may be. And if the Government of the United States, which is now head and heels into debt, has capital assets that are likely to produce revenue

for the Government and profit for the operators, I say we must be very careful that the arguments which the Department of the Interior advances for the sale of capital assets may be sound.

Now, I have got to qualify that, of course, because I have found Secretary Seaton a pretty sound man, and always a man with an open mind, and one who is willing to lay the cards on the table. I am glad that he is such a man, because that is my attitude, too. And if the Secretary of the Interior can prove to me that the Government should sell its oil resources, I would be inclined to go along with him. But I think it is going to take some proving.

At the same time, I want to assure you that I recognize the great complexity of the problem of controlling imports. I know not only that there are hundreds of thousands of stockholders in the United States who hold the stock of the great companies which produce oil in foreign countries, and want to sell that oil to the people of the United States, because this is still the greatest market in the world. But the preservation of our own resources, while we are threatened with the possibility of a third world war, is the greatest need to be served, in my judgment.

At the same time, the Cabinet Committee working upon this matter is confronted with the production of oil in Canada and in South America. I think it is most important that the

policy of the United States should be such as to enable us to go along hand in hand with Canada and with Latin America. I think we have got the brains to work it out. And I know, Mr. Chairman, that there are a lot of brains in the domestic oil industry of the United States. Your committee to select the officers or the nominees has arrived, and I thank you for the opportunity of saying a word.

(Applause)

CHAIRMAN HALLINAN: Is Judge Hansen, Assistant Attorney General, in the room? If he is, I should like very much to invite him forward.

Come forward, please, Judge Hansen.

At this time, gentlemen, I should like to ask Mr. Howard Marshall of the Special Committee on the Proposed Amendments to the Articles of Organization, to submit his report.

Mr. Marshall?

STATEMENT OF J. HOWARD MARSHALL, OF THE SPECIAL
COMMITTEE ON THE PROPOSED AMENDMENTS TO THE
ARTICLES OF ORGANIZATION

MR. MARSHALL: Mr. Chairman, gentlemen of the Council, I have here in front of me a proposed resolution which proposes certain amendments to the Articles of Organization of the National Petroleum Council.

As most of you know, I am sure, at least from communications of the Chairman and the various things that have appeared in

the trade press, these amendments have been worked out somewhat laboriously over the period of a year, and they now constitute, in terms of your committee that worked on them, amendments which are satisfactory to the different departments of the Government that are concerned with this matter. Perhaps, you will think, after we read them, that your committee has labored and brought forth a mouse. But we sincerely hope it is much more than that.

I suppose nothing is ever completely perfect, and no language is ever completely satisfactory on all fronts to all people. But I am sure that the governmental people believe, and those of us on your committee believe, that essentially under this proposed amendment the Council can, as an independent advisory body to the Government, continue along the same lines and with, we hope, the same efficiency as has characterized its activities in the past.

So, without too much more ado, I propose to read this proposed resolution, commenting only very briefly as I read it, with respect to the changes which have been made in the Articles of Organization of the Council. I notice there has been prepared, and each of you has a copy of those sections of the Articles of Organization which are proposed to be amended, and underlined sections which show the words which are proposed to be added or stricken.

Mr. Chairman, I move the following resolution:

"Resolved, that the Articles of Organization of the National Petroleum Council, as amended, be and hereby are ^{U.S.G.C.} ^{amended} as follows:"

Amendment Article No. 3, so that this article as amended, shall read hereafter as follows, and I will start quoting.

Most of this, as you will see, is the language already contained within the present article.

"The Officers of the Council shall consist of a Chairman, Vice Chairman, both to be members of the Council and to serve without compensation, and a Secretary-Treasurer, who need not be a member of the Council. The Chairman and Vice Chairman shall be elected by the Council at its organization meeting in each year to serve until the next organization meeting of the Council. The Secretary-Treasurer shall be appointed and his compensation fixed by the Chairman with the advice of the Appointments Committee."

And then this is a new paragraph in this particular article.

"The Secretary of the Interior, or a full-time salaried official of the Department designated by the Secretary, shall be Co-Chairman of the National Petroleum Council. The Co-Chairman, designated by the Secretary, shall be his representative in all matters pertaining to the Council when the Secretary is not acting himself."

That concludes the amendment to this Article No. 3 of the

Articles of Organization.

And, now, a proposed amendment to Article No. 6, so that this article, as amended, shall read as follows: And, again, I am first quoting the language as it exists at the present time.

"The Chairman shall preside at all meetings of the Council."

And this is the new language:

"The Co-Chairman shall have the right and the authority to call any meeting of the Council to a close if he feels it is being improperly used."

And now I continue with the old language:

"The Chairman shall, with the advice of the Appointment Committee" -- and then a new clause -- "and the approval of the Co-Chairman" -- the approval of the Co-Chairman is the new language added -- "appoint all special committees and the members thereof, who may or may not be members of the Council as the need therefor arises. Appointment of the members of temporary working committees shall be with the approval of the Co-Chairman of the Council."

That particular sentence is a new sentence. "Members of the committee shall be selected on the basis of their training, experience, and general qualifications to deal with the matters assigned to the committees. Such committees shall be dissolved when they have completed their assignments, and the appointments thereto shall be for a term ending on the date of the next

organization meeting of the Council. The Chairman shall authorize all expenditures and perform such other duties as are usually pertinent to the Office of Chairman."

Now, a proposed amendment to Article No. 9, so that this Article, as amended, shall read hereafter as follows:

"Council members shall hold an organization meeting of the Council annually immediately after their appointment to membership in the Council. Thereafter, regular meetings of the Council shall be held quarterly at such times as the members may agree upon or as may be fixed by the Chairman. Special meetings of the Council may be held upon the call of the Chairman of the Council. He shall call a meeting at requests of 25 members of the Council."

And then this is a new sentence, which I am now about to read:

"It is specifically provided, however, that the call of all meetings of the Council shall be after the concurrence of the Co-Chairman is secured."

That is the new sentence that is added.

"At least 10 days notice of every meeting of the Council shall be given by the Secretary-Treasurer to each member of the Council unless an emergency requires a shorter notice. The purpose of every special meeting shall be stated in the call. All meetings of the Council shall be held in the Office of the Department of the Interior, Washington, D. C., or in

such other places as may be designated by the Secretary of the Interior or the Co-Chairman." The words "or the Co-Chairman" are added, of course.

And now a proposed amendment to Article No. 14, so that this article as amended shall read hereafter as follows, and this is a new addition:

"The Co-Chairman of the Council, or a full-time salaried employee of the Department of Interior, shall be co-chairman of all meetings of the committees of the Council, and to the extent that the Secretary of the Interior deems it feasible, of all meetings of temporary working subcommittees of the Council. He shall have the same rights and authority respecting the conduct of such meetings as those provided for the Co-Chairman of the Council at Council meetings."

If I may interject at this point, of course it is obvious that this amendment aims to bring the subcommittees and special working committees of the Council under the same general form of organization as the Council itself.

There is, of course, a possible variance from the form of organization of the Council in that it was thought that there might not always be a co-chairman that would be available for each and every meeting of every subcommittee. But that matter as to whether there was such a person available for such a meeting was left with the discretion of the Secretary of the Interior, as to when he deems such a co-chairman may be

necessary in any particular case.

I shall continue reading now the proposed amendment.

"The committees shall meet at such time and place as may be agreed upon, or as may be fixed by the committee chairman, with the concurrence of the co-chairman. The agenda of the meeting shall have the concurrence of the co-chairman. The presence of a majority of the entire committee shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of a committee, and action of all committee meetings shall be taken by a majority of those in attendance. In an emergency, any committee may" -- and, here, again, new language -- "with the concurrence of the co-chairman, act on the basis of telephone or written communication between the chairman and each member of the committee. Any action taken by such means shall be by a majority vote of the entire membership of the committee or subcommittee. Reports and recommendations of a committee shall be transmitted in writing by the chairman of the committee to the Council or to the Chairman of the Council. Temporary working subcommittees shall meet at such time and place and with such agenda as may be agreed upon or as may be fixed by the chairman with the concurrence of the co-chairman if there be one, and if no co-chairman is appointed, then with the concurrence of the co-chairman of the parent committee."

These references, again, of course, to the co-chairman,

constitute new language.

And, now, finally, a proposed amendment to Article No. 16, so that this article as amended shall read hereafter as follows: And this is all more or less new language. I won't point out the detail. I think it will all be readily apparent as I read it.

"Comprehensive minutes of each meeting of the Council and its committees shall be kept, and the Co-Chairman of the Council ^{and of} ~~of~~ committees, when present, shall certify that such minutes are accurate. The reports of all temporary working subcommittees, together with a statement of all the subjects considered at each meeting of the subcommittee, and the conclusions reached, shall be incorporated in the minutes of their parent committee. One duplicate original copy of the minutes shall be kept in the custody of the chairman, and one in the custody of the co-chairman. A stenographic transcript of the proceedings of the Council shall be made available to and be kept in the custody of the Secretary or Co-Chairman. Likewise, minutes of the meetings of the committees of the Council shall be kept in custody of the chairman and the co-chairman."

I think all of you recognize that many of these amendments actually constitute nothing but really a change in the form of the manner in which the Council operates, particularly these references to minutes and transcripts, and the keeping of

records -- while they perhaps formalize a little bit more the keeping of those records and minutes than has existed in the past, actually, as all of you know, transcripts of the Council meeting itself have been kept, they have been in the possession of the Government through the Department of the Interior, from the very beginning. The records of committees and subcommittees have, again, been forwarded to the Council. I don't know whether all of them have been actually filed with the Government or put in the custody of the Government through -- certainly not through a co-chairman, since we have not heretofore had one, but all of these records, and all of the material of the Council, its committees and its subcommittees, have been readily available at all times to representatives of the Department of the Interior and of the Secretary's office.

What some of us hope, in the course of our labors of trying to work out the differences in the form of our procedures from that, followed by, perhaps, some other industry advisory committees serving the Government, is that perhaps here, again, as the Council itself did originally, we may have blazed something of a new trail that will permit operations like that of the Council and the assistance it has tried to provide for the Government to continue under procedures and in a form which is satisfactory to the Department of Justice.

Certainly, the questions that have been raised by the

Department this time have been similar to those that have been raised in the past, and if the Council can operate effectively and efficiently, and provide the kind of assistance that the Government wants under these procedures, and still do it in a manner satisfactory to the Anti-Trust Division, particularly, of the Department of Justice, perhaps, again, we will have blazed something of a new trail. At least, that is our hope. I know that is the hope that is shared both by the Department of the Interior and by the Department of Justice.

I move the resolution, Mr. Chairman.

CHAIRMAN HALLANAN: You have heard the motion, gentlemen, of Mr. Marshall, for the adoption of the report of the committee embracing the proposed amendments to Articles of Organization.

This matter is now open for full and frank discussion.

Mr. Ritchie?

MR. RITCHIE: Mr. Chairman, and gentlemen, I probably find myself in pretty much the minority this morning with reference to these proposed amendments. It seems to me that as it was said here in the presentation of this, that we remain an independent advisory committee. I have a firm conviction that we do not, under the adoption of these amendments, remain an independent advisory committee. I have the firm conviction that we are completely within and under the

control of all features of our work by the Department. And I don't believe that this Council can function to its best advantage in that situation.

The reason that I say that I believe that that is true -- if you will follow the reading of this, these amendments, as Mr. Marshall said, as related to us here, the Government retains control of all meetings of the Council. And, incidentally, on that, I can't understand why only the Co-Chairman is given the responsibility of closing a meeting if it is improperly used -- why the Chairman of the Council should not have the same privilege.

The Government retains control of all meetings of the Council. The Government retains control of the membership of all the subcommittees. The Government retains the control of all of the meetings. The Government retains control of all meetings of the subcommittees by appointment or the right to have a co-chairman. The Government retains the control of the agenda of all the subcommittees. The Government retains the control of all emergency meetings.

Now, how do we stay independent in that type of situation?

I know, and I have said this to Mr. Hallanan -- I know the committee has worked hard, and I know they have done what they could, their best efforts to get this thing straightened out. But in all good conscience, myself, I cannot see how the

adoption of these amendments will do anything but make this body a glorified errand boy. And, as I say, I am probably in the minority, but that is the way I feel about it. And I am in a position that I say that I have to be in opposition to the proposed amendments.

MR. HARDEY: Mr. Hallanan, may I say a word?

CHAIRMAN HALLANAN: Major Hardey.

MR. HARDEY: Mr. Chairman, and gentlemen of the Council, I am in a little bit different position from Mr. Ritchie. I propose to support this resolution submitted by Mr. Marshall. But I want to say a word about it before I do. I think the Chairman will agree with me that during the time that I have served on this Council I have probably been one of the least ^{voluminous} voluble members. I have never asked for this rostrum before, except to render a report or when called upon.

I studied this thing during the past year, and it was my firm conviction when this Council met again I would come here and say my valedictory and go home. I felt that way about it during this year.

I come here, though, this day, to say that this committee has done a wonderful job, and probably the officers of the Government have cooperated to the point where we might have a workable arrangement in the future. But I do say that I agree with Mr. Ritchie that we are not any more an independent advisory board to this Government.

I feel impelled on this occasion to tell you that I sat on the Organization Committee of this Council a good many years ago. I have served on its Agenda Committee since the Council was organized. And I can attest to the fact that at no time during this whole organization function has any attempt been made to violate the Anti-Trust laws of the United States.

Now, we are in the watch-dog^{er} of this administration, and that is what this is.

I feel that some formal protest must be filed by those who know. And, Mr. Chairman, from the deliberations of the Agenda Committee over these 14 years, or whatever it is, and I know just how painstakingly we went in the Organization Committee to prevent any possibility of lifting the finger of accusation to this Council for violating the Anti-Trust laws. I don't want them to have the opportunity to go back to Mr. Rogers and say, "Boys, they took it laying down."

I don't like it. I think it is an affront to this Council. I think it is an affront to its membership, because I know that no effort has been made, and no suggestion has been made by those who might be willing to or want to violate the Anti-Trust Laws of this Nation -- there has been no attempt at any time.

We have had our watch-dog in the form of the Agenda Committee. I have sat in this thing with Jake Jacobsen as chairman all these years, and I know how careful we have been

to avoid any possibility of accusation of violation of the Anti-Trust Laws. There has been no suggestions as to price -- no getting together.

And I feel, Mr. Chairman, since I am probably one of the smallest of the small operators in this room -- I have spoken, from time to time, as a leader of the independent group in the industry who couldn't possibly violate the Anti-Trust Laws if they wanted to -- they already have controls of their own within themselves. On this occasion, I must protest, and I hope Mr. Hansen will tell Mr. Rogers that a protest has been entered, and I don't want him going back and telling Mr. Rogers that they took it laying down.

CHAIRMAN HALLANAN: Any further remarks? Mr. Duke?

MR. DUKE: Mr. Chairman, I find myself more or less midway between Mr. Ritchie and Major Hardey, Mr. Chairman.

In the 10 years, or more than 10 years, since the Council has operated, I know of no instance where this Council has ^{and} violated or even approached violating the Indiana trust laws. I, too, as Major Hardey, am an independent, not in any way related to any of the larger companies.

As to Mr. Ritchie's comment, that the chairman, our industry chairman, shall be entitled to call a meeting to a close, I would like to ask a question. Isn't it always the chairman's privilege to call a meeting to a close?

CHAIRMAN HALLANAN: Well, that has always been the procedure

we have followed in this Council.

MR. DUKE: I think it is not necessary to state in the amendments to the by-laws that the ^{Chairman} Government Co-Chairman shall call a meeting to a close. And I would like to point out my recollection that on more than one occasion in these 10 years, our Chairman has cut off discussion of subjects. No doubt the minutes would show it. I don't remember that he ever called a meeting to a close. But, certainly, some discussion which strayed a bit from the agenda or beyond the Agenda Committee's approval, has been called to a close.

And the last and only other thing that occurs to me as worthy of mention here is that as to the Government's desire or insistence, shall we say, that the Government Co-Chairman approve the committees and the subcommittees, I find nothing personally offensive about that. It seems to me that the Government's intention, as I understand it, is solely to insure a balance in any of these committees or subcommittees as to the entire make-up of the industry as between the different segments, as the Council itself, in fact, is carefully chosen among the different segments.

Finally, as to the requirement, which I would hate to be one of the fundamentals of the Government, the request that we be perhaps a little more formal or let's say that we insure that we will be formal at all times in keeping minutes -- again, I dare say we would be less than honest if

we didn't admit that at some time we might have been a little less formal than we are willing to be.

And that if anyone in the Government insists that these minutes be more formalized, I don't think it imposes any great burden on us.

We are, in closing, I may say, losing a certain degree of our independence, but not one that seems to me should trouble us. And I, as Major Hardey stated, find that there is a great deal more good than bad, and that I propose to support the changes of the by-laws.

CHAIRMAN HALLAMAN: Mr. Jacobsen?

MR. JACOBSEN: Mr. Chairman, I would like to say that I agree with what Major Hardey said. As you know, I am going to vote for this thing. But I would also like to express, although it is largely repetition of what Major Hardey said, that we, in the Agenda Committee, of which I have been Chairman for the last 10 years, have been scrupulously careful at all times to avoid any possible interference with the Anti-Trust Laws. As a matter of fact, I would like to call attention to the fact that the main reason that the Agenda Committee was set up in the first place was to allow the Council to refuse ^{politely} (politically) to deal with matters which might be requested if we felt that we were getting out on dangerous ground.

I do not know of any case where there has been any

accusation made against the Council or the Agenda Committee for violation of the Anti-Trust Laws. And one phase of it I would like to call attention to -- the predecessor committee of this one, the Petroleum Industry War Council, headed by Secretary Ickes, we worked together very well, he never had any fault to find with us, and I don't think anyone could accuse Ickes of being a protector of big business.

Then, we worked very satisfactorily under Secretary Krug, Under Secretary Oscar Chapman, who is not exactly a reactionary. We worked with equal satisfaction while Secretary McKay was Secretary. And it is a little difficult to see why we are now under such severe suspicion of having malicious intent.

But I am going to vote for it.

CHAIRMAN HALLANAN: Any further remarks, gentlemen?

MR. MARSHALL: Mr. Chairman?

CHAIRMAN HALLANAN: Mr. Marshall.

MR. MARSHALL: To give a little further background as to just why your committee that has worked with the Government has recommended the adoption of these amendments -- we honestly believe that independence and the integrity of the Council has been essentially preserved. Let me point out a few things.

First of all, although it was never expressed in writing, I think all of us know, in this room, that with respect to any discussion we had here, had the Secretary of the Interior, or his representative, expressed disapproval or any idea that

we were treading upon dangerous ground, I think there would have been such an exodus out that door that you could have hardly made your way to the entrance. And I don't think we have done much more when we say that the representative of the Secretary of the Interior, or the Secretary himself, now called the Co-Chairman, could, if he thought it proper, stop a discussion, than what would have occurred had that not been expressed in writing.

Let me point out that the power of the Agenda Committee and, of this Council to undertake a particular task or not to undertake it, or to suggest that if we undertake it, has not been changed in form or in a different way than has been suggested to us -- all of that power is still preserved. This Council is not, by anything that is done here, compelled to do anything that its Agenda Committee or the Council itself deems improper. You don't have to undertake a study. You don't have to conduct any particular course of action. You don't have to do anything that in your judgment you don't think you ought to do. And that still is preserved completely.

With respect to the subjects that are considered by the Council, we all know that in each and every instance, the subject matter has been originated by the Government, and although our Agenda Committee has had the right to refuse to take under consideration any subject, the initiation of any subject came from the Government side of the house. So that,

in effect, we haven't changed the substance of anything.

We may have changed the form slightly.

With respect to the formalities of keeping minutes and records, yes, that has been made a little bit more formal.

With respect to the calling of meetings, with regard to the Council itself and most of the main committees, of course, as a practical matter, Walter Hallanan has always worked that out, after conference and discussion with representatives of the Government. Invariably, it has been necessary that various of the representatives of the Government who initiated the subjects for discussion, work or consideration, be present at the meeting. And so, of course, the dates and the time and the place of the meetings have been worked out in collaboration and in cooperation with representatives of the Government.

It seems to me all we have really done by this is to formalize that in the sense that it is channeled through a person that we now call the Co-Chairman.

The one place where your committee was concerned about the efficiency of the amendments that are suggested here today really relates to the work of the working subcommittees or temporary committees. We will have to be honest with you. We have been concerned lest the amount of minute-keeping and concurrence in the dates of meeting call and that sort of thing -- and we really cannot tell, I suppose, until we work under it -- may not throw some barriers against the efficiency

of our working subcommittees and smaller groups. I suppose only time will tell whether or not we have surrounded that work with too much formality. If experience shows we are, at least for myself, and I am sure Walter feels the same way, and the Secretary of the Interior has told us if some of this doesn't prove to be workable, or proves impractical, of course what we do is come back and tell him so, and say, "Can't we get this changed to permit the Council and its subcommittees to carry on efficiently?"

I am sure Judge Hansen could explain the position of the Government much better than I can. But, insofar as the Department of Justice is concerned, if I read their concern right, it is that in connection with various other industry advisory committees which exist throughout the Government, perhaps the same safeguards which we ourselves have adopted at our own volition may not be as carefully considered and as carefully managed as this Council has tried to do from the very inception. And I don't want to argue Judge Hansen's case, but I am trying to repeat it as Attorney General Rogers and Judge Hansen gave it to us. Their concern is that what we do here may not be used against them in other situations where it has not been as carefully safeguarded, and the various protective devices which we have adopted ourselves are not necessarily adopted in other industry advisory councils unless the Government insists upon them.

I guess I really ought to let Judge Hansen speak for himself. But I tried to state their case quite honestly.

Those of us that have worked on the committee -- although I very much share, and I think we all do, the views expressed by Major Hardey -- nonetheless, we live in a practical world, and we struggle to evolve a practical solution to the problem.

CHAIRMAN HALLAMAN: Judge Hansen, would you care to comment at this time?

Gentlemen, I desire to present Judge Hansen, who is Chief of the Anti-Trust Division of the Department of Justice.

MR. HANSEN: ^{that} Let me say at the outset there is not now nor to my knowledge has there ever been any suspicion by the Justice Department, particularly the Anti-Trust Division, of any attempt or of any violation of the Anti-Trust Laws by this group.

Secondly, ~~let me say that~~ we are convinced beyond any doubt of the vital importance and necessity of this Council continuing to operate.

We are not lacking in appreciation of that which they have done.

Third, ~~let me say this.~~ There are many advisory groups in Government. Some of them have not maintained the safeguards that you have, nor have been as conscientious in striving not in any way to violate the law. And that ^{is why} it has been necessary to set up a group of standards for governmental advisory groups.

~~And~~ if we were to permit one group to operate outside of those standards, I am sure each and every one of you know the problem that we would have and, in fact, have had.

Now, we look on this, not as a watch-dog situation. We think it makes for greater team-work. And, certainly, there is nothing in the by-laws here that takes from the chairman the right to close any meeting. The co-chairman simply sits with the right,--if in his opinion he feels that the discussion has gone astray -- he has the right to close the meeting.

As was said to you, you have your Agenda Committee. You have the right to refuse any action. The government simply requests action to be taken, and you certainly have the veto. I don't know how you could have any greater independence.

Now, on the other side of the fence, I, if I were one of you, would welcome the amendments because, certainly, it is a safeguard to you, for I would think the Government would be estopped to raise any point or any criticism of action that was taken by the Council when they are present and permitted it to go on. I think it is a bit of insurance for you. I feel sorry that there is resentment on it. I am the one to blame, not Attorney General Rogers. It is my responsibility. I took it. I requested this be done, and I was supported by the Attorney General. But if there is any criticism, I take it and I hope that we are not going to have any problems after this rough sea is over.

Thanks so much.

(Applause)

CHAIRMAN HALLANAN: Are there any more remarks?

It seems desirable at this time that we should have --

Mr. Benedum?

MR. BENEDUM: Mr. Chairman, I shall vote for this. But if my voice shakes, it is not with nervousness. My heart is filled with resentment, in spite of the soft soap and the oil poured on the water by Howard Marshall and the representative of the Government. The implication that any man who ever belonged to this Council would ever do anything wrong is just almost more than I can swallow. I served with them for years. I know of no more patriotic group of men in the world. The implication that they would do anything against their Government makes me so angry that I would like to fight. But I will vote to continue the Council, because I think the Government needs us.

(Applause)

CHAIRMAN HALLANAN: With respect to changes in our organization procedure, it seems desirable upon this motion for the adoption of the resolution that we should have a rollcall vote. If there are no further remarks, the Secretary will please call the roll on the adoption of the resolution embracing the changes.

MR. BROWN: Mr. Anderson?

MR. ANDERSON: Yes.

MR. BROWN: Mr. Baldrige?

MR. BALDRIDGE: Yes.

MR. BROWN: Mr. Ball?

MR. BALL: Yes.

MR. BROWN: Mr. Barrett?

(*) (*) MR. BARRETT: Yes. *(Observed responded, not Mr. Barrett)*

MR. BROWN: In this case, only a member of the Council
may vote. If I call a member's name, and an alternate is here,
would he be kind enough to remain silent?

Mr. Benedum?

MR. BENEDUM: Yes.

MR. BROWN: Mr. Bergfors?

Mr. Blaustein?

MR. BLAUSTEIN: Yes.

MR. BROWN: Mr. Brazell?

Mr. Bridwell?

MR. BRIDWELL: Yes.

MR. BROWN: Mr. Bruce Brown?

MR. BRUCE BROWN: Yes.

MR. BROWN: Mr. Russell Brown?

MR. RUSSELL BROWN: Yes.

MR. BROWN: Mr. Burns?

Mr. Carpenter?

Mr. Clark?

Mr. Comerford?

MR. COMERFORD: Yes.

MR. BROWN: Mr. Cowden?

MR. COWDEN: Yes.

MR. BROWN: Mr. Cranson?

Mr. Cummins?

MR. CUMMINS: Yes.

MR. BROWN: Mr. Davis?

MR. DAVIS: Yes.

MR. BROWN: Mr. Donnell?

MR. DONNELL: Yes.

MR. BROWN: Mr. Dow?

MR. DOW: Yes.

MR. BROWN: Mr. Downing?

MR. DOWNING: Yes.

MR. BROWN: Mr. Duke?

MR. DUKE: Yes.

MR. BROWN: Mr. Dunningan?

MR. DUNNINGAN: Yes.

MR. BROWN: Mr. Endacott?

MR. ENDACOTT: Yes.

MR. BROWN: Mr. Fisher?

Mr. Follis?

MR. FOLLIS: Yes.

MR. BROWN: Mr. Foster?

MR. FOSTER: Yes.

MR. BROWN: Mr. Fox?

MR. FOX: Yes.

MR. BROWN: Mr. Goggin?

Mr. B. C. Graves?

MR. B. C. GRAVES: Yes.

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

Mr. Green?

MR. GREEN: Yes.

MR. BROWN: Mr. Hallanan?

MR. HALLANAN: Yes.

MR. BROWN: Mr. Hamon?

Mr. Hardey?

MR. HARDEY: Yes.

MR. BROWN: Mr. Harper?

MR. HARPER: Yes.

MR. BROWN: Mr. Hartman?

Mr. Hawley?

MR. HAWLEY: Yes.

MR. BROWN: Mr. Hilts?

MR. HILTS: Yes.

MR. BROWN: Mr. Hulcy?

Mr. Hunter?

MR. HUNTER: Yes.

MR. BROWN: Mr. Jacobsen?

MR. JACOBSEN: Yes.

MR. BROWN: Mr. Charles S. Jones?

Mr. J. Paul Jones?

MR. J. PAUL JONES: Yes.

MR. BROWN: Mr. W. Alton Jones?

Mr. Kayser?

MR. KAYSER: Yes.

MR. BROWN: Mr. Keeler?

MR. KEELER: Yes.

MR. BROWN: Mr. Kennedy?

Mr. Lawton?

MR. LAWTON: Yes.

MR. BROWN: Mr. Locke?

Mr. Long.

MR. LONG: Yes.

MR. BROWN: Mr. Ludwig?

MR. LUDWIG: Yes.

MR. BROWN: Mr. Lyons?

Mr. McClure?

MR. McCLURE: Yes.

MR. BROWN: Mr. McCollum?

MR. MCCOLLUM: Yes.

MR. BROWN: Mr. McGowen?

Mr. Maguire?

Mr. Majewski?

Mr. Marshall?

MR. MARSHALL: Yes.

MR. BROWN: Mr. Matthewman?

MR. MATTHEWMAN: Yes.

MR. BROWN: Mr. Milligan?

MR. MILLIGAN: Yes.

MR. BROWN: Mr. Mills?

MR. MILLS: Yes.

MR. BROWN: Mr. Moncrief?

Mr. Nickerson?

Mr. Nielson?

MR. NIELSON: Yes.

MR. BROWN: Mr. Niness?

MR. NINESS: Yes.

MR. BROWN: Mr. Nixon?

Mr. Nolan?

MR. NOLAN: Yes.

MR. BROWN: Mr. O'Shaughnessy?

MR. O'SHAUGHNESSY: Yes.

MR. BROWN: Mr. Parten?

MR. PARTEN: Yes.

MR. BROWN: Mr. Pogue?

Mr. Porter?

MR. PORTER: Yes.

MR. BROWN: Mr. Powell?

MR. POWELL: Yes.

MR. BROWN: Mr. Prior?

MR. PRIOR: Yes.

MR. BROWN: Mr. Proctor?

Mr. Rathbone?

MR. RATHBONE: Yes.

MR. BROWN: Mr. Rather?

MR. RATHER: Yes.

MR. BROWN: Mr. Richardson?

Mr. Ritchie?

MR. RITCHIE: No.

MR. BROWN: Mr. Robineau?

MR. ROBINEAU: Yes.

MR. BROWN: Mr. Rodman?

Mr. Rowan?

MR. ROWAN: Yes.

MR. BROWN: Mr. Simpson?

MR. SIMPSON: Yes.

MR. BROWN: Mr. Spencer?

Mr. Staples?

MR. STAPLES: Yes.

MR. BROWN: Mr. Supplee?

MR. SUPPLEE: Yes.

MR. BROWN: Mr. Taylor?

Mr. Tennison?

Mr. Vandever?

MR. VANDEVEER: Yes.

MR. BROWN: Mr. Violette?

Mr. Vockel?

MR. WARREN?

MR. WARREN: Yes.

MR. BROWN: Mr. Wells?

Mr. Whaley?

Mr. John H. White?

MR. JOHN H. WHITE: Yes.

MR. BROWN: Mr. Howard D. White?

Mr. Wilsey?

MR. WILSEY: Yes.

MR. BROWN: Mr. Windfohr?

MR. WINDFOHR: Yes.

MR. BROWN: Mr. Wolfe?

MR. WOLFE: Yes.

MR. BROWN: Mr. Wrather?

MR. WRATHER: Yes.

MR. BROWN: Mr. Young?

MR. YOUNG: Yes.

MR. BROWN: Mr. Zeppa?

MR. ZEPPA: Yes.

MR. BROWN: Carried. 66 yes, 1 no.

CHAIRMAN HALLANAN: 66 ayes and 1 no. The resolution is

adopted and the amendments are made a part of the Articles
Organization
 of Incorporation.

Secretary Hardy, will you please come forward here to the front table? We are glad to have you.

Mr. Bruce Brown, is the committee ready to report?

MR. BRUCE BROWN: Yes, sir.

Gentlemen, your Nominating Committee unanimously places in nomination the following names for election as officers, standing committees of the National Petroleum Council.

For officers, Chairman: Walter S. Hallanan; Vice Chairman, Mr. R. G. Follis. For the Agenda Committee: Mr. Jacobsen as Chairman; Mr. Russell B. Brown; Mr. Paul Endacott, Mr. B. A. Hardey, Mr. W. Alton Jones, Mr. J. Howard Marshall, Mr. L. F. McCollum, Mr. B. L. Majewski, Mr. J. R. Parten, Mr. M. J. Rathbone, and Mr. P. C. Spencer.

For the Appointments Committee: Mr. Frank M. Porter, as Chairman; Mr. J. S. Bridwell, 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.

I move those names be placed in nomination, and that the nominations be closed. I further move that the Secretary be instructed to cast one ballot for the election of the nominees as reported.

CHAIRMAN HALLANAN: Mr. Brown, will you put the motion,

please, sir, as Acting Chairman?

MR. BROWN: Counsel heard the motion. If there is no discussion, I would appreciate a vote. All those in favor please say aye.

(Chorus of ayes)

Opposed?

(No response)

I am happy that that was unanimous.

CHAIRMAN HALLANAN: Thank you very much, gentlemen, for your expression of renewed confidence. Certainly under this new order, we will make every effort to carry the Council forward to greater achievements in the future than we have even had in the past. And I solicit your cooperation and your counsel at all times on the important matters that lay before us, some of which you will understand from the report of the Agenda Committee, which will be presented a little bit later.

Assistant Secretary Hardy of the Department of Interior, who is in charge of Mineral Resources, is here with us this morning. It is the first time, I think, he has had an opportunity to visit the Council. And I want to introduce him at this time.

Secretary Hardy.

(Applause)

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CHAIRMAN HALLANAN: We have the representative from the Defense Department of the Department of Supply and Logistics, the Honorable Miles Mills, who is the Acting Assistant Secretary of Defense and I know we would be delighted to hear from Secretary Mills at this time.

C. P. Mills
STATEMENT OF MILES MILLS,

ACTING ASSISTANT SECRETARY OF DEFENSE

MILLS
MR. MILLS: Mr. Chairman and members of the National Petroleum Council, it would have been completely improper for me to have made any comment on the decision you have just taken prior to your taking it. But now that you have taken this position, I would like to say how pleased we in the Department of Defense are that you have decided to continue the various outstanding services that your group has been performing in working with us in Defense and other agencies of the government in the petroleum field. And I might also say, and this, too, would have been improper 10 minutes ago, that I am sure you will find that the conditions which you have agreed to will not prove as onerous as some of you may feel.

I come from the farm machinery industry and have been a member of government advisory committees representing that industry and also the Army tractor industry during World War II and Korea. We also operated under the rules that you have now adopted, and I can assure you there was never any feeling

of repression or anything which inhibited full and frank discussion in anything that we wished to take up and which we thought was in the overall interest of the government.

Petroleum is the lifeblood of the modern Army, Navy and Air Force and the civilian economy, both in peace and war. Its availability to the Military is a vital necessity. For this reason it is of utmost importance that close cooperation be maintained between the Department of Defense and the petroleum industry in the current cold war.

My presence here today serves to illustrate the harmony and good relations which exist between the Military and petroleum industry. I want to convey the appreciation of the Department of Defense to all of you who, as a patriotic service, give of your time and effort unstintingly and unselfishly to provide us with the basic advice and assistance so necessary for proper and effective supply operations and emergency planning.

The petroleum reports prepared by the council on the availability of U. S. crude petroleum, refining capacity, underground and total storage capacity, manpower, tankers and other domestic facilities are especially valuable because the basic information and the personnel required in the preparation of these reports are not available in the government and must be obtained from you.

I know that you are interested in the revised forecasts

of U. S. military petroleum requirements. However, before presenting these estimates, it should be explained that the peacetime requirements are based on continuing world tension and a constant state of preparedness. They may not reflect actual procurement in the future as they depend upon the availability of funds, changes in world conditions and many other factors. In the development of the peacetime estimates no consideration has been given to radical changes such as the total war emergency or disarmament program. There has been much discussion of the possibility of other energy sources supplanting the need for petroleum products. It appears to some that petroleum has lost its importance to the Military in these days of missiles, nuclear powered ships and power plants. Nothing can be further from the truth. Petroleum will be the major military fuel and lubricant for many years to come.

Only 10 years ago when the Military began using jet aircraft, experts forecast a rapid decline in the military requirements for aviation gasoline. Almost all of the so-called experts were in agreement that fiscal year 1954 would be the peak year for U.S. military aviation gasoline requirements and that the reciprocating engine aircraft would soon be supplanted by the superior performance of turbo props and jets. It was expected that the U.S. military av. gas requirements for fiscal year 1959 would be approximately

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25 per cent of the requirement in fiscal year 1954.

Actually the U. S. Military procured 119,000 barrels per day of av. gas from industry in 1954, 118,000 barrels in fiscal '56, and expects to procure approximately 117,000 barrels per day in the current fiscal '59.

However, with the phasing out of many reciprocating engine aircrafts, such as the C54 and the C110 and replacement of other light types of aircraft with heavier and larger jet fuel-consuming turbo prop and jet aircraft, the U. S. military requirement for aviation gasoline may possible decline to a minimum of 66,000 barrels per day in 1965.

I would like to emphasize that it is not believed, based on current knowledge, that jet fuel will ever completely replace aviation gasoline. Although most tactical and strategic aircraft will be jet propelled, there will remain many heavy transports, aerial tankers and patrol and search aircraft which will consume large quantities of aviation gasoline.

As a matter of fact, many wings of the smaller reciprocating engine aircraft which use small quantities of low octane of gasoline have been replaced by wings of giant C124 transports and KC97 tankers which consume about 3,500 barrels per day of high octane gasoline. Consequently, even though the military requirements for aviation gasoline were reduced significantly, there was not a proportionate

decrease in the demand for alcoholate which is the critical component of high octane aviation gasoline. This aviation gasoline is in addition to the enormous quantities of jet fuel required.

The modern jet planes have an insatiable appetite, and one plane can devour 1,000 to 3,000 gallons of fuel per hour, enough fuel to take the average passenger car twice around the world. It would take five of the five 5,000-gallon tank trucks to fill the fuel tanks of a single large jet bomber. The U.S.S. Forrestal carries about 1,000,000 gallons of aviation fuel in addition to the 2,000,000 gallons of fuel oil for its main engines.

The Strategic Air Command conducts about 142,000 in-flight refuelings a year, equivalent to one every three and a half minutes. About 150,000,000 gallons a year are transferred during these in-flight refuelings, at the rate of 600 gallons per minute, enough fuel to fill the gas tanks of 38 average U. S. automobiles in 60 seconds.

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Is it for these reasons that the U. S. military, which procured only 7,000 barrels per day of jet fuel in fiscal year 1949, and 245,000 in fiscal year 1956, expects to procure 329,000 barrels per day in fiscal year 1959, and 400,000 barrels per day in fiscal '65. Current U. S. military requirements for jet fuel exceed the total military purchases of all petroleum products 10 years ago. The problem of supplying this enormous quantity of jet fuel to the military, especially in wartime, with substantially increased requirements, is intensified by, first, the close acceptable tolerances of jet engines to the minutest particles of rust, dust, or even bacteriological contamination; second, the high thermal stability and low freeze specification limits needed; and third, the large requirement for a heavier kerosene-type jet fuel. To aggravate the situation, the higher viscosity of JP-5 over JP-4, and JP-4 over avgas further retards the settling out of these fine particles, and it is a major problem to design filters which will allow the required rapid flow of jet fuels to the engines and, at the same time, remove this contamination.

In addition to this problem, based on the many detailed studies being made by our office in conjunction with industry, there is growing concern as to whether the refining industry has sufficient operable processing capacity to produce under wartime conditions the required volumes of high quality jet fuel. Although JP-4, the gasoline-type jet fuel, is the pre-

2b dominant fuel being used by the military at the present time, it is expected that in the near future the requirement for a heavier kerosene-type fuel with a low freeze point such as JP-4, which has a much more limited potential availability, may increase to about 60,000 barrels per day from the current requirement of about 10,000 barrels per day.

All the planning now being done is based upon the fact that in any emergency the free world sources of petroleum supply must be shared by the free world military and civilian economy. By the end of 1961, more than 250 pure jet airliners will have been delivered to the U. S. airlines alone, in addition to approximately 150 turboprop aircraft. The civilian airlines have decided to use the kerosene-type jet fuel in spite of its more limited potential availability. The civilian requirement for jet fuel in the U. S. to feed these aircraft will increase from approximately 30,000 barrels per day in 1958 to 80,000 barrels per day in 1961 and to 150,000 barrels per day in 1965. Based on broad planning guidelines, it has been determined that in long, drawn-out emergency in which supersonic jet aircraft are used extensively, the total free-world military and civilian jet fuel requirement could increase to between 1-1/2 million to 2 million barrels per day.

I know you are interested in the total cost of all petroleum products to the military. In the last fiscal year 1958, we spent more than \$1 billion for a total of 608,000 barrels

3b per day, and in fiscal 1959 we expect to spend almost \$1,200,000,000 for 739,000 barrels per day of all petroleum products, including aviation fuels, motor fuels, lubricants, distillates and residual fuel.

There is the vital question of the application of the Buy-American Act to petroleum. Although the Buy-American Act has only recently been made applicable to the purchase of petroleum by the military, it has already directly resulted in more than \$30 million-worth of procurement being shifted from overseas to the petroleum industry in the United States. Naturally, there are indirect results which cannot be measured. As you know, the Buy-American Act grants preference to domestic suppliers by requiring that transportation charges, duties, and a 6-per-cent differential be added to competing foreign bid. To correct a rather general misconception I frequently encounter regarding purchases outside the continental United States, it should be emphasized that most of the petroleum purchased by the military outside the United States is consumed by them outside the country. Detailed studies made in my office through fiscal 1958 indicate that the U. S. military is a net exporter of petroleum products. We export more than we import.

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We in the Department of Defense are aware that the United States must have a healthy and vigorous oil industry in the interest of national defense. In the far, far distant

4b future, solar and nuclear energy may be captured and used extensively and effectively to satisfy our military appetite, but this probably will not occur in the foreseeable future. As our Armed Forces become increasingly mechanized, with the addition of bigger and better machines of defense and destruction, consumption of petroleum products continues to increase. And while humans may exist for short periods without food, relying on the energy stored within the body, we still have found no means whereby energy reserves can be established in a machine. When the fuels are consumed, the machine stops and stays stopped until the fuel supply is replenished. To satisfy the tremendous demands of our forces we are heavily dependent upon your industry. Petroleum is the only major commodity used by the Department of Defense for which such great reliance is placed on the distribution system of industry itself. This is in lieu of the building up of an expensive and duplicating military-owned and military-operated distribution system. The industry is our producer, our wholesaler, and in many cases our transporter. It is a great tribute to your industry that it has significantly expanded and dispersed our petroleum industrial mobilization base, more than doubling our refining capacity since the beginning of World War II. I strongly urge for strategic reasons that in any future construction projects of refineries or bulk-storage facilities for your own use or for our use, in the case of storage on a

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service-contract basis, consideration continue to be given to dispersal and protection to provide flexibility and availability in an emergency. In any future emergency, we must be prepared with radically different methods of logistic support for many items, particularly petroleum. New fuels and improved types of multifuel engines which can operate on any fuel available in a given area must be developed. We must strive to extract higher ratios of usable energy to reduce the huge tonnages currently required. We must be in a position to support vehicles, aircraft and ships which possess high speed and ability and which are widely dispersed and are operating under conditions of prolonged and continued movement. We must improve and increase our capability to airlift petroleum. New methods of transportation, storage, and dispensing of petroleum are being studied and developed. This include portable pipelines, collapsible rubber storage tanks, huge rubber tires containing petroleum which can be towed in tandem, kits to convert railcars, barges, aircraft and trucks in the field into bulk petroleum carriers, underground mine storage, caverns, and offshore and underwater tanker terminals and storage facilities.

In conclusion, I should like to emphasize that we in the Department of Defense feel very strongly about the importance and urgency of the accomplishments of the National Petroleum Council. I am certain that by working and planning together

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as we have in the past, there is no problem, no matter how insolvable or formidable it may seem at the moment, that cannot be resolved satisfactorily if we attack it in time and in a businesslike and statesmanlike manner.

Thank you very much.

(Applause.)

* MAJOR STEWART: ^{B. A. Hoadley} Mr. Chairman, I think Mr. Mills should ^{ATTN} be complimented on this intelligent, careful report, because I think it is one of the best we have ever had out of the Defense Department.

CHAIRMAN HALLANAN: The Chair was about to do that as best he could, but I am glad to have that expression from you, Major, and I am sure that it reflects the sentiments of the council.

* We are very grateful to you, Mr. Mills.

MR. MILLS: ^{ATTN} Thank you, Mr. Hallanan.

CHAIRMAN HALLANAN: I am trying as best I can to bring our program into orderly presentation, having in mind that some of those who are on the program are restricted on time.

The next order of business I should like to pass to is the report of the Agenda Committee. Mr. Jacobsen.

STATEMENT OF MR. A. JACOBSEN

CHAIRMAN OF THE BOARD, AMERADA PETROLEUM CORPORATION

MR. JACOBSEN: Mr. Chairman and members of the council, three requests came from the Department of the Interior for

7b study by the council. The first one was a request that we bring up to date a report on the use of radio and radar in the oil industry, which was prepared several years ago. The second one, covered by a letter from the Department of the Interior, on January 21, requested a rather detailed compilation of storage facilities within the United States for both crude and products. That is also covered by a letter of January 21, supplemented by another one of January 26. The third subject was a request for a study covering two phases. One was the request that the council review a plan prepared by the Interior Department for keeping the supply lines of petroleum products within the United States functioning after severe nuclear attack. The council, as I said, was requested to review that plan.

Furthermore, the council was requested to submit a list of names of members of the oil industry who, when needed, could occupy some of the key positions that would be required to make that plan operative. With regard to the latter point, it is of course understood that the council cannot guarantee availability of the men whose names they may suggest to Interior. We can only give them names of men that we feel are thoroughly competent to do the job. However, any arrangement that might have to be made with those men for entering into Government service, if or when the time comes, will of course have to be carried out by the Department of Interior.

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Furthermore, it is of course understood that there is no obligation whatsoever on the part of Interior to use any of the men that we suggest. In other words, we are not selecting men for the Interior Department. That is not part of our job. We are simply, at their request, furnishing a list of names, and it is then up to them to decide whether they want any of them or all of them or none of them.

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Now the official report of the Agenda Committee covering these subjects, which is submitted for adoption by this committee, reads as follows:

Under date of January 21, 1959, Honorable Elmer F. Bennett, Acting Secretary of the Interior, addressed a letter (copy of which is attached hereto) to Mr. Walter S. Hallahan, Chairman of the National Petroleum Council, requesting the National Petroleum Council to undertake a current study concerning the use of radio and radar in the petroleum and gas industries.

As provided in the Articles of Organization of the Council this letter was considered at a meeting of the Agenda Committee on January 26, 1959 in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council the appointment of a Committee to make the study as requested by Mr. Bennett in his letter of January 21, 1959, and to report to the Council. The Committee should not suggest plans or programs but should confine its report to findings of fact.

A second letter, dated January 21, 1959, addressed to Mr. Walter S. Hallanan by Honorable Elmer Bennett, Acting Secretary of the Interior (copy of letter attached) was received, requesting the National Petroleum Council to undertake a current study of petroleum storage facilities in the United States in excess of specified amounts at any

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one location, with a breakdown of both crude oil and refinery products in specified areas.

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In an explanatory letter dated January 26 (copy attached), it was stated that it would be satisfactory for the Council to obtain only one report for each plant site instead of two as suggested in the letter of January 21, provided, the Council does not make any compilation of any of the data relating to the latitude and longitude of the plant sites, and as soon as the responses have served the purpose of the Council they should be made available to the Director of the Office of Oil and Gas for compilation of locations by latitude and longitude. To eliminate any possible misunderstanding concerning the nature of the request it should be noted that it is limited to storage facilities alone and does not contemplate any inventories in these facilities as of the date of the report. Latitude and longitude should be shown in degrees, minutes and seconds.

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As provided in the Articles of Organization of the Council these letters were considered at a meeting of the Agenda Committee on January 26, 1959 in Washington, D.C., at which meeting it was unanimously agreed to recommend to the Council the appointment of a Committee to make the study as requested by Mr. Bennett in his letter of January 21, 1959, and further clarified in Department letter

dated January 26. The Committee should not suggest plans or programs but should confine its report to findings of fact.

In a third letter dated January 21 (copy attached) addressed to Mr. Walter S. Hallanan by Honorable Elmer Bennett, Acting Secretary of the Interior, it was requested that the Council undertake a review of the "Proposed Plan of the Office of Oil and Gas for Handling Petroleum and Gas During a National Emergency" and submit such comments and recommendations as it deems appropriate for consideration in possible future revisions of the plan, and to supply names and industry affiliation of individuals qualified to discharge the responsibilities of specified positions in connection with the said "Proposed Plan" as full-time government employees in the event of a national emergency.

In an explanatory letter dated January 26 (copy attached) it was stated that the request of January 21 in no way imposes any obligation upon the Council to select and/or determine the availability of any individual. It was intended that the Council submit a roster by OCDM districts of qualified personnel in industry from which Government may make its selection, contact the individual, and conclude any necessary negotiations with him. As a matter of fact, it should be understood that there is no obligation upon Government to select any individual on any

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list submitted. In that connection the Council should not feel obligated to limit its list to a maximum of three individuals for each position. The Government will be happy to have as many names as the Council cares to submit.

As provided in the Articles of Organization of the Council these letters were considered at a meeting of the Agenda Committee on January 26, 1959 in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council the appointment of a Committee to make the study as requested by Mr. Bennett in his letter of January 21, 1959 and further clarified in Department letter dated January 26, and to report to the Council. The Committee should not suggest plans or programs but should confine its report to findings of fact.

Respectfully submitted,

A. Jacobsen, Chairman

Agenda Committee

I move the adoption of the report.

CHAIRMAN HALLANAN: You heard the report. There is a motion for adoption of the report.

Are there any remarks?

MR. RATHBONE: Mr. Chairman?

CHAIRMAN HALLANAN: Mr. Rathbone.

MR. RATHBONE: Mr. Chairman, I would like to ask, does the last sentence in the Agenda Committee report, which says

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the committee should not suggest plans or programs but confine its report to findings of fact, mean the committee will not perform the part of the request covering review of the plan?

MR. JACOBSEN: No, Mr. Rathbone. No, it is supposed to comply with both requests.

CHAIRMAN HALLAHAN: Ready for the question? All in favor of the adoption of the report say Aye. (Response of Ayes.)

Opposed? (No response.)

The report is unanimously adopted.

Gentlemen, the Office of Civil and Defense Mobilization, with whom we are closely working, and from whom some of these requests through the Interior Department come, is represented today at the meeting here by an outstanding American, a man who has made a name for himself in the industrial life of the country, and who has enlisted here in the service of his government in the mobilization plans for defense emergency. I am delighted to have the honor to present at this time Mr. Roy Price, Assistant Director for Resources and Production of the Office of Defense and Mobilization.
Mr. Price.

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STATEMENT OF ROY PRICE,
ASSISTANT DIRECTOR FOR RESOURCES AND PRODUCTION,
OFFICE OF CIVIL DEFENSE AND MOBILIZATION

MR. PRICE: Mr. Chairman, I appreciate very much the kind words you had to say, although I fear undeserved.

This meeting is (not) one of levity, I am sure, but I am advised that the people represented here are of great importance in the industry, your industry. There are chairmen of the boards, presidents, vice-presidents. And speaking of vice-presidents, a gentleman came home from the office one afternoon, greatly elated, and spoke to his wife and said, "Darling, the most wonderful thing in the world happened to me today at the office."

"Well, Sweetheart, what happened to you?"

"I was made a vice-president."

"Well," she said, "I do not think that is such a great thing, what do you mean? Why we have vice-presidents down in the supermarket."

"Oh," he says, "no, it is impossible."

"Well, Honey, we even have a vice-president down there who is in charge of prunes."

This concerned him very much. He did not sleep that night. He went back to the office the next morning, and he still had it on his mind. Finally, he decided he would check, as all good executives do. So he called the supermarket, and

the girl answered the 'phone, and he said:

"I would like to speak to the Vice-President in Charge of Prunes."

She said, "Which, bulk or packaged?"

(Laughter.)

I am delighted at the opportunity to talk to this group and to welcome also a number of very old friends who constitute your body.

In the Office of Civil and Defense Mobilization we are keenly aware of the important contributions of the National Petroleum Council to ^{mobilization} station preparedness. I am sure that those are the sentiments of all in Government who have had the benefit of your collective wisdom and experience in our national petroleum resources.

~~In the time that I have~~ ^{would} I should like to tell you of a new development in OCDM which I know is of interest to you.

Since the merger of the Office of Defense Mobilization with Civil Defense Administration, which took place last July, an office of fuels and energy was established which was in the area of my own responsibility in the new agency. In time to come I am sure you will have many contacts with the various members of my staff and I hope myself.

Formerly in the Office of Defense Mobilization fuel and energy had been among the functions of the Production Branch, and we usually called upon consultants when special problems

arose. Now with this separate staff unit giving full time and effort to the problem, we feel that mobilization readiness, planning for fuel and energy, will go forward with new emphasis. The new fuel and energy office will have its hands full with the complex and difficult job of planning the organizations which will manage our fuel and energy supplies during the mobilization period. On this we will depend heavily upon you for guidance and support. This office is fully aware that a very wide range of functions in limited war is dependent upon the availability of fuel and energy. These functions are multiplied many times when we think of a nuclear war with an attack on this country. No matter what the possibilities of this event, prudence demands we give our full attention to mobilization planning.

Nuclear attack raises problems of survival and recovery for this nation.

Our annual training exercises, which you are familiar with, the operations alert, have brought out that survival and recovery programs will be critically dependent on adequate supplies of fuel and energy, particularly petroleum products.

In this highly mechanized age, almost everything will come to a halt, after initial stocks are exhausted, if there are not means of replenishing supplies of fuels for everything from bus to railroad and truck to the farm tractors.

And there will be a similar need for fuel for heating, for the resumption of the most essential production, medical supplies, drugs of all types, as well as the multitude of industrial products which are produced in this country. The Suez crisis is too recent for any of us to have forgotten that even a war in another part of the world, not involving the United States directly, confronts the government and the petroleum industry with extremely serious problems.

Moreover, it is not news to you that even when there is no special crisis, and this is important at the moment, the cold war has its continuing and urgent supply and demand problems. After a nuclear attack, as far as fuel and power industries are concerned, there will be the job of supporting civilian defense by providing fuel, heat and light for survival operations. Essentially this is the task of helping our population to survive as well. At the same time fuel and power must be provided in quantities which will meet military and defense supporting requirements. Our requirement is the fastest possible renewal of essential production. We do much more than merely determine who is to do what in the post attack. Operational plans will be futile if we do not first have the supplies we are supposed to manage and distribute.

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Now I should like to say something about the current activities of our office of fuel and energy and how it is operating. OCDM does not have the staff required to make complex resources studies and similar requirements and supervised operational plans. ^{Over} All particular responsibility is policy direction and coordination. We work through so-called delegate agencies such as the Department of Agriculture in the case of food, Commerce where industrial problems are concerned, and the Department of Health, Education and Welfare for health measures. In the case of oil and gas, solid fuels and power, we have, naturally, delegated the responsibility to the Department of Interior. Interior is responsible for operational direction and control with OCDM retaining over-all policy supervision. Our people in the Office of Fuel Energy are now working with Interior on a pattern of responsibilities and anxious to follow in emergencies of varying degrees and dimensions. In their discussion basically they are seeking the answers to two questions: Who, that is what official and at what level, is going to make the decision about fuel and energy supplies; how are these decisions to be carried out. The answer in general is that Interior, through its regional, state and in some cases local representatives will have responsibility for primary inventory and local governments will control distribution from secondary inventories. The discussions have developed also the fact that

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Government staffs must be rapidly expanded in an emergency. OCDM and the Interior Department are looking to your industry for able and experienced people to staff its operations at the national and the field levels. These people will be executive reservists subject to immediate call in an emergency. Their jobs will be predesignated. They will be asked to give time necessary to familiarize themselves beforehand with their emergency duties.

I think the support of this Council would practically insure a successful recruitment program for executive reservists, and I hope that we will have that support.

You have this morning adopted modifications to your charter. I believe it is important to national security that you have taken this action and that you are, therefore, in a position to resume your advisory role to the Government, particularly on mobilization readiness programs and problems where your help is very much needed. ~~And~~ I personally look forward to the opportunity to work with the members of the National Petroleum Council in the cause of our national security.

Thank you, it is a pleasure to be with you.

(Applause.)

CHAIRMAN HALLANAN: Thank you very much, Roy.

Major Parten, are you prepared at this time to present the report of the Transportation Committee? If so, we would

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like at this time to move to that report.

STATEMENT OF J. R. PARTEN

MR. PARTEN: Mr. Chairman, Mr. Secretary and gentlemen of the Council, I am here to pinch-hit for the Chairman of the Committee on Transportation, Mr. B. I. Graves, who could not be here today.

The report that I am going to present to you has been in circulation for some time, and with your permission I am going to streamline this presentation and make it as brief as I can.

The report of the Committee on Transportation was transmitted in quantity to the Secretary of Interior and other officials of his department on February 25, 1958, by the Chairman of the Council pursuant to a resolution adopted by the Council on October 3, 1957. The sense of this resolution was to make the report immediately available to the Government without awaiting formal action by this Council. The Transportation report was released to the general public on March 3, 1958. All members of the Council, as well as all members of the subcommittees that worked on the report, received copies. The total distribution of the report has totaled approximately 3,000 copies, requiring four reprintings. Requests for copies were received from petroleum firms and trade groups in all segments of industry. In addition, the report reached such industries as steel, railroad, shipping, coal, electric power, import-export, insurance and others.

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Press coverage was wide-spread, the pipeline maps and summary of the report being reproduced in total in several of the trade orders. In addition the report was requested by numerous branches of the Federal and State Governments, military bases, colleges, students, libraries, research foundations, and marketing and investment analyst firms.

Internationally the report was requested by governments and industries located in Brazil, Canada, China, England, France, Germany, Holland, India, Italy, Japan, New Zealand, Panama and Venezuela. You can tell from that that this report which we are now about to consider for formal adoption is already widely circulated, and I think widely approved.

I feel probably that it will not be inappropriate for me to say a word on the subject of the valuation because, as a matter of the committee I probably had as little to do with the formulation of the report as anyone on that committee. The committee feels heavily indebted to the subcommittees that did the work that went into this report. I believe that this is the first report on transportation facilities that has encompassed LPG. We of the committee would like to pay a special tribute to the subcommittees that worked upon this report and to the subcommittee chairmen, some of whom are here today.

If you have questions to ask about the report, I am sure that we can get answers for you.

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In the LPG field, the Chairman of the subcommittee was Mr. G. R. Benz of Phillips Petroleum Company.

I do not think Mr. Benz is here today. Is Mr. Benz here?

(No response.)

We all feel heavily indebted to him.

On barges and tankers, the Chairman of the subcommittee was Mr. A. C. Ingersoll, Jr., the Federal Barge Lines of St. Louis, whom I think is also absent today.

On tank trucks, Sam Niness, Chairman of the subcommittee. Sam Niness is here today. Sam, will you rise and take a bow, please?

(Applause.)

On the subject of tank cars, Mr. B. C. Graves of the Union Tank Car was Chairman of the subcommittee, and as usual did a good job. B. C., will you rise and take a bow?

(Applause.)

On the subject of pipelines, Mr. C. Mitchell of City Service served as Chairman of the subcommittee. And thinking that you might be interested in a group of maps which the Pipeline Committee prepared and presented to Interior, I am going to call upon Mr. Mitchell and see if he won't step up here and show you these maps.

Mr. Mitchell.

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STATEMENT OF C. S. MITCHELL

MR. MITCHELL: We have a 22-member committee from a wide cross section of the industry, and we together worked with the oil and gas people in the Department of Interior, and we thought that it would be quite helpful to the Defense Department if we showed a flowsheet of the pipeline carrying capacity. So we did that.

This shows the capacity by main centers in the United States. Now that is of crude oil. We made a similar one for products. Now to further facilitate, in case of an emergency, we thought it would be helpful if we broke down that by companies so that it could be converted from products to crude, or even reversed. So here is a similar one that we showed by companies. That shows the capacity by companies. And the other is just the total of this.

Our committee would like to respectfully suggest that these try to be brought up-to-date about every 3 years.

Thank you.

(Applause.)

MR. PARTEN: One further word about the report. I think that undoubtedly all of you people have had this report, had access to it before today. Those of you who might not have had access to this report, I do recommend that you review it and have it handy on your bookshelf for ready reference because,

2b saying again I feel qualified to brag upon it a little bit because I have had a little to do with it, it is an excellent report. It is comprehensive in the field of transportation facilities.

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

CHAIRMAN HALLANAN: Gentlemen, this report has been in your hands for some considerable time. The question now is upon its formal adoption by the council.

All in favor of the motion shall indicate by saying "Aye."

(Response of "Ayes.")

CHAIRMAN HALLANAN: Contrary, "No."

(No response.)

CHAIRMAN HALLANAN: It is unanimously adopted and will be made a part of the permanent record.

Thank you very much, Major Parten.

Mr. Foster, will you present the formal report of the Refinery Capacity Committee?

Mr. Foster.

STATEMENT OF CLYDE FOSTER

MR. FOSTER: Mr. Chairman and members of the council, in view of the fact that this report was released to the public on January 30 of a year ago, almost a year ago, I shall make the review of that report very brief, as Major Parten did.

The Committee on U. S. Refinery Capacity was appointed by Mr. Hallanan on March 27, 1957, to satisfy the request of

3b the Director of the Department of Interior's Office of Oil and Gas for a study and report on the United States refinery capacity.

At the October 3, 1957, council meeting, I summarized the committee's progress and submitted a copy of the proposed final report form for the council's consideration. Since the study was within 1 month of completion and the Department of Interior desired the results prior to the next meeting of the council, a resolution instructing the committee to forward the capacity statistics to the Interior Department in final report, when collected and tabulated, was approved. In addition, the report was to be submitted to the council for review and final approval at its next meeting, which is this meeting.

The complete report was transmitted to the Honorable Fred A. Seaton, Secretary of the Interior, and Mr. Hugh A. Stewart, then Director of the Office of Oil and Gas, on November 13, 1957, making the data available prior to the initiation of the wartime emergency investigation by the Military Petroleum Advisory Board. On the same date, the final report was transmitted to all council members and, when the January 1958 meeting of the council was cancelled, the substance of the survey was released to the press on January 30, 1958.

The survey covers refinery capacity by principal refining areas as of March 31, 1957, and anticipated increases by July 1,

4b 1958, and July 1, 1959. In addition to crude thruput, charging capacity for thermal and catalytic cracking, thermal and catalytic reforming and hydrogen treating, as well as production capacity for butane isomerization, catalytic polymerization, alkylation and lubricating oils are reported for this period. In all cases, the American Petroleum Institute definition of charging and production capacity for operable refineries was used. The figures include capacity that is shut down but in operable condition and represent maximum calendar-day thruput based on normal yearly average operations, allowing for normal down time for inspection, cleaning and repair.

Now, very briefly, the highlights of the survey are:

First, United States crude distillation capacity will increase a half-million barrels daily, up 5.6 per cent to 9,443,000 barrels during the 2-1/4-year period from March 31, 1957, to July 1, 1959. A comparison with A.P.I. and Bureau of Mines crude-capacity surveys indicates that our council committee was successful in obtaining 99 per cent of the total operable U. S. capacity.

Second, 61 per cent of the country's crude distillation capacity had access to tidewater as of March 31, 1957. However, inland refineries will expand more rapidly than those on tidewater. Growth for the former is reported to be 8.3 per cent as compared to 3.9 per cent for tidewater plants by

5b July 1, 1959.

Third, the capacity of processes which improve product quality and increase gasoline yield per barrel of crude will expand at a much faster rate than crude distillation capacity.

For instance:

- a) Catalytic cracking charge capacity will increase 11.6 per cent.
- b) Catalytic reforming capacity will expand 49 per cent.
- c) Alkylate production capacity will expand 35 per cent.
- d) Hydrogen treatment capacity will increase 84 per cent. Approximately two-thirds of this increase will be used to remove catalyst poisons from catalytic reformer feed. One-quarter will be used to remove sulfur from products, which indicates that refiners expect the trend to higher-sulfur-content crude oils to continue.

Fourth, as would be expected, thermal reforming facilities show a decline of 25 per cent, while gas-oil cracking is essentially unchanged at a 1.6 per cent decline. Residuum cracking and coking capacities show only modest gains, 2.5 per cent and 7.3 per cent, respectively.

Fifth, lubricating oil production will increase less than 1 per cent. About 60 per cent of existing production is produced by solvent extraction. All new expansion will be in this area.

Before I present a resolution to the council to accept

6b the final report of the Committee on U. S. Refinery Capacity, I wish to acknowledge the committee's and subcommittee's indebtedness to Messrs. H. A. Stewart and C. D. Fentress, formerly of the Office of Oil and Gas, for their invaluable help in defining the scope of this work, and to Mr. J. V. Brown, of the National Petroleum Council for his efforts in securing and compiling the necessary basic information.

Mr. Chairman, I move approval of the final report of the Committee on U. S. Refinery Capacity dated November 12, 1957, together with a resolution that the duties and responsibilities of the committee be terminated.

CHAIRMAN HALLANAN: Gentlemen, this report has likewise been in your hands for some considerable time. It has awaited formal adoption. It has been moved that the report be approved. Is there a second to that motion?

MR. VANDEVEER: Second it.

CHAIRMAN HALLANAN: Ready for the question? All in favor indicate by saying "Aye."

(Response of "Ayes.")

CHAIRMAN HALLANAN: Contrary, "No."

(No response.)

CHAIRMAN HALLANAN: It is unanimous.

I do want to recognize the presence here with us at the council meeting of Admiral Lattu.

Admiral, we are delighted to have you here. Would you

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care to speak to us at this time? We would be very pleased to have you do so.

STATEMENT OF ADMIRAL WILLIAM L. LATTU

ADMIRAL LATTU: No comment, sir.

(Applause.)

CHAIRMAN HALLANAN: In this interim period through which we have been passing, it has been a great satisfaction to have the opportunity to work with Mr. Ralph Fowler, who is Assistant Director of the Oil and Gas Division, and I know that Mr. Fowler does not plan to remain permanently with the Department in this formative period when we are going through this change in our structural organization. He has been extremely helpful and resourceful to us, and I know that we are delighted to have him here with us this morning.

I present Mr. Ralph Fowler.

STATEMENT OF MR. RALPH FOWLER

ASSISTANT DIRECTOR, OIL AND GAS DIVISION

MR. FOWLER: Thank you, Mr. Hallanan, and members of the council, I shan't take up much of your time because the morning is drawing to a close, but I did think you might be interested in some of the particular problems which faced the Office of Oil and Gas during the year in which the council was inactive.

However, before I do that I would like to extend the regrets of Captain Carson in not being able to be present this morning. As a matter of fact, he is out of the country on

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other official duties. However, I am certain that the Captain will be delighted that the council is out of mothballs and back on duty with the regular fleet.

In the international field, you will recall that in July of last year there was a change in the government in Iraq, British troops landed in Jordan, Marines landed in Lebanon, and all the intelligence that this Government had indicated that we were possibly heading for another Suez crisis. As a result, the Foreign Petroleum Supply Committee was convened, briefed, and suggestions asked for how to deal with the crisis if it occurred. A plan of action was circulated, similar to the one in effect during the Middle East emergency, but modified to meet certain criticisms from the Congress and from the Department of Justice. Since that time, comments have been received from members of the committee, changes have been made in the language, and we think we now have a plan of action which can be taken out and put into operation overnight if an emergency should occur.

As a result of Suez, the Organization of European Economic Cooperation directed its Oil Committee to make a study to determine what, if any, storage facilities could be provided to soften the impact of another Suez or the denial of Middle East oil to Western Europe.

The Office of Oil and Gas is particularly concerned with that, because we were called upon to furnish the technical

9b advice and statistical information to the American observer
in Paris through the OEC Oil Committee. A third phase which
really followed the storage study by the OEC Oil Committee
was a series of working papers between some of the European
governments and the United States, largely dealing with
Western Europe's supply in the event closure occurred in the
transit routes or that we were denied access to Persian Gulf
oil.

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On the domestic side, the Office of Civil^{and} Defense Mobilization asked Interior through^{the} Office of Oil and Gas to coordinate a long-range petroleum study to be made by Government agencies. In effect, it is ~~really~~ an updating of the ~~Paling~~^{Paley} Report, except to the extent that it deals only with petroleum. That study is under way, and whether or not the council may be asked to participate in all or part of it is a question which remains to be answered.

Under the voluntary oil import^{ing} program, the Secretary of Interior was charged with the administration of the ~~plant~~^{plan} and the Office of Oil and Gas has been particularly concerned in giving technical advice and statistical information to the administrator, ~~and it~~ has taken a considerable amount of time and utilized a great portion of our staff.

It has already been mentioned, but it has been a problem, and that is the formation of some plan which can be put into effect should there be a nuclear attack upon this country.

Heretofore we have always been able to set up an organization such as PAD and then extend it to the regions, but the thinking now is that in the event of such an attack, communications may be pretty well shattered, and you ~~are going to~~ have to have people on the spot who know what to do and when to do it.

~~Now,~~ they would act probably only on the instructions of the White House that a national emergency exists and that the

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country must be mobilized, ~~and~~ that is the particular plan which has been submitted to the Council for its comments.)

(We think it has ~~a fair amount of~~ merit, but we certainly would not be so rash as to say that it cannot be improved. If such a plan is put into operation, obviously we need personnel to operate it, ~~and~~ for that reason, we have again asked the assistance of the Council in supplying us with names from which we can select people and induct them into the Executive Reserve. ~~That does not sound as bad as it really ---~~ I mean, it sounds worse than it really is.

(Laughter.)

(The Executive Reserve is simply a group of industry people who are spotted, and who become Federal employees in the event of a full mobilization. And that in itself presents quite a problem and one which will be continuing, because, if we have a complete Executive Reserve, as far as petroleum and gas is concerned today, a week from today it may be out of date, ^{a continuing consequence} so it means a constant review, a constant study, and it imposes quite a burden upon the staff of Oil and Gas to keep ^{it} that current.

(And another, ~~and~~ the last special item which may be of interest to you, is a study which we are doing for the Department of Defense to determine ^{what} certain areas can be supplied if the harbor facilities are destroyed, or if there is a great deal of radioactivity in that area so that tankers

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would be unable to come into the normal discharging areas and supply inland territories. I think some companies have already been approached by our people, and we hope and know that we will get the usual maximum cooperation.

Personally, I am awfully glad to be here and I am glad to see the Council back in action.

Thank you. /

--(Applause.)--

CHAIRMAN HALLANAN: One of the speakers on today's program whom we have looked forward to having with us was the Honorable Frederick H. Mueller, Undersecretary of Commerce. Unfortunately, he became detained at the White House this morning and sent word that it would be doubtful whether or not he would be able to appear.

I hope that Secretary Mueller will be able to be with us at the next meeting.

We will now have the report of the Secretary-Treasurer, Mr. Brown.

STATEMENT OF JAMES V. BROWN

SECRETARY-TREASURER

NATIONAL PETROLEUM COUNCIL

MR. BROWN: At the beginning of the calendar year 1958 we had available in the general fund \$44,403. During the year of uncertainty we did not make our requests for contributions until rather late in the year, and spending was

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curtailed insofar as possible, so that our expenditures, as I will give them to you, may not reflect what they might have been had I been free to buy a few things that we do need, and the staff has been working hard on me to get them, such as typewriters that write the right date in a report, and so forth.

However, the receipts, and I am very grateful for the response which was received, contributions, publications and others during the year was \$89,915.

Our total disbursements were \$79,818.

So the general fund at the end of the year: \$54,499.

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I leaned rather heavily on the reserve, but fortunately, with the current contributions, we were able to restore it to the same amount it was at the beginning of the year, \$141,800.

CHAIRMAN HALLANAN: The bylaws provide that at the first meeting of the council of the year that a budget should be fixed for the year. Our budget has been on a modest basis, we think, of \$85,000 a year. It is perhaps likely that under the new procedure we may incur some additional expenses, but I should like to recommend to the Council at this time that we authorize the same budget for the ensuing year in the amount of \$85,000.

If I may have a motion to that effect?

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(A motion was made from the floor.)

It has been moved and seconded.

All in favor indicate by saying "aye".

(A chorus of "ayes".)

Contrary, no?

(No response.)

It is so ordered.

Gentlemen, is there any new business?

Mr. Stewart
 MR. STEWART: I am Mr. Hugh Stewart. I think we ought to have some form of expression from this Council showing our regret to the retiring of our Co-Chairman and, also, would extend the hand of welcome to our new Co-Chairman, Captain Carson.

He should not fear to tread where angels did not fear to tread. We will welcome Captain Carson in the same motion, if you please.

CHAIRMAN HALLANAN: You have heard the party's motion.

All in favor indicate by saying "aye".

(A chorus of "ayes".)

Contrary, no.

(No response.)

It is so ordered.

Mr. Brown.

MR. BROWN: You all received again these reports on transportation and refinery capacity. I am sure you are most welcome to take them with you, but if anyone feels he does not want to load himself down on the way home, and cares to leave

them, if he will just leave them on the seat, we will pick them up.

CHAIRMAN HALLANAN: I would like to request that Mr. Howard Marshall and Mr. Jacobsen remain with me here so that they can be available at the time we have a press conference.

If there is no further business, the motion to adjourn is in order.

(A motion was made from the floor.)

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

(A chorus of "ayes".)

CHAIRMAN HALLANAN: The Council is adjourned.

(Whereupon, at 11:55 a.m., the meeting adjourned.)