

Vol. 1

OFFICIAL REPORT OF PROCEEDINGS

BEFORE THE

DEPARTMENT OF THE INTERIOR

Office of Oil and Gas

In the Matter of:

MEETING OF THE NATIONAL PETROLEUM COUNCIL

*Copy to Mr. Vincent M. Brown
Secretary - Treasurer
National Petroleum Council*

Thursday, March 19, 1964

Washington, D. C.

WARD & PAUL, INC.

OFFICIAL REPORTERS

917 G STREET, N. W.

WASHINGTON 1, D. C.

628-4266

Interior
Copy

C E R T I F I C A T E

This is to certify that the attached proceedings
before the DEPARTMENT OF THE INTERIOR

in the matter of: **MEETING OF THE NATIONAL PETROLEUM COUNCIL**

PLACE - Washington, D. C.

DATE - Thursday, March 19, 1964

were held as herein appears, and that this is a copy
of the transcript thereof for the files of the
Department.

WARD & PAUL, Inc.
Official Reporter

By 
Wayne Birdsell, Secretary

Pas

Phone: (Area 202) 628-4266

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
Office of Oil and Gas

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

Auditorium, Interior Department Bldg.
18th and C Streets, N. W.,
Washington, D. C.
Thursday, March 19, 1964

Met, pursuant to notice, at 9:30 a.m.

PRESENT:

R. G. FOLLIS, Chairman of the Board,
Standard Oil Company of California, (Presiding)

VINCENT M . BROWN, Secretary-Treasurer,
National Petroleum Council

Henry H. BEESON, President,
Natural Gas Processors Association

JACOB BLAUSTEIN, President,
American Trading and Production Corporation

Reid BRAZELL, President,
Leonard Refineries, Inc.

J. S. BRIDWELL,
Bridwell Oil Company

E. D. BROCKETT, President,
Gulf Oil Corporation

GEORGE H. BRUCE, President,
National Stripper Well Association

WARD & PAUL

917 G St., N. W., Washington 1, D. C.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

E. O. BUCK, Senior Vice President
The National Bank of Commerce, Houston, Texas

M . V. BURLINGAME, Executive Vice President,
Natural Gas Pipeline Company of America

SAM E. CARPENTER, President,
National Tank Truck Carriers, Inc.

J. C. DONNELL, II, President,
Marathon Oil Company

PAUL ENDACOTT, Vice Chairman of the Board,
Phillips Petroleum Company

R. G. FOLLIS, Chairman of the Board,
Standard Oil Company of California.

ROBERT L. FOREE,
Texas Independent Producers and Royalty Owners
Association

GEORGE P. GARVER, President,
Independent Natural Gas Association of America

FORD M. GRAHAM, President,
The Louisiana Land & Exploration Company

B. I. GRAVES,
B. I. Graves Associates, Petroleum Consultants,
San Francisco, Calif.

JAKE L. HAMON, 5th Floor Vaughn Bldg.,
1712 Commerce Street, Dallas, Texas

JOHN HARPER, President,
Harper Oil Company, Inc.

CHARLES S. JONES, Chairman of the Board,
Richfield Oil Corporation

J. PAUL JONES, President,
Pennsylvania Grade Crude Oil Association

W. W. KEELER, Chairman of the Executive Committee,
Phillips Petroleum Company

WALTER J. LEVY, 30 Rockefeller Plaza,
New York, N. W.

1 BEN FORTSON, Alternate for Augustus C. Long,
2 Texaco, Inc.

3 D. K. LUDWIG, President,
4 National Bulk Carriers, Inc.

5 L. F. THANHOUSER, Alternate for L. F. McCollum,
6 Continental Oil Company

7 JAMES J. KELLY, Alternate for D. A. McGee,
8 Kerr-McGee Oil Industries, Inc.

9 W. G. MAGUIRE, Chairman, Panhandle Eastern Pipe Line
10 Company. (by Alternate)

11 B. L. MAJEWSKI, President,
12 Signal Perfect Fuels, Inc.

13 R. L. MILLIGAN, President,
14 The Pure Oil Company

15 Charles H. MURPHY, JR., President,
16 Murphy Oil Corporation

17 A. L. NICKERSON, Chairman of the Board,
18 Soceny Mobil Oil Company, Inc.

19 GLENN E. NIELSON, President,
20 Husky Oil Company

21 C. C. BARNETT, Alternate for Ed Parkes,
22 United Gas Corporation

23 J. K. JAMIESON, Alternate for Carl E. Reistle, Jr.,
24 Humble Oil and Refining Company

25 M. H. ROBINEAU, President,
The Frontier Refining Company

ROLAND V. RODMAN, President,
APCO Oil Corporation

ARTHUR STEWARD, Alternate for A. C. Rubel,
Union Oil Company of California

THOMAS J. SCOTT, Executive Committee,
New England Fuel Institute

FRANK HAYES, Alternate for Monroe E. Spaght,
Shell Oil Company

1 E. L. STEINIGER, President,
2 Sinclair Oil Corporation

3 R. E. NELSON, Alternate for John E. Swearingen,
4 Standard Oil Company (Indiana)

5 H. A. TRUE, JR., President,
6 Independent Petroleum Association of America

7 R. L. VOCKEL, Vice President
8 The Waverly Oil Works Company

9 H. F. WAGNER, Director,
10 Petroleum Division, Farmers Union Central Exchange, Inc.

11 J. ED WARREN, President,
12 Cities Service Company

13 EVERETT F. WELLS, President,
14 Ashland Oil and Refining Company

15 E. V. POTTER, Alternate for W. C. Whaley,
16 Sunray DX Oil Company

17 S. D. WHITEMAN, Chairman of the Board,
18 Kansas-Nebraska Natural Gas Company, Inc.

19 J. GEER WILCOX, President,
20 American Association of Oilwell Drilling Contractors

21 - -
22
23
24
25

P R O C E E D I N G S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRMAN FOLLIS: Gentlemen, the meeting will come to order. As is our custom, we will start by calling the roll. We have a number of new members and when we come to the new members, Mr. Brown will pause and I would like to ask them to stand and let me introduce them to the Council. Mr. Brown, will you please call the roll?

SECRETARY BROWN: Yes, Mr. Chairman.

Mr. Abernathy.

Mr. Anderson, Mr. Robert Anderson.

Mr. Baldrige,

Mr. Perry Bass.

Mr. Henry Beeson.

MR. BEESON: Here.

CHAIRMAN FOLLIS: Mr. Beeson is president of the Natural Gas Processors Association. Welcome to our Council meeting, Mr. Beeson.

SECRETARY BROWN: Mr. Benedum.

Mr. Bergfors.

Mr. Blaustein.

MR. BLAUSTEIN: Here.

SECRETARY BROWN: Mr. Boyd.

Mr. Brazell.

MR. BRAZELL: Present.

SECRETARY BROWN: Mr. Bidwell.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. BRIDWELL: Yes.

SECRETARY BROWN: Mr. Brockett.

MR. BROCKETT: Here.

SECRETARY BROWN: Bruce Brown.

Mr. George Bruce.

MR. GEORGE BRUCE: Here.

CHAIRMAN FOLLIS: Mr. Bruce is the president of the National Stripper Well Association. Will you stand, Mr. Bruce, and welcome to the Council.

SECRETARY BROWN: Mr. Buck.

MR. BUCK: Yes.

SECRETARY BROWN: Mr. Burlingame.

MR. BURLINGAME: Here.

SECRETARY BROWN: Mr. Orville Carpenter.

Mr. Sam Carpenter.

MR. SAM CARPENTER: Here.

SECRETARY BROWN: Mr. Comerford.

Mr. Copeland.

Mr. Donnell.

MR. DONNELL: Here.

SECRETARY BROWN: Mr. Downing.

Mr. Elliott.

Mr. Endacott.

MR. ENDACOTT: Here.

SECRETARY BROWN: Mr. Follis.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRMAN FOLLIS: Here.

Secretary brown; Mr. Foree.

MR. FOREE: Here.

CHAIRMAN FOLLIS: Mr. Foree, welcome back to the Council. Mr. Foree is of the Texas Independent Producers and Royalty Owners Association.

SECRETARY BROWN: Mr. Fountain.

Mr. Fox.

Mr. Garver.

MR. GARVER: Here.

CHAIRMAN FOLLIS: Would you stand, sir? Mr. Garver is president of the Independent Natural Gas Association of America. Welcome to the Council.

SECRETARY BROWN: Mr. Getty.

Mr. Goggin.

Mr. Graham.

MR. GRAHAM: Here.

SECRETARY BROWN: Mr. Graves.

MR. GRAVES: Here.

SECRETARY BROWN: Mr. Green.

Mr. Hall.

Mr. Hamon.

MR. HAMON: Here.

SECRETARY BROWN: Mr. Harper.

MR. HARPER: Here.

1 SECRETARY BROWN: Mr. Hope.

2 Mr. Howell.

3 Mr. Hurd.

4 Mr. Ikard

5 MR. IKARD: Here.

6 SECRETARY BROWN: Harry Jackson.

7 Mr. Jacobsen.

8 Mr. Charles Jones.

9 MR. CHARLES JONES: Here.

10 SECRETARY BROWN: J. Paul Jones.

11 MR. J. PAUL JONES: Here.

12 SECRETARY BROWN: Mr. Keeler.

13 MR. KEELER: Here.

14 SECRETARY BROWN: Mr. Kincannon.

15 Mr. Walter Levy.

16 MR. LEVY: Here.

17 SECRETARY BROWN: Mr. Long.

18 MR. FORTSON: Ben Fortson, Alternate.

19 SECRETARY BROWN: Mr. Ludwig.

20 MR. LUDWIG: Here.

21 SECRETARY BROWN: Mr. McClure.

22 Mr. McCollum.

23 MR. THANHOUSER: Mr. Thanouser, Alternate, L. F.

24 Thanouser.

25 SECRETARY BROWN: Mr. McGee.

1 MR. KELLY: James J. Kelly, as Alternate for Mr.
2 McGee.

3 SECRETARY BROWN: Mr. Maguire.

4 (Responded to by alternate for Mr. Maguire.)

5 SECRETARY BROWN: Mr. Majewski.

6 MR. MAJEWSKI: Here.

7 SECRETARY BROWN: Mr. Howard Marshall.

8 MR. MARSHALL: Here.

9 SECRETARY BROWN Mr. Miller.

10 Mr. Milligan.

11 MR. MILLIGAN: Here.

12 SECRETARY BROWN: Mr. Morton.

13 Mr. Charles Murphy.

14 MR. MURPHY: Here.

15 SECRETARY BROWN: Mr. Nickerson.

16 MR. NICKERSON: Here.

17 SECRETARY BROWN: Mr. Nielson.

18 MR. NIELSON: Here.

19 SECRETARY BROWN: Mr. Niness.

20 Mr. Parkes.

21 MR. BARNETT: C. C. Barnett, Alternate.

22 SECRETARY BROWN: Mr. Parten.

23 MR. PARTEN: Here.

24 SECRETARY BROWN: Mr. Potter?

25 Mr. Rathbone?

Phone: (Area 202) 628-4266

WARD & PAUL

917 G St., N. W., Washington 1, D. C.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Mr. Rather?

Mr. Reistle?

MR. JAMIESON: J. K. Jamieson, alternate for Mr. Reistle.

SECRETARY BROWN: Mr. Ritchie?

Mr. Robineau?

MR. ROBINEAU: Here.

SECRETARY BROWN: Mr. Rodman?

MR. RODMAN: Here.

SECRETARY BROWN: Mr. Rowan?

Mr. Ruben?

MR. STEWART: Arthus Steward, for Mr. Rubel.

SECRETARY BROWN: Mr. Scott?

MR. SCOTT: Here.

SECRETARY BROWN: Mr. Smith?

Mr. Spaght?

MR. HAYES: Frank Hayes for Mr. Spaght.

SECRETARY BROWN: Mr. Spahr?

Mr. Steiniger?

MR. STEINIGER: Here.

SECRETARY BROWN: Mr. Supplee?

Mr. Swearingen?

MR. NELSON: R. E. Nelson for Mr. Swearingen.

SECRETARY BROWN: Mr. True?

MR. TRUE: Here.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

SECRETARY BROWN: Mr. Vanderveer?

Mr. Vockel?

MR. VOCKEL: Here.

SECRETARY BROWN: Mr. Wagner?

MR. WAGNER: Here.

SECRETARY BROWN: Mr. Warren?

MR. WARREN: Here.

SECRETARY BROWN: Mr. Wells?

MR. WELLS: Here.

SECRETARY BROWN: Mr. Whaley?

MR. POTTER: E. V. Potter for Mr. Whaley.

SECRETARY BROWN: Mr. John White?

Mr. Whiteman?

MR. WHITEMAN: Yes, here.

SECRETARY BROWN: Mr. Wilcox?

MR. WILCOX: Here.

CHAIRMAN FOLLIS: Mr. Wilcox if president of the American Association of Oilwell Drilling Contractors. Would you stand, Mr. Wilcox? Welcome to the Council.

SECRETARY BROWN: Mr. Windfohr?

Mr. Winger?

Mr. Young?

MR. LOOMIS: C. E. Loomis for Mr. Young.

SECRETARY BROWN: That concludes the roll call.

CHAIRMAN FOLLIS: Gentlemen, you have received the min-

1 utes of the last meeting and if there are no additions or cor-
2 rections I would appreciate a motion to approve them.

3 (Upon motion duly made and seconded the minutes of
4 the last meeting were unanimously approved.)

5 CHAIRMAN FOLLIS: Now, could we have the report, Mr.
6 Brown, of the Secretary-Treasurer?

7 SECRETARY BROWN: Gentlemen, in my report this morning
8 I would like to give you a brief summation of the Council's
9 financial status.

10 At the beginning of the fiscal year 1964 we had a cash
11 balance in the general operating account of \$20,213. During the
12 8-month period ending February 29, 1964, our receipts totaled
13 \$118,000, \$114,000 of this coming from contributions by Council
14 members, and the remaining \$4,000 being receipts that came from
15 interest on savings, sales of publications, and other sources.

16 In this same 8-months period July 1 to February 29,
17 a total of \$86,213 had been expended for our operations which
18 in addition to the usual staff functions involved expenditures
19 in connection with five committee assignments, so that the cash
20 balance at the end of February stood at \$52,000.

21 The value of securities in our contingent reserve
22 remains unchanged since my last report to you, \$50,000.

23 That covers my report this morning, Mr. Chairman.

24 CHAIRMAN FOLLIS: Thank you, Mr. Brown.

25 We have a resignation of one of the members of the

1 Appointments Committee, Mr. Decker, and I would like to propose
2 -- I would like to ask a proposal of a nomination to fill that
3 vacancy.

4 FROM THE FLOOR: Mr. Chairman, I would like to
5 nominate Mr. Swearingen for that vacancy.

6 CHAIRMAN FOLLIS: Is there a second?

7 FROM THE FLOOR: Seconded.

8 CHAIRMAN FOLLIS: Are there any other nominations?

9 (No response.)

10 CHAIRMAN FOLLIS: If not, the nominations are closed.
11 All those in favor please say aye; opposed? So ordered.

12 Now, gentlemen, you may have noticed that we have
13 changed the order of our agenda a little bit, with the thought
14 that it might be desirable to get our housekeeping and internal
15 affairs out of the way so that our guests when they come will
16 be able to see us address ourself to the business of our rela-
17 tionship and our function rather than in our internal affairs.

18 "I do have one internal matter that I would like to
19 discuss and that is the sequence of the term of office of the
20 officers of the Council. We really have not faced up to this
21 question, whether the Council officers should continue on rather
22 long or indefinite terms or whether we should rotate these
23 offices in the same way that most of the advisory committees
24 and trade associations have found most desirable. I personally
25 think that in an industry like ours, where we have enormous div-

1 ersification of organizations and very large and wide-spread
2 geographical areas, it is important and desirable that the
3 officers, particularly the chairman ship of the Council, rotate
4 so that various geographical and structural representations can
5 show in the chairmanship of the Council.

6 So, I am proposing that I will not, you might say,
7 stand for re-election next year and that you address yourself
8 to selecting a new Chairman and other elective officers.

9 Now, in order to do that with the maximum thought
10 it seemed to me that it would be desirable for me to appoint
11 a ^Nnominating ^Ccommittee at this meeting, rather than waiting until
12 the day of the organization meeting as we have done in the past,
13 ~~and therefore,~~ I am going to propose a ^Ccommittee which I would
14 like to ask be considering this matter with the thought that
15 at the next meeting they will nominate a new slate of officers
16 for the Council. The ^Ccommittee that I would like to propose
17 are the following:

18 ^{I must first be named and made independent}
 Mr. Benedum, Mr. Blaustein, Mr. Bruce Brown, Mr.
19 Donnell, Charles Jones, McCollum, Majuski, Milligan, Parten,
20 Robineau, Windfohr, Steiniger, Vendeveer, Ed Warren and Pratt
21 Rather. I would like to ask Mr. Millgan to serve as chairman
22 of that committee.

23 ~~I might make one further comment before I call on~~
24 ~~the Chairman of the Agency Committee to say that I recognize~~
25 that we have exceeded the time that we contemplated in our re-

1 vision of the by-laws recently, as to the frequency of meetings.
 2 It was the contemplation that we should have three meetings a
 3 year.

4 At this particular time we had two very complex and
 5 very challenging assignments that would not have been ready, and
 6 (A) it seemed pretty obvious to me that we should not call a meeting
 7 that did not have real substance to it because, living where
 8 I do I think I am probably as conscious as anyone of the distance
 9 and the time that it takes many of us to assemble for these
 10 meetings. So that resulted in a delay which was slightly com-
 11 pounded by the fact that our cochairman was called out of the
 12 country, which thereby necessitated a further delay.

13 But I think today that you will agree that by waiting
 14 we have gotten ourselves in a position where we have something
 15 of substance to review and that the meeting will be meaningful
 16 and worthwhile to you." ←

17 The next item on the agenda is the report of the
 18 Agenda Committee. Mr. Jacobson at the last minute due to a
 19 change in scheduling that took place on this meeting was unable
 20 to come and I have asked Mr. Jake Hamon to act as chairman of
 21 the Agenda Committee for the purpose of this meeting. Mr. Hamon.

22 MR. HAMON: Mr. Chairman and Mr. Cochairman:

23 Before I make this report I must say that I want to
 24 convey to your members Mr. Jacobson's regrets at being unable
 25 to be here. And if it is in order, Mr. Chairman, on account of

1 his faithful service -- and this is probably the first Council
 2 meeting he has missed to my knowledge, I would like to move that
 3 we miss him and want to commend him for his past labors on this
 4 committee, if I can get a second.

5 VOICES: Seconded.

6 CHAIRMAN FOLLIS: Can we have a vote on that? I would
 7 like to be able to report that that was unanimously endorsed by
 8 the Council. Thank you. Unanimously endorsed.

9 MR. HAMON: Pursuant to the call of the meeting of
 10 the ^{Agenda} Agency Committee of the National Petroleum Council made by
 11 the Committee Chairman, Mr. Jacobson and wired to the members
 12 on March 4, and with the meeting and its agenda having the ap-
 13 proval of the Honorable John M. Kelly, Assistant Secretary of
 14 the Interior, the Government Cochairman of the Committee, the
 15 Agenda Committee met on March 18, 1964 at 4 p.m. at the offices
 16 of the Council and again on March 19 at 9:00 a.m. in the offices
 17 of the committee cochairman.

18 Under date of March 16, 1964 the Honorable John M.
 19 Kelly addressed a letter to Mr. R. G. Follis, Chairman of the
 20 National Petroleum Council, requesting the Council to explore
 21 approaches to the problem of emergency fuel convertability in
 22 the national economy excluding electric utility generating sta-
 23 tions and advise as to the category of fuel consumers that may
 24 be advantageously studied with reference to the subject. As
 25 provided in the articles of the organization of the Council this

1 letter was considered at the above-mentioned meeting of the
2 agenda committee, at which meeting it was unanimously agreed to
3 recommend to the Council the appointment of a committee to make
4 the study as requested by Secretary Kelly and report to the
5 Council. The scope of this study will be confined to physical
6 facilities without regard to economics or availability of alter-
7 nate sources of fuel supplies.

8 In complying with Secretary Kelly's request for ap-
9 propriate comments and recommendations the committee undertaking
10 the study should not suggest plans or programs.

11 Under date of March 19, 1964 the Honorable John M.
12 Kelly addressed a letter to Mr. Follis, Chairman of the National
13 Petroleum Council, requesting the Council to prepare a report
14 which will up-date as of January 1, 1964 the information pres-
15 ented in the Council's 1961 report entitled, "Proved discoveries
16 and productive capacity of cruid oil, natural gas and natural
17 gas liquids in the United States." The report should be in a
18 form similar to that of the earlier one except that projections
19 of the productive capacity will not be required.

20 As provided in the articles of organization of the
21 Council this letter was considered at the above-mentioned meet-
22 ing of the agenda committee, at which committee meeting it was
23 unanimously agreed to recommend to the council the appointment
24 of a committee or committees to make the study as requested by
25 Secretary Kelly and to report to the Council.

1 In complying with Secretary Kelly's request for ap-
2 propriate comment and recommendations the committee or com-
3 mittees undertaking the study should not suggest plans or pro-
4 grams.

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

6 CHAIRMAN FOLLIS: Is there a second?

7 VOICES: Seconded.

8 CHAIRMAN FOLLIS: All in favor of the motion say aye.

9 (Unanimously carried.)

10 CHAIRMAN FOLLIS: Thank you, Mr. Hamon.

11 Now, next we will have as our honored speaker,
12 Senator Russell Long of Louisiana. I know that Senator Long
13 needs no introduction to the oil industry. We have all been
14 following his very important activities in relation to the tax
15 bill where he was the Senate Floor leader that put the tax bill
16 through the Senate and which brought about the fact that today
17 it is law.

18 I think beyond that, though, for the 15 years that
19 S^Enator Long has been in the United States Senate, representing
20 one of the great oil States of the Country, he has shown an
21 interest and developed a knowledgeability in relation to oil
22 matters that must call for our highest regard and highest con-
23 fidence. I think we are constantly seeing occasions where Sen-
24 ator Long's sound judgment has guided our government in matters
25 of oil that are very important not only for the country but to

1 ourselves.

2 Senator, I think I can make very little introduction
3 of you to this group. You need no introduction. But I would
4 like to say to you, since this is your first visit to our group,
5 that we do welcome you most warmly. And I might say by way of
6 introducing ourselves to you, that this Council is composed of
7 some 95 representatives of the oil industry who have been ap-
8 pointed by the Secretary of the Interior to operate in an en-
9 tirely voluntary basis. We are here to serve the government,
10 and also to learn from representatives of the government, such
11 as you, what policies would be those that would be most to the
12 interest of the country as a whole. So, Senator Long, we look
13 forward to hearing your remarks.

14 SENATOR LONG: Well, thank you very much, Mr. Follis.
15 It is a pleasure to be here with this group and as you have in-
16 dicated, this is my first appearance before your group.

17 I address you with considerable trepidation because
18 I don't know all the different discussions which you people
19 have had already and perhaps what I have to say here may be a
20 complete repetition of what has been said and discussed over and
21 over by many of your members.

22 I am reminded somewhat of the situation that occurred
23 to me one time when I was speaking to a flood control group
24 in Louisiana. I was talking about this one project and everybody
25 from the local governing officials to the State officials, the
Army engineers, plus a lot of other folks, plus the Congressman,

1 had of course discussed this project before they got around to
2 me and there really wasn't anything left to say. And when I
3 started to make my speech on the subject, some fellow got up
4 in the back of the audience and said, "Why don't you just shut
5 up? You haven't said anything new."

6 And after I had gone on for a while he got up again
7 and he again said, "Now, why don't you just shut up and let us
8 go home? It's getting late." He said, "You're not saying any-
9 thing anyway."

10 And I tried to wind the speech up but it took a little
11 while, I just couldn't find the right point, the right note to
12 conclude on and before I got through the guy got up and said
13 something like that again. So when I did wind up my speech
14 the mayor of the city got hold of me and said, "Now, look,
15 please don't feel hurt about that matter. That fellow don't
16 mean a word of what he is saying. That is the town idbt."

17 (Laughter)

18 SENATOR LONG: "He's just repeating what people
19 around him are saying."

20 (Laughter.)

21 SENATOR LONG: Now, I'm about that same way in dis-
22 cussing some of your problems. But let me say that I am one of
23 the members of the Congress that does not object at all to being
24 described as an oil senator. I come from a State that produces
25 more oil and gas than any State in the Union.

1 One time I was discussing the oil problem with Pres-
2 ident Kennedy and he made that point to me. He said, "I don't
3 know why it is that people don't seem to get upset about some
4 fellow who comes from a cotton state being regarded as a cotton
5 Senator or a fellow from a dairy state being regarded as a dairy
6 Senator or from a tobacco State being regarded as a tobacco
7 Senator. But for some reason or another if you come from an
8 oil State, to be regarded as an oil Senator has something wrong
9 about that."

10 Well, as far as I am concerned, there's nothing wrong
11 about it. I am very proud of it. I feel somewhat like a friend
12 of my mine who got one of his first good cases representing a
13 man who wanted to drill an exploratory well, a shallow well,
14 not too expensive, and he hoped that it would be a success, and
15 he decided that he would gamble on staking his fee in a share
16 in the well, that is the fee for doing the title work on this
17 property. When the thing came in he was so happy about the
18 whole matter he just charged right out into the middle of the
19 pool, just took a bath in the oil, he was so happy about the
20 matter. And I sort of feel that way representing a State like
21 Louisiana.

22 We are just as proud as we can be that we do produce
23 more oil than any State in this nation -- compared to our size.
24 Now, please keep in mind -- (laughter) -- we're not as big as
25 the State of Texas, and we don't have anything like the popula-

1 tion of the State of Texas. But if you give us credit for our
2 off-shore areas we potentially can produce more gas than the
3 whole State of Texas. Now, I am not talking about the gas that
4 politicians manufacture.

5 (Laughter)

6 SENATOR LONG: I am talking about the gas that you
7 can burn at the burner point. And we have potentially more res-
8 erve than Texas, I believe, in that regard, if you give us
9 credit for the off-shore areas.

10 I am somewhat at odds with these fellows that are al-
11 ways whipping the oil industry on the Senate Floor and else-
12 where. I feel somewhat the way you must feel in a number of res-
13 pects. I get these letters now and then from people who are
14 on the same side I am on but just keep whipping me because things
15 are not the way they like them to be -- or perhaps more so. I
16 know that there is much criticism heaped on your industry be-
17 cause of the oil depletion allowance, which is a matter that
18 these other people don't understand.

19 And I know that sometimes you wish that someone would
20 thank you for the good work that you are doing. Well, I am
21 here to thank you for the good work that you are ^dgoing. We
22 appreciate all that you are doing, because it is pretty essen-
23 tial for the economy of this country and very essential for the
24 State I represent and for the people whom I represent, as well
25 as also being very important to the nation.

1 I suppose some of you either directly or indirectly
2 had something to do with the charts that I presented on the Sen-
3 ate Floor during the tax debate specifically when the depletion
4 allowance was being discussed. Those charts demonstrated how
5 much taxes the oil industry was actually paying. It showed not
6 only what the federal taxes would be but what the State tax
7 is and also how much excise taxes this industry is paying.

8 I believe it is fair to say that if you give this in-
9 dustry credit not just for the income tax at the federal level
10 but for all the State taxes they pay I believe you would find
11 that perhaps it is the biggest tax payer in the States where it
12 is a major producer. And you would also find that it pays
13 about the industry average as far as taxes are concerned, at
14 the income and the property tax level if you give it credit for
15 what it is paying to the State as well as what it is paying to
16 the Federal Government.

17 It is true that on the Federal income tax it might
18 appear somewhat smaller but if you give it credit for the dis-
19 proportionately heavy share of taxes it pays for the support
20 of the State governments, then that industry pays about the
21 national average towards the support of government.

22 And that is not giving it credit for the excise tax.
23 Now, if you give this industry credit for the excise taxes it
24 pays I believe you would find that this industry is perhaps the
25 largest tax payer of any industry in America. Of course, that
is something that people don't want to give you credit for.

1 There is always someone that wants to whip this in-
2 dustry for some reason. I have always wondered why that could
3 be or should be. I just saw the other day where a publication
4 of the Treasury came out -- and I thought I was a friendly with
5 those people. In fact some people had the impression that that
6 tax bill wouldn't have passed if the Senator from Louisiana
7 hadn't managed that bill for them.

8 The Chairman wasn't for it. If I hadn't been for it
9 they would have had to have gone down the Committee one more
10 seat to find somebody for it and there were enough of those who
11 were for some of the amendments that would have gutted that
12 bill and made it so irresponsible that the President couldn't
13 sign it -- and we might not have had a tax cut bill.

14 And after helping these people down at Treasury with
15 that, then we go and pick up a publication that discusses vari-
16 ous things in the tax laws and it has a little diagram -- it
17 has diagrams to illustrate the problems in it.

18 Here is an old man receiving his Social Security
19 check, or something of that sort. Now, that always brings a
20 warm feeling to my heart, somebody getting his welfare check,
21 or something of that sort.

22 But then here comes a picture with a heading of
23 Depletion Allowances. Well, it has a picture of an oil well
24 and here it shows people lounging around that swimming pool
25 and a waiter carrying them some alcoholic beverages, and all

1 these people are shown living the life of Riley just because
2 of the depletion allowance.

3 Well, I addressed myself to the Secretary about that.
4 Somebody called it to my attention and I addressed myself to
5 the Secretary because it showed a bias and a prejudice and an
6 indication of the general thinking in that area.

7 And I sort of wonder why the oil industry has been
8 made a whipping boy by some of these newspapers and some of
9 these liberal columnists. And about the only explanation that
10 I could come up with would have nothing to do with your acti-
11 vities or your conduct. It seems to me it is mainly because
12 the people in the Eastern area where most of the money is -- I
13 regret to say-- and where most of the center of the news dis-
14 tribution seems to be, don't produce much oil. And I guess
15 they are kind of like everybody else in business -- anything
16 they buy they want to buy real cheap and anything they sell
17 they want to sell high. And so I suppose they would like to
18 export money to us at high interest rates on the money market
19 and export everything else they produce at the highest rate
20 they can get for it; but anything we can sell, if we make any
21 profit from it at all, they would make it seem, make it appear
22 as something that was extremely unfair.

23 As I said, I demonstrated the charts that your people
24 helped to prepare in the course of the debate, and it showed
25 that the profit for industry in manufacturing generally is higher

1 than the profit in the gas and oil industry.

2 The profit for industry and manufacturing generally
3 is higher, I repeat, than the profit for the domestic oil and
4 gas industry, which I believe tends to demonstrate there is no
5 justification for raising taxes on the oil industry and there
6 is no justification to cutting your depletion allowance. That
7 didn't keep some people from voting for it.

8 I am happy to say this, however, that in the United
9 States Senate this year when we passed the tax bill which I
10 was managing on the Floor of the Senate, those who tried to heap
11 additional taxes on you and those who tried to cut your deple-
12 tion allowances got less votes this year than they got in any
13 previous year. This is the first year that they fell off in
14 the vote they had available to them and I think that's a good
15 sign. I don't anybody should get over-confident in that mat-
16 ter, but it is a good sign because every year prior to that
17 since I have been here the people who wanted to heap additional
18 taxes on this industry were more successful than this time.

19 I as representing a producing State believe I speak
20 for those who represent all oil States in this regard, and that
21 is that those of us in the Congress particularly interested in
22 your industry are especially in terested in the domestic phases
23 of the industry, because that is the part that gives employment
24 to our people and means revenue to our State governments, and
25 it is essential to our economy.

1 Now, we recognize the need of oil importations, and
2 we know that if we don't go overseas to produce that oil, some-
3 one else is going to do it. It is essential to the economy of
4 the country and we are well aware of the fact that there is a
5 tremendous net income from overseas operations that come in from
6 oil. But we would like you fellows that produce oil overseas
7 to realize this, that when problems come up with regard to your
8 tax credit overseas or even your depletion allowance overseas,
9 or the special tax treatment to your employees that you have
10 overseas, the fellows you are going to rely upon to protect
11 your activities in that respect are the same people who are in-
12 terested in the domestic production of oil here.

13 And the people who go in -- for example, Senator Gore
14 put an amendment on the tax bill that would greatly impede your
15 operations overseas by increasing taxes on anybody that you send
16 over there. And that amendment received support by a lot of
17 persons that didn't really understand the situation, didn't
18 understand what the problem was, but these would have created
19 all sorts of problems for you to try to find someone who doesn't
20 want to go and coax the man to go over there and manage your
21 business in foreign countries.

22 Senator Williams was successful in getting an amendment
23 put on the bill that would have increased taxes by about \$40
24 million on overseas operations by denying oil companies the
25 full use of their tax credit. Now, let me say that that amend-

1 ment went on the bill at a time when the Senator from Louisiana
2 was not in the committee room. I received a letter from some
3 fellow a while back who wasn't pleased with my activities and
4 was accusing me of being an ineffectual Senator. What he was
5 mad about was something I succeeded in doing, in fact I suspect
6 at this point he would think I was altogether too effective.

7 But this is one of those situations, I would like you
8 to know, where I had to go down to the White House for a cere-
9 mony that had been arranged a month in advance affecting my
10 State -- and this shows one of the ways that the Senator from
11 Louisiana is looking after you folks -- and during the half hour
12 that I was out of that committee room is when they put that \$40
13 million on it. And when I got back in the room, I managed to
14 water that amendment back down by about \$30 million and incon-
15 ference we dropped it altogether.

16 But on that amendment and on the Gore amendment we
17 were successful in completely eliminating one of them in con-
18 ference and paring the other one down to where it did you no
19 serious injury, and in both instances the strong man on the jury
20 on both sides of that committee table representing the United
21 States Senate and representing the House of Representatives in
22 the conference between those two Houses on the tax bill, the
23 strong man on the jury in both sides as far as you are concerned
24 was someone that comes from a State that produces a lot of dom-
25 estic oil. And I believe your industry would make a great mis-

1 take not to realize that; that as far as the government is
2 concerned, as far as the fair treatment you are entitled to ex-
3 pect from your government is concerned, the people who will be
4 your advocates are people who are very much interested in dom-
5 estic oil. Now, whether you are a domestic producer or are
6 interested primarily in overseas -- and I am happy that at this
7 time most of the oil producers who produce overseas do have
8 very substantial domestic holdings here -- so it is very much
9 to your advantage to have a very healthy domestic industry
10 and do everything within your power to cooperate to that end.

11 I believe you are doing that. Most of you know this,
12 but sometime ago under the Kennedy Administration a lot of these
13 essential problems and particularly those that had to do with
14 the oil industry were decided in the White House. The President
15 wanted it that way.

16 Now, under President Johnson it is going to be more
17 the other way around, it is going to be decided here, and I be-
18 lieve that will work out very well, because unless I misjudge
19 President Johnson's intentions, and I don't think I do, it is
20 his desire that these problems should be considered at the de-
21 partment level, by someone who will understand the problems
22 and will have reasonable sympathy for your problems -- under-
23 stand them and sympathize with your problems.

24 Now, I have seen some Senators take the Floor, and I
25 have in mind some that I could name to you, and want to speak

1 as long as 24 hours in protest against the appointment of someone
2 who might be sympathetic to the problems of the oil and gas
3 industry, insofar as oil and gas problems were concerned.

4 But I wonder if that same Senator would have the same
5 attitude if one of our oil and gas people was just as protesting
6 against one of his dairy people. My guess is that if we were
7 to be as unsympathetic against one of his dairy people, that
8 that Senator would be quickly complaining about it and protest-
9 ing against it, saying that it was tyranny.

10 One of the old-timer doorkeepers of the Senate tells
11 me he can recall the days of young Bob LaFollette, who was one
12 of the flaming liberals of Congress. I have the highest admir-
13 ation for Senator LaFollette, and I wouldn't speak about him
14 otherwise, and I think he was one of our really great Senators.
15 But he was a great liberal as long as it came to talking about
16 the other fellow's business. But when it got down to talking
17 about the economy of the dairy farmer in the State of Wisconsin
18 he was just about as conservative as anybody in that body. And
19 I think that the same thing is true of the other great liberals
20 about somebody else's business, I think they get very conserva-
21 tive when it gets down to their own particular interests.

22 Now, we have in our State a lot of natural gas and
23 we have fought for many years to try to give our gas producers
24 the right to sell on a competitive basis. This Senator is the
25 chairman of a subcommittee on monopoly. It is a subcommittee of

1 Small Business. And the thing that I have fought for has been
2 the right of everybody to compete on equal terms so as to get
3 his fair share of the market, and to try to prevent monopolistic
4 practices and techniques from being used to cut out competition.

5 Now, oddly enough, as far as I can determine, our
6 people producing gas are about the only part of this entire
7 economy that is just fighting and begging and pleading to sell
8 its commodity on the market in competition with all commerce
9 at the going market price, and if we cannot sell a better prod-
10 uct at a cheaper price then we don't expect to get any business.
11 So far as I know this is the only commodity in America where
12 someone has something to produce and has something for sale who
13 has someone standing in his way saying, "Oh, no, we won't let
14 you sell it at the price," a price which is better than the
15 public can get anything else for -- "We won't let you sell it
16 unless we have the right to run your business for you, and make
17 you sell it at a price below what both the producer and the
18 consumer are willing to agree upon as a fair market price and
19 a better price than what the consumer expects to pay for what
20 he is getting now."

21 Now, we are going to continue to do whatever we can
22 about that battle. So far we have had very little success and
23 sometimes I think maybe it is because our statutes are not
24 what they ought to be -- and I think I have a right to speak
25 towards that, because I am a legislator, that is my business,

1 and I do hope that some day we get this Federal Power Commission
2 business worked out to the extent that it will both help the
3 pipelines who render that service by affording them the kind of
4 profit that will -- that they are entitled to make in competi-
5 tion with others who are not similarly regulated, and also
6 permit the gas producers to sell their products freely in com-
7 petition with others. IDW

8 The kind of economics that I have seen advocated in
9 the case of gas producers is some of the most ridiculous that
10 I have ever seen, some of the most ludicrous. Some would want
11 to argue, for instance, that a gas producer would sell gas in
12 interstate commerce for a cheaper price than he could get in
13 the State right where he is producing gas -- it would be rid-
14 iculous for him to do it. And of course a gas producer would
15 want to hold his gas until he can sell it for what he considers
16 to be a fair price for it. And the national interest requires
17 that we let him set up a fair price as soon as that is possible.

18 Now, those of you who may have some connection with
19 pipelines know that we were able to make some headways in get-
20 ting consideration for the pipelines in this last tax bill.
21 We passed a tax credit about two years ago, and in this bill
22 we repealed what was called the Long Amendment. Now, that was
23 my amendment to the tax bill. Some of you may wonder why the
24 Long Amendment -- may wonder why the Senator Long from Louisi-
25 ana would support the repeal of the Long Amendment on this year's

1 tax bill, when that was the largest amendment on the previous
2 tax bill.

3 The reason I did it is because I had offered the
4 amendment two years ago for a reason which no longer existed.
5 I offered that amendment two years ago because this Senator had
6 moved to strike out of President Kennedy's tax bill of two
7 years ago practically all of the tax increases that were pro-
8 posed to recoup revenues and I was trying to find some way to
9 reduce the extent of the tax cut when it became law--the in-
10 vestment credit -- and when they brought this bill up, it was
11 obviously a tax reduction bill and the biggest tax reduction
12 in this country or, for that matter, it was the biggest revenue
13 bill in the history of the country, either the up side or the
14 down side of it -- a calculated revenue loss of about 11.5
15 billion as it was finally passed, and this was offered to
16 provide incentive, to offer business incentive to expand, to
17 provide better service, provide more jobs, and to increase
18 efficiency, and it asked for support on that basis.

19 And this Senator spoke for the repeal of the Long
20 Amendment, so Long was the leader in the defeat of the Long
21 Amendment when it came off the statute books. Senator Proxmire
22 wanted to keep it on the books and I proposed at that time that
23 if he was successful in saving the baby from the burning build-
24 ing we ought to name it after Proxmire, because he was the
25 proper father of it from that point forward.

1 Now, all of that was just to put this in its proper
2 perspective. And coming back to our pipelines, our pipelines
3 are competitive with other industries. They have to compete
4 with the railroads. They have to compete with the airlines,
5 in some respects. They have to compete with the trucking lines,
6 with all of these transportation carriers, they are competitive
7 one against the other, and the pipelines particularly are com-
8 petitive against the tanker fleets which are not regulation to a
9 so-called fair return on their investment.

10 And in view of the fact they are competitive they
11 have to make a profit that would compare with those with whom
12 they are competing, and so they should be permitted to the full
13 advantage of equal tax credit on their new investments, and
14 should be permitted to keep it rather than have the Federal
15 Power Commission take it away from them. And that was the posi-
16 tion that prevailed, and it was not too easy to make that posi-
17 tion prevail. We won by about three votes on that one. And in
18 my judgment that was about the toughest single fight that I
19 had to carry out on the Senate Floor with regard to the tax bill.
20 But it was right.

21 Now, some people don't concede this. To me it seems
22 fair, to recognize that whatever you might regard as a fair re-
23 turn on investment at a time when manufacturing and the oil
24 industry are making a fairly low profit, is not a fair return
25 when the general profitability of all industry goes up.

1 In other words, what might be regarded as a 5 percent
2 return or 6 percent return, that it might be a fair rate of
3 return for industry, if the average for industry is 7 or 8
4 percent. But if the average return for industry goes up to 10
5 percent then it is not fair to say that 5 percent would be a
6 fair return, it should be nearer the 10 percent, as near as
7 the competitive nature of industry can make it, and as between
8 industries all of which are competitive and have to compete
9 for the customer and which are not locked in monopolies in that
10 respect, then the rate of return for the regulated carriers
11 who are not guaranteed a monopoly, should be permitted to go
12 as high as those that are not regulated with a certificate of
13 convenience and necessity.

14 I am hoping that one of these days the Federal Power
15 Commission comes to recognize that point. They have not so
16 far. But by statute we have made some headway in that direction
17 and I am hopeful that we can go further along that line, if it
18 has to be done.

19 Mr. Secretary, we think you are going a great job.
20 We think that you have at heart the interests of industry and
21 that you are doing your best for it. But I just want to say to
22 you and to your very capable assistants, Mr. Kelly and others,
23 that I hope you won't ever expect us to be satisfied. The very
24 fact that you have us up here means that you want us to make
25 some suggestions as to how we think the problems should be

1 handles^d. And we would like to continue to make those sugges-
2 tions. And let me say that I am going to make them whether you
3 invite them or not, as far as this Senator is concerned.

4 (Laughter)

5 SENATOR LONG: We think you have done a fine job in
6 handling these oil imports and we hope you will continue doing
7 a good job. This Senator speaks as one from a producing State
8 and we would like to see you have a firm control particularly
9 on those Canadian and Mexican imports, and we would like to see
10 a program spelled out so anybody could read the rule book and
11 see if it is being done deliberately or not, and we think you
12 have made long strides in that direction.

13 And as representing the domestic producers of a very
14 large oil producing State I hope very much that you will pro-
15 ceed along that line, and that you won't be afraid to do what
16 every other country does, and that is to look after its own in-
17 terests. All other peoples do it and they are not ashamed of
18 it, and I don't think we should be afraid to do it.

19 Over a period of time more and more of these people
20 are recognizing the need to protect the essentials of certain
21 domestic industries.

22 Some years ago I addressed a cotton association. Back
23 at that time oil was one of the few commodities that was pro-
24 duced in this country with regard to which there were large
25 amounts of imports, and nobody was very sympathetic to our prob-

1 lem. Since that time we have had worlds of people moving in
2 our direction. The textile people have their problems. Then
3 the automobile people came up with their problems. Then the
4 glass people had some problems and various others.

5 And now we are conducting hearings that I am playing
6 hookie from at this moment to be at your meeting, having to do
7 with beef. Our beef fellows are having problems. And all of
8 them are having problems in that respect, and so my guess is
9 that we will be having more of a sympathetic understanding of
10 the needs of industry to stay in business and that they will
11 help to promote others so that they can stay in business them-
12 selves.

13 I don't think we need to have their help very much
14 in order to have the legislative power to protect our inter-
15 ests in the Senate but we will work with them if they will
16 work with us. That is the only way I can see to handle this
17 trade problem, especially when America has helped people to
18 get efficient in producing oil and producing textiles and pro-
19 ducing almost any commodity that they produce, automobiles or
20 anything else.

21 And if we are going to go over and show them how to
22 do it, and take them our best machinery and our best managerial
23 talent and teach them our latest methods and make them more
24 efficient producers and low cost producers compared to us --in
25 many instances because of their having cheaper-priced labor --

1 then we are going to have to protect ourselves, we are going to
2 have to protect our own industry, we can't crucify it because
3 we have called upon it to help somebody else become efficient
4 producers. And the only way I can see to do it is to provide
5 by law some way so that we can accept a reasonable amount of
6 imports, which we have in this industry, and give firm protect-
7 ion to the industry beyond that point.

8 Let me say it is a pleasure to be here and I appreci-
9 ate the invitation, Mr. Secretary. I think you have done a great
10 job for us, as I have said, and we are pleased that the Presi-
11 dent has given you additional powers and placed upon you addi-
12 tional responsibilities. I know he has done it because he told
13 me he has done it, and we believe that our problems are in good
14 hands, and we appreciate very much what you are doing for us --
15 but please don't expect us not to ask more of you, because we
16 think you realize our problems and we think you understand our
17 industry and certainly we are going to continue to call upon
18 you, and we hope that you will continue to do what you have been
19 doing, and that is let our people advise you from time to time
20 as to what they think can be done. Thank you so much.

21 (Applause)

22 CHAIRMAN FOLLIS: Thank you very much, Senator Long,
23 we very much appreciate it.

24 Our next speaker is our co-chairman, Secretary of the
25 Interior Stewart L. Udall.

1 Mr. Secretary, before I ask you to come to the micro-
2 phone I would like also to refer to the Presidential mandate
3 which you received with respect to clarification or strengthen-
4 ing of your authority with respect to the oil industry. I
5 might say, having fought two wars under the administration of
6 the Department of the Interior, I don't think any oil man really
7 requires any strengthening or clarification on his part as to
8 the status of the Department of the Interior in relation to oil
9 affairs. I think we have always felt we can look to you as our
10 very good helper.

11 However, I am glad that we have this ^{clarification} ~~codification~~
12 and I wish to assure you that it is most welcomed by the oil
13 industry. We feel we have a very important, very complex,
14 and a very sensitive industry which involves many factors which
15 are not too easily understood. And with the knowledgeability
16 and understanding of the Department of the Interior and of your-
17 self, knowing that, it is a great source of comfort to all of
18 us and a great ground for confidence and of assurance. So we
19 are all very happy that this thing has come about.

20 And now may I introduce -- of course, I don't have to
21 introduce our co-chairman, the Honorable Stewart Udall.

22 (Applause)

23 SECRETARY UDALL: Thank you very much, Mr. Chairman.
24 And I want to thank Senator Long for coming down. I said to
25 him that he is always straightforward and he always says what

1 he thinks, and he certainly spoke just like I expected Senator
2 Long of Louisiana to speak, he said right out what his views
3 were, and I hope that this did afford him a little opportunity
4 to get warmed up for the day up on the Hill -- I don't know
5 whether this is your day to speak or not, Russell, but we are
6 glad to have had you here, to get your inside views on some
7 of the important matters that have been before the Congress in
8 recent weeks.

9 I must say with regard to our new responsibilities
10 -- I am sure, John, you will agree with me -- I don't find less
11 work on my desk, I don't find any less criticism, I don't find
12 life easier. But we are here to do a job and take whatever
13 responsibilities or criticisms and occasional praise that comes
14 our way. Life certainly has become more interesting for us.
15 As a matter of fact, I think I should tell you about our trav-
16 els last week in Venezuela. You may have heard some reports
17 but I want to give you the full story. I don't know how many
18 of you have had an experience quite like this, but I think
19 Secretary Kelly and Cordell Moore and I have a few more gray
20 hairs that we didn't have.

21 We went down to Caracas to represent the President at
22 the inauguration of the new president of Venezuela. Incident-
23 ally, I know that those of you who are familiar with that country,
24 have ties with that country, realize the significance of it.
25 It is the first time in nearly 140 years since Bolivar founded

1 the Republic of Venezuela that any president who was ever elec-
2 ted in a free election finished out his ^{term} ~~turn~~ and transferred
3 power over to his successor and, of course, in terms of military
4 juntas, military dictators, this country has some of the worst
5 in times past, and some of the biggest coups -- and I think
6 this is a great accomplishment, very great, and I think we
7 ought to recognize the significance of it, in this country.
8 We all know, for example, our great neighbor in the south,
9 Mexico, that their real progress began when they got political
10 stability. They had their own formula for achieving it. And
11 in Venezuela I think they have reached the point of maturity
12 there, although they are still on a high wire, and a new dic-
13 tator may come and knock a government off -- but I think that
14 this has been a tremendous achievement, and I took some pride
15 in the fact that the American companies that are in Venezuela
16 have established very good relationship, stable relationships
17 with the government, I think they have been a stabilizing influ-
18 ence, in recent years, in helping them work their way toward
19 democracy.

20 But I was going to tell you about our adventures.
21 We went down a week ago Tuesday, I guess it was, to see the
22 Maracaibo oilfields and since we didn't feel we should fly a
23 plane of the American oil companies, we were sent down a DC-3
24 of President Betancour's with a couple of pilots.

25 And as the pilot or copilot got on he brought a Bible

1 with him and set it down on the table, and we kind of looked
2 at one another and wondered whether this was the normal pro-
3 cedure, part of the normal equipment in Latin America in fly-
4 ing aircraft.

5 And after we flew down from Caracas, about an hour
6 and a half, two hours' flight and circled around, we looked at
7 some of the fields from the air and finally landed at what
8 appeared to be a very small field because the plane came to kind
9 of a screeching stop and there were cattle on the runway. And
10 we got out expecting to be greeted by dignitaries and so on.
11 But the man who came out of the only building that was there,
12 looked as though to say, "Well, who are you and what are you
13 doing here," and it turned out that it was the wrong field and
14 so we got back into the plane.

15 And we observed that when we left the runway we just
16 rushed over a fence at the end of the runway and then we got
17 back in the air and there was a very bad haze which caused
18 problems, but also it turned out that the people up front didn't
19 have the right maps -- (laughter) -- which seemed to have some
20 effect on things, and a half hour went by, forty-five minutes,
21 an hour, and we were still circling back and forth and around
22 and continuing to find out where we were, and it turned out
23 later that we had no radio contact with the ground -- (laughter)
24 -- and finally, in about an hour and fifteen minutes someone
25 came back from the cockpit and picked up the Bible and took it

1 up front -- (laughter).

2 At that point, I must say, we were beginning to be
3 a little uneasy as to what was going on, whether it was a reli-
4 gious revival meeting or just what was taking place. And soon
5 after that we landed in another field. And it turned out we
6 weren't welcome there, either. There was no welcoming committee.
7 It was the wrong field. And at that point we got up our nerve,
8 and we -- the Venezuelan minister, my counterpart, was there,
9 and some of his people, and John Kelly was asking what the
10 reason was for taking the Bible up front, he was beginning to
11 want to get the facts, want to know what was going on, and he
12 said, well, the pilot, since they didn't have the right maps,
13 he felt they ought to have the Bible up front. And he said,
14 "Well, what does he do with it?" And he said, "I read him
15 a psalm."

16 And so we managed to carry on our mission, although
17 it was abbreviated and the final touch on it, though, was that
18 we got back to Caracas and I was telling the Ambassador about
19 all of our adventures; as a matter of fact, the pilot of one of
20 the other planes, when we told him the name of the field where
21 we first landed, he said, "Well, it can't be that field because
22 a DC-3 won't get off that field." (Laughter)

23 And when I got back to Caracas and was telling the
24 Ambassador about our adventures, I said, "Really, I am worried
25 now, but I wasn't worried then because after all we had the plane

1 of the president of the country and we had his own pilot and
2 I felt very safe about it all along." And I said I wasn't dis-
3 turbed. And he said, "Well, I think I should tell you that Pres-
4 ident Betancour doesn't trust aircraft and he doesn't fly except
5 when he has to." (Laughter)

6 And so life does have its interesting moments and
7 I hope that you people when you go down to Maracaibo have a
8 little easier time of it than we had.

9 But in a more serious vein, I would like to say that
10 we are aware of the importance of the new responsibilities we
11 have with regard to petroleum policies. But I want to make one
12 point very clear about this because the thing that he said to
13 me and the thing that he said to the press and to the country
14 was that he wanted to have the pattern followed as it was in
15 Franklin D. Roosevelt's Administration when Harold L. Ickes
16 was Secretary -- in other words, that Interior was recognized
17 as the primary department of the government where the policy
18 decisions would be made. This was the statement that was made
19 and this is the way it should be understood.

20 We were not told that we were to disregard this
21 country's responsibilities to other nations. We were to take
22 into account policy considerations with regard to American
23 foreign policy or our relations with neighbor countries or
24 other countries, because after all in any decision-making proc-
25 ess we have to work with other departments, we have to listen

1 to the State Department people and we do. We have to take into
2 account considerations of policy by other departments, by the
3 Department of Commerce, and we have to go through the process
4 of listening to all who want to be heard on policy-making
5 matters, and I think it is very important that this be under-
6 stood.

7 This is one of the reasons why we have had increasing
8 conversations with representatives of such countries as Canada
9 -- I have gotten on very close terms with ministers, for example,
10 in recent months, of Canada, Venezuela, who handle petroleum
11 matters, and other officials from other countries I have gotten
12 acquainted with.

13 My point is that we must in making policy take into
14 account all facets of the problems that come before us and try
15 to make policy which makes sense not only in terms of domestic
16 industry but in terms of the national interest and I think
17 this national interest test is the thing that should be stressed
18 and emphasized, and I hope that none of you would want it other-
19 wise, because we have to have policies that will enable our
20 country to remain strong, and to make its own contributions in
21 all parts of the world with regard to world stability.

22 I should like to say the more I get acquainted with
23 this industry, the deeper I get into its problems and contribu-
24 tions, and go to a country like Venezuela, for example, I think
25 that more than any of us has realized the petroleum industry in

1 this country for the past 20 or 30 years because of its venture-
2 someness, because of basically American venture capital, that in
3 terms of the export of technology and know-how to all of these
4 parts of the world where there have been significant discoveries,
5 that this has been a tremendous contribution in terms of econ-
6 omic development. No one can describe it as a foreign-aid
7 program, but in many of its aspects it has been very extremely
8 successful as a program involving the investment of capital,
9 of investment, of skilled people and, of course, increasingly
10 and in all parts of the world the governments of these countries
11 that have rich petroleum deposits, as they become more stable,
12 as they acquire skilled technicians of their own, and with their
13 own hard bargaining, they are able to look out for their own
14 interests -- and this is as everyone would want it.

15 But it is apparently one of the very significant con-
16 tributions that this country has made in the last few decades,
17 in the area of the economical development of the world, and it
18 is because of the fact that we have been venturesome enough to
19 go into some of the far-away places, undeveloped places of the
20 world and help them develop their resources and make this kind of
21 contribution, and I think it is something that the industry ought
22 to take a great deal of satisfaction in. And I wonder sometimes
23 if this side of the story has been told enough.

24 But this Department not only has responsibility in
25 regard to our international activities, our oil imports -- and

1 this is not an easy program to administer, as all of you know.
2 In some of its aspects we have to have a great deal of volun-
3 tary cooperation from the industry. We have gotten it in the
4 main. We have tough problems, have had them in the past and we
5 have some tough ones coming up. I just want to appeal to all
6 of you to help us make the program work -- because we can't
7 make it work on our own. I can assure you of that. Here we
8 have to have your cooperation, we have to have guidance. We
9 have had a few bumpy places on the road and with the help of
10 some of you we have gotten around them, and I hope we continue
11 to proceed in this way.

12 One of our other major responsibilities, of course,
13 one that this Department has an extreme interest in, is that
14 of oil and gas conservation. That is also intimately related
15 in our opinion to the public welfare on broad grounds because
16 upon the prudent development and use of our resources depends
17 to a large degree the long-term future of our country. So we
18 intend in discharging this responsibility to speak out from
19 time to time, to try to exercise leadership, try to exercise
20 moral persuasion where that is necessary. And I think you all
21 have noted a few days ago the position we took and what we
22 attempted to do with regard to the new oil fields in Ohio.

23 We found when we sent our people out to look at it,
24 conditions that were reminiscent of the conditions that prevailed
25 in the oil industry in the days when our knowledge of reservoir

1 conditions was only rudimentary. And I took some pride and
2 satisfaction in Venezuela to find that there, again under the
3 working with and cooperation of the government that the American
4 companies that were there and the international companies that
5 were there, that conservation practices are at a very high
6 level, and this is as it should be. We should go into other
7 countries and help them extract their resources under no stand-
8 ards and conditions that are less than we would use in trying
9 to maximize the recovery of petroleum in our own country.

10 The reason we became concerned about the practices
11 ^{was} in the new Ohio field/from the standpoint of conservation of
12 this very vital resource. We are aware of the fact that the
13 primary responsibility under our governmental system rests with
14 the States and our attempt was to alert the governor, to alert
15 public opinion, and to alert opinion in the industry itself
16 so that we could bring to bear public opinion and public
17 pressure to help encourage the type of practices that are now
18 pretty well standard in this industry.

19 We feel an obligation to encourage in every practical
20 way the taking of measures to bring about an adjustment in prac-
21 tice to conform with current advanced knowledge of geology and
22 productive energy as it applies to oil and gas reservoirs.
23 It has been most heartening to me to know that much progress
24 is being made due to the active intervention of the Governor
25 whose response was very positive and very constructive, and of

1 other responsible officials of the State of Ohio and members of
2 the industry, and particularly the members of the Ohio Oil and
3 Gas Association.

4 And so I think this is an example of the kind of thing
5 we intend to do. I should like to encourage any comments or
6 suggestions that you in the industry may have as to how we
7 discharge our responsibility in this field. I think there is
8 a national interest and that we should speak up for that na-
9 tional interest, we who have the final responsibility in this
10 Department for this great resource, to see to it that it is
11 used wisely and to see to it that practices are followed that
12 enable the people of this country to achieve the maximum poten-
13 tial of the resources of this country, and especially of a
14 resource of this kind.

15 Let me say one other thing too that is on my mind
16 in regard to the petroleum industry. I know that any industry
17 that is alert is concerned about its public image and certainly
18 the oil industry has to be very much concerned with public
19 opinion in this country. And I can think of nothing that can
20 do more to encourage favorable opinion with regard to this in-
21 dustry or any other industry as to have it take a broad and
22 constructive and active interest in all of our resource prob-
23 lems.

24 I was delighted and I said to Frank Ikard the other
25 day to see some of the booklets that the API has been producing

1 with regard to other resources because the thing that we find
2 in this Department that has been quite an education to me during
3 the past three years -- and I have spent a lot of time that I
4 really didn't have to spend working on a book which I tried to
5 express some of this in -- that more and more in the type of
6 complex society that we have, with advanced technology, our
7 ability to do so many things with resources, that all of our
8 resource problems overlap, and I think those leaders of any
9 segment of industry, any industry related to natural resources,
10 are going to do more to help the country and do more to help
11 themselves if they take an interest in the overall picture
12 because each of our industries not only is concerned on the
13 one hand with the extracting of its resource and on the other
14 hand of using a resource such as water, but all these resources
15 are related and our total national strength and particularly
16 what happens in the future will be determined in the main by
17 the type of practices that we establish and adopt in conserva-
18 tion of all of these resources.

19 So the fact that some of the companies -- most of the
20 companies -- and I am taking time out to praise some of the
21 things that Sinclair, Richfield and others have done with re-
22 gard to carrying on conservation cam paigns, educational cam-
23 paigns that concern wildlife and outdoor recreation and fish
24 resources and so on. You can and are making a significant con-
25 tribution.

1 And I cannot think of anything that will do more to
2 make the American people realize and take a sympathetic view
3 towards the problems of and the contributions of this industry
4 or any other industry than for this to be deepened and broad-
5 ened and I think the more that this industry is one which the
6 country feels is concerned with our total conservation problem
7 in this country, why, the more you will find a sympathetic
8 public opinion with regard to your major problems.

9 Let us turn now to the work that faces us today.
10 I am informed that the committee under the chairmanship of
11 Ed Warren has brought up to date and completed the task of
12 bringing up to date our knowledge of the petroleum position
13 of the Soviet Bloc and what we may anticipate with regard to
14 plans of petroleum export to the free world in the next few
15 years. In view of the important changes recently indicated
16 in the Soviet's targets for oil, I feel that your committee's
17 analysis and judgment will make a forcible contribution to
18 this government's appraisal of one aspect of an important
19 world energy picture.

20 In the vital field of planning in oil and gas on
21 possible nuclear attack, I know that two subcommittees worked
22 under Mr. Nickerson's committee and have labored long and ef-
23 fectively to improve the government's position in pioneering
24 in this field of activity. One of the committee's reports
25 has suggested model plans for company operations post-attack

1 for guidance of management of meeting related plant security
2 problems in oil and gas, and these will be submitted today in
3 final form for your approval.

4 The other phase of the study from the government
5 standpoint involves a very broad range of problems both opera-
6 ting and administrative to be diligently pursued and they will
7 we hope be ready for submission in a few more months.

8 I wish to emphasize in particular our appreciation
9 for this major effort on the part of your industry to advance
10 the very vital security planning of our government. As you know,
11 this is not only a new type of study but a very difficult one,
12 and also one in which values can be gained by the industry as
13 well as by government. Many of the technical experts who pro-
14 duce these reports inevitably will acquire a comprehensive know-
15 ledge of the problems involved from the government point of
16 view, as well as that of the industry, and hence their qualif-
17 ications to effectively operate in dire emergency, should that
18 become necessary, will be greatly increased. And in other words,
19 we are building a core of people who are doing thinking and who
20 have some experience in this area and so there we have a res-
21 erve to call on in much the same way as some of our military
22 resources, such as the National Guard or Ready Reserve.

23 This is the type of value that makes the dedicated
24 efforts of the industry in collaboration with the government
25 so unique and rewarding.

1 Turning now to the future, your Agenda Committee I
2 understand has received for review yesterday several re-
3 quests for new surveys and studies that may place upon you a
4 heavy load of action for the coming months. These requests re-
5 late to new appraisals of our crude oil resources in the United
6 States, from the standpoint of total oil in place, and a new
7 measurement of the productive capacity for petroleum and natural
8 gas. This will be tremendously helpful in our planning for our
9 future needs. Planning is going to be the essence of our efforts
10 properly to resolve the many problems that all of us see coming
11 up in the future.

12 These studies and a preliminary consideration of the
13 problem of fuels convertibility will provide a broad range of
14 valued information. I sincerely hope that you will find it
15 possible to undertake this program, and let me say in this con-
16 nection that we are hoping within coming weeks to move on into
17 a new phase with regard to helping work out policy guidelines
18 and to identify problems in the field of the great oil shale
19 resource which as John Kelly described is the ultimate Persian
20 Gulf of the United States.

21 There are a lot of tough policy problems. We are try-
22 ing with the help of people inside and outside the industry to
23 identify them. And of course we want to see to it that what-
24 ever policies are worked out that they are policies that make
25 sense in terms of the future and that make sense in terms of

Phone: (Area 202) 628-4266

WARD & PAUL

917 G St., N. W., Washington 1, D. C.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

the orderly operation of our full energy industry.

Just as we benefit through the increased understanding of problems beyond our own nation, so do we also gain from an understanding of the new issues with which this country and with which this industry are confronted. A few years ago we broke new ground in initiating the Soviet oil study, and we may need to make other landmark studies in the future.

I would just like to say in closing that although I had thought that I had waded out pretty far and was pretty deeply involved in petroleum policy matters, certainly in the last few months I find more and more problems on my desk and more and more of my time devoted to the problems of the petroleum industry in this country and to government's responsibilities in this field.

And I do want all of you feel we have tried to have an open-door policy in our Department with all of the people of industry, any industry that affects the Interior Department. And we had in recent months a visit of delegations representing various associations. And any time a group of people or individuals have constructive suggestions to make, well, we will not only read your letters or meet with delegations or meet with individuals, but it is our effort to run an intelligent, alert and, we hope, open-minded Department in all of its responsibilities.

And I hope that you will find in the coming months

↑
↓
Repeating P. 39

1 that we will do just that.

2 I would also like to say that I expect to expend what-
3 ever time is necessary in terms of the Council and its work and
4 in terms of our other responsibilities to see that we do the
5 most effective job possible. And I thank you again for being
6 here today and thank you again for all your past help.

7 (Applause.)

8 CHAIRMAN FOLIS: Thank you, Mr. Secretary. Mr. Maj-
9 uski.

10 MR. MAJUSKI: Mr. Chairman, I would like to say that
11 after having reached the ripe age of three score ten and plus,
12 that I have had about two and a half pages of material written
13 here, but after listening to Senator Long telling us what a hell
14 of a bunch of guys we are, and after listening to Secretary
15 Udell's report of his trip to Venezuela and getting lost and
16 all that, I think that -- I have been in this oil racket since
17 1909, and sometimes I feel I am lost in it. I feel lost some-
18 times, in spite of my lifelong experience with it.

19 It is my privilege to pay Secretary Udall a tribute
20 for his recent forthright statement about the milkman's attack
21 from the Senate, the Senator of Wisconsin on the people that
22 serve the government.

23 Now, I am in favor of people knowing what they are
24 doing but his objection is to people who on weekends -- now,
25 I can't answer him on weekends because I go to church. But

1 I want to take this opportunity to say that Secretary Udell
2 revives my faith in Washington, and it is my privilege to say
3 that I appreciate the Secretary having the courage -- in Illinois
4 we say the guts -- to defend the men he hires to help him. And
5 he is wise also in getting people who are experienced in the
6 work they are supposed to do in the Secretary of Interior's
7 office.

8 So I congratulate and thank you, Mr. Udall, for your
9 courage. And let me thank you for defending the men you hired,
10 Mr. Secretary, and the courage to do it, and you do it beauti-
11 fully. And also to thank you for what you said just now. You
12 have spoken wisely and thoughtfully and we are glad to be in
13 the hands of one such as you. You are doing a terrifically
14 good job and we have faith in you.

15 (Applause)

16 CHAIRMAN FOLLIS: Thank you. Now we have the Assist-
17 ant Secretary of Interior for Mineral Resources, John Kelly
18 who, as you all know is directly responsible for our affairs and
19 with whom we associate so much -- and certainly he requires no
20 introduction.

21 MR. KELLY: Barney, all I can say is thank God it is
22 St. Joseph's Day and not St. Patrick's Day. If this meeting was
23 held two days ago I am afraid the Irish part of Majewski would
24 really have taken over. (Laughter and applause)

25 Mr. Chairman, the Secretary has given the Department's

1 message, and also the thanks to the industry for the help that
2 the industry has given us in the Department, especially the
3 Office of Oil and Gas who work closely with the personnel of
4 the National Petroleum Council.

5 I only would like to add my thanks to the Secretary's
6 and also, Mr. Chairman, to thank the other departments of gov-
7 ernment that also work with us. They have representatives here
8 present at our meeting here today.

9 So that all may know, in the Department of the Inter-
10 ior we of course have the Office of Oil and Gas which office
11 works the closest with the Council; also the Bureau of Mines,
12 Geological Survey, Bureau of Land Management, the Office of
13 Coal Research -- believe it or not -- and the Department also has
14 the Oil Import Administration and the Oil Imports Appeals Board.
15 These are all represented here today with us.

16 From the other departments, the Department of Defense,
17 one of the largest customers of petroleum products, is very ably
18 represented and I think we will hear from the senior officer
19 later on in the program.

20 We also have people from the Office of Emergency
21 Planning, the Department of State, the Agency for International
22 Development, the Department of Commerce, the Federal Power Com-
23 mission. One of our old friends, Larry O'Connor, I think is
24 here with us. The Department of Justice, the Department of the
25 Treasury, the Maritime Administration, the Atomic Energy Com-

1 mission, the Central Intelligence Agency, and the Agriculture
2 Department.

3 And then from up on the Hill we have staff members
4 from the various congressional committees that are interested
5 in the problems of oil and also the problems of national def-
6 ense. And, Mr. Chairman, I wish to thank all these people from
7 the different agencies and from the Hill for their fine con-
8 tribution and help when we call upon them in trying to work
9 out the chores that the Interior Department has, and also in
10 conjunction with the studies that are made by the National Petri-
11 eum Council. Thank you, gentlemen.

12 (Applause)

13 CHAIRMAN FOLLIS: Now we will hear from the Committee
14 on Impact of Oil Exports from the Soviet Bloc, J. Ed. Warren
15 being the Chairman. Mr. Warren.

16 MR. WARREN: Mr. Chairman, Secretary Udall, S^{enator}
17 Long, gentlemen:

18 As you all know, this assignment of this particular
19 study was an up-dating and reappraisal study of the report that
20 was made in 1962 to the Council. I might review with you just
21 briefly some of the things that went into that original report.

22 The Committee after considerable deliberation in
23 outlining the procedures and guidelines for the report came up
24 with that the committee should get into this in as exhaustive
25 a fashion as possible and that it should be objective, res-

1 possible and reliable, and to make the greatest contribution
2 to the government on that basis.

3 Essentially the problem resolves itself into two
4 sections. One of them: What volume of exports would be avail-
5 able above the needs of the Soviet economy to go out into free
6 world competition; and secondly and very important, that volume
7 that went out, how was it used?

8 The objective in many cases, as we all know, has been
9 for political purposes and not to achieve commercial ends. So
10 addressing myself to the first part of this problem, it meant
11 that a very exhaustive and intensive survey had to be made of
12 the capability of Russia to produce oil, to refine it, trans-
13 port it, and also looking at their own requirements, to look
14 at the whole energy picture.

15 In order to do this a subcommittee was appointed
16 with people that had technical proficiency in all areas of
17 petroleum, refinery experts, production, economists, and from
18 every end of it. And I am simply stating and leading up to
19 the fact that this subcommittee was the people that have done
20 the work on this report.

21 The revamping of the report with emphasis put on
22 areas such as production and transportation and refining in
23 greater detail than went into the original report. Previously
24 the chairman of the subcommittee was George ^{Piercy} Searcy who was not
25 available for this study and we prevailed on Mr. Jim Meredith,

1 the chairman of the committee, and I think he and his subcom-
2 mittee have done a very, very fine job. And Mr. Meredith will
3 present to this Council by means of some slides the findings,
4 and after that I will move the adoption of the report. Mr.
5 Meredith.

6 CHAIRMAN FOLLIS: Mr. Meredith, will you just take
7 over?

8 MR. MEREDITH: Thank you, gentlemen. I think that
9 all of you know that the subject of trade relations generally
10 has been much in the news here lately. Secretary Hodges has
11 been making some comments. Secretary Rusk has been making
12 some comments. And the New York Times of last week had an art-
13 icle about a detailed study of the Soviet oil industry, con-
14 ducted by some anonymous European expert.

15 I think that behind this rejuvenation of interest
16 in the subject of East-West trade relationships and Soviet oil
17 is principally one development, and that is the economic fer-
18 ment which is going on inside Soviet Russia and the Satellite
19 countries at the present time. As you know, they are having
20 agricultural difficulties. They are having to import large
21 quantities of wheat.

22 They have announced major new investments in the area
23 of chemicals and fertilizers. They have a problem of how they
24 are going to gain access to resources which they need to achieve
25 these ends. We know that they would like to import many items

1 from the West, both materials, plants, and technology. We also
2 know they would like to be able to import these things through
3 the use of long-term credit from the West.

4 Now, while that might help the Soviets, it would seem
5 to pose a very important policy issue for Western governments.

6 Now, if they cannot get the kind of assistance that
7 they would like to get from the West and if they are going to
8 import the many things they need, they are going to have to find
9 another way of paying for them. And as we all know among these
10 commodities which they have available in quantity for sale to
11 us, petroleum is that which is in most widespread demand.

12 This would argue that the Russians would have a
13 major incentive to increase their oil export drive in Western
14 markets in the years ahead. And yet we know that they are having
15 internal economic difficulty, and indeed in recent months they
16 have made some downward revisions in oil production goals.

17 Now, this is the range of considerations which the
18 committee took into mind when it was preparing its report,
19 the one we are going to submit to you today. As Mr. Warren,
20 just now said, we looked at some parts of the previous report
21 and went into much greater detail, and we have, I believe,
22 somewhat greater confidence in some of our views. In some
23 respects at least I think we do.

24 I am going to show you ten slides which will high-
25 light the principal findings and conclusions from the work we

1 have just done. May I have the first slide, please?

2 We show you here the principal changes from the 1962
3 NPC report. First we would like to mention a little book-
4 keeping, some changes in format, the forecasts have been exten-
5 ded out into 1970 instead of 1965 as in the original report.

6 Secondly, we have shown data in two forms. The first
7 includes Cuba in the free world. We felt this was necessary
8 in order to assure comparability with the previous report; but
9 xsecondly we have shown data excluding Cuba from the free
10 world in order to show better the realities of the situation.

11 Also, there have been changes in substance. USSR
12 crude oil reserves have been revised upward in the committee's
13 estimate. Soviet oil production rates, however, have been
14 revised downward, both by the Soviets themselves in their
15 newly announced production goals and by the NPC committee in
16 its estimates of what would in fact actually be produced.

17 We would like to call your attention to two conclu-
18 sions in part at least new to which we would like you to focus
19 on right at the beginning. One is that we think Soviet Russia's
20 refining capacity in 1970 and the years immediately preceding
21 could perhaps place a limit on petroleum products exports. Of
22 course the Soviets will attempt to export, will be forced to
23 export or attempt to export more of the crude rather than
24 products because of this limit.

25 Secondly, and we believe this is probably the most

1 important consideration derived from our study, the purchase
2 of Western oil equipment and technology would certainly enhance
3 the capacity of the Soviets to produce and refine and export oil.
4 And herein of course lies an important area of policy cons id-
5 erations for Western governments.

6 Now, these are some of the principal changes and
7 conclusions in our study this time, and we will be elaborating
8 on them as we go along, and we will be talking about some others.

9 Oh, let me remind you right here that the principal
10 conclusion of the previous study was that oil exports from the
11 Soviet bloc would continue to grow in the years ahead and would
12 pose increasing problems for the Western world. Now this im-
13 portant conclusion we continue to subscribe to. We don't think
14 the danger is any less now than it was two years ago.

15 I would like to begin next by showing you our cur-
16 rent estimates of Soviet bloc and USSR oil exports in the
17 years 1965 to 1970 and having done that I will look behind the
18 end result of our study, so to speak, and show you some of
19 the production and drilling factors and other factors which we
20 believe support our conclusion.

21 May I have the next slide?

22 This slide shows oil exportability from the USSR
23 and we begin with the USSR because of course it is the dominant
24 element in Soviet bloc oil exports. Now, as you can see, with
25 the assistance of this pointer here, the current level of ex-

1 ports is somewhat lower than the figures we were projecting at
2 the time of the last report. In total, USSR exports are down
3 about 200,000 barrels a day, including those to the satellites
4 and to the outside world. We believe that this is due prin-
5 cipally to lower production estimates which lie ahead for the
6 Soviets. And this in turn reflects the general slowing down in
7 economic growth rate in the Soviet bloc which we now are ex-
8 pecting, lower than at the time of our last study.

9 Now, the figures for 1970 are new ones, the ones that
10 appear to the right. They show about 2 million barrels a day
11 of exportability from the USSR in 1970. Exports at this level
12 would be about twice the current level and as you can see,
13 roughly about two-thirds of the total, a little bit more than
14 two-thirds of the total is going to be going to the free world.

15 Now, this is just part of the picture, of course.
16 We have to bring in satellite exports to get the overall pic-
17 ture. We show total bloc exports on the next slide. May I
18 have that, please?

19 Now, address yourselves first to the figures in the
20 upper half of the slide, those relating to 1965. Looking at
21 the total exports from the bloc to the free world in 1965 you
22 will notice that our current estimate is marginally less than
23 it was at the time of the previous study. However, we attach
24 no particular significance to this, certainly the difference
25 is small enough to be within the range of forecasting error.

1 Notice also that while exports from the USSR to the
2 free world are down somewhat, those from the satellites are up.
3 And this latter development reflects several things. First,
4 growing refinery capacity in the satellites which increases
5 their ability to export products and, secondly, a slower econ-
6 omic growth rate in prospect for the satellites than we were
7 thinking last time, and therefore lesser total energy needs;
8 and finally a progressive diversion of products exports into
9 the Soviet bloc from Rumania toward the free world. The satelli-
10 tes as well as the USSR have a need to earn foreign exchange.

11 Now, you might be interested to know that currently
12 satellite exports to the free world are running to about
13 110,000 barrels a day, which would seem at least indirectly to
14 confirm the forecast we had previously made.

15 Now, at the bottom half of the slide you see what
16 we are expecting for the year of 1970. And as you can see we
17 are showing a total figure in the form of a range rather than
18 in the form of one particular figure. We believe that the
19 economic uncertainties which face the Soviet bloc and the un-
20 settled nature of Western policy with respect to trading with
21 the Soviet would make the pinpointing of one precise figure mis-
22 leading.

23 Now, we have for calculation purposes in other parts
24 of the report taken approximately the midpoint in this range
25 as the figure for bloc exports in 1970, but we think they might

1 just as easily be in the top of the range as in the middle.

2 Now, if they should be toward the top of the range
3 in 1970, that would mean that the dependence of the free world
4 outside the United States on Soviet oil would have increased
5 from about 6 percent currently to roughly 9 percent by 1970.
6 Whether within the range or beyond the range soviet exports in
7 the year 1970 eventually emerge, will depend upon what kind of
8 policy the Western world adopts with respect to trading with
9 the Russians, and it will depend also upon the importance
10 which the Soviets attach to oil as a form of foreign -- as a
11 winner of foreign exchange and also as perhaps an instrument
12 for increasing influence in the Western world, and for creating
13 an occasional bit of mischief.

14 Well, now that you have seen the committee's esti-
15 mates of what Soviet bloc exports will be in the years ahead,
16 let's look behind the situation and start by taking a view at
17 current thought on oil production in the Soviet Union in the
18 years ahead. May I have the next slide?

19 As you may know, among the major energy forms in the
20 Soviet Union, oil alone has consistently exceeded production
21 goals for each of the first five years of the Seven Year Plan,
22 the Seven Year Plan referring to the years 1959 to 1965 in-
23 clusive. Now, perhaps for that reason the Soviets felt very
24 optimistic in 1963 and they revised upwards their production
25 goals for oil. Later in the year pessimism returned and they

1 revised the goals downward to 4, 800,000 barrels a day or
2 about the same as the upper end of the range that had been
3 programmed in the Seven Year Plan.

4 This estimate of 4,800,000 barrels per day for 1965
5 is 100,000 barrels a day less than the NPC committee estimated
6 will in fact be produced that year. Now, looking at 1970 pro-
7 duction plans, the 20-year plan calls for a level of 7,800,000
8 barrels produced in 1970. Early this year the Soviets announced
9 a new goal of not less than 7,000,000 barrels a day for 1970.
10 We have been unable to decipher the reasons for the cautious
11 language.

12 But in any case it is the committee's view that ac-
13 tual production will at least attain this level and could well
14 exceed it and show a range of from 7 million to 7,400,000 barrels
15 per day and for calculation purposes, once again we have picked
16 a figure of 7,200,000.

17 On the right-hand side of the slide we can see that
18 USSR production goals for natural gas have also been scaled
19 downward. The current estimate made late in 1963 for production
20 in 1965 is 4.4 trillion cubic feet. The committee's estimate
21 once again is a bit higher than this. For 1970 there is a
22 more substantial downward revision -- incidentally, the 8.8
23 trillion cubic feet represents the committee's current estimate
24 of likely production for 1970 and was arrived at by us prior to
25 the Russians themselves having decided to revise downward their

1 estimate to the same figure.

2 Natural gas has not been as successful as oil in
3 meeting production goals but this appears to have been less
4 perhaps than to production difficulties themselves than because
5 of difficulties in transporting the gas and preparing consumers
6 for using it. As far as we can tell there are serious defici-
7 encies in the installation of compressors for gas pipelines.

8 Now, you may be wondering if Russian reserves are
9 going to be adequate to sustain the production estimates shown
10 here. We feel they will be adequate and indeed we are much
11 more optimistic on this score than we were in the last report.
12 And we will show you the measure of our optimism on this next
13 slide.

14 As you can see the committee's new estimates that
15 proved oil reserves in the Soviet Union at the end of 1960 was
16 some 30 percent higher than we had been thinking at the time of
17 the last NPC report. The new assessment which we have made
18 derives from several considerations.

19 First we have some newly available and fairly de-
20 ailed information from three large producing fields which con-
21 tribute about 30 percent of the total Soviet production. We
22 also have made a detailed examination of Soviet water injec-
23 tion practices. You may know that the great bulk of Russian
24 oil is produced from fields which have been water injected.

25 On the basis of these considerations we believe that

1 not more than 20 percent of the ultimate recovery from fields
2 so far subjected to water injection has in fact been produced.
3 There is a lot left in the ground.

4 The 32 billion barrel figure for end of 1963 which
5 is the committee's estimate does not include a 10 to 15 billion
6 barrels secondary recovery from fields which so far have not
7 been subjected to water injection. Our conclusion is certainly
8 that there will be sufficient reserves, more than sufficient
9 reserves in the years up to 1970 to support the planned pro-
10 duction.

11 Now, oil in ground of course is one thing. Getting
12 it out of the ground is another. This raises the question of
13 what the Russians have programmed in the drilling area. And
14 we will show you something of this in the next slide.

15 Now, in the previous report the NPC committee ex-
16 pressed some skepticism about the adequacy of the Soviet drill-
17 ing undertaking. We now feel that with their revised plans
18 they are pretty much in the ball park.

19 Production goals for 1970 have been scaled down by
20 about 10 percent. On the other hand drilling has been increased
21 by about 5 percent. That is not apparent on the slide but it
22 is true. The total amount of drilling which the Soviets have
23 now programmed for the 1964-1970 period is 345 million feet
24 and this is only marginally less than the amount which the
25 committee had calculated which will be necessary to attain the

1 1970 production goal.

2 I might just make one observation about drilling tech-
3 nology in the Soviet Union. As many of you know they are
4 heavily committed to the turbo drill. They have stated many
5 times that it is the best and they are out to prove it. We
6 believe that this reliance on the turbo drill will continue
7 through the period of the forecast and this is a significant
8 consideration because in recent years the Soviet Union has
9 drilled less than 50 percent of the footage per rig month which
10 we have achieved in the U.S. using all kinds of drills.

11 If the Soviets were to go to rotary drilling they
12 could probably achieve better results. But once again to do
13 this they would probably have to import tubular equipment and
14 technology from the West. Our assumption has been that they
15 will continue to rely on the turbo drill and if they should
16 change and somehow gain access to western facilities they might
17 be able to speed up their drilling program.

18 Now, so far, gentlemen, we have said that the Soviets
19 have lots of oil in the ground, that they are going to have
20 adequate drilling effort to get it out. The next question
21 logically is, what about their refining facilities? Are they
22 going to have enough to satisfy local needs for products and
23 for export? On this next slide we show you the committee's
24 estimate of current and future refining capacity.

25 In 1962 Soviet capacity was 3.7 hundred thousand bar-

1 rels a day and the committee estimates that to have the volume
2 of products necessary for internal consumption and for export
3 which have been projected, they will need 4.7 million barrels
4 in 1965 and 6,800,000 barrels in 1970.

5 Now, there is a question, I believe, about how they
6 will get all the refineries that they need for the capacity re-
7 quired. Much of it of course they can install themselves. We
8 do know that they have expressed increasing interest in recent
9 months on the possibility of acquiring whole new refineries from
10 the West. They are talking about a 200,000 -- 240,000 barrels a
11 day refinery and they are indicating that they would like more
12 than one. They are trying to buy the most up to date refinery
13 they can get with all the latest built-in technology.

14 Presumably, having this latest information would pro-
15 vide them with prototype information which they can use for
16 further construction within the Soviet bloc. Now, this sort of
17 development one might judge might have military as well as
18 economic implications and would perhaps be one of the things
19 Western nations might wish to consider in their decision about
20 selling these things to the Soviets.

21 I would like to turn next to two slides on trans-
22 portation facilities. And I will begin first by examining the
23 pipeline situation in the Soviet Union.

24 Secretary Rusk a few days ago in his comments before
25 the Foreign Relations Committee suggested that he thought the

1 time was now ripe for re-examination of East-West relationships
2 in trade and in the course of his remarks he had some things
3 to say about the Soviet pipeline construction program and the
4 efficacy or lack thereof which the NATO recommendation against
5 the sale of pipe to the Russians may have had. As I read the
6 comments the implication was that this sort of thing really
7 didn't make much of an impact upon the Soviets, it might delay
8 their construction a bit but really it would make them more
9 self-sufficient and has no larger impact.

10 I think it is important to look closely at the facts
11 as to what exactly has happened in the Soviet pipeline con-
12 struction program. Our best estimate is that by the end of
13 the seven-year plan the Soviets will have succeeded in install-
14 ing only slightly more than 50 percent of the oil pipeline
15 mileage which they had programmed for that plan. The gas pipe-
16 line program has done pretty well. But oil is far, far behind
17 schedule.

18 Unquestionably one of the major limiting factors
19 has been an inadequate supply of large diameter pipe. For 1959
20 and to 1963 the Soviet purchased over 1 million metric tons of
21 40-inch diameter pipe from four western countries and this vol-
22 ume of purchases amounted to more than 40 percent of the entire
23 need for 40-inch pipe in the seven-year plan. They wouldn't
24 have been able to do nearly as well as they have done had they
25 not had access to these supplies from the West.

1 Now, we have no evidence that the Russians have
2 been successful in creating pipe building facilities of their
3 own in the quantity necessary to achieve their program ends.
4 The committee's view is that pipeline construction for oil
5 lines for the balance of this decade will probably proceed at
6 a pace no greater than they have been achieving in recent
7 years, and as I have indicated this is less by far than they
8 have programmed.

9 As you know, the principal pipeline system which we
10 hear so much about is this Comecon System and recently there
11 has been an extension down to Odessa added on to the system.
12 This entire system with the exception of this line (indicating
13 on slide) and perhaps this branch to Klaipeda which may now be
14 scrapped because of having difficulties with the harbor, the
15 remaining portions of the system should be completed by late
16 this year or early next year. The western portions of the line,
17 those leading into the Eastern European satellites, are al-
18 ready completed and are being supplied by oil at the eastern
19 terminal from tank cars.

20 There remains a good deal of the remaining trunk
21 line there (indicating) which requires the large pipe, to be
22 completed.

23 Now, there are two other major lines with export
24 potentials. There is a line leading up to Leningrad which has
25 been completed this far (indicating) and the rest is under

1 construction. There is a line leading from Stalingrad, which
2 no longer is a popular title, so it is called Volgograd now,
3 down to the Black Sea, with two spurs going off here (indicating).
4 These two bits at the end have been completed, and this part
5 (indicating) has not yet been completed.

6 The committee estimates that if all of the pipelines
7 shown here with export potential were to be completed by next
8 year Soviet oil carrying capacity to export bases could be
9 increased about 1,100,000 barrels a day. However we have esti-
10 mated more conservatively that perhaps only 700,000 barrels of
11 new pipeline capacity for export purposes will be available by
12 next year. We feel, however, that this together with the rail-
13 way transportation systems available through tank cars in the
14 Soviet Union will be adequate to carry to export bases the
15 volumes of oil which are programmed for export.

16 Now, clearly when the entire system is completed and
17 perhaps expanded as additional supplies of pipe may make poss-
18 ible, the Russian capacity to put oil out to the free world
19 would be greatly increased. Moreover the cost of moving this
20 oil will be substantially reduced. We estimated that to move
21 oil from the Kuybyshev area here (indicating) over to here
22 by rail costs perhaps 90 cents a barrel, and to move the oil
23 via pipeline will cost only about 30 cents a barrel.

24 Th e transportation cost in total from the Urals
25 and through here and up into this entire Scandinavian area has

1 (indicating) will be substantially less than those for oil
2 moved from the Persian Gulf.

3 We think then that there will be no serious internal
4 transportation difficulties which will prevent movement of oil
5 to export bases in volume sufficient to meet the export quanti-
6 tities which are programmed. If the pipeline program should be
7 accelerated conceivably more could move to market.

8 Now, a word about the Soviet tanker fleet. We will
9 show you that on this next slide.

10 In the seven-year plan it was hoped and scheduled
11 that there could be an 80 percent increase in the size of the
12 Soviet tanker fleet achieved beginning from 1959 to the end of
13 1965. In fact, by the end of 1965 the Soviets will have succ-
14 eeded in virtually quadrupling the size of their tanker fleet.
15 We believe this is one of the best indications of what their
16 plans are with respect to putting oil into Western markets.
17 Because most of the new tonnage which they have gotten has
18 gone from free world yards rather than Soviet yards and there-
19 fore there has been a heavy foreign exchange drain involved and
20 we don't believe the Russians would have entered this had they
21 not had the view that this addition to their fleet would make
22 an important contribution to oil exports.

23 As you can see, by next year we feel that the Soviet
24 tanker fleet will be largely independent of reliance upon free
25 world chartering for moving exports. I am not saying they won't

1 have to have some dependence on free world ships but we believe
2 with what they have themselves together with new construction
3 and new orders plus the transportation which is likely to be
4 arranged by their own customer such as the Finns who use their
5 own fleet to a very extensive extent to import Russian oil,
6 we think these things combined will leave very little need for
7 the Russians to enter the chartering market themselves, as
8 there is only a very modest deficit in their resources.

9 Now, gentlemen, one final word about the kind of
10 prices that they may be charging in the years ahead. On this
11 next slide I show you what the picture of pricing has been up
12 to 1961. You are generally familiar with this picture.

13 Beginning here in 1957 and extending to 1961 Russian
14 oil prices to the outside world decreased steadily. They then
15 leveled off and they continued to level off through 1963.
16 Prices to the satellites on the other hand have been at a much
17 higher level, around the \$3 level. This calculation does not
18 include Cuba among the satellites.

19 If we were to put Cuba in this category the average
20 price for the last couple of years would have been down to
21 \$2.60 roughly. That is because in the developing romance be-
22 tween Mr. Castro and Mr. Khrushchev, Mr. Castro managed to ex-
23 tract some very favorable oil prices, around \$1.49 a barrel.
24 This would appear to be one of the prices in turn which the
25 Soviets paid to secure that the Cubans did move toward the Soviet

1 bloc -- assure that it did.

2 Now, to some extent it may be true that these higher
3 prices charged to the satellites are recouped by the satellites
4 charging the Soviets for goods they sell them. But unfortunately
5 the available data on this matter are so sketchy that we cannot
6 reach any firm conclusion.

7 Now, let us come back to the price charged the free
8 world. At this level (indicating) prices are around \$1.36
9 a barrel. Soviet statistics themselves show an average price
10 to the outside world f.o.b. Soviet border of about \$1.36 per
11 barrel in 1962. Some prices naturally were lower. The Soviets
12 indicate that the price to Italy f.o.b. the Black Sea in 1962
13 was \$1.30 per barrel, and depending on the kind of customers
14 they took in Italy they could get even more low prices than
15 this. The price of \$1.30 f.o.b. the Black Sea would mean about
16 \$1.47 laid in for Italy.

17 Now, if you take a freight rate of a net of \$1.47
18 back to the Persian Gulf, you get about a dollar, which means
19 that if you compare the average Soviet export crude with a
20 comparable mid-east crude and for this purpose we have taken
21 Arabian 34 degree crude, if you take this crude which has a
22 posted price of \$1.80 what you arrive back then with this net
23 back of a dollar is a discount equivalent of about 80 cents to
24 the barrel and of course as I suggested depending upon the par-
25 ticular price you use in the consuming market you can get an even

1 greater discount equivalent, and if you consider the average
2 75 cents a barrel of revenue which goes into middle eastern
3 governments, this would mean very little left over to cover
4 cost of production, of internal movement to the seacoast and
5 the middle eastern countries and to cover return on investment,
6 if any, it would make a very difficult competitive situation
7 for free world companies to try to compete in.

8 Now, I do not want to suggest that the only reason
9 we have stern competition in the international oil market these
10 days is because of the Russians. We do, however, feel that
11 this is one important factor which might help explain some of
12 discounts we face in the international market these days.

13 What about the prices they are going to be charging
14 in the future? You probably read reports in recent months that
15 the Soviets are trying to increase the price of oil. The best
16 detective work we can do leads us to the conclusion that there
17 is no discernable trend at all, upward or downward, from the
18 levels you see here. There are increases of prices in some
19 countries but there are contravening areas of decreases of
20 prices in the same countries.

21 For instance, in West Germany last year, it appears
22 in this case that the Soviets increased prices for distillates
23 and heavy fuel oils that they sold in Germany but at the same
24 they increased the price for crude and motor gasoline in Japan,
25 and there is at least one case of a minor contract being can-

1 celed because of the Russian change in price but there is a
2 case of a larger customer actually bidding the prices up. So
3 far there is no upward trend that we can detect.

4 Now, surely it would be to the advantage of the
5 Russians if they could do so and still sell the same amount of
6 oil. The problem they are faced with is how they can acquire
7 a lot of foreign exchange and we don't know how they evaluate
8 the elasticity of demand for their products and it may well be
9 the case that they feel that to get larger quantities of ex-
10 change what they have to do is develop more oil and this could
11 of course involve even more intensive price competition than
12 we have so far seen.

13 That concludes the slides. Let us have the lights
14 on and I would like to make just a couple of concluding com-
15 ments.

16 What we have said is that the Russians have lots of
17 oil. They are going to drill it in adequate volume. They
18 have transportation facilities which seem to be adequate to
19 get planned exports to the outside world. Now, a major concern
20 is how much assistance will they get from the outside world
21 in achieving their plan.

22 I tried to indicate as I have gone along that the
23 technology and equipment of the West could help them in a
24 number of major areas. In their drilling western technology
25 and equipment could well step up their drilling rate. In their

1 refinery needs modern technology from the west could make major
2 contributions to their efforts. Increased quantities from the
3 west could accelerate their pipeline program. There are just
4 any number of ways by which increased western participation in
5 the Soviet effort could speed up what they are trying to do.

6 And we feel that it is very important to keep this
7 in mind. We don't believe that the Soviet oil threat to the
8 west has diminished. We think in some ways it may have in-
9 creased, at least psychologically, because there are a number
10 of western countries today in the throes of reevaluating their
11 trade policy with the Soviets. One would hope that they keep
12 all of these facts in mind.

13 Gentlemen, that concludes my remarks.

14 (Applause)

15 MR. WARREN: Thank you, Mr. Meredith. Are there any
16 questions?

17 MR. PENLEALLA (Department of Commerce) Is it a fact
18 that we think or you think that the Russians are going to be
19 producing less, meaning that they are going to be exporting
20 less?

21 MR. MEREDITH: Based on the scaling down of their
22 production plan, we feel in considerable measure this is a re-
23 flection of a slower rate of economic growth within the Soviet
24 Union and therefore a very substantially reduced total use of
25 energy in the Soviet Union. Our current estimate of current

1 total energy consumption is much below what it was at the time
2 of the last report. So although production will be down some
3 their own consumption will go down and we feel that there will
4 be only a very marginal if any impact on exports. And if you
5 examine the figures you will see virtually no change from the
6 last report.

7 MR. WARREN: Mr. Chairman, we neglected -- that is, I
8 neglected to say in my opening statement that in the prepara-
9 tion of this report the members from government were very help-
10 ful. The cochairman for the subcommittee, Mr. Charles Moore,
11 has as also Mr. Fred Lock who is cochairman for the general
12 committee -- one thing that is significant is that most of the
13 information that has gone into this report had to be dug out
14 and translated from the Russian because the technological papers
15 in Russian had most of the information that was available,
16 and the committee had to interpret and that of course was quite
17 a chore in itself.

18 Mr. Chairman, I want to refer to the introduction in
19 the last paragraph which I think is a significant thing to keep
20 in mind, wherein they say that our expert predictions are based
21 on assumption that there will be a continuation of existing
22 trade policies. Should these be relaxed bloc exports to the
23 west and probably would be in excess of the levels which we
24 have forecast.

25 A. More pipeline facilities would speed their pipe-

1 line construction program. B, refineries made available from
2 the West would enhance the Soviet capacity to export products
3 and probably would raise the level of total exports. C. West-
4 ern drilling equipment would speed up production rate.

5 The committee therefore believes that the question of
6 western trade policy with communist countries is a matter of
7 paramount importance.

8 Mr. Chairman, I would like to move adoption of the
9 report.

10 CHAIRMAN FOLLIS: Is there a second?

11 MR. MAJEWSKI: Second the motion.

12 GENTLEMEN FOLLIS: Gentlemen, you have heard the
13 motion made and seconded. All those in favor please say aye.

14 (Chorus of ayes.)

15 CHAIRMAN FOLLIS: Mr. Warren, I would like to say
16 for the Council that we deeply appreciate the hours of work
17 that you and your committee and Mr. Meredith of the subcommittee
18 have put into the bringing about of this report.

19 Now we have the report of the Committee on Emergency
20 Preparedness for the Petroleum Industry. Mr. Nickerson.

21 MR. NICKERSON: Mr. Chairman, Mr. Secretary:

22 The Committee on Emergency Preparedness is pleased
23 to report to the Council at this time. The work of the com-
24 mittee falls into two parts. First, a subcommittee under Mr.
25 W. L. Ingram of the Standard Oil of California will make a

1 final report to you on its work dealing with industry and gov-
 2 ernment planning and preparation for a possible emergency.

3 Second, a subcommittee under C. F. ^{Scott} Dodd of Socony
 4 Mobil will make a progress report to you on its work dealing
 5 with government and industry planning for action after emergency
 6 has occurred.

7 I now introduce Mr. Ingram who will present to you
 8 for your approval two instruments; one, an up-dating and con-
 9 solidation of two manuals dealing with preparation for emerg-
 10 ency published by the National Petroleum Council in 1955.

11 Second, he will present to you prototype company survival plans
 12 that can serve as guides for planning that various types of
 13 oil companies could undertake to achieve readiness in the event
 14 of a national emergency.

15 Mr. Ingram wants you to understand that if your ap-
 16 proval is granted is subject to certain minor editorial re-
 17 visions that he has not yet had time to make because of the
 18 amount of work that his committee has been called upon to do.
 19 And as I say these final reports being submitted to you will be
 20 subject to minor revisions. And now may I present to you Mr.
 21 Ingram.

22 MR. INGRAM: Mr. Chairman, Mr. Secretary, members of
 23 the National Petroleum Council and guests:

24 As Mr. Nickerson has informed you I was fortunate
 25 enough to have a working committee to work on the project that

1 he enunciated, and our charge was to produce a prototype set
2 of plans with the hope that the petroleum industry and gas in-
3 dustry would undertake to add to the plans that some of them al-
4 ready had in the field of emergency effort.

5 Secondly, as a part of that project to up-date and
6 revise if necessary two manuals that had been issued some nine
7 years ago.

8 I was very fortunate in having an excellent committee
9 given me to operate on this project. Mr. Paul Hopper of the
10 Department of the Interior was cochairman and has provided me
11 with excellent guidance and help, during the course of our work.
12 Mr. Vincent Brown, your Secretary, was of inestimable help to
13 me in leading me through certain complications that I had not
14 had experience in handling before, and then from industry we
15 had Mr. Gardner Blackman from Tidewater on the West Coast,
16 Mr. Fisher of the Pacific Gas and Electric Company on the West
17 Coast, and that gave us the liaison for their participation
18 with the gas industry, and Mr. J. Forester from Standard Oil
19 of Indiana and Mr. Otto Hier from Sohio and then two gentlemen
20 from Phillips, from Socony and from Sinclair and Shell and
21 finally from Standard of New Jersey.

22 At the very outset our committee enunciated the
23 course that we should consider emergencies that both could be
24 considered as man-made and those that would be natural in their
25 origin; that we should design a simple plan or plans accompanied

1 with the necessary guides and thirdly that we should develop
2 reference material.

3 Our reports which you gentlemen are going to consider
4 this morning are broken into two parts. The first touches in
5 outline form on all the important steps that are inherent or
6 required in the design of emergency planning. It shows the
7 application of those steps to a large integrated company, to
8 an operational unit of that company or to a division of it,
9 and finally there are some plans there for the smaller company.

10 We would like for you to look at this particular
11 volume as a specification, if you will, or blueprint of emerg-
12 ency planning.

13 The second volume is basically a text. It results
14 from the updating of the two manuals to which I previously re-
15 ferred and goes in depth into a number of the points covered
16 in the first booklet and is provided with a very copious bib-
17 liography for those of us who wish to research the matter in
18 greater detail.

19 Now, I would like to present in a rather rapid
20 fashion the highlights of the first volume which is the one
21 that we have designed and which itself is complete to guide
22 any organization into putting into effect a simple, practical
23 emergency set of plans for emergency. So if I may have the
24 first slide.

25 (Note: At this point the auditorium was darkened

1 and a slide presentation was made which was not reported.

2 MR. INGRAM: Let's have the lights turned back on.

3 We believe that in these reports we have provided
4 here a practical and an effective route for the industry to
5 follow in designing such plans suited to their own particular
6 requirements. We believe this can be done at an extremely
7 modest cost.

8 Now, all of the elements you have seen here as I ran
9 through these slides rapidly are representative of certain
10 plans that are now in existence in certain companies. They
11 are practical. They are useful and they have been tested.

12 Thank you.

13 MR. NICKERSON: Are there any questions or discussion?

14 (No response.)

15 MR. NICKERSON: If not, I move adoption of the report.

16 CHAIRMAN FOLLIS: Gentlemen, you have heard the
17 motion. Is there a second?

18 MR. MAJEWSKI: I second it.

19 CHAIRMAN FOLLIS: It has been moved and seconded to
20 adopt the report. All in favor please say aye.

21 (Chorus of ayes.)

22 MR. NICKERSON: Gentlemen, I want to express my
23 thanks to Mr. Ingram and to the members of your subcommittee
24 for the conscientious and effective way in which have carried
25 out your assignment. I would now like to introduce Mr. Charles
~~Bodd~~ who will report briefly on the work of the committee deal-
ing with actions government and industry could take after an

1 emergency.

2 In this regard I want to say that because of the
3 complexity of the assignment this is only a progress report.
4 The work will not be complete although it is expected about
5 the middle of June so no action is requested of the Council
6 at this time. Mr. Dodd.

7 MR. DODD: M r. Chairman:

8 This is the interim report to the Council, merely
9 to explain the nature of our assignment and to tell what has
10 been accomplished and to say what remains to be done.

11 The Committee on Emergency Preparedness for the
12 Petroleum Industry established on the 15th of July of last
13 year a subcommittee for the emergency petroleum gas adminis-
14 tration manual. The membership of the subcommittee represented
15 a cross-section of the integrated oil companies and the inde-
16 pendent producing and refining companies.

17 Liaison was maintained with the Emergency Advisory
18 Committee for Natural Gas through a member of that committee
19 serving on our subcommittee. Our subcommittee was assigned
20 the task of reviewing the emergency plans of the Federal
21 Government that are designed to assure an adequate supply
22 of petroleum and gas in time of national emergency, and in
23 particular the subcommittee was asked to review the emergency
24 plans of the Department of the Interior and the adequacy of
25 the organizational structure of the Emergency Petroleum and

1 Gas Administration, its plans for the recruiting and training
2 of staff of the organization and the authority it needed to
3 assure effective operation in emergency; and finally the Office
4 of Oil and Gas provided the subcommittee with an outline of
5 topics covering pre-emergency planning.

6 The subcommittee was to review the outline and com-
7 ment on the kinds of information that should be available to
8 the Emergency Petroleum and Gas Administration, the types of
9 manuals and operating procedures that should be developed,
10 and the adequacy of plans for communication channels to enable
11 the Emergency Petroleum and Gas Administration to be activated
12 and brought to operating efficiency with a minimum of warning.

13 The subcommittee has held five meetings. 24 working
14 papers have been prepared and reviewed by the subcommittee and
15 most of the investigation of government planning has been com-
16 pleted and suggestions as to how the planning might be improved
17 in some areas have been delineated in the subcommittee's dis-
18 cussion, but there still remain some factors which require fur-
19 ther investigation.

20 Work has commenced on drafting the final report
21 covering those areas which have been reviewed, on which definite
22 conclusions have been reached. An initial table of contents
23 of the final report has been agreed upon by the subcommittee
24 and members have been assigned responsibility for drafting
25 sections of the final report.

1 The subcommittee expects that its final report will
2 be submitted for consideration by the Committee on Emergency
3 Preparedness for the Petroleum Industry about the first of
4 June of this year. Thank you.

5 CHAIRMAN FOLLIS: Thank you. Now, we will call upon
6 Mr. Mark V. Burlingame. Mr. Burlingame is a member of the
7 Council but in this case he is appearing as vice chairman of
8 the Emergency Advisory Committee for Natural Gas. Mr. Burling-
9 ame has a post which was manned by Assistant Secretary Kelly
10 in 1962. This group was established by the Department of the
11 Interior to conduct a study and prepare a report to the Sec-
12 retary of the Interior recommending those courses of action
13 which in the committee's judgment would best assure an adequate
14 supply of natural gas in the event of an attack upon the United
15 States or the involvement of the United States in a limited
16 war or period of international tension. The report is to in-
17 clude detailed emergency operating plans, organizational
18 arrangements and staffing of the emergency organization to
19 gather such information as is necessary to fulfill the objec-
20 tives. We would be most interested to hear your report, Mr.
21 Burlingame.

22 MR. BURLINGAME: Thank you, Mr. Chairman and Mr.
23 Secretary. The Emergency Advisory Committee for Natural Gas
24 is under the chairmanship of Mr. McGraw and the other co-
25 chairman is John Ricker, both of whom are out of the country

1 this morning, so the vice chairman has to do the work.

2 In presenting this progress report of the Emergency
3 Advisory Committee for Natural Gas, acknowledgment of the co-
4 operative effort by all facets of the industry as well as the
5 responsible government units is necessary. We could not have
6 accomplished as much as has been done in the short period that
7 we have been in existence without that cooperation. We^E have
8 been given unlimited help from producers, distributors, trans-
9 mission companies and governmental agencies such as the Office
10 of Oil and Gas, F.P.C., F.C.C. and industry groups such as
11 INGAS and your own NPC. The liaison has been remarkable and we
12 are deeply appreciative of this help.

13 The assignment given to the Emergency Advisory Com-
14 mittee for Natural Gas was in general:

- 15 1. To formulate a plan of emergency operating pro-
16 cedures which could be adopted for
- 17 a. The industry, and
 - 18 b. The individual company.
- 19 2. To formulate a plan to be operable in any type
20 of national emergency, including an all-out nuclear attack.
- 21 3. To formulate a plan of action for
- 22 a. The period of pre-emergency, and
 - 23 b. The period of post-emergency.

24 In setting up these plans we have limited our sphere
25 of operating activities to that area starting at:

1 1. The point where the transmission company takes
2 possession or responsibility for the gas and ending at

3 2. The point where the delivery is made, i.e., city
4 gate or where the transmission company's responsibility ceases.

5 The plans are now well along and, while the work is
6 far from completed, we can report that much of this monumental
7 task is in process of accomplishment. It is also felt that
8 the work has proper direction toward the goals as set out.

9 Among the accomplishments are:

10 1. The updating of facility maps which were first
11 produced for the NPC two years ago. These maps, which are on
12 military base maps, together with related data, show

13 a. Line location, size, operating pressures -- horse-
14 power of all compressor stations of 1000 horsepower, or larger
15 -- major river crossings, type of crossing, whether overhead
16 or submerged, size of pipe, etc. -- all in interconnections with
17 other transmission systems, including size of interconnection
18 and facility capability.

19 b. This material information has been put on com-
20 puter cards for use in damage assessment analysis.

21 This work has been carried out under the direction
22 of Mr. Orlofsky, vice president of the Columbia Gas System.
23 It has been a tremendous undertaking and we are indebted to Mr.
24 Orlofsky and the Columbia Company for their leadership. They
25 were given cooperation by 163 companies which, we believe,

1 represents one of the finest cooperative efforts by an indus-
2 try to the national defense effort.

3 The EACNG also gave Mr. Orlofsky the task of the
4 chairmanship of the committee to write proposed manuals for:

5 1. Individual company survival plans.

6 2. Industry survival plans. To accomplish indus-
7 try planning, a real imaginative approach was necessary in order
8 to coordinate transmission companies which start in one defense
9 region, cross one or more other defense regions, to serve a
10 market in still another defense region. We feel that the plan
11 now accepted by the EACNG at its meeting on March 5 of this
12 year accomplishes this objective. The companies are grouped
13 by market areas served and are tied to regional and national
14 over-all direction.

15 3. The manual group is further investigating with
16 F.C.C. an approach to cooperative use of communication facili-
17 ties. This will look into interconnection possibilities with:

18 a. Other gas transmission companies

19 b. Production companies

20 c. Common carrier communication companies.

21 It is felt that a more comprehensive cooperative
22 study is needed in this area.

23 A further area of study which we shall give consid-
24 eration to will be a study of fuel interchangeability. The
25 FPC is to take the first look at this as the larger energy

1 consumers are of course the electric generating plants. Many
2 of these are equipped for multi-fuel use. The annual reports of
3 the electric industry to the FPC should give some clues as to
4 fuel interchange possibilities. Other larger energy consuming
5 industries, such as metal reduction, will have to be studied
6 on a company-by-company approach which we may ask the local,
7 as well as the gas transmission companies, to investigate.

8 We feel we now are ready to zero in on our objec-
9 tives and that the Emergency Advisory Committee for Natural Gas
10 will be ready, within a reasonable time, to present an overall
11 plan for dealing with pre- and post-emergency situations as
12 applied to the gas transmission section of the industry.

13 Thank you.

14 CHAIRMAN FOLLIS: Thank you. I would like now to
15 call on Lieutenant General William O. Senter, Director for
16 Petroleum Logistics Policy of the Office of the Assistant
17 Secretary of Defense of the Department of Defense. We will be
18 glad to hear you, General.

19 GENERAL SENTER: Mr. Chairman, Secretary Udall and
20 Secretary Kelly:

21 I will make my remarks very short. We have had some
22 very interesting talks this morning and some very interesting
23 reports. At the outset, however, I would like to say to Sec-
24 retaries Udall and Kelly that I hope that if again you find
25 yourselves in the sort of situation like you were in Venezuela,

1 you might call on the United States Air Force for help.

2 (Laughter)

3 GENERAL SENTER: It is an honor to visit with such an
4 outstanding group as the National Petroleum Council and to be
5 afforded the privilege of saying a few words. At your July
6 meeting which was before my moving to my present position, I had
7 the opportunity of meeting quite a few of you and was intro-
8 duced formally to this council along with Admiral Bryan of the
9 Joint Chiefs of Staff.

10 It would be very interesting this morning to talk
11 about the A-11 and the development of the fuel and lubricants
12 for that very exciting aircraft, but for obvious reasons of
13 security we will have to postpone that discussion until another
14 day. Instead I will hope that a few comments about my office,
15 its place in the government structure and some experiences of
16 the past few months will suffice for a get-acquainted session.

17 My directorate in the Department of Defense is res-
18 ponsible for providing advice and assistance to the Secretary
19 and the military department s on petroleum policy and mobili-
20 zation planning. This means simply that we must insure that
21 our military forces have adequate petroleum supplies both in
22 wartime and in peacetime. This availability must satisfy the
23 quality as well as the quantitative requirements of our fighter
24 forces. And at the same time I want you to know that we fully
25 realize that an extended emergency demands adequate petroleum

1 products for the civilian economy if the military war effort
2 is to be industrially supported.

3 Now, as many of you know, back in 1950 my office was
4 known as the Munitions Board Petroleum Division and it had
5 about 50 people assigned to it, both military and civilian.
6 Today my staff consists of 9, including myself.

7 As this reduction in so-called in-house capability
8 continues, mobilization planning for future cold, limited and nuc-
9 lear wars must continue and, in fact, it is even more complex.
10 It is obvious then that we are almost completely dependent on
11 outside sources for our information, assistance, and just get-
12 ting the job done.

13 The Department of the Interior by virtue of the
14 President's Executive Order of 1962 has the responsibility for
15 preparing national emergency plans and developing preparedness
16 programs covering petroleum and gas.

17 However, basic assumptions, military requirements and
18 other necessary information must still be developed by my of-
19 fice to cover a theoretical war emergency. After the Office
20 of Oil and Gas has developed world-wide supply and demand
21 studies, again it is our responsibility to issue long range
22 logistic guidance on petroleum for the Department of Defense.

23 One of the most reliable sources of basic informa-
24 tion on petroleum are those studies prepared by the National
25 Petroleum Council, some of which you have had reports on this

1 morning. These are used, I assure you, by the Department of
2 Defense in day to day work, and of course they are particularly
3 important to the Office of Oil and Gas in preparing their studies.

4 I am familiar with the reports prepared by you. They
5 are high quality, professional products of great value in our
6 military readiness program.

7 So I assure you that the National Petroleum Council
8 is doing an extremely valuable public service not available
9 from any other service, and I hasten to add that your continued
10 assistance, advice and support through our good friends in
11 Interior is welcomed.

12 And as many of you are probably aware, my logistics
13 experience and training had not been focused on petroleum
14 as such before taking up my present assignment last August.
15 Once assigned, I have tried to make up for my lack of back-
16 ground and experience by going around and seeing as much as
17 possible of the activities for which I have responsibility.

18 I began my basic training by visiting many of the
19 military petroleum installations in this country as possible,
20 by going to the petroleum indoctrination course at the Defense
21 Fuel Supply Center and the Standard Oil Company of California
22 last September and October, and the latter part of October I
23 went to Paris in connection with some of the NATO petroleum
24 matters and attended meetings of the various NATO petroleum
25 committees that are involved and have responsibility for the

1 operation of approximately 3,500 miles of pipeline in Central
2 Europe. I saw these facilities as well as the United States
3 Army pipeline which extends across France.

4 After returning I sandwiched in several trips to
5 New York and other cities to visit with the various oil com-
6 panies and to visit various U.S. military installations in the
7 States as well as Puerto Rico.

8 I have just returned from a 23-day trip into Europe
9 accompanied by representatives of the Army, the Navy, the Air
10 Force, JCS and Strike Command and others. We visited in
11 Germany, Italy, British Isles, Turkey, Greece, Spain and several
12 Mediterranean islands. This trip was of primary importance to
13 both myself and the service representatives. Why? Because the
14 many operational problems that arise from day to day are diffi-
15 cult to understand and resolve from a desk in the Pentagon, but
16 more so if you are not familiar with the location and the type
17 of facilities.

18 With a trip to the Pacific and the Far East this
19 summer I will have seen a major portion of the military petrol-
20 eum installations and will have conferred with all the vari-
21 ous commanders and the area petroleum officers who are respon-
22 sible for the day to day operations. So by the end of one year's
23 duty I should have about 60 to 70 thousand miles behind me.

24 However, as you all so well know, travel isn't enough.
25 This complicated oil business with all its political ramifica-

1 tions world-wide is a profession which requires years of associ-
2 ation and experience before one really knows even half the angles.
3 Fortunately, to assist me, I have some very experienced people
4 in my office as well as in the services.

5 Also, the oil industry as a whole has been most co-
6 operative and many of you have gone out of your way to give
7 assistance when requested. Particularly, the wonderful coop-
8 eration between the petroleum industry and the government has
9 been noted. I hope this good relation will continue.

10 Again, the opportunity of working with such an out-
11 standing group as this Council is welcomed and my office door
12 is always open for any assistance you may need on military
13 petroleum matters. Thank you, Mr. Chairman.

14 (Applause.)

15 CHAIRMAN FOLLIS: Thank you, General. And now I
16 want to introduce the Acting Director of the Office of Oil and
17 Gas of the Department of the Interior, Mr. Frederick S. Lott.
18 Mr Lott.

19 MR. LOTT: Mr. Chairman, Secretary Udall, Secretary
20 Kelly, members of the Council:

21 It is always a pleasure to be with the Council and
22 to feel the stimulus and the sense of purpose that is evident
23 through all its activities.

24 With regard to the program of the Office of Oil and
25 Gas, I often think it has some elements in common with an ice-

1 berg, seven-eighths of whose bulk is not evident to the casual
2 eye. Those of us in the OOG have seen much more than just the
3 exposed one-eighth and we have the conviction that the continuity
4 of our program and its effectiveness is significant to the
5 national wellbeing and security.

6 We are grateful to the many and unique contributions
7 that this Council has made and makes to that program -- the
8 factual, technical and not the least the improvement in mutual
9 understanding of problems of common concern to industry and to
10 government that result from these associations. Thank you very
11 much, Mr. Chairman.

12 (Applause)

13 CHAIRMAN FOLLIS: Thank you very much, Mr. Lott.

14 Well, gentlemen, that winds up our agenda, and if
15 somebody will move to adjourn --

16 MR. MAJEWSKI: I move to adjourn.

17 VOICES: Secended.

18 CHAIRMAN FOLLIS: We are adjourned.

19 (Whereupon, at 12:35 o'clock p.m. the meeting of the
20 National Petroleum Council was adjourned.)

21 - -