

REPORT OF THE NATIONAL PETROLEUM COUNCIL'S
COMMITTEE ON MILITARY & GOVERNMENT PETROLEUM REQUIREMENTS

October 9, 1947

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A meeting was held in the National Petroleum Council's offices at 2:30 p.m., October 8, 1947 and the following members were present:

Fayette B. Dow
J. A. Lentz
H. W. Page

In addition, the following alternates attended for committee members:

Robert Bartlett	for	J. F. Drake
Walter Hochuli	for	W. S. S. Rodgers
L. Dan Jones	for	Russell B. Brown

The Third Supplemental Report of the Subcommittee was discussed and accepted, including the suggestions and recommendations therein. A copy of the Subcommittee's report is attached hereto.

This report shows that the military have greatly increased their requirements for aviation by 33.6% and for motor gasoline by 38.6% since May 28, 1947. In spite of sudden and drastic increase the industry has already offered 99.2% of the latest aviation requirements and 95.0% of the latest motor gasoline requirements for the first half of the fiscal year. These offers compared with the original military requests are 133.4% and 131.6% respectively.

The Committee calls this to the attention of the NPC as an outstanding performance by the industry, particularly in view of supply difficulties which have been experienced this summer by the industry, nation wide.

The Committee wishes to bring to the attention of the NPC and the industry as a whole the present shortage of offers vs requirements, which are shown in detail in the Subcommittee report.

WEST COAST

While offers of aviation gasoline in total have been satisfactory, large additional amounts of 115/145 grade will be required during the second six months (January - June, 1948) partly as additional quantities and partly in place of 100/130 grade.

Small additional amounts of Jet fuel and Navy Diesel are required.

While total motor gasoline offers exceed requirements, the military needs for white gasoline have been difficult to obtain. A total of 1,240,000 bbls. is required (October, 1947 - June, 1948)

of which 180,000 bbls. are required this month. Off-specification product will be considered, as a large proportion of this gasoline is for automotive use.

INLAND

Additional aviation gasoline is required.

GULF/EAST COAST/CARIBBEAN

Navy Diesel and Navy Special fuel oil offers to date are far below requirements and some additional motor gasoline is required promptly.

The Committee wishes to stress the need for assistance by all suppliers in meeting the large requirements of the military and Federal government.

The Committee makes the following recommendations in addition to those contained in the Sub-Committee report:

1. That military purchases be centralized.
2. That Federal agency purchases be decentralized.
3. That this report be distributed to all refiners who were sent letters by Secretary Krug on September 25 regarding military and government supplies in addition to members of the NPC.
4. That this report be given wide publicity through the trade journals.

Respectfully submitted,

H. W. PAGE

Acting Chairman

THIRD SUPPLEMENTAL REPORT
OF THE
SUBCOMMITTEE OF THE NATIONAL PETROLEUM COUNCIL'S
COMMITTEE ON
MILITARY AND GOVERNMENT PETROLEUM REQUIREMENTS

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THIRD SUPPLEMENTAL REPORT
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MILITARY AND GOVERNMENT PETROLEUM REQUIREMENTS

(Data as of Oct. 3, 1947)

This report summarizes the requirements and offers (commitments plus offers pending) for the 1st six months of Fiscal Year 1948 and summarizes the requirements only for the 2nd six months of the Fiscal Year. Both requirements and supplies offered have been broken down by areas as follows:

West Coast - PAW District No. 5

Inland - All U. S. A. areas excluding West Coast,
Gulf Coast and East Coast

Gulf/East Coast/Caribbean - Bureau of Mines Districts:
East Coast, Texas Gulf Coast, Louisiana Gulf Coast
plus American owned Caribbean refineries.

Persian Gulf - American owned refineries.

Only military requirements are included in the comparison of requirements and offers. No data are available on coverage of Bureau of Federal Supply requirements. However, these requirements are restated in an attachment so that total government requirements (referred to in the recent letters from Secretary Krug) can be obtained by adding the military and Federal Bureau of Supply requirements. A summary of the total government requirements by areas is also attached

MILITARY REQUIREMENT ESTIMATES AS OF OCTOBER 3, 1947

COMPARED WITH THOSE OF MAY 28, 1947
 (Used in First Report of Subcommittee)

Military Requirements - Fiscal Year 1948

<u>1000 Bbls.</u>	<u>As of May 28</u>	<u>As of Oct. 33</u>	<u>Percent Increase Oct. 3 vs May 28</u>
Aviation Fuels			
115/145 Grade	5,224	9,436	80.6%
Other Grades	<u>10,275</u>	<u>11,266</u>	<u>9.6</u>
Total Aviation	15,499	20,702	33.6%
Motor Gasoline	9,880	13,690	38.6
Other Major Products	<u>80,243</u>	<u>81,107</u>	<u>1.1</u>
Total Major Products	104,622	115,499	10.4%

The above percent increases are similar in the first six months of the Fiscal Year. The attached statements show that in spite of the sudden and exceptionally large increase in gasoline requirements the industry already has met for the first six months even the latest aviation requirement and 95.0% of the latest motor gasoline requirements, with additional offers expected shortly. The offers to date compared with the original (May 28) requirements for the first six months of Fiscal Year 1948 are:

	<u>July - December 1947</u>		
	<u>Original Requirements</u>	<u>Offers to Date</u>	<u>% offers of Original Requirements</u>
Aviation and Jet	6,984	9,315	133.4%
Motor Gasoline	<u>4,940</u>	<u>6,500</u>	<u>131.6</u>
Total Gasolines	11,924	15,815	132.6%

The sudden and drastic changes in military requirement estimates for gasolines were discussed with representatives of the Army/Navy Petroleum Board. The Subcommittee members were advised that the original aviation estimates were based on actual consumption during a recent prior period. However, during this period there were insufficient mechanics available. This situation was corrected more rapidly than expected with a resulting increase in aircraft service factor and therefore increased fuel consumption per aircraft. The most recent increases result from changes in operational plans involving additional aircraft in commission. Motor gasoline increases were explained in the previous report of the Subcommittee. The Subcommittee was advised that further increases in motor gasoline and also in other products may occur in the near future.

Aviation Gasoline Situation

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A separate statement is attached covering only aviation fuels. Requirements are shown for each six months period by grades and by areas, and offers are shown for the first six months by grades and by areas. Commitments for the second six months period are meaningless at this time as the method of contracting for that period has not yet been mutually agreed upon by the procurement agencies and many of the companies. A good indication of the supplies already planned for the military is shown in the September 25, 1947 report of the National Petroleum Council Committee on Military Aircraft Fuels Productive Capacity, which report was made available to this sub-committee:

<u>1000 bbls.</u>	<u>Fiscal Year 1948</u>	
	<u>Military Requirements</u>	<u>Forecast-Supplies to Military</u>
115/145 Grade	9,436 (a)	3,706
100/130 "	6,914	11,999
Total	16,350	15,705 (b)

(a) The amount of 115/145 for which substitution of 100/130 grade cannot be considered is approximately 5000.

(b) It should be recognized that this forecast was made at a time when the stated requirements for these two grades was 15,574.

The report shows that 7,575 Alkylate (28% of production) was planned for diversion to motor gasoline, the remainder being planned for blending with military and civilian aviation. If the full desired amount of 115/145 grade is to be furnished in the future it would appear that practically all planned alkylate production must be blended into aviation gasoline. (It is recognized that some alkylate may not be suitable for aviation blending.)

Six companies already plan to blend all alkylate production in aviation during the fiscal year. Five companies plan on blending 74% or more in aviation, four companies less than 50% in aviation and three have planned to blend all alkylate production into motor gasoline.

The new requirements indicate a need for changes in plans. 115/145 grade should be produced wherever possible. While substitution of 100/130 can be made to some extent the minimum 115/145 requirements of 3,312 in the second six months cannot be met without a change in plans and added offers of this grade in preference to 100/130 grade are required.

Analysis of Military Requirements and Offers
First Six Months (July - Dec. 1947)
(and comments on 2nd six months (Jan. - June 1948)
Requirement & Supply problems.)

West Coast

1. Aviation

115/145 commitments are only 46% of desired amounts of this grade. 394,000 bbls. have been shipped from the Gulf Coast to overcome off-shore deficiencies and West Coast production of 100/130 grade is being substituted to meet the remainder of the requirements. The new requirement estimates for the second six months indicate a desired amount some five times the actual supply for the first six months period. The physical possibilities of the West Coast refiners to supply this amount of 115/145 grade, and continue to meet military requirements for other grades - as well as civilian requirements for all aviation grades - is questionable and will require study.

Recommendations:

(a) That the N.P.C. Committee on Military Aircraft Fuels Productive Capacity be requested to study the West Coast Situation and report on the maximum amount of 115/145 grade production which could be expected after meeting requirements for other military grades and for civil aircraft during the Jan. - June, 1948 period.

(b) That upon receipt of above information the Army - Navy Petroleum Board be requested to adjust their requirements by areas and plan to ship 115/145 grade from the Gulf Coast to the Pacific Area to the extent required to balance overall supplies and requirements.

Other grades of aviation gasoline have been offered in adequate volume. Jet fuel offers, however, are only 75% of requirements (82,000 bbls. short) in the first six months. Requirements during the second six months are now estimated to be slightly less than during the first period but increased offers will still be required.

2. Motor Gasoline

Offers are 137.3% of requirements. The second half requirements are about only one-half of those in the first half so no difficulties are foreseen. White gasoline is hard to obtain, however, and therefore it is recommended that West Coast supplies be requested by OGD and military procurement agencies to study plans to provide adequate quantities of this special grade in the future.

3. Kerosene

A shortage of 110,000 bbls. (34.6%) is indicated for the first six months. However, the offers in the Oct. - Dec. period exceed the rate required for the remainder of the fiscal year and, if continued, will approximately balance requirements for the fiscal year as a whole.

4. Navy Diesel

Offers are 18.6% (334,000 bbls.) short of requirements for the first six months. However, the rate of supply approximates the maximum achieved under war conditions. Therefore, if no further offers are received it is recommended that the military be requested to make up the deficiency, if any, from the Gulf Coast.

5. Other Products

Offers exceed requirements for the first six months. Requirements in the second period are the same except for "other diesel" which is less.

In total volume the offers from West Coast suppliers already exceed requirements. This is an outstanding performance. The only shortages are small in volume and are in products for which there always has been a limited productive capacity on the West Coast.

Inland

Aviation Gasoline

Shortages of offers vs requirements for the first six months are:

<u>1000 Bbls</u>	<u>Requirements</u>	<u>Offers</u>	<u>%Coverage</u>
115/145 Grade	172	62	36%
100/130 Grade	998	771	77
91/98 Grade	214	76	35
73/80 Grade	10	3	30
Jet Grade	<u>119</u>	<u>54</u>	<u>45</u>
Total Aviation Fuel	1,513	966	64%

Aviation requirements are higher in the second six months: 1,927 vs 1,513. During the first six months the shortage can probably be covered by shipments from other areas. This may not be possible during the January-June 1948 period because of the large increase in requirements in other areas. Therefore it is suggested that the Committee on Military Aircraft Fuel Productive Capacity be

requested by the OGD and the military procurement agencies to review the Inland aviation situation and determine what steps would be necessary for the industry in that area to meet full aviation requirements during the January-June period.

Other Products

Total Military requirements for all products other than Aviation fuels total only 208,000 Bbls. (1,130 B/D) in each six months period. These requirements were met in full during the July-September period and are short only 37,000 Bbls for the October-December period. It is presumed that this will be covered before the end of the period.

Gulf/East Coast/Caribbean

1. Aviation Gasoline

Total offers of aviation fuels exceed requirements in the area but were necessary to overcome shortages in other areas. Requirements for the area are approximately the same during the second six months but as there most probably will be a shortage of capacity for 115/145 grade on the West Coast, the supplies required from refineries in this area will no doubt turn out to be larger than shown in this report. (See West Coast-Aviation).

2. Motor Gasoline

Offers are short 1,080,000 Bbls (25%) of the new requirements. Additional offers for cargo loading in the Gulf are required promptly. Requirements will be considerably higher - about 1,000,000 barrels - in the January-June 1948 period and even further increases are probable.

3. Kerosene, Other Diesel and Burner Oil

These requirements have been met, approximately, for the first six months. The kerosene requirements are slightly lower in the January-June 1938 period.

4. Navy Diesel

Offers so far cover only 43% of requirements. Additional offers of about 2.5 million barrels are required for the October-December period. This is the principal item of deficiency and should have the prompt attention of all suppliers. It is recommended that those suppliers unable to meet specifications for this grade be requested by OGD and Military procurement agencies to develop exchanges with other suppliers who are in a position to meet this quality but are short of total distillates.

5. Navy Special Fuel Oil

Offers to date are 3,777,000 Bbls (49%) short of requirements. Additional offers are required promptly. In case suppliers are unable to furnish this grade it is suggested that they be requested by the OGD and Military procurement agencies, to offer #6 residual fuel or develop exchanges with those suppliers who are in a position to furnish Navy Special quality.

6. Other Heavy Fuel (#6)

This grade is 84% covered. Additional offers of 821,000 Bbls are required for the first six months.

BUREAU OF FEDERAL SUPPLY

No data are available on coverage. Amounts not contracted by the Bureau of Federal Supply are turned over to the Federal agency affected, which agency then attempts to secure coverage. The Bureau of Federal Supply makes no further effort unless the agency reports failure to secure a contract. Approximately 40% was not covered originally by the Bureau of Federal Supply but the amount subsequently covered by individual agencies is unknown.

In general, it was stated by Mr. Gannon, Purchasing Agent, Bureau of Federal Supply, that coverage was good on the West Coast but very difficult in the Inland area.

Aviation Lubes

The Subcommittee's letter of September 30 regarding the present and future need for additional supplies of aviation lubricating oil is attached. No further information is available.

Respectfully submitted,

H. W. Page, Chairman
Russell B. Brown
Fayette B. Dow

- Attachments:
1. Military Aviation Fuels - Requirements and Offers
 2. Military Petroleum Requirements - Requirements and Offers
 3. Bureau of Federal Supply Requirements and total Government Requirements
 4. Subcommittee's letter of September 30, 1947 regarding Aviation Lubes.

MILITARY AVIATION FUELS
(As of October 3, 1947)
Fiscal Year 1948

First Six Months (July-December, 1947)
Requirements and Offers - 1000 Bbls

	<u>115/145</u>	<u>100/130</u>	<u>Subtotal</u>	<u>91/98</u>	<u>73/80</u>	<u>J.P.</u>	<u>Total</u>
<u>West Coast</u>							
Requirements	1,982	1,567	3,549	278	20	329	4,176
Offers	914	2,469	3,383	346	20	247	3,996
Over/Short	(1,068)	902	(166)	68	-	(82)	(180)
<u>Inland</u>							
Requirements	172	998	1,170	214	10	119	1,513
Offers	62	771	833	76	3	54	966
Over/Short	(110)	(227)	(337)	(138)	(7)	(65)	(547)
<u>Gulf/East Coast/Carib.</u>							
Requirements	1,839	838	2,677	702	83	241	3,703
Offers	696	2,542	3,238	713	73	329	4,353
Over/Short	(1,143)	1,704	561	11	(10)	88	650
<u>Total</u>							
Requirements	3,993	3,403	7,396	1,194	113	689	9,392
Offers	1,672	5,782	7,454	1,135	96	630	9,315
Over/Short	(2,321)*	2,379*	58*	(59)	(17)	(59)	(77)
% Coverage	42.0%	169.8%	100.8%	95.0%	85.0%	91.4%	99.2%

Second Six Months (January-June 1948)-Requirements

	<u>115/145</u>	<u>100/130</u>	<u>Subtotal</u>	<u>91/98</u>	<u>73/80</u>	<u>J.P.</u>	<u>Total</u>
West Coast	3,316	1,593	4,909	359	45	283	5,596
Inland	172	1,265	1,437	255	17	218	1,927
Gulf/East Coast/ Caribbean	1,955	653	2,608	702	73	404	3,787
Total	5,443	3,511	8,954	1,316	135	905	11,310

Fiscal Year 1948 (July 1947-June 1948)-Requirements

	<u>115/145</u>	<u>100/130</u>	<u>Subtotal</u>	<u>91/98</u>	<u>73/80</u>	<u>J. P.</u>	<u>Total</u>
West Coast	5,298	3,160	8,458	637	65	612	9,772
Inland	344	2,263	2,607	469	27	337	3,440
Gulf/East Coast/ Caribbean	3,794	1,491	5,285	1,404	156	645	7,490
Total	9,436**	6,914**	16,350	2,510	248	1,594	20,702

Notes: * Shortage of 115/145 has been covered by substitution of 100/130 and by intra-area movements.

** If actual and planned substitution of 100/130 for 115/145 in the first six months were taken into account, the Fiscal Year requirements for 115/145 would be 7,115 and the 100/130 requirement 9,235.

MILITARY PETROLEUM REQUIREMENTS
(As of October 3, 1947)

First Six Months (July-December 1947)
Requirements and Offers - 1000 Bbls.

	Total Avgas	Motor Gas	Kero- sene	Navy Diesel	Other Diesel & Burner	Navy Spec. F. Oil	Other Heavy F. Oil	Total Pro- ducts
<u>West Coast</u>								
Require.	4,176	2,001	317	1,800	649	7,464	876	17,283
Offers	3,996	2,748	207	1,466	680	7,635	959	17,691
Ov./Sh.	(180)	747	(110)	(334)	31	171	83	408
<u>Inland</u>								
Require.	1,513	52	4	-	50	-	102	1,721
Offers	966	43	3	-	40	-	85	1,137
Ov./Sh.	(547)	(9)	(1)	-	(10)	-	(17)	(584)
<u>Gulf/E.Co./ Carib.</u>								
Require.	3,703	4,289	196	4,456	216	7,702	5,141	25,703
Offers	4,353	3,209	287	1,920	166	3,925	4,320	18,180
Ov./Sh.	650	(1,080)	91	(2,536)	(50)	(3,777)	(821)	(7,523)
<u>Total (Ex. Persian G.*</u>								
Require.	9,392	6,342	517	6,256	915	15,166	6,119	44,707
Offers	9,315	6,000	497	3,386	886	11,560	5,364	37,008
Ov./Sh.	(77)	(342)	(20)	(2,870)	(29)	(3,606)	(755)	(7,699)
& %Coverage	99.2%	94.6%	96.1%	54.2%	96.8%	76.2%	87.7%	82.8%

Second Six Months (January-June 1948)
Requirements

West Coast	5,596	1,025	318	1,800	484	7,464	876	17,563
Inland	1,927	52	4	-	50	-	102	2,135
Gulf/E.Co/ Carib.	3,787	5,271	156	4,372	216	7,836	5,146	26,784
Total(Ex. Persian**	11,310	6,348	478	6,172	750	15,300	6,124	46,482

Fiscal Year 1948 (July 1947-June 1948)
Requirements

West Coast	9,772	3,026	635	3,600	1,133	14,928	1,752	34,846
Inland	3,440	104	8	-	-	-	204	3,856
Gulf/E.Co./ Carib.	7,490	9,560	352	8,828	432	15,538	10,287	52,487
Total(Ex. Persian***	20,702	12,690	995	12,428	1,665	30,466	12,243	91,189

* Persian - 500 - 3,116 - 8,534 - 12,150
(Not included in either requirements or offers above)

** Persian Supplies Assumed - 500 - 3,200 - 8,400 - 12,100

***Persian Supplies - 1,000 - 6,316 - 16,934 - 24,250
(Actual 1st Quat. plus assumed continuation of 2nd Quat. offers through remainder of Fiscal Year)

Bureau of Federal Supply Requirements

Fiscal Year 1948

1. These are separate and additive to the military requirements shown in other statements.
2. The requirements were given for the fiscal year. The six months figures would be exactly half the amounts shown below.
3. These requirements are identical to those attached to the first report of the sub-committee and are repeated and re-arranged here-with merely for convenience and completeness.

Fiscal Year 1948 - 1000 bbls.

	Mo* Av Gas	Kero- sene	Ot Diesel & Burner Fuel	Navy Diesel	Navy Spec.	Ot Hy. Resid.	Total
West Coast	- 871	21	2,252	192	115	3,689	7,140
Inland	-1462	39	300	391	41	516	2,749
Gulf/ E.Coast/ Carib.	-2,430	65	737	501	120	2,475	6,328
Total	-4,763	125	3,289	1,084	276	6,680	16,217

* Includes 144 white gasoline

Total Government Requirements
Military plus Bureau of Federal Supply
1000 Bbls.

	<u>1st Six Mos.</u>	<u>2nd Six Mos.</u>	<u>Fiscal Year 1948</u>
West Coast	20,853	21,133	41,986
Inland	3,095	3,510	6,605
Gulf/E.Coast/Carib.	28,867	29,948	58,815
Sub-total	<u>52,815</u>	<u>54,591</u>	<u>107,406</u>
Persian Gulf	12,150	12,100	24,250
Total	<u>64,965</u>	<u>66,691</u>	<u>131,656</u>

September 30, 1947

To Members of the Committee on Military
and Government Petroleum Requirements:

Dear Sir:

Ralph E. Wilson, Captain U.S.N., Deputy Executive Officer of the Army-Navy Petroleum Board has advised Mr. Ball as follows regarding the aviation lubricating oil situation:

"The supply situation of aviation lubricating oils, Grades 1065, 1080, 1100 and 1120 has recently been reviewed. Navy requirements for a total of 5,151,400 gallons for Fiscal Year 1948 have to date been covered for only 2,600,000 gallons, although the bid opening was 30 April 1947.

Requirements of the Army Air Forces for avlubes are currently being supplied from war-time excess stocks and by rerefining used oil. However, by the spring of 1948, these stocks will be depleted in most areas and purchases from industry will be necessary. These purchase requirements will average 50% in excess of those of the Navy. The combined military requirements for avlubes will then approximate 16,000,000 gallons annually.

Current offerings by industry to the Navy are short of current requirements and large A A F requirements will occur within about six months, after stocks are depleted. The above situation will be included in the next report of your Subcommittee.

In the meantime it is suggested that the companies re-examine their situation and make plans, as far as possible, to increase their offerings to the Navy currently and to prepare for increased requirements in the spring of next year.

Very truly yours,

/S/ H. W. Page
Chairman of the Subcommittee

HWP:ADC