

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

July 10, 1947

This report represents a supplement to the Subcommittee's report of June 2 and was prepared for the purpose of bringing down to date the factual information as to Military and Government requirements for the Fiscal Year 1948 and the extent to which these requirements are at present uncovered by firm offers of supplies.

Requirements:

While there have been a number of minor revisions such as normally occur from day to day, there have been only two major changes in the overall requirements estimates from those detailed in the Subcommittee report of June 2. They are as follows:

1. A sharp increase of 533,000 barrels per month in the motor gasoline requirements for overseas areas with the first arrivals in September.
2. An increase of 324,000 barrels per quarter in the aviation gasoline requirement estimates, principally in the 115/145 grade.

With these changes, the total average military and governmental requirements may be resummarized as follows:

Ave. Fiscal 1948  
All Products  
Barrels/Day

Per Subcommittee Report of June 2:

West Coast	131,900
Gulf/East Coast	112,200
Inland	19,200
Total U. S.	<u>263,300</u>
Caribbean	12,800
	54,100
Total	<u>330,200</u>
Added U. S. Requirements	
Motor Gasoline (Gulf/E. Coast)	15,670
Aviation Gasoline	<u>3,560</u>
Revised Total	349,430

Coverage:

An overall statistical expression of the exact degree of coverage of the total yearly requirements at a given time is difficult to present because of the different methods of procurement followed and the different time periods for which bids have been formally requested. Thus the absence of firm offers at this time for many items in the last half of the fiscal year would normally be expected. With these reservations, the following requirements are at present shown as uncovered by firm offers:

(a) Military Procurement items (other than Navy Regional procurement of motor gasoline, distillates and residual fuels). According to the A-NPB statement of July 3 (corrected for subsequent developments in motor gasoline requirements and offers) the following volumes are uncovered at present:

	Barrels Daily			
	July/Sept. 1947	Oct./Dec. 1947	Jan./June 1948	Av. Fiscal Yr.
Aviation Gasolines	4,050	24,420	38,130	26,909
Jet Fuel	190	550	1,800	1,080
Motor Gasoline	8,980	34,800	41,820	31,770
Kerosene, Burning Oil	1,040	1,780	5,790	3,580
Navy Diesel	4,430	1,110	25,450	14,020
Navy Special Fuel	15,710	20,600	75,410	46,550
Other Heavy Fuels	-	3,940	4,000	2,980
Total	34,400	87,200	192,400	126,070

(b) Navy Regional (local) procurement of motor gasoline, distillates, and residual fuel.

In this case the practice is to request bids for a six month's period only, with the contract dates so staggered that the expiration dates in the case of the various continental regions do not coincide. The present status of these requirements is as follows:

	Contract Expiration Date	Requirements June 27 Stm't. Motor Gasoline, Distillates, Fuel B/D	Approx. % Uncovered July 3 Statement %	Indicated Approx. Uncovered B/D
Region 1 (1)	Oct.31, '47	3,730	1	37
Region 2 (2)	Aug.31, '47	2,250	1	22
Region 3, 4, 5, (3)	Nov.30, '47	1,190	10	119
Region 6 (4)	July 31, '47	5,880	10	588
Marine Delivery				
West Coast	Dec.31, '47	3,450	25	862
East Coast	Sept.30, '47	18,830	30	5,649
		35,530		7,277

Note: (1) Upper East Coast  
(2) Southeast  
(3) Inland  
(4) West Coast

(c) Federal Bureau of Supply Procurement (including Onshore Army Ground Forces requirements).

According to information of July 7 from the Bureau of Federal Supply the average fiscal year 1948 position is as follows:

	<u>Requirements</u> per June 2 Report	<u>Uncovered July 7, '47</u> Barrels Daily
Gasoline	13,080	1,170
Kerosene & Distillates	12,360)	
Residual Fuels	19,110)	16,050*
Total	<u>44,550</u>	<u>17,220</u>

"Uncovered Residual and Distillate by Regions

	<u>Barrels Daily Uncovered</u>
Region 1 (Upper East Coast)	50
Region 2 (Southeast)	330
Regions 3,4,5, (Inland)	2,170
Region 6 (West Coast)	13,500
	<u>16,050</u>

From the tabulations it is readily apparent that the coverage of the military and governmental requirements is seriously deficient. Details as to the uncovered items and their point of delivery have been advised by the procurement groups to the oil companies operating in the areas involved with the request that further bids be offered against such items. In addition, efforts have been made to remove obstacles such as pricing bases, points of delivery, and product specifications. However, to date few additional offers have been received. As a result the following uncovered items are particularly urgent and require immediate action:

1. Aviation Gasoline: and Jet Fuel: While in the tabulation above, most of the first half deficiency is shown in the second quarter, distribution of offers received to date is such, according to the Services, that there is an urgent need for approximately 1,500,000 barrels of additional

aviation gasoline. Roughly half is requested as grade 115/145 but temporarily offers of 100/130 will be acceptable insofar as possible as a substitute. Additional bids are required in approximately equal proportions in each of the principal areas of the country.

In the case of jet fuel, partly because of distribution problems, there is a present need for approximately 75,000 barrels additional.

2. Motor Gasoline: There is an urgent need for additional offers of approximately 1,000,000 barrels of motor gasoline for shipment from the Gulf or East Coast as a result of the added overseas requirements mentioned above. Some five or six cargoes of the total are required for shipment in July or August, of which at least two or three should be in July.

There remains a requirement for 80 octane gasoline of only 60,000 barrels for the entire fiscal year. A portion of this is needed promptly and delivery will be accepted in whole or in part and, if necessary, at a single delivery point.

3. Navy Special Fuel Oil: The Navy Special fuel oil requirements on the West Coast are only approximately 50% covered for the first and second quarters of fiscal 1948. Additional offers of 20,000 barrels daily are urgently needed. While the East Coast overall requirements are not as pressing, nevertheless again due to distribution problems, additional coverage is required.

Summary:

While as discussed above, it is not practicable to state precisely the uncovered portion of the military and government requirements by periods, the above information permits approximate estimates of such uncovered portions on an overall basis for all products as follows:

<u>Fiscal Year 1948</u>	<u>Uncovered Portion</u>
First Quarter (July/Sept.)	One-sixth
Second Quarter (Oct./Dec.)	One-third
Second Half (Jan./June)	Two-thirds

The volume uncovered in the first quarter is equivalent to approximately 1% of total U. S. output of petroleum products. This uncovered volume, however, represents largely aviation gasoline, motor gasoline, and Navy Special fuel oil, all of which are urgently needed to meet military requirements.