

REPORT OF THE
COMMITTEE ON
MATERIALS REQUIREMENTS BY THE
OIL & GAS INDUSTRY
OF THE
NATIONAL PETROLEUM COUNCIL

November 11, 1946

CHAIRMAN: Claude P. Parsons

Chicago, Ill.
November 13, 1946

Mr. Walter Hallanan
Chairman
National Petroleum Council
Washington, D. C.

SPECIAL COMMITTEE ON MATERIALS
NATIONAL PETROLEUM COUNCIL

Dear Sir:

On November 11th the Special Committee on Materials, with eleven members present, met in Chicago and unanimously adopted the report which is attached hereto, and respectfully submits it to the National Petroleum Council.

There are two materials about which you received some special correspondence and of which I received a copy. One is a letter dated October 19, 1946, from Russell B. Brown, Temporary Secretary of the National Petroleum Council relative to the shortage of dynamite for use in oil field operations. The other is a letter dated November 4th, 1946, from Robert E. Friedman, Acting Director, Oil & Gas Division, Department of the Interior, relative to the shortage of cans used for packaging lubricating oils. Attached to Mr. Friedman's letter is a copy of letter dated October 28th, 1946 from Fayette B. Dow of the National Petroleum Association calling attention to the problem. Both of these items are covered in the Committee report attached hereto. Tin cans are included under the item "Tin Mill Products" in the report.

One day before the meeting of the Committee on November 11th, the newspapers announced that OPA price controls were removed from all materials except a few items which are not short in the Petroleum industry. As price controls are listed in the report as one of the causes of the shortages of materials used by the petroleum industry, and as the elimination of price control is one of the recommendations of the Committee, that factor is eliminated and should produce some improvement in the materials situation.

However, the Committee's report shows that price controls are only a contributory cause of the shortages and they were responsible for only a portion of the shortages. We want to stress the point that if the greater part of the material shortages is to be eliminated, it will be necessary to remove the other causes of the shortages, as listed in the report and covered by the recommendations therein.

If the Council wants more detailed information on any of the items shown in the report, we would be glad to supplement the report accordingly.

Yours very truly,

/s/ Claude P. Parsons

Claude P. Parsons,
Chairman

Enc.

SHORTAGES OF MATERIALS WHICH AFFECT
PETROLEUM OPERATIONS VITAL TO THE PUBLIC WELFARE

Report of Special Committee on
Materials Requirements by the Oil and Gas Industry
Chicago, Illinois
November 11, 1946

SHORTAGES OF MATERIALS WHICH AFFECT
PETROLEUM OPERATIONS VITAL TO THE PUBLIC WELFARE

A report to the National Petroleum Council from the special Committee appointed by the Council to study the current shortages of materials needed for essential operations of the petroleum industry.

The Chairman, upon receiving notice from the National Petroleum Council of the formation of the committee and his appointment thereon, visited the different operating areas of the petroleum industry to meet with local members of the committee and with enough other men familiar with the materials situation in all branches of the industry to get a representative picture of the shortages. Discussions were held in Tulsa, Denver, Houston, Dallas, Los Angeles, Oklahoma City, Chicago and New York. In each discussion, after the Chairman explained the purpose of the Council and of the Materials Committee, an explanation made necessary by the newness of both, there were three points of discussion: (1) What materials were short to the extent of seriously hampering petroleum operations necessary to the Public Welfare; (2) Causes of the shortages; (3) Recommendations for eliminating the shortages.

Having completed the trip around the industry and with all members of the committee familiar with the purposes of the Committee, and with the materials problems in all branches of the industry in their respective areas, the Chairman called a meeting of the Committee, held in the University Club, Chicago, on November 11, 1946. At this meeting the Committee approved the following report and respectfully submits it to the Council:

More than a year after the war the market supply of materials is in such a state of confusion that many materials are more difficult to obtain than during the worst stages of the war.

All types of petroleum operations necessary to the Public welfare are affected. For instance, the shortage of dynamite is curtailing the operations of geophysical crews which explore for needed new underground sources of petroleum; many essential drilling operations are delayed or curtailed by shortages of casing; needed pipe lines are delayed or prevented by shortages of line pipe; refineries are affected by shortages of such items as seamless high pressure line pipe and chemicals; the quality of gasoline is affected by the shortage of lead; petroleum operators cannot build houses needed for employees in oil field camps because of the shortage of building materials; many petroleum products used by the public are affected by shortages of paper and metal containers.

The following list shows the specific items which are seriously short and the causes of the shortages.

Materials Short to Extent of Affecting Petroleum Operations Necessary to the Public Welfare

Causes of Shortages

STEEL:

OIL WELL CASING, Seamless, Regular
OIL WELL CASING, Seamless, Alloy
OIL WELL TUBING, Seamless

Strikes in the coal and steel industries; shut downs of pipe mills in the Pittsburgh area due to strikes in the electric power utilities.*

LINE PIPE, Regular, Butt Weld, Lap Weld,
Continuous Weld, Seamless

Same as above.

1/8" to 4" Incl.

OPA Ceilings: CPA & NHA Priorities diverting materials in this country and Treasury Department directives diverting materials to foreign countries; Public Works; UNRRA

4" to 12"

OPA Ceilings; UNRRA: Government Priorities and Directives; Public Works.

Over 12"

UNRRA; Government Directives; Shortage of plate for Thin Wall pipe (See Plate).

CAST IRON PIPE AND FITTINGS
MALLEABLE IRON CONNECTIONS

OPA Ceilings; Government Priorities and Directives; Public Works; UNRRA; Labor Shortages in foundries.

STRUCTURALS

OPA Ceilings on plain "unfabricated" structurals; OPA Ceilings on scrap

CASTINGS

Labor shortages; scrap shortages due to OPA

CLUTCHES, Friction

Strikes; Shortage of Castings

NOTE: * The serious shortages in oil country tubular goods caused by recent strikes in the coal and steel industries would disappear in several months if the seamless pipe mills could continue production at present near-capacity and if there are no further strikes in the coal and steel industries.

Materials Short to Extent of Affecting Petro-
leum Operations Necessary to the Public Welfare

Causes of Shortages

STEEL:(cont'd):

CHAIN BELTS

Strikes.

REINFORCING RODS

OPA Ceilings on regular
type rods; Government
Priorities and Directives;
UNRRA: Public Works

PLATE

OPA Ceilings; Labor
bonus incentives, being
on a tonnage basis, en-
courages production of
thick plates, thereby
causing shortage of thin
plates, needed for petro-
leum operations; UNRRA.

SHEETS, Black and Hot Rolled

Government Priorities and
Directives; UNRRA; OPA
Ceilings

TIN MILL PRODUCTS, Containers, etc.

Increased demand due to
Government food packing
program and UNRRA; Con-
tinuation of Government
regulation M-21 and M-81
after packing season is
over; inequitable allo-
cations.

COPPER:

ELECTRICAL EQUIPMENT, all kinds, but
especially motors, generators, wires
and transformers

Marginal copper mines
not producing due to
OPA Ceilings; Shortage
of copper due to strikes;
strikes in electrical
equipment manufacturing
industry; OPA Ceilings;
Government Priorities
and Directives.

TUBES, for heat exchangers

Strikes; OPA; Govern-
ment Priorities.

Materials Short to Extent of Affecting Petro-
leum Operations Necessary to the Public Welfare

Causes of Shortages

COPPER: (cont'd)

TUBING

Strikes; OPA: Govern-
ment Priorities

LEAD:

BATTERIES; TETRA ETHYL for gasoline;
LITHARGE

OPA Ceilings; Scrap
withheld due OPA; Margi-
nal lead mines not
operating; Strikes;
Government monopoly on
importation of lead.
Shortage of labor in
mines.

CONSTRUCTION:

LUMBER, PLYWOOD, WALLBOARD, PLUMBING
FIXTURES, CAST IRON, SOIL PIPE, NAILS,
GLASS AND BRICK.

OPA Ceilings; Govern-
ment Priorities; Labor
shortage.

CEMENT:

Public Works; Strikes
Shortage of freight cars.

CHEMICALS:

DYNAMITE

Shortage of glycerin,
caused by shortage of
fats, caused by shortage
of meats, caused by OPA
Ceilings.*

TALLOW

Shortage of fats, caused
by shortage of meat,
caused by OPA Ceilings.**

CAUSTIC, SODA ASH, PHOSPHATES, CHLORINE,
SULPHURIC ACID

Government war plants
shut down; delays in
construction of new
plants due to general
shortage of materials;
strikes.

FATS AND OILS

OPA Ceilings; Govern-
ment regulations re-
stricting importation.

NOTES: * The shortage of dynamite is due to the shortage of glycerin, which is due to the shortage of fats which is due to recent shortage of meat caused by OPA Ceilings. While the materials situation was being studied by the Committee, the OPA Ceilings on meat were lifted. Immediately following this the supply of meats and fats increased sharply and the shortage of glycerin and dynamite should disappear in due time.

**OPA Ceilings on tallow were lifted during the study by the Com-
mittee and the scarcity immediately began to disappear.

Materials Short to Extent of Affecting Petro-
leum Operations Necessary to the Public Welfare

Causes of Shortages

MISCELLANEOUS:

CHEESE CLOTH AND CANVAS for wrapping pipes and vessels in refineries; FILTER CLOTH for wax presses; MUSLIN TUBING for greases; BURLAP for wax cakes.	OPA Ceilings
PIPE LINE FELT	Labor shortages; strikes; priorities
GLASS SAMPLE BOTTLES	OPA Ceilings
PAPER PRODUCTS (containers, etc.)	OPA Ceilings; pulp shortage due to lumber situation.

Summarizing the causes of the shortages in the above materials, they are:

1. Government labor legislation and political practices encouraging strikes and stoppages, discouraging productivity and causing increased costs and scarcities.
2. Federal price controls (OPA) trying to hold prices down when costs go up, thereby further discouraging production and creating further scarcities.
3. Government priorities (CPA, NHA, WAA) channeling scarce materials to uses other than petroleum.
4. Government Directives (Treasury Department) diverting scarce materials to foreign countries.
5. Government purchases and export (UNRRA) of industrial materials for shipment to foreign countries as relief.
6. Scrap metals not getting to the mills due to OPA Ceilings.
7. Public works programs increasing the demand.
8. Labor bonuses when on a tonnage basis, discourages production of light-weight items.

Since the end of the war, the cycle of avoidable scarcities has been: strikes and work stoppages directly causing scarcities and increased costs; OPA, by trying to hold prices down when costs go up, discourages production and causes further scarcities; the cost of living goes up; more strikes, more scarcities, more costs, etc., etc. The other causes listed have further aggravated the situation.

In addition to the above, foreign operations of the petroleum industry have been further hampered by inadequate allocations of materials by CPA to the Office of International Trade of the Department of Commerce, making it impossible for petroleum operators to obtain adequate export licenses. Licenses are not issued by one government bureau until an operator has an allocation from another bureau. Allocations are made from some theoretical list but there have been many instances of operators being able to obtain materials in the open market but were unable to obtain allocations and, therefore, had to hold the materials in storage until the theoretical list showed that the materials were available.

Due to existing regulations, the American petroleum industry is finding it more difficult to obtain permission from the Government to export materials for its petroleum operations abroad than it did during the worst stages of war.*

RECOMMENDATIONS

The Committee believes that there are adequate production facilities in this country to produce the materials listed in sufficient quantities to fill the needs of the petroleum industry and of the other important industries vital to the public welfare.

It believes that both the cause and the solution of the scarcities listed lie within the Federal Government and that the shortages would quickly disappear when the Government takes the following action which the Committee recommends be done as quickly as possible, in view of the outlook of further shortages ahead:

1. Discontinues price controls (OPA).
2. Discontinues priorities (CPA, NHA and WAA).
3. Discontinues purchasing by UNRRA of industrial equipment for distribution as relief to foreign countries.
4. Discontinues directives (Treasury Department) which give prior rights to foreign governments for exporting scarce materials.
5. Discontinues regulations (Department of Commerce and CPA) which seriously interfere with the petroleum industry shipping adequate materials to carry on its operations abroad. The Petroleum industry should be permitted to use the general license procedure and regulations for exporting the materials needed in its foreign operations in countries classified by the Government as "K" countries.

NOTE: * See supplemental report from Subcommittee on materials for foreign operations of the petroleum industry.

6. Defers construction of public works until the present shortages of materials are relieved.

7. Provides effective legislation which will give labor the protection and rights to which it is entitled, consistent with the rights of others, and at the same time encourages productivity instead of strikes, stoppages and slow-downs resulting from existing legislation which create scarcities which cause increased costs and prices which cause more strikes. Production is the only answer to lower living costs and adequate materials.

The Committee is in unanimous agreement in this report and has attempted to fulfill its assignment of gathering the facts and presenting its recommendations in the interest of the petroleum industry and of the American public which the industry serves.

/s/ Claude P. Parsons
Chairman

REPORT OF SUBCOMMITTEE
TO THE
COMMITTEE ON MATERIALS REQUIREMENTS BY THE OIL AND GAS INDUSTRY
OF THE
NATIONAL PETROLEUM COUNCIL

The foreign operations of the petroleum industry are having and will continue to have serious difficulties under the impossible conditions imposed by the Office of International Trade in the Department of Commerce and by the Civilian Production Administration.

These difficulties are in addition to the difficulties caused by the shortages in critical materials listed in the main report.

The prescribed mechanism by the Department of Commerce, Office of International Trade, for presenting detailed estimates of material requirements for the foreign operations of the petroleum industry, makes it impossible for the Department of Commerce to present such firm requirements to the Civilian Production Administration.

No appreciation of the seriousness of the problems involved are apparent by either the Civilian Production Administration or the Department of Commerce.

It is the unanimous opinion of this Subcommittee that the only cure for the difficulties experienced since the cessation of war hostilities is the elimination of all functions of the Office of International Trade in the Department of Commerce and of the Civilian Production Administration, insofar as quotas, allocations, priorities and special export regulations are concerned, and the immediate return of the petroleum industry to the established general export license procedure and regulations for all "K" countries. By this recommendation we do not mean merely transferring the above referred functions to some other Government body.

/s/ George W. Young
Chairman
Subcommittee on Foreign Operations
of the Petroleum Industry

Chicago, Illinois
November 11, 1946