

OFFICE COPY

REPORT OF THE
TEMPORARY STATISTICAL ADVISORY COMMITTEE
OF THE
NATIONAL PETROLEUM COUNCIL

March 5, 1947
Washington, D. C.

C O P Y

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Eighteen Pine Street

New York 5, N. Y.

March 18, 1947

Mr. Walter S. Hallanan, Chairman
National Petroleum Council
Suite 310, 1025 Connecticut Avenue
Washington, D. C.

Dear Mr. Hallanan:

I beg to submit to you herewith a report of the Temporary Statistical Advisory Committee.

As directed by the Council, we have conferred with the Director and staff of the Oil and Gas Division and studied with them the existing statistics on petroleum gathered by governmental and other agencies, and have also explored the range of additional information which the Division cites as needing. In its analysis the Committee made a sharp distinction between (1) supply and demand statistics and engineering estimates, and (2) detailed information used by operating units in their competitive activities and that information which would serve a useful purpose by being collected by a central agency and published on the basis of industry totals.

As to the functions which petroleum information may be expected to perform, the Committee recognized two categories: first, that information which when centralized would be of service for the guidance of peace-time operations of the industry and the peace-time operations of all governmental agencies now charged with specific operating problems and obligations, as well as of interest to the public; and second, that information which may be required by the military agencies in dealing with problems of national security. While the data pertinent to the first category will to a considerable degree be of utility for the second, the reverse is not true. Moreover, much of the military requirements must be of a confidential and secret character and cannot intelligently be dealt with by any industry committee not directly attached in an advisory capacity to the military branch and thus brought in touch with the specific problems. As such a committee is understood to be in process of formation, it was felt that such committee, properly qualified as to security regulations, could best handle this aspect of the problem and that it would not be practicable for your Temporary Committee to attempt to anticipate the needs on this score.

The Committee makes specific recommendations in respect to the filling of gaps in our existing centralized data, entailing additional information to round out our supply-demand picture to be collected by existing governmental agencies. A real need exists for the development of adequate supply and demand statistics for foreign areas and recommendations are made to that end. The Committee also recommends that ways be found to speed up the gathering and publication of petroleum statistics assembled by governmental agencies, privately gathered figures being much more effective in this respect. As regards the matter of simplification and improvement of the data, the Committee recognizes that

this is a continuing task and suggests that these objectives can best be promoted by standing committees not connected with the Council, two of which have already been engaged for some time on this very problem. The Committee felt that so far as possible existing compilations of data should be used by governmental agencies in lieu of the establishment of new undertakings in order to avoid an excessive or unnecessary burden of new work and expense.

It should also be kept in mind that the extension and perfection of statistical information, as desirable as it may be, does not necessarily lead to the proper solution of all of our problems, particularly in the field of policy. We all know that errors in interpretation are apt to be much greater than the errors of commission and omission in the collection of statistics, and that many of our great industrial forces, such as technology, competition, political and social change, the functional aspect of price, and the like, are not subject to adequate statistical measurements at all.

Very truly yours,

/S/ Joseph E. Pogue

Chairman
Temporary Statistical
Advisory Committee

Encl.

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INTRODUCTION

The Temporary Statistical Advisory Committee was appointed on February 17, 1947, under instructions by the National Petroleum Council to study with the staff of the Oil and Gas Division "the improvement and simplification and the methods of assembling and disseminating (petroleum) statistics" and to "report its findings and recommendations to the Council for its consideration and such recommendations and actions as it may deem appropriate."

Practically the entire Committee met in Washington on March 3-5, and conferred with the Director and members of the staff of the Oil and Gas Division of the United States Department of Interior. The Committee was provided with a full survey and examples of petroleum statistics and information now being collected and published by the various agencies of the United States Government and by trade associations, oil and gas publications, and others. These data represent a great diversity of information drawn from a large number of sources, and constitute in the aggregate an invaluable basis for industry operations and for governmental and public analysis. The additional information required for fuller coverage is rather limited and specialized and except for adequate statistics on supply and demand in foreign countries, which are now lacking, falls largely in the field of engineering estimates and data, the centralized collection of which would find application mainly in connection with security considerations.

The Committee clarified its analysis by dividing the subject matter into two broad categories, each calling for entirely different treatment: (1) information useful for the peace-time competitive operations of the petroleum and natural-gas-producing industries; of value to the peace-time activities of the various agencies of the Federal and State Governments having to do with these industries; and of service to organizations, publicists and individuals seeking to increase their knowledge of the functioning of these industrial activities; and, (2) information, much of it confidential in nature and unneeded for peace-time purposes, appropriate for consideration only by accredited authorities for purposes of national defense.

I

PETROLEUM STATISTICS FOR PEACE-TIME OPERATIONS

A. Recommendations on Domestic and Foreign Statistics

(1) Domestic

The petroleum industry is fortunate in having adequate statistical coverage of its domestic operations except in a few respects. Improvements in special aspects, speeding up of the reports, and the collection of some additional data

would add to the usefulness of the figures.

The Committee recommends that Government agencies use the estimates of the American Petroleum Institute and the American Gas Association on proved reserves of crude oil and other liquid hydrocarbons and of natural gas, since it is felt that these figures are the most authoritative obtainable. To the extent that data on maximum efficient rates of production may be of general interest, the Committee suggests that much information of this kind can be obtained from State regulatory bodies, or industry committees and other competent authorities where no State regulatory body exists.

While extensive data are available on the production of petroleum products, knowledge of the various uses to which these products are put is deficient. It is recommended that the Oil and Gas Division take steps to fill this lack, (1) by encouraging agencies covering parts of this field to enlarge their reporting, (2) by correlating and coordinating the data supplied by others, (3) by filling in, or encouraging others to fill in, existing gaps in statistical data through the techniques of sampling and, (4) by taking such additional steps as may be necessary to assure an annual survey of major products use.

The American Petroleum Institute issues weekly data pertaining to the domestic industry while the Bureau of Mines limits itself largely to monthly data, the only exception being its weekly statement of crude oil stocks by origin. In the interest of consistency it is recommended that the American Petroleum Institute assume responsibility for the weekly crude oil stock reports but that the Bureau of Mines continue issuing its other regularly released statistical data.

(2) Foreign

Statistical data on activities of the petroleum industry abroad are less satisfactory than domestic data. Information on production and consumption trends of the industry outside of the United States is increasingly needed to provide an intelligent basis for industry operations, both here and abroad. This could be provided by monthly reports by a governmental agency, such as the United States Bureau of Mines, of the following data by countries or areas: production of crude oil and allied hydrocarbons, refinery runs, output of the four major products, and for these and for crude oil, stocks, imports and exports. Every effort should be made to make the information available shortly after the end of the month to which the data pertain.

It is further recommended that an appropriate governmental agency collect and disseminate year-end figures reporting the rated through-put and cracking capacities of foreign refineries. These figures should not be released by individual countries.

Where data on well completions and related information in foreign countries are of interest, it is suggested that the Oil and Gas Division utilize the technical and trade journals, which are currently reporting such material in part and that such publications be encouraged to enlarge their coverage.

B. Recommendations for Simplification and Improvements of Current Statistics

The Committee recommends that the simplification and improvement of the reports now being issued by governmental and other agencies be accomplished by active cooperation between the existing statistical advisory committees of the American Petroleum Institute and the American Gas Association, or other appropriate

committees, and the Oil and Gas Division and other governmental agencies. The Committees named are already in existence, have been engaged in this kind of service for some time and are competent to continue such activities. An added advantage is that these are standing committees and therefore may be useful in the future as occasion requires. Inquiries as to sources of information to meet specific needs in cases where the Oil and Gas Division cannot readily obtain such information, might also be referred to these committees for suggestions. New reports contemplated by governmental agencies should be reviewed by the above mentioned committees.

One important item of improvement which might be accomplished by governmental agencies is to have statistical reports released more quickly than heretofore. These data lose much of their value when received after long lapses of time. It is therefore recommended that the Oil and Gas Division review the causes for such delays and arrange to overcome whatever difficulties stand in the way of prompt reporting. The most important reports which require such assistance are those furnished by the Bureau of Mines.

In addition to the vital question of time there are other recommendations which have been made by the industry committees, which should receive the attention of the Oil and Gas Division. Some of these suggestions previously made and others recommended by your Committee are as follows:

1. Some years ago the Bureau of Mines prepared analysis of the available and unavailable crude oil inventories. There is need for a renewal of that study and similar analyses on the four major product classifications. Recommendation was made that such studies be undertaken by the Bureau of Mines but it was learned that the staff was inadequate. This study has been undertaken by the Economic Advisory Committee of the Interstate Oil Compact at the request of the Compact Commission. Plans should be made for the repetition of this study periodically by the Bureau of Mines.
2. A survey of the ultimate use of lubricating oils for 1947 is now being organized by the Bureau of Domestic Commerce and financed by the industry through the American Petroleum Institute. This is a spot survey covering this year only. It could with advantage be repeated annually. It is our opinion that such information should be provided by government.
3. A breakdown of refinery statistics on gas oil and distillate fuel oil into heating oils, diesel fuels and gas oils, should be made.
4. The present report on Natural Gasoline and Allied Products should be revised to show condensates separately. The Bureau of Mines figures on crude oil production also include some condensate which should be segregated. This report should also be broadened to indicate separately the current production of the other products of natural gas, such as propane, butane, isobutane, isopentane, pentane and blends thereof.
5. A review and improvement of the Bureau of Labor Statistics indexes on petroleum industry prices, wages and hours should be undertaken.

6. Import and export statistics should be improved both as to content and timing.

7. A list and index of current sources of oil and gas statistics should be prepared by an appropriate governmental agency such as the Oil and Gas Division.

II

PETROLEUM STATISTICS REQUIRED FOR SECURITY PURPOSES

The Committee assumes that for security purposes the military authorities may need additional information with respect to the crude oil and natural gas industries, both domestic and foreign, beyond that appropriate for peace-time purposes.

It is believed that: (1) these requirements cannot be anticipated by the industry; (2) they will vary with changes in military studies; (3) these unpredictable requirements are not normally necessary or useful to peace-time economy; and, (4) for security reasons such data should not be published.

The Committee, therefore, recommends that a special industry committee, appointed for the purpose, under proper safeguards and with the consent and approval of the military authorities, should advise, confer and counsel with the appropriate military agency or agencies for the specific purpose of aiding such military agency or agencies to procure, analyze and coordinate such additional petroleum and natural gas data as may be necessary to meet the military needs. Such a committee, we understand, is now being established.

In this manner the data essential for military purposes may be made available under proper safeguards of secrecy and in a manner best calculated to serve the particular needs of those charged with the responsibility of the national security.

Respectfully submitted,

Joseph E. Pogue, Chairman
A. J. McIntosh, Secretary
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Merle Becker
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