

SUMMARY OF ACTIVITIES
OF THE
NATIONAL PETROLEUM COUNCIL'S
DISTRICT III REGIONAL ADVISORY COMMITTEE

April 7, 1948

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NATIONAL PETROLEUM COUNCIL

SUMMARY OF ACTIVITIES

The Regional Advisory Committee for District 3, appointed by Walter S. Hallanan, Chairman of the National Petroleum Council, with approval of Secretary Krug, gathered for its first meeting on February 17, 1948, immediately after appointment, to study methods of alleviating the critical heating oil shortage existing in the Middle West and East Coast areas. Membership of the committee encompassed the entire petroleum industry from production of crude to transportation of refined products, and included personnel from virtually all of the producing and refining areas in District 3. Committee members responded quickly and gave unhesitating cooperation in rapidly surveying the relevant phases of the industry for determination of methods for improving heating oil production and distribution.

The geographical location of District 3 in the mild climate portion of the country and the proximity of consuming areas to refining areas in the district resulted in almost no problems at the marketing level. In view of this, the committee directed its efforts to the task of producing and supplying petroleum and its products to District 1 and 2. To facilitate achievement of this aim, four subcommittees were formed to study and report on crude oil production, refining, transportation and to assemble statistics to assist in these studies.

The work of the committee was directed through the business offices of the chairman and, inasmuch as detailed work with numerous marketers was unnecessary in this area, it was not found necessary to establish special offices. An operating fund of \$2,600 was contributed by the various oil companies in the district to defray

telephone, telegraph and postage expenses.

The committee investigated and found that none of the refineries in District 3 had any middle distillates in storage for lack of a market, and only a negligible amount was temporarily delayed on the way to marketing points by shortage of transportation. It was further developed that no inventories of middle distillates were held in storage against future commitments and that kerosene and heating oils were moving out of the refineries as rapidly as produced. Committee action resulted in District 3 refineries being urged by Secretary Krug to follow closely Recommendations 2 and 3 of the Temporary Voluntary Petroleum Allocation Agreements Program.

The Refining Subcommittee reported that industry efforts to increase middle distillate production were successful in raising kerosene yield by 16 percent and heating oil yield by 37 percent in District 3 during the period from November 22, 1947, to mid-February, 1948. It was anticipated that further increases in output of these critical products would be realized.

Study by the Crude Oil Subcommittee revealed that all fields in District 3 were producing at their maximum efficient rate as currently established. A program of meeting with the oil regulatory bodies of each state was developed and carried out so that any increases in allowables which the regulatory bodies thought to be justified could be put into effect immediately. The chairman of this subcommittee reported that splendid cooperation was given by these bodies. It is recognized that drilling of new wells is the principal method by which increases in crude oil production will be obtained, and this will require increased allocations of steel for casing, drilling equipment, etc.

The Transportation Subcommittee reported that pipe lines in District 3 are adequate to transport crude from fields to refineries with the exception of the West Texas - New Mexico area from which the industry is now transporting 112,000 barrels daily by tank car. New pipe line capacity of about 300,000 barrels daily from West Texas is now in course of construction, but because of delays in receiving steel, all lines will not be completed in 1948. Pipe lines of 200,000 barrels daily capacity, however, will be completed from West Texas to intermediate points and connecting pipe lines by the end of the year. This will practically eliminate tank car movement of crude from the West Texas area, and the shortened hauls, from intermediate points to refineries, will release some tank cars for other services.

It was found that there is no tanker shortage and, in some instances, ships have been awaiting cargoes. Practically all inland-waterway barge and tow equipment is in use and there is little that can be done to make extra equipment available. It was found that if such equipment were made available it could probably not find sufficient cargo to put it to use.

The Statistical Subcommittee reported the results of its study of the effect of the maximum middle distillate program upon the summer gasoline supply-and-demand outlook. It appeared, at that time, that although allocations to dealers might be required, supplies would seem adequate to meet anticipated demand. Gasoline stocks are somewhat higher than at the same period in 1947. Numerous factors,

however, such as the continuation of maximum heating oil production through April and possible increases in military demands for motor and aviation gasolines, could easily change the situation.

Respectfully submitted

/s/ John W. Newton

John W. Newton, Chairman
District 3 Regional Advisory Committee
of
National Petroleum Council

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