

REPORT OF THE COMMITTEE
ON
MILITARY AND GOVERNMENT PETROLEUM REQUIREMENTS

June 23, 1948

CHAIRMAN: J. Frank Drake

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30 Rockefeller Plaza
New York

June 23, 1948

TO THE MEMBERS OF THE MILITARY
AND GOVERNMENT PETROLEUM
REQUIREMENTS COMMITTEE:

Gentlemen:

Representatives of the Armed Services Petroleum Board have requested your Acting Chairman to bring to the attention of the Committee and the Industry the present situation regarding offers versus requirements for the military. A separate letter has been sent the Committee dealing with Aviation gasoline and jet fuel. This letter will deal only with cargo requirements of motor gasoline, diesel and residual fuel oils for the period July 1, 1948 - December 31, 1948.

Motor Gasoline

(a) West Coast: 2,000,000 barrels for cargo lifting have been requested. Offers total only 600,000 barrels, all in the July-September period. Immediate additional offers are required for July lifting and offers sufficient to at least meet requirements for the full six months period are desired as soon as possible. Several large suppliers have not yet sent in any offers for this product.

(b) Gulf/East Coast/ Caribbean: 4,090,000 barrels for cargo lifting have been requested. Offers total only 1,263,000 barrels. No offers have been made for July and very few for August and September. Many of the large suppliers have not yet submitted any offers. Prompt receipt of offers for July loadings (680,000 barrels) is considered essential and additional offers for the full six months period are desired within the next few weeks.

<u>Diesel Oil</u>		<u>Required</u>	<u>Offered</u>
(a) West Coast	702-E	1,325,000 Bbls.	1,170,000 Bbls.
	Army Grade A	313,000 "	-
	Army Minus 50° Pour	<u>450,000</u>	<u>150,000</u> "
	Total	2,088,000	1,320,000

Offers for Army Grade A and additional offers of low pour diesel are required immediately.

(b) Gulf/E.Coast/ Caribbean	702-E	1,194,000 Bbls.	730,000 Bbls.
	Army Grade A	<u>1,435,000</u> "	<u>1,120,000</u> "
	Total	2,629,000 "	1,850,000 "

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Additional offers of 702-E are desired promptly. Additional Army Grade A is not so urgent but further offers are desired. If any company is unable to meet specifications but can and will furnish heating oil, it is suggested that this be brought to the attention of the military so that they can develop the possibility of trades.

Navy Special Fuel Oil

(a) West Coast: Cargo requirements are now estimated at 5,930,000 barrels. Offers total 4,642,000 barrels.

(b) Gulf/East Coast/Caribbean: Cargo requirements are now estimated at 2,776,000 barrels. Offers total 2,520,000.

Additional offers are requested promptly particularly from the West Coast so that inefficient movements, which might later prove to have been unnecessary, can be avoided. Also the Navy desires to reach and maintain target stock levels which cannot be accomplished with existing offers.

Offers for Grade II residual fuel are satisfactory for the present, but suppliers who are unable to produce Navy Special fuel but who could furnish Grade II should advise the Procurement officers so that if trades are possible they could be arranged.

The Armed Services Petroleum Board representatives stated that the most urgent and essential offers required are for motor gasoline both on the West Coast and Gulf Coast. Army grade diesel offers from the West Coast are of about equal importance and urgency. Next is additional offers of Navy Special from the West Coast. Preliminary indications are that additional offers of diesel and Navy Special from the Gulf/East Coast/Caribbean area will be received shortly which will reduce the deficiencies of these products in this area to minor proportions.

If prompt offers are not received for the urgent items it will be necessary to call a meeting of the Committee to discuss the situation as, in general, military stocks of these products are insufficient to take care of any supply failure, even of a temporary nature.

Very truly yours,

/s/ H. W. Page

H. W. PAGE, ACTING CHAIRMAN
MILITARY AND GOVERNMENT
PETROLEUM REQUIREMENTS COMMITTEE

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Y

30 ROCKEFELLER PLAZA
NEW YORK

H. W. Page

June 23, 1948

TO MEMBERS OF THE MILITARY AND
GOVERNMENT PETROLEUM REQUIREMENTS
COMMITTEE:

Gentlemen:

Representatives of the Armed Services have requested your Acting Chairman to bring to the attention of the Committee and the Industry the situation as regards military aviation requirements and offers for the period July 1 to December 31, 1948. Attached is a statement of the present situation.

The latest requirement estimates are almost identical with those given in the report of March 25, 1948, in total, but there has been a switch by grades. The requirements of 115/145 and 100/130 are now higher by 300,000 barrels and 185,000 barrels respectively, with corresponding decreases in 91/98 grade and 80 grade.

Present offers of 115/145 grade and 100/130 grade are below requirements. In addition a considerable amount of 100/130 grade offered does not meet the 10% aromatic specification. Efforts are being made to utilize these offers of off-specification 100/130 grade by blending with toluene which has been secured for this purpose by the military, and also by trades being initiated by individual companies wherein the low aromatic content offers would be used for commercial purposes, releasing equivalent amounts of military specification grade for delivery to the military. Any arrangements which can be made in this regard will greatly facilitate the eventual covering of all military aviation requirements.

On the assumption that such arrangements can be made, present offers of 115/145 and 100/130 combined will be approximately 10% or 1,000,000 barrels short of requirements. Based on previous experience 90% coverage at this time is a good indication that capacity exists industry-wide to meet the full requirements over the period and that additional amounts will be offered from time to time.

It is recognized that individual suppliers do not feel justified in contracting for their estimated maximum production because of possible unexpected shut-downs and other factors which might cause actual operations to vary from estimates. However, in order to minimize unnecessary transportation and cross hauling on the part of the military it is suggested that all suppliers of aviation gasoline increase their offers just as soon as their operating experience will justify.

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In regard to area distribution, it will be noted from the attached table that the shortages of 115/145 are on the West Coast and Inland. Offers of this grade from the West Coast are, however, considerably above those which have been received in the past and it is generally believed that they represent approximately the maximum amount of this grade which can be obtained while meeting area requirements for 100/130 grade. No supplies of 115/145 grade have been received from Inland refineries in the past. It, therefore, seems reasonable to presume that most of the overall deficiency in this grade will have to be obtained from the Gulf Coast area. The military are prepared to make shipments of this product from the Gulf Coast to the Pacific and Inland areas, if necessary.

As regards 100/130 grade, offers from Inland areas are considerably less than those which have been obtained during the last six months. These were 839,000 barrels as compared to offers for the next six months of 364,000 barrels (including off-specification product). While it is recognized that there may be difficulty in obtaining the full amount of 100/130 grade required in Inland areas, it is suggested that additional offers from this area, as well as the Gulf/East Coast, would be very desirable.

As mentioned above, it is particularly important at the present to find a means of converting the offers of off-specification 100/130 grade to a specification product either by blending with aromatic or by individual companies arranging trades with others.

No problem exists in the 91/98 and 80 octane grades. J.P.-1 offers are deficient in the Inland and Gulf/East Coast areas. However negotiations are under way which may solve this area distribution problem.

It is believed that if the problem of off-specification offers can be solved promptly and a few additional offers of both 115/145 and 100/130 grades are obtained soon, the military aviation situation will be sufficiently clarified so that it will not require a meeting and consideration by the Committee.

Very truly yours,

/s/H. W. Page
H. W. PAGE, ACTING CHAIRMAN
COMMITTEE ON MILITARY AND
GOVERNMENT PETROLEUM REQUIREMENTS

HWP:ADC
Attachment

MILITARY AVIATION REQUIREMENTS AND OFFERS

July 1 - Dec. 31, 1948

First Half Fiscal Year 1949

	<u>Thousand Barrels 42's</u>					
	<u>115/145</u>	<u>100/130</u>	<u>91/98</u>	<u>80</u>	<u>J.P.-1</u>	<u>Total</u>
<u>West Coast</u>						
Requirements	1,496	2,576	93	16	454	4,635
Offers	1,227	2,401*	166	55	848	4,697
<u>Inland</u>						
Requirements	158	1,380	59	10	242	1,849
Offers	-	348*	4	2	26	380
<u>Gulf/East Coast/ Caribbean</u>						
Requirements	1,592	3,259	477	52	680	6,060
Offers	1,568	3,217*	751	47	533	6,116
<u>Total</u>						
Requirements	3,246	7,215	629	78	1,376	12,544
Offers	2,795	5,966*	921	104	1,407	11,193

*Excluding Offers which do not meet the 10% aromatics specifications as follows:

West Coast	235
Inland	16
Gulf/East Coast	<u>473</u>
Total	724

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