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American Zionist Emergency Council, "O", 1946.

F. JULIUS FOHS  
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HOUSTON 2, TEXAS

May 2nd, 1946

Rabbi A. H. Silver  
The Temple  
Cleveland, Ohio

Dear Dr. Silver:

I talked with Littell on the telephone. He wants to discuss American oil policy but just what his aims are could not say but probably political to influence the O'Mahoney Committee on it's policy and I do not see how it is related to our problem.

However, I will contact him when I return east two weeks hence and feel him out and see if his interests are really helpful to us.

Sincerely,

*F. Julius Fohs*

FJF:TR

1106  
11 East 44th Street  
New York, 17, New York

*Copy sent to  
Edward Ben-Haim  
5/5/46  
D.H.*



.....  
.....

Christmas Day  
1946

(British Emblem)

My dear Fanny:

On this day my thoughts turn naturally to Peace, and also to good will on Earth, which at once brings to mind the great part you have played, and undoubtedly will continue to play, towards the achievement of these twin objectives. It has been an honour, and a pleasure, to work side-by-side with you in this cause. I know we shall continue our joint efforts in 1947 and pray harder than I have ever prayed that the tragic strife in Palestine will end soon in an agreement which will give your great people complete satisfaction and enable them to make that great contribution to world peace without which goodwill on earth will never be achieved. Your people and mine are one in the eyes of God: let us give our all, if needs be, to make them one in the sight of man. Count on me to the full.

Enclosed is a little gift in token of our friendship and good team-work and also in admiration and gratitude for the magnificent efforts of one American woman from a British man who believes that only by joint British-American world leadership, based on friendship and complete understanding, can Peace and goodwill on Earth ever be achieved. I have full faith that, despite all difficulties, we shall succeed in our task.

Sincerely yours friend,

"Bill" Oemerod



Confidential

Memorandum for

Dr. Silverman  
by J. J. [unclear]





Undated 7

Confidential

#### INTRODUCTION:

The great oil deposits of the Middle East are among the world's greatest, and the struggle for their control, both by companies and by countries, is a major factor affecting Zionist plans, since petroleum is the most immediate and cheapest source of both military and industrial power. Here too, the Moslem-Arab world is just awakening from a century long sleep, a Goliath who brooks no interference from the Jewish David clamoring for a small piece of land in the huge Arab desert-wilderness. France, just getting its second breath after a knockout, remembers it too possessed part of this region and would retain its position. Britain, with the life-line of its sprawling Empire at stake, with India aflame, with its chief oil interests a major stake, with Egypt insistant on removal of troops, would tightly hold little Palestine as a cross roads, as a military base, and out of fear of the Moslem-Arab world, and perhaps even fear of the growing industry and trade competition that this smallest of countries might invoke. Turkey, strengthened by westernization and by war neutrality, bids maintenance of her status quo. Soviet Russia, awakening to its new-born and inherent strength, heightened by the war's great holocaust, with its great Moslem horde and their claimed brotherhood with the Middle East Arabs, its desire to extend its already great oil interests, its necessity for warm water ports, its rivalry with Britain, <sup>its position</sup> already the world's second greatest power, with probability in twenty-five years of equaling or eclipsing our own country, will insist on its say in this region.

The United States, with its oil and economic interests to maintain at any cost, becomes here, as elsewhere, a major factor.



Together this clash of mighty forces, ideological, religious, social, political and economic on an almost unprecedented scale, tends to lose infinitesimal Jewish Palestine in the melee. It is to discuss and suggest possible methods of approach, that we meet here today.

The Middle East (exclusive of Ethiopia and Somaliland but inclusive of Egypt) represents an area of 2,225,000 square miles and a population of 66,500,000. In addition, there is Afghanistan. Of this, Palestine, with only 10,000 square miles, is less than one-half percent of the area, and a present population of 1,850,000 and a projected immediate population of 3,000,000 and an ultimate population of 4,800,000, is less than 3 percent *may* reach to a maximum of  $7\frac{1}{2}$  percent of the total population.





## MAPS OF OIL RESERVE PROVINCES AND OWNERSHIP:

I present two maps showing petroleum reserves of the Middle East and South Russia. Map No. 1 shows the petroleum reserve areas or provinces as I evaluate them:

- (A) Primary reserve provinces with very large oil and gas reserve potentials;
- (B) Secondary provinces in which the reserves are in important quantity but of lower potentials;
- (C) Tertiary provinces, worthy of exploration, but with reserve potentials much smaller.

Areally, the Persian Gulf province is about equal to the Caspian Sea province which includes the Caspian, Emba, Kazakh, Uzlec and Turkman basins, and ultimately these two provinces may prove to have reserves of almost equal quantity, though the Persian Gulf area may have slightly greater reserves. Both are in early stages of development, and both are very, very rich. Both have produced for some years and locally have demonstrated highly productive wells, as at Baku on the Caspian Sea, and at Kirkuk, Kuwait, Bahrein, Dammon, etc. on the Persian Gulf. Both provinces can be depended upon for production for as long a period as any region now producing. The blocked out reserves in each case are only a fraction of those to be developed. It is reported that there is blocked out in the Persian Gulf area sixteen billion barrels and an indicated reserve of  $26\frac{1}{2}$  to  $29\frac{1}{2}$  billion barrels. It is not exaggerating to expect near 100 billion barrels for this province.

The reserve value in the primary provinces differs greatly in different parts of the area; thus the northern two-thirds of the British area in Iran, and a 50 mile wide strip in eastern Irak are ultra-rich, as is the strip on the west coast of the Persian Gulf from Trucial Oman north. The Baku basin is



equally rich and the Uzbek-Kazakh and Turkman areas may be also. Some portions of the several basins may prove much leaner. The one I have projected in the Black Sea has, so far as I know, never been suggested previously. The area in Northern Iran - Afghanistan - is comparable to our Big Horn Basin in the Rocky Mountains. It is most evident that all three of the big powers, Britain, Russia and the United States, have a vast stake in this oil. Gester, one of our foremost oil geologists, puts the Caspian Sea-Persian Gulf areas into one great oil center, comparable only to the Mid-Continent-Northern-South American center, - the two greatest in all the world.

Map No. 2 shows the ownership and control of Middle East oil concessions. Relative ownership may be expressed in square miles of land surface area as follows:

American	225,400
British	161,900
French	35,350
Turkish	22,600

The Persian Gulf, covering 90,000 square miles, will ultimately be prospected; of this, 21,400 square miles are adjacent to American, and 68,600 to British concessions.

Turkey's interest is small, chiefly in the Ardahan province to which Russia has recently indicated claim.

Palestine's position is very small indeed. Aside from possibilities in the Pliocene-Miocene beds in one or two locations in the coastal plain, and in the Mediterranean offshore, and possibly a few of the more westerly domes of southern Palestine, the prospects for petroleum are not attractive, despite the mapping by myself and others of a large number of domes or structural traps in Palestine. Absence of important source beds and lack of considerable thickness of clay strata as cover are probably responsible for failure of important accumulations. Areally, its prospective area is less than 5,750 miles, none of it exciting!



North of and adjacent to the Middle East, Soviet owned primary areas (exclusive of portion in Black Sea, 111,000 square miles, which is more questionable) cover 714,400 square miles. Soviet owned secondary areas adjacent and shown on map cover 363,000 square miles. Further primary areas under Soviet control in Romania, Bulgaria and Poland, 92,200 square miles, and of secondary areas, Hungarian basin 34,300 and northern Iran basin 100,400 square miles. Summarizing, Soviet has under its control, as shown on the map, primary areas of 806,600 square miles, and secondary areas of 497,700 square miles, a total of 1,300,000 square miles of oil reserve areas, exclusive of the Black Sea. Included in these figures are: Romania, 65,600 square miles; Bulgaria, 26,000 square miles. There remained in Poland, outside of Russia, only 600 square miles of oil territory. In addition, it has other fields in the Western Urals, in central Siberia and Sakhalin Island, and two great unexplored basins, those of the Ob and Lena Rivers in northern Siberia.

The daily production of the Middle East is 543,000 barrels; of Russia, 805,000 barrels, and under Russian control, 390,000 barrels.

The Soviets estimate their reserves at 50 billion barrels, mostly in the areas I show on the map, while the United States claims a proven reserve of approximately 21 billion barrels. The Soviet probably includes much that is not proven or blocked out. In my judgment, the Middle East will yield close to 100 billion, - all of the Soviet controlled areas a like or greater amount - and the United States possibly not more than double its present proven reserve; that is, 42 billion barrels. Our reserve, together with that of American companies in Northern-South America (Venezuela and Columbia) and the Middle East, are necessary to preserve American power,



until other cheap sources of power are adequately harnessed, otherwise the decline of the United States as a great power becomes certain.

#### PIPE LINES, REFINERIES, TANKERS:

A present, two 12-inch pipe lines are in operation (cost about \$50,000,000) between Tripoli and Kirkuk and Haifa and Kirkuk. Plans are under way to lay a parallel 16-inch line to increase the capacity to both outlets, but particularly to Haifa to supply additional crude for the Consolidated Refineries (Shell) at that point. Part of the oil from Tripoli is trans-shipped to France. Standard Oil Company of New Jersey and Socony-Vacuum plan a new refinery at Tripoli. These lines go through Irak, Syria and Lebanon, and Irak, Transjordan and Palestine.

Plans are also under way for the building of a big inch line from Kuwait and Saudi Arabia, perhaps also to carry some Iranian oil. This large project, costing up to \$165,000,000 and for a distance of more than 1,000 miles, probably over 1,200 in all, will go from the Persian Gulf through Saudi Arabia, Transjordan and Palestine to Haifa on the Mediterranean.

The companies building these lines have an interest in the stability X of the lands through which they are laid and most have accepted the idea that by encouraging the Arabs and Pan-Arab league they can best obtain this. These lines will handle at first 600,000 barrels and ultimately 1,000,000 barrels daily. A break in a line far out in the desert is a costly matter in the loss X of oil, and they look upon the friendship of the Arabs as necessary to their peaceful operation.

A large refinery is already in operation in Palestine, 90,000 barrels daily, and this is to be increased to 300,000 barrels daily through-put. For



discussion of the other refineries, I refer you to the paper by Mr. C. O. Wilson, Editor of the Oil & Gas Journal, December 29, 1946.

The huge tanker fleets of the United States and Britain also play a part. The United States, with nearly 8,500,000 tons, and Britain, with about 2,500,000 tons, built up through the war, press for use. Not only are the tonnages huge for carrying oil and oil products, but also the size of individual tankers has grown to tonnages not dreamed of before, - up to ability to carry 175,000 barrels per tanker with its lower per barrels transportation cost, thereby bringing Middle East oil cheaper, first to Europe and Britain, and going westward still, to our own shores, at a cost of about 55 cents X or less per barrel. This makes Middle East oil, once the new big-inch pipelines are built across the Iraqi, Syrian and Arabian deserts to the Mediterranean shores, a real competitor to western oil. All of which shows X the continual shrinkage of the world in oil as in other fields, and the in-  
fringement of Middle East oil on many lands in economic as well as political ways.

#### INCOME TO PRODUCING STATES:

Saudi Arabia, Iran and Irak derive their principal income from oil X royalties and advance payments; the rate of some of these is very high. These payments are highly important, only it is hoped that fewer will be used to maintain the ruling feudal establishments and more for the upbuilding of the land and the raising of standards of their peoples. One means toward this end is a study being conducted by a group of engineers appointed by Mr. Herbert Hoover, in which I am participating, to recommend ways and means of providing for extension of irrigation in Irak so as to make ready those lands which can best accommodate a large number (many millions) of immigrants from other



Arab lands of the Middle East, as well as to raise the standards of the natives. Money from oil royalties has been used in Irak at the great Koot dam on the Tigris River to contribute toward making such irrigable land available.

RELATION OF MOSLEM-ARAB GROUPS, SOVIET RUSSIA AND BRITAIN:

There are two conflicting Arab groups, the Pan-Arab league, which Ibin Saud, of Saudi Arabia, would like to lead, and apparently was British encouraged, and the Pan-Moslem league, which is fathered by Mohammed Ali Jinnah, who would make it the expansive force of Pakistan. The Pan-Arab league is only a weekly-knit group of Arab states at present, and much less dangerous to ultimate world peace than the dream-child of Jinnah, which would include not only the Arab states of the Middle East and Pakistan, but also Turkestan, Kurdistan, and other Moslem areas of Russia, parts of western China, and, of course, Moslem North Africa.

Russia, because of her large Moslem population, also aspires to a greater stake in the Middle East, not only because of her desire to attain Middle East warm sea outlets, but also to use her interest in the Moslem world as an offset to Britain. \*

Britain, of course, is insistant upon maintaining her life-line through the Middle East to India and for this Palestine has been a perfect gateway, while her hold in Transjordan, Irak, Iran, Afghanistan and Baluchistan have been most important, not mention the Suez Canal, and now her possession of Libya and the maintenance of troops in Egypt. If she should move her troops from Egypt, Palestine is the natural place for them to go, hence they are already esconced there in goodly numbers. The same is true in



Irak, - the recent removal of troops from Iran was but a step over the line into Irak. Both to protect oil interests and otherwise, stations in these lands for British troops appear imperative, at least until United Nations troops are available instead. Britain's relations to the Arab-Moslem world are important if you consider North Africa, Egypt, Palestine, Transjordan, Irak, Iran (only part Arab-Moslem), Baluchistan, and India, and the rivalry between her and Russia is aggravated thereby.

The proposed British-American loan (or grant-in-aid), if you will, appears almost sure of American approval and from the standpoint of American interest, is imperative. I believe any effort on our (Zionist) part against same, would be a great mistake. +

WRHS  
ANGLO-AMERICAN OIL TREATY:

AMERICAN JEWISH ARCHIVES  
The Anglo-American Oil Treaty has as its purpose the stabilization of relations between Britain and the United States in the matter of oil reserve ownership, production and distribution of oil products. The treaty as now drawn has the approval of all important American major oil companies except Sinclair, and most independents. We independents fought the first agreed upon draft of the treaty because it was so drawn as to give Britain most of the advantages.

Virtually, this treaty means mutual guarantees on concessions already \* held by the United States and Britain, world wide protection against Russia and other countries, and the United States and Britain against each other.

It also sets up a technical, economic and statistical committee to keep up with all international petroleum developments and their effect on petroleum trade, and to make recommendations with a view of keeping the several



oil producing countries in balance, but particularly to assure the United States and Britain their relative place in this industry. The express purpose is later to expand this so that it may include other countries, such as Russia, who will also be party to a larger treaty of the same character. X

While Britain, in the earlier draft, would undoubtedly have had an advantage and would have forced an international world petroleum cartel, the new draft goes only so far as being suggestive of market quotas. This draft follows more nearly the idea of consultative technical and economic study and agreement along the lines of our Interstate Oil Compact, on an International scale.

#### UNITED STATES INTEREST:

The United States Government has a direct stake in Middle East oil; it is important both in war and peace, since our own reserves are being used at an inordinate rate. It was very important in World War II to have access to oil production in that part of the world to fuel our planes and ships, and supply toluene. It is definitely to the American interest to support our nationals (in this case, major oil companies) to maintain their position and interests in this region, and to back them with all the diplomatic force at American command if we are to remain one of the two greatest world powers. X

Further than this, it is to American interest (a) to assist smaller nations to remain intact and develop along democratic and economic lines, and (b) to obligate itself to see that Palestine shall become the homeland of the Jews, as our Presidents, beginning with Wilson, have pledged.

#### SOVIET RUSSIAN OUTLETS TO PERSIAN GULF AND DARDANELLES:

This can best be obtained for Russia by following through Iran from Bandarshah on the Caspian Sea to Bandar Shapur on the Persian Gulf the railway



line rebuilt by the United States Army Engineers to send Russia supplies when the Dardanelles were unavailable. Likewise, the Russians press for an outlet through the Dardanelles, and their recent demands for the return of Kars and Ardahan may be tied into this; internationalization of these straits X should fulfil every requirement.

#### NECESSITY FOR A MIDDLE EAST TECHNICAL-ECONOMIC COMMISSION:

Studies of the several countries of the Middle East have demonstrated the need for some cooperative development and production plan that would be workable and yet free of major political questions involving or infringing the sovereignty of the several countries.

A continuing inter-government commission might be set up which would be empowered by inter-government treaties, and contributing larger powers would be allowed observers. It would be a technical and economic commission, with both an engineering and scientific basis, of which the rulers of each state would be ex-officio members and appoint their representatives with full power. The commission could include industrial and agricultural representatives (and perhaps a cross-section of the more important interests) of each of the several countries. It would employ such technical, economic and legal advisers as necessary to cover each of the several special problems.

In the United States, we have instituted a commission covering one such problem, - that of regulating and restricting the production of oil, - which gives practical point to the working of such a commission between states; the state legislatures have given approval of this set-up, - the Interstate Oil Compact Commission. The contracting states retain full sovereignty, make their own regulations, and set state outputs. This commission employs its own technical advisers and conducts research on its problems, and although it



cooperates with the Federal Government and has received its sanction and approval, it is wholly independent of it. The new Anglo-American oil treaty follows similar lines, but between two nations.

Such an inter-governmental economic commission could lay the basis for the building of irrigation works, new inter-country highways and railroads; eliminate customs duties between the signatory countries (Palestine and Syria already have free trade between them); possibly suggest overall annual agricultural and other outputs or their restriction, as, for example, when oranges are overproduced; stress the planting of larger cereal or cotton crops in certain areas over others; etc. This would help bring production into line to cover both home consumption and exports, both inter-country and to non-affiliated countries. There is the problem of immigration and emigration between the countries which are party to the compact to be solved, the handling of labor, etc. Then there are such matters as inter-country development and inter-use of streams, both for irrigation and power development. For example, Palestine could use part of the Nahr Litani water and, in turn, would work out an arrangement for its proper share of the cost of the necessary works for conserving such water, and the proper allotment of upkeep charges between it, Lebanon and Syria. Likewise, the hydro-electric power of such countries as Palestine, Syria and Transjordan could be further developed and unitized.

Certainly Palestine, Transjordan, Syria and Irak should attempt such a cooperative plan, being joined later by Iran.



**WHY** *The New*

*Anglo-American*

*Oil Agreement*

*was approved by*

*Independent Petroleum Association*

*of America*



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## FOREWORD

When the original Anglo-American Petroleum Agreement was announced, the Independent Petroleum Association of America called this proposal to the attention of the oil industry and to the Government. At that time we were convinced that such Agreement as had been signed contained many provisions that might prove harmful to our industry and to the Government.

As a result of the study of that Agreement conducted by those most closely concerned it was concluded that the Agreement ought not to be ratified as a Treaty. This view was conveyed to the appropriate divisions of Government and thereafter the President withdrew the Agreement from further consideration by the Senate.

The Petroleum Administrator for War next requested the Petroleum Industry War Council to make suggestions as to proper principles to be included and language to be employed in a new Agreement. The Council's National Oil Policy Committee studied the question for many weeks and made certain, definite recommendations to the Petroleum Administrator. As a result of the study made by the Industry Council, a new Agreement was proposed.

The terms of the new proposal, which were signed in London, were made known by the Petroleum Administration for War and the complete text was released on the day the Agreement was signed. The members of this Association were supplied by the Washington office and Tulsa office with full copies and a request was made that the Agreement be studied carefully in advance of the Annual Meeting in Tulsa, in October, 1945, when there would be opportunity for thorough discussion.

Much time was devoted to the Agreement in the Tulsa Meeting and at the conclusion of the analysis, participated in by two of the men who had been present at the London conference, the resolution of approval of the Agreement was adopted. It is published in this booklet. Some objections were later reported within the industry and the Executive Committee and State Vice-Presidents of this Association, meeting in Shreveport, Louisiana, in January, reviewed the objections that had been heard. They found no reason to differ from the view taken by the members in Annual Meeting. A resolution was adopted in Shreveport, which is also included herein.

The steps that have been taken by those who have been working on this subject, the studies and analyses made by members and officers of this Association and the conclusion they reached, are important to a better understanding of the Agreement. I feel that such views should be made available in assembled form to the industry, to members of Congress, and to the Governmental Agencies concerned.

We have, therefore, included the pertinent information in this booklet. I hope it will serve the intended purpose of promoting full understanding of the Agreement in advance of the formal consideration by the Senate.

B. A. HARDEY, *President*  
*Independent Petroleum Association of America.*



## STEPS LEADING TO, AND REASONS FOR, APPROVAL OF THE NEW ANGLO-AMERICAN OIL AGREEMENT

by the INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

On September 26, 1945, Russell B. Brown, General Counsel for IPAA, in Membership Report Letter No. 417 addressed to President Ralph T. Zook, wrote:

"In advance of your return from London, I am sending to all who receive this report a copy of the new Anglo-American Petroleum Agreement. Since our Association has had a considerable part in the revising of the first Agreement, which was withdrawn from Senate consideration early this year, *I feel that the members wish to read the new version carefully. It will be of value to them to have acquainted themselves with the provisions in advance of your discussion at the October meeting in Tulsa.* Your comment on that occasion will be most valuable in the light of your participation of both the preliminary work on the Agreement in Washington and in the final conferences in London.

*"Your coming analysis and discussion of this Agreement will serve as an essential and most agreeable forerunner to whatever expression our Association may choose to make.*

"At this location, far removed from the scene of the final conference and unacquainted as yet with the interpretations and views of those from the industry who were present at such conference, my own comment properly should be restricted to a few observations. It does appear at this time that the Agreement may be greatly useful in the establishment of a better understanding among the Governments of the signatory parties and the nationals of those countries who are engaged in the petroleum industry.

"It appears that the Commission which will be appointed by the two Governments of the United States and the United Kingdom will be limited to the role of fact-finding and fact-disseminating. No authority appears to be given to enlarge upon that role. No decisions can be made of an administrative character. In this respect, the Agreement is radically different from the one which was signed in Washington last year and submitted to the Senate for approval.

"There appears also to be ample safeguard against any possibility of using this Agreement, should it be given the status of a treaty, to preclude action by Congress on imports of oil. Section B of Article VII seems to establish such guarantee.



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"This Agreement, in contrast to the first one, appears to prevent the establishment of cartels.

"I have been asked whether anything constructive can be done by a Commission which is limited to the functions set forth in Article 4. My reply has been that industrial policy can always be shaped with greater intelligence when full facts are known. We can all remember occasions when harmful policies and actions in our domestic industry were the result of misunderstandings and misinformation or lack of information. The unknown too frequently gives rise to fear and actions based on fear are all too frequently harmful.

"Many have pronounced the Interstate Oil Compact to be productive of good; yet, it is without authority and is limited to the promotion of conservation practices. Perhaps the expansion of this concept into the field of international petroleum development and trade will come equally to merit approbation.

"My reading of the text of the Agreement leads to the belief that no implication exists in this document of attempt to limit the freedom of the domestic industry to explore and develop oil resources in the United States.

"At this time there is one question that is puzzling. It arises from the account under London dateline in the New York Times of September 25. It is a revival of the question which arose last year when a portion of the minutes of the conferences in Washington was made public by a London publication. The pertinent part of the Times article follows:

" 'Mr. Shinwell (Minister of Fuel and Power, signer for United Kingdom) admitted that discussions had ranged over the subject of sterling and dollar source quotas. Although the British Minister said "we have received assurances" on this question, which, he added, were implicit in the agreement and set down directly in the unpublished minutes of the negotiations. American sources concerned gave a differing interpretation.

" 'The British, it was learned, stated during the negotiations that as a result of their dollar problem they might have to take steps to protect themselves by reducing imports of dollar oil. To this Mr. Ickes is reported to have replied that he recognized the problem but that any exclusion of dollar oil would be contrary to the spirit of the agreement. The agreed minute on this subject, it was said, goes no further than this'.



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"This seeming difference in opinion may be cleared up when those most directly concerned give their views. It would seem to merit attention and it and any other questions which may arise on the careful study of the Agreement, or the minutes, if made public, should receive the closest scrutiny."

Further information was sent to the members in Report Letter No. 418, on November 7, 1945, as follows:

"The new agreement on petroleum between the United States and the United Kingdom of Great Britain and Northern Ireland, which was signed in London, September 24, was referred to the Senate by President Truman on November 2. It was referred to the Foreign Relations Committee.

"The list of territories to which the Agreement is meant to apply was made public by the Senate and published in the Congressional Record of November 2. Those who receive this Report were supplied with a copy of the Agreement under date of September 26. To complete this, I am attaching a list of the territories, as published in the Congressional Record.

"The copy of the Agreement itself which was mailed with the Report was made from and was identical with the text issued on September 24 by the Petroleum Administration for War in Washington. There is one slight difference noted between that text and the one published in the Congressional Record. In the latter version, in Article 7, paragraph (1) declares that the word 'country' shall mean '(1) in relation to the Government of the United Kingdom of Great Britain and Northern Ireland, the United Kingdom, *those* British colonies, overseas territories, protectorates, protected states, and all mandated territories administered by that Government . . . ."

"The text issued by the Petroleum Administration for War on the date the Agreement was signed used the word 'all' instead of 'those' at the place I have underscored in the preceding paragraph.

"I do not know that this is greatly important, but as the point has been publicly made in a newspaper statement by the Chairman of the Texas Railroad Commission, I merely indicate the place in the text where the difference occurs so that those who have copies sent by this office may revise them, if they wish, to conform to the text which is before the Senate."



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**COPY OF THE ANGLO-AMERICAN OIL AGREEMENT**  
**(As Mailed to the Membership on September 26, 1945)**

Text of Agreement is as follows:

*Preamble:* The Government of the United State of America and the Government of the United Kingdom of Great Britain and Northern Ireland, whose Nationals hold, to a substantial extent jointly, rights to explore and develop petroleum resources in other countries, recognize:

1. That ample supplies of petroleum, available in international trade to meet increasing market demands, are essential for both the security and economic well-being of nations;
2. That for the foreseeable future the petroleum resources of the world are adequate to assure the availability of such supplies;
3. That the prosperity and security of all nations require the efficient and orderly development of the international petroleum trade;
4. That the orderly development of the international petroleum trade can best be promoted by international agreement among all countries interested in the petroleum trade, whether as producers or consumers.

The two Governments have therefore decided, as a preliminary measure to the calling of an international conference to consider the negotiation of a multilateral petroleum agreement, to conclude the following agreement.

**ARTICLE I:**

The signatory Governments agree that the international petroleum trade in all its aspects should be conducted in an orderly manner on a worldwide basis with due regard to the considerations set forth in the preamble, and within the framework of applicable laws and concession contracts, to this end and subject always to considerations of military security and to the provisions of such arrangements for the preservation of peace and prevention of aggression as may be in force, the signatory Governments affirm the following general principles with respect to the international petroleum trade:

(A) That adequate supplies of petroleum, which shall in this agreement mean crude petroleum and its derivatives, should be accessible in international trade to the Nationals of all countries on a competitive and nondiscriminatory basis:

(B) That, in making supplies of petroleum this accessible in international trade, the interests of producing countries should be safeguarded with a view to their economic advancement.



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## ARTICLE II:

In furtherance of the purposes of this agreement, the signatory Governments will so direct their efforts:

(A) That all valid concession contracts and lawfully acquired rights shall be respected and that there shall be no interference directly or indirectly with such contracts or rights;

(B) That with regard to the acquisition of exploration and development rights the principle of equal opportunity shall be respected;

(C) That the exploration for and development of petroleum resources, the construction and operation of refineries and other facilities, and the distribution of petroleum shall not be hampered by restrictions inconsistent with the purposes of this agreement.

## ARTICLE III:

1. With a view to the wider adoption of the principles embodied in this agreement, the signatory governments agree that as soon as practicable they will propose to the governments of all interested producing and consuming countries the negotiation of an international petroleum agreement which inter-alia would establish a permanent international petroleum council.

2. To this end the signatory governments agree to formulate at an early date plans for an international conference to negotiate such a multilateral petroleum agreement. They will consult together and with other interested governments with a view to taking whatever action is necessary to prepare for the proposed conference.

## ARTICLE IV:

1. Numerous problems of the joint immediate interest to the signatory governments with respect to the international petroleum trade should be discussed and resolved on a co-operative interim basis if the general petroleum supply situation is not to deteriorate.

2. With this end in view, the signatory governments agree to establish an international petroleum commission to be composed of six members, three members to be appointed immediately by each government. To enable the commission to maintain close contact with the operations of the petroleum industry, the signatory governments will facilitate full and adequate consultation with their nationals engaged in the petroleum industry.

3. In furtherance of and in accordance with the purposes of this agreement, the commission shall consider problems of mutual interest to the signatory governments and their nationals, and with a view to the equitable disposition of such problems it shall be charged with the following duties and responsibilities:



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- (A) to study the problems of the international petroleum trade caused by dislocations resulting from war;
  - (B) to study past and current trends in the international petroleum trade;
  - (C) to study the effects of changing technology upon the industrial petroleum trade;
  - (D) to prepare periodic estimates of world demands for petroleum and of the supplies available for meeting the demands, and to report as to means by which such demands and supplies may be correlated so as to further the efficient and orderly conduct of the international petroleum trade;
  - (E) to make such additional reports as may be appropriate for achieving the purposes of this agreement and for the broader general understanding of the problems of the international petroleum trade.

4. The Commission shall have the power to regulate its procedure and shall establish such organizations as may be necessary to carry out its functions under the agreement. The expense of the Commission shall be shared equally by the signatory governments.

#### ARTICLE V:

The signatory governments agree:

(A) That they will seek to obtain the collaboration of the governments of other producing and consuming countries for the realization of the purposes of this agreement, and to consult with such governments in connection with activities of the Commission:

(B) That they will assist in making available to the Commission such information as may be required for the discharge of its functions.

#### ARTICLE VI:

The signatory governments agree:

(A) That no provision in this agreement shall be construed to require either government to act upon any report or proposal made by the Commission, or to require the nationals of either government to comply with any report or proposal made by the Commission, whether or not the report or proposal is approved by that government.



## ARTICLE VII:

The signatory governments agree:

(A) That the general purpose of this agreement is to facilitate the orderly development of the international petroleum trade, and that no provision in this agreement, with the exception of Article II, is to be construed as applying to the operation of the domestic petroleum industry within the country of either government:

(B) That nothing in this agreement shall be construed as impairing or modifying any law or regulation, or the right to enact any law or regulation, relating to the importation of petroleum into the country of either government;

(C) That, for the purposes of this article, the word "country" shall mean

(1) In relation to the Government of the United Kingdom of Great Britain and Northern Ireland, the United Kingdom, all British colonies, overseas territories, protectorates, protected states, and all mandated territories administered by the government and

(2) In relation to the Government of the United States of America, the continental United States and all territory under the jurisdiction of the United States, lists of which, as of the date of this agreement, have been exchanged.

## ARTICLE VIII:

This agreement shall enter into force upon a date to be agreed upon after each government shall have notified the other of its readiness to bring the agreement into force and shall continue in force until three months after notice of termination has been given by either government or until it is superseded by the international petroleum agreement contemplated in Article III.

In witness whereof the undersigned, duly authorized thereto, have signed this agreement.

\* \* \* \* \*

## THE ANGLO-AMERICAN OIL AGREEMENT

*(Report to the Annual Meeting in Tulsa, Oklahoma, October 15-16-17, 1945, by IPAA President Ralph T. Zook, one of the Oil Industry Consultants to U. S. Delegates negotiating the Agreement).*

"I am sure no one will deny that oil offered by Texas and Louisiana influences the entire crude oil market of the United States regardless of where produced. Similarly, crude oil offered in international trade, regardless of its source, affects the market for oil from the Gulf Coast. If too much oil is offered in international trade, it will first mean a fight for the world markets. The result



will be either the complete loss of our export market or the entering of our oil in price competition with the lower-priced foreign crude. The next step will be pressure to import large amounts into the United States. Either one of these can be disastrous to our industry. An orderly offering of oil in international trade can prevent either one or both of them from coming about. That is the reason I have been so interested in an international oil agreement.

"In Iran, Iraq, Saudia Arabia, Kuwait, and Bahrein will be found the greatest known potential oil reserves of the world. Mr. E. DeGolyer, Chief of the Middle East Mission for the Petroleum Reserves Corporation, reported upon his return from an investigation of that area that the actual proved reserves amounted to 16,000,000,000 barrels and the indicated reserves between 25,000,000,000 and 27,000,000,000 barrels. Mr. James Terry Duce in his recent testimony before the O'Mahoney Committee gave the reserves in this area as 26,000,000,000 barrels. These reserves were discovered by drilling less than 150 wildcat wells. To develop the oil reserves of the United States has required perhaps 50,000 wildcat wells.

"Production in the Middle East during 1938, the last prewar year, was 332,572 barrels. Planned expansion of production and refining capacity will bring production to an estimated 600,000 barrels by the end of 1945. This is an increase of approximately 265,000 barrels daily over the year 1938.

"While the Arabian Pipe Line is pretty well 'dead' as a governmental project, it is far from that as a privately owned and operated line. Iraq Petroleum Company is planning a second twelve-inch pipe line to parallel the present twelve-inch line to Haifa on the eastern shore of the Mediterranean, which will make possible a delivery of an additional 115,000 barrels daily from Iraq. These two new lines will add 350,000 to 400,000 barrels daily production to the 600,000 barrels planned for 1945. Physical limitations will prevent the completion of these lines for an estimated two years. However, at that time, if used to capacity, they will bring the total production from that area close to 1,000,000 barrels daily.

"On our recent visit to London we were the luncheon guests of the Anglo-Iranian Oil Company. After luncheon we had the opportunity of looking over a number of maps showing the oil fields of Iran. One field has produced 100,000,000 barrels from 30 wells. There are still remaining 100,000,000 barrels which can be produced from these same wells. This is at the rate of almost 7,000,000 barrels per well. Another field is currently producing 40,000 barrels daily from three wells. The oil flows to a high point on the lease where it is treated and under the same well pressure flows to the refinery about 120 miles away. The entire field operation is carried on with five men.



"The proved oil reserves of this area are given as approximately 7,000,000,000 barrels. They are small compared to the possible reserves of the Middle East but the large production developed in this area for war use is dynamite unless it is handled constructively. It can cause great harm to the domestic and world oil industry.

"Imports during August, mainly from South America, are estimated at 378,000 barrels daily, of which there is no criticism for we were still under war demand. Current figures are not available, but the August rate compares with an average of 148,800 barrels daily for 1938. It is now time to insist that imports be reduced concurrently with the reduction of our domestic production.

"During 1938, the last prewar year, the oil production from South America and the Caribbean area totaled 720,000 barrels daily. It is expected to reach 1,165,000 barrels at the end of 1945, an increase of 445,000 barrels daily over 1938.

"With these developments in the Middle East and South America, there will be available from these two areas at the end of 1945 a total of 1,765,000 barrels daily. Within two years, from plans now under way, this production can be increased to 2,150,000 barrels daily.

"Where will this oil find market? The total demand for petroleum production in Europe and Africa during 1938 amounted to approximately 1,000,000 barrels daily. Two hundred and thirty five thousand (235,000) barrels were supplied from within their own boundaries, leaving 765,000 barrels to be supplied from outside sources. Of this amount 235,000 barrels were imported from the United States and 340,000 barrels from South America and the Caribbean area. The remainder was supplied, with the exception of a few thousand barrels, from the Middle East.

"I do not know the future of synthetic production in Europe. It can well be that the policy of the Allied Governments will prevent the re-building of these plants. Seeing part of the devastation brought about by the recent war and the impoverished condition of those countries visited on our recent trip to the Continent, I am not optimistic over a quick return to the prewar 1938 demand for civilian consumption. Military requirements may well take up that slack, but, assuming that the demand equals that of 1938, there will be much more oil available than is needed during the immediate postwar years.

"If that oil which has been exported from the United States is added to the amount available from the Middle East and South America, there will be conservatively 1,000,000 barrels a day in excess of that required to supply the immediate postwar demand in Europe and Africa. That is more than twice the amount needed.

"If that amount of oil is thrown on the market, it can bring about



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a world oil war. This would adversely affect each one of us who depends on the domestic oil industry for his livelihood. It is to prevent such a situation that we have fought for a sound Anglo-American Oil Agreement.

"The independents took the lead in opposing the first Anglo-American Oil Agreement. It was not that they did not desire an agreement on oil between Great Britain and the United States. They objected to that Agreement because it could have brought about complete control of our domestic oil industry. In speaking before the Interstate Oil Compact Commission at Oklahoma City on October 7, 1944, I clearly outlined my position in connection with that Agreement, which position was later approved by the Board of Directors of this Association. I further said, "I feel it is important to the independent producer that an effort be made to develop some other vehicle, to replace the present Agreement, which will be helpful in bringing about an orderly offering of oil in international trade." In my opinion, the Agreement just executed by the United States and Great Britain is that vehicle. It has my wholehearted approval.

"When the previous Agreement was withdrawn from the United States Senate by the President, the Petroleum Administrator asked the Petroleum Industry War Council to give him in specific language the wording of an Agreement which would remove the industry's objections. It has been my privilege to serve as a member of the National Oil Policy Committee which was charged with the responsibility of meeting the Administrator's request.

"The re-writing of this Agreement consumed many months. It was my main source of concern and study over a long period of time. It was given serious thought by the other members and a number of the committee submitted completely new drafts. Each one of these recommendations was discussed paragraph by paragraph in full Committee meetings which lasted for days. The result was a carefully considered, accurately worded document that met with my wholehearted approval. My only fear was that after it left the Petroleum Industry War Council there was danger that some Governmental agency or those who negotiated the Agreement would change its intent or purpose.

"Fortunately, this did not occur and the Agreement just completed with England is in substance the same as the draft submitted by the National Oil Policy Committee to the Petroleum Industry War Council and in turn to the Petroleum Administrator for War. It is an excellent example of proper Government-Industry cooperation. The State Department, the Department of Interior, and the oil industry cooperated in bringing about what, I believe, is a complete understanding. The appointment of six industry advisers to go to



London for consultation during the period of negotiations with the English was constructive. We were fully consulted during every step of the deliberations and our suggestions given full consideration.

"This Agreement removes my objections to the previous one. In the development of the draft submitted by the National Oil Policy committee, I said on numerous occasions, "Let's get it down to oil country language, language that I can understand. If that is done, then there will be no cause for misunderstanding." In my opinion everything that is intended to be covered is there in words that cannot be misunderstood. I believe it is difficult to read anything into it which was not intended.

"There are several Articles and paragraphs in the Agreement which I would like to read to you. I think they will give you ample assurance that our domestic industry is fully protected from any regulation or control, either expressed or implied. The first is Article VII which reads as follows:

*"The signatory governments agree:*

*(a) That the general purpose of this Agreement is to facilitate the orderly development of the international petroleum trade, and that no provision in this Agreement, with the exception of Article II, is to be construed as applying to the operation of the domestic petroleum industry within the country of either government;*

*'(b) That nothing in this Agreement shall be construed as impairing or modifying any law or regulation, or the right to enact any law or regulation, relating to the importation of petroleum into the country of either government.'*

"What is the exception in Article II? Article II reads:

*"In furtherance of the purposes of this Agreement, the signatory Governments will so direct their efforts:*

*'(a) That all valid concession contracts and lawfully acquired rights shall be respected, and that there shall be no interference directly or indirectly with such contracts or rights;*

*'(b) That with regard to the acquisition of exploration and development rights the principle of equal opportunity shall be respected;*

*'(c) That the exploration for and development of petroleum resources, the construction and operation of refineries and other facilities, and the distribution of petroleum, shall not be hampered by restrictions inconsistent with the purposes of this agreement.'*



"To me, this means that the governments will so direct their efforts that each shall have the right of free operations in the other country on the basis of that country's citizenship.

"The commission of six members to be established under the Agreement is advisory only. It is well to read its duties and responsibilities.

"They are specified in Article IV as follows:

- "(a) *To study the problems of the international petroleum trade caused by the dislocations resulting from war;*
- '(b) *To study past and current trends in the international petroleum trade;*
- '(c) *To study the effects of changing technology upon the international petroleum trade;*
- '(d) *To prepare periodic estimates of world demands for petroleum and the supplies available for meeting the demands, and to report as to means by which such demands and supplies may be correlated so as to further the efficient and orderly conduct of the international petroleum trade;*
- '(e) *To make such additional reports as may be appropriate for achieving the purposes of this agreement and for the broader general understanding of the problems of the international petroleum trade.'*

"But again, to be doubly sure that the Commission is advisory only, Article VI, paragraph b, states as follows:

"(b) *That no provision in this Agreement shall be construed to require either government to act upon any report or proposal made by the Commission, or to require the nationals of either government to comply with any report or proposal made by the commission, whether or not the report or proposal is approved by that government.'*

"Now if you would still like to have some further assurance, Article VIII states in part:

"*'This Agreement . . . shall continue in force until three months after notice of termination has been given by either Government or until it is superseded by the International Petroleum Agreement contemplated in Article III.'*

"The Agreement provides for industry consultation. Article IV, paragraph 2, states in part:

"*' . . . To enable the Commission to maintain close contact with the operations of the petroleum industry, the signatory govern-*



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*ments will facilitate full and adequate consultation with their nationals engaged in the petroleum industry.'*

"The intent of this paragraph is plainly stated. I believe that regardless of the membership of the Commission, an advisory group from the oil industry would be helpful. To be most beneficial, it should be appointed concurrently with the naming of the Commission. I am sure we will all agree that on that group there should be ample representation of those who are substantially interested in foreign fields. I believe, too, there should be representation by those interested solely in domestic production.

"I assume this Agreement will take the same course as the previous one and be presented for concurrence by the United States Senate. The Senate Foreign Relations Committee will at that time have the opportunity and responsibility of a full inquiry into all of the circumstances and understandings pertinent thereto.

"It may be necessary that Congress enact special legislation to permit those companies dealing in international trade to comply with the recommendations of the Commission. If so, I hope that Congress will see fit to enact such legislation.

"Some may ask whether this Agreement will perform the service for which it is intended. I think it will. My answer is based on the results from the time-tested principle of talking things out instead of fighting them out. When we disagree with one another, we generally have to talk it out in the end regardless of what legal steps we take. If we sit across the table from one another and thoroughly discuss our different viewpoints in an atmosphere free of compulsion it is ten to one we will reach a solution that is mutually fair and agreeable. That is the basis on which the Agreement was written and the atmosphere in which it was negotiated and concluded. The fact that the complete Agreement was reached in less than one week is an indication of the sincere desire by both parties to reach an understanding and speaks well for its future.

"I hope that after study and deliberation the membership of the Independent Petroleum Association of America will at some time during these sessions express their sentiments concerning this Agreement. There are other members of the advisory group present who are as well or better informed than I am, and who, like myself, will be glad to enter into a complete discussion of any of its phases."



## RESOLUTION

**Adopted Unanimously at the Sixteenth Annual Meeting of the  
Independent Petroleum Association of America, Tulsa, Oklahoma  
October 17, 1945**

WHEREAS, the Independent Petroleum Association of America, at its Annual Meeting held in Dallas, Texas, unanimously adopted a resolution urging and recommending that the Senate of the United States *do not* give its advice and consent to the ratification of the Anglo-American Petroleum Agreement submitted by the President on August 24, 1944, for the reason that said agreement clearly violated, and was in defiance of the principles set forth in the resolutions adopted by the Independent Petroleum Association of America, and by the resolution of the Petroleum Industry War Council, dated January 12, 1944 (adopting and reaffirming the same identical principles), and for the following additional reasons, among others:

The treaty-making device inherent in the Anglo-American Petroleum Agreement is being wrongfully used to vest in the Congress or the Executive Department of the United States Government, or an International Oil Commission, powers in time of peace not now vested in the Federal Government under our Constitution,

- (a) to fix production quotas in the oil producing areas of the world including the United States, and the several oil producing states;
- (b) to make market allocations throughout the world; and
- (c) to fix prices of oil and its products, or price ceilings, or what may be deemed "fair prices"; and
- (d) to take jurisdiction over conservation regulations by making determinations of "sound engineering practices" to be effectuated by Federal law or international agreement; and
- (e) to regulate our domestic oil business in relation to the economic advancement of foreign oil consuming or foreign oil producing countries; and
- (f) to surrender the control of import regulations and duties on foreign oil importations while the United Kingdom preserves "imperial preferences"; and
- (g) to vest in an international oil commission the determination of "peaceable" and "non-peaceable" countries as the basis for eligibility or banishment from international trade in oil, irrespective of whether our nation is otherwise on friendly terms and enjoys amicable relations with such nations; and
- (h) to regulate "the production, processing, transportation, and distribution of petroleum" in the United States (except as to the now recognized constitutional regulation of transportation in interstate and foreign commerce); and
- (i) to legalize cartels," and



WHEREAS, the President of the United States subsequently withdrew said treaty from the consideration of the Senate of the United States; and

WHEREAS, a new proposed Anglo-American Oil Treaty was rewritten and revised to correct and obviate each and all of the objections thereto set forth in the foregoing resolution and was renegotiated between the United States of America and the United Kingdom of Great Britain and Northern Ireland and was signed by the representatives of each of said governments in London on September 24, 1945, and will be submitted to the Senate of the United States for ratification;

BE IT THEREFORE RESOLVED by the members of the IPAA, in Annual Meeting assembled, that they do hereby urge and recommend to the Senate of the United States that it do give its affirmative advice and consent to the ratification of such Treaty, as signed in London on September 24, 1945.

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The following statement appeared in the November 12, 1945 issue of THE OIL WEEKLY and was mailed to all members of IPAA.

**SAYS PRESENT LANGUAGE OF OIL PACT APPROVED  
BY INDUSTRY'S CONSULTANTS**

By George A. Hill, Jr.,  
Oil Industry Consultant to U. S. Delegates Negotiating  
Anglo-American Oil Agreement.

The Anglo-American Oil Treaty, in the precise form transmitted to the Senate by the President for its advice and consent, is the text approved by the American delegation and the industry consultants who attended the London Conference. The text released by the Petroleum Administration for War erroneously misstated the word "all" for the word "those" in one place in the Treaty, which will be indicated in the below quoted and relevant portions of such Treaty:

"In relation to the Government of the United Kingdom of Great Britain and Northern Ireland, the United Kingdom all *those* British colonies, overseas territories, protectorates, protected states, and all mandated territories administered by that Government.

"In relation to the Government of the United States of America, the continental United States and all territory under the jurisdiction of the United States, lists of which as of the date of this agreement, have been exchanged."

Erroneous statements have been made with reference to this matter in a number of particulars, which, I believe, I am in a position to authentically correct:



*First:* The Treaty, as approved by the consultants, used the word "those" in the context as above set forth, and was not changed after submission to the consultants, or after signature by the representatives of the two Governments.

*Second:* The word "those" was used intentionally and advisedly and for the precise purpose of committing the British Government by a list of the constituent parts of the United Kingdom.

This was of importance for several reasons:

*First:* The American oil industry, and the American delegation, and the industry consultant were a unit in insisting upon inclusion of subdivision (a) of Article 7 in the Treaty as follows:

"That the general purpose of this agreement is to facilitate the orderly development of the international petroleum trade, and that no provision in this agreement, with the exception of Article 2, is to be construed as applying to the operation of the domestic petroleum industry within the country of either Government."

The purpose of this article was to make clear that the International Petroleum Commission, even in its purely advisory recommendations, would have no application "*to the operation of the domestic petroleum industry within the country of either Government.*"

This provision, therefore, was designed to define what constitutes oil in international trade, and to define what oil was within the *domestic petroleum industry* of each country signatory to the agreement. The United States was conspicuously *advantaged by this provision* inasmuch as oil operations in the United States and its territories are very large, and oil operations in the United Kingdom (as described in the list filed in the State Department) are relatively unimportant.

*Second:* Article 2 of the Treaty as above indicated in subdivision (a) of Article 7, is as follows:

"Article 2: In furtherance of the purposes of this agreement, the signatory Governments will so direct their efforts:

"a. That all valid concession, contracts and lawfully acquired rights shall be respected and that there shall be no interference directly or indirectly with such contracts or rights.

"b. That with regard to the acquisition of exploration and development rights the principle of equal opportunity shall be respected.

"c. That the exploration for and development of petroleum resources, the construction and operation of refineries



and other facilities, and the distribution of petroleum shall not be hampered by restrictions inconsistent with the purposes of this agreement."

The meaning of this article is that respect for, and non-interference with, valid concession contracts and the principle of equal commercial opportunity, and non-interference with oil explorations and operations shall be guaranteed by both countries, both within such countries and throughout the world. The failure to have a Treaty containing these obligations has been the cause of previous friction between the two countries and their nationals in the Middle East.

I was one of the ten advisers to the State Department when the original Treaty was negotiated, and filed specific objections thereto, not only during the course of its negotiation, but after it was submitted to the Senate of the United States by President Roosevelt for ratification. I approved in the original Treaty substantially the same provisions as are set forth in Article 2, above quoted, and also did the entire oil industry, in my opinion, but I objected to other provisions of said Treaty, and filed such objections with the Petroleum Industry War Council on September 13, 1944. Such objections were chiefly summarized in a resolution which I prepared, and which was adopted by the Oil Operators of Texas and countless other oil and gas trade associations, Chambers of Commerce, civic bodies, etc., which nine points of objection were as follows:

"To the use of the treaty-making device inherent in the Anglo-American Petroleum Agreement to vest in the Congress, or the Executive Department of the United States Government, or an International Oil Commission, powers in time of peace not now vested in the Federal Government under our Constitution,

"(a) to fix production quotas in the oil producing areas of the world, including the United States, and the several oil producing States; and

"(b) to make market allocations throughout the world; and

"(c) to fix prices of oil and its products, or price ceilings, or what may be deemed 'fair prices'; and

"(d) to take jurisdiction over conservation regulations by making determinations of 'sound engineering practices' to be effectuated by Federal law or international agreement; and

"(e) to regulate our domestic oil business in relation to the economic advancement of foreign oil consuming or foreign oil producing countries; and



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“(f) to surrender the control of import regulation and duties on foreign oil importations while the United Kingdom preserves ‘imperial preferences;’ and

“(g) to vest in an international oil commission the determination of ‘peaceable’ and ‘non-peaceable’ countries as the basis for eligibility or banishment from international trade in oil, irrespective of whether our nation is otherwise on friendly terms and enjoys amicable relations with such nations; and

“(h) to regulate ‘the production, processing, transportation, and distribution of petroleum’ in the United States (except as to the now-recognized constitutional regulation of transportation in interstate and foreign commerce); and

“(i) to legalize cartels.”

Such objections prevailed and the President of the United States withdrew the original Treaty from the consideration of the Senate.

The new Treaty that has been negotiated was drawn with scrupulous care to meet and obviate every objection recorded to the original Treaty. The International Oil Commission has no power whatsoever to make enforceable recommendations, or when approved by either or both of said Governments, to enforce any recommendations which are purely and strictly *advisory only*; and, furthermore, the American delegation, in response to United industry opinion, inserted in said Treaty Subdivision (b) of Article 6, as follows:

*“That no provision in this agreement shall be construed to require either Government to act upon any report or proposal made by the commission, or to require the nationals of either Government to comply with any report or proposal made by the commission, whether or not the report or proposal is approved by that Government.”*

The new Treaty, therefore, does not in any way “vest in the Congress of the United States or the Executive Department of the United States or an international oil commission, power to fix production quotas to make market allocations, to fix prices, to take jurisdiction over conservation, to regulate the domestic oil business, to take control of import regulations, to determine the peaceable or non-peaceable status of foreign countries, to regulate production, processing, transportation or distribution of petroleum in the United States or elsewhere, or to legalize cartels.”

It has been asserted that, in connection with the list of areas filed by the United Kingdom with our State Department, describing its constituent parts, that “this list does not include Burma, one of the richest future sources of British oil” and that if this is correct,



then, while the United States is throwing all of its oil fields into the cartel pot, Britain has slipped one of her best ones by—by a mysterious change in the Treaty wording. This, of course, is a doubly erroneous statement:

1. There is no cartel in the Treaty.
2. The United States expressly exempts from the operations of the Treaty, *all domestic oil operations*.
3. The *exclusion* of Burma from the list is what subjects present and future Burmese production to the advisory recommendations of the International Oil Commission.
4. In like fashion the *exclusion* from the list of Kuwait and Bahrein Island has the same effect with respect to each of these areas as to Burma.
5. The United Kingdom is bound to recognize equal commercial opportunity, respect for American concessions, exploration, rights, etc., within such areas, under the provisions of Article 2, as within the areas embraced by the United Kingdom as detailed in the list filed by the State Department.

Someone has asserted that, because there is *certain* similar language in the Preamble of the new and revised Treaty to that contained in the original and objectionable Treaty, that the two Treaties have the same force and effect. This is an obviously unsound conclusion and is due to a lack of legal comprehension of both the language employed, and the legal effect thereof in the two instruments.

There was eliminated from the Preamble of the new Treaty the provisions of Section 3 of the Preamble of the original Treaty, providing for "due consideration of such factors as available reserves, sound engineering practices, and relevant economic factors" which, in the original Treaty, were to be used as factors upon which to predicate quotas and allocations.

There has been eliminated from the Preamble all reference to Section 4 of the Preamble of the original Treaty providing that "such supplies should be available in accordance with the principles of the Atlantic Charter," for the many reasons pointed out in the original objections filed by me with the Petroleum Industry War Council and the State Department, which included the objection that Winston Churchill had reserved the right to have "imperial preferences" unaffected by the provisions of the Atlantic Charter.

There was eliminated from the new Treaty the provision in the original Treaty "that upon approval of the recommendations of the



commission, they will endeavor, in accordance with their respective constitutional procedures, to give effect to such approved recommendations" and, as previously pointed out, the American delegation and industry consultants inserted in the Treaty the provisions of Subdivision (b) of Article 6, assuring that the recommendations were advisory only, and that American citizens could not be required to comply therewith even though approved by the American Government.

There was eliminated from the new Treaty the provisions of Subdivision 4 of Article IV of the original Treaty, and Subdivisions 3 and 4 of Article II of the original Treaty and, as previously stated, *no power whatsoever* was granted to the International Oil Commission to do other than make studies and recommendations, except to make studies and recommendations in the same advisory way that is followed by the Interstate Oil Compact Commission in relation to the domestic oil business in the United States.

The industry consultants who accompanied the American delegation to the London Conference were free agents; paid their own expenses to and from the London Conference, and reserved unto themselves and each of them a free and unrestricted right to object to any article, sentence, or word contained in the proposed Treaty throughout the negotiation thereof and the Treaty as finally signed happily met with the entire concurrence of each of them. Not only the new Treaty, but the original Treaty and its antecedent and related projects, the Petroleum Reserves Corporation, and the Saudi Arabian Pipe Line have received in the past my most painstaking consideration, and I can assert confidently that the new Treaty has been drafted and signed, in form and text to meet each and all of the objections that I have addressed thereto over the past eighteen months.

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#### **STATEMENT OF IPAA ON THE PROPOSED ANGLO-AMERICAN OIL AGREEMENT**

(Issued from Shreveport, Louisiana, January 16, 1945 by the  
Executive Committee and State Vice-Presidents and  
mailed to the membership of IPAA.)

It is the position of the Independent Petroleum Association of America that the Anglo-American Oil Agreement, sometimes referred to as a treaty, should be ratified by the United States Senate to which it has been submitted.

That position was taken by the Association in a resolution adopted in Annual Meeting in Tulsa on October 17, 1945. Since that date some elements of the oil industry have taken a contrary view and have announced their intention to oppose ratifications in the



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hearings which will be conducted by the Senate Committee on Foreign Relations. The hearings are scheduled to begin on February 15.

In view of the announced opposition, the agreement was re-examined and discussed in a meeting of the Executive Committee and State Vice-Presidents of the Association in Shreveport, Louisiana, January 15 and 16. It was felt that proper attention should be given to the objections, although at the time the Association endorsed the agreement in October no objection was made during the extended discussions of the subject.

Having gone over the several objections since revealed in the public press and in communications and circulars, the Association's Executive Committee is of the same mind that it was in Tulsa when, as individuals voting in the membership meeting, it supported the resolutions favoring ratification.

The progress of the Agreement has been slow and, in its first stages, marked by much controversy. The first Agreement was signed in Washington and was announced on August 8, 1944. The Independent Petroleum Association of America opposed that Agreement. It contained several provisions stated and implied which were looked upon as threatening the free functioning of the oil industry and opening the way to regulation of the domestic oil industry of the United States under regulations made by an international commission. It became apparent that the Agreement would fail of ratification by the Senate and it was withdrawn.

With that Agreement we have no further concern. The one now before the Senate was rewritten in the light of the objections raised to the first Agreement and it contains express provisions which forbid the restrictions which it was feared would ensure under the first Agreement. This is a new document. It was drafted in London last September and there was present and assisting in the drafting an advisory committee of oil industry men, some of whom had been leaders in the opposition to the original Agreement as written. Two of these advisers, Ralph T. Zook then President of the Independent Petroleum Association of America, and George A. Hill, Jr., of Houston, Texas, were present at the October meeting of this Association. On several occasions during that meeting which lasted three days, they participated in the discussions of the Agreement. It was examined line by line. It was searched for possible interpretations and for ultimate effects. It was subjected to the most careful analysis. All inquiries on that occasion were satisfied and all doubts were resolved.

The Agreement which is now before the Senate provides affirmatively for the following:



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1. The facilitation of orderly development of the international petroleum trade.
  2. The creation of an advisory commission of six members to make continuing studies and recommendations designed to promote such orderly development.
  3. Respect by the signatory nations for all valid concession contracts and lawfully acquired rights; non-interference, directly or indirectly with such contracts and rights.
  4. Respect for the principle of equal opportunity in the acquisition of exploration and development rights.
  5. Freedom from restrictions inconsistent with the purposes of the Agreement as to exploration for and development of petroleum resources, the construction and operation of refineries and other facilities and the distribution of petroleum.

The Agreement contains the following express limitations and restrictions upon its own operation:

1. The Commission to be named is limited to advisory duties. Neither Government is required to act upon any report or recommendation which the Commission may make nor, if approval is given, to require the nationals of either Government to comply with any report or proposal.
2. Nothing in the Agreement is to be interpreted as modifying or impairing any law or regulation relating to the importation of petroleum into the country of either Government, or to impair or modify the right to enact laws relating to importation.
3. Either signatory Government may withdraw from the Agreement on three months' notice.

The Independent Petroleum Association of America views this Agreement as a constructive step toward the protection of our domestic industry from the chaos that could be caused by the exploitation of foreign oil reserves now developed to their greatest potential capacity in history. Difficulties can be resolved usually through free and frank discussion of the problems. The advisory committee can provide the means for such discussion. It will have no authority. It in no way limits the use of our constitutional processes nor our right to seek correction of difficulties at the hands of our constituted authorities.



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The Independent Petroleum Association of America recommends the ratification of the Agreement, but it hopes that the hearings will develop full discussion by those who oppose as well as those who favor the Agreement. It is no edict thrust upon us but a proposal that must undergo the test of discussion and debate. We are glad that those who are in opposition will have equal opportunity to make known their views.

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