

The New York Times.

SUNDAY, MARCH 6, 1960.

OIL MEN 'DEFECT' IN FUELS DISPUTE

Independent Group Joins
Coal Industry in Stand
on National Policy

STUDIES ARE FAVORED

Texas Producers Call on
Others in the Field to
Participate as Well

By J. H. CARMICAL

An important segment of the oil industry is urging other elements to participate in the establishment of a national fuels policy.

Noting that there was nothing to be gained by opposing a national fuels policy, Texas independent oil men last week said "our most realistic and productive course might well be to participate in such studies and discussions."

Harry C. Jones, president of the politically powerful Texas Independent Producers and Royalty Owners' Association, in a prepared statement further said oil men shared with the coal industry "certain very fundamental objectives" and that it was inadvisable to join in any stand to the effect "that coal is in all respects a mortal enemy of oil and gas."

With the ranks of the oil and gas industry apparently broken, additional fuel may have been thrown on that controversial issue since other important segments in the oil industry are expected to step up their campaign against further governmental interference in their operations, which they assert the proposed national fuels policy would bring about.

Markets for Coal

For some time a revitalized coal industry has been advocating the adoption of a policy through which coal would be assured the markets most suited to it, which it says are being lost because of unfair competition from oil and natural gas.

This attracted the attention of some members of Congress and in the closing days of the last session concurrent resolutions were introduced in both houses providing for a national fuels study by a committee consisting of eight members from each body.

This resolution, now in the Senate and House Rules Committees, provides that the joint committee to be set up make a study of present and future United States fuels needs and resources and recommend to Congress proposals for an overall fuels policy to meet national energy demands, giving consideration to "optional allocation to the various fuel and energy resources of their most productive economic uses."

The word "allocation" and other phrases in the resolution generally are interpreted by some oil men as leading to possible enactment of legislation that would carve out a section of the fuels market for coal and limiting the use of oil and gas. In other words, they assert, the decision on what fuels to be used would not be left to the consumer but to some governmental agency.

To make the resolution more palatable, it is reported that the sponsors may decide to eliminate the provision for recommending legislation and seek instead to have a committee formed to make a study of the nation's fuel needs and resources. To some persons who have opposed the plan from the start, this change would mean little since it still would provide for an investigation and a report, which could be just as effective on any future legislation as direct recommendations by the committee.

Whether the nation's fuels policy, which has performed well in the past, even through two World Wars, needs overhauling just now and requires more governmental control, certainly are debatable points. The oil industry, specifically the major companies, assert that there is no justifiable need for any change and that the injection of further controls could only result in complications developing, which in turn would lead inevitably to additional controls.

According to the concurrent resolutions, the national fuels policy is needed because "reserves of fuel and energy resources are in varying degrees limited," and the increasing energy needs of the nation can be adequately met only by the most effective utilization of these resources.

This would seem to suggest the possibility that the oil and gas reserves soon may be exhausted because of the heavy demand being placed upon them and that they must be conserved as much as possible by using coal instead. It is generally agreed that the coal resources are ample for centuries at the present rate of demand.

Reserves at Record

In this connection, oil industry executives note that known petroleum reserves now are at a record level and are being added to each year despite the high production rate. For the foreseeable future, they hold, a domestic shortage of oil or gas is certainly not a realistic possibility.

Another section of the resolution provides for the Joint Committee giving careful consideration to the geographic distribution of fuels resources and "the development of balanced and interrelated regional fuel economies."

This generally is interpreted as meaning that in areas where coal is in abundant supply, it should have a preferred position in the market. Also, it is taken to mean that oil and natural gas for heating purposes should be used so far as possible only in the areas nearest their production.

The position of some in the oil industry is that such an arrangement of markets through governmental edict is not necessary and, in addition, might slow the nation's industrial progress.

According to Mr. Jones' statement, two things prompted the decision of the Texas oil association to participate in the efforts to establish a national fuels policy.

F. P. C. Controls Noted

In the first place, the independent producer in Texas for years has been striving for the removal of the Federal Power Commission's utility regulation of the gas industry. If a national fuels policy should be adopted by Congress, the association believes there would be a good chance of getting the F. P. C. out of the natural gas industry or at least relaxing its control over the sale of that fuel.

The second factor has to do with the depletion provision of the Internal Revenue Act, which permits the deduction of 27½ per cent of the gross income from oil and gas production for income tax purposes. At present, there are several bills in both the House and Senate to cut the depletion allowance and the association argues that if it should throw its weight behind the fuels policy adoption it could expect some aid from coal in maintaining the depletion rate in effect.

Joined now in the drive to create a committee to study a national fuels policy are practically the same groups that succeeded in getting controls imposed on oil imports.

With forty-two Senators co-sponsors of the resolution and twenty-two House members sponsoring similar resolutions, the advocates of a new national fuels policy present a rather formidable front.