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United States Senate

COMMITTEE ON ARMED SERVICES

March 12, 1951

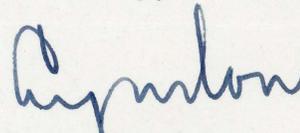
Dear Amon:

Thanks very much for sending me Mr. Menzing's article analyzing the proposed reduction in oil depletion allowance. With the ever-increasing importance of oil and gas to our defense program, certainly it is more important than ever to protect the development and exploration operations which are essential to our petroleum supply.

Although your files undoubtedly contain a copy of the statement I made before the House Ways and Means Committee last year, I am enclosing another. Mr. Menzing's analysis will be very helpful in our efforts to support the present depletion rate this year. I hope you will let me have all such material that comes to your attention.

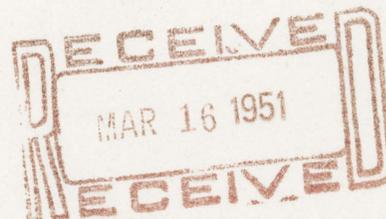
With warmest regards, I am

Sincerely,



Lyndon B. Johnson

Mr. Amon G. Carter
President
Fort Worth Star-Telegram
Fort Worth, Texas



Mr. Chairman, I realize your Committee has made a very thorough study of the proposals to reduce the depletion allowable provided oil producers under our present income tax laws.

It is not my desire to burden the record of these hearings further, but I do wish to make clear my belief that the proposal before you is unwise, unsound, and -- especially at this time -- unthinkable.

Two years ago, the late Secretary of Defense, James Forrestal, testified before a House Armed Services Subcommittee, of which I was a member, and said:

'The maximum military requirements of petroleum in the event of a war emergency are now estimated nearly double the requirements of World War II. In other words, instead of the 1,375,000 barrels a day it would be about 2,750,000 which would be roughly 70 percent of our daily production before we entered World War II.'

In the same hearings, the man who headed our wartime petroleum program, Harold L. Ickes, told the Committee:

'The prudent man, instead of regarding the figures of our military leaders as excessive, must conclude that the only safe policy would be to regard them as an under - estimate.'

Mr. Ickes further said:

'And I will say further that, in the event of another war, we cannot rely on imports, with the possible exception of Mexico. In other words, you will not be able to bring it in by tanker. The airplanes will be so efficient that they will blow every tanker off the surface of the ocean. You cannot depend on that.'

Events since that time -- changing the concept and conduct of military defense -- have further increased our minimum petroleum requirements. Oil is as important to our security as any weapon in our arsenal or any resource -- including uranium.

For the oil industry, the 27 $\frac{1}{2}$ percent depletion allowance is the cornerstone upon which exploration is built. Exploration is closely bound to our national security. Through exploration only will more oil be found -- and without more oil we, as a nation, will be woefully shorthanded if we are called upon to defend our country.

Exploration is primarily the function of the small operators, the small independents of the oil industry. These are the men who do not gain national attention as members of the spectacular rich, because exploration has made more paupers than millionaires. For these men, whose hazards are great and whose rewards are uncertain, the depletion allowance is necessary to make a gamble into a business.

For Congress to tinker and tamper with the depletion allowable, thus curtailing exploration for and production of oil, is just as unthinkable as for Congress to tinker and tamper with our aircraft production, our submarine development, or any of our vital defense programs.

Remember: As you cut down on the depletion allowance you cut down the flow of oil; as you cut down the flow of oil, you cut down our national security.

If the depletion allowable is reduced, thus reducing and endangering our oil supply and the security of our nation, the record should show who took the chance.

In the dark hours of our history nine years ago, American ingenuity saved us from our short-sighted rubber policy. Who can assure us, though, that our ingenuity would again save us from a short-sighted petroleum policy.

I hope that upon completion of the hearings, the members of this Committee will reject the proposal to tamper with the depletion allowance.