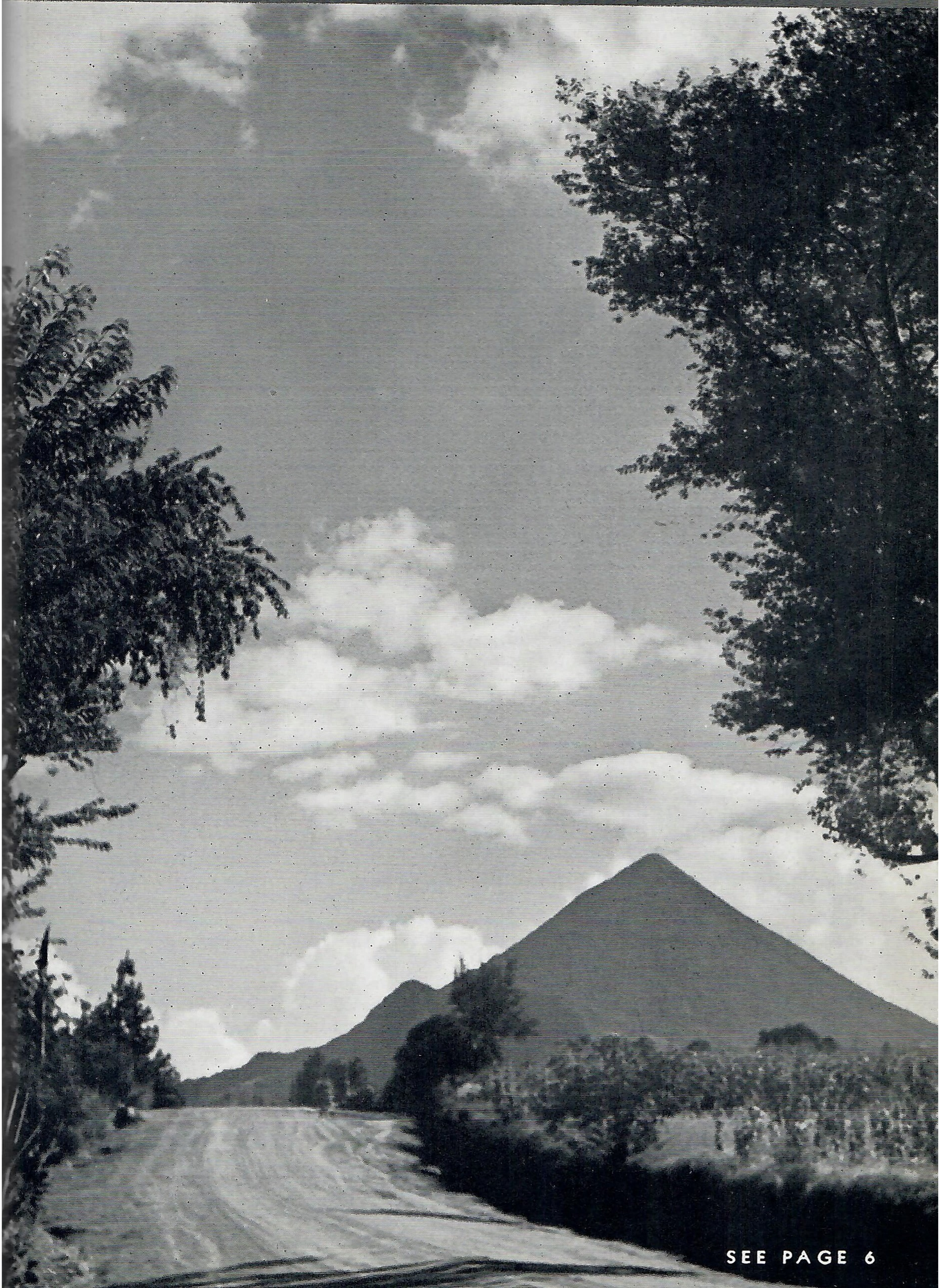
UNION OIL BULLETIN

FIRST QUARTER, 1941



SEE PAGE 6

UNION OIL BULLETIN

VOLUME TWENTY-TWO | FIRST QUARTER, 1941 | BULLETIN NUMBER ONE

DAVID TAYLOR, *Editor*

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PRESIDENT'S COMMENTS TO STOCKHOLDERS

April 1, 1941

The stockholders' annual meeting was held in the auditorium of the Southern California Edison Building at 10 a.m., Tuesday, April 1st. President Reese H. Taylor called the meeting to order. The secretary recorded that the number of shares represented in person and by proxy constituted a quorum. Mr. Taylor addressed the stockholders as follows:

IT IS a pleasure to welcome you. We all realize there are certain formalities—checking of proxies, etc.—required by law. These matters shall be disposed of as promptly as possible, and it is hoped that you will become better acquainted with your officers, and with each other.

Progress in '40

Very material progress was made by your Company during 1940—progress which should result in increased profits in future years, larger earnings for stockholders, better products for the consumer, and greater security for the employee.

During 1940, our previously announced program of modernization was aggressively pursued with funds provided for that purpose in 1939, by increasing the Company's funded indebtedness from 18 million to 30 million dollars. During 1941, more of these funds will be invested. Obviously, the Company has not yet had time to fully realize the benefits of this program.

Profits, and resultant dividend payments, are the primary concern and interest of the average Union Oil stockholder. For that reason, I shall briefly discuss the national and local cross-currents which have a bearing on our business.

Foreign Markets

World conditions affect companies in different ways. Some have large foreign investments, which in our case are negligible. Some have enjoyed a relatively larger share of the foreign export business—some less. During 1940, exports for the entire industry were 58 million barrels less, or 31%. Union Oil's exports were 1¼ million barrels less, or 14½%. While there was a decrease in export business, and imports were about 40% greater, total domestic demand for petroleum products increased about 7½% during 1940.

During the year, Pacific Coast inventories decreased 4³⁄₁₀%, while Union Oil Company decreased its inventories 9⁸⁄₁₀%.

Gov't Regulation

The year 1940 was marked by continued threat of Government regulation and control. On the Pacific Coast 39 companies, including numerous independents, were indicted for alleged violation of the Sherman Anti-Trust law in the matter of price fixing. Your Company, with many others, pleaded nolo contendre and paid a fine of $4,500. No sooner had this suit been disposed of, than the Federal Government brought suit against 22 of the major companies, including your Company, claiming—among other things—that the fact of integration, namely the ownership and operation by one company of pipe lines, tankers, refineries, marketing stations, and producing properties, is in violation of the Sherman Anti-Trust law. This suit has yet to be heard.

It is apparent, from trends of late years, as well as from recent developments, that certain individuals either believe the oil industry presents one of the easiest avenues through which a major step toward the rigid control of all business can be taken, or believe the oil industry actually needs Government regulation and control. It it difficult for us to understand how the latter conclusion could be fairly arrived at if consideration is given to the relatively high efficiency with which the oil industry is being conducted. The industry has for many years progressed and succeeded in filling the ever growing demand for petroleum products with constantly increasing efficiency, and at lower and lower prices. The history of the petroleum industry has been one of continuous demand upon its ingenuity, its inventive spirit, and its refusal to acknowledge defeat.

We believe the industry needs nothing more than some moderate degree of perfection in the regulating machinery already in existence; that Government operation and control will result in a serious disturbance to an industry absolutely vital to national defense—in inefficiencies, cessation of the trend toward improving quality of products, and increased prices to the consumer.

Oil Industry Ready

The oil industry is keeping its plants and facilities in top condition, is spending more on research every year, and has not only kept pace with progress in other lines, but actually has been a leader in many respects. Only six years ago 100-octane fuel was a laboratory curiosity. Today, we are the only country in the world producing ample quantities of 100-octane aviation gasoline.

As a matter of fact, the petroleum industry is fully prepared and able to meet demand for petroleum products which may be caused by *any* emergency. This condition has been accomplished without Government subsidy.

Taxes Mounting

As you know, taxes are ever mounting. During 1940, your Company paid taxes almost equaling its pay roll of over 18 million dollars. These taxes amounted to $3.71 a share.

It is interesting to note that whereas sales taxes are assessed according to the price of the commodity, gasoline excise and lubricating oil taxes are assessed on the quantity sold, irrespective of the sales price. During May, 1940, gasoline prices on the Pacific Coast decreased approximately 2¢ a gallon, while gasoline taxes increased ½¢ a gallon on July 1.

Curtailment

The basis of our economic structure is our ability to regulate the production of crude oil. Not only is curtailment important as it affects national defense by the conservation of natural resources, but, as a result of prolonging the productive life of fields, the period of relatively low prices to the consumer is extended. Likewise, the total ultimate recovery of oil is materially increased.

In some States, curtailment is accomplished by law. Industry conditions in those States have been no better than in California where the same objectives have been accomplished voluntarily. As a matter of fact, I believe the record will show California to have fared *better* than most of the oil producing States.

While our system of voluntary curtailment was not perfect, progress has been made. While new wells were drilled during 1940, thus increasing the Pacific Coast's ability to produce oil, production was kept slightly less than in 1939. This means that the allowable for our top wells, or largest producers, has been progressively reduced from 195 to 144 barrels a day, and may require still further reduction. Although production was reduced for the year, Union's *ability* to produce increased 35% during 1940, while the Pacific Coast industry increased its ability to produce 25%.

Price Cutting

Due to a carryover of excessive inventories accumulated during prior years—principally in 1937 and 1938—there was excessive price cutting, and other forms of destructive competition, which made it difficult to earn a proper return on invested capital. In addition, during the latter part of the year, it became more advantageous for Canadian refiners to import large quantities of their crude oil requirements from Peru, because of the vast difference in the rates of exchange. All these things took their toll of profits.

The Sales Picture

On the positive side of the picture, and despite these unfavorable factors, 1940 was a year of outstanding Union Oil achievement:

Unit sales increased in many classifications of products—gasoline, motor oil, asphalt, diesel, fuel oil, and stove oil. Due to lower prices, however, the dollar volume of sales decreased approximately 2¾%.

In 1940, there was a 26% increase in the dollar volume of the so-called specialty products, among which are—Union Windshield Cleaner, Union Self-polishing Wax, Bif Insect Spray, and others.

In our marketing area, our Company-built and leased service stations were increased by 152 units during the year. Improvement in quality of product, more strategic location and greater attractiveness of stations, plus "Minute Man Service," contributed to a 10½% increase in the gallons of gasoline sold per retail outlet. "Minute Man Service" was of considerable assistance in bringing about this increase. It was very well received, and much appreciated by our customers.

Active credit card customers increased 21%, and the volume of credit card business 19%. It is interesting to note that the additional cost of handling this greater number of accounts and business was less than $1,000—or ¼ of 1%. There was an actual reduction in the average cost per account of 17%.

While the Company expanded the territory it serves, 23 marketing stations were converted to commission agency operation, and 20 were closed. This forced each of the remaining stations to serve a much wider territory, resulting in more efficient and economical operation.

Our sales districts were consolidated and reduced from 43 to 33. Thus the management, credit accounting, and operating supervision of one district covers a much larger territory than ever before, thereby increasing efficiency and economy.

The Company is acquiring a number of large transport tank-trucks and trailers. This is necessary and vital in the consolidation of districts and marketing stations, for the larger and higher speed transport type truck is able to cover a larger territory each day at reduced cost per gallon mile.

Refining Advances

Many technological advances were made by your Company, results of which have not yet been translated into terms of profit:

An alkylation plant was completed at the Wilmington Refinery last year. This plant has the capacity to produce approximately 400 barrels daily of an alkylate, which, when blended with high quality straight run gasoline and lead, makes available 750 barrels a day of 100 octane aviation gasoline.

A small polymerization plant, utilizing gases from cracking as raw material, was placed in operation at the Oleum Refinery. The product of this plant is a relatively high octane gasoline.

Work was started on the construction of a distillation plant at Oleum which will effectively process low gravity high sulphur crudes. One of the products of this process is coke, and the Pacific Gas & Electric Company has already contracted to purchase our entire output of this material.

A catalytic cracking plant, for the economical production of high quality gasolines, is also under construction at Oleum.

To obtain the maximum return from our various petroleum fractions, is always our goal. One of our problems has been to develop an economical method of producing refined petroleum waxes. The Research and Development Department found that the Triton propane dewaxing plant produced a by-product, of no material value, which could be utilized in the production of these refined waxes.

Increased national demand for refined waxes made it desirable to rush the completion of a wax plant, which should be in operation the middle of this year. The type of wax we will produce has not previously been manufactured in commercial quantities from California petroleum.

Research

It is interesting to note that during 1940, your Company used approximately one cent of the customer's dollar for research. We do not feel that this income is spent; it is an investment. We believe that only through such investment and development of research can the Company continue to progress and grow, can new and profitable markets be found for petroleum products. Speaking in general, through research, many orders for normal consumer market may be found to replace Government orders after the national emergency. This market can be created only by new and better products. We believe that the Company needs the fruits of research, and the nation will need them in the years which lie ahead.

Transportation

To transport its products, the Company has 3 trunk pipe line systems, aggregating 637 miles in length, which, together with 442 miles of gathering lines, connect most of the oil fields with refinery facilities and tidewater terminals.

During the past two years your Company has undertaken a replacement and construction program for the modernization of its tanker fleet. The fleet was becoming obsolete, and the urgent need for ships in belligerent service placed the Company in a favorable position to dispose of these older vessels at attractive prices.

When the replacement program is completed in 1943, the Company will have 7 new tankers, 5 with a carrying capacity exceeding 90 thousand barrels, and 2 with capacities exceeding 115 thousand barrels. The average capacity of the older vessels is 67 thousand barrels. In addition to the 7 new tankers, the Company will utilize one of the older boats for service to small discharge points. In 1943, your Company will have one of the most modern and up-to-date fleets in the entire industry. With improvement of shore facilities to match the additional speed, carrying capacity, etc., of the new boats, very material savings will be effected in transportation costs.

Crude Oil Reserves

The subject of crude oil reserves is very vital and interesting. The Company's total crude oil reserves at December 31, 1940, after deducting royalty and co-owner interests, totaled 317½ million barrels. We are proud to state that 1940 was the fifth successive year the Company increased these reserves. The addition during the year was about 26 million barrels. There was a net increase, after deducting the year's production, of 11 million barrels.

These additions to reserve resulted from the extension and development of deeper zones in the Dominguez, Rosecrans, and Cat Canyon fields; from the continued extension of Santa Maria Valley, Rio Bravo, and Coalinga fields; and from the advantageous purchase of several semi-developed properties in the Santa Maria Valley.

Field Activities

A discovery well was completed during July on our leases in Vermilion Parish, Louisiana, at a depth of over ten thousand feet. Since December 31, the Company has completed two additional producing wells in this field. These two, together with the discovery well, cover a spread approximately 1½ miles wide, and prove the productivity of five separate zones. Three additional zones cored in the wells have not as yet been tested. The Company has 23 thousand acres in this area. Because of the complicated faulting on this structure, no estimates can be made at present as to the productive limits of any zone, or of the reserves, although there is every reason to believe that we have a field of major proportion.

1940 was the Company's greatest drilling year—543,156 feet of hole were drilled.

During the year your Company completed 64, or 7%, of California's 898 new wells. The average completion by other companies yielded 864 barrels a day of new potential, while the average Union Oil well was completed for 1,753 barrels a day.

The average well drilled is becoming deeper each year. Improved drilling equipment and technique have stayed increased expense, however, and Union's drilling costs for 1940, in spite of deeper drilling, were reduced 77¢ a foot.

Outside the United States there are only 15 deep wells. In the United States, however, during 1940 alone, 306 wells were drilled over ten thousand feet. Of this total, Union Oil Company accounted for 19 wells, or 6%. In California, at February 1, 1941, 164 wells were producing from a depth of ten thousand feet, or over. Union Oil accounted for 18 of these wells, or 11%.

Employee Security

We are proud that our Company was the first petroleum company on the West Coast to give reassurance to employees who may be affected by conscription.

Your Company has guaranteed re-employment under the terms and provisions provided by the Selective Service Act. In addition to those compulsory conditions, your Company will pay to each employee an amount equal to the difference between Company and Government pay for a three-month period. Also, at the Company's expense, the non-contributory portion of each employee's group life insurance will be kept in full force during the twelve-month period. Prior to the effective date of leave for training, employees may make arrangements for continued participation in the contributory portion of the Group Life Insurance, and in the Retirement Plan.

It is presently indicated that at least 5% of the nation's total registrants will be drafted yearly, although there has been no official statement to this effect, and it is quite likely that this estimate may be conservative. Due to our medical and other employee-benefit plans, we can reasonably expect that there will be few rejections in our group. We conservatively estimate that 200 to 250 of our employees will be conscripted yearly. To March 1, 1941, 191 employees have been called to the service.

Conclusion

In closing—

I would again like to express our appreciation for your attendance at this meeting. The management and directors are anxious that you have all the facts about your Company's operations, plans, position, and progress.

The presidency of the Union Oil Company during 1941 imposes grave responsibility upon the man who holds that office. But no more than that equally imposed upon American industry as a whole, and individually, upon *each* of us who has even a remote connection with industry.

This meeting presents a real opportunity for the management to request the specific cooperation of stockholders, and for the stockholders—the real owners of the Company—to meet the men charged with the day to day management of its affairs.

Every corporation needs the interest, loyalty, and support of its stockholder and employee groups. If you are informed, actively interested, and constantly supporting your Company and its products, you can, and *should be* of tremendous help in aiding the Company to overcome *any* problem the future may hold!

Directors Re-Elected

Following the president's comments, questions from the floor were in order, but the Company's activities for the year had been so completely covered by the president no questions were asked.

The directors were nominated and seconded from the floor and no dissenting votes being cast, the directorate was recorded as unanimously re-elected.

The members of the board and several department heads who were seated in the auditorium were introduced to the audience of stockholders and this brought the meeting to a close.

Board and Officers Re-Elected

The organization meeting of the Board of Directors was held following the stockholders' annual meeting. All encumbent executive officers of Union Oil Company were re-elected to serve during 1941.

CENTRAL AMERICAN ACTIVITY STEPPED-UP

The increasing importance of trade relations between this country and its Latin-American neighbors is becoming more apparent every day. Some time ago, Union Oil Company recognized this fact and, in April, created a new position, that of General Manager of South and Central American Sales.

R. O. Jones, who has been associated with the Company for 22 years and who formerly acted as assistant manager of foreign sales, was selected to fill the post.

His headquarters have been established in Panama City and supervision of all Company activities in the Republic of Panama, Salvador, Guatemala, Costa Rica, Chile, Colombia, Venezuela, Ecuador and Peru are included in the duties of the new managerial position.

Union Oil Company feels that this widening of sales activities will not only open up new markets but will better enable the Company to serve the needs of its Pan-American customers.

Front and back covers of this issue of the Bulletin are Central American scenes. Typical of the highlands of Guatemala is the view on the front cover. Taken at an elevation of about 8,500 feet, the peak in the background is one of the several intermittently active volcanoes in the mountain ranges near Quezaltenango.

The back cover shows a group of natives of El Salvador "polling" an automobile across the alligator infested Lempa River in Salvador. The smallest of the Central American countries, Salvador is extremely fertile. Its chief export is coffee, which is grown on the 2,000-foot plateau which forms the interior.

QUARTERLY REPORT

For the Three Months
Ended March 31, 1941

UNION OIL COMPANY OF CALIFORNIA

TO THE STOCKHOLDERS OF UNION OIL COMPANY OF CALIFORNIA:

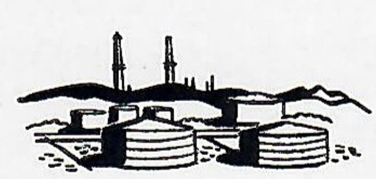
The following is a summary of the results of the Company's operations for the three months ended March 31, 1941, and the financial position as of that date.

PROFITS **(less all expenses and charges, including provision for income taxes) were as follows:**

	1941	*Per Share	1940	*Per Share
Profit before depletion and depreciation charges....	$3,630,786	$ .78	$3,212,507	$ .69
Provision for depletion and depreciation	2,357,780	.51	2,446,359	.53
Net profit for the three months...	$1,273,006	$ .27	$ 766,148	$ .16

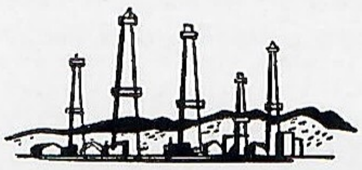
*Calculated on 4,666,270 shares outstanding at March 31.

SALES **in the domestic market reflected a substantial increase as compared with the first quarter of 1940, resulting in increased profits. Sales for the three months ended March 31 amounted to 7,564,000 barrels and $17,387,-580, as compared with 7,777,000 barrels and $17,227,375 for the first quarter of 1940.**

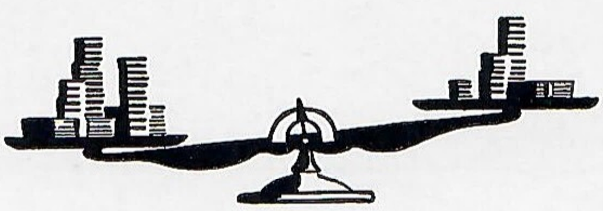


PRODUCTION **of crude oil, less co-owners' interests but subject to roy-alty, totaled 4,430,000 barrels for the three months ended March 31 and was approximately the same as for the corresponding period of 1940. Crude oil purchases aggregated 3,228,000 barrels during the same period, an increase of 342,000 barrels over 1940. The average cost of purchases was lower than in the first quarter of 1940 due to lower prevailing field posted prices for crude oil.**

CURRENT ASSETS at March 31 amounted to $53,818,929, a decrease of $1,688,793 from the end of 1940. Current liabilities (including the dividend declared March 31) were $10,414,447, a decrease since December 31, 1940 of $156,965. Current assets were over five times current liabilities.



CAPITAL EXPENDITURES amounted to $4,692,125 during the first quarter and consisted principally of new construction at Oleum Refinery and expenditures for drilling wells, and payments on new tankships under construction. In January contracts were placed for the construction of two tankships to be delivered in 1943 with a maximum capacity of 130,000 barrels each. During March, an old tankship, with a capacity of approximately 90,000 barrels, was sold.



EARNED SURPLUS at March 31, 1941 was $18,690,592, after deducting the cash dividend of 25c per share, which was declared on March 31 to be distributed May 10 to stockholders of record at the close of business April 10.

By Order of the Board of Directors,

REESE H. TAYLOR

Reese H. Taylor

President

M. G. KERR

Comptroller

Los Angeles, California
April 28, 1941

Union's Board of Directors and executives enter Wilmington Research Laboratory.

BOARD OF DIRECTORS TOUR COMPANY

ON FRIDAY afternoon, February 21st, Union Oil Company's Board of Directors, as guests of the Company's executives, left Los Angeles on a most interesting and informative tour of the Company's properties in the San Joaquin and Coastal Divisions.

Those who made the trip agreed that it would have been a fine thing if every stockholder could have done the same, but since that was impossible the following summary of the tour is presented.

At 3:30 in the afternoon the party boarded a bus at the California Club in Los Angeles and, driving through the worst rain storm of the season, headed for Bakersfield. They arrived at 6:30, ready for the dinner which awaited them at the Motel Inn.

After dinner, Vice-President A. C. Rubel introduced the various department managers and superintendents responsible for Company operations in the San Joaquin Valley.

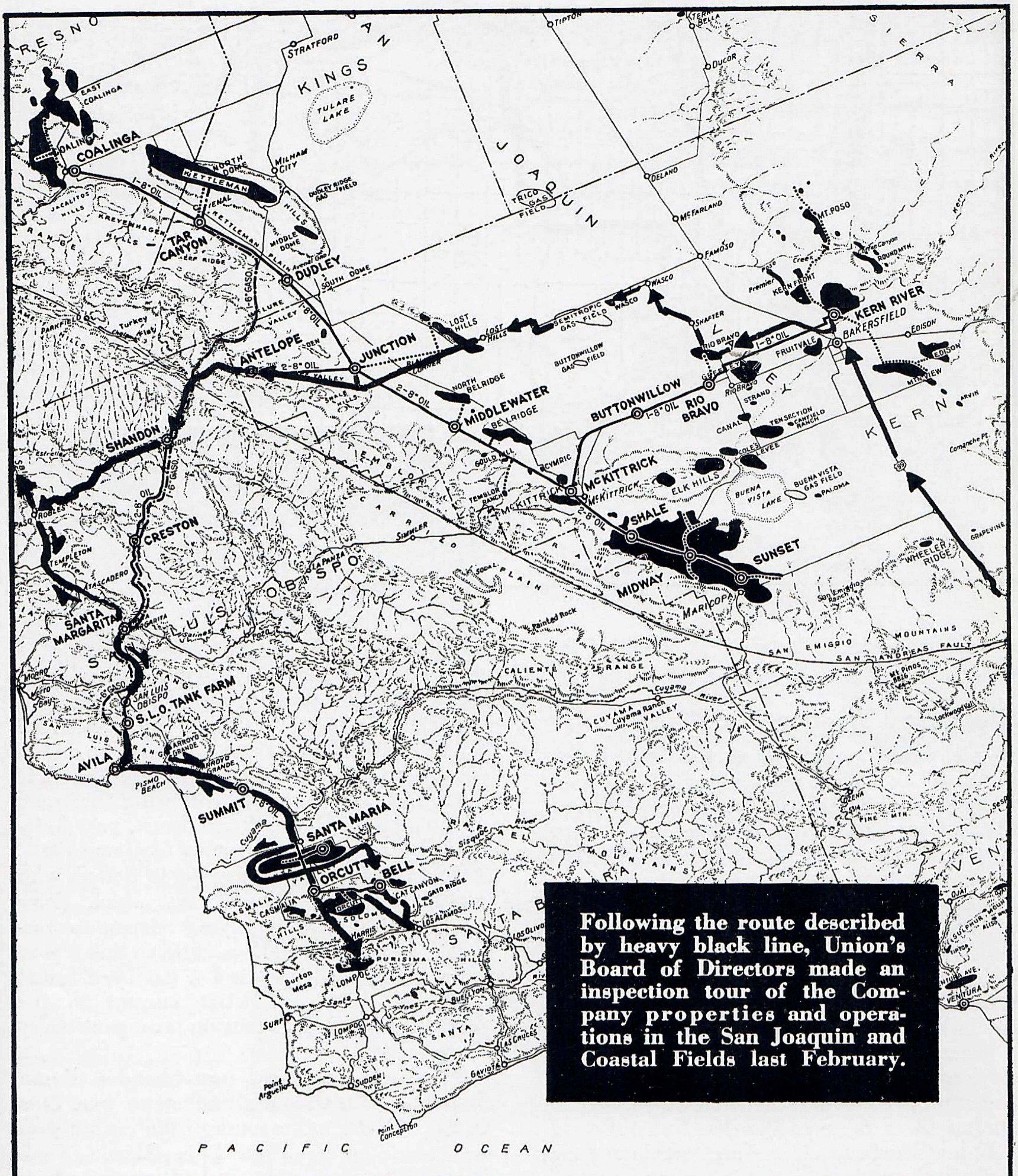
Chief Geologist E. B. Noble explained the geological conditions in the valley and described the location and area owned and under lease by the Company. Using a series of maps and lantern slides to illustrate his remarks, he gave his listeners a very complete picture of the Company's activities in relation to the total properties in each district. Mr. Noble and his assistants then answered questions about the core samples and paleontological specimens which were on display.

Saturday started with a call for six-fifteen and, after a seven o'clock breakfast, the group boarded the bus and drove to the Maltha Refinery seven miles north. Products from this plant are primarily distributed throughout the San Joaquin Valley area.

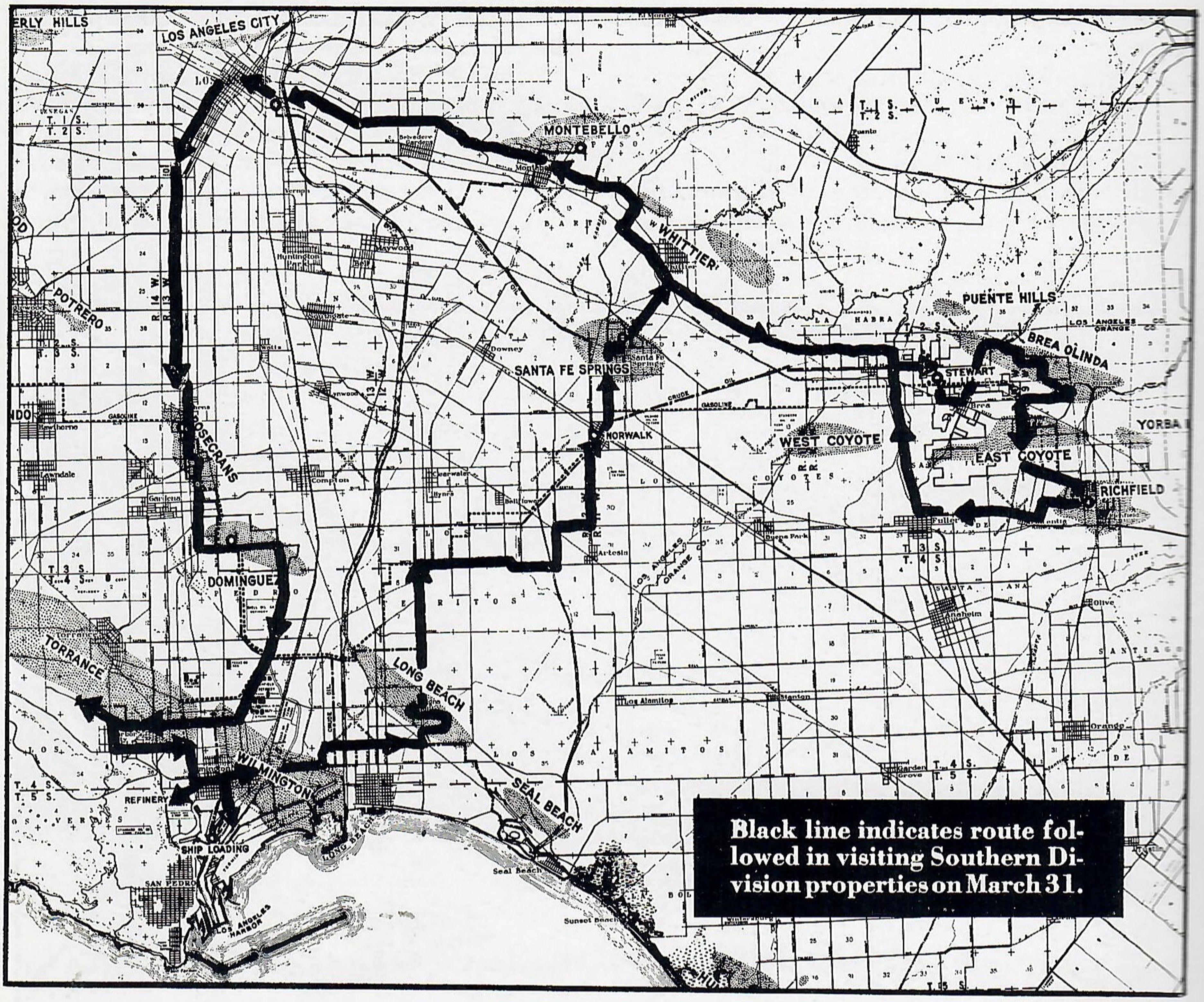
After a tour of the refinery, they drove to the Kern River Pump Station, which is the gathering station for all oil received from the Kern River, Mount Poso and Mountain View Fields. The capacity of the plant is sufficient to move 50,000 barrels a day, and oil not required by the Maltha Refinery or for local delivery, is pumped to Port San Luis 142 miles away.

The Rio Bravo Field, next stop, was of particular interest. Here was evidence of the advances made in petroleum geology since the "hit and miss" days of the doodle bug, for this field was discovered by Union Oil in 1937 as a result of seismographic soundings.

Special Representative W. H. Geis explained the difference between the old "hook-ups" on producing wells and those used by the Company today. These "hook-ups" are the systems of valves, pipes and fittings controlling the oil at the well-head. The modern system is as efficient as the old, but it is less complicated and because of the savings in material, pipes



Following the route described by heavy black line, Union's Board of Directors made an inspection tour of the Company properties and operations in the San Joaquin and Coastal Fields last February.



Black line indicates route followed in visiting Southern Division properties on March 31.

and fittings, can be installed at one-third the cost.

Rio Bravo Absorption Plant

Following inspection of the Rio Bravo Field, R. D. Gibbs, manager of field operations, showed the group through the Rio Bravo Absorption Plant. This is one of the most modern absorption plants in operation today.

The party next visited the north flank of the Rio Bravo Field where they saw actual drilling operations, details of which were explained by superintendent of drilling Frank Boyd, superintendent of mechanical equipment E. W. Froome, and J. Reid, who is in charge of drilling in the San Joaquin Valley.

From Rio Bravo they drove sixty miles out into the desert to Junction Pump Station. The station crew was just finishing lunch at the boarding house so the directors followed suit and had lunch before making their inspection.

This station is located approximately in the middle of the San Joaquin Valley pipe line system and handles all oil from the Valley fields, including Coalinga and Kettleman Hills. W. W. Hay, manager of pipe line operations, explained the pipe line system, and the party then headed south following the route of the pipe line through the desert, past Antelope Pump Station and on to Cholame Flats.

At Cholame the landscape is dotted with small, three-bladed windmills which drive electric generators supplying current to various companies' pipe lines. Soil in this region is extremely corrosive and it has been found that, by applying electric current to the pipe, pitting and corrosion are practically eliminated.

The route continued past Shandon Pump Station to Paso Robles and on to San Luis Obispo. Three miles south of the town a stop was made at the San Luis Obispo Tank Farm. The steel tanks and reservoirs which store the oil from the San Joaquin field were inspected and the trip continued south to Avila and Port San Luis.

Activities at Avila include the manufacture of road oil and the operation of a natural gasoline stabilizer. Here also is the tidewater terminal of the pipe lines from the San Joaquin and Santa Maria district fields. The oil is stored here until shipped by tanker to refineries or other destinations. Wharf and loading capacities are sufficient to handle two vessels at the same time at the rate of 10,000 barrels per hour.

A barbecue dinner prepared by a number of prominent Santa Maria citizens awaited the party when it reached the Santa Maria Club about 7:15. Following the excellent dinner, Earl Noble presented facts and figures relating to the properties which were to be visited Sunday morning, and answered questions about the paleontological specimens displayed at the Santa Maria Club.

Sunday morning the party set out for the Santa Maria Valley Field. The weather was so bad that, instead of using the bus, the trip was made in six private automobiles with field men in each car to answer questions and discuss the various points of interest.

Union Oil Company's fields in Santa Barbara County have a combined area of 35,248 acres. The Santa Maria Valley Field was a Union Oil discovery in 1934 and the Company has 76 producing wells on the property.

West Cat Canyon Field, a 1908 discovery, was inspected next. Recent discovery of a deeper producing zone has greatly increased its area. Inspection of the Orcutt and Lompoc Fields, discovered in 1903, finished work in this area and at noon the party returned to Santa Maria, where the bus was waiting.

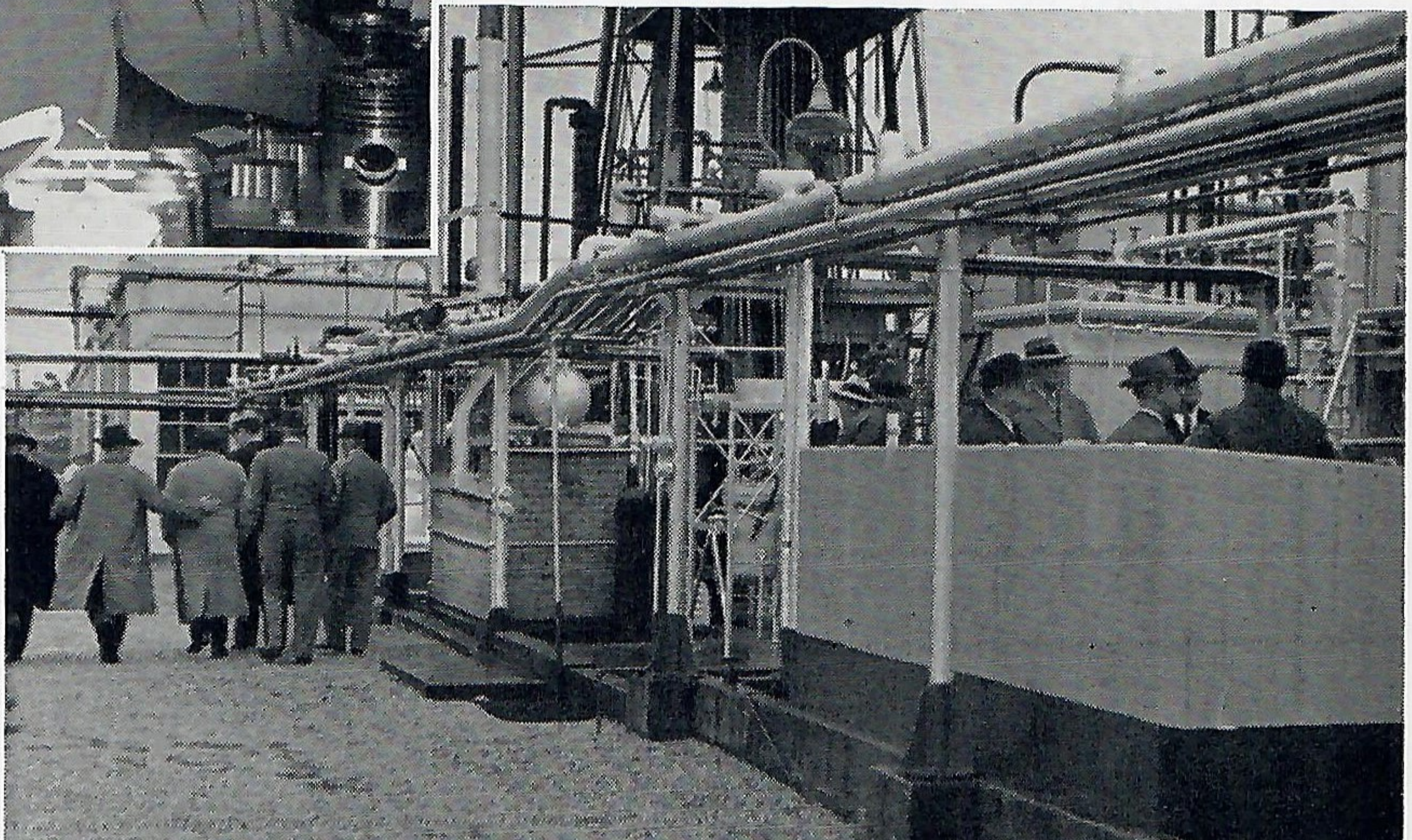
To save time box lunches were served on the bus as it rolled on to San Francisco. A pleasant break in the schedule of work came when the party reached Woodside and found a hearty meal awaiting them at the home of Mr. Herman Phleger, a member of the Board of Directors.

San Francisco and Oleum

In the Company's new San Francisco building at nine o'clock Monday morning, the Board of Directors held the regular board meeting. This completed, they drove 30 miles north to the Oleum Refinery.

Explanations of the various phases and methods of manufacture at the refinery were given by Ray Bray, manager of the refinery; Fritz Adam, superintendent of compounding, shipping and asphalt; and K. E. Kingman, superintendent of distillation.

At the Research Laboratory the Directors inspected technical equipment used to test gasoline and lubricating oil characteristics.



They also toured the refinery properties to inspect the complex equipment required in the manufacturing of petroleum products.

After lunch at the refinery dining hall, the party divided into small groups and inspected the various parts of the refinery, including the new equipment under construction. Finishing about five o'clock, they left for San Francisco en route to Los Angeles.

Field Trip Continued in Los Angeles Area

Almost six weeks later, at 8:15 a.m. on Monday, March 31st, the Board of Directors, accompanied by several department heads, left Los Angeles to inspect Company properties in the Southern Division. They drove through the Rosecrans and Dominguez Fields, received information on field operations from district foreman R. A. McGoey, and moved on to the Dominguez paleontological laboratory.

Here Ted Lee, assistant paleontologist, explained the important role played by paleontology in the petroleum industry's scientific search for petroleum deposits. This was followed by a tour of the Torrance Field and Tank Farm. Here the Company has a 4,000,000 barrel reservoir, 17 acres in area and 41 feet in depth.

Just before noon the party reached the Los Angeles Refinery where it was met by John Salmond, refinery manager. After a tour of the refinery, the directors held their board meeting in the manager's office, and then visited the research projects being carried on in the various laboratories.

Earle Gard, manager of research and development, with the assistance of research supervisors, explained the nature and purpose of the experiments being conducted. After a quick lunch in the cafeteria, they left Wilmington and drove to Union Oil Company's ship loading plant.

From here they drove through the oil field at Signal Hill to Norwalk Pump Station and then to Santa Fe Springs, where oil and citrus lands and Company operations were explained by manager of leases Hubert C. Ferry and superintendent W. J. Larson.

Santa Fe Springs is headquarters for all Company Field and Pipe Line activities in the Los Angeles Basin. Inspection here covered machine shops, warehouses, tank trucks, salvage yard, etc., all of which were explained by S. H. Grinnell, superintendent of service and maintenance.

From Santa Fe Springs, the group moved on to inspect the Company properties at Stewart Station, Stearns Lease, Naranjal, East Coyote, Richfield and Hole. Along the route, pipe line, production, and other phases of Company operations were explained by manager of pipe line operations and communications W. W. Hay, superintendent W. J. Larson, and special representative W. H. Geis.

Dinner at 7:45 p.m. at the California Club, with President Reese H. Taylor as host, officially ended the trip. Enthusiasm was expressed on all sides and the unanimous opinion was that the entire trip was one of the most instructive ever carried out by the Company. The members of the board felt that they had materially increased their personal knowledge of the Company's field and technical operations, which, as Mr. Taylor remarked, was the "exact purpose of the trip."

UNION'S PRESIDENT INTERVIEWED ON RADIO

Twice as the guest of the National Broadcasting Company and once at the request of Radio Station KFI, Los Angeles, Reese H. Taylor, president of Union Oil Company, was interviewed for radio audiences on the Petroleum Industry's position in the Defense Program.

Mr. Taylor was emphatic in his stand that the Petroleum Industry as a whole was as well, if not better, prepared than most industries to meet the increasing demands of the Defense Program. He cited instances in which petroleum research, without government subsidy, has contributed to national defense by producing synthetic substitutes for materials which were "bottle necks" in the last war.

He also pointed out that one of the nation's greatest defense weapons, 100 octane gasoline, had been developed from a laboratory curiosity of a few years ago, to today's volume production basis by the private enterprise of the Petroleum Industry.

When questioned about the dangers of depletion of California's oil fields, Mr. Taylor answered that innovations in deep well drilling and the improvement of exploration methods had led to discovery of many new fields, and that in case of emergency, production of present wells could be materially stepped up without depleting reserves at too rapid a rate.

In support of his contention, Mr. Taylor quoted a recent report issued by the American

Petroleum Institute. This report stated that more new oil fields were discovered last year than in any previous year and that preliminary reports indicate that 306 new fields and 198 new formations were added to the country's known oil reserves during 1940.

In answer to his interviewer's question on what steps the petroleum industry was taking to offset any possible slump after the present emergency passes, Mr. Taylor stated that "regardless of present conditions, the petroleum industry is building for the future. New products, and new markets for these products, are being constantly developed. We realize, just as the aviation industry does, that we must find future markets for the products developed during the period of wartime expansion. It is true that today a great deal of emphasis is being placed on our operations directly connected with the defense program. Yet, the very fruits of our extensive research, now being applied to national defense, will stand this nation in good stead long after this emergency has ceased to exist."

New Company Formed to Handle Special Products

To increase the market for its household specialties, Union Oil Company has formed a subsidiary company, Unacal Products, Inc. The new organization, with headquarters at 411 West Fifth St., Los Angeles, will manufacture and distribute household specialty products.

L. V. Shepherd, formerly manager of service station sales for Union Oil Company, has been appointed a director and president of the company. Other officials and directors include A. C. Stewart, vice-president and director; G. W. Fitzpatrick, secretary-treasurer and director; R. L. Philippi, L. A. Gibbons, H. W. Sanders, directors. J. J. Gordon will serve as sales manager in the new organization.

Minute Man Service Promotes Retail Sales

A new aid to retail sales, the Minute Man Service signs which recently appeared under the familiar "76" in Union Service Stations, are to let the customer know that "here," he can get the service he likes.

Surveys are frequently made to determine why people buy at certain service stations, or, what is more important, why they do not. These surveys show that, more and more, people trade where they like the treatment and service they receive.

Union Oil Company can claim to be the first to put the answer to this "customer desire" into a concrete workable form. Minute Man Service is the result of careful study. It is automotive service, put into package form and labeled so that the customer can identify it as the service he wants wherever he travels in the West.

The new orange paper windshield towel; Union's efficient glass cleaner; the streamlining and speeding up of service at the pump island are some of the things which make Minute Man Service.

Such service, consistently, thoughtfully and courteously given, is having the desired result—increased retail sales.

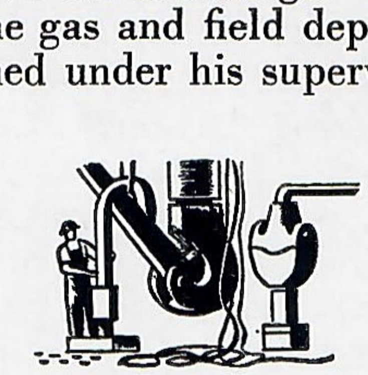
Organization Changes Effect Three Departments

A. C. Galbraith, vice-president in charge of personnel and industrial relations, resigned his position with the Company to enter private practice as a counselor in personnel-management relations. During his association with the Company he served as traveling auditor, manager of advertising, and in sales promotion capacities. In 1938 he was appointed a vice-president of the Company and served in that capacity until his resignation.

Ted Miles has been appointed manager of industrial relations, succeeding Henry Dean. He also assumes the chairmanship of the Safety Board formerly filled by Mr. Galbraith. Prior to this appointment, Miles was manager of field operations.

Henry Dean takes over the duties of manager of retail sales.

R. D. Gibbs, formerly manager of gas operations, has been made manager of field operations, and the gas and field departments have been combined under his supervision.



SEE PAGE 6