

Pacific Coast Facing Serious Oil shortage; Remedies Suggested

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the proportion of fuel oil available.

"It is to be expected, therefore, that in the absence of phenomenally increased production of heavy crude oil the growing proportion of lighter products used must further accelerate the depletion of fuel oil stocks so long as the present rate of consumption under steam boilers is maintained.

"Imports of crude oil into California are not yet of great significance; imports of crude oil to the whole Pacific coast amounted to 116 barrels in 1918; 834,426 barrels in 1919, and 135,006 barrels during the first half of 1920.

"There were no importations of residuum during these periods, in relation to the consumption of California oil these imports were meager indeed and were not of sufficient importance for comparison with the increasing ratios of national imports to national production and consumption.

"Exports of California crude oil (not fuel or gas oil or residuum) amounted to 3691 barrels in 1918, 290,356 barrels in 1919, and 6,220 barrels during the first half of 1920.

Exports of fuel and gas oil and residuum were 4,838,890 barrels in 1918, 4,722,768 barrels in 1919, and 4,000,531 barrels during the first six months of 1920.

Suggested Remedies

Among the remedial suggestions or recommendations that have been received and thoroughly discussed and considered by the chamber of commerce are the following:

1—Decreased Consumption of Fuel Oil:

(a) Curtailment in regional deliveries: The chamber recommends this method, with reservations.

It seems logical to cut down deliveries along these lines in and out of California when the consumers affected are in proximity to other fuel or have power available, and are as favorably situated respecting conversion as are other consumers who do not enjoy such advantages.

An instance justifying departure from this principle on fundamental economic grounds is the requirement by the United States forest service that fuel oil be employed in lumbering and railroad operations as a means of reducing the hazard of forest fires.

(b) Curtailment in deliveries by a process of selection of priorities: The chamber does not recommend this method of curtailment since it involves arbitrary features which would inevitably become controversial. Moreover, it is doubtful that this method could be made equitably effective without government intervention or the very highest degree of administrative concentration in the oil industry, neither of which the chamber would view with approval.

(c) Curtailment in deliveries by proportionate reduction or rationing: This method applied on a horizontal scale would be generally objectionable to settled industry, but might be followed in certain instances if the circumstance of wasteful utilization were established.

(d) Curtailment in deliveries and

consumption made possible by voluntary action of consumers, such as improvement of firing methods, reduction of waste, and other conservation of this character: The chamber strongly endorses and urges this method of curtailment and believes that the sum of possible savings through more careful storage and transportation and increased firing efficiency would be of some importance.

An efficiency engineer at the Moore Shipbuilding company in Oakland states that "many of the oil burning furnaces consume from 10 per cent to 20 per cent more fuel oil than is necessary to get the required results, owing to improper design or careless control of the oil flow."

Something is being accomplished along these lines through the oil marketing companies' engineers, but the chamber believes that activities of this nature should be more widely supplemented through individual initiative on the part of consumers.

In this connection the chamber also recommends that further efforts be made by the California oil companies to conserve fuel oil through the substitution of other fuel or power in their own operations whenever practicable.

2—Increased Production of Oil:

(a) Facilitation of shipments of oil well supplies and materials, notably casing: The chamber of commerce already has accomplished something in this direction. Further appeals to railway executives and the interstate commerce commission are contemplated by the chamber whenever such methods are necessary.

(b) Encouragement of prospecting for oil: It is claimed that unintentionally the federal leasing law operates to discourage oil development on government lands, particularly with respect to individual prospectors as distinguished from the larger and well organized companies. If this claim is found to be justified upon further investigation by the chamber's legal advisors, it is recommended that appropriate efforts will be made by the chamber toward securing modification of objectionable features of the laws or regulations in question.

(c) Increased recovery from old oil fields: The chief petroleum technologist of the United States bureau of mines, early during the current month, stated that "on many old properties in the eastern fields the Smith-Dunn compressed air process has increased the recovery from 50 per cent to 100 per cent," and that "if it proves true, as seems to be the case, that only 10 to 20 per cent of our oil is now being recovered, there is no telling how much more oil may be brought to the surface."

Although our oil formations differ from those of eastern fields the chamber believes that the possibility of increasing yields through this or similar process should be fully exhausted by California operators in view of their importance in adding to the oil supply when applied to other localities.

(d) Development of the naval reserve oil lands, to a point sufficient to care for all or a part of the navy's current demands: The chamber is informed that offers by California operators to develop these lands for the government have been consistently refused.

There seems to be no doubt that these lands could meet naval demands for an indefinite period, if developed before drilling on adjacent territory reduces gas pressure necessary to economic recovery or substantially depletes the supply.

However, a vital national policy is in question here and the chamber does not feel justified in offering an opinion as to the relative merits of present and future development of these lands.

(e) Changes in well prices to stimulate further the production of crude oil: The chamber offers no comment on this possibility. Price advances for crude oil would necessarily be reflected in price increases for fuel oil, and it is elementary that this factor at some ultimate point would equalize supply and demand.

4—Substitution of Other Oils Notably Mexican, for the California Product:

(a) Abroad, particularly for use of the navy and merchant marine: The chamber feels justified in criticizing the use of California fuel oil abroad when other oil is available, and the selection depends entirely on considerations of price.

Mexican oil can now be purchased at reasonable prices delivered at Mexican gulf ports, and the ultimate price is entirely dependent on the cost of transportation to points of consumption.

Lack or cost of oil transportation seem to be controlling considerations which retard a wider immediate use of Mexican oil at certain points abroad where it could be used to supplant California oil.

In the circumstances it is clear that adequate means of remedying these conditions should receive prompt attention in appropriate quarters.

(b) By direct importation: Availability of cheaper transportation no doubt would make direct importation of Mexican fuel oil to the Pacific coast practicable. The possibility of such importation hinges almost entirely on the laid down prices. At present this price is prohibitive in comparison with the California product if tanker transportation cost is based on shipping board and charter quotations.

The chamber recommends, as in a preceding paragraph, that this method of increasing or conserving the supply of California fuel oil be more actively considered.

5—Decrease of California Fuel Oil Exports:

It is understood that the large California oil marketing companies are restricting exports to fulfillment of contractual obligations. The matter of California oil exports for foreign fueling stations and use of the navy abroad would be largely adjusted through any action taken under the foregoing item 4.

6—Wider Use of the Internal Combustion Engine to Burn Heavy Oil:

Charles M. Schwab announced late in August of this year that his company has developed a new type of two cycle marine Diesel engine especially designed for American operating conditions which is adapted to land use as well as cargo vessels of any size. He stated that cargo ships equipped with the engine can save two-thirds in fuel cost alone, as compared with steam driven oil fuel vessels, and the chamber is informed from a competent local source that this saving might amount to 75 per cent.

Shipping board and other merchant vessels consumed over 15 per cent of all California fuel oil shipments during the first half of 1920. Thus the wider development of this internal combustion engine in marine use would have a most decided effect on California fuel oil consumption.

More general installation of such engines adapted to land service also would be of extra-ordinary importance in bringing about a necessary reduction in California fuel oil consumption.

7—Substitution of Other Fuel for California Fuel Oil:

(a) Coal or lignite: These substitutes, with certain exceptions, are particularly appropriate in the Pacific northwest and Canada and were briefly indicated in item 1 of this statement.

(b) Powdered coal or lignite, briquettes, compounded liquid fuel, natural gas: The Southern Pacific company, itself a leading producer of

oil, is conducting experiments with pulverized lignite in firing some of its engines, to the end of conserving fuel oil, and the chamber commends the possibility of this and allied fuel oil substitutes to the attention of other consumers both within and outside of the state.

The California state railway commission is engaged in a study of the natural and artificial gas situation within the state which may result in oil economies. The chamber endorses conservation of this character and invites the attention of public utilities outside the state to possibilities in this direction.

(c) Shale Oil: Mr. David White of the United States geological survey does not consider as likely or practicable the immediate development of the shale oil industry in the United States, and apparently no present relief may be looked for in this direction. No doubt shale oil will be an important if not a leading item of the national oil supply within a generation, and earlier provision of shale oil from the Pacific mountain states would be of a desirable relief to the California situation.

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