

The Texaco Star

Spring • 1955



Paris at night



The Texaco Star

Contents

THE NATURAL GAS ISSUE	2
A Supreme Court decision has snuffed out incentives that help keep home fires burning.	
RIO GRANDE FARMER	6
Petroleum is giving valuable assistance to a resolute grower of citrus fruit and cotton.	
REPORT ON EUROPE	10
In Western Europe, a Texaco affiliate is aiding people to build a higher standard of living.	
HIS FORTE IS FIGURES	16
Ernest Breeding, Texaco's Comptroller, analyzes for management the Company's expenses and earnings.	
"BEST BUY" FOR PAVING	18
by T. R. ELLIS	
Asphalt makes your tax dollars go farther—with safer highways for less money.	
DO FINANCIAL STATEMENTS LEAVE YOU IN A DAZE?	22
by DON HEROLD	
A slightly bewildered stockholder asks for help in understanding some financial terminology.	
"THANKS" FROM AMARILLO	24
NOW HEADING DOMESTIC SALES	24
"Connie" Bartlett, who started as a gasoline pump operator, is elected Vice President—Domestic Sales.	

A publication of
THE TEXAS COMPANY
 135 East 42nd Street, New York 17, N. Y.

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Published by the Industrial and Public Relations Department for Stockholders and Employees:
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On a mechanized farm, 22 miles outside of Paris, a truck is loaded with vegetables. Each evening, a fleet of these trucks rumbles into *Les Halles*, the central market of Paris.

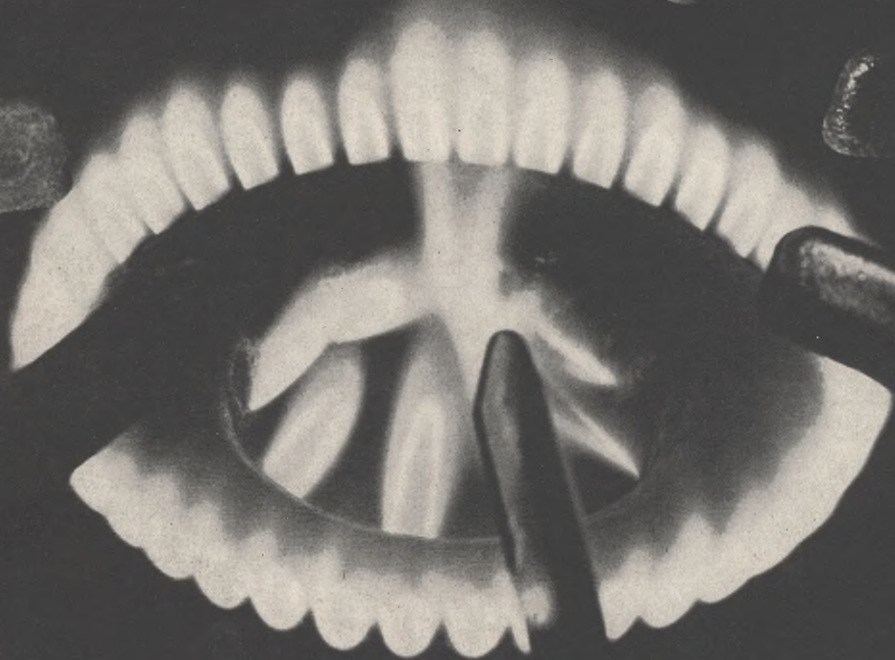


THE COVER: British-born John S. Walsh made the sketches for this scene on a rainy evening near the Place de l'Etoile, the circle which surrounds the Arc de Triomphe. Between showers, Parisians chat at sidewalk cafes or stroll along the boulevards. Artist Walsh, who has often strolled and sketched through Paris, knows this city as well as he knows the inside of an oil refinery. Whether working on a canvas or reading a blueprint, this artist-engineer thoroughly enjoys himself. While studying during the day at the University of London for his engineer's degree, Walsh prowled London factories at night to "paint the dramatic vitality of the machines." (At the age of 10, John began his art career by drawing soldiers in his father's army regiment in India.) Today, John Walsh lives in Montreal, Canada, where he works for a firm that makes bridges, cranes, mining equipment, and other steel constructions. He still explores the streets and industries of cities for his subjects—preferring to capture the "movement of people or machinery in action" (see Pages 10-15).

CREDITS: Covers—Front, J. S. Walsh; back, Jerry Cooke; inside, Walsh. Pages—2, O. Winston Link; 3, Natural Gas and Oil Resources Committee; 4-5, Richard Erdoes; 6-9, Arthur Leipzig; 10-15, Walsh; 16-17, Harry Compton; 18, Marilyn J. Miller; 19, Ostergaard; 20, J. D. Adams Manufacturing Co., J. J. Smith; 22-23, Don Herold; 24, Ed April (Amarillo Daily News), Fabian Bachrach. Designer—Salem Tamer.

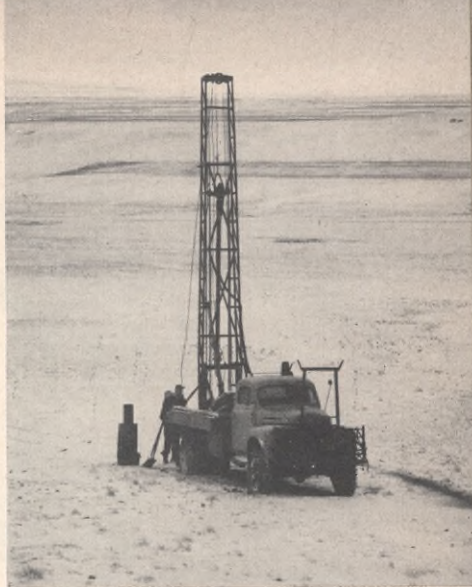
THE NATURAL GAS ISSUE:

*To Keep Home Fires Burning
Calls for Competition*



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*You—as citizen, stockholder,
employee—have good reason
to be disturbed by the judicial
interpretation of the Natural Gas Act
which shackles gas producers
and forces them to submit
to Federal controls and regulations*



"Producers of natural gas cannot survive in the financially risky business of exploration if placed in an economic deep freeze."

FROM wellheads all over the Southwest, millions of cubic feet of natural gas start a journey through long pipe lines of steel. For a hundred, five hundred, or a thousand miles, giant compressors drive the gas north, west, and east—across plains, over mountains, under rivers, and through forests. Morning and night, the gas flows onward, never stopping until it reaches a distant city. Perhaps, the city is Louisville or Detroit—Atlanta or New York—Cheyenne or Butte. Wherever it is available, natural gas is a boon to people.

Into millions of homes and thousands of industrial plants flows the energy that is inherent in natural gas. Some 25 million householders cook meals, heat water, and warm their homes with natural gas. Electric power generating plants, oil refineries, chemical concerns, steel mills, aluminum plants, and many other types of manufacturing operations consume natural gas. It is significant that commerce and industry of all kinds use almost four times as much natural gas as the millions of householders.

The petrochemical industry, for in-

stance, uses natural gas as a source material in manufacturing ammonia, fertilizers, plastics, alcohol, detergents, and synthetic fibers.

In the servicing of 43 states, natural gas pipe lines perform an indispensable role in keeping the U. S. economy at a high level. There are some 5,000 producers who are responsible for bringing this commodity out of the earth. These natural gas producers have always competed vigorously with each other and with the producers of other types of fuel. Through intense price rivalry, the cost of natural gas to the consumer has remained relatively stable during the past 10 years, rising only 12 per cent in contrast to the general cost of living, which has gone up approximately 50 per cent.

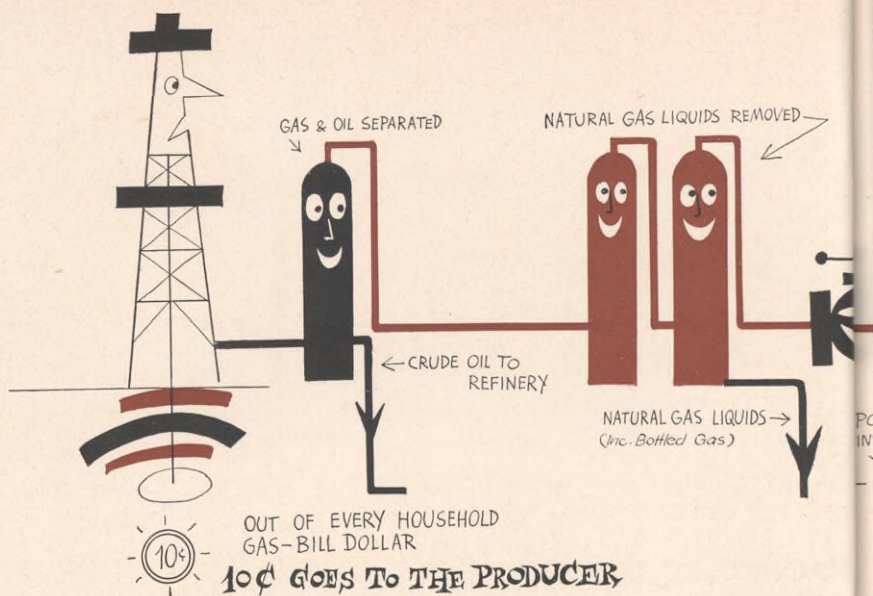
About 10 per cent of what the consumer actually pays for natural gas service goes to the gas producer (for example, if gas costs you \$1.25 per MCF in your home, the pipe line may pay the producer around 10 cents for it). The remaining 90 per cent covers the cost of transporting gas from the

point where it enters the interstate pipe line to its final destination at your stove or furnace.

In June, 1954, the Supreme Court of the United States made an interpretation of Federal law which has the effect of completely changing the free and competitive market that has traditionally existed in the natural gas producing industry. The court decided that natural gas producers are subject to regulation by the Federal Power Commission. As a result of this decision, sales of natural gas in interstate commerce for resale are subject to governmental regulation—whether made before, during, or after production or gathering.

As one independent producer said: "This will not only kill the incentive of the producers to find and maintain adequate reserves—it will be the end of free enterprise in the gas producing industry."

The Supreme Court decision appears to conflict with the Natural Gas Act of 1938, which says in Section 1 (b): "The provisions of this Act . . . shall not apply . . . to the production or gathering of



natural gas." On 11 separate occasions between 1938 and 1951, the Federal Power Commission ruled that it had no jurisdiction over sales of natural gas by independent producers and gatherers. The Supreme Court has seemingly ignored this long-established interpretation of original Congressional intent in the Natural Gas Act.

THE American concept of private enterprise is based on the belief that competition is desirable and healthy. The growth of natural gas production has been nourished by this belief. It motivates the producer to search for new reserves and drill more wells.

Since 1945, proved gas reserves have increased by almost 50 per cent. Today, natural gas supplies one-fourth of the nation's demand for energy. The country's population and the consumer demand for natural gas are rising so swiftly that by 1975 a citizenry of 200 million people will require a doubling of the current gas reserves. To locate new reserves, the producer must be permitted to work in a climate that is free from binding controls and restrictions. Price-fixing from Washington will stifle the

initiative and incentive of the gas producer.

So great is the current demand for natural gas that in just four cities some 270,000 families are on the "waiting list." All of these cities are in the north, hundreds of miles from the wells that produce natural gas. In five big gas producing states—Texas, Louisiana, Kansas, New Mexico, Oklahoma—60 per cent of the householders rely on natural gas. In the rest of the nation, the gas users dwindle to an average of 15 per cent.

Natural gas could become an even more important source of fuel for the nation's cooking and heating. However, if the Federal Government regulates producers' sales to interstate pipe line companies, the "have-not" regions will probably never receive gas from the Southwest. The reason: gas producers will prefer to sell to the expanding markets within their own states, where they do not have to endure Federal controls.

Wherever natural gas is available, industrial development is stimulated. Since 1945, industry's consumption of natural gas has increased by 90 per

cent. Indicative of industrial customer dimensions, an aluminum plant in Louisiana and a chemical plant in Texas together consume one-and-a-half times as much natural gas as all the household users in Detroit, Milwaukee, and Kansas City, Missouri.

New industries in the North, East, West, and South may never have the opportunity to use clean, easy-to-handle, economical natural gas. Since the Supreme Court decision, some producers, to avoid the entangling red tape of Federal control, have refused to commit new reserves of natural gas to interstate sales. Several projects for building interstate pipe lines have been shelved.

USUALLY, the Federal Government grants an interstate pipe line the privilege of exclusively serving a specific region. State or city governments grant the gas distributing company an exclusive franchise to market the gas in a particular area. In return for these special rights and privileges the pipe line must agree to the regulation of its rates by the Federal Power Commission. The local gas company must also agree to the regulation of its



90¢ COVERS COSTS OF PIPE LINE TRANSMISSION & LOCAL DELIVERY

rates and earnings by the state or municipal agencies which regulate other public utilities.

The pipe lines and the local distributors serve sheltered markets. The rates for their services are controlled by law and are based on a fixed rate of earnings. On the other hand, the man who looks for gas is assured of nothing when he drills a well. Sinking \$100,000 or more in an exploratory well is no guarantee that he'll bring in a producing well—the chances are 8 to 1 it will be a dry hole.

In a business as risky as this, the gas producer must be given some hope of a reward. If his selling price is frozen at an inflexible level, it is quite likely that he will become less and less active in the gas producing business. The producer must have the opportunity of earning a reasonable return on his venture commensurate with the large risks that must be undertaken and surmounted. A free and competitive market affords that opportunity. A controlled market does not.

If the Supreme Court decision is allowed to stick, it will mean stagnation in the nation's sixth largest industry.

Producers of natural gas cannot survive in the financially risky business of exploration and development if they are placed in an economic deep freeze. Freedom to compete with other producers in supplying the pipe line or other purchaser with gas is a vital necessity. The producer of natural gas is not in the business of selling gas service. He is not a public utility. He is the hunter of an expensive-to-find commodity which has no assured market even if he is lucky enough to find a commercial quantity of natural gas in the earth.

If the Government freezes the producer's price of gas at the wellhead, it can do little to bring down the cost of gas to the consumer. A 10-per-cent decrease in the producer's profit would mean less than a one-per-cent decrease in the consumer's cost, but it might make a significant difference in the producer's ability to seek new reserves to replace the gas he sells.

If producers curtail the hunt for gas, the nation's reserves will decline. Such a situation is unthinkable at a time when millions of U. S. citizens are waiting for pipe lines to bring gas into their homes.

It would destroy everything that the natural gas industry has always championed: fair prices, abundant supply, growing reserves, and new pipe lines to serve more consumers.

IT can't happen here? But it can. This extension of Federal authority to fix prices in a highly competitive industry impairs long established contractual rights, clashes with state conservation measures, and threatens the development of the nation's natural gas reserves and the flow of natural gas to consumers.

Will coal be next? Oil? Iron ore? The socialistically inclined can find excuses and reasons for regulating all of these industries and many more. Extension of controls could go on until "free enterprise" becomes a mock phrase.

Producers should be allowed to continue to provide adequate supplies of natural gas at reasonable prices—as they have done for the 17 years that the Natural Gas Act has been effective. This will only be accomplished if the Act is amended to exempt producers, gatherers, and processors of natural gas from regulation. **END**



A fruit picker, "Shawn" Garcia, fills a bag with oranges grown on a Texas citrus farm.

In the warm soil of the Rio Grande River Valley, an ex-Hoosier is making a specialty of growing citrus fruit

Rio Grande

BENEATH tall palm trees, in the productive earth of the Lower Rio Grande Valley, Grover C. Singer is making another valiant "citrus comeback." During his 40 years as a grower of oranges, tangerines, and grapefruit, Singer has suffered many hard blows from drought, frost, and other tricks of nature. Each time, he has snapped back—stronger than ever.

The last catastrophe struck Singer's farm, which is 10 miles outside of Brownsville, Texas, in February of 1951. A cold wave swept down from the North leaving a deadly trail through the subtropical valley. Not a tree survived in Singer's citrus groves that had once produced 5,000 bushel baskets of oranges a year. "The freeze killed

everything," says Singer. "I had to start all over . . ." Petroleum is helping him to make his comeback.

With a tractor, Grover Singer bulldozed the dead trees off his 70 acres of land. Then he plowed the soil and carefully planted new citrus trees.

"I hedged with tomatoes and beans . . . also some cotton . . . to tide me over the rough years." Though Grover Singer now harvests a variety of crops, his special interest is still citrus fruit. He says: "Cotton is the steadiest. But when the citrus gets going, it will make more money than all the rest together."

Singer's oranges, which are sold as "gift oranges," are well known to growers of gift fruit. It takes only 45 to fill a bushel basket. ("They grow as big as

grapefruit," Singer says.) Many nurseries take buds from his groves, graft them to other trees, and call the fruit "Singer's Navel Orange."

Before the big freeze in '51, Grover Singer shipped his oranges every winter to families all over the United States. His recovery has been necessarily slow. If his luck and the weather are good, Singer's groves may produce 6,000 bushel baskets of gift oranges annually when his new trees mature.

SINGER and his fellow citrus growers are typical of U. S. farmers that The Texas Company is aiding with fuel and lubricants designed for farm use. Due to farm mechanization, machine and four men can do the farm work

FARMER

Carrying a bright lantern, Grover Singer, citrus farmer, welcomes a neighbor who is paying a friendly call.

formerly done by 14 men. It is estimated that there are nearly 15 million petroleum-fueled engines on farms, including combines, tractors, trucks, and automobiles.

Through petroleum products and a network of more than 2,000 distributing plants, The Texas Company is advancing the mechanization of the farm. Hundreds of Texaco distributors and consignees regularly call on thousands of farmers to fill up gasoline tanks, deliver containers of lubricants, or "to get acquainted."

During these personal visits, the farmer often seeks the Texaco representative's advice in lubricating a cultivator, harvester, or other mechanical equipment. The distributor or consignee



Field workers pick each bean plant swiftly but carefully. All of Singer's beans are quick-frozen and packed in nearby Brownsville, then shipped to distant markets.



Slowly picking out the keys, Singer answers orders for citrus fruit.

On a Texas farm that produces fruit, vegetables, and cotton, Texaco products are used to power and lubricate a variety of machinery

consults the Texaco Lubrication Guide for the type and grade of lubricant to recommend for each farm machine.

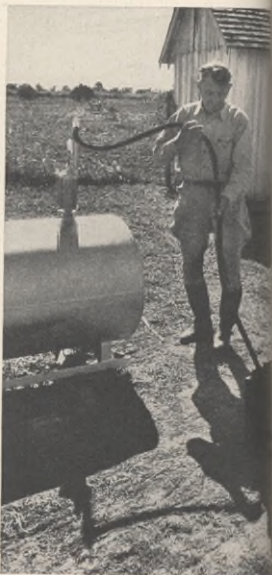
Through distributors and consignees, Texaco sends a bimonthly magazine to farm customers which cites case histories of farmers who have found new ways to economize, make profits, or raise production. The tips and guidance in these true stories, and those published in the Texaco advertisements in farm publications, are often successfully applied by farmers.

Texaco's "go-to-the-farm" service and selling is a reason why Grover Singer has used Texaco products throughout his 40 years of growing citrus fruit. Singer often makes a tour of his groves in his pickup truck or

sedan. Before driving over the soft earth between the citrus trees, he fuels up with Texaco gasoline.

Regularly, Singer applies Marfak lubricant to the bearings of his tractor, which is the power plant for his field equipment. He protects his tractor's engine with Havoline Motor Oil and powers it with Fire Chief Gasoline, which Singer takes from his 280-gallon skid tank behind the house. This tank is filled every four weeks from a tank truck that is driven from the Texaco bulk station in Brownsville.

Grover Singer even burns a petroleum fuel in his Coleman lantern. Often, after dark, one may see this Rio Grande farmer, lantern in hand, tending to some last-minute chore. **END**



The Rio Grande farmer fills up "blitz" can with Fire Chief Gasoline to refuel his tractor.



The Singer family relaxes in its patio. Forty years ago, Grover C. Singer and his wife migrated from Indiana to grow citrus fruit in the Rio Grande Valley. They are now making a "citrus comeback."



Loaded with beans, trailer
will be hauled to freezer.

A tractor, drawing a "five-row" cultivator, ▶
moves down a field before cotton planting.



After filling a fuel tank, the Texaco driver
discusses the next delivery with Singer.



A Diesel-powered pump in this windmill helps maintain drainage of surrounding land

HOLLAND BELGIUM FRANCE

hundreds of rebuilt and new factories, petroleum has helped West European nations to boost their exports. This has raised the national income and buying power of these countries.

Since World War II, Caltex has constructed two refineries in Europe—in Holland, and in Italy (*see back cover*); has rebuilt a third, in France; has participated in building a fourth, in Spain. Caltex has extended its markets through the construction of new ocean terminals, bulk depots, service stations, and other facilities.

WHAT happened when Caltex built a \$28-million refinery in blitzkrieged Holland has happened in many places in Europe. During the construction of the refinery at Pernis, a suburb of Rotterdam, Caltex employed 2,500 Hollanders and used Dutch materials and supplies whenever available. Caltex even assisted a nearby town, where many of the refinery employees now live to construct new housing and a recreation center. Orders were given to Dutch shipbuilders, who built ocean and river tankers to transport Caltex crude and products.

The Pernis refinery supplies products to the chemical, textile, and sheet metal plants that have risen in Holland—to the hundreds of new Diesel locomotives—to the huge ocean-going ships that slide down the launching ways in Rotterdam and Amsterdam. This Caltex refinery's products are also marketed in Denmark, Switzerland, France, Belgium, Sweden, and Norway.

In constructing refineries in Holland and other European countries, Caltex helps to provide these countries with a local source of supply of petroleum products. This, in turn, helps these nations to conserve foreign exchange.

REPORT ON EUROPE

● *Through the Caltex Group of companies, an overseas petroleum enterprise in which The Texas Company holds a 50-per-cent interest, Texaco is contributing to the economic advancement of scores of nations from Scotland to the Orient. Perhaps nowhere in the 67 countries of the Eastern Hemisphere served by the Caltex Group do petroleum products perform a more important role than in helping to accelerate the economic resurgence of Western Europe.*

Crude oil and refined products produced in the Middle East by Caltex affiliates are shipped to refining centers and ocean terminals in Europe. On the Continent, other Caltex affiliates operate refineries and market products that help supply the growing demand from Scandinavia to the Mediterranean.

The words and pictures of this report show the part that Caltex plays in some everyday European scenes.

PARIS CABBY fills up with essence at a Caltex service station. In a hospital in Stockholm, an engineer regulates the flow of Caltex fuel oil into a blazing furnace. A Dutch freighter departs from Amsterdam, its powerful Diesel engines turning on products supplied by Caltex.

Such incidents of Caltex products working to provide heat and energy take place many times daily in all the nations of Western Europe. Through refineries, terminals, and bulk depots; tank truck and railway tank car fleets, and thousands of service stations, Caltex provides jobs for many Europeans. Through its marketing organizations, Caltex supplies petroleum products for a wide range of industries: steel, shipbuilding, automobiles, glassmaking, textiles and clothing, electrical equipment, machine tools, pharmaceuticals, furniture, road construction, agriculture. By powering



Across Rotterdam's "Nieuwe Waterweg" is the impressive Pernis refinery. It manufactures products for northern Europe and Scandinavia

through importing crude oil rather than the more costly finished products.

THE European scenes shown on these and the following four pages were painted by John S. Walsh, Canadian artist-engineer, during his latest trip to Europe. Wherever Walsh traveled, he tried to capture the new appearance of traditional scenes. In every country, artist Walsh found that petroleum had "made some really big changes."

Wherever Caltex goes—exploring for oil in the rocky hills of West Australia, drilling a well in the jungles of Sumatra, or towing a tank barge of gasoline up the Rhine River to Switzerland—the operations of Caltex help to bring a new economic vitality to the life and people of the country. ▶

Guarding the polder near The Hague is a row of windmills that house Diesel pumping units



REPORT ON EUROPE (continued)

HOLLAND BELGIUM FRANCE

Caltex performs a multitude of jobs in the many scenes of Belgium's day-by-day life. In fishing fleets, farms, and steel mills—from Ostend to Brussels to Liege

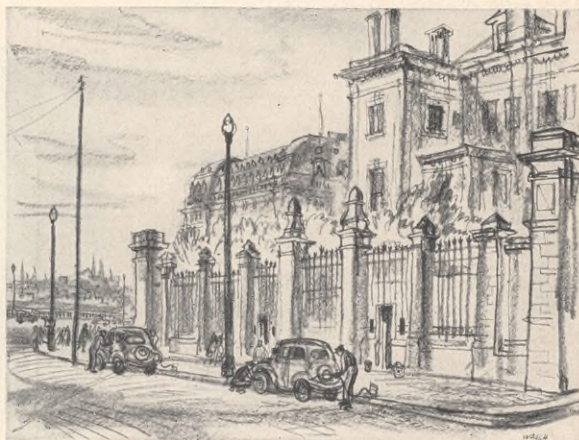


From Ostend, fishing boats, powered with Caltex Diesel fuel, stream into the North Sea to drop their nets



From the Persian Gulf, Le S/S Caltex Antwerp steams into the Port of Antwerp to unload a cargo of Diesel gas oil

These Caltex pumps belong to a unique service station in the courtyard of this Brussels palace



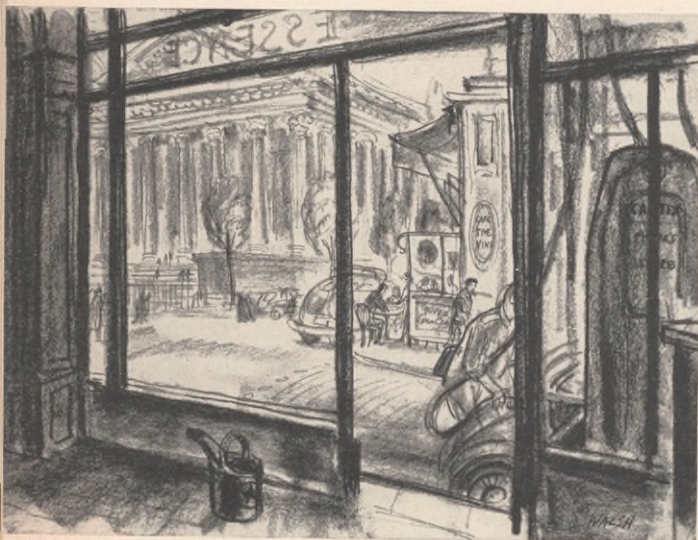
REPORT ON EUROPE *(continued)*

HOLLAND

BELGIUM

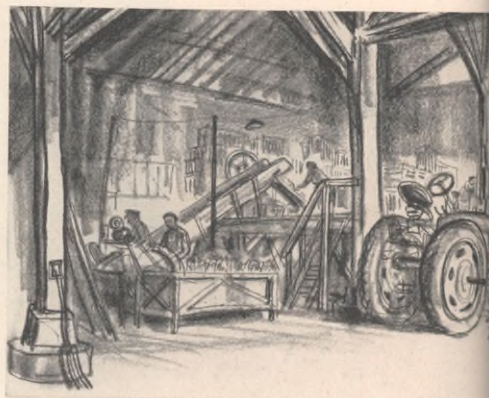
FRANCE

*In the romantic "city of light,"
there are Caltex stations
near several historic buildings.
Where the old and new blend in
Paris, Caltex may fuel and
lubricate a Parisian's auto*



*Behind the famed Madeleine, a Caltex station
sells petroleum products to Parisians*

*On a vegetable farm near Paris, Caltex products
are used in the mechanized operations*

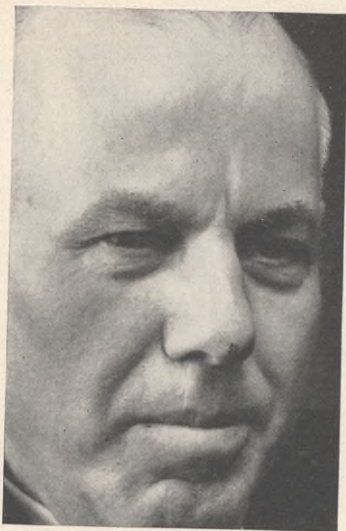




In Paris' Latin Quarter, students from many nations congregate at gay Cafe de Cluny



Near the Cathedral of Notre Dame, Caltex gasoline is dispensed to motorists



ERNEST C. BREEDING, *Comptroller*

HIS FORT

ERNEST BREEDING has been described as a man with a "deliberate reserve." He studies people in the same methodical way in which he analyzes Texaco's financial figures. That is why it sometimes takes Breeding a little time to warm up to strangers.

As the Comptroller of The Texas Company, Ernest Breeding is responsible for the recording and interpretation of Texaco's income and expenditures. Aided by a competent staff, he supervises the accounting and auditing operations in all of Texaco's domestic and foreign offices.

Reports and analyses received regularly from the Comptroller assist management and the Directors in making policy decisions and carrying out major operational plans.

Ernest Breeding was born on a Texas cotton farm in 1893. At high school in McGregor, Texas (pop. 2,669), he ranked high in mathematics. After graduating in 1910, he entered a school of accountancy in Waco, Texas. ("I wanted to be an accountant, and I

wanted to get off the farm.") Later, he went to Washington, D. C., where he took courses in advanced accounting.

BREEDING'S first jobs were keeping books for various mercantile firms in Texas. In 1916, he returned to Washington to audit accounts for the U. S. War Department. Young Ernest became acutely homesick for the wide ranges and blue skies of his home state. One day, in 1920, he was offered a "free train ride" back to Texas if he would take an accountant's job with the railroad. Ernest never hesitated.

Shortly afterwards, Ernest responded to a blind job "ad" in a Houston newspaper. He got the job, which turned out to be an accountant's position with The Texas Company.

Ernest soon went on the road as a traveling auditor. Traveling by bus and train, Auditor Breeding examined Texaco accounts in bulk plants and in district, division, departmental, and general offices across the country. At that time the auditor's standard tour

started in New Orleans and headed through Atlanta, Jacksonville, Baltimore, New York, Minneapolis, Butte, Salt Lake City, El Paso, and Los Angeles (with many stops in between) winding up in Houston. "It was like being in a stock troupe . . . but lonelier," he recalls. In a seven-year period of traveling, Ernest returned home only three times. "My wife often traveled with me," he says.

In 1931, Ernest left the "road show" to go to the Indian Refining Company at Lawrenceville, Illinois. At Indian (a controlling interest in which had just been acquired by The Texas Company), he installed Texaco's accounting system to make the records conform with the parent Company's accounting procedures. Then Ernest Breeding went back to trains and timetables for several more years of auditing. In 1939, Breeding was appointed Assistant Comptroller of the Company. At last, he came back to home and Houston.

Five years later, Ernest C. Breeding was elected Texaco's Comptroller.

TS FIGURES

THE Comptroller's office is located in Houston since the accounting staffs for Texaco's producing, pipe line, and refining operations are there—nearer to most of Texaco's oil fields and refineries than Manhattan. Comptroller Breeding also has a capable staff in New York to coordinate the accounting and supervise the auditing for Domestic Sales, Foreign Operations, and other Texaco departments.

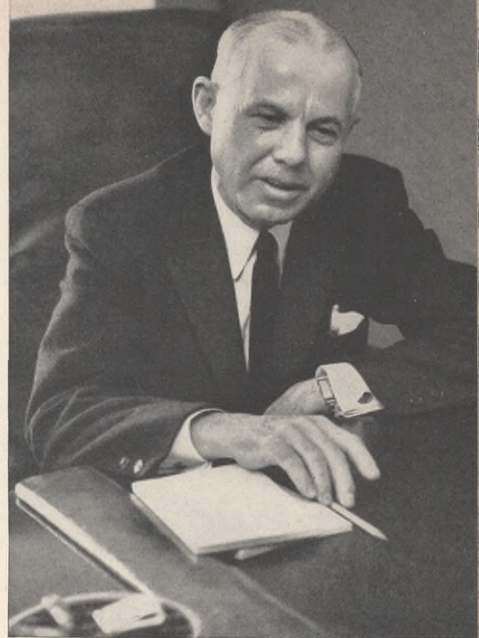
All financial reports come to Houston. Each month, hundreds of income statements and balance sheets flow into Breeding's office from the world-wide operations of The Texas Company. These reports are carefully studied by the Comptroller's staff. They are consolidated into statements in which financial trends are interpreted by the Comptroller. These reports are sent to Board Chairman J. S. Leach on the 20th of every month. These and many other periodic reports supply information which helps management in formulating projects for exploration, production, refining, transportation, marketing, and

other aspects of Texaco's integrated operations.

The U. S. Government is another big consumer of the Comptroller's columns of figures. Each year, the Company's accountants send hundreds of requested reports to the Securities and Exchange Commission, Department of Labor, Bureau of the Census, Federal Trade Commission, and other agencies.

It is no simple job to compile all of these reports. Petroleum accounting is highly complex, because the petroleum industry is highly diversified. From only one raw product—crude oil—comes hundreds of products, each one requiring individual accounting. The task is complicated by problems of taxation and currency regulations in the dozens of foreign countries in which The Texas Company and its affiliates do business.

A notable achievement of Breeding's came in 1937 when he designed a budget system which projected estimates of all Texaco activities—production, refining, sales, and so forth—from six months up to five years. This system



"In this work, it's important to read a story in the figures," says Ernest Breeding. He has been doing just that for most of his life.

is still the basis for preparing Texaco budgets. "It tells us where we are going in dollars and cents," says one department head.

Ernest Breeding's skill for accurately translating Company actions into figures has helped contribute to the rapid growth of The Texas Company. Because this skill can only be shaped out of work and experience, Breeding has always taken the time to train younger men in the intricacies of interpretive accounting. "I've tried to teach them all I know," he states.

AT the age of 62, Ernest C. Breeding looks and works like a man of 50. While he admits that "work is my hobby," part of Breeding's heart has evidently gone back to the land. Occasionally, he and his wife visit their 380 acres of corn and cotton in McLennan County, Texas. "It's only an investment," he explains. But a close associate says: "Ernest Breeding worked the first part of his life to get off the farm—and now he is working to get back on it." **END**



what started with Noah is the "BEST BUON

FROM ancient Biblical times, asphalt has been used by men in many places for many purposes. To keep water out of his ark, Noah smeared it with asphalt from Babylon. The Egyptians used asphalt on the wrappings of mummies. Until only a half century ago, all asphalt came from beds in the earth, such as the famous asphalt "lake" in Trinidad, South America. In the early 1900's, petroleum refiners discovered that the black, sticky residue remaining after the processing of some crude oils was asphalt. From then on, the production of petroleum asphalt progressed rapidly. Last year, approximately 15 million tons were manufactured in this country. Today, petroleum asphalt has almost completely supplanted lake asphalt—because of its relatively low price and because points of manufacture are closer to markets. Asphalt is derived from the Greek adjective, "asphaltos," which means "firm, stable, or secure." It is this important and versatile petroleum substance that today is used to pave tens of thousands of miles of American highways, roof thousands of homes and buildings, and make numerous articles for everyday use.

WHAT Noah used for waterproofing his Ark, 20th Century road builders are using to pave highways.

Although asphalt is an essential ingredient in hundreds of everyday articles, its main contribution to modern living is in the form of road and road surfacing. In building and maintaining interstate highways, city streets, and country roads, asphalt has proved to be more durable and economical than any other paving material.

Asphalt makes safe, long-lasting surfacing for America's streets and highways. Asphalt-paved highways help keep the nation on the go—transporting freight, moving farm produce to markets, carrying children to schools, adults to work, and the entire family to the country for an outing.

In event of a national emergency, our paved highways would be the nation's principal logistical lifeline.

It is a fact that the use of asphalt surfacing roads and highways has taken the car-driving public out of the dust and mud. The economies resulting from asphalt paving have extended American roads until today 80 per cent of our paved riding surfaces are covered with



A tremendous demand for oil products has been created by asphalt highways such as the New Jersey Turnpike.

For paving

by T. R. ELLIS, Manager, Asphalt Sales, The Texas Company

asphalt. This highway system could not have been built and paid for by using more costly paving materials.

The Texas Company, one of the country's largest suppliers of petroleum asphalt, began to produce and market asphalt in 1904. Today, Texaco Asphalts are shipped throughout the United States, east of the Rockies, from a number of strategically located refineries and ocean terminals.

In view of President Eisenhower's multibillion-dollar highway plan, the advantages of asphalt paving should be understood by every American citizen. Recognizing the critical condition of the nation's highways, President Eisenhower has proposed that the states and Federal Government spend \$101 billion during the next 10 years to rehabilitate and extend the country's streets and highways. Today's motorists are attempting to operate 60 million vehicles on roads that would have been little better than adequate in 1941, when only 34 million vehicles were in use. From the standpoint of helping the nation's economy, as well as supporting our military strength, the need to remedy our highway deficiencies is urgent.

The current highway crisis is due to the fact that construction did not keep pace with the growing need for more and better highways during the Depression and World War II, plus the phenomenal postwar rise in the number of motor vehicles that have rolled off assembly lines.

BEFORE any new road is constructed, an important question must be answered: *What makes the best and most economical pavement?*

Costs Less to Build

Prior to the construction of the New Jersey Turnpike, the turnpike commission employed several consultant engineering firms to design an asphalt pavement and a concrete pavement—each capable of carrying the heavy auto, bus, and truck traffic anticipated on this expressway (24.7 million motor vehicles of all types in 1954). Contractors were invited to submit bids on both types of construction. A study of the bids convinced the commission that it should specify asphalt. Conclusion: asphalt paving saved the state of New Jersey more than \$5 million.

The New Jersey Turnpike, however, is only one example of savings afforded by asphalt paving. Other noteworthy savings in different parts of the country are shown in the table on Page 21.

Costs Less to Maintain

The cost of keeping a highway in usable condition for the many years of its life must receive equal consideration with the amount of the initial expenditure. Here, again, asphalt unquestionably offers a clear advantage over all other materials.

The findings of the Oklahoma Turnpike Commission provide an interesting example. When the commission was weighing the relative merits of asphalt and concrete, prior to constructing the Turner Turnpike between Tulsa and Oklahoma City, it decided to investigate the cost experience of other states. Inquiries were sent to a number of State Highway Departments. Of the 10 states which reported their maintenance costs, seven had spent less on asphalt than on concrete roads. The average expenditure was 11 per cent less per mile per year for asphalt. The table on Page 21 shows the experience of each state. ▶



Whatever the volume of traffic, asphalt can provide a surface that is suitable and economical to build and maintain. Here is a farm-to-market road in the process of construction.

You Are Safer on Asphalt

Test demonstrations conducted by several impartial organizations have proved that asphalt paving is equal, if not superior, to concrete paving in skid-resistance. The Engineering Experiment Station of Iowa State College ran a series of tests in which vehicles were driven at various speeds over wet asphalt and wet concrete paving. Some of the test cars had smooth tread tires; others had new tires. These tests revealed asphalt to be more skid-resistant at all speeds, regardless of the condition of the tire tread.

Why is asphalt skid-resistant? The answer is that the mineral aggregates in asphalt give a gritty texture to asphaltic pavement. This gritty texture provides excellent traction.

Advertisements in various national magazines claim that concrete is safer than asphalt paving in wet weather. These ads also claim that concrete is safer for night driving because it reflects light. This claim has been scientifically disproved. Reports General Electric's Nela Park Engineering Department: "Scientific tests conducted at Nela Park on carefully selected stretches of roads, and in varying conditions, explode a widely held misconception about night driving. Contrary to popular belief, the type of road sur-

face seems to have relatively little effect on the distance at which a driver can see an object in the road at night."

From the motorist's standpoint, the dark surface of asphalt pavement is a desirable quality. The absence of glare reduces eye strain, thus lessening driving fatigue and increasing the safety of motoring.

A less obvious advantage of asphalt's dark color is its heat-absorbing capacity. This causes snow and ice to melt faster, thus providing a definite safety advantage during Winter months.

More Riding Comfort

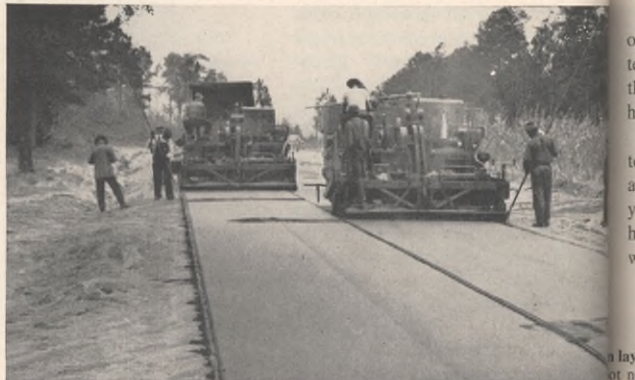
The smooth, easy-riding quality of an asphalt highway cannot be matched by any other pavement. One of the main reasons: expansion joints are not needed in the construction of an asphalt highway because asphalt does not expand or contract at different temperatures to any great extent. Its elasticity absorbs the results of any such action. Asphalt is also resilient and has the ability to "give" under the impact of traffic. While making driving easier on the motorist, the lasting smoothness of joint-free, shock-absorbing asphalt also means less wear on the vehicle.

Versatile Performer

The road builder's most versatile material is asphalt. Whatever the volume or type of traffic, asphalt will meet the specific requirement. For toll roads, major highways, and heavily traveled city streets, asphalt can be used to construct pavement for the heaviest kind of traffic.

Asphalt's versatility has led to many understandings of asphalt's role in highway paving. Some people only think of lightly traveled roads as being suitable for asphalt surfacing. Actually, the heavy-duty asphalt pavements on the turnpikes of today are typical of modern asphalt paving across the nation.

These pavements are a combination of asphalt and crushed stone in scientifically graded sizes, proportionately heated, and thoroughly mixed in a cen-



trally located asphalt plant. This mixture is trucked to the roadbed, spread by machinery, and compacted to the desired thickness.

THERE are many industries which depend upon asphalt for their continued growth. Without asphalt, the motor, rubber, and roofing industries would never have expanded so rapidly. It is the thousands of miles of asphalt-surfaced roads and highways which have constantly advanced the production of tires and motor cars. Without asphalt, the roofing industry would be almost non-existent today—for nearly 90 per cent of modern roofs are made with asphalt.

Asphalt highways have created a tremendous demand for all types of petroleum products. Between 50 and 75 per cent of the current consumption of gasoline and lubricating oil is directly due to America's paved riding surfaces, most of which are covered with asphalt.

Eliminating the deficiencies in the nation's highways over the next decade will greatly increase the demand for paving materials. The American Road Builders' Association estimates that it will take the cement industry until 1959 to increase cement production capacity sufficiently to provide the cement needed for President Eisenhower's proposed highway program. On the other hand, the Association points out that current asphalt production could be doubled immediately, if demand so dictated, thus providing more than enough asphalt for the highway program.

In numerous case histories, ranging from multilane highways to country roads, asphalt has proved to be the best buy for the highway dollar.

It is your money that is being spent on highway construction and maintenance. It is to your advantage to see that you get the most value for your highway dollars.

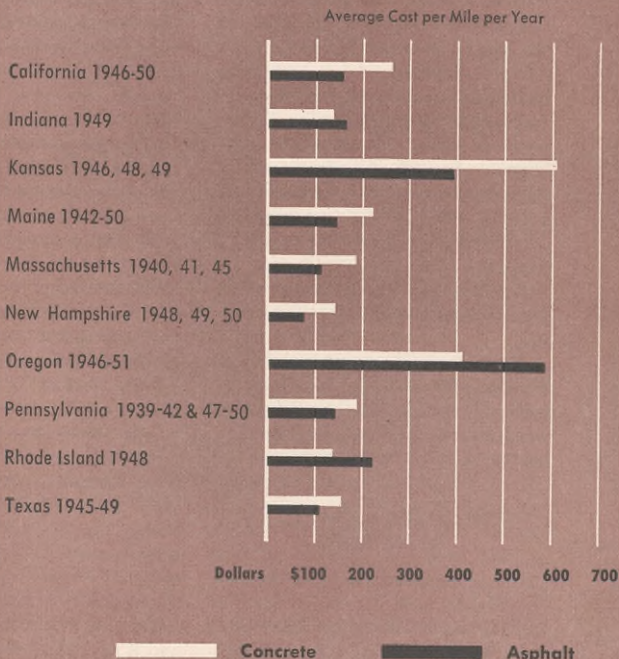
You are acting in your own best interests as a stockholder or employee, and as a taxpayer and highway user, when you let public officials in charge of highway construction projects know why you favor paving with asphalt. **END**



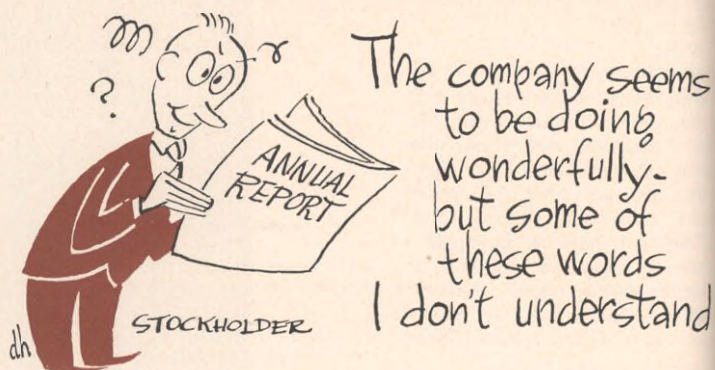
INITIAL COST COMPARISONS—MAJOR TOLL ROADS

	Length Miles	Total Pavement Costs		Saving with Asphalt	
		Concrete	Asphalt	Total	Per Mile
Maine Turnpike	47	\$ 5,785,369	\$ 4,812,624	\$ 972,745	\$20,697
New Jersey Turnpike	118	30,621,850	25,147,450	5,474,400	46,393
Oklahoma Turnpike	88	10,452,484	9,291,364	1,161,119	13,195
West Virginia Turnpike	88	19,509,760	15,488,259	4,061,501	46,153

MAINTENANCE COST COMPARISONS



In laying an asphalt highway, expansion joints are not necessary. Result: less wear on cars.



DO FINANCIAL STATEMENTS

As a stockholder in The Texas Company, I try to look wise when I get the Company's Annual Report.

"H-mm," I say to myself. "They seem to be doing all right."

But, confidentially, between you and me, some of it is Greek to me.

I suppose a lot of smart people can read financial statements as if they were *McGuffey's First Reader*. But I'll bet there are many Texaco stockholders like me, who miff a lot of the financial talk and just try to look wise. Anyway, we understand dividend checks, and we're happy about how the Company is going.

But it would be nice if we could fathom financial statements a little more fully.

I happen to have a friend in the Comptroller's Department at Texaco, and he has consented to help me understand some of the terminology used in the Company's financial statements.

CONSOLIDATED STATEMENT OF INCOME

The first term that floors me is "Dry Hole Costs." Now, I know that in 1954, for example, the Company drilled 1,313 wells in the United States, and that

1,076 were successful. That means that the other 237 were duds. Well, the Company naturally charges off as expense ALL the costs—both tangible and intangible—of the drilling of the duds (that is, of holes which fail to tap crude oil). That is the end of them, so "Dry Hole Costs" are definitely an operating expense.

If, on the other hand, a well turns out all right, it is only fair that all the costs of developing it, including the intangible costs such as drilling labor, should not be charged against income in the year it is developed, but should be spread over the years of the estimated productive life of the well. It is this charge-off of these costs on producing wells that we call "Amortization of Intangible Development Costs."

"Depreciation" is fairly understandable, even to a financial amateur like myself. I know that a machine or even a building or a refinery (which is just a big machine) wears out over the years. It is right for the Company to charge off the cost of the machine against income during this wearing-out process. Each of the years during which the machine is used must bear a share of the cost. Depreciation is "wear out," and it is just as much a cost of doing

business as wages and taxes and postage stamps.

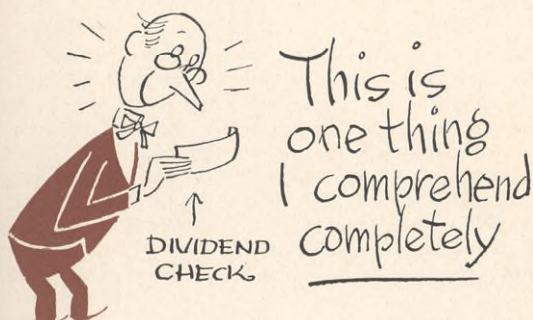
What about "Depletion"?

Depletion, as it is used in the Company's financial statements, is just another word for "use up" and anything you use up is an expense of doing business. For example, if The Texas Company has productive oil or gas acreage, the estimated amount of oil or gas in the "pool" can be estimated and what that has been removed we know the investment will be worthless. Therefore, each year's business must bear its share of the cost of depleting or using up this reservoir of oil or gas.

"Leases Surrendered" means the cost of leases given up because they are no longer considered good prospects for production of oil or gas.

"Provision for Income Taxes" is the amount of tax the Company estimates it will have to pay on the profits it has earned. This is an expense of doing business which must be recognized in order to arrive at how much of the Company's earnings are left over for reinvestment in the business or for payment as dividends to stockholders.

"Net Income Before Minority Interest" and "Minority Interest in Net Income of a Canadian Subsidiary"—



LEAVE YOU IN A DAZE?

by DON HEROLD

We Texaco stockholders really own a considerable number of companies. I mean subsidiaries. The report we get is a consolidated report which includes figures on all of them added together. We own all of these subsidiaries completely, except one—McColl-Frontenac Oil Company Limited, a Canadian company. We own 58.95 per cent of that company, and outside stockholders own 41.05 per cent. "Minority Interest in Net Income of a Canadian Subsidiary" is, therefore, the 41.05 per cent of McColl's earnings which belong to these other stockholders. This sum must be subtracted from the combined figure to arrive at Texaco's net income.

CONSOLIDATED BALANCE SHEET

I've been talking about items in the Consolidated Statement of Income. Now I come to the Consolidated Balance Sheet, which I think is a little easier to explain.

We all know what "Assets" are, but what about that item, "Investments and Advances"? This is the amount that The Texas Company has invested in Brazilian subsidiaries, and in other companies which are non-subsidiary—meaning we own only 50 per cent or

less of their stock. (These companies help assure us adequate supplies of crude oil, outlets for our products, and pipe line service.) Besides the money we have invested in their capital stock, we have also made other funds available to assist them in financing their operations. This is what is meant by "Investments and Advances."

"Deferred Charges" means amounts we spend which we will charge to expense in some future period. For example, if we pay a three-year insurance premium in advance, we must charge this to insurance expense over the three-year period.

Drilling costs on incomplete wells are also a "deferred charges" item. Such costs represent costs accumulated for drilling wells which had not been completed at the end of the year. Upon completion, these costs will be capitalized if the well is successful, or written off to dry hole costs should the well prove to be a dud. Since we don't know which it will be at this time, these charges are "deferred."

"Reserves"—This is recognition of a commitment to pay a sum of money in the future. The amount is not finally determinable now; therefore, the Company estimates the amount.

For instance, in 1937 the Company set up a pension plan to provide retirement income for its employees. When this was done it was decided also to pay employees a pension based on their service prior to the time when the plan was set up, the Company to pay the entire cost of this past-service benefit. To carry out the plan, periodic payments are made by the Company to insurance companies which, in turn, pay the pension to the retired employees. The Company estimates its liability to the employees for pensions covering service prior to 1937, and the amount shown on the balance sheet is the estimated liability after deducting the amounts that have already been paid to the insurance companies.

"Stockholders' Equity"—This is where you and I come in. It means what you and I own of the Company when all the assets are added up and all the Company's debts to outsiders are deducted. This is represented by the amounts the stockholders have invested in the Company plus all the earnings that the Company has made but has not paid out in dividends.

I hope I've helped a lot to clear up the Company's statements for you. **END**



J. S. LEACH (left) and GEN. THOMPSON

"Thanks" from AMARILLO

BUSINESS and civic leaders of Amarillo, Texas, honored The Texas Company at an "appreciation banquet" on January 31. The unique event marked the completion of a two-year expansion and modernization program at Texaco's Amarillo refinery. It is one more milestone in a history of steady growth that Amarillo and The Texas Company have shared over the years.

General Ernest O. Thompson, member of the Railroad Commission of Texas, presented a testimonial from the citizens of Amarillo, in the form of a copper plaque, to J. S. Leach, Board Chairman of The Texas Company.

In responding to the honor, Mr. Leach described how Texaco had acquired the Amarillo refinery, the first in the Panhandle area, in 1928. "The Amarillo Works," the Chairman said, "now embraces the most modern processes known to the art of refining for producing the highest quality of gasoline." Mr. Leach said that the modernization had doubled the refining capacity to 15,000 barrels a day.

Other Texaco executives who represented the Company included President Augustus C. Long, Senior Vice President M. Halpern, and Vice Presidents C. B. Barrett, James H. Pipkin, and J. S. Worden. **END**

Now Heading DOMESTIC SALES

A NEW Vice President—S. Conoly Bartlett—was elected by Texaco's Board of Directors on January 31, 1955, to be in charge of the Domestic Sales Department, effective March 1. Formerly, this native Texan was General Manager of Domestic Sales.

"Connie" (as he is called by his friends) Bartlett was born in Marlin, Texas, in 1902. He was graduated from Texas A. & M. in 1924 with a degree in business administration. He immediately went to work for Texaco as a pump operator at a service station in Denver. Within a year, he was a sales representative in La Junta, Colorado.

In 1928, Bartlett was transferred to Boston, where he rose to become Assistant Division Manager (Sales). During the years that followed, "Connie" Bartlett served in various capacities of the Domestic Sales Department—in Boston, Chicago, Minneapolis, and Indianapolis. By 1947, he was Manager of Texaco's Central Territory. Two

years later he was transferred to New York and was promoted to Assistant General Manager (Sales). Four years later, he became General Manager of the Domestic Sales Department.

"Connie" Bartlett and his wife, who is also from Marlin, live in Bronxville, New York. They have two sons, S. C. Bartlett, Jr., who is 25, and John B. Bartlett, 16 years of age.

Claud Brown Barrett, whom Bartlett succeeds, has been named Vice President for The Texas Company at Houston. Claud Barrett began his Texaco career in 1927 as a salesman in Atlanta. Within 11 years he had risen to be Manager of the Southern Territory. He held this post until his election as Vice President in charge of Domestic Sales in 1953.

In this new position, he succeeds George R. Bryant, who resigned as Vice President at Houston to become president of Jefferson Chemical Company, Inc., the petrochemical manufacturing



S. C. BARTLETT, Vice President


company which is owned jointly by The Texas Company and American Cyanamid Company.

W. B. Hawke, Assistant General Manager of Domestic Sales, has been named General Manager of the department to succeed Mr. Bartlett. **END**

At the most unusual service station in Belgium, dealer fuels up a car. This Caltex station occupies rented space in the courtyard of a palace, across from the Palais de Justice.



20th CENTURY RENAISSANCE



A NEW refinery stands at San Martino di Trecate, near Milan, lending strength and vitality to the bustling economic life of the Po River Valley. This symbol of modern Italy's industrial progress was built by the Caltex Group of companies — overseas affiliate of Texaco.

Operated by an Italian company, "Sarpom" (Societa per Azioni Raffineria Padana Olii Minerali), the refinery is owned jointly by Caltex and Fiat. From it flows 13,000 barrels of products daily for automobiles, homes, and industry in northern Italy.

What is happening on the Plain of the Po is not unique. Throughout the Eastern Hemisphere, wherever Caltex operates, a modern renaissance is spreading, based on improved economic opportunity, providing new jobs, better homes, and a freer way of life for millions of people.

