John M. Kelly Oral History Interview – JFK#1, 12/03/1969
Administrative Information

Creator: John M. Kelly
Interviewer: William W. Moss
Date of Interview: December 3, 1969
Place of Interview: Washington D.C.
Length: 40 pages

Biographical Note
John M. Kelly (1914-1977) was the Assistant Secretary for Mineral Resources in the Interior Department from 1961 to 1965. This interview focuses on legislation concerning oil and other natural resources during the Kennedy Administration and the Interior Department's relationship with the White House and Congress, among other topics.

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Suggested Citation
John M. Kelly, recorded interview by William W. Moss, December 3, 1969, (page number), John F. Kennedy Library Oral History Program.

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John M. Kelly– JFK #1

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Oral History Interview

with

JOHN M. KELLY

December 3, 1969
Washington, D.C.

By William W. Moss

For the John F. Kennedy Library

MOSS: All right, Mr. Kelly, let me ask you first about your prior contacts, if any, with the then Senator Kennedy before he became President. You're from New Mexico, is that correct, originally?

KELLY: No, I'm a Bostonian.

MOSS: Oh, originally?

KELLY: Originally I'm a Bostonian, and then I went to New Mexico when I graduated from high school and went to college in New Mexico and stayed in New Mexico. My contacts with President Kennedy really started when he was congressman rather than senator. I had been associated with the Interior Department from the 1940's and always made several visits to Washington during every year. And while President Kennedy when he was congressman, I called on him to talk to him on matters before the Interior Department because, as an independent oil operator, I was concerned with some of the Interior policy matters at that time. We, of course, talked about politics and his future. My family in Massachusetts, of course, knew his family back there, and, from a family standpoint, we were both very much interested in his career and offered him all the help we could give him. I was a delegate to the 1956 Democratic convention [Democratic National Convention] from New Mexico.

MOSS: Oh, were you?

KELLY: And, as you know, about halfway through the convention we had the little run up for President Kennedy trying to get him the vice president nomination.

MOSS: Yes. What do you know of that story because it's a very confusing one.

KELLY: Well, I know of the New Mexico side of it because I was actively concerned and involved in it. When it appeared that we needed a new face, new blood in this, I joined with some other of the younger people to try to get John F. Kennedy's name ahead, and they asked me what I could do in the New Mexico delegation. And we had a caucus. The New Mexico delegation was controlled by the senators from New Mexico and they were more in favor of going along with the Democratic National Committee's recommendation.

MOSS: Which was Kefauver [C. Estes Kefauver]?

KELLY: Which was Kefauver. We had a very heated discussion in the caucus, and when we finally broke up I had 45 percent of the New Mexico delegation for Kennedy. And that's the way it would have voted if it got down to a final vote. We had a unit rule of course, but the unit rule only held for the first vote. So New Mexico would have gone 55-45 for Kennedy. I think we had twenty-six delegates at that time, something like that. So I was very active in trying to get that for him and this, of course, drew me closer to him so that when he--of course, he was senator by this time--then when I would come to Washington, I would go in and call on him and became acquainted with Ted Sorensen [Theodore C. Sorensen] and Mike Feldman [Myer Feldman], who were both working for him in his office.

So that when the 1960 campaign came around I was actively supporting the president in New Mexico. I thought it would be better that I did not stand as a delegate that time because of the side issues in that campaign. As you well know, religion was one of the side issues, and I'm an Irish Catholic along with him. I'm also from the Bible Belt of New Mexico, which is southeastern New Mexico, which is mainly Baptist and Presbyterian. And I would have been the delegate from that belt. In other words, our delegates are elected by judicial districts. So I decided to stand aside and let a lawyer from that area be the delegate, knowing that his vote would go for Johnson. I confined my work to the northern part of the state and the central part of the state where we thought that we could get the Kennedy votes, which we did in the Albuquerque area, which was the most populous part of the state.

Naturally, after he got the nomination, I was very active in his campaign. I was invited by the president to come back to the inaugural, Mrs. Kelly [Esther Ladenburg Kelly] and I, as his personal guests.

And we accepted and spent that week in Washington. At the end of the week we went up to New York to spend a few more days on business in New York, and I received a telephone call in New York asking that I return to Washington and consult with the Democratic people in the White House that were putting together the appointments in the various departments and also with Udall [Stewart L. Udall] who would have then been picked as the secretary of the interior. I returned to Washington and talked to the people concerned and I was offered the assistant secretaryship for mineral resources.

I am a mining engineer by profession. My bachelors degree is in mining, my masters is in petroleum, and my early professional life was in state government. I was the state geologist of New Mexico. I was the director of the New Mexico Bureau of Mines and Mineral Resources. I was the first director and executive officer of the New Mexico Oil and Gas Association or New Mexico Oil and Gas Conservation Commission and also I was the director of the Oil and Gas Association, too. So I had the professional training for the mineral side, and on the present hand also I had the political contacts, so I was offered it. I turned it down because I didn't think I could afford to give up my private business. I operated as an independent. I never have worked for a company. So it would mean giving up my complete business, which is an individual, and going to government service. So I turned the president down and went back to New Mexico.

About two weeks later, the first part of February, I got called again and asked to come back. I was asked the question, if I thought that I was going to be able to come up here and talk to him on matters that concerned oil and gas and mining, and I said that I had hoped that I would be able to. He said, "If you're going to do that, you'd better come in and run it." So it was kind of blunt talk and I told him my problems, and he said, "Well, you're just going to have to take care of those and dedicate some years to government again." And I told him I'd come in for four years. I finally said I'd come in for four years. So that's how I got appointed.

Now I was the last assistant secretary to be apointed due to the fact I wouldn't take it at the original offer. So I ended up the last. I was appointed by him, though, with a direct understanding that I would be in charge--while my title was the assistant secretary for mineral resources and implied that I was assistant secretary to Udall as secretary, the agreement was, though, I was a direct appointment by the president and on oil matters I reported to the White House . . .

MOSS: This is interesting.

KELLY: . . . which is a different appointment than the other assistant secretaries had over there.

MOSS: Yes. How did Udall accept this?

KELLY: Udall accepted this.

MOSS: He did?

KELLY: Yes, it was accepted. This was in conference with him. I mean, there was no. . . . Udall said he had no experience in oil, he had no knowledge of the problems of the oil import program, he had no knowledge of the problems of the oil import program, he had no knowledge of mining except that he came from Arizona and he knew there were copper mines there, but he had no technical knowledge. Coal was another issue and, of course, he had no knowledge of coal. Therefore he felt that I was being appointed more as a technical man than I was a political appointment, and he accepted it. And the understanding held throughout President Kennedy's life.

MOSS: How about the other assistant secretaries?

KELLY: So therefore Interior really was broken down into two pieces.

MOSS: Okay.

KELLY: You had the mineral sector which had the action programs in oil, mining, and--well, we had geography, too. I had charge of geographic names. But we had that sector. These were action programs, and they were also action programs in the fact that we had an oil import program that was quite complex. We had the Bureau of Mines and the health and safety program, which is an action program. We had the Office of Coal Research in which we tried to establish and encourage the use of coal and different uses of coal. The coal industry had reached its lowest peak in 1959 in a hundred years. So these action programs were all in the mineral field, and therefore they were lifted and placed under--they were under my jurisdiction without going through the so-called structure of Interior Department. Udall, of course, was the secretary, he was kept informed of what we were doing; but also, especially on the oil program, I informed the White House. The actions taken on it were my recommendations. If it took a secretarial signature, the secretary signed it; if it didn't take a secretarial signature, his name never went on them. So there was a difference and, as Orren Beaty probably would tell you, Interior was in two parts: there was Udall's part, and there was Kelly's part down the hall.

MOSS: How did this work on, say, budget matters? Did you go through Beasley [D. Otto Beasley] or directly to . . .

KELLY: No, budget matters we stayed within the framework of the department. This is housekeeping. Any housekeeping matter we stayed within the framework of the department. It was just

the action programs themselves . . .

MOSS: And policy?

KELLY: . . . and policy that we had a different understanding. So therefore, my association with the other assistant secretaries was limited really to only the assistant secretary for public land management, which was John Carver, because he had the control of the surface of the lands that I was controlling the resource under the surface.

MOSS: Right. He was granting the licenses and this kind of thing.

KELLY: He was granting the licenses on our recommendations. On otherwords, we made the policy recommendation for offshore leasing, let's say, for coal leasing, coal land leasing, and he would grant the leases. So we had contact there. But his department was really the only one that I had very much contact.

MOSS: Okay. Let me back up a moment here for a couple of things. One is I'd like to get from you, since you had some contact with John Kennedy as a congressman, what was your impression of his feel for his job as a congressman? What was he up to in these years?

KELLY: He was up to getting elected to a higher office. I don't think he. . . . Of course, I had left Boston. I'd been away from Boston since I was seventeen years old, which meant I left Boston about 1932, and this was after the war. So I would have the feeling that he responded to the requests of his constituents up there to the best of his ability, but he was not a student of the Congress. And as senator, he was never a student of the United States Senate. He had a personal position that he was moving towards and this was the dominant feature in his work. I don't think he ever shirked any work in the Congress, but then he was not a student of it, nor did he intend to make the Congress his life work. He had a different attitude, let's say, than a man like Wayne Aspinal, who's chairman of the [Senate] Interior Committee, and Senator Kennedy served on the Interior Committee. But Wayne Aspinall, he was dedicated to the Interior Committee and to the Congress because this was his life.

MOSS: Okay. Two things then. How effective was it for you as a man with interests in the interior area to work through then Congressman Kennedy . . .

KELLY: I don't think we were very effective. I think the only thing it was, we had an opportunity to explain our position and to. . . . Because he wouldn't be a student of our position and read and study it, it gave me the opportunity of coming in for a

an hour and say, "This is the problem that we're facing, and hopefully when it comes up for discussion in the Interior Committee or in Congress that you will take note of the problem." And that's about as far as it went.

MOSS: Okay. Now, do you know anything of a relationship between John Kennedy and Wayne Aspinall? How did they regard each other?

KELLY: Wayne Aspinall had a very fond regard for him. He told me several times that he liked him very much as a person but he also was a little irked at him because he didn't do enough homework on the committee. But as far as personal regard, it was very high. And Wayne Aspinall went out of his way in the campaign to help him.

MOSS: Right. I wanted to come to the 1960 campaign. You said you worked in New Mexico on the campaign. Specifically what were you in charge of, what were you doing?

KELLY: I was in charge of nothing. He had an organization there. A fellow named Jack Beatty was the chairman of the Citizen's for Kennedy committee in Albuquerque.

MOSS: In Albuquerque, yes.

KELLY: And he ran the formal organization, the staffing of the different precinct houses and stuff like that. My contact and my responsibility, let's say, that John F. Kennedy--and at that time Ted Kennedy [Edward M. Kennedy], you know, was the western representative--was to talk to the leaders in industry, mainly the oil and the mining industry, and to assure them that John F. Kennedy was not as people were painting him (that is, he was an enemy of the industry), that he was open-minded as to the industry problems and he would give them serious and deep consideration before he took any actions. And I helped feed ideas into his speechwriters to get this thought across when he gave some of his speeches in the West.

For instance, it was said that when he got in office he would immediately abolish the oil depletion allowance, which is a big issue right today. And President Kennedy in his talks said he would study the oil depletion allowance, and if it was necessary he would keep it, if it was not necessary then he would recommend changes. Now, this is a whole lot different than saying you're going to abolish something. And when he went into office, he did study it, and out of that study, of which I was a member of the study group, he decided that the depletion allowance was necessary, and therefore he did not send a

message either directly or indirectly to Congress to change it. He did this to other problems, too, in mining problems, too, the same way.

MOSS: How convincing was it for an independent to talk to the big companies? I thought they were sort of natural enemies within the profession.

KELLY: Well, we're competitive, but remember a big company is a corporate entity and it has no voice as a corporation, so you have to have individuals that can speak with a voice. A president of a major company is generally reluctant to--most of them. Now one or two, you'll get one or two that are very outspoken, but most of them are very reluctant to state a problem politically and talk to a politician on an industry problem, especially in the open. So therefore they would welcome an independent talking because we all belong to the same associations, the American Petroleum Institute, the Independent Petroleum Association of America, the American Mining Congress, and then down to the local level, the New Mexico Oil and Gas Association, the New Mexico Mining Association. I was a director of these local ones, and also a director of the national ones too, for that matter. So therefore, I had contact with the major company executives in the associations. I knew what their views are, and therefore I could speak and say, "Well, this is what the industry problem is and this is what this segment of the industry thinks about it, "or" that segment of the industry thinks about it, and pass this information on to a group that would interpret it in a political sense during the campaign. And this is what happened. The president made two or three speeches in the West that indicated that he'd listen to individuals that were from the industries and tried to assure those industries that he would make a responsible president as far as their industry was concerned.

MOSS: Were you aware at the time you were appointed that Thomas Kennedy of the UMW [United Mine Workers] was pushing Leif Erickson, the Montana man, for this job?

KELLY: I was.

MOSS: Any reaction to this at the time?

KELLY: Not from me because I knew that. . . . I knew that I was offered the job and nobody else was offered it, and when I turned it down there was an interim period in there that more than one name was put forward. And Erickson was being pushed quite strongly.

MOSS: Did this give you any problem with the UMW later?

Kelly: Well, a very interesting side issue came out of it afterwards. John L. Lewis came over to see me and called for an appointment. Of course, I granted it to him. I knew the

old man; I knew him from back in the war years when I was up here. So he came, and he didn't recognize me. I was never intimately associated with him during the war years because I was on the oil side and, of course, he was fighting the battles of coal at that time. So he came in and he sat down. His opening remarks were, "Young man, you know the United Mine Workers generally filled this chair that you're sitting in. Their recommendations generally took care of that chair and the director of the Bureau of Mines." And I said, "I understand that, Mr. Lewis." And he said, "We didn't have anything to do with your appointment." And I said, "I definitely understand that, Mr. Lewis." He said, "Then let me tell you about the coal miner and the coal industry." I said, "Okay."

So he started in, he said, "You are an oil man. You have no knowledge of coal. We want to make sure you understand the coal position today, where we are, how we got there, et cetera." I let him talk for a couple of minutes and I finally said, "Mr. Lewis, I don't want to interrupt you, but did you read my dossier before you came over?" He said, "What do you mean?" I said, "I think if you would have read it, you would have found out that I was a graduate mining engineer, and I probably spent more time underground than you ever have, that I have been associated with the government starting back in 1941, that I do know the government relationship with coal, and I've also been in mining ventures--not in coal, I'll agree to that. In New Mexico, we have a lot of coal but very little coal mining at that time. I'm in hard rock mining. While my recent experience has been as an independent oil operator, I have also been an independent miner. So shall we go from there with the understanding that I do have some professional expertise in mining?"

He took a look at the young man that was with him, whom I don't know, and got up and he said, "Thank you very much. I know that you'll consider our positions fairly." And I said, "I can assure you of that, Mr. Lewis." And he walked out the door.

MOSS: Well, somebody on his staff hadn't done their homework for him.

KELLY: Didn't do their homework for him. And I went to the door and listened to him going down the hall--of course, he never spoke very gently, you know--and I could hear him tell that young fellow that was with him, he said, "I don't think you'll be with us after you get back to the office." So no, they didn't do his homework. No, I did know about the fact that the mine workers tried to put somebody in my position.

MOSS: There was a later business in which John L. Lewis hit the newspapers with a public statement that the Kennedy administration had reneged on promises to the coal miners. I think

this was at a time when there were problems in getting the coal slurry pipeline business through, and this sort of thing. It was a general statement against. . . .

KELLY: The administration.

MOSS: The administration not being as aggressive as Mr. Lewis and the mine worker had. . . .

KELLY: I don't remember. I don't remember such a statement. There could have been, but I don't remember one. But it couldn't have been in connection with the coal slurry pipeline because the coal slurry pipeline proposition, when it came to the administration, was given to me and I actively supported it. As a matter of fact, the coal companies themselves pulled the proposition down from government because they used it as a ploy to get lower rail rates. The unit train was born out of this maneuver, and the Pennsylvania Railroad gave them such a low rate on the unit train shipment of coal to New Jersey and the utilities that the coal slurry pipelines couldn't economically compete with it. So the coal companies themselves pulled the proposition back.

MOSS: Okay, because the way I read that was that the railroads were trying to pull a swift one to undermine . . .

KELLY: The railroads told the pipeline company groups--there's more than one in it--that they wouldn't grant them right-of-way either along the rail lines or across rail crossings. So that's how it came to the administration, that they asked us to support a bill that would grant them the same right of eminent domain that the railroad had to allow them to build the pipeline. And I did and with the understanding from the White House that when it got to the Congress, we would support the bill granting the right of eminent domain. Now, the coal companies, when it was apparent that the administration would go along this way, they turned around then and just made the utilities this lower freight rate that took the economics out of it. So the coal companies and the utilities just backed away from asking the administration to formally put the bill before the Congress.

MOSS: So what happened in effect, then, was that the threat of this coal slurry pipeline gave them a bargaining position with the railroads that . . .

KELLY: No, I think maybe I like to express it the other way. The fact that the utilities and the coal companies were trying to find another way to get coal delievered from the mine to the utility plant at a cheaper rate made the railroad people start thinking, "Well, can we do it cheaper?" And they did come up with the unit train idea, which has really been a successful way to move the coal.

MOSS: So the question of slurry pipelines just sort of vanished in all this?

KELLY: It vanished. Economically it couldn't compete with the new freight rate. But I don't remember Lewis. . . . I think . . .

MOSS: I have a note [that may have a] faint connection with this, that John L. Lewis had claimed that President Kennedy reneged on promises to the coal industry. You don't know what he was . . .

KELLY: Well, I think what he's talking about, that Kennedy, when he was campaigning in West Virginia here in the depressed coal araas, said that he was shocked with the conditions and that when he became president that he would do all in his power to aid the areas that had the worst economic conditions in them. And I believe probably Lewis--or if Lewis was the one who said it, I don't remember that--but whoever from the coal miners union, if they started criticizing the president, they were criticizing the rate he was trying to do it at, not the fact that he had forgot them, because we certainly hadn't forgotten them. The president went in and asked for a substantial budget on this Office of Coal Research in order that we could find new uses for coal and, in effect, get the mines opened again. Total volume of coal, production of coal, started dropping, of course, as you know, when the railroads started dieselizing back after the war and kept a continual downstream curve that bottomed out in 1960, and then it flattened for 1960 and '61, and then started gradually going up and now it's back to a rate that's greater than it was before the dieselization of railroads. They've changed the use of coal, and this was partly brought about by, I think, some actions started during Kennedy's administration.

MOSS: Such as?

KELLY: Such as getting the money to build the liquification plant up in West Virginia. This shows a very great promise in the use of coal. Such as going along with the coal industry to try to find cheaper methods of transportation. We've had two or three transportation studies aside from the coal slurry pipeline which pointed out ways to move coal cheaper. Such as the coal export policy, that I made several trips to Europe to try to sell American coal. And we are now at the peak of exports on coal. We can't find enough coal to export; we can't meet the demand right now. And it took two or three years to turn them around to get the Europeans to buy our coal. We finally went over there and started undercutting the Polish coal deliveries to Italy, pricewise. By what? By getting appropriations where we could dredge the channel at Norfolk to bring bigger ships in to load larger tonnages of coal so the unit cost was cheaper when we delivered it. Now these were things that were taken under the Kennedy administration or at least started under the Kennedy administration. So I think he was very sympathetic with the plight of the coal industry and the plight of the individual miner in the industry.

And if there was any criticism, I think it was probably some people didn't think it was going fast enough.

MOSS: Okay. Let me go back again to the early days of your administration. What role did you have in the bureau level appointments?

KELLY: The bureau level appointments, I was granted the right to choose every one of my bureau chiefs.

MOSS: You chose them personally?

KELLY: I did not. I kept the ones who were there. Now, I did not replace any because I after. . . . I had had professional contact with them throughout my career. In other words, I was a professional man; they're professional people. So they weren't strangers to me. When I came in I had the understanding that I could replace them, recommend replacements for them if I wanted to. And after we sat down and had two or three meetings on how we were going to run the mineral resources side, I decided that they would work as a team and I didn't see any reason to replace them, so I kept the director of the Bureau of Mines, I kept the director of the USGS [United States Geological Survey].

MOSS: What sort of understandings did you have with your bureau directors as to how you would operate?

KELLY: That they would report directly to me and not around me, and that all policy papers and policy positions would be thrashed out at my level. If they disagreed with it, they had the chance of expressing their disagreement; but after the policy decision was made, they carried it out. If they didn't want to carry it out, they could resign. I like to say that we, probably out of every hundred issues, there were probably only two of them that we had any discussion on. We worked as a team. We knew what the balances were in there. Now coal research, they had appointed a man in it before I came in who was a--well, he wasn't a lawyer. I think he was a contact man; let's say that. I don't know exactly what his title was. He was vice president, he had the title of vice president with one of the large companies. In order for the administration to tell the coal industry--this came out of the West Virginia thing again--that they would do something in coal, so they appointed a man from a coal company to head it. He took the assignment with the understanding that he'd only stay a year. He didn't want it; it was forced upon him. So my chore was to find somebody to take it over. And I got this young lawyer who was from West Virginia, who was working for a coal company, who was aggressive, and had some breadth beyond just law itself. I didn't know him before. I just interviewed him and talked to him, and it looked like he'd be pretty good. And I brought him in and made him the head

of the office of Minerals Exploration because this other man was occupying the coal research chair.

MOSS: This is Lamb [George A. Lamb] and Fumich [George Fumich, Jr.].

KELLY: Lamb and Fumich. Lamb was in coal research, and I brought George Fumich in and put him in the Office of Minerals Mobilization--no, that wasn't it; it was the Office of Minerals Exploration.

MOSS: Exploration, right.

KELLY: Minerals exploration. And I kept George in that while we were easing Lamb out. He did a good job in there. He really turned that around. That was a dead office when he came over, and he turned that around and made it a very active office; so that when George Lamb said he was ready to go back to Consolidated Coal, I recommended to Udall and to the administration that Fumich be moved over. And he was moved over, and he's still there and he's still doing a good job.

MOSS: How about static on some of these appointments from people in the Congress like, say, Proxmire [William Proximire], who would shout about O'Brien[Jerome J. O'Brien] or O'Connor [Lawrence J. O'Connor, Jr.] and this kind of thing?

KELLY: Well, you will know that I was confirmed by the Senate by a vote of 99 to 1. The one vote against me was Senator Proxmire. The chairman of the Interior Committee at that time was Senator Anderson [Clinton P. Anderson] of New Mexico, who, of course, held my confirmation hearing. Proxmire sent word to Anderson that he was going to oppose me vigorously on the floor because I came from the oil industry. I asked Senator Anderson to invite Senator Proxmire to my hearing and let him ask any questions that he wished at my hearing and oppose me at my hearing, and if he could find anything that he didn't like then let's bring it out then. He refused and wouldn't show at my hearing. And he didn't oppose me on the floor, he just voted against me. He was recorded voting against me.

Senator Proxmire never bothered me all the time I was in there after this--bothered me directly as an individual. When I brought Jerry O'Brien in as director of the Office of Oil and Gas, he made some noises, and I sent word up to him that, again, if he had anything wrong with Mr. O'Brien's background that I wished that he would ask the proper Senate committee to investigate it. He didn't and Mr. O'Brien was appointed.

When Jerry O'Brien left I tried to get Joe Dickerson, bring him in to fill that job. Now he was a retired Shell Oil Company president,

president of the Shell Pipeline Company and was the executive vice president of the Mid-Continental Oil and Gas Association. He was very competent and capable. He had thirty years' experience in oil and I felt that he would make a good director of the Office of Oil and Gas. Senator Proxmire was more vocal on this one than on O'Brien. He went to the press and objected to Mr. Dickerson. Udall asked me what I thought and I said as far as I was concerned Dickerson was still my man and I would press for him; that he had retired from Shell Oil Company, that he was not a tool of Shell Oil Company; that he would act as a citizen.

Proxmire or somebody well, somebody tipped Proxmire off--they had to--to look into the Shell pension plan. I didn't know anything about the Shell pension plan, but there's a clause in the Shell pension plan that the pension can be dropped if the individual takes any action that would be injurious to the Shell Oil Company. Well, certainly that's quite a protection for the company in there. What they really meant was if the fellow went out, if he was, let's say, a district exploration man, and had knowledge of the geophysical work, and then retired from Shell, but took the geophysical work with him and went to work for x oil company, and then used Shell's geophysical work to compete against them, then they'd cut his pension off. This is what the protection was in there. Proxmire brought this to light and they said that Dickerson therefore couldn't operate as a free citizen.

Shell immediately called up and said that they would rewrite his pension plan and drop it. But by that time the pressure had been built up that even though they'd drop it he wouldn't be a free citizen. So I was asked to withdraw his name, which I did. And at that time Admiral Lattu [Onnie P. Lattu] was retiring from the Navy Oil Board and he came over and asked if he'd be considered, and I appointed Admiral Lattu as director.

MOSS: Okay. Let me ask you how you found things when you took over after eight years of the Eisenhower [Dwight D. Eisenhower] administration. You had been in contact with the area, of course, and you knew it well. Was there anything that surprised you when you actually came on board?

Kelly: Well, we're talking administratively. Politically I. . . . Well, as I have said before, I felt that I was appointed more on my technical ability than my political ability, so therefore I didn't look for the political angles of anything, but I did look at administration. I had known that it was very difficult to move projects through Interior--now we're talking about the mineral resources side--from both oil and mining. When I came up here and before I was sworn in, I visited the different bureaus where I had friends and asked what their problems were, because I didn't want

to step into something that I couldn't handle. In other words, was it so bad that I'd end up with an impossible problem? And I went around to them, and I found that there were a lot of administrative problems, but I felt that I could handle them.

But I found that in oil in those days, as it is today, the political offices of Interior don't want to face up to taking action. In any oil lease that involves public land, if it goes into a unit agreement where companies join together to run the property as one unit--they appoint one company as the operator and they call it a unit agreement--these have to be approved by the Interior Department so that the government is assured that the best conservation practices are written into the agreement, that the government will not be shortchanged on their royalty oil, and that the companies will not hide behind a unit agreement in order not to timely develop the property. So these take a secretarial signature.

I came in and found there hadn't been one signed in a year, and they were stacked up in a room that was about this size over there in Interior Department. And the reason that they weren't signed was that there was no policy officer in Interior at the latter stages of the Eisenhower administration that would sign any of these agreements because there was an implication in them that goes back to the early days of Interior Department and leasing the public lands. They didn't want to be accused of giving away something, I guess is the way you'd say it.

So I found that this backlog was a tremendous one. It had been built up--hadn't been any signed for at least a year. The bureau heads and the administrators were going crazy because actually the government was losing money by not properly developing these properties; they had been approved on the technical level. So I made it my first job in Interior to get them all out, and I signed them all. And we cleared that backlog up in about two months. Now this is only on one part of it. This also was true in other areas of the mineral sector that took a secretarial signature in minerals.

MOSS: Right. Now I'm not exactly clear. Is this the same thing as the early moratorium on land applications?

KELLY: No. This was over in Carver's area.

MOSS: Right, that was over in the BLM [Bureau of Land Management]; but I wondered if it had any relationship to yours.

KELLY: No. No, it had no relation to that. No, this was purely operating agreements within the industry and government, between industry and government in order for the industry

to operate on government lands. This was not only in oil; it was in coal, too, and it was in hard rock minerals. We had the similar situation throughout the mineral sector. And we had this administrative jam in Interior that was a tremendous one. I didn't realize that it was as bad or as enormous as it was until I got into it.

MOSS: And you managed to get it cleared out in pretty good order.

KELLY: We cleared it up in two or three months. All it took was somebody to put a secretarial signature on and stamp the work of the staff. And there's competent professional people in the staff over there--I mean the bureaus, the Geological Survey and the Bureau of Mines.

MOSS: How did the career people take to new leadership in Interior?

KELLY: As far as my side is concerned, it was all right because we had a professional relationship. I think as far as the secretary is concerned, they took it as they do any change in administration, they are professional career servants.

MOSS: Well, let me ask you a little bit about Udall as a secretary then. What sort of man was he as a policymaker, as an administrator, as a conservationist, and so forth?

KELLY: Well, as a person he was a very fine man, and I thoroughly enjoyed working with him. As I said, we had an understanding as to our roles at the beginning so therefore there was no reason to have any conflicts. Secretary Udall of course early in his administration felt that Interior should have as it's central theme conservation of our national resources. He had as his hero Teddy Roosevelt [Theodore Roosevelt] and Pinchot [Gifford Pinchot] , people like that. He was quite a student of history. He does a lot of reading and he read up on their accomplishments in the conservation field. From my standpoint, I also am a conservationist. My record in the state of New Mexico in putting on gas-oil ratio controls and things like that so we wouldn't waste the gas when we're producing to get the oil and things like that. I'm a conservationist in my field.

We had several discussions on what conservation meant and these were friendly discussions now, this is no . . . And, of course, I have a definition of conservation that I feel very strongly about, and my definition is, conservation is the wise and efficient utilization of our resources. It is not the locking up of the resources so that nobody has any use. Udall had a view that parts of the area should be completely locked up. And I said, "This is not conservation; this is preservation. So you don't call yourself a conservationist if you're going to lock some--thing up. You'd better call yourself a preservationist." And again, Secretary Udall was only thinking--not only, but mainly--thinking in terms of conservation in terms of birds

and bees, the national park system, the protection of the ecology, and the environmental protection. He did not think in the terms of conservation on the use of the raw material or the natural resource that I did.

So when it came to an area where we had to use the resource in order to maintain the exonomic level that this country had achieved, we sat down and then discussed how we would go about it. For instance, strip mining and coal. I was just as ashamed of the way some of the industry practices were as he was, but I also had to realize that we had to mine that coal in order to keep an energy rate low enough to sustain our economy. So then Udall said, "Okay. Let's go on the assumption we have to mine the coal. Then what do we do with the land?" Or "How do we mine the coal and then what do we do with the land?" I said, "All right. Now this is where we can both agree on a conservation program. You let me use my definition on the wise and efficient use of the resource and then I'll come back and I'll aid you on the protection of the environment while we do mine it and use the resource."

So out of that came a direction from him that, where was strip mining being done the most efficiently and yet still protecting the surface of the ground? And I said, as far as I knew, it was over in England and also in parts of Germany down in Bavaria, but I said I knew England had a very good strip mining program. So we invited the English Coal Board over to talk about strip mining and, in turn, were invited over there. And I went over and spent quite a bit of time in the coal mines of England looking at how they handled it, and was amazed at the way that they reclaim the land after stip mining. In fact, the land was better than it was before the land was put to better use than it was before they mined the coal. And they did it at a very reasonable cost.

So when I came back and reported this to Udall, we went to the coal compaines and said, "Now look, you're going to have to change your methods. You're going to have to first have a surface conservation plan in before you start the actual mining." And most of the major coal companies agreed. The ones that didn't agree are these bootleggers who are market price cutters and who sell to a government agency--TVA [Tennessess Valley Authority]. That group was the worst offender that we had. And, of course, out of there came the scandals of the Kentucky strip mining. But the industry itself, the responsible companies in the industry, were willing to go ahead and they did. The strip mining in Illinois and that area--why, the land is back into recreation grounds and better farming land than it was before.

We also went beyond coal; we went to the phosphate people in Florida. And they're planting orange groves on the old strip mined

phosphates, and they're better because they could contour the land as they put it back, and they could contour it so that the drainage would be better. They have better crops on the reclaimed land than they do on the adjoining land that wasn't mined because of the drainage, and also you turn up the minerals from below the soil and you then leach the minerals back down and you get a better crop.

So Secretary Udall was a birds-and-bees conservationist and is good in it. He was dedicated to it. However, he was willing to listen to, How do you put it to practical use? in the mineral side. Now I don't know about fish and that side.

MOSS: How about his administrative style? You said that he left you pretty much alone.

KELLY: Yes, he left me pretty much alone because we had an understanding. I reported to him each day. Again it goes back to a little story. I was up here during the war years. I was on the payroll of the state of New Mexico as a state geologist and the head of the Oil Commission. But Secretary Ickes [Harold L. Ickes] created, of course, the Petroleum Administration for War, and then he created under that a subcommittee called the National Council of Petroleum Regulatory Authorities; and I was the New Mexico member. And we sat in with the Petroleum Administration for War to plan the war program in oil. So I was up here two weeks out of every month during the war years, one week with Interior and one week over the War Production Board on materials for mining and oil. So I had knowledge of the admininstrator in those days.

Davies, [Ralph K. Davies], who was the administrator for the Petroleum Administration for War (and, in effect, the equivalent of the undersecretary of the Interior), after I was appointed in this job, I ran into him over here at the Carlton Hotel [Sheraton-Carlton Hotel], and he said, "John, I'll give you one piece of advice if you'd like." He said, "You know, when I first came to Washington to work for Ickes, Ickes was not very friendly to the oil industry. And, as you know, by the time the war was over with, he was the greatest advocate of the oil industry because they did their job during the war, and they did it in the most efficient manner for the government." He said, "I'll tell you how I got along with Ickes if it will help you any with Udall." I said I'd appreciate it. He said, "I saw him every day. I went in every day and sat down and said, 'These are the problems that look like they're coming up. This is what I intend to do.' I made him knowledgeable that there were problems in oil, that they weren't just in the headlines of the paper, they were actual problems in oil operations that involved Interior." And he said, "Gradually he turned around and became an advocate of the industry's policies." He said, "I'd only give you one recommendation: See Udall every day."

I saw Udall every day at eight o'clock in the morning. I'd go on in to him. He was reading his paper and we sat and I said, "Mr. Secretary, these are the things that are coming up in my area, either today or this is what looks like coming up. I want to alert you to

them in case you get some questions. This is the way I hope to handle them. Do you have any suggestions, or just what?" And he'd say, "Well, thank you. Just keep me up to date so I don't get a silly question asked me and I can't answer it." And so we had this relationship. He was kept informed of everything in my area by a morning visit and it was held that way.

Now he also started a weekly staff conference of assistant secretaries, but that didn't last very long. The other thing, too, Secretary Udall right at the beginning. . . . Udall is not an administrator. He's a scholar or he's a scholarly type, he's an historian type. President Kennedy also was not really an administrator, but he knew that he had to have administrators around him to keep him informed. So Kennedy, early in the game, formed an interdepartmental council with a representative from the secretarial level on this council and headed up by George Ball [George W. Ball] over in the State Department. I was named the interior representative on the interdepartmental council. So I carried Interior's problems to the council so that Ball could then inform the president as to the departmental reaction to problems that crossed the departmental line. So Secretary Udall allowed me to be the administrator and the spokesman for Interior's policy in the government council circle. And I also was the representative in the State Department. I was also the assistant secretary for Interior for exterior. I was their representative in the European Council, the NATO [North Atlantic Treaty Organization], the SEATO [Southeast Asia Treaty Organization] and other councils.

MOSS: Do you get involved in things like the salinity dispute on the Colorado?

KELLY: No, that was over in water.

MOSS: Yes, I know it was, but . . .

KELLY: No, we didn't get involved in the dispute. We did the professional work on the USGS side for it. But we did it as a professional job and then turned that over to . . .

MOSS: I think what I was getting at, you weren't, say, the Interior contact with the State Department on this particular problem?

KELLY: No, because that was a problem that fell within the water sector.

MOSS: Yes, it was in Holum's [Kenneth Holum] area.

KELLY: Holum's area. We backed Holum up with the technical assistance.

MOSS: Okay. Let me ask you something about Udall in the early days. He did three things in the early days that got a lot of attention in the press. One was the early Rules Committee fight in which he supposedly, accordingly to Charlie Halleck's [Charles A. Halleck] scream, was trying to pressure western Republican congressmen to vote for the expansion of the Rules Committee. Did you get into that?

KELLY: No, that was a political . . .

MOSS: Okay. And then there was the business of Jack Evans and the fund raising on the Jefferson-Jackson Day dinner. Do you have any insight into that at all?

KELLY: I think it was a blunder, that it was an unfortunate blunder. Udall had nothing to do with it. Evans took it upon himself to write this letter to solicit contributions, thinking that he would get in good graces with Udall, and unfortunately just alsmost blew Udall out-of his seat. It was an unfortunate blunder on Evans's part, and Secretary Udall had no knowledge of that letter going out. He didn't see that letter until it got in the press.

MOSS: And the third thing he got involved in quickly here was his comments on the Bay of Pigs in which he blamed the Eisenhower administration for the whole thing.

KELLY: That again was political, but Udall got carried away by two or three things. He was accused of knocking down statues too, you know, things like that. But this is only the man and his exuberance.

MOSS: Okay. We're approaching the end of this tape. Let me cut it here for a moment.

KELLY: Okay.

BEGIN TAPE I SIDE II

MOSS: Okay. I'd like to move on now to relationships between you and Udall and the Interior Department, in general, and the White House. You've indicated that you had pretty much a direct line to the White House. Who in the White House was your man? Was it the president or one of his staff?

KELLY: Sorensen and Feldman.

MOSS: Sorensen and Feldman. And what did they do for you? What kind of relationship was this?

KELLY: They were the pipeline to the president on oil matters. This was almost completely confined to oil because as you can see, all the stuff you have here on oil imports, it was a very complex program to administer. The mechanics of it were so complex that the average person that was outside the industry didn't understand it. The president, of course, had to explain it politically to different areas and different people that had interest in it. Therefore, he wanted to be kept up to date on it. It also had international implications. Because it was an oil import control program, foreign governments that exported oil were quite concerned with the way the program was being handled and what effect it would have on their economy.

So therefore, right at the beginning of my administration I recommended to the president through Sorensen--at this time, Sorensen was more the contact--that the program be. . . . The president asked, Was the program necessary? and if so, if the answer was going to be in the affirmative, Was it a good program as put together and could it be improved upon? which were questions that should be asked. I answered in the affirmative, that it was necessary. I thought that it was based on the proper premise, which was that a healthy and domestic petroleum industry was necessary for the national security in the United State. So the president said that he had other people in government that did not think it was necessary. It appeared that I was probably not only the minority, probably the only one in the interdepartmental council that was for it, and, therefore, he wanted a presentation of why it should be kept. Sorensen asked me to put together a presentation of the program as it was and my recommendations for what the program should look like under the Kennedy administration.

We had a full-dress meeting at the White House that was chaired by Sorensen and which was attended by State [Department of State] and Commerce [Department of Commerce] and Treasury [Department of Treasury], Bureau of the Budget, other government departments, in which I gave an outline of the history of the program, how it came about, how it was operating at the time the Kennedy administration took over, and how I would recommend what changes be made in it. I was the only proponent for it, there's no two ways about that.

Secretary Udall sat in on the meeting and listened to the discussion; he didn't take part in the meeting. At the end of it, the president sent word back to me that Sorensen gave me an A for effort, I was outvoted by everybody else, and that perhaps the program should be eased. He realized that it couldn't be done away with immediately but probably it should be eased and asked me to relook at the program and to come back with recommendations. Now, this took place in the

spring of '61. Now, there was no reason to come back. . . . If he wasn't going to abolish the program, any changes in the presidential proclamation didn't have to be made until January the first of '62, so therefore I had in effect six months to prepare a new program and present it to him for approval.

It was during this time that various areas of interest became involved, the residual oil group, the coal group, the New England group, the independent producers groups, et cetera. So all this was being fed into the White House, and Sorensen was just getting up to his ears in other things, and the president, I guess, decided that they'd make Mike Feldman the contact man for me. So from early summer '61 until I left government Mike Feldman was my counsel in the White House with Lee White then coming in behind him backing him up, but it was mainly Feldman and I. We put together the oil import program recommendations as promulgated by the President in his proclamation changes.

I put together a program and presented it to the president early in December and called for a cut in imports. The only other person that knew what the program was was Feldman. My staff knew pieces of it. In other words, I had this group work on this, this group work on that, but the funnel came in to me. So really the whole policy declaration was mine, and I ran over it with Feldman, and we talked to the president, and he approved it.

MOSS: Okay. Did budget people or OEP [Office of Economic Planning] get into it?

KELLY: Yes. Budget sat in on it, yes.

MOSS: Who from budget? Sam Hughes [Philip S. Hughes]?

KELLY: Sam was the overall one, but he had somebody under him that didn't stay around very long that was supposed to have some knowledge of oil that he didn't have. I mean, he had a knowledge of . . . He sold oil in a gasoline station some place. But I forget the guy's name. But Sam really was the one that stayed on top of it, and Sam and I always got along good all the time we were there.

If you'll remember right, the president made a trip to South America and he told the Venezuelans--among them the president of Venezuela--when they told him the oil import program was oppressive to them, that any changes that would be made in it that he would consult with them--not inform them before they were made. [Interruption] The president in his trip to South American that he made, you know, he told the president of Venezuela, whose name was Betancourt [Romulo

Betancourt], that he would notify him if there were going to be any changes in the oil import program that would affect Venezuela either way.

On December 20, he approved the oil import program proclamation changes that would go into effect January the first. State Department notified the ambassador down there, who in turn told the president of Venezuela what the program was going to be. The statement that came out in the press here said that the program was going to be more restrictive to comply with the original proclamation. And then Kennedy went from there down to Palm Beach where he spent the holidays, you know. I went to New Mexico.

Evidently, Betancourt got on the telephone to Kennedy, Christmas, very concerned that the president was going to go along with this new program that was more restrictive, would hurt Venezuela and, more than that, he was not given the opportunity to be consulted on it. I got a telephone call from Palm Beach the day after Christmas, asked how I enjoyed the holiday. I said, "Pretty good." And he said, "Well, you be in Caracas by midnight tonight. Come to Palm Beach and get your instructions and get the background; and then go down to Caracas. We'll have a plane to take you on down."

I flew into Palm Beach that afternoon, met with Sorensen and Feldman, went over what Betancourt told the president, and the intense heat that Betancourt evidently expressed over the telephone--he's a very excitable man anyway. And Kennedy said, "Well, you and Feldman go down and see if you can't explain the program to him and assure him of our continued interest."

We flew into Caracas that night, got there about midnight. The Ambassador met us and informed the president that we were there and were at his disposal. We got no answer back until five o'clock that next night that he would meet us, not in the presidential palace but at his house, so we went to his house. Betancourt had a private residence. The White House or the Pink House down there, is only used for official functions. They don't live in it, actually; they have their own residence.

So we went over there at seven o'clock, found that he had his opposition party leaders there along with his cabinet officers that were concerned with oil, the minister of mines, the minister of the treasury. He sat down Betancourt now can speak English. He spent part of the exile, you know, up here in Washington. But he, of course, spoke in Spanish, very heatedly, sat in a rocking chair and rocked back and forth. His hands still had the explosion scars on them, and I thought they were going to break open because these scars were very bad. He was so concerned, grabbing the chair, and he

spoke very concerned, grabbing the chair, and he spoke very heatedly for a half an hour. The ambassador was trying to interpret as he went, but he was going so fast that he couldn't catch it all. I have a very weak knowledge of Spanish, but I knew enough that he was mad and I also would get some of the expressions that he had.

The gist of it was that the president had not lived up to his word, that he told him in Caracas when he was there that he would consult with him on the program, any changes in the program, and here comes a program that's more restrictive and the State Department sends him a telegram twenty-four hours in advance. This was not his understanding of the president's position.

So when he got through he then pulled out an envelope and handed it to me. I, not being a diplomat, opened the damn thing. I should have handed it to the ambassador, and he'd take it back to the State Department and they'd cover it up. But I opened it and read it. It was in Spanish, but I could read enough of it and knew what it was. I finished and I handed it back to him.

The president looked at me and Feldman said, "Well, I guess you better answer. You put the program together." So I then answered him, the points that he raised. One, first, the president had not broken faith with him. He did inform him, and my understanding was he was only to inform him, he was not to consult, and there's a lot of difference in there. Betancourt growled at that. He said, "But twenty-four hours." I said, "Yes, Mr. President, twenty-four hours, I'll agree, but you were the only one that was informed before the program became public in the United States." He said, "What about the Canadians?" I said, "They weren't informed. The oil industry wasn't informed. The coal industry wasn't informed. The president signed the proclamation and made it public twenty-four hours after he told our ambassador to tell you that it was and gave you a copy of it."

So he growled at that for a while and finally said, "All right, now let's go on to the program. Explain it. Why are you doing this to Venezuela?" And I said, "It looks to me like I'm helping Venezuela out. It is not more restrictive in the total. It is more restrictive on crude oil because we have an excess of crude oil in the United States and our states are prorated down to 35 percent of their potential. But Venezuela has a peculiar position; you have heavy oils down here that make residual fuel oil. It doesn't make very much gasoline. We're, in effect, gradually getting away from controls in resid which will allow Venezuela really to import a greater volume of petroleum products into the United States even though you import a lesser volume of crude oil. So in the total, your treasury is going to be enriched because you're going to make more money out of

the products, the resid." And he turned to this treasury man and he said, "Well, what about this?" And he said, "Well, I guess that this is probably right. We are going to get an increase in resid, but we are getting a decrease in crude."

I went through the whole program then anyway and finally at the end showed him that it was not oppressive to Venezuela, that it probably in the long run would help Venezuela and still maintain the policy declaration that we had to live under, which was maintaining a healthy domestic industry in the United States for our national security. Well, he stopped and just sat and didn't say anything for about fifteen minutes and then finally he turned around and said, "I believe you. Come on in and have a drink."

When he said that, I said to him, "You handed me a piece of paper, Mr. President." He said, "That's right." I said, "Now I've got one to hand you." And he reared back, and I pulled out Kennedy's invitation for him to come to Washington. And he said, "You mean he's still going to invite me up there after this?" And I said, "Well, certainly. You said that you'd come to Washington, and the president would like to know when can you come up." And he said, "Well, I'll think about it." I said, "Well, I have to bring the answer back. I'm only a working boy." And he grinned. He said, "All right, I'll tell you." At the end of it--we went and had dinner and everything. And the next morning he said, "Come on by and see me." So I went by. And he said, "I'll go up in February." This was in December, and he said, "I'll come up." And he did, he came up the end of February.

When he met with the president up here--the State Department always prepares a briefing book, as you know. And the briefing book was on trade, it was on everything under the sun, and a very small paragraph or a very small section on oil. So Kennedy sent over to me and asked me what I thought that Betancourt would talk about. And I said, "Only one thing: oil." So I got word that I'd better prepare a briefing paper, which I did, and also was invited to the cabinet meeting with Betancourt.

John Kennedy got up and in his usual way, you know, greeted Betancourt and kissed him and loved him and didn't say anything really in particular, and then he said to Betancourt, "Well, Mr. President, what would you like to talk about?" Betancourt got up and he said, "One thing: oil." And Kennedy looked down the table at me, and he grinned and he said, "Well, okay. I've got my oil man, John Kelly, down at the end of the table here. He'll answer your questions." And Betancourt, being a very smart politician, said, "I have my oil man here. He will ask the questions." So we went on from there. But then the meeting ended up that we talked the whole session, two hours;

one hour and fifty minutes was on oil and ten minutes was on everything else, monetary and stuff like that.

When it was over with, after we finished the oil part, I went around from the American side of the table to the Venezuelan side of the table and sat down next to the minister of mines and hydrocarbons and said, "Now, let's put down right now what they've agreed so there'd be no misunderstanding and get them to initial it tonight while it's fresh in both their minds." So we were drafting those short couple of paragraphs of the memorandum of agreement and, like I said, the other discussions took less than ten minutes.

So the meeting was over with, and, hell, everybody stood up and I was caught on the Venezuelan side of the table. So Betancourt came down the table on the way out and stopped in front of me and put his hand out and said, "Hello, John. Glad to see you again." And I said, "Very happy to be with you, Mr. President." And Kennedy, the minute he stopped, Kennedy ran around the table and he heard him say, "Well, I'm glad to see you again." And Kennedy said, "Oh, you know John?" He said, "Sure I know John. You sent him down, don't you remember, in December?" He asid, "Oh, that's right. But there's three things, though, you don't know." And Betancourt said, "What's that?" He said, "We were both born in Boston; that's one. We're both Irish descent; that's two. And the third thing was that John is not a diplomat; he's just a technician." And old Betancourt said, "He's an honest technician." And Kennedy said, "Well, that's right." He said, "Therefore I invite him back to Caracas and not you." And Kennedy just roared, and Betancourt went out.

So, therefore, I had this association and had these problems given to me. This was only one of them. We had the European problem, we had the NATO problem; we would have to supply NATO with oil in case of another emergency. We had the Mideast problems. So I was the White House representative on oil. When the oil discussion came at NATO, we had our ambassador there but I was the professional man that talked about oil and what we could do. The same with the OECD [Organization for Economic Development and Cooperation] in Europe. So I had these. In other words, technically, the State Department man should speak at these--we always had an ambassador present--but the spokesman for the administration on oil was myself.

MOSS: Okay. How did State react to your diplomacy?

KELLY: They accepted it. I had a very good relationship with Rusk [Dean Rusk] and Ball. And the assistant seeretary at my level was Johnson [U. Alexis Johnson] over there who, in effect, said, "It's your baby, I'm not going to get in the way." It was understood from the White House that this was the way it was going to be handled, and was accepted. I was a professional man; they were the diplomatic people. So they did the window dressing, and I did the explaining. This also was true with the Canadian relationships on oil and minerals, lead and zinc.

were the diplomatic people. So they did the window dressing, and I did the explaining. This also was true with the Canadian relationships on oil and minerals, lead and zinc.

MOSS: Okay. From a slightly different point of view, how effective do you think the JFK staff system was as a staff system?

KELLY: JFK's organization within government, as apart from just answering the narrow thing on staff, was very good because JFK realized that he was not an administrator, therefore he should set up some way of administrating and some way of communicating overall governmental problems that would have to come up to him for a final policy decision so that he wouldn't be. . . . He got burnt right at the beginning on a couple of things, as you know. So he created this interdepartmental conference, and it really took every problem that came before the different departments, analyzed them, and made a recommendation to the president. If the problem was in oil, I had to make the presentation to the interdepartmental committee and protect it. If they voted against me on what I'd like to do, then George Ball would write a report to the president, give the argument, give the vote--not by individuals, but say the majority or whatever it was--and then make his recommendation. If his recommendation went along with the majority recommendation of the people, then he would call me, if it was mine, and say, "I am recommending against you. Do you want to put a minority paper in?" And he gave me the opportunity to put a very short minority paper in with his, and the president had both views then. He could do what he wanted.

He therefore was continually on top of the delicate problems through this. These are governmental problems, the administration of government. So he had a very good system. His staff didn't do it; the interdepartmental system did it. We had a conduit to him mainly through the Bureau of the Budget, especially if it affected finances and things like that, or through the council, the president's council. Now his staff itself did not run day-to-day operations such as the Eisenhower staff did or which the Nixon [Richard M. Nixon] staff, they tell me, is attempting to do in the department. The departments run themselves and were coordinated by this group, so that they did not go off on tangents, and the president then gave the overall direction back through this conduit.

MOSS: Now, in the popular literature, at least, the president is notorious for not using his cabinet as a coordinating device. Do you think that this interdepartmental council . . .

KELLY: This is true. Replaced it.

MOSS: . . . took its place?

KELLY: That's right. No, he did . . .

MOSS: And what advantages do you think it had over the cabinet?

KELLY: Because they were the working people. They had to live with the day-to-day problems of the departments. Most of your cabinet members are mainly--well, they're all political appointments--but they're mainly appointed because they represent a certain region or a certain area of interest, and they are supposed to take the president's message back to their troop. In other words, they're the front office for any administration, and this inter-departmental group was the back office: we did the work. The president didn't need to go into intimate detail at a cabinet meeting on departmental problems because he had already gone through this mechanism. Now the cabinet officer--as far as Interior's concerned, Udall--if these were areas outside of my area of competence, I got my directions from Udall as to what he wanted and presented his argument. Now if I was voted down and Udall still wanted to put a minority report in, he could to the president directly. But it was never at a formal cabinet meeting. No, Kennedy did not go through with formal cabinet type of review. He used this other mechanism, which was a whole lot more effective.

MOSS: All right. Now did his staff people, such as Sorensen and Feldman and so on, get involved in the interdepartmental meetings at all?

KELLY: The budget people did.

MOSS: The budget people did. Okay. Okay, so you had two things going here, really--or three levels of operation. You had the interdepartmental council, you had the staff, and you had the political cabinet heads operating all at different levels and doing different kinds of things.

KELLY: That's right.

MOSS: Okay. Let me see. Let me move on, I think, to relations with Congress at this point, relations between your area and the [Senate] Interior and Insular Affairs Committees. I guess the best way is to talk in terms of personalities. Let's take the senators first, Jackson [Henry M. Jackson] and Anderson particularly. I guess, in your area, Gruening [Ernest Gruening], Bible [Alan Bible], and Jordan [Len B. Jordan] are some of the people in the Senate.

KELLY: Well, on the Senate side, when I was appointed Senator Anderson was the chairman. He's from my state. We had close relationships for twenty-five years in New Mexico. I therefore

had a very cordial relationship with the Senate committee. Senator Jackson, again was a friend of mine, especially after he married Helen [Helen E. Harding] whom I knew in New Mexico. She's from New Mexico, you know, and she was very close to us there. We both came from the same town in New Mexico. I mean, when I went out in business for myself, her dad went in business in the same town, and we were very close when she was growing up. With the subcommittee chairmen, which is Bible, Moss [Frank E. Moss], and people like that, I had very good relations with them.

In the five years I was in there, I had no hearing with the Senate side that was an adverse type hearing. The main interest at the beginning was lead and zinc import quotas and I didn't agree with my senior--he was junior senator at that time--my junior senator, Anderson, on that. I was for abolishing the quotas and he was for making them more restrictive. That's on the record. And he chided me several times on it. And other than that, this was really the only area that either the Senate didn't go along with the recommendations that flowed out of my sector of Interior, or that we didn't go along with the recommendations that flowed out of the Senate.

MOSS: How about staff people?

KELLY: Staff people is, again, they were New Mexico people.

MOSS: Verkler [Jerry T. Verkler], Stong [Benton J. Stong]?

KELLY: Verkler, Jerry ran a very good staff up there. Stu French [Stewart French] was the counsel. I knew Stu for years before that.

The House side, of course, you have Congressman Aspinall as the chairman. He was from Colorado. He took an intense interest in my area because he came from that sector in Colorado that is concerned with mining. He was also very strongly interested in the research activities of the Bureau of Mines, that he criticized; he said that they were not properly coordinated and properly staffed and was very critical of the Bureau of Mines. I had to agree with him, and then we tried to do our best to change the research thrust of the Bureau of Mines and to get better coordination in it, and I think we did. The relationship between Aspinall and me were friendly. They weren't as close as between Anderson and me, naturally, because we were from the same state, but they were very friendly. They were not on a formal basis. He always felt that if he had a problem, he could call me up and ask me to come up, and we'd sit down and discuss it. If I had a problem, I could do the same with him. We happened to live in the same apartment building, so we saw each other quite frequently and therefore we were able to discuss things on an informal basis without

the formal. . . .

I think that he encouraged me to have the professional staff of Interior, the natural resource side, be more outright and more communicative with their programs and their policy, what they would like to see in policy guidance from the Hill [Capitol Hill], and arranged full-dress hearings before his committee in which I would bring the director of the U.S. Geological Survey and all his bureau heads up with him. And they'd sit down and spend two days going through the programs, trying to explain what they were trying to do, trying to explain the professional competence that they had, and to get his support. And I think that we got his support. He did not support the Interior Department under the previous administration, the mining section. He was very critical of it. And I think by 1963 we had him as one of the best friends up in the Congress.

Edmondson [Ed. Edmondson] was a very stong supporter of our programs. We even had diverse people on the Interior Committee such as Hugh Carey [Hugh L. Carey] from New York who felt that the oil import program was not in the best interest of his people. After explaining it and everything to him, we at least got a sympathetic response from him in which he said he knew more about it. He still would think there should be some changes, but that's all right.

MOSS: Where did Saylor [John P. Saylor] stand on this?

KELLY: John Saylor was very close to us, too, and John Saylor and Aspinall had a very good working relationship between them; one being the representative of the minority party, and the other, majority party. Saylor was the devil's advocate two or three times, which was fine as far as I was concerned. Somebody had to bring the questions out. And you can't get up and say, "Well, you know, something's wrong down here and. . . ." You can't say it, but if somebody says, "Why is this going on? you can try to explain it. And Saylor was very good at asking so-called embarrassing questions. It was a good committee and we had good working relationships. We--by that I mean, myself and my major bureau heads felt that they had friends up there in the Interior Committee, that they could go up and talk about their programs and their problems and get sympathetic understanding.

MOSS: Okay. Do you have any feeling for the Udall Anderson, Udall-Jackson, Udall-Aspinall relationships?

KELLY: Well, no, I don't have much feeling for it. He handled those completely himself. The secretary never appeared before the committees on our side--I mean, on our problems. We handled it

all. The mineral problems within my section were handled completely on my side.

MOSS: Okay. Now, what about the White House working with Congress? Who at the White House was . . .

KELLY: Larry O'Brien [Lawrence F. O'Brien], I would think.

MOSS: O'Brien. And how effective do you feel that operation was?

KELLY: I think it was quite effective, quite effective. On programs that. . . . Now, of course, you have to realize all my statements are confined to the area of my competence and the area of my responsibility and not other areas.

MOSS: Yes. Do you think there's anything more that these people could have done for you that they did not do?

KELLY: Well, I think everybody will say yes.

MOSS: Yes, I'm sure they will. I mean anything in particular, though.

KELLY: No, I don't think so. All I asked the White House or the staff of the White House or the Congress was the right to present my problem and my program. And if I couldn't convince them of it, that was my fault not theirs. Now if they brought out in the arguments some things that I hadn't thought about, I was perfectly willing to say, "Well, thank you very much. Let me have a few more days and I'll come back and try to answer those for you." And I was always given that opportunity. All I asked, "Don't cut me off, don't cut me off where you won't listen to me. Listen to me, and if I can't convince you, then that's my fault not yours." And I had that cooperation right on through, never had any problem.

MOSS: One or two other things in which you might have evaluative comments. And that is, I've noticed a feel of easterner versus westerner as far as the Interior Department is concerned. Did this surface? How did it surface itself?

KELLY: Well, I was in a peculiar position. I was a Bostonian that went West. So when an easterner brought up problems, say Representative Carey of New York, representing a Brooklyn constituency, said, "These are the problems of the East." He never would say to me, "But you don't understand them." Now I know that he did that to some people that were purely westerners--not necessarily he, himself, but I mean this type of a comment was made. He would say to me, "Well, of course, you've been away from here for a little while." But I'd say, "Yes, but we grew up in the same neighborhood together, and I understand the problems from my boyhood, and I know

the thinking. So therefore I'm trying to tune my programs in to accommodate you as best I can, providing the total national interest is served first. Then the regional interest afterwards."

MOSS: How about the other way? The . . .

KELLY: Westerners?

MOSS: . . . White House easterners not understanding western problmes?

KELLY: Well, again, I had no problems because I was an easterner first, at birth I mean, and then went West, so I had no problem in communications between them.

MOSS: Yes, I didn't expect that you had. I wondered if you'd had observed it in some of the other situations.

KELLY: Oh, yes. Yes, there were. Sure, there were definite situations that people would be bluntly told they didn't understand because they were from a different part of the country.

MOSS: Did you see any change in Udall over the time you were there from a western to an eastern orientation?

KELLY: Yes, definitely. He tried to turn the birds-and-bees section of the department around from being the department of the West to being the department of the environment--and he did. There's no two ways about it; he broadened the departmental's area of interest from just the problems of the West. National parks in the West? No; he wanted beaches in the East closer to the urban centers. Oh yes, he turned the department around, made it more eastern oriented--more urban oriented, let me put it that way rather than eastern oriented--because he also took care of the urban areas of the West Coast.

MOSS: Right. All right, let me ask you a couple of questions about lobby operations. Do the lobbies such as the Petroleum Institutes and so on, get through to the Interior Department? If they do, what terms is it most appropriate to put this kind of thing in? A lot of popular literature, you know, explodes it and dramatizes it and so on, but how do you view the whole thing?

KELLY: Well, first place, the word "lobby" and "lobbyist" is very loosely used. In mining and oil the industries have a national associations representative. The industry charge to their association is that they shall keep that national government, both executive and congressional branch, informed as to the problems of the industry, and therefore hope to guide them in whatever

legislature or policy decisions that are made. I don't feel that I ever was lobbied, had a lobbyist come in and lobby me as an individual or for an individual company position.

Now they came in--the American Petroleum Institute [APT] and the Independent Petroleum Association [IPA] of America came in--with their technical people and also their area people on the oil import program. IPA come in and said, "We think it's too loose. We want it tightened up. This is the type of program we want." And we went through--they'd ask for hearings; we'd give them hearings. They'd present their data at the hearings; we'd absorb it and then we'd come up with our recommendations. The API did the same thing; the American Mining Congress did the same thing on the mining problem.

I came from the industry, so therefore I know I would have a different feeling toward the people that I talked to than if I was a complete stranger to the industry. I knew these people. I knew their background. They knew me, and they knew my background; so they weren't going to come in and try to bull me. On the other hand, I wasn't going to try to bull them. They felt that I was the representative of the natural resource industries in the administration. I also represented the citizen of the United States, and they realized that. I got my pay from the citizen of the United States. So the national interest was first in my mind, but the national interest can also be supported at the same time that you can support a commodity interest, and not destroy either the commodity interest. Saying, "This is in the best national interest," then you destroy the commodity interest, or the other way around--you help destroy the national interest by promoting a commodity interest that is not in the best total value to the country. So therefore I always felt that I was a professional man, I was an expert in my field. I knew it and they did too, so we got along all right.

MOSS: How about their operations on Congress? Do you know . . .

KELLY: Oh, I'm quite sure they did lobbying in the accepted sense of lobbying up in Congress, which is what they're paid to do.

MOSS: Yes, right. Let me cover a couple of things on issues here before this tape runs out. On the coal slurry pipeline issue, we talked about it for a moment or two. I have a note here--I think it's probably from the Congressional Quarterly review of the thing--and it stated that Udall had testified personally on this in the Congress. You said a few minutes ago that he didn't normally do this.

KELLY: He didn't. I don't remember him doing it.

MOSS: Okay. Well, this can be checked out at any rate.

KELLY: If he did, he sent a . . .

MOSS: A letter or something?

KELLY: Maybe we did have a hearing where he and I went up; and he sat there and said he supported the principle of the slurry pipeline. And that was at the end of that Congress, and then the eminent domain bill was never introduced at the next Congress, and then they had folded. No, maybe Udall did go up to that.

MOSS: Yes. There was one presidential reference to it in a speech on his western conservation tour when he was out in South Dakota at the--what is it?--the Oahe Dam in which he says we can't allow the railroads to block things like coal slurry . . .

KELLY: Udall?

MOSS: No, this was the president speaking.

KELLY: President, oh yes.

MOSS: Do you know how that got into the . . .

KELLY: Oh, well, probably put in [inaudible].

MOSS: Yes. Okay.

KELLY: As I said, we were trying to live up to his promise to get more efficient and greater uses of coal, and this was one way we felt we could get it.

MOSS: Okay. Now on another issue, how involved did you become in the stockpiling?

KELLY: I was the Interior representative on the stockpiling. 90 percent, of the stockpiled is minerals.

MOSS: Yes, right. Now how did the problem come to the attention of you and to the attention of the president when you came into office?

KELLY: Well, when we came into office, there was a committee in the executive branch that was chaired by the General Services Administration, I think, as the sales agent on stockpiling policy. About the time that Kennedy took over, it became apparent that these tremendous stockpiles were not going to be needed for national security because of technology changes. There were certain minerals in the stockpile that you'd never use again--or not in the volume that they had, anyway--because technology had moved on, and you used another mineral now to do the same job. The space age

called for the creation of different minerals than the mobile tank. So therefore it was apparent that the stockpile as the volume of material was in there was not--should be looked at and see what we could do with it. We had a tremendous investment in it. There was a hell of an overhead we were carrying. So it was recommended, I think by Budget Bureau, for one--they were concerned with the money we had in it, naturally--by our internal Office of Defense Mobilization, Minerals Mobilization, who was Interior's man on this committee, that he didn't feel that we were handling the stockpiling program. We were still putting things into the stockpile that we didn't need anymore. So the president then ordered a complete study of the stockpile policy. That took about two years.

MOSS: Your man on that was Flory [William E. S. Flory], wasn't it?

KELLY: Flory, Bill Flory. So we had a complete review on the stockpile policy. I think it took two or three years.

MOSS: How about working with Symington's [Stuart Symington] staff on this investigation?

KELLY: Symington was the principal contact on the Hill with the stockpile.

MOSS: Now, how about the political issue involved here, the slaps at the Eisenhower administration, particularly George Humphrey and the Hanna Company?

KELLY: By the agreements that were made then?

MOSS: Right.

KELLY: These were mainly. . . . These slaps came from the Hill not from the executive branch. On my part of it, I only talked to the technical aspect of it, period. My role in the stockpile study was purely from the technical side. We brought the expertise of our people in on the program. We worked very closely with the Defense Department to find out what their needs were, and then we evaluated their needs against what we had, not only in the stockpile but our producing capacity for that particular material in the United States: what it was today, what it would be ten years from now, and twenty years from now. And on that basis we recommended to the administration that quite a few of the items in the stockpile be reduced or eliminated.

MOSS: Now did you have any opposition to this recommendation?

KELLY: No, I think everybody felt the stockpile should be reduced. There was opposition from certain areas on how you would reduce. For instance, the aluminum industry didn't want the aluminum to be thrown onto the market. The lead and zinc industry didn't want the lead and zinc to be thrown on the market in great volumes, and then six months later they came and begged us to put a hundred thousand tons of lead and zinc on the market. So the opposition into this study group came mainly from industries that felt they would be damage by improper and untimely releases of the material onto their commercial market.

MOSS: They were, in effect, losing a subsidy also, weren't they?

KELLY: By the time we took over there was very little of that left. No, I don't think they were losing it.

MOSS: It was a question of releasing new material?

KELLY: Releasing it and getting away from the storage costs.

MOSS: Tight. Was there any use of this relase of materials as an economic weapon? I think of the steel price controversy and a threat, at any rate, of releasing materials to combat the proposed price rise.

KELLY: Well, I understood from the paper there were some threats. I never saw any of them in the discussions of the committee. They were released at times to help the domestic industry over a crisis. We released lead and zinc when they asked us to. We worked out arrangements to release aluminum, even though we were over capacity on aluminum in the United States, on a reasonable basis. Nickel, of course, was in short supply, and we released it. I recommended that they bottle up silver, and it took about two years before they did that. They raided the treasury on silver and had most of that gone before they finally quit selling silver.

MOSS: I ran across in the White House papers somewhere a letter from a Mr. Robert M. Hardy of the Sunshine Mining Company, I think, 25 August 61 in which he was talking about the silver purchase policy. How did he fit into it?

KELLY: He was the silver spokesman of the American Mining Congress because he was from a silver mining state. He wanted the government to maintain a floor on purchase prices of silver and yet turn around and let silver be freely traded on the open market, saying that the open market would bring a better price for it than the government purchase price of ninety cents--I think it was about ninety cents. He wanted his cake and his frosting at the same time. He wanted the government to put the floor where it never

would go below the ninety cents; then he wanted them to remove the restriction on sales. I recommended to the administration that if we remove the limitation on sales, we remove the floor, too, and let it find its true market value. But I also pointed out to them that there was a shortage of silver in the United States, and no doubt it was going to go up, and what they out to do is freeze the silver that they had and then let any newly mined silver be on an open market. And this eventually is what they did, but after they raided the treasury to several hundred million ounces of silver.

MOSS: And most of this was worked out in the interdepartmental council, was it? Or was this on a one-to-one basis?

KELLY: No. This was an Interior Department recommendation to the president himself on silver.

MOSS: Say. How about direct contact with Treasury?

KELLY: Which we sent the same recommendation to Treasury. And we talked to Treasury on a staff level on our recommendation. Treasurey did not realize in the early part of the study the fact that there was this tremendous industrial demand for silver, and they thought they were well protected with the stockpile in the treasury. And they actually had the president drag his heels for over a year because they had a negative recommendation in on the stockpile as against mine. So it took over a year before it was apparent that the stockpile was being raided.

MOSS: How about the Commerce people? What was their position on this?

KELLY: They were representing the silver users group. They wanted just keep status quo because silver was cheap to the silver users group.

MOSS: Okay, another issue. On the helium contracts busines, there were some GAO [General Accounting Office] findings, I believe, that some contracts had been let that paid too much for the helium or something of this sort.

KELLY: Well, purchase program in helium was promulgated by Congress underneath the Eisenhower administration, at the end of the Eisenhower administration, so the Kennedy administration inherited the congressional direction. We studied it and asked the helium group to study it and make recommendations. And they came up with the recommendation that helium contracts would be negotiated on an individual company basis as to the volume and the quality, quantity, et cetera, of helium, and also taking into consideration

what the government could afford to pay for it and what the cost would be to carry it in the ground.

We went out to industry and asked industry to come in and make us some propositions. I think we had five made to us--maybe we had more made to us--we finally signed five contracts, at least. Each one was an individual contract and each one came in . . . There were some contractsfor the same gas, in other words some propositions to utilize the helium out of the same gas stream, so we had competing propositions before us. This was an open bid type of a deal. GAO criticized us that we didn't use cost control studies that the Defense Department used in letting their type of contract. And we tried to explain to them that this was a natural resource, this was not building a building or building an airplane, therefore we couldn't use the same criteria. But I don't think they ever convinced them. I know I never convinced them of that. But we signed these five contracts and we're storing the helium.

Now, at that time helium was very scarce. The only plants that were processing it were government plants. Well, after that there were some discoveries in Arizona and other places of additional helium supplies. These people would not sell to the government. They built their own plants, and they created a second market in helium. The second market in helium is now, I think, greater than the government market in helium; so you have a different problem today.

MOSS: And the government is already committed to twenty-two-year contracts?

KELLY: Yes.

MOSS: Okay.

KELLY: Well, I don't know about the twenty-two; they're committed to long-term contracts.

MOSS: Yes, I believe some of them at least were twenty-two years. There was a question of twenty or twenty-five. . . .

KELLY: That's right, they're committed to long-term contracts, but then this is because of financing. Most of all your plants are financed on a twenty-year base if you go out to the money market for your bonds and things like that; so you had to give them a contract that would cover their bonding requirements.

MOSS: Was there much competition in the. . . . You said it was a competitive basis. Were they really striving for these contracts?

contracts?

KELLY: Oh, yes. In no case, to my knowledge--and I'd have to go back through the files--did we accept the original bid by the company. If there was competition for the same gas, we played them one against the other. And then on the other hand, we did make some cost studies of our own. Now the GAO was wrong saying we didn't make cost studies. We just didn't use the criteria of the Defense Department. But we made our own cost studies and we, in effect, told the companies, "Now this is all we'll pay you." And in every case they were lower than the original bid. We certainly didn't raise any bid, I'll tell you that.

MOSS: Okay. Now since you're a technical man, this may be outside of your province and you might not want to talk about it at all, but I think I should ask it. And that is, as an oil man, do you have any insights into the way people like Getty [Jean Paul Getty] and Hunt [Haroldson L. Hunt] and that crowd operate as conservatives--not as conservationists but as political conservatives?

KELLY: Well, my only insight is, I don't agree with them.

MOSS: I mean, is this in the nature of the oil business?

KELLY: Oh, I think it's in the nature of a person--and I don't care whether he's in oil or cattle or what he's in--it's in the nature of people that start out with very little bit of money and all of a sudden get a lot of money and then they want to protect their money. Amd you can see the Western cattle people the same way. In other words, I knew people there when I first went out West, which was in the Depression, their britches were hanging out. They hung on tenaciously, and then when the market turned they benefitted by the turn of the market tremendously and became wealthy men. They were Democrats during the depression, and now they're the biggest supporters of the Republican party. So they went from--they weren't liberals; you couldn't say they were liberals during the Depression. They were just trying to eke out a living, and they felt that the Democratic party gave them some light. But the minute that they made money, then they said that the liberal policies of the Democratic party would then take away all this money from them, so they became conservatives. I don't think it's the oil itself. Look at the mining industry; they're all Republicans. And the cattle industry's all Republicans. So actually people of the conservative bent are mainly from the agricultural and mineral areas of the country, not from the urban areas, although we do have as of now conservative banker, especially when we try to borrow some money.

MOSS: What's your view of the usual breakdown between big oil and independent producers? Is this a real problem?

KELLY: Yes, I think there is. No, it's not a problem. There is a definite breakdown, though. I'd say that big oil probably controls 85 per cent of the oil business in the country and the independent group 15 percent. It's been historic, though--for many years: it's not yesterday.

MOSS: Well, the question,I think, is, Is it an aggravated problem in which the independents really feel put upon because they. . . .

KELLY: No, not today like it was years ago. Now before we had state controls on oil, where you were at the mercy of the major company to sell your product--and I mean you were at the mercy: If you were friendly, he took care of you; if you weren't, you went broke. But when state proration came in and said that any oil produced from the field had to be produced ratably from that field, then you were given a market. In effect, it said that you could sell your barrel of oil just like Standard of New Jersey [Standard Oil Company of New Jersey] could see theirs. And it became a bankable asset then to the independent, so he could go to the bank and get some money. So therefore this old independent-major friction has been lessened to ninety percent less than what it was back in the thirties. It's economics, is what the whole of it depended on. The majors, if they wanted to break an independent in the old days, could break him by not purchasing his oil. Or if they wanted to favor him, they could purchase his oil. And after you got the state proration areas involved in this, and as oil moved westward and you had more federal lands rather than private lands--federal and state lands involved where the state and the federal government, said, "We want a fair share of this too or an equal break in it." The industry stabilized itself. The industry is a stable industry today productionwise--I'm talking about production, which is the main thrust--compared to what it was thirty years ago.

MOSS: How about the international implications of big oil? You have international commitments and connections among the different oil companies which could give the president headaches politically, I should think.

KELLY: Not as much today as they did years ago, because the international implications years ago, when we had a surplus of oil in the United States, then the fight was between the domestic producer--and some of them were pretty good-size companies, not independents--against the internationals, the internationals trying to bring oil into this market. Well, since our capacity to produce is not as great as it used to be and our energy demand is quite a bit more than it used to be, this has been

watered down quite a bit. And also Europe's capacity to absorb and Japan's has all equalized this international oil situation. I don't think we have the international problems in oil that we had even as much as ten years ago.

MOSS: Okay. I'm just about out of tape here.