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STATES.

April, 1951.

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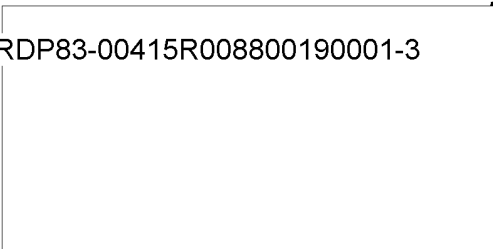
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THE OIL INDUSTRY OF THE SATELLITE STATES.

April, 1951.

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THE OIL INDUSTRY OF THE SATELLITE STATES

OF CENTRAL EUROPE

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THE OIL INDUSTRY OF THE SATELLITE STATESOF THE CENTRAL EUROPE.I. INTRODUCTION.

The present study is concerning the actual conditions prevailing in the petroleum industries of the so-called "people's democracies", or Soviet satellite states of the Central Europe. Austria was included into this analysis in view of the fact, that her oil industry is operating now under the Soviet control. The figures regarding the total crude production of: Albania, Rumania, Hungary, Austria, Czechoslovakia and Poland between 1939 and 1950 can be found in the following table: -

CRUDE OIL PRODUCTION OF THE CENTRAL EUROPE.

<u>Year.</u>	-	<u>Metric Tons.</u>
1939	-	7,563,000
1940	-	7,607,300
1941	-	7,546,900
1942	-	8,304,200
1943	-	8,243,800
1944	-	6,571,400
1945	-	6,328,800
1946	-	6,200,800
1947	-	5,863,300
1948	-	5,846,200
1949	-	6,262,500
1950	-	7,071,300

With the end of the war, the Soviets began to create in the countries of Central Europe a number of mixed companies for the exploitation of the so-called formerly German-owned properties. Thus, for instance, The Sovrom (Soviet-Rumanian) Oil Company has been incorporated in Rumania on 11th August 1945 for the purpose of controlling all former German oil concerns, but this company also obtained the monopoly on new oil exploitation. Indeed, The Sovrom Company is now carrying out new investigations for petroleum in various parts of Rumania, and is organizing the exploitation of new oilbearing areas, which had been discovered since 1945. Similar mixed corporations had been created in other countries of Central Europe, such as Hungary, Austria, etc..

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But the subsequent development of the Soviet control over the oil industries of the satellite countries varied from one to another. If, in Rumania and Albania this control and the influence of the Soviet petroleum technicians became almost complete, as far as their oil industries were concerned, the same cannot be said about either Hungary, Czechoslovakia or Poland, where more initiative was left to the national oil management. Although, it is true, that the importance of Polish and Czechoslovak crude production cannot be compared with that of Rumania, and is, therefore, of a minor interest for the Soviets.

However, the unsatisfactory operation of the Hungarian oil industry during the last two years (1949-1950) would, probably, lead to the strengthening of the Soviet control over its exploitation, and, consequently, to the adoption of methods which proved their efficiency in Rumania and Albania.

The petroleum industries of Poland and Czechoslovakia, being of a smaller importance, had been left to be managed by the local technicians. But according to some reports, the Soviets have taken over from Czechoslovak authorities the exploitation of the recently discovered Malacky oil field situated in Slovakia. Anyhow, both these countries, far from exporting any crude, are obliged to import Rumanian and Albanian oil.

The situation prevailing in Austria is somewhat different: the Soviets, in whose occupation zone the Zistersdorf oil fields are located, formed a special company for their exploitation on the ground that these fields remained under the German control between 1938 and 1944, and therefore must be considered as ex-German property. Such a viewpoint does not permit, however, to act in Austria in exactly the same way, as the Soviets do in "people's democracies", hence a particular modus vivendi established in their relationship with the Austrian government. In spite of the difference of political situation, the Soviets secure the exports to the U.S.S.R. of almost a half of the Austrian crude production and make great efforts for a further intensification of the Zistersdorf oil fields' exploitation.

As will be seen from the the following analysis, the crude production situation in the most part of these countries, with the exception of Hungary, after having known a definite

decline as a result of the destructions caused by the war and the chaotic conditions immediately following the nationalization of their petroleum industries, began to improve since 1949, and this improvement became still more apparent in 1950 and 1951 with the gradual increase of their oil fields' yields.

Below can be found a brief analysis of conditions prevailing in the petroleum industries of these countries. In addition to the crude production figures, some data regarding the progress of exploration work in various countries have also been comprized into the present study. Unfortunately, the extreme scarcity of the reliable material did not permit of accumulating more detailed statistics, such as, for instance, regarding the refinery runs and petroleum products obtained, domestic consumption etc..

## II. RUMANIA.

### A. Production.

First Rumanian oil wells began to yield crude production in 1857, and since the beginning of the Rumanian oil fields exploitation and up to 31st December 1938 their cumulative crude oil production reached a total of 133,558,656 tons.

The crude production developed in Rumania between 1939 and 1950 as follows:-

<u>Year.</u>		<u>Metric Tons.</u>
1939	-	6,521,000
1940	-	6,165,400
1941	-	5,786,500
1942	-	6,011,400
1943	-	5,597,000
1944	-	3,741,500
1945	-	4,928,800
1946	-	4,494,700
1947	-	4,071,400
1948	-	3,875,000
1949	-	4,223,000
1950	-	4,794,000

In spite of an increase of total oil production by 13.5 per cent in 1950, in comparison with 1949, the plan target has not been reached by the Rumanian petroleum industry last year. The analysis of the above figures shows that the steady decline. . . . 3.



of yields in the Rumanian oil fields continued since 1939, or even since 1936, as the top figure has been reached in 1935 with a total crude production of 8,394,000 tons.

The ensuing drop of oil production was due, on the one hand to the gradual exhaustion of crude reserves in old Rumanian fields, some of which are being exploited since 1857, and, on the other hand, - to the failure of discovering any new oil-bearing areas in Rumania. During the second world war the Germans did their utmost in order to obtain the largest amounts of oil possible in Rumanian oil-producing areas by means of an intensified exploitation of these fields. With the end of the war the decline of yields continued in the Rumanian oil fields. A general desorganization of the exploitation work followed the nationalization of the Rumanian oil industry, accompanied by a new decrease of the crude production in the country.

The production situation began to improve since 1949, when the total yields increased by about 9 per cent, as compared with 1948; this improvement continued during 1950 with a new increase by 15.5 per cent, in comparison with 1949. A further increase by 16.7 per cent is expected for 1951, according to the Rumanian Five-Year-Plan (1951-1955).

In the opinion of Rumanian petroleum technicians, "considerable increase of oil production during the last two years negated the theory of the so-called "inevitable decline" of the Rumanian oil industry."

The failure to achieve the production plan targets for 1950 was mainly due to absenteeism, frequent drilling accidents and mechanical breakdowns. Rumanian authorities explain this unfavourable situation by the lack of technical organization measures and of control by the Ministry of Petroleum and Mines, which could not eliminate numerous cases of sabotage. According to an official statement by the Central Committee of the Rumanian Workers' Party, in spite of these obvious shortcomings, the organs of the Ministry had limited themselves to note the exculpatory reports sent in by enterprises, without taking any measures to punish the culprits.

A considerable number of accidents had taken place because of the insufficient training of workers, who were not instructed how to handle modern equipment. Most of the drilling rod breakages were due to the lack of records of the work done by these rods and the inexistence of special teams to check

the condition of tools. The inefficiency of the management and of maintenance of equipment had led to many breakdowns and destruction of machinery.

In order to deal with these shortcomings, the Rumanian government instructed the Ministry of Mines and Petroleum to take measures "against elements sabotaging the fulfilment of the Five-Year-Plan and working discipline."

Seven tubular bases will be created for the purpose of testing and repairing drilling equipment, namely those of: Suta-Seaca, Moinești, Boldesti, Moreni, Targu-Ocna, Liliesti and Targu-Jiu, which should all be built by 15th June 1951. A base for the assembly of drilling equipment will be organized at Teleagea.

A number of schools, which are called to train young workers of Rumanian oil industry were created in various oil centres (Moreni, Gura-Ocnitai, Urlati, etc.). These schools will educate qualified labour, which is now lacking in the Rumanian oil fields. In addition to six months courses, two and three years technical schools were created for 3,000 workers, and special scholarships were granted to 85 per cent of these.

The development of the Rumanian oil industry is being carried out by means of imports of the Soviet petroleum equipment, installations and tools. In order to intensify the exploitation of old almost exhausted oil fields, secondary production methods, such as flooding, gas-lift and airlift, would be applied on a wide scale in Rumanian oil fields during the Five Year Plan.

The production plan quota was fulfilled by 99.5 per cent in 1949, what was considered as being a satisfactory achievement in view of the fact that the Rumanian oil industry found itself in chaotic conditions during the period which has immediately followed its nationalization in 1948. Although satisfactory results had been obtained, the production plan quota for 1950 was only fulfilled to the extent of about 97.4 per cent.

#### B. Drilling and Exploration.

New drilling installations had been put into operation in 1950; most part of this equipment was imported from the U.S.S.R.. Hundreds of drilling installations would be added to the operating units during the next five years (1951-1955). A considerable increase of the total meterage drilled is expected for the immediate future. Thus, for instance, 700,000 meters of exploitation drilling and 550,000 meters of test drilling would be undertaken by the end of 1955 in various areas

of Rumania. The practice of the so-called "advanced methods of drilling" is being generalized in Rumanian oil fields, on the basis of the Soviet experience.

Despite a certain improvement of the drilling situation in 1950, the plan target for drilling has been achieved only to the extent of 93.9 per cent by Rumanian oil industry. In some areas test drilling operations were much extended since 1948, and the development of new oil-producing areas is expected for the near future.

#### Exploration.

Soviet geologists and geophysicists were carrying out investigations for petroleum in various parts of Rumania during the last three years. The existence of considerable crude oil reserves has been recently discovered in Moldavia, namely in the valleys of the Trotus and Cazlau rivers. Test drilling is being continued in this region, and, according to Rumanian sources, the Moldavian areas may prove to be as prolific as the Ploesti district. Exploitation wells are under drilling in Moldavia, and the bringing into production of new oil fields would take place during the new Five-Year-Plan (1951-1955).

Modern drilling equipment is being supplied by the Soviets, in order to hasten the development of new oil producing areas, and considerable number of Soviet petroleum technicians are actually being employed in this region.

New improved technological methods are being now applied on a large scale in Rumanian oil fields, and, according to Rumanian reports, with the introduction of new Soviet methods of drilling the production could be doubled and even trebled at Bacau and Moreni, as well as in the Tintea oil field. About fifty new successful completions had been made in various oil fields such as: Baiwoi, Bacau, Targoviste, etc. during 1950.

Drastic measures are being taken by the Rumanian authorities in order to strengthen the labour discipline and to reduce the number of mechanical breakdowns and to eliminate the absenteeism in the petroleum industry.

The following official statement illustrates the difficulties encountered by the Rumanian leaders in their efforts to develop the nationalized petroleum industry: - "Although good results had been obtained, the party and trade union organization have not yet succeeded in raising the standard of socialist competitions to the level of the enthusiasm of the workers and technicians ....

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of this industry. In many sectors the socialist competitions, instead of being organized in a practical way on concrete bases, have been run on bureaucratic lines..... The Oil industry trade unions must use every means of agitation to mobilize the masses of workers for the socialist competition. The party organization must work constantly to strengthen working discipline and to keep alive the vigilance of the workers and technicians against the attempts by hostile elements to sabotage and desorganize the working class. . ."

The failure to fulfill the crude production plan for 1950 was due to the non-arrival in time of new drilling equipment, such as derricks and drills, and also - to the fact that the machinery in some areas was being used inadequately. In the Muntenia oil fields, for instance, "a lack of control and initiative among the management" was discovered. The field management had failed to check the daily tasks and the production of teams, and had "submerged itself in a sea of bureaucracy".

Apparently, despite a gradual improvement of the production situation in the oil fields of The Muntenia Oil Company, which now controls the interests of the most part of foreign petroleum corporations nationalized in Rumania in 1948, and in those of the Sovrom concern, the nationalized Rumanian oil industry is still very far from operating to entire satisfaction of its new masters.

A directive was issued by the Rumanian government ordering bonuses to be paid and more clothing ration cards issued as incentives to workers in an effort to alleviate the situation.

### C. Refining.

The Rumanian refining industry has a total daily intake capacity of over 280,000 barrels. With the exception of a number of large modern refineries, such as: "Astra-Romana" at Floesti (40,000 bbl.); "Concordia", at Floesti (31,000 bbl.); Petrol Black, Floesti ( 15,000 bbl.); Romana-Americana, at Te-leajen (30,000 bbl.); "Steana-Romana" at Campina (34,000 bbl.); and "Unirea", Floesti; - there exist a considerable number of small refining installations, the intake capacities of which vary from 100 to 8,400 bbl. per day.

In addition a new refinery is now under construction at Moldova; where the construction of a cracking plant is also planned.

Rumanian Refining Installations.

Below is given the list of various Rumanian refineries of a smaller importance.

<u>Company.</u>	<u>Location.</u>	<u>Daily Intake Capacity in U.S. 42 Galls. barrels.</u>
"Astra" Romana-Xenia S.A.	Floesti	6,000
"German Petrol" S.A.	Targoviste	2,250
"Colombia" S.F.R.D?F?	Floesti	6,000
"Cometa" S.A.	Floesti	3,000
Creditul Minier S.A.	Baicoi	6,600
" " "	Brazil-Prahova	8,400
" " "	Dambrovitza	1,800
DacioRomano P.S.Ltd.	Floesti	4,000
" " "	Floesti	3,500
Fratia	Floesti	3,200
Grigorescu J.	Targoviste	1,600
Industrille de Petrol S.A.	Orsova	1,000
Noris	Floesti	1,300
Petrol Block S.A.	Bucarest	2,000
Petrolmana	Floesti	3,300
Petrolul Bucuresti	Bucarest	4,650
Petrol Latina	Floesti	1,200
"Photogen" S.A.	Brasov	1,350
Romana Pentru Industria	Bucarest	7,000
Rafinajul S.A.	Lamnia	7,000
Comertul Produselor Subsolului	Floesti	5,200
Romana-Africana	Floesti	4,800
Romana-Belgiana de Petrol	Ramnicul-Sarat	1,000
Rumanian Consolidated Oilfields	Targoviste	2,000
Soc. Generala Mine & Petrol	Dambrovitza	2,700
Spies Petroleum Co.Ltd.	Floesti	4,800
Steana-Romana S.A.	Moinesti	1,780
Titan	Bucarest	1,070
Venus R.	Sarat	1,460
Friedman J.	Dej.	800
Si Comertul Petrolului	Moinesti	600
Niculescu, Ciufu J.	Targoviste	650
"Petrol Block" S.A.	Buzau	500
Progresul	Tatarani	330
Rafinaria de Petrol "Titan"	Bucarest	400
Dumbrava	Targoviste	300

and several very small units having a daily intake capacity inferior to 200 barrels.

Some of these installations had been dismantled and re-grooved after the nationalization of the Rumanian oil industry. At the present time Rumanian refineries are operating at an incomplete intake capacity, as the present crude production is not sufficient to load them at their full refining capacity.

#### D. NATURAL GAS INDUSTRY.

The main Rumanian gasbearing areas are located in Transylvania, where their industrial exploitation is being carried out for a number of years. In addition, new important deposits of natural gas were discovered in 1949 in Northern Moldavia, and exploitation drilling was started in this region.

A mixed Soviet-Rumanian concern "The Sovrom Gas Company" has been created for the purpose of exploiting the natural gas resources of Rumania. The Soviet-Rumanian convention of 29th January has been ratified on 18th March 1949. This convention provides for the establishment of The Sovrom Gas Company. The company will explore, exploit, transport and distribute natural gas and its by-products. The U.S.S.R. will supply the installations, piping, machinery and various equipment needed by the new company, including building metal material and all the necessary material for the construction of the natural gas plant and other installations.

A new gas pipe-line linking the rich natural gasbearing area of Copsa-Mica with the Frahova valley and Bucarest has been completed on 3rd January 1950.

Rumanian natural gas production reached 2,106,000 cubic meters in 1947, and, according to a report from Rumania, this production has much developed since the nationalization of the petroleum industry in 1948.

#### E. PIPE-LINES.

New Rumanian Five-year-Plan (1951-1955) provides for an improvement of the pipe-line network's capacity up to 2,600,000 tons of crude per year. The volume of oil to be transported by means of pipe-lines in 1955 would be 250 per cent greater than in 1950. In order to speed up the deliveries of Rumanian crude to the Soviet Union a pipe-line linking the Floesti oil-producing area with Odessa would be laid. In addition a number of other pipe-lines would be constructed in Rumania during this period. Furthermore, with the development of the natural gas industry, several gas pipe-lines would be laid between the gas areas of Transylvania and Moldavia and the industrial centres of Rumania.

### Construction of Oil Tankers.

Small tonnage oil tankers of about 1,000 tons are being constructed now in the Sovrom transport shipyards at Turnu-Severin and at the "1st May Shipyard" at Braila.

### F. Exports.

Although, the major part of the Rumanian oil exports are being directed now towards the U.S.S.R., some of the satellite states begin to benefit by the imports of Rumanian petroleum products. Thus, for instance, in accord with the Rumanian-Polish goods exchange agreement for 1950, signed at Bucarest in January 1950, Rumania supplied Poland with various petroleum products. Shipments of oil products were also made from Rumania to Bulgaria and Albania, while the Rumanian-Czechoslovak trade agreement also specified the delivery to Czechoslovakia of Rumanian oil products.

### G. IMMEDIATE PROSPECTS OF THE RUMANIAN OIL INDUSTRY.

In spite of all the difficulties encountered by the Rumanian government in the development of their recently nationalized petroleum industry and the non-fulfillment of the production plan quota for 1950, the crude production resumed its upward trend in Rumania, and there are reasons to expect a new increase of production for 1951, the first year of the Rumanian Five-Year Plan.

According to Horatiu Tancu, Rumanian Under-Secretary of State of Petroleum and Mining Industry, oil had been discovered in different new areas of Rumania, other than Irahova valley, which formerly was the major producing area. Apparently new rich crude reserves have been discovered and drilling, or even production, is under way in Moldavia, Ardeal, and Oltenia.

The Five-Year-Plan calls for the investment of 120 billion (120,000,000,000) lei in the nationalized petroleum industry.

In order to secure the further development of crude production a series of general measures will be taken by the Ministry of Petroleum and Mining Industry. Among these can be mentioned: the removal of drilling equipment worn out by heavy wear and its replacement by modern machinery; the establishment of record cards of equipment in operation; the organization of testing stands for drilling equipment, so that all equipment and tools delivered to the oil fields would be tested in 1951. Every well would be managed by a brigadier, who would be personally responsible for the drilling and for carrying out the work without accidents and breakdowns.

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Workers would be stimulated by titles and prizes for good quality work. The title "Drilling Brigadier" would be awarded in two grades and every year bonuses amounting to one or two monthly salaries would be awarded. The position of "Head Brigadier" would be created, and he would receive a salary 15 per cent higher than the brigadier.

To improve working conditions, a fourth shift would be introduced by the end of 1951 in all oil wells, where work continued round the clock. Monthly clothes ration cards for workers would be issued. A great attention would be given to production problems and struggle against absenteeism, accidents and breakdowns.

According to the Rumanian Five-Year-Plan, the crude oil production ought to reach an annual total of 10,000,000 tons in 1955, what would mean more than a twofold increase, in comparison with 1950. It remains to be seen to what extent this plan quota would be fulfilled.

### III. HUNGARY.

The oil production in Hungary dates of 1937 and since the beginning of their exploitation the Hungarian oil fields had yielded the following annual crude production: -

#### CRUDE OIL PRODUCTION.

<u>Year.</u>		<u>Metric Tons.</u>
1937-1938	-	45,214
1939	-	157,500
1940	-	268,700
1941	-	454,000
1942	-	716,100
1943	-	901,800
1944	-	872,000
1945	-	717,200
1946	-	735,000
1947	-	561,400
1948	-	588,600 *)
1949	-	620,000 *)
1950	-	590,000 *)

-----  
 \*) Our best estimates.

The oilbearing areas of Hungary are situated in the vicinity of Lispe in the South-Western part of the country? During the war the Germans have taken over the control of the



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Hungarian oil fields and were exploiting them intensively. Since the end of the war, however, the crude production gradually decreased in Hungary, and this despite all the efforts made by the authorities in order to remedy this situation.

Hungary's Three-Year-Plan, announced in 1947, had a target of 660,000 tons of crude for its last year ending in August 1950. The actual production did not reach this total, as it can be seen from the above table. The yields increased in Hungarian oil fields during the first quarter of 1950 only by 3.3 per cent, in comparison with the corresponding period of 1949; but the production situation continued to decline during the second half of 1950, when the increase was only of 234 per cent, as against 1949.

The nationalized oil industry met with a number of technical difficulties, which it could not overcome, especially a very slow progress of drilling.

According to Zoltan Vas, President of the National Planning Office, in his address to a productive conference of the Budapest Workers Party organization on 5th January 1951: "It is well known, that our crude oil production is not progressing at all, and its decline can be observed to a certain extent. This is partly because we have not yet completely liquidated the drawbacks and consequences of the sabotage and have neglected the building up of cadres, and partly due to our lagging behind in exploration and drilling work. It would be sufficient to point out, that in Rumania the average speed of drilling is 60 percent higher than in Hungary. This means that with the same amount of equipment they achieve much better results."

On the whole, the operation of the Hungarian petroleum industry was unsatisfactory, and the crude production target was not reached in 1950. As it appears from official statements, the crude production even slightly decreased in 1950, in comparison with 1949. Such an unfavourable situation was mainly due to a very slow progress of exploitation drilling, and an insufficient development of exploration work and test drilling, as well as to the frequently reported so-called "sabotage cases", and the lack of trained technicians in Hungary.

Some improvement in the production situation is expected for 1951, following a number of measures taken by the Hungarian authorities in order to remedy the unsatisfactory conditions which prevailed in the petroleum industry during 1949-1950.

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### B. Exploration.

Investigations for oil were carried out in various regions of Hungary for a number of years, but, so far, no important discoveries were made.

Some recent reports ( December 1950- January 1951), however, spoke about interesting results obtained by the exploration work at a distance of about 150 kilometers in the Eastern direction of Budapest; namely in the Biharnagybajom area, in the Eastern section of the Hungarian plain.

Apparently, several wells have been already brought in, and Soviets officials would have visited the new oil-bearing area, in order to speed up its bringing into production. No crude production was known to exist in this region heretofore. Germans have undertaken some test drilling operations on both sides of the border between Rumania and Hungary. Across the border, in Rumania, but in a separate basin, are the gasbearing areas of Transylvania, whereas the main Rumanian oil fields are situated on the other side of the Carpathians. No official confirmation of this discovery was made as yet by the Hungarian authorities.

In order to intensify the development of the Hungarian petroleum industry, the Soviets have ~~delivered~~ delivered to Hungary certain quantities of modern technical equipment, such as drilling installations, etc.. Drilling of wells over 3,000 meters deep was reported from Hungary since 1949.

### Natural Gas Industry.

In addition to the crude production, Hungary possesses important natural gas reserves, the exploitation of which is being now developed. No definite figures of natural gas production are available for the last years, whereas this production has reached 91,271,000 cubic meters in 1947.

### C. Refining.

Prior to the nationalization of the petroleum industry, there existed in Hungary following refining installations: -

<u>Company.</u>	<u>Location.</u>	<u>Daily intake capacity in U.S. 42 Gall. barrels.</u>
Ungarische Mineraloel-fabriken A.G.	Budapest	1,000
" "	Satorjala Ujhelstj	280
Hazai Koolajipar R.I.	Budapest	1,170
Ngirbogdanyer Petroleum Fabrik A.G.	Ngirbogdany	280

(Continued from page 13).

<u>Company</u>	<u>Location.</u>	<u>Daily intake Capacity in U.S. 42 Gallon barrels.</u>
Shell Mineraloel A?G?	Budapest	- 2,300
Szoreger Petroleumfabrik A.G.	Szoreg	- 420
Magyar Petroleum-Ipar Reszveny-Tarsasag	Budapest	- 2,000
Vacuum Oil Company	Almas Fuzito	- 2,500
<u>Total daily capacity 9,950 bbl</u>		

In addition to the above capacity, a new oil refinery of the "Maszolaj", the Hungarian-Soviet company, was put into operation at Szoenyi in September 1950. This refinery is supposed to be one of the most important achievements of the Hungarian Five Year Plan ( 1950 - 1954 ).

#### Summary of the Production Situation in Hungary.

Summing up, it should be emphasized that the Hungarian petroleum industry was working unsatisfactorily during the last two years (1949-1950), and thus had failed to fulfill the plan quotas for these years.

It is very likely, that the Soviets would strengthen their control over the Hungarian oil industry on the same lines as they have proceeded in Rumania and Albania, i.e., in sending their technicians to reorganize the industry, and in supplying modern drilling equipment and other machinery and tools in adequate numbers.

The experience of Rumania and Albania proved, that by means of drastic disciplinary measures, on the one hand, and with the help of a system of bonuses and prizes, on the other hand, certain improvements in the operation of oil industry could be obtained, and the crude production <sup>increased</sup> in both these countries, after a period of a general chaotic conditions ensuing the nationalization of their oil fields.

As regards the immediate future of the Hungarian petroleum industry, a reasonable increase of its crude production can be expected during the next few years, especially if the reports on the discovery of a new oilbearing area in the Eastern part of the Hungarian plain ( at Biharnagybajom ) receive a definite confirmation.

#### IV. ALBANIA.

##### A. Production.

Small crude oil production began in Albania in 1926,

but until 1939, when Albania has been occupied by Italians, the exploitation of its petroleum resources developed very slowly. Since the beginning of production and up to 31st December 1938 the Albanian oil fields had yielded a cumulative crude production of 295,300 tons. With the Italian occupator the development of the oilbearing areas in Albania was intensified as follows: -

CRUDE OIL PRODUCTION.

<u>Year.</u>	-	<u>Metric Tons.</u>
1939	-	133,400
1940	-	214,000
1941	-	197,300
1942	-	207,100
1943	-	102,100
1944	-	109,300
1945	-	107,100
1946	-	124,200
1947	-	198,500 */.
1948	-	278,600 */.
1949	-	323,400 */.
1950	-	414,000 */.

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\*/. Our best estimates.

According to official Albanian statements, the crude oil production reached in 1949 302 per cent of that of 1945, whereas a new increase by 28 per cent was obtained in 1950, in comparison with 1949.

Nevertheless, the targets of the production plan were not reached in 1950, nor in 1949. The failure to fulfill the plan quotas was commented by Enver Hoxha in his speech at the second National Conference of the Albanian Workers' party, on 10th April 1950 in the following terms: - "It is absolutely necessary to analyse the reasons which led to the failure to fulfill the crude oil production plan. In the oil fields, not only was the mobilisation uncomplete, but the activities of the enemy saboteurs were widespread, particularly in the Patos fields, to which the plan had assigned the greatest share of the work..." Such a statement by the head of the Albanian communists is self-sufficient to prove the existence of great difficulties in the management of the nationalized oil industry.

Crude production target was achieved to the extent of 96 per cent during the first six months of 1950 by the Albanian oil industry. According to the Albanian Two-Year-Plan, crude production should have increased by 159 per cent within two years (1949-1950), and thus would have reached about 450,000 tons in 1950. However, the production situation began to improve late in 1950 and early in 1951, and a moderate increase of yields should be expected for 1951.

#### Soviet Exploitation of Albanian Oil Resources.

Since the end of the war and until 1948 the Albanian oil field had been controlled by a mixed Yugoslav-Albanian company, the activities of which were discontinued after the break out of the conflict between Belgrade and Moscow. Soviet technicians have taken over the management of the Albanian petroleum industry, and their influence continued to grow during the last two years.

In order to intensify the production in the Patos oil area considerable amount of various modern drilling equipment and other oil machinery is being supplied by the U.S.S.R. to Albania. These shipments include: drilling installations, piping, compressors, pumps, cranes, derricks, etc.. Soviet technicians are introducing their production methods into the Albanian oil industry.

The construction of the new town of Patos was started in 1950; this new industrial centre is located in the midst of the oil producing areas. Considerable number of Soviet petroleum engineers are working now in Albania. Albanian workers attend special professional training courses. The two-year-plan provides for the development and exploitation of the Patos oil fields. The number of workers employed in this area is being much increased, and the housing accommodation for 900 families and 400 bachelor workers is under construction at Patos.

Notwithstanding a number of technical difficulties, the development of crude production is carried out more or less satisfactorily since the end of 1950, and such an improvement of production situation is being officially explained by the important help provided by the Soviets, their technicians and deliveries of different installations and materials.

#### Exports.

Albania is now exporting crude oil and asphalt, and the major part of these exports goes to the Soviet Union, but

since 1949, as a result of an Albanian-Polish trade agreement, some of Albanian crude is also being shipped to Poland via the port of Valona by means of Polish tankers. The importance of Albanian crude exports increased by 166 per cent in 1950, as compared to 1938.

In order to facilitate the oil exports from Albania, the construction of a 35 kilometers long pipe-line between Fieri and Valona, linking the Kucova-Patos oil fields with the Adriatic coast has been started on 28th January 1949 under the direction of Soviet technicians; its operation began in June 1949, but the building of all the installations was completed only in October of the same year.

The Praesidium of the People's Assembly of Albania has decided in December 1950, that the town of Kucova should be renamed Stalin and a decree has been published by the Council of Ministers, according to which the Kucova-Patos oil fields should be called Stalin Oil concern. The "de-facto" Soviet control over the Albanian oil industry has been thus officially consecrated.

Heretofore, only a few small refining units existed in Albania (Saranda and Delvino refineries), but a large refining installation is under construction at the present time, and and its completion is expected for the end of 1951, what would permit of treating the entire Albanian crude in the country.

The Soviets thus succeeded to overcome considerable technical difficulties of exploitation of the nationalized Albanian oil fields, and, despite a strong national opposition, are striving to develop their crude production, the bulk of which they export via Valona to the U.S.S.R..

A further development of this production should be foreseen for the immediate future, as a result of the re-equipment of Albanian petroleum industry with modern drilling machinery and tools and the strengthening of the position of Soviet technicians in the country.

For the time being, however, the Albanian crude production would still remain of only a secondary importance, as its further development may require a number of years.

#### V. AUSTRIA.

First commercial quantities of oil were obtained in Austria in 1930, when exploitation drilling was organized at

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Zistersdorf. Since the beginning of exploitation and up to 31st December 1938 the Austrian oil fields yielded a cumulative production of 116,356 tons. The subsequent development of crude oil production in Austria progressed as follows:-

CRUDE OIL PRODUCTION.

<u>Year.</u>		<u>Metric Tons.</u>	
1939	-	177,100	
1940	-	401,100	
1941	-	609,000	
1942	-	845,700	
1943	-	1,114,300	
1944	-	1,394,200	
1945	-	438,400	
1946	-	805,100	
1947	-	884,600	*/.
1948	-	950,000	*/.
1949	-	920,000	*/.
1950	-	1,095,000	*/.

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 \*/. Our best estimates.

As it can be seen from the above table, Germans had succeeded to develop the crude production in Austria to a considerable extent during the war. A sharp decline of yield followed in 1945, but with 1946, as a result of the reconstruction work, the crude production began to raise again. However, a new drop of yields of the Austrian oil fields took place in 1949.

Following the decline of production in the Zistersdorf oil fields, due to the gradual exhaustion of old exploited wells, the Soviet petroleum administration have undertaken the drilling of a number of new exploitation wells; 35 drilling units were working in 1950, instead of 7 rigs which were carrying out drilling operations at Zistersdorf earlier.

The decrease of crude production, which has taken place in 1949 was partly due to the lack of trained workers, after mass dismissals of non-communist personnel. The Soviet oil officials have been since conducting an intense recruiting campaign to obtain qualified personnel and engineers. According to some Austrian petroleum technicians, the Soviets are trying to reach the crude production figures of about 1,400,000 TONS, which the Germans have obtained in 1944, in concentrating their main efforts in the Zistersdorf area.

Mass dismissal took place in the Lower Austrian oil district, where 540 workers were given notice in summer 1950 by the mixed Soviet companies, on the ground of the insufficiency of work for them. In fact, the dismissals are part of a campaign against non-communist workers, who are the first to be dismissed.

#### Exploration.

Investigations for petroleum are being undertaken by the Soviets in various areas of their occupation zone in Austria. Geological and geophysical research work and exploratory drilling operations are being carried out, for instance, at Burenner, in the Wolkersdorf woods area, and in the vicinity of Duernkrut. In Burgenland, so far, only gas indications were discovered in a number of test wells, while no commercial accumulations of oil were encountered in this region.

The Soviet petroleum administration has organized in 1950 the exploitation of the Alderklaa area, situated in the Vienna basin. Heretofore this field was yielding only natural gas and bitumen in small quantities. According to unofficial reports filtering out of the closely guarded Soviet operation areas, one of the wells recently completed in this area yielded an initial daily crude production of an order of 70 tons. It appears that oil production is being obtained from horizons striking about two hundred meters below the gasbearing strata.

Some reports indicate that the Soviets now exploit a new oil field, located ~~in~~ about 13 kilometers to the North-East of Vienna, namely the Matzen field, situated on an oilbearing structure, which has been discovered before the war by the geologists of the Standard Oil Co. of New Jersey and Socony Vacuum Co.. A daily crude production of at least 1,000 tons is being mentioned for this area.

An apparently disastrous blowout has occurred at Matzen late in 1950. Reports from Vienna indicated that, oil and gas were erupting in this field at a height of 90 to 100 feet and that one of the derricks had caved in the hole. Heavy rains minimized the danger of fire, but Soviet enterprise guards formed a cordon around the blowout area. This blowout was caused as it seems, by a pipe burst due to a casing failure. It was said nothing could be done to halt the blowout and that the pressure would have to work off naturally.

#### Upper Austria.

Exploration work for petroleum is being organized in Upper Austria. The search for oil in this region was started in



1948 by the Rohoel Gewinnung A.G. at the request of the Federal Geological Service. About 60 test wells had been drilled in this region up to the end of 1950, particularly at Bad Hall, between the Salzach and Matlig rivers, with results which have strengthened the belief in Austria's oil circles, that important accumulations of oil exist at great depth in this area.

Test drilling operations are also being undertaken in the Graz basin, where the discovery of oil is also being expected.

#### Exports.

According to the American estimates, approximately one half of the crude produced in the Zistersdorf fields in 1949 was exported to the U.S.S.R., and Austria was not paid for these exports, valued at about \$29,000,000, it was asserted. The exports of Austria's oil to the Soviet Union continued during 1950 to more or less the same extent as in 1949.

#### Refining.

The main Austrian refineries are situated in the vicinity of Vienna, namely at Vosendorf (Oesterreichische Fanto A.G.), and at Florisdorf (Shell-Florisdorf Mineraloel Fabrik A.G.). Their initial capacities of 1,120 and 3,800 bbl. respectively, had been considerably increased by the Germans during the war.

Austria being not a "people's democracy", the Soviet control over the country's industry is more elastic, than in the case of their satellite states. Nevertheless, the Soviets are making great efforts in order to obtain from Austria the maximum amounts of oil they can secure by an intensified exploitation of the Zistersdorf fields and other oil producing areas.

The experience of the last five years shows, that they have thus obtained a considerable increase of crude production, which almost reached the topmost level of the war years (1943-1944). A new, if moderate, raise of yields in the Austrian oil fields should be expected for 1951.

#### VI. CZECHOSLOVAKIA.

Small crude production had taken place in Czechoslovakia since 1913, and a cumulative total production of 343,642 tons was obtained between 1913 and 31st December 1938.

As it can be seen from the table below the Czechoslovak oil industry was working satisfactorily during the last two years (1949-1950), after a temporary decline of crude production between 1947 and 1949.

Since 1939 the crude production developed in Czechoslovakia as follows:

Crude Oil Production.

<u>Year.</u>		<u>Metric Tons.</u>
1939	-	17,200
1940	-	23,300
1941	-	26,100
1942	-	38,700
1943	-	28,600
1944	-	26,400
1945	-	27,000
1946	-	29,000
1947	-	23,600
1948	-	21,100 */.
1949	-	30,000 */.
1950	-	39,000 */.

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 \*/. Our best estimates.

The year 1950 was marked, however by a big fire, which had broken out in the Hodonin oil field, as a result of a gas explosion. There had been a subsidence of the soil and an oil derrick had collapsed, but there had been no casualties. The glow of this fire was seen from Vienna some 30 miles distant. The explosion was said to be of only local importance, and work was continued elsewhere. A gas-well fire burned from 19th to 27th August 1950.

Exploration.

Early in 1950 Czechoslovak geologists have discovered a rich gas and oilbearing area at Malacky in Slovakia. Soviet geologists and engineers were sent to to this area at the request of the Prague government. In the opinion of these experts, the new oil field was a geological continuation of the Zistersdorf oilbearing structure. According to Belgrade, the Czechoslovak authorities and the Soviet Economic Commission in Prague reached an agreement, whereby oil produced at Malacky by the Soviet efforts will be sold to Czechoslovakia at "reduced price".

The development of new oil producing area in Slovakia would, naturally, contribute to a further increase of Czechoslovak crude production. In order to provide qualified labour in sufficient numbers a training centre for oil drillers has been opened in 1950 at Skalica.

VII. POLAND.

The exploitation of Polish oil fields was started in 1874, and their cumulative crude production since the beginning of development and up to 31 December 1938 reached a total of 35,660,756 tons.

The progress of crude production in Poland between 1939 and 1950 is shown in the table below:-

Crude Oil Production.

<u>Year.</u>		<u>Metric Tons.</u>
1939	-	556,800
1940	-	535,000
1941	-	474,000
1942	-	485,000
1943	-	500,000
1944	-	428,000
1945	-	110,300
1946	-	112,800
1947	-	123,800
1948	-	138,900 */.
1949	-	140,000 */.
1950	-	160,000 */.

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\*/. Our best estimates.

The sharp decline of the Polish crude oil production in 1945 was due to the incorporation of the Eastern Galicia (Western Ukraine) into the Soviet Union. The only remaining oil producing area of Poland is located in Western Galicia (Krosno etc.), and its production is of minor importance.

The Three-Year-Plan (1947-1949) for oil drilling has been fulfilled ahead of schedule on the 4th July 1949, while oil industry of the Krosno region had completed its Three-Year-Plan for oil production on 29th September 1949. The plan target for 1950 was not reached, despite a new increase of production, as compared with 1949.

Under the long-term trade agreement between Poland and the U.S.S.R., the Soviets had delivered drilling equipment covering almost all Polish demand. Additional equipment, machinery and tools would be supplied to the Polish petroleum industry within the next five years. Poland has thus received modern drilling equipment for drilling to an average depth of 3,000 meters, derricks, pumps, cranes, various engines, etc.. The Soviet deliveries .....

also included equipment for oil and gas research units.

According to the Polish Six-Year-Plan (1950-1955), the crude production should reach 394,000 tons in 1955, the last year of the plan. New methods of drilling have been adopted thanks to new drilling equipment supplied by the U.S.S.R.

A gas pipe-line connecting the oil basin with Warsaw is now under construction and its completion is expected for the end of 1952. The natural gas will be used in the first place by Warsaw industrial enterprises; later on it will be also used as motor fuel.

Unless some new oilbearing areas are brought in, it is unlikely that the Polish crude production could be much developed in the near future, as the small old fields of the Krosno area are exhausted to a considerable extent, and Poland, so far, does not possess any important proven reserves.

#### VIII. GENERAL SUMMARY AND CONCLUSIONS.

With a total annual crude production of about 7,100,000 tons, the relative importance of the petroleum industries of satellite states (Central Europe) can be respectively summarized as follows: -

1. Rumania	-	4,800,000 tons	-	67.61 %
2. Hungary	-	600,000 "	-	8.45 %
3. Albania	-	400,000 "	-	5.63 %
4. Austria	-	1,100,000 "	-	15.49 %
5. Czechoslovakia		40,000 "	-	0.55 %
6. Poland	-	160,000 "	-	2.28 %

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Total :-		7,100,000 tons	-	100.00 %
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Among the above-mentioned satellite states, Rumania and Albania are those, where the degree of the Soviet control over the petroleum industry is the greatest, and whose exports toward the U.S.S.R. are proportionally the most important. These are also the countries, where the Soviets succeeded to re-organize the oil industry, after a chaotic period of its nationalization, and thus to increase crude production during the last two years

Parallely to an intensive exploitation of the old oil fields in the satellite countries, investigations for petroleum

had been undertaken by the Soviets in a number of their satellite states, and some new discoveries were recently made in Rumania, Hungary and Czechoslovakia. Thus, for instance new oilbearing areas were discovered in the valleys of Trotus and Cazlau rivers (Moldavia), and the industrial exploitation of these areas is being organized.

The production situation had been unfavourable in Hungary, and the crude production decreased in this country in 1950, if compared with 1949. According to some unofficial reports a new oilbearing area was discovered at Biharnagybajom, in the Eastern part of Hungarian plain.

In Czechoslovakia, where the crude production is only of a minor importance, a new oil field was brought in at Malacky (Slovakia) in 1949. Exploration work for oil is also being continued in Austria, but, so far, no definite results were obtained.

There exists a common feature in the development of petroleum industries in the satellite states, namely the Soviet efforts to intensify the exploitation of all the existing fields in order to increase the volume of oil exports of these countries to the Soviet Union. Such a policy is being carried out especially in Rumania, the main crude producer, where the domestic consumption of various petroleum products is the object of severe restrictions since 1949. With the actual crude production of about 4,800,000 tons, the Rumanian annual domestic consumption can be estimated at some 1,600,000 tons of crude produced, the remainder of which, or over 3,000,000 tons, is being exported to the U.S.S.R., Poland and other "people's democracies".

These exports can scarcely be increased in the immediate future, as, generally, the increase of production was, so far, being obtained in Rumania by means of an intensified exploitation of old oil fields (secondary production methods, etc.), which are, naturally, being gradually exhausted; thus that, a new development of crude production would depend upon the bringing in of new oilbearing areas (in Moldavia, for instance).

As regards the immediate prospects of petroleum industries of Central Europe, a reasonable forecast of their crude production for 1955 can be made as follows: Rumania - 7,000,000; Hungary - 750,000; Albania - 500,000; Austria - 1,400,000; Czechoslovakia - 60,000; Poland - 250,000. The figure for Rumania is much inferior in comparison with that of their Five Year-Plan (10,000,000 tons of crude in 1955), but <sup>it</sup> is very unlikely that this plan ~~target~~ would be reached in Rumania by 1955.

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THE OIL INDUSTRY OF THE SATELLITE STATES.

April, 1951.

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## THE OIL INDUSTRY OF THE SATELLITE STATES OF CENTRAL EUROPE.

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# SECRET CONTROL U. S. OFFICIALS ONLY



**SECRET CONTROL U. S. OFFICIALS ONLY**THE OIL INDUSTRY OF THE SATELLITE STATESOF CENTRAL EUROPE.I. INTRODUCTION.

The present study is concerning the actual conditions prevailing in the petroleum industries of the so-called "people's democracies", or Soviet satellite states of the Central Europe. Austria was included into this analysis in view of the fact, that her oil industry is operating now under the Soviet control. The figures regarding the total crude production of: Albania, Rumania, Hungary, Austria, Czechoslovakia and Poland between 1939 and 1950 can be found in the following table: -

CRUDE OIL PRODUCTION OF THE CENTRAL EUROPE.

<u>Year.</u>	-	<u>Metric Tons.</u>
1939	-	7,569,000
1940	-	7,697,500
1941	-	7,546,900
1942	-	3,304,000
1943	-	3,243,800
1944	-	6,571,400
1945	-	6,328,800
1946	-	6,200,800
1947	-	5,860,500
1948	-	5,846,200
1949	-	6,262,500
1950	-	7,071,500

With the end of the war, the Soviets began to create in the countries of Central Europe a number of mixed companies for the exploitation of the so-called formerly German own properties. Thus, for instance, The Sovrom (Soviet-Ruman Oil Company) has been incorporated in Rumania on 11th Aug 1945 for the purpose of controlling all former German oil concerns, but this company also obtained the monopoly on its exploitation. Indeed, The Sovrom Company is now carrying out new investigations for petroleum in various parts of Rumania and is organizing the exploitation of new oilbearing fields which had been discovered since 1945. Similar mixed companies had been created in other countries of Central Europe such as Hungary, Austria, etc..

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But the subsequent development of the Soviet control over the oil industries of the satellite countries varied from one to another. If, in Rumania and Albania this control and the influence of the Soviet petroleum technicians became almost complete, as far as their oil industries were concerned, the same cannot be said about either Hungary, Czechoslovakia or Poland, where more initiative was left to the national oil management. Although, it is true, that the importance of Polish and Czechoslovak crude production cannot be compared with that of Rumania, and is, therefore, of a minor interest for the Soviets.

However, the unsatisfactory operation of the Hungarian oil industry during the last two years (1949-1950) would, probably, lead to the strengthening of the Soviet control over its exploitation, and, consequently, to the adoption of methods which proved their efficiency in Rumania and Albania.

The petroleum industries of Poland and Czechoslovakia, being of a smaller importance, had been left to be managed by the local technicians. But according to some reports, the Soviets have taken over from Czechoslovak authorities the exploitation of the recently discovered Malacky oil field situated in Slovakia. Anyhow, both these countries, far from exporting any crude, are obliged to import Rumanian and Albanian oil.

The situation prevailing in Austria is somewhat different: the Soviets, in whose occupation zone the Zistersdorf oil fields are located, formed a special company for their exploitation on the ground that these fields remained under the German control between 1938 and 1944, and therefore must be considered as ex-German property. Such a viewpoint does not permit, however, to act in Austria in exactly the same way, as the Soviets do in "people's democracies", hence a particular modus vivendi established in their relationship with the Austrian government. In spite of the difference of political situation, the Soviets secure the exports to the U.S.S.R. of almost a half of the Austrian crude production and make great effort for a further intensification of the Zistersdorf oil fields' exploitation.

As it will be seen from the the following analysis, the crude production situation in the most part of these countries, with the exception of Hungary, after having known a definite

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decline as a result of the destructions caused by the war and the chaotic conditions immediately following the nationalisation of their petroleum industries, began to improve since 1949, and this improvement became still more apparent in 1950 and 1951 with the gradual increase of their oil fields' yields.

Below can be found a brief analysis of conditions prevailing in the petroleum industries of these countries. In addition to the crude production figures, some data regarding the progress of exploration work in various countries have also been comprized into the present study. Unfortunately, the extreme scarcity of the reliable material did not permit of accumulating more detailed statistics, such as, for instance, regarding the refinery runs and petroleum products obtained, domestic consumption etc..

**II. RUMANIA.****A. Production.**

First Rumanian oil wells began to yield crude production in 1857, and since the beginning of the Rumanian oil fields exploitation and up to 31st December 1938 their cumulative crude oil production reached a total of 133,558,656 tons.

The crude production developed in Rumania between 1939 and 1950 as follows:-

<u>Year.</u>		<u>Metric Tons.</u>
1939	-	6,521,000
1940	-	6,165,400
1941	-	5,786,500
1942	-	6,011,400
1943	-	5,597,000
1944	-	3,741,500
1945	-	4,928,800
1946	-	4,494,700
1947	-	4,071,400
1948	-	3,875,000
1949	-	4,223,000
1950	-	4,794,000

In spite of an increase of total oil production by 13.5 per cent in 1950, in comparison with 1949, the plan target has not been reached by the Rumanian petroleum industry last year. The analysis of the above figures shows that the steady decline. . . .

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of yields in the Rumanian oil fields continued since 1939, or even since 1936, as the top figure has been reached in 1935 with a total crude production of 8,394,000 tons.

The ensuing drop of oil production was due, on the one hand to the gradual exhaustion of crude reserves in old Rumanian fields, some of which are being exploited since 1857, and, on the other hand, - to the failure of discovering any new oil-bearing areas in Rumania. During the second world war the Germans did their utmost in order to obtain the largest amounts of oil possible in Rumanian oil producing areas by means of an intensified exploitation of these fields. With the end of the war the decline of yields continued in the Rumanian oil fields. A general desorganization of the exploitation work followed the nationalization of the Rumanian oil industry, accompanied by a new decrease of the crude production in the country.

The production situation began to improve since 1949, when the total yields increased by about 9 per cent, as compared with 1948; this improvement continued during 1950 with a new increase by 13.5 per cent, in comparison with 1949. A further increase by 16.7 per cent is expected for 1951, according to the Rumanian Five-Year-Plan (1951-1955).

In the opinion of Rumanian petroleum technicians, " considerable increase of oil production during the last two years negated the theory of the so-called "inevitable decline" of the Rumanian oil industry.

The failure to achieve the production plan targets for 1950 was mainly due to absenteeism, frequent drilling accidents and mechanical breakdowns. Rumanian authorities explain this unfavourable situation by the lack of technical organization measures and of control by the Ministry of Petroleum and Mines, which could not eliminate numerous cases of sabotage. According to an official statement by the Central Committee of the Rumanian Workers' Party, in spite of these obvious shortcomings, the organs of the Ministry had limited themselves to note the exculpatory reports sent in by enterprises, without taking any measures to punish the culprits.

A considerable number of accidents had taken place because of the insufficient training of workers, who were not instructed how to handle modern equipment. Most of the drilling rod breakages were due to the lack of records of the work done by these rods and the inexistence of special teams to check

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the condition of tools. The inefficiency of the management and of maintenance of equipment had led to many breakdowns and destruction of machinery.

In order to deal with these shortcomings, the Rumanian government instructed the Ministry of Mines and Petroleum to take measures "against elements sabotaging the fulfilment of the Five-Year-Plan and working discipline.

Seven tubular bases will be created for the purpose of testing and repairing drilling equipment, namely those of: Suta-Seaca, Moinești, Boldesti, Moreni, Targu-Ocna, Liliesti and Targu-Jiu, which should all be built by 15th June 1951. A base for the assembly of drilling equipment will be organized at Teleac.

A number of schools, which are called to train young workers of Rumanian oil industry were created in various oil centres (Moreni, Gura-Ocnitai, Urlati, etc.). These schools will educate qualified labour, which is now lacking in the Rumanian oil fields. In addition to six months courses, two and three years technical schools were created for 3,000 workers, and special scholarships were granted to 85 per cent of these.

The development of the Rumanian oil industry is being carried out by means of imports of the Soviet petroleum equipment, installations and tools. In order to intensify the exploitation of old almost exhausted oil fields, secondary production methods, such as flooding, gas-lift and air-lift, would be applied on a wide scale in Rumanian oil fields during the Five Year Plan.

The production plan quota was fulfilled by 99.5 per cent in 1949, what was considered as being a satisfactory achievement in view of the fact that the Rumanian oil industry found itself in chaotic conditions during the period which has immediately followed its nationalization in 1948. Although satisfactory results had been obtained, the production plan quota for 1950 was only fulfilled to the extent of about 97.4 per cent.

#### B. Drilling and Exploration.

New drilling installations had been put into operation in 1950; most part of this equipment was imported from the U.S.S.R.. Hundreds of drilling installations would be added to the operating units during the next five years (1951-1955). A considerable increase of the total meterage drilled is expected for the immediate future. Thus, for instance, 700,000 meters of exploitation drilling and 550,000 meters of test drilling would be undertaken by the end of 1955 in various areas

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of Rumania. The practice of the so-called "advanced methods of drilling" is being generalized in Rumanian oil fields, on the basis of the Soviet experience.

Despite a certain improvement of the drilling situation in 1950, the plan target for drilling has been achieved only to the extent of 93.9 per cent by Rumanian oil industry. In some areas test drilling operations were much extended since 1948, and the development of new oil producing areas is expected for the near future.

Exploration.

Soviet geologists and geophysicists were carrying out investigations for petroleum in various parts of Rumania during the last three years. The existence of considerable crude oil reserves has been recently discovered in Moldavia, namely in the valleys of the Trotus and Cazlau rivers. Test drilling is being continued in this region, and, according to Rumanian sources, the Moldavian areas may prove to be as prolific as the Ploesti district. Exploitation wells are under drilling in Moldavia, and the bringing into production of new oil fields would take place during the new Five-Year-Plan (1951-1955).

Modern drilling equipment is being supplied by the Soviets, in order to hasten the development of new oil producing areas, and considerable number of Soviet petroleum technicians are actually being employed in this region.

New improved technological methods are being now applied on a large scale in Rumanian oil fields, and, according to Rumanian reports, with the introduction of new Soviet methods of drilling the production could be doubled and even trebled at Bacau and Moreni, as well as in the Tintea oil field. About fifty new successful completions had been made in various oil fields such as: Baietoi, Bacau, Targoviste, etc. during 1950.

Drastic measures are being taken by the Rumanian authorities in order to strengthen the labour discipline and to reduce the number of mechanical breakdowns and to eliminate the absenteeism in the petroleum industry.

The following official statement illustrates the difficulties encountered by the Rumanian leaders in their efforts to develop the nationalized petroleum industry: - "Although good results had been obtained, the party and trade union organization have not yet succeeded in raising the standard of socialist competitions to the level of the enthusiasm of the workers and technicians ....

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of this industry. In many sectors the socialist competitions, instead of being organized in a practical way on concrete bases, have been run on bureaucratic lines..... The Oil industry trade unions must use every means of agitation to mobilize the masses of workers for the socialist competition. The party organization must work constantly to strengthen working discipline and to keep alive the vigilance of the workers and technicians against the attempts by hostile elements to sabotage and desorganize the working class. . ."

The failure to fulfill the crude production plan for 1950 was due to the non-arrival in time of new drilling equipment, such as derricks and drills, and also - to the fact that the machinery in some areas was being used inadequately. In the Muntenia oil fields, for instance, "a lack of control and initiative among the management" was discovered. The field management had failed to check the daily tasks and the production of teams, and had "submerged itself in a sea of bureaucracy".

Apparently, despite a gradual improvement of the production situation in the oil fields of The Muntenia Oil Company, which now controls the interests of the most part of foreign petroleum corporations nationalized in Rumania in 1948, and in those of the Sovrom concern, the nationalized Rumanian oil industry is still very far from operating to entire satisfaction of its new masters.

A directive was issued by the Rumanian government ordering bonuses to be paid and more clothing ration cards issued as incentives to workers in an effort to alleviate the situation.

### C. Refining.

The Rumanian refining industry has a total daily intake capacity of over 280,000 barrels. With the exception of a number of large modern refineries, such as: "Astra-Romana" at Floesti (40,000 bbl.); "Concordia", at Floesti (31,000 bbl.); Petrol Block, Floesti ( 15,000 bbl.); Romana-Americana, at Teleajen (30,000 bbl.); "Steana-Romana" at Campina (34,000 bbl.); and "Onirea", Floesti; - there exist a considerable number of small refining installations, the intake capacities of which vary from 100 to 8,400 bbl. per day.

In addition a new refinery is now under construction at Moldova; where the construction of a cracking plant is also planned.

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**SECRET CONTROL U. S. OFFICIALS ONLY**Rumanian Refining Installations.

Below is given the list of various Rumanian refineries of a smaller importance.

<u>Company.</u>	<u>Location.</u>	<u>Daily Intake Capacity in U.S. 42 Galls. barrels.</u>
"Astra" Romana-Xenia S.A.	Floesti	6,000
"Carmen Petrol" S.A.	Targoviste	2,250
"Colombia" S.F.R.L.P.F.	Floesti	6,000
"Cometa" S.A.	Floesti	3,000
Creditul Minier S.A.	Baicoi	6,600
" "	Brazil-Prahova	8,400
" "	Dambrovitza	1,800
Dacioromano P.S.Ltd.	Floesti	4,000
" "	Floesti	3,500
Fratia	Floesti	3,200
Grigorescu J.	Targoviste	1,600
Industria de Petrol S.A.	Orsova	1,000
Noris	Floesti	1,300
Petrol Block S.A.	Bucarest	2,000
Petrolmana	Floesti	3,300
Petrolul Bucuresti	Bucarest	4,650
Petrol Latina	Floesti	1,200
"Photogen" S.A.	Brasov	1,350
Romana Pentru Industria	Bucarest	7,000
Rafinajul S.A.	Lamnia	7,000
Comertul Produselor Subsolului	Floesti	5,200
Romana-Africana	Floesti	4,800
Romana-Belgiana de Petrol	Ramnicul-Sarat	1,000
Rumanian Consolidated Oilfields	Targoviste	2,000
Soc. Generala Mine & Petrol	Dambrovitza	2,700
Spies Petroleum Co.Ltd.	Floesti	4,800
Steana-Romana S.A.	Moinesti	1,780
Titan	Bucarest	1,070
Venus R.	Sarat	1,460
Friedman J.	Dej.	800
Si Comertul Petrolului	Moinesti	600
Niculescu, Ciufo J.	Targoviste	650
"Petrol Block" S.A.	Buzau	500
Progresul	Tatarani	330
Rafinaria de Petrol "Titan"	Bucarest	400
Dumbrava	Targoviste	300

and several very small units having a daily intake capacity inferior to 200 barrels.

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Some of these installations had been dismantled and re-grouped after the nationalization of the Rumanian oil industry. At the present time Rumanian refineries are operating at an uncomplete intake capacity, as the present crude production is not sufficient to load them at their full refining capacity.

#### D. NATURAL GAS INDUSTRY.

The main Rumanian gasbearing areas are located in Transylvania, where their industrial exploitation is being carried out for a number of years. In addition, new important deposits of natural gas were discovered in 1949 in Northern Moldavia, and exploitation drilling was started in this region.

A mixed Soviet-Rumanian concern "The Sovrom Gas Company" has been created for the purpose of exploiting the natural gas resources of Rumania. The Soviet-Rumanian convention of 29th January has been ratified on 18th March 1949. This convention provides for the establishment of The Sovrom Gas Company. The company will explore, exploit, transport and distribute natural gas and its by-products. The U.S.S.R. will supply the installations, piping, machinery and various equipment needed by the new company, including building metal material and all the necessary material for the construction of the natural gas plant and other installations.

A new gas pipe-line linking the rich natural gasbearing area of Copsa-Mica with the Fraheva valley and Bucarest has been completed on 3rd January 1950.

Rumanian natural gas production reached 2,106,000 cubic meters in 1947, and, according to a report from Rumania, this production has much developed since the nationalization of the petroleum industry in 1948.

#### E. PIPE-LINES.

New Rumanian Five-year-Plan (1951-1955) provides for an improvement of the pipe-line network's capacity up to 2,600,000 tons of crude per year. The volume of oil to be transported by means of pipe-lines in 1955 would be 250 per cent greater than in 1950. In order to speed up the deliveries of Rumanian crude to the Soviet Union a pipe-line linking the Ploesti oil-producing area with Odessa would be laid. In addition a number of other pipe-lines would be constructed in Rumania during this period. Furthermore, with the development of the natural gas industry, several gas pipe-lines would be laid between the gas areas of Transylvania and Moldavia and the industrial centres of Rumania.

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**SECRET CONTROL U. S. OFFICIALS ONLY**Construction of Oil Tankers.

Small tonnage oil tankers of about 1,000 tons are being constructed now in the Sovrom transport shipyards at Iurnu-Severin and at the "1st May Shipyard" at Braila.

F. Exports.

Although, the major part of the Rumanian oil exports are being directed now towards the U.S.S.R., some of the satellite states begin to benefit by the imports of Rumanian petroleum products. Thus, for instance, in accord with the Rumanian-Polish goods exchange agreement for 1950, signed at Bucarest in January 1950, Rumania supplied Poland with various petroleum products. Shipments of oil products were also made from Rumania to Bulgaria and Albania, while the Rumanian-Czechoslovak trade agreement also specified the delivery to Czechoslovakia of Rumanian oil products.

G. IMMEDIATE PROSPECTS OF THE RUMANIAN OIL INDUSTRY.

In spite of all the difficulties encountered by the Rumanian government in the development of their recently nationalized petroleum industry and the non-fulfillment of the production plan quota for 1950, the crude production resumed its upward trend in Rumania, and there are reasons to expect a new increase of production for 1951, the first year of the Rumanian Five-Year Plan.

According to Horatiu Tanou, Rumanian Under-Secretary of State of Petroleum and Mining Industry, oil had been discovered in different new areas of Rumania, other than Prahova valley, which formerly was the major producing area. Apparently new rich crude reserves have been discovered and drilling, or even production, is under way in Moldavia, Ardeal, and Oltenia.

The Five-Year-Plan calls for the investment of 120 billion (120,000,000,000) lei in the nationalized petroleum industry.

In order to secure the further development of crude production a series of general measures will be taken by the Ministry of Petroleum and Mining Industry. Among these can be mentioned: the removal of drilling equipment worn out by heavy wear and its replacement by modern machinery; the establishment of record cards of equipment in operation; the organization of testing stands for drilling equipment, so that all equipment and tools delivered to the oil fields would be tested in 1951. Every well would be managed by a brigadier, who would be personally responsible for the drilling and for carrying out the work without accidents and breakdowns.

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Workers would be stimulated by titles and prizes for good quality work. The title "Brilliant Brigadier" would be awarded in two grades and every year bonuses amounting to one or two monthly salaries would be awarded. The position of "Head Brigadier" would be created, and he would receive a salary 15 per cent higher than the brigadier.

To improve working conditions, a fourth shift would be introduced by the end of 1951 in all oil wells, where work continued round the clock. Monthly clothes ration cards for workers would be issued. A great attention would be given to production problems and struggle against absenteeism, accidents and breakdowns.

According to the Rumanian Five-Year-Plan, the crude oil production ought to reach an annual total of 10,000,000 tons in 1955, what would mean more than a twofold increase, in comparison with 1950. It remains to be seen to what extent this plan quota would be fulfilled.

**III. HUNGARY.**

The oil production in Hungary dates of 1937 and since the beginning of their exploitation the Hungarian oil fields had yielded the following annual crude production: -

**CRUDE OIL PRODUCTION.**

<u>Year.</u>	<u>Metric Tons.</u>
1937-1938	- 45,214
1939	- 157,500
1940	- 268,700
1941	- 454,000
1942	- 716,100
1943	- 901,800
1944	- 872,000
1945	- 717,200
1946	- 735,000
1947	- 561,400
1948	- 588,600 *)
1949	- 620,000 *)
1950	- 590,000 *)

\*) Our best estimates.

The oilbearing areas of Hungary are situated in the vicinity of Lispe in the South-Western part of the country? During the war the German have taken over the control of the

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Hungarian oil fields and were exploiting them intensively. Since the end of the war, however, the crude production gradually decreased in Hungary, and this despite all the efforts made by the authorities in order to remedy this situation.

Hungary's Three-Year-Plan, announced in 1947, had a target of 660,000 tons of crude for its last year ending in August 1950. The actual production did not reach this total, as it can be seen from the above table. The yields increased in Hungarian oil fields during the first quarter of 1950 only by 3.3 per cent, in comparison with the corresponding period of 1949; but the production situation continued to decline during the second half of 1950, when the increase was only of 2.4 per cent, as against 1949.

The nationalized oil industry met with a number of technical difficulties, which it could not overcome, especially a very slow progress of drilling.

According to Zoltan Vas, President of the National Planning Office, in his address to a productive conference of the Budapest Workers Party organization on 5th January 1951: "It is well known, that our crude oil production is not progressing at all, and its decline can be observed to a certain extent. This is partly because we have not yet completely liquidated the drawbacks and consequences of the sabotage and have neglected the building up of cadres, and partly due to our lagging behind in exploration and drilling work. It would be sufficient to point out, that in Rumania the average speed of drilling is 60 percent higher than in Hungary. This means that with the same amount of equipment they achieve much better results."

On the whole, the operation of the Hungarian petroleum industry was unsatisfactory, and the crude production target was not reached in 1950. As it appears from official statements, the crude production even slightly decreased in 1950, in comparison with 1949. Such an unfavourable situation was mainly due to a very slow progress of exploitation drilling, and an insufficient development of exploration work and test drilling, as well as to the frequently reported so-called "sabotage cases", and the lack of trained technicians in Hungary.

Some improvement in the production situation is expected for 1951, following a number of measures taken by the Hungarian authorities in order to remedy the unsatisfactory conditions which prevailed in the petroleum industry during 1949-1950.

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**SECRET CONTROL U. S. OFFICIALS ONLY****B. Exploration.**

Investigations for oil were carried out in various regions of Hungary for a number of years, but, so far, no important discoveries were made.

Some recent reports ( December 1950- January 1951), however, spoke about interesting results obtained by the exploration work at a distance of about 150 kilometers in the Eastern direction of Budapest; namely in the Biharnagybajom area, in the Eastern section of the Hungarian plain.

Apparently, several wells have been already brought in, and Soviets officials would have visited the new oil-bearing area, in order to speed up its bringing into production. No crude production was known to exist in this region heretofore. Germans have undertaken some test drilling operations on both sides of the border between Rumania and Hungary across the border, in Rumania, but in a separate basin, are the gasbearing areas of Transylvania, whereas the main Rumanian oil fields are situated on the other side of the Carpathians. No official confirmation of this discovery was made as yet by the Hungarian authorities.

In order to intensify the development of the Hungarian petroleum industry, the Soviets have <sup>delivered</sup> ~~delivered~~ to Hungary certain quantities of modern technical equipment, such as drilling installations, etc.. Drilling of wells over 3,000 meters deep was reported from Hungary since 1949.

**Natural Gas Industry.**

In addition to the crude production, Hungary possesses important natural gas reserves, the exploitation of which is being now developed. No definite figures of natural gas production are available for the last years, whereas this production has reached 91,271,000 cubic meters in 1947.

**C. Refining.**

Prior to the nationalization of the petroleum industry, there existed in Hungary following refining installations: -

<u>Company.</u>	<u>Location.</u>	<u>Daily intake capacity in U.S. 42 Gallon barrels.</u>
Ungarische Mineraloel-fabriken A.G.	- Budapest	1,000
" "	- Satorjala Ujhelyj	280
Hazai Koolajipar R.I.	- Budapest	1,170
Ngirbogdanyer Petroleum Fabrik A.G.		280

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(Continued from page 13).

<u>Company</u>	<u>Location.</u>	<u>Daily intake Capacity in</u>	
		<u>U.S. 42 Gallons barrels.</u>	
Shell Mineraloel A?G?	Budapest -	2,300	
Szoreger Petroleumfabrik A.G.	Szoreg -	420	
Magyar Petroleum-Ipar Reszveny-Tarsasag	Budapest -	2,000	
Vacuum Oil Company	Almas Fuzito -	2,500	
<u>Total daily capacity</u>		<u>9,950</u>	<u>bb</u>

In addition to the above capacity, a new oil refinery of the "Maszolaj", the Hungarian-Soviet company, was put into operation at Szosnyi in September 1950. This refinery is supposed to be one of the most important achievements of the Hungarian Five Year Plan ( 1950 - 1954 ).

Summary of the Production Situation in Hungary.

Summing up, it should be emphasized that the Hungarian petroleum industry was working unsatisfactorily during the last two years (1949-1950), and thus had failed to fulfill the plan quotas for these years.

It is very likely, that the Soviets would strengthen their control over the Hungarian oil industry on the same lines as they have proceeded in Rumania and Albania, i.e., in sending their technicians to reorganize the industry, and in supplying modern drilling equipment and other machinery and tools in adequate numbers.

The experience of Rumania and Albania proved, that by means of drastic disciplinary measures, on the one hand, and with the help of a system of bonuses and prizes, on the other hand, certain improvements in the operation of oil industry could be obtained, and the crude production <sup>increased</sup> in both these countries, after a period of a general chaotic conditions ensuing the nationalization of their oil fields.

As regards the immediate future of the Hungarian petroleum industry, a reasonable increase of its crude production can be expected during the next few years, especially if the reports on the discovery of a new oilbearing area in the Eastern part of the Hungarian plain ( at Biharnagybajom ) receive a definite confirmation.

IV. ALBANIA.A. Production.

Small crude oil production began in Albania in 1926,

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but until 1939, when Albania has been occupied by Italians, the exploitation of its petroleum resources developed very slowly. Since the beginning of production and up to 31st December 1938 the Albanian oil fields had yielded a cumulative crude production of 295,300 tons. With the Italian occupation the development of the oilbearing areas in Albania was intensified as follows: -

CRUDE OIL PRODUCTION.

<u>Year.</u>	-	<u>Metric Tons.</u>
1939	-	133,400
1940	-	214,000
1941	-	197,300
1942	-	207,100
1943	-	102,100
1944	-	109,300
1945	-	107,100
1946	-	124,200
1947	-	198,500 */.
1948	-	278,600 */.
1949	-	323,400 */.
1950	-	414,000 */.

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\*/. Our best estimates.

According to official Albanian statements, the crude oil production reached in 1949 302 per cent of that of 1945, whereas a new increase by 28 per cent was obtained in 1950, in comparison with 1949.

Nevertheless, the targets of the production plan were not reached in 1950, nor in 1949. The failure to fulfill the plan quotas was commented by Enver Hoxha in his speech at the second National Conference of the Albanian Workers' party, on 10th April 1950 in the following terms: - "It is absolutely necessary to analyse the reasons which led to the failure to fulfill the crude oil production plan. In the oil fields, not only was the mobilisation uncomplete, but the activities of the enemy saboteurs were widespread, particularly in the Patos fields, to which the plan had assigned the greatest share of the work..." Such a statement by the head of the Albanian communists is self-sufficient to prove the existence of great difficulties in the management of the nationalized oil industry.

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Crude production target was achieved to the extent of 96 per cent during the first six months of 1950 by the Albanian oil industry. According to the Albanian Two-Year-Plan, crude production should have increased by 159 per cent within two years (1949-1950), and thus would have reached about 450,000 tons in 1950. However, the production situation began to improve late in 1950 and early in 1951, and a moderate increase of yields should be expected for 1951.

**Soviet Exploitation of Albanian Oil Resources.**

Since the end of the war and until 1948 the Albanian oil field had been controlled by a mixed Yugoslav-Albanian company, the activities of which were discontinued after the break out of the conflict between Belgrade and Moscow. Soviet technicians have taken over the management of the Albanian petroleum industry, and their influence continued to grow during the last two years.

In order to intensify the production in the Fatos oil area considerable amount of various modern drilling equipment and <sup>other</sup> oil machinery is being supplied by the U.S.S.R. to Albania. These shipments include: drilling installations, piping, compressors, pumps, cranes, derricks, etc.. Soviet technicians are introducing their production methods into the Albanian oil industry.

The construction of the new town of Fatos was started in 1950; this new industrial centre is located in the midst of the oil producing areas. Considerable number of Soviet petroleum engineers are working now in Albania. Albanian workers attend special professional training courses. The two-year-plan provides for the development and exploitation of the Fatos oil fields. The number of workers employed in this area is being much increased, and the housing accommodation for 900 families and 400 bachelor workers is under construction at Fatos.

Notwithstanding a number of technical difficulties, the development of crude production is carried out more or less satisfactorily since the end of 1950, and such an improvement of production situation is being officially explained by the important help provided by the Soviets, their technicians and deliveries of different installations and materials.

**Exports.**

Albania is now exporting crude oil and asphalt, and the major part of these exports goes to the Soviet Union, but

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since 1949, as a result of an Albanian-Polish trade agreement, some of Albanian crude is also being shipped to Poland via the port of Valona by means of Polish tankers. The importance of Albanian crude exports increased by 166 per cent in 1950, as compared to 1938.

In order to facilitate the oil exports from Albania, the construction of a 35 kilometers long pipe-line between Fieri and Valona, linking the Kucova-Fatos oil fields with the Adriatic coast has been started on 28th January 1949 under the direction of Soviet technicians; its operation began in June 1949, but the building of all the installations was completed only in October of the same year.

The Praesidium of the People's Assembly of Albania has decided in December 1950, that the town of Kucova should be renamed Stalin and a decree has been published by the Council of Ministers, according to which the Kucova-Fatos oil fields should be called Stalin Oil concern. The "de-facto" Soviet control over the Albanian oil industry has been thus officially consecrated.

Heretofore, only a few small refining units existed in Albania (Saranda and Delvino refineries), but a large refining installation is under construction at the present time, and its completion is expected for the end of 1951, what would permit of treating the entire Albanian crude in the country.

The Soviets thus succeeded to overcome considerable technical difficulties of exploitation of the nationalized Albanian oil fields, and, despite a strong national opposition, are striving to develop their crude production, the bulk of which they export via Valona to the U.S.S.R..

A further development of this production should be foreseen for the immediate future, as a result of the re-equipment of Albanian petroleum industry with modern drilling machinery and tools and the strengthening of the position of Soviet technicians in the country.

For the time being, however, the Albanian crude production would still remain of only a secondary importance, as its further development may require a number of years.

**V. AUSTRIA.**

First commercial quantities of oil were obtained in Austria in 1930, when exploitation drilling was organized at

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Zistersdorf. Since the beginning of exploitation and up to 31st December 1938 the Austrian oil fields yielded a cumulative production of 116,356 tons. The subsequent development of crude oil production in Austria progressed as follows:-

CRUDE OIL PRODUCTION.

<u>Year.</u>		<u>Metric Tons.</u>
1939	-	177,100
1940	-	401,100
1941	-	609,000
1942	-	845,700
1943	-	1,114,300
1944	-	1,394,200
1945	-	438,400
1946	-	805,100
1947	-	884,600 */.
1948	-	950,000 */.
1949	-	920,000 */.
1950	-	1,095,000 */.

\*/. Our best estimates.

As it can be seen from the above table, Germans had succeeded to develop the crude production in Austria to a considerable extent during the war. A sharp decline of yield followed in 1945, but with 1946, as a result of the reconstruction work, the crude production began to raise again. However, a new drop of yields of the Austrian oil fields took place in 1949.

Following the decline of production in the Zistersdorf oil fields, due to the gradual exhaustion of old exploited wells, the Soviet petroleum administration have undertaken the drilling of a number of new exploitation wells; 35 drilling units were working in 1950, instead of 7 rigs which were carrying out drilling operations at Zistersdorf earlier.

The decrease of crude production, which has taken place in 1949 was partly due to the lack of trained workers, after mass dismissals of non-communist personnel. The Soviet oil officials have been since conducting an intense recruiting campaign to obtain qualified personnel and engineers. According to some Austrian petroleum technicians, the Soviets are trying to reach the crude production figures of about 1,400,000 TONS, which the Germans have obtained in 1944, in concentrating their main efforts in the Zistersdorf area.

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Mass dismissal took place in the Lower Austrian oil district, where 540 workers were given notice in summer 1950 by the mixed Soviet companies, on the ground of the insufficiency of work for them. In fact, the dismissals are part of a campaign against non-communist workers, who are the first to be dismissed.

Exploration.

Investigations for petroleum are being undertaken by the Soviets in various areas of their occupation zone in Austria. Geological and geophysical research work and exploratory drilling operations are being carried out, for instance, at Eurenner, in the Wolkersdorf woods area, and in the vicinity of Duernkrut. In Burgenland, so far, only gas indications were discovered in a number of test wells, while no commercial accumulations of oil were encountered in this region.

The Soviet petroleum administration has organized in 1950 the exploitation of the Alderklaa area, situated in the Vienna basin. Heretofore this field was yielding only natural gas and bitumen in small quantities. According to unofficial reports filtering out of the closely guarded Soviet operation areas, one of the wells recently completed in this area yielded an initial daily crude production of an order of 70 tons. It appears that oil production is being obtained from horizons striking about two hundred meters below the gasbearing strata.

Some reports indicate that the Soviets now exploit a new oil field, located in about 13 kilometers to the North-East of Vienna, namely the Matzen field, situated on an oilbearing structure, which has been discovered before the war by the geologists of the Standard Oil Co. of New Jersey and Socony Vacuum Co.. A daily crude production of at least 1,000 tons is being mentioned for this area.

An apparently disastrous blowout has occurred at Matzen late in 1950. Reports from Vienna indicated that, oil and gas were erupting in this field at a height of 50 to 100 feet and that one of the derricks had caved in the hole. Heavy rains minimized the danger of fire, but Soviet enterprise guards formed a cordon around the blowout area. This blowout was caused as it seems, by a pipe burst due to a casing failure. It was said nothing could be done to halt the blowout and that the pressure would have to work off naturally.

Upper Austria.

Exploration work for petroleum is being organized in Upper Austria. The search for oil in this region was started in

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1948 by the Rohoel Gewinnung A.G. at the request of the Federal Geological Service. About 60 test wells had been drilled in this region up to the end of 1950, particularly at Bad Hall, between the Salzach and Matlig rivers, with results which have strengthened the belief in Austrian oil circles, that important accumulations of oil exist at great depth in this area.

Test drilling operations are also being undertaken in the Graz basin, where the discovery of oil is also being expected.

Exports.

According to the American estimates, approximately one half of the crude produced in the Zistersdorf fields in 1949 was exported to the U.S.S.R., and Austria was not paid for these exports, valued at about \$29,000,000, it was asserted. The exports of Austrian oil to the Soviet Union continued during 1950 to more or less the same extent as in 1949.

Refining.

The main Austrian refineries are situated in the vicinity of Vienna, namely at Vesendorf (Oesterreichische Petro A.G.), and at Florisdorf (Shell-Florisdorf Mineraloel Fabrik A.G.). Their initial capacities of 1,120 and 3,800 bbl. respectively, had been considerably increased by the Germans during the war.

Austria being not a "people's democracy", the Soviet control over the country's industry is more elastic, than in the case of their satellite states. Nevertheless, the Soviets are making great efforts in order to obtain from Austria the maximum amounts of oil they can secure by an intensified exploitation of the Zistersdorf fields and other oil producing areas.

The experience of the last five years shows, that they have thus obtained a considerable increase of crude production, which almost reached the topmost level of the war years (1943-1944). A new, if moderate raise of yields in the Austrian oil fields should be expected for 1951.

VI. CZECHOSLOVAKIA.

Small crude production had taken place in Czechoslovakia since 1913, and a cumulative total production of 343,642 tons was obtained between 1913 and 31st December 1938.

As it can be seen from the table below the Czechoslovak oil industry was working satisfactorily during the last two years (1949-1950), after a temporary decline of crude production between 1947 and 1949.

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Since 1939 the crude production developed in Czechoslovakia as follows:

Crude Oil Production.

<u>Year.</u>		<u>Metric Tons.</u>
1939	-	17,200
1940	-	23,300
1941	-	26,100
1942	-	38,700
1943	-	28,600
1944	-	26,400
1945	-	27,000
1946	-	29,000
1947	-	23,600
1948	-	21,100 */.
1949	-	30,000 */.
1950	-	39,000 */.

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\*/. Our best estimates.

The year 1950 was marked, however by a big fire, which had broken out in the Hodonin oil field, as a result of a gas explosion. There had been a subsidence of the soil and an oil derrick had collapsed, but there had been no casualties. The glow of this fire was seen from Vienna some 30 miles distant. The explosion was said to be of only local importance, and work work was continued elsewhere. A gas-well fire burned from 19th to 27th August 1950.

Exploration.

Early in 1950 Czechoslovak geologists have discovered a rich gas and oilbearing area at Malacky in Slovakia. Soviet geologists and engineers were sent to to this area at the request of the Prague government. In the opinion of these experts, the new oil field was a geological continuation of the Zistersdorf oilbearing structure. According to Belgrade, the Czechoslovak authorities and the Soviet Economic Commission in Prague reached an agreement, whereby oil produced at Malacky by the Soviet efforts will be sold to Czechoslovakia at "reduced price".

The development of new oil producing area in Slovakia would, naturally, contribute to a further increase of Czechoslovak crude production. In order to provide qualified labour in sufficient numbers a training centre for oil drillers has been opened in 1950 at Skalica.

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**SECRET CONTROL U. S. OFFICIALS ONLY****VII. POLAND.**

The exploitation of Polish oil fields was started in 1874, and their cumulative crude production since the beginning of development and up to 31 December 1938 reached a total of 35,660,756 tons.

The progress of crude production in Poland between 1939 and 1950 is shown in the table below:-

**Crude Oil Production.**

<u>Year.</u>		<u>Metric Tons.</u>
1939	-	556,800
1940	-	535,000
1941	-	474,000
1942	-	485,000
1943	-	500,000
1944	-	428,000
1945	-	110,300
1946	-	112,800
1947	-	123,800
1948	-	135,000 */.
1949	-	142,000 */.
1950	-	160,000 */.

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 \*/. Our best estimates.

The sharp decline of the Polish crude oil production in 1945 was due to the incorporation of the Eastern Galicia (Western Ukraine) into the Soviet Union. The only remaining oil producing area of Poland is located in Western Galicia (Krosno etc.), and its production is of minor importance.

The Three-Year-Plan (1947-1949) for oil drilling has been fulfilled ahead of schedule on the 4th July 1949, while oil industry of the Krosno region had completed its Three-Year-Plan for oil production on 29th September 1949. The plan target for 1950 was not reached, despite a new increase of production, as compared with 1949.

Under the long-term trade agreement between Poland and the U.S.S.R., the Soviets had delivered drilling equipment covering almost all Polish demand. Additional equipment, machinery and tools would be supplied to the Polish petroleum industry within the next five years. Poland has thus received modern drilling equipment for drilling to an average depth of 3,000 meters, derricks, pumps, cranes, various engines, etc.. The Soviet deliver

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also included equipment for oil and gas research units.

According to the Polish Six-Year-Plan (1950-1955), the crude production should reach 394,000 tons in 1955, the last year of the plan. New methods of drilling have been adopted thanks to new drilling equipment supplied by the U.S.S.R.

A gas pipe-line connecting the oil basin with Warsaw is now under construction and its completion is expected for the end of 1952. The natural gas will be used in the first place by Warsaw industrial enterprises; later on it will be also used as motor fuel.

Unless some new oilbearing areas are brought in, it is unlikely that the Polish crude production could be much developed in the near future, as the small old fields of the Krosno area are exhausted to a considerable extent, and Poland, so far, does not possess any important proven reserves.

**VIII. GENERAL SUMMARY AND CONCLUSIONS.**

With a total annual crude production of about 7,100,000 tons, the relative importance of the petroleum industries of satellite states (Central Europe) can be respectively summarized as follows: -

1. Rumania	-	4,800,000 tons	-	67.61 %
2. Hungary	-	600,000 "	-	8.45 %
3. Albania	-	400,000 "	-	5.63 %
4. Austria	-	1,100,000 "	-	15.49 %
5. Czechoslovakia		40,000 "	-	0.55 %
6. Poland	-	160,000 "	-	2.28 %

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Total :-            7,100,000 tons       -       100.00 %

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Among the above mentioned satellite states, Rumania and Albania are those, where the degree of the Soviet control over the petroleum industry is the greatest, and whose exports toward the U.S.S.R. are proportionally the most important. These are also the countries, where the Soviets succeeded to re-organize the oil industry, after a chaotic period of its nationalization, and thus to increase crude production during the last two years

Parallely to an intensive exploitation of the old oil fields in the satellite countries, investigations for petroleum

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had been undertaken by the Soviets in a number of their satellite states, and some new discoveries were recently made in Rumania, Hungary and Czechoslovakia. Thus, for instance new oilbearing areas were discovered in the valleys of Trotus and Cazlau rivers (Moldavia), and the industrial exploitation of these areas is being organized.

The production situation had been unfavourable in Hungary, and the crude production decreased in this country in 1950, if compared with 1949. According to some unofficial reports a new oilbearing area was discovered at Biharnagybajom, in the Eastern part of Hungarian plain.

In Czechoslovakia, where the crude production is only of a minor importance, a new oil field was brought in at Malacky (Slovakia) in 1949. Exploration work for oil is also being continued in Austria, but, so far, no definite results were obtained.

There exist a common feature in the development of petroleum industries in the satellite states, namely the Soviet efforts to intensify the exploitation of all the existing fields in order to increase the volume of oil exports of these countries to the Soviet Union. Such a policy is being carried out especially in Rumania, the main crude producer, where the domestic consumption of various petroleum products is the object of severe restrictions since 1949. With the actual crude production of about 4,800,000 tons, the Rumanian annual domestic consumption can be estimated at some 1,600,000 tons of crude produced, the remainder of which, or over 3,000,000 tons, is being exported to the U.S.S.R., Poland and other "people's democracies".

These exports can scarcely be increased in the immediate future, as, generally, the increase of production was, so far, being obtained in Rumania by means of an intensified exploitation of old oil fields (secondary production methods, etc.), which are, naturally, being gradually exhausted; thus that, a new development of crude production would depend upon the bringing in of new oilbearing areas (in Moldavia, for instance)

As regards the immediate prospects of petroleum industries of Central Europe, a reasonable forecast of their crude production for 1955 can be made as follows: Rumania - 7,000,000; Hungary - 750,000; Albania - 500,000; Austria - 1,400,000; Czechoslovakia - 60,000; Poland - 250,000. The figure for Rumania is much inferior in comparison with that of their Five Year-Plan (10,000,000 tons of crude in 1955), but <sup>it</sup> is very unlikely that this plan target would be reached in Rumania by 1955.

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