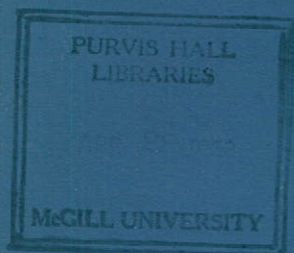


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# *Annual Report*

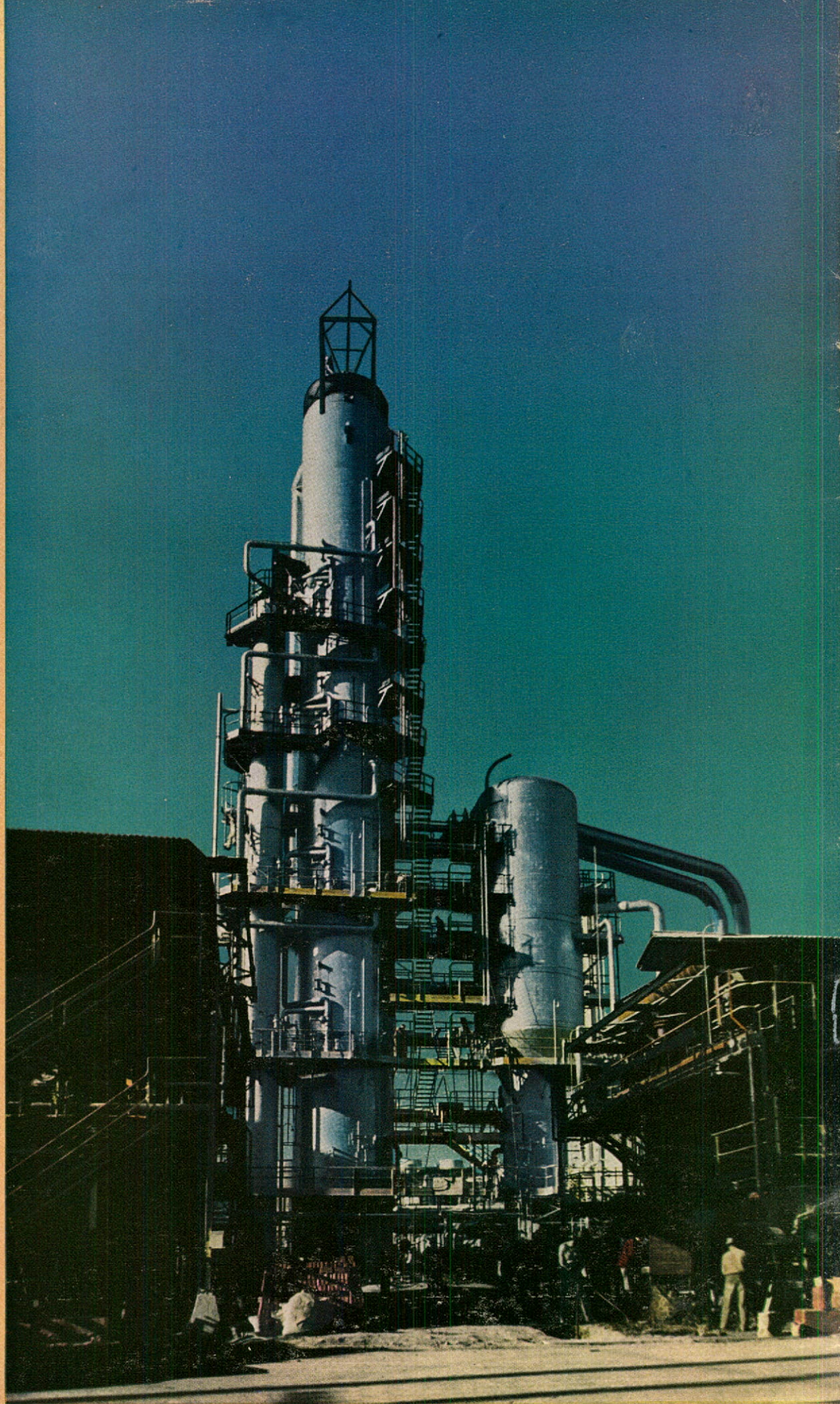
1947



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STANDARD OIL COMPANY OF CALIFORNIA

Construction view of new crude still, one of two identical units recently completed at the El Segundo and Richmond refineries



# A 1947 SUMMARY IN FIGURES

	Year 1947
CONSOLIDATED NET INCOME . . . . .	\$107,268,575
NET INCOME PER SHARE . . . . .	\$8.25
DIVIDENDS PER SHARE . . . . .	\$3.20

## REVENUES

Petroleum Sales . . . . .	\$506,771,179	
Other Sales and Operating Revenues . . . . .	23,360,488	
Dividends and Other Income . . . . .	17,870,054	
Total Revenues . . . . .		\$548,001,721

## EXPENSES

Taxes (Excluding Consumer Taxes of \$79,848,136) . . . . .	\$ 38,068,538	
Wages and Salaries (Excluding Construction) . . . . .	93,194,896	
Purchased Crude Oil, Products and Merchandise . . . . .	144,190,401	
Other Operating Costs . . . . .	113,259,225	
Allowance for Plant Wear and Tear and for Oil and Gas Taken from Reserves . . . . .	44,910,856	
Miscellaneous Expense . . . . .	2,109,230	
Provision for Loss on Exploratory Activities in Foreign Countries . . . . .	5,000,000	
Total Expenses . . . . .		\$440,733,146

## PRODUCING, REFINING, SALES

		Increase Over 1946
Oil and Gas Wells Drilled . . . . .	453 Producers	9.7%
Crude Oil Production - California . . . . .	63,580,090 Barrels	5.3%
Crude Oil Production - Other States . . . . .	32,452,351 Barrels	28.5%
Total Domestic Crude Oil Production . . . . .	96,032,441 Barrels	12.2%
Crude Oil Refined . . . . .	98,748,966 Barrels	11.5%
Crude Oil and Products Sold . . . . .	149,626,016 Barrels	16.3%
Natural Gas Sold . . . . .	92,632,760 1,000 Cu. Ft.	11.2%

STANDARD OIL COMPANY OF CALIFORNIA  
(Incorporated in Delaware)

## Board of Directors

HILLYER BROWN

F. S. BRYANT

H. D. COLLIER

R. G. FOLLIS

A. N. KEMP

GAGE LUND

ATHOLL McBEAN

ROBERT W. MILLER

T. S. PETERSEN

PAUL PIGOTT

R. C. STONER

## Officers

H. D. COLLIER  
*Chairman of the Board*

R. G. FOLLIS  
*Vice-Chairman of the Board*

T. S. PETERSEN  
*President*

HILLYER BROWN, *Vice-President*

F. S. BRYANT, *Vice-President*

G. A. DAVIDSON, *Vice-President*

P. L. FAHRNEY, *Vice-President*

C. E. FINNEY, JR., *Vice-President*

B. W. LETCHER, *Vice-President*

E. J. McCLANAHAN, *Vice-President*

G. J. O'BRIEN, *Vice-President* (Los Angeles)

R. C. STONER, *Vice-President*

G. M. FOSTER, *Secretary*

H. C. JUDD, *Treasurer*

W. L. GREEN, *Assistant Secretary*

E. R. PETERSON, *Assistant Secretary*

H. L. SEVERANCE, *Assistant Secretary*

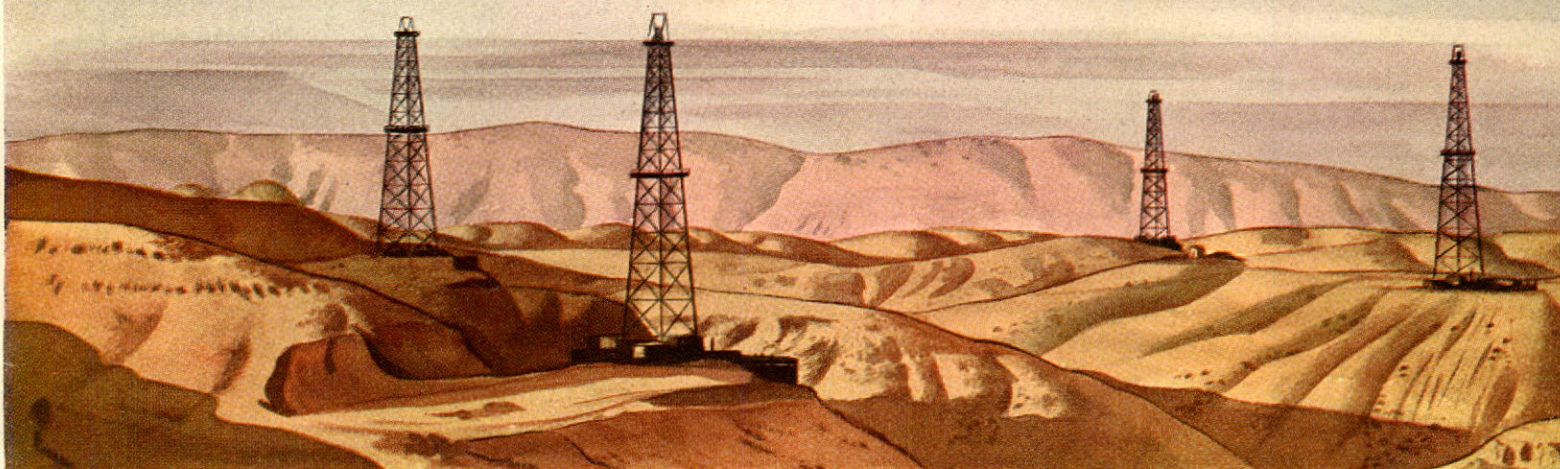
T. C. COLEMAN, *Assistant Treasurer*

S. W. SELFRIDGE, *Assistant Treasurer*

**TRANSFER AGENTS:** Standard Oil Company of California, Standard Oil Building, San Francisco 20, California; The Chase National Bank of the City of New York, 11 Broad Street, New York 15, N. Y.

**REGISTRARS:** The Anglo California National Bank of San Francisco, 1 Sansome Street, San Francisco 20, California; The National City Bank of New York, 55 Wall Street, New York 15, N. Y.

*Annual Meeting of Stockholders: First Thursday in May, at the Company's principal office, Standard Oil Building, 225 Bush Street, San Francisco, California*



# A N N U A L R E P O R T . . . 1 9 4 7

*To the 90,850 Stockholders of this Company:* The year 1947 saw the world-wide demand for oil products increase to the highest level in history, exceeding even that of the war years.

Standard of California, in common with the entire industry, faced a situation calling for the utmost effort to keep the supply in balance with demand.

While earnings increased, this was likewise true of expenditures for new plants and facilities. These expenditures were for the purpose of strengthening the Company's present and future ability to serve the expanding market.

A review of the Company's business during 1947 is presented following this summary of principal features:

## EARNINGS

*Consolidated net income for 1947 was \$107,268,575, equal to \$8.25 per share of stock, compared with \$66,956,611, or \$5.15 per share, in 1946. Included in the 1947 earnings are dividends from foreign associates amounting to \$11,905,323 after taxes, representing \$.92 per share of our net income.*

*Dividend payments to our stockholders were 65 cents per share in the first quarterly period,*

*and 85 cents per share in each of the succeeding quarters. (In the first quarter of 1948 a dividend of \$1.00 per share was paid.)*

## CAPITAL OUTLAYS

*Domestic capital expenditures exceeded \$133,000,000. In addition, more than \$15,000,000 was spent on exploration activities and charged to expense. These capital outlays were financed principally with funds derived from operations.*

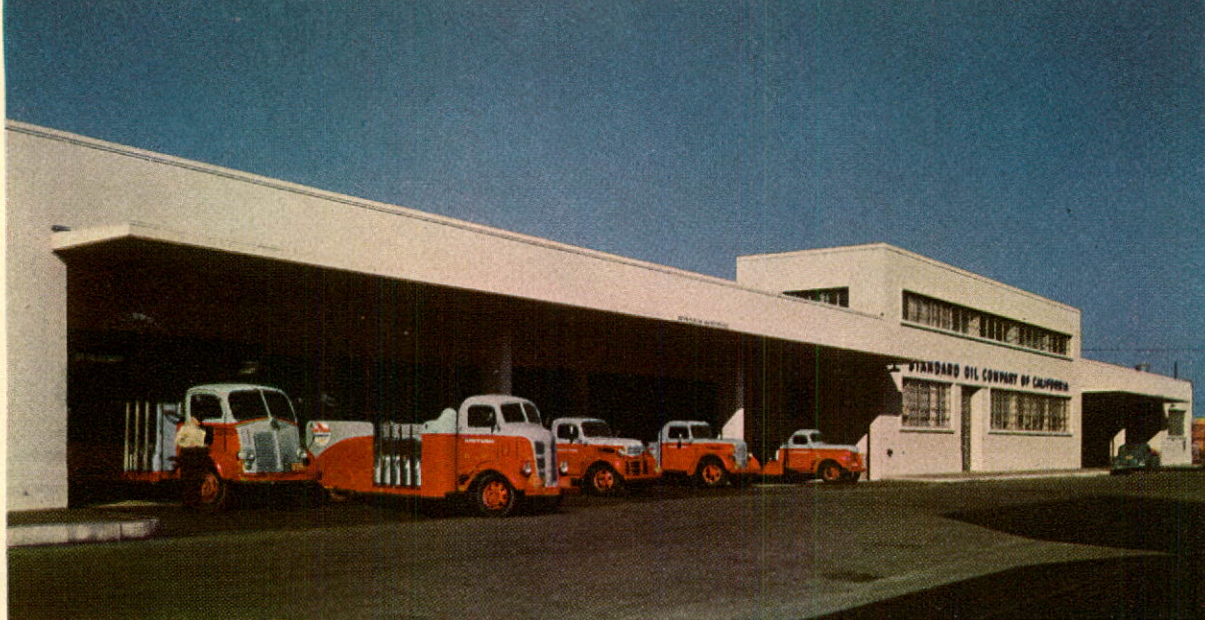
## DOMESTIC OPERATIONS

*Gross domestic crude oil production averaged 263,103 barrels per day, a 12% increase over 1946. Total gross production for 1947 was 96,032,441 barrels and the net, after royalty deductions, was 89,295,750 barrels. The Company's position as the third largest oil producer in the United States was maintained.*

*Near capacity operations prevailed in all phases of manufacturing and marketing activities.*

## FOREIGN OPERATIONS

*The importance of our oil interests in the Middle East became more evident with a great expansion in activities of Arabian American Oil Company, The Bahrain Petroleum Company Limited, the Caltex group of marketing companies and*



*Loading platform of new warehouse and distribution terminal at San Francisco, one of many improved marketing facilities.*

*other enterprises in which we hold substantial interests.*

*Standard of California undertook Middle East operations 18 years ago and, during the intervening years, advanced many millions of dollars to support these ventures. Final repayment of sums previously advanced for Middle East activities was accomplished in 1947, when Arabian American retired its debt to us of approximately \$40,000,000.*

A program of new facilities and increased oil production was well under way in 1947. This contributed materially to the Company's ability to take care of its customers during this period of high demand. Our sales activities reflected the fact that the Pacific Coast, our principal marketing region, has been growing in recent years at a rate far ahead of the average for the nation.

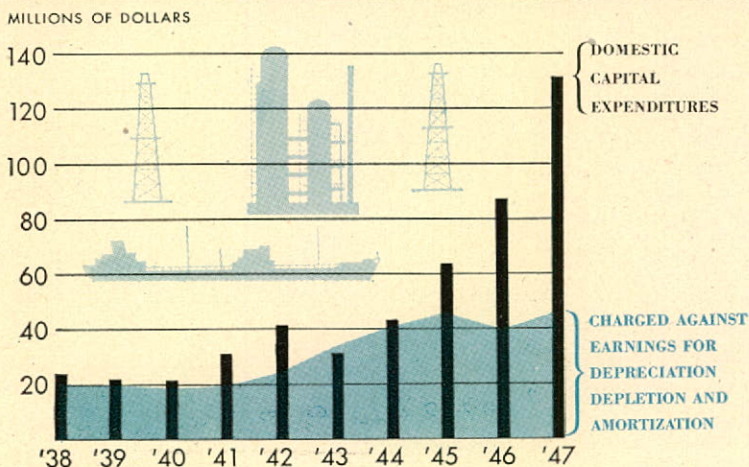
Expenditures for producing activities represented 44% of the total domestic capital outlays. The remainder was expended for a wide range of purposes, including additional refining units and other processing plants, warehouses and packaging plants, tankers, trucks, pipe lines, bulk terminals, marketing facilities and expanded research laboratories.

A factor to be considered in connection with our capital outlays is the extent to which these expenditures exceed the amounts currently charged against earnings for depreciation, depletion and amortization. Those amounts, based upon book values for existing properties, now fall far short of representing the new investment required to make replacements at the higher costs prevailing under current conditions. Additions to capacity also are needed. It follows, therefore, that a substantial portion of our current income is needed for reinvestment in the business to take care of our requirements for new facilities.

While it is expected that capital expenditures in 1948 will still be considerable, it is not anticipated that any new financing arrangements will be required. A balance of \$60,000,000 remains available to us under a \$75,000,000 bank credit arranged in 1946. In accordance with the credit agreement, the Company will elect on or before June 1, 1948, whether to draw on the balance and convert to a term loan.

#### CRUDE OIL PRODUCTION

The higher volume of production was directly related to our accelerated exploration and drilling program in recent years and to a continuance of



**Domestic Capital Expenditures compared with Depreciation, Depletion and Amortization**

efforts to obtain the maximum output consistent with good engineering practice.

The Company and domestic subsidiaries drilled 520 wells, resulting in 439 oil producers, 14 gas wells and 67 dry holes.

In California we remained the largest single producer, with more than 19 per cent of the total for the State. Production in this area benefited principally from development of and extensions to existing fields. We also continued to maintain a strong position in exploratory effort. An exploratory well, at Middle Dome, Kettleman Hills, made successful tests of a new deep zone and gave promise of opening a new producing horizon in this area.

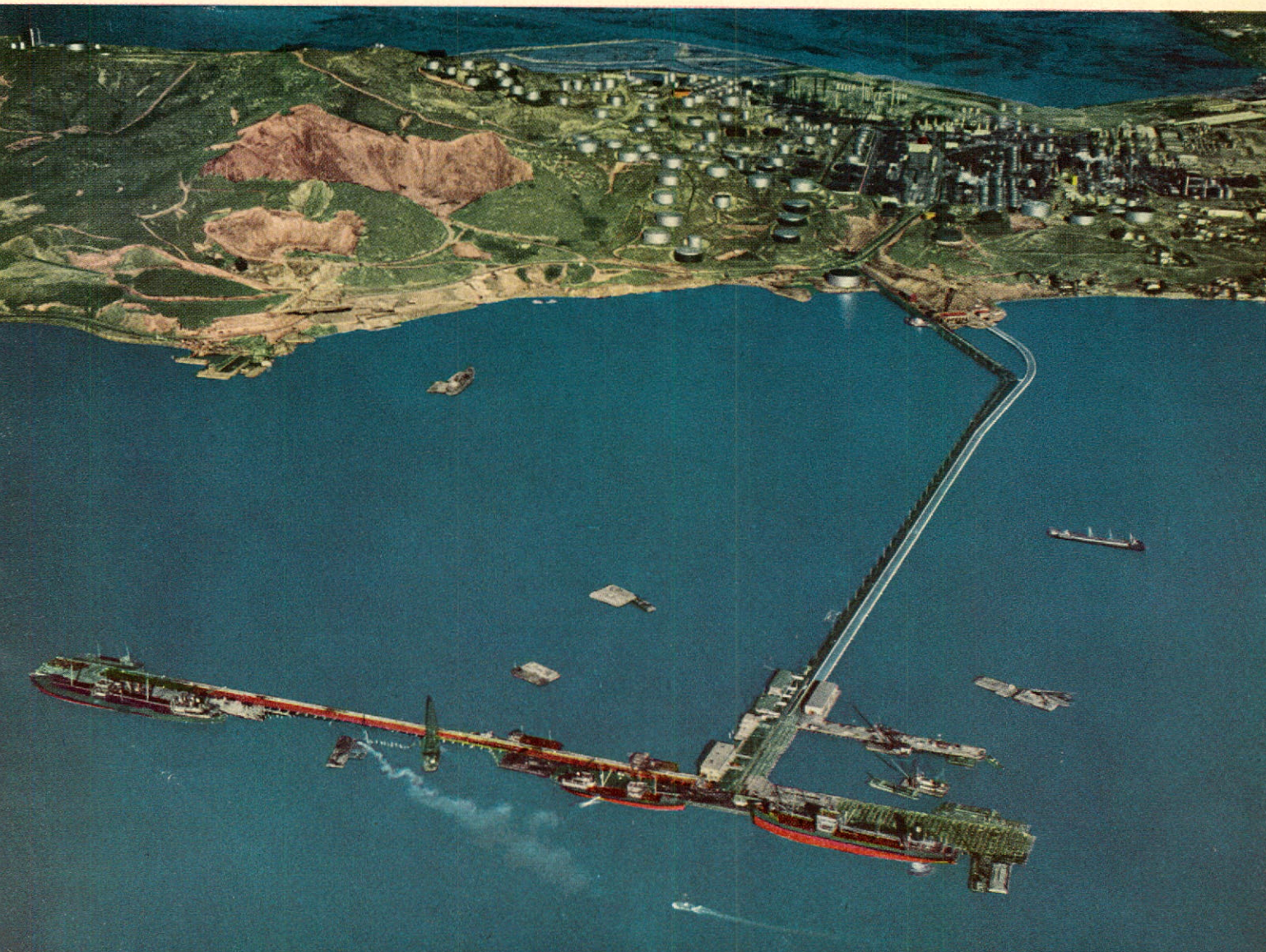
Outstanding, however, with respect to domestic production was the increase achieved by wholly owned subsidiaries east of the Pacific Coast area. These subsidiaries, The California Company and

Standard Oil Company of Texas, were averaging more than 100,000 barrels daily at the end of the year, compared with 80,000 at the end of 1946. At the current rate they are accounting for more than a third of our total domestic crude oil production. Several new discoveries were made by these companies, along with further development of known areas.

The California Company began operation of two new cycling plants, at Lake St. John field in Louisiana and Cranfield field in Mississippi. This subsidiary has more than a three-fourths interest in each plant, under unitization plans whereby the various operators share in the production in proportion to their holdings in the fields. Standard of Texas shares in a cycling operation in the Sejita field, Texas.

Cycling consists of treating gas for removal of its liquid contents and returning the gas through

*Long Wharf at Richmond Refinery, rebuilt and modernized, including new truck causeway and added berthing space.*

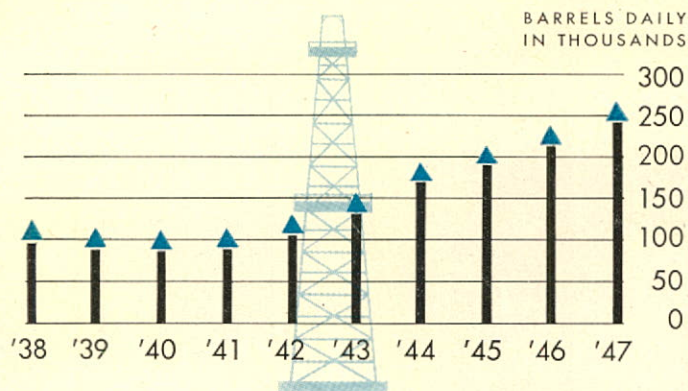


# FIVE YEARS OF FIGURES

## PARENT COMPANY AND DOMESTIC SUBSIDIARIES

<i>Operating Data</i>	1943	1944	1945	1946	1947
Gross Production of Crude Oil (including royalty) — (barrels):					
California . . . . .	49,670,951	57,890,573	63,292,944	60,366,064	63,580,090
Other Domestic . . . . .	6,983,432	10,291,759	16,047,625	25,261,670	32,452,351
Total . . . . .	56,654,383	68,182,332	79,340,569	85,627,734	96,032,441
Purchases of Crude Oil (excluding royalty) — (barrels):					
California . . . . .	38,644,162	37,893,391	33,367,787	34,097,251	39,545,691
Other Domestic . . . . .	4,733,891	6,444,687	7,308,847	10,010,945	13,610,035
Total . . . . .	43,378,053	44,338,078	40,676,634	44,108,196	53,155,726
Number of Oil and Gas Wells Drilled— (producers) . . . . .	303	384	440	413	453
Production of Natural Gas and Natural Gasoline (including royalty):					
Natural Gas — (1,000 cu. ft.) . . . .	124,573,239	141,295,838	145,334,130	130,629,286	141,523,656
Natural Gasoline — (barrels) . . . .	3,426,982	3,958,163	4,091,979	3,788,671	4,289,179
Pipe Line Runs of Crude Oil and Products — (barrels) . . . . .	139,787,353	154,811,371	157,931,765	150,125,382	155,958,377
Refinery Runs of Crude Oil — (barrels) .	82,311,528	89,407,264	93,343,802	88,585,680	98,748,966
Sales of Crude Oil and Products — (barrels) . . . . .	106,667,146	116,020,355	123,135,537	128,637,092	149,626,016
Sales of Natural Gas — (1,000 cu. ft.) .	92,934,071	102,934,682	90,571,132	83,333,510	92,632,760
Inventories of Crude Oil and Products at End of Year — (barrels) . . . . .	26,365,523	24,176,599	22,214,888	24,060,530	24,597,561
Total Payroll (including construction payroll) . . . . .	\$57,939,162	\$65,473,863	\$69,197,986	\$82,195,642	\$102,961,793
Number of Employees at End of Year . .	20,448	22,102	24,917	26,278	29,432
Number of Stockholders at End of Year .	76,797	83,281	87,260	89,313	90,850
<i>Properties and Facilities at End of Year</i>					
Acreage of Oil and Gas Properties . . .	2,567,244	2,979,666	3,068,584	3,630,517	4,091,019
Number of Producing Oil and Gas Wells:					
California . . . . .	3,541	3,707	3,936	4,138	4,316
Other Domestic . . . . .	517	592	732	853	1,119
Total . . . . .	4,058	4,299	4,668	4,991	5,435
Number of Seagoing Vessels . . . . .	16	15	12	14	17
Number of Inland Craft . . . . .	18	18	18	20	17
Number of Natural Gasoline Plants . . .	18	20	19	19	18
Pipe Lines — (miles):					
Trunk Lines* . . . . .	688	666	666	679	777
Branch Lines . . . . .	61	66	66	72	74
Gathering Lines . . . . .	633	684	710	683	737

\* Includes 177 miles of leased line in the first three years.



## Gross Domestic Crude Oil Production

injection wells to maintain underground pressure. This is a highly effective conservation measure, because it prolongs the life of a field and greatly increases the total yield.

Standard of California is engaged in projects elsewhere with the same objective of conservation. The Company is participating with other producers in the unit operation of various fields in the San Joaquin Valley, California, and is working out several additional unitization plans in that area.

### MANUFACTURING

Domestic refineries processed an average of 270,545 barrels daily of crude oil in 1947, an increase of 11% over 1946. Helping to make this increase possible was, first, completion of some of the long-range projects for expanding and modernizing refining operations; and, second, the intensive use of facilities already heavily pressed to meet the high demand for all products.

As part of the long-range program, additional large crude oil distillation units at Richmond and El Segundo refineries and a light oil solvent refining plant at El Segundo were completed and placed in operation.

The increased requirement for lubricating oils, greases, and specialty products necessitated enlargement of the program for packaging, warehousing and lubricant manufacturing operations.

Facilities for the manufacture of petroleum chemicals at Richmond were enlarged, the major additions relating to production of a detergent, or cleansing agent, for national distribution to soap companies.

At Portland a new asphalt refinery was completed and put into operation by California Asphalt Corporation, a wholly owned subsidiary.

Bakersfield refinery is to be expanded to twice its present processing capacity, principally to

serve the growing market in the San Joaquin Valley region.

A new refinery is under construction at Salt Lake City to process Rocky Mountain crude oil which will be brought from Rangely field, in western Colorado, by a 181-mile pipe line. Completion of these projects in 1948 will make possible expanded production and processing of Rangely oil to serve a wider market.

### MARKETING

Along with the increased volume of demand for products during the year, important shifts took place in customer requirements, particularly with respect to Diesel fuels and heating oils. Dieselization of western railroads was a factor, as well as a marked increase in the use of oil for home heating. Products for these purposes were improved to serve their specific uses more effectively.

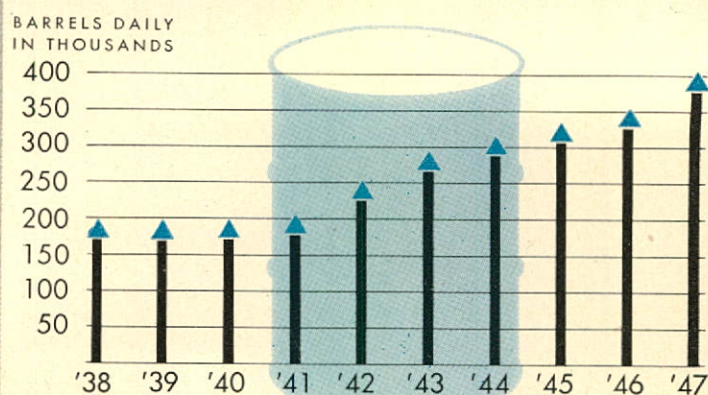
In addition to the accelerated pace of operations in the Western States, expansion took place in the Alaskan and Hawaiian markets.

In the North Atlantic States our subsidiary, The California Oil Company, has increased sales in less than two years to a level which now takes the entire output of the refinery at Perth Amboy, New Jersey, operated by California Refining Company, in which we hold a 55% interest.

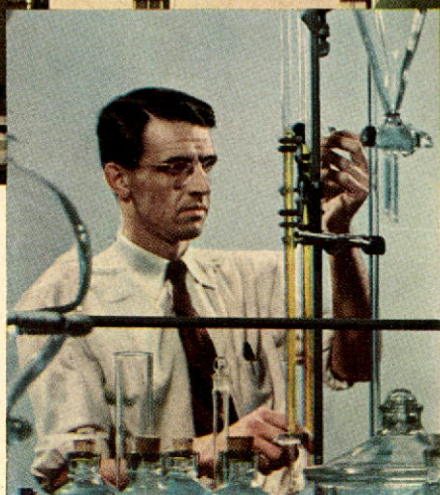
### FOREIGN OPERATIONS

*Eastern Hemisphere:* Standard of California's participation in Middle Eastern oil operations began with exploration activities in 1930. Since that time, vast oil reserves have been discovered, refineries built, a tanker fleet acquired and an extensive marketing system developed.

Standard of California's Eastern Hemisphere



## SALES OF CRUDE OIL AND PRODUCTS



*Main research laboratory building at Richmond. New facilities were provided here and also at El Segundo and La Habra.*

affiliates are producing and refining oil on Bahrein Island and in Saudi Arabia. Other affiliates transport products to almost every important country in the Eastern Hemisphere, where marketing companies distribute the products. These Eastern Hemisphere operations comprise one of the major, well-integrated groups of oil companies in foreign countries.

Arabian American Oil Company, currently producing over 300,000 barrels daily and refining about 125,000 barrels per day in Saudi Arabia, is owned jointly by Standard of California and The Texas Company. Arabian American entered into contracts in 1947 with Standard Oil Company (New Jersey) and Socony-Vacuum Oil Company, Inc., permitting their future acquisition of 30% and 10% respective stock interests in Arabian American. Because certain legal matters must first be disposed of, this stock purchase has not as yet been consummated. Meanwhile, these companies have begun to purchase large quantities of crude oil and products from Arabian American.

Trans-Arabian Pipe Line Company, also jointly owned by our Company and The Texas Company, has begun construction of a pipe line with a capacity of 330,000 barrels per day from the oil fields of Saudi Arabia to the Mediterranean Sea.

Standard of New Jersey and Socony-Vacuum have contracts permitting acquisition of stock interests in the pipe line company in the same proportions as in Arabian American.

For construction purposes Trans-Arabian Pipe Line Company arranged a \$125,000,000 loan from insurance companies and drew \$45,000,000 of this sum in 1947. The loan is guaranteed 30% each by Standard of California, The Texas Company and Standard of New Jersey, and 10% by Socony-Vacuum. Present indications are that the final cost of the pipe line will materially exceed the loan, due to increases in construction costs.

Problems resulting from the political disturbances in Palestine have retarded construction of the western end of the pipe line but work is going forward on the eastern end in Saudi Arabia. This project is of great importance to the development of adequate oil supplies for world needs and, because it will assist in relieving the present drain on Western Hemisphere supplies shipped to Europe, it has a large bearing on the future availability of oil to the people of the United States.

Other Eastern Hemisphere interests which we share equally with The Texas Company include The Bahrein Petroleum Company Limited, the Caltex group of marketing companies, Overseas

Tankship Corporation and Netherlands Pacific Petroleum Company.

The Bahrein company is currently producing 28,000 barrels per day and refining 135,000 barrels daily on Bahrein Island.

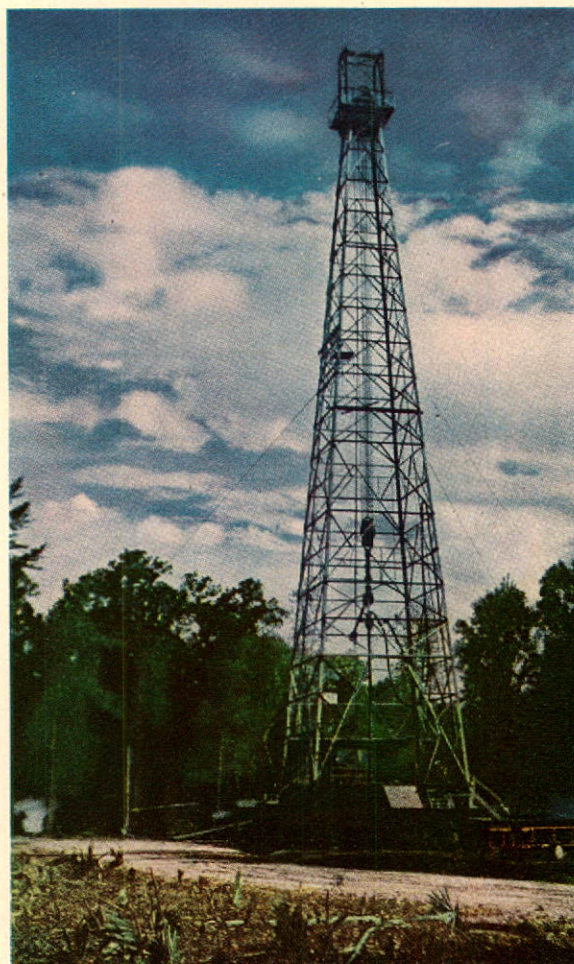
The Caltex companies have been distributing products "East of Suez" since 1936. Early in 1947, "West of Suez" marketing facilities in Europe and the Mediterranean area, owned by The Texas Company, were acquired by Caltex.

Operations of the Caltex companies are expanding rapidly. Plans are under way for building a refinery in Holland with a capacity of 20,000 barrels per day, for reconstructing a French refinery to process 13,000 barrels daily, and for 50% participation in an Eastern Mediterranean refinery with a daily capacity of 75,000 barrels.

Dividends were received last year from Arabian American, Bahrein Petroleum, and Overseas Tankship amounting to \$13,617,365. In addition, Arabian American repaid in full its indebtedness of \$39,882,621 to our Company and a subsidiary.

The tanker fleet of Overseas Tankship was expanded during the year. That company now operates 32 owned vessels and 8 others have been purchased for 1948 delivery. The number of tankers available for transportation of crude oil and products has a material bearing on the production level in the Middle East.

No operations were undertaken in Sumatra in



Well in Cranfield field, Mississippi, drilled by The California Company, one of the domestic subsidiaries contributing heavily to production of oil.

*Middle East operations expanded greatly in all phases — producing, refining and marketing. Scene shows Arab driver hauling oil well casing to a field in Saudi Arabia.*



# Standard Oil Company of California

## Name of Company and Principal Business

## Principal Areas of Operation and Company Voting Interest (%)

### UNITED STATES

STANDARD OIL COMPANY OF CALIFORNIA . . . . .	Exploration, Producing, Transporting, Refining and Marketing
STANDARD STATIONS, INC. . . . .	Service Station Management
SIGNAL OIL COMPANY . . . . .	Marketing
ORONITE CHEMICAL COMPANY . . . . .	Chemicals
CALIFORNIA SPRAY-CHEMICAL CORPORATION . . . . .	Agricultural Sprays
AMERICAN BITUMULS COMPANY . . . . .	Asphalt Emulsions, Asphalts, Oils, etc.
PACIFIC PUBLIC SERVICE COMPANY . . . . .	This Company and Subsidiaries Produce, Transport and Market Gas, Electricity and Bottled Waters
HUNTINGTON BEACH COMPANY . . . . .	Oil Royalties and Land
MURVALE OIL COMPANY . . . . .	Producing
STANDARD PIPE LINE COMPANY . . . . .	Oil Transportation
STANDARD GAS COMPANY . . . . .	Oil and Gas Transportation
CALIFORNIA RESEARCH CORPORATION . . . . .	Research and Development
CALIFORNIA ASPHALT CORPORATION . . . . .	Refining Asphalt Products
THE CALIFORNIA COMPANY . . . . .	Exploration, Producing and Marketing
THE CALIFORNIA OIL COMPANY . . . . .	Manufacturing, Marketing and Marine Transportation
STANDARD OIL COMPANY OF TEXAS . . . . .	Exploration, Producing, Refining and Marketing
PASOTEX PIPE LINE COMPANY . . . . .	Oil Transportation
COL-TEX REFINING COMPANY . . . . .	Producing, Refining and Marketing
CALIFORNIA COMMERCIAL COMPANY, INC. . . . .	Service Company
SALT LAKE PIPE LINE COMPANY . . . . .	Oil Transportation (Line Under Construction)
AMERICAN GILSONITE COMPANY . . . . .	Gilsonite
CALIFORNIA REFINING COMPANY . . . . .	Refining

California, Washington, Oregon, Arizona, Nevada, Idaho, Utah, Hawaii and Alaska . . . . .	-----
Seven Western States (see above) . . . . .	100
California, Washington, Oregon, Arizona, Nevada and Idaho . . . . .	100
California . . . . .	100
United States and Foreign . . . . .	60
United States and Puerto Rico . . . . .	99.20
California . . . . .	48.12
California . . . . .	63.57
California . . . . .	100
California . . . . .	100
California . . . . .	100
California . . . . .	100
Oregon . . . . .	100
Rocky Mountain, Central and Southeastern States . . . . .	100
Eastern United States and Louisiana . . . . .	100
Texas and New Mexico . . . . .	100
Texas . . . . .	100
Texas . . . . .	62.50
New York and Washington, D. C. . . . .	100
Utah and Colorado . . . . .	100
Utah . . . . .	50
New Jersey . . . . .	55

### CANADA

STANDARD OIL COMPANY OF BRITISH COLUMBIA LIMITED . . . . .	Refining and Marketing
THE CALIFORNIA STANDARD COMPANY . . . . .	Exploration and Producing

Western Canada . . . . .	100
Alberta, Canada . . . . .	100

### CENTRAL AND SOUTH AMERICA

COMPANIA COMERCIAL CALIFORNIA, S. A. . . . .	Service and Marketing
CALIFORNIA STANDARD OIL COMPANY . . . . .	Marketing
RICHMOND PETROLEUM COMPANY OF CALIFORNIA . . . . .	Exploration Management
RICHMOND PETROLEUM COMPANY OF COLOMBIA . . . . .	Exploration
RICHMOND EXPLORATION COMPANY . . . . .	Exploration
CORO PETROLEUM COMPANY . . . . .	Exploration
CALIFORNIA PETROLEUM EXPLORATION COMPANY . . . . .	Exploration

Mexico . . . . .	100
Guatemala and El Salvador . . . . .	100
South America . . . . .	100
Colombia . . . . .	100
Venezuela . . . . .	100
Venezuela . . . . .	50
Venezuela . . . . .	100

### MIDDLE EAST AND FAR EAST

AMERICAN OVERSEAS PETROLEUM COMPANY . . . . .	Exploration Management
ARABIAN AMERICAN OIL COMPANY . . . . .	Exploration, Producing and Refining
TRANS-ARABIAN PIPE LINE COMPANY . . . . .	Oil Transportation (Line Under Construction)
THE BAHREIN PETROLEUM COMPANY LIMITED . . . . .	Exploration, Producing and Refining
N. V. NEDERLANDSCHE PACIFIC PETROLEUM MAATSCHAPPIJ . . . . .	Exploration

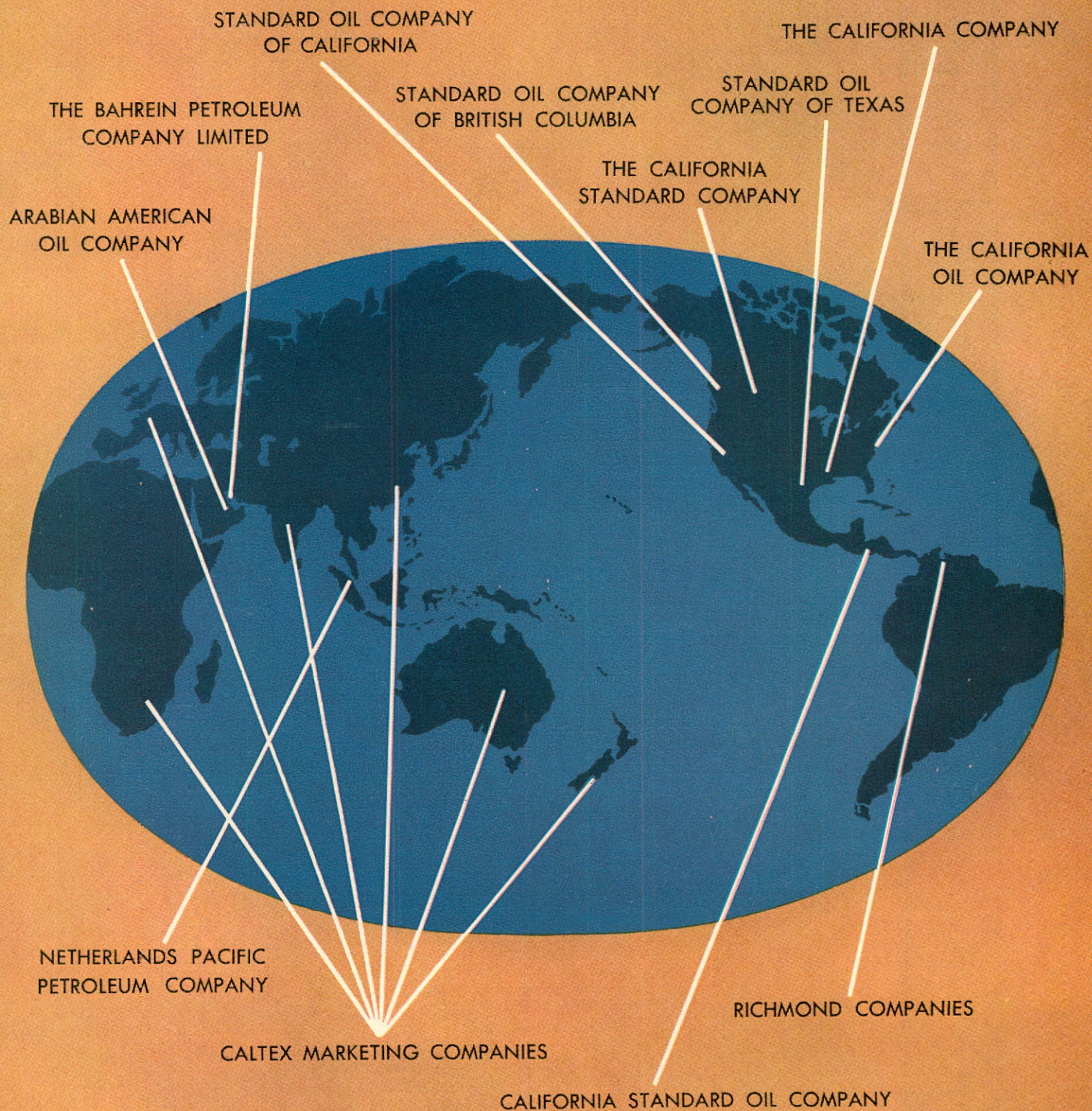
Netherlands East Indies . . . . .	50
Saudi Arabia . . . . .	(See page 8 of this report)
Middle East . . . . .	
Bahrein Island (Persian Gulf) . . . . .	50
Netherlands East Indies . . . . .	50

### OTHER FOREIGN AREAS

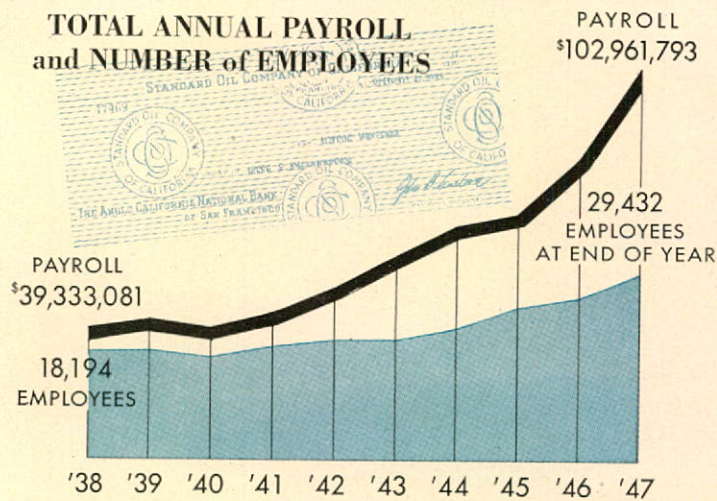
INTERNATIONAL BITUMEN EMULSIONS CORPORATION . . . . .	Asphalt Emulsions
FOREIGN TANKSHIP CORPORATION . . . . .	Marine Transportation
OVERSEAS TANKSHIP CORPORATION . . . . .	Marine Transportation
FAR EASTERN PETROLEUM COMPANY LIMITED . . . . .	Investments
CALIFORNIA TEXAS OIL COMPANY, LIMITED . . . . .	Management of Marketing Affiliates
UNITED OVERSEAS PETROLEUM COMPANY LIMITED . . . . .	Service Company
CALIFORNIA TEXAS CORPORATION . . . . .	Owns Stocks

North and South America and Far East . . . . .	100
Foreign Commerce . . . . .	100
Foreign Commerce . . . . .	50
Bahama Islands . . . . .	100
Eastern Hemisphere . . . . .	50
England and Egypt . . . . .	50
Subsidiaries of this Company market throughout the Eastern Hemisphere except in Russia, Central Europe and portions of West Africa.	50

# AND SUBSIDIARY, AFFILIATED AND ASSOCIATED COMPANIES



# TOTAL ANNUAL PAYROLL and NUMBER of EMPLOYEES



1947 by the Netherlands Pacific Petroleum Company, but activities will be resumed in that area as soon as political conditions permit.

These Eastern Hemisphere affiliates represent a very substantial operation in the foreign oil industry and, to maintain their important competitive position, large additional capital outlays must be made. The affiliates plan to finance this expansion without calling upon the parent companies for advances, although some assistance may be required in arranging for additional funds to complete the Trans-Arabian pipe line.

Eastern Hemisphere demand for oil now exceeds prewar demand. It has been estimated that by 1951 the requirements will be one-third higher than they are now. This increase, together with much of the requirements now supplied from the Western Hemisphere, must be met largely by the oil fields in the Middle East.

*Western Hemisphere:* In South America we have conducted large scale exploratory operations through wholly owned subsidiaries in Venezuela and Colombia.

The principal activity has been exploring and

evaluating a large concession on the west side of Lake Maracaibo in Venezuela. This exploration is part of a long-range program with the objective of developing new Western Hemisphere reserves for future use. Results to date have established oil bearing formations in several structures on this concession and are sufficiently promising to warrant a continuing program of considerable size.

## PERSONNEL

At the end of 1947 Standard of California and its wholly owned domestic subsidiaries had a total of 29,432 employees.

The stability of employment in the Company is indicated by the fact that at the end of the year there were 9,198 employees with 10 or more years' service. This number included 5,946 with more than 20 years; 1,456 with more than 30 years; and 44 with more than 40 years. The Company has presented inscribed gold watches to those employees with 30 or more years' service. A revised annuity plan designed to provide larger retirement incomes for employees has been authorized to be effective as of January 1, 1948.

The Board of Directors on January 8, 1948, created the new office of vice-chairman of the board, to which it elected R. G. Follis, president since 1945. T. S. Petersen, vice-president and assistant to the president, was elected to the office of president.

It is generally accepted that the oil industry has moved into a new and challenging period. After reviewing the record of the past year, the management of Standard of California believes that the Company will continue to maintain its position in respect to the opportunities and obligations of this new era.

BY ORDER OF THE BOARD OF DIRECTORS

R. G. FOLLIS  
Vice-Chairman

H. D. COLLIER  
Chairman

T. S. PETERSEN  
President

March 17, 1948

# **CONSOLIDATED STATEMENT OF INCOME**

## **STANDARD OIL COMPANY OF CALIFORNIA**

**YEAR 1947**

### *Gross Operating Income:*

Sales of products and merchandise and revenues from other operations (after deducting State sales and motor fuel taxes and Federal gasoline and lubricating oil taxes in the sum of \$79,848,136) . . . . .	\$530,131,667
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### *Operating Charges:*

Cost of products and merchandise sold and other operating costs, in- cluding marketing, general and administrative expenses (exclusive of items shown separately below) . . . . .	\$335,273,000	
General taxes (exclusive of State sales and motor fuel taxes and Federal gasoline and lubricating oil taxes treated as a reduction of gross operating income, and Federal taxes on income) . . . . .	17,568,538	
Provision for depreciation, depletion and amortization . . . . .	44,910,856	
Exploration expenses and costs of unproductive wells . . . . .	15,371,522	413,123,916
		<u>\$117,007,751</u>

### *Other Income:*

Dividends from associated companies operating in foreign countries (Note 2) . . . . .	\$ 13,617,365	
Dividends from affiliated companies (Note 2) . . . . .	1,296,981	
Other dividends . . . . .	1,290,740	
Rents, interest and miscellaneous items . . . . .	1,664,968	17,870,054
		<u>\$134,877,805</u>

### *Other Deductions:*

Provision for loss on exploratory activities in foreign countries . . . . .	\$11,000,000	
Less: Application of a portion of reserve for contingencies—general (Note 3) . . . . .	6,000,000	\$ 5,000,000
Interest on long term debt . . . . .	1,006,245	
Losses (net) of wholly owned subsidiary companies operating in foreign countries (Note 1) . . . . .	648,625	
Miscellaneous . . . . .	454,360	7,109,230
		<u>\$127,768,575</u>

<i>Provision for Federal Taxes on Income (Estimated) (Note 4) . . . . .</i>	<u>20,500,000</u>
<i>Income Carried to Earned Surplus . . . . .</i>	<u>\$107,268,575</u>

## **CONSOLIDATED STATEMENT OF SURPLUS YEAR 1947**

### *Surplus at Beginning of Year:*

Capital surplus . . . . .	\$166,679,359	
Earned surplus . . . . .	154,055,429	\$320,734,788

### *Adjustment—Charge:*

Earned surplus:		
Charges in connection with the annuity plan (Note 5) . . . . .		1,943,400
		<u>\$318,791,388</u>

<i>Income for the Year . . . . .</i>	<u>107,268,575</u>
	<u>\$426,059,963</u>

<i>Dividends (\$3.20 per share in cash) . . . . .</i>	<u>41,612,650</u>
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### *Surplus at End of Year:*

Capital surplus . . . . .	\$166,679,359	
Earned surplus (See note on Balance Sheet) . . . . .	217,767,954	
		<u>\$384,447,313</u>

(See accompanying notes to financial statements.)

# CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1947

## ASSETS

### Current Assets:

Cash in banks and on hand . . . . .	\$ 46,022,592	
U. S. Government securities, at cost . . . . .	4,156,175	
Accounts receivable—U. S. Government . . . . .	7,171,478	
Accounts and notes receivable—trade (less reserve) . . . . .	62,480,507	
Other accounts and notes receivable (less reserve) . . . . .	4,749,582	
Inventories:		
Crude oil and products, at cost which is below market . . . . .	43,938,389	
Other merchandise, at cost . . . . .	3,879,827	
Materials and supplies, at or below cost . . . . .	17,092,791	\$189,491,341

*Long Term Accounts and Notes Receivable (Less Reserve)* . . . . . 3,161,349

### Securities of and Advances to Companies Operating in Foreign Countries:

Wholly owned subsidiary companies, at book value of net assets (less reserves) (Notes 1 and 3) . . . . .	\$ 37,915,013	
Associated companies (50% owned or less), at cost . . . . .	11,647,263	49,562,276

### Securities of and Advances to Companies Operating in the United States:

Affiliated companies (over 50% owned), at or below cost (Note 2) . . . . .	\$ 10,638,687	
Associated companies (50% owned or less), at or below cost:		
Pacific Public Service Company . . . . .	\$3,963,573	
Other companies . . . . .	1,844,469	5,808,042
Other security investments, at or below cost . . . . .	2,351,771	18,798,500

### Fixed Assets:

Properties, plant and equipment, at values approved by the Directors at organization in 1926, plus subsequent additions at cost (less reserves) 606,011,265

Department	Gross Book Value	Depreciation, Depletion and Amortization Reserves	Net Book Value
Producing . . . . .	\$ 713,037,593	\$312,053,003	\$400,984,590
Natural Gasoline . . . . .	17,986,477	10,381,918	7,604,559
Pipe Line . . . . .	41,691,046	24,983,770	16,707,276
Manufacturing . . . . .	165,255,923	88,269,717	76,986,206
Marine . . . . .	36,021,728	9,832,138	26,189,590
Marketing . . . . .	90,596,001	35,717,615	54,878,386
Motor Transport . . . . .	11,358,127	5,001,861	6,356,266
Other . . . . .	22,320,187	6,015,795	16,304,392
Total . . . . .	\$1,098,267,082	\$492,255,817	\$606,011,265

### Prepaid and Deferred Charges:

Prepaid royalties . . . . .	\$ 926,704	
Prepaid taxes . . . . .	4,384,281	
Other prepaid and deferred charges . . . . .	3,849,548	9,160,533
		<u>\$876,185,264</u>

(See accompanying notes to financial statements.)

# STANDARD OIL COMPANY OF CALIFORNIA

## LIABILITIES

### *Current Liabilities:*

Accounts payable, etc., general . . . . .	\$ 43,930,965	
Payable to trustee under the annuity plan (Note 5) . . . . .	6,000,000	
Accrued interest on long term debt . . . . .	418,031	
State motor fuel taxes payable . . . . .	5,396,451	
Federal excise taxes payable . . . . .	2,371,544	
Federal taxes on income for 1947 (estimated) (Note 4) . . . . .	20,500,000	
Other accrued taxes payable . . . . .	<u>7,600,566</u>	\$ 86,217,557

### *Liability to Annuitants Not Included in Company's*

<i>Annuity Plan (Estimated) (Note 5) . . . . .</i>	<i>1,292,000</i>
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### *Long Term Debt:*

2¾% Debentures due August 1, 1966 . . . . .	\$ 25,000,000	
Loans from banks to be renewed on due date, August 1, 1948 . . . . .	15,000,000	
Obligations of subsidiary companies . . . . .	<u>4,796,559</u>	44,796,559

<i>Deferred Credits . . . . .</i>	<i>494,972</i>
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### *Reserves:*

General insurance reserve . . . . .	\$ 15,739,794	
Reserve for employees' benefits . . . . .	2,060,000	
Reserve for contingencies—general (Note 3) . . . . .	6,600,000	
Reserve for contingencies—prior years' taxes on income, etc. (Note 4) . . . . .	<u>9,438,244</u>	33,838,038

### *Capital Stock and Surplus:*

#### *Capital Stock:*

Authorized—15,000,000 shares, no par value	
Issued—13,003,953 shares, stated value \$25 per share . . . . .	\$325,098,825

#### *Surplus (see accompanying statement):*

Capital surplus . . . . .	\$166,679,359	
Earned surplus (of this sum \$28,614,820 was carried forward from predecessor company) . . . . .	<u>217,767,954</u>	<u>384,447,313</u>
		<u>709,546,138</u>
		<u>\$876,185,264</u>

(See accompanying notes to financial statements.)

## NOTES TO FINANCIAL STATEMENTS

### 1. PRINCIPLES OF CONSOLIDATION

It is the practice of the Company to consolidate its accounts with those of wholly owned subsidiary companies operating in the United States and its possessions. The investment in wholly owned subsidiary companies operating in foreign countries is carried in the consolidated balance sheet at the book value of the underlying net assets, less reserves, and the profits or losses of these companies are included in the consolidated statements of income and surplus. Items recorded in foreign currencies have been expressed in United States dollars as follows:

Current and working assets and liabilities have been converted at rates of exchange in effect at the close of the year, and investments and fixed assets at rates in effect when acquired; depreciation has been calculated on the United States dollar cost of properties. Profits and losses have been converted at average rates of exchange during the year and, together with unrealized profits or losses from the conversion of assets and liabilities as described above, are included in the statement of income.

### 2. AFFILIATED AND ASSOCIATED COMPANIES

The Company's interest in undistributed profits of unconsolidated affiliated companies has increased \$4,875,513 (net) since acquisition; its interest in their 1947 profits (net) exceeded dividends received from them during the year by \$1,253,611.

The Company's interest in the estimated 1947 profits (net) of (a) Arabian American Oil Company and (b) associated companies which are owned 50% by the Company and, in each case, 50% by another single interest, exceeded dividends received from such companies during the year by \$27,022,865. The interest in the 1947 profit of Arabian American Oil Company has been computed as if Standard Oil Company (New Jersey) and Socony-Vacuum Oil Company, Inc. had become shareholders under the subscription agreements which they have with Arabian American Oil Company.

Undistributed profits which may be received as dividends from the above companies will be subject to taxes under laws prevailing at the time of distribution.

### 3. RESERVE FOR CONTINGENCIES—GENERAL

During the period from 1943 to 1945 a reserve was provided by charges against income to cover contingencies which might arise from operations under conditions which prevailed during those years, including losses which might result from accelerated exploratory work undertaken by subsidiary companies in foreign countries in efforts to meet added requirements. Exploratory activities are continuing but results are indefinite; however, certain of such activities are not expected to lead to commercial production and \$6,000,000 was transferred in 1947 from the reserve and applied as a reduction of investment in those subsidiary companies.

### 4. TAXES

The amount of additional liability for Federal and State taxes on this and prior years' income, which may result from the final interpretation of tax laws and regulations, is not presently determinable. The reserve

of \$9,438,244 at December 31, 1947 should be sufficient to meet such contingencies.

No provision has been made for income taxes which may be payable on distribution of profits of certain wholly owned subsidiary companies operating in foreign countries whose profits are included in the consolidated statements of income and surplus.

### 5. ANNUITY PLAN OF THE COMPANY AND PARTICIPATING SUBSIDIARIES

The actuarial estimate of the liability as at December 31, 1947 for life annuities payable directly by the Company to employees retired prior to December 1, 1933, who are not covered by the present Annuity Plan, was \$1,292,000, as shown in the balance sheet.

A payment of \$6,000,000 to Bankers Trust Company on January 9, 1948, authorized and accrued in the accounts in 1947, together with funds held by that company and The Prudential Insurance Company of America on December 31, 1947 amounted to \$36,483,000. This amount exceeded by \$5,253,000 the estimated liabilities under the present Plan for annuities payable directly by the Company to retired employees and as to employees who had attained 25 or more years of credited service; such liabilities represent only the legal liabilities and not potential liabilities as to employees who have not attained 25 years of credited service, since their annuity benefits may be modified or completely terminated under certain conditions.

The Company proposes to liberalize the Annuity Plan effective January 1, 1948 which will result in a substantial increase in the Company's liability.

Disbursements of \$640,400 during 1947 to annuitants plus contributions of \$6,001,000 to annuity funds paid or accrued in December 1947 totalled \$6,641,400. Of this amount, \$4,505,000, the actuarial estimate of the accrual for services during the year of active employees, was charged against income, and the balance, \$2,136,400, less \$193,000 (the reduction during 1947 in the estimated liability to annuitants not included in the present Plan), a net amount of \$1,943,400, was charged to earned surplus.

### 6. CONTINGENT LIABILITIES

At December 31, 1947 the Company had contingent liabilities of \$38,500,000 as guarantor of notes of associated companies operating in foreign countries—\$25,000,000 for the account of Overseas Tankship Corporation and \$13,500,000 for the account of Trans-Arabian Pipe Line Company. In connection with the latter company additional guarantees of \$24,000,000 may be required.

The Company and its subsidiaries have certain other contingent liabilities (in addition to those in Notes 4 and 5) in respect of litigation, claims, commitments and as guarantor of notes and contracts. Officials of the Company are of the opinion that such contingent liabilities will not result in any significant financial liability in relation to the net assets of the Company and its subsidiaries.

### 7. RENEGOTIATION

Agreements have been entered into with the RFC Price Adjustment Board for the years 1944 and 1945. No refunds have been required from the Company for those or prior years covered by the Renegotiation Act.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

*To the Board of Directors of Standard Oil Company of California:*

We have examined the consolidated balance sheet of Standard Oil Company of California and wholly owned subsidiary companies operating in the United States as at December 31, 1947 and the consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and the related statements of income and surplus, together with the notes thereto, present fairly the position of the combined companies at December 31, 1947 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

*San Francisco, March 17, 1948*

## FINANCIAL DISCUSSION

As indicated in the text the Company's 1947 expenditures for properties, plant and equipment were considerably greater than in prior years and a substantial portion of the income for the year was required to finance this program. This and other pertinent financial facts for the year 1947 are reviewed in the following discussion and schedules.

GROSS OPERATING INCOME . . . As shown below gross operating income increased 42% over 1946. This was due to expanded demand for products as well as to higher unit prices.

	<u>1947</u>	<u>1946</u>	<u>Per Cent Increase</u>
<i>Petroleum Sales</i>			
Seven Western States, Hawaii and Alaska . . . . .	\$351,136,477	\$269,767,758	30%
All Other . . . . .	155,634,702	84,391,479	84
Total Petroleum Sales . . . . .	506,771,179	354,159,237	43
<i>Other Sales and Operating Revenues</i> . . . . .	23,360,488	18,638,170	25
Total Gross Operating Income . . . . .	<u>\$530,131,667</u>	<u>\$372,797,407</u>	<u>42%</u>

It will be noted that the sharpest percentage gain was realized in petroleum sales outside of the seven Western States, Hawaii and Alaska. The increase in this category resulted principally from the expanding activities of our Gulf Coast and Eastern States subsidiaries.

*(Continued on next page)*

## FINANCIAL DISCUSSION (Continued)

CHANGE IN NET CURRENT ASSETS . . . Notwithstanding substantial cash expenditures for capital assets, net current assets increased \$12,899,844 during the year. This increase was realized primarily as a result of higher income and the repayment by Arabian American Oil Company of advances previously made to that company.

	<u>Dec. 31, 1947</u>	<u>Dec. 31, 1946</u>	<u>Increase</u>
Cash and U. S. Government securities . . . . .	\$50,178,767	\$ 44,554,570	\$ 5,624,197
Accounts and notes receivable . . . . .	74,401,567	50,372,861	24,028,706
Inventories of crude oil and products . . . . .	43,938,389	36,230,129	7,708,260
Other current assets . . . . .	20,972,618	17,025,508	3,947,110
Total current assets . . . . .	189,491,341	148,183,068	41,308,273
Total current liabilities . . . . .	86,217,557	57,809,128	28,408,429
Net current assets . . . . .	<u>\$103,273,784</u>	<u>\$ 90,373,940</u>	<u>\$12,899,844</u>
Ratio of current assets to current liabilities . . . . .	2.2 to 1	2.6 to 1	

Individual companies whose accounts are included in the consolidated statements use the "Last In, First Out" method for valuing inventories of crude oil and products. At December 31, 1947 inventories of these stocks were 24,597,561 barrels valued at \$43,938,389, an average of \$1.79 per barrel. At December 31, 1946 inventories of 24,060,530 barrels were valued at \$36,230,129, an average of \$1.51 per barrel. The higher average inventory rate in 1947 was due mainly to an increase in the proportion of higher cost products carried in inventory.

The increase of \$12,899,844 in net current assets may be accounted for as follows:

### *Sources of funds*

Income for the year . . . . .	\$107,268,575
Add charges against income not requiring an expenditure of cash:	
Provision for depreciation, depletion and amortization . . . . .	44,910,856
Provision for loss on exploratory activities in foreign countries . . . . .	5,000,000
Repayment of advances by Arabian American Oil Company . . . . .	39,882,621
Long term borrowings by subsidiaries . . . . .	4,796,559
	<u>\$201,858,611</u>

### *Disposition of funds*

Additions to fixed assets . . . . .	\$133,275,229
Added investment in foreign companies . . . . .	11,963,360
Dividends paid to stockholders . . . . .	41,612,650
Miscellaneous . . . . .	2,107,528
	<u>\$188,958,767</u>
Increase in net current assets . . . . .	<u>\$ 12,899,844</u>

**FIXED ASSETS . . .** Expenditures for properties, plant and equipment during the year amounted to \$133,275,229. The magnitude of these expenditures was due essentially to two factors:

- (1) Expansion of plant facilities to meet postwar demands for products.
- (2) The increased cost of replacing obsolete and worn out facilities at current high prices.

Segregation of the 1947 expenditures and the provision for depreciation, depletion and amortization by field of activity is shown below:

<i>Classification</i>	<i>1947 Additions to Fixed Assets</i>	<i>1947 Depreciation, Depletion and Amortization</i>
Producing—In California . . . . .	\$ 21,696,473	\$ 24,654,717
Producing—Outside California . . . . .	36,586,737	8,304,313
Total Producing . . . . .	58,283,210	32,959,030
Manufacturing . . . . .	35,023,777	3,134,601
Marketing . . . . .	21,569,606	4,283,377
Transportation . . . . .	14,460,010	3,610,199
All Other . . . . .	3,938,626	923,649
Total . . . . .	<u>\$133,275,229</u>	<u>\$ 44,910,856</u>

The excess of capital expenditures over the provision for depreciation, depletion and amortization reflects an accentuation in 1947 of a relationship which has existed over the past several years. This is apparent from the following table which compares figures for prewar, wartime and postwar periods.

	<i>Prewar Average 1936-40</i>	<i>Wartime Average 1941-45</i>	<i>Postwar 1946</i>	<i>1947</i>
Capital expenditures . . . . .	\$23,900,839	\$43,177,357	\$88,512,082	\$133,275,229
Provision for depreciation, depletion and amortization	<u>19,619,482</u>	<u>33,028,606</u>	<u>39,628,520</u>	<u>44,910,856</u>
Difference — financed principally from earnings	<u>\$ 4,281,357</u>	<u>\$10,148,751</u>	<u>\$48,883,562</u>	<u>\$ 88,364,373</u>

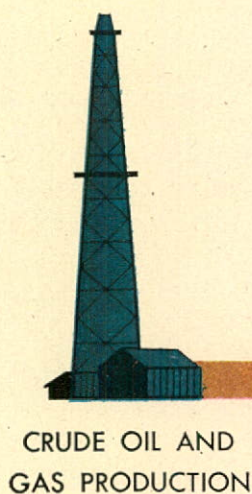
**INVESTMENT IN FOREIGN COMPANIES . . .** Total gross investment in foreign companies at the end of 1947 was \$70,962,276. Net investment after reserve of \$21,400,000 for loss on exploratory activities amounted to \$49,562,276, a reduction of \$38,919,261 from the prior year. This reduction is accounted for as follows:

Received from Arabian American Oil Company representing the re- payment of advances made to it in prior years, which was made possible by reason of a bank loan to Arabian American guaranteed by Standard Oil Company (New Jersey) and Socony-Vacuum Oil Company, Inc. . . . .	\$39,882,621
Increase in the reserve for loss on exploratory activities . . . . .	11,000,000
	<u>50,882,621</u>
Less—Additional investment during the year, principally in Venezuela	<u>11,963,360</u>
Reduction in net investment . . . . .	<u>\$38,919,261</u>

In addition to the direct investment of \$49,562,276 at the year end the Company had guaranteed borrowings of foreign associated companies amounting to \$38,500,000, making an aggregate of \$88,062,276 of unreserved investment and contingent commitments in companies operating in foreign fields.

Losses (net) of wholly owned subsidiary companies operating in foreign countries amounted to \$648,625 in 1947. Dividends received from associated companies operating in foreign countries amounted to \$13,617,365 of which \$11,117,365 was from Arabian American Oil Company and \$2,500,000 from other companies operating in the Eastern Hemisphere. These are the first dividends received from our Eastern Hemisphere ventures.

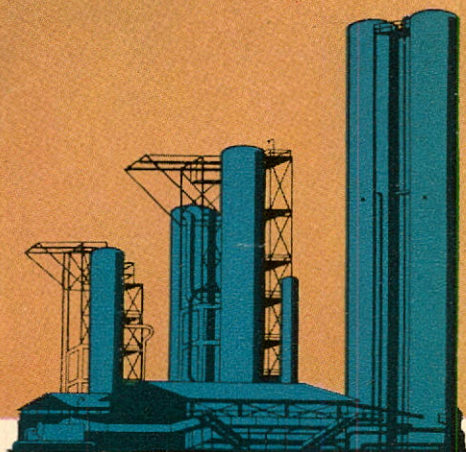
# Your Company's Many Products



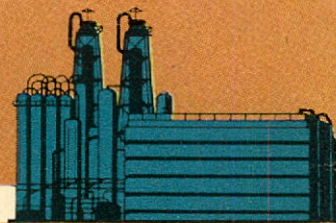
From the basic raw materials of crude oil and natural gas Standard of California makes and markets the entire range of petroleum products on which modern life and industry are so dependent. Major groups of products are shown in the drawing; most of them include a number of variations, each embodying special qualities to meet the requirements of a particular purpose. The field of usefulness for petroleum has broadened steadily and the Company's products are now numbered in the hundreds.

CRUDE OIL →

→ GAS



REFINERY



NATURAL GAS  
RECOVERY PLANT

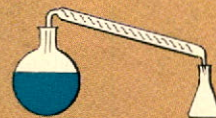
AUTOMOTIVE GASOLINES



AVIATION GASOLINES



CHEMICALS



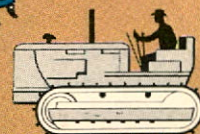
PETROLEUM SOLVENTS



KEROSENE



DIESEL FUELS



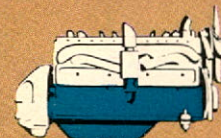
FURNACE AND STOVE OILS



INDUSTRIAL AND COMMERCIAL FUEL OILS



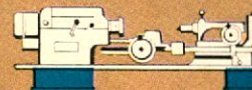
RPM LUBRICATING OILS



ZEROLENE LUBRICANTS



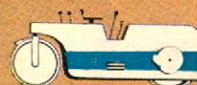
CALOL INDUSTRIAL LUBRICANTS



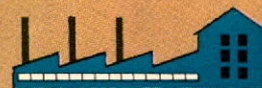
LUBRICATING GREASES



ASPHALTS



NATURAL GAS FUEL



FLAMO (LIQUEFIED PETROLEUM GAS)



