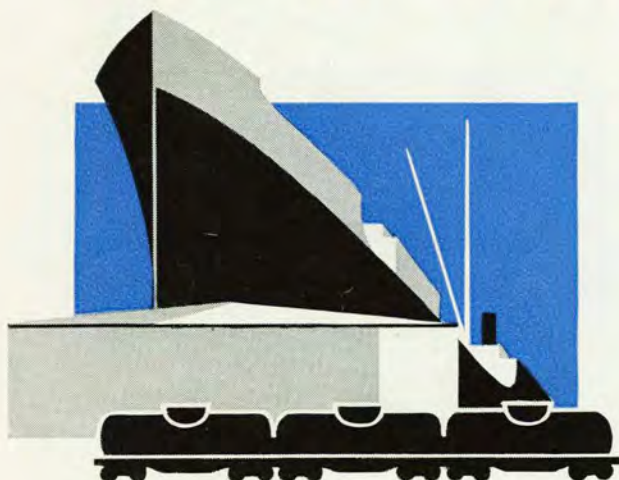


PIPE LINE AND MARINE TRANSPORTATION



Our pipe line system, located entirely within California, consists of 639 miles of trunk pipe line and 440 miles of gathering line. This system connects most of our California oil fields with refineries and tidewater terminals. Our pipe lines delivered 40,235,000 barrels of crude oil and natural gasoline in 1941, of which 11 per cent was for other companies.

A shortage of tankers made it necessary for us to arrange with another company for pipe line delivery of about 50% of our crude capacity at the Oleum refinery. To do this it was necessary to lay about five miles of pipe line from Oleum to the other company's terminal.

The tankship shortage was caused by transfer of ships to British and Russian supply service in cooperation with the United States Maritime Commission. It became extremely difficult and expensive to supply the increased demand for our products in many areas. Transportation by rail and truck was increased, and, when possible, tankships were chartered from others.

Since the outbreak of hostilities, our ocean-going fleet has operated subject to directions from the United States Navy. At the end of the year the "Paul M. Gregg" was under charter to the United States Army Transport Service. On December 23, 1941, our tanker "Montebello," while delivering crude oil to Canada, was sunk off the coast of California by an enemy submarine. This vessel was not covered by war risk insurance. War risk insurance, together with the war bonus paid to marine personnel, will increase expenses considerably.

Our marine fleet consisted of 9 tankships and 24 barges and small craft at December 31, 1941, with a combined carrying capacity of 719,000 barrels. During the year, two new tankships were launched. The "Paul M. Gregg" with a capacity of about 100,000 barrels, went into service in September. The "A. C. Rubel," of similar size, was placed in service in January 1942. A sister ship of the "A. C. Rubel" and the "Paul M. Gregg" is being built and should be finished about the middle of 1942. Early in the year contracts were placed for the construction of two 130,000 barrel tankships for delivery in 1943.

Investment in Marine and Pipe Line Transportation Facilities at December 31, 1941

	Pipe Lines	Tankships, Barges and Other Crafts
Investment	\$20,474,107	\$15,114,616
Reserve for depreciation	12,711,540	6,010,534
Net Investment	<u>\$ 7,762,567</u>	<u>\$ 9,104,082</u>

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