The reserve additions of liquid crude oil and natural gas liquids indicated by the trend line have moved progressively down in this period of years. Now, this is cause for concern, because in any economic activity we should have a favorable relationship between the size of our market and our inventories, whether they be above ground or below ground.

We know that when reserve additions are reported every year by the American Petroleum Institute and the American Gas Association the additions reflect in the main revisions of previous estimates. The upper trend line for natural gas indicates that, for most of this period, approximately one-third of the gas reserve additions reported each year reflect the discoveries within that year, and two-thirds are revisions of previous estimates.

For liquid reserves, the proportion is much smaller and currently only about 15 percent of the reserve additions reported reflect the reserves actually found within the latest reporting year, and 85 percent are revisions of previous estimates. This is still another cause for concern.

We can relate the reserve additions on still another basis, and that is barrels found per barrels produced, converting the natural gas into an oil equivalent. Chart 47 shows the decline over the period of years for both sources of petroleum. The reserve production ratio, which is most largely used within the petroleum industry and by the gas industry, is shown on the right-hand side of this chart. We see a progressive decline for gas and also for liquids. We have still further concern here. I think our primary point of interest should be the reserves that we have and not the produceability.

Why has not the domestic industry been more successful in adding reserves?

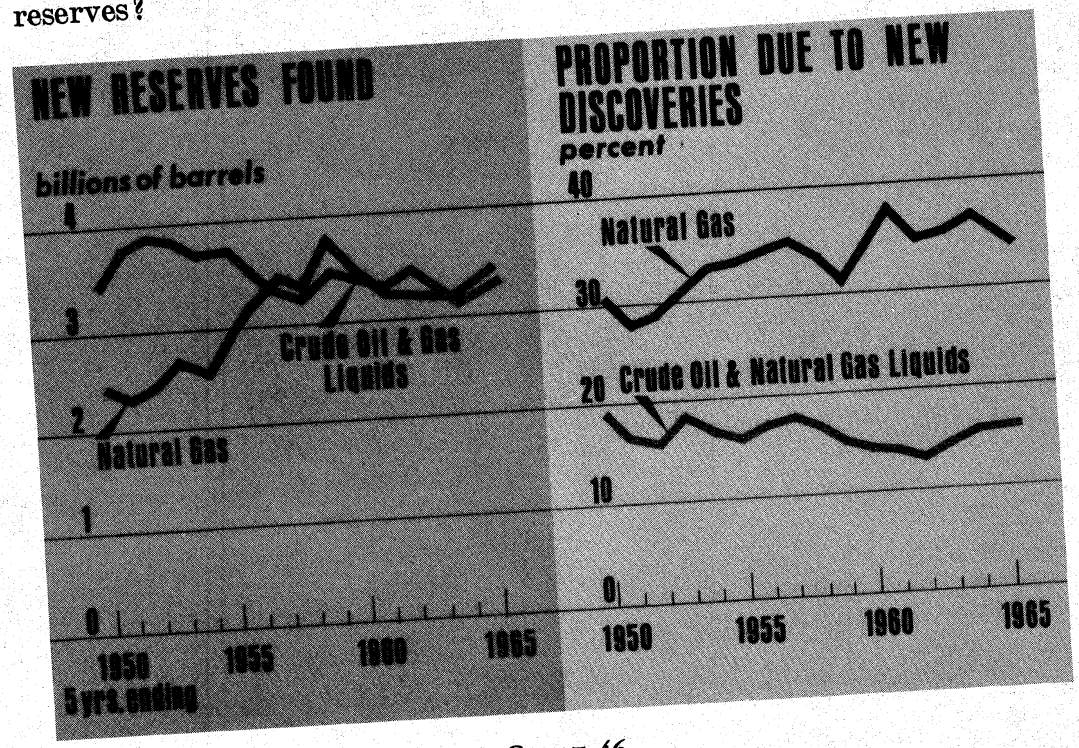

CHART 46