

Without a proportional increase in imports, the domestic industry, to satisfy the indicated demands, will need to produce in this 10-year period a total of about 38 billion barrels of petroleum liquids, but under the assumptions I have referred to in the previous chart, we cannot expect the industry to find that much. It could find about 31.5 billion barrels. The same thing would be true for natural gas. The industry would need to produce more than it would be likely to find under these assumed circumstances. [Chart 50.]

On the basis of that assumption, then, the barrels-found-per-barrel-produced trend would decline for both natural gas and petroleum liquids as indicated in the broken trend lines in this chart. The reverse production ratio would decline, too, dropping down for gas and for liquids.

These conditions are not likely to take place. There are various reasons for expecting that the reserve production ratio would not drop that far. We have conservation measures coming into play with respect to the liquids, and in the face of this kind of a decline in terms of gas reserves, I doubt very much that the gas industry would be able to finance its expansion. So, something has to give. We do not know what the floor for our reserves should be. I can say that the gas interests have told us that they think a reserve production ratio of 15 to 1 is the lower limit. And most all people will say that 10 to 1 is the lower limit for liquids. I must add, however, that there are some in both of these industries who think that the reserve production ratio can go lower. [Chart 50.]

Out of the total revenue dollar flowing through the domestic petroleum industry, 85 cents can be placed to the production and sale of crude oil and refined products. Only 4½ cents can be placed to the production and sale of natural gas. So we have reasons to believe that management is going to be influenced in the main by the size of its liquid reserves and would not again, for the most part, spend its capital dollars to increase the natural gas reserves. [Chart 52.]

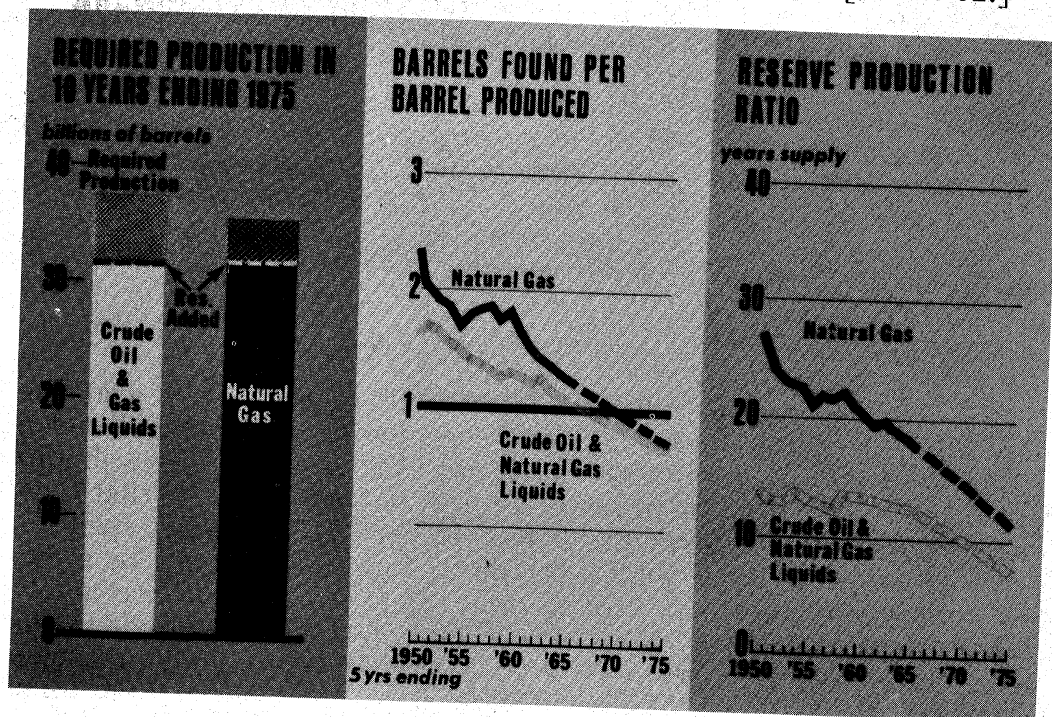


CHART 50