

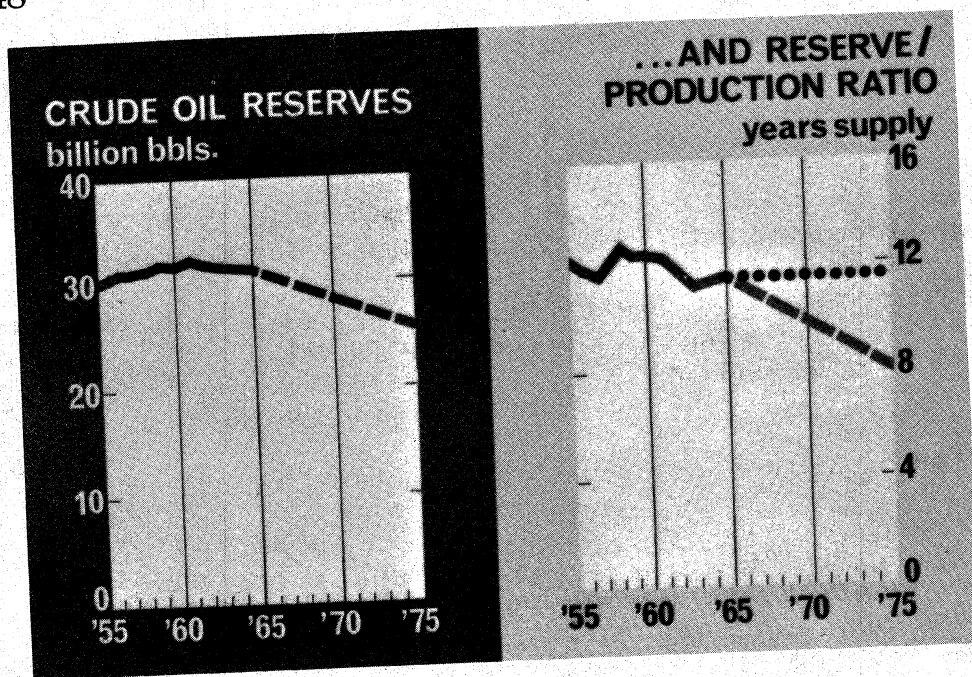


CHART 51

We must ask ourselves: how much more money must the domestic industry spend to keep the reserve production ratio of crude oil at the 1965 level? That is, to keep it along the level indicated by the dotted line instead of allowing it to fall as indicated by the trend line.

Under those circumstances, of course, crude oil reserves, instead of falling, as they would likely do under the assumptions I have stated, would need to increase.

Now, the answer to this question is staggering. Once, again, the actual expenditure for the past 5 years, the moving average, shows what the industry has been spending. Chart 52 shows how much more it would need to spend to meet the circumstances that I have put into our assumptions. The additional spending would be 50 percent more, or an average of \$2.25 billion a year. Frankly, we cannot find that much additional money for the industry to spend, as the percentage of the wellhead value, which reached that level in 1965, and in 1966, not shown here, dropped down to 35 percent would need to average 51 percent for this decade.

Major companies are spending in excess of 51 percent at the present time, but independent producers are utilizing little more than 30 percent of the wellhead values for this purpose. The decline in spending, as indicated, was brought about entirely by independent producers as a group. Major companies are spending more money now than they ever have, but independent producers are spending less than one-half as much now as they were 10 years ago.

We have then a question of what we might expect in the future. What is it going to take to entice the independents back into the picture, to cause them to spend more? If the independents cannot be enticed back, is it reasonable to expect the major companies to fill the void?

We cannot be sure that they will, because the major companies have very heavy capital expenditure programs abroad.