

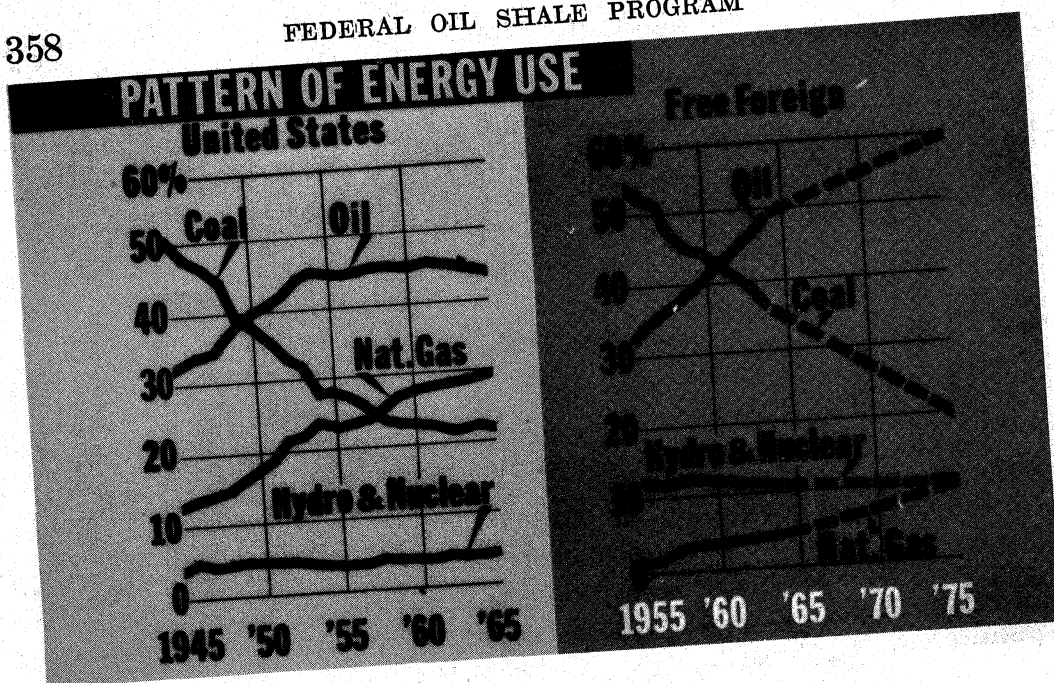


CHART 65

In the free foreign parts of the world there has not been much gas available to this market in the past as is indicated by this trend line. Oil alone has been capable of displacing coal, and oil's share of the energy market abroad is now greater than it ever has been in the United States. We recognize that substantial quantities of natural gas in the Netherlands and possibly the North Sea will be coming into the foreign energy market by the end of the decade, and we can also expect natural gas from recent finds in Australia to move into that market. There is question about whether gas from North Africa will move to market in extensive quantities because of the political difficulties that exist in that part of the world.

Even though more gas will be coming into the picture, we can still expect a further increase in oil's share of the energy market abroad.

That means that the consumption of oil in the next 10 years is likely to be more than twice as large as it was in the past 10 years.

Chart 66 shows an expansion of oil production a great deal larger than we can anticipate in this country. The average growth indicated or expected in the United States is shown here, and the average growth expected in the free foreign countries is also shown.

Since we have essentially the same companies involved, management decisions as to where it is going to use capital funds in the future is going to be influenced by this growth. But, on the other hand, there is a force pulling in the opposite direction. We have a group of petroleum companies that we have studied for the past 30 years. We have studied their financial performances. This group of companies is in two-thirds of the world's petroleum industry, and the experience of this group of companies gives us a good benchmark for the probable experience of the overall industry. The rate of return on investment abroad for this group of companies is indicated by this trend line, and the rate of return on investments in the United States, the average invested capital, by the way, is also shown. In 1966 for the first time the return from abroad fell below the domestic return.