

10 years is whether we shall become a Nation more and more dependent upon imports to satisfy our daily requirements.

The recent events of the Arab-Israel conflict have brought to sharp focus the dangers to our national security, dangers that intensify as we drift more deeply into a national policy of ignoring the availability of important oil resources within our own country. Newspapers around the Nation have carried stories about Arabian oil boycotts and about the dislocation of available sources of foreign oil. One newspaper story from the Associated Press included the following statements: As Arab oil nations began to boycott the West, Egypt closed the Suez Canal, blocking a major supply route for the bulk of the Middle East oil output and thus sealing off the shipment of 9 million barrels of oil per day from the Middle East. Regardless of this action, the United States, with oil to spare, has no reason to fear that shortages of its own might develop: turning only a few valves could offset Arab imports of approximately 400,000 barrels per day. The United States could boost its products by 3 million barrels per day or more. However, this quantity would be far short of the Western European markets requiring 4 million barrels per day from the Middle East and nearly 2 million barrels a day from North Africa. Even with strong assistance from Venezuela and Canada, the United States could not hope to export sufficient oil to cover European requirements.

Even when such news writers feel they must mollify American readers by assuring that no shortage will occur, grave doubts seem to emerge about our ability to meet long-term European needs along with our own. We are told we can turn to our own excess-production capability and to the Caribbean or Venezuela to meet our own import needs. However, delays of a few months caused by major boycotts could cause supply problems that would soon reach major proportions, beyond those experienced during the Suez crisis of 1956. As you know, during the present unsettled European demand and supply problem, Europe's supplies, normally shipped by tanker through the Suez from the Middle East, are now taken by tanker around the Cape of Good Hope. A smaller amount of oil is still piped directly to Mediterranean ports. Major dislocations of supply of crude oil for the world market have profound effect upon our own national production. At the present time, output in some of our most important producing states is limited by daily allowables. Thus we have a current excess producing capability. At best we can only estimate what that capacity might be. If called upon, the increase would only be monetary and would almost immediately begin to decline. We could produce more oil tomorrow than we are producing today—perhaps 3 million barrels per day more than is now taken from our wells. However, without reacting to world dislocations, in the normal course of supplying America's increasing demand in the next 10 years, our anticipated excess producing capacity which is possibly 3 million barrels per day, will decrease to 0.6 million barrels per day as we face the expected increased demand of our own country.

We are not finding new reserves as rapidly as we are using the oil already found; moreover, domestic oil is becoming more difficult and more expensive to locate. Costs of exploration and production go higher each year as exploration must become more sophisticated and as drilling moves to deeper horizons on land and to deeper water offshore. Much of the current oil production in the United States is from fields discovered many years ago. Our oil companies have the advantage of producing oil that may have been found 20 years ago at low cost alongside oil found at the higher cost of present economics. The old oil is "dollar averaged" with new oil to provide the profits demanded by the stockholders, who select companies that show the best profits. Many of our oil companies have engaged in extensive foreign exploration and development of crude oil. In total company business, this oil also is "dollar averaged" with the higher cost domestic oil.

There is no shortage of world oil for world markets. Yet it is a sobering fact that great deposits of oil in the world have been found in countries where governmental restrictions and controls are quite variable because of the instability of the governments of those countries. Oil is definitely part of the economic power struggle in international politics.

A most important aspect that must be considered is that within the United States we have oil resources in oil shale that, if developed, can insulate our country from the vagaries of oil supply in world economic politics. If it is left undeveloped, there is no such insulation. Because oil shale stands on the horizon as