

There is great significance in the 34 percent drop in the drilling of new field wildcats. These are the exploratory wells drilled in search of the new reserves necessary to sustain future production.

The oil business is much like a pro football team. If you stop recruiting you soon won't have a competitive team. Declining discoveries lead to curtailment of other industry activities essential to the maintenance of adequate oil supplies. In this connection, you will note that the number of active rotary drilling rigs is down 53 percent, with a decline of 39 percent in total wells drilled.

A prime incentive to these activities—the price of crude oil—has fallen by 80 cents per barrel, or 22 percent, when measured in real terms expressed in constant 1967 dollars. The oil producing industry has been a victim of—rather than a contributor to—inflation. If the industry is to fulfill its responsibilities in supplying fuel to the Nation, prices must move within the mainstream of the economy.

Reflecting the decreases in activity and the depressed economic conditions, employment in the exploration and producing branch of the industry has been reduced by 70,000 employees, or 22 percent.

The result of these depressed conditions has been a decline in proved reserves in relation to crude oil production. Our margin of safety in oil supplies is unnecessarily and artificially dwindling, and our security is thereby threatened.

A substantial increase in exploratory and drilling activity is urgently needed to reverse these trends.

Now, another pertinent question might be asked: Does the domestic industry have the capability to reverse these adverse trends?

In my opinion, Mr. Chairman, the answer is unequivocally, "Yes".

Great areas of potential oil resources are yet to be explored in the United States. Reversal in the downward trend of exploration and wildcat drilling will open up the necessary new reserves. Improving technology will continue to add to our present and future supplies. Recent large discoveries in Montana and Wyoming, including the Bell Creek field, illustrate the potentialities in inland areas. In addition, the Continental Shelf under the oceans as well as the lands of our new State, Alaska, represent two relatively new and large undrilled provinces.

NEED FOR AN EFFECTIVE IMPORT PROGRAM

Under sound national policies and healthy economic conditions, the domestic industry can and will provide adequate supplies at reasonable prices. We must, therefore, regain the integrity of the oil import program. This is an essential element of sound national policy, an effective and stable oil import program.

The mandatory oil import program was soundly conceived. But, unfortunately, as it is now being administered, it is not adequately serving its security objectives.

What has happened to the program? Where does it stand? And, where is it headed?