As could be expected, the amount of new oil reserves found and developed has not kept pace with increasing demand and production. The record of new reserves found, compared with production, for the past 12 years is as follows:

PROVED RESERVES PETROLEUM LIQUIDS

[In thousands of barrels]

	New oil found	Year-end reserves	Production	Ratio reserves/production
1956	3,784,156	36,336,981	2,897,910	12.5
1957	2,562,192	35,987,765	2,911,408	12.4
1958	3,466,448	36,739,935	2,714,278	13.5
1959	4,370,189	38,241,655	2,868,469	13.3
1960	3,090,458	38,429,270	2,902,843	13.2
1961	3,352,253	38,807,601	2,973,922	13.0
1962	2,913,445	38,700,740	3,020,306	12.8
1963	3,052,230	38,643,968	3,109,002	12.4
1964	3,273,511	38,737,142	3,180,337	12.2
1965	3,880,391	39,375,925	3,241,608	12.1
1966	3,858,094	39,781,093	3,452,926	11.5
1967	3,891,880	39,990,901	3,682,072	10.9

Source: American Petroleum Institute and American Gas Association.

The ratio of total proved reserves of petroleum liquids to yearly production suffered a steady decline from 13.5 to 1 in 1958 to 10.9 to 1 in 1967. The volume of oil reserves found and developed during the past seven years has averaged only 3.5 billion barrels per year, in contrast to the average of 5.4 billion barrels estimated by the Interior Department as needed to meet future demands and maintain a stable rserves-production ratio. For crude oil alone, this ratio was 11.8 in 1957 increasing to 12.9 percent in 1958 and declining steadily thereafter to 10.3 in 1967.

The depressed conditions in the producing branch of the domestic industry can be further illustrated by the decline in the real price of crude oil, as measured in constant 1967 dollars. The real price of crude oil in 1967 was 57 cents per barrel below the 1956 price and 80 cents per barrel below the 1957 price. In contrast wholesale prices generally have increased 10 percent; the cost of oil-field labor 40 percent; cost of oil well casing 29 percent; oilfield machinery 18 percent.

The downward trends in U.S. exploration and development activties since the mid-1950's are analyzed in the January 1967 report of the National Petroleum Council, entitled "Factors Affecting U.S. Exploration, Development and Production, 1946–1965." That report concluded that incentives an dprosepctive profitability for new investments in U.S. exploration and development were reduced, "due in large part to the cumulative impact of sharply reduced rates of expansion in oil consumption, rising imports, increasing unused U.S. crude oil productive capacity, and a substantially lower growth in the market for domestic crude at less attractive prices". It is pointed out that the relative position of the smaller units, as a group, in U.S. exploration, development and production activities declined steadily since the mid-1950's. This group, consisting of independent producers and drilling contractors, historically has played an important role in the discovery of oil and gas, and the multiplicity of effort by these units has been reduced as the incentives and economic opportunities decreased.

These changes, in terms of index numbers with the Government base period of 1957–59 as equal to 100, may be summarized as follows:

	Percent increase of decrease in 1965 over base period 1957–59		
	Chase Bank group	All other	Total, United States
U.S. exploration and development expenditures	+15.9	−35.2	−7.6

The sharp drops in exploration and development expenditures and production experienced by independent producers have been offset by increases in other areas such as the Louisiana and Texas Gulf Coast, where the extremely high costs and large capital requirements restrict operations generally to the larger companies.