ENERGY BASE OF THE UNITED STATES THREATENED

The independent segment of the petroleum industry, which discovers most of the oil and gas reserves in the United States, is dismayed and discouraged by these developments. In numerous Department of the Interior hearings the administration has been warned that it was courting disaster by the manner in which it administered the program. It has ostensibly refused to acknowledge that today the United States cannot produce enough oil to meet domestic demand. During the Suez crisis and the dangerous summer of 1967, the domestic industry was able to adjust supply to meet demand. But that crisis only lasted a week. Even then discriminating observers were noting that production could not be sustained at so high a level for any extended period.

Even in that short period, the excess producing capacity of many fields was seriously impaired. Spokesmen for government and the international oil companies recklessly enunciated the position that the United States had much unused excess producing capacity. The facts do not support this assertion.

INTERIOR GUILTY OF MALADMINISTRATION

The Department of the Interior has gone the further step of putting a lid on oil prices. Adequate crude oil prices are the sine qua non of exploration. Without them the industry will not undertake a revitalized search for oil and gas reserves. A vexatious inflation has sharpened the difference between the price a producer receives for his oil and the price he pays for necessary goods and services. A scarcity of supply will guarantee increased consumer product prices. Energy demands in this country are increasing prodigiously. It is no secret to the distinguished members of this committee that so-called cheap foreign oil will be cheap only so long as we do not need it. It probably isn't very cheap today if we add to its current barrel cost the expense of maintainnig the U.S. Sixth Fleet in the Eastern Mediterranean Sea so as to protect it.

INCREASED EXPLORATION NECESSARY

All reputable authorities assert that there are adequate undiscovered reserves of crude oil in this country, awaiting only the drillers bit. Success ratios of wildcat ventures in Kansas, despite a sharp decline in total effort, have held at about 16% for the past decade. This surely means that granted reasonable prices and stable markets, both of which are affected by the oil import program, we have the tools and know-how to discover needed supplies. We attribute the slight increase in wildcats drilled in 1966 to the optimism generated by a modest crude price restoration which occurred at that time.

SUMMARY

Productive capacity, production and exploration have declined alarmingly in Kansas in the past decade. The same trend has occurred in most of the other producing areas of the United States. Maladministration of the mandatory oil import program has been a principal contributing factor in this decline.

Powers of the administration and the Department of the Interior with respect to the program should be defined by statute. S. 2332 would effectuate this purpose.

Volumetric increases in oil imports are the largest single commodity factor in the imbalance of payments. These same imports threaten a great domestic industry.

Until stability is restored to the import program a renewed and revitalized search for oil and gas in the on-shore continental United States will not be undertaken.

We congratulate and salute the chairman and this committee for conducting these important hearings and thank you for the opportunity to appear.