We met the increased demand from the six-day war in the Mideast, but only narrowly escaped some form of consumer rationing. And there is no evidence whatever that we can meet the next crisis, unless something is done to restore adequate drilling in this country. Although Mr. Udall has recognized the fact that drilling has dropped some 40 percent during the period of import restraints, and has expressed concern about it, he strangely implies before this Committee that all is well. Said he:

"We are convinced and emphasized, therefore, that imposition of rigid controls would not only result in serious repercussion in our foreign relations, but would adversely affect continued growth of our exports by inviting retaliatory action on the part of our major trading countries," adding:

"We believe restrictive legislation would only make it more difficult to meet unexpected contingencies."

We submit, to the contrary, that moderate new legislative guidelines are absolutely necessary to accomplish the purpose of import controls. Under Mr. Udall, nothing effective is being done to arrest the deterioration in the domestic producing segment of the oil industry. Independent producers who historically account for some 85 percent of discoveries are simply unable to fulfill their obligation to this country under present import policies. We suggest to you that this Administration is so anxious to retain total authority over import policy that it would misrepresent the situation faced by our nation because of an ineffective oil import program. The national security objective of oil import curbs is not being realized, and there is no evidence it will be realized unless the Congress proves willing to penetrate these misleading assurances from Mr. Udall.

If, as Mr. Udall indicates, the 12.2 ratio is being maintained and shall be maintained without new directives, then he should have no objection to a Congressional mandate spelling out this limitation, with ample safeguards of course to prevent a possible domestic shortage of oil supplies. We say to you that only by manipulating figures and constantly redefining terms has Mr. Udall been able to pretend that the 12.2 limit is being upheld. Had it not been for the fact that Arab nations refused to allow their oil to be marketed in this country for some period after the Mideast crisis, the surplus over the 12.2 ratio would have been much greater. Now that these Arab rulers have lifted the ban on oil exports to the U.S., and it has become profitable for importers to move that oil here, we are on the verge of witnessing an increase in oil imports so sharp as to thwart the most strenuous efforts of the Administration to move toward payments balance.

When the Program was set in motion in March 1959, its national security purposes was made clear. Oil imports were to be restricted so that the domestic oil producing industry could maintain sufficient health and vigor to explore for and develop adequate domestic reserves. The industry could thereby maintain the productive capacity needed to supply secure home oil whenever emergency conditions disrupt foreign supply.

Yet, during the decade of experience under import controls, the United States finds itself in the dangerous position of having become a "have-not" nation in terms of oil supply. Based on most recent industry studies of domestic oil productive capacity, domestic producers would now be unable to meet domestic oil demand fully if total oil imports were made unavailable. Reserve productive capacity is approximately 2.25 million barrels daily as compared with an average oil import flow exceeding 2.5 million barrels daily.

Projections indicate that in the absence of national oil policy change, this quarter of a million barrel per day deficit could increase to five million barrels per day by 1980. Should this projection prove accurate, one out of every three barrels of oil or gallons of gasoline used by American consumers—only twelve years from now—will come from abroad. Most of this supply will come from areas of the Free World which are considered relatively insecure.

In 1967, the latest Mideast crisis provided the United States with a clear warning of what disruption of foreign oil supply can mean, although the conflict lasted only six days. To meet emergency needs and to cover the loss of Mideast supply incurred by Europe, Canada, and the United States in June, domestic oil producers had to provide "extra" supply averaging some 330,000 barrels daily over the last half of the year. Much of this was required at twice that daily rate during the summer months.

American consumers were fortunate in that this clear warning or lesson was not costly to them. They did not have to experience rationing of supply or