

We are gradually going out of business in California as oil operators primarily because of the pressures that have been exerted on us. As Mr. Fox indicated, we have not only not had any price increases for 10 years, but we have lost money off the price of the crude oil that we are selling.

Anything that tends to depress that price certainly is tending to put the small oil operator out of business in the State of California. And the imports as they are coming in certainly are much cheaper to bring in.

I don't know at what point, and I don't believe anybody can tell us at what point, the independent oil industry, and especially the small operators, will be permitted to stay in business. I had a couple of leases up in the San Joaquin Valley that were extraordinarily fine leases. We run into this situation: That our wells are becoming so small in California that 65 percent of them are now in the stripper well category, as I said, and with this in mind if there is to be a small independent operation in California, not having all of the production being in the hands of the major oil companies, many things will have to change and I think one of those changes has to be in the import system.

I would prefer to see the imports much less into California. We are faced with another problem there. That is the problem of the Alaskan crude and that crude is growing very rapidly. It is going to continue to grow. We are going to get a major impact from that in the State of California, so those of us who are small operators in California are really hanging on the ropes and I would hope in this committee's deliberations that the committee will consider this, and I am not looking at it strictly as a matter of national defense, gentlemen.

Certainly I am looking at it as an operator who would like to stay in business, would like to see my fellows stay in business in that State of California, and under the existing circumstances we can't do it. We absolutely can't do it, so it would be my estimate that within the next 5 years we would probably lose 10,000 or 11,000 of these wells and if there is any impact on reserves for national defense, and certainly there would be, the impact on the individual operator who is going to go out of business would be much greater.

So this is my statement here this morning, gentlemen, primarily on the position of the small operator, being one of them and being in desperate circumstances in that State.

Mr. Chairman, I certainly appreciate the chance of being back here and seeing you gentlemen and certainly my old friend Jim Utt.

Thank you very much for your time.

The CHAIRMAN. Thank you, Mr. Shell.

Mr. McClure, does that complete your presentation?

Mr. McCLURE. Mr. Chairman, that completes our formal statements.

The CHAIRMAN. We appreciate the statements of all of you gentlemen. Are there any questions? Mr. Burke.

Mr. BURKE. Mr. McClure, I notice that you mention the problem of No. 2 oil in the northeast section of the country. I happen to come from Massachusetts and last year we had many, many complaints from dealers up there that there was a shortage of No. 2 fuel.

In fact I think in April of this year the price of No. 2 fuel was increased, something that was unprecedented in the oil market, because