

PRODUCTIVE CAPACITY

A continuation of all of the aforementioned circumstances has resulted in the State of Kansas declining from its traditionally fifth place in the nation in the production of oil. This fifth position was held until 1959 when Kansas fell to sixth and finally arrived at its present position of being a weak seventh. In ten years, in spite of Kansas' arduous efforts, the production has fallen from around 340,000 barrels a day to a present approximate 260,000 barrels.

INCREASED DEMAND

An argument might be advanced that the productive capacity fall off in Kansas is due to reasons other than economic. I would take issue with such a contention. As a basis for disagreement, I would point out that the oil is there. It just has to be discovered by people willing to accept a sixteen percent success rate.

Now the reasons for this failure to keep Kansas' reserves up must be attributed to facts such as the price index of oil being at the same level as it was in 1957, while the price index of tubular goods has risen from 1.000 to almost 1.200.

Another indication that the problem is economic is reflected in the demand for oil in Kansas that existed in 1964 as contrasted against that demand in 1967. In 1964 Kansas produced 106,252,025 barrels and imported 40,575,900 barrels. During that year Kansas used 110,877,265 barrels and exported 35,950,660 barrels. In 1967 Kansas produced 99,199,810 barrels and imported 49,231,817 barrels. Of this amount the State used 129,414,517 barrels and exported 19,017,110 barrels. These figures reflect that in three years Kansas' oil needs have risen 14%, its imports have risen 17.6%, its production has fallen 6.6% and its exports have decreased 47%.

FOREIGN COMPETITION

It is obvious that the cause for our situation is economic, resulting from inadequate incentive due to a price structure affected by foreign oil. For example, the 1957 price of \$3.07 per barrel to a low of \$2.92 per barrel during 1964, 1965, and 1966. Only recently has the price returned to the same level that prevailed in 1957.

One basic reason is the number of exceptions that have been granted to the ceiling percentage of 12½% placed on crude oil imports. These exemptions have brought about a situation where the United States imports 250,000 barrels daily more than it would have had the ceiling not been subjected to these exceptions.

NATIONAL SECURITY

Extrapolating the figures and trends indicated thus far it would appear that these exceptions negate the reason for the ceiling on imports. This influx of oil has driven and will drive the yearly production down. It tampers with the initiative of the oil industry as regards their exploring and seeking out new sources of oil. This has resulted and will continue to result, in a steady decline in known reserves.

Only by aggressive exploration can we reverse the trend toward declining reserves. The reversal of this trend is imperative if our nation is to avoid the peril of being subjected to the whims of the possessors of foreign reserves. The security of our nation should not and cannot depend on externally made decisions.

KANSAS LABOR AND TAX PROBLEM

Not only does the United States have a problem with the program under discussion, because of the national security question, Kansas has a problem with it in that it affects the state collaterally. Mainly, Kansas is affected because of the decrease in production but so also, is the State's labor market and tax base.

In 1960, Kansas had 19,600 employees in the petroleum industry. As of May, 1968, it had 13,400. This is a 38.6% drop in this area of the Kansas labor market.

Concomitant with the decrease in the employment is the steady decrease in the assessed valuation of oil and gas in Kansas subject to the ad valorem tax. In interpreting these figures I would like to point out that they contain both oil and gas valuation, and that the valuation of gas has remained fairly constant in the last few years.

From a period starting with 1957 and ending with 1964, the assessed valuation of oil and gas decreased 8.3%. This decrease was in the face of a gas production