

ANADARKO CHAPTER
THE SOCIETY OF AMERICAN PETROLEUM ENGINEERS
LIBERAL, KANSAS
SEPTEMBER 23, 1967
Remarks of Congressman Bob Dole

THE OIL GAP

IT IS A PRIVILEGE TO MEET WITH PEOPLE CONCERNED WITH THE TECHNOLOGY, PRIMARILY, OF DEVELOPING AND PRODUCING OUR PETROLEUM RESOURCES. IT IS TIMELY, TOO, BECAUSE AS YOUR CONGRESSMAN, I HAVE BEEN MADE AWARE OF THE FACT THAT "PETROLEUM POLITICS" -- AND I'LL EXPLAIN THE TERM IN A MINUTE -- IS ALMOST AS IMPORTANT TO THE FUTURE OF YOUR INDUSTRY AS PETROLEUM ENGINEERING.

"PETROLEUM POLITICS"

I DON'T NECESSARILY MEAN POLITICS IN THE PARTISAN SENSE, BECAUSE THERE ARE MEN IN BOTH POLITICAL PARTIES WHO UNDERSTAND YOUR PROBLEMS AND WHO WANT YOU TO SUCCEED AS AN INDUSTRY. I REFER TO "PETROLEUM POLITICS" TO PUT WITHIN A FRAME OF REFERENCE THE VERY OBVIOUS FACT THAT THE OIL AND GAS INDUSTRY HAS INCREASING NUMBERS OF PROBLEMS IN ITS RELATIONSHIP WITH AN EVER ENLARGING FEDERAL GOVERNMENT -- PROBLEMS WHICH CAN BE SOLVED ONLY IN THE POLITICAL ARENA.

I WANT TO TALK TO YOU ABOUT THE SERIOUS NATURE OF SOME OF THESE PROBLEMS WHICH -- BECAUSE THEY CAN DETERMINE THE FUTURE COURSE OF THE OIL AND GAS PRODUCING INDUSTRY -- ARE OF VERY REAL AND CONTINUING CONCERN TO ME AS YOUR REPRESENTATIVE IN THE CONGRESS.

SOMETIMES WHEN SOME OF THESE OIL AND GAS PROBLEMS IN WASHINGTON SEEM OVERWHELMING, I GET THE FEELING THAT MANY -- CERTAINLY NOT ALL, BUT MANY -- OILMEN ARE LIKE OTHER AMERICANS WHEN IT COMES TO FIGHTING FOR THEIR RIGHTS IN THE POLITICAL ARENA. TOO MANY TEND TO SAY, "IT'S TOO MUCH BOTHER, AND THERE'S NO USE ANY WAY -- SO FORGET IT."

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OR PERHAPS YOU THINK THE INDUSTRY HAS HARD-WORKING ORGANIZATIONS IN WASHINGTON, AND THAT'S WHAT THEY'RE PAID FOR, SO LET THEM HANDLE THE PROBLEMS. THE INDUSTRY ORGANIZATIONS THERE, SUCH AS I.P.A.A., DO WORK HARD AND ARE INVARIABLE TO THOSE OF US IN THE CONGRESS WHO ARE ATTEMPTING TO REPRESENT YOUR VIEWPOINT ON IMPORTANT PROBLEMS. BUT THE BEST GENERALS CAN'T WIN WARS IF THE TROOPS IN THE FIELD ARE INDIFFERENT AND DISORGANIZED.

THIS IS NOT MEANT TO SOUND LIKE A POLITICIAN LECTURING; I MEAN IT SINCERELY, HOWEVER, WHEN I SAY THE DOMESTIC PETROLEUM INDUSTRY IS IN A WAR FOR SURVIVAL AND ON MORE THAN ONE FRONT.

IT REMINDS ME OF A "RETURN ENGAGEMENT" I MADE BEFORE A WOMEN'S GROUP IN THE DISTRICT. ANNOUNCING THAT I WAS COMING BACK AGAIN, THEY URGED EVERYBODY TO "PLAN NOW TO COME AND HEAR THE DOPE FROM WASHINGTON". WELL, I WAS FLATTERED TO BE ASKED BACK, BUT I ASKED THE LADY IN CHARGE OF THE PROGRAM IF IT WOULDN'T WEAR OUT MY WELCOME.

"OH NO, NOT AT ALL," SHE SAID. "IN FACT, WE POLLED THE MEMBERS ON THAT VERY QUESTION AND FOUND THAT ONLY TWO REMEMBERED YOU WERE HERE AND NOBODY REMEMBERED WHAT YOU SAID."

TWO IMPORTANT PROBLEMS

THE POINT IS, YOU CAN FORGET ME IF YOU WISH, BUT REMEMBER WHAT I SAY. LET ME DISCUSS BRIEFLY TWO OF YOUR MANY PROBLEMS IN WASHINGTON -- BECAUSE THEY ARE NOW ON THE "FRONT BURNER". I REFER TO THE OIL IMPORT PROBLEM AND THE NECESSITY OF MAINTAINING THE PERCENTAGE DEPLETION PROVISION IN THE INTERNAL REVENUE CODE.

BOTH OF THESE ESSENTIAL ELEMENTS OF NATIONAL OIL POLICY ARE UNDER ATTACK. ONE WOULD THINK THAT, IN VIEW OF RECENT WORLD EVENTS, THE IMPORTANCE AND NECES-

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SITY OF HAVING A HEALTHY, ROBUST PETROLEUM PRODUCING INDUSTRY IN THE UNITED STATES WOULD BE SO SELF-EVIDENT THAT THE ONLY QUESTION THAT WOULD CROSS THE MINDS OF REASONABLE MEN WOULD BE "HOW CAN WE BEST HELP AND ENCOURAGE THE GOOD OLD RELIABLE DOMESTIC OIL INDUSTRY TO MAINTAIN ADEQUATE OIL SUPPLIES FOR THE FUTURE?"

BUT THERE ARE ELEMENTS IN THE SO-CALLED "LIBERAL ESTABLISHMENT", INCLUDING SOME NEWSPAPERS, SOME COLUMNISTS, SOME CARTOONISTS, AND SOME POLITICIANS, WHO SEEMINGLY NEITHER CARE NOR GIVE A SECOND THOUGHT TO WHETHER THIS ALREADY DECLIN-
ING INDUSTRY SURVIVES.

THE MID-EAST

ON JUNE 6, FOR THE SECOND TIME IN A DECADE, WAR ERUPTED IN THE MIDDLE EAST. FOR THE SECOND TIME, THESE HOSTILITIES DISRUPTED THE FLOW OF VITAL OIL SUPPLIES FROM THE ARABIAN PENINSULA AND NORTH AFRICA. GREAT CONCERN WAS EXPRESSED FOR PETROLEUM CONSUMERS IN EUROPE AND JAPAN, BOTH DEPENDENT FOR PETROLEUM SUPPLIES ON THE ARAB STATES.

FOR THE SECOND TIME IN 10 YEARS, THE DOMESTIC OIL PRODUCING INDUSTRY IN THE UNITED STATES WAS CALLED UPON TO HELP OFFSET SHORTAGES WHICH THREATENED OUR FRIENDS, PARTICULARLY GREAT BRITAIN. AND, JUST AS IN 1956-57, THE DOMESTIC OIL INDUSTRY RESPONDED TO THAT SUMMONS SWIFTLY AND DECISIVELY -- INCREASING ITS PRODUCTION BY MORE THAN 1,000,000 BARRELS DAILY TO MEET EMERGENCY REQUIREMENTS IN EUROPE, EASTERN CANADA, AND ON OUR OWN EAST COAST WHICH HAD BEEN RECEIVING MORE THAN 300,000 BARRELS DAILY OF ARAB OIL.

OF ALMOST 400,000 BARRELS DAILY OF PETROLEUM PRODUCTS REQUIRED IN THE VIETNAM WAR EFFORT, ABOUT ONE-HALF HAD BEEN COMING FROM THE MIDDLE EAST. WITH RELATIVE EASE, THE MILITARY SHIFTED ITS SUPPLY LINES TO THE WESTERN HEMISPHERE, PRIMARILY TO DOMESTIC SOURCES AND THERE FORTUNATELY WAS NEVER THE SLIGHTEST

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DOUBT AS TO THE ADEQUACY OF OUR MILITARY FUEL SUPPLIES. HOWEVER, EACH OF US CAN WELL IMAGINE THE PREDICAMENT OUR FIGHTING FORCES AND OUR CITIZENS AT HOME WOULD HAVE BEEN IN IF, LIKE ALL OF EUROPE, WE HAD BEEN IRRETRIEVABLY DEPENDENT ON MIDDLE EAST OIL.

AS IT WAS, OUR COUNTRY ALONG WITH GREAT BRITAIN AND WEST GERMANY WAS "BOYCOTTED" AND DENIED OIL BY THE ARAB COUNTRIES. WE COULD HAVE HAD ARAB OIL ONLY AT AN UNACCEPTABLE PRICE -- POLITICAL AND MILITARY BLACKMAIL!!

NOW, THE ARAB COUNTRIES -- RECOGNIZING THAT THIS WAS A SPITEFUL ACTION THAT COST THEM AND NO ONE ELSE -- HAVE RELENTED AND HAVE EXPRESSED A GRATUITOUS WILLINGNESS TO AGAIN SELL US SOME OIL. I AM SURE THEY HOPE WE ARE FOOLS ENOUGH TO BUY ENOUGH OF IT THAT WE, LIKE EUROPE, WILL BECOME DEPENDENT ON ARAB OIL TO THE EXTENT THAT THE NEXT TIME THEY YELL "HEEL" WE WILL HAVE TO COME CUP IN HAND TO THEM FOR OIL.

MY FRIENDS, IF THAT DAY EVER COMES, THEN OUR LEADERSHIP AND OUR POSITION OF STRENGTH AS A NATION WILL HAVE EVAPORATED!!

LET US NOT KID OURSELVES. THE MIDDLE EAST HAS THE WORLD'S CHEAPEST OIL. LAST YEAR ALONE, WITH THE DRILLING OF JUST OVER 500 WELLS IN THE MIDDLE EAST AND NORTH AFRICA, THAT AREA ADDED TOTAL PETROLEUM RESERVES OF 40 BILLION BARRELS -- INCREASING THEIR RESERVES AS MUCH IN A SINGLE YEAR AS THE UNITED STATES HAS IN PROVEN AND PRODUCIBLE RESERVES TODAY!

IT IS ALL TOO APPARENT THAT THE UNITED STATES, WHERE 38,000 NEW WELLS FOUND -- BY CONTRAST -- LESS THAN 3 BILLION BARRELS OF NEW OIL LAST YEAR, CANNOT HOPE TO "COMPETE" WITH MIDDLE EAST OIL WHERE SUCH TREMENDOUS ECONOMIC ADVANTAGE WAS CONFERRED BY MOTHER NATURE. IT IS CLEAR THAT UNDER A POLICY OF UNLIMITED IMPORTS, MIDDLE EAST OIL COULD EASILY DISPLACE OUR ENTIRE DOMESTIC INDUSTRY. IT IS CLEAR, TOO, THAT THAT WOULD BE THE END OF OUR SECURITY AS A NATION.

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MANDATORY OIL IMPORT PROGRAM

IT WAS THESE VERY SIMPLE FACTS OF LIFE WHICH LED THE EISENHOWER ADMINISTRATION, IN 1959, TO INITIATE THE PRESENT MANDATORY OIL IMPORT PROGRAM AS AN ESSENTIAL MEANS OF PRESERVING OUR DOMESTIC OIL INDUSTRY AND WITH IT OUR DEFENSE POSTURE AS TO ESSENTIAL FUELS. THERE IS NO QUESTION BUT WHAT THAT PROGRAM HAS PREVENTED THE DOMESTIC INDUSTRY FROM COLLAPSING INTO A COMPLETE SHAMBLES. EVEN WITH IMPORT CONTROLS, DOMESTIC OIL EXPLORATION, DRILLING AND DEVELOPMENT ARE IN THEIR 11TH CONSECUTIVE YEAR OF DECLINE. THE DEPARTMENT OF THE INTERIOR HAS SAID THAT, EVEN WITH THE IMPORT PROGRAM, NOT ENOUGH HAS BEEN DONE TO PROVIDE ADEQUATE OIL SUPPLIES FOR THE FUTURE.

YET THAT SAME DEPARTMENT HAS SHOWN A STRANGE INCLINATION TO SHIFT THAT PROGRAM AT WILL, TO ACCOMMODATE ANY AND ALL KINDS OF PROPOSITIONS DESIGNED TO ENABLE CERTAIN COMPANIES TO CIRCUMVENT THE QUOTA SYSTEM AND BUILD PRIVATE "LOOP-HOLES" INTO THE IMPORT PROGRAM. I WON'T DETAIL THE MANY INGENIOUS DEVICES, INNOVATIONS AND PROPOSALS PUT FORTH TO WEAKEN AND ULTIMATELY DESTROY THE IMPORT PROGRAM. IT IS ENOUGH TO SAY THAT IF THE PROPOSALS NOW PENDING BEFORE THE OIL IMPORT ADMINISTRATION WERE APPROVED, THE RESULT WOULD BE HUNDREDS OF THOUSANDS OF BARRELS DAILY OF ADDITIONAL, UNNEEDED AND UNNECESSARY OIL IMPORTS INTO THE UNITED STATES.

H. R. 10689

TO SEE TO IT THAT THE OIL IMPORT PROGRAM IS NOT MADE MEANINGLESS BY THESE MANY AND MUCH-SOUGHT EXCEPTIONS AND EXEMPTIONS, I HAVE INTRODUCED H. R. 10689 WHICH WOULD WRITE THE PRESENT OIL IMPORT PROGRAM INTO LAW, AND INSULATE IT FROM THESE INCREASING THREATS. I AM PLEASED TO SAY THAT SOME 40 OF MY COLLEAGUES IN THE HOUSE HAVE INTRODUCED THIS SAME BILL, AND THAT THE BILL IS SPONSORED IN THE

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SENATE BY SOME 29 MEMBERS OF THAT BODY. EARLY HEARINGS ON THIS LEGISLATION IN THE HOUSE HAVE BEEN REQUESTED, AND I AM HOPEFUL THAT SUCH HEARINGS WILL SOON DEVELOP BEFORE THE COMMITTEE ON WAYS AND MEANS.

THE BILL IS NOT A RADICAL PIECE OF "PROTECTIONIST" LEGISLATION. IT WOULD NOT RESULT IN A BIG IMPORT CUT, ALTHOUGH A MERITORIOUS CASE COULD BE MADE FOR SUBSTANTIALLY REDUCING THE PRESENT LEVEL OF IMPORTS. IT WOULD MERELY SET IN CONCRETE THE STANDARDS NOW ESTABLISHED UNDER THE ADMINISTRATIVE PROGRAM, STANDARDS THAT ARE NOW UNDER ATTACK AND THREATENED. MOST IMPORTANT, IT WOULD PREVENT THIS NATION FROM BECOMING, UNNECESSARILY, MORE AND MORE DEPENDENT ON REMOTE AND INSECURE OIL RESOURCES.

PERCENTAGE DEPLETION

JUST AS I CANNOT IMAGINE PLACING OUR DOMESTIC OIL INDUSTRY AT THE MERCY OF UNLIMITED IMPORTS OF FOREIGN OIL, IN VIEW OF RECENT EVENTS AND WORLD CONDITIONS, I FIND IT EQUALLY DIFFICULT TO UNDERSTAND WHY THERE ARE THOSE WHO WOULD RUN THE RISK OF MEDDLING WITH ESSENTIAL OIL AND GAS TAX PROVISIONS THAT HAVE BEEN IMBEDDED IN THE ECONOMIC PROCESSES OF YOUR INDUSTRY FOR MORE THAN 40 YEARS.

IN THE CURRENT ATMOSPHERE, THERE COULD DEVELOP THE MOST SERIOUS THREAT TO THE PERCENTAGE DEPLETION PROVISION SINCE THE KOREAN WAR DAYS. MORE THAN 20 PIECES OF LEGISLATION HAVE BEEN INTRODUCED IN THE HOUSE ALONE, WHICH WOULD EITHER SHARPLY REDUCE OR ENTIRELY ELIMINATE THE OIL AND GAS DEPLETION RATE, AND SIMILAR EFFORTS ARE BEING MADE -- AS ALWAYS -- ON THE SENATE SIDE.

THESE ATTACKS ARISE WHENEVER TAX LEGISLATION IS PROPOSED. THEY INTENSIFY AND BECOME BASED ON APPEALS TO PREJUDICE AND EMOTIONALISM -- NOT FACT -- WHEN THE COUNTRY IS IN DIFFICULTY AS IT IS TODAY IN VIETNAM. THE PROPOSED 10 PERCENT "SURCHARGE" ON INCOME TAXES, URGED BY THE ADMINISTRATION TO REDUCE BY ONLY ONE-

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FOURTH A DEFICIT NOW EXPECTED TO HIT \$30 BILLION, IS, OF COURSE, THE VEHICLE ON WHICH THE ANTI-DEPLETION FORCES ARE PINNING THEIR HOPES.

THERE ARE TWO SCHOOLS OF THOUGHT IN THE CONGRESS WHICH QUESTION THE ADMINISTRATION TAX PROPOSALS. ONE SCHOOL ASKS, AND YOU CAN PLACE ME WITH THIS GROUP, "IF THE AMERICAN PEOPLE ARE GOING TO BE ASKED TO TIGHTEN THEIR BELTS, WHY NOT DO SOME BELT-TIGHTENING IN GOVERNMENT ALSO?" THERE IS MUCH FAT IN MANY OF OUR DOMESTIC SPENDING PROGRAMS WHICH MANY OF US BELIEVE SHOULD BE CARVED OUT BEFORE OUR PEOPLE ARE ASKED TO PAY ADDITIONAL TAXES.

THE OTHER SCHOOL OF THINKING, AMAZINGLY ENOUGH, ARE THOSE WHO ARGUE THAT SPENDING PROGRAMS SHOULD BE EXPANDED, NOT REDUCED -- AND THEY ARGUE, DEMOGOGICALLY, THAT THE LOW-INCOME GROUPS SHOULD NOT BE CALLED UPON TO PAY ANY OF THE BILL; THAT IT SHOULD BE PAID BY "TAX REFORMS" TO CLOSE SO-CALLED "LOOPHOLES" SUCH AS PERCENTAGE DEPLETION.

THOSE ADVOCATING SUCH ACTION GIVE NO THOUGHT TO THE CONSEQUENCES. THEY APPARENTLY NEVER THINK ONCE ABOUT THE FACT THAT OUR COUNTRY AND OUR ARMED FORCES HAVE ADEQUATE OIL ONLY BECAUSE THE CONGRESS PROVIDED -- BEGINNING WITH THE INCEPTION OF THE INCOME TAX LAW -- FOR A RETURN OF A PART OF DEPLETING CAPITAL ASSETS IN THE OIL INDUSTRY. THIS WAS DONE FIRST THROUGH COST DEPLETION, LATER CHANGED TO "DISCOVERY DEPLETION", AND THESE SYSTEMS -- BECAUSE THEY WERE TOO CUMBERSOME FOR TAXPAYER AND GOVERNMENT ALIKE -- EVOLVED INTO THE PRESENT PERCENTAGE DEPLETION SYSTEM IN 1926.

WHILE THE PERENNIAL CRITICS OF THESE ESSENTIAL PROVISIONS CANNOT BE IGNORED OR DISCOUNTED, I AM CONVINCED THAT -- IN LIGHT OF TODAY'S EVENTS -- CONGRESS WILL NOT BE STAMPEDED INTO TAMPERING WITH THESE ESSENTIAL PROVISIONS.

TO BEGIN WITH, WE HAVE NEVER MADE MAJOR TAX CHANGES WITHOUT A THOROUGH-GOING HEARING. SHOULD HEARINGS BE HELD ON OIL TAX PROVISIONS, IN AN ATMOSPHERE

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OF CALM, THESE PROVISIONS WILL BE JUDGED ON THEIR MERIT AND ON THE BASIS OF FACT -- NOT ON PREJUDICED EMOTIONALISM. THE CONGRESS HAS REVIEWED THESE PROVISIONS ON MANY OCCASIONS, AND ALWAYS, AFTER SUCH HEARINGS, HAS RECONFIRMED THEM AS BOTH PROPER AND NECESSARY.

ONE QUESTION

TO ME, ONLY ONE BASIC QUESTION NEED BE EXAMINED. THAT QUESTION IS THIS: WHEN THOSE IN GOVERNMENT, WHO ARE IN A POSITION TO EVALUATE OUR FUTURE PETROLEUM NEEDS, SAY THAT OUR RATE OF DISCOVERY OF CRUDE OIL NEEDS TO BE DOUBLED, IS THIS ANY TIME TO MEDDLE WITH AND REDUCE LONG-ESTABLISHED INDUSTRY TAX INCENTIVES? I BELIEVE THE ANSWER TO THAT QUESTION SHOULD BE OBVIOUS.

I KNOW OF NO MORE IMPORTANT CONSIDERATION FACING ME AS YOUR CONGRESSMAN FROM THIS AREA THAN THE NEED, IN THE BROAD SENSE, TO PROVIDE THE POLITICAL INCENTIVES UNDER WHICH THE DOMESTIC INDUSTRY CAN CONTINUE TO GROW, TO PROSPER, TO INNOVATE, AND TO MEET THE GREAT TECHNOLOGICAL AND ECONOMIC CHALLENGES OF FINDING AND DEVELOPING 80 BILLION BARRELS OF NEW PETROLEUM LIQUIDS AND SOME 400 TRILLION CUBIC FEET OF NATURAL GAS IN THE NEXT 13 YEARS. THAT IS THE TASK FACING THE DOMESTIC PETROLEUM INDUSTRY AS SEEN BY THE DEPARTMENT OF THE INTERIOR.

I'M NO EXPERT ON THE ENGINEERING, THE TECHNICAL, THE ECONOMIC CHALLENGES FACING THIS INDUSTRY -- ALTHOUGH I KNOW THEY ARE GREAT. THESE PROBLEMS CAN BE RESOLVED ONLY BY MEN SUCH AS YOURSELVES. BUT THESE PROBLEMS WILL NOT BE RESOLVED IF THE RIGHT POLITICAL CLIMATE, BASED ON SOUND AND CONSISTENT GOVERNMENT POLICIES ON SUCH THINGS AS TAXES AND IMPORT CONTROLS, IS NOT PRESERVED.

PRESENT CLIMATE

THIS CLIMATE AT THE MOMENT, TO PUT IT KINDLY, IS CLOUDED WITH VACILLATION, UNCERTAINTY AND -- PARTICULARLY AS TO THE OIL IMPORT PROGRAM -- WITH GIMMICKRY.

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MY CONCERN ON THESE PROBLEMS IS NOT JUST SHALLOW OR SECTIONAL. IT IS NOT JUST DIRECTED AT PROTECTING THE KANSAS INDUSTRY, ALTHOUGH I WOULD ARGUE THAT IS A WORTHWHILE GOAL. BUT FEDERAL POLICIES ON OIL GO MUCH DEEPER THAN THAT. I BELIEVE AN ADEQUATE ENERGY SUPPLY, WITHIN OUR OWN CONTROL, IS ALL IMPORTANT TO OUR POSITION OF STRENGTH IN THE WORLD.

IN WASHINGTON, THERE HAS BEEN MUCH CONCERN WITH "GAPS" OF VARIOUS KINDS AND TYPES; WITH "MISSILE GAPS", PRECIOUS METAL "GAPS", ALL SORTS OF MILITARY "GAPS", AND EVEN "CREDIBILITY GAPS". BUT THE "GAP" I FEAR MOST IS AN ENERGY GAP AND PARTICULARLY AN "OIL GAP", BECAUSE RECENT EVENTS HAVE ILLUSTRATED ONLY TOO WELL THAT THIS IS A GAP WE CAN ILL AFFORD.

IF THOSE OF YOU IN THIS GREAT INDUSTRY ARE TO SOLVE THE VERY LARGE TECHNOLOGICAL AND ECONOMIC PROBLEMS INVOLVED IN KEEPING THIS COUNTRY SUPPLIED WITH EVER-GROWING OIL AND GAS SUPPLIES TO MEET EVER-ACCELERATING DEMANDS FOR THESE FUELS, IT IS UNTHINKABLE THAT YOUR GOVERNMENT WOULD NOT BE WILLING -- INDEED ANXIOUS -- TO PROVIDE THE KIND OF POLICIES WHICH WILL ENCOURAGE YOU IN THESE GREAT TASKS.

WE MUST WORK EVER MORE DILIGENTLY, BRINGING TO BEAR BOTH LOGIC AND REASON, AS WE SEEK AND INSIST UPON SUCH POLICIES.