

REMARKS BY

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AT

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CHICAGO

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I believe one of the great benefits of universities such as this is that it provides a place to consider an issue dispassionately. Given the recent near hysteria and hyperbole over gas prices, energy supplies and environmental concerns, it's something of a comfort to be in a place where rational discussion is valued. And few issues that confront us are greater than energy.

When the policies and actions of governments ignore incontrovertible facts, they not only produce wrong results, they also waste precious time and money. When the facts are ignored, editorial pages fill up with what Churchill called "a confusion of counsel." I believe this is precisely what has been unfolding in regard to energy – its use, its availability, its importance and its future – here in America. Too often these days, we are victims of a "ready, fire, aim" approach to policies I'd like to see end.

If we are to have sufficient, steady and affordable supplies of energy to drive economic growth and assure national security, we must face and embrace facts. Armed then with a quiver of facts, we must take realistic aim at the serious and challenging situation in which we find ourselves.

- We're importing about one half of the 17 million barrels of petroleum we are using every day.
- Over the past several years, we've been using more oil than ever, about 2 percent more each year.

That's not surprising when you consider the economic growth we've been enjoying. And the primary fuel for that prosperity in this country is oil.

And yet our domestic production of crude oil has been decreasing steadily.

- Last year there was a 6 _ percent decline
- This year, a decline of 5 percent is forecast
- Since 1985, U.S. crude oil production has declined by 1.7 million barrels per day or almost 20 percent.

This is a huge loss. It is the equivalent of enough fuel to run virtually every car in California.

Looked at another way, making up for that loss is going to mean we need imports equivalent to one or more of those very large crude carriers landing on our shores every day. And of course, those ships return for refills laden with U.S. dollars, our dollars.

For several years, the oil industry, and many other observers, have been pointing to these alarming conditions and warning of the exposure created by our accelerating dependence on foreign sources of oil.

At the time of the 1973 energy crisis and the Arab oil embargo of 1979, the U.S. government used a jerry-built structure of price controls and supply allocations to attempt to deal with the problem. These government allocations, based on out-dated use patterns, only meant plenty of gas some places and “no gas today” signs in others. It imposed an excise tax which helped slam the brakes on exploration and production and increase the need for imports.

What will work? I believe there are three basic and realistic steps we can take immediately that will make a difference.

FIRST

It's time to end our gluttony, to push away from the table and go on a diet. We need to conserve energy at every turn.

We were on the right track for a while, with smaller and more efficient cars, double glazing on windows and a foot of pink fiberglass in the attic. But when energy became cheap and plentiful again, we went back to our energy-guzzling ways. Well, the party, which never really should have got started, is over. Maybe some day we'll use a cold fusion electric toothbrush or run our cars on sea water. But for the foreseeable future, we're better served to content ourselves with an old fashioned hand-powered toothbrush and fewer, better planned trips to the store. Energy is precious.

SECOND

It's time to get realistic about oil alternatives.

Sun, wind and geothermal provide less than 1 percent of America's energy needs. If we were to try to replace just another one percent of our daily oil consumption, about 170,000 barrels a day, with solar panels, it would mean building 500 square miles of the things, enough to cover New York City and most of Northern New Jersey.

What about windmills? To replace that one percent would require a line of giant windmills, each 100 feet in diameter stretching from Boston, MA to Charleston SC.

What about nuclear power? No one is building nuclear power plants because they are not economically viable. Without significant subsidies, they wouldn't exist.

So it's oil or nothing? Hardly.

After five years of testing in an environmentally sensitive area in California, Texaco has established coal gasification as commercial and competitive. Since America is the Saudi Arabia of coal, I think you'll here a lot more about this.

Strides are being made in electric/gasoline cars and their place on the American road should be encouraged and mileage requirements increased.

THIRD

We simply need to increase U.S. oil production. Now the minute I say that, some people think, "So, he's using high gas prices to reduce our fears about environmental concerns" Let's consider the facts.

What almost everyone seems to be worried about when it comes to oil and the environment is oil spills. And what spills have gotten the most headlines? Answer: tanker spills. And how does imported oil arrive here? Answer: by tanker.

In contrast, over the past 20 years, according to the Minerals Management Service of the Interior Department, there hasn't been a significant oil spill at an on-shore or off-shore production site. In fact, in the last 20 years, while six billion barrels were being produced from the U.S. offshore area alone, only about 850 barrels were spilled. Now I regret every one of those spilled barrels but in reality that's far less oil than is dripped on American driveways every year. Properly handled, domestic drilling makes sense for the environment and for our energy needs. And yet, in the name of the environment, laws and regulations restricting access to areas where oil might well be found in this country keep those tankers coming.

A few years ago, Texaco and other companies got the official go-ahead to invest over \$2 billion in platforms and wells in the Santa Barbara channel off Point Arguello California. But just as we were about to start bring that oil to shore, local official said, "Stop!" and it's still stopped.

And yet, not far away in the Santa Barbara Channel stands another platform, not unlike those that have been shut down. Since 1983, this other platform has been standing in nearly 200 feet of water with gas

flowing to our shores without a single incident of pollution. In fact, there's an outfit called ECOMAR that periodically comes and scrapes California Bay mussels from the legs of the platform. Now these mussels require a pristine environment to grow and live. ECOMAR does a tidy business selling what it has scrapped from the platform legs to gourmet restaurants in San Francisco and Los Angeles.

So while we worry about shortages, and while the price of crude oil is high, and rising, \$2 billion worth of platforms sit mothballed. We have to ask if this makes sense.

What does make sense is more domestic production, encouraged by tax incentives and production that employs every environmental and technological safeguard we've developed. Because the oil industry encourages the unleashing of good old American ingenuity, we now have the state-of-the-art technology that means we can get more oil out of wells and deliver it to the American public more efficiently than ever before

Texaco has been among those contributing to these advances. We're pioneering procedures like horizontal drilling, a technique that opens up new productive zones by running the drill bit sideways in order to tap pockets that ordinary drilling might miss.

We're using steam and CO2 injections at certain sites to coax more oil out of the ground, oil that would have remained trapped but is now being freed to help meet the world's energy needs.

We're also going to the ends of the earth to find new sources of oil. Our exploratory drilling in the Chukchi Sea, north of the Bering Strait in Alaska, for example, has been interrupted by the onset of winter. But come next summer, as soon as the ice will let us, we will be back, drilling again, in the never-ending search for the oil in this country needs.

How does America reduce its dependence on foreign oil? First, by conservation. Second, by pressing technology into service. And third, by allowing that environmentally sound technology to work right here in America for our own domestic use.

Winston Churchill once wrote, "No one can guarantee success but only deserve it."

We have no guarantee that America will remain strong and free, no guarantee of prosperity, not guarantee that mine or yours won't be the last generation to know the America we have today. That is why our choices now are so important and our resolve so critical. For in the end, we will have the America we deserve.

