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1974 PROFITABILITY OF SELECTED MAJOR OIL COMPANY OPERATIONS

COMMITTEE ON FINANCE

UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

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PROFITABILITY OF SELECTED MAJOR OIL COMPANY OPERATIONS

(Data Supplied by 10 Major Oil Companies in Response to Committee Request)

PREFACE

On December 30, 1974, the Committee on Finance issued an analysis of selected oil companies' profitability over the period 1964–73, entitled "Profitability of Selected Major Oil Company Operations." This analysis was based on information supplied by 10 selected oil companies, and included the companies' responses to a Committee questionnaire as well as various summaries of the information in such responses.

In order to update this analysis with the results of 1974 operations the Chairman made the following request of the 10 companies:

"For purposes of updating the analysis the staff needs data based on 1974 operations reflecting the information shown in Tables 2, 4, and 5 of the profitability analysis, a copy of which is enclosed. In addition, it would be helpful if for 1974 operations you would provide a breakdown of the taxes (other than excise) shown in Table 4, in the form indicated in the attached schedule. Also, would you show separately for 1974 what the net income and rate of return would be for United States and foreign operations, respectively, if only cost depletion were allowable."

Subsequently, a further request was made of the selected companies to "provide the Committee with your statement of earnings for the first quarter of 1975 as soon as it becomes available. At the same time, would you provide the return on shareholders' equity for the first quarter, in the format used previously for 1974 operations, pursuant to my last letter. For the purpose of uniformity, please use shareholders' equity or net assets as of January 1, 1975."

Included in this Committee print are tables reflecting the information supplied by the companies with respect to their operations for 1974 and the first quarter of 1975, as well as excerpts from first quarter earnings announcements of the selected oil companies which comment on first quarter earnings performance and on matters affecting capital investment plans. Summaries of earlier years' operations, derived from the tables included in the print "Profitability of Selected Major Oil Company Operations" issued December 30, 1974, are reprinted here for purposes of comparison, subject to revisions in information previously supplied by the companies.

In connection with the table showing the annualized rate of return for the first quarter of 1975, several of the companies express concern that annualization of the first quarter rate of return should not be construed as an estimate of the earnings rate for the entire year 1975.

TABLE 1.—RATES OF RETURN ON SHAREHOLDERS' INVESTMENT FOR 10 MAJOR OIL COMPANIES, 1966–75

[In millions of dollars]

	1st quarter 1975	1974*	1974	1973	1972	1971	1970	1969	1968	1967	1966
Total Rates of Return											
Exxon [1 2 3]	15.0	19.2	21.3	18.8	12.8	13.5	12.4	12.5	13.3	12.6	12.0
Gulf [4 2]	12.3	16.2	17.9	14.6	8.2	10.4	10.7	12.5	13.7	13.4	12.8
Mobil [4 9]	12.1	15.4	17.2	15.6	11.5	11.5	10.9	10.9	10.8	10.3	10.0
Phillips [1 6]	8.2	11.8	15.8	11.6	9.7	9.7	9.9	10.5	11.3	13.7	12.7
Shell [4 7]	11.7	15.5	20.0	11.4	9.2	8.9	8.9	11.5	15.1	15.0	14.6
Standard of California [4 2 8]	10.4	14.6	15.8	15.3	10.8	10.7	10.0	10.5	11.0	10.6	10.5
Standard of Indiana [1 2]	13.6	16.8	21.1	13.1	10.5	11.0	10.9	11.0	10.3	9.8	9.2
Standard of Ohio [1 2]	.5	5.6	6.0	7.0	4.5	6.1	7.8	6.6	17.1	18.2	15.3
Sun [1]	6.4	14.9	17.9	12.2	9.1	9.4	8.6	9.8	11.3	NA	NA
Texaco [4 2 13]	8.0	16.5	18.7	17.0	12.8	13.9	13.5	13.4	15.4	15.3	14.4
Weighted average [11]	11.5	15.8	18.1	15.4			11.2			12.5	
Mathematical average [12]	9.8	14.7	17.2	13.7			10.4			13.2	
U.S. Rates of Return											
Exxon [1 2 3]	16.2	16.6	22.0	17.6	15.3	15.3	14.0	15.0	14.0	14.1	12.1
Gulf [4 2]	8.4	8.4	11.4	7.1	10.2	10.7	11.0	13.1	14.6	14.5	13.8
Mobil [4 9]	5.2	7.4	10.6	10.1	9.2	9.3	10.1	10.8	10.4	9.8	8.5
Phillips [1 6]	6.9	12.2	16.5	10.5	11.3	10.2	11.2	11.8	12.6	14.8	14.5
Shell [4 7]	13.1	17.1	21.7	12.6	10.1	9.7	9.4	11.4	14.9	14.4	14.4
Standard of California [4 2 8]	2.8	7.1	9.1	5.6	6.4	6.0	6.3	7.4	7.4	7.0	7.7
Standard of Indiana [1 2]	14.6	16.4	21.6	14.9	12.1	11.0	12.2	12.6	11.9	12.4	11.5
Standard of Ohio [1 2]	.5	5.6	6.0	4.6	1.6	4.8	7.2	5.1	15.4	15.7	12.7
Sun [1]	6.8	14.0	18.1	12.1	12.5	12.6	11.6	12.4	15.7	NA	NA
Texaco [4 2]	6.0	6.2	10.4	11.6	12.3	12.2	12.7	12.0	16.9	16.9	16.4
Weighted average [11]	9.2	10.5	14.2	11.3			10.8			12.9	
Mathematical average [12]	8.1	11.1	14.7	10.7			10.6			13.3	

See footnotes at end of table.

Foreign Rates of Return

Exxon [1,2,3]	14.3	20.8	20.9	19.5	12.3	12.5	11.6	10.8	12.8	11.8	11.9
Gulf [4,3]	18.9	11.4	27.1	24.7	5.3	10.0	10.0	11.4	12.1	11.4	10.8
Mobil [4,9]	21.6	25.9	25.9	21.2	14.1	14.2	12.0	10.9	11.4	10.8	11.9
Phillips [1,6]	11.2	11.0	14.5	14.2	5.2	8.2	5.2	5.2	4.9	7.9	3.2
Shell [4,7]	(Loss)	(100+)	(100+)	(100+)	(100+)	(100+)	(100+)	100+	100+	100+	100+
Standard of California [4,3,8]	21.6	25.3	25.5	29.7	17.8	19.0	17.8	17.5	19.4	19.0	17.3
Standard of Indiana [1,2]	11.2	17.7	19.9	8.4	6.3	11.1	7.7	6.5	5.4	.6	....
Standard of Ohio [1,2,5]	(5)	(5)	(5)	79.7	142.4	73.4	41.2	55.9	41.7	55.2	53.6
Sun [1]	4.4	17.4	17.4	12.4	3.2	3.4	1.0	(10)	(10)	NA	NA
Texaco [4,3,13]	10.0	27.3	27.3	22.9	13.3	16.0	14.6	15.7	13.0	12.9	11.4
Weighted average [11]	14.8	23.4	23.7	20.4	....	....	11.6	....	....	11.8	....
Mathematical average [12]	14.2	21.8	22.3	19.2	....	....	10.0	....	....	10.6	....

[1] Rates of return are for petroleum operations only.

[2] Rates of return are calculated on average net assets.

[3] The total figures represent the return for the total corporation. The breakdowns into U.S. and foreign segments returns are based on some arbitrary assumptions concerning the allocation of the corporation's financing and of headquarters' net assets and administrative costs.

[4] Rates of return are for total corporate operations.

[5] Post-1973 foreign investment is negligible.

[6] The net asset data (stockholders' equity) used in computing the rates of return were obtained by allocating Phillips' total stockholders' equity among its operating segments on the basis of capital employed, as requested by the committee.

[7] Rates of return calculated on net asset data representing stockholders' investment at the beginning of the year.

[8] Rates of return calculated on end-of-year net asset figures.

[9] Mobil 1975 return is for petroleum operations only; all other years' returns are for total corporate operations. First quarter 1975 foreign income includes $40 million inventory profit.

[10] Net loss.

[11] Weighted average refers to total companies' return as a percentage of total companies' net assets.

[12] Mathematical average is the average obtained by adding the respective rates of return and dividing by the number of companies shown, except that the foreign rates of Shell and Standard of Ohio are omitted to avoid distortion

[13] Texaco first quarter 1975 foreign income includes $9 million inventory profit.

*1974 return computed as if only cost depletion were allowable.

Note: First quarter 1975 returns are based on assets as of January 1, 1975. Annualization of first quarter earnings rate is not to be construed as an estimate of 1975 earnings rate.

Data in this table were supplied by the 10 major oil companies in response to a questionnaire from the Senate Finance Committee asking for profit data from petroleum operations. 5 of the companies reported profits on petroleum operations as requested. 5 companies reported total corporate profit data.

Of the 5 companies reporting total corporate profit, Mobil, Gulf, Shell, and Standard of California all indicated that the nonpetroleum portion of their business was relatively insignificant and its inclusion should not therefore create any distortions in the data.

Source: Responses from the 10 major oil companies listed above to a questionnaire from the Senate Finance Committee. The question as stated by the Finance Committee was: "What was the overall rate of return, after taxes, which your company realized on stockholders, investment devoted to exploration, development, production, manufacturing, transportation and marketing of petroleum products in the United States (and abroad)?"

TABLE 2.—NET INCOME, NET ASSETS, AND RATES OF RETURN FOR 10 MAJOR OIL COMPANIES, 1975 (1st quarter), 1974, 1973, AND 1970

[Dollars in millions]

	1st quarter 1975 (annualized)*			1974 cost depletion		1974			1973			1970		
	Net income	Net assets	Rate of return (percent)	Net income	Rate of return (percent)	Net income	Net assets	Rate of return (percent)	Net income	Net assets	Rate of return (percent)	Net income	Net assets	Rate of return (percent)
Exxon:														
Total	516	13,760	15.0	2,387	[2,3] 19.2	2,638	[1] 12,402	[2,3] 21.3	2,300	[1] 12,254	[2,3] 18.8	1,267	[1] 10,055	[2,3] 12.6
United States [4]	216	5,333	16.2	770	16.6	1,021	4,647	22.0	830	4,716	17.6	587	4,193	14.0
Foreign [5]	300	8,427	14.3	1,617	20.8	1,617	7,755	20.9	1,470	7,538	19.5	680	5,862	11.6
Gulf:														
Total	[6] 195	6,329	12.3	[6] 953	[7] 16.2	[6] 1,065	[6] 6,329	[7] 17.9	[6] 800	[6] 5,569	[7] 14.6	[6] 550	[6] 5,279	[7] 10.7
United States	84	3,977	8.4	289	8.4	401	3,977	11.4	226	3,029	7.1	359	3,270	11.0
Foreign	111	2,352	18.9	664	27.1	664	2,352	27.1	574	2,540	24.7	191	2,009	10.0
Mobil:														
Total	[6,13] 159	[6] 5,243	12.1	[6] 936	[2] 15.4	[6] 1,047	[6,12] 6,436	[2] 17.2	[6] 849	[6] 5,715	15.6	[6] 483	[6] 4,540	10.9
United States	39	3,019	5.2	256	7.4	366	4,125	10.6	275	2,775	10.1	247	2,513	10.1
Foreign	120	2,224	21.6	680	25.9	681	2,311	25.9	574	2,939	21.1	235	2,027	12.0
Phillips:														
Total	[6] 34	[6,10] 1,633	8.2	[6] 174	11.8	[6] 233	[6,10] 1,473	15.8	[6] 152	[6,10] 1,309	11.6	[6] 124	[6,10] 1,245	9.9
United States	19	1,094	6.9	120	12.2	162	982	16.5	96	911	10.5	110	982	11.2
Foreign	15	539	11.2	54	11.0	71	491	14.5	56	398	14.2	14	264	5.2
Shell:														
Total	[6] 105	[6,11] 3,560	11.7	[6] 479	15.5	[6] 621	[6,11] 3,095	20.0	[6] 333	[6,11] 2,925	11.4	[6] 237	[6,11] 2,668	8.9
United States	115	3,489	13.1	524	17.1	666	3,066	21.7	370	2,920	12.6	249	2,667	9.4
Foreign	(10)	70	(57.0)	(45)	(100+)	(45)	29	(100+)	(37)	5	(100+)	(12)	1	(100+)
Standard of California:														
Total	[6] 169	[6] 6,450	10.4	[6] 891	[2] 14.6	[6] 970	[6,12] 6,450	[2] 15.8	[6] 844	[6,12] 5,806	[2] 15.3	[6] 455	[6,12] 4,646	[2] 10.0
United States	27	3,843	2.8	255	7.1	327	3,843	9.1	184	3,374	5.6	194	3,098	6.3
Foreign	142	2,607	21.6	636	25.3	643	2,607	25.5	660	3,212	29.7	261	1,548	17.8
Standard of Indiana.														
Total	[6] 158	[6] 4,644	13.6	[6] 701	[2] 16.8	[6] 881	[6] 4,644	[2] 21.1	[6] 466	[6] 3,722	[2] 13.1	[6] 320	[6] 3,039	[2] 10.9
United States	120	3,289	14.6	485	16.4	638	3,289	21.6	381	2,629	14.9	258	2,188	12.2
Foreign	38	1,355	11.2	216	17.7	243	1,355	19.9	85	1,094	8.4	62	851	7.7
Standard of Ohio:														
Total	[16] 2	[16] 1,103	.5	[16] 58	[2] 5.6	[16] 63	[16] 1,045	[2] 6.0	[16] 69	[16] 992	[2] 7.0	[16] 68	[16] 866	[2] 7.8
United States	2	1,103	.5	58	5.6	63	1,045	6.0	45	962	4.6	60	846	7.2
Foreign [15]									24	30	79.7	8	20	41.2

Sun Oil:														
Total	[9] 33	[9] 2,091	6.4	[9] 312	14.9	[9] 375	[9] 2,091	17.9	[9] 225	[9] 1,845	12.2	[9] 138	[9] 1,612	8.6
United States [14]	27	1,550	6.8	217	14.0	280	1,550	18.1	144	1,185	12.1	134	1,154	11.6
Foreign [14]	6	541	4.4	95	17.4	95	541	17.4	81	660	12.4	4	458	1.0
Texaco														
Total	[6,17] 178	[6] 9,003	8.0	[6] 1,401	[3] 16.5	[6] 1,586	[6] 8,498	[3] 18.7	[6] 1,292	[6] 7,584	[3] 17.0	[6] 822	[6] 6,088	[3] 13.5
United States	73	4,761	6.0	268	6.2	453	4,352	10.4	454	3,925	11.6	460	3,614	12.7
Foreign	105	4,242	10.0	1,133	27.3	1,133	4,146	27.3	838	3,659	22.9	362	2,474	14.6
10-company total														
Total	1,549	53,816	11.5	8,292	15.8	9,488	52,463	18.1	7,330	47,721	15.4	4,464	40,038	11.2
United States	722	31,458	9.2											
Foreign	827	22,357	14.8	3,242	10.5	4,377	30,876	14.2	3,005	26,520	11.3	2,658	24,525	10.8
				5,050	23.4	5,111	21,587	23.7	4,325	21,201	20.4	1,805	15,514	11.6

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[1] Average of beginning and ending year. The allocation of petroleum net assets between United States and foreign was calculated by determining the relationship between total return on capital employed to the total return on shareholder equity and applying the ratio thus obtained to total capital employed in the U.S. and Foreign operations, respectively.

[2] All rates of return are calculated on average net assets.

[3] Return on shareholders' equity. The total figures represent the return for the total corporation. The breakdowns into U.S. and Foreign segments returns are based on some arbitrary assumptions concerning the allocation of the corporation's financing and of headquarters' net assets and administrative costs.

[4] U.S. net income, assets, and rates of return are for petroleum and natural gas operations only for all years. In 1973 petroleum profits represented about 93 percent of total U.S. profits.

[5] Foreign net income, assets and rates of return are for petroleum and natural gas operations only for 1973, 1974, and 1975, and for all Exxon foreign operations for 1964–70. Petroleum profits represent about 92 percent of 1973 total foreign profits.

[6] All income and asset data are for total corporate operations.

[7] All rates of return are calculated on average net assets.

[8] Before extraordinary writeoff.

[9] All income and asset figures are for petroleum operation only.

[10] The net asset data (stockholder's equity) used in computing the rates of return were obtained by allocating Phillips' total stockholder's equity among its operating segments on the basis of capital employed.

[11] All net asset data represent shareholders' investment at the beginning of the year.

[12] All net asset figures are end-of-year figures.

[13] Mobil first quarter 1975 includes $40 million foreign inventory profit.

[14] Includes Puerto Rico in foreign prior to 1974.

[15] Post-1973 foreign investment is negligible.

[16] U.S. income and assets are for petroleum operations only; foreign income and assets include all foreign operations.

[17] Texaco first quarter 1975 includes $9 million foreign inventory profit.

Note: Data in this table were supplied by the 10 major oil companies in response to a questionnaire from the Senate Finance Committee asking for profit data from petroleum operations. Five of the companies reported profits on petroleum operations as requested. Five companies reported total corporate profit data.

Of the 5 companies reporting total corporate profit, Mobil, Gulf, Shell, and Standard of California all indicated that the nonpetroleum portion of their business was relatively insignificant and its inclusion should not therefore create any distortions in the data.

However, due to these variations in reporting by the 10 companies, the 10-company total figures at the end of the table represent only a general order of magnitude of net income and assets and rates of return.

1974 cost depletion column shows 1974 return computed as if only cost depletion were allowable for income tax purposes.

*Net assets for purposes of 1975 first quarter computation are stated as of January 1, 1975 in all cases. Annualization of first quarter earnings rate is not to be construed as an estimate of the 1975 earnings rate.

Source: Responses from the 10 major oil companies listed above to a questionnaire from the Senate Finance Committee. The question as stated by the Finance Committee was: "What was the overall rate of return, after taxes, which your company realized on stockholders' investment devoted to exploration, development, production, manufacturing, transportation, and marketing of petroleum products in the United States (and abroad)?" Prepared by Susan Dovell, research assistant, Economics Division, Congressional Research Service, Library of Congress.

TABLE 3.—EFFECTIVE TAX RATES PAID BY 10 MAJOR OIL COMPANIES, 1965 TO 1974—INCLUDES ALL TAXES, OTHER THAN EXCISE TAXES, PAID TO FEDERAL, STATE, LOCAL, AND FOREIGN GOVERNMENTS

[In Percent]

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Total:										
Exxon	81.8	78.1	79.8	76.9	77.8	76.3	75.5	76.5	76.4	76.4
Gulf	75.2	67.2	70.2	63.7	55.5	50.2	45.3	47.5	46.4	45.0
Mobil	73.9	62.4	63.2	63.9	57.1	55.4	54.1	49.6	48.5	49.1
Phillips [1]	60.8	44.5	51.9	47.5	46.8	42.5	42.2	41.9	42.3	36.2
Shell	43.6	43.6	45.6	43.7	46.0	39.1	36.8	36.1	38.0	38.0
Standard of California	61.9	59.2	65.1	63.6	60.5	55.8	52.9	48.4	32.5	30.6
Standard of Indiana	54.3	46.6	43.0	40.9	41.1	39.7	42.0	40.9	39.8	44.5
Standard of Ohio	41.5	50.1	56.6	35.6	29.2	58.8	47.2	43.8	44.1	50.5
Sun	62.3	54.1	55.4	54.2	57.0	53.0	48.4	NA	NA	NA
Texaco	85.6	74.3	75.3	70.5	66.8	66.6	63.0	61.9	NA	NA
10-company average [2]	76.9	70.3			66.6			62.4		
United States:										
Gulf	40.5	41.0	28.5	30.7	31.6	26.9	19.4	29.6	33.3	30.9
Mobil	42.6	41.5	38.9	45.9	44.1	38.9	34.7	39.7	39.4	42.7
Phillips [1]	46.9	50.0	48.6	52.8	50.5	45.3	45.8	45.1	43.1	38.7
Shell	44.1	44.0	45.7	44.0	46.1	38.3	36.2	35.8	36.9	36.5
Standard of California	44.1	49.2	44.8	45.6	44.6	34.9	36.3	36.5	37.5	34.6
Standard of Indiana	46.5	41.6	46.0	48.1	48.1	44.2	48.3	40.6	39.3	42.0
Standard of Ohio	29.2	48.5	56.2	31.0	26.6	59.4	46.7	43.0	43.0	50.4
Sun	48.4	50.5	47.7	47.5	48.3	42.0	37.7	NA	NA	NA
Texaco	48.3	37.2	35.6	35.3	36.6	30.3	25.7	25.3	NA	NA
Exxon	44.5	42.3	40.8	41.3	43.7	40.2	40.5	39.3	38.5	37.4

10-company average [2]	44.8	42.9	...	...	42.4	...	...	35.6	...	...
Foreign:										
Exxon	87.2	83.7	87.0	84.4	85.4	85.4	83.1	84.4	83.8	82.7
Gulf	81.7	72.1	88.0	79.1	73.2	69.6	67.0	67.9	63.8	63.4
Mobil	79.8	67.9	71.3	71.3	65.5	67.0	66.4	57.8	54.7	53.7
Phillips [3]	80.3	...	...	...	...	...	...	...	...	...
Shell [4]	49.8	...	...	...	...	...	...	...	...	...
Standard of California	67.2	61.4	71.2	69.3	67.4	66.0	61.7	55.6	26.2	25.2
Standard of Indiana [3]	66.9	61.3	22.1	10.1	4.8	...	...	57.7	95.7	...
Standard of Ohio [4]	73.5	...	...	...	...	...	...	...	...	...
Sun [3]	79.1	59.2	77.6	77.1	93.0	...	...	NA	NA	NA
Texaco	88.8	80.5	84.6	80.5	79.3	79.4	81.6	80.4	NA	NA
10-company average [2]	84.5	77.8	...	...	79.4	...	...	78.2	...	...

[1] The rates of profitability of taxes for Phillips were recalculated using the tax and income figures supplied by Phillips; however, Phillips points out that the income shown includes earnings of companies accounted for by the equity method, whereas the tax figures do not include taxes paid by such companies. Hence, the taxes are understated.

[2] This average includes total company income and total taxes paid by the companies.

[3] These companies had losses on foreign operations in certain years not shown.

[4] Foreign operations of these companies are, or were, relatively insignificant, i.e., less than 5% of net assets.

Note: Data in this table were supplied by the 10 major oil companies in response to a questionnaire from the Senate Finance Committee asking for data from petroleum operations. Five of the companies reported profits on petroleum operations as requested, 5 companies reported total corporate profit data. Four of the 5 companies reporting total profit data, Mobil, Gulf, Shell, and Standard of California, all indicated that the nonpetroleum portion of their business was relatively insignificant and its inclusion should not therefore create any distortions in the data.

Source: Responses from the 10 major oil companies listed above to a questionnaire from the Senate Finance Committee asking for the rate of profitability to taxes, other than excise taxes. The responses to this question showed net income, taxes (other than excise taxes), and the ratio between net income after tax and the sum of net income after taxes and taxes (other than excises) paid to Federal, State and local governments and to foreign governments. The reciprocal of this ratio is the ratio between total taxes (other than excises), paid to Federal, State and local governments and to foreign governments, and the sum of such taxes and after-tax net income, i.e., the effective overall tax rate paid by the 10 companies to all governments. This reciprocal is shown above in the tables. Caution: This is not the effective tax rate paid to the U.S. Government.

TABLE 4.—RATES OF PROFITABILITY OF SALES, OF TAXES, AND OF EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1974, 1973, 1970, AND 1967

[In millions of dollars]

Company	Net income	Sales	Rate of profitability of sales	Taxes (other than excise)	Rate of profitability of taxes[1]	Employed capital	Rate of profitability of employed capital
1974							
Exxon:							
Total	2,638	41,970	6.3	11,836	18.2	14,732	[4] 19.5
United States	1,021	10,780	9.5	817	55.5	5,044	20.5
Foreign	1,617	31,190	5.2	11,019	12.8	9,688	19.0
Gulf:							
Total	[5] 1,065	[5] 17,952	5.9	[5] 3,229	24.8	[5] 8,439	[4] 14.6
United States	401	7,280	5.5	273	59.5	4,871	9.8
Foreign	664	10,672	6.2	2,956	18.3	3,568	20.2
Mobil:							
Total	[5] 1,047	[5] 19,136	5.5	[5] 2,961	26.1	[5 8 14] 7,484	[4 26] 14.7
United States	366	6,114	6.0	272	57.4	4,168	9.3
Foreign	681	13,022	5.2	2,689	20.2	3,316	[26] 21.6

Phillips:							
Total	[6] 233	[6] 4,234	[7] 4.9	[6] 324	39.2	[6,8] 1,977	[4] 12.6
United States	162	3,126	5.2	142	53.1	1,317	12.8
Foreign	71	1,108	4.0	182	19.7	660	12.3
Shell:							
Total	[5] 621	[5] 7,708	8.0	[5] 480	56.4	[5,10] 4,096	[4] 16.0
United States	666	7,696	8.6	525	55.9	4,055	17.3
Foreign	(45)	12	....	(45)	50.2	41	(100+)
Standard of California:							
Total	[5,11] 970	[5,11] 17,191	5.6	[5,11] 1,573	38.1	[5,11] 7,465	[4] 14.0
United States	327	5,478	6.0	258	55.9	4,569	8.0
Foreign	643	11,713	5.0	1,315	32.8	2,896	23.3
Standard of Indiana:							
Total	[6] 881	[6] 9,063	9.7	[6] 1,046	45.7	[6] 6,151	[4] 15.8
United States	638	7,097	9.0	554	53.5	4,498	15.4
Foreign	243	1,966	12.4	492	33.1	1,653	17.1
Standard of Ohio:							
Total	[6] 72	[6] 1,840	3.9	[6] 51	58.5	[6,14] 1,715	([24])
United States	63	1,754	3.6	26	70.8	1,715	[4] 4.3
Foreign	9	86	10.7	25	26.5	([24])	([24])

See footnotes at end of table.

TABLE 4.—RATES OF PROFITABILITY OF SALES, OF TAXES, AND OF EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1974, 1973, 1970, AND 1967—Continued

Company	Net income	Sales	Rate of profitability of sales	Taxes (other than excise)	Rate of profitability of taxes [1]	Employed capital	Rate of profitability of employed capital
1974							
Sun Oil:							
Total	[6] 375	[6] 3,771	9.9	[6] 620	37.7	[6, 15] 3,089	[4] 12.9
United States	280	3,192	8.8	263	51.6	2,440	12.2
Foreign	95	579	16.3	357	20.9	649	15.6
Texaco:							
Total	[5] 1,586	[5, 17] 23,056	6.9	[5, 13] 9,395	14.4	[5, 18] 10,446	[4] 15.2
United States	453	7,612	6.0	423	51.7	5,509	8.2
Foreign	1,133	15,444	7.3	8,972	11.2	4,936	23.0
10-company total:							
Total [20]	9,488	145,921	6.5	31,515	23.1	65,594	15.8
United States	4,377	60,129	7.3	3,553	55.2	38,186	12.2
Foreign	5,111	85,792	6.0	27,962	15.5	27,407	20.3

1973							
Exxon:							
Total	2,300	26,750	8.6	8,180	[19] 21.9	13,779	[4] 18.4
United States [2]	830	7,265	11.4	608	57.7	4,877	17.2
Foreign [3]	1,470	19,485	7.5	7,572	16.3	8,902	19.1
Gulf:							
Total	[5] 800	[5] 9,836	8.1	[5] 1,641	32.8	[5] 7,670	[4] 11.7
United States	226	4,619	4.9	157	59.0	3,885	6.3
Foreign	574	5,217	11.0	1,484	27.9	3,785	17.5
Mobil:							
Total	[5] 849	[5] 11,526	7.4	[5] 1,409	37.6	[5, 8] 10,690	[4, 24] 13.8
United States	275	3,930	7.0	195	58.5	4,894	8.8
Foreign	574	7,596	7.6	1,214	32.1	5,797	[23] 19.3
Phillips:							
Total	[6] 152	[6] 2,270	[7] 5.8	[6] 122	[19] 55.5	[6, 8] 1,860	[4] 9.4
United States	96	1,861	5.1	97	50.0	1,295	8.6
Foreign	56	409	9.0	24	70.0	565	11.2
Shell:							
Total	[5] 333	[5] 4,932	6.7	[5] 257	56.4	[5, 10] 3,951	[4] 9.2
United States	370	4,932	7.5	[9] 291	56.0	3,946	10.2
Foreign	(37)			(34)	52.4	4	(100+)

See footnotes at end of table.

TABLE 4.—RATES OF PROFITABILITY OF SALES, OF TAXES, AND OF EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1974, 1973, 1970, AND 1967—Continued

Company	Net income	Sales	Rate of profitability of sales	Taxes (other than excise)	Rate of profitability of taxes[1]	Employed capital	Rate of profitability of employed capital
1973							
Standard of California:							
Total	[5,11] 844	[5,11] 7,762	10.9	[5,11] 1,226	40.8	[5,11,12] 6,870	[4] 13.5
United States	184	3,538	5.2	178	50.8	4,126	5.2
Foreign	660	4,224	15.6	1,048	38.6	2,744	26.7
Standard of Indiana:							
Total	[6] 466	[6] 5,697	8.2	[6] 408	53.4	[6] 4,967	[4] 10.7
United States	381	4,663	8.2	272	58.4	3,401	12.4
Foreign	86	1,033	8.3	136	38.7	1,566	6.8
Standard of Ohio:							
Total	[6] 52	[6] 1,225	4.3	[6] 52	49.9	[6,14] 1,419	([25])
United States	45	1,181	3.8	42	51.5	1,419	[4] 5.1
Foreign	7	44	16.9	10	41.9	([24])	([24])

Sun Oil:							
Total	[6] 225	[6] 2,201	10.2	[6] 265	45.9	[6, 13] 2,735	[4] 9.1
United States	144	1,860	7.7	146	49.5	2,023	8.1
Foreign [16]	81	341	23.9	119	40.8	712	11.8
Texaco:							
Total	[5] 292	[5, 17] 11,248	11.5	[5] 3,736	25.7	[5, 18] 9,251	[4] 14.8
United States	454	4,304	10.5	269	62.8	4,729	10.4
Foreign	838	6,944	12.1	3,467	19.5	4,521	19.3
10-Company total:							
Total [20]	5,306	83,403	8.8	17,286	29.7	63,192	13.6
United States	1,005	38,153	7.9	2,255	57.1	34,689	9.8
Foreign	1,302	45,249	9.5	15,030	22.2	28,502	18.6
1970							
Exxon:							
Total	1,267	17,842	7.1	4,447	[19] 22.2	12,765	[4] 11.1
United States [2]	587	5,491	10.7	460	56.1	4,754	12.5
Foreign [3]	680	12,351	5.5	3,987	14.6	8,011	10.3
Gulf:							
Total	[5] 550	[5] 6,597	8.3	[5] 687	44.5	[5] 7,397	[4] 8.7
United States	359	3,881	9.3	166	68.4	3,991	9.8
Foreign	191	2,716	7.0	521	26.8	3,406	7.4

See footnotes at end of table.

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TABLE 4.—RATES OF PROFITABILITY OF SALES, OF TAXES, AND OF EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1974, 1973, 1970, AND 1967—Continued

Company	Net income	Sales	Rate of profitability of sales	Taxes (other than excise)	Rate of profitability of taxes [1]	Employed capital	Rate of profitability of employed capital
1970							
Mobil:							
Total	[5] 483	[5] 7,369	6.6	[5] 639	43.0	[5] 7,921	[4] 9.8
United States	247	3,024	8.2	195	55.9	4,105	9.0
Foreign	236	4,345	5.4	444	34.5	3,816	10.8
Phillips:							
Total	[6] 124	[6] 1,772	[7] 6.3	[6] 109	[19] 53.2	[6 8] 1,791	[4] 8.1
United States	110	1,618	6.6	112	49.5	1,412	9.0
Foreign	14	154	3.1	(3)	127.3	379	4.8
Shell:							
Total	[5] 237	[5] 3,621	6.6	[5] 202	54.0	[5 10] 3,379	[4] 7.7
United States	249	3,621	6.9	[9] 213	53.9	3,378	8.0
Foreign	(12)	([25])	....	(12)	51.5	1	(100+)
Standard of California:							
Total	[5] 455	[5 11] 4,386	10.4	[5 11] 696	39.5	[5 11 12] 5,392	[4] 9.2
United States	194	2,679	7.2	156	55.4	3,570	5.8
Foreign	261	1,707	15.3	540	32.6	1,822	16.2

Standard of Indiana:							
Total	[6] 320	[6] 4,216	7.6	[6] 243	58.9	[6] 4,056	[4] 8.9
United States	258	3,666	7.0	240	51.9	3,049	9.5
Foreign	62	550	11.2	3	95.2	1,007	7.1
Standard of Ohio:							
Total	[6] 63	[6] 1,071	5.9	[6] 26	70.8	[6,14] 1,188	[4] 5.7
United States	60	1,046	5.8	22	73.4	1,177	5.5
Foreign	3	25	10.7	4	39.7	11	29.6
Sun Oil:							
Total	[6] 138	[6] 1,686	8.2	[6] 183	43.0	[6,15] 2,299	[4] 6.7
United States	134	1,503	8.9	125	51.7	1,721	8.4
Foreign [16]	4	183	2.4	58	7.0	578	1.6
Texaco:							
Total	[5] 822	[5,17] 6,239	13.2	[5] 1,654	33.2	[5,18] 7,190	[4] 12.0
United States	460	3,092	14.9	266	63.4	4,159	11.6
Foreign	362	3,147	11.5	1,388	20.7	3,031	12.5
10-Company total:							
Total [20]	4,457	54,774	8.1	8,882	33.4	53,367	9.7
United States	2,659	29,621	9.0	1,955	57.6	31,316	9.5
Foreign	1,798	25,153	7.1	6,926	20.6	22,051	10.2

See footnotes at end of table.

TABLE 4.—RATES OF PROFITABILITY OF SALES, OF TAXES, AND OF EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1974, 1973, 1970, AND 1967—Continued

Company	Net income	Sales	Rate of profitability of sales	Taxes (other than excise)	Rate of profitability of taxes[1]	Employed capital	Rate of profitability of employed capital
1967							
Exxon:							
Total	1,119	14,165	7.9	3,642	[19] 23.5	10,285	[4] 11.7
United States[2]	504	4,378	11.5	326	60.7	3,861	13.1
Foreign[3]	615	9,787	6.3	3,316	15.6	6,424	10.9
Gulf:							
Total	[5] 578	[5] 5,110	11.3	[5] 524	52.5	[5] 5,452	[4] 11.4
United States	412	NA	NA	173	70.4	3,306	NA
Foreign	166	NA	NA	351	32.1	2,146	NA
Mobil:							
Total	[5] 385	[5] 5,899	6.5	[5] 379	50.4	[5] 6,224	[4] 9.4
United States	210	2,518	8.3	138	60.3	3,346	8.8
Foreign	175	3,381	5.2	240	42.2	2,878	10.4

Phillips:							
Total	[6] 155	[6] 1,646	[7] 8.9	[8] 112	[10] 58.1	[6, 8] 1,668	[4] 10.4
United States	141	1,534	8.9	116	54.9	1,404	11.1
Foreign	14	112	9.1	(3)	127.3	265	6.4
Shell:							
Total	[5] 285	[5] 3,088	9.2	[5] 161	63.9	[5, 10] 2,451	[4] 12.3
United States	274	3,059	9.0	153	64.2	2,450	11.8
Foreign	11	29	36.7	8	56.9	1	100+
Standard of California:							
Total	[5, 11] 409	[5, 11] 3,467	11.8	[5, 11] 383	51.6	[5, 11, 12] 4,530	[4] 99
United States	191	2,391	8.0	110	63.5	3,267	6.5
Foreign	218	1,076	20.3	273	44.4	1,263	18.5
Standard of Indiana:							
Total	[6] 264	[6] 3,376	7.8	[6] 183	59.1	[6] 3,296	[4] 8.8
United States	261	3,083	8.5	178	59.4	2,615	10.8
Foreign	3	293	1.2	5	42.3	682	.8
Standard of Ohio:							
Total	[6] 63	[6] 533	11.8	[6] 49	56.2	[6, 14] 466	[4] 14.5
United States	57	492	11.6	43	57.0	443	13.6
Foreign	6	41	14.6	6	49.2	23	31.7
Sun Oil [21]							

See footnotes at end of table.

TABLE 4—RATES OF PROFITABILITY OF SALES, OF TAXES, AND OF EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1974, 1973, 1970, AND 1967—Continued

Company	Net income	Sales	Rate of profitability of sales	Taxes (other than excise)	Rate of profitability of taxes [1]	Employed capital	Rate of profitability of employed capital
1967							
Texaco:							
Total	[5] 750	[5, 17] 5,164	14.5	[5] 1,220	38.1	[5, 18] 5,805	[4] 13.4
United States	494	2,651	18.6	167	74.7	3,412	14.9
Foreign	257	2,513	10.2	1,053	19.6	2,393	11.1
10-Company total:							
Total [25]	4,002	[22] 37,297	[22] 10.7	6,647	37.6	40,154	11.2
United States	2,544	20,106	12.7	1,404	64.4	24,104	11.2
Foreign	1,459	17,191	8.5	5,243	21.8	16,052	11.0

[1] The rate of profitability of taxes is the ratio of profit after taxes to profit before taxes.
[2] U.S. net income, sales, taxes, and capital employed data are for petroleum and natural gas operations only.
[3] Foreign net income, sales, taxes and capital employed data are for petroleum and natural gas operations only for 1973 and 1974 and for all Exxon foreign operations for 1970 and 1967.
[4] Based on adjusted net income (i.e., includes after tax interest effect of long-term debt.)
[5] Net income, sales, taxes, and employed capital figures are total corporate figures.
[6] Net income, sales, taxes and employed capital figures are for petroleum operations only.
[7] Net income used for this calculation excludes the company's portion of the earnings of companies accounted for by the equity method since the sales of such companies are not included in the company's financial statements.
[8] Comprises stockholder's equity plus long-term debt.
[9] U.S. taxes exclude that portion of U.S. taxes incurred in foreign operations for the years 1970 and 1973. These amounts are shown as foreign taxes.
[10] Employed capital shown is beginning of the year balance of shareholders' investment and long term debt.
[11] Company and majority-owned subsidiaries only.
[12] Including long-term debt.
[13] Includes interests in nonsubsidiary companies.
[14] Average borrowed and invested capital.
[15] Defined as total assets less current liabilities.
[16] Foreign data includes Puerto Rico *prior* to 1974.
[17] Sales revenue excludes gross income from services, equity in net income of nonsubsidiary companies, dividends, interest and other net income, whereas net income is applicable to all sources.
[18] Average invested capital.
[19] The rates of profitability of taxes for years prior to 1974 for Exxon and Phillips were calculated using the income and tax data supplied by the two companies.
[20] The domestic data supplied by Standard of Ohio is included in the total figures for the 10-company total, even though foreign data was not available.
[21] No data was provided by Sun Oil for years prior to 1968.
[22] Since U.S. and foreign breakdowns of Gulf's sales data are not available prior to 1968, Gulf has not been included in the 10-company total sales column for 1967, in order that the total, U.S. and foreign rates of profitability of sales will be comparable.
[23] Without the $150,000,000 foreign currency translation factor in 1973, the foreign return would have been 14.8 percent and worldwide 11.6 percent.
[24] Subsequent to the sale of all Canadian assets in 1972, the capital employed consists of an insignificant amount related to Standard of Ohio's five-twelfths of 1 percent interest in the Iranian oil consortium. A calculated return on capital employed for 1973 and 1974 would be meaningless as to foreign operations.
[25] Negligible.
[26] Excluding foreign inventory profit of $325 million in 1974, the foreign return would have been 11.8 percent and worldwide 10.4 percent.

Note: Data for this table have been supplied by 10 major oil companies in response to a questionnaire from the Senate Finance Committee, asking for rates of profitability of sales, of taxes, other than excise taxes, and of total investment, including borrowed capital. 4 of the companies reported this information for petroleum operations only, while 6 reported total corporate operations. (See headnote to table 1 for explanation of these differences.)

In addition, in determining the rates of profitability of employed capital, the companies based their rates on adjusted net income to include the interest on borrowed capital. Since the adjusted net income figures used for these calculations are not given, it was not possible to determine the rates of profitability of employed capital for the 10-company total.

Source: Responses from 10 major oil companies to a questionnaire from the Senate Finance Committee. The question was stated "What is the rate of profitability to sales? To taxes, other than excise taxes? To total investment, including borrowed capital?"

TABLE 5.—TAXES OTHER THAN EXCISE TAXES PAID IN 1974

[In millions of dollars]

Company	Federal income taxes	Employment taxes (Federal and State)	Production and severance taxes	State income and franchise taxes	Ad valorem taxes	Foreign taxes	All other taxes	Total
Exxon:								
Total	518	103	166	35	147	[1] 6,915	3,952	11,836
United States	518	26	132	35	89		17	817
Foreign		77	34		58	[1] 6,915	3,935	11,019
Gulf:								
Total	61	24	156	57	64	2,689	178	3,229
United States	61	24	67	57	48		16	273
Foreign			89		16	2,689	162	2,956
Mobil:								
Total	86	57	46	30	85	1,645	1,013	2,961
United States	86	29	44	30	71		13	272
Foreign		28	2		14	1,645	1,000	2,689
Standard of Indiana:								
Total	218	42	109	11	63	[3] 468	135	1,046
United States	269	34	86	11	58		96	554
Foreign	(51)	8	23		5	[3] 468	39	492

Standard of Ohio:								
Total	(4)	8	19	4	23	...	1	51
United States	(4)	8	5	4	12	...	1	26
Foreign	...	...	14	...	11	...	...	25
Sun Oil:								
Total	110	16	146	6	38	[4]258	46	620
United States	121	15	42	6	34	...	45	263
Foreign	(11)	1	104	...	4	[4]258	1	357
Phillips:								
Total	53	11	24	9	26	196	5	324
United States	67	11	24	9	26	...	5	142
Foreign	(14)	...	...	...	...	196	...	182
Shell:								
Total	276	25	66	29	63	1	20	480
United States	322	25	66	29	63	...	20	525
Foreign	(46)	...	...	...	...	1	...	(45)
Standard of California:								
Total	56	26	47	18	87	[26]647	692	1,573
United States	76	23	47	18	76	...	18	258
Foreign	(20)	3	...	...	11	[26]647	674	1,315

See footnotes at end of table.

TABLE 5.—TAXES OTHER THAN EXCISE TAXES PAID IN 1974—Continued

[In millions of dollars]

Company	Federal income taxes	Employment taxes (Federal and State)	Production and severance taxes	State income and franchise taxes	Ad valorem taxes	Foreign taxes	All other taxes	Total
Texaco:[5]								
Total	73	82	162	20	72	7,333	1,654	9,396
United States	73	30	160	20	59	....	81	423
Foreign	....	52	2	....	13	7,333	1,573	8,973
10-company total:								
Total	1,447	394	941	219	668	20,152	7,696	31,516
United States	1,589	225	673	219	536	....	312	3,553
Foreign	(142)	169	268	....	132	20,152	7,384	27,963

[1] Estimated credit utilizable in 1974 is $1,300.
[2] Estimated credit utilizable in 1974 is $499.
[3] Estimated credit utilizable in 1974 is $205.
[4] Estimated credit utilizable in 1974 is $112.
[5] This schedule includes interests in nonsubsidiary companies.
[6] Excludes company's share of taxes paid by affiliates such as Aramco and Caltex.
[7] Estimated credit utilizable in 1974 is $836.

TABLE 6.—SELECTED FINANCIAL DATA, DIVIDED INTO DOMESTIC AND FOREIGN OPERATIONS OF 10 MAJOR OIL COMPANIES FOR 1974 AND FOR 10-YR. PERIOD, 1964–73

[In millions of dollars]

Company	Capital expenditures and exploration expense (1)	Net income (2)	Exploration expense (3)	Adjusted earnings (columns 2 and 3) (4)	Capital recovery (5)	Adjusted earnings and capital recovery (columns 4 and 5)[1] (6)	Capital expenditures and exploration expense as percent of: Net income (1÷2) (7)	Adjusted earnings (1÷4) (8)	Adjusted earnings and capital recovery (1÷6) (9)
1964–1973									
Exxon:[2]									
Total	17,450	13,119	2,208	15,327	7,955	23,282	133.0	113.9	75.0
United States	7,031	5,579	1,265	6,844	3,361	10,105	126.0	102.7	69.6
Foreign	10,419	7,540	943	8,483	4,694	13,147	138.2	122.8	79.3
Gulf:									
Total	9,065	5,539	1,112	6,651	4,240	10,892	163.7	136.3	83.2
United States	4,964	3,443	525	3,968	2,690	6,658	144.2	125.1	74.6
Foreign	4,101	2,096	587	2,683	1,550	4,234	195.7	152.9	96.9
Mobil:									
Total	8,323	4,698	1,146	5,835	3,556	9,394	177.1	142.6	88.6
United States	4,706	2,146	570	2,716	2,114	4,831	219.3	173.3	97.4
Foreign	3,617	2,543	576	3,119	1,442	4,563	142.2	116.0	79.3
Phillips:[2]									
Total	2,738	1,290	[3] 134	1,423	1,535	2,959	212.2	192.4	92.5
United States	1,831	1,124	84	1,208	1,178	2,386	162.8	151.6	76.7
Foreign	907	166	50	215	357	573	547.0	421.1	158.4

See footnotes at end of table.

TABLE 6.—SELECTED FINANCIAL DATA, DIVIDED INTO DOMESTIC AND FOREIGN OPERATIONS OF 10 MAJOR OIL COMPANIES FOR 1974 AND FOR 10-YR. PERIOD, 1964–73—Continued

[In millions of dollars]

Company	Capital expenditures and exploration expense	Net income	Exploration expense	Adjusted earnings (columns 2 and 3)	Capital recovery	Adjusted earnings and capital recovery (columns 4 and 5)[1]	Capital expenditures and exploration expense as percent of — Net income (1+2)	Adjusted earnings (1+4)	Adjusted earnings and capital recovery (1+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Shell:									
Total	6,461	2,650	876	3,526	3,265	6,791	243.8	183.2	95.1
United States	6,282	2,709	794	3,503	3,177	6,680	232.0	179.0	94.0
Foreign	179	(59)	82	23	88	111	....	700+	161.0
Standard of California:[4]									
Total	7,277	4,718	1,204	5,922	3,046	8,968	154.2	122.8	81.1
United States	5,071	1,939	799	2,738	2,500	5,238	261.0	185.0	97.0
Foreign	2,106	2,779	405	3,184	546	3,730	76.0	66.0	56.0
Standard of Indiana:[2]									
Total	6,617	2,971	1,514	4,485	2,987	7,474	222.7	147.5	88.5
United States	4,573	2,619	958	3,577	2,507	6,085	174.6	127.8	75.2
Foreign	2,044	352	556	908	480	1,389	580.9	225.0	147.2
Standard of Ohio:[2]									
Total	1,133	485	40	525	385	911	233.6	215.8	124.3
United States	1,109	431	32	463	366	830	257.2	239.2	133.6
Foreign	24	54	8	62	19	81	43.6	37.9	29.1

Sun Oil:[2,5]									
Total	2,006	982	291	1,273	830	2,103	204.2	157.5	95.4
United States	1,508	884	215	1,099	697	1,796	170.5	137.2	84.0
Foreign	498	98	76	174	133	307	508.1	286.2	162.2
Texaco:									
Total	9,407	8,033	545	8,576	3,423	12,000	117.1	109.6	78.3
United States	5,970	4,415	542	4,956	2,171	7,127	135.2	120.5	83.8
Foreign	3,437	3,618	3	3,620	1,252	4,873	95.0	94.9	70.5
1974[1]									
Exxon:[2]									
Total	3,072	2,638	328	2,966	1,193	4,159	116.5	103.6	73.9
United States	1,248	1,021	148	1,169	523	1,692	122.2	106.8	73.8
Foreign	1,824	1,617	180	1,797	670	2,467	112.8	101.5	73.9
Gulf:									
Total	1,654	1,065	255	1,320	609	1,929	155.3	125.3	85.7
United States	1,055	401	110	511	370	881	263.1	206.5	119.8
Foreign	599	664	145	809	239	1,048	90.2	74.0	57.2
Mobil:									
Total	1,639	1,047	190	1,237	570	1,808	156.5	132.5	90.7
United States	982	366	91	457	365	823	267.9	214.6	119.3
Foreign	657	681	99	780	205	985	96.6	84.4	66.8
Phillips:[2]									
Total	602	233	[3] 27	260	227	487	258.4	231.5	123.6
United States	360	162	16	178	153	331	222.2	202.2	108.8
Foreign	242	71	11	82	74	156	340.8	295.1	155.1

See footnotes at end of table.

TABLE 6.—SELECTED FINANCIAL DATA, DIVIDED INTO DOMESTIC AND FOREIGN OPERATIONS OF 10 MAJOR OIL COMPANIES FOR 1974 AND FOR 10-YR. PERIOD, 1964–73—Continued

[In millions of dollars]

Company	Capital expenditures and exploration expense	Net income	Exploration expense	Adjusted earnings (columns 2 and 3)	Capital recovery	Adjusted earnings and capital recovery (columns 4 and 5) [4]	Capital expenditures and exploration expense as percent of— Net income (1÷2)	Adjusted earnings (1÷4)	Adjusted earnings and capital recovery (1÷6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Shell:									
Total	1,065	621	136	757	503	1,260	171.0	141.0	85.0
United States	972	666	104	770	455	1,225	146.0	126.0	79.0
Foreign	93	(45)	32	(13)	48	35	...	...	272.0
Standard of California: [4]									
Total	1,414	970	197	1,167	510	1,677	145.8	121.1	84.3
United States	996	327	105	432	409	841	304.6	230.6	118.4
Foreign	418	643	92	735	101	836	65.0	56.9	50.0
Standard of Indiana: [2]									
Total	1,629	881	315	1,196	514	1,710	184.9	136.2	95.3
United States	1,137	638	170	808	410	1,218	178.2	140.7	93.3
Foreign	492	243	145	388	104	492	202.5	126.8	100.0

Standard of Ohio:[2]									
Total	672	72	1	73	53	126	933.3	920.5	533.3
United States	672	63	1	64	53	117	1,066.7	1,050.0	574.4
Foreign		9		9		9			
Sun Oil:[2]									
Total	775	375	104	479	217	696	206.9	161.9	111.4
United States	538	280	68	348	170	518	191.9	154.3	103.7
Foreign	237	95	36	131	47	178	251.6	182.3	134.0
Texaco:									
Total	1,965	1,586	71	1,657	646	2,303	123.8	118.5	85.3
United States	1,390	453	71	524	435	960	306.5	265.0	144.8
Foreign	575	1,133		1,133	211	1,343	50.8	50.8	42.8

[1] Figures for 1974 are estimates in some cases.
[2] Data for petroleum operations only.
[3] Net of tax benefit.
[4] Data other than net income is for company and majority owned subsidiaries only.
[5] 6-year total, 1968–73.
[6] Represents cash flow.

Note: Cash flow must cover not only capital expenditures, but also the working capital needs and dividend requirements.

Source: Responses from the 10 oil companies listed above to a questionnaire from the Senate Finance Committee. The question was stated "What is the total of exploration expense and capital investment in petroleum assets, in dollars, year by year? What is the ratio between your total cash income (generated by earnings, depreciation, depletion allowance, etc.) and your total investment in petroleum assets, including exploration expense?"

The 1964–73 Summary is based on table 5 of the previous Selected Major Oil Company Profitability Analysis published December 30, 1974, except Exxon, Mobil, and Gulf have corrected 1973 data.

TABLE 7.—RATES OF RETURN ON EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1964 TO 1974

[In millions of dollars]

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Total:											
Exxon	19.5	18.4	12.6	12.4	11.1	11.2	11.9	11.7	11.9	11.4	11.5
Gulf	14.6	11.7	6.8	8.4	8.7	10.1	11.0	11.4	11.2	10.5	10.4
Mobil	[5] 14.7	[2] 13.8	10.1	10.1	9.8	9.8	9.8	9.4	9.2	8.7	8.3
Phillips	12.6	9.4	7.9	8.1	8.1	8.4	8.9	10.4	10.1	9.0	8.9
Shell	16.0	9.2	8.0	7.6	7.7	9.5	11.8	12.3	12.3	12.9	11.5
Standard of California	14.0	13.5	9.5	9.6	9.2	9.6	10.1	9.9	10.1	9.7	8.9
Standard of Indiana	15.8	10.7	9.0	9.3	8.9	9.1	9.0	8.8	8.1	7.3	6.4
Standard of Ohio		5.1	2.6	5.3	5.7	5.9	14.4	14.5	11.8	11.0	11.2
Sun	12.9	9.1	7.0	7.2	6.7	7.8	8.7	NA	NA	NA	NA
Texaco	15.2	14.8	11.2	12.2	12.0	11.8	13.4	13.4	12.9	12.6	12.3
Weighted average [3]	15.8	13.6			9.7			11.2			10.2
Arithmetical average [4]	15.0	11.6			8.8			11.3			9.3
United States:											
Gulf	9.8	6.3	8.7	9.2	9.8	11.3	12.2	NA	NA	NA	NA
Mobil	9.3	8.8	8.0	8.1	9.0	9.7	9.2	8.8	7.6	7.2	6.0

Phillips	12.8	8.6	9.0	8.4	9.0	9.3	9.8	11.1	11.4	10.4	9.4
Shell	17.3	10.2	8.8	8.2	8.0	9.4	11.8	11.8	12.2	12.5	10.9
Standard of California	8.0	5.1	5.8	5.6	5.8	6.7	6.7	6.5	7.4	7.3	6.6
Standard of Indiana	15.4	12.4	10.1	9.2	9.5	10.1	10.1	10.8	9.8	9.6	8.7
Standard of Ohio	4.3	5.1	2.6	5.0	5.5	5.4	13.6	13.6	10.9	9.5	9.9
Sun	12.2	8.1	8.5	8.8	8.4	10.2	12.7	NA	NA	NA	NA
Texaco	8.2	10.4	10.8	11.0	11.6	10.9	14.9	14.9	14.6	13.7	11.9
Exxon	20.5	17.2	15.1	14.1	12.5	13.5	12.5	13.1	12.0	9.9	9.5
Weighted average[3]	12.2	9.8			9.5			11.2			9.0
Arithmetical average[4]	11.8	9.2			8.9			11.3			9.1
Foreign:											
Exxon	19.0	19.1	12.1	11.5	10.3	9.7	11.5	10.9	11.8	12.3	12.8
Gulf	20.2	17.5	4.8	7.5	7.4	8.6	9.3	NA	NA	NA	NA
Mobil	[5] 21.6	[2] 19.3	12.5	12.6	10.8	9.9	10.7	10.4	11.4	10.6	11.5
Phillips	12.3	11.2	4.8	7.1	4.8	4.7	4.4	6.4	3.2	1.5	6.2
Shell		([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Standard of California	23.3	27.2	16.0	16.8	16.2	16.5	18.5	18.5	17.0	15.8	15.2
Standard of Indiana	17.1	6.8	6.1	9.7	7.1	6.1	5.2	.8	.3	(2.7)	(6.3)
Standard of Ohio		([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Sun	15.6	11.8	3.3	3.2	1.6	.2	(Loss)	NA	NA	NA	NA

See footnotes at end of table.

TABLE 7.—RATES OF RETURN ON EMPLOYED CAPITAL FOR 10 MAJOR OIL COMPANIES, 1964 TO 1974—Continued

[In millions of dollars]

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Texaco	23.0	19.3	11.7	13.7	12.5	13.1	11.1	11.1	10.3	11.0	12.8
Weighted average[3]	20.3	18.6			10.2			11.0			11.9
Arithmetical average[4]	19.0	16.5			8.8			9.7			8.7

[1] Foreign operations of these companies are, or were, relatively insignificant, i.e., less than 5% of net assets.

[2] Mobil indicates that for 1973 the worldwide return would have been 11.6 and the foreign return 14.8, without a $150,000,000 foreign currency translation factor.

[3] Weighted average refers to total companies' return as a percentage of total companies' employed capital.

[4] Arithmetical average is the average obtained by adding the respective rates of return and dividing by the number of companies shown.

[5] Mobil indicates that for 1974, the worldwide return would have been 10.4 and the foreign return 11.8, without $325 million inventory profits.

Note: Data in this table were supplied by the 10 major oil companies in response to a questionnaire from the Senate Finance Committee asking for profit data from petroleum operations. Five of the companies reported profits on petroleum operations as requested 5 companies reported total corporate profit data.

Four of the 5 companies reporting total profit data, Mobil, Gulf, Shell, and Standard of California, all indicated that the nonpetroleum portion of their business was relatively insignificant and its inclusion, should not therefore create any distortions in the data. Exxon indicates its employed capital figures for foreign operations are for all Exxon foreign operations for years prior to 1972.

Source: Responses from the 10 major oil companies listed above to a questionnaire from the Senate Finance Committee asking for rates of return on employed capital. Employed capital is the sum of net assets (or shareholders' equity) and long-term liabilities. Return is the sum of net income and after tax interest expense on long-term debt.

TABLE 8.—1974 ANNUAL RATES OF PROFIT ON STOCKHOLDERS' EQUITY, BY INDUSTRY

[In percent]

All Manufacturing Corporations	14.9
Nondurable Manufacturing Corporations	17.2
Food and kindred products	14.0
Tobacco manufactures	15.6
Textile mill products	8.2
Paper and allied products	17.8
Printing and publishing	13.2
Chemicals and allied products	18.3
Industrial chemicals and synthetics [1]	17.5
Drugs [1]	18.8
Petroleum and coal products	21.0
Rubber and miscellaneous plastic products	14.4
Other nondurable manufacturing corporations	11.7
Durable manufacturing corporations	12.6
Stone, clay, and glass products	10.6
Primary metal industries	16.4
Iron and steel [1]	16.8
Nonferrous metals [1]	15.8
Fabricated metal products	16.6
Machinery, except electrical	13.2
Electrical and electronic equipment	11.1
Transportation equipment	8.0
Motor vehicles and equipment [1]	6.9
Aircraft, guided missiles and parts [1]	10.6
Instruments and related products	16.1
Other durable manufacturing corporations	11.7

[1] Included in major industry above.

Source: Table 4 of the Quarterly Financial Report for Manufacturing, Mining and Trade Corporations for the Fourth Quarter, 1974, Federal Trade Commission. The above figures are the arithmetical average of the returns shown in Table 4 for the first, second, third, and fourth quarters, respectively, for 1974.

1974 TAXES, OTHER THAN EXCISE TAXES, PAID TO FEDERAL, STATE, LOCAL, AND FOREIGN GOVERNMENTS

(Form Attached to Request for 1974 Data From Selected Oil Companies)

United States:	
(1) Federal income taxes	$
(2) Employment taxes (Federal and State)	
(3) Production and severance taxes	
(4) State income and franchise taxes	
(5) Ad valorem taxes	
(6) All other taxes	
Total	
Foreign:	
(1) Federal income taxes	
(2) Employment taxes	
(3) Production and severance taxes	
(4) Ad valorem taxes	
(5) Foreign taxes of type qualifying for credit	
(6) All other taxes	
Total	
Total Company (Total of U.S and Foreign above):	
(1) Federal income taxes	
(2) Employment taxes (Federal and State)	
(3) Production and severance taxes	
(4) State income and franchise taxes	
(5) Ad valorem taxes	
(6) All other taxes	
Total	

EXCERPTS FROM FIRST QUARTER EARNINGS ANNOUNCEMENTS OF SELECTED OIL COMPANIES

I. Management Comments Related to First Quarter Earnings Performance

EXXON CORPORATION

"Highlights of the first quarter included the following:

- The U.S. Tax Reduction Act of 1975 repealed percentage depletion for large oil producers, including Exxon, and made certain changes in the foreign tax credit. Additionally, elimination of the depletion allowance made it necessary for Exxon to provide for deferred taxes on intangible development costs which are expensed currently for tax purposes. Together, estimates of these items reduced the first quarter 1975 consolidated earnings by $75 million.
- The $80 million of 'inventory profits' on operations abroad in the first quarter of 1974 did not recur in 1975.
- Petroleum product sales volume declined about 12 percent from first quarter 1974, largely the result of lower worldwide industrial activity, warmer weather and increased conservation by consumers.
- Chemical earnings declined by 30 percent to $66 million, primarily as a result of reduction in demand.

"In the U.S., petroleum and natural gas earnings were essentially unchanged from the first quarter of 1974. The first quarter of 1974 was depressed by the delay in passthrough of certain cost increases under FEA regulations. The first quarter of 1975 had fewer delays in cost passthrough, but the resultant improvement was offset by increased taxes and the impact of inflation on operating costs.

"In the Western Hemisphere outside the U.S., petroleum and natural gas earnings in Canada and most South American countries were lower. In Venezuela, the 1975 results were higher than the 1974 first quarter results which had been restated for the effect of the October 1974 retroactive tax increase. Possible early reversion of concessions in Venezuela is presently under consideration by the Venezuelan Congress; however, until the future role of the corporation's interests in that country is determined, no estimate of the possible effects on the consolidated financial statements can be made.

" 'The greatest petroleum and natural gas earnings decline was experienced in the Eastern Hemisphere', the Exxon Chairman continued. 'Lower demand and prices for petroleum products coupled with higher costs, plus the absence of the 1974 inventory profits were contributing factors. The level of 1975 first quarter earnings, should it persist, casts doubt on the attractiveness and financability of new investments in refining and marketing facilities,' Mr. Jamieson said. 'Costs of crude oil supplies from certain Middle East producing countries continue to be estimated, based on management's best judgment as to the outcome of the final participation agreements.' "

GULF OIL CORPORATION

"Total revenue for the period declined 11 percent to $4 billion from $4.5 billion.

"Bob R. Dorsey, Gulf's Board Chairman, told the Company's annual meeting of shareholders here today that the decline, which had been predicted, resulted primarily from sharply lower worldwide volumes and sharply higher worldwide taxes, including the impact of the loss of percentage depletion in the U.S.

"Within the United States, petroleum profits of $71 million trailed earnings of $114 million a year ago. Federal regulations cost Gulf $72 million during the quarter, including $58 million for the Federal Energy Administration's (FEA) mandatory allocation and entitlements programs and an additional $14 million from the $1 a barrel tariff on imports. 'While we were able to recover most of this through increased product prices, our profit margins continued to erode,' the Gulf chief executive said.

" 'There was no recovery, of course, for the loss of percentage depletion, which increased our U.S. tax provision by approximately $25 million during the first quarter,' he explained.

"Foreign petroleum earnings fell to $101 million from $152 million in the first quarter of 1974. With less oil at its disposal, Gulf was forced to sharply curb outside sales to others. Higher taxes and royalty rates and the cost of purchasing crude under participation agreements resulted in significantly lower margins on the oil Gulf did sell or refine. Although refining and marketing operations in Europe, Asia and Canada were profitable overall, there were losses in individual countries where government restrictions prevented necessary price increases, Mr. Dorsey said.

"He told the shareholders that he hoped that the first quarter's performance was not an indication of what was in store for Gulf for the rest of 1975. 'But, I must confess, that I see little on the horizon which leads me to look for much improvement.' "

MOBIL OIL CORPORATION

U.S. petroleum earnings impacted by loss of percentage depletion and weak demand

"Mobil's earnings from U.S. petroleum operations decreased from $71 million in the first quarter of 1974 to $39 million in the first quarter of this year.

" 'U.S. oil companies are still the only ones burdened by allocation and price controls,' Mr. Warner pointed out. Mobil's U.S. exploration and producing earnings were also hard hit by the loss of percentage depletion. The results of the manufacturing and marketing complex continued to be unfavorable. These operations had a loss in 1974 and it is estimated that they continued to operate at a loss in the first quarter of 1975—partly because of continued weakening of demand.

Foreign petroleum earnings reflect higher costs, lower demand, and lower inventory profits than a year ago

"Mobil's earnings from foreign petroleum operations decreased from $172 million in the first quarter of 1974 to $120 million in the first quarter of this year. This reflected higher costs and reduction in demand resulting from the economic recession and conservation efforts.

"Mr. Warner said that foreign inventory profits in the 1975 quarter were $40 million versus $90 million a year ago. 'This decline reflects the expected phasing out of this factor under Mobil's average costing system,' he explained.

" 'Our foreign petroleum earnings,' he added, 'continue to reflect our best judgment regarding the outcome of ongoing negotiations with producing governments with respect to the timing and level of ownership by these governments in producing operations and the terms on which the governments' share of production is to be made available to the companies.' "

PHILLIPS PETROLEUM COMPANY

"W. F. Martin, Chairman and Chief Executive Officer, said negative factors on earnings included higher foreign tax rates on overseas oil production, the inability to fully recover higher raw material costs associated with U.S. refining and petroleum marketing operations, and increased Federal taxation resulting from elimination of the percentage depletion allowance for oil and certain gas production. 'The loss of the depletion allowance alone reduced our first quarter earnings by about $9,000,000,' Martin said.

" 'Also contributing to lower earnings was a decline in Phillips' worldwide crude oil production,' Martin said. Increased production from the Norwegian North Sea was not sufficient to offset decreased production in Nigeria, Venezuela and the United States. Nigerian production decreased because the company's interest changed in the second quarter of 1974 from 33⅓% to 22½% when the Nigerian government acquired an additional interest.

" 'Although these results are disappointing, we do not regard them as reflective of our performance for the entire year,' Martin said. 'We anticipate that earnings for the remainder of 1975 will benefit from the steady expansion of crude oil production, primarily from the Norwegian Ekofisk area.'

"Martin said that earnings for the rest of the year should also improve over the first quarter level as the U.S. and European economies begin to improve. 'Contributions to income from our U.S. natural gas production should increase as a result of higher prices, although volume will decline,' he said."

SHELL OIL COMPANY

"Shell's total revenues for the first quarter, 1975 were $2,096 million, an increase of 11% compared with $1,893 million for the corresponding quarter of 1974. Refined oil product revenues, up 12%, reflecting pass-throughs of crude oil and petroleum product cost increases permitted under Federal oil pricing regulations, accounted for most of the gain in total revenues. In addition, higher prices for new interstate natural gas sales authorized by the Federal Power Commission in December, 1974, contributed to the increase in total revenues. Chemical revenues rose 6% principally due to higher prices; however, those benefits were substantially offset by lower sales volumes and the increased costs of materials and operations."

STANDARD OIL COMPANY OF CALIFORNIA

"'Although our earnings showed a modest increase over 1974's first quarter,' Board Chairman H. J. Haynes said, 'they are down more than 40% from the earnings level during the last six months of 1974, because of the reduced demand for petroleum products, the worldwide recession, continuing inflation, government price controls and tax changes for the domestic oil industry.

"'It is also important to note,' the Chairman stressed, 'that the earnings for last year's first quarter were depressed because of our inability to recover in the marketplace higher crude oil costs, particularly in Europe.'

"Price controls continued to prevent recovery of steadily increasing operating expenses, which rose 16% during the first quarter of 1975.

"Domestic earnings declined to $27 million, while foreign earnings increased to $142 million."

STANDARD OIL COMPANY (INDIANA)

"Chairman John E. Swearingen said the lower first quarter results reflect the impact of recent Federal tax increases, the increasingly complex and onerous Federal regulation of oil prices, and the effects of the continuing economic recession.

"According to Swearingen, approximately $42 million of the decline in the first quarter earnings was due to the 'Tax Reduction Act' which eliminated the oil depletion allowance for Standard and other large petroleum companies. 'Included in the figure is $10 million to provide for adoption of deferred tax accounting for intangible drilling and development costs. First quarter results also were adversely affected by rising operating costs, increased foreign taxes, and lower chemical sales,' he said. Partially offsetting were higher North American crude oil and natural gas prices.

"First quarter earnings from petroleum and natural gas operations in the United States were $119.9 million, compared with $128.7 million in the same quarter of 1974. Domestically, the adverse effect of the tax law changes was partly offset by higher prices for crude oil and natural gas. Operations in Canada contributed earnings of $13.1 million, up from $5.3 million in the first three months of last year. Higher prices for crude oil, natural gas liquids and natural gas coupled with a reduced level of exploration expenditures more than offset the adverse impact of higher royalties and taxes.

"Overseas petroleum operations earned $25 million, a decrease of $35 million from the 1974 first quarter. The major factors causing this decline were increased taxes, lower marine transportation earnings and the absence of inventory gains. These adverse factors were partially offset by greater crude oil production and improved product prices."

SUN OIL COMPANY

"In analyzing the disappointing first quarter results, H. Robert Sharbaugh, President and Chief Executive Officer, cited the combined impact of four major factors. These included retroactive tax code revisions, pricing regulations, higher foreign taxes and the effect of the depressed economy on sales of high value products such as lubricants and petrochemicals.

" 'Two major segments of our business—international oil production and domestic manufacturing and marketing operations—were most affected by this set of unfavorable circumstances,' said Sharbaugh. 'Taxes paid to foreign governments increased by 95 percent over the first quarter of 1974. Our accelerated exploration activity abroad also decreased profits because of Sun's method of expensing drilling cost.'

"Discussing the sharp downturn in domestic manufacturing-marketing profitability, Sharbaugh noted that higher operating costs and wages and salary payments could not be recovered in product prices because of the market impact of the Federal Energy Administration's 'outmoded profit margin test.'

" 'In addition,' Sharbaugh said, 'the depressed economy has had a severe effect on Sun's lube and petrochemical sales.

" 'In domestic oil and gas production operations, our pre-tax profits increased as higher prices for both oil and gas offset slightly lower volumes compared with the first quarter of 1974. However, this improvement was more than offset by the impact of the retroactive loss of the depletion allowance. Sun's net loss from retroactive effects of the 1975 Tax Reduction Act was approximately $11 million for the quarter.'

"Sharbaugh emphasized that he did not interpret the first quarter results as 'setting an earnings pattern for the rest of the year.'

" 'If there is no further adverse legislative action,' he said, 'Sun expects a marked improvement in the next three quarters.' "

TEXACO, INC.

"Mr. Granville stated that the first quarter decrease in Texaco's net income reflects depressed worldwide business conditions and results from a decline in the volume of operations and the failure of prices to keep pace with increased crude oil costs and other operating costs and expenses. The 1975 quarter also reflects a sharp decline, compared with the 1974 period, in the nonrecurring estimated inventory profits generated by the sharp increases in petroleum product prices which commenced in late 1973.

" 'Earnings have been hurt by the impact of increases in taxes and other government actions both in the United States and abroad,' the Texaco Chairman said. 'The adverse impact of tax legislation and other governmental action on ability to generate capital has continued to grow in severity. To illustrate, changes in the tax law affecting the percentage depletion allowance in the petroleum industry in the United States, offset to a minor extent by the increase in the investment tax credit, reduced the company's first quarter 1975 earnings by approximately $13,000,000. The import fee of $1 a barrel for crude oil imported into the U.S. beginning February 1 increased the company's costs in the first quarter by about $27,000,000. Higher export taxes imposed by Canada as well as higher tax and royalty costs added approximately $24,000,000 to Texaco's costs in the first quarter.'

"First quarter comparative earnings benefited by approximately $40,100,000 from foreign currency translation gains due to an increase in the value, in terms of U.S. dollars, of such currencies in areas in which the company operates."

II. Management Comments on Tax Legislation and Capital Investment Plans

EXXON CORPORATION

"Mr. J. K. Jamieson, Chairman of the Board, expressed great concern about the tax changes in the U.S. 'The increased taxes from repeal of percentage depletion alone are estimated to increase Exxon's taxes about $200 million for the full year 1975,' he said. 'This increase in taxes, coupled with changes in the foreign tax credit and possible additional taxes that are under discussion within the Congress, will have a serious effect on the industry's ability to finance the development of additional energy supplies.' "

GULF OIL CORPORATION

"Mr. Dorsey told shareholders that four problems face Gulf and the rest of the international oil industry for the next few years:

- With lower worldwide consumption of oil, 'the major indicators of our business all point downward and are likely to do so for some time.'
- Tough negotiations continue with members of OPEC over the volumes and prices of crude oil Gulf is allowed to lift, and there is pending nationalization of Gulf's interests in Kuwait and Venezuela. 'While we fully expect to remain as operators receiving a fee, it is doubtful that we will ever again receive the foreign crude oil profits we enjoyed a year ago,' he said.
- 'The loss of Gulf's producing properties makes the Company more vulnerable in its downstream markets where deteriorating balance-of-payments positions in many countries prevent necessary price increases. This prompts the Company to examine possible joint ventures, mergers, divestitures or a combination of these actions,' Mr. Dorsey said.
- 'The most troubling problem is that investment decisions which could lead to increased U.S. energy reserves are being frustrated by existing and proposed political policies that are blind to economic realities,' Mr. Dorsey remarked.

" 'It seems incredible, but instead of inoculating the Nation against another Arab embargo by stimulating investments in known U.S. energy reserves, Congress has weakened the drive toward independence by bleeding off $2 billion in oil depletion funds,' Mr. Dorsey observed. Gulf's share of this additional tax will be about $88 million this year, rising to $110 million in 1977.

" 'In light of recent Congressional action, however, we will no longer be able to maintain the accelerated U.S. exploration pace which we have over the past few years,' Mr. Dorsey cautioned. He said that more than $500 million had been earmarked for oil and gas exploration within the country this year, but, now 'we have no alternative but to scale back that program' to make up for the loss of the oil depletion allowance."

MOBIL OIL CORPORATION

" 'The tax legislation recently enacted by Congress will significantly increase Mobil's 1975 U.S. tax bill,' Mr. Warner emphasized. 'We estimate that for the first quarter of this year the total impact on our profits of the legislation amounted to approximately $24 million, primarily reflecting the loss of percentage depletion.'

" 'Mobil is reviewing its U.S. petroleum capital expenditure program in light of the recent tax legislation and ongoing government regulations that have made the future uncertain,' Mr. Warner said."

PHILLIPS PETROLEUM COMPANY

"Commenting on recent Federal legislation increasing the oil industry's tax burden, Martin said, 'Congress should recognize the consequences to consumers and stockholders of taxing away oil industry profits. First, it diverts money to government that could otherwise be invested by the industry in the search for new energy supplies. A second consequence of punitive tax legislation on the petroleum industry is its adverse impact on the investment of stockholders from the standpoint of both dividends and the market price of oil stocks.

" 'It should be recognized that increased taxes mean less funds are available for dividends to shareholders. Furthermore, higher taxes—or talk of higher taxes or more government regulation—cause uncertainties in the stock market that depress the price of oil stocks. This hurts the shareholder's investment and also adversely affects the industry's ability to borrow needed capital.' "

SHELL OIL COMPANY

"The recently enacted Federal income tax legislation eliminated Shell's crude oil percentage depletion allowance and part of the natural gas percentage depletion allowance, effective January 1, 1975. That tax change increased Federal income tax expense and reduced net income for the first quarter 1975 by $30.9 million.

"Despite lower income for the quarter and diminution of internally available funds resulting from the loss in percentage depletion allowance mentioned, Shell capital expenditures for the full year 1975 are still expected to exceed $1 billion. We are, however, concerned at the possible enactment of additional tax and other legislation which may further impede the formation of capital vitally needed to obtain new supplies of energy necessary to move the country toward greater self-sufficiency.

"As we have so often mentioned in the past, solutions to the energy problem are very complex and require difficult decisions by the public and government. We continue to urge adoption of a national energy policy that will successfully balance energy needs with employment and environmental priorities, and that will provide the economic framework to permit efficient achievement of these goals."

STANDARD OIL COMPANY OF CALIFORNIA

"Haynes told the annual meeting of stockholders, with the negative effect on cash generation of continued price controls, increased taxes, and reduced volumes, the company has no option but to reduce its expenditures for investments and operations in the U.S.

"Even before the new tax law was passed, the company's profits in the U.S. were falling far short of providing the funds needed for its U.S. programs, Haynes said.

" 'In 1974, our return on U.S. petroleum operations was only 8% and we were a quarter of a billion dollars short in our cash requirement for our U.S. expenditures,' he said. 'This shortage had to be made up by cash from our foreign operations.'

" 'If the oil industry is to find and develop the additional oil and gas reserves needed to minimize dependence on foreign sources,' Haynes said, 'it must have the necessary financial incentives. Without such incentives, there is virtually no prospect of a reduction in our growing reliance on foreign energy.'

"Earlier in the meeting, John R. Grey, President, also urged a speedup in U.S. energy development. 'Rather than more environmental impact statements,' he said, 'perhaps we need a few economic impact reports—something to remind the Nation what we can expect if we don't drill for offshore oil; if we don't construct refineries and other facilities; if we don't make the policy decisions necessary to assure sufficient energy and a stable and prosperous economy.' "

STANDARD OIL COMPANY (INDIANA)

"In announcing first quarter earnings, Swearingen again stressed the need for removal of price controls on oil and natural gas and for return to the free market system.

" 'Removal of controls and adoption of realistic tax policies are critical to the U.S. oil industry's ability to generate the huge amounts of capital needed to find new domestic oil and gas reserves, and to develop alternate energy sources,' Swearingen declared. 'Higher taxes and continued price controls on the industry will hinder the Nation's efforts to become independent of uncertain foreign energy sources.

" 'This country cannot continue to gamble with its future energy supplies. An adequate and secure supply of energy is essential to the daily functioning of our economy and to the national security. It is time that we faced these realities.'

"Despite the negative factors, Standard's capital and exploration spending increased 9 percent to $445 million in the first three months of 1975. Swearingen noted, however, that the company is reviewing capital and exploration spending plans to determine whether some programs will have to be reduced, deferred or eliminated to offset the increased tax liability."

SUN OIL COMPANY

"Even if the industry's profitability improves by mid-1975, Sharbaugh indicated that the combined effects of the unfavorable regulatory climate and revised tax legislation will cause sharp reductions in the petroleum industry's capital spending to develop additional energy supplies in 1975.

" 'Sun's previously announced capital spending plans of $600 to $750 million may have to be adjusted,' Sharbaugh said."

TEXACO, INC.

"The Texaco Chairman stated that 'the inevitable results of increasing tax and other burdens imposed by governments will be further cutbacks and stretch-outs in the company's already curtailed capital investment budget for exploration and producing operations, refining facilities and all the other spending so essential to achieve a greater degree of energy independence in the United States. Such cutbacks and stretch-outs will necessarily have a heavy impact on domestic investment, since more than half of Texaco's worldwide capital budget has been earmarked for the United States.'

" 'We must frankly state,' Mr. Granville said, 'that the United States Government has thus far set a striking example of how *not* to solve the Nation's energy problems. This continuing series of negative steps is undermining the ability of the energy industry to take constructive action. Without adequate earnings, there cannot be adequate capital investment. Without adequate investment, there cannot be adequate energy supplies. Without adequate supplies, there cannot be greater energy independence for the United States.' "

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