Statement by Harold Hamm

Chairman and Chief Executive Officer

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Chairman Wyden, Ranking Member Murkowski and Members of the Committee, my name is Harold Hamm. I serve as Chairman and Chief Executive Officer of Continental Resources, an Oklahoma City-based independent oil and gas exploration and production company. It's an honor to address you today on the critical subject of crude oil exports. As Chairman of the Domestic Energy Producers Alliance and as CEO of the company that co-developed the first field ever drilled exclusively with horizontal drilling and the company that is the largest leaseholder and most active driller in the Bakken Play, I was in the unique position to be one of the first to see American energy independence on the horizon three years ago. And as technology continues to advance and new supplies of premium crude oil are discovered, today I see first-hand what's necessary to continue this American oil and gas renaissance and ultimately achieve energy independence for our country. I appreciate you inviting me to share my experience and insight with you here today.

In October 2011, DEPA put a stake in the ground and predicted American energy independence by 2020.[1] America's independent oil and gas producers have unlocked the technology and resources that make this a reality. As a result, we can today mark the recent 40th anniversary of the OPEC oil embargo by ending the era of oil scarcity in America and, along with it, ending the last of shortsighted regulations passed during that period.

The federal laws passed in the 1970s artificially controlled the supply, demand, and price of U.S. energy and brought about unintended consequences. For example, one law even banned the use of natural gas as a boiler fuel and mandated U.S. power plants switch to a less environmentally friendly alternative, coal.[2] Today America is still struggling to rectify the aftermath of this rash regulation.

In the years since the enactment of these laws, our elected officials have recognized our global energy industry has changed dramatically. Thankfully, in response to these changes, legislators have repealed or let expire nearly all post-embargo regulations save two: the Energy Policy and Conservation Act of 1975 and the Export Administration Act of 1979, which together essentially ban crude oil exports.

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[1] Stephen Moore, "How North Dakota Became Saudi Arabia," Wall Street Journal (October 1, 2011)

[2] Powerplant and Industrial Fuel Use Act of 1978 (Repealed in 1987)
http://www.eia.gov/oil_gas/natural_gas/analysis_publications/ngmajorleg/repeal.html

As the world has changed and other similar, post-embargo legislation has been phased out, the question has to be asked, “Why does the United States, a nation historically very supportive of free trade, continue to impose export barriers for domestic crude oil?” The fact is the supply and demand factors and “scarcity mentality” that originally led to the creation of these export restrictions in no way reflect the economic reality of the global energy marketplace of today.

We are entering a new era of energy abundance in America and the world. Heretofore, we have only been able to extract hydrocarbons from reservoir-quality rock, primarily through vertical wells. But through technological breakthroughs in precision horizontal drilling, we can develop resources previously thought to be unattainable. America now counts our natural gas supply in centuries, and experts including Raymond James,[3] Citi[4] and the International Energy Agency[5] all agree we will be energy independent in terms of crude oil within a decade or two. In comparison, this offsets a 2005 high of 60% crude oil imports.

This phenomenon was brought about by a group of independent American producers and missed by the general consensus of the industry. The American oil and gas renaissance was in complete contrast to the popular belief that the United States was running out of oil and gas at the turn of the 21st century. In fact, under expectations of a far different domestic production outlook only a decade ago, the U.S. refining industry invested many tens of billions of dollars to retool refineries to process heavy, high-sulfur bitumen and tar sands from South America, Canada and Saudi Arabia.

Not only has horizontal drilling increased America’s supply of crude oil, but also it has improved the quality. Primarily the oil produced through horizontal drilling is light, tight, low-sulfur crude, making it the best quality in the world. It’s environmentally friendly, it promotes jobs, it’s fueling a manufacturing and petrochemical industry comeback in America, and we need to make sure we don’t disadvantage this high quality oil with refining capacity, wherever it may be located in the world.

The popular belief is that we’re not exporting petroleum. Nothing could be further from the truth. Major oil companies are exporting refined petroleum products like gasoline and diesel with no limitations.[6] Why shouldn’t independent producers be allowed to do the same? Are we to be their subjugate milk cows, just like being able to export flour, but not wheat? No one will go for that.

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[3] Raymond James “Yes, Mr. President, We Believe We Can Drill Our Way Out of This Problem” April 2, 2012, Accessed January 27, 2014

[4] Citi GPS “Energy 2020 North America, the New Middle East?” March 20, 2012, Accessed January 27, 2014

[5] International Energy Agency “World Energy Outlook 2013” November 12, 2012, Accessed January 27, 2014

[6] Exports of petroleum products have nearly quadrupled from 870 thousand bpd in 2006 to nearly 3.6 million bpd in 2014, making the U.S. a net exporter of finished products http://www.eia.gov/dnav/pet/pet_move_wkly_dc_NUS-Z00_mbblpd_w.htm

Over the years, some have argued granting U.S. crude oil producers free access to world markets would drive up the cost of gasoline and other petroleum products for American consumers. The opposite is actually true. By imposing trade restrictions on a single segment of the energy industry, namely domestically produced crude, our government is arbitrarily subsidizing some U.S. refineries – many of which are foreign-owned – by giving them the ability to source American oil at prices well below the world market price, while at the same time giving them the "green light" to sell petroleum products into higher-priced international markets.

Energy independence is working – U.S. gasoline and diesel prices are down 20%. But America's oil and gas renaissance is in jeopardy. These outdated crude export restrictions have prevented domestic oil exploration and production from achieving its full potential – slowing potential job growth, restricting supply, and negatively affecting global refined product balances, which sends the wrong message to our trading partners around the world. Many refineries overseas designed to only process light, sweet crude similar to U.S. grades find it difficult to compete profitably with U.S. refiners with access to domestic crude at artificially low prices, forcing many to close and thereby reducing supplies of refined products on the global market.[7] This effectively raises prices for consumers in the U.S. and all around the world. Many refineries in the Caribbean, Europe, India and South America are closing or operating at sub-optimal levels as they cannot compete with U.S. refiners running on discounted domestic crude oil. And, when supplies of gasoline and diesel fuel are restricted in the global market, the global demand for U.S. gasoline and diesel increases, thereby driving up the price U.S. consumers must pay at the pump.

The true benefit to the American consumer will be competition for the refining of gasoline. Indeed, crude oil is no different than any other commodity, product, or service demanded by consumers. Lower prices are only brought about by increased supply, greater competition amongst sellers, weaker demand, or improved efficiency in the manufacturing and distribution process. When governments attempt to legislate lower prices through regulations, no matter how well-meaning the laws may be when introduced, market distortions and unintended consequences inevitably result; supply and competition among producers is rendered short of potential, and the consumer ends up paying higher prices at the gas pump and in their monthly energy bills.

America is at a crossroads. Do we cap oil production or allow exports? Lifting export restrictions will strengthen our domestic oil industry, a critical component of our economy whose impact reaches far beyond the American consumer. At a time when unemployment sits at nearly 7% and, more importantly, U.S. labor force participation has fallen to just 63%,[8] the energy sector has added jobs for millions of Americans – both directly and indirectly through energy service and equipment companies. It has also served as a job multiplier for our nation's growing

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[7] Valero Investor Presentation November 12, 2013 http://www.valero.com/InvestorRelations/Pages/EventsPresentations.aspx, Accessed January 27, 2014

[8] Bureau of Labor Statistics. http://data.bls.gov/timeseries/LNS11300000. As of December 2013.

chemical and manufacturing industries. To this point, a recent IHS[9] report issued in September 2013 on unconventional oil and gas – or oil and gas produced by horizontal drilling – found that:

- Employment attributed to unconventional oil and gas and petrochemical activity currently supports more than 2.1 million jobs. IHS projects it to grow to 3.3 million jobs by 2020 and 3.9 million jobs by 2025.
- In 2012, the unconventional oil and gas and petrochemical industries contributed nearly $284 billion to GDP. IHS projects this to grow to $468 billion in 2020 and $533 billion by 2025.
- Unconventional energy increased U.S. household disposable income by $1,200 in 2012. IHS projects the contribution to increase to $2,000 per household in 2015 and $3,500 per household in 2025.
- Unconventional energy activity and employment contributed more than $74 billion in government revenues in 2012 and is projected to increase to $138 billion per year in 2025.

By supporting the export of domestically produced crude, U.S. lawmakers can add to these totals in the form of increased jobs, GDP and tax revenues.

Beyond its economic benefits, supporting domestic oil production is vital for our national security. Indeed, the growth in domestic oil production over the past several years has contributed to a significant drop in U.S. reliance on imported oil.[10] But national security and oil exports are not mutually exclusive; in fact, they go hand-in-hand. The authorization of oil exports promotes investment in additional energy resource and infrastructure development at home, enabling our nation to better control its own destiny.

But energy independence doesn't mean being isolationist. As we've seen in Cuba, Venezuela and North Korea, closed societies don't work. Energy independence means energy security. It means a chance for America to step back into a global leadership role by creating a world of balanced interdependency as opposed to dysfunctional interdependency. And it means no one can choke off supply, turn on the tap, or otherwise distort the market.

In conclusion, the world has drastically changed since the OPEC oil embargo and reactionary enactment of federal regulations in the 1970s. Even then the ban was symbolic, as we had no oil to export. Americans and consumers of all nations would benefit from the immediate lifting of restrictions that inhibit the export of crude oil produced in the U.S. The net result of taking this timely action would be:

[9] IHS "U.S. Unconventional Oil and Gas Revolution to Increase Disposable Income by More than $2,700 per Household and Boost U.S. Trade Position by More than $164 billion in 2020, New IHS Study Says," September 4, 2013. http://press.ihs.com/press-release/economics/us-unconventional-oil-and-gas-revolution-increase-disposable-income-more-270. Accessed September 24, 2013.

[10] Bureau of Economic Analysis, "U.S. Trade in Goods (IDS-0182)." Accessed July 12, 2013.

1. Lowering fuel costs to American consumers and businesses by matching light, tight, low-sulfur domestic oil with refining capacity designed to efficiently process this type of premium quality crude.
2. Promoting job growth in the domestic energy sector by encouraging tight oil production.
3. Raising tax revenue at the local, state and federal level through GDP growth.
4. Advancing America’s march to energy independence.