

Statement by Harold Hamm
Chairman and Chief Executive Officer
Continental Resources, Inc.
U.S. House of Representatives, Agriculture Committee Hearing
“Energy and the Rural Economy: Economic Impacts of Exporting Crude Oil”
July 8, 2015

Chairman Conaway, Ranking Member Peterson 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 the American Energy Renaissance on the horizon a decade ago. And as technology continues to advance and new supplies of U.S. crude oil are discovered, today I see first-hand what’s necessary to continue all the economic benefits that come with it – for our nation, for consumers, and across every sector of society, including rural America.

The American Energy Renaissance is the single-most defining aspect on this planet today that will shape the next 50 years. This renaissance in energy is brought to you by the new technology of horizontal drilling. Thanks to the genius of America’s independent oil and natural gas producers, the world is moving from a concept of “resource scarcity” toward “resource abundance.” This is the modern miracle of American oil and natural gas. It’s a miracle that has particularly impacted rural communities from New England to North Dakota to Nebraska.

Growing up as one of 13 children born to sharecroppers in Lexington, Oklahoma, I understand the impact of oil and natural gas on rural communities. In fact, oil helped me break the cycle of poverty my family had been caught up since the Great Depression. Oil has also helped today’s rural families thrive during and after the Great Recession. Royalty payments to more than 10 million landowners across America have contributed greatly to the support of the family farms and ranches and the rural way of life.

Continental’s oil and natural gas activity is concentrated in rural areas across North Dakota and Oklahoma – both states that have historically lost their brightest young residents to jobs elsewhere. However, since the American Energy Renaissance took off in 2008, North Dakota has experienced the lowest unemployment rate and fastest growing economy in the nation. At the same time, Oklahoma has been named the second best state in the nation for recent graduates and one of the nation’s top five fastest growing economies.

The benefits of the American Energy Renaissance aren't just limited to oil and gas producing states – they reach every individual American. Due to lower gasoline, home heating oil and diesel prices, unconventional energy increased annual U.S. household disposable income by \$1,200 in 2012. That same year, unconventional energy contributed nearly \$284 billion to GDP and more than \$74 billion in government revenues.

To continue and expand all these benefits, we must change our nation's mindset from energy scarcity to abundance and end the outdated ban on U.S. crude oil exports. 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.¹ 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.

Today, this ban is serving as a loophole for foreign producers to maintain their grip on America even as abundant new domestic oil supplies have been discovered. Now the American Energy Renaissance is at risk due to two things – OPEC oil price manipulation and foreign conversion of U.S. refining capacity.

Thanks to OPEC's predatory pricing, more than 130,000 oil and gas workers have lost their jobs and up to 500,000 jobs have been lost in supporting industries since Thanksgiving. In addition, a third of U.S. refining capacity is owned by foreign entities and nearly all of it is configured to refine their low-quality heavy sour oil. Two-thirds of total U.S. refinery capacity has been converted to process heavy sour crude from Canada, Venezuela, Mexico and Saudi Arabia instead of the premium quality light sweet crude being produced right here in the U.S. We have been forced to discount our oil into this limited domestic market, at times exceeding 20%, while the refiners sell at world market prices. As a result, refiner profits have soared 500% at no benefit to U.S. consumers or employment. In fact, America has lost \$125 billion in revenue so far.

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?" Some – mostly self-serving refiners – have said crude oil exports would raise gasoline prices. Curiously, the ban did

¹ Powerplant and Industrial Fuel Use Act of 1978 (Repealed in 1987)
http://www.eia.gov/oil_gas/natural_gas/analysis_publications/ngmajorleg/repeal.html

not affect refined products such as gasoline and diesel, which consumers depend on. In fact, the U.S. currently exports 4.7 million barrels of refined products a day at world market prices. Because refined petroleum products are based on world prices, not domestic prices, U.S. oil exports would actually lower domestic gasoline prices, according to studies by 12 government institutions and universities including the Congressional Budget office, Energy Information Administration and Harvard Business School.

In addition to lowering fuel prices, ending America's antiquated policies would also provide opportunities to fund infrastructure projects across rural America. The Strategic Petroleum Reserve's stock levels are currently four times greater than required. If we allow exports and sell excess SPR oil inventory, America could easily fund the Highway Bill and build desperately needed rural roads and bridges.

Congress must lift the ban on U.S. oil exports. The ban is a terrible relic of the Nixon era that today actually harms the American economy and makes domestic gasoline and diesel prices higher than they should be. The situation is now urgent. If we do not lift the ban, gasoline and diesel prices will go up and job losses will double. According to a report released just last week, Oklahoma alone could lose another 11,000 jobs by the end of the year.

The energy renaissance is the best thing that ever happened to America. As vast new supplies have been discovered, we must ask ourselves, "What can energy mean as America changes from a mindset of scarcity to abundance?" It means foreign oil producers and dictatorial regimes have had the edge in the past. Lifting the ban on U.S. oil exports would give that edge to U.S. consumers. Exports would also create 400,000 American jobs per year and increase GDP by 1% per year. As such, America has an opportunity to once again be the growth engine of the world as we were post WWII.

In conclusion, world energy markets have drastically changed since the 1970s. But due to the hard work and ingenuity of men and women in this country, our nation has recovered from those dark times. Now we need to focus our efforts on doing away with the reactionary crude export ban that was enacted during that era, a ban that was largely symbolic in the first place, as we had no oil to export. American consumers will benefit from lower gasoline prices at the pump, lower heating oil bills at home, and lower diesel prices for agricultural communities across the nation.