

# ECONOMICS—THE NEW DIMENSION IN GEOLOGICAL THINKING<sup>1</sup>

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## ABSTRACT

The current problems of expensive exploration, imports, over-capacity in production and refining, and the continued loss of investment capital through increased government control have brought about reduced margins of profits and steady declines in drilling, discoveries, reserves and employment to the United States petroleum industry in recent years. The average petroleum geologist knows little about these matters. He has limited his interest to geology—period! The geologist has not concerned himself with these complexities and, therefore, knows very little of the many difficulties the petroleum industry continually faces.

The geologist must come out of hibernation and look at the industry as a whole. His knowledge must expand beyond his own science. He has to broaden his thinking into the area of economics more than ever before. The geologist must keep up with the changes in every phase of the industry.

The geologist must look outward—not just straight ahead but in all directions. He must be aware of what is happening in today's new technology, the ever changing economic conditions, new political concepts, the intense fuel competition, world petroleum outlook and world markets—but above all, he must learn what significance all of these things have on his industry, his company and on his own future as an explorationist.

The geologist should realize that the petroleum industry must prosper within all of its phases if he, himself, is to prosper. He, therefore, must take a more direct and positive interest in the four dominant problems which constantly confront the industry: geological, technological, economic, and political. The geologist has an inherent knowledge of the first, knows a little about the second and is completely oblivious of the third and fourth. To become more effective as an explorer or developer he must become more involved and astute in all of these challenges.

The economic factor is the most important to management; therefore, the geologist must begin to make economics the new dimension in his geological thinking. The growing pressure on management to produce profits demands that the geologist prepare a comprehensive economic assessment of his exploratory planning, efforts, and recommendations. Such appraisals will surely sharpen and upgrade the exploratory effort and will do much toward bringing about greater success in the explorer's search for petroleum to meet the demands of the future.

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