

The CHAIRMAN. Thank you, Mr. Watson. Mr. McClure.

Mr. McClure. The next witness will be J. Paul Jones, the president of the Bradford District Oil Producers Association, Bradford, Pa.

The CHAIRMAN. Mr. Jones.

STATEMENT OF J. PAUL JONES

Mr. JONES. My name is J. Paul Jones and I am president of the Pennsylvania Grade Crude Oil Association. Also, I am representing the Bradford Producers Association, and New York Producers Association.

Through these associations I represent all segments of the domestic oil industry; namely, producers, refiners, and marketers. It is, therefore, important that this testimony merits consideration because it comes from a cross section of the industry and not a particular segment.

AREA

The grade of oil produced, refined and marketed by the associations I represent occurs in what is commonly called the Pennsylvania grade region, stretching from southwestern New York State across western Pennsylvania into West Virginia and including production from southeastern Ohio. I might add, this region was formerly called the Appalachian region. It is right in the heart of the so-called Appalachia which we hear so much about. The industry has been contributing to the economic welfare of this region for over 100 years.

MARGINAL TYPE OF PRODUCTION

The Pennsylvania grade region is an area of historically declining production where all the producing wells are considered in the stripper well category. There are over 2,000 independent producers in the area, operating over 100,000 wells, with an average daily output of less than one-third barrel per day. The daily average production in 1967 was 34,700 barrels and the estimated recoverable reserves are in excess of 190 million barrels.

Pennsylvania crude has a paraffin base, is sulfur free and has a high yield of high quality lubricating oil. The refineries charging Pennsylvania grade crude oil have a very high relative finished lubricating oil capacity to crude oil capacity. Significant is the high viscosity index of Pennsylvania lubricating oil from a national security or defense viewpoint.

SMALL THROUGHPUT CAPACITY OF REFINERIES

The crude oil from this area is processed by 10 small refineries with throughput capacities ranging from 1,500 to 10,000 barrels per day. Some of these refiners are part owners of the pipelines and gathering systems transporting Pennsylvania grade crude oil, and their refineries are built to utilize only this special grade of crude. There are no other local markets for this type of crude, and, if there were, it would have to compete with other crudes selling at a much lower price.