requirements from domestic sources. Furthermore, the need for import quotas may vary from heating season to heating season.

We would therefore like to suggest an approach which is based on the principle that under normal conditions U.S. refiners are willing and able to supply all the distillate heating oil required at the East Coast. Under these conditions the Interior Department would only need to provide for possible temporary shortages. This could be accomplished by letting refiners bring in a fixed small share of their quota imports in the form of finished products, similar to the fixed share of unfinished oil which they may bring in under existing quotas. This provision would, in our opinion, have the following advantages:

1. The imports would be distributed equitably, since the distribution channels would be exactly the same as those through which the domestic oil (which accounts for 96% of total supplies) moves to wholesalers and retailers.
2. The requirements to give up an equal amount of crude oil would assure that refiners would import distillate oil only to the extent to which an actual shortage may exist, since they would have no other incentive to exchange crude oil for distillate oil.
3. The proposed plan would minimize the drain of distillate oil imports on the U.S. Balance of Payments, both because refiners could be expected to minimize their volume of imports and because the requirements to give up crude oil would reduce the net dollar outflow per barrel from what it would be if there were no offsetting reduction in crude oil imports.

The plan suggested herein may require a slight modification of the Presidential Proclamation on oil import controls. But this should not present an obstacle to its adoption, if it is otherwise found acceptable.

OHIO OIL AND GAS ASSOCIATION,
Newark, Ohio, May 27, 1968.

COMMITTEE ON WAYS AND MEANS,
U.S. House of Representatives,
Longworth House Office Building, Washington, D.C.

GENTLEMEN: The Ohio Oil & Gas Asssociation sincerely appreciates this opportunity to comment briefly and specifically on the subject of oil import quotas. We are an association of over 900 members representing the drilling and producing segments of the petroleum industry operating in Ohio. Our Association has supported the Mandatory Oil Import Program since its inception and for several years prior to that we advocated the need for such a program.

OIL IMPORTS PROGRAM—EXEMPTIONS

The present oil import program has undoubtedly served to some degree to help insure our nation's security the past ten years but we are extremely disturbed by certain tampering with the program in the last two years. This has taken the form of special exceptions, or exemptions, to the import program that are economically selfish and politically inspired but that in no way serve the basic purposes of the program; the safeguarding of our nation's security with a strong domestic petroleum industry.

The exemptions being granted by the Secretary of Interior are best illustrated by new import allocations going to certain companies with new refineries in Puerto Rico and the Virgin Islands; quotas being granted, and more contemplated, for petrochemical companies; and just last week the issuing of a new proposal designed to provide bonus imports of crude oil for the manufacture of low-sulphur residual fuel oil. The concern by Interior for the economic well being of these islands and the desire to help in the air pollution problem are admirable and have merit, but to use the national security based oil import program as the vehicle for such plans is inexcusable. These kind of actions will eventually be the cause for the program's demise and will assuredly cause irreparable damage to our domestic petroleum industry, particularly the drilling and production segments.

DAMAGE TO INDUSTRY

Our industry cannot stand much more of this abuse. Statistics will be furnished you showing that drilling for new oil is down critically from ten years ago and that the price for crude oil has never really regained the overall levels it reached in 1957. In our own case, the price for crude oil in Ohio is lower now for