

countries would be vulnerable—most particularly to tanker rates. Various producing countries might feel compelled to enter the bidding in some capacity (nationalization, subsidy, tax rebates) in order to protect their market from wide swings between auction periods.

An auction system would offer the greatest opportunities to corral imports by those companies with the lowest cost foreign oil and with lowest cost transportation. Recently a large number of companies, both large and small, have ventured into foreign areas and have been more or less successful in finding oil. This quite frequently is not low cost oil, but at least the present allocation system provides the opportunity for an allocation holder to integrate a portion or all of that production with his domestic supply; otherwise, he may be faced with foreign marketing with necessary foreign expenditures for downstream facilities.

In a serious effort to be constructive, we are still convinced that the Oil Import Program as originally conceived and administered most clearly supports a strong, vigorous domestic petroleum producing and refining industry. Allocations should only go to those persons who are in fact processors of crude within the continental United States. Any other allocation is a subsidy by an indirect method and contributes nothing toward the purposes for which controls were intended. The Program in the future should distribute its benefits to the domestic oil industry in an equitable manner. Certainly, additional innovations which affect such equitable distribution should not be made. The program should not be exposed to radical changes.

Cordially yours,

ORIN E. ATKINS, *President.*

ASHLAND OIL & REFINING Co.,
Ashland, Ky., July 5, 1968.

HON. WILBUR MILLS,
Chairman, House Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR SIR: Ashland Oil & Refining Company was encouraged to see a report in "The Oil Daily" for Monday, July 1, 1968, that the Office of Foreign Direct Investment of the Commerce Department is considering a proposal permitting all exploratory expenditures on foreign oil concessions, whether or not ordinarily capitalized or expensed, to be made free of the restrictions of the Foreign Direct Investment Regulations until the properties reach the development stage.

The Foreign Direct Investment Regulations are set up, in general, to allocate foreign direct investments quotas arbitrarily on the basis of historical investments made in past years and therefore tend to discriminate unfairly against newcomers to the field of foreign operations. It is encouraging to see that the new proposal relating to foreign oil and gas exploration expenditures departs from this historical approach which benefits longtime foreign operating companies. The new proposal apparently would not penalize companies such as Ashland which has newly obtained oil concessions in Libya and Indonesia, but no substantial historical base for exploration expenditures in foreign countries.

We believe that the long-term United States balance of payments would not be adversely affected by a program which would permit unrestricted expenditures for exploring and discovering oil in foreign countries provided once oil has been discovered further investments for development and exploration be treated as restricted transfers of capital during the year involved. Perhaps such program could include equitable provisions for retroactively treating pre-discovery exploration costs as transfers of capital after oil in commercial quantities has been discovered.

On the other hand, if the Office of Foreign Direct Investment changes its approach so that expenditures for foreign oil and gas exploration will be based on the amount of a company's expenditures in a given past year or years, this would unfairly penalize companies such as Ashland which have obtained desirable foreign petroleum concessions only at great trouble and expense and, if not permitted to make expenditures to explore and develop those concessions, stands the risk of losing the concessions with the consequent loss of income to the company and to the long-range detriment to the United States balance of payments picture. At the same time, this approach would favor the companies which have operated in the foreign area for a longer period of time and would give them an undue competitive advantage over Ashland and other companies which are relative newcomers to the field of foreign investments.