Special grants and exceptions as well as certain basic changes in the program itself have endangered the national security capability of the program, introduced gross inequities, generated a chaotic situation and caused considerable inefficiency in the planning and operations within the entire petroleum industry.

Second: Proposed changes are being initiated in such rapid fire order that it becomes impossible to comment constructively on any particular change since one is unsure whether his comments relate to the program as it then exists or to the program as may be altered by interim proposed changes that have not as yet been made.

Viewing the Oil Import Program in today's perspective and desiring to work constructively to realize a program that will most nearly meet our national security requirements, achieve maximum equity and at the same time result in a program that is viable under today's political and operating situations, Continental suggests the following major points:

(1) For rule-making and administrative purposes, the United States should continue to be subdivided into PAD Districts I–IV and PAD District V. Puerto Rico, the Virgin Islands or other island possessions of the United States should each be considered as a separate unit for these purposes.

(2) The maximum level of crude oil and unfinished oils import quotas for Districts I–IV should be 12.2% of the estimated production of crude and natural gas liquids during the allocation period.

Crude oil and unfinished oils imported into District V should be established at the excess of requirements over supply available from District V and Districts I–IV but should be no less than 12.2% of the estimated production of crude and natural gas liquids during the allocation period.

(3) Overland imports of crude oil and unfinished oils in to the continental United States should continue to be exempted from import license. Overland imports should be included within the 12.2% total imports allowed for Districts I–IV and the quota as determined for District V.

(4) All historical quotas for crude oil and unfinished oils, including Northern Tier, should continue to be phased out.

(5) No special licenses should be granted for importing refined products (ex-residual fuel oil). Existing term agreements for importing products from Puerto Rico and from the Virgin Islands should continue *only* for the term of the existing agreements. No license for the 10,000 barrels daily additional products to be imported from Puerto Rico into Districts I–IV should be issued for 1968 or subsequent years.

The additional 10,000 barrels daily referred to were transferred from District V to Districts I–IV with Secretary Udall stating that its import into District V in 1967 was possible due to a "loop-hole in the geulations". The loop-hole should be corrected, but the importer should not be rewarded for discovering it.

Product imports adversely affect the development of producing and refining capacity in the continental United States which detracts from the objective of adequate capability to meet an emergency. Use of the import program to distort the free play of product prices will have undesirable long range consequences.

(6) There should be no refined products imported under bond for use in the United States and no non-quota imports by the Department of Defense for use in the United States.

(7) No bonus licenses should be granted for the production of low sulfur residual in a domestic refinery or for the importing of low sulfur oil. The laudatory goal of clean air can be achieved through programs designed to encourage the development of other means and methods of reducing pollutants.

(8) Crude oil and unfinished oil imports should be permitted into Puerto Rico, the Virgin Islands or other island possessions of the United States to the extent products therefrom are utilized for local consumption or for exports other than to the United States. Refined products imported into each of the above should be allowed to the extent production therein is inadequate to meet demand.

(9) Refineries or petrochemical plants should be permitted in "free trade zones" provided the total product equivalent of all imported hydrocarbon feedstocks would be exported. No import quotas should be generated by such plants.

(10) There should be no import of crude oil, unfinished oils or finished products based on exports of petroleum products or petrochemical products. Such exports have been developed under the present program and will continue. Licenses issued under such a concept introduce an inequity of financial benefit to a limited group of refiners or petrochemical plants permitting them a competitive advantage in domestic markets.