

shall be due and payable monthly on the last day of the calendar month next following the calendar month in which produced.

(c) If the total annual royalty payment on production as computed in accordance with subsection (b) of this section is less than the payment would be if computed in accordance with subsection (d), then the lessee shall pay, by March 1 of the succeeding year, an additional amount equal to the difference between the royalty paid and the royalty as computed in accordance with subsection (d).

(d) The annual net income royalty rate shall be a percentage of net income from the production of mineral products from oil shale to the point of shipment to market.

The net annual income royalty rate is:

Ten (10) percent of that part of the net income which is no more than ten percent of investment.

Thirty (30) percent of that part of the net income which exceeds ten percent and is no more than twenty percent of investment.

Fifty (50) percent of that part of the net income which is more than twenty percent of investment.

As used in this section, "net income" means taxable income, computed without allowance for royalty and depletion. "Investment" means the original cost less depreciation of capital assets used in the aforesaid production and processing of oil shale. The term "investment" does not include oil shale obtained pursuant to a lease issued hereunder.

(e) Lease royalties shall be subject to readjustment at 20-year periods succeeding the issuance of the lease. Lessees will be notified of the proposed readjustment of royalties or notified that no readjustment is to be made. Unless the lessee shall file either a notice of objection and offer to negotiate the proposed readjustment of royalties, or file a relinquishment of the lease within 30 days after receipt of the notice, he will be deemed to have agreed to such readjusted royalties.

(f) The Secretary will, prior to any readjustment under subsection (e) of this section which would reduce the rate of royalty on my lease, publish a notice of intention to make such reduction in the Federal Register, inviting written comments by interested persons, to be filed within 60 days of the issuance of the notice. The Secretary will not readjust such royalties prior to the expiration of such 60-day period.

(g) Leases shall provide for the payment of royalties during their research terms, on minerals and mineral products sold by the lessee. The royalty rates shall be the same as those applicable during the commercial term.

§ 3172.6 *Termination of Lease.*

Each lease issued hereunder shall terminate at the end of its research term unless, prior thereto, the Secretary has authorized the commencement of the commercial production term.

§ 3172.7 *Lease Bond.*

A bond of not less than \$100,000, conditioned on performance of the obligations imposed by the lease, the Act, and these regulations will be required prior to the issuance of an oil shale lease. The right is reserved at any time before or after the issuance of the lease to require an increase of the amount of the bond in any case where the Secretary deems it proper to do so.

§ 3172.9 *Other Provisions.*

(a) Protection of the Environment and Human Safety. The lease will contain such provisions as the Secretary deems necessary to prevent or minimize pollution of air and water, scenic or esthetic damage, damage to surface resources, and to fish and wildlife and hazards to human safety.

(b) Prevention of Damage to Other Mineral Resources. The lease will contain such provisions as the Secretary determines necessary to protect other mineral resources which may be involved.

(c) Diligence in Pursuit of Plan of Research. The lease will require that the lessee pursue diligently both the plan of research upon which his lease was issued and operations during the commercial production phase.

(d) Disclosure of Information Developed During the Research Term.

(1) The lease will contain provisions requiring the lessee:

[1] To submit annual progress reports during the research period, in sufficient detail to disclose fully all work accomplished and results achieved.

[2] To submit, within 120 days after completion of all work under the research plan, a final report summarizing the state of the art and