

value to both government and industry likely to arise out of operations conducted thereon; but should be large enough to permit the lessee to conduct full scale commercial operations. It is suggested that some of the tracts lie in each of the three states and that you consider, but not be bound by, the nominations of prospective bidders in selecting the tracts to be offered.

*The Determination* of the number of such tracts to be offered can either be made arbitrarily, in which case we recommend that no less than ten or twelve 5,120-acre tracts be offered; or the number can be controlled by economic forces if a much wider selection of various size tracts is offered with an announced minimum acceptable bid for each tract.

The advantage of offering only a limited and specified number of tracts is that the bonuses offered will no doubt be at the highest level; but this same factor may, in practical effect, limit participation to a few companies.

The advantage of a much wider offering of tracts subject to minimum acceptable bids, particularly if some smaller tracts are included, is that consistent with realistic protection of the public interest a much wider participation in the program is possible, including participation by smaller companies and independents. There is no doubt of the desirability of broad participation.

*The Competitive Bidding Procedure* could proceed as follows:

(a) Announcement of the legal description of the tracts to be offered, the minimum bid acceptable for each tract, the order in which the tracts will be offered for leasing at the time bids are opened, the form of the lease to be issued, the times and places of bid submission and opening, and the other usual matters now contained in announcements of bidding for offshore lands or lands on known geologic structures;

(b) Prior to the bidding interested persons should have access to the tracts to be offered to conduct exploratory drilling and make such other evaluation as they wish to perform;

(c) Each bid submitted would be a sealed bid of the amount of cash bonus the bidder is offering for a lease. In the form hereafter mentioned, on the entire tract for which the bid is made, together with his deposit of a certified check for 20% thereof. No aspect of the lease other than the cash bonus would be involved in the bidding;

(d) Any interested person, company or associations making joint bids would be entitled to submit a separate sealed bid on any or all of the tracts offered. To avoid undue hardship, checks submitted in connection with earlier opened bids could by reference become the deposit for subsequent bids. No person, company or association, directly or indirectly, could participate in more than one bid on each tract and the usual requirements concerning unlawful combinations should apply;

(e) At the opening of bids, which should occur about six months after the announcement, all bids relating to the first tract to be offered would be opened and the highest qualified bidder offered a lease upon payment of the remainder of the bonus offered;

(f) If the successful bidder of the first tract offered had also submitted bids on other tracts, his other bids would be returned to him unopened before the second bid opening takes place; and

(g) Successively, bids would be opened on the remaining tracts with each successful bidder in turn being excluded from subsequent bidding.

*The Lease Form* should be substantially the same as is now prescribed in 47 L.D. 426 with the following amendments or special terms:

(a) *Royalty*.—Initial rate of 5% of the market value of shale oil produced as a result of the initial retorting of oil shale or produced at the well head by *in situ* operations. Royalty to continue at the 5% level for the first twenty years of the lease, after which time the royalty would be the same as then established by law or regulation for leases then granted. The point in the oil recovery process at which the market value for royalty purposes should be determined is the crude shale oil resulting from conventional retorting techniques, prior to hydrogenation or other upgrading or refining processes.

(b) *Term of Lease*.—Ten years and as long thereafter as production of oil from oil shale is maintained or the lessee meets the continuing diligent performance of development and production requirements specified by you to be performed to hold the lease.