

term will be extended only with respect to the area which contains the quantity of mineral deposits so determined.

(d) No person, association, or corporation (including a municipality) may take, hold, own or control an interest in more than the total maximum acreage of land included in any lease hereunder, except insofar as natural persons are permitted to hold greater interests under 30 U.S.C. sec. 184(e), by virtue of their 10 percent or lesser interests in corporations or associations holding leases hereunder.

#### § 31.72.4 *Rentals.*

Leases shall provide for the payment, in advance, of an annual rental of 50 cents for each acre or fraction thereof.

#### § 3172.5 *Royalties.*

(a) Leases shall provide for the payment of royalties on production during their commercial production terms.

(b) The royalty rate on production shall be 3 percent on the gross value, at the point of shipment to market, of the mineral products from the oil shale, except as provided in subsections (c) and (d) of this section. Such royalties 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 royalties 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 adjustment 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 any 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