

As previously discussed, the potential return to the federal government would probably be as great or greater from a fixed royalty than from a "net profits" share. Under a competitive bidding system for leasing, the initial bonuses could be substantial without acting, as would a "net profits" provision, as a deterrent to production.

Fifth: Joint Federal-State-and Private Efforts. Concern with many values over and above the oil shale itself is proper, but to assume that only the federal government as a proprietor can control these matters is unrealistic and unduly obstructive. Such position ignores that state and private lands also contain oil shale and would have to be separately regulated, controlled, or supervised. The states have policing power and laws against pollution and other abuses. They can and must enforce them. Should they fail federal intervention would become necessary. The pattern of federal legislation on pollution, administered to some extent by your department, already exists and is applicable to all lands. Until federal intervention is necessary states should not be denied their proper partnership position. Likewise, responsible business leaders are emphasizing sound conservation. This acceptance of our national ideals should be cultivated and encouraged not only because it minimizes the governmental costs of regulation and supervision, but also because in the long term, it is most effective.

A three state compact is one possible approach, although we see no present overwhelming need.

We in Colorado, Utah and Wyoming, in cooperation with interested industrial concerns, have been doing all within our power to lay the groundwork for a sizable oil shale industry. Preliminary attention has been given to the complex problems of financing the schools, roads and community services which inevitably must be provided for oil shale communities. Much thought has been given to zoning and city planning so that oil shale communities will be model cities and not cancerous blights.

Colorado, Utah and Wyoming have taken a position of strong leadership in the fields of natural resource conservation and the abatement and prevention of air and water pollution. We are convinced that these matters—as matters of great local concern—can be and should be handled at the local level where the problems are and where the people directly affected reside. We intend to do all that is needful in these matters and are satisfied of our ability to do so. We are most encouraged by the cooperative attitudes of Colorado, Utah and Wyoming industrial leaders towards acceptance of and compliance with our antipollution legislation. We fully expect enlightened participation in the resolution of these matters.

SPECIFIC RECOMMENDATIONS

As shown by our discussion above, we specifically recommend you consider changing your proposed regulations to achieve the national interest goals by:

1. Opening lands to competitive bidding in blocks up to 5120 acres upon your or private nomination, using the tested competitive bidding procedures for other leaseable minerals under the federal Mineral Leasing Act.
2. Provide a fixed royalty rate as in the case of oil and gas or other leaseable minerals, but including a provision for periodic renegotiation at a reasonable period after production commences.
3. Fix a term of at least ten years which can be extended only by production. Less than ten years is probably impractical due to the present stage of oil shale technology.
4. Initiate an immediate rental program that will produce revenue under the Mineral Leasing Act.
5. Provide for increasing rentals or accelerating advance royalties during the term of the lease, so that speculative non-productive holdings is uneconomic. Give to legitimate producers the opportunity to offset such penalizing expenses by obtaining successful production.
6. Eliminate the research and development leases as the only immediate method of obtaining leases on federal lands. Avoid the necessity of choosing between proposals and possibly thereby eliminating some that might contribute to ultimate success. Minimize administrative costs and supervisory burdens by simplifying accounting.
7. Eliminate the net profits approach as being adverse to our ultimate goal of production. Also, we can recognize the taxes collected on operations are in essence net profits charges.