

3. the royalty provisions would operate and discourage investment, make it difficult to compete with other energy sources and would be difficult to administer. The RMOGA proposes a fixed royalty, not to exceed 5%.

4. the Government patent policy is not applicable to oil shale research on federal lands. The proposed regulations will curtail research by not allowing lessee to retain benefits and recoup investment.

5. the inherent uncertainties make it impossible to do advance planning and financial evaluation for financing research and production operation. Difficulty, therefore of obtaining conventional financing will restrict R&D. These problems should be eliminated by drafting a prescribed form of lease and amending regulations to spell out in detail the Dept. supply connection.

*B. Specific Comments are as follows:*

1. *Section 3170.0-1.*—Indicates an intent to favor those who have not previously obtained oil shale reserves.

2. *Section 3170.0-5.*—The lease and regulations should specifically provide that an oil shale lease will include oil shale and all other associated minerals unless those minerals are not intermingled with oil shale and are capable of being produced separately. If separate, a preferential right to lease would avoid problems arising from reciprocal covenants of support maintenance and non-interference between lessees.

3. *Section 3171.2(c)(11).*—The disclosure of crude oil reserves is not necessary or relevant to applicant's qualification. Delete.

4. *Section 3171.3.*—The applicant's need for lands and reserves is not material to a determination of an applicant's capability of conducting a commercial oil shale operation.

5. *Section 3172.2(b).*—The wording may result in automatic termination of the lease if production ceases for any cause or if production ceases in paying quantities even temporarily. Safeguards to prevent loss of investment in plant and facilities should be provided.

Guide lines should be spelled out with respect to the requirements of commercial feasibility, optimum recovery, prevention of pollution, and damage to surface resources.

6. *Section 3172.3(c).*—After substantial investment in research, the Secretary could unilaterally determine amount of mineral for extended production term. The amount of reserves should be known by lessee prior to making investment. Since only one lease will issue to person, association or corporation an individual or company would be reluctant to take a lease unless the extent of lands and reserves to be covered by the lease for commercial production were known.

7. *Section 3172.3(d).*—Should be clarified and state that a total "net" interest of not more than 5120 acres in United States oil shale lease will be allowed.

8. *Section 3172.5(b).*—Needs clarification. Suggest that gross value as provided attach to product from retort, where mining and retorting process used, or at wellhead of an in-situ well. This section is unclear as to whether previous cost of research and experimentation are to be included in term "investment".

9. *Section 3172.5(e).*—Suggest additional criteria and provisions to avert uncertainties affecting a large investment such as the date which such 20 year period would be measured.

10. *Section 3172.6.*—Proposes that the extension of the lease for a commercial production term should be at option of lessee subject to having complied with specific requirements, rather than unilateral discretion and action of the Secretary. The lease would provide specifically for right to remove plant and facilities upon termination of the lease.

11. *Section 3172.9(d) and (e).*—RMOGA believes these provisions would discourage competition in development of techniques for oil shale development. The patent provisions are in effect a denial and rejection of the philosophy of the patent laws of the United States.

*Conclusions and recommendations*

The Rocky Mountain Oil and Gas Association has a membership of 470 individual and company oil and gas operators of all sizes, from the smallest of independents to major oil companies. As we have considered the proposed regulations within our organization, we have found a wide range of individual situations and views. If the oil shale resources are to be effectively developed to meet the needs of the nation we believe that the proposed rules should be broadened and made