

*Beer Creek's concluding remarks*

It appears that the Secretary proposes that industry should undertake to finance and perform specific government-conceived and directed research projects under a program that offers little incentive in the form of exclusive rights (if not permanent at least temporary) on profits commensurate with risk. The apparent amount of Departmental control of the oil shale industry under this program would be onerous to all except possibly the public utilities. The proposed regulations would probably promote effectively only one of the listed purposes—it would prevent speculation and windfall profits.

The single most effective measure the U.S. Government could take to promote the *development* of the oil shale industry aside from straightening out the land problem would be to have the percentage depletion allowance apply to the retort product rather than to the shale itself, as now, and to have it increased from the present 15% to the 27½% applicable to the petroleum industry.

*IV. Cameron and Jones, Incorporated—August 14, 1967*

A. Cameron and Jones agree with the decision of the Secretary of the Interior to open the Federal oil shale lands for lease. An opposing viewpoint has been advanced that there are adequate lands in private hands to begin shale oil production if the owners choose to do so; therefore, the Federal lands should be reserved for the future.

In their view, the further withholding of Federal oil shale lands will create an artificial shortage, generate windfall profits for those who hold non-federal lands, limit competition, and generally inhibit the development of oil shale. They agree fully with the concept of a *limited* leasing program at the present time. This is consistent with the need for acquiring industrial experience before committing substantial reserves for development.

After careful study and consideration of the subject, particularly the leasing procedure in the proposed regulations, we conclude that the non-competitive selection of a lessee is administratively unworkable and that a system of competitive bidding should be formulated.

In the interest of encouraging early development and providing an off-set to the cost of the extensive and expensive research still ahead, they suggest that for the initial lease offering of 30,000 acres one-half (½) of the bonus payment be credited against royalties payable on production during the first 10 years of the lease term. The effect should be higher bonuses, earlier production and a means for the operator to recapture his investment more rapidly.

In summary, they believe a system of competitive bidding should be used to award oil shale leases. These leases should not be limited to research and development but should encourage production. A competitive leasing procedure along the lines discussed will benefit all parties—the government, the lessee and the public.

It will be simple and straightforward to administer.

It will provide incentive for early development.

It will be a fair and impartial method of selecting the successful lessee.

It will provide maximum compensation to the owner (the public) consistent with the competitive position of oil shale products in the marketplace.

Cameron and Jones feel that there is no disagreement about the need for additional research on oil shale despite the not inconsiderable knowledge of oil shale technology that already exists. But should the primary aim of the present leasing program be research to the virtual exclusion of commercial development? They suggest a better balance of the two phases.

First, some organizations are well advance in their knowledge of techniques to mine and process oil shale, or have access to such knowledge through licensed processes. They should be given equal opportunity to lease public lands.

Second, Cameron and Jones are concerned with the lack of assurance to the lessee that commercial production will be allowed. When and how the commercial phase begins should be a business decision of the lessee if he meets reasonable standards of conservation and otherwise complies with the terms of the lease.

Third, we suggest that the plan for research and its execution are too closely controlled.

We strongly recommend a lease that allows and encourages production whenever justified in the opinion of the lessee. No specific research requirements should be imposed.

They hope that the parts of the regulation dealing with disclosure and patents will be changed to promote a proprietary competitive technology.