

3172.3(c) states that "the Secretary will determine the quantity of mineral deposits needed for commercial production, allowing reasonable reserves." This lacks definition as to project life and thus precludes definitive economic analysis.

3172.3(d) It is recommended that this be clarified to state that a "net" interest of no more than 5,120 acres in United States oil shale leases may be held by a lessee at any one time.

3172.5(b) Sinclair recommends clarification because this regulation could promote inefficiency by forcing intermediate sales and precluding integrated plant complexes.

3172.5(d) states the royalty rate as a percentage of net income related to depreciated original cost. The disappearing base would have the effect of putting much of the net income into the high royalty bracket near the end of a project. The total portion of net income going to federal income tax plus royalty could reach 80 to 90 percent for a project having even a modest profitability before royalty.

3172.9(d) Sinclair feels that the lessee should own the data and be able to use or sell them without government restriction. At most, the Department of Interior should receive reports to show due diligence in prosecuting the research, and these should be held confidential for at least five years. They would not object to a requirement of licensing at reasonable royalty rates after some waiting period.

3172.9(e) This is one of the most critical points for private companies and investors. It would seem to place a premium on waiting and letting others do the early development. It basically says that the lessee may make development investments of many millions, and then must file all the results away. The "proper showing of exceptional circumstances" appears to be a formidable obstacle.

There are a number of paragraphs in which the language leaves doubt as to the true intention of the Department of Interior. An appendix is attached to Sinclair's comments in which these questions are raised.

With reasonable modification, the proposed regulations can become the basis for private development of a healthy shale oil industry with adequate safeguard of the public interest. Sinclair feels the regulations, in their present form, are too stringent to foster private investment in development on public oil shale lands.

XVIII. Sun Oil Company

A. Comments on Sun's position are listed separately by major section of the proposed regulations.

Sun Oil Company concurs with some of the stated purposes of the proposed regulations.

Each applicant for leases should be considered on its own merits. Each applicant should be permitted to operate with a minimum of external control.

Any oil shale policy should be formulated with conventional crude oil production practices in mind.

B. Application for Leases:

1. Sun is concerned that the proposed regulations on applications for a federal lease indicate (3171.2(c) (7)) that it would be necessary to provide information concerning interests in non-federal oil shale land. Such a provision in a program to provide leases for research on federally-owned oil shale might tend to favor individuals who do not have access to privately held acreage. The same objection applies to one of the stated objectives (3170.0-1) which is to "encourage participation by companies not favorably situated with respect to access to reserves of the minerals present in oil shale." No company should be penalized or excluded from participation merely because it had obtained shale oil leases on its own initiative. Also, Sun Oil is uncertain of the requirements which would have the applicant describe the reserves owned or controlled (3171.2(c) (11)). Sun feels that such information is not germane to the issuance of a research shale lease. In reviewing the proposed regulations (3171.2(c) (12)) covering commercial operation if research is successful, it is our belief that the amount of detailed description is unrealistic.

C. Miscellaneous Provisions:

1. Since no form of lease is prescribed, any actual lease or development contract for a shale research program will have to be analyzed as to its form and terms. A Standard lease form is desirable.