

2. Section (3172.2(b)), This section should be re-worded: "Upon the request of the research lessee, the Secretary will extend the term of the research lease providing the terms of the original lease have been fully complied with and * * *." The determination of whether the lessee has conducted research activity substantially in accordance with the plan submitted, for the purpose of extending the terms of the lease, is solely with the Secretary.

It is difficult to predict the profit potential under the proposed regulations since broad discretionary powers are reserved for the Secretary.

A company's willingness to commit the investment necessary for commercial production should be the basis for determining the economic feasibility.

The Secretary can require optimum recovery of shale oil and other minerals. The requirement needs clarification since it could be so rigidly enforced that economic production would be impossible.

The Secretary is to designate that part of the leased lands upon which the lessee will be permitted to conduct operations. This section (3172.3(b)) should be withdrawn since the requirements elsewhere for the protection and conservation of the surface area will afford the public interest the protection to which it is entitled.

Another section (3172.3(c)) which concerns us is the granting to the Secretary the right to determine the commercial or a market demand for oil shale products and that the commercial extension of the lease area is to be governed by such commercial need. Shale oil and its products should be allowed to compete on the open market with crude oil from conventional production.

Section 3172.5(d) seems to be unreasonably high and may well discourage investment. Sun strongly favors a straight royalty on each barrel regardless of total production or total profits. The proposed requirements for a lease bond specify that it not be less than \$100,000. There is, however, no upper limit on the amount that may be required.

The proposed requirement on the disclosure of research information (3172.9(d)) would make it impossible for a company to develop technology, processes, or engineering design information without giving that information to all other companies. This provision completely removes the incentive for carrying out a proprietary research program.

It also would handicap the research work itself if a company wished to make use of equipment or research work supplied by outside contractors.

Section (3172.9(e)): No company doing research work can expect to recover part of its cost of the research. This also detracts from the incentive to do research work and, is an unreasonable requirement and should be withdrawn. Although Sun agrees that the Secretary always can seek advice from the Attorney General, we do not believe the proposed regulation on antitrust consultation (3172.10) should be included under the Mineral Leasing Act.

D. Summary:

Sun Oil Company believes that the general provisions of the Federal Regulations released by the Secretary of the Interior on May 7, 1967, will discourage rather than encourage the economic development of the oil shales. With only 30,000 acres currently available for lease and a maximum of 5,120 acres would not offer sufficient potential reserves to justify the expenditures necessary to develop techniques for extracting minerals from the shales.

Further, it is Sun's observation that these provisions generally are in conflict with the concept of our free, competitive enterprise system which has proved itself repeatedly as the best approach to the successful solution to problems such as the ones that face us in the oil shale areas and which historically has been a key factor in maintaining the strength of our country.

XVIII. *Texaco*

Texaco considers that the public interest would be best served by the Government making available oil shale leases on a competitive-bid basis. The Department of the Interior has established such a procedure in administering the offerings of Federal lands under the Outer Continental Shelf Lands Act. A similar procedure to orderly development and result in the effective utilization of this great natural resource.

CONSERVATION GROUPS

National Wildlife Federation

While not relating directly to the regulations, there are two basic questions which should be resolved prior to a determination that the oil shale lands should be offered for leasing: