

issue, and resolving such issues properly, if we could move quickly in making our policy determinations and if we could get the help of the Congress in this situation. We therefore urge this committee to give its earliest consideration to S. 1651.

That completes my direct statement, Mr. Chairman, and I hope we have been frank with the committee. We will be glad to answer any questions.

The CHAIRMAN. Thank you, Mr. Secretary. I want to compliment you again, as I did in my opening statement. Your statement this morning has been extremely helpful to us.

It seems to me that what we are dealing with is, of course, a proven reserve in which the state of the technology to convert this reserve to oil has made some progress but still has a substantial way to go. It is most difficult to reach a final conclusion until the extent of the development of the technology to extract this product is known. It is obvious that the number one problem we face is to get that information.

As I understand it, your regulations propose to bring to bear everything that is within our free enterprise system to ascertain what is the most economical and feasible means by which the oil shale can be extracted and converted to petroleum products. I think this is a sound, logical approach, because you cannot really determine what the return to the Government should be unless you know what the potential return will be to those who operate on the public lands.

Mr. Secretary, I wanted to ask you one question with reference to net profit-sharing on the royalties under the proposed regulations. It is true, is it not, that some of the companies could have a pretty high cash flow which would not show up in their net income return which might not be adequately covered by the proposed regulations?

Mr. UDALL. Senator, I think I would have to say that this is possible. It is one of the things that I think we need to give further scrutiny to, in terms of knowing how sound our proposal was.

The CHAIRMAN. This is an area in which I do not know the answers. I am just posing the question.

Mr. UDALL. Yes.

The CHAIRMAN. The royalty relates to net income, and, of course, you could have a fattening of the company, so to speak—a cash flow—which would not be reflected in the net profits. I wish that the Department would take a close look at this problem. I think it is important that we have a pretty good index as to the true return that is being obtained regardless of method of accounting and bookkeeping practices.

That is all I have for right now. I want to compliment the Secretary. Senator Allott?

Senator ALLOTT. Thank you, Mr. Chairman.

Mr. Secretary, I want to say one thing to begin with. I compliment you on moving forward in this area, even though there are points in your statement and your proposals about which we feel differently. At least we are moving ahead, and we have something concrete now before us which we can analyze and discuss and get the opinion of people who are on the other side of the fence, so to speak, the people in business whose judgments on how this would affect the development of the oil shale industry would be very valuable.