

else, will be studying closely, very simply and purely, what the opportunities for profits are in this operation as compared with other things.

I have no further questions. I would like to compliment you, Mr. Secretary, for your leadership and it does not go unnoticed that this is the first time in more than 30 years that someone has had the courage and has recognized the vital interest that this Government has in looking toward its own resources. I think, as you have already emphasized, that the conflict in the Middle East shook all of us out of our lethargy and gave added impetus to see what could be done in order to shore up our own energy supplies right here in this country.

I compliment you for a very excellent statement.

The CHAIRMAN. Thank you, Senator Hansen.

Mr. Secretary, on behalf of the committee, we wish to express our appreciation for your appearance here this morning. We will undoubtedly be calling on you again before we get through with these hearing. Thank you very much.

(The statement of the Rocky Mountain Oil & Gas Association follows:)

ROCKY MOUNTAIN OIL AND GAS ASSOCIATION,
September 14, 1967.

SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

GENTLEMEN: The Rocky Mountain Oil and Gas Association would like to submit for inclusion in the record of the hearing commencing September 14, 1967, its views with respect to oil shale, and in particular the proposed leasing regulations published by Secretary Udall on May 10, 1967.

Our Association has a membership of 470 individual and company oil and gas operators of all sizes, ranging from small independents to major oil companies. Its region of industry representation includes the states of Colorado, Wyoming and Utah, in which oil shale is found, as well as the states of Montana, South Dakota, Nebraska and Idaho.

We are pleased that the Secretary of the Interior has recommended that private industry develop the oil shale resources located on Federal lands. We believe that this decision is in the best interests of the nation, because through competitive free enterprise our natural resources have been and are now being effectively developed at low cost to the consumer.

A key reason that the American consumer enjoys the cheapest energy in the world's history is that the United States Government policies have in general been quite stable, substantially assisting long range planning. The uncertainties and restrictions contained in the proposed regulations as discussed below may well defeat the development of this great oil shale resource by private enterprise.

1. We respectfully submit that we can see no persuasive reason why research effort should be restricted to a few applicants selected by the Secretary. Government owned acreage should be made available to all qualified applicants for the sole purpose of research. The acreage could be made available for research on a basis similar to a license or prospecting permit.

2. When a lease is granted under the regulations as presently proposed, the Lessee does not know if the lease will be extended for commercial production. Furthermore, if the lease is to be subsequently extended to commercial production he does not know the extent of acreage or reserves to be covered by the extended term lease. In effect, the Department of Interior proposes to require any oil shale lessee to expend very large sums of money on research without any assurance that he will have a production lease and no knowledge of what the production lease would cover if granted. This approach is entirely without precedent and will constitute a definite deterrent to research and production. Companies will be reluctant to make the sizeable investment in research without knowing in advance both the term of the lease and the acreage covered by the lease.

3. The royalty provisions of the proposed regulations would operate to discourage investment and thereby deter competition and development. The graduated royalty schedule based on net income, in addition to income taxes, would make it most difficult, if not impossible, to compete with other sources of energy.