However, Humble believes that the proposed regulations do not provide adequate incentive for private enterprise to commit its technical and capital resources to the development of the reserves on the public domain. We are particularly concerned that the regulations will contain concepts that would inhibit the normal development of this natural resource.

Humble believes that leasing of the Federal shale lands should be done on a competitive bid basis, preferably by public auction, using a bonus system with a fixed, moderate royalty. The bonus system will result in the maximum leasing income to the Federal Treasury, the fostering of normal economic forces, the prevention of premature investment by industry, and the avoidance of speculation in leasing. Competitive pressures will automatically require that the lease bonuses reflect the profitability of shale oil operations; therefore, the royalty should be held to a relatively low, fixed amount so that shale oil will not be at a cost disadvantage compared with competing energy sources. Bidding for leases should be open to all potential participants on a competitive basis, with no discrimination in respect to firms in any particular industry, size category, or other classification. Unitization of lands into efficient conservation or production units should be permitted. It is not necessary that an extensive amount of acreage be leased currently. Rather, land should be made available for lease on a periodic basis, similar to the procedure used in the leasing of Federal oil lands on the Outer Continental Shelf.

The holding of leases for speculation should be discouraged by requiring the expending of appropriate sums for research and development during each year of the lease until commercial production has been achieved. Failure of the lessee to carry out diligently the agreed-upon program should be grounds, subject to court review, for forfeiture and cancellation of the lease.

I would now like to focus attention on the following specific sections of the proposed regulations, and for each I will give our views and then our position.

Section 3170.0–1 covers the purpose.

One objective contained in this section is to "encourage participation by companies not favorably situation with respect to access to reserve of the minerals present in oil shale." This objective could discourage those companies which in the past have taken the initiative to develop research and technology for the exploitation of oil shale and related minerals.

Our position here is that the regulation should encourage and foster research and development efforts by any and all qualified individuals and companies.

Section 3170.1: Designation of available lands.

This section precludes industry from having any voice regarding lands that will be designated for leasing. The location of the lands is of utmost importance from the standpoint of terrain, accessibility, availability of water and other utilities and of constructing and operating plants for research and commercial operations.

This section also limits leasing of oil shale lands to not more than 30,000 acres, presumably divided among three States, and would unduly restrict broad industry participation in oil shale development.