

going to build some refineries in Japan, taking advantage of the increased demand for petroleum products over there.

I understand Chase Manhattan, and they have a representative who will be testifying here later on, either today or tomorrow, that, generally speaking, as they have studied 29 or 30 major international oil companies, their studies indicate that a company must have a profit margin of around 12 percent if it is going to be successful and continue to meet the competition of well-managed companies.

Did I understand your testimony correctly when I inferred that, as you look at it, there would probably not be sufficient profit incentive in an oil shale operation to stimulate much interest with the rates as they were suggested by the Secretary?

Mr. JONES. The royalty part of it is part of the package that we feel in toto would tend to hold development of oil shale back.

As I stated previously, given the right kind of guidelines it appears that an oil shale industry might be developed on the basis of reasonably anticipated technology in the short-range future, such as the next decade, that would be competitive with the average of mining and manufacturing, which is in the neighborhood of 12 percent or maybe a little bit better.

Now, it seems pretty obvious to me that a new industry, which obviously has hazards that the traditional industry does not have as many of, is going to have to hold out the promise of as good a return on capital as going into another industry or capital will not flow into it. This is fundamental to everything I have said.

Senator HANSEN. Well, in that connection, I note that some of the oil companies are acquiring substantial coal leases in my State. I think your company may be one; am I right, that you have?

Mr. JONES. You are correct.

Senator HANSEN. Would it be fair to say that whether you go further into the hydrogenation of coal—maybe I should not say further—but whether you go into it or not, I am aware that our State university and the Bureau of Mines Laboratory on our university campus has done some good work in this area—whether you go into that or whether you might come into the Athabaska tar sands up in Canada, or whether you would give greater attention to uranium—and we have got quite a uranium boom going on in Wyoming now—I suspect which way you go will reflect your judgment as to where the greatest opportunity for profit lies. Would that be fair to say?

Mr. JONES. That is a very fair statement. I think it is important here to articulate one point with which I am sure everybody would agree. Although we do not know exactly what the growth of energy demands is going to be, we are pretty sure they are going to keep growing, and we can be positive that it will be met. As a gap develops between traditional suppliers of energy and the total demand, the system will make up the gap, and if it does not come from one source it will come from another.

Now, not referring to operations in my specific company but in the industry as a whole, industry will move to supply the requirements that the economy puts on it, and if, for one reason or another, development