depletion plus at least a corporate income tax of 48 percent of his pretax profits remaining after allowance for royalty and depletion.

It is submitted that these rates are excessive and unrealistic; and, may I ad lib that it is well known that the Arabs are tough traders. But may I suggest Mr. Udall's suggested devices would receive the plaudits of Karl Marx if he were alive today and, no doubt, John Kenneth Galbraith, who is alive today.

We believe there should be one royalty rate based on gross value of the shale oil produced from retorting by whatever means.

We suggest that the royalty bear the same ratio to the rate of percentage depletion for income tax purposes established for shale oil as the customary 12½-percent royalty rate bears to the rate of percentage depletion established for oil and gas. And since it has been stated here, what is the royalty, is it an eighth or is it a sixth, that is 12½ percent or 16⅔, and since 12½ percent is given on land, 16⅔ is given over water; if you would ask my opinion on that subject, I would say it ought to be the reverse of that. I think somebody brought that point out, and I certainly agree with him.

Nevertheless, whatever number is used is tied to the 27½ depletion, and if they want to give the shale industry 27½-percent depletion, then the royalty rate be either 12½ or 16⅔, depending upon the good judgment in that area. Presumably, if it matched up with land-based oil, if you were consistent, it would be 12½ percent.

I think one other point I would like to make at this point is, and that has been brought out from listening to testimony this morning, there seems to be a little bit of confusion as to what we are really trying to do here. As I understand what the Secretary is trying to do, he is trying to make lands available to encourage a research effort, and I am all for him on that. I do not propose bonuses at this time in what I would call phase I of the Department of Interior's program.

But I would, on the other hand, let people bid on the basis of what they are prepared to do in the way of making a definite contribution to the development of the industry.

Now, after this industry has been developed, there is still going to be about another 500,000 acres of this land left. Now, come along with your bonus program. Now the pioneering step is over and everybody and his brother will want to get in it at that point, and at that time, in order to determine who should get the leases, then bring on your bonus bidding at that time, because at that point you are not bidding to carry on a research program, you are bidding to go into commercial production.

The proposed regulations provide that lease royalties shall be subject to readjustment at 20-year periods succeeding issuance of the lease. The justification for this is not readily apparent. In addition, there would seem to be no justification for measuring the initial 20-year period from the date the lease issues, rather than from the date of the extension for the term of commercial production.

The proposed regulations require the submission of a final report on completion of the research plan. The report is to summarize the state of the art and to cover conclusions and recommendations and to include a complete detailed disclosure of all materials, processes, and equipment involved, and all the technical and financial data needed