

leasing policy. We have already submitted to the Department of the Interior, in response to its invitation, rather detailed comments upon the proposed regulations. And these have been included in this volume.

I have no intention of boring you with every last detail of what is essentially a legal analysis of the proposed draft. I would like to devote the time available today to consideration, not of details, but of some of the broader questions of policy which we feel arise out of the program embodied in the proposed regulations.

I shall discuss two matters. The first concerns the needs, which we think is amply established by the facts, for the prompt commencement of an additional program of leasing for commercial production. Such a program is not embodied in the proposed regulations.

The second concerns the research and development leasing, which is embodied in the proposed regulations. Despite the large efforts and constructive intentions of the Department, the program, in our view, fails to meet its stated objective of stimulating production research and industrial development.

Turning first to leasing for commercial production, the proposed regulations embody the view, which we share, that it is appropriate to encourage future production research and development by making available public domain reserves for research and, thereafter, for production. We are unable to reconcile that view, however, with the absence of a provision for production leases, which would permit the application of existing technology developed by industry without government participation or incentives.

If new techniques should be commercially applied, if and when they are successfully developed on public domain reserves, why should the successful fruits of extensive past labors be ignored or discriminated against?

The question is not merely whether those who have successfully developed technology should be offered the same opportunity of utilization of public reserves as those who now undertake research, although that is to us an important matter. The broader concern is that the modest increases in domestic supplies which shale oil can provide are necessary, and the public domain reserves should be available to those who are actually prepared to go forward to production with existing technology in order to meet that need.

There are, to be sure, problems of mechanics; but with due regard to the opposing of some distinguished commentators outside the industry, it should be stated clearly that there are no mechanical problems which will not yield to past leasing practice and ingenuity. A combination of modest, fixed royalty rates and competitive bidding can assure fair recognition of the value of the public ownership of reserves.

Production requirements, which escalate sharply with time, can assure that no lessee can acquire a leasehold except for purposes of production.

The Legislature of Colorado has recently enacted, as I am sure Senator Allott is aware, broad new pollution regulations. Quite apart from constructive contributions by the Department, it may be anticipated that those regulations will be enforced and refined to meet Colorado's needs in regulating the developing oil shale industry.