

Moreover, negotiations or discussions between the Department and industry, in light of existing technology, would provide substantial guidelines for requirements designed to serve any additional Federal interests in conservation and pollution control.

These and other mechanical questions can be thoroughly and effectively resolved if once the decision is made that we think the facts call for, namely, that a program for commercial production oil shale leases is now timely.

The proposed research leasing regulations create different objectives. The stated objective of the proposed regulations is to encourage production research and development. In proposing the regulations, the Department has taken the first constructive step in this field in the 37 years which have elapsed since the oil shale lands were withdrawn by President Hoover's Executive order. For having taken this first step, the Department and the Secretary deserve the approval and support of all who, like this committee, have an interest in planning and providing for the Nation's petroleum needs.

Nevertheless, we believe that the proposed regulations do not, in fact, meet their stated objective and will not encourage utilization of the public domain reserves or stimulate research and development. There are many reasons why that conclusion must be reached, and we have stated them in detail in our attached comments.

Among the most important are the indefiniteness of the assurance offered to a research lessee that, if it is prepared for production, it will, in fact, receive a commercial production lease; the indefiniteness of the extent of the commercial leasehold, if it actually granted; the inappropriately high, fixed, and escalating royalty rates, which the Secretary here stated, which are reported to have been designed to be equivalent to rates applicable to established conventional production; and the extraordinary requirement of surrender without compensation of the fruits of all new research, as well as surrender of control over technology previously developed by the lessee.

On the question of royalties, we are quite ready to approve the proposed escalating royalty rate as reasonably equivalent in the light of the capital investment in effect in other fuels. The difficulty is that it is that fact which proves that they are inappropriate. We are talking about an experimental program, under this set of regulations, in which companies are expected to spend up to 10 years of substantial research funds and, thereafter, at least as the regulations are now drafted, they are expected to apply under a commercial lease only that technology which they developed, since the regulations make no provision for utilizing technology in the meantime developed by someone else on the proposed commercial leasing.

Under those circumstances, it seems to us inappropriate that the resulting royalty rate should be tailored to be equivalent to royalties that would be paid in an established industry utilizing established techniques to produce conventional reserves.

There are three objectives which seem to be encompassed in the regulations. First, the lessee is asked to pay the royalty rate which is said to be equivalent to commercial royalty rates in that field.

Second, the lessee must also pay by giving up his technology. I think that in the Secretary's statement he referred to purchasing