

tion leases which would permit the application of existing technology, developed by industry without Government participation or incentive. 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 of us 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 views 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, or rentals 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 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 industry. 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 fairly 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

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 thirty-seven 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. 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 is actually granted; the inappropriately high fixed and escalating royalty rates, 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.

In urging, as we do, that these and other similar requirements render the Proposed Regulations unusable by industry, we do not mean in any way to suggest that the Department has intended that result. On the contrary, it is apparent that much careful and imaginative labor has gone into the preparation of this first step, with the intention that the result be a constructive program.

In arriving at these Proposed Regulations, the Department has unavoidably been subject to conflicting pressures from every side, beginning with the conflicting advice offered by the members of the Oil Shale Advisory Board, appointed in 1964. Much of the commentary has of course been constructive. But too much of it has been as irresponsible as it is vocal and inaccurate. The specter of Teapot Dome, in which government officials were found in criminal default, has been resurrected and cited by some commentators, without regard to the whole successful history of Federal mineral leasing which has since taken place. Without regard to any of the facts, the value of the public domain reserves has