

been irresponsibly exaggerated, the threat of an imagined flood of oil disruptive of existing markets has been asserted, and deep concerns have been stated over non-existent dangers of spoilation of a largely vacant wilderness.

In short, the situation in which the Department has nevertheless had the courage to act is one in which a vocal and ill-informed minority has created an atmosphere of exaggerated mistrust of industry, and of the Department's ability to provide for the public interest. It is perhaps surprising that in such an atmosphere the Department has been able to propose Regulations as nearly viable as these.

In our detailed comments to the Department, we have stated our views of the incentives which are necessary to make the proposed program effective, as well as of certain amendments of language or structure which may make the Final Regulations legally and administratively more effective. But, these are not, we think, matters on which the Department is really in need of guidance or support.

What we think is required from the industry generally, from this Committee and others in the Congress and the administration, is firm support for the policy on which the Department has begun to act—that the national interest requires that reasonable steps now be taken to foster the orderly development of oil shale production. The fact that our domestic liquid supplies are waning because demand is increasing and additions to reserves are not keeping pace; the fact that any substantially increased reliance, above the present approximately twenty per cent of demand, on foreign sources of supply entails severe risks of rising costs and unreliability of supply; and the fact that even without such risks, the long term impact of increasing petroleum imports on our balance of trade and balance of payments will be increasingly severe—all these facts dictate the need for prompt development of oil sale and other novel sources of liquid petroleum supplies.

In the light of such a policy, the alleged risks of commercial production leasing and research leasing will be seen in perspective, and the need for reasonable incentives adequately defined will be readily apparent. No one formula for research incentives or for commercial leasing is indispensable. We have made some suggestions, and others will doubtless make different and equally workable ones. But no suggestion is likely to become effective in the absence of a realization by all who are responsible for policy that the basic decision of policy upon which the Department has begun to act is a vital part of national petroleum planning.

We trust that out of this Committee's consideration will come appropriate support for this fundamental policy decision.

#### THE PROPOSED BLOCKING UP REGULATIONS

All that we have said today and in our Comments to the Department about the facts underlying the need for shale oil production, causes us to applaud the further step which the Department has taken in promulgating Proposed Regulations for exchanges of public and private oil shale lands. The objective of the Regulations is to rid the public domain of interfering private holdings, which are generally not situated so as to be viable for development, and to consolidate the private holdings in a manner which will enable them to be utilized.

The basic principles for such exchanges, and the power to carry them out, are well established in the Department's long experience under the Taylor Grazing Act. We trust that the program will go forward under the criteria established in the Proposed Regulations without delay.

#### OTHER QUESTIONS OF FEDERAL POLICY

It is evident that there are areas of Government policy not encompassed in the Proposed Regulations which will affect the rate of growth of the oil shale industry. I would like to mention to you two of the most important of those areas in closing.

##### *Important Quota—Qualification of Shale Crude*

The first concerns the relationship between the import quota system and shale crude oil. Under the present Regulations of the Oil Import Administration, it is not clear that domestic sale crude oil qualifies as a refinery input for purposes of the allocation of the import quotas to domestic refiners. If it were not to qualify, domestic shale crude oil would suffer an economic penalty. It is reasonably clear,