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CITIES SERVICE OIL COMPANY,
Tulsa, Okla., August 2, 1967.

Hon. CLIFFORD P. HANSEN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HANSEN: As requested in your letter of June 13, we are enclosing a copy of our statement to the Bureau of Land Management.

We appreciate your interest in the role of private enterprise in the development of oil shale.

Very truly yours,

J. E. HESTON.

Enclosure.

CITIES SERVICE OIL COMPANY,
Tulsa, Okla., August 2, 1967.

Mr. BOYD L. RASMUSSEN,
Director, Bureau of Land Management,
Department of the Interior,
Washington, D.C.

DEAR MR. RASMUSSEN: These comments are submitted on the proposed amendment to the "Federal Regulations for Leasing Oil Shale Lands on the Public Domain," released May 7 by the Secretary of the Interior.

While we believe the time is propitious for stimulation of oil shale development by a public lands leasing program and concur generally with the stated objectives of the proposed amendment, the May 7 draft of regulations appears to be too restrictive to be attractive to private industry.

We believe the proposed R&D leasing program should be altered to:

- Develop a basis for leasing of Federal oil shale lands by competitive bidding using a bonus system with fixed royalty of a dimension that would not penalize oil shale in relation to other energy sources, rather than sliding-scale royalty as proposed in the May 7 draft; and establish criteria under which prospective bidders could qualify.
- Discourage lease-holding for speculative purposes by requiring annual expenditures, on a predetermined scale, for R&D purposes until the achievement of commercial production.
- Provide specific terms for holding R&D leases with commercial term to start upon satisfactory completion of research program and to continue as long as paying quantities of deposits are produced.
- Require disclosure to the Government (to be held confidentially) of only such technical data as may be necessary to assure that the lessee is diligently and efficiently pursuing his research operations, and permit the lessee to hold and license patents under the same conditions as any other patents, rather than to require extensive public disclosure of data and assignments of patents.

In general, we believe the move to involve private enterprise in oil shale development through leasing of public lands to be sound; we believe private industry to be capable of and willing to finance extensive research on shale oil and to invest the large sums necessary for commercial operations when shale oil can compete economically with other energy sources. But we believe response will depend upon incentive.