

There are a number of paragraphs in which the language leaves doubt as to the true intention of the Department of Interior. These questions are raised in the Attachment to this letter and have already been discussed with the Solicitor's office.

With reasonable modification, the proposed regulations can become the basis for private development of a healthy shale oil industry with adequate safeguard of the public interest. We feel the regulations, in their present form, are too stringent to foster private investment in development on public oil shale lands. It is hoped these comments may assist the Secretary in preparation of the final rules and regulations.

Respectfully submitted,

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President, Sinclair Oil & Gas Company.

[Attachment]

RECOMMENDED STATEMENT CLARIFICATIONS OF PROPOSED OIL SHALE LEASING
REGULATIONS

3170.0-1 The announced purpose is to encourage participation by companies not favorably situated with respect to access to the minerals in oil shale. This could be interpreted as indicative of a policy of the Department to favor the less forward looking companies which have not previously obtained oil shale reserves. If it is intended to provide reserves for the "have not" companies to the exclusion of those companies which previously obtained patented reserves, this would unfairly penalize the companies having a present investment in reserves owned by the Government are richer in oil content and greater in thickness of deposition. This apparent intention on the part of the Department is further indicated by the requirement in 3171.2(c) (7).

3170.0-5 It is unclear as to which conditions must prevail in order for an oil shale lease to also cover Dawsonite and Nahcolite. Existing statutes and regulations provide for separate leases for sodium, carbonates, Nahcolite and oil shale. Is it certain that under the existing statutes the Secretary can issue one oil shale lease which would effectively cover the other minerals? Some of the shale land contains aluminum. This aluminum is a metalliferous metal which ordinarily would be locatable under the Mining Act of 1872. Has it been determined that the Secretary can effectively lease a locatable mineral in a shale lease?

3171.2(c) (3) This section requires a description of the land for which a lease is desired. Does the word "lease" as here used refer only to the research lease, or the production lease as well?

3171.2(c) (11) This section requires a description of the reserves owned or controlled by applicant of oil and other minerals believed present in land applied for. Does this require disclosure of all crude oil reserves? Governor Rampton of Utah stated it was so intended by the Secretary but that the Secretary would keep it confidential. This gives rise to the further question of whether all information in an application will be kept confidential unless and until a research lease is granted?

3171.2(c) (12) (10) These sections state the information required for obtaining a commercial or production lease. Many of these requirements must necessarily be based on estimates. In this connection, it is noted that Section 3172.2(b) (1) provides that you get a production lease only if the Secretary finds the lessee was in substantial compliance with research plan submitted. This presents the question of whether the required estimates furnished in good faith can result in your failure to obtain a commercial lease if the estimates were materially erroneous.

3171.3(d) Requires a showing of need for lands to conduct research and development and for commercial production. Is the requirement as to need for lands for research and development separate or different from the need for commercial development lands? If so, could this result in an applicant being given a research lease and later be denied a commercial lease for the reason of inadequate need as determined by the "then" Secretary of Interior. This provision again implies an applicant will be unfavorably considered if he owns fee shale land.