

MARATHON OIL Co.,
Findlay, Ohio, August 11, 1967.

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

DEAR MR. RASMUSSEN: This letter is in response to Secretary Udall's invitation to submit written comments on the proposed amendments to the regulations regarding the leasing of oil shale lands.

Marathon concurs with the basic purpose of the proposed regulations which make available a limited portion of the public domain for research and the development of oil shale technology. We believe that the development of techniques for commercial production of oil from oil shale is a necessary prerequisite to the determination of the need for statutory changes and the promulgation of regulations relating to commercial production. We further believe that the development of such technology through the competitive research efforts of the private enterprise system is the best method to accomplish this objective.

We also believe, however, that many of the detailed provisions of the proposed regulations inhibit rather than encourage industry participation in shale oil technological development. In order to get industry to participate in the envisaged research program, participation must be made attractive. It is submitted that the proposed regulations are too preoccupied with government controls and with provisions to insure revenue to the government from the research efforts. The development of oil shale technology has a much greater value and benefit to the United States than the rentals or royalties which the government might immediately realize from any research efforts which might prove successful on the limited amount of federal lands made available for research purposes. The discovery and development of such technology would greatly enhance the value of other federal oil shale lands and make a valuable addition to the available supply of energy resources in the United States.

An oil shale research program will necessitate a large investment. We favor regulations which require a company that acquires a tract for research to invest sums sufficient to demonstrate a bona fide intent to make a meaningful effort to develop oil shale technology; we further favor a requirement that such company meet certain work progress requirements. However, if such regulations are to prevail, the regulations should also offer the participating company an opportunity to recoup its investment plus a modest profit in the event its efforts prove successful. The amount of profit, if any, would not be large because of the limited acreage included in the lease. Unless some opportunity for profit is provided, it is our opinion that few, if any, responsible companies will be interested in the proposed research program. It must be remembered that a research participant will risk complete failure.

As previously indicated, many of the proposed regulations will discourage rather than encourage industry participation. In this connection some of the more important provisions are as follows:

1. *Royalty.*—The regulations pertaining to royalty are not realistic. In order to encourage company participation no royalty should be required until at least five years after commercial production; thereafter the royalty should be modest—i.e., five percent of the production at the mine or well-head.

2. *Patents.*—The provision in the proposed regulations that the United States acquires title to all inventions will discourage participation. It also contravenes the philosophy behind our free enterprise system. As an incentive the participant should have the right to retain title to all inventions subject only to the requirement that they be licensed to others on a non-discriminatory reasonable royalty basis.

3. *Term.*—The lease should be for a fixed term of years and as long thereafter as oil shale is commercially produced. Provision should be made for an extension of the fixed term on a showing that research has proceeded diligently and that there is a reasonable possibility that such research will prove successful or that commercial production can be obtained during the extended term. The uncertainties contained in the proposed regulations with respect to the lease term should be eliminated.