

FEDERAL OIL SHALE PROGRAM

form, the lease be for a term of ten years and as long thereafter as shale oil is being produced therefrom.

Coincident with our recommendation of a lease term, we should like to suggest that the Mineral Leasing Act allow inclusion of leases into units which are subject to plans for development. Any lease so committed to a unit would be extended beyond its term while the unit remains in existence (requiring compliance with the plan of development). Under this type of procedure, the Secretary would have the discretion of approving any such unit and the plan of development thereon, the lessee having to commit to undertake such plan of development. This procedure would allow the lessee to determine whether to commit to a plan of development at a time when the commencement of development is contemplated and could be definitively fixed.

5. We would recommend \$2.00 per acre per year as the rental or minimum royalty requirements.

6. It is exceedingly difficult at this time to determine the proper royalty rate, particularly in the light of the effect on presently uncertain economics of oil shale production. We feel that a royalty of 5% for the first twenty years of production with provision for adjustment of such rate by the Secretary of the Interior upwards to 10% thereafter would be a reasonable royalty. We have some concern how properly to fix the point of application of the royalty and determination of market value for the purpose of calculating any such royalty. At this time, we cannot make any particular recommendation as to how to handle this problem, since it is dependent upon transportation, marketing and other considerations which are not clearly known.

7. The lease should include appropriate clauses such as, "force majeure", "right of surrender", no termination for temporary cessation of production and generally similar clauses to those found in present oil and gas lease forms.

Obviously, some of the suggestions we have made will require legislation. It is our view that an earlier development of an economically sound oil shale industry may well result from the adoption of comprehensive legislation and regulations prior to the granting of leases on a piecemeal basis. Our experience in various areas convinces us that it is most difficult to secure needed amendments to improve laws and regulations where rights have vested on the basis of incomplete laws and regulations or laws and regulations adopted in the light of insufficient technology.

If you should desire additional discussion concerning our comments and suggestions, we will be pleased to confer with you at your convenience. Should you consider the appointment of a committee to study some of these matters, we would look forward to participation as a part of industry representation in such committee. Hopefully our representatives could make a valuable contribution of their experience and knowledge in such a consideration of the problem areas.

Very truly yours,

T. W. NELSON,
Senior Vice President.

JUSTHEIM PETROLEUM CO.,
Salt Lake City, Utah, June 95, 1967.

HON. CLIFFORD P. HANSEN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR HANSEN: Received your nice letter of June 13 informing me of the extension of time from June 15 regarding the Senate Interior Committee discussions on oil shale, for which I wish to thank you.

The enclosed is a copy of a letter of June 9, 1967 which I sent to the Senate Interior Committee and explained, as shown in the last paragraph, that if the government would develop U.S. Patent 3,237,689 to the extent that it could be used in situ as shown in the patent as basically protected by 3,237,689, that all oil shale holders outside of the government holdings as of today, would have the great help of the government development and could then develop