



2. ENERGY DEVELOPMENT: Western oil shale leasing moves forward

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Eryn Gable, special to *Land Letter*

A ban on finalizing leasing regulations for oil shale development expired this week, and the Bureau of Land Management is moving quickly to outline how future exploration will occur on 2 million acres of public lands.

BLM plans to issue final regulations by year's end that will determine how commercial leasing for oil shale development proceeds, including what royalty rate companies will pay to lease land in Colorado, Utah and Wyoming. Leasing is not expected to begin until at least 2012.

Advocates of removing the ban, along with a ban on offshore drilling (*see related story*), declared Monday "American Energy Freedom Day."

"Allowing the moratorium that bars offshore development and oil shale exploration to expire is a victory for the American people and our goal of energy security," Sen. James Inhofe (R-Okla.), ranking member of the Senate Environment and Public Works Committee, said in statement.

Inhofe noted that up to 1.1 trillion barrels of oil -- more than 145 years of domestic supply -- is estimated to be recoverable from oil shale at prices as low as \$35 per barrel, within the first 12 years of commercial-scale production.

The Green River Basin of Colorado, Utah and Wyoming is one of the world's richest deposits of oil shale, a sedimentary rock containing kerogen that, when heated to extreme temperatures, yields oil.

Enacted as part of last year's appropriations bill, the oil shale spending limitation slowed the administration's plan to expedite commercial oil shale development. The Bureau of Land Management currently oversees an oil shale research and development program on federal lands, and some companies also conduct research on thousands of acres they own privately. No company has ever been able to develop oil shale commercially.

Companies pursuing oil shale research say they are years away from deciding whether to move forward with commercial oil shale production.

Opposition and applause

Colorado Democrats Sen. Ken Salazar, Reps. Mark Udall and John Salazar, and Gov. Bill Ritter criticized the move toward final regulations.

"Oil-shale development is years away," Ritter wrote in a letter to President Bush and Interior Secretary Dirk Kempthorne last week. "It is difficult if not impossible to set appropriate royalty rates to ensure a fair return to the state and federal treasuries. Too many questions remain unanswered about impacts to the environment, the economy and our communities."

Senate Democrats made a last-minute stab Friday at blocking oil shale production on federal lands in the West by including a 12-month extension of the ban in the \$57 billion economic stimulus package, but the measure came eight votes shy of moving forward.

"Had this misguided moratorium continued, it would have helped Hugo Chávez stimulate his economy more than our own," Sen. Wayne Allard (R-Colo.) said in a statement, referring to the Venezuelan dictator, whose country has a growing petroleum industry.

Shell Exploration & Production Co., which has research, development and demonstration projects on three 160-acre plots in western Colorado, praised BLM for moving forward with commercial leasing regulations. "Shell is eager to see

the moratorium on finalizing oil shale regulations lifted as the establishment of regulations for commercial oil shale development is an important step for all companies seeking to understand the commercial terms on which oil shale development will take place in order to allow them to plan for the future," said Shell spokesman Tracy Boyd in a statement.

Shell is eligible to lease 15,000 more acres for commercial development if its tests are successful.

Environmental concerns

The failure to enact legislation extending the ban elicited dismay from environmental groups. "Oil shale development is exactly the wrong direction the Congress should be heading to create a clean energy future and get climate change under control," Earthjustice President Trip Van Noppen said in a statement.

Environmental groups noted that even the most advanced oil shale technology will create as much as 45 percent more greenhouse gases per gallon of gasoline than would conventional gasoline, and approaches that rely on strip mining shale will generate twice as much carbon dioxide per gallon as gasoline.

Another concern is that oil shale removal is expected to require vast quantities of water -- up to 300 million gallons a day, or 3 to 5 gallons of water for every gallon of gasoline produced -- in a drought-parched West that is already struggling to sustain agriculture, human consumption, industry and the environment.

Environmental groups also note that oil shale development could destroy up to 2 million acres of prime wildlife habitat that supports tourism and recreation-based economies throughout Colorado, Utah and Wyoming.

Environmentalists say more information is needed about the effects and viability of new oil shale technologies before a leasing program is put in place.

"With only a few remaining months in office, the Bush administration and the oil industry's congressional allies will get their wish," Dave Alberswerth, senior energy policy adviser for the Wilderness Society, said in a statement. "Now they have set the table for enriching their friends in the oil and gas industry by handing them a taxpayer funded gift basket of public lands."

The Salazar brothers and Rep. Udall have all said they will fight to "restore an orderly process for oil shale development" when Congress reconvenes next year.

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