

## Low oil prices mire Utah tar sands mine

BY BRIAN MAFFLY

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Soft crude oil prices have accomplished what environmentalists could not: the near-total shutdown of a controversial tar sands project in Utah's Uinta Basin.

The Canadian firm US Oil Sands announced Thursday that it has all but ceased work on its PR Spring mine, which was 85 percent complete, because two key contractors shuttered their Utah operations in the face of plummeting oil prices, now below \$30 a barrel.

The company said it "decided to reduce the pace of field construction in order to maintain working capital flexibility" after a \$10 million royalty financing deal fell through.

"The oil industry is facing one of the most challenging environments it's ever seen, and it is prudent for us to adjust our construction plan accordingly," CEO Cameron Todd said in the statement. "But the company's value proposition remains sound. Low oil prices accentuate the need for a new approach in our industry."

Although US Oil Sands is developing an extraction technology it touts as environmentally benign, environmentalists fought the project because of fears it would degrade groundwater flowing under the Book Cliffs. They also hoped to defeat it before it could pave the way for others seeking to mine Utah's abundant deposits of tar sands and oil shale, viewed as "dirty" fossil fuel resources.

The PR Spring mine would use a citrus-based solvent to separate a tarry hydrocarbon called bitumen from strip-mined ore. Executives had claimed the process poses no threat to groundwater, which they said is not even present at the site.



David Self Newlin | The Salt Lake Tribune

Lionel Trepanier indicates the location of the PR Springs camp in relation to the tar sands being developed by U.S Oil Sands. Utah Tar Sands Resistance is camping at PR Springs in what they call a permanent "protest vigil" in an effort to stop development of the site.

A University of Utah geologist disputed that claim and convinced Utah regulators to attach safeguards to the permits they approved.

In the meantime, weak oil prices have not been kind to the value of US Oil Sands shares, trading at \$.07 this week on a Canadian exchange. But executives downplayed the impact of cheap oil on the commercial viability of the PR Spring project because it is a “pre-production” venture. They did acknowledge the oil bust has undermined its contractors, which are no longer able to deliver needed equipment.

But Todd continues to believe the PR Spring project will demonstrate the commercial effectiveness of his firm’s bitumen-extraction technology.

“We are well-positioned to rapidly emerge from the current downturn and complete our work. In the long run, companies that are the most efficient, have the lowest capital cost, and are the most environmentally sustainable will achieve success in the future. The company’s actions today help ensure US Oil Sands will be a future industry leader,” he said in Thursday’s news release.

A company executive did not return a phone message Friday.

Despite these costly delays, the company said, it is “targeting completion” within its original \$60 million budget.

The release didn’t identify the shuttered contractors, but two years ago the company announced it had hired the global construction giant Kellogg Brown & Root to manage mine construction.

It also hired FLSmidth & Co. to provide process design and supply equipment. This Denmark-based company employs several hundred in Utah with an office in Midvale.

As late as August, the company had been assuring investors the project was on pace to be built on schedule and under budget with oil production to begin by the end of 2015. Haul roads were built, personnel hired, critical equipment installed, “overburden” was removed and topsoil was stockpiled for future reclamation as part of a \$60 million investment.

PR Spring is a 6,000-acre tract of state trust lands US Oil Sands has leased on the Uintah-Grand county line. It is believed to hold enough bitumen to yield 184 million barrels of oil. The company also controls a 26,000-acre lease nearby at Cedar Camp, whose mineral potential has yet to be fully assessed.

bmaffly@sltrib.com

Twitter: @brianmaffly

