

Receiver takes over tar sands company

Utah project has yet to produce oil

[By Dennis Webb](#)

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A Canadian court has appointed a receiver to take over management of a company seeking to get a tar sands project up and running just across the Utah border from Colorado, raising further questions about whether the project will ever begin commercially producing oil.

Calgary-based US Oil Sands said in a news release that the Court of Queen's Bench of Alberta has granted an application of the company's lender,

ACMO S.à R.L., to appoint FTI Consulting Canada Inc. as manager of its assets. The court order says the action is being taken under Canadian bankruptcy and insolvency law.

US Oil Sands has been trying to finish the start-up of a plant north of Interstate 70 in far eastern Utah in the PR Spring area. But the plant exceeded its \$60 million budget and the company has remained in the preproduction stage, struggling to find the money to proceed to production and sales of bitumen, a heavy, viscous oil.

The company has been seeking to produce the oil with what it says is a citrus-based, nontoxic solvent that won't require tailing ponds, unlike in the case of other commercial tar sands projects.

The company was forced to lay off most of its employees in both the United States and Canada late last year, but was able to bring employees and

contractors back on the job in January after company shareholder ACMO, based in Luxembourg, provided it with a \$7.5 million loan.

In June, it closed on an agreement under which ACMO loaned it another \$2.5 million, with a promise to loan another \$2.5 million once the project produces 500 barrels per day of oil for five straight days. The company voluntarily delisted from the TSX Venture Exchange in Canada under the deal because it included loan terms not allowed by the stock exchange.

The court's receivership order comes after the resignations of the three remaining members of the US Oil Sands board of directors. The order has project observers speculating about the future of its Utah project, in part because of what differences there may be between American and Canadian bankruptcy law.

"I think we're all left to guess what the outcome of this is going to be. Obviously this is significant, but what it means, I couldn't tell you," said Rob Dubuc, an attorney with the Western Resource Advocates conservation group, which opposes the project.

He said he has had the impression the company was close to having the facility up and running. But he added that it's been hard to know what's going on when he's been left largely to rely on what messages the company has chosen to make public in news releases. Dubuc said he's "sort of given to assume" that the project might be teetering on the edge of failing due to the latest development.

US Oil Sands referred a request for comment to the receiver.

"Unfortunately as an officer of the Court we are not able to make any comments in regards to this matter," Rob Kleebaum of FTI Consulting said in an email.

The project's status also is of significant interest to the state of Utah because

US Oil Sands is working on state tar sands lease acreage.

John Andrews, associate director and chief legal counsel for Utah's School and Institutional Trust Lands Administration, commonly known as SITLA, said the state would receive royalty revenues from production from the project, which already has paid some \$1.3 million in lease rental income.

"We also got the notice of receivership and have been looking at Canadian bankruptcy law to try to compare it to American law, and what it appears is that this is the equivalent of a U.S. Chapter 11 (bankruptcy proceeding), where the project will be packaged for sale to a new bidder to satisfy the secured creditors' interests. But that's about all I can tell you," Andrews said.

He said the proceeding appears to be an attempt to keep the project ongoing, and it was his understanding that the project was operational in the sense of being able to process ore and make oil.

"But I can't tell you whether that was a shakedown cruise or a full operation," he said.

"... I don't have a lot of insight into their internal financing issues but we will see as the restructuring goes forward."