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State gives final OK to Book Cliffs oil sands mine

by Steve Kadel

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A controversial oil sands mining operation proposed for the Book Cliffs northeast of Moab has cleared its final state regulation hurdle, allowing it to become the nation's first such project.

The Utah Division of Oil, Gas and Mining released its decision Friday, Jan. 11, upholding previous state approval for the oil production project by Alberta-based U.S. Oil Sands Inc.

However, the Moab conservation group Living Rivers has filed an appeal of that decision with the Utah Court of Appeals in hopes of blocking development, said Living Rivers Director John Weisheit.

He said an appellate decision could take six months to a year, and that U.S. Oil Sands may proceed with development during that time. Living Rivers contends the PR Spring mine, to be located between Vernal and Moab, would adversely affect air and ground water quality, particularly the Green and Colorado rivers.

Cameron Todd, CEO of U.S. Oil Sands, said he is confident the project will go forward despite the court challenge.

“Essentially, Living Rivers is appealing the competence of state regulators,” Todd said. “We have been working with those state regulators for eight years and they are extremely competent people. This project has been reviewed extensively.”

In making last week's ruling, the Division of Oil, Gas and Mining board of directors sided with the state Board of Water Quality, which earlier rejected the environmental objections by a 9-2 vote. The Water Quality board's decision affirmed an even earlier ruling by Utah Administrative Law Judge Sandra K. Allen that there is no evidence of shallow ground water in the project area.

Weisheit again criticized that belief Monday, saying, “This is an arbitrary decision. The place is surrounded by springs.”

But James T. Jensen, chairman of the Utah Oil, Gas and Mining board, wrote in the decision that U.S. Oil Sands had adequately addressed Living Rivers' concerns about effects on groundwater. Jensen wrote that the company drilled 180 test holes, 55 of which were in the phase one project area, “none of which encountered groundwater.”

He also wrote that state Department of Water Quality staff members who went to

the area to collect groundwater from seeps “failed to find water in sufficient quantities to sample.”

Living Rivers also contended the project should be blocked because only visual inspections of the site will be conducted. That would prevent the Division of Oil, Gas and Mining from detecting contamination to ground water, according to Living Rivers.

The board’s decision said that regulations do not require subsurface monitoring. The decision added that the citrus-based solvent, d-limonene, would not harm the environment. D-limonene will be used to separate oil from water and sand, and will be removed after use “even though it would not be harmful to the environment,” Todd said.

Last week’s Oil, Gas and Mining board decision only applies to a 213-acre parcel that U.S. Oil Sands considers phase one of a potentially much larger development. If further permission is granted by the state of Utah, development could spread across U.S. Oil Sands’ 5,900-acre lease site.

Todd said during a telephone interview that PR Spring will use new technology, making it the first oil sands project to operate without a tailings pond.

“This is not going to change the local environment or affect tourism or deface the earth,” Todd said. “This is a world-class environmental approach with a very small impact. People don’t have to get worried that the sky is falling.”

Todd said the initial mine area will be about 20 acres, which he likened to the size of “a large gravel pit” or a Walmart parking lot.

The company anticipates spending \$35 million from now until production is estimated to start in 2014. U.S. Oil Sands already has spent that much developing its technology, getting government permits, and doing initial design work, Todd said.

The company is looking for a financial partner to share expenses, which he said is normal for a start-up firm.

Todd estimates the project will create 100 full-time jobs during the construction period and the same number to support the operation while in production. The latter will include truck drivers and heavy equipment operators, and he said local residents will be hired for many of those jobs.

Todd said it is “misleading” to compare the PR Spring project to large oil sand extractions in Alberta, Canada, where about 20 percent of the oil is recovered through surface mining. In contrast, sand removed from the Book Cliffs will be replaced as the project goes along once oil has been extracted, he said.

“We have put up a bond with the state for several million dollars to ensure the land we occupy is adequately covered,” Todd said. “We are committed to being responsible citizens.”

U.S. Oil Sands officials are excited about the PR Spring project because oil has been found in all but three of 200 test holes that have been drilled, he said.

Todd said he believes attitudes about the oil sands process are changing as technology has advanced.

“As the science of petroleum engineering has progressed, people have come to realize this is just an oil,” he said. “It is much more viscous because it doesn’t have the elements of some lighter oils.

“It is suitable for processing at a refinery. It can be extracted with clean sand left behind.”

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