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Utah tar sands still seeking investors despite questions

Energy summit • Detractors have challenged the project's financial viability and environmental impact.

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Eastern Utah's tar sands are just a year or so from producing their first commercial quantities of oil — if environmental appeals are settled and the company planning to mine can attract investors.

Those are big ifs.

Two oil shale mining companies contend they're right behind and said Wednesday at the Governor's Energy Development Summit that the state is poised for "the next big play" in energy.

All of them — U.S. Oil Sands, Enenefit American Oil and Red Leaf Resources — rejected naysayers' claims that their technologies are unproven on a commercial scale. But Canada-based U.S. Oil Sands acknowledged it needs investors before it can produce 2,000 barrels a day at its PR Springs mine, which it envisions within a year and a half.

"In today's world, investors are risk-averse," U.S. Oil Sands CEO Cameron Todd said after his presentation, in which he predicted production of up to 50,000 barrels a day within 10 years, using a citrus-based solvent that the company claims will extract oil in an environmentally benign fashion with little water.

Opponents of the southern Uintah County project on state-leased lands have appealed the company's state permit and enlisted a University of Utah scientist's calculations to warn that the solvent will send cancer-causing tar compounds into the groundwater and toward the Colorado River. Some also suspect there won't be sufficient commercial backing for the mine.

"They're obviously not getting funds from their operations," said John Weisheit, conservation director for Moab-based Living Rivers, the permit's appellant. "It seems to me like they're hurting financially."

His suspicions grew after he read a letter Todd wrote to Gov. Gary Herbert last month asking for help navigating the state's regulatory and appeals process. In that letter, dated Jan. 10 and posted among project review documents on the state Division of Oil, Gas and Mining's website, Todd wrote that seven of the 10 years on the company's

lease have passed “and we are in danger of losing our lease rights, as we still have to raise the money and build the project in the short period remaining to initiate production.”

Todd asked for “some form of governmental letter of support letting investors know the government is in support of a project once it has received regulatory approval.”

He wrote that the company has “no common ground” with environmental groups seeking to “hijack the regulatory and legal process” to stop all development of fossil fuels. He suggested the governor refine the permitting process to “restrict and enforce the period of time in which petitioners may make claims” and “greatly restrict the types of claims which are to be routed through a judicial process.”

Living Rivers’ claim is before a state administrative law judge and is to be heard next month. Weisheit said Todd seems to reject the judiciary’s role in U.S. separation of powers.

“It’s interesting that a foreign company is telling us how to run our government,” Weisheit said.

Herbert’s spokeswoman, Ally Isom, said it’s unlikely the governor could streamline the Living Rivers appeal. “The process is there for a reason,” she said.

But she noted a bill winding through the Legislature could streamline that process in the future by adjusting the makeup of environmental boards.

Todd said he was suggesting changes for future reviews, such as would be required to expand from a current 212-acre mining footprint to pits on other leased lands.

Herbert recently railed against an Obama administration plan to drastically reduce the federal acreage for tar-sands and oil-shale development. At Wednesday’s summit, he told a crowd of nearly 1,000 government and industry representatives that it will take all of Utah’s resources, including unconventional fuels, to keep the state economically competitive.

“We’re going to need all of you to help us accomplish these goals,” he said.

Skeptics say the industry would be up and running already if it were feasible and environmentally palatable. Even under the new leasing plan, Southern Utah Wilderness Alliance attorney Steve Bloch said, they have plenty of ground on which to prove themselves.

“Companies operating in Utah like Red Leaf, Enefit and U.S. Oil Sands already have tens of thousands of acres of private, state and federal lands under lease,” Bloch wrote in an email.

Oil shale — a resource that requires heating to cook oil from rock — is on the verge of commercial production, officials with Enefit and Red Leaf said at the summit. Enefit has long made electricity by burning Estonian shale and is completing a European plant to produce diesel. Red Leaf is a 2006 Utah start-up that says its process heats mined ore with natural gas and uses no water, except in dust suppression and reclamation.

Red Leaf said it could be producing oil by 2014, and Enefit projected six years before production.

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