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Official says federal government is taking deliberate approach of oil shale leasing

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DENVER (AP) — Concerns and conflict over the first round of federal oil shale leases in the Rockies have made the government more deliberate in the second round, a federal official said Friday.

Alan Gilbert, a senior adviser to Interior Secretary Ken Salazar, said during an oil shale forum that a team of federal and state representatives will review the applications from

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three companies for 160-acre parcels.

The leases on public land are for research and development of technology to tap the oil locked in shale under northwest Colorado, Wyoming and Utah. The companies showing progress could expand work to 640 acres.

"There is a more deliberate pace, intentionally, toward this second round of leasing," Gilbert said at a daylong oil shale conference by the University of Colorado Law School's Natural Resources Law Center.

As a U.S. senator from Colorado, Salazar criticized the Bush administration's plan for opening nearly 2 million acres of federal land in the Rockies to oil shale development before there was proven technology or more information about the potential impacts. He objected to the royalty rate and other terms of six research and development leases awarded in 2007 in Colorado and Utah.

As Interior secretary, Salazar made changes to the second-round of oil shale leases after first withdrawing the Bush administration's solicitations for proposals. Salazar announced the changes in October, saying he was including more environmental safeguards and benchmarks, such as applying for permits within 18 months, to show that progress is being made.

Gilbert said the federal government is looking for answers to such basic questions as whether it's technically and economically feasible to mine oil from the shale and how much water and energy it will take.

The government is trying to resolve two lawsuits by environmental groups over the federal oil shale plan and regulations, Gilbert said, but it's not clear if a settlement can be reached.

Companies and industry trade groups say the new lease terms and smaller size of a potential commercial parcel for leaseholders dampened interest in the second round. Only three companies applied, compared to 20 in the first round.

The applicants for the new leases are ExxonMobil Corp. and Colorado-based Natural Soda Inc. applied for one lease each in northwest Colorado, and AuraSource Inc. of Scottsdale, Ariz., applied for a lease in northeast Utah.

Environmental groups, however, note that companies are testing oil shale technologies on private land, arguing against leasing more federal land. They have questioned whether much is being done on the six leases approved in 2007.

But Alan Burnham of American Shale Oil, which has one of the original research leases, said the best deposits for companies trying to heat the oil underground are on federal land. His company has obtained several permits and plans to start testing its technology on the ground later this year.

James Bartis, a senior policy researcher at the Rand Corp., agreed that the best oil shale deposits are on federal land and are in a "very, very compact" area in northwest Colorado. He added, though, that any significant commercial oil shale development is likely at least 15 years off.

Government and industry officials estimate that an estimated 1 trillion to 1.8 trillion barrels of oil — up to three times the proven reserves of Saudi Arabia — are locked in rock in parts of western Colorado, Utah and Wyoming. Roughly 800 billion barrels are considered recoverable.

The oil is really kerogen, a precursor to oil that wasn't buried deeply enough or processed naturally long enough to complete the transformation to oil. Turning the shale to oil requires heating it: above ground after mining or, in the ground, a process called in situ — "in place."

Attempts to extract the oil stretch back a century, said Randy Udall, co-founder of the Association for the Study of Peak Oil and Gas USA. Developing oil shale isn't worth the costs — economic and environmental — for the energy gained, he said.

"This has been the Colorado oil shale follies, a long-running play," Udall said.

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
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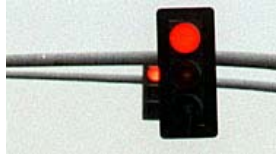
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