



WESTERN RESOURCE  
ADVOCATES

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## Oil Shale News

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### *WRA's Work*

In follow up to WRA's groundbreaking report on Colorado water, [Water on the Rocks: Oil Shale Water Rights in Colorado](#), in late September WRA began writing a new report that will investigate the nexus between Utah water and potential commercial development of oil shale and tar sands. Our preliminary research suggests that oil shale and tar sands development will not be a good idea in Utah due to water constraints. Water availability is essentially a zero-sum game in the Colorado River basin, with many competing views of how any new appropriations should be made.

Adding to the challenge facing water managers is climate change. Predictions for the future include increased trans- evaporation, less rainfall, later snowfall,

### From the President's Desk

**Restoring order.** That is Interior Secretary Ken Salazar's goal in correcting the Bush Administration's oil shale policy. In recent weeks the Secretary announced two decisions that seek to bring sound science and reason back to the federal oil shale program.

On October 20, 2009, Secretary Salazar initiated the second round of oil shale research leases (RD&D). **Western Resource Advocates believes a second round of RD&D is premature** because the current RD&D lessees have barely started developing their leases and energy companies have substantial private resources to use to test new technologies. Nevertheless, **we applaud the Secretary's commitment to correct the many flaws in the federal oil shale program.** The Secretary's approach requires future lessees to evaluate the energy and water demands associated with oil shale development and its greenhouse gas contributions, and to report on the likely community impacts.

The Secretary also asked the Inspector General to investigate the [Bush Administration's last minute awarding of lease addenda](#) to the four companies currently holding research leases. As the Secretary noted, **these lease addenda "conveyed lucrative benefits to the leaseholders"** and were done without public scrutiny.

These decisions come on the heels of [the Los](#)

and earlier snowmelt. These **climatic changes would further reduce Utah's water availability, straining an already over-tapped water system.**

WRA anticipates the report will be published in March 2010.

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### **Quotable Quotes**

"There are **serious questions about whether those lease addenda are in fact legal** and in fact whether or not they should be rescinded. Taxpayers deserve answers to serious questions about why these lease addenda were granted at the eleventh hour, under what circumstances, and at what potential expense to the federal treasury."

[Interior Secretary Ken Salazar, October 20, 2009](#)



"We have a duty to ensure that potential oil shale development is done responsibly ... and done in a way that is environmentally appropriate and **we want to ensure that American taxpayers get a fair return from the development of public lands.**"

[Interior Secretary Ken Salazar, October 20, 2009](#)



"**If we are to succeed in unlocking oil shale's great potential, we must first answer fundamental questions** about water use, power use, and environmental and social impacts of

[Angeles Times' reports](#) detailing a grand jury investigation focused on former Interior Secretary, Gale Norton. Federal law bars government officials from overseeing any process that could financially benefit a company that the official is negotiating with for future employment. As the *Times* reports, **Secretary Norton awarded research leases to Shell Oil nine months before she went to work for their oil shale division.**

A careful examination of Salazar's actions shows **he is not simply restoring order; he is also restoring integrity and openness.** WRA's welcomes this breath of fresh air.

Sincerely,

***Karin P. Sheldon***

WRA President

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### **On the Front Burner: RD&D Leasing**

As noted above, on October 20<sup>th</sup>, Secretary Salazar announced the 2<sup>nd</sup> round of oil shale RD&D leases. The details were [published in the Federal Register on November 3, 2009](#). The following outlines the differences between DOI's RD&D program and that of the Bush Administration:

#### **Lease Size**

[Bush](#): 160 acres, plus 4,960 acres contiguous to the RD&D lease for commercial development

[Obama](#): 160 acres, plus 480 acres contiguous to the RD&D lease for commercial development

#### **Lease Term – Milestones and Diligence**

[Bush](#): No specific milestones requiring diligence.

[Obama](#): Diligence milestones included in lease:

commercial-scale development.”

[Interior Secretary Ken Salazar, October 20, 2009](#)



“Washington must consider the effects of oil shale development in the West. **Impacts to our natural resources and landscapes would be very real.** Oil shale development would diminish already limited water supplies, harm wildlife, and increase the threat of catastrophic climate change.”

[Karin P. Sheldon, President, Western Resource Advocates](#)



“The history of **oil shale has been plagued with scandal and cronyism**, and today’s announcement shows why we need a better approach to America’s energy.”

[Bobby McEnaney, Natural Resources Defense Council](#)

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## ***Oil Shale Chronology***

**June 9, 2005:** Call for nominations on 1<sup>st</sup> round of RD&D lease issued

**Aug. 8, 2005:** [Energy Policy Act becomes law](#); directs DOI to establish commercial leasing regulations

**Jan. 1, 2007:** Five Colorado RD&D leases issued

**July 1, 2007:** One Utah RD&D lease issued

**July 23, 2008:** Proposed commercial

Lessees must submit plan of development within nine months after BLM’s approval of the plan of development; lessees must (1) acquire state and local permits within 18 months, (2) deploy infrastructure within 24 months, and (3) submit quarterly reports detailing progress.

### **Lease Term -- Royalties**

[Bush](#): 2008 commercial leasing regulations apply to RD&D

[Obama](#): If DOI approves conversion of RD&D lease to a commercial lease, royalty rate will be determined by rules in effect at conversion

### **Lease Term – Trigger Mechanism for Converting RD&D Lease to Commercial Lease**

[Bush](#): Lessee must show it can produce commercial quantities

[Obama](#): Lessee must show it can produce commercial quantities; the Lessee must also “submit a report including engineering, economic, socioeconomic, and environmental (water, emissions, carbon footprint, etc.) data concerning its operations, outputs, and impacts.”

More information is available on [the BLM website](#).

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### **On the Front Burner: RD&D Lease Addenda**

On January 15, 2009, DOI signed lease addenda with the four companies holding the six RD&D leases. The addenda are now the subject of a DOI Inspector General (IG) investigation. The IG investigates fraud, waste and abuse. [Salazar’s letter can be found at this DOI link](#).

Added without public notice, **the addenda**

regulations released

**Sept. 22, 2008:** WRA submits comments on draft leasing rule

**Nov. 17, 2008:** Record of Decision issued opening 2 million acres of public land open to oil shale leasing

**Nov. 18, 2008:** Commercial regulations finalized and published

**Jan. 15, 2009:** Call for [nominations on 2<sup>nd</sup> round of RD&D leases](#) issued

**Jan. 16, 2009:** Addenda on the six research leases issued

**Jan. 17, 2009:** Commercial rule goes into effect

**Feb. 25, 2009:** Secretary Salazar [withdraws Bush Administration's call for 2<sup>nd</sup> of RD&D leases](#). Asks for "public comment on the terms and conditions of any future oil shale RD&D leases" that the Department may issue.

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**permit the 1<sup>st</sup> round RD&D leases holders to lock in place forever the November 2008 oil shale rule that, among other things, established a low royalty rate,** regardless of any new regulatory regime that might become law at a future date. The addenda also attempt to divest the BLM from prohibiting commercial leasing should the agency determine that commercial development would result in unacceptable environmental consequences.

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## **Looking Ahead - Oil Shale Tracker**

**Lawsuits** – WRA and other parties remain in negotiations with the federal government to resolve suits against the 2008 oil shale leasing regulations and the 2008 decision to open up 2 million acres of federal land to commercial oil shale leasing.

**2<sup>nd</sup> Round of RD&D** – beginning November 3rd, interested parties have [60 days to nominate lease parcels for the next phase of RD&D leases](#).

**Shell Yampa Water Right Filing** – Litigation is ongoing.

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## **Recent News**

- **Bloomberg**: Salazar Seeks Probe of Bush-Era U.S. Oil-Shale Leases
- **Denver Post**: Investigation ordered for Colorado oil shale leases
- **Durango Herald**: Salazar Looks at Oil Shale leases.
- **Grand Junction Sentinel**: Salazar

reopens oil shale lands to smaller leases.

- [LA Times](#): Oil shale inquiry opens.
- [Salt Lake Tribune](#): Interior Seeks probe of Bush-era oil shale leases.

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## **Correcting the Record**

**Myth:** 640 acres (1 sq. mile), the size of the potential commercial leases under DOI's 2<sup>nd</sup> round of research leases, is insufficient to support commercial production.

**Fact:** False. **640-acre commercial leases were first proposed by the Bush Administration** in January 2009. As DOI stated at that time, "the Department has determined that an R, D, and D lease of 640 acres is likely to provide reserves sufficient to support a commercial operation." Interestingly, **oil shale proponents applauded the Bush formulation.**