

Thank you for your comment, Roy Vawter.

The comment tracking number that has been assigned to your comment is OST2012D50074.

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OSTS 2012 Draft PEIS
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Attachment: NOSA PEIS Comments final.docx

Comment Submitted:

Our comments are attached. Recommend extending the comment period to 60-days after the draft Oil Shale Leasing Regulations are issued. Both are linked, and have to be reviewed together.

Comments on the
Draft Environmental Impact Statement and Possible Land Use Plan Amendments for Allocation of Oil Shale and Tar Sands Resources on Lands Administered by the Bureau of Land Management in Colorado, Utah and Wyoming
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by

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- BLM has decided to redo the Oil Shale and Tar Sand Programmatic Environmental Impact Statement... (PEIS) and Commercial Oil Shale Leasing Regulations (Regulations) completed in 2008. BLM's actions resulted from a settlement by the Department of Interior of law suits brought against the 2008 PEIS and Regulations. There is little, if any, new information to be considered, and the 2012 draft PEIS contains largely the same information as the 2008 final PEIS. However, the BLM has chosen a different preferred alternative 2(b) that significantly reduces the acreage available for oil shale leasing, eliminates the issuance of commercial leases, and restricts leasing to Research, Development and Demonstration (R,D&D) leases only.
- Alternative 1, Oil Shale No Action Alternative, in the new PEIS, preserves the actions taken in the 2008 PEIS, and is the alternative favored by NOSA.
- The 2008 PEIS was very professionally done, received thousands of comments, involved the public and resulted in a preferred alternative that provided a reasonable amount of acreage for potential commercial leasing, while still designating environmentally sensitive and other areas deemed unsuitable for leasing.
- BLM's preferred alternative (2b) in the new PEIS restricts leasing to R,D&D leases only and defers decisions on commercial leasing for years. This is a disincentive for companies that have access to technologies that are commercially viable. Going through the R,D&D process will delay bringing oil shale into production. Also, unknown lease terms for future R,D&D leases is yet another disincentive for companies interested in producing shale oil (e.g. 2nd round R,D&D leases offered insufficient Preference Right acreage to support a commercial project in the opinion of many companies), and other terms of the leases are more restrictive than those in the 1st round R,D&D leases. Only three companies sought 2nd round R,D&D leases, whereas about 20 companies sought 1st round R,D&D leases).
- Eliminating commercial leasing closes the door to some companies that could responsibly develop the resource, provide jobs, and produce tax revenues to local communities. Leasing oil shale is only the first step towards a commercial project. The BLM, Federal, State and local government agencies require a developer to go through additional environmental reviews and permitting activities that include public oversight before a project can go into production. It is estimated that two or three Environmental Impact Statements would be required, in addition to this PEIS, before a developer could break ground on a commercial venture. This PEIS and the 2008 final PEIS, only designate where oil shale leasing may occur and directs BLM field offices to change their planning documents accordingly.
- The draft 2012 oil shale leasing regulations have not yet been issued. It is difficult to comment intelligently upon the PEIS since the two are integrally linked. The BLM should consider extending the deadline for the comment period beyond May 4, 2012 to allow time for BLM to issue the regulations.
- Under Federal mineral leasing laws industry is allowed to lease oil & gas and minerals from BLM without a prior demonstration of the technology to be used to recover the resource. BLM for

some reason has a different standard for oil shale. Developers decide whether to risk the cost of leasing a resource. They pay bonus payments to the Federal Government (shared with local communities) to acquire the lease. And lease rental payments are made to keep the lease during the time the developer is deciding whether to pursue a commercial venture. During that period, jobs are created and local communities receive sales, and other tax revenues.

- PEIS Alternative 2 reduces the acreage available for leasing to a level that most tracts in Colorado are too small and too dispersed to support a commercial project. The situation in Utah is somewhat better. Wyoming is similar to Colorado.
- Alternative 3 restricts leasing to the current 1st and 2nd round R,D&D lessees.
- Alternative 4(a) is very similar in acreage to Alternative 1, the No Action Alternative, but Alternative 4 (b) restricts leasing to R,D&D first leases only.
- Maps are in error in all three states
 1. The oil shale cut-off grade was not consistently applied across the three states (e.g. 15 gpt in Wyoming and 25 gpt in Utah and Colorado). Assumptions about mining are over generalized (e.g. 500 ft. maximum overburden for surface mining in Utah and Wyoming, no surface mining in Colorado, and no consideration of underground mining in Colorado); thus the Most Geologically Prospective Oil Shale Resource areas should be corrected in each state map.
 2. Preference Right acreage for the 1st Round R,D&D leases is smaller than already agreed upon between BLM and lessees (Figures 2.3.3-4 and 2.3.3-5 show portions of Preference Right areas are not available for leasing). If maps are the legal description of the actions BLM plans to take, then the maps should be changed.
- The fact that 2,000,000 acres were made available for leasing in the 2008 PEIS does not mean that amount of land would be leased or developed. Generally, industry chooses the acreage that it believes can be profitably developed. In the new PEIS, BLM has assumed industry's role by choosing the lands it believes should be leased. Whereas the mineral leasing laws provide for leases of 5, 120 acres BLM is limiting the acreage to be leased, and deciding upon technological strategies to be employed by restricting leasing to an R,D&D first approach. So it seems BLM is choosing winners and losers, a role usually left up to industry. BLM has the authority to control development after leases are issued through environmental analyses and approval of development plans.
- The current royalty rate for oil shale in the 2008 regulations is not a give-away. Oil shale is not oil and gas. Oil shale is more expensive to produce than conventional oil and gas. Thus the rates should be much lower initially during the pioneering phase of the industry.
- In Canada the royalty rates for oil sands were set low initially in recognition of the pioneering nature of the industry. The Canadian government recently raised the royalty rates because the industry matured and could afford to pay higher rates. Canadians benefited from that strategy, and, as it works out, so did we in the United States, because today over a million barrels per day of oil from Canadian oil sands comes to U.S. refineries.
- Water used in oil shale processing is reasonable compared with many other energy sources (e.g. much lower than water consumed producing bio fuels from irrigated corn). There is a wealth of information on water usage and quality. A recent GAO report indicates there is enough water for a 500,000 b/d shale oil industry. The water consumption estimates used by GAO are conservative. They assumed the use of electric power generated from coal fired – water cooled power plants would be used to liberate shale oil via insitu heating. This approach does not reflect a consensus of industry thinking at this time. Low water usage has been recently

publicized by developers of new and improved technologies (e.g. AMSO, Red Leaf and Enefit). Many companies have water rights to meet their long term needs.

- A recent independent study sponsored by the Colorado River Conservation District showed that 120,000 acre feet per year of water would be required for a 1.55 million barrel per day shale oil industry. This is about 2-3 % of the water that flows from the Colorado River into Lake Powell annually. This study also used some liberal water usage assumptions. Much more water flows from Western Colorado to Front Range cities to meet their growing water needs.
- Oil shale production produces more energy than it consumes. The range is 3:1 to 6:1. A huge drop in oil prices and political reasons caused oil shale development to stop in the 1980's. It had nothing to do with its energy content or energy recovery efficiency. A similar resource, the oil sands of Canada, proceeded after the drop in oil prices, because of industry-government cooperation. That industry is producing 1.6 million barrels per day of crude oil and sending over 1-million barrels per day of it to the U.S. The energy content of Canadian oil sands is less than the average Western U.S. oil shale.
- The Piceance and Uinta Basins – where most of the oil shale resource is concentrated - are not pristine primitive areas. The cultural, wildlife, environmental, and recreational assets can be managed along with oil shale development as has been demonstrated by existing oil and gas operations in the region. The BLM appropriately designated certain sensitive areas inappropriate for leasing in the 2008 EIS. For some reason the preferred alternative in the 2012 PEIS designates substantially more acreage unavailable for leasing while relying on the same data. It also leaves a great deal of discretion to the BLM field offices to designate more sensitive areas in the future.
- The concentrated nature of the oil shale resource (e.g. 1 to 1-1/2 million barrels per acre in the middle of the Piceance Basin of Colorado) reduces the land use effects over similar energy recovery operations.
- Re-visiting the PEIS and leasing regulations is delaying the time oil shale can provide more jobs and economic development in the three-state region and nationwide.
- Western U.S. oil shale resources – now estimated by U.S.G.S. at 4-trillion barrels - are an important domestic energy asset that should be developed for the benefit of the American people. Re-visiting the PEIS and regulations completed in 2008 is delaying the development of the oil shale resource. The time required to develop an oil shale project is long, and the work should not be further delayed.