

Oil Shale Regulations: Q's and A's

July 22, 2008

Q: What is the BLM doing today?

A: The Bureau of Land Management is proposing regulations that would lay the groundwork for a commercial program for oil shale resources on federal lands, in keeping with the Energy Policy Act of 2005 and the Mineral Leasing Act of 1920. The Mineral Leasing Act authorizes the BLM to allow the exploration, development and utilization of oil shale resources on BLM-managed lands.

The goal of the BLM oil shale program is to promote economically viable and environmentally sound oil shale production that augments current domestic oil production, while accounting for the potential effects of development on states and local communities. These regulations are just one of several steps designed to harness these vast energy resources.

Q: When will commercial leasing of oil shale begin?

A: Commercial development of oil shale will not begin until technologically viable, which is not expected for several years. First, the BLM must complete its review of research, development and demonstration (RD&D) leases issued in 2005 for five oil shale projects in Colorado's Piceance Basin and one in Utah, as well as a Programmatic Environmental Impact Statement that would amend several resource management plans to open lands for application for potential oil shale leasing in the future.

Q: What is oil shale?

A: Oil shale is a fine-grained sedimentary rock containing organic matter from which shale oil may be produced. The organic matter, derived mainly from aquatic organisms, is called kerogen.

Oil shale and tar sands are strategically important domestic energy sources that should be developed to reduce the nation's growing dependence on oil from politically and economically unstable foreign sources.

Q: Where is oil shale found?

A: According to the U.S Geological Survey, the U.S. holds more than half of the world's oil shale resources. The largest known deposits of oil shale in the world are located in a 16,000-square mile area in the Green River formation in Colorado, Utah and Wyoming. This area is estimated to contain 1.5 to 1.8 trillion barrels of oil. Federal lands comprise 72 percent of the total surface of oil shale acreage and 82 percent of the oil shale resources in the Green River formation. This could potentially yield the equivalent of up to 800 billion barrels of recoverable oil.

Q: What elements is BLM considering as part of the regulations?

A: The proposed regulations would incorporate provisions of the Energy Policy Act and the Mineral Leasing Act relating to: maximum oil shale lease size; maximum acreage limitations; rental; and lease diligence. The regulations would also address provisions of the Energy Policy Act that establish work requirements and milestones to ensure diligent development of leases. Standard components of a BLM leasing program, including lease administration and operations, would also be included.

In August 2006, the BLM published an advanced notice of proposed rulemaking requesting public comments on key components of the regulations, including royalty rates that would be levied on any leases issued, and requirements for the minimum amount of oil to be produced on any eventual leases. The BLM is asking for public comment on several proposed royalty alternatives.

Q: How will the BLM ensure the views of the public on oil shale are taken into consideration?

A: The BLM will continue to collaborate and consult with affected states, tribes and local governments to ensure that their interests and concerns surrounding the oil shale program continue to be addressed. Even after commercial regulations are published, no leases will be offered before additional consultation with these parties.

Additional site-specific NEPA analysis would be completed on each lease application before any leases are issued. Site-specific NEPA analysis would, of course, include the same opportunities for public involvement and comment that are part of the PEIS process.

Once a lease is issued, the leaseholder will also have to obtain all required permits from state and local authorities, under their respective permitting processes, before any operations can begin.

Q: What impacts might oil shale development have on the environment in the area?

A: All of the environmental impacts from oil shale development in the area are speculative at this time. The BLM's research, development and demonstration leases will help determine whether there are any impacts. Potential impacts have been identified in the PEIS; subsequent NEPA documents will address any impacts in more detail when additional information on technologies and locations is available. Some of the technology under consideration, for instance, would utilize little to none of local water sources.

Q: What else is the BLM doing to promote the development of its oil shale resources?

A: The Energy Policy Act also required the BLM to conduct a programmatic environmental impact statement (PEIS) for both oil shale and tar sands resources on BLM lands in Colorado, Utah and Wyoming. In keeping with this, the BLM published in December 2005 a notice of intent to prepare a PEIS, which would amend several resource management plans to open lands for oil shale and tar sands leasing. The PEIS also identifies constraints under which leasing would be allowed, which would in turn be used as stipulations attached to leases.

The BLM and Minerals Management Service held three meetings on the regulations with representatives of the governors of the three states from November 2006 through August 2007. The purpose of the sessions was to provide the affected states the opportunity to share their ideas, issues and concerns relating to the proposed commercial regulations. The BLM also plans to consult with the three states prior to any lease sale.

Q: **Doesn't last year's federal spending bill block the BLM from leasing oil shale?**

A: The Consolidated Appropriations Act for Fiscal Year 2008, passed by Congress in December 2007, prohibits the BLM from using FY2008 funds to prepare or publish **final** regulations on oil shale. Consistent with this language, the BLM is moving forward in a thoughtful deliberative manner to publish a **proposed** regulation on oil shale. It is our expectation that the information provided in the draft regulations will provide an opportunity for the public and interested parties to engage on this important issue.

Final regulations provide the critical "rules of the road" upon which private investors will rely in determining whether to make future financial commitments to prospective oil shale projects. Any delay may discourage private investment in research and development.

President Bush recently urged Congress to remove the prohibition so that regulations could be finalized.