

US Interior secretary scraps oil-shale leasing **Ap** Associated Press

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SALT LAKE CITY (AP) - In a second reversal of the Bush administration, Interior Secretary Ken Salazar said Wednesday he is scrapping leases for oil-shale development on federal land in Colorado, Utah and Wyoming.

Salazar rescinded a lease offer made last month for research, development and demonstration projects that could have led to oil-shale works on 1.9 million acres in the three states, greatly expanding the program.

"I am withdrawing that Jan. 14 solicitation because in my view it was a midnight decision, and it was flawed," Salazar told reporters on a teleconference call from Washington, D.C.

He said he also is scrapping an initial 5 percent royalty rate on oil-shale production that "sells taxpayers short." Conventional oil and gas production on public land produces royalties of up to 18.8 percent.

Salazar's action marked the second time he has reversed the Bush administration. He also halted the leasing of 77 oil and gas drilling parcels near national parks in Utah three weeks ago. Then, as now, he called it an ill-conceived midnight decision by the former administration.

A trade association of independent oil and natural gas producers criticized Salazar's decision.

"It's part of a pattern of decisions by the secretary that are detrimental to all sources of domestic energy," said Kathleen Sgamma, government affairs director for the Denver-based Independent Petroleum Association of Mountain States.

Salazar didn't cancel any existing leases for oil-shale demonstration projects, but companies that wanted a piece of an expanded program were left disappointed.

Among them was Exxon Mobil Corp., which was rejected in 2006 for an oil-shale lease because it couldn't show it was prepared to start research promptly. On Wednesday, the company said it was committed to developing oil shale on a commercial scale.

"In our view there is no better time to be investing in future energy security," Exxon Mobil said in a statement.

A tiny Utah company, which is working 16,500 acres of state lands, said it wanted to expand onto richer federal lands but won't be able to do so anytime soon because of Salazar's decision.

"Opening up federally managed land is going to be an important part of releasing the energy resources needed for the country," said Laura Nelson, a vice president of RedLeaf Resources Inc. of Salt Lake City.

Salazar said he'll consider making some of the land available for new research projects

later.

Utah Gov. Jon Huntsman, fellow Republicans in Congress and Rep. Jim Matheson, D-Utah, criticized Salazar for throwing up a roadblock to a domestic energy source.

The Rocky Mountains, according to government and industry estimates, hold more shale oil than Saudi Arabia's supply of liquid crude oil—if new technology can find a way to economically recover the waxy form of petroleum, which is locked inside sedimentary layers of rock.

The decision will cost Colorado billions of dollars in research spending, royalties and taxes and the opportunity to become a "world leader" in oil shale development, said Rep. Doug Lamborn, R-Colorado Springs, a member of the House Energy and Minerals Subcommittee.

But Colorado Gov. Gov. Bill Ritter applauded Salazar for taking "a more deliberate look at the Bush administration's hasty decision."

Rep. Doc Hastings, R-Wash., the ranking Republican on the House Natural Resources Committee, said: "From withdrawing land leases in Utah, to halting offshore drilling and now oil shale, Secretary Salazar is walking away from utilizing American's energy resources to become less dependent on foreign countries."

The federal government already has leased land in Colorado and Utah—but none in Wyoming—for small-scale oil-shale works.

Environmental groups hailed the slowdown in oil-shale leasing, saying the technology is unproved.

The Tucson, Ariz.-based Center for Biological Diversity called oil shale "dirtier than the dirtiest coal." The Natural Resources Defense Council agreed, calling oil shale "nothing more than a dirty, expensive pipe dream." Salazar said developing oil shale would require enormous amounts of power and water in the arid West.

"We need to know a whole lot more about the potential economic and environmental costs of this speculative industry," said Dave Alberswerth of The Wilderness Society.

Shell Exploration & Production Co., a major player with three research and development leases in Colorado it picked up years ago, said it wasn't affected by Salazar's decision because it wasn't eligible to bid on more federal parcels. Shell is working its own lands in western Colorado, testing a method of baking oil shale in the ground.

"The whole point of this was to get more entities out there researching technology," said Tracy Boyd, a Shell spokesman in Denver.

Shell won't know until the middle of the next decade whether oil-shale development is feasible, he said.

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