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Salazar: Technology, Water Supplies, and Fair Return Must Guide Nation's Oil Shale Program

USGS to Launch Water Resource Analysis

Washington, D.C. -- Secretary of the Interior Ken Salazar and Bureau of Land Management (BLM) Director Bob Abbey announced today that the BLM will take a fresh look at commercial oil shale rules and plans issued under the previous Administration and, if necessary, update them based on the latest research and technologies, to account for expected water demands in the arid West and to ensure they provide a fair return to taxpayer.

Following the **recommendations** of the Government Accountability Office (GAO), the United States Geological Survey (USGS) will also undertake an **analysis** of baseline water resources conditions to improve the understanding of groundwater and surface water systems that could be affected by commercial-scale oil shale development.

"For more than a century, and through many busts, we in the West have been trying to unlock oil shale resources to help power our country," said Secretary Salazar. "If we are to succeed this time, we must continue to encourage RD&D, determine whether the technologies would be viable on a commercial scale, and find a way to develop the resources in a way that protects water supplies in the arid West. With commercial oil shale technologies still years away, now is the time to ensure that our rules and plans reflect the latest information and will deliver a fair return to the American taxpayer."

BLM Director Bob Abbey said the agency, which recently solicited and received a **second round of nominations** for research, demonstration and development (RD&D) leases for oil shale on public land in Colorado and Utah, is committed to helping companies develop their technologies to determine their viability on a commercial scale and to ascertain what their water and power needs might be as well as their potential environmental impacts.

"The BLM's RD&D program has laid the foundation for companies to begin research, demonstration and development projects on public land, and to help determine how and whether their technologies might be viable on a commercial scale," said Director Abbey. "As companies apply their bench-scale technologies on those RD&D leases, we need to ensure that our commercial oil shale regulations and plans keep pace with the latest information. With commercial development of oil shale several years down the road, we have a window in which to consider how we might improve the 2008 regulations and plans for commercial development."

In November 2008, the previous Administration amended 8 of the BLM's land use plans in Colorado, Utah, and Wyoming to make public lands available for potential commercial-scale oil-shale development, and two other land use plans to expand the acreage available for potential tar-sands leasing in Utah, where these resources are located. These actions made nearly 2 million acres available for potential development. It also issued regulations that fix the royalty rate for oil shale at 5% for the first 5 years of commercial production, rising 1% every year thereafter until the rate reaches a possible maximum of 12.5%.

Abbey said that over the coming months, the public will have an opportunity to provide input on whether to update the existing commercial oil shale regulations. The public process will allow the Department to consider whether the royalty rate for commercial oil shale production should be set after more is known about emerging oil shale technologies, whether future applications to lease should include specified resource protection plans, and whether aspects of the existing regulations should be clarified.

Secretary Salazar noted that the Government Accountability Office (GAO) recently determined that several fundamental questions about oil shale technologies remain unanswered, including critical questions about water demands. An October, 2010 **GAO report** determined that: "Oil shale development could have significant impacts on the quality and quantity of water resources, but the magnitude of these impacts is unknown because technologies are years from being commercially proven, the size of a future oil shale industry is uncertain, and knowledge of current water conditions and groundwater flow is limited." The Department is implementing an action plan, which includes USGS's analysis of baseline water resources, **to address the GAO's recommendations**.

Director Abbey said the BLM will also conduct further environmental analysis to determine whether to amend existing land use plans for oil shale and tar sands resources. The public process associated with the planning initiative will allow the Department to take a fresh look at what public lands are best suited for this kind of development.

Abbey said that BLM's review of its commercial oil shale regulations and programs should have no effect on existing R&D leases. "We remain very supportive of RD&D efforts as we seek to develop critical information about the commercial viability of oil shale technologies," said Abbey.

Today's announcement reflects the fact that BLM is also moving to resolve through settlement two lawsuits that are pending before the Federal District Court in Colorado.

A Fact Sheet on Oil Shale is online at <http://blm.gov/5m5c>

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