Company in Utah gives up last federal oil shale lease

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An Estonian state-owned company has surrendered its federal oil shale lease just across the Colorado border in northeast Utah, bringing an end to a government leasing initiative dating back to the George W. Bush administration aimed at encouraging eventual commercial shale development across tens of thousands of acres, mostly in Rio Blanco County.

Enefit American Oil last month notified the Bureau of Land Management that it was voluntarily relinquishing its 160-acre oil shale research, development and demonstration lease, issued in 2007. The move means it is giving up on the prospect of commercially developing the lease and an adjacent 4,960-acre “preference lease right area” that was included in the terms of the lease.

Ryan Clerico, chief executive officer of Enefit American Oil, told the BLM in a letter that upon “extensive consideration of business plans regarding federal oil shale leasing and development (Enefit) has elected not to prepare an application to the BLM to trigger the conversion process of the lease to a commercial lease.”

Enefit had hoped to mine land to access the oil shale.

“The good news is that the Bush-Cheney nightmare vision of strip mining thousands of acres of wildlife habitat on public lands to produce the most carbon-polluting gasoline in the world appears to finally be ending,” Ted Zukoski, senior attorney at the Center for Biological Diversity, said in a news release from environmental groups. “Enefit was the last company holding an oil shale research lease on BLM land that hadn’t expired or been relinquished.”

In 2007, the BLM under the Bush-Cheney administration issued six research and development leases in total, five of them in Rio Blanco County. Each provided for the preferential lease right provisions allowing for the expansion of the 160-acre lease to one covering about eight square miles in total if certain conditions were met. Shell held three of the leases, and Enefit, American Shale Oil LLC (AMSO) and Chevron each owned one. Enefit’s lease was first owned by Oil Shale Exploration Co., which Enefit later acquired.

In 2012, the BLM approved 160-acre leases for ExxonMobil and Natural Soda in Rio Blanco County. Those included options to potentially expand them to 640-acre, or one square mile,
commercial leases.

The U.S. Geological Survey has estimated that the Piceance Basin holds more than 1.5 trillion barrels of oil shale resources. But oil shale is solid and requires heat or other processing to produce oil from the kerogen in the rock, making it expensive to produce when compared to using drilling and hydraulic fracturing to tap underground oil deposits.

In 2013, Shell, which was the leader locally in recent decades in efforts to continue pursuing possible oil shale development, abandoned its project before it reached the commercial stage. It had been exploring a means of producing oil by heating it in place, or in situ, underground. Shell's decision came after Chevron, which also had contemplated an in-situ project, already had decided to divest itself of its lease.

ExxonMobil told the BLM in 2015 that it was relinquishing its lease. It also was pursuing an in-situ project. In 1982, the company then known as Exxon walked away from a massive project in the Parachute area involving mining and heating oil shale, immediately putting a couple of thousand people out of work and triggering a sharp slowdown in western Colorado's economy.

In 2016, AMSO, the most active company at that time still pursuing an oil shale project in northwest Colorado, ended the in-situ project after its partner, Total Petroleum, decided to no longer fund it.

Natural Soda produces baking soda in Rio Blanco County by injecting hot water into deep geological formations. Its oil shale project envisioned first removing the baking soda and then installing heaters down well bores to produce oil. However, the company has continued to focus on its baking soda business, and Bill Ray, a public relations consultant for the company, said in an email Wednesday that it relinquished its oil shale lease in 2019 after never having begun doing any oil shale development.

James Roberts, assistant manager for minerals and lands in the BLM's White River Field Office in Meeker, said that when it comes to oil shale, the office is “not seeing anybody talking about going and trying to do a federal lease or anything like that at this given point.”

He thinks the instability in oil prices may be a factor deterring pursuit of oil shale endeavors.

That instability “is hard enough on the oil and gas companies that are doing (drilling) right now, it seems like,” he said.
Dr. Brian Moench, president of Utah Physicians for a Healthy Environment, said in the environmental groups’ news release about Enefit's decision, “This oil shale scheme would have been an enormous misuse of dwindling water resources, and an environmental, climate, and public health disaster. We are relieved to see the project has unraveled and the relevant parties have seemingly come to their senses. This is a big win for everyone that depends on Colorado River water, and for everyone that has been fighting to prevent more air pollution in Utah.”

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