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## Company seeks first U.S. oil sands project, in Utah

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Salt Lake City - An energy company with government approvals to launch the first significant U.S. oil sands project is trying to raise money to build a plant in eastern Utah that would turn out 2,000 barrels of oil a day.

Earth Energy Resources Inc. has a state lease to work a 62-acre pit in Uintah County, where it has demonstrated technology that can extract oil out of sands using a proprietary solvent it calls environmentally friendly.

But first, the Calgary, Alberta-based company says it needs to raise \$35 million, and it acknowledged that could be tough because private equity groups turned skittish after the 2008 economic meltdown.

Earth Energy said it is "de-risking" the project to lure investors.

"Until we raise our capital, we are unable to proceed with the project in any major way, but the minute we do, we are fully prepared and committed to advance," D. Glen Snarr, president and chief financial officer, told The Associated Press by e-mail.

Regulators say the company has obtained all permits necessary to open the first U.S. oil sands surface mine designed for producing bitumen, a tar-like form of petroleum. For decades other Utah operators have used oil sands as a poor-man's asphalt.

Snarr offered no timetable, but the company has demonstrated for officials, researchers and regulators that it has equipment capable of producing bitumen from the oil sands.

With oil hovering around \$80 a barrel - it bottomed out around \$32 a year ago - unconventional fuels are looking more practical. Still, political, economic and environmental hurdles remain.

The Obama administration has been slow to lease large tracts of federal land for oil shale or tar sands development.

Utah is more willing to lease its state lands, however, and Earth Energy joins a neighbor on state lands, Salt Lake City-based Red Leaf Resources Inc., which is working on a small scale to develop the region's oil-shale reserves. Red Leaf also is looking for investors to ramp up production.

Wringing oil from hard rock or oil sands is technically possible, but nobody has proven it economical on a large scale yet, University of Utah chemical engineering professor Philip Smith said.

"Companies have to run on the dollar, so if it's not worth doing, no one will do it," Smith said in an interview. "Is there a future for this? There's a lot of hurdles to overcome yet."

Earth Energy Resources, he said, "wants to be the first to do it."

Smith said Utah's oil sands contain as much energy as those of Canada's massive reserves, but Utah's contain more nitrogen that can give off smog-forming nitrous oxides when processed. Earth Energy says refining removes the nitrogen before it becomes a problem.

Utah's oil sands are lower than Canada's in sulfur, which makes for a "sweeter" crude that's easier to process, he said.

Earth Energy Resources says its process leaves spent oil sands clean for disposal in the same pits where they are taken out.

"We will have the greenest oil sands mine on the planet," Snarr said.

Environmental groups have criticized oil companies working in Canada of laying waste to the boreal forests of northern Alberta to extract its vastly larger reserves of oil sands.

The Canadian sands have yielded six billion barrels of oil over the past 40 years and contain another 130 billion barrels, said Dale Eisler, a Canadian consul general based in Denver.

The strip mining unleashes 5 percent of Canada's carbon-dioxide emissions, a major global warming pollutant, but companies are speeding up reclamation of the land and looking at ways to trap carbon dioxide emissions underground, Eisler told a luncheon of Utah businessman and officials Feb. 17.

"There has been a reconciliation between the oil sands and the environment," Eisler said. "Oil sands are an absolutely critical reserve for North America."

The U.S. imports more oil from Canada than anywhere, including Saudi Arabia. Some of Alberta's crude is piped to Salt Lake City for refining.

Some skeptics doubt Earth Energy Resources will ever get to work in earnest in eastern Utah, where it has snapped up leases on 6,000 acres of land.

"The Uintah Basin seems to attract these speculators," said Steve Bloch, a staff lawyer for the Southern Utah Wilderness Alliance. "Is it environmentally or economically sustainable, or is this just a project to attract investors?"

The Uintah Basin of eastern Utah contains an established oil and natural gas field that has been worked since the 1970s, plus reserves of barely touched oil shale and oil sands. More accessible oil shale outcrops can be found in western Colorado, and Wyoming has its own share. Together, these hard-to-tap reserves are believed by government and industry estimates to contain a trillion barrels of oil. Starting in 2006, the federal government awarded small plots of lands for experimental works that have yet to produce any meaningful quantities of oil.

Attempts to extract shale oil stretch back a century, but with the rock holding the energy density of a baked potato, it's "folly," said Randy Udall, co-founder of the Association for the Study of Peak Oil and Gas USA.

"If someone told you there were a trillion tons of tater tots buried 1,000 feet deep, would you rush to dig them up?"

Oil shale is said to be "rich" when it contains 30 gallons of petroleum for each ton of rock, but pound for pound that amounts to only 1/10th of the energy of liquid crude oil.

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