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Shell withdraws water rights application associated with oil shale project

By Dennis Webb

Tuesday, February 23, 2010

Shell said today it has withdrawn an application for Yampa River water rights it had sought in connection with its oil shale project.

"We reviewed our application in the context of our ongoing research and development activities and, in light of the overall global economic downturn that has affected our project's pace, have decided not to pursue the Yampa water right at this time," the company said in a prepared statement.

Grant Junction attorney Mark A. Hermundstad also announced the decision in an e-mail to other attorneys involved in the case, saying Shell was dismissing its claims for conditional water rights.

"However, the withdrawal of the Yampa water rights application should not be construed as an indication that Shell is pulling out of oil shale development," Hermundstad wrote. "Shell intends to continue its oil shale research and development activities with the ultimate goal of creating a commercial oil shale recovery operation that is economically viable, environmentally responsible and socially sustainable."

Shell holds three federal research and development leases in Rio Blanco County. It is pursuing a process that involves heating oil shale in place underground and pumping kerogen to the surface, while protecting surrounding groundwater by encircling the heated area with a freezeway.

The company said in its statement, "The exact scale and timing for development will depend on a number of factors, including progress on our technology development, the outcome of regulatory processes, market conditions, project economics and consultations with key stakeholders.

"Shell is continuing its research and development work, including active operation of the Freeze Wall Test, ongoing environmental and reclamation studies and advanced heater technology development," the company said.

It said it plans to submit permit applications for its first research and development pilot project late this year or early in 2011.