

EMD 2005 Annual Leadership Meeting
Oil Shale Committee
Ron Johnson, Chairman

As I have only recently assumed the role of committee chair from Jack Dyni, I am unfamiliar with what one of these reports is supposed to include, so I will just go over some of the activities concerning oil shale that I have been involved in during the past year.

As with several commodities under the EMD interest in oil shale has been exploding during the past year. The historically high oil prices, and the perception that tight supplies and increasing world demand will keep prices high into the foreseeable future, is the principle driving force behind this renewed interest.

A new in-situ process for extracting oil from western oil shales, developed by Shell, is also generating much excitement. In essence, the process involves heating oil shale with electric heaters placed in closely spaced holes for months to years until shale oil is produced and pumped out of the ground. The resulting shale oil is of much higher quality than that produced in a standard retort because the heating proceeds much more slowly. The heated zone is isolated from surrounding rock by a freeze wall. Shell has thus far only demonstrated this technology on a small pilot scale.

Another of the driving forces is the stunningly successful development of the Alberta oil (tar) sands. The prevailing sentiment is that if the United States had persisted in developing their oil shale industry as the Canadians did with their oil sands industry, that it too would be highly profitable today.

Because of the renewed interest in oil shale, the Energy Team at the U.S. Geological Survey (USGS) is scrambling to find more staff and funding to study oil shale. At the USGS, only one retired geologist, Jack Dyni, had been monitoring oil shale activities since the industry collapsed in the early 1980s. I was recently re-assigned to work part time on oil shale to help Jack out. I started my career at the USGS in 1972 working the oil-shale deposits in western Colorado but was re-assigned to study unconventional gas deposits when the industry collapsed. Our first priority will be to digitize oil shale assessment reports originally published in the 1970s and 1980s so that they can be released on the web. In addition, a 2 million dollar 4-year proposal authorizing the USGS to re-assess oil shale in the United States was added to the pending Energy Bill.

The Oil Shale Steering Group, which is composed of individuals from the government, industry, and the private sector and headed by Tony Dammer of the DOE, was formed to explore ways to revitalize the oil shale industry in the United States. The committee began meeting in relative obscurity about two years ago but became more prominent as interest in oil shale increased during the past year. The Group held meetings in Denver on January 11-12 and in Salt Lake City on March 30-31. Senatorial and Congressional staff members attended the meeting in Salt Lake City. The Oil Shale and Tar Sands Development Act of 2005, which was introduced in the Senate on May 19, 2005, was a direct result of the work of this Committee. The provisions of the Act are as follows:

Oil Shale and Tar Sands Development Act of 2005
Report on Press Conference

On Thursday, May 19, 2005 Senators Hatch, Allard and Bennett unveiled their Oil Shale and Tar Sands Development Act of 2005. The significance of this legislation is that it establishes government as a partner with industry to develop a resource that is of increasingly critical importance to our energy security. A bill introduced by Senator Salazar was reported out of the Energy and Natural Resources committee several days later and keys in on certain of the Hatch provisions. What is needed is to combine both bills, and the combination of these bills would:

1. Declare a policy that America's Strategic Resource assets (oil shale, oil sands and coal) are to be developed for the long-term availability of liquid fuel supplies.

2. Establish an Office of Strategic Fuels to be housed in the Strategic Office of Petroleum Reserves (John Shages, Deputy Assistant Secretary). The mission of this office would be to conduct planning, in coordination with State and local governments, to help assure orderly development for the long term needs of the Nation.
3. Establish an Oil Shale Task Force comprised of representatives from DOI, DOE and DOD (among other experts) charged with the responsibility of preparing a Program Plan by May 30, 2006.
4. Direct the BLM to make oil shale commercial leases available by (date to be specified, but commonly discussed deadlines are 12 months or 18 months after enactment or Dec 31, 2006)
5. Direct the BLM to prepare a Programmatic Environmental Impact Statement as part of NEPA compliance.
6. Modify the Mineral Leasing Act to resolve impediments of 5120-acre limitations and the one lease per lessee restriction.
7. Graduate federal royalty schedules that minimize royalty payments in the early years, and accelerate them in the out-years.
8. Cost-share (up to 49% of costs) demonstration at a “commercially-representative scale.”
9. Provide technical assistance to the private sector.
10. Authorize and appropriate “such sums as are necessary to carry out this title.”
11. Authorize DOD to procure Strategic Fuels that meet the criteria for defense fuels.
12. Provide an R and D tax credit (percent of qualified oil shale and tar sands technology research expenses to be determined)
13. Allowing expensing, for tax purposes, of Oil Shale and Tar Sand technology expenditures, including expansions, in the year incurred.

The underpinnings of this legislation derive from the work of Tony Dammer’s Oil Shale Steering Committee and the documents produced by the committee; namely, Strategic Significance of America’s Oil Shale Resources (March, 2004), Is Oil Shale America’s Answer to Peak Oil Challenge (Oil and Gas Journal, Aug 9, 2004), America’s Oil Shale – A Roadmap for Federal Decision Making (December, 2004) and the forthcoming “America’s Oil Shale - Federal Oil Shale Program Development Strategy and Plan. (http://www.fe.doe.gov/programs/reserves/npr/NPR_Oil_Shale_Program.html).

The provisions of the bipartisan bill will establish a government-industry partnership, whereby government mitigates a number of impediments to investment. Given the long-term investment opportunity (large resource base and clear need) and the reduced risk, it is believed that the private sector will look favorably on orderly development of oil shale. *Without this legislation, the risk to the public increases.* Failure to enact this legislation postpones critical planning steps and loses valuable lead time on proof of technology. Should a supply crisis occur, as a growing number of experts believe is possible, a crash program could result with greater risk of technical failure and inadequate time and resources to respond to growth impacts.

The press conference held on May 19 included Senators Hatch, Bennett and Allard, and Representatives Bishop, Matheson and Cannon. This representation is significant because it is bicameral, bipartisan and representative of both Utah and Colorado. I was invited to join the Members on the podium as an oil shale expert. A number of government entities and individuals submitted press releases, attached to this report. Print, radio and camera reporters were given information. A number of news articles have been spawned.

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