

THE NEW COLORADO ADMINISTRATION'S THOUGHTS ON OIL SHALE

Harris D. Sherman

Let me begin my talk at this Eighth Annual Oil Shale Symposium with a quotation from a nationally respected magazine:

“Is the United States facing a gasoline famine? Shall we be required to forego automobiling except to meet the stern necessities of war and of utilitarian traffic? Are our petroleum fields showing signs of exhaustion? The output of petroleum has not yet begun to diminish; statistics show that it is still increasing; yet the downward trend of production from the present oil fields is plainly in sight.

Enormously increasing demands on the oil fields of America are being made and though the industry has never been so feverishly active as it is now and the output never so large, the truth is that the demand has not been entirely met.

It is just at this juncture that we have made a discovery that has disclosed what is undoubtedly one of our greatest mineral resources—oil shale—locked into mountain ranges of rock that will yield billions of barrels of oil.

For many years, travelers going through the Colorado River Valley of Colorado and into the Great Uinta Basin of eastern Utah have looked from the windows of their Pullman cars on the far stretching miles and miles of the Bookcliff Mountains, little realizing that in these and adjoining mountains, plainly exposed to view, lay the greatest oil reservoir in the country, the oil shales of Colorado, Utah, Wyoming, and Nevada.”

Well, I am afraid as soon as I read this sentence about Pullman cars, you realize that this quotation is not from a current publication, but one out of our past. It was a major article in the February 1918 edition of

Harris D. Sherman, Executive Director, Department of Natural Resources, Colorado.

National Geographic. It tells us a lot of things we are repeating everyday in our present oil shale discussions.

I don't need to tell this audience that the oil shale industry has been on the brink of development in spurts and starts for more than 100 years. The boom was to start in the 1850s only to see Colonel Drake drill his famous oil well near Titusville, Pennsylvania. In 1915, the boom was on again only to collapse as cheaper crude oil sources of Eastern Texas were found. We know that oil shale development will always hinge on the economic incentives available to industry. But, we have added to that the political realities of our modern world, and a particular national need to become less dependent upon the whims of the oil exporting nations.

When I was asked to give this speech some two months ago, the proposed title was "The Lamm Administration's Policies on Oil Shale Development." I, of course, assumed that two full months on the job would produce clear policies and directions by the new administration. Perhaps it comes as no surprise to you that we have found that this topic is immensely complex, a puzzle with a thousand pieces, many of which are unfortunately outside of our control. So, we are moving cautiously and carefully—trying to weigh and understand each of the parts and their relationship to the whole.

So I come today less to spell out Colorado's oil shale policy which we are in the process of formulating, but rather to give you our clearest thoughts, concerns, and questions about oil shale and spell out some of the procedures and ground rules by which we will operate. I should preface my comments by saying that we are highly cognizant that we are dealing with irreplaceable, nonrenewable resources and that we serve as the caretaker of these resources, not only for ourselves but for future generations. Our allegiance must be without question to Colorado and the nation; the social and economic well being of our people, lands, water, and our other natural resources.

To that end, within the limited time I have today, I would like to briefly comment on some of our concerns.

DIALOGUE AND COMMUNICATION

Let me assure you that we have much to share with each other. There is no question that the facts, research and perspectives arrived at by government, industry, universities, civic and environmental organizations should be shared as fully and widely as possible. I am convinced that reasonable people generally agree after a full airing of the facts. We need maximum input from all sectors before we can properly understand the subject. Dialogue is essential.

In addition, we must be candid and tell it like it is—with all the attendant possibilities, pitfalls, and problems. I must confess that the lack

of candor on occasion does provide us moments of comic relief. If I can digress for a moment, I would like to share with you a recent letter that Governor Lamm received from the president of a mining company which I shall leave unnamed. This gentleman was introducing his latest mining device, which, of course, was patented, and which, of course, was held out to be the most important breakthrough in the oil shale industry. After explaining how the mining device worked the gentleman then stated:

“Does this mean great gaping open pits and mountainous piles of debris? No it does not. This extraordinary method of mining gently subsides the surface overburden and as the oil shale is removed, the surface indication can only be detected by surveying instruments. Cattle and wildlife can continue to use the surface without being aware that the removal of oil shale is going on.

The shale from which the oil has been removed will be fed into the subsidence. There will be no retaining dams and piles of tailings. The total activity at any one time will be confined to a small area. Within a week, grass and shrubs will be growing on it. It will be far better land than the original surface.

Water for processing will be entirely that water pumped out of the mine workings. It will be used after processing to irrigate the surface to insure growth. Not a single gallon will be taken from the Colorado, White, or other rivers, and not a gallon will be discharged into these rivers.

The United States could be completely independent of the Arabs and their oil. The United States could be independent of the ‘blue-eyed Arabs’ of Alberta, Canada, too. We are prepared to make it work. Your support in the right places is necessary to get it working.

Sincerely”

Now, if we only had such candor from all of you, no doubt our problems would be resolved overnight.

Returning to dialogue, we must learn together. Just as you have never before put together a viable, high production oil shale development, we in state government have never before been faced to respond so quickly to such profound questions of deep public concern.

The Secretary of the Interior recognized this when he so wisely instituted the prototype program. He said, in effect, “Let’s see what happens, let’s see what our problems are,” and “let’s see what kinds of solutions we can arrive at before we proceed at top speed into what might be an irreversible venture.”

My door is open. I ask you to keep the dialogue going so that we formulate our responses to your plans within a time framework that allows mutuality. Don’t place us in the position of responding to mining and operational plans after they are set in concrete and major issues are cast in

an air of advocacy or confrontation. I should acknowledge that this dialogue is taking place and we only urge more of it.

THE NEED FOR A RATIONAL FEDERAL ENERGY POLICY

For those of you in industry, you have been waiting patiently for national direction. We in state government feel the same frustration. How Colorado responds to demand and supply energy questions is largely dependent upon what the federal government does.

Just where does the oil shale industry fit into the national plan? What part of our energy shortages will be taken up by oil shale? By coal? By imports? By natural and synthetic gas? And nuclear energy? What will oil shale cost? How critical is oil shale to our national well-being and in what time framework?

Let's not forget conservation and how it might fit into the national energy picture. I won't elaborate on the dearth of conservation programs. Colorado's government is going to do its best to demand intelligent, far-reaching national conservation measures. The state should also enact its own measures. Our nonrenewable natural resources should not be spent to satisfy wasteful habits. Conservation demands more than lip service and ineffectual programs.

So, too, the national government must insure that all sectors of this country contribute to the supply side of the energy question. Certainly this state and region must contribute but it must be a genuine nationwide program.

Energy programs must also be sound, guaranteeing energy payoffs as opposed to energy standoffs. I believe the oil shale industry will have to demonstrate a viable energy input-output ratio to justify full-scale development. Colorado is anxious to work with industry in making such determinations as witnessed by the pending studies to be undertaken by the Colorado Energy Research Institute on this very question.

THE RULES OF THE GAME MUST BE ESTABLISHED AS EARLY AS POSSIBLE TO ALLOW ALL PARTICIPANTS TO UNDERSTAND WHAT IS EXPECTED OF THEM

Never ending changes in policies, laws, regulations, and requirements will frustrate and work hardships on all of us. We are endeavoring to formulate such rules for legislative and administrative review and enactment. We would urge the federal government to do likewise. Our rules will respond to your plans and proposed activities. Back to the dialogue again.

COLORADO MUST PLAY THE ESSENTIAL, CRITICAL ROLE IN DETERMINING ITS OWN FUTURE, AND NOT BE PREEMPTED BY THE FEDERAL GOVERNMENT

Administration of water rights, water quality, air quality, environmental controls, mined land reclamation, land-use decisions, growth rates, taxation matters, and socioeconomic factors are in large part areas of state and local concern.

In many ways, the exploratory-planning stages of oil shale have served as a catalyst in raising jurisdictional questions with the federal government over where decision-making power lies. With 84 percent of the high-grade oil shale reserves found in Colorado and 80 percent of that reserve belonging to the federal government, Colorado must continue to work in a cooperative, close manner with the Department of the Interior and other federal agencies. But Colorado does not want to abdicate its responsibilities; we are confident we can manage our own future.

I should say that we have been fortunate in enjoying a completely open and candid relationship with our federal counterparts. At the working level particularly, our people have had the benefit of knowing the thinking of federal people and have had a chance for meaningful input on some important issues. We expect this air of cooperation to be even more prevalent as details of plans unfold.

THE NEW ADMINISTRATION SUPPORTS A PROTOTYPE OIL SHALE PROJECT, SO THAT WE CAN TEST ECONOMIC, ENVIRONMENTAL, AND SOCIAL IMPACTS OF SUCH DEVELOPMENT

We do not come with preconceived notions. We concur that many answers to important questions will be found in the analysis of a prototype project. But we stress that this experimental stage is only experimental. It is not an open ticket to full- or medium-scale development until all critical questions are answered. The monitoring process must be thorough and the testing complete before the necessary endorsements will be given.

I've heard that some of the required predevelopment testing and monitoring are overly extensive; possibly, but once the program gets into high gear, the opportunity for obtaining valuable ambient data is lost forever.

THIS ADMINISTRATION IS COMMITTED TO MAINTAINING AND STRENGTHENING OUR AGRICULTURAL ECONOMY

Agriculture has long been Colorado's most stable economic resource and it represents an important way of life for many of our citizens. Yet this industry has faced a serious challenge and deterioration because of

pressures on its waters and lands. On the one hand, municipalities have successfully condemned irrigators' water rights because of constitutional preferences, e.g., Thornton. On the other hand, industry, particularly in the energy sector, has successfully purchased agricultural water rights. Caught between these two forces, agriculture cannot compete at the marketplace. The result has been a steady erosion of irrigation waters.

So, too, have agricultural farm lands declined. Pressed by urban expansion and energy development, these lands have steadily diminished. The Lamm Administration is committed to reversing this trend. Colorado can play an important role in easing the world food crisis. We feel strongly that oil shale and coal development should not further erode this important economic and social resource within our state.

In sum, this administration must actively oppose any conversion of critically needed agricultural water or land to heavy industry use.

**THE LAMM ADMINISTRATION WILL PUSH FOR STRONGER
RECLAMATION AND ENVIRONMENTAL LAWS, AND THEIR
ACCOMPANYING REGULATIONS, TO PRESERVE THE
BEAUTY AND UTILITY OF OUR LAND**

We will insist that the land be restored to full and productive use. We are particularly hopeful that in situ research will produce new, less environmentally damaging mining and processing techniques. We will also push for full compliance with our air and water quality standards. The Governor has said much on this subject and I don't feel that it is necessary to elaborate on his often mentioned concerns.

**THE BENEFICIARIES OF OIL SHALE DEVELOPMENT—THAT IS,
INDUSTRY, LAND SPECULATORS, GROWTH BUSINESSES,
AND THE CONSUMER—MUST PAY THE DIRECT AND
INDIRECT COST OF OIL SHALE DEVELOPMENT**

These costs cannot be borne by the innocent bystanders or persons on fixed incomes, such as the elderly.

It is not easy to assess precisely what these costs are. To an extent the direct costs are measurable, but how do we assess the true cost, for instance, of placing an electric generation plant in Craig which may provide the power that is necessary to operate oil shale retorts in counties to the south with all of the attendant roads, sewers, schools, hospitals, law enforcement agencies, and social services?

How do we measure and pay the cost of urban expansion attributable to oil shale in those communities outside the development area, such as Grand Junction and Glenwood Springs? We need to put a price tag on areas lost to recreational hunting and fishing; we need to put a price tag

on the eventual disruption of the tourist trade and a price tag on the changes in life style that full development will bring. Cost accounting in these areas is not an exact science.

Even if the beneficiaries are to pay, what is the vehicle for accomplishing this? And the timing problem—local governments without question need front-end money to tide them over until the proposed plants become tax producing. In addition, the financing system should protect local communities if the bottom drops out of the oil market and prices go down, spelling an end to the industry. The boom-bust cycle should be a phenomenon of the past. Hopefully, when industry commences full-scale development, it will be one of long standing and provide a stable, reliable, economic and social base for the communities in which it is located.

I have intentionally not commented on a variety of issues which I know are of direct concern to you. Questions of federal price supports, federal construction loans, the size and pace at which the prototype program grows, and off-site disposal are of equal concern to us. The complexity of these issues requires more time on our part so that we can intelligently and fairly respond. We clearly want your input on such questions.

In summary, this administration intends to work hard at getting the creative and best ideas from industry, government and the local persons affected by this development; we intend to firm up the state regulations which will affect this industry; and we hope that industry will make our job easier by sharing their plans soon so that we can plan together.