BLM Rejects Permit for Methane Bacteria Project

the Associated Press

GILLETTE, Wyo. (AP) — Federal land managers have rejected an application by a Colorado company to use bacteria to produce methane from northeast Wyoming coal beds.

Luca Technologies Inc. wants to use a process called methane farming in which water and chemicals are injected into a coal seam, activating microbes that live in the coal. The microbes eat the coal and produce methane.

The permit rejection is but one recent setback for the Golden, Colo.-based company, not the least of which has been very low prices for natural gas. Last month, Luca withdrew its plans for an initial public offering, citing "adverse market conditions." Gas prices in recent months have plunged to 10-year lows.

The U.S. Bureau of Land Management turned down the permit for Luca after it refused to pay an additional $40,000 for the cost of processing its application, on top of $40,000 it paid previously.

Luca executives said they refused the additional payment because it appeared the BLM would never approve the permit. Company CEO Bob Cavnar accused the federal agency of favoring the coal mining industry, which has expressed concerns about methane farming.

BLM spokeswoman Lesley Elser said the original amount had been exhausted and that the company has "to pay into the cost recovery account for the fees for permitting and they didn't pay the account, so it was overdrawn."

The company also said the BLM told the company in early May that it would require a well monitoring program that would cost up to $30 million, the Gillette News-Record reports (http://bit.ly/KoN12P [1]).

The BLM has not determined how much well monitoring the project would require, BLM spokeswoman Mary Wilson said Friday.

"It was a discussion that was had, but that was not a decision that was made," Wilson said. "We were just working on developing a range of alternatives to address their proposal."

The BLM has threatened to prosecute Luca for trespassing if it continued the work. The company will stop work, Cavnar said, but disagrees with the decision.

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Information from: The Gillette (Wyo.) News Record,

http://www.gillettenewsrecord.com *[2].*

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