

Oil Sands Company Raising Money for Utah Project

PAUL FOY, Associated Press

SALT LAKE CITY (AP) — A tiny company with approval to mine tar sands in Utah is raising money for a first-of-its kind project in the U.S. that some fear could lead to widespread destruction of public lands in the Rocky Mountain region.

U.S. Oil Sands Inc. is offering a share inducement until May 17 with a \$9 million sale that allows investors to buy large blocks of stock at a fixed price unaffected by market pressures and with options to buy more.

Company officials said they will use the money to start digging a 62-acre pit this summer in an area of eastern Utah that contains gooey bitumen, a tar-like form of petroleum. It plans to produce 2,000 barrels of oil a day by next year, in the start of what could grow into a much larger operation.

U.S. Oil Sands is working Utah state trust lands, avoiding the political debate and regulatory holdups that have delayed development of unconventional fuel deposits on surrounding federal lands. The trust lands were given Utah at statehood by the federal government.

"These initial funds will allow us to initiate construction on our PR Spring project, the first commercial oil sands extraction project in the U.S.," said Cameron Todd, the CEO of the Calgary, Alberta-based company.

Investors are rushing to grab the stock offering, available only through Canadian brokers, he said.

Environmental groups are putting up a fight but haven't been able to stop the project. They say it will dig up fragile soil, pollute groundwater and open more wilderness lands in Utah to similar development. The Moab-based group Living Rivers will challenge a water discharge permit the company obtained from state regulators at a hearing set by the Utah Division of Water Quality for May 16.

The company says that because it holds the discharge permit, it can get to work. It already has permission from the Utah Division of Oil, Gas and Mining to dig and a lease to operate on more than 30,000 acres of state lands in Utah's Uinta Basin. "We're confident in proceeding," Todd said.

The company says a citrus-based solvent will leave the oil-soaked sands as clean as beach sand. According to Todd, Utah's oil sands are sweeter or lighter with less polluting sulfur than in Albert's vastly larger deposits — he called them "environmentally responsible hydrocarbons." Utah has an estimated 12 to 19 billion barrels of oil buried in its tar sands, though not all of that is considered is

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U.S. Oil Sands can't avoid spreading hydrocarbon toxins from mining and waste pits, argues John Weisheit, a Colorado River guide and founder of Living Rivers, who said the citrus solution contains a form of turpentine and "just because it sounds like a breakfast drink doesn't mean it's safe."

Weisheit added, "Once you start liberating all those chemicals, there's going to be residual toxins and hydrocarbons left in the soil, especially in the clay soil. The tar sands are in the sand and the clay, which absorbs chemicals. So you'll have a big unlined pit with all the waste material and broken rock. Rain will just percolate through that pit like crazy."

Weisheit disputed the company's contention that it can get to work before resolving the challenge to its water discharge permit, and he called the stock offering a troubling sign.

"While they're looking for stockholders, I'm looking for people to stand in front of the bulldozers," he said.

Todd said the company has spent \$20 million already developing the project, including \$8 million in Utah last year on engineers and consultants and a drilling program. The company says the initial production facility will cost \$30 million.

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