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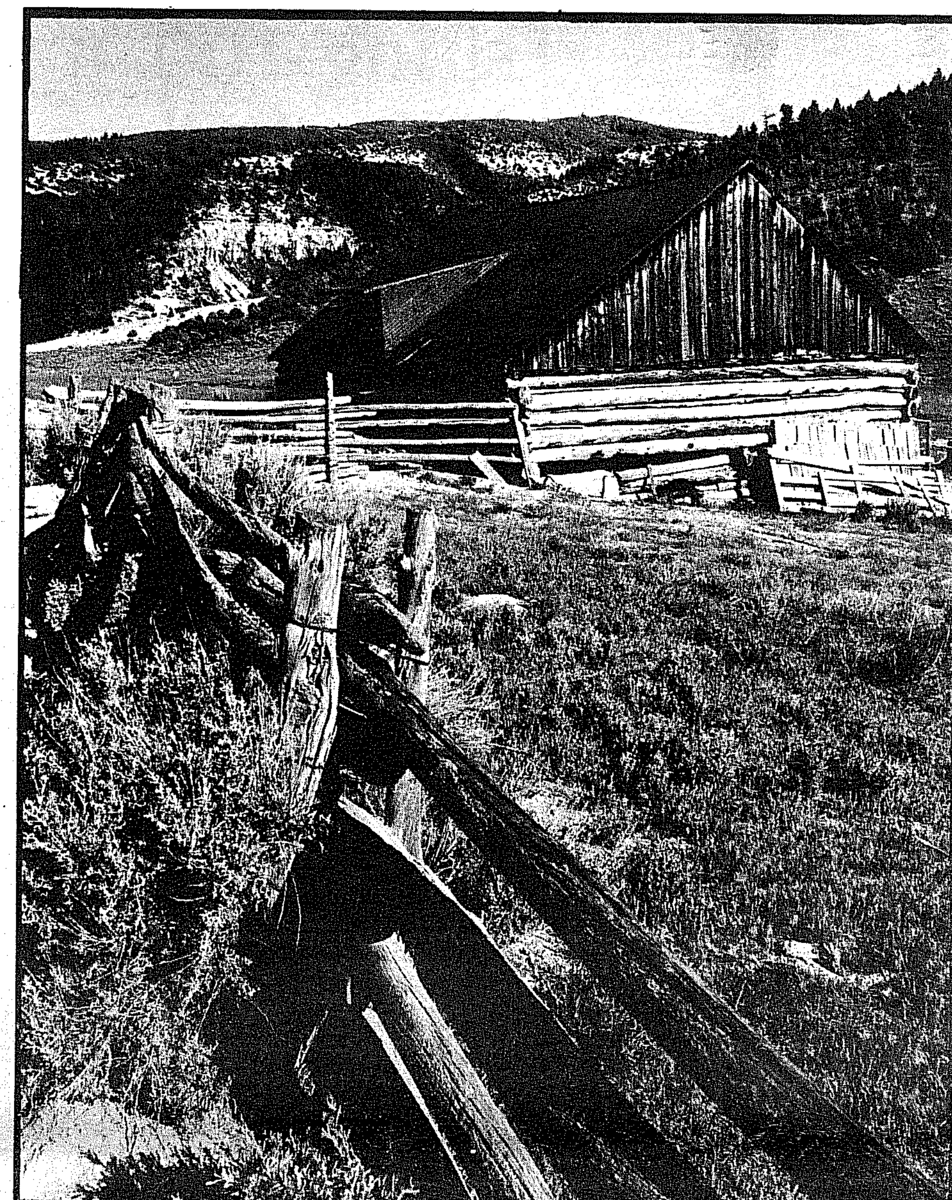


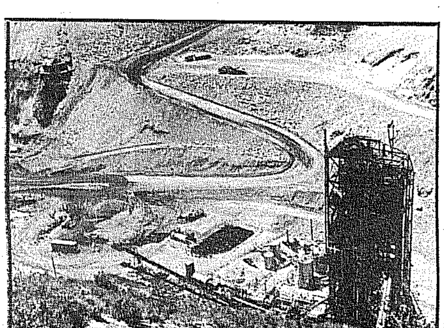
Kent & Donna Dannen

Piceance Creek, Colorado

## Colorado's Western Slope

# Life after oil shale

*by* Ed Marston



Kent & Donna Dannen

Thanks to enormous publicity, the Colorado public knows more about oil shale than it does about any other fossil fuel. One of the few things most do not know is that oil shale can be ground up and burned in a furnace, like coal. Or that chunks of it can be burned like logs in a fireplace.

Legend has it that oil shale was "discovered" — if one can use that word about a rock which is as common as dirt in parts of Colorado, Wyoming and Utah — when an early Colorado settler built a fireplace out of the rock and burned the cabin down with his first fire.

Despite its cabin-burning features, oil shale has a low energy content — about half that of coal. And, at the moment, there is zero demand for an inferior substitute for coal.

So the important thing about oil shale isn't that it will burn with a blue flame in a fireplace. The important thing is that when it is pulverized into small kernels of rock and heated under just the right oxygen-less conditions, oil shale gives shale oil. And shale oil can be purified and then refined into a fuel that will power autos, jet planes and tanks.

Because of that, the U.S. Department of Defense and the oil companies — having fully absorbed the lesson of 1973 by 1980 — set off a boom of sorts in the sparsely settled, sparsely watered western Colorado river valley between the tiny town of De Beque on the west and the larger community of Rifle on the east.

But, it was only a "boom of sorts." Before it began to really roll it stopped. It was more a boom-interruptus than a true boom-bust.

The boom was officially interrupted about a year ago when Exxon announced the closing of its Colony project, wiping out 2,000 existing jobs and cancelling the 2,000 it had been about to fill. Exxon's project had been preceded in death by those of four other companies: Gulf and Standard of Indiana, which jointly held federal oil shale lease C-a; and Occidental and Tenneco, which jointly held federal lease tract C-b.

These last four had wiped out 1,000 jobs just before Christmas of 1981, scooping Exxon and showing a dramatic sense of timing. Journalists assigned to the C-a and C-b closures found that stories wrote themselves: "With Christmas and cold weather here, and four children and an $800 mortgage at home, C-a oil shale worker John Jones ..."

Despite the cold weather/holiday closings and the job losses, the demise of the two projects had little impact on the region. People shrugged it off, saying, "Exxon is here. Oxy and the others are just waiting for Exxon to show the way. Then they'll come back." No one suggested that Oxy was showing the way.

The "Exxon is here" attitude was understandable. Both locally and nationally, Exxon's well-publicized presence in oil shale, combined with its eight million barrel per day national oil shale scenario, had overshadowed everyone else's efforts. Its size and enormous publicity had pushed other oil shale efforts aside. There was only Exxon, trailed by also-rans whose names few people outside of the region could remember.

Moreover, emotionally and financially, people in the Colorado River oil shale valley had too much at stake to objectively read the meaning of C-a and C-b. So most people — whether workers or businessmen or investors — simply shifted their eggs into the Exxon basket.

On May 2, 1982, — a Sunday — Exxon began smashing those eggs. It began by shutting down its Colony project and buying out partner Tosco. That caused desperation in the region. The desperation led to wishful rumors that were to sweep through the small communities for months.

The first rumors had it that Exxon was merely shedding an unwanted partner, Tosco, and an unwanted general contractor, Brown and Root. The rumor said Exxon would restart Colony in August. Everyone had the rumor on excellent authority from a close friend's **brother-in-law in the Exxon hierarchy.**

Despite the brothers-in-law, Exxon let August come and go without restarting Colony. Nor did it sell the project, as a second wave of rumors predicted, these based on brothers-in-law in the buying company.

To add insult to injury, another, less welcome set of rumors said the surviving Exxon employees were busy getting ready for a giant fall auction at which the company would sell everything but the topsoil it had scraped off 1,000 acres of Colorado hillside. That rumor turned out to be true.

Exxon hadn't picked a symbolic date. The best the journalists could do was label May 2 "Black Sunday." But Colony made up in real impact what it lacked in symbolism.

The impact was real because the Exxon closure said the demise of C-a and C-b hadn't been flukes. The oil glut, declining gasoline use, the natural gas surplus and predictions of flat petroleum use through the end of the century made it clear that 1982 was not 1973 or even 1979.

Moreover, despite T-shirts which read, "Exxon, the sign of the double cross," the company could not be laughed or mocked away. The Exxon executives had established a legitimate presence in the region. They had dug in and made their commitment to oil shale clear.

The decision had clearly been a painful one, made at the highest level of the company. And having made the decision, Exxon put on something of a class act, taking the resulting heat stoically, if not happily, and not running out on any of their commitments, except the one they had made to build Colony.

The effect on the region was expressed by Frank Cooley, an attorney in Meeker. Meeker, home to C-a and C-b, is located 40 miles north of the oil shale bust epicenter at Rifle and Parachute. He said, "May 2 shocked and sickened us. It made us realize that the injuries we had received were not temporary setbacks. They were part of an overall and dark downhill slide." Cooley's "dark downhill slide" referred to the overall state of western Colorado's mining industry, which had suffered numerous setbacks resulting from the nationwide recession.

The first reaction in the oil shale towns was profound emotional shock. According to hospital administrator Tom Nord, Rifle went into a Sleeping

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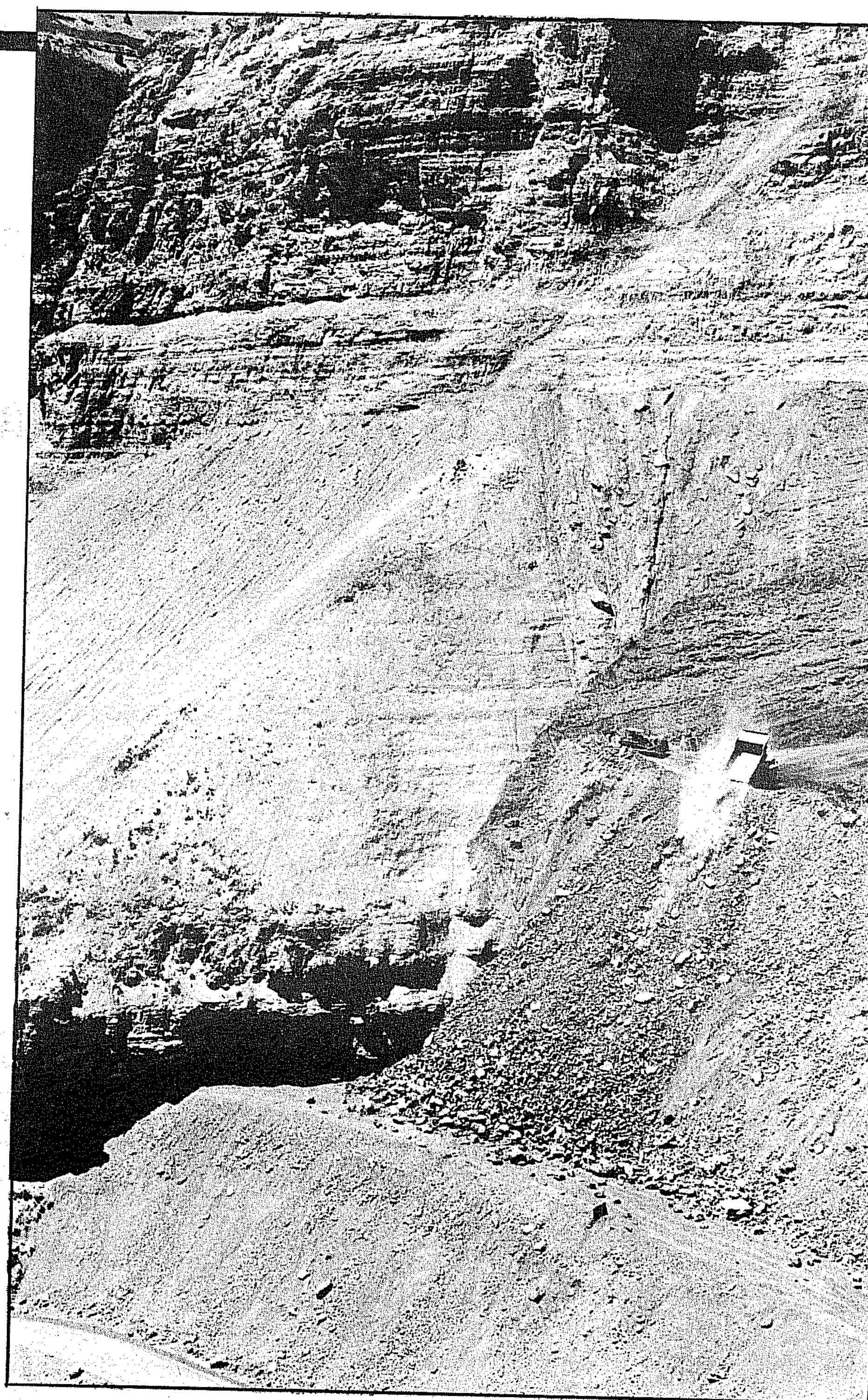

Exxon's Colony oil shale project near Parachute, Colorado

## The rumor said Exxon would restart Colony in August. Everyone had it on good authority from a close friend's brother-in-law in the Exxon hierarchy.

## *Oil shale...*

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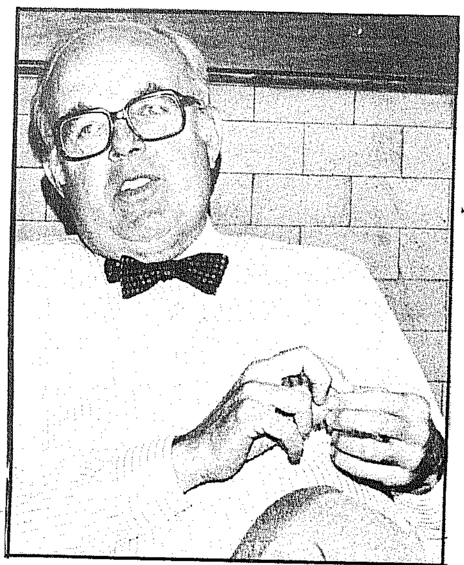


Western Colorado Report

*Meeker attorney Frank Cooley*

Beauty-like trance for almost two months.

Nord noticed the trance on Monday, May 3. He says people simply stopped coming to his Clagett Memorial Hospital; occupancy dropped almost to zero. Clagett was a good indicator for the rest of the region. Some people come to a hospital because they have to — they've broken an arm or they're about to have a baby or their child is running a 105-degree fever.

But most visits are not matters of life and death. They're matters of discretion — tests, respiratory therapy, optional surgery and so on. In that sense, a hospital is like any other business, and in May and June the Rifle hospital saw very little business.

Eventually, people started trickling back in again, but occupancy was down a full 50 percent or more during May and June. Part of the drop was caused by the fact that some people immediately loaded up and left town. When Nord left his nearly empty hospital to go home, he noticed that some of his neighbors weren't around. He saw that their lawns were dying and weeds were growing up in what had been well-kept yards. People had simply moved away.

After a couple of months, Nord said, the town began to come back to life, or to an appearance of life. Realtors began caretaking the vacant homes for sale or rent, and they saw that the grass was watered and the weeds pulled.

Hospitals are excellent economic indicators because they are more or less free market operations. But they are also public bodies, and their financial records are open to the public. Throughout the region, hospitals signalled that the impact of the Exxon closure had gone deep and wide.

For example, 30 miles east of Rifle, the Glenwood Springs hospital didn't expect any impact from Exxon. Administrator John Johnson said that, if anything, his hospital expected to be hurt by the boom, rather than by the bust. The boom would have allowed the Rifle hospital to expand its capabilities, and so Glenwood would have lost the specialty cases it gets from the Rifle area.

Johnson and his hospital didn't welcome Black Sunday, but objectively speaking it was good news for Valley View. The national bond market, however, wasn't in the mood for fine distinctions. So when the Glenwood hospital, coincidentally, went into that market on May 4, 1982 to sell $6 million in bonds for an expansion, the bonds just sat there, virtually untouched.

Glenwood came back the next day with a higher interest rate; this time there were no takers at all. The media had first made western Colorado a household word across the nation; then it made it a dirty word. The hospital finally sold its bonds, but weeks later and not in the national bond market.

In Grand Junction, located to the east of Parachute and Rifle, St. Mary's — a large regional hospital — pondered its $20 million expansion plans in the wake of the Exxon closure. Finally, nervously, it decided to go ahead, but in a phased and cautious way.

Throughout the region, in fact, everything was on hold. Construction shut down almost totally in the first few weeks as banks cut off construction loans on the homes, office buildings, and retail stores being built in the 100-mile-long Grand Junction to Glenwood Springs corridor.

Travelling salesman Mike Packo, who sells nailing guns and fasteners to the construction industry around western Colorado, recalled that in 1981 he was swamped. "I had guys call me Christmas Eve — they needed nails for the next day. They were working seven days a week to finish up jobs." That didn't mean there was easy money to be made. "Back then you had twenty construction crews looking for ten jobs. The general contractors made out like bandits. But carpenters were making only $5 to $6 an hour. So even when it was good, it was tough."

And even in the boom days, he recalled, not everyone had jobs. "People were camped out waiting for someone to quit or be late or absent at Brown and Root." Exxon's prime contractor was tough on lapses.

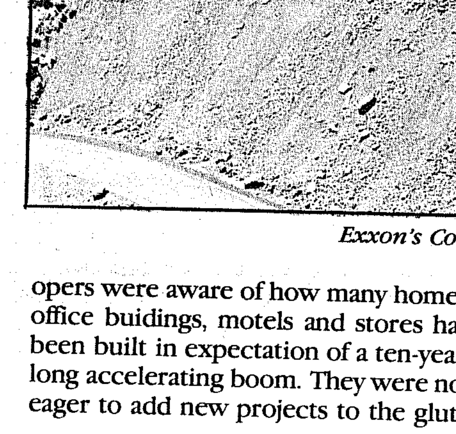
After May 2, Packo recalled, everyone was camped out. The construction business, like the hospital business, went to sleep. "The people building the projects didn't panic. But the money panicked. The banks pulled out of the middle of projects." It didn't just happen in the oil shale towns of Rifle, Parachute and Battlement Mesa. "It happened in Grand Junction, in Fruita — all the way out."

Like Nord, Packo said it stayed dead through May and June and only in July and August went "back to survivable — back to 40 percent of what it had been."

No one knows how many projects were cancelled. But most of the business that let Packo survive came from finishing projects that were well underway by Black Sunday. Bankers and developers were aware of how many homes, office buidings, motels and stores had been built in expectation of a ten-year-long accelerating boom. They were not eager to add new projects to the glut.

At first, government officials and the private sector joined together to make comforting sounds — to say things like "Rifle was here before Exxon and it will be here after Exxon." They suggested that hordes of alternative activities were just itching to move into the newly-built homes and offices.

They also leaned heavily on the presence of Union Oil, which then had 2,000 or so construction workers building its comparatively small (10,000 barrels-per-day against the 47,000 barrels-per-day Colony) oil shale project next to the Colony site.



Western Colorado Report

*Rifle banker Al Koenecke*

By September, it was time for reality. Al Koeneke, president of First National Bank of Rifle, said what Rifle needed was a pack of financial predators. "We'll work through the next 18 months by dumping real estate. I'm waiting for the sharks to come in. I'm churning the water like mad to try to attract them."

Koeneke said that for weeks after May 2 he had avoided such blunt talk. "As the local banker, if I'd said in May, 'This is really tough,' it would have been really tough. You don't want to create a panic. We had to finish up construction." Rifle couldn't let itself sit with half completed structures as symbols of economic ruin. But four months later, "It's time to face facts."

While the private sector, after May 2, was seeing how long it could hold its breath, the public sector was doing some heavy breathing. The towns and counties in the Grand Junction to Rifle region decided to spend money on public projects as if the U-Haul caravans were still rolling into town.

In the oil shale towns of Rifle and Parachute, the money came from the Oil Shale Trust Fund — a state and later locally-administered pot filled with money the oil companies paid to the federal government for the C-a and C-b leases back in 1974.

Everyone had predicted that the boom would be upon the towns before they could get ready — that the public works projects would lag the need. What no one had foreseen was that the need would come and go before much of the money could be spent.

The fact that the need had come and gone didn't stop the towns from spending money. Parachute, which had grown from a wide spot in the road with population 300 to a much wider spot with population 1,200 by May 2, immediately committed itself to spend $1.6 million to "complete the town," as Mayor Floyd McDaniel put it.

The completion consisted of paving the streets, building curbs and gutters and installing an underground irrigation system. The work was done with a $1.1 million oil shale grant and $500,000 out of Parachute's water fund.

Town manager Ralph Friedman said the town never considered banking the $1.1 million grant against a rainier day. The only question was whether the town would add some of its own money to do a first-rate job. "We're putting up $500,000 of our own money because it's a good morale booster. Everyone was so down and depressed after Colony. Also, it will give the town a positive image. It

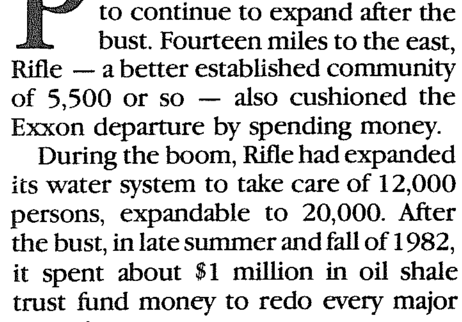
## After the bust, the towns and counties in the region decided to spend money on public projects as if the U-Haul caravans were still rolling into town.

won't be a dusty town anymore. It will make a tremendous difference in the way people perceive Parachute."

Parachute is just across the Colorado River from Battlement Mesa — the built-from-scratch town Exxon was hurling up when the shutdown came. Between them, the two communities have lots of facilities. The 1,200 people in Parachute have a new $750,000 town hall, a new $300,000 riverside park, a $500,000 water treatment plant, new water and sewage pipes and a new sewage treatment plant.

If the financially force-fed Parachute had built the facilities by bonding itself, it would have had a 300-mill property tax levy. Instead, Parachute was funded with impact and oil shale trust fund money.

Exxon, however, built Battlement Mesa by itself. Intended to grow to 25,000, it is now stuck at 1,500. Both it and Parachute have been kept filled by Union's construction work force, now at roughly 3,000. But by August, 1983, the construction workers will be gone, replaced by 500 operating employees. No alternative activity has appeared or is on the horizon. The two towns' futures are uncertain.


Western Colorado Report

*Parachute Plaza Motel*

Parachute was not the only town to continue to expand after the bust. Fourteen miles to the east, Rifle — a better established community of 5,500 or so — also cushioned the Exxon departure by spending money.

During the boom, Rifle had expanded its water system to take care of 12,000 persons, expandable to 20,000. After the bust, in late summer and fall of 1982, it spent about $1 million in oil shale trust fund money to redo every major street in town.

Additional building efforts are planned for 1983, including $2 million to upgrade sewer and water lines in the old part of town. The new part is so new (the town went from 3,200 people in 1980 to 6,000 just before the bust), its utilities are fine.

The town also hopes to break ground on a $1.56 million city hall in the spring. And Garfield County plans to build a recreation center and a social service building. There is money for new schools, but the area already has plenty of school rooms.

The same post-bust spending pattern occurred in Grand Junction, which is western Colorado's regional urban center, with roughly 85,000 residents in its metropolitan area. The county had committed and nearly spent $23 million on new schools. In addition, a $36 million sales-tax-supported county bond issue passed during the boom. The public works projects hadn't started when the bust hit. But even in the face of declining sales tax revenue, the projects went forward.

In addition to county roads and bridges, a new airport terminal was built, the $20 million St. Mary's Hospital expansion stayed on the track, and the city of Grand Junction decided to spend several million dollars of its own on new roads.

It is possible to see this continued city building in a sinister light — communities wrongfully converting money intended to deal with a boom into pointless construction. Such a viewpoint misses the essence of the way the communities looked at oil shale.

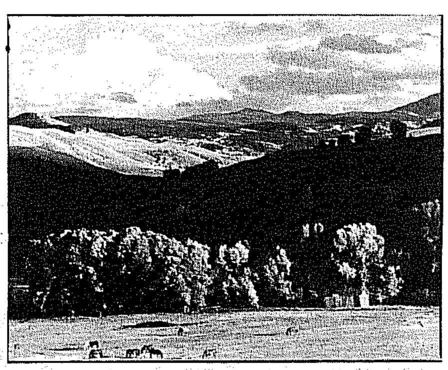
The building of public structures, needed or not, should be seen in the context of western Colorado — made up of towns of 500 to a few thousand people which have survived 100 years or so of thin and thinner. Surrounding the survivors are ghost towns — communities built during a boom or general good times and abandoned somewhere in the last century.

The residents of the surviving communities — many of which are dependent on a single mine or on a handful of ranch families — are well aware that "there but for the grace of God goes Olathe, or Ouray, or Parachute." In fact, without oil shale, it is almost certain that Parachute would have been blown away by the next strong economic wind.

So, whatever the local booster rhetoric, western Colorado's fervor was not directed toward oil shale. The fervor was directed toward survival. The small communities in and around the thousand-foot-thick shale deposits were willing to host the mining and retorting activity in return for getting money to become more deeply rooted.

When oil shale collapsed, and the industry and its workers U-Hauled it out of town — just like the beaver trappers and silver miners and turn-of-the-century land promoters before them — those committed to their communities continued with their primary mission of making their towns more permanent.

Whatever the future brings, they figure a town with paved streets, a decent town hall and a community center will better meet that future.


Kent and Donna Dannen

If there is a casualty in all this, it is the countryside. The oil shale towns were originally creatures of the economic activity around them — they served the cattle ranching, sugar beets, fruit growing and national forest-based hunting and fishing.

Over the decades, agriculture has dwindled — the sugar beets, fruit and row crop farming disappeared, leaving only cattle. A series of oil shale booms, stretching back 70 years, hastened the conversion of the area from a rural outlook to one that stressed urbanization.

So it was natural and in character that when the latest burst of oil shale activity sent money into the communities, it was spent on the towns and on urban activity. Not a penny went to help agriculture or public lands recreation. Nothing was spent to strengthen or support the existing economic base. Instead, the towns established 24-hour emergency telephone numbers, urban-type riverside parks, indoor recreation centers and the like.

Even now, the suggestion that some of the money should have gone to help the ranchers cope with the urbanizing situation, or to subsidize a livestock sales year so they wouldn't have to drive over the Divide to sell their animals, or to plan or build recreation facilities in or near to national forests, is seen as silly.

The exception to this rule is Meeker. A community of about 2,500, Meeker is firmly and proudly a cattle and sheep town. And it — or at least its leadership — wanted no part of the boom and bust of the oil shale industry. The Rio Blanco County Commissioners, for example, told C-a and C-b that it did not want their construction worker dorms established in or near Meeker.

Commissioner Tim Schultz, a rancher, told the companies, "You bus them in and you bus them out." So Oxy-Tenneco and Gulf-Standard of Indiana bused them down to Parachute and Rifle, which were only too happy to have the mancamps.

Meeker's opposition to oil shale wasn't long-term. The area was willing to eventually be home to the permanent operating force. But it wanted no part of construction turmoil. Schultz said that 2,000 construction workers playing on public land with four-wheel-drive vehicles would quickly chase off the 100 or so ranch families the region depended on.

Rio Blanco County and Meeker were also different when it came to spending oil shale money. They expanded facilities slowly, grudgingly, even if the money was "free." And when the bust came, they put their share of the trust fund — $20 million — in the bank.

Again, according to Schultz, Meeker believes it already is "complete," and that a new town hall or a new shopping center would not make it a better community. In fact, all through the boom planning process, Meeker's main concern was to figure out how it could grow without changing.

Predicting an economic future is about like predicting Colorado mountain weather: it's impossible, and only fools and newcomers — which to some oldtimers are the same — try it.

So no one knows how, or if, the new schools, the paved streets, the vacant apartments and offices, the shopping centers and the many motels built during the boom will be used.

Before the national economy deflated, western Colorado received a stream of young immigrants and retirees from urban areas. The retirees brought their pension checks; the younger people generally had a bit of money — enough to buy a home and hold on until they found a job or started a small business in the expanding economy.

That stream has dried up now. And when, or if, it comes back, it is hard to see why the immigrants would be strongly attracted to Rifle, Parachute, De Beque or even Meeker.

The towns are in starkly attractive areas. But they are not in the mountains, and western Colorado has scores of towns in far more beautiful settings.

Mining will probably come back, to a lesser or greater extent, in step with Smokestack America. But with the exception of oil shale and some associated minerals, and gas, oil and coal in the Meeker area, there isn't much to mine in the oil shale region.

The most one can say about the futures of these towns is that it will be interesting to compare — five or 10 years from now — city builders such as Rifle and Parachute with Meeker, which tried to hang on to its rural and recreational economy.

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Ed Marston is the editor of *Western Colorado Report* in Paonia, Colorado. This article was paid for by the HCN Research Fund.