



State of Utah
School and Institutional
Trust Lands Administration

David Ure
Director

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2813
801-538-5100 Fax 801-355-0922
trustlands.utah.gov

EI-31133

February 11, 2021

Joshua Wayland, PhD.
Surface Transportation Board
c/o ICF
9300 Lee Highway
Fairfax, VA 22031
Attention: Environmental filing, Docket No. FD 36284

Emailed to Joshua.Wayland@stb.gov

Re: Uinta Basin Railway
Draft Environmental Impact Statement [Docket No. FD 36284]

Dear Board:

The Utah School and Institutional Trust Lands Administration (SITLA) hereby submits the following comments to the Surface Transportation Board (Board) regarding the Draft Environmental Impact Statement (EIS) on the Seven County Infrastructure Coalition (SCIC) project, captioned above.

SITLA Background

Utah's school and institutional trust lands were granted at statehood by Congress under the Enabling Act of 1894, for the financial support of the State's K-12 public schools and 11 other public institutions. SITLA is an independent state agency, created in 1994 because of the need to manage these lands for perpetual benefit. SITLA has approximately 4.4 million mineral acres and 3.5 million surface acres in its portfolio, located throughout Utah.

Financial Impact to Utah's School Trust

SITLA's future oil and gas resource development outlook is currently constrained because its minerals represent a very small percentage of the current prospective horizontal drilling play being developed and therefore of the daily oil production. By way of background, SITLA's minerals located in the unique oil play did not come directly through the typical checkerboard pattern at statehood (and hence the minority interest in productive minerals represented above) because many of those checkerboard lands were patented out during the Homesteading Act by the federal government and granted as tribal reservation lands.

As such, SITLA's reliance on oil and gas production sharing with private and tribal interest to generate revenue from its minerals within the heart of the Uinta Basin's horizontal play cannot be overstated. Because of this sharing methodology, SITLA's beneficiaries require enhanced recovery techniques to efficiently monetize their minerals and with the advent of horizontal drilling technology, oil production is now capable of volumes not seen in the Uinta Basin prior to 2015. However, the current infrastructure is limiting daily production volumes to local Salt Lake City refining capacity, creating pricing constraints, and chilling investment needed to stimulate activity.

By mitigating the parent/ child well reservoir pressure depletion issues with quicker drilling and additional production takeaway, incremental investment needed can be justified to competitively and efficiently produce oil and gas that may otherwise be lost to lack of scale opportunity. Overcoming these limitations with the railway stands to multiply economic output as the unique waxy grade of crude from the Uinta Basin can be used globally for premium products and blended with other non-waxy crudes to enhance value at refineries outside of Utah. This market is critical to SITLA's current endowment distribution model that is converting minerals into public school revenue via trust fund investments.

Environmental Considerations under the EIS

Building a railway to support economic growth will remove road congestion caused by trucks by allowing up to 10.52 trains to run each day (EIS Summary: S.1.1 Purpose and Need, Pg. S-3). Socioeconomic impacts appear positive, with benefit to the state through production taxes, job creation and increased commerce in partnership with Drexel Hamilton, Rio Grande Pacific and the Ute Indian Tribe (id, Summary: S.1.2 Proposed Action. Pg. S-3). Three alternatives were reviewed; Indian Canyon, Wells Draw and Whitmore Park over the course of several years of analysis by the Utah Department of Transportation, the SCIC and Office of Environmental Analysis (id, S.3 Alternative, Page S-5). In addition, the Department of Agriculture, U.S. Forest Service, U.S. Army Corps of Engineers, Department of the Interior, Bureau of Indian Affairs, Bureau of Land Management and Public Lands Policy Coordinating Office acted as cooperating agencies in the EIS and intend to work on permit requests and address concerns relating to project approval (id Cooperating Agency Actions, S.1.3, Pg. S-3). SITLA has been working with the SCIC on easements covering the rail line and will continue to support these revenue generating permits for its beneficiaries with responsible stewardship in mind.

SITLA has reviewed S.4.2, Minor Impacts and believes the criteria have been adequately met or mitigated and specifically notes that construction-related air emissions would not cause concentrations of criteria air pollutants to exceed the National Ambient Air Quality Standards (id Pg. S-10). While cumulative rail line impacts could be adverse, they are not clearly quantified and do not sway against the preferred Whitmore Park Alternative, which would generate more employment, labor income, local and state tax revenue during construction than the Indian Canyon Alternative. The Whitmore Park Alternative would also cross a smaller area of geological units that would be prone to landslides and wildfire hazard, thereby minimizing impacts of construction

and operation on the environment, supporting its recommendation to the Board (id S.4.5 Environmentally Preferred Alternative, Pg. S-12).

Economic Output Arguments

SITLA highlights the positive economic activity, as measured under Oil and Gas Production - Oil and Gas Development 3.15.4.1, (Pg. 3.15.3). Production would increase by around 130,000bbl/d under the low case and 350,000bbl/d under the high case, which is significantly above the 90,000bbl/d average used for the current baseline circumstance, and roughly doubling, or tripling annual revenues SITLA is receiving from oil production. While Annual direct/ indirect employment of 3,000 jobs would be added, with increased labor income of \$209.7 million and value-added impacts of \$311.8 million under the preferred alternative - Whitmore Park (id Table 3.13-8, Pg. 3.13-26). Additionally, State Tax Revenue of \$27,839,000 would be derived from in-state taxable expenditures (id Table 3-13-9, Pg. 3-13-28).

These revenues will have significant beneficial impact to Utah's public schools, SITLA's largest beneficiary with 95% of land grants. The associated permanent fund that invests all revenue SITLA generates has grown from \$84 million in 1994 to \$2.5 billion today and provided public schools with an \$88.83 million endowment in 2020. Emphasis is placed on the value a large fund responsibly invested in the market has for perpetual or intergenerational public-school revenue. Converting minerals contemplated in this project to revenue will help build a larger fund capable of dispersing larger endowments without ever exhausting the original contributions and credit is owed to years of hard work on projects like these that balance fiscal opportunity with fiscal responsibility for Utah public schools growing needs.

Conclusion

SITLA is grateful for the opportunity to make comment on this very valuable project for its beneficiaries and believes that it will help resolve some of the market volatility issues facing the Uinta Basin oil production by increasing competitive business opportunities and streamlining transportation needs with logical railway solutions. The time for planning economic recovery efforts could not more critical than now, as the recent COVID pandemic has created a fragile oil and gas sector amongst many others, but the time will come when this railway can provide much needed stimulation efforts for Utah and the Nation.

Sincerely,



Dave Ure
Director