

# TELE-FACTS

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## *Oil Sands Development*

AN ADDRESS BY

**Hon. A. R. Patrick**

February 26, 1966



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**Hon. E. C. Manning:**

Good Evening, Ladies and Gentlemen:

Welcome to another "Tele-Facts" visit.

In recent months a great many inaccurate, and often completely untrue statements have been made by N.D.P. political leaders, endeavouring to give you the impression that the Government is failing in its responsibility in looking after your interests in the development of the Athabasca tar sands. These are your resources, and our program is designed to protect your interests, and I think it is important that you have the facts concerning this matter. I am very pleased to have with me tonight the Hon. Mr. Patrick, the Minister of Industry and Development for the Province, who will speak to you now on this important question. Mr. Patrick . . .

**Hon A. R. Patrick:**

Thank you, Mr. Manning, and Good Evening, Ladies and Gentlemen:

It is most unfortunate that you have been confused and disturbed by the figures that the leaders of the socialist party have thrown out to you concerning the Oil Sands, implying that we are having something of a "Give-away program" to Great Canadian Oil Sands who are presently building their plant north of Fort McMurray.

Judging from the correspondence that I am getting, the most common question I am asked is, "Is it true that we are charging only 25c per acre for the lease that Great Canadian Oil Sands are presently developing?". This is correct. We are charging 25c an acre on all leases; but once that lease comes into production this will be raised to

\$1.00 an acre. However, this will produce only \$4,522.00 because the lease has only 4,522 acres; but I want to emphasize to you that this is but a tiny portion of the revenue which the Province of Alberta will receive from this first development in the Oil Sands.

In addition to this, I would like to itemize a number of revenue figures (see accompanying chart), that you should pay close attention to:

First of all, we estimate that we will receive at least 4 millions of dollars annually from royalties, at an estimated \$2.00 per barrel, based upon the price of the oil less the cost of processing and the cost of transportation. This is only an estimate, but it is given in comparison to what we receive from the conventional oil industry.

Then, on top of that, there will be municipal taxes. First of all, there will be the school taxes and the hospital taxes which could amount to \$1,440,000.00 a year. There will be the municipal taxes which could amount to, at least, \$13,750.00 a year. This may be a much higher figure but it will depend upon the services that the workers in the oil development will require.

Now, on top of that, the Company will have to pay the surface rental of \$4,746.00 a year. They must also pay an annual rental on the mining area, amounting to \$640.50 a year. When you add up all these figures, it comes to \$5,463,-658.50 annually that we will receive in public revenue from this first development — a far cry from \$4,522.00!

I should point out, too, when I am talking about royalties, that it has been said by these same sources, that the Government was only going to charge 8% royalty but, that after socialists complained about it, it was raised to 20%.

Ladies and Gentlemen, this is not correct. The rate is on the basis of 8% for the first 900,000 barrels a month, and then 20% on the next 450,000 barrels per month. This amounts to 16 2/3%, the same royalty that we charge on all oil development within the Province.

Over and above this \$5½ million, we have a number of charges which will be paid only on a one-time basis. For instance, there is the charge for the surface of the land which they must purchase at \$60.95 an acre, which brings in \$67,410.00. They pay for the surface destruction — \$68,320.00. They pay for timber on the plant site — \$7,792.00, and they pay for the timber on the mining area — \$19,315.00. So that over and above the annual revenue of approximately \$5,463,658.50 a year, there will be approximately \$162,837.00 on a one-time basis.

Over and above all that, of course, there will be 300 barrels of sulphur produced as a by-product each day; and the Government again will charge a royalty of 16 2/3% on this, and this will bring in many thousands of dollars. Eventually we expect that other minerals may be taken from the tailings, and this also will bring in considerable revenue to the Province of Alberta.

Evidently, Ladies and Gentlemen, the Socialist leader is using those misleading statements to try to convince you that there is some kind of a "sell-out" of our rich oil resources to foreign countries and, in support of that, he cites to you a lot of joint ownerships of leases in the Tar Sands area. It is correct that there are joint ownerships and that there are American companies involved, but I would like to give you some facts:

First of all, less than 50% of the Oil Sands are presently under lease. This means that if you

would like to get a lease, your application certainly will be welcome.

Secondly, there have been only 3 applications, this far, for permits to produce oil from the Sands. Because of the high capital costs, the costs of research and of scale-up, it is only natural that a group of companies would undertake such a project. For instance, one of those three applicants wished to produce 100,000 barrels per day in their operation. This would have an estimated capital cost of over \$350,000,000.00. So you can see that no one company would likely go it alone to develop that kind of capital construction, or even try to borrow the money that would be needed in order to produce oil from that type of operation.

The Great Canadian Oil Sands Company itself was something of a joint ownership — the C.P.R. and the Canadian Oil Company had an option to purchase part of the development stock but, because of the big gamble, they failed to pick up their options. And more than this, as they got near the end of the permit period, not one dollar of Canadian money had been raised for this venture operation. It was only at the last moment that the Sun Oil Company agreed to put in \$67½ million of venture capital, in order to get this operation under way.

The next point I want to make is that socialist leaders have tried to confuse the \$67½ million of venture capital with the \$12½ million of guaranteed convertible debentures which the company agreed to offer to the Alberta people.

Finally, the new application which was made to raise the production from 31,500 barrels a day to 45,000 barrels a day, was made with the

commitment that Sun Oil agreed to displace 10,000 barrels of oil which they were presently receiving from Venezuela, in one of the States of the United States, by the oil that they would produce from the Oil Sands.

Presently we are able to market less than 45% of our available oil and, consequently, we have to pro-ration production so that every producer gets a chance to sell a part of his oil. They either have to partially turn off the valves, or produce just on certain days, in order to meet the limitations which are placed upon them. I think we should realize that when we issue a permit to build a plant which will produce oil from the Oil Sands, this must be on a full-time basis, if it is going to be feasible and if the company can hope to operate. Therefore, this production can not be pro-rated or cut-down, as in the case of conventional oil development. The socialist leaders have failed to tell you that this is the reason why we have not permitted more plants to start operation at the present time.

Ladies and Gentlemen, I hope that these points I have just indicated to you will help clear up the confusion which has been caused by the type of statements you have been hearing. The socialist leaders, by their usual practice of innuendo, try to imply that there is some sort of scandal in connection with the Federal and Provincial pilot plants which were set up during the War when this country was very fearful of a shortage in its supply of oil. I want to tell you that complete documentation and answers to all these insinuations have been tabled in the Legislature, for public use, on several occasions. They are there for your viewing any time you wish to see them. The fact that two present applicants

for permits have already spent at least 20 or 30 millions of dollars in research during the past few years should be ample proof that the claims of early pioneers in oil sands work did NOT have ECONOMICALLY feasible methods of production.

The claims of the socialist leaders remind me of the stories I used to hear, when I was a boy, about someone inventing a very fancy type of carburetor that would make it possible to travel in your car four or five hundred miles on one gallon of gasoline. We were told that oil companies bought these and destroyed them. Of course, we know today, that this was a complete fabrication. We know now that it wasn't true.

In conclusion, I would like to tell you that two years ago your government set up a Public Expenditures and Revenue study to look into every department of government and to write a criticism of its operations concerning each department's revenue and concerning each department's expenditures and policies. This committee is made up of representatives of a good cross-section of Provincial organizations. The members were named by such organizations as the Alberta Association of Municipal Districts, the Associated Hospitals of Alberta, the Alberta Federation of Agriculture, the Federation of Labour, the School Trustees' Association, the Farmers' Union, the Catholic School Trustees, the Chamber of Commerce, and three Cabinet Ministers. They have been working throughout each department for the past two years, examining critically every phase of operation of those departments, including the Department of Mines and Minerals. They are going to give a written submission to the Legislature — a critical examination of the complete operation of each of those departments. I under-

stand that they have just about completed their work and they are presently writing the report. Their report is to be tabled in the Legislature within the next few days and will be for public consumption.

Ladies and Gentlemen, I urge you to look at the news reports on that committee's work or, better still, read the full report and judge for yourselves about the operation of the entire Department of Mines and Minerals, and especially the section devoted to the development of the Oil Sands. Then you can judge for yourselves whether or not this is a proper operation and if its legislation, administration and policies are in the very best interest of Alberta citizens. Thank you, Ladies and Gentlemen.

**Hon. E. C. Manning:**

Ladies and Gentlemen:

That concludes our program for tonight. I hope you will think this important information over carefully. Please join us again next week, same time, same channel, for another "Tele-Facts" program. We will be glad to hear from you during the week and will answer any questions that you care to ask. Good Night.

## OIL SANDS REVENUE

### I. Mines and Minerals

Government revenues from G.C.O.S., Ft. McMurray production:

(1) Lease Rental .....	\$ 4,522.00	
(2) Royalties .....	4,000,000.00	
(3) Bonus Sale on Lease .....	Nil	
	<u>\$4,004,522.00</u>	\$4,004,522.00

### II. Municipal Affairs

(1) Taxes to I.D. #143		
(a) Municipal .....	\$ 13,750.00	
(b) School .....	<u>1,440,000.00</u>	
	\$1,453,750.00	\$1,453,750.00

### III. Lands and Forests

(1) Surface—		
(a) Plant site surface rental		
(1106 acres @ \$6.10 per annum) .....	\$ 4,746.00	
(b) Mining area annual rental		
(4270 acres @ 15¢) .....	<u>640.50</u>	
	\$ 5,386.50	\$ 5,386.50
TOTAL .....		<u>\$5,463,658.50</u>

(c) Surface purchase (1106 acres @ \$60.95) .....	\$ 67,410.00	
(d) Surface destruction (4270 acres @ \$16.00) ..	68,320.00	
(e) Timber on plant site (1106 acres) .....	7,792.00	
(f) Timber on mining area (@ \$5.00 per acre) ..	<u>19,315.00</u>	
	\$ 162,837.00	<u>162,837.00</u>
		<u>\$5,626,495.50</u>

### IV. Sulphur      300 barrels per day (Royalties — 16% %)