

CAMERON & JONES, INC.,
Denver, Colo., September 21, 1967.

Subject: Hearings on Oil Shale, September 14 and 15, 1967

Hon. H. M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR JACKSON: During my testimony at the hearings Senator Hansen requested that I submit additional information on the development of the Athabasca tar sands in Canada, as this relates to future competition for shale oil.

Exhibit A is a list of the companies holding tar sands rights in the Province of Alberta together with acreages held by each company or group of companies. Exhibit B is a map of the bituminous sands area of the Province of Alberta giving the lease numbers for each tar sands lease now outstanding. These numbers key to Exhibit A. Essentially all major U.S. oil companies have tar sands leases.

The following is my understanding of the oil sands development policy of the Province of Alberta and the possible changes in this policy now being considered.

In October, 1962, the government announced its policy for the development of the Athabasca and related tar sands. The essential features of this policy are as follows:

1. Beyond Reach Markets

Applications for oil sands production "able to reach markets clearly beyond present or foreseeable reach of Alberta's conventional industry" would not be limited providing the development program meets conservation and related requirements of the Oil and Gas Conservation Board.

2. Within Reach Markets

Applications involving the marketing of tar sands production "within reach of Alberta's conventional industry" would:

A. For initial development be restricted to a volume in the order of five percent of the total market for Alberta crude oil and

B. For subsequent development be restricted to ensure that "market growth" enables "the conventional industry to produce at a greater proportion of its productive capacity" and with respect to the scale and timing of incremental oil sands production by relating such production to "the life index of proven reserves of conventional oil . . .".

The government's intent in the policy was to provide for the orderly development of the oil sands in such a manner as to supplement but not displace production from the conventional industry.

Under 2.A above the Province approved the application of Great Canadian Oil Sands Company, Ltd. for the first commercial plant with an authorized capacity of 45,000 barrels per day. Construction of this plant has been completed and the \$240,000,000 installation is to be dedicated September 30, 1967. Two applications for 100,000 barrels per day each are pending.

During the last year the government has received presentations from several companies requesting modifications of the existing policy to permit additional production. These modifications are as follows:

1. Redefine "within reach" and "beyond reach" to broaden "beyond reach" from a strictly geographical meaning to one that would include any markets which Alberta's conventional industry is not now serving or can hardly be expected to serve in the foreseeable future because of price, quality or other reasons.

2. Where it can be demonstrated that the applicant's marketing proposal would provide additional growth by the development of a "new" market, tar sands could share in this market to the extent of 50 to 75% even though the market fell into the definition of "within reach". Tar sands production under this modification to the "within reach" limitation will be restricted to 100,000 barrels per day unless the international situation should dictate otherwise, in which case their limit may be increased.

These changes in policy, if put into effect, will allow most if not all those companies with firm plans to go ahead with production. Over \$1 billion in new plants have been proposed.