

**County of Grande Prairie #1**

**Submission to Royalty  
Review Panel**

**Presented by Councillor  
Richard Harpe**

**April 24, 2007**

## BACKGROUND INFO

- county has in excess of 3000 oil and gas wells
- drilling at a rate of 300 to 350 new wells per year
- 6 major gas plants and over 10 minor plants
- our linear mill rate is about 10.9---it is next to impossible to raise the rate to a fair value as the province has the commercial and industrial rate tied, but has the commercial assessment on market value and industrial which is regulated by province. The first year industrial assessment is about 57% of some formula and attracts depreciation yearly after that, which results in very little assessment after 5 years
- average municipal taxes on a depreciated pumper and tanks is about \$98.00---the linear and M & E starts at about \$1503.09 and after 5 yrs is almost fully depreciated
- Industry pays NO tax on land as long as it is leased
- One shot drilling tax is about \$1720.00 for a 2800m hole {halfway zone}
- each new well attracts about 175 heavy truck loads traveling in all kinds of weather and road conditions---causing damages in the thousands
- county maintains, builds, and gravels roads from general revenue as taxes generated by wells do not even cover a fraction of the costs
- it costs anywhere up to \$4000.00/mile to gravel a road and this is done on a yearly to every other year basis
- county receives resource road funding on occasion which must be matched with monies again coming out of general revenues
- on busy resource roads farmers loose \$200.00/acre in crop due to dust which covers a total width of 400ft and equaling about 24 acres for a total yearly loss of \$4800.00/half mile of road
- cattle cannot be grazed on pasture adjacent to these roads as they cannot exist on dust---causes all kinds of health problems
- residents live in constant dust in summer causing numerous health and nuisance problems

## -ROYALTY ISSUES

- royalty has to cover cost of doing business—this is the only industry in Alberta which is heavily subsidized by both levels of taxpayer and its infrastructure costs depend on the largess of the taxpayer
  - in the green zone industry does more for wild life than they do for humans in the white zone
  - here they also pay for all road development and maintenance
  - the province has a complicated oil royalty regime bordering on the ridiculous
  - vintage oil [before 74] attracts little to no royalty
  - have old non-heavy oil royalty multiplier for month causing some wells to be on timers to operate within a cheaper bracket [non-heavy being less than 900kg/cube]
  - if production is less than 20m<sup>3</sup> then there is no royalty payable yet these are wells which have long been paid for thru production
  - if production is greater or equal to 20m<sup>3</sup> but less than 190m<sup>3</sup> a divisor of 2207.46 is used for the difference of 190 and 20 resulting in 2.46m<sup>3</sup> in royalty---a paltry amount
  - the list goes on and on and none of it is good for Alberta
- lifting costs range from \$3.15/b to 14.67/b and the rest is profit for the shareholders leaving the taxpayer to pay for our economic bliss
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## SOLUTION

-Norway has \$336 cdn billion in its government pension fund [formerly the government petroleum fund]. Oil revenues comprise 36% of Norway's budget

-Alberta which has about the same daily production as Norway has a miniscule amount in its sustainability fund in comparison

The time is now to change the petroleum tax system and a suggestion would be:

-in addition to industries current provincial tax, a further tax of 50% based on production of these resources be levied to account for the extraordinary profitability

-this would eliminate the complicated royalty regime in existence now which is prone to abuse

-this would put in place a fair and simple system for both Albertan's and industry, making it totally transparent

-activity might slow down but it would be sustainable for Alberta and its residents

-interesting to note that when land is rented on a share basis it is usually at 30% with no costs to owner and no profit testing----why are we giving our resources away?