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ALBERTA ROYALTY REVIEW PANEL

Before Board Panel:

- Bill Hunter - Board Chairman
- Judith Dwarkin - Board Member
- Andre Plourde - Board Member
- Evan Chrapko - Board Member
- Ken McKenzie (np) - Board Member
- Sam Spanglet (np) - Board Member

HELD AT:

Quality Hotel  
Grande Prairie  
April 23rd, 2007

Volume I

APPEARANCES

1  
2 Tim Presber )Ballater Resources  
3  
4 Agnes Knudsen )Northern Sunrise  
5 County  
6  
7  
8 Timothy Ritchie )CE Franklin  
9  
10 Rennie Cauchie )MD of Greenview  
11  
12 Bernd Manz )Private Citizen  
13  
14 Dettlef Rottmerhusen )Private Citizen  
15  
16 Jim Letersky )Private Citizen  
17  
18 Doug Yeomans )Private Citizen  
19  
20 Bill Nash )Private Citizen  
21  
22  
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1 --- Upon commencing at 9:30 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.  
4 Welcome and on behalf of the Royalty Review Panel, thank  
5 you for your interest in our work in Alberta's royalty  
6 and tax regime.

7 I'd like to introduce the Panel at this  
8 point. We have Andre Plourde at the far end; to my right  
9 we have Evan Chrapko; my name is Bill Hunter, I'm the  
10 Chair; and Judith Dwarin are here on this leg of our  
11 tour of the province.

12 Not with us today is Ken McKenzie who has  
13 a family health issue as recently as late last night so  
14 he sends his regrets, and the other person on our Panel  
15 that's not here is Sam Spanglet who's out of country on  
16 some personal opportunities.

17 Your input is a very important part of  
18 what we have been asked to do and we appreciate your time  
19 and efforts in joining us here in Grande Prairie for this  
20 public forum.

21 There's a couple of housekeeping items I'd  
22 like to address. One (1) is the functionality of the  
23 public forum. Each individual presenter has been  
24 allotted five (5) minutes to present and five (5) minutes  
25 for the Panel to ask questions of clarification. Each

1 organization has been allotted ten (10) minutes to  
2 present and five (5) minutes for the Panel to ask for  
3 clarification questions if we have them.

4                   We do have a timekeeper on this end of the  
5 table. We have to keep the momentum and hold to our  
6 rules of engagement, if you will, and he will have a  
7 series of coloured cards that will support you through  
8 your presentation to take you down to countdown at the  
9 end of your term and we'd like to stay to our time  
10 allotments.

11                   If you have a submission with you today,  
12 we'd gladly accept it in writing and if you don't have  
13 the submission with you and you make the presentation you  
14 can certainly submit it online, or by fax, or by email,  
15 or by postage; any one (1) of those methodologies.

16                   I'd also like to, in case there's a fire,  
17 make sure that you're aware of your nearest exit. In  
18 this case we have two (2) at the back and we have two (2)  
19 at this end. Just in case there is an emergency, I would  
20 feel better if I could help you or escort you as I run  
21 out the door in the appropriate direction.

22                   To enhance the opportunity of our full  
23 attention for the presenters, could we please have you  
24 turn off your Blackberrys and your cell phones. And if  
25 you have to have them on, could you turn them to vibrate

1 or some nonintrusive method of letting you know that  
2 somebody's looking for you.

3 For the media present today, I would be  
4 happy to speak with you at our next break. I ask that  
5 you please respect the space of the Panel and the  
6 presenters during the proceedings.

7 And again, on behalf of the Panel and  
8 Albertans thank you very much for your time and your  
9 interest in participating in today's activities.

10 We had four (4) registered presenters here  
11 this morning and we were slated to start at 9:00. Our  
12 presenters, unfortunately, couldn't make it until 10:00.  
13 One (1) of our presenters has shown up and we were going  
14 to actually start at 9:30 or now, if you will.

15 And our first presenter is Tim Presber  
16 from Ballater Resources. Tim, if you would. Welcome,  
17 sir.

18

19 PRESENTATION BY BALLATER RESOURCES:

20 MR. TIM PRESBER: Okay. Thank you very  
21 much for this opportunity to address this really  
22 important Royalty review. I -- my name is Tim Presber  
23 and I am a professional engineer. In terms of my career  
24 I spent twelve (12) years with Big Oil before I struck  
25 out on my own.

1                   This is the first formal presentation I've  
2 made since 1985 and this is the first presentation I've  
3 ever made with PowerPoint. If things go a little  
4 sideways I hope you'll bare with me, and I understand  
5 Stuart's going to help me out on the slides. Okay.

6                   Let's go to the next slide, please. My  
7 company is Ballater Resources and some people refer to my  
8 company as a mom-and-pop operation. I -- I don't like  
9 that term, because it doesn't accurately describe who we  
10 are, but we are 100 percent owned by my wife and myself,  
11 50-50.

12                   And we operate wells at the end of their  
13 life. Our business is to operate smarter and extract  
14 extra reserves from oil wells that Big Oil couldn't do.  
15 All of the wells that operate have been purchased from  
16 Big Oil and a number of wells that I don't operate were  
17 also purchased from Big Oil.

18                   My operating costs are usually lower than  
19 theirs and by way of illustration, I have a number of  
20 wells up in the Red Earth area; some are non-operated,  
21 operated by others. Penn West operates a number of wells  
22 for me and they're operating costs average forty-five  
23 hundred dollars (\$4,500) a well-month.

24                   Baytex, which is a much smaller producer,  
25 they're able to operate my wells for twenty-five hundred

1 dollars (\$2,500) a month. And the wells that I operate,  
2 I operate for eighteen hundred dollars (\$1,800), so you  
3 can see there's a big cost advantage to my way of  
4 operating.

5           The wells that I operate -- I'm able to  
6 take a well that Big Oil couldn't make any money on and  
7 turn a good dollar at it. And by doing that I prolong  
8 the life of the well and I -- I get more reserves for the  
9 Province. I do this by re-completing, reentering,  
10 reactivating, and stimulating, but mostly it's through  
11 lower operating costs, because I can pay closer attention  
12 to my wells. I like to say that I owe -- I know each of  
13 my wells on a first-name basis.

14           In my view, I believe my kind of company  
15 is typical of the companies that should be operating all  
16 these old wells at the end of their life for the maximum  
17 benefit of the Province, for the maximum benefit of  
18 Albertans.

19           Next slide. I'm also an Albertan. I live  
20 in the rural Alberta. I spend all my money here.  
21 Occasionally I go out of the country for a trip but,  
22 otherwise, all of my money is re-circulated back into the  
23 Alberta economy. I don't send money to the Hague, or  
24 London, or Chicago, or Los Angeles, or any of the other  
25 major centres that Big Oil sends their dividends to. All

1 my money stays here.

2 Over 90 percent of my operating costs are  
3 spent in rural Alberta. The balance goes into the  
4 services provided within the city of Calgary and other  
5 major centres, but the bulk of my op-costs go in -- right  
6 into rural Albert. I use local supplies almost always,  
7 when I can. Every time I go out of town for a supplier  
8 it usually bites me. So it makes sense to buy local. I  
9 know all my landowners by first name and all my operators  
10 on a first-name basis.

11 Producers like me -- and there are seven  
12 hundred (700) licenced producers; six hundred and fifty  
13 (650) of those are small oil, fifty (50) are Big Oil --  
14 we are a big part of the economy in rural Alberta. We  
15 pay municipal taxes, the lion's share of municipal taxes  
16 in many municipalities, which makes tax costs for  
17 residents much lower. We provide jobs for people in  
18 rural Alberta especially, and we pay directly to  
19 landowners via surface leases.

20 Just by way of contrast, I'm originally  
21 from Saskatchewan and every fall I go help my brother  
22 with the harvest, and driving through rural Saskatchewan  
23 you can see quite a contrast between rural Alberta and  
24 rural Saskatchewan. Rural Alberta has a prosperity that  
25 you do not find in rural Saskatchewan and it's not

1 because the farmers here are smarter or better, it's  
2 because of oil. Oil makes the difference. Oil is the  
3 big prosperity card in rural Alberta. Okay.

4 I want to talk a few minutes about ARTC.  
5 I know that your -- your realm of investigations is in  
6 the taxation as well as the royalty area, and royalty tax  
7 credit is something that I need to say something about.

8 It was clawed back from us, effective  
9 January 1st this year. It pulled \$165 million a year out  
10 of -- out of the oil industry out of -- from oil  
11 producers. Over half of that came from Small oil.  
12 Almost \$100 million was taken away from Small oil. And  
13 to illustrate the point again, my royalty costs went up  
14 by 20 percent on January 1st.

15 Esso's royalty cost went up by one-tenth  
16 (1/10th) of 1 percent. This was nothing to Esso, so Esso  
17 doesn't squawk. But I'm small oil and my cost went up by  
18 a bunch. This was a big deal for small oil, clawing back  
19 the ARTC.

20 And in my view, this is exactly the wrong  
21 thing to do. This is -- this is -- it is exactly the  
22 wrong direction. We need to -- in my view, we need to --  
23 we need to encourage small oil and not penalize and  
24 discourage them as happened January 1st this year on the  
25 clawback of the ARTC.

1                   I'd like to go back into history, if you  
2 don't mind. Back in 1974 Mr. Lougheed and his cabinet  
3 decided that Albertans needed a bigger share of royalties  
4 and they unilaterally bumped up royalties at that time,  
5 in some cases, by a factor of three (3). I'm not saying  
6 that was good, bad or indifferent, but it wasn't very  
7 smart the way it was done.

8                   Ottawa retaliated. They said, Well,  
9 that's cutting into our income tax share, we need to  
10 disallow royalties. And so the fight was on and that  
11 fight continued for many, many years.

12                   Throughout the fight we endured the  
13 National Energy Program which really brought the price  
14 collapse to Albertans about four (4) years earlier than  
15 it did for the rest of the world; the price collapse to  
16 Alberta. It was great for the frontier areas, but in  
17 Alberta it was a big hit.

18                   So this big fight, the luggage from the  
19 fight was disallowance of royalties for tax purposes.  
20 And, over the years, we've finally been able to get back  
21 the amounts that are deductible for taxes and on January  
22 1st this year, again, we finally got back to the tax base  
23 that we were before all of this mess started.

24                   So we're back to normal with -- with  
25 Ottawa. And here we are three (3) months later, after we

1 finally got things normalized with Ottawa, and we're  
2 looking at jacking up royalties again. Well, let's not  
3 go down the same path we've been, please.

4 In terms of the royalty system that we  
5 have, it was developed over the years to respond to needs  
6 over time. We had low well productivity, reactivated  
7 well, horizontal wells, and so on. And all of these  
8 things have created jobs, jobs, jobs and have contributed  
9 to the quality of life, particularly in rural Alberta.

10 In my view, the royalty system, in  
11 isolation from the ARTC, really doesn't need a fix. We  
12 have prosperity. Everything is going good. What more do  
13 we want, is the question I would pose. Things are good,  
14 let's leave it alone. Please don't make any big changes  
15 to the royalty system.

16 Okay. I have a number of conclusions. I  
17 don't think I could survive another fight with Ottawa.  
18 Please don't take us there. No big changes. Overall, I  
19 think our royalty system is good except for the ARTC.  
20 The one thing I would like to comment about is -- or a  
21 number of things.

22 The first, the way that oil royalties are  
23 collected I have quite a beef with. The level of  
24 royalties are fine, but the way it is collected has some  
25 problems. Gas royalties, on the other hand, we've

1 started the petroleum registry and that is a really slick  
2 way to collect royalties. The way we collect gas  
3 royalties is very, very good.

4           What I would like to see from this Panel  
5 are recommendations that include replace RTC. This is  
6 huge to the small oil. It won't be anything to Big Oil,  
7 but to small oil it's huge. What I would like the prop -  
8 - I give it a new name because the old name won't fly,  
9 it's not politically acceptable -- the Marginal Well  
10 Incentive Program, and I would like for you to extract  
11 the things that were wrong with ARTC and leave those out.

12           First, we would administer it through the  
13 Petroleum Registry which was so slick at collecting gas  
14 royalties and we would use the Income Tax Act to prevent  
15 the Carter problem. Carter took a big company, divided  
16 into a bunch of little chunks so he could collect a bunch  
17 of ARTCs because it was capped. And if you use the  
18 Income Tax Act instead of making up new rules, that  
19 simplifies life considerably, and also eliminate the  
20 tainting issue, that was paranoia.

21           Putting in tainted interests into the ARTC  
22 situation only made things complicated and did not  
23 satisfy an end goal that was of substance.

24           I would like to streamline to oil  
25 royalties. I'd like to go to the petroleum registry, I'd

1 like to stop taking kind; that is antiquated, we don't  
2 need to do that anymore, the need for it no longer  
3 exists. Getting rid of taking kind will save me a ton of  
4 money.

5 I would like to redistribute the royalties  
6 we do collect on oil. On small oil we have -- we collect  
7 minuscule royalties. Fifty percent of the overhead that  
8 the Crown and industry endures collects 2 percent of the  
9 oil royalty. Fifty percent of the effort collects 2  
10 percent of the royalties. We can do better than that.

11 I'd like to see some water flooding  
12 incentives. Sam El Siad (phonetic) did some work for the  
13 Department of Energy on the lack of water flood going on  
14 in Alberta. Clearly, that needs to be addressed. I  
15 guess I'm done.

16 THE CHAIRPERSON: Thanks very much, Tim.  
17 Panel members...? Judith...?

18

19 QUESTIONS BY BOARD:

20 MS. JUDITH DWARKIN: Thank you, Mr.  
21 Presber. Congratulations on your first PowerPoint  
22 presentation.

23 MR. TIM PRESBER: Oh, thank you.

24 MS. JUDITH DWARKIN: Without glitches. I  
25 have one (1) question and in your sort of estimation,

1 roughly speaking, what sort of uplift do you think you  
2 would achieve with your -- you know, your incremental  
3 programs; you take the tired old wells and apply  
4 techniques and extract more oil?

5                   Is it a 3 percent increase, do you think,  
6 in terms of the life of the well, or what in your  
7 experience is roughly the average?

8                   MR. TIM PRESBER: Well, most of the wells  
9 that I operate, I purchase them because they have low  
10 decline rates. That is to say if they've -- typical is 5  
11 percent a year. So with low decline rates like that if  
12 you can pick up a well that would stop producing, say, by  
13 a big producer at four (4) barrels a day and I can  
14 produce wells down to less than one (1) barrel a day,  
15 that would extend the life by twenty/twenty-five (20/25)  
16 years in many cases.

17                   If I'm able to do something smarter, like  
18 re-complete or do something that was missed completely,  
19 it may be even be longer. It would probably be limited  
20 more by the physical constraints of the casing integrity  
21 than by the -- the -- the length of the reserve life.

22                   MS. JUDITH DWARKIN: Thank you.

23                   THE CHAIRPERSON: Evan...?

24                   MR. EVAN CHRAPKO: If you don't mind  
25 saying, because this is a public forum, what percentage

1 roughly of your expenditure are attributable to  
2 royalties? You gave the -- the increase example of Exxon  
3 Mobile versus yourself, but in dollar terms when -- when  
4 you laid out the difference of forty-five hundred  
5 (\$4,500) dollars for a certain kind of operator to  
6 eighteen hundred (\$1,800) dollars, I know you're talking  
7 averages, so averages again on -- on well revenue, what  
8 percentage of that revenue, in your cases, the Government  
9 take?

10 MR. TIM PRESBER: Gas and oil as you  
11 probably know have -- are -- are quite a split on royalty  
12 take, both from producer perspective and also from the  
13 royalty receiver perspective. The Alberta Government  
14 takes in four (4) times as much on gas royalties as it  
15 does on oil and that's a reflection of the way both these  
16 reserves have been developed.

17 The focus historically - up until twenty  
18 (20) years ago - was on oil and in the last twenty (20)  
19 years it's been more on gas. And so I pay more gas  
20 royalties than I pay oil royalties, but I can tell you  
21 that the overhead endured by calculating the oil  
22 royalties is substantial. The overhead endured for --  
23 der -- determining gas royalties is, I get an invoice at  
24 the end of the month and I send a cheque. That is -- I  
25 sure like that part.

1                   MR. EVAN CHRAPKO:    So percentage-wise of  
2 the revenue?

3                   MR. TIM PRESBER:    Gas royalties are  
4 typically between twenty-five (25) and thirty (30)  
5 percent and on my wells; my oil royalties are on average  
6 less than 5 percent.

7                   THE CHAIRPERSON:    Andre, did you have a  
8 question?

9                   MR. ANDRE PLOURDE:    Yeah, a few things if  
10 I may.

11                                On the first slide of your presentation  
12 you have a discussion about how you're lower cost  
13 producers than others.  Could you give us some insight as  
14 to what you think the -- the key factors are that -- that  
15 bring about that situation?

16                                Why -- what makes you more -- more  
17 efficient, if you would, at running those small wells?

18                   MR. TIM PRESBER:    The big one is  
19 overhead.  I'm a one (1) man company.  My wife used to  
20 work with me but she's retired, so between me and -- and  
21 the guy who actually swings the wrenches out in the  
22 field, there's nobody; there's just the two (2) of us.

23                                Big Oil would have a number of levels of  
24 supervision and the guys who are swinging the wrenches,  
25 they spend at least half of their day doing reporting

1 situations whereas my guy, he spends maybe ten (10)  
2 minutes a day doing reporting. So he can operate twice  
3 as many wells --

4 MR. ANDRE PLOURDE: Okay.

5 MR. TIM PRESBER: -- as a company guy  
6 can. He's only got me to report to. And my guys, I know  
7 them well enough when I hear from them at the end of the  
8 month, that's enough.

9 So that's -- that's a big part of it. I  
10 work local and I go and meet my suppliers and I  
11 understand their needs because I've been a supplier to  
12 the industry also. I make sure that they are all paid  
13 within seven (7) days of getting invoices. Big Oil never  
14 pays before thirty (30) days.

15 So I get better service and I get better  
16 prices from my suppliers. I know all my wells on a first  
17 name basis so when I -- when I acquire a well I go  
18 through it, I analyse it in great detail, look for the  
19 upsides, the downsides, work the upsides. The ones that  
20 look like they're a good shot we'll go after them. And  
21 more often than not there's production to be found merely  
22 by doing things just a little bit differently from an  
23 engineering standpoint.

24 THE CHAIRPERSON: Okay. In closing off  
25 our time to ask you questions, Tim, our mandate speaks of

1 looking at Oil sands Seg D conventional oil and gas coal  
2 bed methane. In your presentation you said don't change  
3 the royalties and so on; in which category were you  
4 referring to or was that a broader statement?

5 MR. TIM PRESBER: I meant that in a very  
6 broad sense, like if you -- I -- I don't know the exact  
7 numbers as to what the take is but if you're taking a  
8 \$100 million dollars, leave it at a hundred (100).  
9 Redistribute some of it maybe but don't make a -- don't  
10 make a grab that Ottawa would say, Oh, here they are  
11 again grabbing our tax revenue -- the minute we get it  
12 back to normal they're grabbing it back -- because  
13 that'll precipitate a battle that I sure don't want. I  
14 don't -- I don't think Albertans want it either.

15 THE CHAIRPERSON: Thank you very much for  
16 your time. We really appreciate it.

17 MR. TIM PRESBER: Thank you.

18 THE CHAIRPERSON: Our next presentation  
19 will start at 10:00 and is Tim Ritchie here?

20 How About Agnes Knudsen?

21 And Richard Harpe? They're walking in the  
22 door as we speak. Anyways, we're going to shoot for  
23 10:00 and hopefully one (1) of the three (3) -- oh,  
24 sorry.

25 MR. RENNIE CAUCHIE: Yes, Mr. Chairman,

1 my name's Rennie Cauchie and I represents the MD of  
2 Greenview. I'm just here as an -- an observer, but I  
3 just wondered if I could get an indication of who the  
4 Board are? Like, I have the names but could I get some  
5 background or some idea of who the Board Members are?

6 THE CHAIRPERSON: Actually I'll get Cathy  
7 in --

8 MR. RENNIE CAUCHIE: Yeah.

9 THE CHAIRPERSON: -- the back there. She  
10 has all that information for you.

11 MR. RENNIE CAUCHIE: Thank you very much.

12 THE CHAIRPERSON: Thank you. Okay. If  
13 you need to refresh your coffees or hopefully we'll have  
14 Tim Ritchie from CE Franklin available for a ten o'clock  
15 presentation.

16

17 --- Upon recessing at 9:50 a.m.

18 --- Upon resuming at 10:00 a.m.

19

20 THE CHAIRPERSON: Thanks again, folks.  
21 Our next presenter is available and ready to present.  
22 Her name is Agnes Knudsen from Northern Sunrise County.  
23 Welcome, and we're all yours.

24

25 PRESENTATION BY NORTHERN SUNRISE COUNTY:

1 MS. AGNES KNUDSEN: Thank you and good  
2 morning.

3 So you've got the big thing there and I'll  
4 help you get through that. On behalf of the council of  
5 Northern Sunrise County I would like to thank the Royalty  
6 Review Panel for the opportunity to present our views on  
7 the review of Alberta's royalty and tax regime.

8 Northern Sunrise County is located in the  
9 heart of the Peace oil sands. There are approximately  
10 two hundred and two (202) oil and gas companies operating  
11 in our County. The Peace oil sands initial development  
12 began some twenty-five (25) years ago with the  
13 development of the Shell in situ plant.

14 Presently the Shell plant produces twelve  
15 thousand (12,000) barrels per day and has made  
16 application to Alberta Energy and Utilities Board and to  
17 Alberta Environment for the planned expansion of the  
18 plant to one hundred thousand (100,000) barrels per day.

19 In the last five (5) years, due to new  
20 technology, the Peace oil sands have experienced rapid  
21 growth. We have attached a boundary map of the county.  
22 We are 21,573 square kilometres in size. And also  
23 attached is a map showing the activity in the Peace oil  
24 sands within our county.

25 So that is -- just like at the very

1 beginning of the book is the letter and directly behind  
2 that is this map. And behind that one is the -- shows  
3 the oil activity.

4                   In the Panel's review -- in the Panel's  
5 review the effects on municipalities due to resource  
6 development needs to be addressed. We believe funds  
7 should be returned to the municipalities in the way of  
8 economic rent as recommended in the Minister's Council on  
9 Municipal Sustainability final report to the Minister of  
10 Municipal Affairs and Housing. And that was March of  
11 '07.

12                   So that document is under Tab 1, and you  
13 may go to that when you have time. This would fund  
14 direct costs imposed on municipalities as a result of  
15 resource development.

16                   As an example, Northern Sunrise County in  
17 2006 completed a new 32 kilometre all-weather public road  
18 at a cost of \$7.7 million to service the Peace oil sands  
19 development with provincial assistance under their  
20 Resource Road Program of \$3 million and private company  
21 contributions of over five hundred thousand (500,000).

22                   We now need funds to pave this and other  
23 public roads which are the only public access into  
24 strategic locations related to the Peace oil sands  
25 development. But due to vehicle count requirements of

1 Alberta Infrastructure and Transportation, we are not  
2 eligible for assistance.

3 Also, provincial support is required to  
4 provide funding to meet the northern needs for increased  
5 air transportation and maximize airport facilities.  
6 Rail, air, road development must take priority in the  
7 Province's commitment to ensure the Peace oil sands and  
8 the communities that it serves can be more competitive in  
9 the marketplace.

10 Northern Sunrise County would like to see  
11 the Province be more pro-active in addressing the overall  
12 impression that Alberta does not meet environmental  
13 standards. We are keenly aware of the socioeconomic  
14 impacts of Peace oil sands growth including the affect on  
15 the population in the region and we will take this  
16 opportunity to address them.

17 Of interest, RCMP statistics have shown an  
18 increase in their requests for response and will be  
19 adding eight (8) constables to their previous staff  
20 complement of nine (9) constables in the next year.  
21 Clearly law enforcement is an issue as well when the  
22 industry activity increases.

23 In 2006, Northern Sunrise County Municipal  
24 District of Smoky River 130, then Municipal District of  
25 Big Lakes, and Smoky River Regional Economic Development

1 organized a forum on June 20th to identify the  
2 socioeconomic impacts. And that is behind Tab 2 in the  
3 book, the findings that came out of that.

4 Over ninety (90) representatives were  
5 present and broke out into five (5) workshops to identify  
6 the following issues as critical to address, which was  
7 health, social services, infrastructure, housing and  
8 employment in training.

9 The next step is to formalize the Peace  
10 Oil sands Synergy Group with provincial support to work  
11 with all stakeholders -- industry, government and  
12 communities -- to address the priorities from the Peace  
13 Oil sands Synergy Group Forum held in June of '06.

14 As well, in 2006 the Northern Alberta  
15 Development Council released their shadow populations in  
16 Northern Alberta Report noting that Peace County Health  
17 reported the highest provincial rate of emergency  
18 department use for injuries, more that twice the  
19 provincial rate, and reported the second highest  
20 provincial rate of suicides here. And that report is  
21 under Tab 3

22 So there's -- there's recommendations in  
23 there.

24 Now, key finding number 1, Alberta  
25 Municipal Affairs and Housing must authorize the

1 inclusion of a shadow population in a municipal census.  
2 Though there are guidelines available as a matter of  
3 practice, these guidelines are not referenced in the  
4 Municipal Government Act nor are they noted in any of the  
5 department's associated regulations.

6 Finding number 2, as per the guidelines of  
7 Alberta Municipal Affairs, a shadow population would be  
8 considered for authorization if the enumeration resulted  
9 in 10 percent or more of the permanent population.

10 Finding number 3, ten (10) of the twenty-  
11 one (21) rural municipalities within the boundaries of  
12 Northern Alberta Development Counsel met this requirement  
13 under both quantification procedures presented in this  
14 research project.

15 Finding number 4, the top three (3) shadow  
16 population to permanent population ratios identified  
17 during peak season are located in the Municipal District  
18 of Greenview at 117.8 percent, Municipal District of  
19 Opportunity at 58.7 percent, and Northern Sunrise County  
20 at 44.6 percent.

21 And Finding number 5, a total shadow  
22 population of thirty thousand and fourteen (30,014)  
23 during the peak season was identified in the Northern  
24 Alberta Development Counsel Region reflecting 10.2  
25 percent of the total 2005 population of the NADC Council.

1 So that was two hundred and ninety-five thousand two  
2 hundred and seventy eight (295,278) people.

3 The question that will remain with us is:  
4 What are the long-term impacts of shadow population? The  
5 Royalty Review Panel needs to consider whether it is from  
6 new revenue that this created as a result of this review  
7 or -- that is created as a result of this review, or a  
8 reallocation of existing provincial revenue that funds  
9 needs to be allocated to municipalities which are  
10 directly impacted by resource development.

11 It has been my pleasure to speak with you  
12 today and we thank you for this opportunity.

13 THE CHAIRPERSON: Thank you very much,  
14 Agnes.

15 Andre...?

16

17 QUESTIONS BY BOARD:

18 MR. ANDRE PLOURDE: If I try to link this  
19 back to some of the activities of the oil industry, is  
20 part of the argument that a lot of the -- the shadow  
21 population that you refer is directly related to the  
22 activity to oil or activities of the industry; is that  
23 the link between -- of the concerns?

24 MS. AGNES KNUDSEN: Yes. Yes.

25 MR. ANDRE PLOURDE: Is this largely a

1 production issue? Is this largely an exploration issue?  
2 Is this largely a -- I mean, how -- where do you see --  
3 is it -- is it really a transient problem that you think  
4 will be with you for a long time, is that why you're  
5 bringing this up now?

6 MS. AGNES KNUDSEN: Yes, we believe so,  
7 because there's construction phase, there's -- there --  
8 there is exploration, construction and just on, and on,  
9 and at this point it doesn't look it will ever end.

10 MR. ANDRE PLOURDE: And you're  
11 anticipating this to becoming a more serious issue down  
12 the road as -- as operations get larger, is that --

13 MS. AGNES KNUDSEN: Yes, and -- and  
14 therefore, more traffic on the roads. And you know, if  
15 they're in camp situations they're not right in towns,  
16 but then they need to travel to the camps and whatever.

17 MR. ANDRE PLOURDE: Okay. Now, would you  
18 have the necessary tax authority to levy some kind of  
19 charge, user charge, or something similar to that on the  
20 users of that -- of those -- that infrastructure?

21 MS. AGNES KNUDSEN: I don't believe that  
22 we can, no, not on the roads.

23 MR. ANDRE PLOURDE: Okay. Thanks.

24 THE CHAIRPERSON: Evan...?

25 MR. EVAN CHRAPKO: I'll leave for another

1 discussion, the -- the -- when does shadow become  
2 permanent or when does it get counted?

3 My questions have more to do with, you  
4 named indirect costs and I suppose that means they're --  
5 they're direct costs or vice versa and the -- the list of  
6 categories you went through, quickly here -- I managed to  
7 capture eight (8) or nine (9) -- but what is your  
8 recommendation to the Panel in terms of royalty rates and  
9 -- and royalty structures across either one (1) of the  
10 areas in our mandate or all of the areas in our mandate,  
11 specifically?

12 I know you're asking possibly that there  
13 be a tie between what gets paid and what the municipality  
14 gets, but what would you say about rates; the government  
15 take, itself?

16 MS. AGNES KNUDSEN: So if a -- a certain  
17 percentage of the royalties could be put in a pot perhaps  
18 and then divvied out from there so that if you have good  
19 years and bad years, like, you -- you would never spend a  
20 100 percent of it perhaps, but leave a bit of a cushion  
21 there so that if you have down years, there's still  
22 something in the pot.

23 So, yeah, I don't know if a certain  
24 percentage, 1/2 percent, I don't what that might be or --  
25 or what kind of dollars that would look like.

1 THE CHAIRPERSON: Judith...?

2 MS. AGNES KNUDSEN: Something like that.

3 THE CHAIRPERSON: Thanks.

4 MS. JUDITH DWARKIN: The follow-up  
5 question to that. Are you talking about a pot of the  
6 royalties collected within your region or the total pot  
7 within the Province to sort of be remitted back somehow?  
8 In your ideal --

9 MS. AGNES KNUDSEN: Well, that it would  
10 def -- definitely have to come back to where it is  
11 generated, so if -- if a larger percentage of the  
12 royalties is coming from that area or Fort McMurray that  
13 it find its way back there.

14 MS. JUDITH DWARKIN: Yes. Thank you.

15 THE CHAIRPERSON: Thanks very much,  
16 Agnes. We appreciate your input.

17 MS. AGNES KNUDSEN: Okay. All right.  
18 Thank you.

19 THE CHAIRPERSON: Thank you. So our --  
20 our next presentation, we're going to shoot for 10:30, so  
21 again if you want to refill your water, your coffee.

22

23 --- Upon recessing at 10:12 a.m.

24 --- Upon resuming at 10:27 a.m.

25

1                   THE CHAIRPERSON:   Welcome back everyone.  
2   For those of you who are just joining us, the little bit  
3   of housekeeping is that organizations are allotted ten  
4   (10) minutes to present and then the Panel has five (5)  
5   minutes to respond with questions if appropriate or  
6   needed.  Each individual presenter will be allotted five  
7   (5) to present and, again, the Panel five (5) minutes to  
8   ask for clarification.

9                   Again the nearest exits are important  
10  should there be an emergency.  There's two (2) at the  
11  back and, no I'm not a stewardess, there's two (2) at the  
12  front.  Just be aware of where they are in case there is  
13  an emergency.

14                   Our next presenter is Tim -- Timothy  
15  Ritchie from CE Franklin.  If you're ready, Timothy.

16

17  PRESENTATION BY CE FRANKLIN:

18                   MR. TIMOTHY RITCHIE:   Good morning.  As  
19  Mr. Hunter indicated, I'm Tim Ritchie, Vice President of  
20  Strategic Initiatives for CE Franklin Limited.  I'd like  
21  to thank the Panel for the opportunity to have some input  
22  into this important process.

23                   I'll just give a very quick background to  
24  CE Franklin to set a little bit of context and background  
25  for my submission.  CE Franklin is a supplier to -- of

1 products and services to the Canadian ener -- energy  
2 industry. We're an Alberta-based company; our head  
3 office is located in Calgary; our distribution centre is  
4 in Edmonton. We have twenty-six (26) branches throughout  
5 Alberta out of a total of forty-two (42) in Canada. We  
6 employ about three hundred (300) people in Alberta out of  
7 about four hundred (400) in -- in Canada overall and CE  
8 Franklin is a publically traded company. 2006 revenue,  
9 \$555 million and net income of 22.9 million.

10 As a supply company, obviously, CE  
11 Franklin is not directly affected by the royalty system,  
12 so I'm not going to speak to any of the specifics of the  
13 royalty programs. I just will concentrate briefly on how  
14 the royalty system is part of the overall fiscal system  
15 for the energy industry, impacts companies in the service  
16 and supply industry overall.

17 I was glad to see the quality of the  
18 documentation on the Royalty Review website. It gave me  
19 a good opportunity to review and get some background for  
20 myself on it. And with everything that I read on there -  
21 specifically the terms of reference for the Review Panel,  
22 royalty information briefing number 2, what is fair share  
23 and royalties in Alberta, the background information -  
24 seemed to me there was a pretty clear mandate for the  
25 royalty system and for the Panel overall, and that is

1 ensuring that the system is designed such that it  
2 provides a fair return for the owners of the natural  
3 resources, being Albertans.

4                   And also that it provides sufficient  
5 incentive for companies to invest in exploration and  
6 development activities and meeting certain objectives in  
7 that arena, such as extending the life of mature --  
8 mature resources, promoting development of new  
9 technologies, promoting exploration and development of  
10 new resources and com -- being competitive with other  
11 jurisdictions.

12                   Now as I said, CE Franklin is not directly  
13 affected by changes in the royalty system, but like all  
14 companies in the service and supply sector, are directly  
15 and significantly affected by changes in activity levels  
16 in exploration and production activity. And, you know,  
17 accordingly, it's very susceptible to the wide  
18 fluctuations that have been experienced in the -- in --  
19 in activity levels.

20                   During the rapid growth that's been  
21 experienced in the industry in the last few years,  
22 service and supply organizations, in general I think,  
23 have been strained to try and satisfy our customers'  
24 growing requirements for materials and services. Like a  
25 lot of the other companies in the sector, CE Franklin has

1 responded by making some significant and long-term  
2 investments in infrastructure and in training and  
3 development of -- of human resources to try and have the  
4 infrastructure in place to -- to satisfy those  
5 requirements.

6                   Just as -- as an example for CE Franklin,  
7 groundwork is underway right now for a 150,000 square  
8 foot distribution centre in Edmonton. We just moved into  
9 a new facility in Red Deer this month and in the last few  
10 years, we've opened up new facilities in Grande Prairie,  
11 which is a significant one for us, in Rocky Mountain  
12 House and in Nisku, just to name just a few.

13                   Obviously, as I indicated, any change in  
14 the royalty system or the fiscal system that leads to a  
15 significant reduction in industry activity, would have a  
16 very significant and immediate impact on companies in the  
17 service sector including ourselves. And those companies  
18 obviously have the risk of experiencing a significantly  
19 diminished or negative returns on those investments.

20                   Because those swings in activity levels  
21 definitely contribute to inflationary pressures in the  
22 up-cycles and poor results or outright business failures  
23 in the down-cycles, we would suggest that a third primary  
24 objective be added to the design of the royalty system,  
25 and by extension the overall fiscal system, and that is

1 the promotion of more stable levels of activity in the  
2 industry.

3                   We would assert that stable activity would  
4 promote an increased level of investment in the service  
5 sector by reducing the investment risk which, in turn,  
6 would -- would recreate some incentive to -- to invest in  
7 infrastructure, people development, et cetera, and that  
8 the availability of this infrastructure and of skilled  
9 resources in the service sector will help to moderate the  
10 inflationary impact in the industry and in the overall  
11 economy.

12                   So obviously, the question is: How do you  
13 promote stability in an industry that's been  
14 characterized - you could even say plagued - by extreme  
15 volatility up -- up and down with the commodity cycles?  
16 And obviously, we, like all the stakeholders, recognize  
17 there are a number of factors that are outside the  
18 control of -- of the Alberta Government, the Canadian  
19 Government or players in the industry. There's obviously  
20 the -- the impact of commodity prices.

21                   And in addition to oil and gas  
22 fluctuations, another factor that's been very prevalent  
23 for us has been extreme upwards pressure on steel prices  
24 which is obviously driven by global commodity pressures  
25 as opposed to local commodity pressures. We don't

1 control the -- the demand for inputs in other sectors  
2 that are shared, such as labour, and obviously don't  
3 control changes in the royalty systems in other  
4 jurisdictions.

5                   We believe what -- what we can do is to  
6 try and reduce the uncertainty that's associated with  
7 frequent or radical changes in the economic or fiscal  
8 system. So by -- by maintaining long-term stability in -  
9 - in the royalty system and the overall fiscal system, by  
10 relying on existing mechanisms to respond to changes in  
11 commodity prices to ensure that we're capturing the  
12 economic rent, and also maintaining the Alberta status as  
13 low-risk environment in which to invest, we can promote  
14 some degree of stability in the industry.

15                   So, in summary, we believe that with input  
16 from all the stakeholders it should be possible to ensure  
17 that the design of the royalty system continues to  
18 provide a fair return for all Albertans as the owners of  
19 the resource provides incentive for companies to invest  
20 in exploration and development activities and, also, that  
21 through promoting increased stability in activity levels,  
22 will support increased investment in infrastructure in  
23 the service and supply sector. We believe that this will  
24 maximize long-term returns to Albertans as the owners of  
25 the resource, and will continue to promote the

1 development of a strong and diverse economy in Alberta.

2 THE CHAIRPERSON: Thanks Tim.

3 Judith...?

4

5 QUESTIONS BY BOARD:

6 MS. JUDITH DWARKIN: Thank you very much.

7 I know you said you didn't really want to talk about the  
8 royalties because they don't apply to your business  
9 directly, but you've made the tantalizing observation  
10 that we could rely on existing mechanisms to respond to  
11 changing commodity prices to somehow promote stability.

12 Do you have any specific recommendations  
13 with respect to how the existing system might be tweaked?

14 MR. TIMOTHY RITCHIE: Like I said, I don't  
15 want to -- to come across as -- as an expert or even  
16 well-informed on -- on the mechanisms of the royalty  
17 system. Most of what I know about them I learned in the  
18 last few days in -- in reading to -- to prepare for this  
19 submission.

20 But I was interested to see that the  
21 mechanisms are -- are such that the -- the curves  
22 designed to move upward and downward, the percentage is  
23 based on where the commodity prices are. And I assume  
24 that there's a review process built in that as the -- the  
25 band for commodity prices shifts over time that maybe,

1 you know, a number for the -- the maximum percentage of  
2 royalty on a particular barrel of -- of oil equivalent  
3 may need to shift, you know, up or down over time  
4 depending on what the band is for the commodity prices.

5 But again, I assume there's a -- there's a  
6 review process in place for that.

7 MS. JUDITH DWARKIN: Thank you.

8 THE CHAIRPERSON: Evan...?

9 MR. EVAN CHRAPKO: Thanks, Tim. You've  
10 mentioned that the commodity cycles are wildly volatile  
11 and a lot of the risks you've taken us through for the  
12 service industry, what some of that means, but how -- can  
13 you, just for benefit, explain how you insulate  
14 yourselves or -- or guard against that?

15 MR. TIMOTHY RITCHIE: It's a tricky one  
16 in the sense that on the -- on the up-cycles I think most  
17 of us in the supply sector are a little hesitant to  
18 invest, trying not to get too far ahead of where the --  
19 where the cycle is. And we certainly experienced, you  
20 know, significant capacity shortages. We experience  
21 material shortages from our suppliers. At the same time  
22 we're experiencing upward pressure on steel prices.

23 So all of those factors were contributing  
24 to higher prices for ourselves and higher costs for --  
25 for our customers, so but really --

1 MR. EVAN CHRAPKO: But you just don't do  
2 nothing --

3 MR. TIMOTHY RITCHIE: No, I mean, what --

4 MR. EVAN CHRAPKO: So what do you do?

5 MR. TIMOTHY RITCHIE: I mean, what we try  
6 and do is to manage the level of infrastructure that we  
7 have to manage the, you know, the size of the facilities,  
8 the number of people that we employ, and try and do it so  
9 that we can maintain a steady work force, that we can  
10 continue to provide a return to our shareholders in all  
11 phases of the cycle.

12 And so that's really been our focus and,  
13 you know, the more stable the -- the level of activity,  
14 the more we can manage our infrastructure and provide a  
15 constant, you know, and fair return to our shareholders  
16 and stay away from, you know, having layoffs and that  
17 sort of thing in -- in which we've, you know, been fairly  
18 successful in in this cycle.

19 THE CHAIRPERSON: Andre...?

20 MR. ANDRE PLOURDE: Thanks. On one (1)  
21 of your slides you promote increased stability in  
22 activity levels. Now, if I were to -- what I'd like to  
23 ask you is: What do you think is the key factor that  
24 promotes the instability in activity levels?

25 MR. TIMOTHY RITCHIE: I -- I mean the

1 obvious factor that -- that's, you know, contributing  
2 most directly is the upward -- upward and downward swings  
3 in -- in the commodity prices and, you know, noting that  
4 other pieces are built in there to try and create  
5 development and sectors that weren't experiencing a lot  
6 development, or in times of the year when there wasn't  
7 developments.

8                   So you look at, you know, British Columbia  
9 trying to provide incentive to explore year-round, which  
10 would help to smooth out, you know, activity cycles  
11 there; looking at other ones promoting, you know, maybe,  
12 you know, basins that are marginal, or that sort of it --  
13 that sort of thing.

14                   And again, like I said, I don't want to  
15 come across as being an expert on how to design it, but  
16 certainly looking at the overall objectives, which I  
17 agree with, both as, you know, an employer and as someone  
18 who participates in the Alberta economy and has a family,  
19 or that -- just looking at that as being something that  
20 should have visibility as being a key factor and an  
21 objective for the design of the process.

22                   MR. ANDRE PLOURDE:    Can -- can I ask  
23 something, sir?

24                   THE CHAIRPERSON:    Yes.

25                   MR. ANDRE PLOURDE:    Thanks.  When would -

1 - stability, if I -- if I try to think of stability, it's  
2 kind of bringing the bottom up and bringing the top down  
3 as well.

4 Is that kind of the model that you have in  
5 mind? Is it the way you're -- you're thinking about this  
6 that the upswings are also a bit -- are as much, or --  
7 are at least an issue that we need to think about?

8 MR. TIMOTHY RITCHIE: I think they have  
9 been in the sense that when you get a -- a dramatic  
10 upswing that happens very quickly and there's  
11 insufficient resources and infrastructure available to  
12 support it -- I mean, a lot of the -- the background  
13 material refers to the inflationary pressures that are  
14 being caused and I think, you know, certainly we've all  
15 experienced that as we're all competing for, you know,  
16 for resources and for -- for capital. You get some of  
17 that inflationary pressure.

18 So I do think there's some of that, that  
19 bringing the bottom up and the top down a little I think  
20 will help overall to reduce and mitigate that  
21 inflationary impact.

22 MR. ANDRE PLOURDE: Okay. Thank you.

23 MR. TIMOTHY RITCHIE: Thanks.

24 THE CHAIRPERSON: Thanks very much,  
25 Timothy. We really appreciate your inputs and your

1 recommendations.

2 MR. TIMOTHY RITCHIE: My pleasure.

3 Thanks again.

4 THE CHAIRPERSON: Ladies and gentlemen,  
5 that winds up the presentations for this morning. We had  
6 one (1) deferral from one (1) presenter who asked to  
7 speak at nine o'clock tomorrow morning, so we're going to  
8 accommodate that.

9 And there's a notion that there possibly  
10 could be one (1) or two (2) more registered presenters  
11 and we're just waiting for an indication that they do  
12 want to come forward. And one (1) of them could be  
13 happening as I speak, so just bear with me. If we could  
14 wait two (2) or three (3) minutes, we'll -- we'll get an  
15 indication that they do, in fact, want to speak.

16

17 (BRIEF PAUSE)

18

19 THE CHAIRPERSON: And we have  
20 confirmation. We have one (1) more presenter.

21 Sir, I hope the paperwork wasn't onerous  
22 and they got you through in good time.

23 MR. RENNIE CAUCHIE: Yeah, thank you, Mr.  
24 Chairman.

25 THE CHAIRPERSON: Could you say your

1 name --

2 MR. RENNIE CAUCHIE: Yes.

3 THE CHAIRPERSON: -- and who you  
4 represent, please.

5

6 PRESENTATION BY MD OF GREENVIEW:

7 MR. RENNIE CAUCHIE: Rennie Cauchie. I'm  
8 the Deputy Reeve at the MD of Greenview and I come  
9 unprepared, so I'll just -- I start off with a joke, no.

10 First off, I want to confirm what was  
11 presented by Northern Sunrise County about the shadow  
12 population in the MD of Greenview which was, I believe by  
13 the statistics, 117 percent of the population.

14 And -- and that shadow population does  
15 create a -- a bit of extra cost to the -- our  
16 municipality in the sense that they're using our roads  
17 and -- and the staff that we have to have to monitor what  
18 goes on in some of these camps and so there is a cost to  
19 that.

20 So I guess if -- where we're coming from  
21 on that basis is, if there's going to be a royalty change  
22 or review of any sort, that the funding that is -- if  
23 there's difference in funding now, we would like to see  
24 some of that coming back to our municipality for the  
25 production that was done in our municipality.

1                    Couple comments on the -- the other types  
2 of tax and you refer to the -- in the literature given  
3 out, freehold min -- mineral tax and I see it's presently  
4 at a sixteen hundred (\$1,600) dollar exemption. And I  
5 would say that if that exemption is to be reviewed that  
6 the tax rate -- if they're going to reduce or increase  
7 that exemption -- I guess increase that exemption, that  
8 the tax rate would be increased accordingly, because I  
9 believe that the sixteen hundred (\$1,600) dollar  
10 exemption was put in a number of years ago and it appears  
11 to me to be fairly low.

12                    But the rate that they're charging for  
13 anything above that, which apparently looks like in the  
14 papers I read, is a lot of these freehold mineral rights  
15 are held by fairly large companies and -- and I hate to  
16 see these fellows paying anywhere from zero to 1 percent  
17 royalty rate.

18                    The other item in there and -- is the  
19 Innovative Energy Technologies Program, which I believe  
20 is a good thing and I'd like to see that remain as far --  
21 personally, I'm not sure if I'm representing everybody of  
22 the municipality when I say this, but I think it should  
23 remain especially for those companies that are going to  
24 use CO2 for the mining of the oil -- and I assumed this  
25 is used in the oil sands in most cases, if it's going to

1 replace the use of water. And so -- and therefore, I'd  
2 to see that program stay in place, especially for the use  
3 of CO2.

4 That's all I have, but I can certainly  
5 answer some questions, hopefully.

6 THE CHAIRPERSON: Okay, sir.  
7 Andre...?

8

9 QUESTIONS BY BOARD:

10 MR. ANDRE PLOURDE: The -- I just to pick  
11 up on your point in terms of the freehold mineral tax,  
12 the -- kind of the purpose of that is -- is a bit  
13 different from a royalty because you -- the ownership has  
14 disappeared.

15 So then you're recommending kind of  
16 increasing perhaps or if I understood you correctly, kind  
17 of increasing the -- the exemption, but increasing the  
18 rate, what kind of -- if you think of this as -- given  
19 that we're not -- Albertans are not the owners, what kind  
20 of -- how do you see us proposing that -- what kind of  
21 justification do you think we can bring forward to  
22 increase -- an increa -- to bring about an increase in  
23 the freehold mineral tax rate?

24 MR. RENNIE CAUCHIE: I guess when you  
25 talk about the sixteen hundred (1,600) exemption was set

1 quite a few years ago --

2 MR. ANDRE PLOURDE: Hmm hmm.

3 MR. RENNIE CAUCHIE: -- and I'm assuming  
4 that that's going to be review -- I would think would be  
5 reviewed because of -- of how low that is. And if you  
6 bring it up that's going to -- or -- or if you do away  
7 with it, I guess, is one other way and then you leave the  
8 tax the same and then you do end up, everybody's paying a  
9 fair share.

10 But if there is any talk of increasing  
11 that exemption, to account for inflation I guess, that --  
12 then the effective royalty rates would be increased at  
13 the same rate of inflation.

14 THE CHAIRPERSON: Judith....? No.

15 MR. ANDRE PLOURDE: Thank you.

16 MR. EVAN CHRAPKO: My colleague, Ms.  
17 Dwarkin, asked your colleague, Ms. Knudsen, whether or  
18 not the -- the take or the allocation of funds should  
19 come back to a region where they were generated --

20 MR. RENNIE CAUCHIE: Hmm hmm.

21 MR. EVAN CHRAPKO: -- or whether or not  
22 you're talking about allocations coming from provincial  
23 numbers in total. I'd like to give you the  
24 opportunity to answer that same question.

25 MR. RENNIE CAUCHIE: I -- I would assume

1 that from the provincial point of view it would be very  
2 hard to distinguish what royalties actually came out of  
3 the MD of Greenview as compared to the Province of  
4 Alberta or any other parts of the Province.

5                   So, I would assume it would have to be on  
6 the pooled process where I'm sure that somewhere we have  
7 records or the Provincial Government has records of how  
8 much oil or gas is taken out of our municipality and what  
9 it's actually costing us to do that from a municipal  
10 point of view.

11                   MR. EVAN CHRAPKO:    So you're making a  
12 resource argument as opposed to a population argument?

13                   MR. RENNIE CAUCHIE:    Yes.

14                   THE CHAIRPERSON:    Andre, did you have any  
15 others?

16                   Thank you very much, Rennie. We applaud  
17 your ability and tenacity to form an opinion and actually  
18 register and bring it forward and --

19                   MR. RENNIE CAUCHIE:    Thank you.

20                   THE CHAIRPERSON:    -- we're encouraging  
21 more of that spontaneous involvement. Thank you very  
22 much.

23                   MR. RENNIE CAUCHIE:    Thank you.

24                   THE CHAIRPERSON:    So that concludes this  
25 morning's activities. We will reconvene at 1:30. We do

1 not have any presenters lined up at this time. The next  
2 presenter has been set up for nine o'clock tomorrow  
3 morning but the Panel will make itself available for 1:30  
4 this afternoon and 7:30 tonight in case we have other  
5 people who have an opportunity to register and put  
6 together a submission.

7 Other than that, thank you very much,  
8 folks, for participating and listening to each other talk  
9 about our future. Thanks a lot.

10

11 --- Upon recessing at 10:47 a.m.

12 --- Upon resuming at 1:27 p.m.

13

14 THE CHAIRPERSON: Welcome everyone to  
15 this afternoon's session. On behalf of the Royalty  
16 Review Panel, thank you for interest in our work in  
17 Alberta's royalty and tax regimes.

18 If I could introduce the Panel to you. We  
19 have Andre Plourde; we have Evan Chrapko; my name is Bill  
20 Hunter and Judith Dwarkin. There are six (6) members of  
21 the Panel, but only four (4) could attend. Ken MacKenzie  
22 from the U of C had a family health issue late last night  
23 that precluded him from coming and Sam Spanglet, our  
24 other panel member is out of country.

25 We are adamant that your input into this

1 process is a very important part of what we do and what  
2 we've been asked to do and we really appreciate your time  
3 and effort to make those contributions and suggestions to  
4 us.

5 A couple of housekeeping items I'd like to  
6 go through. We've designed it so that each individual  
7 presenter is allotted five (5) minutes of time to make a  
8 presentation and that'll be followed by an opportunity  
9 for the Panel to ask questions.

10 Each organization has been allotted ten  
11 (10) minutes to make their presentations and then the  
12 Panel will take the appropriate amount of time to ask the  
13 pertinent questions, if applicable.

14 If you've brought a submission with you  
15 today and you'd like to submit it, we have staff at the  
16 back where you came in at the entrance and please leave  
17 it with them.

18 If you haven't had that opportunity and  
19 still would like to make your submission, I refer to our  
20 website. It's [www.albertaroyaltyreview.ca](http://www.albertaroyaltyreview.ca). You can mail  
21 it, email it, use the Internet or a whole litany of other  
22 opportunities to ensure that you get your opportunity to  
23 voice your opinion or your concerns.

24 Now it's time for my WestJet stewardess  
25 opportunity. That's in case we have an emergency, I'd

1 like you to be familiar with an exit sign so that we can  
2 all leave in an -- in an orderly fashion. So we have two  
3 (2) exits at the back, two (2) exits at the front, and  
4 make sure that you're aware of which one is closest to  
5 you.

6 To enhance the opportunity of our full  
7 attention for the presenters, could we please ask that  
8 you shut your Blackberrys and your telephones off. And  
9 if you have to leave them on, could you put it on a  
10 vibrate or some non-intrusive method of letting you know  
11 that somebody's trying to get a hold of you.

12 For the media that are here today, I'll be  
13 happy on behalf of the Panel to speak to you after the  
14 afternoon presentations. And we just ask that you please  
15 respect the space of the Panel and the presenters during  
16 the proceedings. And again, on behalf of the Panel and  
17 Albertans, thank you very, very much for interest and  
18 your time.

19 From a functionality point of view, we  
20 have a timekeeper at the end that helps us pace ourselves  
21 and make sure that we give the appropriate amount of  
22 time. He has a series of coloured flip cards that he  
23 will share with you as you wind down through the duration  
24 of your speech and we would like to hold to our allotted  
25 amount of times.

1                   That being said, our first presenter this  
2 afternoon is Bernd Manz. And I hope I pronounced that  
3 properly. Welcome, sir.

4

5 PRESENTATION BY BERND MANZ:

6                   MR. BERND MANZ: Thanks very -- very much  
7 for the opportunity to address the Panel and for the work  
8 that you're doing in reviewing the royalties. I put some  
9 notes together, so I'll refer to those as -- as I go  
10 forward.

11                   And I'm speaking as a -- as a resident of  
12 Grande Prairie and this region that's so heavily  
13 influenced by oil and gas activity. I'm no expert in --  
14 in the oil and gas area itself.

15                   So the -- the royalty structure seems to  
16 have -- to have a very heavy influence on the degree to  
17 which oil and gas activity occurs and certainly we're  
18 living in an area and region that's very heavily  
19 influenced by that oil and gas extraction process.

20                   If -- if we look at Grande Prairie we're  
21 experiencing tremendous growth right now and with all of  
22 the good things that come with growth also come a number  
23 of -- of issues that -- like rising prices and shortages  
24 in various things like labour and services like schools  
25 and education, healthcare and hospitals.

1                   Affordable housing is an -- is an issue  
2 for us. So is infrastructure-related good roads and  
3 transportation systems and large investments required new  
4 water and sewer systems; all these things needed to  
5 accommodate growth that's largely influenced and driven  
6 by oil and gas. We also have significant social impacts  
7 as part of this growth related to the need for more  
8 social services, increased homelessness and more crime.

9                   So while these issues aren't unique to  
10 Grande Prairie, they're certainly more acute given the  
11 high rate of growth that's occurring, and again largely  
12 due to oil and gas activity. With the planned Oil sands  
13 development north of us that -- that is likely to  
14 compound itself further.

15                   And so if we contrast Grande Prairie say  
16 to Fort McMurray and -- and look at what's occurred in  
17 Fort McMurray we see a municipality that's called for a  
18 moratorium on new development because of the impact on  
19 infrastructure; really a crisis that's developed in terms  
20 of meeting the needs of growth resulted in the -- the  
21 Province putting in hundreds of millions of dollars on --  
22 on a short-term basis; companies that have created camps  
23 or really compounds rather than investing in communities  
24 to meet their own needs.

25                   And -- and so we find these huge work

1 camps where workers fly in, do their work, and fly out  
2 and -- and so Fort McMurray is a place to work rather  
3 than a place to live. And -- and so hope to avoid some  
4 of those things with continued growth in this region and  
5 the way that the royalty and tax structure can influence  
6 that.

7                   And so I think there's an opportunity for  
8 the royalty structure to create more of a local legacy  
9 where the issues that are affected by resource extraction  
10 are addressed more locally and -- and where local  
11 communities have a better ability to address those  
12 capacity needs.

13                   One (1) such way that I'd suggest,  
14 perhaps, the Panel could consider is -- is for major  
15 companies that are active in the region to be able to  
16 contribute back directly to meet local needs. And -- and  
17 one (1) vehicle for that could be to require a  
18 contribution towards, say, regional community foundations  
19 that are set up to address community needs and to build  
20 legacy funds.

21                   I'll -- I'll draw an example with the --  
22 the forest industry locally here where as part of the  
23 forest management agreement, a local major forest company  
24 has created a community fund that they contribute to on  
25 an annual basis and not only see -- receive recognition

1 for the contributions but also are able to influence how  
2 that fund is used to meet local needs.

3           And so I'd encourage the Panel to consider  
4 that as -- as one (1) way of addressing some of the needs  
5 related to -- to growth. The Fair Share Agreement that  
6 the BC Government has entered into creates a return -- a  
7 direct return -- on oil and gas revenues to the  
8 communities where that extraction occurs to meet their  
9 infrastructure needs.

10           Also, given the limited time I have I'd  
11 also like to touch on the opportunity to create a more  
12 diversified economy and to create one that is more  
13 sustainable in the long term once the oil and gas is  
14 gone.

15           Once -- if you go out this building and  
16 look to the southeast you'll see a -- a white plume of  
17 smoke going up and that's a -- a co-generation plant that  
18 uses waste wood from a sawmill to generate electricity  
19 and heat, and there's an opportunity in Grande Prairie to  
20 take some of that waste heat, put it into insulated pipes  
21 and create a community energy system to heat most of the  
22 major buildings in the community with this renewable  
23 energy source. And I think the oil and gas royalties  
24 could be used then to create incentives to shift into  
25 more renewable types of economic activity.

1                   So I see my time's up.

2                   THE CHAIRPERSON:   Thank you very much.

3                   Andre, have you got a question?

4

5                   QUESTIONS BY BOARD:

6                   MR. ANDRE PLOURDE:   You mentioned the  
7                   Fair Share Agreement that the Government of British  
8                   Columbia had -- had put in place.

9                   Can you give us some idea as how you would  
10                  see something like that function here in Alberta?

11                  MR. BERND MANZ:   Well, I guess it's a --  
12                  it's a commitment to take a portion of the royalties  
13                  generated in region from the extraction process and  
14                  return those to the regional communities on a -- on a way  
15                  that's predictable and committed to on a longer term  
16                  basis so that those communities know what is available to  
17                  them so they can make those investments and plans for  
18                  their infrastructure needs to accommodate the growth  
19                  pressures from -- from this activity.

20                  THE CHAIRPERSON:   Evan...?

21                  MR. EVAN CHRAPKO:   In your presentation  
22                  you mentioned that this kind of -- especially on the --  
23                  having major companies contribute directly to the  
24                  community, what's "major" or how would you define  
25                  "major"?

1                   MR. BERND MANZ:    You know, I don't have  
2 the answer to that. I know certainly when we get into  
3 oil sands development those are large investments over a  
4 long period of time by a small number of companies.

5                   And so that presents a more obvious  
6 example than some of the oil and gas activity where you  
7 see a large number of companies that are in and out and -  
8 - and moving around. But I think both could be used  
9 again to create local legacies and help those communities  
10 out.

11                  THE CHAIRPERSON:    Question?

12                  MS. JUDITH DWARKIN:    You mentioned the --  
13 the Forest Management Agreement whereby a company has  
14 agreed to provide a -- set up a foundation that they  
15 basically seed with revenues and then the community  
16 determines how to spend them.

17                  Are you aware or can you tell us how is  
18 the formula derived or what's the formula used in that  
19 particular instance with respect to, you know, how much  
20 revenue? Is it per capita of people in the community or  
21 is it per every dollar of revenue earned by the company?  
22 What -- what is the formula?

23                  MR. BERND MANZ:    Yeah, I'm -- I'm afraid  
24 I'm not familiar with the details of how that -- of the  
25 mechanics of that. I just know that it was created as --

1 as part of the agreement --

2 MS. JUDITH DWARKIN: Hmm hmm.

3 MR. BERND MANZ: -- the long-term  
4 stewardship agreement and -- and has -- has been of  
5 benefit both to the company and to the community --

6 MS. JUDITH DWARKIN: Hmm hmm.

7 MR. BERND MANZ: -- through the  
8 community foundation.

9 THE CHAIRPERSON: Bernd, if you could  
10 leave us with one (1) sentence that paraphrases your  
11 entire presentation what would be the message?

12 MR. BERND MANZ: I think that the  
13 royalties present an opportunity to leave a -- a greater  
14 legacy, both now and into the future for Albertans, and  
15 the challenge is how to -- how to best do that.

16 THE CHAIRPERSON: Thank you for that.  
17 Thank you for your time and your presentation.

18 MR. BERND MANZ: Thanks for the time.

19 THE CHAIRPERSON: We appreciate that.

20 MR. BERND MANZ: Thank you.

21 THE CHAIRPERSON: Our next presentation  
22 we will start in five (5) minutes so it will allow you to  
23 grab water or a coffee or whatever your needs may be.

24

25 (BRIEF PAUSE)

1 THE CHAIRPERSON: Sorry. I think that  
2 we're ready to hear our second presentation. Just to let  
3 the folks know that there's transcripts being created for  
4 all of the public forums which will be posted on our  
5 websites, as well as any written submissions that we get.  
6 So if you go to the website at albertarroyaltyreview.ca,  
7 you'll see the same information that we're getting.

8 Our next presenter is Dettlef  
9 Rottmerhusen, if I've pronounced that properly.

10 MR. DETTLEF ROTTMERHUSEN: Rottmerhusen.

11 THE CHAIRPERSON: Sorry. Welcome  
12 Dettlef.

13

14 PRESENTATION BY DETTLEF ROTTMERHUSEN:

15 MR. DETTLEF ROTTMERHUSEN: Just got to  
16 start out with that I -- we didn't have enough time to  
17 get prepared for this because we haven't -- been notified  
18 since last Friday that this meetings going to happen here  
19 this week. So that's why I see the turnout here -- that  
20 there's nobody here from the public. I don't feel that  
21 Albertans really -- been really fairly represented by --  
22 by this meeting here. We can comment later on, I realize  
23 that, yes.

24 My biggest point here with this Royalty  
25 Review here is, we're supposed to be charging around 25

1 percent royalties in this Province here; that's what  
2 Premier has told me personally and -- but we're not  
3 collecting that. We're only collecting about 1 to 4  
4 percent at the moment. And the Oil sands are only --  
5 they only have to pay 1 percent and 25 percent profit  
6 share, and they'll make sure they'll never make -- make  
7 any profits.

8                   So my biggest concern or point here is  
9 that the we are not collecting the royalties we are  
10 supposed to be collecting; that's the biggest issue right  
11 here. We should be collecting at least 25 percent, if  
12 not more, to be fair for Albertans because the Albertans  
13 are not get -- not getting a fair share right now and my  
14 -- I actually have questions, but anyway.

15                   Where is that -- where is the remaining  
16 going? Why -- why aren't we getting 25 percent royalties  
17 in this Province from oil and gas activity? And so  
18 therefore, this has to be investigated on and looked  
19 into. I am in contact with Lyle Oberg about it, Minister  
20 of Finance.

21                   And this Royalty Review really has to  
22 bring out that with the booming economy we're having  
23 right now, we need to get more royalty monies into the  
24 Government here. And -- because there's only so much oil  
25 available and some much gas available. If we're giving

1 it away like we are right now to the multinational  
2 companies that are -- are not paying any taxes in this  
3 Province than their -- we're not going to be -- end up  
4 with anything.

5                   So it's also -- it's also unfairness in  
6 between the royalties and landowners, people that own  
7 land, is that they're not getting a re -- fair rate of  
8 return on -- when there is extraction of oil and gas on  
9 their land. And for example, seismic activity in -- on  
10 government land, they don't even charge anything for it.

11                   So there is -- there is a whole bunch of  
12 issues and a whole bunch of concerns here that the --  
13 where our government is giving to big multinational a  
14 huge break and we're not getting the money that -- that  
15 belongs to all Albertans here into our pocket.

16                   Because we should -- like last year where  
17 we had one (1) billion dollars set aside for royalties  
18 here for our province that was left over, we should be  
19 getting a lot more than that. Because according to the  
20 calculations we should be taking in over \$100 billion a  
21 year on royalties and we're only taking in around \$14  
22 billion; somewhere in that neighbourhood depending on  
23 production.

24                   But anyway, the reason I came here is this  
25 has to be brought up and it's never brought up in any

1 meetings, as far as I'm concerned about. And what really  
2 we have to stress here with the Royalty review here is  
3 that we are going to have to be collecting those  
4 royalties that we're supposed to be collecting because I  
5 understand how the structure works; is if a higher  
6 production well will produce higher royalties where a  
7 lower one will produce less.

8                   But to me that shows that -- that the  
9 Government is -- is basically making sure that the  
10 companies are not losing any money and the fair share is  
11 that the -- if you want to -- if you're going to charge  
12 too much royalties, you're not going to get the  
13 production. And there's got to be a balance.

14                   There's got to be a balance created  
15 because no matter -- if you're going to increase the rate  
16 or not or if you're going to charge the rate and actually  
17 get it, they will still -- they will still drill and we  
18 still need it because we're paying -- we're paying a lot  
19 of money on the -- on the pumps which we shouldn't be.

20                   The Scandinavian countries, they've put  
21 \$260 billion into their -- into their pockets from  
22 royalties alone, from royalties in the last few years,  
23 because they're charging up to 40 percent royalties and  
24 they have a hard time to keep anybody out. Everybody  
25 wants to go in there and get -- and I just want to keep

1 it short. I just want to bring the point across and  
2 that's good enough for now.

3 THE CHAIRPERSON: Thank you.

4 MR. DETTLEF ROTTMERHUSEN: So if you have  
5 any questions --

6 THE CHAIRPERSON: Yeah, we do.  
7 Judith...?

8

9 QUESTIONS BY BOARD:

10 MS. JUDITH DWARKIN: Thank you. A couple  
11 of questions. You mentioned that on the books the  
12 Province is entitled to collect the 25 percent royalty  
13 and your recommendation is, well, let's make sure we get  
14 the 25 percent, you're not suggesting it should be higher  
15 than 25 percent?

16 MR. DETTLEF ROTTMERHUSEN: Well, yeah,  
17 preferably higher but we'll start at 25 percent.

18 MS. JUDITH DWARKIN: Okay. And you  
19 referenced that currently we're collecting about 1 to 4  
20 percent instead of the 25 percent --

21 MR. DETTLEF ROTTMERHUSEN: Hmm hmm.

22 MS. JUDITH DWARKIN: -- what is your  
23 source for that one? How did you come up with that?

24 MR. DETTLEF ROTTMERHUSEN: The -- it's --  
25 the source is all over. It's been through the EUB and

1 all kinds of places and nobody has been able to show me -  
2 - but even the Premier agreed with me with that so I  
3 don't know if he'll stand behind his word but did agree  
4 with me on that, that we have to have a review on that  
5 so.

6 MS. JUDITH DWARKIN: Thank you.

7 THE CHAIRPERSON: Evan...?

8 MR. EVAN CHRAPKO: What would you -- just  
9 as a question to do with -- supposing it was the -- the  
10 100 billion per year --

11 MR. DETTLEF ROTTMERHUSEN: Hmm hmm.

12 MR. EVAN CHRAPKO: -- that -- that you  
13 think it would be, what would you do with the difference  
14 or how would you start allocating that?

15 MR. DETTLEF ROTTMERHUSEN: Well, first of  
16 all, right now we're -- we're - right now we're -- we're  
17 -- basically we're going to have a hard time balancing  
18 the books here because of the increased activity.

19 Our Premier is -- is good for the people.  
20 He's spending a lot of money on trying to get  
21 infrastructure up and going but we're going to need more  
22 than that. And we need to put money aside which --  
23 whatever it may be. It doesn't have to be necessarily  
24 the Heritage Fund but it has to be there for the future  
25 of our kid -- children here because the oil isn't going

1 to last forever.

2                   And for example, with the oil sands  
3 development which they're going to increase by 500  
4 percent, preferably in the next ten (10) years they're  
5 hoping to anyway, the problem with that is we can't rely  
6 on that only because the -- what restricts us with the  
7 oil sands is not only the pollution alone, it's -- the  
8 water won't be available to produce all that; that's  
9 going to be the biggest issue and we only got the  
10 Athabasca River which is half dried out.

11                   We're tapping into the Peace River now;  
12 that's another source. They're talking about drilling  
13 for water wells to -- they have to do -- they're  
14 realizing they have to start recycling some of the water,  
15 but we're going to end up with a big crisis here on hands  
16 because everything's getting out of control.

17                   What we need to base on -- slow things  
18 down but get more out of it. That's basically my --  
19 because we can't just take it out now. We're going to  
20 have to think for the future and this Government has to  
21 realize that twenty (20) years from now and beyond that  
22 there's going to have to be life here today.

23                   THE CHAIRPERSON:    Andre...?

24                   MR. ANDRE PLOURDE:    If somebody were to  
25 say -- let's say we increased royalties to 25 percent --

1 MR. DETTLEF ROTTMERHUSEN: Hmm hmm.

2 MR. ANDRE PLOURDE: -- or something  
3 higher than that, one (1) of the costs would be a lot  
4 less activity in terms of exploration, development, that  
5 kind of thing. Do you think that's credible --

6 MR. DETTLEF ROTTMERHUSEN: Well --

7 MR. ANDRE PLOURDE: -- to say that? Do  
8 you think it's something we should worry about?

9 MR. DETTLEF ROTTMERHUSEN: Well, we  
10 should -- what we need to do is -- what the problem is we  
11 don't have enough control in our government to control  
12 that. With the free to trade -- with the Free Trade  
13 Agreement we did with the United States is we're  
14 basically in the -- in the situation we are in now. We  
15 basically have to provide them with so much energy and if  
16 we don't, then we're going to be -- they're going to be  
17 falling short.

18 So we're going to have to look at that  
19 Free Trade Agreement again and we're going to have to say  
20 we can only produce so much because physically it's only  
21 possible to produce so much because we're using a lot  
22 amount of water now for deep well injections for  
23 extracting oil that's only 5 percent left in the well.  
24 And because it takes more energy out of those wells to  
25 take it out than what they're getting out of the oil, is

1 running -- letting the water run down, there's a natural  
2 -- natural, physical thing that it's -- it's cheap -- for  
3 now it's cheap.

4                   We'll never be able to get the water back,  
5 but it'll be able to extract some more -- some more oil.  
6 And this is a total wrong way of looking at things.

7                   When we should take those royalties we're  
8 getting right now and develop new sources of energy like  
9 some so -- like not necessarily solar, it's still too  
10 expensive, but wind energy and alternative sources as a  
11 combining part of it, because we don't want to be 100  
12 percent reliable on this energy because we can't be.

13                   And we have to look at -- we cannot put  
14 ourselves into a position where -- where when there's  
15 going to be less activity that we're going to be short  
16 fallen. We just can't put ourselves in that sit --  
17 situation. We have to make sure that this is not going  
18 to happen.

19                   And with our Government, they have to make  
20 sure that they're going to look at the Free Trade  
21 Agreement, it says we can't do this. And of course  
22 nobody really knows what's in it, but basically what has  
23 been said is, if we're going to be running short of what  
24 we have promised them, they're going to have to cut us  
25 off and that's what everybody's afraid of, that's why

1 nobody speaks up.

2                   But why don't we look at alternative  
3 energies too and say we can only do this much because  
4 that's only the way -- let's face it -- possible. And be  
5 assured when the -- the oil will not go now, not like  
6 this, at sixty-four (\$64) or somewhere right like that.  
7 I mean they want to get it up to a hundred dollars,  
8 they're trying hard to get it up there.

9                   If energy were expensive in the future,  
10 there will be development even if they charge that.  
11 They'll still be plenty of development because when the  
12 oil sands started out ear -- in the 70's there, there  
13 were only -- they started up with 1 percent because it  
14 was kind of fair at that time because when you looking  
15 at, you know, when -- it's only eighteen (\$18) dollars or  
16 less for a barrel of crude and its co -- produced --  
17 production costs were thirteen/fourteen (\$13/14) dollars  
18 a barrel at that time, there isn't much left over.

19                   There won't be no production going, but  
20 we're looking at the production costs around thirteen  
21 (13) to fourteen (14), that's probably overall, not  
22 necessarily with the -- that's with other production too  
23 -- you're looking at a fifty (\$50) dollar profit margin  
24 there. I don't think, if you're going to take ten (\$10)  
25 or twenty (\$20) dollars out of that, you're -- you're

1 going to lose a lot of production.

2 THE CHAIRPERSON: Dettlef --

3 MR. DETTLEF ROTTMERHUSEN: Because there  
4 is a huge demand in the world market for that, so don't  
5 be afraid of that.

6 THE CHAIRPERSON: Dettlef, we've -- we've  
7 ran out of our allotted time.

8 MR. DETTLEF ROTTMERHUSEN: Yeah, okay.

9 THE CHAIRPERSON: To take to your first  
10 comment though about the communication and the  
11 availability of the Panel, we are working very, very hard  
12 to make sure that we get the good word out, so through  
13 the public forum if we can spread it word of mouth --

14 MR. DETTLEF ROTTMERHUSEN: Yeah.

15 THE CHAIRPERSON: -- to assist us, that  
16 would be beneficial.

17 MR. DETTLEF ROTTMERHUSEN: Hmm hmm. Hmm  
18 hmm.

19 THE CHAIRPERSON: And I have to recognize  
20 you. I thought I saw you walk in with a bit of a fan  
21 club, so it's nice to see that you're demonstrating  
22 leadership to the young folk --

23 MR. DETTLEF ROTTMERHUSEN: It's the  
24 future.

25 THE CHAIRPERSON: That's right.

1                   MR. DETTLEF ROTTMERHUSEN:    The children  
2 are going to be our future and they want to make sure  
3 that we do the right decisions.

4                   THE CHAIRPERSON:    I want to applaud you  
5 for that, so thank you very much for your contribution.  
6 We appreciate that.

7                   MR. DETTLEF ROTTMERHUSEN:    Okay.  Good  
8 then.  Yeah, thank you.

9                   THE CHAIRPERSON:    So ladies and gentlemen  
10 that's all the presentations that we have scheduled for  
11 this afternoon.  We are going to reconvene at 7:30.  
12 We've seen the momentum building up over the course of  
13 the day and we look forward to hearing more from the  
14 people of Alberta this evening.  And again, nine o'clock  
15 tomorrow morning we do have at least one (1) presenter  
16 scheduled for that time.

17                                So thank you very much for participating.  
18 Please go to our website and everybody can contribute  
19 through written opportunities, so don't forget to take  
20 advantage of that.  Thanks very much.

21

22 --- Upon recessing at 2:55 p.m.

23 --- Upon resuming at 7:30 p.m.

24

25                   THE CHAIRPERSON:    I must welcome all of

1 you and everyone on behalf of the Royalty Review Panel.  
2 Thank you for your interest in the work that we're doing  
3 and, more specifically, the Alberta royalty and tax  
4 regimes.

5 I'd like to introduce my Panel, or our  
6 Panel is Andre Plourde on the far right; Mrs. Judith  
7 Dwarkin; I'm Bill Hunter, and this is Evan Chrapko. We  
8 are four (4) of six (6). The other two (2) Panel members  
9 were not able to join us. Ken MacKenzie had a family  
10 health issue he had to deal with last night and Sam  
11 Spanglet is our other member and he's out of country  
12 right now.

13 I need you to understand that your inputs  
14 are incredibly important to our process; that's the  
15 mandate of being on the road and to gather the inputs of  
16 the Alberta public. And we really appreciate the efforts  
17 and the time that you're making available to the Panel to  
18 have these discussions and presentations.

19 A couple of housekeeping opportunities.  
20 For individual presenters we allow five (5) minutes of  
21 presentation and that's followed by a question period  
22 from the panel. If you're an organization, we allow ten  
23 (10) minutes and then again a question period by the  
24 Panel.

25 At the end of our desk here we have a

1 timekeeper with us and he's got a pretty fancy  
2 sophisticated coloured card system that sort of gives you  
3 a count down as you go through your presentation to let  
4 you know that you're getting close to the end of the  
5 presentation.

6                   If you have submissions with you today, we  
7 would gladly accept them. If you don't, there is still  
8 plenty of time. Public submissions close June 22nd and  
9 you can send us your presentations either through the  
10 internet, through the website, mail, fax, whatever method  
11 is beneficial to yourselves.

12                   My WestJet specific talent is to make sure  
13 that everybody in this room is aware of where the  
14 emergency exits are in case we have an unfortunate  
15 incident, so bear with me. We have two (2) exits at the  
16 back, two (2) exits behind me, so make sure everyone in  
17 the room is aware of the closest exit to you.

18                   To enhance the opportunity of our exchange  
19 today, I would ask that everybody shut off their cell  
20 phones and Blackberrys. If it is crucial that you have  
21 to keep them on, if you could put them on vibrate or some  
22 other method of -- not intrusive, letting people know  
23 that somebody's looking for you.

24                   If there's any media present today, I'd be  
25 happy on behalf of the Panel to talk to you right after

1 the presentations and I'd ask that you respect the space  
2 of the Panel and the presenters during the proceedings.

3 And, finally, and once again, thank you  
4 very much for attending and coming forward and making  
5 your presentations. So, first out, thank you for  
6 volunteering in our scheduling. Jim Letersky...?

7 MR. JIM LETERSKY: Correct.

8 THE CHAIRPERSON: The floor is yours,  
9 sir.

10

11 PRESENTATION BY JIM LETERSKY:

12 MR. JIM LETERSKY: Thank you. Esteemed  
13 Panel, Mr. Chair, I don't have a presentation. Basically  
14 what I have is a couple of questions that I would liked  
15 to throw out and for all of us to consider.

16 I have a concern that in the past twenty-  
17 five (25) or thirty (30) years there have been no  
18 refineries built in North America. And I think -- and  
19 I'm not in the patch, this is just stuff I know as a  
20 citizen and some of it may be wrong or all of it may be  
21 wrong, but this is how I think.

22 What, a month ago, a little more, a  
23 refinery fire in Ontario cuts down the capacity. Two (2)  
24 days later our gasoline prices are up ten (10) cents a  
25 litre. What that tells me is that we're running too

1 close to capacity all of the time.

2                   Similar things happen in Louisiana. It  
3 doesn't matter where. Any little hiccup in the oil and  
4 gas world and the reverberations are felt immediately.  
5 Now some of that is just opportunism, but some of it must  
6 be based in reality or somebody would have done something  
7 about it by now.

8                   So my question to you: Is there a way  
9 that we can structure the royalty system that would  
10 encourage the development of refining capacity in Alberta  
11 or Canada, such that we wouldn't have to live with these  
12 hiccups all the time?

13                   And it makes no sense whatsoever to me of  
14 the nine (9) new up graders going in the Red Water/Fort  
15 Saskatchewan area, shipping all of their product to the  
16 United States to be refined. Why are we sending the jobs  
17 away?

18                   These are not bad jobs. These are jobs of  
19 fairly technical people. They're the kind of people we  
20 want in our communities. And the benefits of having  
21 those jobs; taxes, you know, so there's a lot of benefit  
22 there.

23                   But, further to that, there's the -- the  
24 value-added opportunities that arise out of refining. I  
25 remember when we took the bold step of establishing the

1 plastics industry in Joffrey as an offshoot of the  
2 natural gas.

3                   And I really don't know where that is  
4 right now. I know I was very proud of it then and I'm  
5 probably still proud of it, but I don't know if it's  
6 growing or -- or whatever. But to me that was an example  
7 of the Government doing whatever they did to encourage  
8 that kind of a development and I think the Government  
9 needs to increase our refining capacity also.

10                   And I hope since no one has come up with a  
11 way to do it that I'm aware of, I hope you will be able --  
12 be able to structure the royalty system such that those  
13 who wish to stand up and be counted to have their product  
14 refined in Alberta or Canada will be given a different  
15 royalty rate than those who wish to export.

16                   Now, this is going to take a few years  
17 lead time because only -- even those who wish to  
18 participate in that sort of a thing, it takes a day or  
19 two to build a refinery, so -- so that's going to take  
20 some thinking to make that happen.

21                   The second question I have for you is --  
22 how should I put this -- the public does not seem to be  
23 best served by public companies. I was born on a -- on a  
24 farm and my father is ready to pass the farm down to me  
25 and onward which means he doesn't rape and pillage the

1 land.

2                   When we look at the oil industry in  
3 Alberta, why are we in such a hurry to develop absolutely  
4 everything there is as fast as we can? We can look at  
5 OPEC who say, Well, hey, we've got all the stuff, oil,  
6 but we're only going to put so much on the market and  
7 this is what the price is going to be, and it's a  
8 nationally controlled system and everybody kind of know  
9 what's going on.

10                   Why are we in such in all-fired hurry to  
11 produce all of the oil we can right now? What are going  
12 to leave for the next generation and the generation after  
13 that? And those are my two (2) questions to you.

14                   THE CHAIRPERSON:   Excellent. Thank you  
15 very much.

16                   Panel...? Andre...?

17

18 QUESTIONS BY BOARD:

19                   MR. ANDRE PLOURDE:   Just to pick up, if I  
20 can, on your last point. In a sense, do you see this --  
21 the issue of the pace of development something that the  
22 royalty system should look at, something that maybe the  
23 tax system should look at, or what kind of way -- what --  
24 how do you see the interaction if you want --

25                   MR. JIM LETERSKY:   It's really difficult,

1 because publically traded companies are made up  
2 shareholders and it's hard for CEO to stand up and say,  
3 Well, I think we should leave some of the oil in the  
4 ground for the next generation, and immediately the  
5 shares go down. So I don't know how you get out of that  
6 dilemma. I -- I don't know where the responsibility  
7 lies, but somebody better figure it out; somebody that's  
8 smarter than me, that's for sure.

9 MR. ANDRE PLOURDE: Thanks.

10 THE CHAIRPERSON: Judith...?

11 MS. JUDITH DWARKIN: Thank you. Would  
12 you accept then as the, sort of the -- one of the side-  
13 effects of slowing down the development is less --  
14 potentially less prosperity or less job growth in rural  
15 areas dependant on, say, the service sector and the oil?

16 MR. JIM LETERSKY: You don't know how I  
17 would welcome that right now. The effect that the oil  
18 patch has on everything here, a lot of it's great and a  
19 lot of it isn't so good. A young -- a young person  
20 wanting to start a business can't rent a spot, can't find  
21 people to work, so there -- there's a whole downside.

22 I'll give you an example. I'm helping an  
23 inventor who invented a new bale feeder for cattle and he  
24 got his patent and he comes to me and says, What can I do  
25 with this, and I said, I don't know, we'll -- we'll find

1 out. So we checked around here to -- to see what it'll  
2 cost to build and I take it to the -- to the best machine  
3 shop, welding shop, in town and I get a quote of seventy-  
4 four hundred dollars (\$7,400). I sent it to a small shop  
5 in Winkler, Manitoba and got a quote back Friday of one  
6 thousand fifty-four dollars (\$1,054), so what chance does  
7 this inventor have in this environment?

8 THE CHAIRPERSON: Very good point.

9 Evan...?

10 MR. EVAN CHRAPKO: Would you, for the  
11 purposes of incenting refineries, make it  
12 disproportionately -- the economics where it gets  
13 disproportionately in favour of the companies, or we just  
14 put penalties on and let them decide for themselves?

15 MR. JIM LETERSKY: Oh, I think it's a  
16 carrot and stick thing which you -- you'd have to do for  
17 both. First of all, if you make it attractive enough  
18 somebody will do it, so how do we make it attractive  
19 enough? Do you penalize those who aren't interested and  
20 make it attractive to those who don't? I'm not sure.

21 There has to be some way of making that  
22 work. I -- I don't think the Government should build a  
23 refinery. Although, we could do worse, and that's to  
24 ignore the existing situation. We have to have more  
25 capacity. We say we have enough oil for two hundred

1 (200) years, so it's not as if we're going to build a  
2 refinery and it's going to be redundant in ten (10). You  
3 know, like what's holding us back?

4 THE CHAIRPERSON: Thank you, Mr Letersky.  
5 We really appreciate it. The transcriptions that are  
6 being taken as we speak, as you address the panel and we  
7 address you, we're capturing everything we've talked  
8 about and those will be posted on our website so that you  
9 can track your contributions.

10 MR. JIM LETERSKY: Oh, okay.

11 THE CHAIRPERSON: We highly recommend  
12 that if you think of other things, that you write to us  
13 through our website, albertaroyaltyreview.ca and add  
14 anything that you think of that you may have missed  
15 today. But thank you very much for your presentation.

16 MR. JIM LETERSKY: Oh, you're most  
17 welcome.

18 THE CHAIRPERSON: Mr. Nash, are you --

19 MR. BILL NASH: How are you?

20 THE CHAIRPERSON: You're the partner?

21

22 PRESENTATION BY MR. BILL NASH:

23 MR. BILL NASH: Just a little prelude to  
24 all this, Jim and I see each other for coffee four/five  
25 (4/5) times a week and this conversation that we're

1 having here is something that we've had together on a  
2 number of occasions.

3           Before I go any farther, regardless of who  
4 established the royalties in the past, whether it was  
5 appropriate, good, bad, evil, whatever, wrong, it doesn't  
6 matter, this is your second chance. Ladies and gentlemen  
7 you're not going to get a third chance, and this is a  
8 really tough job.

9           I had the privilege -- I mean that  
10 seriously -- the privilege of working in the oil patch  
11 for some time as a salesman. I was an international  
12 salesman and I used to talk to ten (10) or twelve (12)  
13 different companies and countries around the world.

14           And the conversation that you'd get off  
15 the world-famous MSN was always almost demeaning. You  
16 know, they look at us as if we might be the dumbest  
17 people on the oil patch. How could you let your oil go  
18 for so little? Having said that, I don't know how we can  
19 change.

20           The corporate structure that Jim's alluded  
21 to, okay, is so strong, I mean, heads would roll.  
22 Further to that, and today you had a relatively small oil  
23 person, oil company, address you and the slightest change  
24 in the little companies is huge, where the big dogs can  
25 probably weather the storm.

1                   In conversation over too much coffee, Jim  
2 and I have discussed the opportunity of, well, let's just  
3 pound it away. Let's make it 14 percent and let's take  
4 the money -- tongue in cheek mind you, because I know  
5 this isn't real -- but take the money that's in our  
6 Heritage Fund and weather the storm, because you know  
7 what? They're going to have to come back to us. They  
8 have to come back. It's not going to go away.

9                   If we do not harvest the oil that's in our  
10 ground, or the gas, it's not like it's going to mingle  
11 off into somebody else's country. It's going to stay  
12 there. And so, seriously, we might not be in the best  
13 position at the present time to say 14 percent, but we do  
14 have to make a stand if for no other reason than national  
15 pride. It's embarrassing.

16                   And the corporate shareholders are going  
17 to have to be dealt with. And the big companies are  
18 going to have to be put at bay and the small companies  
19 are going to have to be buoyed up. But you do only have  
20 a second chance.

21                   And I wish you the very best because this  
22 is just about all I really have to say about it. If you  
23 do take some of this money in the Heritage Fund however,  
24 and build those oil refineries that Jim's talking about,  
25 this might give us a second opportunity to turn to the

1 big oil companies, Shell International, and say, Just  
2 hang on now, you don't have to ship it around the world  
3 to do it.

4                   This might be appealing. And from an  
5 American perspective, rather than having to flinch every  
6 time there's a new election in Nigeria or somebody down  
7 in Venezuela doesn't like the guy next door because he's  
8 dating his daughter or there's going to be a strike in  
9 Holland and -- and Britain at the oil refineries and  
10 there's something as stable as the Canadian economy, this  
11 might be very, very attractive to our American brethren  
12 too.

13                   So all things considered, I'm endorsing  
14 it. I'm not saying that we have to take royalty money to  
15 do it. I'm saying that we have a fund, let's use it for  
16 something that's going to bring extra money, more money,  
17 into the community and hold our raw produce here.  
18 Thanks.

19                   THE CHAIRPERSON: Thanks Mr. Nash.

20                   Evan...?

21

22 QUESTIONS BY BOARD:

23                   MR. EVAN CHRAPKO: What risk, if any, do  
24 you assess that the advent of new technologies are on the  
25 renewable or sustainable side, displaces or makes the oil

1 inventory less valuable?

2 MR. BILL NASH: I don't think that's ever  
3 going to happen. I mean, the plastics that glasses are  
4 made of and pens made of, stuff you're sitting on's made  
5 of, it's never going to happen. I mean, have you had a  
6 car accident lately? The thing explodes. It's all  
7 plastic. It's not just what you're running it with, it's  
8 what you're running on.

9 I mean, we're just never going to -- we  
10 don't have enough oil, to be honest with you, to do all  
11 the things we want, otherwise the price of oil wouldn't  
12 be so blessed high. And it's very competitive out there;  
13 not just for the gas and oil companies to purchase the  
14 oil, but to turn to the other people that are trying to  
15 use it to make nylon or whatever else is going on out  
16 there. That ain't going to happen.

17 THE CHAIRPERSON: Thanks.

18 Judith...?

19 MS. JUDITH DWARKIN: Thank you. Your --  
20 one of your key suggestions I guess is slow down the pace  
21 of development in the oil and gas sector, leave more for  
22 later.

23 Do you have any sense of when this later  
24 might be or what's the optimal size, or, you know, what  
25 kind of size of the oil and gas sector are you looking at

1 in Alberta?

2 MR. BILL NASH: I -- well, Jim said two  
3 hundred (200) years of oil and gas left.

4 MS. JUDITH DWARKIN: So sort of carry  
5 along with that kind of inventory?

6 MR. BILL NASH: I don't agree with that.  
7 I don't agree with that. I think we have a window in  
8 Alberta of about four (4) to seven (7) years.

9 MS. JUDITH DWARKIN: The window meaning  
10 what?

11 MR. BILL NASH: The window of opportunity  
12 for you to make a change.

13 MS. JUDITH DWARKIN: Okay. My question  
14 is: If you don't like the pace now, what is the pace  
15 you're suggesting for the future? Like, what's the  
16 inventory ideally --

17 MR. BILL NASH: You see, I'm not -- I'm  
18 not saying that you should change the pace. I like the  
19 pace. It's just rather than having the oil go directly  
20 to the States where it's refined, I want it to be slowed  
21 down by going to a refinery here.

22 MS. JUDITH DWARKIN: Okay. Well, I  
23 misunderstood. I thought you --

24 MR. BILL NASH: No, no, I'm glad you  
25 brought it up --

1 MS. JUDITH DWARKIN: -- were suggesting  
2 that we slow the pace.

3 MR. BILL NASH: -- because that's my  
4 intent. I don't want anybody in the oil patch to find me  
5 later on this evening and say you want it to slow. I  
6 don't want it to slow down. I want it to continue at  
7 this breakneck pace --

8 MS. JUDITH DWARKIN: Okay.

9 MR. BILL NASH: -- but I want it to have  
10 a step in between that's on our soil that creates  
11 stability in the oil patch for everybody in North America  
12 particularly.

13 MS. JUDITH DWARKIN: Okay. So you're a  
14 little bit at odds with your coffee partner then on that  
15 one.

16 MR. BILL NASH: I -- well, that's why  
17 there's this.

18 THE CHAIRPERSON: That's why they're  
19 coffee partners. Thanks.

20 Andre...?

21 MR. ANDRE PLOURDE: You brought up the  
22 issue -- or in your discussion you talked about the --  
23 the -- using the Heritage Fund basically as kind of a way  
24 to -- to kind of weather the storm, you mentioned about.

25 Do you see this as kind of an investment

1 in the industry itself?

2 I guess what do you mean by "weather the  
3 storm"?

4 MR. BILL NASH: Well, insomuch as rather  
5 than -- rather than annoying everybody and having the  
6 storm so large, I think the royalties have to go up. I  
7 think there's going to be a storm over that, okay? And I  
8 think the Heritage Fund can assist us in this by creating  
9 jobs to build the oil plants to create the work that's  
10 going to happen, okay? And that's going to weather the  
11 storm.

12 I don't think you need the oil refinery in  
13 Edmonton. I don't think you need it in Calgary. I think  
14 you need it to where the oil patch is going to be most  
15 impact. And it's not going to happen in downtown  
16 Calgary, I'm sorry to say this. It's going to happen in  
17 Grande Prairie.

18 MR. ANDRE PLOURDE: Can I ask something  
19 else? May I please.

20 THE CHAIRPERSON: Yes.

21 MR. ANDRE PLOURDE: Thanks. You also  
22 mentioned something about small producers and big  
23 producers.

24 MR. BILL NASH: Yes.

25 MR. ANDRE PLOURDE: The royalty system

1 kind of, if you think of it, kind of separates -- really  
2 thinks of it in terms of levels of production.

3 MR. BILL NASH: Yes, it does.

4 MR. ANDRE PLOURDE: So do you think that  
5 that's an appropriate focus or would you rather it be  
6 focussed more on the companies as opposed to the  
7 productivity of the wells themselves?

8 MR. BILL NASH: You know, I'm not smart  
9 enough to answer that because I'm -- I'm a relatively  
10 small farm kid, grew up in Manitoba, lucky enough to live  
11 here, and I believe that small companies, no matter what  
12 industry you're in, created this country and we owe a  
13 debt to them. And if there's a young man or a young  
14 woman or a young family out there that wants to get into  
15 the oil business, God help them and we should.

16 MR. ANDRE PLOURDE: Okay, great. Thanks.

17 THE CHAIRPERSON: Well, thank you very  
18 much both of you. We really appreciate you coming  
19 forward and -- and making your presentations. Again, if  
20 you think you've forgot some very tactical or strategic  
21 points you want to share with us -- Oh.

22 MR. JIM LETERSKY: Neither of us have had  
23 had the chance to read all the information that's out  
24 front, so when we get through that, and do our coffee  
25 thing, you might get more stuff on that.

1 THE CHAIRPERSON: Super. Super. Pillow  
2 time always helps.

3 MR. JIM LETERSKY: Yes. Thank you ever  
4 so much.

5 THE CHAIRPERSON: Thank you very much,  
6 gentlemen.

7 MR. BILL NASH: Yes, thank you.

8 THE CHAIRPERSON: I understand Mr.  
9 Yeomans is here. We'll take just two (2) minutes and you  
10 can get yourself ready if you wish and we'll take about  
11 two (2) minutes.

12

13 (BRIEF PAUSE)

14

15 THE CHAIRPERSON: Okay, Mr. Yeomans, the  
16 floor is yours.

17

18 PRESENTATION BY DOUG YEOMANS:

19 MR. DOUG YEOMANS: Yes, good evening.  
20 I've been in the oil industry since, oh, mid-'70s and I  
21 was here in 1982 when basically the NEP came in there and  
22 squeezed it so hard -- this was a hotel was a spent hulk,  
23 walked away from. There was nothing. The whole area  
24 died. And, oh, most people probably remember a bit of  
25 that. Property sure dropped real quick and real sudden.

1 But that's what happens when you squeeze the industry too  
2 hard. I think there's middle ground, though.

3           And I seen -- like overview, most of the  
4 Canadian Resources, almost everyone you can think of,  
5 whether it be the farmers coming in for homesteads, the  
6 Government give away the land to get developed. They  
7 didn't really make a lot of money in giving up the  
8 homesteads and the original farms. There's the farmers  
9 who charge for their improvement that land got them --  
10 worth more.

11           The BC Government for all their TFLs and  
12 stuff like that, they don't really charge a whole lot for  
13 their timbers. You know, they make enough off it, but  
14 not really what the market will bear. And then make our  
15 oil gas industry -- basically, most of the resources in  
16 Canada they -- they're fairly reasonable and the  
17 corporations or the businesses employ the masses and the  
18 governments usually make their taxation off the personal  
19 income taxes.

20           They -- you know, you look at the taxation  
21 rates for corporates, they usually -- they're going down,  
22 down, down in the personal income taxes. They're sharing  
23 a higher percentage of everything that keeps this country  
24 going.

25           And anyway, at the end of the day they

1 think -- like people would think are -- are they paying  
2 too much or are they paying enough royalty or are they  
3 paying less. All businesses, no matter which one it is,  
4 has return on investment at the end of the day. And  
5 there are Alberta companies right now going to the North  
6 Sea and working offshore, and they find it a fairly good  
7 return on investment.

8                   Okay, so whether it be the -- oh, like  
9 where there's some guys trying to extract some little  
10 drib and drab pool of oil here in Alberta where he could  
11 pack it away in a truck every second day, or whether it's  
12 a big booming young gas well, a new gas find, or  
13 something like that, it's -- at the end of day it's what  
14 are they putting for what are they getting out.

15                   And so to -- if a person were to really  
16 say, Well, we can just tax the corporations, but  
17 corporates don't really pay a lot of tax, so you have to  
18 squeeze them at the front end of all this if you're going  
19 to.

20                   And the thing is, like as in the BC forest  
21 sector, oh for fifteen (15) years, and I seen what  
22 happens when they squeeze the timber companies for  
23 excessive regulation and excessive stumpage rates and  
24 stuff like that, for costs of their doing business. And  
25 basically they choked it so hard there wasn't much a

1 business after awhile. Now they have other problems like  
2 pine beetles, but that's neither here nor there.

3           And anyway, as times go on. Like, far as  
4 I can see is -- is the job for the Government to come up  
5 with a descent rate of return on investment and that's --  
6 then after you figure out what is a good rate -- rate of  
7 return on investment, then it's time to set a benchmark  
8 and if that price spike comes it's time to start to share  
9 it.

10           You know, whether it be, you know,  
11 seventy/thirty (70/30) split, and that's basically how  
12 the royalty system works now anyway. They could -- price  
13 spikes, that's when the Government starts to reel in its  
14 money and that. But -- however, like in Fort McMurray  
15 it's very expensive oil to produce and stuff like that  
16 and I'm all for not shipping away our jobs right now.

17           I just came from Vancouver Island, I see  
18 lots of our timber heading across -- there's mills  
19 shutting down everywhere and there's jobs -- they are  
20 exporting all and like 70 percent of their timber now;  
21 like they're -- like from the west coast, like on the  
22 second growth timber. And I can see the same thing  
23 happening here; like they're exporting our jobs.

24           And -- however -- like what's the  
25 difference if they put a refinery someplace in

1 Saskatchewan or someplace like -- even if it's on the  
2 Canadian -- it may not need to be in Alberta, because  
3 we're kind of getting stretched for manpower and stuff,  
4 but they're going to ship away the oil down to the states  
5 and have it refined there, they can still ship it on the  
6 Canadian side of the line.

7                   Anyway, then -- then comes the thing at  
8 Fort McMurray -- like everybody's wondering about the  
9 dollar a barrel they make off royalties there. Well, it  
10 is very expensive oil and there is kazillion people  
11 working there and they're making some pretty good tax  
12 money off all the labour that's happening there.

13                   However, they also thought it was a viable  
14 venture to go in there at fifty dollar (\$50) a barrel, or  
15 fifty-five dollar (\$55) a barrel, or whatever it might  
16 have been at the time. And the price is a lot higher  
17 than that, so there should be some room for another  
18 equitable split there someplace. Like it's -- you have  
19 to set a benchmark and then after the higher prices then  
20 it's -- maybe it's time to split it a bit; whether it be  
21 a fifty/fifty (50/50), seventy/thirty, (70/30), you know,  
22 eighty/twenty (80/20). But there's still room to split  
23 some of the profit.

24                   THE CHAIRPERSON: Mr. Yeomans, we've --  
25 we've run out of the allotted time for your presentation.

1 MR. DOUG YEOMANS: Okay.

2 THE CHAIRPERSON: So, I wonder if you  
3 could capture in two (2) sentences your closing remarks--

4 MR. DOUG YEOMANS: Okay.

5 THE CHAIRPERSON: -- and then allow the  
6 Panel to ask you some questions.

7 MR. DOUG YEOMANS: Okay. Well,  
8 basically, at the end of the day, be very careful on  
9 trying to squeeze because we've -- we've all seen what  
10 happens if you squeeze a golden goose too hard. It won't  
11 lay eggs no more. It's bad news.

12 But, there may be room for some more and  
13 educating the public on how much is actually getting  
14 drive from the resource, through your taxation rates and  
15 everything else, from all the masses that are working  
16 there. And that's basically it.

17 THE CHAIRPERSON: Thank you.

18 Andre...?

19

20 QUESTIONS BY BOARD:

21 MR. ANDRE PLOURDE: Sure. Thanks. You  
22 were mentioning about as -- as prices rise or prices were  
23 higher, there's more room to, kind of, share between,  
24 let's say, the Government or the owners -- think of it  
25 that way -- Albertans, and the companies.

1                   Do you see this as kind of a one-time  
2 thing or -- or do you see this as -- as the prices rise  
3 you can see even more room and therefore, kind of,  
4 different kind of sharing as the prices continue to rise,  
5 for example?

6                   MR. DOUG YEOMANS:   Well, one thing about  
7 rising prices, that's fine and dandy, but also costs  
8 rise, too.

9                   MR. ANDRE PLOURDE:   Hmm hmm.   Hmm hmm.

10                  MR. DOUG YEOMANS:   And so it's going to  
11 have to be -- every so -- incremented time -- is they  
12 have to take a look at their overall costs of doing  
13 business.  And then like -- and the thing is it'll have  
14 to be Government audited of some sort because, you know,  
15 the corporate -- oh, taxation people, their accountants  
16 and stuff, you know, they can make their numbers talk to  
17 them pretty good.

18                  And so -- like it will have to be  
19 incremented every so often just to see what the cost of  
20 doing business really is and how much -- what's the  
21 return rate they're getting.

22                  And then if there seems to be ample  
23 return, well then I guess there's room enough to share a  
24 bit.

25                  MR. ANDRE PLOURDE:   Okay.  Thanks.

1 THE CHAIRPERSON: Judith...?

2 MS. JUDITH DWARKIN: Do you have any  
3 sense at this point of what that trigger price might be  
4 above which some sharing and a different proportion might  
5 be appropriate?

6 MR. DOUG YEOMANS: Well, a whole bunch of  
7 it -- like, we have such a vast array -- array of -- of  
8 producers in this Province. Like, we have people that  
9 are happy -- like a coal bed methane well takes a fairly  
10 long time if you have the infrastructure to put in for a  
11 pipeline and everything to get some return on investment,  
12 versus, oh, a great big gas well or an oil well that  
13 produces thousands of barrels a day. We don't have too  
14 many of those though.

15 But, anyway, it would have to be -- like,  
16 you have to look at the rate of return. And whatever is  
17 a comfortable rate at a set base, whether it be fifty  
18 (\$50) dollar oil or four (\$4) dollar a thousand (1,000)  
19 gas, then anything above that, if they can make money at  
20 that, well obviously there's room to share a little bit  
21 when it starts going above it.

22 THE CHAIRPERSON: Mr. Chrapko...?

23 MR. EVAN CHRAPKO: The -- the sharing  
24 that you're talking about, you used everything from  
25 eighty/twenty (80/20) to -- to fifty/fifty (50/50), what

1 -- where do you fall in that?

2 MR. DOUG YEOMANS: Well, I think it would  
3 be, like one-third (1/3), two-thirds (2/3). Sort of,  
4 like, in those lines would be -- like two-thirds (2/3) to  
5 the company for going to the expense and, like if the gas  
6 goes up nine dollars (\$9) a thousand (1,000) or oil goes  
7 up nine dollars (\$9) a barrel, well then the Government  
8 can scoop another three (3) more than they figured they  
9 were going to get.

10 Because don't forget, a whole bunch of the  
11 companies and corporations are owned publicly and it's  
12 the Heritage Trust Fund that has a whole bunch of stock  
13 in all these outfits and if they make money, everybody  
14 makes money.

15 THE CHAIRPERSON: Well, thank you very  
16 much, Mr. Yeomans, for your presentation. I know that  
17 you didn't get to say everything you wanted to say but,  
18 please, if you can, take the time to write us a letter or  
19 email us the full context of what you wanted to share  
20 with us so that we can incorporate it into our analysis.

21 MR. DOUG YEOMANS: Okay. That's  
22 basically was it though anyway, thank you.

23 THE CHAIRPERSON: Okay, thank you very  
24 much.

25 And that, ladies and gentlemen, concludes

1 our day's event of presentations. We had no more further  
2 registrations for tonight, but we are starting again at  
3 nine o'clock tomorrow morning where we do have some  
4 presentations scheduled.

5 Thank you very much. It was exciting to  
6 see the buildup over the course of the day. We started  
7 out with three (3) or four (4) registered presenters  
8 ahead of time, and we ended up, I think, with nine (9) as  
9 walk-in registration, so that's excellent. I can feel  
10 the participation and contribution growing. So have a  
11 great night and please drive safe.

12

13 --- Upon adjourning at 8:02 p.m.

14

15

16

17 Certified Correct

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21 \_\_\_\_\_  
Wendy Warnock

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