

GERRY DESORCY

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 - 4 Name of interviewer: Gordon Jaremko
 - 5 Name of videographer:
 - 6 Full names (spelled out) of all others present: N/A
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 - 10
 - 11 Initials of Interviewer: GJ
 - 12 Last name of subject: DESORCY
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13 GJ: This is about oil sands in particular. You joined the board, I believe it was 1955.

14 DESORCY: Right.

15 GJ: When you joined the board, where were oil sands in the scheme of things?

16 DESORCY: Gordon, very much at a research level. I'm glancing over at Dr. Clark's book here, oil
17 sands scientist. It was very much research. There was that one experimental project working on and
18 off. But really, it was not until the 60s or late 50s, early 60s before to my experience and with my
19 knowledge, the board even heard about perspective commercial projects. And that was, of course
20 when Mr. Pew and Suncor decided that was an economically viable source of petroleum. It was
21 tremendous risk in those days and for many years to come. But certainly, that was the way things
22 were then.

23 GJ: As a matter of fact, the majority of the industry was actually quite opposed to oil sands
24 development?

25 DESORCY: No question about it. It is interesting, Gordon. When you made the arrangement and
26 as I thought about it and took my mind back to those days and the early days, I kind of came up



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27 with a list of issues that we faced over the years. Pretty broad, so the list is short. But, one of them
28 was an early one and it was the impact on the conventional industry and that was very much a
29 concern. And as you know, the Great Canadian Oil Sands Project although found to be in the
30 Alberta public interest, the board recommended indeed there was a delay before an approval was
31 issued because of the impact on the conventional industry. Of course, at that time, production still
32 outstripped demand greatly and by definition, any oil sands project that was approved had in effect
33 an exemption for that core production from the proration plant. So, to have 30,000 or 40,000 or
34 50,000 barrels of day subtracted from demand before proration took place would have quite an
35 impact on, especially the high capability pools that were prevalent then in the Redwaters and in the
36 Golden Spikes and the Bonny Glens. The production for the oil sands was simply coming off their
37 daily allowable. So, there was a lot of opposition.

38 It is interesting that I think that of the kind of broad issues I identified in my mind, that one and the
39 second one of whether the proposed project is technically doable, those were the two primary ones
40 with the first project in the 60s. Now, technically doable included recognition of what we refer to as
41 the environment today. But, it was pretty minor in keeping with the circumstances that that was just
42 not a high image issue. So, really a big one, those were the two big ones that I remember and that
43 impact on conventional industry was enough that it almost would have -- had there not been a great
44 confidence in the board, if the day was right, that the high proration factor period (that is when you
45 are taking a major cutback through the proration plant) was not going to live forever. That indeed,
46 markets were opening up, productivity was declining and I wasn't intimately involved at the senior
47 level to know what the thinking was in that regard as to when or how long proration was going to
48 exist. As you well know, it went for another 20 years. But, for the last half of that 20 year period, it
49 really wasn't a major factor in it. So, that impact on the conventional industry was a key issue and
50 the greatest stumbling block to approval.

51 GJ: In that regard, about the time you joined the board was when the Texan geologist, Hubbert
52 came up with the peak oil theory. Were people who were working for the board aware of that
53 theory?

54 DESORCY: Oh, definitely aware of it, especially -- not necessarily subscribers to the picture that
55 Hubbert saw then. But, peak oil has and the notion has been with us as long as I have been at the
56 board. Hubbert enunciated it. I think anyone who thinks recognizes that any resource is not
57 renewable, there has to come a time when, if exploited sufficiently you reach peak. After all, that was
58 the day of \$2.00 oil. Dr. Hubbert would have certainly recognized that oil was going to increase in
59 value. I think he would probably be surprised if he watched the news channel this morning and saw
60 the \$101.00 oil. Also, I think peak oil has always been recognized but we have always recognized at
61 the board that it is something we never, during my time at the board, felt that we had reached it in a
62 manner that would dictate policy. But, we always knew that policy had to recognize that such a peak
63 was coming. I have long been of the view that that peak may be as much a function of other things
64 other than the availability of resources. Such as: the availability of viable, more attractive, alternate
65 resources of energy; which is still well in the future in my view in a big sense. I think that Hubbert
66 would not really imagine 87 million barrels a day as a peak. At the time he spoke, I'm not sure the



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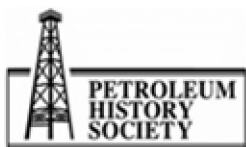


67 peak was going to be a great deal higher than that. But, I don't think it's because you could not find
68 additional resource so much as it is the cost of that resource and the availability of alternate sources.
69 Once that price gets high enough, what you are doing then is filling a gap until the other resources
70 are built up to the level. And so, I am not sure that the peak is going to be greatly higher than 87
71 million barrels a day. But, it could be. I just think of the shales and the ability to produce oil from
72 the shales now. Think of the potential of the oil sands, go no further than that. It reminds me in
73 struggling with the real issues the board has considered, big issues. One of them was the availability
74 of investment capital. When it came to the 70s and in particular, Syncrude, I think in my mind that
75 was a big issue and in the mind of the board I know there have been occasions I could not put my
76 finger right on the particular paper.

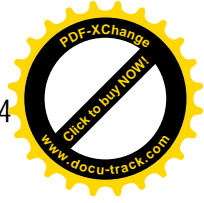
77 If George Warren were still with us, I know he'd have a copy that he could fax me tomorrow. But, I
78 remember helping with a paper that Dr. Govier presented which said, was speculating about the
79 reserves, the resource of the oil sands and the capability of converting that resource to reserves.
80 And, it centered on the availability of investment capital as a key issue, almost taking the position
81 that I think is still true. Subject to, of course, probably the big issue of day: environmental and social
82 impacts; or, at least one of the big ones. I mean subject to that kind of thing, I think that prevails
83 today. There is the availability of investment capital and the manpower, the resources to develop
84 those reserves is really a major issues. And, I think it is still a big factor in many respects. And that,
85 of course, by the 70s that had become a pretty significant one and the issue of technically doable was
86 even more stringent in my mind than it was at the time of GCOS because we then we begin to
87 understand better just what all had to be done.

88 In the 60s and even in the 70s especially the early part, our knowledge of the challenge of issues like
89 handling fines from the sand. The vast and incredible amounts of material that had to be handled,
90 we were really only getting an introduction to just how much of a problem thiamine was going to be.
91 And heavens, in the 60s it was a case of doable but very challenging. The location of Great Canadian
92 Oil Sands, I thought so many times over the years, "Not a good spot." It's far too close to the river,
93 things like that.

94 So, Gordon, as we went along we learned so much more including how challenging the technical job
95 was. By the time of Syncrude, there was a recognition that technically doable was a real big
96 challenge. And, an increasing recognition, the environmental and social impacts were important.
97 But, because the environmentally awakening had occurred but it was just in its formative state and
98 the big issue was, whether or not it could get done. That didn't really challenge the board directly but
99 I'm sure challenged those trying to bring it about. I remember the period, because I was a board
100 member then, when heavens, senior people from the board, the province, other provinces, federal
101 government and the partners in Syncrude were meeting almost on a daily basis. It could have had an
102 airline just to fly people back and forth from Ottawa. It was all over whether or not Syncrude could
103 become a reality. And, it was not because of environmental or social concerns or whether it was
104 technically doable although that increased the risk, it was a question of the availability of investment
105 capital. We had an approach that was very unusual with provinces taking equity positions and



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106 whatnot; very interesting time. Sorry, Gordon. I'm probably out of sequence for how you want to
107 ask me questions.

108 GJ: No, no. It's good. You were on the board by the time of the Syncrude...

109 DESORCY: I was on the board in the mid-70s.

110 GJ: Mid-70s, yes. When this was...

111 DESORCY: So, that was at the time it was getting done and had seen and heard more of it.

112 GJ: Yes, okay. Did it feel like a great, big venture into the unknown at that time?

113 DESORCY: Yes, it did. You would think that with Great Canadian, with Suncor having been
114 operating for so long it would not have felt that way. But, as I say, we were finding out so much
115 about the technical challenges that existed and even though we had, in my view, only scratched the
116 surface even then. So, it seemed like a lot more and it was so much bigger. And, make no mistake
117 the proration plan was still a very important factor at that time, not nearly as important as in the 60s
118 but certainly it is still important. So, it was a very major venture from the board's point of view and
119 of course, from the province's and the country's point of view because it was so hard to bring about
120 even after the approval was in hand.

121 GJ: And then, along came the 1970s energy crisis, more oil sands proposals and USAF on a very big
122 hearing about the Cold Lake oil sands project.

123 DESORCY: Yes, it's interesting, Gordon. Even though there was an environmental awakening in
124 my mind that started about 1970, it had not been a big issue at the Syncrude hearings and whatnot.
125 In the late 70s, with Cold Lake came -- well, we really moved into uncharted waters. For the first
126 time, there were a large number of people from all walks of life, all segments of the community
127 wanted to be involved and who had the right to be involved. And, I recall very well going to the
128 opening of the first day of the hearing in the community hall there where we could not get the
129 people in. I mean that literally, because not even all the standees could get in.

130 For the first time we saw a community action form headed by an officer from the airbase, a very fine
131 gentleman who deserves a lot of credit and I doubt his name is ever thought of in that end of
132 community involvement. But, it was partly that he was very responsible from a very responsible
133 approach that satisfied myself and my colleagues sitting on the panel, that the request they were
134 making for an adjournment to prepare for this was appropriate. And, we knew at a glance we had to
135 prepare better for it. As I say, we couldn't get the people into the hall and we wound up at a night
136 club just outside the base. It was big enough that those in the community with nothing to do would
137 come in and sit at the back of the hall and have a coffee in the morning and chat and we couldn't
138 even hear them at the front of the hall. It was a new and first awakening. The hearing went for two
139 months which was a record at the time. And, Gordon, because of the other issues that had come
140 forward, the technical challenge was again, front and center, because this was in-situ. So, it was a



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141 new world in that regard. There was no longer a worry about investment capital with the energy
142 crisis. The impact on the conventional industry was not an issue indeed. The party that had, in my
143 view, led the charge in the '60s against this because of the impact on conventional oil was indeed the
144 proponent at Imperial Oil. And, the social impacts and the environmental impacts; and, I emphasize
145 social, because even though environmental aspects were front and center, they were really the social
146 impacts that were of great concern to the community. So, that was the first time in my view and it
147 was a first for the board, because we for example, we awarded costs of our own -- we provided
148 funds to groups from our own funds which of course came from the industry and the government.
149 Well, there were no costs allowed for in those days, for interveners. And, we recognized the need for
150 it.

151 So, we provided funds to groups. We encouraged them to work together which I hope is still being
152 done today, because I think that's the proper way to deal with these things in an effective manner.
153 We saw that again, as I said, social impacts were extremely important and therefore we approached
154 the Deputy Minister of Municipal Affairs and got approval to have him as an active board member.
155 Because of the environmental importance, we approached the Deputy Minister of the Environment
156 and got him involved as an active board member. So, the panel for the first time in a significant way
157 made up of experts from other walks of life who -- I mean let's face it, we were not equipped with
158 our engineers and geologists to deal with environment. We were not equipped with the right kind of
159 people to deal with the community issues. So, that was our approach to try and do an effective job
160 respecting those issues which were front and center.

161 GJ: Okay. When you say social issues, what are you thinking of?

162 DESORCY: Well, certainly tremendous concern as to whether or not the infrastructure of the area
163 was adequate; holding a hearing and reviewing the impact on the people and the strains on some of
164 those things. A lovely young lady who worked for social services was front and center in an
165 intervention concerning herself with the impact on the young people in the area, the young girls.
166 Indeed, off the record, despite the fact that it's being taped it is on the record because she
167 specifically asked Bob Peterson (the then VP of Imperial in charge of that project) if they were going
168 to provide prophylactics to men, construction workers and the like. The community was very much
169 fevered along those lines: drinking, carousing, drugs were not much of an issue in those days, but
170 certainly that was a great concern.

171 I might add that a lawyer piped up and said, "So long as you don't staple them to the paycheques."
172 One of the funny little incidents that you need for relief, but again, and I know I'm digressing but I
173 want to emphasize how the board reacted to this. We engaged Jim Hope-Ross, a lawyer working in
174 town in the City of Calgary privately but who had been with an oil company and knew business. We
175 engaged him, paid the bills for him and he set up a little office up there that people could go into
176 and get legal advice that we would pay for. Because, as I say we were trying to fund and we had no
177 way of getting signing costs but we were trying to fund and make that kind of assistance available as
178 an example.



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179 GJ: Who did that?

180 DESORCY: Jim Hope-Ross. I don't know if he still alive today.

181 GJ: Jim?

182 DESORCY: Hope-Ross, a hyphenated name.

183 GJ: Okay.

184 DESORCY: He is on the record and played a role there. He advised interveners. But again, as I say,
185 social services played a big role because of that kind of concern. Hunters played a role because of
186 concern/impact. The fishing community played a role because of their concern for impacts. Now,
187 those could be turned environmental but they are social in the sense that they would impact on their
188 way of life making a living as the aboriginal community was involved. The Cold Lake Band was an
189 intervener. They were concerned with social impacts as well as environmental impacts. And,
190 infrastructure concerns as I say, big vehicles, big trucks, road noise, traffic accidents; all of those
191 things that could and indeed have over the years caused quite a change in life. It has happened all
192 over our province.

193 For those of us who grew up in small communities, 70 plus years ago, we have seen that at
194 tremendous speeds. I hope that it was controlled. I'm confident it was. But, there were problems.
195 And again, I want to emphasize that because it involved in-situ oil recovery for the first time in a
196 major way and despite a lot of experimental schemes, there was a real technically doable issue to the
197 board. And, they were big projects as you're well aware. And, have expanded many times to be even
198 bigger today.

199 GJ: Was one of the issues at Cold Lake, I have a faint, faint, faint memory that there was a debate
200 over whether that technology was quite different -- you might be putting more energy into the
201 project than you were going to get out of it? Was that the...

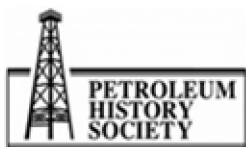
202 DESORCY: The energy efficiency was certainly discussed. I wouldn't call it a major issue.

203 GJ: Oh, okay.

204 DESORCY: Because, there were of course experimental schemes in the very area where
205 considerable data was available. But certainly, that is when the notion of energy efficiency related to
206 in-situ projects reared its head and became an issue but not a major one. I guess one that the board
207 was satisfied on relatively easily.

208 GJ: Maybe I'm recalling one of the knocks on the project.

209 DESORCY: There has certainly always been a knock on the project, not so much of energy and
210 efficiency or conservation as environmental impacts in terms of emissions. Certainly, the emissions



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211 and generating steam and whatnot are more from an environmental viewpoint as I recall, clearly a
212 concern.

213 GJ: Seems to me water use was a big one, at that one?

214 DESORCY: Clearly, water use was an issue included in that basket with environmental and social
215 impacts. For the first time, massive amounts of water were going to be put under ground for heat
216 purposes and it was an issue and again, one that has grown over the years with the increased use of
217 that. The very concerns that the actual approach of the cyclic steaming as opposed to other potential
218 technologies that would be more or less energy efficient, was an issue but not as much as it has been
219 in subsequent periods as in-situ production has grown. The question of generating steam with
220 natural gas was an issue from a conservation point of view, so much so that the approval that finally
221 issued was conditioned on them satisfying the board that coal was not the appropriate means to
222 generate the steam. So, you can see how much of an issue energy efficiency was and how the
223 environmental concern about using coal did not automatically trump that possibility.

224 GJ: So, as a condition you wanted to make about their alternatives?

225 DESORCY: As a condition, they had to consider the possibility of generating the steam with coal
226 rather than with natural gas because of the obvious value of natural gas to the province relative to
227 coal, the plentiful supply of the latter. And, of course, that was well before the -- I do not know if
228 you saw it today, but \$1.98 for natural gas this morning. Mind you, at that time \$1.98 for natural gas
229 would have been pretty nice.

230 GJ: That would've been pretty good, yeah. But, if you translate it to currency that would give you
231 like...

232 DESORCY: Isolated to today and that was a concern, Gordon that clearly the energy efficiency was
233 a concern enough that the board conditioned the approval in that manner. They satisfied the
234 condition very readily later, so it never did materialize. But, there was a hearing to do so, a minor
235 one. So, there was enough concern for that.

236 GJ: And then, the gigantic mega project version just didn't happen?

237 DESORCY: That's right. No question, we were still in a period where as I say things like the
238 availability of investment capital was not a key issue because of the proponent. Still, the Cold Lake
239 Mega Project even as we know it now, has had several step ups. It had become a reality instead, in a
240 sideway fashion because of the cost, because of the technical challenges and I think that the growing
241 concern for the environment and social concerns and whatnot because we're in a different world
242 now than we were in just 30 years ago or so, 35 I guess when we went to that hearing. We're in a
243 different world, Gordon and industry thinks differently. I mean, even from the get go we think
244 differently. So, those things have all had an impact. Now, mind you, go further north and you have
245 Surmount and other in-situ projects which are massive and they face the same kind of issues. But,
246 the balance was different.



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247 GJ: Seems to me in hindsight, the industry developed right from the start as a continuing problem
248 and the issue of cost control. It seems to me that the original estimates for GCOS were way too low.
249 Syncrude famously doubled...

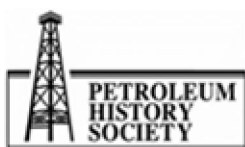
250 DESORCY: Massively, massively.

251 GJ: ... and then, this one the same.

252 DESORCY: Very much so and let's carry on. Look at Canadian Natural Resources and it kept on.
253 It's getting better but no one has been able to come to grips with that and I think in part, Gordon,
254 because unlike many things which are technically challenging -- no. It seems to me for a number of
255 matters where I have not been intimately involved there was a big technical challenge. The technical
256 challenge was solved and then you go forward. These oil sands projects, in-situ and mining alike had
257 initial technical challenges but they were based on limited knowledge as to what the real technical
258 problems were. You had to be into them to find out what they were. I mean there were tremendous
259 challenges. You go to the mining and the volume of digging that had to be done and the volume of
260 ore that had to be moved. And, think of the changes that occurred after the initial projects were in
261 place. And, tens of millions of dollars spent on them, they had to be re-worked because they just
262 weren't understood.

263 The impact of the weather, we didn't always have winters such as this last one and those things.
264 And, I think the challenge was not understood. I've already mentioned the tailings. It does not take a
265 mental joint to know that when separated the bitumen from the sand you were going to have fine
266 particles. But, I don't think any of us began to understand how massive the challenge was. I know
267 and I say this Gordon and you should be aware of this because it covers my comments, although
268 not with what we've been talking for. But, after I left the board and for a dozen more so years, I
269 worked for Syncrude as an advisor and I know that, well just sand and overburden to use for
270 reclamation purposes and whatnot became limited. They were some of the most costly things on site
271 because they were needed for so many purposes. Whereas, initially our thinking was they were a
272 challenge and they became solutions to the challenge of how to learn the tailings. And, building the
273 incredible dykes and tailings ponds that were needed and, I mean, as you well know it is only the last
274 few years that I think we're really getting a handle on the solution to that.

275 I think by about 1990 in the progression and by then, you know, environmentally and social issues
276 had become front and center. But, increasingly front and center for the oil sands. They were a great
277 concern for sour gas plants and whatnot in the 70s and 80s. But, the oil sands were out of the way.
278 Not too many people -- the First Nations were concerned but they didn't have the Greenpeace's and
279 the international, provincial, national and international environmental groups so concerned. So, it
280 was later. Even with the First Nations, although people were involved. They became more heavily
281 involved. They had more funding for advisors, for experts, for lawyers. In in the late 80s, early 90s
282 and that's when it really became a challenge. It was at that period when I think the relatively good
283 relationship between the developers and the First Nations and environmental groups in the area
284 came apart. It was up to that period.



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285 GJ: In the 90s?

286 DESORCY: Yeah. It was about the time of the Syncrude re-expansion that was early 90s, early to
287 mid-90s; things came off the wheels then over environmental and social issues. And, partly because
288 we all learned and of course, the people living there learned that the impacts were in some instances
289 were perhaps even more than they -- or different.

290 GJ: One thing you mentioned, there was a lot of work done on tailings, on just learning about the
291 scale of this problem. This was not necessarily an environmental problem but as an engineering issue
292 was a big one from just the point of view of handling the sheer volume of it.

293 DESORCY: Tremendous. I mean, it's got an environmental aspect to it Gordon, but one of the
294 things I've been involved in a lot was, how are you going to reclaim these areas where tailings had
295 been deposited or were settling? And, as you are aware you will have read regularly and whatnot,
296 these things were like liquid. And, for years many different chemicals and treatments were applied
297 and heavens, Gordon, we had literally equipment lost when we thought we could get at it with
298 equipment when we walked on it and whatnot. Trying to get access to the thickness showed it was a
299 real engineering challenge. And, getting confidence which I was looking for with my background
300 experience and concerns, even though I was employed by Syncrude; really, I was looking for
301 increased confidence that the approvals we had issued were on the basis that we believed those
302 challenges could be met. I was looking for confidence and it's only the last few years that that
303 confidence has really come for me as it relates to tailings.

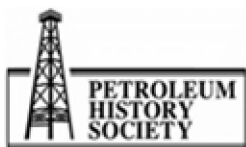
304 Gordon, a really large step was putting together that tailings consortium; the consortium of
305 operators where they share their information on tailings instead of competing. Because, Suncor was
306 doing a better job than we were doing and as an advisor at Syncrude I knew that. And, we tried
307 many things. So, I'm more confident today even though I'm no longer involved with Syncrude. I'm
308 more confident because I've now had an opportunity to talk with some of the Suncor people off the
309 record and hear them out about it. That challenge has been met. And, that's an engineering
310 challenge. You would soon get to a point where you had so much tailings that you had to move
311 everything a lot further than it had to be because of tailings problems and whatnot. So, it was a
312 logistics, engineering problem. But, of course, you cannot even begin getting on these areas for the
313 reclamation unless you can do a job with the tailings.

314 GJ: They sort of -- if you were not careful it looked like they were going to grow to the point where
315 they overwhelm the mining almost, I guess?

316 DESORCY: It would make operations in the mine more costly because of logistics.

317 GJ: Yeah. That in fact happened, didn't it? Because a tailings pond isn't just a hole in the ground, is
318 it? It is an engineered product, isn't it?

319 DESORCY: Oh, no question about it. It's got to meet engineering standards just to be safe when it's
320 a tailings pond. And then, of course, it has to be reclaimable and Gordon, I've always viewed



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321 stewardship as utilizing the earth's resources in a manner that did not have lasting and significant
322 impacts. But over the long-term, unfortunately when we use resources of that nature we can't see
323 the final product tomorrow or in my lifetime or even my kid's lifetime. But, I've always thought 100
324 years or so in the future, this landscape will be every bit as attractive and effective and useful as it
325 was when I first saw it before there was much of anything done to it. But, tailings were the greatest
326 concern I had about that for a long term. I'm now more confident. And, I'm not talking tomorrow.
327 I personally am proud and I do have one picture up there on the wall of the first piece of Syncrude
328 that was certified as reclaimed. That took a lot of doing. I mean after all, when you have a 50 or 60
329 year projects, reclamation will go in pieces and slowly. And, I was concerned as more than anything
330 else about reclamation and meeting the standards of long-term stewardship with the tailings issue.

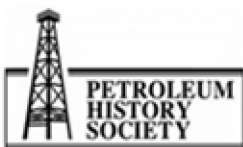
331 GJ: Where does that come from? Why would you have felt that way?

332 DESORCY: Because, there was so much more tailings; fine particulars that you cannot turn into
333 sand because they are so small these particulars. They're fluid-like and if left there on their own will
334 take decades, decades to firm up. And, there is so much more of it now. AOSTRA, which you're
335 familiar with, did a lot of tailings work. They were helpful, I think the two greatest accomplishments
336 of AOSTRA were assisting with in-situ recovery and in particular, with the gravity assisted -- steam
337 assisted gravity drainage. But, also in tailings; they had a great concern over tailings. And, I think
338 pushed a lot of people to do research on it. A lot of research at universities, that's how different
339 additives were being used. Interesting additives were being used that helped but as I say, didn't help
340 as much as I'd hoped they would and as I know understand, certain additives are assisting today.

341 GJ: I remember once visiting the Syncrude research establishment, now in South Edmonton, for
342 some anniversary when I was working at the Edmonton Journal and the talk went over to tailings
343 and they were telling me they couldn't even guess how many people actually earned PhDs writing
344 learned volumes about it. But, always covering just short of a way to deal with these little tiny -- they
345 were so small and they sort of repel each other, these little bits and pieces?

346 DESORCY: Certainly. Like any particles, there is an interstitial behaviour. But, as I say they are so
347 fine, the particles that when wet and separated they are like water. I mean, they are fluid. You cannot
348 walk on them, you sink on them, even you or I; which take decades to dry out. And, until they're dry
349 they can't begin to fit together like particles have to give you firm, terra firma; so, a real challenge.
350 Gordon, in my mind, although none of us foresaw in details the environmental challenges that
351 exist. I would say the one issue that during my time at the board that I thought could be handled
352 easier than it has been was tailings. About 1990, early 90s again, we get to a point where Syncrude
353 when they came forward for their extension and expansion that is when they proposed tailings at the
354 bottom of a lake, the end pit lake.

355 I think it's clear that you need the Great Salt Lake or something huge to even begin to handle the
356 tailings, all the tailings. Although, I think that is a viable way to handle tailings. But, I think it was
357 illustrated Gordon, the fact that tailings were a bigger problem not only to me and my mind but to
358 Syncrude at that time. Because, there was more of it and it behaved differently than was expected.



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359 GJ: So, not even engineers know everything before it starts?

360 DESORCY: I didn't say that. But, I didn't shake my head negatively. And Gordon, I think as we get
361 older we increasingly see that, not only in engineering.

362 GJ: Yeah.

363 DESORCY: In everything.

364 GJ: Bridges fall down, ships sink. Today's the 100th anniversary of the Titanic.

365 DESORCY: Yes, I watched a very interesting show last night, two hours on the Titanic I'd never
366 seen before. It was a scientist who did a study as to what happened. And, he's convinced that
367 refractory -- the weather, hitting the ice current. It occurred just at place he has maps that show and
368 it was almost at exactly where you hit that current that this occurred. And, the temperature would
369 change by 12 degrees and they didn't know every ship was taking temperature every 20 minutes and
370 it's logged. And, he was in the 100 year old logs and the temperatures changed by 12 degrees, the
371 water temperature just like that. And, the refraction that we're so familiar with in heat when we drive
372 even across the Prairies when we're on the desert, you see it where you think there's water out there
373 and whatnot, occurs in cold as well as heat. And, he has photos of refraction taken from shipping
374 vessels from Newfoundland (fisherman, he's out with them and he's taking pictures) that really show
375 ships like our ships and whatnot.

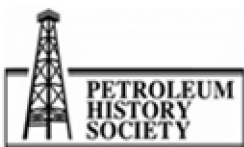
376 And, he came up with a scientific explanation that the refraction was such that it hit the iceberg,
377 instead of seeing it on the horizon. He said they were the best and he's gone through all, every crew
378 person, their background. They were the best in the world including the captain. That's why he was
379 there. And, yet when they saw it they had to scream and they hit it within just almost immediately.
380 And, also that the ship that was there and didn't -- the California, or whatever it was, it was a small
381 ship that was there. And insists, they saw only another small ship not the biggest ship in the world.
382 And, they had recreations of the captain of the California giving testimony and whatnot. And he
383 says, it was just refraction that caused it. Plus, when they saw the iceberg they turned. And, I wasn't
384 aware of this until now. But, it ripped through it sideways.

385 If they had hit them straight on, the builders of it insist that you could split it in three pieces and
386 then you have three pieces floating. But, they ripped along the side and ripped six of twelve
387 waterproof compartments all open. So, every compartment all of them were open on one side. But I
388 digress, very interesting but again emphasizing what you say, none of us know things.

389 GJ: That sounds like the most convincing answer I've heard yet.

390 DESORCY: Gordon, both Maureen and I were impressed that our daughter had phoned and said
391 she'd seen it and it was two hours, tune in. And, it was the most impressive I've seen.

392 GJ: That's pretty convincing.



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393 DESORCY: The last word or final verdict or I don't know.

394 GJ: Huh.

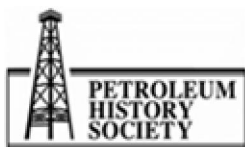
395 DESORCY: I'm not sure that Hollywood would buy into it all. Sorry, Gordon, I digressed.

396 GJ: In your experience, was sheer size one of the biggest problems with the oil sands? I get the
397 impression versus if you go up there on media tours and they try to explain to us what's going on.
398 And, they took us for these tours and you just get lost in there unless you're familiar. And what you
399 always hear at the Syncrude research establishment is that, well they have whole shelves full of
400 patented strokes of genius. That the problem is one of just making a big enough, reliable system to
401 operate as part of the plan?

402 DESORCY: I think that that's a reasonable statement. I think it's fair to say that in my judgement,
403 that the board would have always recognized that these were massive projects in terms of size. I
404 think after all, you have to have sufficient technical information before you, before a person like Dr.
405 Govier would give his blessings. He would have to be confident that those problems, the technical
406 issues could be handled. But, I don't think we appreciated the size at the time we were doing it and
407 not until really the Syncrude days. I think in every aspect of it, sheer size was a factor. In some
408 instances, like I said, moving the ore in the early days in winter was a greater challenge at that size
409 than had been envisioned and major changes had to be made.

410 I've already emphasized how critical size was in terms of the tailings, almost at times frightening the
411 size of it. I can tell you that in terms of the total landscape the disruptions to the landscape, and you
412 see this when you visit especially to fly over it, are massive. And, reclamation has been and is going
413 to be a continuing challenge where size becomes massive. Because remember, the size is so great
414 that you've disrupted the natural flow of water. You've seen some of the temporary water facilities
415 that have been built. All of that is going to have to be removed and the entire landscape is going to
416 have to be redone. And, each piece as it's being done is going to have to fit into that master of
417 jigsaw of pieces to have one, large area which 100 years from now acts like an area and is not about
418 individual pieces flowing in one direction and then changing in another direction.

419 So, all of that has to be engineered and done, Gordon. And, that's again a measure of size. The fact
420 that, I forget the date here, but this is 2008. This is the first ever reclamation certificate for Gateway
421 Hill, one hill near the entrance there but a relatively small piece. But, it had to fit into a landscape as
422 it's going to exist. And that means, different bodies of water than there were before and a different
423 flow pattern. And again, that's a massive challenge. It's one I'm confident is being and can be
424 handled. But, it's an example of how -- normally you would reclaim a piece of land that is set in
425 among other land as it was. Here, you've seen the size of it and the Syncrude is now being repeated,
426 multi-times elsewhere. So, it's a massive job, size. And, Gordon, I think you probably agree with me
427 that the first time you view is kind of breathtaking. And, the equipment, just stand beside the
428 equipment and we didn't visualize it in that way at the time. We knew there were challenges and
429 there were big ones. We were confident they could be handled. We had sufficient technical



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430 information always before us to satisfy us. Enough that to give approval, but always with conditions
431 and with important back features. You finally saw after all of the years and others who were there at
432 the board when this happened a few years ago, thank goodness, because it was overdue when the
433 board finally said, "Whoa! We have to have tailings solutions finalized and we have to have plans."
434 Because, we had been letting things build and the last one at the time that I was leaving the board
435 was, as I say, the water cover. But, the magnitude of the issue was growing and growing. I was very
436 pleased to see the board finally say, "Whoa! We must have plans. They must be concrete." That's
437 unfolding and I'm sure you have had an opportunity to go through with others and as you're well
438 aware, some of them have critical that the plans aren't firm enough. But, it's much better to have
439 that plan -- those plans and Gordon, the truth is in my judgement now, they wouldn't have been
440 possible much earlier. Gordon, we just didn't know enough.

441 I think why I think it was overdue is because I believe it would've driven things faster. Because, it
442 does take, in my judgement and I'm biased, regulatory push to bring some of those things to the
443 stage that we need tailings plants. No surprise to you that the company is always aware of that
444 problem, always dealing with it but always setting it aside where operations are concerned. It comes
445 second to operations. And, only when a regulator lays down the law and sets the standards and
446 timelines does it then become a problem that gets the same attention that operation's get. That's
447 why I am so supportive and indeed would like to have seen such action taken earlier. I'm not
448 suggesting had I been there, I would have taken the action earlier. I'm not being critical in any way. I
449 think in part, because I wasn't there and perhaps was seeing things I wouldn't have seen if I was
450 there that I was anxious to see the board get tougher on tailings.

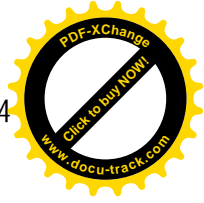
451 Gordon, let me say that in my view during certainly the 60s, the 70s, the 80s, that proof that it was
452 technically doable was still a front burner issue. And, everybody was a little bit uncertain about, "Can
453 we really do this?" And, not only separate the bitumen from the sand but handle the tailings. Do all
454 the other things and restore things to the way they were, essentially from now and when we're gone.
455 And, it was not certain that it was economically doable in those early stages and I think there was a
456 period that's at least 20 to 30 years long where proof of economic viability was being finalized. And,
457 now we're hopefully in an era in over the last 10 to 15 years where that's better understood. And,
458 some of the additional problems, the environmental ones that are important are now being
459 addressed more seriously too.

460 GJ: I was going to ask about that because one of your successors actually brought this up. He's
461 saying: 'When you look at the evolution of the oil sands you have to remember the economic side of
462 this and that a lot of those years that you're talking about were very hard years on the oil and gas
463 industry.' Not just the oil sands, whatever. You had bad oil prices. You had wildly moving natural
464 gas prices so you have to recognize that there was a number one issue there.

465 DESORCY: Number one issue was economics survival for certainly the early years. But, I'm talking
466 about of a bit of a more extended period when economic survival was there. But, complete
467 economic confidence and satisfaction was not and that took a bit longer. Because, even though the
468 price of oil was better and things were looking better, there were still issues like tailings which were



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469 being wrestled with and represented a tremendous economic liability in the final analysis. So, I think
470 there was a period, quite frankly, that stretched 25 years from the initial -- that where true
471 economical liability and confidence didn't exist. You know where money was being invested and
472 we're out of that, in my judgement. And, we're into the period where to the conventional industry
473 you're now drilling oils and doing the things that were a test in the early years of the conventional
474 industry. That's behind me. You're now doing that on a day-to-day basis and able to deal with some
475 of these other challenges. I emphasize that two of the areas that I'm talking about, technical issues,
476 ongoing technical challenges but very greatly environmental and social impacts. And, they are front
477 and center and have been for quite a while. And, the environmental associations, groups, have
478 zeroed in on the oil sands. I think partly because of them.

479 I've talked about the technical challenges that existed throughout as a major issue. The impact on
480 the conventional industry was important in the early stages and the availability on investment capital
481 which was a real issue for a few decades. Mr. Pew has to be just an incredible pioneer in the oil and
482 gas industry. And, I have heard from people who have reason, in my mind, to know that he literally
483 carried that himself. Well, I know so many people, associates from the conventional side of Suncor
484 that always felt their company was just bled by that, the early stages and whatnot. So, investment
485 capital was a third one. And then of course, a big one that began to show. It was always there but it
486 was not a major factor for the first 20 years and that was environmental and social impacts. And, the
487 5th one which is crucial today is access to markets.

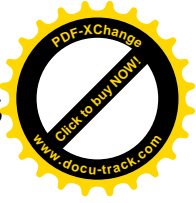
488 I think in my mind I was thinking of the availability of markets; that is wrapped up in this question
489 of the impacts on the conventional industry in the early years. You call that availability to markets.
490 But, I'm thinking now more in terms of access to markets. That's a real challenge. I don't know how
491 it's going to work out. Because, you can produce a lot of bitumen and upgraded petroleum from the
492 oil sands but no one is going to do that for their health aside from Mr. Pew, I guess, in the early
493 years. He seemed to be doing it for that reason or for whatever. But, it's being done for business
494 reasons and access to markets has got to be the major current issue, not easy. I don't know if there it
495 will be vital thing to the rest as it goes. I think there will be pipeline to the Gulf Coast. I think delays
496 of approval for that won't last. It won't take more than about three months after November. But,
497 it's still a challenge, yeah.

498 GJ: It's interesting to watch the industry when I was running a magazine before I came on to do that
499 ERCB project. One of the things I did was, I went around to all these annual meetings of companies
500 that were bidding in the oil sands. And, I asked them all "Are you in favour of diversifying your
501 market outside the United States?" And, not one of them had a different answer. And, the answer I
502 got from them all said, "Well, that's a very good idea." And, it's always a good idea to have diverse
503 markets however we're not spending our shareholders' money on this. They were perfectly happy
504 with the groove they were in which is basically exporting to the United States. So, I mean they had
505 well-established path, well-established customers, why change it I guess?

506 DESORCY: Well, even today if you just focus on that market, it's still not a slam dunk. There are
507 still issues. I think that what we saw and are seeing with the pipeline to the south is in part because I



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508 believe the international environmental community has targeted the oil sands. And, the best way to
509 control growth in the oil sands -- I think they have seen that the Alberta Government is not about
510 to be persuaded to control the growth or even the pace of growth, nor is the Canadian Government
511 when they approach it from that angle. But, if they don't have access to markets the growth is
512 controlled. And, I suspect that those kinds of thoughts have been ruminated around in the
513 environmental community. And, I'm talking of the large, powerful environmental energy they clearly
514 use. And, I think they perhaps see that as the best way to control growth in the oil sands. So, I see
515 that as an additional add-on to the challenge of access to markets. And when I say access, I'm not
516 really suggesting continued access for current production so much as for the growth in production.
517 If you look at some of the plans and indeed advanced plans, you see the numbers become
518 overwhelming.

519 GJ: So, is all this criticism of the oil sands and all this desire to control its growth, is that fair?

520 DESORCY: I don't think it's necessarily fair to simply want to control the oil sands development.
521 But, I think it's perfectly reasonable to expect that any of the developments would be carried out in
522 a manner that meets standards of sound stewardship. It meets environmental standards. It has
523 acceptable social impacts and in a manner where the land will eventually be reclaimed to the level
524 that it was before the developments began. I feel the same way about any way in which access to
525 markets would be gained, whether it's pipeline, shipping, whatever it is. That has to be done in a
526 sound, proper manner. But, I don't think just because they're gigantic in size that it's fair to say they
527 should be limited.

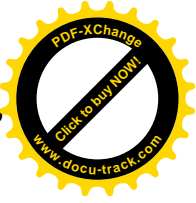
528 I've often thought, Gordon that perhaps even this agreed with those who followed me at the board.
529 That at times, I think there is merit in controlling the piece of development in a regulatory sense. I
530 don't think the legislation would allow the ERCB to do that but I have thought: Well, if I were
531 sitting on several of the projects that have been handled over recent years, I would certainly have
532 precipitated discussion of whether or not there should be a recommendation to government that any
533 OC that was issued would have a function of insuring that the rate of development was reasonable."
534 There were times when it didn't serve the interests of Alberta or Canada because of the pace of
535 development. Or, I believe shareholders in the companies, they wouldn't necessarily agree with me.
536 But, that was my own view and I wasn't as close to it as others were. But, it concerned me that we
537 weren't controlling them based on development. Not just because of the tremendous cost impacts
538 and some of those things, but it's easier to ensure that environmental and social impacts are being
539 dealt with when you've got time to breathe.

540 And let's face it, when you're going all out and you're pressed for manpower or person power to do
541 any of the work, if something's going to slip it's going to be in those areas. That stands to reason.
542 So, that's my own view and it's got nothing to do with -- it's just my view.

543 GJ: That would be a recommendation for the Cabinet. At the Cabinet level, maybe to make the OCs
544 give them staggered effective dates or something like that.



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545 DESORCY: Yeah, yeah. I looked at the legislation because I asked myself, if I don't think that way
546 but would you be doing it if you were a member of the board. So, that caused me to look at the
547 legislation and whatnot. And, I am perfectly comfortable that it would have been and that it is within
548 the powers of the board for it to quite properly include a recommendation to Cabinet. That if
549 Cabinet agrees and issues the OC it should include an effective date of October of next year or some
550 such thing. I think that was my thinking. Now, Gordon, I'd be the first to admit that one of the
551 reasons you have don't have a one-person board (which would have been wonderful, they are the
552 kind I love) is because others on the panel get to say, "Whoa! Now, why would you do this?" And, I
553 may have been talked out of it. But, that was my reason, several times a number of years ago when
554 things were unfolding. I think it would have been better for Alberta and Canada. And, I also think it
555 would have been a response to some of the environmental and social concerns that are raised.

556 GJ: Well, you even have shareholders too? Because, all the guys in the companies still talk about like
557 these 50-60% cost overruns, they don't like that?

558 DESORCY: You spoke about that and how difficult it was to get a hang of the long costs. Part of
559 that was just that every time you multiplied these things, the economy got hotter and hotter and
560 things -- I mean I'm involved in some other things that have been manufactured and marketed and
561 what I think of as a partial environmental product. But, God our costs would double overnight just
562 from one -- there are oil field incinerators; incinerators that can be used for a lot of purposes in
563 place of large flares, where you incinerate completely.

564 GJ: Oh, okay, okay.

565 DESORCY: Then you release rather than put it at the tip and incinerate it. Gordon, from one
566 incinerator to the next we had one occasion where they were out by 120% just because of the steel
567 and the manufacturing and the person power. When you have that happening and you think about
568 what these people are facing in these massive projects. Every time I saw an estimate, I added a
569 billion or so, I'll tell you. Well, Gordon, I don't know if this has been helpful to you.

570 GJ: It does. I just wanted to, just for clarification, so you retired from the board full-time in -- I'm
571 trying to remember the year?

572 DESORCY: I left the board in 1993 full-time.

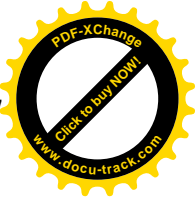
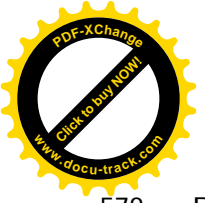
573 GJ: 1993 and you've been consulting and that included a period of consulting with Syncrude?

574 DESORCY: No, one of my clients was Syncrude. I had many, many clients and I'm telling you, one
575 of them was Syncrude where I advised on some of the issues that were related to conditions that the
576 board had fixed on their...

577 GJ: Oh, okay, yeah.



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578 DESORCY: Trying to help them to meet those conditions. Because, I believe those were proper
579 conditions and I still do. And, I'm still interested in sharing, as I mentioned earlier, about ensuring
580 that the board plays a role if needed in seeing that these matters are dealt with. So, that was my
581 timing and since then I quite frankly and intentionally, although I have sat on federal, provincial
582 panels.

583 GJ: The panels, yeah.

584 DESORCY: Which are common place now for oil sands. I have declined to sit on those because of
585 past history, yeah.

586 GJ: Oh, okay.

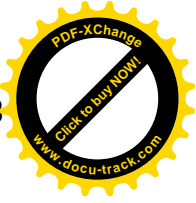
587 DESORCY: But, well I have sat on those only when asked to do so; the problems as opposed to the
588 federal representatives. So, when they have approached me, I have just declined that. I didn't want
589 to be seen there sitting with my ex-colleagues all wearing the same hat. It was just merely a fetish on
590 my part. So, I haven't had first-hand involvement since then with the oil sands. That's why my
591 comments now are from that period. But, I will tell you, and this is something I wouldn't re-
592 publicized or anything Gordon. But, one of the things that I did since I left the board, on behalf of
593 the board and Syncrude, was to look at what had changed the environment so much between
594 Syncrude and the First Nations. Because, as I said in the early 90s there had seemed -- the mood of
595 hearings changed.

596 So, I had a chance and I sat down with Jim Boucher up in Fort McKay who I had known and
597 respect very well and others in the area and Boucher's experts and whatnot. And, asked questions
598 and reported to both bodies. And, Gordon, I don't mind saying that environmental issues in
599 particular were the ones that -- I should also make clear that that assignment was for Alberta
600 Environment as well as the board and Syncrude. They all wanted to know what had gone wrong.
601 The biggest concern that I heard from the people was Alberta Environment isn't doing its job and
602 we have to do it for them. Alberta Environment is there but it doesn't ask questions on issues we
603 wish it would, most importantly it doesn't get up and speak. It doesn't say, "We're satisfied with this.
604 We're not satisfied." And, as a result of that for a number of years thereafter, but I don't think any
605 more Alberta Environment seeing a panel, indeed I was involved in helping prepare panels, they
606 began to see a panel that would give Alberta Environment input to the panel to make its decision.
607 Because everyone felt that Alberta Environment wasn't playing a big enough role, I felt it. The board
608 felt it. It was kind of like a vacuum cleaner sitting there and not speaking and then you're making the
609 decision on environmental issues.

610 So, they began appearing and I do not know if you're aware of that. I know for at least ten years,
611 they would see the panel, key people and they would tell the board, "We're satisfied with this. We're
612 not satisfied with that." And, I know the board was very happy and I would have been happy if I'd
613 continued to be a board member. So, that's another aspect that government thinking as to how
614 environmental issues are big issues as they relate to the oil sands and I don't think that development



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615 should be necessarily stopped just because they're being -- But, with big developments come big
616 problems including environmental problems and you have to solve them. I think they're solving
617 them. I've got charts that calculate the amount that takes a gallon of a gasoline right back to
618 different sources, including the oil sands, and the total CO2 emissions from them. And, I'm satisfied
619 that that isn't the reason to shut down the oil sand, the comparison of producing a barrel of oil in
620 Saudi and bringing it to Calgary and burning it in your car compared to what takes place there. I
621 have the calculations. I have the numbers. I'm satisfied on those kinds of things. I have got charts
622 showing total CO2 emitted by province and by state, by sector including oil sands at the then today,
623 double and triple the then today and I see the size of the pie chart that show the total. And, those
624 aren't readings that have caused me to say, "Whoa! This has to stop." But still, all those
625 environmental issues have to be addressed. I hope that's been helpful, Gordon?

626 GJ: It has been.

627 DESORCY: I've enjoyed talking about it. It was a big part of my life.

628 [END OF RECORDING]



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