

31 impressed by him and paid him, I think, to just to talk with Jack about oil and gas matters and Bill
 32 became the Assistant Deputy Minister of Energy in EMR in about '72. So I worked at that National
 33 Energy Board as Chief Special Projects and then that mutated into the National Oil Policy Unit, later
 34 the Oil Policy Branch and I was involved in some of the machinations that followed the freezing of
 35 Canadian oil prices in September 1973, the oil export tax, the oil export charge and basically I went to
 36 EMR in probably April, '74 to run the Oil Import Compensation Program. I was at EMR through the
 37 energy wars, eventually became Assistant Deputy Minister for petroleum and negotiated the
 38 Halloween Gas Agreement of October, '85 and I was appointed a member and chairman of the
 39 National Energy Board effective January '86 and I stayed at the board through December '97 when I
 40 retired, left government. So that's the size of it, Bob. I'm an economist; I have a Master's Degree
 41 obtained part-time from the University of Ottawa.

42 BB: When did you do that?

43 PRIDDLE: I probably got the degree in the early 70's, my interest was in looking at the Western
 44 Canadian oil and gas industry as it had developed since 1947 in the framework of, you know, the way
 45 that Canada has been characterized and right now, is perhaps being characterized in the West by a
 46 series of resource booms, if you like, that the cod trade of hundreds of years ago, the square timber
 47 trade in the early 19th century, there was an Ontario wheat boom, then across the prairies wheat boom,
 48 the British Columbia lumber boom and so on and then I was looking at the post-1947 oil and gas
 49 industry in the same sort of light to see, did it have the same sort of regional and national repercussions
 50 that the earlier resources booms had had.

51 BB: With regard to the oil sands, when did you first sort of become acquainted with the oil sands and
 52 their role, because it was just after you arrived that GCOS began their first production.

53 PRIDDLE: That's correct Bob, you've got a good memory, but actually Shell had a considerable
 54 interest in Western Canadian heavy oils and oil sands even though they didn't do anything for many
 55 decades. When they looked at global oil resources, they saw an enormously important sort of sleeping
 56 resource there and they would often discuss it, you know, in the context of forward views of the likely
 57 development of world energy, then you're right, I came to Canada in '65 and GCOS came on stream
 58 in '67, I didn't see the plant, I didn't visit the oil sands for many years but that was at a time when the
 59 National Energy Board was administering something called the National Oil Program, sorry, the
 60 National Oil Policy of 1961, it had been brought in to some extent or to a large extent as a
 61 recommendation of the Royal Commission on Energy, that was probably '57 to '59 chaired by a chap
 62 called Borden, one of the members of that commission was Dr. Robert Howland who was appointed
 63 a member and vice chairman of the National Energy Board when the board was created in the fall of
 64 '59 and the Borden Commission had recommended a national policy on the disposition of oil and the
 65 board did a subsequent report to the Minister of Trade and Commerce on that, that was at a time
 66 when the National Energy Board came under Trade and Commerce and it led to George Hees, the
 67 then Minister of Trade and Commerce announcing the policy in the house in the first quarter of '61
 68 and the policy was basically to protect the Canadian market west of what was called the Ottawa Valley
 69 Line over to the Pacific Coast for the products of Canadian crude oil and also to foster exports to the



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70 U.S.A. taking advantage of something that was created, I think , in March '59 called the Overland
 71 Exemption, the United States had had a voluntary oil import program from about 1956 onwards and
 72 it became mandatory, the MOIP, I think in about March '59, however thanks to some very vigorous
 73 lobbying by the so-called Northern Tier Refiners, which included Northwestern Refining at St. Paul
 74 Park, Minnesota and Great Northern later, Koch Oil at Pine Bend, Minnesota and an assortment of
 75 other refiners, Murphy, Continental, I think, Dow Chemical at Midland, Michigan and thanks I think
 76 to the influence of Senator Hubert Humphrey, within a few weeks of the MOIP being declared, in
 77 let's say, March '59, an exemption was given for overland imports and that meant essentially Canadian
 78 imports, there were no overland imports from Mexico, although, Bob, it did give rise to the
 79 Brownsville Loop where tankers from Mexico would unload Brownsville in the extreme south of
 80 Texas, the oil would be put into tank trucks which would then do a loop across the American boarder,
 81 back into the U.S.A. and that oil counted as overland imports but it was expensive to do that and so
 82 the volume was rather small and then the Mexicans and Americans agreed on a seal on that oil.

83 But there was a constant stressed relationship between three parties, Canada, U.S.A. and Venezuela
 84 over that overland exemption because the Venezuelans saw Canadian oil as indirectly displacing
 85 Venezuelan oil because I think at arriving at the very fixed quota for overseas imports, tanker born
 86 imports to districts one through four, that's U.S.A. east of the Rockies, or east of the west coast which
 87 was district five, the U.S.A. did certain numerical calculations, took off the expected Canadian imports
 88 and arrived at a balance for overseas imports and the most important import source at that time was
 89 Venezuela. There were various percentages applied to the share of one to four oil that could be
 90 imported, 12.2% sticks in my mind. So the board was put in charge of managing the National Oil
 91 Policy and it did it basically by what used to be called suasion, Dr. Howland, the vice chairman was
 92 put in charge of the National Oil Policy implementation, that was at a time, Bob, when individual
 93 board members had particular assignments for engineering, for electricity, for natural gas and Bob got
 94 oil and he was very much a believer in using the "old boy network" within government, with the
 95 U.S.A. and with industry to manage things, to keep foreign origin product out of Ontario west of the
 96 Ottawa line, and that meant gasoline, heating oil, diesel, jet fuel, whether it was refined in Quebec or
 97 imported into Quebec and then trans-shipped to Ontario or in some cases imported directly to
 98 Ontario, and that let do some bruising situations.

99 Incidentally, one of those situations involved a small Quebec importer whose economic advisor was
 100 a University of Montreal Professor called Jacques Parizeau but let's get back to exports, Dr. Howland,
 101 I think probably each quarter would take out a small piece of paper and write down some numbers
 102 on it which were the volumes which we would allow to be exported to different northern tier refiners
 103 and he would then give me that piece of paper and I would phone up interprovincial and tell them
 104 that through the Lakehead System, this is all that they were going to be allowed to deliver to connected
 105 refineries, so it was something that you couldn't possibly do today, but it fitted in with the, you know,
 106 governing environment of the sixties and we'd go down every quarter or so and discuss with a very
 107 small group, at the Department of the Interior which was responsible for managing imports. I used
 108 to say we'd go down on our hands and knees and ask for their acceptance of larger and larger volumes
 109 of Canadian oil. Things got quite difficult by '67 and the newly appointed of Minister of Energy, Mines
 110 and Resources, Energy, Mines and Resources came into being 1st of January '66 and the NEB was



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111 brought under that minister, taken away from the Minister of Trade and Commerce and the first
 112 minister was Jean-Luc P  pin, later the chairman of the Anti-Inflation Board and the American Interior
 113 Secretary, may have been Stewart Udall, U-D-A-L-L. And P  pin invited him to Expo '67 and with
 114 Howland worked out a, sort of, informal quota for districts one to four, the initial quota, I think was
 115 280 thousand barrels a day. It became much more difficult for Canada to stick to that quota and then
 116 along came GCOS in 1967 and this was a new export of a new material, I can't recall where it was
 117 being refined, certainly some went to the Sun Plant at Sarnia and it was the sort of oil, synthetic crude
 118 oil, which needed to be spread among quite a few refineries, Sun wanted to export to the Sun Plant at
 119 Toledo and there was some elbowing out of conventional crude oil to make that possible.

120 My recollection, Bob, is that the Oil and Gas Conservation Board of Alberta was prepared to accept
 121 that, remember that was at a time when the developed well head capacity of the Alberta industry was
 122 grossly underutilized so there was a constant search for new markets, it was the time when, and it had
 123 started not long after the war when there was a worldwide surplus of energy and particularly, oil
 124 producing capacity and jurisdiction is like Texas and Alberta, acted as the swing producers, so in
 125 Canada production from B.C., Saskatchewan, Manitoba was always fully utilized and the balance of
 126 supply came from Alberta and the volumes were allocated as you well remember Bob, through the
 127 conservation boards allowable which I think went down to the single well level. So there may have
 128 been some discomfort in the conventional industry, when GCOS came on, I think it came on only at
 129 about 45,000 barrels a day...

130 BB: I think it was less than that.

131 PRIDDLE: Was it? Okay.

132 BB: Yeah. I think the design was actually 35 and the actual production for quite awhile was less.

133 PRIDDLE: Yes and I remember the engineers being disappointed with the production from GCOS
 134 and tending the blame the designer of the overall scheme, we won't mention that well-known EPC's
 135 company's name, because they had designed the process from the mine through to the separation of
 136 the bitumen of the sand, through to the upgrading as a continuous process and if something, say like
 137 a conveyer broke, then the whole plant tended to stop, there was no accumulation of ore, let's call it
 138 ore, ore of storage of bitumen to keep the thing going if something went wrong at one of the stages
 139 in bitumen separation or in lining and it was particularly vulnerable to cold spells and the much touted
 140 conveyer system wasn't really ideal and of course, I think that's been largely replaced now by truck
 141 and shovel.

142 BB: Yeah.

143 PRIDDLE: So that was my first, very minor exposure there. The person that we dealt with, I seem to
 144 think was Mr. Ken Heddon, H-E-D-D-O-N, who was the president of Sun Oil Company of Canada,
 145 as I believe I was called at the time and it was up to him to be the interface with the NEB on export
 146 matters, I'm sure there were many interfaces with GCOS but that was the only one that I saw. Ken
 147 himself was an oil product person; he called himself a peddler, because although he was an engineer,



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148 he'd grown up in the products selling side, so that was my first experience with oil sands. Now the
149 energy board, National Energy Board, started doing energy supply demand outlooks and forecasts as
150 early as the late 1960's, maybe about '67 or '68 they came out with their first one which was a
151 considerable sort of door stopper. Then after I had left the board, so it's not really fair for me to point
152 this out, although I did have the NEB file at Energy, Mines and Resources so when something came
153 along by way of say, an export recommendation, it was I who carried to that to the minister and if
154 necessary, through cabinet, so the board started doing every one or two years, an oil outlook and that
155 was to help the board with its recommendations on what should be the annual oil export volumes and
156 quantities.

157 Those exercises, while I was only involved in them second-hand and saw them rather than took part
158 in them, and initially took an enormously optimistic view about the amount of oil that could be
159 developed quickly from the oil sands, I mean they had a plant coming on every couple of years, you
160 need to look up those volumes Bob, but there was an expectation in the 70's that the technical
161 problems of oil sands could be very quickly solved, that oil sands could be developed in the sort of
162 flush of enthusiasm for relatively high cost, non-OPEC oil that followed the OPEC oil price increases
163 of 1973 and early '74, and to some degree that proved to be wishful thinking.

164 BB: Well you'd probably remember Herman Kahn from the Hudson Institute.

165 PRIDDLE: Yes, yes. The futurologist, that's correct.

166 BB: He proposed bringing over massive workforce from Korea to build something crazy, ten plants
167 a year.

168 PRIDDLE: Yes, yes. And I think that was an influence on Canadian thinking.

169 BB: And Jean-Pierre Goyer, who was a federal cabinet minister at the time.

170 PRIDDLE: I think supply and services or something like that...

171 BB: Or Solicitor-General...

172 PRIDDLE: Okay, but he got hold of...

173 BB: But he got hold of, well partly because his girlfriend was, I think her last name was Drouin, was
174 an economist who had worked...

175 PRIDDLE: Oh yes, yes, was it Mary Francois Drouin with the think tank in Montreal, hadn't she been
176 with the Hudson Institute.

177 BB: I think so. I think they may have married eventually.

178 PRIDDLE: Yes.



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179 BB: But anyway, the point is, somehow or other this Kahn idea was enthusiastically backed by Goyer
 180 in cabinet and my understanding that, I think it was November '73, Kahn, either came up and did a
 181 presentation or his proposal was discussed. But anyway, that's sort of that attitude that you're talking
 182 about this, "it's just a technological problem".

183 PRIDDLE: Yes, that's right. So Bob, and that was a period when the liberal government, there'd been
 184 the minority liberal government from about '72 to '74 and then Trudeau got a substantial majority in
 185 the '74 election but the economy wasn't performing all that well, it was the post-OPEC, sort of, weak
 186 economic growth, high inflation and they were constantly searching for job ideas and it was in that
 187 period that the mega project job ideas thing came about, I remember, you know there was a succession
 188 of energy ministers, Jean-Luc Pépin was the first, then Joe Greene, he got sick, Otto Lang succeeded
 189 him, then they appointed Donald McDonald, Donald McDonald went off in about '75 or '76 to
 190 finance when Turner resigned, I think, over the anti-inflation program and then, Donald McDonald
 191 was succeeded by Alastair Gillespie and I do recall one of these, the many first ministers' meetings of
 192 the time, they seem to meet at least annually often, energy was central, Alastair cooked up, very quickly,
 193 an idea for what he called a million jobs, that was how it came out in the press and he got what all
 194 politicians look for, front page headline in the Globe with a million jobs, what it was a million person
 195 years, or in those days, man years of employment out of a whole bunch of energy projects which
 196 Alastair proposed that the Federal Government should push, and a good slug of those, there were
 197 many of them, off-shore, but a many of them were oil sands and heavy oil projects, so oil sands tended
 198 to be attractive, both as a supply source and as generating jobs in the economy.

199 BB: Oh he was big on, I think, coal to oil as well.

200 PRIDDLE: He was, and of course, for quite a number of years, he was chairman of a group that
 201 wanted to turn the abandoned the Gulf Canada Point Tupper Refinery into a cold to oil plant.

202 BB: When the '73 crisis hit and the regulated Canadian price came in, were the oil sands exempted
 203 right away or...

204 PRIDDLE: No, Bob, they just got the regular Canadian price, so GCOS was treated like any other
 205 say, light conventional crude oil.

206 BB: But was it later when the NEP came in?

207 PRIDDLE: I think it was before the NEP, you would need to check that Bob.

208 BB: Yeah.

209 PRIDDLE: But part of the Syncrude element, and I think a very important element, probably a critical
 210 one, is the Syncrude Agreement, I think the Syncrude Agreement was in '75, is that correct?

211 BB: Yeah.



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212 PRIDDLE: Was that Syncrude, when it came on stream, would get the international price for crude
213 oil.

214 BB: That's it.

215 PRIDDLE: So, I was among other things, running the Oil Import Compensation Program, so the
216 deputy at the time, who might have been Gordon McNabb, said you better see to it that when
217 Syncrude comes on, they get the international price and so, a relatively small group of people were
218 sort of making the bullets for Alastair, this was before the huge surge of personnel that came about
219 with Dr. Edmund Clark's arrival at the department and Mr. Cohen becoming Deputy Minister in
220 probably '79. We thought about alternate ways of doing this for Syncrude, one way that was talked
221 about was simply to allow them to export all of their product and exempt for the oil export charge as
222 the oil export charge tax had by then become known but, that would have looked very bad politically
223 and the scheme that we eventually cooked up was simply to count Syncrude as imported crude oil and
224 invite, allow, request Canadian refiners who use Syncrude to apply for import compensation for those
225 volumes.

226 By that time, Bob, the import compensation scheme had, and I think I was General of the Petroleum
227 Compensation Board which managed it, had sort of morphed from being a scheme which
228 compensated individual grades of crude oil dependent on the increase in taxes and royalties for that
229 grade overseas, that was an enormously cumbersome scheme, to a flat rate compensation that was
230 recalculated every month and took into account international freight rates, ocean freight for tank ships
231 and looked at an average overseas price, compared to an average Canadian price, took the difference
232 and gave five, six, seven dollars a barrel to everybody for all grades of oil. So there was no quality issue
233 as far as Syncrude was concerned and the Syncrude, when the plant came on stream, was that about
234 '79 Bob?

235 BB: '78.

236 PRIDDLE: '78, okay. The Syncrude was readily taken up by Canadian refiners, I tend to think that
237 none of it was exported, but I don't know, if it was exported there was no concession so they would
238 have only got the Canadian price for it, we never did anything about exported Syncrude in that era.

239 BB: The way Syncrude works is that the owners, the joint venture owners...

240 PRIDDLE: Yes, have titles to the oil.

241 BB: ...each have title to the oil, so the... and that included then, the Alberta, Ontario and Federal
242 Governments, each had their five, ten and fifteen percent.

243 PRIDDLE: Yes, yes. And how that was disposed of, I don't know.

244 BB: Well Alberta had the Alberta Petroleum Marketing Commission.



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245 PRIDDLE: ...Marketing Commission, that's right. Yes, Wayne Minion started in about 1973, I think.

246 BB: Yeah, yeah. Well that, actually, maybe... backtrack a little bit. There's two questions, one is actually,
247 not quite an oil history question, an oil sands...and that is the, until about '72, '73 and Jack Austin, the
248 NEB had been policy advisor.

249 PRIDDLE: That's correct.

250 BB: And at some point that changed.

251 PRIDDLE: Yes.

252 BB: And the NEB became the quasi judicial arms-length regulator...

253 PRIDDLE: Yes.

254 BB: And EMR took on the policy role...

255 PRIDDLE: Yes.

256 BB: Was there friction because of that?

257 PRIDDLE: Oh yes, there was, there was Bob. This should have happened, Bob, when... because it
258 was the concept of the day, the Pearson Government, that that should've happened as soon as possible
259 after January the 1st, '66, there was a government reorganization act and as I said it created Energy,
260 Mines and Resources out of a department called Mines and Technical Surveys, put the National
261 Energy Board under the EMR minister, but Dr. Howland, my boss at the time, was... you know, it
262 was a time, Bob, when there was a lot of behind the scenes stuff went on and interpersonal
263 relationships may have been more important than they are today, I don't know, and Bob Howland
264 was a very extremely able person, Doctorate from the London School of Economics and had, I don't
265 think he had ever worked federally, at one stage he was Deputy Minister of Labour in Nova Scotia,
266 he was on the Carroll Royal Commission on the coal industry, basically representing Nova Scotia and
267 then as I said, on the Borden Commission on energy, our commission, federal commission.

268 He somehow got to the new minister, Mr. Pépin and, in effect, told him that if he wanted the board
269 to play along then he should not allow the new Assistant Deputy Minister for Energy, Gordon
270 McNabb to hire any staff apart from a secretary, so somehow Howland was able to put that over on
271 the new deputy of EMR who I think was Dr. Claude Isbister, and that situation continued for awhile,
272 so it was a strategic victory as he saw it for Howland and for the energy board and it lasted for quite
273 a few years and, the sort of, mandarin group was bought off by Howland agreeing to the creation of
274 a interdepartmental committee on energy which I think was chaired by the DM of EMR included
275 trade and commerce, I remembered Jake Warren, finance privy council office, for instance, Marshall
276 Crowe would sometimes come along as the PCO representative, external affairs because to the
277 importance of energy exports and, but it left the board in charge of policy as well as regulation on the



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278 oil and gas side. Jack Austin came along, maybe about '71 or '72, his was a very unusual appointment
 279 because until that time, it was most unusual for deputies to appointed who had not come up through
 280 the public service and Jack, I think, had been a mining promoter in B.C., although he was born in
 281 Calgary I believe, and Jack was a very strong minded person, he didn't really know his way around in
 282 energy, as I told you earlier he hired Bill Hopper basically just to talk to him, then made Gordon
 283 McNabb the Senior Assistant Deputy Minister, with more a science and engineering responsibility and
 284 brought Hopper in as the Assistant Deputy Minister for energy and Hopper was also a strong-minded
 285 person and together they rested the policy control away from Howland and the National Energy
 286 Board. Meanwhile, and that would have been in the period of the minority liberal government, very
 287 strong NDP presence and Mr. Tommy Douglas was asking lots of questions about gas exports, about
 288 the secrete approach to controlling Canadian oil exports and Howland saw his star, I think, tending
 289 to fall at a period when more and more people were feeling that government should manage oil and
 290 gas in a more transparent and more formal way than had been done.

291 BB: The other thing and this probably is part of the story from beginning to end and before your time,
 292 is the jealousy between the Federal and Alberta Governments over, specifically, the oil sands, going
 293 back to Sidney Ellison and Karl Clarke and the transfer of resources...

294 PRIDDLE: Yes.

295 BB: ...and the shut-in period that you were talking about and the... do you know how serious people
 296 were in the 70's about actually using Section 92 of the Constitution to assert federal control?

297 PRIDDLE: Yes.

298 BB: Now Lougheed, you know, was livid over the various things, the price controls and so on...

299 PRIDDLE: Yes. I think in the first place, Mr. Lougheed was... so the Federal Governments, I think
 300 apart from the first Diefenbaker government, or second Diefenbaker government didn't really have
 301 much time for Alberta or for Mr. Manning, the second Diefenbaker government was responsive
 302 through things like the NEB Act, brining Ian McKinnon, the first full-time chairman of the Oil and
 303 Gas Conservation Board of Alberta, to become the first chairman of the National Energy Board, quite
 304 a number of able young Albertans came to work for board, Bill Scotland and Jack Jenkins, Jack Jenkins
 305 the first employee of the board, both came from Alberta, both University of Alberta engineers and
 306 there were a number of others and that was in the Diefenbaker years, but certainly the liberals didn't
 307 have much time for Alberta and then Mr. Manning was succeeded by Mr. Strom, I think, relatively
 308 briefly and he didn't cut much ice and then Mr. Lougheed was elected about 1970 or '71...

309 BB: '71.

310 PRIDDLE: '71. And as it were, to use an expression that came about much later, Alberta wanted in
 311 and again, they were ignored on the energy side. Mr. Lougheed created the Alberta Petroleum
 312 Marketing Commission, put a very able and aggressive person, Wayne Minion in charge and frankly,
 313 I think that they were none too soon in trying to create a provincial counter-weight to federal



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314 ambitions. You know when it was a time when Mr. Trudeau and the sort of, newcomers to
 315 government, you know, Michael Pitfield, the privy council clerk who moved a western Canadian, that
 316 was Gordon Robertson to one side, and they put Gordon Robertson in charge of federal/provincial
 317 relations and brought him out of the clerk position, made the clerk position the sort of chief executive
 318 of the public service, which maybe it had been in the past but in a much more over way, it was almost
 319 a sort of no-holds barred situation.

320 I remember a little bit later... it was rumoured on the stock exchange that someone was trying to take
 321 over Trans Canada Pipelines and that someone might have been the **ques de depot** of Quebec and I
 322 remember being in the company of certain Trudeau government ministers at the time and they flew
 323 off the handle and were going to nationalize Trans Canada to prevent the **ques** from getting hold of
 324 it, so I'm sure there were thoughts about using the clause of the Constitution, how to run and get the
 325 Constitution Act, which gives the Federal Government the authority to take over almost anything on
 326 the grounds of the, sort of, greater national public good, I'm sure there were thoughts in that direction
 327 regarding the oil sands, but thank heavens that never happened.

328 BB: Well it would have...certainly changed things.

329 PRIDDLE: Yes.

330 BB: The federal role, as near as I can tell, was very supportive of the research, especially on the refining
 331 and the...

332 PRIDDLE: Yes it was.

333 BB: ...and they set up that lab in Devon and...

334 PRIDDLE: Yes, that's right and before that, Bob, there had been a fair amount of work, I don't know
 335 how successful done at the bench level, here in Ottawa on refining of heavy crude oils. There is a
 336 Canmet...

337 BB: That's it, Canmet.

338 PRIDDLE: ...upgrader process, it's been tried at the...it was licensed, I think it was licensed, to a
 339 consulting engineering firm and a plant was built at Montreal. There's certainly a lot of interest on the
 340 research side there and, you know, contrary to what I've just been saying about the federal
 341 preparedness to be very brass elbowed on this, there was great concern about Syncrude collapsing in
 342 the mid-70's and of course, that led to the Winnipeg Conference, or Winnipeg Meeting, which I didn't
 343 have anything at all to do with, I knew it was taking place, but there were other people, both supporting
 344 ministers and taking part in the negotiation. There was a great desire that Syncrude should succeed.

345 BB: Were there things that the regulatory or the policy level over the next couple of years to facilitate
 346 that, aside from the pricing thing that you've mentioned?



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347 PRIDDLE: No, no, I think the only thing was pricing.

348 BB: Now what about Suncor, I'm sure that they were...wanted the same deal or...

349 PRIDDLE: They felt very much left out, now probably by that time, Ken Heddon had retired, a new
350 person was running Sun Company of Canada and he was actually killed in a well-known air accident
351 near Toronto, he was coming back from Philadelphia in an executive jet and it is alleged that it got
352 caught in the wash from a large aircraft landing ahead of it and crashed and everyone was killed. There
353 was a series of problems of succession at the head of the Sun Organization in Canada, but Sun was,
354 certainly when the National Energy Program was announced in October, 1980, Sun felt very hurt that
355 they were not going to get any special treatment so they saw themselves as being unfairly disadvantaged
356 as the pioneer oil sands developer vis-a-vis Syncrude, so a lot of lobbying went on.

357 I was involved in that because by then I was the Assistant Deputy Minister for Petroleum, I'd been
358 appointed to that job in about 1978 or '79, there was a blossoming of assistant deputy ministers, Bob,
359 there had previously just been a senior one and one for energy, in the energy sector of EMR but with
360 Dr. Clark and Mr. Cohen, there was one for non-petroleum, that was all other energies, there was me
361 for petroleum, I'm sure there was somebody for conservation and environment and I'm sure there
362 was somebody for research and development, so I was just one of three or four ADM's but I was
363 basically responsible for running the oil related and gas related NEP programs apart from PIP and the
364 scheme that looked at the nationality of enterprises in the oil and gas business.

365 BB: The frontier...

366 PRIDDLE: Yes, yes. So there was a series of negotiations, I have to presume that Mr. Lalonde was
367 the ultimate principal, remember Mr. Lalonde had become Energy Minister when Mr. Trudeau was
368 returned in about... was that February or March 19...

369 BB: 80.

370 PRIDDLE: 80, okay. And what was eventually agreed was that Suncor would commit to an expansion,
371 I can't recall how large, and in return they would get Syncrude treatment for the whole of their output,
372 I believe it was the whole of their output and the same approach was adopted as for Syncrude, namely
373 users of Suncor material would get the international... would get import compensation and Suncor
374 would therefore be able to charge an international price.

375 BB: Yeah, the net effect was that they got the international price, but you had to do these convolutions
376 to get there.

377 PRIDDLE: That's correct, yes. So Bob, you know, that whole period from Labour Day 1973 to the
378 Western Accord of sometime in the Spring of '85 was a very, very unhappy one and it was certainly
379 not a period that did anything at all to foster long-term investment planning in the oil sands, it was
380 sort of lost decade plus the sole bright spot was the Syncrude Agreement and Syncrude coming about.



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- 381 BB: And then of course the low prices, especially '86 to mid-90's didn't help.
- 382 PRIDDLE: No, I mean the oil price collapsed, I think Bob, it was probably at the end of '85, it was
383 down at one stage to about \$9.00 a barrel, so you know; the backwash of the National Energy Program
384 was in the period of very depressed oil and gas prices.
- 385 BB: And of course the mega projects of the 70's, remember Cold Lake was going to be this \$14 billion
386 dollar...
- 387 PRIDDLE: Oh yes, that's right and another project, Bob, was Albian Sands...
- 388 BB: Albian Sands.
- 389 PRIDDLE: And by a sort of irony, when the National Energy Board was moved to Calgary in 1991,
390 we moved into, what later become known as, Energy Plaza and the very floors that we moved into
391 had been maybe first occupied by the Albian Sands group. Of course, Bob, that was partly Shell.
- 392 BB: Yeah.
- 393 PRIDDLE: Albian Sands was shell, so when I said that Shell didn't do anything, they did start very
394 vigorously down the oil sands route in the second half of the 70's but were frustrated, basically, by the
395 National Energy Program.
- 396 BB: And then in the 80's there was also that thing, the OSLO, the other six leases organization...
- 397 PRIDDLE: Yes, that's right.
- 398 BB: They tried to bring a proposal, but... all of them were assuming that you had to build this huge
399 thing all at once.
- 400 PRIDDLE: Yes.
- 401 BB: And it was the in situ technology, and actually Imperial Cold Lake, showed that you could do it
402 incrementally.
- 403 PRIDDLE: Yes. I mean Imperial Cold Lake combined, Bob, with the Koch Refinery at Pine Bend,
404 Minnesota was a tremendous, I mean I used to call Koch the Great Canadian Upgrader, except it was
405 in Minnesota, but that's been an extremely fruitful relationship and its contributed to a great a deal of
406 economic development and technical progress in Canadian heavy oil and oil sands, if you call Cold
407 Lake oil sands.
- 408 BB: Of course the technologies that have ultimately created the boom weren't really developed, in the
409 70's you didn't have the 400 tonne trucks or the hydro-transport, was invented by Syncrude and the
410 in situ required horizontal drilling to become economic and so, in a way, you have to wonder when



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411 you look back at the 70's why any of that dreaming could have led anywhere, would have forced the
412 technology to develop, or did the technology have to be there to... fascinating!

413 PRIDDLE: Yes, yes. And you know, again, Bob, I was very much on the fringes of this but, because
414 of the huge role that the Federal Government played in the oil and gas industry, you got to rub
415 shoulders with industry people and I remember Jack Armstrong, the then president of Imperial Oil
416 deploring the experience of the oil sands saying that they were working in a condition of ignorance
417 about the resource and about the proper way to upgrade it and he deplored what he called the brute
418 force approach to mining, he thought it could be much more refined mining approach, and Bob,
419 enormous credit is owned by Canada and all of us to the Sun people from Philadelphia in daring to
420 spend so much money on the GCOS, I think without GCOS, you wouldn't have had a Syncrude, but
421 it was a relatively simple process, and in terms of upgrading it was coking, it was basically taking the
422 heavy black stuff out and piling it up and shipping it off to Asia eventually, and more refined
423 approaches involving the hydrogen addition, hydrogenation, hydrogen treatments and so on came
424 about starting with Syncrude and now everybody's doing that.

425 BB: During your time at the NEB, did any of this come before you in any way?

426 PRIDDLE: No, Bob, the development in my time was when, towards the end of the second Mulroney
427 government, clearly they were concerned for Alberta, here was a federal government, that was again
428 giving serious attention to Alberta, who owed an enormous amount to their electoral success to
429 Alberta votes and starting with Bill McKnight there were approaches to the NEB to take a small part
430 in a federal review of what could be done to, you know, create a better environment for oil sands
431 development, now Bob, nothing ever happened of this but there were, first, Mr. McKnight wrote to
432 me in August '93 and then, I guess in September '93 Mr. Chrétien was, the liberals were elected to...the
433 majority in the house and Mr. Chrétien became the Prime Minister and Anne McLellan was appointed
434 Energy, Mines and Resources Minister and wrote to me in December 1993 asking what could be done
435 to deal with regulatory mechanisms for long-term exports of oil from oil sands development and we
436 did a couple of reports on that and there was a public exchange of letters with the minister.

437 The short point, Bob, is that the National Energy Board Part VI, that's a roman six, a big roman six,
438 regulations were amended to give the board the authority to allow the export of crude oil and obviously
439 they had oil sands oil in mind for terms of up to 25 years, let me just check that. I think it was 25 years,
440 I've got the requirements here... ah yes, no, it was 20 years, it was 25 years for gas and 20 years for oil,
441 that may have done a little bit towards creating a more favourable environment for oil sands
442 development. Now, as you know Bob, the whole North American and global oil industry operates on
443 short-term arrangements, you just buy next month's oil this month, nobody's interested in long-term
444 arrangements, I think this could still have a favourable influence if we get into a large trade in oil sands
445 material with East Asia, which might or might not happen depending on the future of these pipeline
446 projects. So it's never used, it's never been used, that authority to license for up to 20 years and I think
447 it's near existence, gives some comfort to investors.

448 BB: '93 was when this national task...oil sands task force was created.



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449 PRIDDLE: That's correct, yes.

450 BB: And I gather the impetus for that came out of a...originally from Jake Epp, around '91?

451 PRIDDLE: Yes, it was certainly the conservatives who gave that impetus. I think, Bob, had there been
 452 a lot of work by the industry, of course, to prepare the way for this, to draw to the attention of
 453 government the plight that the oil sands business found itself in with low oil prices and as we were
 454 talking before this interview, in some cases, the operating costs were not covered by the price that the
 455 market, the free market offered to the oil sands and so, certainly the conservative ministers of Energy,
 456 Mines and Resources were onto this and Mr. McKnight as I've remarked, wrote to me about it and
 457 the interesting thing was, that cudgels were taken up very vigorously, I have to say, by the liberals and
 458 that was Minister McLellan's doing and I think that that reflected her situation as perhaps the only
 459 liberal from Alberta and she was basically a pretty good minister.

460 BB: Well she...it's fascinating that it was two women, that she and Pat Black, now Pat Nelson, played
 461 such a role because I'm told that Chrétien basically gave McLellan free reign.

462 PRIDDLE: That's true, yes. And not just in several areas, Minister McLellan was basically left alone
 463 and she was a long standing minister. And so that was combined, there were many, many strands to
 464 that oil sands initiative.

465 BB: Aside from that Part VI, was there any other NEB involvement in the 90's?

466 PRIDDLE: Bob, I don't recall any, no.

467 BB: No. Now of course, it would start towards the end of your time to affect the supply and demand
 468 outlook... although nobody foresaw that we would be at the rate that production is today.

469 PRIDDLE: No, not at all and frankly, Bob, I'm still surprised as I look back and then I look forward
 470 and I see people talking of as much as three or four million barrels a day in a, you know, 20-30 period
 471 and that would be wonderful and then of course, there's been the very welcome, complete reappraisal
 472 of the way that the size of the oil sands is presented in international data on oil reserves, much more
 473 correct now than when we were simply booking what was sort of immediately in the scope of a
 474 particular plant. And I notice, Bob, that the consulting engineering companies that deal with oil
 475 reserves and reservoirs and all the rest of it are taking a much more expansive view of oil sands, as of
 476 course is the ERCB.

477 BB: Yeah, it took awhile, some of us who...I noticed that BP took awhile before they brought it in.

478 PRIDDLE: They put it in their annual review, that's right.

479 BB: And Stephen Rodrigues who you may remember from CAP.

480 PRIDDLE: Yes.



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481 BB: He was somewhat reluctant recruit to that whole movement.

482 PRIDDLE: Yes.

483 BB: There was some people who thought it would be better, instead of going right to 172, to look at
484 something like 13 or 15 or 20 because that was, things were, there'd actually been some commitment.

485 PRIDDLE: Yes. But Bob, it's plainly there and it's, you know, it's there already, established reserves
486 in that sense.

487 BB: Yeah. As a supply and demand person, from practically day one, you must remember the several
488 periods where we thought we were either running out or overflowing.

489 PRIDDLE: Yes. And so, it's been a very cyclical industry and I'm sure that every investor in the
490 industry has to remind him or herself about its cyclical characters, we're in a big resource upswing at
491 the moment, it hasn't always been so, whether this will endure for a very long or be another relatively
492 short-lived phenomena, I don't know, I see an enormously favourable future for western Canadian
493 resource development based on oil sands and Shell gas and so I'm an optimist. I'd certainly like to see
494 markets additional to, not alternate to, but additional to the U.S.A. opened up for oil sands. I was
495 looking at the Energy Information Administration's 2011 outlooks and they see a shrinking role for
496 imports in the U.S.A., oil going through as they look ahead to 2030, partly on the strength of bio fuels,
497 the share of...okay Bob, the share of conventional crude oil is expected to shrink and with it the import
498 requirement, so I think we need to look west and looking west is looking west of the far east.

499 BB: I guess the one possible game change here might be gas to oil, or gas to liquids.

500 PRIDDLE: Yes, that's right.

501 BB: If gas is as abundant as the Shell folks.

502 PRIDDLE: No question, you've got the **Sa Song** interest here in with the Talisman.

503 BB: Yeah, with Talisman, fascinating.

504 PRIDDLE: Right now Bob, the gas side of things must look enormously appealing to oil sands
505 developers, I mean, that strategic, very cost important raw material is very attractive of a price.

506 BB: You mentioned Jack Armstrong and some of the other industry folks that you met, are there some
507 others that...oh I know what I forgot to ask, when was the first time you actually got up to McMurray
508 and saw it.

509 PRIDDLE: It wasn't until about 1981 or '82, yeah.

510 BB: And what did you think?



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511 PRIDDLE: I was very impressed, it was...

512 BB: This would have been Syncrude and Suncor still in the bucket wheel and dragline period.

513 PRIDDLE: I think that... I seem to think that Syncrude was using some shovels and trucks, I think,
514 perhaps experimentally.

515 BB: No, that was for overburden.

516 PRIDDLE: Oh okay, they were still getting the ore out with those German **Lindenheit** digging...what
517 do you call them?

518 BB: Bucket wheels.

519 PRIDDLE: Bucket wheels, that's right, yes.

520 BB: Bucket wheel reclaimers, yeah.

521 PRIDDLE: So we were up there in probably late October, it was strikingly cold, there was snow on
522 the ground and I wondered what's this going to be like in the dark days of February of the next year,
523 but it was very impressive.

524 BB: What about some of the people, did you get to know people like Eric Newell or...

525 PRIDDLE: No. Eric rose to prominence, when did he become CEO?

526 BB: About 1990.

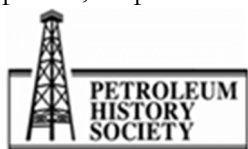
527 PRIDDLE: Oh as long ago as that, okay, okay. I think I just noticed that from a distance, the way that
528 he'd beaten out the operating costs and brought operating costs down to the price that could be
529 obtained for the product and I think I remember being concerned at how marginal the oil sands looked
530 at that time in relation to the oil price level of that time.

531 BB: How are you doing for time?

532 PRIDDLE: I've got about another five minutes Bob.

533 BB: We're doing well. What about the press, did you ever feel a need to be more... to educate the
534 press?

535 PRIDDLE: I think Bob, everybody needs to be educated about the oil sands but it's only relatively
536 recently that the oil sands have started to be cast as a sort of bogey man of Canadian Energy, I mean
537 in the distant past, it was sort of romance of the oil sands and the way that visitors, it was very routine
538 for the feds in Alberta to ship **Shate Umani**, **Mr. Slezinger** the American Energy Secretary in the crisis
539 period, ship them all up to the oil sands to show them what was going on and what could be done



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540 and they've only, in the last ten or less years, been characterized...mis-characterized as a source of
541 pollution and so on. I go along with what my former colleague, in fact, my successor at ERM as ADM,
542 that's Dr. Bob Skinner said, you know, in a couple of hundred years time, this is going to be back the
543 way was, so don't get so exercised about it. He has been working... he did a lot to bring investment to
544 the oil sands, Total and Stat Oil.

545 BB: Well you've got your...I think we'll turn off the recording for now and if we think of more things
546 we can come back to them.

547 **END OF RECORDING**



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