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MICHAEL BORRELL, PRESIDENT OF TOTAL E&P CANADA LTD.



Michael Borrell is president of Total E&P Canada Ltd., a company that wants to upgrade virtually all of its planned bitumen production in Alberta near Fort McMurray or Edmonton. Ted Jacob, Calgary Herald

Oilsands player weighs upgrader for Alberta

Total E&P finalizing location, size

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CALGARY HERALD

Total E&P Canada Ltd., the Canadian arm of French oil major Total SA, may announce a decision on an upgrader to process its growing oilsands output within the next four to five months.

"We believe much of the value of the bitumen you produce is still in the bitumen unless you upgrade it," Total E&P Canada president Michael Borrell said in an interview. "We're currently finalizing the decision-making process as to exactly where to locate an upgrader, exactly what size it should be and what technology to use."

The company plans to upgrade virtually all of its planned bitumen production — some 300,000 barrels per day (bpd) by 2015 — in Alberta near Fort McMurray or Edmonton.

Paris-based Total is one of the world's largest multinational oil companies, employing 95,000 in 130 countries.

The parent company on Wednesday reported fourth-quarter profits of \$3.53 billion US or \$1.54 a share, down about three per cent from the prior year. Full-year adjusted earnings rose about six per cent to \$15.8 billion or \$5.44 per share.

Fourth-quarter production dipped about two per cent to 2.4 million barrels of oil equiv-

alent per day including 1.5 million barrels per day (bpd) of oil and liquids and nearly five billion cubic feet of natural gas.

Borrell said Canadian heavy oil and liquefied natural gas (LNG) have been identified as the company's major growth areas. "Clearly Canada is at the top of the list or near the top of the list," he added.

From virtually nothing three years ago, Total has become a major oilsands player almost overnight with plans to spend \$10 billion to \$15 billion over the next decade.

It actually began looking at Canada around 2000 and in September 2005 anted up \$1.4 billion for tiny **Deer Creek Energy**, operator of the Joslyn leases about 60 kilometres north of Fort McMurray.

First oil began in November of last year and the company is currently producing about 1,000 bpd using thermal steam flooding. Total is also advancing plans for a 100,000 bpd open pit mine on the Joslyn site.

In addition, it's a 50 per cent partner with **ConocoPhillips** in the Surmont thermal pilot, which is expected to begin commercial production of about 27,000 bpd in the second half of this year. It also holds interests in various leases in and around Surmont, providing a platform for future growth.

"We are starting fairly from scratch, but we're not starting totally from scratch within the projects we're talking about," Borrell said. "We're here for the very long term."

Along with oil reserves, Bor-

rell said Total was attracted to Calgary's high level of technical expertise, particularly with unconventional resources.

Total is looking to establish a research and development centre to develop new heavy oil production technologies.

Along with gasification and carbon dioxide sequestration, Borrell said Total is considering options like nuclear power to reduce natural gas use in future projects.

Mark Friesen, an oil and gas analyst who covers oilsands companies for **FirstEnergy Capital Corp.** in Calgary, said big international oil majors like Total are eyeing Canada as a place to invest large sums in a relatively safe and stable political and economic environment.

"They're probably looking at the same laundry list of reasons why we like the oilsands and seeing how it stacks up against the rest of the world."

Without naming names, Friesen expects other European and Asian oil majors could be looking to secure their own oilsands niche, possibly through a large takeover or buyout of an existing operator.

"There's definitely more potential for foreign investment in the oilsands space," he said. "If a big foreign company wants a presence here, it's tough to grow organically so it's logical that some kind of corporate activity would be the easiest way to do it."

Total shares gained \$1.66 US in New York on Wednesday, or nearly three per cent, to \$70.14.

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