Still Think Oil Sands are the Answer?

Posted by Prof. Goose on August 10, 2005 - 9:06pm

Mike Millikin over at GCC has put together a piece on the growing costs of increasing outputs from oil sand deposits:

> Shell Canada has increased its estimated cost for expanding its Athabasca Oil Sands Project production to 300,000 barrels a day from the current 200,000 by 83%â€”from C$4 billion (US$3.3 billion) to C$7.3 billion (US$6 billion).
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> Shell Canada plans to raise production in two more 100,000-barrel-per-day stages to an eventual 500,000 kbpd.
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> In the AOSP, the Muskeg River Mine extracts the bitumen, which is sent via a pipeline to the Scotford Upgrader in Fort Saskatchewan, Alberta. After upgrading from the heavy bitumen to a lighter oil, the product is sent to refineries.
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> (The pipeline owner, Terasen, recently said it may spend as much as C$1 billion (US$826 million) to almost double daily pipeline capacity to 500,000 barrels by 2009. On 1 August, Houston-based Kinder Morgan agreed to buy Terasen for about US$5.6 billion (C$6.9 billion).)
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> "Costs are just getting mind-boggling," said Glen MacNeill, who manages C$800 million in assets, including 105,000 Shell Canada shares, at Sentry Select Capital Corp. in Toronto. "It's making me a lot more cautious. Investors just can't go in and buy the models that the companies are giving you because they don't work."

More importantly:

> But even if the expansion cost is shared across the total volume of the subsequent planned expansions (essentially tripling the volume), that still works out to C$66.67 (US$55) per annual barrel of productionâ€”and that's without factoring in any additional capital costs for the final two expansions.

We don't know exactly what that means regarding when oil sands become profitable, but it sure ain't $65/bbl.
Technorati Tags: peak oil, oil
