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**FULL STEAM AHEAD**

# Hebron will have no bearing on new refinery study

By **KIRK SQUIRES**

The failure of negotiations between the Hebron partners and the provincial government will not hold up a feasibility study into a second refinery in the province.

"We would never have made this decision on a guess or a hope that we would be able to access any one particular oil field," says Brian Dalton, a director with Newfoundland and Labrador Refining and president of Altius Minerals.

"We have taken a much broader view than that. We have never counted on Hebron."

Newfoundland and Labrador Refining announced the \$7 million feasibility study in February. The company identified the head of Placentia Bay as a prime location for another refinery in the province.

Speculation about the future of a second refinery began in the fallout of the failed Hebron negotiations.

"The whole idea was never really geared toward any particular oil field," explains Dalton. "The marketing study that we are putting the final touches on . . . was all about identifying trends in terms of crude oil production, what types will be produced and where and what will be accessible to us."

As a merchant refiner the new refinery, if it is built, would not be restricted to getting its supply from one particular area.

"We are not an oil producer so we are not trying to build a refinery that augments a particular field that we are trying to bring into production.

"With that port (in Placentia Bay) you can look from as far away as South America, the Middle East and Russia, it is all within competitive reach."

Dalton says they are looking at crude supplies around the entire north Atlantic basin.

"One of the advantages of the site is the deep water port.

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## *Hebron will have no bearing on study*

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From a cost of transport of raw materials perspective we have got some big reach with the ability to bring in larger tankers than a lot of competitors in the eastern seaboard of the U.S. and the others that are not lucky enough to be in that bay."

### **Competition**

Even before a decision is made to build a new refinery the company is facing stiff competition.

With the high global demand for petroleum products there are several jurisdictions, including Nova Scotia, vying to get into the refining business.

"We have seen this as a race to begin with," says Dalton.

"We hung our hat on Placentia Bay as having competitive advantages over other sites, not just in Nova Scotia, but you have to look at potential sites being talked about and put forward in India, the Middle East and refinery expansion in the U.S. Gulf region.

"There is not a whole lot we can do about any of that other than recognize we have to do this job really well and remember, always, that we are in a race and it is very competitive.

"We just push forward and make sure our product out-competes the rest and therefore will be more readily financable."

Dalton says Placentia Bay will give them an advantage. It is strategically located with respect to markets in Europe and the United States, is a deep water, ice free port and is in a region that has seen mega-projects in the oil and gas industry. There is a skilled work force available, and a commu-

nity level understanding of the refining industry.

"These are all advantages we think will put our project ahead of those we are competing with in Nova Scotia, New Brunswick, India or wherever," says Dalton.

He adds the recent announcement of \$2 million in federal funding for the Smart Bay project will make Placentia Bay even more attractive.

"If there is one thing, maybe more than any other, that has been identified to us at the community level it is concerns with respect to the . . . safety, prevention and response infrastructure for the Bay in general."

Dalton says there is a high level of tanker traffic in the bay right now even without their potential involvement. The addition of the Smart Bay infrastructure will bring a new level of safety to the region.

"You have to compare it to an airport. If you increase air traffic into an airport there would be an corresponding increase in air traffic systems. We are very encouraging of the process and willing, as it evolves, to be part of it."

### **Stage one**

According to Dalton the first of three stages of the feasibility study is nearing completion.

The first stage deals almost entirely with what types of raw crude supplies the refinery would have access to and what kinds of products the marketplace demands.

"We will get a final report shortly . . . and we are already starting to look at stage two."

The second stage will involve more detailed work in the line of configuration, what types of components are needed for the oil the refinery will produce and the products they plan to refine.

"It's more engineering type work as opposed to the first stage work which was almost entirely marketing," says Dalton.

Stage three is a detailed economic testing of the whole process. It will calculate the cost of refinery components, finalize the numbers and make sure there is an economic case for the refinery to move ahead.

Dalton doesn't think investors will shy away from the project because of the breakdown in Hebron negotiations either.

He recently returned from investor's meeting in London and says it has not been raised as a serious issue.

"We will watch it, but for the most part we will move forward. It hasn't been brought to us as something that will limit our access to capital at this point at all."