

Everything you wanted to know about oil but were afraid to ask



Or

Oil for Dummies

by Doug Maurstad

Broken record

It is getting close to crunch time (June 3rd) and I just have to say that it is time for me to list facts and figures again and try one more time to convince everyone that is on the fence whether or not Hyperion is going to build a refinery in Union County. You can read this article again only more in depth, or just say that old fart doesn't have a clue.

First and foremost, even if Hyperion wins the election, it will be a minimum of ten years before construction starts. Every Tom, Dick, and Harry is going to bring a lawsuit against Hyperion. The courts will be overflowing with cases. Every tree hugging organization in the United States will bring environmental suits against them. There might even be lawsuits by other oil companies. I truly believe that the permitting process is not going to be a piece of cake like the governor says it is. It took the refinery in Arizona 9 years to get the permits, and they still haven't started on construction.

Speaking of oil companies, I keep hearing people say that because of Hyperion, our gas will be cheaper. If you believe that, you're eating more than cheerios for breakfast I can tell you that. Just answer this question. If I were BP, would I buy gas from Hyperion or would I use my own gas? Dumb question; of course I'm going to use my own gas. After all, they are in the gas refining business as well. So that leaves out Shell, Amoco, Texaco, Chevron, Conoco, etc..... How many Casey's and Kum & Go's are there to soak up this 19 million gallons of gas a day? How long do you think these independents would stay in business if they were to suddenly sell gas cheaper than the surrounding stations? If this were the case, you would not see the same price on stations in town. As soon as one station raises or lowers its price, miraculously all the other ones do the same. Is that coincidence? I think not. Let's not forget about jet fuel, kerosene, diesel, tar products etc.

Congress had a hearing last week in Washington D.C. and invited the oil executives from the top 5 oil companies to testify. Each of them was asked if they were provided the opportunity, would they build new refineries. Each of them said NO! EXXON reported \$11 Billion in profits last QUARTER and the government is asking if they want to take out a loan. You've got to be kidding me!

The cost of refining tar sands is about 3 times the cost of sweet crude. There have been new discoveries of oil fields in northwestern South Dakota, North Dakota and Montana. There are tar sand and oil shale deposits in Colorado, Wyoming and Utah. Why doesn't Hyperion go where the oil is and concentrate on refining this oil? I will admit that the United States needs more gas, but not from Union County.

Now let's talk about tar sands. Canada is talking about putting a VAT (Value Added Tax) on all oil exports. That will drive the cost of production up tremendously. I guess that is why Shell is going to spend \$27 Billion constructing a refinery in Alberta just for the tar sands. Canada isn't going to tax gasoline products, just the tar sands. Who is to say that 10 years from now tar sands will even be a viable option? Current refineries are operating at full capacity now and many of them are building on. They already have the permits, so the delay in getting state and federal permits is eliminated.

This leads me to my next question, the labor market. Conoco Phillips has released to the media and the world that it is going to double the size of the facility in Port Arthur, Texas and that it will take 4500 workers 4 years to complete construction. Is this part of the 4500 workers that Hyperion was planning on bringing to Union County? If it is, they are out of luck. So where is this labor force coming from. This isn't an industry where workers just appear out of nowhere. They are skilled workers according to Hyperion. This also means that local people hired by Hyperion must be trained or the unions won't let them through the door. I know South Dakota is a right to work state, but we still have unions, and if you don't believe the unions will be involved here, think again.

One specific item catches my eye every time I read the application from Hyperion. It states that the cost of the refinery will be \$10-12 Billion in 2007 dollars. I really never paid any attention to that statement until now and suddenly I am wondering what this refinery is going to cost in 10 years in 2017 dollars? Will it be \$15-20 Billion? Will it be more?

What is going to be the going wage for skilled workers 10 years from now? I'm sure it won't be \$20-30 per hour. I keep saying, "Read between the lines." We are buying a pig in a poke here folks.

On Thursday, May 2nd, John Thune, Senator from South Dakota, endorsed opening up the arctic wildlife refuge to oil drilling. This bill also includes easing restrictions on tar sands and synthetic fuels. I keep telling people, you have to read the fine print. This bit about tar sands and synthetic fuel is hidden in the article and it is a one sentence statement. What a statement! In addition to voting no in the election, I urge you to write and/or call Senator Thune and tell him he is making a big mistake..

Till next week