Life on the cold side of the country's hottest economy

The oil sands dominate Alberta's wealth and growth, but not all parts of the province are taking part – including, surprisingly, the conventional oil industry

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In the rolling farmland around Derwent, Alta., the fields are littered with what look like oversized pop cans. These stubby storage tanks contain heavy oil that has been pumped from the ground and is waiting to be trucked away – much of it to the big Husky Oil upgrader in Lloydminster.

The tanks are not a pretty sight – they lack even the stark imagery of the classic oil well – but they are money in the bank for the farmers who till this undulating Alberta ground.

For a farmer, the extra few thousand dollars a year from a single well might buy a piece of equipment, some groceries, or maybe pay off a bit of the debt from a hard life on the land.

“It all goes back into the farm,” says Peter Harasiuk, 71, who collects about $20,000 a year from eight small oil leases to backstop a beef operation that has been depressed by years of low prices and the fallout from the BSE scare.

Even now, as high wheat prices buoy the fortunes of some of their neighbours, he and his son stagger under rising feed costs and steep, volatile energy prices. The small transfusion of oil money is no panacea for the family, which has farmed this same land since 1912 when Mr. Harasiuk's father fled Ukraine. “The livestock sector is in very big trouble,” he says.

Derwent, about two hours east of Edmonton, is where the two Albertas forcefully collide. The energy wealth flowing from the Athabasca oil sands, as well as from other unconventional sources such as Derwent's heavy oil, meets a farm economy that is not sharing in the province's massive accumulation of capital and income.

“There is a great standard of living in Alberta and tremendous wealth but that doesn't mean everyone's wealthy,” says Tim Harvie, a landowner and grain farmer from Cochrane, just west of Calgary, and a member of one of the province's most prominent ranching families. “Times are good but not for everyone.”

Or as Bernie Lesage, the owner of a small factory in Calgary, puts it, “We don't participate in the oil sands – all we do is pay the costs.”

These tensions reflect an Alberta that is far more diverse economically and politically than the image Eastern Canadians hold of a monolithically wealthy province. There are, in fact, increasingly deep divisions between urban and rural, north and south, environmentalists and growth advocates, and, as always, Calgary and Edmonton.

“What concerns me is the growing polarization between rural and urban Alberta, between landowners and energy companies,” says D'Arcy Levesque, vice-president of public and governmental affairs for pipeline giant Enbridge Inc.

Even the energy industry is, in fact, two industries – the roaring industrial machine of the oil sands, with its massive capital spending, and a sputtering conventional industry, particularly in natural gas, now an eroding pillar of Alberta's prosperity. Drilling and exploration companies are laying off many of the people they picked up in the boom of the past decade.

“Right now, if your livelihood is dependent on oil drilling, you're left behind,” says Todd Hirsch, the Calgary-based senior economist for ATB Financial.

In Derwent, farmers complain about oil trucks tearing up their roads and fields, but everyone would love a well or two on their property just to make ends meet. Still, this income is a pittance compared with the spectacular nouveau wealth evident in Calgary, or in its recreational outposts such as Canmore, Alta., and Palm Springs, Calif.

In fact, the Alberta boom follows a narrow jagged line that starts around Invermere, B.C., a lakeside mountain retreat full of retired and semi-retired Alberta oil people, then pushes east to Calgary, the head-office base of the energy industry, and up the bustling Highway 2 corridor to Red Deer, a petrochemical hot spot.

The line touches Nisku, the massive industrial park south of Edmonton that generates much of the equipment and technology for the oil sands. It snakes northward through Edmonton, the government and refinery centre, before heading up the perilous highway to overheated Fort McMurray, the production home of the oil sands.

When you stray off that line, the economic picture becomes more mixed. There are prosperous pockets, such as Grand Prairie and Lloydminster, but many rural communities have been marginalized by high costs and tight labour markets, as farm and service workers head off to better-paying jobs in Edmonton, Calgary or Fort McMurray.

Drive around Derwent and, despite the oil tanks, there are more symbols of decline than triumph. The population of 110 people has been stagnant for years. Many homes in the area are shabbier than in the past, because the new energy-based work force is so transient. Where once there were four grain elevators, now there are none. The local school has closed and is now occupied by a window-blind factory.

This area east of Edmonton is the home turf of the province's new premier. The rural-urban polarization, combined with the north-south split, were major factors in the 2006 Conservative leadership victory of Ed Stelmach – “Premier Ed,” as Mr. Harasiuk likes to call his fellow Ukrainian-Canadian farmer. It is also reflected in Mr. Stelmach's royalty proposals designed to extract more revenue from energy companies – measures hotly disputed in downtown Calgary but more popular in the rural north and Edmonton.

A question of conservation

One Albertan whose scuffed work boots straddle this urban-rural split is Tim Harvie, whose Cochrane ranch is under siege as million-dollar houses spill over the foothills not far from his home.

Mr. Harvie is caught in the paradox of an economy going several different directions at once. As a grain farmer, he is revelling in the highest wheat prices of his lifetime. But as a cow-calf operator, he has coped with the cycle of low beef-prices and, as part owner of a feedlot, he has seen workers leave the industry in droves, attracted by the energy industry's high wages.

And as a conservationist, he is appalled by the excesses of the rapidly urbanizing countryside. “We're living like the Romans and we're doomed like the Romans,” says Mr. Harvie, a lean, compact man with watchful eyes. “We've got to respect where we've come from, not rape and pillage the land.”

Mr. Harvie, sitting in Cochrane's Smitty's pancake house in checked shirt and blue jeans, looks every inch the cowboy, but he is what amounts to landed gentry in Alberta. His grandfather was Eric Harvie, a Calgary lawyer who, in the first half of the 20th century, bought a lot of land, including ranch country around Cochrane and moose pasture south of Edmonton.

When the Leduc gusher blew in 1947, Eric Harvie was holding rights to thousands of acres of land around the oil strike that transformed once-destitute Alberta into a “have” province. It made him and his family rich.

He became a great collector, creating an eccentric trove of art and artifacts that became the basis of the Glenbow Museum in Calgary. As for the ranchland, much of it was handed down to his children and now his grandchildren; Tim and his three sisters are major owners.

From his boyhood, Tim Harvie has been passionate about farming but now he finds himself sitting in front of an onrushing Calgary. He has never sold any land for development but knows he can't stand, Canute-like, in the way of waves of new housing.

If he can't stop it, he figures he can at least help guide it. For $40-million – half the market rate – he and his siblings sold 1,300 hectares of land to the province for a park along the Bow River and set up a $6-million fund to support its conversion to parkland. With other land acquisitions, the park will enable future generations to walk the more than 20 kilometres along the Bow River from Calgary to Cochrane.

To outsiders, Mr. Harvie might seem hypocritical to criticize other folks who are simply trying to match his family's wealth. But he says his family is no longer remarkable in Alberta for its net worth.

What he sees is outrageously conspicuous consumption, a society of BMWs and multimillion-dollar McMansions – without the willingness to give back and conserve that was epitomized by his grandfather.

“We're a me-first society, and preserving doesn't come naturally,” he says. “It just blows me away to see the growth in every community around Calgary. Who is buying all these houses?”

He worries that consumer debt is at staggering levels, and any pronounced slowdown would be hard for many overstretched Calgarians. Yet a moderate easing of the overheated economy would spell some relief for Bernie Lesage, the president of Global Thermoelectric Inc., whose Calgary factory makes power systems for projects like pipelines and gas wells in remote locations.

“From the aspect of pure economics, this is a lousy place to manufacture,” he says.

More than 80 per cent of Mr. Lesage's production is exported – much of it to China and India – while he struggles at home with spiralling costs, higher-than-normal labour turnover and, most recently, a Canadian dollar turbocharged by the oil sands.

Yet he has no intention of moving to a lower-cost region. After all, Calgary is a magnet for engineers and other professionals attracted by the work and the lifestyle – the ability to combine urban amenities with the big outdoors.

So Mr. Lesage, an Ontario-born engineer who moved to Calgary 15 years ago, speaks for many people coping with life in Alberta just outside the oil sands bubble: “For now, we just suck it up.”