

Call for Proposals (OGCFP – 04 – 01) To Develop Unconventional Resources Using a Net Profit Royalty Regime

In order to facilitate the development of unconventional resources in British Columbia, Ministry of Energy and Mines is soliciting proposals for the development of unconventional resources, including tight gas, shale gas, coalbed gas, and enhanced gas recovery, using a Net Profit Royalty Regime.

The Net Profit Royalty Regime's principle is revenue minus cost, which is required to support the major investments needed to develop these resources. **This regime will only apply to the development of commercial production of unconventional resources.**

Economics is the key driver for determining eligibility - the proposals will be evaluated as economic units and each component of the units will have to be economically justified.

For evaluation purposes, we will use Ministry of Energy and Mines' pricing forecasts and Consumer Price Index (CPI) as inflation indicator. We will assume that projects are 100% equity funded. Minimum investment criteria will also be determined.

When assessing each proposal, the government of British Columbia may enter into discussions with the proponent with the intent of creating a Net Profit Royalty agreement. Where it is deemed appropriate, the fiscal "revenue minus cost" terms of the agreements will be common among all Net Profit Royalty agreements to ensure fairness.

All information pertaining to individual proposals and discussions between Ministry of Energy and Mines and individual proponents will be kept in confidence and subject to the provisions of the *Freedom of Information and Protection of Privacy Act*.

The deadline for submission is July 1, 2004 (4pm PST).

Proponents should prepare proposals to include the following (additional information may be required during the evaluation process):

Response Check List

*Please provide two copies and submit proposals through registered mail only.

1. General
 - a. Legal name of company or companies, if joint venture
 - b. Address and phone number (s)
 - c. Contact person – phone/fax/email
 - d. Corporate profile

2. Project Proposal
 - a. Project title
 - b. Project location/basin
 - c. Project description/abstract including description of geological features

- d.** Estimate of timing and schedule for the project
- e.** Estimate of capital costs for the project
- f.** Description of project plan
- g.** Description of project Economics and Assumptions
- h.** Risk assessment
 - 1.** Identification of project risks
 - 2.** Their mitigation strategies

Please forward submissions or requests for information to:

Cathy Mou
Manager, Markets and Fiscal Analysis
Oil and Gas Division
PO Box 9323 Stn Prov Govt
Victoria BC V8W 9N3
Phone: (250) 952-0133
E-mail: Cathy.Mou@gems3.gov.bc.ca