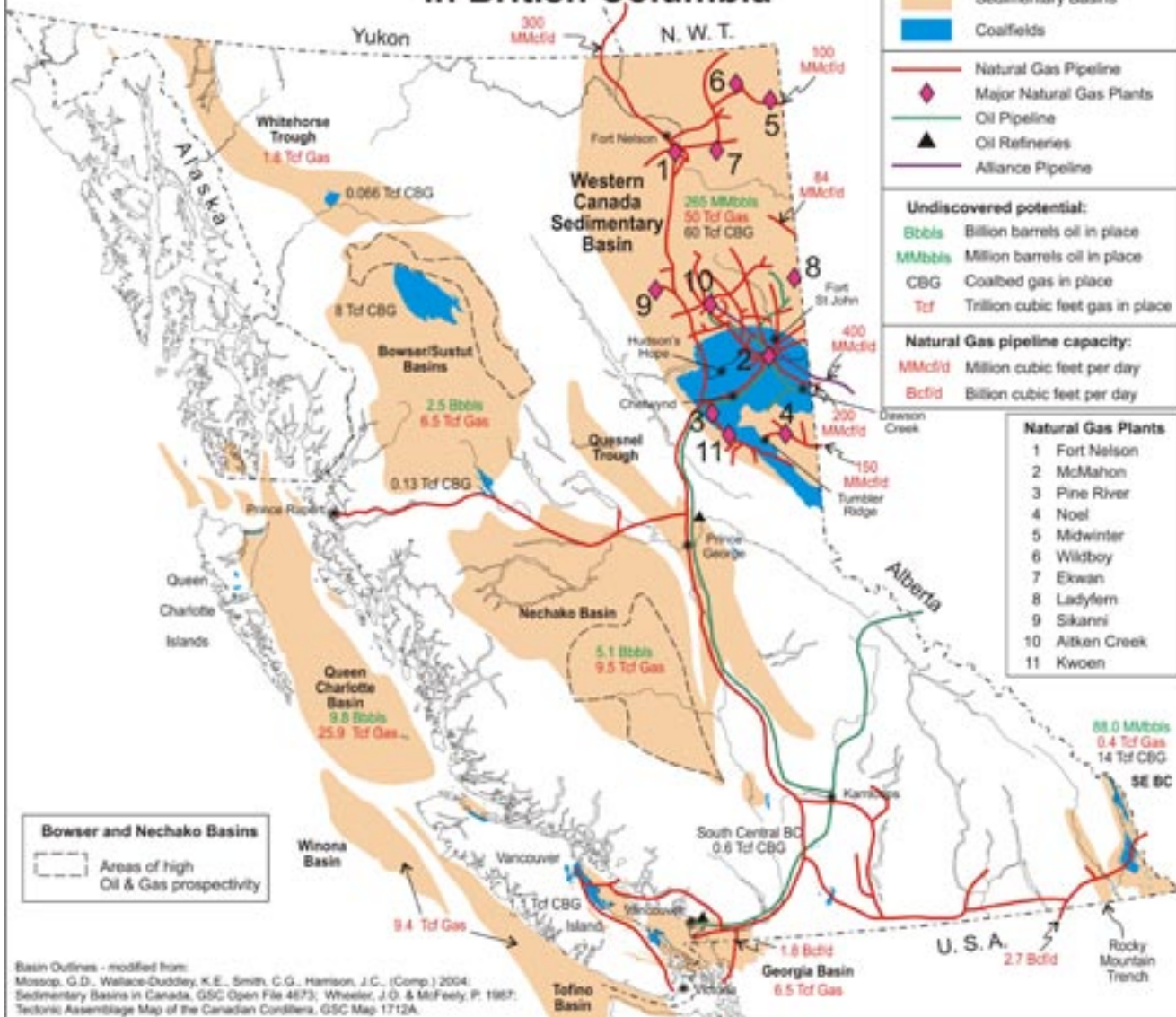


The majority of the petroleum and natural gas rights in B.C. are owned by the province. Rights to explore for and develop provincial petroleum and natural gas are conveyed by various forms of tenure that are made available for public tender.

Pipelines, Facilities and Sedimentary Basins in British Columbia



OIL AND GAS IN BRITISH COLUMBIA

The Government of British Columbia is committed to promoting the responsible exploration and development of oil and natural gas resources throughout the province. Petroleum industry activities are vital to the provincial economy, generating significant economic wealth each year and employing thousands of British Columbians.

In 2004, a record 1270 wells were drilled. Total Crown revenue collected from oil and gas royalties, sales of gas rights, fees and rentals was \$1.8 billion. Production of natural gas increased in 2004 over 2003 by 1.6%. The sales value of oil and gas production was \$6.7 billion. Industry investment in the province during 2004 hit an all-time high of \$4.5 billion.

INVESTING IN BRITISH COLUMBIA

Over the past several years the province has taken steps to make investing in oil and gas more efficient and cost effective. The Oil and Gas Development Strategy (OGDS) has five major components:

- **Infrastructure:** Promoting the further development of B.C.'s onshore oil and gas resources through royalty credits to support new multi-season roads, increased direct spending into public roads and through pioneering unique public private partnerships between the Province and industry. In 2005, B.C. is piloting a program targeting royalty credits to pipeline and field facilities to unlock stranded resources.
- **Service Sector Strategy:** Supporting business growth through a marketing strategy and skills development. Over three years, \$500,000 in skills development funding from government was matched by industry.
- **Royalties:** Targeted royalties are focusing on drilling deep, marginal and summer wells; and royalties focused on unconventional resources and new basins are expected to be introduced in 2005.
- **Regulations:** B.C. Oil and Gas Regulatory Improvement Initiative (OGRII) will consolidate, integrate and harmonize regulations, creating the world's best regulatory environment for oil and gas. The Regulatory Best Practices Working Group, comprised of government and industry representatives, is also focused on regulatory reduction, streamlining and harmonization across a broad range of ministries and agencies.
- **Communities and Stakeholders Relations:** a recently created Marketing and Community Relations Branch will improve communications with stakeholders.

The province is also working to make more information available about B.C.'s resources through resource assessments pertaining to shale, shallow, tight, deep and coalbed gas and the interior basins.

The Offshore Oil and Gas Team was created to facilitate the development of an offshore oil and gas industry.

Coalbed Gas

The Provincial Government is facilitating the development of coalbed gas. New legislation creates greater certainty for coalbed gas ownership; a coalbed gas royalty addresses the unique economic characteristics of developing coalbed gas resources; and environmental and community information projects are ongoing.

THE RESOURCE REGIONS (see map)

The northeast is currently the only area of B.C. producing commercial quantities of oil and gas. Other parts of the province contain significant volumes of sedimentary rock that may be productive in the future ("interior basins"). In addition, coalbed gas exploration activity is currently underway in several areas.



The Northeast

The northeastern region of the province has been a focus of petroleum exploration and development since 1952. Its 194,000 square kilometres include the northern foothills of the Rocky Mountains and the northwest part of the Western Canada Sedimentary Basin. Close to 17,000 wells have been drilled to date. Estimates of marketable conventional natural gas resources that remain to be discovered vary from 26 to 44 Tcf.

The B.C. foothills, shallow Cretaceous, Deep Basin tight gas and deeper plays, hold potential for significant additional gas reserves. It is estimated that up to 170 million barrels of recoverable oil remain undiscovered. The portion of the northeast coalfield (with a total coalbed gas resource estimated to be 60 Tcf) is currently being evaluated by several companies.

With commercial success of several shale gas plays in the United States, British Columbia's shales are now being recognized as potential reservoirs estimated to have the capacity to hold between 250 - 1000 Tcf gas-in-place. Though recoverable volumes will be considerably less, shale gas remains a significant untapped resource. A recent Ministry study of the shale gas potential within the Devonian strata of northeast B.C. focuses on the Exshaw, Besa River, Fort Simpson and Muskwa formations. Areas of interest include parts of the Liard Plateau and Basin, Prophet Trough in northeast B.C. and western extensions of the Peace River Arch embayment.

Tight gas is likely to hold the highest potential for remaining technically recoverable natural gas resources in the northeast. Tight gas is now being specifically targeted in basin-centered resource play developments, like those focused on the Devonian Jean Marie at Greater Sierra and the Cretaceous Cadomin at Cutbank Ridge. In 2003 the Ministry of Energy and Mines released an Exploration Assessment of Tight Gas Plays in northeast B.C. and determined that the in-place tight gas resource base could range from 250 to over 500 Tcf. A new royalty applicable to tight gas is expected to be introduced in 2005.

The Southeast

Exploration in the southeast corner of B.C. has focused on conventional oil and gas and coalbed gas. Sporadic drilling activity took place in the 20th century. To date, over 50 wells have been drilled. Many have encountered hydrocarbon shows including the discovery of an estimated 600 billion cubic feet (Bcf) of CO₂-rich natural gas.

The Ministry has completed two geological studies in the southeast area. These studies identified major play trends and the petroleum resource potential of the area. Currently, coalbed gas continues to be the major focus of exploration activity where an evaluation pilot project has been completed and interest in the Crowsnest coalfield is high.

The Central Interior and Northwest

Bowser, Whitehorse and Nechako Basins, "interior sedimentary basins" in central and northwest parts of the province, have significant petroleum resource potential. The Geological Survey of Canada (GSC) has estimated a combined 17.8 Tcf and 7.6 billion barrels in place for these three basins. New data regarding reservoir quality, thermal maturation and petroleum systems suggests resource potential may be highest in the Sustut Basin and the northwest portion of the Bowser Basin. Resource assessment studies by the GSC for the Whitehorse, Bowser and Sustut are underway.

New data (new surface thermal maturation, fission track analysis and surface geology compilation in the Bowser and Sustut Basins) is now available.

The Ministry of Energy and Mines will continue with its resource evaluation of the Interior Basins, focusing primarily on the Nechako Basin. The aim will be to deliver available data and the collection of new information detailing the uplift history and identifying hydrocarbon source rock horizons.

The Georgia Basin

Limited drilling for conventional natural gas has been conducted within the onshore regions of the Georgia Basin, both on eastern Vancouver Island and in the Fraser Valley.

The 57 wells drilled since the turn of the 20th century are without commercial success, but only 16 have reached depths in excess of 914 metres; therefore, most of the Basin's potential remains unevaluated. Recent assessment by the Geological Survey of Canada has estimated that as much as 6.5 Tcf of in-place natural gas exists in three conceptual play types within the confines of the Georgia Basin.

Onshore, portions of Vancouver Island contain an estimated 1.1 Tcf of coalbed gas and exploration opportunities continue to garner interest. Discussions are ongoing with communities and proponents regarding implementation of coalbed gas exploration programs.

The Queen Charlotte and the Winona-Tofino Basins

In the late 1960s, 14 offshore wells were drilled with no commercial success. Onshore, some exploration has occurred on Graham Island where 10 wells were drilled between 1913 and 1984, also without commercial success. Resource assessment by the Geological Survey of Canada has estimated in-place oil and gas reserves at 9.8 billion barrels and 25.9 Tcf for the Queen Charlotte Basin. The Tofino Assessment region combines both the Winona and Tofino Basins. Potential for both basins is estimated at 9.4 Tcf of gas-in-place.

The British Columbia Offshore Oil and Gas Team has been established to enable offshore oil and gas development to occur in British Columbia in a scientifically-sound and environmentally-responsible manner.

PIPELINES AND GAS PLANTS

Approximately 28,600 km of gas-gathering and transmission lines are provincially regulated, including the Vancouver Island pipeline which began delivering natural gas to Island customers in the fall of 1991.

Gas is processed at 43 plants and central dehydrators located in Northeast B.C., many of which recover sulphur and liquid by-products. Five new gas processing facilities in the Gunnell, Elleh, Sierra, Sundown and Brassey fields came onstream in 2004.

The major gas plants are located at Taylor, Fort Nelson and Pine River. Three main gathering systems deliver crude oil and natural gas liquids to facilities at Taylor. Four other lines deliver oil and liquids from the Brassey, Ring/Border, Kahntah and Desan fields to the provincial and Alberta systems.

Although some of the province's oil is processed at a refinery in Prince George, most is transported by pipeline to Kamloops, then to the Vancouver and Washington area refineries via the Trans Mountain Pipeline and Puget Sound Pipeline. There are approximately 2,700 km of provincially-regulated oil and natural gas liquid pipelines in the province. The map in this brochure shows the location of the province's major gas plants, refineries and oil and gas lines.

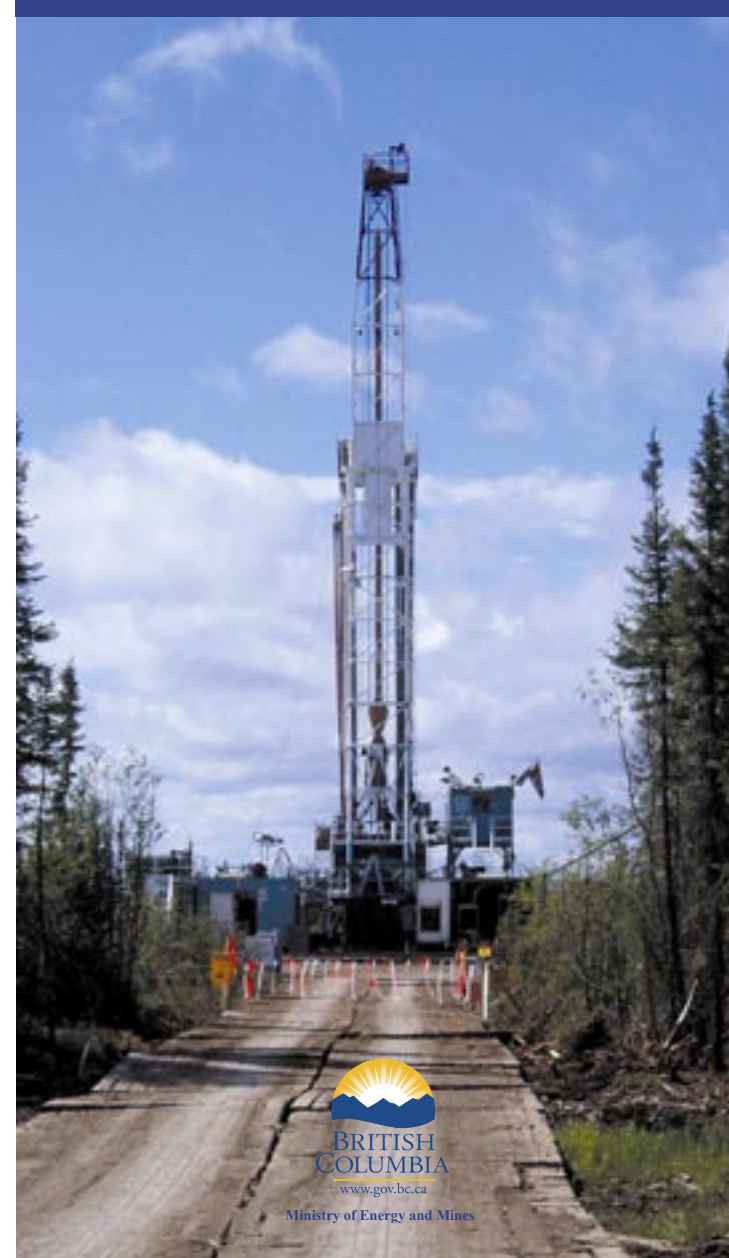
For more information contact: (250) 952-0133
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OIL & GAS PRODUCTION & ACTIVITY IN BRITISH COLUMBIA

STATISTICS & RESOURCE POTENTIAL 1994-2004



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