

# Ministry Report



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Ministry of Energy, Mines and Petroleum Resources

## IN THIS ISSUE:

- ▶ Minister's Message
- ▶ Another Record Year
- ▶ Oil and Gas Job Fairs; Better Every Year
- ▶ The Future is the New Frontier
- ▶ New Branch – Major Initiatives
- ▶ Participants Laud Service Sector Trade Show
- ▶ Northeastern B.C. Leads Oil and Gas Industry for Business

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BRITISH COLUMBIA

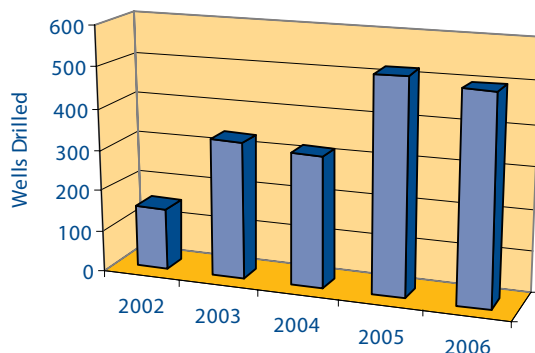
The Best Place on Earth

## ANOTHER RECORD YEAR

The oil and gas sector in British Columbia had another year of excellent results in 2006.

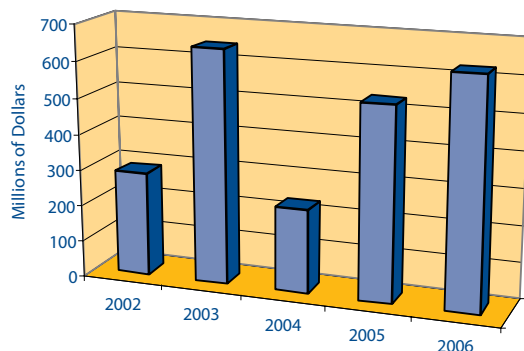
- ▶ Between 2002 and 2006:
  - ▶ Summer drilling (April – November) increased 230 per cent, from 152 to 501 wells drilled
  - ▶ Drilling to-date (January – November) increased 125 per cent, from 588 to 1,325 wells drilled
- ▶ The 501 wells during the summer 2006 drilling period managed to stay close to the 2005 record of 520 wells. The 1,325 wells drilled in 2006 (January – November) surpassed the drilling levels in the same period in 2005, when they totalled 1,310.

Summer Drilling (April–November)



- ▶ Land tenure rights sales also reached near-record highs, generating \$630 million in revenue to the province.
- ▶ Eighteen per cent higher than the 2005 total of \$534 million.

Annual Tender Bonus



This type of investment, in land and productive infrastructure, shows that industry is committed to the sector in British Columbia for the long term.

## MINISTER'S MESSAGE

As the Minister responsible for the management of British Columbia's oil and gas resources, I am pleased with the significant growth this



Richard Neufeld  
Minister of Energy, Mines and Petroleum Resources

sector has seen over the past five years. And no part of that success would have been possible without the support and leadership of the skilled and knowledgeable staff within our Ministry. They work to ensure the sound management of these resources, build opportunities for job creation, and develop innovative new ideas to create opportunities for each and every British Columbian in communities all over the province. As a result, 2006 proved to be a near-record year for oil and gas investment in the province of British Columbia.

The sale of oil and gas rights for 2006 was just shy of the all-time record set in 2003. The overall average price for the year of \$912 per hectare was second only to the 2005 record of \$922 per hectare. This high average per hectare price is an indication that the industry is committed to British Columbia for the long term. That price is the highest of any jurisdiction in Canada, even Alberta, which saw an average price of \$811 per hectare in 2006.

Continued on page 2

## 2006 JOB FAIRS

### COMMUNITIES

- ▶ Cranbrook
- ▶ Nelson
- ▶ Castlegar
- ▶ Penticton
- ▶ Kelowna
- ▶ Vernon
- ▶ Revelstoke
- ▶ Kamloops
- ▶ Quesnel
- ▶ Prince George
- ▶ Chilliwack
- ▶ Surrey
- ▶ Courtenay
- ▶ Nanaimo
- ▶ Duncan
- ▶ Victoria

### COMPANIES

- ▶ Canadian Natural Resources Ltd.
- ▶ Ensign Group
- ▶ Macenna Staffing Services
- ▶ Nabors Drilling
- ▶ BJ Services Company Canada
- ▶ CE Franklin
- ▶ GeoStrata Resources Inc.
- ▶ Impact Drilling
- ▶ Normandeau Welding Ltd.
- ▶ Site Safety Inc.
- ▶ Trican Well Services
- ▶ Quigley Contracting

### INDUSTRY ASSOCIATIONS

- ▶ Northern Society of Oilfield Contractors
- ▶ Canadian Association of Oilwell Drilling Contractors

## OIL AND GAS JOB FAIRS; BETTER EVERY YEAR

The oil and gas industry is one of the fastest growing industries in B.C. Some key skills are in short supply. Government is working with industry to increase the number of British Columbians trained for, and employed in, the oil and gas sector.

- ▶ Direct employment in oil and gas exploration and development in B.C. in 2003 was 11,400. Given the growth in the industry; for example, summer drilling has increased by about 120 per cent since 2003, we expect the employment number to be higher now. In fact, the Ministry of Energy, Mines and Petroleum Resources is planning on doing another study next year to get a more up-to-date employment figure.
- ▶ Even more jobs are available in the oil and gas service sector. These include positions ranging from truck drivers to cooks and drillers.
- ▶ With 320,000 jobs created in B.C. since December 2001, and an estimated one million new job openings over the next decade, we are leading the country in job growth.

The 2006 job fairs were very successful. Over 4,000 job seekers attended fairs in 16 B.C. communities, and participating companies collected over 3,000 resumes. The Northern Society of Oilfield Contractors and Service Firms used the job fairs to create a database of potential employees for use by their members.

This builds on the success of the 2005 job fairs in 14 B.C. communities. Fourteen companies and one industry association participated that year. The 2005 job fairs attracted 2,289 job seekers. Participating companies collected 2,000 resumes and applications during the job fair, and afterwards, companies received over 700 additional resumes. Companies hired 161 individuals and continued to pursue individuals from all 14 communities after the fairs.

One of our goals is to create more jobs per capita than anywhere else in Canada. We want to ensure the creation of well-paying, family-supporting jobs for communities across this province. That's why we're pursuing innovative strategies to encourage the growth of the oil and gas industry in all regions of the province.

Keep an eye on our website (<http://www.em.gov.bc.ca/oilandgas/>) for updates or call Peter Pokorny at 250-952-0669.



## MINISTER'S MESSAGE CONTINUED

This investment shows that industry is here to create jobs and business opportunities for the long term. What will 2007 look like? While we in British Columbia may be having a great ski season, back east, where energy consumption is highest, temperatures have been warmer than normal, so the demand for natural gas is down.

At the same time, storage levels are still at record highs. These two factors act to dampen the price of natural gas. B.C. produces mainly natural gas, so we've seen a slowdown in activity. That said, prices are already recovering from their low September levels, so activity could pick up again this year. We expect long-term demand for oil and gas to remain strong.

The oil and gas industry is a major component of the provincial economy. It generated \$2.6 billion in revenue to the province last year, almost 10 per cent of its total revenue. Oil and gas sector investment increased from \$1.9 billion in 2001 to \$4.6 billion in 2005.

I expect that our province will continue to see strong growth and significant investment spurred by new initiatives that will be part of the forthcoming Energy Plan, to be released in the near future. B.C. is experiencing record growth, but that's no reason for complacency. We are committed to maintaining our position as a leading oil and gas jurisdiction, providing safe, environmentally sustainable and economically beneficial leadership for all British Columbians.

## THE FUTURE IS THE NEW FRONTIER

British Columbia's northeast is the source of all current oil and gas production in the province, but huge potential exists in many other areas of B.C.

We have new areas opening up for exploration and development. In the Central Interior and Northwestern portions of the province, we have the Bowser, Whitehorse and Nechako Basins. The Geological Survey of Canada estimated a combined 17.8 Tcf of gas and 7.6 billion barrels of oil in place for these three basins. This is the New Frontier for oil and gas exploration and development in British Columbia.

Bringing oil and gas exploration into these unexplored basins is a priority. To do that, we are focusing on projects designed to move investment into these areas.

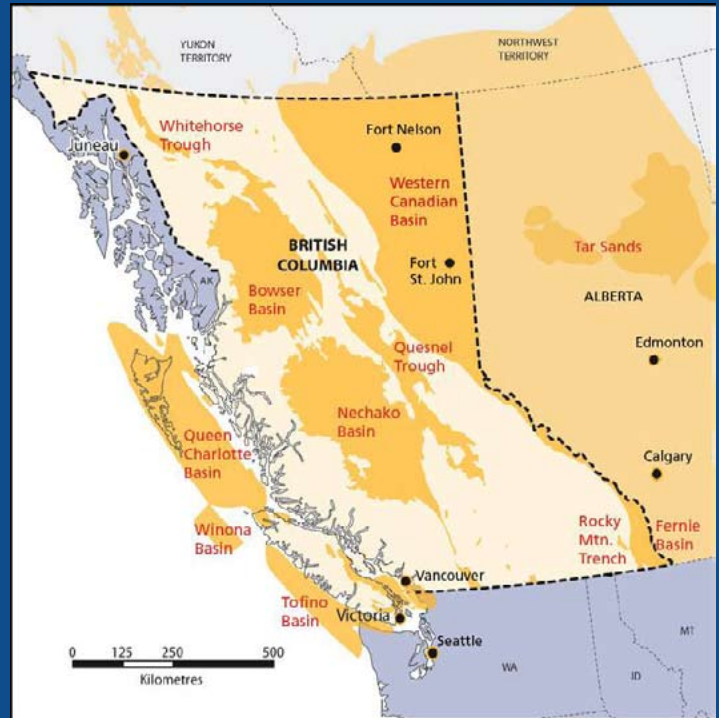
### Roads

Since 2003, approximately \$79 million in royalty credits support 57 separate industrial road projects, including 25 that are completed roads or under construction and 34 approved as recently as May 2006. These roads will no longer be subject to seasonal (spring) weight restrictions, enabling drilling activities to occur throughout the calendar year.

### Pipelines

We introduced the pipeline royalty credit program in December 2005. Seventeen pipelines were approved under this program in 2005. At the end of December 2006, 15 of the 17 projects were finished. Some of the recent discoveries in these basins have occurred in the areas the pipelines are expanding into.

Government's plan to promote development in the oil and gas sector is working, and the road and pipeline programs are working to make British Columbia the most competitive jurisdiction in North America. These roads and pipelines connect us to the New Frontier.



All current oil and gas production in British Columbia occurs in the Western Sedimentary Basin. The New Frontier consists of the Bowser, Whitehorse and Nechako Basins.

## NEW BRANCH – MAJOR INITIATIVES

The oil and gas sector in British Columbia is booming because of the increase in the demand for energy, and the industry is responding with significant oil and natural gas production and transmission projects. The Ministry of Energy, Mines and Petroleum Resources has also responded by creating a new Branch to provide a one-stop shop for industry's needs, from permits to policy advice.

Projects such as the Kitimat Liquefied Natural Gas facility and the numerous pipeline projects in the province will benefit from the expertise of this group.

By ensuring the most effective handling of projects of this magnitude, the province will be able to derive the maximum economic benefit from their construction and operation. The more projects we have linking the province to the Pacific Gateway, the greater the likelihood of spinoffs in all sectors of the economy.



Stirling Bates, Director, Mike D'Antoni, Senior Regulatory Advisor, Paul Wieringa, Executive Director, Max Nock, Director

## PARTICIPANTS LAUD SERVICE SECTOR TRADE SHOW

For the past three years, the British Columbia Ministry of Energy, Mines and Petroleum Resources has sponsored the Service Sector Trade Show in Calgary, Alberta. This gives British Columbia oil and gas service sector providers an opportunity to meet companies that purchase goods and services in the province's oil and gas industry. The Trade Show gives these purchasers an opportunity to see the expertise available in service sector companies in British Columbia.

Of those British Columbia service sector companies who responded to the 2006 post-event survey, 99 per cent said the event met their expectations, and most were very satisfied with the event. Respondents rated networking opportunities very high, and virtually all said they would participate again in 2007.

Hiring local companies while doing business in B.C. builds relationships in local communities and helps you become part of that community. This helps create long-term, local support and expertise in Northeastern B.C.

This year, the event takes place in Calgary on June 11, 2007. For more information, or to register, please call Krishna Klear at 250-952-0820.



*Minister of Energy, Mines and Petroleum Resources Richard Neufeld (right) speaks with Mr. Al Kirschner, of Trojan Safety Services at the 2006 Service Sector Tradeshow in Calgary.*

## NORTHEASTERN B.C. LEADS OIL AND GAS INDUSTRY FOR BUSINESS

- ▶ Oil and gas production in B.C. is booming, and Northeastern B.C. is no exception.
- ▶ With a thriving oil and gas sector and the highest growth rate in the province, northeasterners are creating opportunities for all British Columbians.
- ▶ Ft. St. John, for example, is listed by the Bank of Montreal Financial Group, as the small business hotbed in 2004.
- ▶ It is the city with the most small-businesses per capita in its population class. For every 1,000 people, Fort St. John is home to 48.5 small payroll businesses. The city's result, according to a Bank of Montreal Financial Group report, can be attributed largely to its role as a regional service centre for the oil and gas industry.
- ▶ EnCana Corporation is Canada's largest oil and gas corporation and also the major player in the Greater Sierra field. A key recent major resource play in the area - Cutbank Ridge - is expected by EnCana to produce more than four trillion cubic feet of natural gas. The Cutbank Ridge lands centered about 50 km southwest of Dawson Creek span the British Columbia-Alberta border. EnCana's acquisition of the gas rights in October of 2003 at a bid of \$369 million was more than three times the previous record for a single monthly auction for gas rights in B.C.



*Oil and gas industry contributes to the provincial economy. Oil and gas exploration and production are now the largest single natural-resource generator of direct revenue for the province.*