



BRITISH
COLUMBIA

“Nurturing the Golden Goose”

Developing Oil & Gas Resources in British Columbia

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Outline



- The importance of the Oil and Gas Industry to BC
- The “Golden Goose” habitat
- Golden Goose Traits
- Increasing Egg Production
- Building a Sustainable & Competitive Habitat
- Nurturing the Goose - Government Actions
- Attracting more Geese - Resource Potential
- Farmer’s Outlook
- Conclusion

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Importance of the Oil and Gas Industry to BC

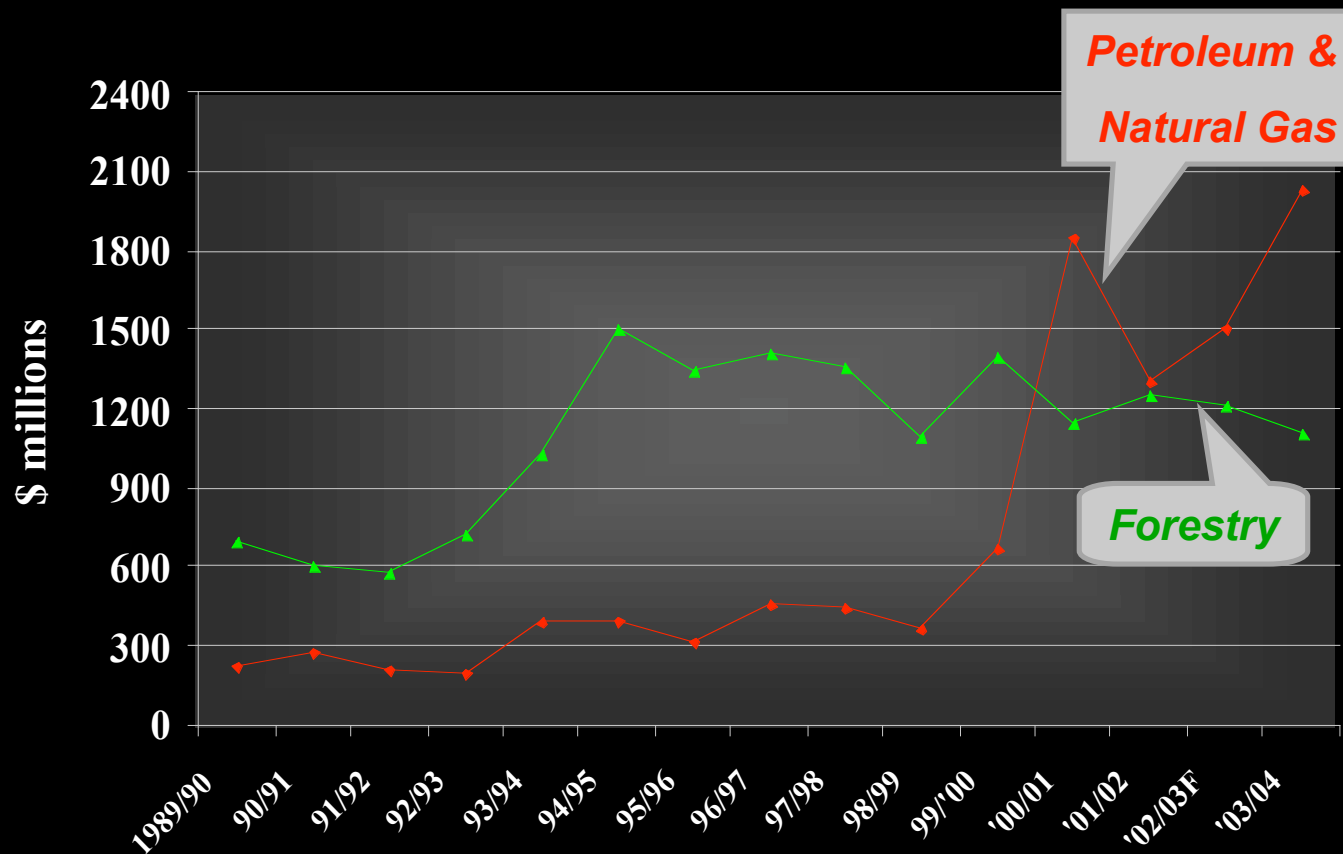


2003/2004

- BC produced 1.1 TCF of Natural Gas
- BC produced 14.1 Million barrels of Oil
- 1281 wells were drilled in 2003/2004
- Total Direct revenue from Oil and Gas = over \$2.0 Billion

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Importance of the Oil and Gas Industry to BC



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Largest single source of non-tax resource revenue

The Golden Goose Habitat



- Geology
- Infrastructure
- Regulatory Regime
- Fiscal Regime
- Service Sector
- Relationships with Stakeholders

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Golden Goose Traits



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- Very Price Sensitive
- Will spend big \$ if right habitat
- Likes Certainty
- Needs to keep it's share of Eggs!!
- High Maintenance!!!
- Can FLY!!!!



Increasing Egg Production!!!!



Job of Farmer - Nurture the Goose

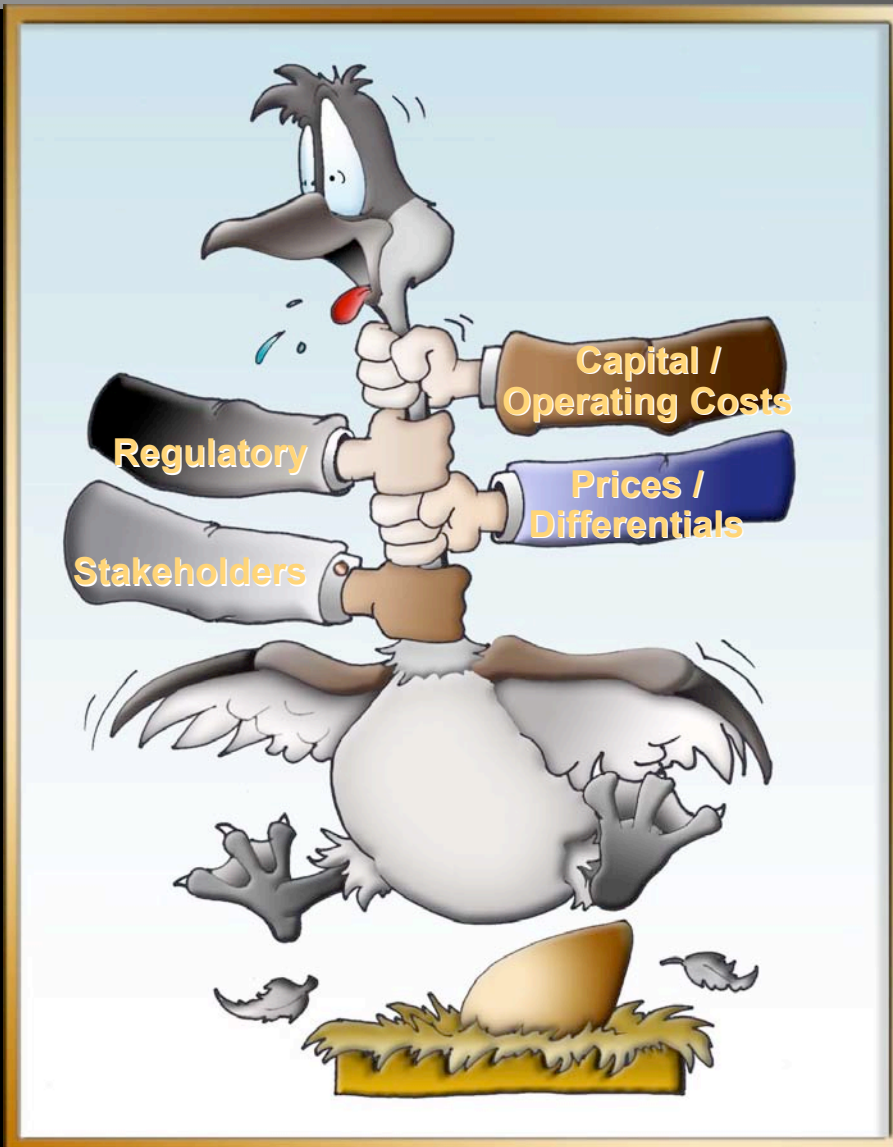
- Get more Geese
- Help Goose increase production
- Develop, operate and keep Farm sustainable

Job of Goose

- Produce more eggs
- Be exemplary steward of it's part of Farm

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Increasing Egg Production - The Wrong Way!!!!



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Increasing Egg Production The Right Way!!!!



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"To make British Columbia the most
competitive jurisdiction in North America for
Oil and Gas Investment and Development"

Premier Gordon Campbell

Building a Sustainable and Competitive Habitat



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- Competitiveness Study
- Single Window Oil and Gas Commission
- Restructure Oil and Gas Division (policy) into lines of business
- Developed Shared Vision with CAPP
- Built Relationships with Industry, First Nations and Stakeholders



Nurturing the Goose -Government Actions To Date



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Economy Wide

- Cut corporate and personal income taxes
- Eliminated the corporate capital tax
- Reduced red tape (surpassed our goal: 1/3 by 2004)
- Developed an Energy Plan

Nurturing the Goose -Government Actions To Date



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Industry Specific

- Created Oil & Gas Commission – Single window agency
- Eliminated the provincial sales tax on O&G machinery and equipment
- Eliminated Energy Removal Certificates
- Created Offshore Oil and Gas Team
- Strengthened Oil and Gas Division, MEM
- Heartlands Oil and Gas Development Strategy

OGDS Action Plan



- Key pillars:

Infrastructure

Royalties

Service Sector

Regulation

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- Broad infrastructure vision encompasses:
 - Multi-season capacity
 - Coordinated effort
 - Multiple users
 - Government contribution
- Royalty Credits:
 - \$30 Million for 03/04 04/05 05/06
 - \$10 Million for 06/07

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Roads



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- Promote better access to resources through improved road infrastructure
- Consideration given to the economic benefits of resource development
- Eg. Immediate opportunity for the Sierra Yoyo Desan (SYD) Road in NEBC

Service Sector Strategy



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- Service Sector Strategy initiated to identify those elements that support and/or challenge business growth
- Recommendations in five categories:
 - Procurement
 - Business competitiveness
 - Growing the industry
 - Employment & training
 - Jurisdictional regulatory issues

Service Sector Strategy



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- Study initiated into procurement practices and procedures
- Marketing strategy for Service Sector initiated
 - MEM Marketing Strategy
 - Service Sector Marketing Strategy

Royalties



- Royalties targeted to opportunities:

Deep	Exploration
Marginal	Play Development
Summer	Expanding the Drilling Season
Unconventional and New Basins	New Resource Opportunities

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Regulatory Streamlining



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- MEM and the OGC targeted regulation reductions
- BC Oil and Gas Regulatory Improvement Initiative (OGRII).
- Regulatory Best Practices Working Group: reduction, harmonization and streamlining across government to support oil and gas development
- Midstream Strategy

Attracting more Geese – Resource Potential

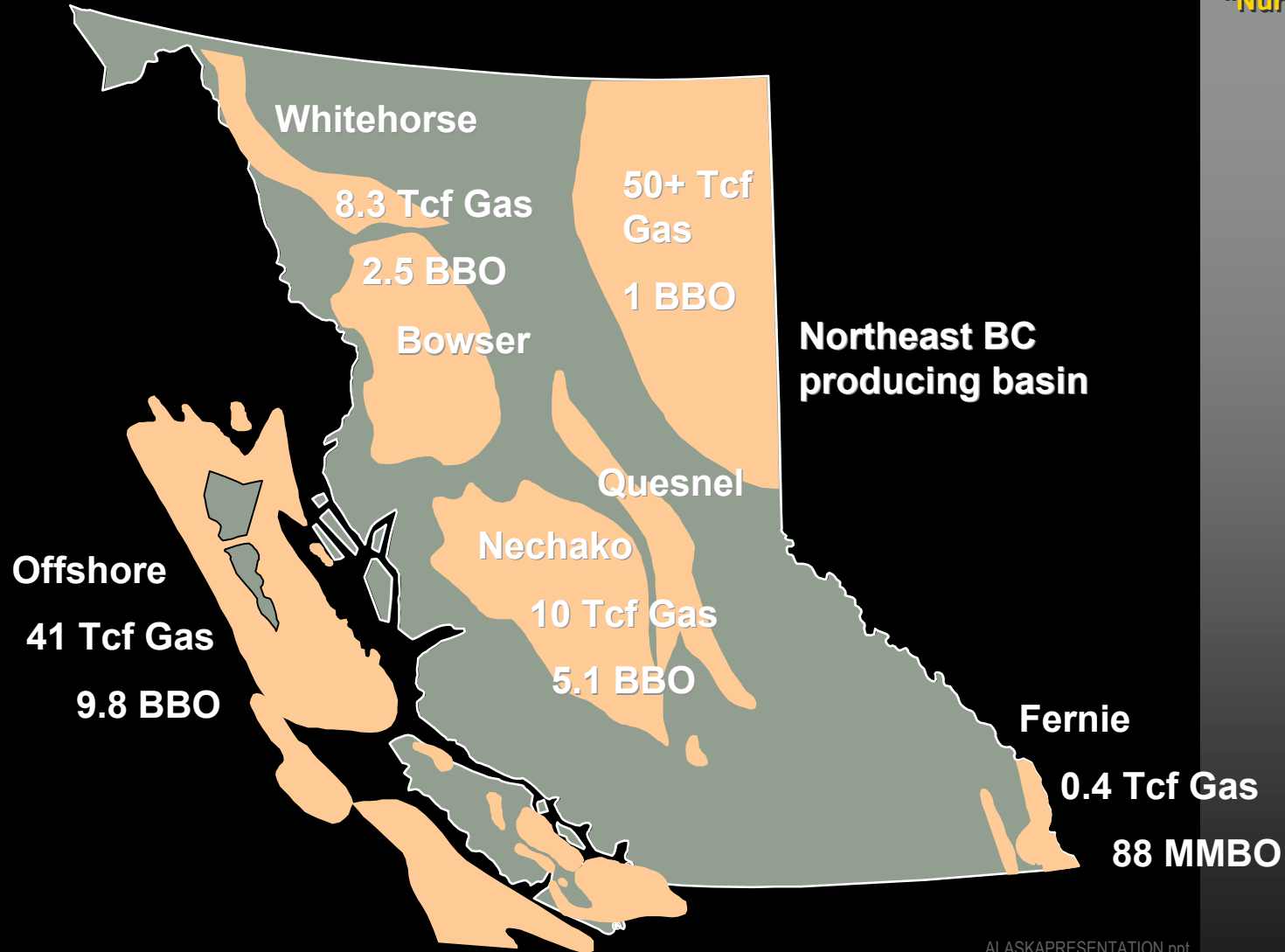


- Conventional Resources
- Unconventional Resources
- Interior Basins
- Offshore

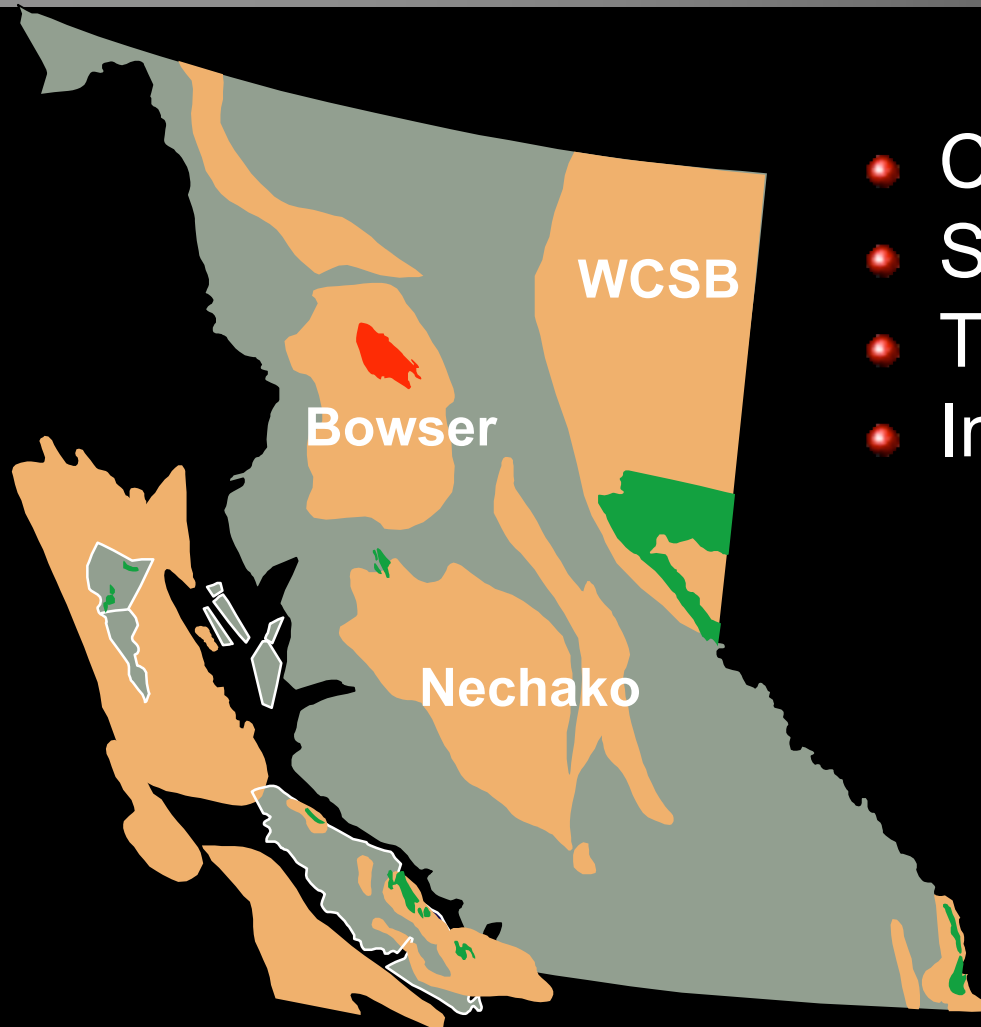
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Conventional oil and gas potential

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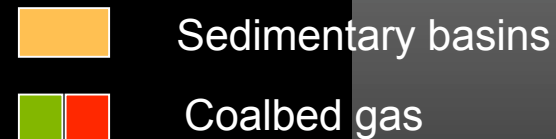


Significant unconventional gas resources...



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- Coalbed gas – 89 Tcf
- Shale gas – 100+ Tcf
- Tight gas – 185-525 Tcf
- Interior basins – 17.7 Tcf



...and Offshore gas potential...



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...with BC Government actively involved.

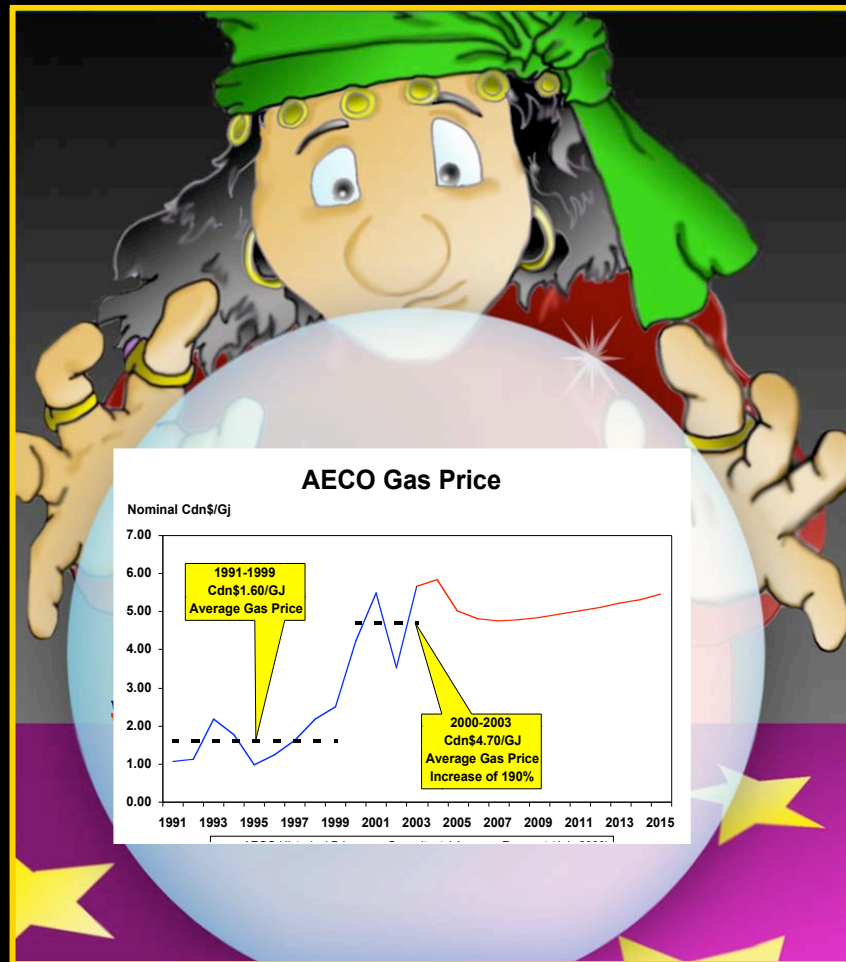


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- Delivering information to the public and stakeholder groups
- Working with First Nations and Communities
- Developing a fiscal and single window regulatory regime
- Working with industry and ready to work with Canada when they lift their moratorium

Farmers Outlook

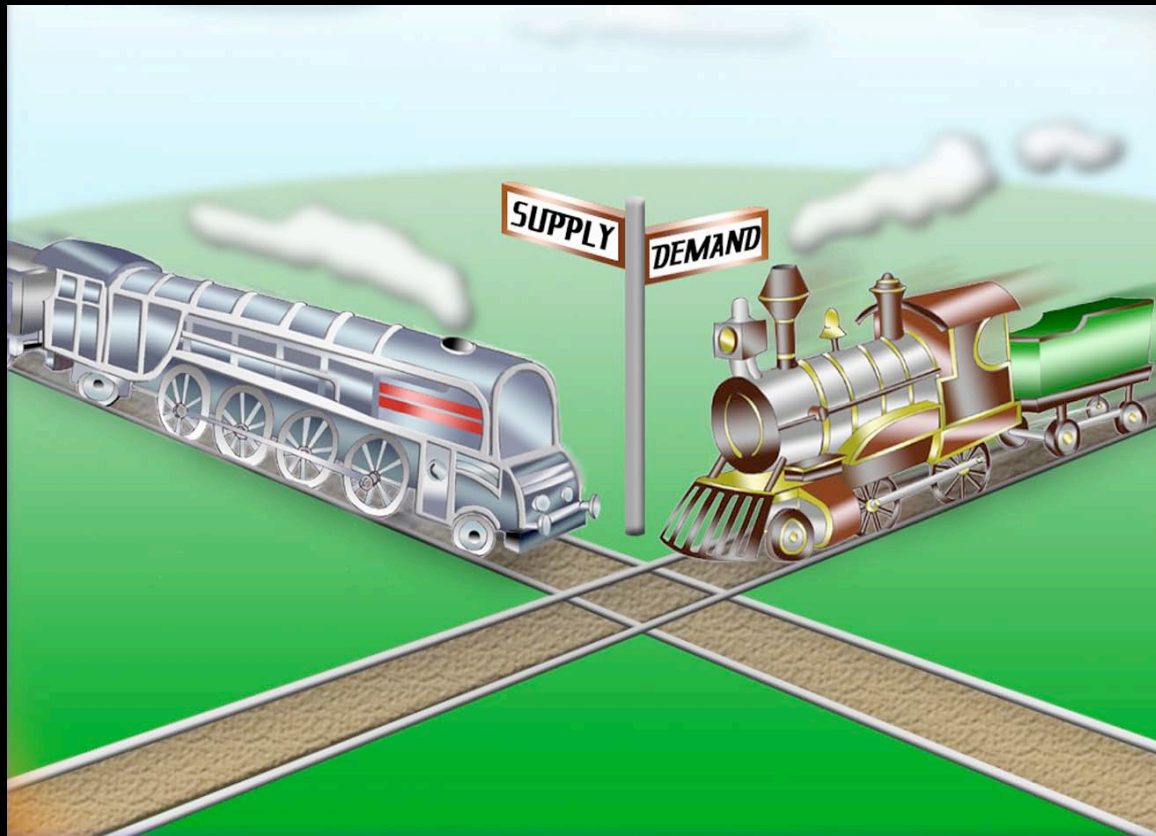
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Higher gas prices

Supply and Demand Conditions

Supply – limited short term growth opportunities in N.A



Demand – environmental regulation & increased consumption

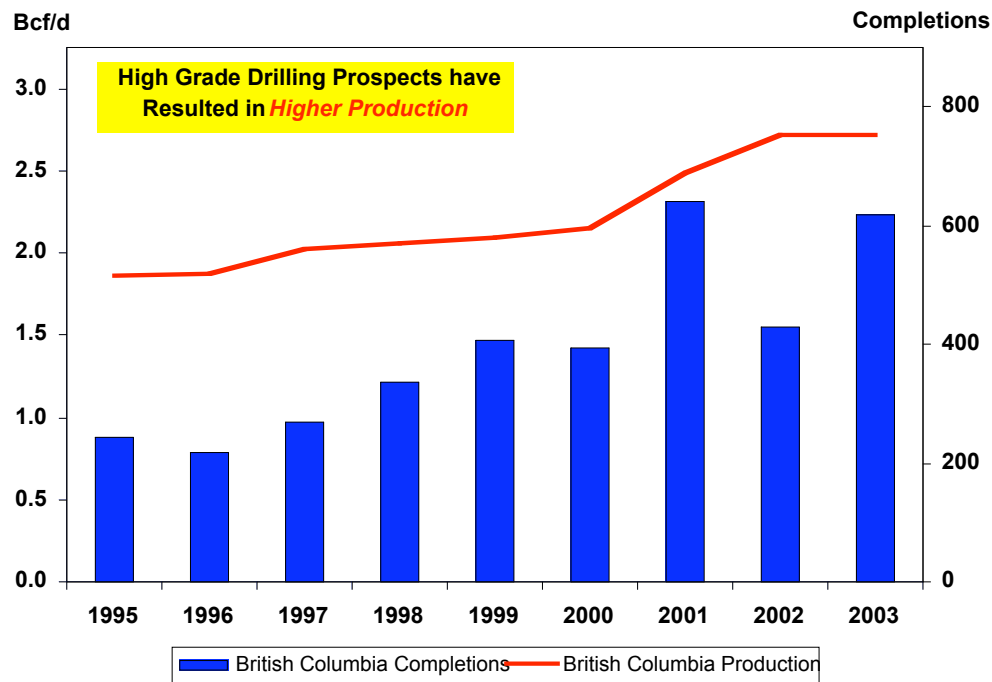
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BC's increased drilling is growing production...

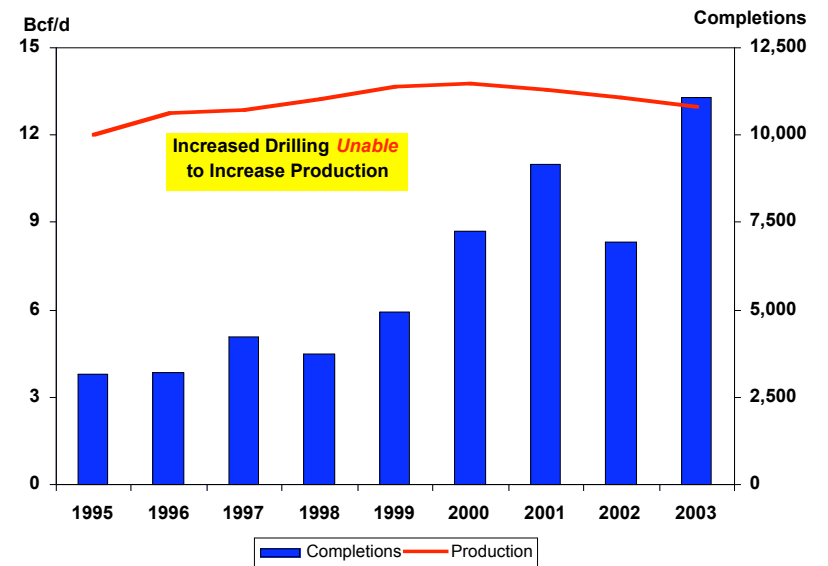


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British Columbia Natural Gas



Alberta Natural Gas



Source: Ziff Energy

...with reserve additions exceeding production...



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Gas Production/Replacement Rate 2002-2001

British Columbia	111%
Alberta	86%

Source: Canadian Association of Petroleum Producers (CAPP)

Investment climate improved by Treaty 8 negotiations...



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- Negotiation protocol concluded and initialled by negotiators
- Revenue sharing negotiations for interim agreement (2003-2005) proceeding
- Projects to support negotiations

...and working on agreements with First Nations in New Basins.



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- Agreements with First Nations will create greater certainty for New Basins:
 - Increased access to Crown lands and resources,
 - Improved investment climate

More eggs!! - goose & farmer very happy!!!



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- ✓ Opportunity
- ✓ Increased Activity
- ✓ Increased Profits
- ✓ Increased Royalty



*British Columbia's Oil
and Gas Potential – A
New Dawn ...
& GREAT GOOSE
HABITAT!!!*



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