



OIL AND GAS COMMISSION
2001 - 2002 ANNUAL PERFORMANCE PLAN REPORT

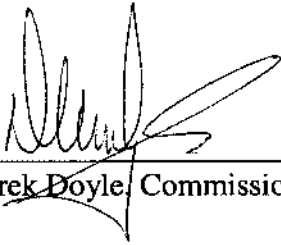


Introduction

The following is a report on the activities of the Commission specifically in regards to the Performance Plan that was presented last year and the budget approved by the Minister of Finance. This report covers the fiscal year 2001-2002.

This report is a part of the overall Commission Annual Report, it meets the requirements of the Budget Transparency and Accountability Act and is designed so that the Minister responsible may table it separately. It includes a copy of the audited financial statements of the Commission for the fiscal year 2001-2002.

The Commission's Board of Directors approved this Annual Performance Plan Report on the 10th day of May 2002.

A handwritten signature in black ink, appearing to read 'Derek Doyle', is written over a horizontal line. The signature is stylized with a large, sweeping flourish extending to the right.

Derek Doyle, Commissioner

Organization Overview

Vision

“To be the innovative regulatory leader, respected by stakeholders, First Nations and clients.”

Stakeholders: Those who have an interest in our business, includes local governments, as well as other government agencies.

Mission

“Regulating Oil and Gas Activity:

- *Through fair, consistent, responsible and transparent stakeholder engagement,*
- *For the benefit of British Columbians,*
- *By balancing environmental, economic, and social outcomes.”*

Core Values

“We Commit to Integrating the Following in Everything We Do:

- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We are open to change that enables personal and organizational growth.*
- *We foster a positive attitude and fun in the workplace.”*

Enabling Legislation

The Oil and Gas Commission’s statutory authorities and responsibilities are set out in the following Acts:

- ❖ *Oil and Gas Commission Act*
- ❖ *Petroleum and Natural Gas Act*
- ❖ *Pipeline Act*
- ❖ *Forest Act*
- ❖ *Forest Practices Code of BC Act*
- ❖ *Heritage Conservation Act*
- ❖ *Land Act*
- ❖ *Waste Management Act*
- ❖ *Water Act*

Purposes

The purposes of the commission as laid out in the *Act* are to:

- (a) Regulate oil and gas activities and pipelines in British Columbia in a manner that
 - (i) Provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being,
 - (ii) Conserves oil and gas resources in British Columbia,
 - (iii) Ensures safe and efficient practices, and
 - (iv) Assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas.
- (b) Provide for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects.
- (c) Encourage the participation of First Nations and aboriginal peoples in processes affecting them.
- (d) Participate in planning processes.
- (e) Undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the commission.

In addition to the *Act* the Commission has other purposes:

- To participate in provincial resource use planning processes
- Administer the Oil and Gas Commission Environmental Fund

Outline of the Organization

The Commission is headquartered in Fort St John with offices in Fort Nelson and Victoria. Current plans include the opening of additional offices in other parts of BC when warranted by oil and gas activities.

Fees paid by industry through the Provincial Government fund the Commission. It is a crown agency, and maintains its own financial and administrative systems. Currently it has 91 employees to whom the *Public Service Act* applies.

The Commission is governed by a two person Board of Directors made up of the Commissioner and Deputy Commissioner appointed by Order-In-Council. The Commissioner reports directly to the Minister of Energy and Mines.

COMMISSIONER'S REMARKS

Dear Reader,

The Oil and Gas Commission (Commission) welcomed a new era of collaboration and unity in 2001-2002. This was a year filled with accomplishments and challenges. It was a milestone year for relationship building.

The annual report is an account of the progress made in regulatory delivery, environmental management and relationships in BC's oil and gas sector. There is much to celebrate. Activity levels remain vibrant. Innovative problem solving is evident throughout the industry. And there is a commitment to renew relationships with First Nations. The Commission acknowledges the invaluable contribution of First Nations, clients and stakeholders in assisting us in improving our regulatory effectiveness.

We also recognize the challenges of growth. In response to the many challenges, the OGC developed a Service Plan to direct our work priorities for the next three years. We commit to measure our performance and renew the Service Plan annually.

□ The Principles that Guide us

The Oil and Gas Commission's vision is to be an innovative regulatory leader, respected by stakeholders, First Nations and clients. British Columbians rely upon the OGC to regulate for the benefit of all. Our purpose is to regulate oil and gas activities and pipelines in British Columbia in a manner that provides for the sound development of the sector, by fostering a healthy environment, a sound economy and social well being.

Our commitment to truthfulness, duty and unity in all that we do, is reaffirmed daily by each person at the OGC. As an agent of the Ministry of Energy and Mines, the Oil and Gas Commission is striving to serve British Columbian communities by using innovative resource management to convert energy resources into social benefits. These social benefits enrich our lives through employment, community development, personal growth and position BC as globally competitive. By working together, in *unity*, we will all *prosper*.

□ The Year 2001 - 2002 in Review

This year demonstrated to us, that if the OGC is to regulate for the *benefit of all*, it requires vigilance to our roles to consult, problem solve and regulate. The Commission worked with seven Treaty 8 First Nations to develop and sign renewed commitments to consult on oil and gas activities. These commitments afford the First Nations the capacity to maintain a land office with the expertise to review applications for potential treaty right infringement. The First Nations provide advice to the OGC on how to avoid or mitigate impacts. The agreements mark the starting point for the journey ahead.

Collaborative enforcement with provincial and federal agencies also continued this year; another sign illustrating the importance of unity at every level of the OGC's work. A year ago, we found

79% compliance with major regulatory requirements. As this year's data is being analyzed, it appears there is a significant improvement. This is a credit to all.

The support and input of citizens, companies and contractors is key to our continuous improvement. The OGC hosted a workshop to examine concerns and issues for a well application in the Red Creek area on the Alaska Highway. The participation of the community and the company resulted in commitments and regulatory requirements that clarify matters for all parties. Clarity is the basis for informed decision making. This community-industry example shows what a commitment to unity can achieve.

□ Meeting the challenges of the years ahead (2002 - 2005)

2001-2002 was a productive year for the Oil and Gas Commission. The 2002-2005 Service Plan sets a number of aggressive performance targets for the next three years:

- a) Single-window approach to regulation. We will broaden the window from 60% to 95% through collaboration with provincial ministries.
- b) Performance and results based regulations. We will improve industry performance by specifying the result requirements, rather than the procedures. Our target is to shift to 60% results based regulation from the 15% that exists today.
- c) Effectiveness and efficiency. We will remove technically outdated regulations, enhance the use of technology and invest more effort in examining general development and program plans. The goal is to reduce OGC average review time from 21 to 13 working days and the regulatory burden from 7874 instructions to 5197 over the next 3 years.
- d) Collaboration with First Nations. The renewed agreements start us on the road to enhanced collaboration. We are committed to improving consultation on land and resource management planning, staff exchanges, locating OGC offices in some communities, improving regulatory compliance and emphasizing community environmental knowledge and science.

The OGC budget is increased from \$8.0 million to \$10.8 million to achieve the performance goals set out in the Service Plan.

I thank you for your continued support and welcome your comments on this report of any manner of concern to you.



Derek Doyle
Commissioner

Report on Performance

Objectives

The Commission's 2001-2002 Performance Plan lists its four objectives as:

1. Enhance relationships with clients, First Nations and Stakeholders
 - Signed Memorandum of Understanding and Agreements with seven First Nations
 - Established relationships with McLeod Lake Indian Band
 - Operationalized public consultation guidelines
2. Develop our people
 - Training delivered in Administrative Law
 - Trained staff in implementing continuous improvement
 - Delivered workshops to improve internal processes
3. Invest in technology to assist with our business
 - Implemented the first year of the three year strategic systems plan
 - Achieved electronic submission of technical pipeline applications
 - Automated the Leave to Open process
4. Operate and improve our core business processes
 - Measures taken to increase quality of submissions
 - Began work on Pipeline Integrity Management program
 - Improvements to forms and processes throughout the Commission

Performance Measures

There were two performance measures chosen to reflect these objectives:

- Measure efficiency as a reduction of the mean average and standard deviation in the number of days to approve a land use application
- Measure effectiveness through a satisfaction index of our clients, stakeholders and staff

No performance targets were set for this year since the Commission needed to collect data to set baseline information. For subsequent years the target was to reduce the mean average and standard deviation of approval days by 10% per year and increase the satisfaction index by 10% per year.

During the year the time to approve a land use application was calculated as 21 days. The number of days is calculated as each working day (discounting statutory holidays) from the day an application was started to when it was approved, for all applications approved during the fiscal year. All approved applications were assessed as taking a minimum of one day to process.

During the year no satisfaction surveys were developed for use and thus a baseline index was not established. It is planned to conduct satisfaction surveys during the coming year.

Upcoming Year

After a review of the existing objectives and strategies, the OGC changed the objectives and strategies of the Commission, as well as its performance measures and targets in the Service Plan in place for the Commission (2002-2005) to better reflect rationale for change. The new objectives are:

1. Enhance our single-window approach to regulating
2. Move to a results and performance based regulatory system
3. Continue to improve efficiency and effectiveness
4. Establish a collaborative approach with First Nations

These changes were made to recognize the important elements needed to achieve the Commission's mission.

Explicit performance measures and targets were set for the next three years. The measures are:

- % of oil and gas industry regulatory functions within the Commission's jurisdiction
- % of application functions that are results-based
- Reduce the regulatory burden to industry
- The satisfaction of clients, stakeholders and First Nations with OGC
- Average working days to complete applications
- % of major compliance with regulations by industry

The external economic factors that affect Commission activities are the price of oil and gas commodities. As commodity prices increase, so does the activity level of the Commission.

The general trend for industry has been to intensify development of proven oil and gas fields. Exploration is now occurring to examine the potential of coal bed methane around the province and to further explore the foothills area of North-East BC. Commission will be to manage reviews on new areas of the Province and to make changes to its current regulations.

The newly formulated Service Plan will broaden opportunities for all British Columbians through:

- Exploration opportunities where pre-tenure planning is occurring in NEBC and for coal bed methane throughout the province
- Increased consistency in decision-making and problem-solving

- Increased investment, business opportunities and community development
- Reduced risk and uncertainty in the regulatory regime
- Improved quality of life through growing prosperity
- Ability to integrate innovative regulatory delivery and innovative resource management

Some of the main challenges facing OGC are:

- Meeting or exceeding the very specific objectives set out in the Service Plan to reduce unnecessary regulation, advance results and performance based regulation and improve the efficiency and effectiveness of our work
- Enhance the collaboration with First Nations through capacity support and facilitating participation in pre-tenure planning, industry's general development plans and examination of oil and gas applications
- Clearly discharge our duties to all British Columbians and to see those duties clearly
- Working with government agencies and others in addressing conflicts between land tenure holders and the management of cumulative impacts
- Recruiting, developing and retaining the best and the brightest

Management Discussion and Analysis

The coming together of First Nations and the province by renewing and establishing agreements marked the start of a new journey together. The Commission carried out a process improvement analysis, involving many staff that will pay benefits for years to come. The Commission secured authority for budget improvements to respond to 3-fold workload increases over the past few years. These accomplishments have provided a strong base for moving forward.

Current Year (2001-2002):

	Actual	Budget	Difference
Revenue:			
Fee Revenue	10,004	9,120	884
Levy Revenue	6,581	5,739	842
Other Revenue	178	240	(62)
Totals	16,763	15,099	1,664
Expenses:			
First Nation	7,971	5,611	2,360
Salary Expense	5,090	5,721	(631)
Other Expense	2,690	2,837	(147)
Totals	15,751	14,169	1,582
Net Revenue (Loss)	1,012	930	82

Four-Year Comparison:

	2002	2001	2000	1999 (Revised)
Fee Revenue	10,004	11,463	7,732	2,967
Levy Revenue	6,581	5,579	5,365	2,843
Other Revenue	178	326	102	-
First Nation	7,971	4,945	6,236	4,385
Salary Expense	5,090	4,361	5,324	2,228
Other Expense	2,690	2,330	2,716	2,119
Net Revenue (Loss)	1,012	5,732	(1,077)	(2,922)
Contribution from Province	142	886		
Surplus (Deficit)	3,773	2,619	(3,999)	(2,922)
Cash Balance	5,146	5,612	5,132	-
Net Owing to Province	(2,040)	(1,124)	5,222	2,455
Due to First Nations	5,290	5,627	5,657	2,658

Revenues were much higher than budgeted for the year. There are three main factors:

- The development of the new Ladyfern field dramatically increased the volume of gas produced and hence increased levy revenue
- The annual pipeline fee was greater than the original estimate (\$700,000 versus the budget of \$200,000) due to use of conservative forecasts
- The large number of ownership changes that occurred increased the fee for well ownership changes (\$599,400 versus the budget of \$90,000)

At the same time, the fee revenue from well applications was lower than budgeted. The total number of well applications for the year was 895, which was less than the original budget of 1,000 and lower than the previous year's total of 1,118.

First Nation expenses were much higher than the original budget. This is due to the signing of new Memorandums of Understanding and Agreements with seven First Nation communities of the Treaty Number 8.

Note that 1999 was the Commission's first year of operation and was only a partial year.

Statement of Corporate Governance Practices

The Board of Directors of the Oil and Gas Commission consists of the Commissioner and Deputy Commissioner, appointed by the Lieutenant Governor in Council for terms not exceeding five years. The Commissioner is the Chair of the Board. The Board is charged with managing or supervising the management of the affairs of the Commission and is empowered to exercise the powers of the Commission. The Board fulfills the purposes of the Commission through a staff of 91 members organized into 7 Branches.

An Oil and Gas Commission Advisory Committee advises and makes recommendations to the Commission regarding the fulfillment of the Commission's purposes, the environmental, economic and social issues arising out of the Commission's operations, and the Commission's short and long term operating plans. The Advisory Committee is appointed by the Minister and includes representatives from local governments, the general public, First Nations, industry and environmental organizations.

The government has introduced Bill 36 that will amend the *Oil and Gas Commission Act*. One of the amendments will be to change the governance of the Commission. The current Board will be replaced by a three-member Board made up of the Deputy Minister of Energy and Mines, as the Chair, the Commissioner as Vice-chair and one further appointment. The Commissioner will continue to act as the Chief Executive Officer, but will now report to the Deputy Minister of Energy and Mines.

**Oil and Gas Commission
Financial Statements**

March 31, 2002

Statement of Management Responsibility

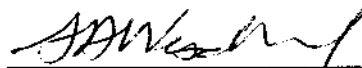
The financial statements of the Oil and Gas Commission for the year ended March 31, 2002 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of the Commission as at March 31, 2002, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Oil and Gas Commission. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of the Oil and Gas Commission.



Derek Doyle
Commissioner



Scott Wisdahl
Director, Corporate Services

April 25, 2002



Report of the Auditor General of British Columbia

*To the Commissioner
of the Oil and Gas Commission, and*

*To the Minister of Energy and Mines,
Province of British Columbia:*

I have audited the statement of financial position of the *Oil and Gas Commission* as at March 31, 2002 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Oil and Gas Commission* as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 10, 2002*

Wayne Strelieff, CA
Auditor General

Oil and Gas Commission
Statement of Financial Position
March 31, 2002, with comparative figures for 2001
(in \$000s)

	<u>2002</u>	<u>2001</u>
Assets		
Current assets		
Cash	5,146	5,612
Accounts receivable	3,270	3,077
Due from Province of British Columbia (Note 4)	2,040	1,124
Prepaid expenses	71	84
	<u>10,527</u>	<u>9,897</u>
Capital assets (Note 3)	<u>1,082</u>	<u>948</u>
	<u>11,609</u>	<u>10,845</u>
 Liabilities and Surplus		
Current liabilities		
Accounts payable	522	457
Due to First Nations (Note 8)	3,431	3,843
	<u>3,953</u>	<u>4,300</u>
Long-term liabilities		
Due to First Nations (Note 8)	1,859	1,784
Environmental Fund (Note 5)	1,432	1,408
Surplus		
Surplus	3,773	2,619
Contributed surplus (Note 6)	592	734
	<u>4,365</u>	<u>3,353</u>
	<u>11,609</u>	<u>10,845</u>

Commitments (Note 7)

On behalf of the Commission



Derek Doyle
Commissioner

The accompanying notes are an integral part of these statements.

Oil and Gas Commission
Statement of Operations and Surplus
Year ended March 31, 2002, with comparative figures for 2001
(in \$000s)

	2002	2001
Revenues		
Fees	10,004	11,463
Levies	6,581	5,579
Miscellaneous	178	326
	<u>16,763</u>	<u>17,368</u>
Expenses		
Payments to First Nations (<i>Note 8</i>)	7,971	4,945
Salaries and benefits	5,090	4,361
Building occupancy	514	500
Telecommunications and information systems	578	450
Travel and vehicle costs	519	483
Professional services and training	474	353
Amortization	258	289
Office supplies and equipment	311	235
Grants	18	4
Miscellaneous and bad debts	18	16
	<u>15,751</u>	<u>11,636</u>
Revenue from operations	1,012	5,732
Amortization of Contributed Surplus (<i>Note 6</i>)	142	886
Net revenue from operations	1,154	6,618
Surplus (Deficit) beginning of year	2,619	(3,999)
Surplus end of year	<u>3,773</u>	<u>2,619</u>

The accompanying notes are an integral part of these statements.

Oil and Gas Commission
Statement of Cash Flows
Year ended March 31, 2002, with comparative figures for 2001
(in \$000s)

	<u>2002</u>	<u>2001</u>
Cash provided by (used in) operating activities		
Cash generated from:		
Fees	10,102	10,624
Levies	6,238	6,049
Miscellaneous	294	257
	<u>16,634</u>	<u>16,930</u>
Cash used for :		
Payments to First Nations	8,308	4,975
Salaries	5,024	4,503
Operating costs	3,361	2,278
	<u>16,693</u>	<u>11,756</u>
	<u>(59)</u>	<u>5,174</u>
Cash provided by (used in) financing activities		
Payments to Ministry	-	(11,120)
Increased borrowing from the Ministry	-	4,913
Forgiveness of start-up costs (<i>Note 6</i>)	-	1,620
	<u>-</u>	<u>(4,587)</u>
Cash used in investment activities		
Purchase of capital assets	<u>(407)</u>	<u>(107)</u>
(Decrease) increase in cash during the year	(466)	480
Cash beginning of year	<u>5,612</u>	<u>5,132</u>
Cash end of year	<u><u>5,146</u></u>	<u><u>5,612</u></u>

The accompanying notes are an integral part of these statements

Oil and Gas Commission

Notes to the Financial Statements March 31, 2002

(in \$000s)

1 The Oil and Gas Commission

The Oil and Gas Commission (the "Commission") was established under the *Oil and Gas Commission Act* on July 30, 1998, to administer industry activity on oil and gas lands and to resolve industry land use and economic issues related to Aboriginal Lands on behalf of the Province of British Columbia.

The Commission is funded through revenue from the consolidated revenue fund of the Province of British Columbia derived from:

- levies from oil and gas production,
- fees in relation to applications for and issuance of approvals, licenses, permits and other authorizations issued by the Commission under the *Petroleum and Natural Gas Act* and the *Pipeline Act*, and
- annual fees prescribed under the *Petroleum and Natural Gas Act* and the *Pipeline Act*.

The Commission is exempt from federal and provincial income taxes.

2. Significant accounting policies

The financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

Capital Assets

Capital assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

- | | |
|--|--------------|
| • Furniture, equipment and tenant improvements | 10 per cent |
| • Computer hardware | 33 per cent |
| • Computer software | 100 per cent |

Amortization associated with assets paid for by the Province of British Columbia is transferred from contributed surplus to revenue each year. See *Note 6*.

Revenue recognition

All fee and levy revenue authorized and collected under Section 23 of the *Oil and Gas Commission Act* is first paid to the Minister of Finance. The Province then transfers this amount of revenue to the Commission.

Revenue is recognized when it is earned. The Oil and Gas Levy is assessed in the second month following production; therefore, revenue for February and March is estimated based on average prior months' assessments. Fees under the *Pipeline Act* for pipelines and gas and compressor stations are recognized when earned, that is, when "leave to open" has been granted.

Fees and levies collected that have been directed to pay for research under the Environmental Fund are recognized when the research costs have been incurred. Prior to costs being incurred the amounts are included as deferred contributions, in the Environmental Fund.

Employee benefit plan

The Commission and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. The Public Service Pension Plan is a multi-employer, defined benefit plan and is available to substantially all of the Commission employees. On behalf of employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The most recent actuarial valuation (March 31, 1999) has determined the Plan is in a surplus position. The Corporation also annually contributes through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of

Oil and Gas Commission

Notes to the Financial Statements March 31, 2002

(in \$000s)

2. Significant accounting policies (con't)

employment. The cost of these employee future benefits are recognized as an expense in the year that contributions are paid. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship where the management, risks and benefits are shared between the employers and employees.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. Capital assets

	2002		2001	
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture, equipment, tenant improvements	1,334	(373)	961	829
Computer Hardware	160	(81)	79	112
Computer Software	372	(330)	42	7
	<u>1,866</u>	<u>(784)</u>	<u>1,082</u>	<u>948</u>

4. Due from the Province of British Columbia

	2002	2001
Accrued leave liability	120	120
Fee and levies	1,995	1,013
Operating expenses	(75)	(9)
	<u>2,040</u>	<u>1,124</u>

5. Environmental Fund

The Commission signed an agreement with the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC) that will see the Commission spend \$5 million over 5 years on research on the effects of the oil and gas industry in BC. The funds required for this research will be raised through increasing the levy on oil and gas production and by an increase to the application fee for wells. This money is restricted for use for research and administration of the Fund.

At March 31, 2002 the Commission had committed to research projects totaling \$765 (2001: - \$1,310).

	2002	2001
Balance beginning of year	1,408	282
Add: Fees and levies collected	1,163	1,202
Interest earned	43	43
	<u>2,614</u>	<u>1,527</u>
Deduct: Research project costs	1,173	80
Steering committee costs	-	10
Commission administration	9	29
	<u>1,182</u>	<u>119</u>
Balance end of year	<u>1,432</u>	<u>1,408</u>

Oil and Gas Commission

Notes to the Financial Statements March 31, 2002

(in \$000s)

6. Contributed surplus and forgiveness of start-up costs

During its first year of operation (1998/1999) the Commission borrowed funds from the Province to finance its purchase of start-up capital and pay for other start-up costs like professional contracts. The total of all of these amounts was \$1,620.

During the 2000/01 fiscal year the Province forgave this amount and the amount equal to the capital assets was set up as contributed surplus.

Contributed surplus is reduced each year and an amount transferred to revenue equal to the yearly amortization of the capital assets.

	<u>2002</u>	<u>2001</u>
Contributed surplus beginning of year	734	-
Contribution from the Province of BC	-	921
Amortization of capital assets	(142)	(187)
Contributed surplus end of year	592	734

7. Commitments

The Commission occupies leased office buildings in Fort St. John and Victoria for which the Commission pays building occupancy fees to the British Columbia Building Corporation. The lease for the Fort St. John office space runs until September 30, 2002 with no early release option. The Commission has entered into an agreement to continue the lease as well as lease additional space for the next ten years.

The office space in Victoria is managed through the Ministry of Competition, Science and Enterprise with no fixed end date, and requires six months notice to vacate.

During the year the Commission agreed to lease space in Kamloops from British Columbia Building Corporation for a period of 5 years starting on April 1, 2002.

The Commission also leases office space from the Town of Fort Nelson which expires in 2003.

The Commission has entered into a number of short-term leases. These leases are for vehicles, computers, office equipment and support services.

The Commission has entered into several environmental funding agreements in support of research on the effects of the oil and gas industry on BC (*Note 5*).

The Commissions total annual commitments are:

<u>Year</u>	
2003	1,638
2004	475
2005	296
2006	4
2007	4

Oil and Gas Commission

Notes to the Financial Statements March 31, 2002

(in \$000s)

8. Due to the First Nations

During this year three First Nations ("FNs") (Blueberry River, West Moberly, and Prophet River First Nations) signed new Memoranda of Understanding ("MOUs") to replace existing MOUs. Four other FNs (Fort Nelson, Doig River, Sauteau, and Halfway River First Nations) signed Agreements with the Commission. Subsequently the Blueberry River First Nation has entered into negotiations to replace their new MOU with an Agreement.

The MOUs and Agreements have an effective date of October 1, 2001 and run until March 31, 2006.

The first three FN who signed the MOUs as well as Doig River FN will receive a fixed quarterly payment until December 31, 2003 based on the amount owing to them under the old MOU as of September 30, 2001.

The other three FNs for signing new Agreements will also receive fixed quarterly payments until December 31, 2003.

At the end of last year an estimate of the amount owed under the old MOU's was set up. The difference from the accrual and the actual amount was expensed this current year.

The fixed quarterly amounts have been recognized as an expense of this year and the corresponding liability set up.

	<u>2002</u>	<u>2001</u>
Payments due March 31	952	1,457
Current portion of long-term liability	<u>2,479</u>	<u>2,386</u>
	3,431	3,843
Long-term liability	<u>1,859</u>	<u>1,784</u>
	<u>5,290</u>	<u>5,627</u>

9. Related party transactions

The Commission is related to all Province of British Columbia ministries, agencies and Crown corporations.

The Commission leases office from the British Columbia Buildings Corporation. The Ministry of Competition Science and Enterprise provided payroll and human resource services and certain capital assets during the year at no cost to the Commission. The Ministry of Attorney General acted as the Commissions primary legal advisor during the year on a cost recovery basis.

10. Comparatives figures

Certain comparative figures have been restated to conform to the presentation used in the current year.

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