

Check Against Delivery

Hon. Richard Neufeld, Minister of Energy, Mines and Petroleum Resources North American Prospect Expo

**Houston, Texas
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Good afternoon and thank you for being here.

It's special for me to be here with State Representative Buddy West, my colleague here in Texas. I met him through the Energy Council, and in fact when he was in Fort St. John we took him to one of the largest dams in North America, the W.A.C. Bennett Dam which is capable of producing about 2,800 megawatts of electricity.

We share much the same portfolios in our jurisdictions, and I believe similar values in many respects. I note that as energy chairman of the Resources Committee, you passed legislation to deal with orphan wells in Texas so that you could actually be proud of the environment that you have in Texas, but also to help folks that are coming along after us.

I also brought forward a bill in British Columbia to the Legislature to deal with orphan wells just this last year. It's a fund that's totally funded by industry, and will clean up all orphan wells and orphan pipelines in the future. It has many of the same attributes that you have in your legislation.

I also want to thank Louisiana State representative and chair of the Energy Council, John Smith for travelling here. It's much appreciated to see you and to spend time with both of you last night.

I want to thank you for joining me today. I am proud to showcase British Columbia and highlight the oil and gas opportunities that we have. I'm here to tell you British Columbia is part of the United States' energy future. We have a natural gas resource. We are reliable and a secure supplier. We are competitive, and we're connected. Canada and the U.S. have long enjoyed their close proximity to one another; our relationship has been described as neighbours and friends.

We sometimes are in agreement, and sometimes we're not. But we've always shared the same belief that we are here to encourage each other to reach our goals, to respect and support our differences.

Some of you may not know the province of British Columbia that well, where I'm from, but I can put it in relation to something that you will know, and that's the Western Canada Sedimentary Basin. The Alberta oil sands lie within the basin. Recently industry experts indicated that they are the world's second-largest oil reserves outside Saudi Arabia.

Well, we in British Columbia produce natural gas and some oil immediately west of the oil sands. In fact, we are Canada's second-largest producer of natural gas.

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Our province covers 234 million acres. By comparison, the State of Texas covers just under three-quarters of the geographical area of British Columbia. You can see that map there.

First I want to provide you with the context about B.C. and where I am from. I live in northeast B.C. My constituency, Peace River North, is the second-largest in British Columbia. It's bigger than Florida and just a touch smaller than Washington State with about 35,000 people. It is the source of all our oil and gas production in our province at the present time.

I'm from a city known as Fort St. John, the "Energetic city", and it is located in the hub of the oil and gas industry. It's a beautiful area. But before we talk about the resource activity, let me tell you about activity in the province.

British Columbia is one of the few North American jurisdictions where our annual reserve increases relative to our annual production and has well exceeded 100 percent over the last seven years. Over the last several years, British Columbia under the leadership of our Premier, Gordon Campbell, has taken steps to make investing in oil and gas more efficient and cost-effective. British Columbia has struck corporate income taxes, eliminated the corporate capital tax, eliminated the sales tax on production, machinery and equipment and implemented what we call the Oil and Gas Development Strategy.

Our strategy to promote oil and gas development is a comprehensive program designed to create targeted royalty programs that encourage development, support the development of high-grade roads and pipelines and infrastructure, reduce and streamline regulations and build a B.C.-based service sector. We offer, I believe, excellent royalty structure programs in British Columbia.

New royalty structures were introduced for coal bed gas, deep exploration, marginal drilling for play development and summer drilling to expand the drilling season. For instance, in the Western Canadian Sedimentary Basin in the northeast part of British Columbia approximately 70 percent of the drilling activity in the province is concentrated between December and March when the ground is frozen. This seasonal pattern impacts employment and businesses in the area. The summer drilling program introduced will see wells spudded between April 1 and November 30 eligible for a royalty credit of up to \$100,000 per well. This program has been very successful so far.

We also have a marginal royalty program. In the Western Sedimentary Basin, more and more natural gas production is coming from marginal wells. This program targets natural gas pools with no initial production rates, allowing those wells to be economic. The marginal or tight gas royalty program allows small pools and low production wells to be economic also.

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With tight gas resources estimated to be about 40 percent of the remaining marketable natural gas in B.C., we've also introduced a deep royalty program. We recognize that high risks and costs are associated with these wells. The deep gas royalty credits are designed to encourage greater exploratory drilling activity and maximize the development of the resource, and we're not done yet.

We're also developing a net profit royalty regime aimed at minimizing the high risk and high cost of unconventional development such as shale gas and activity in unexplored basins.

The northeast portion of the province is established as far as the oil and gas business goes. It has been the focus of oil and gas exploration for more than 50 years. An estimated one trillion cubic feet is produced from here and more than half of that finds its way to the U.S. markets through established pipelines. Estimates of marketable conventional natural gas resources that remain to be discovered vary from 26 to 44 trillion cubic feet. The British Columbia foothills' deep face, tight gas and deeper play hold potential for significant additional reserves. Our shale gas plays are being estimated to have in excess of 250 bcf. gas in place.

A 2005 ministry study of B.C.'s Devonian shales has identified many similarities with the Barnett shale play. We have a new Triassic shale gas study available later this year. Tight gas is likely to hold the highest potential for the remaining technically recoverable natural gas resources in the northeast.

In 2003 the ministry released an Exploration Assessment of Tight Gas Plays in northeast B.C. and determined that in-place tight gas resources are similar to the shale gas of in excess of 250 trillion cubic feet.

Already almost 25 percent of British Columbia's annual production comes from tight gas plays. We know that the number will increase as technology continues to make new plays technically and economically viable.

Our opportunities just don't stop in the northeast part of the province. We have new areas opening up. In the central Interior, in northwest portions of the province we have the Bowser, Whitehorse and Nechako Basins, all showing significant petroleum resource potential. The Geological Survey of Canada estimates a combined 18 trillion cubic feet of gas and seven billion barrels of oil in place for these three basins. Studies of these basins are continuing, and with new royalty programs it won't be long before industry moves into these areas as well.

As my friend Buddy talked about, offshore gas is a longer-term process but one that we are working hard to develop in British Columbia. The Canadian Geological Survey branch estimates that it holds about 43 trillion cubic feet of gas and approximately 10 billion barrels of oil.

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British Columbia has undeveloped coal bed gas estimated at approximately 84 trillion cubic feet. It has the potential to play a significant role in the future of our energy economy — again, more great opportunity. It's out there, waiting for the right technology, the right company, but when we go for it we'll be doing it right: sustainable and with the right environmental protection.

An important part of our strategy to grow British Columbia's oil and gas industry has been the development of high-grade infrastructure allowing year-round access to key resource areas. In fact, we have invested over \$200 million U.S. dollars into oil and gas roads over the last five years. The roads upgraded are heavily utilized by the industry and will no longer be subject to seasonal weight restrictions, enabling drilling activities to occur throughout the calendar year.

Our road-based royalty program encourages industry to construct roads into the province's more remote areas. Approximately 47 million Canadian and royalty credits are currently approved and support 24 separate road projects.

In the fall of 2005, we approved a pipeline-based royalty credit initiative that will bring a new strand of wells into production and encourage new drilling activity.

B.C. is in a unique position geographically as a gateway province with multiple pipeline export points to the south and north system. Producers have access to robust continental energy markets.

The Duke Energy gas transmission system moves about two bcf a day. That company is in Sumas and serves the growing markets in the Pacific Northwest. The Alliance pipeline originating in Fort St. John, British Columbia, flows directly to Chicago and serves that area and markets from there. The Kinder Morgan Canada TransMountain Pipeline moves about 225,000 barrels of oil a day to Vancouver refineries and to the port of Vancouver.

You may also be interested to know that in late October last year the Premiers of British Columbia, Alberta and the Yukon agreed to work closely with the state of Alaska when the time comes to move the Alaska Highway pipeline project forward.

After 50 years in the oil and gas business in the province of British Columbia I'd say we're just on the cusp. The opportunities abound. Recently the Petroleum Services Association of Canada, a consortium of oil and gas industry experts, released a survey estimating oil and gas exploration in northeast B.C. will increase as much as 20 percent this year over last. In fact, since 2000, oil and gas investment in British Columbia has increased from \$1.6 billion to an expected \$3.5 billion (U.S.) this year.

We had 1,400 wells drilled in 2005, which is an 82-percent increase in the last five years, which is a significant increase. Obviously 1,400 wells, maybe to some people in the crowd, is not a lot of wells, but to us it is significant, and the increase you can't ignore. But if you listen closely there is something else you should hear. We should be hearing that there's room for more and lots more.

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We know our strategies in British Columbia are working because activity is up, investment in capital is up, and people are looking at British Columbia as a secure source of supply. Our government is committed to making British Columbia the most competitive oil and gas jurisdiction in Canada or, indeed, in North America. Through investment opportunities and training programs the British Columbia government has created an open-for-business climate. I can't say this enough. We are a vast wide-open frontier with an industry that still has a lot of room to grow.

Before I conclude today I want to express my gratitude to the fine people in the Energy Council. British Columbia is proud to be part of the Energy Council. We joined a number of years ago, and it certainly is the way for us to build greater friendships, and I would not have built friendships with people from the Energy Council such as Buddy and Representative Smith had I not been part of it. So I appreciate that very much. British Columbia appreciates that very much. In fact, Laurie, you've been a great promoter, actually, of British Columbia and we thank you for that.

As Buddy said in 2004 when we hosted the annual summer meeting, it was an opportunity for us to demonstrate our dams and also our beautiful scenery. As you will have noticed earlier when we were having lunch there were pictures being flashed about British Columbia. It's not just a great place to come and do business. I know that; I've lived there most of my life. It's also a great place to come and visit and spend some time. I know some of you do that. Some of you do it regularly, and I appreciate it very much and so do British Columbians.

So in closing, please help yourselves to some information. I touched on some of the highlights. We have a great group of people that work in the Ministry of Energy and Mines. I'm blessed with ministry staff who are dedicated and determined and some of them are in the crowd here today and certainly will answer any of your questions or help me answer any of your questions that you have. Also we have a booth, 2229 - I encourage you to visit our booth. They'll be glad to see you and give you some further information.

So thank you very much for taking time out of your day. I appreciate it, and I hope you have a good afternoon.