



British Columbia Update

Ministry of Energy and Mines

Laurel Nash, A/Assistant Deputy Minister



Outline

- Organization Update
- Tenure Policy Update
- Caribou Management Strategy
- Legislation Review
- Royalty Program Update
- Systems Update
- New West Partnership



Organization Update

Honourable Rich Coleman

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Tenure Policy Update

- Information Letter TACRD-11-01: Posting Larger Petroleum & Natural Gas Leases
 - Ministry policy previously limited lease posting size to an area of one gas spacing area
 - Ministry has recently amended the policy so that leases larger than one gas spacing may now be posted for disposition
 - All posting requests are evaluated on a case-by-case basis and the Ministry may request written justification to support the request

Tenure Policy Update (cont'd)

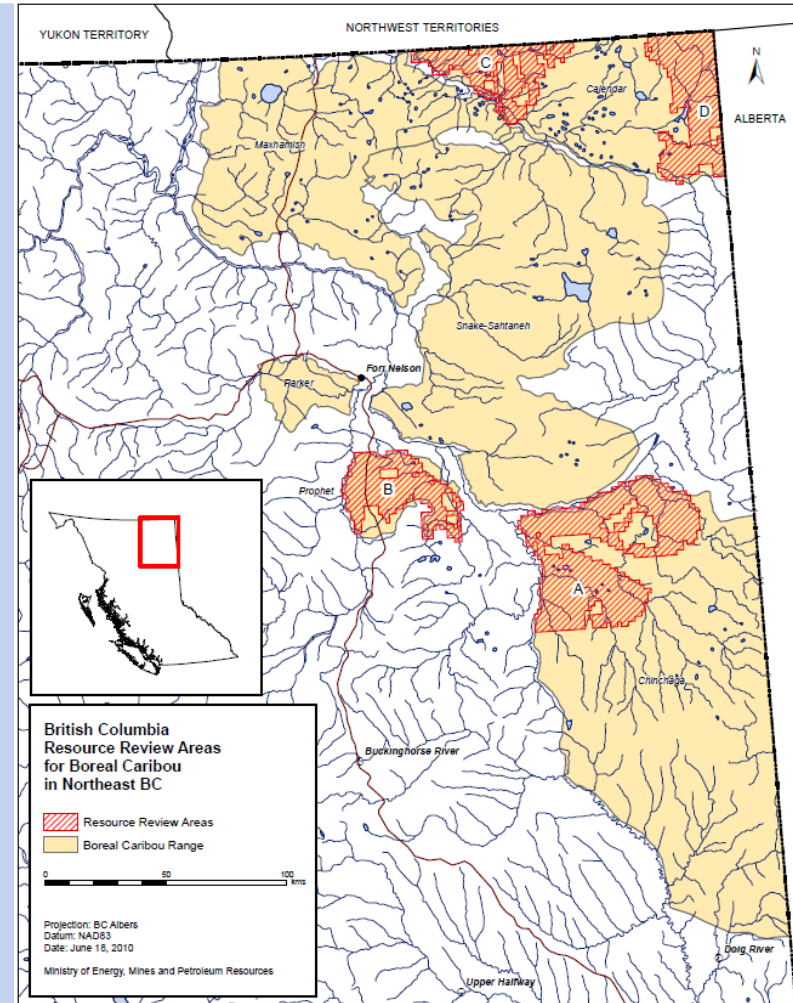
- Information Letter TACRD-11-02: Extension of Drilling Licences under Section 3(5.1) of the Petroleum and Natural Gas Drilling Licence Regulation

DL Regulation, Section 3(5.1), "The minister may grant one or more extensions of a drilling licence each for a period of one year or less if

- (a) an application is made to the director before the end of the current term of the licence and is accompanied by rental of \$3.50 per ha a year,
- (b) an application to drill an earning well has been made to the commissioner at least 30 days before the end of the current term of the licence, and
- (c) drilling of an earning well has been delayed pending completion of
 - (i) an environmental or socioeconomic study,
 - (ii) a public hearing, or
 - (iii) a planning or consultation process.

Tenure Policy Update (cont'd)

- Information Letter TACRD – 10 – 10: Resource Review Areas for Boreal Caribou in Northeast British Columbia
- In June 2010, British Columbia set aside over 500,000 ha of identified boreal caribou habitat in Resource Review Areas (RRAs) within which the province will not be accepting new PNG tenure requests for a minimum period of five years.





Caribou Management Strategy

- Boreal caribou are listed as threatened under the federal *Species at Risk Act (SARA)*, red-listed (threatened) in B.C., and a Priority 1 Goal 3 under the BC Conservation Framework
- Ministry of Environment, Ministry of Forests, Lands & Natural Resource Operations and Ministry of Energy and Mines have developed an approach to balancing habitat protection and management actions for boreal caribou with future PNG development
- In support of this approach, the 5 year RRAs have been established over a portion of the Calendar, Chinchaga and Prophet boreal caribou ranges



Caribou Management Strategy

- *Implementation Plan for the Management of Boreal Caribou (BCIP)*
 - Outlines a strategy to balance the protection of boreal caribou with oil and gas development
 - Supports commitments made by B.C. in the national *Accord for the Protection of Species at Risk*
 - Is intended to mesh with the Federal government's boreal caribou recovery strategy



Caribou Management Strategy

- An MOU is being negotiated between government and CAPP that will describe generally
 - what actions will be taken to implement the strategy,
 - who is responsible for each action, and
 - the funding mechanism to support the BCIP
- Draft management recommendations respecting PNG operating practices that reduce impact to caribou are presently being reviewed and considered for implementation

Legislative Review

- PNG Act brought into force in 1944
- OGAA was brought into force in October 2010
- OGAA is a consolidation of the *Oil & Gas Commission Act*, the *Pipeline Act* and the regulatory provisions of the PNG Act
- The PNG Act remains responsible for the administration of tenure for PNG and underground storage rights, and royalties
- Discussion paper to solicit feedback from industry and from others on the current tenure system



BC Royalties

- All BC Royalty Programs continue in place
 - Marginal, Ultramarginal, Deep, Summer, Coalbed Gas
- Temporary 2% royalty relief announced as part of Stimulus Package in August 2009 has now expired
 - Announced temporarily to deal with recession
 - For wells spud between Sept.1, 2009 and June 30, 2010
- Net Profit Royalty Program
 - One call in January 2009
 - Crown will make a decision about potential future calls
- Infrastructure Royalty Credit Program
 - New \$120 million iteration announced on February 17, 2011



2011 Infrastructure Royalty Credit Program Iteration – RFA Now Open

- 10th iteration of the Program since its inception in 2004
- \$120 million in royalty deductions to be competed through a Request for Applications (RFA)
 - Applications are being received now
 - RFA opened February 17, 2011
 - RFA closes today (April 14, 2011)
- Application package can be accessed at:
<http://www.empr.gov.bc.ca/OG/oilandgas/royalties/infdvcredit/Pages/default.aspx>



2011 Infrastructure Royalty Credit Program Iteration - Mechanics

- Ministry evaluates the projects based on revenues to the Crown, ability to open up new areas and other factors
- Projects are then ranked
- Only those projects that provide good returns to the Crown and satisfy the other conditions of the RFA are then recommended for approval, and up to \$120 million
- Companies with approved projects have to sign an agreement with the Crown
- The royalty credit is NOT released until the project is completed to the satisfaction of the Crown
- The royalty credit released is the approved credit or up to 50% of the observed construction costs, whichever is less



Integrated Petroleum System (iPS)

- Project is on target
 - Application development to be completed on or before November 2, 2011
 - Testing to be completed by January 12, 2012
 - Production Launch (internal to Ministry) – January 24, 2012
 - eBidding production launch (external to clients) – March 31, 2012



Update on Drilling Deposits

- OGC is now the official custodian of drilling deposits
- All client suspense accounts associated with these securities have been transferred to OGC
- OGC contact is Nova Williams, Ph: (250) 419-4469

OGAA Sec. 116 (5), "A drilling deposit submitted under section 85 of the former Act is deemed to be security submitted for the purposes of section 30 of this Act".

OGAA Sec. 30, Required security, "The commission may require a permit holder, an applicant for a permit or a transferee of a permit to provide security to the commission, in the amount the commission requires and in accordance with the regulations, to ensure the performance of an obligation under this Act, a permit or an authorization".



New West Partnership

- The NWP - an economic partnership
- Energy MOU signed by the Provinces' Energy Ministers on December 16, 2010
- Four components:
 - internal trade
 - investment and labour mobility
 - international trade and investment
 - innovation and procurement



New West Partnership - The Energy MOU

- The Provinces will work to:
 - Exchange information on regulatory streamlining
 - Promote energy technology development
 - Promote energy infrastructure
 - Coordinate on marketing strategies
 - Explore options for a Petroleum Registry within British Columbia; and
 - Exchange information on energy efficiency



New West Partnership - Work Under Way

1. Joint Consultation with Major Petroleum and Natural Gas Associations to identify early work to be undertaken under the MOU
2. Collaboration and Information Sharing – a SharePoint repository of joint strategic intelligence
3. Joint Strategy on Market Development and Diversification to improve access to Asian markets



New West Partnership - Longer term actions under the MOU

- Industry Development
- Emerging Energy Sources
- Responsible Energy Development
- Market Development and Diversification



Thank You!

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