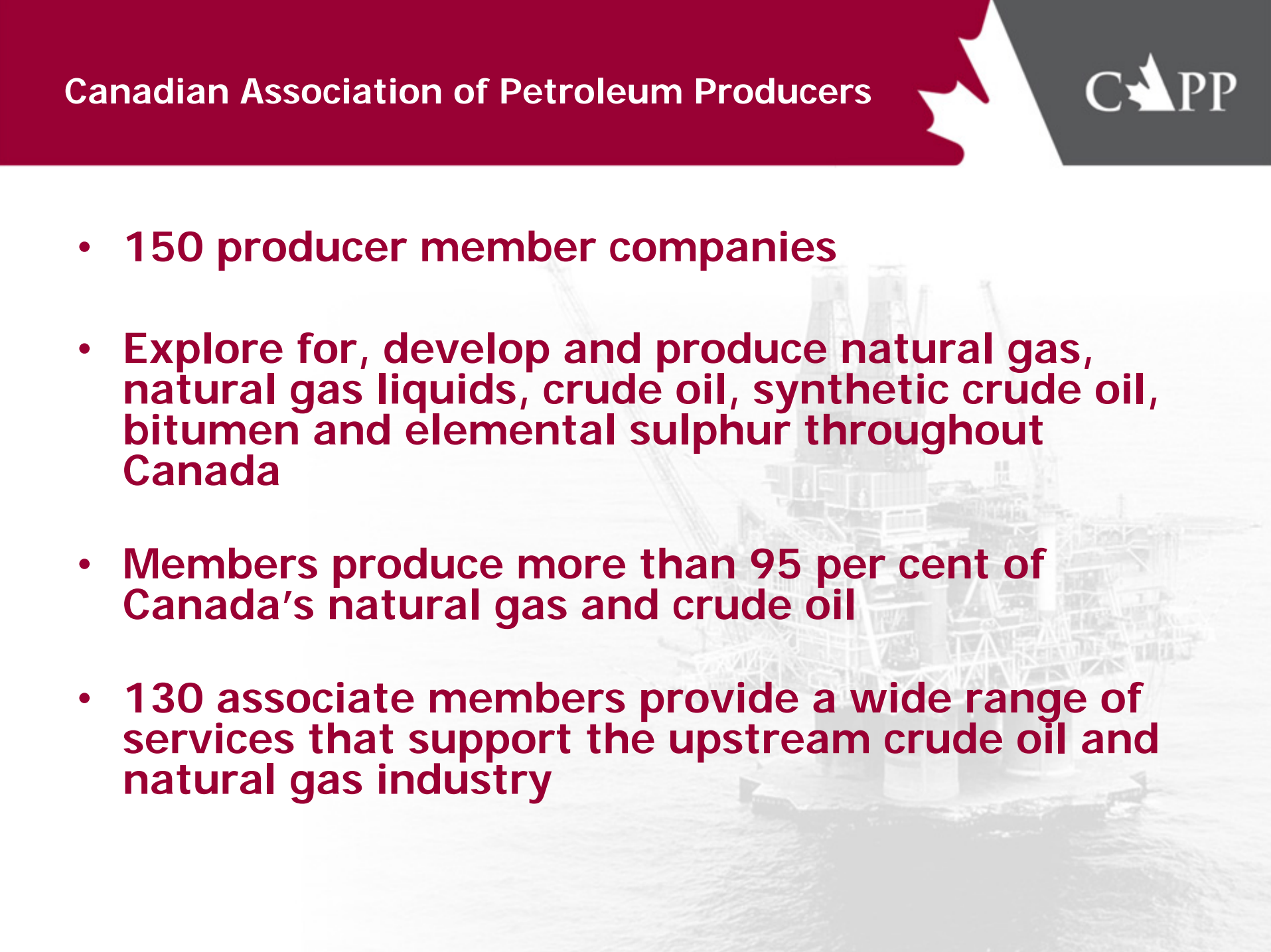


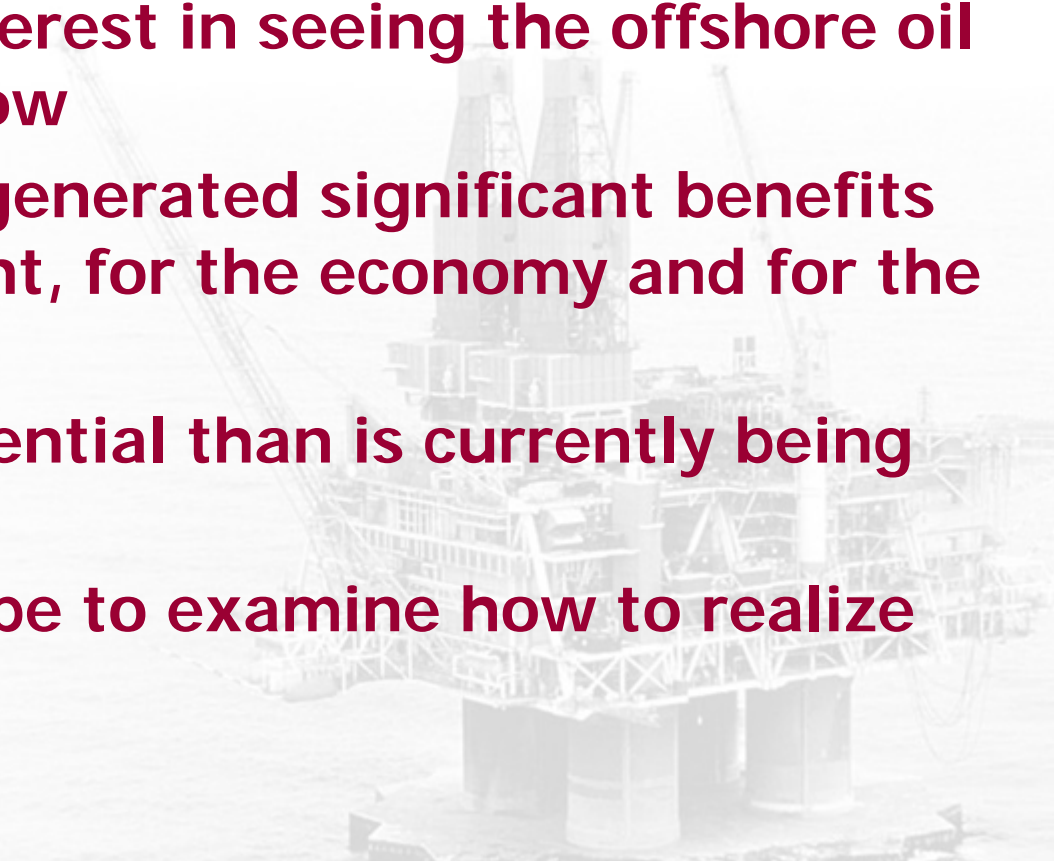
# Offshore Oil & Gas: Is Newfoundland & Labrador Getting its "Fair Share"?

*Brian Maynard, Vice-President, CAPP  
Harris Centre of Regional Policy and Development  
St. John's, NL*

*November 15, 2006*



- **150 producer member companies**
  - **Explore for, develop and produce natural gas, natural gas liquids, crude oil, synthetic crude oil, bitumen and elemental sulphur throughout Canada**
  - **Members produce more than 95 per cent of Canada's natural gas and crude oil**
  - **130 associate members provide a wide range of services that support the upstream crude oil and natural gas industry**
- 
- A large, complex offshore oil rig is visible in the background, situated on the ocean. The rig is a multi-level structure with various pipes, cranes, and platforms. The water is dark and choppy, and the sky is overcast.

- **We all have an interest in seeing the offshore oil & gas industry grow**
  - **The industry has generated significant benefits for the government, for the economy and for the producers**
  - **There is more potential than is currently being realized**
  - **My approach will be to examine how to realize that potential**
- 
- A large offshore oil and gas platform is visible in the background, situated in the middle of the ocean. The platform is a complex of steel structures with multiple levels and cranes. The water is a light blue-grey color, and the sky is a pale, hazy blue.

- **High prices and strong demand**
  - Although moderating of late
- **Unprecedented levels of activity in Canada and around the world**
- **Two areas of Canada not seeing the same level of activity**
  - Atlantic Canada and the North





# Industry Capital Spending Cdn \$billions



**The oil & gas industry will invest over  
\$45 billion in capital in Canada in 2006**

## Northern Canada

'04	'05	'06F
\$0.3	\$0.5	\$0.5

## Oil Sands

'04	'05	'06F
\$6.2	\$10.4	\$11.0

## WCSB

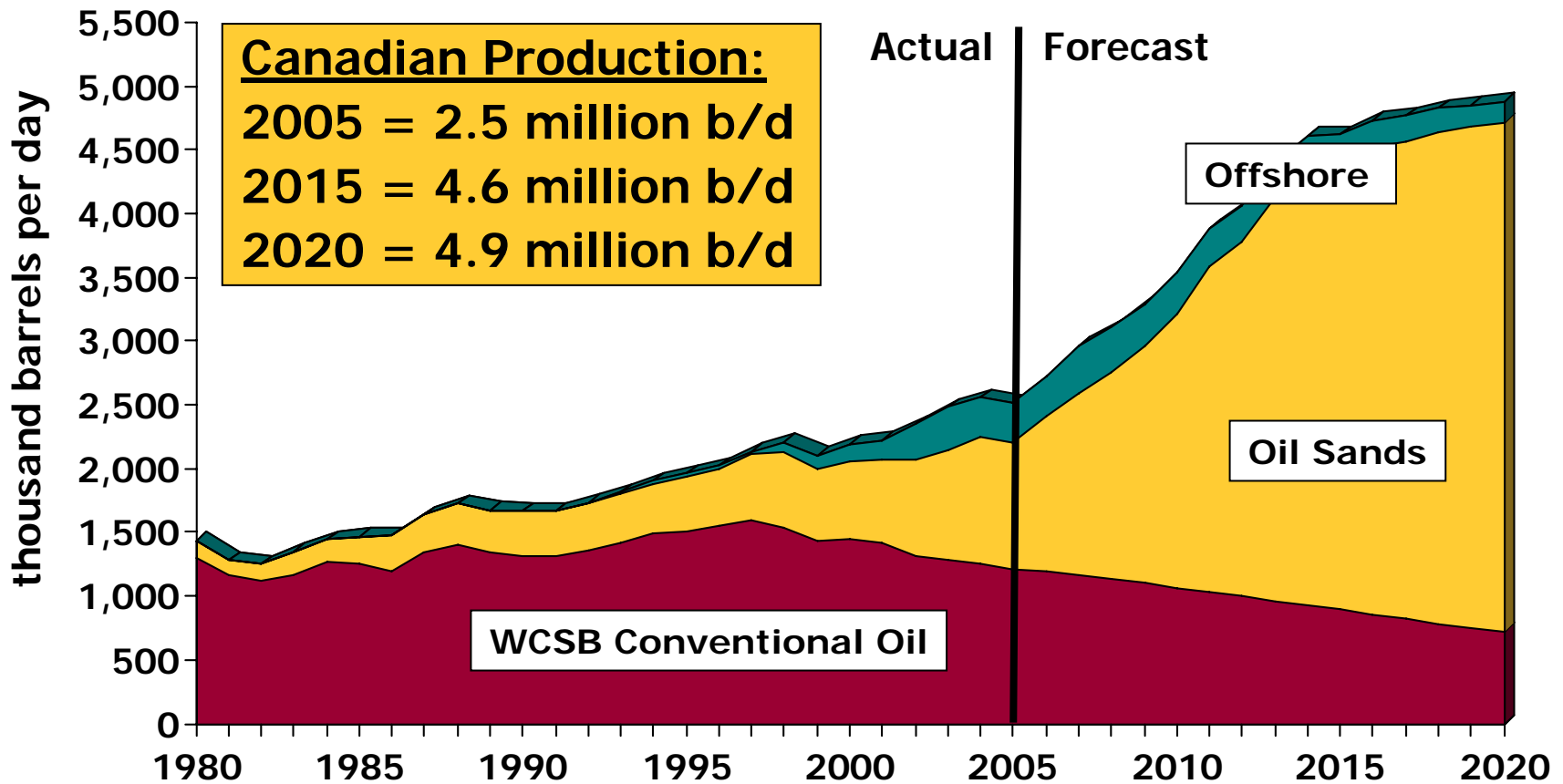
'04	'05	'06F
\$24.5	\$32.7	\$32.5

## East Coast Offshore

'04	'05	'06F
\$1.9	\$1.9	\$1.0

**Note:**  
Spending in Canada excludes spending associated  
with mergers & acquisitions

# Canadian Oil Production Conventional, Oil Sands and Offshore



	2000	2005
<b>Oil &amp; Gas Crown Revenue</b>	<b>\$0.7 Billion (1999/'00)</b>	<b>\$2.9 Billion (2005/06 forecast)</b>
<b>Land Sales</b>	<b>\$248 Million</b>	<b>\$534 Million</b>
<b>Wells Drilled</b>	<b>850</b>	<b>1418</b>
<b>Production Volumes (bcf gas /day)</b>	<b>2.1</b>	<b>2.7</b>
<b>Reserves</b>	<b>8.8 TCF</b>	<b>10.3 TCF</b>

	2000	2005
<b>Oil &amp; Gas Crown Revenue</b>	<b>\$10.8 Billion (2000/'01)</b>	<b>\$14.3 Billion (2005/'06)</b>
<b>Capital Investment</b>	<b>\$20.6 Billion</b>	<b>\$35.3 Billion</b>
<b>Wells Drilled</b>	<b>13,500</b>	<b>22,700</b>
<b>Production:</b>		
<b>Oil (mmb/d):</b>	<b>1.5</b>	<b>1.7</b>
<b>Gas (bcf/d)</b>	<b>13.8</b>	<b>13.3</b>



# Saskatchewan: 1999 - 2005



	<b>1999</b>	<b>2005</b>
<b>Oil &amp; Gas Crown Revenue</b>	<b>\$0.8 Billion (1999/'00)</b>	<b>\$1.4 Billion (2005/06)</b>
<b>Capital Investment</b>	<b>\$1.0 Billion</b>	<b>\$2.4 Billion</b>
<b>Wells Drilled</b>	<b>2,500</b>	<b>3,500</b>
<b>Production Volumes (barrels crude oil /day)</b>	<b>374,000</b>	<b>415,000</b>
<b>Economic Impacts</b>	<b>17,000 jobs</b>	<b>25,000 jobs #1 in private sector</b>

- **Competitive investment climates in Alberta, B.C. and Saskatchewan**
- **Stable royalty structures**
- **Efforts to streamline regulatory regime**
- **Corporate tax reductions**
- **Infrastructure development programs**
- **Sustained levels of activity**

- **High-cost, high-risk environment**
- **Significant remaining potential**
- **Declining industry investment**
  - \$1 billion forecast for 2006 vs. \$2.7 billion in 1999
- **Very little exploration activity and no new discoveries in ~ 30 years**
- **Break in momentum**





Henry Goodridge Drill Rig

- 131 exploration wells drilled to date, yielding 23 significant discoveries
- Developed Fields (based on 2005 daily average):
  - **Hibernia** – 200,000 b/d
  - **Terra Nova** – 112,200 b/d
  - **White Rose** – 100,000 b/d
- One exploration well drilled in 2005 and three in 2006.
- Three seismic programs conducted in 2004, four in 2005 and three in 2006.
- Exploratory drilling expected:
  - 2007 1 - 2 wells
  - 2008 ?
- Laurentian and Orphan basins remain prospective but not yet drilled

- **Given the capital-intensive nature of the industry, a competitive, predictable and stable investment climate is required**
    - Industry needs to know the rules and that the rules will not change
  - **Implement a competitive natural gas royalty regime**
  - **Commit to a market-oriented policy framework**
  - **Balance benefits expectations with competitiveness**
  - **Stimulate exploration activity**
  - **Encourage a more co-operative and open approach between government, industry, suppliers and labour.**
- 
- A large, complex offshore oil rig is visible in the background, partially obscured by the text. The rig is a massive steel structure with multiple levels, cranes, and support legs, situated on a dark, rocky platform in the middle of a greyish-blue sea. The overall scene is dimly lit, suggesting an overcast day.

- **High levels of activity globally and nationally**
  - **Tremendous opportunity for Newfoundland and Labrador not being fully realized**
  - **The oil and gas industry is a high-risk, high stakes business that requires patience, perseverance and an appetite for risk**
  - **Competitiveness counts in real and relative terms**
  - **Industry is committed to working constructively with government and all stakeholders to get the sector back on track**
- 
- A large offshore oil rig is visible in the background, partially obscured by the text. The rig is a complex structure of metal platforms and cranes, situated in the middle of the ocean.





CAPP

CANADIAN ASSOCIATION  
OF PETROLEUM PRODUCERS

[www.capp.ca](http://www.capp.ca)



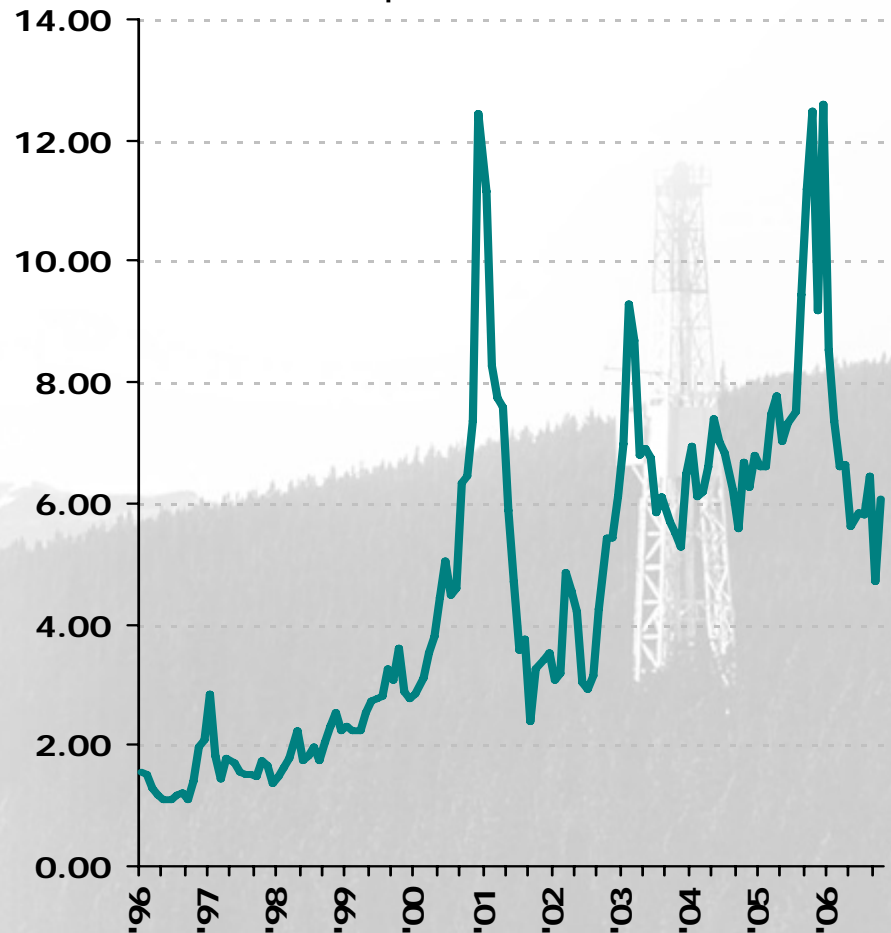
# Crude Oil and Natural Gas prices



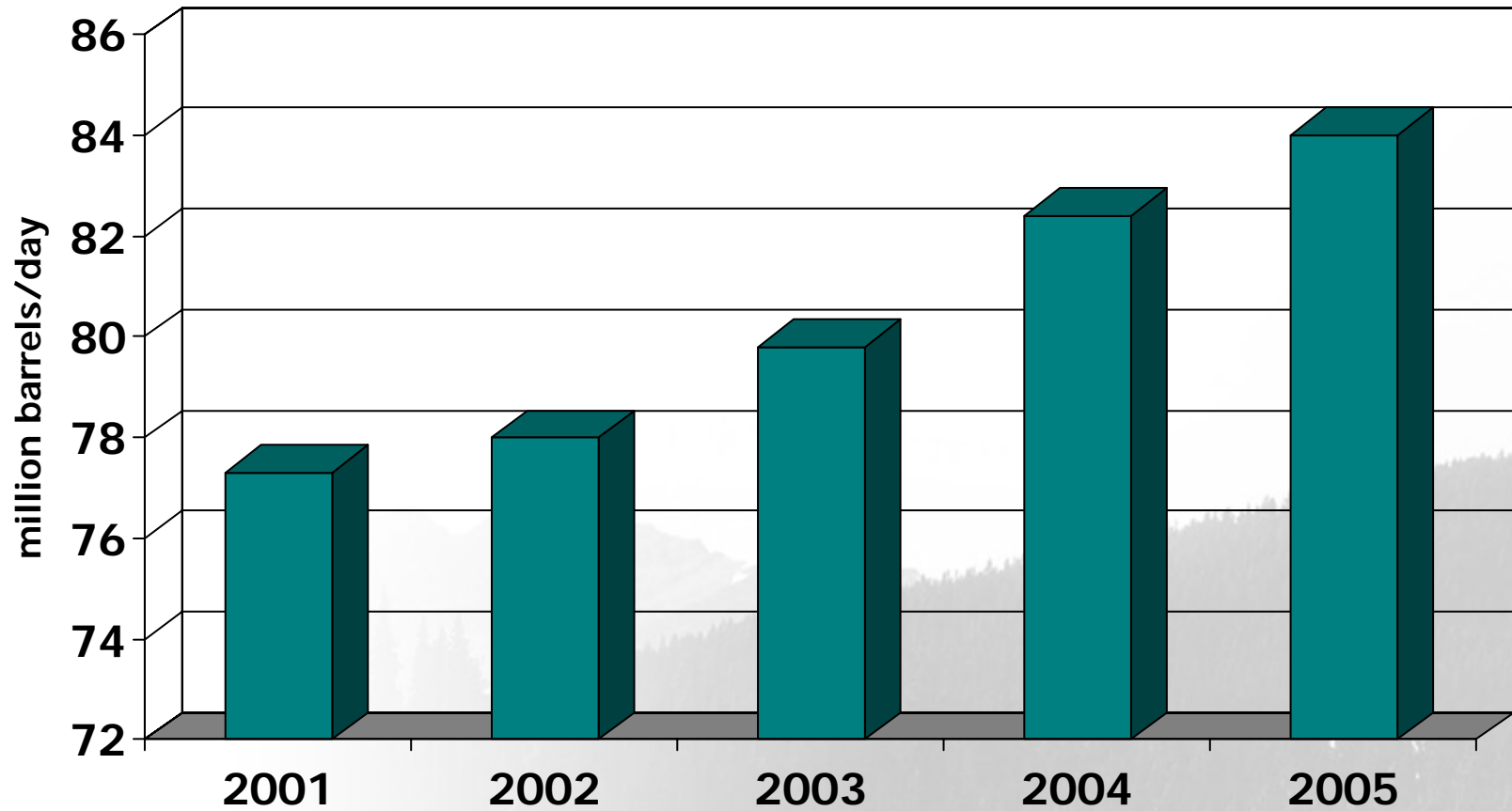
**Crude Oil Prices**  
**(WTI NYMEX)**  
**\$US per barrel**



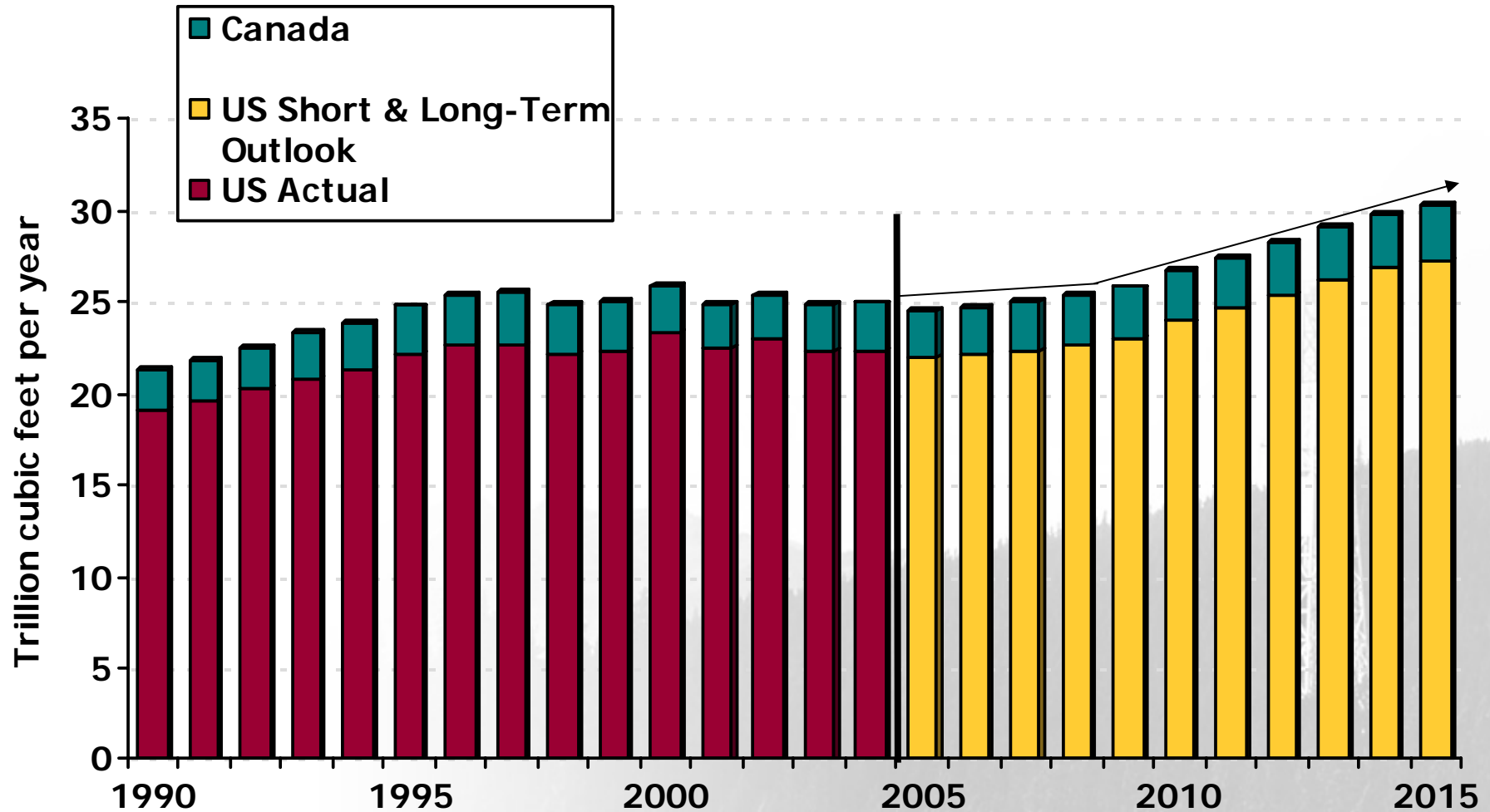
**Natural Gas Prices**  
**(AECO Daily Spot Price)**  
**\$Cdn/mcf**



# Strong Growth in World Crude Oil Demand



# North American Natural Gas Demand



Source: U.S. D.O.E./EIA. Short-Term Outlook – May 2005 & Long-Term Outlook - Jan. 2005.  
NEB Supply Demand Study Techno Vert Case July 2003

# Monthly Rotary Rig Count

