

Ministry of Energy Mines and Petroleum Resources

Impacts of Oil and Gas Stimulus Initiative

December 14, 2009



Executive Summary

Purpose of the Report

The oil and gas industry in British Columbia (BC), as with many other industries, has been adversely impacted by weaker economic conditions over the past two years. On August 6, 2009, the Ministry of Energy, Mines and Petroleum Resources (MEMPR), Oil and Gas Division, introduced a stimulus package in an effort to lift exploration and production activity in the BC oil and gas industry.

Following the introduction of the stimulus package, the MEMPR conducted a survey in order to gauge the effectiveness of its stimulus package on the BC oil and gas industry. PricewaterhouseCoopers (PwC) conducted a high level review of the survey methodology and found it to be suitable for a directional survey of this type. In addition, industry data collected during the survey was examined for its reasonableness and consistency and was determined to be useful for the purposes of the study. This report examines the findings of the survey and outlines the potential impact of the stimulus package on the level of drilling activity in the BC industry. The review does not constitute an audit or attestation to the accuracy and completeness of the data.

Survey Results

Survey respondents have indicated that without the stimulus package, the level of investment in BC's oil and gas industry in 2010 could have fallen by a further 19% from 2009 levels. Following the introduction of the stimulus package, respondents have indicated that they have lifted their planned investment in 2010 by 38%. The results show that following the introduction of the stimulus package, survey respondents now plan to invest 13% more in 2010 than in 2009 where prior to the stimulus package a reduction in investment was expected.

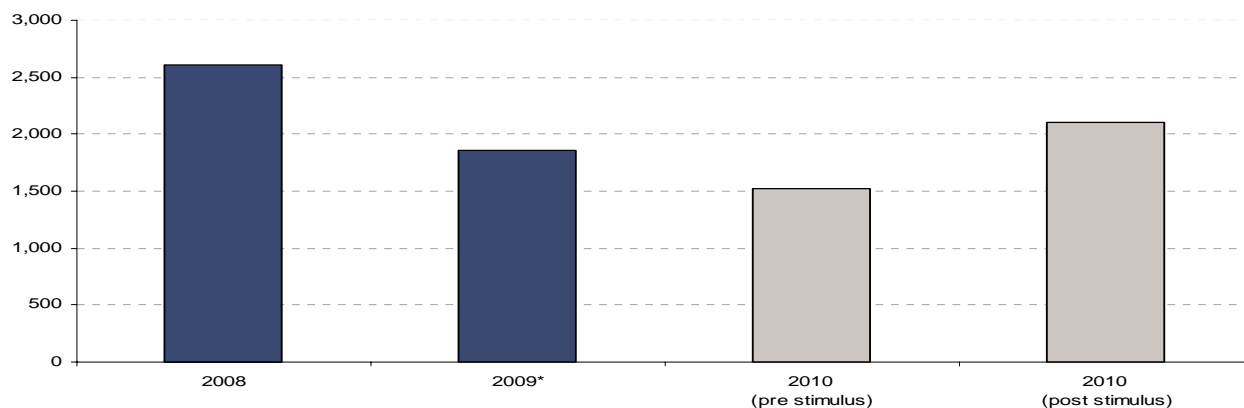
Capital investment in British Columbia (\$m)

(\$m)	2008	2009*	2010 investment		Change in planned 2010 investment		Change from 2009	
			Before stimulus package	After stimulus package	Dollar difference	% change	2010 (Before stimulus) vs. 2009	2010 (After stimulus) vs. 2009
Total	2,607	1,863	1,518	2,100	583	38%	-19%	13%

Source: Ministry of Energy, Mines and Petroleum Resources

* Estimate for 2009 year

Capital investment in British Columbia (\$m)



Source: Ministry of Energy, Mines and Petroleum Resources

* Estimate for 2009 year

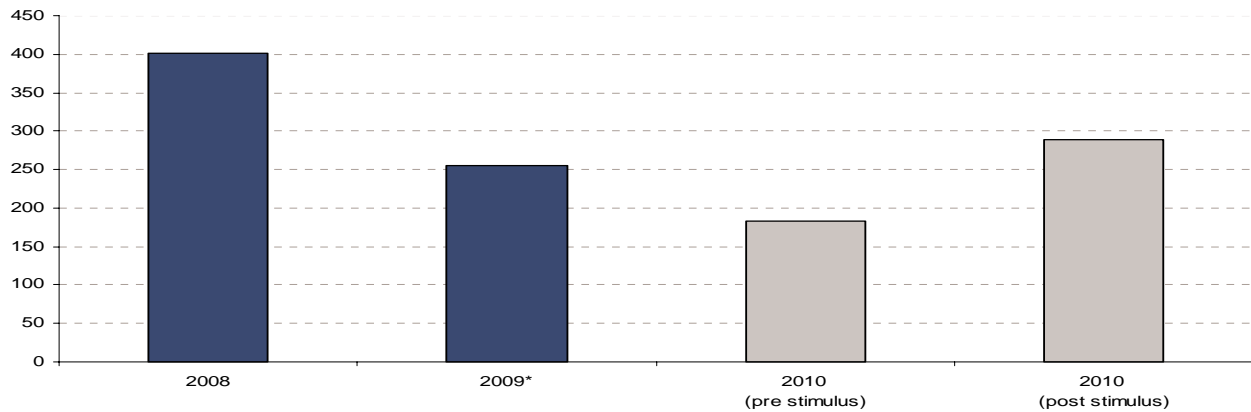
Examining the total number of wells to be drilled by respondents in 2010 reveals a similar picture to that discussed in the investment section. Before the stimulus package was introduced, survey participants planned to drill 28% fewer wells in 2010 compared to 2009. Following the introduction of the stimulus package, respondents lifted the number of wells planned to be drilled in 2010 by 57%. Overall then, survey participants now expect the total number of wells drilled by them to increase by 13% compared to 2009 levels.

Number of wells drilled in British Columbia

			2010 number of wells		Change in planned 2010 wells		Change from 2009		
	2008	2009*	Before stimulus package	After stimulus package	Difference	% change	2010 (Before stimulus) vs. 2009	2010 (After stimulus) vs. 2009	
Total	401	255	183	288	105	57%	-28%	13%	

Source: Ministry of Energy, Mines and Petroleum Resources
 * Estimate for 2009 year

Number of wells drilled in British Columbia



Source: Ministry of Energy, Mines and Petroleum Resources
 Estimate for 2009 year