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Ministry of Energy, Mines and Petroleum Resources

OIL AND GAS STIMULUS TO BOOST PROVINCIAL ECONOMY

VICTORIA – The Province has developed an oil and gas stimulus package designed to attract investment and produce immediate economic benefits for British Columbia, including jobs and infrastructure projects, announced Blair Lekstrom, Minister of Energy, Mines and Petroleum Resources.

“B.C. is one of the most competitive oil and gas jurisdictions in North America, and this stimulus package will further strengthen the sector while increasing provincial revenues,” said Lekstrom. “In this day and age capital investment is very fluid and we want to encourage the oil and gas sector to invest in British Columbia.”

This stimulus package has the advantage of not requiring direct government spending to increase activity and investment, while generating positive revenue to the Crown. In a conservative scenario, after three years the program will generate \$2.50 in net incremental revenues for every \$1 of royalty credit provided. Since these are royalty credits and not expenditures, the Crown benefits from the activity in addition to royalty revenue generated from wells that would likely not have been drilled.

The package includes four royalty and two regulatory initiatives that will enhance B.C.’s competitive business climate, creating momentum in the industry and attracting significant new investment into the province.

Royalty initiatives included in the package are:

- A one-year, two per cent royalty rate for all wells drilled in a 10 month window (September 2009 - June 2010).
- An increase of 15 per cent in the existing royalty deductions for natural gas deep drilling.
- Qualification of horizontal wells drilled between 1,900 and 2,300 metres into the Deep Royalty Credit Program.
- An additional \$50 million allocation for the Infrastructure Royalty Credit Program to be offered this fall to stimulate investment in oil and gas roads and pipelines.

Regulatory initiatives included in the package are:

- Commingling in the plains area, to be announced by the Oil and Gas Commission in the near future; and,
- Amendments to the drilling licence regulation to create flexibility that will allow industry to move wells to production while not losing privileges to convert drilling licences to leases.

The package is projected to increase drilling activity, generate substantial industry investment, and provide incremental royalty revenues to the Crown.

Crown revenue from the stimulus package will go to education, health care and social program funding and development.

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