

New Brunswick ready for an oil boom

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Analysts say province could lead region in onshore exploration and development

New Brunswick is poised to become a significant presence on the national oil producing stage.

With exploration companies looking to produce oil in the Sussex-area McCully field, and in the Stoney Creek field just outside Moncton, industry analysts see the province as an area with untouched resources ready for market.

Paul Barnes, manager Atlantic Canada of the Canadian Association of Petroleum Producers, says the success that exploration companies such as Corridor Resources Inc. of Halifax and Contact Exploration Inc. of Calgary have enjoyed in New Brunswick is a promising sign for the future of oil and gas development in the province.

"That very fact has caused the industry in general to take a fresher look at New Brunswick," he explains. "Companies like Contact Exploration and PetroWorth Resources Inc., who have recently picked up some acreage in New Brunswick, see that the prospects are there. They may be small compared to offshore or small compared to Alberta, but having said that, there's enough interest to have caused industry players to take a look and undertake some activity in the hopes of finding something in commercial quantities."

Barnes says that potential may lead to increased exploration activity from outside companies, working to propel New Brunswick into the spotlight.

"Because of the find in Sussex, we have more companies looking to explore New Brunswick because the potential to find something is greater," he says.

"Increased industry interest in the area is something that we haven't seen in a while. Over the greater part of this century, there's been activity in New Brunswick, but only recently are we seeing more companies wanting to undertake activity here."

Industry analysts predict New Brunswick could soon be leading the way, as far as onshore interests are concerned, in the Atlantic provinces.

While Nova Scotia may have more offshore activity than New Brunswick, Barnes says the province doesn't have a producing onshore field like New Brunswick.

Barnes added Newfoundland isn't seeing much onshore activity, as there have been no recent discoveries. He says companies are having problems producing in commercial quantities and with a lack of infrastructure, the province is at a disadvantage.

"But in New Brunswick, we're seeing new companies arriving, at least one company looking to produce, and with those signs, it bodes well for future continued activity of this level," says Barnes.

"We hope to see a sustained period where there's four or five active players exploring areas of New Brunswick."

New Brunswick has a long history of crude oil and natural gas production. Oil production varied

from 5,000-30,000 barrels per year from 1911 to 1988. Natural gas production averaged about 650 million cubic feet per year from 1912 to 1946. From 1953 to 1991 it maintained a fairly steady rate of about 100 million cubic feet per year.

To date, some 2,800 kilometres of onshore seismic data has been acquired and 267 wells have been drilled for oil and gas prospects, as compared to Nova Scotia's 119 wells drilled as of 2005.

One major draw the region is using to lure potential investors is the to-market infrastructure that is already established in the region. The Maritimes and Northeast Pipeline, which delivers product from Nova Scotia through New Brunswick to the northeastern United States, is a major selling point for companies coming to the province for the first time.

"Companies that want to explore know that with that infrastructure in place, costs will be reduced when they don't need to go look for a pipeline partner."

Terry Brown, president and director of Contact Exploration Inc. in Calgary, says had his company discovered oil at Stoney Creek five years ago, they probably wouldn't be in the position they are today to quickly get the product to market.

"There were no opportunities to get to market without that pipeline, so the combination of infrastructure and the fact that something's been found here is very attractive for companies."

With increased interest in the province's oil fields over the past few years, Ron Phillips, manager of petroleum tenure at the Department of Natural Resources, says exploration means good news for the budding industry.

Because New Brunswick's oil and gas industry is in its infancy, there are many associated issues for both government and industry to consider. Efforts are underway to improve the quality of data and services to oil and natural gas producers and the Department of Natural Resources is currently reviewing and updating legislation in order to encourage petroleum exploration and development in the province.

Now poised to begin producing oil at two sites in the Stoney Creek field, Brown says New Brunswick has become a more viable option for exploration companies that may not have considered the region in the past.

"Western Canada is very crowded, and there isn't as many opportunities of the potential magnitude that we could have in New Brunswick that you'd find everyday in Western Canada," he says. "It takes time, and people are skeptical, but more credibility is being added and once people see that things are being found, there tends to be more of a herd mentality."

Since 1999, more than \$100 million has been spent in oil and natural gas exploration and development. Corridor Resources Inc. is slated to spend \$40 to \$50 million constructing its transmission pipeline from McCully to the Maritimes and Northeast Pipeline this fall.