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Changes to fiscal regime on table in push to buoy offshore interest

Nova Scotia acts to tempt players

IAIN ESAU, London

THE authorities of Nova Scotia in Canada have unveiled a number of planned changes to the province's fiscal regime to attract companies to acreage that has remained on the sidelines as explorers rush for upstream plays elsewhere.

Interest in this particular north-west Atlantic play has waned significantly over the past five years, with only EnCana's Deep Panuke discovery to show for the drilling done there and only one field on stream, ExxonMobil's Sable gas complex.

Marathon made a deep-water gas discovery, Annapolis, a few years ago, but a follow-up well was unsuccessful and little drilling has been done since.

Meanwhile, 37 exploration licences have been handed back to the Crown since 2002, adding to the relatively poor perception of Nova Scotia as a place to do upstream business. Only 23 exploration licences remain, in the hands of just 10 operators

To remedy this situation, Diana Dalton, chair of the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB), is aiming to finalise more flexible terms and conditions for new exploration licences by December.

In future, there will be a second type of exploration licence with a term of two or three years and with a lower cost of entry, Dalton told a business audience hosted by the Offshore Onshore Technology Association of Nova Scotia.

If the licence holder decides it is interested in further work after the initial period, the licence could be extended up to the maximum allowed timespan of nine years.

If the operator decides not to move forward, other companies will be free to take up the licence or it will revert to the Crown with the board able to hold copies of all of the data for public disclosure.

Also, instead of companies being required to stump up tens of million of dollars worth of seismic and drilling commitments, Dalton said that "it's conceivable they could get in and out of the preliminary exploration phase for as little as C\$100,000 (US\$88,000)".

The board also said it is prepared to extend the normal exploration period to six years or beyond, depending on issues such as rig availability, water depth and approval processes, and will consider allowing the use of slim hole drilling technology for exploration to reduce costs, although "this might require regulatory changes".

Licence terms and conditions will vary depending on water depth and basin maturity and the CNSOPB will include a 5% research and development allowable expenditure, based on actual annual costs.

Likewise, the cost of drilling deposits and rentals will be designed to be more consistent with other jurisdictions.

Nova Scotia's new type of licence aims to appeal to a broader range of oil and gas companies, allowing them to carry out preliminary work without up-front, long-term commitments.

"The changes we have announced today will make offshore Nova Scotia more attractive for exploration," said Dalton.

She also said that in future the board will appraise and evaluate data on areas thought to have potential for oil and gas, packaging the information and announcing the area is open for exploration via a competitive call for bids at regular intervals.

Previously, the CNSOPB has relied on industry to nominate acreage that would then likely be offered.

"We want offshore Nova Scotia to be regarded as a part of the global industry, not apart from it," said Dalton, adding that the changes come after broad consultation and consideration of best practices worldwide.

"What we found was that we are virtually the only jurisdiction in the world where a company can sit on exploration and development rights indefinitely."

The board's new provisions mean that future significant discovery licences will include terms and conditions intended to encourage exploration companies "to get on with it and to discourage land-banking".

"We believe the changes we've announced will get explorers exploring at minimal cost and provide valuable geoscience information on the offshore," Dalton added.

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