

With E & P dragging, Nova Scotia sweetens offshore regs--again.

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Nova Scotia is making another effort to lure oil and gas explorers back to test the complicated geology lying beneath its offshore waters, this time by offering shorter-term leases without drilling commitments and at lower upfront costs.

"We've made it easier and cheaper to drill here," said Diana Dalton, chairman of the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB). The board is a combined federal-provincial agency that sets policies and regulations for oil and gas operations in Nova Scotia's territorial waters.

For example, the Atlantic Canada province is introducing revised terms and conditions for new exploration licenses that are shorter and more flexible than the previous regulations allowed. The term will be only two or three years and will allow the operator to evaluate the prospect without making a drilling commitment.

Then, if the license holder elects to proceed with drilling, the term could be extended to a maximum of nine years. If not, the property would be released back to the government, along with all the data acquired in the evaluation.

Barriers to entry will be lower in other ways, Dalton told Natural Gas Week in a telephone interview from her Halifax office. Up-front deposits now can be several million dollars, depending on the scope of work. Under the new policies, the fees for the preliminary exploration phase could be as low as C\$100,000 (US\$89,000).

"We believe this change will get explorers exploring at minimal cost and provide valuable geoscience information on the offshore," she said. By cutting the initial costs, Nova Scotia believes it will open opportunities for a broader range of companies, especially Canadian juniors and independents. Large independents and majors with deep pockets have been the primary explorers, she noted.

The CNSOPB also is prepared to extend the normal exploration license period to more than six years based on factors such as water depth and rig availability, as well as pre-drilling environmental mitigation measures. Another factor affecting a decision will be technology, such as slim-hole drilling that could reduce drilling time.

Another service the province will be offering is round-the-clock access to data via the internet, she said. This will include digital data and seismic information on all wells drilled. The CNSOPB recently let a contract to Schlumberger to set up the required equipment and processes and manage the system.

Dalton said the facility would be in operation by early October. Eventually, the data system could be linked to other regulatory agencies and government departments.

These measures are just the latest steps the provincial government has taken to revise its regulatory regime (NGW, Oct.16,p12). So far, these efforts have accomplished little more than generating a few expressions of interest and negotiation of an agreement with Calgary-based super-independent EnCana to proceed with development of a 1999 discovery. Only one exploration well was drilled during all of 2006.

The province has only one producing natural gas project, the Exxon Mobil-operated offshore Sable Island fields, where output has plateaued and will soon go into decline (NGW Jan.22,p1). Only one other project, EnCana's Deep Panuke, is in development. The 300 million cubic feet per day gas field is slated to begin producing in 2010.

Dalton concedes that Nova Scotia's offshore is a difficult, frontier region, facing the storm-filled North Atlantic. She also noted that the region fits the description of future opportunities cited by Schlumberger Chief Executive Andrew Gould, who recently said that the world's easy oil has been found, meaning that Nova Scotia has to take steps to make itself more attractive than other frontier areas. In addition to the positive regulatory environment, political risk is not an issue, she said.

So far, industry reaction to the latest round of regulatory changes has been very positive, though companies still are studying the provisions. "We haven't had any negative feedback," she said.

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