



OPI NEWSLETTER

THE VOICE OF THE ONTARIO OIL AND NATURAL GAS INDUSTRY

DECEMBER 2013

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Encouraging responsible exploration and
development of the oil, gas, hydrocarbon storage
and solution-mining industries in Ontario

ISSN 14802201

The 52nd OPI Annual Conference and Trade Show held at Caesars Windsor in October was a great success!

We had an excellent group of speakers and technical sessions and would like to thank all of the presenters and exhibitors for their contribution to the success of the 2013 OPI Conference



OPI President Ian Colquhoun thanks the Hon. Jeff Leal, Ontario Minister of Rural Affairs for his Keynote Speech on October 25th

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Message from the Executive Director

All the best of the Season....

As 2013 draws to a close and we welcome in a new year it's an opportune time to reflect back on what has been an eventful and active year for the Ontario Petroleum Institute.

The OPI covered a lot of ground in some important areas in the past 12 months. We had a very active group of committees working on behalf of members and the industry organizing the 2013 OPI Conference, negotiating higher prices for Ontario oil production, advocating to the Provincial Government to support the continued use of hydraulic fracturing, met with universities and colleges on education programs, and reviewed municipal tax policy.

The OPI established a public policy presence with the Government of Ontario beyond its traditional relationship with the Ministry of Natural Resources to include the Ministries of Energy, Environment, Finance, Economic Development and Rural Affairs.

The OPI's outreach involved attendance at a number of conferences and investment showcases such as the Canadian Association of Petroleum Producers, Explorers and Producers Association of Canada, Prospectors and Developers Association, and the Exempt Market Dealers Association.

We also had considerable interaction with various partners and stakeholders – current and potential. This list includes the Pennsylvania Independent Oil and Gas Association, Ohio Oil and Gas Association, Michigan Oil and Gas Association, Aamjiwnaag, Six Nations, Chippewa of the Thames First Nations, Thames-Sydenham Source Water Protection and the Ontario Federation of Agriculture.

The OPI's other function is its management of the Ontario Oil, Gas and Salt Resources Library (Library) and involvement with Trust Advisory Committee (TAC). Collectively there was considerable time and effort invested by the TAC and the Library team on preparing the 2013 Business Plan which included various proposals to the Ministry of Natural Resources to ensure the Library has a sustainable future. I want to express my appreciation to the TAC for their commitment to the Library and I look forward to our continued efforts in 2014.

The OPI is pleased to be hosting the American Association of Petroleum Geologist Conference (AAPG) in late September of 2014.

With the hosting of the AAPG the next OPI Conference and Trade Show will be held in the spring of 2015 with the date and location to be announced. The Annual General Meeting of the OPI normally held at the Conference will now be held in the fall of 2014 in conjunction with the Members Dinner.

A new Board of Directors elected on November 15th has a progressive set of objectives. The promotion of exploration and development in Ontario and increasing the membership of the OPI are the most important priorities for 2014.

Thank you to the 2013 OPI Board of Directors for their work and support this past year.

Wishing you and your family a joyful holiday season and a very prosperous and healthy 2014!

Hugh Moran, Executive Director

A Huge Thank you to our Conference Sponsors!

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52nd ANNUAL CONFERENCE



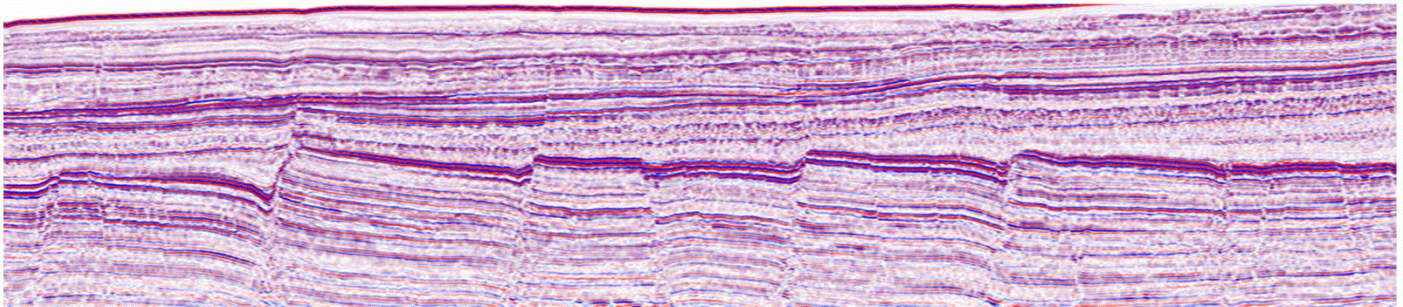


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Safety & Training

Please check your tickets to see when they expire. If you require training in H2S Alive, First Line BOP or Well Service BOP, please contact Lorraine at the OPI office. I will be holding an H2S Alive Course in London on **February 6, 2014**. For First Line or Well Service I will try to arrange something for March but need to know who needs so arrangements can be made.

From The Newsroom

Activists muddy the water on fracking

Burgeoning shale-gas supplies are creating both an environmental and economic renaissance across North America. Natural gas has displaced coal as the fuel of choice for new power plants, diesel trucks and buses; railway locomotives and ferry boats are being refitted with cleaner-burning natural gas engines.

The biggest winners are consumers. Natural gas prices have dropped dramatically, reducing the cost of both

heating and manufacturing processes. Because natural gas accounts for 80 per cent of the cost of nitrogen fertilizer, farmers are also benefiting. Shale-gas development is also creating jobs and boosting tax revenues, rejuvenating economically depressed rural communities across North America. British Columbia's huge shale-gas potential is spawning tens of billions of dollars in projects aimed at piping gas to tidewater for cross-Pacific transport to Asia.

Given these economic and environmental benefits, it would be irresponsible for the government of economically-challenged New Brunswick to shun industry efforts to assess the province's shale gas potential. Sadly, the recent protests show that environmentalist propaganda has convinced some natives that hydraulic fracturing is a technology to be feared.

Let's hope that First Nations leaders will be willing to examine the facts and the science. Failure to move forward will destroy an opportunity to build a better future for all New Brunswickers, including aboriginal.

*Edited excerpt from the Globe and Mail
Gwyn Morgan, November 4 2013*

A pipeline to somewhere

Canadian oil production keeps on rising. Pipeline capacity to move that oil? Not so much. There is opposition from environmental groups, a fact that is neither a surprise nor, in a democratic society that needs environmental watchdogs, a bad thing. What has been more surprising, and troubling, has been the threats of provincial roadblocks. Canada is not a series of provincial fiefdoms, imposing tolls when a resource from another province moves across borders. That's not how things are supposed to work under our Constitution.

Until a few years ago, rising Canadian oil production was a promise, not a problem. The pipelines needed to carry all of this new oil to market would go through the regular environmental and permit processes and, after review and any necessary modifications for safety, some would be approved and built. That's what had always happened.

That's not what's happening now. One of the largest oil-moving projects, the Keystone XL pipe to the United States Gulf Coast, is stuck in an indefinite limbo. The Keystone debate in the U.S. is no longer about the specifics of the pipeline. It has become target No. 1 for climate-change opponents. What's more, thanks to the

shale boom, the Americans don't need the oil. And President Obama understandably doesn't appear to want the hassle of standing up to part of his base. So in limbo Keystone remains.

Which leaves Canadian solutions. There are, for example, two major West-to-East pipeline proposals, which would see imported oil in Ontario and Quebec replaced with Canadian oil, and even the export of Alberta oil across the Atlantic.

The potential roadblocks? Ontario has ordered its energy board to hold public hearings on one of those proposals, TransCanada Corp.'s proposed \$12-billion Energy East project. The company plans to convert part of an existing natural-gas pipe to carry crude to Ontario, and then aims to build a new pipeline through Quebec to New Brunswick. Ontario says its review will look at Energy's East impact on public safety, greenhouse-gas emissions and – because this plan involves converting some pipe from gas to oil – the province's energy supply.

The government of Quebec has similar ideas. It is holding hearings into Enbridge Inc.'s plan to reverse the flow in one of its existing pipelines, Line 9B. That pipe has long sent imported oil west from Montreal; Enbridge wants to send Western Canadian crude to Montreal.

As for the Alberta-to-the-Pacific pipeline proposals, those too have hit hurdles. A recent agreement takes the make-Alberta-pay strategy off the table but B.C. still appears to believe that it is entitled to some sort of special compensation if pipelines are built through the province.

It's understandable that the premiers of provinces through which oil may pass want a piece of the action. But that's not how the Constitution works. If you are opposed to a pipeline for environmental reasons, your first call should be to the federal government – because Ottawa gets to make the call on what gets built, where and when.

Canada is one country. There will sometimes be pipeline plans that deserve to be halted, or have changes ordered to the route or the design. It has happened before. That's why we have a review process: not every proposal is supposed to be approved as-is. But those decisions, and that process, must be federal.

*Edited excerpt from the Globe and Mail
November 15, 2013*

Canada can't lose focus on energy projects

A recent Credit Suisse report offers a startling snapshot of the relationship between American and Canadian personal wealth. For 2013, U.S. median personal wealth sits at \$44,900 (U.S.), while in Canada it stands at \$90,300.

And Canada achieved this thanks to its rich endowment of natural resources. Canada is the world's sixth-largest oil producer, third-largest natural gas producer and third-largest producer of hydroelectricity.

In 2011, the resource sector employed 1.6 million people, directly and indirectly, and generated \$233-billion in export revenues, according to Natural Resources Canada. A study by economic research firm Informetrica noted that the cumulative 10-year impact of resources projects would add a staggering \$1.4-trillion to Canada's GDP and create an average of 600,000 new jobs per year.

The largest growth opportunity lies in the oil and gas sector, but progress has stalled over the crucial issue of market access. Most of the focus over the past year has been on the uncertainty about U.S. approval of the Keystone XL oil pipeline. Whether it is approved or not, the key lesson of Keystone applies to both oil and natural gas, and that is Canada's urgent need to lessen its dependency upon an increasingly energy-independent customer.

The most willing customers for Canada's oil and gas are energy-hungry Asian economies. Projects to pipe natural gas to liquefied natural gas terminals on B.C.'s northern coast seem destined for success, but the Northern Gateway oil pipeline project to that same coast is mired in controversy. Even if it receives federal regulatory approval, and even if B.C. and come to an agreement, the project faces strident opposition from First Nations.

That uncertainty sparked the proposed Energy East pipeline that would move Alberta crude on a much longer route to Asia, via Irving Oil's deep-water terminal in New Brunswick. While some native groups have come out in opposition, the proposed use of existing pipeline rights-of-way reduces their chances of blocking the project on the basis of "traditional territory" claims.

Finding ways to remove this huge deterrent to investment should be the top priority for governments as they try to bring in measures to encourage responsible resource development. Failure to do so will surely derail

the resource investments that are generating the export revenues and jobs that are underpinning Canada's superior personal wealth statistics

*Edited excerpt from the Globe and Mail
Gwyn Morgan, October 21, 2013*

OPI Talking Points

National Energy Board

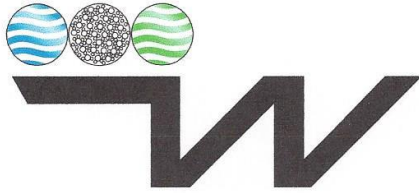
The OPI appeared as an Intervenor at a National Energy Board (NEB) Hearing on Thursday, October 17, 2013 at the Metro Toronto Convention Centre in Toronto. The NEB Hearing was held on Enbridge Pipelines application requesting permission to reverse Enbridge's Line 9B pipeline carry oil from Sarnia to refineries in Montreal. The OPI Line 9 Brief was presented by Jim McIntosh, Chair of the Producers Committee. The Line 9B pipeline reversal could open up new markets for Ontario oil producers providing greater market choice to encourage additional exploration and development in Ontario that would retain jobs and expertise in Ontario. The OPI is confident Enbridge will continue to operate Line 9B to the highest safety and environmental standards

Ontario Releases Long-Term Energy Plan

Ontario's updated Long-Term Energy Plan, Achieving Balance, was released on December 2, 2013. Included in the Plan is a section on how essential a role oil and natural gas plays in the daily lives on Ontarians providing three-quarters of the province's primary energy use. There are approximately 3.5 million customers in Ontario using natural gas to heat their homes and businesses. As well 15% of the electrical power generation in Ontario is provided by natural gas. And oil continues to be the primary energy source for vehicles in the province. The Long-Term Energy Plan recognizes that oil and natural gas are essential to Ontario's economy and quality of life.

China Delegation

The Ontario Oil, Gas and Salt Resources Library hosted a delegation from the Beijing Municipal Commission of Science and Technology recently. The delegation's visit to Ontario was to learn more about regional development in Canada especially the oil and gas industry, exploration and relevant equipment development, trading development, as well as to establish good contacts to deepen mutual understandings.



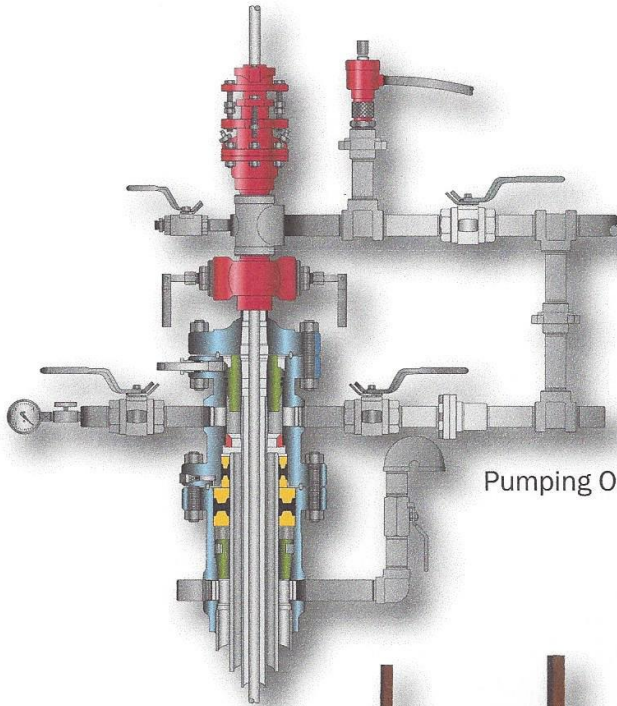
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Happy Holidays!

*Wishing you and your family a very Merry
Christmas and all the best for a Happy and
Prosperous 2014!*

*Thank you for your ongoing support of the
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2013 Upcoming Events

2013-2014 Directory

The 2013-2014 Membership Directory will be mailed out to all members in good standing in the New Year.

H2S Alive Training

Ramada Inn, London

February 6, 2014

OPI Annual Spring Golf Tournament

Ridgetown Golf & Curling Club

June 4, 2014



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