

London Speech-Draft
Diana Dalton, Chair & Acting CEO
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Thank you Deputy High Commissioner, Deputy Minister Scott, and invited guests.

I am delighted to be here on behalf of the Canada-Nova Scotia Offshore Petroleum Board.

I'd like to thank the high commission for hosting this event. And the Nova Scotia Department of Energy and the Atlantic Canada Opportunities Agency for organizing today's session. Our Board is pleased to be here providing technical background on our geology and licencing regime.

About Us

We are the independent agency of the governments of Canada and Nova Scotia responsible for regulating offshore oil and gas activities. Our mandate includes: health and safety of offshore workers, protection of environment, encouraging local industrial benefits, licencing, and collecting and distributing of geoscientific data from the offshore.

It's the latter two areas: geoscience and licencing that I'll focus on today. This is where, in the last year, we've taken a strategic shift in the way we operate.

A shift which is meant to help address the recent downturn in exploration.

A shift that's led to a more flexible licencing regime and encourages smaller companies to explore.

It's a shift that's part of a new emphasis on geoscience excellence in Atlantic Canada.

Geoscience Excellence – Access to data, greater analysis

In our pursuit of geoscience excellence, we've created a digital Data Management Centre or DMC. The DMC provides free web access to geologic and geophysical data for explorers, academe and the public. This is the first time in North America that a government agency has provided public access to this type of data.

Designed by Schlumberger and launched last October, the DMC is an online database of Nova Scotia offshore digital well, seismic & GIS data.

- The DMC is accessible on the web via user friendly map interface.
- It provides an effective & efficient system for managing digital petroleum data.
- It allows explorers to efficiently evaluate large volumes of data and lowers cost of regulatory compliance.
- And finally, it is a “Pilot Project” for the future development of the Canadian National Data Centre (NDC)

In addition to making raw data available online, our geoscientists are interpreting both old and new data to improve the public understanding of Nova Scotia’s offshore geology.

Last October for example, we released an updated Deep Water resource assessment. The report was based on six recent deep water wells and concludes the area contains up to 39 trillion cubic feet of gas.

Using the most recent seismic data, our geoscientists are conducting new regional studies to better understand the geology of continental shelf and deep-water. This includes research on depositional systems where mobile salt has generated a complex array of structures and potential traps on the slope.

This work will be particularly useful for future licencing rounds, and for new companies interested in deep-water acreage off Nova Scotia.

Another key part of our focus on geoscience is improving the body of geoscience knowledge surrounding the Central Atlantic margin. We’re accomplishing this by attending and presenting at technical conferences around the world.

This summer for example, Nova Scotia will host the Central Atlantic Conjugate Margins Conference. The Conference looks at the latest data and geologic similarities among basins in eastern North America, Western Africa, and the North Sea. We expect participants from over 15 countries to attend, and to date, over 80 technical papers have been submitted for discussion.

Licencing

Moving along, I'd like to discuss our second strategic focus of creating a more competitive and flexible licencing regime. One that is world class.

One of the things we've done is commission consultants to review our Rights Issuance System and compare how it stands up next to other, jurisdictions such as: the USA-Gulf of Mexico, the United Kingdom, Norway, Australia, New Zealand and Greenland. Based on this assessment we've created more flexibility and lowered the cost of entry.

We've introduced a new three year evaluation period for exploration- - similar to licencing practices found here in the UK. Some of the features include:

- Lowering the minimum bid from one million dollars to five hundred thousand Canadian dollars - - that's 245,000 pounds sterling;
- During the first three years companies are given a 150 per cent credit on exploration costs - - this incentive encourages early exploration.
- If after three years a company is not interested in exploring, it can walk away and lose only the bid deposit of \$50,000 CDN - - or 24, 500 pounds sterling.

This new system is meant to reward early exploration and encourage smaller, less capitalized companies to explore offshore Nova Scotia.

We've put these ideas into practice for our current Call for Bids, which is open for bidding until June 30, 2008.

This is the first licencing round offshore Nova Scotia in five years and foreshadows what is to come. Traditionally we held licencing rounds solely at the request of a particular company. This time, we've nominated prospective lands ourselves, and made the geoscience data available upfront online and in CD packages such as this.

Our intent is to hold at least one Call for Bids every year. This again is part of our new strategic direction to optimize resource management.

The Call

For this licencing round we've nominated two parcels. Both parcels are close to existing infrastructure, including a pipeline network to markets in Eastern Canada and the Northeast United States.

Parcel 1

- Light oil/condensate was discovered at the Penobscot field in early Cretaceous sandstones.
- CNSOPB estimates of original oil in place are between 77 – 225 million barrels
- Recoverable reserves are estimated at 26 – 80 million barrels.
- Additional deep exploration potential exists on the parcel in the Jurassic carbonate bank beneath the existing Penobscot discovery.

Parcel 2

- Gas was discovered at the Eagle field in a late Cretaceous chalk reservoir.
- CNSOPB estimates of original gas in place are between 892 billion cubic feet – 1.6 trillion cubic feet.
- Recoverable reserves are estimated between 283 – 720 billion cubic feet
- A number of exploration prospects have been identified on the parcel, near the Eagle field.

Bidding on both parcels is open until June 30, 2008.

Nominating lands

Outside of the current licencing round, we want to stress companies are free to nominate land at any time during the year, which will then be put out to bid.

Ahead of nominating a land parcel, Board staff can provide interested companies with licencing and geoscience advice to assist in the decision making process. This includes the use of our Geoscience Research Centre, and access to our DMC and technical and legal experts.

To wrap-up, our message is that offshore Nova Scotia has a competitive licencing system, excellent resource potential and is a good place to work.

Thank-you for taking time out of your schedules to hear from us. Both Deputy Minister Scott and I are available to take questions either now or following the event.