



OPI NEWSLETTER

THE VOICE OF THE ONTARIO OIL AND NATURAL GAS INDUSTRY

FALL 2016

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Hugh Moran, Executive Director
Lorraine Fillmore, Office Manager

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

ISSN 14802201

OPI Annual Golf Tournament

The OPI Annual Golf Tournament was held on September 14th at the Oakwood Resort in Grand Bend. We had a good turn out and the weather was fabulous. Everyone seemed to have a great time.

We would like to give a big Thank You to our sponsors of the tournament

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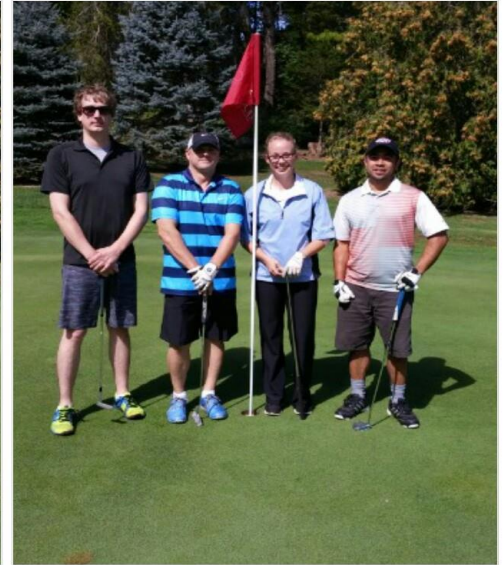
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Message from the Executive Director

The beginning of September and the approach of fall signals the start of a round of activities for the OPI, the Board of Directors and the various committees working on behalf of the Ontario oil and natural gas, hydrocarbon storage and salt solution mining industries.

The OPI's new business year began with a Board of Directors meeting on September 23rd with the first order of business the approval of the 2017 OPI Budget.

The various Committees reported on a range of activities: the *Producers Committee* continues to address pricing and costs issues regarding the transmission and sale of natural gas to Union Gas; the *Conference Committee* is working on a new format for the 2017 OPI Conference and Trade Show; the *Membership Committee* is exploring various ways to increase membership; the *Governance Committee* is reviewing the OPI By-laws to consider possible recommendations on amendments; and the *Nominating Committee* presented the 2017 OPI Board of Directors slate for election at the 2016 OPI Annual General Meeting.

At its September 23rd meeting the Board received a presentation from the Canadian Association of Oilwell Drilling Contractors (CAODC) on their efforts to gain public support for the Canadian fossil fuel industry. The CAODC recently lobbied the Federal Government with a 23,000 signature e-mail petition.

The OPI has made significant progress with the Government of Ontario for support to address declining oil and natural gas exploration in Ontario. As noted in reports included in this newsletter the OPI is teaming up with the Ontario Ministry of Natural Resources and Forestry (OMNRF) and the Ontario Geological Survey (OGS) to help stimulate exploration.

The Ontario Oil, Gas and Salt Resources Library is expected to have a prominent role in any of the collaborative working involving the OGS.

In addition, the OPI and the OMNRF have formed a group to review all aspects of the regulations and standards affecting oil and natural gas production, storage and solution mining.

The 2016 OPI Annual General Meeting is scheduled for October 27th at the Stoneridge Inn in London. We would like to encourage all OPI members to attend the meeting to receive an update on the past year's activities as well as to have an opportunity to provide your ideas and suggestions on ways to ensure the future of Ontario oil and natural gas sector.

On a lighter but no less important topic the OPI Annual Golf Tournament normally held in June was moved to September and attended by an energetic group of golfers who seemed to enjoy the event at the Oakwood Resort in Grand Bend, Ontario. Many thanks to OPI Office Manager, Lorraine Fillmore and the staff at the Oakwood Resort for organizing a delightful day.

Please enjoy this issue of the OPI Newsletter and contact me anytime at 519-630-4204 or at hughmoran@ontpetroleuminsttue.com.

Hugh Moran, Executive Director

OPI Talking Points

OPI teams-up with the Ontario Ministry of Natural Resources and Forestry

The OPI and the Ontario Ministry of Natural Resources and Forestry (OMNRF) are teaming up to work on the development of a sector strategy to stimulate oil and natural gas production in Southwestern Ontario. The objective is to engage the Government of Ontario on possible areas of support to enhance exploration.

OPI meets with the Ontario Geological Survey

The OPI is meeting with the Ontario Geological Survey (OGS) to explore ideas and potential project for updating geological and geoscience studies in Ontario. The OPI has identified a number of geological and resource studies which would be beneficial to the exploration industry in Southwestern Ontario and would fill gaps in our scientific knowledge.

OPI to combine Conference and Annual Golf Tournament

The OPI is planning to combine the 2017 OPI Conference and Trade Show with its Annual Golf Tournament. The event will be held in late May or early June next year in Grand Bend, Ontario. The decision comes following suggestions that bringing the two events together will provide a better opportunity for a wider range of industry participation.

From The Newsroom

Farmers worry about climate change, but a Prius can't pull an air seeder

The climate matters to farmers – a timely rain or an early frost can be the difference between staying afloat or handing the farm over to the bank after a foreclosure. But farmers are worried that carbon taxes will threaten their way of life without protecting the environment.

Farmers are worried about the cost. A [John Deere S690](#) combine has a fuel tank that holds 1,155 litres. British Columbia is charging a carbon tax of [7.7 cents](#) per litre of diesel. That means farmers would pay \$89 in carbon taxes per fill during harvest, and it requires many tanks of fuel to take off millions of tonnes of grain every year. Urban Canadians can buy hybrids to minimize the direct costs of a carbon tax, but a farmer can't pull an air seeder with a Prius.

Even worse, Canadian farmers have to compete in a global market. It's not likely farmers in the United States will face a carbon tax and farmers in Australia certainly won't – a carbon tax was already tried Down Under and it's been discarded. Farmers from Fargo and Wagga Wagga would be happy to take market share from farmers in Battleford and Wetaskiwin who would become less competitive due to a carbon tax, but how would that help the environment?

“Ah, but there's an easy fix,” say carbon-tax advocates. “We'll just exempt farmers.”

British Columbia exempted agriculture from its carbon-tax regime, so there's a precedent, but even with exemptions, farmers' livelihoods would remain at risk.

If farmers are exempted, someone else will have to bear a disproportionate burden to meet emission reduction targets. The Manitoba government estimates that agriculture accounts for [30 per cent](#) of that province's

greenhouse gas emissions. Exempting agriculture would force others to reduce more emissions and that affects farmers.

Consider [nitrogen fertilizer](#). Modern agriculture depends on fertilizer, but it's energy-intensive to produce. [Canadian fertilizer producers](#) work hard to minimize emissions, but a carbon tax would force them to raise prices. That would force Canadian farmers to make a difficult decision: Pay a higher price for Canadian fertilizers or buy it from other countries? And again, how would it help the environment to put Canadian fertilizer plants out of business while plants in other countries expand?

The questions farmers are asking about carbon taxes go beyond the bills. They have a more practical concern. Will a carbon tax actually work?

B.C. implemented its carbon tax in 2008. “Since 2010, B.C.'s GHG emissions have increased every year,” said [Marc Lee](#), an economist at the Canadian Centre for Policy Alternatives. “As of 2013, they are up 4.3 per cent above 2010 levels.”

What's Mr. Lee's solution? “Let's cut the crap about B.C.'s carbon tax,” said Mr. Lee. “To be truly effective, carbon taxes will need to be much higher than B.C.'s current rates.”

So paying 7.7 cents in tax per litre of diesel isn't enough reduce emissions? Canada accounts for [1.6 per cent](#) of global emissions. How high would Canada's carbon tax have to be to have a practical impact, especially if other countries aren't imposing carbon taxes on their people?

Canadian farmers are the best in the world at adapting to a tough climate and they're already producing more food while using [less land, water and fuel](#) per bushel. Canadian farmers have come a long way from sod huts and threshing machines, and they'll meet new challenges with new crop varieties, new fertilizers and new production practices.

But Canadian farmers are worried a carbon tax will undercut their ability to compete with farmers around the world without actually protecting the environment.

Todd MacKay, Canadian Taxpayers Federation and Robin Speer, Western Canadian Wheat Growers Association

Toronto Globe and Mail, September, 2016

Bruce County needs natural gas extension

The mayors of two of three Bruce County municipalities trying to get natural gas extended to their ratepayers recently expressed disappointment, frustration, and skepticism when asked about reports that the provincial government is considering moving away from natural gas home heating.

Who can blame them? Natural gas is the fuel of choice for many for home heating and other uses, including in the commercial, industrial and agricultural sectors.

Reports of a leaked document suggest the province's long-term intent is to try to replace natural gas with geothermal, solar power and other forms of electricity-based heating. Homes in Ontario built in 2030 or later would have to be heated without fossil fuels, and that would be expanded to all Ontario-based buildings before 2050.

Both Deputy Premier Deb Matthews and Environment and Climate Change Minister Glen Murray have denied the natural gas phase-out would be in a provincial plan, due in June, to cut greenhouse gas emissions.

Meanwhile, the province has set aside hundreds of millions of dollars to help expand natural gas networks, including to Kincardine, Arran-Elders lie and Huron-Kinloss in Bruce County.

There is a serious problem with public debate about energy and climate change in Ontario. It is often reduced to slogans and talking points that fail to address true costs and benefits, of alternatives. For instance, geothermal heating that uses electricity, or even conventional electric, might seem a greener way, but how electricity is produced matters. Do we want more nuclear power, which means more nuclear waste? There's not much point in building more gas-powered generating stations. Do we want more wind turbines? Do we want to dam more rivers and face the environmental problems that causes? Do we think solar power is going to heat this province during long, cold winter nights? And could any of us afford it?

Natural gas, on the other hand, is a fossil fuel. Burning it does release carbon into the atmosphere. And if the gas is obtained through fracking, there's an environmental price to be paid.

But gas has a lower carbon footprint than other heating fuels, burns cleaner than many and is cheaper. It's arguably the best option we have, and this is not a

theoretical argument — if we're going to live in this part of the world, we need to be able to heat our homes and power our economy.

So unless the province has a truly game-changing new approach to announce in June, it makes sense to push ahead with plans to expand natural gas into unserved parts of southern Bruce County.

*Postmedia Network, London Free Press
Editorial, May, 2016*

First Nations divided on energy front

An indigenous coalition has opposed crude transport, but some nations say oil and gas has benefits

A coalition of First Nations leaders is ratcheting up pressure on Canada's oil sands industry, vowing to collectively oppose and actively resist any increased transport of crude through their traditional territories.

At press conferences in Montreal and Vancouver, representatives of some 50 indigenous communities in Canada on Thursday unveiled a "treaty" that commits them to band together to stop all new pipelines, rail projects and increased tanker traffic that would facilitate oil-sands expansion.

"Our Nations hereby join together under the present treaty to officially prohibit and to agree to collectively challenge and resist the use of our respective territories and coasts in connection with the expansion of the production of the Alberta Tar Sands, including for the transport of such expanded production, whether by pipeline, rail or tanker," the agreement says.

Oil companies and the governments of Alberta and Saskatchewan argue the industry needs additional pipeline capacity to reach Canada's west and east coasts in order to access growing markets and gain world prices for Canadian crude. The federal Liberal government has opposed the Northern Gateway project in British Columbia, and will decide before Christmas whether to approve Kinder Morgan's proposed expansion of the TransMountain pipeline to Vancouver.

Many of the signatories to the agreement have been voicing their opposition to specific projects, including the TransMountain expansion and TransCanada Corp.'s planned Energy East line that would deliver 1.1-million barrels per day of crude from Alberta to eastern refineries and an export terminal in Saint John, N.B.

Now, they are vowing to stand together to oppose – with direct action if necessary – any new pipeline or rail project or marine terminal that expands oil-sands export capacity. The First Nations leaders say they represent sovereign nations and are entering into a treaty based on that sovereignty.

“The government will not have a simple issue isolated in British Columbia or any area of the country - it’s going to be across the country,” Grand Chief Serge Simon, of the Mohawk Council of Kanesatake, said in an interview. “If you attack one of my allies, if the industry wants to bully an ally of mine, they better realize they’re not just dealing with them.”

While they point to local risks of pipeline or rail spills, they are highlighting their concerns that expanding oil-sands production is incompatible with the goal of transitioning to a lower-carbon world in order to combat climate change. They also commit to work together to advance renewable energy projects and to urge government to increase its support for clean-energy technology.

Representatives of some U.S. tribes have also signed the accord, as they engage in a high-profile effort at the Standing Rock reservation in South Dakota to block construction of the Bakken Access pipeline. That project would carry crude from the prolific Bakken field to Illinois. Calgary-based Enbridge Inc. has announced a deal to acquire a significant stake in that project from its proponent, Energy Transfer Partners.

“Indigenous people have been standing up together everywhere in the face of new destructive fossil fuel projects, with no better example than at Standing Rock in North Dakota,” said Grand Chief Stewart Phillip, President of the Union of BC Indian Chiefs. “We know that infrastructure that expands the tar sands is both incompatible with reducing Canada’s emissions and completely irresponsible.”

However, not every First Nation leader is against new pipeline projects.

“Without the Canadian economy being in a healthy state as a result of natural resource production, we will be a basket case,” said Fort McKay Chief Jim Boucher, who leads a northern Alberta community encircled by oil sands mines.

“We certainly need to get pipelines built. We certainly need the people to be on board and not be abrasive

towards the concept of having pipelines,” Mr. Boucher said in an interview earlier this month.

Fort McKay has raised concerns about water pollution, battled for better environmental monitoring and fought keep new development away from pristine parts of its traditional territory. But the First Nation’s Group of Companies also provides services to oil sands industry, including construction, road maintenance and industrial parks, and enjoys somewhere around \$400 million in annual revenues from its business ventures, according to the long-serving chief.

There are “good pipelines and there are bad pipelines,” Mr. Boucher said, and regulators need to come down hard on operators not living up to safety standards.

*Shawn McCarthy and Kelly Cryderman
Toronto Globe and Mail, September, 2016*

Ontario Liberals put brakes on renewable-energy projects

Ontario’s renewable energy industry has been dealt a blow with the province’s decision to cancel the latest round of green power projects.

The Liberal government announced on Tuesday that it is killing off its second “large renewable procurement” plan, the process in which companies bid to build wind and solar farms and other projects.

Ontario Energy Minister Glenn Thibeault said the electrical system operator told him it does not need the power, and Ontario wants to save money and cut electricity bills. The decision will save the province \$3.8-billion, and spare consumers an average extra payment of \$2.45 that would have been added to their monthly bills, he said.

Mr. Thibeault said contracts signed in an earlier green-energy procurement will be honoured. In March, the province reached 16 deals with 11 firms to build wind, solar and hydroelectric projects for a total of 455 megawatts of new capacity. The negotiated prices were much lower than earlier fixed-price contracts for renewables because of the competitive bidding.

Ontario already has more than 4,000 MW of wind capacity and 2,000 of solar power.

The Liberal government has been under pressure from the opposition and rural residents who oppose wind

farms to scale back its renewable plans and to find a way to trim increases in electricity prices.

But the cancellation was a shock to the renewable-energy industry, which was counting on the new program, which would have awarded contracts for about 1,000 MW of projects in 2018.

John Gorman, president of the Canadian Solar Industries Association, said the decision could hurt manufacturers and installers of solar product in the province just as they are becoming significant global competitors. “We are on the cusp of being recognized players in the international community, and we are at the doorstep of other provinces like Alberta [which are about to start] developing vast amounts of solar,” he said, adding that the changes in Ontario could damage the industry before it gets a chance to expand.

Robert Hornung, president of the Canadian Wind Energy Association, said the wind industry is “shocked and extremely disappointed.” He said the decision is a “missed opportunity” for the province to prepare for future energy needs and mitigate climate change. He also noted that the cost of wind is now competitive with that of other forms of power generation.

Siemens Canada Ltd., which makes wind-turbine blades in Ontario, called the decision “disappointing” but said its plant in Tillsonburg remains “a key part of our global supply chain.”

Lobby group Environmental Defence called the cancellation “short-sighted” and said this is “exactly the wrong time to put the brakes on renewable energy.” It noted that prices for wind- and solar-generated power are dropping and are now competitive with new nuclear power or natural gas sources. Gideon Forman, an analyst

at the David Suzuki Foundation, said the move was “baffling,” at odds with Ontario’s low carbon plans, and potentially puts many jobs at risk.

However, John Cook, president of Toronto-based cleantech investment firm Greenchip Financial Corp., said many Canadian power producers have already shifted development plans from Ontario to provinces that are moving away from coal-fired electricity production, such as Alberta.

Mr. Cook said it is important that Ontario residents realize green energy was responsible for only 5 per cent of the total increase in the price of electricity for the past five years. “The real cause of [higher] electricity prices has been nuclear refurbishment, transmission upgrades, the HST, and debt retirement,” he said.

Earlier this year, Mr. Thibeault’s predecessor as energy minister, Bob Chiarelli, said more green power would be needed in a few years when the province’s nuclear power plants are undergoing refurbishment. But Mr. Thibeault told a news conference he was told “unequivocally” by the province’s electricity system operator that Ontario will have enough power even during the refurbishment.

Sarah Petreva, senior policy adviser at green energy think tank Clean Energy Canada, said that over the short term, Ontario’s decision is inconsistent with its message that it is committed to climate action, reducing emissions, and shifting towards clean sources of energy. “Today’s announcement feels out of step with that message.”

Richard Blackwell

Toronto Globe and Mail, September, 2016

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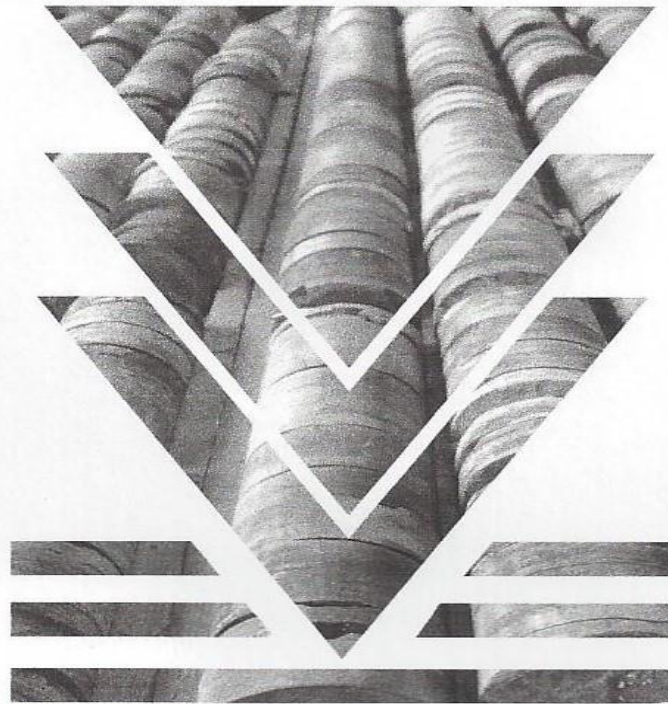
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2016 Upcoming Events

OPI AGM Breakfast

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CSA Z341

Hydrocarbon in Underground Formation Course

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