



OPI NEWSLETTER

THE VOICE OF THE ONTARIO OIL AND NATURAL GAS INDUSTRY

SPRING 2020

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Encouraging responsible exploration and
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Thank you

**To everyone working on the
frontline in healthcare and all
essential services for your
commitment and dedication to
caring for Canadians in the
effort to stop the spread of
COVID-19**

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Ontario Orphan Well Reclamation Program

The OPI has sent the Federal Government a proposal to establish an Ontario Orphan Well Reclamation Program. The request comes following the announcement by Prime Minister Justin Trudeau on April 17, 2020 of a \$1.7 billion Federal Aid Package for the energy sector.

The letter to Federal Finance Minister Bill Morneau stated that the Ontario upstream industry is impacted, as are all sectors of the economy, by the health crisis brought on by the COVID-19 pandemic and historically low oil and gas commodity prices.

The request comes at a time companies are facing an extremely difficult period in the coming weeks and months to remain solvent, keep their businesses open, keep workers employed and support the communities in which they operate.

The proposed program will help maintain a viable service industry, create jobs, and support communities in Ontario. It would provide funding support to reclaim orphan wells that pose environmental and safety hazards for landowners and the public.

The OPI is calling for an Ontario Orphan Well Reclamation Program to be funded by the Government of Canada and that an industry/government/stakeholder/public partnership to be established to deliver the program.

The funding request is for \$270 million.

Further information on the Ontario Orphan Well Reclamation Program is on the OPI Website at www.ontariopetroleuminstitute.com

Executive Director's Report

To say we are in extraordinary times is without a doubt an understatement. The first three months of 2020 will be remembered for two events among many others of significance: the novel coronavirus disease (COVID-19) pandemic; and the Russian-Saudi Arabia oil price war that pulled the rug out from under oil prices.

The Ontario oil and natural gas upstream industry has, as are all sectors across Canada, been affected by the pandemic. Producing, distributing and the retailing of oil and gas is regarded under the pandemic guidelines as essential services. It has required companies to adjust their operations to respond to the pandemic. The two main areas of concern requiring the most attention: health and safety, ensuring the protection of employees resulting from COVID-19, and financial supports.

During this time the OPI has been a centre of communication between governments and several organizations receiving and sharing information on measures implemented in workplaces and financial programs available to enable companies to continue to operate through the crisis.

Some additional steps taken include: the establishment of an OPI Interim Emergency Response Team; contact with the Federal Government for the inclusion of Ontario in a Financial Aid Package for the energy sector; and a proposal to the Provincial Government for an orphan well plugging initiative.

Two of the unfortunate casualties of the situation are the cancellation of the June 2020 OPI Conference and Trade Show, and the Annual OPI Golf Tournament. It's hoped both events can be re-scheduled for the fall of this year.

The OPI Board of Directors held meetings in January and March and among the areas discussed included the OPI's involvement in an Ontario Energy Board consultation on energy supply, Bill C-132 Amendments to the Oil, Gas and Salt Resources Act, issues involving inspections of Historic Oil Producers by the Ministry of Labour, Training and Skills Development, and the industry's attendance at the NAPE Summit 2020 Prospect Expo,

The Oil, Gas and Salt Resources Corporation approved a proposal involving a financial commitment from the Oil, Gas and Salt Resources Trust to jointly fund a project with MITACS, a non-profit national research organization that funds research and training programs; and announced two new appointments to the Oil, Gas and Salt Resources Trust Advisory Committee.

The Oil, Gas and Salt Resources Library is also affected by the COVID-19 pandemic. Deemed a non-essential business the premises are closed with services continuing to be provided by telephone and online support.

Please enjoy the Spring 2020 OPI Newsletter. You can contact me anytime at 519-630-4204 or hughmoran@ontariopetroleuminstitute.com

Hugh Moran, Executive Director

OPI Talking Points

Ontario Stimulus Program for the Upstream oil and Natural Gas Industry

The OPI is exploring ideas to respond to the economic condition of the upstream oil and natural gas industry in Ontario. Prior to the critical situation brought on by the Coronavirus Disease (COVID-19) pandemic coupled with the historically low oil and gas commodity prices the industry was challenged by declining production and exploration. These factors combined pose a serious risk to the industry and the economy of Ontario, Southwestern Ontario in particular.

In addition to the Ontario Orphan Well Reclamation Program that has been proposed, a broader stimulus program is required to address the various factors affecting the industry's future. The objective of an Ontario Stimulus program would be to develop and implement measures to provide current producers with cash flow stability and to enhance future oil and gas exploration and production in Ontario.

The areas to address would include investment in new exploration, tax credits incentives, support to decommission uneconomic wells, and a complete review of the assessment regime for the municipal taxation of equipment, facilities, pipelines and land.

An Ontario Stimulus Program would be a collaborative effort with the Ontario Government.

OPI Interim Emergency Response Team

In response to the COVID-19 pandemic the OPI has formed an Interim Emergency Response Team to assist OPI members, the Ministry of Natural Resources and Forestry (MNR) and Ontario municipalities deal with incidents such as leaks, or spills associated with oil and natural gas facilities. The Interim Emergency Response Team is chaired by Jug Manocha and includes Frank Kuri, Ian Colquhoun, and Ben Barnes all industry professionals with considerable experience. The volunteer Response Team will call upon OPI members for their expertise and services. For emergency assistance please contact: Jug Manocha 519-494-7801

NAPE Summit 2020

The OPI attended the NAPE Summit 2020 from February 5th – 7th in Houston. Lagasco Inc. attended the Summit to support the promotion of Ontario exploration. The traffic at the exhibit booth was comparable to other years with the first day drawing a higher number of attendees than previous first days. As consistent with the past Summit's there was several in-depth discussions. Follow-up contact was sent to all attendees. The OPI's presentation at the International Prospect Presentation Theatre was well attended and drew a positive response.

Oil, Gas and Salt Resources Trust

The Oil, Gas and Salt Resources Corporation has filled two vacancies on the Oil, Gas and Salt Resources Trust Advisory Committee. Heather Gilpin from Lagasco Inc. was appointed the oil and natural gas exploration and production member, and Syed Kazmi from Compass Mineral as the member for salt solution mining.

OPI involved in Ontario Energy Board Hearing

The OPI's participation in OEB Hearing EB-2019-0137 - Consultation to Review Enbridge Gas, Five-Year Natural Gas Supply Plans has resulted in the OEB proposing to facilitate a meeting between the industry and Enbridge. In the consultation the OPI voiced its views on the upstream sector's exploration and production of provincially produced natural gas, and that any increase in costs do not adversely affect the sector's ability to develop Ontario natural gas resources. The OPI Submission appealed to the OEB to establish fair and reasonable terms on which producers are compensated for supply of natural gas into the Enbridge Gas Inc. distribution system.

Training

We hope to reschedule the H2S Alive Training that was cancelled in late March as soon as we are able to. As per Energy Safety Canada, any H2S Alive tickets expiring between January 1, 2020 and September 1, 2020 will be valid until September 1, 2020.

Orphan Wells Dilemma in Canada

By Mohamed Refaei and Jose Duran-Armas

Follow this link for the article

<https://ceri.ca/market-updates/orphan-wells-dilemma-in-canada>



The Oil Museum of Canada, National Historic Site is celebrating its 60th anniversary this year!

At the 1958 centennial celebrations of the first commercial oil well in North America, an idea arose to create a museum. One that recognizes the innovations, contributions, and achievements made by local residents to the global development of the oil industry. Its undertaking involved many big name commercial sponsors and the municipalities of Sarnia and the Village of Oil Springs as well as the County of Lambton.

Over 60 years, the Oil Museum of Canada has welcomed hundreds of thousands of visitors from all over the globe. Interpreting and preserving the site of the birthplace of the oil industry through artifacts, interactive activities, guided tours, special events, and exhibitions.

Due to COVID-19 our doors remain closed until further notice to help stop the spread of the virus, but we are immensely proud of our museum with a big name and a shared national historic site designation with our neighbor, Fairbank Oil Fields.

Although you can't yet personally come and explore the story of Canada's Oil Pioneers, a unique and captivating era in history, you can follow us on Facebook (@OilMuseumofCanada) and help us digitally celebrate our 60th year.

Oil Museum of Canada
www.oilmuseum.ca

As the preferred group benefits provider for The Ontario Petroleum Institute I am happy to have been asked to offer some information and insights on what the group insurance industry is doing to support businesses during the COVID-19 crisis.

These are uncertain times that we are in currently and while we cannot predict what the future may hold, we do know that we are all in this together. Continuing to offer a group benefits plan to your employees in this challenging time is a way for businesses to support their staff if they are able. In doing so you are helping to alleviate some of the stress that your employees are feeling right now. Over the past month or so group insurance carriers have announced different measures to provide some relief for business owners as it relates to their group benefits plan.

Many businesses are dealing with having to reduce the hours that employees typically work and may have had to temporarily layoff employees due to COVID-19. Insurers are providing more flexibility on how they treat these situations and have advised that employees who are working reduced hours will maintain their regular coverage levels and they have also made provisions to continue both Short Term Disability and Long Term Disability coverage for employees who have been temporarily laid off. Carriers are now accepting claims for virtual visits for various paramedical providers (psychologists/social workers, physiotherapists, dieticians, naturopaths, etc.) so your employees can continue to get the treatments they need. We are also seeing an increased interest in groups looking for information on supplementary coverages such as EAPs (Employee Assistance Plans) and Virtual Health Care (Telemedicine). These coverages provide additional services and resources to aid employees in both their physical and mental health.

In addition to the increased flexibility offered for employees on the plan, insurers have been proactive in providing options for businesses who may be experiencing cashflow challenges. Premium payments can now be deferred for up to 60 days without any claims suspension. Most insurers have also announced a temporary reduction or credit to a portion of their monthly EHC and/or Dental premiums. If your current plan is up for renewal there may be an option to defer that renewal for 60 days.

If you have any questions on how COVID-19 is affecting your current group benefits plan or would simply like more information on group benefit plans in general please contact me by phone (1-800-265-6197 ext. 728) or e-mail (mark.shanks@pib.com) and I will be happy to discuss this further.

Thank you for your continued support of the OPI program, stay healthy and safe.

Mark Shanks, Account Executive
**PROGRAMMED INSURANCE BROKERS
INC.**

From the Newsroom

Reviving Energy East pipeline first step to independence in uncertain times

The escalation of tensions between the United States and Iran is a wake-up call for Canada to rethink its own energy security.

Fallout from the U.S. killing of Iranian General Qassem Soleimani is stoking fears of disruptions to global energy supplies as Iran vows retaliation for his death. Iranian reprisals could include blocking crude shipments from U.S. allies Iraq and Saudi Arabia through the Strait of Hormuz or attacks on Saudi oil infrastructure.

U.S. President Donald Trump appears to be lusting for war. After all, nothing distracts from an impeachment trial or unites Americans more effectively than armed conflict during an election year. Mr. Trump seems positively giddy as he

chirps on Twitter about the prospect of using US\$2-trillion-worth of new military toys to obliterate Iranian targets, including some important to “Iranian culture.” If that’s not unsettling enough, Mr. Trump is also icing out traditional allies. He threatened Iraq with sanctions if it kicks out U.S. troops, and reportedly kept Saudi Arabia in the dark about its plan to assassinate Gen. Soleimani.

Canadian officials can call for restraint until they’re blue in the face, but they have no influence when it comes to matters of war. If the United States is snubbing Iraq and Saudi Arabia, one can guess how high Canada ranks these days, especially after Mr. Trump chided Prime Minister Justin Trudeau over NATO funding. The real lesson for Canada is to look after our own interests by creating a comprehensive strategy to protect our long-term energy security from coast to coast to coast.

We can start by resurrecting the Energy East pipeline project that was cancelled by TransCanada Corp. (now known as TC Energy Corp.) in 2017. The \$15.7-billion, 4,000-kilometre pipeline was supposed to connect Hardisty, Alta., to Saint John, but was effectively nixed due to lengthy regulatory delays.

The federal government should approach TC Energy (and other domestic energy companies, if necessary) about reviving the project and clearing regulatory hurdles. This should be a no-brainer for Ottawa, especially at this juncture. This latest U.S.-Iranian crisis underscores why reliable access to energy is a matter of national security for Canadians. The Trans Mountain pipeline expansion, which will eventually twin Canada’s only oil pipeline to the West Coast, won’t solve that problem on its own.

Canada also needs a reliable way to transport landlocked Western Canadian crude to East Coast refiners, which are currently dependent on foreign oil imports. Irving Oil Ltd.’s Saint John refinery, for instance, uses Saudi Arabian crude – which is ridiculous given the kingdom’s irrational trade and diplomatic rift with Canada.

The Saudis are not our friends. It wasn't that long ago that a Saudi group tweeted an image that showed an Air Canada plane flying toward the CN Tower in a 9/11-style attack – all because Canada levelled legitimate criticism of its jailing of human-rights activists. Yes, apologies were later issued and the Twitter account shuttered. But the chilling image – which included the text: "As the Arabic saying goes: 'He who interferes with what doesn't concern him finds what doesn't please him'" – shouldn't be forgotten by Canadians.

Eastern Canada can't afford to be at the mercy of foreign oil producers. Last September's attack on Saudi oil infrastructure sent East Coast refiners scrambling to secure crude supplies and drove up fuel costs. These days, the prospect of more attacks on Saudi oil facilities looms large. Make no mistake, such retaliation would be acutely felt by Eastern Canadians in the form of higher gasoline prices if local refiners have to pay higher prices for imported crude.

Resuscitating Energy East would also help oil sands producers tap new markets because East Coast facilities are equipped to handle the ultra large crude carriers needed to ship domestic products to energy-hungry markets in Asia. It's illogical that the world's largest refinery, located in western India, owned by Reliance Industries Ltd., receives supertanker shipments originating from countries as far flung as the United States, Mexico and Venezuela but Canadian oil, relatively speaking, barely registers on its radar. It's a disparity that Alberta Premier Jason Kenney has highlighted in recent years.

Reviving Energy East is an opportunity to safeguard Canada's energy security and to ensure that our domestic producers can meet global demand over the long term. Asian economies will require Canadian oil long after the current U.S.-Iran crisis.

We've learned the hard way about the dangers of being overly reliant on the United States. Let's face it, the Keystone XL pipeline is no closer to being built. It's time for the Trudeau government to show real leadership on the energy file by reviving Energy East, providing regulatory certainty and

putting an end to interprovincial bickering over pipelines. After all, if we don't look after our own energy interests, no one will.

*Rita Trichur Globe and Mail
January, 2020*

Duty to consult Fine. But how? And with whom?

Perhaps Coastal GasLink imagined, when it obtained an injunction from a British Columbia Supreme Court judge in December ordering members of the Wet'suwet'en Nation to cease blocking construction of its planned natural gas pipeline across the province's north, that construction would then resume.

But then, the company might have thought the same the previous December, when it obtained a similar injunction – just as it might earlier have thought it sufficed to obtain the necessary regulatory approvals from, among others, the B.C. Environmental Assessment Office and the B.C. Oil and Gas Commission.

Perhaps not: the company would not be so naive as to think that merely following the procedures laid out in law and winning the repeated endorsement of lawful authority would be enough. But having spent years consulting local First Nations, and having obtained the consent of all 20 First Nations band councils whose territory the pipeline traverses, including the six Wet'suwet'en bands (one later recanted), it must surely have thought the project was well on its way.

But that was to reckon without the complexities of Indigenous governance, which in the case of the Wet'suwet'en include not just the elected band councils but hereditary chiefs as well – eight of nine oppose the project. The hereditary chiefs insist that the authority of the band councils applies only on reserve, whereas their authority extends to the rest of the Wet'suwet'en's traditional territory.

And so, while RCMP officers gingerly attempt to enforce the court order – six weeks after it was issued – protesters across Canada have halted trains,

occupied cabinet minister's offices, and blockaded ports, ostensibly in the name of the rights of First Nations, but in fact in the service of one faction of one nation: the ones, a minority it appears, opposed to the project, versus the majority in favour.

This is hardly the only point of contention, or confusion, over natural resource projects, where constitutionally guaranteed Indigenous rights come into conflict with constitutional government. On Feb. 4, a Federal Court of Appeal panel unanimously dismissed a suit by four First Nations challenging the Trans Mountain pipeline project on the grounds that, two previous rounds of court-mandated consultation notwithstanding, they had been insufficiently consulted.

Here again, Indigenous groups are divided: more than 100 First Nations along the pipeline route either support or have expressed no opposition to it. But the confusion is compounded by the uncertainties surrounding the law on consultation.

The courts have been emphatic on two points: first, that "the honour of the Crown" requires governments to consult with, and where possible, accommodate Indigenous groups whose territory is affected by a given project, but that, second, while the aim of the exercise is ordinarily to obtain their consent, where there is "a compelling and substantial objective" governments may proceed without it.

This is consistent with common law principles on property rights generally: they are important, but not absolute. The state is obliged to offer fair compensation when it expropriates someone's land, but, provided it is for a public purpose of sufficient importance, the broader public interest must prevail.

As the federal judges said in their ruling, First Nations "cannot tactically use the consultation process" to kill a project by endless delay. (Trans Mountain is alive today because the federal government nationalized it, and is now 70 per cent over budget, largely due to the time spent fighting its case in various courts.) "The duty to consult does not guarantee that a specific accommodation will be warranted or possible," they wrote, nor does the objective of reconciliation "dictate any particular substantive outcome." Otherwise, "Indigenous peoples would effectively have a veto. ... The law is clear that no such veto exists."

The law may be clear about that, but it is clear about little else. There is a vast gulf of possible interpretation between "duty to consult" and "no veto," and the courts have offered little guidance as to where the appropriate balance lies, beyond admonishing both sides to negotiate in good faith. Into that legal vacuum have poured the protesters and the activist groups, tying up the courts, delaying the process and, when they don't get a judgment they like, ignoring it – daring the police to enforce it, and crying police brutality if they do.

Governments and pipeline developers are thus faced with an intractable dilemma. No one disputes they have a duty to consult with affected Indigenous groups. But it is too often unclear with whom they should consult, or how. Absent reforms clarifying who speaks for Indigenous peoples and what is implied by the duty to consult, these farces will be repeated again and again.

*Andrew Coyne
Toronto Globe and Mail
February, 2020*

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