



OPI NEWSLETTER

THE VOICE OF THE ONTARIO OIL AND NATURAL GAS INDUSTRY

WINTER 2015

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2015 OPI Annual General Meeting

The 2015 Ontario Petroleum Institute Annual General Meeting was held at London's Greenhills Golf Club on November 19, 2015.

The members elected Frank Kuri, Dundee Energy LP; Dale Holland, Holland Testers Ltd.; Jim McIntosh, Jim McIntosh Petroleum Engineering Ltd.; Jack Norman, Elexco Ltd.; Charlie Fairbank, Fairbank Oil Properties Ltd.; Ian Colquhoun, Ian Colquhoun Consulting; Jane Lowrie, Clearbeach Resources Inc.; Denis Marcus, Harold Marcus Limited; Terry Marsh, T.W. Marsh Well Drilling & Servicing; Kathy McConnell, Enbridge Gas Distribution Inc.; Ian Veen, Black Creek Well Service Inc.; Dave Bond, Pro Mechanical; and Gray Taylor, Gray Taylor Law to the 2016 OPI Board of Directors.

At the Board of Directors meeting following the AGM the following executive officers were elected by the Directors: President, Frank Kuri; First-Vice President, Dale Holland; Second Vice-President, Jim McIntosh; Treasurer, Jack Norman; and Secretary, Charlie Fairbank.

The Committee Chairs appointed for 2016 include: Producers Committee – Jim McIntosh, Membership Committee – Dale Holland, Research and Education Committee – Frank Kuri, Conference Committee – Ian Colquhoun, Nominating Committee – Terry Marsh, Tax Committee – Ian Veen and Governance Committee – Gray Taylor.

The AGM approved the 2015 OPI Financial Statements, and amended the OPI By-laws passing three amendments the most significant being a change to increase the number of elected directors to 13 from 12.

The OPI recognized Past President Morley Salmon for his service as a director. Members receiving 25 Year Pins included Madeline Brett, Cameron Petroleum Inc.; Dale Holland, Holland Testers Ltd.; Geoff Richards, Rowe Energy Corporation; and Dick Tolhurst. Long-time natural gas producer George Chilian, Chairman of Metalore Resources Ltd. was recognized for his 50 years as a member of the Ontario Petroleum Institute Inc.

Message from the Executive Director

The OPI is pleased to bring you this edition of the 2015 OPI Winter Newsletter.

The beginning of September kicks-off a new year of operations for the OPI with the first order of business being a Board of Directors meeting to start work on various OPI initiatives including the 2015 OPI Annual General Meeting (AGM), a series of meetings with the Government of Ontario, plans for promoting Ontario exploration in the upcoming year, and the on-going outreach the OPI has with various industry related stakeholders.

The AGM was well attended and the meeting approved the 2015 OPI Financial Statement, passed a number of amendments to the OPI By-laws, and elected a new board of directors.

While there is a new board elected much of the committee work will continue. The Producers Committee has reviewed the impact the sale of oil to a U.S. refinery will have on the industry, taken steps to address the concern with the cost of natural gas meter stations, and is following developments regarding the adjustment to the assessment value of oil and natural gas producing assets for municipal taxes.

The Conference Committee is holding regular meetings to plan for the 2016 OPI Conference which is scheduled for next May at the Hilton Hotel in London. The Committee has chosen – “Discover the Future” - as the conference theme.

The Research, Education and Environment Committee participated in a discussion with the University of Toronto, Engineering Faculty on a technology to treat water accumulated at the bottom of petroleum storage tanks utilizing a chemical reaction activated by sunlight.

The Ontario Oil, Gas and Salt Library is on its way to another very strong year and is expected to show a surplus for the year ending December 31, 2015. The profit, despite a slowdown in exploration and production, can be attributed to the Library team doing a superb job, producers support through well licence fees which were increased this year and the Ontario Ministry of Natural Resource and Forestry’s support with projects providing a steady flow of revenue.

I want to take this opportunity to wish readers a most enjoyable and safe Holiday Season and a Happy New Year 2016.

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

Hugh Moran, Executive Director

OPI Talking Points

OPI Information Survey

The OPI in response to concerns expressed about inspection procedures and enforcement of regulations by the Ontario Ministry of Natural Resources and Forestry conducted an information survey of Ontario oil and natural gas producers in October. The survey was sent to the 130 commercial producers who filed well licenses with the Ontario Oil, Gas and Salt Resources Library in 2015. The producers were asked to comment on the

Ministry’s Petroleum Operations Section’s administration of the Ontario Oil, Gas and Salt Resources Act, Ontario Regulation 245/97 and the Provincial Operating Standards. Producers were also invited to provide any other comments on the Government of Ontario’s stewardship of the province’s oil and natural gas resources.

OPI meets with Ontario Ministry of Energy

The OPI met with Bob Delaney, Parliamentary Assistant to the Ontario Minister of Energy, and Steen Hume Assistant Deputy Minister, Energy Supply Policy Division in November. The meeting was held as a follow-up to Mr. Delaney’s speech at the 2015 OPI Conference where he encouraged the industry to engage in a dialogue with the Ministry on Ontario’s long-term energy planning. In the meeting the OPI expressed its concerns on the lack of any new exploration activity and its desire to collaborate with the Ministry on a plan to address the situation.

Ontario Ministry of Natural Resources and Forestry

A delegation of OPI members met with Bill Thornton, Deputy Minister of Ontario Natural Resources and Forestry to brief him on the current challenges of the Ontario oil and natural gas industry, in particular, the absence of any new drilling activity that has resulted in a significant decline in production. The briefing included a history of Ontario oil and natural gas development, update on current production, and discussions with the Ontario Ministries of Energy and Economic Development. The deputy minister was open to working with the OPI to engage various ministries to review Ontario’s stewardship of its petroleum resources.

Canadian Society of Petroleum Geologists

The OPI met recently with the Canadian Society of Petroleum Geologists (CSPG) for a discussion on CSPG’s interest in the Ontario petroleum industry and to explore ways to raise the level of engagement with their members in Ontario. The OPI recognizes that by having a commitment of interest from the geologists’ community to search for new exploration opportunities is an important first step in turning around declining production in the province.

OPI - Bowman Centre Working Session

The OPI and The Bowman Centre, the Sarnia organization that focuses on clean industrial technology, met on November 3rd for a Working Session to explore the potential for collaboration on sustainable energy development related to the exploration and refining of Ontario and Canada's natural resources. The two organization's objectives include the OPI's work to promote the oil and natural gas industry to obtain support for increased Ontario exploration and production, and the Bowman Centre's priority projects that include the Sarnia Lambton Advanced bitumen Energy Refinery (SABER Project), interconnecting Canada with a hydro power grid, and energizing manufacturing around the energy industry. The Working Session was organized as a follow-up to participation by members of both the OPI and the Bowman at conferences hosted by each group in 2015.

From the Newsroom

Blame fossil fuel users – not producers

Since the dawn of the Industrial Revolution in the mid-1700s, fossil fuels have transformed humankind's journey in almost every conceivable way. Agricultural production has soared, transportation was revolutionized, electrical power enabled breathtaking technological advancements, and petro-chemistry has provided synthetic materials for the manufacture of everything from fertilizers to plastics to clothing and even heart valves.

Real GDP per capita, the measure most closely reflecting global living standards, has soared by more than 1,600 per cent in lock-step with the per-capita growth in fossil-fuel consumption. Harnessing our planet's enormous endowment of natural hydrocarbon energy is, without doubt, the greatest factor underpinning the huge gains in virtually every aspect of humanity's remarkable progress. And the technological advances made by the workers who unlock those buried resources have been equally profound.

But now those workers, and the companies that employ them, are being attacked as environment-destroying pariahs. They have become the prime target in a global anti-fossil-fuel war that aims to cripple their financing and destroy their livelihoods. Here in Canada, the General Council of the United Church has voted to drop fossil fuels from its investment portfolios, saying the

decision is based on "the Christian duty to care for the earth. Victoria City Council recently passed a motion asking the provincial Municipal Finance Authority to allow divestment. And the Canadian Medical Association announced it would divest its holdings in fossil-fuel companies.

But here's the "elephant in the room" being missed by the divest-fossil-fuel movement: The vast majority of greenhouse gas (GHG) emissions are caused not by producers of fossil fuels, but by users of fossil fuels. Environment Canada's website states, "Globally, almost 80 per cent of GHG emissions from human sources come from the burning of fossil fuels and industrial processes. Specific activities include ... vehicles, electric production, heating and cooling of buildings, operation of appliances and equipment, production and transportation of goods, and provision of services and transportation for communities." U.S. Environmental Protection Agency data show that agriculture and land-use changes contribute most of the other 20 per cent.

What do these facts tell us about the fossil-fuel divestment movement? Clearly, the only way to have an impact on emissions is to target the users. But the users are, of course, everyone. So why aren't those university professors, who fancy themselves as intellectually rigorous thinkers, calling for divestment of the shares of companies that use fossil fuels? And if, as those church leaders, doctors and politicians believe, fossil fuels are morally wrong, shouldn't they be boycotting their own use of fossil fuels? No driving, no air travel, no road- or rail-transported food, no natural gas heat for their houses, no electricity from fossil-fueled power plants. And those passionate Fossil Free divestment activists must also target any company that uses fossil fuels in its production or distribution system (i.e., virtually all companies). To do otherwise is moral hypocrisy.

Without hydrocarbon energy, the global economy would shut down. Ironically, if producers failed to supply user demand, the public would be outraged. Approximately one million Canadians are working to make sure this doesn't happen. Despite all the "drive-by" vilification from some of the same people who count on them every day, hydrocarbon industry workers should be proud of their role in providing the energy people need.

*Gwyn Morgan (former CEO of Encana)
Special to The Globe and Mail (edited version)
September, 2015*

Realism, not rhetoric, must drive the climate discussion

About 80 per cent of global energy consumption is based on fossil fuels, according to the International Energy Agency. This consumption is the major reason for global warming that produces climate change. Reducing the share will take a long time; eliminating fossil fuels completely is a pipe dream.

Fossil fuels – coal, oil and natural gas – will be with the world for a very, very long time because they are abundant, cheap and reliable. Alternatives such as solar and wind and tidal power are more expensive and produce energy only intermittently.

The idea that renewables will any time soon replace fossil fuels is greenwash, to turn the meaning of a common environmental word on its head. Renewables are growing in importance in some parts of the world, but they are far, far from replacing fossil fuels.

It is said, correctly, that about 13 per cent of energy today worldwide comes from renewables, and the share is growing. But this 13 per cent exaggerates the impact of what we think of as renewable energy, because it includes burning wood, charcoal and animal dung, as anyone who has visited India can tell from the acrid smell in the air.

Renewables would of course include nuclear energy, but most (not all) environmentalists detest nuclear power. Getting a nuclear power plant built in most western countries is difficult to impossible, so fierce is local reaction. (Germany is shutting down its reactors.)

Wind power is terrific, but for the fact that wind blows intermittently. Figuring out how to store intermittent energy remains a technological challenge. Wind and solar both need backup energy for peak periods or when those sources cannot supply enough energy. Fossil fuels provide the backup.

Then there is the Not in My Backyard syndrome, witness to which in Canada is the hostile reaction to turbines on the islands off Kingston or the shoreline of Lake Huron in Ontario.

Just imagine in British Columbia, where environmentalists fulminate against fossil fuels, pipelines and tanker traffic, if a thousand or so wind turbines producing renewable power were proposed for both sides of the Georgia Strait from Horseshoe Bay to Powell River and from Victoria to Comox.

Coasts are often where wind blows strongly. The mere mention of the idea – or putting the turbines on mountainsides near the coast – would turn every B.C. greenie purple with rage.

Renewable technologies are becoming cheaper, which helps them gain market share. But oil, too, has become sharply cheaper, even in countries which do not subsidize the product.

Cheaper oil invites higher consumption. For the foreseeable future the world will be awash with oil, especially when more Iranian oil joins supply international supply chains and technology unlocks more tight oil – although anyone predicting long-term oil prices might make money writing books or giving speeches about the future while only guessing.

No matter what pledges are made to reduce carbon emissions at the Paris Climate Change conference, worldwide energy use is going to continue climbing. The challenge – and there is no solution yet – is to decouple greater energy use from higher carbon emissions. That decoupling happened for the first time in 2014. It must accelerate fast and be sustained for the rise in global warming to be kept under 2 C.

China's emissions are going to keep rising until 2030. Can one be sure about China's numbers when the country recently admitted it had under-reported coal consumption by 17 per cent from 2000 to 2013?

India's needs are immense. The country is the largest importer of coal and the second-largest coal producer. India will rely massively on coal – the most polluting of all fossil fuels – to provide electricity for 240 million people without it. These Indians represent about one-fifth of the world's population without electricity.

None of these geopolitical and domestic political realities is pleasant to contemplate if one worries about global warming. A whole lot has to be done, on many fronts, to slow down warming.

It is better, however, to understand how hard the challenge will be rather than be beguiled by loose talk or frightened by apocalyptic rhetoric from environmentalists.

*Jeffery Simpson
The Globe and Mail (edited version)
December, 2015*

Climate change: 5 myths

Here are five myths that undermine realistic and rational responses to it, globally and in Canada.

Myth 1: Carbon taxes and cap-and-trade are effective means of lowering industrial greenhouse gas emissions.

Demonstrably, they are not. Norway has the world's oldest, most sophisticated carbon tax. Government researchers concluded 13 years ago this tax, introduced in 1991, has not significantly lowered emissions. Carbon taxes are ineffective for the same reason the world's largest cap-and-trade market -- Europe's decade-old Emissions Trading Scheme -- is ineffective.

Politicians cave in to political and economic pressure exerted by major emitters, led by giant energy and industrial corporations, and grant too many exemptions from carbon pricing, destroying its effectiveness.

Carbon pricing raises our cost of living. It doesn't lower emissions. Cap-and-trade -- a stock market in emissions trading -- which Premier Kathleen Wynne is imposing on Ontario, has been particularly vulnerable to political corruption, fraud and organized crime in Europe.

British Columbia's carbon tax, which returns the money it raises through income tax cuts, is better, but ineffective. It will reduce B.C. emissions by three megatonnes annually by 2020. China emits that every 2.5 hours.

Myth 2: Wind and solar power are effective in lowering emissions.

Demonstrably, they are not. They are unreliable, inefficient and require massive public subsidies. They cannot supply power to the electricity grid on demand and have to be backed up, ironically, by fossil fuel energy. Ontario claims it eliminated coal-fired electricity with wind and solar power, which is nonsense. Ontario eliminated coal through non-emitting nuclear power and low-emitting (compared to coal) natural gas

As Robert Bryce explains in *Power Hungry: The Myths of "Green Energy" and the Real Fuels of the Future*, nuclear power and natural gas are the best practical sources of clean energy we have for the short and long-term, supplemented by renewables when they become economically feasible, through technological advancement. They are nowhere near that now.

Further, many environmentalists who grew up as "ban the bomb" hippies, irrationally oppose nuclear power, making a mockery of their claim to be serious about reducing emissions.

Myth 3: Canada's oil sands are a major source of emissions.

Demonstrably, they are not. Canada's oil sands account for one, one-thousandth of global emissions, a rounding error. Peer-reviewed research by Canadian climate scientists Andrew Weaver and Neil Swart in 2012, published in *Nature*, concluded all of the oil sands could be developed without a significant impact on climate change.

Weaver, a lead author for the United Nations' Intergovernmental Panel on Climate Change and a Green party MLA in the B.C. legislature, is highly critical of Prime Minister Stephen Harper's policies on the oil sands. Nonetheless, his research found the major impact by far on climate change globally comes from burning coal.

The world's three biggest emitters, China, the U.S. and India, respectively get 80%, almost 40% and 70% of their electricity from coal. In Canada, under 11%.

Myth 4: Canada is an international laggard on climate change.

Demonstrably, we are not, despite this allegation being repeated -- ad nauseam -- by two climate bodies yet again last week. Between 2001 and 2011, Canada's share of global emissions dropped from 2.1% to 1.6%, a 23.8% decrease. Let's compare that to the world's top three emitting nations, China, the U.S. and India, during this same period.

China's share of global emissions grew from 14.4% to 24.1%, an increase of 67.4%. The U.S. dropped from 20.4% to 15.4%, a decrease of 24.5%, virtually identical to Canada's 23.8%, despite the fact Canada is a much larger, colder country. India's share rose from 4.6% to 5.7%, a 23.9% increase. As for Brazil, which was giving Canada a hard time at an international climate meeting last week, its share of global emissions, at 2.6%, dropped 0% from 2001 to 2011.

Myth 5: Politicians understand climate change.

Demonstrably, they do not. I've been writing about climate change for more than eight years, having read

more than 50 books on the subject, scores of scientific papers and hundreds of articles.

During that time, I have found only one Canadian federal politician who understands that UN climate treaties are not about reducing emissions, but, as senior UN climate official and German economist Ottmar Edenhofer acknowledged in 2011, to “redistribute de facto the world’s wealth by climate policy.”

That’s Harper, who, sadly, has decided Canadians can’t handle the truth and now pays lip service to green hysteria. Tom Mulcair and Justin Trudeau are lost causes.

*Lorrie Goldstein,
Toronto Sun (edited version)
June, 2015*

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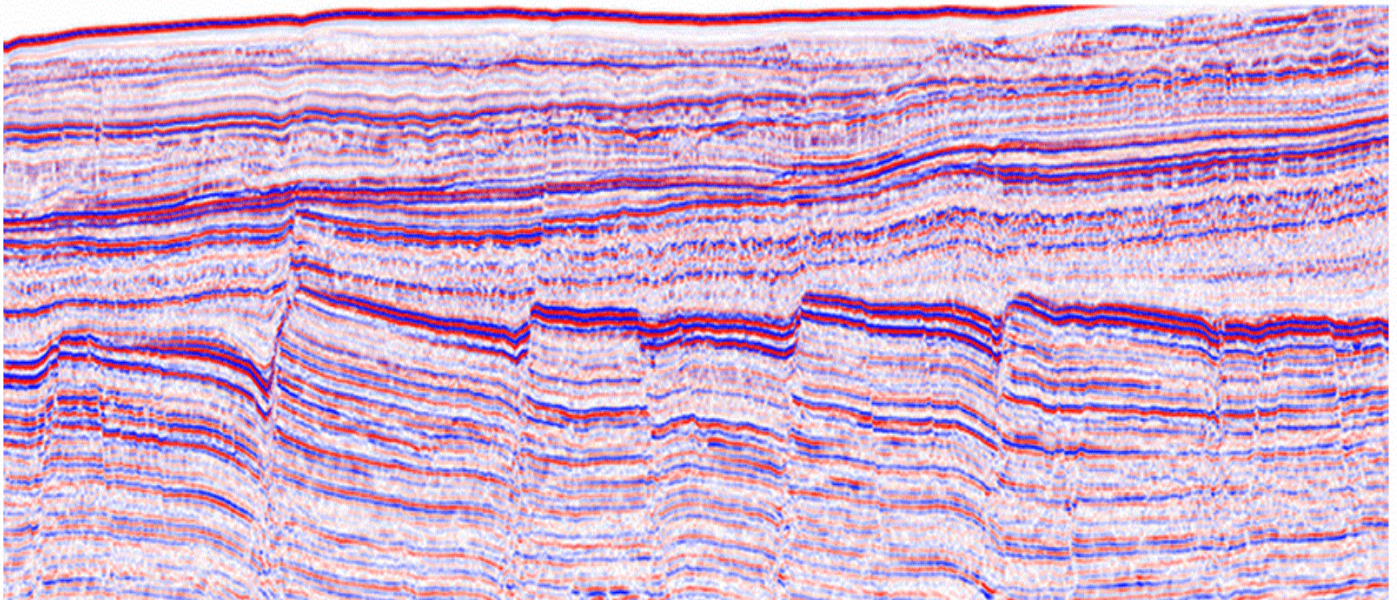


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