

SHALE'S POTENTIAL EXPLORED

Energy Will New Brunswick's fossil fuel reserves rival those of the Bakken fields in North Dakota?

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FREDERICTON - Energy Minister Craig Leonard's visit to North Dakota on the weekend included a tour of the Bakken shale field where about 8,000 active oil wells are producing over 800,000 bar-rels of oil per day.

But whether New Brunswick's shale reserves ever produce such large numbers of wells - let alone oil as well as gas - remains to be determined by exploration, including the seismic testing now being carried out by SWN Resources Canada.

Mike Rhodes, a geophysical specialist with SWN Resources, says the size of the development in New Brunswick depends on what lies in the rocks deep below the surface.

"In Arkansas, where we have full-scale activity, there are about eight wells in a square mile," he said during a recent technical briefing, noting that geology will determine if similar production could happen in New Brunswick.

"You have to wait and see what the rocks look like. The rocks will tell us what we need to do." Some estimates predict New Brunswick could see roughly 100 new wells a year, depending on exploration results.

There are nine companies in the province licensed to test for gas deposits on about 1.4 million acres of land, but SWN is the only company actively carrying out

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North Dakota's industry about eight to 10 years ahead: Leonard

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seismic testing at this time.

The company currently is exploring roughly 210 kilometres of land in Kent County.

"The figures being circulated about how large the resource may be are really educated guess work," said Adrian Park, a senior instructor at the University of New Brunswick's earth sciences department.

"One figure I have seen is 4.2 trillion cubic metres (of shale gas). It makes it comparable to some of the other shale gas areas in North America. But that figure is an estimate - they have taken the volume of the shale that we know and then extrapolated into the areas we don't know and then said, 'We can recover this much gas from that volume.' It's a decent figure for planning purposes but in terms of how that will translate into what can be pulled out of the ground at a profit, no one knows." Leonard, who spoke at an energy conference in Bismarck, N.D., said he liked what he saw in the state which has been transformed by its booming oil and gas industry.

North Dakota, which has a population of almost 700,000, has an economic growth rate nearly five times that of the U.S. average and one of the lowest unemployment rates

in the country about three per cent.

Leonard said the similarities between the state and New Brunswick are particularly relevant.

"The connection with North Dakota is really something,"he said.

"The size, obviously, is a parallel, but it can also provide a very good guide for New Brunswick, as they're about eight to 10 years ahead of us in the development of their resources and reaping the benefits." Park said North Dakota is producing light oil from its shale rocks, a far more valuable resource these days than natural gas.

"At the moment, the price of gas in North America is at a 30-year low which cuts down any profit margin," he said. "There's a temporary glut at the moment, so the price has dropped very low.

"When you hit a gas or oil field, what you pull out of the ground at a profit has to pay for all the investment you have put in exploring and developing. If you don't have a profit to pay your shareholders, the gas will stay in the ground." All the caveats and conditions have not stopped people from speculating about what a shale gas industry could mean for New Brunswick.

A report released recently by the New Brunswick Business Council says that each new shale gas well in the province will generate about \$13 million in economic spinoffs and create roughly the equivalent of 21 full-time jobs.

The report, by the auditing firm Deloitte, also says that each shale well in New Brunswick would grow the province's gross domestic product by \$9 million.

However, the Deloitte report did not speculate about how many wells ultimately could be developed.

Former premier Frank McKenna also put some parameters around the economic potential for shale gas development in New Brunswick.

In a speech to the Saint John Board of Trade earlier this year, McKenna said the industry is worth \$17 billion to New Brunswickers; including \$10 billion in investment to retool existing facilities to compress and ship the gas and a total of \$7 billion in taxes and royalties.

This, he said, is based on assuming only 10 per cent of the province's estimated natural gas reserves are extracted.

"Reversal of the LNG facility in Canaport and the export of New Brunswick's indigenous shale gas resources could result in the following impact in our province: \$17 billion of direct investment in New Brunswick; \$4 billion of provincial tax revenue; \$3 billion of provincial royalties and 150,000 person years of new jobs,"he said.

"There is no jurisdiction in this hemisphere better positioned at the present time to exploit this enormous potential than right here in New Brunswick." - With files from Cole Hobson