



Looking west along the Humber Arm: lower forested slopes are underlain by transported slope/rise sediments of the Humber Arm Allochthon. Oceanic crust and mantle (ophiolite) rocks make up higher elevations. Photo courtesy Greater Corner Brook Board of Trade.

By Ryan Cleary

# Searching FOR THE SWEET SPOT

**IT'S OLD NEWS** that there's oil on the west coast of Newfoundland. In fact, it's been almost 200 years since a man named Parsons reportedly discovered crude bubbling from the ground near the area that was later named Parsons Pond. Oil that, as the story goes, he used to treat his rheumatism. Which was probably as good a use for oil as any in 1812, considering the internal combustible engine was decades away from being invented.

Later, in 1867, the first well was drilled at Parsons Pond, and while traces of oil were found, it was no great amount. Indeed, to this day there are no commercially proven reserves of either oil or natural gas on the island's west coast. But the search has escalated dramatically in recent years, led by the Newfoundland and Labrador government and a widespread belief/hope that a major discovery, while elusive, is inevitable.

"Anecdotally, we've had an understanding of oil on the west coast for many years and it comes from the fact that the stuff bubbles up to the ground," says Natural Resources Minister Kathy Dunderdale. "There's always a risk involved with any type of investment... (but then) the federal government took a risk, along with the oil companies, on Hibernia, and it's a risk that's paid off very well for all the partners who worked on that project."

How well? Since investing an estimated \$430-million in an 8.5 per cent stake in the

Hibernia project in the early 1990s, Ottawa has collected more than \$1.2-billion in dividends from the largest oilfield off Newfoundland and Labrador's east coast. The Province has invested far less in oil and gas exploration on the island's west coast, or, as Dunderdale likes to put it, the search for the "sweet spot".

In a September address to the fifth International Symposium on Oil and Gas Resources in Western Newfoundland, Dunderdale said six exploration wells have been drilled over the past three years, including an onshore-to-offshore well and two test holes, at a total cost to date of more than \$50-million. "Exploration," the minister said, "is critical to the development of this industry." Because, as industry officials say, the drill is the "ultimate truth machine."

One of the most exciting developments of the last year is the three-well exploratory drilling program in the Parsons Pond area owned by Nalcor Energy (the province's energy corporation), Deer Lake Oil and Gas, Investcan and Vulcan Minerals Inc. In early September, drilling began on the second well in the three-well program. The first well encountered gas during drilling and Nalcor plans further testing to determine the size of the reserve.

Vulcan Minerals and its partner Investcan have also completed drilling two exploratory wells in their \$15-million, three-well exploration program in the Bay St. George area.

The first well encountered positive gas finds, and the Red Brook Number Two well brought natural gas flows to the surface. Its potential is still being assessed. Vulcan Minerals has also started work on a planned 135-kilometer seismic program in the Bay St. George area, with a November completion date.

"There's all sorts of scientific evidence pointing overwhelmingly toward potential commercial discoveries," says Patrick Laracy, Vulcan's president. "The trick is to have the stamina to keep the search going until you make that commercial discovery ... you have to be prepared to drill dry holes." Still, he says there's a lot of anticipation in the investment community over an eventual find.

"This year we're participating in \$35-million worth of expenditures in western Newfoundland and offshore Labrador, that's the gross budget for the projects we're involved in, which is a record — our biggest year," Laracy says, adding Vulcan's out-of-pocket expenditures will only add up to about \$5-million. "We've got to punch above our weight class by leveraging partnerships."

The west coast development list goes on. A group led by Canadian Imperial Venture Corporation is seeking approval through the Canada-Newfoundland and Labrador Offshore Petroleum Board and the Natural Resources Department to drill another onshore-to-offshore exploratory well on the Port au Port Peninsula.

Deer Lake Oil and Gas has completed drilling a well in the Deer Lake Basin, with the results still being evaluated as of earlier this fall. The company has also proposed to drill a second well in the Deer Lake Basin to evaluate the region's shale gas potential.

Further, Corridor Resources is in the early planning stages of an exploration well on the Old Harry prospect in the Gulf of St. Lawrence, a prospect that could contain billions of barrels of oil and trillions of cubic feet of natural gas. Despite enormous potential (up to two-billion barrels of recoverable oil), there hasn't been any exploratory drilling on Old Harry (again, drilling is the "ultimate truth machine") for two reasons: Quebec and Newfoundland and Labrador have yet to agree on an offshore boundary, and Quebec and Ottawa have yet to agree to a joint management and revenue sharing agreement, similar to the Atlantic Accords that the federal government struck separately with Nova Scotia and Newfoundland and Labrador in the 1980s. Some headway is being made in that Quebec and Ottawa are said to have entered talks.

The island's west coast is experiencing record levels of exploration activity, which is

expected to grow even more as geoscience information is collected, outlining the region's promising geology.

To that end, Newfoundland and Labrador has planned to announce an "onshore call for postings" in western Newfoundland by mid-October. The process will allow companies to nominate parcels of land for possible exploration and could eventually lead to a "call for bids".

As Minister Dunerdale points out, the Province's ability to compete for exploration investment depends on the availability of information (the more data the better). Earlier this year, a report was released by the provincial government and the Greater Corner Brook Board of Trade which outlined the infrastructure and supply and service requirements and opportunities for the oil and gas industry in western Newfoundland. In the absence of a commercial discovery, the report highlighted that it's practically impossible to formulate concrete development scenarios.

"Many factors, such as the nature of such a find, its size and its location would profoundly influence the requirements for infrastructure, services and labour," the report read. The study team examined the nature of the oil and

gas sector and how the sector has been accommodated in other jurisdictions such as Norway and Scotland.

Sharon McLennon, chair of the oil and gas steering committee with the Greater Corner Brook Board of Trade, says industry momentum is building on the west coast because of the quality of the junior exploration companies, Nalcor's direct role in exploration, and increasing media attention. "Increasing the awareness and profile of western Newfoundland as a place to do business increases the likelihood that people will invest," says McLennon. "We've been promoting more and more, but the media internationally and locally, are also getting the message out."

The Norwegian-based magazine *Geo Expro* (which carries articles about technology, geosciences and oil-related news from around the world) recently published a feature article, complete with front-page photo, describing western Newfoundland as a geo-museum. "There's a story here and it's gaining some traction," says McLennon. "The story is that there's potential for oil and gas in western Newfoundland and the momentum is building." | NRM



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