

The Industry Today and the Road Ahead

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ABSTRACT

When commodity prices are low, there is no money for or interest in exploration. Paradoxically, in the current climate when commodity prices are high, there is no money for exploration. Has our industry lost the stomach or the capacity for meaningful reserve replacement through exploration?

The biblical metaphor of the handwriting on the wall is quite appropriate for this analysis. Many current trends point to a looming disaster for our economy unless a new model for financing the discovery of new hydrocarbon reserves can be established.

- Prospects of war in the Middle East and political instability in places such as Venezuela threaten American security of Energy supply. This places huge pressure on Canadian producers to meet this market demand.
- Industry reserve life indexes for gas have fallen appreciably while the oil reserve life index has fallen more gradually. Industry production decline rates have increased by one percent a year for the last ten years and currently stand at 26 percent.
- The transformation of companies into Royalty Trusts has resulted in uplifted shareholder values in the short term, but a declining reserve base and less geoscience work being performed suggests a serious lack of foresight by our industry.
- The demographics of our exploration professionals is shifting and the real possibility of the loss of knowledge of how to explore looms over us.

There are, however, significant opportunities to examine, also: Northern gas, heavy oil, Foothills and deep targets in the basin offer huge reserve and production opportunities for large companies with deep pockets. The Cretaceous section offers low cost cash flow opportunities for the new wave of start up companies.

So when and how will re-investment in exploration occur? Has the industry forgotten how to explore? What can we do to influence the course of the future? This paper seeks to open these issues up for consideration and discussion.