

Heidi Wiebe

From: Heidi Wiebe [hwiebe@dehcholands.org]
Sent: Thursday, October 14, 2004 12:03 PM
To: 'Giles Morrell'
Cc: Paul Wilson (pwilson@dehcholands.org)
Subject: RE: Deh Cho Land Use Planning

Hi Giles,

Thanks for your comments. We have just completed a review of feedback and the Committee has agreed to do some revisions to our modeling of certain sectors - forestry, oil and gas and mining. To that end, I would like to invite you to assist us in the review of the model to ensure we can make appropriate changes that best reflect the industry within the constraints of our time and budget. Paul Wilson, our planner will be leading this initiative. He will be contacting you shortly to determine your level of involvement and arrange schedules. We have set a deadline to have all data and modeling revisions complete by November 26th so he is trying to get things moving by the end of October. We will most likely hold a meeting either in Yellowknife or Fort Providence.

If at this point you would just like clarification it's probably easiest for you and Roy to talk together. Please note that Roy only looks after the economic side - our model is tied to a spatial database (GIS) and anything spatial (e.g. play/pool distributions) he can't help you with - that's our crew here.

To clarify one point, the 1996 NEB report was referenced in terms of overall gas estimates; to say it was used would be a gross overstatement. Len and Adrienne included estimates for information purposes only and we used them as the basis for modeling as the only source currently available to us. We know it is a problem which is why we are looking at revisions. I have only recently acquired a copy of the NEB report. Should there be an easy way to incorporate the results into our model to refine what we have, we will be happy to discuss it.

As for the cumulative effects work, we briefed CAPP and its members on our intentions last year so it wasn't a surprise to them. However, some participants shared their experiences with others present to make them aware of the issues associated with implementing thresholds. I've just heard from CAPP that its members are too busy at the moment to provide a response at this time. I have a feeling we will get a decisive response down the road once the Committee throws out definitive numbers to comment on (right now it's just process).

I look forward to your participation in our modeling reviews. Paul will be in touch. Thanks.

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-----Original Message-----

From: Giles Morrell [mailto:morrellg@ainc-inac.gc.ca]
Sent: Friday, October 08, 2004 12:25 PM
To: hwiebe@dehcholands.org
Cc: Martha Johnson; George McCormick; Philip Wright
Subject: Deh Cho Land Use Planning

Heidi: I know I am late in getting some comments back to you after your excellent presentation to us on the progress you have made on the LUP materials. I am very impressed by your extensive use of GIS and the use of illustrative options.

During your presentation I believe I commented that the relationship between lands open for petroleum exploration and economic impact was unlikely to be linear. That is, the

potential of a smaller area is lessened more than might be imagined because of the increased risk of missing the larger desirable pools in the resource distribution for a given play. This is an elusive point but if you have say 100 gas pools, there will tend to be many small ones and few large. It is the large pools which attract explorers since these are the most economic. Clearly if there is one largest pool with a given area, if you half the area available for exploration then the probability of finding that pool is halved. (You have a 50% chance of not finding the pool as against a 100% chance of finding it in the entire area. This thinking is behind my comment that the options with conservation emphasis (5) tend to overestimate the economic resource left to explore, and consequently the economic impact.

I am not totally sure how the volume numbers for gas are calculated for the whole Deh Cho - though I understand the 1996 NEB study was used. I understand the use of marketable gas estimates but I note the NEB study also went further to calculate supply costs. This is useful since not all marketable gas in a play is economic at a given price - there is a curve which relates volumes of marketable gas available at certain supply costs. Moving up the curve, a marginal increase in supply cost will capture a larger percentage of the overall marketable resource. To extract all the marketable gas from a region, one would have to assume a rising price and/or a declining supply cost. The former is likely to have the larger effect. I would be interested in the price/cost assumptions which went into the model.

I am particularly intrigued by the economic modeling done by Ellis Consulting Services. Would it be possible to actually play with the model at this point? * I don't believe it is yet available on the web site. Would you object if I talked to Ellis directly to understand some of the assumptions behind the work?

One other comment: I note the emphasis on cumulative effects management, particularly in your presentation to the oil and gas industry. This is a very challenging area from several perspectives e.g. scientific, regulatory, legal, administrative. Just to flag that we have a keen interest in this area, but recognize that it will require considerably more thinking through before we are in a position to give substantive comments. I would be interested to learn how industry reacted to your presentation, if you can share.

best wishes - G