

Southwestern Ontario oilpatch poised for burst of growth

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TORONTO — They're drilling for oil near the Lake Huron village of Grand Bend and tapping natural gas wells in Lake Erie, as Ontario's overlooked oilpatch gets ready for what some predict could be a burst of growth amid strong energy prices.

And if you didn't even know that Ontario had an oilpatch, you're not alone.

It barely registers on the national oil and gas stage, even though Southwestern Ontario gave birth to the North American oil industry when the first commercial well was drilled in Oil Springs in 1858.

Ontario's relatively minor reserves were dwarfed more than a

century ago by larger discoveries elsewhere in the world. But there remains a steady trickle of output to this day.

There are 60 to 70 oil and gas producers operating in Ontario.

They benefit from being close to consumers.

Because of lower shipping costs, producers can get more than a \$1 extra a barrel of oil and an additional \$1 per thousand cubic feet for natural gas from area buyers.

"You can pretty well sell gas over the fence to Consumers Gas in Ontario," says David Mann, of Calgary-based Talisman Energy Inc., which accounts for 60 to 70 per cent of the province's oil output.

The royalty system in Ontario is also easier on the balance sheet for

petroleum players.

Companies must generally pay landowners, rather than the Ontario government, royalties for production and the royalties paid usually fall short of the kinds of levies in other provinces such as Alberta, where the government earns the royalties.

Lakebed production, however, is one area where the Ontario government earns royalties.

At any given time, there are about 1,200 natural gas wells and 1,100 oil wells at work in Ontario.

Most can be found in the lower half of Southwestern Ontario — with other activity in Lake Huron near Grand Bend and in Lake Erie.

Talisman produces roughly 25 million cubic feet of natural gas a

day and approximately 3,000 barrels of oil and liquids daily.

Some juniors such as Daybreak Energy Corp. of Calgary, which is drilling near Grand Bend, have set down roots in Ontario because there's relatively little competition, compared with Alberta.

It doesn't matter that Ontario will likely never produce a mother lode find.

"You have to realize that small explorers in southern Alberta aren't looking for mother lodes either," says Daybreak president Wayne Karlsen.

The Ontario Petroleum Institute says the province's oil patch is set to grow after years of steady production levels, especially on the drilling side.