



**Oil and Gas Commission**  
**2007/08-2009/10 Service Plan**





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**Letter from the Board Chair to the  
Minister of Energy, Mines and Petroleum Resources**



On behalf of the board of directors, management and staff of the Oil and Gas Commission of British Columbia, I am pleased to submit this Service Plan for fiscal 2007/08 to 2009/10.

During 2005/06, the Oil and Gas Commission continued to work in close collaboration with First Nations, communities, industry, partner ministries and government agencies in regulating one of this Province's most important resources. The past year has been a notable one in many respects.

Faced with record industry growth, new technology demands, competitive labour markets and a desire to forge new working agreements with First Nations, the Commission realized a number of key achievements.

New Memorandums of Understanding regarding consultation processes were successfully completed with Treaty 8 First Nations marking a significant achievement in meeting the needs of First Nations, government and industry. Pursuing a creative and open dialogue resulted in agreements that are increasingly inclusive and forward thinking for all parties.

A record year for industry investment that culminated in the processing of a record 1,943 well applications required the Commission to search out new operational efficiencies. The management team targeted the task of reducing employee turnover by focusing efforts on recruitment, retention and increased training. Further efficiencies will be realized as the Commission completes the first major milestone of its information technology restructuring this spring. This year also saw the Commission partner with FrontCounter BC to deliver expanded provincial resource sector services through the Fort St. John Commission office.

All of these steps improved the Oil and Gas Commission's ability to carry out its mandate, and better position the organization to meet the new challenges presented by the constantly changing oil and gas sector and the expanding geographic scope of industry activity across the Province.

Looking forward, we see that after many years of unprecedented growth, exploration activity levels are predicted to decline slightly in 2007/08. While what is expected to be a



short term correction does present additional challenges, it also provides opportunities to pursue continued process improvements and prepare for future expansion in the sector.

The Oil and Gas Commission remains committed to delivering ongoing improvement across its core functions. The six goals defined in this and previous service plans are intended to address that commitment and contribute to meaningful engagement, efficient processes and balanced outcomes. The board and management are confident that the targeted outcomes will benefit Oil and Gas Commission communities, First Nations, industry and British Columbians as a whole – and help to fully realize the tremendous potential that the Province's oil and gas resources represent.

This Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall strategic plan. All significant assumptions, policy decisions, and identified risks, as of January 15, 2007, have been considered in preparing the plan. I am accountable for ensuring the Oil and Gas Commission achieves the specific objectives identified in the plan and for measuring and reporting on actual performance.

A handwritten signature in blue ink, appearing to read 'Greg Reimer', is written above a horizontal line.

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Greg Reimer  
Board Chair

January 15, 2007



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## Organizational Overview

The Oil and Gas Commission (OGC) is an independent single-window regulatory agency with responsibilities for overseeing oil and gas operations including exploration, development, pipeline transportation, and reclamation.

Created as a Crown Corporation through the enactment of the *Oil and Gas Commission Act*, this regulatory model was designed to provide a streamlined and efficient one-stop regulatory agency. Regulatory responsibility is delegated to the OGC through the *Petroleum and Natural Gas Act*, *Pipeline Act*, *Forest Act*, *Forest Practices Code Of B.C. Act*, *Heritage Conservation Act*, *Land Act*, *Environmental Management Act*, and *Water Act*. The cost of operating the OGC is funded through the application of industrial fees and levies on a cost recovery basis.

The regulatory responsibility of the OGC extends from the exploration and development phases, through to facilities operation and ultimately decommissioning. It is charged with balancing a broad range of environmental, economic and social considerations. As a Crown Corporation, the OGC's accountabilities extend to affected communities, First Nations, client companies and their representative associations. Among its more specific objectives are public safety, conservation of petroleum resources, fostering a healthy environment, and ensuring equitable participation in production.

The OGC practices its vision *"to be the innovative regulatory leader, respected by stakeholders, First Nations and clients."*

The OGC's core roles include:

1. *Assessing applications* for oil and gas activities, and issuing approvals when appropriate;
2. *Ensuring industry compliance* with legislative, regulatory and permit-specific requirements, in part through inspections and other monitoring and enforcement activities; and
3. *Actively consulting* with First Nations on applications and operations.

The OGC is delegated the duty to consult with First Nations on a project by project basis. Project consultation seeks to gain knowledge regarding traditional land use and potential impacts to Treaty or aboriginal rights. The goal is to enhance the OGC's knowledge and decision making abilities while ensuring that rights are not unduly impacted. The OGC is guided in the consultation process by agreements with the Treaty 8 First Nations.

Maintaining positive relationships with the broader community ensures that local values are captured in the operations, actions and responsibilities of the OGC. The broader community includes local and regional governments, landowners, non-government organizations, community groups and others.

The OGC operates out of four locations; Fort St. John, Fort Nelson, Kamloops and Victoria. The OGC has 154 staff, two thirds of whom are located at the headquarters in Fort St. John. Field staff are also located in offices in Fort Nelson and Kamloops. Victoria hosts the Resource Conservation Branch, Technical Services and Regulatory Affairs Branch and the Executive Office.

The OGC has two divisions, each of which has specialized branches:

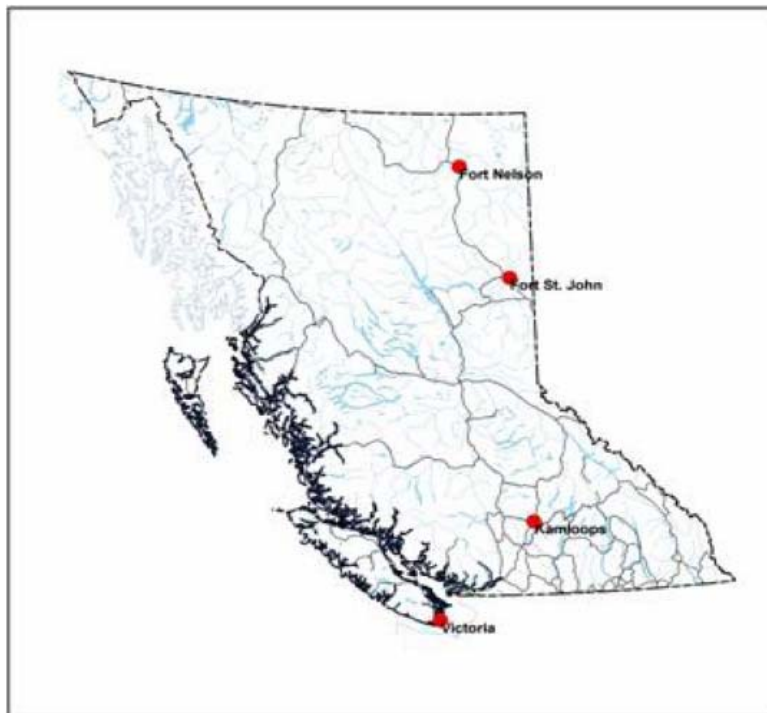
Operations Division

- Project Assessment and Compliance Assurance Branch (PACA) which includes application review and enforcement activities
- Operations Engineering Branch
- Resource Conservation Branch
- Technical Services & Regulatory Affairs Branch (TSRA) which includes aboriginal relations and archaeology
- FrontCounter BC

Business Services Division

- Finance & Administration Branch, Advisory Committee administration, and SCEK Fund administration
- Information Systems Branch including the IT Migration Plan
- Corporate Compliance Branch including strategic planning, performance reporting and risk management

In the face of rapidly fluctuating pressures, generated by the geographical and operational increases in oil and gas activity, the Commission adopted a new structure that combines the functions and responsibilities of the Project Assessment Branch and the Compliance and Enforcement Branch. This innovative approach is designed to allow more streamlined communication among parties involved, to reduce processing timelines and to enhance inspection and compliance ability.





A board of directors provides strategic direction to the OGC, and ensures that appropriate plans, programs and capacities exist to achieve the organization's goals. The board approves budgets, performance targets and service plans. It has responsibility for ensuring accurate financial reporting and adherence to appropriate policies and procedures.

The board has three members. The Deputy Minister of the Ministry of Energy, Mines and Petroleum Resources is the board chair. The Commissioner of the OGC is the board vice-chair. The third director is appointed by the Lieutenant Governor in Council. Each director has defined duties. The board's audit committee is chaired by the third director, and includes the board chair and the Executive Director, Business Services Division as an ex-officio member.

The recently introduced Governance and Human Resources Committee (GHRC) provides direction on governance matters and sets the overall compensation strategy. It is composed of the board chair, the independent board member, and two ex-officio members, the Executive Director, Business Services Division and the Director of Human Resources.

The OGC receives further guidance through formal advisory structures including an Advisory Committee appointed by government that provides advice on a broad range of matters.

This Advisory Committee is an eight-member working group that meets four times a year. The members provide strategic organizational and operational advice and issue an annual report to the Minister. While members do not have decision-making or statutory authority, they play an important role in providing recommendations for Alternative Dispute Resolution.

Appointments to the Committee are for four years and are staggered to allow for continuity within the Committee. The Commissioner of the OGC and a staff member of the Ministry of Energy, Mines and Petroleum Resources act as ex-officio members.

Some of the specific accountabilities of the Advisory Committee as described in the *Oil and Gas Commission Act* are to:

- provide advice and make recommendations to the Commission as to the fulfillment of the Commission's purposes and its adherence to outlined responsibilities,
- anticipate and identify environmental, economic and social issues arising out of the Commission's operations,
- review the Commission's operating plans and audited financial statements,
- assist the Commission to develop short and long term operating plans.

Another important advisory committee to the OGC is the joint OGC-industry Practice Advisory Group (PAG) composed of approximately 60 volunteers representing industry, clients, and government. The PAG structure consists of a steering committee

and eight sub-committees. Each sub-committee has a Chairman and a maximum of eight members, as well as an unlimited number of associate members. The sub-committees address relevant issues, concerns, suggestions, and recommendations submitted to PAG and develop issue papers for submission to the Commission.

The OGC participates in provincial regulatory development issues through the ministry-led Best Practices Working Group comprised of government and industry representatives.

## Strategic Context

Our Vision is:

*To be the innovative regulatory leader, respected by stakeholders, First Nations and clients.*

Our Mission is:

*To regulate oil and gas activity:*

- *through fair, consistent, responsible and transparent stakeholder engagement;*
- *for the benefit of British Columbians; and*
- *by balancing environmental, economic and social outcomes.*

Our Core Values are:

- *We are truthful and do our duty above all else in the performance of our responsibilities.*
- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.*
- *We are accountable through our service plan.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We embrace change that enables personal and organizational growth.*
- *We promote a positive and rewarding work environment.*

Our Key Success Factors are:

- *Upholding our core values*
- *Understanding and focusing on core services*
- *Building and sustaining competence within the organization*
- *Anticipating and responding to short and medium-term demands for the services of the organization*
- *Staying close to communities, clients, and stakeholders*
- *Recognizing barriers and developing initiatives to close performance gaps*
- *Aligning and focusing organizational energy on achieving performance targets*
- *Continuously improving business processes and technological support*

## **Planning Context and Strategic Issues**

The OGC is the Provincial oil and gas regulatory agency within a dynamic and rapidly changing industry sector. It has a broad and diverse client base, and its core services impact upon issues and initiatives in which there is often a high degree of public interest. The energy sector is also an important focal point in terms of economic strategy and broader government policy.

Accordingly, there are a variety of key strategic imperatives – capacity issues, risks and opportunities – that have a significant bearing on the organization's plans and performance.

OGC revenues can be heavily influenced by uncontrollable and unpredictable factors such as commodity prices, industry production fluctuations, the timing of winter freeze-up and spring break-up. There are, however, a number of strategic imperatives, the impact of which the OGC has the capacity to significantly influence and plan for.

Means by which such imperatives are identified include:

- ongoing industry and stakeholder consultation;
- monitoring current and projected industry activity;
- tracking of internal processes and performance;
- review of regulatory developments and best practices in other jurisdictions; and
- direction from government.

This service plan has been developed with particular reference to the interrelated imperatives noted on the following page. OGC responses to these imperatives are also briefly noted. These imperatives are deemed to be the ones with the greatest potential bearing on the OGC's ability to fulfill its mandate and deliver client, stakeholder and public benefits.

Strategic Imperatives		OGC Responses
Capacity	<p><i>Responding to fluctuating activity levels:</i> Oil and gas is an important contributor to the Provincial economy. After reaching an all time peak in 2004/05, growth in exploration activity is expected to ease in 2007/08. Changes in types, (e.g. coal bed methane) and locations of activity are factors requiring consideration. Rapid technological change is fundamental to the industry and requires OGC staff to constantly train to stay abreast of new technology and methods.</p>	<ul style="list-style-type: none"> <li>• Implement Memorandums of Understanding with the Department of Fisheries and Oceans and Ducks Unlimited, to improve environmental standards</li> <li>• New organizational structure to increase the OGC's capacity</li> <li>• Accelerate business and process reviews and implement strategies to strengthen the OGC's ability to fulfill its role as regulator</li> <li>• Expanded OGC presence/capacities outside northeast BC</li> <li>• Continue process and system upgrades (e.g. e-commerce)</li> <li>• Implement the Risk Management Framework</li> </ul>
Risk	<p><i>Recruitment and retention:</i> Even with the predicted adjustment in exploration activity the oil and gas sector is expected to remain a highly competitive employment market. The OGC is in direct competition with industry employers, who often pay higher compensation. The northern location where the bulk of operations occur presents additional recruitment challenges. Recruitment and retention success is a vital to maintaining organizational capacity, and underscores the importance of effective human resource strategies.</p>	<ul style="list-style-type: none"> <li>• Expand employee health and wellness programs e.g. Heart Smart</li> <li>• Accelerate employee development, training and career planning</li> <li>• Develop and maintain a strong Human Resources capacity</li> <li>• Work towards long-term solutions to our recruitment and retention challenges</li> </ul>
Opportunity	<p><i>Modernize/refine legislative and regulatory framework:</i> Opportunities exist to broaden the OGC's regulatory mandate, and move towards a true single-window approach. A broader range of regulatory issues can also be effectively addressed through risk-managed and performance-based approaches, rather than prescriptive ones.</p>	<ul style="list-style-type: none"> <li>• Work with government and industry on the Oil and Gas Regulatory Improvement Initiative (OGRIII)</li> <li>• Development of "best management" practices</li> <li>• Continuously improved inter-agency coordination</li> <li>• Implement FrontCounter BC in Fort St. John</li> </ul>

Of particular significance from a risk management standpoint is the OGC's ongoing development of a Risk Management System. The OGC has developed a framework to manage risks associated with key business processes, which will be integrated into the Commission's business plan going forward.

The OGC anticipates significant refinement to its legislative and regulatory framework resulting from the Oil and Gas Regulatory Improvement Initiative (OGRII). This is expected to culminate in new enabling legislation and enhanced regulatory efficiencies and outcomes.

The Oil and Gas Commission has defined six goals and associated objectives, strategies and performance measures which will continue to guide its activities over the next three fiscal years. Results will be reported in Annual Service Plan Reports.

The OGC's six goals are substantially consistent with those identified in previous service plans.

**OGC Goals: 2006/07-2008/09**

1. Improved public safety, protection of the environment, and conservation of petroleum resources.
2. Timely and informed decisions based upon the input we receive.
3. Strengthened relationships with stakeholders, First Nations and clients.
4. Modernized legislative and regulatory framework.
5. Personal-best performance environment for employees.
6. Financially self-sustaining organization.

There is a high degree of continuity with respect to objectives and strategies, although they have been updated to reflect the current status of key initiatives. There is also continuity of specific performance measures and targets, although they have been augmented in some respects:

- revised targets for performance measure in goal 5, "Budgeted Investment in training per employee" to more accurately reflect direction provided in the organizational recruitment and retention strategy
- removed performance measure in goal 6, "Cost per well application", in order to reassess the definition and methodology of this measure

The goals and performance measures have been selected with reference to:

- the OGC's legislative mandate;
- the OGC's mission, vision and values;
- specific policy direction from government;
- government's strategic plan; and
- stakeholder input through a variety of channels.

The goals and measures relate in a clear and direct way to the key strategic imperatives outlined on page 6 ("Planning Context"). Collectively, the pursuit of these goals will position the OGC to align its capacities with the scope of industry activities. Targets relating to assessment timelines and client satisfaction will measure its success in doing so. Specific goals and associated measures speak to legislative and human resources-related issues (goals four and five, respectively).

Management is confident that it has selected the most relevant suite of goals, and that it has defined closely connected and outcome-focused performance measures.

Management's confidence in the performance reporting systems is high. Compliance measures, for example, are based on clearly defined parameters and the professional judgment of experienced staff. Application assessment time measures are based on monthly information retrieval by an independent data professional. The following caveats are noted:

- In some instances, changes in tracking and reporting methodology limit availability of directly comparable historical baselines (e.g. number of inspections); and
- Methodological differences may limit the comparability of OGC performance measures with similar measures as tracked by industry (e.g. time to assess applications).

Recent performance benchmarks have been noted where sufficiently comparable ones are available (primarily relating to performance by the Alberta Energy and Utilities Board).

## Goal 1

We will continually improve public safety, protection of the environment, and conservation of petroleum resources.

### Enabling Legislation

#### ***Oil and Gas Commission Act, Section 3.***

“The purposes of the Commission are to:

- a) regulate oil and gas activities and pipelines in British Columbia in a manner that:
  - i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being,
  - ii) conserves oil and gas resources in British Columbia,
  - iii) ensures safe and efficient practices, and
  - iv) assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas...”

### Objectives

1. Increase the number and nature of field inspections.
2. Work collaboratively with industry to improve compliance and risk management.

### Strategies

1. Undertake risk and performance assessments, and identify appropriate preventative strategies.
2. Deliver educational and compliance programs to industry.
3. Implement the orphan site program as legislated by government.
4. Improve compliance-related data collection and expand compliance-related reporting.

Performance Measures	Targets				
	2005/06 Actual	2006/07 Forecast <sup>1</sup>	2007/08 Target	2008/09 Target	2009/10 Target
<b>Major compliance – exploration and development</b> <sup>2</sup> <i>Baseline: 79% (2001/02)</i> <i>Benchmark: 97.7% (Alberta EUB, 2004)</i> <sup>3</sup>	99.5%	93% <sup>4</sup>	94%	95%	96%
<b>Major compliance – facility, operations</b> <sup>5</sup> <i>Baseline: 93% (2002/03)</i> <i>Benchmark: 97.7% (Alberta EUB, 2004)</i> <sup>6</sup>	97.7%	95.2%	97%	97%	97%
<b>Number of inspections</b> <i>Baseline: n/a</i> <sup>7</sup>	4,361	5,100	4,370	4,990	4,990

<sup>1</sup> 2006/07 forecast values generated January 2007.

<sup>2</sup> Compliance rates reflect the total number of individual inspection parameters found to be in-compliance, as a percentage of the total number of such parameters across all sites inspected. OGC is reviewing compliance reporting methodology.

<sup>3</sup> Percent of major and serious unsatisfactory incidents of noncompliance related to field inspection results, 2004 = 2.3%; Alberta Ministry of Energy 2004-05 Annual Report, p. 49.

<sup>4</sup> The OGC is working to improve the transparency of inspection results and accordingly, the methodology to calculate this metric has been adjusted. We invite any comments on how you feel the quality of this information can be improved.

<sup>5</sup> Compliance rates reflect the total number of individual inspection parameters found to be in-compliance, as a percentage of the total number of such parameters across all sites inspected.

<sup>6</sup> Percent of major and serious unsatisfactory incidents of noncompliance related to field inspection results, 2004 = 2.3%; Alberta Ministry of Energy 2004-05 Annual Report, p. 49.



## Goal 2

We will make timely and informed decisions based upon the input we receive.

### Enabling Legislation

#### ***Oil and Gas Commission Act, Section 3.***

“The purposes of the Commission are to:

- b) provide for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects...”

### Objectives

1. Maintain service levels and meet growth demands through the continuous improvement of people, processes and tools.
2. Combine community knowledge and science in all aspects of regulation.
3. Improve dispute resolution processes, procedures and outcomes.

### Strategies

1. Complete process improvements and establish a “continuously learning” organization.
2. Create an electronic application system and program management tools.
3. Develop and implement an enhanced alternative dispute resolution program.

Performance Measure	Targets				
	2005/06 Actual	2006/07 Forecast <sup>8</sup>	2007/08 Target	2008/09 Target	2009/10 Target
<b>Average number of calendar days to assess new applications</b> <i>Baseline:</i> 32.71 calendar days (2001/02) <i>Benchmark:</i> 30 days (Colorado Oil and Gas Conservation Commission Strategic Plan) <sup>9</sup>	33.28	25	23	21	21

<sup>7</sup> The OGC is moving towards a risk-based inspection system, which may result in fewer numbers of inspections overall in the future offset by an increase in the number of high risk inspections.

<sup>8</sup> 2006/07 YTD forecast made January 2007.

<sup>9</sup> Objective 2, “Expedite the processing of oil and gas well drilling, re-completion and disposal/enhanced recovery well permit applications”; measure 2, “Process all complete permit applications within 30 days”; <http://oil-gas.state.co.us/>

### Goal 3

We will strengthen our relationships with stakeholders, First Nations, and clients.

#### Enabling Legislation

##### ***Oil and Gas Commission Act, Section 3.***

“The purposes of the Commission are to:

- c) encourage the participation of First Nations and aboriginal peoples in processes affecting them, and
- d) participate in planning processes, and
- e) undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the commission.

#### Objectives

1. Improve extent and quality of engagement with stakeholders, First Nations, and clients.
2. Provide a dispute resolution model of appropriate scope.
3. Ensure appropriate consultation regarding application assessments.

#### Strategies

1. Regularly assess client and key stakeholder satisfaction with OGC.
2. Develop an appropriate suite of dispute resolution tools for stakeholders.
3. Review and update agreements and MOUs with First Nations and partner ministries and agencies.
4. Implement a timely abandonment and restoration program for oil and gas facilities.

Performance Measures	Targets				
	2005/06 Actual	2006/07 Forecast <sup>10</sup>	2007/08 Target	2008/09 Target	2009/10 Target
<b>Percent of applications responded to by First Nations</b> <i>Baseline: 75.2% (2001/02)</i>	83%	80%	84%	84%	84%
<b>Client satisfaction</b> <i>Baseline: n/a</i>	n/a%	n/a <sup>11</sup>	85%	85%	85%

<sup>10</sup> 2006/07 forecast estimate made January 2007.

<sup>11</sup> Will be completed in Spring 2007.

## Goal 4

We will participate in modernizing the OGC's legislative and regulatory framework.

### Enabling Legislation

#### ***Oil and Gas Commission Act.***

#### Objectives

1. Enhance a comprehensive legislative and regulatory framework that enables improved and single-window delivery of services to industry.
2. Move towards performance-based regulation where appropriate, facilitating reliance on best-available technical information and wise-management practices.

#### Strategies

1. Support the Ministry of Energy, Mines and Petroleum Resources in the development of a new legislative and regulatory framework, and in consultations relating thereto.
2. Undertake internal business reviews and other processes necessary to facilitate the transition to a new legislative and regulatory framework.
3. Continually manage and improve MOUs with partner ministries and agencies, and ensure good communication with other levels of government.
4. Develop a suite of wise-management practices, facilitating site-specific approaches, for industry reference and use.
5. Determine where prescriptive regulatory approaches remain best suited to maintenance of safety, environment and conservation-related values.

Performance Measure	Targets				
	2005/06 Actual	2006/07 Forecast <sup>12</sup>	2007/08 Target	2008/09 Target	2009/10 Target
<b>Number of agencies that industry clients must work with on oil and gas applications</b> <i>Baseline: 6 (1998/99)</i>	2	2	1	1	1

<sup>12</sup> 2006/07 forecast value generated November 2006.

## Goal 5

We will provide a personal-best performance environment for our employees.

### Enabling Legislation

#### ***Oil and Gas Commission Act.***

#### Objectives

1. Improve organizational flexibility and competitiveness as an employer.
2. Enhance employee capabilities and professionalism.
3. Enhance management and leadership capabilities.
4. Improve employee retention.
5. Improve organizational productivity.

#### Strategies

1. Work towards long-term solutions to our recruitment and retention challenges.
2. Conduct regular performance evaluation and planning for all employees and close identified performance gaps.
3. Provide appropriate training and development opportunities to support individual and organizational capacity development.
4. Conduct regular performance surveys on senior managers and close identified performance gaps.
5. Formally engage staff and management in the development of human resource strategies which facilitate recruitment and retention, and which contribute to a professional, collaborative and inspiring work environment.

Performance Measures	Targets				
	2005/06 Actual	2006/07 Forecast <sup>13</sup>	2007/08 Target	2008/09 Target	2009/10 Target
<b>Percentage of employees with a performance plan and evaluation in place</b> <i>Baseline: 13% (2004/05)</i>	76%	100% <sup>14</sup>	100%	100%	100%
<b>Voluntary turnover rate of regular staff</b> <i>Baseline: 11.3% (2000/01)</i> <i>Benchmarks: 2.6% (BC Government, 2005/06); 5.4% (AEUB, 2004/05)</i>	21.95%	12.5%	9%	8%	7%
<b>Budgeted investment in training per employee</b>	n/a	\$2,650	\$3,000	\$4,000	\$4,000

<sup>13</sup> 2006/07 value forecast November 2006 based on year-to-date data.

<sup>14</sup> 2006/07 value forecast November 2006 based on year-to-date data.

## Goal 6

We will operate as a self-sustaining organization.

### Enabling Legislation

#### ***Oil and Gas Commission Act.***

#### Objectives

1. Achieve targeted financial results.
2. Minimize working capital pressures.
3. Ensure that prudent risk management practices are in place.

#### Strategies

1. Generate sufficient revenue to cover OGC costs.
2. Ensure sufficient working capital to manage unexpected fluctuations.
3. Fully implement the Risk Management Program.
4. Introduce an improved financial information system.
5. Continue to identify opportunities for efficiencies through process reviews.

Performance Measures	Targets				
	2005/06 Actual	2006/07 Forecast <sup>15</sup>	2007/08 Target	2008/09 Target	2009/10 Target
<b>Ratio between fees and levies</b> <i>Baseline: 66:34 (2003/04)</i>	n/a	55:45	56:44	56:44	56:44
<b>Percentage of costs recovered by revenue</b> <i>Baseline: n/a (new measure)</i>	106%	98.5%	100%	100%	100%

<sup>15</sup> 2006/07 value generated November 2006 based on year-to-date data.

## **Alignment with Government's Strategic Plan**

The OGC conducts itself in a manner that is consistent with government's core values of integrity, fiscal responsibility, accountability, respect and choice. There is a strong alignment between OGC activities – and the pursuit of the specific goals defined in this service plan – and government's overarching vision, which is:

*To be a prosperous and just province, whose citizens achieve their potential and have confidence in the future*

There is also a strong alignment between OGC activities and goals, and two of government's Five Great Goals for the decade ahead:

*To lead the world in sustainable environmental management*

Sustainable environmental outcomes are key criteria across all of the OGC's core service areas. They are central elements of the application assessment, compliance and enforcement and resource conservation functions. Advancing the quality of environmental outcomes through, for example, the application of traditional knowledge – is also a key element of the First Nations consultation function. With its regulation of an important and growing natural resource sector, the OGC makes a significant contribution to the pursuit of sustainable environmental management throughout British Columbia.

*To create more jobs per capita than anywhere else in Canada*

One of the key objectives of timely and single-window regulation is to ensure that industry is not unduly inhibited in its ability to respond to opportunities, and to achieve optimal levels of productivity and growth. A regulatory environment of this type fosters employment growth within the oil and gas sector. By providing such regulation within one of British Columbia's most dynamic economic sectors, the OGC makes a significant contribution to job creation.

## Summary Financial Outlook

(\$000)	2005/06 Budget	2005/06 Actual	2006/07 Budget	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
<b>Revenue</b>						
Fees	14,982	16,605	17,909	15,640	16,547	17,507
Levies	11,173	11,415	14,693	14,003	14,003	14,003
Misc.	50	1,709	545	1,025	1,025	1,087
<b>Total Revenues</b>	<b>26,205</b>	<b>29,729</b>	<b>33,147</b>	<b>30,668</b>	<b>31,606</b>	<b>32,597</b>
<b>Expenses</b>						
First Nations	9,940	11,108	11,600	9,860	10,432	11,037
Salaries/Benefits	10,497	10,078	13,303	14,048	14,399	14,759
Operating expenses	5,416	6,776	6,533	7,824	8,059	8,300
<b>Total Expenses</b>	<b>25,853</b>	<b>27,962</b>	<b>31,436</b>	<b>31,732</b>	<b>32,890</b>	<b>34,097</b>
<b>Operating Income (Loss)</b>	<b>352</b>	<b>1,767</b>	<b>(95)</b>	<b>(1064)</b>	<b>(1,284)</b>	<b>(1,499)</b>
Amortization of Contributed Assets	95	95	95	95	95	95
<b>Net Income (Loss)</b>	<b>447</b>	<b>1,862</b>	<b>0</b>	<b>(969)<sup>16</sup></b>	<b>(1,189)</b>	<b>(1,404)</b>
Full Time Equivalents	140	154	154	154	154	154
Capital Expenditures	452	826	1,716	1,382	1,423	1,466
<b>Linking Goals with Required Resources</b>						
Goal 1	3,874	4,214	5,287	5,468	5,614	5,765
Goal 2	3,395	3,539	4,441	4,593	4,716	4,843
Goal 3	1,957	2,191	2,749	2,843	2,920	2,998
Goal 4	2,381	2,360	2,961	3,062	3,144	3,228
Goals 5 & 6	4,306	4,551	5,710	5,905	6,064	6,226
<b>Total Required Resources</b> (Direct Operating Costs: Total Expenses less First Nations payments)	<b>15,913</b>	<b>16,854</b>	<b>21,147</b>	<b>21,872</b>	<b>22,458</b>	<b>23,060</b>

### Key Assumptions

- New well applications are 1,700, 1,800, 1,900
- Gas volumes are  $28.5 \times 10^9 \text{ m}^3$ ,  $28.5 \times 10^9 \text{ m}^3$ , &  $28.5 \times 10^9 \text{ m}^3$  (Ministry of Energy, Mines and Petroleum Resources).
- Oil volumes are  $1.26 \times 10^6 \text{ m}^3$ ,  $1.26 \times 10^6 \text{ m}^3$ , &  $1.26 \times 10^6 \text{ m}^3$  (Ministry of Energy, Mines and Petroleum Resources).
- Gas prices remain in excess of \$5/MCF.
- Estimated salaries increase 3.0%, 2.5%, 2.5%
- Inflation estimated at 3.0%
- The following levies and fee are implemented:

### Forecast Risks and Sensitivities

- Commodity price and production fluctuations
- Weather
- Exploration activity

	2006/07	2007/08	2008/09	2009/10
Gas Levy:	46¢	46¢	46¢	46¢
Oil Levy:	92¢	92¢	92¢	92¢
Well Fee:	\$8,700	\$8,700	\$8,700	\$8,700

<sup>16</sup> The estimated deficit for 2007/08 will be funded from cash reserves.

### **Major Capital Projects Information**

Not Applicable to the Oil and Gas Commission

### **Operating Segments Summary Information**

Not Applicable to the Oil and Gas Commission

### **Confidentiality**

No information in this Service Plan is deemed to be confidential.

### **Contact Information**

For general information about the Oil and Gas Commission, you can contact us at:

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