



Oil and Gas Commission
2008/09-2010/11 Service Plan



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Message from the Chair to the Minister of Energy, Mines and Petroleum Resources



Dear Honourable Minister Neufeld:

On behalf of the board of directors, management and staff of the British Columbia Oil and Gas Commission, I am pleased to submit this Service Plan for fiscal 2008/09 to 2010/11.

The Oil and Gas Commission is an independent integrated single-window regulatory agency with responsibilities for overseeing oil and gas operations including exploration, development, pipeline transportation, and reclamation. Among its more specific objectives are public safety, conservation of petroleum resources, fostering a healthy environment and equitable participation in production.

The Commission has authorities and responsibilities under the *Oil and Gas Commission Act*, *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*.

This year, 2008 marks the 10th anniversary of the Commission. It also marks a year of change within the organization; changes designed to strengthen core areas of responsibility, streamline the accountability framework and solidify relationships with Commission clients.

Organizational review has enabled focus on technical capacity. Recently, the OGC introduced the position of Chief Engineer, created to lead an enhanced and consolidated Engineering Division. The consolidated Engineering Division further strengthens existing technical expertise within the Commission by providing enhanced public and environmental safety.

Other important initiatives that have taken place include implementation of new First Nations agreements, introduction of the FrontCounter BC partnership in Fort St. John and establishing landowner outreach activities. Further guiding the Commission's mandate are important Memorandums of Understanding with the Agricultural Land Commission, the Mediation and Arbitration Board and the National Energy Board.

In support of the Province's Energy Plan goals, the Commission developed and introduced guidelines to reduce flaring and venting in order to achieve conservation of petroleum resources, and is one of six Canadian agencies endorsing a Global Gas Flaring Reduction Standard.

The goals in this Service Plan are inter-dependent and reflect the multi-faceted nature of the Commission's regulatory mandate. These goals capture the intended purpose of the Commission and provide set criteria for government, First Nations, landowners, stakeholders, industry and the general public to measure the success of the organization going forward.

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, 2008, 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.

Greg Reimer
Board Chair

January 2008

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Overview of the Organization

The Oil and Gas Commission (OGC or Commission) is a service delivery Crown Corporation that regulates oil and gas activity in British Columbia. Regulatory authority of the OGC is derived from the:

- *Oil and Gas Commission Act*
- *Pipeline Act*
- *Petroleum and Natural Gas Act*
- *Land Act*
- *Forest Act*
- *Forest Practices Code Of B.C. Act,*
- *Heritage Conservation Act,*
- *Environmental Management Act, and*
- *Water Act*

To view the legislation listed above, visit the OGC website at: www.ogc.gov.bc.ca/legislation.asp

Strategic direction and performance expectations from the Government of British Columbia are outlined in a Shareholders' Letter of Expectations. This clarification of roles is provided to ensure alignment of OGC activities with overarching provincial goals. The most recent Letter of Expectations was signed on June 26, 2007. It outlines the OGC's new role in delivering commitments to the following items:

- Support successful implementation of the Province's 2007 Energy Plan;
- Ensure industry will reduce flaring at oil and gas producing wells and production facilities by 50 percent by 2011; and
- Engage staff in development of solutions to meet government climate change expectations, including development of an OGC-specific climate change plan.

To view the most recent Letter of Expectations, please visit:

<https://www.ogc.gov.bc.ca/expectations.asp>

As set out in section 3 of the *Oil and Gas Commission Act*, the purposes of the OGC are to:

Section of OGC Mandate	Specific Activities to Deliver Mandate
3. (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;	<ul style="list-style-type: none"> • Develop Regulations • Assess Drilling Deposit • Regulate Drilling Waste • Regulate Air Discharge • Implement Orphan Site Fund • Estimate Reclamation Costs • Process Certificates of Restoration • Reclamation Estimation • Implement Science and Community Environmental Knowledge (SCEK) Fund

Section of OGC Mandate	Specific Activities to Deliver Mandate
(ii) conserves oil and gas resources in British Columbia;	<ul style="list-style-type: none"> • Well Evaluation • Depletion Analysis • Inventory Hydrocarbons • Map Resources
(iii) ensures safe and efficient practices; and,	<ul style="list-style-type: none"> • Conduct Inspections • Ensure Appropriate Complaint Responses • Ensure Appropriate Incident Responses • Respond to Emergencies • Review Industry Safety Plans
(iv) assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas.	<ul style="list-style-type: none"> • Conduct Correlative Rights Review
(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;	<ul style="list-style-type: none"> • Review Applications for Activity • Review Sour Wells Classifications • Transfer Assets • Enable Public Engagement
(c) encourage the participation of First Nations and aboriginal peoples in processes affecting them;	<ul style="list-style-type: none"> • Consult with First Nations • Develop Agreements with First Nations
(d) participate in planning processes; and,	<ul style="list-style-type: none"> • Participate in Inter-Agency Activities
(e) undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the commission.	<ul style="list-style-type: none"> • Conduct Landowner Liaison Activities • Advisory Committees • Respond to Requests for Information

Activities undertaken by the OGC within this mandate ensure the safe operation of oil and gas related activities in the Province while encouraging a balance between economic, social and environmental benefits.

Service Delivery

The services provided by the OGC under the legislated mandate as described above fall into four broad categories, outlined below.

1. Review and assessment of applications for oil and gas activities, and issuance of approvals when appropriate, including, but not limited to:

- Wells
- Pipelines and Facilities
- Geophysical Activities
- Roads
- Engineering and Geology
- Transfer of Assets

More information about the application review process is available on the OGC website:

<https://www.ogc.gov.bc.ca/miscellaneous.asp>

2. Ensuring industry compliance with legislative, regulatory and permit-specific requirements, in part through inspections and other monitoring and enforcement activities. Qualified OGC inspectors make physical visits to oil and gas activity sites to ensure that operations are proceeding in accordance with applicable regulations. For more information on compliance and enforcement activities, please visit: www.ogc.gov.bc.ca/compliance.asp

3. Completion of First Nations consultation on applications for activity. Consultation relationships with First Nations in Northeast British Columbia are guided by negotiated Consultation Process Agreements (CPAs) in place with First Nation communities in Northeast British Columbia. For more information on these agreements and the consultation process, please visit the OGC website at: www.ogc.gov.bc.ca/pubdoc.asp_view=9.html

4. Cooperating with the Ministry of Energy, Mines and Petroleum Resources, Ministry of Environment, Ministry of Agriculture and Lands, Ministry of Forests and other government agencies to ensure effective delivery of government policy, including goals in the BC Energy Plan.

Recent Changes to OGC Service Delivery

The OGC made several adjustments to enhance service delivery based on changes in the operating environment. A summary of the changes is provided below.

Enhanced Planning Process

The OGC is often required to respond to time-critical events. In order to provide greater consistency in the way the OGC responds to events, the OGC has increased its focus on planning for both the near and longer term, through enhanced business planning and performance management processes.

First Nations Consultation Process Agreements

The signing and implementation of CPAs with six First Nations groups in Northeast British Columbia resulted in important changes to service delivery, outlined below. These agreements enhance service quality levels and provide increased consistency in timelines for service that can be expected from the OGC. In addition, the OGC and Blueberry First Nation signed a Long Term Oil and Gas Agreement in 2007/08, with another currently under negotiation with the McLeod Lake First Nation.

CPAs encourage industry engagement of First Nations prior to applications being submitted to the OGC. Through early engagement, industry can improve participation with First Nations and consultation timelines. For more information on these agreements, visit: www.ogc.gov.bc.ca/abrelations.asp

FrontCounter BC Office Opened in Fort St. John

The Fort St. John reception area of the OGC was transformed on August 23, 2007, as the doors to the Peace Region FrontCounter BC office were opened. As an established single window service provider for clients of provincial natural resource agencies, the OGC was a

natural choice to host FrontCounter BC, an office that accepts applications from small and medium-sized natural resource based-businesses as well as citizens of the Peace Region.

For more information on the FrontCounter BC office and its opening, please refer to: http://www2.news.gov.bc.ca/news_releases_2005-2009/2007AL0046-001052.htm

Enhanced Emergency Management Planning (EMP)

To mitigate the potential consequences of oil and gas related incidents, the OGC requires operators in British Columbia to establish emergency preparedness plans for facilities, pipelines and wells. In the case of an incident, the OGC's responsibility is to ensure that companies activate these plans effectively, thereby contributing to public confidence in the government's requirements for public health and safety.

The profile of the OGC's role in EMP has been raised over the last year, through extensive training and increased interagency cooperation. These efforts have improved awareness of the role of the OGC while maintaining a state of readiness. More information on the OGC EMP program is available at the following website:

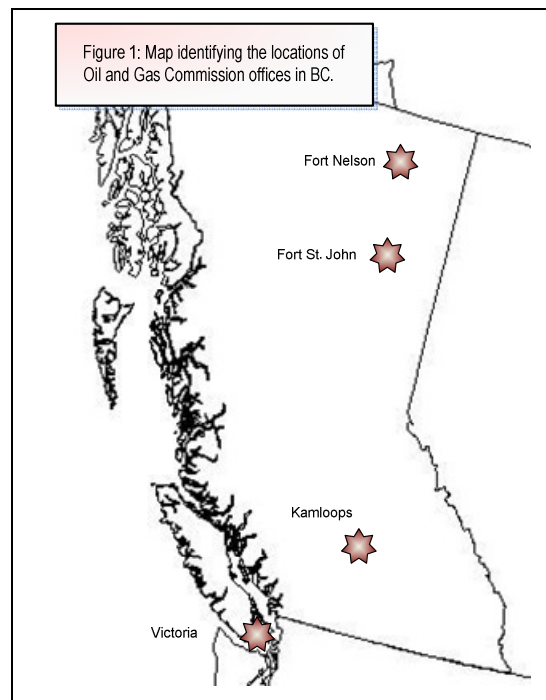
https://www.ogc.gov.bc.ca/well_erp_forms.asp

Location of Operations

The OGC has four offices in British Columbia. The headquarters of the OGC is located in Fort St. John, in the heart of the oil and gas activity for the Province. The majority of the OGC's employees operate from this location. The map in Figure 1 (right) indicates distribution of OGC locations across the Province.

Principal Partners, Clients and Stakeholders

The OGC is the regulator of oil and gas activity in British Columbia, providing value to stakeholders throughout the Province. OGC employees ensure the resource is recovered in the safest and most effective possible manner, and that any liabilities incurred through these activities are borne by the operators. In this capacity, the OGC regularly interfaces with industry, First Nations, landowners, other government agencies, and corporate peers in other jurisdictions.



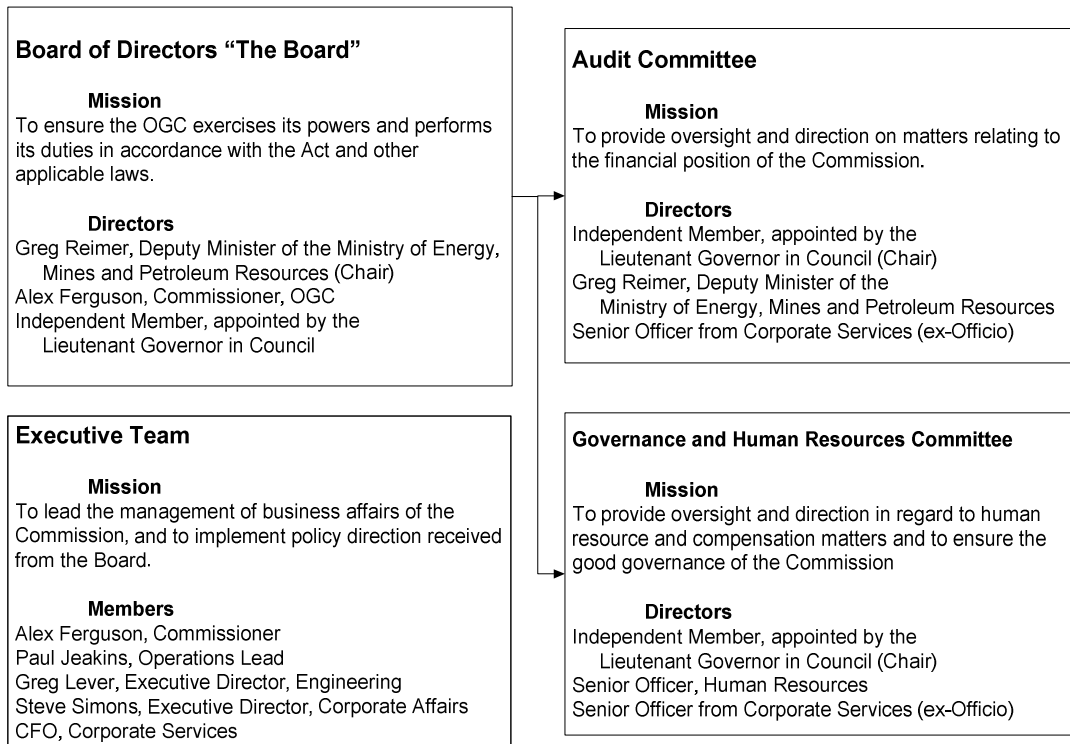
Corporate Governance

The OGC reports to a board of directors, as legislated through the *Oil and Gas Commission Act* (the Act). The board of directors are responsible for directing and overseeing the affairs and operations of the OGC; and:

- Ensure that the OGC exercises its powers in accordance with governing legislation;
- Ensure that the OGC establishes appropriate internal controls and practices; and
- Approve the OGC’s budget, Service Plans and regulatory initiatives.

In accordance with the Act, the OGC is governed by three directors consisting of the Deputy Minister, Ministry of Energy, Mines and Petroleum Resources (MEMPR) and two directors appointed by the Lieutenant Governor in Council: the Commissioner and an independent member. The Commissioner and Deputy Commissioner remain responsible for the operations of the OGC, which is achieved through the Executive Team.

As outlined in the chart below, the board has two established standing committees; the Audit Committee and the Governance and Human Resources Committee. The independent member serves as chair for the two sub-committees of the board. At the time this report was written, the OGC was in the process of identifying and placing an independent member on the board. Terms of Reference for the board and sub-committees are online: <https://www.ogc.gov.bc.ca/board.asp>



The Governance policies and practices of the Oil and Gas Commission are compliant with the [Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations \(Best Practice Guidelines\) February 2005](#) issued by the Board Resourcing and Development Office (BRDO), Office of the Premier of British Columbia.

Strategic Context

As the regulator of oil and gas activity in British Columbia, the Oil and Gas Commission continually strives to keep pace with a dynamic and rapidly growing oil and gas industry. This includes taking bold, proactive steps and providing innovative solutions to ensure safe and sustainable development while considering the needs of a competitive and thriving industry, community interactions and First Nation rights.

The following section provides an overview of the anticipated operating environment and key strategic issues faced by the OGC for 2008-09 through 2010-11. The format of this section is slightly different from previous years, highlighting key internal and external factors that may shape the business of the OGC, and outlining the OGC's proactive responses to these trends.

Factor	Description of Trend	OGC Response
EXTERNAL		
Regulatory Trends	<p>The oil and gas sector has grown and changed since the inception of the OGC. There have been recent shifts in First Nations consultation and public engagement trends in the Province as a whole, and specifically in the Northeast.</p> <p>The OGC has participated in a regulatory improvement initiative in 2004, the Oil and Gas Regulatory Improvement Initiative (OGRII), intended to update and combine several pieces of legislation to form a single guiding document for the OGC. Readiness for implementing OGRII decisions is a current focus, and ongoing implementation will be an important aspect of maintaining service delivery over the next three years.</p>	<p>The OGC is working with the Ministry of Energy, Mines and Petroleum Resources, the Ministry of Environment, the Ministry of Agriculture and Lands, among others, to improve the oil and gas sector regulatory environment.</p> <p>The priorities and areas of focus of the OGC's response to this are outlined in goal 4 of this Service Plan "The OGC continually improves the regulatory environment". Objectives and strategies under this goal include enhancing the ability to respond to change, and to contribute positively to regulatory change within OGC's authority. The OGC measures success through client satisfaction and the agreements in place.</p>
First Nations	<p>The OGC has begun implementing defined consultation relationships in coordination with First Nations communities in Northeast British Columbia. As the oil and gas industry evolves into new areas of the Province, consultation will occur with affected First Nations communities.</p>	<p>Continuing to build on previous experiences and defining new relationships with First Nations is an important part of OGC service delivery.</p> <p>Goal 3 in this Service Plan "The OGC is recognized as a service-oriented organization" outlines the OGC's commitment to maintain a strong service focus, which includes working with</p>

		First Nations communities.
Resource Planning and Development	Requirements are increasing for enhanced surface and sub-surface planning in the Province. This is relevant for all oil and gas activities, including tight, coal bed and shale gas developments.	<p>The OGC's response to this trend is to increase capacity for landscape-level resource planning.</p> <p>In addition, the OGC will continue to deliver its core mandate, and implement policy decisions. Throughout, the OGC will provide high levels of service (as outlined in goals 3 and 5 of this Service Plan), and update the regulatory environment (as outlined in goal 4).</p>
Major Pipeline Projects	<p>Over the next three years, the OGC anticipates an increase in applications for major pipeline projects, due to increased interest in the development of a Liquid Natural Gas (LNG) terminal in Kitimat, as well as a prospect for companies in Alberta to transport product recovered from the oil sands to coastal terminals.</p> <p>As new regions of the Province are identified for oil and gas activity, consultation requirements with First Nations, landowners and the public will be increased.</p>	<p>Internally, the OGC is prepared to manage these shifts through the implementation of revised application procedures and increasing internal technical capacity to review and manage new and complex applications.</p> <p>The OGC is also working with external agencies in the establishment of a provincial major oil and gas projects team.</p> <p>Objectives and strategies related to ensuring that quality decisions are made in a timely manner and that technical expertise is in place are presented in goals 2 and 5 of this Service Plan.</p>
Industry Activity Trends	<p>Oil prices reached record high levels in 2007, increasing steadily as demand grows while production remains steady. Crude prices are expected to remain high; however, most of British Columbia's production is natural gas. Over the last three years, gas prices have largely stayed in the \$6 to \$8 range (\$US/MMBtu), with the exception of a brief period in Winter 2006 period.</p> <p>In a study released in August 2007, the Conference Board of Canada forecasted that British Columbia's share of Canadian natural gas production will generally rise as</p>	<p>The response of the OGC is to carefully monitor revenues and manage expectations around service delivery.</p> <p>Regardless of the industry activity levels, the OGC will ensure that all goals of this Service Plan are achieved.</p>

	<p>Alberta's portion will slip to 72 percent in 2011. This will be down from 2006 levels of 77 percent.</p> <p>The same report indicates that while prices are expected to remain steady in the short term, a potential downturn in the American economy may depress natural gas prices.</p>	
INTERNAL		
Technology	<p>As information technology evolves and becomes available to the OGC, many opportunities are presented to improve service delivery. New technologies provide opportunities to increase linkages between working groups, reduce timelines for service delivery, increase data integrity and increase quality of decision making.</p>	<p>The OGC recognizes that technology is an important part of delivering all of the OGC's goals. Improving technologies and data integrity for operational activities (such as compliance, emergency planning and reservoir management) help the Commission achieve goal 1, to "Protect the Public Interest".</p> <p>Technology is an important tool for the OGC to streamline the application process, to ensure consistency of information used in decision making, and improve accessibility of services.</p>
Reorganization	<p>As the oil and gas industry matures, the OGC handles more complex development applications each year, resulting in more complex consultation and compliance activities.</p>	<p>In order to keep pace with changing needs, the OGC streamlines regulatory processes, aggressively pursues skilled workers and conducts ongoing skills training and development for OGC staff.</p> <p>Further re-structuring of the engineering and technical groups was undertaken to enhance knowledge sharing across the organization.</p>

Achieving Goals of this Service Plan

The OGC has developed strategies with regard to operating environment drivers in order to achieve the goals, objectives, strategies and performance targets of this Service Plan, outlined below.

1. Implementation of Updated Legislation and Regulations

Driver: A key step to reaching the goals and targets of this Service Plan is the introduction of updated legislation and regulations that are being developed through OGR11.

Response: The OGC is implementing process improvements while preparing internal systems and resources to align with new legislation, ensuring a seamless transition.

The OGC is also an active participant in the development of updated legislation and regulations.

2. BC Energy Plan

Driver: The introduction of the provincial BC Energy Plan has, in some areas, accelerated project development requiring reallocation of resources to these priority areas.

Response: The OGC continues to move forward with implementing priority aspects of the BC Energy Plan, including flaring reduction, commingling policy and community engagement.

3. Technical and Capacity Requirements

Driver: The OGC faces specific industry and location pressures that affect recruitment and retention efforts. The OGC competes with industry for experienced and qualified employees; in addition, the OGC operates in remote locations.

Response: The OGC has recently negotiated agreements with both the British Columbia Government and Service Employees Union (BCGEU) and Professional Employees Association (PEA) to improve the ability of the OGC to respond to this highly competitive market.

In order to meet technical and capacity requirements, the OGC will support leadership development, an environment that promotes health and safety, and the infrastructure and support services that are necessary to ensure employee and organizational growth and development.

Goals, Objectives, Strategies and Performance Measures

The goals, objectives and strategies that are presented in this Service Plan have been developed as a direct result of an internal review of the OGC and its operating environment. Input was sought by First Nations and the OGC's Advisory Committee.

These goals, strategies and measures are critical to the organization:

- The goals, strategies and measures that have been selected for the OGC's 2008/09-10/11 Service Plan are an integral part of the business planning cycle for the organization as they form the basis for prioritization of activities. Projects are undertaken by the OGC based on their ability to help the OGC achieve its goals.

Changes to goals, objectives, strategies and measures from the previous year:

- The OGC has a responsibility to outline changes in organizational direction in response to changes in the operating environment.
- Over the last year, as part of the OGC's long-term planning process, the goals, objectives and strategies of this Service Plan were reviewed in detail. This was completed in order to modernize and update stated direction based on changes to the operating environment.
- The review process included the opportunity to engage staff in the process of direction setting, and input was provided at all levels of the organization.

- The review process focused on re-visiting the mandate of the organization as outlined in legislation, and identified and documented organizational shifts that have taken place in response to a wide variety of policy changes.
- A high-level summary of changes to the Service Plan is provided in Appendix 1.

Goals

Based on this exercise, new goals were identified for the OGC as follows:

1. The OGC protects the interests of the people of British Columbia.
2. The OGC makes quality decisions in a timely manner.
3. The OGC is recognized as a service oriented organization.
4. The OGC continually improves the regulatory environment.
5. The OGC is a great place to work.

These goals represent the foundation for the future direction of the OGC based on existing legislation and a dynamic and evolving operating environment. The goals are inter-dependent and reflect the multi-faceted nature of the OGC's regulatory mandate. These goals also clearly capture the intended purpose of the OGC and provide a set of criteria for government, First Nations, landowners, stakeholders, industry and the general public to assess the success of the organization going forward.

The goal of protecting the interests of the people of British Columbia is the result of many activities undertaken by the OGC in the public interest, including: public engagement, application review, compliance and enforcement, engineering reviews and emergency management functions. This also includes the resource conservation activities, which ensure that the oil and gas resource is extracted in the most efficient way possible, and environmental management activities which ensure that environmental standards are achieved. This goal provides clarity about the public purpose served by the OGC and combines the intent behind the mandate for public safety, environmental protection and resource conservation.

Quality decisions as described in goal 2 relate to the statutory decision making authority that is delegated to the Commission through legislation. The Commission endeavors to adjudicate activity applications in a timely manner based on available information. Activities included under this goal are: application processing, transfer of assets, general management of internal operations, and capturing and documenting corporate knowledge.

Goal 3 reflects the OGC's aim to proactively set a standard of excellence in service for clients. Clients are considered to be all people in British Columbia, including communities, First Nations and stakeholders. Activities included under this goal are FrontCounter BC, landowner liaison services and alternative dispute resolution, among others.

Goal 4 relates to regulatory improvement and speaks to the ability of the OGC to create and improve the regulatory environment for oil and gas in the Province. There are many activities that the OGC undertakes to achieve this goal, including the development of Memorandums of Understanding (MOUs) with partner agencies, establishing and implementing agreements with

First Nations, leading the development of regulations within the Commission’s authority and implementing government policy.

Goal 5 represents the OGC’s commitment to improve the quality of work experience for employees by instilling a culture of “the OGC is a great place to work”. Activities under this goal include the development of organizational training and performance management plans, implementing a robust health and safety program, and engaging staff across the organization in the development of these goals, objectives and strategies.

The goal relating to being a financial self-sustaining organization (former goal 6) was removed. The former goal represents an activity that is an inherent part of doing business at the OGC, and takes place in order to achieve the other goals of the OGC.

Other shifts in wording were made to consolidate, simplify and modernize the goals. These changes result in an increasingly transparent and complete picture of the direction of the OGC, which will be used to guide future activities and inform the public of those activities.

Objectives

Within each of these goals, several objectives were crafted. Objectives are statements that define the broad areas under each of the goals in which the OGC will focus and invest its efforts. They are based on direction received from the annual review process. The objectives of the OGC associated with each goal are:

Goal 1	Maintain public safety and safety of operations.
	Minimize potential for negative environmental effects from oil and gas activities.
	Ensure optimal recovery of oil and gas resources over time.
Goal 2	Decisions consistent with the complexity of the operating environment.
	Maintain consistency of information and processes used in decision making.
Goal 3	Build and sustain relationships of trust and confidence with communities First Nations and stakeholders.
	Enhance the culture of service excellence.
Goal 4	Contribute to the ongoing development of an innovative and efficient regulatory framework for oil and gas activities in British Columbia.
	Support an environment where innovative practices can be brought forward.
Goal 5	Support a healthy and safe work environment.
	Ensure appropriate infrastructure and support services are in place to allow for development and growth of OGC employees.

The objectives included under goal 1 set out the mandate of the OGC as outlined in legislation. Objectives in goal 2 highlight the priority to be both aware of the external environment, and to also ensure that internal capacity is present to support decisions. In much the same way, goal 3 outlines internal and external components to build and sustain quality service delivery standards. Objectives of goal 4 highlight the OGC’s priority to build innovative activities into aspects of regulation, and objectives in goal 5 outline the ways in which the OGC will ensure our working environment serves the needs of OGC employees.

Strategies and Performance Measures

Depending on resource capacity and management priorities, some strategies will receive greater focus than others in the coming years. This is the area of the Service Plan which changes most frequently, as strategies are often achieved and become a part of the ongoing business of the OGC.

Underlying the delivery of each of the strategies are ongoing operational priorities and key projects critical to achieving the OGC's mandate, addressing government priorities and accomplishing strategic shifts. To answer the questions, "are the actions having the desired effect?" and, "are the objectives and goals being met?", the OGC has adopted a portfolio of performance measures, which are outlined below.

For each of the goals, the strategies and performance measures are:

Goal	Strategies	Performance Measures
1	<ol style="list-style-type: none"> 1. Develop, implement and maintain internal systems and processes for managing risks to public interests. 2. Maintain emergency management and emergency response planning framework. 3. Develop innovative reservoir management techniques for efficient and effective extraction of petroleum resources for unconventional gas. 	<ol style="list-style-type: none"> 1. Major compliance – exploration and development 2. Major compliance – facility, operations
2	<ol style="list-style-type: none"> 1. Strengthen organizational and employee capacity for effective issue management and decision making. 2. Implement process improvement initiatives. 3. Communicate the role of the OGC to First Nations, industry, public, and landowners. 	<ol style="list-style-type: none"> 1. Calendar days to process new applications 2. Internal processes conforming to specified quality assurance criteria
3	<ol style="list-style-type: none"> 1. Apply previous learning when developing new partnerships with First Nations. 2. Ensure OGC services are readily and consistently available. 3. Increase the OGC's profile. 4. Ensure consistent and transparent reporting. 5. Integrate FrontCounter BC with OGC operations. 	<ol style="list-style-type: none"> 1. Percentage of applications responded to by First Nations 2. Client satisfaction among all surveyed 3. Number of community awareness meetings conducted in the Peace Region
4	<ol style="list-style-type: none"> 1. Develop and document relationships with partner ministries and agencies. 2. Communicate a broader level of understanding of the oil and gas regulatory system with stakeholders and partner agencies. 3. Utilize available academic, research and development funds in advancing best practices. 4. Lead the development of regulations within the Commission's mandate and responsibilities. 	<ol style="list-style-type: none"> 1. Number of updated MOUs or working agreements with partner agencies 2. Number of new MOUs or working agreements with partner agencies 3. Client Satisfaction (among partners with whom the OGC holds MOUs)
5	<ol style="list-style-type: none"> 1. Utilize employee survey results to foster a climate where employees are engaged in their work. 2. Maintain the OGC health and wellness program in support of ActNow BC. 3. Improve training, knowledge and education organization wide. 	<ol style="list-style-type: none"> 1. Percentage of employees with a development plan in place 2. Voluntary turnover rate of regular staff 3. Percentage of employees that respond to employee engagement survey

Measurement

The OGC tracks data for performance measures from a number of sources, including:

- Application and compliance statistics, which are benchmarked against comparable jurisdictions;
- Engineering information related to oil and gas operations in British Columbia;
- Human resource information, including tracking of employee development;
- Information from surveys, including employee engagement and client satisfaction.

Organizational performance is measured quarterly. Where possible, benchmark and baseline information is reviewed to provide context to the results seen at the OGC. Detailed information related to the methodology of OGC performance measures is maintained and updated as necessary.

The OGC continually refines and develops its internal data capture systems to track progress towards meeting performance targets, most recently being accomplished through the organization-wide implementation of KERMIT (Knowledge, Enterprise, Resource, Management, Information and Technology); an information technology upgrade to the database system used to track applications. In addition, the OGC continues to link with external agencies to improve the quality and quantity of data used by the Commission to track and measure progress, including the Petroleum Registry and the Integrated Land Management Bureau, among others.

The components of service planning, business planning, budgeting and performance management are closely integrated. As a result, when an objective is revised or replaced, so must the strategies and performance measures associated with it be revised or replaced. This is the cycle of continuous improvement that underpins both effective public service planning and meaningful, accountable public performance reporting.

The information below presents the objectives, strategies and performance measures for each of the OGC's goals.

Goal 1							
The OGC protects the interests of the people of British Columbia.							
<u>Objectives</u>							
<ol style="list-style-type: none"> 1. Maintain public safety and safety of operations. 2. Minimize potential for negative environmental effects from oil and gas activities. 3. Ensure optimal recovery of oil and gas resources over time. 							
<u>Strategies</u>							
<ol style="list-style-type: none"> 1. Develop, implement and maintain internal systems and processes for managing risks to public interests. 2. Maintain emergency management and emergency response planning framework. 3. Develop innovative reservoir management techniques for efficient and effective extraction of petroleum resources for unconventional gas. 							
<u>Performance Measures</u>							
	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Forecast¹	2008/09 Target	2009/10 Target	2010/11 Target
Major compliance – exploration and development ² Baseline: 79% (2001/02) Benchmark: 97.7% (Alberta 2004)	93%	99%	94%	94%	95%	96%	97%
Major compliance – facility, operations Baseline: 93% (2002/03) Benchmark: 97.7% (Alberta, 2004)	97%	95%	97%	97%	97%	97%	97%

Targets for the first two performance measures were set based on a continuation of previous year's trends. Regulatory compliance commences as soon as an application for industrial activity is submitted. Prior to any industrial activity taking place, applications are reviewed to ensure legislative requirements and stakeholders concerns have been accounted for. During project reviews, modifications to an application may be requested by the Commission based on First Nation consultation, landowner concern or technical assessment results.

¹ Forecasts made January 7, 2008, based on 3rd Quarter performance.

² This metric will be updated as the OGC moves towards more outcome-based performance measures.

Goal 2							
The OGC makes quality decisions in a timely manner.							
<u>Objectives</u>							
<ol style="list-style-type: none"> 1. Decisions consistent with the complexity of the operating environment. 2. Maintain consistency of information and processes used in decision making. 							
<u>Strategies</u>							
<ol style="list-style-type: none"> 1. Strengthen organizational and employee capacity for effective issue management and decision making. 2. Implement process improvement initiatives. 3. Communicate the role of the OGC to First Nations, industry, public and landowners. 							
<u>Measures</u>							
	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Forecast³	2008/09 Target	2009/10 Target	2010/11 Target
Calendar days to process new applications	24	25	23	23	21	21	21
Internal processes conforming to specified quality assurance criteria	N/A New	N/A New	Q/A process developed	Q/A process implemented	90%	90%	90%

The performance measure for this goal applies to the majority of applications submitted for review. This measure does not include timelines for major project applications that may require enhanced review or prolonged review periods due to their complexity. Targets remain unchanged.

In fiscal 07/08 the OGC developed an internal Quality Assurance Specialist role to create and implement a variety of internal assurance processes. The quality assurance processes are designed to support our continual improvement initiatives through regular review and follow-up improvements. The internal quality audits allow the OGC to focus resources on necessary process design as well as continually adapt to a dynamic operating environment.

³ Forecasts made January 7, 2008, based on 3rd Quarter performance.

Goal 3							
The OGC is recognized as a service oriented organization.							
<u>Objectives</u>							
<ol style="list-style-type: none"> 1. Build and sustain relationships of trust and confidence with communities, First Nations and stakeholders. 2. Enhance the culture of service excellence. 							
<u>Strategies</u>							
<ol style="list-style-type: none"> 1. Apply previous learning when developing new partnerships with First Nations. 2. Ensure OGC services are readily and consistently available. 3. Increase the OGC's profile. 4. Ensure consistent and transparent reporting. 5. Integrate FrontCounter BC with OGC operations. 							
<u>Measures</u>							
	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Forecast⁴	2008/09 Target	2009/10 Target	2010/11 Target
Percentage of applications responded to by First Nations Baseline: 75.2% (2001/02) Benchmark: n/a	84%	76%	84%	82%	84%	84%	85%
Client satisfaction among all surveyed Baseline: 89% (2006/07) Benchmark: 76% (Alberta Energy Utilities Board - AEUB)	80%	89%	85%	85%	87%	89%	91%
Number of community awareness meetings conducted in the Peace Region Baseline: 10 (2006/07) Benchmark: N/A	N/A New	N/A New	10	10	10	11	12

As a part of the Consultation Process Agreements in place with First Nations, a suggestion for a new measure under this goal has been presented: "Percentage of applications significantly amended, or rejected, based upon issues identified in the First Nations Review and Response Forms". Over 2008/09, the OGC will track and further define this measure to assess the feasibility of inclusion in future Service Plans.

As a Crown Corporation, the OGC's accountabilities extend to affected communities, First Nations, client companies and their representative associations. All of these constituents form participants in the client survey.

Fiscal 06/07 saw the introduction of a rural outreach initiative aimed at conveying the various roles and services of the OGC to local landowners and other interested community members. This pilot was successfully conducted at 10 public meetings capturing 39 rural communities in the Peace region.

⁴ Forecasts made January 7, 2008, based on 3rd Quarter performance.

Goal 4					
The OGC continually improves the regulatory environment.					
<u>Objectives</u>					
<ol style="list-style-type: none"> 1. Contribute to the ongoing development of an innovative and efficient regulatory framework for oil and gas activities in British Columbia. 2. Support an environment where innovative practices can be brought forward. 					
<u>Strategies</u>					
<ol style="list-style-type: none"> 1. Develop and document relationships with partner ministries and agencies. 2. Communicate a broader level of understanding of the oil and gas regulatory system with stakeholders and partner agencies. 3. Utilize available academic, research and development funds in advancing best practices. 4. Lead the development of regulations within the Commission's mandate and responsibilities. 					
<u>Measures</u>					
	2007/08 Target	2007/08 Forecast	2008/09 Target	2009/10 Target	2010/11 Target
Number of updated MOUs or working agreements with partner agencies <small>Baseline: 18 (total number of MOUs at 2007/08) Benchmark: N/A</small>	2	2	2	2	2
Number of new MOUs or working agreements with partner agencies <small>Baseline: 18 (total number of MOUs at 2007/08) Benchmark: N/A</small>	2	2	2	2	2
Client Satisfaction (among partners with whom the OGC holds MOUs)	N/A New	N/A New	To be Determined	To be Determined	To be Determined

In an effort to continually improve the regulatory environment the OGC maintains a number of working agreements and memorandum of understanding (MOU) that support and define the relationship and delegated authorities with partner agencies.

The agreements support OGC authority with respect to upholding the values associated with the partner agencies' mandates. They also ensure a continued dialogue with partner agencies as agreements require updates or enhancements.

Client satisfaction is a new measure for this goal, and provides a measure of the quality of interaction perceived by partner agencies through the implementing of the oil and gas legislative and regulatory framework. In 2008/09 the OGC will investigate benchmarks and work with partners with whom the OGC holds MOUs to set targets for future reports.

Goal 5							
The OGC is a great place to work.							
<u>Objectives</u>							
<ol style="list-style-type: none"> 1. Support a healthy and safe work environment. 2. Ensure appropriate infrastructure and support services are in place to allow for development and growth of OGC employees. 							
<u>Strategies</u>							
<ol style="list-style-type: none"> 1. Utilize employee survey results to foster a climate where employees are engaged in their work. 2. Maintain the OGC health and wellness program in support of ActNow BC. 3. Improve training, knowledge and education organization wide. 							
<u>Measures</u>							
	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Forecast	2008/09 Target	2009/10 Target	2010/11 Target
Percentage of employees with a development plan ⁵ in place	N/A New	N/A New	N/A New	N/A New	100%	100%	100%
Voluntary turnover rate of regular staff Baseline: 11.3% (2000/01) Benchmark: 5.4% (AEUB 2004/05)	10%	15%	9%	15% ⁶	10%	10%	10%
Percentage of employees that respond to an employee engagement survey Baseline: 94% (2007/08) Benchmark: 70% (Public Service Agency 2007/08)	N/A New	N/A New	N/A New	N/A New	85%	85%	85%

The first measure has been adjusted from previous years to reflect changes to the performance management system in place for the OGC. Targets have been set based on current organizational capacity. The second measure is unchanged from previous years, although the targets have been adjusted based on the reality of a dynamic and competitive operating environment. The third measure has been introduced to reflect the priority that has been placed at an executive level on employee engagement, and to measure the outcome of objectives and strategies introduced in this Service Plan.

⁵ Individualized plans detailing developmental and training goals.

⁶ Forecast made January, 2008

**SUMMARY FINANCIAL OUTLOOK
(CONSOLIDATED 2007/08 Onward)**

	2006/07	2006/07	2007/08	2007/08	2008/09	2009/10	2010/11	2011/12
(\$000)	Budget	Actual	BUDGET	ESTIMATE	Budget	Forecast	Forecast	Forecast
Revenue								
Fees	17,909	14,364	13,900	12,594	13,900	14,355	14,810	15,265
Levies	14,693	14,176	13,969	14,214	14,167	14,127	14,071	14,019
Misc.	545	1,050	1,065	781	780	780	780	780
Orphan Sites Reclamation Fund			964	900	904	901	898	895
Total Revenues	33,147	29,590	29,898	28,489	29,751	30,163	30,559	30,959
Expenses								
First Nations	11,600	9,065	8,700	7,657	7,830	8,120	8,410	8,700
Salaries/Benefits	13,303	11,262	14,424	13,194	14,496	14,858	15,230	15,611
Operating Expenses (incl. Amort.)	6,533	6,574	9,543	7,495	9,584	9,872	10,168	10,473
Orphan Sites Reclamation Activities	0	0	0	100	800	800	1,000	1,000
Total Expenses	31,436	26,901	32,667	28,446	32,710	33,650	34,808	35,784
Operating Income (Loss)	1,711	2,689	-2,769	43	-2,959	-3,487	-4,249	-4,825
Amortization of Contributed Assets	95	95	95	95	48	0	0	0
Net Income (Loss)	1,806	2,784	-2,674	138	-2,911	-3,487	-4,249	-4,825
Deficit/Surplus Management Allowance					2,911	3,487	4,241	4,825
Adjusted Net Income	1,806	2,784	-2,674	138	0	0	0	0
Full Time Equivalents	154	154	154	154	162	162	164	166
Capital Expenditures	1,716	1,257	1,382	1,074	1,990	403	415	428
Total Required Resources	21,147	17,836	23,967	20,789	24,880	25,530	26,398	27,084
<i>Total Expenses less First Nations payments, not including Capital Expenditures</i>								

* NOTE: Fee/levy increases and/or expenditure decreases and/or use of retained earnings may be necessary to offset any operational deficits arising due to variances from forecasted revenues and expenditures.

Key Assumptions	Forecast Risks and Sensitivities
<ul style="list-style-type: none"> • New well applications are 1350, 1400, 1450 and 1500 starting in 2008/09 • Gas volumes are 27.2x10⁹m³, 27.3 x10⁹m³, 27.3 x10⁹m³ and 27.3 x10⁹m³ starting in 2008/09 • Oil Volumes are 1.474x10⁶m³, 1.395x10⁶m³, 1.322 x10⁶m³ and 1.255 x10⁶m³ starting in 2008/09 • Gas prices remain in excess of \$5/MCF • Estimated salary increases are 2.5% per annum starting in 2008/09 • Inflation estimated at 3% per annum • Reclamation activities projected at 4, 4, 5 and 5 well sites per annum @ \$200K each starting in 2008/09 • Well application fees remain at \$9100 for "first drill" exploration • Oil levy remains at \$0.94 per cubic meter • Gas levy remains at \$0.47 per 1000 cubic meters 	<ul style="list-style-type: none"> • Commercial price and production fluctuations • Adverse weather conditions • Exploration activity levels (well applications) • Fee/levy increases and/or expenditure decreases and/or use of retained earnings may be required to offset any deficits arising due to variances from forecasted revenues and expenditures

Major Capital Projects

Not Applicable to the Oil and Gas Commission.

Subsidiaries and Operating Segments

Not Applicable to the Oil and Gas Commission.

Confidentiality

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

Contact Information

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Appendix 1: Changes to Goals and Measures

2007/08 Service Plan	2008/09 Service Plan	Comments
<p>Goal 1: We will continually improve public safety, protection of the environment, and conservation of petroleum resources.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Major compliance – exploration and development ● Major compliance – facility, operations ● Number of inspections 	<p>Goal 1: The OGC protects the interests of the people of British Columbia.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Major compliance – exploration and development ● Major compliance – facility, operations 	<p>This change provides clarity about the public purpose served by the OGC and combines the intent of public safety, environmental protection and conservation. The new goal also identifies that the people of British Columbia are the beneficiaries of services provided by the OGC.</p> <p>The 'Number of inspections' measure has been removed as the OGC has introduced a measure to more accurately reflect the quality of inspections. The OGC has employed an OSI model that focuses inspections on high priority operations.</p>
<p>Goal 2: We will make timely and informed decisions based on the input we receive.</p> <p>Measure:</p> <ul style="list-style-type: none"> ● Average number of calendar days to assess new applications. 	<p>The OGC makes quality decisions in a timely manner.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Calendar days to process new applications ● Internal processes conforming to specified quality assurance criteria 	<p>The new goal focuses on quality decisions. The current goal states that we will only make decisions based on the input we receive. The new goal is more proactive in nature.</p> <p>Quality assurance processes are designed to support our continual improvement initiatives through regular review and follow-up improvements. The internal quality audits allow the OGC to focus resources on necessary process design as well as continually adapt to a dynamic operating environment.</p>
<p>Goal 3: We will strengthen our relationships with stakeholders, First Nations and clients.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Percentage of applications responded to by First Nations. ● Client Satisfaction among all surveyed. 	<p>The OGC is recognized as a service oriented organization.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Percentage of applications responded to by First Nations ● Client Satisfaction among all surveyed ● Number of community awareness meetings conducted in the Peace region 	<p>Quality service is about more than building relationships; it is also about building respect and credibility. The OGC has moved towards a more inclusive definition of client.</p> <p>Fiscal 06/07 saw the introduction of a rural outreach initiative aimed at conveying the various roles and services of the OGC to local landowners and other interested community members. This pilot initiative was successfully conducted through 10 public meetings capturing 39 rural communities in the Peace Region.</p>
<p>Goal 4: We will participate in modernizing the OGC's legislative and regulatory framework.</p> <p>Measure:</p> <ul style="list-style-type: none"> ● Number of agencies that industry clients must work with on oil and gas applications 	<p>The OGC continually improves the regulatory environment.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Number of updated MOUs or working agreements with partner agencies ● Number of new MOUs or working agreements with partner agencies ● Client Satisfaction (among OGC partners with MOUs) 	<p>The revised goal highlights the OGC's role in activities that improve the operating environment proactively through guiding regulations and legislation.</p> <p>The OGC maintains a number of working agreements and MOUs that support and define the relationship and delegated authorities with partner agencies.</p> <p>The agreements support OGC authority with respect to upholding the values associated with the partner agencies' mandates.</p> <p>Measure indicates quality of interaction perceived by partner agencies through the implementing of the legislative and regulatory framework.</p>

<p>Goal 5: We will provide a personal-best performance environment for employees.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Percentage of employees with a performance plan and evaluation in place. ● Voluntary turnover rate of regular staff. ● Budgeted investment in training per employee. 	<p>The OGC is a great place to work.</p> <p>Measures:</p> <ul style="list-style-type: none"> ● Percentage of employees with a development plan in place ● Voluntary turnover rate of regular staff ● Percentage of employees that respond to internal employee engagement survey 	<p>The new goal helps the OGC to work on a wider suite of objectives and strategies to more positively affect the measures.</p> <p>The revised measures more accurately track the outcome of employee development rather than simply the amount of money spent.</p>
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