

Horn River Basin/Shale Gas Frequently Asked Questions



What is shale gas?

Shale gas is simply natural gas produced from shale, which is a fine-grained rock containing clay minerals. Natural gas is contained in the large number of very small pores between the mineral particles and, possibly, absorbed within the clay. While it is difficult to extract the natural gas from these small, tight pores, industry is using new technologies to stimulate or fracture the shale, which opens up these tight pores and releases the natural gas. This process, often referred to as fracking, can be expensive; however, as technology improves and more cost-efficient drilling methods are developed, production of natural gas from shale is becoming economic.

What and where is the Horn River Basin?

The Horn River Basin is the geological name of the area of shale formation that is of interest to the oil and gas industry. Located in British Columbia, approximately 40 kilometres north of Fort Nelson to the Northwest Territories border, the field is estimated to be 2 million acres (3000 square miles) in size. (See Map)

How much shale gas development is in Canada?

Currently, there is no large scale, commercial shale gas production in Canada. Natural gas is being produced successfully from shale formations in other parts of North America.

What are the technical and surface characteristics of shale gas development?

Compared to conventional natural gas development, more wells are required to recover natural gas from shale. The impact on land use is reduced by utilizing multi-well pads and horizontal drilling. Water is commonly used in the process of fracturing the shale. As advancements in technology and operations occur, impact on the land use and water should be reduced.

How does shale gas development compare to conventional gas?

While shale formations tend to produce natural gas at moderate rates for approximately 30 years or more, stimulation is required to do so. In comparison, natural gas contained in more permeable rocks, such as sandstones and porous limestones, is produced more easily, quickly and economically. As readily accessible conventional gas sources become harder to find in North America, extracting natural gas from shale may be an excellent source to help meet consumers' natural gas needs.

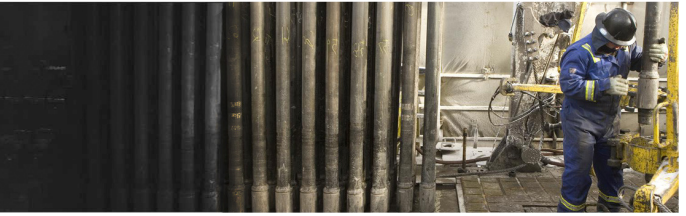
What are the current expectations for Horn River Basin development?

The Horn River Basin has significant potential for natural gas, and early test results are encouraging. However, a number of variables will determine if commercial development of shale gas is viable. These include: the price of natural gas and industry cost trends; infrastructure needs such as pipelines to transport natural gas to markets and roads; technological developments; and the ability to meet environmental requirements and secure support from stakeholders.

What is the Horn River Shale Gas Producers Group?

The Horn River Shale Gas Producers Group is comprised of eleven companies exploring and developing in the Horn River Basin with the focus on aspects of responsible development of the resources. A key priority for the companies is to minimize cumulative environmental impact through methods such as multi-well pad drilling and common infrastructure (roads, pipelines, utilities, water use, etc.). The Producers Group is committed to working with First Nations, government and communities to understand and address issues and to manage expectations around economic and social impacts.

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What are some potential benefits of Horn River Basin development?

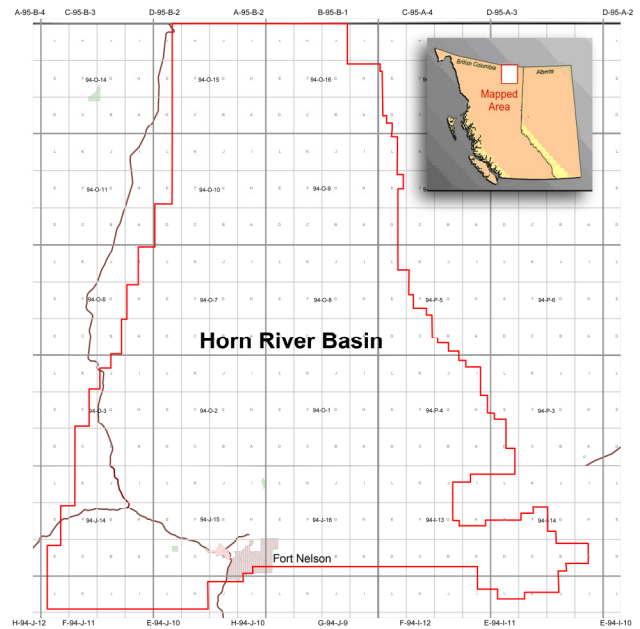
Long term, natural gas production from the Horn River Basin could help to meet Canada's energy needs, and is a preferred energy source from a carbon-emission standpoint. Also, commercial development will require all-season operations, resulting in a number of benefits to the area. These include an increase in employment opportunities and enhanced municipal and provincial revenues.

How are companies working to reduce their footprint in the Horn River Basin?

Collaborative efforts by companies are underway to minimize their environmental footprint and coordinate infrastructure development. In the northern Horn River area, companies are combining efforts by using a common gravel source, initiating joint roads, and constructing a common pipeline system. Similarly in the southern area companies are jointly developing roads and pipelines. As well efforts are ongoing to better understand water resources and mitigate impact of seismic activity. More information regarding these and other activities can be found in other Producers Group brochures which profile industry joint efforts throughout the area.

How many wells are planned for 2010?

Different companies are at different stages of development in the Horn River Basin. Some operators, including Imperial Oil/ExxonMobil Canada, Quicksilver, Suncor, Pengrowth and ConocoPhillips are in the exploratory stages and plan to drill test wells, while EnCana, Apache, Nexen, Devon, EOG and Stone Mountain are planning multi-well drilling programs. Between 80 and 100 wells are expected to be constructed by the end of 2010, many of which will be drilled from multi-well pads.



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*This document was prepared and endorsed by the
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