

Speech to OTANS 25th Anniversary Dinner

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EnCana Corporation

CHECK AGAINST DELIVERY

- Thank you Robert for those kind words of introduction
- Premier MacDonald, Minister Dooks, Chairman Dalton, Chairman Clouter, honoured guests, ladies and gentlemen
- Pleasure to be here this evening, particularly in this, OTANS 25th anniversary year –
 - Over the last two and a half decades, you have grown OTANS from just a handful of companies to an organization with nearly 400 members.
 - 25 years is a long time to be in business – since 1982 – to serve your clients and to remain relevant to your industry – congratulations to OTANS for a job well done
- Just following up on the comments made by the Premier with respect to the tidal power initiative in the Bay of Fundy. EnCana is known for its focus on unconventional sources of natural gas and oil. If you expand this horizon on unconventional sources of energy, one of the biggest untapped potential sources is tidal power. Through EnCana's Environmental Innovation Fund, we are supporting a demonstration tidal power project at Race Rocks on Vancouver Island. Premier, if the opportunity presents itself, EnCana would be interested in discussing how we might participate in your initiative.
- Tonight, we are talking about anniversaries and milestones
 - Of course anniversaries are also times for sober reflection. And, tragically, it also has been 25 years since the Ocean Ranger disaster when all 84 men on board -- 56 from Newfoundland and Labrador -- were lost during a terrible winter storm on the Grand Banks.
 - As with all tragedies, there were very tough lessons learned. Industry and regulators have learned a great deal from the Ocean Ranger sinking and used that information to greatly enhance safety offshore.

- Offshore operators are absolutely dedicated to a safe work environment and unwavering necessity of building safety into every piece of equipment, every activity, and each and every worker involved in any part of the industry.
- That is as it should be. Constant vigilance is an imperative when safety is concerned.

Tonight, as we consider the past and plan for the future, I would like to take the opportunity to share with you some of EnCana's thoughts on Nova Scotia's offshore.

I will include an update of our Deep Panuke development, and, I would like to share with you where we think things will be headed over the next few years.

Many people in this room have been part of this story from the earliest days.

I'm not a historian, and some may disagree with me, but I think many people here tonight would concur that Nova Scotia's offshore industry really got going in 1967 with the drilling of the first well at Sable Island. Certainly there were years of preparations, stops and starts, leading up to drilling that well. But I think 1967, Canada's Expo year and by the way, the last year the Leafs were the Stanley Cup champions, still represents a starting point.

Soon after in 1969, Shell Canada made the first offshore discovery at the Onondaga well south of Sable Island. Shell found natural gas, when everyone wanted to find oil. In the 70s there were more natural gas discoveries at Thebaud and Venture, oil at Cohasset – and in the 80s, natural gas discoveries at South Venture, Glenelg, Alma, Chebucto and North Triumph, and oil at Panuke. Heady days for our industry to be sure.

In the 90s, production began at Cohasset-Panuke, Canada's first offshore oil production facility. Production took place from 1992-1999, with about 44 million barrels of sweet,

light crude brought to the market. EnCana purchased interest in the Cohasset-Panuke field in the mid-90s and we became the field operator in 1996.

So we also have an EnCana anniversary tonight. It's been about a decade since we became the operator at Cohasset-Panuke and made our entrance in Atlantic Canada.

In those 10 years.....59 exploration and development wells have been drilled in Nova Scotia's offshore. EnCana has been involved in 28 of those wells, or 47 per cent of the total. (These stats are from the CNSOPB's directory of wells, available to all on-line.)

And in that decademore than 250 Nova Scotians worked on EnCana projects each year, representing in excess of 5.7 million person hours of work.

I'm sure you will agree, EnCana has been a significant presence in this province's offshore industry for the last decade, and there is a deep Nova Scotia connection at EnCana senior management levels.

Did you know that Dave Kopperson, EnCana's Atlantic Canada Vice-President, was part of the original acquisition team that evaluated Cohasset-Panuke for purchase by PanCanadian back in the 90s? Dave currently divides his time between Calgary and Halifax but plans to make the move to Halifax if Deep Panuke is sanctioned by EnCana's Board of Directors later this year. And did you know that Malcolm Weatherston, the general manager for Deep Panuke, was the manager of engineering and construction for Cohasset-Panuke back in the LASMO days?

As for me, I headed up PanCanadian's marketing division at the time Cohasset-Panuke was acquired and the importance of Nova Scotia's location adjacent to the best energy market in North America was a critical factor in our acquisition and it remains one of the real comparative advantages Nova Scotia has today.

I'd like to take a moment to reflect on the Cohasset-Panuke history. When people think of oil production in Atlantic Canada, attention always shifts to Newfoundland's offshore, and many point to Hibernia as the starting point. But, in fact, it is Nova Scotia's offshore where production of both oil and natural gas first started. That's an achievement to recognize during this 25th anniversary year for OTANS, because certainly production would not have been possible without the expertise and commitment of many in the room tonight.

In the late 90s, while oil was being produced at Cohasset by EnCana, exploratory drilling led to the discovery of Deep Panuke, which is poised to become Nova Scotia's second natural gas offshore development. I'll have more to say about Deep Panuke in a few moments.

Also in the late 90s, companies snapped up exploration lands off Nova Scotia in a bid to find the next prize. A series of offshore wells followed, with signs of both promise and disappointment. I remember this period particularly well as I had moved from marketing to operations and how optimistic our explorationists were. You've heard this point said before, but it really bears repeating: you can not make or break a basin on the basis of about 200 wells, which is what has been drilled here to date.

Fact is, there are conceptual plays in Nova Scotia's offshore that the explorationists continue to find intriguing. Those plays, largely in the deeper water, will require the participation of several interested companies with both the financial capability and niche expertise because of the high costs and technological know-how associated with harsh environment, deep water drilling.

Drilling on deepwater blocks requires sophisticated equipment, capable of operating in a challenging environment. One example of that specialized, fit for purpose equipment is the Eirik Raude semi-submersible. Within EnCana I had the responsibility to negotiate the terms required to bring the Raude to Halifax for final construction at the Halifax Shipyard. Two-thousand jobs were generated at peak construction. The arrival of the

Raude in our waters also helped to spark a string of deep water wells here and in Newfoundland and Labrador.

There have been other bright moments like this. But we all know it hasn't been 25 years of one honeymoon moment after another here in Nova Scotia, but it hasn't been as bad as the Maple Leafs franchise either! Our industry is cyclical in nature as commodity prices rise and fall. Interest in this basin has waxed and waned. There have been drilling disappointments – speaking for EnCana, we've been part of a few of those – but there have also been successes.

The challenge now is to build momentum.

To assist in that process, I think the Nova Scotia Department of Energy, and specifically Minister Dooks and Deputy Minister Alison Scott, should be commended for recent initiatives. Last year, the establishment of a new association, Offshore Energy Technical Research, provided the focal point for the ongoing analysis of geological data to assist with exploration efforts in the offshore. In the same vein, sponsorships from the Offshore Energy Environmental Research association for studies on environmental matters should help to fill any knowledge gaps.

Combined with the work of the National Energy Board, this coordinated approach to research benefits operators by pooling information of interest to all -- and most importantly making it available to all.

The Department of Energy's willingness to consider offshore license consolidation is also a plus as it provides another incentive to operators to cooperate and to share risk.

As well, the Department's energy strategy, and its introduction of Offshore Strategic Energy Agreements, or OSEAs, has been an important step. OSEAs are really agreements that provide operators and government with certainty on development scenarios. How important is this? I can assure you that without this agreement, we would not have moved forward to regulatory application.

We've made that regulatory application, so let's talk for a few minutes about Deep Panuke.

As you know, the public hearings for the Deep Panuke regulatory review are slated to begin here in Halifax in about two weeks time on March 5. We look forward to the participation of individuals and organizations that have identified an interest in Deep Panuke. Two weeks have been scheduled for the hearing and we expect to hear back from our regulators with their decisions by the fall. After that, the next step is to in short order bring Deep Panuke forward to EnCana's board of directors for a sanctioning decision.

EnCana has engaged in a tremendous amount of activity leading up to the regulatory hearing, led by Dave Kopperson and his team in Halifax....

To highlight just a few areas of effort:

- Last June, we reached the OSEA, that critical framework agreement with the Province outlining Deep Panuke's royalty rates, employment and industrial commitments and funding for research, education and training.
- As well, further analysis of the reservoir combined with the most recent delineation drilling at Dominion – albeit disappointing drilling – has helped us to better understand the geology at Deep Panuke
- In another area of focus, we launched a bidding competition for the Mobile Offshore Production Unit or MOPU, the centerpiece of the contracting strategy for Deep Panuke.
- On the procurement front, BIDS Nova Scotia has been identified as the portal for information on Deep Panuke contracting opportunities.
- We're excited that work is underway to pair up local manufacturers in Nova Scotia with Western-based drilling companies for the fabrication of onshore rig components. EnCana has committed to support this initiative as part of the framework agreement with the province on Deep Panuke development.
- We have engaged in consultation with Nova Scotia's Aboriginal community

- And finally, we have hosted open houses and meetings with members of the public interested in learning more about Deep Panuke.

Overall, with respect to Deep Panuke, all interested parties are demonstrating how things can be done in a collaborative and constructive fashion.

Compared to 2002, we have a firm timeline for Deep Panuke that, if it unfolds as expected, will be the most concrete demonstration of improving the regulatory process on the East Coast that we've seen in the last quarter century.

This has been no small feat, and really has required the input of a broad group of stakeholders, industry and regulators. I can echo recent comments from CAPP that industry is certainly watching as the Deep Panuke review process unfolds. In short, so far, so good.

Having said all this, I would now like to place the status of Nova Scotia's offshore into a broader picture.

Let's look at energy market fundamentals today.

Demand for energy is outstripping conventional supply in North America. More supply is needed, now. Further, at the global level, the demand is staggering. The International Energy Agency estimates that world oil demand will reach 116 million barrels per day in 2030, up from 84 mb/d in 2005.

Canada is the largest supplier of oil, natural gas, uranium and electricity to the United States – the largest consumer of energy in the world. We have a strong relationship and integrated markets that together are the envy of the rest of the world.

While renewable energy supply will grow at strong rates in North America, it simply cannot offset conventional hydrocarbon supply declines or even match projected energy

demand growth rates. Bottom line, if hydrocarbons can be produced in North America there will be a strong market demand available.

Increasingly hydrocarbons are found in countries with unstable legal, political and fiscal regimes. That means interest in the safe harbor called Canada is growing.

Demand for natural gas will continue to grow as concerns about climate change place greater emphasis on cleaner fuels, and natural gas is one of the cleanest burning fossil fuels.

Recent polls show just how much concern about climate change has risen on our national radar. The pollsters tell us that our anxiety about environmental change is now higher than our concern about health care or terrorism.

The subtext in this debate is that Canada will make a meaningful contribution to reduce greenhouse gas emissions. Certainly natural gas can be part of the solution. With an energy portfolio that is 78 per cent gas weighted, EnCana believes that it has an opportunity to help satisfy the growing North American demand for energy by supplying a cleaner burning transition fuel while new technologies emerge and renewable energy markets develop.

Combine the importance of natural gas as a transition fuel in this century with the fact that many geologists describe Nova Scotia's offshore as "gas prone" and you have a fundamental underpinning to future exploration interest in this area.

Finally, today's busy environment for the oil and gas industry means that procurement has become truly global. The services that you – members of OTANS – can offer customers from your base here in Nova Scotia are world-class and put you on footing to be competitive with oil patch suppliers anywhere else in the world.

What does all this mean for Nova Scotia, for OTANS and for OTANS member companies?

In my view it means strong future opportunities for anyone in the drilling, facilities and operations business.

Now today, there may be less actual opportunity in Nova Scotia's offshore than many of us would like. But until things truly pick up steam once again, there is no harm in pursuing work elsewhere. As I said, procurement for oil and gas companies is truly global. If the market today is not here, go to the market. Many of you are proving that right now.

I'm told that Mulgrave Machine Works is manufacturing pressure vessels for companies in Alberta, and that a local trucking company in Havre Boucher has the contract to haul the vessels westward.

Then there is the story of Focus Corporation, a Calgary-based engineering and geomatics firm that's employing Nova Scotians in its Truro branch office for clients three time zones to the west in Alberta.

In fact, EnCana is one of those clients, so the Focus staff in Truro are doing work for EnCana well sites in Western Canada. West, ladies and gentlemen, has come east!

In a recent media story on this office, the local manager says it opened about a year ago, has grown to 13 employees and that he expects to reach 30 employees by the end of this year.

Certainly kudos to Premier MacDonald, to the province's business development agency and the Department of Energy for recognizing that work being done in Nova Scotia can be sold to the Alberta oil patch. At the end of January, Premier MacDonald headed west on a trade mission to secure more business for business at home.

Clearly Premier MacDonald has been successful in this effort. Now, Mr. Premier on behalf of the loyal fans of the Canucks, the Flames, the Oilers, the Senators, the Habs and

yes, most importantly even the lowly Leafs, could you please turn your attention to getting Sidney Crosby to come home and play in Canada!

Like hockey, business, as we all know, is competitive, first and foremost. Best value for money gets the contract. But business is also about relationships, and steps to improve relationships, to open doors to new opportunities and to grow the market for Nova Scotia products are all worthy steps indeed.

When you consider the rate of drilling activity in the west, it becomes clear that there are opportunities. Although the number of wells drilled in 2006 was less than the level of activity for 2005, the numbers remain high. The pace for 2007, while expected to be less blistering, will remain strong.

The Daily Oil Bulletin reports there were about 23,000 wells drilled in Canada in 2006, with the vast majority of the work – about three of every four wells – drilled in Alberta.

Taking off my EnCana hat and putting on my CAPP Board of Governors hat, all those wells need the support of a lengthy supply chain, one that OTANS member companies can – and are – becoming a part of.

To conclude.....

- Nova Scotia's offshore industry has had its ups and its downs
- Your journey has been EnCana's journey for the last decade
- We continue to advance our plans for Deep Panuke, and look forward to the start of regulatory hearings next month.
- Market fundamentals in North America mean continuous interest in new hydrocarbon supply, and Nova Scotia can be part of that continuing interest
- As well, interest will be on natural gas as the cleanest burning fossil fuel
- But until focus is again on Nova Scotia, position yourselves as suppliers to a global energy market, and you can enjoy the best of being at home while working

for those who are away -- so you can be work-for-aways for us come-from-aways!

And once again, congratulations to OTANS and your membership in this special anniversary year. EnCana looks forward to working with you, OTANS members and your government Premier MacDonald as we continue with our plans for Deep Panuke.

Thank you for the opportunity to speak to you this evening.